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August 7, 1996

To: Members of the Executive Board

From: The Secretary

Subject: **Fiji - Selected Issues**

This paper provides background information to the staff report on the 1996 Article IV consultation discussions with Fiji, which was circulated as SM/96/198 on July 30, 1996.

Mr. Kronenberg (ext. 34711) or Mr. Op de Beke (exxt. 38576) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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**CONTAINS CONFIDENTIAL  
INFORMATION**

**INTERNATIONAL MONETARY FUND**

**FIJI**

**Selected Issues**

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Approved by Southeast Asia and Pacific Department

August 2, 1996

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Table 1. Fiji: Gross Domestic Product by Industrial Origin, 1990-96

(In millions of Fiji dollars; at constant 1989 prices)

	1990	1991	1992	1993	1994	1995	Prov. 1996
<b>Agriculture, forestry, &amp; fisheries</b>	332.6	327.5	339.0	341.7	374.0	361.0	358.1
Sugarcane	137.4	130.2	142.7	147.8	172.5	153.1	143.2
Other crops	45.4	44.9	43.6	39.7	40.0	40.9	43.2
Livestock products	15.0	15.6	15.8	15.4	17.8	18.3	18.8
Fishing	14.8	14.7	14.7	16.9	18.9	21.0	21.6
Forestry	15.7	16.1	14.8	17.8	18.8	19.9	21.3
Subsistence	104.3	106.0	107.3	104.1	106.0	107.9	109.9
<b>Industry</b>							
Mining and quarrying	55.3	36.9	49.8	50.9	46.3	46.7	63.0
Manufacturing	209.9	218.4	218.2	233.4	248.8	248.6	253.5
Sugar	55.8	53.1	58.3	60.4	70.6	62.0	58.3
Other food industries	44.2	47.4	47.6	46.3	48.7	49.0	51.2
Other industries	103.8	111.6	106.0	120.2	122.9	130.9	137.2
Self employment	6.2	6.3	6.4	6.5	6.6	6.7	6.8
Electricity and water	54.9	56.7	61.8	63.5	68.5	71.5	75.6
Building and construction	57.8	68.5	88.9	76.7	84.9	88.8	96.1
<b>Services</b>							
Distribution (incl. tourism)	263.7	254.2	248.6	272.0	284.4	308.1	320.2
Wholesale & retail trade	215.9	208.9	202.2	223.0	230.4	253.7	265.0
Hotels, cafes, etc.	47.8	45.3	46.4	49.0	54.0	54.4	55.1
Transport and communications	168.2	164.2	187.1	191.1	199.3	216.8	224.2
Transport	125.5	122.4	142.3	140.0	145.7	160.5	165.1
Communications	42.7	41.8	44.8	51.1	53.6	56.3	59.1
Finance and insurance	231.5	230.5	237.0	244.5	254.9	260.2	264.5
Finance	111.7	110.4	113.9	118.7	125.5	128.1	129.6
Insurance	11.3	10.6	11.6	11.9	12.4	12.9	13.5
Ownership dwelling	69.6	70.7	71.6	72.7	74.1	75.4	76.8
Real estate	39.0	38.8	39.9	41.2	42.9	43.8	44.5
Community and social services	332.6	343.6	351.1	350.2	335.8	323.2	325.6
Others	12.8	12.7	13.4	13.7	14.2	14.4	14.8
<b>Less: Imputed bank service charges</b>	121.4	120.0	123.9	129.1	136.4	139.2	140.9
<b>GDP at factor cost</b>	1,597.9	1,593.2	1,671.0	1,708.6	1,774.5	1,800.1	1,854.6
(growth rate)	2.6	-0.3	4.9	2.2	3.9	1.4	3.0
<b>Memorandum items:</b>							
GDP at current factor cost	1,728.2	1,834.8	2,019.0	2,170.7	2,268.9	2,351.3	2,493.8
GDP at current market prices	1,933.8	2,075.2	2,316.5	2,528.2	2,651.8	2,746.2	2,909.4
Sugar production (000 tons)	408.0	389.0	426.0	442.0	517.0	454.0	427.0
(growth rate)	-11.5	-4.7	9.5	3.8	17.0	-12.2	-5.9
Tourist arrivals	279.0	259.4	278.5	287.5	318.9	318.5	339.0
(growth rate)	11.3	-7.0	7.4	3.2	10.9	-0.1	6.4

Source: Fiji Bureau of Statistics.

Table 2. Fiji: Change in Gross Domestic Product by Industrial Origin, 1990-96

(In percent change; at constant 1989 prices)

	1990	1991	1992	1993	1994	1995	Prov. 1996
<b>Agriculture, forestry, &amp; fisheries</b>	-4.2	-1.5	3.5	0.8	9.4	-3.5	-0.8
Sugarcane	-11.0	-5.2	9.6	3.6	16.7	-11.2	-6.5
Other crops	4.6	-1.2	-2.8	-9.0	0.8	2.1	5.7
Livestock products	2.6	3.4	1.5	-2.8	15.7	2.9	3.0
Fishing	-9.8	-0.4	-0.3	14.9	12.2	10.7	3.0
Forestry	2.6	2.7	-7.7	20.1	5.2	6.2	7.1
Subsistence	1.1	1.6	1.2	-3.0	1.8	1.8	1.9
<b>Industry</b>							
Mining and quarrying	-2.5	-33.3	34.9	2.2	-9.1	1.0	34.9
Manufacturing	6.2	4.0	-0.1	7.0	6.6	-0.1	2.0
Sugar	-11.3	-4.8	9.7	3.7	16.9	-12.1	-6.0
Other food industries	1.9	7.3	0.5	-2.8	5.3	0.5	4.5
Other industries	21.6	7.5	-5.0	13.5	2.2	6.5	4.9
Self employment	1.1	1.6	1.2	1.6	1.8	1.8	1.9
Electricity and water	5.5	3.3	9.0	2.8	7.7	4.4	5.7
Building and construction	-15.4	18.4	29.9	-13.7	10.6	4.6	8.2
<b>Services</b>							
Distribution (incl. tourism)	13.5	-3.6	-2.2	9.4	4.6	8.4	3.9
Wholesale & retail trade	14.7	-3.3	-3.2	10.3	3.3	10.1	4.5
Hotels, cafes, etc.	8.2	-5.2	2.6	5.4	10.3	0.8	1.2
Transport and communications	6.2	-2.4	14.0	2.1	4.3	8.8	3.4
Transport	8.2	-2.5	16.2	-1.6	4.1	10.1	2.9
Communications	0.5	-2.1	7.3	13.9	5.0	5.0	5.0
Finance and insurance	10.6	-0.4	2.8	3.2	4.3	2.1	1.7
Finance	17.8	-1.2	3.3	4.2	5.7	2.0	1.2
Insurance	8.3	-5.7	8.8	3.0	4.4	4.0	4.5
Ownership dwelling	1.1	1.6	1.2	1.6	1.8	1.8	1.9
Real estate	10.6	-0.4	2.8	3.2	4.3	2.1	1.7
Community and social services	1.9	3.3	2.2	-0.3	-4.1	-3.8	0.8
Others	2.6	-0.3	4.9	2.2	3.9	1.4	3.0
<b>Less: Imputed bank service charges</b>	17.8	-1.2	3.3	4.2	5.7	2.0	1.2
<b>GDP at factor cost</b>	2.6	-0.3	4.9	2.2	3.9	1.4	3.0

Source: Fiji Bureau of Statistics.

Table 3. Fiji: Gross Domestic Product by Expenditure at Current Market Prices, 1990-96

	1990	1991	1992	1993	1994	1995	Prov. 1996
(In millions of Fiji dollars)							
Consumption	1,772.0	1,942.0	2,101.5	2,268.7	2,355.7	2,445.4	2,539.0
Private 1/	1,442.7	1,581.8	1,683.2	1,802.3	1,901.5	1,986.7	2,079.0
Government	329.3	360.2	418.3	466.4	454.2	458.7	460.0
Gross fixed investment	338.5	304.3	310.8	369.8	322.5	357.9	351.0
Private	110.6	109.5	83.9	119.3	110.1	115.0	120.0
Government	62.1	79.8	68.0	62.7	61.9	60.1	76.7
Public enterprises	130.8	89.0	128.9	149.8	110.5	152.8	115.0
Changes in stocks	35.0	26.0	30.0	38.0	40.0	30.0	40.0
Net exports	-98.2	-73.3	-60.7	-192.4	-102.6	-79.3	-70.9
Exports of goods & nonfactor services	1,231.5	1,162.2	1,203.5	1,306.5	1,490.5	1,541.1	1,629.4
Imports of goods & nonfactor services	1,329.7	1,235.5	1,264.2	1,498.9	1,593.1	1,620.4	1,700.3
GDP at factor cost	1,728.2	1,834.8	2,019.0	2,170.7	2,268.9	2,351.3	2,493.8
Subsidies less indirect taxes	205.6	240.4	297.5	357.5	382.9	394.9	415.6
GDP at market prices	1,933.8	2,075.2	2,316.5	2,528.2	2,651.8	2,746.2	2,909.4
(In percent of GDP)							
Consumption	91.6	93.6	90.7	89.7	88.8	89.0	87.3
Private 1/	74.6	76.2	72.7	71.3	71.7	72.3	71.5
Government	17.0	17.4	18.1	18.4	17.1	16.7	15.8
Gross fixed investment	17.5	14.7	13.4	14.6	12.2	13.0	12.1
Private	5.7	5.3	3.6	4.7	4.2	4.2	4.1
Government	3.2	3.8	2.9	2.5	2.3	2.2	2.6
Public enterprises	6.8	4.3	5.6	5.9	4.2	5.6	4.0
Changes in stocks	1.8	1.3	1.3	1.5	1.5	1.1	1.4
Net exports	-5.1	-3.5	-2.6	-7.6	-3.9	-2.9	-2.4
Exports of goods & nonfactor services	63.7	56.0	52.0	51.7	56.2	56.1	56.0
Imports of goods & nonfactor services	68.8	59.5	54.6	59.3	60.1	59.0	58.4
Memorandum items:							
Gross national savings	19.9	14.6	13.0	18.0	14.8	13.5	13.1
Private 2/	15.4	10.9	11.3	16.6	11.3	10.1	10.8
Government 3/	4.6	3.7	1.7	1.4	3.5	3.4	2.3
Foreign savings 4/	-2.4	0.1	0.4	-3.3	-2.6	-0.5	-1.1

Source: Fiji Bureau of Statistics.

1/ Residual and hence includes statistical discrepancy.

2/ Includes public enterprises; derived as residual.

3/ Defined as total government revenue less current expenditure.

4/ Defined as the external current account balance (with reverse sign), including transfers.

Table 4. Fiji: Sugarcane Production and Growers' Income, 1990-95

	1990	1991	1992	1993	1994	1995
<b>Sugarcane production</b>						
Area harvested ( <sup>'000</sup> hectares)	70.0	73.0	72.0	74.0	74.0	74.0
Sugarcane output ( <sup>'000</sup> metric tons)	4,016	3,380	3,533	3,700	4,064	4,110
Average yield (metric tons/hectare)	57.4	46.3	49.1	50.0	54.6	55.6
Sugar output ( <sup>'000</sup> metric tons)	408.0	389.0	426.0	442.0	516.6	454.4
Cane/sugar ratio	9.8	8.7	8.3	8.4	7.9	9.0
<b>Growers' income (F\$ mn.)</b>						
Gross payments by FSC	207.9	190.5	246.6	206.8	196.8	203.1
First quarter	59.7	52.1	59.7	35.8	44.5	31.4
Second quarter	28.6	41.9	60.5	41.7	34.8	56.4
Third quarter	35.0	44.9	49.2	44.8	49.2	39.9
Fourth quarter	84.6	51.6	77.2	84.5	68.3	75.4
Net payments by FSC 1/	149.7	105.0	142.7	123.5	118.3	128.3
First quarter	40.1	27.2	33.2	25.1	29.9	21.7
Second quarter	24.3	35.9	53.2	35.1	30.3	49.9
Third quarter	23.3	29.9	20.5	17.2	17.5	13.7
Fourth quarter	62.0	12.0	35.8	46.1	40.6	43.0
<b>Average prices to grower (F\$/metric ton of cane)</b>	41.3	50.9	55.0	49.2	51.0	51.0
<b>Average cost of production (F\$/metric ton of cane) 2/</b>	21.2	22.2	22.5	24.0	24.0	25.0
<b>Number of growers</b>	21,771	21,334	22,479	23,334	22,808	22,449

Source: Fiji Sugar Corporation Ltd (FSC).

1/ Net of all recoveries from growers, including those for harvesting expenses.

2/ Based on surveys conducted by the Fiji Sugar Corporation Ltd.



Table 5. Fiji: Primary Production, 1990-95

(In thousands of metric tons, unless otherwise indicated)

	1990	1991	1992	1993	1994	1995
Sugarcane	4,016.0	3,380.0	3,533.0	3,700.0	4,064.0	4,110.0
Copra	19.0	15.2	16.4	10.2	8.4	10.7
Paddy	26.9	29.0	22.5	20.1	18.0	18.5
Ginger (matured)	3.2	4.0	3.4	2.9	4.6	1.1
Cocoa	0.4	0.4	0.3	0.2	0.2	0.1
Fish	29.4	30.0	29.9	30.6	32.5	...
Commercial	13.4	13.8	13.5	14.0	15.7	...
Subsistence	16.0	16.2	16.4	16.6	16.8	...
Round logs ('000 cu. m.)	493.0	453.2	417.0	500.5	501.0	560.6
Livestock (metric tons)	9,697.0	10,110.0	10,112.0	9,573.0	12,002.0	11,747.2
Beef	2,903.0	2,847.0	2,624.0	2,429.0	2,306.0	2,217.0
Other 1/	6,794.0	7,263.0	7,488.0	7,144.0	9,696.0	95,302.0

Sources: Ministry of Agriculture, Forestry and Fishery; and Fiji Bureau of Statistics.

1/ Chicken, pork, and goat.

Table 6. Fiji: Industrial Production, 1990-96

(Index 1986 = 100)

		1990	1991	1992	1993	1994	1995	March 1996
	Weight							
Gold	5.0	144.1	96.1	129.6	132.5	120.5	121.7	164.3
Manufacturing	69.7	106.4	112.9	109.7	117.8	123.6	126.4	131.7
Of which:								
Sugar	14.8	81.3	77.5	85.0	88.1	103.0	90.5	85.1
Canned fish	1.6	169.4	259.8	265.7	294.9	297.4	296.8	326.5
Coconut oil	1.7	82.3	62.1	65.4	44.1	33.3	39.2	31.4
Flour	0.9	100.6	109.6	113.0	135.5	152.9	167.9	184.7
Beer	2.9	120.8	114.2	108.2	104.6	100.9	95.3	93.4
Cigarettes	2.4	97.9	117.7	89.2	93.2	88.9	77.9	76.3
Garments	3.4	382.1	489.0	338.9	477.0	406.3	550.8	605.9
Saw milling	6.6	92.8	89.9	77.4	89.7	96.3	92.2	94.0
Veneer	1.1	109.3	89.8	97.1	106.0	117.4	110.3	112.5
Soap	2.0	96.0	102.6	100.0	101.6	105.2	102.6	103.0
Cement	5.4	84.4	85.5	91.7	86.2	101.5	98.8	100.0
Electricity and water	25.3	120.6	124.5	135.2	139.0	149.4	155.9	163.7
All items	100.0	111.9	115.0	117.2	123.9	130.0	133.6	137.5
(percent change)	...	7.9	2.8	1.9	5.7	4.9	2.8	2.9

Sources: Fiji Bureau of Statistics, Annual Economic Statistics, and Statistical News.

Table 7. Fiji: Tourism Statistics, 1990-95

(In thousands; unless otherwise indicated)

	1990	1991	1992	1993	1994	1995
<b>Hotel statistics (fourth quarter) 1/</b>						
Number of rooms	4,217	4,456	5,054	5,065	5,144	5,200
Room nights available	388	410	465	467	467	476
Bed nights available	1,065	1,106	1,240	1,235	1,250	1,233
Room occupancy rate (in percent)	59.3	51.9	51.1	48.4	54.6	53.9
Bed occupancy rate (in percent)	43.2	38.4	38.2	36.1	41.0	40.8
<b>Visitor arrivals 2/</b>						
Australia	103.5	86.6	87.4	77.6	85.5	78.5
Canada	18.4	15.3	12.6	12.4	12.0	10.4
Japan	21.6	27.8	36.0	38.2	39.8	45.3
New Zealand	29.4	30.6	37.2	40.8	53.5	59.0
Other Europe	27.2	26.3	29.5	29.8	31.0	31.0
Pacific Islands	17.5	16.2	15.6	17.0	17.9	17.5
United Kingdom	16.8	16.6	16.8	20.2	23.9	24.4
United States	36.9	31.8	34.8	42.5	45.4	39.7
Other	7.7	8.2	8.6	9.0	9.9	12.7
<b>Total</b>	<b>279.0</b>	<b>259.4</b>	<b>278.5</b>	<b>287.5</b>	<b>318.9</b>	<b>318.5</b>
<b>Average length of stay (days)</b>	<b>8.8</b>	<b>8.6</b>	<b>8.7</b>	<b>8.6</b>	<b>8.6</b>	<b>8.5</b>
<b>Visitor days (millions)</b>	<b>2.5</b>	<b>2.2</b>	<b>2.4</b>	<b>2.4</b>	<b>2.7</b>	<b>2.7</b>
<b>Expenditure (F\$ mn.)</b>	<b>294.6</b>	<b>286.3</b>	<b>328.1</b>	<b>347.4</b>	<b>392.5</b>	<b>437.5</b>

Source: Fiji Bureau of Statistics.

1/ Excludes hotels with fewer than 25 beds and guest houses.

2/ Excludes cruise ship passengers.

Table 8. Fiji: Tax-Free Factories Sector, 1990-95

	1990	1991	1992	1993	1994	1995
Projects implemented (number) 1/	114.0	110.0	119.0	132.0	141.0	156.0
(Of which: Garments)	78.0	79.0	84.0	89.0	92.0	103.0
Employment ('000)	9.5	10.2	11.9	12.4	12.6	13.4
(Of which: Garments)	7.8	8.7	10.1	10.5	10.7	11.5
Gross investment (F\$ mn.) 1/	53.0	56.3	70.3	86.4	88.0	92.0
(Of which: Garments)	37.0	36.0	45.0	80.3	80.9	84.3
Exports (F\$ mn.)	185.4	199.8	169.6	...	...	...
(Of which: Garments)	115.8	131.1	116.8	128.8	141.0	185.0

Source: Data provided by the Fiji authorities.

1/ Cumulative totals.

Table 9. Fiji: Consumer Prices, 1990-95 1/

(Annual average percentage change)

	New Weight	Old Weight	1990	1991	1992	1993	1994	1995
Food	35.4	33.9	8.2	1.6	-0.4	6.8	0.5	0.7
Drinks and tobacco	6.1	6.4	7.6	2.9	6.5	4.7	5.9	4.7
Housing	16.5	18.6	5.3	15.6	17.2	7.8	0.6	2.6
Heating and lighting	4.9	4.9	10.7	11.8	-1.9	3.7	-0.7	0.2
Durable household goods	6.5	7.6	5.3	3.2	3.6	2.4	-0.2	0.2
Clothing and footwear	5.4	6.3	5.0	3.0	1.5	-0.5	-0.6	2.0
Transportation	12.9	11.3	10.7	14.4	3.5	3.9	0.7	4.7
Services	7.6	6.7	20.6	10.0	11.9	4.4	3.0	4.6
Miscellaneous	4.8	4.3	5.2	3.6	3.0	2.7	-0.5	1.6
All items (average)	100	100	8.2	6.5	4.9	5.2	0.6	2.2
All items (end of period)			9.4	3.5	6.3	3.0	1.2	2.2

Sources: Fiji Bureau of Statistics, Current Economic Statistics, and Statistical News (various issues).

1/ Consumer price data after 1993 reflect rebased series using 1993 as base year.

Table 10. Fiji: Paid Employment by Sector, 1990-95 1/

(In thousands of persons)

	1990	1991	1992	1993	Prov. 1994	Est. 1995
<b>Economic activity</b>						
Agriculture, forestry, and fisheries	2.3	2.6	2.2	1.9	2.2	2.2
Mining and quarrying	1.4	1.1	1.4	1.9	1.9	2
Manufacturing	21.1	23.4	21.2	24.3	24.5	26.2
Electricity, gas, and water	2.5	2.7	2.7	2.6	2.6	2.6
Building and construction	5.7	7.0	8.5	5.7	6.2	6.2
Distribution (including tourism)	14.8	14.5	13.6	17.4	17.9	17.8
Transportation and communications	9.5	9.0	9.7	8.4	8.2	8.4
Finance and insurance	5.6	5.9	5.8	6.8	6.9	6.9
Other services	25.9	25.3	27.2	33.0	33.1	33.2
<b>Total</b>	<b>88.8</b>	<b>91.5</b>	<b>92.3</b>	<b>102.0</b>	<b>103.5</b>	<b>105.5</b>
<b>Employing sector</b>						
<b>Wage earners</b>	<b>50.9</b>	<b>52.3</b>	<b>52.8</b>	<b>61.7</b>	<b>62.8</b>	<b>64.3</b>
Central government	8.9	9.1	9.2	9.6	9.7	9.8
Local government	0.6	0.6	0.6	0.6	0.6	0.6
Public enterprises	3.2	3.3	3.3	8.9	9.1	9.3
Private corporations	9.7	10.0	10.1	11.9	12.1	13.0
Other private sector	28.5	29.3	29.6	30.7	31.3	31.6
<b>Salary earners</b>	<b>37.9</b>	<b>39.1</b>	<b>39.5</b>	<b>40.3</b>	<b>40.7</b>	<b>41.2</b>
Central government	18.4	18.9	19.1	21.1	21.2	21.4
Local government	0.4	0.4	0.4	0.3	0.3	0.3
Public enterprises	3.6	3.7	3.7	6.4	6.5	6.6
Private corporations	9.8	10.0	10.1	6.2	6.3	6.4
Other private sector	5.7	6.1	6.0	6.3	6.4	6.5
<b>Memorandum items:</b>						
Population	732.0	742.0	753.0	765.0	777.3	789.8
Labor force 2/	252.6	258.1	263.6	268.9	280.5	285
Employment 2/	236.4	242.9	249.4	253.1	264.4	269.6
Unemployment rate (In percent)	6.4	5.9	5.4	5.9	5.7	5.4

Source: Fiji Bureau of Statistics, Labor Market Quarterly Surveys (various issues).

1/ Paid employment refers to wage and salary earners as opposed to subsistence workers and self-employed. Normally, the data are based on annual employment surveys of which 1990 was the last one published. These surveys exclude most cane cutters and other seasonal and temporary workers whose period of employment does not coincide with the survey period which is the last week of June. Figures for June 1990-1994, are from the Quarterly Sample Survey on Paid Employment.

2/ Labor force estimated by applying 1986 census labor force participation rates to age-specific population estimates. Numbers in employment include paid employees, unpaid workers estimated using slightly modified census proportions, and estimates of cane cutters. Unemployment is a residual item.

Table 11. Fiji: Wage and Salary Earnings, 1990-95 1/, 2/

	1990	Est. 1991	Est. 1992	1993	Est. 1994	Est. 1995
(In Fiji dollars)						
Mean daily wages	13.36	14.03	15.01	16.08	16.56	16.77
Agriculture	10.96	11.51	12.31	13.28	13.68	14.09
Mining	14.80	15.54	16.63	20.40	21.01	21.28
Manufacturing	11.44	12.01	12.85	13.92	14.34	14.53
Construction	15.36	16.13	17.26	18.24	18.19	19.03
Electricity	18.16	19.07	20.40	22.40	23.07	23.36
Commerce	12.80	13.44	14.38	15.76	16.23	16.44
Transport	15.76	16.55	17.71	19.12	19.69	19.95
Services	13.96	14.66	15.69	16.24	16.73	16.95
Mean annual salaries	9,342	9,809	10,495	11,259	11,597	11,749
Agriculture	8,627	9,058	9,692	10,254	10,562	10,699
Mining	16,724	17,560	18,789	18,475	19,029	19,276
Manufacturing	10,668	11,201	11,985	13,448	13,851	14,031
Construction	10,618	11,149	11,929	13,795	14,209	14,394
Electricity	9,406	9,876	10,567	11,700	12,051	12,208
Commerce	8,920	9,366	10,022	10,931	11,259	11,405
Transport	9,761	10,249	10,966	12,947	13,335	13,508
Services	9,662	10,145	10,855	11,663	12,013	12,169
(Percentage change)						
Memorandum items:						
Wages	5.7	5.0	7.0	7.1	3.0	1.3
Salaries	16.0	5.0	7.0	7.3	3.0	1.3

Source: Data provided by the Fiji authorities.

1/ For 1990, annual employment survey data collected in June, excluding cane cutters and other seasonal and temporary workers whose period of employment does not coincide with the survey period.

2/ Data for 1991, 1992, 1994, and 1995 are estimated by adjusting for cost of living increases by 5, 7, 3, and 1.3 percent respectively for all sectors.

Table 12. Fiji: Domestic Sales and Prices of Petroleum Products, 1990-95

(In millions of liters)

	1990	1991	1992	1993	1994	1995
Domestic sales	222.4	219.7	225.9	242.7	258.3	261.7
Motor fuel	54.7	53.3	53.3	58.0	59.8	57.0
Kerosene	21.9	20.3	14.8	21.8	23.5	24.1
Automotive distillate	107.1	111.8	115.5	121.7	127.1	123.9
Industrial distillate	32.4	26.3	35.3	33.8	39.7	51.1
Residual fuel oil	6.3	8.0	7.0	7.4	8.1	5.6
Aviation fuel and bunkers	101.0	139.0	124.1	134.1	141.2	172.2
Aviation turbine fuel	69.6	110.0	85.9	95.6	109.5	128.8
Aviation gasoline	0.1	0.1	1.5	1.5	1.6	1.9
Automotive distillate	15.6	10.8	12.9	17.2	11.1	21.3
Industrial distillate	7.7	6.3	6.9	7.1	6.8	4.2
Residual fuel oil	8.0	11.8	16.9	12.7	12.2	16.0
Domestic prices 1/						
Gasoline	0.8	0.8	0.8	0.8	0.8	0.9
Diesel	0.6	0.6	0.6	0.6	0.6	0.7
Benzine	0.5	0.5	0.5	0.5	0.5	0.6
Outboard fuel	0.7	0.8	0.8	0.8	0.8	0.9
Electricity (per kwh) 2/	20.4	22.4	24.5	23.5	22.5	22.5

Source: Data provided by the Fiji authorities.

1/ Retail prices are for end of period and in F\$/liter.

2/ Increase from 1991 level reflects imposition of the VAT.



Table 13. Fiji: Central Government Finances, 1990-96

	1990	1991	1992	1993	1994	1995	Budget 1996
(In millions of Fiji dollars)							
Total revenue and grants	551.2	576.2	602.5	653.8	697.8	735.1	747.6
Tax revenue	438.1	446.6	479.1	523.6	562.8	615.2	630.7
Other	113.1	129.6	123.4	130.2	135.0	119.9	116.9
Of which: Grants	8.7	7.3	6.3	4.1	4.5	6.3	9.6
Expenditure	545.7	605.3	671.2	741.5	736.9	731.9	829.7
Current	450.2	487.4	566.6	647.1	630.2	645.7	692.2
Wages and salaries	232.3	255.8	283.8	304.6	309.1	312.6	325.5
Interest	78.6	73.1	71.5	75.6	76.9	84.1	90.7
Subsidies, transfers, and pensions	69.1	76.5	88.3	96.0	107.0	109.0	119.3
Goods and services	70.2	82.0	106.3	135.3	103.8	105.6	113.9
VAT	0.0	0.0	16.7	35.6	33.4	34.4	42.8
Capital	95.5	117.9	104.6	94.4	106.7	86.2	137.5
Construction	47.9	53.7	52.5	49.2	56.8	49.5	66.8
Purchases	8.8	20.3	9.7	9.5	8.3	10.0	12.7
Grants and transfers	38.8	43.9	42.4	35.7	41.6	26.7	58.0
Of which: Loans	6.8	10.2	9.5	12.4	17.9	8.2	13.6
Overall balance	5.5	-29.2	-68.7	-87.7	-39.1	3.2	-82.1
Financing	-5.5	29.1	68.7	87.5	39.1	13.0	98.6
Domestic	3.6	50.6	83.4	99.5	30.8	17.1	81.2
Banking system	-8.3	24.4	27.5	-3.3	-34.5	-6.9	4.1
Other	11.9	26.2	55.9	102.8	65.3	24.0	77.1
External	-9.1	-21.5	-14.7	-12.0	8.3	-4.1	17.4
Borrowing	20.4	22.7	11.3	11.8	31.1	22.1	36.6
Repayments	29.5	44.2	26.0	23.8	22.8	26.2	19.2
(In percent of GDP at current market prices)							
Total revenue and grants	28.5	27.8	26.0	25.9	26.3	26.8	25.2
Tax revenue	22.7	21.5	20.7	20.7	21.2	22.4	21.3
Other	5.9	6.2	5.3	5.2	5.1	4.4	3.9
Of which: Grants	0.4	0.4	0.3	0.2	0.2	0.2	0.3
Expenditure	28.2	29.2	29.0	29.3	27.8	26.7	28.0
Current	23.3	23.5	24.5	25.6	23.8	23.5	23.4
Wages and salaries	12.0	12.3	12.3	12.0	11.7	11.4	11.0
Interest	4.1	3.5	3.1	3.0	2.9	3.1	3.1
Subsidies, transfers, and pensions	3.6	3.7	3.8	3.8	4.0	4.0	4.0
Goods and services	3.6	4.0	4.6	5.4	3.9	3.8	3.8
VAT	0.0	0.0	0.7	1.4	1.3	1.3	1.4
Capital	4.9	5.7	4.5	3.7	4.0	3.1	4.6
Construction	2.5	2.6	2.3	1.9	2.1	1.8	2.3
Purchases	0.5	1.0	0.4	0.4	0.3	0.4	0.4
Grants and transfers	2.0	2.1	1.8	1.4	1.6	1.0	2.0
Of which: Loans	0.4	0.5	0.4	0.5	0.7	0.3	0.5
Overall balance	0.3	-1.4	-3.0	-3.5	-1.5	0.1	-2.8
Financing	-0.3	1.4	3.0	3.5	1.5	0.5	3.3
Domestic	0.2	2.4	3.6	3.9	1.2	0.6	2.7
External	-0.5	-1.0	-0.6	-0.5	0.3	-0.1	0.6
Memorandum items:							
Expenditure on defense	2.4	2.3	2.0	2.0	1.9	1.8	1.7
Public debt	40.1	38.7	36.4	36.4	36.9	31.0	38.0
Domestic	28.3	28.6	27.6	29.0	29.9	29.4	31.0
External	11.8	10.1	8.8	7.5	7.1	6.9	7.0
GDP at market prices (F\$ mn.)	1,933.8	2,075.2	2,316.5	2,528.2	2,651.8	2,746.2	2,964.3

Sources: Government of the Republic of Fiji, "Supplement to the Budget Address," various issues; and Fund staff estimates.

Table 14. Fiji: Central Government Revenue and Grants, 1990-96

	1990	1991	1992	1993	1994	1995	Budget 1996
(In millions of Fiji dollars)							
Total revenue and grants	551.2	576.2	602.5	653.8	697.8	735.1	747.6
Tax revenue	438.1	446.6	479.1	523.6	562.8	615.2	630.7
Income tax	195.7	206.9	194.0	188.5	202.0	237.7	238.6
Individual	116.5	119.7	109.9	94.8	111.6	138.7	140.0
Corporate	79.2	87.2	84.1	93.7	90.4	99.0	98.6
Taxes on goods and services	72.7	76.8	136.8	198.3	213.3	213.1	222.9
VAT	0.0	0.0	76.9	156.4	169.8	169.6	177.3
Excise duties	52.4	56.4	48.2	40.9	42.8	42.9	45.6
Turnover taxes	20.3	20.4	11.7	1.0	0.7	0.6	0.0
Taxes on international trade	169.7	162.9	148.3	136.7	147.5	164.4	169.2
Import duties	154.7	157.2	138.5	127.6	137.3	153.0	157.8
Export duties	15.0	5.7	9.8	9.1	10.3	11.4	11.4
Nontax revenue	100.1	116.9	109.9	121.9	126.2	107.0	103.5
Peacekeepers	17.5	28.7	23.9	28.1	19.4	14.3	17.2
RBF profits	13.4	14.2	12.0	14.3	19.3	2.3	7.0
FPTL	4.4	6.2	4.2	4.3	4.6	8.0	5.6
P.E. dividends	6.0	7.0	7.1	7.6	9.2	8.9	9.0
Fees and charges	55.8	58.3	59.3	63.9	70.7	70.0	60.6
Other	3.0	2.5	3.5	3.9	3.1	3.5	4.1
Capital revenue	13.0	12.7	13.5	8.3	8.8	12.9	13.4
Grants	8.7	7.5	7.2	4.1	4.5	6.3	9.6
Capital	4.3	5.2	6.3	4.2	4.3	6.6	3.8
(In percent of GDP at market prices)							
Total revenue and grants	28.5	27.8	26.0	25.9	26.3	26.8	25.2
Tax revenue	22.7	21.5	20.7	20.7	21.2	22.4	21.3
Income tax	10.1	10.0	8.4	7.5	7.6	8.7	8.0
Individual	6.0	5.8	4.7	3.8	4.2	5.1	4.7
Corporate	4.1	4.2	3.6	3.7	3.4	3.6	3.3
Taxes on goods and services	3.8	3.7	5.9	7.8	8.0	7.8	7.5
VAT	0.0	0.0	3.3	6.2	6.4	6.2	6.0
Excise duties	2.7	2.7	2.1	1.6	1.6	1.6	1.5
Turnover taxes	1.0	1.0	0.5	0.0	0.0	0.0	0.0
Taxes on international trade	8.8	7.8	6.4	5.4	5.6	6.0	5.7
Import duties	8.0	7.6	6.0	5.0	5.2	5.6	5.3
Export duties	0.8	0.3	0.4	0.4	0.4	0.4	0.4
Nontax revenue	5.2	5.6	4.7	4.8	4.8	3.9	3.5
Peacekeepers	0.9	1.4	1.0	1.1	0.7	0.5	0.6
RBF profits	0.7	0.7	0.5	0.6	0.7	0.1	0.2
FPTL	0.2	0.3	0.2	0.2	0.2	0.3	0.2
P.E. dividends	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Fees and charges	2.9	2.8	2.6	2.5	2.7	2.5	2.0
Other	0.2	0.1	0.2	0.2	0.1	0.1	0.1
Capital revenue	0.7	0.6	0.6	0.3	0.3	0.5	0.5
Grants	0.4	0.4	0.3	0.2	0.2	0.2	0.3
Capital	0.2	0.3	0.3	0.2	0.2	0.2	0.1

Sources: Government of the Republic of Fiji, "Supplement to the Budget Address" (various issues); and Fund staff estimates.

Table 15. Fiji: Central Government Debt, 1990-95

(In millions of Fiji dollars; end of period)

	1990	1991	1992	1993	1994	Prov. 1995
Domestic debt	547.1	593.9	637.8	733.4	792.0	807.3
(In percent of GDP)	28.3	28.6	27.5	29.0	29.9	29.4
By instrument						
Treasury bills	34.0	49.0	67.3	123.5	64.4	27.5
Bonds	260.4	293.8	319.4	360.6	478.3	530.5
Inscribed stock	252.7	251.1	251.1	249.3	249.3	249.3
By holder						
Reserve Bank of Fiji	0.1	0.1	0.0	6.7	0.0	0.0
Treasury bills	0.0	0.0	0.0	6.7	0.0	0.0
Bonds	0.1	0.1	0.0	0.0	0.0	0.0
Commercial banks	60.4	82.1	91.6	89.8	80.7	64.4
Treasury bills	5.0	21.0	24.0	34.1	26.2	7.5
Bonds	55.4	61.1	67.6	55.7	54.5	56.9
Fiji National Provident Fund	397.0	444.6	481.8	573.9	642.1	668.1
Treasury bills	15.0	24.0	40.8	82.8	36.0	10.0
Bonds	129.3	169.5	189.9	241.8	356.8	408.8
Inscribed stock	252.7	251.1	251.1	249.3	249.3	249.3
Insurance companies	59.3	52.2	52.0	54.3	58.3	58.2
Treasury bills	0.0	0.0	2.5	0.0	0.0	0.0
Bonds	59.3	52.2	49.5	54.3	58.3	58.2
Sinking fund	22.9	7.8	7.4	5.7	7.9	15.4
Treasury bills	14.0	4.0	0.0	0.0	2.2	10.0
Bonds	8.9	3.8	7.4	5.7	5.7	5.4
Other	7.4	7.1	5.0	3.0	3.0	1.2
Treasury bills	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	7.4	7.1	5.0	3.0	3.0	1.2
Foreign debt	228.4	209.4	200.6	187.5	187.3	191.8
(In percent of GDP)	11.8	10.1	8.7	7.4	7.1	7.0
Total government debt	775.5	803.3	838.4	920.9	979.4	999.1
(In percent of GDP)	40.1	38.7	36.2	36.4	36.9	36.4
Memorandum item:						
Total government debt excluding amounts owed to sinking fund	752.6	795.5	831.3	915.2	971.4	983.7

Source: Data provided by the Fiji authorities.

Table 16. Fiji: Operating Profits and Losses of Major Public Enterprises, 1990-94

(In millions of Fiji dollars)

	Government equity share (percent)	1990	1991	1992	1993	1994
<b>Non financial public enterprises</b>						
<b>Agriculture, forestry, and fisheries</b>						
Fiji Meat Industry Board	100	0.0	-0.1	0.2	0.4	0.4
Fiji Pine Limited	99.9	-1.9	0.7	0.5	-0.8	0.6
Fiji Sugar Corporation 1/, 2/	68	11.5	10.2	17.0	10.3	10.3
IKA Corporation Limited 3/	100	-0.7	-1.1	-1.1	-1.6	...
National Trading Corporation 1/, 2/	100	0.1	0.1	-0.7	-0.3	-0.5
Pacific Fishing Company 1/	98	2.2	3.2	-0.1	-2.1	-3.6
Rewa Rice Limited 2/	100	-0.3	0.2	-0.6	0.2	0.0
Yalavou Rural Development Board	100	-0.5	-0.5	-0.5	0.1	...
Yaqara Pastoral Company Limited	100	0.1	0.0	0.0	0.0	-0.3
<b>Housing and urban development</b>						
Housing Authority	100	-1.1	-1.9	0.2	0.5	0.7
Public Rental Board	100	-2.7	-3.2	-3.1	0.1	-0.4
<b>Infrastructure and aviation</b>						
Civil Aviation Authority 4/	100	1.6	1.8	1.3	2.4	2.3
Ports Authority of Fiji	100	0.9	0.8	-0.6	-6.8	0.0
<b>Air transportation</b>						
Air Fiji Limited	11.5	-0.1	-0.4	-0.5	-0.7	-0.7
Air Pacific Limited 2/	78	18.9	3.9	3.4	5.2	5.2
<b>Electricity and telecommunications</b>						
Fiji Electricity Authority	100	-4.1	13.2	15.1	15.6	16.4
Fiji International Telecommunications Limited 2/	51	16.2	16.2	16.9	18.9	18.9
Fiji Post and Telecommunications Limited	100	12.0	10.1	4.9	8.2	10.1
Fiji Broadcasting Commission	100	-1.2	-1.2	-1.1	-1.2	-0.9
<b>Financial public enterprises</b>						
<b>Financial institutions</b>						
Fiji Development Bank 1/, 4/	100	0.7	0.9	1.1	1.2	1.6
Home Finance Limited	25	0.9	0.8	0.8	1.0	1.0
<b>Banking institutions</b>						
National Bank of Fiji 4/	100	0.9	1.0	2.2	2.2	-8.9
Reserve Bank of Fiji	100	14.2	13.4	15.8	19.3	1.1
<b>Memorandum item:</b>						
Fiji National Provident Fund 4/		31.7	31.1	36.7	36.9	40.7

Source: Government of the Republic of Fiji, "Supplement to the Budget" (various issues).

1/ Operating profit is shown after interest, and before income tax and extraordinary items.

2/ Financial year ended March of the subsequent calendar year.

3/ The 1990 results for IKA are for the period since incorporation on February 2, 1990 to the end of the same calendar year.

4/ Financial year ended June of the same calendar year.

Table 17. Fiji: Net Worth of Major Public Enterprises, 1990-94

(In millions of Fiji dollars; end of period)

	1990	1991	1992	1993	1994
<b>Nonfinancial public enterprises</b>					
<b>Agriculture, forestry, and fisheries</b>					
Fiji Meat Industry Board	3.6	3.6	3.9	4.2	4.6
Fiji Pine Limited	-38.9	61.8	62.2	61.5	67.8
Fiji Sugar Corporation 1/, 2/	92.7	96.2	105.5	108.9	108.9
IKA Corporation Limited 3/	1.0	0.7	0.6	-1.0	...
National Trading Corporation 1/, 2/	3.5	3.6	4.9	4.6	4.1
Pacific Fishing Company 1/	8.5	11.8	11.6	9.4	19.9
Rewa Rice Limited 2/	1.7	2.2	2.7	1.6	1.8
Yalavou Rural Development Board	0.0	0.0	0.6	0.5	...
Yaqara Pastoral Company Limited	0.8	1.2	1.9	1.9	6.5
<b>Housing and urban development</b>					
Housing Authority	1.7	1.6	2.1	4.3	5.8
Public Rental Board	-10.3	-10.6	-11.7	-11.6	-12.0
<b>Infrastructure and aviation</b>					
Civil Aviation Authority 4/	40.5	42.3	43.5	45.1	46.7
Ports Authority of Fiji	34.6	35.0	34.4	27.8	25.3
<b>Air transportation</b>					
Air Fiji Limited	0.9	1.3	0.6	-0.1	0.1
Air Pacific Limited 2/	31.5	32.2	34.4	37.0	37.0
<b>Electricity and telecommunications</b>					
Fiji Electricity Authority	-3.9	13.2	204.4	224.8	242.0
Fiji International Telecommunications Limited	21.5	22.5	23.5	20.5	20.5
Fiji Post and Telecommunications Limited 2/	81.5	86.0	87.0	89.9	94.2
Fiji Broadcasting Commission	1.1	1.1	0.8	2.1	1.3
<b>Financial public enterprises</b>					
<b>Financial institutions</b>					
Fiji Development Bank 1/, 4/	50.6	54.0	60.0	64.8	66.7
Home Finance Limited	4.2	4.4	4.6	4.9	5.0
<b>Banking institutions</b>					
National Bank of Fiji 4/	7.5	9.6	13.1	14.1	5.2
Reserve Bank of Fiji	59.4	58.4	60.3	43.8	30.2
<b>Memorandum item:</b>					
Fiji National Provident Fund 4/	858.8	960.0	1,085.1	1,209.0	1,350.0

Source: Government of the Republic of Fiji, "Supplement to the Budget" (various issues).

1/ Operating profit is shown after interest, and before income tax and extraordinary items.

2/ Financial year ended March of the subsequent calendar year.

3/ The 1990 results for IKA are for the period since incorporation on February 2, 1990 to the end of the same calendar year.

4/ Financial year ended June of the same calendar year.

Table 18. Fiji: Budgetary Appropriations to Major Public Enterprises, 1990-94

(In millions of Fiji dollars)

	1990	1991	1992	1993	1994
Nonfinancial public enterprises	13.9	30.2	24.0	25.9	26.9
Agriculture, forestry, and fisheries	5.4	11.8	4.9	3.6	4.8
Fiji Meat Industry Board	0.0	0.0	0.0	0.0	0.0
Fiji Pine Limited	3.0	5.5	3.3	3.3	3.3
Fiji Sugar Corporation	0.0	0.0	0.0	0.0	0.0
IKA Corporation Limited	2.0	1.5	1.0	0.0	0.0
National Trading Corporation	0.0	0.0	0.0	0.0	0.0
Pacific Fishing Company	0.0	4.5	0.0	0.0	1.5
Rewa Rice Limited	0.0	0.0	0.0	0.0	0.0
Yalavou Rural Development Board	0.4	0.3	0.6	0.3	0.0
Yaqara Pastoral Company Limited	0.0	0.0	0.0	0.0	0.0
Housing and urban development	3.2	7.6	7.4	7.8	8.1
Housing Authority	0.2	4.4	5.4	6.3	6.2
Public Rental Board	3.0	3.2	2.0	1.5	1.9
Infrastructure and aviation	2.7	3.2	3.7	5.1	5.7
Civil Aviation Authority	2.7	3.2	3.7	5.1	5.7
Ports Authority of Fiji	0.0	0.0	0.0	0.0	0.0
Air transportation	0.0	0.0	0.0	0.0	0.0
Air Fiji Limited	0.0	0.0	0.0	0.0	0.0
Air Pacific Limited	0.0	0.0	0.0	0.0	0.0
Electricity and telecommunications	2.6	7.6	8.0	9.4	8.3
Fiji Electricity Authority	0.0	0.0	3.2	5.0	0.0
Fiji International Telecommunications Limited	0.0	0.0	0.0	0.0	0.0
Fiji Post and Telecommunications Limited	1.6	6.6	3.3	3.3	7.1
Fiji Broadcasting Commission	1.0	1.0	1.4	1.0	1.2
Financial public enterprises	5.3	9.8	9.8	7.0	4.5
Financial institutions	4.3	8.8	8.8	6.5	4.5
Fiji Development Bank	4.3	8.8	8.8	6.5	4.5
Home Finance Limited	0.0	0.0	0.0	0.0	0.0
Banking institutions	1.0	1.0	1.0	0.5	0.0
National Bank of Fiji	1.0	1.0	1.0	0.5	0.0
Reserve Bank of Fiji	0.0	0.0	0.0	0.0	0.0
Total	19.2	40.0	33.8	32.9	31.4

Source: Government of the Republic of Fiji, "Supplement to the Budget" (various issues).

Table 19. Fiji: Monetary Survey, 1990-96

	1990	1991	1992	1993	1994	1995	March 1996
(In millions of Fiji dollars; end of period)							
Net foreign assets	373.0	376.0	462.5	406.2	381.0	464.9	465.6
Domestic credit	762.7	935.9	1,061.9	1,198.2	1,250.7	1,268.3	1,303.2
Claims on government (net)	11.1	35.5	63.0	59.8	25.3	18.4	22.5
Claims on official entities	75.2	97.6	118.5	144.1	144.5	137.8	147.0
Claims on private sector	676.4	802.9	880.4	994.4	1,080.9	1,112.2	1,133.8
Broad money (M2)	988.2	1,129.8	1,291.5	1,377.5	1,414.4	1,475.7	1,511.3
Narrow money (M1)	265.3	274.4	314.1	363.8	344.6	386.2	408.3
Of which: Currency outside banks	86.0	91.0	103.1	112.4	115.6	117.8	108.9
Quasi-money	722.9	855.4	977.4	1,013.7	1,069.7	1,089.6	1,103.0
Reserve Bank notes	35.5	55.6	103.7	64.4	82.5	116.4	120.2
Other items (net)	112.0	126.5	129.2	162.5	134.7	141.1	137.3
(Twelve-month rate of change)							
Domestic credit	21.4	22.7	13.5	12.8	4.4	1.4	0.8
Claims on government (net)	-42.9	220.0	77.6	-5.2	-57.6	-27.4	-52.0
Claims on official entities	10.7	29.7	21.4	21.6	0.3	-4.6	-1.0
Claims on private sector	25.1	18.7	9.7	12.9	8.7	2.9	3.3
Broad money (M3)	25.2	14.3	14.3	6.7	2.7	4.3	8.4
Narrow money (M1)	0.7	3.4	14.4	15.8	-5.3	12.0	20.7
Quasi-money	37.5	18.3	14.3	3.7	5.5	1.9	4.4
(Change as a percent of M2 at the beginning of period)							
Foreign assets (net)	7.8	0.3	7.7	-4.4	-1.8	5.9	9.5
Domestic credit	17.0	17.5	11.2	10.6	3.8	1.3	0.7
Public sector	-2.0	0.2	0.6	-2.2	-2.5	0.0	-1.6
Private sector	17.2	12.8	6.9	8.8	6.3	2.2	2.6
Memorandum items:							
Money velocity (M2) 1/	2.1	1.9	1.9	1.9	1.9	1.9	2.0
Money multiplier (M2) 2/	5.8	6.0	5.7	6.3	6.3	6.1	6.1
Reserve money (percent change; 12-month)	11.3	11.7	19.7	-2.9	1.7	8.8	23.2
Deposit rate (in percent; end of period) 2/	5.0	3.8	4.0	4.0	5.0	4.5	4.5
Loan rate (in percent; yearly average) 3/	12.3	12.4	12.5	11.6	11.3	11.1	11.0
Inflation (in percent; period average)	8.2	6.5	4.9	5.2	0.6	2.2	2.8

Sources: Reserve Bank of Fiji, Quarterly Review (various issues); and IMF, Economic Information System.

1/ Ratio of GDP to broad money (monthly averages for 1990-95).

2/ Ratio of broad money to reserve money (December).

3/ On 12-24-month time deposits of less than F\$250,000.

Table 20. Fiji: Assets of the Financial System, 1985-95

(In millions of Fiji dollars; end of period)

	----- Banking System -----			Nonbank	Of which:	-- Financial System --	
	Total	Central Bank	Commercial Banks 2/	Financial Institutions 3/	Fiji National Provident Fund	F\$ mn.	Ratio to GDP
1985	754 (50)	186 (12)	568 (38)	747 (50)	482 (32)	1,501 (100)	1.3
1986	976 (58)	258 (15)	718 (42)	714 (42)	599 (35)	1,690 (100)	1.3
1987	877 (49)	241 (13)	636 (35)	916 (51)	628 (35)	1,793 (100)	1.3
1988	1,203 (54)	400 (18)	803 (36)	1,024 (46)	729 (33)	2,227 (100)	1.3
1989	1,330 (54)	406 (16)	924 (37)	1,140 (46)	811 (33)	2,470 (100)	1.6
1990	1,639 (57)	463 (16)	1,176 (41)	1,215 (43)	908 (32)	2,854 (100)	1.8
1991	1,797 (57)	483 (15)	1,314 (41)	1,373 (43)	1,018 (32)	3,170 (100)	1.8
1992	2,082 (57)	608 (17)	1,474 (41)	1,557 (43)	1,148 (32)	3,639 (100)	2.0
1993	2,182 (55)	532 (13)	1,650 (42)	1,793 (45)	1,287 (32)	3,975 (100)	2.0
1994	2,156 (52)	434 (10)	1,722 (41)	2,011 (48)	1,417 (34)	4,167 (100)	1.9
1995	2,120 (51)	387 (9)	1,733 (41)	2,061 (49)	1,444 (35)	4,181 (100)	1.8

Source: Reserve Bank of Fiji.

1/ Figures in parentheses reflect shares in total assets.

2/ Australia and New Zealand Banking Group; Bank of Baroda; Habib Bank (as of 1991); National Bank of Fiji, Westpac Banking Corporation; and Bank of Hawaii (as of 1993).

3/ Fiji Development Bank; Fiji National Provident Fund; Home Finance Company Limited; Housing Authority; Merchant Bank of Fiji (as of 1992); Unit Trust of Fiji; and Credit Corporation Limited (as of 1993).



Table 21. Fiji: Balance Sheet of Monetary Authorities, 1990-96 1/

(In millions of Fiji dollars; end of period)

	1990	1991	1992	1993	1994	March 1995	June 1995	Sept. 1995	Dec. 1995	March 1996
Foreign assets	380.5	399.7	498.0	414.8	384.9	351.2	351.5	448.6	498.9	513.0
Claims on government	0.1	0.1	0.0	6.7	0.0	0.5	0.0	0.0	0.0	0.0
Claims on official entities	0.1	0.1	0.1	2.2	0.1	0.1	1.2	0.1	0.1	0.1
Claims on commercial banks	5.0	0.0	0.0	0.0	20.1	21.0	29.0	20.6	20.3	20.3
Unclassified assets	22.0	20.7	21.5	21.6	29.1	14.7	17.1	20.9	23.7	19.1
Assets = liabilities	407.7	420.6	519.6	445.3	434.2	387.5	398.8	490.2	542.9	552.4
Reserve money	169.3	189.1	226.4	219.9	223.6	200.8	209.8	238.2	243.4	247.5
Currency	100.4	103.8	113.9	124.5	127.7	109.7	117.0	117.3	133.3	120.0
Outside banks	86.0	91.0	103.1	112.4	115.6	101.0	107.3	107.7	117.8	108.9
With banks	14.4	12.9	10.9	12.1	12.1	8.7	9.7	9.6	15.5	11.1
Bankers' deposits	68.8	84.9	112.5	95.4	95.8	91.1	92.7	120.9	110.0	127.5
Statutory reserves	56.7	64.0	74.5	81.7	86.9	86.9	86.7	89.5	89.2	93.5
Settlement balances	12.1	20.9	38.0	13.8	8.9	4.2	6.0	31.4	20.8	34.0
Deposits of official entities	0.1	0.3	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Reserve Bank notes	96.2	95.4	163.9	108.9	126.6	118.2	113.7	176.2	220.5	211.2
Foreign liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government deposits	36.2	31.7	21.8	14.3	14.8	5.7	16.2	13.0	6.8	28.6
Of which: Sinking fund	18.1	25.4	19.2	9.6	6.0	5.1	9.5	3.6	2.5	21.7
Capital accounts	83.4	73.0	82.8	62.7	45.8	50.3	47.9	46.9	49.3	44.2
Unclassified liabilities	22.6	31.4	24.6	39.5	23.5	12.4	11.3	16.0	22.9	21.0

Source: IMF, Economic Information System.

1/ As of the last working day of the month.

Table 22. Fiji: Liquidity Position of Commercial Banks, 1990-96 1/

	1990	1991	1992	1993	1994	March 1995	June 1995	Sept.	Dec.	March 1996
(In millions of Fiji dollars; end of period)										
Actual liquid assets	273.1	309.3	381.3	357.1	355.3	350.0	374.3	410.4	413.0	441.2
Vault cash	14.4	12.9	10.9	12.1	12.1	8.7	9.7	9.6	15.5	11.1
Deposits with Reserve Bank	68.8	84.9	112.5	95.4	95.8	91.1	92.7	120.9	110.0	127.5
Statutory reserves	56.7	64.0	74.5	81.7	86.9	86.9	86.7	89.5	89.2	93.5
Settlement balance	12.1	20.9	38.0	13.8	8.9	4.2	6.0	31.4	20.8	34.0
Eligible assets 2/	189.9	211.5	258.0	249.6	247.4	250.2	271.9	279.9	287.5	302.7
Required liquid assets	206.3	238.0	273.1	299.5	318.8	318.7	317.8	327.7	327.1	342.7
SRD cash and deposits 3/	56.7	64.0	74.5	81.7	86.9	86.9	86.7	89.5	89.2	93.5
ULAR eligible assets 4/	149.6	174.0	198.6	217.8	231.8	231.8	231.2	238.2	237.9	249.2
Excess liquid assets	66.8	71.3	108.2	57.6	36.5	31.2	56.4	82.7	86.0	98.6
Cash and deposits	26.5	33.8	48.8	25.8	21.0	12.8	15.7	41.0	36.3	45.1
Eligible assets	40.3	37.5	59.4	31.8	15.6	18.4	40.7	41.7	49.6	53.5
Loans and advances	671.4	779.2	872.1	994.1	1,085.7	1,103.1	1,115.3	1,107.3	1,122.8	1,136.8
(Ratio to liability base)										
Excess liquid assets	7.1	6.6	8.7	4.2	2.5	2.2	3.9	5.6	5.8	6.3
Cash and deposits	2.8	3.1	3.9	1.9	1.4	0.9	1.1	2.8	2.4	2.9
Eligible assets	4.3	3.5	4.8	2.3	1.1	1.3	2.8	2.8	3.3	3.4
Memorandum item:										
Liability base for SRD and ULAR 5/	934.9	1,087.4	1,241.4	1,361.4	1,449.0	1,448.8	1,444.7	1,488.5	1,486.6	1,557.7

Sources: Reserve Bank of Fiji, Quarterly Review (various issues); and IMF, Economic Information System.

1/ As of the last working day of the month.

2/ Comprises government securities and bonds, promissory note issues of statutory bodies, and Reserve Bank notes.

3/ Since 1987, the Statutory Reserve Deposit is 6 percent of deposits and similar liabilities.

4/ Since 1985, the Unimpaired Liquid Assets Ratio is 16 percent of deposits and similar liabilities.

5/ Adjusted for checks in transit and includes bills payable.

Table 23. Fiji: Structure of Interest Rates, 1990-96

(In percent per annum; end of period)

	1990	1991	1992	1993	1994	March	June	Sept.	Dec.	March
						1995	1995	1995	1995	1996
<b>Reserve Bank</b>										
Minimum lending rate	8.0	8.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Deposit rate										
Commercial banks 1/	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
<b>Commercial banks</b>										
Interbank rate	4.7	5.0	3.0	4.7	4.0	5.3	4.7	2.7	3.4	2.1
Loan rates 2/	12.3	12.4	12.5	11.6	11.3	11.3	11.3	11.2	11.1	11.0
Deposit rates										
Savings deposits	3.7	4.1	4.1	3.3	3.1	3.1	3.2	3.2	3.3	3.1
Small time deposits 3/										
7 days-1 month	...	2.5	3.0	3.3	1.5	3.0	4.0	3.0	8.0	2.5
1-3 months	5.0	3.8	4.0	4.0	5.0	4.1	5.5	4.5	4.5	4.5
3-6 months	5.5	5.0	5.3	4.5	5.0	5.0	5.1	5.0	4.5	4.6
6-12 months	7.0	6.5	6.0	7.0	6.0	6.5	6.0	6.3	6.5	5.0
1-2 years	8.5	8.5	8.0	7.0	7.8	8.0	8.0	7.5	7.5	7.0
2-3 years	9.5	8.8	9.0	7.0	8.3	6.8	8.0	7.0	7.3	6.8
3 years and longer	11.0	10.3	10.0	7.0	8.1	8.0	8.0	8.0	7.5	7.5
Large time deposits 4/										
7 days-1 month	5.5	4.5	2.3	5.0	1.5	6.8	4.0	3.5	4.5	8.0
1-3 months	4.8	4.0	4.5	6.0	5.5	5.3	5.3	4.5	6.0	4.8
3-6 months	6.0	6.1	5.0	6.0	5.5	6.0	7.0	5.0	5.0	5.0
6-12 months	7.0	7.5	8.0	7.3	6.8	7.5	6.6	6.0	7.0	6.0
1-2 years	8.5	9.0	8.0	8.0	8.0	8.0	8.0	8.0	7.5	7.3
<b>Public sector securities</b>										
Treasury bills 5/	4.9	5.8	3.5	2.3	3.3	3.1	3.0	3.3	...	3.0
3-year bonds 6/	7.7	7.7	8.0	6.0	7.2	7.2	7.1	7.9	7.2	...
5-year bonds 7/	8.5	8.6	9.0	7.1	8.1	8.0	8.0	8.0	8.5	...
10-year bonds 8/	...	9.2	9.1	8.4	8.7	...	8.8	8.6	8.5	8.5
Promissory notes 5/										
Fiji Sugar Corporation	6.3	7.2	3.9	2.7	...	3.2	4.5	4.5	...	3.9

Source: Data provided by the Reserve Bank of Fiji.

1/ Paid on statutory reserve deposits of commercial banks.

2/ Weighted average for the year.

3/ Deposits below F\$250,000.

4/ Deposits over F\$250,000.

5/ Weighted average over the last quarter for the 91-day maturities.

6/ Weighted average over the last quarter for 3-4-year bonds.

7/ Weighted average over the last quarter for 5-9-year bonds.

8/ Weighted average over the last quarter for 10-15-year bonds.

Table 24. Fiji: Deposit Money Banks, 1990-96 1/

(In millions of Fiji dollars; end of period)

	1990	1991	1992	1993	1994	March	June	Sept.	Dec.	March
						1995	1995	1995	1995	1996
Reserves	83.2	97.8	123.3	107.5	107.9	99.8	102.4	130.5	125.5	138.5
Cash	14.4	12.9	10.9	12.1	12.1	8.7	9.7	9.6	15.5	11.1
Statutory reserves	56.7	64.5	74.7	81.8	87.1	87.7	87.8	89.5	89.9	93.7
Settlement balances	12.1	20.4	37.8	13.7	8.8	3.4	4.9	31.4	20.1	33.8
Reserve Bank notes	60.7	39.9	60.2	44.6	44.0	46.9	47.3	73.8	104.1	90.9
Foreign assets	113.6	73.5	69.6	90.4	88.6	83.5	68.8	63.2	71.7	64.6
Claims on government	60.8	82.2	91.6	88.9	80.7	72.9	83.6	78.3	65.4	74.3
Claims on official entities	75.2	97.5	118.4	141.9	144.4	148.4	166.8	142.8	137.7	146.9
Claims on private sector	676.4	802.9	880.4	994.4	1,080.9	1,097.9	1,104.3	1,103.9	1,112.2	1,133.8
Other assets	106.0	120.6	130.7	138.3	121.5	137.8	130.3	149.9	165.6	139.6
Assets = Liabilities	1,175.8	1,314.3	1,474.2	1,605.9	1,668.1	1,687.0	1,703.4	1,742.4	1,782.1	1,788.6
Demand deposits 2/	179.2	183.1	211.0	251.4	229.0	237.1	264.8	259.5	268.3	299.4
Time and savings deposits	722.9	855.4	977.4	1,013.7	1,069.7	1,056.5	1,041.9	1,085.0	1,089.6	1,103.0
Government deposits	13.6	15.1	6.8	21.5	40.5	20.9	26.1	30.4	40.1	23.2
Foreign liabilities	121.1	97.3	105.1	99.1	92.5	101.8	105.7	98.8	105.6	112.0
Other liabilities	134.0	163.4	173.9	220.2	216.1	249.7	236.0	248.1	258.2	230.8

Source: IMF, Economic Information System.

1/ As of the last working day of the month.

2/ Includes local bills payable.

Table 25. Fiji: Loans and Advances of Commercial Banks, 1990-96

[illegible]

Source: Data provided by the Fiji authorities.

1/ Includes duty-free trade of hotels and restaurants.

Table 26. Fiji: Ownership of Deposits of Commercial Banks, 1990-96 1/

	1990	1991	1992	1993	1994	March 1995	June 1995	Sept. 1995	Dec. 1995	March 1996
(In millions of Fiji dollars; end of period)										
Demand deposits	214.5	233.0	259.6	307.8	298.3	278.5	315.8	310.4	342.5	345.0
Central government	13.6	15.1	6.8	11.5	25.5	5.9	11.1	15.4	25.1	8.2
Official entities	28.9	41.6	51.2	72.0	45.9	68.2	66.4	62.0	58.3	91.7
Residents	163.5	158.0	178.5	202.2	204.0	179.4	215.0	209.0	232.7	221.3
Nonresidents	8.4	18.4	23.0	22.1	22.9	25.0	23.3	24.1	26.4	23.9
Savings deposits	245.2	242.1	265.4	299.3	307.3	296.4	305.9	311.2	320.5	316.1
Residents	240.9	235.3	258.0	291.6	299.3	287.1	296.3	301.6	310.8	307.0
Nonresidents	4.3	6.8	7.4	7.7	8.1	9.3	9.6	9.5	9.7	9.1
Time deposits	488.4	628.7	725.1	738.2	795.7	794.1	772.3	810.8	806.3	823.7
Central government	0.0	0.0	0.0	10.0	15.0	15.0	15.0	15.0	15.0	15.0
Local governments	0.2	0.4	1.0	0.4	0.6	0.7	1.0	0.7	0.8	1.0
Official entities	133.7	159.2	205.3	235.0	251.3	239.7	223.0	202.3	181.8	192.7
Residents	348.0	460.4	513.1	486.7	518.5	529.0	521.6	580.4	596.1	602.3
Nonresidents	6.5	8.6	5.6	6.0	10.2	9.8	11.6	12.4	12.6	12.8
Total deposits	948.2	1,103.9	1,250.1	1,345.3	1,401.3	1,369.0	1,393.9	1,432.3	1,469.4	1,484.8
(In percent of total deposits)										
Demand deposits	22.6	21.1	20.8	22.9	21.3	20.3	22.7	21.7	23.3	23.2
Savings deposits	25.9	21.9	21.2	22.2	21.9	21.7	21.9	21.7	21.8	21.3
Time deposits	51.5	57.0	58.0	54.9	56.8	58.0	55.4	56.6	54.9	55.5

Source: IMF, Economic Information System.

1/ Excludes nonresidents' foreign currency deposits.

Table 27. Fiji: Maturity of Time Deposits of Commercial Banks, 1990-96 1/

	1990	1991	1992	1993	1994	March 1995	June 1995	Sept. 1995	Dec. 1995	March 1996
(In millions of Fiji dollars)										
Maturity										
7 days-1 month	5.5	4.4	23.9	7.0	0.0	16.2	3.8	7.5	2.9	8.1
1-3 months	26.3	49.7	29.3	39.0	48.9	40.1	35.5	38.9	66.3	51.0
3-6 months	32.7	55.3	39.6	55.7	66.4	66.9	56.8	45.6	27.5	56.1
6-12 months	39.6	49.0	70.9	58.7	75.1	79.4	84.8	76.6	66.5	77.4
12-24 months	175.6	176.9	179.2	225.9	304.6	332.6	384.1	427.6	433.1	462.6
24-36 months	43.5	68.3	76.1	64.0	61.2	60.2	52.1	57.8	51.6	33.5
More than 36 months	165.2	225.0	306.0	287.9	239.5	198.8	155.2	156.8	158.4	135.1
Total	488.4	628.6	725.0	738.2	795.7	794.2	772.3	810.8	806.3	823.8
(In percent of total)										
Maturity										
7 days-1 month	1.1	0.7	3.3	0.9	0.0	2.0	0.5	0.9	0.4	1.0
1-3 months	5.4	7.9	4.0	5.3	6.1	5.0	4.6	4.8	8.2	6.2
3-6 months	6.7	8.8	5.5	7.5	8.3	8.4	7.4	5.6	3.4	6.8
6-12 months	8.1	7.8	9.8	8.0	9.4	10.0	11.0	9.4	8.2	9.4
12-24 months	36.0	28.1	24.7	30.6	38.3	41.9	49.7	52.7	53.7	56.2
24-36 months	8.9	10.9	10.5	8.7	7.7	7.6	6.7	7.1	6.4	4.1
More than 36 months	33.8	35.8	42.2	39.0	30.1	25.0	20.1	19.3	19.6	16.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Reserve Bank of Fiji, Quarterly Review.

1/ Excludes nonresidents' foreign currency deposits.

Table 28. Fiji: Consolidated Assets and Liabilities of Nonbank Financial Institutions, 1990-95 1/

(In millions of Fiji dollars; end of period)

	1990	1991	1992	1993	1994	1995
Cash	78.4	137.7	146.0	153.3	166.5	170.1
Claims on government	434.8	497.5	582.8	640.3	718.2	786.4
Claims on official entities	151.2	230.2	235.0	302.7	329.2	374.0
Claims on private sector	314.9	323.4	400.4	486.7	563.8	636.2
Assets = Liabilities	979.3	1,188.8	1,364.2	1,583.0	1,777.7	1,966.7
Contributions (FNPF)	654.9	729.7	821.2	911.8	1,007.2	1,106.0
Borrowings from the government	2.5	1.2	1.0	0.4	6.4	2.4
Commercial banks	26.8	40.3	49.8	85.5	42.2	32.9
Foreign liabilities	23.5	25.9	25.8	23.2	32.9	36.4
Capital and reserves	313.8	352.7	398.6	458.1	494.6	552.2
Other items, net 2/	-42.2	39.0	67.8	104.0	194.4	236.8

Source: Data provided by the Fiji authorities.

1/ Includes the Fiji Development Bank, the Fiji National Provident Fund, the Housing Authority, the Home Finance Company Limited, the Unit Trust of Fiji, the Merchant Bank of Fiji (as of 1992), and the Credit Corporation Limited (as of 1993); and excludes insurance companies.

2/ Includes insurance companies.



Table 29. Fiji: Balance of Payments, 1990-95

	1990	1991	1992	1993	1994	1995
(In millions of U.S. dollars)						
Trade balance	-226	-188	-190	-285	-236	-246
Exports, f.o.b.	416	361	349	368	485	515
Of which: Sugar	151	149	147	150	172	196
Imports, f.o.b.	642	549	539	653	721	761
Services, net	133	118	122	132	109	153
Nonfactor (net)	181	158	172	186	196	228
Of which: Travel receipts	160	150	175	181	208	253
Factor (net)	-47	-40	-50	-54	-86	-75
Private transfers, net	-22	-25	-16	-11	-24	-26
Official transfers, net	69	96	94	80	82	105
Current account	-46	1	10	-84	-69	-14
Capital, net	52	-18	59	13	16	63
Official, net	-30	-31	-25	-32	-33	-16
Other	14	17	14	-31	-19	21
Commercial banks	3	1	6	-17	-7	16
Short-term trade credits	11	16	8	-13	-12	5
Direct investment	68	-4	70	76	69	58
Errors and omissions	31	25	-9	25	41	29
Overall balance	37	9	59	-46	-11	77
(In percent of GDP)						
Trade balance	-17.3	-13.4	-12.3	-17.4	-13.0	-12.6
Current account	-3.6	0.1	0.7	-5.1	-3.8	-0.7
Overall balance	2.8	0.6	3.8	-2.8	-0.6	4.0
External debt	464.9	456.5	435.5	387.2	340.3	333.8
Debt-service ratio 1/	12.2	10.1	8.3	7.2	7.2	4.7
Memorandum items:						
Total domestic exports (US\$ mn.)	395	376	369	382	449	544
Imports (c.i.f.) (US\$ mn.) 2/	679	593	590	716	764	841
Valuation adjustment (F\$ mn.)	9	6	9	-12	-12	4
Gross reserves (F\$ mn.)	382	401	500	417	388	501
(In months of imports, c.i.f.) 2/	4.6	5.5	6.8	4.5	4.2	5.1

Sources: Data provided by the Fiji Bureau of Statistics and the Reserve Bank of Fiji; and Fund staff estimates.

1/ In percent of exports of goods and services.

2/ Corrected for re-exports.

Table 30. Fiji: Exports by Commodity, 1990-95

(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995
Sugar	156.4	148.6	149.4	156.3	167.8	179.1
Value	53.6	65.9	69.6	56.8	56.6	71.8
Of which: Transfer from EU 1/	384.9	357.1	364.8	439.1	472.0	444.3
Volume ('000 tonne)	153.0	164.0	177.0	154.1	175.8	167.6
Unit value (US\$/ton; excl. EU transfers)	0.0	0.0	0.0	0.0	0.0	0.0
Molasses	4.5	9.0	8.8	6.8	9.0	13.8
Value	87.8	155.3	136.7	117.7	140.3	188.5
Volume ('000 tons)	51.0	57.7	64.7	57.6	64.5	73.3
Unit value (US\$/ton)	0.0	0.0	0.0	0.0	0.0	0.0
Coconut Oil	3.4	1.6	3.8	2.5	2.5	2.5
Value	11.0	3.6	7.9	6.0	4.1	4.0
Volume ('000 tons)	311.4	430.7	487.2	417.9	616.7	632.4
Unit value (US\$/ton)	0.0	0.0	0.0	0.0	0.0	0.0
Gold	53.0	31.5	41.0	45.2	41.7	38.0
Value	87.0	71.2	118.8	121.6	112.6	109.6
Volume ('000 fine oz)	609.1	442.2	345.0	371.7	369.9	346.8
Unit Value (US\$/fine oz)	34.5	31.4	26.5	29.3	43.8	41.4
Fish 3/	34.5	31.4	26.5	29.3	43.8	41.4
Of which: Canned fish 2/						
Value	27.4	24.1	19.4	21.3	26.0	22.2
Volume ('000 ton)	0.0	0.0	0.0	0.0	0.0	0.0
Unit Value (F\$/ton)	75.8	46.7	60.7	66.7	62.6	58.6
Fresh fish	3.1	2.6	1.8	5.6	8.6	14.3
Forestry products 3/	26.5	21.1	24.2	20.9	20.8	29.3
Other domestic exports	50.1	42.3	41.9	50.4	57.8	71.7
Of which: Garments	81.0	88.4	78.9	87.3	93.8	120.0
Total domestic exports	355.7	307.8	305.0	342.0	380.6	424.0
Re-exports (BOP basis)	74.6	51.3	48.8	42.2	91.6	46.1
Less:						
Aircraft & shipstores (BOP basis)	25.7	18.8	21.6	22.2	14.4	15.8
Air Pacific Fuel	2.0	3.9	5.4	6.2	6.1	6.5
Leased aircraft returned (market value)	0.0	0.0	0.0	0.0	33.3	0.0
Total exports, f.o.b.	308.8	279.2	283.2	328.2	342.7	400.2

Sources: Fiji Bureau of Statistics.

1/ Exports to the EU in excess of world market price.

2/ Domestic exports plus imported fish processed at the cannery.

3/ Logs, sawn timber, veneer, and plywood.

Table 31. Fiji: Sugar Exports by Destination, 1990-95

	1990	1991	1992	1993	1994	1995
(In U.S. dollars per metric ton)						
Unit value						
European Union	602.5	627.3	581.5	568.2	578.1	601.5
New Zealand	276.9	0.0	0.0	0.0	0.0	0.0
Malaysia	217.9	226.4	231.5	229.1	231.3	234.8
China	171.0	284.6	235.1	0.0	0.0	0.0
Other 1/	318.4	242.8	221.0	210.8	242.7	397.3
Of which: United States	369.6	388.5	311.9	396.8	396.4	382.5
Average (weighted)	392.5	418.3	396.6	340.8	364.9	437.9
(In thousands of metric ton)						
Volume						
European Union	153.0	164.0	177.0	154.2	175.8	167.6
New Zealand	40.0	0.0	0.0	0.0	0.0	0.0
Malaysia	110.0	88.0	117.0	105.9	112.2	105.9
China	15.0	25.0	15.0	0.0	0.0	0.0
Other 1/	66.9	80.1	62.0	179.1	184.0	145.6
Of which: United States	19.0	15.0	16.0	8.5	11.2	12.5
Average (weighted)	394.3	357.1	364.9	439.2	472.0	419.1
(In millions of U.S. dollars; f.o.b.)						
Value						
European Union	92.2	102.9	102.9	87.6	101.6	100.8
New Zealand	11.1	0.0	0.0	0.0	0.0	0.0
Malaysia	24.0	19.9	27.1	24.3	26.0	24.9
China	2.6	7.1	3.5	0.0	0.0	0.0
Other 1/	21.3	19.4	13.7	37.8	44.7	57.8
Of which: United States	7.0	5.8	5.0	3.4	4.4	4.8
Average (weighted)	154.8	149.4	144.7	149.7	172.2	183.5

Sources: Fiji Bureau of Statistics.

1/ Includes exports to Pacific islands.

Table 32. Fiji: Total Imports and Re-exports, 1990-95 1/

(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995
Total imports	778.1	640.9	647.2	790.1	818.9	813.3
Food	99.9	87.0	92.0	113.1	110.4	118.2
Beverages and tobacco	5.7	5.3	5.5	6.7	7.0	8.6
Crude materials	5.3	5.3	4.9	4.3	4.7	5.9
Mineral fuel	109.8	98.6	90.1	89.9	91.4	89.2
Oil and fats	7.8	6.8	7.6	8.9	8.4	10.7
Chemicals	57.1	49.0	53.1	55.6	59.5	60.2
Manufactured goods	170.7	165.6	161.5	170.5	185.6	218.6
Machinery and transport equipment	238.8	146.1	157.5	207.5	251.0	180.2
Of which: Aircrafts (market value)	57.8	0.0	27.3	62.1	92.5	28.2
Miscellaneous artical	74.5	70.3	60.8	85.8	78.8	90.3
Commodities n.e.s	8.4	6.9	6.1	9.6	8.2	8.8
Of which: Re-exports	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Re-exports	102.4	74.0	75.8	70.5	95.5	68.4
Food, beverage and tobacco	3.8	0.7	1.1	1.5	0.9	1.6
Crude materials	0.3	0.2	0.3	0.2	0.2	0.1
Mineral fuels 2/	55.9	46.2	38.9	47.4	39.3	42.2
Chemicals	0.7	1.0	1.0	1.4	1.3	1.3
Manufactured goods	6.8	8.2	7.1	6.8	6.3	7.3
Machinery and transport equipment	25.7	11.1	21.9	7.0	39.5	8.7
Of which: Aircrafts (lease value)	15.4	0.0	12.0	0.0	33.3	0.0
Miscellaneous goods	9.2	6.7	5.5	6.2	8.1	7.2
Less: Air Pacific Fuel	2.0	3.9	5.4	6.2	6.1	6.5

Source: Fiji Bureau of Statistics.

1/ C.I.F. values; by SITC classification.

2/ Includes fuel sold to foreign aircraft and ships.

Table 33. Fiji: Direction of Trade, 1990-95

(In percent of total)

	1990	1991	1992	1993	1994	1995
<b>Exports (f.o.b.) 1/</b>						
Australia	20.2	17.7	19.9	25.6	25.6	26.0
New Zealand	13.4	9.2	6.2	5.5	5.8	5.3
Pacific islands	7.0	6.3	6.8	6.0	5.6	5.5
European Union	29.3	26.7	33.0	25.9	24.5	25.2
United Kingdom	28.7	25.9	32.0	24.2	23.6	22.9
Other	0.6	0.8	1.0	1.7	0.9	2.3
Canada	2.5	3.6	3.2	7.2	5.6	3.6
United States	9.2	13.1	15.2	12.2	13.7	13.0
China	0.6	1.9	1.0	...	0.3	1.1
Hong Kong	0.8	1.2	1.0	0.5	0.5	0.9
Japan	7.0	6.8	6.1	8.7	8.2	6.6
Singapore	3.7	0.2	0.2	0.5	0.1	0.1
Taiwan Province of China	0.8	2.0	0.1	0.1	0.9	2.4
Other	5.5	11.3	7.3	7.8	9.2	10.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>Imports (c.i.f.) 2/</b>						
Australia	27.8	31.4	32.1	32.8	33.0	38.8
New Zealand	16.3	18.3	16.9	19.2	16.9	15.8
Pacific islands	1.0	0.3	0.3	0.3	0.6	0.5
European Union	6.9	5.8	7.1	5.6	3.7	3.8
United Kingdom	3.0	3.0	3.2	3.1	1.7	2.1
Other	3.9	2.8	3.9	2.5	2.0	1.7
Canada	0.3	0.5	0.3	0.4	0.3	0.5
United States	12.9	4.3	8.8	7.6	14.8	7.1
China	2.8	2.9	3.4	3.4	3.2	2.9
Hong Kong	2.9	3.6	3.2	3.3	2.1	2.8
Japan	11.0	11.4	10.3	11.0	8.1	7.2
Singapore	5.8	6.2	6.4	5.6	7.4	7.1
Taiwan Province of China	4.0	4.6	2.7	2.3	2.4	3.1
Other	8.3	10.7	8.6	8.5	7.5	10.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Fiji Bureau of Statistics; and Reserve Bank of Fiji, Quarterly Review (various issues).

1/ Domestic exports only.

2/ Including imports for re-exports.

Table 34. Fiji: Services and Transfers, 1990-95

(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995
Services, net	148.8	125.3	130.8	138.1	107.7	141.6
Receipts	493.3	485.0	519.9	557.7	569.8	588.9
Freight, insurance, and other transportation	133.5	127.5	140.5	150.2	148.6	158.7
Travel	207.6	194.0	222.2	238.1	263.5	289.5
Investment income	39.4	40.6	37.0	27.9	20.2	20.3
Direct investment	10.7	8.0	6.8	0.5	1.1	2.0
Reinvested earnings	9.4	7.8	5.5	-0.5	0.3	1.3
Dividends and profits	0.6	0.2	0.1	0.3	0.1	0.0
Interest	0.8	0.1	1.2	0.6	0.7	0.7
Government interest	17.3	24.5	23.4	26.8	17.9	16.1
Other	11.5	8.0	6.8	0.6	1.2	2.2
Government, n.i.e.	41.8	45.1	40.4	44.7	44.9	36.3
Of which: Peacekeeping	71.0	77.9	79.8	96.7	92.6	84.1
Other	71.0	77.9	79.8	96.7	92.6	84.1
Of which: Nonresident expenses	35.3	37.3	32.6	29.7	31.5	31.7
Compensation of employees	22.1	19.0	22.9	27.1	28.8	29.8
Royalties	1.1	5.7	9.0	10.6	3.6	1.8
Payments	344.4	359.7	389.1	419.5	462.0	447.3
Freight, insurance, and other transportation	154.4	134.5	145.5	163.2	156.2	159.0
Travel	42.2	45.1	44.8	48.7	60.7	58.8
Investment income	77.9	72.0	81.0	84.0	103.0	86.3
Direct investment	51.2	50.4	62.5	67.7	88.6	76.3
Reinvested earnings	23.4	4.9	12.8	13.1	44.8	31.8
Dividends and profits	19.0	24.3	23.0	29.8	26.1	20.4
Interest	0.9	4.9	10.9	1.8	1.6	2.6
Lease (excl. depreciation)	7.8	16.3	15.8	23.0	16.0	21.6
Government interest	26.7	21.6	18.4	16.3	14.4	10.0
Central government	14.3	12.1	10.1	9.7	8.4	8.2
Statutory authorities	11.5	9.5	7.6	6.2	5.4	1.4
IMF	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.9	0.0	0.8	0.4	0.5	0.4
Government, n.i.e.	18.7	28.5	26.2	26.4	24.0	22.6
Of which: Peacekeeping	1.2	1.1	1.1	1.3	1.6	2.3
Other	51.3	79.6	91.7	97.2	118.1	120.6
Of which: Insurance	9.6	9.4	13.9	15.3	17.9	13.4
Expenses	12.7	12.7	13.4	19.7	23.0	21.2
Royalties	1.2	31.1	38.8	31.2	44.6	48.4
Professional fees	18.9	17.3	16.1	19.2	19.2	21.1
Private transfers, net	-23.1	-24.5	-16.5	-11.6	-23.2	-24.1
Receipts	25.8	32.3	35.6	42.2	37.2	33.0
Payments	48.9	56.8	52.1	53.8	60.3	57.1
Official transfers, net	71.0	95.8	95.8	83.8	79.5	95.9
Receipts	71.5	97.4	98.0	87.3	83.6	99.2
Of which: Aid in cash	9.1	12.3	9.3	2.8	2.7	4.1
EU sugar 1/	53.6	65.9	69.6	56.8	56.6	71.8
Payments	0.5	1.6	2.2	3.5	4.1	3.3
Memorandum items						
Tourist arrivals	279.0	259.4	278.5	287.5	318.9	318.5
Growth rate	11.3	-7.0	7.4	3.2	10.9	-0.1
Average length of stay (days)	8.8	8.6	8.7	8.6	8.6	8.5
Gross per capita spending (US\$/day)	80.9	86.7	91.8	93.5	92.8	111.6

Source: Fiji Bureau of Statistics

1/ Exports to EU in excess of world market price.

Table 35. Fiji: Capital Account, 1990-95

(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995
Total capital, net	53.8	-17.8	59.6	14.0	16.0	57.2
Official capital, net	-31.2	-30.8	-25.7	-33.1	-32.3	-15.0
Government	-1.7	-15.4	-11.7	-8.6	3.5	-3.4
Receipts	15.7	19.6	7.5	9.6	19.2	13.7
Repayments	-17.4	-35.1	-19.2	-18.2	-15.6	-17.1
Public enterprises	-29.4	-15.4	-14.0	-24.5	-35.9	-11.7
Receipts	6.9	4.3	9.5	1.2	0.0	0.0
Repayments	-36.3	-19.7	-23.5	-25.7	-35.9	-11.7
Other capital	14.8	17.0	14.2	-32.1	-18.4	19.5
Commercial banks	3.5	1.1	6.3	-18.0	-6.7	14.5
Change in liabilities	22.1	-25.9	3.7	-3.9	-7.9	3.6
Change in assets	-18.6	27.0	2.6	-14.1	1.2	11.0
Short-term trade credit	11.3	15.8	7.8	-14.1	-11.8	4.9
Total credit extended	-11.0	13.3	-21.7	-30.6	-3.3	3.6
Total credit received	22.3	2.5	29.5	16.5	-8.4	1.3
Direct investment	70.2	-4.0	71.1	79.2	66.8	52.8
Net equity	84.5	4.7	34.6	57.7	73.6	44.8
Investment abroad	-2.7	-6.6	-4.5	0.5	3.6	-8.4
Equity capital	6.7	1.1	1.0	0.0	3.9	-7.1
Reinvestment earnings	-9.4	-7.8	-5.5	0.5	-0.3	-1.3
Investment in Fiji	87.1	11.3	39.2	57.2	70.0	53.1
Equity capital	-1.7	-2.7	-7.3	-7.2	-14.0	-11.6
Real estate	5.2	8.9	5.5	2.8	3.8	2.1
Other investment	60.2	0.1	28.1	48.5	35.3	30.8
Reinvested earnings	23.4	4.9	12.8	13.1	44.8	31.8
Loans	-14.3	-8.6	36.5	21.6	-6.8	8.0
Drawings	7.1	1.0	53.6	49.7	24.8	25.5
Repayments	-21.4	-9.6	-17.2	-28.1	-31.5	-17.4

Source: Fiji Bureau of Statistics.

Table 36. Fiji: External Debt and Debt Service, 1990-95

(In millions of U.S. dollars; end of period)

	1990	1991	1992	1993	1994	Prov. 1995
Total external debt 1/	318.6	310.0	278.4	251.3	241.5	233.5
Public sector (end period)	269.2	240.8	207.4	181.6	165.2	158.3
Government	156.5	143.3	129.8	122.1	133.0	134.2
Reserve Bank (IMF)	0.0	0.0	0.0	0.0	0.0	0.0
Public enterprises	112.7	97.4	77.7	59.4	32.2	24.1
Private sector (end period)	49.4	69.3	71.0	69.8	76.3	75.2
Debt service	106.2	81.9	65.5	62.9	78.4	51.6
Amortization	73.0	58.5	46.9	46.2	62.0	38.5
Public sector	51.3	53.6	38.8	37.0	54.8	31.0
Government	15.7	33.8	16.6	15.7	16.7	18.4
Public enterprise	35.6	19.8	22.2	21.3	38.1	12.6
Private sector	21.0	4.8	8.1	9.3	7.2	7.5
IMF repurchases	0.8	0.0	0.0	0.0	0.0	0.0
Interest payments	33.2	23.4	18.6	16.6	16.4	13.1
Public sector	24.6	21.2	16.2	14.9	14.7	10.5
Government	13.4	11.6	9.1	8.9	9.0	8.8
Public enterprise	11.2	9.6	7.1	6.0	5.7	1.6
Private sector	7.9	2.2	2.4	1.8	1.7	2.7
IMF charges	0.7	0.0	0.0	0.0	0.0	0.0
Memorandum items:						
Borrowing (BOP)	29.1	25.1	32.1	17.4	25.8	16.2
Government	15.4	19.8	7.1	9.2	20.5	14.8
Public enterprise	6.7	4.3	8.9	1.2	0.0	0.0
Private	7.0	1.0	16.0	7.0	5.3	1.5
Exports of goods and n.f. services	866.6	809.3	792.0	875.2	1,090.0	1,106.7
Nominal GDP	1,179.8	1,251.1	1,275.1	1,386.5	1,593.8	1,641.1
External debt/GDP	27.0	24.8	21.8	18.1	15.2	14.2
Debt service ratio 2/	12.2	10.1	8.3	7.2	7.2	4.7

Sources: Fiji Reserve Bank, "Debt Recording Management System"; and Fund staff estimates.

1/ Medium- and long-term debt outstanding at end of period.

2/ In percent of exports of goods and services.



Table 37. Fiji: International Reserves, 1990-95

(In millions of U.S. dollars; end of period)

	1990	1991	1992	1993	1994	1995
Net official reserves	261.8	272.3	319.3	270.4	275.3	350.6
Reserve Bank	260.6	271.4	318.4	269.2	273.1	348.7
Assets	260.55	271.39	318.44	269.21	273.12	348.7
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Central government	1.2	0.9	0.9	1.2	2.2	1.9
Assets	1.2	0.9	0.9	1.2	2.2	1.9
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-27.8	-25.3	-26.4	-12.6	-6.2	8.2
Assets	79.2	51.4	50.5	60.9	62.6	74.8
Liabilities	107.0	76.7	76.9	73.5	68.8	66.6
Total net reserves	234.0	246.9	292.9	257.9	269.1	358.8
Assets	341.0	323.7	369.8	331.3	337.9	425.4
Liabilities	107.0	76.7	76.9	73.5	68.8	66.6
Gross official reserves	261.8	272.3	319.3	270.4	274.5	350.4
In months of imports c.i.f. 1/	4.6	5.5	6.8	4.5	4.2	5.1

Source: Reserve Bank of Fiji.

1/ Corrected for re-exports.

## **THE INSOLVENCY OF THE NATIONAL BANK OF FIJI**

### **I. INTRODUCTION AND SUMMARY**

The National Bank of Fiji (NBF), which is the only domestically and government-owned bank in Fiji, is insolvent. As of June 1995, an estimated two-thirds of its loan portfolio was judged to be nonperforming (7½ percent of GDP), with slim chances of recovery, leaving the bank with a negative net worth estimated at F\$170 million. The Reserve Bank of Fiji (RBF) raised concerns about the NBF's lending practices as early as 1991, but it lacked the power to enforce a solution. The problems continued to grow until the NBF's liquidity position finally became untenable in 1994. Many factors contributed to the crisis, including weak management, a poor incentive structure, inadequate internal information and control systems, political interference, and severe shortcomings in supervision. The failure to act decisively at the first warning signs magnified the final cost of the bailout.

The government has announced a plan for dealing with the bank. It will be significantly downsized, becoming a personal savings bank rather than a commercial bank; eventually, privatization to local interests is seen as desirable. The resolution of the NBF problem will have important implications for fiscal and monetary policy in the period ahead. The substantial costs to the budget, likely to exceed F\$200 million, will require significant reductions in noninterest expenditures, if the government is to meet its medium-term fiscal consolidation objectives. Steps need to be taken to ensure that the continued operation of the bank poses no future fiscal risks. Monetary policy will need to guard against monetization of the NBF losses. In order to reduce the probability of such a crisis recurring, the supervisory capabilities of the RBF need to be significantly upgraded.

This appendix describes in Section II the origin and evolution of the insolvency, and in Section III the government's actions and plans for resolving it.

### **II. ORIGIN AND EVOLUTION OF THE PROBLEM**

With loans and advances of around F\$375 million at end-1995, the NBF accounted for 33 percent of total lending by the banking sector. The bank is the successor to the Post Office Saving Bank which, following Fiji's independence in 1970, was transformed into a fully-fledged commercial bank. After the Saving Bank of Fiji Act of 1973 had first widened its lending powers, the NBF Act of 1976 established a completely new legal framework especially designed for the NBF. Control by the government became indirect, with the Permanent Secretary of Finance taking a seat on the NBF Board. The NBF was committed to furthering the national interest with due regard to the stability and balanced development of Fiji's economy. Deposits in the NBF were fully guaranteed by the government (other banks did not benefit from such a deposit guarantee). One-half of its annual profit was to be transferred to the Fiji Government Consolidated Fund, subject to the discretion of the government; however, no profit transfers have occurred, and no tax payments been made.

### **A. Developments at the NBF**

From 1988 through 1993, the growth in NBF lending averaged almost 40 percent per year, compared to 20 percent for the banking system as a whole (Chart 1). However, robust growth in deposits, especially by public enterprises and the Fiji National Provident Fund (FNPF), prevented liquidity problems. Liquidity strains only began to emerge in late 1993, when the FNPF liquidated some of its deposits to take advantage of higher yields on government bonds. The NBF was forced to regularly borrow overnight funds from the RBF; these borrowings eventually peaked at F\$80 million. The RBF further provided liquidity support by placing, in December 1993, F\$15 million in Fiji government sinking fund deposits, as well as its own deposits, at the NBF. It also urged other commercial banks to lend to the NBF in the interbank market, pointing to the fact that such loans would be covered by the government deposit guarantee. As condition for its support, the Reserve Bank established an oversight unit to monitor the NBF's cash flow; the understanding was further that the NBF would limit its loan portfolio to F\$355 million, but this commitment was not adhered to. In 1994, the Minister of Finance ordered a special audit of the bank which, for the first time, uncovered the seriousness of the bad loan problem. However, the full extent of the problems only became clear in early 1996 after a second more comprehensive audit by a foreign company.

It is currently estimated that nearly two-thirds of the loan portfolio is nonperforming (F\$220 million or 7½ percent of 1995 GDP). Most of the nonperforming loans are old, undersecured, and nonrehabitable; about F\$70 million of the nonperforming loans represent capitalized interest. It is estimated that, at most, F\$60-70 million of the nonperforming loans are recoverable, which would mean that, without recapitalization, the NBF's net worth would be severely negative (an estimated F\$170 million as of June 1995). The nonperforming loans consist of 400 in excess of F\$100,000 and 7,000 of less than F\$100,000. Statistical information about their sectoral distribution is not available, but the NBF's total loan portfolio is distributed much like those of the other banks, with a heavy concentration (about one-quarter) in the category "private individuals" (Chart 2).<sup>1</sup> There are just a few small loans to public enterprises among the NBF's nonperforming assets.

### **B. Causes of the Crisis**

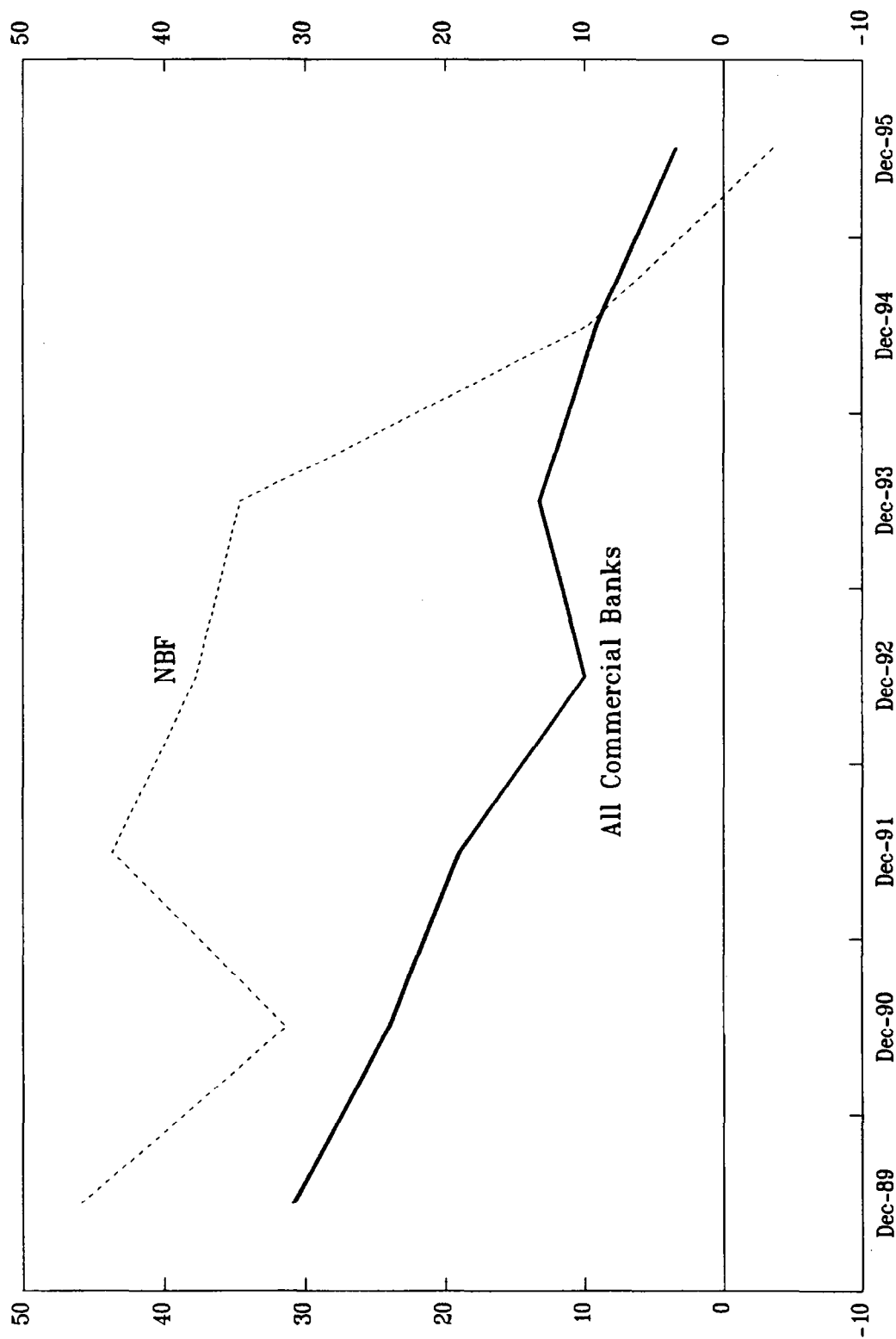
#### **Political mandate of the NBF and the poor incentive structure**

Following the coup in 1987, the government installed a new local management team at the NBF (the previous team having been dominated by expatriates), who were given a strong mandate to promote the business interests of the ethnic Fijian community. Essentially, the NBF was operated as a quasi-development finance institution, particularly through its

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<sup>1</sup>However, as of December 1994, 30 percent of NBF loans and advances fell in the "other" category, compared to 20 percent for the banking system total.

CHART 1  
FIJI  
Commercial Bank Loans and Advances, 1989-95  
(Twelve-month percentage change)

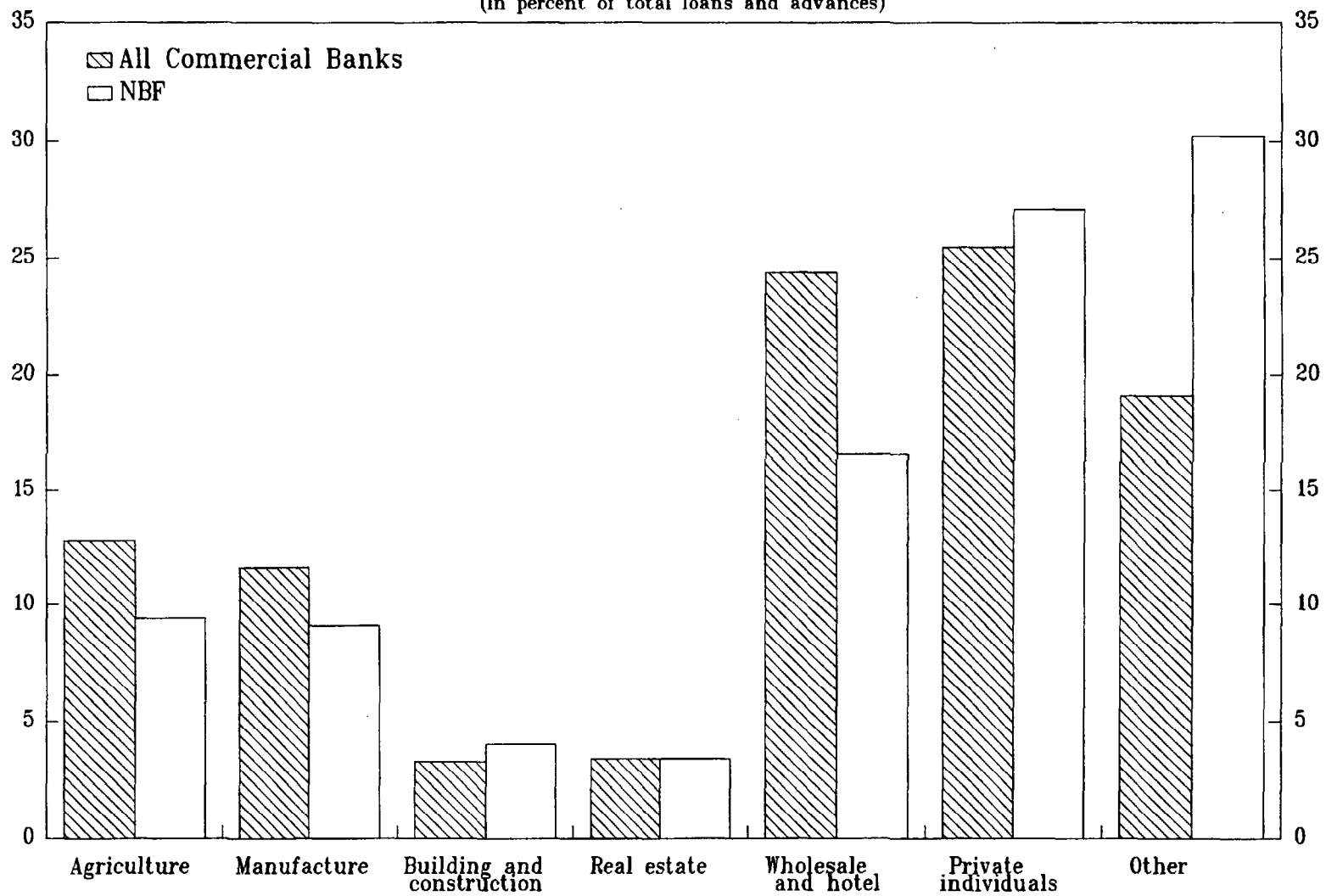


Source: Data provided by the Fiji authorities.

CHART 2

FIJI

Commercial Bank Loans and Advances by Sector, December 1994  
(In percent of total loans and advances)



Source: Data provided by the Fiji authorities.

activities in the rural areas. Financial considerations were not central to the operations of the bank, and financial yardsticks were not relied upon to measure performance. Management assumed that financial support would be forthcoming, when needed.

The NBF had a competitive advantage over the other commercial banks, due to the governmental deposit insurance. It was also favored by deposits placed with it by the government, the FNPF, and public enterprises. This big funding advantage formed the basis for the NBF's rapid credit expansion.

### **Ineffective information and control systems**

Effective internal information and management control systems were lacking in the NBF. For example, there was no set system for loan approvals, and some regional managers exercised great discretion. The NBF's books did not reveal its true financial condition. Many of the loans that were registered as "current" had been rolled over and the interest capitalized. Consequently, nonperforming loans were not provided for, let alone written off. Borrowers unable to maintain their repayment commitments were regularly given additional loans. Loans were often unsecured, or the security was improperly registered so as to make it worthless. Land was accepted as collateral, even when it was subject to communal ownership.

Because of the inadequate accounting and control systems, management was probably not fully aware of the severity of the bank's problems. According to its financial reports, the NBF moved from a loss of F\$5.3 million in 1987 to a profit of F\$355,000 in 1988, which improved steadily, reaching F\$2.2 million by 1993. The proportion of nonperforming loans reported compared favorably with the other commercial banks. It is now estimated that the NBF was, in fact, making losses of some F\$20 million annually by 1993.

### **Shortcomings in supervision**

Banking supervision failed to detect the weaknesses in the NBF's internal control systems and the distortions of its financial reports. While on-site inspections of a number of NBF branches, as early as 1991, pointed to serious shortcomings, no follow-up actions occurred. A problem was that the NBF Act provided for overrides of provisions of the Banking Act if this was in the national interest. Most importantly, the NBF repeatedly lent more than 25 percent of its capital and reserves to single borrowers. The NBF also lent to its staff, which was in violation of its own regulations.

### **Financial liberalization**

The NBF's problems were exacerbated by the liberalized financial environment following the easing of credit restrictions and interest rate controls in the late 1980s. In the more competitive environment that resulted, the NBF's poor internal controls and political mandate proved especially damaging. The NBF's maturity mismatch, with fixed rate loans generally of 10-15 years maturity largely funded by 3-6 month wholesale deposits, adversely

affected the financial position of the bank when interest rates rose. Moreover, the short-term deposits proved volatile when government securities started to pay higher yields, straining the NBF's liquidity position.

### **Cyclical factors**

Although the problems at the NBF were clearly endemic, the downturn in the economy that occurred in 1991 probably made them worse. It gave NBF management and government officials reason to believe that cyclical factors were a major reason for the problems. This may explain their reluctance to bring corrective policies to bear early on, persisting instead with the NBF's ambitious expansion strategy.

### **Fraud**

Inadequate internal control systems and supervision created substantial scope for fraudulent activities within the NBF. There are allegations of interest-free loans being extended, kickbacks received, and uncompetitive tendering.

## **III. THE GOVERNMENT'S PLAN**

The government and the Reserve Bank acted decisively in August 1995 when a rehabilitation regime, formulated with technical assistance from the World Bank, was put in place. The senior management of the bank were replaced, lending to delinquent borrowers was stopped, and a comprehensive external audit undertaken. The government also reaffirmed its guarantee on all NBF deposits to help maintain investor confidence in the bank. The RBF started to monitor the nonperforming part of the NBF portfolio, and became represented on all internal committees (audit, lending, etc.) and the bank's board. In the first six months, the new management team focused on identifying the full extent of the problems. Collection activities were then stepped up, and two large foreclosures have already occurred. The strategy is not to forgive any debts, but to first concentrate on the large loans in order to establish credibility and to build up expertise.

An initial F\$20 million was allocated in the 1996 budget to begin the recapitalization of the NBF. The subsequent comprehensive external audit revealed that the bank's problems were much more serious than assumed at the time.<sup>2</sup> Consequently, in May 1996, the government announced a more radical reform program, that would substantially downsize the NBF and change its character to that of a "personal savings bank," that is, a bank that will no longer have corporate customers, either as depositors or as borrowers. As a result, assets would be reduced to about F\$60-100 million, and the NBF staff to around 400, from the current level of 700. Of course, such a restructuring will likely result in the assets of the bank

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<sup>2</sup>The NBF's accounts for the year to June 30, 1995 have not yet been published, pending the issuance by the government of an indemnity consistent with its deposit guarantee.

becoming more concentrated in the rural sector, potentially leading to an increase in the risk of the lending portfolio.

Down the road, the government is willing to consider privatizing the NBF, but only to domestic interests, in order to retain at least one domestically owned bank. They further want the NBF to continue to provide banking services to rural areas which are not serviced by the other banks, but with an explicit subsidy from the budget. The fiscal cost of this subsidy is estimated at F\$0.5-1 million per annum.

The management and recovery of the NBF's nonperforming loans will be assigned to an independent Asset Management Unit (AMU). This should allow NBF management to concentrate on reforming the bank. It should also help to minimize potential conflicts of interest between the AMU and the NBF, and promote correct transfer pricing between them.

The details of the downsizing of the NBF are not yet fully worked out. Various options are being considered for implementing the intended phasing out of wholesale and business deposits which is envisaged to take between 18 and 24 months. The government feels that a more rapid downsizing of the bank could disrupt economic activity and complicate the conduct of monetary policy. A financing solution must be found to spread the budgetary impact of the deposit guarantee over a reasonable number of years.

The new NBF will not be formally established before the government is satisfied with its commercial viability. Until the NBF Act has been amended to reflect the new character of the bank, the Minister of Finance will use his authority under the Act to direct NBF management to act accordingly. The government is also taking steps to prosecute the fraud that may have occurred.