

# NIUE QUARTERLY ECONOMIC UPDATE

- The 2024 economic outlook for Niue has improved from the 2023 Q4 update as arrivals and spending continue to grow, and the 50th Constitution celebrations expected to add further stimulus.
- This positive outlook is balanced by the anticipated drop in activity following completion of the airport and roading projects, which have made significant contributions to the economy.
- The tourism sector while improving, has not fully recovered. Arrivals in 2023 are 40 percent below

2019 levels, and further investment is needed.

- EFTPOS spending has seen strong growth, surpassing pre-pandemic levels. The total in 2023 was 19 percent higher than for 2022, and 18 percent higher than 2019.
- Economic activity appears to be focused in the construction sector as diesel imports in 2023 are 23 percent higher than 2019, while petrol imports remain flat and below pre-pandemic levels.

## 1 International Context

According to the IMF World Economic Outlook global economic growth is forecast to be 3.1 percent in 2024, and 3.2 percent in 2025. The 2024 growth forecasts have been revised up by 0.2 percent from the October 2023 forecast. Similar positive revisions have been made for US, China and India growth estimates for 2024 .

This improved outlook reflects easing global inflation, as well as the stronger than expected growth in the US, China and India. However, risks include commodity price shocks and supply disruptions from geopolitical conflicts, as well as potential widening of property sector issues in China.

IMF forecasts for the Pacific region remain the same from the previous update. The New Zealand Treasury forecast slightly higher but still subdued growth at 1.5 percent for 2024 and 2025, reflecting tight monetary conditions to counter inflation.

Global inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025. The annual inflation rate in New Zealand for December 2023 is 4.7 percent, which is down from 5.6 percent in September (Fig. 1).

## 2 Niue

The outlook for 2024 has improved from the 2023 Q4 update, with arrivals and particularly spending continuing to grow. As the twice weekly flights resume, economic activity should continue to increase in Q2, and continue building towards the tourist season and the 50th Constitution celebrations in Q3 and Q4. For 2025, the outlook is generally positive but will be dependent on investment into tourism, and the performance of NZ and the global economies.

However, the completion of the airport and road projects are expected to temper economic activity in 2024, as the data indicates they have made significant contributions to the economy. While easing, inflation is also still high at 8.7 percent in December 2023. Tight labour market conditions also persist, as recruitment remains very difficult for government.

Table 1: IMF World Economic Outlook, Jan 2024

	GDP Growth (%)			Dif. Oct 2023	
	2023	2024	2025	2024	2025
<b>World Output</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>	<b>0.2</b>	<b>0.0</b>
<b>Advanced Economies</b>	<b>1.6</b>	<b>1.5</b>	<b>1.8</b>	<b>0.1</b>	<b>0.0</b>
US	2.5	2.1	1.7	0.6	-0.1
Euro Area	0.5	0.9	1.7	-0.3	-0.1
Japan	1.9	0.9	0.8	-0.2	0.2
UK	0.5	0.6	1.6	0.0	-0.4
<b>Emerging Economies</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>	<b>0.1</b>	<b>0.1</b>
China	5.2	4.6	4.1	0.4	0.0
India	6.7	6.5	6.5	0.2	0.2

IMF Asia Pacific Outlook, Oct 2023

	GDP Growth (%)			Dif. Oct 22	
	2023	2024	2025	2024	2025
Australia	1.8	1.2	2.0	-0.5	-0.1
New Zealand	1.1	1.0	0.6	0.0	0.0
Pacific Island Countries	3.2	3.8	3.5	0.2	0.5

The tourism sector has not fully recovered, with 2023 arrivals still 40 percent below 2019 levels. Further investment is needed to increase accommodations, which may require lending policy adjustments to encourage more private sector engagement.

EFTPOS spending in 2023 was 19 percent higher than for 2022, and 18 percent higher than in 2019. Credit spending was particularly strong with a 53 percent increase in 2023 compared to 2022, contributing to a return to the pre-pandemic pattern of tourist driven spending peaks in Q3 .

Imports in 2023 were up 32 percent from 2022. Diesel fuel imports in particular increased significantly, while petrol imports were flat and below pre-pandemic levels, suggesting that economic activity was mainly focused in the construction sector.

## 2.1 Inflation

Annual inflation remains elevated at 8.7 percent in December 2023, dropping from a high of 9.7 percent in September (Fig. 1). Prices are expected to continue falling, following easing prices in NZ.

Fuel purchase prices from Matson by the government have also rebounded in the last quarter of 2023 (Fig. 6). The price of Diesel has fallen slightly to \$1.45 per liter in November from a high of \$1.51 the previous month. Petrol is at \$1.29 for the December voyage, which is down from a recent high of \$1.44 in October.

## 2.2 Arrivals

Visitor arrivals have continued to improve with 7,507 passengers in 2023, an increase of 49 percent from 3,840 in 2022 (Fig. 2).

However, the total arrivals for 2023 is still only 59 percent of the 12,786 arrivals for 2019, clearly indicating that there is still some way to go before a return to pre-pandemic levels. 2023 Q4 arrivals of 2,433 were higher than Q4 arrivals of 2,024, further indication that tourist arrivals which usually cause a peak in Q3 have yet to fully recover (Fig. 7).

On a more positive note, arrivals for Q1 of 2024 (Jan and Feb partial only) are already at 1,868 passengers, exceeding 2023 Q1 and on track to meet the 2,433 total for Q4 of 2023. There were 1,317 arrivals for January 2024, which is the highest month yet post-pandemic (Fig. 11).

To return the economy to pre-pandemic levels, additional investment is required to bring the tourist accommodation sector back to full capacity. This will help ensure that the twice weekly flights are available year-round.

## 2.3 Spending

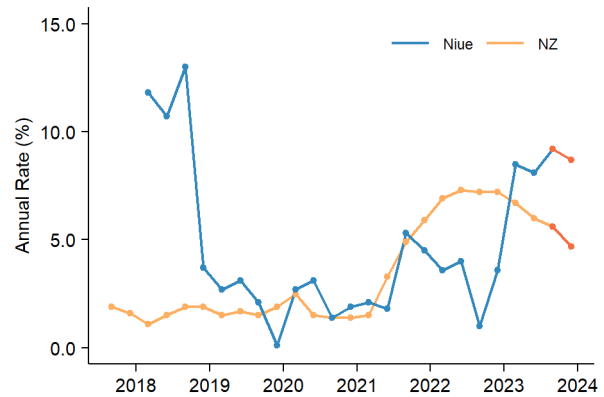
EFTPOS spending continues to increase, with the \$27.7 million total for 2023 approximately 19 percent higher than the \$22.4 million total for 2022. This has increased from \$22.4 million in 2022, and \$20.3 million in 2021 (Fig. 3).

Debit card spending in 2023 at \$22.8 million exceeded total EFTPOS transactions in 2022, and was also 12 percent higher than 2022 debit spending at \$20.1 million. Debit spending had been steady at just under \$20 million and trending seasonally throughout the pandemic years, suggesting that debit card spending is mostly associated with residents rather than visitors.

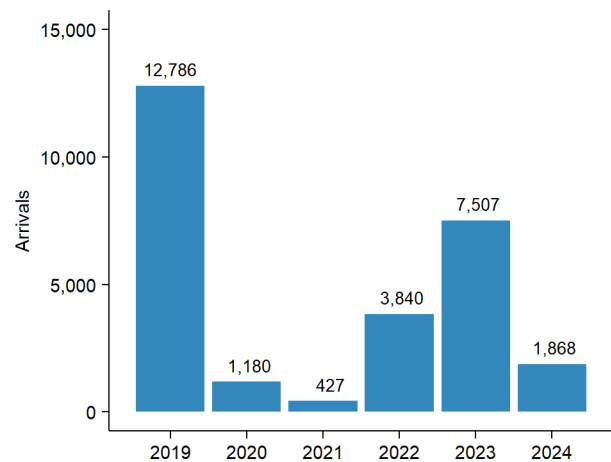
Credit card spending was 52 percent higher in 2023 at \$9.88 million, compared to 2022 at \$4.68 million. This was a significant increase from \$1.44 million in 2022 and \$2.39 million in 2021.

Tourism appears to be recovering, with spending in peak tourist season 2023 Q3 particularly strong at \$7.82 million (Fig. 8). For the first time since the pandemic, Q3 total was higher than the \$7.74 million for Q4. This was driven by credit spending and mirrors tourist season trends from 2018 and 2019.

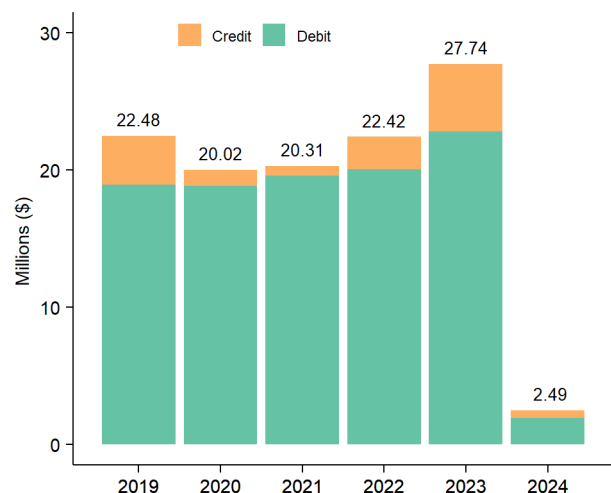
**Figure 1. INFLATION: Niue CPI at 8.7% and NZ at 4.7% in 2023 Q4.**



**Figure 2. ARRIVALS (2024 only includes Jan, Feb).**



**Figure 3. VALUE OF EFTPOS TRANSACTIONS (2024 Q1 only includes January).**



With the \$27.74 million total in 2023 approximately 18 percent higher than the \$22.8 million total in 2019, it may appear that spending has recovered to pre-pandemic levels. However, it is important to note that there is an approximately 7 percent increase in prices within this time period. It is also not clear whether there has been a shift from cash to electronic transactions during this time.

Finally the two large infrastructure projects brought in a large number of personnel, which may be having a sizable albeit temporary influence on spending.

## 2.4 Imports

The airport project and roading projects have had a significant impact on imports into Niue, as the projects brought in materials, fuel and machinery. The total import weight of 12,396 tons in 2023 was 34 percent higher than the 8,154 tons imports for 2022 (Fig. 4). Q2 imports of 5,050 tons was the highest for 2023 (Fig. 9), due to the exceptionally high June imports for the infrastructure projects (Fig. 12).

Imports of diesel fuel has been especially high since the projects began, with 1.44 million liters in 2022 and 1.61 million liters in 2023 (Fig. 5). Both of these are higher than the 1.24 million liters imported pre-pandemic in 2019. Quarterly diesel imports peaked at 589 thousand liters in Q3 of 2023 (Fig. 10).

Imports of petrol on the other hand have remained at 0.86 million liters for 2022 and 2023, which is under pre-pandemic levels of 1.08 million liters in 2019.

These figures suggest that the increase in economic activity on the island has been focused in construction, rather than tourism.

## 2.5 Key Challenges

Recruitment has been difficult for the public service, affecting several essential services. The labour mobility scheme in partnership with other Pacific Island countries is scheduled to begin later this year. This is expected to alleviate some of the pressure for government in the short term, however it is not clear whether this is a viable long term solution. It is also not clear how the tight labour market conditions are affecting the private sector.

Providing consistent and reliable power has been an ongoing challenge for Niue’s power infrastructure. The most recent disruptions affected the solar power supply, and this shortfall had to be met by the diesel generators. This may have added to elevated diesel imports. Significant investment and effort is currently being directed to commissioning the new power house, which is expected to be brought online in the next quarter.

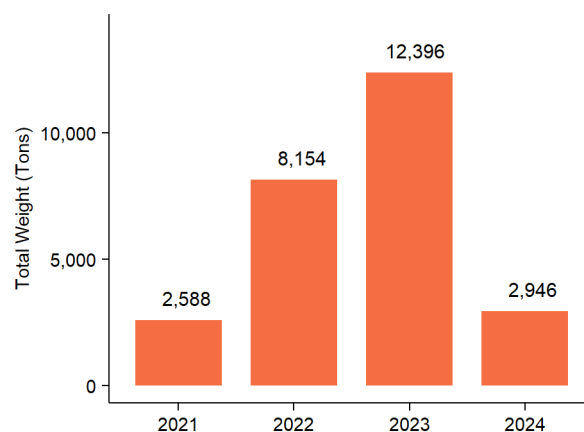
Effective revenue collective is another challenging area for the government, affecting financial stability and limiting the ability of government to carry out its fiscal policies. Reforms continue for Customs and the Taxation Office, the main revenue generating arms of the government. The ASYCUDA system for Customs imports has been in the implementation phase for almost a year. The Tax Office is undergoing administrative reforms, as well as new information systems and processes expected to be brought online over the next year.

## 2.6 Looking Forward

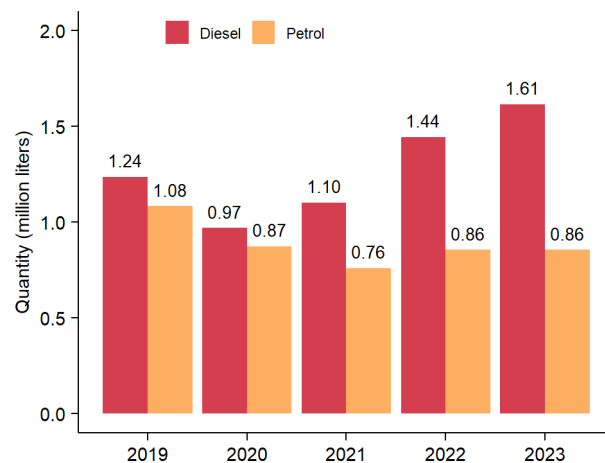
The key focus for Niue in the near to medium term should be increasing accommodations in the tourism sector, in order to retain the twice weekly flights. This will require additional investment. Lending Policies of the Niue Development Bank may need to be adjusted to encourage additional private sector participation. The other key focus area should be to maintain and grow the agricultural export sector, in particular taro and vanilla. These are areas that can help to offset the drop in economic activity as the two major infrastructure projects wind down. With significant improvements to the airport, road and power infrastructure, Niue will be in an advantageous position to build towards a more resilient economy.

In the longer term, investment to further expand accommodation and tourism facilities should be pursued. As demand improves, additional air routes to neighboring islands should be considered to improve access to other markets, and to provide travel and freight alternatives. Further investments also need to be made in the agricultural sector for local produce to support an expanded tourism sector, as well as export markets.

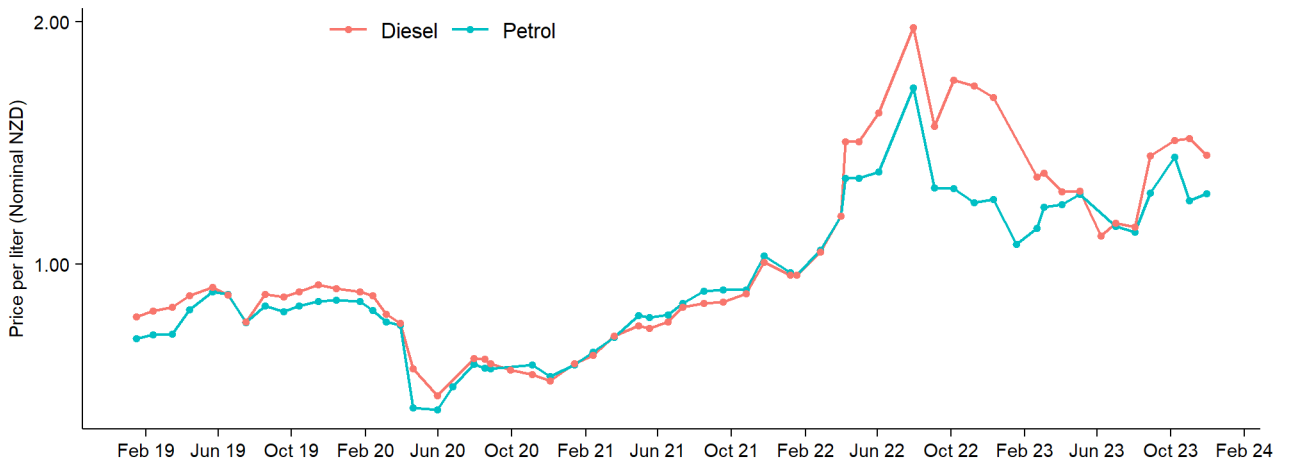
**Figure 4.** IMPORTS WEIGHT (2024 only Q1, 2021 only Q3, Q4).



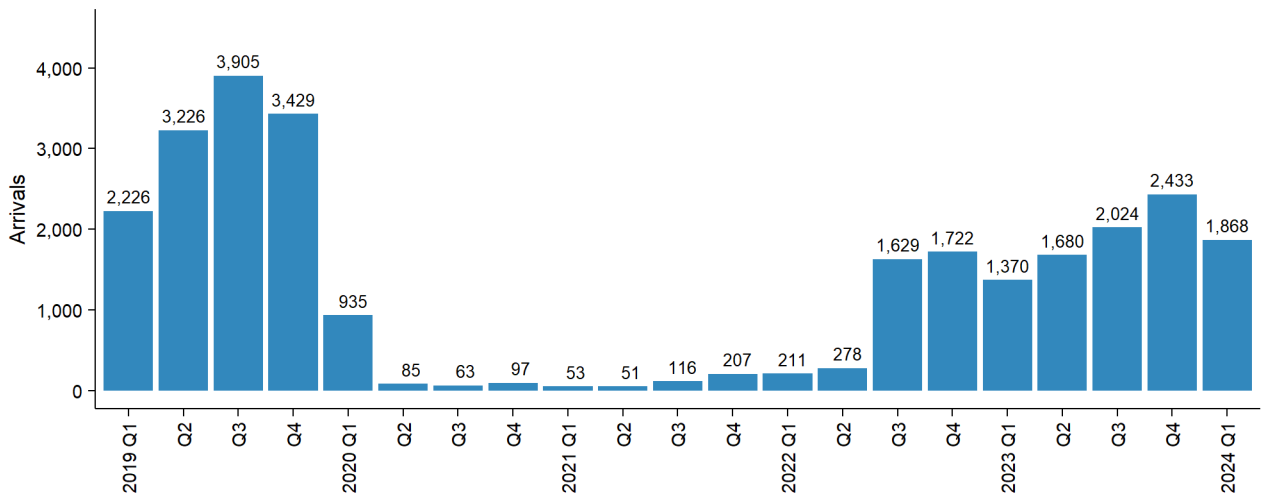
**Figure 5.** FUEL IMPORTS



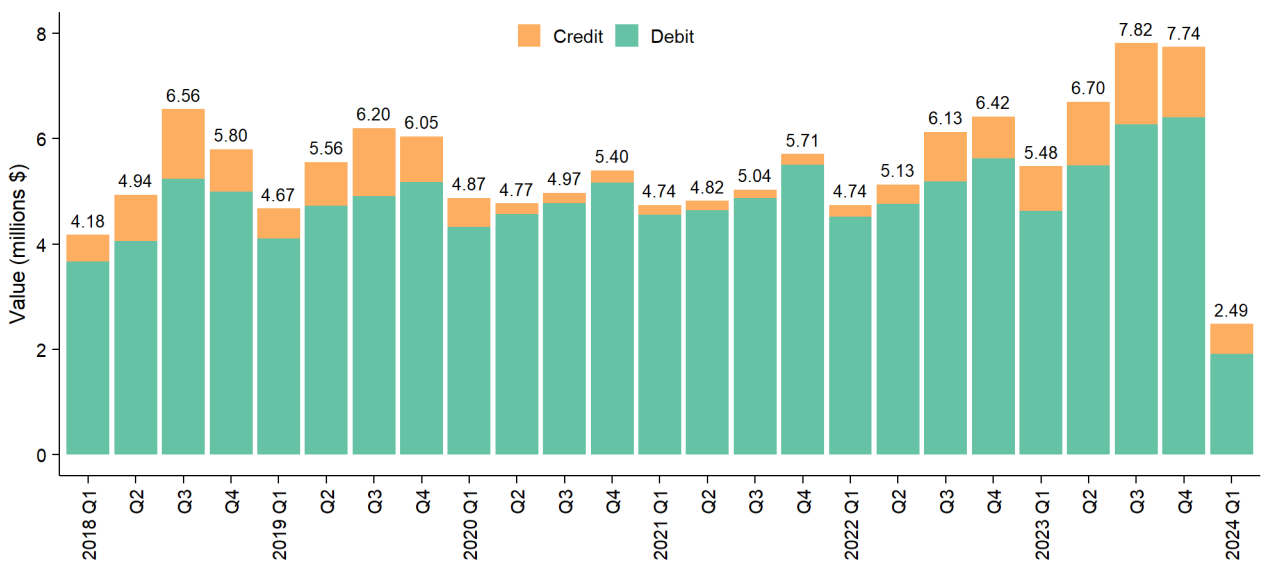
**Figure 6. FUEL PURCHASE PRICES FROM MATSON: Diesel \$1.45 and Petrol \$1.51 per liter in November 2024 (Excludes Hire and Shipping)**



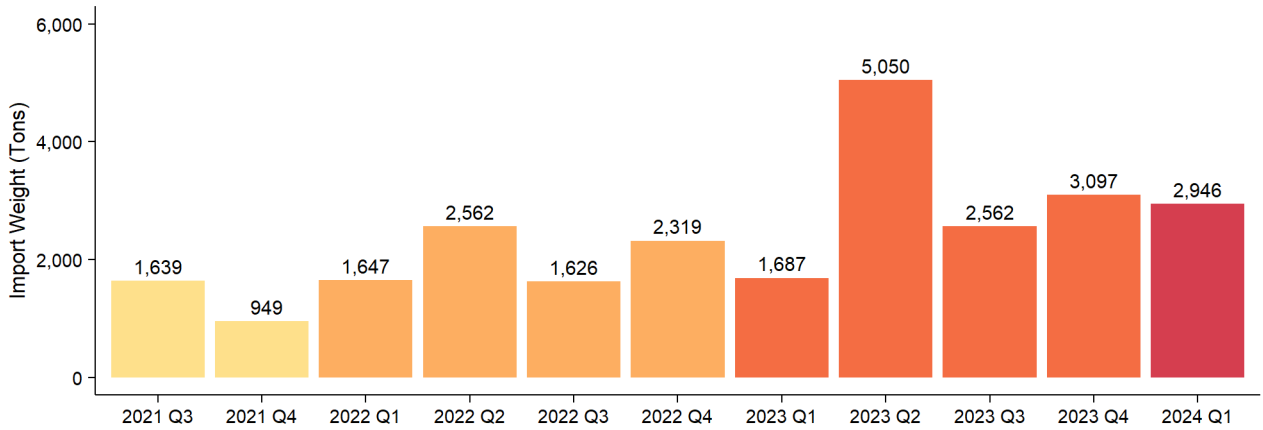
**Figure 7. QUARTERLY PASSENGER ARRIVALS**



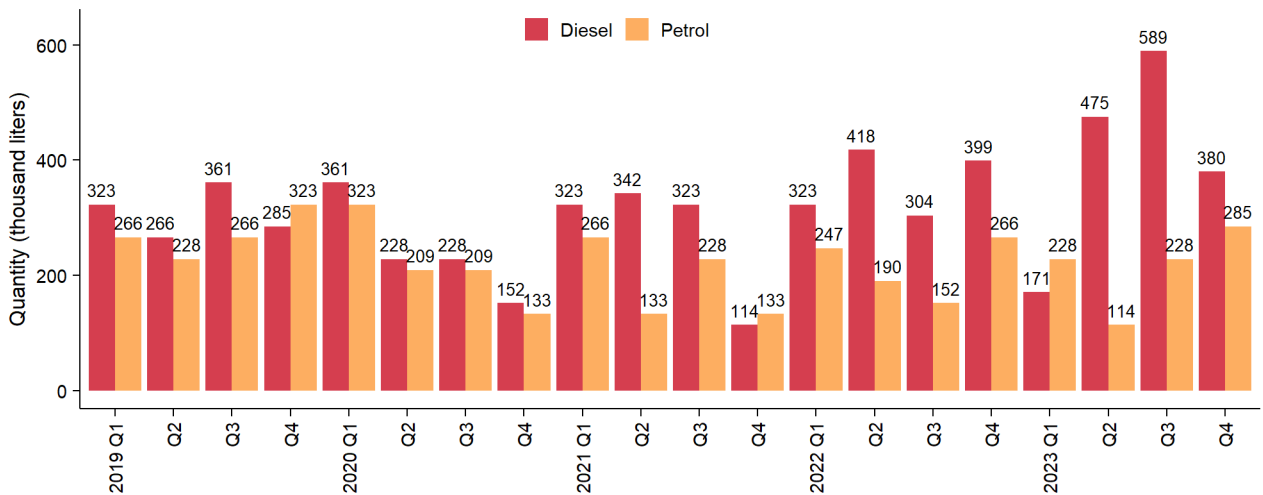
**Figure 8. QUARTERLY VALUE OF EFTPOS TRANSACTIONS (2024 Q1 only includes January).**



**Figure 9. QUARTERLY IMPORTS BY WEIGHT**



**Figure 10. QUARTERLY FUEL IMPORTS**



**Figure 11. MONTHLY PASSENGER ARRIVALS: New post-pandemic peak of 1,317 passengers in January 2024.**

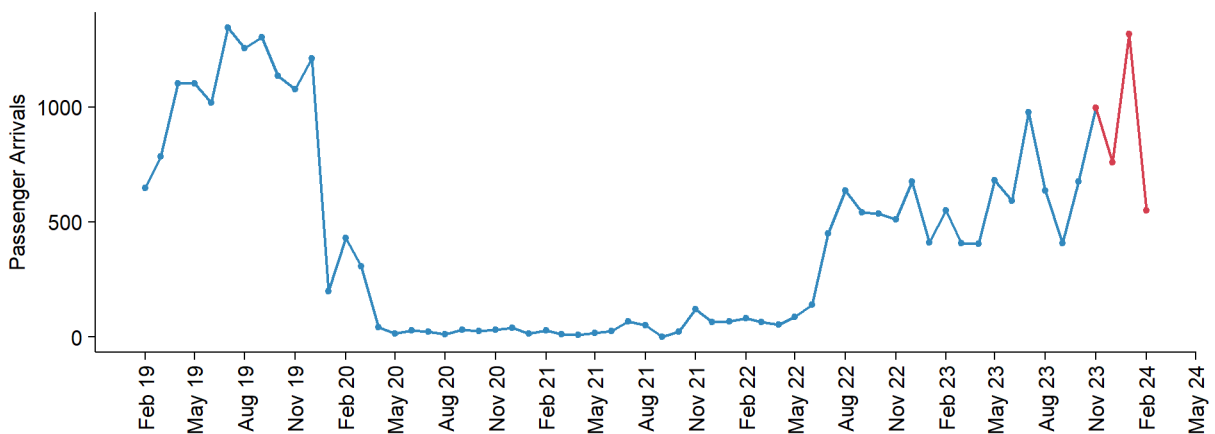


Figure 12. SHIPPING IMPORTS BY WEIGHT

