# RESERVE BANK OF FIJI

## *PRESS RELEASE*


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

**REVISED GROWTH PROJECTIONS FOR THE FIJIAN ECONOMY FOR 2019-2022**

The Fijian economy is anticipated to grow for the tenth consecutive year in 2019 by 1.0 percent following a 3.5 percent expansion in 2018. This is a downgrade from the 2.7 percent projected earlier in May and is the slowest growth rate in a decade. The Chairman of the Macroeconomic Committee[1] and Governor of the Reserve Bank of Fiji, Mr Ariff Ali explained that, "the revised lower growth forecast for 2019 is based on latest available information and reflects the moderation in both domestic and global economic activity."

Mr Ali further stated that, "overall, aggregate demand conditions have weakened this year as partial indicators for the first nine months reflect subdued consumption activity and contraction in investment, stemming largely from weak business and investor sentiments as well as lower Government spending. Real sector outcomes and industrial activity have also been restrained in the year to date, seen in annually lower cane, timber, gold and sugar output."

Consistent with developments to date, most sectors are expected to decelerate relative to earlier expectations. Growth in the manufacturing sector, albeit positive, has been downgraded as a result of subdued sugar output and lower growth expected for textile and mineral water production. Higher operational costs underpin the contraction anticipated for the transport & storage sector. Additionally, consistent with the 2019/2020 National Budget, the growth rate for the public administration sector has been reduced while the sharp contraction in vehicle sales so far this year has underpinned a much smaller growth in the wholesale & retail sector. Annually, lower capital expenditure by Government accounts for the expected pullback in construction activity, relative to earlier expectations. The expected contractions for the forestry and mining sectors is attributed to envisaged lower pine output and consecutive declines noted in gold production in the year to September. Nonetheless, weaker indirect tax collections constitutes the largest drag on growth this year.

On the upside, improved commercial bank profitability and increased visitor arrivals up to September underline the projected higher contributions of the financial & insurance and accommodation & food services sectors. Against previous forecasts, there have also been upward revisions to growth for the fishing sector, while the education, health and information and communication sectors continue to support the overall mild economic expansion.

[1] The Macroeconomic Committee is made up of Heads and senior representatives from the Ministry of Economy, Fiji Bureau of Statistics, Ministry of Industry & Trade and Tourism, Office of the Prime Minister, Investment Fiji, Ministry of Infrastructure & Transport, Fiji Revenue & Customs Service and the Reserve Bank of Fiji.

The Chairman added that, "growth is expected to pick up to 1.7 percent in 2020 as both domestic and global economic sentiments are expected to improve. Economic performance is expected to return to trend from 2021 onwards, with growth forecast at 2.9 percent and 3.0 percent in 2021 and 2022, respectively."

Mr Ali added that reduced imports from lower domestic demand, lower crude oil prices as well as continued growth in tourism and remittances underpin the stable foreign reserves level. Consequently, the current account deficit is forecast to narrow to around 4.7 percent of GDP in 2019 and remain below 5.0 percent of GDP over the medium term. Foreign reserves are currently at $2,198.3 million on 05 November, equivalent to 5.1 months of retained imports of goods and services cover. Liquidity in the banking system stood at $621 million on 05 November and is sufficient to support financial intermediation along with economic activity while stabilising interest rates.

The Macroeconomic Committee will continue to monitor global and domestic developments and review these macroeconomic projections in April 2020.

**ARIFF ALI**
**Chairman of Macroeconomic Committee**