

RESERVE BANK OF FIJI

PRESS RELEASE



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

REVISED GROWTH PROJECTIONS FOR 2016 - 2019

Following strong growth of 5.6 percent in 2014 and 3.6 percent growth in 2015, the Fijian economy is forecast to record its seventh consecutive year of growth this year. Nevertheless, this year's growth is estimated to be slightly lower at 2.0 percent, compared to the 2.4 percent projected earlier in May. The Chairman of the Macroeconomic Committee¹ and the Governor of the Reserve Bank of Fiji, Barry Whiteside stated that "the lower growth reflected the larger-than-expected negative impact from the natural disasters (including Tropical Cyclone (TC) Winston) earlier in the year. The projected declines in output from the agriculture and forestry sectors are higher than earlier estimated while fishing & aquaculture activity is now forecast to fall this year."

For the agriculture sector, the slowdown is underpinned by a larger decline anticipated for cane output while lower activity in fishing & aquaculture reflects the significant damage to the inshore marine ecosystem and infrastructure sustained during TC Winston. While the accommodation & food services and the construction sectors remain strong, their contributions to growth have been downgraded on the back of below-trend growth in visitor arrivals to date and slower implementation of rehabilitation works due to supply shortages in building materials.

However, Governor Whiteside noted that, "the current expansionary fiscal policy as a result of increased Government allocation in the 2016/2017 National Budget is appropriate and supportive of growth."

Overall, growth in 2016 will be driven mainly by the services and industrial (excluding sugar manufacturing) sectors whose positive contributions outweigh the notable decline in agriculture.

The Governor added that, "in 2017, the Fijian economy is expected to achieve a broad based growth of 3.6 percent, unchanged from the earlier projection. In both 2018 and 2019, the forecast is for growth of 3.0 percent, with the major contributors being the manufacturing; transport & storage; financial & insurance activities; accommodation & food services; and the wholesale & retail trade sectors."

¹ The Macroeconomic Committee is made up of senior representatives from the Ministry of Economy; Fiji Bureau of Statistics; Ministry of Industry & Trade and Tourism; Ministry of Infrastructure & Transport; Office of the Prime Minister; Investment Fiji; Fiji Revenue & Customs Authority and the Reserve Bank of Fiji.

On the external sector, Governor Whiteside stated that, “the trade deficit is estimated to widen this year mainly due to higher imports of machinery & transport equipment, manufactured goods, food and chemicals, to support the reconstruction of housing and infrastructural amenities post TC Winston. On the same note, agro-based exports such as sugar, fruit & vegetables and timber are anticipated to decline (given the damage sustained by many farms). Consequently, the current account deficit (excluding aircraft) is projected to widen to 3.3 percent of GDP in 2016 reflecting the deterioration in the trade balance as well as slower growth in tourism earnings and inward remittances.”

The Governor also highlighted that, “the near term outlook for inflation and foreign reserves continue to remain stable as the negative impacts of the natural disasters are expected to wane. There has been an uptick in inflation which reflects the temporary supply shortages, particularly for yaqona, following the natural disasters. Inflation fell to 4.7 percent in October and is expected to be close to these levels by the end of the year. Foreign reserves were \$1,943.5 million as at 15 November 2016, equivalent to 5.4 months of retained imports of goods and non-factor services and are expected to remain stable over the remainder of the year.”

In concluding, Governor Whiteside stated that the Macroeconomic Committee will continue to monitor developments in the global and domestic economy, and revisit its current macroeconomic projections in April 2017.

BARRY WHITESIDE
Chairman of Macroeconomic Committee