

2015

2015 Pacific Update Conference



AN OVERVIEW OF THE **FIJI** ECONOMY

Deputy Governor | Ariff Ali

15 July 2015



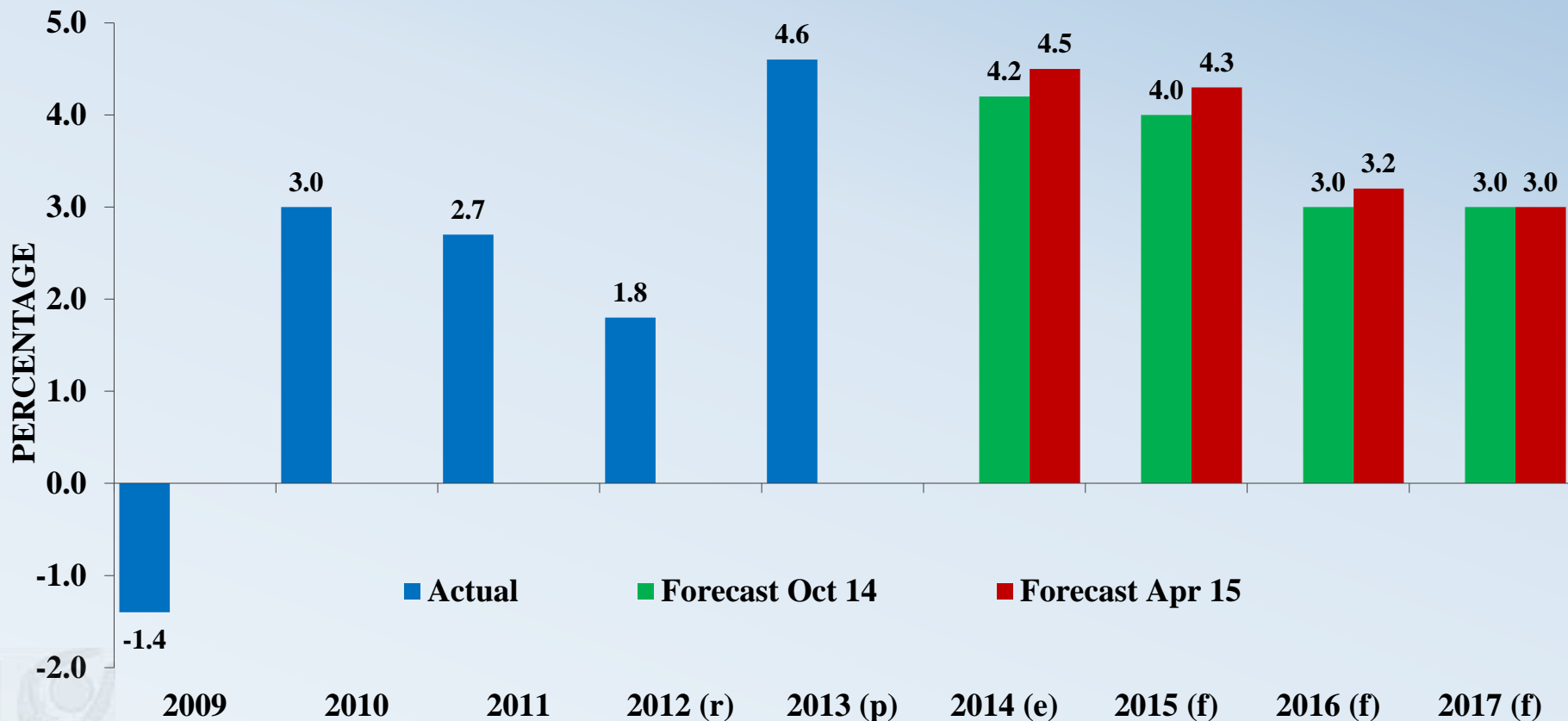
PRESENTATION OUTLINE

- How is the Fijian economy doing?
- Does the latest key economic indicators validate our growth estimates?
- Where is Government's Fiscal Policy heading?
- What is happening to trade?
- Is the financial sector indicators inline with our assessment of the economy?
- What are the key risks and challenges?
- Are the monetary policy objectives intact?
- Summary



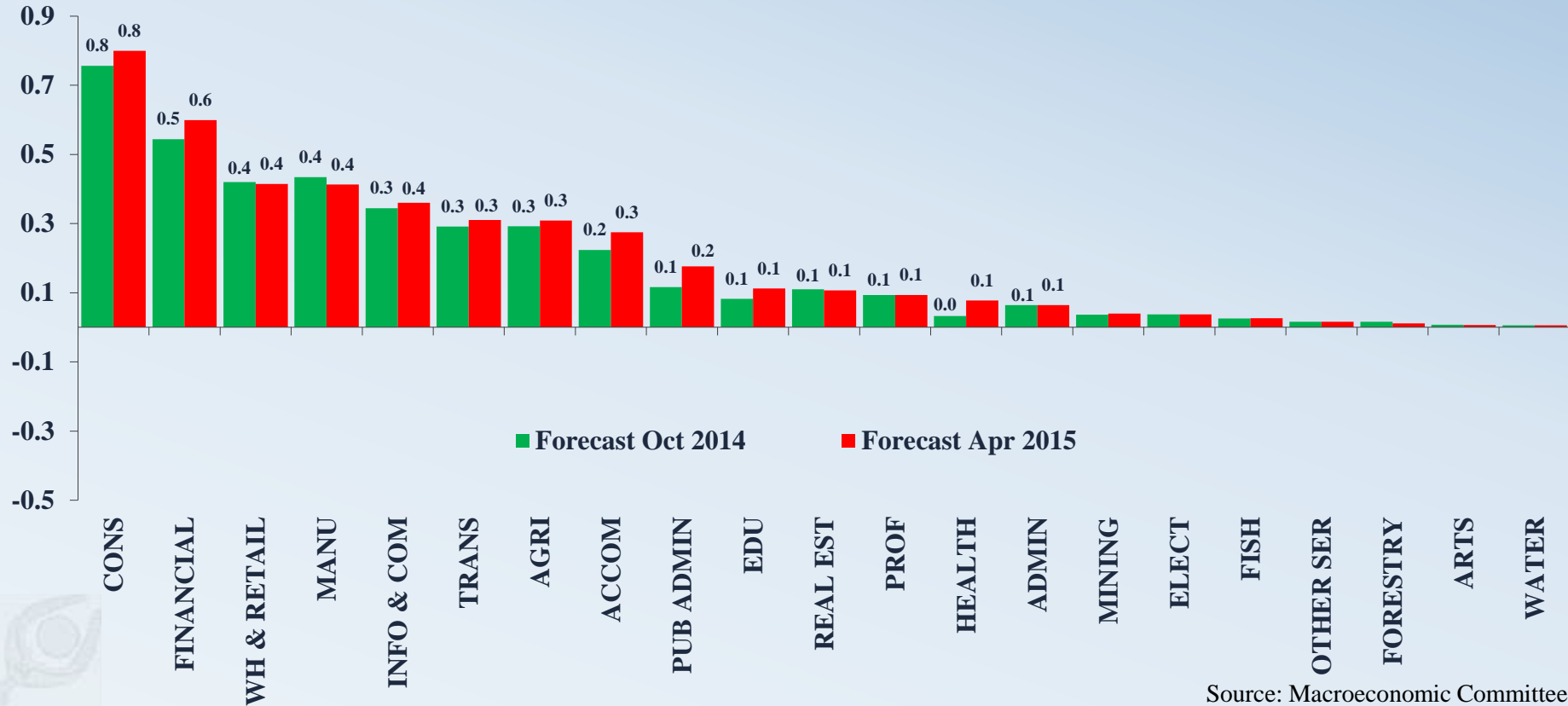
DOMESTIC ECONOMY

Economy poised for 6th consecutive year of economic growth



2015 growth is broad based

2015 (f) : +4.0% → +4.3%





SECTORAL PERFORMANCE

Tourism is strong so far in 2015 and there is a positive turnaround in gold production

Sectors	2014	2015
Tourism	<ul style="list-style-type: none"> • Visitor Arrivals : +5.3% to 692,630 • Tourism Earnings : +6.6% to \$1.4 billion 	<ul style="list-style-type: none"> • Visitor Arrivals (Jan-May) : +7.4% to 262,992 • Visitor Arrivals : +5.0% to 727,000* • Tourism Earnings (Jan-Mar) : +8.7% to \$310.7 million
Gold	<ul style="list-style-type: none"> • Production : -1.8% to 38,504 ounces 	<ul style="list-style-type: none"> • Production (Jan-May): +33.8% to 17,250 ounces • 2015 forecast: +5.0% to 40,429 ounces*
Cement	<ul style="list-style-type: none"> • Production : +9.6% to 277,624 tonnes 	<ul style="list-style-type: none"> • (Jan-June): +15.3% to 115,762 tonnes
Electricity	<ul style="list-style-type: none"> • Production : +0.2% to 859,715 MWh • Consumption: +1.9% to 794,874 MWh 	<ul style="list-style-type: none"> • Production (Jan-May): +2.2% to 383,164 MWh • Consumption (Jan-May) : +5.0% to 355,783 MWh

Other sectoral performances are generally positive

Sectors	2014	2015
Timber	<ul style="list-style-type: none"> Pinewood Intake: +35.7% Woodchip Production: +22.9% Woodchip Exports : +254.27% to \$50.3m Mahogany Production: -7.5% 	<ul style="list-style-type: none"> Pinewood Intake (Jan-May): -7.1% Woodchip Production (Jan-May) +6.3% Mahogany Production (Jan-May): +1.5%
Sugar cane	<ul style="list-style-type: none"> Production: +13.7% to 1,831,678 tonnes 	<ul style="list-style-type: none"> Production: +8.5% to 1,987,371 tonnes*
Sugar	<ul style="list-style-type: none"> Production: +25.8% to 226,230 tonnes TCTS: 8.1 compared to 9.0 in 2013 Exports: +41.7% to \$201.3m 	<ul style="list-style-type: none"> Production: +8.5% to 245,460 tonnes*
Fish	<ul style="list-style-type: none"> Fish Production : -9.1% to 9928.3 tonnes Total Fish Exports : +43.3% to \$365.1m Domestic Fish Exports : +28.7% to \$108.7m 	<ul style="list-style-type: none"> Production (Jan-Mar): +92.0% to 2,289.3 tonnes
Garment	<ul style="list-style-type: none"> Production : +4.2% 	<ul style="list-style-type: none"> Production: +5.0% *



AGGREGATE DEMAND INDICATORS

Consumption spending remains strong

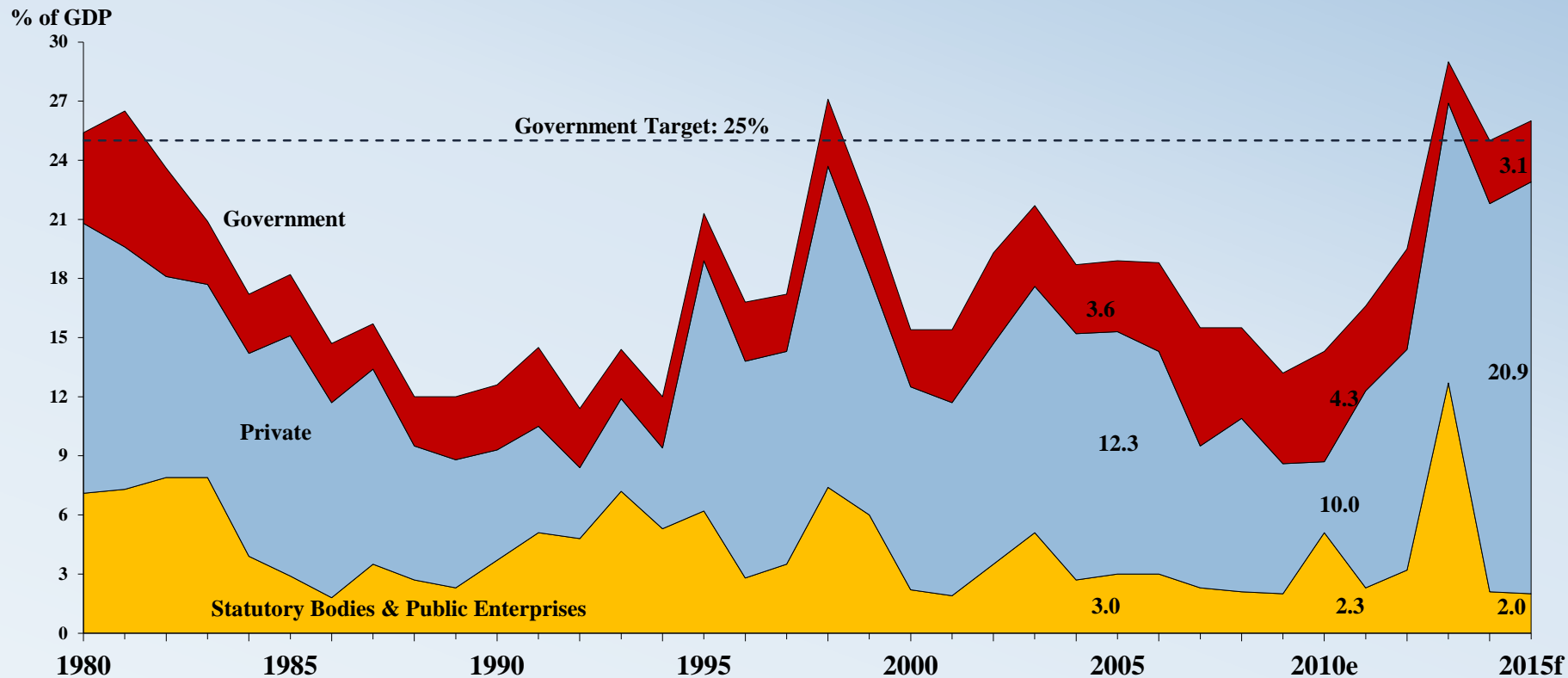
Partial Indicators	2013	2014	2015
Net VAT	+11.0%	+5.7%	+12.8% (Jan- May)
New Consumption Lending	+89.6%	+72.8%	+7.9% (Jan-May)
New Vehicle Registration	+13.9%	+15.8%	+5.1% (Jan- May)
Second Hand Vehicle Registration	+59.1%	+66.9%	+41.9% (Jan-May)
Electricity Consumption	+6.6%	+1.9%	+5.0% (Jan-May)
RBF Retail Sales Survey	+10.7%	+11.1%	+6.2% (f)
Imports of Consumption Goods	+5.1%	+5.8%	n.a
<i>Personal Remittances</i>	+10.9%	+13.0%	+31.9% (Jan-Mar)
<i>PAYE Collections</i>	+2.5%	+18.6%	+17.9% (Jan-May)
<i>Job Advertisements (FT)</i>	+9.3%	+12.8%	+14.4%(Jan-May)

Investment spending is also robust

Partial Indicators	2013	2014	2015
New Investment Lending	+108.8%	+11.3%	+73.5% (Jan-May)
Domestic Cement Sales	+19.8%	+17.6%	+40.2% (Jan-June)
<u>Completion Certificates Issued</u>			(Q1)
Value	-13.5%	+99.8%	+39.0%
Number	-1.7%	+7.9%	-20.7%
<u>Building Permits Issued</u>			(Q1)
Value	-59.2%	+10.6%	+3.0%
Number	+1.1%	+7.0%	+0.6%
Value of Work Put-in-Place	+29.0%	+15.2%	(Q1) +8.4%
Imports of Investment Goods	+25.1%	+16.0%	n.a
Government Capex (F\$M)	\$586.3m	\$841.6m (r)	\$1,321.9m (b)

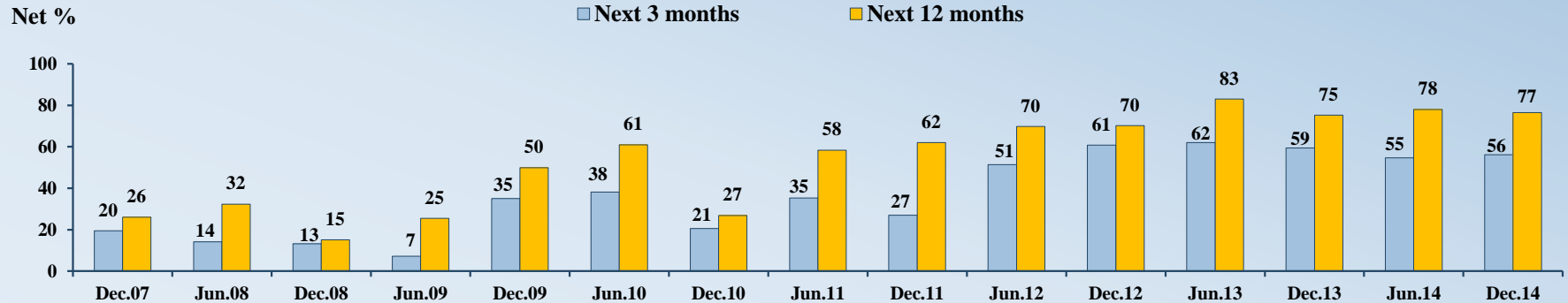
Investment/GDP is above 25% for the 3rd consecutive year

Private sector investment (excluding Govt. funded projects is 13.5% of GDP in 2015)

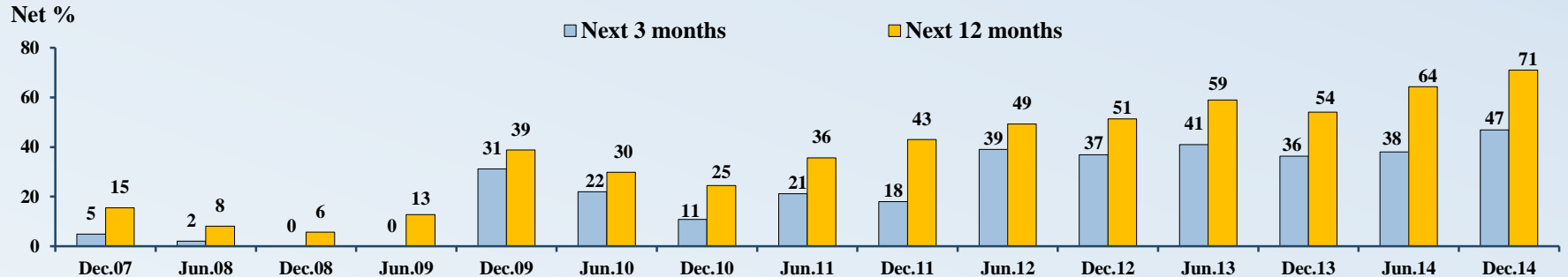


BUSINESS EXPECTATIONS SURVEY

Outlook for Investment (Plant & Machinery)



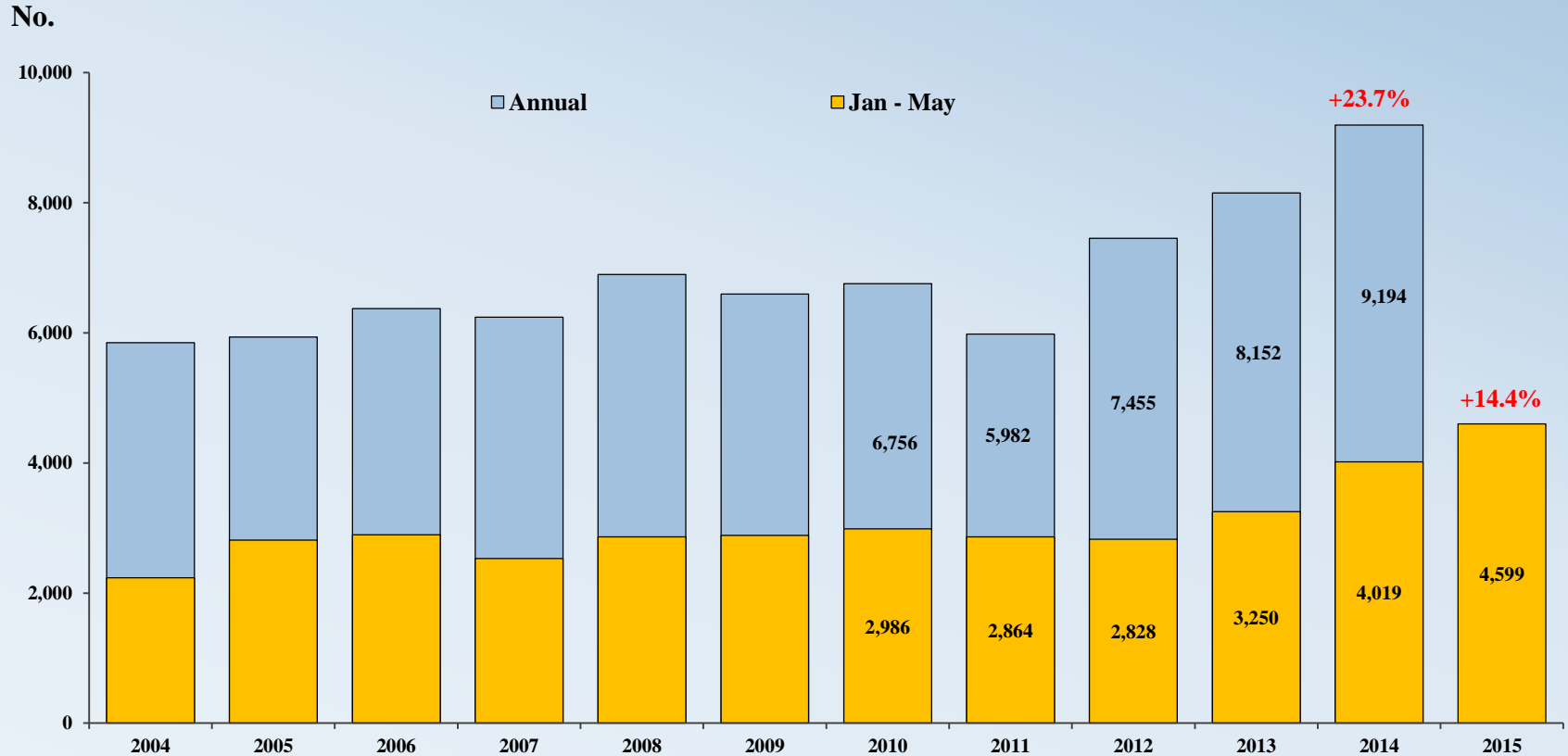
Outlook for Investment (Buildings)





LABOUR MARKET

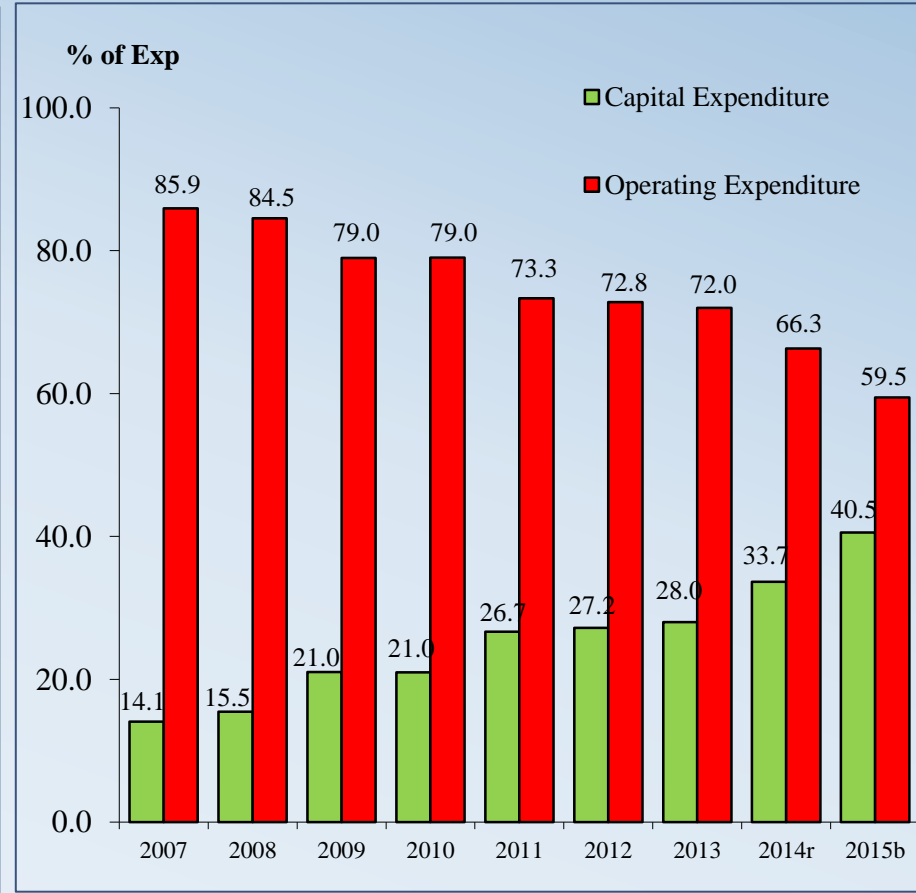
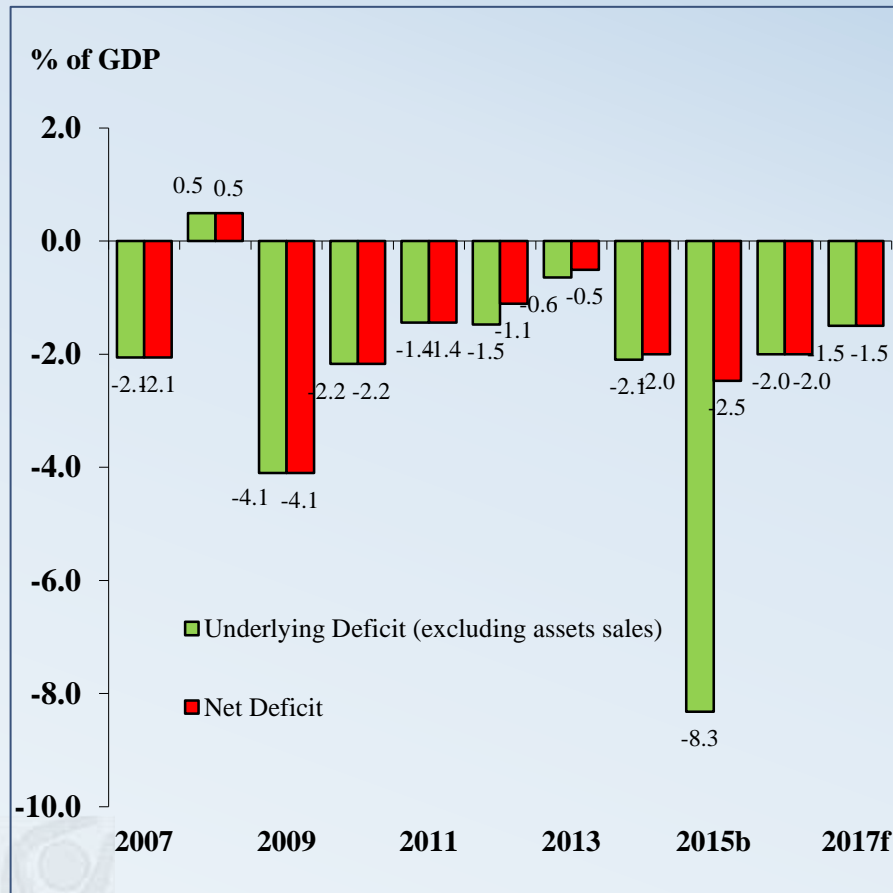
JOB ADVERTISEMENTS SURVEY



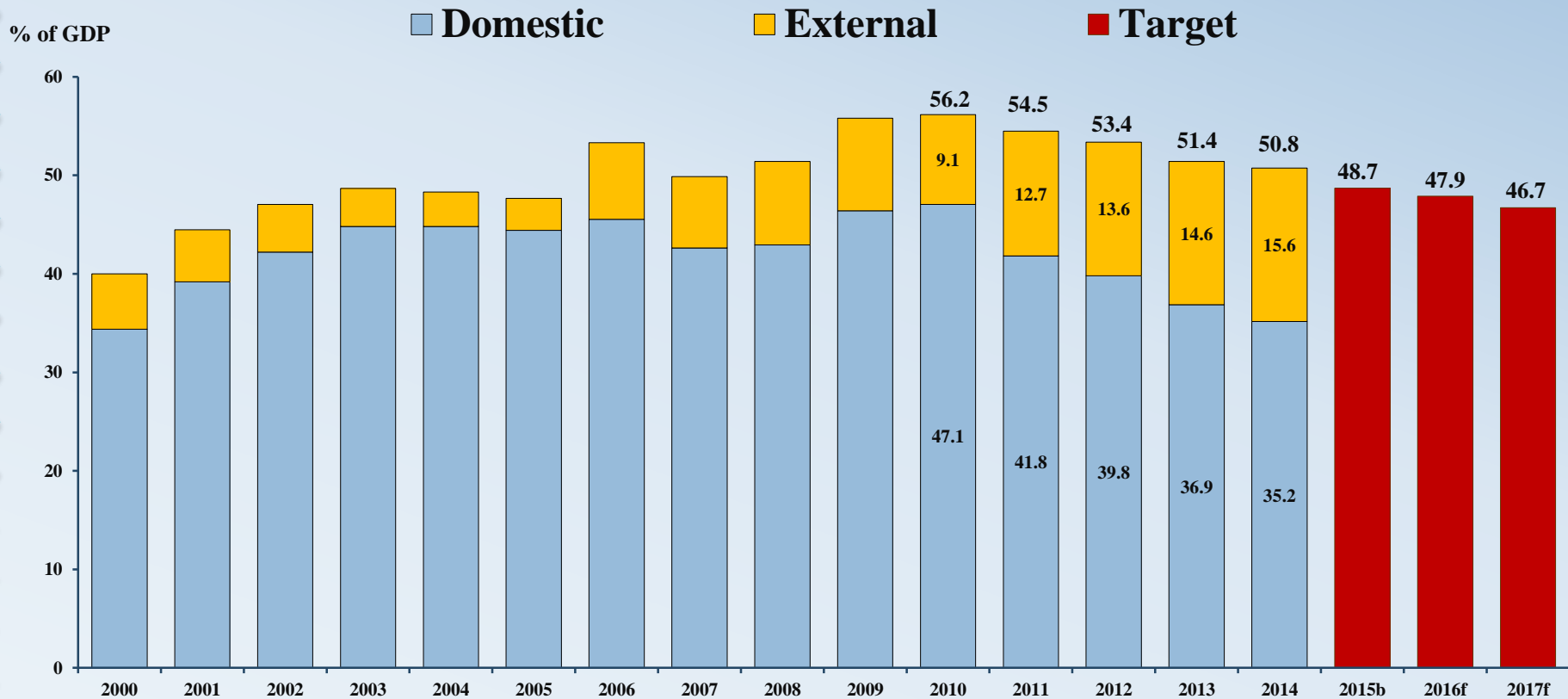


FISCAL SECTOR

Fiscal Policy: Underlying deficit higher in 2015



GOVERNMENT DEBT

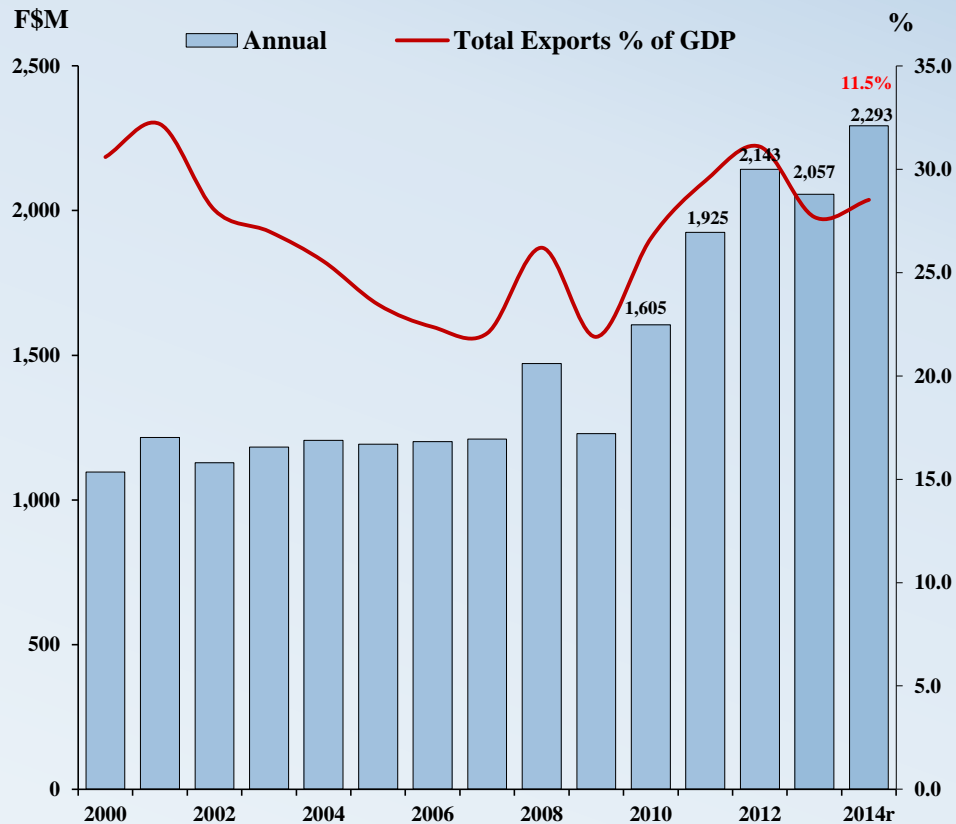


Sources: Ministry of Finance, 2015 National Budget Estimates, Budget Supplement and the Macroeconomic Policy Committee forecast as at April 2015



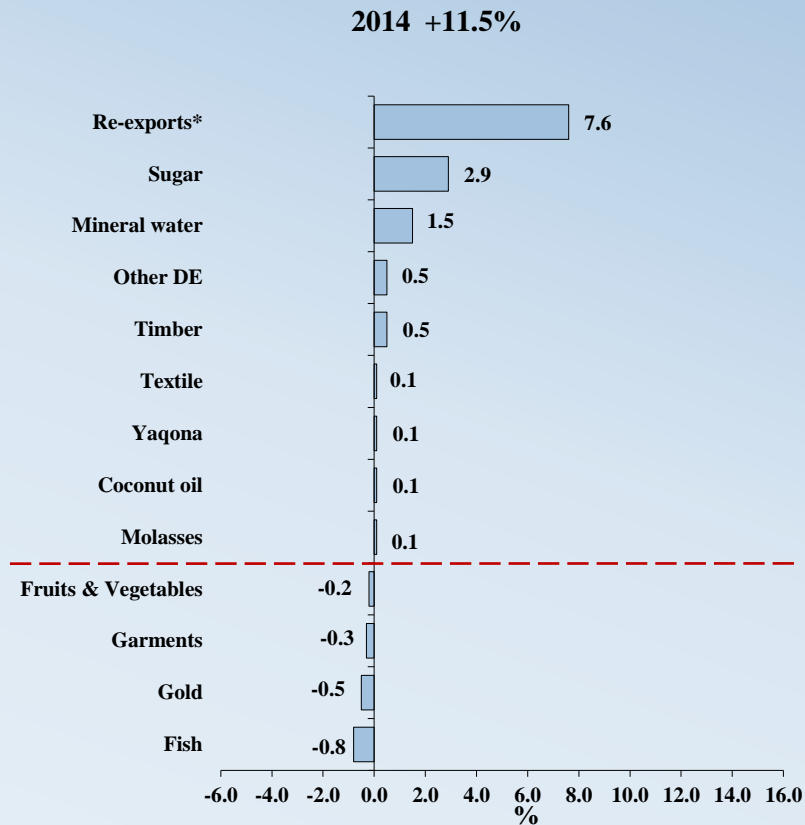
EXTERNAL SECTOR

TOTAL EXPORTS*



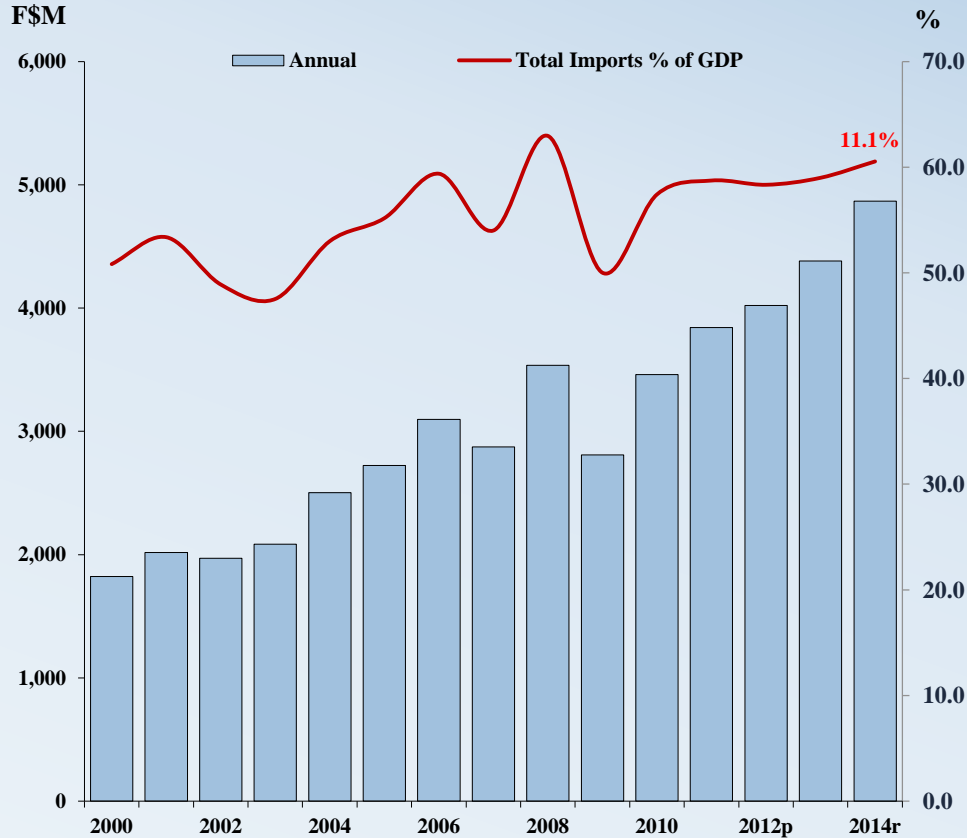
* Accrual data excluding aircraft

EXPORTS* SECTORAL CONTRIBUTIONS



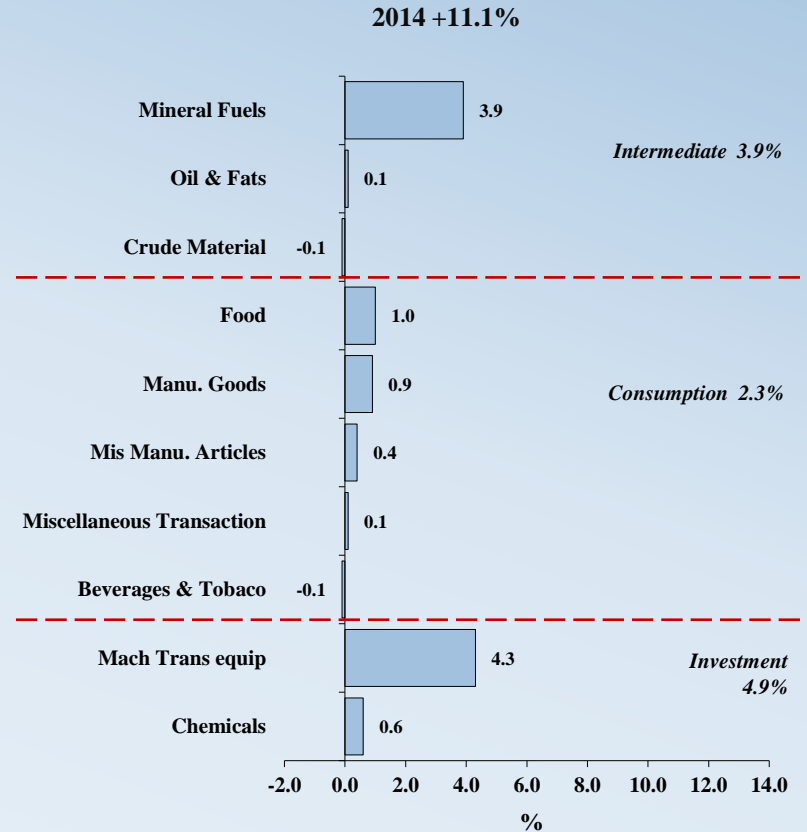
Sources: Fiji Bureau of Statistics

TOTAL IMPORTS*



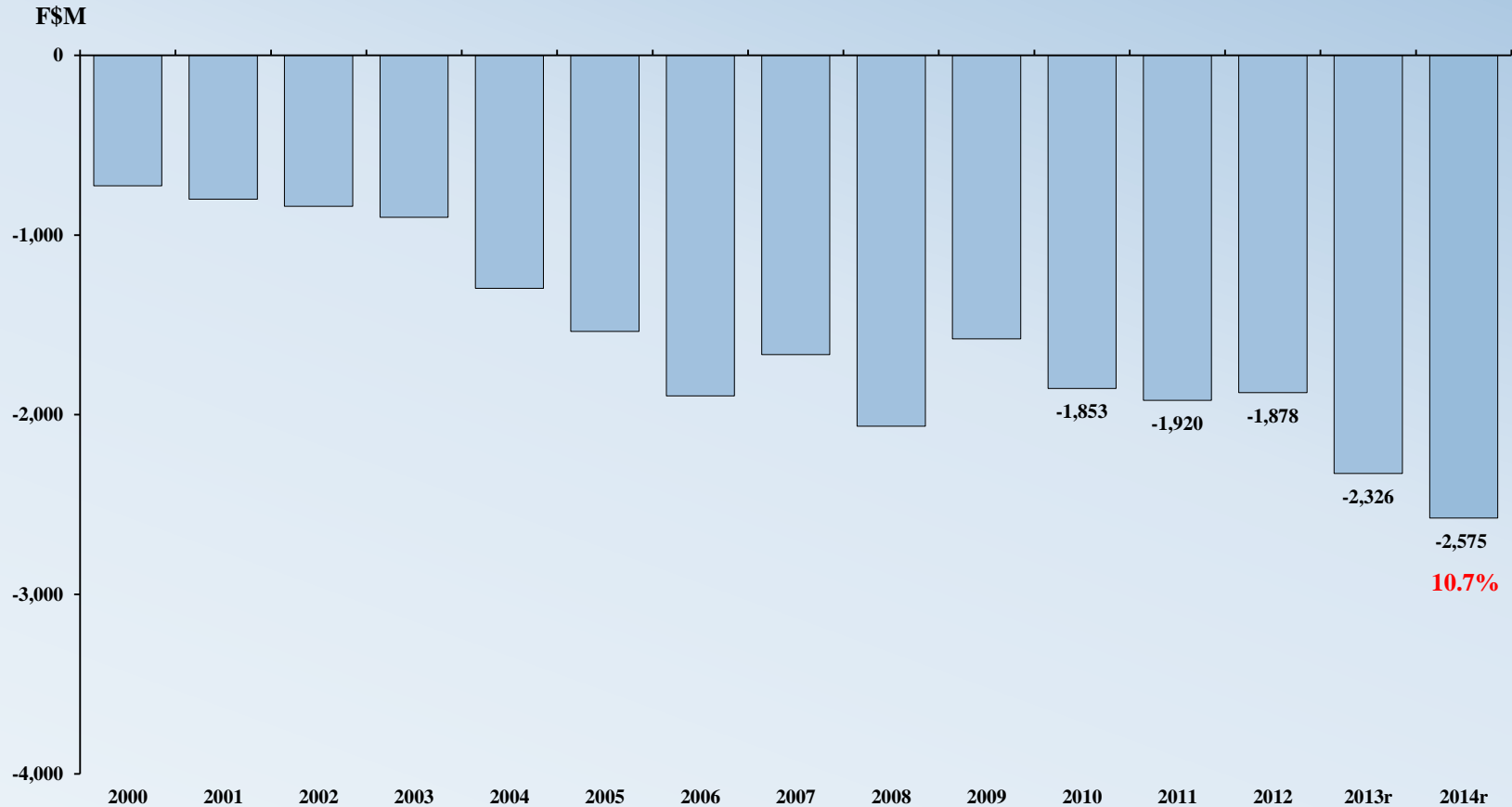
* Accrual data excluding aircraft

IMPORTS* SECTORAL CONTRIBUTIONS



Sources: Fiji Bureau of Statistics

TRADE BALANCE *

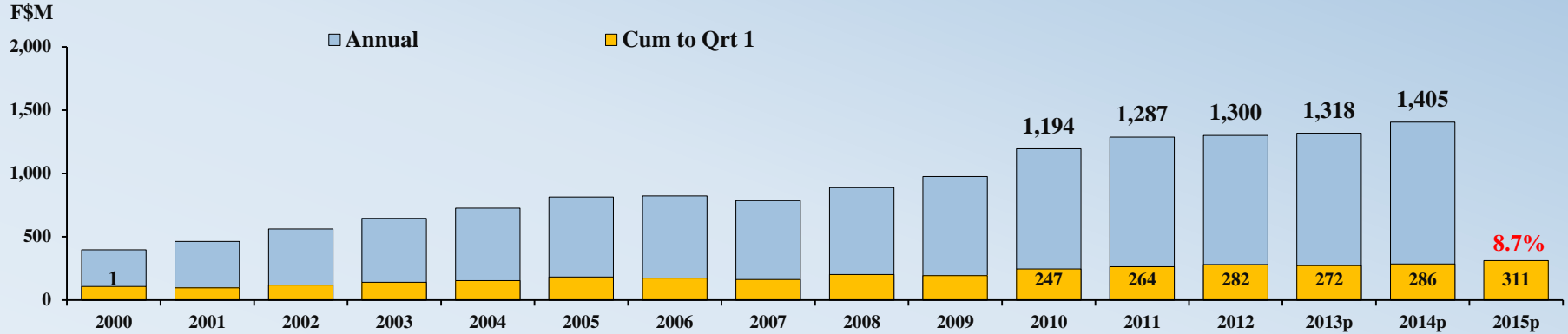


* Excluding aircraft

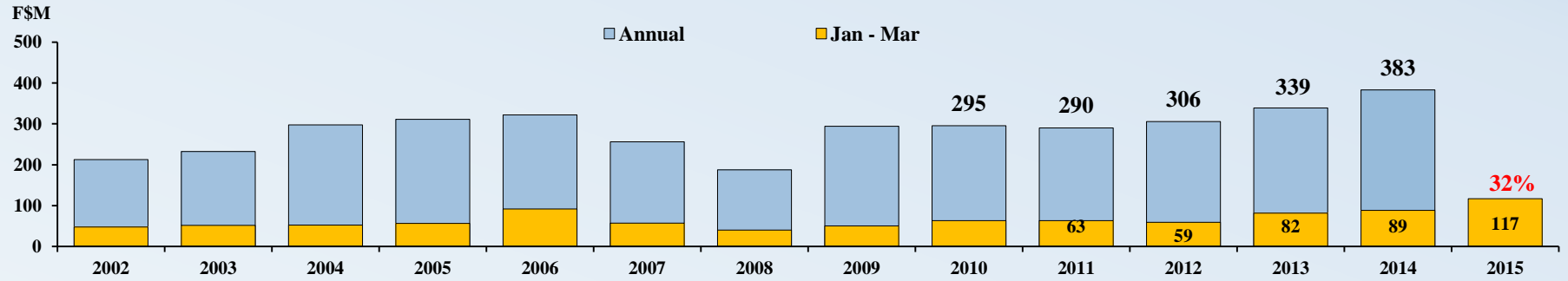
Sources: Fiji Bureau of Statistics and Macroeconomic Committee

Tourism Earnings and Remittances continue to increase and perform better than expected

Tourism Earnings



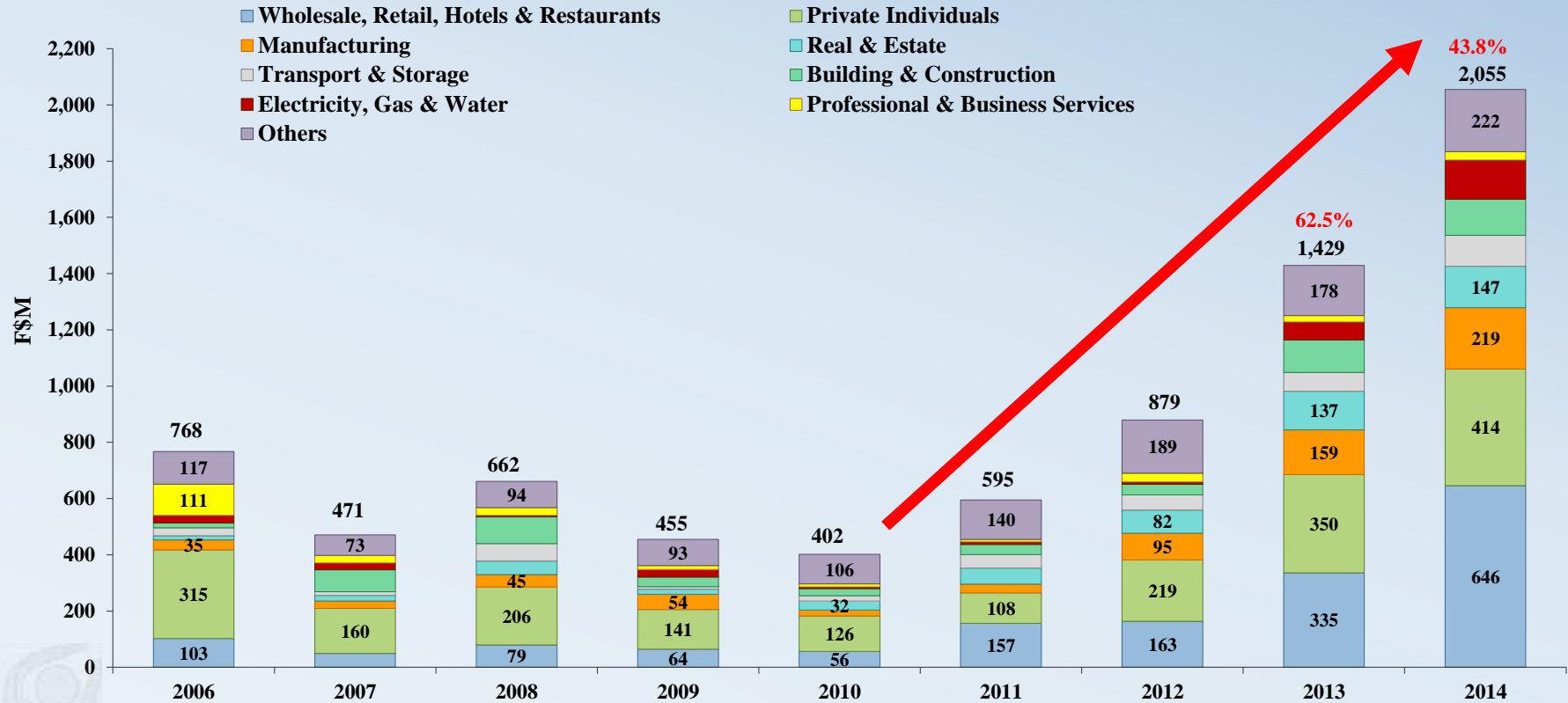
Personal Remittances





FINANCIAL SECTOR DEVELOPMENTS

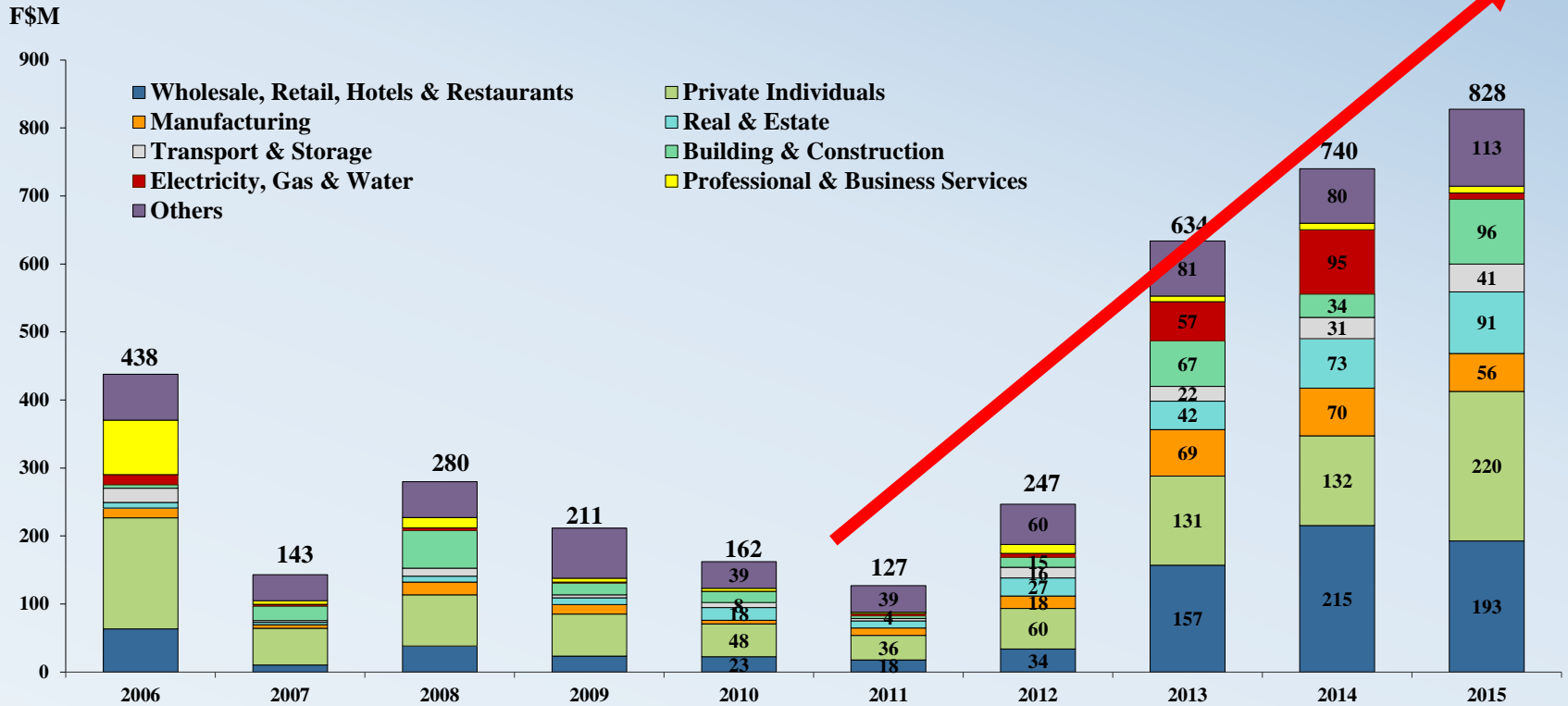
COMMERCIAL BANKS NEW LENDING ANNUAL



From March 2014 HFC lending is included in Commercial Banks lending,

COMMERCIAL BANKS' NEW LENDING

Jan-May



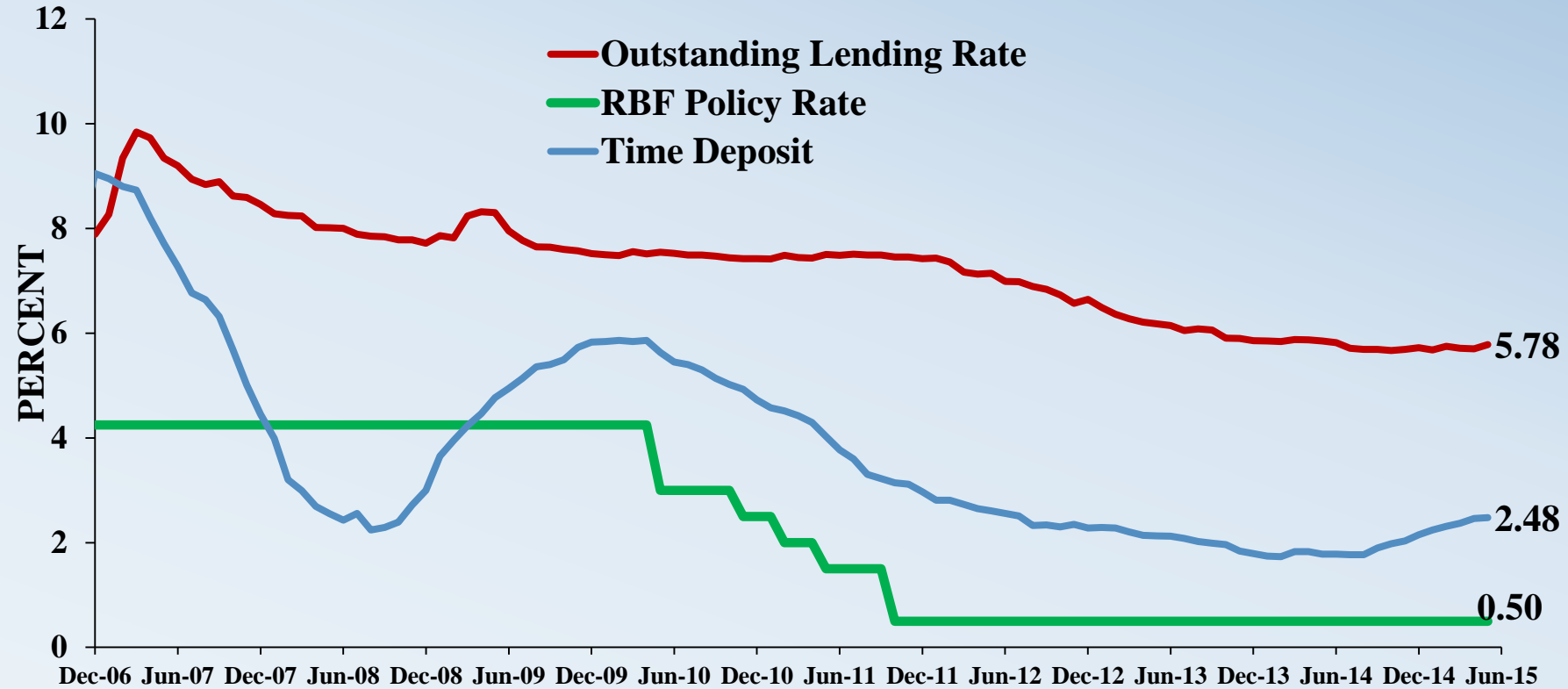
From March 2014 HFC lending is included in Commercial Banks lending

Source: Reserve Bank of Fiji



ROLE OF RBF IN SUPPORTING ECONOMIC GROWTH

OUTSTANDING BANK LENDING AND DEPOSIT RATES



BANKS' LIQUIDITY



As @ 7th July 2015

Source: Reserve Bank of Fiji

OTHER NON CORE CENTRAL BANK INITIATIVES

-  Import Substitution & Export Finance Facility
-  SME Credit Guarantee Scheme
-  Natural Disaster Rehabilitation Facility
-  Housing Facility
-  Financial Inclusion initiatives
-  Directed lending to Agriculture and Renewable Energy Sectors



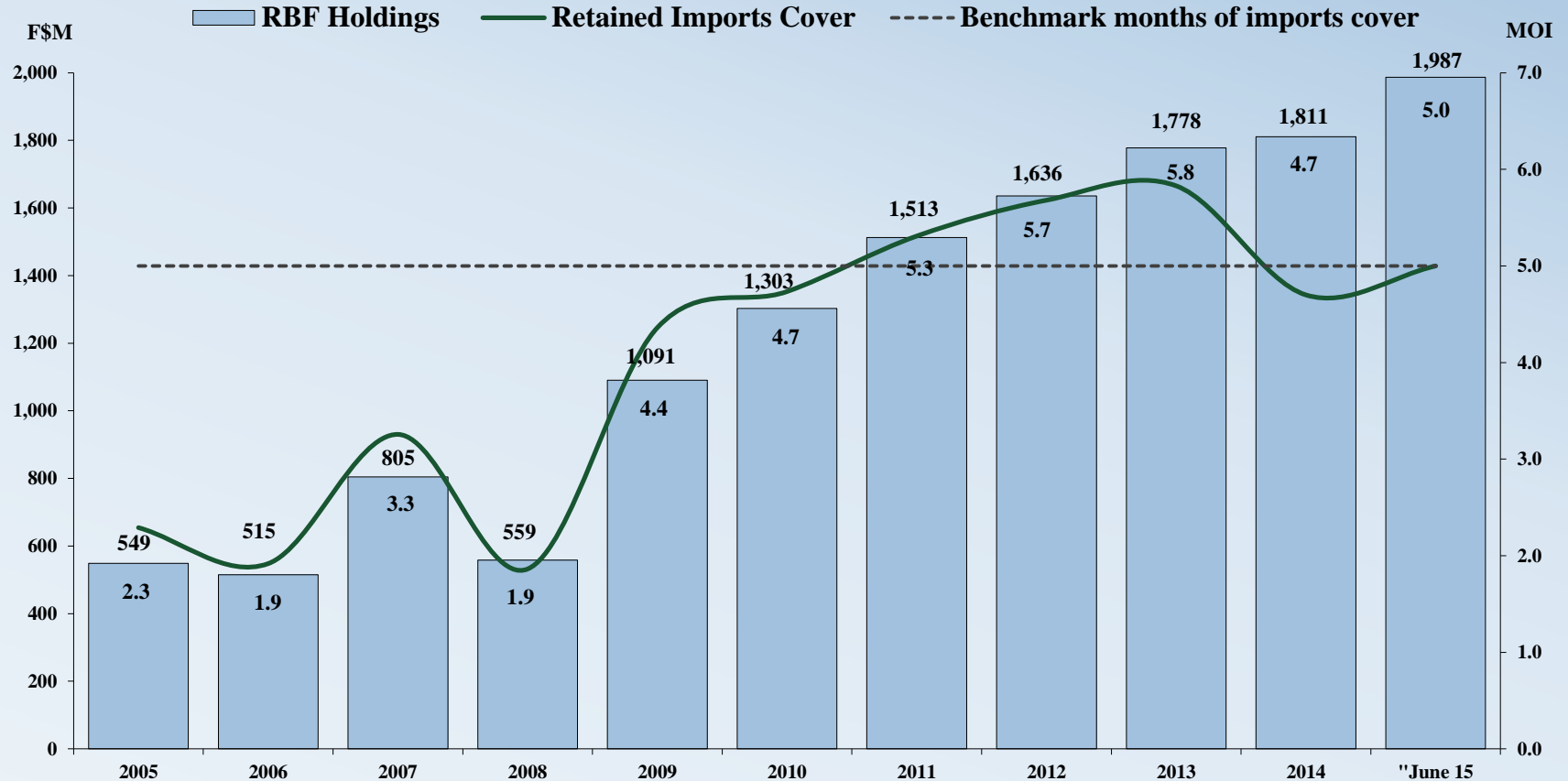
RBF's OBJECTIVES

INFLATION

June



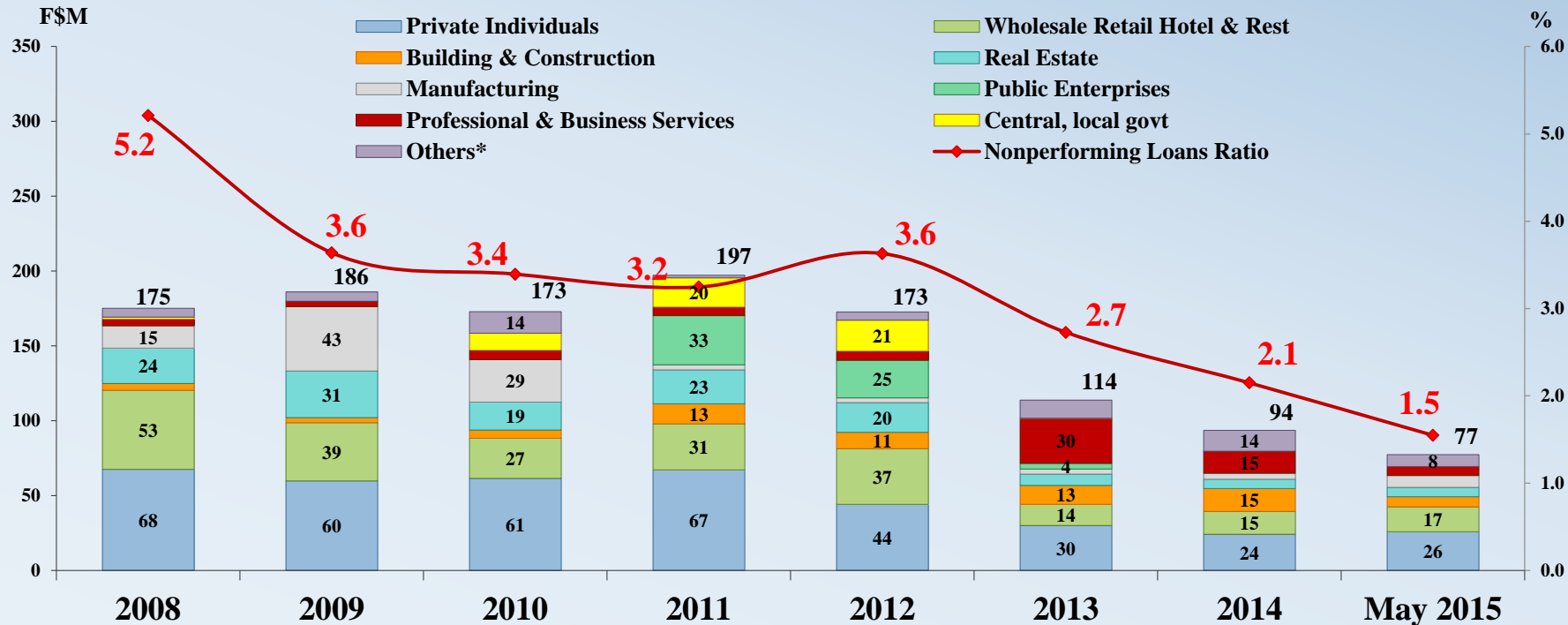
FOREIGN RESERVES



COMMERCIAL BANKS' PROBLEMATIC LOANS

By Sector


Continues to improve across all sectors



1. Others* include agriculture, mining & quarrying, electricity, gas & water, NBFIs and others sectors.

2. Problematic loans include special mention loans, which are loans that are at risk of being at default. Problematic loans has a much broader definition than nonperforming loans.

RISKS & CHALLENGES

-  Natural disasters
-  Uneven and weak growth in trading partner economies
-  Rise in commodity prices
-  Continuation of structural reform
-  Need to maintain fiscal discipline
-  Dependence on Australia & NZ visitors
-  Improve our ranking on ease of doing business

SUMMARY

- The Fijian economy is poised for sixth year of consecutive growth;
- 2014 growth estimate and 2015 growth forecast has been revised upwards;
- Consumption activity is strong;
- Business confidence is high and is reflected in robust investment activity;
- Economic activity is supported by expansionary fiscal policy and accommodative monetary policy;
- Expectation that foreign direct investment will increase;
- Growth outlook for the medium term is biased upwards
- Monetary policy objectives are intact:
 - Foreign reserves are comfortable and expected to remain stable;
 - 2015 inflation forecast will be around 3.0 percent.



THANK YOU