

# RESERVE BANK OF FIJI

## *PRESS RELEASE*



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### **STATEMENT BY THE CHAIRMAN OF THE MACROECONOMIC COMMITTEE<sup>1</sup> AND GOVERNOR OF THE RESERVE BANK OF FIJI**

#### **GDP GROWTH FOR 2022-2023 REVISED UPWARDS**

The Fijian economy is on the path to recovery after being severely affected by the COVID-19 pandemic in the past two years. The recovery is fuelled primarily by the resumption of international tourism and the significant easing of pandemic-related restrictions.

Since the re-opening of borders in December last year, visitor arrivals have increased steadily. In the year to May, tourist arrivals totalled 143,399 visitors, equivalent to 44.6 percent of the arrivals recorded in the same period in 2019. For the month of May, the number of arrivals was close to two-thirds of that recorded in May 2019. Arrivals from Australia, New Zealand, and the United States dominate the tourism market, accounting for 91.7 percent of visitors in the first five months of the year. In terms of popularity, Fiji is amongst the most preferred destination for Australia and New Zealand tourists since they opened their borders for outbound travel. Furthermore, feedback from the tourism industry reveals that hotel occupancy rates and revenue per available room are increasing rapidly, with some hotels performing better than the comparable period in 2019.

The impressive recovery in the tourism industry has boosted economic sentiments and has subsequently spilled over to aggregate demand. Partial consumption indicators such as Value Added Tax (VAT), consumption lending, and Pay As You Earn (PAYE) collections, along with inward personal remittances and total vehicle registrations, have noted annual gains so far this year. Similarly, higher lending to the real estate and the building & construction sectors point to some pickup in investment spending moving forward. The improvement in aggregate demand is corroborated by the upswing in labour demand as the number of advertised jobs increased substantially in the first five months of 2022. Likewise, the number of formal sector employees in the accommodation, transport and construction sectors has recovered strongly after the extensive decline over the last two years. Government's tax revenue has also picked up, increasing by an annual 22.8 percent in the year to May.

The financial sector is also supportive of the economic recovery as private sector credit grew annually by 2.6 percent in May, driven by \$1.3 billion in new lending disbursed by commercial banks. Ample liquidity in the banking system, at above \$2.2 billion, continues to place downward pressure on interest rates which are currently near historically-low rates.

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<sup>1</sup> The Macroeconomic Committee is made up of Heads and senior representatives from the Ministry of Economy; Fiji Bureau of Statistics; Ministry of Commerce, Trade, Tourism & Transport; Office of the Prime Minister; Investment Fiji; Fiji Revenue & Customs Service and the Reserve Bank of Fiji.

Given the favourable performance in tourism thus far, visitor arrivals are now forecast to reach 55.0 percent of the 2019 level (491,914) this year, from the 50.0 percent projected earlier and recover fully by 2024. Combined with the stronger-than-expected recovery in a number of other economic indicators observed to date and generally positive feedback from major stakeholders, the Macroeconomic Committee has upgraded the growth forecast for 2022. The Fijian economy is now expected to grow by 12.4 percent this year, up from the 11.3 percent growth envisaged earlier. The ongoing tourism recovery and its flow-on effect on employment, tax collections and overall aggregate demand, as well as the absence of restrictions on economic activity relative to last year, will provide the required tailwinds to the recovery. Therefore, the main sectors expected to contribute to the growth outlook are the transport & storage; accommodation & food services; manufacturing; finance & insurance; agriculture and education sectors. The broad-based economic recovery is envisaged to continue into 2023 and 2024, with the economy forecast to expand by 9.2 percent and 5.0 percent, respectively.

Despite the growing optimism, the rising risk of stagflation across the globe is a significant downside risk to the outlook. Globally, high inflation rates have led to aggressive monetary policy tightening in advanced countries, which will stall growth and possibly dampen demand for travel to Fiji. A weaker global economy would subdue domestic aggregate demand and slow down the pace of recovery. In addition, increasing competition from other cheaper destination markets can negate Fiji's first-mover advantage in our major markets such as Australia and stifle the recent rising trend in arrivals.

On a positive note, demand for travel continues to rise globally, thus Fiji can still gain from the expanding pie of travel-ready tourists. On the inflation front, supply-side constraints are poised to ease from next year, hence inflation rates will likely subside.

The next review of macroeconomic projections is scheduled for November 2022.

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