

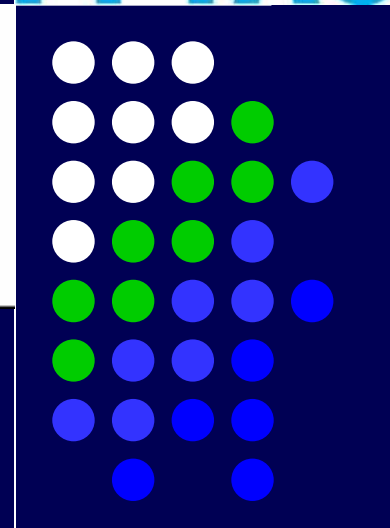
**A MACROECONOMIC  
PORTRAIT OF THE PACIFIC:  
A Presentation for PEGASes  
August 16, 2007**



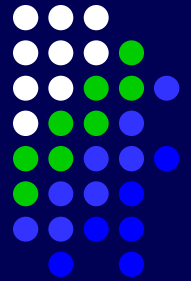
**Susan J. Adams, PhD  
IMF-PFTAC Coordinator**



**Compiled by the  
IMF Asia and Pacific Department  
Edited by PFTAC**



# OUTLINE OF PRESENTATION



## I. Recent Developments and Outlook:

- GDP and Prices
- External Sector
- Monetary Sector
- Fiscal Sector

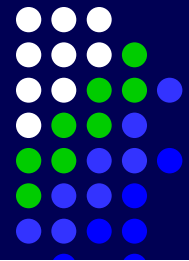
## II. Competitiveness in the Pacific Region

## III. Factors Impeding Growth in the Pacific Islands

## IV. Questions/Discussion

# I. COUNTRY GROUPINGS

## Used in this Study



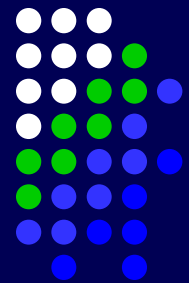
South Asia	East Asia	Emerging Asia	Pacific Islands
Bangladesh	Brunei Darussalam	China	Fiji
Bhutan	Cambodia	India	FSM
Maldives	Lao PDR	Thailand	Kiribati
Myanmar	Mongolia	Malaysia	Palau
Nepal	PNG	Indonesia	RMI
Sri Lanka	Timor-Leste	Philippines	Samoa
		Korea	Solomon Is
		Taiwan POC	Tonga
		Singapore	Vanuatu
		Hong Kong SAR	

# I. Recent Developments and Outlook



# 1. GROWTH AND PRICES

## Real GDP Growth (year on year % change)



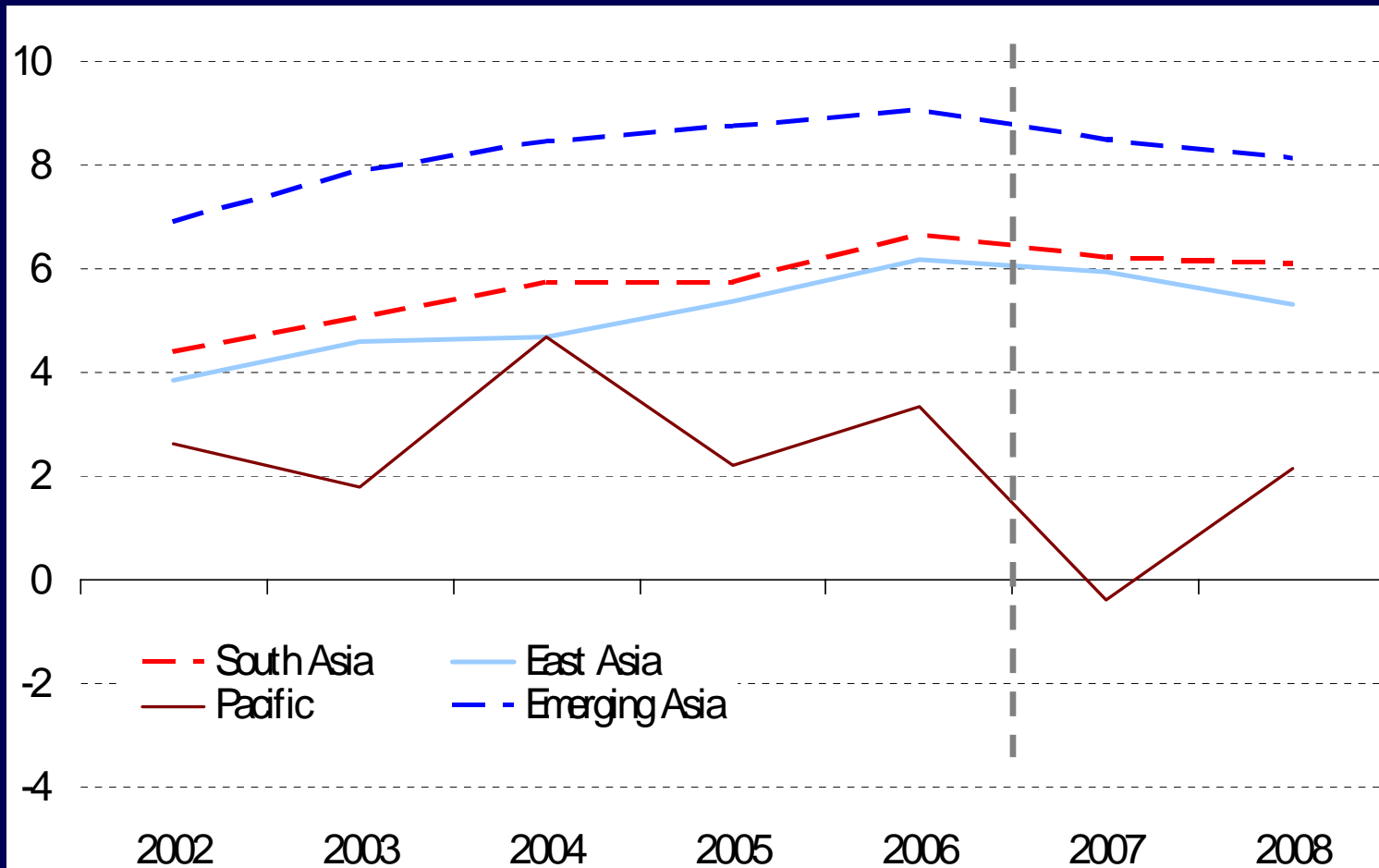
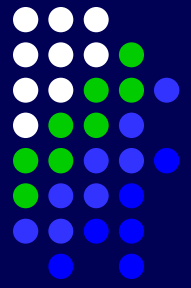
	2002-05 average	2006	2007 Prj.	2008 Prj.
<b>South Asia</b>	<b>5.2</b>	<b>6.7</b>	<b>6.2</b>	<b>6.1</b>
Bangladesh	5.8	6.7	6.7	6.8
Bhutan	7.8	7.2	13.6	11.8
Maldives	5.0	19.1	5.5	4.5
Myanmar <sup>1/</sup>	3.8	7.0	5.5	4.0
Nepal	2.3	1.9	3.0	4.5
Sri Lanka	5.4	7.4	6.0	5.5
<b>East Asia</b>	<b>4.6</b>	<b>6.2</b>	<b>5.9</b>	<b>5.3</b>
Brunei Darussalam	1.9	3.8	2.6	3.0
Cambodia	9.6	10.8	9.1	7.6
Lao P.D.R.	6.4	7.6	7.1	7.6
Mongolia	6.9	8.4	8.0	7.5
Papua New Guinea	2.0	3.7	4.3	3.7
Timor-Leste	-2.6	-1.6	32.0	3.6
<b>Pacific Islands</b>	<b>2.8</b>	<b>3.3</b>	<b>-0.2</b>	<b>2.2</b>
Fiji	2.8	3.4	-2.5	1.7
Kiribati	1.0	5.8	2.5	1.6
Marshall Islands	3.7	1.0	3.6	3.0
Micronesia, F.S.	0.5	-0.7	1.8	-0.3
Palau	1.4	5.7	2.5	0.0
Samoa	4.0	1.8	3.0	3.5
Solomon Islands	4.4	6.1	5.4	4.2
Tonga	2.5	1.3	-3.5	0.8
Vanuatu	2.0	5.5	5.0	4.0
<b>LISCs</b>	<b>5.0</b>	<b>6.5</b>	<b>5.9</b>	<b>5.8</b>
<b>Emerging Asia</b>	<b>9.3</b>	<b>9.0</b>	<b>8.5</b>	<b>8.1</b>

Sources: IMF, APDCORE and WEO databases; and staff estimates.

<sup>1/</sup>IMF staff estimates.

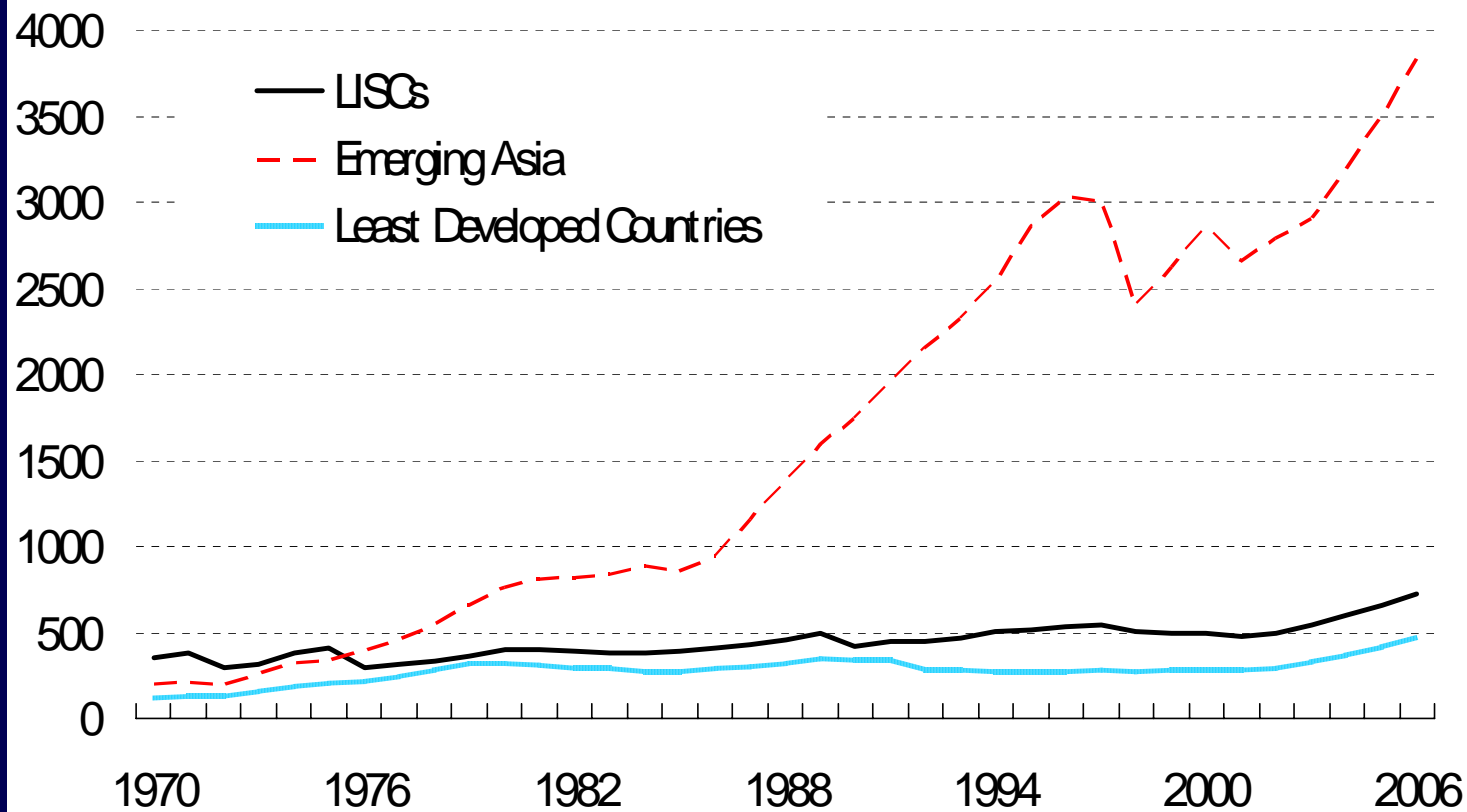
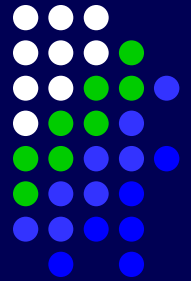
# Real GDP Growth

(In percent, weighted)



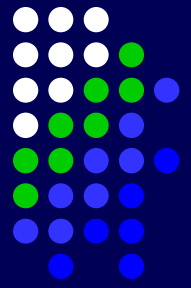
Sources: IMF, *World Economic Outlook*; Country authorities; and Fund staff calculations.

# Per Capita GDP, 1970 – 2006<sup>1/</sup>



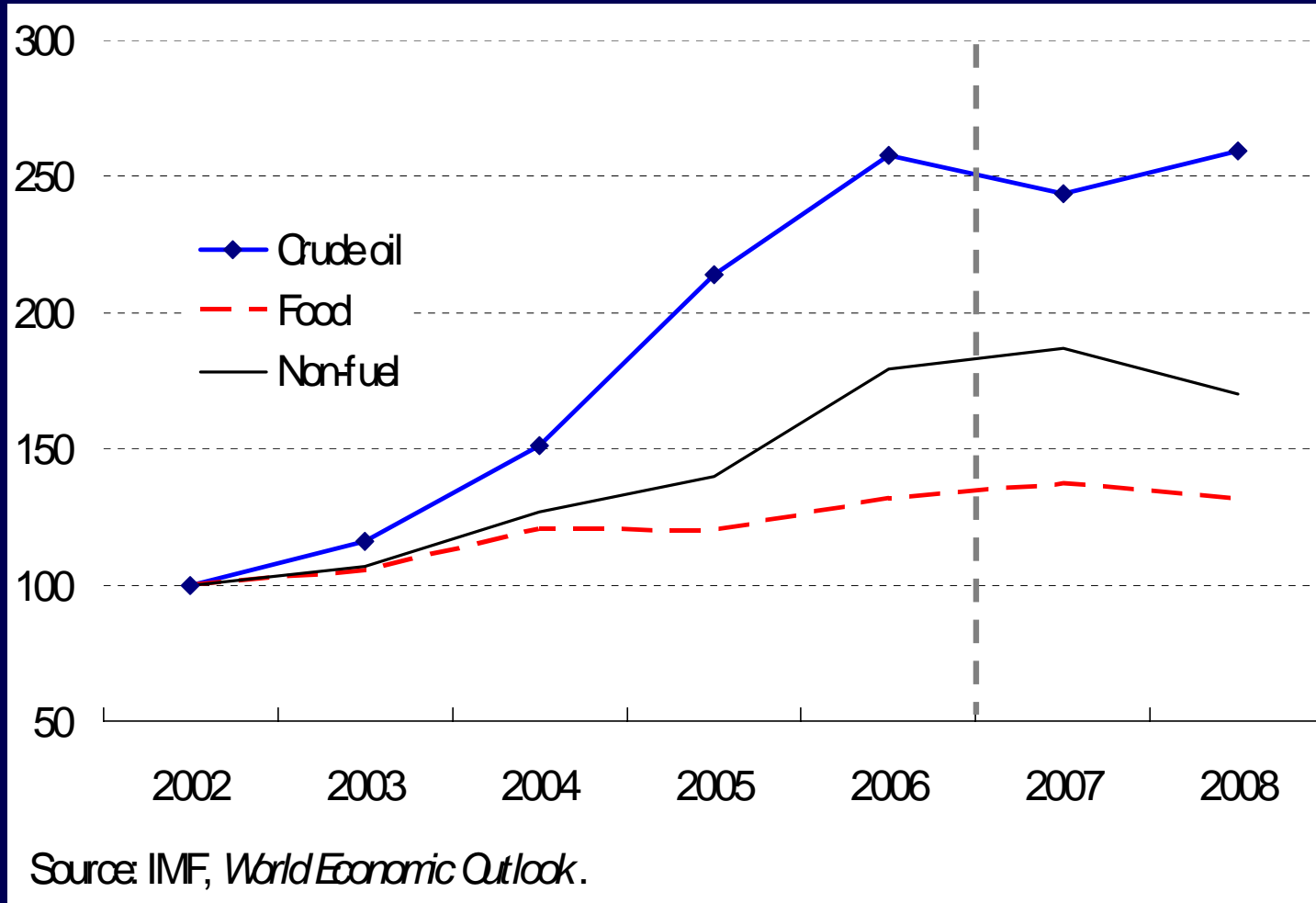
Sources: IMF, *World Economic Outlook*; and Fund staff calculations.

<sup>1/</sup>Excluding Brunei, Micronesia, Marshall Islands, Palau, and Timor Leste.



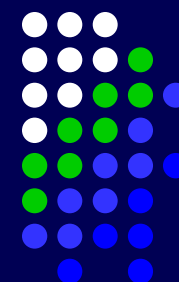
# Global Commodity Prices

(Index 2002 = 100)



# Consumer Price Index

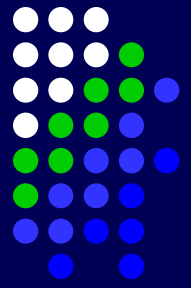
## (Year on year percent change)



	2002-05 average	2006	2007 Prj.	2008 Prj.
<b>South Asia</b>	<b>7.5</b>	<b>11.6</b>	<b>11.4</b>	<b>10.0</b>
Bangladesh	5.6	6.8	7.3	5.8
Bhutan	3.6	5.1	4.6	4.1
Maldives	1.9	3.7	7.0	6.0
Myanmar	24.2	26.3	37.5	35.0
Nepal	4.3	8.0	7.0	6.1
Sri Lanka	7.0	17.9	11.0	11.0
<b>East Asia</b>	<b>4.3</b>	<b>2.4</b>	<b>3.4</b>	<b>2.7</b>
Brunei Darussalam	0.0	0.5	1.2	1.2
Cambodia	4.1	2.8	3.5	3.5
Lao P.D.R.	11.3	6.8	4.0	4.5
Mongolia	6.2	5.6	5.3	5.0
Papua New Guinea	7.5	1.3	6.0	2.1
Timor-Leste	4.2	4.1	5.0	3.7
<b>Pacific Islands</b>	<b>3.4</b>	<b>4.0</b>	<b>3.7</b>	<b>3.8</b>
Fiji	2.6	3.8	3.5	3.5
Kiribati	0.4	-0.2	0.2	1.0
Marshall Islands	1.0	5.3	2.4	2.4
Micronesia, F.S.	1.4	3.9	3.0	2.5
Palau	1.1	0.0	0.0	0.0
Samoa	6.9	3.3	4.4	4.1
Solomon Islands	8.4	8.1	6.3	7.3
Tonga	10.7	7.0	6.0	6.4
Vanuatu	1.9	1.6	2.5	3.0
<b>LISCs</b>	<b>6.8</b>	<b>9.5</b>	<b>9.5</b>	<b>8.4</b>
<b>Emerging Asia<sup>1/</sup></b>	<b>2.7</b>	<b>3.4</b>	<b>3.4</b>	<b>2.9</b>

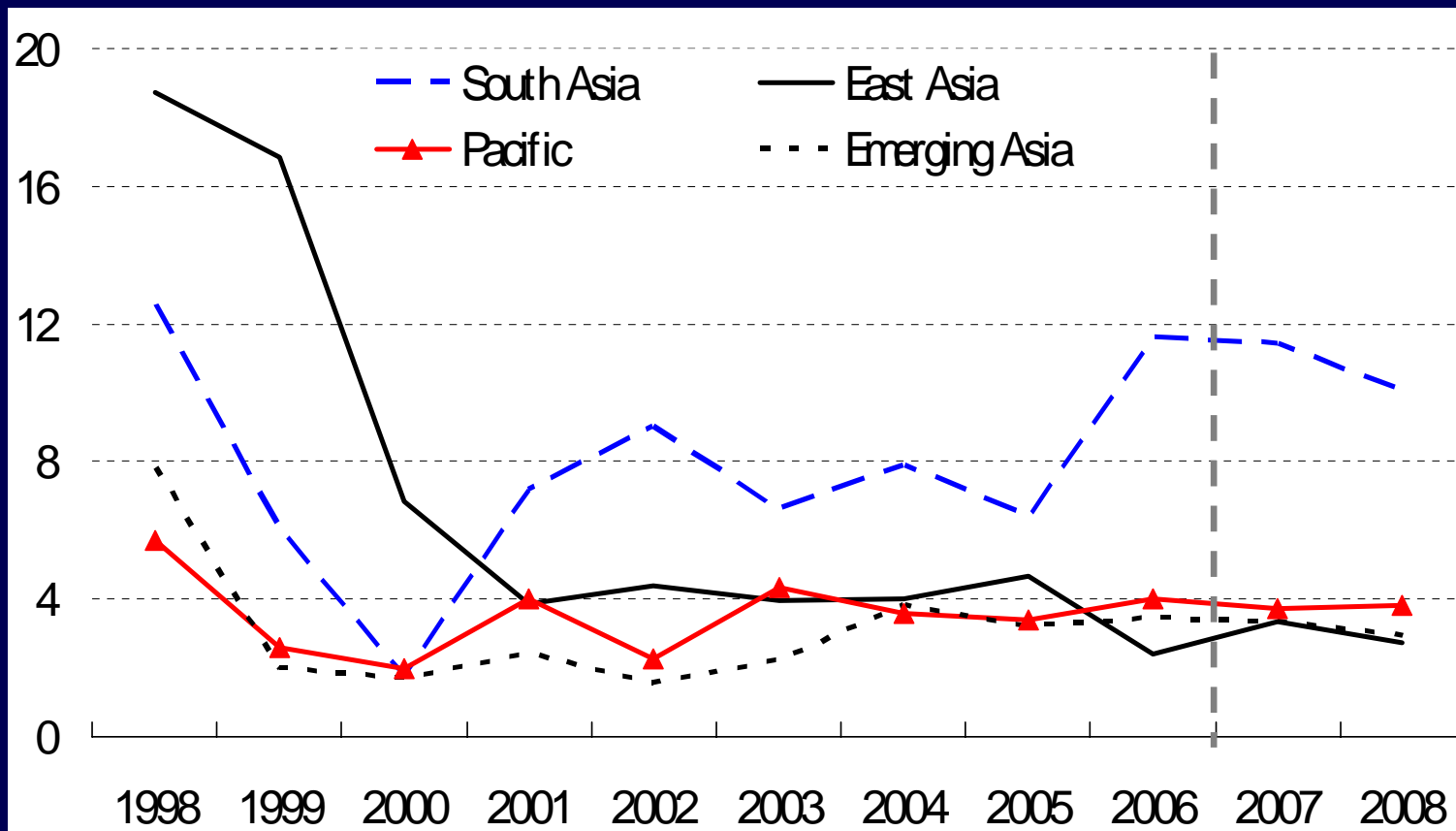
Sources: IMF, WEO databases; and Fund staff estimates.

<sup>1/</sup>Average period.



# Consumer Prices

(Year on year percent change)

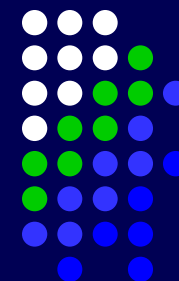


Sources: IMF, *World Economic Outlook*; country authorities; and Fund staff calculations.

<sup>1/</sup>Average period for Emerging Asia.

## 2. EXTERNAL SECTOR

### Current Account Balance (% of GDP)



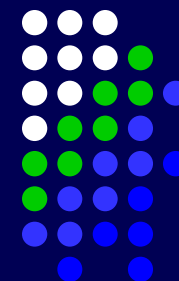
	2002-05 average	2006	2007 Prj.
<b>LISCs<sup>1/</sup></b>	-1.0	-0.6	-1.5
<b>South Asia</b>	-0.5	-0.4	-0.8
<b>East Asia<sup>1/</sup></b>	-2.9	2.8	-1.5
<b>PICs</b>	-8.1	-16.9	-21.3
<b>Emerging Asia</b>	4.0	5.8	6.1

Sources: IMF, WEO databases; and staff estimates.

<sup>1/</sup>Excluding Brunei Darussalam

# Exports of Goods and Services

(US\$, year on year percent change)

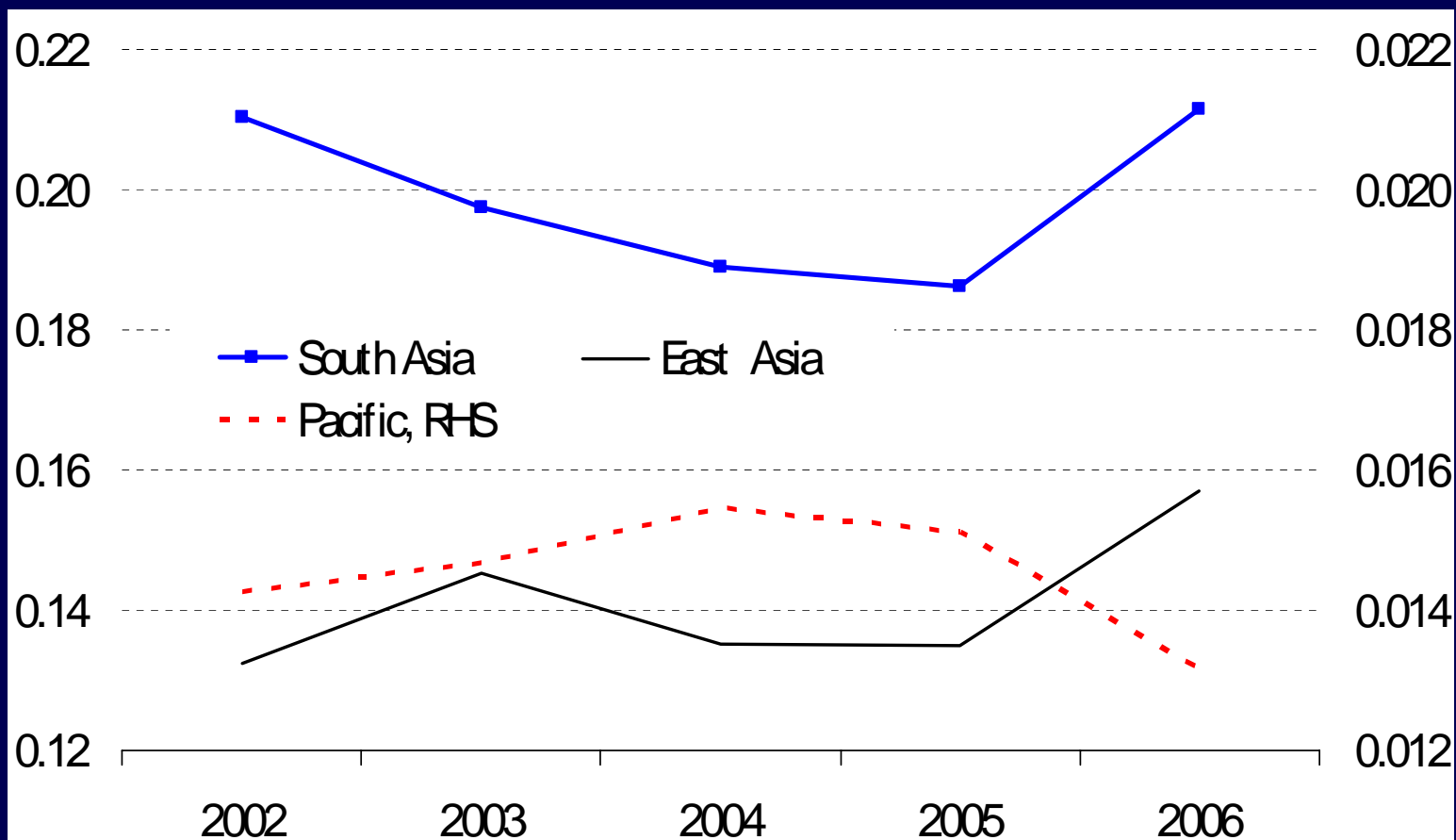
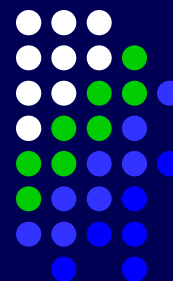


	2002-05 average	2006	2007 Proj.	2008 Proj.
<b>LISCs</b>	23.3	16.4	9.5	8.1
<b>South Asia</b>	4.8	15.2	8.2	7.6
<b>East Asia</b>	60.3	33.9	17.7	8.8
<b>Pacific</b>	10.7	5.4	4.4	7.9
<b>Emerging Asia</b>	24.5	<b>22.8</b>	<b>18.2</b>	<b>15.3</b>

Sources: IMF, World Economic Outlook; Country authorities; and Fund staff estimates.

# Export Market Share<sup>1/</sup>

(In percent of world exports)

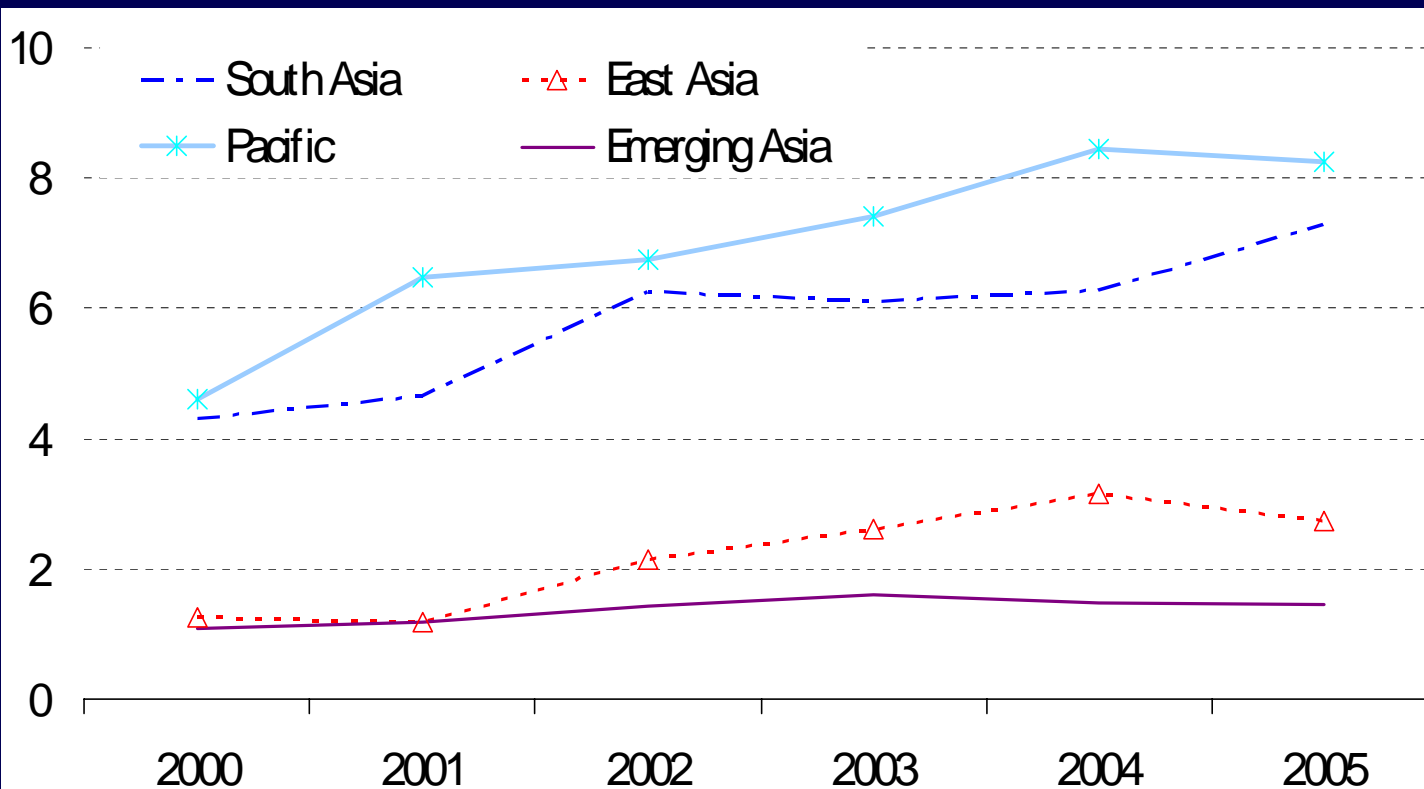
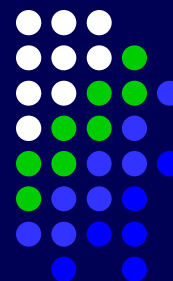


Sources: IMF, *Direction of Trade Statistics*; and Fund staff calculations.

<sup>1/</sup>Excludes Bhutan, Timor Leste, Marshall Islands, Micronesia, and Palau.

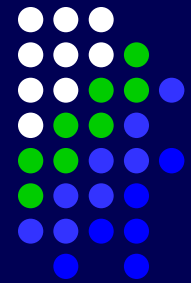
# Remittances <sup>1/</sup>

(In percent of GDP)



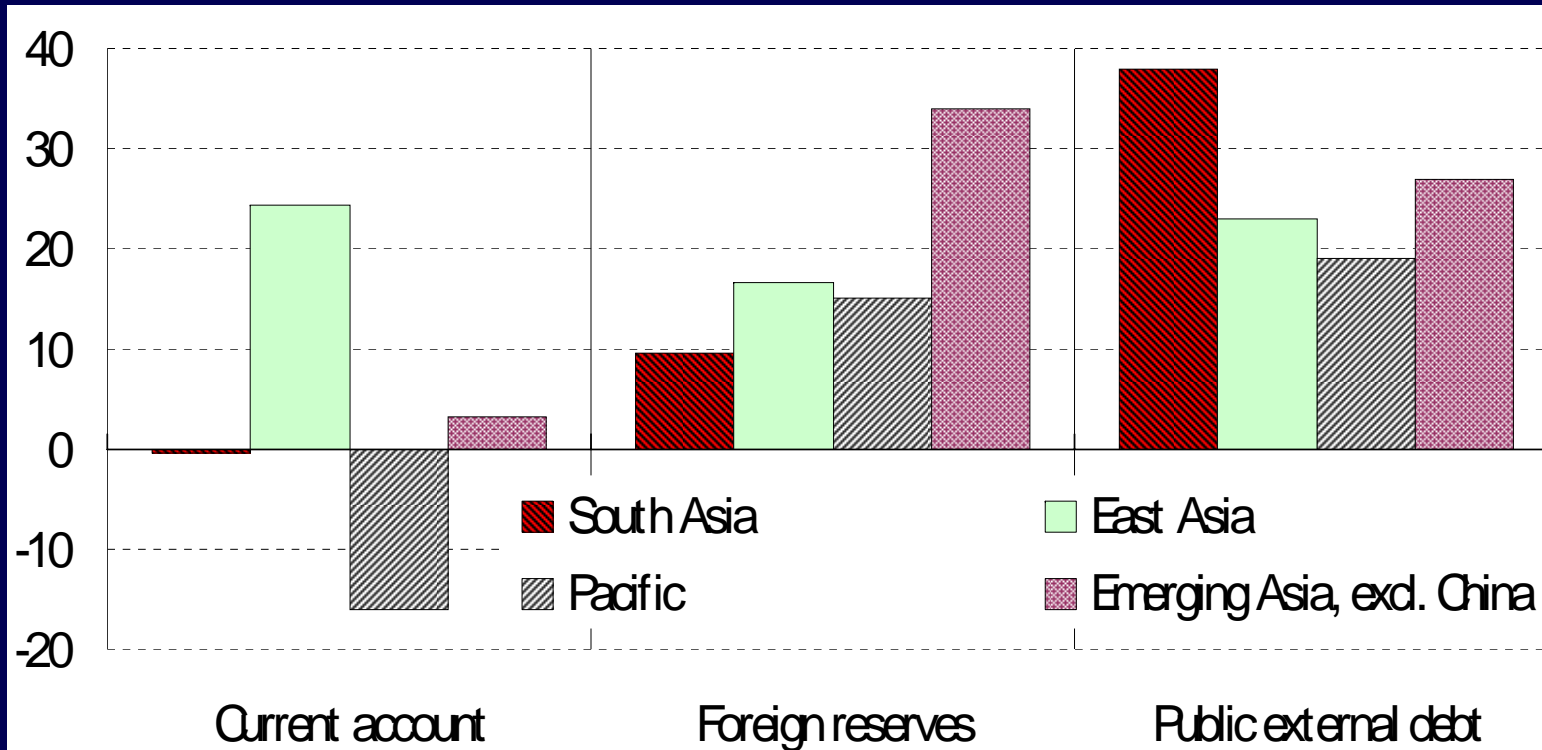
Sources: World Bank, *World Development Indicators*; and Fund staff calculations. See IMF (2007) for Pacific Islands definitions.

<sup>1/</sup>Excludes Bhutan, Timor Leste, Brunei Darussalam, Singapore, and Taiwan POC.



# Indicators of External Vulnerability, 2006<sup>1/</sup>

(In percent of GDP)

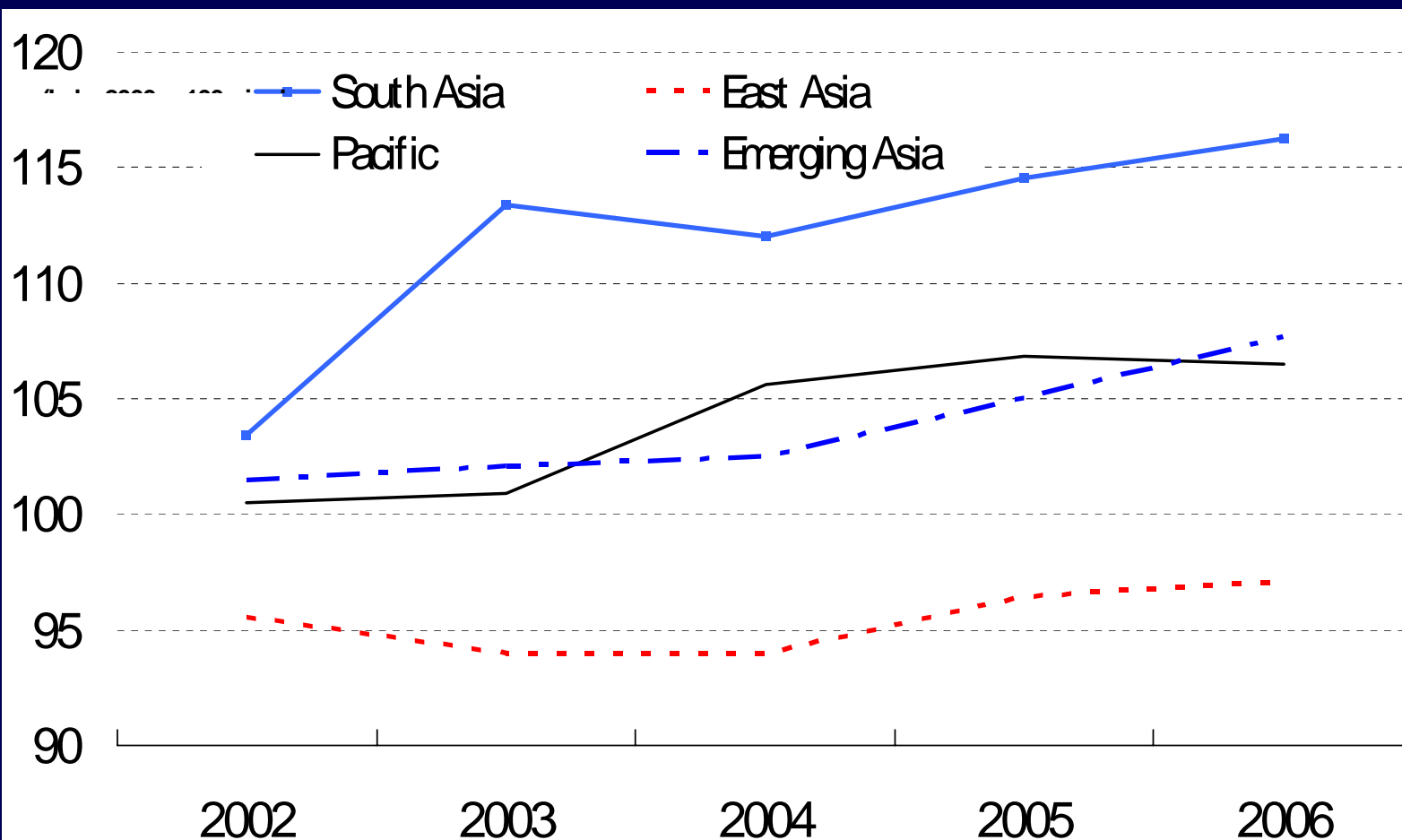


Sources: IMF, *World Economic Outlook*; Country authorities; and Fund staff calculations.

<sup>1/</sup>Reserves exclude government held resource funds invested off shore in Timor-Leste, Brunei, Mongolia and the trust funds in Kiribati and the Compact Pacific Island countries.

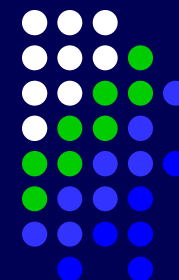
# Real Effective Exchange Rates<sup>1/</sup>

(Index 2000 = 100, weighted average)



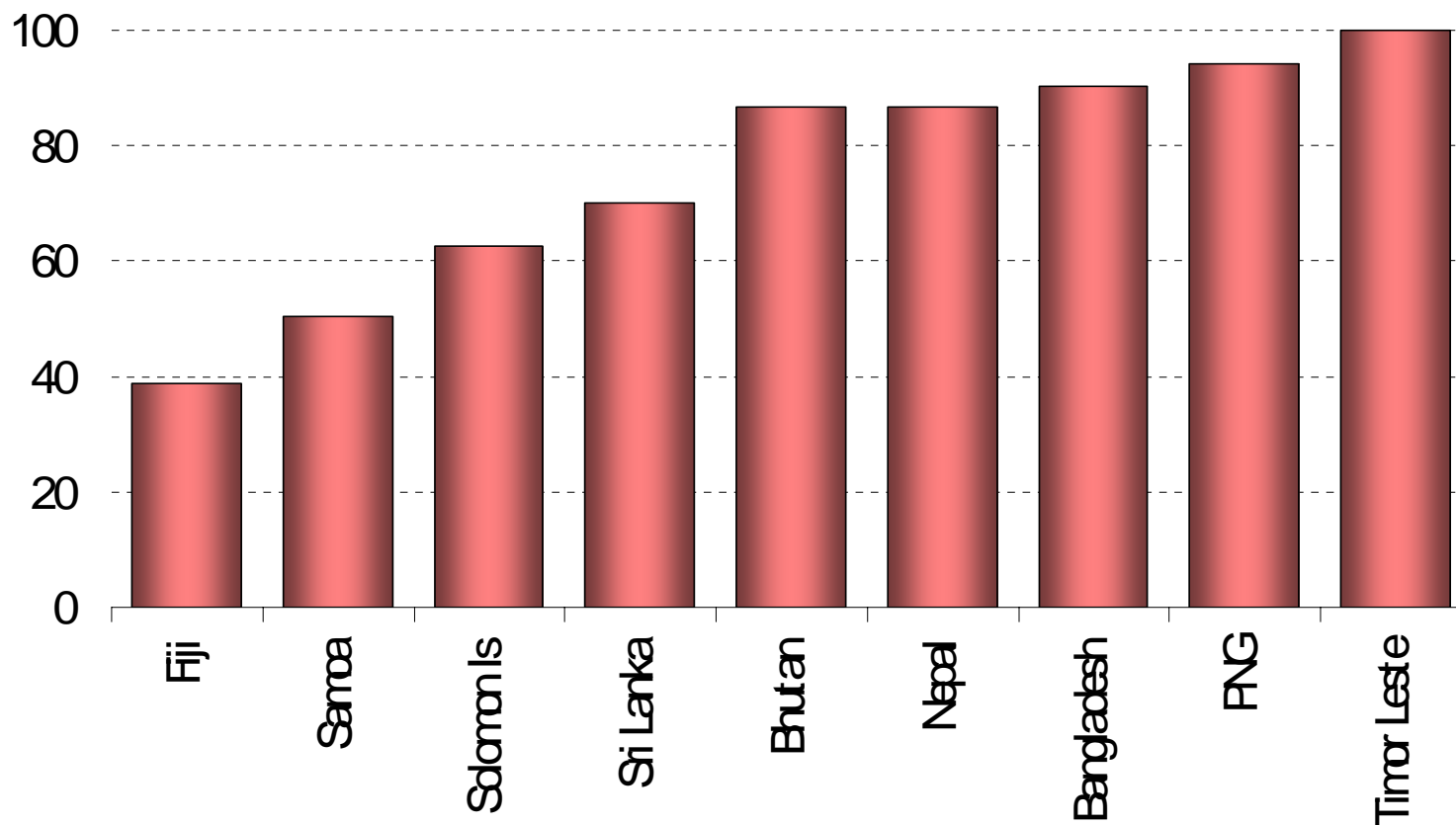
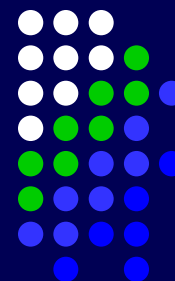
Sources: IMF, *Information Notice System*; and IMF staff calculations.

<sup>1/</sup>Excludes Marshall Islands, Micronesia, Palau, and Bhutan.



### 3. MONETARY SECTOR

## Banking Sector Assets, 2005 <sup>1/</sup>

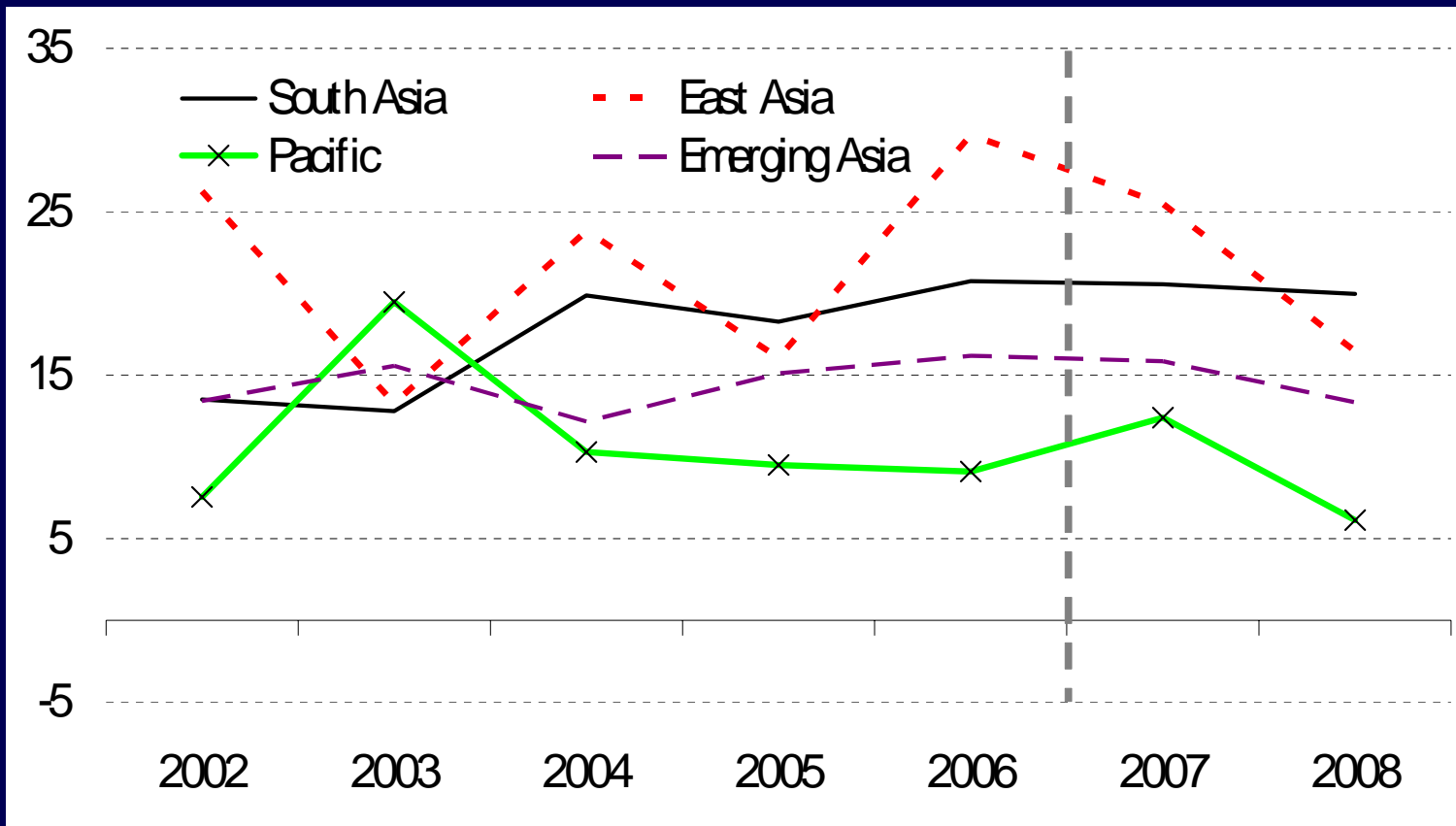
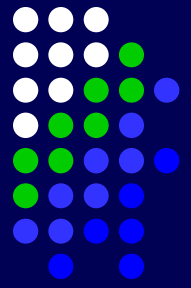


Sources: Country authorities; and Fund staff estimates.

<sup>1/</sup> In percent of total financial sector assets.

# Broad Money Growth<sup>1/</sup>

(Annual percent change)

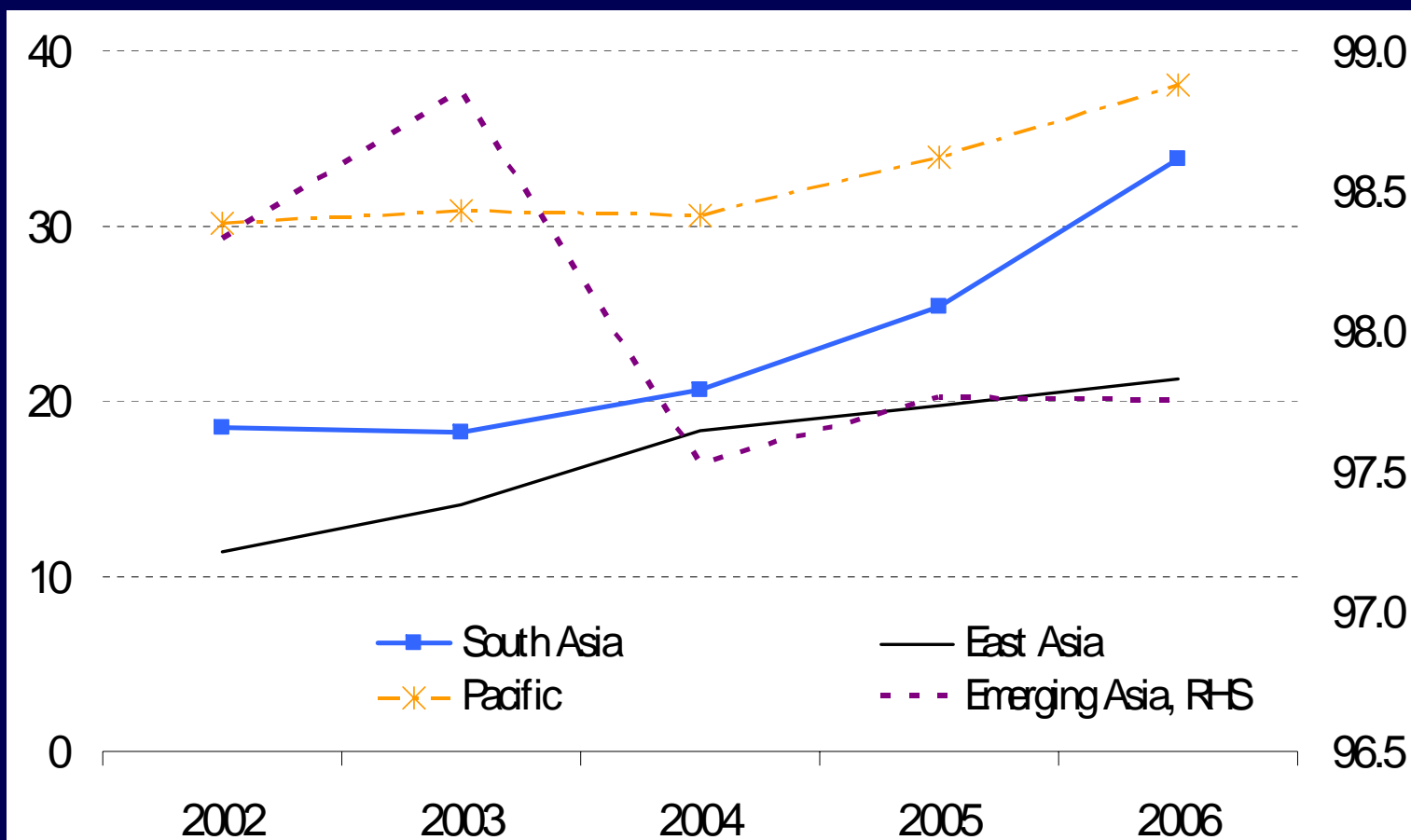
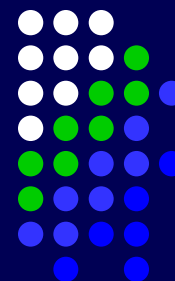


Source: IMF, *World Economic Outlook*; country authorities; and Fund staff calculations.

<sup>1/</sup>Excludes Marshall Islands, Micronesia, and Palau.

# Private Sector Credit<sup>1/</sup>

(In percent of GDP)

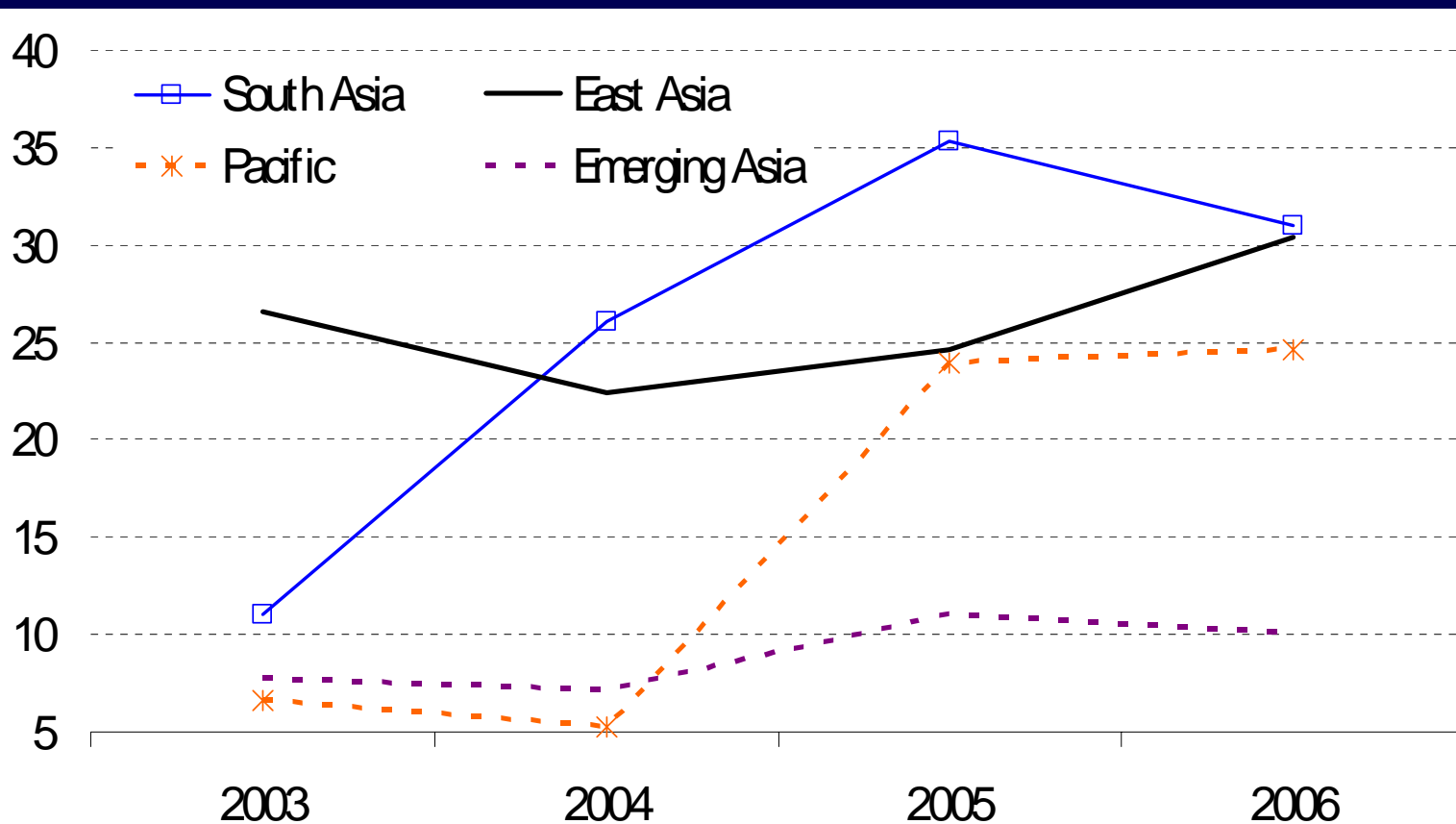
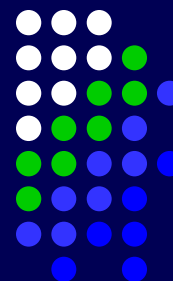


Sources: IMF, *International Financial Statistics*; Country authorities; and Fund Staff calculations.

<sup>1/</sup>Emerging Asia excludes China and India. LICs excludes Brunei, Marshall Is., and Palau.

# Private Sector Credit Growth<sup>1/</sup>

(Year on year percent change)

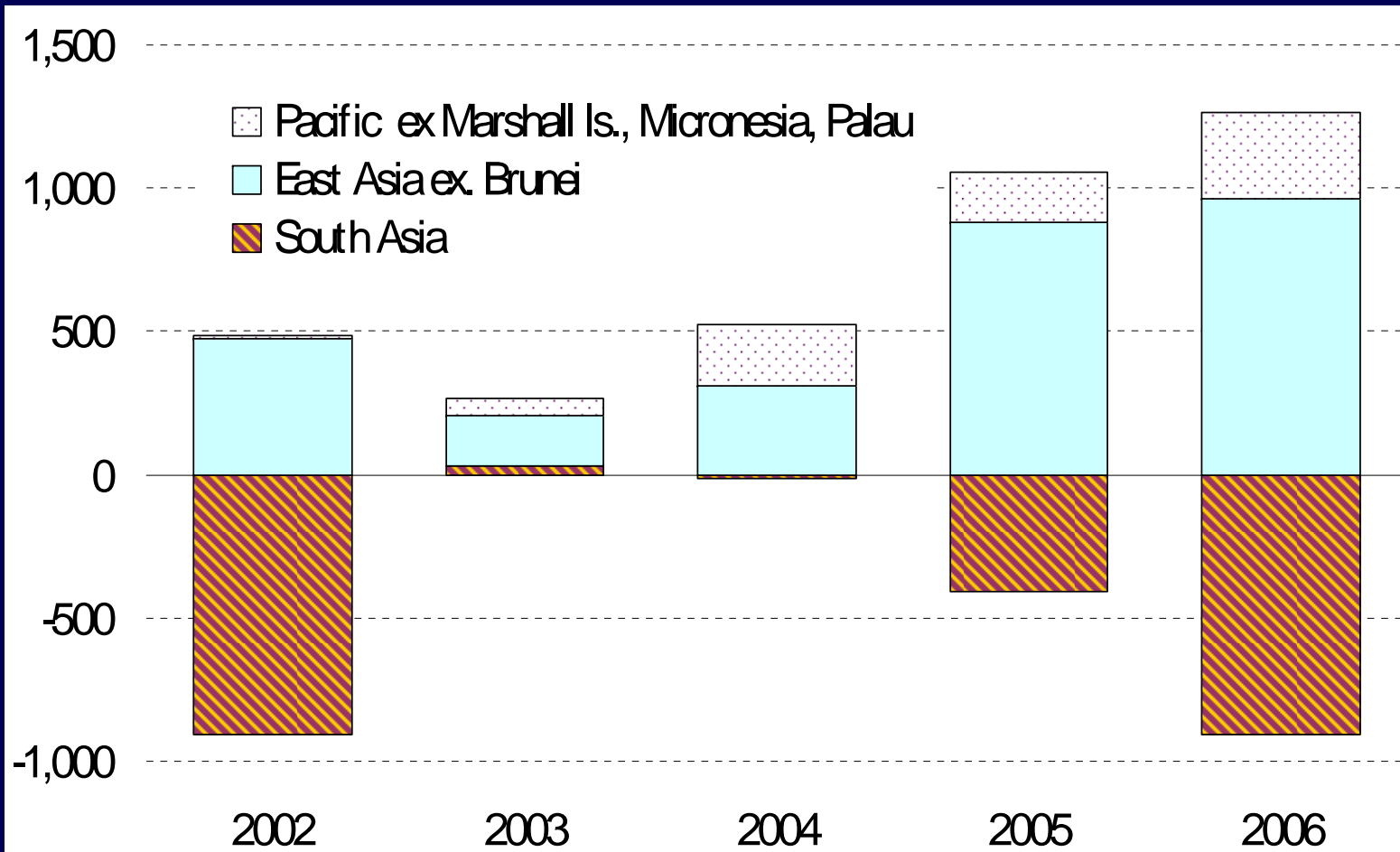
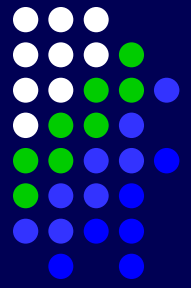


Sources: IMF, *International Financial Statistics*; country authorities; and Fund Staff calculations.

<sup>1/</sup> Emerging Asia excludes Vietnam LISCs excludes Brunei, Timor-Leste, Micronesia, Marshall Is., and Palau.

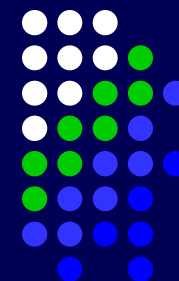
# Net private Capital Flows

(In millions of U.S. dollars)



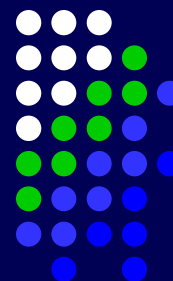
Source: IMF, *World Economic Outlook*; and Fund staff calculations.

# 4. FISCAL INDICATORS (% of GDP)

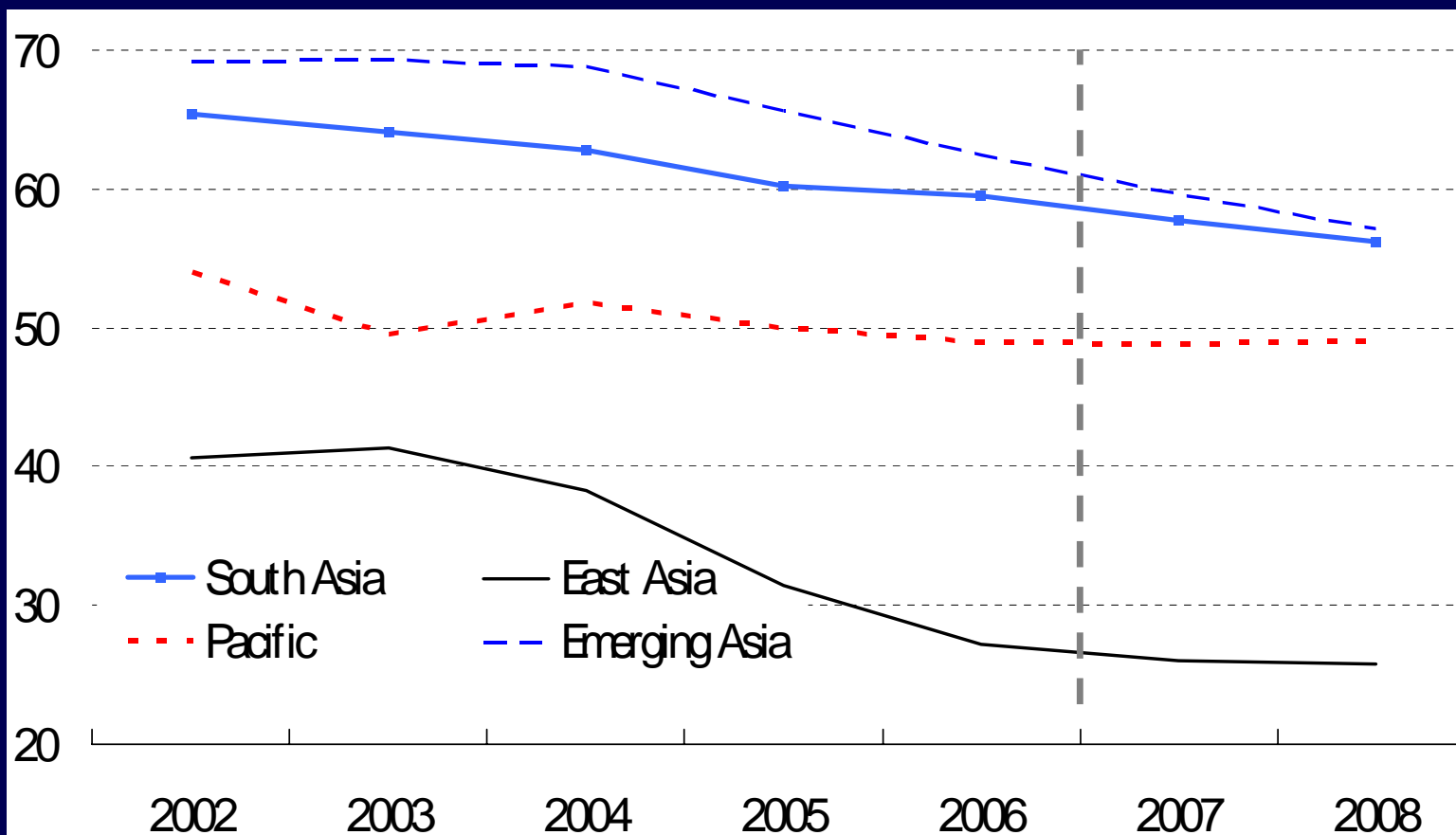


	Central Government Gross Debt			Central Government Fiscal balance		
	2005	2006	2007 Proj.	2005	2006	2007 Proj.
<b>South Asia</b>	<b>60.2</b>	<b>59.5</b>	<b>57.8</b>	<b>-4.4</b>	<b>-4.6</b>	<b>-5.4</b>
Bangladesh	47.1	45.4	44.0	-3.2	-3.3	-4.2
Bhutan	84.8	86.8	78.7	-6.5	-0.8	-4.6
Maldives	52.6	51.7	69.7	-10.9	-7.3	-23.9
Myanmar	...	...	...	-3.8	-4.9	-4.7
Nepal	59.5	56.7	...	-0.8	-1.8	-3.0
Sri Lanka	93.9	94.1	90.9	-8.5	-8.4	-8.8
<b>East Asia</b>	<b>31.4</b>	<b>27.2</b>	<b>26.0</b>	<b>8.5</b>	<b>12.0</b>	<b>10.4</b>
Brunei Darussalam	0.0	0.0	0.0	18.3	22.7	23.4
Cambodia	37.2	33.0	30.6	-1.0	0.6	-1.5
Lao P.D.R.	73.1	69.2	61.4	-4.3	-3.3	-1.2
Mongolia	67.4	50.0	45.6	2.9	9.0	-2.0
Papua New Guinea	47.5	39.4	40.0	4.1	6.4	2.1
Timor-Leste	0.0	0.0	0.0	115.1	157.8	164.4
<b>Pacific Island Countries</b>	<b>49.9</b>	<b>48.9</b>	<b>48.8</b>	<b>-2.6</b>	<b>-2.4</b>	<b>-1.8</b>
Fiji	51.2	51.0	52.8	-3.6	-3.3	-2.0
Kiribati	...	...	...	-24.4	-25.3	-21.2
Marshall Islands	76.9	71.5	66.7	-3.7	-0.8	1.0
Micronesia, F.S.	25.3	24.7	23.2	-5.4	-1.6	-2.5
Palau	...	...	...	-3.4	-1.3	-2.8
Samoa	39.3	39.4	37.9	0.3	-0.5	-0.5
Solomon Islands	81.3	72.8	66.7	2.0	4.0	0.5
Tonga	50.5	48.1	47.6	2.5	-3.5	-2.3
Vanuatu	32.2	30.6	27.3	1.9	-0.5	-0.5
<b>LISCs</b>	<b>53.8</b>	<b>51.9</b>	<b>49.9</b>	<b>-1.8</b>	<b>-1.1</b>	<b>-2.0</b>
<b>Emerging Asia</b>	<b>65.6</b>	<b>62.5</b>	<b>59.7</b>	<b>-2.2</b>	<b>-1.6</b>	<b>-1.8</b>

Sources: IMF, APDCORE and WEO databases; and Fund staff estimates.



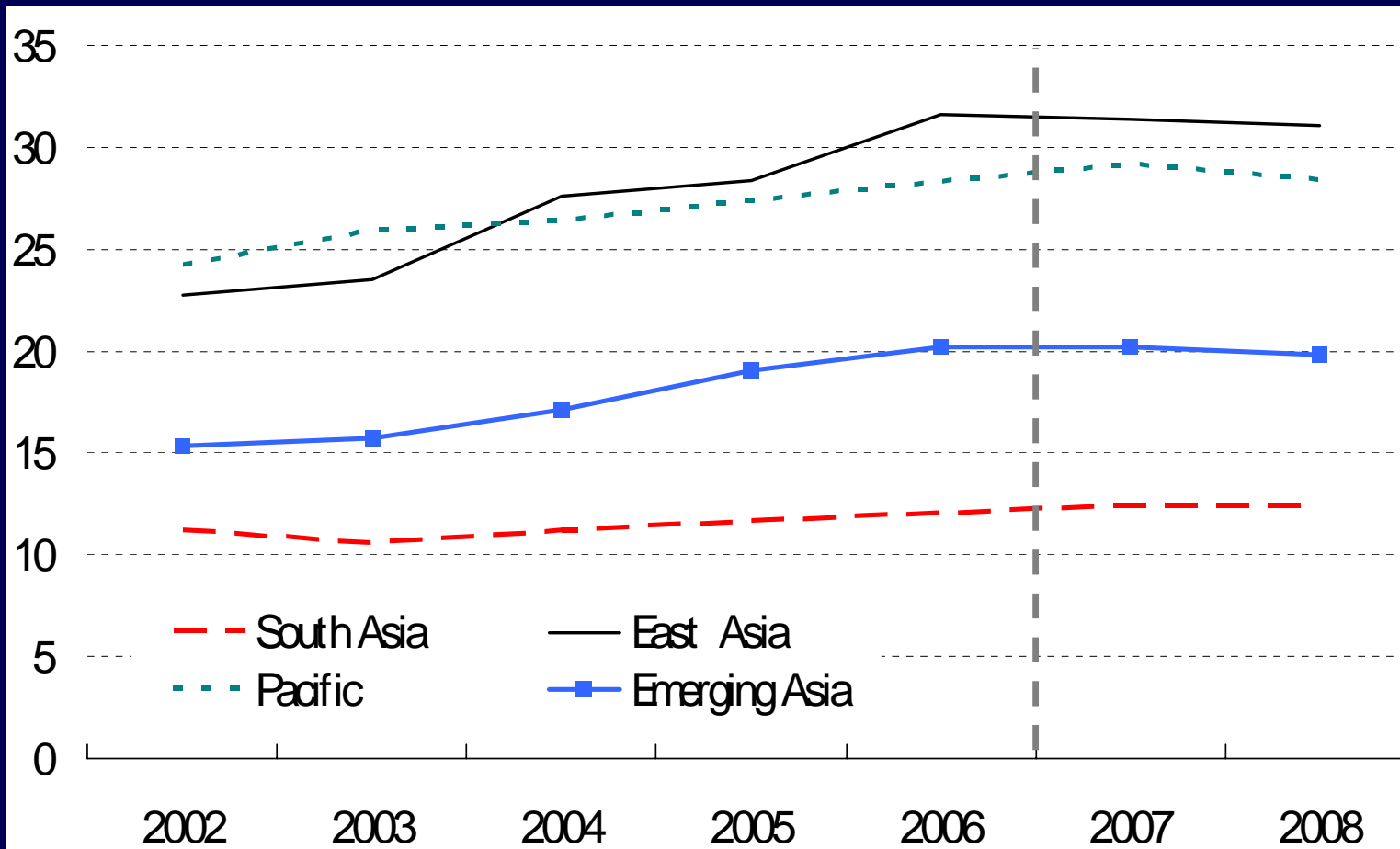
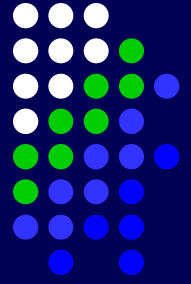
# Total Government Debt (In percent of GDP)



Sources: IMF, *World Economic Outlook*; country authorities; and Fund staff calculations.

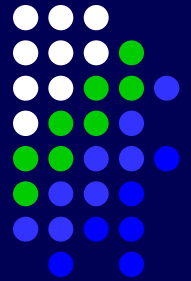
<sup>1/</sup>Excludes Myanmar, Kiribati, Palau, Korea, Vietnam, and China.

# Government Revenue Excl. Grants (In percent of GDP)



Sources: IMF, *World Economic Outlook*; country authorities; and Fund staff calculations.

# Conclusions of Part I: Main Risks



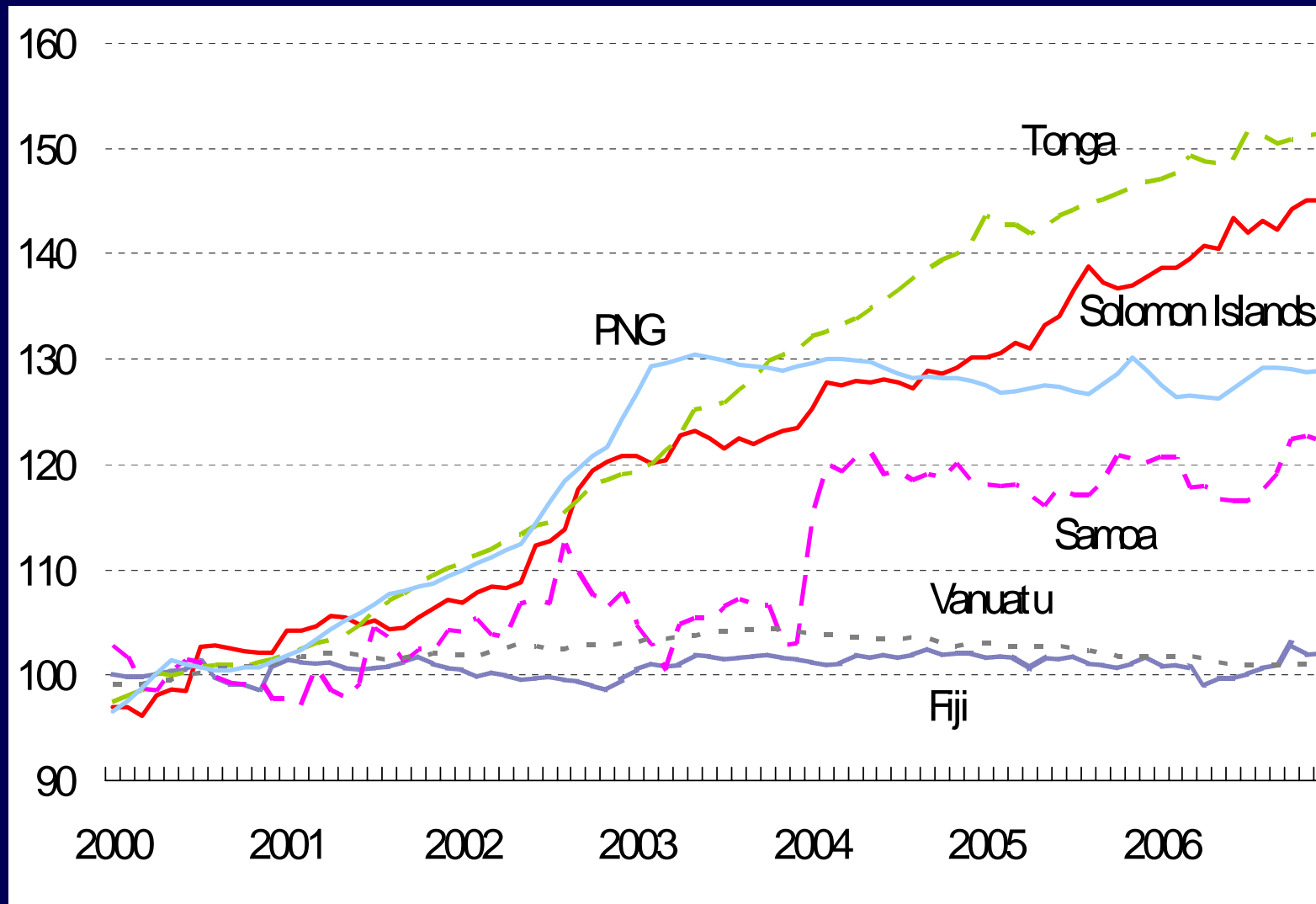
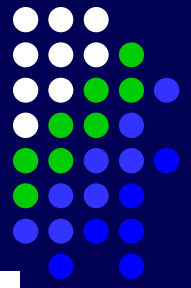
Balance of near-term risks is tilted to the downside:

- Heavy dependence on a narrow export base, increases vulnerability to external shocks;
- Demand pressures from higher fiscal spending and rapid credit growth risk stoking inflation;
- The region faces a number of security and political risks;
- Institutional and governance constraints could slow progress on structural reforms needed to create a more vibrant, diversified private sector.

## II. Competitiveness in the Pacific Region

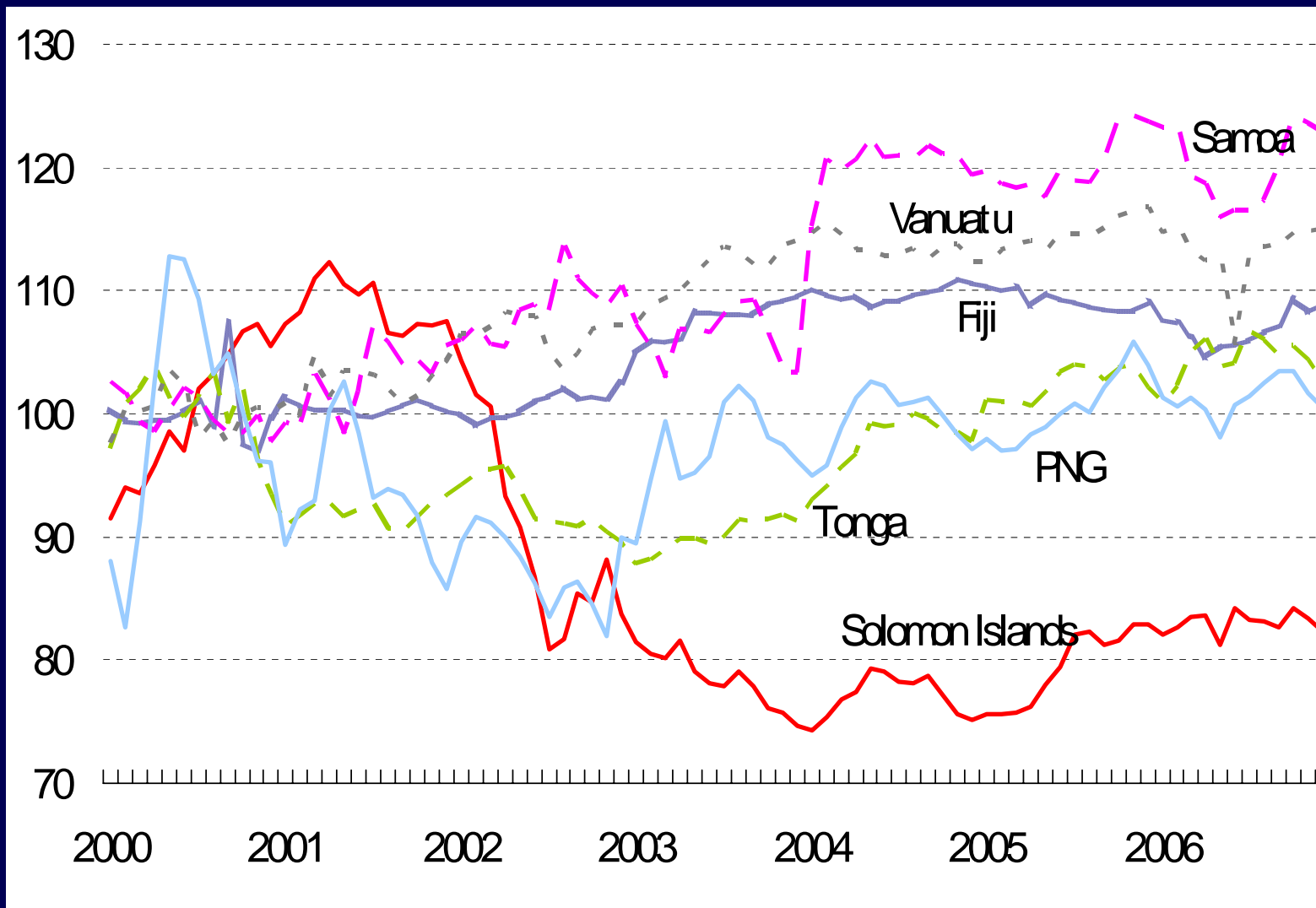
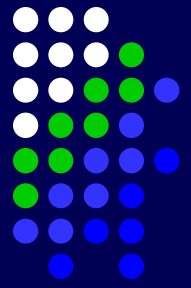


# National Consumer Prices Vs Trading Partner Prices (Index 2000 = 100)



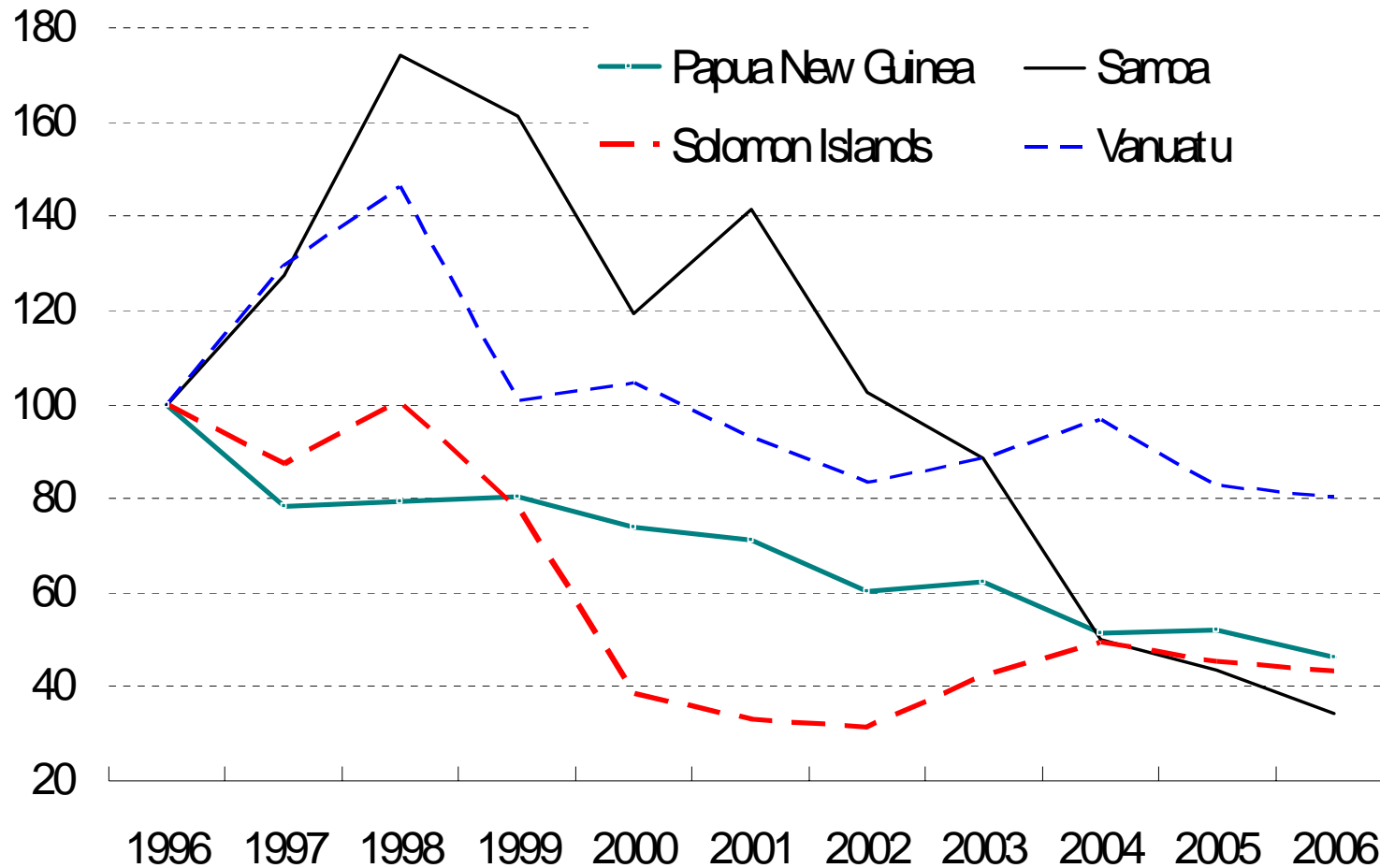
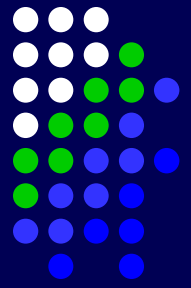
# Real Effective Exchange Rates

(Index 2000 = 100)



# Market Share Index: Export of Goods

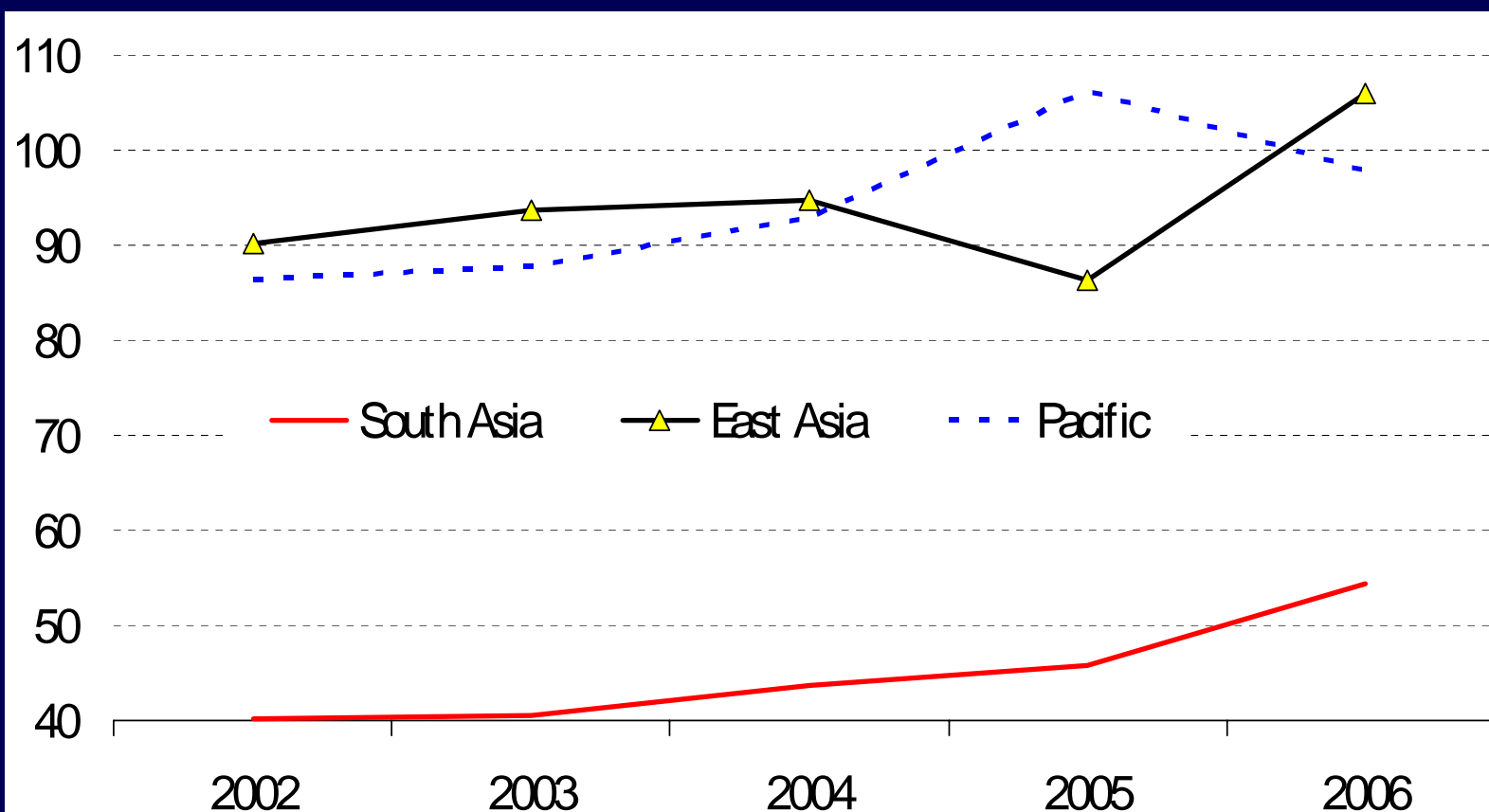
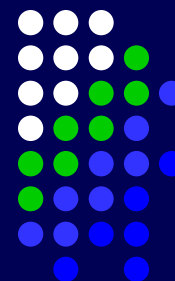
(Index 1996 = 100)



Sources: IMF, *World Economic Outlook*; Country authorities; and Fund staff estimates.

# Trade Openness<sup>1/</sup>

(In percent of GDP)

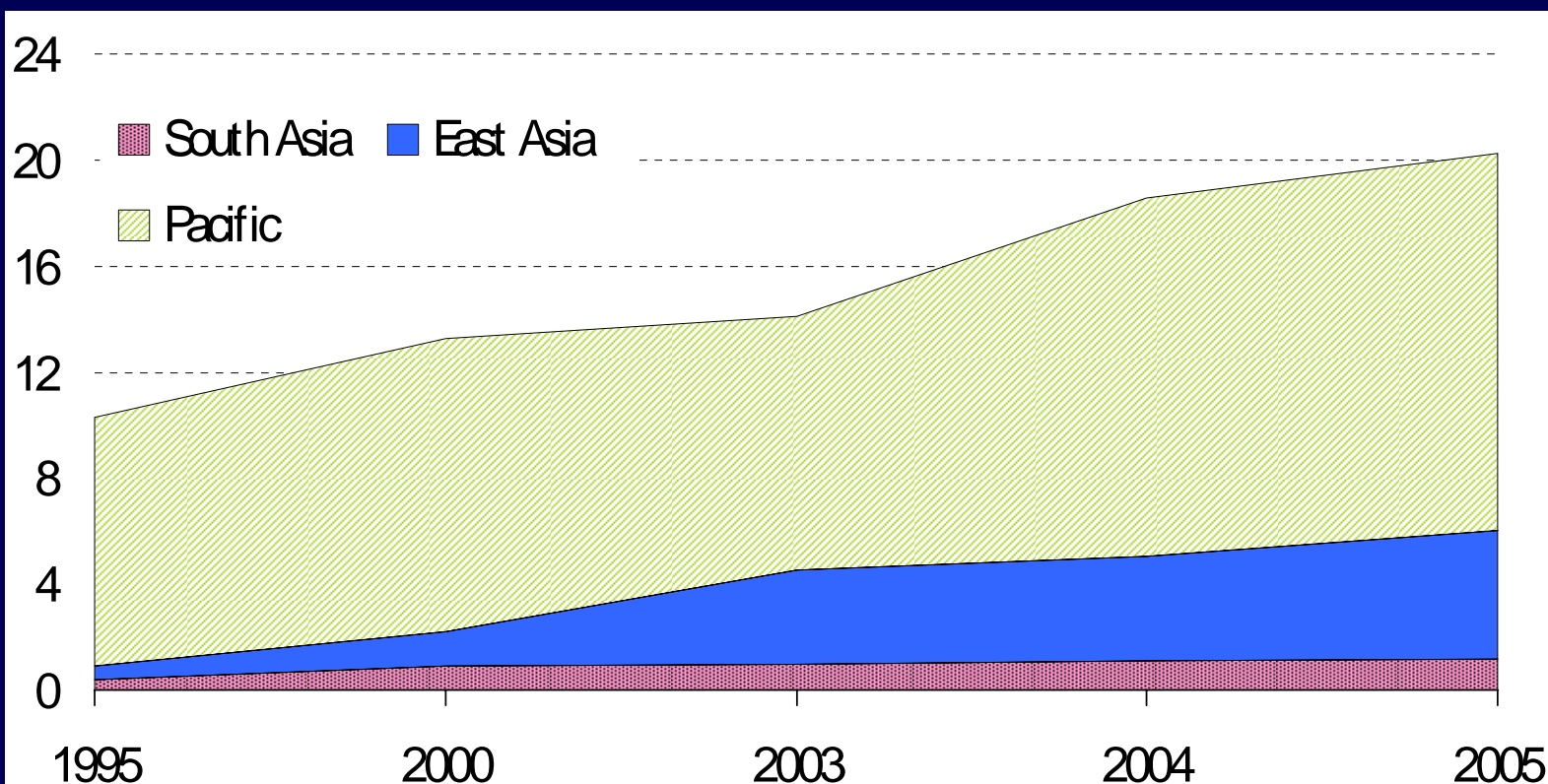
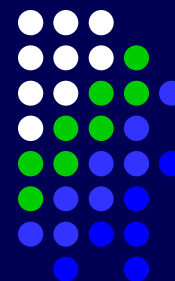


Sources: IMF, *Direction of Trade Statistics* and *World Economic Outlook*; and Fund staff calculations.

<sup>1/</sup>Excludes Bhutan, Timor Leste, Marshall Islands, Micronesia, and Palau.

# Tourism Receipts<sup>1/</sup>

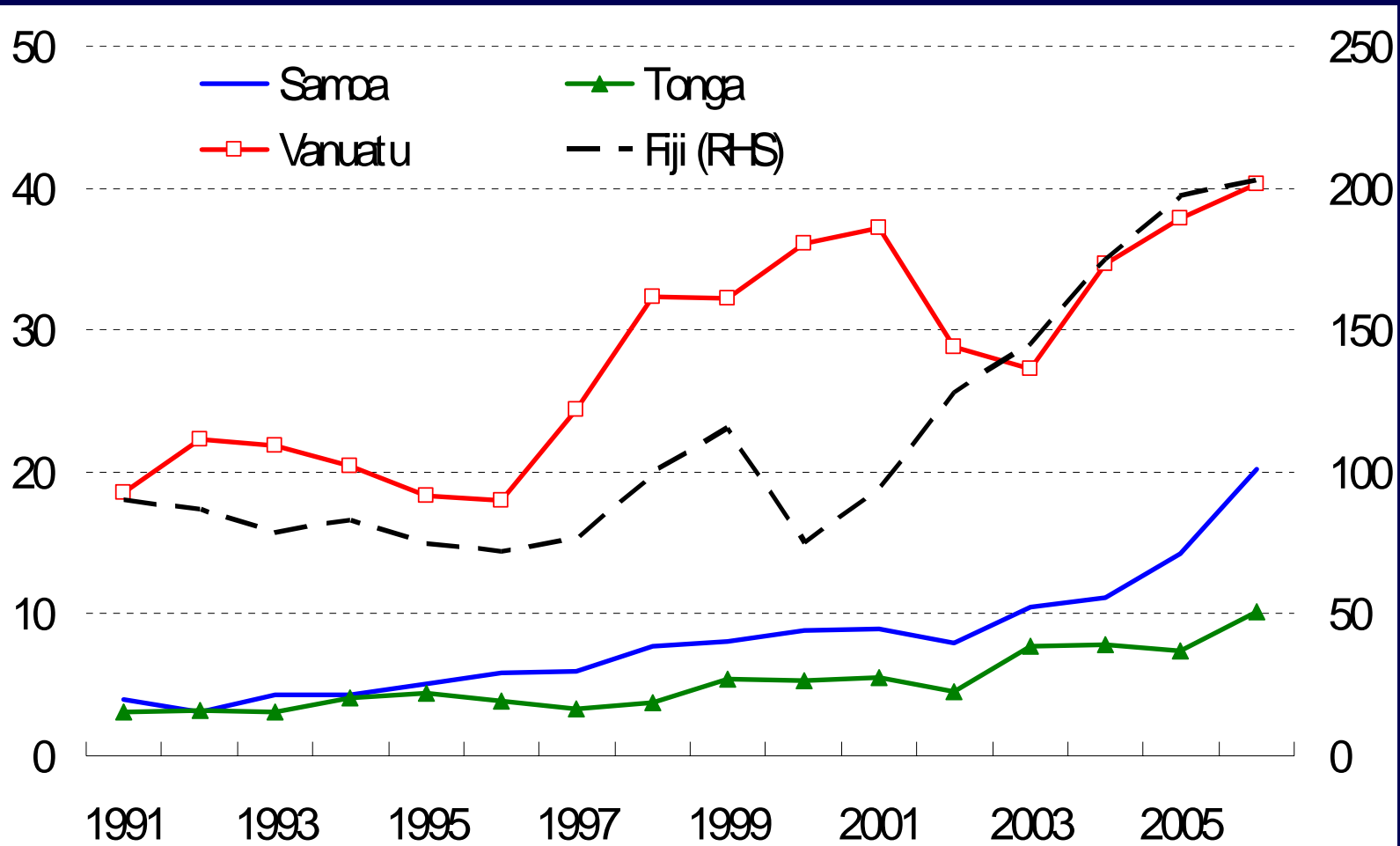
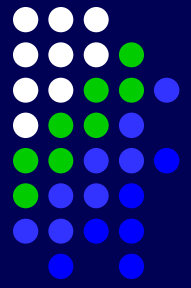
(In percent of GDP)



Sources: World Tourism Organization; and Fund staff calculations.

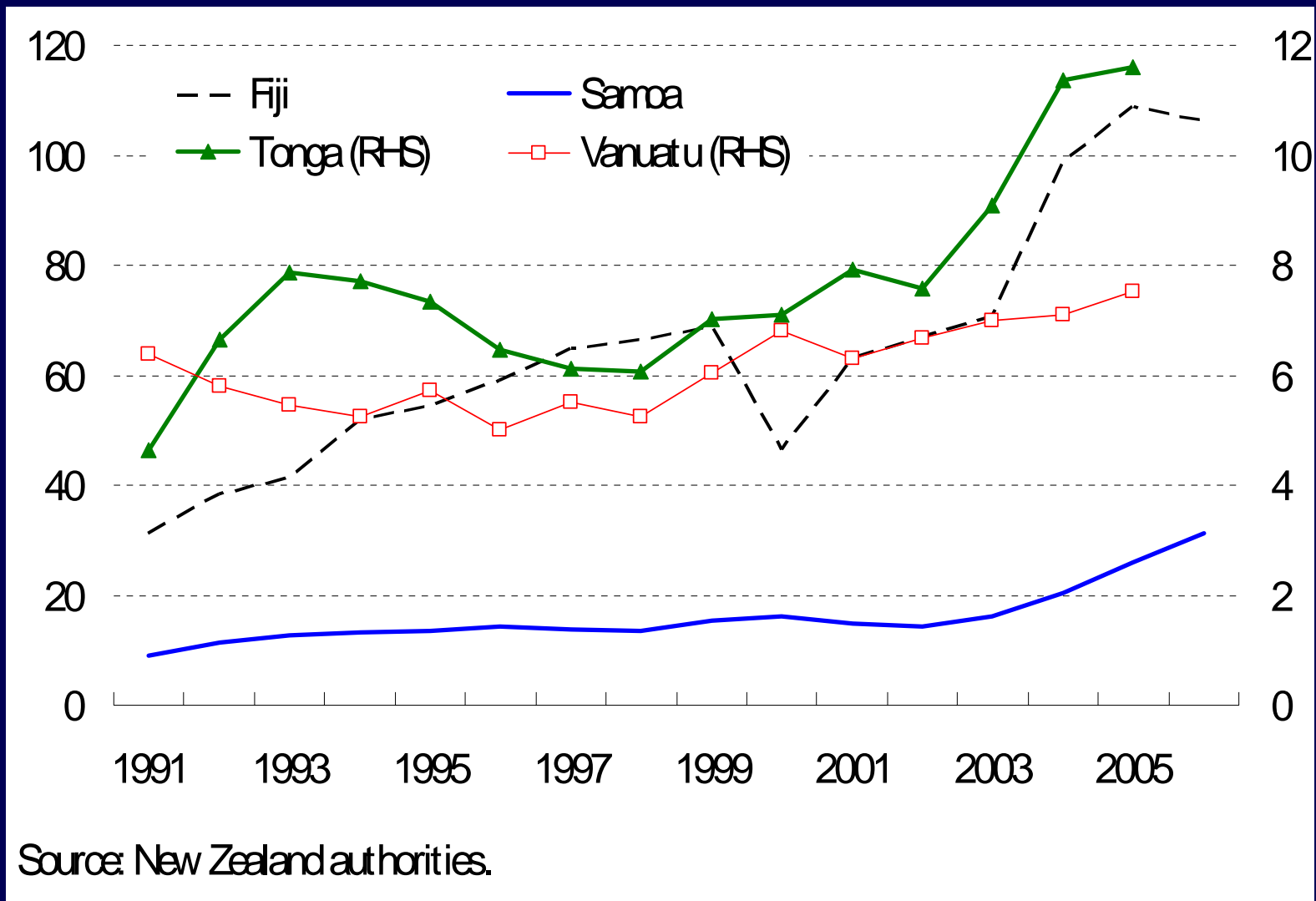
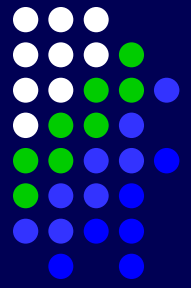
<sup>1/</sup>Excludes Brunei, Timor Leste, Marshall Islands, Micronesia and Palau (1995, 2000), Kiribati (2003-05), PNG(2005), Myanmar (2005), Sri Lanka (2005), and Vanuatu (2004-05).

# Australian Tourists to Selected Pacific Islands (In thousands)



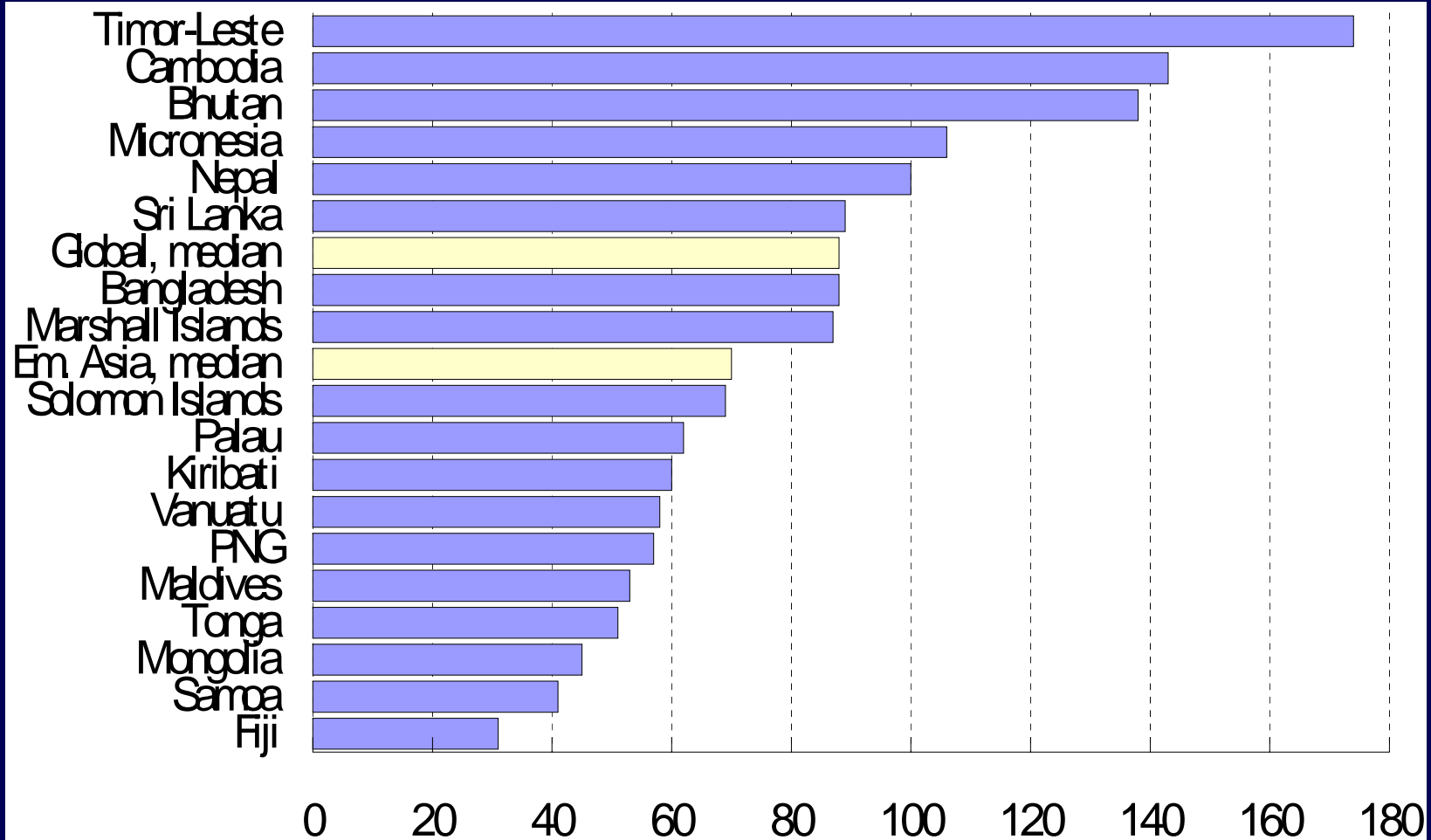
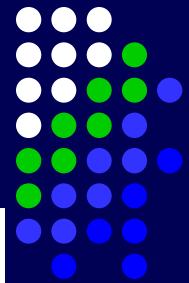
Source: Australian authorities.

# New Zealand Tourist to Selected Pacific Islands (In thousands)



Source: New Zealand authorities.

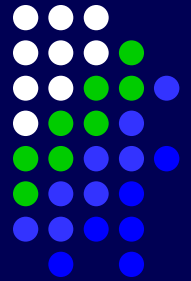
# Ease of Doing Business Ranks, 2006



Sources: World Bank, *Doing Business Report*.

Countries are ranked out of 175. A higher rank reflects a more difficult business environment.

# Political Environment, 1990 - 2006

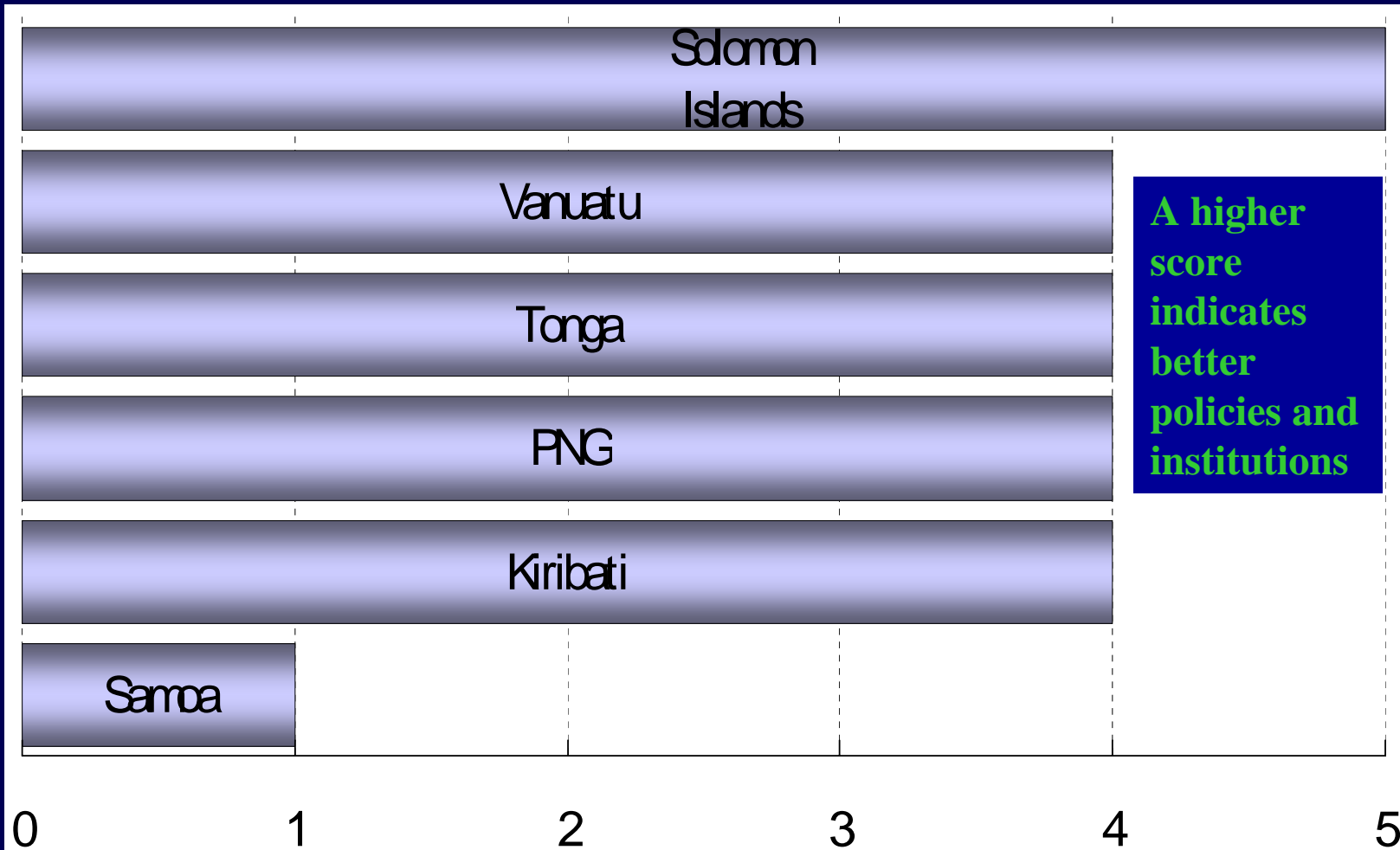
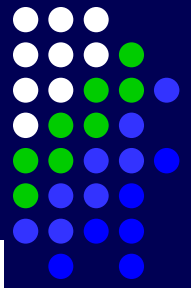


	Change in number of:	
	governments	governing parties
Fiji	3	4
Papua New Guinea	6	6
Samoa	2	0
Solomon Islands	5	6
Vanuatu	11	5

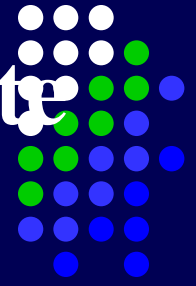
Source: World Bank, *Political Institutions Database*.

# Country Policy & Institutional Assessments

(Overall, quintile;

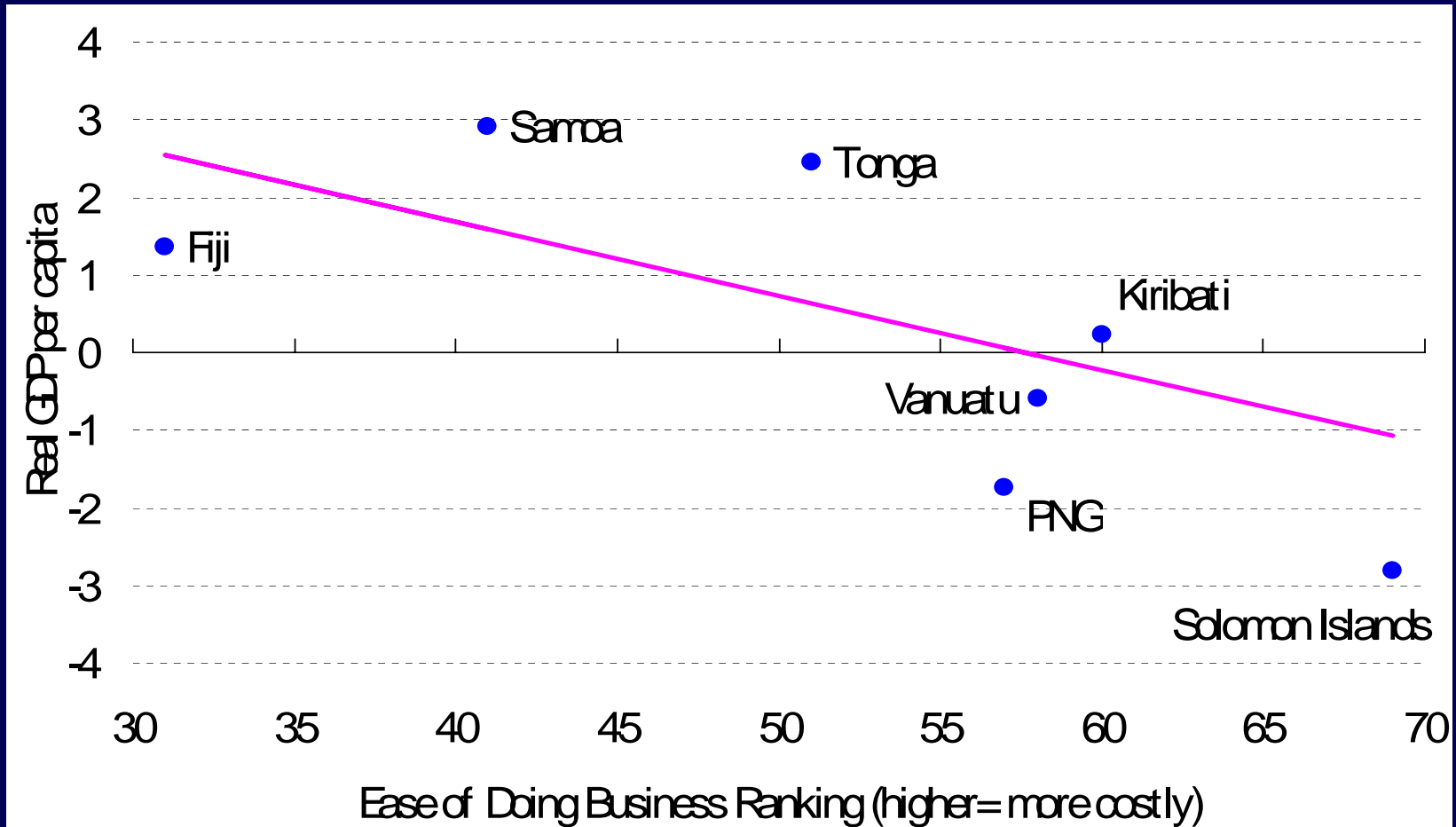


Source: World Bank, *IDA Country Performance and Ratings*.



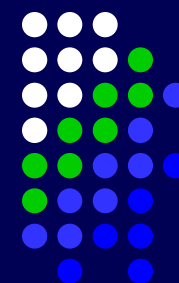
# Real GDP per capita vs. Business Climate

(Average annual growth 2000-06 vs. World Bank *Doing Business* 2007 ranking)



Source: IMF, *World Economic Outlook*; and World Bank, *Doing Business*.

# Structural Indicators



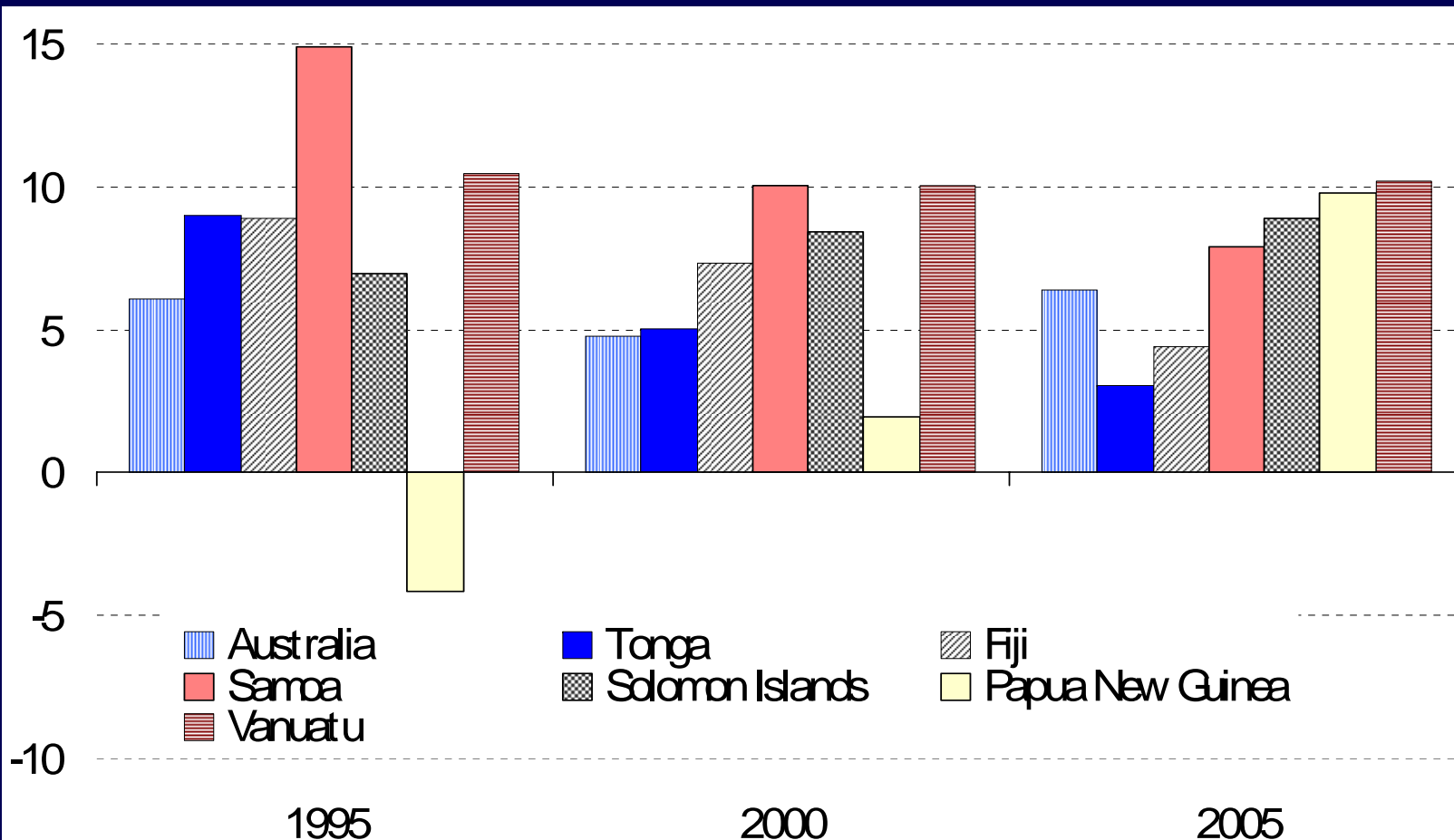
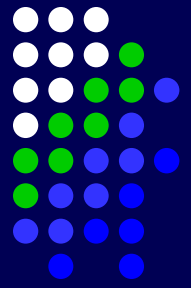
	Fiji	PNG	Samoa	Solomon Islands	Tonga	Vanuatu	MIC	New Zealand
Paved roads (in percent of total roads), 2000	49	...	42	...	27	24	...	64
Aircraft departures, 2004 <sup>1/</sup>	45,669	18,712	10,538	11,512	1,336	1,477	5,010,732	196,657
Telephone mainlines per 100 residents, 2005	12	1	7	2	11	3	19	44
Mobile phone subscribers per 100 residents, 2005	17	-	13	2	16	6	29	75
Cost of three-minute call to US (US\$), 2004	3.0	...	1.0	...	1.0	7.0	1.5	1.3
Internet users (per 1000 people), 2004	73	21	33	6.4	29	36	91	788
Electricity costs (US\$ per kwh), 2003	0.2	...	0.2	...	0.3	0.3	...	0.05
Improved sanitation facilities (percent of population with access)	72	44	100	31	96	50	62.7	...
Improved water facilities (percent of population with access)	47	39	88	70	100	60	84	...

Sources: Vanuatu authorities, Energy Information Administration, International Telecommunication Union, *World Telecommunication Development Report (2006)*; and World Bank, *World Development Indicators (2006)*.

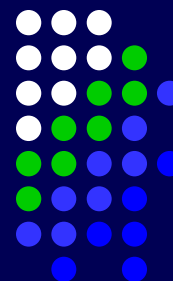
<sup>1/</sup>Registered carrier departures for Papua New Guinea and Solomon Islands.

# Real Lending Rate

(Percent per annum)

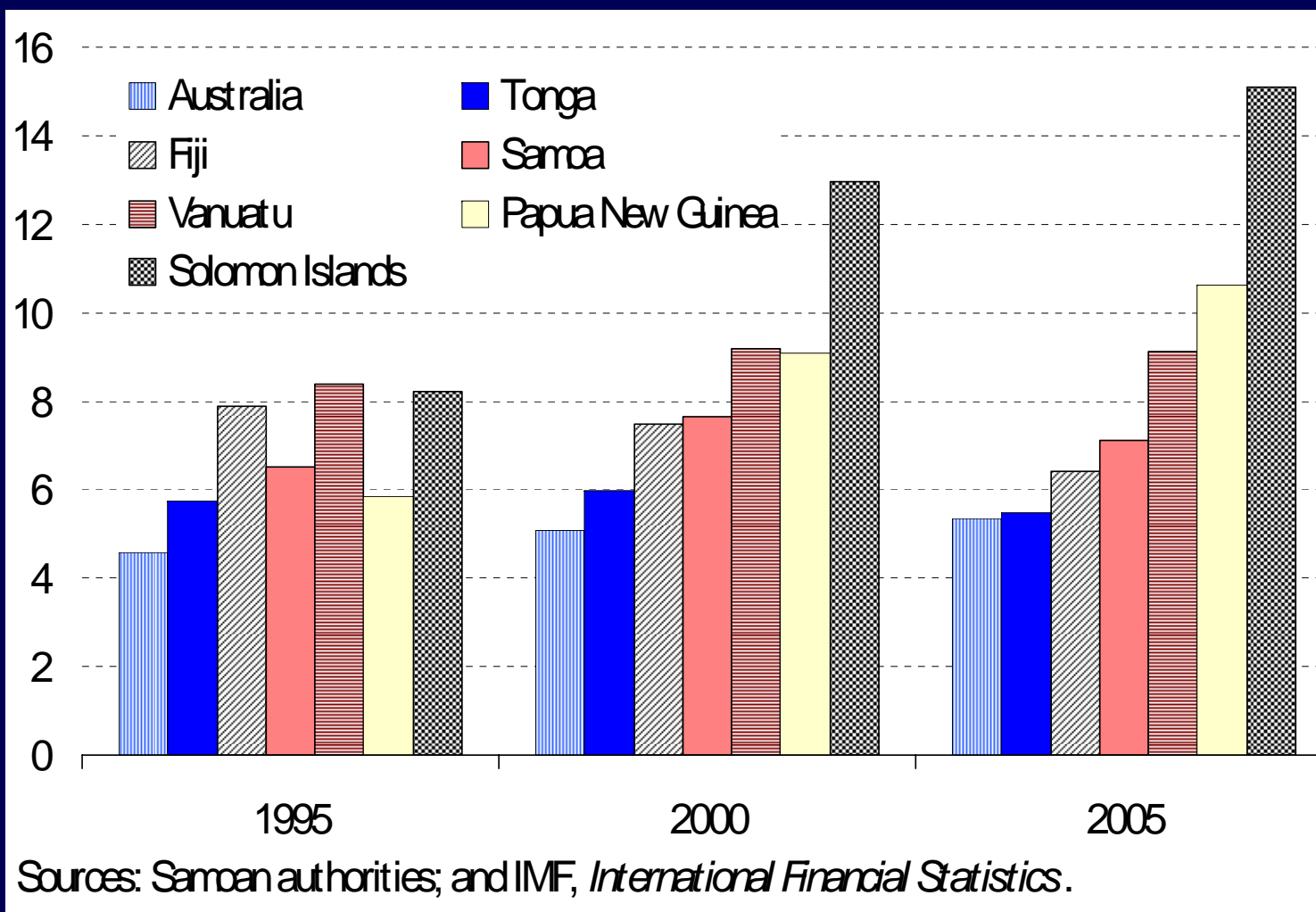


Sources: Samoan authorities; and IMF, *International Financial Statistics*.

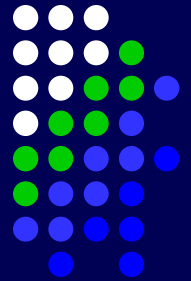


# Interest Rate Spread

(Lending rate minus deposit rate, in percent)



# Conclusions of Part II: Impediments to private sector activity in the Pacific Islands



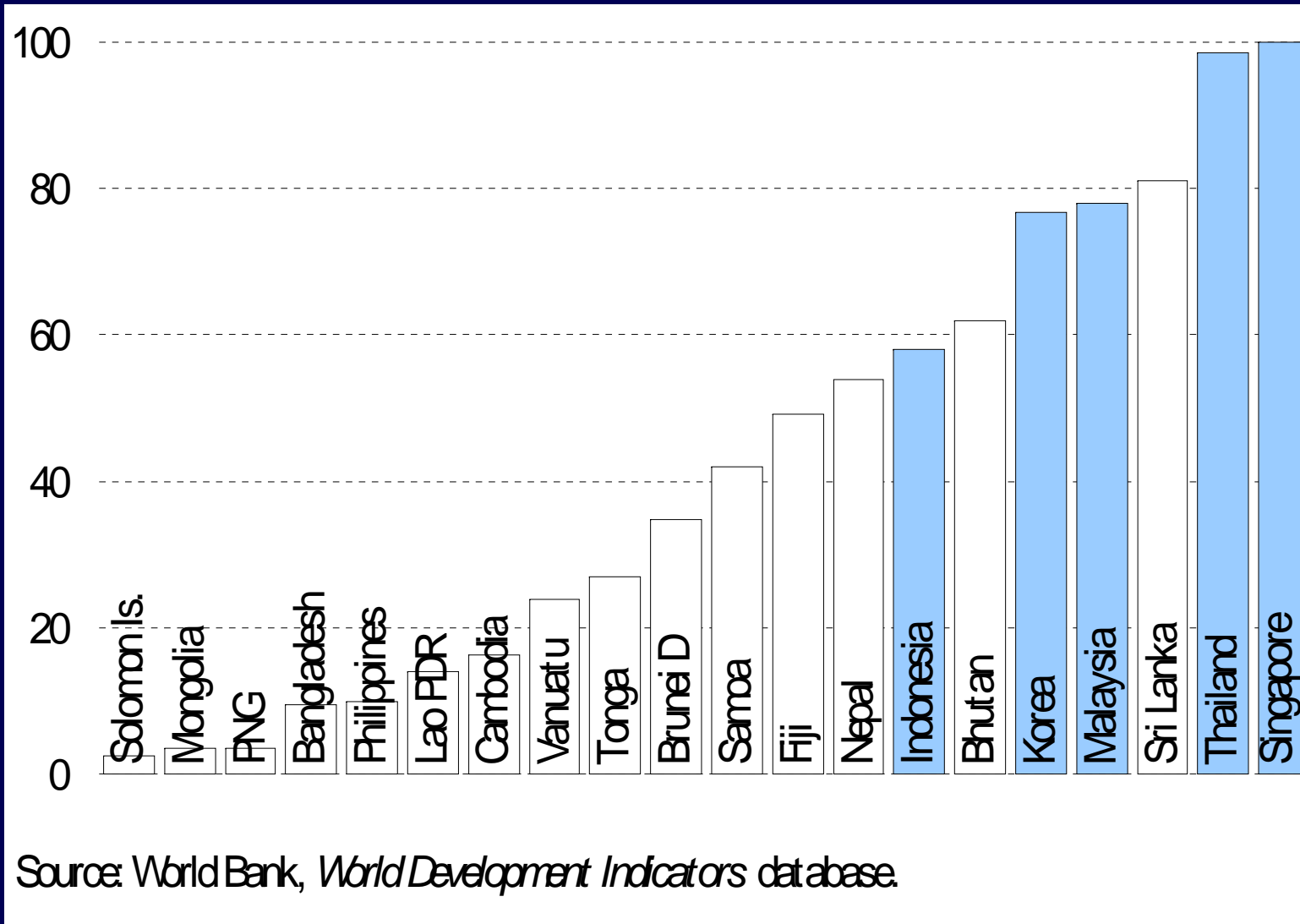
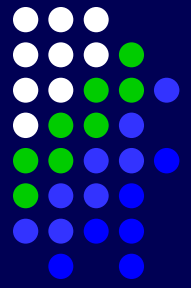
- Very open economies with limited sources of comparative advantage outside of tourism.
- Customary land ownership, prevalent throughout the Pacific, limits the economic use of land.
- Political instability, weak institutions, and inadequate infrastructure.
- Business costs are high and the environment to get things done quickly is difficult in some countries.
- The cost of financing is high, and its availability limited.

### **III. Are There Factors Impeding Growth in the Pacific Islands?**



# Paved Roads, 2004

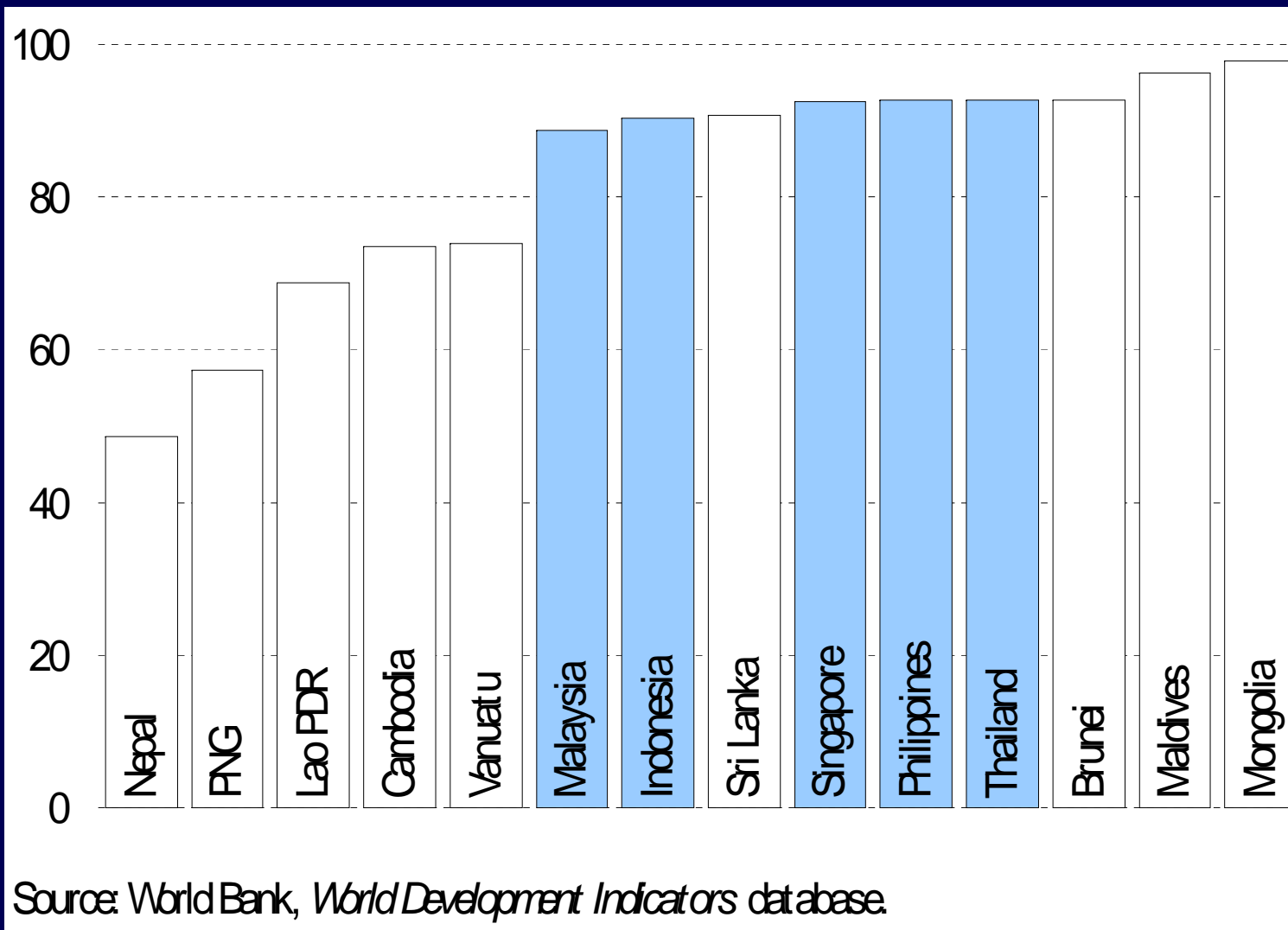
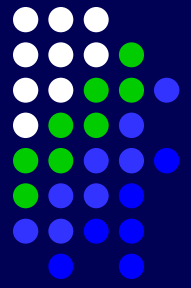
(In percent of total)



Source: World Bank, *World Development Indicators* database.

# Adult Literacy, 2004

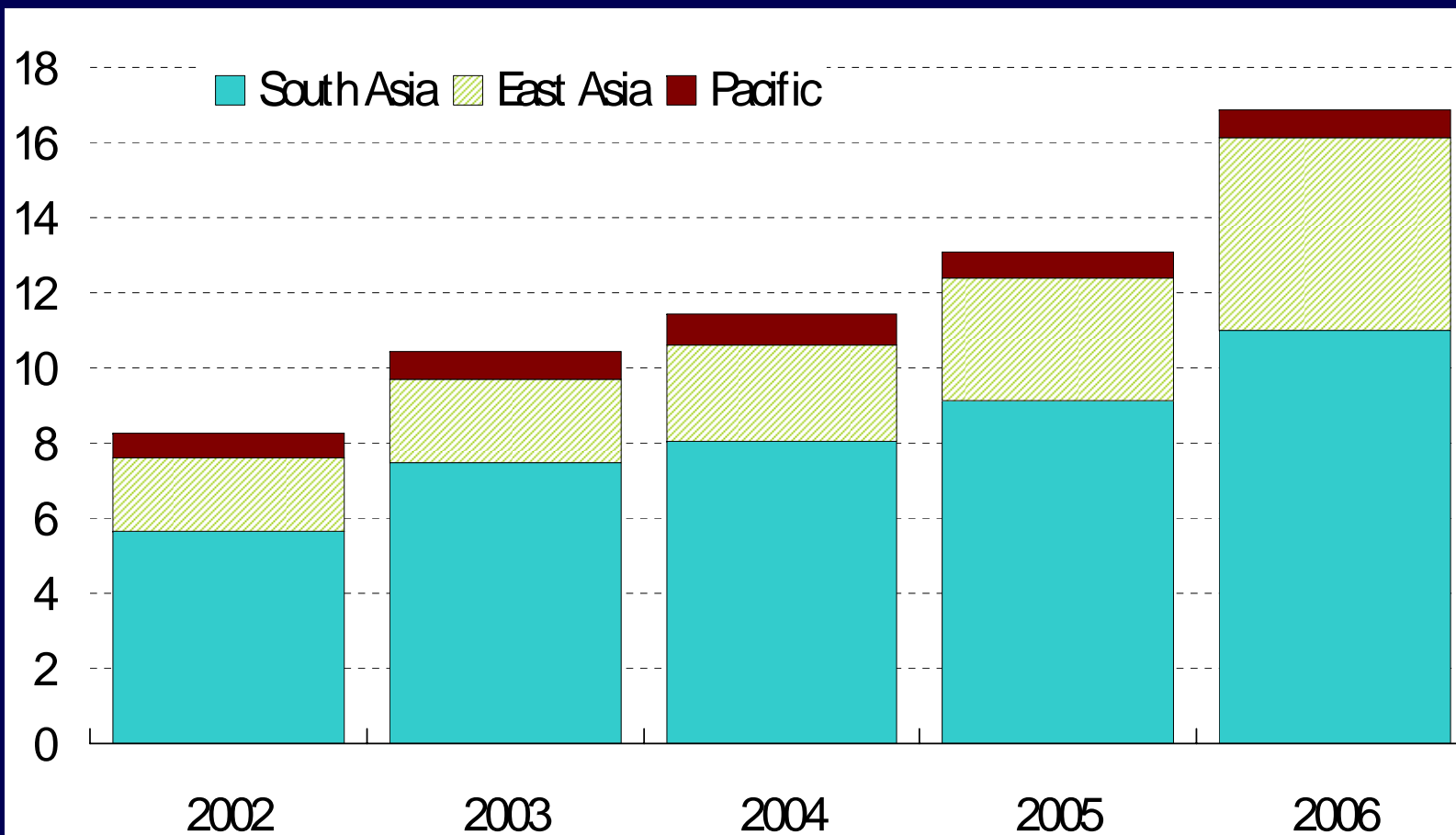
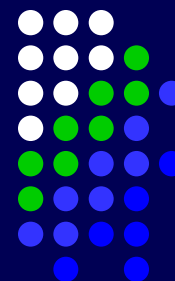
(In percent of total)



Source: World Bank, *World Development Indicators* database.

# Reserve Accumulation<sup>1/</sup>

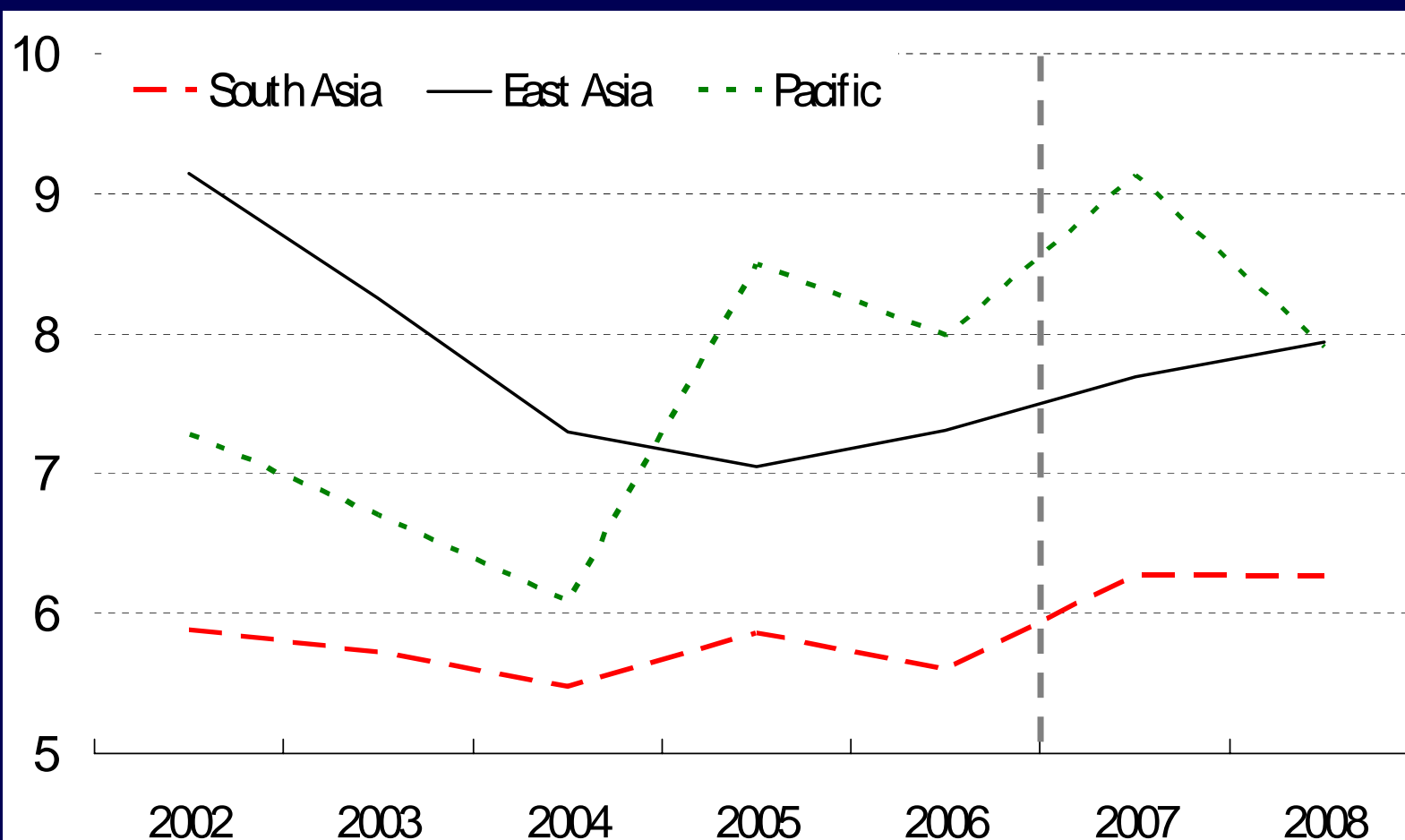
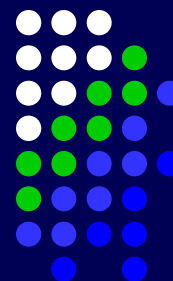
(In billions of U.S. dollars)



Sources: IMF, *World Economic Outlook*; country authorities; and Fund staff calculations.

<sup>1/</sup>Excludes Kiribati.

# Government Capital Expenditure<sup>1/</sup> (In percent of GDP)

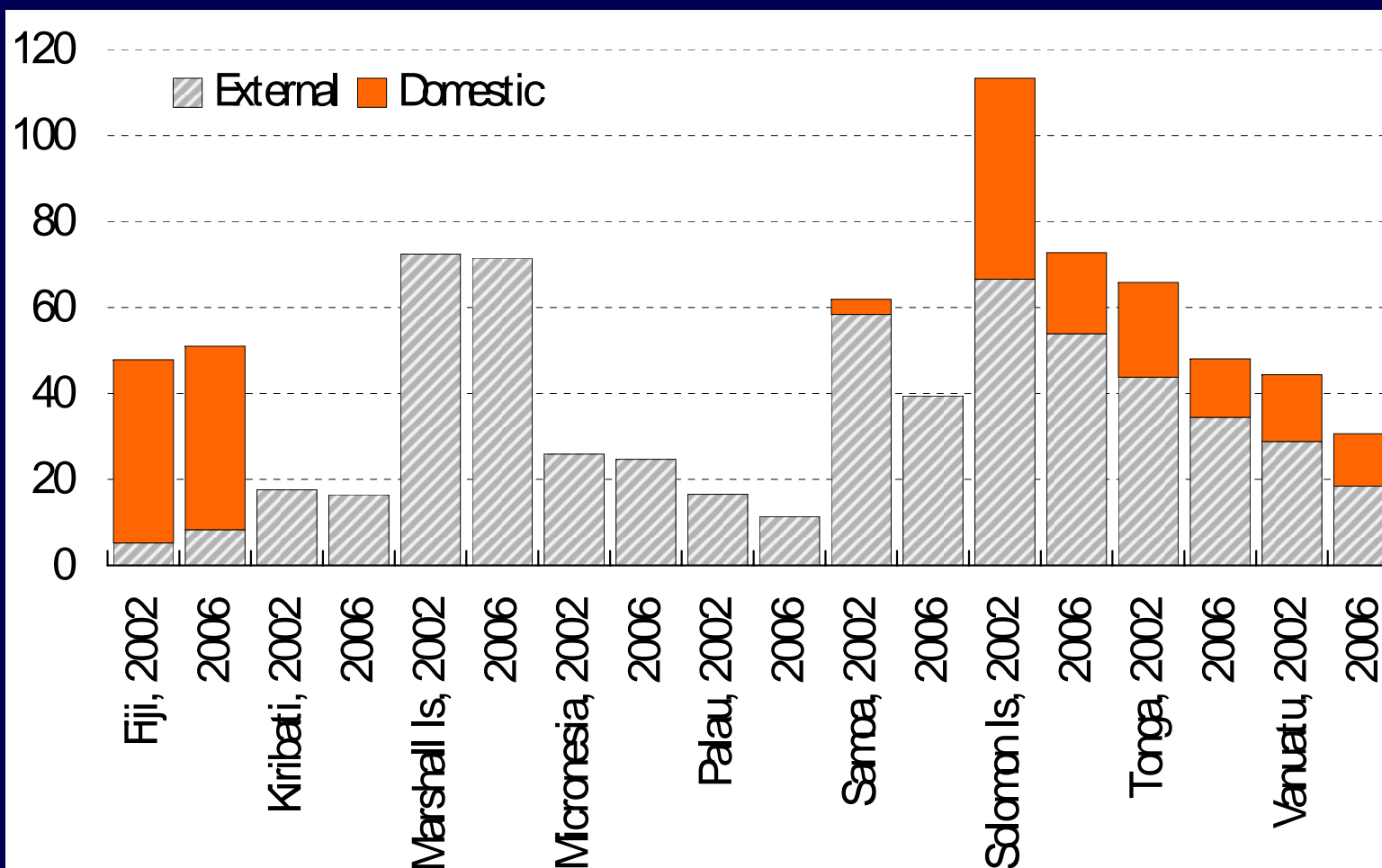
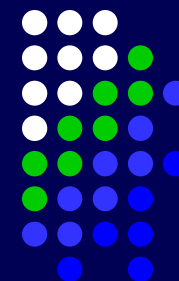


Sources: Country authorities; and Fund staff calculations.

<sup>1/</sup>Excludes Myanmar and Kiribati.

# Public Debt in the Pacific, 2002–06

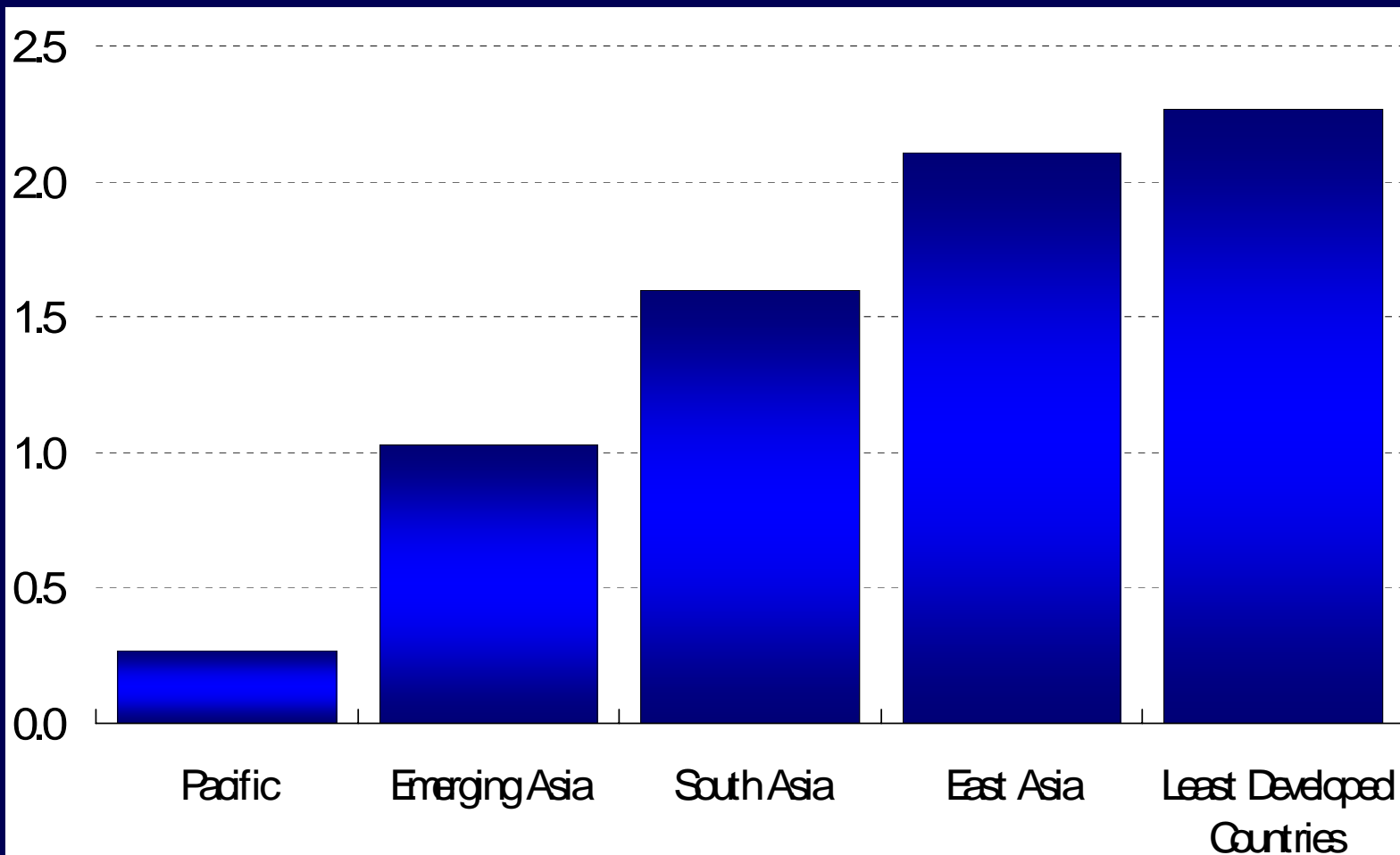
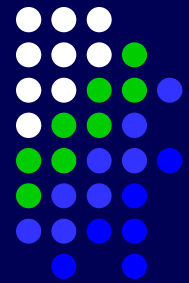
(In percent of GDP)



Sources: IMF, *World Economic Outlook*; Country authorities; and Fund staff calculations.

# Population Growth, 2006

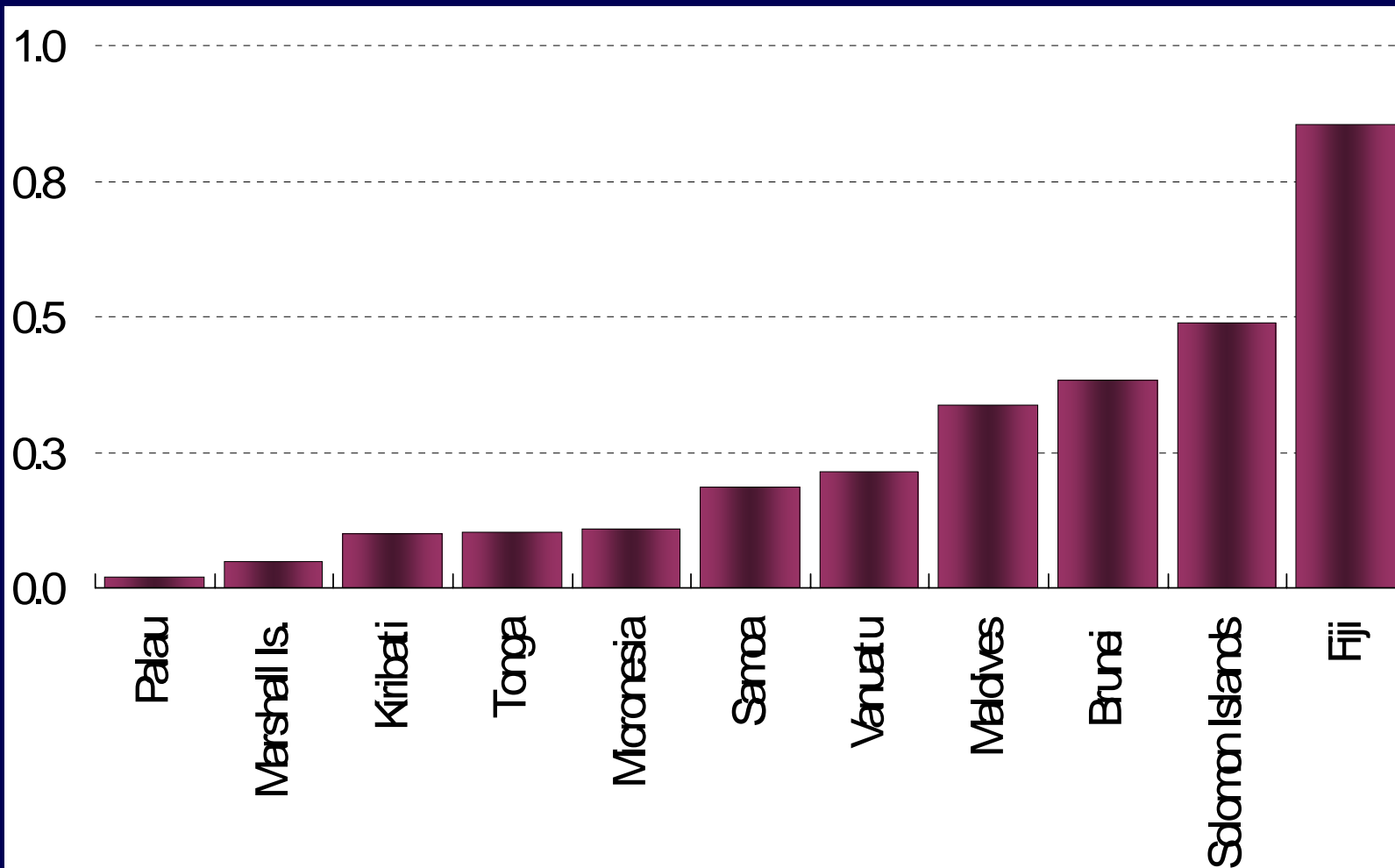
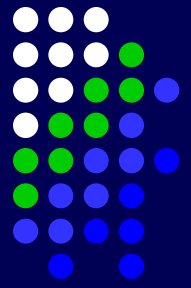
(In percent)



Sources: United Nations; and Fund staff calculations.

# Population Below One Million, 2006

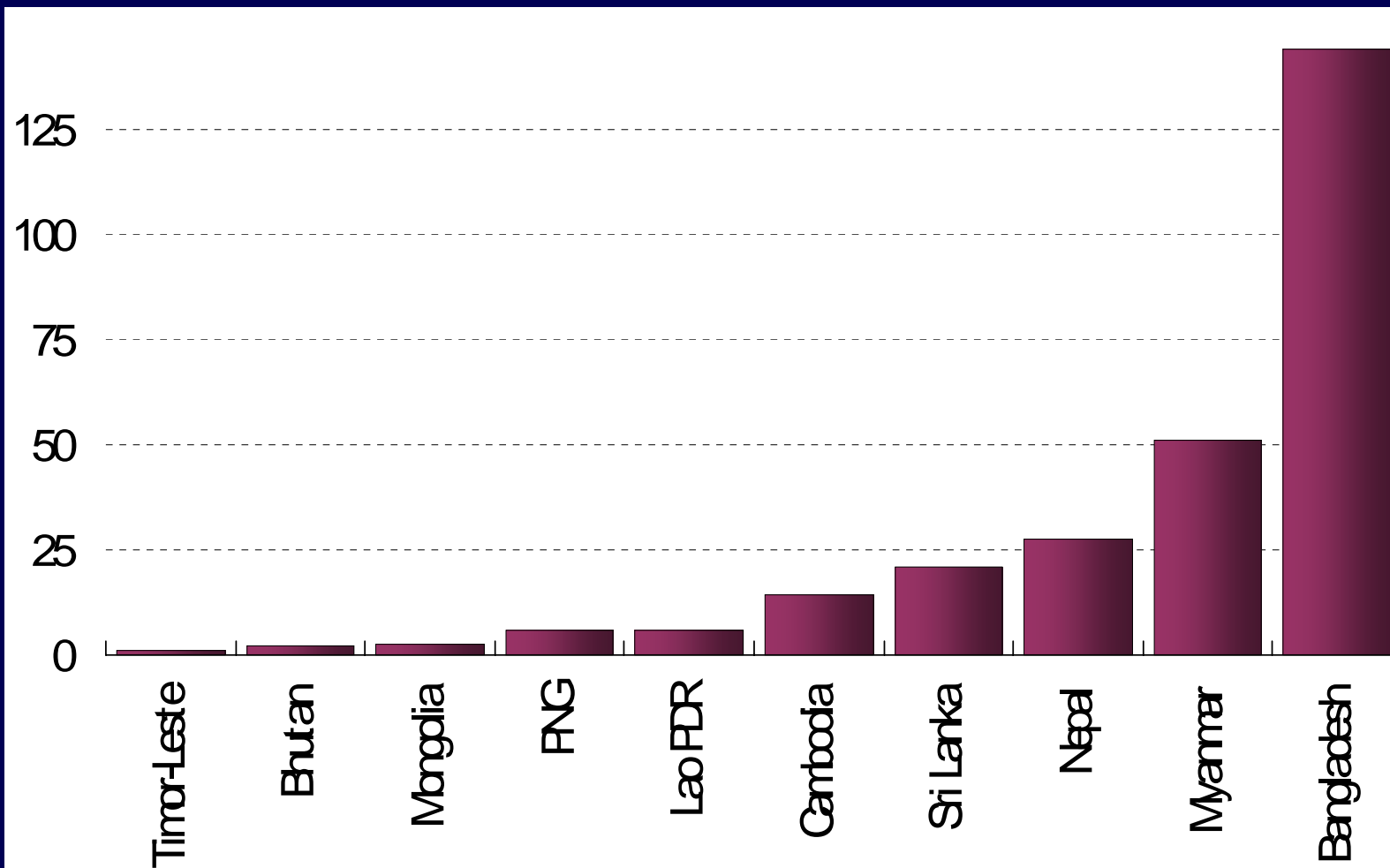
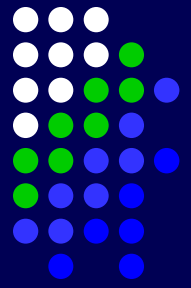
(In millions)



Sources: United Nations; and Fund staff calculations.

# Population Above One Million, 2006

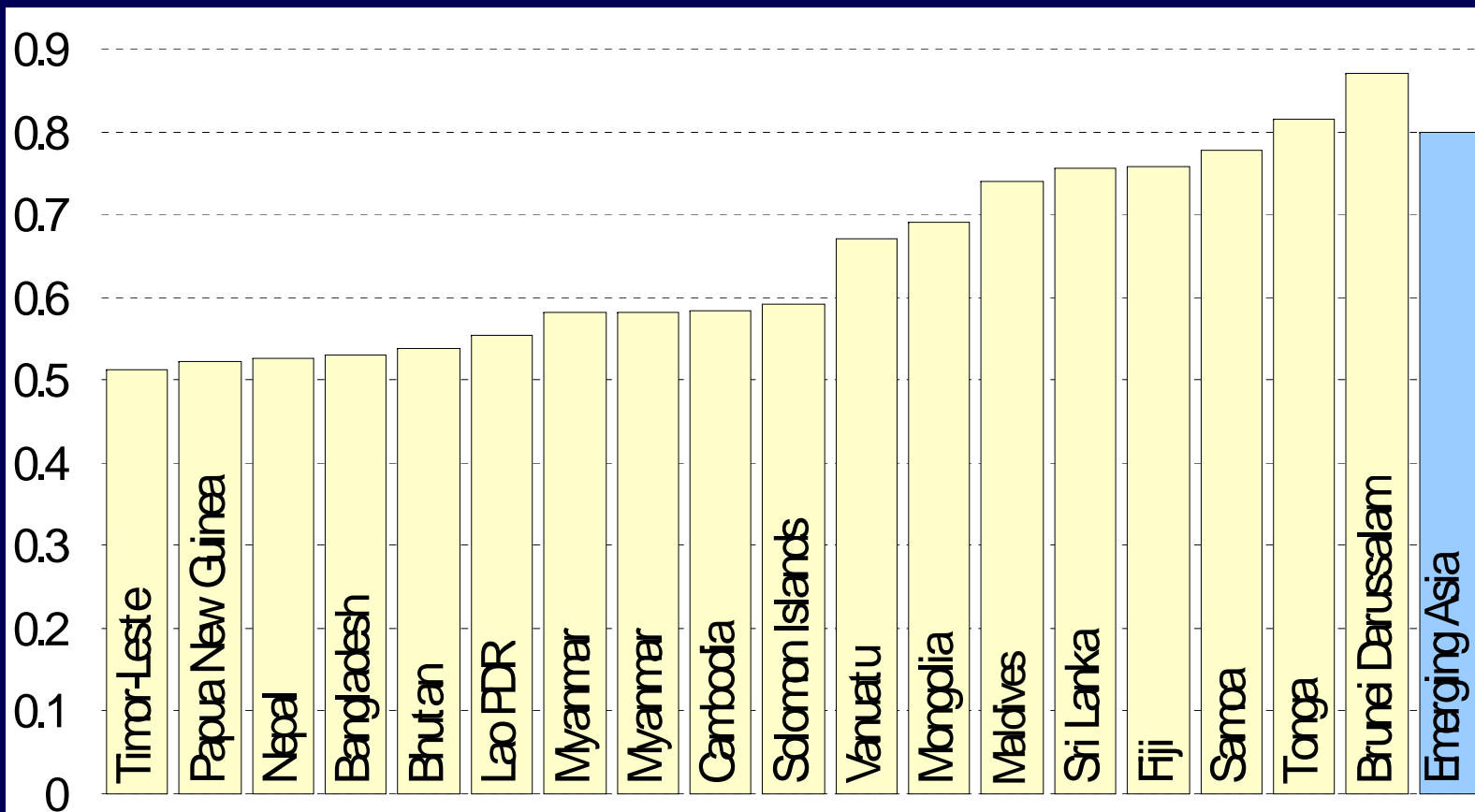
(In millions)



Sources: United Nations; and Fundstaff calculations.

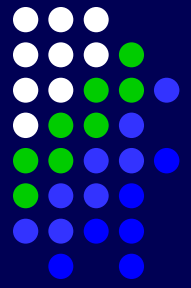
# Human Development Indicators<sup>1/</sup>

(Index values, 2004)

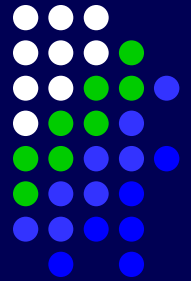


Source: UNDP.

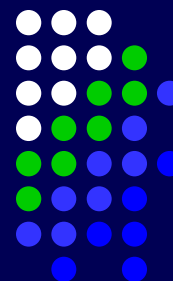
<sup>1/</sup>Index ranges between 0-1, with higher values indicating better levels of human development. Composite indices from UNDP definitions.



# Conclusions to Part III: Are there Factors Impeding Growth in Pacific Islands?



- Human development indicators in some Pacific Islands are lagging behind the MDG targets, but overall compare well to Asian developing countries.
- Population growth and capital expenditure, two key inputs to improved quality of life, are reasonably good in the Pacific as well.
- SO: the delimiters to private investment, rather than demographic or other core indicators, may be the reason for slower-than-expected growth in the Pacific.



## IV. Questions/Discussion

**THANK YOU!**

For more information,  
please visit:

[www.imf.org](http://www.imf.org)

or

[www.pftac.org](http://www.pftac.org)

