Fiji Economy: Challenges and Path to Recovery

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Outline of the Presentation

• State of the Economy
• 2021/2022 Budget
• Missed Opportunities
• Path to Macroeconomic Recovery
• Challenges for Macroeconomic Recovery
• Concluding Remarks
1. State of the Economy

Tourism Earnings

GDP Growth

Source: Fiji Bureau of Statistics (2021); Economic and Fiscal Update: Supplement to the 2021-2022 Budget Address (2021)
1. State of the Economy

Government Revenue

% Δ in Government Revenue and Expenditure

Source: Fiji Bureau of Statistics
1. State of the Economy

### Personal Remittances

![Bar chart showing personal remittances from 2010 to 2021 (APR)].

Source: Fiji Bureau of Statistics

### Domestic Exports

![Bar chart showing domestic exports from 2015 to 2020 (p)].

Source: Fiji Bureau of Statistics
2. 2021/2022 National Budget

• Assumptions:
  • Budgetary support from abroad (very important)
  • Revival of tourism and opening of borders (How likely ?)
  • Asset sales (What does the past indicate and how it is used?)
  • Fiscal discipline (What does the past indicate?)

• Are we being realistic ?
2. 2021/2022 National Budget

• Notable allocations in Health Expenditure and Security.

• What does the recent budget mean for the poor and vulnerable?

• Does 2021/2022 budget address existing challenges for the business sector?

• Shortage and high cost of raw materials, lower local and international demand. See statistical release on FIBOS website (COVID-19 Business Impact in Fiji).
3. Missed opportunities

• Unconditional social protection will support economic recovery.
  ▪ Tax payers expect unconditional social support.
  ▪ Job losses vs Unemployment assistance.

• Private sector needs to play a role and provide incentives for employees to get vaccinated.

• Reform of Government Statutory Bodies.
4. Path to Macroeconomic Recovery

• Current economic crisis is essentially due to a health crisis leading to significant uncertainty regarding:
  ✓ spending, investment and labor market conditions.
  ✓ international economic conditions and opening of international borders.

• Major challenge is to address uncertainty and restore confidence
  ✓ efficient flow of relevant and correct information.
  ✓ transparency.

• Cash-handouts are important but not sufficient to support economy recovery. More transparent and targeted approach to assist the poor and vulnerable.

• Need for development partners to work with civil society organizations.
5. Macroeconomic Recovery in Fiji

- Efficient communication strategy
- Compliance by Public and Business Sector
- Focus on High-Value Sectors
- Effectiveness and efficiency of Govt Institutions
- Investment in Health and ICT Infrastructure
- E-commerce and supporting regulation
5. Macroeconomic Recovery in Fiji

• Macroeconomic recovery in Fiji over the next few years at best will be conditional.

• Restore confidence:
  ✓ Getting 100% of eligible population fully vaccinated.
  ✓ Improve compliance by public and businesses. Use and publish existing administrative data to improve compliance. What is the level of compliance? Across sectors and different areas, etc.
  ✓ Investment in health and ICT infrastructure.
  ✓ Support for e-commerce; Need for supportive regulations.

• Key is to restore confidence of the private sector, foreign investors and international community.
6. Challenges for Macroeconomic Recovery

- High Public Debt
- Confidence in Health Care System
- Fiscal Discipline (and Transparency)
- Natural Disasters?
- External Environment
- Political and Business Confidence

Challenges for Macroeconomic Recovery
7. Concluding Remarks

• Some macroeconomic recovery is **possible** over the next few years, as 100% of eligible population gets fully vaccinated. Resumption of local businesses and domestic & international tourism should support growth.

• Cautious and gradual approach to easing of restrictions is necessary to regain confidence and support economic recovery.

• Need for evidence-based approach underpinned by innovative partnership between government, private sector and non-government organizations.
Thanks for Listening !