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**Address by the Governor of the Reserve Bank of Fiji,  
Barry Whiteside at the 2016 Pacific Update Conference,  
University of the South Pacific, 18 July 2016**

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The Honourable Attorney General and Minister for the Economy  
Excellencies and Members of the Diplomatic Corps,  
Vice President of the ADB,  
President and Vice Chancellor of the USP,  
Distinguished Participants,  
Ladies and Gentleman,

Bula vinaka and a very good morning to you all.

## **Introductory Comments**

Let me record my appreciation for the opportunity to speak to you all this morning. I realise I do not have much time so I have dispensed with the usual power-point slides. I will table the slides for reference should you wish to view them.

## **The Fijian Economy**

Ladies and gentlemen, in my brief I have been asked to share with you our view of the state of the Fijian economy and the opportunities going forward.

The fact that we expect to register positive growth this year despite the devastating impact of Tropical Cyclones Winston and Zena is a feat in itself. Our forecast of 2.4 percent compares with the pre-cyclone number of 3.5 percent and is, I feel, a product of the resilience of the Fijian people, the rapid response of the Government and private sector in general, and of timely and appropriate policy responses from both domestic and international sources to ensure macroeconomic stability was maintained, while all the while being mindful of the needs of our people.



We cannot escape the fact that there was also a sizeable measure of providence for us all (notwithstanding the lives actually lost and other great suffering) in that the track of Winston did not cut its swathe through the heart of our industrial and tourism sectors. I will speak a little more on this later in regard to the need to further broaden our economic base.

Ladies and gentlemen, growth in the Fijian economy in the past three years has averaged 4.7 percent, supported by accommodative fiscal and monetary policies, a credit cycle upswing, improved investor and consumer confidence and the re-engagement of development partners with our return to parliamentary democracy.

2015 was a year of records for us – we saw all-time high annual visitor arrivals, tourism earnings, remittance inflows and foreign reserve holdings. Lower global oil prices have also helped keep inflation low, held our import bill in check and consequently shored up Fiji’s foreign reserve assets, apart from generating a growth dividend especially in the key transport, tourism and retail sectors. In short, the strong and broad based economic growth momentum since 2013 yielded a relatively more solid and diversified Fijian economy by the beginning of this year.

Fiji’s growth in 2016 remains broad based, outside of the sectors negatively impacted by TC Winston – which include agriculture, especially cane; sugar manufacturing; utilities such as electricity and water and the forestry industry. In fact, the six leading growth sectors with the exception of the financial sector (affected by higher insurance claims post-natural disasters) are expected to grow stronger in 2016, relative to earlier expectations.



The medium term outlook for the Fiji economy is expected to remain positive. Notwithstanding any further adverse shocks, our current forecasts put growth at 3.6 percent for 2017 and 3.2 percent for 2018. Future growth is expected to result from ongoing rebuilding efforts, as well as the faster pace of government capital spending, strong tourist numbers and good remittance inflows.

Coming back to 2016, the transport sector has continued to lead growth for Fiji and is expected to perform better this year on account of the commencement of Fiji Airways' flights to Singapore and San Francisco.

Some sectors are benefitting from the impetus provided by rehabilitation efforts post-natural disasters. Strong consumption so far this year, supported by the \$278 million Fiji National Provident Fund payout to members for post-TC Winston rehabilitation, the \$88 million Government “help for homes” assistance, robust remittance inflows, strong labour market conditions and relatively cheaper credit, confirm the anticipated buoyant wholesale and retail activity. The construction sector is also set to benefit from post Winston reconstruction, in addition to Government's planned infrastructure spending.

Higher capital spending by Government and projected record visitor arrivals underscore the envisaged solid contributions from the public sector and accommodation & food services category to economic growth for 2016.

## **Strengths and Opportunities**

Ladies and gentlemen, it is important that we focus on some of our strengths and opportunities to see how we can further progress. From a ‘sources of growth’ lens and given the impact of TC Winston on crops, livestock, infrastructure and

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livelihoods, the fact that Fiji is not solely reliant on one or two sectors underpins why we will still record positive growth this year.

The same can be said when we move from the broad economy down to individual sectors. For instance the tourism industry, our major foreign exchange earner, has further diversified its growth base over recent years.

The tourism industry has for years grown on the back of elevated demand from our two traditional short haul source markets, Australia and New Zealand. More recently, despite the general appreciation of the Fiji dollar against the Aussie and Kiwi dollars, visitors from these two countries have continued to grow – indicative of the strength of the Fijian tourism product.

Nevertheless, not resting on our laurels about the strength of our product and our two secure short haul markets, Fiji's tourism sector duly recognised and responded to the opportunities present in tapping into the China and the wider Asia market and even further into the Americas. Fiji Airways introduced direct flights to Hong Kong in 2009 and also in April this year to Singapore, which is a regional travel hub that provides further opportunities to other destinations in Asia, including India. Code sharing arrangements for onward travel have already been sealed with Jetstar.

Direct twice weekly Nadi -San Francisco flights also commenced in June this year adding to the daily Los Angeles flights. The airline's recent investment in four brand new wide body Airbus 330s has been key to growing and diversifying our tourism source markets. This is highlighted by the fast growing Chinese visitor arrivals which climbed above 40,000 in 2015 and now comprise our fourth largest segment after Australia, New Zealand and the USA.



It is pertinent at this point to acknowledge the tremendous ability of the tourism sector to work together to defend their market and TC Winston provided the best example of this. Just days after Winston the only news we saw in the print and visual media was the great extent of the devastation. Nothing was mentioned of the fact that the bulk of our tourism plant suffered little or no damage and was still open for business. The immediate results were massive cancellations of forward bookings. Fiji's Tourism Action Group (TAG), comprising key industry stakeholders met and activated much needed strategies to minimise booking cancellations. Chief among these were public relations campaigns highlighting that tourism infrastructure remained intact and that the country was safe and ready to receive tourists. The rebound in tourism numbers from March suggested that the TAG's quick action paid dividends and is reflective of the tourism industry's strength and responsiveness to changing circumstances. Latest data shows total visitor arrivals up by 5.8 percent in the first five months of this year.

The tourism industry is also broadening its product base, as exemplified in Fiji's recent hosting of the Waikato Chiefs and Canterbury Crusaders rugby match. The benefit to the economy through resultant spending by both inward travelling and Fiji-based fans of these two Super Rugby franchises, means that sports tourism must become a major part of what Fiji has to offer to travelers in addition to the traditional 'sun, sand and sea' concept. Interestingly, the positive spin-offs created via this game being beamed into homes across Australia, New Zealand, South Africa and to Super Rugby followers across the world, present additional tourism opportunities.

Medical and aged care tourism is also an area of opportunity, given our highly competitive medical professionals and care givers that continue to be recruited in

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advanced economies and the added bonus of our naturally beautiful environment that would be therapeutic especially for recovering patients. In fact, like sports tourism, medical tourism and affiliated services would work off the existing tourism infrastructure and add further dimensions to the Fijian tourism product.

Niche tourism in Fiji today also includes the very successful conferences (MICE), weddings, adrenalin and eco-tourism markets. Time does not permit me further elaboration, but suffice to say the opportunities to broaden the base within the tourism sector are being taken.

Ladies and gentlemen, I note from the Conference program that there is a session on “*Linking Tourism and Agricultural Development*”. This is indeed an important strategy as the agricultural sector still supports the livelihoods of most of our rural dwellers, and can potentially contribute to meeting the demands of the obviously vibrant and constantly-changing tourism industry. More importantly, there also needs to be an appreciation of the local context in these strategies. Industry feedback reveals that some hotel procurement staff set unrealistic standards on the shape and size of certain local fruit and vegetables, without duly recognising that our agricultural produce are amongst the sweetest, tastiest and freshest the world over. Over time, close collaboration between all stakeholders is needed to overcome teething problems and ensure that our local farmers will target to meet most, if not all, of our tourism industry’s agricultural produce demand.

Agriculture remains an important area of opportunity for the Fijian economy, and certain ventures into large-scale farming have proven quite successful. Nevertheless, improving the long-term leasing of land by addressing the relevant laws and policies guiding these areas are critical as land tenure uncertainty

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continues to preclude sizeable investments in agriculture, not to mention in other sectors as well.

Huge potential for increased production, value-addition and exports also lie in many other sectors such as mineral water, garments, timber, mining, manufacturing and SMEs. Exports of Fiji water – currently the number one premium brand of water sold in the US, have risen over 60 percent over the last five years to around \$200million and are set to grow further with the recent addition of a third production line. In addition, the company has also started a large fruit farm for mangoes and pawpaws in its own diversification efforts.

The garment industry has already delved into niche products such as designer and sports wear and is quickly realizing the benefits from these high-end products, raking in over \$100 million annually. Value-added processing of our local timber especially mahogany and other indigenous hardwood remains untapped, constrained mainly by supply-related issues. Our mining sector also offers better benefits to the country with substantial foreign investments geared to the extraction of new gold ore and iron sands resources expected to come on stream in the medium term.

As well, the MSME sector, which the Reserve Bank is closely involved with, holds enormous growth opportunities not only in terms of increased consumption and investment activity for households and small business but more specifically in making growth more inclusive towards our rural dwellers, women, youth and the elderly and especially the poor. I can think of virgin coconut oil (VCO) and seaweed as just two examples of opportunities in this sector with unlimited markets if they could be better coordinated.

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I am especially pleased to see Government placing further emphasis on developing its support for SMEs in Fiji. The recent announcement to establish an overarching SME Council and also a coordinating authority is a huge step forward to putting in place a single coherent strategy towards the development and support for this key segment of our economy.

Earlier I alluded that a unique strength of the Fijian economy is obviously our own people. This has been most evident in the nation's recovery post Winston. Despite the severe devastation of crops, livelihoods and homes, life has returned to some normalcy in many parts of our country. For this we need to recognize our individual efforts and support from the private and public sectors including the Government, civil society organisations, key regional governments and the international community, including the many Fijians living abroad. Homes and infrastructure are hopefully being built back better and should contribute to national efforts around natural disaster resilience and climate change adaptation.

Opportunities continue to arise in other areas. Inflows of workers' remittances have continued to surge in the first five months of this year after reaching a record high of \$492 million in 2015 – a growth of 28 percent! Remittances are easily Fiji's second largest foreign exchange earner after tourism and points to this great asset that we have – our own people. The British Army is again recruiting trades people in their latest employment drive here in Fiji, and increasingly, highly skilled Fijian professionals are finding work abroad. I understand that the Australian government is planning to uncap its seasonal worker program for agriculture and further open the tourism and aged care categories to seasonal workers from the Pacific region. In that regard, apart from continuing to strengthen labour mobility within the region, policy makers need to be strategising on how to channel these



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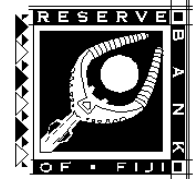


inward financial flows to longer term investment purposes, apart from just supporting short term consumption activity.

The Reserve Bank, through the National Financial Inclusion Taskforce, is continuing to drive the national agenda of advancing financial inclusion in Fiji. This work includes promoting financial literacy and access to basic financial products and services, which will empower our people, raise living standards and contribute to growth in the economy. In fact, as part of the global drive to improve financial inclusion, Fiji will be hosting the Alliance for Financial Inclusion Global Policy Forum in Nadi in early September. This five-day event will bring together policy makers, regulators and leaders from over 90 countries worldwide to discuss issues relating to and mapping the way forward for financial inclusion.

Ladies and gentlemen, as a crucial final point, policy certainty, relevance and credibility play a vital role in our economy's success. Strong macroeconomic stability since 2013 has set a sound platform for the way forward. Additionally, Government has accelerated reforms in the key areas of the sugar industry, civil service and infrastructure while improving access to health and education – thus helping growth become more inclusive. These factors along with the political stability we are enjoying, when added to an improvement in our credit ratings by Standard and Poor's and Moody's, have underpinned the rising confidence that has seen more domestic and foreign investment dollars flow into the economy.

Improving the predictability and streamlining of government regulation is crucial to cementing inclusive economic growth and the gains made to potential growth. Transparent and consultative policy processes should strengthen policy certainty, lower the costs of doing business and enhance Fiji's business climate. Reducing



excessive red tape and the multiple approvals from multiple authorities will go a long way in streamlining investment approval processes.

## **Concluding Remarks**

Ladies and gentlemen, let me conclude by reiterating that the Fijian economy is indeed set for its seventh consecutive year of growth this year, despite the devastating impact of the recent natural disasters. Fiji has continued to expand its sources of growth by diversifying its economy, and broadening its key industries, particularly tourism. In a time where the world is more integrated and connected through trade, it pays to not ‘put all our eggs in one basket’.

Notably, our people will remain our greatest asset and improving employment opportunities, strengthening human capital investment and our collective productivity must form a key part of Government’s efforts at poverty reduction and inclusiveness.

Macroeconomic stability, seen in the remarkable economic growth since 2013, low inflation, comfortable foreign reserves holdings and a sound financial system, has held the Fijian economy in good stead against relatively weaker regional and global economic outcomes. Future sustained and inclusive growth will also critically hinge on ensuring political stability and policy certainty, particularly as we aim to attract foreign direct investment and interest in niche and local industries.

Notwithstanding Fiji’s strong and stable macroeconomic performance, we are susceptible to both domestic and external shocks – such as natural disasters, spikes in oil prices or further global and a China slowdown – and building policy buffers

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in good times is important to ensuring that we protect our economic fundamentals and growth trajectory.

In addition, Fiji must continue to look at opportunities to do better in areas where we have abundant resources, like agriculture. This also highlights the need to continue with the structural reform agenda that the Government has spearheaded including improving Fiji's business climate to bolster the gains made in the recent past and to lift the domestic economy on to a higher and more inclusive growth path.

On that note let me thank you for your kind attention and wish you all fruitful deliberations and hope that we can together come up with innovative ideas in fostering "*Inclusive Growth for Enhanced Resilience*".

Vinaka vaka levu.

End.