



MACROECONOMIC POLICY COMMITTEE



PRESS RELEASE

Press Release No. : 15/2012

Phone : (679) 3313 611

Date : 01 June 2012

Fax : (679) 3302 094

E-mail : rbf@reservebank.gov.fj

STATEMENT BY THE CHAIRMAN OF THE MACROECONOMIC POLICY COMMITTEE AND GOVERNOR OF THE RESERVE BANK OF FIJI

REVISED ECONOMIC PROJECTIONS

The Chairman of the Macroeconomic Policy Committee and Governor of the Reserve Bank of Fiji, Mr Barry Whiteside announced that “the Fijian economy is forecast to expand by 2.7 percent this year, compared to 2.3 percent growth announced in the 2012 National Budget last year. The revised forecast incorporates the impact of the 2012 National Budget policies, the recent floods, the revised outlook for the global economy and our major trading partner economies, as well as recent developments in the domestic economy.”

On the impact of the recent floods, the Chairman added that “this is expected to be largely limited to the agriculture (including cane and non-cane crops) and sugar manufacturing industries, whose downward revisions in output are expected to be more than offset by improved projections for other sectors. These sectors include other manufacturing (particularly, non-food), forestry which is forecast to gain from pine-chipping operations at Wairiki this year, fishing which faces higher demand for tuna for sashimi, canning, loin and other commercial fishing categories, mining & quarrying which will see new bauxite production and communications which has benefited from lower industry and operational costs. Moreover, despite damage to infrastructure from the floods, subsequent rehabilitation and reconstruction work and the construction of a major road project in Vanua Levu, should boost construction activity while stimulatory measures from the national budget through lower taxes and higher wages and salaries should support more positive contributions from the sectors for public administration & defence; health & social work; education; and other community, social & personal service activities. The tourism sector is anticipated to achieve modest growth this year. Overall, the economy is anticipated to pick up further this year, supported by the current accommodative monetary policy stance by the Reserve Bank and other measures put in place to boost growth.”

In terms of price movements in 2012, some upward pressure is likely, given the possible supply shortage in certain food items following the devastating floods in the Western Division and some pick-up in demand. While the impact of the January and March floods are expected to cause some temporary rise in prices of some food items; these effects are likely to fade by year-end, leaving the inflation rate forecast for December 2012 at around 3.5 percent.

According to Mr Whiteside, “in 2011, the economy is estimated to have grown by 2.0 percent – slightly lower than the previous 2.1 percent growth forecast. Last year’s growth is estimated to have been largely driven by the agriculture; financial intermediation; hotels & restaurants; transport & storage and the public administration & defence sectors.”

The Chairman added that, “the GDP growth projections for 2013 and 2014 have been revised upwards to 2.9 percent and 2.3 percent, respectively. The improved outlook for the medium term is based on improved growth forecasts in the manufacturing; agriculture, financial intermediation; forestry; transport & storage; wholesale & retail and mining & quarrying sectors.”

In the external sector, Mr Whiteside explained that, “total exports and imports are projected to grow in 2012 by 12.3 percent and 4.5 percent, from an estimated 8.9 percent and 4.2 percent growth in 2011, respectively. The improvement in exports is largely due to positive contributions from all categories of exports, while import growth is projected to be in response to the pick-up in domestic demand and anticipated increases in world market prices for mineral fuel and food. The current account deficit is projected to narrow to 6.6 percent of GDP in 2012 largely due to improvements in the trade deficit and higher surplus in the services account.”

Mr Whiteside concluded by stating that, “foreign reserves remain adequate at around \$1,447.3 million as at 31 May 2012, equivalent to around 4.6 months of imports of goods and non-factor services.”

Barry Whiteside
Chairman of Macroeconomic Policy Committee