

# THE FIJI ECONOMY



**Governor Savenaca Narube**  
**Reserve Bank of Fiji**

**19<sup>th</sup> Australia-Fiji Business Forum**  
**9 October 2006**

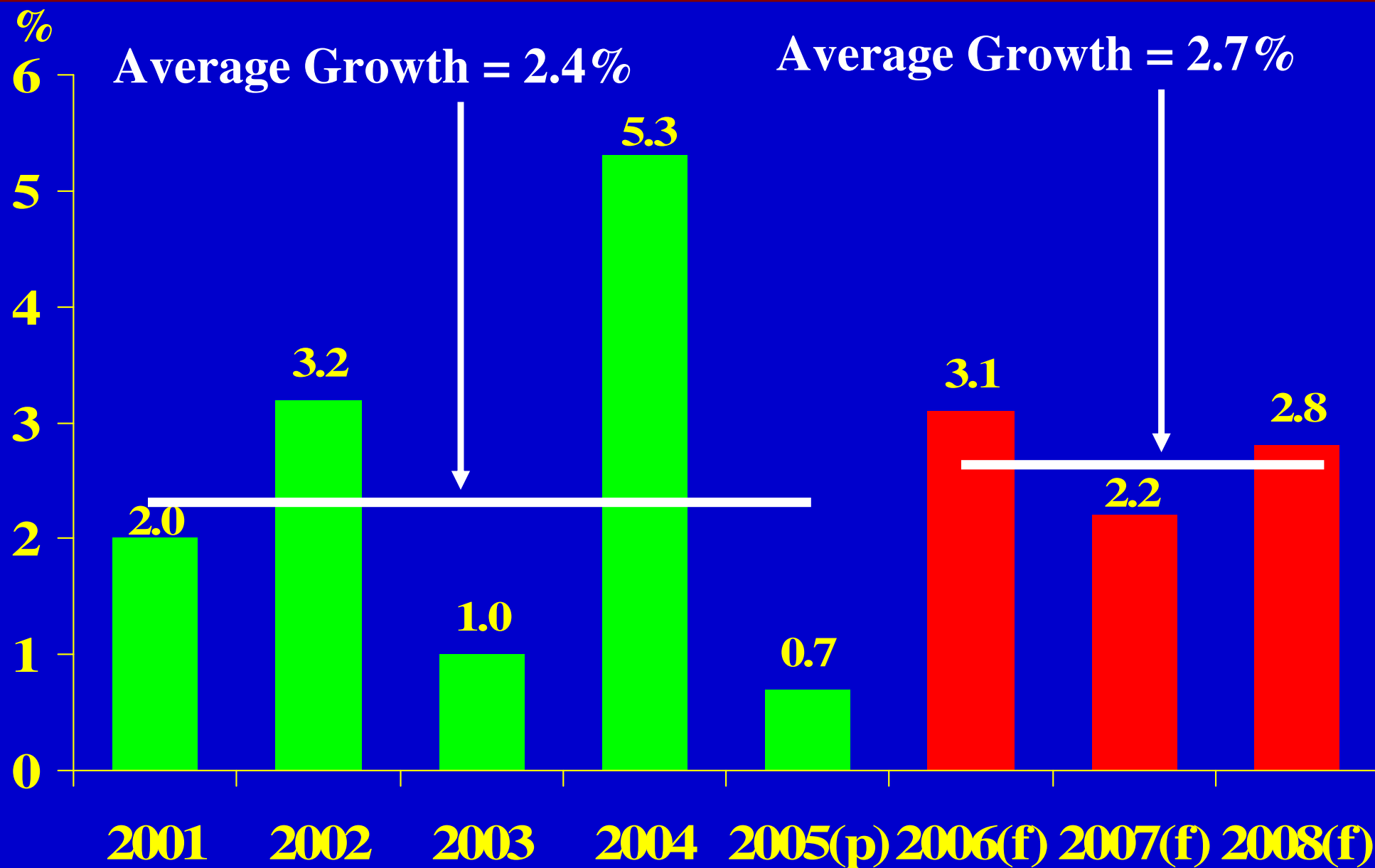
# OUTLINE

- **ECONOMIC PERFORMANCE**
- **KEY CHALLENGES**
- **KEY STRENGTHS**
- **SUMMARY**



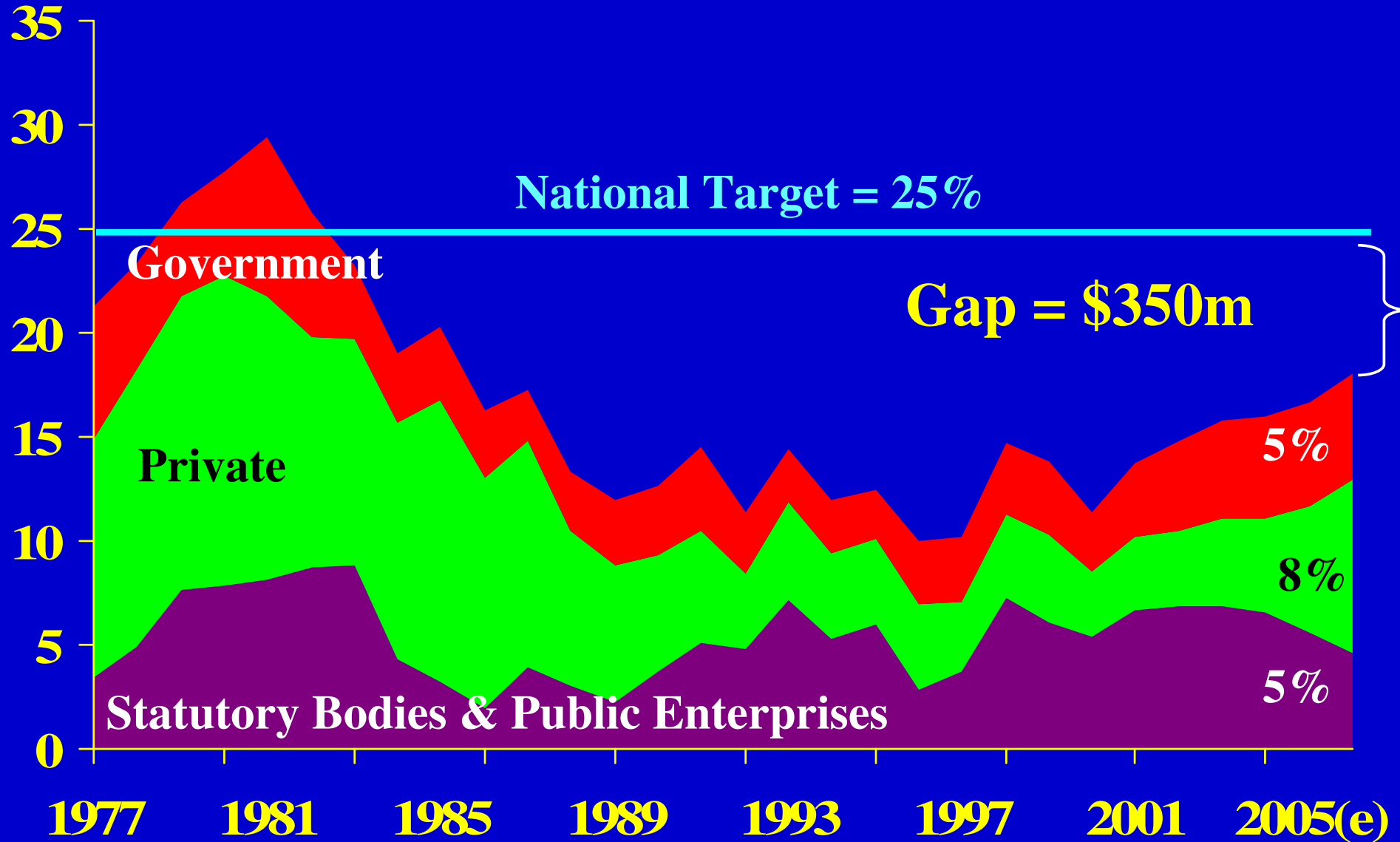
# **ECONOMIC PERFORMANCE**

# GDP GROWTH



# INVESTMENT

% of GDP





# WHAT ARE OUR KEY CHALLENGES?

# KEY CHALLENGES

- **UNDERPERFORMING RESOURCE BASED SECTORS**
- **SUGAR**
- **DEBT**
- **BALANCE OF PAYMENTS**

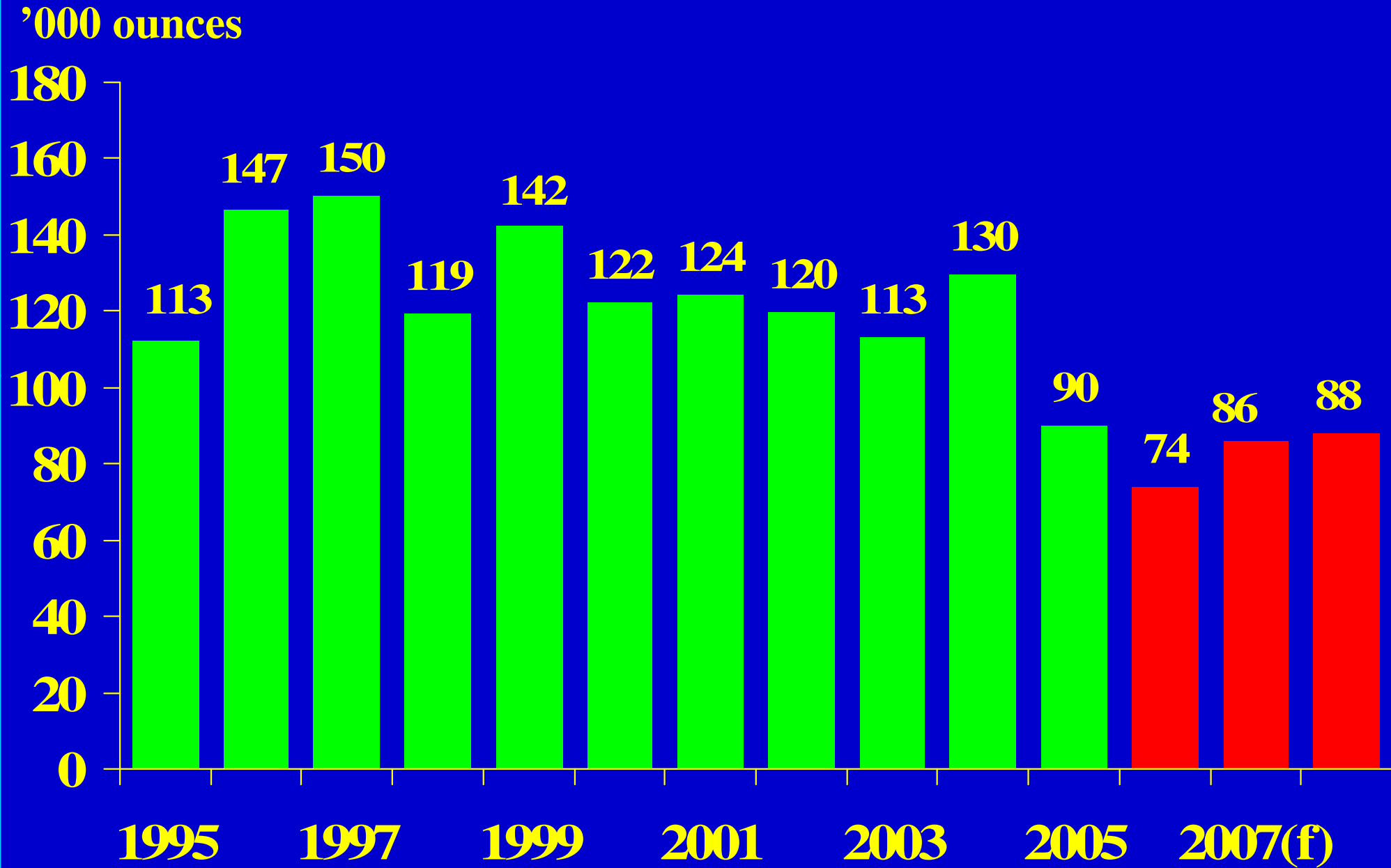
**CHALLENGE**

**NO. 1**

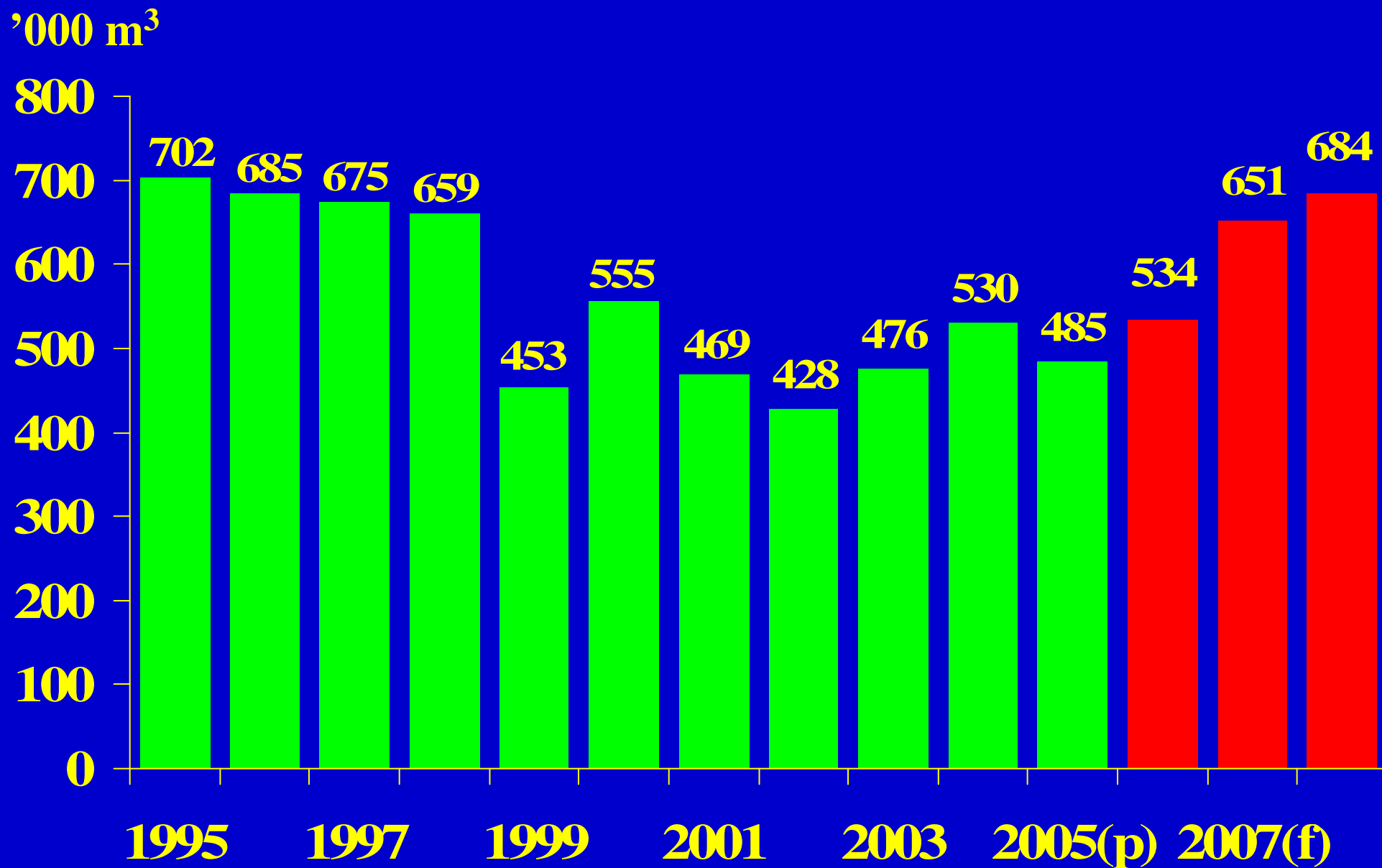
**UNDERPERFORMING  
RESOURCE BASED  
SECTORS**



# GOLD PRODUCTION

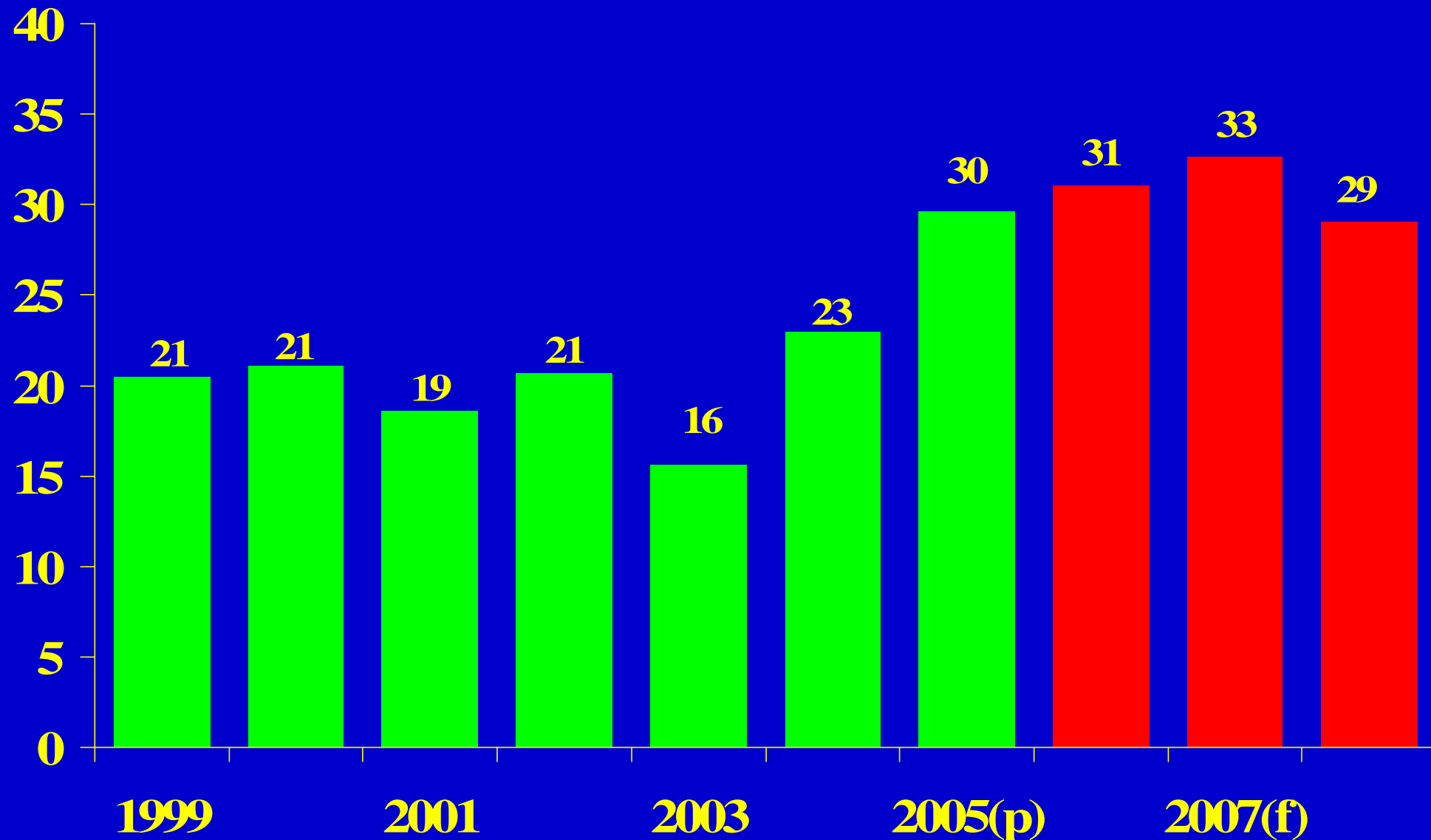


# FORESTRY



# FISHERIES

'000 tonnes



# MITIGATING FACTORS

- **RESTRUCTURING AT VATUKOULA GOLD MINE**
- **INCENTIVES FOR AGRICULTURAL PRODUCTION**
- **PUBLIC-PRIVATE SECTOR PARTNERSHIP**
- **IMPROVING MARKET ACCESS**
- **PROMOTING VALUE ADDING INITIATIVES**



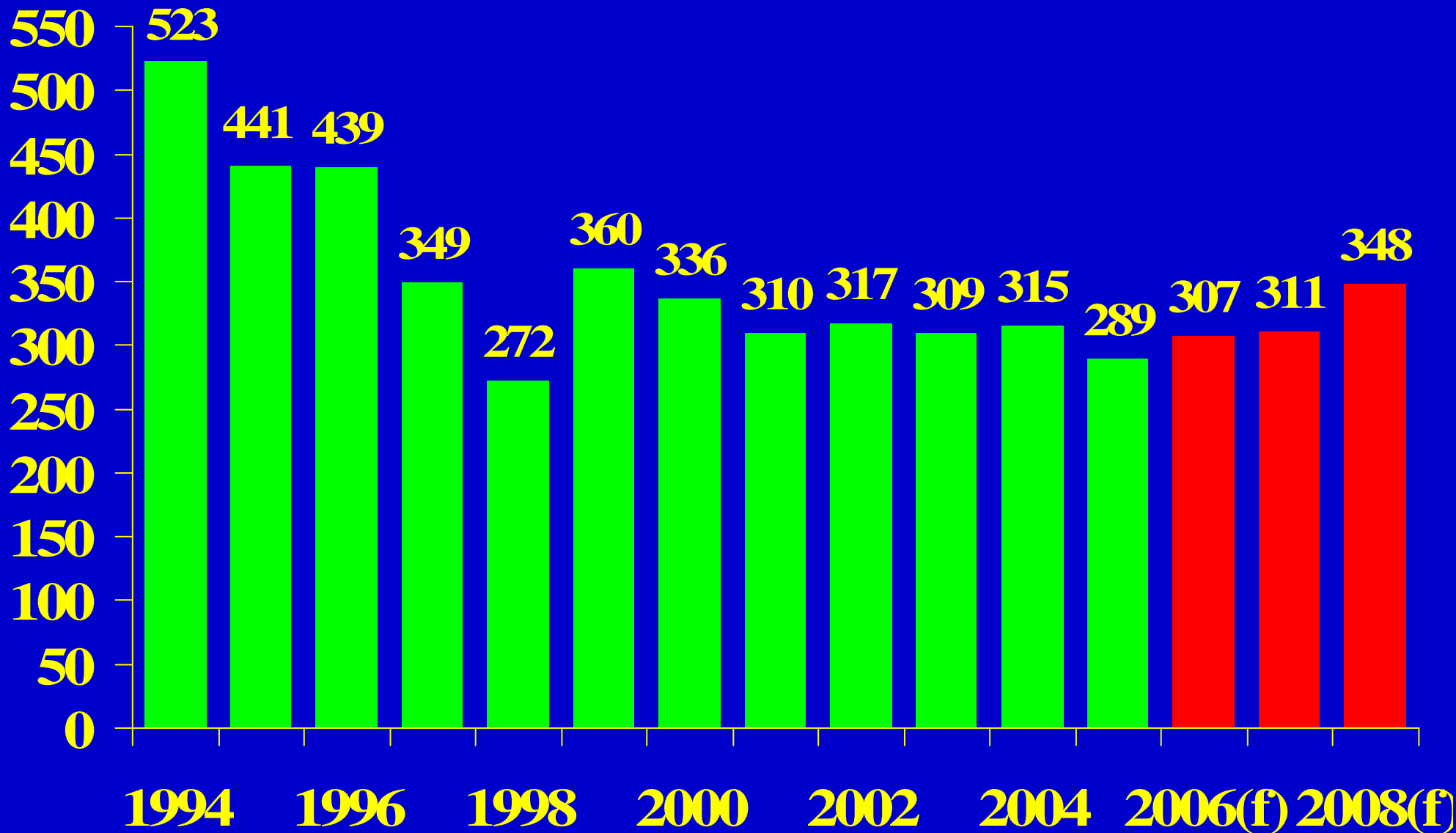
**CHALLENGE**

**NO. 2**

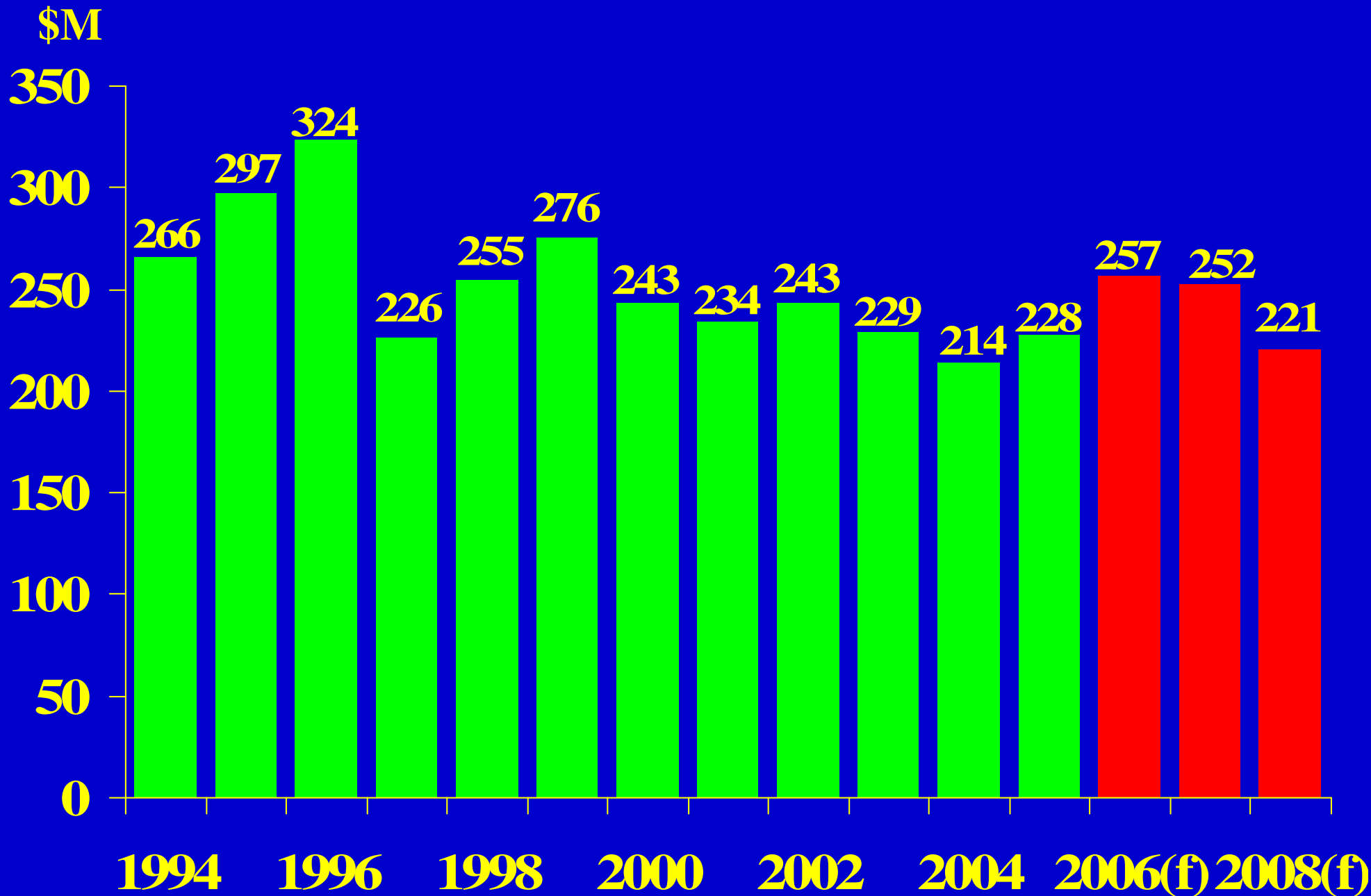
**SUGAR**

# SUGAR PRODUCTION

'000 tonnes



# SUGAR EXPORTS



# PREFERENTIAL PRICING

- **60% OF SUGAR EXPORTS TO PREFERENTIAL EU MARKET**
- **EU PRICE TO BE PROGRESSIVELY REDUCED:**
  - 5% IN 2006/2007
  - 12% IN 2008
  - 19% IN 2009
- **36% PRICE REDUCTION OVER 4 YEARS**



# EXPIRING LAND LEASES

- **2,800 FARM LEASES WILL EXPIRE BY 2008**
- **10,300 FARM LEASES EXPIRING OVER THE NEXT 25 YEARS**

# MITIGATING FACTORS

- **SUGAR REFORMS**
- **ALTERNATIVE LIVELIHOOD PROGRAMME**
- **EU SUPPORT**
- **MULTI-PARTY**
- **ETHANOL PRODUCTION**



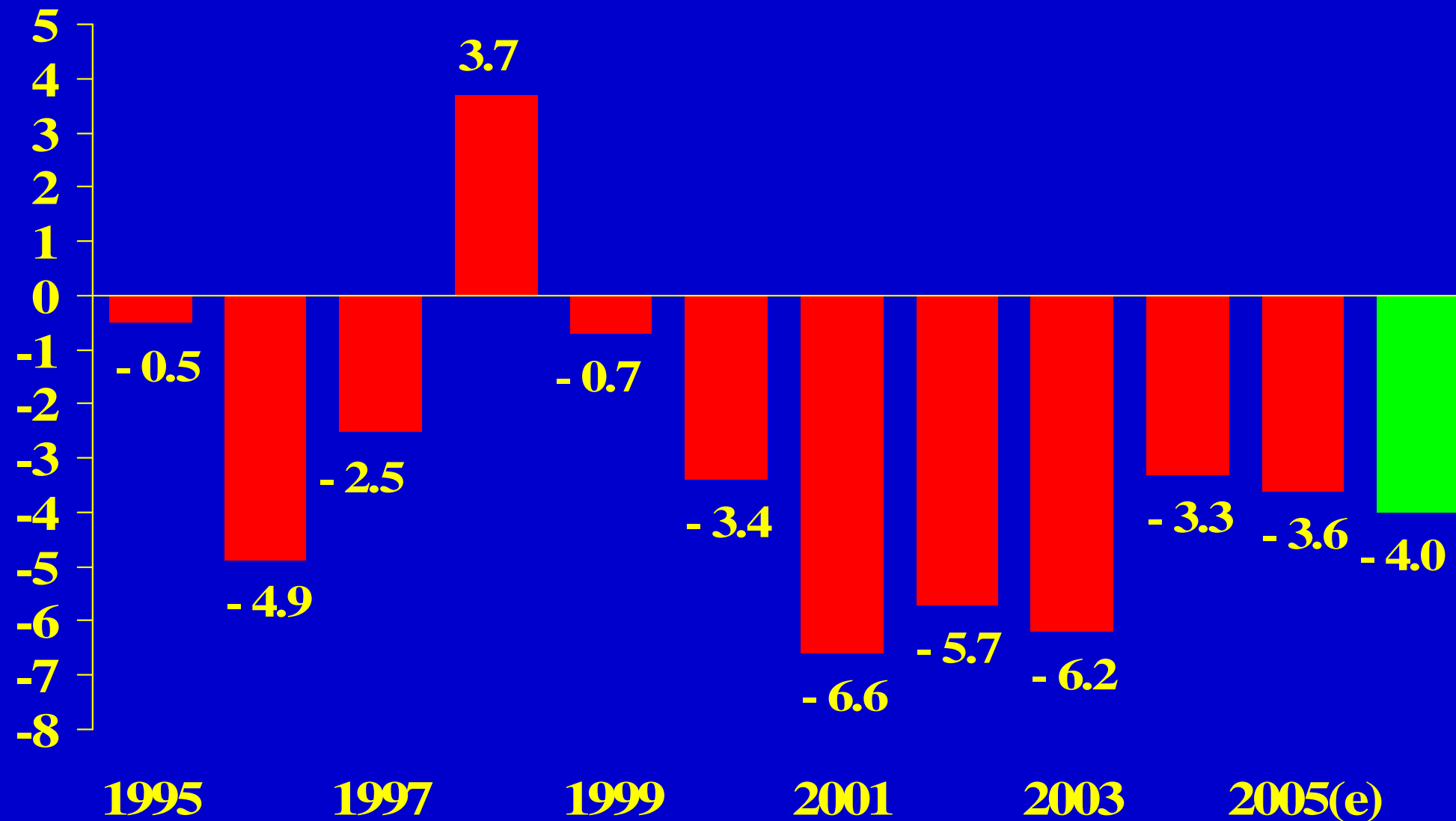
**CHALLENGE**

**NO. 3**

**DEBT**

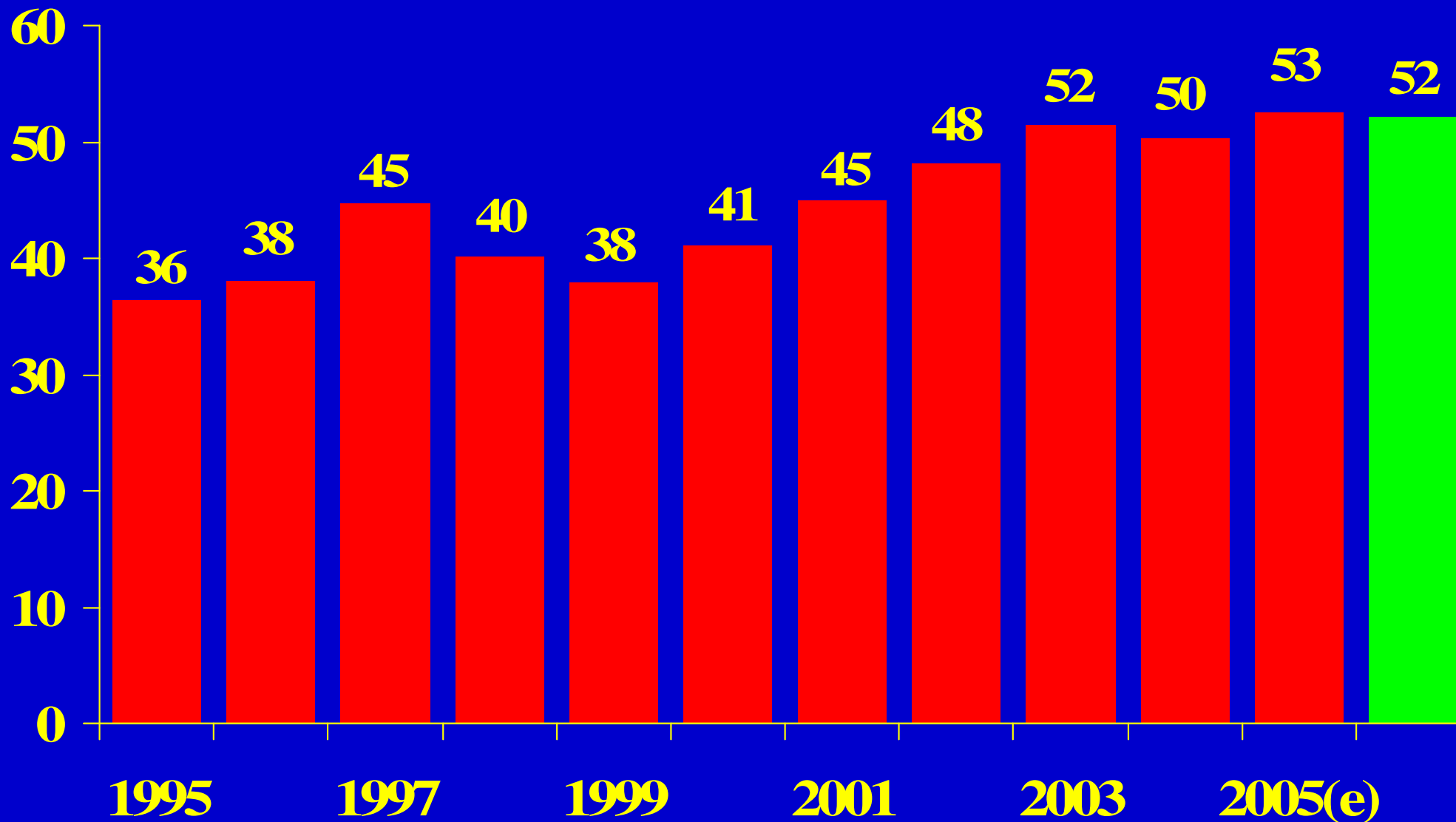
# GOVERNMENT BUDGET DEFICIT

% of GDP



# GOVERNMENT DEBT

% of GDP

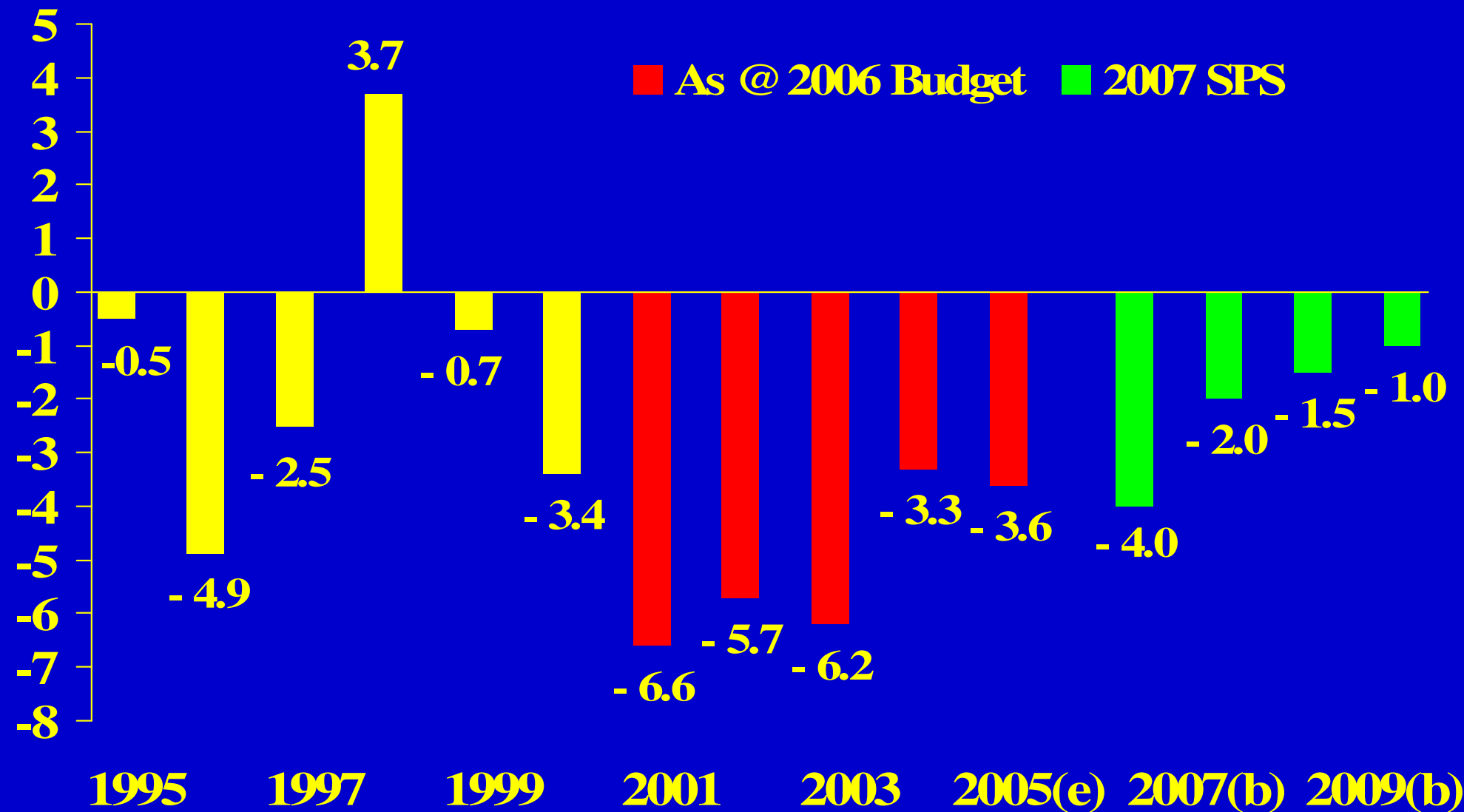


# MITIGATING FACTORS

- **SDP COMMITMENT TO LOWER DEFICITS AND DEBT**
- **REFORMS**
- **EXPENDITURE MIX**

# GOVERNMENT BUDGET DEFICIT

% of GDP



# GOVERNMENT DEBT

% of GDP

60

50

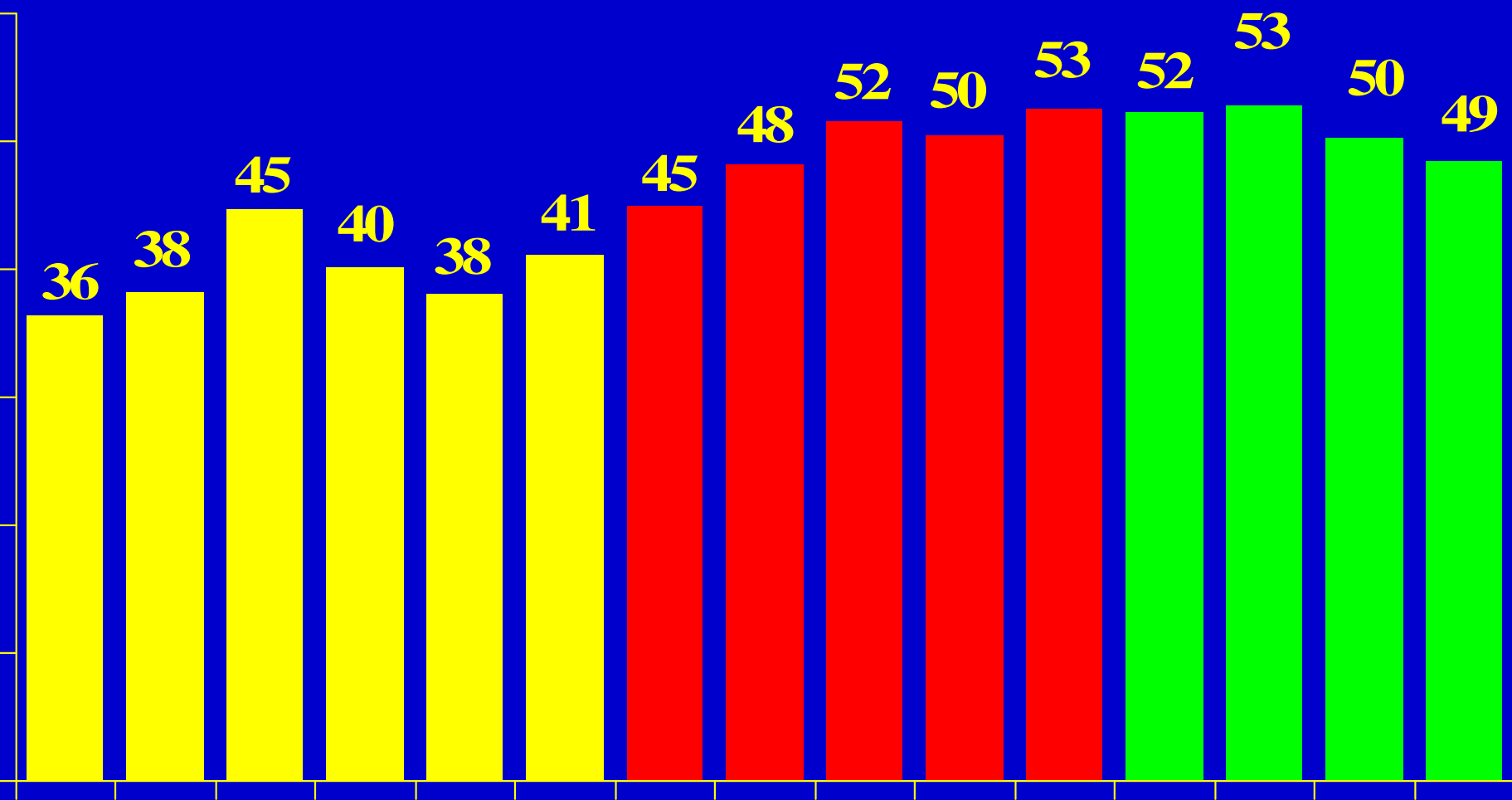
40

30

20

10

0



1995

1997

1999

2001

2003

2005(e)

2007(f)

2009(f)



**CHALLENGE**

**NO. 4**

**BALANCE OF  
PAYMENTS**



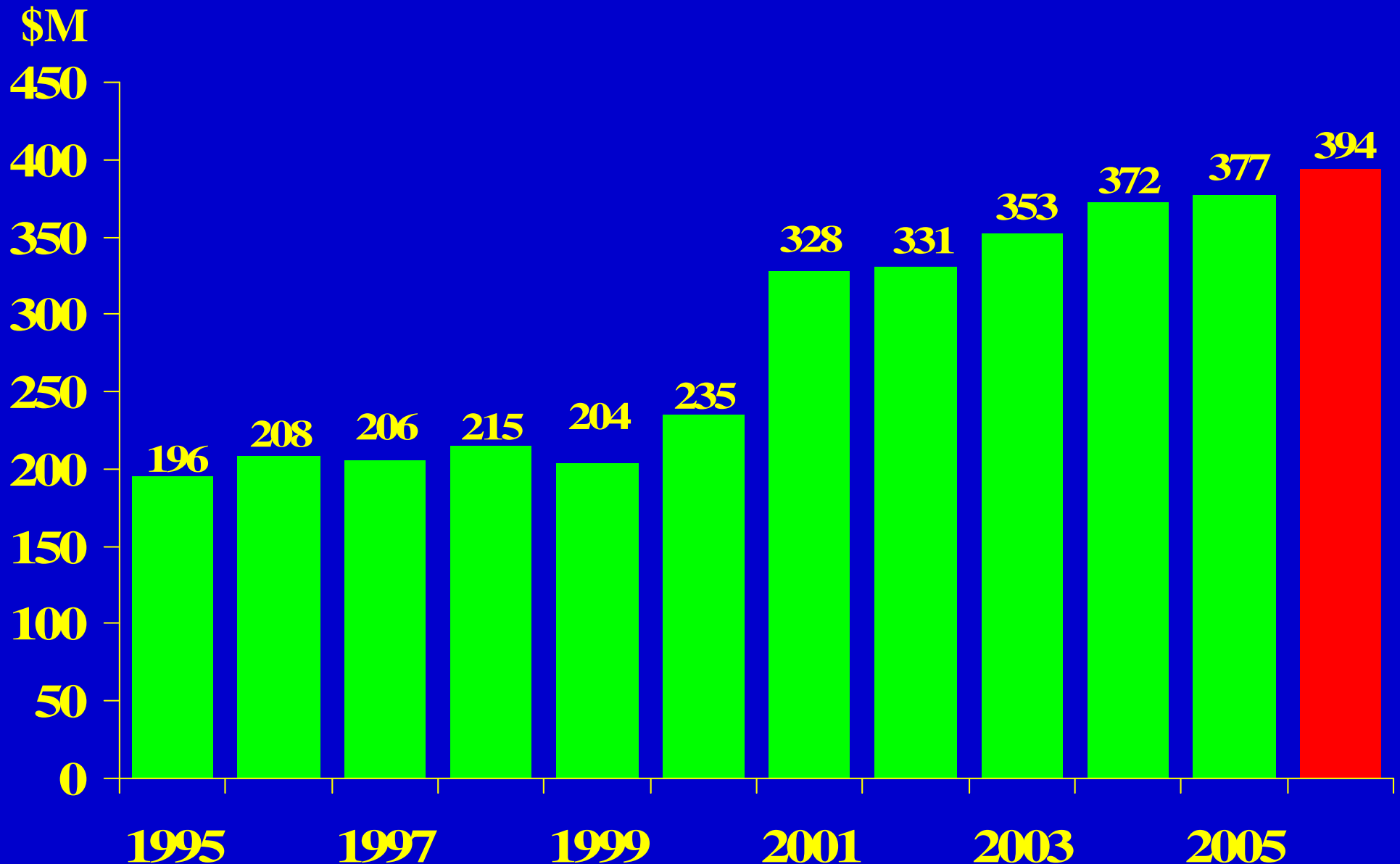
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**STRONG DEMAND IS  
LEADING TO RISING  
IMPORTS**

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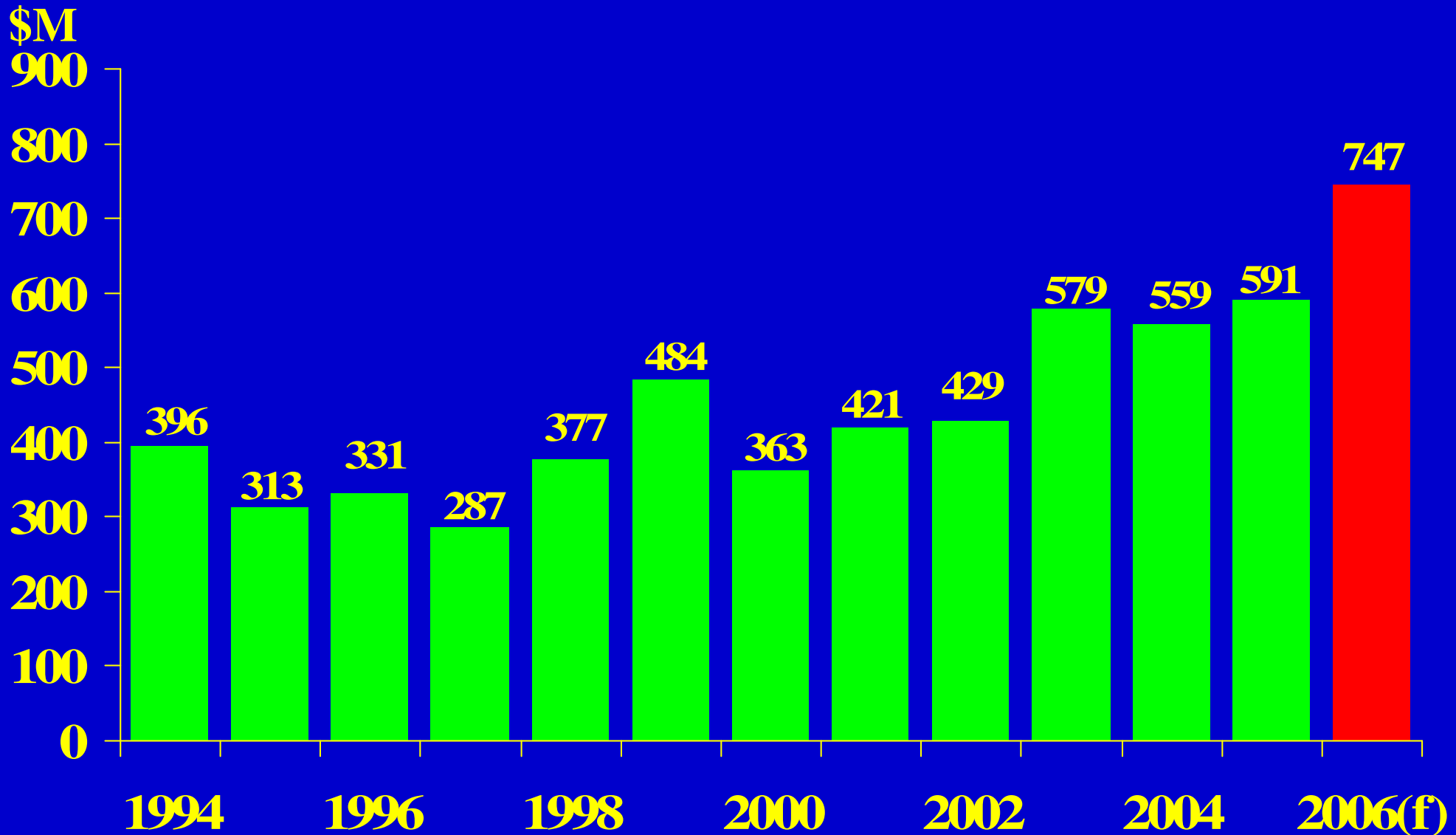
# IMPORTS

## FOOD, BEVERAGES & TOBACCO

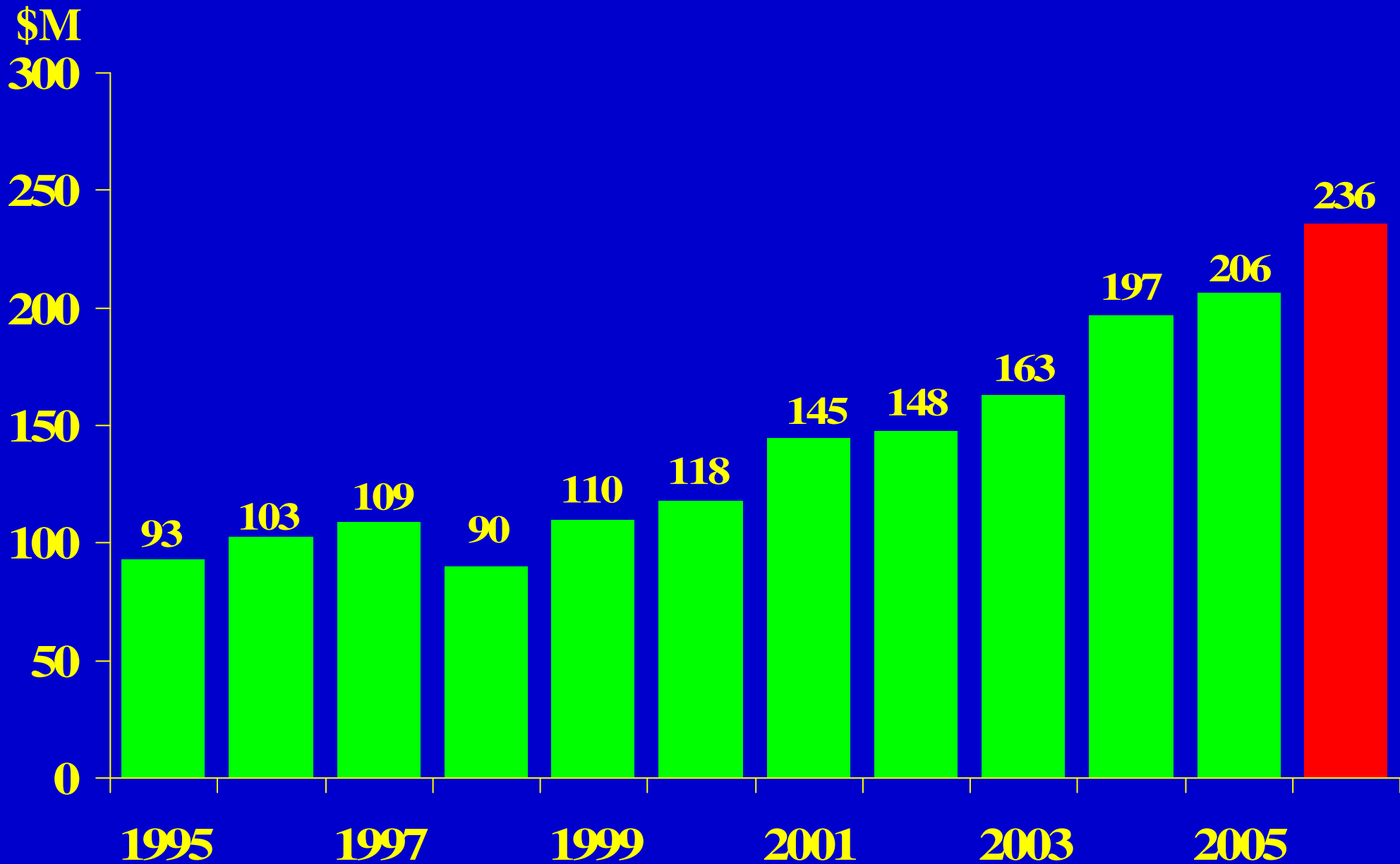


# IMPORTS

## MACH. ELECTRICAL & TRANSPORT EQUIPMENT

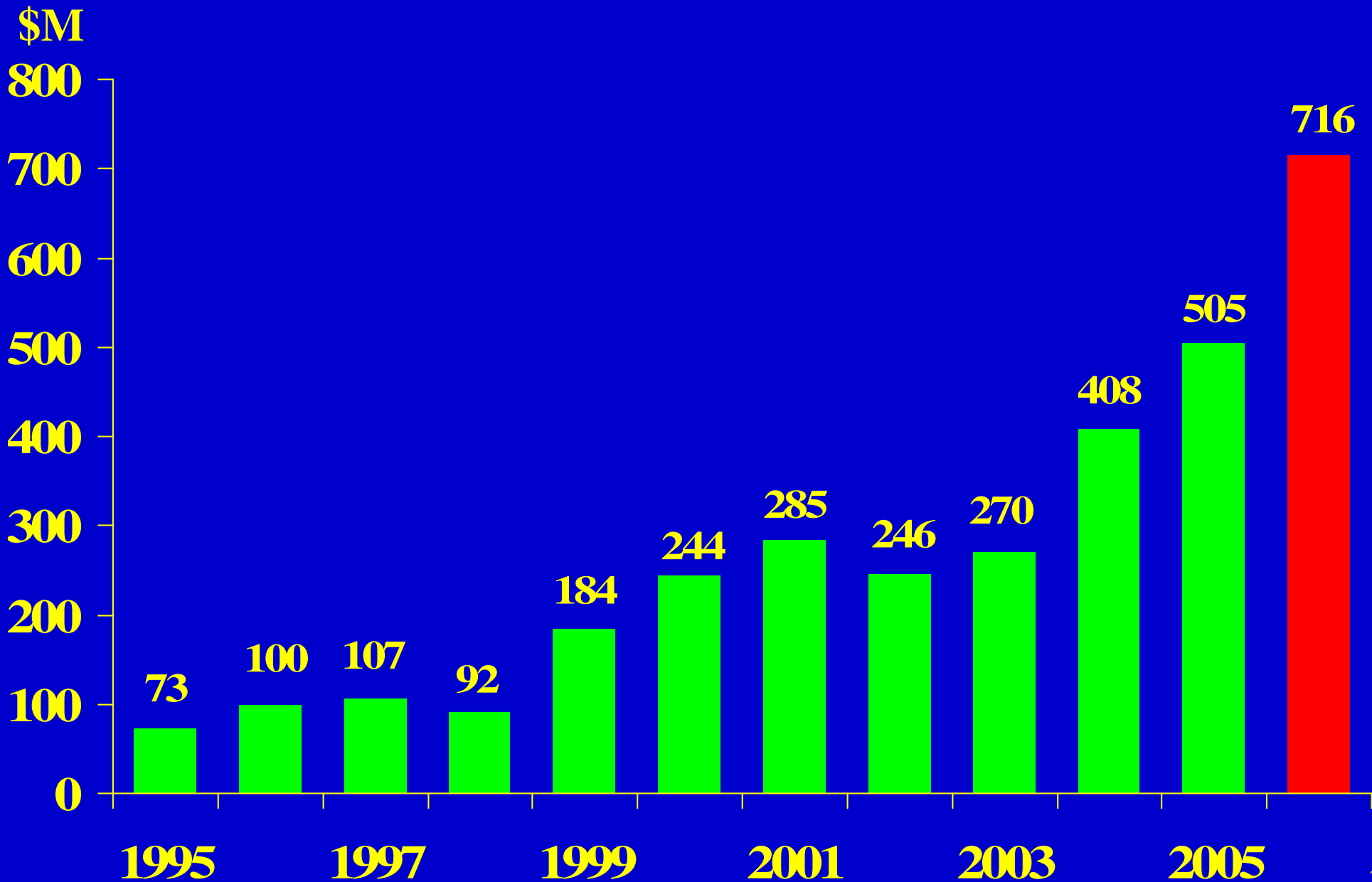


# IMPORTS CHEMICALS



# IMPORTS

## DOMESTIC MINERAL FUEL



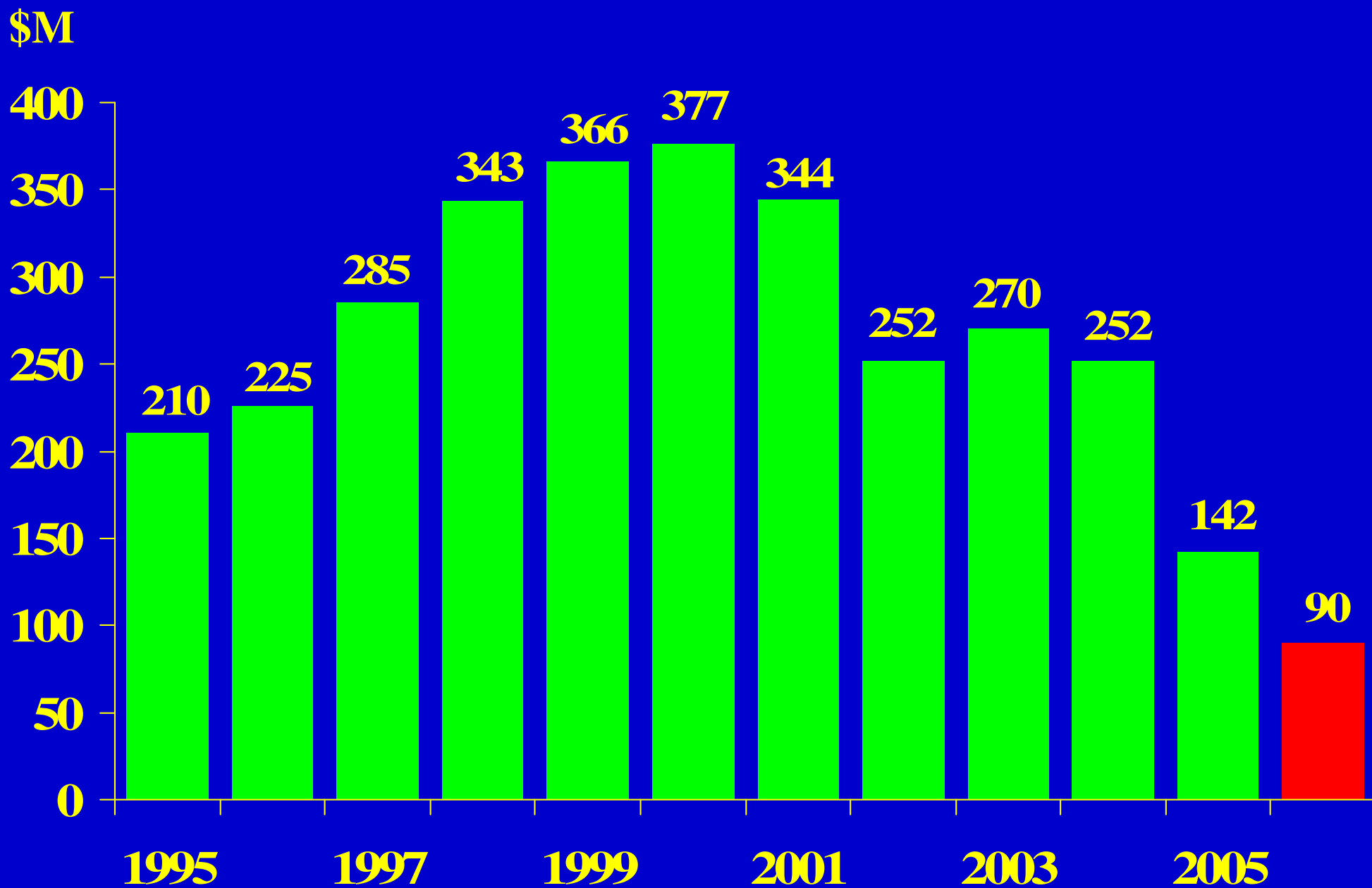


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# UNDERPERFORMING EXPORTS

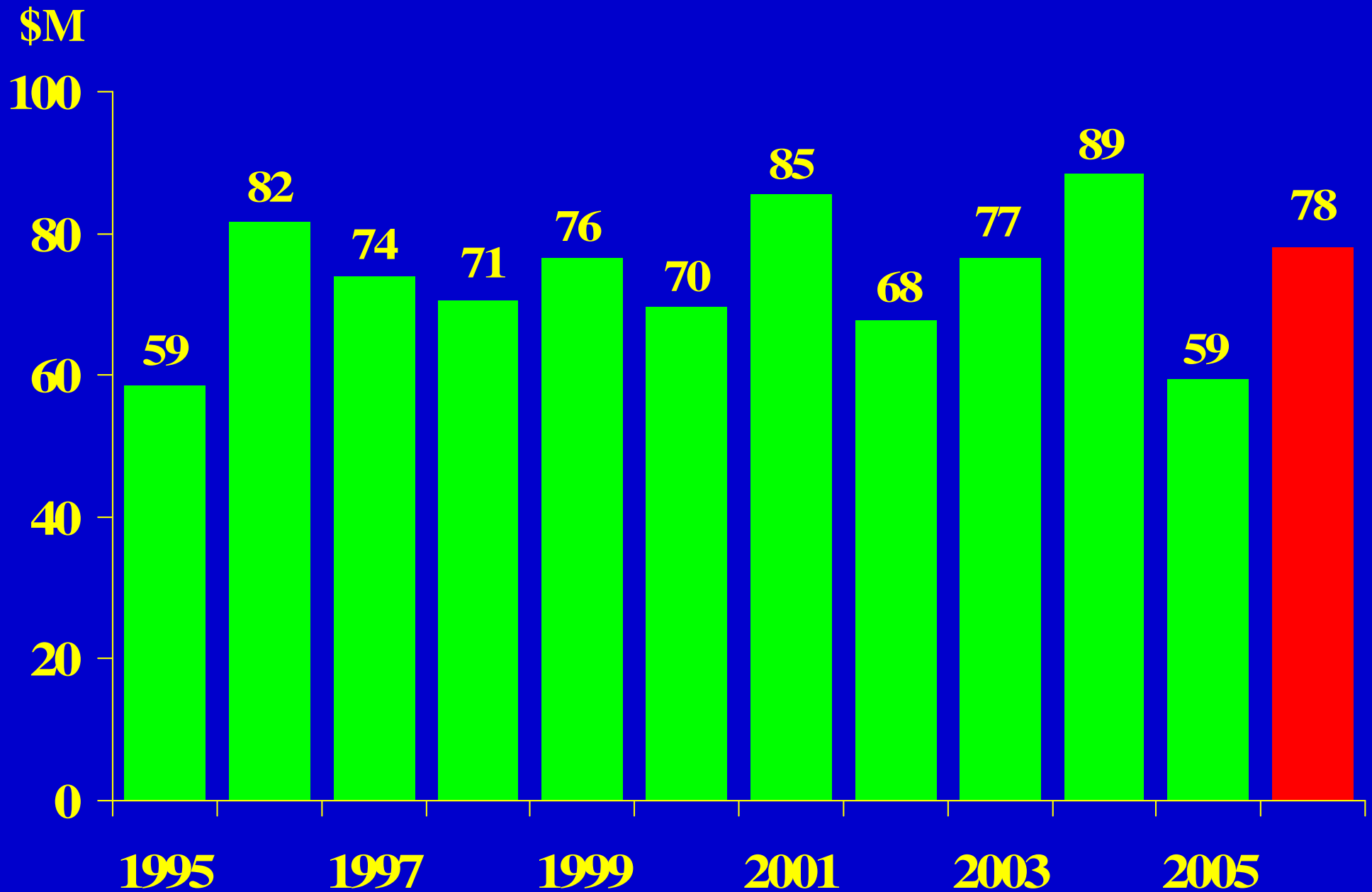
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# GARMENTS EXPORTS

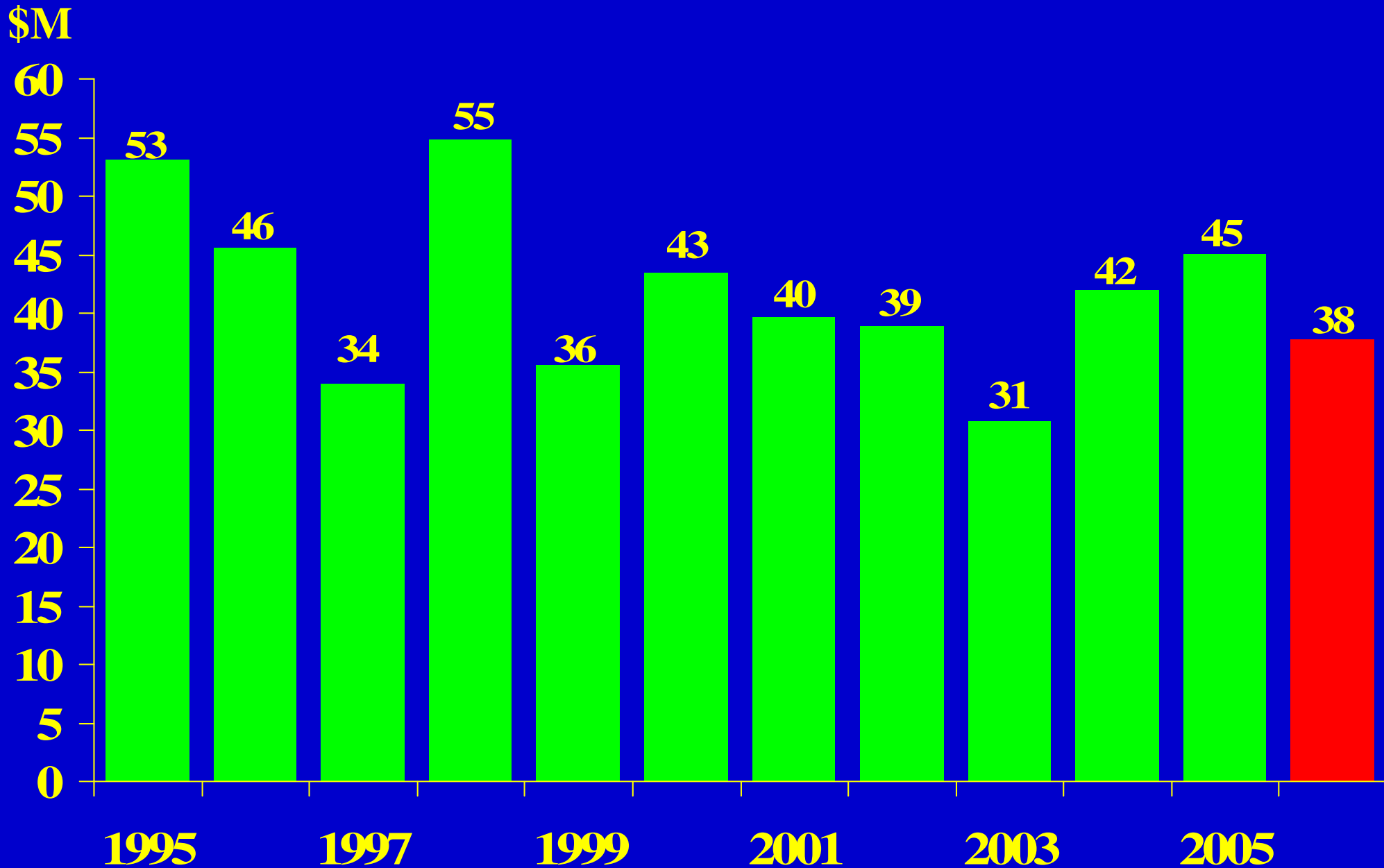




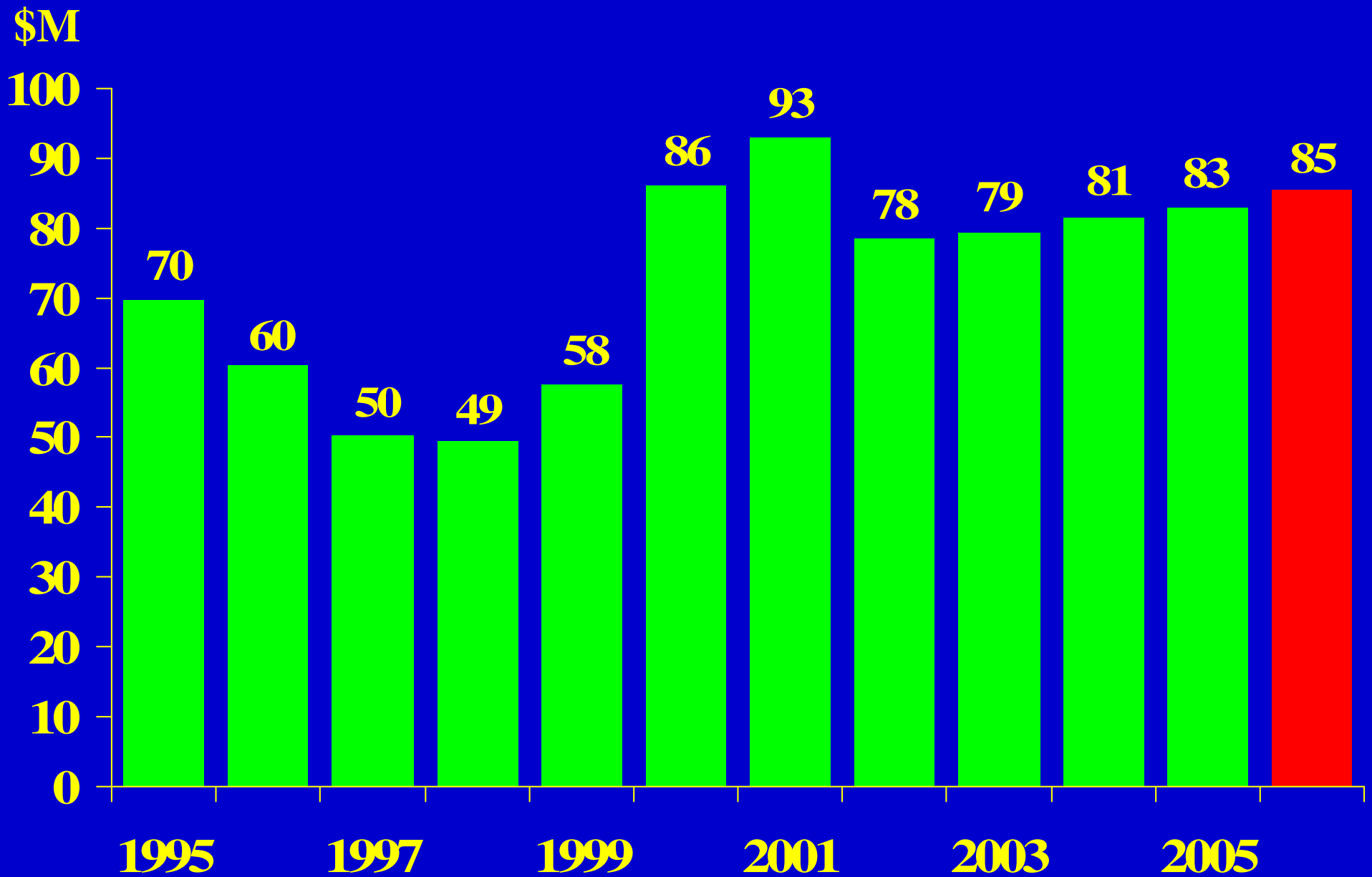
# GOLD EXPORTS



# TIMBER EXPORTS



# FISH EXPORTS





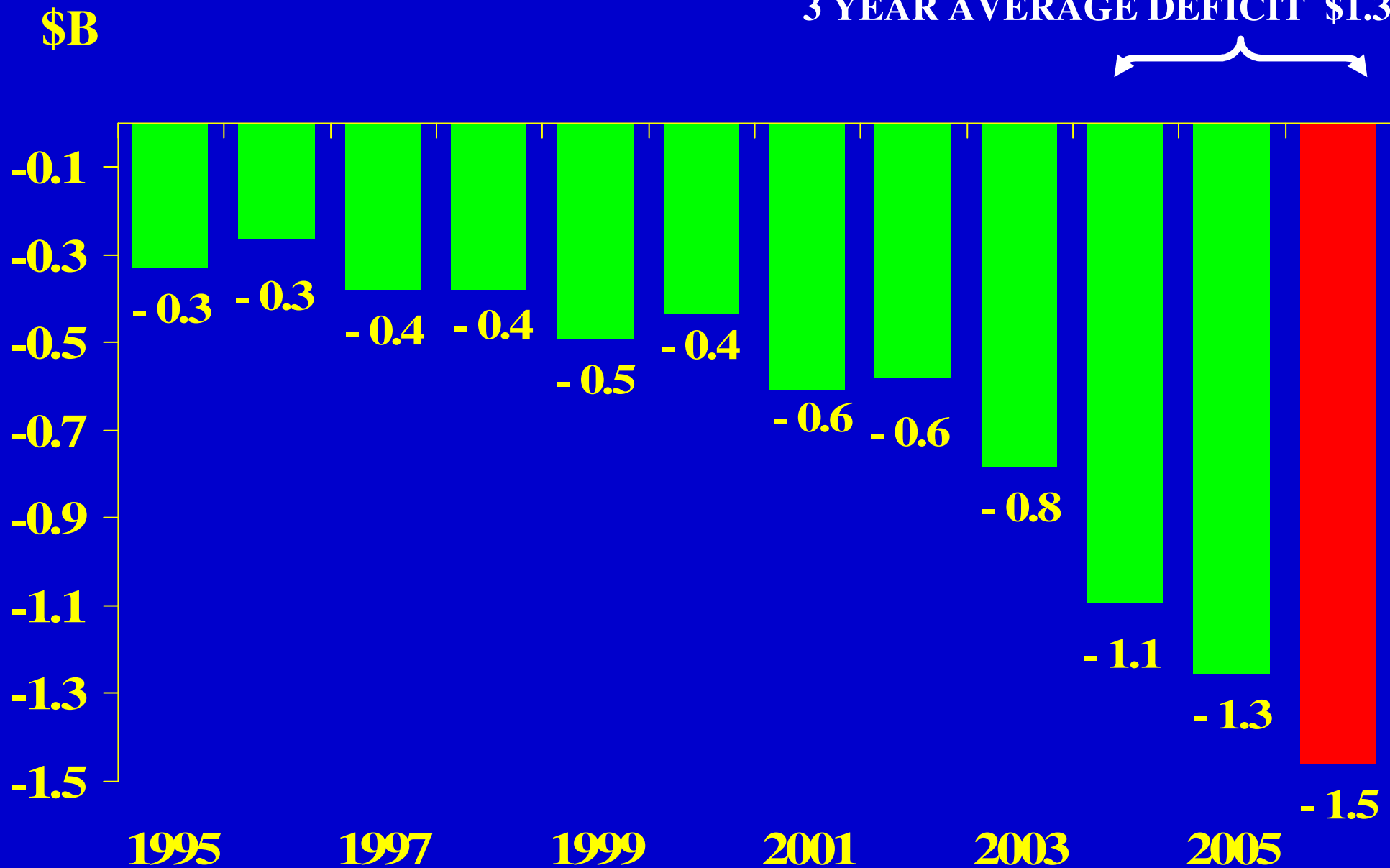
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**OUR TRADE GAP IS  
WIDENING**

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# WIDENING TRADE GAP

3 YEAR AVERAGE DEFICIT \$1.3b



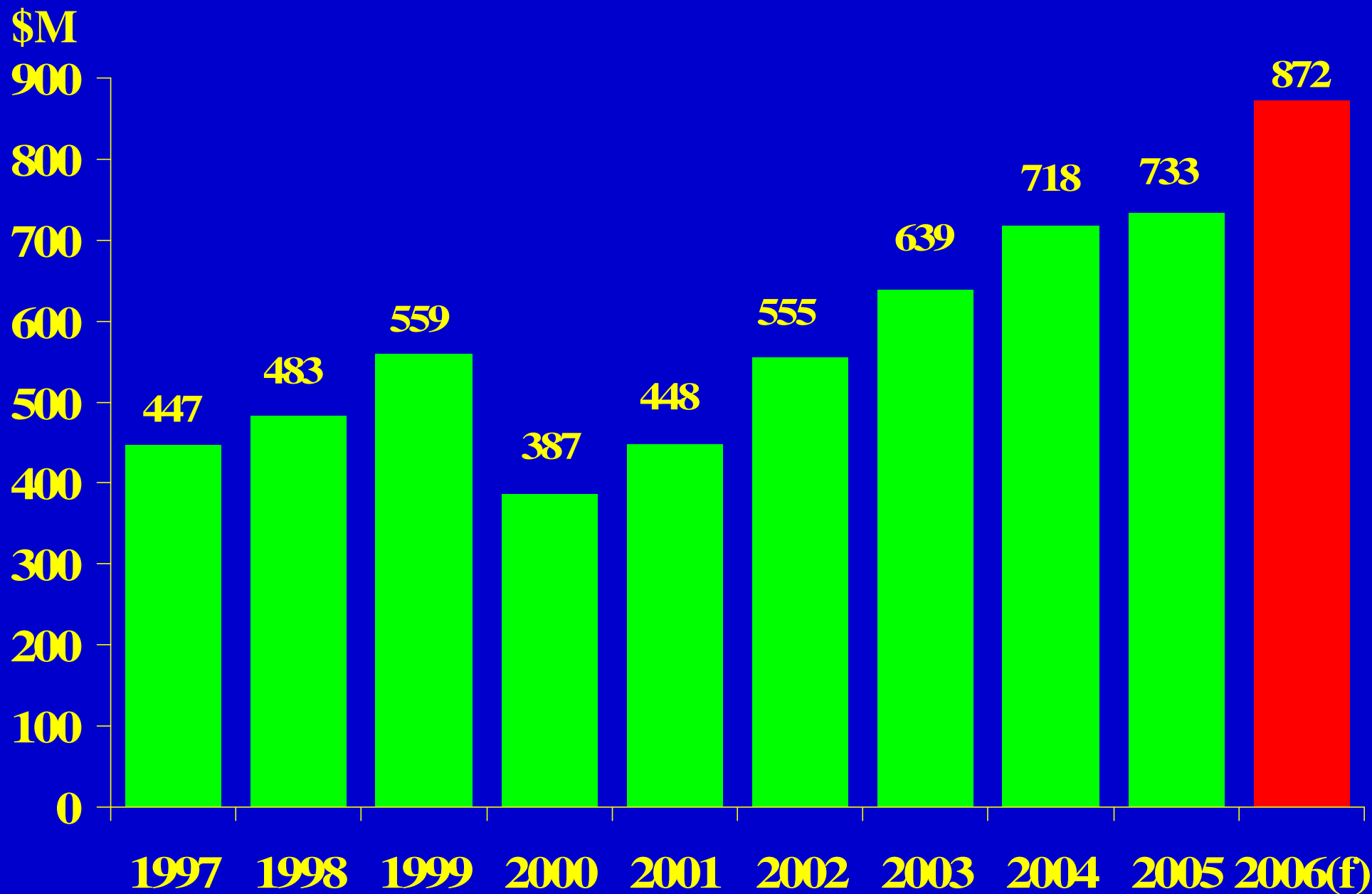


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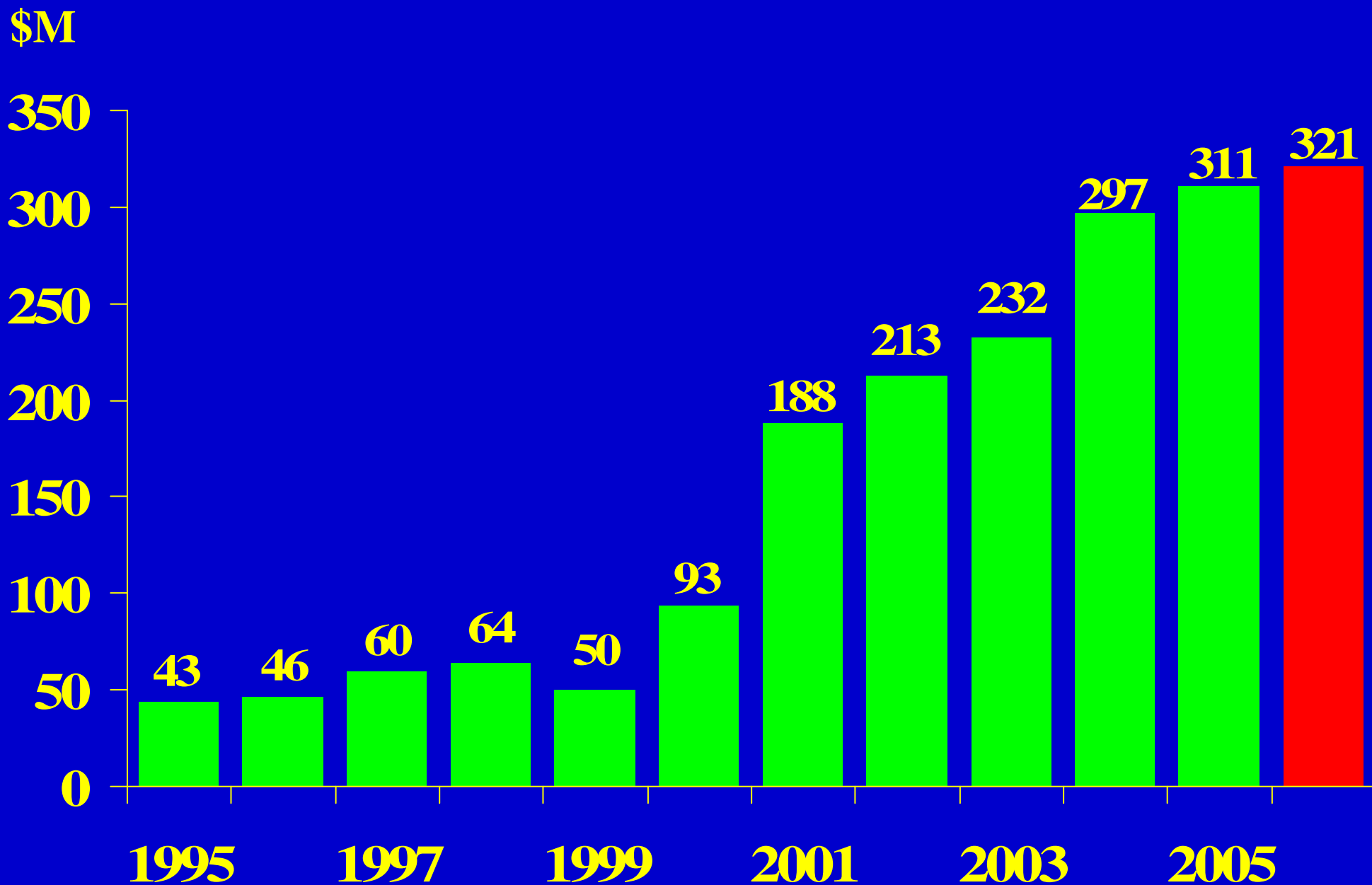
# **SURPLUS IN SERVICES AND TRANSFERS GROWING**

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# TOURISM RECEIPTS



# PERSONAL REMITTANCES

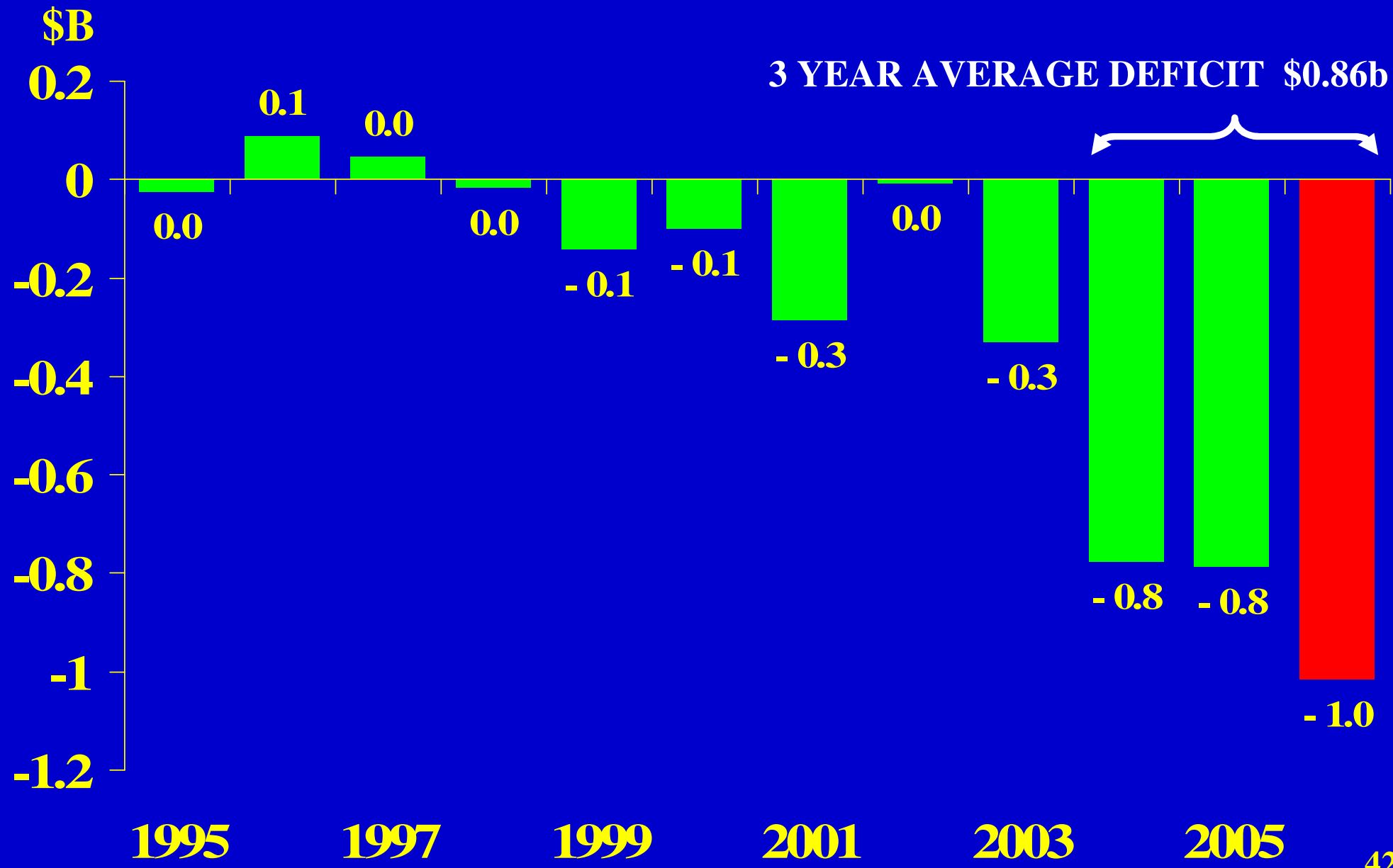




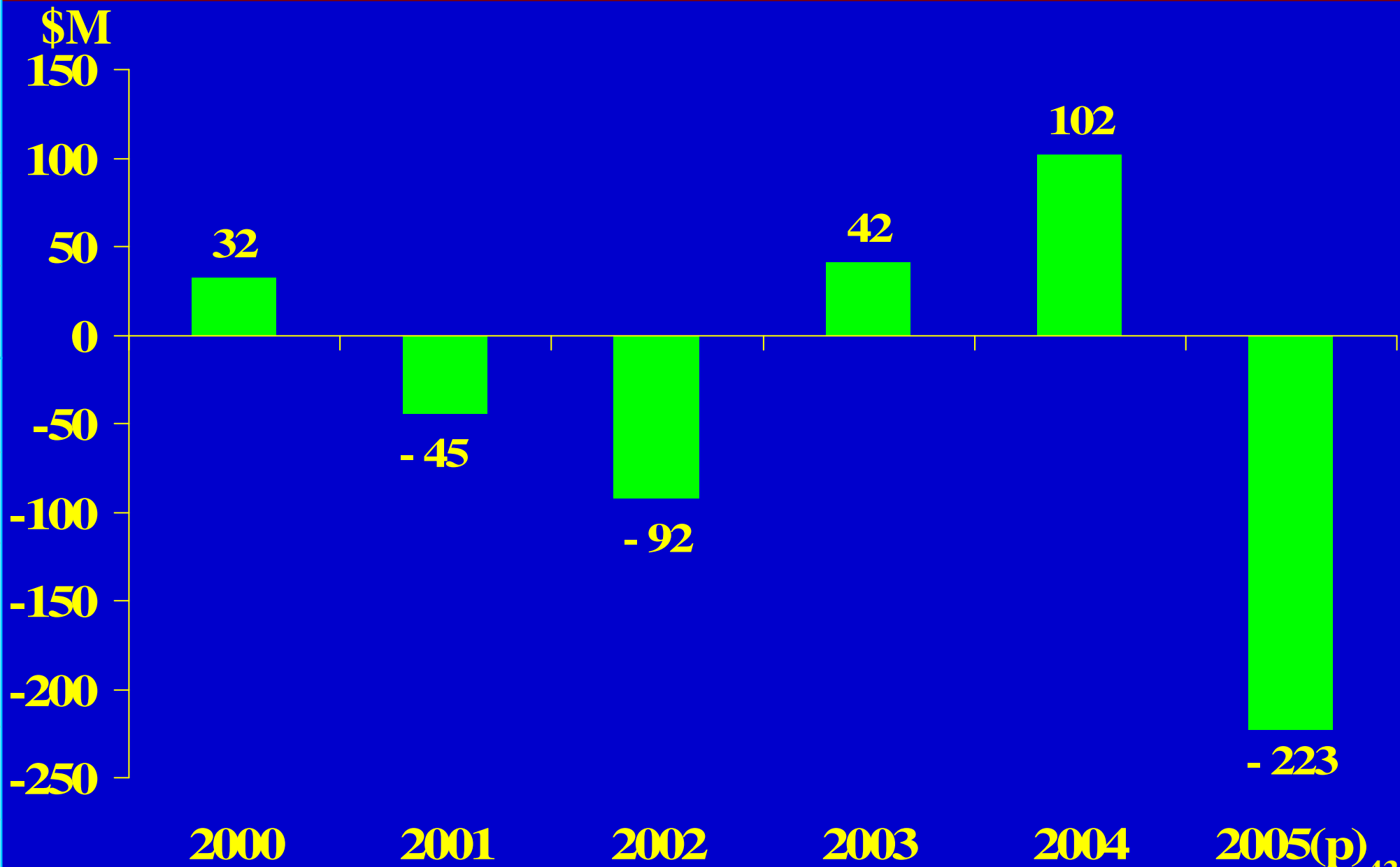


**SURPLUS ON SERVICES  
ACCOUNT STILL  
INSUFFICIENT TO  
OFFSET TRADE GAP**

# WORSENING CURRENT ACCOUNT DEFICIT



# PRESSURE ON BOP: OVERALL BALANCE



# MITIGATING FACTORS

- **RAISED INTEREST RATES**
- **FISCAL CONSOLIDATION**
- **POLICY COORDINATION**
- **INTERNATIONAL BOND ISSUE**
- **NATIONAL EXPORT STRATEGY**
- **IMPORT SUBSTITUTION**
- **ALTERNATIVE SOURCES OF ENERGY**



# WHAT ARE OUR KEY STRENGTHS?

# KEY STRENGTHS

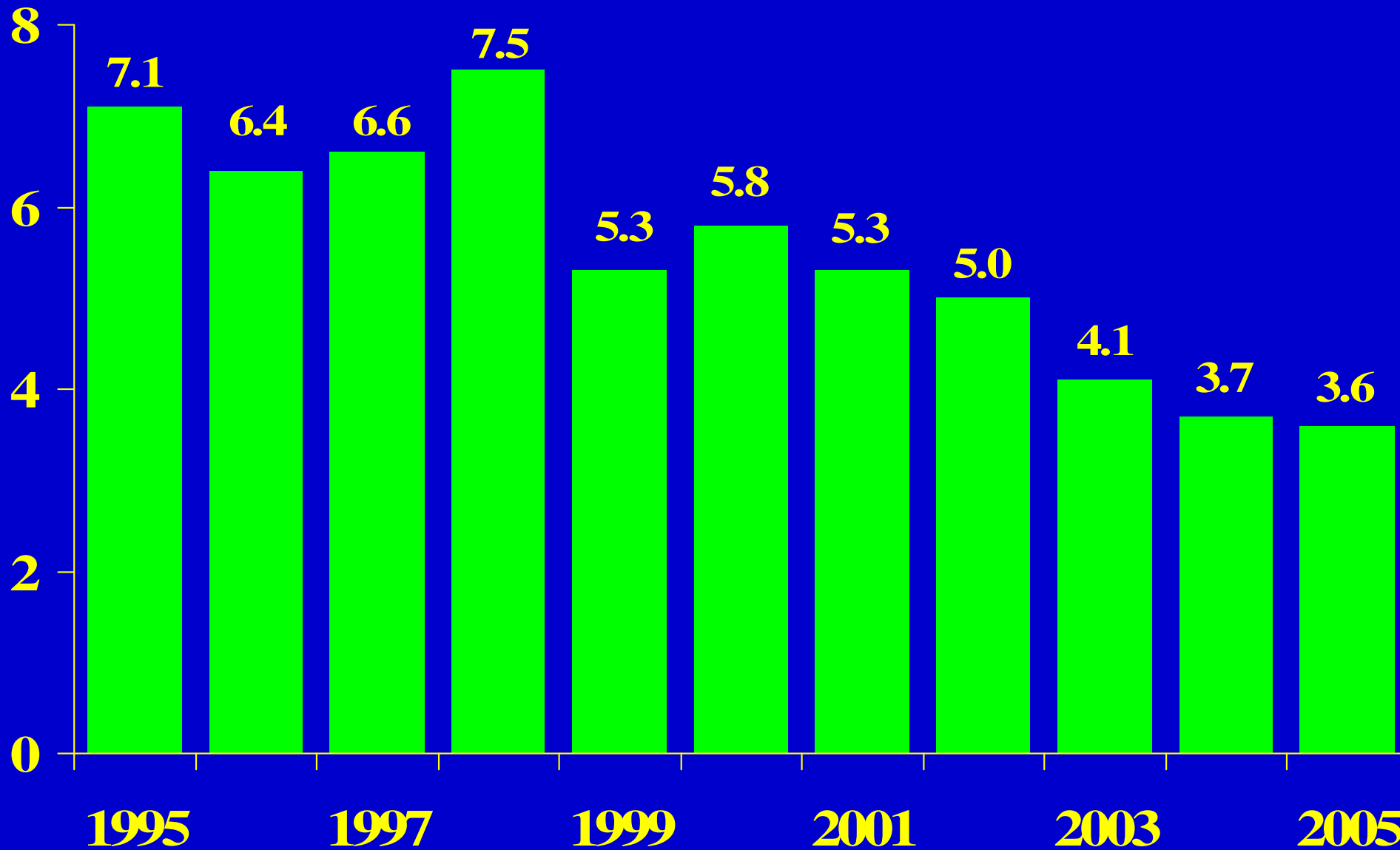
- **LOW EXTERNAL DEBT**
- **LOW INFLATION**
- **ROBUST TOURISM SECTOR**
- **STRONG AND STABLE FINANCIAL SYSTEM**
- **SUSTAINABLE POLITICAL STABILITY**

# STRENGTH NO. 1

# LOW EXTERNAL DEBT

# GOVT EXTERNAL DEBT

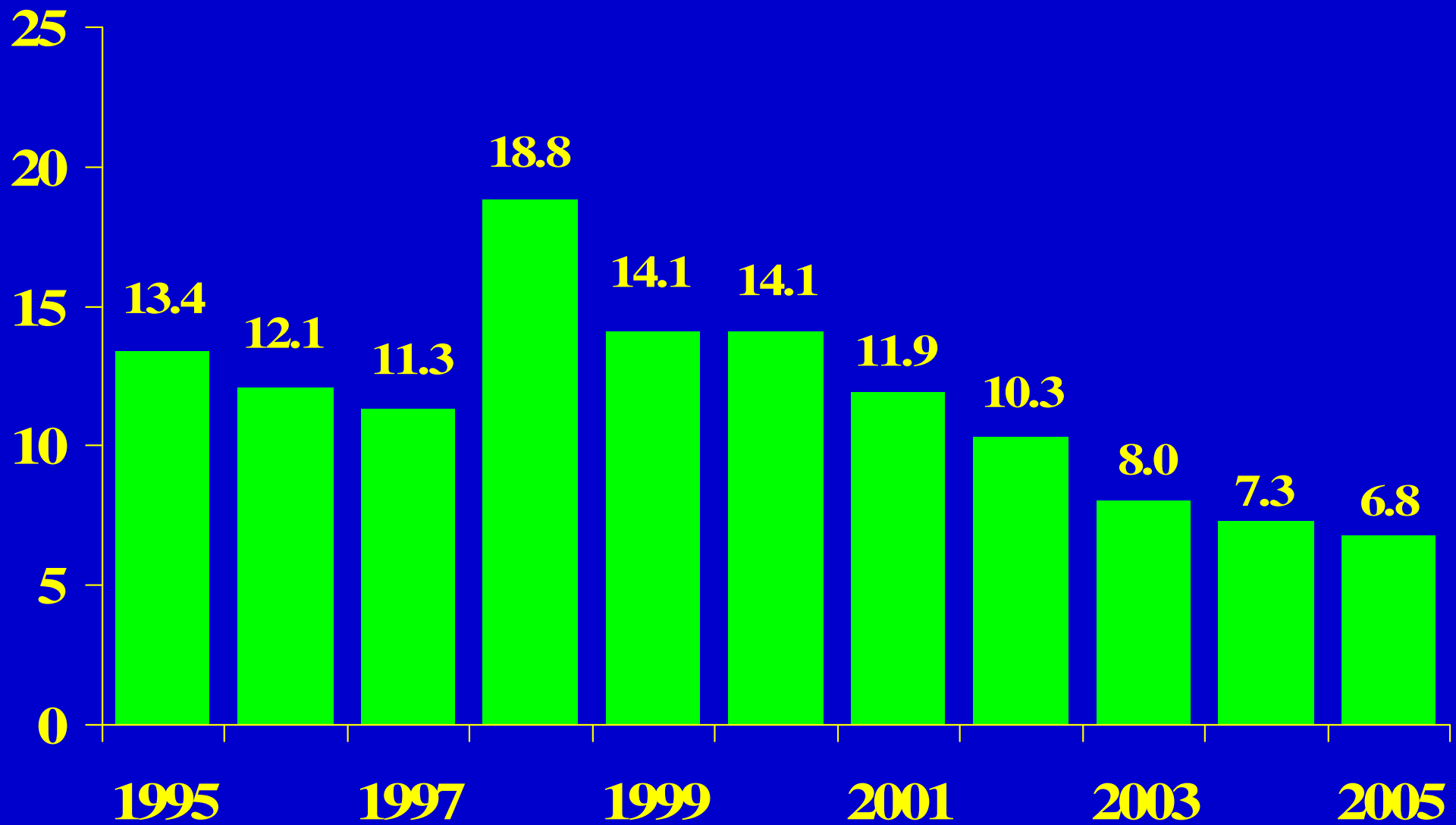
% of GDP





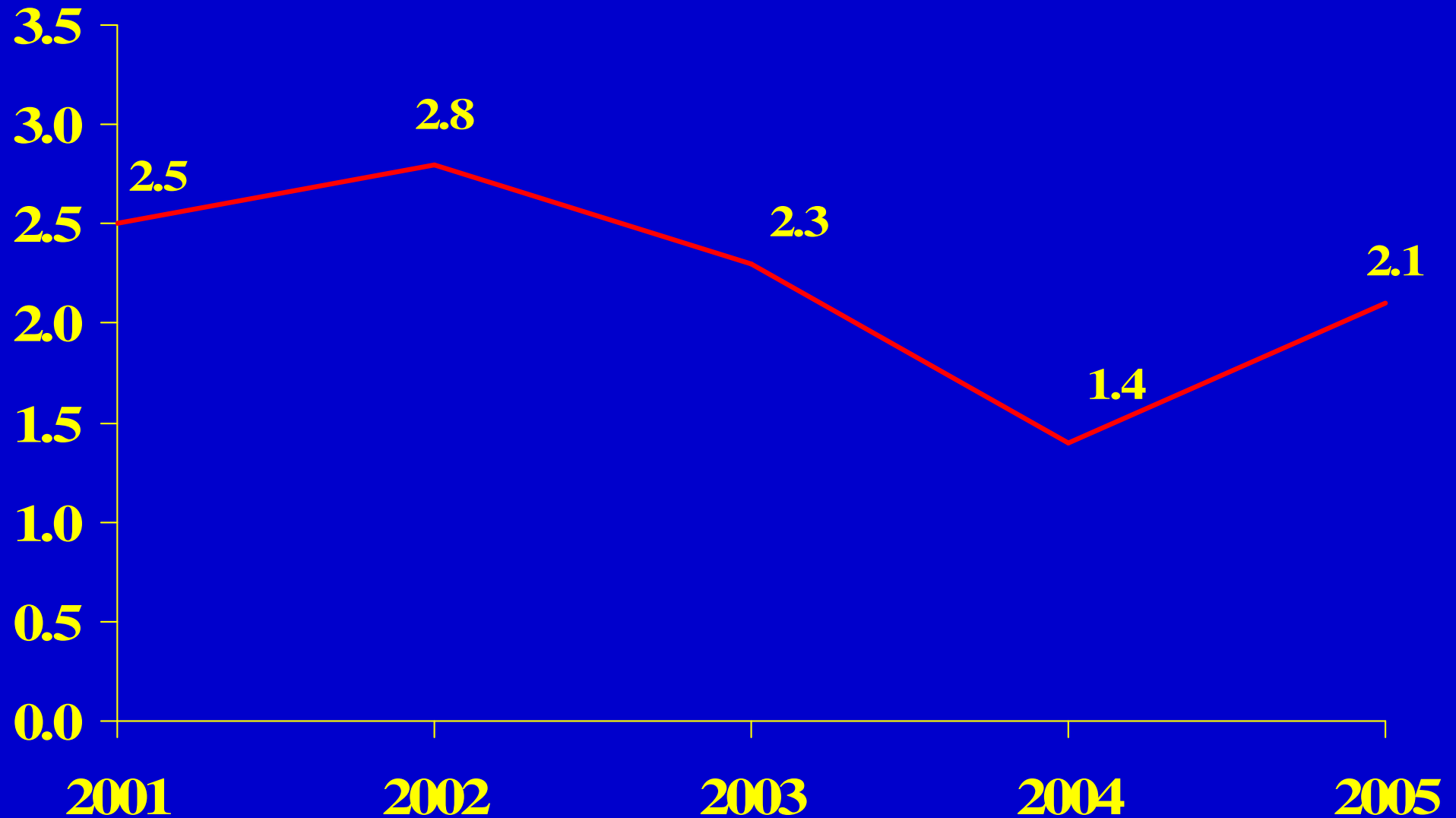
# GOVT EXTERNAL DEBT

% of Total Govt Debt



# GOVERNMENT EXTERNAL DEBT SERVICING

% of Exports



# INTERNATIONAL BOND ISSUE

## WHY?

- **FINANCE GOVERNMENT CAPITAL PROJECTS**
- **AVOID CROWDING OUT PRIVATE SECTOR**
- **DIVERSIFY SOURCES OF BORROWING**
- **REQUIREMENT OF US\$150 MILLION**

## RATINGS

- **Ba2 BY MOODYS AND BB BY STANDARD & POORS – STABLE OUTLOOK**

# INTERNATIONAL BOND ISSUE

## RESULTS

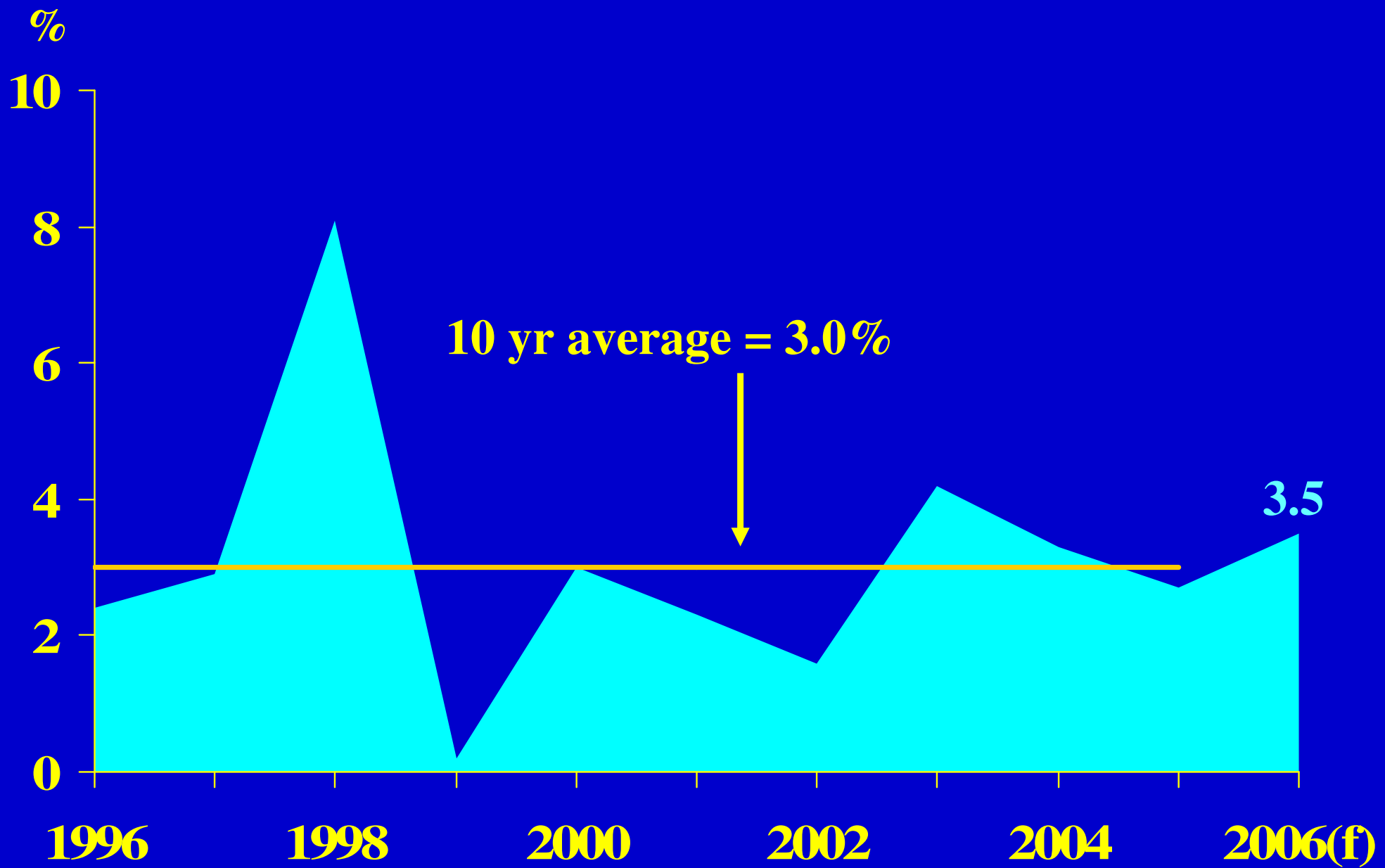
- **5 YEAR TENURE**
- **INITIAL PRICE GUIDANCE OF 7.25%**
- **10 TIMES OVERSUBSCRIBED - US\$1.4 BILLION**
- **FINALLY PRICED WITH A COUPON RATE OF 6.875% TO YIELD 7.000%**



# STRENGTH NO. 2

# LOW INFLATION

# INFLATION



# REASONS FOR LOW INFLATION

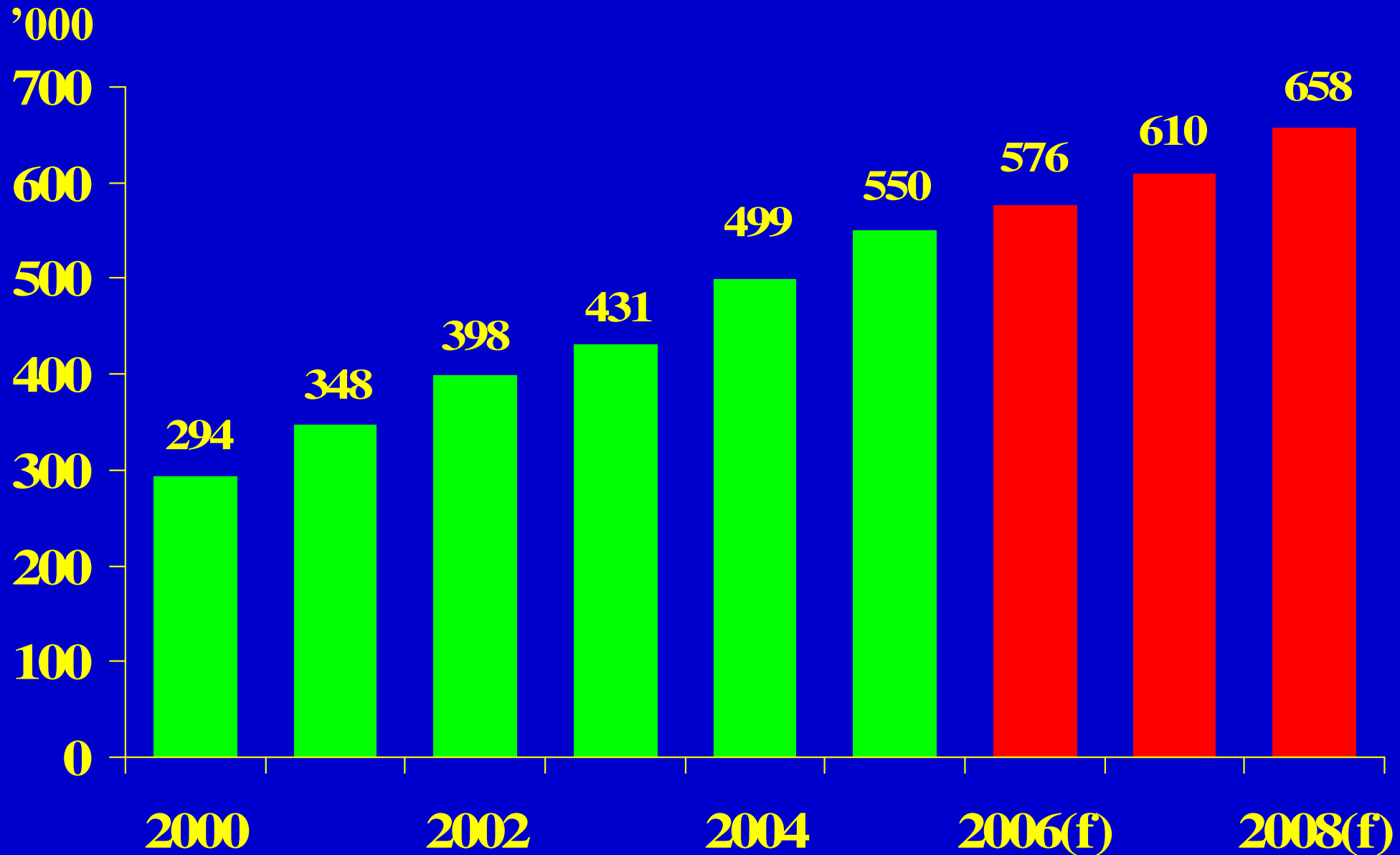
- **FIXED EXCHANGE RATE SERVES AS AN ANCHOR ON PRICES**
- **WAGE DEMANDS ARE MODEST**
- **GOOD INFLATION MANAGEMENT IN MAJOR TRADING PARTNERS**
- **GOOD SUPPLY CONDITIONS FOR LOCAL MARKET PRODUCE**

**STRENGTH  
NO. 3**

**ROBUST TOURISM  
SECTOR**



# VISITOR ARRIVALS



# HOTEL CONSTRUCTION

<b>Hotel</b>	<b>Estimated Value (F\$M)</b>	<b>Project Status</b>	<b>Expected Completion Date</b>
<b>Sofitel Island Resort and Spa</b>	<b>73</b>	<b>Completed</b>	<b>-</b>
<b>Ritz Carlton</b>	<b>75</b>	<b>Planning</b>	<b>-</b>
<b>Hilton Fiji Beach Resort &amp; Spa</b>	<b>233</b>	<b>Underway</b>	<b>2007</b>
<b>InterContinental Resort Fiji (Currently known as the Natadola Beach Hotel)</b>	<b>185</b>	<b>Underway</b>	<b>2007</b>
<b>Radisson Denarau</b>	<b>96</b>	<b>Underway</b>	<b>2007</b>
<b>JW Marriot Resort &amp; Spa at Momi Bay</b>	<b>70</b>	<b>Underway</b>	<b>2007</b>

# OTHER ISSUES IN TOURISM

- **INCREASE IN AIRLINE SEAT CAPACITY WITH AIR PACIFIC**
- **INTRODUCTION OF LOW COST CARRIERS**
- **DEVELOPMENT OF NEW MARKETS**
- **SPURRED GROWTH IN OTHER SECTORS**

# **STRENGTH NO. 4**

**STRONG AND STABLE  
FINANCIAL SYSTEM**

# **STRONG AND STABLE FINANCIAL SYSTEM**

- **INDEPENDENT CENTRAL BANK**
- **SOUND FINANCIAL SYSTEM**
  - **NPL - 0.7 % OF TOTAL LOANS**
  - **CAPITAL ADEQUACY RATIO - 11.99%**
- **FSAP**
- **FIU**
- **RTGS**

**STRENGTH  
NO. 5**

**SUSTAINABLE  
POLITICAL  
STABILITY**

# **SUSTAINABLE POLITICAL STABILITY**

- **2 ELECTIONS SINCE 2000**
- **MULTI-PARTY CABINET**
- **CONSUMER AND INVESTOR  
CONFIDENCE**
- **AFFIRMATIVE ACTION**
- **ROLE OF THE MILITARY**

# SUMMARY



# SUMMARY

- **WE HAVE ACHIEVED GROWTH AND HIGHER INVESTMENT**
- **KEY CHALLENGES**
  - **PERFORMANCE OF OUR RESOURCE BASE INDUSTRIES**
  - **SUGAR INDUSTRY**
  - **DEBT**
  - **BOP**
- **MITIGATING FACTORS**

# SUMMARY

- **KEY STRENGTHS**
  - **LOW EXTERNAL DEBT**
  - **LOW INFLATION**
  - **STRONG TOURISM POTENTIAL**
  - **STABLE AND STRONG FINANCIAL SYSTEM**
  - **SUSTAINABLE POLITICAL STABILITY**



**THANK YOU**