THE FIJI ECONOMY IN MEDIUM TERM

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Introduction

Highlights

• Fiji’s Growth trajectory
• Growth persistence
• Macro impact of natural disasters
• Issues for consideration

Implications

• Economic planning
• Resilience and self-reliance
• Pro-poor but pro-growth policy
• Inclusive and complete macro policies
• National development
Focus on growth?

• Nothing ever has…or ever will get people out of economic struggle and poverty but economic growth….Growth Commission, Solow and Spence (2008)
  • Per capita income = F$7500(FBoS, 2014), if it grew by 4% persistently F$11400(2025).
  • Fiji per capita income INT$9000(IMF, 2015)@4% = INT$13200(2025) (Jordan, South Africa, Maldives, Palau enjoying now)
  • Implies - ‘welfare is expected to improve by over 40% from 2015, this is great outcome (hope to see happier Fijians over the horizon)
Growth in SR (RBF, 2015)
Consider real average growth rates

- Average 3.2% (CV = 65%) from 1994-2015
- Sub-period average (CV)
  - 3.04% (75%) 1995-1999
  - 1.58% (50%) 2000-2005
  - 0.72% (39%) 2006-2010
  - 2.86% (74%) 2012-2015
Growth trajectories (2016-2025)
Will growth be persistent?

• **Investment rate** (Net FDI 30%)

• **Total performance** (FIBoS)
Will growth be persistent?

- Uncertainty in F/Mkts
- Currency remains stable
Will growth be persistent?

- Government’s K/Exp (ADB)
- Government’s Hlth & Edu (ADB)
Implications

- Positive outlook for Fiji
- Need for certainty in policies (maintain consumer & business confidence)
- Shift from welfare enhancing to promotion of economic growth and employment creation (as in budget 2016-2017)
- More investment spending in other sectors (realise broader based growth)
- Capital stock and the level of technology must increase
- Labour productivity and employment both need to increase
How to manage the challenge

- Broaden economic base (but deepen the scope of economic activity in selected high impact sectors like tourism and agriculture)
- Fiji needs to fix structural problems impacting export competitiveness
- Develop economic capacity of individuals to reduce their vulnerabilities and dependence on government or other entities
- Amplify the role of private sector further (target I/Y over 30%)
- Reforms and re-structure must continue to raise productivity and to give clear signal to markets
- And as the economy progresses, Govt. should reduce reliance on debt financing
How bad are impacts of natural disasters

• Natural disasters (pre-Winston) in the period 1980-2015 of all kinds have had different types of effects on Fiji
• The SPC-SOPAC published data on economic costs ($) disasters overtime allows me to estimate their effects on growth rate of Fiji
• Time series estimates of the growth effects of disasters based on productivity induced growth model (Singh, 2014) show that:
• Another disaster will reduce annual growth rate by -35bsp (TC Winston’s impact is expected to be higher)
  • Effects of COUP87 is estimated to be around -40bsp on Fiji’s growth rate
  • Other macro effects of 87COUP (-20bsp(SR) and -45bsp(LR) on private investment, 25bsp(SR) on Md, -20-30bsp (SR) on exports and imports, both and 5bsp on price level.
Implications

• Fiji remains vulnerable to supply-side shocks (natural disasters), whose impact on economic growth is significant
• We can’t afford negative political shocks – there is no space for this!
• Develop the needed infrastructure and skills to increase productivity
  • Invest in smart technology for utilities infrastructure, ITC, communications development
  • Develop different types of skills (after-school sessions?)
  • Support innovations and entrepreneurship
  • Reduce policy uncertainty and market manage risks
  • Support business development
Conclusion

• Fiji has progressed reasonably well in the recent past
• Fiji is projected to grow by more than 3% in short term and slightly over 4% in medium term
• Can achieve this though promoting productivity growth, support right investment & private sector development and by eliminating (or mitigating) negative shocks that can potentially reduce our economic fortunes