

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 “After a review of its economic projection, the Policy Committee has decided to keep Fiji’s economic growth for 2008 unchanged at 1.7 percent. All sectors are expected to grow, with the exception of the community, social & personal services and finance, insurance, real estate & business services sectors. While the overall forecast remained unchanged, mining sector output was revised down while an improvement was projected for the manufacturing sector.”

Mr Narube stated that in the medium term, Fiji’s economy is forecast to grow by 1.4 percent and 1.9 percent in 2009 and 2010, respectively. These are slight improvements from forecasts made in April.

On trade, Mr Narube announced that exports for 2008 are expected to grow by 17.5 percent. He noted that there were improvements across various industries but it was re-exports, sugar and mineral water receipts that were expected to be the main drivers of export growth this year. However, he cautioned that, “The growth in exports is anticipated to moderate in 2009, as further sugar price reduction kicks in. At the same time, the rate of growth in imports is beginning to rise again. Imports are projected to grow by 14.8 percent, led by higher imports of mineral fuels, food, machinery & transport equipment and manufactured goods. Imports of oil and food are being driven primarily by high international prices of these commodities. In dollar terms, growth in imports is envisaged to outpace that of exports

resulting in a wider trade deficit for 2008 – this will continue to exert pressure on the Balance of Payments.”

Mr Narube stated that, “Official foreign reserves at the end of July stood at \$887.9 million, equivalent to around 3.9 months of imports of goods. Moreover, the mid-year inflation stood at 6.9 percent while the year-end inflation is currently projected at 7.5 percent.”

In conclusion, the Chairman said that, “Given the projections of a wider trade deficit into the medium term, it is imperative for us to continue to put more effort in raising the good growth we have seen in exports so far. At the same time, we have to consider how we can effectively raise domestic production of food, in order to mitigate the impact of soaring international food prices. Initiatives by the Government to consider alternative energy sources should be accelerated to mitigate the impact of rising oil prices. Inevitably, consumers should also take into account rising prices and adjust their behaviours accordingly.”

Savenaca Narube
Chairman of Macroeconomic Policy Committee