UPDATE ON THE FIJI ECONOMY
WORLD GDP– IMF Projections

World Bank forecast: +2.4% (2016); +2.8% (2017)

Source: IMF World Economic Outlook April 2016
ASIA/PACIFIC GDP

ASIA’S ECONOMIC OUTLOOK

PACIFIC ISLANDS ECONOMIC OUTLOOK

Sources: June 2016 Consensus Forecast and Asia Pacific Consensus Forecasts IMF World Economic Outlook April 2016
COMMODITIES

World Market Sugar Prices (New York)

EU Sugar Price (USc)
WM Sugar Price (USc)
FSC Secured Price (USc)
FJ Price

Sources: Bloomberg and Fiji Sugar Corporation

08/07 FJ$40.47 cents/pound
WM 08/07 US19.57 cents/pound

FAO Food Price Index

MOM 4.2% YOY -1.0%

Source: Global Food Price Monitor June, 2016

Gold Prices (End of Month)

08/07 FJ$2,800.3/oz
08/07 US$1,354.3/oz

Source: Bloomberg
BRENT CRUDE OIL PRICES (ACTUALS AND FUTURES)

Source: Bloomberg
DOMESTIC ECONOMY
GDP GROWTH

Pre-Budget Forecasts

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Forecast as @Oct15</th>
<th>Forecast as @May16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>-0.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>-1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>3.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>4.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014p</td>
<td>5.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015e</td>
<td>4.0</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>2016f</td>
<td>3.5</td>
<td>2.4</td>
<td>3.1</td>
</tr>
<tr>
<td>2017f</td>
<td>3.6</td>
<td></td>
<td>3.1</td>
</tr>
<tr>
<td>2018f</td>
<td>3.1</td>
<td>3.2</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Fiji Bureau of Statistics & Macroeconomic Committee
2016 CONTRIBUTION TO GROWTH

Growth is anticipated to be led by the services sector, followed by industries.

GDP Growth for 2016 is downward to 2.4%
SECTORAL PERFORMANCES
AGRICULTURE PRODUCTION

Annual

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
CANE PRODUCTION
Annual

Sources: Fiji Sugar Corporation Limited and Macroeconomic Committee
SUGAR...adverse weather shocks

PRODUCTION (Seasonal)

EXPORTS (Calendar)

*In 2015 the crushing season started on 17th June and ended on 29th November.

Sources: Fiji Sugar Corporation Limited and Macroeconomic Committee
Sources: Fiji Bureau of Statistics and Macroeconomic Committee
Electricity... *recovering*

**Electricity Generation**

<table>
<thead>
<tr>
<th>MWh</th>
<th>May-14</th>
<th>Sep-14</th>
<th>Jan-15</th>
<th>May-15</th>
<th>Sep-15</th>
<th>Jan-16</th>
<th>May-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cum to May: +1.8%</td>
<td>M-o-m: +4.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Electricity Consumption**

<table>
<thead>
<tr>
<th>MWh</th>
<th>May-14</th>
<th>Sep-14</th>
<th>Jan-15</th>
<th>May-15</th>
<th>Sep-15</th>
<th>May-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cum to May: -1.2%</td>
<td>M-o-m: +0.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FORESTRY & LOGGING

Annual

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
TRANSPORT & STORAGE
Annual

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
CONSTRUCTION
Annual

<table>
<thead>
<tr>
<th>Year</th>
<th>Informal</th>
<th>Non-Government (Private)</th>
<th>Others (Government)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>44</td>
<td>90</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>46</td>
<td>96</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>50</td>
<td>116</td>
<td>0</td>
<td>-7.4</td>
</tr>
<tr>
<td>2014</td>
<td>51</td>
<td>130</td>
<td>0</td>
<td>9.0</td>
</tr>
<tr>
<td>2015</td>
<td>53</td>
<td>151</td>
<td>0</td>
<td>12.9</td>
</tr>
<tr>
<td>2016f</td>
<td>57</td>
<td>181</td>
<td>0</td>
<td>16.6</td>
</tr>
<tr>
<td>2017f</td>
<td>60</td>
<td>203</td>
<td>0</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
W H O L E S A L E & R E T A I L
Annual

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
ACCOMODATION & FOOD SERVICE ACTIVITIES
Annual

Source: Fiji Bureau of Statistics & Macroeconomic Committee
VISITOR ARRIVALS

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
2016 Forecast

Arrivals: +8% increase to 815,222 (34% to-date)
Earnings: +8% increase to $1685m

VISITOR ARRIVALS...on track

- Aust – 46%
- NZ – 16%
- USA – 9%
- China – 7%
- PICs – 7%

+5.2% annual growth in Tourist Arrivals (276,597)

m-o-m: +3.8%
FINANCIAL & INSURANCE ACTIVITIES
Annual

Source: Fiji Bureau of Statistics and Macroeconomic Committee
MINERAL WATER...resilient

EXPORTS

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
TOTAL FISH*... led by re-exports

PRODUCTION

EXPORTS

* Total Fish exports = Domestic exports + Re-exports

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
GARMENTS... positive

PRODUCTION

EXPORTS

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
MINING & QUARRYING
ANNUAL

Cyclone Gene January 2008 – Category 3 (Affected Northern & Western division)
Cyclone Mick December 2009 – Category 2 (Affected mainly the Western division)
Cyclone Tomas March 2010 – Category 4 (Affected mainly the Eastern division and Vanua Levu)

Cyclone Evan December 2012 – Category 4 (Affected Western and Northern division)

Source: Fiji Bureau of Statistics and Macroeconomic Committee
GOLD...optimistic

**PRODUCTION**

- Annual
- Jan-May
- May-16 Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Ounces</th>
<th>Jan-May Ounces</th>
<th>May-16 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016f</td>
<td></td>
<td></td>
<td>8.0%</td>
</tr>
<tr>
<td>2017f</td>
<td></td>
<td></td>
<td>10.0%</td>
</tr>
</tbody>
</table>

**EXPORTS**

- Annual
- Forecast as @ May 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual F$M</th>
<th>Forecast F$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>148</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013p</td>
<td></td>
<td>7.7%</td>
</tr>
<tr>
<td>2014p</td>
<td></td>
<td>9.7%</td>
</tr>
<tr>
<td>2015e</td>
<td></td>
<td>122</td>
</tr>
<tr>
<td>2016f</td>
<td></td>
<td>132</td>
</tr>
<tr>
<td>2017f</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018f</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Vatukoula Gold Mines Limited and Macroeconomic Committee
Indicators suggest a general recovery in consumer spending
VEHICLES REGISTRATION... *Strong growth*  
Jan-May

Source: Land Transport Authority
VAT COLLECTIONS

Net VAT

Components of VAT

<table>
<thead>
<tr>
<th></th>
<th>Net VAT</th>
<th>Vat rate</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cum to May 2015</td>
<td>325,837,412</td>
<td>0.15</td>
<td>2,172,249,411</td>
</tr>
<tr>
<td>Cum to May 2016</td>
<td>240,788,342</td>
<td>0.09</td>
<td>2,675,426,019</td>
</tr>
<tr>
<td>% Change</td>
<td>-26.1</td>
<td>-40.0</td>
<td>23.2</td>
</tr>
</tbody>
</table>
BANKS’ NEW CONSUMPTION LOANS - MAY 2016...picked up

Source: Reserve Bank of Fiji
Indicators suggest generally firm performance
INVESTMENT...Indicators remain positive

CEMENT PRODUCTION

DOMESTIC CEMENT SALES

\[
\text{Annual} \quad \text{Jan-May}
\]

\[
\text{Annual} \quad \text{Jan-May}
\]
INVESTMENT... *Indicators remain positive*

**BUILDING PERMITS**

![Building Permits Bar Chart]

**VALUE OF WORK PUT-IN-PLACE**

![Value of Work Put-In-Place Bar Chart]
From March 2014 HFC lending is included in Commercial Banks’ lending.

Source: Reserve Bank of Fiji
FISCAL POLICY
GOVERNMENT BALANCE

% of GDP

-3.2 -3.2 -3.6 -1.6 -4.7 -3.5 -3.5 -3.0 -3.0

2014-2015 (a) 2015-2016 (r) 2016-2017 (b) 2017-2018 (t) 2018-2019 (t)

Underlying Deficit (Excluding Asset Sales) Net Deficit

Sources: Ministry of Finance, 2016-2017 National Budget Supplement
GOVERNMENT EXPENDITURE

Sources: Ministry of Finance, National Budget Estimates & National Budget Supplement 2016-2017
### GOVERNMENT REVENUE

![Bar chart showing government revenue trends from 2014-2015 to 2016-2017.](chart_image)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w Income Taxes</td>
<td>538.6</td>
<td>582.0</td>
<td>659.9</td>
</tr>
<tr>
<td><strong>Indirect Taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w VAT</td>
<td>1,646.4</td>
<td>1,799.3</td>
<td>2,018.0</td>
</tr>
<tr>
<td>Customs</td>
<td>810.3</td>
<td>884.8</td>
<td>961.6</td>
</tr>
<tr>
<td>Departure Tax</td>
<td>534.8</td>
<td>565.7</td>
<td>678.5</td>
</tr>
<tr>
<td><strong>Capital Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o/w Govt Assets Sales</td>
<td>5.9</td>
<td>193.6</td>
<td>255.7</td>
</tr>
</tbody>
</table>

Sources: Ministry of Finance, 2016-2017 National Budget Supplement
LABOUR MARKET

• *Indicators suggest stable job growth and favourable overall employment conditions*
JOB ADVERTISEMENTS SURVEY

Source: The Fiji Times
FINANCIAL CONDITIONS
**Growth remains positive but has slowed**

Source: Reserve Bank of Fiji
COMMERCIAL BANKS’ TOTAL LENDING, MAY

Slower growth since January 2016

From March 2014 HFC lending is included in Commercial Banks’ lending.

Source: Reserve Bank of Fiji
BANKS’ LIQUIDITY...remain sufficient

INTEREST RATES....remain low

As at 8th July, 2016

Source: Reserve Bank of Fiji
EXTERNAL SECTOR

- **Modest Import growth (+1.0%)**
- **Higher food, machinery & transport but lower fuel**
- **Ex. fuel imports (+10.5%)**

- **Strong Exports growth (+7.1%)**
- **Higher sugar, fish, water, garments, timber**

Sources: May 2016 OET data, RBF
PERSONAL REMITTANCES

Personal remittances rose significantly post TC Winston - driven largely by gifts, maintenance & donations

* Accrual data excluding aircraft

Sources: Fiji Bureau of Statistics & Macroeconomic Technical Committee
TOURISM EARNINGS

*Expected to grow strongly and continues to be the major foreign exchange earner*

Sources: Fiji Bureau of Statistics and Macroeconomic Committee
TWIN OBJECTIVES

- Inflation expected to be upward biased
- Foreign reserves forecast to be stable
INFLATION

Headline Inflation – June

% Monthly % Change

Contribution to Inflation - June

Sources: Reserve Bank of Fiji and Fiji Bureau of Statistics
FOREIGN RESERVES...remain adequate

Source: Reserve Bank of Fiji
## STRUCTURAL REFORMS

### State-owned Enterprise Reform
- Divestment of Government shares in Airports Fiji Ltd (Nadi airport is currently undergoing a major facelift);
- Restructure and privatisation of Fiji Ports Corporation Ltd;
- Further investment ($9m) in the Pacific Fishing Company Ltd for extensive renovation at its factory in Levuka;
- Restructure of Fiji Electricity Authority (separating the Authority’s regulatory function from its core commercial operations and concurrently pursuing partial divestment of shares in FEA).

### Sugar industry reforms
- A 10 year *Sugar Cane Industry Action Plan (2013-2022)* developed to address core areas including;
  - Crop production & grower advisory services ($5m allocated for Sugar Development Programme in 2015 National Budget);
  - Harvesting & transport;
  - Milling & processing;
  - Cane quality;
  - Revenue generation (setting of co-generation plants at Ba and Labasa Mills);
  - Industry restructure & legislation.

### Land reforms
- To increase efficiency of land utilisation;
  - Land Use Decree 2010; and
  - Establishment of the Land Bank (Govt. support of $2.5m for 2015).
STRUCTURAL REFORMS

**Financial Sector Reforms**
- Review of Insurance Act;
- Pension Decree;
- Financial Sector Development Plan (2015-2025);
- Capital Markets Development.

**Financial Management reform** –
- to increase financial accountability;
- transparency; and
- prudent management of public resources.

**Civil Service reforms**;
- Human Resource Management - delegation of powers to Permanent Secretaries pertaining to staff recruitment;
- Productivity Management – Service Excellence Awards; and
- Organisational Management – Annual Corporate Plans for Ministries and Performance Assessment Frameworks.

**Labour reforms** focusing on;
- OHS reforms – reviewed in 2012-2013;
- Employment relations reforms;
- Productivity;
- Wages reform - completed in 2008 and reviewed in 2012-2013 with the setting of the National Minimum Wage;
- Employment creation - National Employment Centre commissioned in 2010;
- Workers compensation reform – draft legislation for tripartite consultation.
International economic prospects remain weak

Fiji economy is still projected to grow for the seventh consecutive year despite the devastating impact of the natural disasters

Growth is expected to be spread across most sectors excluding the sectors affected by the natural disasters

Labour market remain positive

Financial conditions are largely favourable to support economic recovery

Given the resilience of the economy, ongoing structural reforms and favourable economic policies investment & growth are expected to pick-up fast

Monetary Policy Objectives remain intact

Current inflation forecast of 2.0 percent in 2016 is upward bias

Foreign reserves are currently comfortable
VINAKA VAKALEVU
<table>
<thead>
<tr>
<th>Ease of Doing Business</th>
<th>2016 rank</th>
<th>2015 rank</th>
<th>Change in rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>New Zealand</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>United States</td>
<td>7</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Australia</td>
<td>13</td>
<td>12</td>
<td>-1</td>
</tr>
<tr>
<td>Samoa</td>
<td>96</td>
<td>92</td>
<td>-4</td>
</tr>
<tr>
<td>Tonga</td>
<td>78</td>
<td>74</td>
<td>-4</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>94</td>
<td>96</td>
<td>-2</td>
</tr>
<tr>
<td>Fiji</td>
<td>88</td>
<td>86*</td>
<td>-2</td>
</tr>
<tr>
<td>China</td>
<td>84</td>
<td>83</td>
<td>-1</td>
</tr>
<tr>
<td>India</td>
<td>130</td>
<td>134</td>
<td>+12</td>
</tr>
</tbody>
</table>

* Fiji's 2015 ranking has been revised from 81 to 86
## DOING BUSINESS IN FIJI

<table>
<thead>
<tr>
<th>Ease of...</th>
<th>2016 rank</th>
<th>2015 rank</th>
<th>Change in rank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Doing Business</strong></td>
<td>88</td>
<td>86</td>
<td>-2</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>167</td>
<td>156*</td>
<td>-11</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>111</td>
<td>109*</td>
<td>-2</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>78</td>
<td>75</td>
<td>-3</td>
</tr>
<tr>
<td>Registering Property</td>
<td>55</td>
<td>54*</td>
<td>-1</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>79</td>
<td>71</td>
<td>-8</td>
</tr>
<tr>
<td>Protecting minority Investors</td>
<td>111</td>
<td>109*</td>
<td>-2</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>108</td>
<td>107</td>
<td>-1</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>73</td>
<td>72*</td>
<td>-1</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>88</td>
<td>88*</td>
<td>-</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>89</td>
<td>89*</td>
<td>-</td>
</tr>
</tbody>
</table>

*Revised 2015 ranking as per the 2016 Fiji, World Bank Flagship Report

Reserve Bank of Fiji

Source: Doing Business 2016 Fiji, World Bank Flagship Report