

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 - 2018

Despite the devastating impact of Tropical Cyclone Winston and the floods in April, the domestic economy is expected to expand by 2.4 percent in 2016, however, at a slower pace than the 3.5 percent forecast a year earlier. The Chairman of the Macroeconomic Committee¹ and the Governor of the Reserve Bank of Fiji, Mr Barry Whiteside announced that “the downward revision to this year’s growth largely resulted from the recent natural disasters which caused huge damage to infrastructure, loss of output especially in the agriculture sector and reduced production time of businesses. Consequently, the agriculture (including cane and non-cane crops); electricity; manufacturing; forestry & logging and the water & sewerage sectors are expected to be a drag to overall growth.”

However, the Governor noted that, “the revised growth for this year also takes into account an expected pickup in construction activity led by post-cyclone reconstruction and rehabilitation work. In addition, an uptick in wholesale & retail activity is also envisaged as households replenish domestic items and increase purchases of reconstruction materials, facilitated by the assistance provided through the Fiji National Provident Fund (FNPf), Social Welfare benefits and the Hope for Homes initiatives following Cyclone Winston and the floods”.

Overall, the sectors driving growth this year include the transport & storage; wholesale & retail trade; construction; accommodation & food services; financial & insurance activities and the public

¹ The Macroeconomic Committee is made up of senior representatives from the Ministry of Finance; Strategic Planning, National Development & Statistics Office; Fiji Bureau of Statistics; Ministry of Industry & Trade and Tourism; Prime Minister’s Office; Investment Fiji; Fiji Revenue & Customs Authority and the Reserve Bank of Fiji.

administration & defence sectors whose positive contributions outweigh the declines in the agriculture, electricity and forestry & logging sectors. On the upside, strong tourism demand, growing inward remittances and improved investor confidence should provide added impetus to growth despite the weak global demand and declining terms of trade.

The Chairman added that, “the Fijian economy is expected to grow by 3.6 percent in 2017 higher than the 3.1 percent earlier anticipated. Growth next year is forecast to be broad based, with the major contributors being the manufacturing; transport & storage; financial & insurance activities; wholesale & retail trade and the construction sectors. In 2018, the economy is expected to grow further by 3.2 percent.”

On the external sector, Mr Whiteside stated that, “the trade deficit is forecast to widen this year due mainly to higher imports especially of machinery & transport, food and manufactured goods while exports are anticipated to fall (especially agro-based) from the effects of TC Winston. The decline in exports (excluding aircraft) by 1.4 percent largely reflects lower re-exports, sugar, molasses and fruits & vegetables. At the same time, imports are projected to grow by 8.5 percent mainly reflecting the higher demand for reconstruction of housing and infrastructural amenities and as well as to meet domestic food shortages following TC Winston. Nevertheless, the current account deficit is projected to narrow to 1.2 percent of GDP in 2016 supported by the higher inflows from services (tourism and transport), remittances and foreign aid.”

Mr Whiteside concluded that, “despite an uptick in April inflation (3.8%) which largely reflected temporary supply shortages following the natural disasters, prices are expected to normalise towards the 2 percent forecast for the end of the year. Foreign reserves were around \$2,015 million as at 24 May 2016, equivalent to around 5.7 months of retained imports of goods and non-factor services and are expected to remain stable during the year.”

BARRY WHITESIDE
Chairman of Macroeconomic Committee