



**GOVERNMENT OF KIRIBATI
MINISTRY OF FINANCE &
ECONOMIC DEVELOPMENT**

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Kiribati

KIRIBATI ECONOMIC OUTLOOK 2026

4.3%

GDP Growth 2025

~3.2%

GDP Growth 2026

~3.5%

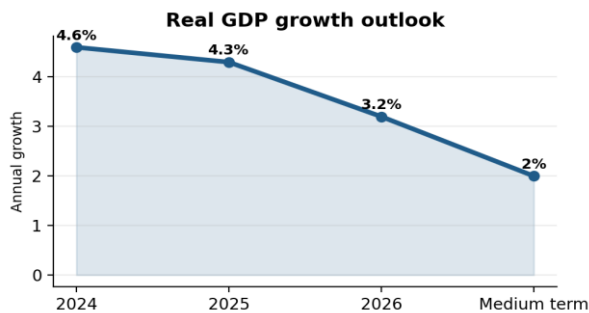
Inflation 2026

~15% GDP

Fiscal Deficit 2026

GROWTH

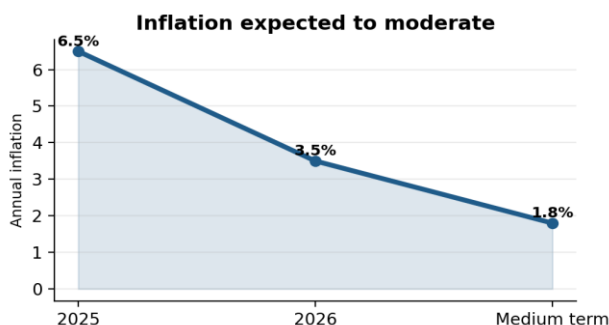
Economic activity remains strong. Real GDP growth is estimated at 4.3% in 2025, following 4.6% in 2024, driven by consumption and public investment. Growth is projected to moderate to about 3.2% in 2026 and converge to around 2% over the medium term.



INFLATION

Inflation rose to around 6.5% in 2025 following fuel and electricity tariff reforms. After this one-off price adjustment, inflation is expected to moderate.

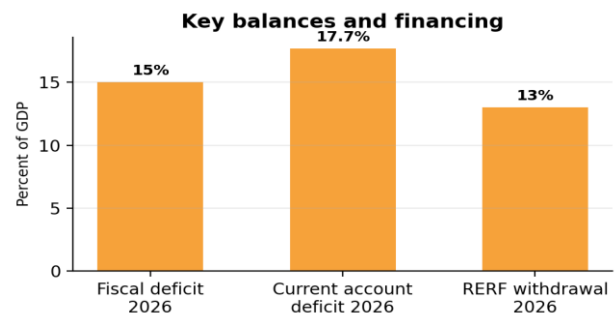
- Around 3.5% in 2026, with import-price pressure remaining a risk.
- Approximately 1.8% over the medium term, in line with major trading partners.
- Electricity price impacts are expected to be mitigated by solar generation replacing diesel.



FISCAL POSITION

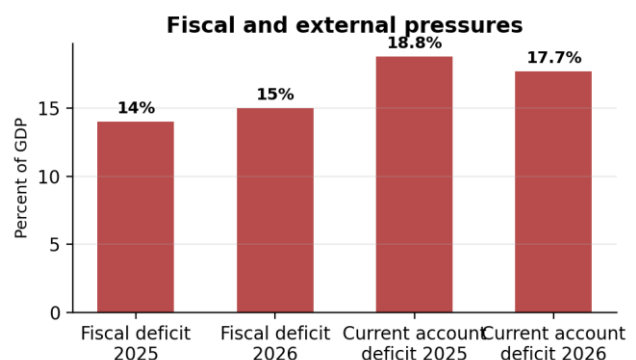
Fiscal policy was broadly neutral in 2025, with the overall deficit at 14% of GDP, financed through dividends from the Revenue Equalization Reserve Fund (RERF).

- Fiscal and current account deficits are both projected at elevated levels in 2026.
- The RERF posted an annual return of 10% in 2025; planned 2026 withdrawal is AUD 78 million, equivalent to about 13% of GDP.
- External public debt declined from 9% to 8% of GDP in 2025.



EXTERNAL POSITION

The current account deficit was estimated at 18.8% of GDP in 2025 amid persistently elevated imports. It is projected to narrow slightly to 17.7% of GDP in 2026 as one-off construction imports moderate.

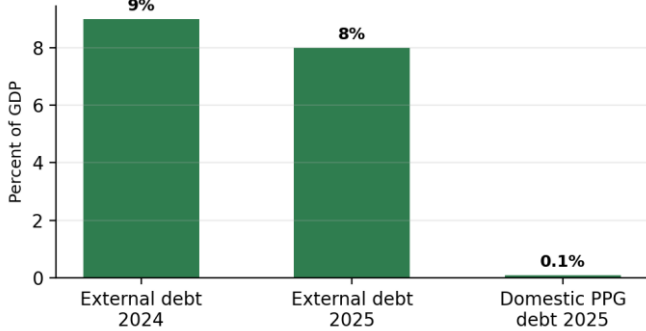


OUTLOOK RISKS, DEBT AND POLICY PRIORITIES

PUBLIC DEBT

External public debt declined to 8% of GDP at end-2025. Domestic public and publicly guaranteed debt was 0.1% of GDP in 2025. Despite low headline debt, the risk of debt distress is assessed as high because of climate vulnerabilities and implicit contingent liabilities.

Public debt remains low, but risk is high



KEY RISKS & STRUCTURAL CHALLENGES

- Lower-than-budgeted RERF withdrawals if financial market volatility reduces fund returns.
- Disruptions to global trade from escalating tariffs and commodity price volatility.
- Potential decline in international aid.
- Climate-related natural disasters, including sea level rise, flooding, and freshwater scarcity.
- Remoteness and limited land mass, contributing to infrastructure gaps.

RISK SNAPSHOT

Market volatility	RERF returns and withdrawal
Trade disruption	Import prices and shipping costs
Climate shocks	Infrastructure and freshwater
Aid decline	Project financing

POLICY PRIORITIES

- Sustain growth-friendly fiscal consolidation of 2.5-3% of GDP over 2027-2029 to rebuild buffers.
- Move toward a balance based RERF withdrawal rule to preserve the fund's real value.
- Rationalize recurrent subsidies and improve social benefit efficiency and sustainability.
- Strengthen debt management, public financial management, revenue administration and national statistics.
- Protect vulnerable households through targeted transfers while allowing gradual fuel price adjustment.
- Increase domestic value-added in fisheries and diversify exports.

(Sources: IMF 2026 Article IV Consultation (March & May 2026); IMF Country Report No. 26/99. Prepared from the Kiribati Economic Outlook source document.)