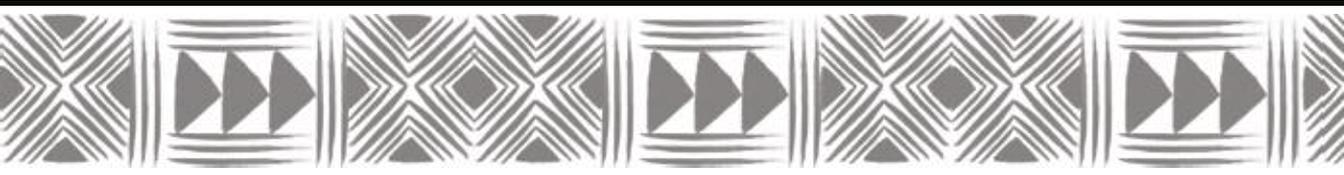


# REPUBLIC OF FIJI

## ECONOMIC AND FISCAL UPDATE SUPPLEMENT TO THE 2022-2023 BUDGET ADDRESS



**Ministry of Economy**  
**15 July 2022**



## **FOREWORD**

The Supplement to the 2022-2023 Budget Address discusses Fiji's current macroeconomic and fiscal position and forward projections for the next three years.

The 2022-2023 Budget builds on key measures that were introduced in the Revised 2021-2022 Budget to support Fiji's post-pandemic economic recovery, rejuvenate private sector activity, assist the vulnerable affected by global inflationary pressures and maintain overall macro-fiscal sustainability.

This document was compiled by the Ministry of Economy in consultation with other Government ministries, the Fiji Revenue and Customs Service (FRCS) and the Reserve Bank of Fiji (RBF). The information contained in this document is current as of July 2022.



Shiri Gounder  
Permanent Secretary for Economy  
15 July 2022

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## CHAPTER 1: INTRODUCTION

### *Background*

- 1.1 The fragile global economic recovery has been affected by lingering pandemic-related supply disruptions, the ripple effects of the Russia-Ukraine war on international food and fuel markets, and tightening global financial conditions. Elevated inflation, in particular, has exacerbated food insecurity and poverty in emerging market and developing economies (EMDEs), eroded household real disposable incomes and constrained consumer demand. Meanwhile, widespread uncertainty has hindered business growth and discouraged new investments and job creation.
- 1.2 Global consumer prices are expected to peak in mid-2022 before declining below 3.0 percent by the end of the year; however, inflation is likely to remain elevated even after these shocks subside. To combat rising prices, central banks in several advanced economies, including some of our major trading partners such as Australia, the United States (US) and the United Kingdom (UK), have moved to tighten monetary policy to contain rising prices by raising interest rates despite the risk of triggering a recession.
- 1.3 Global growth has been decelerating, with international institutions recently downgrading their growth prospects for the year given the downside risks. The Organization for Economic Cooperation and Development (OECD) expects global Gross Domestic Product (GDP) to grow by 3.0 percent in 2022 and 2.8 percent in 2023; the World Bank projects a growth of 2.9 percent this year and 3.0 percent next year; while the International Monetary Fund (IMF) is slightly optimistic, expecting growth of 3.6 percent in 2022 and 2023, respectively. This combination of high inflation and sluggish growth raises the risk of global “stagflation”, a phenomenon not experienced since the 1970s.
- 1.4 Set against this backdrop, the 2022-2023 National Budget looks to navigate these global challenges and consolidate Fiji’s economic recovery as we move beyond the pandemic. The domestic economy is poised for a strong rebound this year after three consecutive years of decline which adversely impacted jobs, public finances and socio-economic conditions. After a minor decline of 0.6 percent in 2019, the Fijian economy recorded a severe contraction of 17.2 percent in 2020, followed by a further estimated decline of 4.1 percent in 2021.
- 1.5 However, since the reopening of international borders and the resumption of tourism in December 2021, the economy is now showing signs of a strong recovery, with a double-digit growth of 12.4 percent projected for 2022. If realised, this would mark Fiji’s highest-ever GDP growth on record, albeit following the massive contraction in the previous two years. A further growth of 9.2 percent is expected for 2023, followed by 5.0 percent for 2024.

- 1.6 This forecast is predicated on the assumption that visitor arrivals will reach close to 55 percent of pre-pandemic arrivals this year. The recovery of the tourism industry is critical for our recovery prospects given the dominance of the industry throughout the wider economy. The tourism industry accounts for roughly 40 percent of Fiji's GDP both directly and indirectly.
- 1.7 In light of recent visitor arrival numbers, the above forecast is upward biased, as we are likely to surpass the visitor arrivals target for this year. Cumulative to June 2022, total visitor arrivals totaled 205,529, which is a thirty six-fold increase relative to the same period last year, and about 50 percent of pre-pandemic levels.
- 1.8 Encouragingly, incoming tourists from our major source market Australia have recovered to around 97 percent of pre-pandemic levels, and a strong turnaround is expected from our other key markets as global travel restrictions continue to ease. Moreover, strong forward bookings with our national carrier Fiji Airways hint at an even bigger recovery in tourism as we enter the traditional peak months of July and August.

### *Sectoral performance*

- 1.9 On the sectoral front, the positive effects of the tourism recovery have fueled a rebound in domestic demand, evidenced by higher consumption and investment spending over the first half of the year. The uptick in consumption spending is reflected by higher Pay-As-You-Earn (+9.7 percent) and Net Value Added Tax (+50.6 percent) collections in the year to May, accompanied by strong commercial bank new consumption lending (+64.5 percent), and new vehicle registrations (+45.7 percent).
- 1.10 In regards to investment activity, new lending by commercial banks for investment purposes increased by 89.2 percent cumulative to May, while domestic cement sales grew by 25.3 percent over the same span, following a slight contraction in the previous month. The rising costs of labour and construction materials, ongoing global supply disruptions and the general uncertainty associated with international and domestic developments may impede investment activity to some extent.
- 1.11 Overall, Fiji's macroeconomic fundamentals are strong. The financial sector remains sound, and foreign reserves are currently sitting at \$3.6 billion (equivalent to 8.4 months of retained import cover) as at 13 July 2022. Our strong reserves position has lent stability to the exchange rate regime, and liquidity levels in the financial system are currently around \$2.5 billion, helping to maintain the current low interest rate environment which is critical to maintain the recovery momentum. Both foreign reserves and liquidity are at historically high levels.
- 1.12 To support foreign reserves as Government external loan drawdowns taper off and high trade deficits persist, Government will consider appropriate measures to strengthen our balance of payment (BOP) position. This includes targeted tourism

marketing to further diversify tourism source markets, exploring new incentives for foreign direct investment (FDI) in priority sectors such as Business Process Outsourcing (BPO)/ Knowledge Process Outsourcing (KPO), agri-business and medical tourism; and securing new markets for high-potential agriculture exports.

- 1.13 The post-COVID economic recovery has to be private sector led as Government starts to consolidate its fiscal position and reprioritise resources towards infrastructure development, expanding social protection and improving access to basic necessities such as water and electricity. While fiscal consolidation is critical, the pace of fiscal withdrawal has to be gradual, keeping in mind the fragile economic recovery and the need to support ordinary Fijians affected by rising international prices.
- 1.14 In that vein, the FY2022-2023 Budget will ensure that public finances are managed responsibly by conservatively realigning Government's revenue and expenditure projections based on the current global outlook. The FY2022-2023 Budget also looks to mitigate some of the emerging downside risks, particularly rising inflationary pressures, while ensuring that the fiscal and monetary policy mix does not constrain Fiji's fragile economic recovery.
- 1.15 In respect of public revenues, Government will ensure that tax collections are adequate to fund its immediate priorities. Most importantly, the tax measures introduced in the Revised 2021-2022 National Budget, especially those aimed at improving Fiji's tourism competitiveness and the Ease of Doing Business, will be maintained to ensure continuity and stability. At the same time, expenditure policy will focus on maintaining tight controls on operational expenditure, reprioritising spending and reducing inefficiencies.
- 1.16 Although the short-term domestic outlook remains favourable for now, it is expected that Fiji's economy will not return to pre-pandemic levels until at least 2024. Downside risks to the outlook remain, including the uncertain tourism recovery given the recent reopening of competitor destinations, the ongoing economic fallout from the war in Ukraine, rising global inflation and persistent supply disruptions, and the ever-present threat of climate-change and natural disasters.
- 1.17 The ensuing paragraphs discuss some of the major expenditure and revenue policies for FY2022-2023.

### ***Inflation mitigation measures***

- 1.18 Government has allocated \$60.0 million in the 2022-2023 Budget to help mitigate the effects of rising inflationary pressures on household disposable incomes, as follows:

### ***Inflation mitigation for children***

- 1.19 To help cope with rising prices, parents with a combined annual income of less than \$50,000 will receive a payment of \$180 per child (only for children below 18 years) over a 6 month period. This equates to \$30 per month per child, and will be paid out in two phases. For example, if an applicant has 5 children below the age of 18 years, the total payout for the 6 month period will be \$900.
- 1.20 An online platform will be developed similar to the vaccination registration portal, through which parents can apply. Alternatively, Government may set-up registration centres for Fijians to apply in person, if the need arises.
- 1.21 Applications will be verified through Birth Registration Number (BRN) if the applicant and child details are correct. All applicants currently receiving Energy Fiji Limited (EFL) subsidy, Water Authority of Fiji (WAF) subsidy, and students on transportation assistance will automatically qualify as they are already assessed to be earning less than \$50,000 annual income. Those who do not qualify will have to go through an additional process of income verification via FRCS and Fiji National Provident Fund (FNPF), or via statutory declaration for those in the informal sector. Successful applicants will be paid through their M-PAiSA/MyCash accounts. Approximately 200,000 students will benefit from this initiative.

### ***Social welfare, Government pension and AfterCare recipients***

- 1.22 All existing social welfare, Government pension and AfterCare Fund recipients will receive a payment of \$180 over a six month period. This will be paid out in two phases. It is expected that around 100,000 Fijians will benefit from this initiative.

### ***Support for tertiary students***

- 1.23 All tertiary students (regardless of whether or not they are TELS/ Toppers recipients) will receive a payout of \$180 over a six month period, to be paid out in two phases. About 30,000 students are expected to benefit from this scheme.

### ***Post-pandemic financial support measures***

- 1.24 COVID-19 economic support measures announced in the 2021-2022 Budget such as electricity and water subsidies, Stronger Together Job Support Scheme and Jobs for Nature, social welfare support, access to GPs and medical practitioners, support for transportation (payment of base fees, PSV drivers licence fees, etc.), stall fees for market vendors, inshore fishing fees, etc. will be continued for the next 12 months.

### ***Bus fare assistance***

- 1.25 Effective from 1 August 2022, bus fares will be reduced by 10 percent across the board for the next 6 months. Government will pick up the 10 percent cost so as not to place the burden on the bus companies. Bus users will pay discounted fares, while Government will pay the difference directly to the bus companies through a \$6.0 million allocation in the 2022-2023 Budget. Government will make an advance payment to all bus companies for the month of August based on previous records and reconcile this with acquittals and e-ticketing data every month.

### ***Tertiary Education***

- 1.26 Government has allocated a total of around \$1.2 billion to the Tertiary Scholarships and Loans Service (TSLs) since its inception. A total of 9,200 scholarships and loans will be awarded in FY2022-2023 with a total allocation of \$162.6 million in FY2022-2023 for scholarships and student loans.

### ***Scholarships***

- 1.27 Government will double the number of scholarships to 1,200 and eligibility criteria will be published by TSLs in the Fijian Scholarship Scheme regulations. The number of awards under the National Toppers Local Scheme will increase from 547 to 770, with 40 awards for MBBS, 5 for Bachelor of Dental Surgery (BDS) and 40 for nursing. The scholarship cut-off mark for nursing will be 300 for Year 13.
- 1.28 Government will allocate 165 scholarships for teacher training in Maths & Physics, Industrial Arts, Primary Education and Computer Science. Scholarships for students with special needs will remain at 20, based on past uptake records.
- 1.29 Government will reinstate the National Toppers Overseas Scheme which was suspended due to border closures. The scheme previously allocated 20 awards; however, for the next financial year Government will double it to 40 awards, of which 30 will be for degree programmes, 5 for in-service public sector workers and 5 for TVET qualifications.
- 1.30 Government will for the first time allocate 10 Ph.D. and 20 Masters-by-research scholarships for full-time studies. The 3 Masters awards will be ring-fenced for Monash University-Fiji National University Pacific Island Countries (PIC) Climate Change Research Centre. The areas will be limited to Medicine, Health, Science, Engineering, Climate Change/Environmental Science, Marine Science, Forestry, Public Policy, Public Financing, Economic Modelling and ICT.
- 1.31 Government will introduce 200 awards under a rebranded “Skills Qualification” scholarship scheme (previously TVET) at Fiji National University (FNU). The cut-off mark for this scheme will be 250 for Year 13 and 270 for Year 12.

- 1.32 The number of In-Service awards will increase from 120 to 140, of which 100 will be for public sector organisations and 40 for private sector and state owned enterprises.
- 1.33 In addition, 200 grants will be awarded for micro qualifications to develop construction skills, inclusive of a \$100 monthly industrial attachment allowance.

### *Student Loans*

- 1.34 The cut-off mark for TELS for Higher Education/Level 7 programmes will remain at 250. For commerce, the cut-off mark will be 280, except for accounting, economics and management or administration, where the cut-off mark will be 300. For Skills Qualifications at FNU, the eligibility will be a Pass in Year 12, Certificate I or II from Fiji Higher Education Commission (FHEC) recognized institutions or offer Letter obtained from FNU.
- 1.35 Government will allocate 2,800 TELS awards for level 7 programmes. Within this, nursing will have 200 awards, and the allocations for teacher training, ICT, environmental & marine science disciplines will increase. Skills Qualifications from levels 3, 4 and 5 at FNU will have 4,600 allocations. In total, Government will allocate 8,000 student loans and the criteria will be published by TELS in the TELS regulation.

### *Infrastructure*

- 1.36 The FRA is allocated a sum of \$376.7 million in FY2022-2023. Of this, \$13.8 million will cater for FRA's operating costs and \$362.9 million is to carry out a comprehensive capital works programme to meet Fiji's growing need for new infrastructure and to maintain our existing road network.
- 1.37 A sum of \$204.3 million is allocated to the WAF in FY2022-2023 to help achieve Government's vision of ensuring Fijian households have access to clean water and efficient and effective wastewater services. \$89.2 million is allocated for operating expenditures while \$115.1 million is allocated for capital investment in the water sector infrastructure, primarily to improve Fiji's long term standing water supply and wastewater management needs.
- 1.38 In FY2022-2023, the Land Transport Authority (LTA) will be allocated a total of \$22.4 million, of which \$21.4 million is for operations and \$0.9 million is for capital expenditure. Of this, \$0.8 million is allocated for the digitization of key customer services.
- 1.39 The Maritime Safety Authority of Fiji will be allocated a total of \$7.4 million in FY2022-2023, of which \$5.9 million is for operating expenditure and \$1.5 million for capital expenditure.

1.40 The Ministry of Infrastructure and Meteorological Services total budget for FY2022-2023 is \$37.2 million, of which \$21.2 million is for operating expenditure and \$14.8 million for capital expenditure.

1.41 \$19.3 million has been allocated under Head 50 for Grid Extension and Housewiring Projects, through which the Ministry of Economy will directly pay EFL for grid extension and house wiring works under one contract. The extension of EFL grid networks will benefit rural areas that do not have access to electricity. A total of 117 schemes (Central Division – 50, Western Division – 50, and Northern Division – 17) will be implemented, with more than 1,291 Fijians expected to benefit from the programme.

### ***Government support for Agriculture***

1.42 In the 2022-2023 Budget, Government will outsource land clearing and farm mechanisation services to private contractors to boost farmer access to land cultivation machinery. The Ministry of Agriculture will receive \$7.0 million in FY2022-2023 for this initiative.

1.43 An allocation of \$400,000 will be provided for the yaqona farming programme, \$600,000 for ginger farming, \$200,000 for dalo farming, and \$350,000 for rice farming. The Women in Agriculture programme will receive an allocation of \$300,000, and a further \$300,000 will be provided to improve farm access roads. Fiji Rice Limited will also receive a capital grant of \$1.3 million.

### ***BPO incentives***

1.44 Outsource Fiji will receive an increased grant of \$600,000 in FY2022-2023. In addition, \$1.0 million will be provided towards the BPO expansion programme.

### ***Improving the Ease of Doing Business***

#### ***Business license reforms***

1.45 The Ministry of Forestry has introduced online licensing for the export and import of timber and forest products which has reduced turnaround time for approvals to less than 24 hours. Moreover, the recent implementation of online applications for logging licenses now enables licenses to be issued within 48 hours after thorough verification of log sources and environmental safeguards, among other checks. The 2022-2023 Budget will continue to support the Ministry's ongoing digitalisation transition to promote sustainable forest resource management.

1.46 To provide more certainty to businesses, Government is extending all licenses to 5 years, including licenses for insurance agents, sand and gravel extraction, as well as fishing permits and licenses. These longer term licenses will help individuals and business to access additional financing which would not otherwise have been

available under shorter term licenses.

- 1.47 For international travelers from countries with visa-free entry arrangements with Fiji, they will now get a business visa on arrival. This will eliminate any major bottlenecks with Fiji's Immigration Department processes for those traveling on short-term business trips.

### ***Improving Survey and Development Processes***

- 1.48 In the Revised 2021-2022 Budget, Government announced the establishment of an inter-agency working group including the iTaukei Lands Trust Board (TLTB), the Ministry of Lands, the Department of Town and Country Planning (DTCP) and the Ministry of Economy to improve survey processes. These agencies were provided with additional resources, and have been working diligently to clear backlogs and reduce internal processes. Subsequently, on 1 August 2022, for all new surveys for iTaukei land, the DTCP and the Surveyor General will utilise the Land Development Vetting Committee (LDVC) Portal through which all parties can track the status of surveys in real time.
- 1.49 Furthermore, through discussions with the Ministry of Lands, Cabinet has approved that the Vanua View GIS system will now be free for all users, making this valuable information platform readily accessible to the public. The Ministry of Lands will also enable chartered approved survey plans to be viewed online via the Vanua View platform, and approved scanned plans to be freely available on the Ministry of Lands website.
- 1.50 Government has made a conscious decision to make this information public as access to information is a key driver for bringing about efficiency and furthering economic development. FRA will soon be included in the inter-agency working group.

### ***Amendment in Road Standards for Rural Areas***

- 1.51 Land development costs to meet conditions for subdivision designs and standards have become a stumbling block for development, especially for ordinary Fijians living in rural areas. In consultation with the aforementioned inter-agency working group, the FRA will soon finalise specific standards for rural subdivisions, given that road infrastructure requirements have been the most costly component of developing rural lots and subdivisions.

### ***New revenue measures***

#### ***Vehicle duty increases and the promotion of Electric Vehicles***

- 1.52 To demonstrate Government's strong commitment to the environment and reducing motor vehicle emissions, the duty on used cars will be increased by

\$1,000 while the duty on new cars will be increased by 5% import excise duty. We are also introducing a luxury vehicle tax of \$10,000 per vehicle for vehicles above 3,000cc.

- 1.53 To further promote and support the use of green technologies, we are expanding incentives to support the purchase of Electric Vehicles (EV) and charging stations.
- 1.54 Government had previously announced a 7 year tax deduction and a 5% subsidy for capital investments in charging infrastructure/stations for EV above \$100,000. The subsidy has now increased to 10% on investments over a lower threshold of \$50,000.
- 1.55 VAT and fiscal duty on all EVs will now be zero-rated to allow accelerated depreciation of 100%. Government will also provide a \$5,000 subsidy per vehicle if a local business purchases 5 vehicles or more.

### ***Employment Taxation Scheme***

- 1.56 The current employment taxation scheme expires in 2023 and allows for a 300% tax deduction on first full-time employees, on wages paid for work placements in a related area of study up to 6 months in a year before graduation, and to students employed on a part-time basis.
- 1.57 Furthermore, a 400% tax deduction is also provided on wages paid to disabled persons employed for 3 consecutive years. These incentives will now be extended until 31 December 2024, and will also include a 300% tax deduction for wages paid to people employed on apprenticeships.

### ***Tax Clearance increased to \$10,000***

- 1.58 The financial limit for obtaining Tax Clearances will be raised to FJ\$10,000. The positive transition will improve efficiency and ease cost of doing business in Fiji. This move will benefit banks, businesses and individuals as it significantly reduces the number of small transactions requiring tax clearance. Blanket tax clearances are also easily available for larger and more regular transactions.

### ***Increase in FNPF contribution rates***

- 1.59 Government will increase the FNPF employer and employee contributions from 6% to 7% from 1 January 2023 through 31 December 2023. For more than a year now, FNPF members' accounts have received contributions at a lower rate. This 1% reversal for both employers and employees should credit around \$40 million to members' accounts. Government will eventually revert the contribution rates to a total of 18% (10% for employers and 8% for employees) in the coming years.
- 1.60 Any employer who chooses to contribute in excess of the 7% mandatory

contribution up to 10%, will be allowed to deduct 300% of the additional contribution from their taxes, and that additional income for their employees will be exempt from income tax.

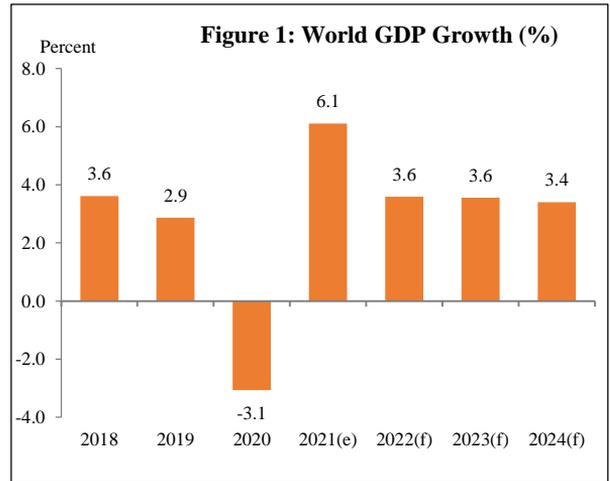
## CHAPTER 2: ECONOMIC PERFORMANCE & OUTLOOK

2.1 This chapter provides an update on recent developments in the global economy and the performance of Fiji’s major trading partners, an overview of the current domestic economy, and projections for the medium-term. It also discusses the outlook for trade, balance of payments, monetary aggregates, inflation and foreign reserves.

### *International Outlook*

2.2 Still reeling from the effects of the COVID-19 pandemic, the global economy now has to contend with the war in Ukraine, which has intensified existing supply chain bottlenecks and bolstered surging commodity prices. Rising inflation has prompted a faster withdrawal of policy support and heightened the risk of stagflation.

2.3 The IMF’s April World Economic Outlook projected global economic growth to decelerate to 3.6 percent in 2022, following an estimated 6.1 percent expansion in 2021. However, in light of current global developments, the IMF anticipates a further downgrade to global growth in July. Global growth for 2023 and 2024 is currently expected at around 3.6 and 3.4 percent, respectively.



(Source: IMF World Economic Outlook- April 2022)

2.4 The war in Ukraine has further ramped up already high commodity prices, in particular fuel and food. Futures indicate that crude oil prices will remain above US\$100 per barrel for the remainder of 2022, around 1.5 times the average price in 2019. Additionally, the Food and Agriculture Organisation price index shows that global food prices have also increased significantly in 2022, registering an all-time high in March, and have remained broadly elevated.

## *Fiji's Trading Partners*

2.5 The **US** economy expanded by an annual 3.5 percent in March this year, led by robust consumer spending and business activity which also kept the unemployment rate low at 3.6 percent in May. On the other hand, supply disruptions, sharp commodity price rises and strong demand have accelerated inflation and dented growth prospects for the rest of the year. The annual inflation rate notched a 40-year high of 8.6 percent in May 2022, well above the US Federal Reserve's (Fed) long-run



(Source: IMF World Economic Outlook- April 2022)

target rate of 2.0 percent. Consequently, the Fed further raised the funds rate by 75 basis points (bp) to 1.75 percent in its June meeting and hinted that similar rate hikes could follow in the coming months to help contain inflation. The US economy is expected to grow by 3.7 percent in 2022 and 2.3 percent in 2023, while inflation is forecast to remain elevated at 7.7 percent this year before subsiding to 2.9 percent in 2023.

2.6 The **Eurozone** economy expanded by 5.4 percent in the first quarter of 2022 as countries emerged out of lockdowns and COVID-19 restrictions were lifted. The unemployment rate reached an all-time low of 6.8 percent in April; however, inflation continued to ascend, rising to 8.1 percent in May, putting pressure on the European Central Bank (ECB) to respond. Consequently, during its June meeting, the ECB announced that it would end the Asset Purchases Programme and raise key interest rates by 25 bp in July, marking the first increase in more than a decade. Further interest rate increases in September are likely if inflation remains elevated. The Eurozone is forecast to expand by 2.8 percent in 2022 and 2.3 percent in 2023, while inflation is expected to be around 5.3 and 2.3 percent in 2022 and 2023, respectively.

2.7 The **Japanese** economy grew by an annual 0.2 percent in the first quarter of 2022, underpinned by higher activity due to the easing of COVID-19 restrictions. In April, labour market conditions improved as the unemployment rate continued its downward trend to 2.5 percent – its lowest since March 2020 – while the annual inflation rate hit 2.5 percent. The Japanese economy is forecast to grow by 2.4 percent in 2022 and 2.3 percent in 2023, while inflation is anticipated to subside to 1.0 percent by year-end and further slow to 0.8 percent in 2023.

2.8 The **Australian** economy grew by 3.3 percent in March on the back of strong

household and government spending. The unemployment rate reached an all-time low of 3.9 percent in April; however, the tight labour market, high global commodity prices and floods earlier in the year brought the annual inflation rate to a two-decade high of 5.1 percent in the March quarter, prompting the Reserve Bank of Australia to start raising its policy rates. The Australian economy is forecast to grow by 4.2 percent in 2022 and 2.5 percent in 2023, while inflation is expected to be around 3.9 percent and 2.7 percent for 2022 and 2023, respectively.

- 2.9 The **New Zealand (NZ)** economy expanded by 1.2 percent in the March quarter of this year as service industries rebounded from a prolonged period of restrictions. While domestic demand has been robust, there have been labour shortages and supply capacity has been strained. Consequently, the unemployment rate reached a record low of 3.2 percent, while the annual inflation rate rose to a three-decade high of 6.9 percent in the March quarter. The Reserve Bank of NZ resolved to an early tightening of monetary conditions to slow demand and lower inflation expectations. The NZ economy is projected to grow by 2.7 percent in 2022, followed by a further expansion of 2.6 percent in 2023. In addition, the inflation outlook remains elevated at 5.9 percent in 2022 and 3.5 percent in 2023.
- 2.10 Although the **Chinese** economy grew by 4.8 percent in the March quarter, Omicron outbreaks and subsequent lockdowns in major hubs have disrupted economic activity and intensified supply chain issues, weakening prospects for the rest of this year. The urban unemployment rate increased to 5.9 percent in May. Nonetheless, weak demand kept annual consumer inflation at around 2.1 percent in April and allowed producer price inflation to ease to 6.4 percent in May. Though the People's Bank of China maintained the one-year loan prime rate at 3.7 percent in June, other policy initiatives have been adopted to prop up the Chinese economy.<sup>1</sup> Growth is anticipated to slow to 4.4 percent in 2022 and then pick up to 5.1 percent in 2023, while inflation is expected to be around 2.1 percent in 2022 and 1.8 percent in 2023.
- 2.11 The **Indian** economy registered a 4.1 percent growth in the first quarter of 2022 amid increased demand, output and job growth. Accordingly, the unemployment rate declined to 7.1 percent in May, led by higher recruitment in both the industrial and services sectors. While the inflation rate slowed to 7.0 percent over the same period, it remained above the Reserve Bank of India's target range for the fifth consecutive month. The Indian economy is expected to grow by 8.2 percent in 2022 and 6.9 percent in 2023, while inflation is forecast at 6.1 and 4.8 percent in 2022 and 2023, respectively<sup>2</sup>.

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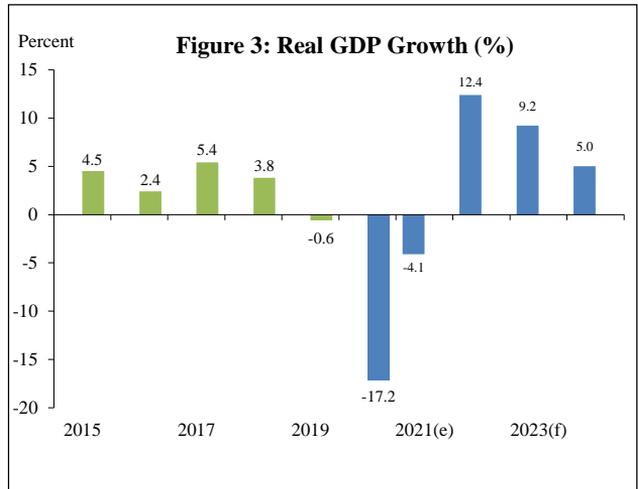
<sup>1</sup> For example, the People's Bank of China reduced the required reserve ratio in April and cut the five-year LPR (a reference rate for home mortgages) by 15 bps to 4.45 percent in May. Additionally, the State Council has implemented several packages to incentivise activity and spending.

<sup>2</sup> Estimates are based on fiscal years, which run from April to March.

## Domestic Outlook

### Overview 2021

2.12 The Fijian economy is estimated to have contracted by 4.1 percent in 2021. While pandemic-induced mobility restrictions and the halt in tourism activity further subdued aggregate demand and weakened sectoral activity throughout the year, the earlier than expected resumption of tourism in December and Government's cash assistance programs helped prevent a much larger economic contraction. (Figure 3).



(Sources: Fiji Bureau of Statistics and Macroeconomic Committee)

### Overview 2022

2.13 Fiji's economic recovery is intrinsically tied to the rebound in tourism, given its significant impact on the economy. In the year to June, visitor arrivals totaled 205,529 visitors, which is 50.4 percent of arrivals over the same period in 2019. The current strong pace of tourism inflows is expected to continue, with visitor arrivals now projected to reach 55.0 percent of 2019 levels by the end of 2022. Consequently, the domestic economy is expected to grow by **12.4 percent in 2022** after three consecutive years of decline.

2.14 Major sectors driving the rebound in 2022:

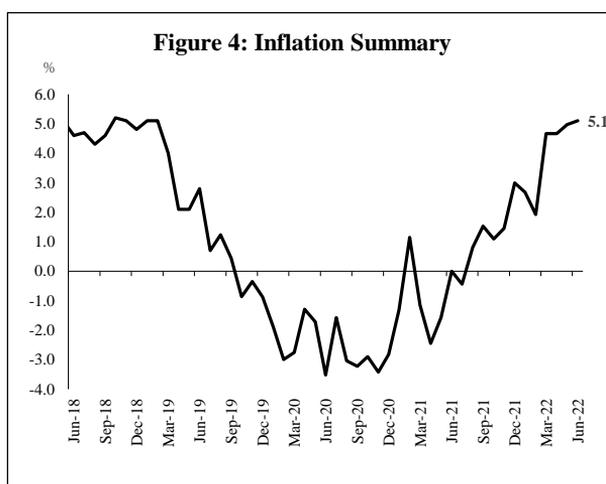
- i. Services-related sectors such as Accommodation & Food Services and Transport & Storage given that the inflow of tourists directly supports activities in these sectors;
- ii. Wholesale & Retail trade is expected to note a turnaround after two consecutive years of contraction, as domestic consumption gains momentum supported by improving labour market conditions;
- iii. The business services sector, mainly the Finance & Insurance category, on the back of the expected pick-up in commercial bank lending due to recovering domestic demand; and
- iv. The primary and industrial sectors are anticipated to grow in line with domestic and export demand recovery.

2.15 GDP growth is projected at **9.2 percent for 2023** and **5.0 percent for 2024**. The broad-based economic recovery is expected to be driven by the services, industrial and primary sectors in line with the rebound in travel and tourism. Net tax collections are projected to recover in tandem.

### *Inflation*

2.16 Inflation has been rising since the second half of 2021, as pandemic-induced imbalances compounded by the war in Ukraine have led to substantial hikes in food and fuel prices.

2.17 Annual Headline inflation was 5.1 percent in June following 5.0 percent inflation in May. Rising food and fuel prices continue to influence the inflationary outcome, but the effect of these shocks are now becoming increasingly evident through the second round effects on related goods and services.



(Source: Fiji Bureau of Statistics)

2.18 In June, excluding food and fuel, underlying consumer prices rose by 4.5 percent while the trimmed mean rate has increased by 1.5 percent for the third consecutive month. Imported inflation surged to 10.7 percent in June from 10.0 percent in the previous month and 3.3 percent in June last year, with prices elevated across all categories. Domestic inflation rose to 3.7 percent in June, compared to 3.4 percent in May and -1.3 percent in June last year.

2.19 Year-end inflation is estimated at 5.0 percent, up from 3.0 percent at the end of 2021. The annual average inflation rate is expected to accelerate to 5.2 percent this year from 0.2 percent in 2021. Over the medium term, inflation is projected to moderate to 3.1 percent in 2023 and 2.4 percent in 2024, as supply chain disruptions are expected to dissipate, and alternative markets make up for the lost production from Russia and Ukraine.

### *Exports<sup>3</sup>*

2.20 In **2021**, total exports rebounded by 5.2 percent to \$1,846.9 million, following an

<sup>3</sup> All analysis on exports excludes re-exports of aircraft.

18.6 percent decline in 2020. The outcome was led by strong growth in domestic exports, which compensated for a moderate reduction in re-exports. Mineral water, other food & live animals, woodchips and other crude materials underpinned the growth in domestic exports, while the decline in re-exports was due to lower fresh fish and mineral fuel re-exports. The gradual relaxation of restrictions in trading partner economies and robust demand for some commodities have supported Fiji's domestic exports.

- 2.21 In **2022**, total exports are forecast to grow by 10.7 percent to \$2,044.2 million, largely due to the strong rebound in re-exports (+31.0 percent) coupled with a slight expansion in domestic exports (+1.0 percent). This is anticipated to be driven by higher mineral fuel re-exports owing to economic recovery in PICs, the rebound in international travel and higher fuel prices. On the other hand, the modest pace of global growth this year and lower expected gold and woodchips exports have dampened the outlook for domestic exports for 2022. Nonetheless, steady demand for mineral water and food & live animal exports are projected to sustain domestic export growth.
- 2.22 Total exports are forecast to grow by 9.5 percent (to \$2,239.2 million) and 7.6 percent (to \$2,410.4 million), respectively, in **2023 and 2024**, in line with the anticipated improvement in domestic activity and growth in Fiji's major trading partners. Moreover, the expected recovery in international travel and growth in PICs should bolster re-exports over the short-term.

### *Imports<sup>4</sup>*

- 2.23 In **2021**, total imports rebounded by 11.7 percent to total \$4,176.2 million after contracting by 26.3 percent in 2020, underpinned by most major import categories. This was largely a price effect, as import costs increased significantly last year led by higher global commodity prices and freight costs, rising trading partner inflation, and supply chain disruptions.
- 2.24 In **2022**, total imports are projected to rise substantially by 30.1 percent (to \$5,435.3 million) led by growth in mineral fuel, machinery & transport equipment and food imports, with both price and volume effects underpinning this outcome. Import demand is expected to rise on the back of the resumption of tourism and domestic activity, and new and ongoing major investment projects. Although import volumes will not recover to pre-pandemic levels for some time, the import bill in nominal terms is expected to surpass 2019 levels mainly due to price effects.
- 2.25 In **2023 and 2024**, total imports are forecast to increase by 10.1 percent (to \$5,983.2 million) and 5.6 percent (to \$6,317.6 million), respectively. While global commodity prices and inflationary pressures in trading partners are anticipated to moderate to some extent, the continued growth in the domestic economy and the

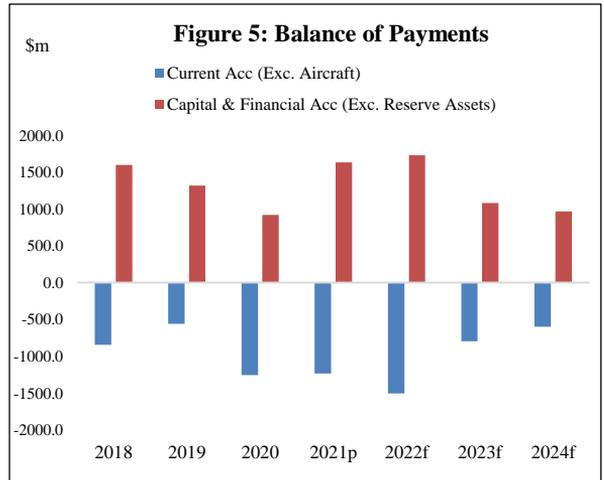
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<sup>4</sup> All analysis on imports excludes aircraft.

stabilisation of prices at relatively higher levels will lead to a continued expansion in imports.

### *Balance of Payments (BOP)<sup>5</sup>*

2.26 In 2021, the current account deficit (CAD) narrowed slightly to \$1,231.3 million, (equivalent to 13.2 percent of GDP) compared to a deficit of \$1,253.1 million (12.9 percent of GDP) in 2020. The lower CAD was due to a significant increase in secondary income surplus (owing to higher cash and aid-in-kind, and strong growth in personal remittances) combined with a slight improvement in the primary income deficit, which more than offset the wider goods and services deficits. The capital and financial account (KFA) (excluding reserve assets) surplus widened significantly by 115.1 percent to \$1,635.9 million, equivalent to 17.5 percent of GDP, led by substantially higher inflows of FDI and Government external loan drawdowns.



(Sources: Fiji Bureau of Statistics and Macroeconomic Committee)

2.27 In 2022, the CAD is forecast to widen by 12.0 percent to \$1,379.5 million, equivalent to 12.8 percent of GDP. This is due to the anticipated widening of the trade and primary income (significant rise in profit repatriation) deficits, together with the narrowing of secondary income surplus (sharp fall in cash and in-kind transfers), which is anticipated to offset the rebound in the services balance (recovery in tourism). The KFA (excluding reserve assets) surplus is forecast to widen by 5.9 percent to \$1,733.1 million in 2022, equivalent to 16.1 percent of GDP, largely underpinned by higher Government external loan drawdowns, which should more than offset the lower FDI. The overall BOP is projected to be negative, and reserve assets are expected to fall by \$265.7 million.

2.28 The CAD is projected to narrow to \$796.7 million (6.7 percent of GDP) in 2023 before widening to \$598.7 million (4.7 percent of GDP) in 2024. These outcomes are due to the anticipated higher services and secondary income balances coupled with a lower primary income deficit, which will offset the anticipated widening of the trade deficit. The KFA (excluding reserve assets) surplus is forecast to narrow to \$1,082.7 million (9.1 percent of GDP) and \$971.4 million (7.6 percent of GDP), mainly led by lower Government external loan drawdowns, which should more than offset the projected increase in FDI inflows. The overall BOP is expected to

<sup>5</sup> Excluding aircraft.

be negative for 2022 and 2023, with reserve assets projected to decline by \$181.1 million and \$104.7 million, respectively.

### ***Remittances***

2.29 Inward personal remittances noted a strong growth of 14.6 percent (to \$842.2 million) in 2021, following an increase of 21.2 percent (to \$734.9 million ) in 2020, driven by prolonged border closures and lockdown measures which kept unemployment high and encouraged remittances from the Fijian diaspora abroad. In addition, COVID-19 stimulus measures in key source markets, and cheaper and more convenient mobile money transfer platforms have ensured a steady inflow of remittances. Inward remittances grew by 16.7 percent to \$387.6 million cumulative to May this year, led by growth in personal transfers, which more than offset the declines in migrant transfers and compensation of employees. The strong growth in personal transfers was largely driven by inflows via mobile money. Based on these factors and the high demand for Fijian workers in Australia and NZ through various labour mobility schemes, inward remittances are projected to grow by 11.0 percent to \$934.7 million by year-end. For 2023 and 2024, remittances are forecast to grow further by 3.5 percent and 2.7 percent (to \$967.2 million and \$993.6 million, respectively), assuming that overseas demand for Fijian workers will remain strong.

### ***Tourism earnings***

2.30 In 2021, tourism earnings contracted significantly to \$36.5 million (-88.4 percent), after falling to \$314.9 million (-84.8 percent) in 2020. Earnings across all tourist source markets fell, with the highest proportion of earnings in the year coming from Australia (66.6 percent) and the US (16.7 percent) mainly in the last quarter, underpinned by the reopening of international borders in December. For 2022, tourism earnings are forecast to rebound to \$1,390.2 million, led by a marked increase in visitor arrivals coupled with higher per-diem expenditure (due to pent-up demand and higher inflation). For 2023 and 2024, tourism earnings are projected to grow by 50.3 percent (to \$2,089.9 million) and 15.4 percent (to \$2,412.7 million), respectively, in line with the recovery in visitor arrivals and rising per-diem expenditures.

### ***Foreign Reserves***

2.31 As at 13 July, foreign reserves (RBF holdings) were around \$3,620.9 million, equivalent to 8.4 months of retained imports.

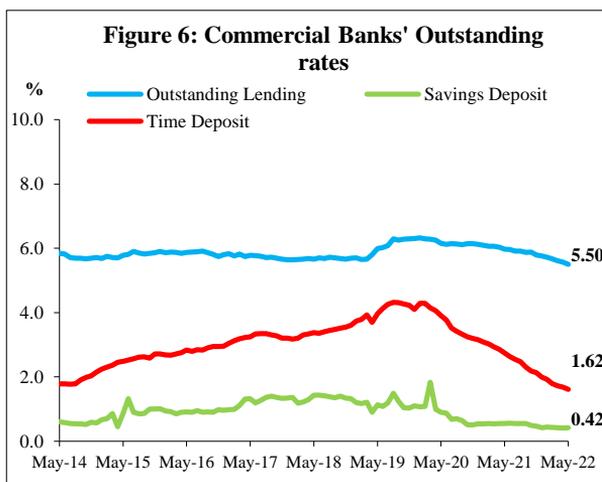
### ***Money and Credit***

2.32 The money supply continues to grow (+8.9 percent annual growth in May), backed by adequate foreign reserves, Government bond and Treasury Bill (T-Bill) investments and unconventional monetary policy measures taken by the RBF.

Consistent with the recovery in the real sector and the uptake of RBFs targeted lending facilities (primarily by commercial banks and the Fiji Development Bank), the level of outstanding credit to the private sector increased in the year to May (2.6 percent), driven mostly by business entities.

### *Interest Rates*

2.33 Interest rates remained low over the past year, supported by ample liquidity conditions. The weighted average outstanding time deposit (-113 bp) and lending (-47 bp) rates of commercial banks continued to trend lower over the year (**Figure 6**) in May. The time deposit rate, in particular, has fallen consistently since February 2020 by a significant 267 bp.



(Source: Reserve Bank of Fiji)

### *Exchange Rates*

2.34 Over the month in June, the Fijian dollar (FJD) strengthened against all trading partner currencies<sup>6</sup> with the exception of the United States dollar (USD) (-2.9 percent). Similarly, on an annual basis, the FJD gained against all trading partner currencies<sup>7</sup> except the USD (-6.5 percent).

2.35 In June 2022, the Nominal Effective Exchange Rate (NEER) was higher over the month (0.1 percent) but lower over the year (-0.4 percent).

2.36 Similarly, the Real Effective Exchange Rate (REER) also rose over the month (1.2 percent) but was lower over the year (-0.9 percent) denoting an annual gain in competitiveness on account of lower domestic prices relative to major trading partners.

### *Monetary Policy and Support to the Fijian Economy*

2.37 To support the economy during the pandemic, RBF maintained an accommodative monetary stance by leaving its policy rate unchanged since March 2020 at 0.25 percent, while supplying liquidity to the system via targeted lending facilities and investment in Government bonds. However, a confluence of factors such as elevated price pressures, ongoing geopolitical tensions and COVID-19 developments have recently posed downside risks to the RBF's twin monetary

<sup>6</sup> Japanese Yen (JPY) (4.0 percent), New Zealand Dollar (NZD) (2.3 percent), Australian dollar (AUD) (1.6 percent) and EURO (0.3 percent).

<sup>7</sup> JPY (15.5 percent), EURO (6.6 percent), NZD (5.0 percent) and AUD (2.1 percent).

policy objectives of low inflation and adequate foreign reserves.

- 2.38 Inflation is projected to be around 5.0 percent by year-end, mainly because of the supply-side driven surge in commodity prices, particularly oil and food, which currently show no signs of abating.
- 2.39 Liquidity levels have consistently remained above the \$2.0 billion mark over the past six months and is expected to remain ample in the coming months to support credit activity by placing downward pressure on interest rates. As of 13 July, liquidity stood at \$2.5 billion.
- 2.40 The RBF will continue to support the ongoing economic recovery via its accommodative stance. Going forward, the RBF will continuously monitor international and domestic developments and align its policies accordingly to maintain its twin monetary policy objectives.

### *Formal sector employment*

- 2.41 Labour market conditions are improving, evidenced by four consecutive months of triple digit growth in the number of vacancies advertised (according to the RBF job advertisement survey), culminating in a growth of 168.3 percent in June 2022. The strong growth was driven by vacancies across most sectors, but especially in tourism-related industries.
- 2.42 Data from the FNPF shows a similar pickup in the labour market over the year, with the number of FNPF contributing employees increasing from 149,579 in September 2021 (when domestic COVID-restrictions were lifted and people started returning to work) to 171,143 in May 2022 (+14.4 percent), while total wages paid increased from \$260.1 million to \$271.2 million (+4.3 percent). Over the same period, the number of contributing employers increased from 5,976 to 6,333 (+6.0 percent).

### *Unemployment assistance programmes*

- 2.43 Government has disbursed \$432.3 million in cash assistance to affected individuals since the start of the pandemic, comprising \$205.0 million to top up for FNPF member balances under the COVID-19 Unemployment Scheme, and \$227.3 million in direct cash assistance (one round of \$90, two rounds of \$50, two rounds of \$360 and one round of \$100). In total, over 400,000 Fijians have been supported in both the formal and informal sectors.

**Table 1: Total Government COVID-19 Cash Transfers**

Programme	Beneficiaries	Amount
Unemployment Assistance for the formal Sector through FPNF (March 2020 – June 2021)	68,864	\$205 million
Round 1 - \$90 (May 2021)	118,000	\$10.6 million
Round 2 - \$50 (June 2021)	224,000	\$11.2 million
Round 3 - \$50 (July 2021)	205,000	\$10.2 million
Round 4 - \$360 (August 2021-October 2021)	294,924	\$106.0 million
Round 5 - \$360 (November 2021-January 2022)	241,347	\$87.0 million
\$100 Vanua Levu Assistance (June 2022)	19,526	\$2.0 million
\$100 Taveuni, Qamea and Rabi (July 2022)	2,501	\$0.26 million
<b>Total</b>		<b>\$432.3 million</b>

(Source: Ministry of Economy)

### **COVID-19 Credit Guarantee Scheme**

- 2.44 In the FY2021-2022 National Budget, Government, via the RBF, provided \$200 million to help businesses meet their working capital needs, including payment of wages and salaries, rental cost, utility bills, purchase of stocks, etc. Under the scheme, existing micro businesses with turnover below \$50,000 can access up to \$10,000; small businesses with annual turnover between \$50,000 and \$300,000 can access up to \$20,000; medium-sized businesses with turnover between \$300,000 and \$1.25 million can access up to \$50,000; and large businesses with turnover above \$1.25 million can access up to \$100,000.
- 2.45 Commercial banks, the FDB and other licensed credit institutions can access the \$200 million funding from the RBF at 0.25 percent, and then on-lend at a maximum rate of 3.99 percent. As of 24 June 2022, a total of 5,553 loan applications have been approved to the tune of roughly \$117.8 million (**Table 2**). Of the successful applicants, 2,589 (47 percent) are micro businesses, 1,754 (32 percent) are small businesses, 715 (13 percent) are medium-sized businesses, and 495 (9 percent) are large businesses.

**Table 2: COVID-19 Credit Guarantee Scheme- loan uptake as at 3 March 2022**

Business Size		Micro	Small	Medium	Large	Total
<b>Approved pending drawdown</b>	Applications	1	13	11	10	35
	Loan Value \$M	0.01	0.26	0.55	1	1.82
<b>Disbursed</b>	Applications	2,588	1,741	704	485	5,518
	Loan Value \$M	18.26	24.3	30.11	43.31	115.98
<b>Total Approvals</b>	Applications	2,589	1,754	715	495	<b>5,553</b>
	Loan Value \$M	18.27	24.56	30.66	44.31	<b>117.8</b>

(Source: Reserve Bank of Fiji)

## CHAPTER 3: GOVERNMENT’S FISCAL PERFORMANCE

- 3.1 The removal of all major pandemic-related restrictions and the reopening of international borders in December 2021 has put the Fijian economy on the path towards recovery. This has supported the improved tax collections in FY2021-2022 while budget support grants from major development partners has also helped sustain overall revenues and fiscal position. Government spending during the year focused on supporting those affected by the pandemic and ensuring continued delivery of public services. Various taxation measures were introduced to mitigate rising inflationary pressures and ensure the competitiveness of the tourism industry and other related economic sectors.
- 3.2 Building on from the FY2021-2022 Revised Budget, the FY2022-2023 Budget focuses on supporting the private sector to take a lead role in the post-COVID-19 recovery process. The numerous taxation and other fiscal policy measures introduced in the previous few Budgets will continue, with the aim of helping the private sector recover quickly and thrive. At the same time, Government has started to consolidate its fiscal position by halving the deficit and reprioritising resources towards infrastructure development, provision of public services and social safety measures to protect the vulnerable and disadvantaged.

### *FY2021-2022 Fiscal Performance*

- 3.3 The Revised FY2021-2022 Budget was recalibrated in response to the earlier than expected reopening of the borders and the need to introduce measures to mitigate the rising inflationary pressures emanating from global supply chain disruptions and the Russia-Ukraine conflict. With the improved economic prospects following the border reopening, the fiscal deficit was revised down to \$1,462.0 million, equivalent to 14.2 percent of GDP (2.0 percentage points lower than initially projected).
- 3.4 With FY2021-2022 now coming to a close, the overall fiscal performance relative to the budget has been slightly favourable and the fiscal deficit is now expected at \$1,405.4 million, or around 13.8 percent of GDP (**Table 3**).

**Table 3: Fiscal Framework 2021-2022**

(\$M)	2020-2021 (Actual)	2021-2022 (Original Budget)	2021-2022 (Revised Budget)	2021-2022 (Estimate)
<b>Revenue</b>	<b>2,143.0</b>	<b>2,085.1</b>	<b>2,253.1</b>	<b>2,144.7</b>
As a % of GDP	22.8	21.1	21.9	21.1
<i>Tax Revenue</i>	1,412.6	1,597.6	1,710.5	1,680.8
<i>Non-Tax Revenue</i>	730.4	487.5	542.6	463.9
<b>Expenditure</b>	<b>3,190.3</b>	<b>3,690.5</b>	<b>3,715.1</b>	<b>3,550.0</b>
As a % of GDP	33.9	37.3	36.1	34.9

(\$M)	2020-2021 (Actual)	2021-2022 (Original Budget)	2021-2022 (Revised Budget)	2021-2022 (Estimate)
<b>Net Deficit</b>	<b>(1,047.3)</b>	<b>(1,605.4)</b>	<b>(1,462.0)</b>	<b>(1,405.4)</b>
<b>As a % of GDP</b>	<b>(11.1)</b>	<b>(16.2)</b>	<b>(14.2)</b>	<b>(13.8)</b>
Debt	7,663.7	9,061.4	9,125.7	9,104.5
As a % of GDP	81.5	91.6	88.6	89.4
<b>GDP at Market Prices</b>	<b>9,406.8</b>	<b>9,889.2</b>	<b>10,302.6</b>	<b>10,185.3</b>

(Source: Ministry of Economy)

- 3.5 Tax revenues for FY2021-2022 are expected to be \$1,680.8 million, slightly lower (-1.7 percent) than what was projected in the Revised 2021-2022 Budget, but 5.2 percent higher than the original budget. Tax collections have been resilient in the second half of the year relative to the downturn experienced during the lockdown period over the first four months of FY2021-2022.
- 3.6 In terms of non-tax revenues, Government has to date received around \$212.2 million in cash budget support grants from Australia, New Zealand, the European Union (EU) and other development partners, compared to an initial projection of \$116.3 million and revised projection of \$214.2 million. The receipt of around \$23.8 million in dividends from EFL compared to a budgeted figure of \$18.0 million, has also generated additional revenues.
- 3.7 Overall, non-tax revenues are estimated at \$463.9 million, an under-collection relative to the projections in both the original and revised FY2021-2022 Budget. This is largely attributed to the under collection of reimbursement and recoveries and the non-materialisation of the budgeted sale and disposal of various properties.
- 3.8 Total Government spending is likely to be around \$3,550.0 million, an under-spending of \$165.1 million (-4.4 percent). This is due to tighter controls on operational spending and the underutilisation of other budgetary allocations due to prevailing circumstances during the financial year.
- 3.9 Consequently, Government debt is estimated to be around \$9,104.5 million or 89.4 percent of GDP at the end of July 2022. This is around \$21.2 million lower than the earlier projected debt of \$9,125.7 million (88.6 percent of GDP). However, the higher-than-budgeted debt to GDP ratio is due to a downward revision in nominal GDP, and the significant strengthening of the US dollar which has put up the value of external debt in Fiji dollar terms. Had nominal GDP levels remained unchanged, the debt to GDP ratio would have been lower at 88.4 percent of GDP.

### ***FY2022-2023 Budget***

- 3.10 In line with the medium-term fiscal strategy, Government has now embarked on a journey of fiscal consolidation with the aim to put the debt to GDP ratio on a downward path. The fiscal deficit, in double digit levels for the last 2 consecutive

fiscal years, has been halved to around 7.4 percent of GDP in FY2022-2023.

- 3.11 While revenue prospects have improved as the Fijian economy quickly recovers, expenditure growth has also been controlled. However, the magnitude of the reduction in the deficit had to be carefully considered, keeping in the mind the delicate balance required to ensure fiscal sustainability and at the same time, the need for expenditure support in light of global inflationary pressures.
- 3.12 Similar to the last 3 Budgets, a conservative revenue estimation strategy has been adopted, while also allowing for some flexibility on the expenditure side. As such, the actual deficit outcome may be slightly lower than projections, as has been the situation for the last 3 fiscal years. Government will continue to ensure that the speed of the economic recovery is improved further to support a quicker rebound in tax revenues, while tight expenditure controls will be maintained to ensure that the fiscal deficit is maintained at or below the target.
- 3.13 In line with the positive economic outlook and strong recovery in the tourism industry, tax revenue collections are forecast at \$2,322.1 million for FY2022-2023. This is around 82.4 percent of pre-COVID-19 levels, and an increase of \$641.3 million (+38.2 percent) relative to FY2021-2022. The higher tax revenue forecast is driven by strong monthly tax collections since May, and the assumption that visitor arrivals will reach 85 percent of pre-COVID-19 levels in 2023. Monthly tourist bookings have exceeded early expectations and are likely to reach pre-pandemic levels much sooner than projected. Apart from this, tax compliance is expected to improve as the economy normalises.
- 3.14 The tax revenue projection also takes into account the continuation of key tax policies introduced over the past few years, including the removal of the 20 cents per litre excise duty on fuel, the removal of Environment and Climate Adaptation Levy (ECAL) on prescribed goods and services, removal of Service Turnover Tax (STT) and stamp duties, reduction in departure tax and fiscal duties and the implementation of a three-tiered VAT structure (0%, 9% and 15%), among others. The increase in vehicle duties, corporate tax rate increase for companies listed on the stock exchange and other tax administration tightening has also been factored into the forecast.
- 3.15 Non-tax revenues are estimated at \$617.8 million, an increase of \$154.0 million or 33.2 percent compared to FY2021-2022. Collections from various fees, fines and charges are expected to increase together with cash budget support grants. Dividends from state-owned enterprises are estimated to slightly improve while Government also expects to receive around \$52.0 million in reimbursement and recoveries from various existing trust fund accounts.
- 3.16 Cash budget support grants from Fiji's key development partners have been a key feature of bilateral support during the COVID-19 crisis. Government anticipates to receive around \$245.0 million in cash grants in FY2022-2023. Although highly

likely, further discussions will be required to firm this up. The sale and disposal of properties from the Brussels Foreign Mission, Factory 6 and Administration Building in Kalabu Tax Free Zone (KTFZ), Savusavu Industrial Zone Lots, 4.2-acre lot in Vatuwaqa and remittances from properties in KTFZ are expected to generate additional non-tax revenues of \$15.0 million.

- 3.17 Based on the above, the total revenue projection for FY2022-2023 is \$2,939.9 million. This includes tax revenue of around \$2.32 billion and \$617.8 million in non-tax revenue. A detailed breakdown of revenues is provided in the FY2022-2023 Budget Estimates.
- 3.18 Total Government expenditure for FY2022-2023 is budgeted at \$3,812.1 million, around \$262.1 million higher than the revised estimate for FY2021-2022. The increase in total expenditure accounts for increases in both current and capital expenditure, including new expenditure allocations to provide targeted assistance in response to rising inflationary challenges. The operating expenditure to capital expenditure mix for the FY2022-2023 Budget stands at 69:31. Further expenditure details are provided in the FY2022-2023 Budget Estimates.
- 3.19 Based on the budgeted total revenue of \$2.94 billion and total expenditure of \$3.81 billion, the estimated net deficit for FY2022-2023 stands at \$872.2 million or 7.4 percent of GDP. As such, Government debt is expected to increase to around \$9.98 billion or 85.2 percent of GDP by the end of the financial year (July 2023). Moving forward, the fiscal deficit and debt-to-GDP ratio will have to be gradually reduced as Fiji's economic recovery picks up and inflationary pressures ease.
- 3.20 **Table 4** below outlines the fiscal framework for FY2022-2023. The projected total gross deficit, which is the sum of the net deficit and principal debt repayments, is around \$1.18 billion. The gross deficit will be financed through the domestic market and external borrowings from multilateral and bilateral development partner. The financing details are provided in the FY2022-2023 Budget Estimates.

**Table 4: Fiscal Framework 2022-2023**

Particulars	FJ \$m
<b>Revenue</b>	<b>2,939.9</b>
As a % of GDP	25.1%
<i>Tax Revenue</i>	2,322.1
<i>Non-Tax Revenue</i>	617.8
<b>Expenditure</b>	<b>3,812.1</b>
As a % of GDP	32.6%
<b>Net Deficit</b>	<b>872.2</b>
<i>As a % of GDP</i>	<i>-7.4%</i>
<b>Gross Deficit</b>	<b>1,179.7</b>
Debt	<b>9,976.7</b>
<i>As a % of GDP</i>	85.2%
<b>GDP at Market Prices</b>	<b>11,708.0</b>

(Source: Ministry of Economy)

3.21 **Table 5** depicts Government's Cashflow from FY2020-2021 to FY2022-2023.

**Table 5: Cashflow Statement**

<b>\$ millions</b>	<b>2020-2021 (Actual)</b>	<b>2021-2022 (Revised)</b>	<b>2022-2023 (Budget)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Direct taxes	466.2	450.8	573.8
Indirect taxes (excluding SEG 13 VAT)	918.5	1,185.5	1,697.5
<i>Value Added Tax</i>	415.2	616.1	874.9
<i>Customs Taxes</i>	399.8	444.3	658.7
<i>Service Turnover Tax</i>	1.1	0.1	-
<i>Water Resource Tax</i>	72.0	82.9	97.4
<i>Departure Tax</i>	0.9	16.4	65.1
<i>Stamp Duty</i>	7.9	0.4	-
<i>Telecommunication Levy</i>	0.8	0.8	1.1
<i>Environment and Climate Adaptation Levy</i>	20.8	24.5	0.2
Fees, Fines, Charges & Penalties	123.7	142.2	159.9
Grants in aid	283.8	212.2	245.0
Dividends from Investment	51.3	62.4	67.8
Reimbursement & Recoveries	24.3	9.2	86.2
Other Revenues and Surpluses	28.6	30.7	32.2
<b>Total operating receipts</b>	<b>1,896.3</b>	<b>2,093.1</b>	<b>2,862.3</b>
<b>Payments</b>			
Personnel	928.5	936.8	1,025.6
Transfer payments	580.4	606.5	695.4
Supplies and consumables	254.5	253.6	304.1
Purchase of outputs	55.3	129.9	122.5
Interest paid	363.2	368.9	446.0
Other operating payments	7.1	5.0	7.2
<b>Total operating payments</b>	<b>2,189.0</b>	<b>2,300.7</b>	<b>2,600.7</b>
<b>Net cash flows from operating activities</b>	<b>(292.6)</b>	<b>(207.7)</b>	<b>261.6</b>
<i>as a % of GDP</i>	<i>-3.1%</i>	<i>-2.0%</i>	<i>2.2%</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of Government Assets	210.5	1.6	15.0
Interest from Bank Balance	2.1	1.0	1.0
Interest on term loans and advances	2.6	0.7	6.9
Return of Surplus Capital from Investment	3.5	3.9	3.9
<b>Total investing receipts</b>	<b>218.7</b>	<b>7.1</b>	<b>26.8</b>
<b>Payments</b>			
Transfer payments	853.4	1,073.5	996.1
Purchase of physical non-current assets	120.0	131.3	.164.5
<b>Total investing payments</b>	<b>973.3</b>	<b>1,204.8</b>	<b>1,160.6</b>
<b>Net cash flows from investing activities</b>	<b>(754.7)</b>	<b>(1,197.7)</b>	<b>(1,133.8)</b>
<i>as a % of GDP</i>	<i>-8.0%</i>	<i>-11.8%</i>	<i>-9.7%</i>

\$ millions	2020-2021 (Actual)	2021-2022 (Revised)	2022-2023 (Budget)
<b>NET (DEFICIT)/SURPLUS</b>	<b>(1,047.3)</b>	<b>(1,405.4)</b>	<b>(872.2)</b>
<i>as a % of GDP</i>	<i>-11.1%</i>	<i>-13.8%</i>	<i>-7.4%</i>

(Source: Ministry of Economy)

3.22 **Table 6** provides the revenue and expenditure aggregates from FY2020-2021 to FY2022-2023.

**Table 6: Revenue and Expenditure Aggregates**

(\$M)	2020-2021 (Actual)	2021-2022 (Revised)	2022-2023 (Budget)
<b>Total Revenue (excluding SEG 13 VAT)</b>	<b>2,115.0</b>	<b>2,100.2</b>	<b>2,889.1</b>
<i>as a % of GDP</i>	<i>22.5%</i>	<i>20.6%</i>	<i>24.7%</i>
<b>Total Expenditure (excluding SEG 13 VAT)</b>	<b>3,162.3</b>	<b>3,505.6</b>	<b>3,761.3</b>
<i>as a % of GDP</i>	<i>33.6%</i>	<i>34.4%</i>	<i>32.1%</i>
<b>Total Revenue (including SEG 13 VAT)</b>	<b>2,143.0</b>	<b>2,144.7</b>	<b>2,939.9</b>
<i>as a % of GDP</i>	<i>22.8%</i>	<i>21.1%</i>	<i>25.1%</i>
<b>Total Expenditure (including SEG 13 VAT)</b>	<b>3,190.3</b>	<b>3,550.0</b>	<b>3,812.1</b>
<i>as a % of GDP</i>	<i>33.9%</i>	<i>34.9%</i>	<i>32.6%</i>
<b>GDP at Market Prices</b>	<b>9,406.8</b>	<b>10,185.3</b>	<b>11,708.0</b>

(Source: Ministry of Economy)

### ***Operating Revenue***

3.23 Tax revenues are expected to improve in FY2022-2023 due to the projected economic rebound, which should translate into stronger domestic demand and business activity.

3.24 Total direct tax collections (personal income tax, corporate tax, withholding tax, capital gains tax, fringe benefit tax) is anticipated at \$450.8 million in FY2021-2022 and \$573.8 million in FY2022-2023. Collections for indirect taxes (including VAT, customs duties, water resource tax, departure tax and other levies) are projected at \$1,185.5 million in FY2021-2022 and \$1,697.5 million in FY2022-2023, an increase of \$512.0 million or 43.2 percent.

3.25 In terms of non-tax operating revenues, growth in major categories such as water charges and immigration fees in FY2021-2022 and FY2022-2023 are expected to boost collections for fees, fines and charges. For grants in aid, the estimated collection at the end of FY2021-2022 is \$212.2 million, while the projection for FY2022-2023 is \$245.0 million. Dividend receipts are expected to amount to \$62.4 million in FY2021-2022 and slightly improve to \$67.8 million in FY2022-2023.

3.26 For FY2022-2023, Government expects to receive around \$2,862.3 million in operating revenue, an increase of \$769.3 million (+36.8 percent) when compared

to FY2021-2022.

### ***Operating Payments***

- 3.27 For FY2021-2022, the largest component of operating expenditure is personnel costs, which was around \$936.8 million, representing 40.7 percent of operating expenditure and 26.4 percent of total expenditure. Personnel costs have been kept relatively stable through tight controls on civil service wages, a freeze on recruitment and other cost-cutting measures.
- 3.28 For FY2022-2023, personnel costs are expected to be around \$1,025.6 million, an increase of \$88.7 million (+9.5 percent) to cater for additional staffing needs and increased superannuation contributions. Effective 1 January 2023, Government will increase the mandatory FNPF contribution rate for both employers and employees from 6 percent to 7 percent.
- 3.29 A number of other operational expenditures are being considered for next financial year, while some key initiatives have been introduced in FY2022-2023 Budget. These targeted initiatives are discussed in **Chapter 1**, with a detailed breakdown of expenditures provided in the 2022-2023 Budget Estimates.
- 3.30 Based on these changes, the total operating expenditure for FY2022-2023 is set at \$2,600.7 million, an increase of \$300.0 million or 13.0 percent. Operating expenditure accounts for around 68.2 percent of total expenditure.

### ***Net Cashflow from Operating Activities***

- 3.31 Government recorded an operating deficit of \$292.6 million (3.1 percent of GDP) in FY2020-2021. This is anticipated to reduce to \$207.7 million (2 percent of GDP) in FY2021-2022. For FY2022-2023, Government is expected to register an operating surplus of around \$261.6 million (2.2 percent of GDP).

### ***Investing Revenue***

- 3.32 Investing revenues, comprising receipts from disposal of Government assets, interest from bank balance & term loans, and return of surplus from Trading & Manufacturing Account (TMA) operations, stood at \$218.7 million in FY2020-2021 and is anticipated to be around \$7.1 million in FY2021-2022. For FY2022-2023, investing revenue is expected to be around \$26.8 million, largely underpinned by the expected sale and disposal of various properties in the next financial year.

### ***Investing Payments***

- 3.33 Government will fund existing and new investment projects for roads, water and energy in the FY2022-2023 Budget. Based on the changes in investing

programmes, total capital expenditure for FY2022-2023 is around \$1,160.6 million, lower than in FY2021-2022 by around \$44.3 million or 3.7 percent.

### ***Net Cashflows from Investing Activities***

- 3.34 A net investing deficit of \$754.7 million was recorded in FY2020-2021. For FY2021-2022 and FY2022-2023, the anticipated net investing deficit is around \$1,197.7 million and \$1,133.8 million, respectively.

### ***Net Deficit***

- 3.35 Government achieved a net deficit position of \$1,047.3 million (11.1 percent of GDP) in FY2020-2021. The estimated net deficit for FY2021-2022 is \$1,405.4 million (13.8 percent of GDP), while the net deficit target for FY2022-2023 is \$872.2 million (7.4 percent of GDP).

## CHAPTER 4: MEDIUM-TERM FISCAL STRATEGY

- 4.1 A counter-cyclical fiscal response was appropriate for Government to help steer the economy out of the COVID-19 crisis and to ensure that those affected by the pandemic are assisted. Moving forward, the fiscal appetite for Government to drive the post-COVID-19 recovery is constrained. As such, the private sector will have to play a lead role with Government providing with conducive business environment.
- 4.2 Fiscal consolidation will be the cornerstone of our medium-term fiscal strategy. Deficit levels will have to be reduced with an aim to return to a primary surplus as soon as possible. Tight controls on public spending, especially operational expenditures, is important while overall expenditure should remain constant in nominal terms, while real (inflation adjusted) expenditures should decline. The focus must be on growing the size of the economy by enticing both new FDI and domestic reinvestments. A combination of deficit reduction and faster economic growth will help put the debt to GDP ratio on a downward path.

### *Revenue Strategy*

- 4.3 On the revenue front, tax revenues are estimated to normalise at around 21 percent of GDP, 3 percentage points lower than pre-COVID levels. The structural loss in revenue is largely attributed to the elimination of the 10 percent ECAL and 6 percent STT, removal of stamp duties, reduction in departure tax from \$200 to \$100, halving of the excise taxes on alcohol and slashing of import tariffs on around 2,000 items. While some revenue compensation is attributed to the restructure of the VAT regime, corporate tax alignment to 20 percent and other tax administration tightening will also assist with revenue generation.
- 4.4 For the 2022-2023 Budget, the overall tax structure has been left generally unchanged to provide policy consistency to the private sector and the tourism industry. The restructure of the tax regime in the last 2 years was important to rebuild the competitiveness of the tourism industry, make the tax system simpler and help rebuild private sector confidence to assist with the post-COVID-19 economic recovery. This strategy has worked well in reviving the tourism industry and supporting domestic demand, which has been critical for the current economic recovery.
- 4.5 In the medium term and under appropriate circumstances, there is further revenue generating opportunity from the alignment of the VAT rate, which apart from ensuring revenue adequacy will bring more simplicity to the tax regime. Tax exemptions will also be reviewed with an aim to streamline processes and reduce tax expenditures. There is also potential to increase non-tax revenues by increasing fees and charges for certain public services in the future based on the principle of cost recovery. The following are guiding revenue policy principles:

- Widen the tax base by gradually removing exemptions and other distortions;
- Improve tax compliance and collection of tax arrears;
- Make the tax regime and tax administration even more simpler to encourage tax compliance; and
- Review non tax revenues on a cost recovery basis while also ensuring that the vulnerable and disadvantaged are protected.

### *Expenditure Strategy*

4.6 Government expenditures has to be put under tight control, especially operational spending. The following key principles will guide expenditure policy in the medium-term:

- Undertake a holistic review to right-size the civil service and contain the public sector wage bill;
- Tighten control on operational expenditures, including travel, communications, trainings, workshops, fuel & maintenance and purchase of supplies with KPIs of agency heads and Permanent Secretaries linked to these targets;
- Conduct proper investment appraisal and project selection for all new capital projects;
- Resources to be allocated based on a multi-year perspective and the implementation capacity of agencies, considering the need to meet competing expenditure demands;
- Major existing programmes to be reviewed and Government should ensure that all financial resources allocated are used prudently to derive real value for money;
- Major new initiatives to be rolled out in phases to manage costs and pilot testing should be done for the rollout of major initiatives;
- Encourage more private sector participation in public infrastructure projects and delivery of other public services through Public-Private Partnerships (PPP) and other innovative arrangements;
- Proper and effective monitoring of projects and budget utilisation through the Ministry of Economy; and

- Funding for ongoing programmes to be based on assessment of current and past performance and progressive achievement of planned outputs.

### ***Debt Management Strategy***

- 4.7 Government's first ever Medium-Term Debt Management Strategy (MTDS) for FY2020-2021 to FY2022-2023 has been approved and published. The MTDS articulates Government's debt objectives and outlines the framework for formulation and implementation of a prudent borrowing program. The medium-term fiscal strategy will complement this to ensure debt sustainability and fiscal discipline.
- 4.8 The broad objectives of Government debt strategy in the medium-term remain as follows:
- (i) minimise the medium to the long-term cost of Government debt within prudent levels of risk; and
  - (ii) support the development of a well-functioning domestic market for debt securities.
- 4.9 To achieve the above objectives, Government will focus on the following debt management policies to guide its borrowing in FY2022-2023 and onwards:
- lower the cost of debt through concessional financing from bilateral and multilateral lenders;
  - change the maturity profile through a gradual reduction in Treasury Bills and issuances of short and medium-term bonds (2-year to 5-year tenor);
  - continued issuances of long-dated bonds (10-year to 20-year tenor);
  - development of the domestic bond market to focus more on transparency, secondary market trading, settlement mechanisms and investor diversification;
  - consider callbacks, bond buybacks and switch operations; and
  - minimise risks associated with on-lending and contingent liabilities.

### ***Medium-Term Fiscal Framework***

- 4.10 The Medium Term Fiscal Framework provides the broad revenue, expenditure, deficit and debt targets for the medium term. It is geared towards reducing the fiscal deficit to below 3.5 percent of GDP from FY2023-2024 and bringing down Government debt to below 70 percent of GDP in the next 7 years.

4.11 **Table 7** provides the fiscal framework for the FY2022-2023 Budget and the medium-term, taking into account the macroeconomic forecasts. The revenue and expenditure assumptions and guiding principles are provided in the early Chapter.

**Table 7: Medium-Term Fiscal Targets (\$M)**

(\$M)	2022-2023 (Budget)	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
<b>Revenue</b>	<b>2,939.9</b>	<b>3,354.0</b>	<b>3,503.5</b>	<b>3,595.4</b>	<b>3,693.9</b>	<b>3,799.4</b>	<b>3,912.5</b>	<b>3,948.4</b>
As a % of GDP	25.1	26.3	26.2	25.6	25.0	24.5	24.1	23.1
<b>Expenditure</b>	<b>3,812.1</b>	<b>3,800.0</b>	<b>3,838.0</b>	<b>3,876.4</b>	<b>3,915.1</b>	<b>3,954.3</b>	<b>3,993.8</b>	<b>4,033.8</b>
As a % of GDP	32.6	29.8	28.7	27.6	26.5	25.5	24.6	23.6
<b>Net Deficit</b>	<b>(872.2)</b>	<b>(446.0)</b>	<b>(334.5)</b>	<b>(281.0)</b>	<b>(221.3)</b>	<b>(154.9)</b>	<b>(81.3)</b>	<b>(85.4)</b>
<b>As a % of GDP</b>	<b>(7.4)</b>	<b>(3.5)</b>	<b>(2.5)</b>	<b>(2.0)</b>	<b>(1.5)</b>	<b>(1.0)</b>	<b>(0.5)</b>	<b>(0.5)</b>
<b>Debt</b>	<b>9,976.7</b>	<b>10,422.7</b>	<b>10,757.3</b>	<b>11,038.3</b>	<b>11,259.5</b>	<b>11,414.4</b>	<b>11,495.8</b>	<b>11,581.2</b>
As a % of GDP	85.2	81.8	80.4	78.6	76.3	73.7	70.7	67.8
<b>GDP at Market Prices</b>	<b>11,708.0</b>	<b>12,743.7</b>	<b>13,380.9</b>	<b>14,050.0</b>	<b>14,752.5</b>	<b>15,490.1</b>	<b>16,264.6</b>	<b>17,077.8</b>

(Source: Ministry of Economy)

## CHAPTER 5: GOVERNMENT DEBT AND INVESTMENTS

### *Government Debt*

- 5.1 Due to consecutive economic contractions and increase in borrowings over the last two years, the debt to GDP ratio has risen from 62.6 percent in July 2020 to a forecast of 89.4 percent at the end of July 2022.<sup>8</sup>
- 5.2 Government debt has increased by over \$2.0 billion during the COVID-19 pandemic period while the economy contracted by 17.2 percent in 2020 and 4.1 percent in 2021.
- 5.3 Projected total debt for July 2022 is \$9.1 billion or 89.4 percent of GDP, of which \$5.8 billion (63 percent) is projected domestic debt and \$3.3 billion (37 percent) projected external debt. **Table 8** depicts Government's debt position from FY2017-2018 to FY2021-2022

**Table 8: Government's Debt Position (\$M) FY2017-18 to FY2021-22**

Particulars	Jul-18	Jul-19	Jul-20	Jul-21	July-22(f)
Domestic Debt	3,763.0	4,278.5	4,976.5	5,241.2	5,767.4
External Debt	1,457.5	1,456.8	1,709.5	2,422.5	3,337.1
<b>Total Debt</b>	<b>5,220.5</b>	<b>5,735.2</b>	<b>6,686.0</b>	<b>7,663.7</b>	<b>9,104.5</b>
<i>Debt (as a % of GDP)</i>	<i>45.9%</i>	<i>48.9%</i>	<i>62.6%</i>	<i>81.5%</i>	<i>89.4%</i>
<b>Domestic Debt to Total Debt (%)</b>	72.0%	75.0%	74.0%	68.4%	63.3%
<b>External Debt to Total Debt (%)</b>	28.0%	25.0%	26.0%	31.6%	36.7%
<i>Nominal GDP</i>	<i>11,381.8</i>	<i>11,734.4</i>	<i>10,686.1</i>	<i>9,406.8</i>	<i>10,185.3</i>

(Source: Ministry of Economy)

- 5.4 Government's debt composition is projected to deviate from the MTDS target borrowing mix of 70:30 (+/-5 percent). This is solely attributed to the increase in external borrowings to maintain expenditures at pre-pandemic levels as Government finances were under pressure due to a significant decline in tax revenues. As highlighted in the MTDS, annual reviews will be undertaken to revise Government's MTDS targets. Nonetheless, Government will continue to work towards the 70:30 (+/- 5%) target, provided this does not conflict with the objective of reducing the cost of Government's debt portfolio.

<sup>8</sup> GDP has recently been revised downwards from \$10,302.6 billion to \$10,185.3 billion.

## *Domestic Debt Stock*

- 5.5 Total domestic debt is expected to reach \$5.8 billion, equivalent to 56.6 percent of GDP, by the end of July 2022. This comprises \$5.5 billion worth of domestic bonds and \$0.3 billion in T-Bills. **Table 9** depicts Government’s domestic debt position from FY2017-2018 to FY2021-2022.

**Table 9: Government’s Domestic Debt Stock (\$M)**

Particulars	Jul-18	Jul-19	Jul-20	Jul-21	Jul-22 (f)
Bonds	3,575.5	3,971.0	4,681.0	4,967.7	5,483.9
Treasury Bills	187.5	307.5	269.7	273.5	283.5
Loan	-	-	25.84	-	-
<b>Total Domestic Debt</b>	<b>3,763.0</b>	<b>4,278.5</b>	<b>4,976.5</b>	<b>5,241.2</b>	<b>5,767.4</b>
<b>Domestic Debt to GDP (%)</b>	<b>33.1%</b>	<b>36.5%</b>	<b>46.6%</b>	<b>55.7%</b>	<b>56.6%</b>

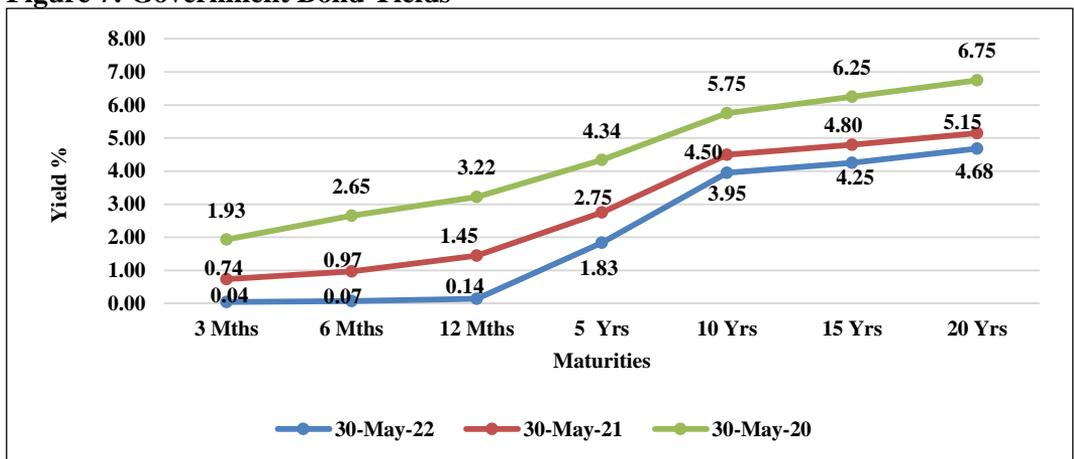
(Source: Ministry of Economy)

- 5.6 Domestic debt instruments issued during the year primarily consisted of Fiji Infrastructure Bonds (FIB) mostly taken up by institutional investors, and Viti Bonds, which are retail bonds that encourage the participation of small investors. On the other hand, T-Bills are also an important tool for Government in developing the domestic market through regular issuances to develop the yield curve and to provide financing for temporary shortfalls.
- 5.7 To support the development of a well-functioning domestic market for debt securities, Government intends to adjust the existing maturity profile of the total debt portfolio through the gradual reduction of T-Bills and the issuance of short and medium-term bonds (i.e. 2 to 5-year tenors). Government will also continue to issue long-term bonds with maturities of 10-years, 15-years, and 20-years.
- 5.8 Furthermore, Government approved its first Liability Management Operations (LMO) policy in April 2022. This will guide the conduct of debt management operations such as call options, bond switches, and bond buybacks. These operations will enable Government to better manage the domestic debt portfolio, mitigate refinancing risks, reduce rollover risks, smoothen the debt redemption profile, develop the yield curve and enhance secondary market activity.
- 5.9 Additionally, in April 2022, Government developed and published its first-ever Annual Borrowing Plan (ABP), which stipulates Government’s annual financing needs and sources. The ABP is consistent with the MTDS, the Medium Term Fiscal Strategy and the annual budget. The ABP will be developed and published at the beginning of each financial year. Any deviations from the ABP will be informed to the market.

## Domestic Interest Rate Structure

- 5.10 Liquidity in the banking system has increased to record-highs of above \$2.5 billion. As a result, there has been strong demand for Government issued securities, which has driven yields for all Government debt instruments to all-time lows. This downward trend has been consistent for the past two years.
- 5.11 Market yields for the shorter-term T-Bills have dropped significantly below the RBF overnight rate<sup>9</sup>. In comparing yield movements in the last three years, the shorter end of the yield curve (3-months, 6-months and 12-months) fell by 189 bp, 258 bp and 308 bp, respectively, while the longer end (10-year, 15-year and 20-year) fell by 180 bp, 200 bp, and 207 bp, respectively.

**Figure 7: Government Bond Yields**



(Source: Ministry of Economy)

## External Debt Stock

- 5.12 Total external debt stock is projected to increase to \$3.3 billion by the end of July 2022, equivalent to 32.8 percent of GDP. **Table 10** depicts Government's external debt position from FY2017-2018 to FY2021-2022.

**Table 10: Government External Debt (\$M)**

Particulars	Jul-18	Jul-19	Jul-20	Jul-21	Jul-22 (f)
Loans	1,037.2	1,023.8	1,285.3	2,422.5	3,337.1
Global Bonds	420.3	433.0	424.2	-	-
<b>Total External Debt</b>	<b>1,457.5</b>	<b>1,456.8</b>	<b>1,709.5</b>	<b>2,422.5</b>	<b>3,337.1</b>
<i>External Debt to GDP (%)</i>	<i>12.8%</i>	<i>12.4%</i>	<i>16.0%</i>	<i>25.8%</i>	<i>32.8%</i>

(Source: Ministry of Economy)

- 5.13 JICA provided Phase 2 of the 'COVID-19 Crisis Response Emergency Support Loan' amounting to Japanese Yen (JPY) 10 billion (FJD \$176.8 million) which

<sup>9</sup> The RBF overnight rate remains at 0.25 percent at the end of June 2022.

was accessed on 18 March 2022. This facility co-financed the Asian Development Bank's (ADB) Sustainable and Resilient Recovery Program. This financing supported Government's economic stabilization and development efforts to combat the impacts of the pandemic.

- 5.14 An additional financing agreement for the Fiji Social Protection COVID-19 Response and System Development Project of US Dollars (USD) \$48.9 million (FJD \$108.6 million) from the International Development Association (IDA) was signed on 31 May 2022. This brings the total concessional financing for this project to USD \$98.9 million. The projects help mitigate the impact of the pandemic on the incomes of the unemployed and underemployed, and will increase the efficiency and adaptability of the social protection system.
- 5.15 Government also received the first disbursement under the Fiji Water and Wastewater project from the European Investment Bank (EIB) for the amount of USD \$8.4 million (FJD \$17.9 million) in April 2022. EIB is a co-financier of the Urban Water Supply and Wastewater Management Investment Program alongside the ADB and the Green Climate Fund.
- 5.16 Additionally, Government has finalised and drawn a USD \$150 million (FJD \$331.6 million) loan with the ADB in relation to the Sustainable and Resilient Recovery Program on 29 June 2022. The program aims to strengthen public financial management for fiscal resilience and debt sustainability, improve public policy for community resilience and create an enabling environment for resilient private sector recovery. Development partners that are co-financing this program include JICA, the Government of Australia and the New Zealand Government through loan and grant financing. The Asian Infrastructure Investment Bank is also considering co-financing the Program in FY2022-2023.
- 5.17 The World Bank, through its Fiji Recovery and Resilience Second Development Policy Loan, will provide a USD \$100 million<sup>10</sup> (FJD \$220.1 million) loan which comprises USD \$50 million (FJD \$110.0 million) in concessional financing from IDA and USD \$50 million (FJD \$110.1 million) from the International Bank for Reconstruction and Development (IBRD).
- 5.18 In terms of external debt composition by currency, the USD portfolio has increased further to 74.4 percent from 69.3 percent last year, followed by the Chinese Renminbi (CNY) and the JPY at 12.8 percent each. As depicted in **Table 11** below, USD-denominated loans have increased over the years due to policy-based programmatic loans and ongoing infrastructure loans with multilateral lenders.

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<sup>10</sup> RBF exchange rate as at 30 June 2022: FJD/USD 1:0.4503

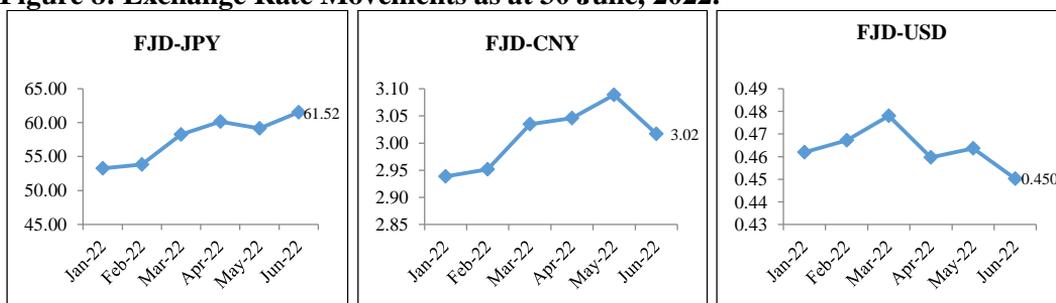
**Table 11: External Debt Stock by Currency (\$M)**

Particulars	Jul-18	Jul - 19	Jul-20	Jul-21	Jul-22(f)
<b>USD</b>	954.5	982.6	1,247.3	1,686.7	2,484.0
<b>CNY</b>	489.3	462	409.0	444.8	427.3
<b>JPY</b>	11.5	9.7	50.9	290.3	425.8
<b>EUR</b>	2.2	2.5	2.3	0.7	-
<b>Total External Debt</b>	<b>1,457.5</b>	<b>1,456.8</b>	<b>1,709.5</b>	<b>2,422.5</b>	<b>3,337.1</b>

(Source: Ministry of Economy)

- 5.19 Furthermore, in comparing exchange rate movements over the past six months, the JPY and CNY weakened against the FJD, while the USD strengthened against the FJD at the end of June 2022, as shown in **Figure 8** below.

**Figure 8: Exchange Rate Movements as at 30 June, 2022.**

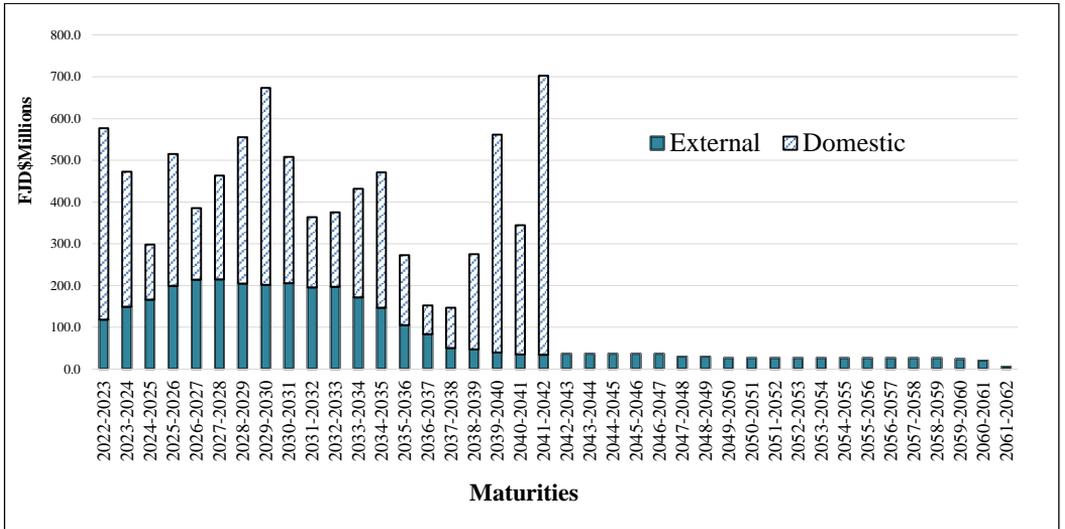


(Source: Ministry of Economy)

### **Government Debt Redemption Profile**

- 5.20 Government's debt redemption profile has shown significant changes over the years, reflecting the increase in Government borrowings with longer repayment terms. As can be noted from **Figure 9** below, the maturity structure indicates that FY2029-2030 and FY2041-2042 are relatively higher than other years, attributed to the significant proportion of domestic bonds maturing in those respective periods. FY2022-2023 has a higher redemption attributed to the presence of short-term T-Bills. Government will explore LMO to actively manage the refinancing risk associated with large domestic maturities in a given financial year.

**Figure 9: Forecast Government Debt Maturity Profile, at end of July 2022**

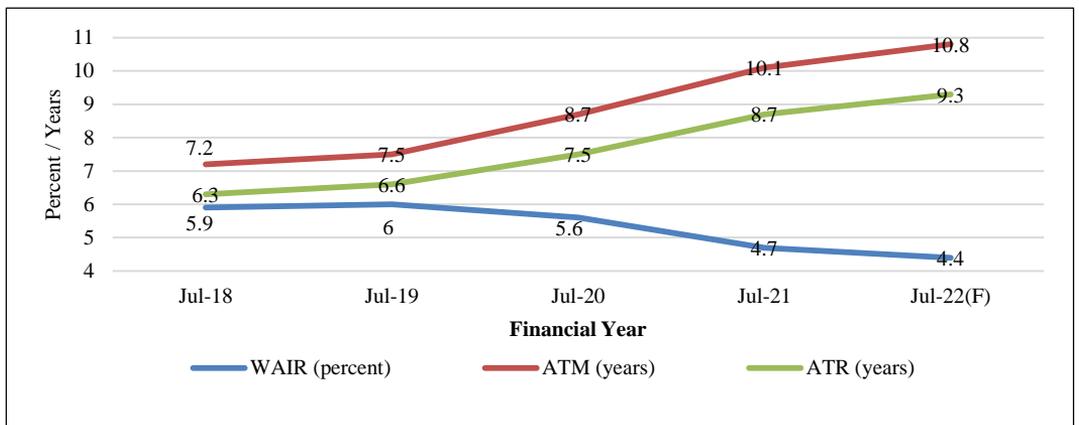


(Source: Ministry of Economy)

**Risk Indicators**

5.21 **Figure 10** below portrays the cost and risk exposure of the Central Government debt portfolio for the past five years.

**Figure 10: Risk Exposure**



(Source: Ministry of Economy)

5.22 At the end of July 2022, the weighted average interest rate (WAIR) for the total debt portfolio is forecast to decline by 30 bp to 4.4 percent, compared to 4.7 percent at the end of the previous financial year. This translates to approximately \$30 million in annual savings on interest payments. Furthermore, the projected cost of debt as at July 2022 has declined by 160 bp compared to pre-COVID-19 levels (FY2019), translating to at least \$100 million in annual savings on interest payments. This was mainly attributed to accessing lower-cost policy-based loans, increased access to concessional financing and lower domestic yields over the period.

- 5.23 The Average Term to Maturity (ATM) of the total debt portfolio is expected to improve to 10.8 years at the end of July 2022, compared to 7.5 years in July 2019. This indicates that Government, on average, has more time to settle all of its debt. Similarly, the forecasted Average Time to Refixing (ATR) for July 2022 is expected to further improve to 9.3 years, up from 6.6 years in July 2019, indicating increased time for Government to re-fix interest rates.
- 5.24 In terms of exposure to foreign exchange rate risk, 36.7 percent of the total debt portfolio is denominated in foreign currency. This has marginally deviated from the current target, mainly because of an increase in external financing during the period to mitigate the impact of border closures and weak tourism earnings on foreign reserves. Government has embedded options in most of its external loan facilities which allow for interest rate swaps and currency conversions, which can be utilised to mitigate exchange rate risk.

### *Contingent Liabilities*

- 5.25 Total contingent liabilities stood at \$1.7 billion, or 17.0 percent of GDP, at the end of May 2022. As a component of contingent liabilities, Government guaranteed debt accounted for 63.9 percent, while other explicit contingent liabilities and implicit contingent liabilities accounted for the remaining 31.4 percent and 4.7 percent, respectively.
- 5.26 Total Government guaranteed debt stood at \$1.1 billion, equivalent to 10.9 percent of GDP, at the end of May 2022. This represents a 5.3 percent increase over the previous financial year (ending July 2021) attributed to the utilisation of approved guaranteed facilities by Fiji Airways (FA), Fiji Development Bank (FDB), Fiji Sugar Corporation Limited (FSC) and Pacific Fishing Company Pte. Limited (PAFCO).

**Table 12: Contingent Liabilities (\$M)**

<b>Government Guarantees</b>	<b>Jul-18</b>	<b>Jul-19</b>	<b>Jul-20</b>	<b>Jul-21</b>	<b>May-22</b>
Fiji Airways			279.0	421.7	458.9
Fiji Development Bank (FDB)	200.0	291.9	307.8	308.8	327.1
Energy Fiji Limited (EFL)	94.5	53.9	50.2	-	-
Fiji Harwood Corporation Limited (FHCL)	5.2	3.6	1.7	0.7	-
Fiji Pine Limited (FPL)	1.8	-	-	-	-
Fiji Sugar Corporation Limited (FSC)	210.2	241.3	199.2	216.9	237.8
Housing Authority (HA)	59.7	68.0	90.2	102.2	81.7
Fijian Broadcasting Corporation Limited (FBCL)	12.6	10.5	8.3	-	-
Pacific Fishing Company Pte. Limited (PAFCO)	2.7	4.1	2.5	0.8	1.0
<b>Total Explicit Government Guarantees (A)</b>	<b>586.7</b>	<b>673.3</b>	<b>939.0</b>	<b>1,051.0</b>	<b>1,106.4</b>
<b>% of Government Guarantees to GDP</b>	<b>5.2%</b>	<b>5.7%</b>	<b>8.8%</b>	<b>11.2%</b>	<b>10.9%</b>

<b>Government Guarantees</b>	<b>Jul-18</b>	<b>Jul-19</b>	<b>Jul-20</b>	<b>Jul-21</b>	<b>May-22</b>
International Bank for Reconstruction & Development (IBRD)	303.0	312.2	305.9	300.6	311.0
Asian Development Bank (ADB)	202.2	204.2	204.7	204.2	211.3
Asian Infrastructure Investment Bank (AIIB)			21.2	20.8	21.6
<b>Total Other Explicit Contingent Liabilities (B)</b>	<b>505.2</b>	<b>516.4</b>	<b>531.8</b>	<b>525.6</b>	<b>543.9</b>
National Bank of Fiji – Asset Management Bank	2.4	0.7	0.7	0.4	-
Fiji Revenue & Customs Services (FRCS)	53.6	51.2	90.8 (r)	58.5 (r)	62.9
Provincial Council	1.4	1.2	0.9	0.8	1.2
Municipal Council	23.8	21.6	19.4	18.5	17.2
<b>Total Implicit Contingent Liabilities (C)</b>	<b>81.3</b>	<b>74.8</b>	<b>111.8</b> (r)	<b>78.1</b> (r)	<b>81.3</b>
<b>Total Other Contingent Liabilities (B+C)</b>	<b>586.5</b>	<b>591.2</b>	<b>643.6</b> (r)	<b>603.7</b> (r)	<b>625.1</b>
<b>Total Contingent Liabilities (A+B+C)</b>	<b>1,173.2</b>	<b>1,264.6</b>	<b>1,582.5</b> (r)	<b>1,654.7</b> (r)	<b>1,731.5</b>
<b>Total Contingent Liabilities to GDP (%)</b>	<b>10.3%</b>	<b>10.8%</b>	<b>14.8%</b>	<b>17.6%</b>	<b>17.0%</b>

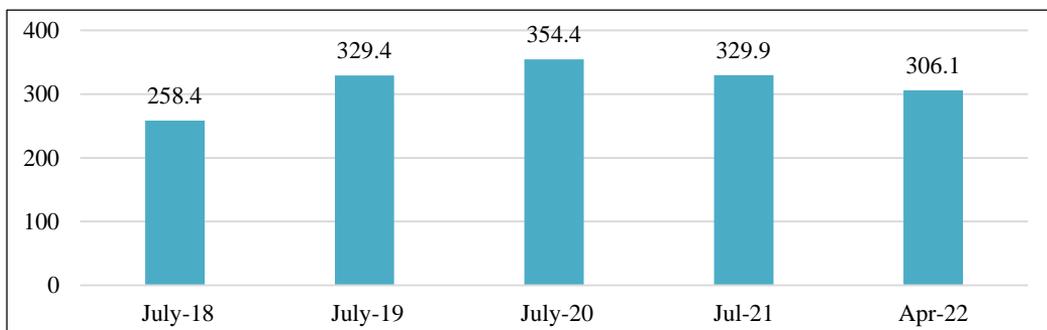
(Source: Ministry of Economy) (r) – revised according to FRCS Audited figures

5.27 Government will continue to stringently monitor guaranteed entities to ensure that fiscal risks associated with a likely call on their guarantees are assessed and mitigated promptly.

### *Arrears of Revenue*

5.28 At the end of April 2022, total arrears of revenue stood at \$306.1 million, or 3.0 percent of GDP. This represents a significant decline of \$23.8 million (or 7.2 percent) compared to the end of July 2021, solely attributed to a \$25.6 million decline (-12.1 percent) in direct and indirect taxes.

**Figure 11: Government Arrears of Revenue**



(Source: Ministry of Economy)

### *Lending/On-Lending Fund (Term Loan Receivables)*

- 5.29 The lending portfolio comprises Government lending and on-lending to Government entities and agencies, which includes loans disbursed under the TELS program. Total term loan receivables are forecast at \$871.4 million, an increase of 6.5 percent when compared to the same period last year.

**Table 13: Lending / On-Lending Fund (\$M)**

<b>Lending/On-Lending Fund Agencies</b>	<b>Jul-18</b>	<b>Jul-19</b>	<b>Jul-20</b>	<b>Jul-21</b>	<b>Jul-22 (f)</b>
<b>Lending Agencies</b>					
Public Officers and Ministers	0.01	0.01	0.01	0.01	0.01
i-Taukei Affairs Board	5.7	5.3	4.5	4.5	4.5
FRCS-TELS	302.5	388.6	474.4 (r)	539.4	591.8
FRCS-PSC Scholarship Recovery	9.0	8.9	8.8	8.8	8.8
Fiji Sports Council	4.5	4.5	4.5	4.5	4.5
Fiji Pine Limited (FPL)	7.2	2.2	2.2	-	-
Fiji Sugar Corporation Limited	173.8	173.8	200.3	200.3	200.3
Viti Corporation Company Limited (VCCL)	2.9	2.9	2.9	2.9	2.9
Food Processors Fiji Limited (FPFL)	1.9	1.9	1.9	1.9	1.9
Fiji Rice Limited (FRL)	1.9	1.9	1.9	1.9	1.9
South Pacific Fertilizers Limited (SPFL)	9.7	9.7	9.7	9.5	9.2
Pacific Fishing Company Limited (PAFCO)	9.0	9.0	9.0	9.0	9.0
Public Rental Board (PRB)	-	-	-	-	1.1
<b>Total Lending</b>	<b>528.1</b>	<b>608.8</b>	<b>720.2</b>	<b>782.7</b>	<b>835.9</b>
<b>On-Lending Agencies</b>					
Housing Authority (HA)	34.7	32.7	28.9	28.0	28.0
Public Rental Board (PRB)	9.3	8.8	7.7	7.5	7.5
<b>Total On-Lending</b>	<b>44.0</b>	<b>41.5</b>	<b>36.6</b>	<b>35.5</b>	<b>35.5</b>
<b>Total Outstanding Loans</b>	<b>572.1</b>	<b>650.2</b>	<b>756.8</b>	<b>818.2</b>	<b>871.4</b>

(Source: Ministry of Economy) (r) - Revised according to FRCS Audited figures

- 5.30 The conversion of Government loans into equity for earmarked entities such as FSC, VCCL, FRL, FPFL and PAFCO is in progress. The debt to equity conversion process will be undertaken in accordance with the Companies Act 2015, and upon completion, will reduce the outstanding loan balances for the respective entities.

### *Equity Investment*

- 5.31 Government shares and investment in State-Owned-Enterprises (SOEs) comprises a major component of total assets, hence continuous monitoring and surveillance of their financial performance and position is critical to maximise returns and improve service delivery. Similarly, the management of SOE liabilities or debt is equally important to safeguard fiscal risks and guarantee the long-term sustainability of entities.

- 5.32 SOEs play a pivotal role in the Fijian economy given their vast asset base, contributions to GDP, employment generation and provision of public goods and services. As such, Government will continue to undertake reforms to improve the financial performance and service delivery of SOEs.
- 5.33 The Department of Public Enterprises is guided by the Public Enterprise (PE) Act 2019 and other policies/frameworks for effective monitoring and surveillance of SOEs. A total of 13 entities which meet the definition of public enterprise are listed under Schedule 1 of the PE Act 2019, while all other entities are excluded. However, Government continues to report on all SOEs in which it has investment shareholding interest.
- 5.34 In an effort to ensure the sustainability and continuity of SOEs during this COVID-19 pandemic, Government provided both direct and indirect, financial and non-financial support to affected SOEs. This included Government grants and aid, financial loans and Government guarantees to SOEs to expand their external financing. In addition, the Ministry of Economy as part of its monitoring role has requested SOEs to incorporate both financial and non-financial impacts of the pandemic into their strategic plans and develop appropriate recovery action plans.
- 5.35 **Table 14** below provides an overview of Government’s shareholding in SOEs.

**Table 14: Shares & Portfolio Allocations in SOEs**

	State Owned Entities	Shares (%)	Sector/Portfolio
<b>Public Enterprises (PEs)</b>			
1	Fiji Airports	100	Transport & Infrastructure
2	Fijian Broadcasting Corporation Pte Limited (FBCL)	100	Communication
3	Fiji Hardwood Corporation Pte Limited (FHCL)	100	Fisheries & Forests
4	Fiji Public Trustee Corporation Pte Limited (FPTCL)	100	Trade & Finance
5	Food Processors (Fiji) Pte Limited (FPFL)	100	Agriculture
6	Post Fiji Pte Limited (PFL)	100	Communication
7	Fiji Rice Pte Limited (FRL)	100	Agriculture
8	Unit Trust of Fiji (Management) Limited (UTOFML)	100	Trade & Finance
9	Pacific Fishing Company Pte Limited (PAFCO)	99.6	Fisheries & Forestry
10	Yaqara Pastoral Company Pte Ltd (YPCL)	100	Agriculture
11	Biosecurity Authority of Fiji (BAF)	100	Agriculture
12	Fiji Meats Industry Board (FMIB)	100	Agriculture
13	Fiji Coconut Millers Pte Limited (FCML)	96	Agriculture
<b>Not Listed as Public Enterprises</b>			
1	Housing Authority (HA)	100	Trade & Finance
2	Public Rental Board (PRB)	100	Trade & Finance
3	Water Authority of Fiji (WAF)	100	Transport & Infrastructure

	State Owned Entities	Shares (%)	Sector/Portfolio
4	Viti Corps Company Ltd (VCCL)	100	Agriculture
5	Maritime Safety Authority of Fiji	100	Transport & Infrastructure
6	Fiji Pine Ltd (FPL)	99.8	Fisheries & Forests
7	Fiji Sugar Corporation Ltd (FSC)	68	Agriculture
8	Energy Fiji Limited (EFL)	51	Transport & Infrastructure
9	Air Pacific Limited T/A Fiji Airways & Subsidiaries (FA)	51	Transport & Infrastructure
10	Air Terminal Services (ATS)	51	Transport & Infrastructure
11	Fiji Ports Corporation Pte Ltd (FPCL)	41	Transport & Infrastructure
12	Amalgamated Telecom Holdings (ATH)	17.3	Communication

(Source: Ministry of Economy)

5.36 **Table 15** below shows the financial position and performance of all 25 SOEs.

**Table 15: Overall SOE Portfolio Performance**

Financial Indicators	Total SOE Portfolio			
	2018	2019	2020	2021
	(000's)	(000's)	(000's)	(000's)
Total Assets	6,759,221	8,261,518	8,038,161	8,473,146
Total Liabilities	3,007,820	4,402,931	4,338,620	4,930,838
Shareholder's Equity	3,751,401	3,858,587	3,699,541	3,542,308
Total Revenue	2,231,491	2,435,695	1,486,103	1,302,799
Total Expenditure	2,076,478	2,200,882	1,561,877	1,478,593
<b>Net Profit After Tax</b>	<b>155,013</b>	<b>234,813</b>	<b>(75,774)</b>	<b>(175,794)</b>
Dividends	121,313	73,300	20,760	20,920
Return on Assets (ROA)	2.36%	3.13 %	(0.93)%	(2.13)%
Return on Equity (ROE)	4.3%	6.2%	(2.0)%	(4.9)%
Debt to Equity	80%	114%	117%	139%

(Source: Ministry of Economy)

5.37 The total asset base of the SOE portfolio has grown significantly since 2018, standing at over \$8.4 billion at the end of 2021 with entities in the infrastructure and transport sectors having the largest asset base. This growth was due to an increase in total assets of SOEs in the infrastructure and transport sectors, including FA, EFL, WAF and Fiji Airports.

5.38 The same trend was also noted for consolidated SOE liabilities given the increase in externally funded capital investments and their need to borrow during the pandemic to keep operations running.

5.39 In the 2020 COVID-19 Response Budget, Government announced that it would convert its loans to PAFCO, VCCL, FPFL, FRL, and FSC into equity. As such, the Ministry of Economy is working with SOEs to ensure that all the prerequisites for the debt-to-equity conversion are met.

5.40 SOEs experienced a significant drop in Net Profit after Tax and dividends in 2020 and 2021 due to the pandemic, particularly for entities in the infrastructure and transport sectors, which were severely affected by border closures and the grounding of the national airline.

5.41 **Table 16** below shows sectorial performance of SOEs. Over the years, entities in the communications sector have contributed the highest returns on assets and equity, specifically ATH and FBCL. ROAs and ROEs from the Fisheries and Forestry sector were positive in 2020 and 2021 due to improved returns achieved by FPL. However, the Transport and Infrastructure sector witnessed a drastic deterioration in returns during the pandemic.

**Table 16: Average ROA and ROE by Sector (%)**

Sector	2018		2019		2020		2021	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Agriculture	-24.24	-38.31	8.99	14.93	-9.20	-12.65	-9.90	-12.06
Communication	10.20	16.53	9.36	15.28	9.26	14.98	9.69	15.35
Fisheries & Forestry	3.49	4.12	-2.49	-2.96	13.65	16.20	5.47	6.44
Trade & Finance	2.10	5.14	1.48	3.63	1.55	3.85	0.08	0.20
Transport & Infrastructure	3.06	5.12	2.74	5.07	-2.42	-4.97	-3.31	-7.28

(Source: Ministry of Economy)

### *Dividends from Government Investments by Sector*

5.42 **Table 17** below outlines the dividends received from SOEs by sector from 2019 to 2022.

**Table 17: Dividends by Sector (\$m) 2018-2022**

Sector Type	2018	2019	2020	2021	2022
Agriculture	-	-	3.5	-	-
Communication	4.7	1.4	2.2	-	1.45
Fisheries & Forestry	-	-	-	-	-
Trade & Finance	-	0.5	0.7	-	0.79
Transport & Infrastructure	116.6	71.4	14.3	21.9	29.3
<b>Total</b>	<b>121.3</b>	<b>73.3</b>	<b>20.7</b>	<b>21.9</b>	<b>31.54</b>

(Source: Ministry of Economy)

5.43 In recent years, SOEs in the transport and infrastructure sector have paid out comparatively higher dividends than other sectors given their large asset base and consistently strong financial performance. From FY2019-2020 to FY2020-2021, there was an across-the-board decline in dividends due to the impacts of the pandemic on SOE cash flows. However, a slight improvement was noted in FY2021-2022 whereby Government received a total of \$31.54 million in dividends

from EFL (\$23.77 million), FPCL (\$5.5 million), ATH (\$1.45 million) and UTOF (0.79 million).

## CHAPTER 6: DEVELOPMENT COOPERATION

- 6.1 The total value of Official Development Assistance (ODA) expected in FY2022-2023 is \$276.5 million, consisting of \$245.0 million in cash grants and \$31.5 million in Aid in Kind (AIK).
- 6.2 The total expected cash grants are for various programmes to be implemented in FY2022-2023 and beyond. Focus areas for ODA in this financial year include budget support for social protection and economic recovery, support towards resilient and sustainable tourism development in Vanua Levu, natural disaster risk reduction, health, education, gender equality, child protection, agriculture, and governance.

**Table 18: Official Development Assistance 2020-2023**

Particulars	2020-2021(a)		2021-2022 (a)		2022-2023 (f)	
	(\$M)	%	(\$M)	%	(\$M)	%
<b>Cash Grants</b>	283.8	79.8	206.9	92.9	245.0	88.6
<b>Aid in Kind</b>	71.7	20.2	15.7	7.1	31.5	11.4
<b>Total ODA</b>	<b>355.5</b>	<b>100.0</b>	<b>222.6</b>	<b>100.0</b>	<b>276.5</b>	<b>100.0</b>

(Source: Ministry of Economy) (a) Actual (f) Forecast

- 6.3 The **General Administration** sector is expected to receive a total of \$2.3 million in cash grants and AIK. Of this, the EU will provide \$0.4 million in budget support under the Sustainable Livelihood Program to manage and implement the whole lifecycle of actions for the 11<sup>th</sup> European Development Fund, while JICA will provide \$1.9 million in AIK to train Fijians in Japan under the Sustainable Development Goals Global Leadership Program.
- 6.4 The **Social Services** sector is expected to receive around \$3.8 million in AIK from JICA for various initiatives in health, education, and agriculture. For the health sector, planned initiatives include the improvement of maternal and child health, hospital quality and patient safety management courses, ICU capacity development, measures to eliminate Lymphatic Filariasis and the prevention and control of non-communicable diseases.
- 6.5 The **Infrastructure Sector** is expected to receive cash grants of around \$87.1 million from the World Bank for tourism development in Vanua Levu. The support will provide resilient and sustainable destination development, critical infrastructure, essential services investment and emergency preparedness. JICA will provide \$21.6 million in AIK to develop the capacity of Pacific ship operations and maintenance, provide training on the introduction of hybrid power generation systems, implement and promote disaster risk reduction activities in line with international, regional and national policies, as well as for the reconstruction of the Tamavua-i-wai Bridge. In addition, the ADB will provide \$2.5 million in AIK to Fiji Airports Ltd and Fiji Airways to enhance COVID-19 preparedness at Nadi

International Airport.

- 6.6 The *Economic Services* sector is expected to receive around \$11.6 million in cash grants from the EU for agriculture sector budget support to help eradicate poverty, enhance rural livelihoods, ensure environmental sustainability and promote food and nutrition security. In addition, JICA has pledged \$1.7 million in AIK for capacity building and technical support towards sustainable fisheries development.
- 6.7 Formal confirmation from a number of development partners for more budget support grants in FY2022-2023 is yet to be received.

## CHAPTER 7: 2022-2023 TAX POLICY MEASURES

7.1 This chapter provides details of various tax and customs policy measures introduced in the 2022-2023 Budget.

### *Part 1 – Direct Tax Measures*

#### **(i) Income Tax Act**

<b>Policy</b>	<b>Description</b>
1. Concessionary Rate of Tax for Regional or Global Headquarters	<ul style="list-style-type: none"> <li>➤ The corporate tax rate applicable to an approved global or regional headquarters will be increased from 17% to 20%.</li> <li>➤ This will be effective from Tax Year 2023.</li> </ul>
2. Corporate Tax Rate for South Pacific Stock Exchange (SPSE) Listed Companies	<ul style="list-style-type: none"> <li>➤ The 10% reduced rate of corporate tax available to companies listed on the SPSE will only be available for 7 years.</li> <li>➤ Companies that have enjoyed for 7 years or more will now pay the corporate tax at the rate of 20%.</li> <li>➤ This will be effective from Tax Year 2023.</li> </ul>
3. Electric Vehicle Charging Station Development Package	<ul style="list-style-type: none"> <li>➤ The Electric Vehicle Charging Station Development Package will be further incentivized as follows:                             <ul style="list-style-type: none"> <li>• The minimum investment threshold will be reduced from \$100,000 to \$50,000;</li> <li>• The subsidy will be increased from 5% to 10% on capital expenditure incurred in the development of electric vehicle charging stations.</li> <li>• The 7-year tax holiday will be maintained.</li> </ul> </li> </ul>
4. Tax Deduction for Companies Sponsoring Tertiary Education (including Vocational Studies)	<ul style="list-style-type: none"> <li>➤ A 100% tax deduction will be available to companies on the amount of tuition and living expenses paid for student(s) at a higher education institution specified in the Higher Education Act 2008.</li> <li>➤ The deduction applicable for the purpose of living expenses is limited to \$7,000 per calendar year and must be paid into a bank account held at a commercial trading bank under the name of the student.</li> </ul>
5. Non-Resident Withholding Tax (NRWHT) Refunds	<ul style="list-style-type: none"> <li>➤ As announced in the 2021-2022 National Budget, FRCS will continue to facilitate refunds for NRWHT for professional fees.</li> <li>➤ Application for refunds has to be made before 31 December 2022.</li> </ul>
6. Capital Gains Tax (CGT) on Sale of Shares	<ul style="list-style-type: none"> <li>➤ Capital Gains exemption on gains made by a person on disposal of shares will be limited to resident persons and Fiji citizens only.</li> <li>➤ This change will come into effect from 1 January 2023.</li> </ul>

7. Capital Gains Tax (CGT) Exemption on REPO Transactions	➤ CGT will be exempted on Repurchase Agreements (Repo Transactions) administered by the Reserve Bank of Fiji.
8. Hotel Investment Incentive	➤ Extension of project completion time provisions will be incorporated under the Standard Allowance incentive.
9. Tax Deduction for Hiring of Local Artist	➤ The 150% tax deduction available to hotels and resorts that hire local artists such as craftsmen, dancers and musicians will be increased to 300%.
10. Employment Taxation Scheme	<p>➤ The current Employment Taxation Scheme which expires on 31 December 2023 will be extended until 31 December 2024. The Employment Taxation Scheme allows for the following:</p> <ul style="list-style-type: none"> <li>• 300% tax deduction of the amount of any salaries or wages paid for first time employees;</li> <li>• 300% of the amount of any salary or wages paid to a student for employment of the student where the employment forms part of the student’s course requirements of a higher education institution as defined in the Higher Education Act 2008</li> <li>• 300% of the amount of any salary or wages paid to a student for employment of the student in an area related to the student’s area of study for a period not exceeding 3 months in a 12-month period</li> <li>• 400% of the amount of any salary or wages paid to a person with a disability for a consecutive period of 3 years</li> </ul> <p>The Employment Taxation Scheme will also be extended to include a 300% tax deduction for wages paid to person’s employed for apprenticeships.</p>
11. Residential Housing Development Incentive Package	<p>The Residential Housing and Development Incentive Package will be further incentivized as follows:</p> <ul style="list-style-type: none"> <li>• A 50% developer profit exemption will be available to projects with a minimum investment level of \$5m and at least 10 residential units.</li> <li>• Customs concession (zero duty) on the importation of capital equipment, plant and machinery.</li> <li>• There will be no condition on the sale price.</li> </ul>

**(ii) Tax Administration Act**

<b>Policy</b>	<b>Description</b>												
1. Default Assessment Provisions	➤ The provisions of default assessment under Section 9 of the Tax Administration Act (TAA) will be extended to allow the Chief Executive Officer (CEO) FRCS to raise an assessment on reasonable grounds of tax evasion or probable revenue risk.												
2. Tax Agents Board	➤ TAA will be amended to allow the Tax Agents Board to refer complaints to FRCS for investigation of complaints made against Tax Agents.												
3. Forfeiture of Tax Refunds	<ul style="list-style-type: none"> <li>➤ Unclaimed tax refunds with FRCS for more than 5 years will be forfeited. This provision will only be applied once FRCS has utilized all mediums available to locate the taxpayer and release the refund.</li> <li>➤ The forfeiture provisions will be effective from 1 January 2023.</li> </ul>												
4. Binding Ruling Fees and Charges	<ul style="list-style-type: none"> <li>➤ The fees for binding rulings issued by FRCS will be increased as follows:</li> </ul> <table border="1" style="margin-left: 20px; width: 100%;"> <thead> <tr> <th><b>Ruling Type</b></th> <th><b>Existing Rates</b></th> <th><b>New Rates</b></th> </tr> </thead> <tbody> <tr> <td>Easily determinable</td> <td>\$100</td> <td>\$300</td> </tr> <tr> <td>Moderate Degree of Analysis</td> <td>\$500</td> <td>\$1,500</td> </tr> <tr> <td>Highly Technical and Complex</td> <td>\$1,000</td> <td>\$3,000</td> </tr> </tbody> </table>	<b>Ruling Type</b>	<b>Existing Rates</b>	<b>New Rates</b>	Easily determinable	\$100	\$300	Moderate Degree of Analysis	\$500	\$1,500	Highly Technical and Complex	\$1,000	\$3,000
<b>Ruling Type</b>	<b>Existing Rates</b>	<b>New Rates</b>											
Easily determinable	\$100	\$300											
Moderate Degree of Analysis	\$500	\$1,500											
Highly Technical and Complex	\$1,000	\$3,000											

## ***Part 2 – Indirect Tax Measures***

### **(i) Value Added Tax Act**

<b>Policy</b>	<b>Description</b>
1. VAT Exemption on Disposal of Residential Dwellings	➤ The disposal of residential dwellings used to provide accommodation by way of hire will be exempt from VAT irrespective of whether VAT inputs have been claimed in relation to the dwelling.
2. VAT Reverse Charge	➤ The provisions of VAT Reverse Charge will be reinstated

### **(ii) Customs Tariff Act – Fiscal Duty and Import Excise Changes**

<b>Policy</b>	<b>Description</b>
1. Increase in Duty and Luxury Vehicle Levy on passenger motor vehicles	<ul style="list-style-type: none"> <li>➤ Import Duty on used passenger cars will be increased by \$1,000 per unit.</li> <li>➤ Import Duty on new passenger cars will be increased by 5%.</li> <li>➤ A \$10,000 luxury vehicle levy will be applied on passenger vehicles with engine capacity greater than 3000cc</li> </ul> <p><u>Motor Vehicle Duty Rate Changes</u></p>

Cylinder Capacity	Hybrid Category	Current Rates		New Rates		Luxury Vehicle Levy
		Fiscal Duty	Import Excise	Fiscal Duty	Import Excise	
Less than 1,500cc	New	Free	Free	5%	Free	-
	Used	\$1,000	Free	\$2,000	Free	-
1,500cc to 2,500cc	New	Free	Free	5%	Free	-
	Used	\$1,250	Free	\$2,250	Free	-
2,500cc to 3,000cc	New	Free	Free	5%	Free	-
	Used	\$1,500	Free	\$2,500	Free	-
Exceeding 3,000cc	New	Free	Free	5%	Free	\$10,000
	Used	\$3,250	Free	\$4,250	Free	\$10,000

Cylinder Capacity	Non-Hybrid Category	Current Rates		New Rates		Luxury Vehicle Levy
		Fiscal Duty	Import Excise	Fiscal Duty	Import Excise	
Less than 1,000cc	New	5%	Free	5%	5%	-
	Used	15% or \$1,750/unit	Free	15% or \$2,750/unit	Free	-
1,000 to 1,500cc	New	5%	Free	5%	5%	-
	Used	15% or \$2,875/unit	Free	15% or \$3,875/unit	Free	-
1,500cc to 2,500cc	New	5%	Free	5%	5%	-
	Used	5% or \$4,000/unit	Free	5% or \$5,000/unit	Free	-
2,500cc to 3,000cc	New	5%	Free	5%	5%	-
	Used	5% or \$5,750/unit	Free	5% or \$6,750/unit	Free	-
Exceeding 3,000cc	New	5%	Free	5%	5%	\$10,000
	Used	5% or \$7,125/unit	Free	5% or \$8,125/unit	Free	\$10,000

2. Electric Vehicles	<ul style="list-style-type: none"> <li>➤ Electric vehicles, (including bikes, passenger vehicles, goods vehicles and buses) both new and used will continue to be imported at zero duty.</li> <li>➤ Import VAT of 9% applicable on electric vehicles will be reduced to 0%.</li> <li>➤ A \$10,000 cash rebate will be provided to individuals and businesses buying electric vehicles.</li> <li>➤ Businesses purchasing electric vehicles will qualify for 100% accelerated depreciation (write-off).</li> </ul>
3. Duty On Liquefied Petroleum Gas (LPG) For Power Generation And autogas	<ul style="list-style-type: none"> <li>➤ Duty on LPG will be reduced from 4 cents per kg to 2 cents per kg. The reduced duty will be applicable on LPG supplied for power generation and autogas only.</li> <li>➤ This will be administered as a drawback facility.</li> </ul>

### (iii) Customs Legislation

Policy	Description
1. Age Limit requirement on used motor vehicles	<ul style="list-style-type: none"> <li>➤ A 5-year age limit will be imposed on the importation of second-hand petrol and diesel motor vehicles. This will be aligned to the age limit of 5 years on hybrid vehicles.</li> <li>➤ The Euro IV compliance requirement will be maintained.</li> <li>➤ A transitional period will be allowed to import vehicles older than 5 years provided that the vehicle was ordered, paid for or loaded for shipment to Fiji on or before 16 July 2022 and that the shipment arrives in Fiji on or before 31 December 2022.</li> </ul>

2. Payment by Installment or Deference	➤ The Customs Regulation 155 will be amended to allow for the payment of fees and charges by deference or installment. This will be applied under exceptional circumstances only.
3. Licensing of Freight Forwarders	<ul style="list-style-type: none"> <li>➤ All freight forwarders will be mandated to be licensed with FRCS.</li> <li>➤ A one-month transitional period will be allowed to fulfill the licensing requirements.</li> <li>➤ FRCS will publish the names of all licensed freight forwarders for public information.</li> <li>➤ Penalties will be imposed for non-compliance.</li> </ul>

**(iv) Superyacht Charter Act**

<b>Policy</b>	<b>Description</b>
1. Superyacht Charter Fee	<ul style="list-style-type: none"> <li>➤ The Superyacht Charter Fee will be reduced from USD \$55,000 to USD \$30,000.</li> <li>➤ The minimum length requirement of a Superyacht will be reduced from 24 meters to 18 meters.</li> </ul>

**(v) Other Legislative Changes**

<b>Policy</b>	<b>Description</b>
1. Concession Code 247 – Companies or entities involved in Prawn Industry	➤ The concession code 247 applicable to companies or entities involved in the prawn industry will be amended to allow the concessionaire to import on behalf of other entities and ministries.

## APPENDICES

**Table 1: Gross Domestic Product by Sector 2018-2024 (\$M)**

Activity	Base Weight	2018	2019r	2020p	2021e	2022f	2023f	2024f
<b>AGRICULTURE</b>	<b>8.3</b>	<b>686.9</b>	<b>726.3</b>	<b>756.2</b>	<b>772.7</b>	<b>820.2</b>	<b>855.7</b>	<b>891.5</b>
General Government	0.1	10.0	10.2	9.1	9.1	9.1	9.1	9.1
Subsistence	1.8	127.3	128.1	132.0	137.3	138.2	139.0	139.8
Formal Non-Government Agriculture	6.0	520.3	558.1	584.1	594.2	640.4	674.7	709.1
Taro	0.9	50.6	52.9	55.3	56.2	57.3	58.4	59.6
Sugarcane	1.3	89.7	95.6	91.4	74.9	84.6	89.8	95.1
<b>FORESTRY AND LOGGING</b>	<b>0.8</b>	<b>26.1</b>	<b>24.7</b>	<b>26.6</b>	<b>27.6</b>	<b>28.5</b>	<b>29.4</b>	<b>29.7</b>
<b>FISHING AND AQUACULTURE</b>	<b>1.2</b>	<b>69.0</b>	<b>66.2</b>	<b>61.1</b>	<b>55.1</b>	<b>70.4</b>	<b>75.2</b>	<b>77.2</b>
Formal Non-Government Fishing and Aquaculture	0.8	43.4	40.8	35.5	28.3	42.6	46.3	47.3
<b>MINING &amp; QUARRYING</b>	<b>0.9</b>	<b>52.4</b>	<b>60.7</b>	<b>56.0</b>	<b>54.3</b>	<b>42.6</b>	<b>46.6</b>	<b>56.0</b>
<b>MANUFACTURING</b>	<b>13.5</b>	<b>1,137.1</b>	<b>1,111.1</b>	<b>1,018.6</b>	<b>1,015.0</b>	<b>1,093.8</b>	<b>1,142.3</b>	<b>1,173.5</b>
Informal manufacturing	2.5	187.0	185.8	179.6	179.9	181.0	182.1	183.2
Sugar	0.9	22.5	25.6	19.1	16.9	19.0	20.2	21.4
Mineral water	1.0	165.3	133.5	120.0	162.1	194.5	213.9	224.6
Wearing apparel	1.1	91.7	87.4	65.7	59.1	66.2	67.5	68.9
<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	<b>1.0</b>	<b>200.2</b>	<b>176.2</b>	<b>160.2</b>	<b>153.1</b>	<b>159.4</b>	<b>168.8</b>	<b>173.7</b>
<b>WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	<b>0.7</b>	<b>58.7</b>	<b>59.2</b>	<b>54.6</b>	<b>53.9</b>	<b>54.5</b>	<b>57.1</b>	<b>57.6</b>
<b>CONSTRUCTION</b>	<b>2.9</b>	<b>285.9</b>	<b>311.5</b>	<b>251.7</b>	<b>198.8</b>	<b>222.8</b>	<b>267.7</b>	<b>288.6</b>
Formal Non-Government Construction	1.9	186.8	206.5	147.0	93.6	112.4	151.7	166.9
<b>WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES</b>	<b>11.3</b>	<b>901.6</b>	<b>915.7</b>	<b>858.9</b>	<b>734.7</b>	<b>755.0</b>	<b>792.9</b>	<b>826.5</b>
Informal WRT	3.4	246.4	247.4	247.5	234.7	234.5	238.2	236.1
Formal Non-Government WRT	7.9	655.2	668.3	611.4	500.0	520.5	554.8	590.3
<b>TRANSPORT AND STORAGE</b>	<b>7.9</b>	<b>537.1</b>	<b>415.9</b>	<b>37.7</b>	<b>80.1</b>	<b>314.9</b>	<b>544.5</b>	<b>579.2</b>
Formal Non-Government Transport & Storage	7.7	523.8	403.9	27.8	70.4	305.2	534.7	569.5
Water & air transport	3.9	184.8	69.2	-282.6	-169.5	33.9	237.3	249.2
<b>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</b>	<b>6.3</b>	<b>481.1</b>	<b>520.3</b>	<b>170.9</b>	<b>107.7</b>	<b>288.0</b>	<b>423.3</b>	<b>497.2</b>
Formal Non-Government Accommodation and Food Service Activities	6.1	469.0	508.1	159.5	96.5	276.4	411.3	484.9
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	424.0	460.0	122.7	67.5	239.6	369.0	438.3
<b>INFORMATION AND COMMUNICATION</b>	<b>5.4</b>	<b>452.2</b>	<b>448.5</b>	<b>402.2</b>	<b>388.4</b>	<b>402.3</b>	<b>412.7</b>	<b>423.5</b>
Formal Non-Government Information and Communication	5.3	447.0	443.4	397.4	383.5	397.4	407.8	418.6
Wired telecommunications activities	1.1	74.6	72.6	75.0	76.5	78.0	79.6	81.2
Wireless telecommunications activities	2.6	246.7	234.8	207.1	196.7	206.5	212.7	219.1
<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	<b>10.2</b>	<b>751.2</b>	<b>755.3</b>	<b>739.7</b>	<b>743.7</b>	<b>806.8</b>	<b>856.3</b>	<b>902.9</b>
Central banking	0.2	16.4	15.9	15.3	14.5	15.4	15.4	15.4
Other monetary intermediation	5.0	399.3	391.1	379.3	384.6	431.4	460.3	494.0

Activity	Base Weight	2018	2019r	2020p	2021e	2022f	2023f	2024f
Activities of holding companies	0.9	62.7	63.1	62.8	63.4	64.7	64.7	65.4
<b>REAL ESTATE ACTIVITIES</b>	<b>4.0</b>	<b>299.3</b>	<b>307.5</b>	<b>292.7</b>	<b>279.7</b>	<b>289.9</b>	<b>296.0</b>	<b>302.3</b>
Owner Occupied Dwellings	3.1	229.5	232.8	228.7	224.1	228.6	233.2	237.9
<b>PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	<b>2.4</b>	<b>191.1</b>	<b>187.0</b>	<b>159.6</b>	<b>148.4</b>	<b>162.8</b>	<b>168.6</b>	<b>173.7</b>
<b>ADMINISTRATIVE AND SUPPORT SERVICES</b>	<b>2.0</b>	<b>151.3</b>	<b>160.8</b>	<b>110.4</b>	<b>97.9</b>	<b>129.7</b>	<b>148.6</b>	<b>160.2</b>
<b>PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY</b>	<b>9.4</b>	<b>817.5</b>	<b>810.1</b>	<b>772.6</b>	<b>778.8</b>	<b>784.3</b>	<b>792.2</b>	<b>800.1</b>
General Public administrative activities	2.2	219.5	210.0	197.6	199.6	201.6	203.6	205.6
Defence activities	2.4	185.7	168.6	162.5	162.5	162.5	164.2	165.8
Public order and safety activities	2.6	195.5	203.0	208.8	213.0	215.1	217.3	219.5
<b>EDUCATION</b>	<b>7.6</b>	<b>629.2</b>	<b>639.3</b>	<b>628.6</b>	<b>622.0</b>	<b>660.0</b>	<b>669.1</b>	<b>678.3</b>
<b>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</b>	<b>2.6</b>	<b>200.5</b>	<b>251.6</b>	<b>303.9</b>	<b>387.0</b>	<b>371.4</b>	<b>389.2</b>	<b>407.8</b>
<b>ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES</b>	<b>0.4</b>	<b>28.9</b>	<b>30.9</b>	<b>24.8</b>	<b>20.4</b>	<b>24.0</b>	<b>26.3</b>	<b>28.0</b>
<b>OTHER SERVICE ACTIVITIES</b>	<b>1.2</b>	<b>93.0</b>	<b>93.2</b>	<b>85.9</b>	<b>81.9</b>	<b>84.5</b>	<b>86.2</b>	<b>87.6</b>
<b>GVA @ CONSTANT PRICES)</b>	<b>100.0</b>	<b>8,050.1</b>	<b>8,072.2</b>	<b>6,973.0</b>	<b>6,801.3</b>	<b>7,565.8</b>	<b>8,248.8</b>	<b>8,615.3</b>
<b>ADD NET TAXES</b>		<b>2,683.3</b>	<b>2,598.9</b>	<b>1,867.8</b>	<b>1,681.0</b>	<b>1,966.8</b>	<b>2,163.4</b>	<b>2,314.9</b>
<b>REAL GDP</b>		<b>10,733.5</b>	<b>10,671.0</b>	<b>8,840.8</b>	<b>8,482.3</b>	<b>9,532.6</b>	<b>10,412.2</b>	<b>10,930.2</b>

(Sources: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, e = estimate, f = forecast)

**Table 2: GDP Growth by Sector 2018-2024 (% Change)**

Activity	Base Weight	2018r	2019r	2020p	2021e	2022f	2023f	2024f
<b>AGRICULTURE</b>	<b>8.3</b>	<b>5.5</b>	<b>5.7</b>	<b>4.1</b>	<b>2.2</b>	<b>6.1</b>	<b>4.3</b>	<b>4.2</b>
General Government	0.1	3.4	1.1	-10.1	0.0	0.0	0.0	0.0
Subsistence	1.8	0.4	0.6	3.1	4.0	0.6	0.6	0.6
<b>Formal Non-Government Agriculture</b>	<b>6.0</b>	<b>7.2</b>	<b>7.3</b>	<b>4.7</b>	<b>1.7</b>	<b>7.8</b>	<b>5.3</b>	<b>5.1</b>
Taro	0.9	14.5	4.7	4.4	1.6	2.0	2.0	2.0
Sugarcane	1.3	4.0	6.6	-4.4	-18.0	12.9	6.3	5.9
<b>FORESTRY AND LOGGING</b>	<b>0.8</b>	<b>16.2</b>	<b>-5.4</b>	<b>7.9</b>	<b>3.6</b>	<b>3.3</b>	<b>3.2</b>	<b>1.0</b>
<b>FISHING AND AQUACULTURE</b>	<b>1.2</b>	<b>-14.8</b>	<b>-4.0</b>	<b>-7.7</b>	<b>-9.9</b>	<b>27.8</b>	<b>6.8</b>	<b>2.7</b>
Formal Non-Government Fishing and Aquaculture	0.8	-19.7	-6.1	-13.0	-20.2	50.6	8.7	2.1
<b>MINING &amp; QUARRYING</b>	<b>0.9</b>	<b>-16.7</b>	<b>15.7</b>	<b>-7.7</b>	<b>-3.0</b>	<b>-21.5</b>	<b>9.4</b>	<b>20.1</b>
<b>MANUFACTURING</b>	<b>13.5</b>	<b>2.3</b>	<b>-2.3</b>	<b>-8.3</b>	<b>-0.4</b>	<b>7.8</b>	<b>4.4</b>	<b>2.7</b>
Informal Manufacturing	2.5	0.0	-0.6	-3.3	0.2	0.6	0.6	0.6
Sugar	0.9	-39.4	13.7	-25.2	-11.8	12.9	6.3	5.9
Mineral water	1.0	9.6	-19.3	-10.0	35.0	20.0	10.0	5.0
Wearing apparel	1.1	2.6	-4.7	-24.9	-10.0	12.0	2.0	2.0
<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	<b>1.0</b>	<b>36.2</b>	<b>-12.0</b>	<b>-9.1</b>	<b>-4.5</b>	<b>4.1</b>	<b>5.9</b>	<b>2.9</b>
<b>WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	<b>0.7</b>	<b>2.7</b>	<b>1.0</b>	<b>-7.8</b>	<b>-1.3</b>	<b>1.0</b>	<b>4.8</b>	<b>1.0</b>
<b>CONSTRUCTION</b>	<b>2.9</b>	<b>7.6</b>	<b>9.0</b>	<b>-19.2</b>	<b>-21.0</b>	<b>12.1</b>	<b>20.1</b>	<b>7.8</b>
Formal Non-Government Construction	1.9	9.7	10.5	-28.8	-36.3	20.0	35.0	10.0
<b>WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES</b>	<b>11.3</b>	<b>-3.3</b>	<b>1.6</b>	<b>-6.2</b>	<b>-14.5</b>	<b>2.8</b>	<b>5.0</b>	<b>4.2</b>
Informal WRT	3.4	0.5	0.4	0.0	-5.2	-0.1	1.5	-0.8
Formal Non-Government WRT	7.9	-4.7	2.0	-8.5	-18.2	4.1	6.6	6.4

Activity	Base Weight	2018r	2019p	2020e	2021e	2022f	2023f	2024f
<b>TRANSPORT AND STORAGE</b>	<b>7.9</b>	<b>-0.5</b>	<b>-22.6</b>	<b>-90.9</b>	<b>112.4</b>	<b>293.1</b>	<b>72.9</b>	<b>6.4</b>
<b>Formal Non-Government Transport &amp; Storage</b>	7.7	-0.7	-22.9	-93.1	153.1	333.3	75.2	6.5
Water & air transport	3.9	-4.4	-62.5	-508.1	40.0	120.0	600.0	5.0
<b>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</b>	<b>6.3</b>	<b>6.0</b>	<b>8.1</b>	<b>-67.1</b>	<b>-37.0</b>	<b>167.5</b>	<b>47.0</b>	<b>17.4</b>
<b>Formal Non-Government Accommodation and Food Service Activities</b>	6.1	6.2	8.3	-68.6	-39.5	186.4	48.8	17.9
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	6.3	8.5	-73.3	-45.0	255.0	54.0	18.8
<b>INFORMATION AND COMMUNICATION</b>	<b>5.4</b>	<b>1.2</b>	<b>-0.8</b>	<b>-10.3</b>	<b>-3.4</b>	<b>3.6</b>	<b>2.6</b>	<b>2.6</b>
<b>Formal Non-Government Information and Communication</b>	5.3	1.1	-0.8	-10.4	-3.5	3.6	2.6	2.6
Wired telecommunication activities	1.1	-6.9	-2.7	3.2	2.0	2.0	2.0	2.0
Wireless telecommunications activities	2.6	1.9	-4.8	-11.8	-5.0	5.0	3.0	3.0
<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	<b>10.2</b>	<b>1.1</b>	<b>0.6</b>	<b>-2.1</b>	<b>0.5</b>	<b>8.5</b>	<b>6.1</b>	<b>5.4</b>
Central banking	0.2	1.6	-3.3	-3.8	-5.1	6.4	0.0	0.0
Other monetary intermediation	5.0	2.5	-2.1	-3.0	1.4	12.2	6.7	7.3
Activities of holding companies	0.9	0.4	0.6	-0.5	1.0	1.0	1.0	1.0
<b>REAL ESTATE ACTIVITIES</b>	<b>4.0</b>	<b>2.8</b>	<b>2.7</b>	<b>-4.8</b>	<b>-4.5</b>	<b>3.6</b>	<b>2.1</b>	<b>2.1</b>
<b>Owner Occupied Dwellings</b>	3.1	2.2	1.4	-1.7	-2.0	2.0	2.0	2.0
<b>PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	<b>2.4</b>	<b>2.2</b>	<b>-2.1</b>	<b>-14.7</b>	<b>-7.0</b>	<b>9.7</b>	<b>3.5</b>	<b>3.0</b>
<b>ADMINISTRATIVE AND SUPPORT SERVICE</b>	<b>2.0</b>	<b>5.0</b>	<b>6.3</b>	<b>-31.3</b>	<b>-11.3</b>	<b>32.4</b>	<b>14.6</b>	<b>7.8</b>
<b>PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY</b>	<b>9.4</b>	<b>5.2</b>	<b>-0.9</b>	<b>-4.6</b>	<b>0.8</b>	<b>0.7</b>	<b>1.0</b>	<b>1.0</b>
General public administrative activities	2.2	12.3	-4.3	-5.9	1.0	1.0	1.0	1.0
Defence activities	2.4	-0.2	-9.2	-3.6	0.0	0.0	1.0	1.0
Public order and safety activities	2.6	-0.2	3.8	2.9	2.0	1.0	1.0	1.0
<b>EDUCATION</b>	<b>7.6</b>	<b>2.2</b>	<b>1.6</b>	<b>-1.7</b>	<b>-1.1</b>	<b>6.1</b>	<b>1.4</b>	<b>1.4</b>
<b>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</b>	<b>2.6</b>	<b>6.1</b>	<b>25.5</b>	<b>20.8</b>	<b>27.4</b>	<b>-4.0</b>	<b>4.8</b>	<b>4.8</b>
<b>ARTS, ENTERTAINMENT AND CREATION ACTIVITIES</b>	<b>0.4</b>	<b>0.3</b>	<b>6.9</b>	<b>-20.0</b>	<b>-17.6</b>	<b>17.9</b>	<b>9.4</b>	<b>6.5</b>
<b>OTHER SERVICE ACTIVITIES</b>	<b>1.2</b>	<b>2.0</b>	<b>0.2</b>	<b>-7.8</b>	<b>-4.6</b>	<b>3.2</b>	<b>1.9</b>	<b>1.7</b>
<b>GVA @ CONSTANT PRICES</b>	<b>100.0</b>	<b>2.7</b>	<b>0.3</b>	<b>-13.6</b>	<b>-2.5</b>	<b>11.2</b>	<b>9.0</b>	<b>4.4</b>
<b>ADD NET TAXES</b>		<b>7.3</b>	<b>-3.1</b>	<b>-28.1</b>	<b>-10.0</b>	<b>17.0</b>	<b>10.0</b>	<b>7.0</b>
<b>REAL GDP</b>		<b>3.8</b>	<b>-0.6</b>	<b>-17.2</b>	<b>-4.1</b>	<b>12.4</b>	<b>9.2</b>	<b>5.0</b>

(Sources: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, e = estimate, f = forecast)

**Table 3: Nominal GDP 2018-2024 (\$M and %)**

	2018	2019r	2020p	2021e	2022f	2023f	2024f
Nominal GDP (\$M)	11,651	11,842.6	9,707.3	9,350.6	10,786.2	11,962.4	12,864.4
Growth Rate (%)	5.3	1.6	-18.0	-3.7	15.4	10.9	7.5

(Sources: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, e = estimate, f = forecast)

**Table 4: Fiscal Year Nominal GDP 2018–2024 (\$M and %)**

	2018-19r	2019-20p	2020-21e	2021-22f	2022-2023f	2023-2024f
Nominal GDP (\$M)	11,734.4	10,686.1	9,406.8	10,185.3	11,708.0	12,743.7
Growth Rate (%)	3.1	-8.9	-12.0	8.3	15.0	8.8

(Sources: Macroeconomic Committee; e = estimate; p = provisional; f = forecast Note: \*Figures are rounded-off)

**Table 5: Total Exports by Major Commodities 2018–2024 (\$M)**

COMMODITIES	2018	2019	2020(p)	2021p	2022f	2023f	2024f
Sugar	78.5	99.4	101.6	63.7	111.5	111.7	119.5
Molasses	15.1	14.3	20.5	26.6	24.9	26.9	28.9
Gold	113.6	108.6	134.2	132.5	80.1	103.0	128.4
Timber	85.3	48.2	64.6	89.6	67.9	68.4	69.0
Fish	98.9	96.1	70.1	55.4	48.4	56.9	67.2
Yaqona	30.8	32.5	43.6	41.9	41.9	44.8	48.2
Textiles	7.6	7.6	8.2	10.0	10.8	11.2	11.7
Garments	97.4	94.8	71.6	70.9	77.9	80.9	84.6
Mineral Water	262.9	293.5	223.2	312.9	375.5	413.1	433.7
Other Domestic Exports	384.8	372.2	405.5	448.0	425.2	456.7	494.0
Re- Exports (excl. aircraft)	917.4	990.6	612.3	595.5	780.0	865.6	925.1
<b>Total Exports</b>	<b>2102.0</b>	<b>2218.7</b>	<b>1792.0</b>	<b>1849.6</b>	<b>2044.2</b>	<b>2,239.2</b>	<b>2410.4</b>
<b>Total Exports Excl. Aircraft</b>	<b>2092.3</b>	<b>2157.7</b>	<b>1755.4</b>	<b>1847.0</b>	<b>2044.2</b>	<b>2239.2</b>	<b>2410.4</b>

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

**Table 6: Fiscal Year Exports 2018–2024 (\$M and %)**

	2018-2019	2019-2020	2020-2021p	2021-2022f	2022-2023f	2023-2024f
<b>Total Exports (\$M)</b>	<b>2,175.3</b>	<b>1,947.5</b>	<b>1,805.3</b>	<b>1,961.3</b>	<b>2,154.3</b>	<b>2,332.6</b>
<b>Total Exports Excl. Aircraft (\$M)</b>	<b>2,117.4</b>	<b>1,943.8</b>	<b>1,769.0</b>	<b>1,959.0</b>	<b>2,154.3</b>	<b>2,332.6</b>
Exports Excl. Aircraft Growth Rate (%)	<b>1.8</b>	<b>-8.2</b>	<b>-9.0</b>	<b>10.7</b>	<b>10.0</b>	<b>8.3</b>

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, f = forecast Note: \*Figures are rounded-off)

**Table 7: Total Imports by Category 2018–2024 (\$M)**

ECONOMIC CATEGORY	2018	2019	2020p	2021p	2022f	2023f	2024f
Food	802.5	787.0	737.5	783.4	1,018.1	1,065.2	1,090.0
Beverage & Tobacco	58.1	55.6	34.6	36.7	55.6	57.5	58.8
Crude Materials	71.6	56.6	44.3	46.1	51.9	56.7	60.5
Mineral Fuels	1,164.8	1,123.7	656.6	721.3	1,172.7	1,259.1	1,333.2
Oil & Fats	49.3	38.7	51.2	62.8	97.5	97.5	92.6
Chemicals	499.8	422.1	385.4	501.1	610.0	620.8	629.2
Manufactured Goods	808.6	719.7	609.5	640.2	737.5	876.7	949.5
Machinery & Transport Equipment	1,727.7	2,315.8	838.2	1,251.7	1,218.4	1,425.3	1,542.0
<i>-of which large items</i>	141.0	934.7	15.1	308.7	0.0	0.0	0.0
Miscellaneous Manufactured Goods	487.9	460.8	383.4	433.4	462.0	508.1	539.1
Other Commodities	26.3	28.6	12.5	8.3	11.6	16.3	22.8
<b>Total Imports</b>	<b>5,696.7</b>	<b>6,008.5</b>	<b>3,753.2</b>	<b>4,484.9</b>	<b>5,435.3</b>	<b>5,983.2</b>	<b>6,317.6</b>
<b>Total Imports Excl. Aircraft</b>	<b>5,555.7</b>	<b>5,073.8</b>	<b>3,738.1</b>	<b>4,176.2</b>	<b>5,435.3</b>	<b>5,983.2</b>	<b>6,317.6</b>

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

**Table 8: Fiscal Year Imports 2018–2024 (\$M and %)**

Commodities	2018-2019	2019-2020p	2020-2021p	2021-2022f	2022-2023f	2023-2024f
<b>Total Imports (\$M)</b>	5,666.5	5,149.0	4,147.0	5,002.5	5,759.4	6,180.7
<b>Total Imports Excl. Aircraft (\$M)</b>	5,428.5	4,322.8	3,846.8	4,993.9	5,759.4	6,180.7
<b>Imports Excl. Aircraft Growth Rate (%)</b>	1.8	-20.4	-11.0	29.8	15.3	7.3

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, f = forecast Note: \*Figures are rounded-off)

**Table 9<sup>19</sup>: Balance of Payments 2018–2024 (\$M)**

ITEMS	2018	2019r	2020p	2021f	2022f	2023f	2024f
<b>BALANCE ON GOODS</b>	-2839.3	-3004.0	-1439.1	-1960.3	-2490.2	-2906.6	-3046.1
Exports f.o.b	2097.2	2218.0	1772.3	1839.7	2024.3	2216.5	2384.2
Imports f.o.b	4936.5	5222.0	3211.4	3799.9	4514.5	5123.2	5430.3
<b>BALANCE ON SERVICES</b>	1937.9	1770.2	-182.0	-465.7	1082.1	1943.3	2284.0
Export of Services	3465.8	3482.0	899.9	589.5	2502.4	3419.6	3860.0
Import of Services	1527.9	1711.8	1081.9	1055.2	1420.3	1476.3	1576.0
<b>BALANCE ON PRIMARY INCOME</b>	-753.6	-974.6	-609.6	-517.7	-970.0	-901.7	-865.2
Income from non-residents	142.2	132.0	134.2	127.9	116.4	138.0	169.1
Income to non-residents	895.8	1106.6	743.8	645.5	1086.5	1039.7	1034.4
<b>BALANCE ON SECONDARY INCOME</b>	670.6	717.2	977.6	1712.3	998.7	1068.3	1028.6

<sup>19</sup>This table is presented in general accordance with the principles laid down by the International Monetary Fund, in the sixth edition of the Balance of Payments Manual.

ITEMS	2018	2019r	2020p	2021f	2022f	2023f	2024f
Inflow of current transfers	888.1	922.0	1152.4	1891.2	1191.8	1252.9	1213.2
Outflow of current transfers.	217.5	204.8	174.8	178.9	193.1	184.6	184.6
<b>CURRENT ACCOUNT BALANCE</b>	-984.4	-1491.2	-1253.1	-1231.3	-1379.5	-796.7	-598.7
<b>CURRENT ACCOUNT BALANCE (excl. aircraft)</b>	-844.7	-558.4	-1253.1	-1231.3	-1379.5	-796.7	-598.7
<b>CAPITAL ACCOUNT BALANCE</b>	10.4	6.9	7.7	6.6	7.3	7.3	7.3
<b>FINANCIAL ACCOUNT BALANCE (excl. RA)</b>	1402.4	1402.7	752.7	1629.3	1725.8	1075.4	964.1
<b>Errors &amp; Omissions</b>	-692.2	284.6	454.8	603.4	-619.3	-467.1	-477.4
<b>RESERVE ASSETS</b>	-263.8	202.9	-37.9	1007.9	-265.7	-181.1	-104.7

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

**Table 10: Tourism Statistics 2018–2024**

	2018	2019p	2020p	2021p	2022f	2023f	2024f
Visitors	870,309	894,389	146,905	31,618	491,914	760,231	894,389
Average length of stay (days)	11.2	11.1	11.0	12.6	12.5	12.5	12.5
Visitors days (millions)	7.7	8.0	1.5	0.1	5.2	8.0	9.4
Earnings (F\$M)	2,010.3	2,065.5	314.9	36.5	1,390.2	2,089.9	2,412.7

(Source: Fiji Bureau of Statistics, Macroeconomic Committee; p = provisional, f = forecast)

**Table 11: Sugar Export and Price 2018–2024**

	2018	2019p	2020p	2021p	2022f	2023f	2024f
Export Quantity Sugar (000 tonnes)	114.4	145.6	142.5	83.8	120.9	130.4	139.8
Unit Value (F\$/tonne)	686.0	670.3	713.2	759.7	922.0	857.0	855.0
Sugar Export Earnings (F\$M)	78.5	99.4	101.6	63.7	111.5	111.7	119.5
Molasses Export Earnings (F\$M)	15.1	14.3	20.5	26.6	24.9	26.9	28.9

(Source: Fiji Bureau of Statistics, Fiji Sugar Corporation & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

**Table 12: Inflation Rates 2018–2024**

	2018	2019	2020	2021	2022f	2023f	2024f
All items (year-end) %	4.8	-0.9	-2.8	3.0	5.0	3.1	2.4

(Source: Fiji Bureau of Statistics and RBF forecasts)

**Table 13: Employment by Sector 2011–2019 (in thousands of persons)**

<b>ECONOMIC ACTIVITY</b>	<b>2011</b>	<b>2014</b>	<b>2016</b>	<b>2017r</b>	<b>2018p</b>	<b>2019p</b>
Agriculture, Forestry Fishing	2.3	2.7	5.7	5.7	5.7	5.9
Mining & Quarrying	1.5	2.1	2.0	2.0	2.1	2.1
Manufacturing	21.0	20.1	20.1	23.3	24.3	23.3
Electricity, Gas & Air Conditioning Supply	0.8	0.8	0.8	0.8	0.8	0.8
Water Supply; Sewerage, waste management and Remediation activity	1.9	2.4	3.2	3.3	3.1	3.3
Construction	6.1	11.3	11.6	11.7	11.8	12.1
Wholesale and Retail; Repair of motor vehicles and motor cycle	21.3	21.2	29.0	30.0	30.0	30.7
Transport and Storage	8.7	8.7	13.3	13.3	13.4	13.8
Accommodation and Food Services	13.6	13.4	16.9	17.2	17.6	17.9
Information and Communication	2.7	4.6	3.8	3.9	3.9	4.0
Financial and Insurance activities	3.7	5.0	5.2	5.3	5.3	5.4
Real Estate Activities	1.1	0.5	0.7	0.7	0.7	0.7
Professional Scientific and Technical Activities	3.8	2.5	5.9	5.9	5.7	6.0
Admin and Support Services Activities	6.5	7.5	7.2	7.5	7.6	7.7
Public admin and defence compulsory social security	13.8	15.8	17.0	17.1	17.2	17.7
Education	15.4	16.3	15.9	16.7	16.7	17.0
Human Health and social work activities	5.2	5.8	9.3	7.5	7.5	8.4
Arts, Entertainment and recreation	0.5	0.6	0.7	0.7	0.8	0.8
Other Service Activities	1.6	2.6	1.6	1.6	1.7	1.7
Activities of household as employers; undifferentiated	0.1	0.0	0.7	0.1	0.1	0.1
Activities of Extra Territorial Organizations and Bodies	0.0	0.0	0.0	0.7	0.8	0.7
<b>Total</b>	<b>131.6</b>	<b>144.2</b>	<b>170.6</b>	<b>174.8</b>	<b>176.8</b>	<b>180.0</b>

(Source: Fiji Bureau of Statistics Note: The change in the classification of industries is derived from the Fiji Standard Industrial Classification (FSIC) 2010 which was enhanced to suit and reflect Fiji's current economic phenomena. r=revised; e= estimate; p=provisional)

