

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 that, “economic growth for 2006 is now projected at 2.7 percent, up from the 2.0 percent announced in November last year. The upward revision is mainly based on an anticipated improvement in the transport & communications; manufacturing and community, social and personal services sectors. Apart from these, the agriculture, forestry, fishing & subsistence sector will also contribute strongly towards this year’s growth”.

Unlike the previous years, the contribution of the wholesale & retail trade industry is expected to decline as the monetary policy tightening by the Reserve Bank is expected to slow down consumption. Nonetheless, continuing strong visitor arrivals, which is projected at 576,000 for 2006, is expected to sustain the current expansion in the tourism industry – this will have strong flow-on effects to other sectors of the economy. Moreover, the sugarcane and gold industries are expected to record a turnaround in production this year.

Speaking on last year’s growth, the Governor said that, “Fiji’s economy is estimated to have grown by 1.5 percent in 2005, lower than the 1.7 percent forecast in the 2006 National Budget. The downward revision to last year’s growth resulted from the base effect arising from the stronger-than-expected economic growth of 5.6 percent in 2004, as well as weaker-than-expected performances in the garments, sugarcane and gold industries”.

Last year’s growth was led by the building and construction sector. This was clearly evident by the robust construction activities in the private sector, where the value of work put-in-place increased substantially by 100 percent on an annual basis in 2005. This was followed by the wholesale & retail trade, hotels & restaurants; and the finance, insurance, real estate & business services sectors.

The Chairman added that, “the real GDP growth projections for 2007 and 2008 have also been revised. We expect the economy to grow by 2.2 percent in 2007, and by a slightly higher rate of 2.9 percent in 2008”.

On the external front, Mr. Narube explained that, “exports (excluding aircraft) are projected to expand by 9.3 percent this year. On the other hand, imports (excluding aircraft) are expected to grow by a much stronger 13.3 percent in 2006. Higher payments for mineral fuels are contributing to strong import growth”.

Mr. Narube stated that, “official foreign reserves at the end of March were at adequate levels of \$793 million, equivalent to around 3.4 months of imports of goods”. Mr. Narube also highlighted that “inflation at the end of the first quarter was 2.0 percent, while the year-end inflation is currently projected at 3.5 percent”.

SAVENACA NARUBE
Chairman of Macroeconomic Policy Committee