

The Cook Islands economy in the wake of COVID-19

ECONOMIC RECOVERY ROADMAP

The Economic Recovery Roadmap (ERR) is the Government's next step in paving the way for our economy to recover and get closer to where we were pre-COVID.

The economic contraction experienced by the Cook Islands as a result of the COVID-19 pandemic and necessary travel restrictions has been one of the largest in the world, with a fall in Gross Domestic Product (GDP) estimated by the Asian Development Bank (ADB) to be close to 32 per cent over the last 15 months.

This fall has hit the trade balance of the Cook Islands hard, with revenues raised from tourism activities drying up overnight, in what is the largest component of GDP (worth approximately \$1 million per day, or \$368 million per year, pre-COVID). As well as this direct impact, the falling of incomes has seen reductions in spending on goods and services produced domestically and overseas, and these impacts together have reduced business incomes. With lower incomes and the very high degree of uncertainty around the economy until borders remain open for some time, private investment is not expected to recover quickly. The government support under the ERP from April 2020 through to June 2021 has

kept the economy from contracting further, and helped to minimize the pain felt by people and businesses of the Cook Islands, but cannot continue indefinitely.

As visitors return, causing tourism receipts to grow from zero, and the ERP winds down, new areas of focus to grow GDP towards pre-COVID levels are needed, and will include a mix of policy and expenditure from both public and private sectors.

The recovery from this severe recession will not occur overnight, but we have identified the following 8 areas of focus that will be key to driving and facilitating the recovery over the next 12-18 months. Each of the key areas work alongside the Economic Development Strategy 2030 released in January 2021 and include actions outlined in the strategy.



The 8 key focus areas are:

- Reducing the cost of borrowing
- Managing the burden of public debt
- Infrastructure Investment
- Reducing barriers to competition and business
- Productivity growth
- Improved public sector efficiency
- Growing the labour force and preventing depopulation
- Attracting foreign investment that will benefit the Cook Islands

