

**PRESENTATION TO THE FIJI TOURISM
FORUM 2009**

**NATIONAL ECONOMIC UPDATE AND
A PATH TO SUSTAINABLE TOURISM
GROWTH**

Mr. Sada Reddy

Governor

Reserve Bank of Fiji

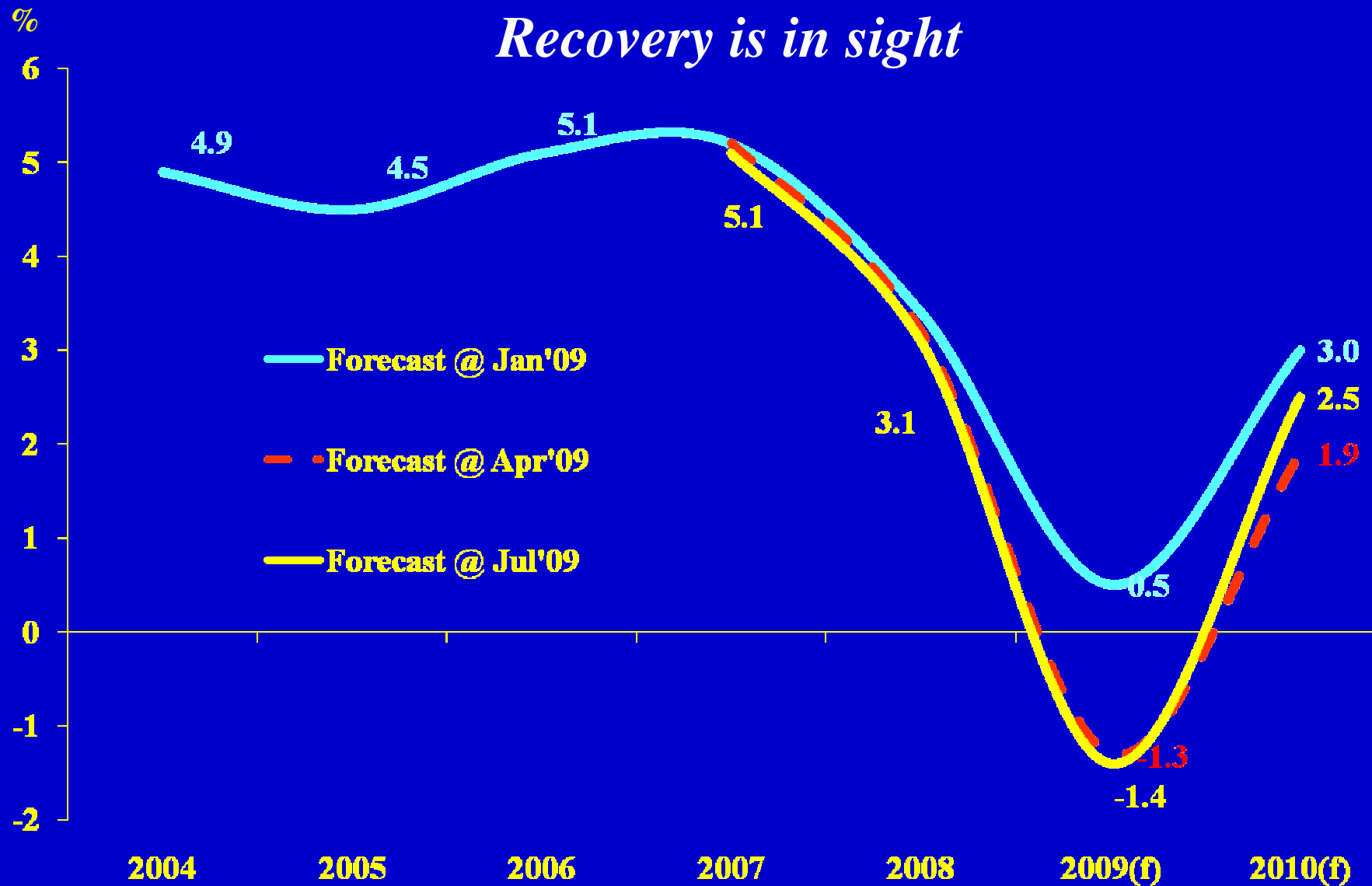


FRIDAY 14TH AUGUST, 2009

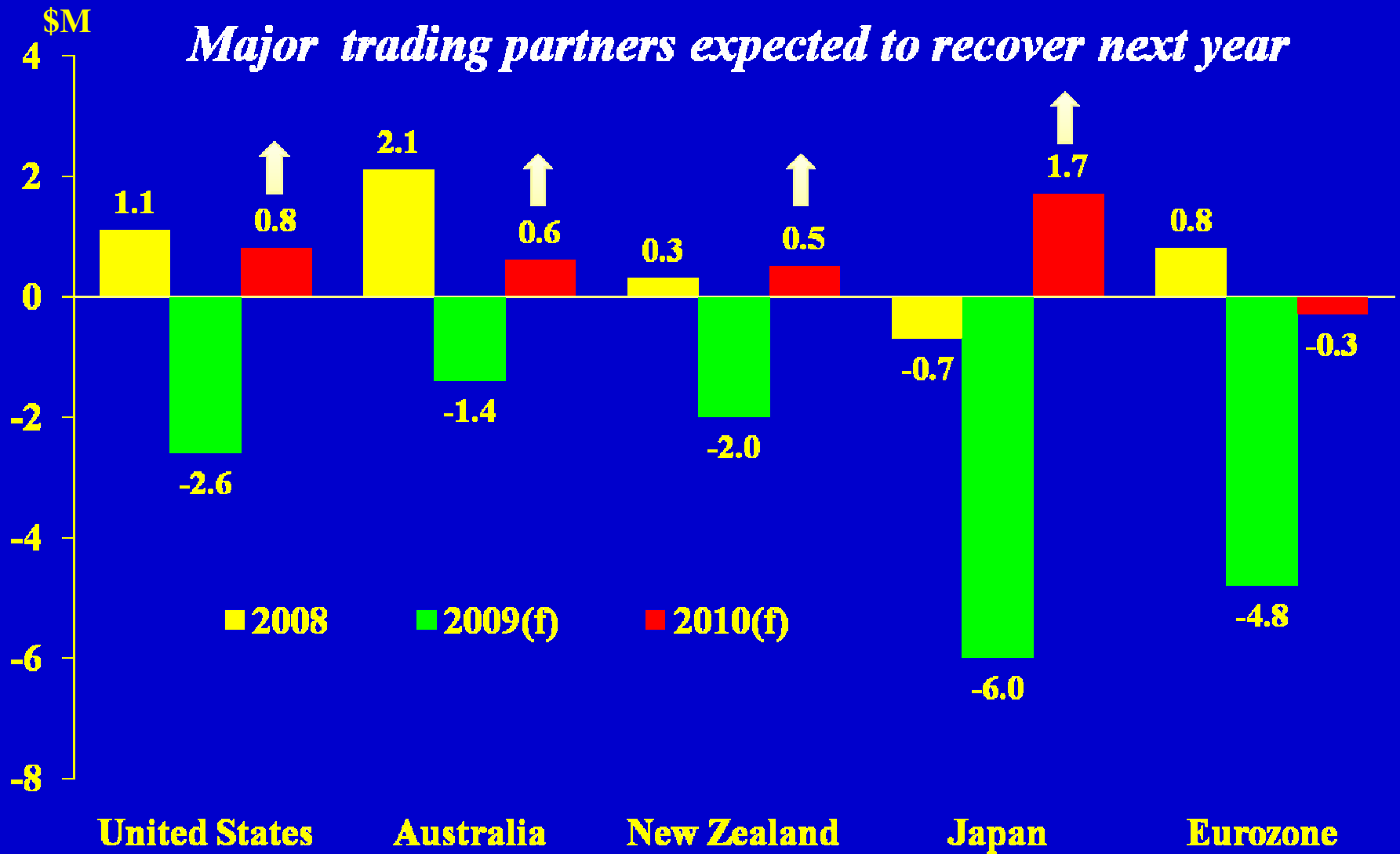
OUTLINE

- **Opening Remarks**
- **International economy**
- **Economic Update & Projections**
- **Recent RBF Policies**
- **Conclusion**

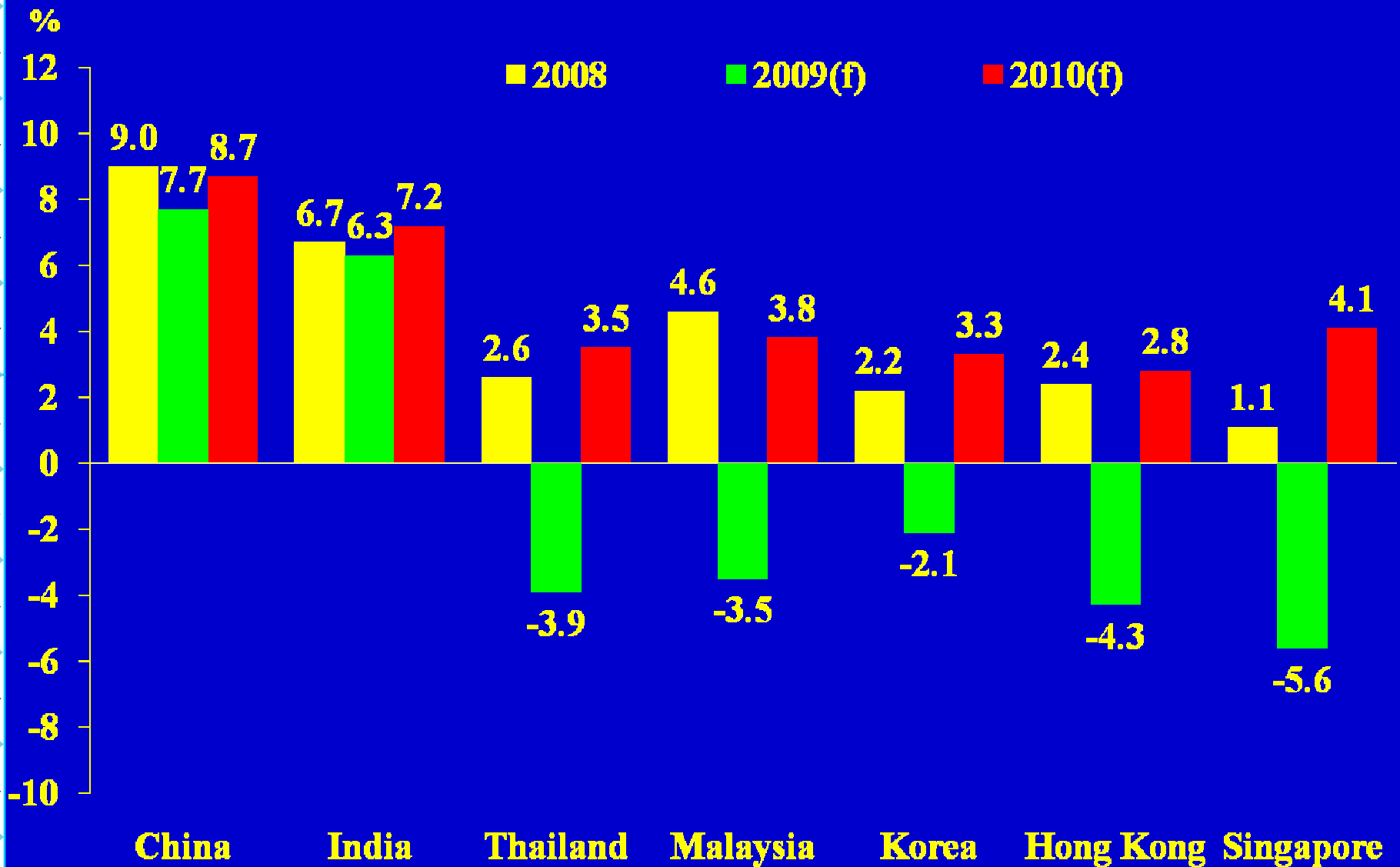
WORLD GDP GROWTH



TRADING PARTNERS' OUTLOOK



SELECTED EMERGING ECONOMIES



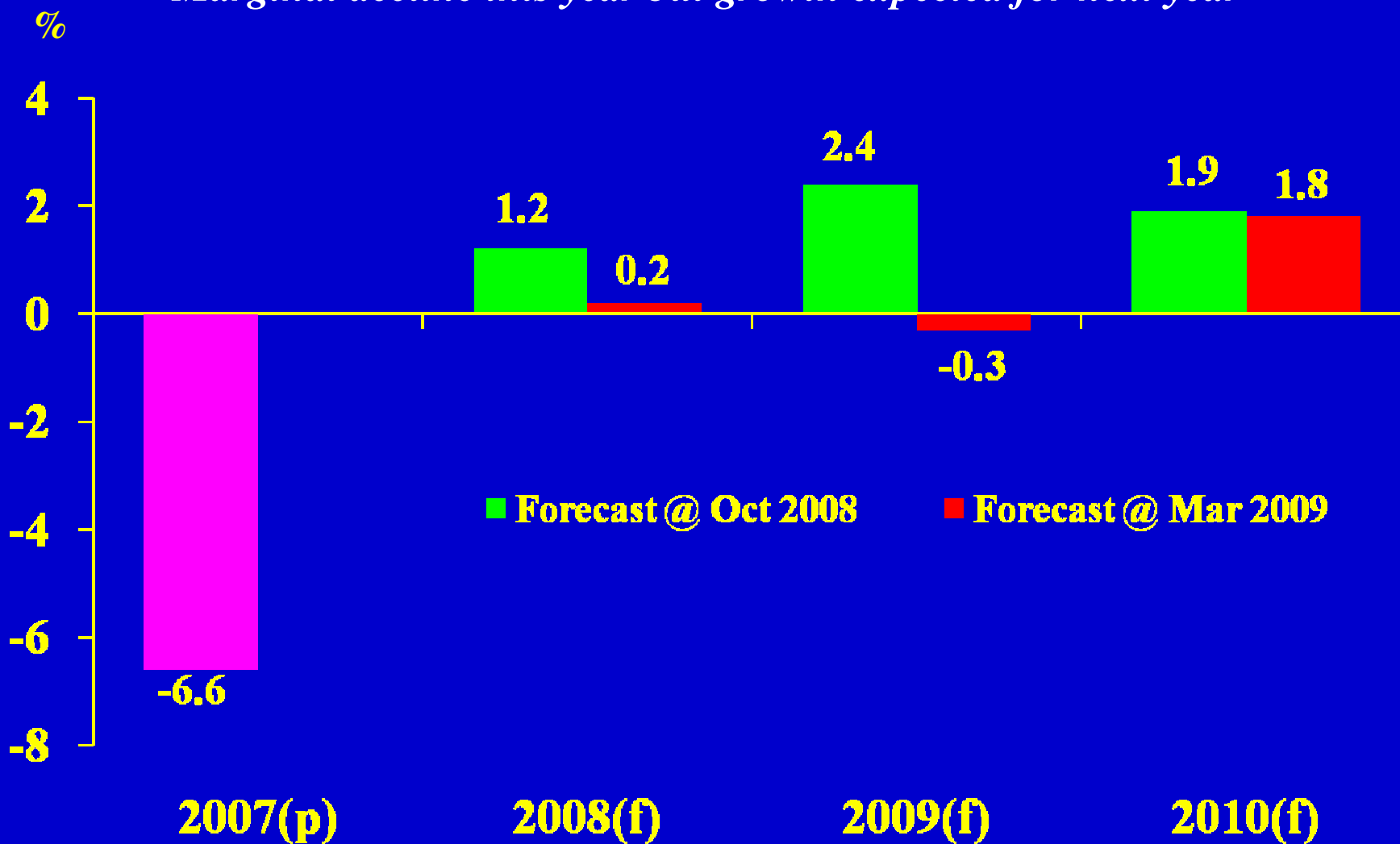
Source: Consensus Forecast/Asia Pacific Consensus Forecast – July 09



DOMESTIC ECONOMY

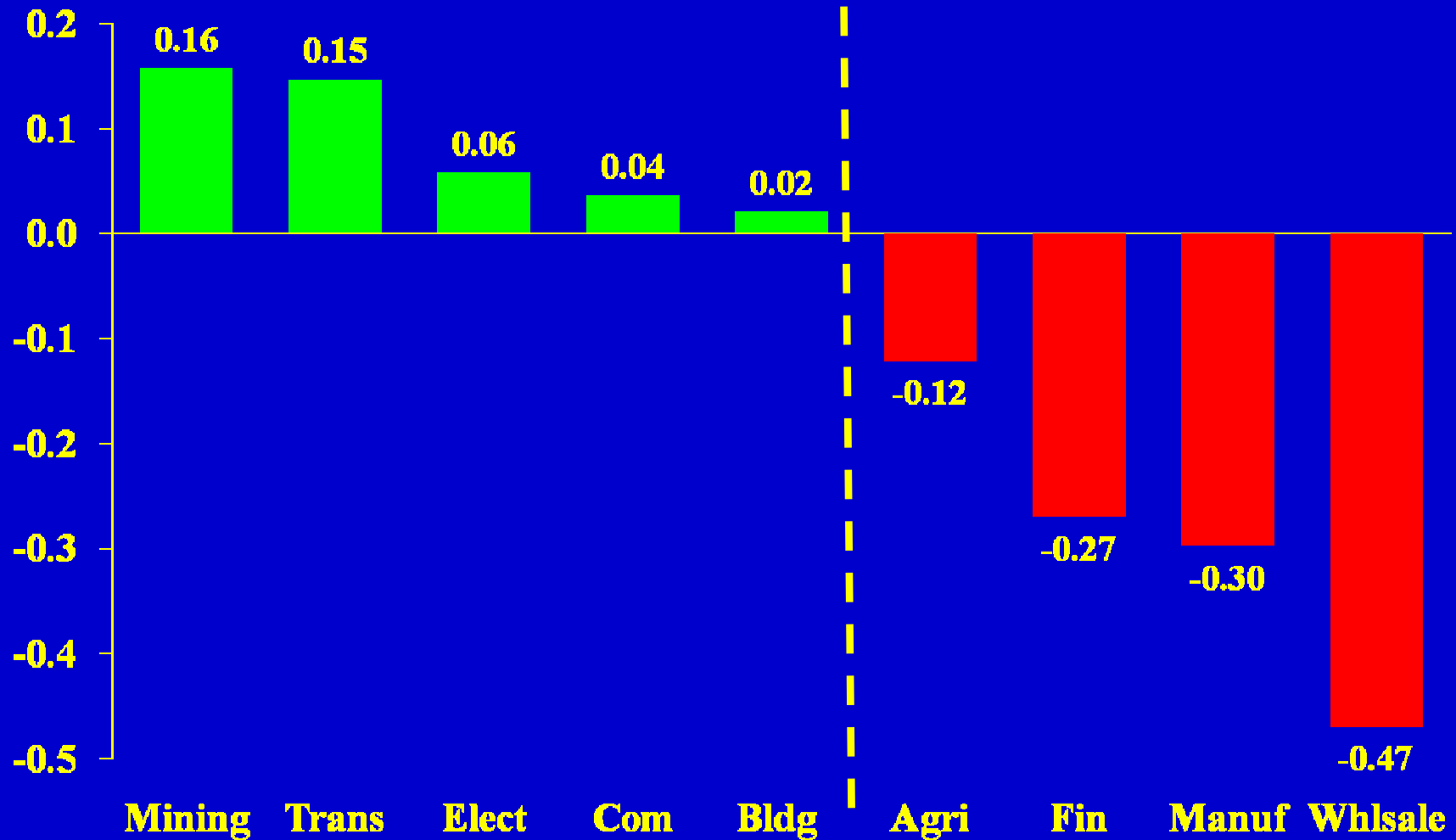
GDP GROWTH 2007-2010

Marginal decline this year but growth expected for next year



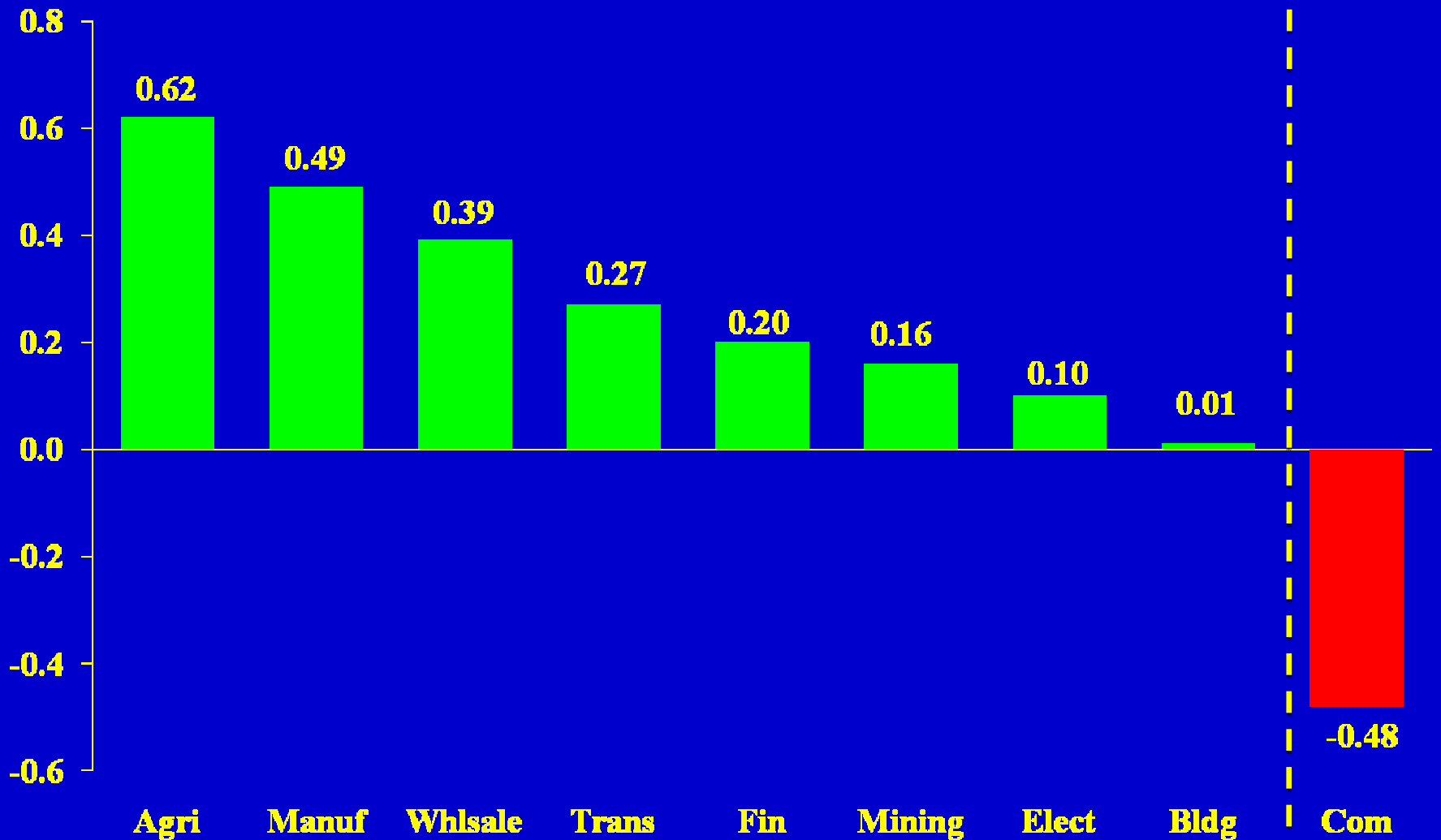
2009: CONTRIBUTION TO -0.3% GROWTH

Percentage points



2010: CONTRIBUTION TO 1.8% GROWTH

Percentage points



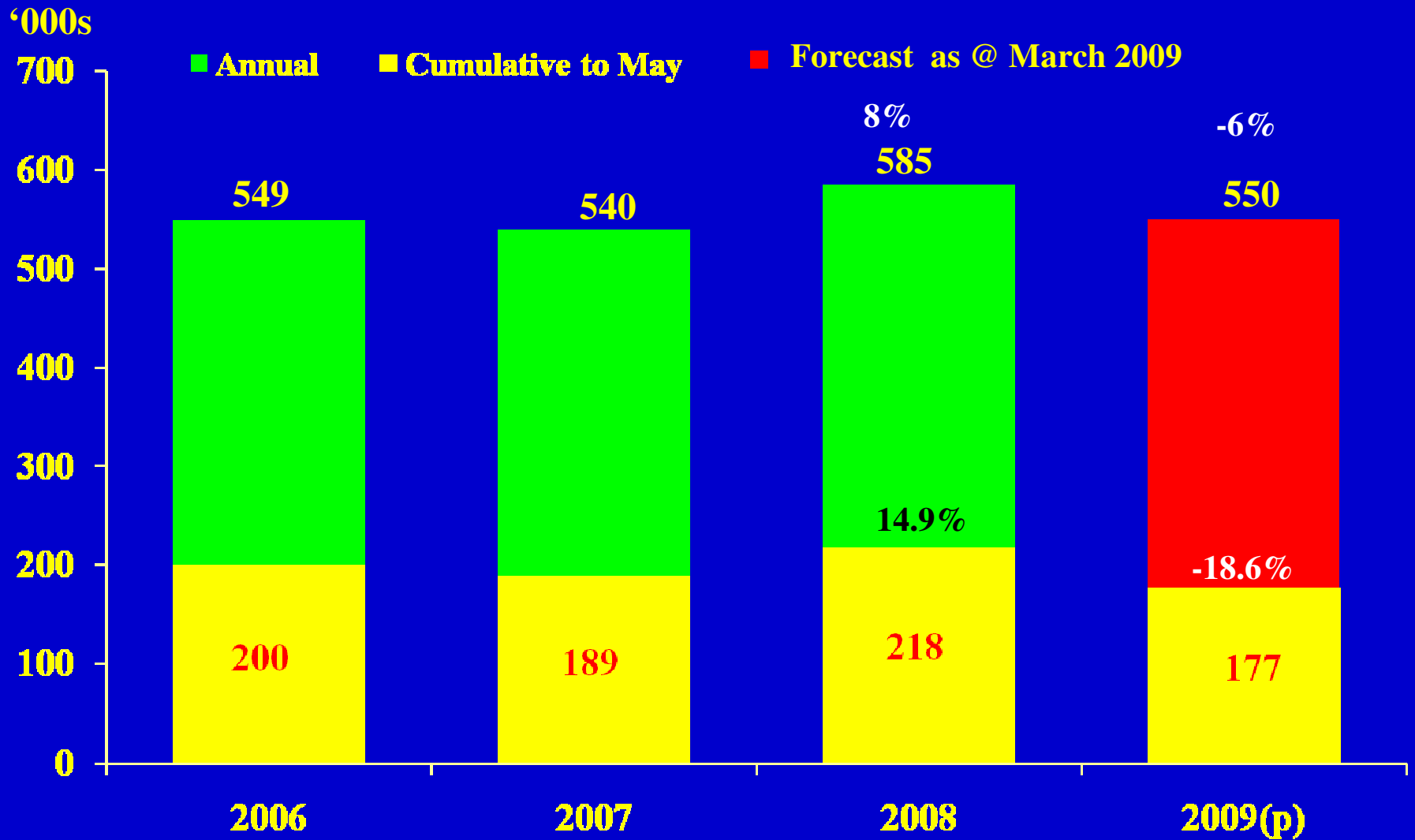


TOURISM INDUSTRY

CONTRIBUTION OF TOURISM INDUSTRY

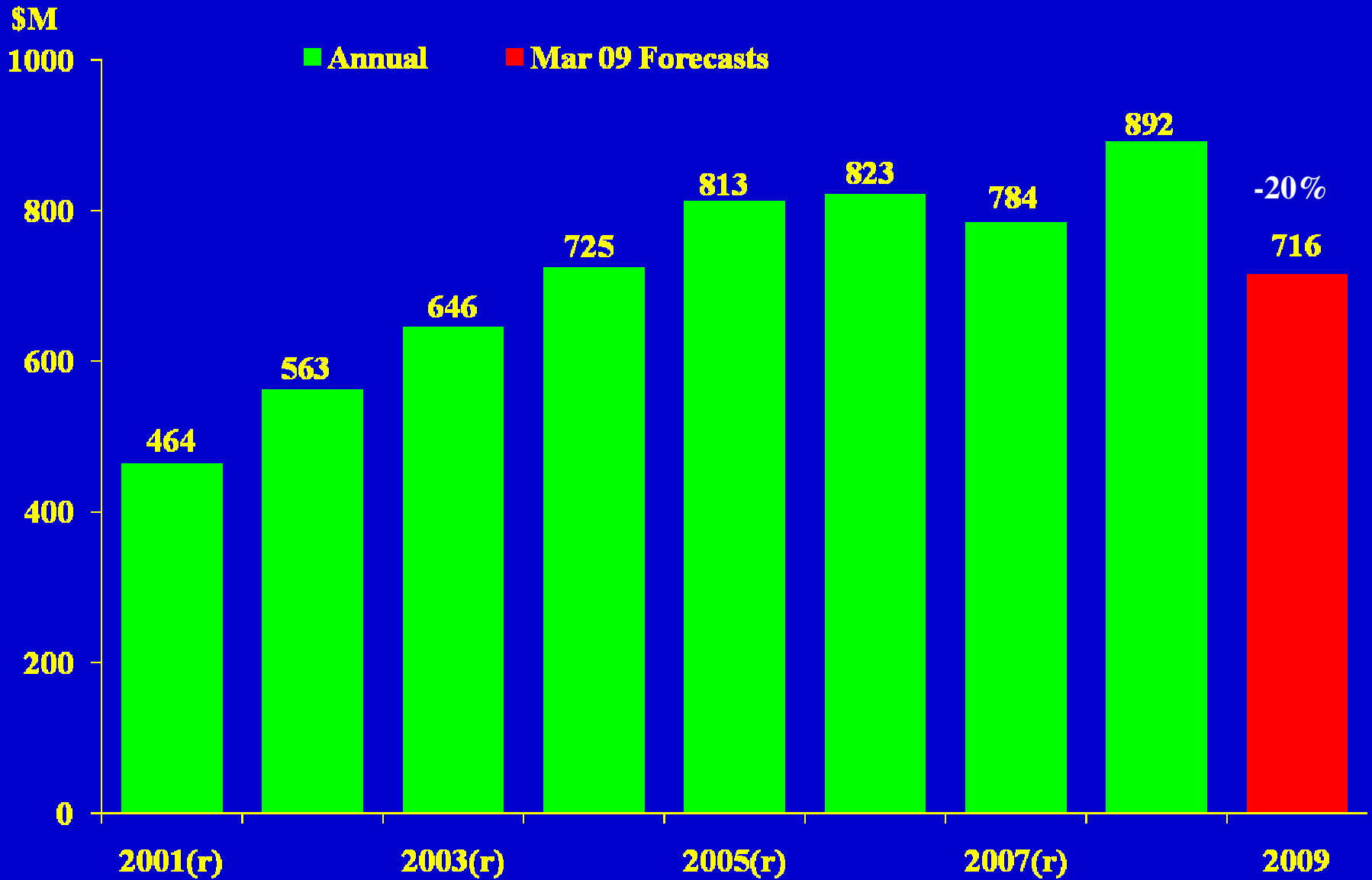
- **24% of GDP**
- **Largest gross foreign exchange earner \$892m**
- **Retention rate around 44%**

VISITOR ARRIVALS

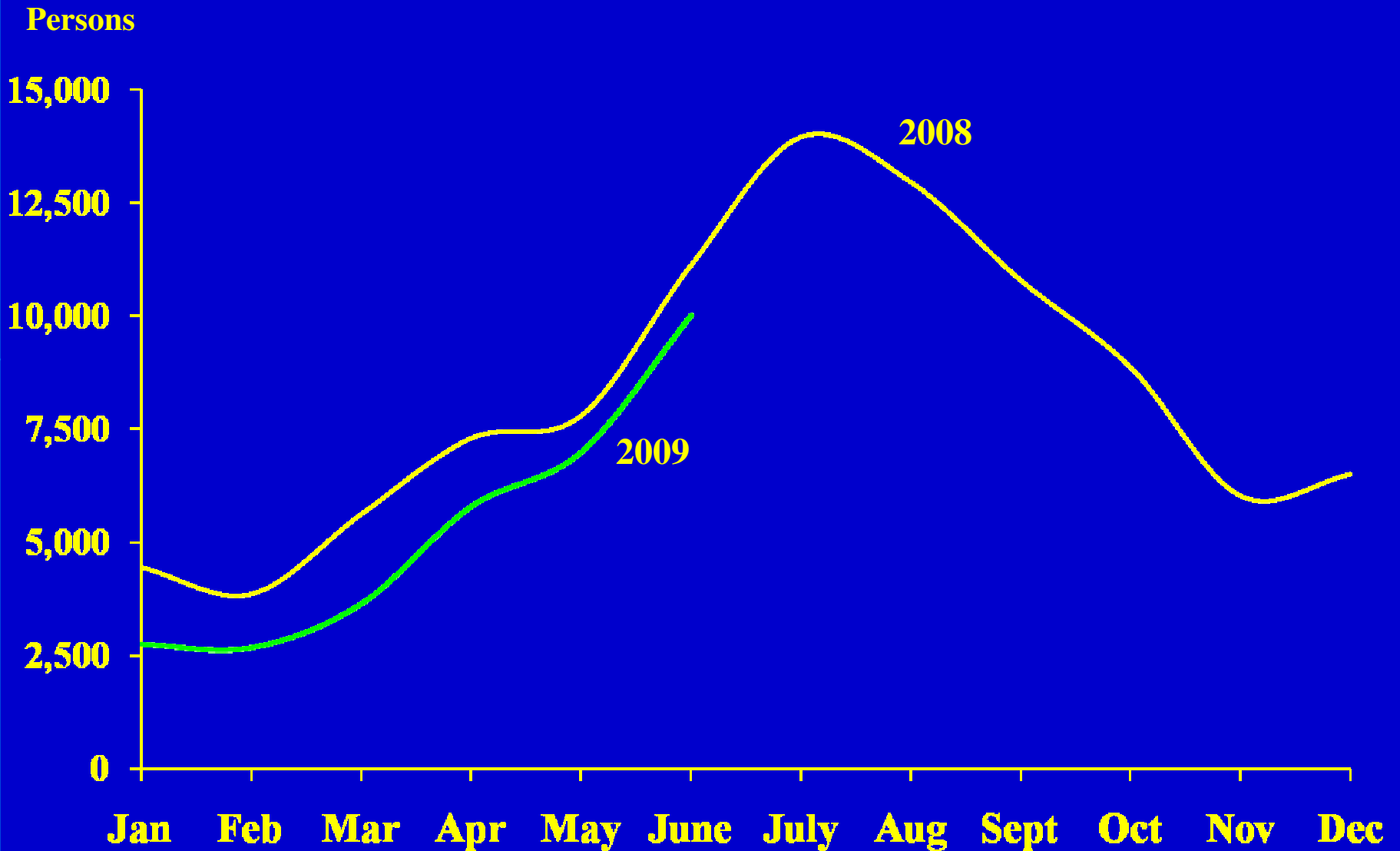


Source: Fiji Island Bureau of Statistics

TOURISM EARNINGS



NZ DEPARTURES TO FIJI



Source: NZ Bureau of Statistics

AUSTRALIA DEPARTURES TO FIJI

Persons

25,000

22,500

20,000

17,500

15,000

12,500

10,000

7,500

5,000

2,500

0

Jan

Feb

Mar

Apr

May

June

July

Aug

Sept

Oct

Nov

Dec

2008

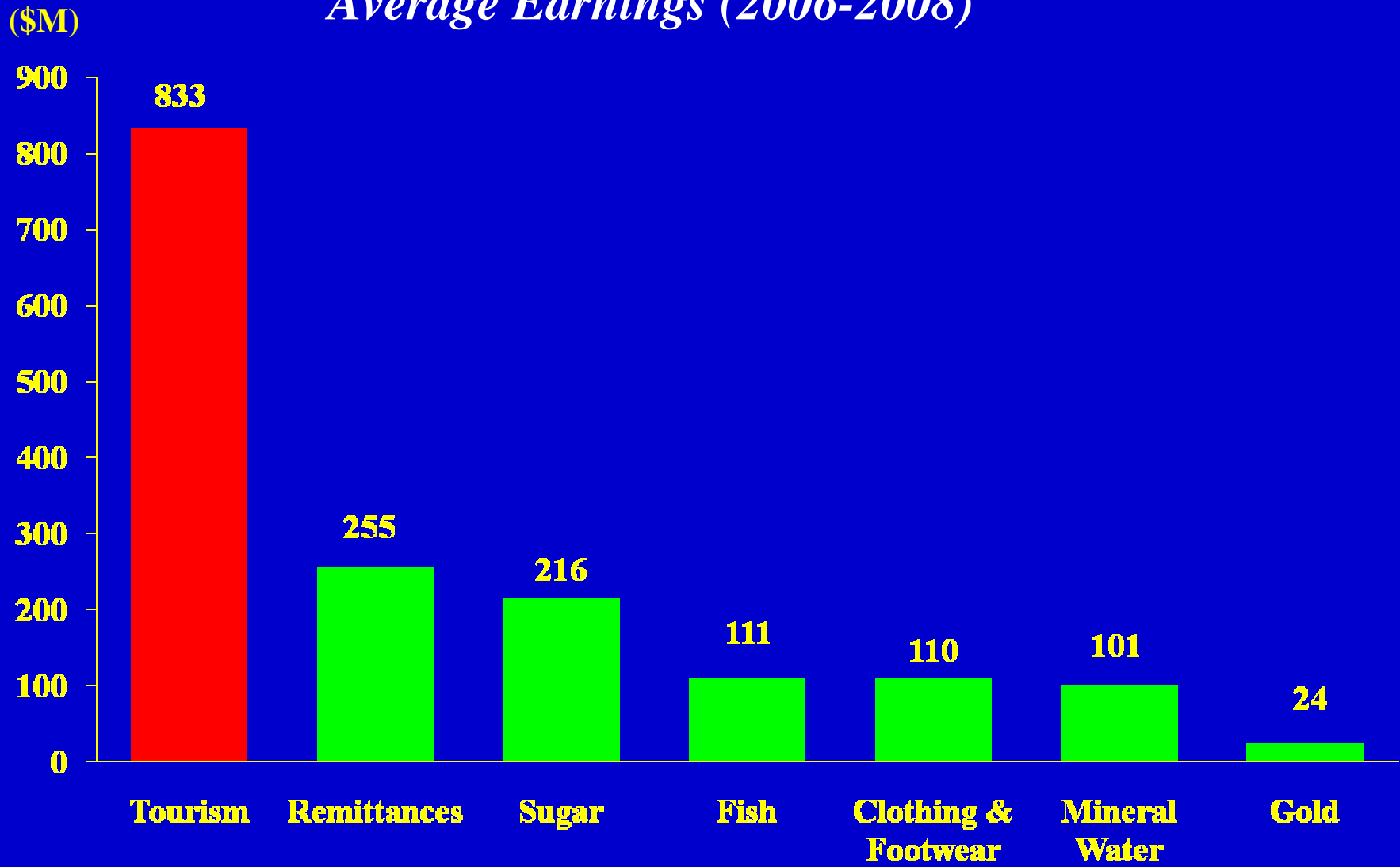
2009

Source: Australian Bureau of Statistics



MAJOR FOREIGN EXCHANGE EARNERS (GROSS)

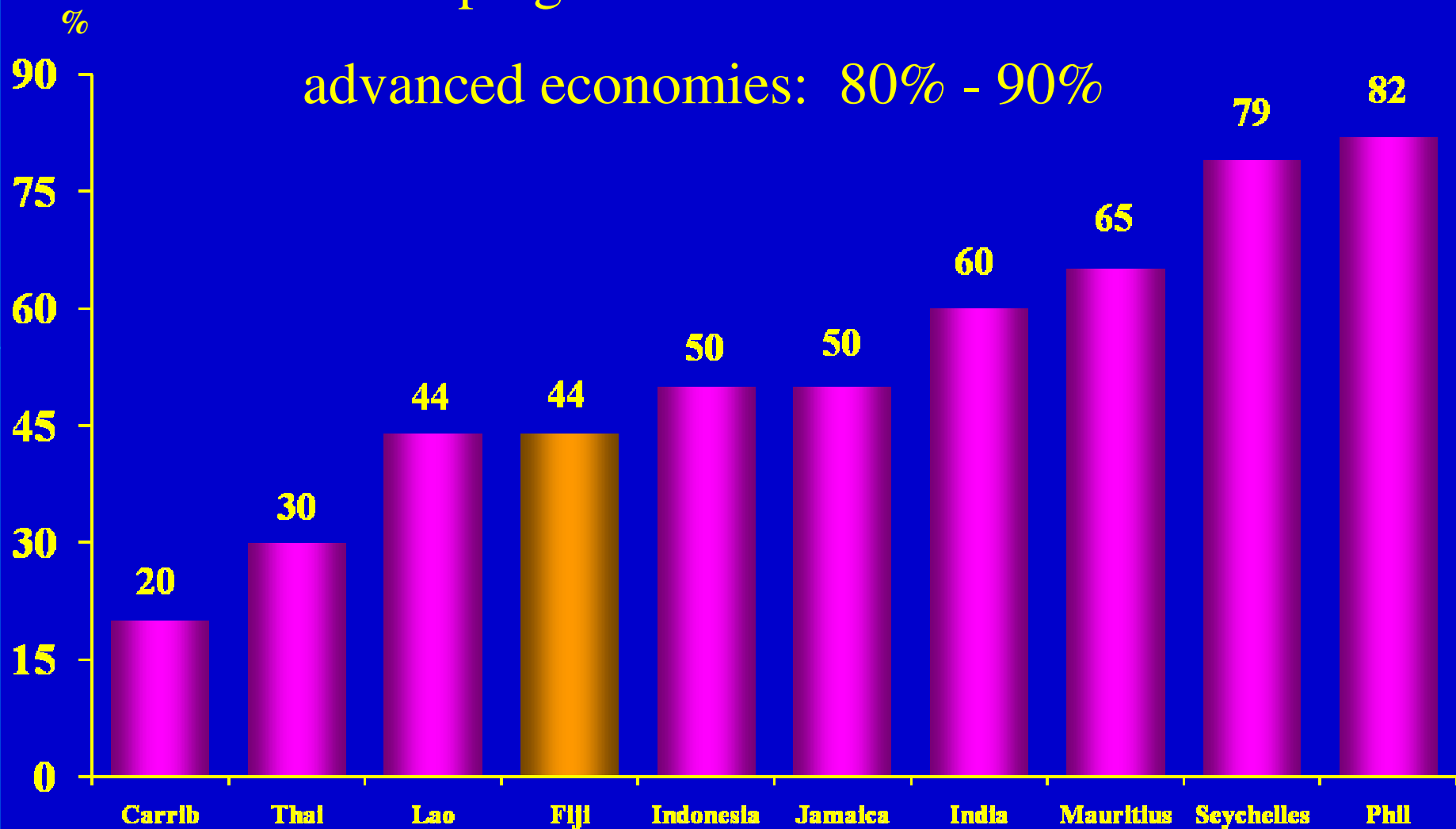
Average Earnings (2006-2008)



RETENTION

developing countries: 50% - 60%

advanced economies: 80% - 90%



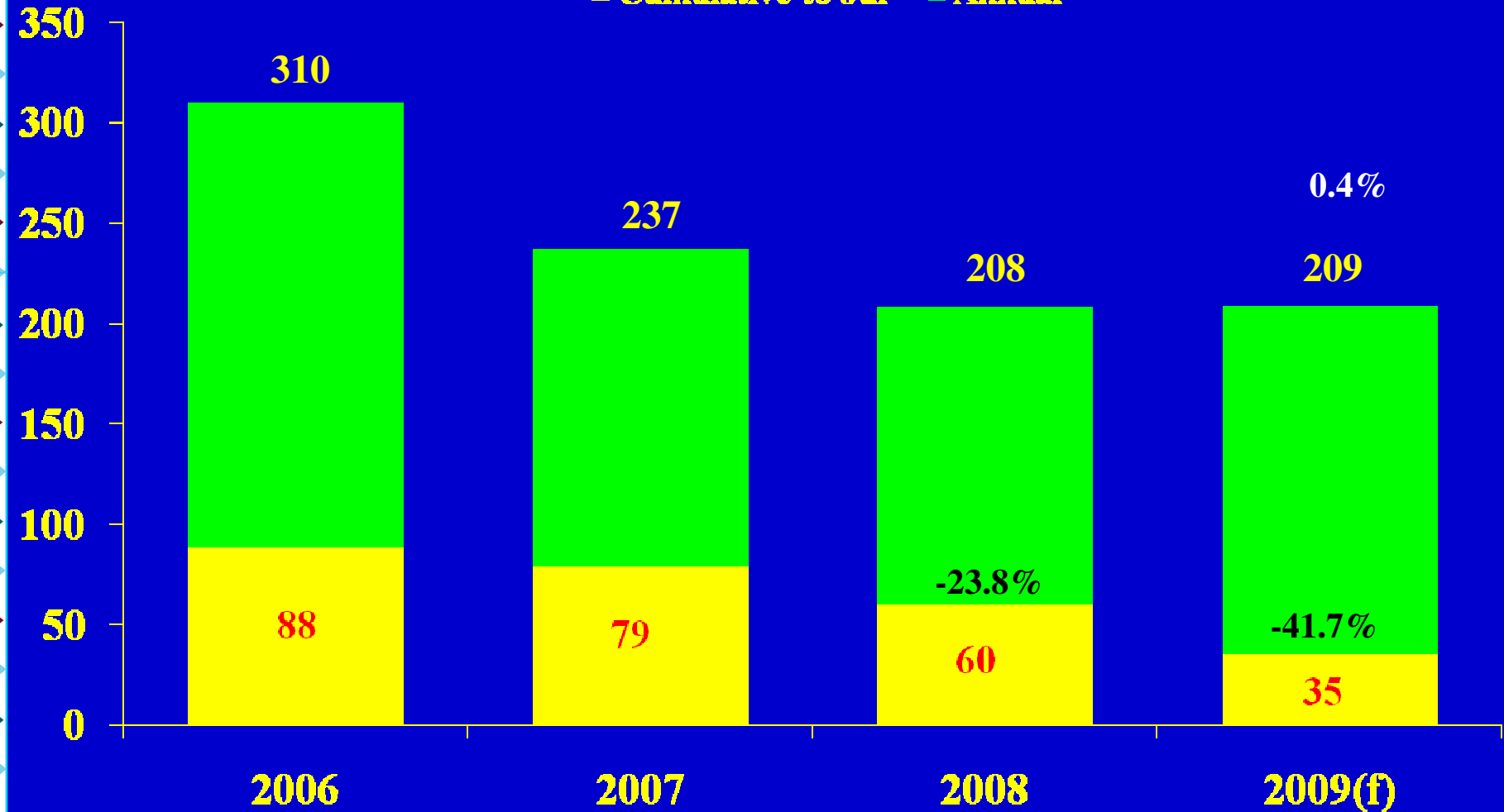


SECTORAL UPDATE

SUGAR PRODUCTION (Season)

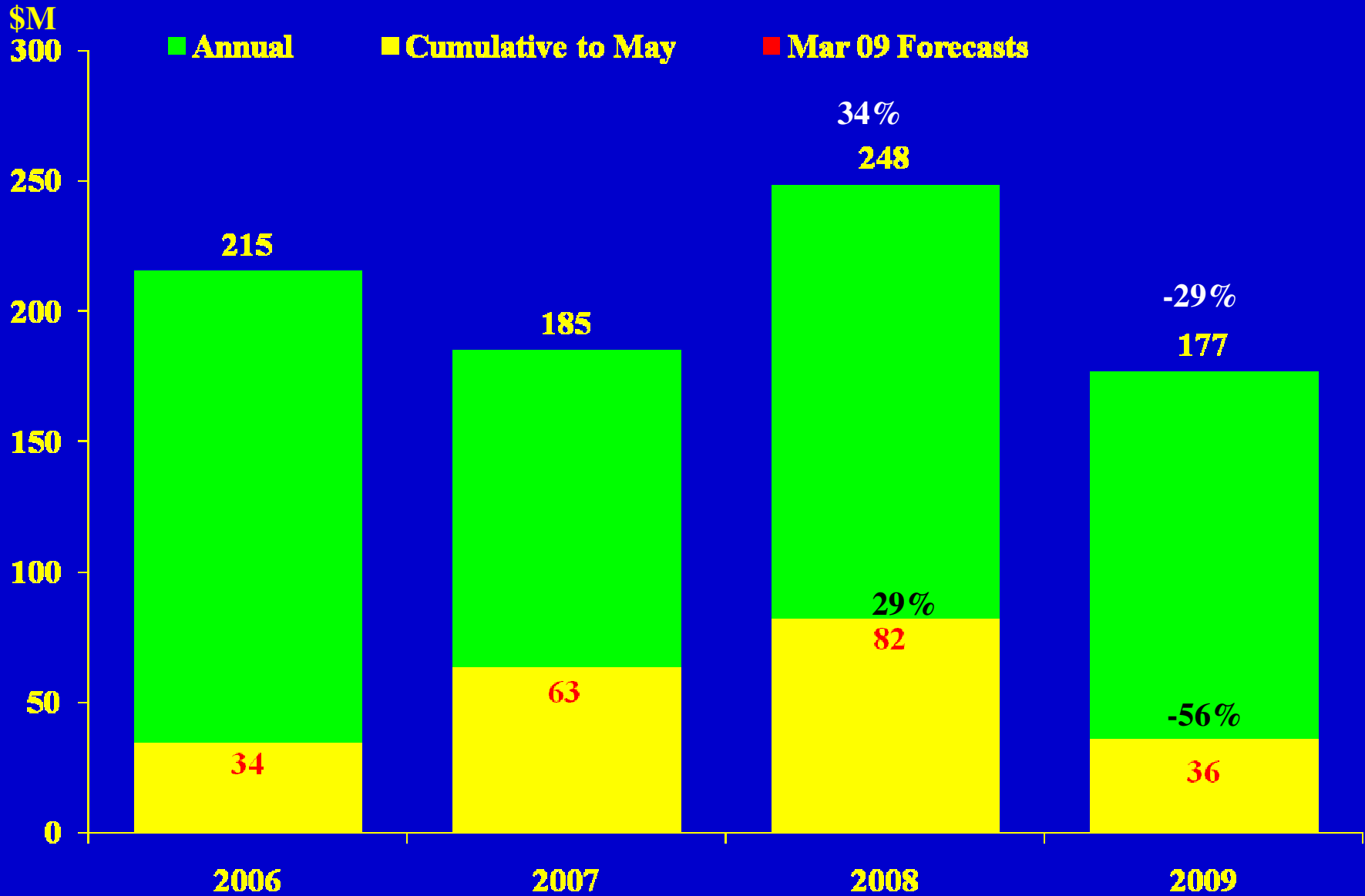
'000 tonnes

■ Cumulative to Jul ■ Annual



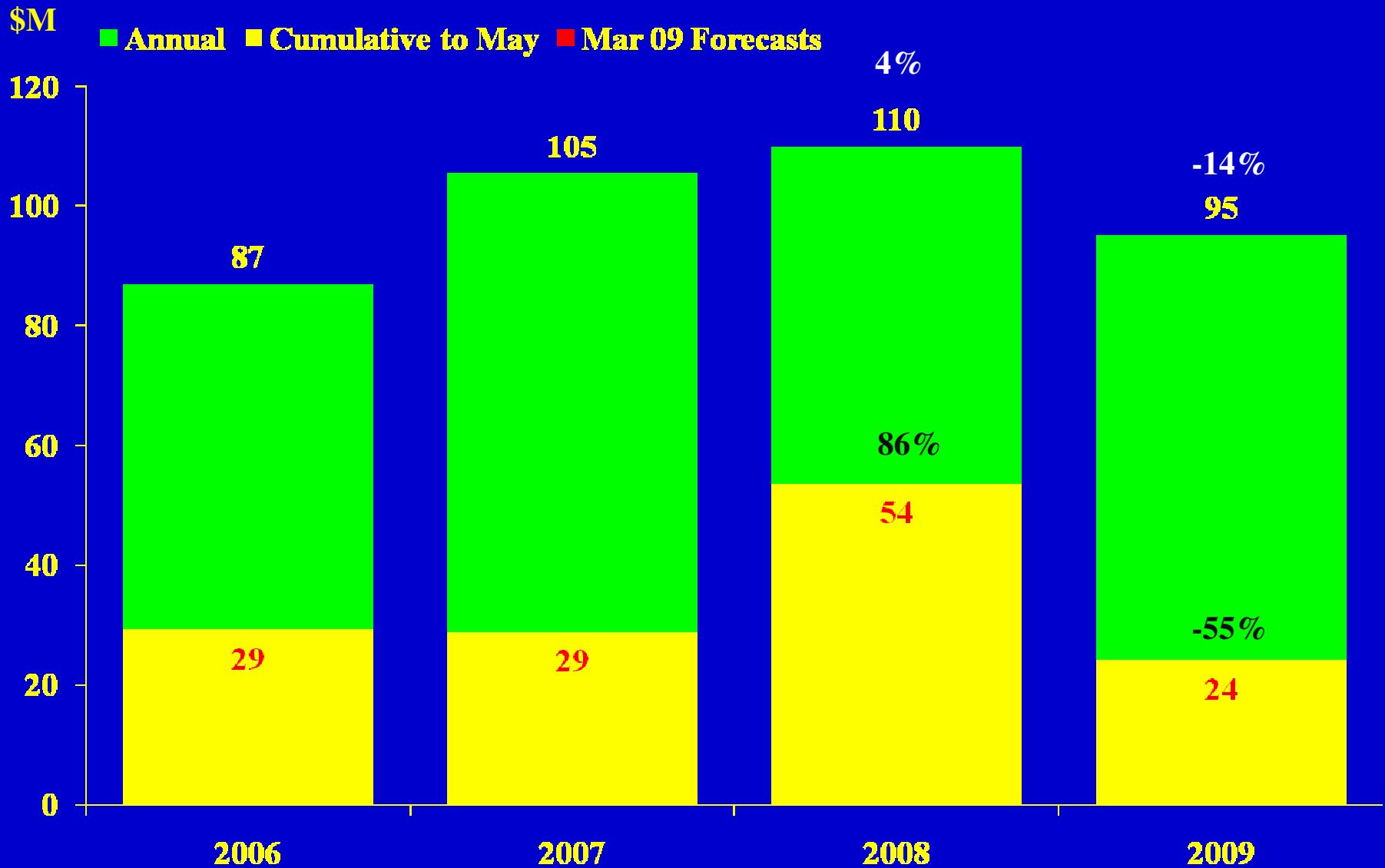
Source: Fiji Sugar Corporation

SUGAR EXPORTS



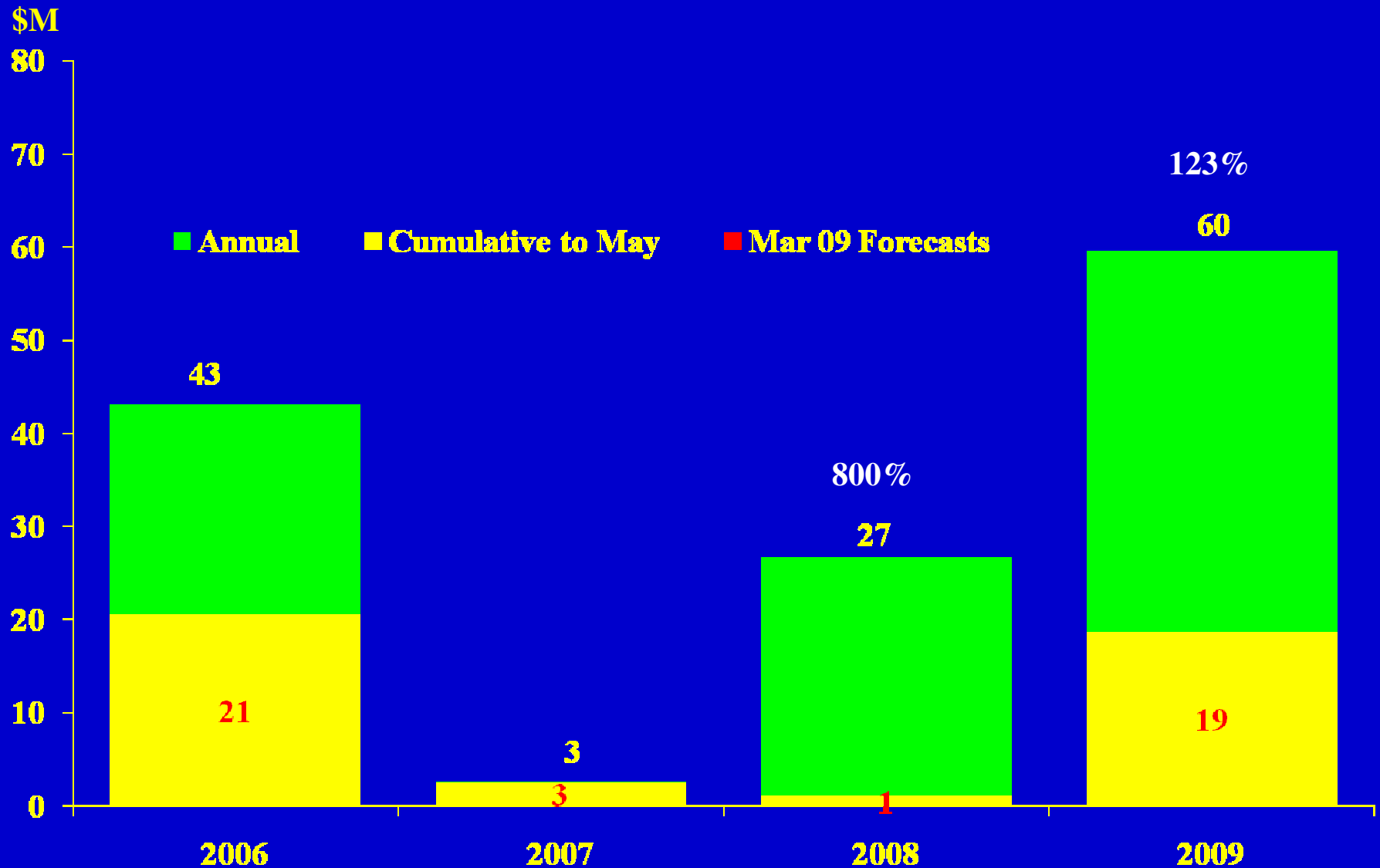
Source: Fiji Islands Bureau of Statistics and Macroeconomic Committee

MINERAL WATER EXPORTS



Source: Fiji Islands Bureau of Statistics and Macroeconomic Committee

GOLD EXPORTS

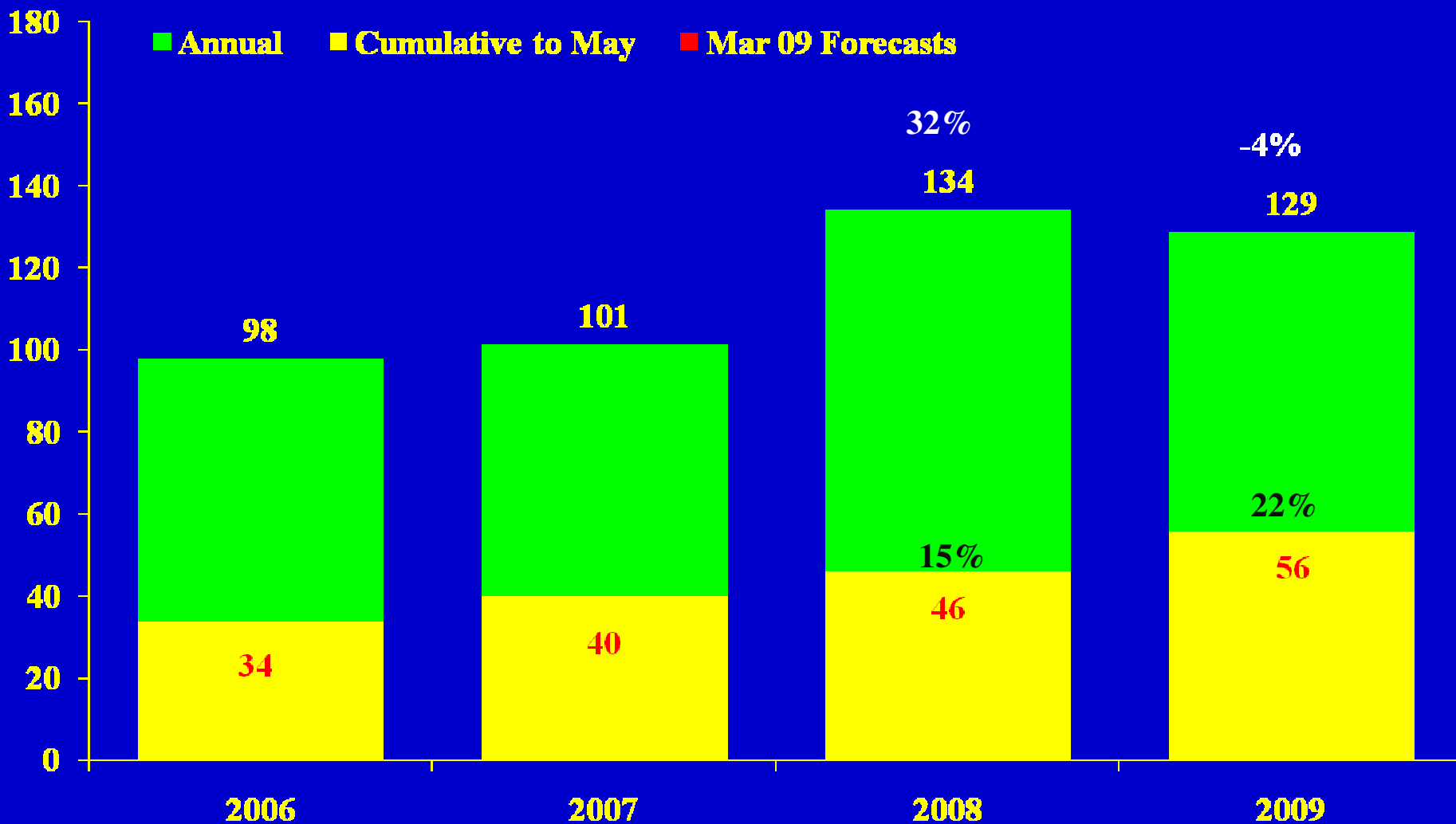


Source: Fiji Islands Bureau of Statistics and Macroeconomic Committee

FISH EXPORTS

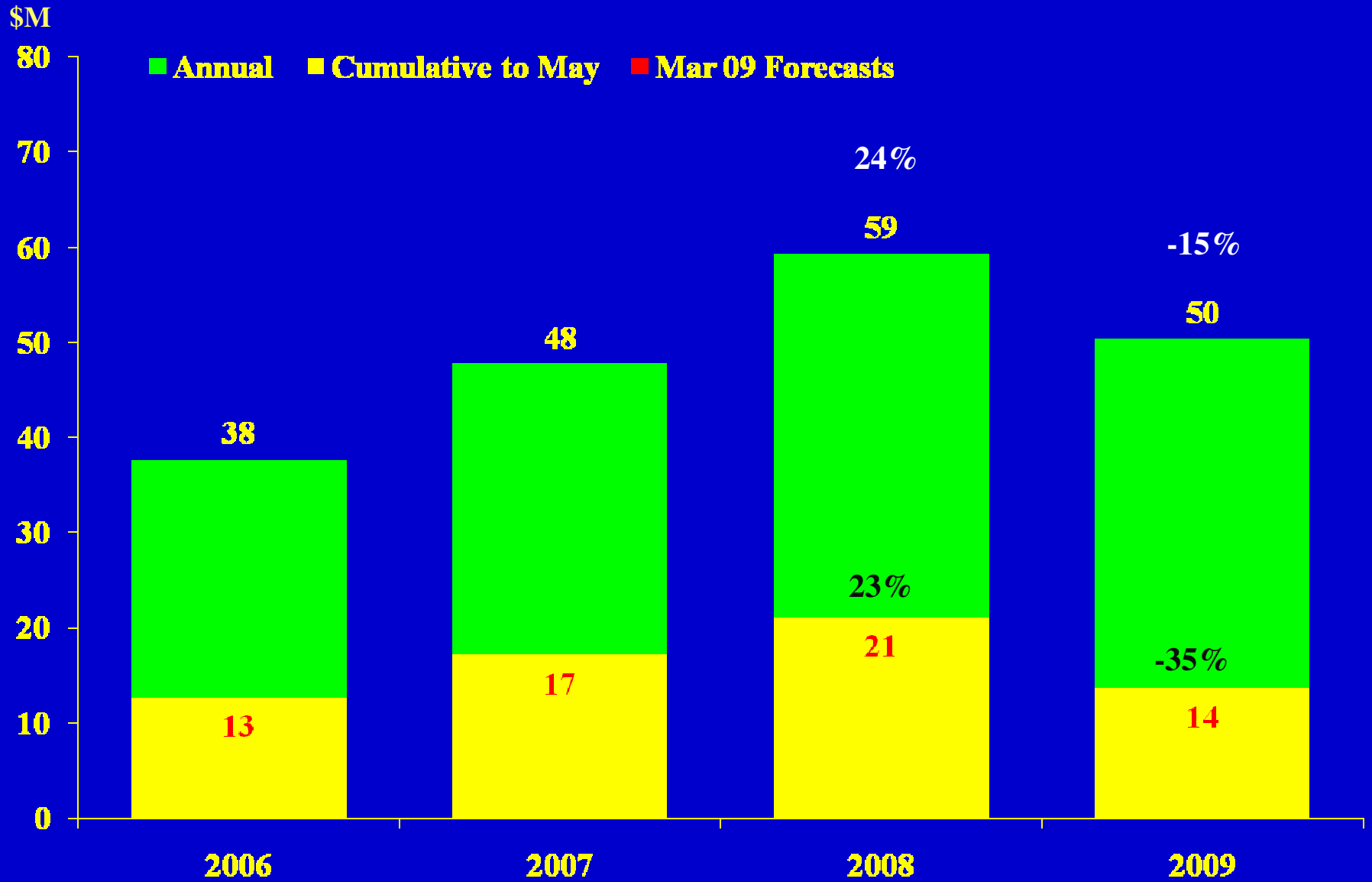
\$M

■ Annual ■ Cumulative to May ■ Mar 09 Forecasts



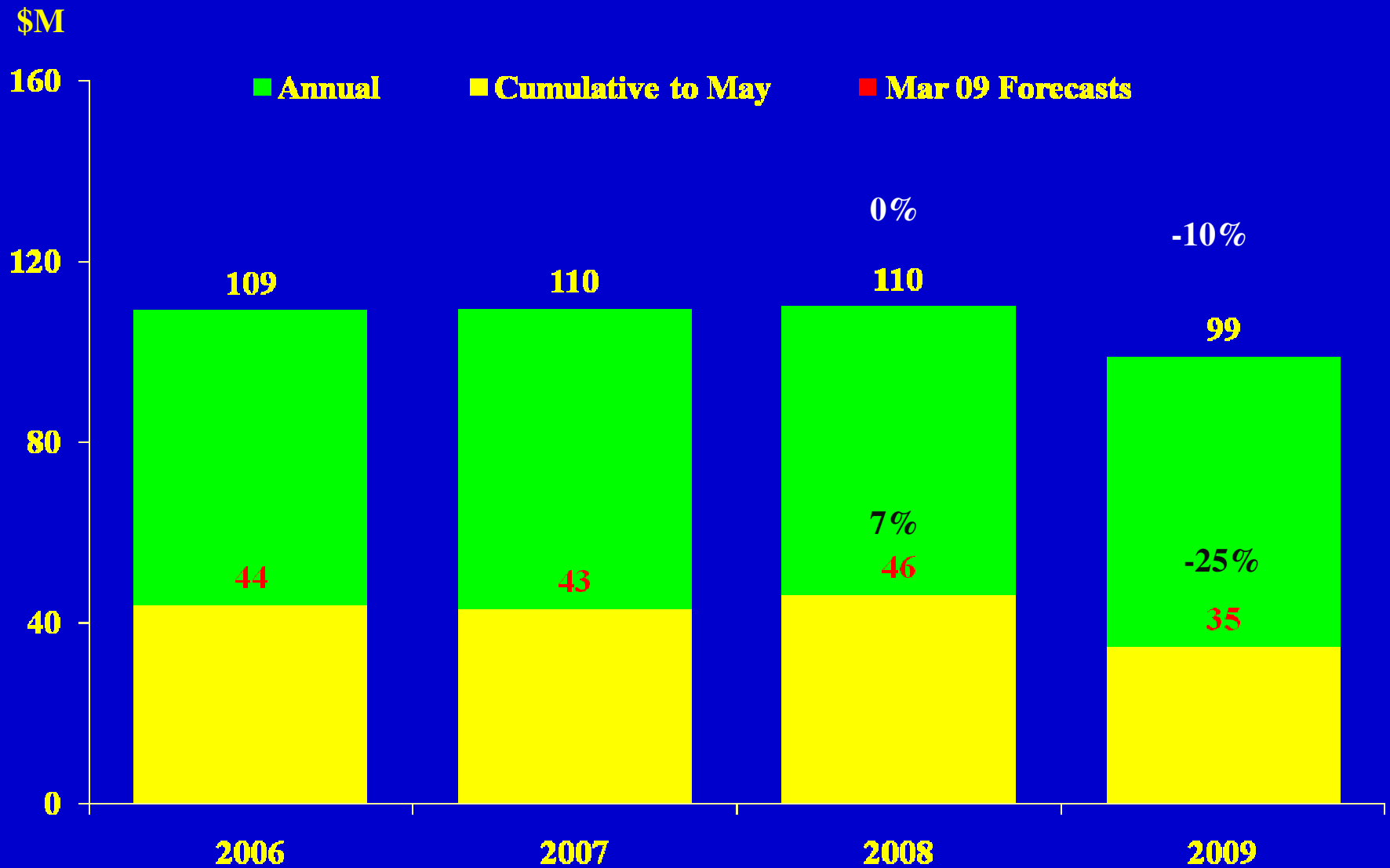
Source: Fiji Islands Bureau of Statistics and Macroeconomic Committee

TIMBER EXPORTS



Source: Fiji Islands Bureau of Statistics and Macroeconomic Committee

GARMENT EXPORTS*



*Includes Garments, Textiles and Footwear & Headgear

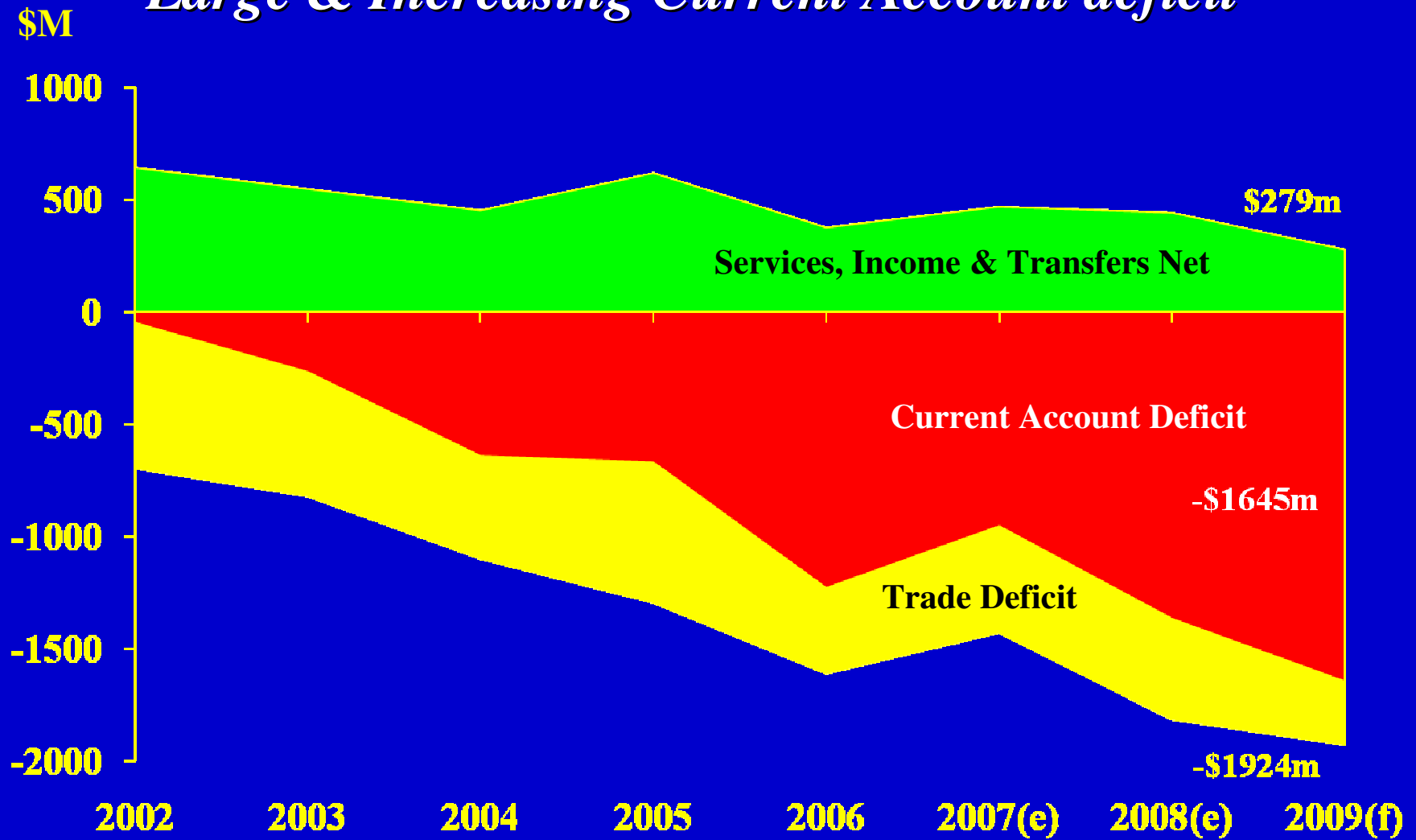
Source: Fiji Islands Bureau of Statistics and Macroeconomic Committee



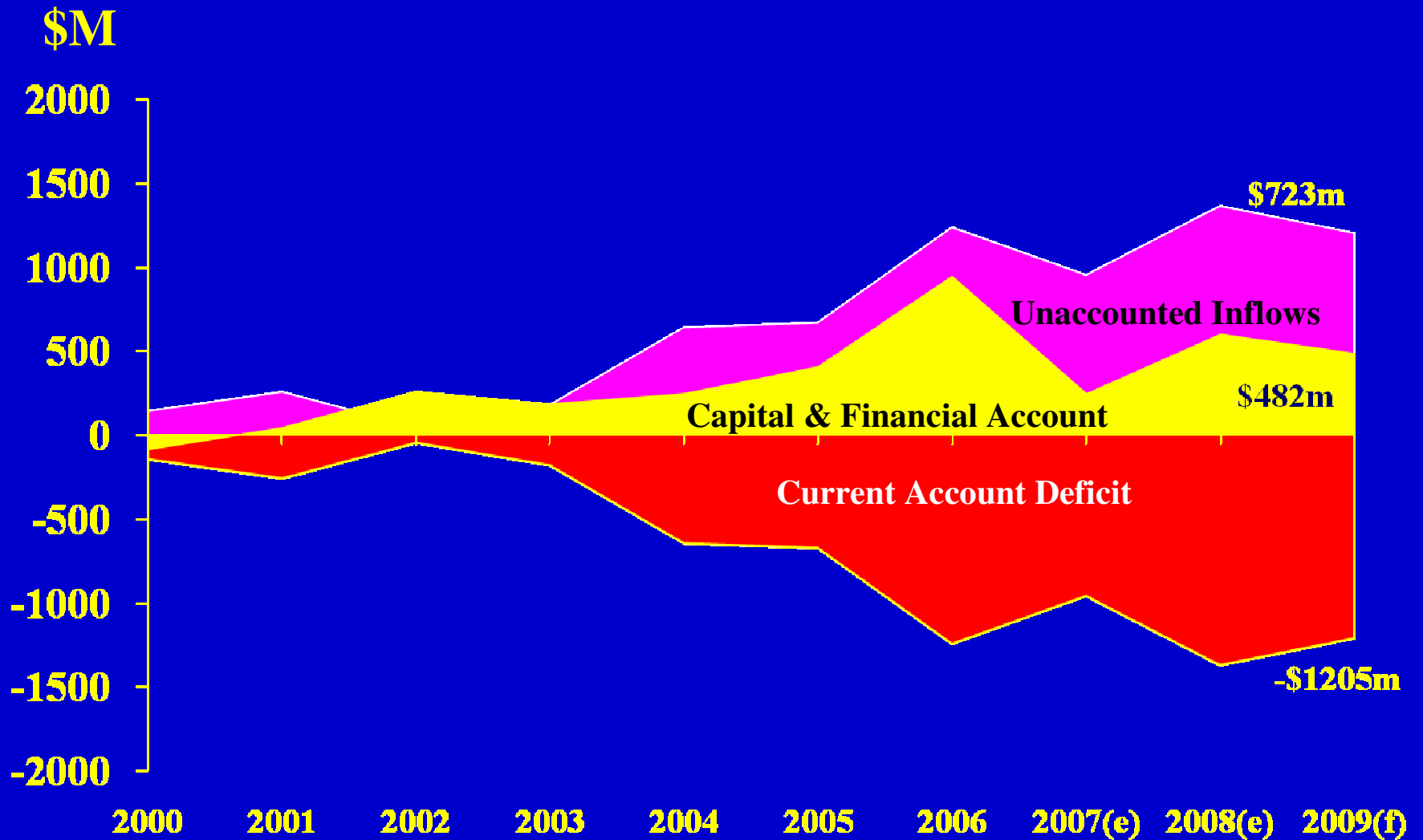
MACROECONOMIC CHALLENGES & POLICY RESPONSES

CURRENT ACCOUNT

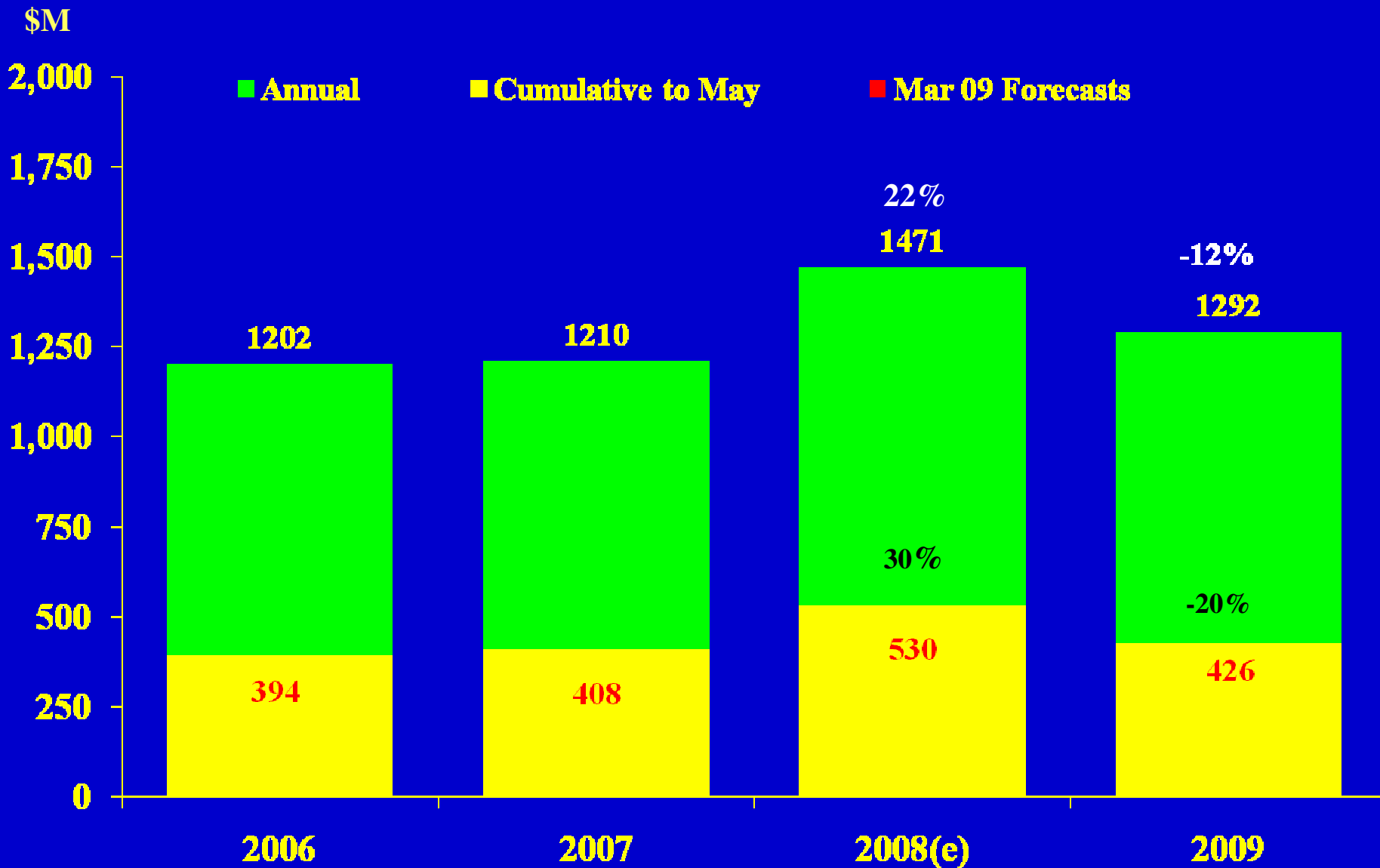
Large & Increasing Current Account deficit



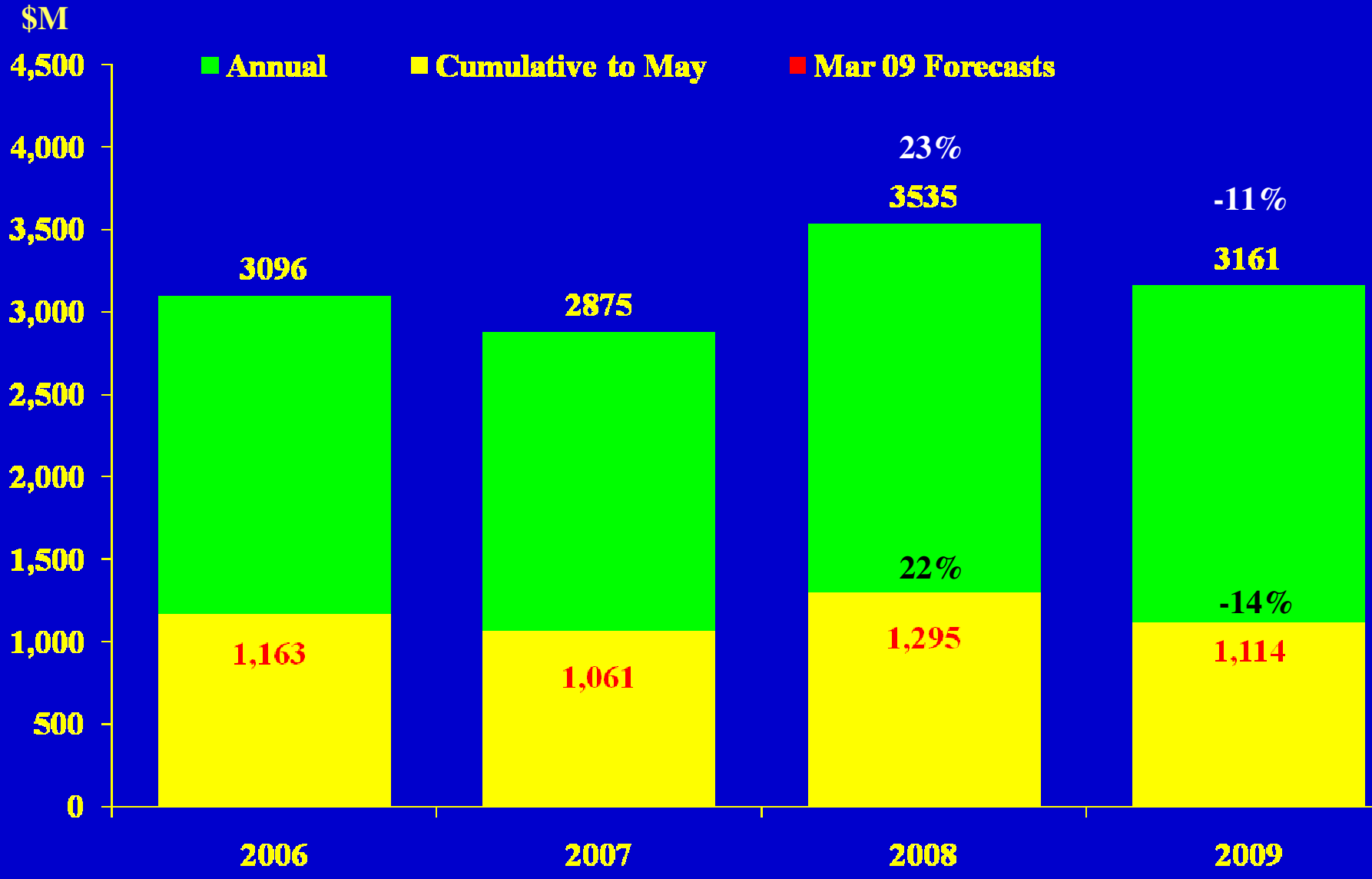
FINANCING THE CURRENT ACCOUNT



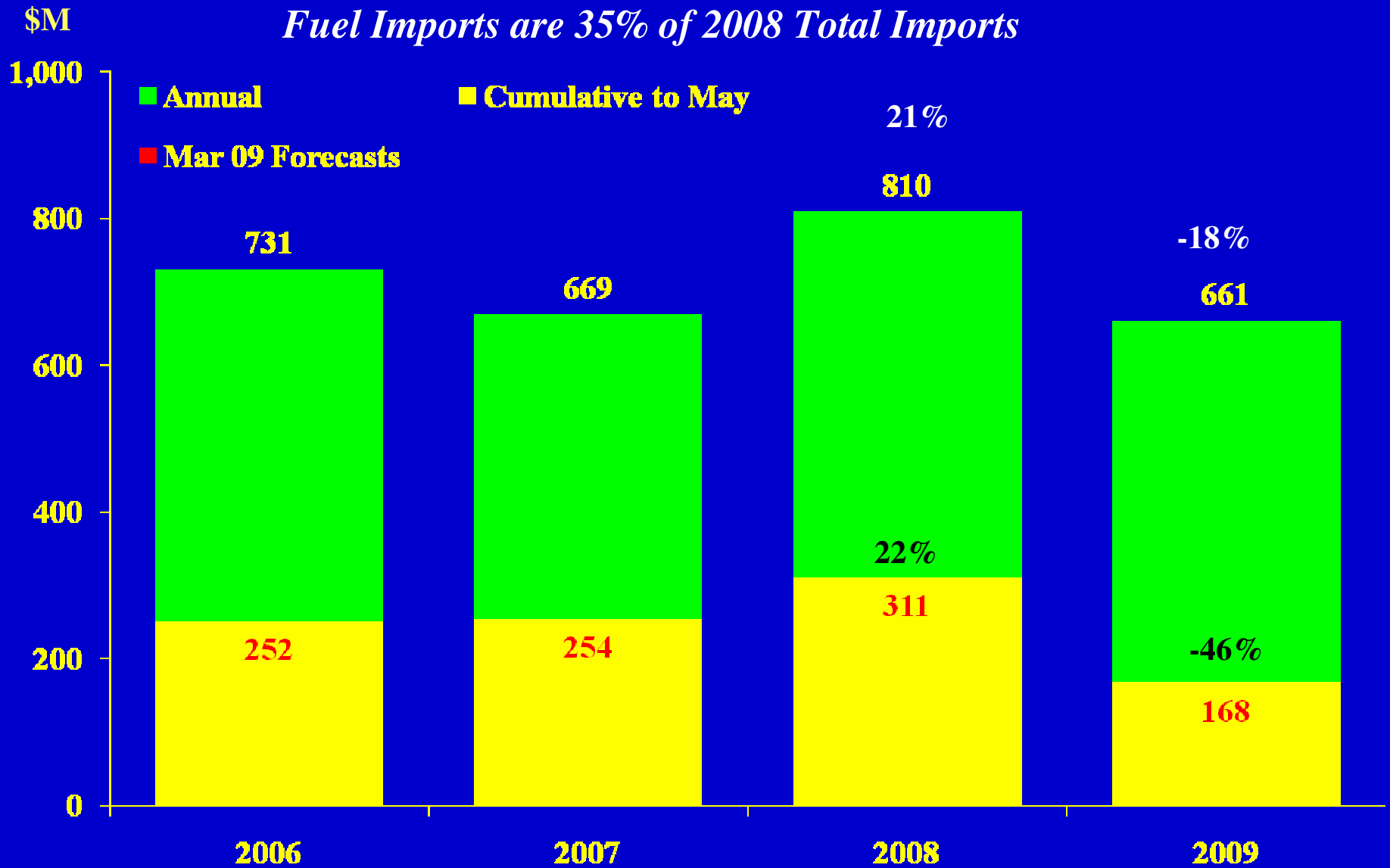
TOTAL EXPORTS



TOTAL IMPORTS

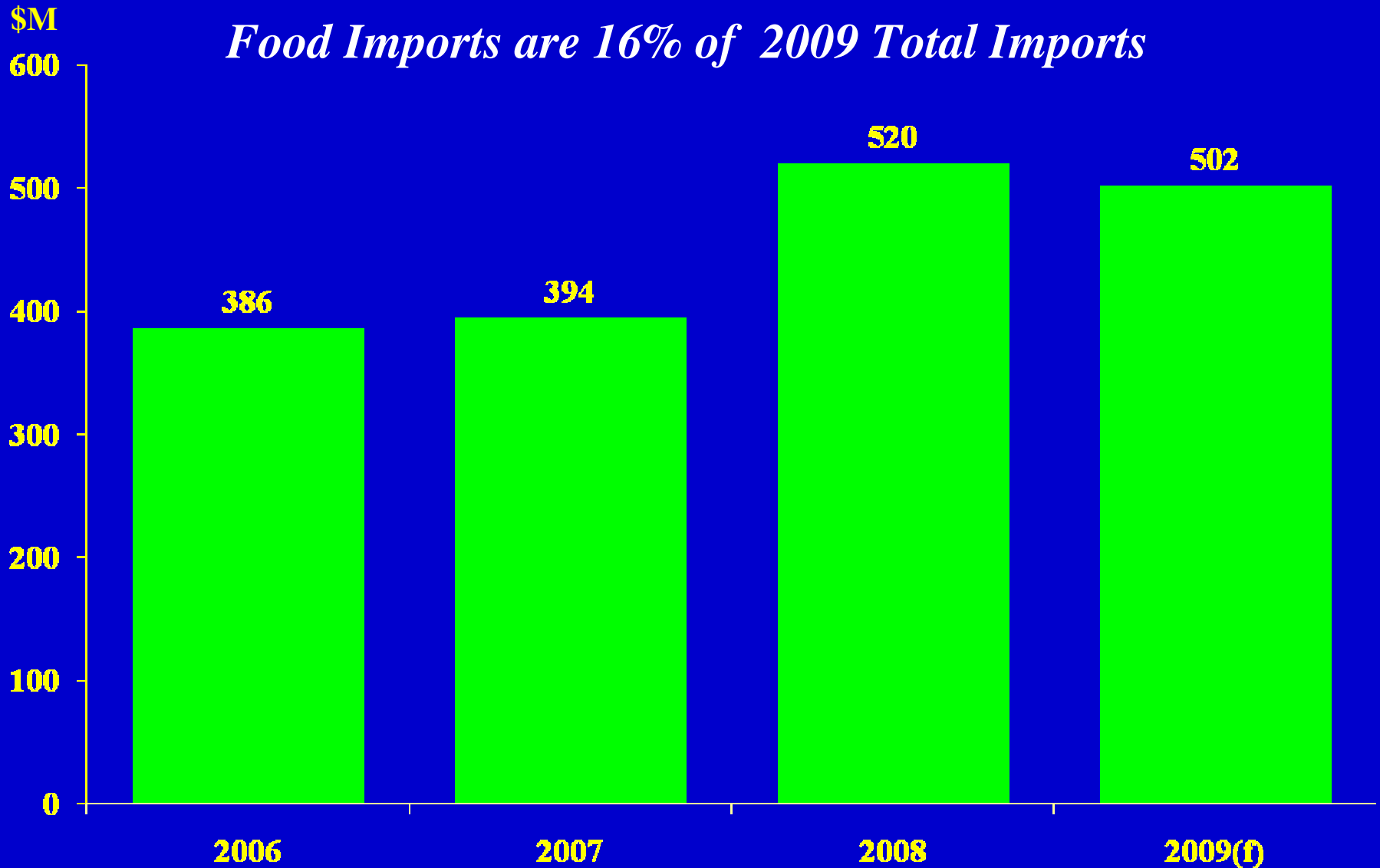


DOMESTIC MINERAL FUEL IMPORTS



FOOD IMPORTS

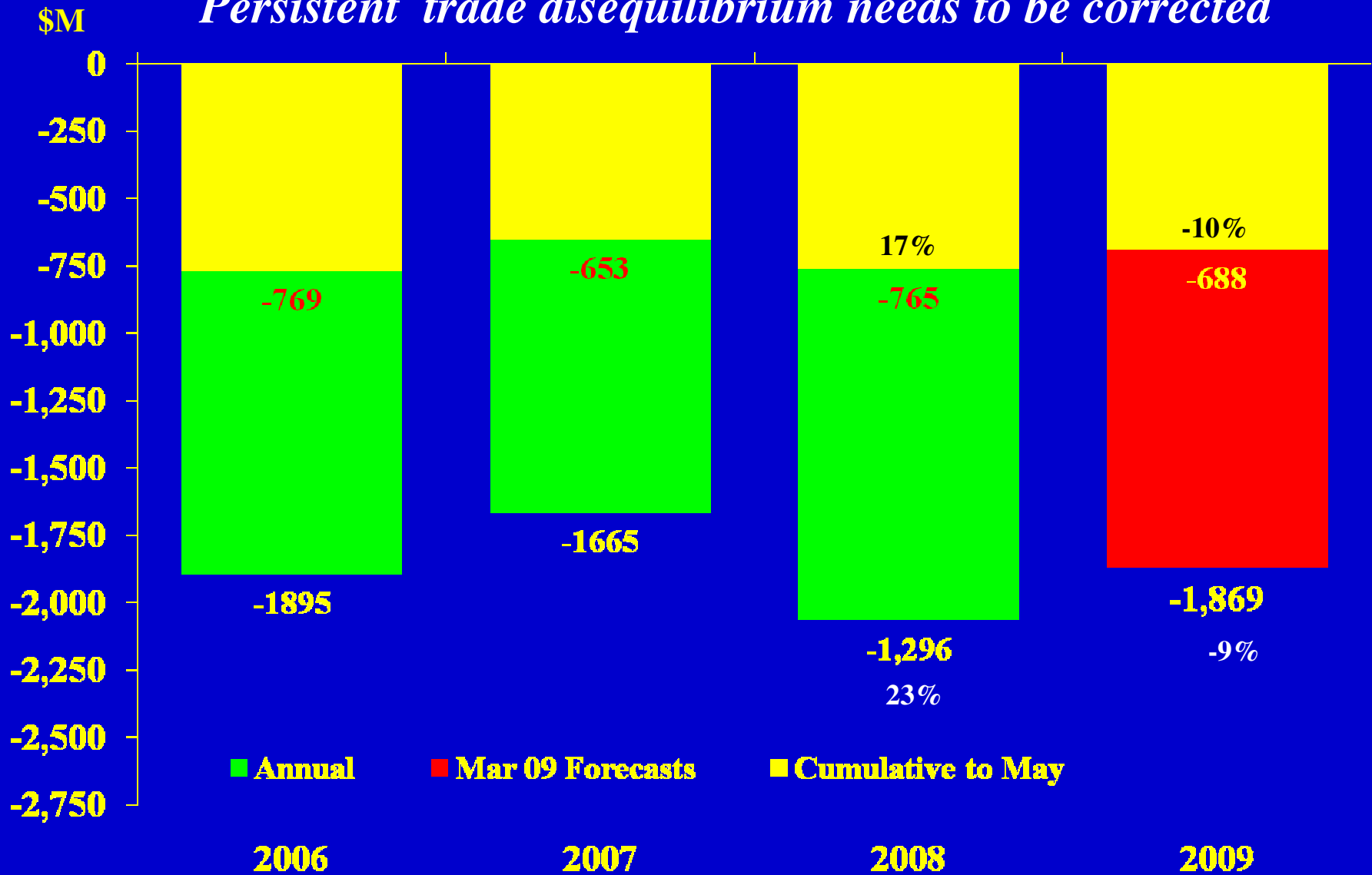
Food Imports are 16% of 2009 Total Imports



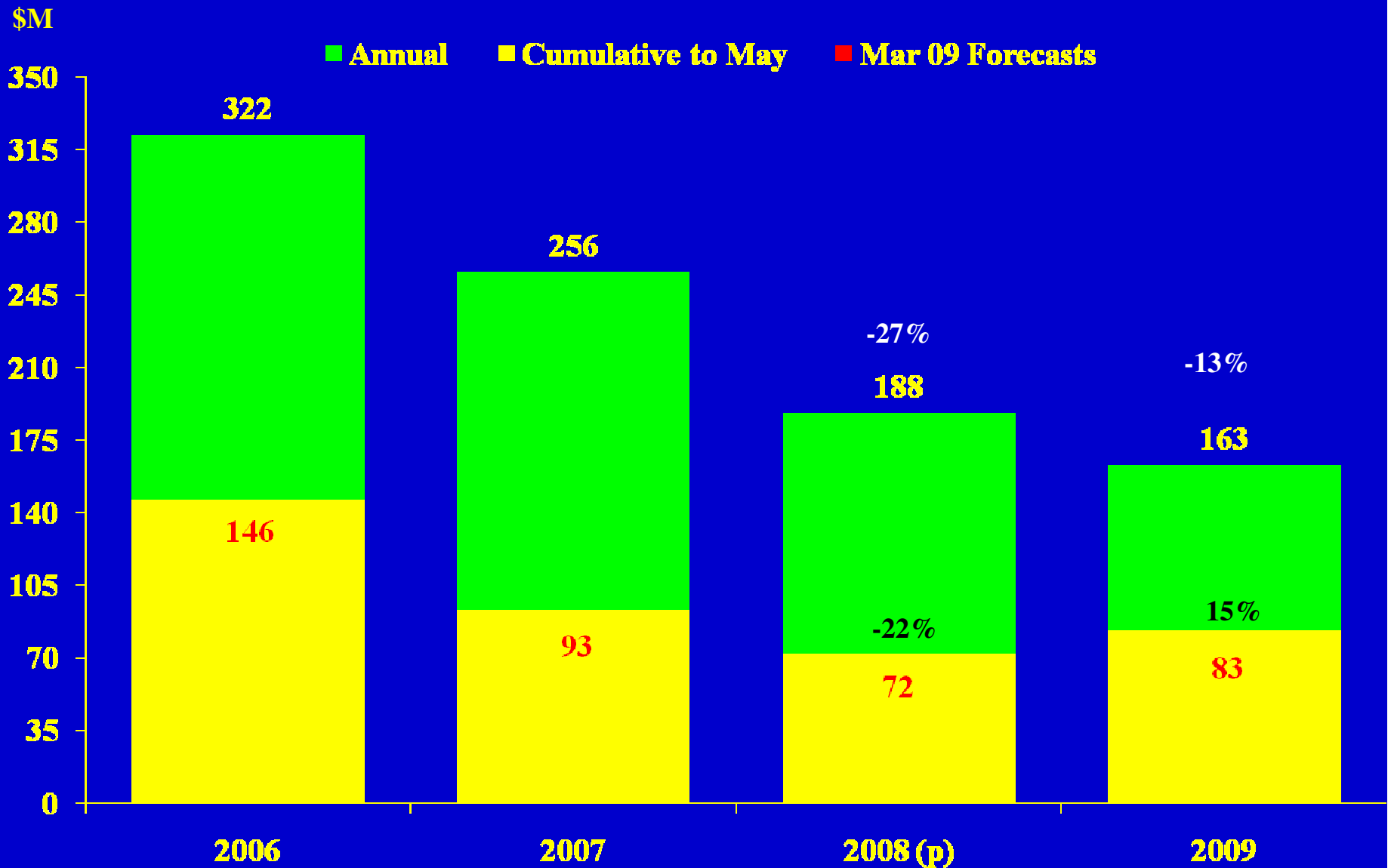
Accrual data excluding aircraft

TRADE BALANCE

Persistent trade disequilibrium needs to be corrected



PERSONAL REMITTANCES

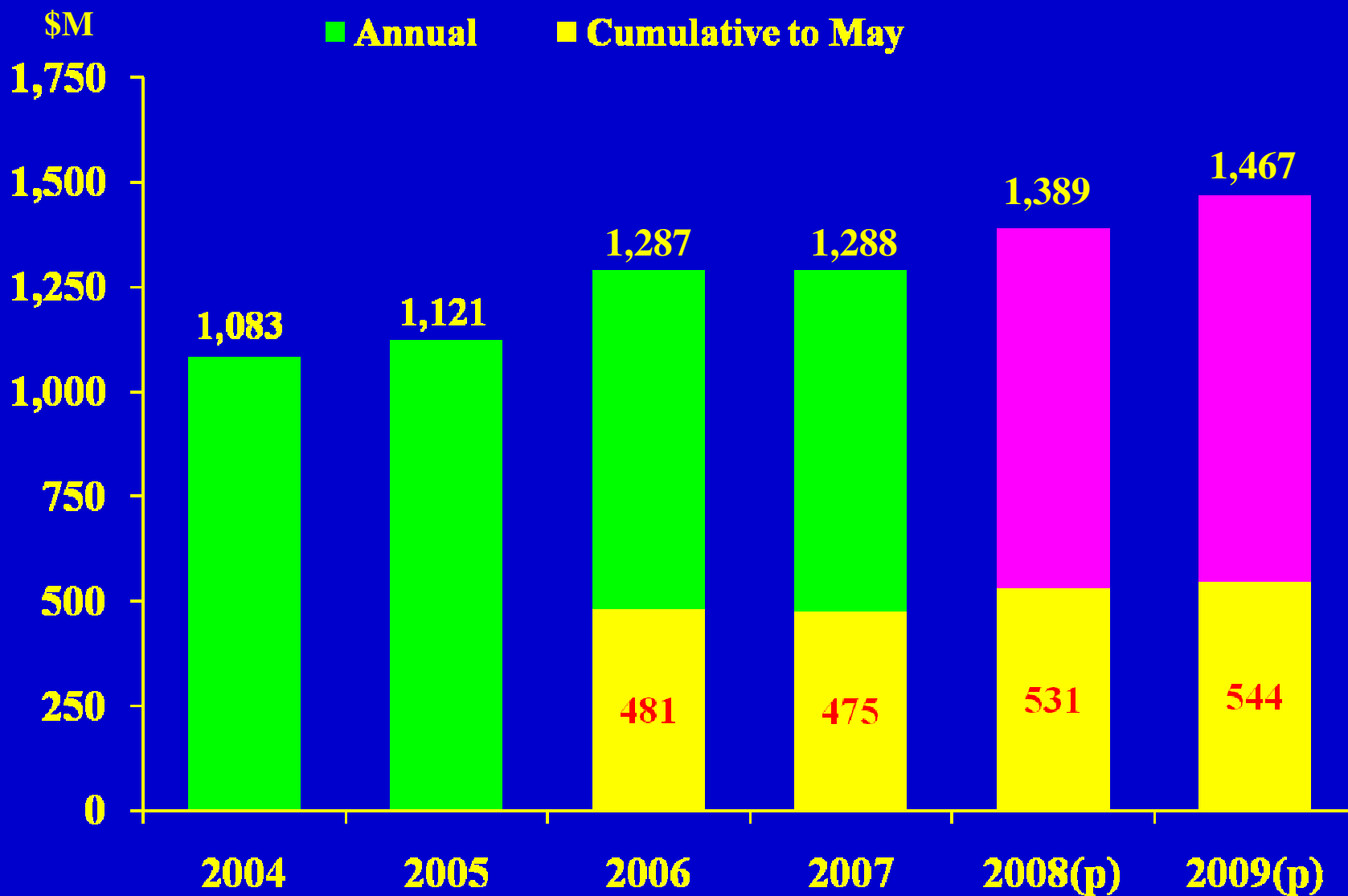


Source: Fiji Islands Bureau of Statistics and Macroeconomic Committee

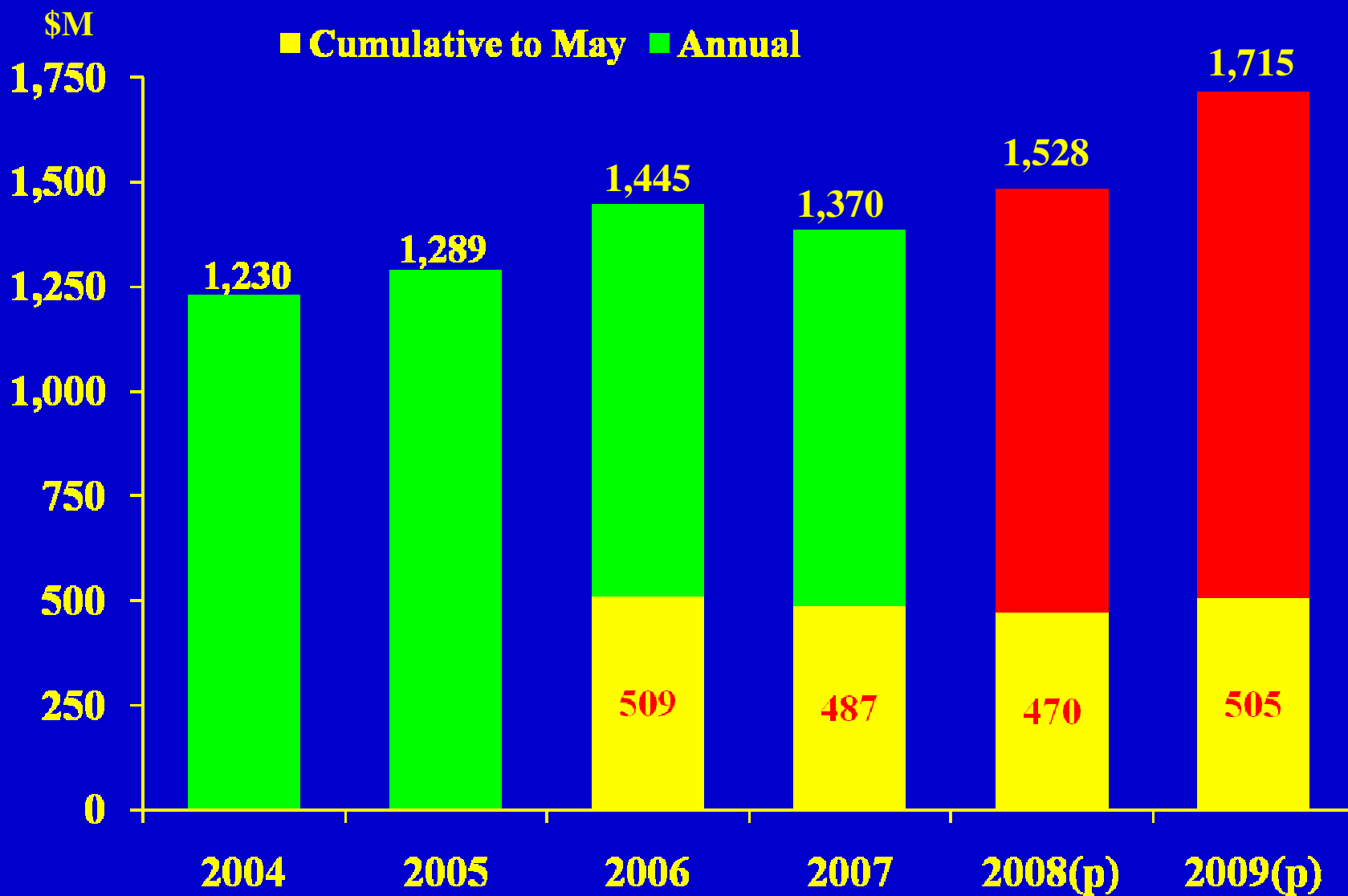
GOVERNMENT REVENUE & EXPENDITURE

	Cumulative to May 2009	2009 (b)
Revenue		
Actual	\$544.4 m (+6.5%)	
Budget	\$510.3 m	\$1,467 .0 m
Expenditure		
Actual	\$504.8 m (-26%)	
Budget	\$677.3 m	\$1,715.0 m

GOVERNMENT REVENUE

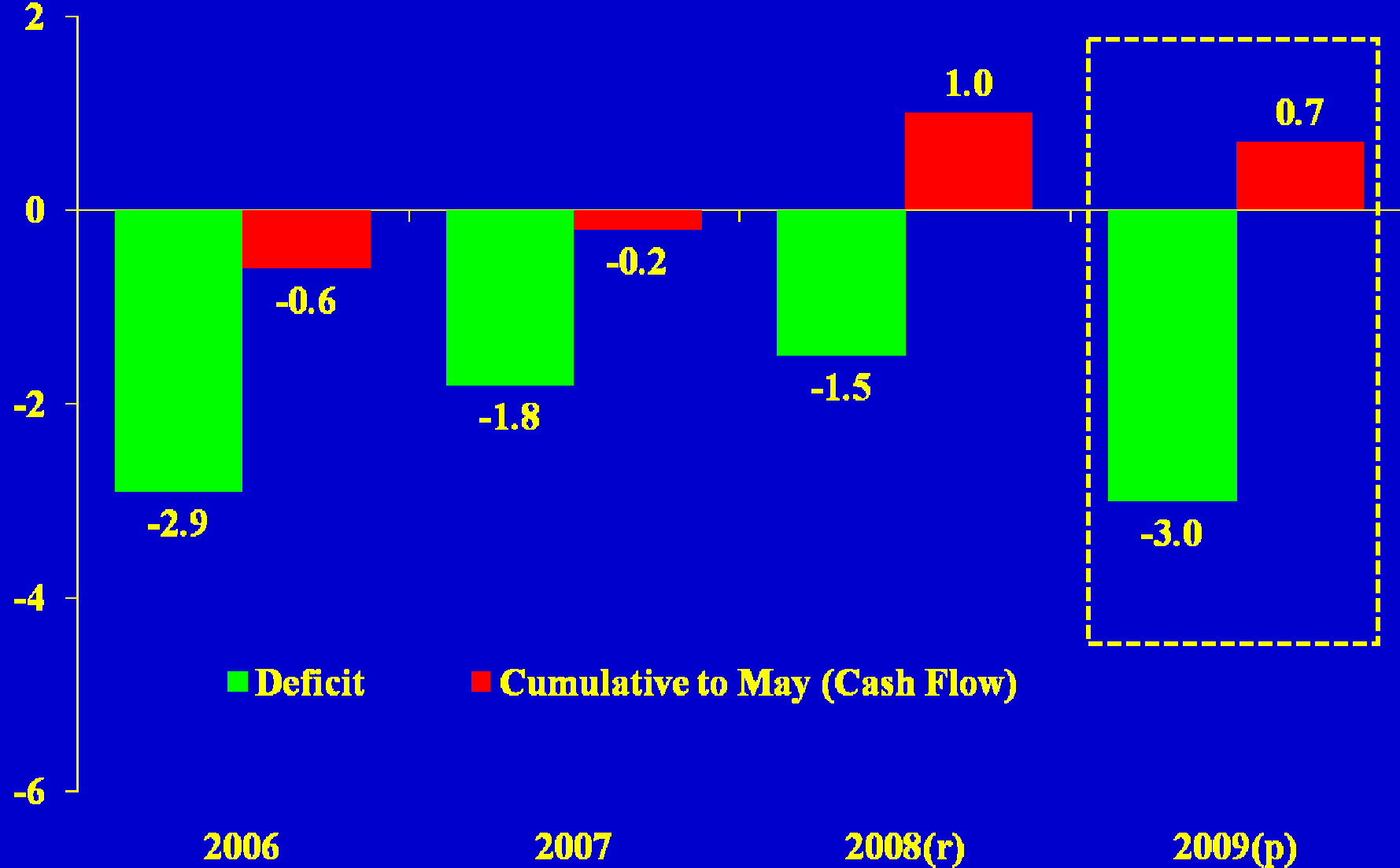


GOVERNMENT EXPENDITURE



GOVERNMENT BALANCE

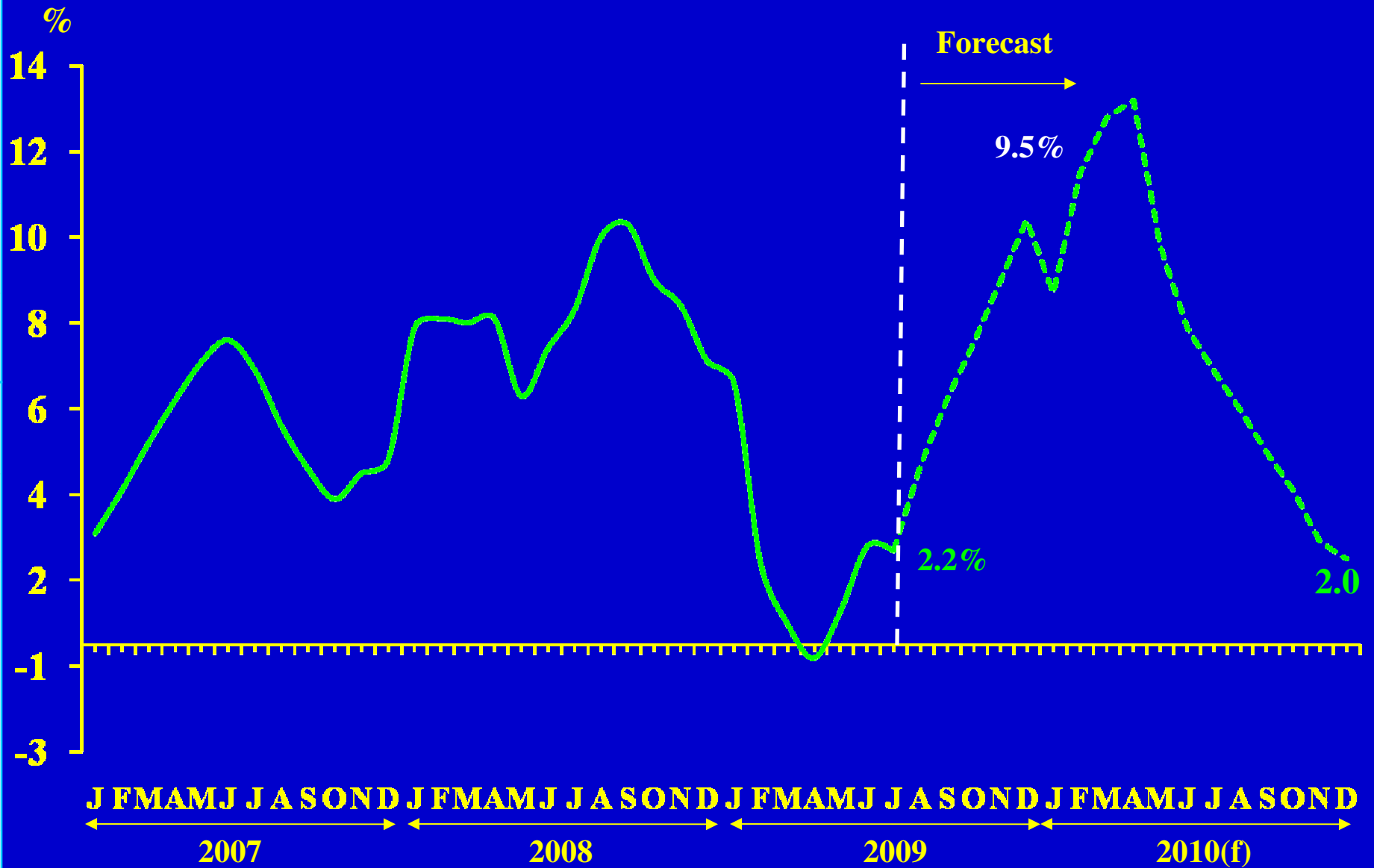
% of GDP



■ Deficit

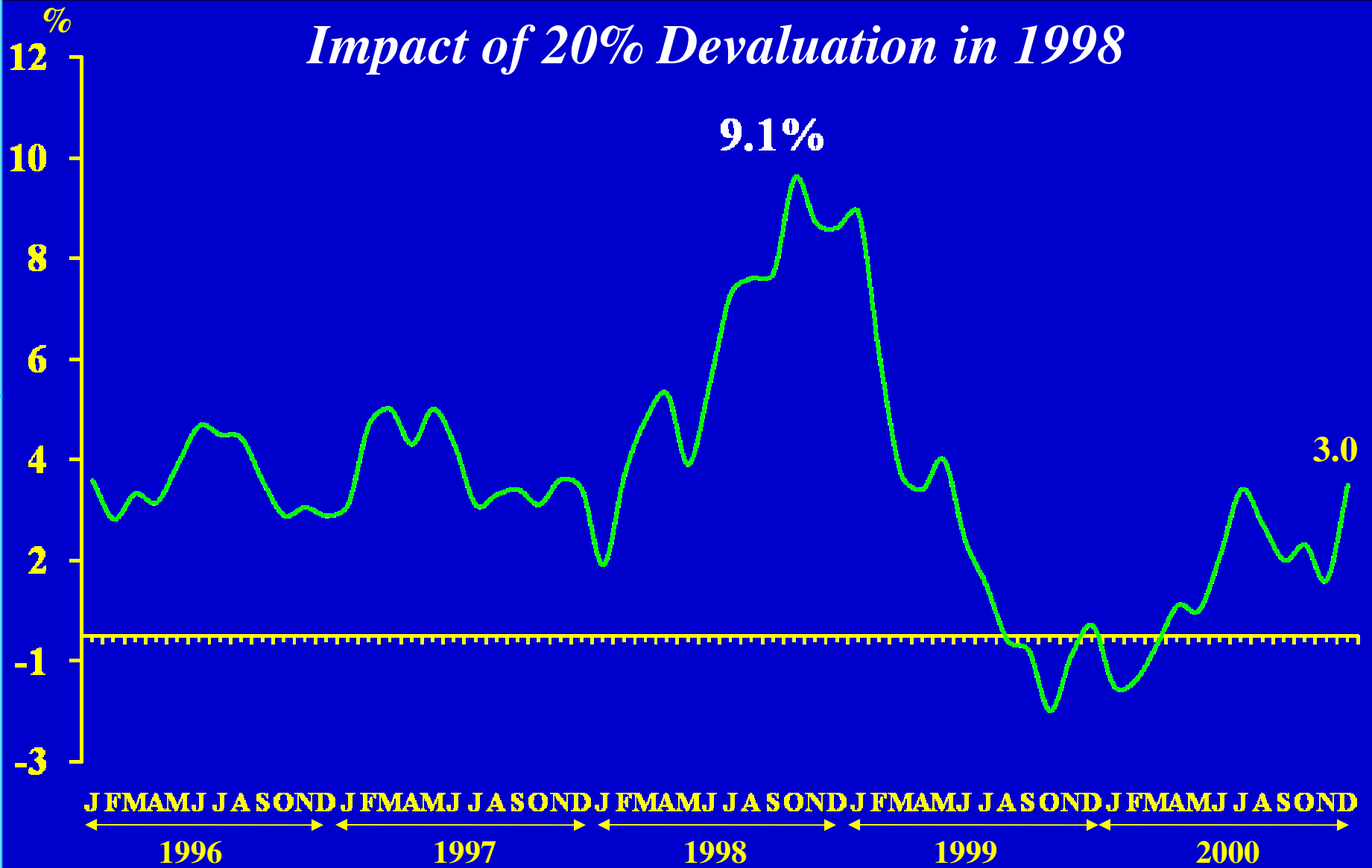
■ Cumulative to May (Cash Flow)

INFLATION

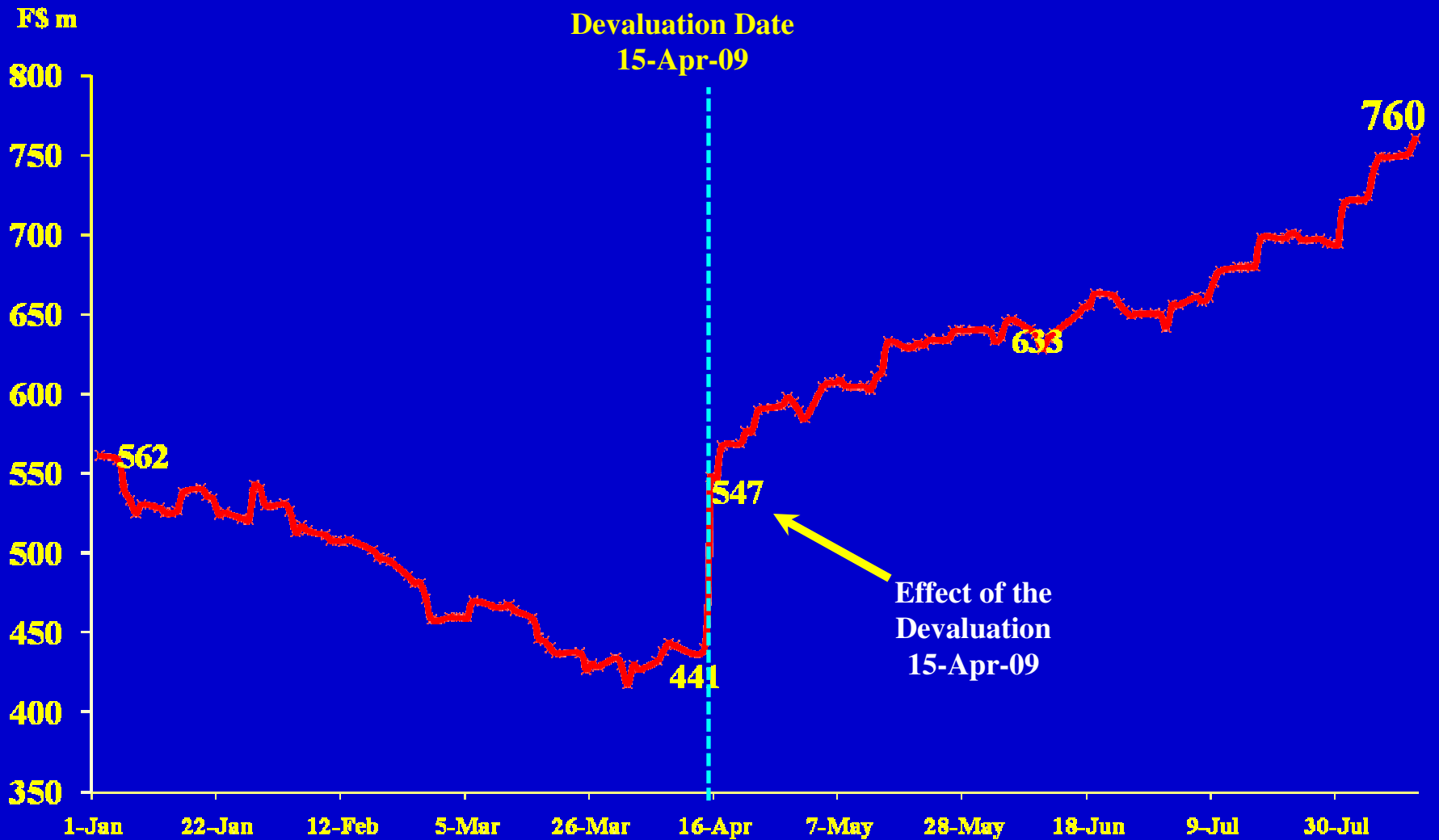


INFLATION

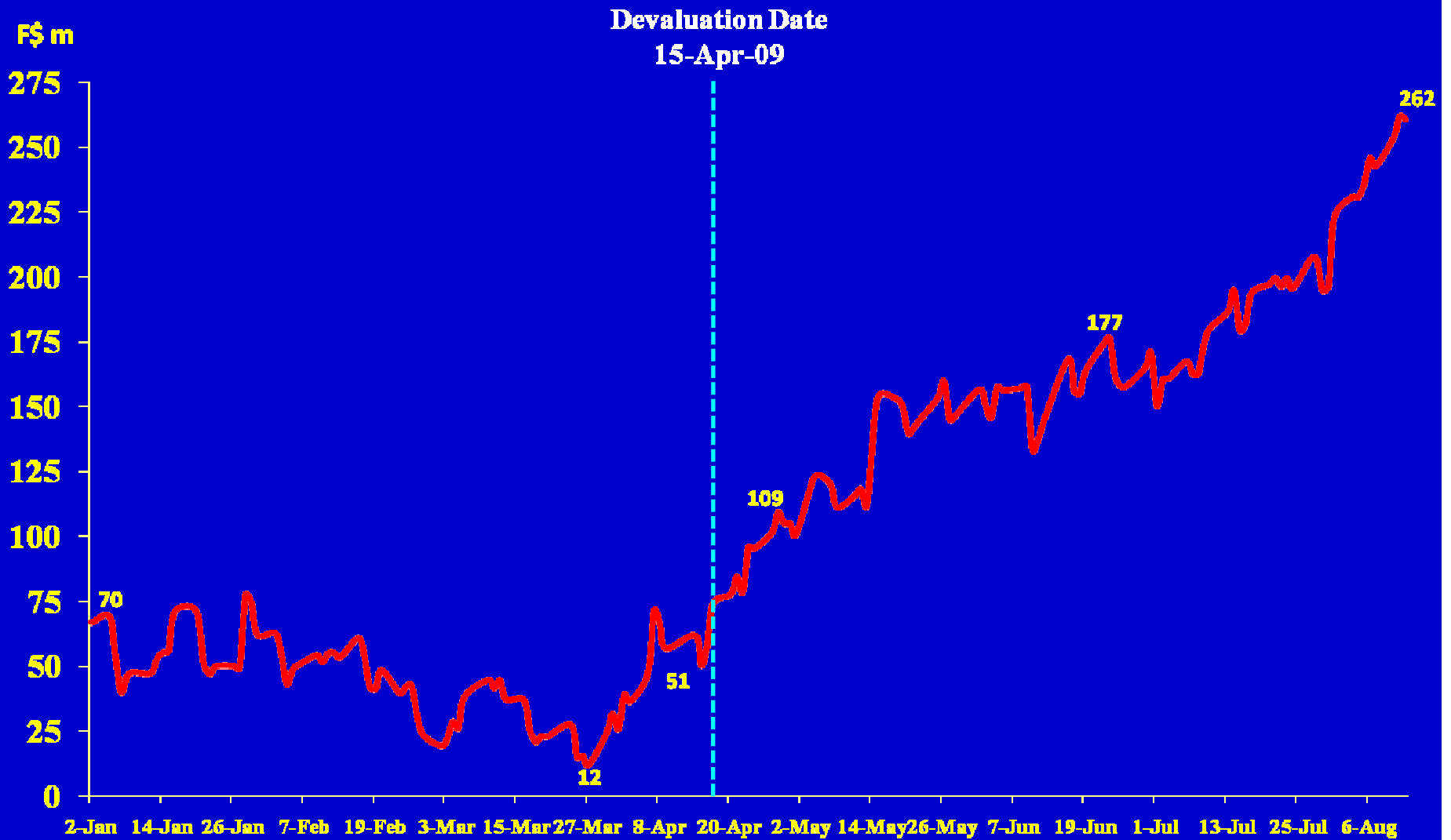
Impact of 20% Devaluation in 1998



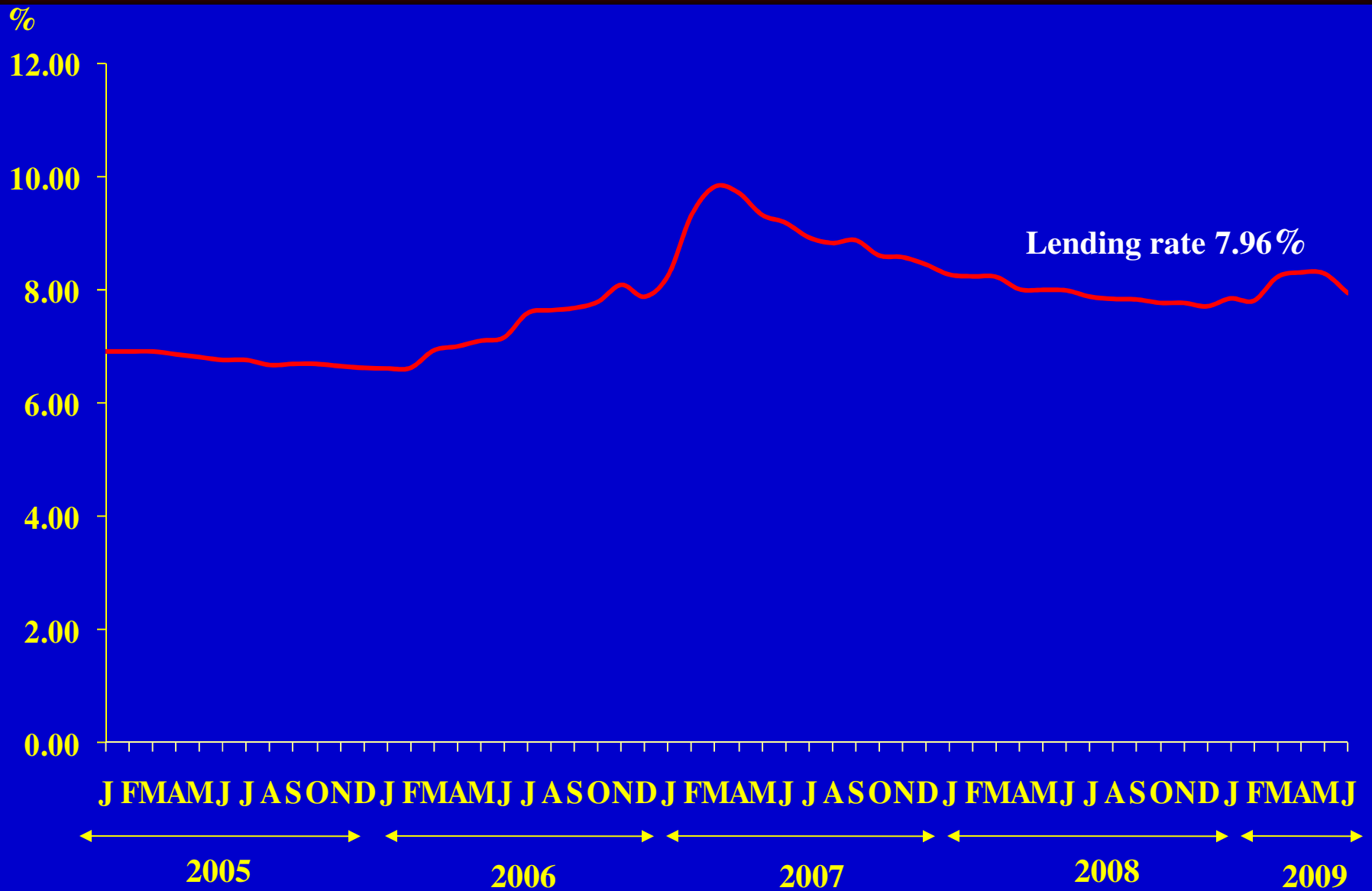
FOREIGN EXCHANGE RESERVES



BANKS LIQUIDITY



BANK LENDING RATES





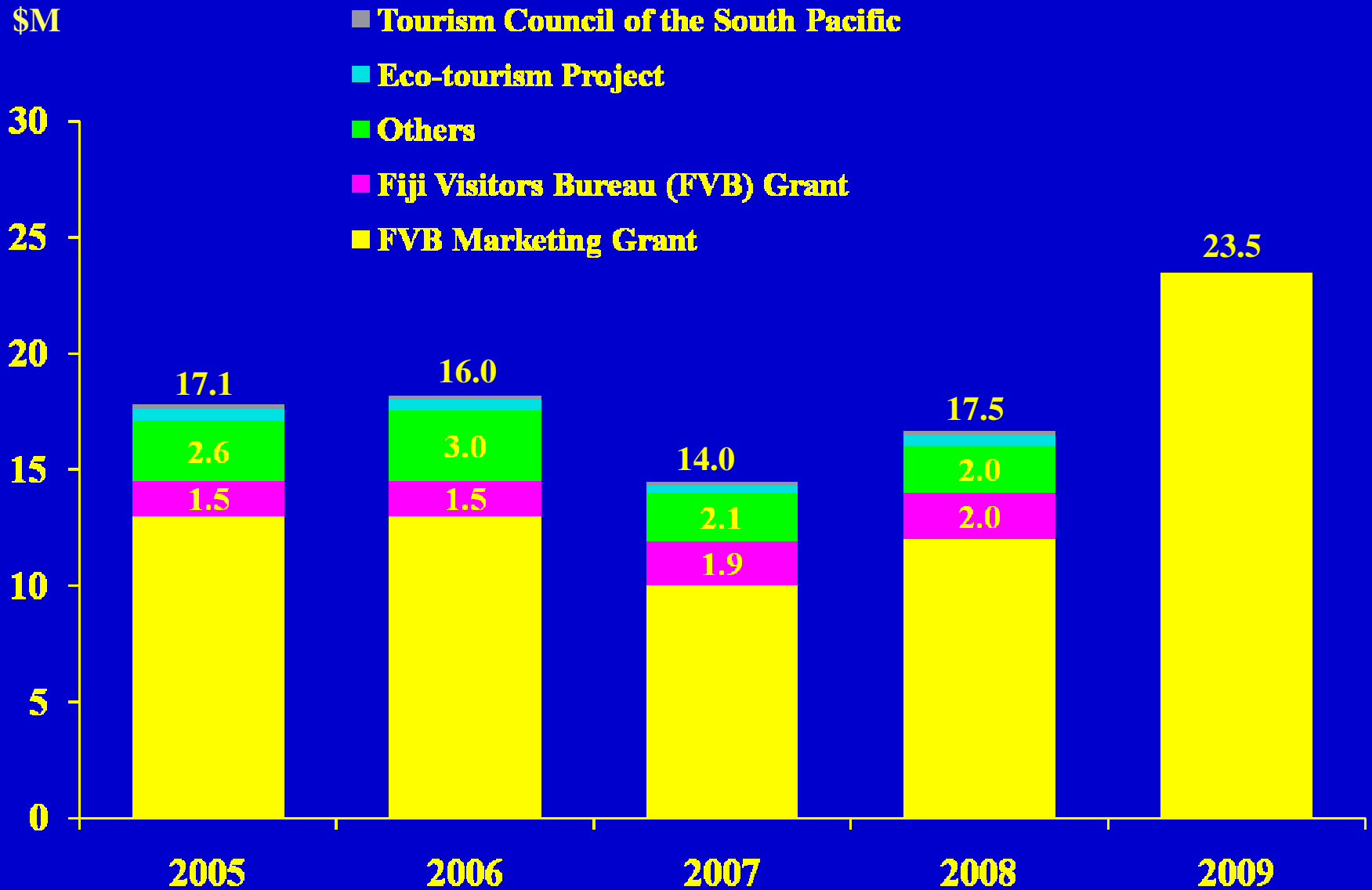
GOVERNMENT POLICIES IN RELATION TO TOURISM

GOVERNMENT INITIATIVES

- **Increased budget allocation to facilitate marketing and promotional efforts**
- **Re-branding of the FIVB to Tourism Fiji**
- **Increased presence of Department of Tourism staff in Nadi**

TOURISM BUDGET ALLOCATION

\$M



GOVERNMENT INCENTIVES

- **10 year tax holiday for SLIP investments not less than \$7 million**
- **Import duty exemption on all capital goods not available in Fiji**
- **55 percent investment allowance on total capital expenditure**

RECENT RBF POLICIES

- **Devaluation**
- **Exchange Controls**
- **Interest Rates**
- **Lending Policies – Priority sectors**
- **Microfinance & SME development**
- **Financial Literacy**

RBF POLICIES TOWARDS A SUSTAINABLE TOURISM GROWTH

- **Tourism industry plays an important role in Fiji:**
 - ✓ **Industry is multi-sectoral by nature**
 - ✓ **Largest foreign exchange earner**
 - ✓ **Significant growth potential**

RECENT RBF POLICIES – TOURISM INDUSTRY

- **Local Borrowing will now be linked to Value Added Content Requirement**
- **Why?**
- **Tourism is one of the highest importers of food, tourism inputs**
- **To address perennial BoP deficit**
- **If not, tourism industry may not be sustainable in long-term**
- **Need to increase the value added retention rate**

RECENT RBF POLICIES – TOURISM INDUSTRY

- **The industry can contribute more:**
 - ✓ Encourage local products – e.g. fruits, vegetables, furniture
 - ✓ Harnessing the use of natural resources – e.g. solar energy, energy efficient buildings
 - ✓ Contribute more to Environmental Protection – especially coastal areas & eco-tourism sites

PROACTIVE POLICIES

- **3-6 months RBF Sponsorship to Asia for Students from Catering Schools to study use of local resources in food preparation**
- **Sponsorship of PM's Award to the most innovative Hotel in utilising local products & environment protection**

CONCLUSION

- **Fiji is feeling the impact of the global financial crisis**
- **Domestic economy will slightly dip this year but improvement expected next year**
- **Tourism is a key driver for economic growth in Fiji**
- **Our passion to achieve results may be construed in a very different and not so positive perspective**
- **RBF on its own cannot achieve our national economic goals**
- **Need the support of major sectors like Tourism**

CONCLUSION

- **Critical importance of the tourism industry in:**
 - ✓ **economic recovery**
 - ✓ **sustaining growth**
 - ✓ **creating employment**
 - ✓ **positive spin-offs to other sectors of the economy**
 - ✓ **engaging and developing the local community**
 - ✓ **increasing our revenue generation**
 - ✓ **addressing our large trade deficit**
 - ✓ **lowering our current account deficit; &**
 - ✓ **sustaining our balance of payments position.**

CONCLUSION

Tourism Industry should:

- **Build appropriate response mechanisms to mitigate effects of economic crisis**
- **Improve** resilience **through** collaboration, market research & forward looking policies **to weather effects of envisaged threats**
- **Work towards a “Green Tourism Industry” – to lead the way on the transformation to carbon-clean operations, environment management and energy efficient buildings**
- **Build greater Public-Private Partnership – positive externality for other support/new industries due to tourism’s multi-sectoral linkages**



THANK YOU

RECENT POLICIES – TOURISM INDUSTRY

- **We acknowledge and support the ongoing inclusive approach taken by the industry to link with agriculture:**
 - ✓ **Farmers Import Substitution Project (FISP)**
 - ✓ **Other initiatives by the Ministry of Agriculture to boost production**
 - ✓ **Initiatives of the hotels to grow their own vegetables and appropriate steps taken by the major stakeholders in this regard**