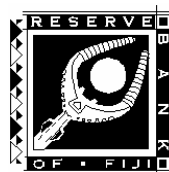


# RESERVE BANK OF FIJI



## *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 2008 is now projected at 1.7 percent, down from the 2.2 percent announced in October last year”.

The downward revision is mainly due to lower projections for the community, social and personal services sector. Lower forecasts of crop, cane and sugar output, partly due to the effects of Cyclone Gene, also led to lower revisions for the manufacturing and agriculture, forestry, fishing & subsistence sectors. These downward revisions could not offset the higher projection in the mining sector as gold output is now included in the new 2008 forecasts after a lapse of mining operations for most of 2007. The new 2008 forecasts also took into account higher projected visitor arrivals which is expected to have a positive impact on the hotels & restaurants and transport industries.

Speaking on last year’s growth, the Governor said that, “Fiji’s economy is estimated to have contracted by 4.4 percent in 2007, compared to the 3.9 percent decline forecasted in October last year. The downward revision was mainly a result of lower than expected cane and sugar output which was affected by adverse weather conditions and mill interruptions. The performance of the building & construction sector was also weaker than earlier envisaged.

Last year’s contraction was almost broad-based with electricity & water the only sector estimated to have grown. Leading the decline in the economy were the building & construction

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and community, personal & social services and manufacturing sectors. The absence of mining in 2007 reduced economic growth by around half a percentage point.

The Chairman added that, “while economic recovery is still expected in the next 2 years, it will be lower than earlier projected. We now expect the economy to grow by 1.1 percent in 2009, and by 1.6 percent in 2010”.

With regard to trade, Mr Narube explained that, “exports are projected to expand by 7.7 percent this year while imports are expected to grow by 4.6 percent. The growth in exports is encouraging. However, in absolute dollar terms, the growth in imports is expected to outpace exports. This will lead to a slightly higher trade deficit in 2008. Higher payments for mineral fuels continue to contribute to strong import growth. We therefore need to grow exports at a much higher rate.”

Mr Narube stated that, “official foreign reserves at the end of March were at adequate levels of \$909 million, equivalent to around 4.0 months of imports of goods”. Mr Narube also highlighted that “inflation at the end of the first quarter was 7.5 percent, and while the year-end inflation is currently projected at 5.0 percent, there are upside risks to this assessment.”

A handwritten signature in black ink, appearing to read 'Savenaca Narube', written over a horizontal line.

**SAVENACA NARUBE**  
**Chairman of Macroeconomic Policy Committee**