

PRESENTATION TO THE NATIONAL ECONOMIC SUMMIT

FIJI'S ECONOMIC PERFORMANCE & CHALLENGES AHEAD



**Governor Savenaca Narube
Reserve Bank of Fiji
28 September 2006**

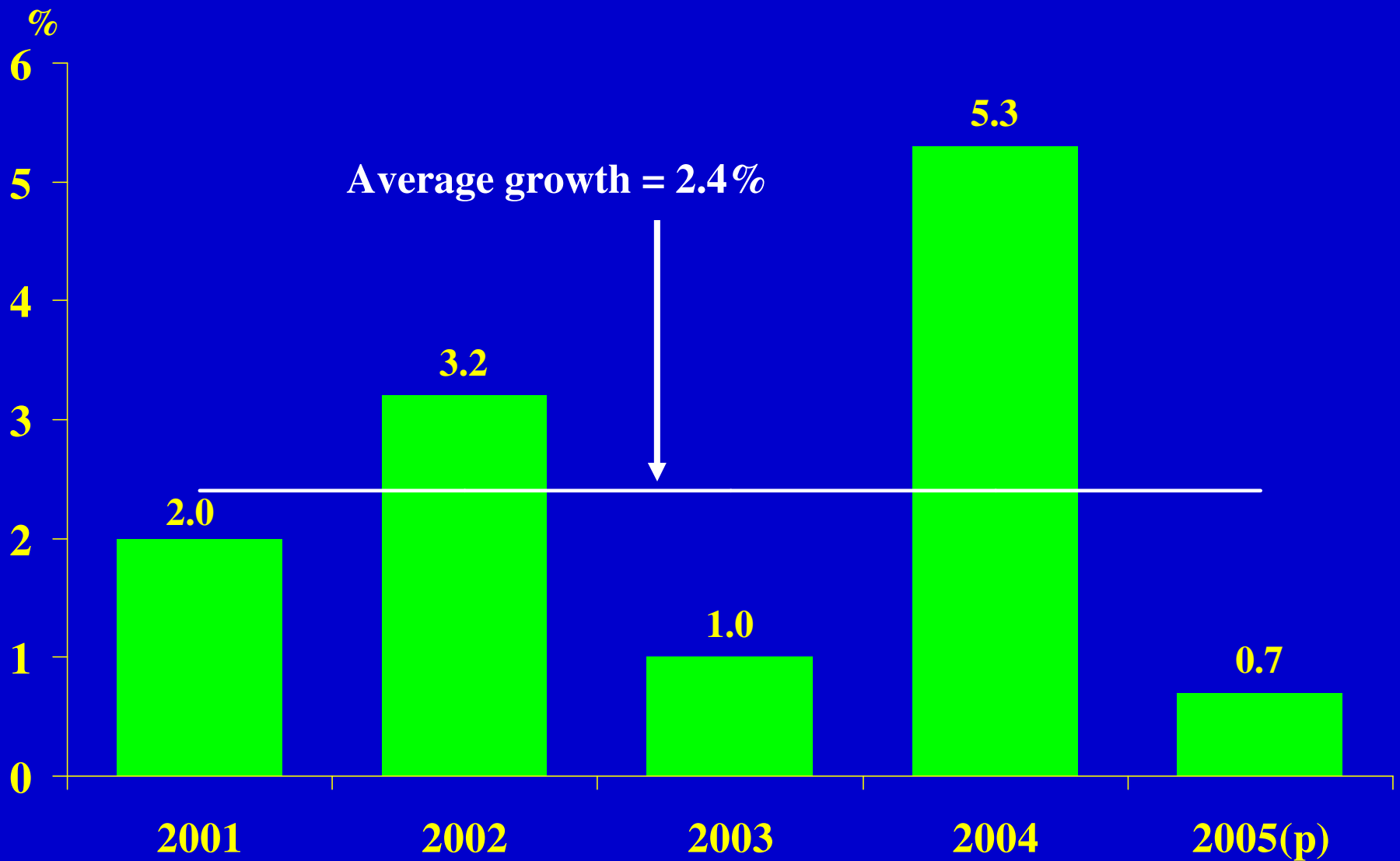
OUTLINE

- **HOW HAVE WE PERFORMED?**
- **WHAT ARE THE RISKS TO FUTURE GROWTH?**
- **WHAT POLICIES ARE AVAILABLE TO REDUCE RISKS?**
- **WHAT CAN WE DO TO RAISE ECONOMIC GROWTH?**
- **KEY MESSAGES**

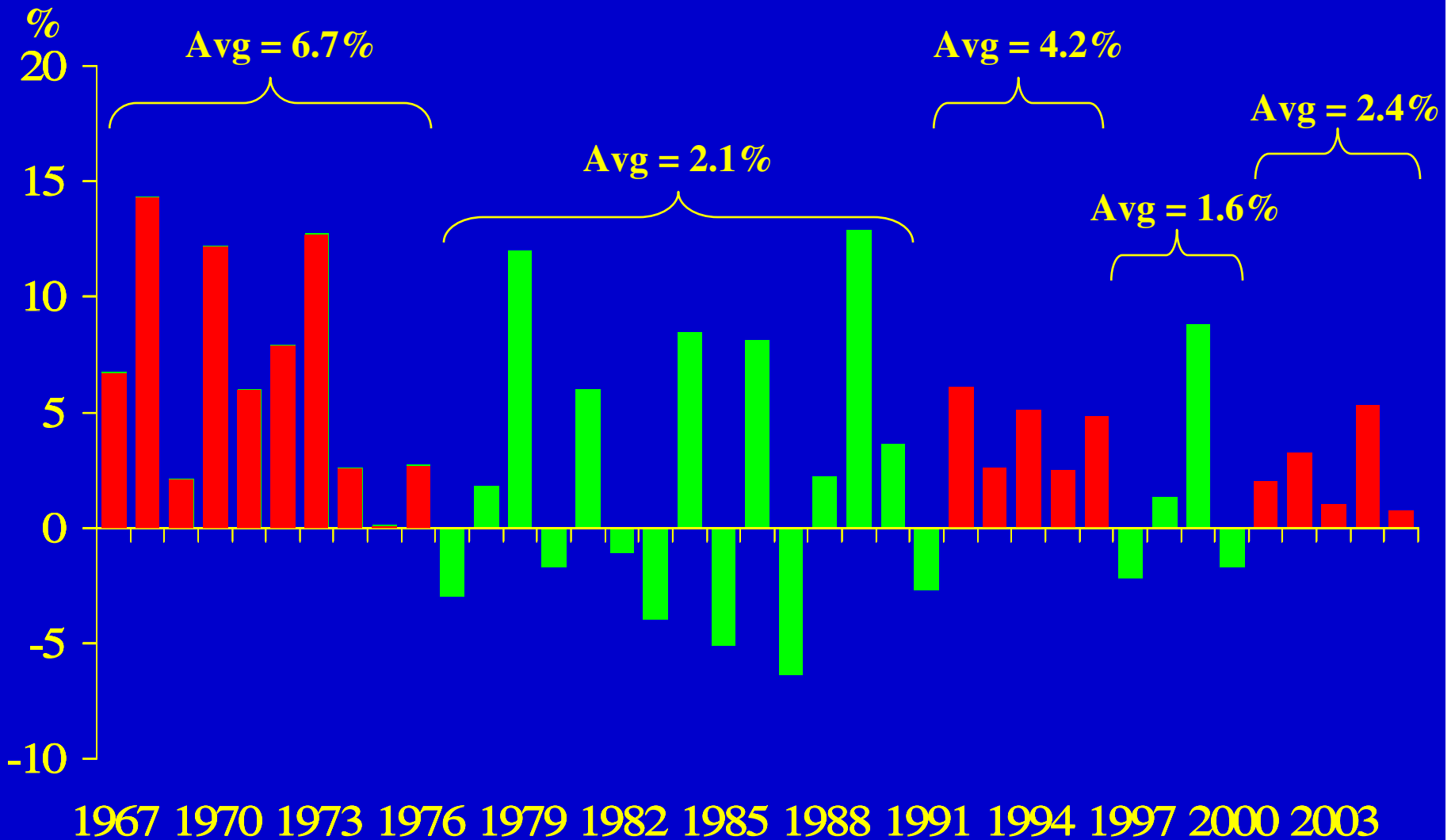


HOW HAVE WE PERFORMED?

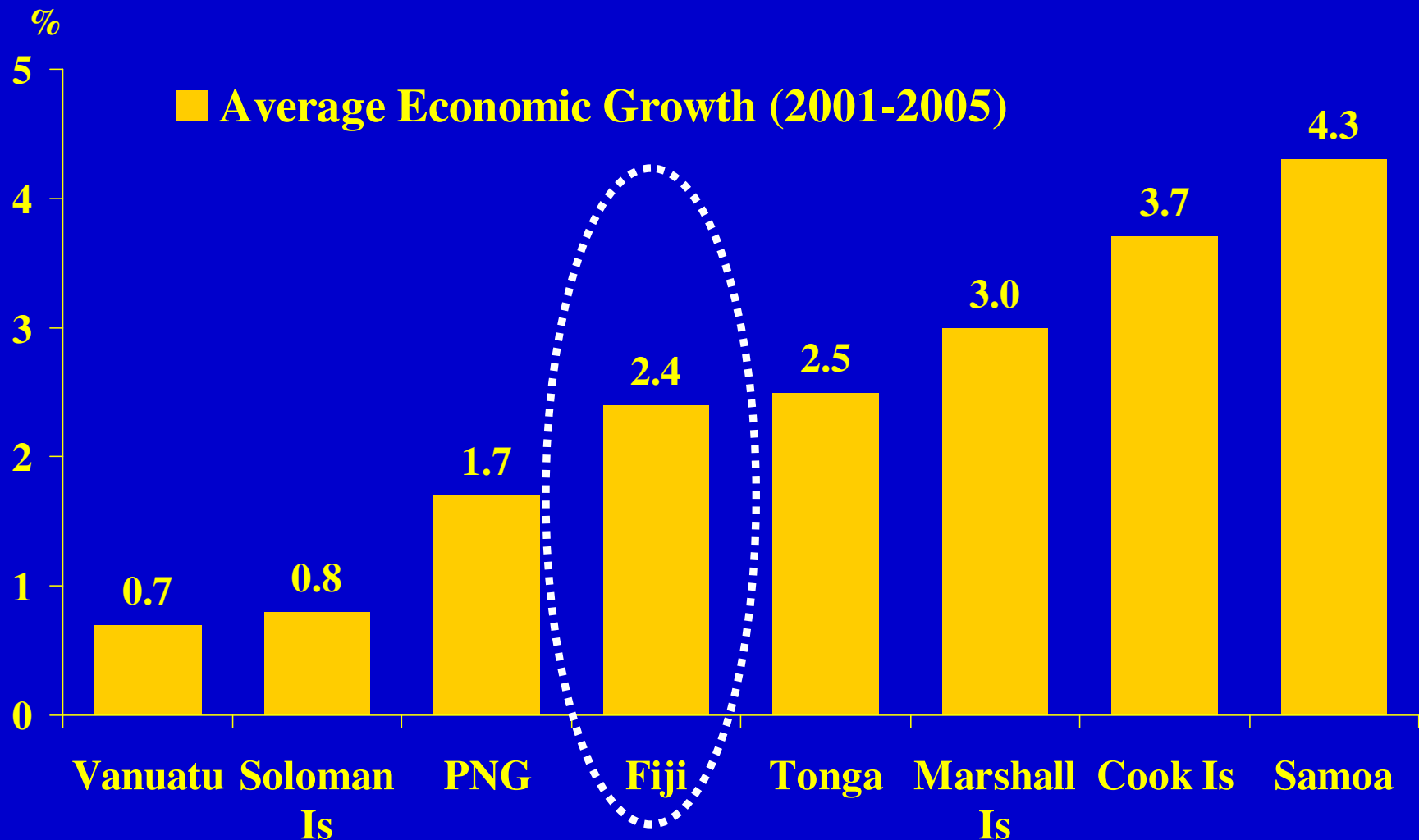
ECONOMIC GROWTH 2001-2005



ECONOMIC GROWTH 1967-2005

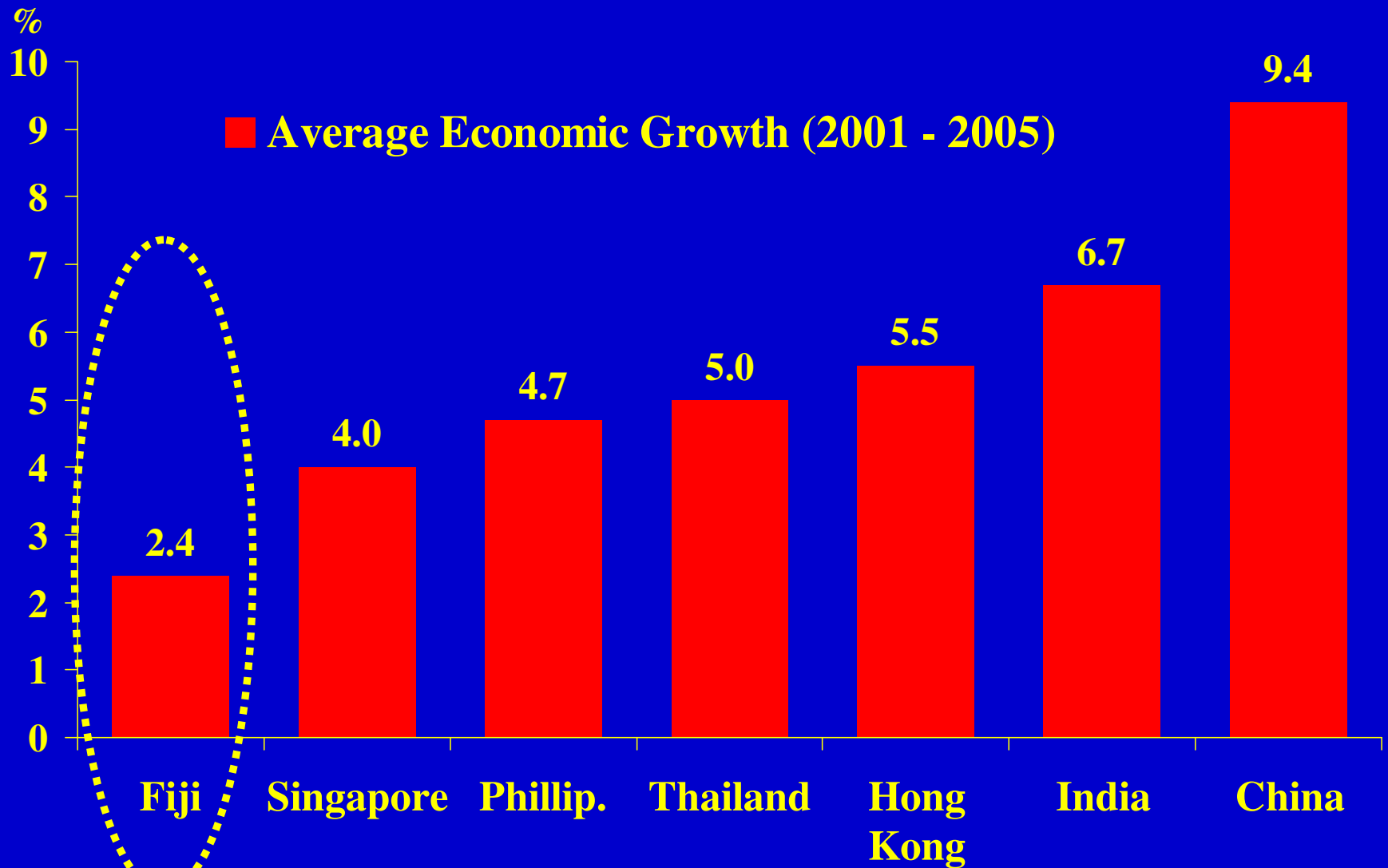


GROWTH IN SELECTED PACIFIC ECONOMIES



Source: International Financial Statistics/IMF Article IV Reports/ 2006
UNESCAP Report/ central banks' quarterly reports.

SELECTED ASIAN COUNTRIES

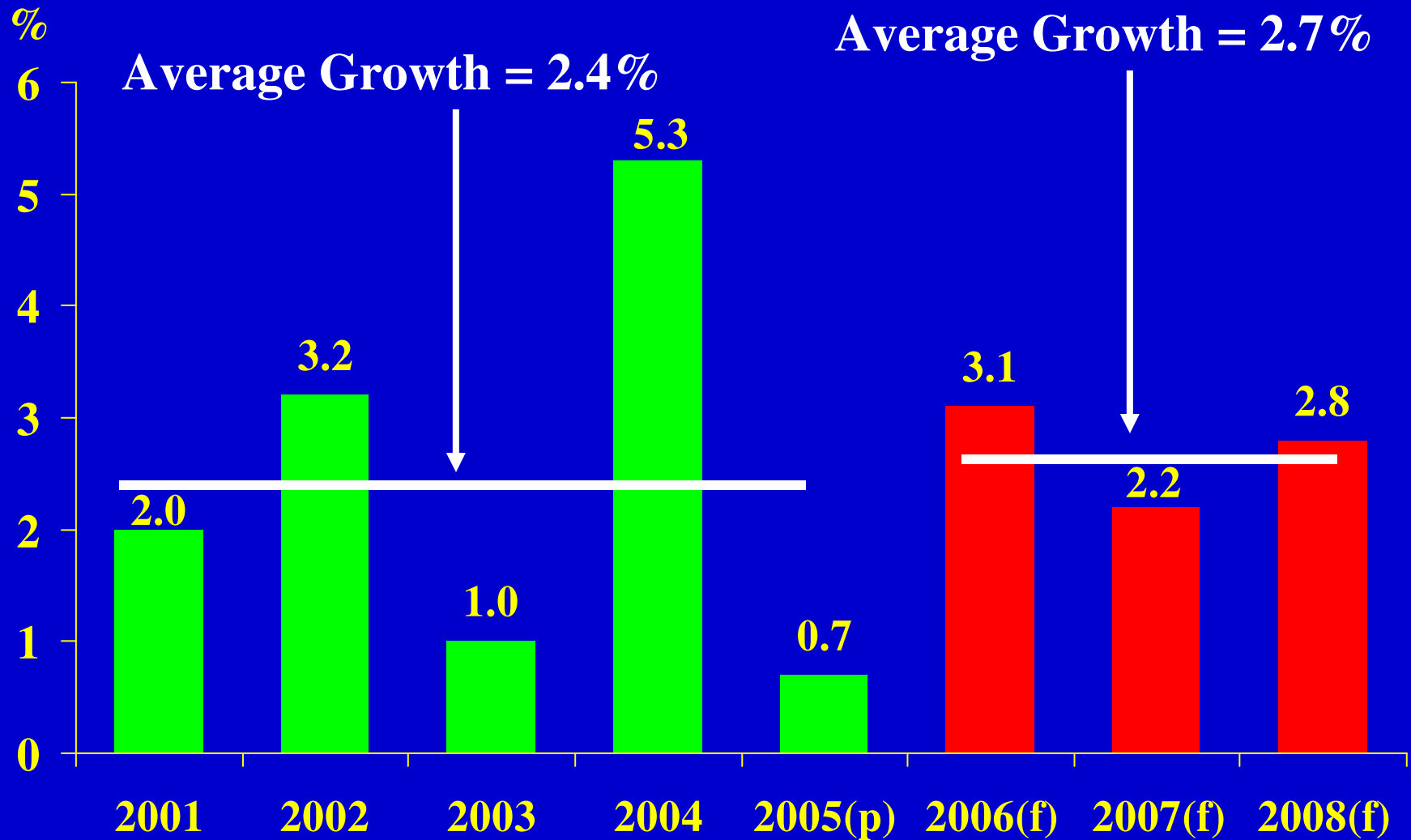


FACTORS AFFECTING ECONOMIC GROWTH

- **SMALLNESS / ISOLATION**
- **NATURAL DISASTERS**
- **LOSS OF PREFERENTIAL ACCESS**
- **SLOW REFORMS**
- **LOW PRODUCTIVITY AND EFFICIENCY**
- **SLOW POLICY IMPLEMENTATION**
- **POLITICAL INSTABILITY**

GDP GROWTH

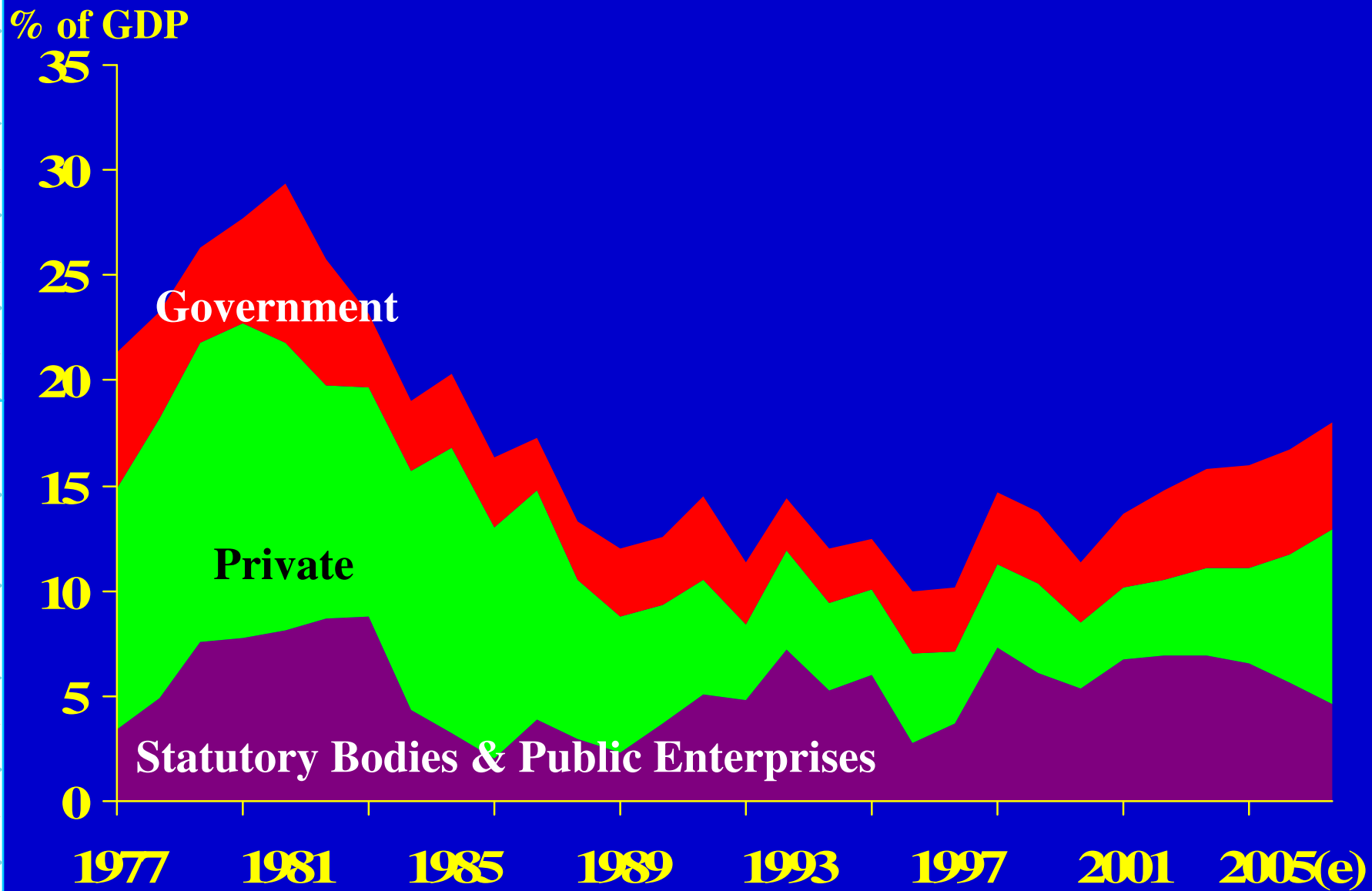
2006-2008



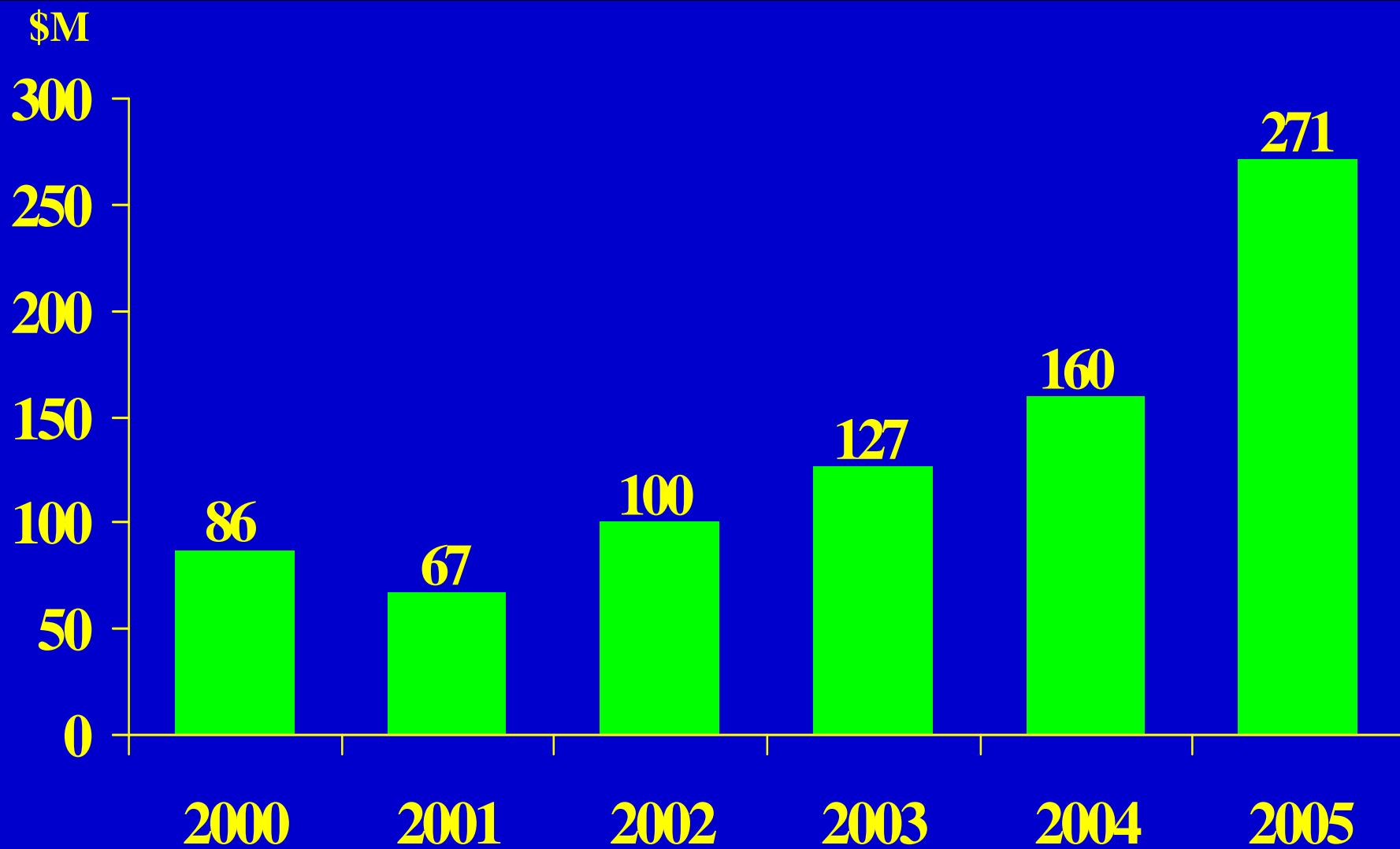


INVESTMENT IS GROWING

INVESTMENT



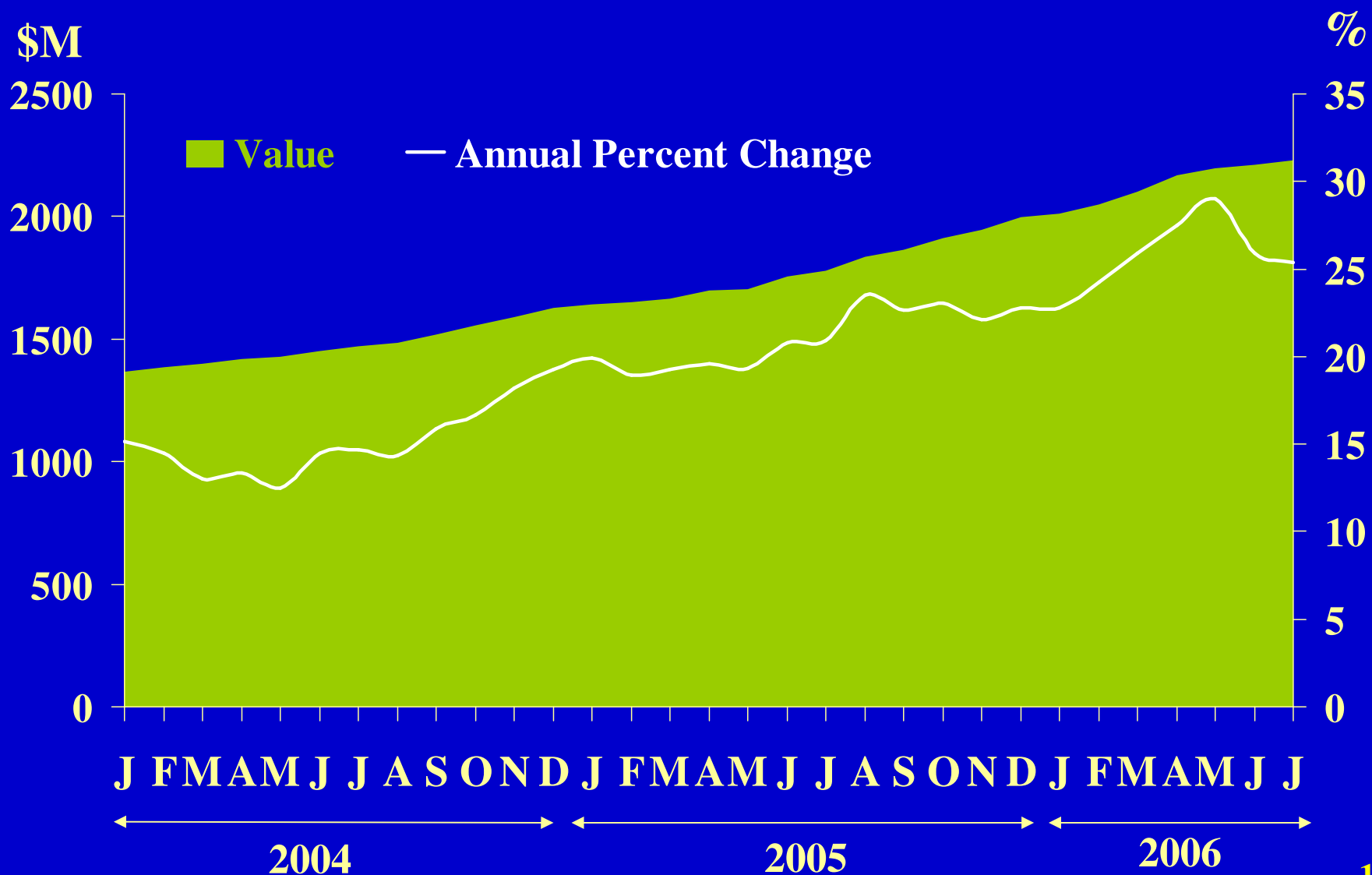
TOTAL VALUE OF WORK PUT IN PLACE



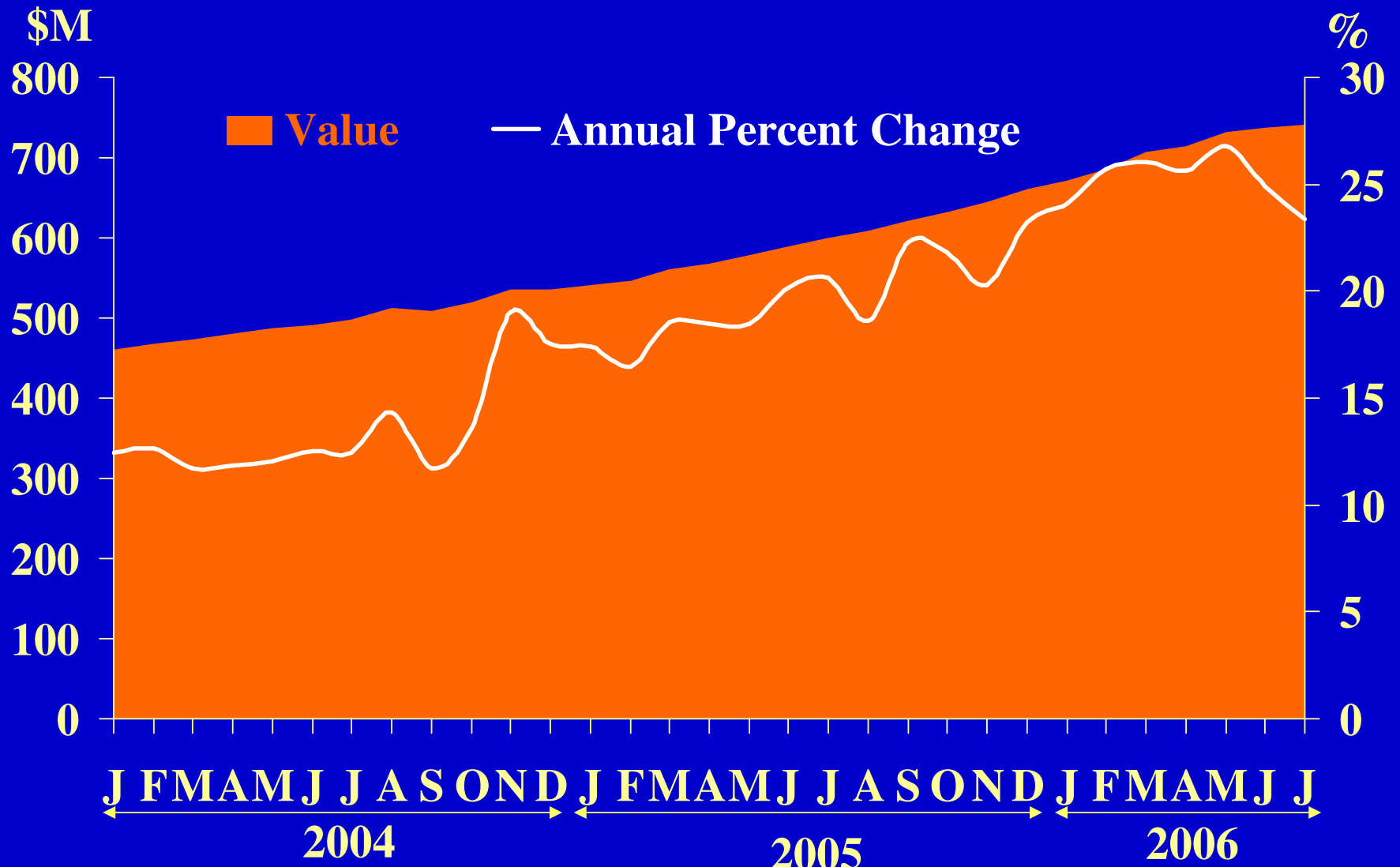


GROWTH DRIVEN BY CONSUMPTION

COMMERCIAL BANK LENDING



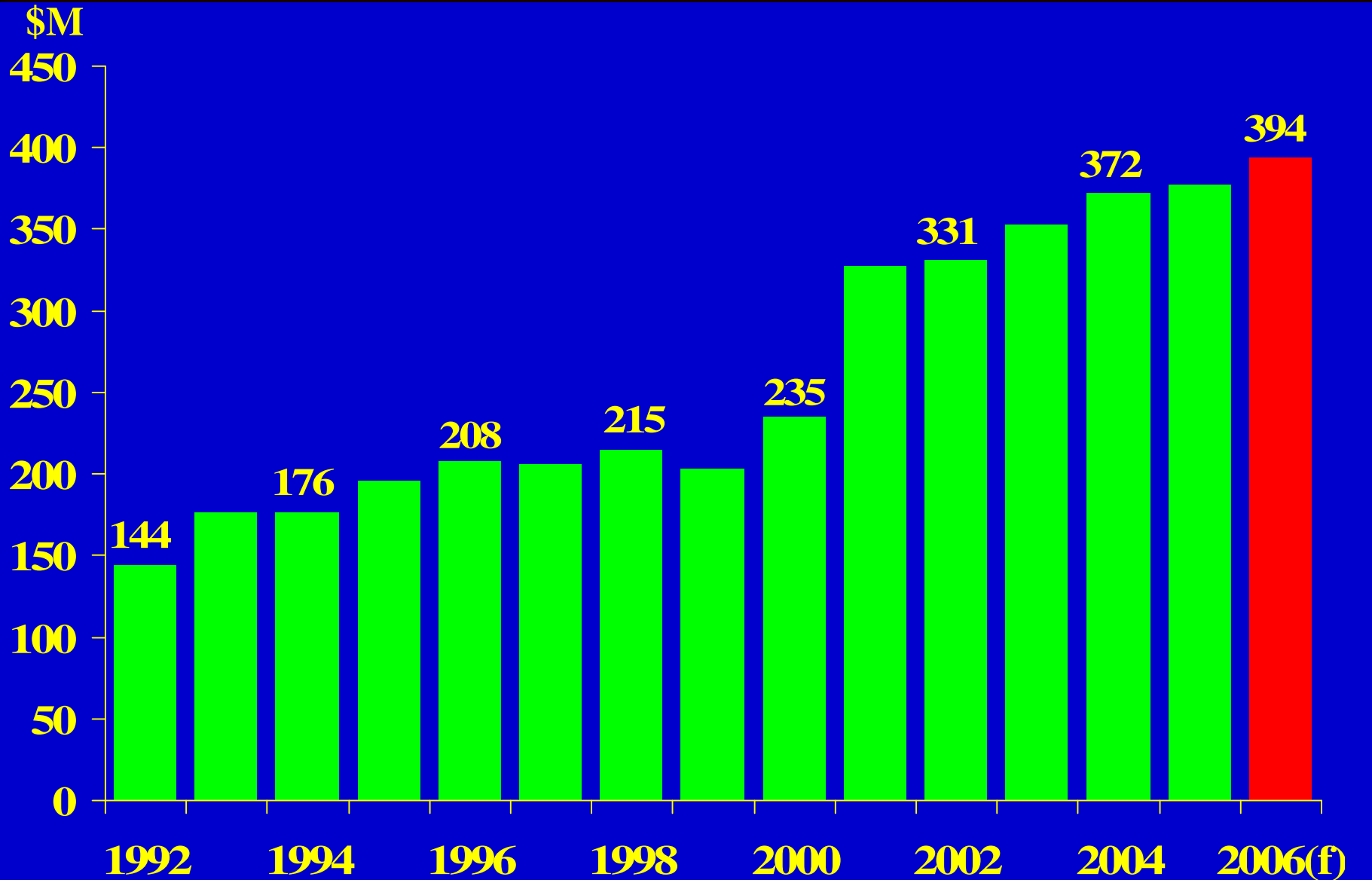
LENDING TO PRIVATE INDIVIDUALS



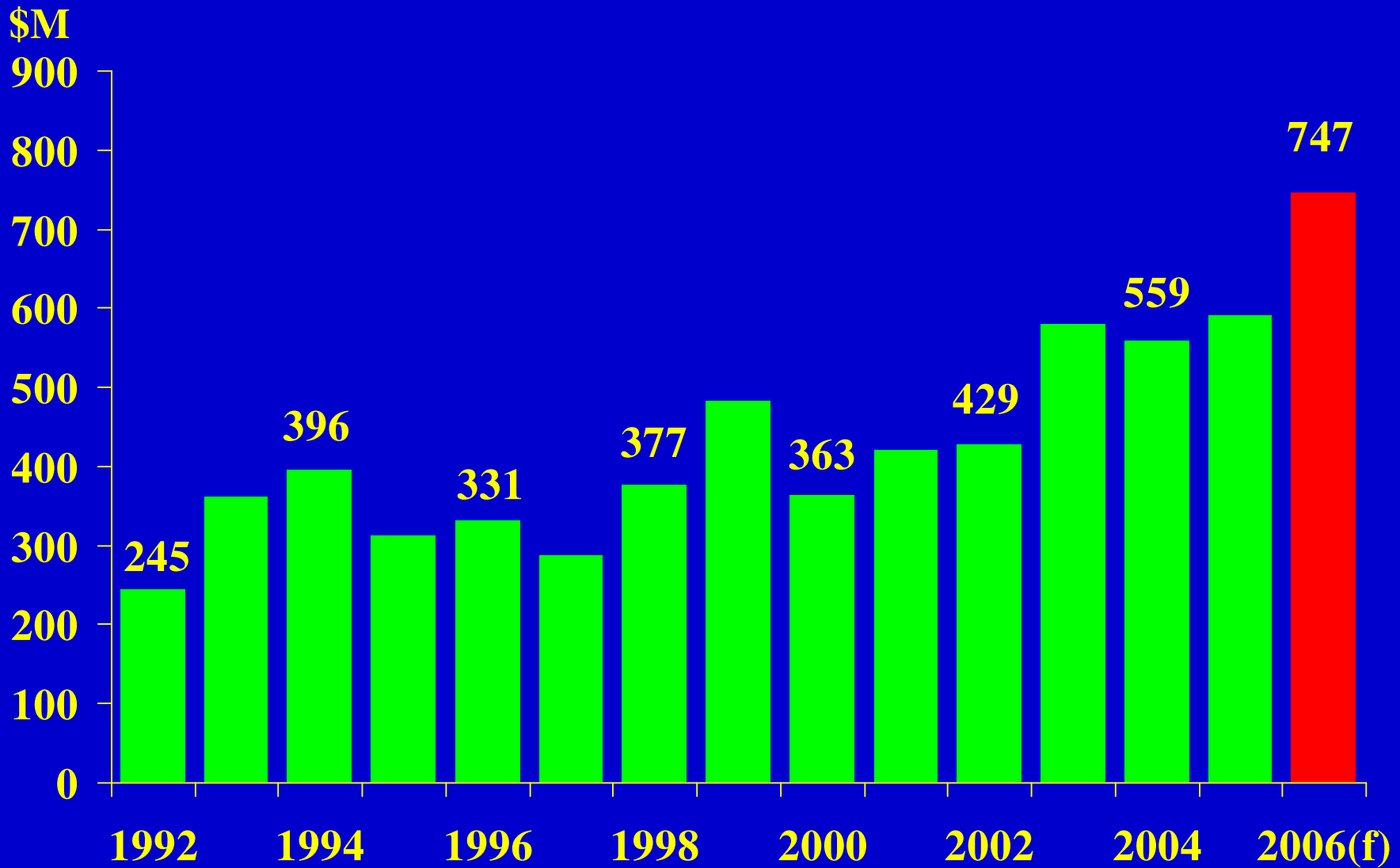


STRONG DEMAND IS LEADING TO RISING IMPORTS

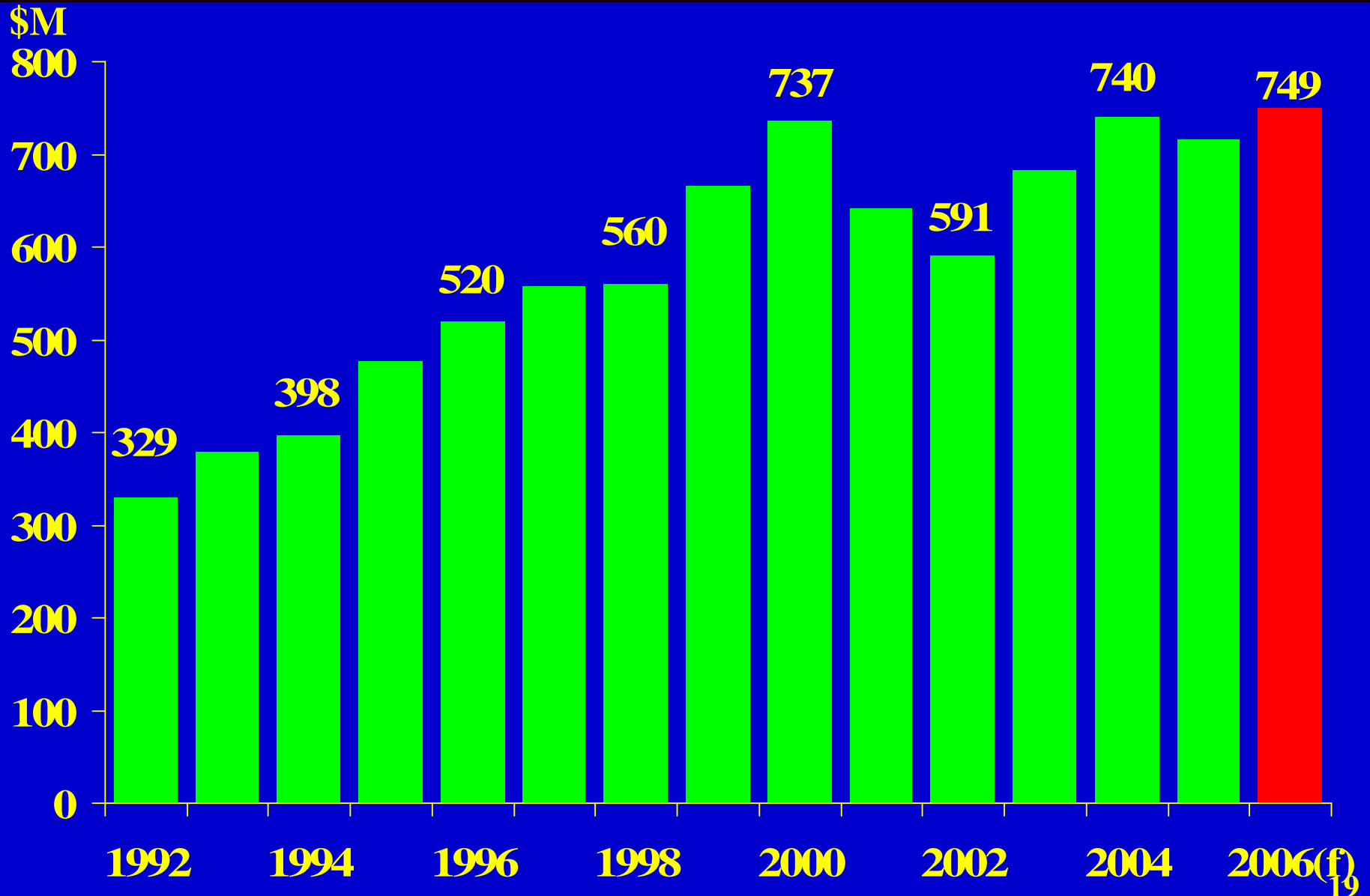
IMPORTS – FOOD, BEVERAGE & TOBACCO



IMPORTS – MACH. ELECT. & TRANSPORT EQUIPMENT

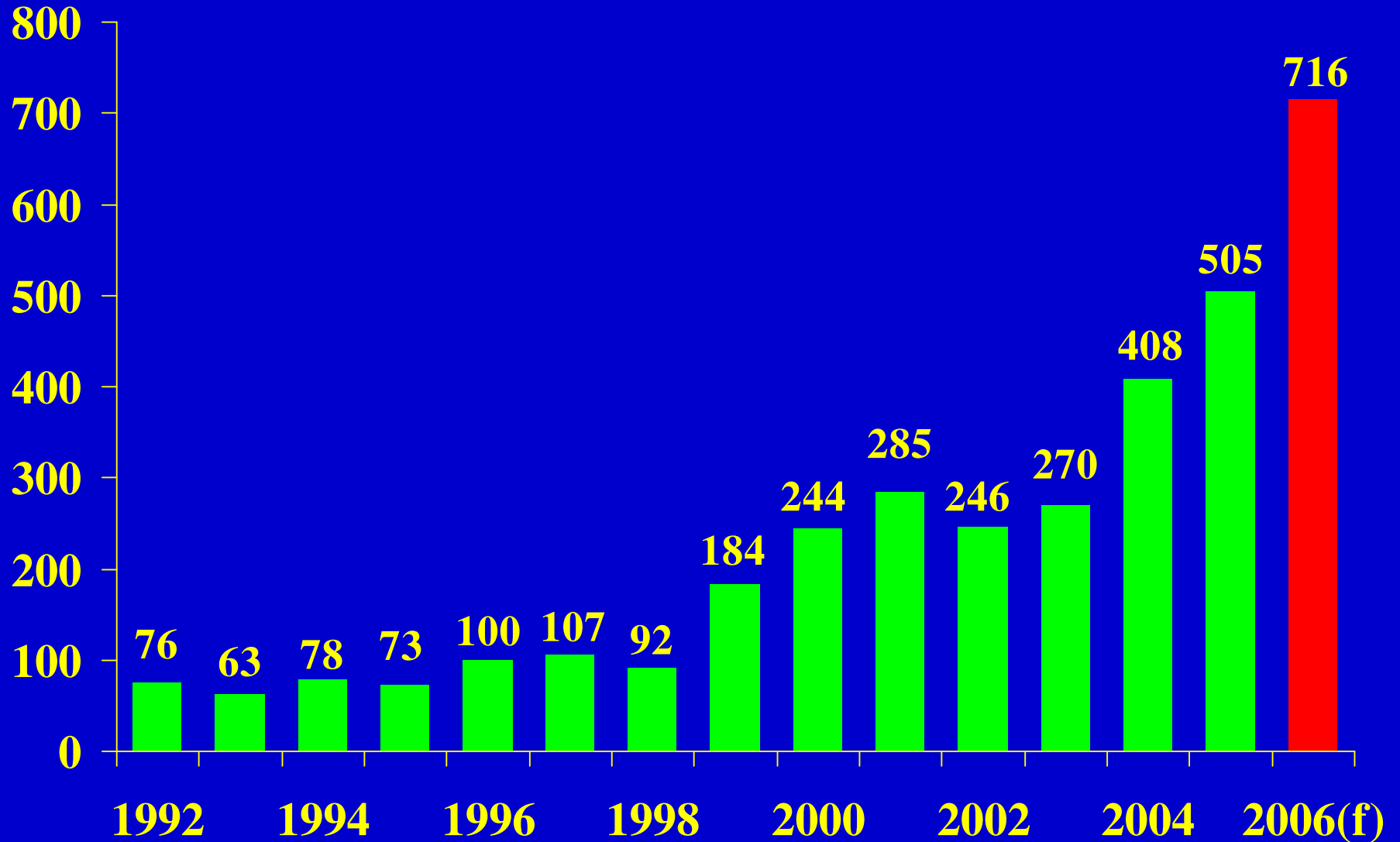


IMPORTS – TOTAL MANUFACTURED GOODS



DOMESTIC MINERAL FUEL IMPORTS

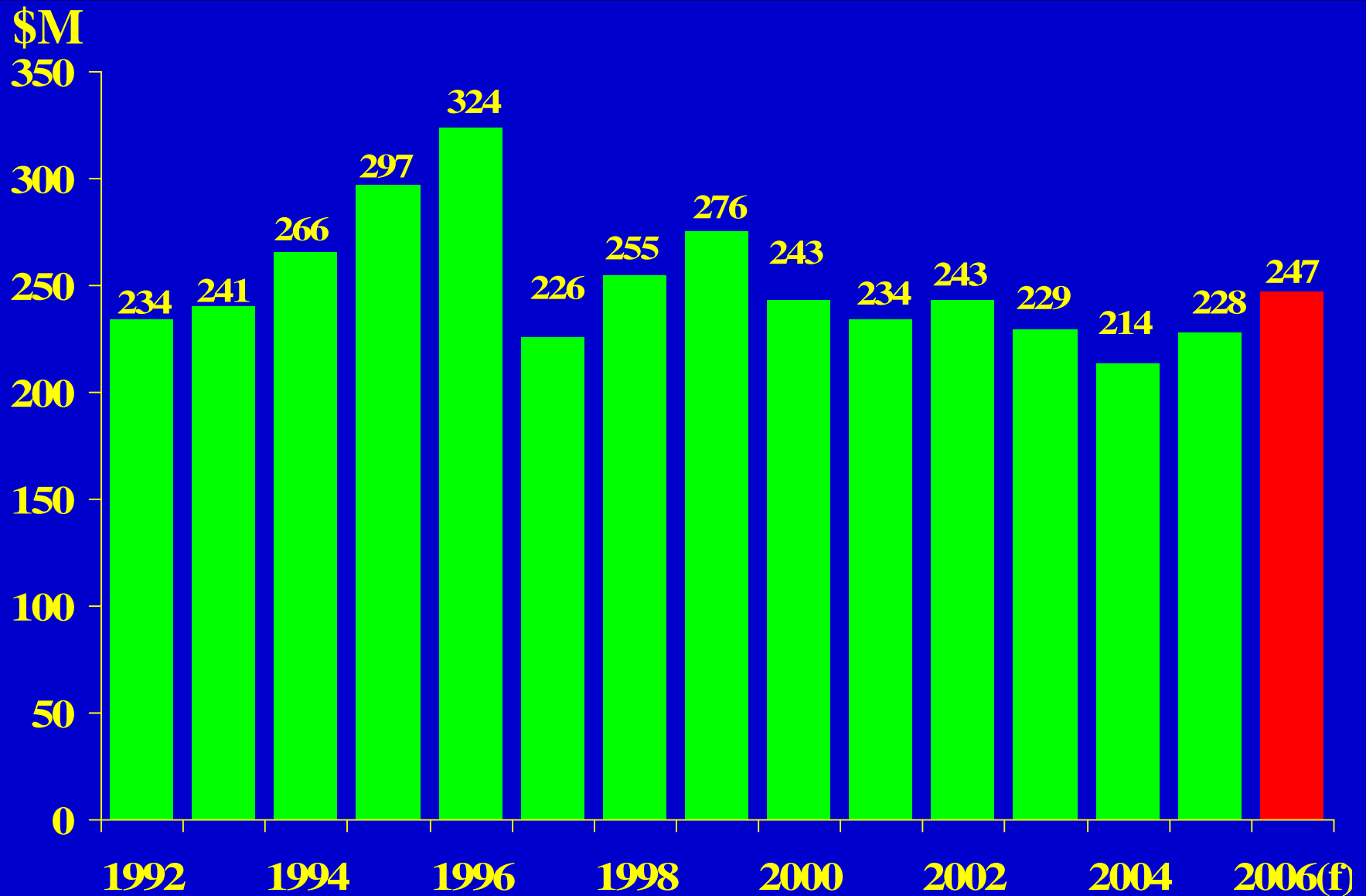
\$M





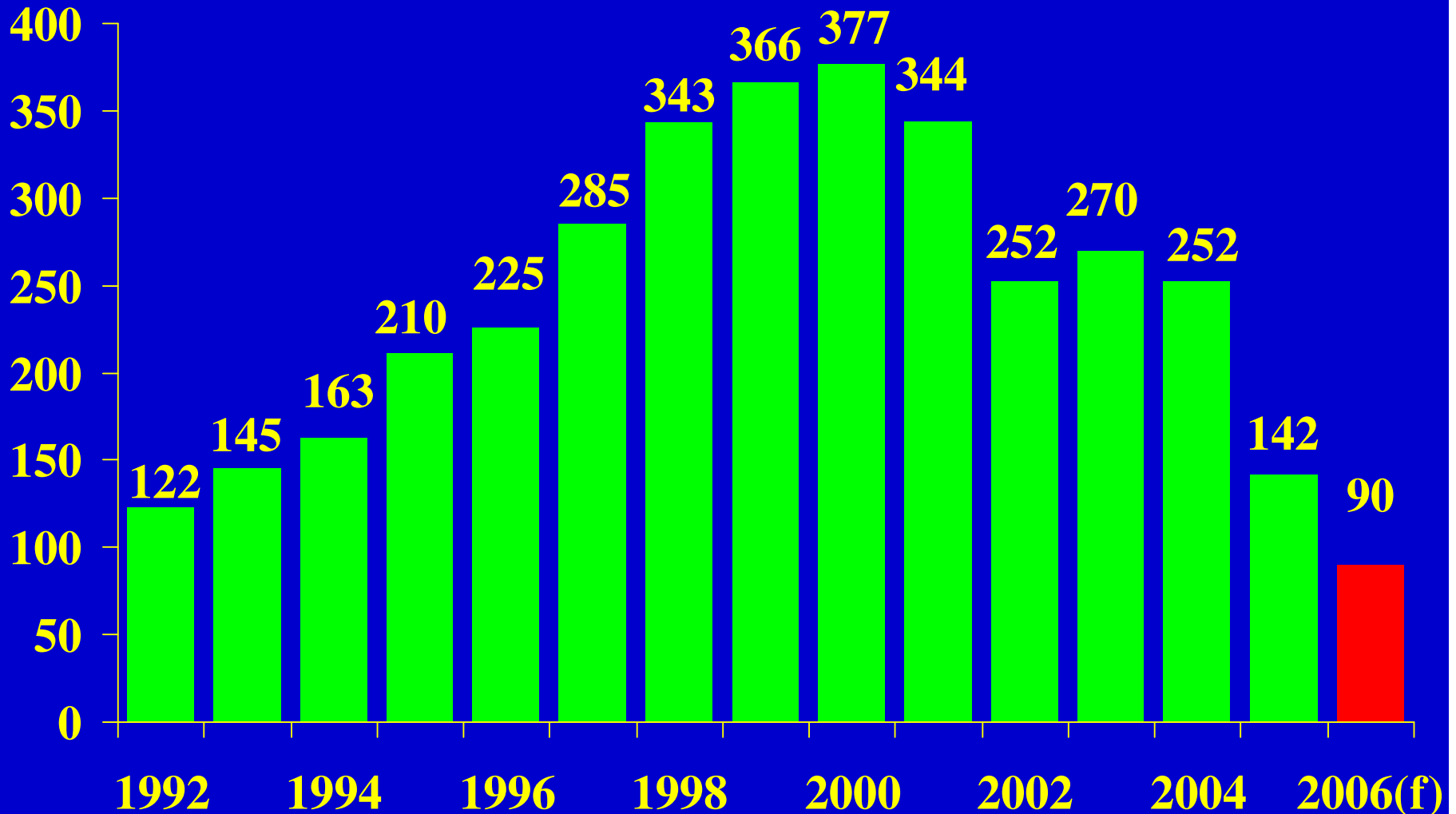
WHILE COMMODITY EXPORTS ARE NOT DOING WELL

SUGAR EXPORTS

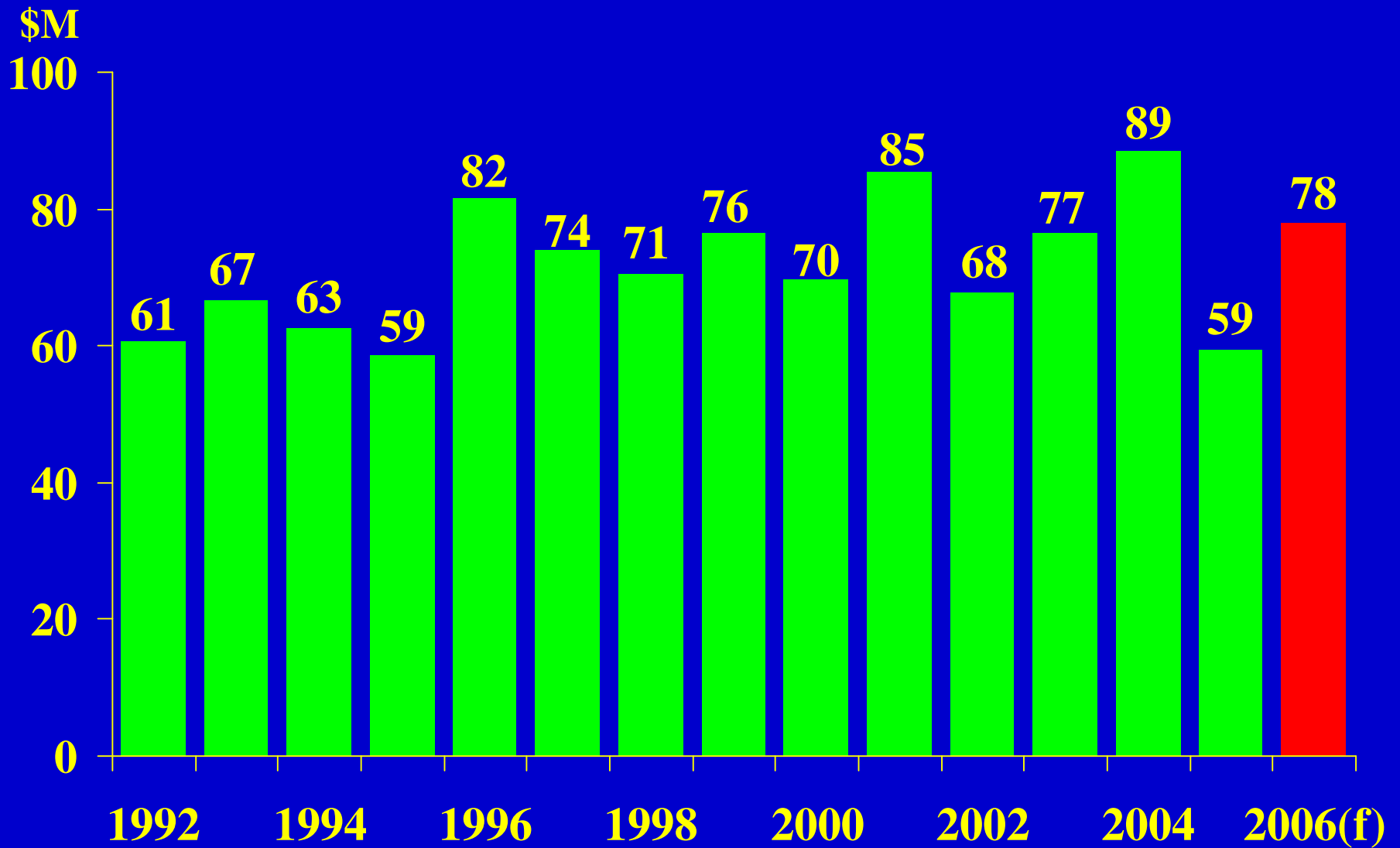


GARMENTS EXPORTS

\$M

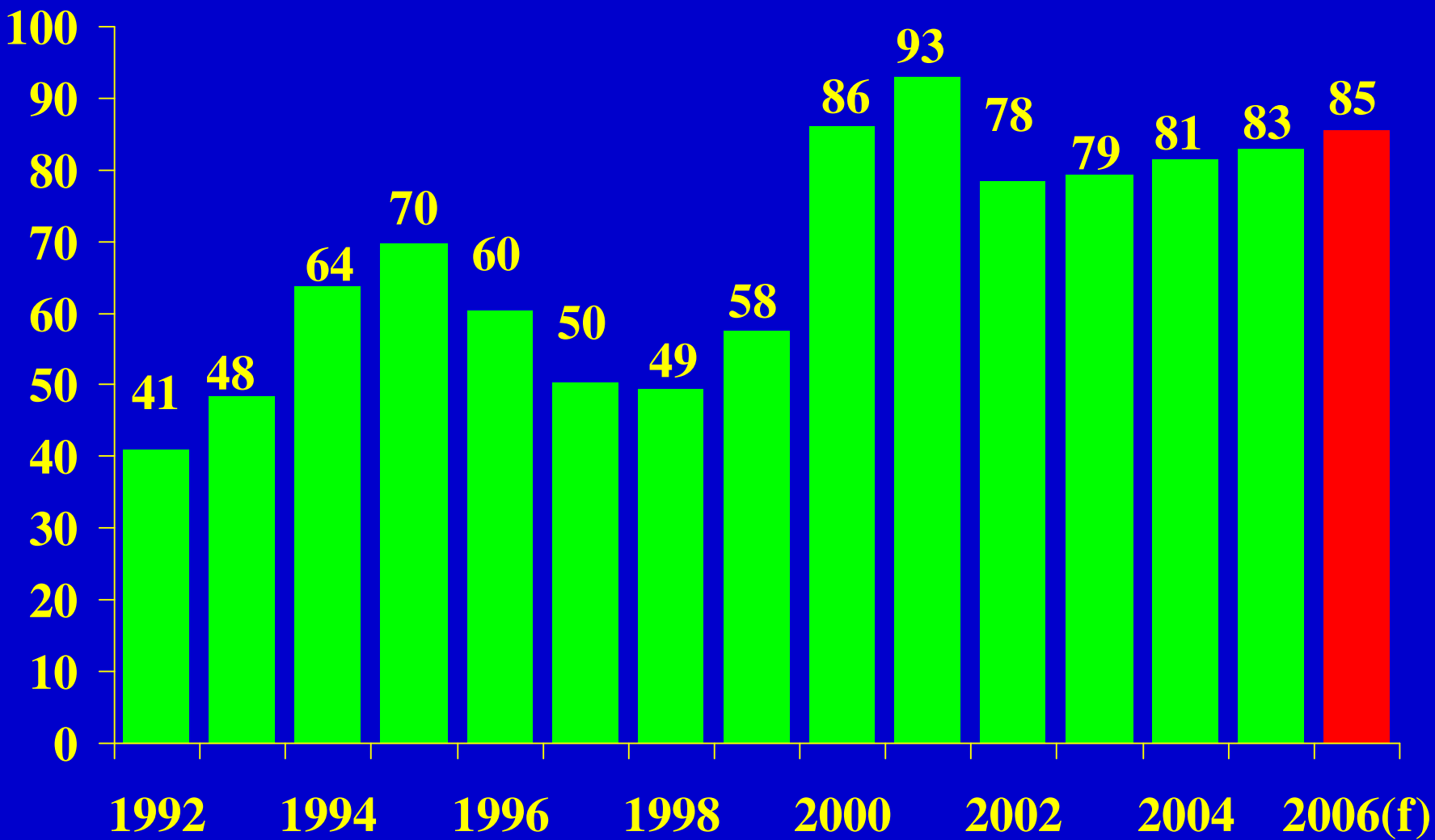



GOLD EXPORTS



FISH EXPORTS

\$M



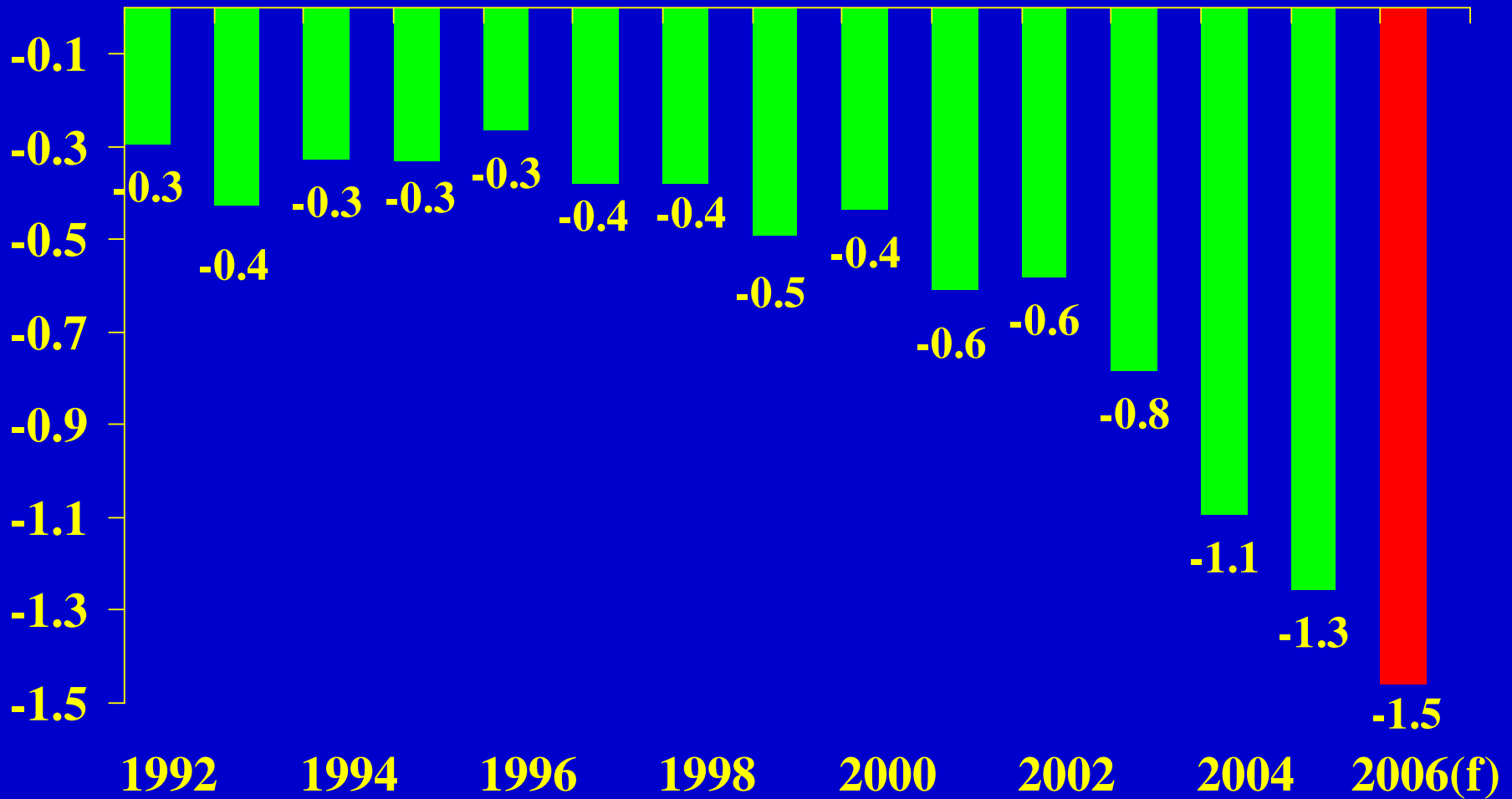


**AS A RESULT
THE TRADE GAP IS
WIDENING**

WIDENING TRADE GAP

\$B

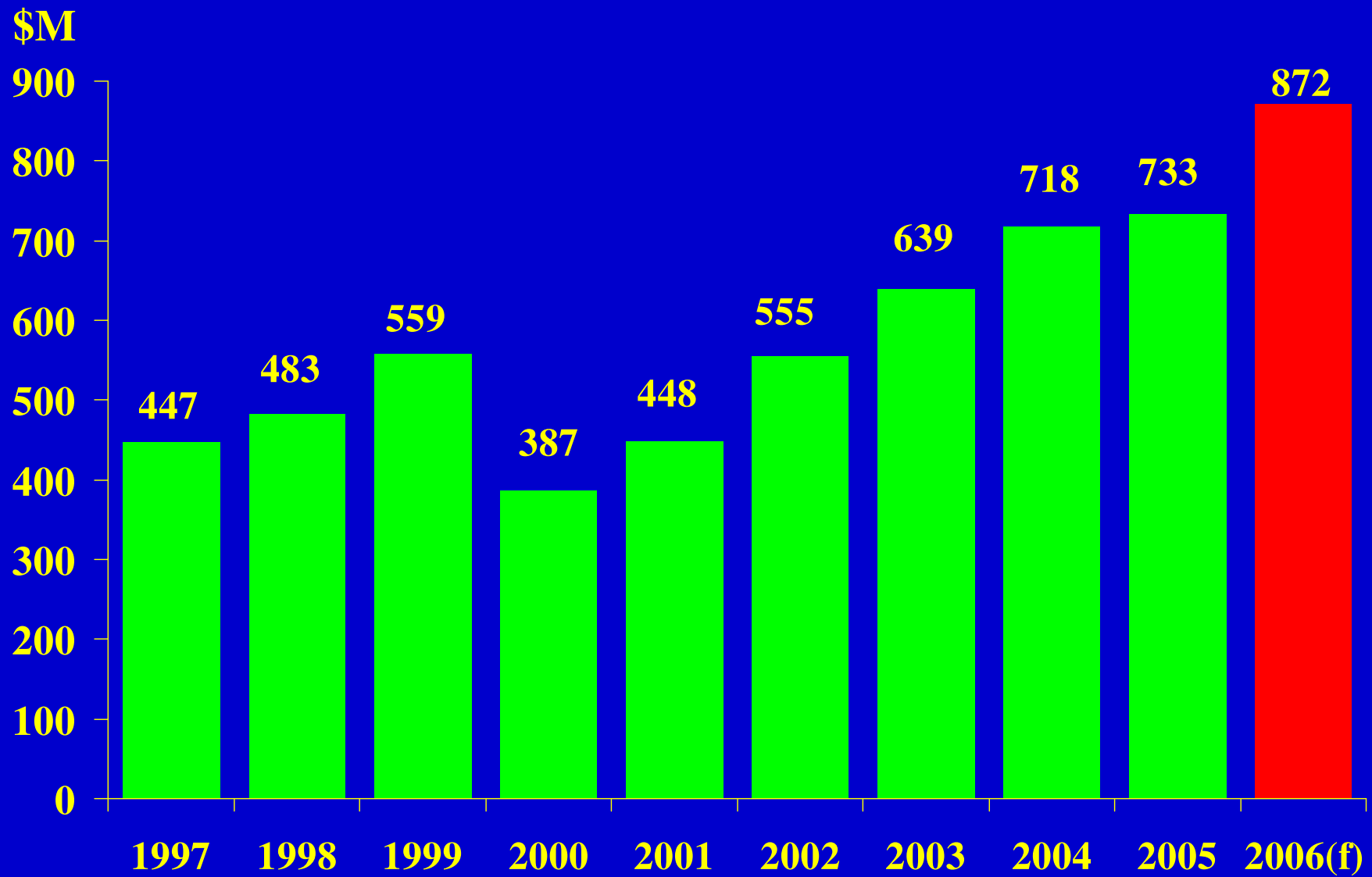
3 YEAR AVERAGE DEFICIT \$1.3b



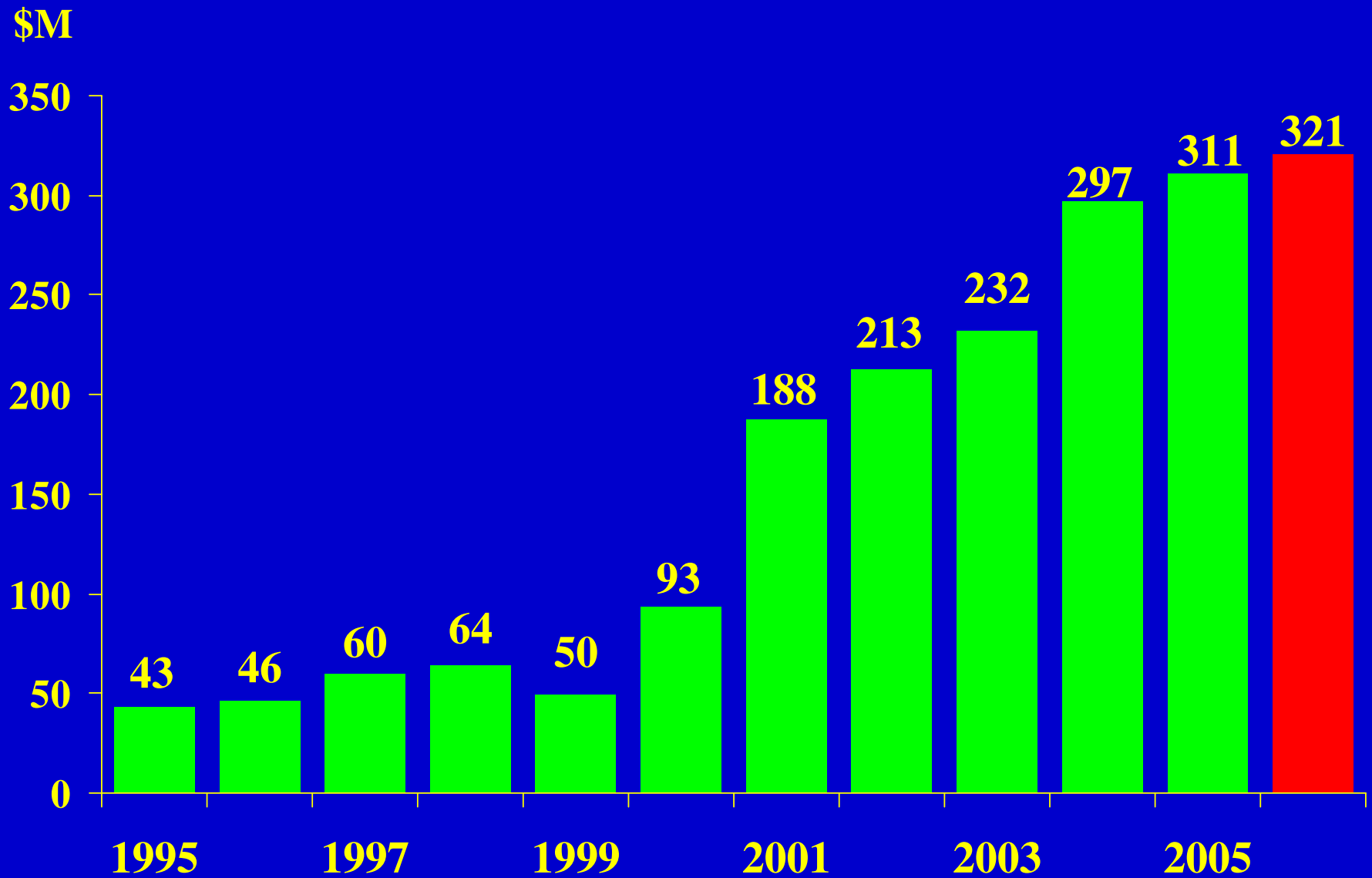



SERVICES INFLOWS ARE GROWING

TOURISM RECEIPTS



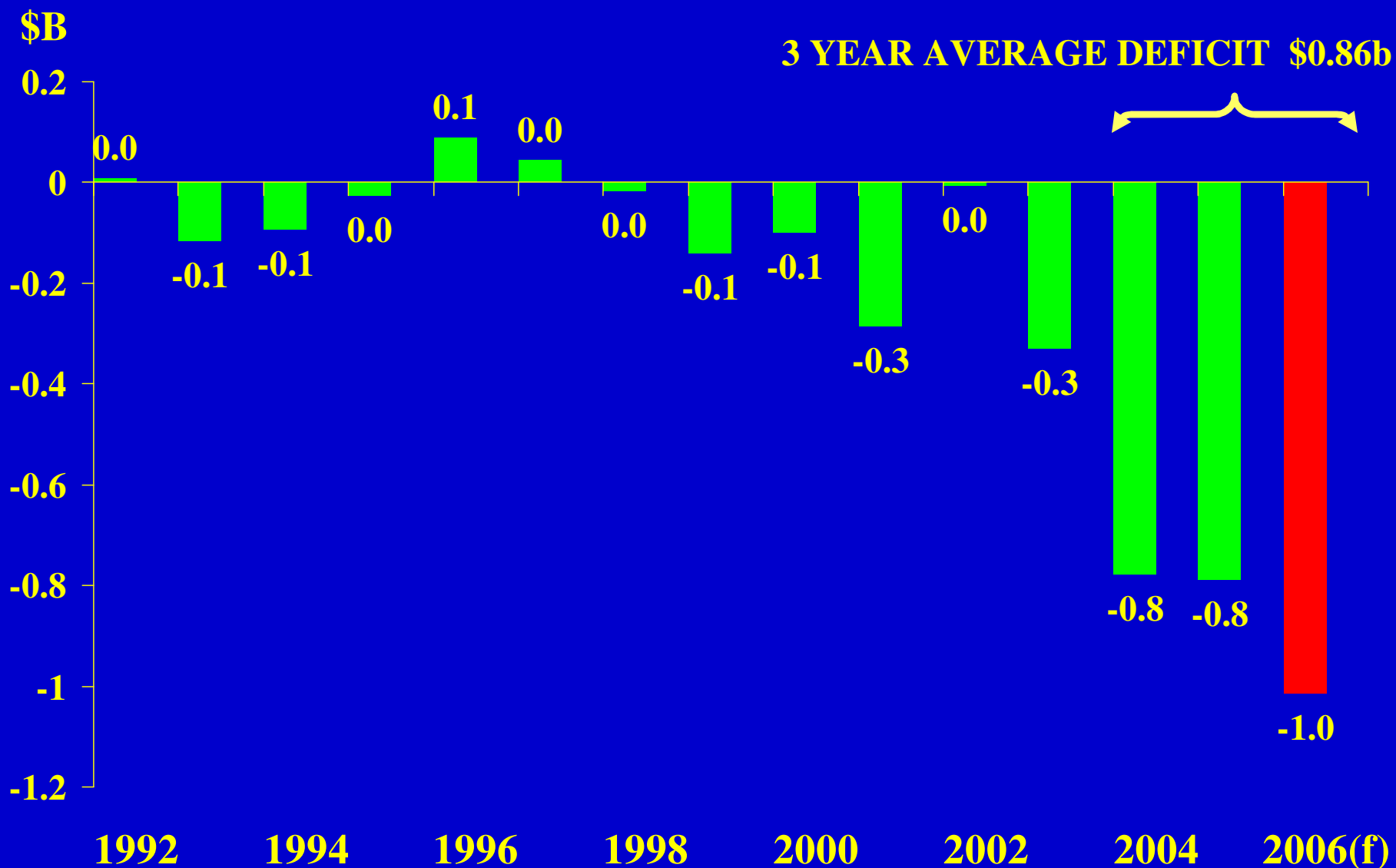
PERSONAL REMITTANCES



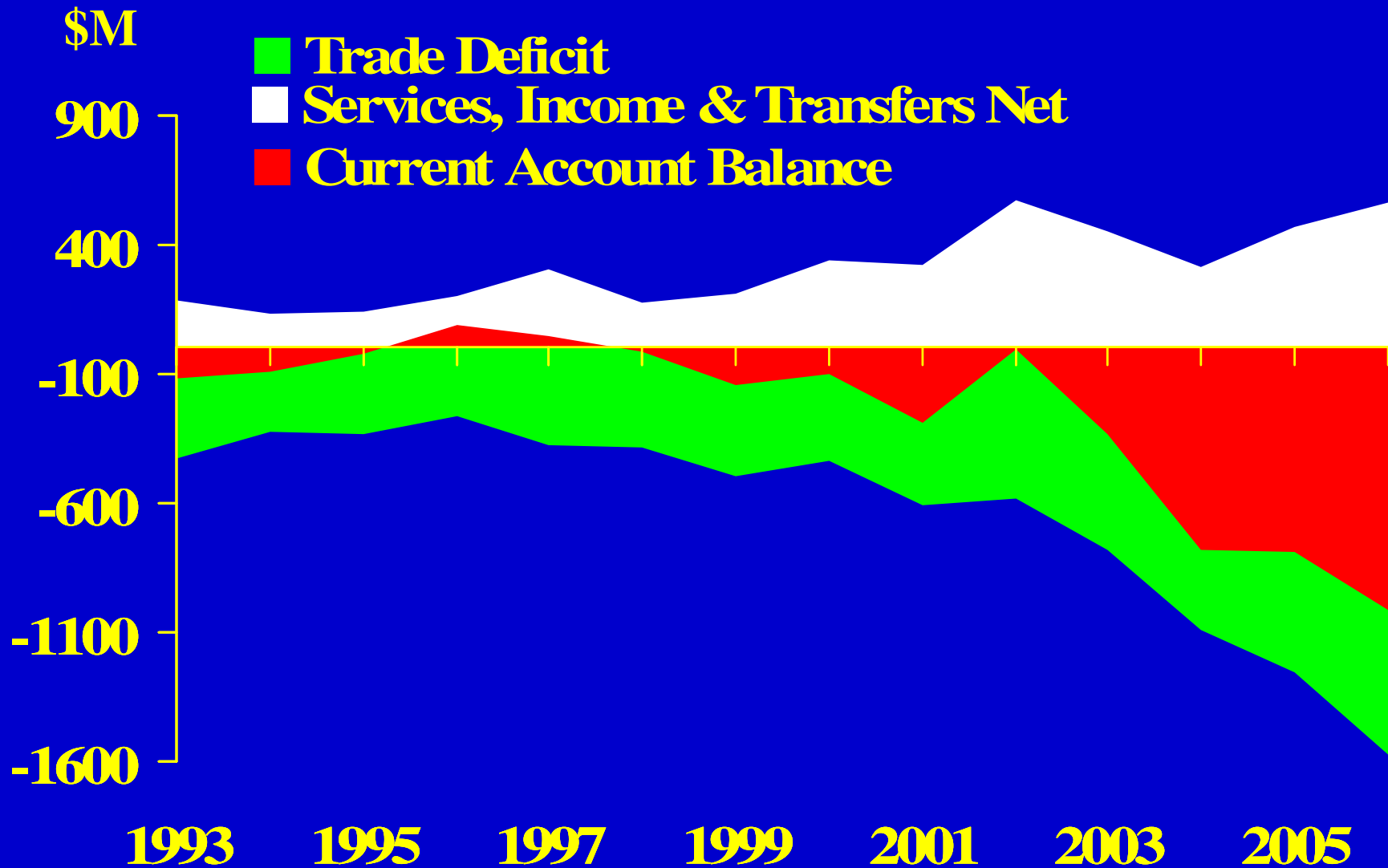


**SURPLUS ON SERVICES
ACCOUNT NOT ENOUGH
TO OFFSET THE TRADE
GAP**

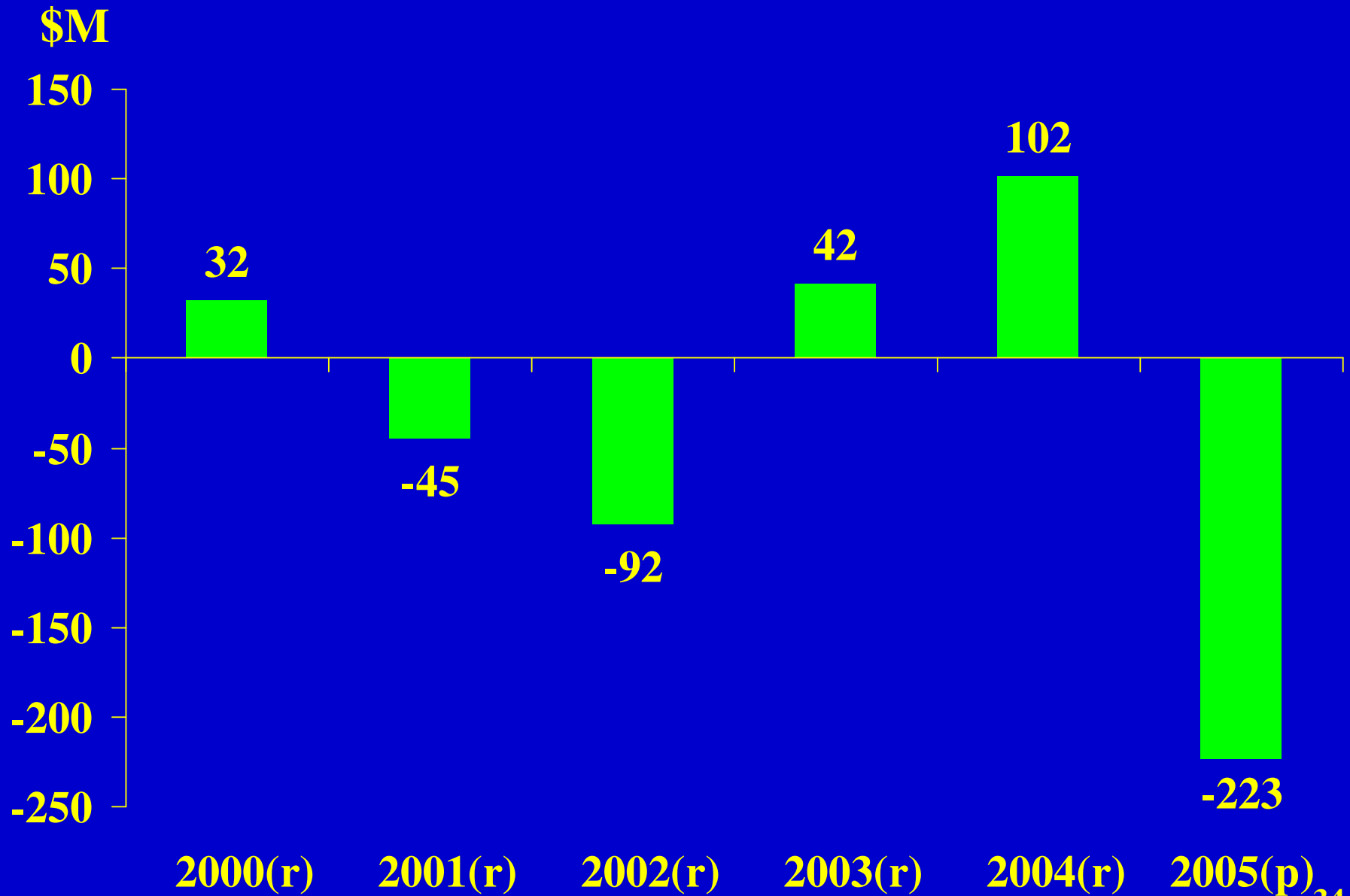
WORSENING CURRENT ACCOUNT DEFICIT



CURRENT ACCOUNT



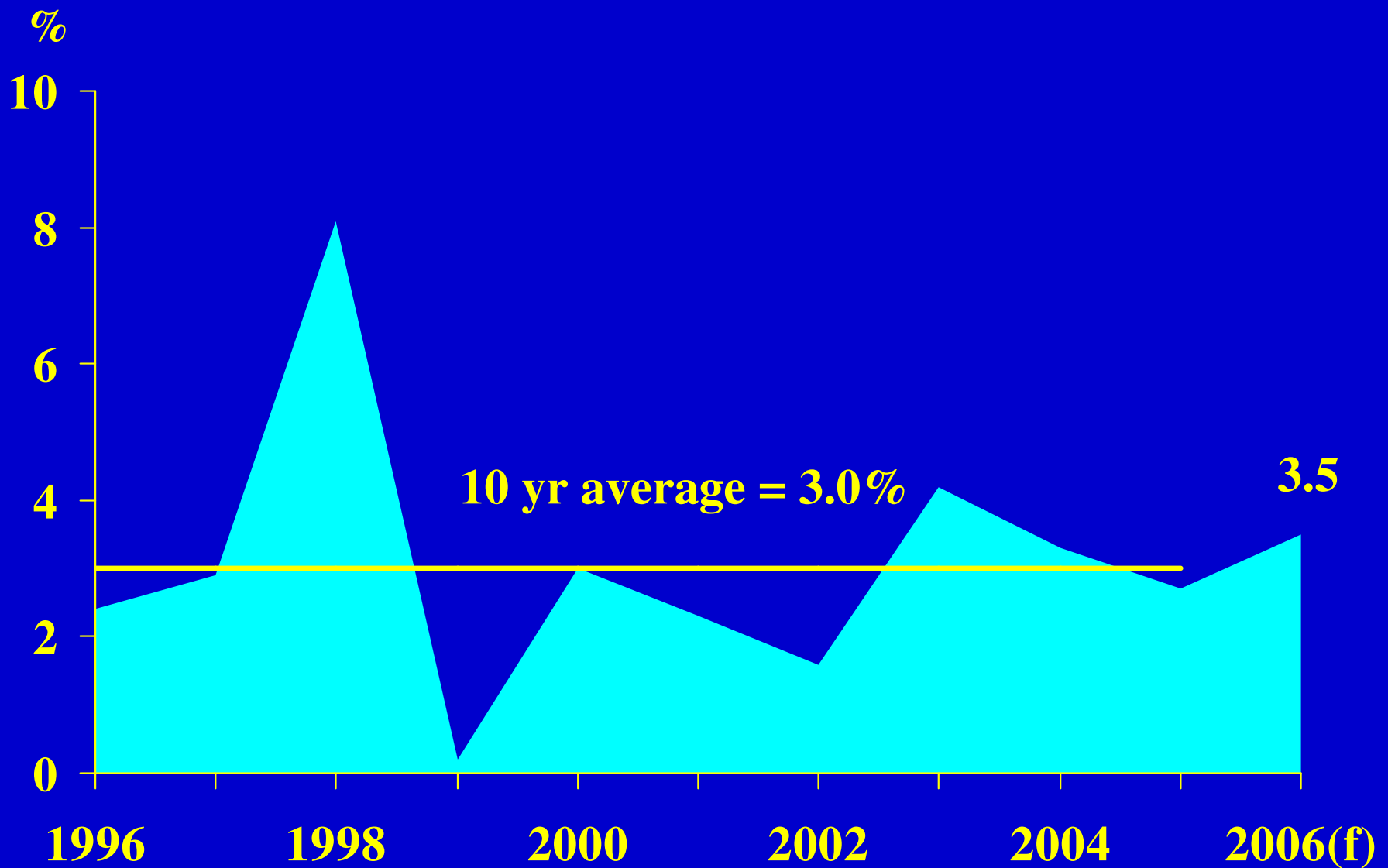
PRESSURE ON BOP: OVERALL BALANCE





INFLATION REMAINS LOW

INFLATION

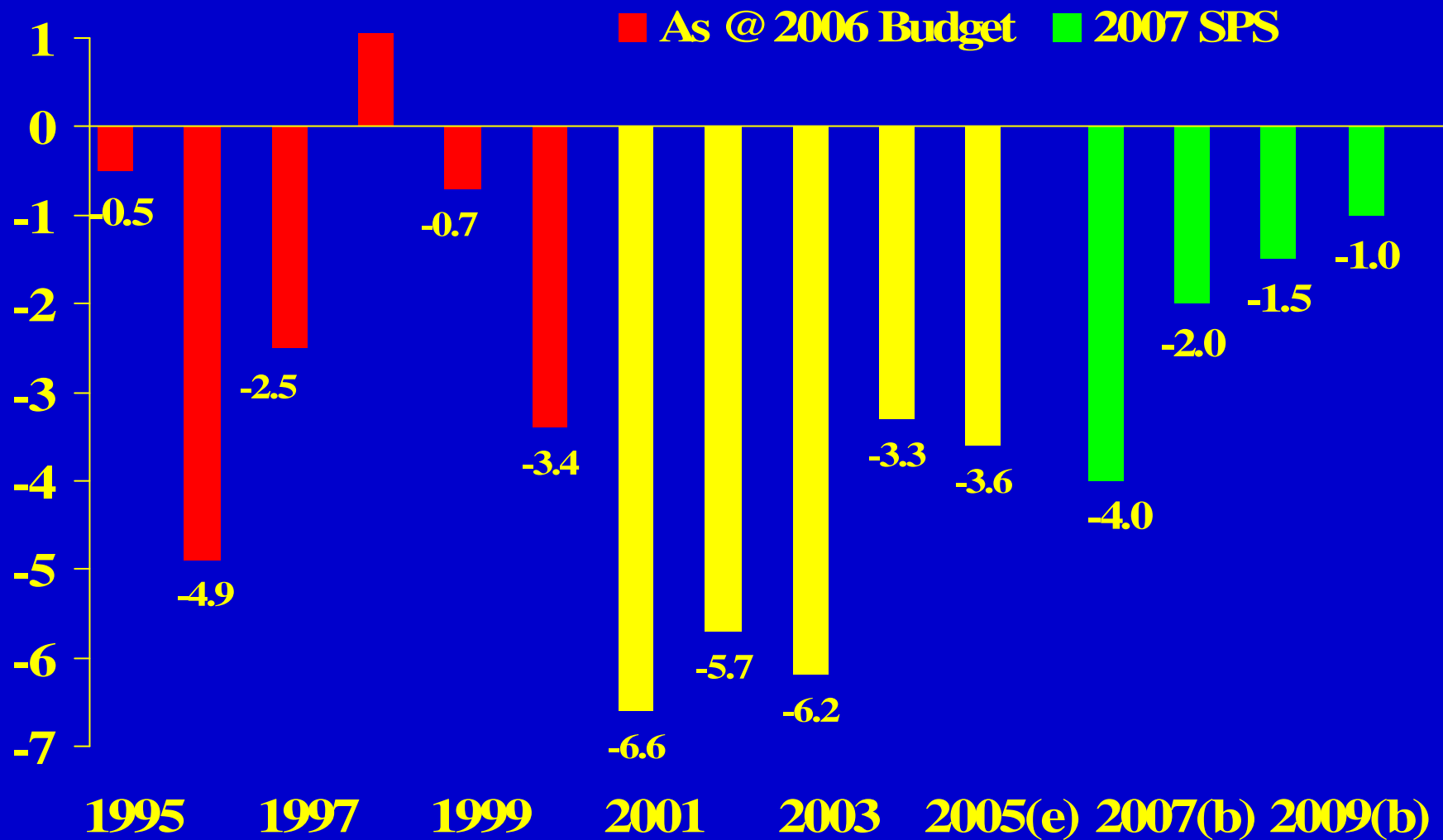




**EXPANSIONARY
FISCAL POLICY HAS
SUPPORTED GROWTH**

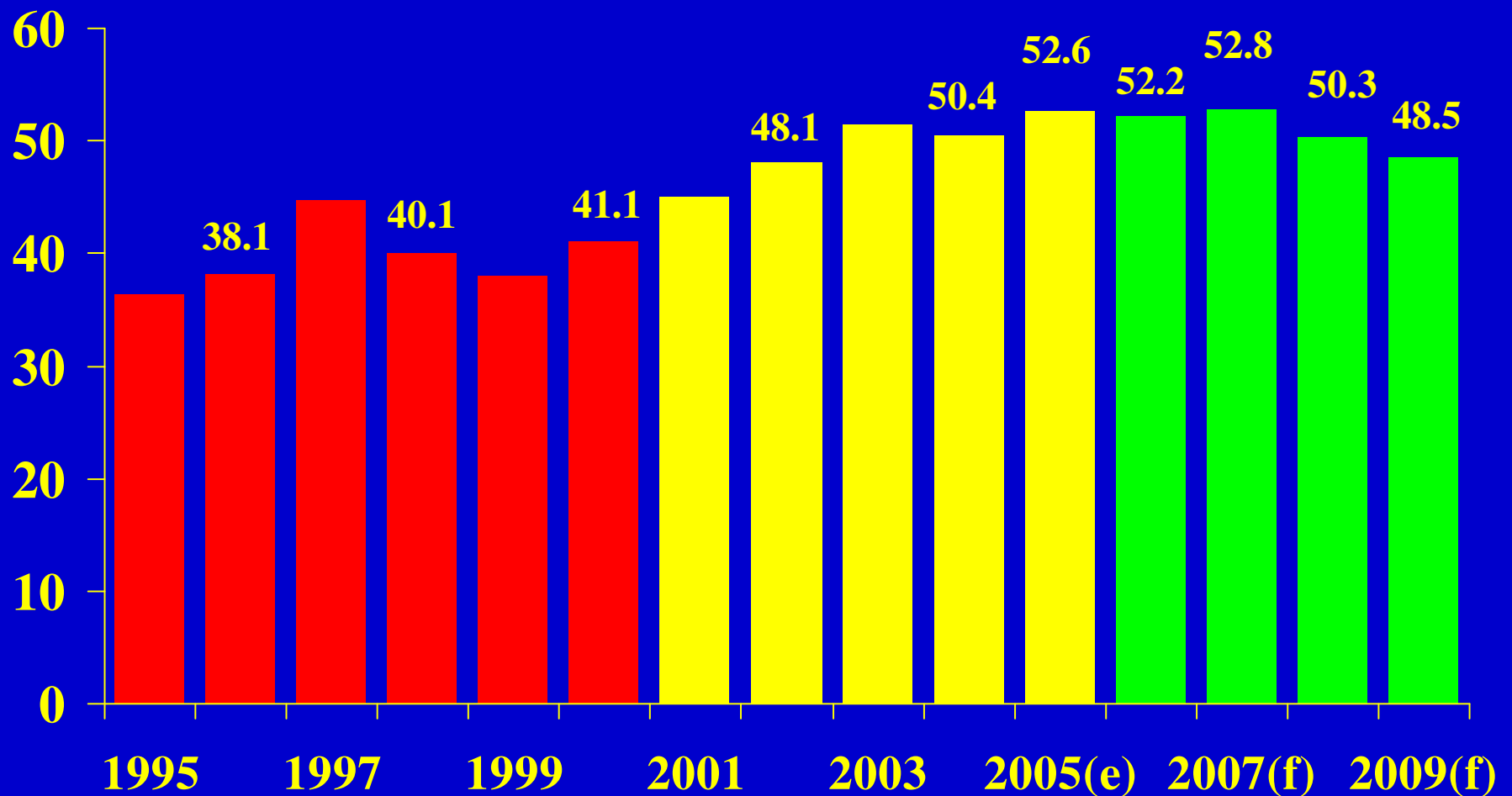
GOVERNMENT BUDGET DEFICIT

% of GDP



GOVERNMENT DEBT

% of GDP



Reserve Bank of Fiji

Source: Ministry of Finance (2007 Strategic Policy Statement)³⁹

WHAT IS THE SINGLE MAJOR CHALLENGE FOR FIJI?

LIFT ECONOMIC GROWTH SUSTAINABLY

- **SUSTAINABILITY / INCLUSIVITY**
- **JOBS**
- **LIVING STANDARDS**
- **POVERTY**
- **MDGs**



RISKS TO FUTURE SUSTAINABLE GROWTH



RISK NUMBER 1

POLITICAL INSTABILITY

RISK NUMBER 2

UNSUSTAINABLE DEBT LEVELS

THIS CAN BE A SHORT TERM RISK IF:

- GOVERNMENT REDUCES
ITS BUDGET DEFICIT**
- WE ACCELERATE
REFORMS**

RISK NUMBER 3

**STAGNATING EXPORTS
AND ESCALATING
IMPORTS IS
UNSUSTAINABLE**

THIS CAN ALSO BE A SHORT TERM RISK IF:

- WE ACT NOW TO REMOVE THE BARRIERS ON EXPORTS**
- WE SUBSTITUTE IMPORTS WHERE RELEVANT**
- WE PUT IN POLICY MEASURES NOW TO DAMPEN DEMAND**



**WHAT ARE THE
POLICIES AVAILABLE
TO US TO REDUCE
THESE SHORT-TERM
RISKS?**

TWO MAJOR PILLARS OF POLICY

- **Fiscal - Government**
- **Monetary - RBF**

WHAT HAS RBF DONE?

- RAISED INTEREST RATES
- TIGHTENED LIQUIDITY
- ISSUED CREDIT GUIDELINES
- TIGHTENED BORROWING LIMITS BY NON-RESIDENTS

MONETARY POLICY - NOT ENOUGH

- **HEAVY RELIANCE ON MONETARY POLICY WILL FURTHER RAISE INTEREST RATES**
- **CAN SLOW GROWTH**
- **TAKES TIME**

MONETARY & FISCAL POLICY

POLICIES MUST WORK TOGETHER

- **FISCAL AND MONETARY POLICIES MUST SHARE THE BURDEN OF SUSTAINABILITY**
- **COORDINATION BETWEEN FISCAL AND MONETARY POLICIES CRITICAL**

TREND IN FISCAL POLICY

- **HIGHER DEFICIT TO PROMOTE GROWTH**
- **GROWTH IS ACHIEVED**
- **TIME TO RE-LOOK AT STRATEGY TO SECURE SUSTAINABILITY**

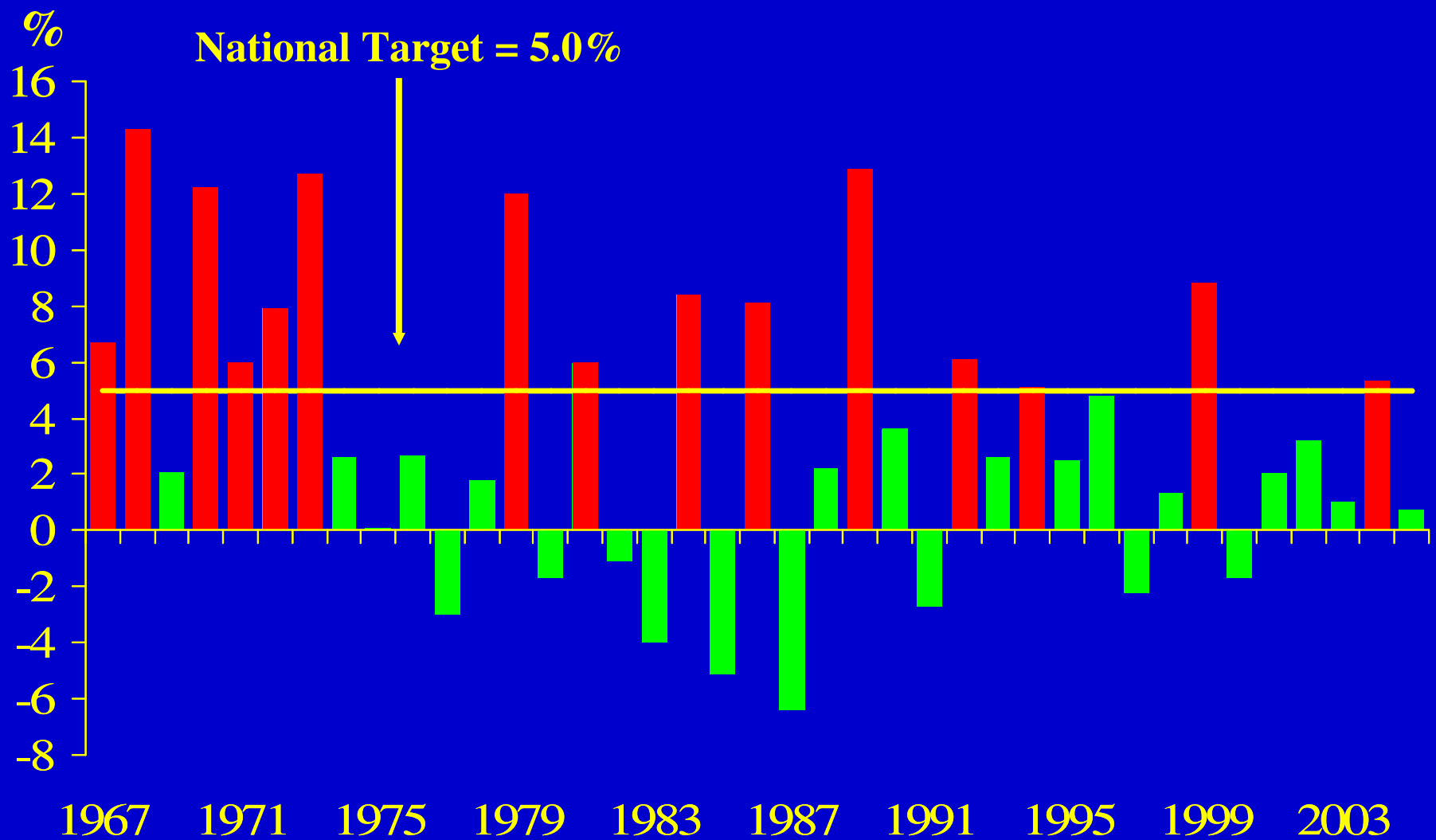


**WHAT CAN WE DO TO
RAISE ECONOMIC
GROWTH?**



**SECURE CONSENSUS
ON GROWTH AND SET
A NATIONAL TARGET**

NATIONAL ECONOMIC GROWTH TARGET





POLICY RECIPES FOR *5%* GROWTH

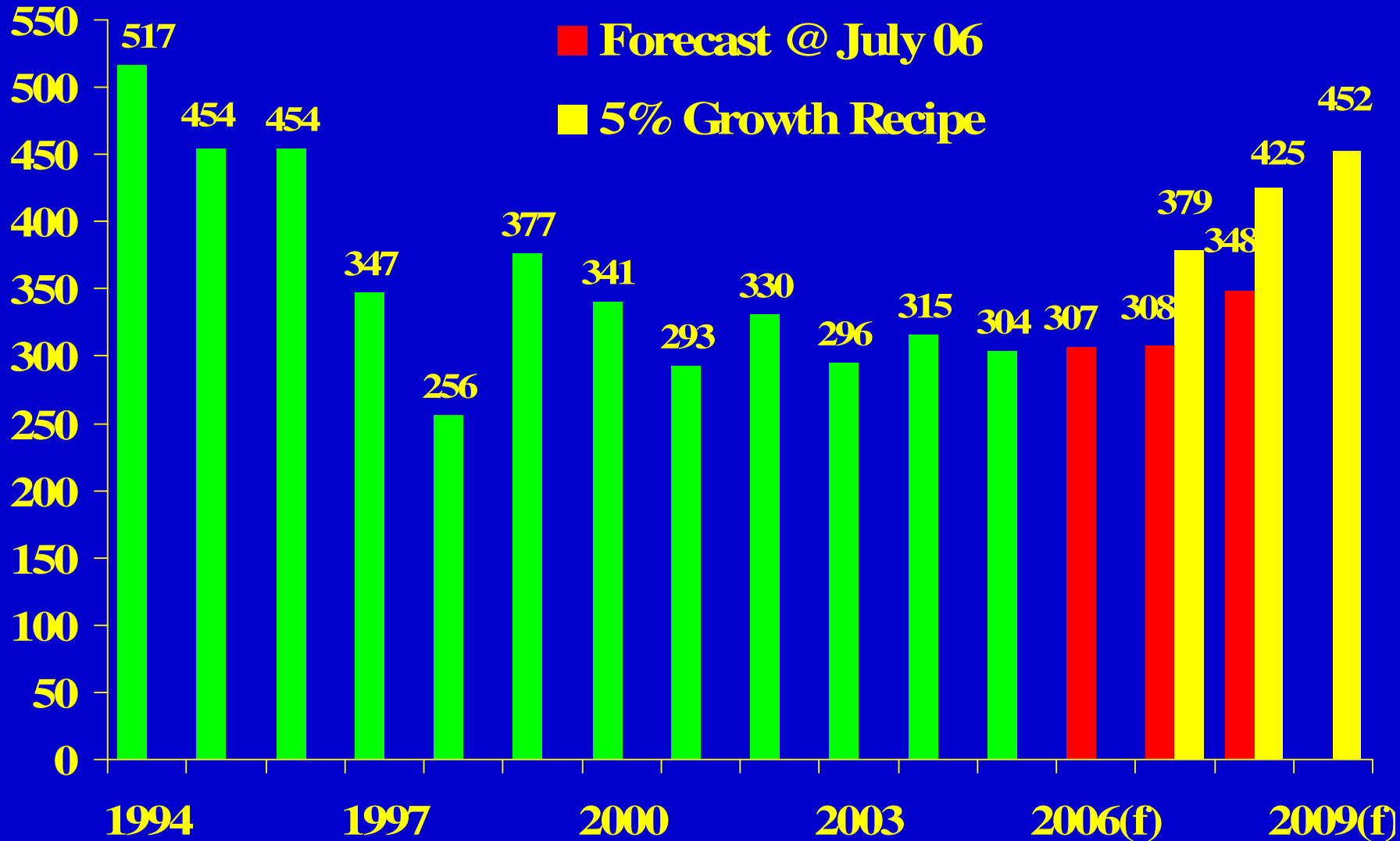


RECIPE NUMBER 1

**WE NEED TO SET
TARGETS IN OUR KEY
RESOURCE SECTORS**

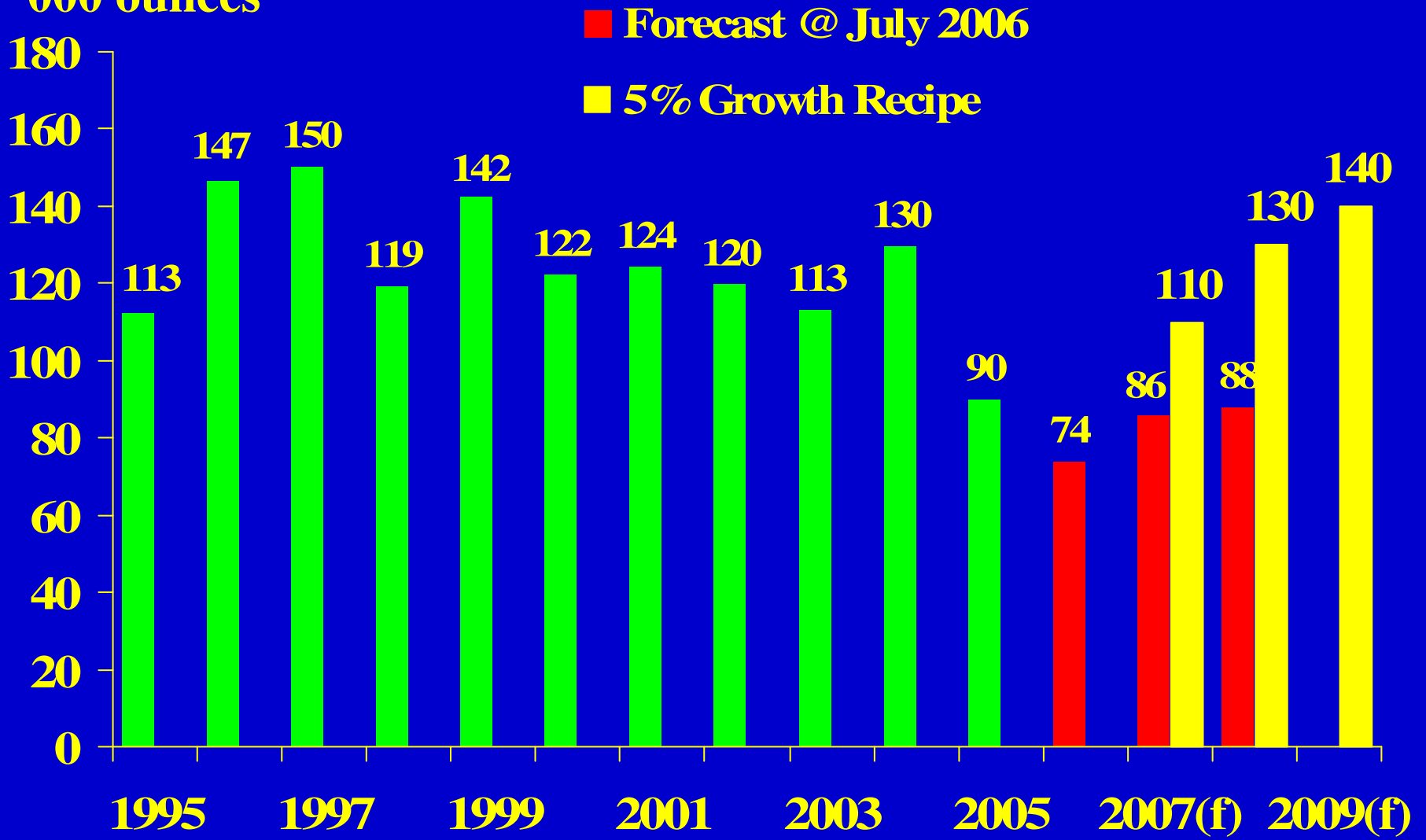
SUGAR PRODUCTION

'000 tonnes



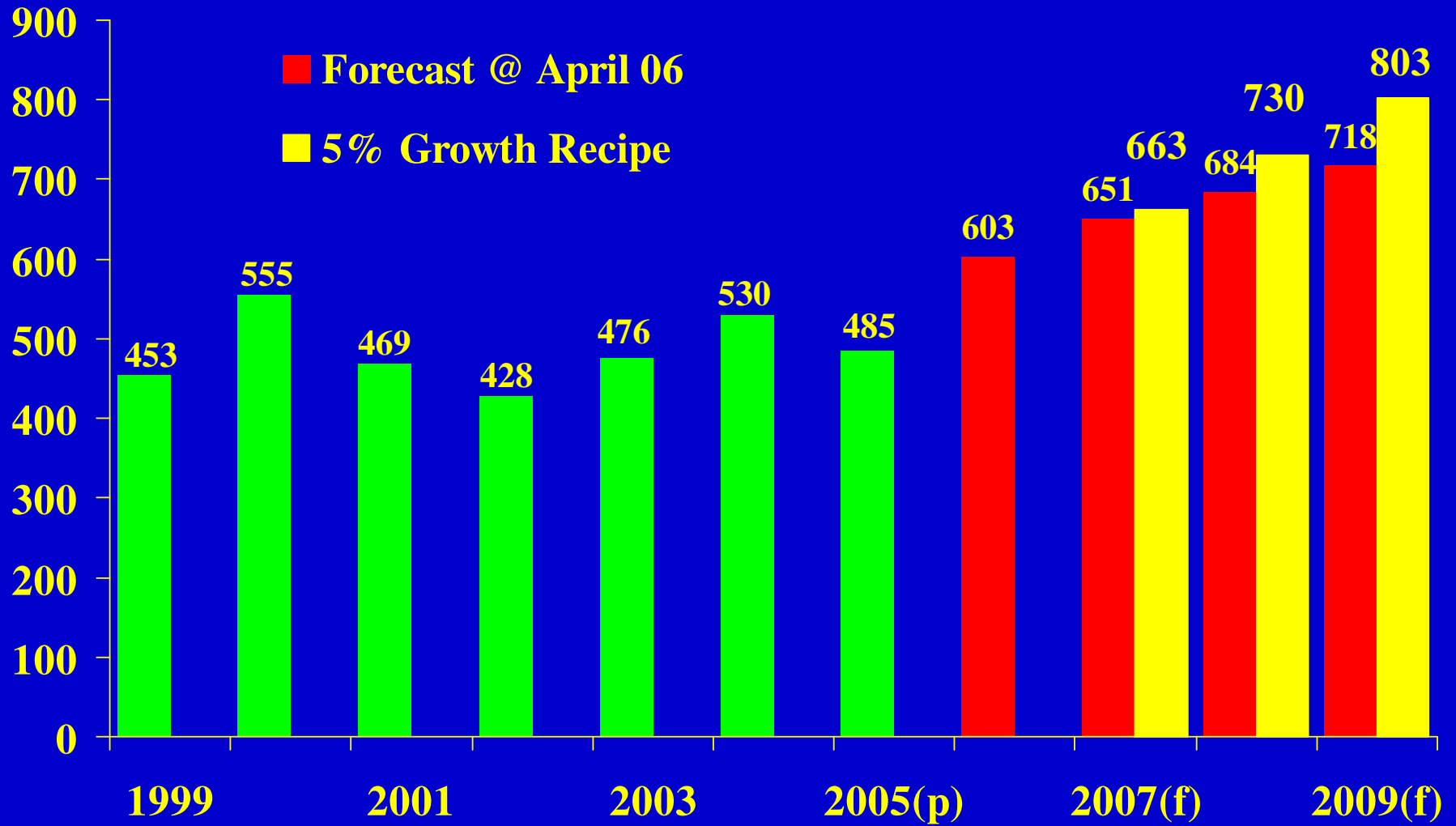
GOLD PRODUCTION

'000 ounces



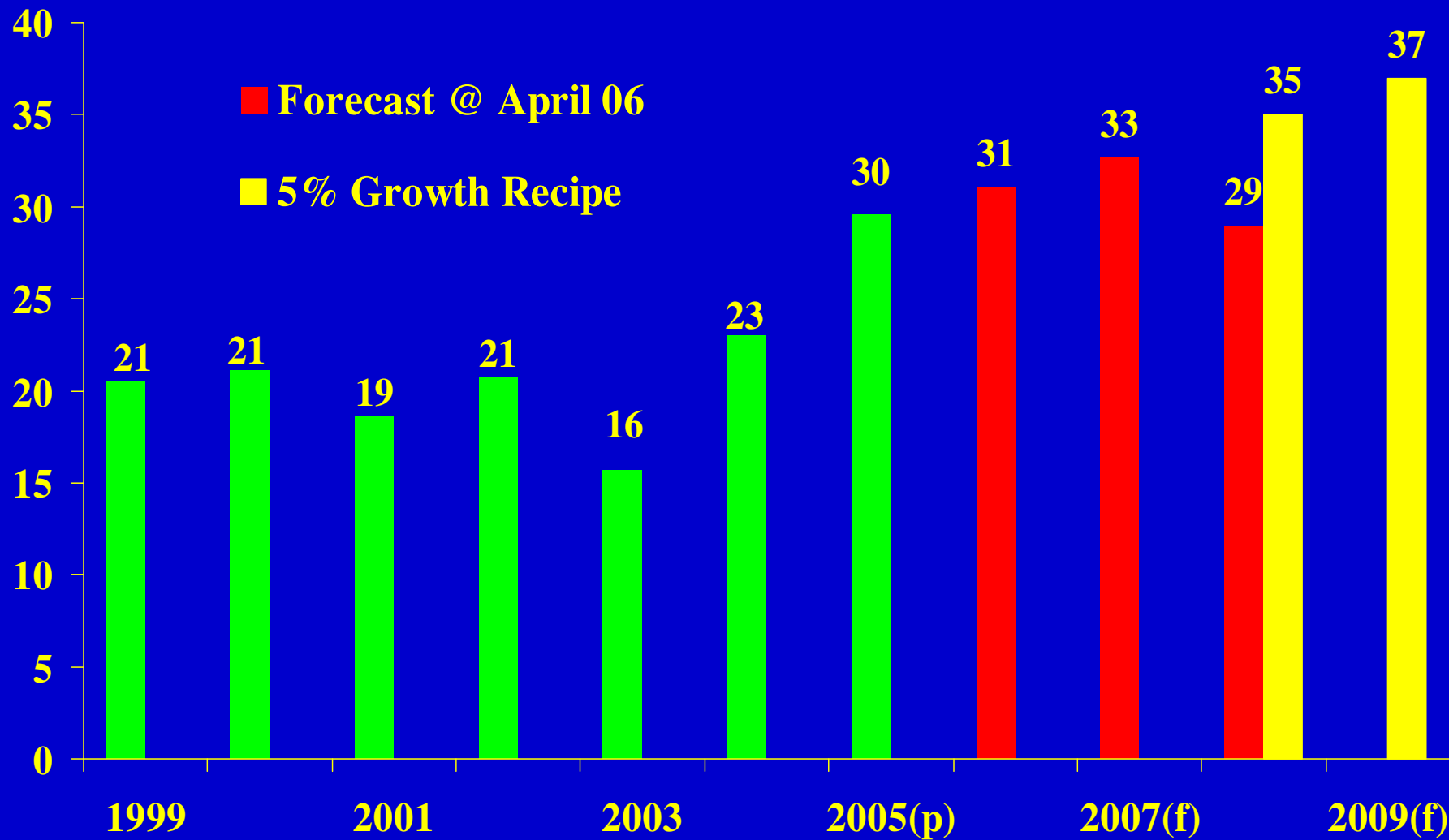
FORESTRY

'000 m³



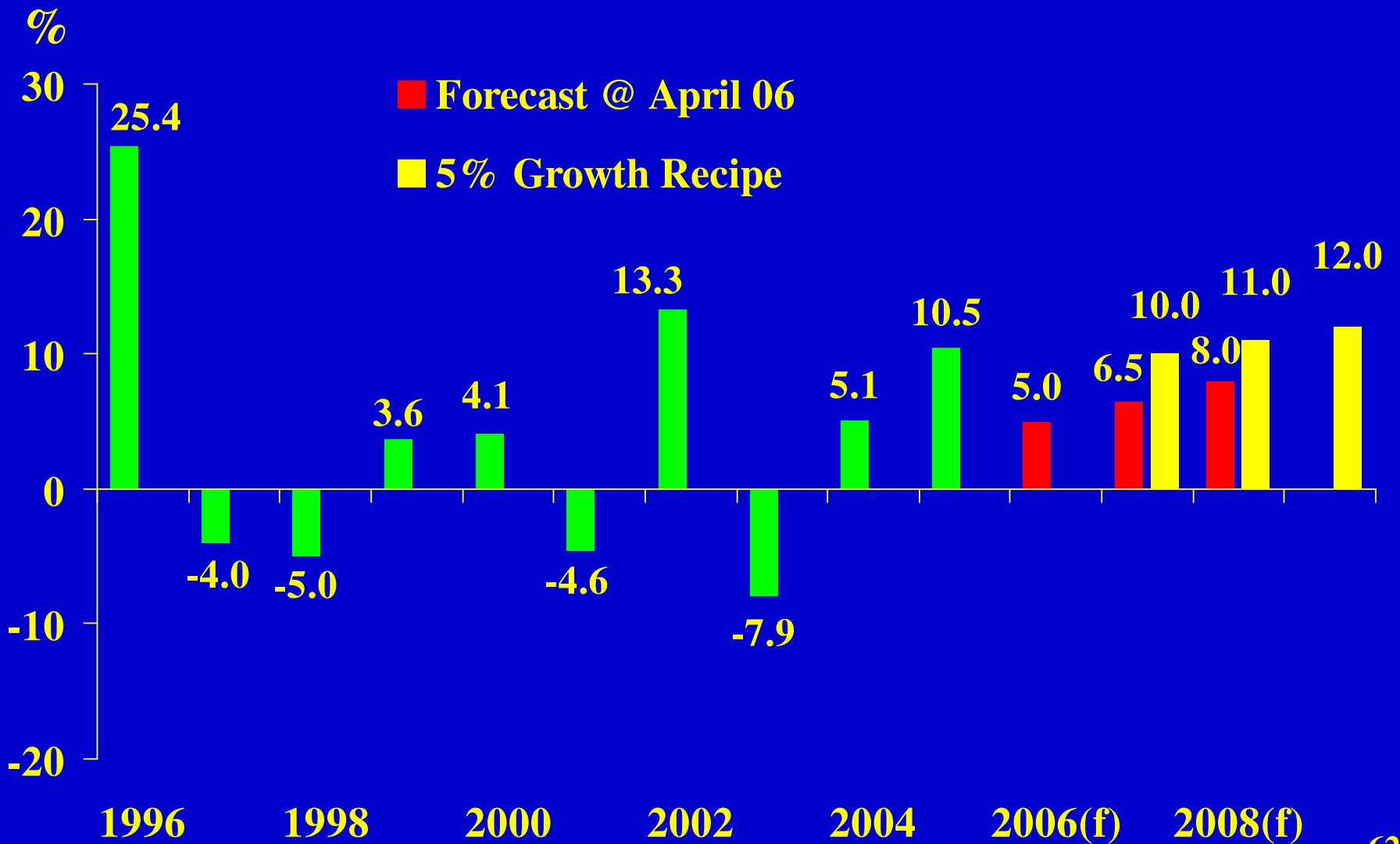
FISHERIES

'000 tonnes



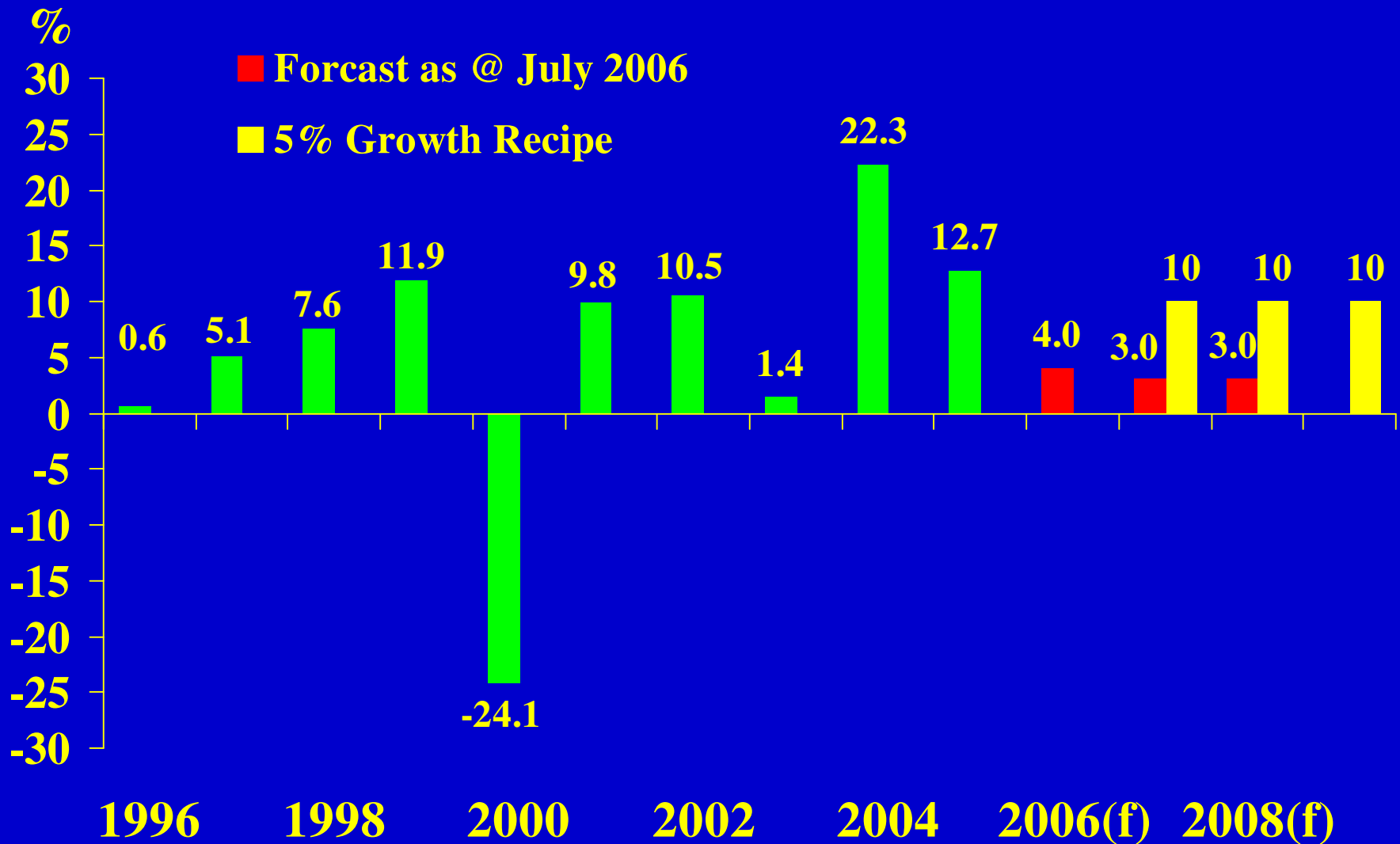
OTHER CROPS

Percent Change



HOTELS & RESTAURANTS

Percent Change

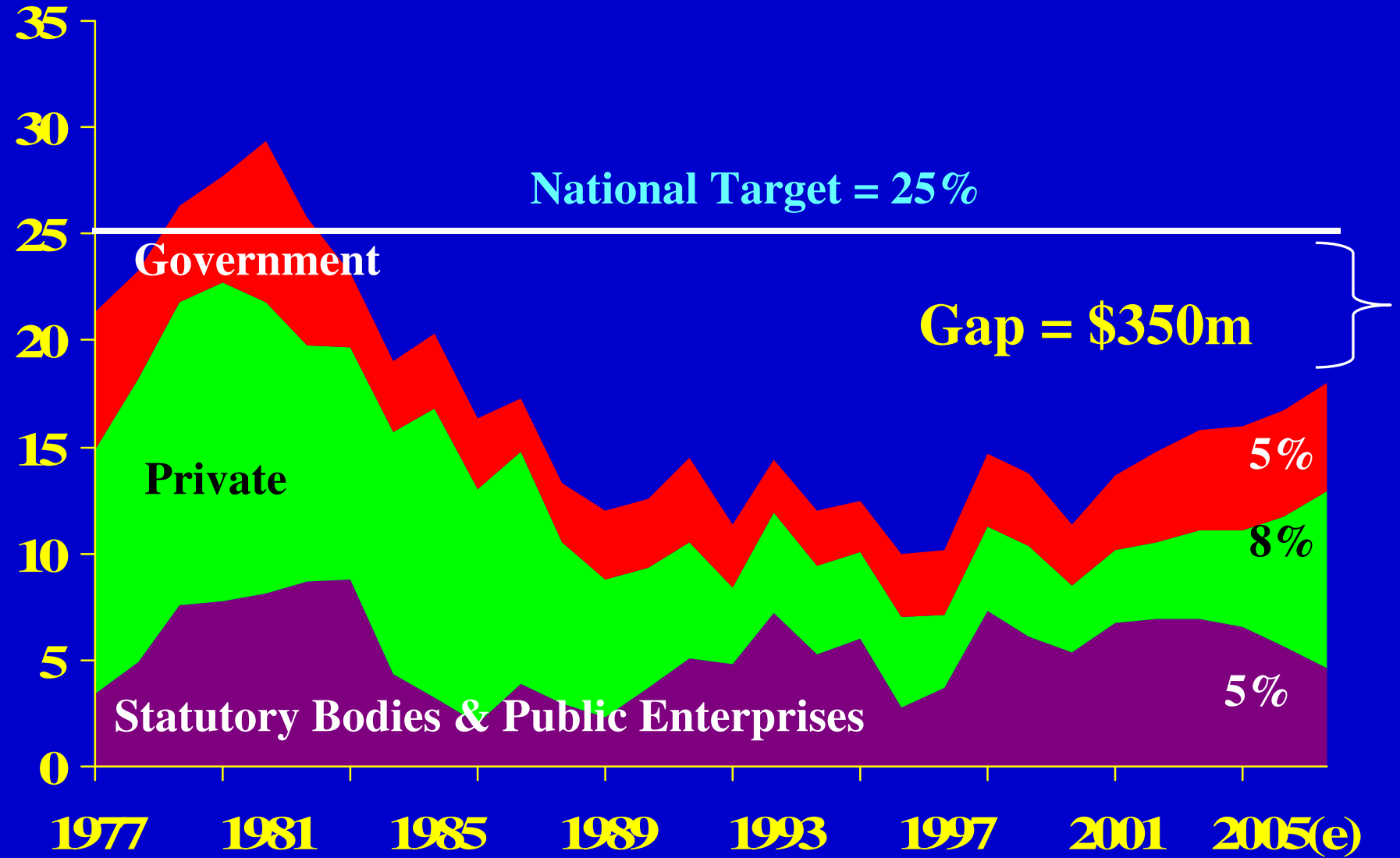


RECIPE NUMBER 2

**WE NEED TO RAISE
INVESTMENT TO 25% OF
GDP**

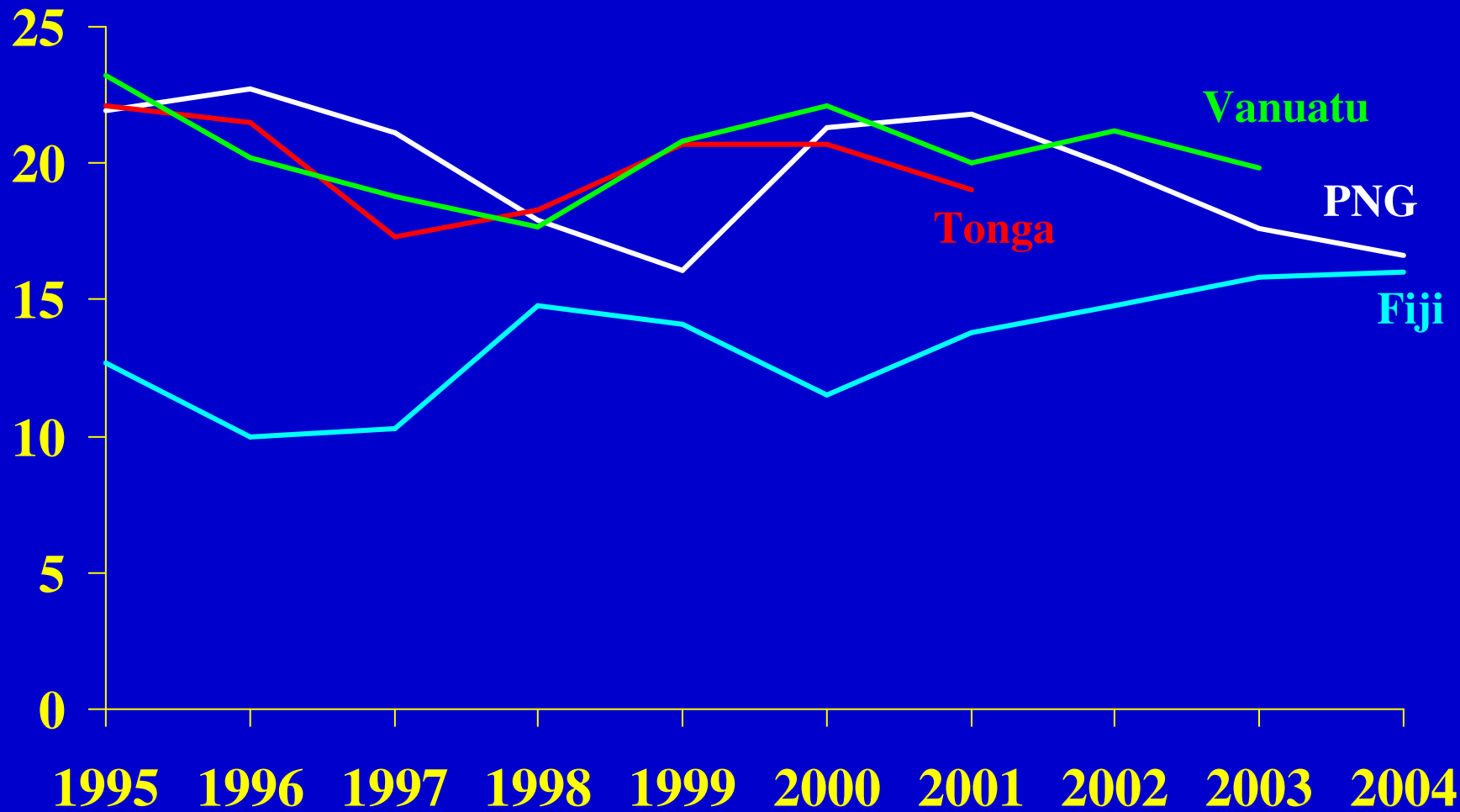
INVESTMENT

% of GDP



PACIFIC ISLAND INVESTMENT RATES

% of GDP



EASE OF DOING BUSINESS (World Bank Ranking)

1	New Zealand	36	Tonga
2	Singapore	39	Samoa
3	United States	45	Kiribati
6	Australia	49	Vanuatu
7	Hong Kong	53	Solomon Islands
20	Thailand	64	Papua New Guinea
21	Malaysia	91	China
27	Korea	113	Philippines
34	FIJI	115	Indonesia
35	Taiwan	116	India



RECIPE NUMBER 3

**WE NEED TO
ACCELERATE REFORMS**



**CANNOT LIFT GROWTH
SUSTAINABLY
WITHOUT REFORMS !**

REFORM MYTHS

- **TOO SMALL**
- **TOO UNIQUE**
- **TOO COSTLY**
- **TOO PAINFUL**
- **TAKE AWAY JOBS**
- **ONLY FOR THE PUBLIC SECTOR**
- **CAN GROW WITHOUT REFORMS**



RECIPE NUMBER 4

**WE NEED TO LIFT
PRODUCTIVITY**

PRODUCTIVITY

Country Productivity Growth % 1980-2001

- **China** 5.2
- **Thailand** 3.9
- **India** 3.2
- **Malaysia** 2.8
- **Indonesia** 1.8
- **Bangladesh** 1.5
- **Fiji** 1.0 (1995 - 2005)

RECIPE SUMMARY

1. SET TARGETS IN OUR KEY RESOURCE SECTORS

2. RAISE INVESTMENT

3. ACCELERATE REFORMS

4. LIFT PRODUCTIVITY

THESE RECIPES ARE FOR ALL

THIS POLICY MIX WILL:

- **MAINTAIN ECONOMIC STABILITY**
- **SUSTAIN FUTURE PROSPERITY**
- **RAISE GROWTH TO HIGHER LEVELS**
- **CREATE MORE JOBS**
- **HELP US ADDRESS SOCIAL ISSUES**

KEY MESSAGES

- **WE HAVE ACHIEVED GROWTH, LOW INFLATION AND RISING INVESTMENT**
- **WE MUST LIFT ECONOMIC GROWTH**
- **WE MUST MAINTAIN ECONOMIC STABILITY AT ALL TIMES**
- **WE HAVE SHORT TERM RISKS THAT HAVE TO BE ADDRESSED NOW**
- **IMPLEMENT MEASURES TO ADDRESS LONG TERM STRUCTURAL HURDLES FOR GROWTH**

KEY MESSAGES

WE CAN RAISE GROWTH IF WE:

- **SET AND ACHIEVE TARGETS FOR OUR KEY RESOURCE SECTORS**
- **RAISE INVESTMENT TO 25% OF GDP**
- **ACCELERATE REFORMS**
- **LIFT PRODUCTIVITY**



THANK YOU!