

PACIFIC ECONOMIC AND MARKET INSIGHTS

December Quarter 2023



Key trends at a glance

GLOBAL ECONOMY SLOWS DOWN



- IMF forecasts global growth to slow from 3.5% in 2022 to 3.1% in 2023, whilst 2024 growth is expected to remain the same at 3.1%.
- The outlook for global growth continues to be weighed down by slow growth in advanced economies, as increased central bank rates continue to cool economic activity.
- El Nino weather patterns and geopolitical tensions such as the Russia/Ukraine war and war in the Middle-east, pose downside risks to global growth and the inflation outlook.



COMMODITIES PRICE TRENDS



- Crude oil prices fell in Q4-23, due to oversupply and a weakening USD.
- Prices for precious metals inched higher in Q4, as fears from the Israel-Hamas war drove demand for safe haven assets.



- Cocoa prices continued their upward trend in Q4-23, driven by dwindling inventories and weakening USD.



- Arabica coffee prices increased over the quarter, due to low inventories.
- Palm oil prices declined over the quarter, due to increased demand for other edible oils.



LOWER GROWTH FOR PNG IN 2023

- The Department of Treasury in its 2024 National Budget, downgraded Papua New Guinea's (PNG) growth for 2023 by 0.3% to 2.7%.
- The downgrade was reflective of the delay in the resumption of Porgera gold mine's operations and lower than expected output in the oil and gas sector.
- Higher growth is anticipated for 2024, due to increased activity anticipated in the resource and non-resource sectors.
- 2024 National Budget set at K27.4b, with an expected increase in tax receipts based on PNG's improving the economic outlook.
- 2024 Budget Capital expenditure set at K10.7b, whilst operational expenditure allocated K13.6b. The remaining K3.1b is earmarked for interest payments.
- FX market turnover increased over Q4, due to increased BPNG intervention.
- The increased BPNG intervention helped reduce the continuing structural imbalance between FX inflows and outflows.
- PNG's resource sector is expected to receive a boost from Porgera's resumption in Q1-2024, whilst Kumul Petroleum Holdings (KPHL) has been cleared by the ICCC to acquire an additional 5% interest in the PNG LNG project. The proposed acquisition will increase KPHL's interest in the project to 21.8%.
- The signing of the Papua LNG FID is likely to be postponed, as securing financing for fossil fuel related projects proves challenging.



SUSTAINED GROWTH IN PACIFIC

- Sustained recovery seen for many Pacific Island economies in 2023.
- Growth in Pacific projected at 3.5% in 2023 and moderate to 2.9% in 2024.
- The recovery in international tourism and spending on public infrastructure projects is expected to support the growth outlook.

REAL GDP GROWTH RATES

	2022	2023	2024
	+20.0%	+8.3%	+3.7%
	-4.2%	+3.0%	+2.5%
	-5.3%	+8.0%	+4.2%
	-2.2%	+2.8%	+2.6%
	+2.0%	+1.0%	+3.1%
	+10.5%	+14.5%	+9.1%

BSP economic and market views



Mark T. Robinson

Group Chief Executive Officer

What are your views on the PNG economy for 2024 and its long-term opportunities?

- The country has a lot of upside potential for economic growth and employment, with the slate of resource projects and scale of government investment in the near term, however maintaining investor confidence is key to maximising economic benefit from growth.
- The IMF and Department of Treasury anticipate strong growth in 2024, with the PNG economy growing at 5.0% and 5.3%, respectively.
- This positive outlook is mirrored in the governments K27.4 billion budget for 2024, with 68% of the expenditure being supported by an expected solid increase in tax revenue.
- The K2.0 billion increase in government expenditure for 2024 was generally well received and fundamental for stimulating economic activity. However, translating that level of government spending on a micro level into tangible outcomes like new jobs, improved utility and health services and greater public safety is key to maintaining public and investor confidence.
- Moreover, Porgera's resumed operations in Q1 2024, will be crucial in fueling PNG's resource sector activity and revenue prospects for 2024.
- In terms of activity in the non-resource sector, FX shortages are still expected to be a key drag on growth. In addition, the sequenced depreciation of the PGK will further exacerbate business costs, as it will mean increased import cost as well as debt servicing.
- In addition to the above, there is still a lot of uncertainty in the global economy given tensions in the Middle East, the Russian/Ukraine war and El Nino weather patterns. These factors also present downside risks to PNG's economic outlook.

- On a positive note, the slate of resource projects over the short-medium term, suggest PNG is about to enter a super-cycle of economic growth. Papua LNG's FID is expected to be signed in 2024, and Wafi-Golpu could potentially follow suit and P'nyang is expected to commence in 2028.
- Commencement of these resource projects will greatly boost investor confidence, present significant employment opportunities and local content for our business customers.

How is 'Black Wednesday' likely to impact PNG's economy?

- PNG witnessed a tragic event in its history on Wednesday, 10 January 2024, in which a fault in the public servants pay tax administration resulted in the Police force going on strike, triggering public riots and looting of businesses in Port Moresby.
- Retail and wholesale businesses were the main targets of looters and extensive damage to business property ensued, notably to that of City Pharmacy and its Stop and Shop outlets, Brian Bell Ltd, Bismillah and Deshbesh.
- Current estimates of damages suffered amount to about K1.2 billion, and the overall implications to PNG's socio-economic landscape are far reaching.
- Damages of this magnitude in an economy like PNG can see a loss of jobs and create a supply shock effect in its domestic economy and accelerate inflation. Furthermore, the loss of businesses also translates to lower revenue for other businesses in the value chain network of these damaged businesses.
- Finally, as the event was covered by global media it will weaken interest in PNG foreign investment and international tourist arrivals.

BSP's economic and market views



Peter Beswick

Group General Manager – Corporate Bank

What trends have you seen in business confidence in 2023?

- For the greater part of the year, rising law and order issues and service disruptions muted business confidence.
- In addition, the sequenced depreciation of the PGK/USD mid-rate beginning in May, added to the unease in the business community, with questions being raised on whether the timing was right for the PGK/USD depreciation in 2023.
- Business sector outlook grew optimistic in Q4 2023, as news of Porgera mine's recommission and expected production in Q1 2024, sparked positive business sentiment. Similarly, growing optimism is fueled by the much anticipated signing of the Final Investment Decision (FID) for Papua LNG in 2024.
- In addition, the mining development contract for Wafi-Golpu could potentially be signed in Q1 2024, which would allow for the granting of a Special Mining Lease in the first half of 2024. This would be a major development for businesses in the Morobe Province after years of delays.
- Moreover, the recent announcement of Exxon's Wildebeest discovery is a boost to investor sentiments.

What are your views on business sentiments in 2024?

- The events that transpired on 10 January 2024, severely impacted business sentiment and serves as a harrowing reminder of the rising law and order issues PNG face, as a lack of employment opportunities, continuing urban migration and rising cost of living create a focal point for civil unrest.
- There are emerging concerns of political uncertainty, as the vote of no confidence becomes permissible in February. Whatever the outcome, government must work towards repairing business confidence and deliver on their announced 'Black Wednesday' relief package.
- The FID for the Papua LNG is expected to occur in 2024, bringing to an end the many decision delays. Signing of the FID will be important in boosting business morale and be the trigger point for an extended investment super-cycle for PNG.



Rohan George

Group General Manager – Treasury

How was foreign exchange liquidity and the Kina in the final quarter of 2023?

- FX market turnover in the December quarter rose 21.4%, from the September quarter to K14.5 billion, due to increased FX intervention (+71% to PGK 1.858 billion) from the Central Bank (BPNG). BPNG FX intervention provided 25.6% of FX inflows to the market in Q4.
- FX inflows over the December Quarter from BPNG (+71%) and BSP's Top 5 exporters (+29%), reduced BSP Customer Outstanding FX Orders by PGK 942 million to PGK 205 million at the end of 2023.
- Consequently, FX order execution times shortened, with "National Interest" orders taking priority over all other orders, and trade and service orders over capital payments (dividends etc.).
- In 2023, FX inflows rose 18% to K25.7 billion with a 84% increase (K2.6 billion) in BPNG FX intervention and a 6% increase (K1.3 billion) in FX inflows from exporters and others.
- BPNG supplied 22.2% (K5.7 billion) of PNG's FX inflows in 2023.
- Increased BPNG intervention helped reduce the continuing structural imbalance between FX inflows and outflows.
- The pace of PGK/USD depreciation reduced, falling by 1.7% to 0.2683 (as BPNG introduced a "crawling peg" exchange rate system). Against the Australian dollar, the Kina fell 7% to 0.3929 on growing expectations the inflation had peaked and rate cuts were likely to be slower and less than in U.S. in 2024.

What's the outlook for FX inflows for the upcoming quarter and how should Corporate and Retail customers manage volatility in foreign currency inflows?

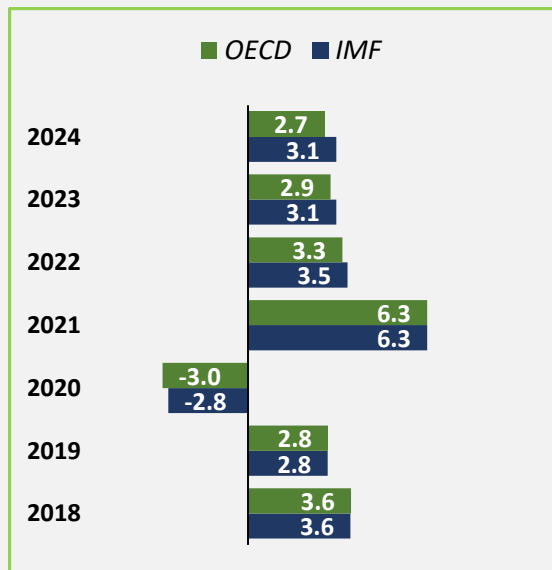
- Under the "crawling peg" the Kina will continue its gradual depreciation against U.S. dollar by approx. 0.4% per month or 5% p.a. We expect reduced 1st quarter FX inflows from exporters and post Christmas restocking will see outstanding FX orders increased and move back towards previous highs.
- With availability of foreign currency volatile and outstanding FX orders growing, its critical that customers place FX orders as quickly as possible, with correct documentation to avoid any unwanted delays.

Global economic outlook

Recessionary fears have receded, as the outlook for global growth show positive signs of a “soft landing” scenario. However, the balance of risks still remain tilted to the downside.

World Real GDP Growth [%]

- » The International Monetary Fund (IMF) expects global GDP growth to level out at 3.1% in 2023, with growth expected to remain the same for 2024.
- » Similarly, the Organisation for Economic Co-operation and Development (OECD) anticipates global GDP growth to slow in 2023, falling from 3.3% in 2022 to 2.9% in 2023, then slipping to 2.7% in 2024.

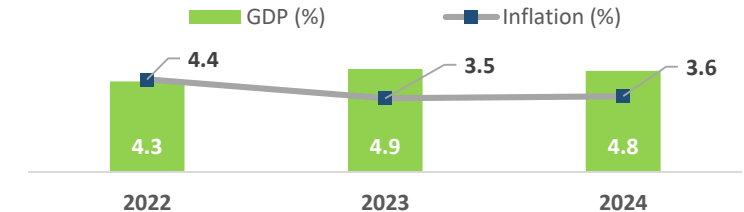


Growth Outlook



- Intervention and tighter government policies appears to have delivered a “soft landing”, as inflation is expected to decelerate from decade high’s without bringing a major downturn in activity (especially in the US). However, the balance of risks still remain tilted to the downside.
- The IMF baseline forecast for global growth to slow from 3.5% in 2022 to 3.1% in 2023 whilst growth forecasted to remain the same at 3.1% for 2024, well below the historical (2000–19) average of 3.8%.
- There is a growing divergence in growth outlooks as Advanced economies are expected to slow from 2.6% in 2022 to 1.6% in 2023 and 1.5% in 2024 as policy tightening starts to take hold. Whilst, Emerging market and developing economies are projected to have a constant growth of 4.1% from 2022 to 2024.
- Global inflation is forecast to decline steadily from 8.7% in 2022, to 6.8% in 2023 and 5.8% in 2024, due to tighter monetary policy aided by lower international commodity prices.

Developing Asia



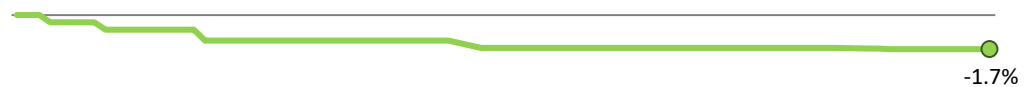
- Developing Asia’s outlook remains steadfast, despite global headwinds. The ADB has revised up its 2023 growth projection to 4.9% from 4.7%, due to robust domestic demand. Developing Asia’s 2024 forecast is maintained at 4.8%.
- » **East Asia** – Growth forecast for 2023 was revised up to 4.7% on higher-than-expected third quarter growth from China. Forecast for 2024 is maintained at 4.2%.
- » **South Asia** – Growth revised up to 5.7% for 2023, underpinned by stronger than expected growth in India and growth for 2024 remains unchanged at 6.0%.
- » **Southeast Asia** – growth outlook downgrade to 4.3% in 2023 and 4.7% in 2024 due to weak external demand.
- » **Caucasus & Central Asia** – improved outlook with growth forecast at 4.8% in 2023 on fast growth expectations for Kazakhstan. Its 2024 forecast revised slightly down to 4.6%.
- » **Pacific** – growth projections remain unchanged at 3.5% for 2023 and 2.9% for 2024 as the continued recovery of international tourism and the resumption of public infrastructure projects spur growth.

Source: IMF World Economic Outlook-Jan 2024, ADB Asian Development Outlook-Dec 2023, OECD Economic Outlook

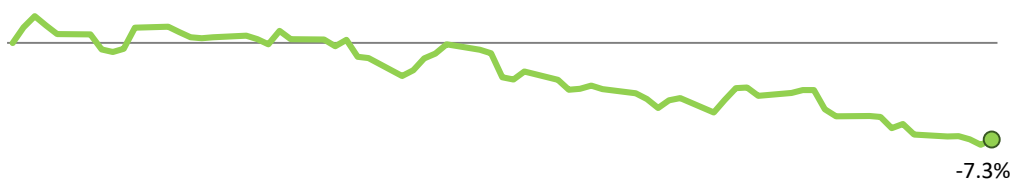
Currency trends

The USD dropped in Q4, closing lower than AUD, NZD and other major currencies, due to interest rates differentials and commodity markets. At the same time, the PGK/USD exchange rate depreciated further, closing 1.7% lower than the previous quarter.

PGK/USD in Q4-23



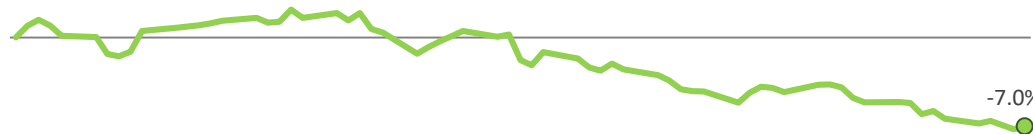
PGK/AUD in Q4-23



AUD/USD in Q4-23



PGK/NZD in Q4-23



02-Oct-23 23-Oct-23 13-Nov-23 04-Dec-23 25-Dec-23

Notes On Currency Movements



- **USD** – USD lost traction in Q4-2023, with the dollar index dropping by 3.0% (in November) causing some major currencies like the AUD, NZD and Yen to appreciate slightly during the period. The dollar is expected drop in 2024, with hopes that the U.S. Federal Reserve cuts interest rates.



- **PGK** – The PGK/USD reference midrate closed 1.7% lower in Q4-23 at 0.2683. With major currencies finishing strong against the USD, the PGK weakened by 7.3% against the AUD and 7.0% against the NZD in Q4-23.



- **AUD** – The AUD closed 6.0% higher against the USD and 7.3% higher against PGK, by extension in Q4-23. After its depreciation against the USD in Q3, the AUD was seen to appreciate in the last 2 months of the year as result of RBA’s hawkish stance on interest rates, improved market sentiments and the slippage in USD.

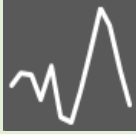








- **NZD** – The NZD finished strong in Q4-23 against other major currencies except the AUD, closing 5.7% stronger against the USD and 0.4% weaker against the AUD. The key factors driving NZD recovering includes, strong domestic demand and improved market sentiments thanks to China economic recovery.

Source: Reuters, yahoo finance, BPNG, RNZ, Forbes, DailyFX.

Commodity price trends

China's slow economic recovery, geopolitical and climate related concerns held the most sway on commodity prices in Q4 of 2023, influencing supply and demand in the market, while hopes for interest rates cuts in early 2024 has kept gold prices afloat.

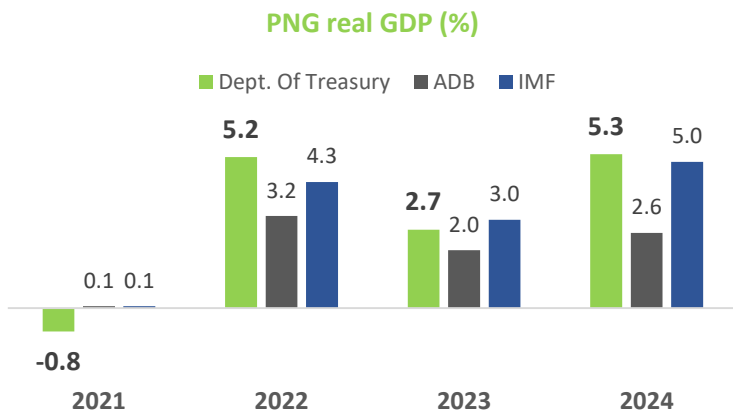
Commodity	Q3-23 (Average price)	Q4-23 (Average price)	Change (%)	Trend	Comments
Crude Oil, Brent [US\$/bbl.]	86.8	84.0	(-3.1%) ▼		Brent prices dropped in Q4, starting the downward trend in early October. However, concerns surrounding Israeli-Hamas conflict caused prices to pick up slightly reaching \$91/b. Oversupply and renewed macroeconomic issues erased fears of wider conflict and supply disruption concerns, causing prices to drop further throughout Q4 with the lowest price in the period as \$73.2/b on Dec 12.
LNG, Japan [US\$/MMBtu]	12.6	12.7	0.6% ▲		LNG Japan saw robust demand from importers in Q4, fueled by supply uncertainty causing the price to increase by 0.6% over the previous quarter. LNG futures trade volumes hit record high numbers in Q4, closing the year off with a year on year substantial increase of 12.47%.
Gold [US\$/troy oz.]	1,928.6	1,975.5	2.4% ▲		Gold prices dropped early October, but made gains throughout the month, due to concerns over Arab neighbors being drawn into the Israeli-Hamas conflict. Late November prices fluctuated between US\$1,930 and US\$2,000, whilst December prices rested above the US\$2,000 mark, buoyed by hopes of Fed interest rate cuts early in 2024.
Copper [US\$/MT]	8,367.5	8,175.6	(-2.3%) ▼		Copper prices were bearish this quarter dropping 2.3% against Q3's prices. Fears over another Fed rate hike and US Dollar strength places a cap on the prices whilst, China's slow economic recovery results in weak demand, sentiment and rising inventories. Copper long term outlook remains positive with the emerging of green energy markets.
Palm Oil [US\$/MT]	856.3	816.1	(-4.7%) ▼		Concerns over El Nino climate pattern influenced palm oil prices causing slight gains in November however, Q4 prices fell by 4.7% against Q3. Other factors that had impacts on the commodity's prices were other edible oil prices and demand from importers.
Arabica Coffee [US\$/kg]	4.1	4.3	4.9% ▲		Low inventories were bullish for coffee prices in Q4, resulting in an increase in average market price of \$4.3/kg, a 4.1% increase from last quarter. Meanwhile, favorable weather conditions supports coffee yields in Brazil which may be cause bearish coffee prices in near future.
Cocoa [US\$/kg]	3.5	4.0	13.5% ▲		Cocoa prices further increased in Q4 closing the quarter off with a 13.5% gain in prices over Q3. Cocoa prices rallied in this period, as a result of dollar's weakening and dwindling inventory concerns. Heavy rains have affected supply output, young beans from sprouting and have brought about spread of black pod disease.

Source: ADB, Reuters, Nasdaq, ICCO, S&P Global, INN.

PNG economic outlook

2023 growth for PNG was downgraded from 3.0% to 2.7%, due to weaker than expected activity in the extractive sector. Stronger growth is anticipated for 2024, due to Porgera’s resumption and higher activity in the non-resource sector.

PNG Real GDP Growth [%]



- In the 2024 National Budget, Treasury downgraded its 2023 growth outlook to 2.7%, down by 0.3% from Mid-Year Fiscal and Economic Outlook (MYEFO) forecast of 3.0%. This downgrade reflects weaker than expected activity in the extractive sector.
- In 2024, PNG economy is expected to grow by 5.3%, induced by increased activity in the resource and non-resource sectors.
- The resource sector in 2024 is anticipated to grow by 7.1% as resumption of Porgera coupled with increased output in Lihir gold mine, Ok Tedi and PNG LNG output expected to bolster growth.
- The non-resource sector growth is forecast at 4.7% in 2024, underpinned by higher activity in the Agriculture, Finance, Construction, Wholesale and Retail sector.

2024 Government Budget

(K, billions)	2023 Suppl. Budget	2024 Budget	2025 proj.
Expenditure	25.3	27.4	28.5
Operational Component	12.7	13.6	14.2
Interest Payment	2.8	3.1	3.3
Capital Component	9.8	10.7	11.0
Total Revenue and Grants	20.4	23.4	25.8
Tax Revenue	16.3	18.7	20.8
Grants	2.0	2.2	2.3
Other Revenue	2.1	2.5	2.7

- The K27.4b budget expenditure for 2024 as expressed in the parliament is a “**record budget**” and highlights Government confidence in a more productive PNG economy in 2024.
- The 27.4b budget consists of:
 - » **K13.6b** for Operational component;
 - » **K10.7b** is the Capital investment component;
 - » **K3.1b** for Interest payment
- The operational budget has seen a K0.9b increase compared to the supplementary budget, mainly due to the reclassification of health grants, increase in salaries, rentals, arrears (PNG connect) and LLG elections.

- The 2024 Capital Investment component increased by K0.9b from 2023 supplementary budget as government placed priority on successfully completing programs within the Medium-Term Development Plan (MTDP) III period and implementing MTDP IV.
- The 2024 budget is to be primarily funded by an expected increase in tax collections for 2024. Of the total K23.4b in revenue and grants expected to fund Government expenditure, **80% [K18.7b] is to be supported by tax revenue.**

3 main tax components



Company Income Tax (CIT)

Revenue from CIT to increase by 23.7%, mainly due to Commercial Bank tax increase from 30% to 45%



Mining Petroleum Tax (MPT)

Revenue from MPT to increase by 17.3% from increased Oil price and higher productivity in Mines



Personal Income Tax (PIT)

Revenue from PIT to increase by 12.2% from anticipated strong employment growth

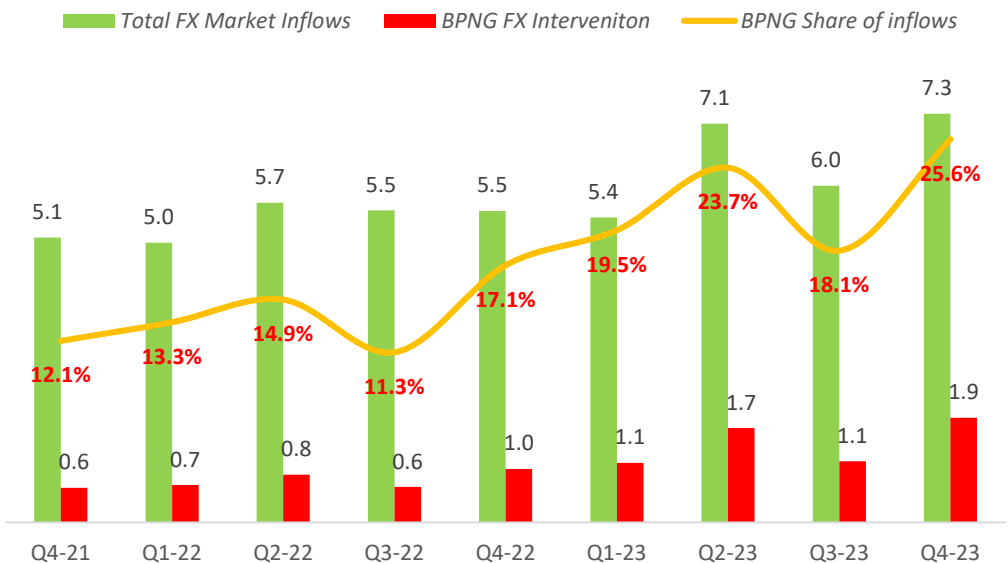
- Successful delivery of the 2024 budget will depend on **strong fiscal discipline, commencement of Porgera and efficient tax administration.**

Source: Dept. of Treasury-2024 National Budget, IMF World Economic Outlook Database (Oct 2023), ADB Asian Development Outlook-Dec 2023

FX market inflows vs BPNG intervention

Increased BPNG intervention in Q4 of 2023 helped reduce outstanding FX orders and structural imbalances between FX inflows and outflows.

Total FX Market Inflows vs BPNG FX Intervention (Kb)



Q4-23 FX Market Inflow

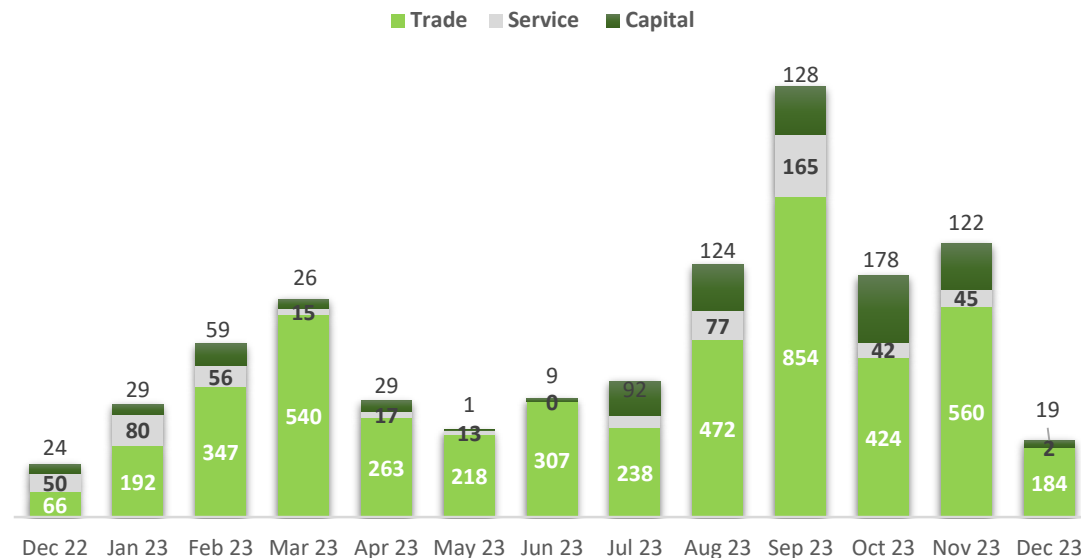
↑ **K7.3b**
21.4% against Q3-23

Q4-23 BPNG FX Intervention

↑ **K1.9b**
71.2% against Q3-23

- In 2023, FX inflows rose 18% to K25.7b with an 84% increase (K2.6b) in BPNG FX intervention and a 6% increase (K1.3b) in FX inflows from exporters and others.
- FX market inflows in the December quarter rose 21.4%, from the September quarter to K7.3b.
- BPNG FX intervention provided 25.6% of FX inflows to the market in Q4.

Volume of Outstanding Orders (Km)



- FX inflows over the December quarter from BPNG (+71.2%) and BSP's Top 5 exporters (+29%), reduced BSP Customer Outstanding FX Orders by PGK 942m to PGK 205m at the end of 2023.
- Consequently, FX order execution times shortened, with "National Interest" orders taking priority over all other orders, and trade and service orders over capital payments (dividends etc.).
- BPNG supplied 22.2% (K5.7b) of PNG's FX inflows in 2023. The increased BPNG intervention helped reduce the continuing structural imbalance between FX inflows and outflows.

Source: BSP Treasury

PNG resource sector

Porgera mine's production in Q1 2024 is expected to boost activity in PNG's extractive sector. However, there are delays expected for the Final Investment Decision (FID) for Papua LNG, due to rigid financing conditions pertaining to climate change issues.

Extractive Resource Sector

Papua LNG (Est. capital Investment, K37.3b)

- Construction phase is expected to begin in early 2024 however, Former Mining and Petroleum Minister Kerenga Kua (*ministerial portfolio split up*) advised that signing of the Final Investment decision (FID) may be delayed, as raising capital on the global market is becoming increasingly difficult with climate change issues creating tough conditions for obtaining funds for fossil fuel projects.
- Secondly, there are at present many countries constructing LNG projects that are drawing away the preferred triple A contractors. To attract a triple A contractor could mean paying a premium, which would result in increasing project costs. These could result in FID being pushed back till later in the year.

Wafi-Golpu Mine (Est. capital Investment, K20.1b)

- Signing of the Mining Development Contract for Wafi-Golpu resource project is anticipated for Q1 2024 as announced by Mineral Resource Authority (MRA) during the 17th Papua New Guinea Resource and Energy Investment Conference in Sydney in December 2023, this would allow for the potential granting of a Special Mining Lease in the first half of 2024.

PNG LNG

- Kumul Petroleum Holdings Ltd (KPHL) was cleared by ICCC to acquire 5% project interest of PNG LNG. The proposed acquisition will increase KPHL's interest in the PNG LNG project to 21.8%.

Ok Tedi

- Ok Tedi Mining Limited (OTML) announced a final dividend payment of PGK350 Million to its shareholders on 28th December 2023, bringing the total dividend to K450 Million for 2023.
- For the month of December in 2023, OTML announced record revenue of K684 million (USD\$184 million), the highest recorded monthly revenue for the year.



Porgera Gold Mine



- » The Porgera mine is expected to resume production in Q1 of 2024 after a special mining lease (SML) was granted to New Porgera Limited (NPL) on 13th October 2023.
- » Estimated cost for restarting Porgera mine's operations is K2.7b. The mine is looking to employ over 3,000 Papua New Guineans by end of 2024.
- » The 49% of the equity in the New Porgera joint venture company will be owned Barrick Nuigini Limited (BNL) and 51% by PNG parties, including an increased equity stake for the landowners of Porgera.
- » The closure of the mine in April 2020 resulted in the PNG economy contracting by 1.3% and a significant reduction in FX inflows.

Porgera Contribution to Real GDP in 2024

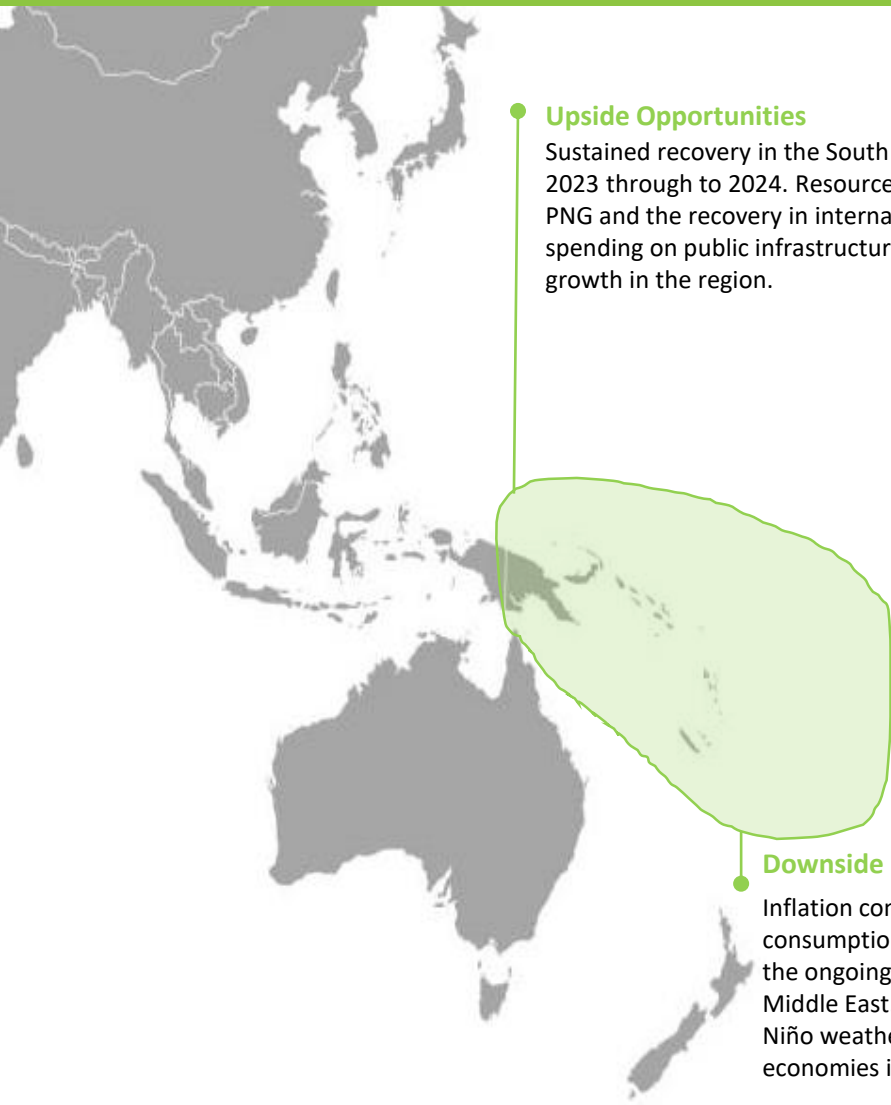
In 2020, prior to its closure, Porgera gold mine's activity from January to April alone constituted to **0.6% of PNG's real GDP growth** for 2020. Whilst, the eventual closure in late April resulted in **the PNG economy contracting by 1.3%** in 2020.

This means that if Porgera hadn't closed in 2020, it would have likely contributed to circa **1.9% of PNG's real GDP for 2020**.

Therefore, assuming that total production volume projected for Porgera in 2020 is the same for 2024 and operations were to commence for the full year in 2024. The estimated direct contribution to the PNG's economy would approximately be between **1.8% and 1.9% of PNG's real GDP for 2024**.

Source: Business advantage News, National Newspaper, Post-Courier, Dept. of Treasury-2021 National Budget

South Pacific economic update [1]



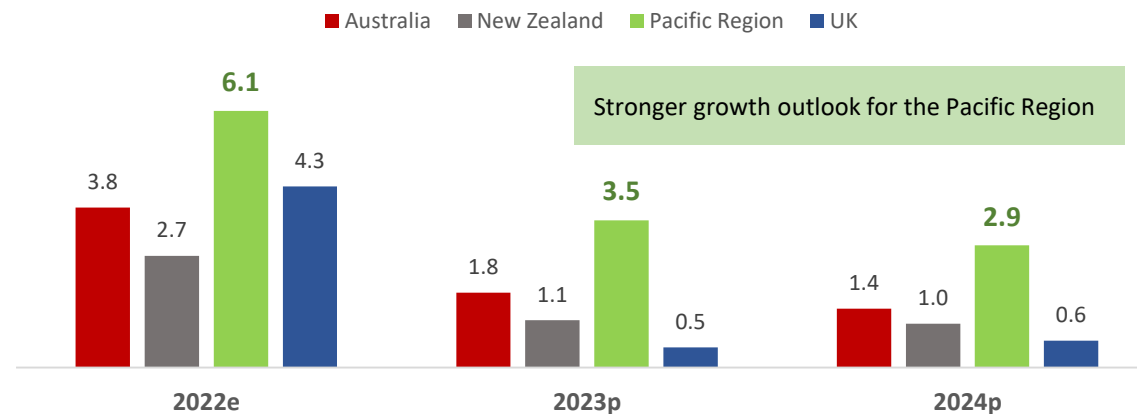
Upside Opportunities

Sustained recovery in the South Pacific is expected from 2023 through to 2024. Resource projects commencing in PNG and the recovery in international tourism and spending on public infrastructure projects will support growth in the region.

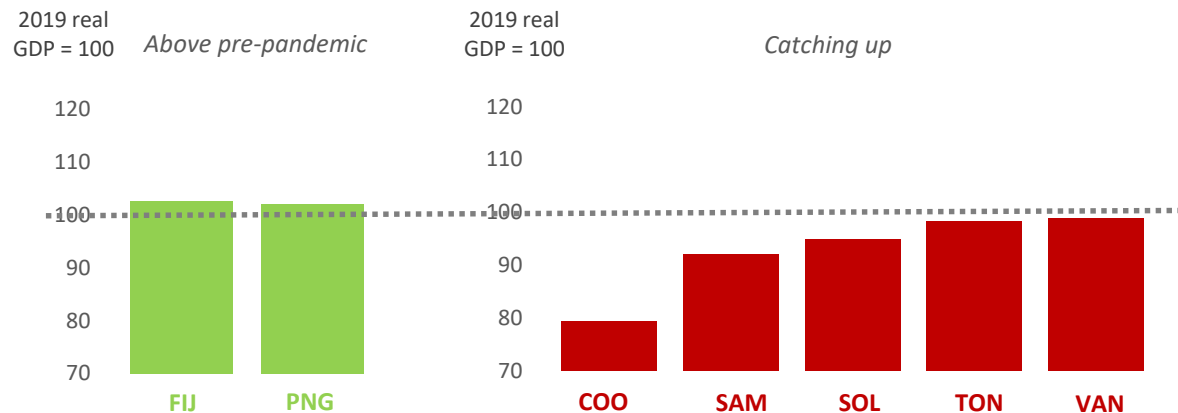
Downside Risks

Inflation continues to hamper consumption and may likely persist with the ongoing conflicts in Europe and the Middle East. Climate-related risks with El Niño weather also present headwinds for economies in the Pacific.

Pacific Region Growth vs AUS, NZ & UK



GDP in 2023 relative to 2019









Fiji and PNG are expected to fully recover in 2023 from the lingering effects of the pandemic whilst others are slowly catching up.

Source: IMF World Economic Outlook-Jan 2024 & October Database, ADB Asian Development Outlook-Dec 2023, ADB PEM Dec-2023

South Pacific economic update [2]

A strong visitor arrivals rebound and infrastructure project spending, continue to support growth in the South Pacific.

Real GDP Growth

	2022e	2023p	2024p
	20.0%	+8.3%	+3.7%
	-4.2%	+3.0%	+2.5%
	-5.3%	+8.0%	+4.2%
	-2.2%	+2.8%	+2.6%
	+2.0%	+1.0%	+3.1%
	10.5%	+14.5%	+9.1%

Commentaries

- **Fiji** – The ADB forecasts Fiji's growth for 2023 and 2024 at 8.3% and 3.7%, respectively. The strong rebound in tourism continues to drive the economy whilst sectoral production remains weak as a result of industry specified challenges. Fiji's FY2023-24 national budget increased the country's taxes (VAT, CIT etc.) as measures to counter its declining revenue to GDP ratio. Fiji's inflation is expected to be at 3% for both 2023 and 2024.
- **Solomon Islands** – Solomon Island's fiscal position is below pre-pandemic position with the fiscal deficit expected to widen to 7.5% of GDP levels in 2023-2024. Solomon Island's economy is forecast to grow by 3.0% in 2023 and 2.4% in 2024, with the growth expected to be driven by the 2023 South Pacific Games and 2024 National elections.
- **Samoa** – Economic growth in Samoa is expected to increase to 8.0% in 2023, whilst inflation remained at 12% ,due to high import prices. Despite the 3 year economic contraction (2020-2022), Samoa's economy remains strong, supported by high domestic demands, consecutive stimulus packages and increased remittances from overseas workers. Visitor arrivals to Samoa are close to pre-pandemic levels.
- **Tonga** – After a 2 year contraction, Tonga's economy rebounds through resilient tax revenues and the reconstruction of infrastructure post Hunga Tonga–Hunga Ha'apai (HTHH) eruption. Tax revenues are supported by strong inward remittance and the Government's improved tax collection methods. Whilst the economy rebounds, Tonga's growth is expected to be hindered by shortages in labor and reduced tourist visitation levels due to the lingering impacts of the 2022 HTHH and tsunami.
- **Vanuatu** – Fiscal situation in Vanuatu remains a challenge with fiscal deficit projected to deteriorate from 3.4% during 2020-2022 to 6.1% of the GDP during 2023-2024. Vanuatu is expected to grow by 1.0% in 2023 as damages brought about earlier by Cyclone Judy and Kevin weighed down its growth for 2023. However, stronger growth is anticipated for 2024 at 3.1%, as the economy recovers underpinned by increased visitor arrivals.
- **Cook Islands** – Cook Islands' economy continues to recover with the rebound in tourism however, visitors arrivals are still below pre-pandemic levels. Current forecast by the ADB expects growth to moderate to 9.1% in 2024 from a growth of 14.5% in 2023.

Source: IMF World Economic Outlook, ADB PEM Dec-2023 , BSP OSB's Central Banks

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