2018 PACIFIC UPDATE

FIJI: CURRENT ECONOMIC CONDITIONS & OUTLOOK

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Governor, Reserve Bank of Fiji
6 July, 2018
FIJI ECONOMY
How have we transformed since independence?

1977 Base
- Primary: 22.7%
- Industry: 20.2%
- Services: 57.0%

1995 Base
- Primary: 18.8%
- Industry: 22.8%
- Services: 58.4%

2011 Base
- Primary: 10.9%
- Industry: 20.5%
- Services: 68.6%

Source: Fiji Bureau of Statistics
How have we performed against our historical growth rate?

Sources: FBOS & Macroeconomic Committee
GDP GROWTH

Moody’s: How have we performed against our peers?

Fiji’s economy is smallest among peers but wealthier than some with larger economies

- Nominal GDP (USD billion, Left-axis)
- GDP Per Capita (USD Adjusted PPP, Right-axis)

Sources: National authorities, IMF, Moody’s Investors Service

Growth has recovered post-Cyclone Winston and is in line with peers
Year-over-year change, %

Sources: National authorities, Moody’s Investors Service
### GDP GROWTH

Is our forecast in line with others?

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IMF’s forecast for 2016 derived from estimates done for 2015 Article IV. There was no visit in 2016. The 2016 projections were done before TC Winston.

IMF and ADB’s forecasts for 2018 were done prior to the natural disasters in April 2018.
CONSUMPTION SPENDING
What do the key indicators reveal?

Net VAT Collections

Vehicle Registrations

Commercial Banks’ New Consumption Lending

Wholesale & Retail Trade Survey

Source: Industry contacts
INVESTMENT
Are the indicators consistent with our assessment of the economy?

Commercial Banks’ New Investment Lending
- Building & Construction
- Real Estate

Government’s Actual Capital Expenditure
- Actual Capital
- Budgeted Capital

Value of Work Put in Place
- Annual

Domestic Cement Sales

Source: RBF and Industry contacts
BUSINESS SENTIMENTS
Do real and financial data validate sentiments?

Overall Business Confidence
(Net %)

Commercial Banks’ New Lending

Source: RBF
MONETARY POLICY
Is it supportive of economic growth?

Outstanding Lending Rate

Outstanding Loans & Advance

Banks’ Liquidity

As at 28 May, 2018

Source: RBF
LABOUR MARKET

Is GDP growth translating into more jobs?

RBF Jobs Ads Survey

PAYE Collections

FNPF Compulsory Membership and Withdrawals

Unemployment has Declined

*Job Ads – Fiji Times only from 2001-2014

Source: RBF
BALANCE OF PAYMENTS
Why are tourism and remittances important for Fiji?

Exports
- Tourism Earnings
- Personal Remittances

Imports

Sources: FBOS & Macroeconomic Committee
**GOVERNMENT EXPENDITURE**

Where is the rise in expenditure diverted to?

**Revenue**

**Expenditure**

**Expenditure Mix**

*Revenue for FY2017-18 includes asset sales.

Source: National Budget Supplement 2017-2018
BUDGET DEFICIT
Is it heading in the right direction?

Net Deficit
(Percent of Calendar & Fiscal year GDP)

Source: National Budget Supplement 2017-2018
FIJI’S DEBT SUSTAINABILITY
How do we fare against the IMF/WB Benchmarks?

Debt as a percent of GDP

Debt as a percent of Revenue

External debt as a percent of Exports of Goods & Services

External Debt Servicing as a percent of Exports

* Excluding asset sales

Sources: MOE & RBF
FIJI’S DEBT SUSTAINABILITY
How do we fare against our peers?

Fiscal strength: Moderate

Factor 3: Overall score

Factor 3: Sub-scores

Source: Moody’s
GOVERNMENT DEBT
Why debt to GDP ratio and not absolute values?

Central Government Debt - 2017
(Debt US$ billions)

Central Government Debt - 2017
(Percent of GDP)

Source: 2017-2018 National Budget Supplement and International Monetary Fund
GOVERNMENT DEBT

Why are they going in the opposite direction?

Sources: MOE & RBF
INFLATION
What’s driving prices?

HEADLINE INFLATION – MAY

CONTRIBUTION TO INFLATION – MAY


Sources: RBF and FBOS
FOREIGN RESERVES
Do we have buffers?

Retained Imports Cover

Benchmark MORI

Source: RBF
RISKS

They are always out there

- Natural disasters
- Surge in crude oil/commodity prices
- US interest rate hikes
- Global geo-political tensions
- Reliance on Australia & NZ Visitors
SUMMARY

9 years of consecutive growth has resulted in almost doubling of Fiji’s GDP and above trend growth is forecast for the next 3 years.

Macroeconomic fundamentals are strong:

- Business confidence is high
- Public debt is sustainable and fiscal policy is supportive of growth
- Financial system is sound and low level of interest rates is supportive of the private sector investment
- External sector is stable with foreign reserves at comfortable levels
- Core inflation is below 3%, however recent spike is driven by supply side shocks due to natural disasters

Risks to growth are driven largely by natural disasters and global commodity price hikes

Opportunity to raise future growth to above 5 percent
THANK YOU
MEDIUM-TERM INVESTMENT OUTLOOK: Does it make sense?

Medium-term Investment Outlook (Plant & Machinery)

Medium-term Investment Outlook (Buildings)

Source: Reserve Bank of Fiji