


**PRESENTATION TO THE
FIJI AUSTRALIA BUSINESS COUNCIL**

**THE FIJI ECONOMY:
FACING THE GLOBAL CRISIS**



Mr Savenaca Narube
Governor, Reserve Bank of Fiji
2 December 2008

Reserve Bank of Fiji

OUTLINE

- GLOBAL CRISIS
- EXPOSURE TO TRADE IN GOODS & SERVICES
- GROWTH OUTLOOK
- KEY CHALLENGES AND POLICY RESPONSES
- SUMMARY

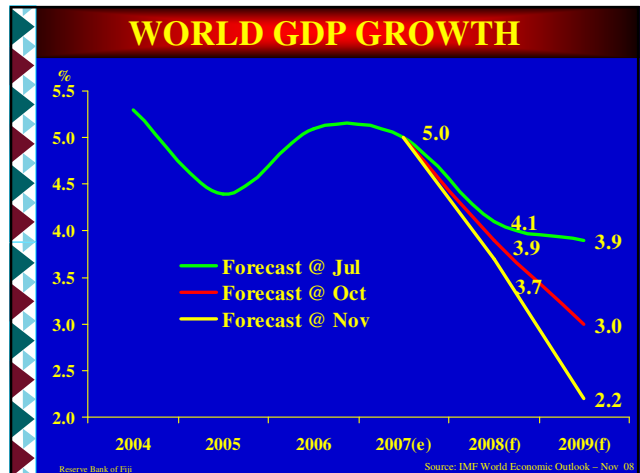
Reserve Bank of Fiji

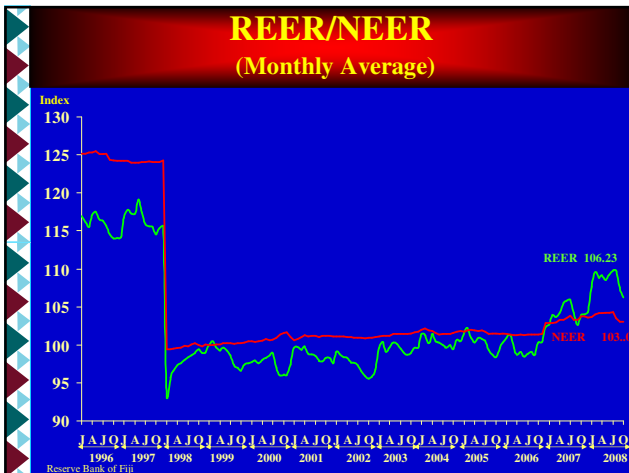
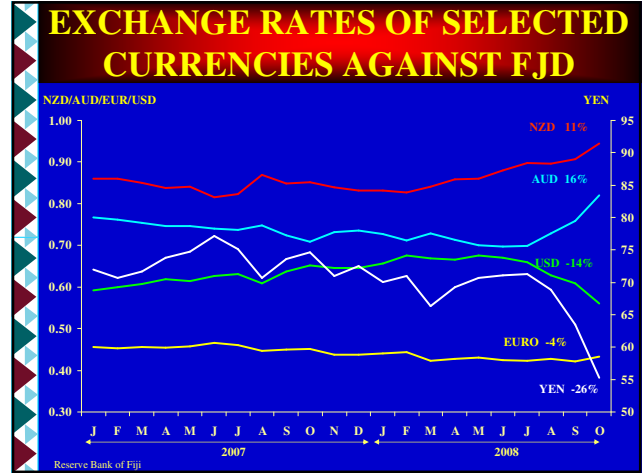
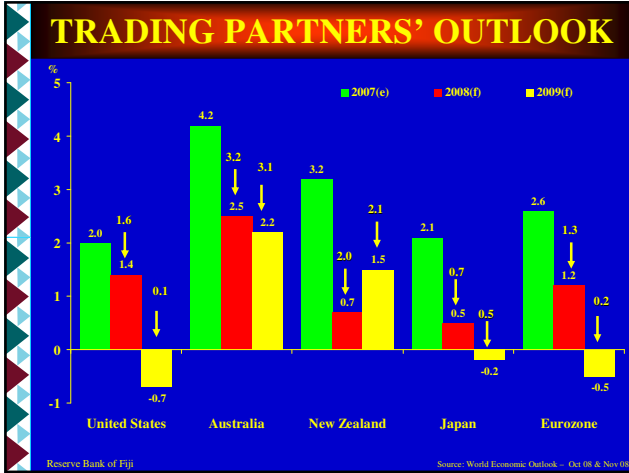
SNAPSHOT OF THE FIJI ECONOMY

- Economy declined heavily in 2007
- Recovery to begin this year but low growth
- The trade deficit is widening and exerting pressure on foreign reserves
- Inflation has risen to a 20-year high but to decline to a moderate level in 2009
- Investment has fallen
- Unemployment is rising
- Poverty is worsening

NOW COMES THE GLOBAL FINANCIAL CRISIS

Reserve Bank of Fiji

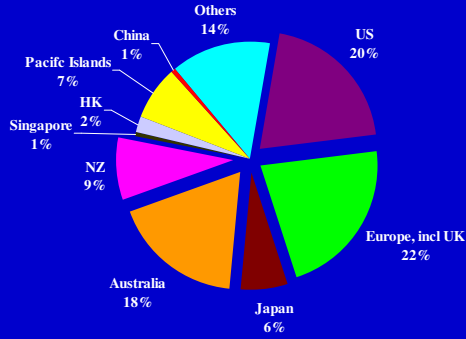




EXPOSURE TO TRADE IN GOODS & SERVICES

Reserve Bank of Fiji

FIJI'S COMMODITY EXPORT* DESTINATIONS

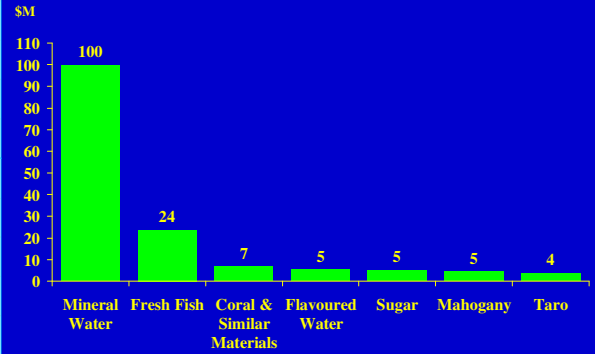


Reserve Bank of Fiji

*Refers to 2007
Source: FIBOS

MAJOR EXPORTS* TO US

Demand Will Slow Down

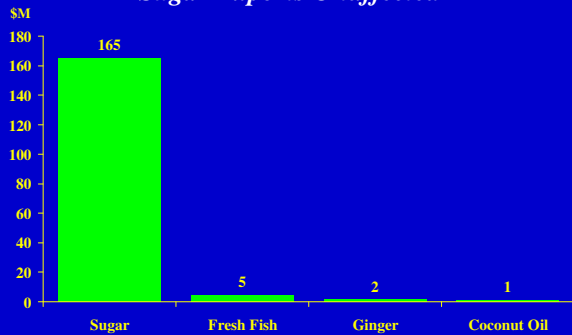


Reserve Bank of Fiji

*Represents 84% of total commodity exports to the US in 2007
Source: FIBOS

MAJOR EXPORTS* TO EUROPE

Sugar Exports Unaffected

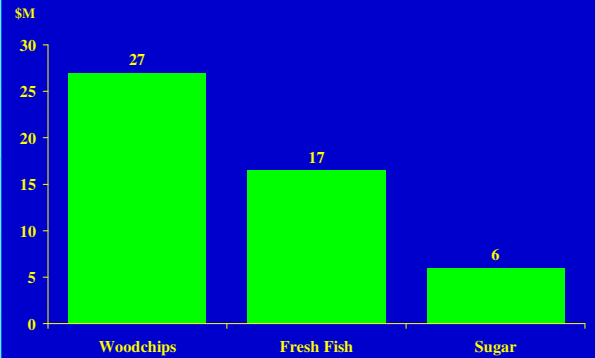


Reserve Bank of Fiji

*Represents 83% of total commodity exports to the UK, Germany, France & Italy in 2007
Source: FIBOS

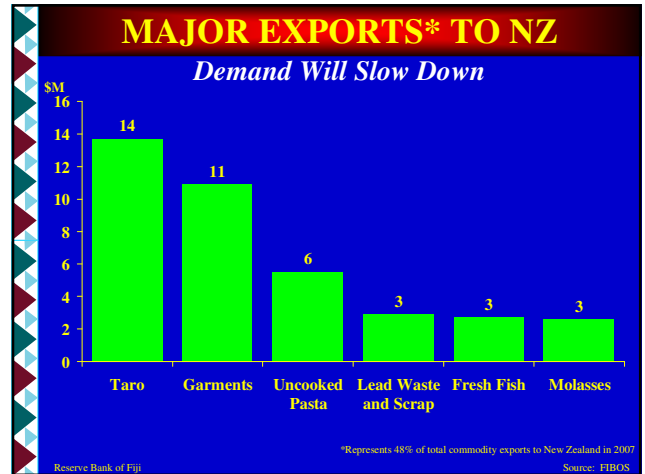
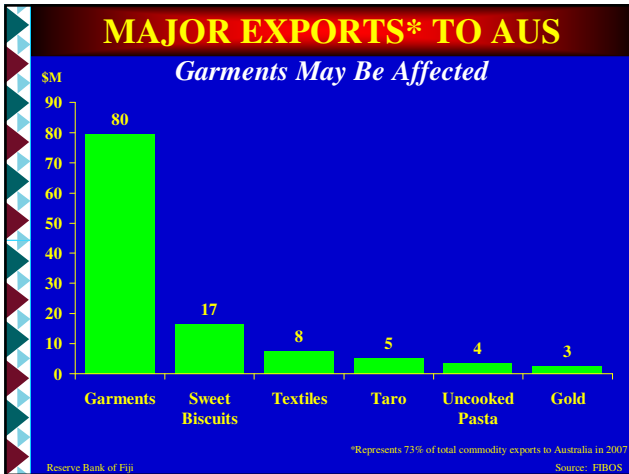
MAJOR EXPORTS* TO JAPAN

Demand Will Slow Down

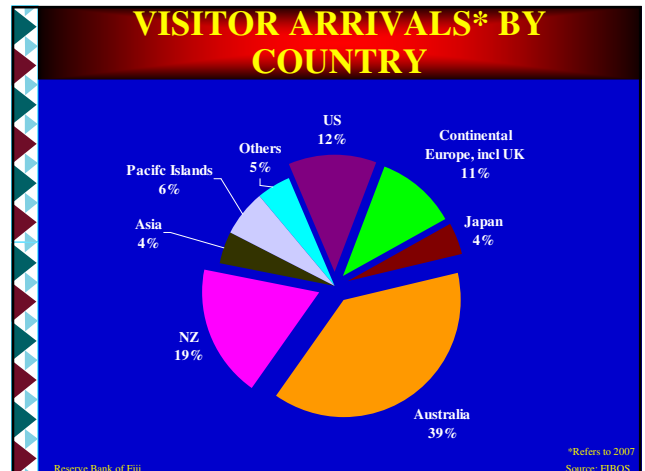


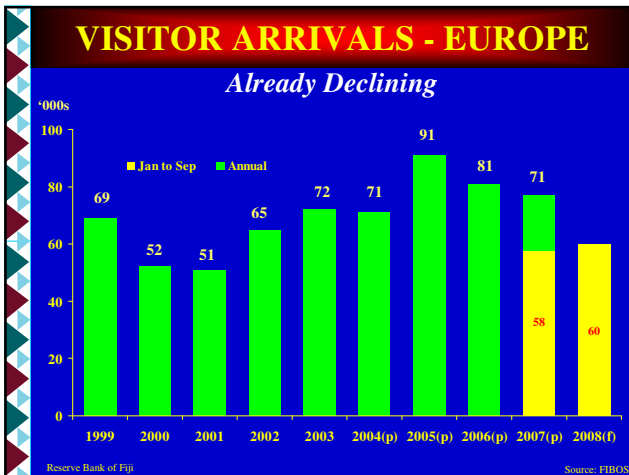
Reserve Bank of Fiji

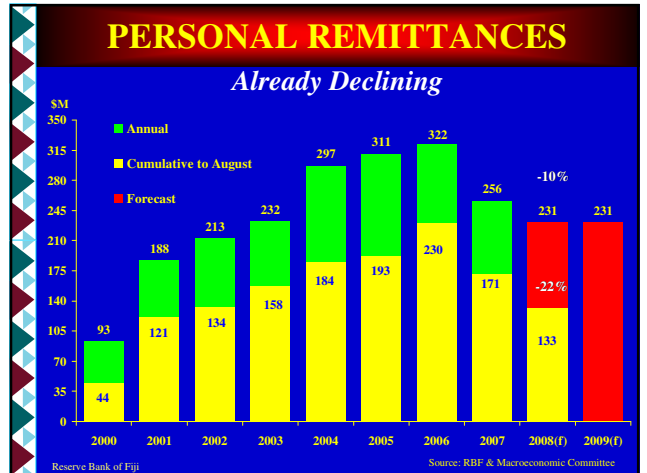
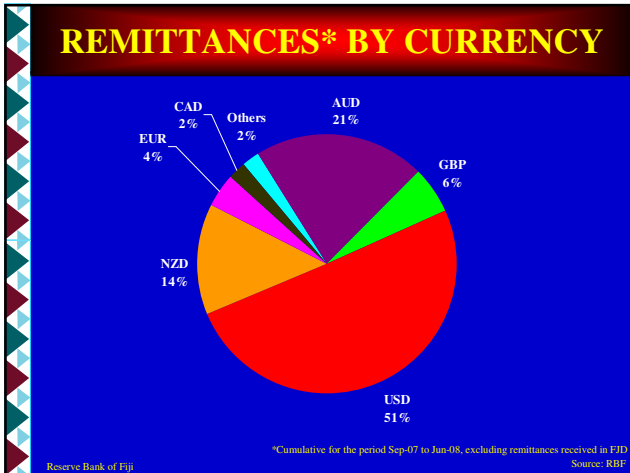
*Represents 88% of total commodity exports to Japan in 2007
Source: FIBOS



- ### IMPACT ON EXPORTS
- Slowdown in exports which are demand driven
 - Tourism
 - Water
 - Garments
 - Supply driven exports – structural constraints binding
 - Slowdown in growth of total exports
- Reserve Bank of Fiji





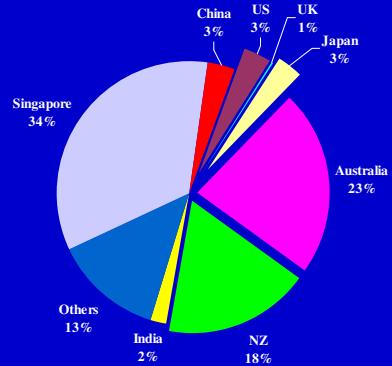


IMPACT ON SERVICES

- Reduce tourist arrivals
 - Japan, Europe and US was already declining
 - NZ tourists were also flat
 - Australia was the growth industry
 - Exchange rate will further dampen demand
- Remittances will decline further

Reserve Bank of Fiji

FIJI'S ORIGIN OF IMPORTS

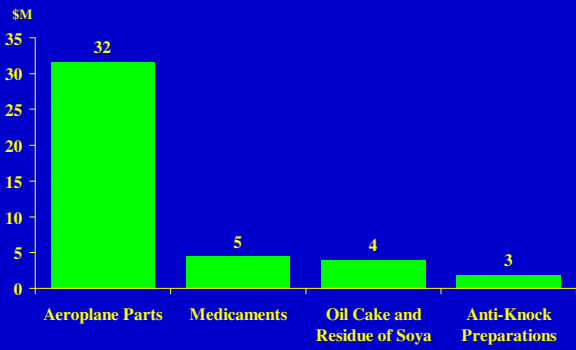


*Refers to 2007 Total Imports = \$2,890m

Reserve Bank of Fiji

Source: FIBOS

IMPORTS* FROM UNITED STATES



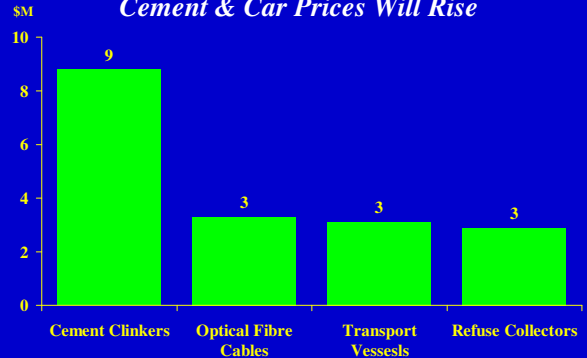
*Represents 47% of total commodity imports from the US in 2007

Reserve Bank of Fiji

Source: FIBOS

IMPORTS* FROM JAPAN

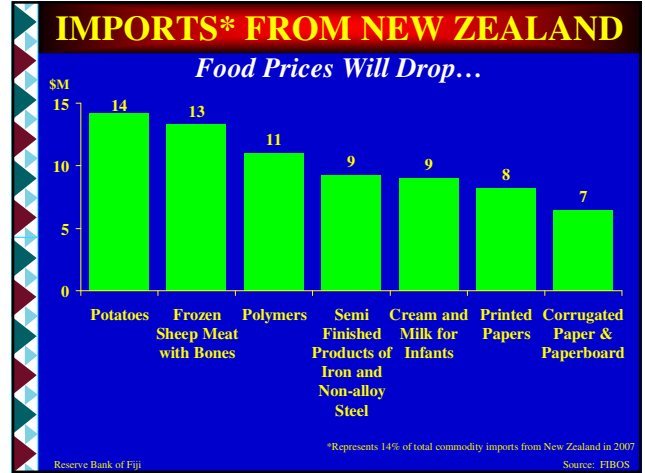
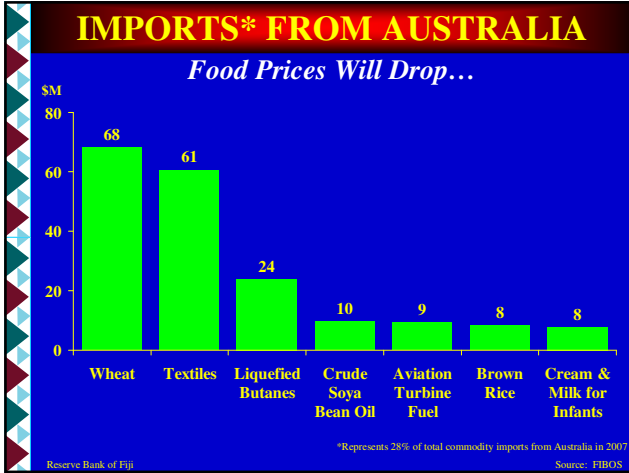
Cement & Car Prices Will Rise



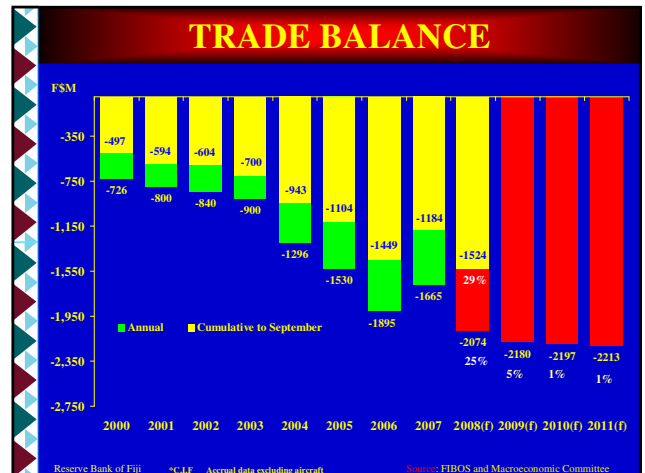
*Represents 21% of total commodity imports from Japan in 2007

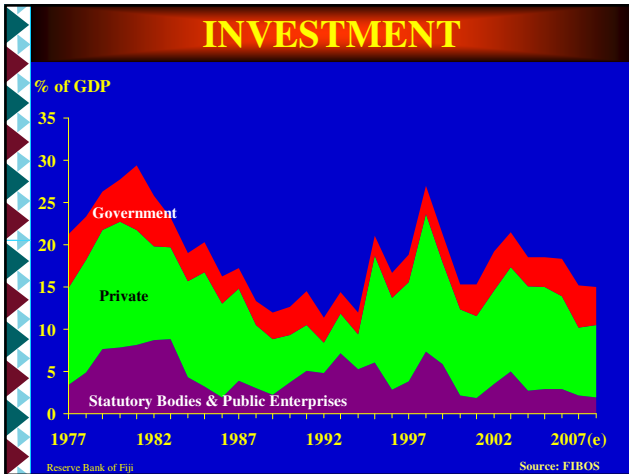
Reserve Bank of Fiji

Source: FIBOS



- ### IMPACT ON IMPORTS
- Imports will rise
 - Price of cars and auto parts will rise – demand will drop
 - Oil price in Fiji dollar will rise – will partly offset the lower global price
 - Prices of food and manufactured items will drop – demand may be inelastic
 - Cement price will rise
- Reserve Bank of Fiji



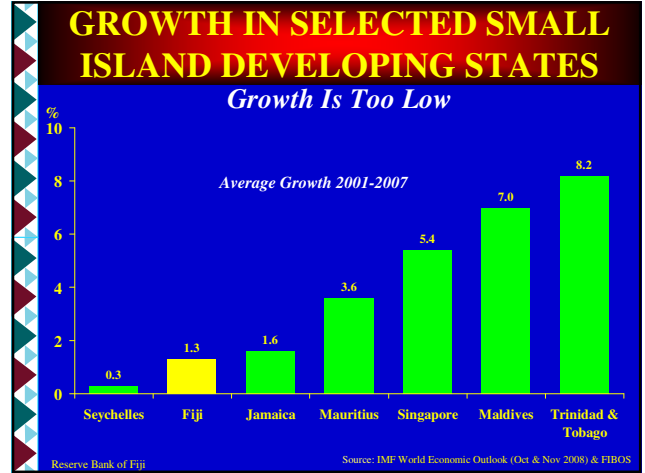
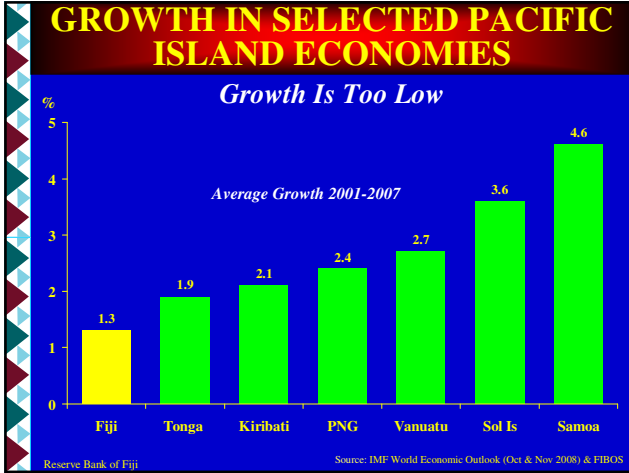


GROWTH OUTLOOK

Reserve Bank of Fiji



- ### MAJOR DRIVERS
- Tourism
 - Agriculture –fishing, forestry
 - Manufacturing, except garments
 - Mining – gold
 - Water
- ### MAJOR DRAG
- Community & social services – Government expenditure (2010 & 2011)
- Reserve Bank of Fiji



KEY CHALLENGES AND POLICY MIX

Reserve Bank of Fiji

- ### KEY CHALLENGES
- Safeguarding Fiji's external position
 - Raising exports
 - Raising investment
 - Raising and sustaining growth
- Reserve Bank of Fiji

BUDGETARY MEASURES

- PRO GROWTH
 - 3% of GDP deficit
 - Support for priority sectors
 - Tourism
 - Agriculture
 - ICT

Reserve Bank of Fiji

BUDGETARY MEASURES

- BALANCE OF PAYMENTS SUPPORT
 - Bio Fuel
 - Import Substitution
 - Fiji Diaspora
 - Increase in tariffs
- INVESTMENT
 - Infrastructure development
 - Incentives

Reserve Bank of Fiji

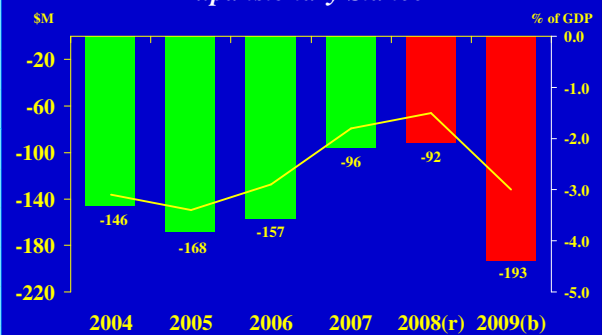
MONETARY MEASURES

- BALANCE OF PAYMENTS
 - Credit Ceiling
 - Exchange Controls
- INVESTMENT
 - Interest rates
 - Special approvals

Reserve Bank of Fiji

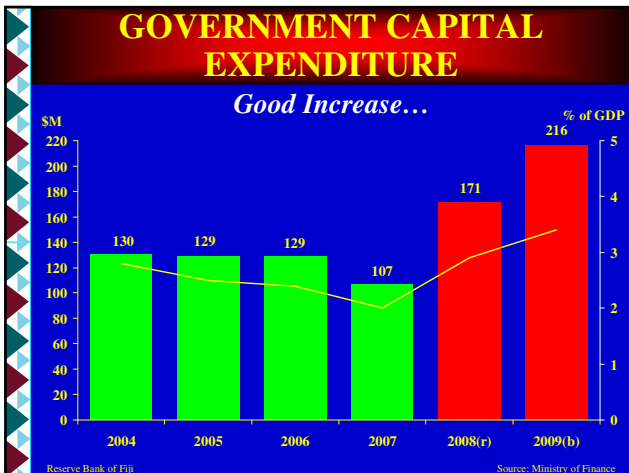
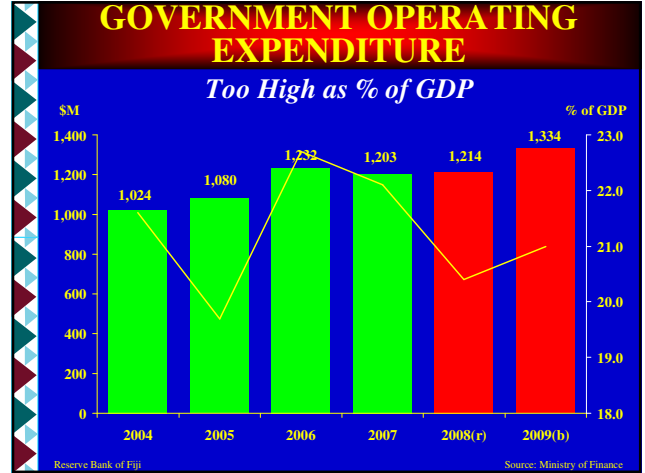
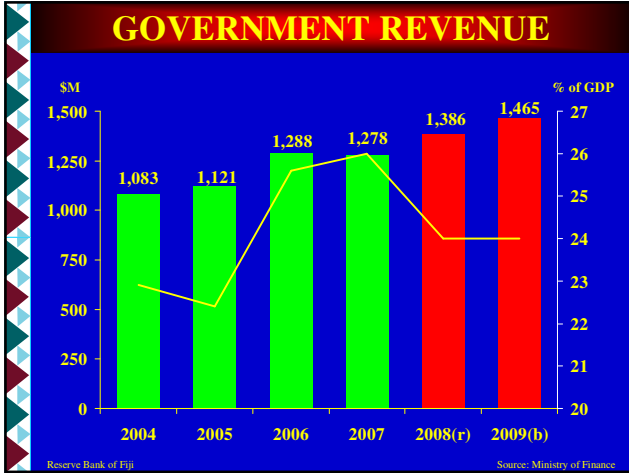
GOVERNMENT UNDERLYING BALANCE

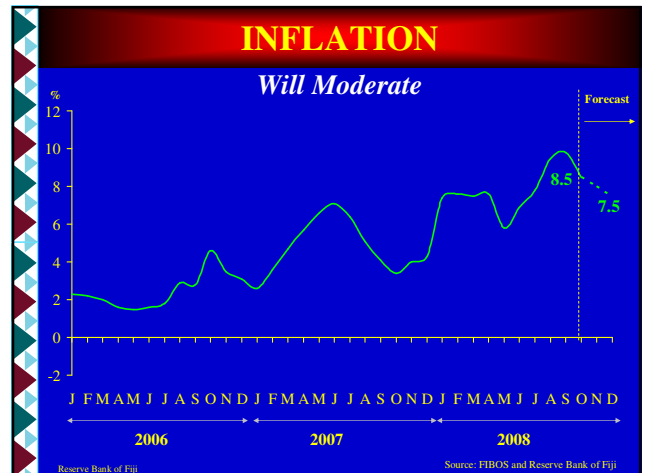
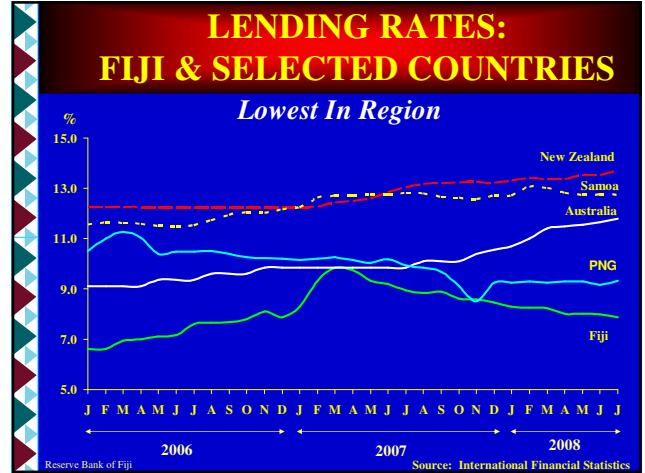
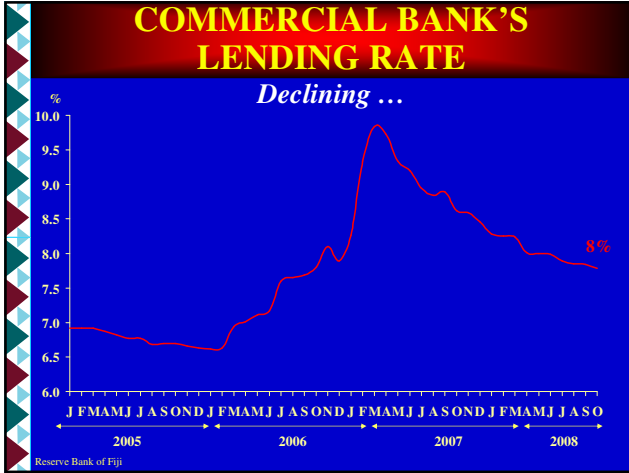
Expansionary Stance

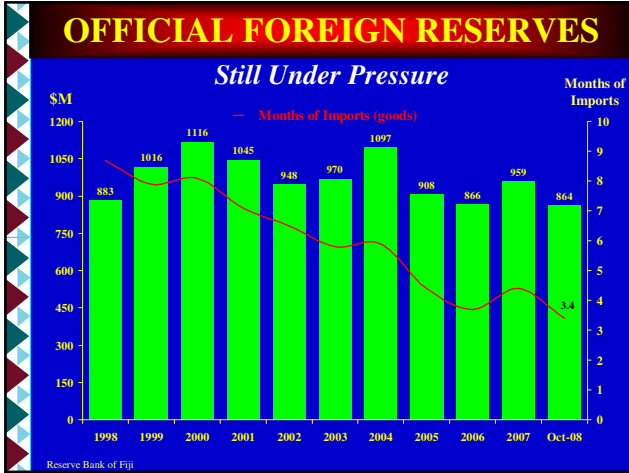


Reserve Bank of Fiji

Source: Ministry of Finance







- ## SUMMARY
- Weak Fundamentals
 - Financial Crisis will Reduce Potential
 - Four Key Challenges
 - Policy Mix
 - Growth is too Low
 - Agenda to Lift Growth Rests on Exports
- Reserve Bank of Fiji

THANK YOU

Reserve Bank of Fiji