

RESERVE BANK OF FIJI



PRESS RELEASE

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REVISED ECONOMIC PROJECTIONS

The Chairman of the Macroeconomic Policy Committee and Governor of the Reserve Bank of Fiji, Mr Savenaca Narube, today announced that, “The economy is now projected to contract by 3.1 percent this year, compared to the 2.5 percent economic decline expected earlier. All sectors, except manufacturing and mining, are now envisaged to record lower-than-expected performances, which have resulted in the relatively larger economic contraction.”

Elaborating on the projected economic contraction, the Chairman highlighted that “Lower spending for the community, social & personal services sector which is measured by the Government operating expenditure and the stalling of certain major projects are the major contributors to this year’s economic decline. Additionally, the fall in visitor arrivals so far this year and the on-going discounts provided by hoteliers will have a flow-on effect in the wholesale & retail trade and hotels & restaurants and transport & communication sectors. Moreover, the mining & quarrying sector is not expected to register any output in 2007, following the closure of the Vatukoula gold mine late last year.”

The Chairman added that, “On a positive note though, the finance, insurance, real estate & business services; manufacturing; agriculture, forestry, fishing & subsistence and electricity & water sectors are anticipated to contribute positively to growth in 2007, although at a level lower than previously estimated. The agriculture sector’s growth has been affected somewhat by the flash floods and a cyclone in the earlier part of this year.”

According to Mr Narube, “Growth projections for 2008 to 2009 have also been revised. The economy is now projected to grow by 1.9 percent in 2008, largely on the back of an expected recovery in the tourism industry next year. Economic growth in 2009 is expected at 2.8 percent with the finance, insurance, real estate & business services sector expected to lead growth. Notably, the benefits of the sugar industry restructure are factored in 2009, contributing to the projected strong performance of the agriculture, forestry, fishing & subsistence sector in that year. As for 2010, the economy is anticipated to expand by 2.9 percent.”

On trade projections, Mr Narube highlighted that, “Imports (excluding aircraft) are now projected to decline by 2.1 percent this year, following a growth of 13.8 percent in 2006. This is a reflection of a combination of factors – the economic downturn this year and the tighter fiscal and monetary policies. Nevertheless, the country’s export performance remains weak with exports (excluding aircraft) projected to contract by 2.6 percent in 2007. ”

Mr Narube stated that, “Official foreign reserves at the end of June were at adequate levels of \$859.9 million, equivalent to around 3.5 months of imports of goods”.

The Macroeconomic Committee will revisit these projections for announcement in the 2008 National Budget.

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