

# Pacific Economic Monitor: July 2015 - Midyear Review

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

**Contents**

Highlights	1
The economic setting	3
Country updates	5
Policy issues	
Disasters in the Pacific: An overview of economic and fiscal issues	18
Vanuatu and Cyclone Pam: An update on fiscal, economic, and development impacts	23
ADB's Pacific operations and disaster risk reduction	28
Reassessing accountability after disasters	31
Enhancing macroeconomic resilience to disasters in the Pacific: A workshop report	35
Economic indicators	36

**Highlights**

- Disasters dampen 2015 outlook for smaller islands. The impacts of severe weather events last March are seen to impede growth in the economies of the Federated States of Micronesia and Vanuatu this year. However, average growth in the Pacific region is still projected to accelerate to 3.9%, driven mainly by the first full year of liquefied natural gas exports from Papua New Guinea (PNG).
- Improved Pacific island prospects in 2016. The commencement of development partner projects in Fiji, and the continuing strong performance of tourism in Palau, are projected to help boost average growth in the Pacific Islands—the Pacific region excluding PNG and Timor-Leste—from 3% in 2015 to 3.9% next year. However, average growth in the Pacific region is seen to moderate to 5.0% in 2016.
- Building resilience to disasters. This issue's policy briefs examine the development impacts of intense disasters in the Pacific and consider options for enhancing resilience and adaptation over the long term.

**GLOBAL DISASTER RISKS: Highest in the Pacific**

Only 0.1% of world population but experience 2.3% of global disasters

Typhoons/Cyclones: Tropical cyclone belt

Undersea earthquakes, eruptions, tsunamis: Australia-Pacific tectonic boundary

10 of top 30 with highest potential losses

5 of top 15 with highest risk from disasters

In average annual losses relative to GDP (World Bank-PCRAF)

From exposure to natural hazards and vulnerability of society (LNU-ENG World Risk Index)

**DIRECT IMPACTS: Damage and losses**

Average 10-year loss per person\*

High-middle income: 0.2  
Low-middle income: 0.4  
Low income: 1.2  
Pacific average\*: 1.3  
Vanuatu: 1.3

\*See March (p.6), Timor-Leste (p.8) and Samoa (p.9) with highest estimated losses

**INDIRECT IMPACTS: Economic and fiscal**

In the long run, an average cyclone reduces per capita incomes by 3.6%

Catastrophic cyclones can cut per capita incomes by as much as 7.4% to 14.9%\*

**Vanuatu: CYCLONE PAM**

Economy projected to contract in 2015 (GDP growth %p.a.)

Pre-cyclone: 4.0%  
Post-cyclone: -0.5%

Total damage of \$450 m (64% of GDP)  
Estimated cost of recovery \$380 m over 4 years

**BUILDING RESILIENCE: Elements of a response**

**GOOD GOVERNANCE AND SOUND ECONOMIC MANAGEMENT**

- Factor in risks in development strategies, projects, programs
- Specializing on protection, education
- Strengthening coordination and accountability systems

**DISASTER RISK REDUCTION AND ADAPTATION**

- Regional risk pooling and insurance
- Climate-proofing infrastructures
- Restore and protect natural barriers to disaster risks

**ADB**

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This issue of the Pacific Economic Monitor updates the 2015 and 2016 GDP growth and inflation projections for ADB's Pacific developing member countries. The policy briefs included in this issue focus on disasters in the Pacific.