



MACROECONOMIC POLICY COMMITTEE



PRESS RELEASE

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

REVISED ECONOMIC PROJECTIONS

The Chairman of the Macroeconomic Policy Committee and Acting Governor of the Reserve Bank of Fiji, Mr Barry Whiteside announced that “Following a detailed review of all relevant data and available information, the domestic economy is now forecast to expand by 2.7 percent this year. This compares with the 1.3 percent growth previously announced in November last year.

Revised Government allocations in the 2011 National Budget underpin the better-than-previously envisaged projections for the education; public administration & defense; and construction sectors. In addition, the fishing; real estate & business services; financial intermediation; health & social work; transport; storage & communication; hotels & restaurants; electricity & water and the other community, social & personal service activities sectors are expected to do better than earlier anticipated. In terms of drivers of growth, the agriculture & forestry; manufacturing and fishing sectors will provide the major impetus to the 2.7 percent growth for this year, while moderate contributions are expected from the hotels & restaurants; real estate & business services and the financial intermediation sectors”.

The Chairman highlighted that “while the 2.7 percent growth projection is higher than previous expectations, total output has only returned to 2008 levels, and is still below the 2006 mark. In addition, for certain major industries – in particular, sugar and fishing, the higher 2011 growth expectations are largely base-related.

Continuing strong visitor arrivals, which are projected at around 660,000 for 2011, is expected to sustain the current expansion in the tourism industry – which will have positive flow-on effects to other sectors of the economy. The sugar and fish industries are expected to record higher production, with further growth envisaged in the gold, forestry and manufacturing industries. On the down-side, wholesale & retail activity remains subdued and the pick-up in public sector construction spending will not be sufficient to offset current weak private-sector construction activity. In this regard, the

Chairman noted that “an accommodative monetary policy will continue to support the needed growth and investment in the economy”.

Speaking on last year’s growth, Mr Whiteside said that, “the economy in 2010 is now estimated to have grown by a marginal 0.6 percent - higher than the previous 0.1 percent growth forecast. Actual industry data and 2011 National Budget estimates suggest better-than-expected performances in most sectors. Growth in 2010 is estimated to have been largely driven by the manufacturing; hotels & restaurants and mining & quarrying sectors”.

The Chairman added that, “the real GDP growth projections for 2012 and 2013 have been revised upwards to 2.1 percent and 1.9 percent, respectively. The improved outlook for these years is based on projected better outcomes for the agriculture & forestry; manufacturing; financial intermediation; fishing; transport, storage & communications and real estate & business services sectors”.

On the external front, Mr Whiteside explained that, “exports will continue to grow strongly in 2011 by 10.3 percent, following a 21 percent rise in 2010. Imports are anticipated to rebound by 11.4 percent following relatively low growth of 3.2 percent in 2010. The anticipated growth in exports are projected to be underpinned by higher gold, mineral water, sugar, fish, timber, fruits & vegetables and other domestic exports. Consistent with the pick-up in domestic demand via improved growth prospects for this year, import growth is also expected to trend upwards. Higher payments for mineral fuels and food are also expected to contribute strongly to import growth.

The current account deficit for 2011 is forecast at around 4.7 percent of GDP.”

Mr Whiteside concluded by stating that, “foreign reserves as at 26 April 2011 were \$1,352.1 million, equivalent to around 4.0 months of imports of goods and non-factor services”.

Barry Whiteside
Chairman of Macroeconomic Policy Committee

1 The Macroeconomic Committee is made up of representatives from the Ministry of Finance, Strategic Planning, Fiji Bureau of Statistics, Ministry of Industry & Trade, Ministry of Foreign Affairs & International Co-operation, Prime Minister’s Office, Fiji Trade and Investment Bureau, Fiji Revenue & Customs Authority and the Reserve Bank of Fiji.