PRESENTATION TO THE FIJI NEW ZEALAND BUSINESS COUNCIL

FIJI'S ECONOMY

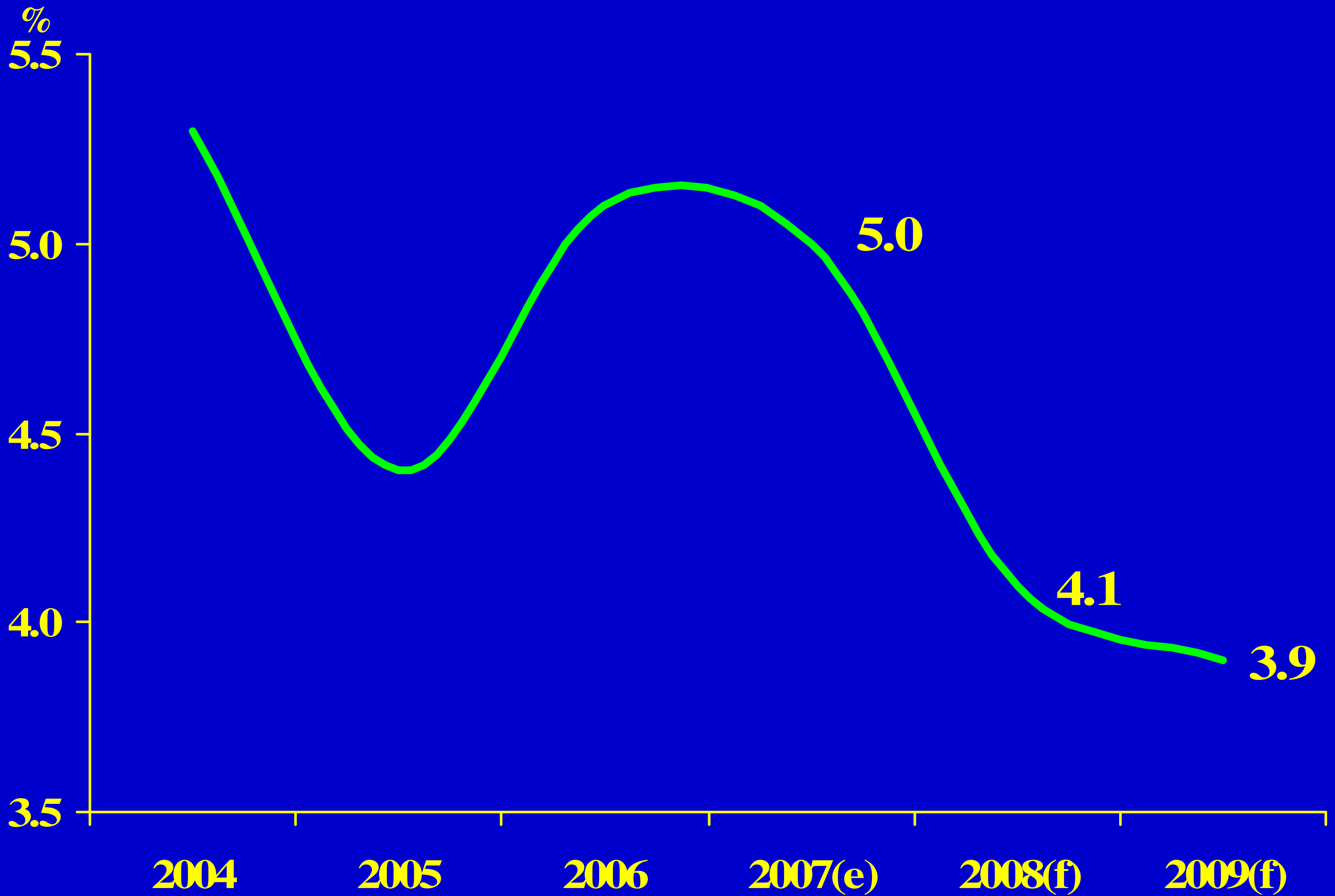
Mr Sada Reddy
Deputy Governor, Reserve Bank of Fiji
3 October 2008

OUTLINE

- **GLOBAL ECONOMIC CONDITIONS**
- **DOMESTIC ECONOMIC CONDITIONS**
- **SUMMARY**

GLOBAL ECONOMIC CONDITIONS

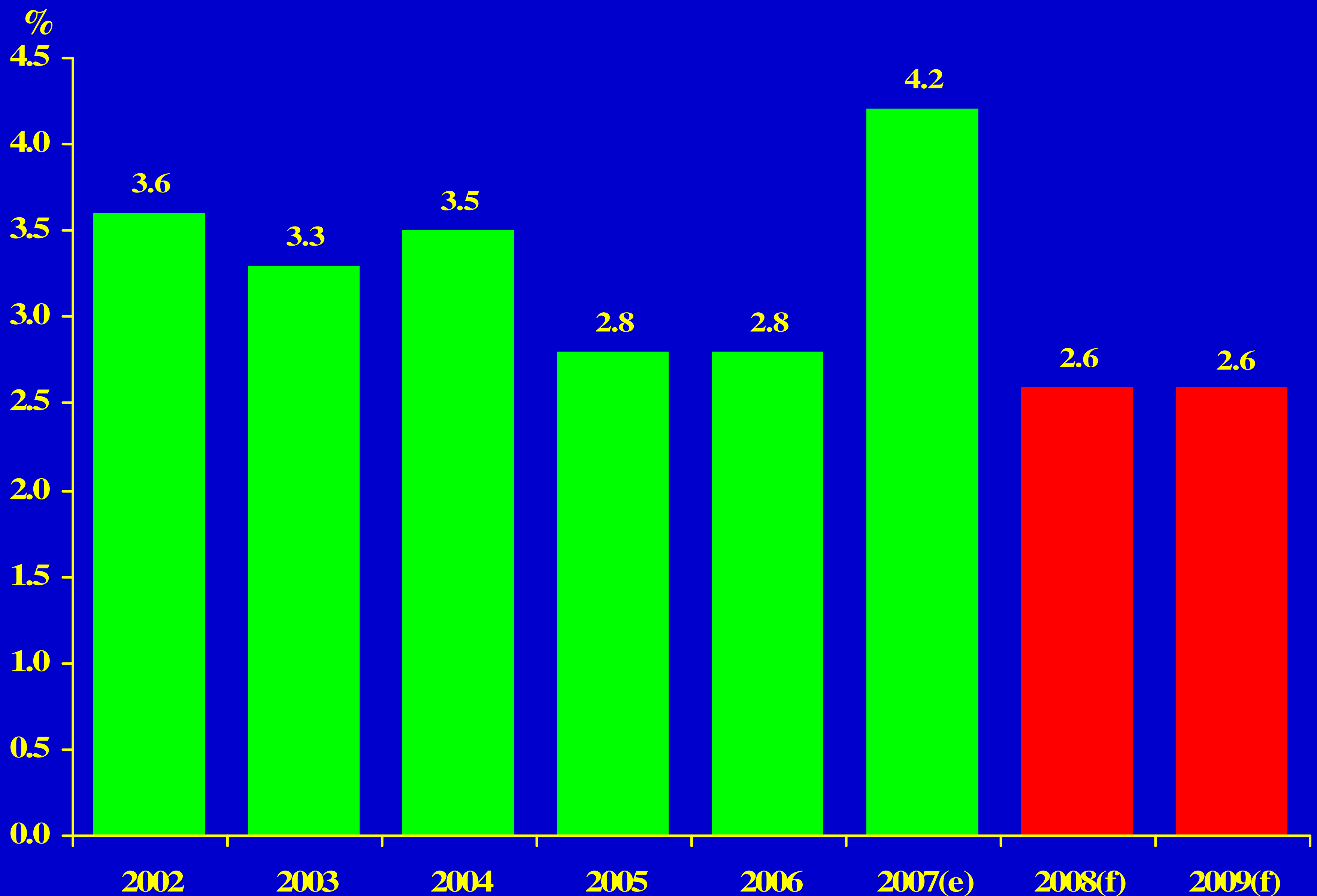
WORLD GDP GROWTH



Reserve Bank of Fiji

Source: World Economic Outlook - July 08

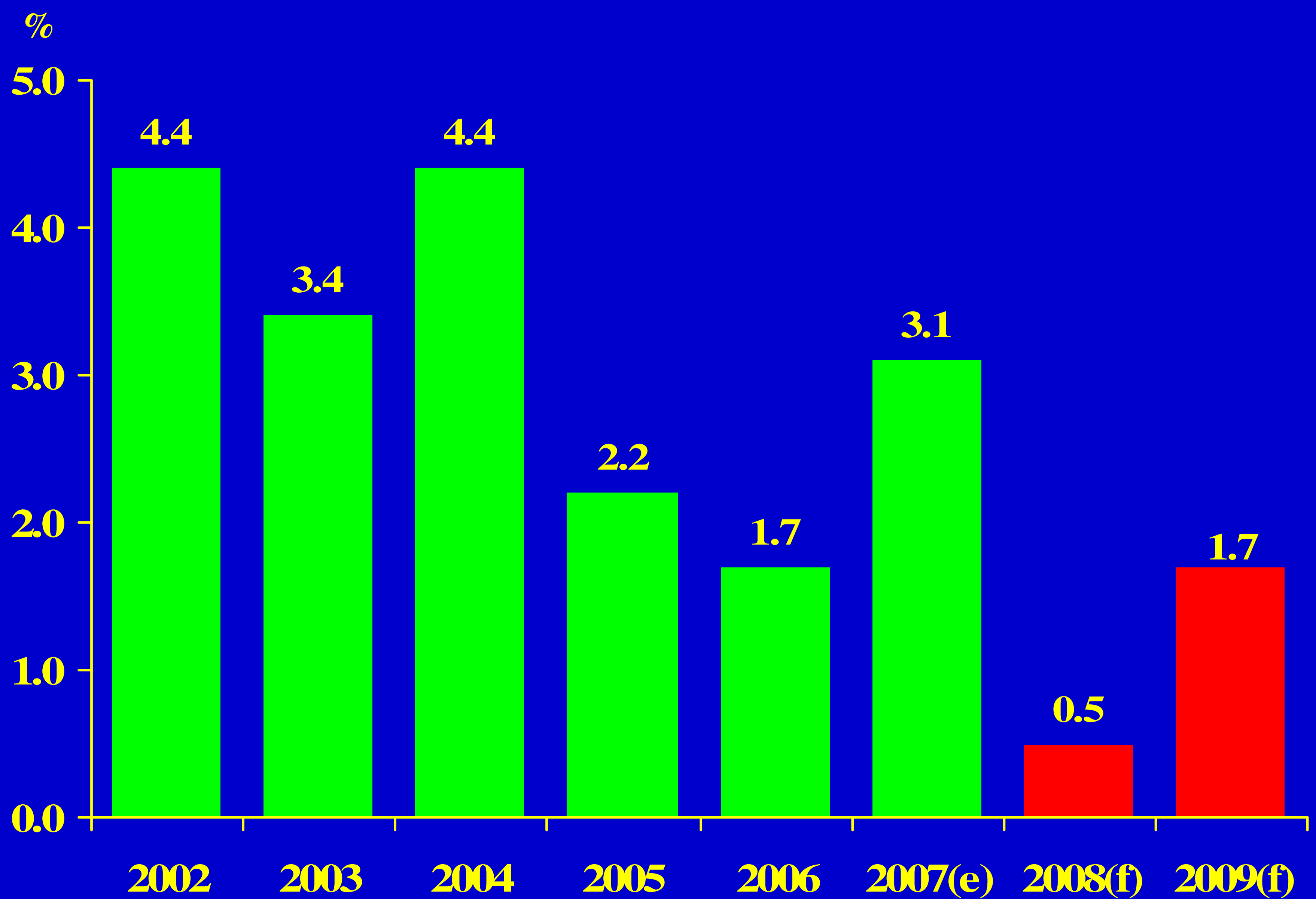
AUSTRALIA: GROWTH & OUTLOOK



Reserve Bank of Fiji

Source : Consensus Forecast - Sep 08

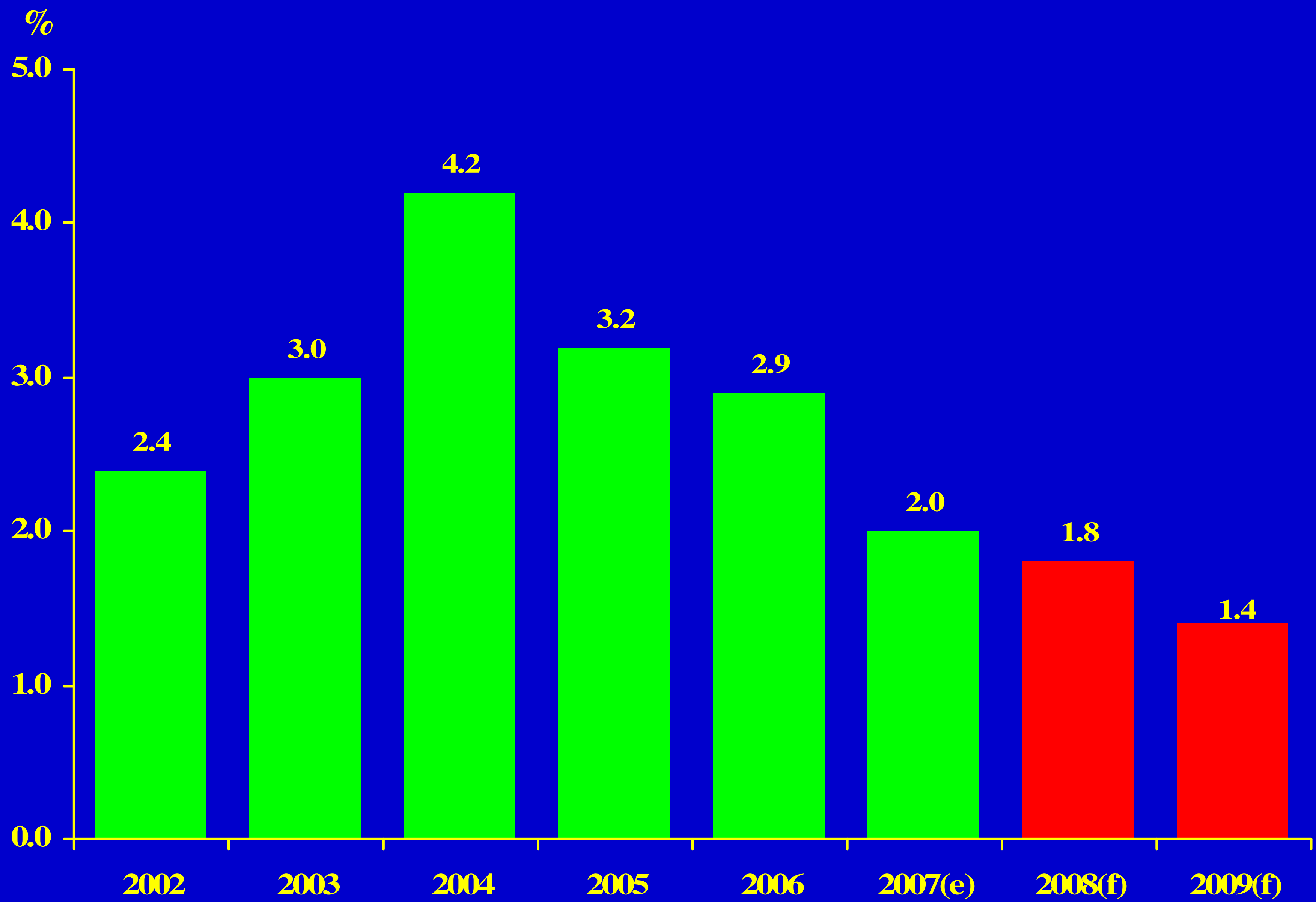
NEW ZEALAND: GROWTH & OUTLOOK



Reserve Bank of Fiji

Source : Consensus Forecast - Sep 08

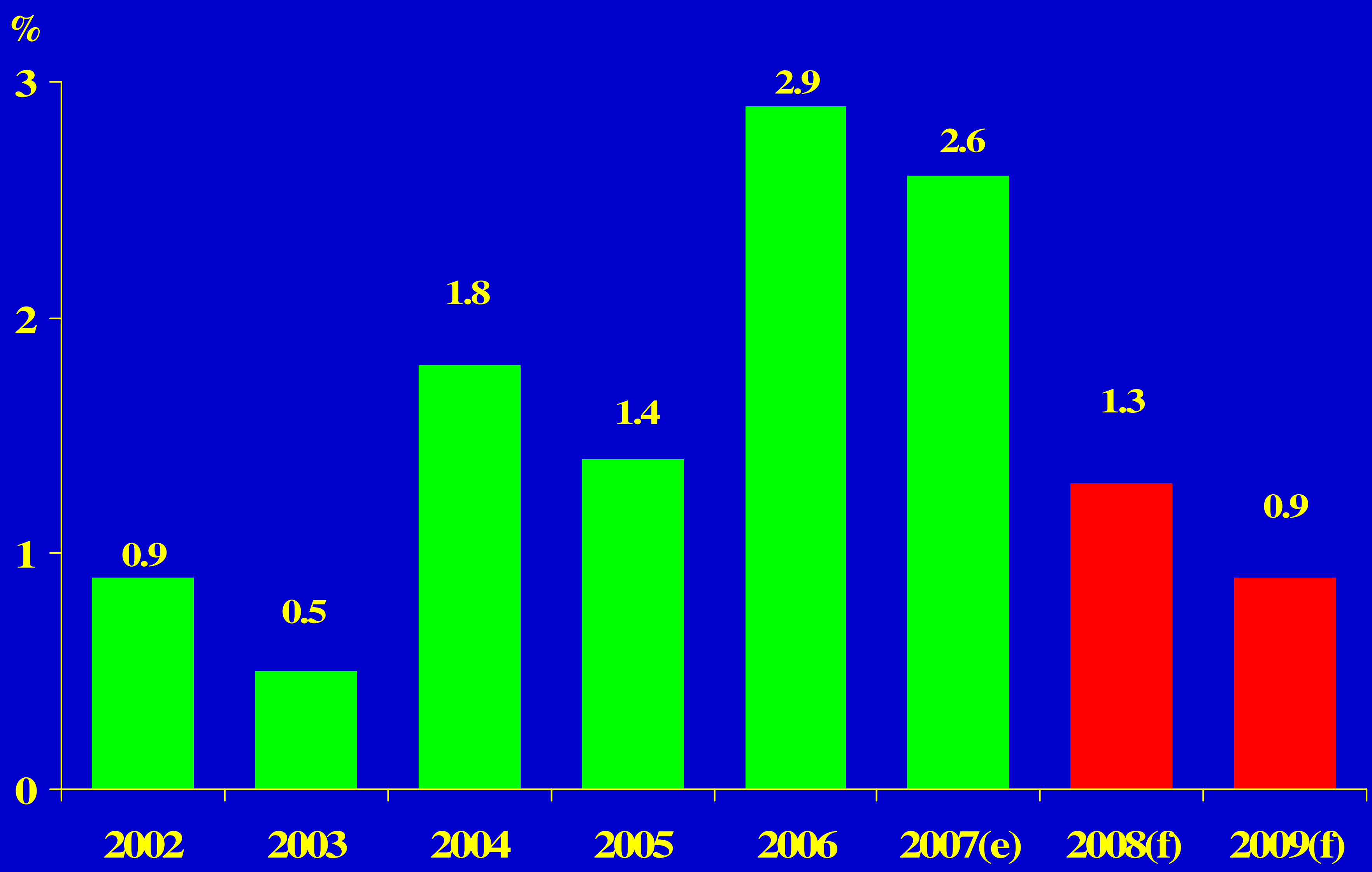
US: GROWTH & OUTLOOK



Reserve Bank of Fiji

Source : Consensus Forecast - Sep 08

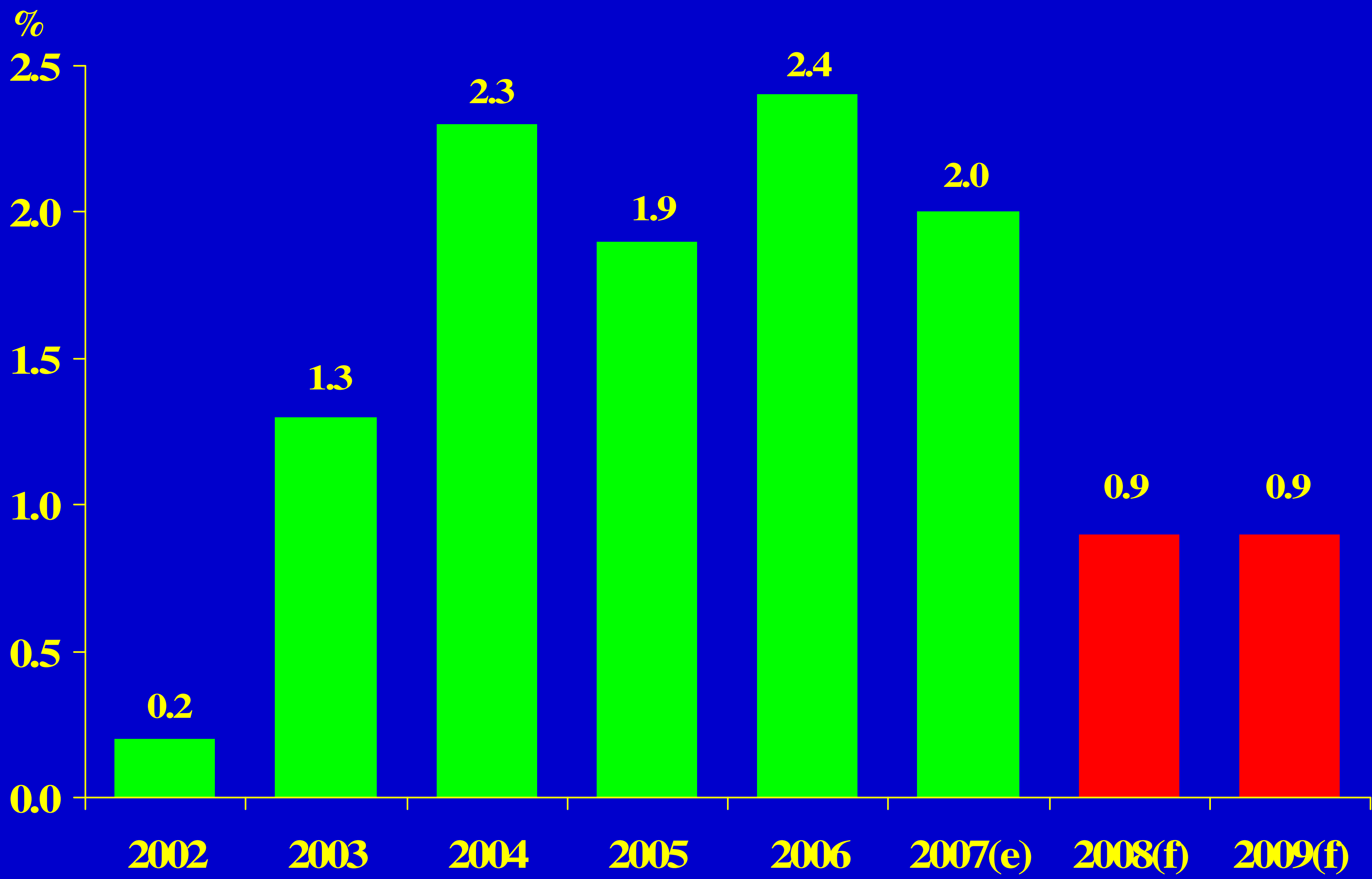
EUROZONE: GROWTH & OUTLOOK



Reserve Bank of Fiji

Source : Consensus Forecast - Sep 08

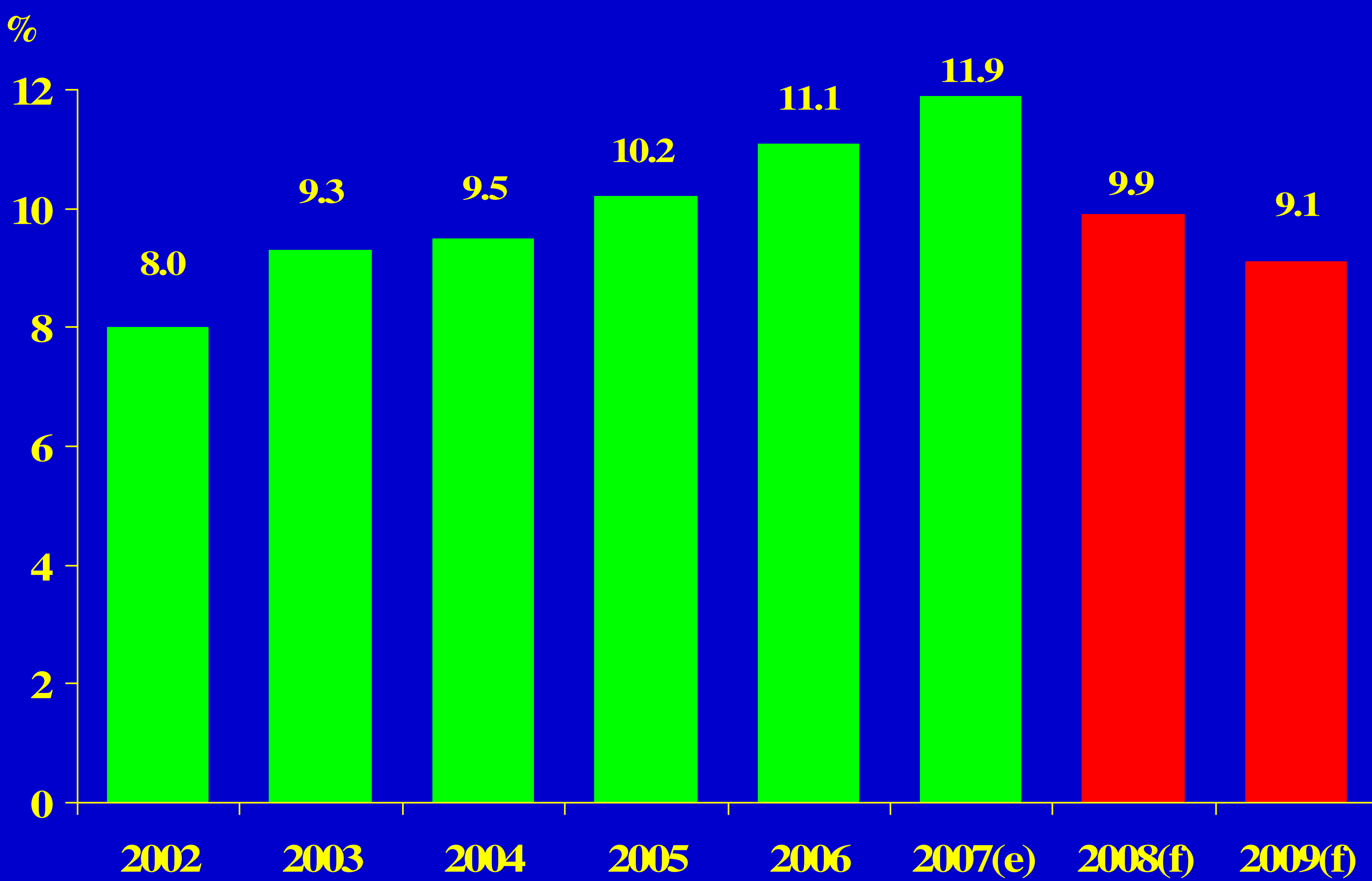
JAPAN: GROWTH & OUTLOOK



Reserve Bank of Fiji

Source : Consensus Forecast - Sep 08

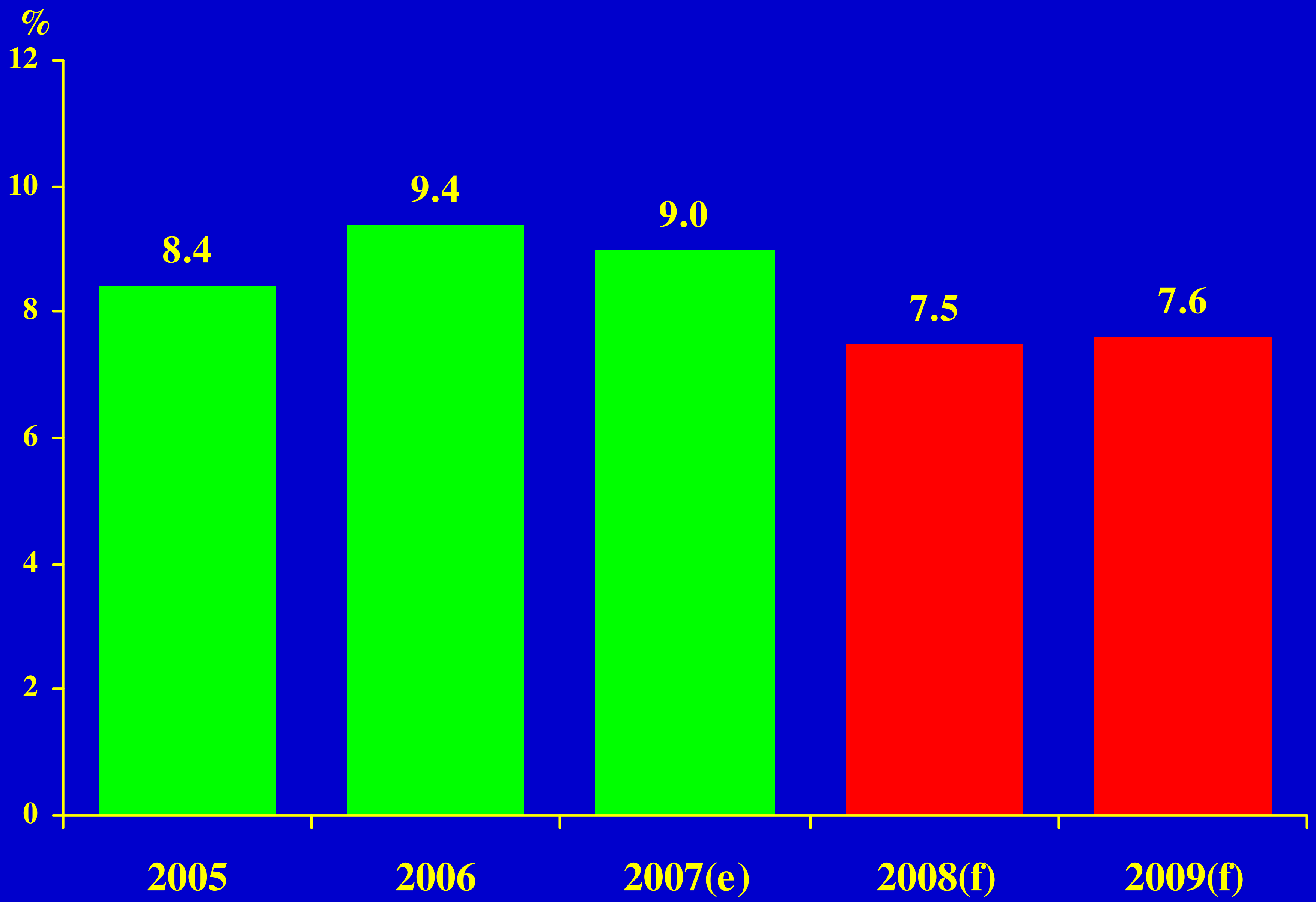
CHINA: GROWTH & OUTLOOK



Reserve Bank of Fiji

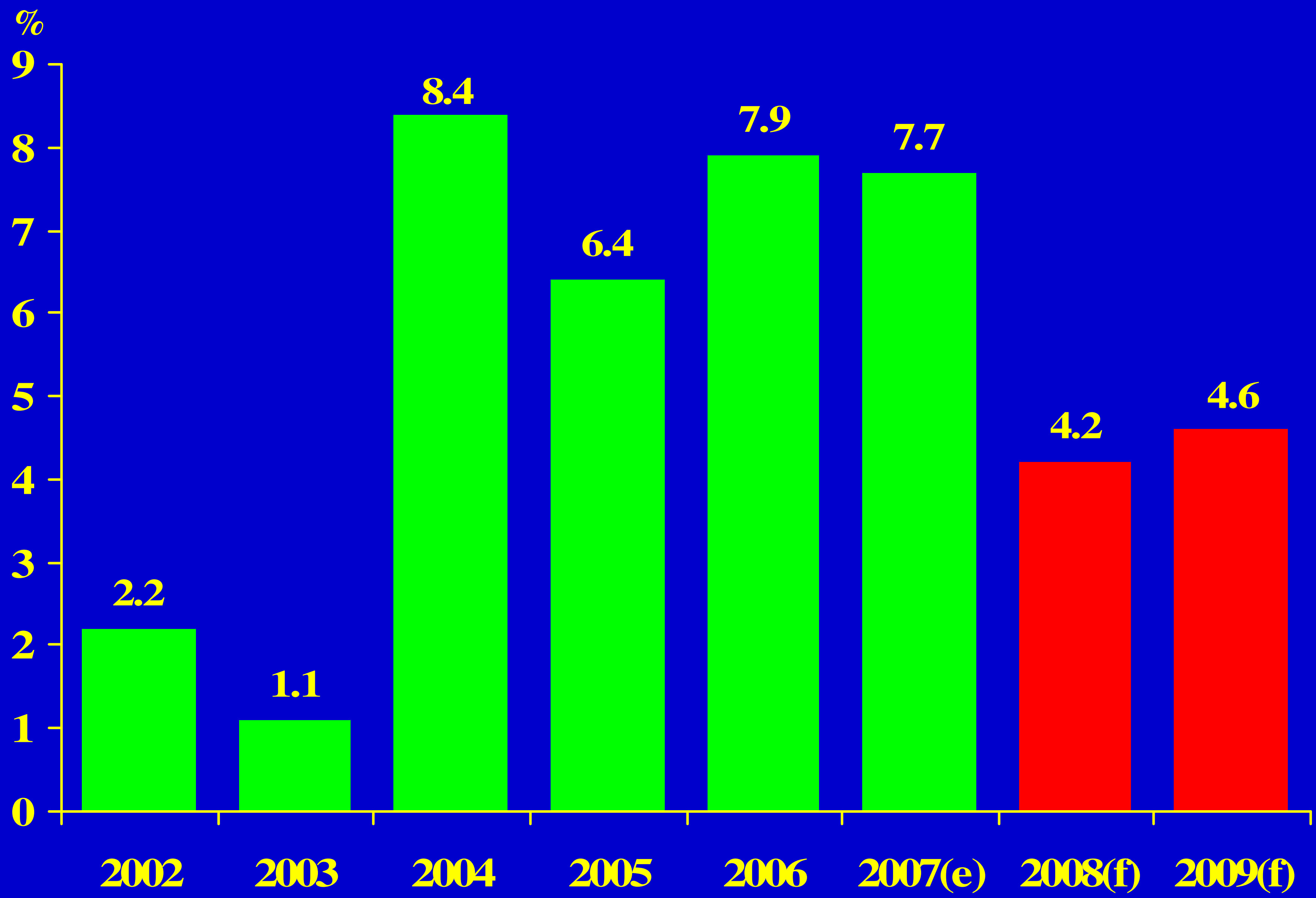
Source: Asia Pacific Consensus Forecast - Sep 08

INDIA: GROWTH & OUTLOOK



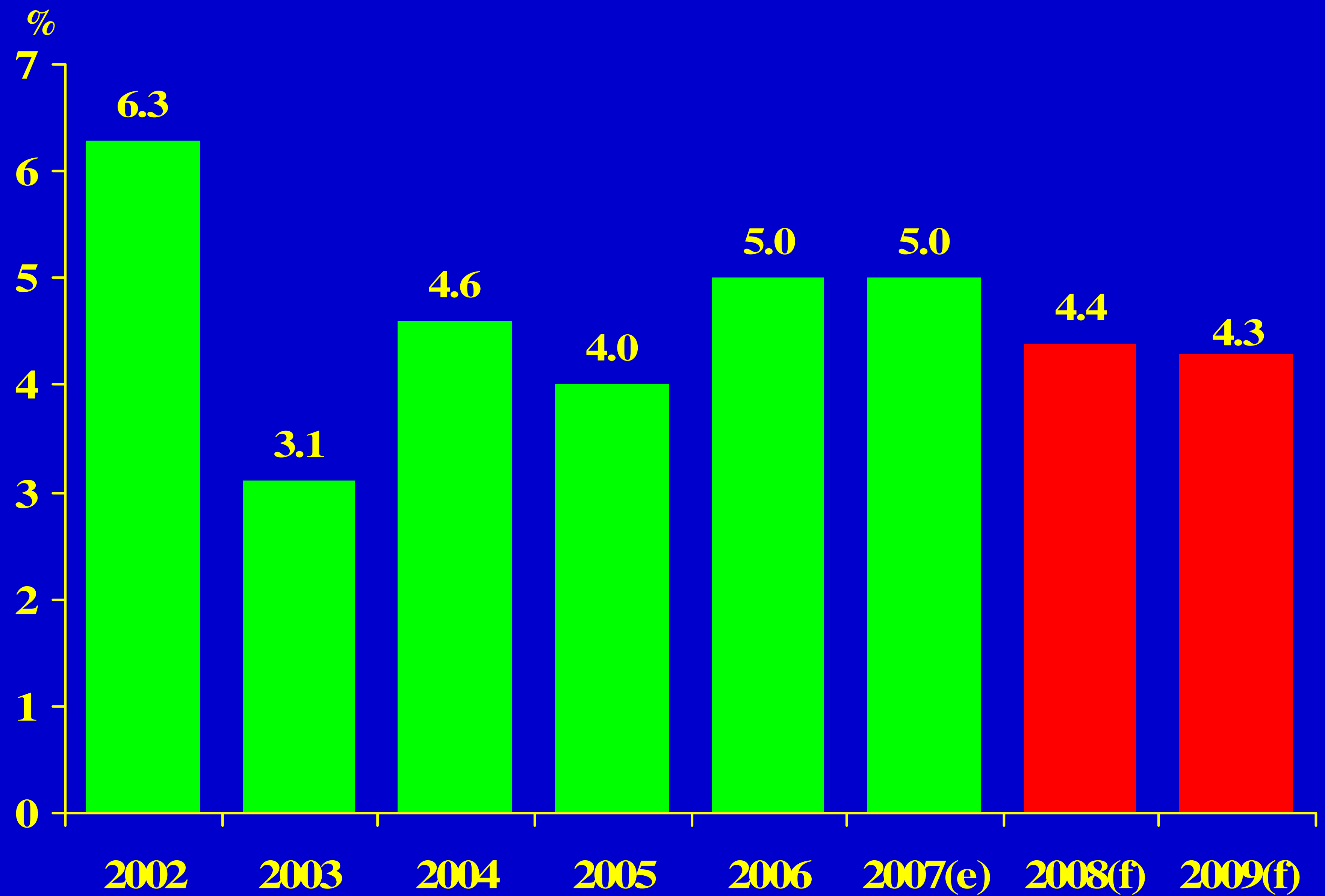
Source : Asia Pacific Consensus Forecast - Sep 08

SINGAPORE: GROWTH & OUTLOOK



Source: Asia Pacific Consensus Forecast - Sep 08

SOUTH KOREA: GROWTH & OUTLOOK

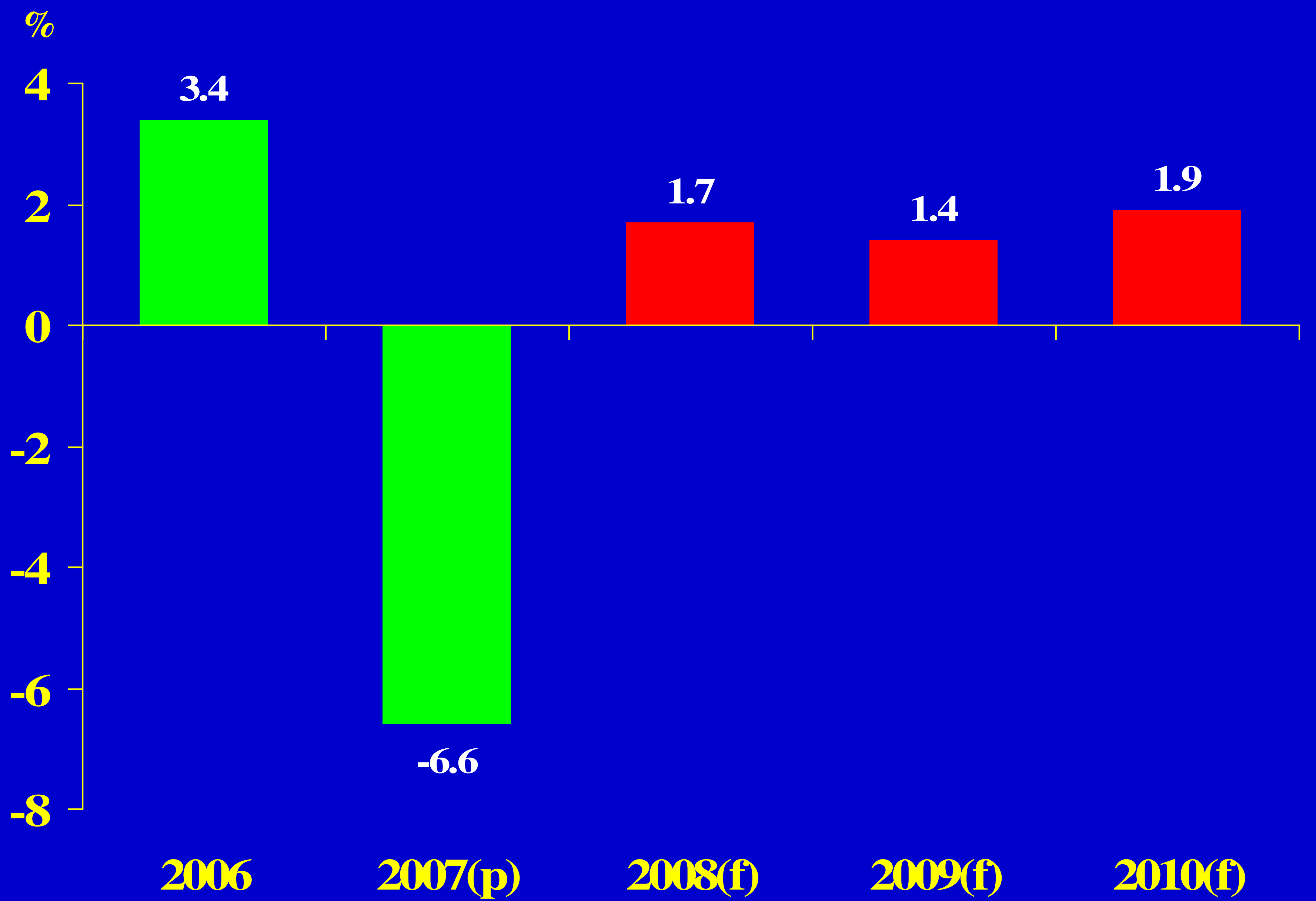


Reserve Bank of Fiji

Source: Asia Pacific Consensus Forecast - Sep 08

DOMESTIC ECONOMIC CONDITIONS

GDP GROWTH: 2006-2010



Reserve Bank of Fiji

Source: FIBOS & Macroeconomic Committee

MAJOR DRIVERS OF ECONOMIC GROWTH

2008:

- Tourism (Transport & Wholesale)
- Agriculture (Sugar cane, Fishing & Forestry)
- Manufacturing

2009:

- Tourism
- Mining (Gold)
- Manufacturing (except Garments)
- Agriculture

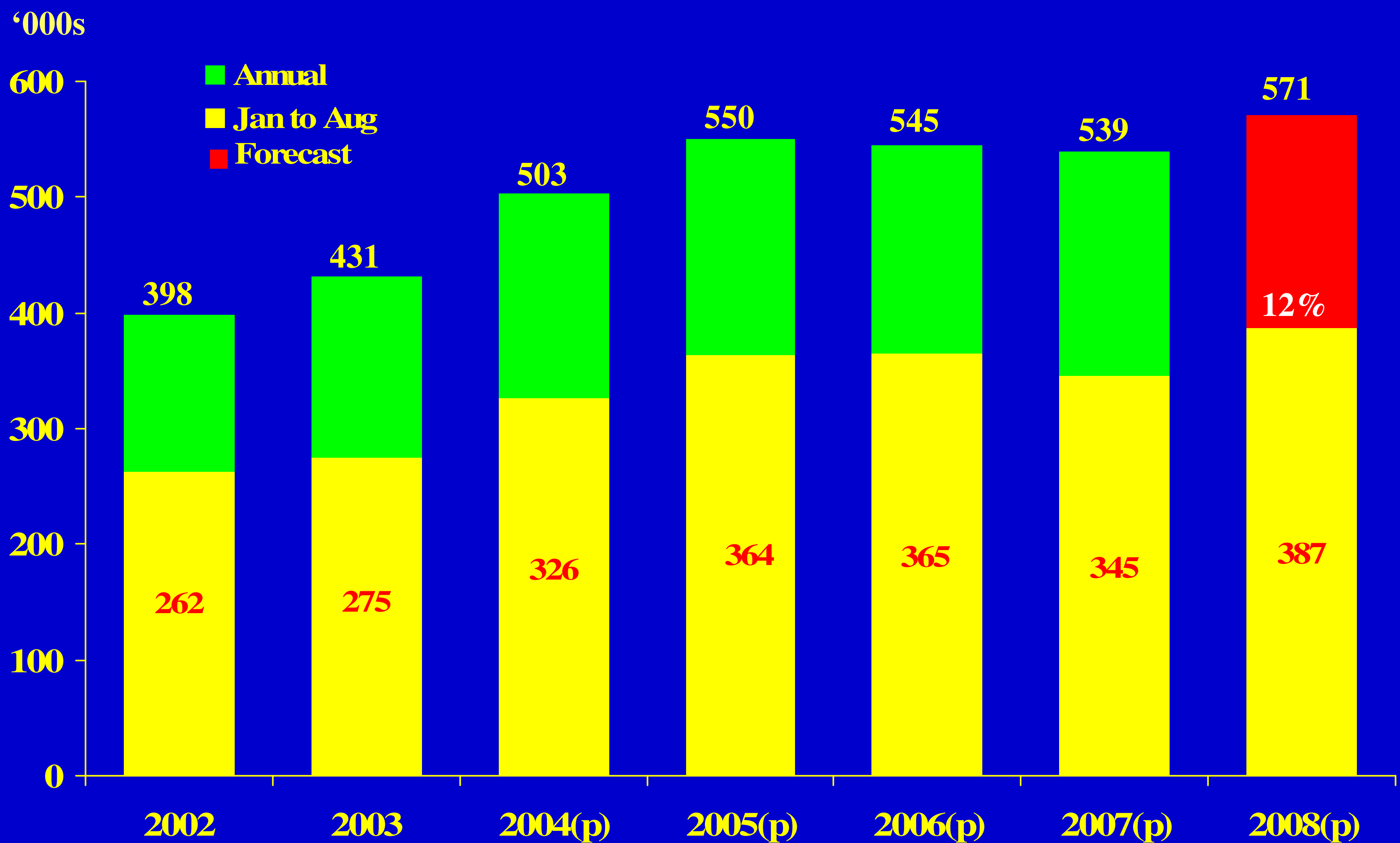
2010:

- Tourism
- Manufacturing
- Agriculture (Sugar cane)

NEGATIVE (2008-2010):

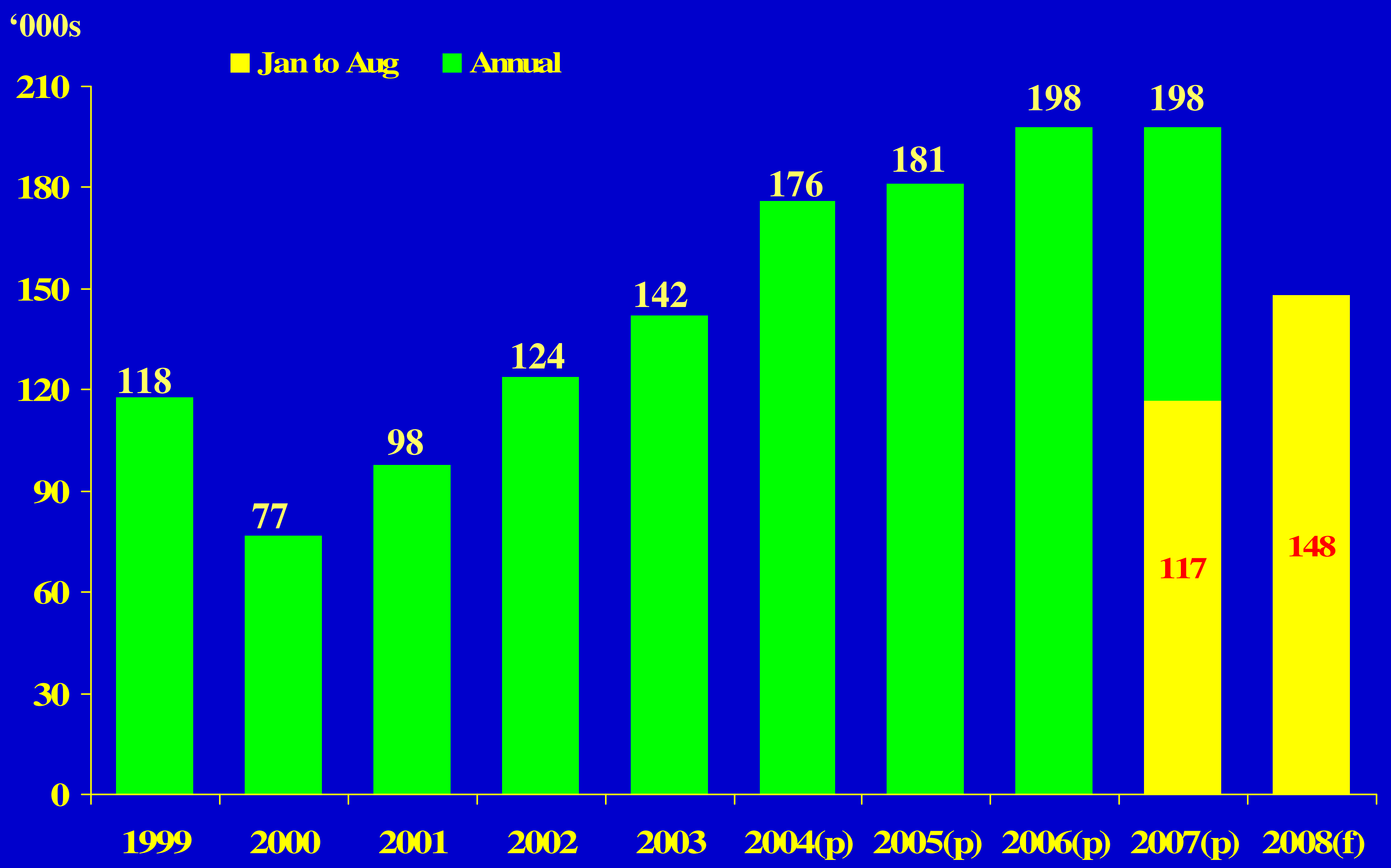
Community & Social Services (Government Expenditure)

VISITOR ARRIVALS



Source: FIBOS & FVB

VISITOR ARRIVALS - AUSTRALIA



Reserve Bank of Fiji

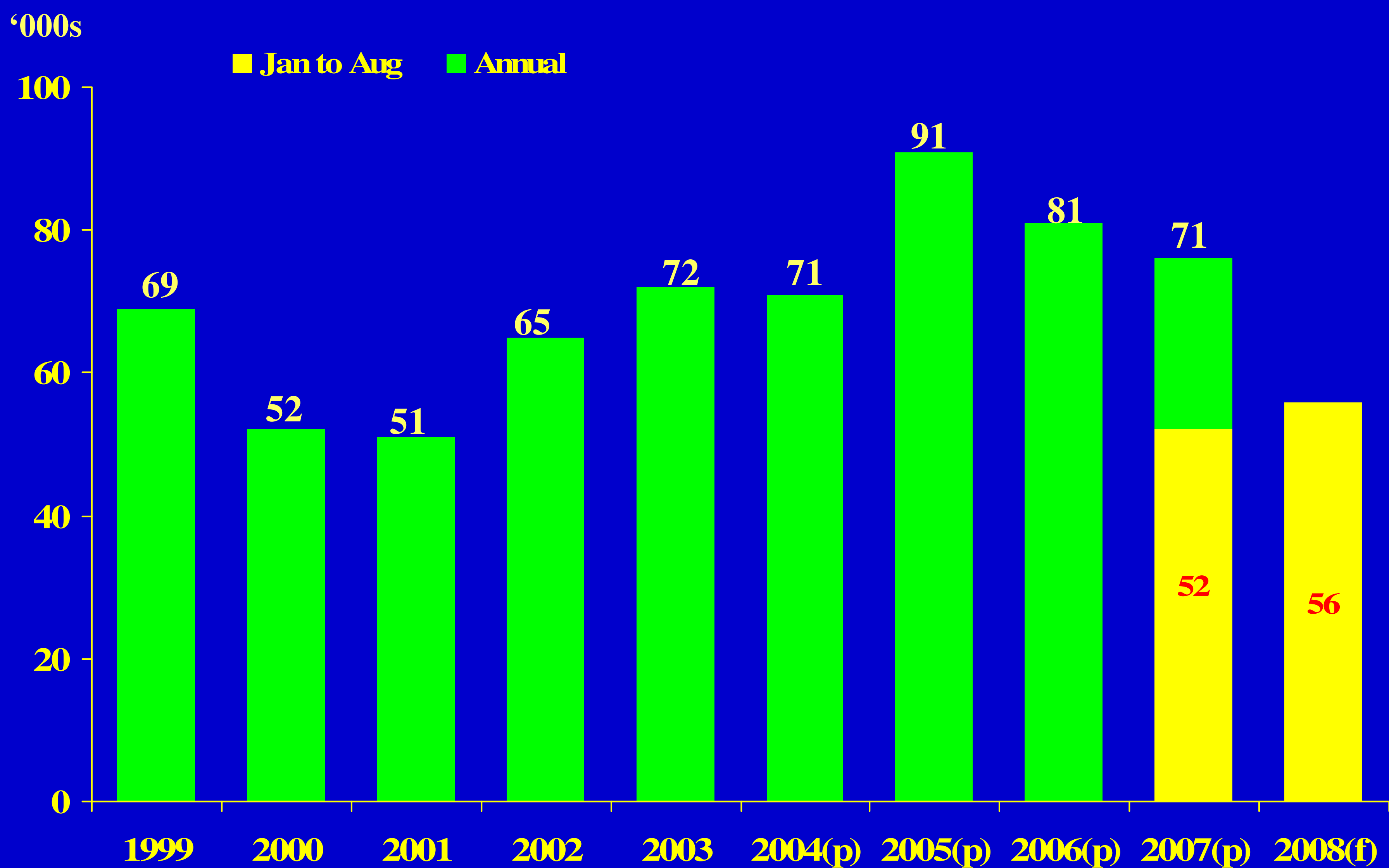
Source: FIBOS

VISITOR ARRIVALS - NZ

Reserve Bank of Fiji

Source: FIBOS

VISITOR ARRIVALS - EUROPE



Reserve Bank of Fiji

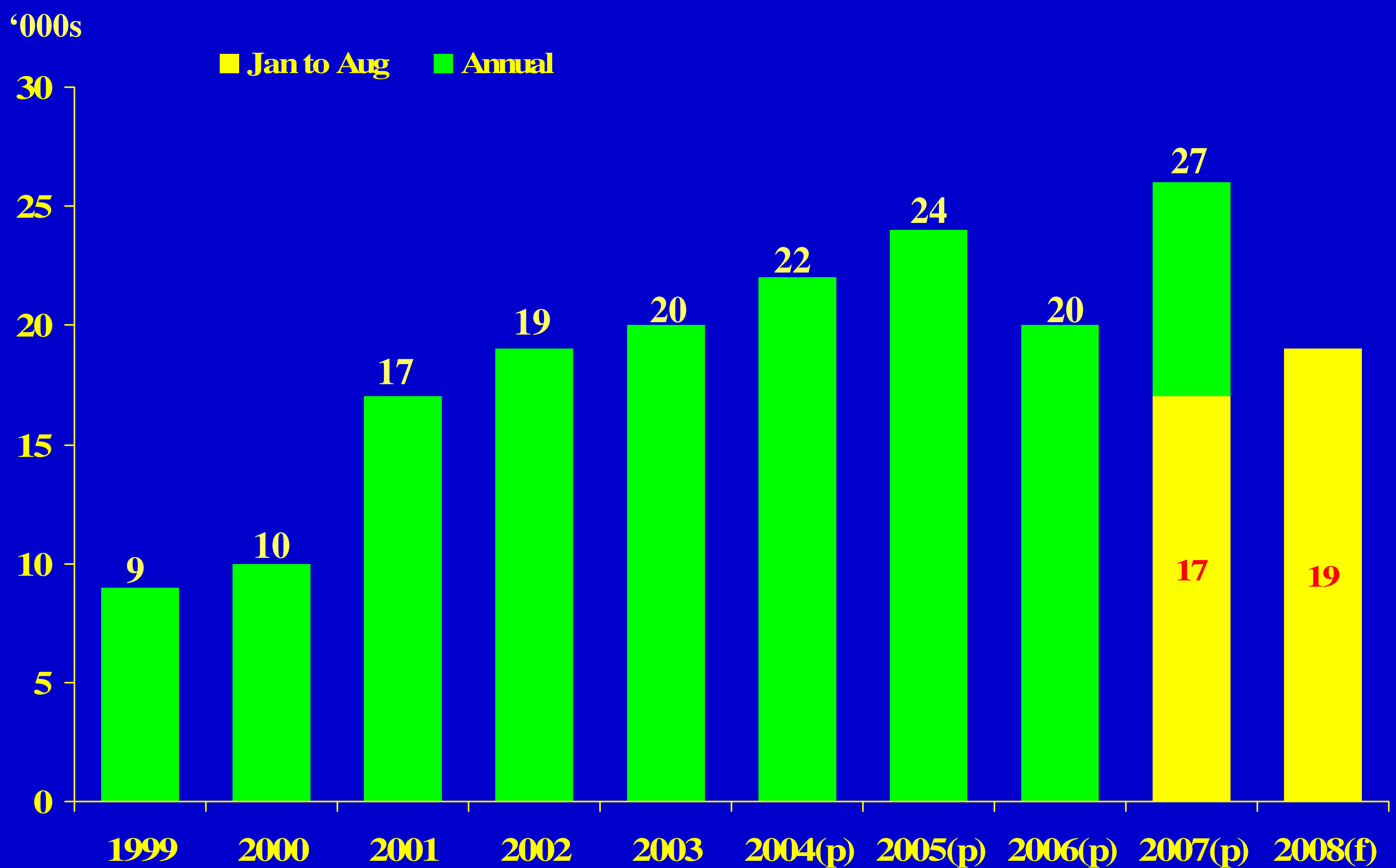
Source: FIBOS


VISITOR ARRIVALS - USA & CANADA
'000s
Jan to Aug
Annual
100
80
60
40
20
0
76
63
68
69
69
78
88
82
81
37
39
1999
2000
2001
2002
2003
2004(p)
2005(p)
2006(p)
2007(p)
2008(f)
Reserve Bank of Fiji
Source: FIBOS

VISITOR ARRIVALS - JAPAN

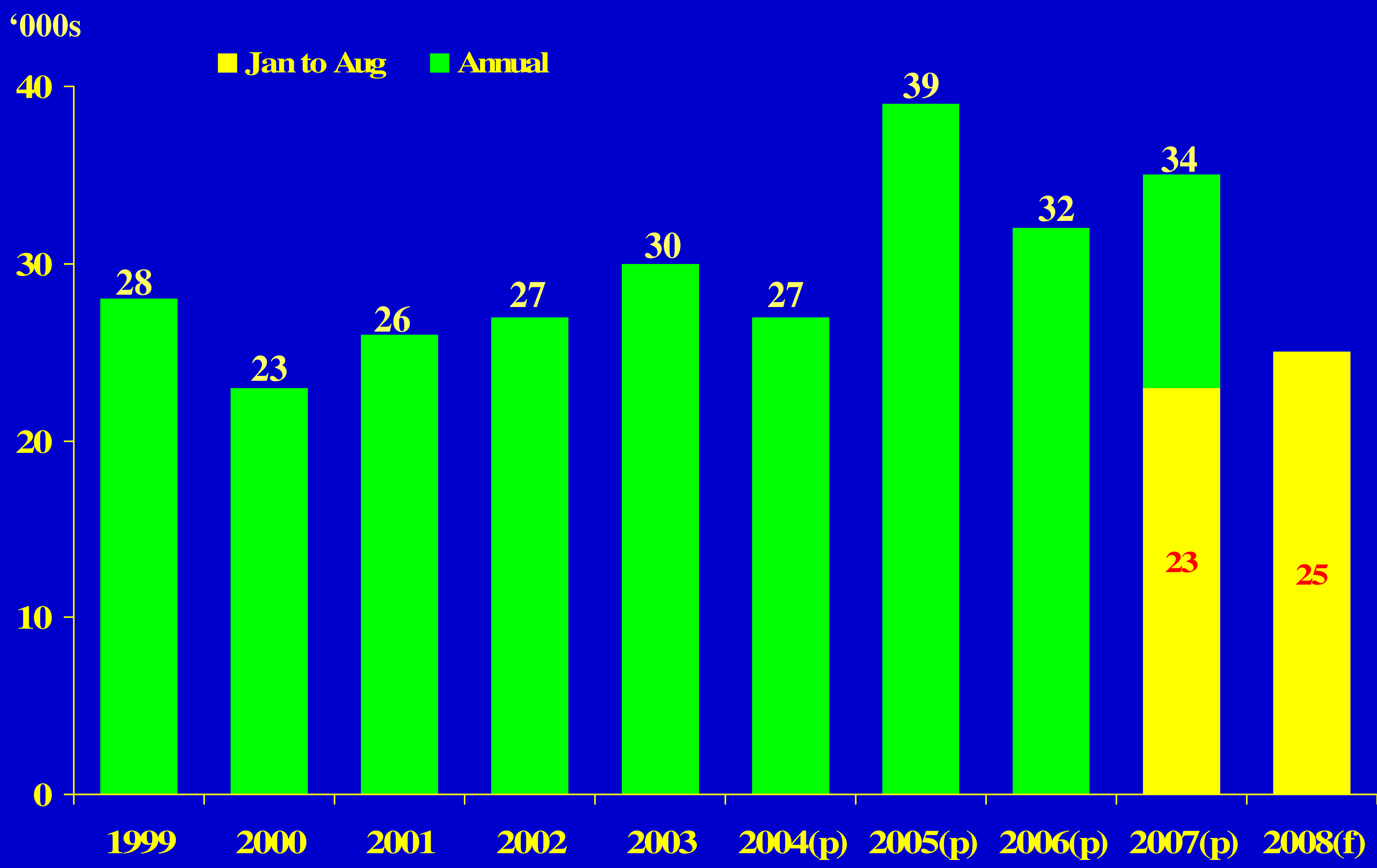
Source: FIBOS

VISITOR ARRIVALS - REST OF ASIA



Source: FIBOS

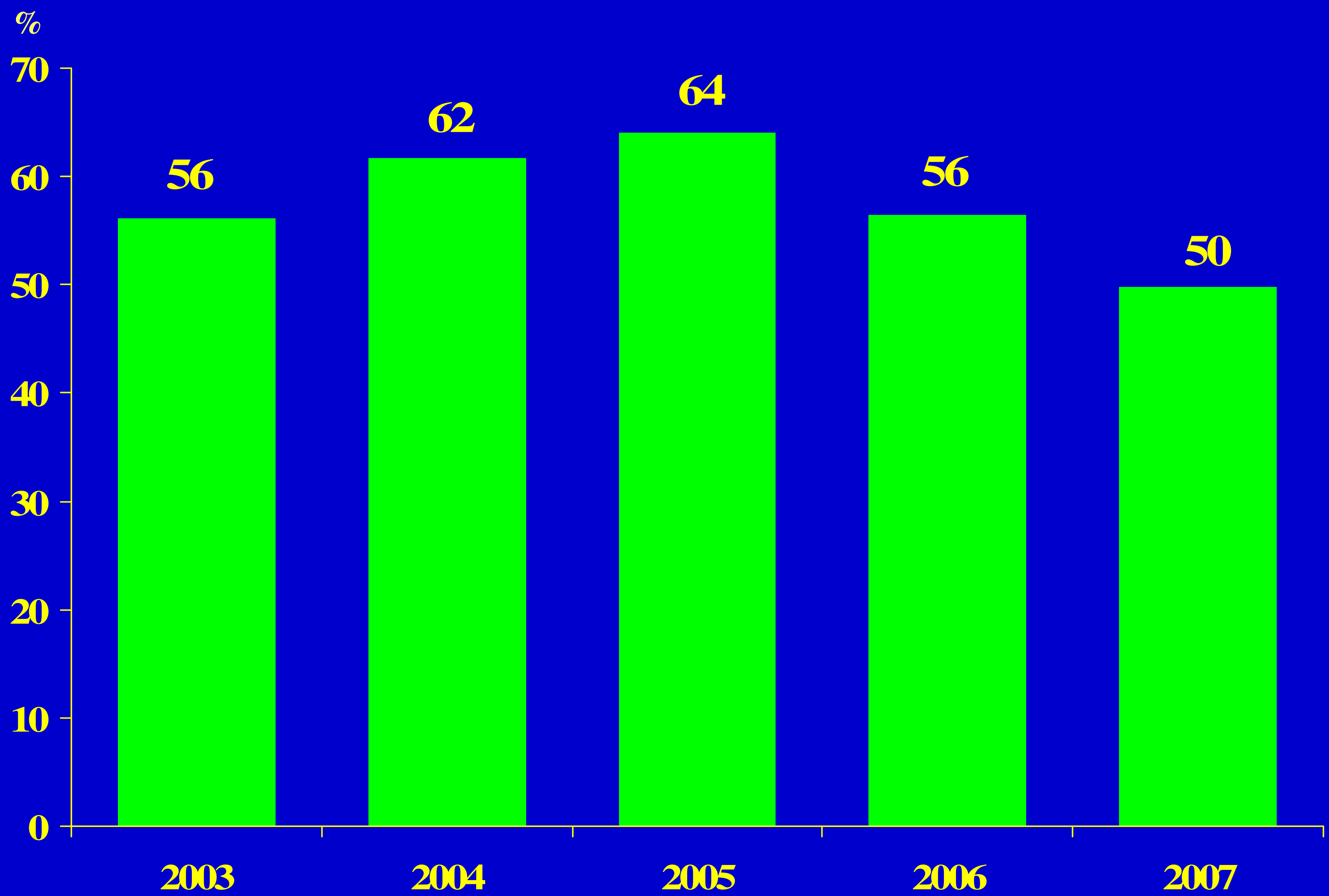
VISITOR ARRIVALS - PAC ISLDs & OTHERS



Reserve Bank of Fiji

Source: FIBOS

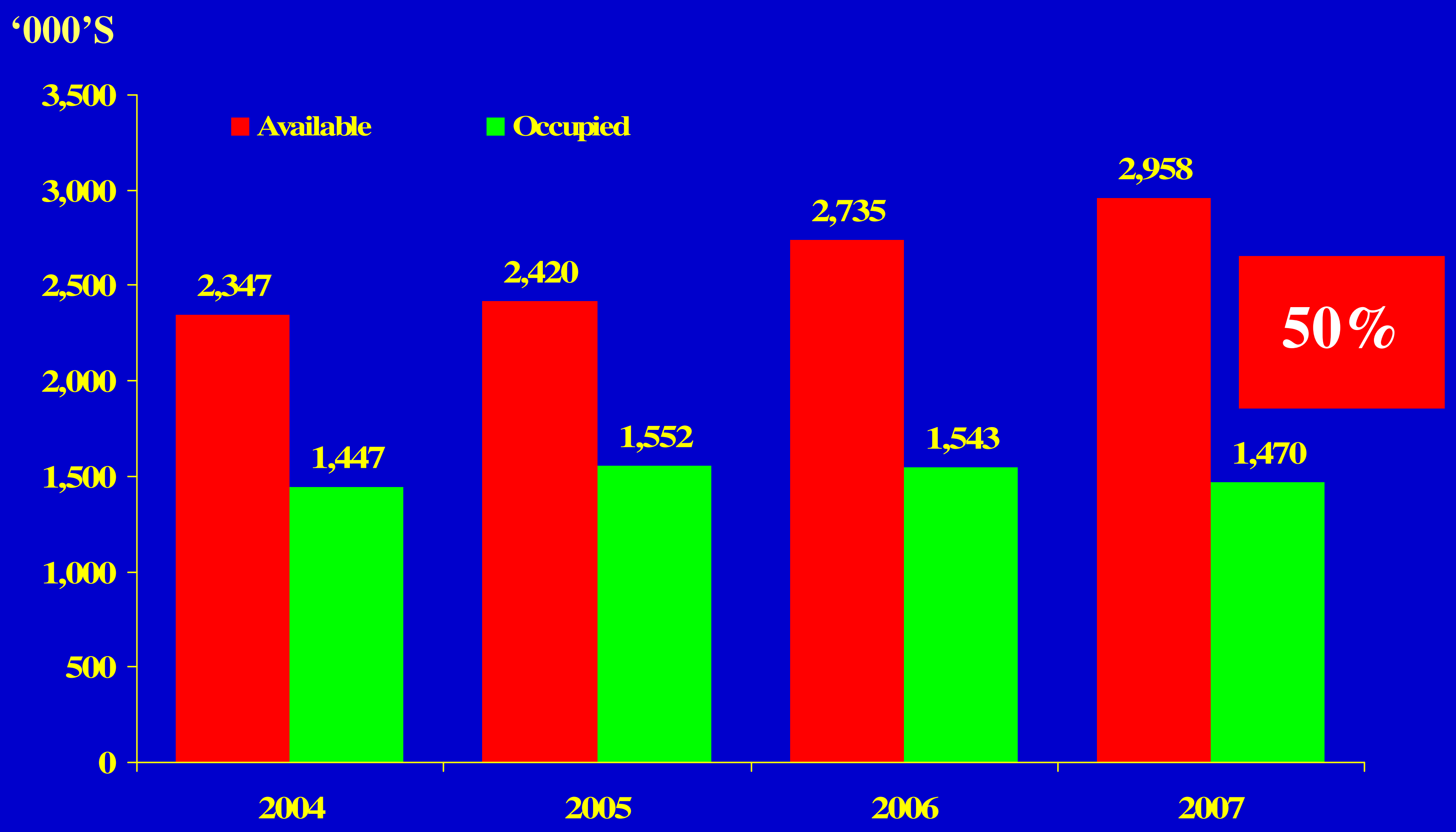
OCCUPANCY



Reserve Bank of Fiji

Source: FIBOS

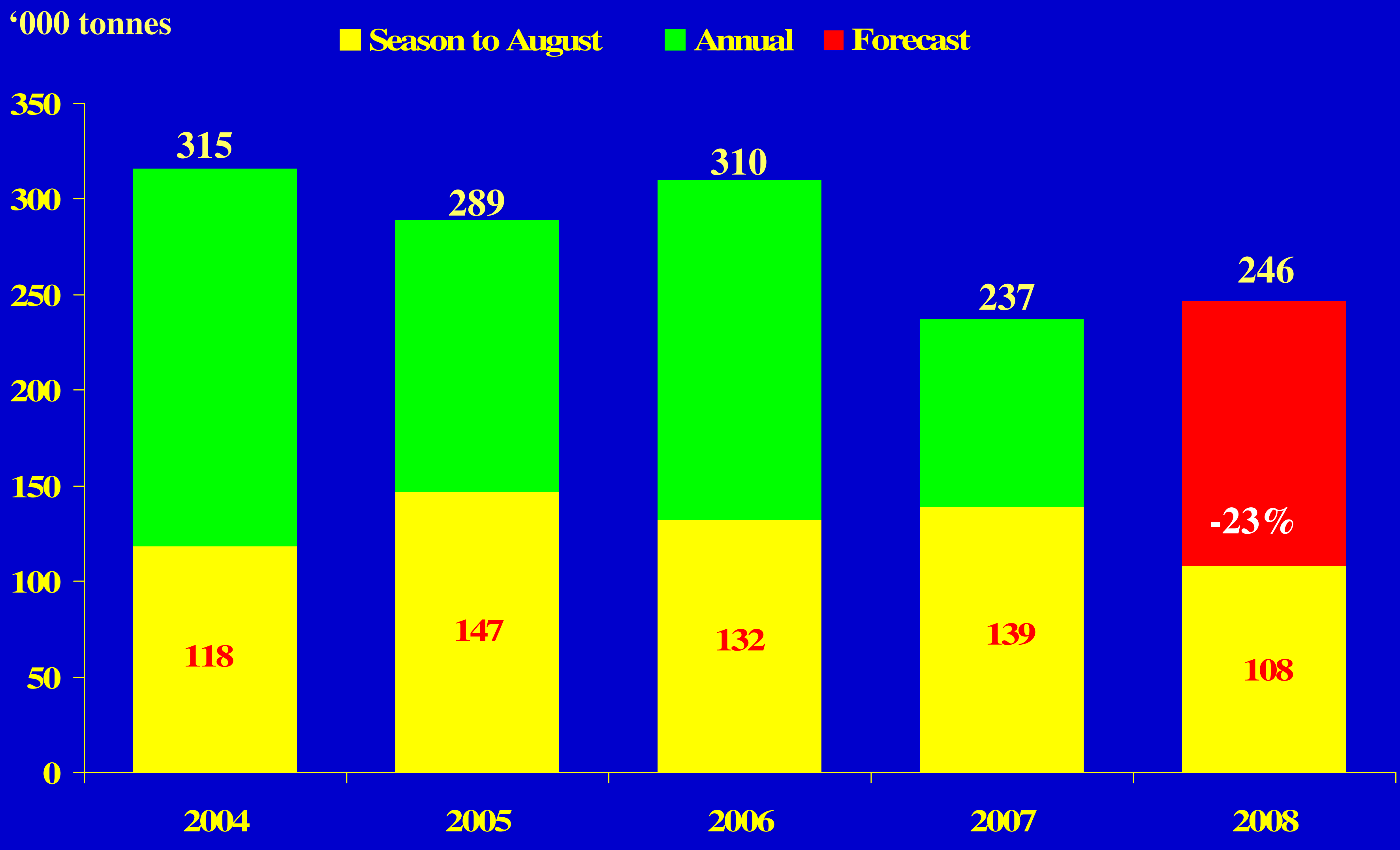
ROOM DAYS
Available/Occupied



Reserve Bank of Fiji

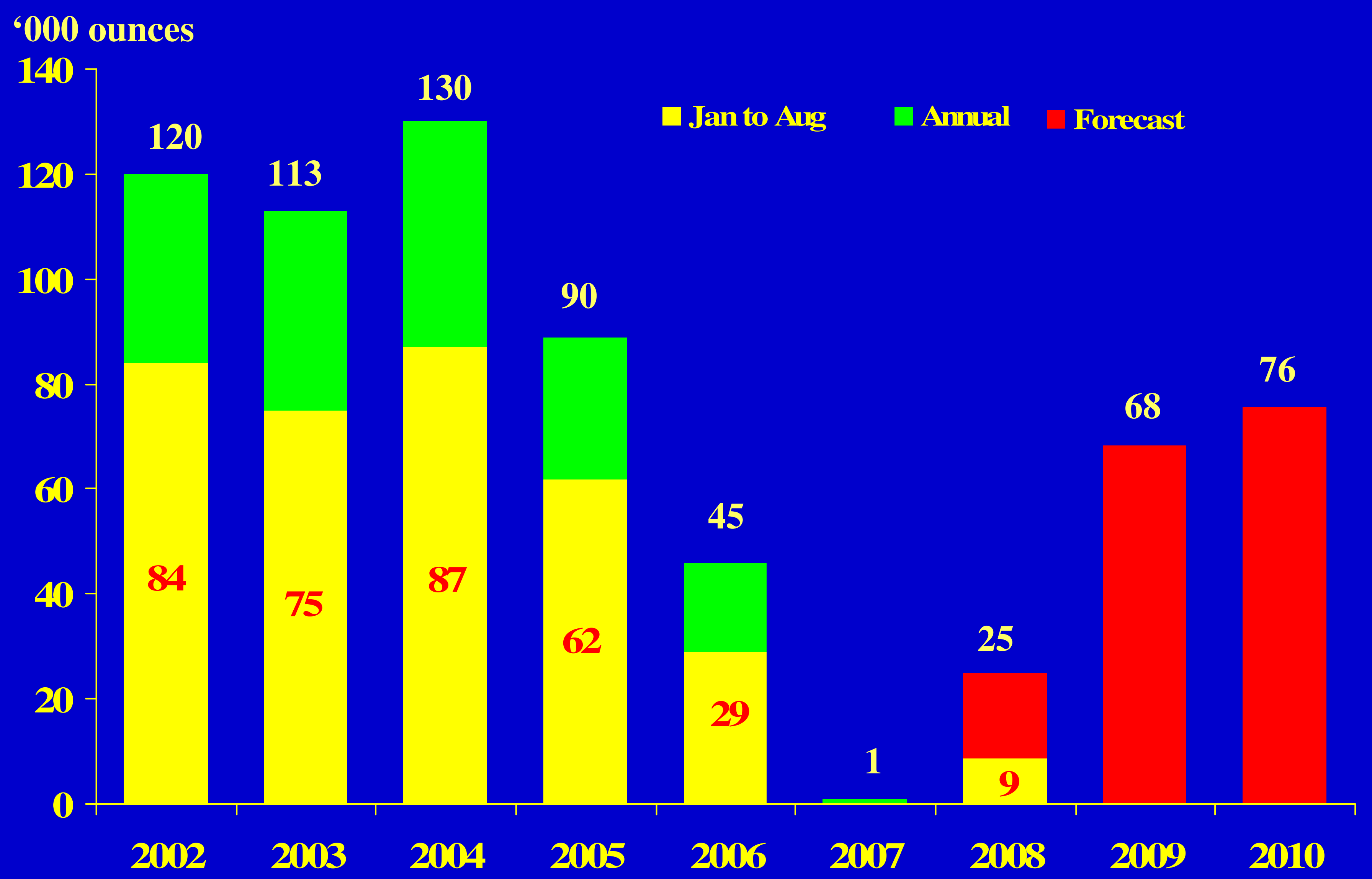
Source: FIBOS

SUGAR PRODUCTION
Season



Source: FSC

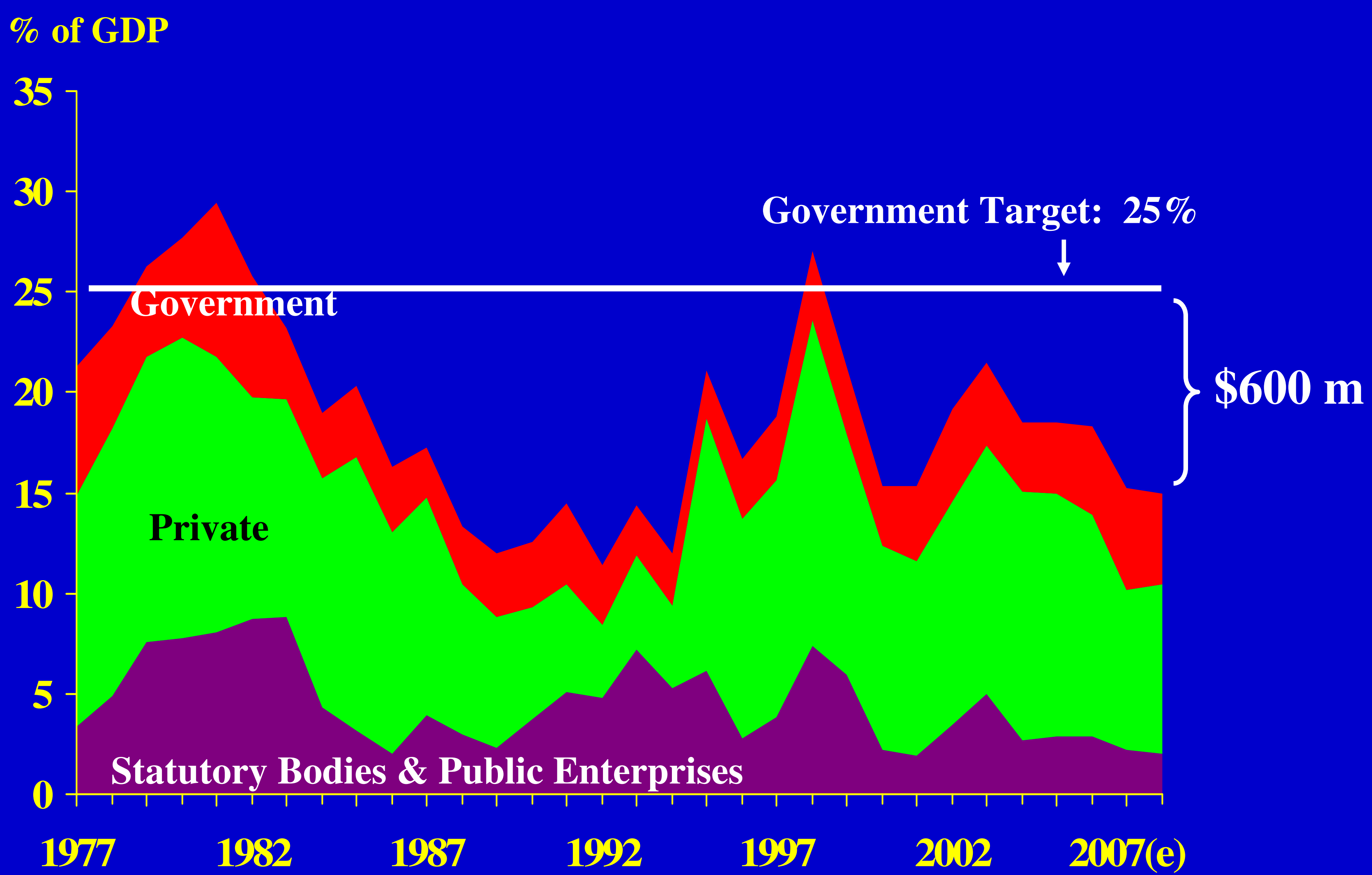
GOLD PRODUCTION



Reserve Bank of Fiji

Source: Vatukoula Gold Mines Limited

RAISE INVESTMENT



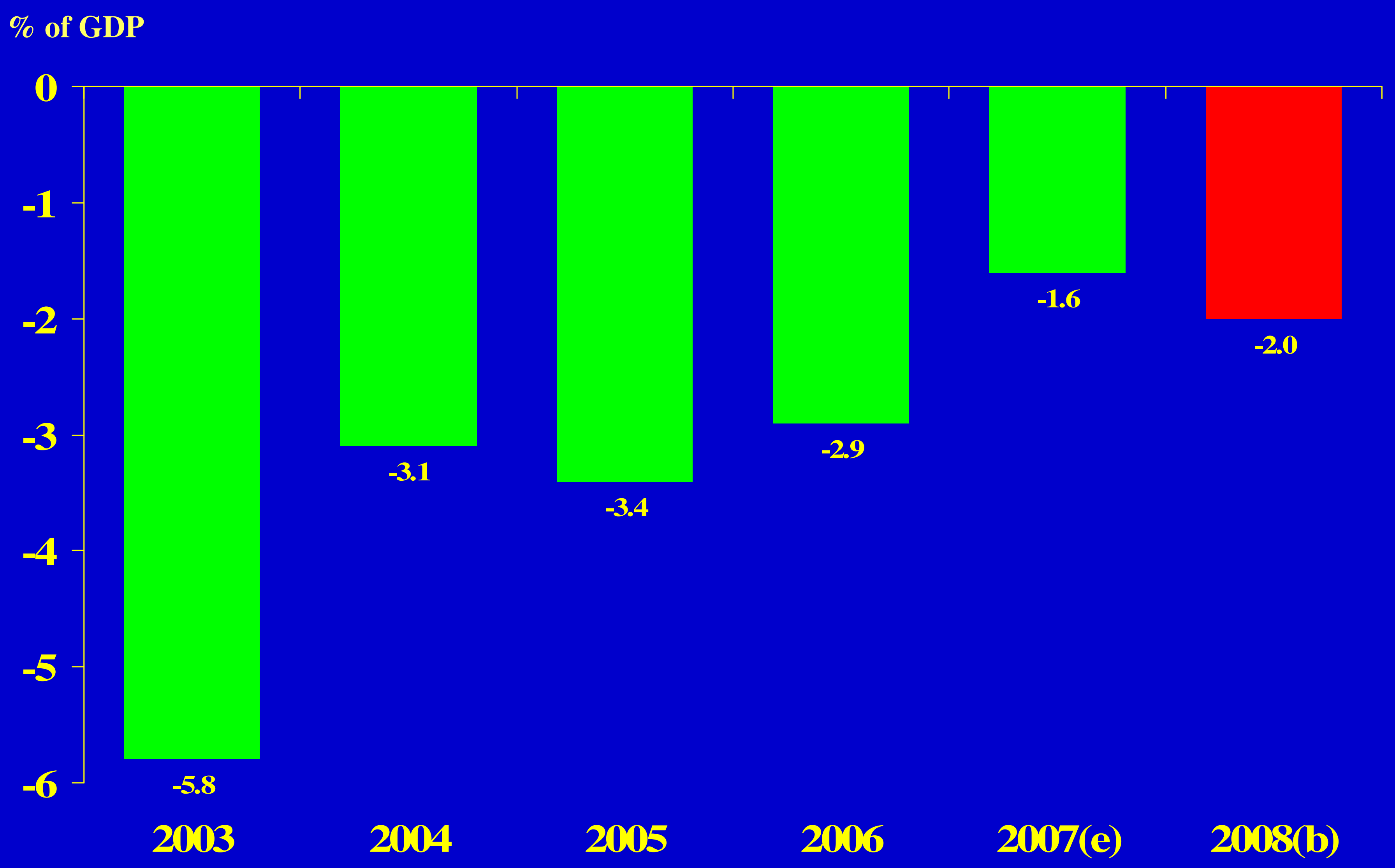
Reserve Bank of Fiji

Source: FIBOS

PUBLIC FINANCE

GOVERNMENT BALANCE

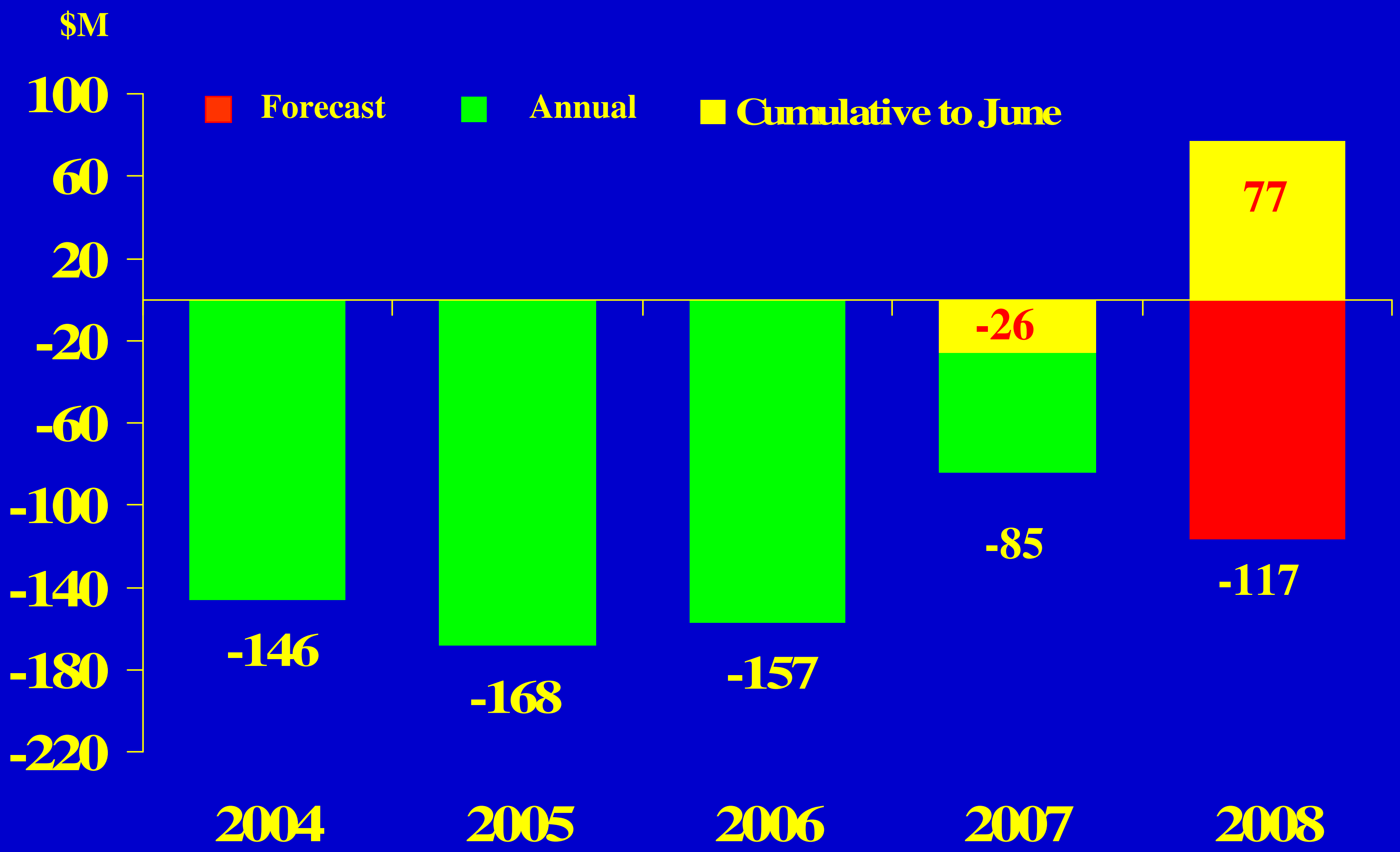
Net Deficit



Reserve Bank of Fiji

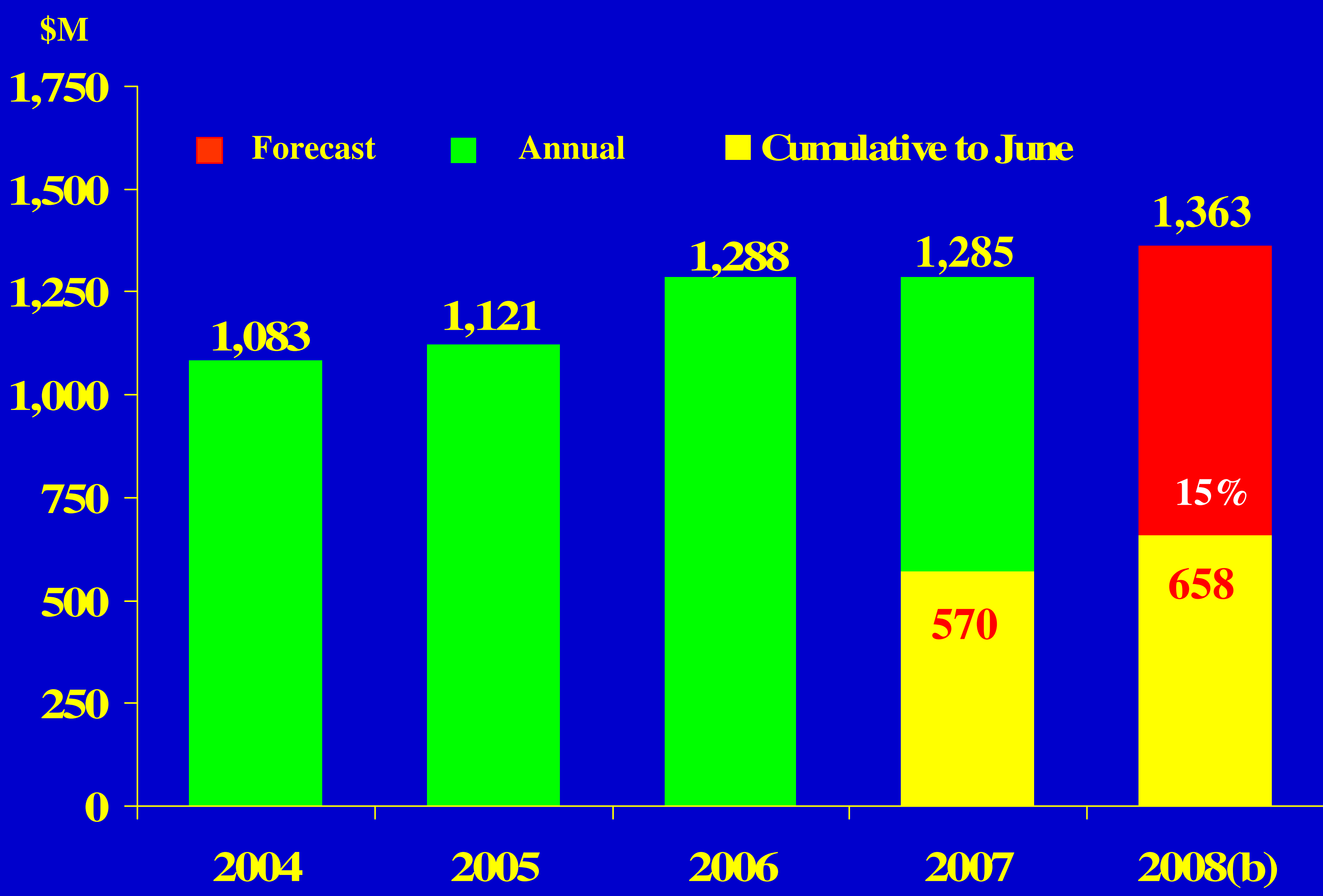
Source: Ministry of Finance

GOVERNMENT UNDERLYING BALANCE



Source: Ministry of Finance

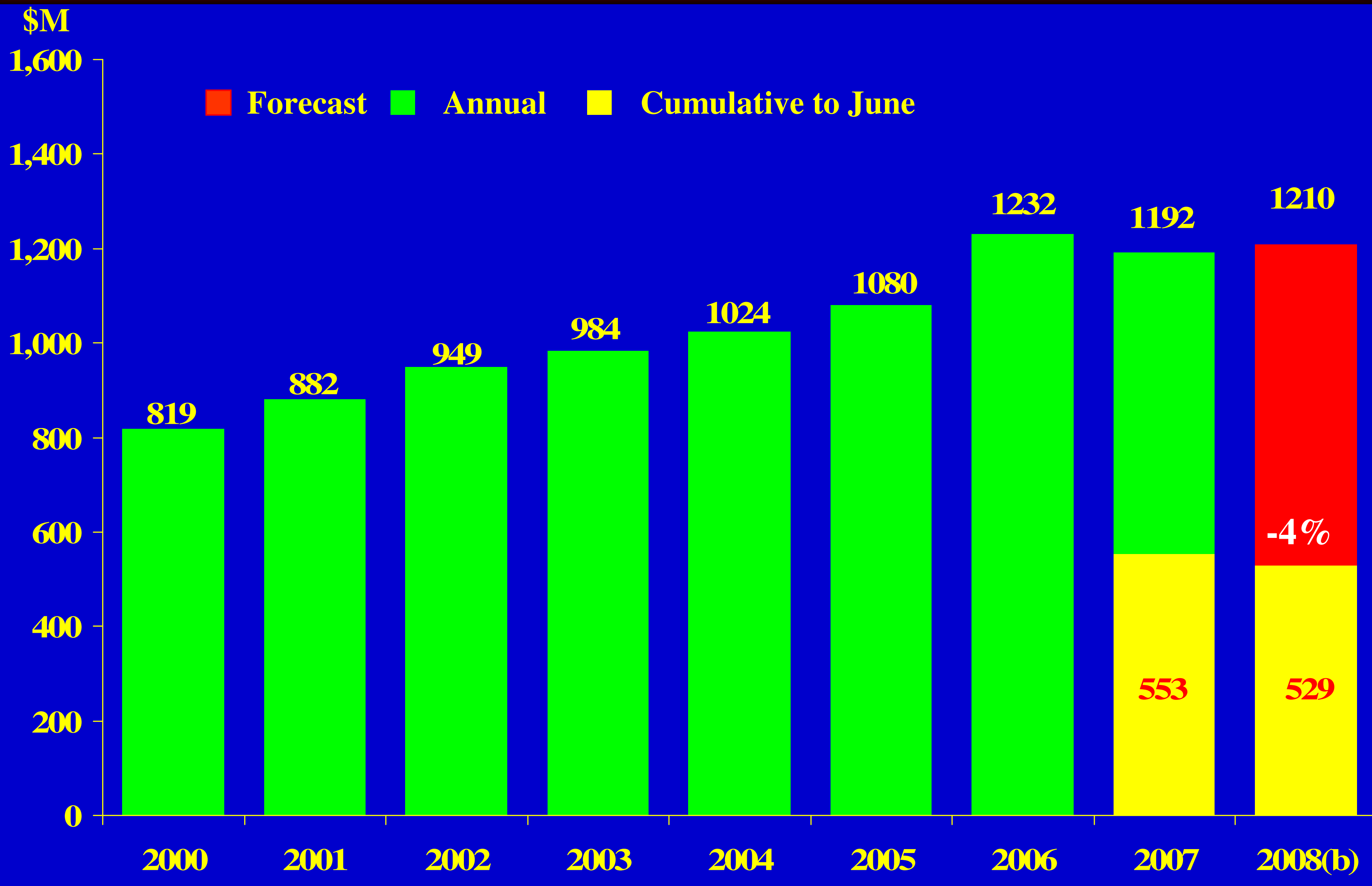
GOVERNMENT REVENUE



Reserve Bank of Fiji

Source: Ministry of Finance

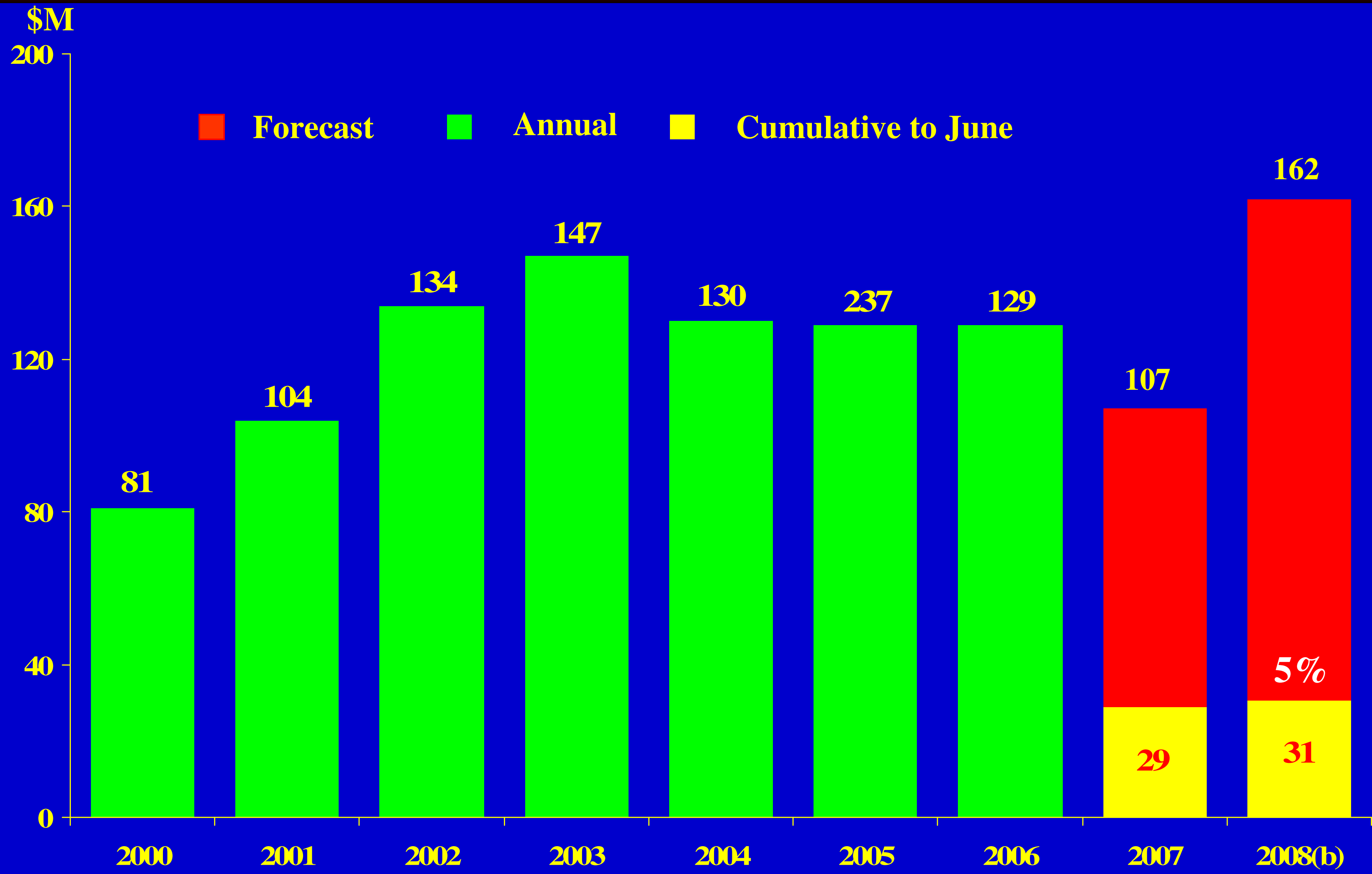
GOVERNMENT OPERATING EXPENDITURE



Reserve Bank of Fiji

Source: Ministry of Finance

GOVERNMENT CAPITAL EXPENDITURE

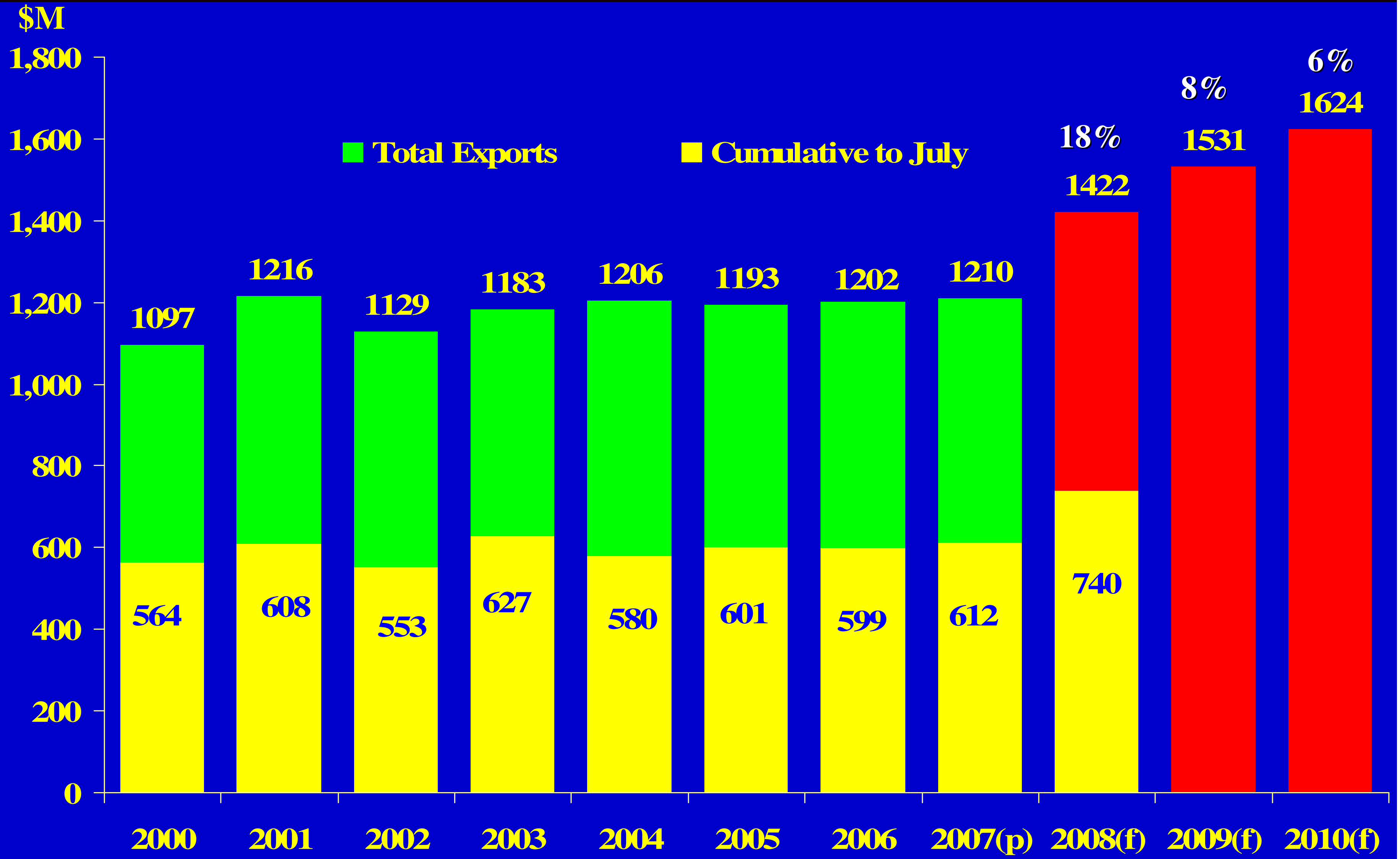


Reserve Bank of Fiji

Source: Ministry of Finance

TRADE

EXPORTS
Cum to July ↑ 21%

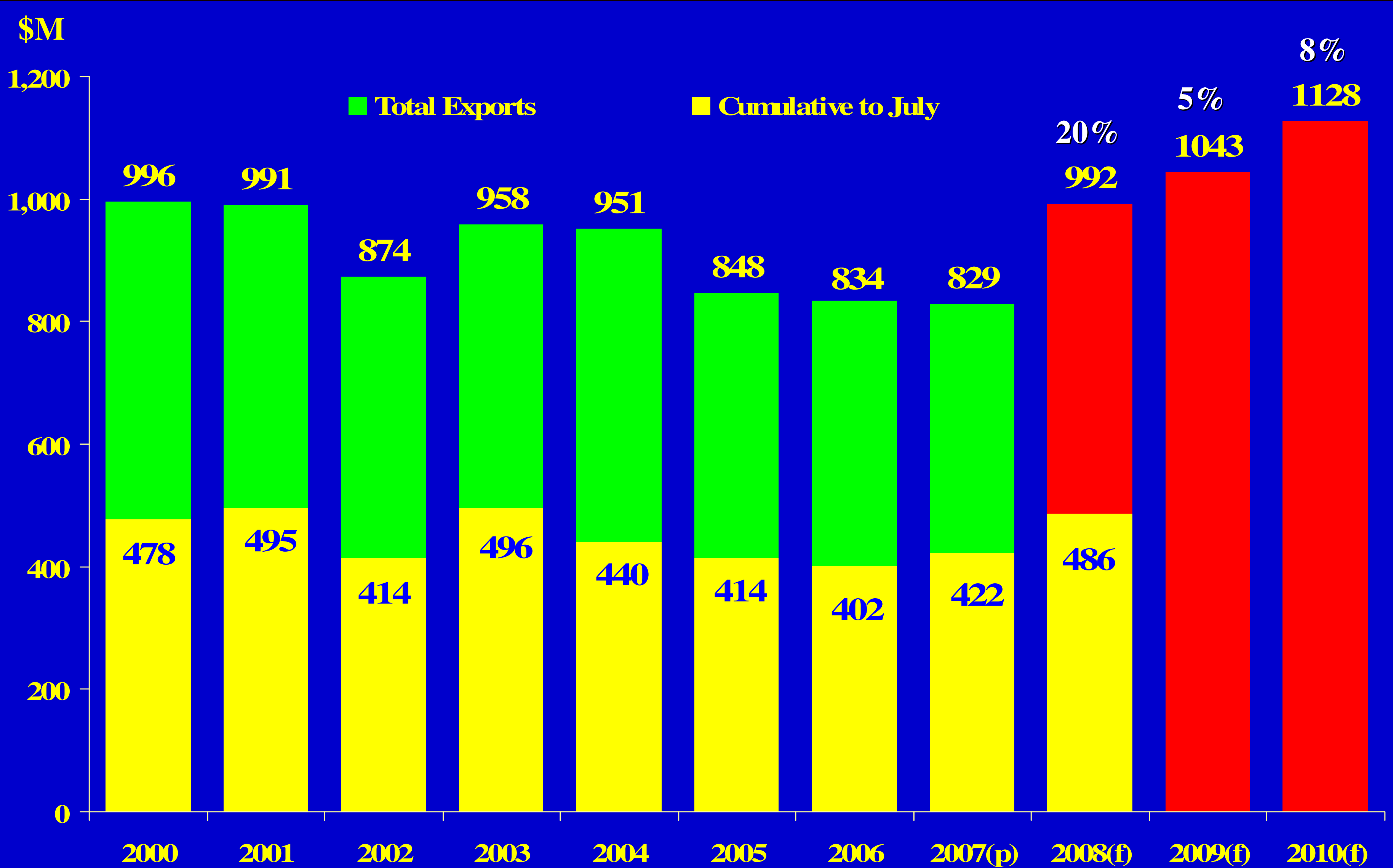


Accrual data excluding aircraft

Source: FIBOS & Macroeconomic Committee

DOMESTIC EXPORTS

Cum to July ↑ 15%

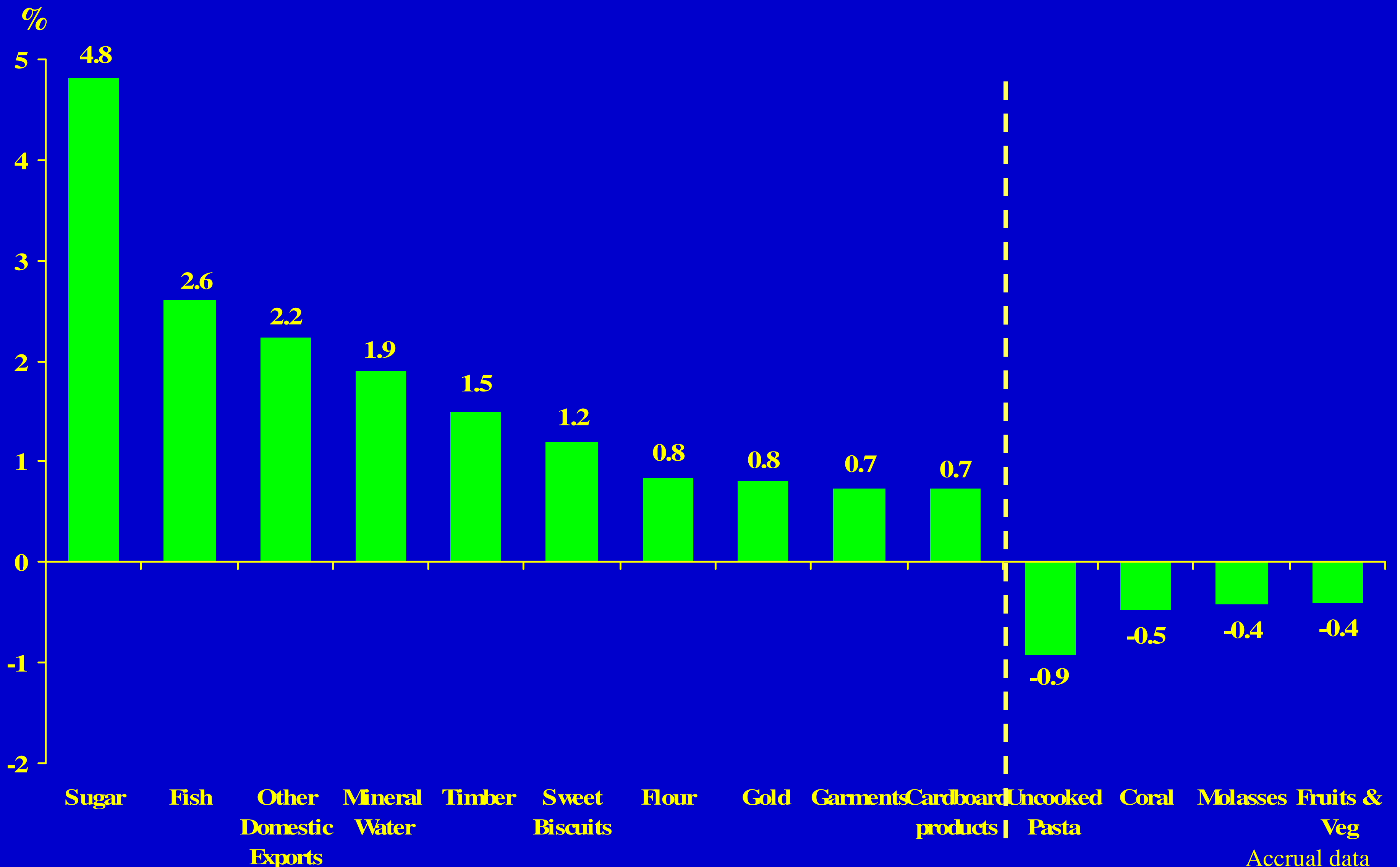


Accrual data excluding aircraft

Source: FIBOS & Macroeconomic Committee

SECTORAL CONTRIBUTION

Domestic Exports: Jan-Jul 2008 ↑ 15.2%

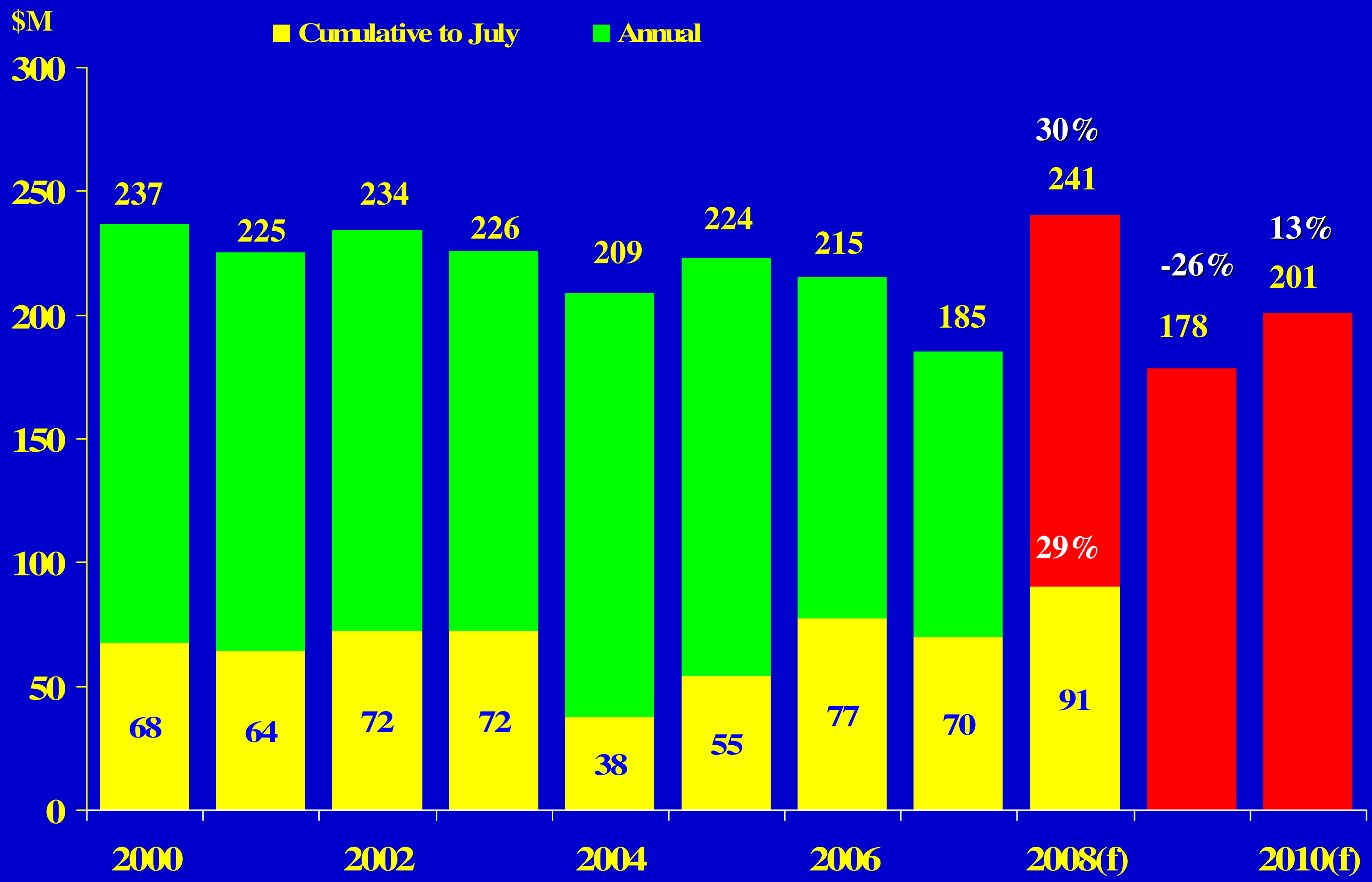


Accrual data

Reserve Bank of Fiji

Source: FIBOS

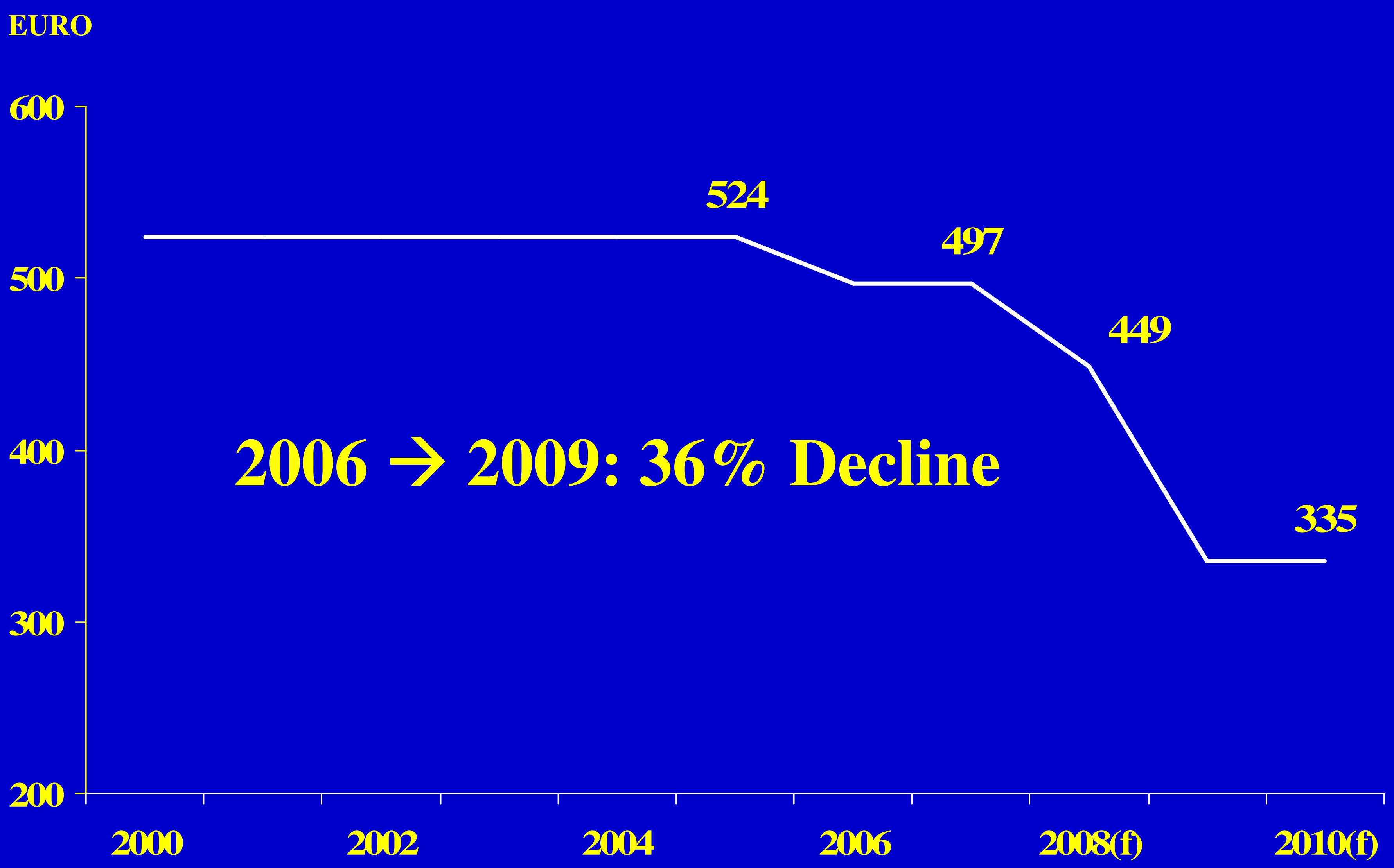
SUGAR EXPORTS



Reserve Bank of Fiji

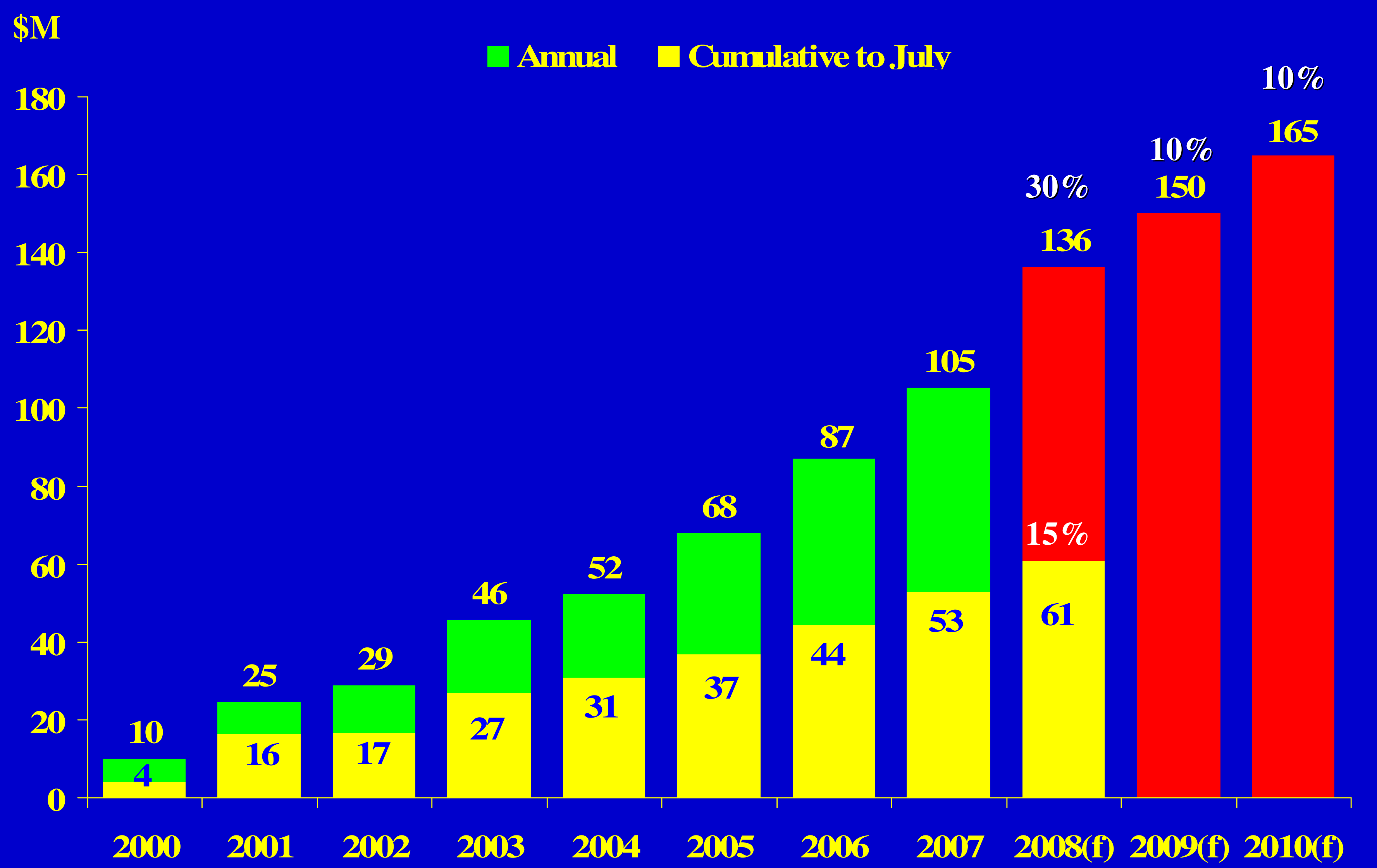
Source: FIBOS & Macroeconomic Committee

EU SUGAR PRICE/TONNE



Source: Fiji Sugar Marketing

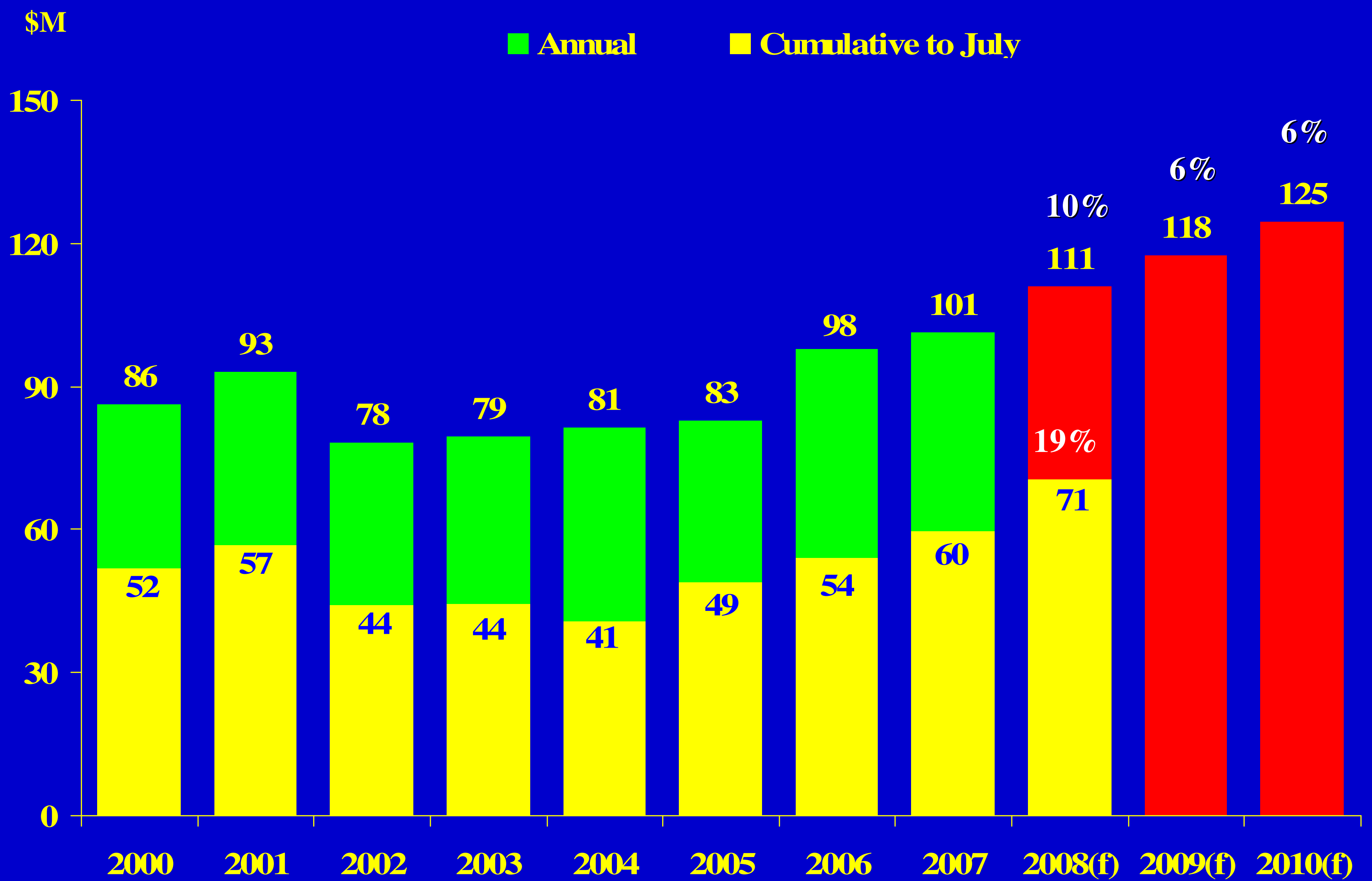
MINERAL WATER EXPORTS



Reserve Bank of Fiji

Source: FIBOS & Macroeconomic Committee

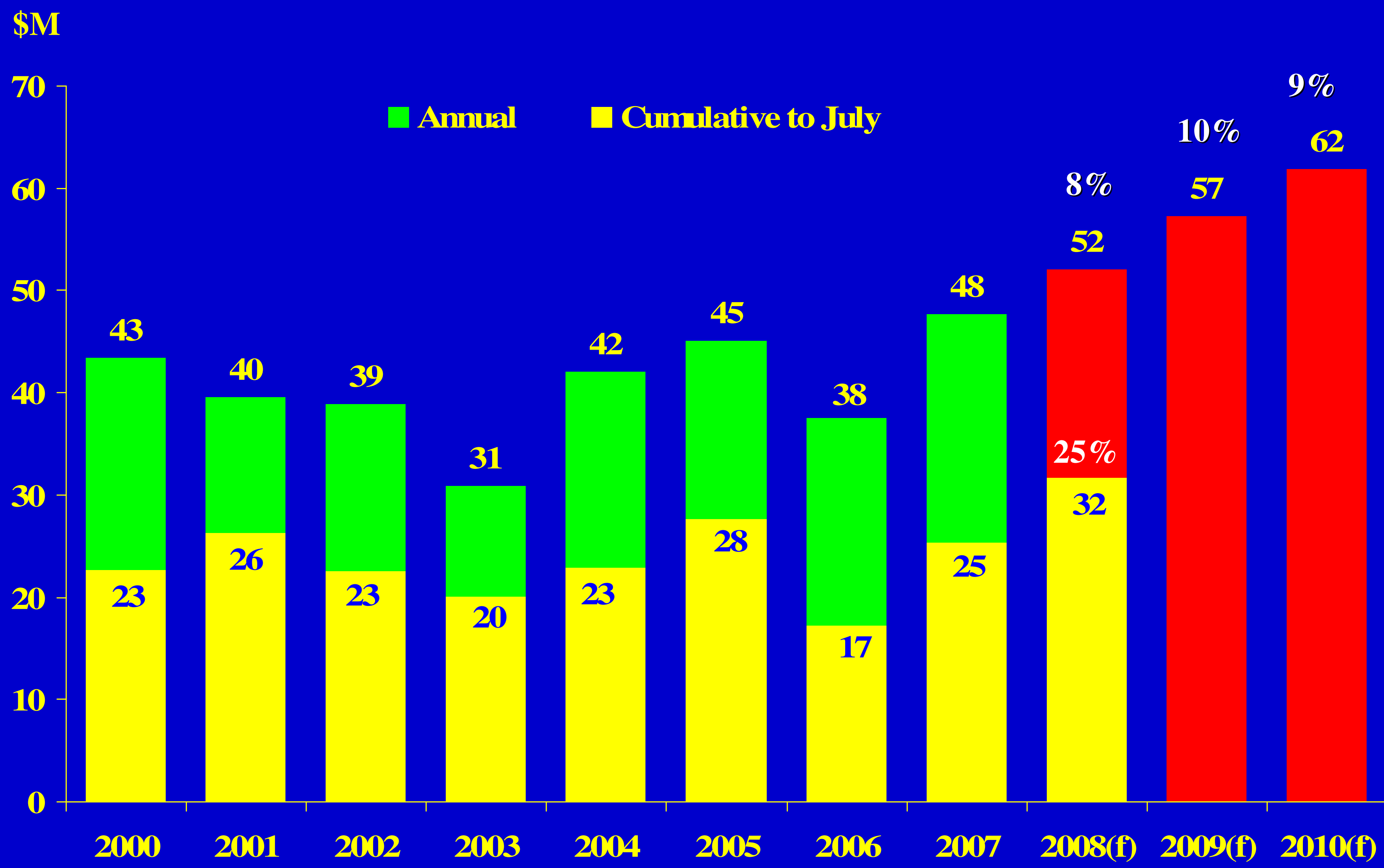
FISH EXPORTS



Reserve Bank of Fiji

Source: FIBOS & Macroeconomic Committee

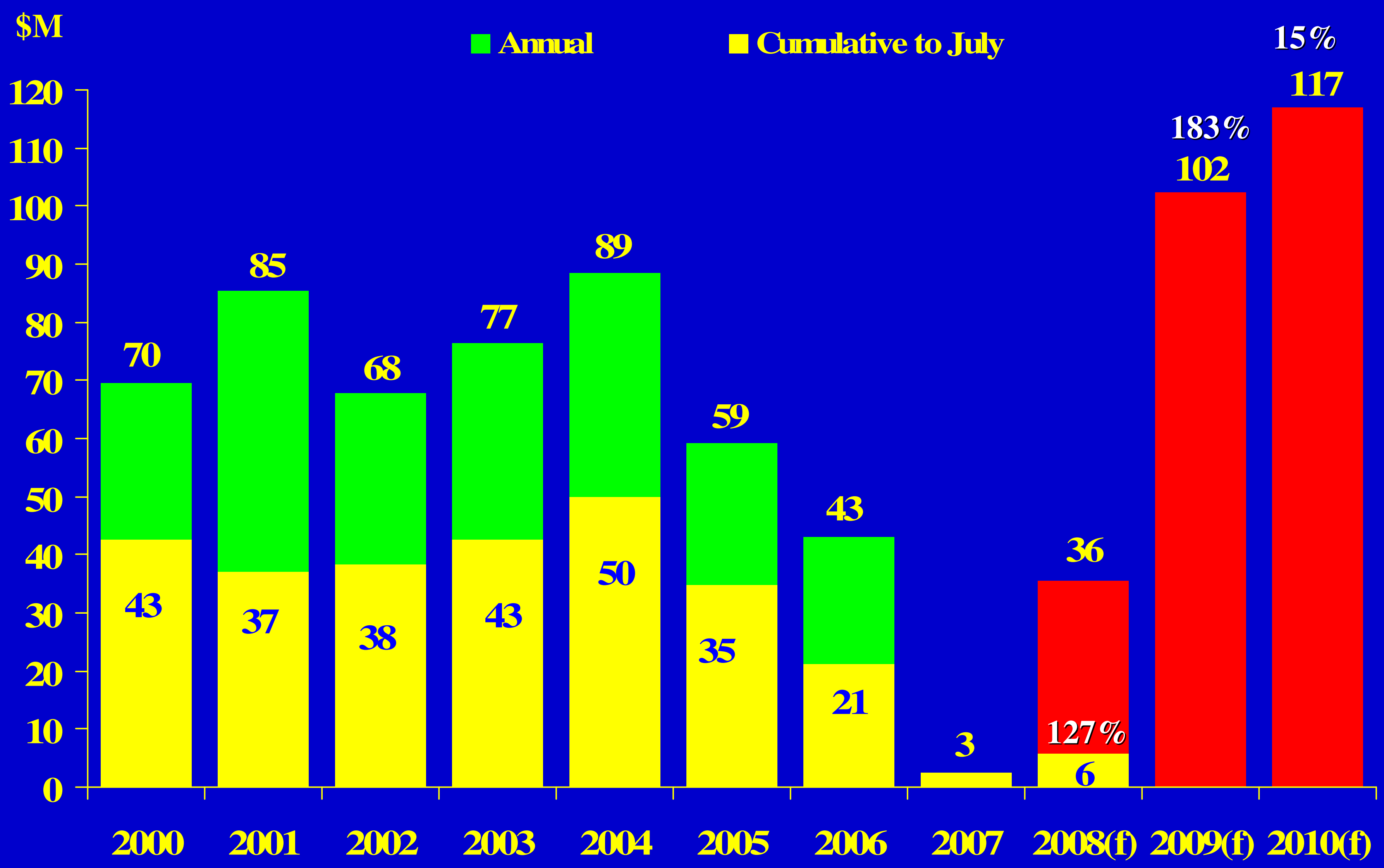
TIMBER EXPORTS



Reserve Bank of Fiji

Source: FIBOS & Macroeconomic Committee

GOLD EXPORTS

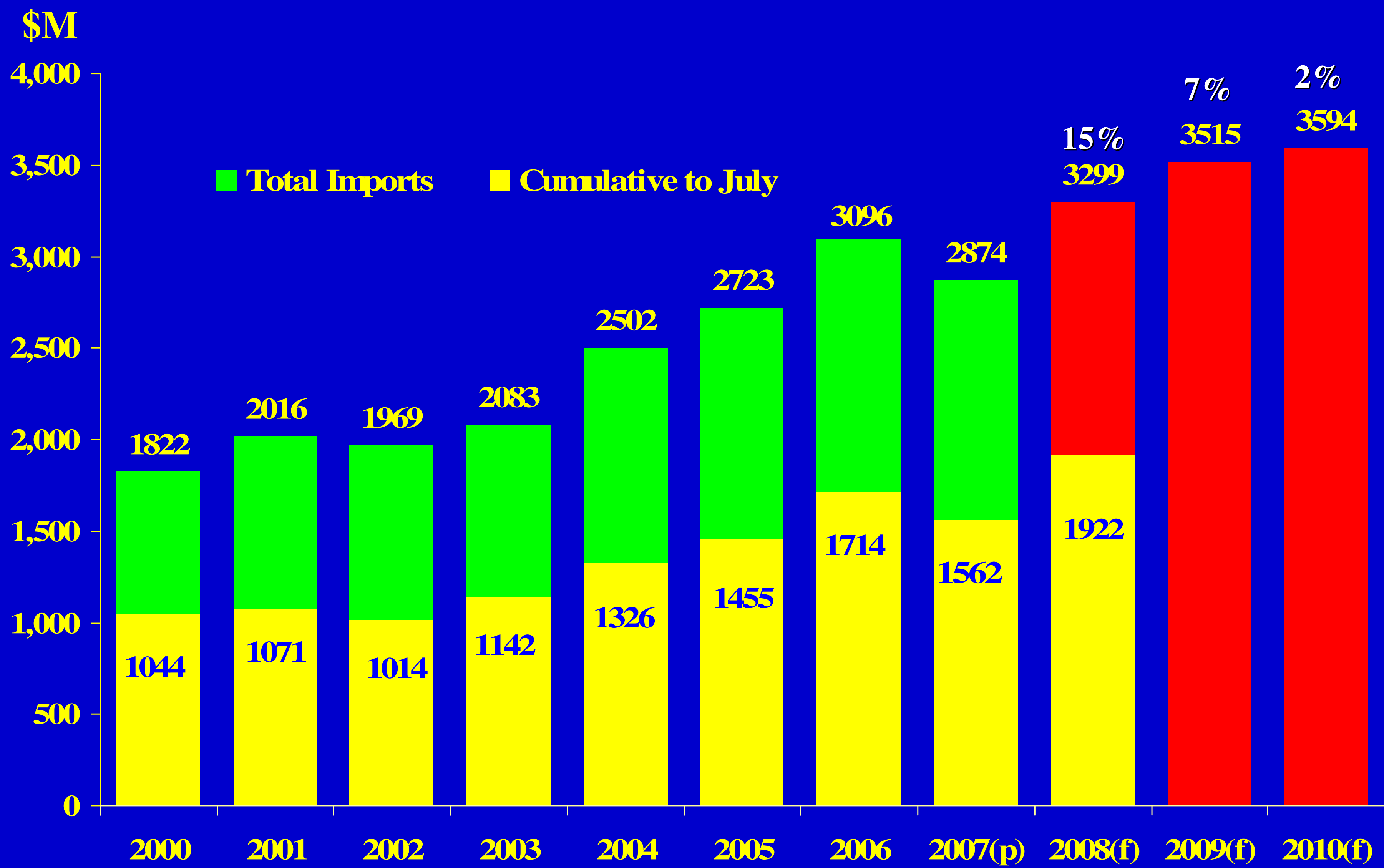


Reserve Bank of Fiji

Source: FIBOS & Macroeconomic Committee

IMPORTS

Cum to July ↑ 23%



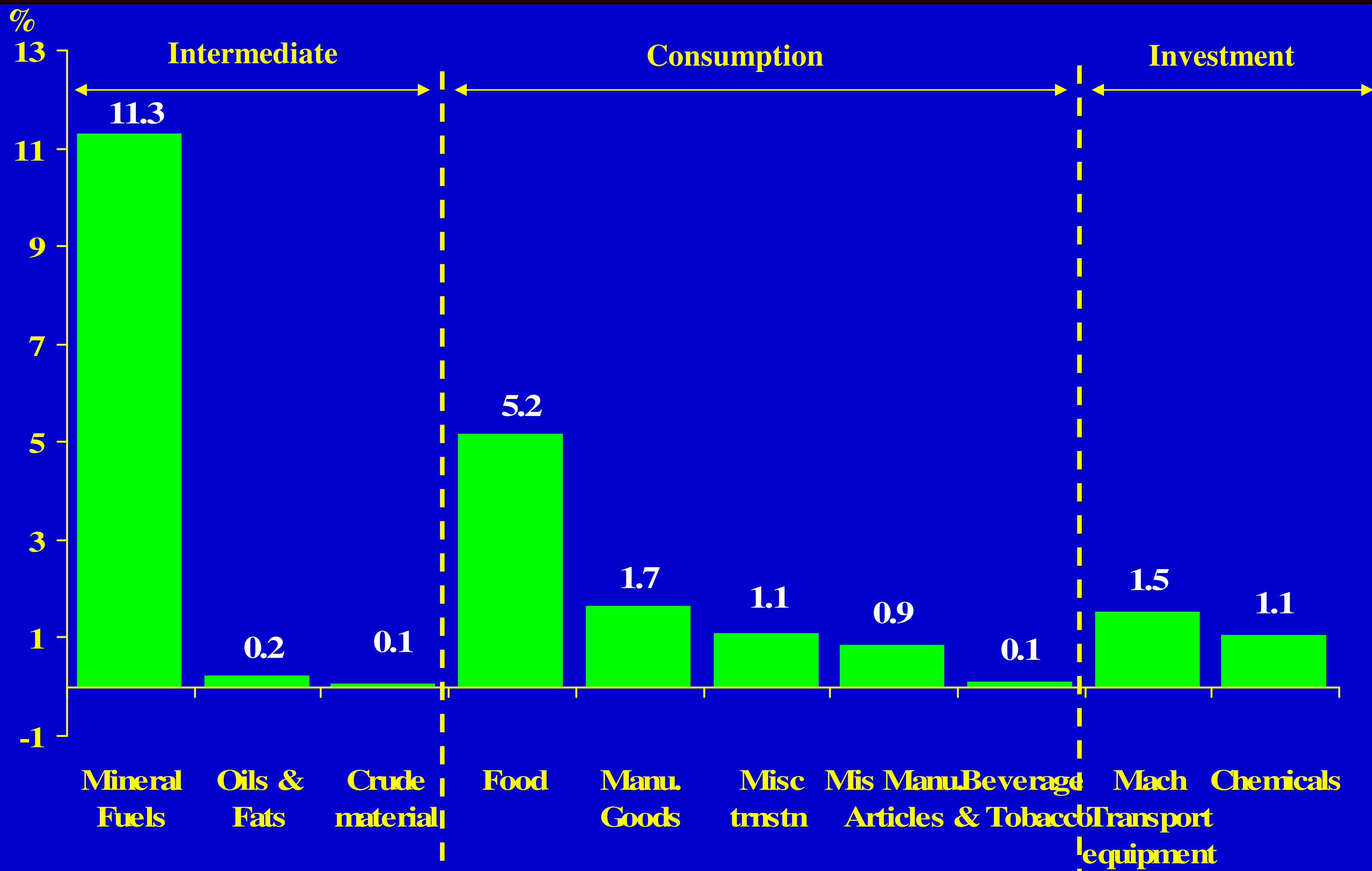
Accrual data excluding aircraft

Reserve Bank of Fiji

Source: FIBOS & Macroeconomic Committee

SECTORAL CONTRIBUTION

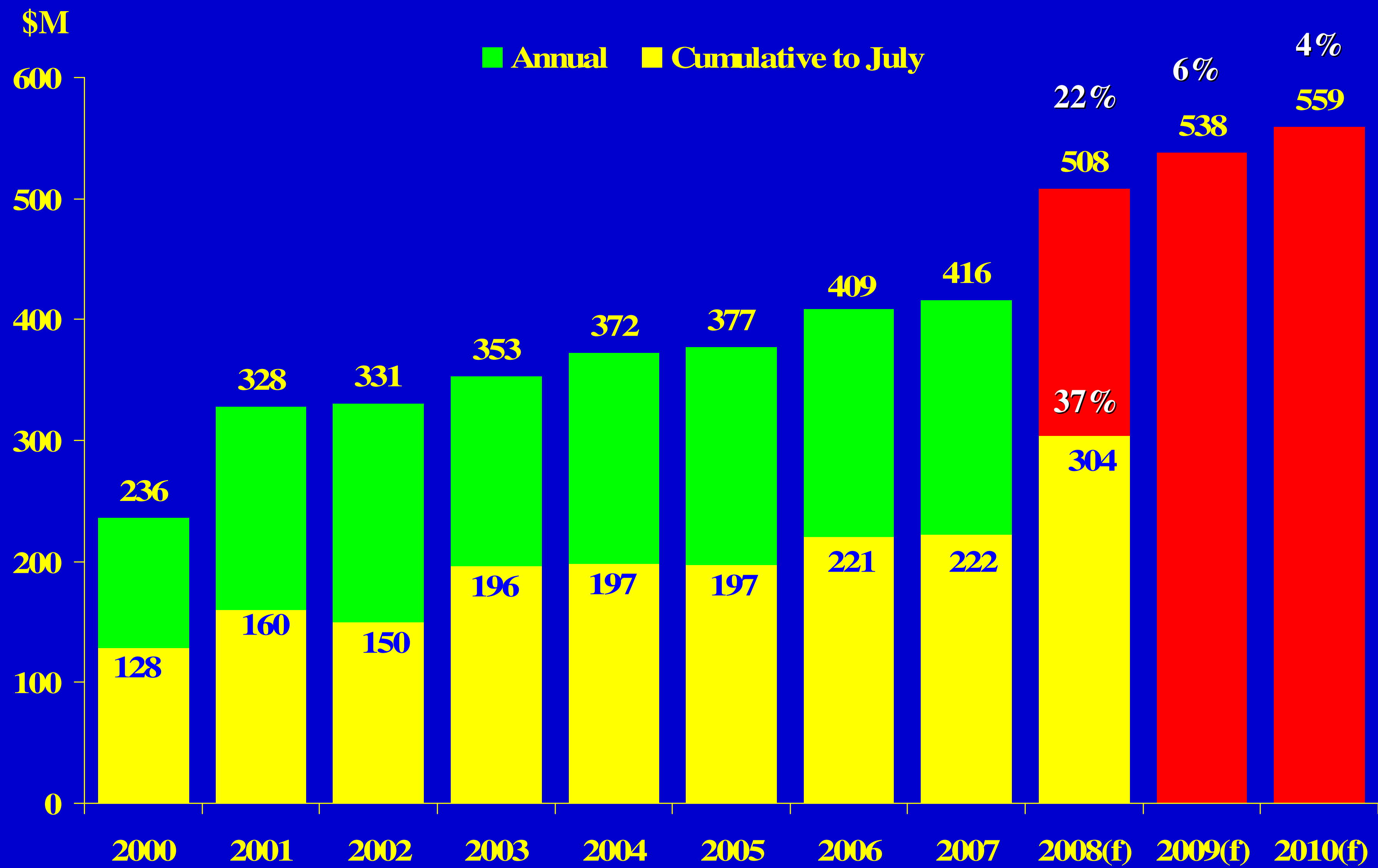
Imports: Jan-Jul 2008 ↑ 23%



Accrual data

Source: FIBOS

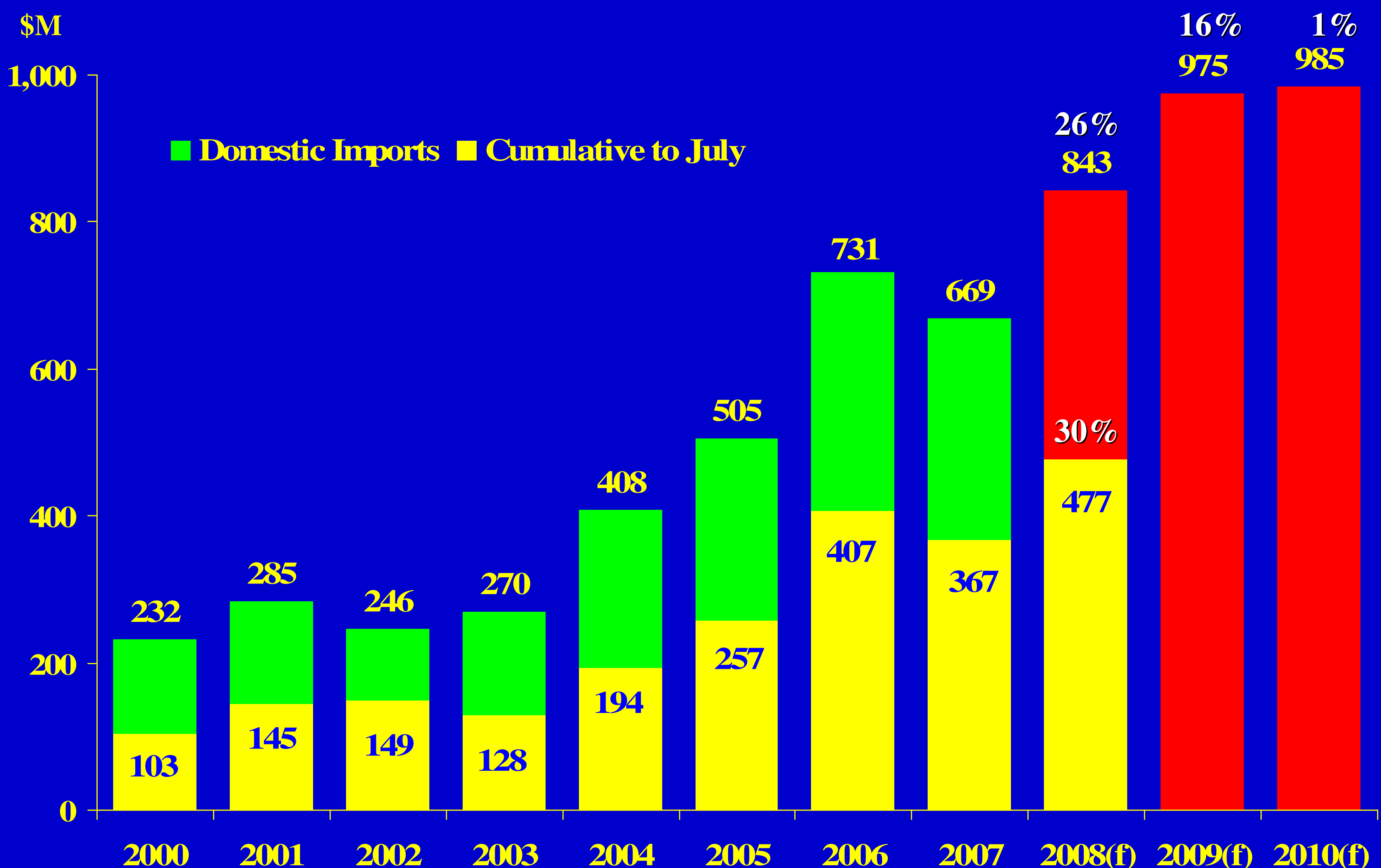
FOOD, BEVERAGES & TOBACCO IMPORTS



Reserve Bank of Fiji

Source: FIBOS & Macroeconomic Committee

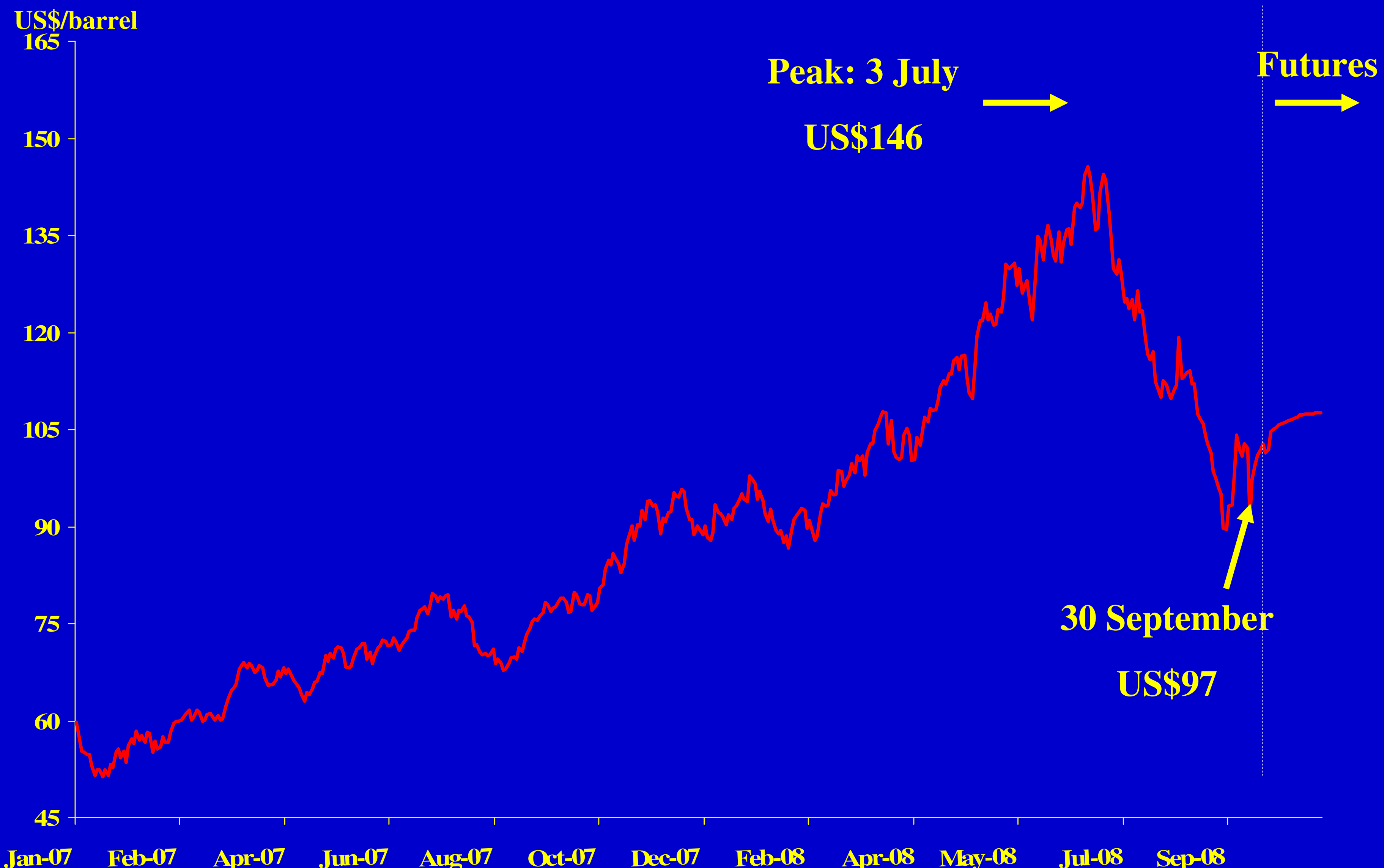
MINERAL FUEL IMPORTS



Reserve Bank of Fiji

Source: FIBOS and Macroeconomic Committee

CRUDE OIL PRICES
Daily

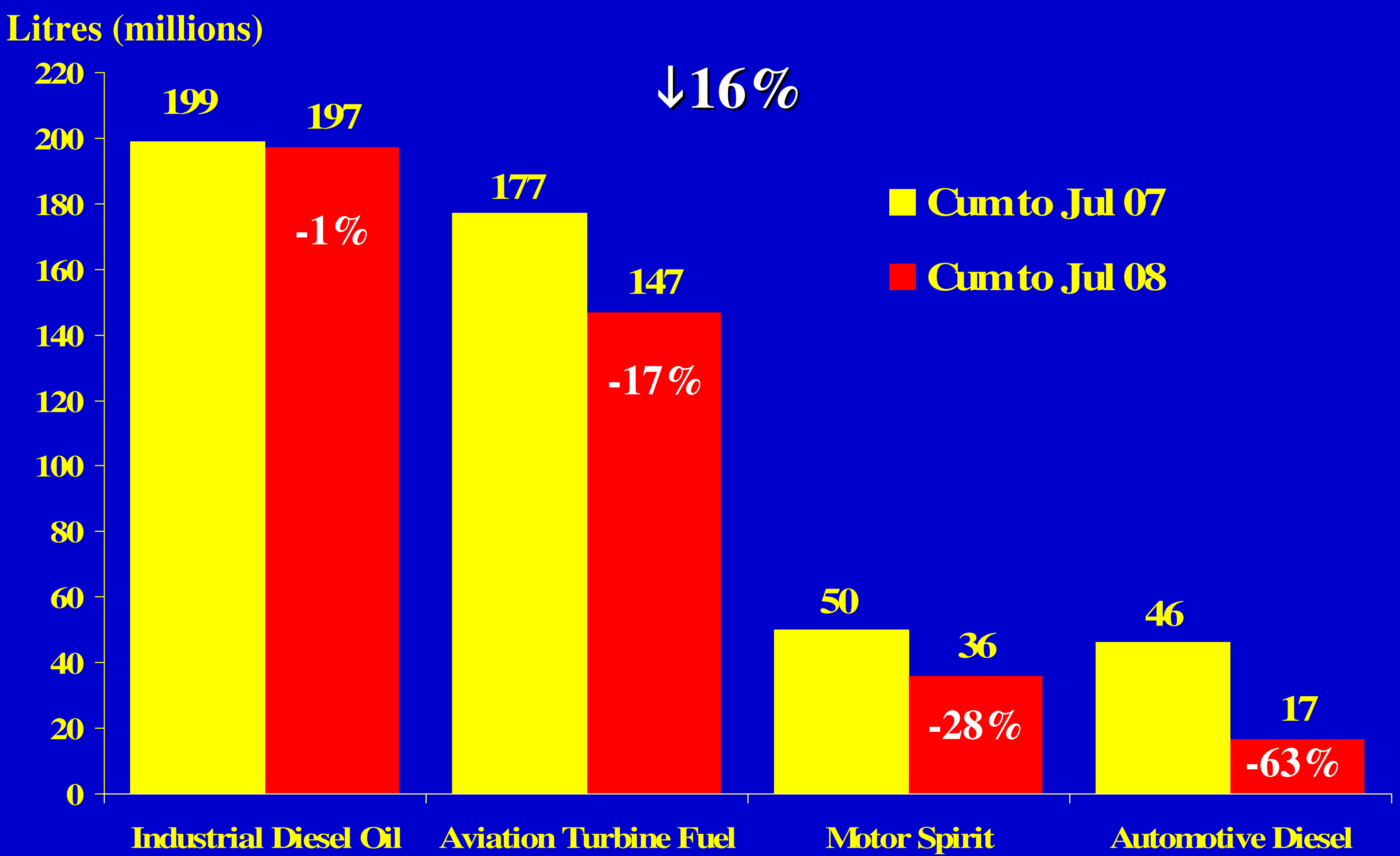


Reserve Bank of Fiji

Source: Bloomberg

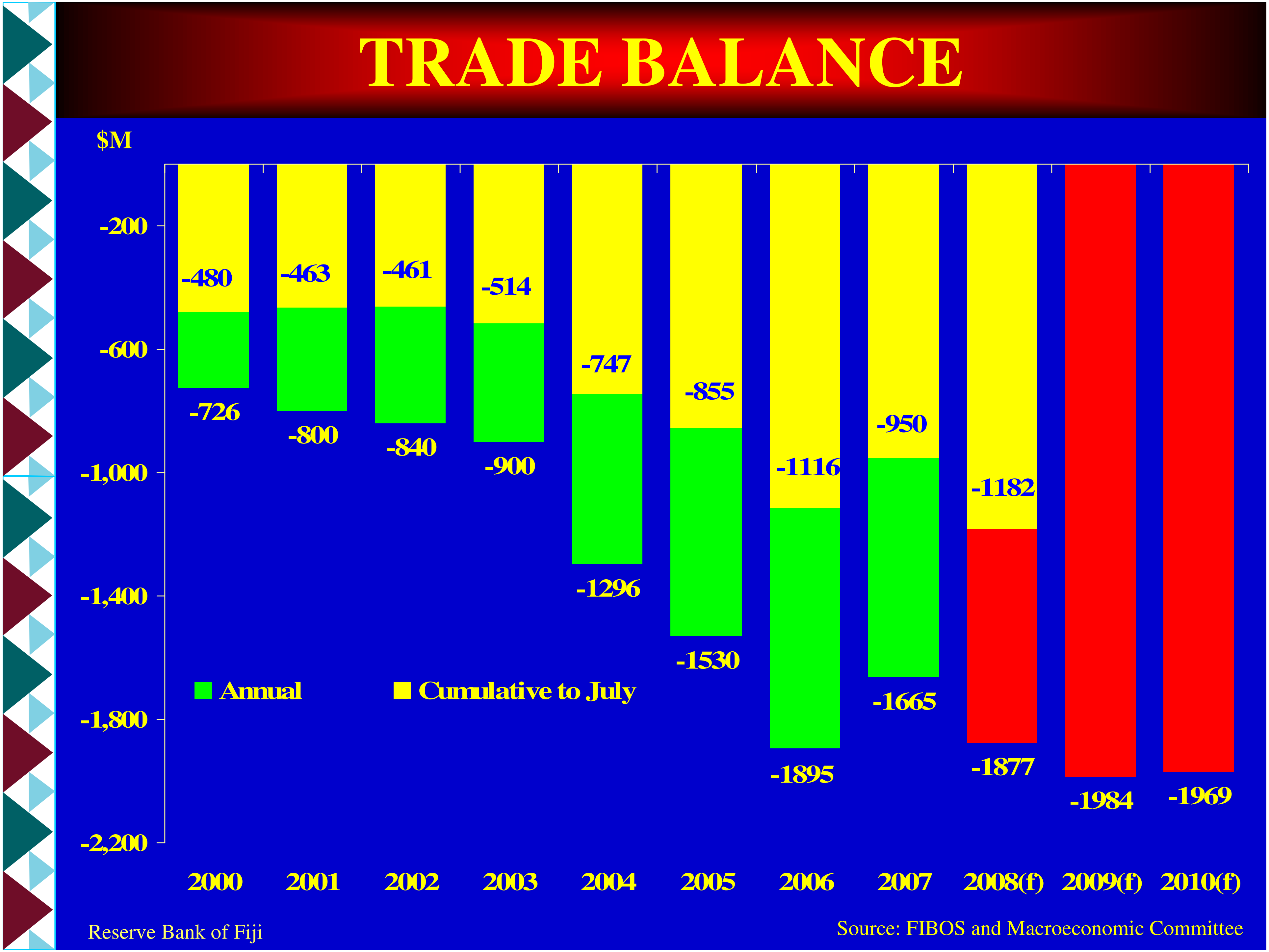
VOLUME OF FUEL IMPORTS

By Type

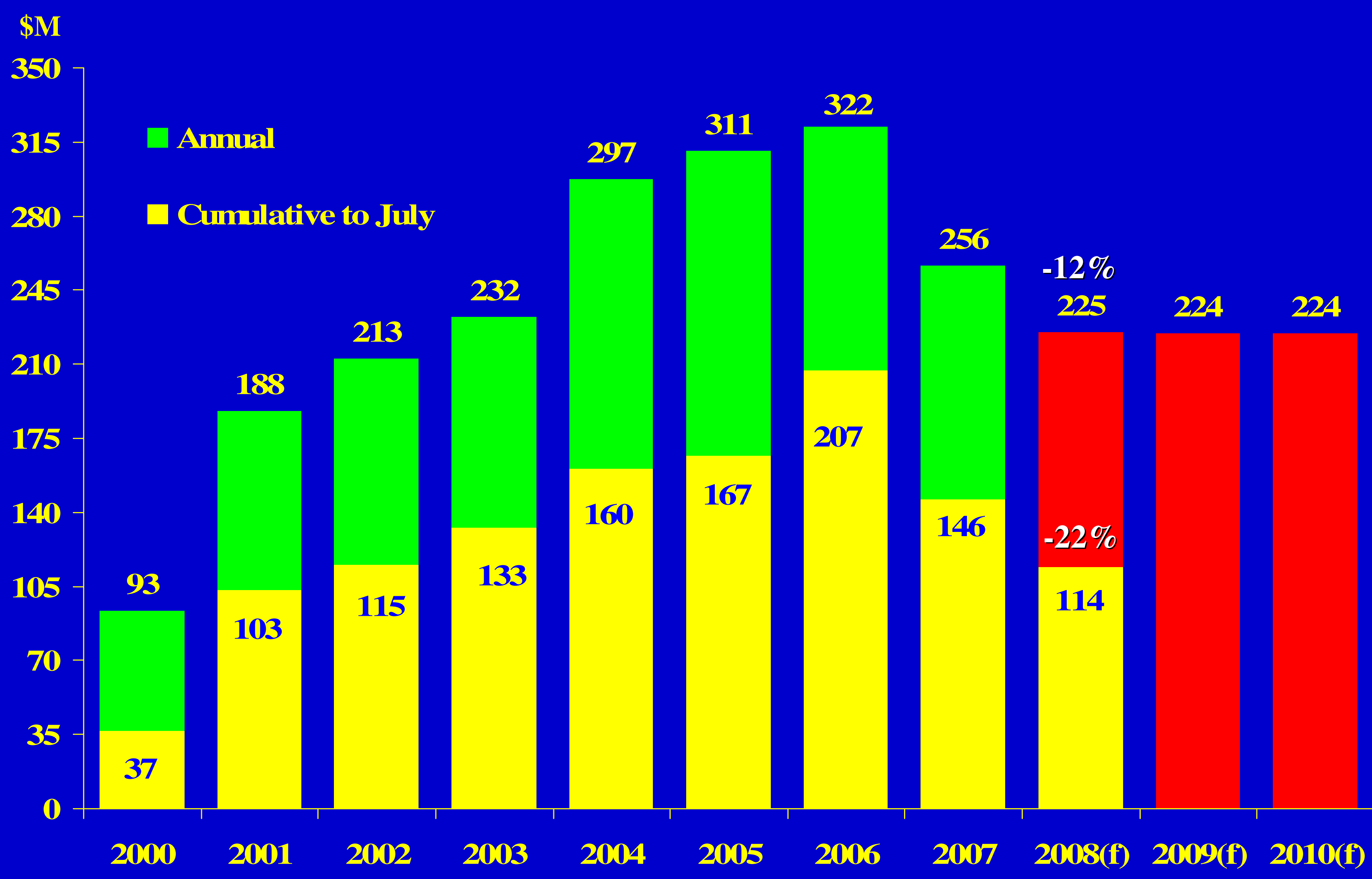


Accrual data

Source: FIBOS

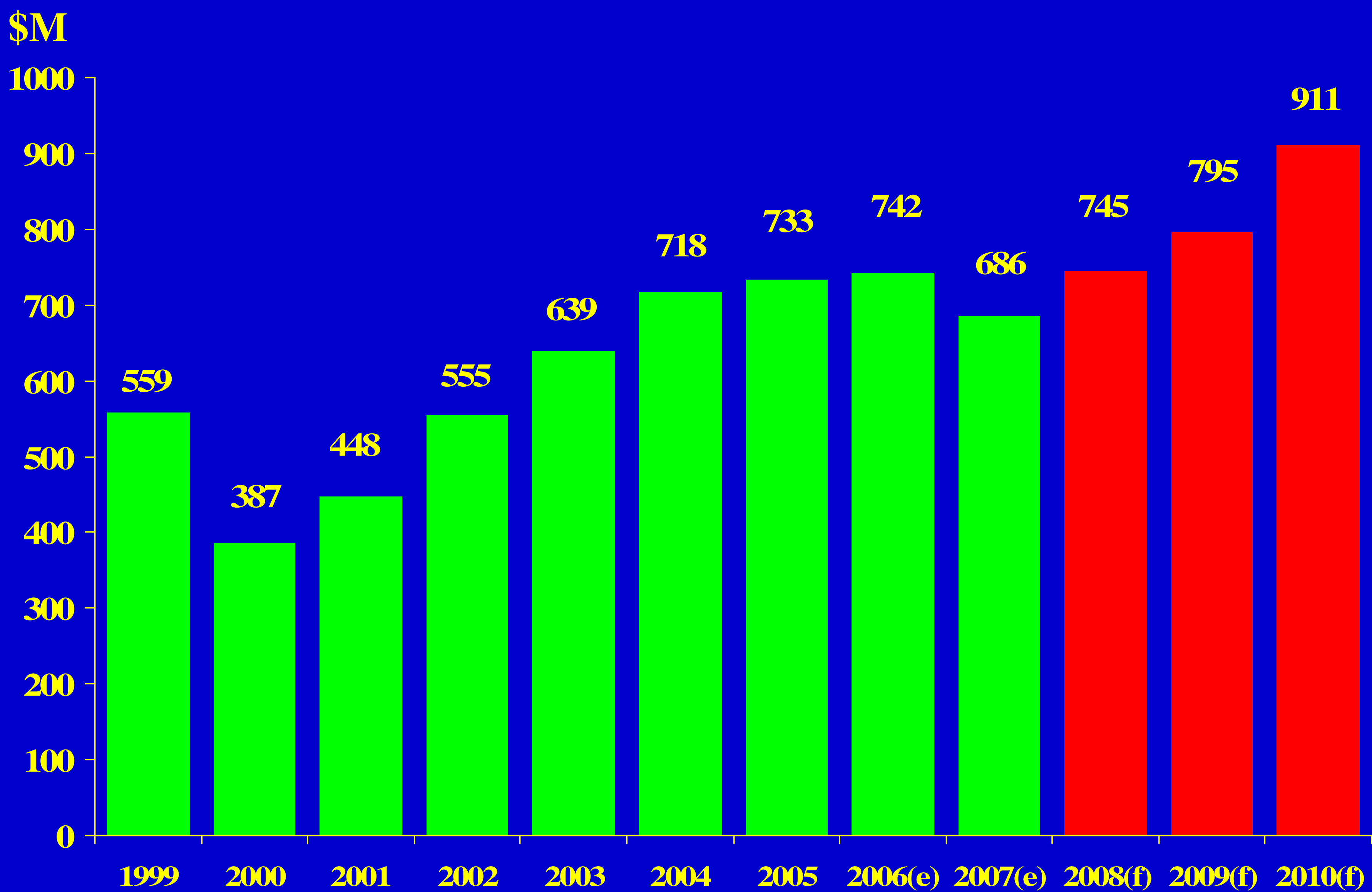

TRADE BALANCE
$M
-200
-600
-1,000
-1,400
-1,800
-2,200
-480
-463
-461
-514
-747
-855
-1116
-950
-1182
-726
-800
-840
-900
-1296
-1530
-1895
-1665
-1877
-1984
-1969
Annual
Cumulative to July
2000
2001
2002
2003
2004
2005
2006
2007
2008(f)
2009(f)
2010(f)
Reserve Bank of Fiji
Source: FIBOS and Macroeconomic Committee

PERSONAL REMITTANCES



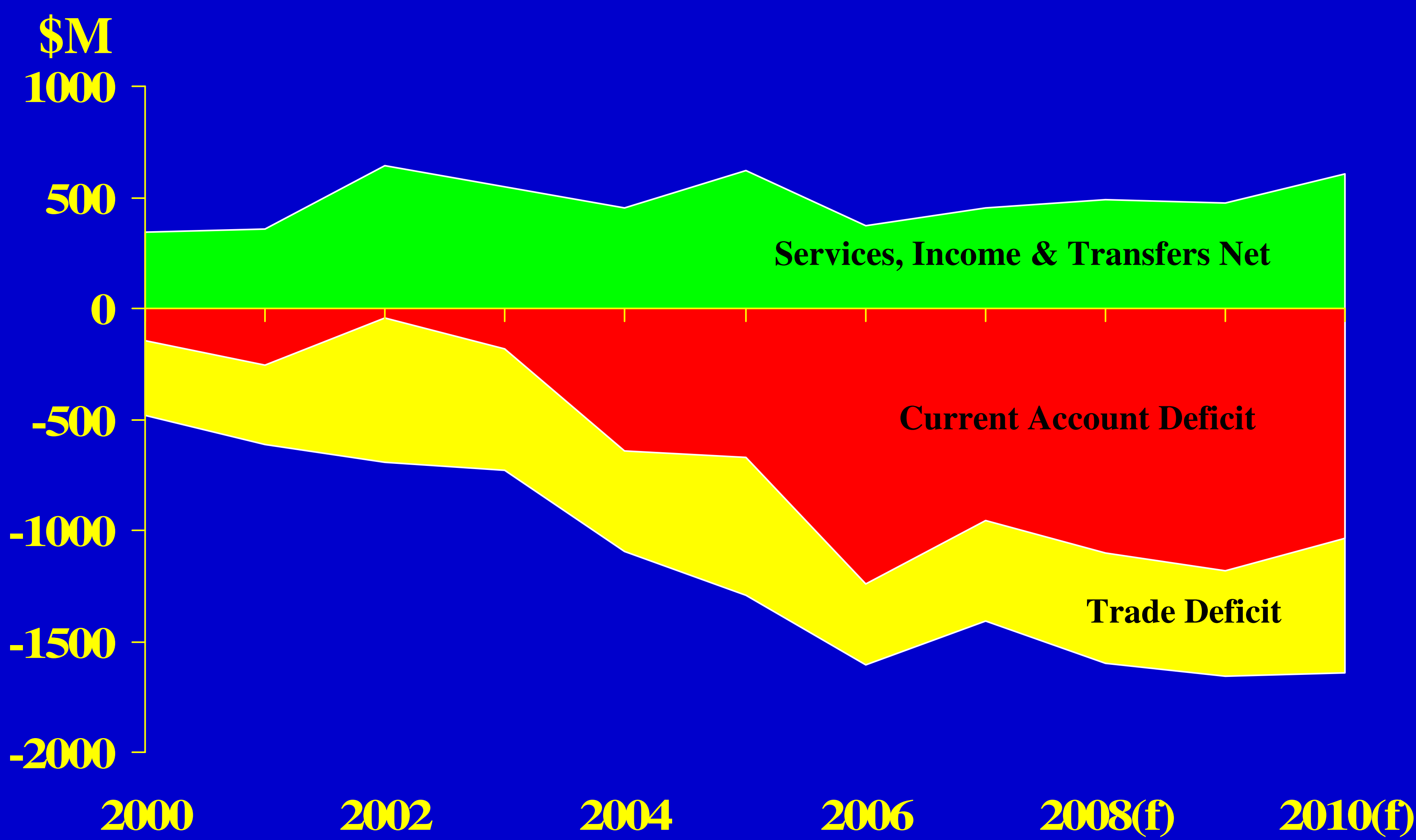
Reserve Bank of Fiji

TOURISM EARNINGS



Source: FIBOS and Macroeconomic Committee

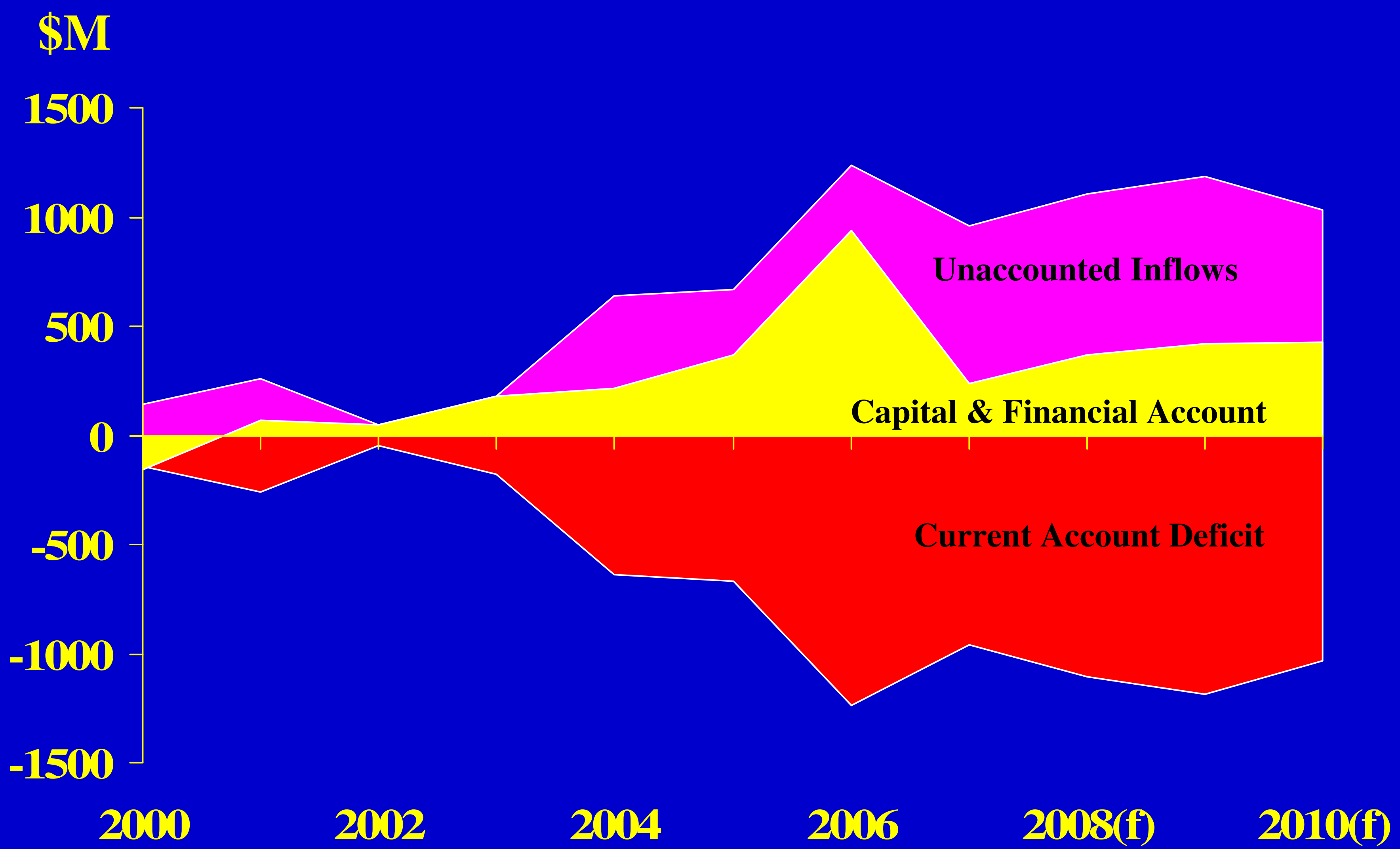
CURRENT ACCOUNT



Source: FIBOS and Macroeconomic Committee

Reserve Bank of Fiji

FINANCING THE CURRENT ACCOUNT



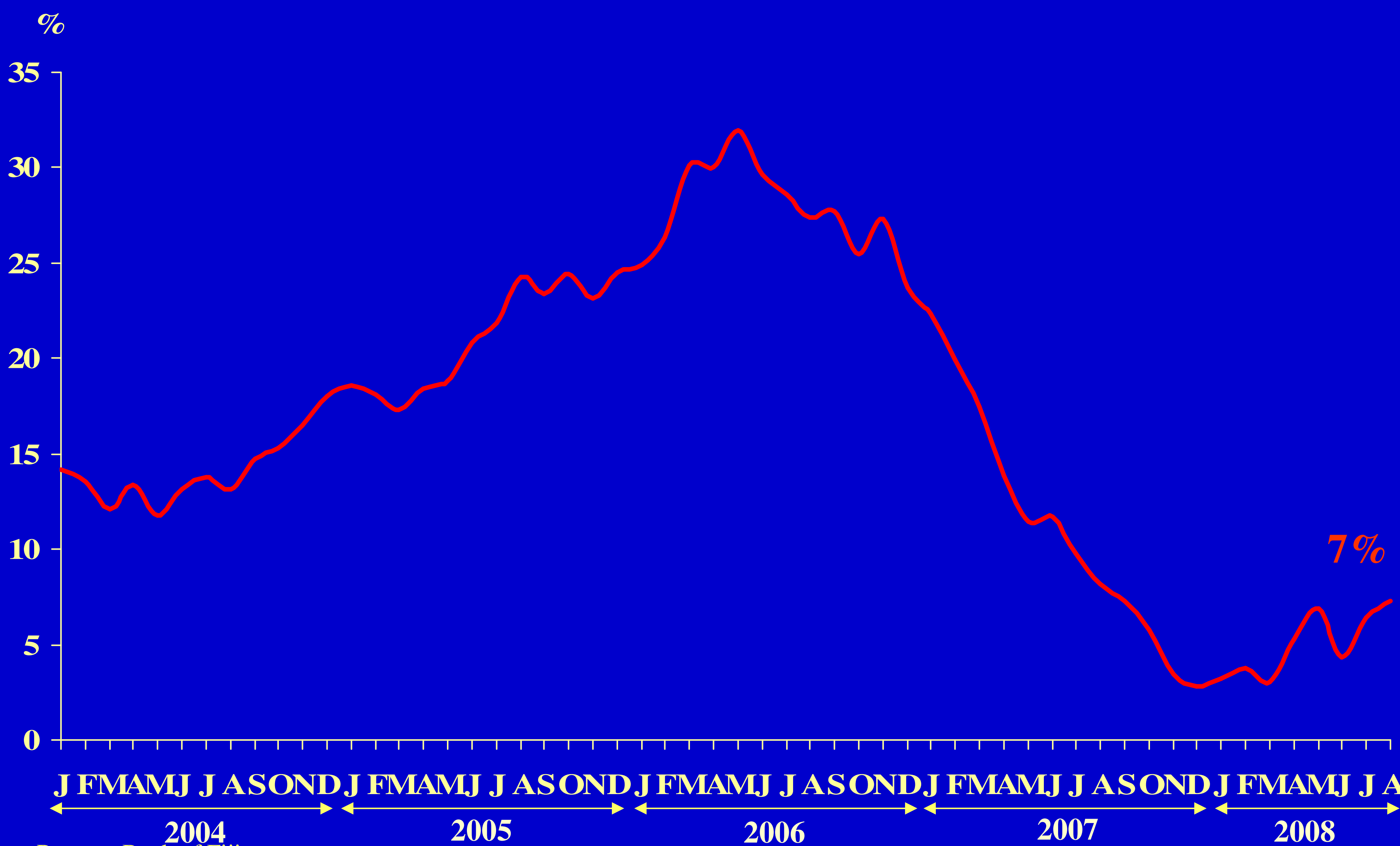
Reserve Bank of Fiji

Source: FIBOS and Macroeconomic Committee

MONEY AND CREDIT DEVELOPMENTS

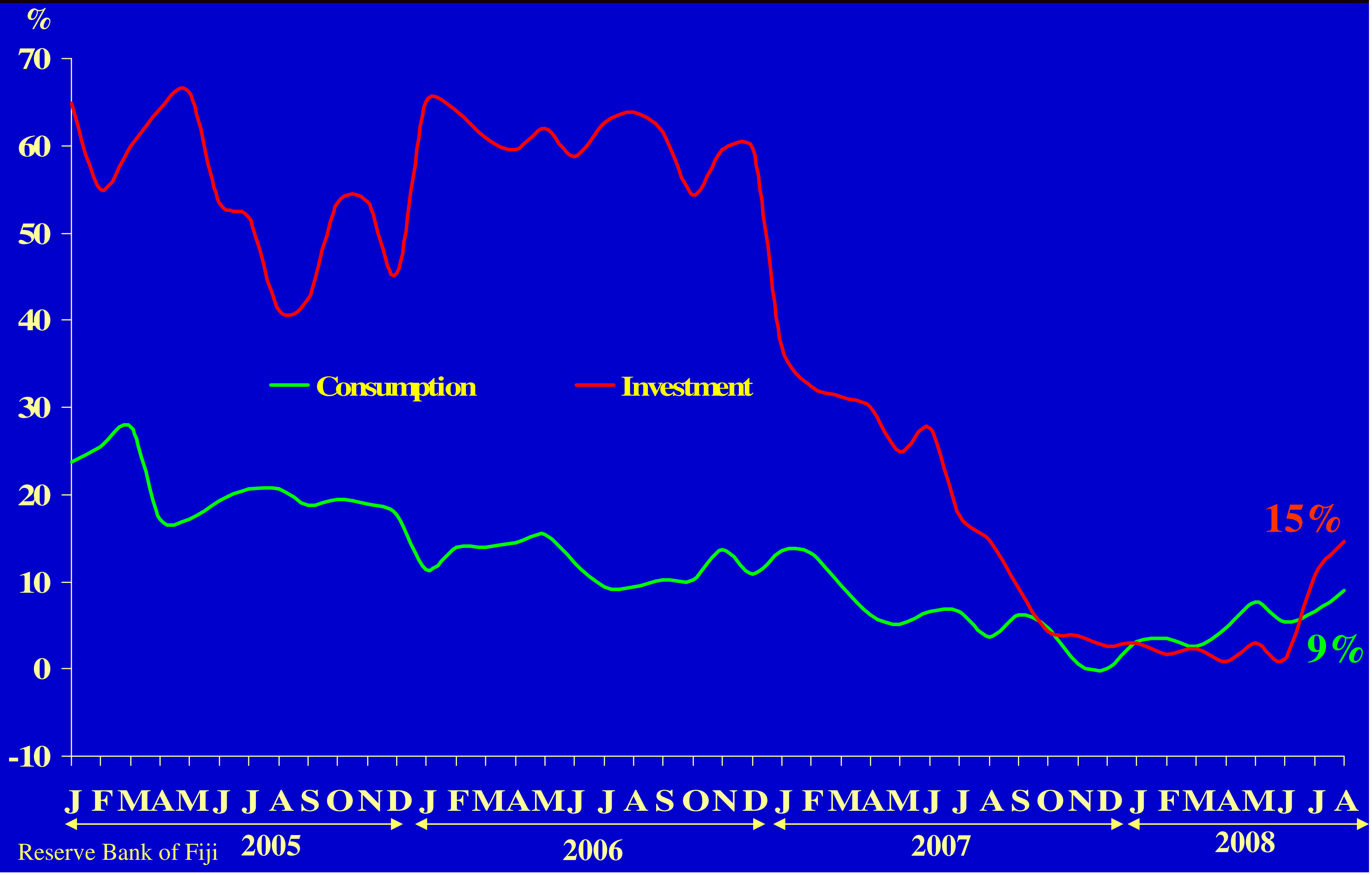
PRIVATE SECTOR CREDIT

Annual Percent Change



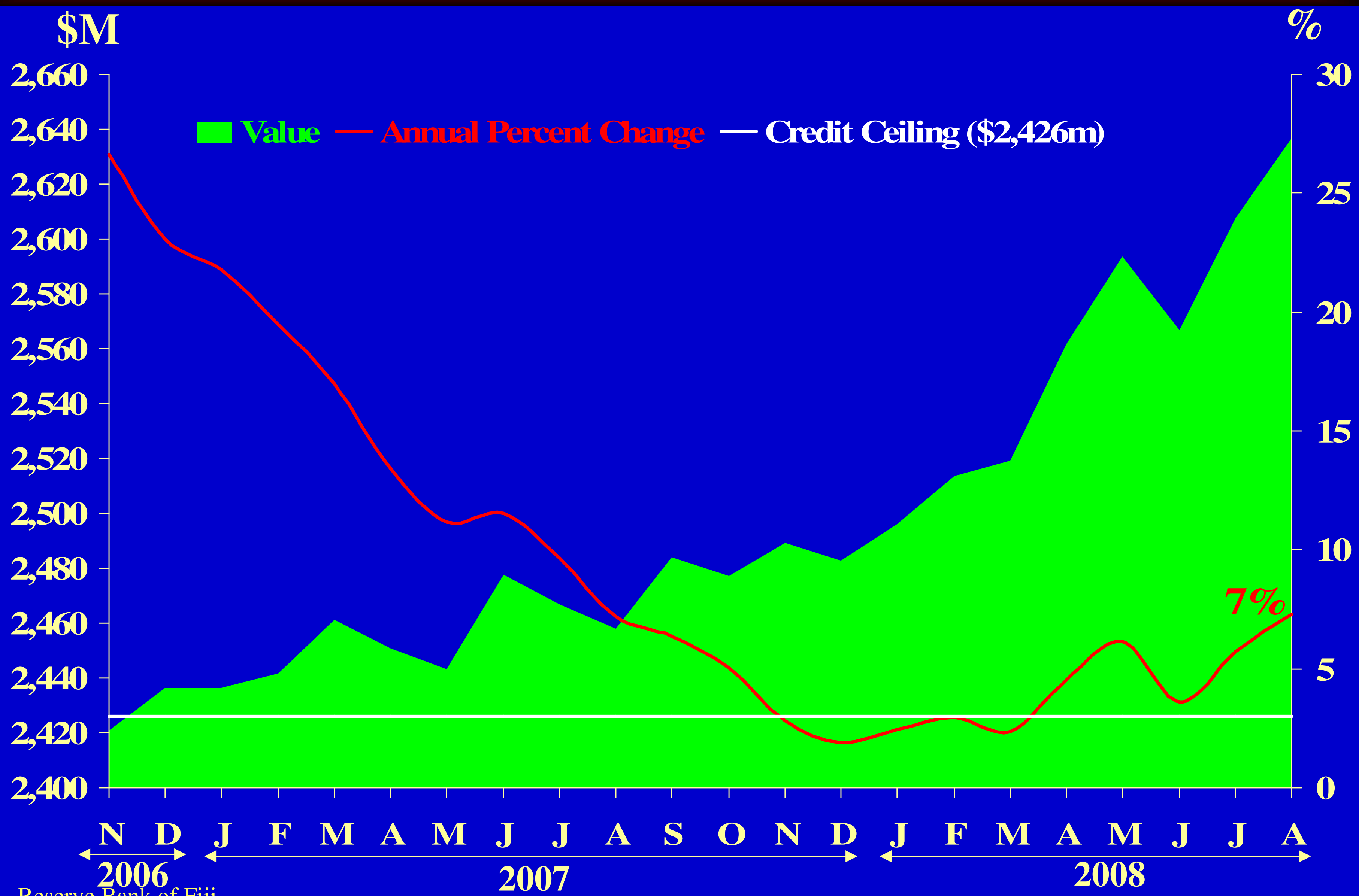
Reserve Bank of Fiji

COMMERCIAL BANKS' INVESTMENT & CONSUMPTION LENDING



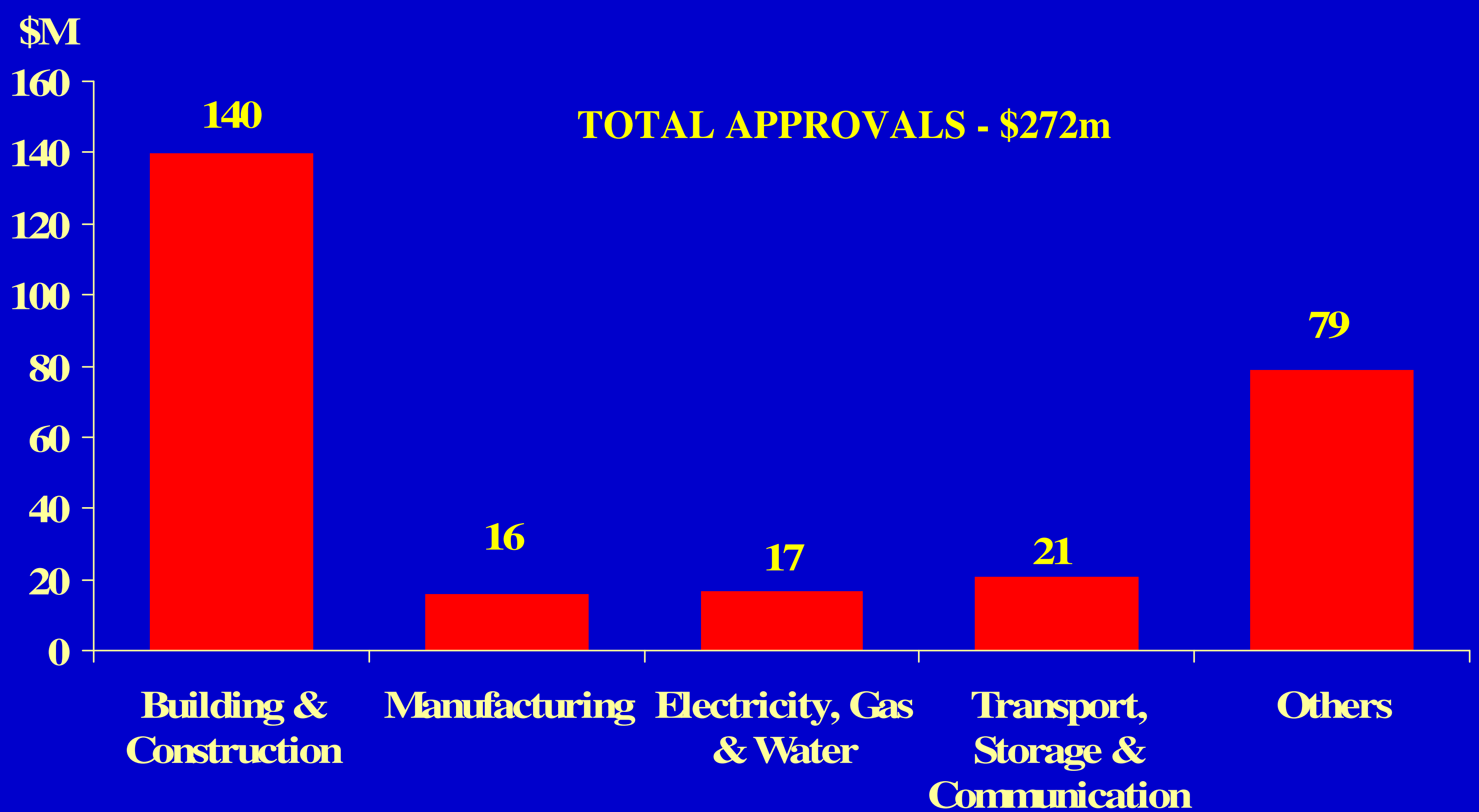
Reserve Bank of Fiji

COMMERCIAL BANKS' PRIVATE SECTOR LENDING

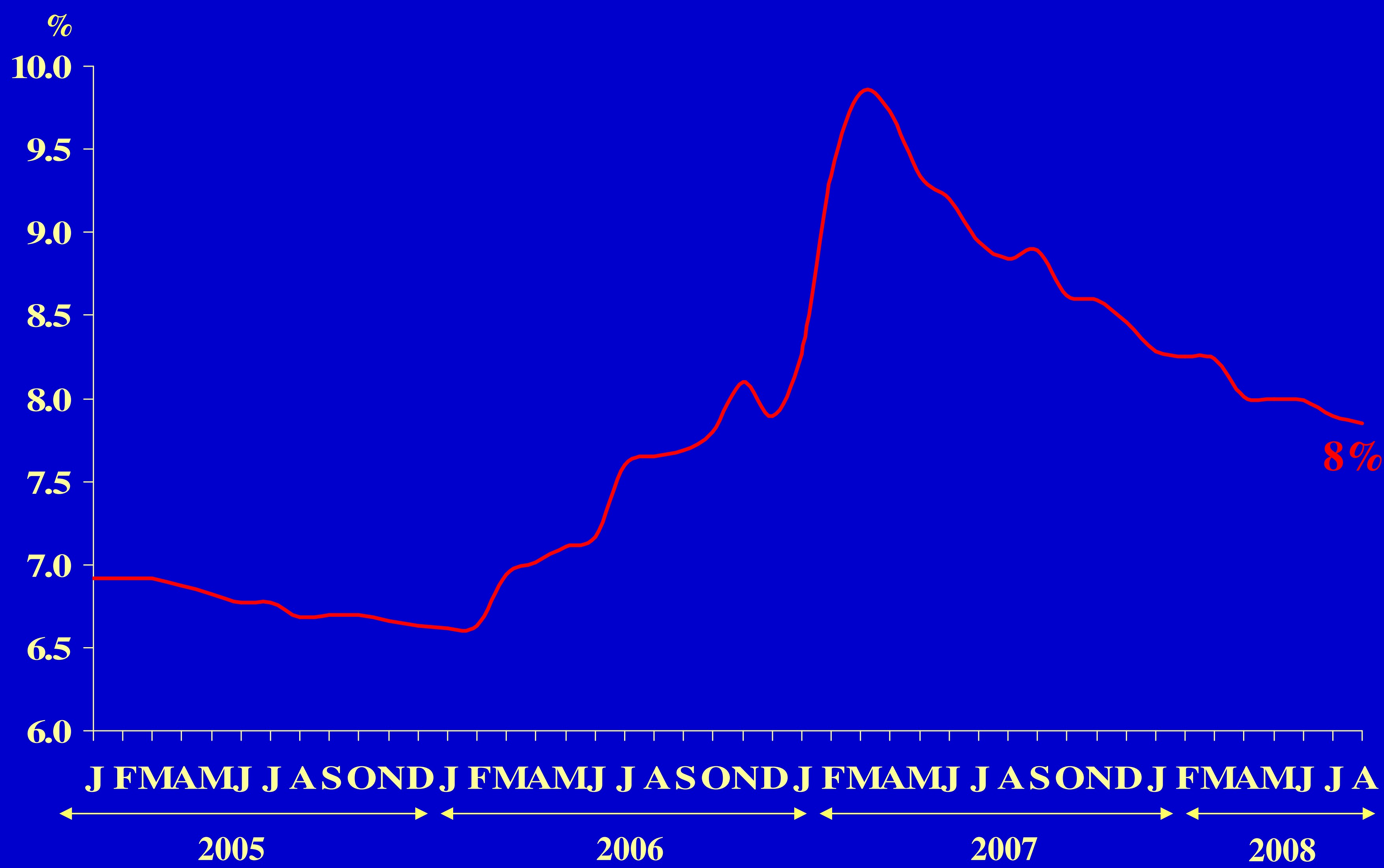


Reserve Bank of Fiji

COMMERCIAL BANKS' SPECIAL LOAN APPROVALS BY PURPOSE
(As At 12/09/08)

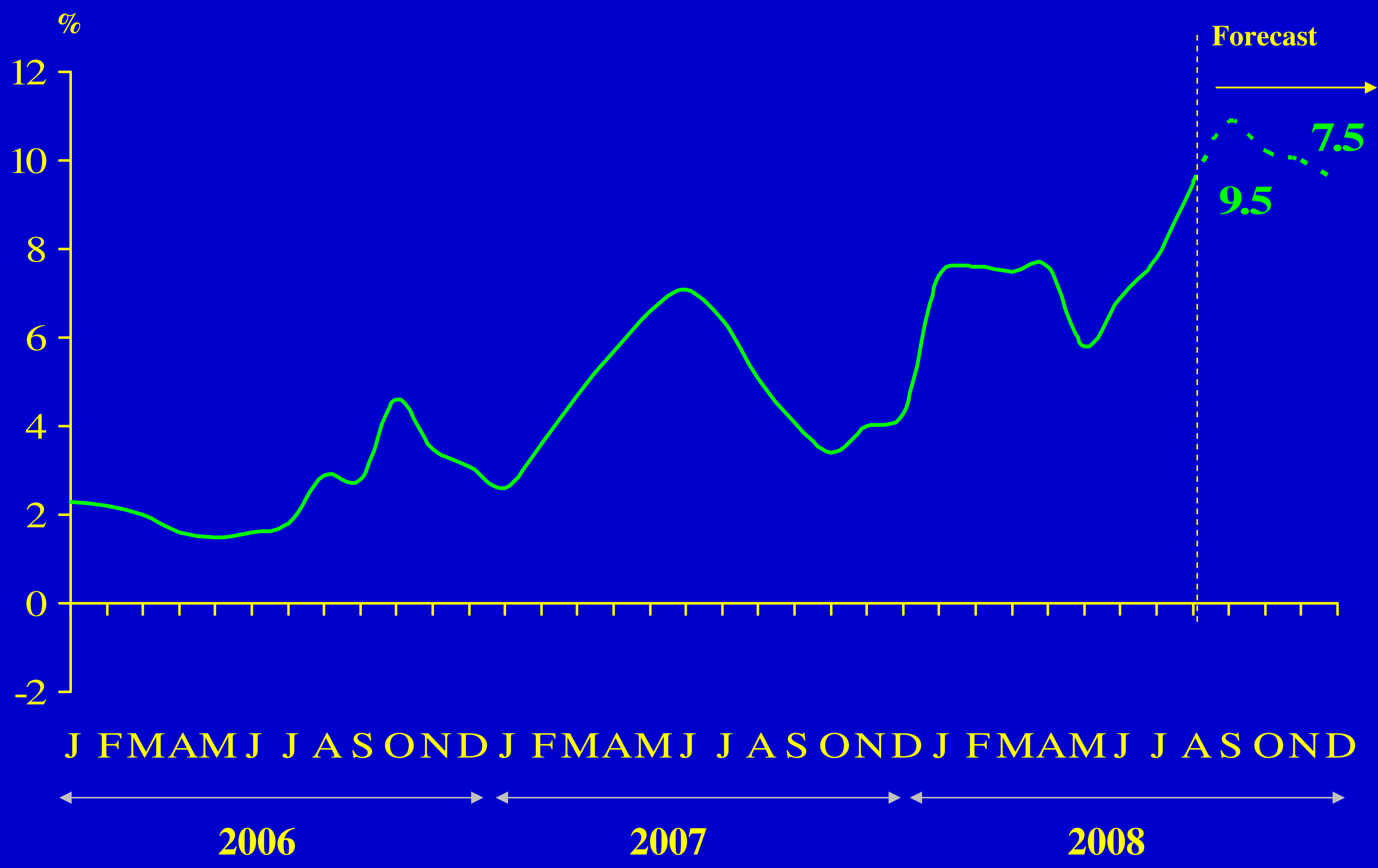


COMMERCIAL BANK'S LENDING RATE



Reserve Bank of Fiji

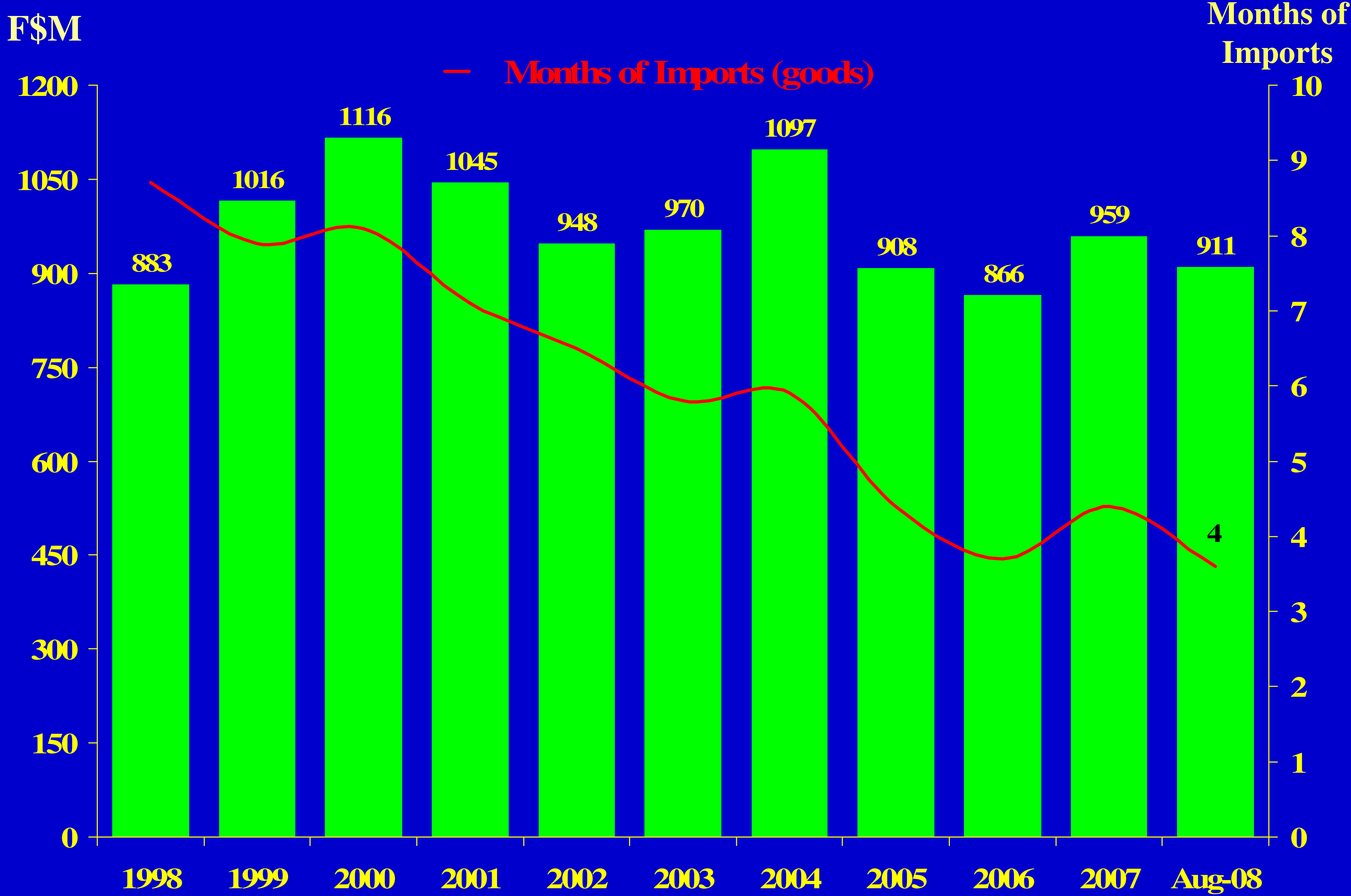
INFLATION



Reserve Bank of Fiji

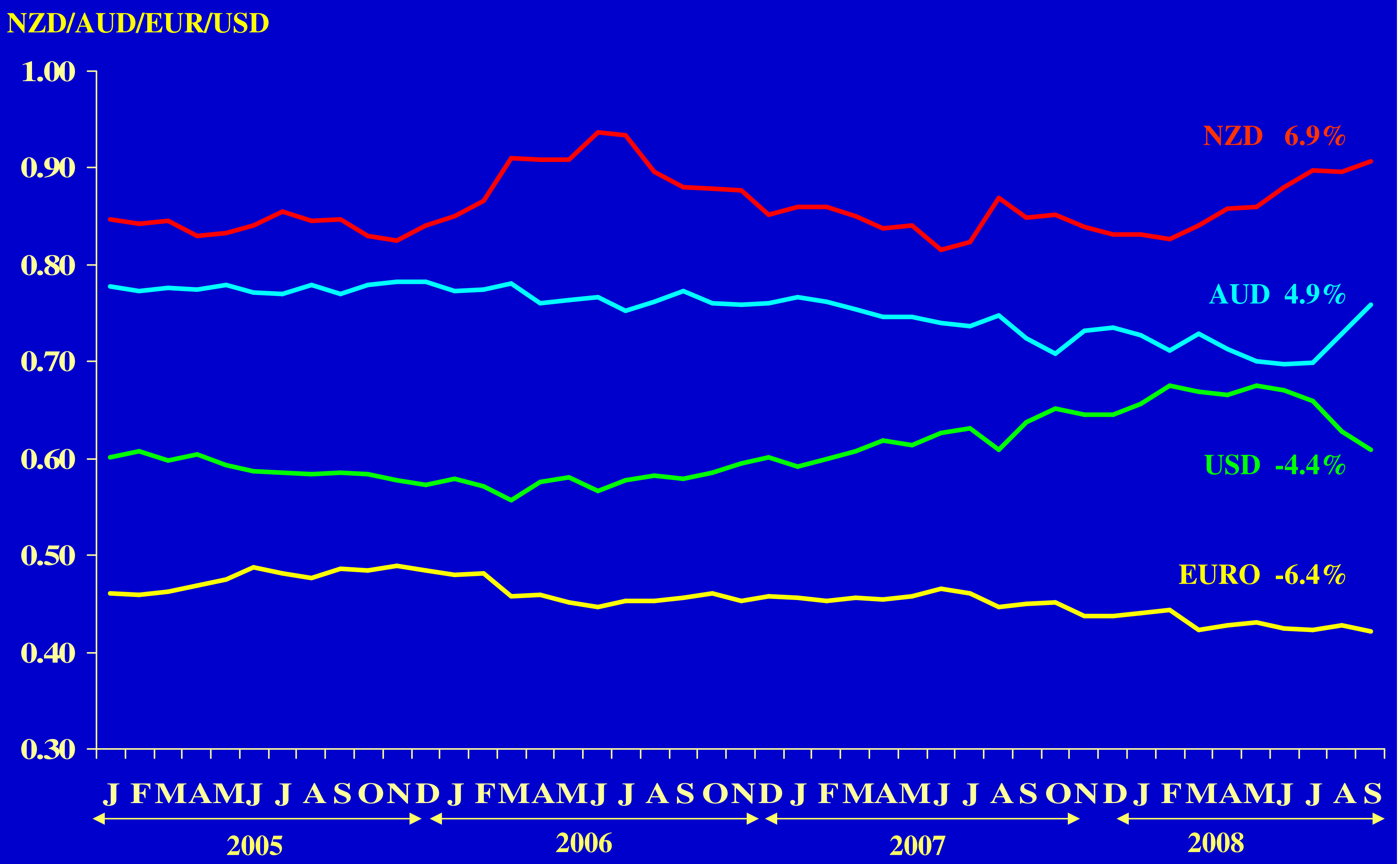
Source: FIBOS and Reserve Bank of Fiji

OFFICIAL FOREIGN RESERVES



Reserve Bank of Fiji

EXCHANGE RATES OF SELECTED CURRENCIES AGAINST FJD



SUMMARY

- Global economic slowdown may adversely impact smaller island countries in the Pacific, including Fiji.
- Economic growth positive in the medium term but very low.
- Fiji's economy very resilient despite the global economic problems, and high oil and food prices.

SUMMARY

- Government's fiscal consolidation over the last 2 years. Greater scope for increase in capital expenditure from 2009 onwards.
- Exports expected to pick up although imports remain strong: trade deficit remains a concern.

SUMMARY

- Monetary conditions conducive for growth but will remain tight.
- Inflation is high – downside risks remain high
- Foreign reserves stable but need to manage carefully.

SUMMARY

ADDRESS KEY CHALLENGES NOW

- Raise economic growth to around 5% plus.
- Reduce reliance on imported fuel – invest in alternative energy and introduce fuel consumption policies.
- Food imports to be reduced through more local production. Will require reforms e.g. land tenure.

SUMMARY

- Raise investments through stable and consistent policies and create a more investor friendly environment.
- Reduce trade deficit through growing exports and increasing visitor arrivals to raise occupancy to around 80 percent.

THANK YOU