

RESERVE BANK OF FIJI



PRESS RELEASE

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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 Savenaca Narube, today announced a slightly better economic growth projection for 2006. According to Mr Narube, improved prospects from certain industries have contributed to an upward revision to the economic growth forecast for this year, to 3.1 percent from 2.7 percent projected in April. Although the manufacturing; electricity & water and the mining & quarrying sectors are now expected to register weaker performance, the transport & communication; agriculture, forestry, fisheries & subsistence; and the finance, insurance, real estate & business services sectors are anticipated to record improved performances.

The Chairman added that, "The real GDP growth projection for 2007 remains intact at the earlier level of 2.2 percent, but the growth for 2008, has been slightly downgraded to 2.8 percent. Overall, Fiji's economy is expected to grow at an average rate of 2.7 percent annually in the medium term, compared with an average annual growth of 2.4 percent over the last 5 years".

Inflation was 1.6 percent at the end of June.

On the external front, Mr Narube explained that, "In 2006 total exports (excluding aircraft) are envisaged to record a slower growth of 6.6 percent, compared with an earlier projection of 9.3 percent. The downward revision arose from weaker-than-expected exports of garments, timber, gold and other domestic export items, which more than offset the positive contributions from re-exports, fish and the sugar industries".

In contrast, the Governor stated that, "Total imports (excluding aircraft) are projected to grow faster than earlier forecast. For 2006, total imports are now expected to register a growth of 17.5 percent, with higher payments for mineral fuels, machinery & transport equipment, chemicals and food items anticipated to fuel the imports bill. Unfortunately, the situation is being exacerbated by rising oil prices, which has risen from an average of US\$55 per barrel in 2005 to around US\$75 currently. It is commendable that the Government has pursued a National Exports Strategy Design initiative to explore opportunities to raise the level of exports".

The next revision of these forecasts will be announced at the Budget address in early November.

Savenaca Narube
Chairman of Macroeconomic Policy Committee