Common challenges in microstates: Nauru and Tuvalu

Seve Paeniu
Independent Consultant

27 June 2013
Context

• Small, stable populations: 10,000
• Low, highly volatile GDP: $50m - $60m
• Large public sector (80% of GDP), small private sector
• Income: fisheries licenses, trust fund and aid...and phosphate (for Nauru)...and remittances (for Tuvalu)
• Australian $...no monetary policy; inflation
Challenges

• Growth returns after GFC but remains low
• Demand for seafarers not recovered (Tuvalu): 30% of GDP (2000) to 8% (2010)
• Strong A$ keeps inflation under control but widens current account deficit
• Financing buffers (TTF) depleting
• Primary phosphate mining depleting (Nauru)
• Growth extremely vulnerable to external shocks
Policy Options /Economic Outlook

1. Maintain macroeconomic stability
2. Improve public sector performance
3. Support private sector growth
4. Maximise opportunities of sovereignty
5. Promote labour migration & seasonal worker schemes
Thank you

sevepaeniu@gmail.com