



Republic
of **Palau**

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DEVELOPMENT SYMPOSIUM

Economic and Fiscal Update

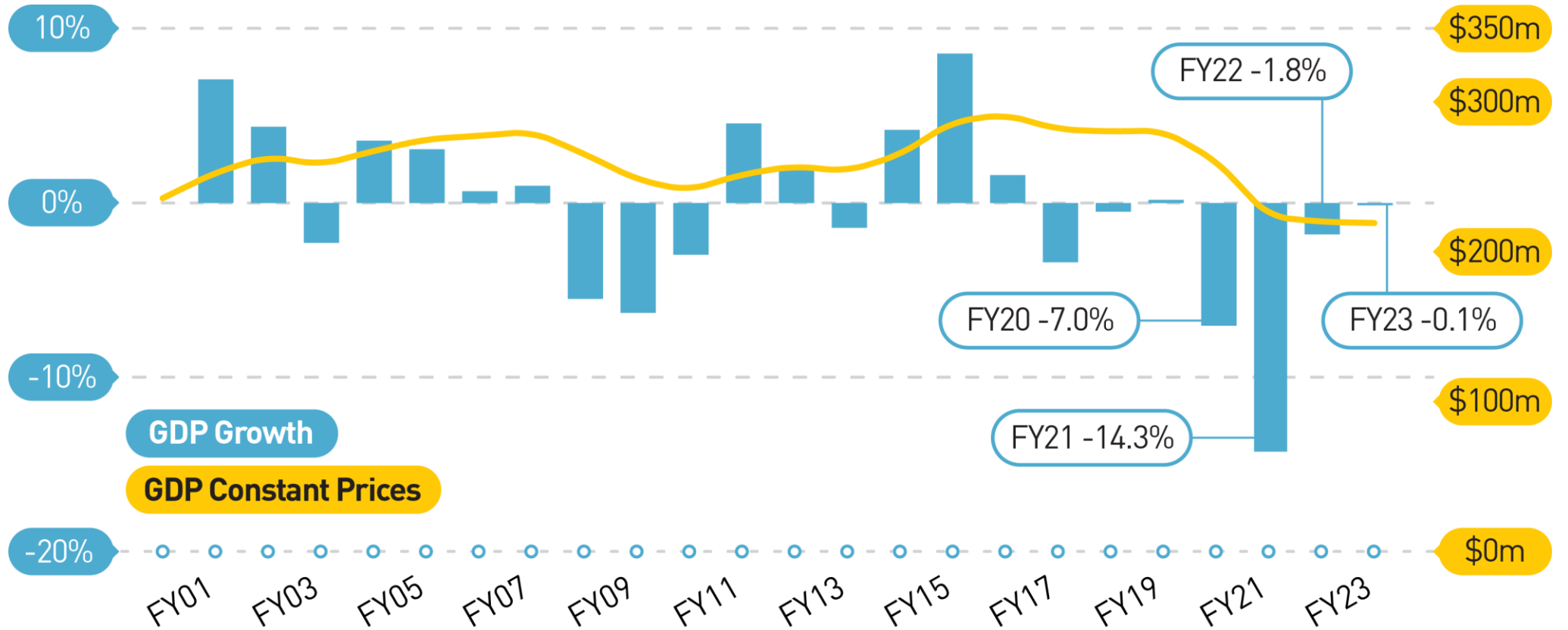


Presentation Outline

- **Recent Economic and Fiscal Performance**
- **Projected Economic and Fiscal Performance**
- **Alert: Looming Fiscal Risks**
 - **ROP Social Security**
 - **Palau Civil Service Pension Plan**

Real GDP Annual Growth (FY19 Prices)

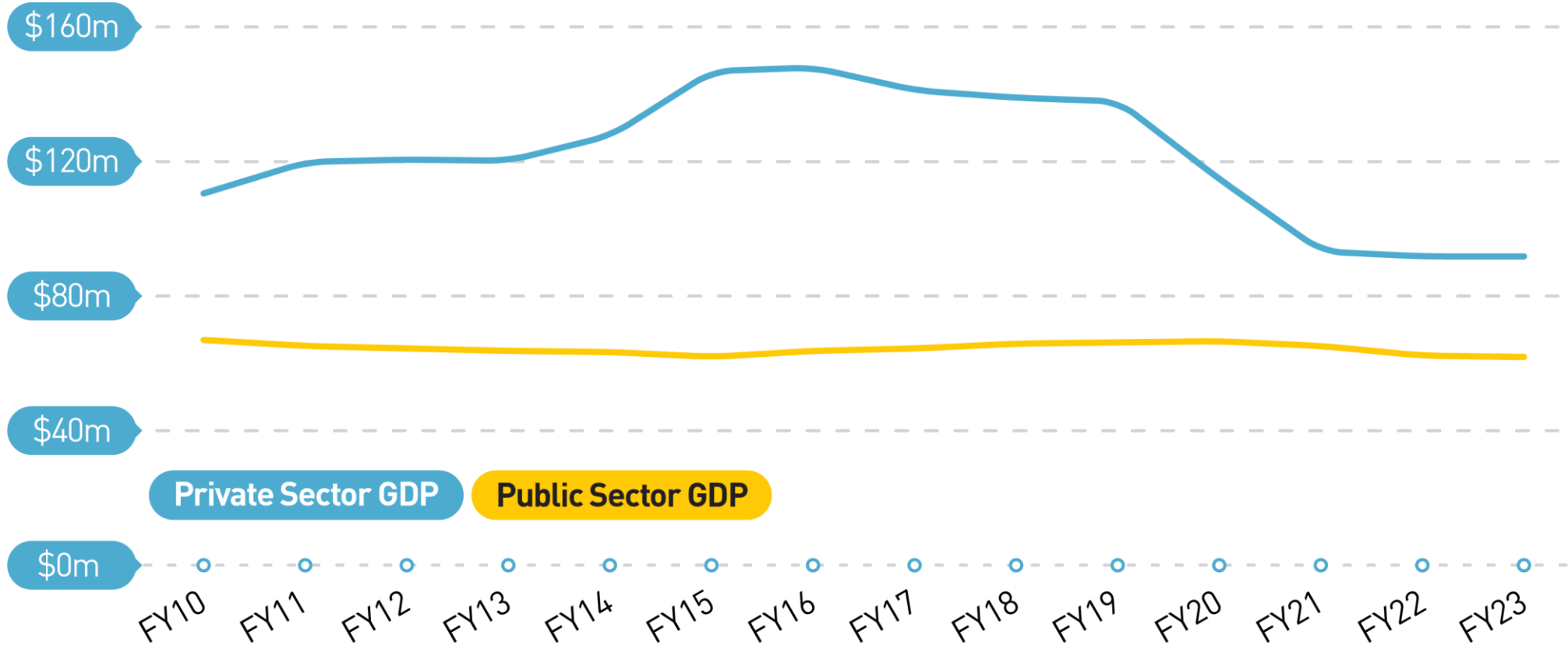
→ The Palau economy declined by nearly 25% from FY20 to FY22.



GDP Growth
GDP Constant Prices

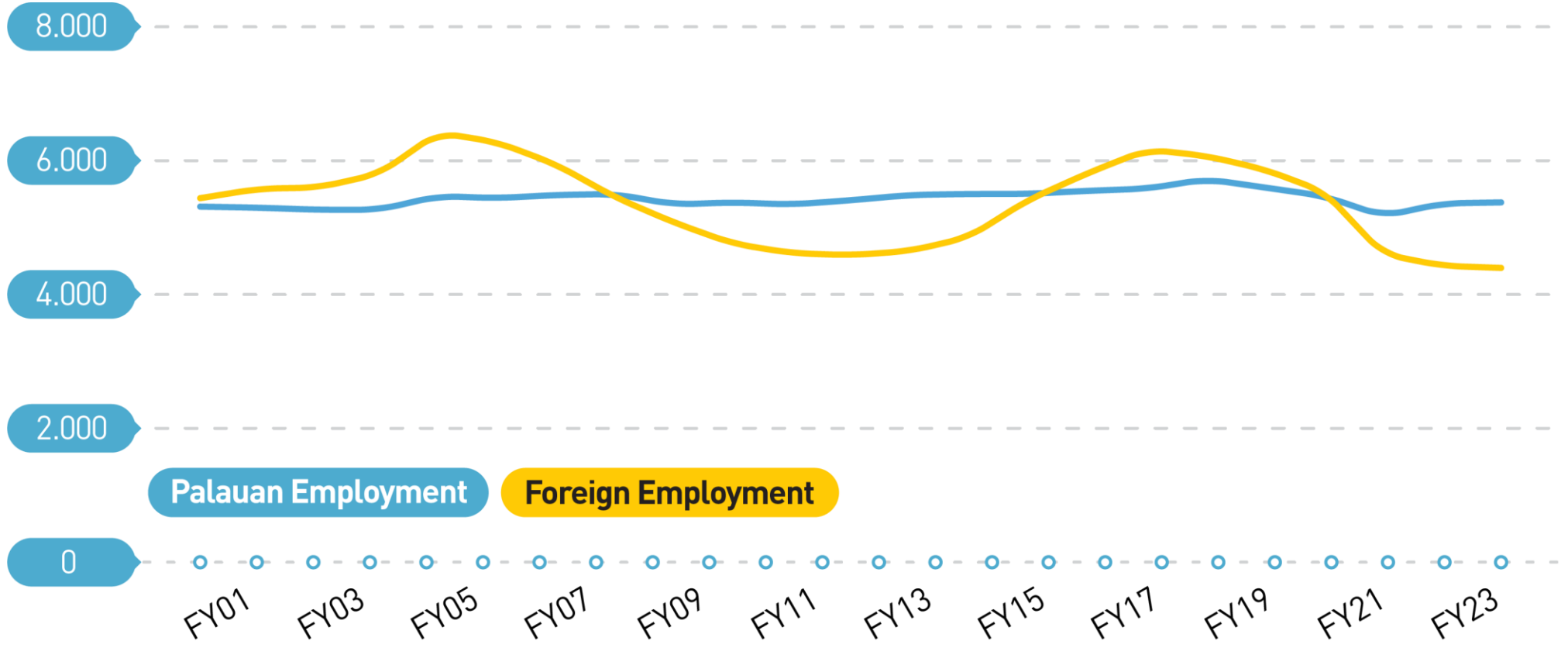
Private and Public Sector GDP (FY19 Prices)

→ Private sector production declined by 33% from FY19 to FY22.



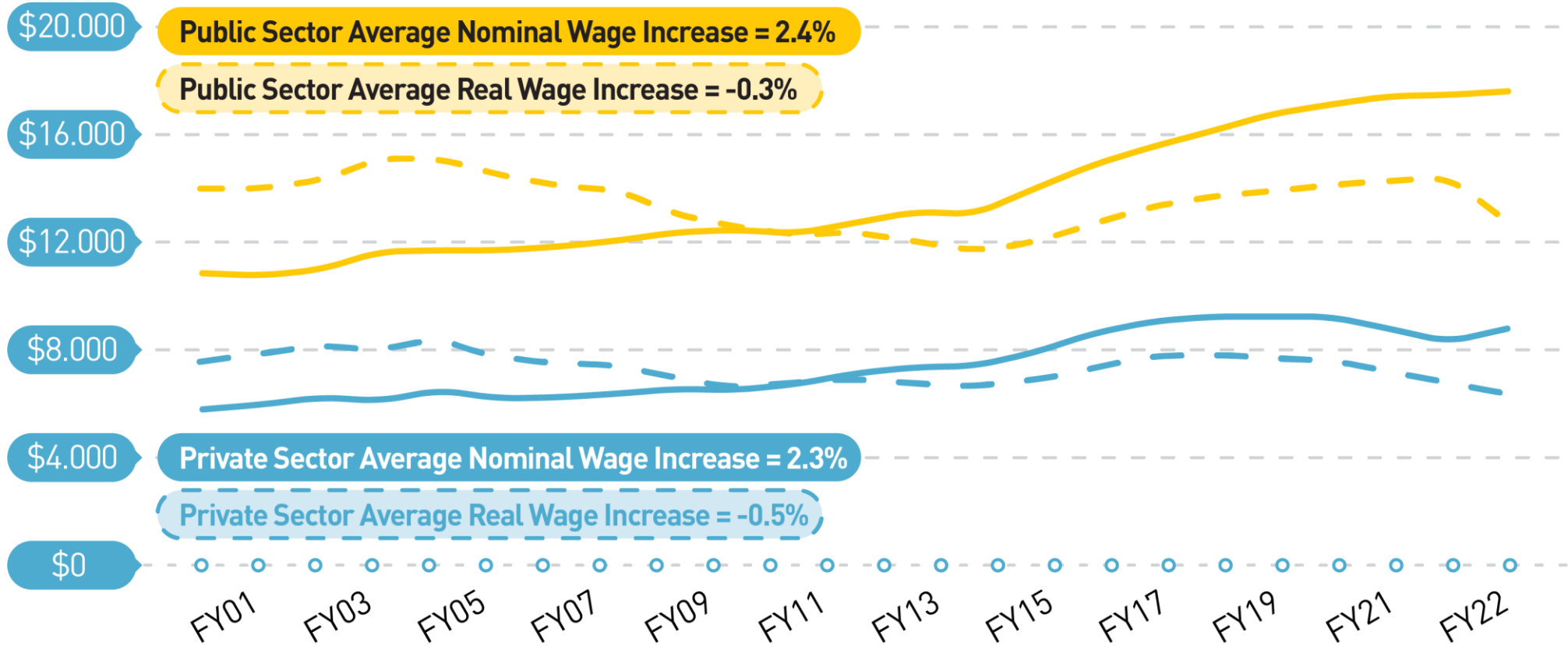
Employment by Palauan and Foreign Workers

→ Foreign employment level varies significantly with changes in economic activity.



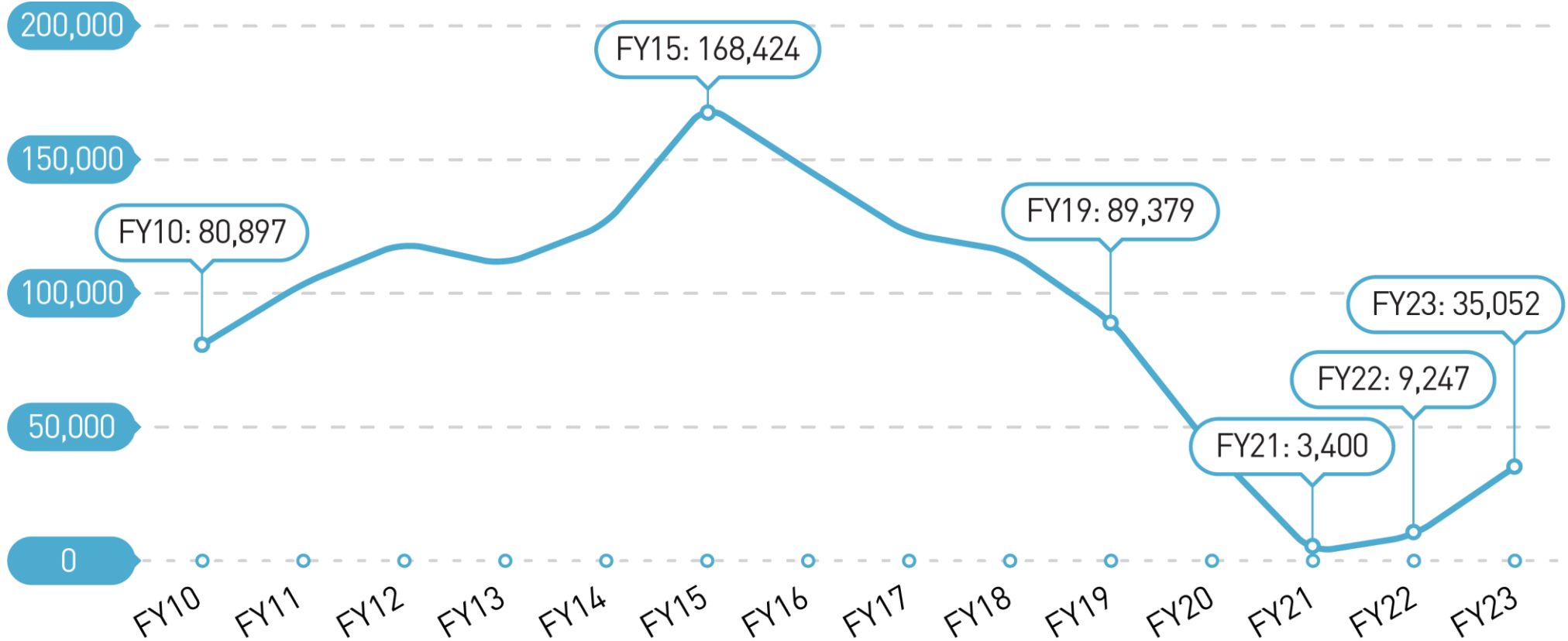
Nominal and Real Wage (FY15 Prices)

→ Real wages have experienced a slow decline; public/private differential remains large.



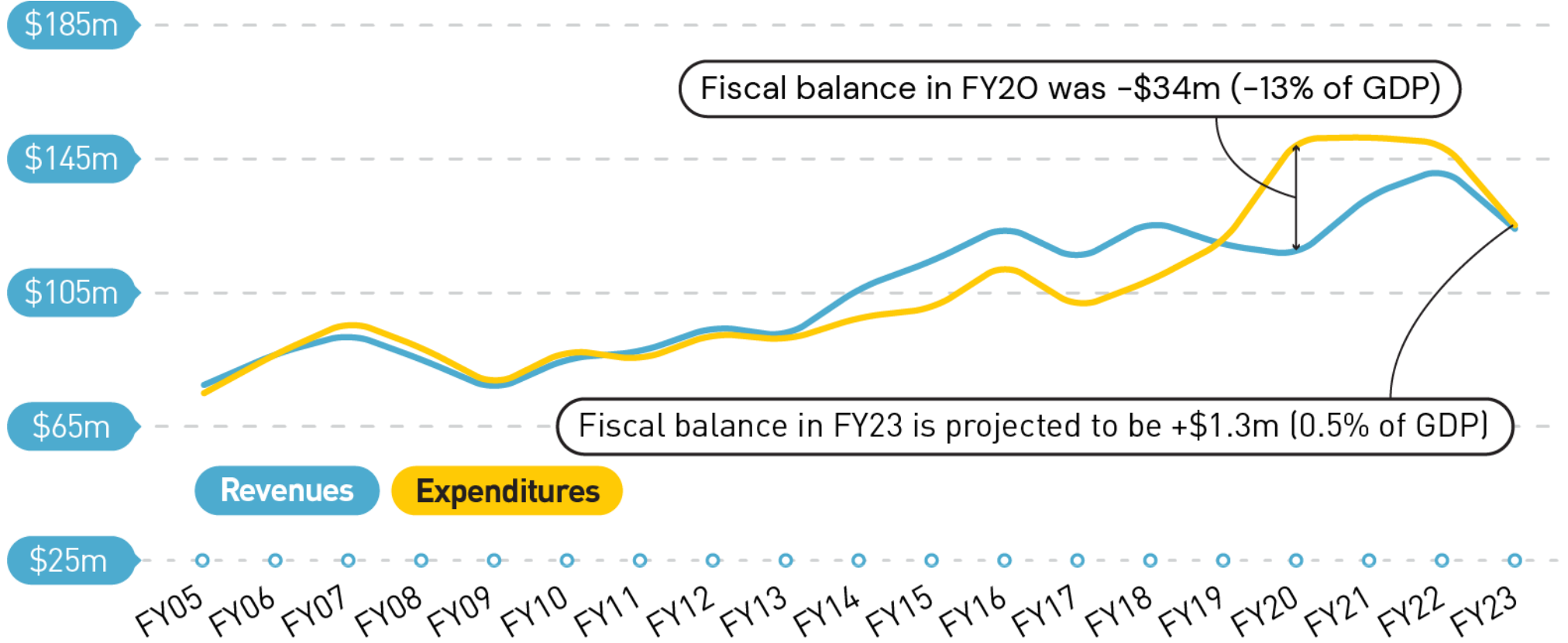
Visitor Arrivals

➔ After peaking in FY15 visitor arrivals collapsed during COVID; recovery is emerging.



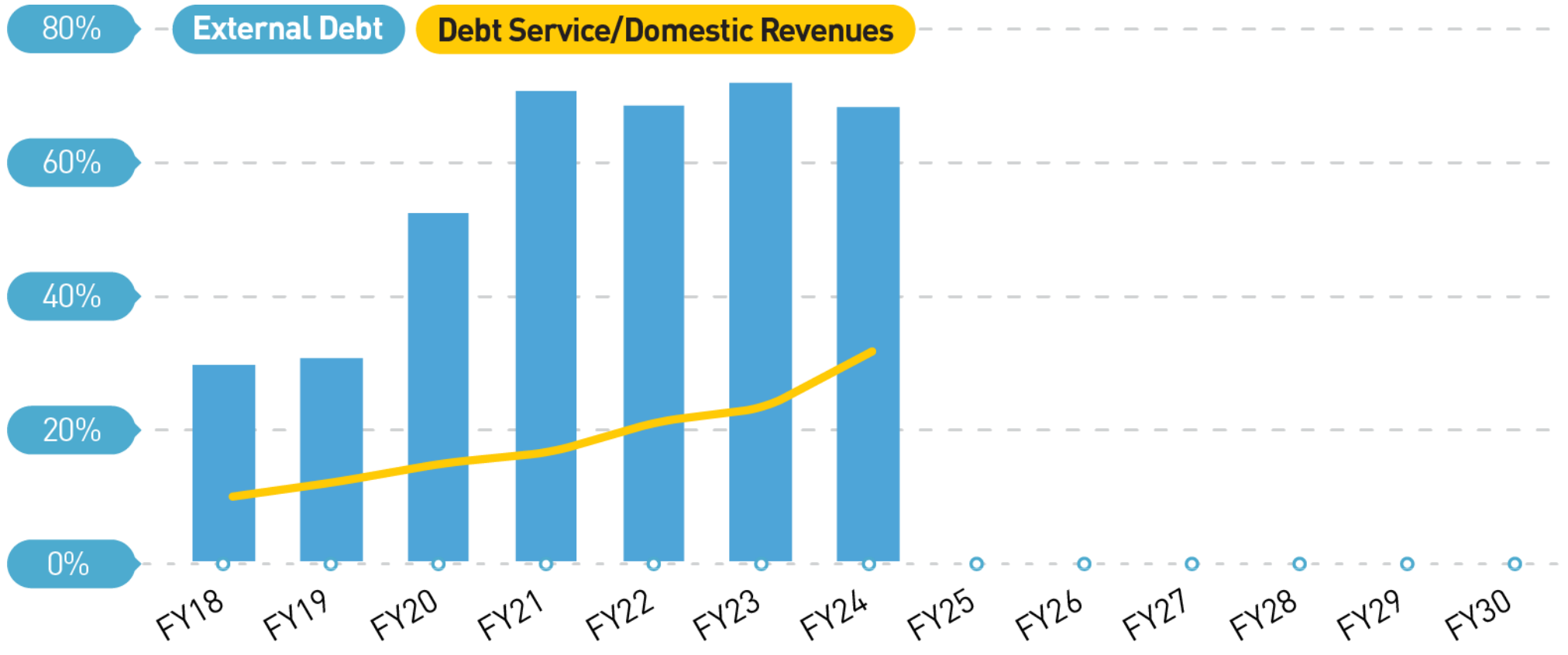
Government Revenues and Expenditures

→ Palau's fiscal surpluses reversed to deficits during COVID; balance has been restored.



External Debt and Debt Service (% of GDP)

→ External debt has risen to a concerning level due to COVID financing.

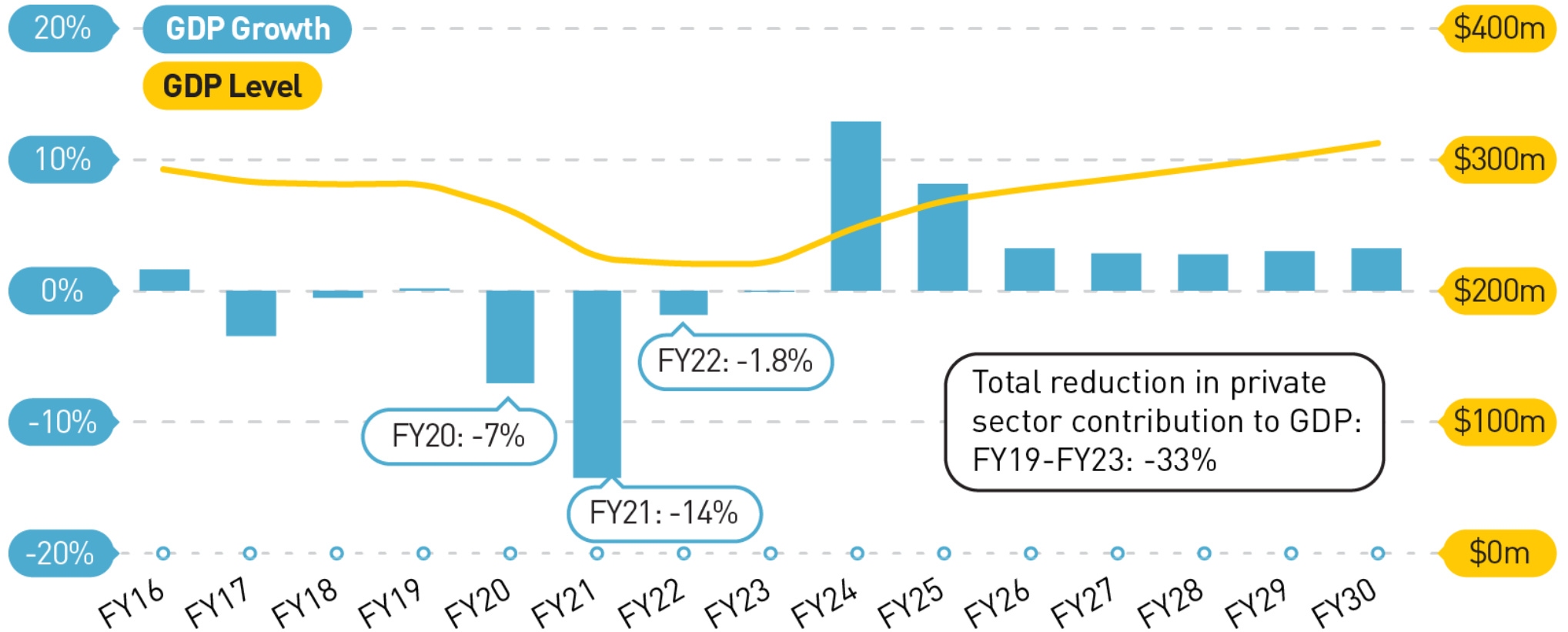


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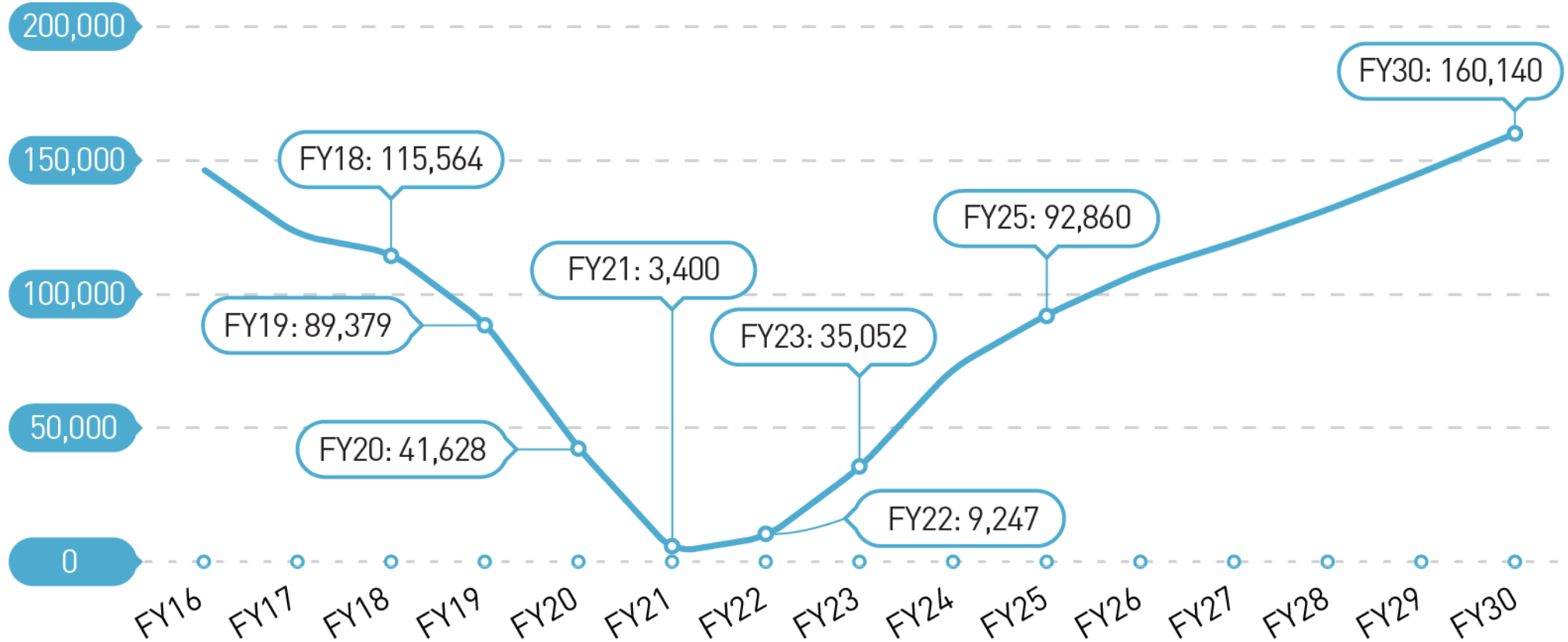
GDP Level and Growth: FY18-FY30

→ Economic recovery is projected to begin in FY24 and persist through FY30.



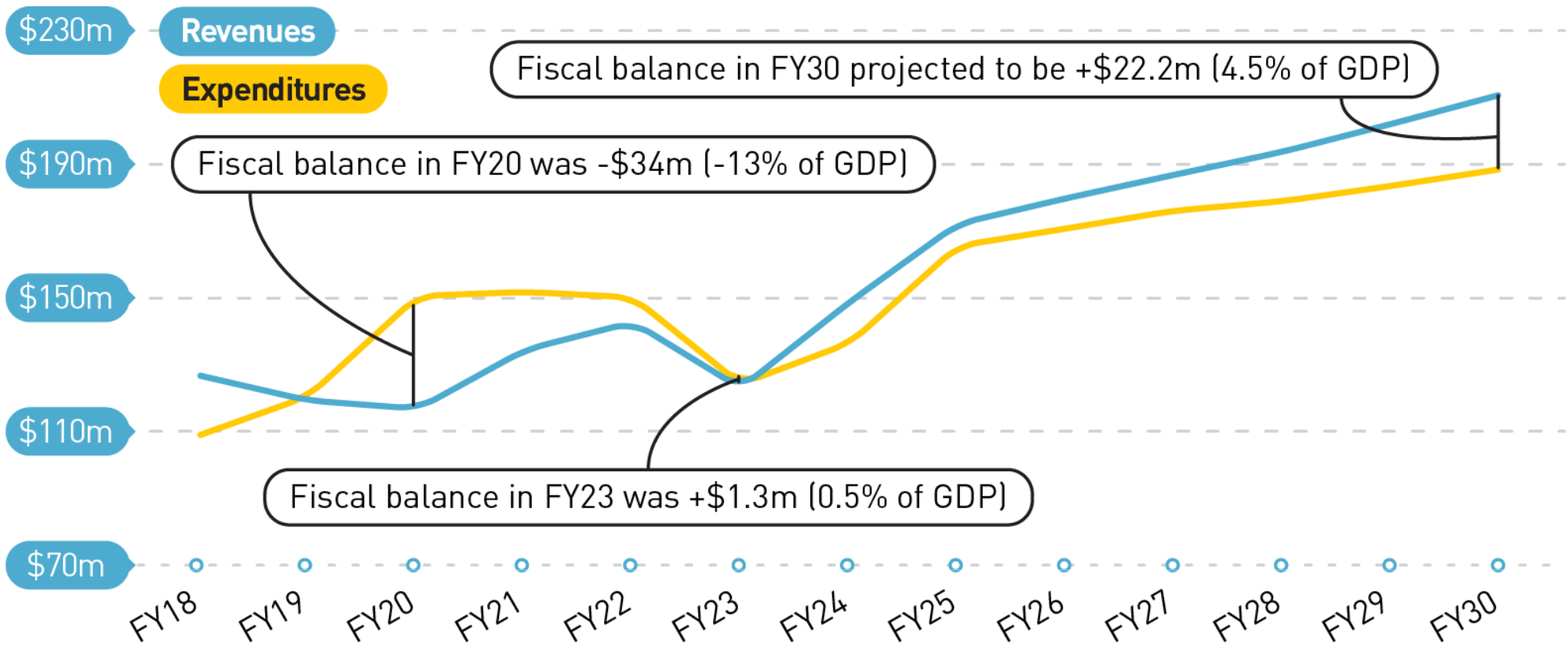
Visitor Arrival Projections: FY22-FY30

→ Tourism recovery began to accelerate halfway through FY23.



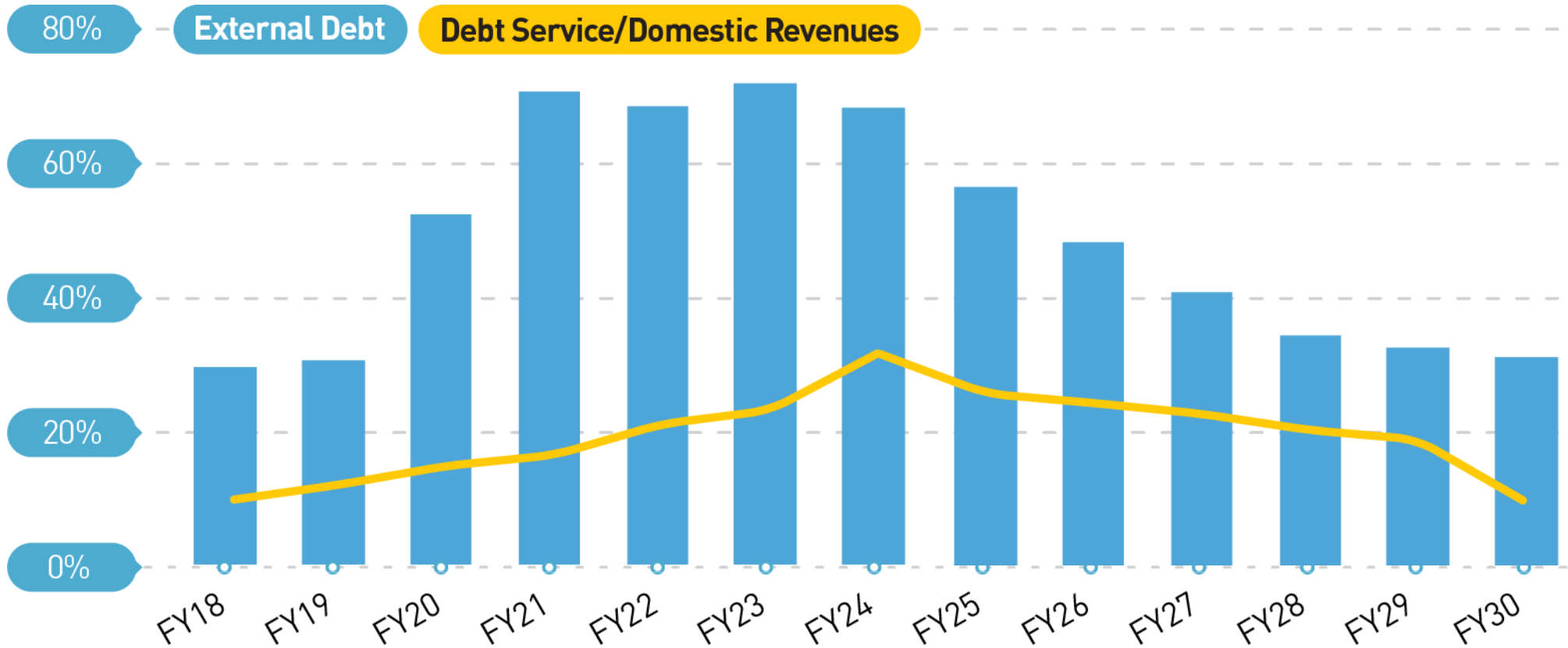
Government Revenues and Expenditures, FY19-FY30

→ Government runs large deficits through FY20-FY23, until balance restored in FY24.



External Debt and Debt Service (% of GDP)

➔ External debt declines to desirably low levels with economic recovery.



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Looming Risk: ROP Social Security

- **ROPSSA without Reform**

- Trust fund is projected to be depleted by FY2031.
- At that time, benefits would be **\$20+** million greater than contributions.
- Benefit payments would be cut to ~52 cents per dollar.

Looming Risk: ROP Civil Service Pension Plan

- **CSPP without Reform**

- Trust fund is projected to be depleted by FY2027/2028.
- At that time, benefits would be **\$10+** million greater than contributions.
- Benefit payments would be cut to ~48 cents per dollar.

Government Deposits, FY19-FY30

→ Government deposits are projected to grow from end FY23 level of \$61m.

