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ECONOMIC AND SOCIAL SURVEY OF ASIA AND THE PACIFIC 2014

Regional Connectivity for Shared Prosperity

UNDER EMBARGO UNTIL 07.00 GMT, WEDNESDAY, 6 AUGUST 2014

FIJI

Country briefing notes

More rapid economic growth on robust investment

- Solid investment helped the economy achieve a faster growth of 3.6% in 2013, compared to 1.7% in 2012. Tax cuts, an upward adjustment in tax thresholds, and higher workers' remittances boosted domestic demand.

- On the supply side, the expansion was largely broad-based, with positive contributions from all sectors except mining and quarrying.

- Inflation eased to 2.9% in 2013 from 3.4% in 2012, as global food and fuel prices moderated. Domestic food prices stabilized following supply disruptions in early 2013 in the aftermath of Cyclone Evan and adverse weather conditions. A public sector pay hike did not appear to raise inflation significantly.

- In 2014, the economy is projected to grow at a slightly faster pace of 3.8%. Despite an expected fall in public investment, sectors such as construction and sugar should support the projected expansion of the economy.

The current account shortfall rose notably

- The current account deficit jumped to 19% of GDP in 2013 from only 1.2% of GDP in 2012. Export earnings fell, while imports continued to rise on the back of strong domestic demand. Tourism revenues also dropped in early 2013 following Cyclone Evan.

- The current account shortfall widened despite a rise in private remittance flows in 2013, which was largely underpinned by the significant deployment of Fijian soldiers to international peacekeeping missions.

Macroeconomic policy developments

- The budget deficit in 2013 was modest at 2.9% of GDP. To support medium-term economic growth, larger public resources were allocated to public works, especially on road maintenance and upgrading. Higher expenditures were also accompanied by stronger government revenue due to more efficient tax collection.

- As part of the reform plans to improve the efficiency of public enterprises, Fiji continued to encourage more private sector participation. A public-private partnership project was formed in April 2013 to manage the operations of the country's main ports. This arrangement will improve the efficiency of the port facilities, potentially resulting in higher trade.

- The Government also plans to divest most of its shares in other key public enterprises in 2014. The deregulation of the energy sector moved forward, which is expected to promote competition and facilitate the provision of efficient and affordable electricity services to the general public.

Policy challenges faced by Pacific island developing economies

- Pacific island developing economies continue to face the growing challenge of providing basic services to the poor. The situation is compounded by falling levels of official development assistance, lower agricultural productivity, growing populations, high youth unemployment, and low and uneven economic growth.

- Pacific island countries also have to deal with the increasing threat from climate change. Climate change, including ocean acidification and sea-level rise, affects both the natural environment and economic and social development, particularly for vulnerable populations.

- Pacific island countries need to adopt policies that develop their comparative advantages in agriculture, tourism and fisheries in a sustainable fashion. These policies also need to promote jobs, particularly for the large pool of unemployed youth.

- To enhance job-rich growth, Pacific island economies need more private sector investment, especially in niche markets that can overcome market size and distance disadvantages.

- Development of rural areas and outer islands through the provision of necessary infrastructure and support for leveraging sustainable resource-based sectors will foster improved livelihoods and mitigate rural-to-urban migration.