FOR AGENDA

SM/85/309

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November 18, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Fiji - Staff Report for the 1985 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1985 Article IV consultation with Fiji, which will be brought to the agenda for discussion on a date to be announced.

Mr. Otani (ext. 7305) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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FIJI

Staff Report for the 1985 Article IV Consultation

Prepared by the Staff Representatives for the 1985
Article IV Consultation with Fiji

(In consultation with the Exchange and Trade Relations,
Fiscal Affairs, Legal, and Treasurer's Departments)

Approved by P.R. Narvekar and Eduard Brau

November 15, 1985

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I. Introduction

The 1985 Article IV consultation discussions with Fiji were held in Suva during September 14-28, 1985. The Fiji representatives included Deputy Prime Minister and Minister of Finance, Mr. Qionibaravi; the Governor of the Reserve Bank, Mr. Siwatibau; and other senior officials in the government ministries and departments, the Reserve Bank, and public enterprises. The staff team comprised Messrs. Otani (head), Shah (both ASD), Lim (STA), Ms. Bartoli (FAD), and as secretary, Mrs. Sehmi (ASD). Mr. Reddy, Assistant to the Executive Director for Fiji, attended some of the discussions.

Fiji has accepted the obligations of Article VIII, Sections 2, 3, and 4.

II. Economic Background

Fiji, with a population of about 700,000, is a small island economy. It has a relatively large external sector, with combined exports and imports amounting to about 60 percent of GDP in recent years. The main aspect of the country's development strategy during the past 15 years since independence has been the diversification of the economic base. Some progress has been made, but the economy remains heavily dependent on a few export commodities and services. Fiji's principal economic activities include the production and export of sugar, tourism, and government services; manufacturing, excluding the processing of sugarcane, accounts for less than 10 percent of GDP. The growth of real GDP averaged about 5 percent per annum during the 1970s, supported by the rapid expansion in tourism and sugar production. However, during the first half of the 1980s, growth averaged only 1 percent, mainly because of adverse weather and the unfavorable international economic environment.

1. Economic trends, 1982-84

Economic activity has fluctuated significantly in recent years, and it has generally been stagnant (Chart 1). During 1982-84, the growth rate of real GDP averaged only about 1 percent per annum, insufficient to generate enough employment to absorb a growing labor force. The main factors contributing to this stagnation were: (1) the adverse impact of a prolonged drought on sugar production and that of severe cyclones on tourist arrivals in 1983; (2) the international recession; (3) a deterioration in the terms of trade in the early 1980s; and (4) incomes policy that increased real wages in paid employment at the time when per capita income was declining. Against this background, the financial position of the Government and business sectors weakened, contributing to a decline in gross domestic investment from 26 percent of GDP in 1982 to 19 percent in 1984. The completion in 1983 of the major projects under the Monasavu hydroelectric scheme also led to sluggish investment activity in the following years.

The labor market situation appears to have deteriorated substantially (Chart 2). According to the authorities' preliminary estimates, the labor force had been rising on average by about 3 percent per annum since 1982. The number of unemployed rose by more than 10 percent annually in the environment of stagnant economic activity and rising wages, and the rate of unemployment increased by over 1 percentage point to about 7 1/2 percent in 1984. Also, the problem of urban unemployment was aggravated by the incomes policy that brought about a widening of the wage differentials between the urban and rural sectors.

Domestic prices in Fiji are influenced strongly by import prices. The rate of inflation, measured in terms of consumer prices, declined from about 7 percent in 1982 to about 5 percent in 1984, mainly because of the slower rate of increase in import prices.

Financial policies were gradually tightened. The overall budget deficit declined from nearly 7 percent of GDP in 1982 to about 3 percent in 1984 (Chart 3), primarily because of the implementation of revenue measures and cuts in capital expenditures and net lending to public enterprises in order to offset part of the rapid increases in current expenditures, particularly wages and salaries. The deficit in 1984 was somewhat smaller than anticipated at the time of the Executive Board discussion of the consultation reports on Fiji in January 1985, owing mainly to an unanticipated cut in capital expenditures; capital spending as a proportion of total expenditure fell from 27 percent in 1982 to 13 percent in 1984. The financial position of the public enterprises, particularly the Fiji Sugar Corporation and Air Pacific, deteriorated significantly. The growth of domestic credit declined significantly, primarily because the public sector increased its recourse to borrowing from the National Provident Fund and other nonbank institutions. During the period under review, nominal interest rates on deposits remained unchanged, while those on commercial loans rose marginally. Broad money rose somewhat faster than nominal GDP, and the income velocity declined slightly. Real interest rates, which remained positive, increased further as the rate of inflation declined (Chart 4).

The external current account improved, but the underlying payments position remained weak. Between 1982 and 1984, exports remained virtually unchanged in SDR terms, reflecting the continued weakening in world prices of sugar. Imports declined somewhat, largely because of a stagnant domestic economy, a decline in imports financed by external aid, and a reduction in oil imports following the completion of a large hydroelectricity project in 1983. The deficit in the trade account remained large. With the continued growth in the surplus on the services and private transfers account, the current account deficit excluding official transfers declined and the overall balance recorded a sizable surplus in 1984--the first such surplus since 1980. Official reserves remained relatively stable at about four months' imports (Chart 5). External debt, which had increased sharply during 1981-83 to 39 percent of GDP, declined to 36 percent in 1984. The debt service

payments increased from 8 percent of exports of goods and services in 1982 to 11 percent in 1984.

The exchange rate of the Fiji dollar is determined on the basis of a basket of currencies of Fiji's principal trading partners and the currency denomination of external debt. During 1982-84, both the nominal and real effective exchange rate indices remained broadly unchanged, although they exhibited moderate short-term fluctuations (Chart 6). This, together with declines in prices of exports, particularly sugar, and increases in wages, particularly in the nontraded goods sector, suggests that the internal terms of trade shifted against the export sector.

2. Developments in 1985

Economic activity has weakened noticeably. Real GDP is estimated to decline by 2 percent, following a remarkable recovery in the previous year. Production of sugar is likely to fall by 25 percent, due to the damage caused by cyclones earlier this year. Tourist arrivals are expected to decline somewhat, mainly because of the adverse impact of the cyclones on tourist facilities and the appreciation, since late 1984, of the Fiji dollar against the Australian dollar. 1/ However, activities in other sectors have been expanding at moderate rates. Real national income per capita is estimated to decline by about 4 percent; when adjusted for the external terms of trade, it is likely to fall by 7 percent. Gross domestic investment in relation to GDP is estimated to fall slightly below 19 percent, because a significant expansion in private sector investment related to the repair of the cyclone damage has been more than offset by declines in public sector investment and stock accumulation.

Despite a considerable decline in real wages, the unemployment rate is estimated to rise further to over 8 percent; this is due mainly to a stagnant economy and to the general freeze on hiring by the Government, the single largest employer, which was in effect for the fourth consecutive year. Against this background, domestic inflation is expected to decline marginally to below 5 percent; the appreciation of the effective exchange rate and an expansion in the coverage of items subject to administrative price controls are also contributing factors.

Fiscal policy has been tightened. The overall budget deficit of the Central Government is expected to remain virtually unchanged at about 3 percent of GDP. The combined total of revenues and grants is expected to increase by 4.6 percent, broadly in line with the initial budget and the growth of nominal GDP. Revenue from taxes on income and profits is likely to decline by almost 5 percent, due mainly to the

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1/ Australia has normally accounted for about 40 percent of all visitors to Fiji.

removal of a 5 percent surcharge on personal income tax, the wage freeze, and poor profits in the business sector. This expected decline is likely to be more than offset by a substantial increase in customs and excise duties following the introduction of new measures in these areas. External grants have also risen substantially owing partly to a large increase in foreign assistance in the aftermath of the cyclones.

Total expenditure is expected to increase by about 4 percent, a rate considerably lower than estimated initially. The current expenditure is estimated to be somewhat lower than budgeted, because lower-than-expected payments on wages, salaries, and interest have been only partly offset by additional expenditures necessitated for repairing the cyclone damage. 1/ Capital expenditure will again be lower than the budget estimate, due primarily to the delay in executing investment projects and to accommodating the increase in the cyclone-related current expenditures.

The financial position of public enterprises remains weak. The eight major enterprises are estimated to have recorded a combined operating loss equivalent to over 0.4 percent of GDP, compared with that of less than 0.4 percent in 1984. The Fiji Sugar Corporation, in the year ended March 1986, is expected to record its third consecutive loss since its inception in 1973, owing mainly to the depressed world market prices of sugar and a decline in production. The Housing Authority has again recorded a sizable operating loss, due primarily to the below-market rate it charges on the rental of public housing. For the first time in five years, Air Pacific is expected to break even. This improved performance will be the result of an agreement reached early in 1985 with Qantas Airways to take over Air Pacific's management and flights to the United States.

Monetary and credit market conditions have become tighter than in 1984, reflecting the lagged impact of increases in the reserve requirement and the rediscount rate. Mainly because of the reduced need for credit in the public sector, total domestic credit expanded by only 2 percent at the annual rate during the first eight months of 1985; for the year as a whole, it is expected to increase by 3 percent as government borrowing from the banking system is likely to increase in the remainder of the year. The growth of broad money is expected to decline from over 10 percent during 1984 to about 5 percent, a rate broadly in line with the growth in nominal GDP. The administratively determined interest rates on deposits and loans have not been changed, and real interest rates have generally risen somewhat as price inflation has declined (Table 1).

The external current account deficit, excluding official transfers, is expected to remain at less than 4 percent of GDP (Table 2), compared

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1/ A comprehensive wage and salary freeze was introduced in November 1984 to be in effect through the end of 1985.

Table 1. Fiji: Monetary Survey, 1982-85 1/

	1982	1983	1984	1985 Estimate
	(In millions of Fiji dollars; end of period)			
Net foreign assets	106	108	118	130
Reserve Bank	109	108	115	127
Assets	(123)	(123)	(130)	(145)
Liabilities	(-14)	(-15)	(-15)	(-18)
Commercial banks	-3	--	3	3
Assets	(5)	(8)	(10)	(10)
Liabilities	(-8)	(-8)	(-7)	(-7)
Domestic credit	334	382	413	427
Government (net)	39	33	29	38
Public enterprises	49	73	59	49
Private sector	246	275	325	340
Other items, net	-45	-46	-41	-41
Broad money	395	444	490	516
	(Annual percentage change)			
Domestic credit	19.4	14.3	8.2	3.4
Public sector	90.7	20.8	-17.3	-1.0
Private sector	5.4	12.0	18.0	4.6
Broad money	8.5	12.2	10.4	5.3
Memorandum items:				
Velocity of broad money 2/	2.9	2.6	2.6	2.6
Average loan rate	12.8	12.8	13.0	13.0
One- to two-year deposit rate	8.0	8.0	8.0	8.0
Rate of inflation	7.0	6.8	5.3	4.8

Sources: Data provided by the Fiji authorities; and staff estimates.

1/ Totals may not add up due to rounding.
2/ Nominal GDP in relation to broad money at the end of the period.

Table 2. Fiji: Balance of Payments, 1982-85 1/

(In millions of SDRs)

	1982	1983	1984	1985 Est.
Exports (domestic)	177	164	178	166
Sugar	122	103	99	96
Other	55	61	80	70
Imports (retained)	-347	-355	-335	-332
Petroleum products	-75	-57	-46	-43
Machinery	-57	-71	-59	-67
Other	-215	-228	-230	-222
Trade balance	-170	-191	-157	-166
Services (net)	71	109	118	129
Receipts	262	276	291	312
Payments	-192	-167	-173	-183
Private transfers	-3	-2	-4	-6
Current account balance	-102	-84	-43	-43
Official transfers	20	22	22	38
Capital account (net)	70	68	34	21
Official	38	32	11	-2
Receipts	(53)	(46)	(31)	(26)
Payments	(-15)	(-14)	(-20)	(-28)
Private	32	36	24	22
Errors and omissions	-13	-8	-2	-6
Overall balance	-26	-2	11	10
Memorandum items:				
Current account deficit as percent of GDP	9.4	8.0	3.7	3.7
Gross official reserves in months of imports	3.6	3.4	3.7	4.0

Sources: Data provided by the Fiji authorities; and staff estimates.

1/ Totals may not add up due to rounding.

with a projected deficit of nearly 6 percent of GDP at the time of the Executive Board discussion of the 1984 consultation papers. The smaller-than-expected deficit/GDP ratio is attributable mainly to the surplus in the services account which is expected to be substantially greater than initially expected; about SDR 25 million (or 2 percent of GDP) has been received so far this year as insurance settlements associated with the cyclones and an additional SDR 10 million is expected to be received in the remainder of the year. Had weather conditions and thus, receipts from insurance settlements, been normal, the current account deficit would have been considerably larger than the present estimate.

The performance of official transfers and nonmonetary capital accounts is mixed. The surplus in the official transfers account is expected to increase substantially, mainly because of a large increase in aid from abroad. The official capital account is likely to record a deficit for the first time in the 1980s, reflecting both the delay in the implementation of investment projects financed by foreign loans and the authorities' efforts to limit new foreign borrowing at the time when repayments have started to increase. The private capital account is expected to record a sizable surplus as in previous years, mainly as a result of foreign financing for investment projects in the tourism-related areas. The overall balance is likely to be again in surplus, equivalent to 1 percent of GDP. Official international reserves increased by about SDR 4 million during the first eight months of 1985 to SDR 120 million (equivalent to nearly four months of imports) and a further increase is expected in the remainder of the year.

External debt, including a small amount of short-term debt, is estimated at about SDR 400 million, or 35 percent of GDP at the end of 1985. Of this total, about SDR 375 million is the medium- and long-term debt. In addition, the use of Fund credit and short-term debt, mostly comprising trade credits, together amount to about 3 percent of GDP. Debt service payments are expected to increase quite sharply to about SDR 75 million, mainly because of higher amortization. As a result, the debt service ratio is expected to rise from 11 percent in 1984 to 15 percent in 1985.

The nominal effective exchange rate of the Fiji dollar appreciated by some 3 percent between late 1984 and mid-1985, primarily because of the weakening of the Australian dollar, the currency of Fiji's major trading partner. Since then, largely because of the weakening of the U.S. dollar, the Fiji dollar has depreciated somewhat in recent months. Movements in the real effective exchange rate of the Fiji dollar have been broadly in line with those of the nominal effective exchange rate, as the difference between inflation at home and abroad has been generally negligible.

III. Report on the Discussions

The discussions took place at the time when the authorities were preparing for the budget for fiscal 1986 (starting on January 1) and drafting the Ninth Development Plan (1986-90). Also, at about the same time, the Government had called for the Second Economic Summit (held on September 27-28), in which representatives of both the public and private sectors participated with a view to gaining a consensus on appropriate financial and development policies to be pursued by the Government over the Plan period.

Against this background, the discussions focused on the economic outlook for 1986 and the economic and financial implications of the draft Development Plan over the medium term. In this context, the staff team prepared medium-term scenarios and discussed them with the authorities. These discussions provided the necessary background for recommending policies needed to bring about a better internal and external balance, in particular, to reduce the rate of unemployment and to strengthen the underlying structure of the external payments position.

1. Outlook for 1986

The outlook for the economy will continue to be mixed in 1986. Real GDP is projected to increase by about 3 1/2 percent. Given normal weather, production of sugarcane and its processing are expected to recover substantially, contributing about two thirds of the expected growth in real GDP. Also, tourism is expected to recover from the depressed level in 1985, with the number of tourist arrivals forecast to rise by about 13 percent. Production of forestry products is expected to increase by over 10 percent, largely because a pine processing (joint venture) project will start its operation in 1986. Other activities, with the notable exception of construction, are projected to rise at moderate rates. However, the unemployment situation is not expected to improve noticeably. The rate of inflation is forecast to remain stable, mainly because of an expected low rate of imported inflation.

The investment/savings balance is expected to deteriorate somewhat. Total gross investment is likely to increase by over 2 percentage points to 21 percent in relation to GDP, reflecting the expected increase in the sugar stock and the anticipated recovery in private investment. Domestic savings adjusted for net factor payments abroad are forecast to rise by nearly 2 percentage points to about 17 percent of GDP, primarily because of a significant increase in the public sector savings.

The external payments position is expected to deteriorate. Export receipts are projected to rise by 15 percent despite a lower volume of sugar exports; export unit values are forecast to increase by more than 10 percent, mainly because a larger proportion of sugar exports will be sold in countries that offer significant premiums over the world market prices. Imports are expected to rise by 8 percent, owing mainly to an

increase in demand for investment goods. Despite a recovery in tourist receipts, the surplus in the services and private transfers account is expected to decline noticeably, primarily because receipts from insurance settlements are forecast to decline to a normal level, while payments on insurance premiums are expected to rise markedly. Thus, the current account deficit is expected to rise by about 1/2 percentage point to over 4 percent of GDP. With official transfers declining to a more normal flow and with negligible inflows of official capital, the overall balance is projected to record a small deficit.

2. Medium-term outlook and scenarios

The medium-term outlook is clouded by the uncertainty about a recovery in the world free market price of sugar, wage settlements following the expiration of the wage freeze, and the extent to which the development strategies to be pursued under the Ninth Development Plan (1986-90) can be successfully implemented. Despite such uncertainties, the authorities presented a broad outline of macroeconomic objectives and strategies to be included in the Plan.

The Plan's major economic objectives and strategies are framed against the background of unfavorable developments during the first half of the 1980s, when the country experienced low and unstable economic growth, rising unemployment, increasing indebtedness of the public sector, and growing pressures on the external payments position. The Plan's objectives include: (1) achieving a broadly based real economic growth averaging 5 percent per annum--a rate achieved during the 1970s but a rate substantially above the average achieved in the first half of the 1980s; (2) generating employment opportunities for a growing labor force and reducing the unemployment rate by 1 percentage point by 1990; and (3) maintaining financial stability and reducing the external current account deficit by nearly 1 percentage point in relation to GDP by 1990.

As intermediate targets, the investment/GDP ratio would be raised by nearly 2 percentage points by 1990 from about 19 percent in 1985 by increasing government investment in infrastructure and resource-based projects and by encouraging private investment, particularly in tourism and related activities. To finance investment, the domestic savings/GDP ratio is to rise by nearly 3 percentage points by 1990 from about 16 percent in 1985 by increasing the current surplus of the government budget through expenditure containment and promoting private sector savings. Although the authorities have not yet formulated a concrete strategy for promoting such savings in the private sector, they are pursuing the possibility of increasing both the employees' and employers' contributions to the National Provident Fund.

In order to assess the appropriateness and policy implications of the Government's strategies in more concrete terms, the staff team discussed with the authorities a prototype medium-term scenario, which

took into account their objectives with respect to real growth and investment. In formulating this scenario, the following assumptions were made: (1) export volume would increase at about the same rate as real GDP; (2) import volume would rise somewhat faster than real total domestic demand, and would increase broadly in line with a targeted increase in the investment/GDP ratio; (3) tourist arrivals would grow by about 8 percent; (4) population would grow by 2 percent per annum; (5) the labor force would grow by 3 percent per annum; and (6) the effective exchange rate of the Fiji dollar and wage rates would remain constant in real terms.

The results of this medium-term scenario for the balance of payments and external debt are summarized in Table 3. This scenario raises considerable doubt as to whether a real growth rate of 5 percent per annum will be consistent with external viability. The staff team's calculations indicate that in 1990 the external current account deficit in relation to GDP would be virtually the same as in 1985, in contrast to the authorities' objective of reducing it by 1 percentage point during the Plan period. With some declines expected for official transfers and borrowing and no significant increases projected for private capital inflows, the overall balance of payments would record widening deficits.

The outcome presented in the above scenario has disquieting implications for reserve management and the budget. If the authorities do not resort to external borrowing to build up reserves, by 1990 foreign reserves would drop to less than two months of imports, substantially below the level desired by the authorities, although the external debt/GDP ratio would decline to about 24 percent. If they resort to external borrowing to raise the reserves to a desired level, however, the resultant debt/GDP ratio would decline only to about 29 percent by 1990, and the expected increase in external debt servicing would exert additional pressures on the budget in terms of increased interest payments. In either case, such prospects for both the external payments and the budget would not be sustainable over the medium term.

The authorities are in broad agreement with the thrust of these scenarios and are aware of their implications for the external payments and the budget. Indeed, the authorities solicited the staff team's view as to whether their objectives of achieving a real growth of 5 percent per annum and financial stability are obtainable during the Plan period. In this context, the team emphasized that the authorities should be able to achieve both of these objectives, as in the 1970s, provided that weather is favorable and substantial adjustment is made in wage, financial, exchange rate, and commercial policies.

Table 3. Fiji: Medium-Term External Payments:
A Scenario, 1985-90

(In millions of SDRs)

	1985	1986	1987	1988	1989	1990
		A. Balance of Payments				
Total exports, f.o.b.	205	231	250	272	294	316
Total imports, f.o.b.	-371	-400	-439	-481	-529	-579
Service receipts	312	312	338	368	401	438
Service payments	-183	-190	-199	-210	-222	-232
Private transfers (net)	-6	-7	-8	-9	-10	-12
Current account balance	-43	-53	-58	-61	-65	-69
(percent of GDP)	(3.7)	(4.2)	(4.2)	(4.1)	(4.1)	(3.9)
Official transfers (net)	38	28	21	21	21	21
Official loans (net)	-2	--	3	3	1	1
Private capital, errors and omissions	16	23	29	33	28	33
Overall balance	10	-2	-4	-4	-15	-14
		B. Debt and Debt Service				
Total debt outstanding	405	403	412	420	424	429
Government	140	139	138	136	134	132
Public enterprises	135	134	138	143	145	148
Private sector	117	124	131	138	144	149
Use of Fund credit	13	6	5	3	1	--
(Medium- and long-term) 1/	(375)	(381)	(390)	(399)	(403)	(407)
Debt/GDP ratio (in percent)	35	32	30	28	26	24
Total debt service payments	75	78	77	86	89	95
Principal	37	38	42	50	53	58
Interest	32	33	34	34	35	36
(Average interest rates)	(8.2)	(8.2)	(8.2)	(8.1)	(8.3)	(8.4)
IMF repayments	6	7	1	2	1	1
Debt service ratio (in percent) 2/	15	14	13	13	13	13
Memorandum items:						
Terms of trade	100.0	111.5	107.9	108.6	108.6	108.1
Average sugar exports price (U.S. cents/lb)	10.9	12.8	12.7	13.1	13.5	14.0
Gross official reserves (months of imports) 3/	4.0	3.6	3.2	2.8	2.2	1.7

Source: Staff calculations based on data provided by the Fiji authorities.
1/ Excludes use of Fund credit.
2/ In relation to external current receipts.
3/ Assumes no reserve-related borrowing.

3. Adjustment policies

a. Wage policy

From 1977 to 1984, the Tripartite Forum, consisting of representatives of employers, trade unions, and the Government, recommended guidelines for annual cost of living adjustments. These guidelines were followed closely by most sectors of paid employment. Because the Forum's guidelines usually provided for wage increases to the full extent of the increase in consumer prices in the preceding year, and also because additional payments for merit increases were made to civil servants, most wage and salary earners were able to maintain their purchasing power between 1981 and 1984, during the time when national income declined in the face of a significant loss in the external terms of trade.

The detrimental effects of such wage policy on employment, the government budget, and the balance of payments, among others, led the Government in late 1984 to freeze virtually all remunerations in the public and private sectors at the November 1984 level until the end of 1985. In the event, real wages are estimated to have declined by about 5 percent in 1985, but this was only part of the needed correction. With regard to the economic impact of the freeze, available indicators do not suggest that it has significantly improved business profits, or stimulated investment and employment; the authorities emphasized that the benefit of the wage freeze can be realized only in the longer run even if it is complemented by other policies to promote investment and growth. However, the freeze has clearly contributed to reducing the Government's expenditure and discouraging imports; the staff team's calculations suggest that, broadly in line with the authorities' estimates, the freeze helped reduce the budget deficit/GDP ratio by 1 1/2 percentage points in 1985, and the external current account deficit/GDP ratio by 1 percentage point.

Regarding the future of the freeze, the authorities believe that social and political factors preclude continuing the wage freeze in 1986. Thus, the authorities stressed the importance of formulating the principle of new wage guidelines for 1986 and beyond before the budget is presented to the Parliament in November. While endorsing this, the staff team also emphasized that catch-up demands after the expiration of the freeze must be resisted and that the decline in output and the sharp deterioration in the terms of trade in 1985 have further reduced the economy's ability to accommodate increased payments to wage and salary earners. It was also stressed that adjustments in wages and salaries should not be compensated for changes in the exchange rate, tariffs, or taxes. These factors, together with the need for making further progress in reducing real wages in order to increase government savings and to promote external adjustment, should be taken into account in formulating the new wage guidelines.

The authorities then stated their intention that the new guidelines would sever the rigid links that had previously existed between wage adjustment and consumer price inflation and would, in addition, take into account productivity growth and changes in the terms of trade, as recommended by Executive Directors at the time of the 1984 Article IV consultation with Fiji. It was the authorities' intention that the new guidelines would entail a moderate reduction in real wages and salaries during 1986. While supporting such guidelines for 1986, the staff team again stressed that the authorities' growth and employment objectives would require a further reduction of real wages beyond 1986.

b. Fiscal policy

As indicated earlier, since 1982, the overall budget deficit as a percent of GDP has declined by more than 3 percentage points to about 3 percent in 1985, reflecting the Government's efforts to raise additional revenue and contain the growth of expenditure. However, in view of a projected reversal in the overall balance of payments and the continued weakness in the underlying structure, further improvements in the overall position and the structure of expenditure are needed in the years ahead.

The 1986 budget is at an early stage of preparation. The preliminary draft budget indicates that the overall deficit is expected to increase by F$6 million to F$50 million and to remain virtually unchanged at slightly more than 3 percent of GDP (Table 4). Revenue and grants together are expected to increase considerably more slowly than the 9 percent growth expected for nominal GDP. Income tax revenue is expected to increase by only about 3 percent due mainly to a projected decline in corporate income tax; this decline is attributable mainly to poor profit conditions and the provision of accelerated depreciation allowance on buildings. Customs and excise duties are envisaged to increase by about 8 percent, reflecting rate increases. Nontax revenue is expected to remain virtually unchanged mainly on account of poor financial positions of public enterprises. External grants are to decline somewhat, following the temporary increase in 1985.

Total expenditure is envisaged to rise by 4 percent, with some shift away from current to capital spending. The wage and salary bill is budgeted to increase by about 8 percent, reflecting an increase of about 3 percent in the wage rate and an increase of about 4 percent in the number of positions, following four years of the hiring freeze. Interest payments are envisaged to increase by nearly 9 percent, mainly because of the increase in the government debt. Expenditures on goods and services are forecast to decline sharply to a more normal level, following the temporary increase to cover the costs of repairing the cyclone damage in 1985. Capital expenditure is to rise by about 16 percent, reflecting the Government's efforts to resume its initiative in investment activity.

Table 4. Fiji: Central Government Budget, 1982-86 1/

	1982	1983	1984	1985 Budget	1985 Revised	1986 Prel. Budget
	(In millions of Fiji dollars)					
Revenue and grants	265	293	330	348	345	356
Tax revenue	211	238	272	286	281	296
Income and profit taxes	(120)	(130)	(151)	(146)	(144)	(149)
Customs and excise	(86)	(103)	(112)	(135)	(129)	(139)
Other taxes	(5)	(5)	(9)	(5)	(8)	(8)
Nontax revenue	44	45	47	46	47	46
External grants	10	10	10	16	17	14
Expenditure and net lending	338	337	375	400	389	406
Current expenditure	247	280	324	324	320	326
Wages and salaries	(134)	(150)	(175)2/	(170)	(159)	(171)
Provident Fund	(7)	(7)	(8)	(8)	(8)	(8)
Goods and services	(39)	(44)	(40)	(35)	(49)	(34)
Interest	(26)	(32)	(37)	(53)	(46)	(50)
Subsidies and other transfers	(42)	(47)	(65)	(58)	(59)	(63)
Capital expenditure and net lending	91	57	50	76	69	80
Fixed assets	(57)	(30)	(31)	(43)	(38)	(48)
Transfers	(22)	(20)	(18)	(25)	(24)	(20)
Net lending	(12)	(7)	(1)	(8)	(7)	(12)
Overall deficit	-73	-44	-44	-52	-44	-50
Financing	73	44	44	52	44	50
Foreign financing	18	5	5	15	1	3
Domestic financing	55	39	39	37	43	47
Provident Fund	(29)	(28)	(30)	(30)	(30)	(40)
Other nonbank	(7)	(4)	(11) 2/	(4)	(4)	(...)
Banking system	(19)	(7)	(-2)	(3)	(9)	(...)
	(In percent of GDP)					
Revenue and grants	23.8	25.7	25.7	26.0	25.8	24.4
Tax revenue	19.0	20.8	21.2	21.4	21.0	20.2
Nontax revenue	4.0	3.9	3.7	3.4	3.5	3.1
Grants	0.9	0.9	0.8	1.2	1.3	1.0
Expenditure and net lending	30.4	29.5	29.2	29.9	29.1	27.8
Current	22.2	24.5	25.3	24.2	23.9	22.3
Capital and net lending	8.2	5.0	3.9	5.7	5.2	5.5
Deficit	6.6	3.9	3.4	3.9	3.3	3.4

Sources: Data provided by the Fiji authorities; and staff estimates.

1/ Totals may not add up due to rounding.

2/ Includes F$6.6 million of the backpay for the new salary scale and the cost of living adjustment paid in promissory notes which are redeemable in 1986.

The main characteristics of the draft budget point to the need for further budgetary adjustment in 1986 and beyond, which will require the implementation of both revenue and expenditure measures. On the revenue side, scope remains for raising tax receipts through a reform to simplify the income tax system, a strengthening of the tax collecting machinery, and a broadening of the tax base.

In the context of income tax reform and the need for additional revenue, the staff team emphasized that the personal income tax rate needs to be simplified with a widening of the tax brackets and exemptions need to be reduced. Also, the team argued that the 20 percent reduction in the individual income tax, recommended by the Financial Review Committee, 1/ would run counter to the authorities' objectives of raising the ratio of the budget's current account surplus to GDP. The team also emphasized that such a recommendation will reduce the elasticity of the tax system substantially below the present value of unity. Noting these implications, the authorities stated that they would not implement the Committee's recommendation for cutting income tax, except perhaps for providing some relief to income earners in the lower brackets.

The Committee also recommended that duties on petroleum products be increased in order to compensate for the revenue impact of the proposed cut in the income tax. However, the revenue effect of the proposed increases is expected to be much less than the expected reduction in revenue from the proposed cut in the income tax. In order to broaden the indirect tax base and to provide a more durable and flexible source of revenue, the team reiterated that serious consideration should be given to the introduction of a simplified sales tax, as suggested by the Fund technical assistance mission in 1983.

On the expenditure side, the authorities shared the staff team's view that the structure of expenditure should be shifted to efficient investment outlays. In light of the above, the team urged the Government to continue to restrain certain current expenditures, particularly wages and salaries, with due consideration to the staffing requirement of the government ministries and departments which contribute to the efficient administration of budgetary operations. Further, the team pointed out that the 4 percent increase in civil service positions as envisaged in the draft 1986 budget is excessive in view of the authorities' intention to contain current expenditure. At any rate, such increase in the positions needs to be accompanied by a smaller increase

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1/ The Financial Review Committee, composed of representatives of a wide cross section of the community, was established in September 1984 to undertake a comprehensive review of the tax system and to recommend changes in taxation and public expenditure policies. Its report was issued in September 1985, just in time for the opening of the Second Economic Summit referred to earlier.

in nominal wages and salaries. In the capital budget, expenditures on efficient investment projects need to be increased considerably in order to lay a solid foundation for generating growth and employment. However, this will require substantial improvement in the preparation and the execution of investment projects. In this context, the staff team noted the view of the IBRD staff that criteria for establishing the priority and efficiency of investment projects need to be clearly formulated and integrated with the Development Plan.

The financial position of some public enterprises remains weak, and further improvement is called for. In this connection, the staff team, in agreement with the IBRD staff, again emphasized that a more systematic monitoring and evaluation of their performance would have to be conducted by the public enterprise unit in the Ministry of Finance, and that its operation needs to be strengthened significantly through the employment of full time staff. The authorities were in agreement with this view and expressed their intention to increase staffing for the unit in the 1986 budget.

With a view to improving the efficiency of public enterprises, the authorities are planning to privatize certain enterprises whose economic activity falls within the domain of the private sector, and the staff team considered this a move in the right direction. Also, the Government is more willing now than in the past to enter into joint ventures with the private sector with a view to promoting selected enterprises. Such government involvement is envisaged in the cases where enterprises are either unwilling or unable to participate on their own due to high risks, the lack of funds, or a long gestation period. While the staff team shared the authorities' view in this regard, it stressed that the limitation of the Government's involvement should be clearly indicated at the outset; an open-ended involvement by the Government may carry the risk of draining government financial resources should these enterprises fail to earn an adequate rate of return.

c. Monetary and credit policy

Since the establishment of the Reserve Bank of Fiji in January 1984, the monetary authorities have made active use of policy instruments in order to influence monetary aggregates. The ensuing tightening of the money and credit market has considerably aided the adjustment of the balance of payments in 1985. As for 1986, given the weakness of the underlying structure of the external payments position and the need to promote domestic savings, the staff team agreed that the present stance of monetary and credit policy be maintained.

An indicative financial program was discussed with the authorities, who shared the staff team's view that an appropriate target for the growth of broad money would be about 8 percent during 1986, and for credit expansion, about 8-9 percent. The authorities noted that should such credit expansion exert pressures on domestic prices or the balance

of payments, they will use available instruments to bring about a lower rate of expansion. The thrust of such monetary and credit policies would be broadly consistent with the objective of minimizing the deficit in the balance of payments and pressures on domestic prices.

In order to encourage domestic savings, particularly by the private sector, the authorities intend to keep the present structure of positive real interest rates broadly unchanged. However, over the medium term, such interest rate policy alone would not be sufficient to bring about a sustained increase in private savings, as envisaged by the Plan. In this context, the staff team encouraged the authorities to strengthen the banking services in the rural sector in order to absorb the rural community's excessive hoarding of cash and promote financial deepening.

With the exception of the interbank call market, there has been little competition among financial institutions in Fiji. Nonetheless, in the areas of foreign exchange transactions and large domestic loans, the competition has increased, contributing to the promotion of efficient banking services. The team suggested that serious consideration should be given to furthering competition in the financial system.

d. Exchange rate policy

In the past several years, the exchange rate has been used as an instrument to minimize inflation differentials between home and abroad. In this vein, the authorities made occasional small discrete changes in the value of the Fiji dollar vis-a-vis the currency basket. These actions tended to stabilize the real effective exchange rate, and short-term fluctuations were contained within margins of about 2 percent on each side of the average rate.

During the first half of 1985, the real and nominal effective exchange rates appreciated beyond the upper margin. The staff team emphasized--and the authorities concurred--that this appreciation should be reversed in order to enhance the favorable effect of the wage freeze on the competitive position of the traded goods sectors. It was also stressed that the opportunity for an effective deployment of a flexible exchange rate policy would increase when the new wage adjustment guidelines sever the one-to-one link with inflation and that the policy should be fully used. With regard to the exchange rate arrangement, the authorities are reviewing the contents and weights of the currency basket, and some adjustments are expected to be made in the near future in order to make the exchange rate policy more consistent with their external objectives.

e. Commercial policy

Commercial policy has aimed at promoting exports and import substitution in certain primary and light-manufacturing industries in recent years. As a result, a number of protective measures have been introduced, and some of these industries have now become overly protected,

while they have not contributed noticeably to generating employment or saving foreign exchange. In view of the above, the staff team emphasized the need for a comprehensive review of the tariff and quota system, and for the authorities to identify the areas where tariffs should be rationalized and also substituted for quotas. The authorities are pursuing the matter with the IBRD. In order to diversify exports, the authorities have introduced measures to promote a greater utilization of natural resources, in line with recommendations made by the staffs of both the Fund and the Bank. At the same time, the authorities have started preliminary discussions on the possible establishment of a free trade zone; if well conceived, such a zone would help to mitigate the unemployment problem by creating a considerable number of jobs.

IV. Staff Appraisal

The performance of the economy continued to be mixed in 1985. Real GDP has declined somewhat, and real national income adjusted for the external terms of trade has fallen significantly. The unemployment rate has continued to increase despite a reduction in real wages, and the rate of inflation has dropped to a moderate rate. The external payments position has improved somewhat, mainly because of temporary factors and adjustments in financial and wage policies.

Despite the improvement in 1985, the structural weakness in the balance of payments remains. This weakness would be aggravated by the pursuit of a development strategy aimed at a high growth rate if this strategy is not accompanied by substantial adjustments in macroeconomic policies. While noting that the growth strategy to be pursued under the Development Plan would be essential to reduce the unemployment rate, the staff urges the authorities to accompany this strategy by more decisive adjustment policies with a view to improving the present underlying structure of the external payments position.

In the area of wage policies, new guidelines for 1986 and beyond need to take into account a further deterioration in the economy's ability to pay higher wages and salaries, and further progress in reducing real wages should contribute to mitigating the unemployment problem. Also, wage restraint would continue to be fundamental to not only generating growth and employment but also improving the balance of payments.

The 1986 budget needs to be strengthened significantly compared with the expected outcome of the budgetary operations in 1985. On the revenue side, scope remains for raising additional revenue through a simplification of the income tax system, a strengthening of the tax administration, and a broadening of the indirect tax base. It is essential that at the minimum the unitary elasticity of the tax system should be maintained at its present level. In this context, the staff welcomes the authorities' intention not to implement the income tax cut

recommended by the Financial Review Committee. Looking ahead, serious consideration should be given to the introduction of a simplified sales tax system, as recommended by the Fund technical assistance mission in 1983. On the expenditure side, the staff welcomes the authorities' decision to shift the structure of expenditure to spending on efficient investment projects and a further such shift is desirable. In this connection, current expenditures, particularly wages and salaries, need to be restrained, while criteria for establishing the priority and efficiency of investment projects should be clearly formulated and incorporated in the Development Plan.

Further progress is necessary in the area of public enterprises. The staff, therefore, encourages the authorities to strengthen the operation of the public enterprise unit in the Ministry of Finance in order to carry out a more systematic evaluation of the performance of these enterprises.

In the monetary area, the staff supports the authorities' program for setting a target for the expansion of broad money during 1986 which is broadly in line with the expected growth in nominal GDP and for containing credit expansion consistent with the objective of minimizing the deficit in the balance of payments and pressures on domestic prices. The staff also welcomes the progress made in increasing competition among banks in foreign exchange transactions and domestic loan markets; further progress is desirable to promote the efficiency of the financial system. To increase domestic savings, the banking service should be strengthened, particularly in the rural areas.

With regard to the exchange rate policy, the staff welcomes the authorities' intention to reverse the recent appreciation of the effective rate in order to enhance the favorable impact of the wage freeze on the competitiveness of the traded goods sectors. Over the future, the authorities need to use the exchange rate policy flexibly to ensure that the economy is kept appropriately competitive. The staff also welcomes the authorities' ongoing review of a basket peg arrangement for the Fiji dollar. In this connection, it is hoped that a more appropriate set of currencies and currency weights would be chosen so as to be more consistent with the authorities' external objectives.

In the area of commercial policy, the staff shares the authorities' view that excessive protection has been provided to certain primary and manufacturing industries whose contribution to the economy in terms of generating employment and saving foreign exchange has been relatively small. The staff recommends that a comprehensive review of the protective system should be conducted with urgency, so that the necessary structural changes in the economy can begin soon.

It is recommended that the next Article IV consultation with Fiji take place on the standard 12-month cycle.

FIJI

Basic Data

Area	18,333 square kilometers
Population (1984)	699,000
Population growth (1981-84)	1.9 percent per annum
GDP per capita (1984)	SDR 1,640

	1982	1983	1984	1985 Est.	1986 Proj.
Demand and supply	(In millions of Fiji dollars)				
GDP at current market prices	1,113	1,142	1,282	1,339	1,462
GDP at 1977 factor cost	712	681	745	732	756
Real GDP growth rate (in percent)	-1.1	-4.4	9.4	-1.7	3.3
Sugar production (in '000 tons)	486	276	480	365	420
Tourist arrivals (in '000)	204	192	235	231	259
Investment and savings	(In percent of GDP)				
Gross investment	25.6	21.1	19.0	18.8	21.0
Gross domestic savings	16.4	13.3	15.6	15.6	17.4
Prices and wages	(Percentage change)				
Consumer prices	7.0	6.8	5.3	4.8	4.5
Real wages	2.6	-0.2	0.7	-4.5	-2.5
Tripartite Forum wage guideline (nominal change)	10.0	6.0	6.0	...	...
Unemployment rate (in percent)	6.4	6.9	7.6	8.2	...
Terms of trade	-4.9	8.5	-3.9	-13.7	11.5
Central Government budget	(In percent of GDP)				
Revenue and grants	23.8	25.7	25.7	25.8	24.4
Total expenditure	30.4	29.5	29.2	29.1	27.8
Current expenditure	22.2	24.5	25.3	23.9	22.3
Capital expenditure	8.2	5.0	3.9	5.2	5.5
Overall deficit	6.6	3.9	3.4	3.3	3.4
External financing	1.6	0.4	0.4	0.1	0.2
Domestic financing	5.0	3.4	3.0	3.2	3.2
Of which: Banking system	1.7	0.6	-0.2	0.7	...
National Provident Fund	2.6	2.4	2.3	2.2	2.7
Money and credit	(Percentage change)				
Domestic credit	19.4	14.3	8.2	3.4	8-9
Public sector	90.7	20.8	-17.3	-0.1	...
Private sector	5.4	12.0	18.0	4.6	...
Broad money	8.5	12.2	10.4	5.3	8

	1982	1983	1984	1985 Est.	1986 Proj.
Balance of payments		(In millions of SDRs)			
Exports (domestic)	177	164	178	166	191
Imports (retained)	-347	-355	-335	-332	-359
Net services and private transfers	68	107	114	124	115
Current account balance	-102	-84	-43	-43	-53
(In percent of GDP)	9.4	8.0	3.7	3.7	4.2
Official transfers and capital	58	53	33	37	28
Private capital, errors and omissions	19	29	22	16	23
Overall balance	-26	-2	11	10	-2
External debt					
Outstanding					
Public sector	243	276	283	274	273
Private sector	111	116	118	117	124
Use of Fund credit	14	14	14	13	6
(Medium- and long-term) 1/	(334)	(375)	(382)	(375)	(381)
Total outstanding debt	367	406	414	405	403
(In percent of GDP)	34	39	36	35	32
Debt service payments					
Principal	15	19	27	37	38
Interest	25	28	32	33	33
IMF repurchase	--	--	--	5	7
Total debt service	40	48	59	75	78
(In percent of exports of goods and services)	8	10	11	15	14
International reserves					
Gross official reserves	118	112	116	126	124
(In months of imports)	3.6	3.4	3.7	4.0	3.6
Effective exchange rate indices (period average)		(1980 = 100)			
Nominal	102.1	100.5	101.0	105.2 2/	...
Real	100.6	99.9	100.5	103.3 2/	...
Exchange rate		(End of period)			
U.S. dollar per Fiji dollar	1.06	0.96	0.87	0.89 3/	...
SDR per Fiji dollar	0.96	0.91	0.89	0.84 3/	...

Sources: Data provided by the Fiji authorities; and staff estimates.
1/ Excludes use of Fund credit.
2/ Average for the first eight months.
3/ End-September.

Fiji - Fund Relations
(As of September 30, 1985)

(Amounts in millions of SDRs,
unless otherwise indicated)

I. Membership Status

(a) Date of Membership: May 28, 1971
(b) Status: Article VIII

A. Financial Relations

II. General Department (General Resources Account)

(a) Quota: SDR 36.5 million

	Amount	Percent of quota
(b) Total Fund holdings of currency:	43.6	119.4
Fund credit:	14.9	40.8
Of which: CFF	14.9	40.8
(d) Reserve tranche position:	7.8	21.4

(e) Current Operational Budget: Not included
(f) Lending to the Fund: None

III. Current Stand-by or Extended Arrangement and Special facilities

(a) Current stand-by: None.
(b) Stand-by and extended arrangements in last 10 years: None
(c) Special facilities in last 2 years:
CFF purchase: SDR 4.75 million (or 13 percent of quota) in January 1985.

IV. SDR Department	Amount	Percent of allocation
(a) Net cumulative allocations:	6.9	
(b) Holdings:	7.0	100.9

(c) Current Designation Plan: Not included

V. Administered accounts

(a) Trust Fund Loans: Not eligible
(b) SFF Subsidy Account: None

VI. Overdue Obligation to the Fund: None

B. Nonfinancial Relations

VII. Exchange rate arrangement

Since April 1975, the exchange rate of the Fiji dollar has been linked to a basket of currencies of Fiji's five major trading partners: the U.S., Australian, and New Zealand dollars, the pound sterling, and the Japanese yen. The weights used in the basket are based mainly on the value of trade, tourist transactions, and external debt. The exchange rate is determined daily in relation to the currency basket. The Reserve Bank's buying and selling rates for transactions in U.S. dollars are communicated to commercial banks.

VIII. Last Article IV Consultation

The 1984 Article IV consultation discussions were held during October 8-19, 1984. The Executive Board discussed the Staff Report, SM/74/273, on January 25, 1985. It was proposed to hold the Article IV consultation on the standard 12-month cycle.

IX. Technical Assistance

(a) CBD: Two experts have been assigned to the Reserve Bank of Fiji--one is Deputy Governor and the other is Research Manager.

(b) Fiscal: Assistance has been provided on the improvement of income tax collection procedures and the establishment of a public enterprise unit in the Ministry of Finance.

(c) Legal: Assistance has been provided in revising the income tax legislation.

X. Resident Representative/Advisor

None

World Bank Operations in Fiji

(As of September 30, 1985)

	Loans	Of which: Undisbursed
	(In millions of U.S. dollars)	
Debt outstanding (including undisbursed)	89.9	6.5
Commitments for FY 1986	6.5	
IFC investments	12.8	
Technical assistance	None	
Reports	Issues and options in the Energy Sector (number 4462-Fiji), June 1983; Adjustment and Selected Development Issues (number 5515-FIJ), August 1985.	

During the five-year period 1979-83, the World Bank was the largest single source of concessional finance to Fiji. By 1984, net disbursements had declined to a negligible amount, reflecting the fact that the Bank made no new loan commitments to Fiji during the period January 1981-June 1985. Two IFC loans were, however, approved: a loan of US$6 million to the Fiji Sugar Corporation in July 1983; and, a loan of US$6.8 million to Sopac Resort Partnerships (Fiji Sheraton Hotel) in June 1985. In July 1985, the World Bank approved a US$6.5 million loan to Fiji to finance various sub-projects in the agricultural, industrial, and services sectors. The World Bank loan is part of the cofinancing arrangement with the Asian Development Bank, which will provide US$7 million, and the European Investment Bank, which will provide US$2.5 million; proceeds of the loan will be channeled through the Fiji Development Bank. The cofinancing arrangement, the first one for Fiji, is part of the Bank's new strategy for the Pacific islands, which limits direct involvement of the Bank to economic and sector work, while leaving project loans mainly to the Asian Development Bank.

Fiji--Statistical Issues

The table below shows the currentness and coverage of data published in the country page for Fiji in the November 1985 issue of IFS. The data are based on reports sent to the Fund's Bureau of Statistics by the Reserve Bank of Fiji, which during the past year have been provided on a timely basis.

1. Coverage, currentness, and reporting of data in IFS

		Latest Data in November 1985 IFS
Real Sector	- National Accounts	1983
	- Prices (consumer)	September 1985
	- Production	1983
	- Employment	n.a.
	- Earnings	n.a.
Government Finance	- Deficit/Surplus	1982
	- Financing	1982
	- Debt	1982
Monetary Accounts	- Monetary Authorities	August 1985
	- Deposit Money Banks	August 1985
	- Other Financial Institutions	December 1983
External Sector	- Merchandise Trade: Values	June 1985
	- Merchandise Trade: Prices (export only)	Q2 1985
	- Balance of Payments	Q4 1984
	- International Reserves	August 1985
	- Exchange Rates	August 1985

During the past year, the reporting of data for inclusion in IFS has been satisfactory.

2. Outstanding statistical issues

Real sector

Some progress has been made in collecting data related to labor market conditions. However, further progress is essential in improving data on the labor force, unemployment, employment, and earnings.

Monetary accounts

Although some nonbank financial institutions (e.g., the National Provident Fund) contribute substantially to domestic credit, consolidation of their accounts both within these institutions and with the rest of the financial sector, has not yet been achieved because of the lack of data pertaining to intrasector transactions.

Government Finance

Data published in IFS are the same as those in the GFS Yearbook (GFSY) and cover only the budgetary operations of the Central Government. Data for extrabudgetary units need to be reported in order to produce data for consolidated central government and general government. Following the recent discussions with the authorities regarding the reconciliation of data submitted for publication in the GFSY and in Fund reports on recent economic developments, full reconciliation is expected within one year.

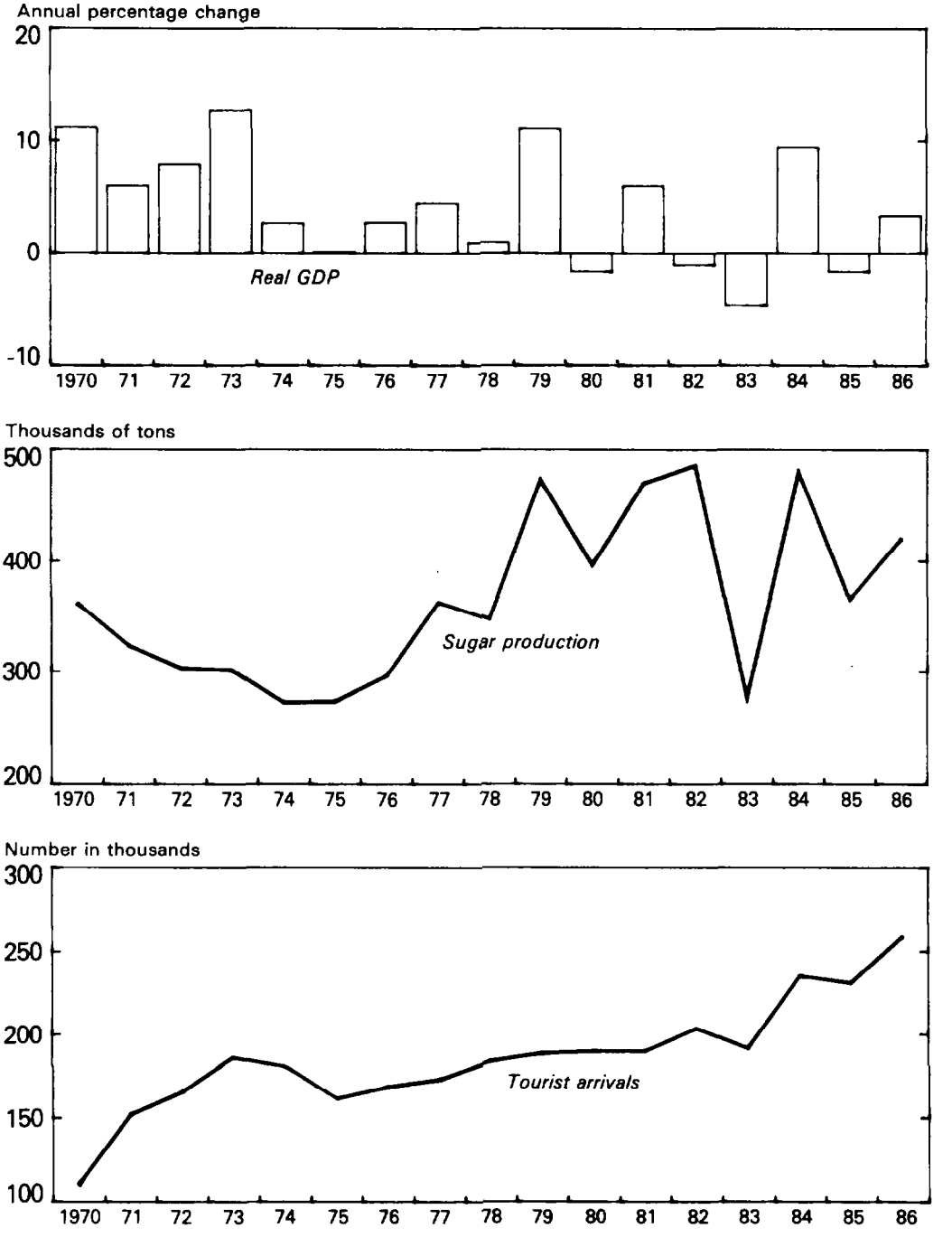
External Sector

Improvement in existing data on volume and unit value indices for exports and imports is desirable. There is also a need to compile unit value and volume indices for imports besides the existing indices for food imports.

CHART 1

FIJI

GDP, SUGAR, AND TOURISM, 1970-86[1]

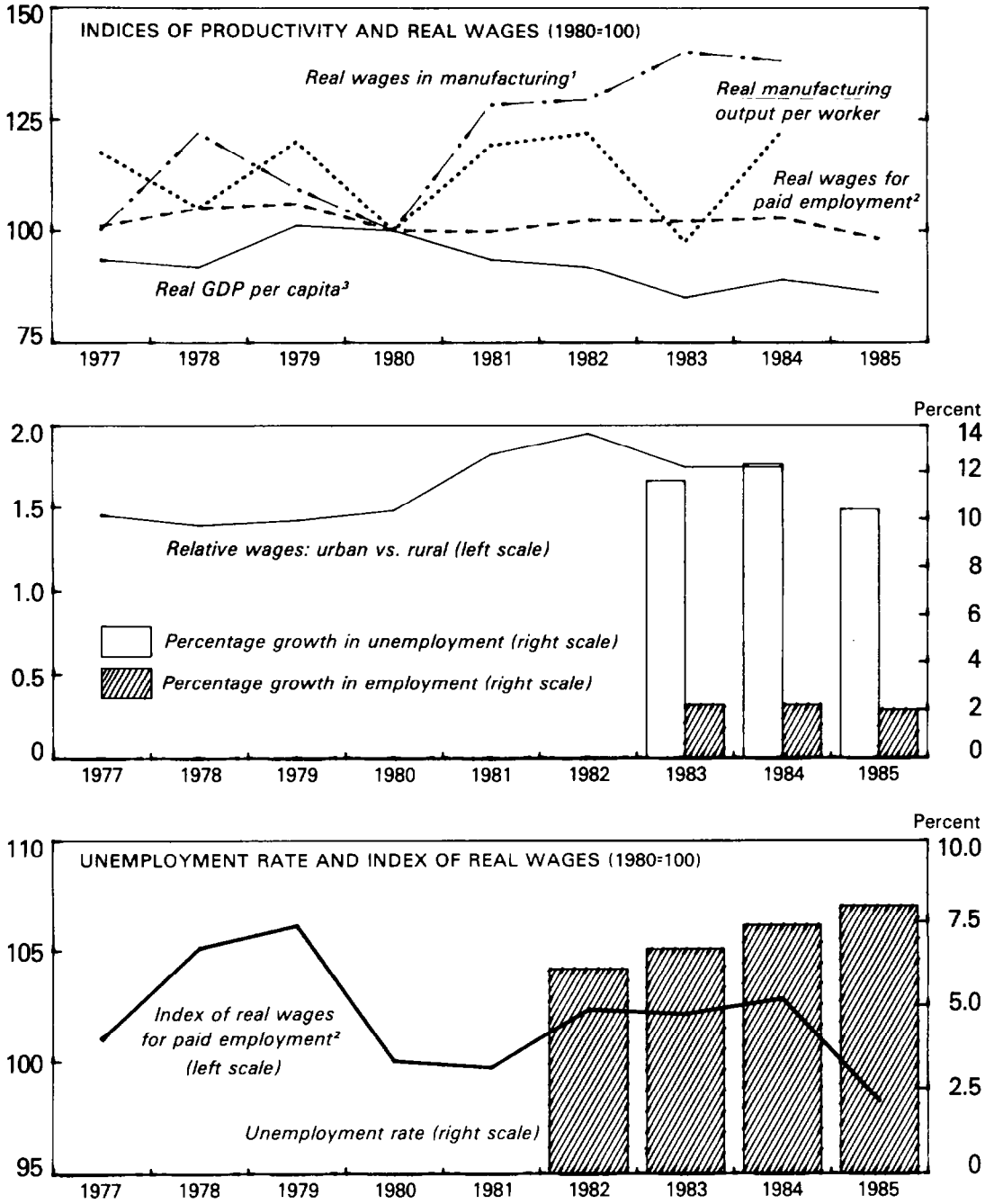


Sources: Data provided by the Fiji authorities, and staff estimates
[1]Projections for 1986.

CHART 2

FIJI

DEVELOPMENTS IN THE LABOR MARKET: SELECTED INDICATORS, 1977-85



Sources: Data provided by the Fiji authorities, and staff estimates.

[1]Average nominal wages and salaries in manufacturing deflated by the manufacturing price deflator.

[2]Nominal wages and salaries per paid employment deflated by the consumer price index.

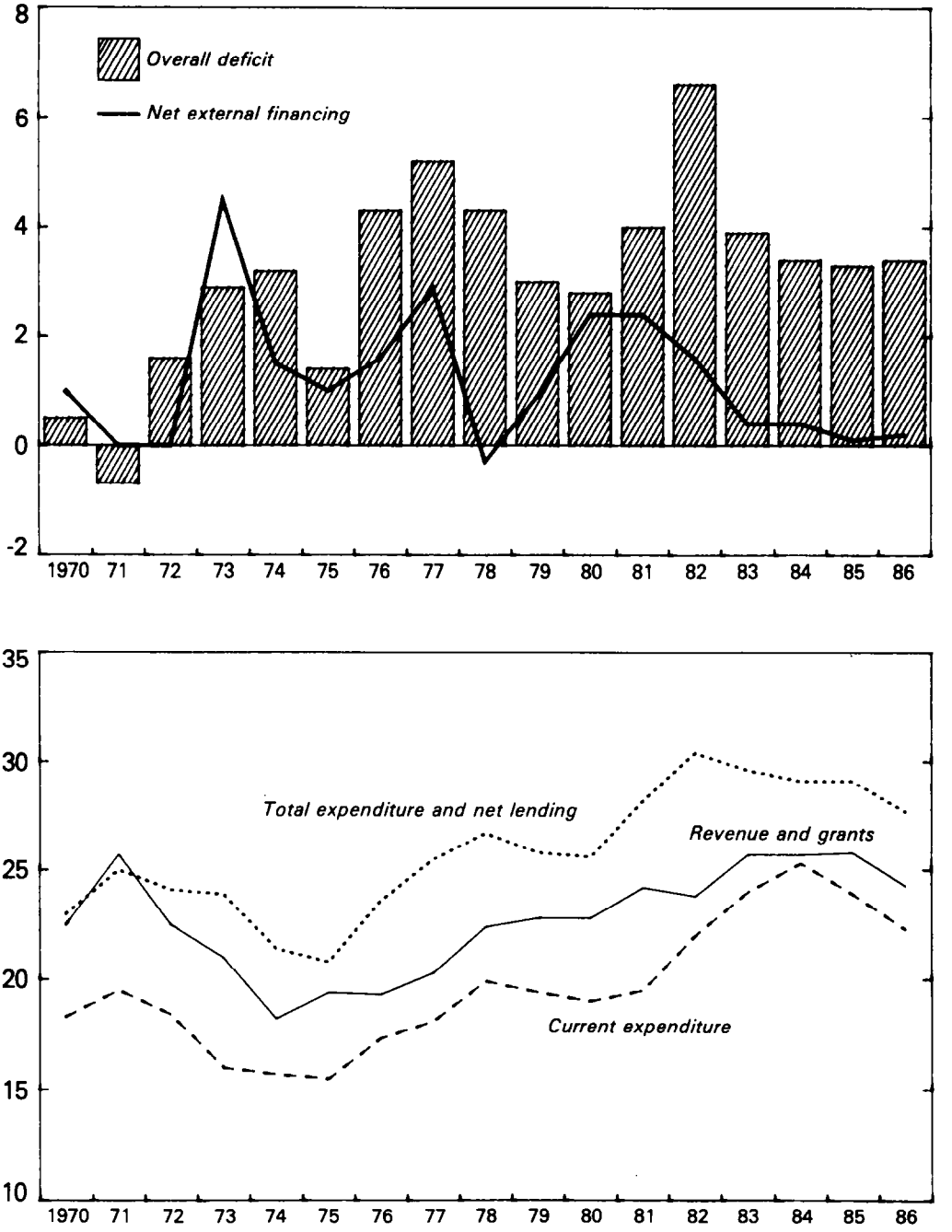
[3]Per capita nominal GDP deflated by the consumer price index.

CHART 3

FIJI

GOVERNMENT BUDGET, 1970-86[1]

(In percent of GDP)

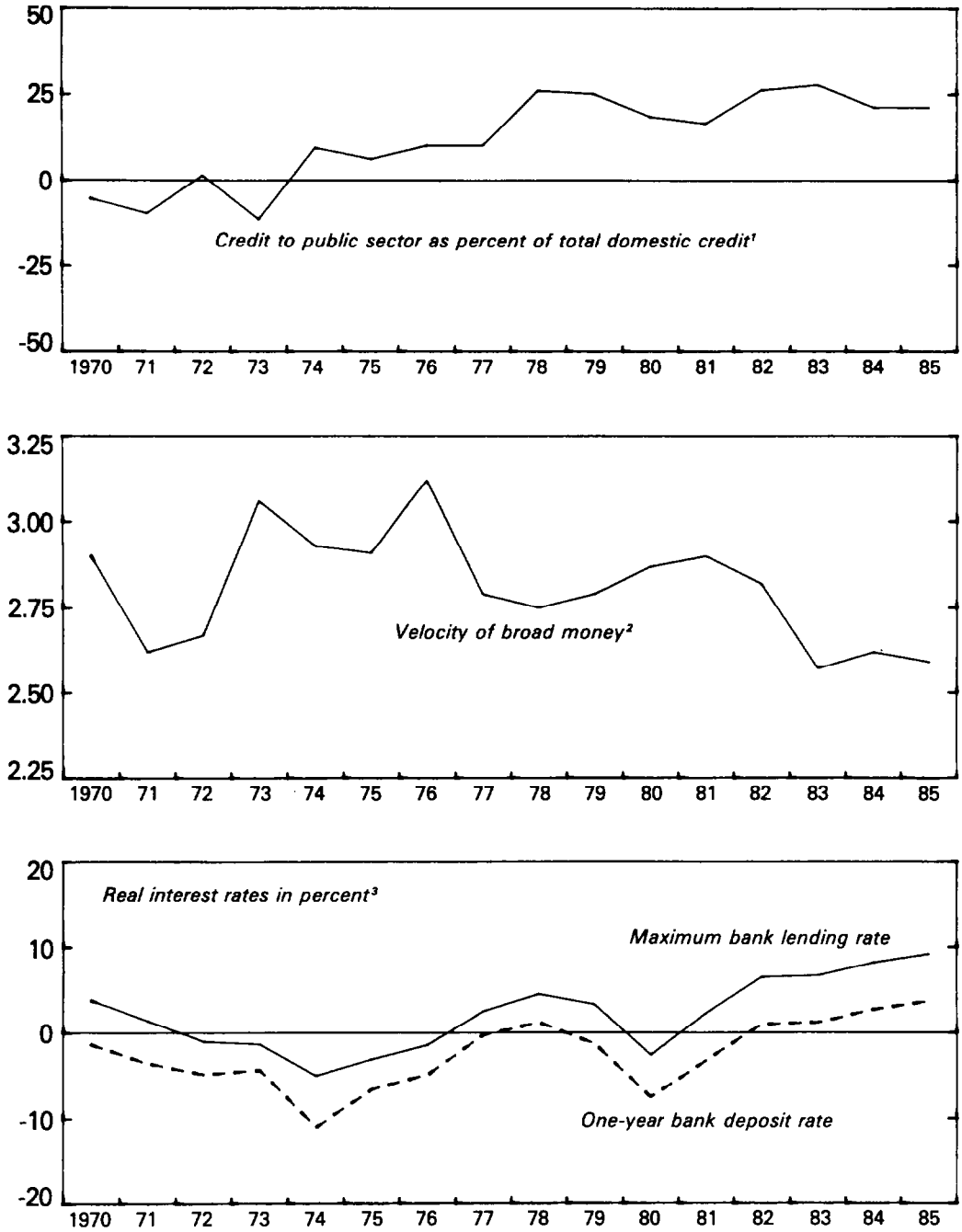


Sources: Data provided by the Fiji authorities; and staff estimates.
[1]Projections for 1986.

CHART 4

FIJI

MONEY AND CREDIT, 1970-85



Sources: Data provided by the Fiji authorities; and staff estimates.

[1]Amounts outstanding at end of period; net credit to Government and gross credit to public enterprises.

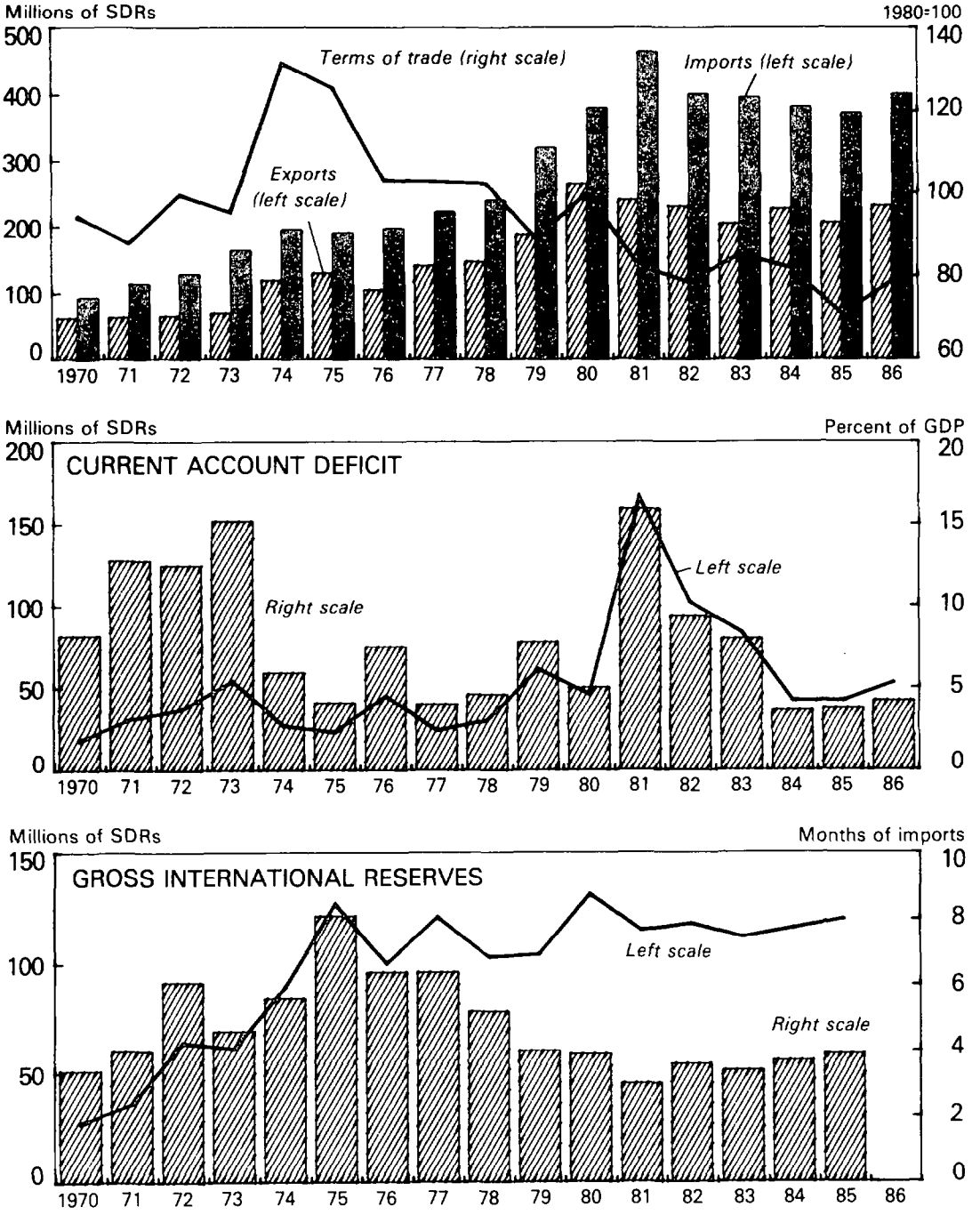
[2]Nominal GDP divided by broad money at end of period.

[3]Nominal rates of interest less the rate of increase in consumer prices.

CHART 5

FIJI

BALANCE OF PAYMENTS: SELECTED INDICATORS, 1970-86[1]



Sources: Data provided by the Fiji authorities; and staff estimates

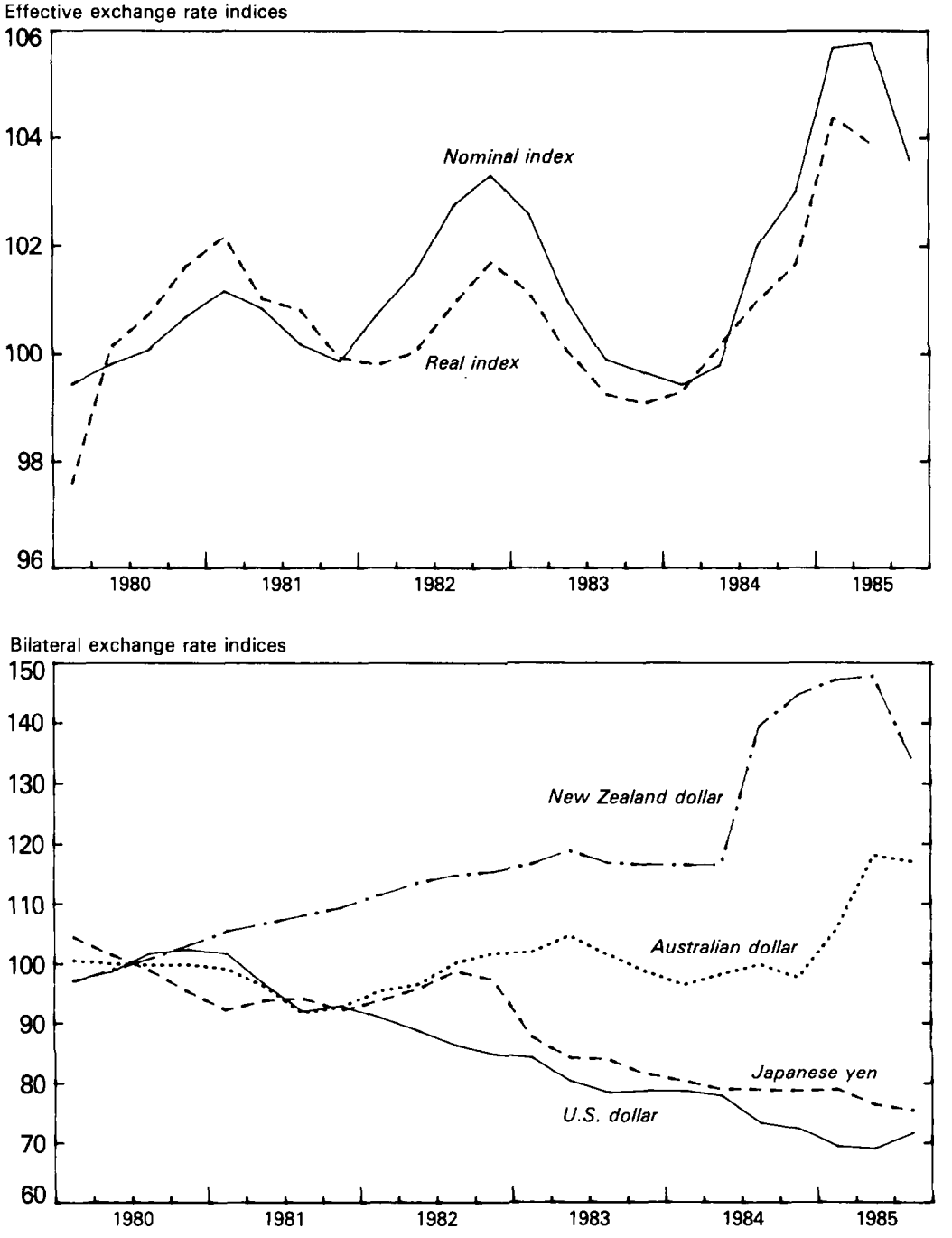
[1]Projections for 1986

CHART 6

FIJI

EXCHANGE RATE INDICES, 1980-85

(1980=100; period averages)[1]



Sources: Data provided by the Fiji authorities; and staff estimates.
[1]A rise in the index indicates appreciation of the Fiji dollar.