

THE FIJI ECONOMY IN MEDIUM TERM

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Pacific Update Conference
18/19 July, (Suva, Fiji)

Introduction

Highlights

- Fiji's Growth trajectory
- Growth persistence
- Macro impact of natural disasters
- Issues for consideration

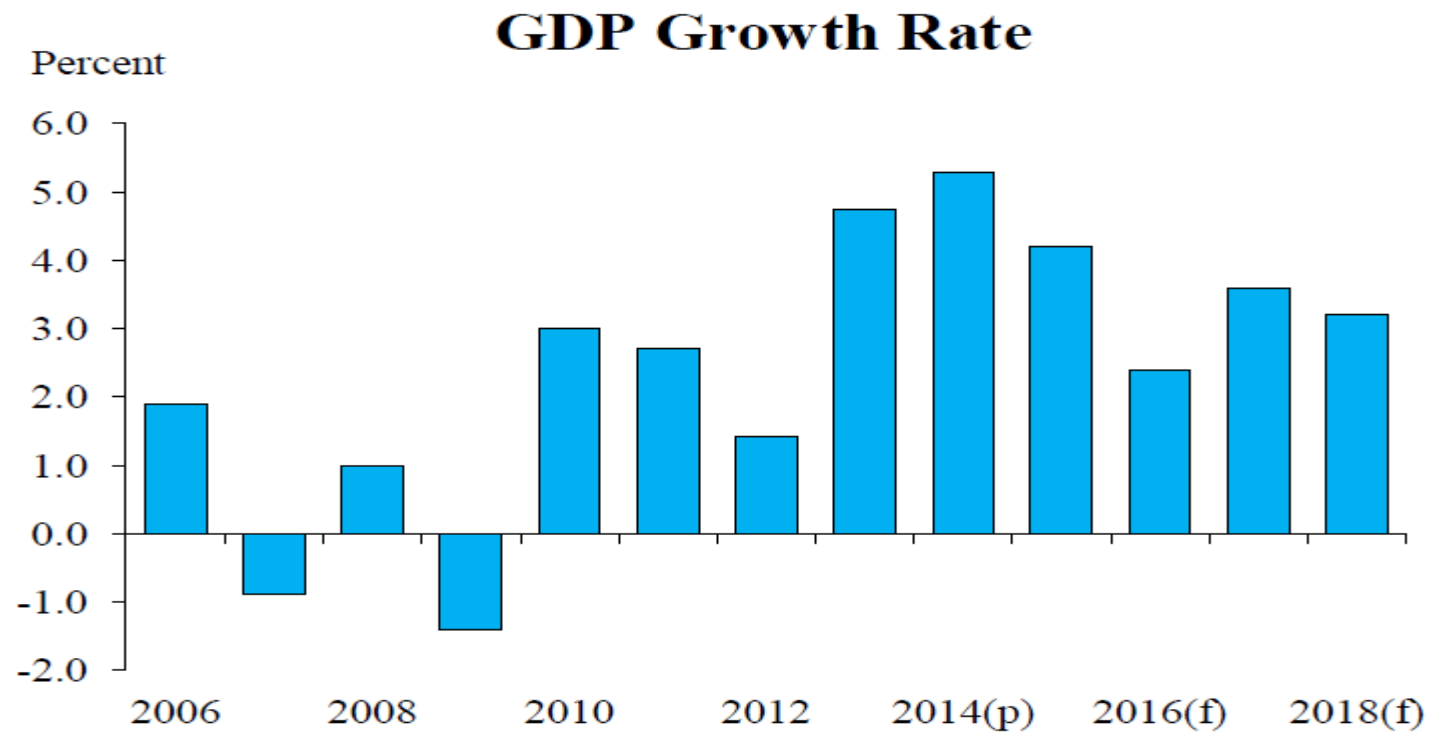
Implications

- 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)

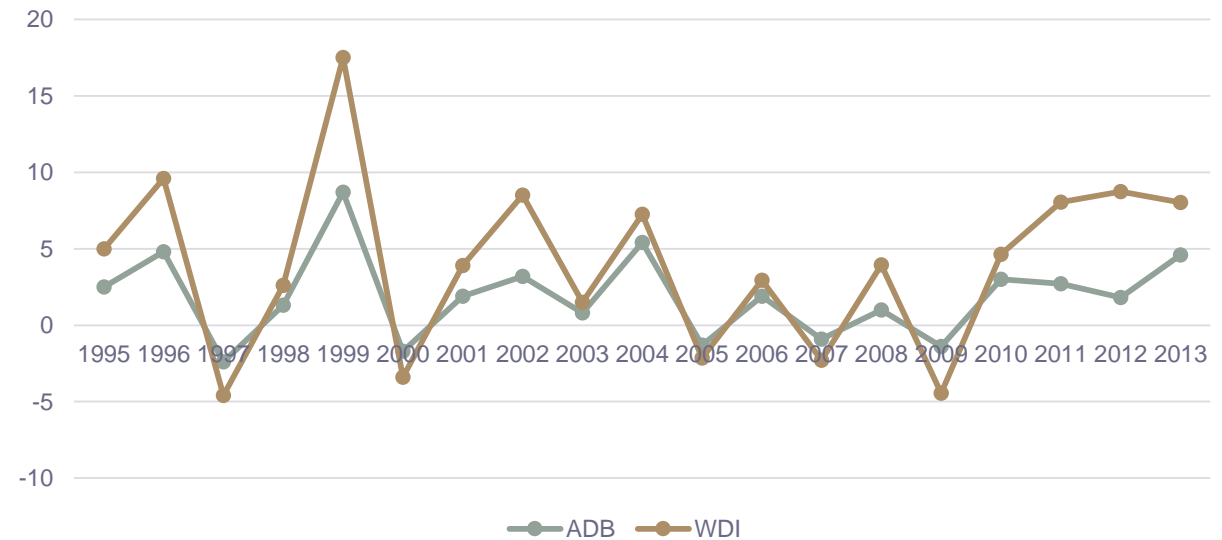
Growth in SR (RBF, 2015)



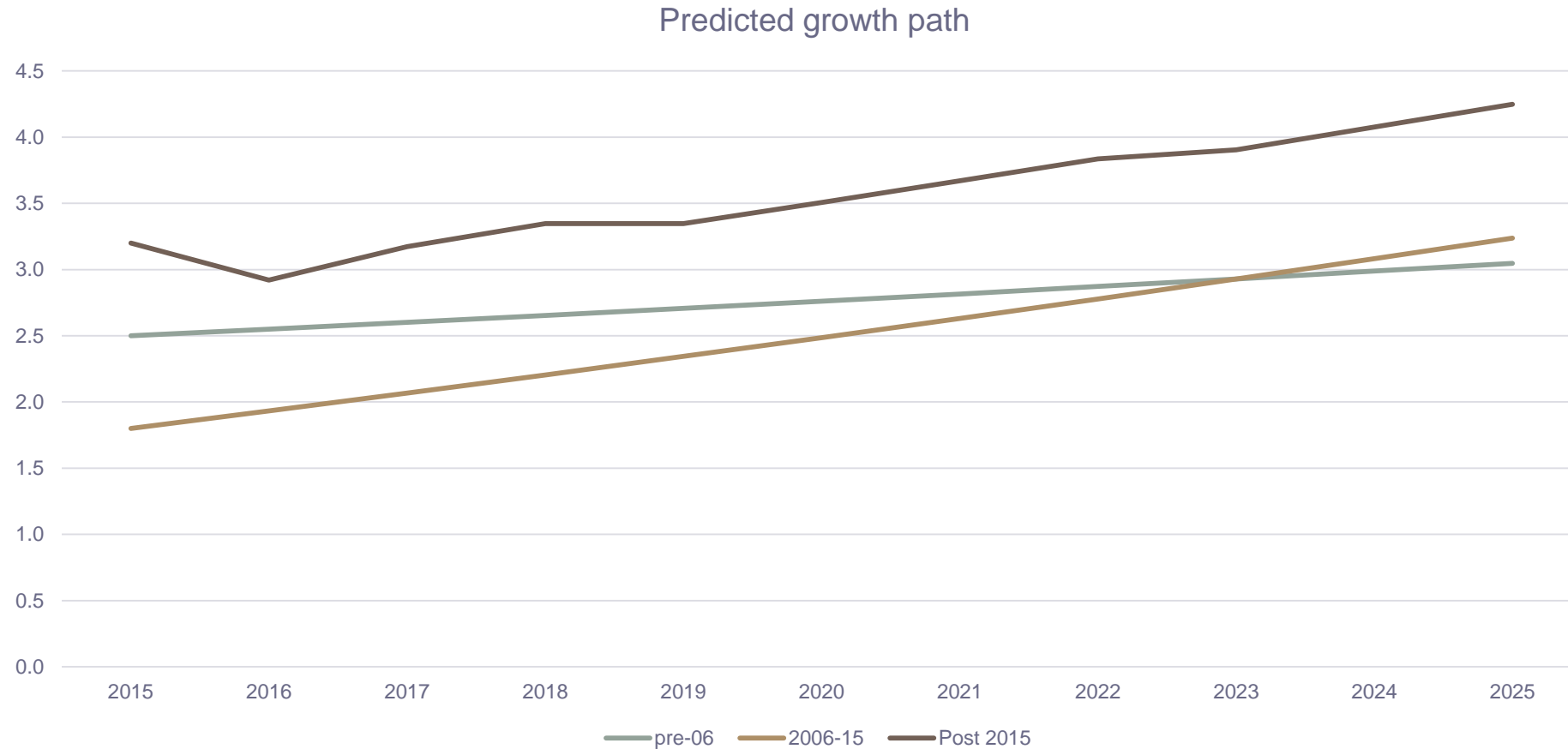
Consider real average growth rates

- 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

Fiji's GDP growth 1995-2015

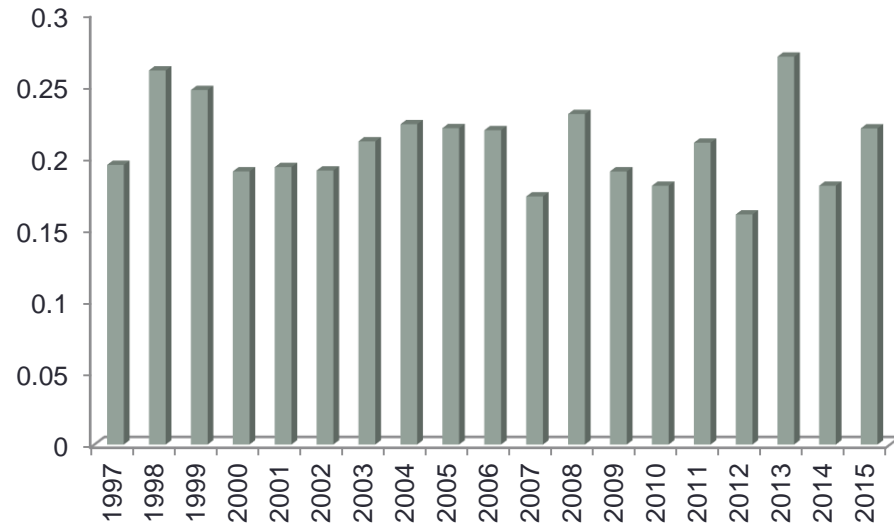


Growth trajectories (2016-2025)

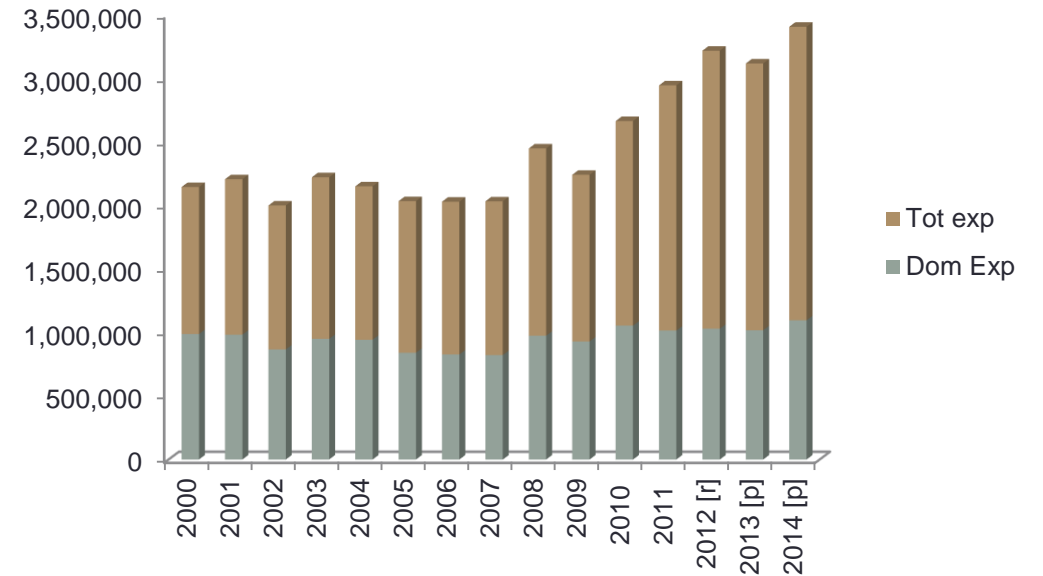


Will growth be persistent?

- Investment rate (Net FDI 30%)



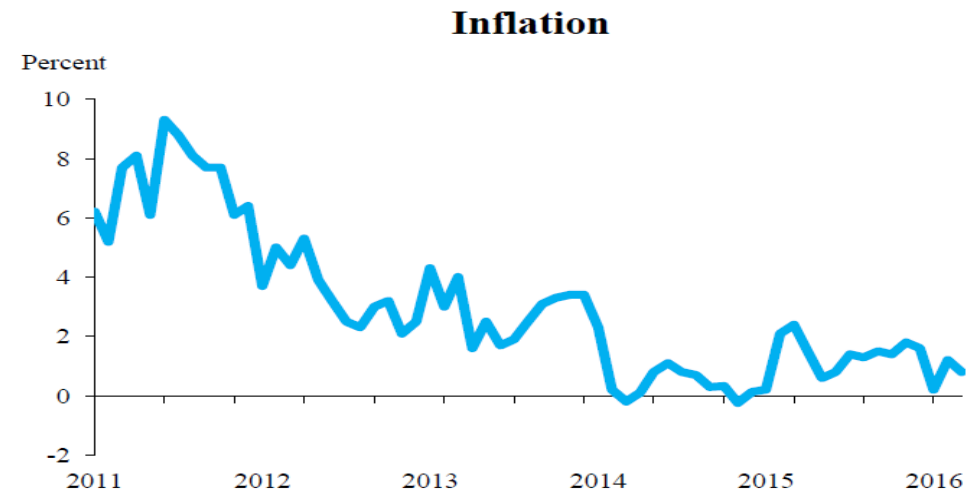
- Total performance (FIBoS)



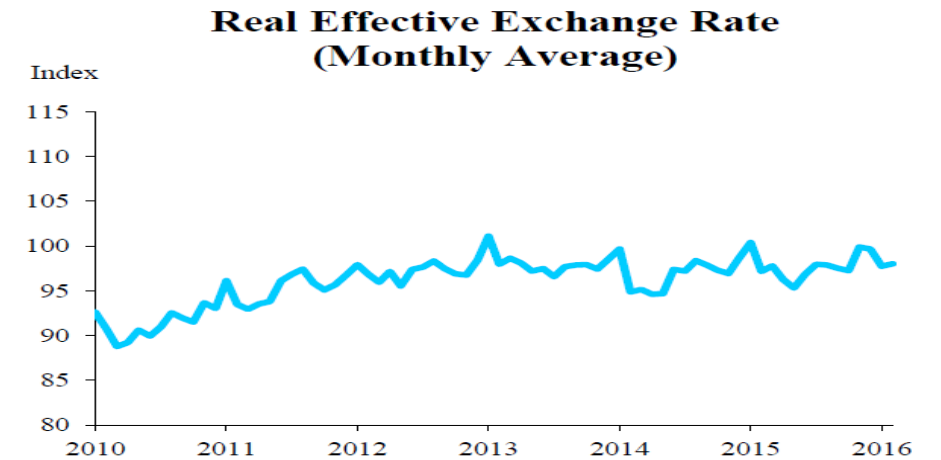
Will growth be persistent?

- Uncertainty in F/Mkts

- Currency remains stable



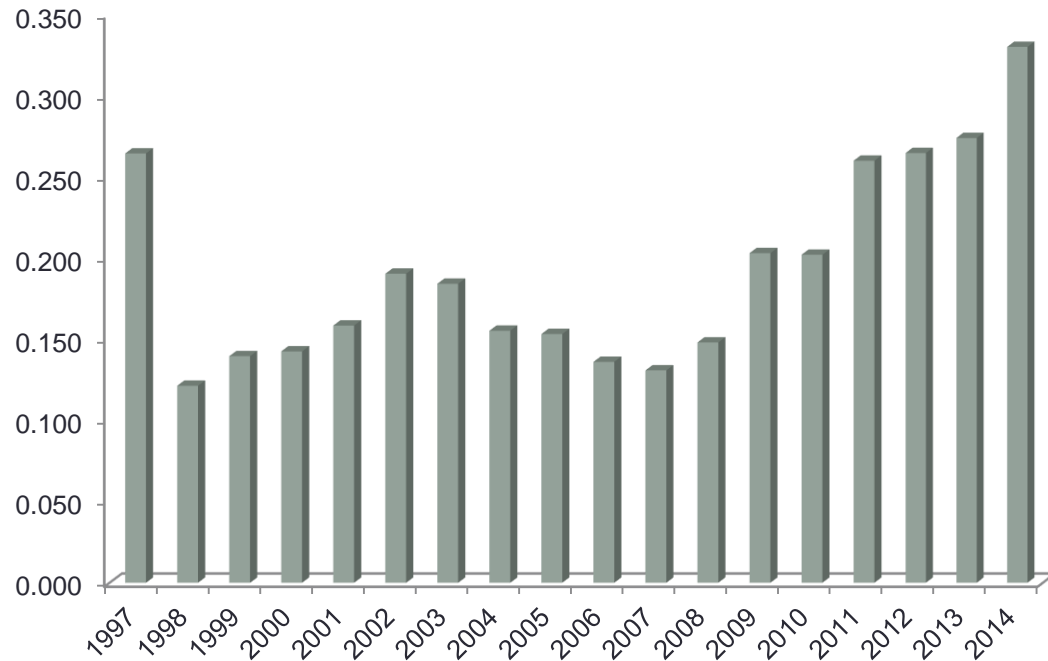
Source: Fiji Bureau of Statistics



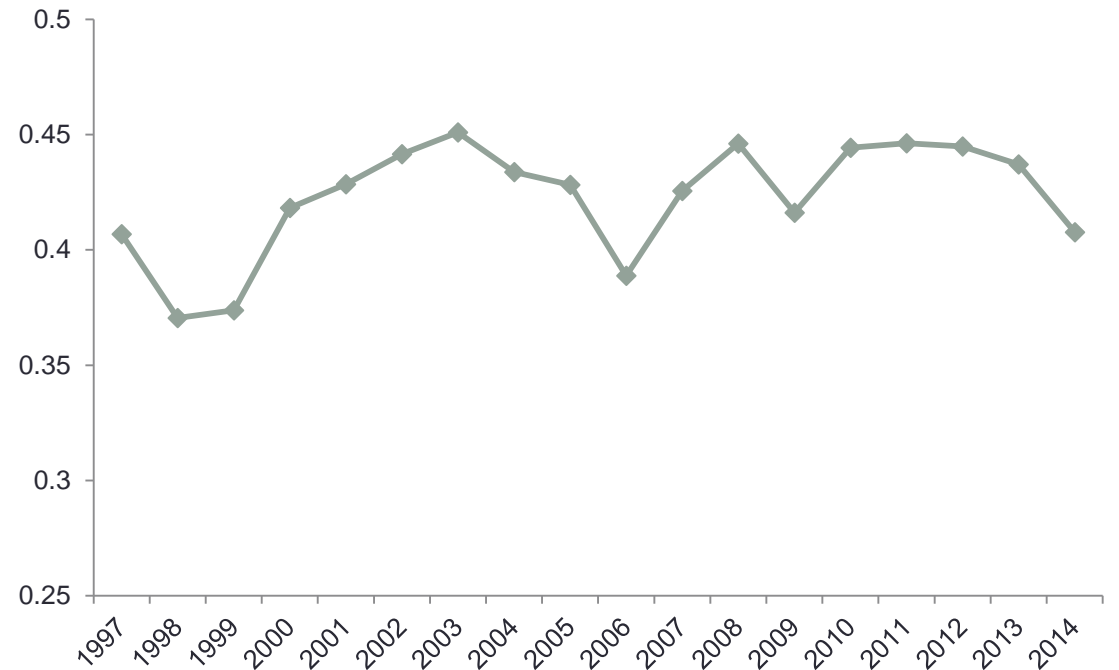
Source: Reserve Bank of Fiji

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 cant 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