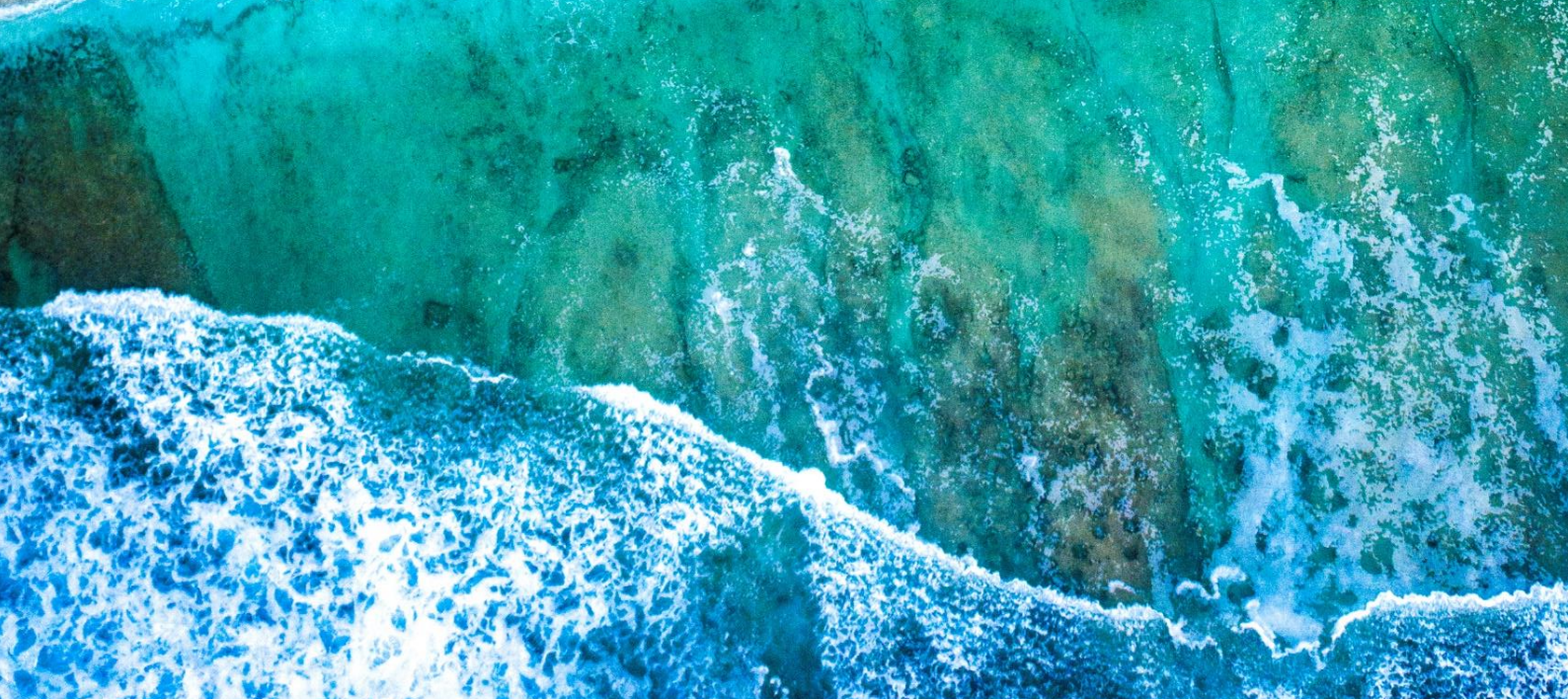




TE TANGO AKATEREANGA MONI O TE IPUKAREA
MINISTRY OF FINANCE & ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS

Economic Recovery Roadmap: Monitoring Report 2022/23



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Contents

Acronyms	v
Executive summary	1
Introduction	2
Results Diagram	4
ERR 2022/23 progress	5
Progress towards long-term outcome	6
Indicator 1.1 - Gross Domestic Product (GDP) – On Track	6
Progress towards medium-term outcomes	8
Indicator 2.1 - Cost of doing business and trade (TBC).....	8
Indicator 2.2 - Nominal GDP to Government Operating Expenditure ratio (EDS)	8
Indicator 2.3 - Public Expenditure and Financial Accountability Review (PEFA) – Not Assessed.....	9
Indicator 2.4 - Average performance of government ministries (NSDA)	10
Indicator 2.5 - Real GDP per capita – On Track	10
Indicator 2.6 - Real growth in high-value private sector industries – Of Concern.....	11
Indicator 2.7 - Resident population (NSDA; EDS)	13
Indicator 2.8 - Financial Responsibility Index (NSDA)	13
Indicator 2.9 - Business confidence (EDS).....	13
Indicator 2.10 - Domestic and international investment in the Cook Islands (TBC).....	14
Progress towards short-term outcomes	14
Indicator 3.1 - Number of inactive businesses – Of concern.....	14
Indicator 3.2 - Value Added Tax (VAT) – On Track.....	16

Indicator 3.3 - Business turnover – On Track	17
Indicator 3.4 - Nominal interest rate of New Zealand and Cook Islands banks – On Track	19
Indicator 3.5 - Private investment in the Cook Islands (TBC)	21
Indicator 3.6 - Debt servicing profile – On Track	21
Indicator 3.7 - Net debt to GDP ratio (NSDA; EDS).....	22
Indicator 3.8 - Investment rule – On Track	23
Indicator 3.9 - Total Cook Islands Government capital spend – Of Concern	24
Indicator 3.10 - Real growth in construction – Off Track.....	25
Indicator 3.11 - Baseline costs of compliance understood (TBC)	26
Indicator 3.12 - Chamber of commerce survey of members (TBC).....	27
Indicator 3.13 - Chamber of commerce survey of members (TBC).....	27
Indicator 3.14 - Tertiary and vocational level completion data (NSDA; EDS).....	27
Indicator 3.15 - Total working age and labour force population – Of Concern	27
Indicator 3.16 - Total permanent arrivals and departures for Cook Islanders and Permit Holders – Assessed	29
Indicator 3.17 – Roll out of implementation plan – Not Assessed.....	33
Indicator 3.18 - Foreign Direct Investment to GDP (NSDA; TBC) – Not Assessed	34

Acronyms

ADB	Asian Development Bank
BTIB	Business Trade and Investment Board
CAPEX	Capital expenditure
CIIC	Cook Islands Investment Incorporation
CITTI	Cook Islands Tertiary and Training Institute
EDS	Economic Development Strategy 2030
EPD	Economic Planning Division
ERP	Economic Response Plan
ERR	Economic Recovery Roadmap
GDP	Gross Domestic Product
HOM	Head of Ministry
HYEFU	Half-Year Economic and Fiscal Update
ICI	Infrastructure Cook Islands
INTAFF	Ministry of Internal Affairs
MFAI	Ministry of Foreign Affairs and Immigration
MFAT	Ministry of Foreign Affairs and Trade
MFEM	Ministry of Finance and Economic Management
MOE	Ministry of Education
MOJ	Ministry of Justice
M&E	Monitoring and Evaluation
NSDA	National Sustainable Development Agenda 2020+
NSO	National Statistics Office
OPM	Office of the Prime Minister
OPSC	Office of the Public Service Commissioner
PSTF	Private Sector Task Force
RBNZ	Reserve Bank of New Zealand
RMD	Revenue Management Division
TMD	Treasury Management Division
TMO	Te Marae Ora Cook Islands Ministry of Health
USP	University of the South Pacific
VAT	Value-Added Tax

Executive summary

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive the Cook Islands' economic recovery over the next few years. The objective of the ERR is to grow the Cook Islands' GDP to pre-COVID levels (around \$550 million),¹ and towards the path we would have been on pre-COVID by 2025, while keeping within our fiscal responsibility rules. The ERR uses the Cook Islands Economic Development Strategy 2030 (EDS) as a foundation.

ERR total 2022/23 spend was \$1.37 million. The focus of the ERR in 2022/23 shifted to support for economic stimulus and reform measures, as well as finalising several longer-term programmes that were carried forward from the ERP, including the Business Continuity Credit Facility (BCCF).

Highlights from 2022/23 include:

- \$33,290 of Isolation Support Payments in 2022/23 for people unable to work due to Isolation or Quarantine Orders.
- \$192,783 in fees paid for the Fees Free Extension.
- Started tracking patterns of permanent Cook Island departures using departure cards.
- Ministry of Foreign Affairs and Immigration approved 985 work permit applications (YT March 2023) and have updated the Immigration Act and Regulations.
- E-commerce strategy and gap analysis is now ready for publication.

This report provides an assessment against the ERR outcome and output indicators. The report includes the latest data available as a June 2023, with most economic indicators sourced from the 2022/23 Budget Estimates. Some indicators are included in reporting under the EDS and the NSDA, and will be included in reporting for these programmes.

¹ Real GDP in 2016 dollars

Introduction

The Economic Recovery Roadmap (ERR) is the government's main vehicle to drive the Cook Islands' economic recovery over the next few years. The objective of the ERR is to grow the Cook Islands' GDP to pre-COVID levels (around \$550 million),² and towards the path we would have been on pre-COVID by 2025, while keeping within our fiscal responsibility rules. The ERR workstreams are not mutually exclusive; each work together to help achieve this overarching objective.

The ERR was launched in July 2021, and is expected to be implemented through to June 2026. The ERR uses the Cook Islands Economic Development Strategy 2030 (EDS) as a foundation.³ The EDS will continue to act as a guiding document over the next decade, outlining actions to support the Cook Islands' continued development via the National Sustainable Development Agenda 2020+ (NSDA).⁴

This report provides an assessment against the ERR outcome and output indicators for the 2022/23 fiscal year.

Methodology

The information contained in this report represents the available data as at June 2023, with most economic indicators sourced from the 2022/23 Budget. Indicators are labelled with time periods as some indicators are reported by calendar year (including Baseline indicators). Where data comes from the annual Budget process, actual results are preferred over estimated actuals. This means final data can lag by up to six months. Some indicators rely on Census data, which the Cook Islands Statistics Office (CISO) collects every five years. Census reports can take up to two years to publish after the data collection.

Some indicators and targets are not yet available; these are marked **with yellow text** and will be included in subsequent monitoring reports as they are determined or become available.

Unless otherwise stated, results against most indicators will be collected and reported on annually.

² Real GDP in 2016 NZ dollars

³ Ministry of Finance and Economic Management. 2021. "Cook Islands Economic Development Strategy 2030". <mfem.gov.ck>

⁴ Government of Cook Islands. 2021. "Te Kaveinga Iti 5 Year Score Card". Te Ara Akapapa'anga Nui: NSDA 2020+ <pmoffice.gov.ck>

Indicators that sit under the EDS are marked **with green text**. MFEM will publish results against these indicators in the annual EDS monitoring report. Indicators that sit under the NSDA are marked **with blue text**. The Office of the Prime Minister (OPM) will publish results against these indicators through annual NSDA reporting. To avoid duplication of analysis, this report refers readers to NSDA and EDS reporting for progress towards the ERR indicators included in these programmes.

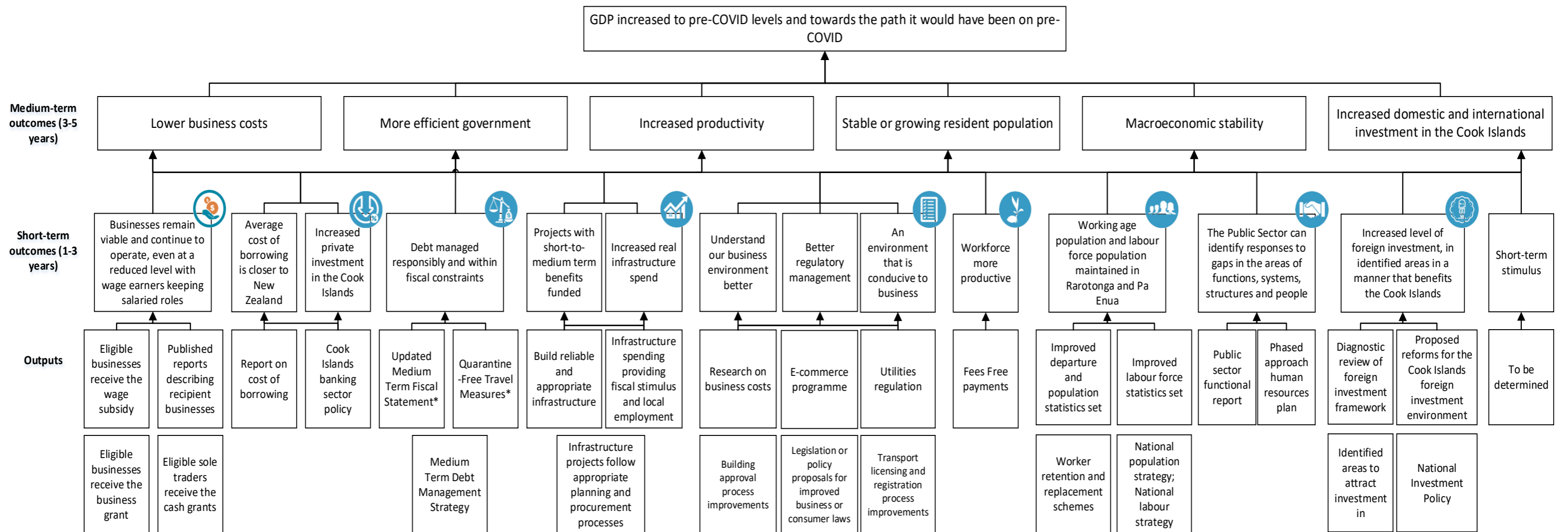
The current status of each indicator is assessed using a traffic light system, where green represents 'on track', yellow represents 'of concern' and red represents 'off track'. Where data for an indicator is not yet available, the status is 'not assessed'.

Results Diagram

Primary Goal: Expand economic opportunities for all; improve economic resilience, and productive employment to ensure decent work for all (NSDA Goal 3)

Secondary Goals:

- Connecting our nation through infrastructure, transport and ICT (NSDA Goal 6)
- Ensure inclusive and equitable quality education and promote life-long learning opportunities (NSDA Goal 8)
- A sustainable, engaged Cook Islands People and society (NSDA Goal 14)
- Promote a peaceful and just society and practice good governance with transparency and accountability (NSDA Goal 15)
- Foreign investment rules that best serve the Cook Islands Community



*Implemented as part of the ADB Loan Agreement

ERR 2022/23 progress

The focus of the ERR in 2022/23 shifted from business support during the pandemic and ongoing border closures to support for economic stimulus and reform measures, as well as finalising several longer-term programmes that were carried forward from the ERP, including the Business Continuity Credit Facility (BCCF). ERR total 2022/23 spend was \$1.37 million, compared to the latest estimate of \$2.65 million reported in the 2022/23 HYEPU.

The table below outlines total ERR expenditure for 2022/23.

	2022/23 expenditure
Barriers to Business	\$7,188
Productivity Growth	\$200,000
Fees Free Extension	\$192,783
Public Sector Efficiency	\$372,000
Labour force and population	\$36,686
Foreign Investment	\$11,528
Isolation Support Payments	\$33,920
Operating Expenses & Programme Management	\$514,065
Total ERR Measures 2022/23	\$1,368,170
Total ERR Expenditure To Date	\$43,775,208

Highlights from 2022/23 include:

- \$33,290 of Isolation Support Payments in 2022/23 for people unable to work due to Isolation or Quarantine Orders.
- \$192,783 in fees paid for the Fees Free Extension.
- Started tracking number of permanent Cook Island departures using departure cards implemented and procured in 2021/22.
- Ministry of Foreign Affairs and Immigration approved 985 work permit applications.
- E-commerce strategy and gap analysis is now ready for publication.

Progress towards long-term outcome

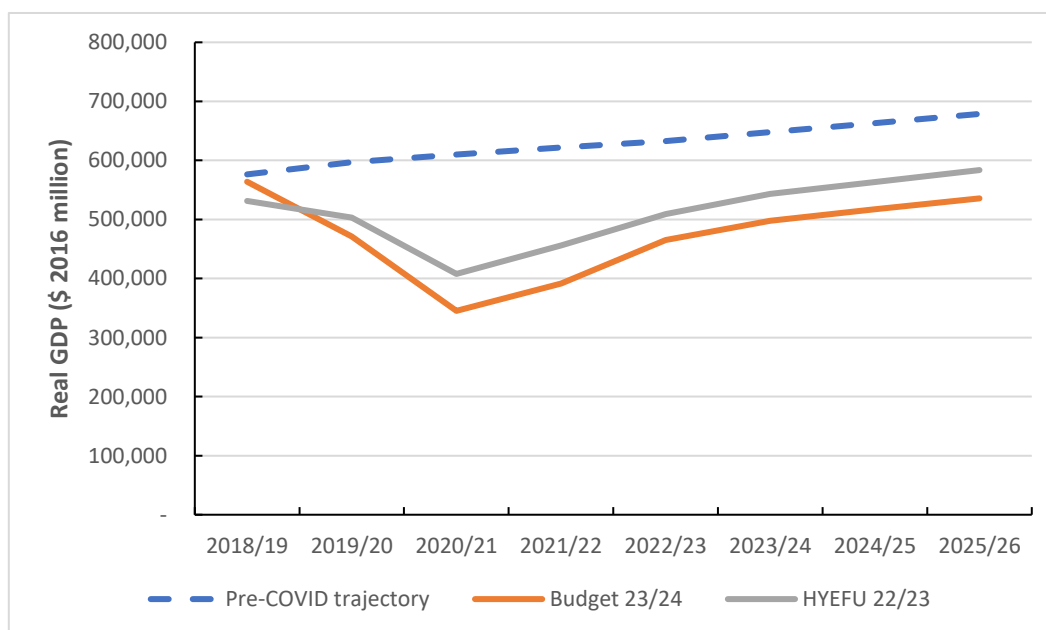
Indicator 1.1 - Gross Domestic Product (GDP) – On Track

This indicator relates to the long-term ERR outcome that GDP is increased to pre-COVID levels and towards the path we would have been on pre-COVID. This is measured through the annual change in real GDP (the value of goods and services produced by an economy in a specific time period, adjusted for inflation).

Results

Year	Real GDP (\$ million)
2018/19	\$563.2
2019/20 (baseline)	\$471.1
2020/21	\$345.2
2021/22	\$391.6
2022/23	\$465.4
2023/24 (forecast)	\$497.7
2024/25 (forecast)	\$517.4
2025/26 (forecast)	\$535.4
Target	Increasing by 2022/23, approaching \$550.0 million by 2024/25 and increasing thereafter

Analysis



As shown in the chart above,

- real GDP was forecast to reach approximately \$631.2 million in 2024/25 in the pre-COVID trajectory;
- as at the 2023/24 Budget Estimates, real GDP is forecast to reach approximately \$517.4 million in 2024/25.

This indicator is assessed as 'on track' for meeting the Target of \$550 million. This indicator will be closely monitored as technical issues with the data are resolved, which may lead to revisions.

Comments on methodology

The Target for this indicator is the real GDP trend shown in the three fiscal years prior to and including 2019/20, using constant 2016 prices. This Target reflects the overall objective of the ERR, which is for real GDP to approach pre-COVID levels (around \$550 million) by 2024/25. The pre-COVID trajectory data is sourced from the 2019/20 HYEFU. The grey line shows the GDP trajectory as at the 2022/23 HYEFU. Note this forecast comparison should be treated with caution, as MFEM changed the GDP forecasting methodology between 2019/20 and 2022/23.

Progress towards medium-term outcomes

There are six medium-term outcomes under the ERR. These will start to be realised over the next three to five years:

- Lower business costs
- More efficient government
- Increased productivity
- Stable or growing resident population
- Macroeconomic stability
- Increased domestic and international investment in the Cook Islands.

The medium-term outcomes do not directly relate to specific ERR workstreams, rather the outputs from each workstream collectively contribute to these outcomes.

Progress towards these outcomes is measured through ten indicators. Five of these are specific to the ERR and reported against in this section.

Indicator 2.1 - Cost of doing business and trade (TBC)

This indicator relates to the medium-term ERR outcome of lower business costs. This will be measured through the MFEM business cost report, which will be developed in 2023/24.

This is linked to a similar indicator included in the NSDA under Goal 13: Economy, Employment, Trade and Enterprise. The baseline data and methodology for the NSDA indicator is not yet available.

The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

Indicator 2.2 - Nominal GDP to Government Operating Expenditure ratio (EDS)

This indicator relates to the medium-term ERR outcome of more efficient government. As the EDS notes, the Cook Islands Government faces many challenges in providing services to its small and remote population.

It is included in the EDS under Objective 2: Transforming our Economy as a measure of Government productivity, where the value of economic activity for each taxpayer dollar spent is a rough measure of government productivity. Results under this indicator will be published through the annual EDS indicator report.

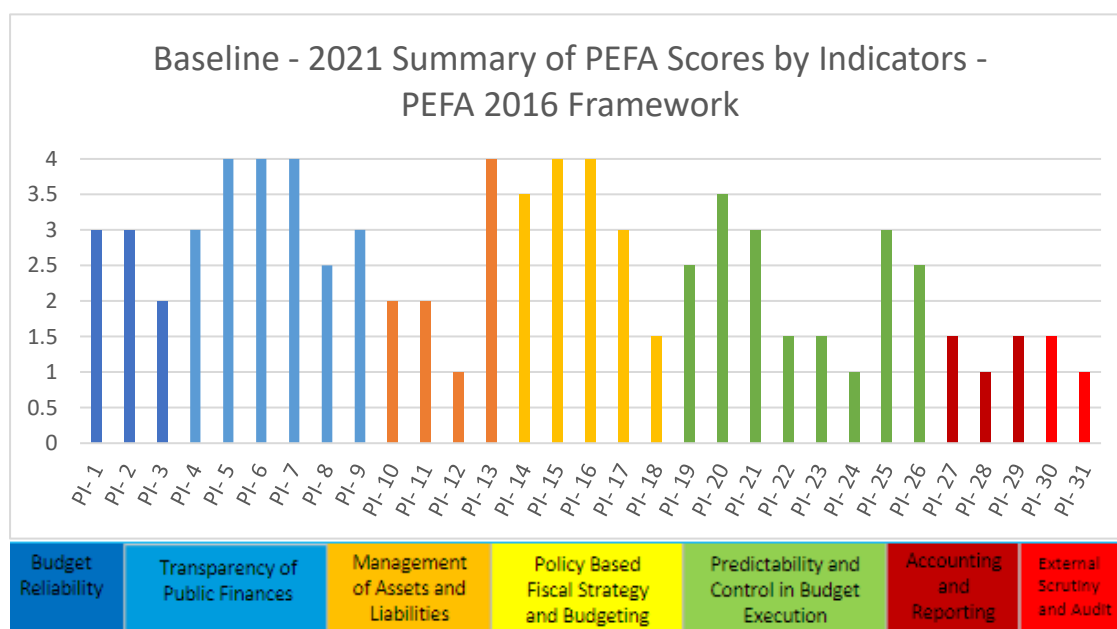
Indicator 2.3 - Public Expenditure and Financial Accountability Review (PEFA) – Not Assessed

This indicator relates to the medium-term ERR outcome of more efficient government. This will be measured through the most recent PEFA review, which occurs at least every four years.

Results

Year	PEFA Assessment score
2021 (baseline)	10 out of 31 indicators with a score of less than 2
2021	No change
Target	Minimum score of C (equal to a value of two on the chart) for each indicator

Analysis



Given the PEFA assessment was conducted in 2021, there are no further updates for this indicator for 2022/23. Therefore this indicator is classified as 'not assessed'.

Comments on methodology

The baseline for this indicator is the 2021 Cook Islands Agile PEFA Assessment.⁵ The next PEFA internal assessment for the Cook Islands will be conducted in August 2023.

⁵ <www.pefa.org>

Indicator 2.4 - Average performance of government ministries (NSDA)

This indicator relates to the medium-term ERR outcome of more efficient government. OPSC provides Parliament with an annual performance assessment of Government ministries as part of the Public Sector Commissioner's Annual Report to Parliament.

This indicator is included in the NSDA under Goal 15: Our Security, a Peaceful and Just Society. Results under this indicator will be published through OPM's NSDA reporting.

Indicator 2.5 - Real GDP per capita – On Track

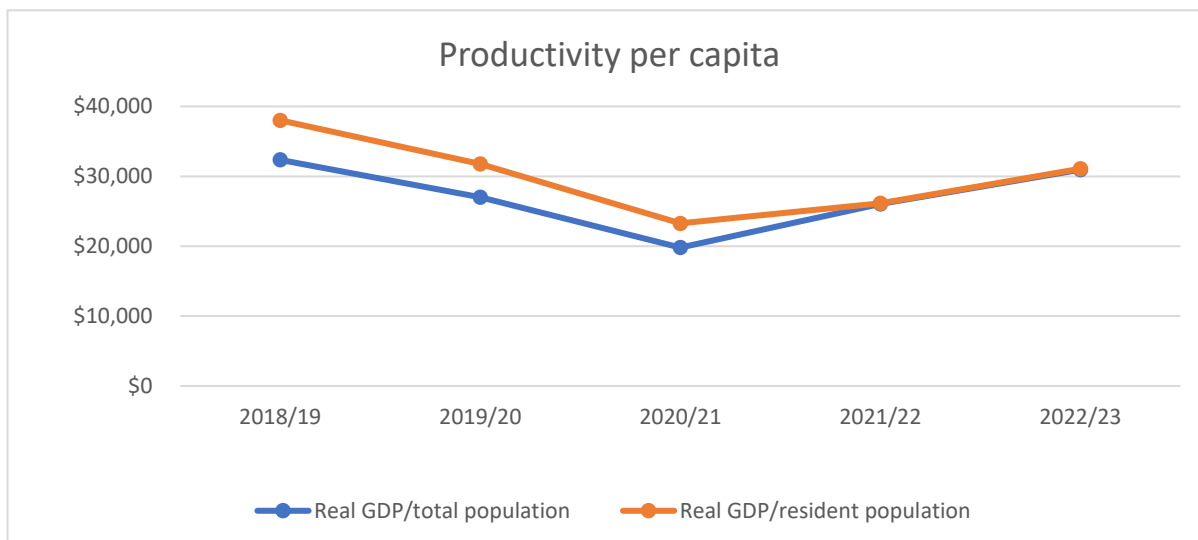
This indicator relates to the medium-term ERR outcome of increased productivity. This is measured through real GDP divided by the total population, and real GDP divided by the resident population, as defined by the Census.

Results

Year	Real GDP/total population	Real GDP/resident population
2018/19 (baseline)	\$32,346	\$38,012
2019/20	\$27,021	\$31,755
2020/21	\$19,802	\$23,271
2021/22	\$26,039	\$26,131
2022/23	\$30,942	\$31,075
Target	Trend of real GDP per capita growth for both measures	

Analysis

As shown in the chart below, both measures of productivity decreased from 2018/19 to 2020/21. In 2021/22 and 2022/23, real GDP divided by the population and real GDP divided by the resident population increased by approximately the same amount. Therefore, this indicator is assessed as 'on track'.



Comments on methodology

The baseline for this indicator is the 2018/19 fiscal year, sourced from the 2019/20 HYEPU and 2016 Census population statistics. Data for the 2022/23 fiscal year is sourced from the 2023/24 Budget Estimates and 2021 Census population statistics. CISO reports regularly on GDP data, and issues revisions when necessary.

Indicator 2.6 - Real growth in high-value private sector industries – Of Concern

This indicator relates to the medium-term ERR outcome of increased productivity. It looks at the rate of economic growth in private industries other than tourism versus the rate of growth of the economy as a whole that is not directly derived from tourism but comes from other industries, such as finance and construction.

This indicator is related to the NSDA Goal 3: Economy, Employment, Trade and Enterprise. However, the NSDA indicator uses a different methodology – calculating ‘all non-tourist related industries’ (where GDP for the industries of wholesale and retail trade, and restaurants and accommodation are subtracted from the overall total GDP).

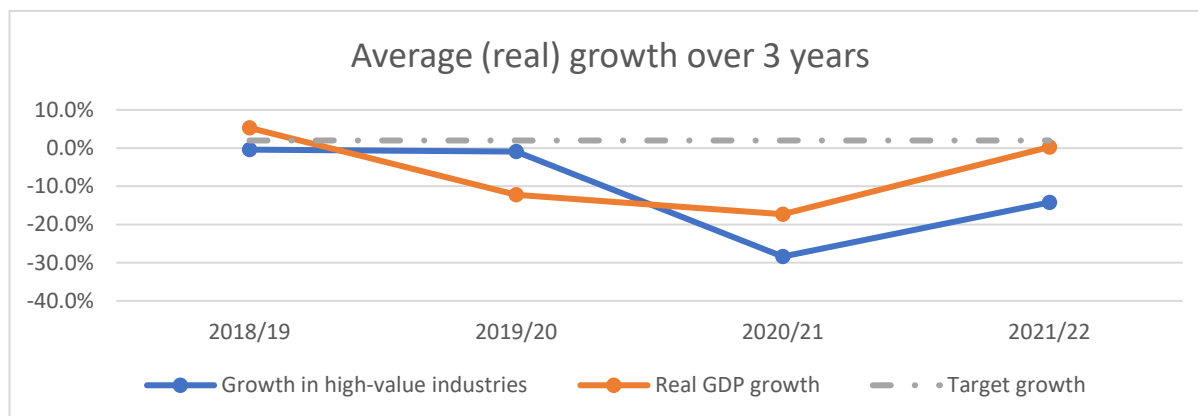
This indicator is also related to the EDS Objective 2: Transforming our Economy, as expanding our non-tourism service exports and merchandise exports offers another opportunity for consistent job creation and income growth, leading to a more diversified and more resilient economy.

Results

Year		Nominal growth in high-value industries		Real growth (2016 constant prices)	
		Annual	3-year average	Annual	3-year average
Baseline	2016/17	9.7%	n/a	6.8%	n/a
	2017/18	14.5%	n/a	8.9%	n/a
	2018/19	-0.4%	7.9%	5.3%	7.0%
2019/20		-0.9%	4.4%	-12.2%	0.7%
2020/21		-28.4%	-9.9%	-17.3%	-8.1%
2021/22		-14.2%	-14.5%	0.3%	-9.7%
2022/23		n/a	n/a	n/a	n/a
Target		Average of two per cent growth in high-value private sector industries over a three-year period			

Analysis

Real GDP from high-value private sector industries increased by 0.3 per cent in 2021/22, averaging -9.7 per cent real growth over the three years to 2021/22. This indicator is therefore assessed as 'of concern'.



Comments on methodology

High-value private sector industries are defined as:

- Mining and Manufacturing
- Construction
- Trade
- Information and Communication
- Finance and Insurance
- Professional, Administrative, etc.

This list excludes sectors such as Public Administration and Education, where an increase in GDP share would likely be due to an increase in Government spending. It also excludes small industries such as fishing, that make up a relatively small proportion of GDP.

The percentage change (year on year) is used to measure growth in these industries. The baseline for this indicator is the average growth in production of these industries (measured by real GDP at constant 2016 prices) over the three years to 2019/20; sourced from the annual Budgets.

This indicator has several limitations, most notably the assumptions of which industries are tourism-related, and which are high-value. A further limitation is given tourism is integrated into many aspects of the Cook Islands' economy, some of the industries above may be partly tourist-related. For example, some retail and telecommunications trade will relate to tourist rather than local trade. MFEM cannot split tourist related and non-tourist related aspects of a sector.

Indicator 2.7 - Resident population (NSDA; EDS)

This indicator relates to the medium-term ERR outcome of stable or growing resident population, measured through the number of residents in Rarotonga and the Pa Enea, as reported in the Census. This indicator is included in the NSDA under Goal 14: A Sustainable Population. Results under this indicator will be published through OPM's NSDA reporting.

This indicator is also included in the EDS under Objective 3: Developing our People and Culture, as population is a key driver of the Cook Islands economy. Results under this indicator will be published through the annual EDS indicator report.

Indicator 2.8 - Financial Responsibility Index (NSDA)

This indicator relates to the medium-term ERR outcome of macroeconomic stability. It assesses the Government's financial management using a financial responsibility index consisting of eight financial responsibility ratios used by MFEM. This recognises the need for the Government to manage public funds in a prudent and financially sustainable manner.

This indicator is included in the NSDA under Goal 15: Our Security, a Peaceful and Just Society. Results under this indicator will be published through OPM's NSDA reporting.

Indicator 2.9 - Business confidence (EDS)

This indicator relates to the medium-term ERR outcome of macroeconomic stability. This is measured through the percentage of Cook Islands businesses (tourism and non-tourism) that agree or strongly agree with the statements:

- “My business performed well in the last year”
- “I am confident my business will do well in the coming year”

This indicator is also included in the EDS under Objective 4: Investing in our Islands, as Cook Islands business confidence reflects the economic outlook. Results under this indicator will be published through the annual EDS indicator report.

Indicator 2.10 - Domestic and international investment in the Cook Islands (TBC)

This indicator relates to the medium-term ERR outcome of increased domestic and international investment in the Cook Islands.

The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

Progress towards short-term outcomes

There are 14 short-term outcomes under the ERR. These will begin to be realised over the next one to three years. Each short-term outcome relates directly to an ERR workstream; some workstreams have one short-term outcome while others have multiple.

Indicator 3.1 - Number of inactive businesses – Of concern

This indicator sits under the ERP continuation workstream. It relates to the short-term outcome that businesses remain viable and continue to operate, even at a reduced level, with wage earners keeping salaried roles. This indicator is carried over from the ERP, as it specifically relates to the ERP measures continued under the ERR.

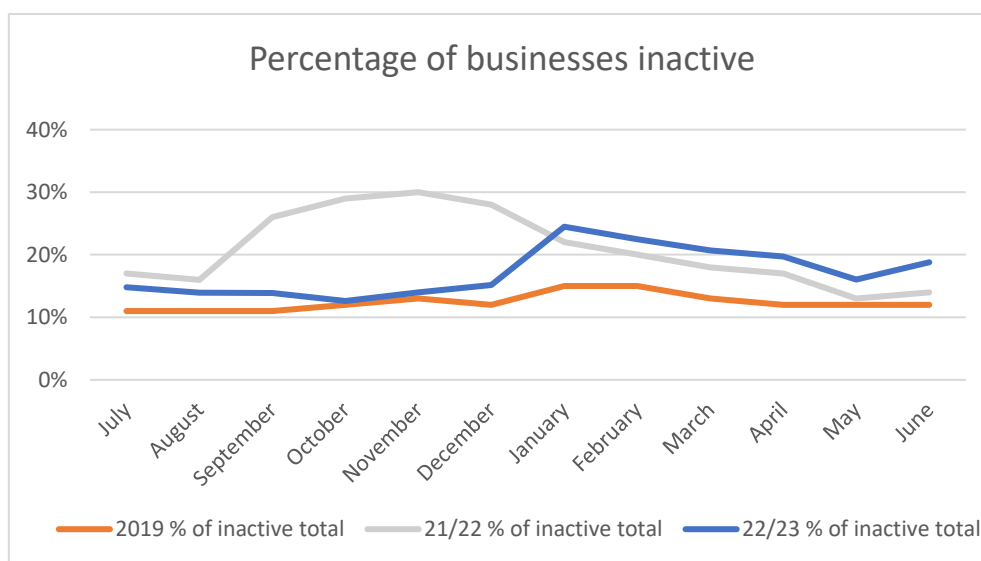
Results

	Baseline (2019)		2021/22		2022/23	
	Inactive	As % of total businesses	Inactive	As % of total businesses	Inactive	As % of total businesses
July	94	11%	156	17%	137	15%
August	98	11%	145	16%	128	14%
September	97	11%	238	26%	128	14%
October	112	12%	270	29%	114	13%
November	120	13%	275	30%	127	14%

December	109	12%	255	28%	137	15%
January	130	15%	205	22%	212	24%
February	133	15%	184	20%	191	22%
March	117	13%	167	18%	178	21%
April	110	12%	151	17%	167	20%
May	109	12%	118	13%	135	16%
June	104	12%	123	14%	142	19%
Monthly average	94	11%	156	17%	150	17%
Target	n/a					

Analysis

As shown in the chart below, 2022/23 started off with a lower number of inactive businesses than 2021/22, with numbers closer to the 2019 levels. However over the low tourism season (December – March) there is an increase to more inactive businesses than 2021/22.



As there is no target for this indicator, and the percentage of inactive businesses is trending higher than 2019 levels by the end of the fiscal year, this indicator is assessed as ‘of concern’.

Baseline data and methodology

For the purposes of this indicator, the number of inactive businesses is measured as the number of businesses registered as inactive for tax purposes with MFEM’s Revenue Management Division (RMD). This is compared to the total number of businesses registered

as active for tax purposes. The baseline for this indicator is the corresponding month in 2019. For example, the baseline for September 2021 is September 2019. This indicator is part of a monthly data set collected by RMD.

Indicator 3.2 - Value Added Tax (VAT) – On Track

This indicator sits under the ERP continuation workstream. It relates to the short-term outcome that businesses remain viable and continue to operate, even at a reduced level, with wage earners keeping salaried roles. This indicator is carried over from the ERP, as it specifically relates to the ERP measures continued under the ERR.

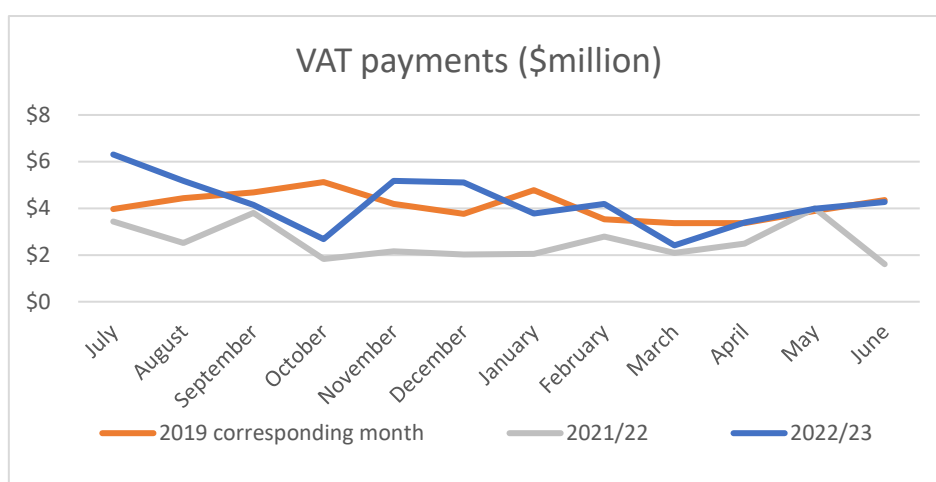
Results

	2019 VAT payments (baseline)	2021/22 VAT payments	Percentage of 2019 corresponding month	2022/23 VAT payments	Percentage of 2019 corresponding month
July	\$3,969,611	\$3,439,454	87%	\$6,306,349	159%
August	\$4,440,454	\$2,515,167	57%	\$5,171,357	116%
September	\$4,687,752	\$3,806,140	81%	\$4,145,679	88%
October	\$5,124,685	\$1,830,813	36%	\$2,684,414	52%
November	\$4,192,067	\$2,153,144	51%	\$5,170,594	123%
December	\$3,763,813	\$2,026,063	54%	\$5,112,189	136%
January	\$4,777,431	\$2,046,944	43%	\$3,782,993	79%
February	\$3,530,758	\$2,791,918	79%	\$4,183,805	118%
March	\$3,370,659	\$2,087,691	62%	\$2,413,321	72%
April	\$3,366,980	\$2,493,253	74%	\$3,387,345	101%
May	\$3,882,838	\$4,001,075	103%	\$3,990,065	103%
June	\$4,355,156	\$1,607,900	37%	\$4,265,087	98%
Total	\$49,462,205	\$30,806,978	62%	\$50,613,198	102%
Monthly average	\$4,121,850	\$2,567,248	n/a	\$4,217,767	n/a
Target	n/a				

Analysis

As shown in the chart below, July 2022, VAT payments represented 159% of payments in July 2019. By June 2023, VAT payments represented 98% of payments in June 2019. Some

component of the growth in 2022/23 is due to rising prices (inflation) and better tax administration could contribute.



As there is no target for this indicator, and by the end of 2022/23 VAT payments are approximately the same as the equivalent 2019 month, this indicator is assessed as 'on track'.

Baseline data and methodology

This indicator measures the total amount of VAT payments on the sales of goods and services and income and purchases of goods and services in the Cook Islands. The baseline for this indicator is the corresponding month in 2019. For example, the baseline for September 2021 is September 2019.

Indicator 3.3 - Business turnover – On Track

This indicator sits under the ERP continuation workstream. It relates to the short-term outcome that businesses remain viable and continue to operate, even at a reduced level, with wage earners keeping salaried roles. This indicator is carried over from the ERP, as it specifically relates to the ERP measures continued under the ERR.

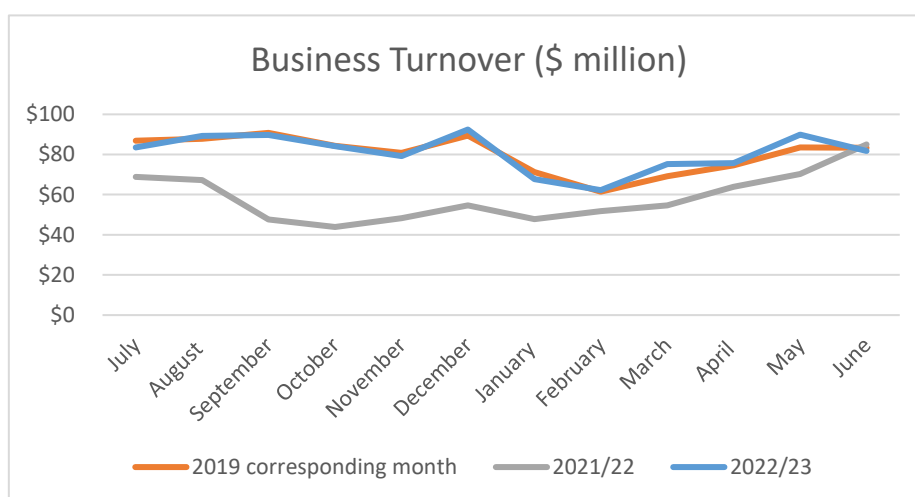
Results

	2019 business turnover (baseline)	2021/22 business turnover	Percentage of 2019 corresponding month	2021/22 business turnover	Percentage of 2019 corresponding month
July	\$86,826,890	\$68,835,726	79%	\$83,472,527	96%
August	\$87,792,966	\$67,173,599	77%	\$89,303,298	102%

September	\$90,767,322	\$47,608,965	52%	\$89,754,300	99%
October	\$84,297,146	\$43,895,703	52%	\$84,222,912	100%
November	\$80,869,215	\$48,287,595	60%	\$79,183,127	98%
December	\$89,442,247	\$54,725,828	61%	\$92,427,988	103%
January	\$71,192,276	\$47,778,679	67%	\$67,758,690	95%
February	\$61,475,965	\$51,707,321	84%	\$62,238,917	101%
March	\$69,233,012	\$54,583,023	79%	\$75,240,823	109%
April	\$74,579,848	\$63,847,654	86%	\$75,723,223	102%
May	\$83,487,629	\$70,314,148	84%	\$89,972,947	108%
June	\$83,338,488	\$85,004,424	102%	\$81,747,151	98%
Total	\$963,303,004	\$703,762,665	73%	\$971,045,903	101%
Monthly average	\$80,275,250	\$58,646,889	74%	\$80,920,492	101%
Target	n/a				

Analysis

As shown in the chart below, business turnover in 2022/23 largely followed the same trend as the 2019 corresponding month. In July 2022, business turnover represented 96% of turnover in July 2019. By June 2023, business turnover represented 98% of turnover in June 2019.



As there is no target for this indicator, and by the end of 2021/22 business turnover was approximately the same as the equivalent 2019 month, this indicator is assessed as 'on track'.

Baseline data and methodology

This indicator measures the total value of business turnover in the Cook Islands. The baseline for this indicator is the corresponding month in 2019. For example, the baseline for September 2022 is September 2019.

Indicator 3.4 - Nominal interest rate of New Zealand and Cook Islands banks – On Track

This indicator sits under the Cost of Borrowing workstream. It relates to the short-term outcome that the average cost of borrowing from Cook Island Banks⁶ is closer to New Zealand. This is measured through comparing nominal interest rates for the main banks in each country.

Results

Interest rates (%)		Cook Islands	New Zealand	Difference
8 December 2021 (baseline)	Personal savings account	0.12	0.32	-0.2
	3-month term deposit	2.40	0.72	1.68
	Housing loans	8.25	4.78	3.47
	Business loans	8.73	8.69	0.04
	Personal loans	12.68	14.66	-1.98
16 August 2022	Personal savings account	0.12	0.80	-0.68
	3-month term deposit	2.13	1.82	0.31
	Housing loans	7.25	6.23	1.02
	Business loans	8.73	9.95	-1.22
	Personal loans	12.68	14.91	-2.23
31 March 2023	Personal savings account	0.12	2.48	-2.36
	3-month term deposit	2.13	3.86	-1.73
	Housing loans	7.25	7.92	-0.67
	Business loans	8.73	11.93	-3.20
	Personal loans	12.68	13.15	-0.47
Target	Trend towards smaller gaps between the Cook Islands and New Zealand banks interest rates			

⁶ Cook Islands banks: ANZ, BCI, BSP; New Zealand banks: ANZ, ASB, Kiwibank, Westpac.

Analysis

As shown in the table above, between December 2021 and December 2022, the difference between average interest rates offered by Cook Islands and New Zealand banks decreased for three products. While it is difficult to say whether this decrease represents a lasting trend, or is a temporary change as a result of the COVID-19 pandemic, for 2022/23 this indicator is assessed as 'on track'.

Housing loan rates in the Cook Islands have lowered in Cook Islands in the monitoring period, whilst they have increased in New Zealand.

Baseline data

The baseline data has changed since we last published this Monitoring Report.

NZ bank data now refers to published RBNZ-published, nominal rates (backdated to 31 December 2021). Cooks baseline data is based off the rates published by Cook Islands Statistics for the December 2021 Quarter. Each of the five different categories is the arithmetic average of the three rates for each of the banks.

Sources:

Personal savings account:

<https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/new-interest-bearing-call-savings-account-interest-rates>

<https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/statistics/series/b/b25/hb25.xlsx>

Data Series On call – unconditional (INRD.MAD23)

3 Month Term Deposit

<https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/new-interest-bearing-term-deposit-interest-rate>

Data Series

3 month term deposit (INRD.MAD52.C3)

Housing lending

<https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/retail-interest-rates-on-lending-and-deposits>

<https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/statistics/series/b/b3/hb3.xlsx>

Data series Floating first home mortgage rate (INR.MBI06.F)

Business Loans

<https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/retail-interest-rates-on-lending-and-deposits>

<https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/statistics/series/b/b3/hb3.xlsx>

Data series INR.MBI06.D3

Personal Loans

Not available at RBNZ, so used public information at Interest.co.nz

<https://www.interest.co.nz/borrowing/personal-loan> (average of 4 major banks - ANZ, ASB, Kiwibank and Westpac)

Indicator 3.5 - Private investment in the Cook Islands (TBC)

This indicator sits under the Cost of borrowing workstream. It relates to the short-term outcome of increased private investment in the Cook Islands.

The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

Indicator 3.6 - Debt servicing profile – On Track

This indicator sits under the Managing public debt workstream. It relates to the short-term outcome of debt being managed responsibly and within fiscal constraints. The indicator measures the amount of cash required to cover the payment of interest and principal for the Cook Islands Government debt for a particular period. This indicator calculates debt as a percentage of total revenue.

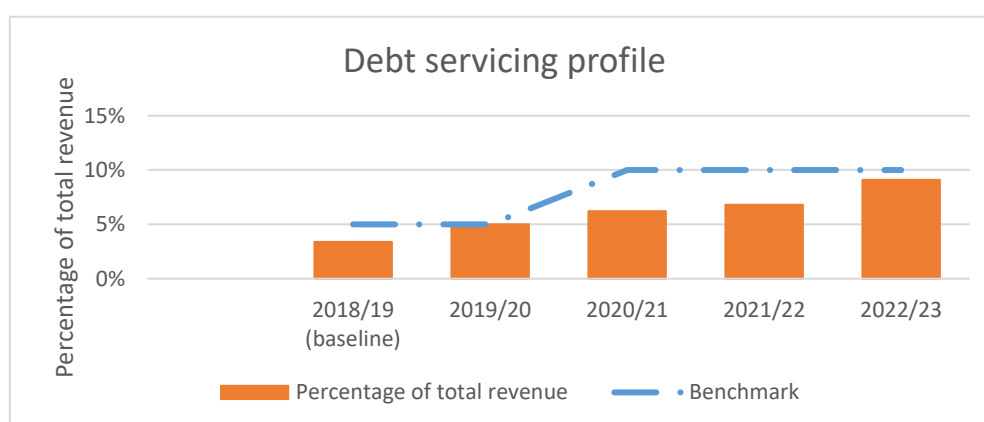
Results

Year	Net debt servicing (\$m)	Percentage of total revenue	Benchmark
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2018/19 (baseline)	\$7.3	3.4%	5%
2019/20	\$9.9	5.0%	5%
2020/21	\$10.0	6.2%	10%
2021/22	\$12.2	6.8%	10%
2022/23	\$16.5	9.1%	10%
Target	Meet the benchmark under the MTFS		

Analysis

As shown in the chart below, net debt as a percentage of total revenue remained below the MTFS benchmark over the reporting period. This indicator is therefore assessed as 'on track'.



Baseline data and methodology

MFEM will update this indicator bi-annually as part of the Budget and HYEPU reporting. The COVID-19 pandemic necessitated a temporary departure of the existing fiscal rules, and development of revised rules to more accurately reflect the fiscal context of the COVID-19 economic environment. The benchmark for this indicator was therefore revised from 5% to 10% in 2021 with the fiscal rules update. This benchmark, while informed by the fiscal rules, represents only a guideline and not a fiscal rule. The temporary departure from the rules is expected to cease in the 2023/24 fiscal year as the economic conditions improve.

Indicator 3.7 - Net debt to GDP ratio (NSDA; EDS)

This indicator sits under the Managing public debt workstream. It relates to the short-term outcome of debt being managed responsibly and within fiscal constraints. This indicator measures net debt, which is Cook Islands Government gross debt less funds held in the Loan

Repayment Fund. The hard limit of 65% of GDP (fiscal anchor) provides a buffer for the soft target of 55%, allowing space for exchange rate shocks or natural disasters.

This indicator is included in the NSDA under Goal 3: Economy, Employment, Trade and Enterprise. Results under this indicator will be published through OPM's NSDA reporting.

This indicator is also included in the EDS under Objective 4: Investing in our Islands, as prudent management of Government finances is key to maintaining a stable macroeconomic environment, including responding to economic downturns. Results under this indicator will be published through the annual EDS indicator report.

Indicator 3.8 - Investment rule – On Track

This indicator sits under the Managing public debt workstream. It relates to the short-term outcome of debt being managed responsibly and within fiscal constraints. Under the new MTFs, the investment rule requires that any additional borrowing above 55% of GDP is for capital and/or targeted GDP stimulus measures only.

Results

Year	Net debt to GDP (%)	Investment rule binding?
2018/19 (baseline)	17.0%	No
2019/20	16.3%	No
2020/21	38.2%	No
2021/22	54.8%	No
2022/23	45.6%	No
Target	Investment rule met (or else not binding)	

Analysis

This indicator relates to the net debt position, as the investment rule is met when additional borrowing above 55 per cent of GDP is for capital investment and/or targeted GDP stimulus measures only. As net debt was 45.6% in 2022/23, the investment rule was not binding. Therefore this indicator is assessed as 'on track'.

Baseline data and methodology

This indicator is binary – it shows whether or not the government has met the investment rule. The baseline for this indicator is the 2018/19 actual debt figures.

Indicator 3.9 - Total Cook Islands Government capital spend – Of Concern

This indicator sits under the infrastructure investment workstream. It relates to the short-term outcome that projects with short-to-medium term benefits are funded. It measures total capital expenditure across the Cook Islands Government.

Results

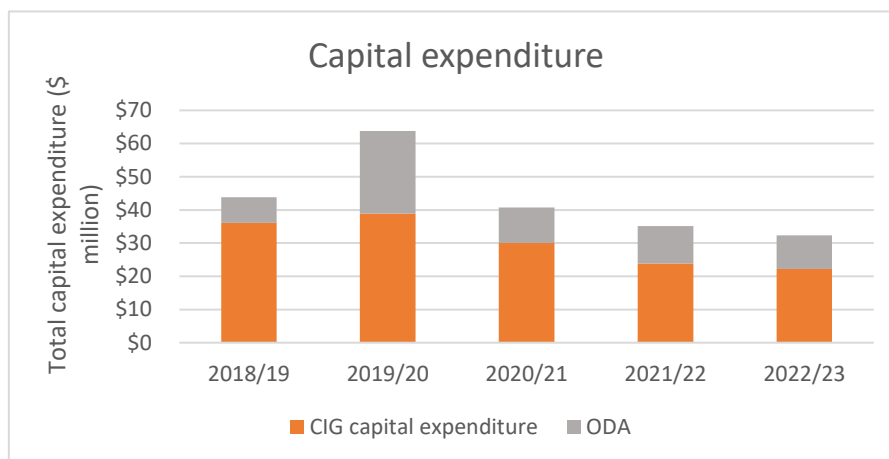
Year	CIG capital expenditure	Total capital expenditure, including ODA ⁷
2018/19 (baseline)	\$36.1 million	\$43.9 million
2019/20	\$38.9 million	\$63.8 million
2020/21	\$30.0 million	\$40.7 million
2021/22	\$23.8 million	\$35.2 million
2022/23	\$22.3 million	\$32.4 million
Target	Increasing trend in annual capital expenditure	

Analysis

As shown in the chart below, the 2019/20 Budget year reflects the highest performance in capital expenditure that Government has achieved both on an expenditure and ratio to budget basis. However, the 2022/23 Budget reflected a further decrease in capital appropriation and expenditure, same as the prior two years as funding was directed towards direct economic support to the private sector and community, and project design and management capacity limits impacted delivery. Total Cook Islands Government (CIG) capital expenditure decreased by \$11.5 million between 2018/19 and 2022/23.

⁷ Overseas Development Assistance

The 2023/24 Budget notes that over the medium-term Government will work with funding partners to identify strategies that can increase infrastructure investment, with the aim to maintain approximately \$40.0 million in investments each year, noting that current implementation capacity is below this level.



Therefore, given the decreasing trend in expenditure this indicator is assessed as 'of concern'.

Baseline data and methodology

The baseline for this indicator is capital expenditure in the 2018/19 fiscal year. The indicator includes capital expenditure funded through development partners, as this contributes towards the outcome of funding project with short-to-medium term benefits. Data is sourced from annual budget reporting.

Indicator 3.10 - Real growth in construction – Off Track

This indicator sits under the infrastructure investment workstream. It relates to the short-term ERR outcome of increased real infrastructure spend in the Cook Islands, measured by real economic growth in the construction sector.

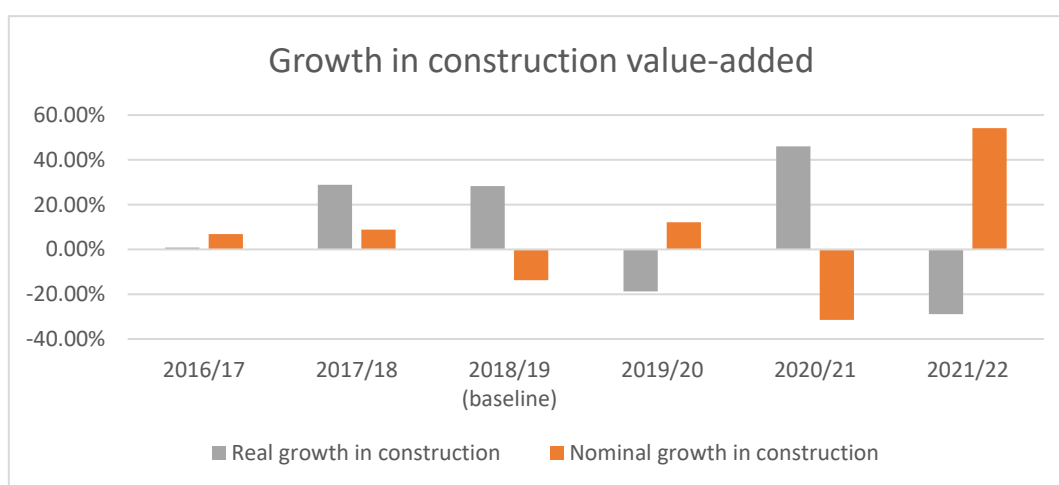
Results

Year	Real growth in construction	Nominal growth in construction
2016/17	0.9%	6.8%
2017/18	28.9%	8.9%
2018/19 (baseline)	28.3%	-13.7%
2019/20	-18.8%	12.1%

2020/21	46.0%	-31.4%
2021/22	-28.9%	54.1%
2022/23	n/a	n/a
Target	Trend in real growth attributed to this industry	

Analysis

As shown in the chart below, the construction sector saw real economic growth in the three years prior to the COVID-19 pandemic. However, this growth declines in 2019/20 and 2021/22. Therefore, this indicator is assessed as 'off track'. High cost of construction materials as well as broader supply chain constraints may have impacted the real level of construction.



Baseline data and methodology

The baseline for this indicator is the trend in real economic growth in the construction sector over the 2016/17 – 2018/19 fiscal years, sourced from successive annual Budgets. The percentage change (year on year) is used to measure growth in this industry. This is measured by real GDP at constant 2016 prices. Data for 2022/23 is not yet available.

Indicator 3.11 - Baseline costs of compliance understood (TBC)

This indicator sits under the Barriers to business performance workstream. It relates to the short-term ERR outcome of MFEM better understanding the Cook Islands' business environment. The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

Indicator 3.12 - Chamber of commerce survey of members (TBC)

This indicator sits under the Barriers to business performance workstream. It relates to the short-term ERR outcome of better regulatory management. The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

Indicator 3.13 - Chamber of commerce survey of members (TBC)

This indicator sits under the Barriers to business performance workstream. It relates to the short-term ERR outcome of an environment that is conducive to business. It will provide a qualitative measure of the cost of doing business in the Cook Islands. The baseline, target and results will be reported against in subsequent reports, once the methodology has been developed.

Indicator 3.14 - Tertiary and vocational level completion data (NSDA; EDS)

This indicator sits under the Productivity growth workstream. It relates to the short-term ERR outcome of a more productive workforce. This indicator measures the percentage of the Cook Islands resident population with vocational or tertiary qualifications.⁸ Post-secondary education (vocational or tertiary) will increase both the Cook Islands' skills base and individuals' earning potential.

This indicator is included in the NSDA under Goal 8: Education and Innovation. Results under this indicator will be published through OPM's NSDA reporting, based on Census data.

This indicator is also included in the EDS under Objective 3: Developing our People and Culture.

Indicator 3.15 - Total working age and labour force population – Of Concern

This indicator sits under the Labour force and population workstream. It relates to the short-term ERR outcome of the working age population and labour force population maintained in Rarotonga and the Pa Enua.

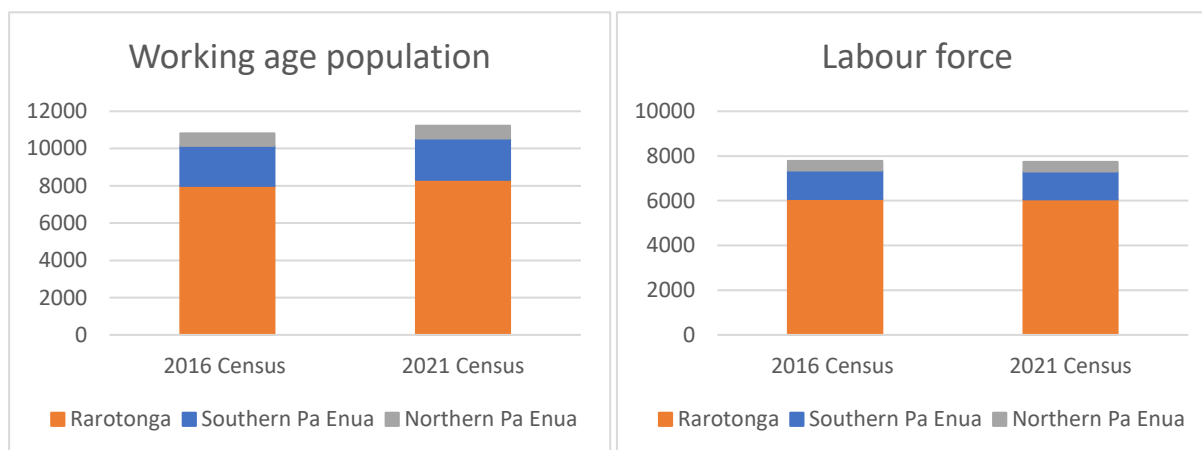
⁸ Resident as defined by the Cook Islands Statistics Office in the Census

Results

Year	Working age population			Labour Force		
	Rarotonga	Southern Pa Eua	Northern Pa Eua	Rarotonga	Southern Pa Eua	Northern Pa Eua
2016 (baseline)	7,997	2,139	669	6,078	1,277	420
2021	8,328	2,214	677	6,060	1,245	428
% change	4.0%	3.4%	1.2%	-0.3%	-2.6%	1.8%
Target	Working age and labour force population trends restored back toward the 2016 resident population figures					

Analysis

As shown in the charts below, total working age population slightly increased by 3.7% 2016 to 2021. The increase was slightly higher in Rarotonga than in the Pa Eua. On the other hand, total labour force decreased by 0.5% between 2016 and 2021. The decrease was most significant in the Southern Pa Eua.



Therefore, given the decrease in labour force, this indicator is assessed as 'of concern'.

Baseline data and methodology

The baseline for this indicator is population statistics from the 2016 Census. Working age population is calculated as the resident population aged 15 years and older. The labour force is defined as those who are self-employed, paid employees, unpaid workers, volunteers and unemployed. Data for this measure will be approximate for the five years in between each Census.

Indicator 3.16 - Total permanent arrivals and departures for Cook Islanders and Permit Holders – Assessed

This indicator sits under the Labour force and population workstream. It relates to the short-term ERR outcome of the working age population and labour force population maintained in Rarotonga and the Pa Enuā. This indicator measures the total number of resident arrivals and departures from the Cook Islands, by reason for departure and in particular the Permanent Departures.

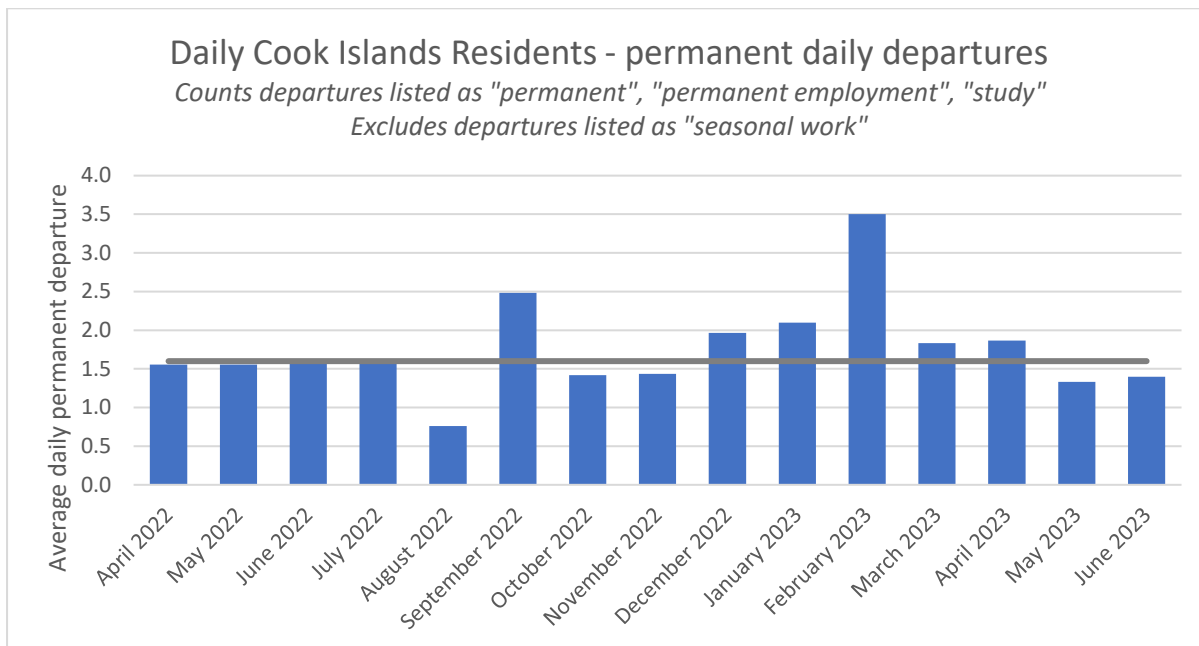
Results

The results [in the table below] show that there were increased permanent departures in February and March 2023, but the increase can be explained by study-related departures.

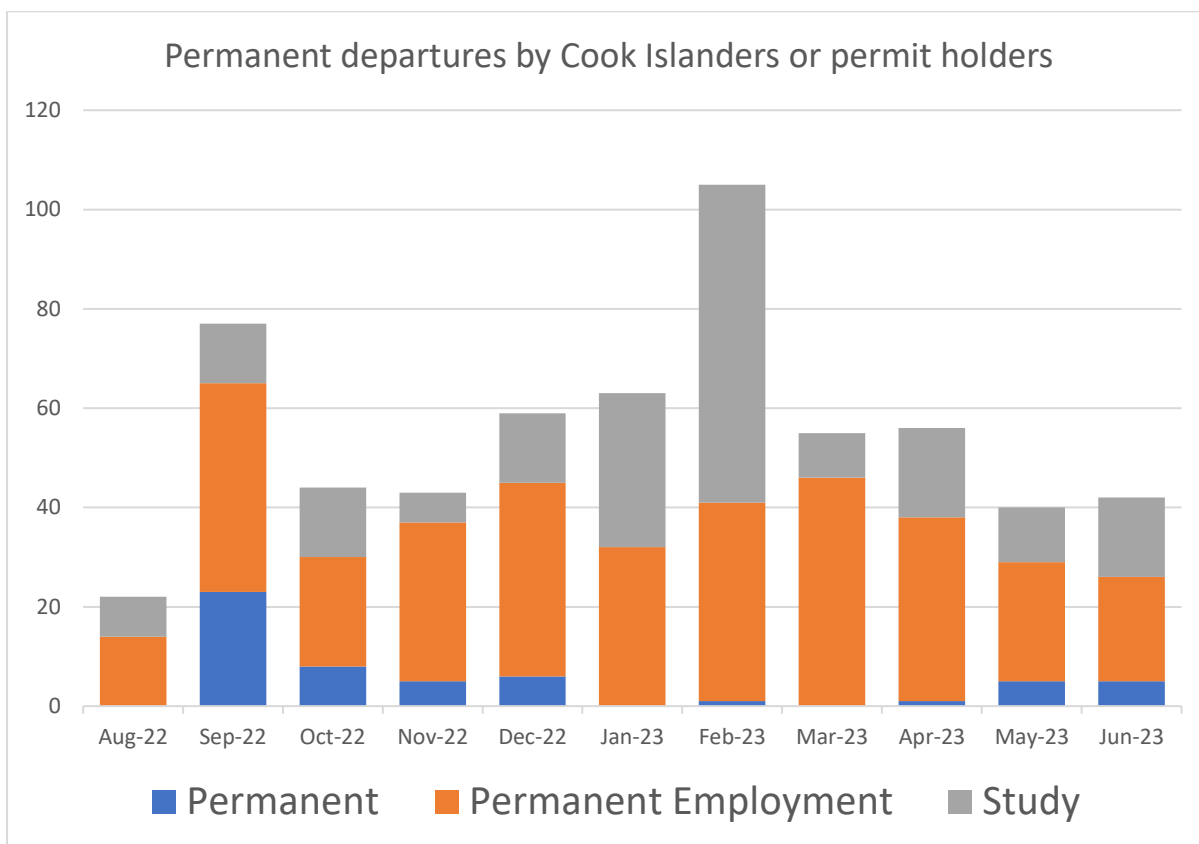
Year	Permanent departures – residents and permit holders	Daily Average
April to November 2022 (baseline)	375 (around 47 per month)	1.6
December 2022	59	2.0
January 2023	63	2.1
February 2023	105	3.5
March 2023	55	1.8
April 2023	56	1.9
May 2023	40	1.3
June 2023	42	1.4
Target	No increase in departures of duration of more than six months by residents and permit holders	

Analysis

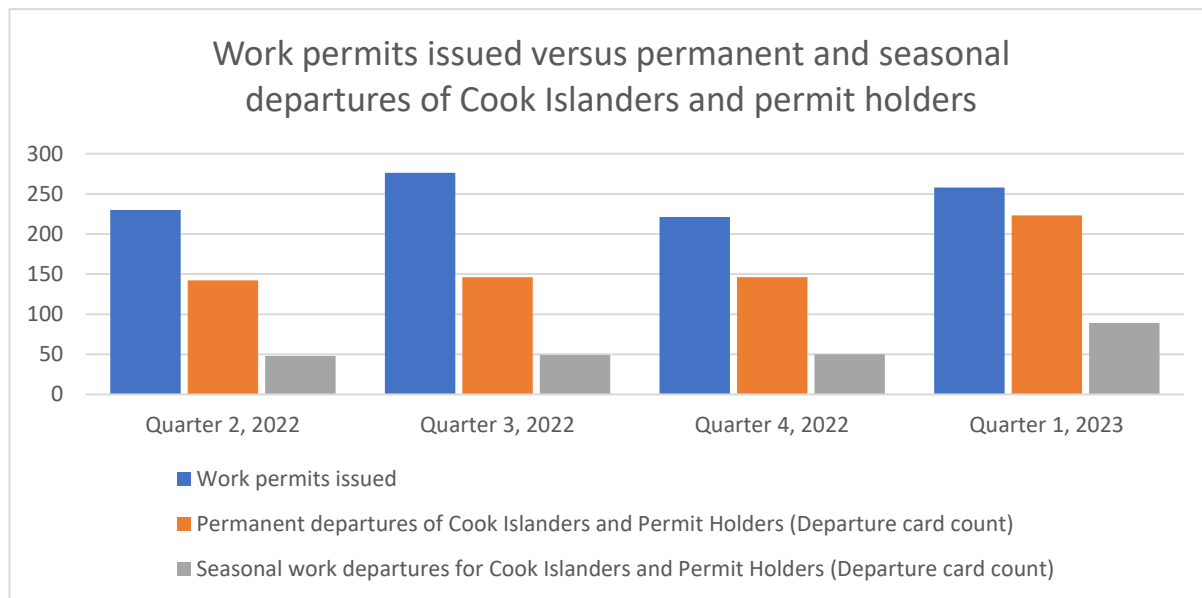
The chart below shows the daily permanent departure rate for Cook Islanders and Permit Holders.



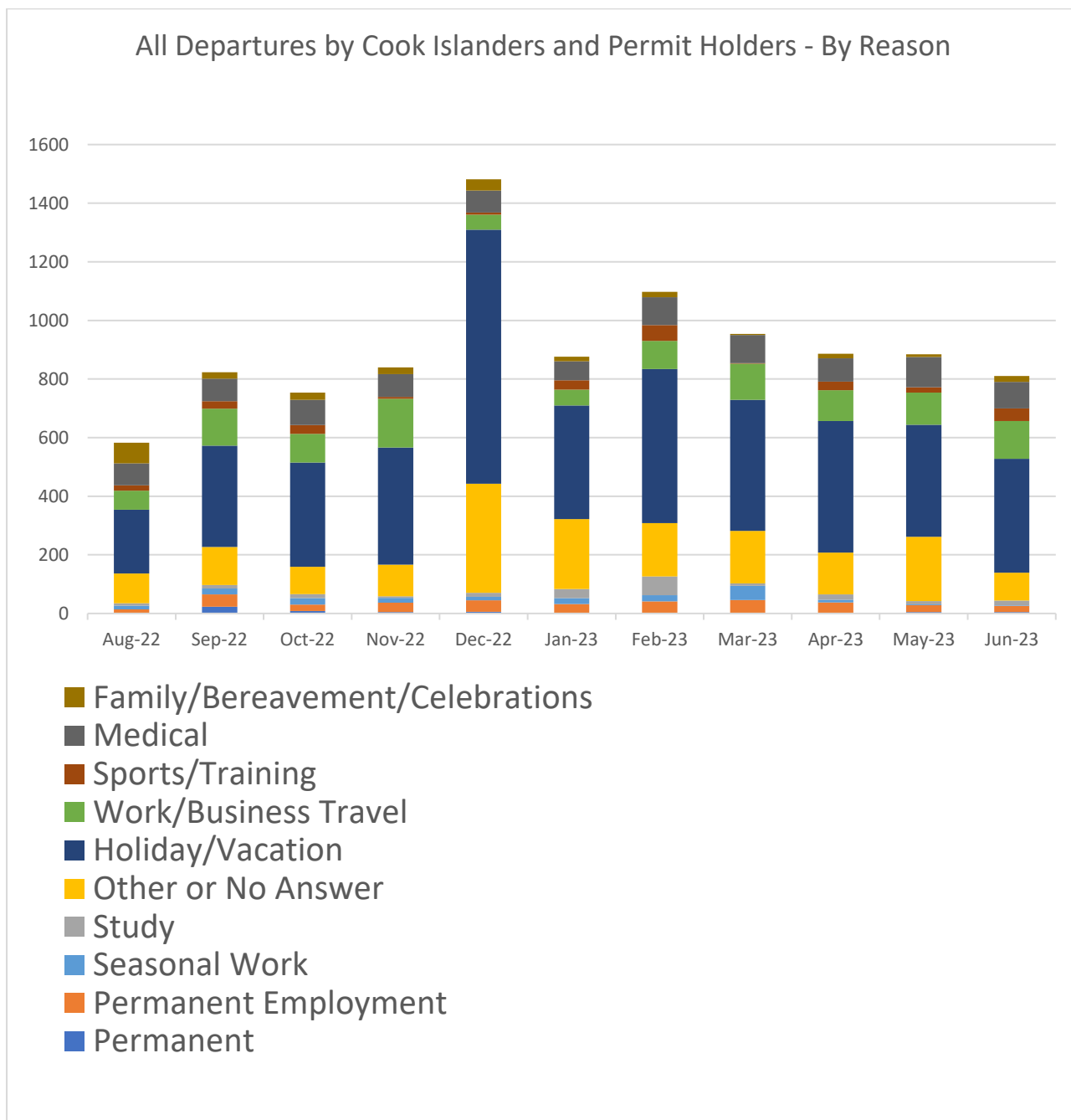
The chart below shows reasons for permanent departures. Permanent employment is a key driver, and so is study. The first quarter of 2023 had elevated departures. This is explained by Study departures, however.



The chart below shows Quarterly results, mapped against work permits that were issued by the Ministry of Foreign Affairs in the same quarter. This gives some indication of turnover. There were 236 seasonal work departures in the year to March 2023.



The chart below shows all the reasons Cook Islanders and Permit Holders leave. On average, since the series started in April 2022, around 8 per cent of Departures are permanent. Most departures are for holidays, seasonal work or other reasons.



Baseline data and methodology

The baseline for this indicator is the first year of departure statistics (April to November 2022), collected from the departure cards reinstated in March 2022. For the purpose of this indicator, permanent departure is defined as residents who checked “Permanent, Permanent Employment, or Study” as reason for departure. In that Baseline period (April to November 2022),

BASELINE	April 2022	May 2022	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	TOTAL
Permanent departures	~47	~47	~47	~47	22	77	44	43	375
Daily permanent departure rate	~1.6	~1.6	~1.6	~1.6	0.8	2.5	1.4	1.4	1.6

In the year to May 2023, Departure Cards captured 85 per cent of passengers (Cook Islands Statistics Office). We expect that most of the remaining 15 per cent of passengers will be minors. Around 15 per cent of passengers declined to record the reason for their departure.

Thus, Departure Cards are a fairly good way of monitoring the reason for departure, but do not capture all reasons.

Indicator 3.17 – Roll out of implementation plan – Not Assessed

This indicator sits under the public sector efficiency workstream. It relates to the short-term ERR outcome that the Public Sector can identify responses to gaps in the areas of functions, systems, structures and people. This is measured by the roll out of the implementation plan following the Public Sector Functional Review, through the ERR Public Sector Efficiency workstream.

Results and Analysis

As there was no implementation plan in place in 2022/23, this indicator is classified as 'Not Assessed'.

Baseline data and methodology

The Public Sector Functional Review Terms of Reference notes the Report will "prepare proposals for implementation plans for gradual or incremental implementation of

recommendations identified by the Public Sector Functional Review. Recommendations should prioritise the available funding in terms of making changes to the Public Sectors' functions, structures and systems." Once the implementation plan has been developed, this indicator will measure the extent to which the plan has been implemented. The expected target for this indicator is that the plan is implemented within five years of being approved by Cabinet, however this may change depending on the final shape of the plan.

The baseline for this indicator is implementation plan not developed.

Indicator 3.18 - Foreign Direct Investment to GDP (NSDA; TBC) – Not Assessed

This indicator sits under the foreign investment workstream. It relates to the short-term ERR outcome of an increased level of foreign investment, in identified areas in a manner that benefits the Cook Islands. This will be measured by foreign direct investment as a percentage of GDP.

This indicator is included in the NSDA under Goal 14: A Sustainable Population. Results under this indicator will be published through OPM's NSDA reporting. Under the NSDA the target for this indicator is to have the balance shift away from foreign ownership towards local ownership as far as practical. This is likely to be different than the target for the ERR, which seeks to determine the most appropriate mix of foreign investment in the Cook Islands economy.

Results and Analysis

As this indicator is not yet developed, it is classified as 'Not Assessed'.

Baseline data and methodology

MFEM EPD will determine the baseline data and most appropriate indicator for this outcome in consultation with the BTIB.