Statement at the Conclusion of the IMF's 2013 Article IV Consultation Mission to Fiji

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An International Monetary Fund (IMF) team led by Mr. Chikahisa Sumi visited Fiji during August 1-15 to hold discussions with the Fijian authorities and other stakeholders on the 2013 Article IV Consultation. The team met with the Prime Minister and Minister for Finance Josaia Voreqe Bainimarama, Attorney General and Minister for Public Enterprises, Industry and Trade Aiyaz Sayed-Khaiyum, Reserve Bank of Fiji (RBF) Governor Barry Whiteside, and other senior public officials, as well as representatives from the private sector, academia, development partners, and civil society. Staff from the Asian Development Bank and the World Bank joined the mission. The team expresses its appreciation to the authorities and other stakeholders for the frank and constructive discussions.

At the conclusion of the discussions, Mr. Sumi issued the following statement today in Suva:

"Growth in the Fijian economy increased to 2¼ percent in 2012, supported by income tax cuts, low interest rates and the one-time payouts under the Fiji National Provident Fund (FNPF) reform, which offset the negative impact of the severe floods and Cyclone Evan on the agriculture and tourist sectors. Inflation declined as imported commodity and food prices moderated. With a lower-than-budgeted deficit of 1 percent of GDP, Fiji's debt-to-GDP ratio continued to decline in 2012. The financial sector is stable and international reserves have stabilized to a comfortable level. However, unemployment remains stubbornly high at nearly 9 percent, with youth unemployment and underemployment at significantly higher rates. Emigration pressures continue especially among the higher skilled.

"Economic growth is set to increase to around 3 percent in 2013. The latest available consumption indicators suggest accelerating momentum in the first half of 2013 boosted by increases in disposable income, bank borrowing, and rising investment. These effects are likely to taper off somewhat in the latter part of 2013. In 2014, growth is projected to moderate to 2¼ percent.

"The current macroeconomic policies are broadly appropriate. Fiji's fiscal policy continues to balance the need to strengthen the fiscal position against the need to increase public investment to support growth. The 2013 deficit target of 2.8 percent of GDP is on track to be met, with strong VAT revenue collections and somewhat slower-than-planned expenditures in the first half of 2013. In view of muted inflationary pressures, the accommodative stance of monetary policy is appropriate. The current stable macroeconomic environment provides a good opportunity to move towards a more flexible exchange rate regime to help the country better absorb external shocks and protect its international reserve position.

"The authorities have recently accelerated structural reforms—including in the areas of land policy, the sugarcane sector, the civil service, public enterprises, and pensions—but key policy challenges remain to sustainably raise economic growth, reduce poverty, and increase resilience to shocks. In this context, measures to boost business confidence such as relaxation of price controls, increased and stable access to customary land use, and continued focus on infrastructure upgrades—along with reduced political uncertainty—would help improve the investment climate and spur private sector investment. And in all areas of policymaking, the mission would encourage broad consultation with key stakeholders, including small to medium sized businesses and civil society, in order to further improve the quality, consistency, and sustainability of policy decisions and business regulations. To achieve higher growth and reduce unemployment, faster and deeper structural reform is now urgently needed. It is particularly important to expand Fiji's capacity to utilize effectively an expected increase in foreign and domestic investment following a successful transition to democratic parliamentary government in 2014.

"The mission will be preparing a report that the IMF's Executive Board will discuss in November 2013."

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