

NIUE QUARTERLY ECONOMIC UPDATE

- Niue's economy grew by an estimated 3.8 percent in 2024 and 8.9 percent in 2023, the combined result of infrastructure projects and tourism reopening.
- Looking forward, growth is forecast to fall to 0.8 percent for 2025 and 0.4 percent in 2026, reflecting the road and airport resealing projects concluding, and the limitations in tourism accommodation.
- Inflation for June is at 4.7 percent, and expected to follow easing prices abroad.
- While progress has been made with tourism recovery, arrivals in 2024 are still 32 percent below 2019

1 NIUE

Niue's economy grew by an estimated 3.8 percent in 2024 and 8.9 percent in 2023, adding \$1.5 million and \$3.3 million in GDP for each year respectively. This is a significant recovery from the COVID19 pandemic, where the economy had contracted -2.1 percent in 2021 and -6.8 percent in 2021.

The 8.9 percent growth rate in 2023 reflects the combined stimulus of the roading project, airport project and the tourism recovery. There was also significant pent up government related activity, as Niue saw a high number of missions during the year. For 2024 the recovery slowed as the economy reached its structural limitations, surpassing the pre-pandemic output of \$40 million in 2018.

The recovery has reflected heavily in the Private Formal sector, which was affected the most by the pandemic as the tourism industry effectively closed. It is important to note that the tourism industry has not yet recovered to pre-pandemic levels with 2024 arrivals still 32 percent below 2019 levels (Fig. 5), with accommodation being a key limiting factor. The other sector which saw significant contraction and eventual recovery is the Government Trading sector, driven primarily by Bulk Fuel, Bond Store, Quarry and Transport.

Looking forward, growth is expected to fall below 1 percent for 2025 and 2026. These modest growth estimates are mainly due to the conclusion of the very large roading and airport resealing projects, which contributed significantly to Niue's recovery.

However, this subdued outlook is also a reflection of the limitations in tourist accommodation. It should be safe to assume that up to this point, those businesses which could come back online quickly, have already done so. This underlines the importance of new investment into the accommodation sector to support the industry, and the important role that the NDB has to play in this regard.

The greatest risk to the growth forecast is the tourism recovery stagnating, either from reduced demand from abroad and/or a failure to sufficiently invest in accommodation. There are limited growth scenarios for the tourism sector without new investment to improve the capacity of the local economy to absorb more visitors, and to continue this momentum coming out of the pandemic.

Other opportunities to improve on this outlook for the

levels, with accommodation being a key constraint.

- EFTPOS spending continues to increase, with \$24.32 million total for 2024 already matching the 2023 total, excluding May and June data.
- Fuel imports for 2024 were 33 percent higher than 2023, due to increased diesel power generation.
- Investments in accommodation are required to build on the tourism momentum coming out of the pandemic. This is also critical for new workers to ease the tight labor market conditions that persist on Niue.

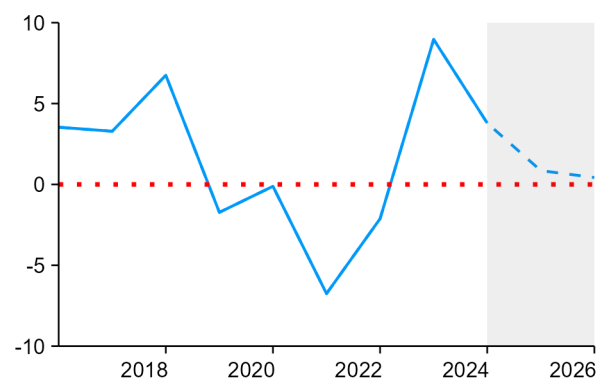
next two years include the timely execution of the renewable energy project, as well as the continuation of the roading project to a second phase. There is also opportunity in the expansion of local agriculture and fisheries production for international export.

Niue Update, June 2024

	2021	2022	2023	2024	Forecast	
					2025	2026
GDP Growth (%)	-6.7	-2.1	8.9	3.8	0.8	0.4
GDP (\$ mil.)	37.2	36.2	39.5	41	41.3	41.5
Inflation (%)	0.87	4.57	8.47	4.56	-	-

Years ending June. 2023, 2024 GDP estimates provisional.
GDP output in constant 2019 dollars.

Figure 1. GDP GROWTH RATE 3.8% in 2024, forecast at 0.8% in 2025 and 0.4% in 2026. (Annual percent, Years ending June)



IMF Asia Pacific Outlook, Apr 2024

	GDP Growth (%)			Dif. Oct 23	
	2023	2024	2025	2024	2025
Australia	2.1	1.5	2.0	0.3	0.0
New Zealand	0.6	1.0	2.0	0.0	-0.1
NZ Treasury Estimates	3.0	-0.2	1.6	-	-
Pacific Island Countries	3.3	4.0	3.5	0.2	0.0

Figure 2. GDP LEVEL \$41 mil. in 2024, forecast at \$41.3 mil. in 2025 and \$41.5 mil. in 2026. (Annual total \$ millions, Years ending June)

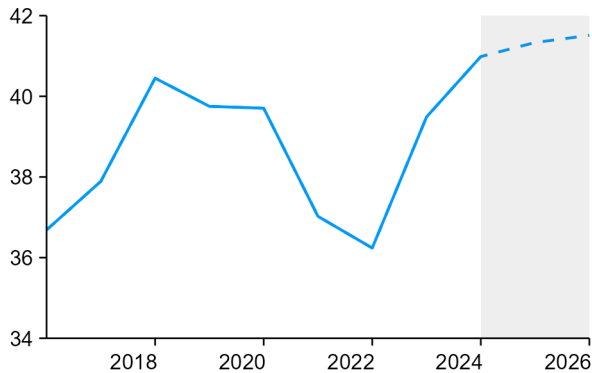


Figure 3. GDP SECTOR LEVEL (Annual percent, Years ending June)

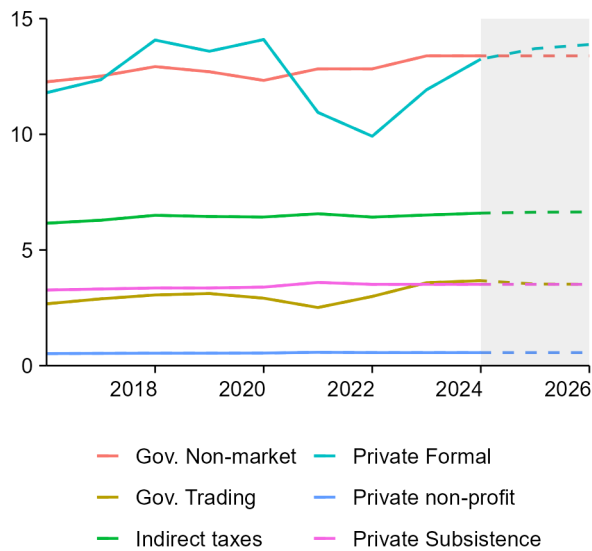
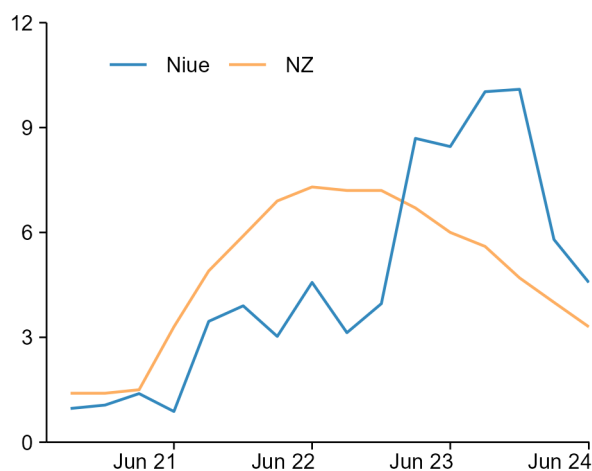


Figure 4. INFLATION Niue at 4.7%, NZ at 3.3% in June 2024. (Annual percent)



Sources: STATS Niue, STATS NZ.
Niue rate adjusted to reflect core inflation.

1.1 INFLATION

Annual inflation has eased to 4.6 percent from 5.8 percent in March, dropping from a high of 10 percent in December 2023 (Fig. 4). Prices on Niue are expected to continue falling following prices in NZ, with global inflationary pressures also easing.

Fuel purchase prices have continued their sideways movement over the last half year, with Diesel at \$1.38 and Petrol at \$1.37 per liter (Fig. 9). The regulated prices for petrol and diesel to consumers in Niue remain at levels set in March 2022, \$3.50 per liter for petrol and \$3.70 per liter for diesel. These increases have significantly increased the CPI every time they are increased.

1.2 ARRIVALS

Visitor arrivals have continued to improve with 8,615 total passengers in 2024, an increase of 34 percent from the previous year (Fig. 5). 2,578 arrivals for Q3 of 2024 are the highest post-pandemic, and Q4 already matching the same period in 2023 with July data yet to be added (Fig. 11).

While this progress is significant, 2024 total arrivals are still 32 percent less than the total for 2019, indicating that there is still some way to go before a return to pre-pandemic levels. This will require additional investment to bring the accommodation sector back to pre-pandemic capacity, and may require an adjustment to NDB lending policies to encourage greater participation from the private sector.

Looking forward to 2025 and 2026, tourism demand from our key markets of NZ and Australia are expected to remain steady, based on the improving forecast for their respective economies. This also reflects the significant tourism marketing support provided by NZ. The 50th constitution celebrations in October are expected to provide an additional boost to visitors numbers for 2025.

1.3 SPENDING

EFTPOS spending continues to increase, with \$24.32 million total for 2024 (excludes May and June) already matching the 2023 total (Fig. 6). Total spending in 2024 Q1 at \$7.81 million and Q2 at \$7.7 million were particularly strong, surpassing the same periods in 2023 by 27 percent and 20 percent respectively (Fig. 12).

Quarterly debit card spending peaked in Q2 2024 at \$6.4 million, 14.3 percent higher than Q2 for the previous year. Data from the pandemic period show that debit card spending is associated primarily with residents. Q3 figures suggests that the minimum quarterly debit support level appears to be \$4.5 million, which trends significantly higher in Q2 during the holiday season spending.

Quarterly credit card spending peaked at \$1.54 million in Q1 2024, increasing 63 percent from the Q1 2023 and surpassing pre-pandemic quarterly totals.

Tourism is clearly impacting a significant portion of total spending beyond the quarterly resident spending level of about \$4.5 million.

Figure 5. PASSENGER ARRIVALS 2024 to May (Commercial airline arrivals, Years ending June)

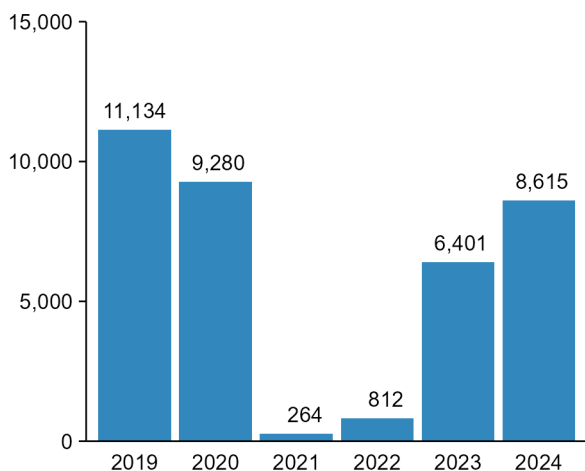


Figure 6. EFTPOS TRANSACTIONS VALUE 2024 only to April (\$ million, Years ending June)

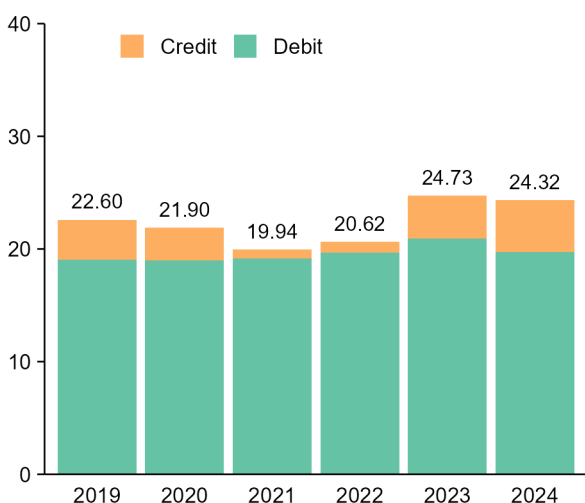
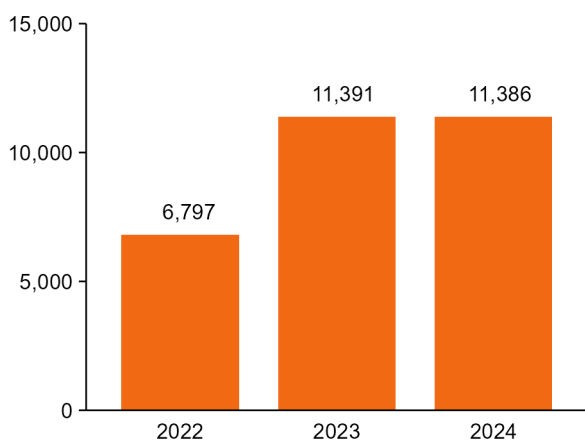


Figure 7. IMPORTS WEIGHT (Tons, Years ending June)



Source: 2022, 2023 Customs records, 2024 ASYCUDA

1.4 IMPORTS

The total import weight of 11,386 in 2024 has not changed significantly from 2023, which are both 67 percent higher than in 2022 (Fig. 7). Q2 imports of 5,050 tons was the highest for 2023 (Fig. 10), due to the exceptionally high June imports for the infrastructure projects.

Total imports of diesel and petrol were 2.81 million liters in 2024, an increase of 33 percent from 2023 and also surpassing 2019 imports (Fig. 8). While imports of diesel fuel had been higher post pandemic for the airport and roading projects, an additional 0.6 million liters were imported for 2024 for the increase in diesel power generation.

Imports of petrol on the other hand have remained flat at 0.86 million liters for 2024, 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 more on construction, rather than tourism.

1.5 KEY CHALLENGES

A very tight labour market means recruitment continues to be difficult for the public service, affecting essential services and economic development. The labour mobility scheme in partnership with other Pacific Island countries has officially launched, and is expected to alleviate sector shortages for government. A critical issue is the accommodation to house this influx of labor. Longer term, this is perhaps the most significant constraint to economic growth, particularly for the private sector.

Providing consistent and reliable power, critical for economic growth, has been an ongoing challenge for Niue’s power infrastructure. Solar power supply disruptions continue, and this shortfall is being met by the diesel generators, adding to elevated diesel imports. Work continues to commission the new power station, and a further \$20 million investment has been made by NZ into improving renewable energy.

Effective revenue collection 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.

1.6 LOOKING FORWARD

The key focus for Niue in the near to medium term is increasing accommodation to improve tourism capacity, as well as to house new workers being brought in under the labour mobility scheme. This will require a sizeable investment for new construction for short and long term accommodation. To support this investment the Niue Development Bank may need increased capitalization, and possible policy adjustment to further encourage private sector participation. With improvements to the airport and roads, Niue should build on the growth momentum so far coming out of the pandemic.

The other key focus area is to expand the agricultural export sector, in particular taro and vanilla. The chal-

lenge for Niue is to manage and maintain a consistent supply of export quality stock. Investments also need to be made in the agricultural sector for other local produce to support an expanded tourism sector.

In the longer term, additional air routes to neighboring islands should be considered to access other tourism markets, and to provide travel and freight alternatives.

Figure 8. FUEL IMPORTS
(Million liters, Years ending June)

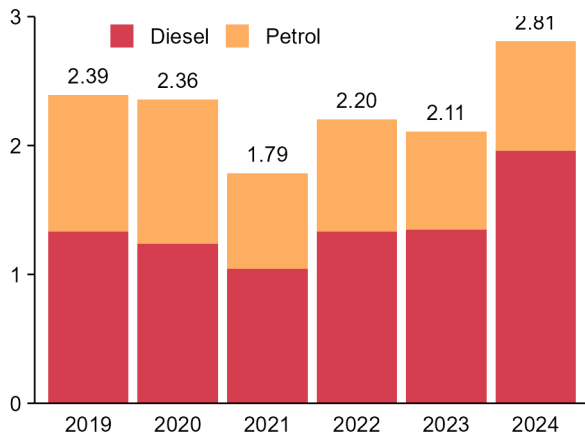


Figure 9. FUEL PURCHASE PRICE Diesel \$1.80 and Petrol \$1.57 per liter in June 2024 (\$, Excludes Hire and Shipping)

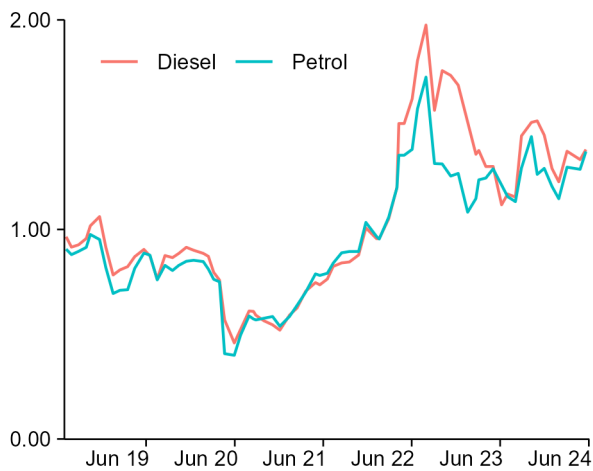


Figure 10. QUARTERLY IMPORT WEIGHT
(Tons, Years ending June)

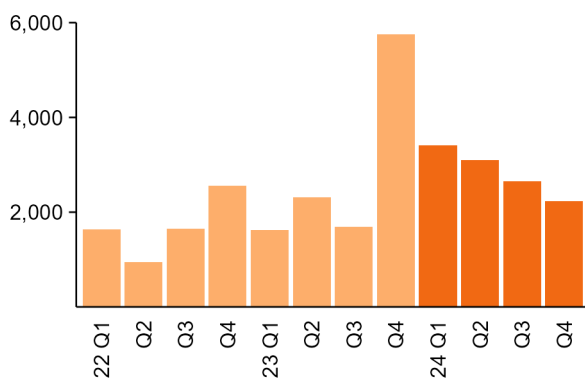


Figure 11. QUARTERLY PASSENGER ARRIVALS
2024 only up to May (Commercial airline arrivals, Years ending June)

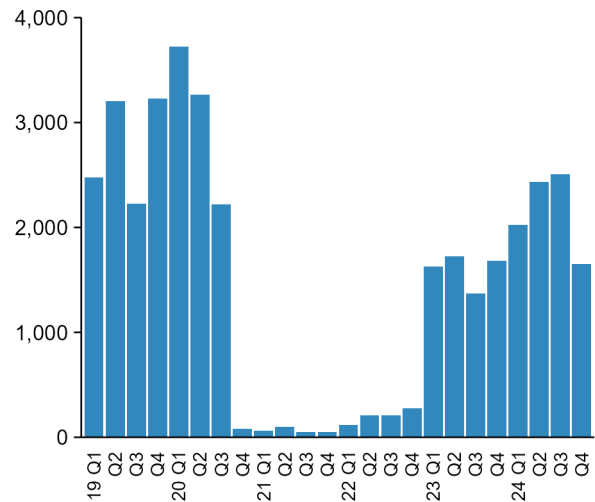


Figure 12. QUARTERLY EFTPOS TRANSACTIONS VALUE 2024 only to April. (\$ millions, Year ending June).

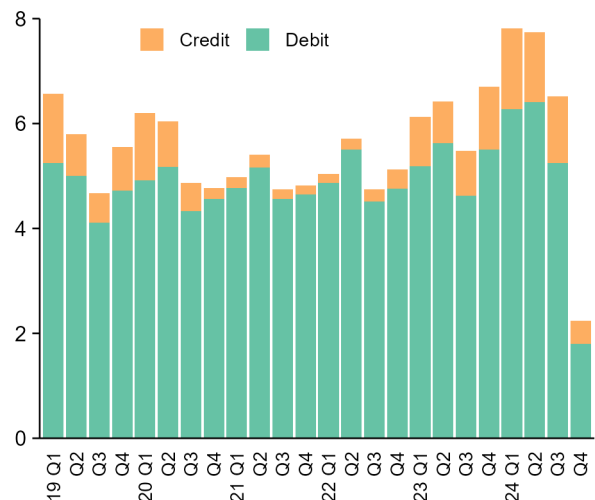


Figure 13. QUARTERLY FUEL IMPORTS (Liters 000's, Year ending June).

