

Pacific Economic Monitor: December 2014

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Pacific Economic Monitor
BUDGET ANALYSIS

December 2014 www.adb.org/pacificmonitor

The Monitor provides an update of developments in Pacific economies and explores topical policy issues.

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Highlights

- **Subsidize revenue collections in smaller Pacific economies.** Fishing rates under a regional vessel day scheme continue to support strong fishing license revenues in Kiribati, the Republic of the Marshall Islands, the Federated States of Micronesia, Palau, and Timor-Leste. Increased economic activity and improved compliance are also pushing tax revenue collections higher in Fiji, Palau, Tonga, and Vanuatu.
- **Limited 2015 expenditure growth planned in larger economies.** High revenues have underpinned expanding budget allocations in large resource-rich economies, but low implementation rates limit the development gains. For 2015, Papua New Guinea plans fiscal consolidation to reduce its deficit, while Timor-Leste is budgeting a minimal increase in total expenditure to bring budgeted and actual expenditures closer.
- **Seizing new opportunities.** This issue's policy briefs consider longer-run opportunities and challenges facing Pacific economies from changing external conditions. Efforts to utilize scarce public resources more effectively in developing the infrastructure and institutional capacity needed to harness emerging opportunities are explored—focusing on efforts to improve fiscal planning and management.

ASIAN GROWTH
Nearly 40% of global output by 2030
5.6% growth per annum over next 2 decades

PACIFIC OPPORTUNITIES
Harness rising demand from Asia through the following channels

CONTINUING GROWTH IN DEMAND FOR RESOURCE-BASED COMMODITIES

PACIFIC TRADE WITH ASIA
over 9 times expansion from 2000 to 2012
From \$2 billion in 2000 TO over \$50 billion in 2012

TRADITIONAL PACIFIC EXPORTS
Responding to global demand for primary commodities (e.g., crude oil, nickel, cash crops, fisheries)

PRIORITY ACTIONS ▶▶▶ Developing policies and institutional capacity to manage resources and ensure sustainable use

ASIA'S GROWING MIDDLE CLASS

Over half of world's middle class will be in Asia
Asia: 6.2 billion people
62% of world's middle class

NICHE PRODUCTS
Optimized tropical environments ideal for tourism and production of some high-value goods (e.g., South Sea pearls, aromatic waste, cosmetics, handicrafts)

PRIORITY ACTIONS ▶▶▶ Investing in transport, logistics, and other public infrastructure to enable producers to profitably export niche products and tourism operators to provide internationally competitive services

POPULATION AGING IN ASIA

About 17% of Asian population over 60 by 2030
Asian population over 60 to increase by about 400 million

PACIFIC AS A POTENTIAL RETIREMENT DESTINATION AND SUPPLIER OF SKILLED ELDERCARE LABOR
Favorable climate, positive environments, hospitable people

PRIORITY ACTIONS ▶▶▶ Investments in public services—particularly healthcare systems and human resource development

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An analysis of 2014 budget outcomes and 2015 plans of ADB's Pacific member countries is the focus of this issue of the Pacific Economic Monitor, also including an analysis of opportunities and challenges from external factors. An analysis of 2014 budget outcomes and 2015 budget plans of ADB's Pacific developing member countries is the focus of this issue of the Pacific Economic Monitor. The policy briefs in this issue consider longer-run opportunities and challenges facing Pacific economies from changing external conditions.