REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE
SUPPLEMENT TO THE 2023-2024 BUDGET ADDRESS

Ministry of Finance, Strategic Planning, National Development and Statistics

30 June 2023

FOREWORD

The Supplement to the 2023-2024 Budget Address discusses Fiji's current macroeconomic and fiscal position and forward projections for the next three years.

The 2023-2024 Budget presents key measures stemming from extensive public dialogue process with the theme of ***"Rebuilding our Future Together"***. This National Budget places greater emphasis on macroeconomic stability and fiscal sustainability and ensures that adequate funding is channelled towards rebuilding infrastructure and improving public service delivery, social welfare, education and health and supporting the economic sectors such as agriculture.

This document was compiled by the Ministry of Finance, Strategic Planning, National Development and Statistics in consultations 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 June 2023.

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Permanent Secretary for Finance, Strategic Planning, National Development and Statistics
30 June 2023

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CHAPTER 1: INTRODUCTION

Background

1.1 Fiji's post-pandemic recovery remains strong with further impetus anticipated from the impact of the carefully calibrated 2023-2024 National Budget. The Budget has been configured to address challenges such as fiscal sustainability by reducing debt to more sustainable levels, promoting private sector economic rejuvenation and taking care of the low income and vulnerable households. The domestic economy rebounded strongly by 18.6 percent in 2022 following three consecutive years of contraction. Fiji recorded the deepest contraction of 17.0 percent in Gross Domestic Product (GDP) in 2020 followed by a further decline of 5.1 percent in 2021 largely as a result of the COVID-19 pandemic and a series of natural disasters.

1.2 The COVID-19 pandemic proved to be the world's worst health pandemic and economic catastrophe in modern history. Given Fiji's heavy dependence on trade and tourism, the health pandemic inflicted aggravated socio-economic challenges. Activity in tourism and related sectors ground to a halt with the closure of international borders leading to over one third of Fiji's workforce out of jobs or on reduced hours. This also put significant pressure on Government finances as taxes declined by around 50 percent while expenditures had to be maintained to continue critical public services and support the affected and vulnerable households. While the countercyclical fiscal policy was appropriate, this resulted in sharp increases in fiscal deficits of over billion dollars for two consecutive years leading to increased borrowings and a huge build-up of debt. Government debt to GDP ratio rose sharply from 48.8 percent in FY2018-2019 to 88.8 percent at the end of FY2021-2022.

1.3 Following the strong recovery last year, the domestic economy is poised to grow further by 8.0 percent this year, largely driven by the anticipated full recovery in tourism and related sectors with positive flow on effects to the rest of the economy. The Fijian economy is expected to return to pre-pandemic levels by the end of this year. However, on the international front, activity in advanced economies have considerably slowed due to monetary tightening, repercussions from the Russia-Ukraine conflict, cost of living challenges fuelled by elevated commodity prices and supply chain issues. The anticipated spillovers from the global slowdown poses downside risks to the domestic outlook as Fiji's major tourism source markets are experiencing weaknesses with increased probability of a recession.

1.4 Against this backdrop, the 2023-2024 National Budget endeavours to recalibrate Government's policy actions to accelerate the post-pandemic economic recovery and initiate policy measures in responding to the changing global and domestic landscape. This Budget with the theme ***"Rebuilding our Future Together"*** is all inclusive and designed to address the challenges facing our country, create a more conducive environment to reinvigorate private sector led growth, support social enhancement, build climate resilience, and maintain overall macro-fiscal sustainability.

1.5 The 2023-2024 National Budget is a culmination of inputs from a broad range of stakeholder consultation and engagement encompassing from the two-day National Economic Summit held in April and focused budget consultations. The Government appointed a Fiscal Review Committee (FRC) in March to undertake a comprehensive review of the overall fiscal policy, tax system and public expenditures, and the key recommendations from the FRC report has been carefully integrated in the 2023-2024 National Budget. In addition, the 2023 World Bank Public Expenditure Review report strongly recommended a strategic fiscal consolidation program to reshape Government's fiscal position through key revenue reforms and well-targeted spending programs that will support investment and growth and help rebuild fiscal space and enhance fiscal sustainability.

1.6 The 2023-2024 National Budget resonates with the recommendations from various stakeholders including multi-lateral partners and largely incorporates the policies and initiatives to ensure that public finances are managed with greater accountability and transparency. Hence, Government is working towards enhancing fiscal sustainability by reducing fiscal deficit and putting the debt to GDP ratio on a downward trajectory.

1.7 Government will reform the current tax system to simplify the tax regime and streamline tax incentives to make it more palatable to promote investment in key priority sectors. Tax policies has been geared towards restoring revenues to pre-pandemic levels without introducing any new taxes but restructuring existing ones. In the FY2023-2024, Government revenues is budgeted at $3,700.7 million.

1.8 On the expenditure front, Government is raising its expenditure ceiling to $4,339.9 million to account for increased funding for social protection, prioritise maintenance and upgrade of public infrastructure, channel funding towards economic and resource-based sectors including tourism, trade, Micro, Small, and Medium Enterprises (MSMEs), health and education. The increase in expenditures is inclusive of reinstatement of the Fiji National Provident Fund (FNPF) contribution rates to pre-COVID levels, increase in interest payments for Government's external loans which are on flexible interest rates, restoration of the University of the South Pacific (USP) grants and changes in Value Added Tax (VAT) expenditure for Government.

1.9 Overall, the net deficit for FY2023-2024 is budgeted at 4.8 percent of GDP, much lower than the last four consecutive years, and almost half of the average deficit. Consequently, the debt to GDP ratio will fall to 79.3 percent. In the medium-term, net deficit is projected to be below 3 percent with further improvements anticipated in the debt to GDP ratio.

1.10 The ensuing paragraphs discusses some of the major expenditure and revenue policies for FY2023-2024.

Increased Support for the Vulnerable and Disadvantaged

1.11 Government will continue with the support provided through social protection programmes with a total funding of $160.0 million. This includes $78.2 million allocated for the Social Pension Scheme, which will support approximately 26,200 people above the age of 65 with monthly payments increasing from $100 to $115, and 28,000 recipients above the age of 70 will be entitled to $125, an increase of $25 in monthly payments.

1.12 To support the poor and disadvantaged, a sum of $45.6 million is allocated for the Family Assistance Scheme[1] (FAS), whereby monthly cash transfers will increase by 15 percent per month and the existing $50 food voucher programme will continue in the next fiscal year. The revised monthly allowance rate for the FAS will be as follows:

- 1 person household allowance will increase from $35.00 to $40.25;
- 2 persons household allowance will increase from $58.00 to $66.70;
- 3 persons household allowance will increase from $92.00 to $105.08; and
- 4 persons household allowance will increase from $127.00 to $146.05.

1.13 The Allowance for Persons with Disability will increase by 15 percent in the FY2023-2024. The current allowance of $90.00 per month for persons living with permanent disabilities will increase to $104.00 per month. A sum of $16.4 million has been allocated in the budget to cater for this initiative.

1.14 A further $19.9 million is allocated for the Child Protection Allowance to support vulnerable children under the age of 18 years. The monthly allowance rate will be increased by 15 percent. The revised allowance rates will be as follows:

- Children not in school increased from $29.00 to $33.35;
- Children in primary school increased from $35.00 to $40.25;
- Children in secondary school increased from $46.00 to $52.90;
- Children with disabilities increased from $69.00 to $79.35; and
- Children in residential homes increased from $120.00 to $138.00.

1.15 The Bus Fare allowance for the disabled and elderly will be allocated $10.0 million to provide a monthly $25 top up allowance to those above 60 years and disabled citizens.

[1] Previously known as Poverty Benefit Scheme.

Increase in Pension Funding

1.16 The monthly pensions for all Government pensioners will increase by 15 percent. A sum of $36.0 million has been allocated in the 2023-2024 Budget.

Empowering our Community Leaders

1.17 To support and ensure inclusive governance, wellbeing and development of rural communities, the allowances for community leaders will increase as follows:

- Advisory Councillor from $172.50 to $200 per month;
- District Chairperson from $207 to $220 per month;
- Turaga-ni-Koro from $100 to $150 per month;
- Mata-ni-Tikina ($100 to $250 per quarter, $175 to $325 per quarter and $195 to $345 per quarter); and
- Turaga-ni-Yavusa will receive $100 per month.

Increase in FNPF Contribution Rates

1.18 The FNPF rates will be reverted to pre-COVID rates of 10 percent employer and 8 percent employee contribution, effective from 1 January 2024. The reinstatement of the contribution rates will replenish member account savings and provide FNPF with additional funds for investment purposes.

Education Assistance

1.19 Effective 1 August 2023, the Tertiary Scholarships and Loans Service (TSLS) will be replaced with the Fijian Scholarship Scheme and all outstanding Tertiary Education and Loan Scheme (TELS) debt will be forgiven.

TELS Debt Forgiveness

1.20 TSLS Act will be amended to include the conversion of loan agreement to a bond arrangement for all students under various schemes of TELS excluding In-Service scheme. Additionally, all outstanding TELS debt (except in-service scheme) as at 31 July 2023 will be converted to a bond. Under this new arrangement, all students will be bonded to serve the country for a period of 1.5 multiplied by number of years of study. The bond period is inclusive of years that the students has already served. For example, if a student has studied for three years, his/her bond period is 4.5 years and if the student has already served three years so far, he/she will be required to serve only the remaining 1.5 years.

Fijian Scholarship Scheme

1.21 In the 2023-2024 Budget, Government has allocated $148.3 million to sponsor 10,920 new students (inclusive of study grants), and fund 9,148 existing students. New scholarship schemes will replace study loans as follows:

- The *Scholarship for Higher Education – Level 7 Local Scheme with Minimum Cut Off Mark Scheme* will phase out TELS for degree Scheme. New students on tuition-only loan will be serving a bond period of years of study multiplied by 1.5, and years of study multiplied by 2 for students with both tuition and allowance. The cut-off mark will be 250, while 245 will be for rural and maritime students. The cut-off mark for Commerce will be 280, and for Engineering at 300. These cut-off marks have been set based on the labour market needs, university enrolment capacities and the need to maintain tertiary education quality.

- The *Skills Qualification Based on Offer Letter Scheme* will phase out TELS for Skills Qualification Scheme at the Fiji National University (FNU). Government will offer funding for Technical Vocational Education and Training (TVET) to other providers in areas of national priority. The bonding arrangement will be same as scholarships for Higher Education - Level 7 Scheme.

- *Tuition Only Hardship Assistance Scheme for Private Students* is a new Scheme aimed to assist students enrolled in degree programmes from second year onwards with a Grade Point Average of 65 percent. Students qualifying for this scheme will be bonded and should not have a combined parental income or business net-worth of more than $100,000, unless allowed via means testing. The Scheme will have 2,600 awards, while 250 awards is ringfenced for MBBS.

Merit-Based Scholarship

1.22 National Toppers Scholarships will be renamed to Merit-based Scholarships. Given the challenges faced by rural and maritime schools, Government intends to build equity through:

- Merit-based Higher Education Level 7 Local Scholarship Scheme;
- Merit-based Skills Qualification Scholarship Scheme; and
- Higher Education Level 7 with Minimum Cut-Off Mark Scheme.

1.23 Students in schools classified as rural and maritime will have a lower cut-off mark of 320 compared to the cut-off mark of 330 for non-rural and non-maritime schools.

1.24 The scholarship schemes will include the following:

- ***Masters & PhDs by Research*** – In the next academic year, out of the 10 PhD and 20 Masters by Research awards, Government will set aside 3 PhDs and 5 Masters by Research awards for study at New Zealand universities, while remaining will be for studies at local universities.

- ***Merit-based Overseas Scheme*** (previously, National Toppers Overseas Scheme) will be focusing on Undergraduate studies not offered at local universities and Postgraduate qualifications focused on specialised fields of Medicine and Health.

- ***Merit-based Higher Education – Level 7 Local Scheme*** (previously, National Toppers Local Scheme) will be allocated 700 awards.

- ***Merit Based Skills Qualification Scheme*** (previously, Skills Qualification at FNU) will have 200 awards.

- ***Scholarships for Students with Special Needs Scheme*** will continue to have 20 awards.

- ***Scholarship for In-service Scheme*** for those employed in public sector will have 50 awards. Students under this Scheme will be recommended by the Permanent Secretaries of respective Ministries to study at local universities.

Competency-Based Training Grants

1.25 Government will increase and diversify competency-based training grants, known as Micro Qualifications, through tertiary institutes and private sectors with training facilities, to target immediate labour shortages in areas of Construction, Tourism & Hospitality and Automotive. A minimum 1 month in training grant of $500 per student will be targeted for the unemployed youths and adults currently engaged in domestic duties opting to earn a living. This is expected to benefit 1,800 students, as follows:

- 500 for Construction Industry in Tile laying, Painting, Block laying, Joinery and Cabinet Making;
- 1,000 for Tourism & Hospitality Industry in House Keeping, Restaurant Service and Front Office Operations; and
- 300 for Automotive Industry in Basics of Panel beating and Automotive Painting.

Apprenticeship Training

1.26 Government will allocate 400 awards to revamp and incentivise apprenticeship training. Under this Scheme, Government will cover either 50 percent of the tuition fees or top up the minimum wage rate paid by the employers by $2.00 an hour.

Study Loan Scheme for In-Service Students

1.27 Additionally, the Study Loan Scheme for In-Service students will continue for those in employment and wishing to study or upgrade their educational level with the ability to repay the loan. 100 awards are available under this Scheme.

Allowance for Educational Awards

1.28 Effective from 1 January 2024, all students under scholarships except for Merit-based Scholarship will receive standardised allowance, as follows:

- All students at away campus will receive $2,500 per semester;
- All students at home-based campus will receive $1,500 per semester; and
- Existing sponsored students on Tuition Only will continue the current arrangement.

1.29 All allowance payments including bus fare and hostel fees from Semester 2, 2023 will be paid through either Banks, M-PAiSA or MyCash based on student's choice.

USP Grant

1.30 Government has released $10.0 million in payments towards the outstanding grant owed to the USP. In FY2023-2024, Government has fully reinstated the $33.0 million grant with an additional $20.0 million allocated towards the outstanding payment.

Back-to-School Support

1.31 Government rolled out the Back-to-School support of $200 per child for all Early Childhood Education to Year 13 students for the school year 2023. The support was aimed to financially assist parents to prepare their children to a new school year. Under this programme, a total of 223,475 students were assisted with a total payout of $44.7 million.

1.32 In the 2023-2024 Budget, a sum of $45.0 million is allocated again to assist families to prepare for the 2024 school year. The disbursement will be made before the school year starts in 2024 and more details will be released in due course.

Streamlining and Reviewing the Tax System

1.33 ***Changes to the Value Added Tax (VAT) Structure –*** The existing three-tier VAT rates of 0, 9 and 15 percent will be amended to two rates of 0 and 15 percent.

1.34 Government will maintain the zero-rated VAT on the existing 21 essential items with the addition of listed prescribed medicines. All other goods and services currently attracting 9 percent VAT will be increased to 15 percent. This will ensure a simpler tax system, eliminate issues of ambiguity around VAT rate application, and assist businesses to better administer and reduce the risk of non-compliance. Refer to **Chapter 3 and 8** for more details.

1.35 ***Corporate Tax –*** In FY2023-2024, Corporate tax rate will be increased from 20 percent to 25 percent effective from 1 August 2023. For companies eligible for lower tax rate as part of the South Pacific Stock Exchange (SPX) tax incentive, the tax rate will be increased from 10 percent to 15 percent.

1.36 ***Simplification of Social Responsibility Tax (SRT) –*** The SRT structure will be simplified by merging with the PAYE structure, along with a 5-percentage points reduction on each band, for those earning above $270,000, effective from 1 January 2024.

1.37 ***Departure Tax –*** Departure tax was reduced from $200 to $100 in the 2020-2021 Budget as one of the initiatives to rebuild the competitiveness of the tourism sector post-pandemic. Departure tax will increase from $100 to $125 from 1 August 2023 to 31 December 2023 and subsequently, increase to $140 from 1 January 2024. The total funding for Tourism Fiji is increased to $37 million, including $30 million for marketing grant.

1.38 ***Increase in Excise Duties –*** Government will increase the excise duty on alcohol and tobacco products by 5 percent. Duty on carbonated/sugar-sweetened beverages will be increased from the current 35 cents per litre to 40 cents per litre effective from 30 June 2023. Additionally, domestic excise of 40 cents per kilogram or per litre and import excise of 15 percent will be introduced on juices, ice cream, sweet biscuits, snacks and sugar confectionaries, effective from 1 January 2024.

Duty Reduction on a range of Food Products

1.39 To assist households with the increasing food prices, Government will reduce the fiscal duty from 32 percent to 15 percent on canned mackerel, corned mutton, corned beef & beef, prawns and duck. Fiscal duty on sheep/lamb meat will be reduced from 5 percent to 0 percent, while fiscal duty on canned tomatoes will be reduced from 15 percent to 5 percent.

1.40 Government will also reduce import excise on chicken portions (wings, drums, legs, feet, thighs, breast, offals and roasting fowl) from 10 percent to 0 percent. The reduction of duties will provide ordinary households with a range of choices.

Increase in Motor Vehicle Duty

1.41 Motor vehicle import excise duty will increase on all new and used passenger vehicle by 5 percent, effective 30 June 2023.

Restructuring of Tax Incentives

1.42 The Information and Communication Technology (ICT) incentive will be restructured to specifically cater for ‘Business Process Outsourcing (BPO)’, ‘Knowledge Process Outsourcing’, ‘Information Technology Outsourcing’ and ‘Shared Services/Global Business Services’.

1.43 Companies are required to register with the BPO Council of Fiji (known as Outsource Fiji) to protect the Fiji Government against fly-by-night operators and will need to meet the capital investment and employee requirement to be eligible for this ICT package, as follows:

Table 1: ICT Incentive Package

Capital Investment	Tax Exemption	Minimum Employees
$100,000 to $250,000	5 years	25
$250,001 to $500,000	7 years	50
$500,001 to $1,000,000	10 years	75
$1,000,001 and above	13 years	100

Fuel Tax Rebate

1.44 A 10 cents per litre fuel rebate will be provided to bus operators in Vanua Levu and Taveuni. The existing 2 cents per litre will be maintained for all other regions.

Improving the Ease of Doing Business

1.45 In the FY2023-2024, a sum of $9.0 million is allocated towards the Ease of Doing Business initiative. Government recognises investment is critical for creating jobs, boosting productivity, and improving social and economic well-being. It is committed to promote Fiji as an attractive investment destination for both local and foreign investors with business friendly and conducive environment.

1.46 Government has also established the Investment Facilitation Committee that has been tasked to provide a platform for investors and established businesses to raise concerns on recurring or unresolved issues that hinder investment and business.

1.47 ***VAT Monitoring System (VMS)*** – Stage three of the VMS roll-out has been deferred until further notice and the entire VMS will be reviewed by the FRCS.

Infrastructure Development

Health

1.48 To achieve quality healthcare and to meet the current growing demand, Government has allocated $453.7 million to Ministry of Health and Medical Services, an increase of $69.1 million from FY2022-2023. Around $39.6 million has been allocated for capital expenditures, of which $11.6 million is specifically budgeted for upgrading and refurbishment of health facilities around the country. Additional funding has been allocated to the Ministry to address some of the human resource challenges, including allocations for overtime pay and increase in nurses salary.

Fiji Roads Authority (FRA)

1.49 Government has allocated a total of $387.6 million to FRA, of which $372.9 million is provided for capital expenditure. The programmes include maintenance of the road network, renewal & resurfacing of roads, ongoing bridges & renewal and replacement of existing crossings and rural & coastal roads programme.

Public Works Department

1.50 Government has re-established the Public Works Department with the sole intent to improve the condition of rural roads in Fiji. A sum of $5.0 million is allocated for the purchase of plant, machinery and materials for the construction of rural roads. A sum of $2.0 million has been allocated for the maintenance, upgrade and refurbishment of public structures, water and sewer lines.

Water Authority of Fiji (WAF)

1.51 Government has allocated $250.8 million, of which $53.8 million is specifically allocated to improve water sources and implement resilient infrastructures such as water treatment facilities.

1.52 A sum of $4.6 million has been allocated for Digital Transformation Programme to ensure minimal disruption of WAF’s operations and services, while a further $51.2 million as blended funding from various bilateral partners has been allocated for the Rewa River Water Supply Project, which is expected to be completed by July 2023.

Northern Development Programme

1.53 This is an integrated programme providing business training and technical support and generating funds from business owners and financial institutions in a Public-Private Partnership. Government has allocated $1.0 million to fund the MSME development in Vanua Levu to improve livelihoods and facilitate growth in rural communities.

Vanua Levu Tourism Project

1.54 Government has embarked on a 10-year US $200 million Tourism Development Programme in partnership with the World Bank to support an integrated, resilient and sustainable tourism development in Vanua Levu. The proposed financing is a Multi Phased Programmatic Approach with World Bank International Development Association (IDA). A sum of $5.0 million is allocated in 2023-2024 Budget.

Termite Control Assistance Programme

1.55 Government has allocated $3.0 million to assist families affected by termites in the Western and Northern Division. The guidelines on accessing the assistance will be provided in due course.

Immigration

1.56 A sum of $1.5 million has been allocated for modernising immigration processes through the procurement of ePassports to ensure security and protection against forgery and identity theft. Government has further allocated $0.3 million for the installation of ePassport Enrolment Kits at immigration offices and overseas missions to ensure people residing overseas do not have to travel to Fiji to obtain or renew their passports, and procurement of printers to address high demand and avoid long queues to acquire a passport.

Climate Change and Risk Mitigation

1.57 Fiji is highly vulnerable to tropical cyclones, floods and other climate related disasters which causes extensive damages to our infrastructure, affects livelihoods and imposes huge financial burden on Government almost every year.

1.58 Fiji is an active member of the Pacific Catastrophe Risk Insurance Foundation (PCRIF), which enables Fiji to immediately access full suite of existing insurance products (Tropical Cyclone, Earthquake/Tsunami). The Government of Fiji is considering two insurance covers – ‘Cat-in-a-Circle’ and ‘Excess Rainfall’ in the next fiscal year. Under the Cat-in-a-Circle product, Government is eligible to receive a payout for cyclones Category 3 and above. An allocation of $2.5 million has been set aside in the 2023-2024 Budget for the subscription of parametric insurance cover. However, Government is in discussion with development partners on the possibilities of premium subsidy.

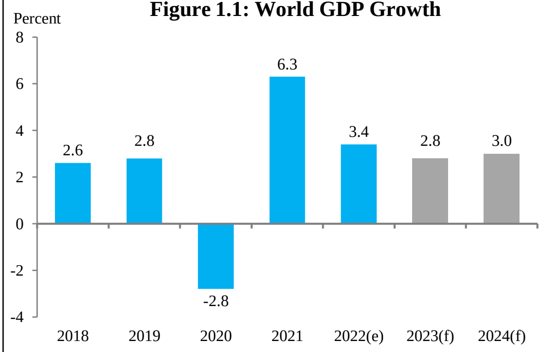
CHAPTER 2: ECONOMIC PERFORMANCE & OUTLOOK

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 Global economic developments remain fragile on the back of rising uncertainty amid financial sector turmoil, high inflation and ongoing effects of geopolitical tensions (including Russia-Ukraine conflict). The International Monetary Fund in its April 2023 World Economic Outlook (WEO) is projecting global growth to further decelerate to 2.8 percent in 2023 from 3.4 percent in 2022 following the strong rebound of 6.3 percent in 2021 (**Figure 1.1**).

Figure 1.1: World GDP Growth



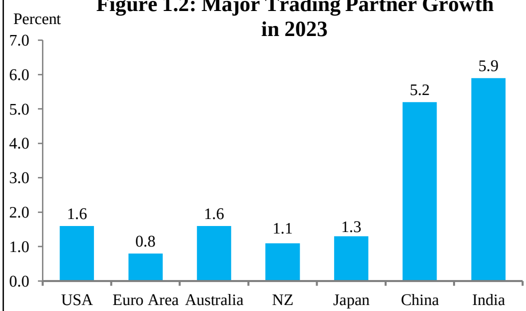
Source: IMF World Economic Outlook – April 2023

2.3 The slowdown in global growth is driven by advanced economies which are experiencing headwinds from synchronised monetary policy tightening. In 2024, the world economy is forecast to grow by a modest 3.0 percent with risks heavily skewered to the downside.

Fiji's Trading Partners

2.4 The **US** economy is projected to slowdown from 2.1 percent in 2022 to 1.6 percent in 2023 and 1.1 percent in 2024 largely driven by the weaknesses stemming from tightening of financial conditions due to increase in interest rates. The US Federal Reserve (Fed) hiked the interest rate for the tenth consecutive month in May 2023 in its efforts to contain inflationary pressures (**Figure 1.2**).

Figure 1.2: Major Trading Partner Growth in 2023



Source: IMF World Economic Outlook – April 2023

2.5 The policy rate is currently around 5.0-5.25 percent, substantially higher when compared to the near zero rate early last year. While inflation has fallen to 4.9 percent in April 2023 from the peak of 9.1 percent in June 2022, it is expected to remain elevated at 4.5 percent by the end of this year and settle above the Fed's target at 2.3 percent in 2024. The unemployment rate remains low despite the recent increase of 0.3 percentage points to 3.7 percent in May 2023.

2.6 The **Eurozone** economy expanded by 1.3 percent in the March quarter, as multiple headwinds amongst the bloc's economies hampered overall growth. However, annual inflation deviated from its trend and rose to 7.0 percent in April, justifying the European Central Bank to maintain its fight for price stability by raising its main refinancing operations rate by 25 basis points in May to 3.75 percent. The Eurozone is forecast to expand by 0.8 percent in 2023 and 1.4 percent in 2024, while inflation is expected to be around 5.3 and 2.9 percent in 2023 and 2024, respectively.

2.7 The **Australian** economy is forecast to register a modest growth of 1.6 percent in 2023 and 1.7 percent in 2024. The weak growth profile is largely due to the fallout from the contractionary monetary policy on the back of interest rate hikes[2] by the Reserve Bank of Australia to tame inflation which stood stubbornly high at 7.0 percent in March 2023. Annual inflation peaked at 7.8 percent in December 2022 and is forecast to fall to 5.3 percent by the end of 2023 and to 3.2 percent by mid-2025.

2.8 The **New Zealand's** (NZ) economy slid in a technical recession following two consecutive quarters of negative growth in December 2022 and March this year. The weak outcome is largely due to soft demand amidst tight labour market and fragile financial conditions impacted by recent interest rate hikes by the Reserve Bank to contain inflationary pressures. The official cash rate stood at 5.50 percent in May 2023. Growth is projected to remain low at 1.1 percent in 2023 and further reduce to 0.8 percent in 2024. Annual headline inflation is forecast at 5.5 percent in 2023 and 2.6 percent in 2024.

2.9 The **Japanese** economy is forecast to grow by 1.3 percent in 2023, mainly due to modest services activity. In 2024, growth is projected to moderate to around 1.0 percent. In April, annual inflation rate stood at 3.5 percent mainly driven by higher food prices. The Bank of Japan maintained its key short-term interest rate at -0.1 percent and the 10-year bond yields at around 0 percent. Annual headline inflation is anticipated to subside to 2.7 percent in 2023 and moderate to 2.2 percent in 2024.

2.10 Following the lifting of COVID-19 related restrictions late last year, the **Chinese** economy is on track to achieve the 5.2 percent growth projected for this year and 4.5 percent next year. Annual inflation slowed to a 19-month low of 0.2 percent in May as prices of both food and non-food items eased further following the removal of the zero-COVID policy. Inflation is expected to be around 2.0 percent in 2023 and 2.2 percent in 2024.

[2] Cash rate was 3.85 percent in May 2023.

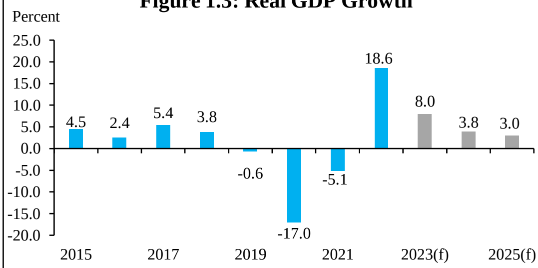
2.11 The **Indian** economy is still one of the fastest growing economies of the world with growth projected at 5.9 percent for 2023 which is expected to accelerate to 6.3 percent in 2024. Annual headline inflation rate has eased to 4.7 percent in May, falling back within the Reserve Bank of India's upper tolerance limit of 6.0 percent. Inflation is forecast to moderate to 4.9 percent in 2023 and 4.4 percent in 2024.

Domestic Outlook

Overview 2022

2.12 Following three consecutive years (2019-2021) of contraction, the domestic economy rebounded strongly by an estimated 18.6 percent in 2022. The broad-based recovery was driven by the services sector backed by better-than-expected performance in tourism and related sectors. Other sectors that have contributed positively to the growth include wholesale & retail, manufacturing, finance, agriculture, and improved net tax collections during the year (**Figure 1.3**).

Figure 1.3: Real GDP Growth



Sources: FBOS and Macroeconomic Committee

Overview 2023

2.13 In 2023, the domestic economy is projected to grow further by 8.0 percent largely driven by the anticipated full recovery in visitor arrivals to pre-pandemic levels. Accordingly, tourism related sectors such as accommodation & food services, transport & storage, wholesale & retail sales, and administration services are expected to be the key drivers of growth this year. In addition, positive contributions are also expected from agriculture, forestry, manufacturing, electricity, construction and net taxes.

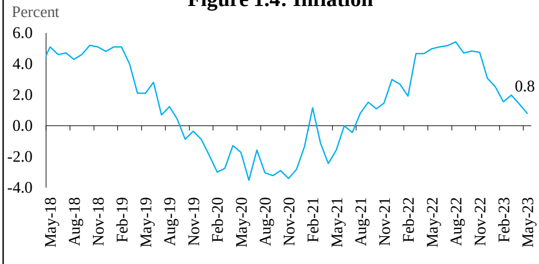
Overview 2024 and 2025

2.14 Growth is forecast to return to the pre-pandemic trend in the medium term. As such, a broad-based growth of 3.8 percent and 3.0 percent is forecast for 2024 and 2025, respectively.

Inflation

2.15 Inflation stood at 0.8 percent in May 2023, significantly lower than most of our trading partner economies. The relatively low inflation is largely driven by the recent moderation in imported inflation as a result of softening global food and oil prices and stabilising of domestic prices (**Figure 1.4**).

Figure 1.4: Inflation



Source: FBOS

2.16 Year-end inflation is forecast at 2.8 percent[3], slightly lower than the 3.1 percent at the end of 2022. The annual average inflation rate is anticipated to moderate to 2.0 percent from the 4.3 percent in 2022, in tandem with the expected fall in energy prices. Over the medium term, inflation is forecast at 2.3 percent in 2024 and 2.5 percent in 2025.

Exports[4]

2.17 In 2022, total exports expanded by 25.7 percent to an all-time high of $2,322.2 million, following a 5.0 percent growth in 2021. The outcome was driven by growth in re-exports of mineral fuel on account of higher prices and higher demand from Pacific Island Countries (PICs), while higher domestic exports were led by mineral water, sugar and fish. The gradual relaxation of restrictions in trading partner economies and robust demand for certain commodities have supported Fiji's domestic exports.

2.18 In 2023, total exports are forecast to grow by 4.8 percent to $2,433.8 million, largely due to the growth in re-exports (10.8 percent) coupled with a slight expansion in domestic exports (0.6 percent). The strong growth in re-exports is driven by the economic rebound in PICs. However, the slowdown in Fiji's major trading partners coupled with waning prices of gold and sugar could weigh on export receipts in 2023.

2.19 Total exports are forecast to grow by 4.9 percent to $2,553.1 million and 4.1 percent to $2,657.9 million in 2024 and 2025, respectively. The anticipated growth is in line with the expected improvement in domestic production of mineral water, gold and sugar. Additionally, the continued recovery in PICs should bolster re-exports over the medium-term.

[3] The inflation forecast does not incorporate the tax measures announced in the 2023-2024 Budget.

[4] All analysis on exports excludes re-exports of aircraft.

Imports[5]

2.20 In 2022, total imports grew significantly by 57.7 percent to $6,586.2 million, after an expansion of 11.7 percent in 2021. The strong growth was underpinned by increases in all major categories with the largest contributors being mineral fuels, machinery & transport equipment (excluding aircraft), food & live animals and manufactured goods. The sharp increase in domestic demand following the opening of international borders as well as the rise in global commodity prices, higher freight charges and supply chain disruptions contributed to the substantial increase in imports last year.

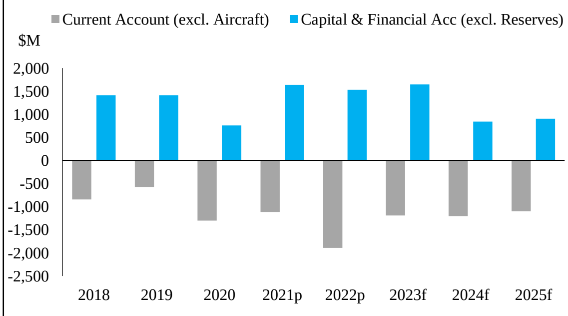
2.21 In 2023, total imports are projected to rise by 3.1 percent to $6,789.0 million, led by growth in mineral fuel, machinery & transport equipment and food imports. Although import costs are expected to moderate from easing supply disruptions and lower commodity prices, the demand for imported items is expected to remain elevated given the pickup in domestic economic activity.

2.22 In 2024 and 2025, total imports are forecast to increase by a modest 1.4 percent to $6,885.7 million and 1.0 percent to $6,957.5 million, respectively. Global commodity prices and inflationary pressures in trading partners are anticipated to moderate, while domestic demand is expected to return to pre-pandemic trend.

Balance of Payments (BOP)[6]

2.23 The current account deficit (CAD) widened to $1,888.9 million (equivalent to -17.0 percent of GDP) in 2022. The significant deterioration in the CAD was largely underpinned by the widening trade deficit and increases in the primary income deficit (due to profit and dividend repatriation) which more than offset the positive services balance and secondary income surplus.

Figure 1.5: Balance of Payments



Sources: FBOS and Macroeconomic Committee

2.24 In 2023, the CAD (excluding aircraft) is forecast to narrow by 37.1 percent to $1,187.4 million (equivalent to -9.6 percent of GDP) led by the projected increase in services and secondary income surpluses amid strong travel appetite and tourism activity and higher remittances. The higher surpluses from the services and secondary income accounts will partially offset the expected deficits in the primary income (higher profit repatriation and re-invested earnings) and trade accounts.

[5] All analysis on imports excludes aircraft.
[6] Analysis on Capital and Financial Account (excluding Reserve Assets) incorporates aircraft leasing.

The Capital and Financial Account (excluding reserve assets) surplus is forecast to rise by 8.0 percent to $1,649.4 million, backed by anticipated recovery in net Foreign Direct Investment (FDI) while other investments balance is expected to fall given the lower Government loan drawdowns. Reserve assets are expected to fall by $234.5 million as the overall BOP balance is projected to be negative.

2.25 The CAD (excluding aircraft) is projected to rise slightly to $1,202.2 million (-9.1 percent of GDP) in 2024, and dip to $1,102.6 million (-8.0 percent of GDP) in 2025. Continued improvement in the services balance and the narrowing trade deficit offsets the widening primary income deficit in both years while secondary income is expected to reduce based on lower anticipated grants in aid. The Capital and Financial Account (excluding reserve assets) is forecast to fall to $845.9 million (6.4 percent of GDP) in 2024 before rising to $907.9 million (6.6 percent of GDP) in 2025, as FDI inflows are anticipated to continue to recover towards pre-pandemic levels. The overall BOP balance is projected to be negative and reserve assets are expected to fall by $345.8 million and $314.1 million in 2024 and 2025, respectively.

Remittances

2.26 In 2022, inward remittances rose strongly by 23.1 percent to $1,040.8 million, due to increase in Fijians working abroad under various labour mobility schemes coupled with the growing diaspora abroad and ease of remitting money via mobile money platforms. Cumulative to April this year, inward remittances grew by 25.2 percent to $379.5 million, driven by higher personal transfers. Inward remittances are projected to grow by 16.3 percent to $1,209.9 million by year-end. For 2024 and 2025, remittances are forecast to rise moderately to $1,248.5 million and $1,288.5 million, respectively.

Tourism Earnings

2.27 In 2022, tourism earnings totalled $1,499.3 million or 72.6 percent of 2019 levels. The strong rebound in visitor arrivals after reopening of borders in December 2021 combined with higher spending by tourists given pent-up demand underpinned the favourable outcome. In 2023, tourism earnings are expected to reach $2,142.3 million based on expected increase in visitor arrivals. In 2024 and 2025, tourism earnings are forecast to increase to $2,166.8 million and $2,190.8 million, respectively. Although tourist per-diems are expected to normalise to pre-pandemic levels, this is projected to be offset by continued growth in visitor arrivals.

Foreign Reserves

2.28 In 2022, foreign reserve stood at $3,430.6 million, sufficient to cover 6.9 months of retained imports. As at 28 June 2023, foreign reserves (RBF holdings) were around $3,461.9 million, equivalent to 6.1 months of retained imports.

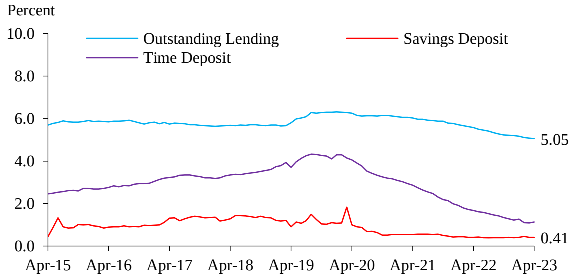
Money and Credit

2.29 The growth in money supply has moderated with the slowdown in the growth of foreign reserves. The recovery in labour market conditions and the subsequent improvement in debt serviceability has led to an annual increase in credit activity. Lending has been mostly driven by commercial banks noting an increase in lending to both households and corporates.

Interest Rates

2.30 Interest rates remains low supported by ample liquidity conditions which currently stands at around $2.3 billion as of May 2023. The weighted average outstanding time deposit dipped from 1.68 percent in April 2022 to 1.14 percent (54 basis points (bp)) in April 2023. Lending rates dropped from 5.57 percent in April 2022 to 5.05 percent in April 2023 (52 bp) (**Figure 1.6**).

Figure 1.6: Commercial Banks' Outstanding rates



Source: Reserve Bank of Fiji

Exchange Rates

2.31 The Fiji dollar (FJD) strengthened against the Australian dollar (AUD) and the New Zealand dollar (NZD) while it weakened against all other trading partner currencies over the year in April. However, on a monthly basis, the FJD strengthened against the NZD, AUD and the Japanese Yen (JPY) but it weakened against the Euro and the USD.

2.32 In March, the nominal effective exchange rate (NEER) fell both, over the month (-0.1 percent) and year (-0.4 percent), mostly driven by the USD and Euro. Consequently, the real effective exchange rate (REER) also weakened over the year (-2.7 percent) denoting an overall gain in competitiveness, however, remained broadly unchanged on a monthly basis.

Monetary Policy

2.33 The Reserve Bank of Fiji (RBF) has maintained an accommodative monetary policy stance with the Overnight Policy Rate (OPR) unchanged at 0.25 percent since March 2020. However, ongoing geopolitical tensions, tight financial conditions, and eroding confidence in the global financial system pose a risk to the RBF's monetary policy objectives in the medium term.

Formal Sector Employment

2.34 Labour market conditions have strengthened further in the first four months of the year. The number of vacancies advertised grew by 23.6 percent cumulative to April 2023. The outturn is underpinned by recruitment across most sectors. This is also validated by the increase in FNPF member registrations (6.0 percent), and total wages paid (5.1 percent) in March 2023.

2.35 Given the tight labour market conditions in neighbouring countries, particularly Australia and New Zealand, Fiji is experiencing an exodus of skilled labour force. In 2022, 16,967 people left Fiji for employment opportunities, an increase of 31.3 percent when compared to pre-COVID levels (2019). Similarly, 5,335 people emigrated permanently in 2022, an increase of 10.9 percent compared to 2019. For this year till May, 7,174 individuals have already left Fiji for employment reasons while 1,217 have permanently emigrated.

COVID-19 Credit Guarantee Scheme

2.36 In the FY2022-2023, Government continued to provide funding from the $200 million COVID-19 Credit Guarantee Scheme through the RBF to help businesses meet their working capital needs, including payment of wages and salaries, rental cost, utility bills and purchase of stocks. Under the scheme, existing micro businesses with turnover below $50,000 can access up to $10,000; small businesses with annual turnover between $50,001 and $300,000 can access up to $20,000; medium-sized businesses with turnover between $300,001 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.

2.37 Commercial banks, Fiji Development Bank (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 31 May 2023, a total of 5,768 loan applications have been approved, totaling around $125.6 million (Table 2). Of the successful applicants, 2,622 (45 percent) are micro businesses, 1,830 (32 percent) are small businesses, 779 (14 percent) are medium-sized businesses, and 537 (9 percent) are large businesses.

Table 2: COVID-19 Credit Guarantee Scheme - loan uptake as at 31 May 2023

Business Size		Micro	Small	Medium	Large	Total
Approved pending drawdown	Applications	0	5	4	3	12
	Loan Value ($M)	0.00	0.10	0.20	0.30	0.60
Disbursed	Applications	2,622	1,825	775	534	5,756
	Loan Value ($M)	18.52	25.86	33.11	47.49	124.98
Total Approvals	Applications	2,622	1,830	779	537	**5,768**
	Loan Value ($M)	18.52	25.96	33.31	47.79	**125.58**

Source: Reserve Bank of Fiji

CHAPTER 3: GOVERNMENT'S FISCAL PERFORMANCE

3.1 Fiscal policy in the past three years has been geared towards extending and sustaining social protection, ensuring continuity of public services, infrastructure development and supporting growth despite a reduction in Government revenue. Spending was directed towards unemployment, health care, social security payments and critical infrastructure development.

3.2 Now that the economic recovery is underway, Government is well placed to rebuild fiscal buffers with a carefully crafted fiscal consolidation plan. In this regard, Government will embark on restructuring its tax systems, review its expenditure priorities and work towards improving its fiscal stance.

3.3 In this budget, Government is focusing on fiscal consolidation and economic recovery. Higher spending in key priority sectors will further enhance the growth momentum while the reforms and realignment of tax policies and incentives will provide a conducive environment for investment, rebuild confidence and consequently ensure sustainable inflows of Government revenues.

FY2022-2023 Fiscal Performance

3.4 At the end of FY2022-2023, Government is expected to record a net deficit of around $750.3 million, equivalent to -6.2 percent of GDP, lower than the budgeted net deficit of -7.4 percent and -11.9 percent net deficit for FY2021-2022. This is derived from estimated total revenues of $2,685.4 million (22.1 percent of GDP), and total expenditures of $3,435.7 million (28.2 percent of GDP).

3.5 The revised revenue estimates are lower than the original budget, largely due to lower collections from non-tax revenue such as Grants in aid, Reimbursement & Recoveries, and Dividends from Investment as well as lower collections from Customs and Water Resource Tax.

Table 3: Fiscal Framework FY2022-2023

$Million	2021-2022 (Actual)	2022-2023 (Budget)	2022-2023 (Revised Estimate)
Revenue	**2,190.8**	**2,939.9**	**2,685.4**
As a % of GDP	21.3	25.1	22.1
Tax Revenue	*1,692.0*	*2,322.1*	*2,252.3*
Non-Tax Revenue	*498.8*	*617.8*	*433.1*
Expenditure	**3,414.1**	**3,812.1**	**3,435.7**
As a % of GDP	33.2	32.6	28.2
Net Deficit	**-1,223.3**	**-872.2**	**-750.3**
As a % of GDP	**-11.9**	**-7.4**	**-6.2**
Debt	9,132.0	9,976.7	9,882.3
As a % of GDP	88.8	85.2	81.2
GDP at Market Prices	**10,280.9**	**11,708.0**	**12,176.8**

Source: Ministry of Finance

3.6 Tax revenue for FY2022-2023 is expected to be $2,252.3 million, lower by $69.8 million (-3.0 percent) compared to the initial Budget as a result of lower-than-expected collections from indirect taxes largely from fiscal duties, excise duty, export duty, water resource tax and departure tax. While comparing it to the actuals for FY2021-2022, the estimated tax revenue for FY2022-2023 is above by $560.3 million (33.1 percent).

3.7 In the first 10 months of FY2022-2023, Government collected $1,859.3 million in tax revenues, almost 82.6 percent of the revised tax revenue estimates. Compared to the same period last financial year (August 2021 to May 2022), overall tax collections have increased by $544.4 million or 41.4 percent.

3.8 Non-tax revenue is estimated at $433.1 million, lower by $184.7 million (-29.9 percent). This is largely attributed to lower collections from grants in aid, reimbursement and recoveries and interest income. When compared to the actuals for FY2021-2022, non-tax revenue is lower by $65.7 million (-13.2 percent). The collection from non-tax revenue at the end of May 2023 is $258.5 million, representing 59.7 percent of the total non-tax revenue that is expected to be collected by the end of July 2023.

3.9 Total Government spending is estimated at $3,435.7 million, lower by $376.4 million (-9.9 percent) for FY2022-2023. This is largely based on lower utilisation in the first 10 months of this fiscal year.

3.10 Consequently, Government debt is estimated to be around $9,882.3 million or 81.2 percent of GDP at the end of July 2023.

FY2023-2024 Budget

3.11 In line with the Medium-Term Fiscal Strategy (MTFS) and the positive economic outlook for 2023, the net deficit for the FY2023-2024 is budgeted at $639.1 million or -4.8 percent of GDP. This is based on an estimated total revenue of $3,700.7 million and total expenditure of $4,339.9 million. The targeted fiscal deficit for FY2023-2024 will be financed with a combination of domestic and concessional external borrowing. Given the lower deficit, Government debt will fall to 79.3 percent of GDP from 81.2 percent of GDP estimated for FY2022-2023.

3.12 Tax revenue collections are projected at $3,107.7 million for FY2023-2024, an increase of $855.4 million (38.0 percent) relative to revised FY2022-2023 estimate. The higher tax revenue forecast is driven by the increase in VAT rate, corporate tax, departure tax, and customs and excise duties. Tax collections will be further boosted by the streamlining of tax incentives and concessions as well as the broad-based growth anticipated for the next fiscal year.

3.13 Based on the revenue reforms, the tax revenue projection takes into account additional tax revenues of around $596.4 million, which is expected to be generated from the measures listed below. This would increase the tax to GDP ratio to 23.4 percent compared to 18.5 percent in FY2022-2023. The following revenue measures are considered in the Budget:

- Increase in net VAT collections of around $445.6 million from the alignment of the VAT rate from 9 percent to 15 percent whilst maintaining zero-rated VAT on 21 basic items with the addition of prescribed medicines to the zero-rated list[7]. The realignment of VAT rates will eliminate issues of ambiguity around application of VAT, unnecessary administrative issues for businesses, boost revenue collections and remove the risks of non-compliance. Government will maintain zero-rating on 22 essential items given the increase in the price of basic items. The VAT revenues foregone from this zero-rating is estimated at around $237.6 million;

- Increase in the corporate tax rate from 20 percent to 25 percent while for companies eligible for lower tax rate as part of SPX tax incentive, the tax rate will be increased from 10 percent to 15 percent. The increase in corporate tax rate is expected to generate additional revenues of around $73.5 million;

- Increase in departure tax from $100.00 to $125.00 from 1 August 2023 and to $140.00 from 1 January 2024. The departure tax was significantly reduced from $200.00 to $100.00, while the Service Turnover Tax (STT) and Environment and Climate Adaptation Levy (ECAL) were phased out as part of COVID-19 recovery measures. Given the recovery in visitor arrivals, the gradual increase in departure taxes is expected to raise $30.8 million in additional revenues;

- Increase in excise duties on alcohol and tobacco products by 5 percent and an increase in excise tax of 5 cents per litre on carbonated/sugar-sweetened beverages, which is expected to result in additional revenues of $7.6 million. A domestic excise duty of 40 cents per kilogram or per litre and an import excise duty of 15 percent would also be levied on products such as sweet biscuits, juice, ice cream, snacks and sugar confectioneries;

- Increase in the import excise duty by 5 percent for passenger motor vehicles (for both new and used vehicles) along with reductions in the fiscal duty for food products is expected to result in a net revenue loss of around $2.0 million. This includes reduction in fiscal duty for the following items:

    - Reduction in fiscal duty from 32 percent to 15 percent for corned mutton, corned beef & beef, canned mackerel, duck and prawns;

[7] Sugar, Flour, Rice, Dhal, Tea, Potatoes, Onions, Garlic, Canned Fish, Cooking Oil, Salt, Liquid Milk, Powdered Milk, Baby Milk, Sanitary Pads, Soap, Soap Powder, Toilet Paper, Toothpaste, Cooking Gas, Kerosene and Prescribed Medicines.

- Reduction in fiscal duty from 5 percent to 0 percent for sheep/lamb meat;
- Reduction in fiscal duty from 15 to 5 percent on canned tomatoes; and
- Reduction in import excise duty from 10 percent to 0 percent on chicken portions.

- Reduction of the SRT by 5 percent effective from 1 January 2024 along with the simplification of the structure by merging with the PAYE structure. This would reduce the marginal tax rate while maintaining progressivity in the tax structure, resulting in an estimated revenue loss of $2.1 million for a period of 12 months; and

- Increase in the water resource tax rate from 18 cents per litre to 19.5 cents per litre for every litre of water extracted exceeding 10,000,000 litres per month, which would generate additional net revenues of $2.0 million after accounting for income tax foregone from water bottling.

3.14 Other tax reforms include the review of the customs concessions and tax incentives regime aimed at reducing costs, removing protectionism and harmonising the rates. This is anticipated to contribute around $36.6 million in customs collections. This includes but is not limited to removal of certain concessions available on the importation of raw materials, packaging materials, biodegradable products, LED lamps and lighting and smart phones. In addition, duty concessions that are currently available for fuel, broadcasting and internet service provisions as well as for hotels and resorts involved in the importation of materials, furnishings and fittings and equipment that are not manufactured and available in Fiji will be ceased. Refer to **Chapter 8** on Tax Policy Measures for more details.

3.15 Non-tax revenues are estimated at $593.1 million, an increase of $159.9 million or 36.9 percent compared to FY2022-2023. Government anticipates to receive around $216.8 million in cash grants and around $124.6 million in dividends from State Owned Enterprises (SOEs) and profits from the RBF in FY2023-2024. Around $35.0 million in reimbursement and recoveries from various existing trust fund accounts is expected to be received by Government.

3.16 Based on the above, the total revenue projection for FY2023-2024 is $3,700.7 million. This includes tax revenue of around $3,107.7 million and $593.1 million in non-tax revenue. A detailed breakdown of revenues is provided in the 2023-2024 Budget Estimates.

3.17 Total Government expenditure for FY2023-2024 is budgeted at $4,339.9 million, around $904.2 million higher than the revised estimate for FY2022-2023. The increase in total expenditure accounts for increases in both current and capital expenditure, including increased funding for social protection, education, health and infrastructure. The operating capital mix for the 2023-2024 Budget stands at

72:28. Further expenditure details are provided in the 2023-2024 Budget Estimates.

3.18 **Table 4** below outlines the fiscal framework for FY2023-2024. The projected total gross deficit, which is the sum of the net deficit and principal debt repayments, is around $1,155.4 million. The gross deficit will be financed through domestic market and external borrowings from multilateral and bilateral development partners. The financing details are provided in the 2023-2024 Budget Estimates.

Table 4: Fiscal Framework FY2023-2024

Particulars	$Million
Revenue	**3,700.7**
As a % of GDP	27.9
Tax Revenue	*3,107.7*
Non-Tax Revenue	*593.1*
Expenditure	**4,339.9**
As a % of GDP	32.7
Net Deficit	**-639.1**
As a % of GDP	**-4.8**
Gross Deficit	**-1,155.4**
Debt	10,521.4
As a % of GDP	79.3
GDP at Market Prices	**13,266.6**

Source: Ministry of Finance

3.19 **Table 5** depicts Government's Cashflow from FY2021-2022 to FY2023-2024.

Table 5: Cashflow Statement

$Million	2021-2022 (Actual)	2022-2023 (Revised)	2023-2024 (Budget)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Direct Taxes	464.6	646.6	816.4
Indirect Taxes (excluding SEG 13 VAT)	1,197.9	1,559.3	2,180.3
Value Added Tax	*630.6*	*947.6*	*1,422.2*
Customs Taxes	*442.0*	*467.3*	*556.0*
Service Turnover Tax	*0.1*	*0.1*	*0.0*
Water Resource Tax	*83.6*	*73.3*	*91.6*
Departure Tax	*16.4*	*61.4*	*99.8*
Stamp Duty	*0.5*	*0.1*	*0.0*
Telecommunication Levy	*0.8*	*0.9*	*0.9*
Environment and Climate Adaptation Levy	*23.9*	*8.7*	*9.8*
Fees, Fines, Charges & Penalties	148.7	158.9	166.6
Grants in aid	232.6	157.9	216.8
Dividends from Investment	61.7	66.9	124.6
Reimbursement & Recoveries	15.1	9.4	46.7
Other Revenues and Surpluses	33.4	36.5	31.7
Total Operating Receipts	**2,153.9**	**2,635.4**	**3,583.2**
Payments			
Personnel	929.9	959.4	1,064.0

$Million	2021-2022 (Actual)	2022-2023 (Revised)	2023-2024 (Budget)
Transfer Payments	623.5	619.4	874.4
Supplies and Consumables	251.7	261.8	335.1
Purchase of Outputs	81.3	128.3	226.7
Interest Paid	370.3	454.3	529.4
Other Operating Payments	4.7	1.7	7.2
Total Operating Payments	**2,261.5**	**2,424.9**	**3,036.9**
Net cash flows from operating activities	**(107.6)**	**210.5**	**546.3**
As a % of GDP	*-1.0*	*1.7*	*4.1*
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Government Assets	1.8	2.0	5.2
Interest from Bank Balance	1.1	0.5	0.5
Interest on Term Loans and Advances	0.7	0.9	0.9
Return of Surplus Capital from Investment	3.9	0.1	0.1
Total Investing Receipts	**7.4**	**3.5**	**6.7**
Payments			
Transfer Payments	1,022.1	838.3	965.6
Purchase of Physical Non-current Assets	100.9	126.0	226.5
Total Investing Payments	**1,123.0**	**964.4**	**1,192.1**
Net Cash Flows from Investing Activities	**(1,115.7)**	**(960.8)**	**(1,185.4)**
As a % of GDP	*-10.9*	*-7.9*	*-8.9*
NET (DEFICIT)/SURPLUS	**(1,223.3)**	**(750.3)**	**(639.1)**
As a % of GDP	***-11.9***	***-6.2***	***-4.8***

Source: Ministry of Finance

3.20 **Table 6** provides the revenue and expenditure aggregates from FY2021-2022 to FY2023-2024.

Table 6: Revenue and Expenditure Aggregates

$Million	2021-2022 (Actual)	2022-2023 (Revised)	2023-2024 (Budget)
Total Revenue (excluding SEG 13 VAT)	**2,161.3**	**2,638.9**	**3,589.8**
As a % of GDP	21.0	21.7	27.1
Total Expenditure (excluding SEG 13 VAT)	**3,384.5**	**3,389.2**	**4,229.0**
As a % of GDP	32.9	27.8	31.9
Total Revenue (including SEG 13 VAT)	**2,190.8**	**2,685.4**	**3,700.7**
As a % of GDP	21.3	22.1	27.9
Total Expenditure (including SEG 13 VAT)	**3,414.1**	**3,435.7**	**4,339.9**
As a % of GDP	33.2	28.2	32.7
GDP at Market Prices	**10,280.9**	**12,176.8**	**13,266.6**

Source: Ministry of Finance

Operating Revenue

3.21 Total direct tax collections (personal income tax, corporate tax, withholding tax, capital gains tax, fringe benefit tax and other taxes) is anticipated at $646.6 million in FY2022-2023 and $816.4 million in FY2023-2024. Collections for indirect taxes (including VAT, customs duties, water resource tax, departure tax and other levies) are projected at $1,559.3 million in FY2022-2023 and $2,180.3 million in FY2023-2024, an increase of $621.1 million or 39.8 percent.

3.22 Increase in collections for fees, fines and charges in FY2022-2023 and FY2023-2024 is driven by Land Transport Authority fees and fines, water charges and immigration fees. For grants in aid, the estimated collection at the end of FY2022-2023 is $157.9 million, while the projection for FY2023-2024 is $216.8 million. Dividend receipts are expected to amount to $66.9 million in FY2022-2023 and improve to $124.6 million in FY2023-2024.

3.23 For FY2023-2024, Government expects to receive around $3,583.2 million in operating revenue, an increase of $947.8 million (36.0 percent) when compared to FY2022-2023.

Operating Payments

3.24 For FY2022-2023, the largest component of operating expenditure is personnel costs, which was around $959.4 million, representing 39.6 percent of operating expenditure and 28.3 percent of total expenditure. For FY2023-2024, personnel costs are expected to be around $1,064.0 million, an increase of $104.6 million (10.9 percent) to cater for additional staffing needs and increased superannuation contributions. Government will revert the FNPF contribution rates to 18 percent (10 percent for employers and 8 percent for employees) from 1 January 2024.

3.25 A number of other operational expenditures are being considered for next financial year, while some key initiatives are discussed in **Chapter 1**, with a detailed breakdown of expenditures provided in the 2023-2024 Budget Estimates.

3.26 Based on these changes, the total operating expenditure for FY2023-2024 is set at $3,036.9 million, an increase of $612.0 million or 25.2 percent. Operating expenditure accounts for around 70.0 percent of total expenditure.

Net Cashflow from Operating Activities

3.27 Government recorded an operating deficit of $107.6 million (-1.0 percent of GDP) in FY2021-2022. For FY2022-2023 Government is anticipated to record operating surplus of $210.5 million (1.7 percent of GDP) and for FY2023-2024, Government is expected to continue recording an operating surplus of around $546.3 million (4.1 percent of GDP).

Investing Revenue

3.28 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 $7.4 million in FY2021-2022 and is anticipated to be around $3.5 million in FY2022-2023. For FY2022-2023, investing revenue is expected to be around $6.7 million.

Investing Payments

3.29 Government will fund existing and new investment projects for roads, water, health and energy in the 2023-2024 Budget. Based on the changes in investing programmes, total capital expenditure for FY2023-2024 is around $1,192.1 million, higher by $227.8 million or 23.6 percent in comparison to FY2022-2023.

Net Cashflows from Investing Activities

3.30 A net investing deficit of $1,115.7 million was recorded in FY2021-2022. For FY2022-2023 and FY2023-2024, the anticipated net investing deficit is around $960.8 million and $1,185.4 million, respectively.

Net Deficit

3.31 Government achieved a net deficit position of $1,223.3 million (-11.9 percent of GDP) in FY2021-2022. The estimated net deficit for FY2022-2023 is $750.3 million (-6.2 percent of GDP), while the net deficit target for FY2023-2024 is $639.1 million (-4.8 percent of GDP).

CHAPTER 4: MEDIUM-TERM FISCAL STRATEGY

4.1 This chapter discusses Government's fiscal policy direction and provides the overarching principles that will guide the allocation of financial resources, formulation of tax and customs policies and debt management over the medium-term.

4.2 As per Section 12 (2) of the Financial Management (Amendment) Act 2021, the MTFS was approved by Cabinet and tabled to Parliament by the Minister responsible for Finance.

4.3 The MTFS outlines the general direction of Government's fiscal policy from FY2023-2024 to FY2025-2026. The overriding objective of the MTFS is to bring back fiscal discipline by cutting on wastages and enhancing fiscal sustainability. However, the speed and timing of policy changes needs to be carefully administered with a delicate balance between ensuring fiscal sustainability and supporting economic recovery.

4.4 In this respect, fiscal policy going forward will be geared towards reducing the deficit level with the aim of putting the debt to GDP ratio on a downward path and further enhancing long term debt sustainability. This will be supported by revenue reforms guided by the principles of fairness, simplicity and revenue adequacy complemented by major control on overall public expenditure, including reprioritisation of fiscal resources to better achieve our socio-economic and other development goals.

4.5 Apart from this, a private sector led economic rejuvenation is also an important pillar to ensure sustained economic growth which is critical to put the debt to GDP ratio on a consistent downward trajectory.

Revenue Strategy

4.6 Government's revenue strategy for the medium-term will focus on a holistic review of the tax administration system including streamlining taxes and re-evaluating tax & duty exemptions and incentives.

4.7 In FY2023-2024, VAT rates will be reduced to two rates of 0 and 15 percent, with the potential to increase tax revenues in the medium-term by aligning the VAT rate to a single rate to bring more simplicity to the tax regime. However, the timing of this will be carefully considered including adequate targeted expenditure support to protect the vulnerable.

4.8 Similarly, there is also opportunity for reintroduction of a dividend tax regime or alternatively increase in the corporate tax rate further based on the revenue needs of the Government. Apart from this, there is scope to further increase the departure tax in the future given that tourism specific taxes like STT and ECAL has been completely abolished.

4.9 Further improvements will be made to tax exemptions to streamline processes and reduce tax expenditures. Non-tax revenues for certain public services will also be reviewed based on the principle of cost-recovery to boost overall revenue.

4.10 The following will be the guiding policy principles in the medium term:

- 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 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.

4.11 The underlying revenue policy framework focuses on macro-fiscal stabilisation measures that will put Government debt to GDP ratio on a sustainable and downward path and increase revenue to GDP ratio to pre-pandemic levels. Based on the tax policies and economic growth projections, the medium-term revenue forecasts are expected to normalise to around 27.0 percent of GDP. Key revenue measures for the FY2023-2024 are discussed in **Chapter 8**.

Expenditure Strategy

4.12 To improve the effectiveness and quality of public services, Government will focus on zero-based[8] budgeting in the medium-term. This will help reduce unproductive spending, review transfers to extra budgetary units, streamline operations and prioritise high impact capital projects. A capital operating mix of at least 30:70 will be targeted in the medium-term.

4.13 In the medium-term, expenditure allocations will be guided by the following:

- 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 as per Public Sector Investment Program and National Infrastructure Investment Plan;
- Resources must be allocated based on a multi-year perspective and the

[8] Zero-based budgeting requires that all Ministries and agencies provide proper justification for every dollar of funding requested. The process of zero-based budgeting starts from a "zero-base," and every activity within an appropriation head is thoroughly analysed.

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

Debt Management Strategy

4.14 The broad objectives of Government debt strategy in the medium-term will remain as follows:

- Minimise the medium to long-term cost of Government debt within prudent levels of risk; and
- Support the development of a well-functioning domestic market for debt securities.

4.15 To achieve the above objectives, Government will focus on the following debt management policies to guide its borrowing in FY2023-2024 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);
- Continue issuance of long-term bonds (10-year to 20-year tenor) to finance deficits;
- Develop the domestic bond market to focus more on transparency, secondary market trading, settlement mechanisms and investor diversification;
- Consider call-backs, bond buybacks and switch operations; and
- Minimise risks associated with on-lending and contingent liabilities.

Medium-Term Fiscal Framework

4.16 The Medium-Term Fiscal Framework (MTFF) provides the broad revenue, expenditure, deficit, and debt targets for the medium term. With expected revenue collections of $3,700.7 million and expenditure level of $4,339.9 million, Government is projected to achieve a net deficit target of $639.1 million, equivalent to -4.8 percent of GDP in the FY2023-2024. Accordingly, Government debt will fall to 79.3 percent of GDP from 81.2 percent of GDP anticipated for

FY2022-2023.

4.17 The anticipated net deficit target of -4.8 percent of GDP for the FY2023-2024 is slightly higher than the MTFS net deficit of -4.5 percent of GDP that was initially approved by Cabinet in January 2023. This is attributed to the Government's plan to develop infrastructure, improve the health and education systems, increase social protection assistance, higher pension for Aftercare and Government pensioners. In addition, costs have escalated due to increase in interest payments, VAT rate and the FNPF contribution rate.

4.18 **Table 7** provides the fiscal framework for FY2023-2024 and the medium-term.

Table 7: Medium-Term Fiscal Targets

$Million	2022-2023 (Revised)	2023-2024 (Budget)	2024-2025 (Budget)	2025-2026 (Budget)
Revenue	**2,685.4**	**3,700.7**	**3,868.1**	**4,004.0**
As a % of GDP	*22.1*	*27.9*	*27.6*	*27.3*
Tax Revenue	*2,252.3*	*3,107.7*	*3,321.3*	*3,487.3*
Non-Tax Revenue	*433.1*	*593.1*	*546.9*	*516.7*
Expenditure	**3,435.7**	**4,339.9**	**4,361.6**	**4,440.1**
As a % of GDP	*28.2*	*32.7*	*31.2*	*30.2*
Net Deficit	**-750.3**	**-639.1**	**-493.4**	**-436.0**
As a % of GDP	*-6.2*	*-4.8*	*-3.5*	*-3.0*
Debt	**9,882.3**	**10,521.4**	**11,014.9**	**11,450.9**
As a % of GDP	*81.2*	*79.3*	*78.7*	*77.9*
GDP at Market Prices	**12,176.8**	**13,266.6**	**13,991.9**	**14,691.4**

Source: Ministry of Finance

4.19 The medium-term net deficit targets for FY2024-2025 and FY2025-2026 are set at -3.5 percent and -3.0 percent, respectively. Hence, debt as a percentage of GDP will fall to 78.7 percent in FY2024-2025 and 77.9 percent in FY2025-2026. Given this deficit target, the primary balance is expected to improve from -2.4 percent of GDP in FY2022-2023 to 1.0 percent by the end of FY2025-2026.

4.20 The Ministry of Finance is currently working on a 15-year fiscal management plan and details will be released later as this requires a careful consideration on the pace of fiscal consolidation and growth and development.

Fiscal Risks

Macroeconomic Risks

4.21 The MTFF has been set with baseline assumptions for key economic variables such as growth, inflation, interest rates and exchange rates which are subject to both domestic and external risks. On the external front, slowdown in global growth especially in major trading countries and escalation in geopolitical tensions will impact Fiji's tradable sectors including tourism and remittances, while higher commodity prices can push domestic inflation. Moreover, the exodus of skilled workers poses serious downside risks to potential growth and development. Any slowdown in domestic economy will eventually lead to lower tax collections which can put undue pressure on Government finances and have implications on Government's ability to channel resources to priority sectors that can further compromise public service delivery and growth.

4.22 The sharp increases in interest rates in the US has led to an appreciation of the USD against major currencies, including the Fiji dollar. Also, higher interest rates have pushed up the Secured Overnight Financing Rate (SOFR) which stood at 5.04 percent in May 2023 compared to 2.28 percent in August 2022. Given Fiji's high exposure to US denominated debts (78.2 percent of external debt), the rise in interest rates and the appreciation of the USD has significantly increased debt servicing cost.

Contingent Liabilities and State-Owned Entity Risks

4.23 Government's total contingent liabilities as of April 2023 stood at 13.8 percent of GDP. This pose risks to public finances as around 61.3 percent of contingent liabilities are Government guarantees to public corporations. Some of these public corporations such as FSC have already been assessed as high risk. The materialisation of these contingent liabilities poses substantial fiscal risk and cost to Government.

4.24 Financial performance of SOEs is strongly linked to the risk exposure to Government in terms of realisation of contingent liabilities. Poor performing SOEs can be costly for public finances and reduce Government's net worth. Fiscal risks can arise from multiple sources, including Government subsidising operations of SOEs using taxpayer funds for repayment of SOE loans, continuously increasing guarantees, equity injections to cover previous losses and converting past loans into equities. These can easily derail Government's fiscal consolidation plans and put additional pressure on public finances.

Climate Change and Natural Disasters

4.25 Public finances are also exposed to frequent extreme events such as the tropical cyclones, drought and flooding that can have large fiscal costs. In the past, Government spent over $300 million in recovery efforts post Tropical Cyclone Winston.

CHAPTER 5: GOVERNMENT DEBT AND INVESTMENTS

5.1 This chapter presents the key components of Government's Balance Sheet, covering major assets and liabilities, arrears of revenue, public debt, contingent liabilities, and Government's investment in SOEs.

Government Debt

5.2 Government debt is projected to reach $9,882.3 million or 81.2 percent of GDP by the end of July 2023, slightly lower than the earlier projection of $10,003.7 million. This comprises $6,218.2 million in domestic debt and $3,664.1 million in external debt. **Table 8** depicts Government's debt position from FY2018-2019 to FY2022-2023.

Table 8: Total Government Debt ($Million)

Particulars	Jul-19	Jul-20	Jul-21	July-22	July-23(f)
Domestic Debt	4,278.5	4,976.5	5,241.2	5,767.4	6,218.2
External Debt	1,456.8	1,709.5	2,422.5	3,364.1	3,664.1
Total Debt	**5,735.2**	**6,686.0**	**7,663.7**	**9,131.5**	**9,882.3**
Debt (As a % of GDP)	***48.8***	***62.4***	***83.6***	***88.8***	***81.2***
Domestic Debt to Total Debt (%)	75.0	74.0	68.4	63.2	62.9
External Debt to Total Debt (%)	25.0	26.0	31.6	36.8	37.1
Nominal GDP	11,757.5	10,710.2	9,163.6	10,280.9	12,176.8

Source: Ministry of Finance

5.3 The impact of the dual shocks of the COVID-19 pandemic and a series of natural disasters that struck Fiji from 2019 to 2021 resulted in the large increase in borrowings towards emergency support, recovery measures and rehabilitation. External financing increased significantly during this time, however, terms and conditions of the new borrowings are concessionary.

5.4 Government will publish its Medium-Term Debt Management Strategy (MTDS) for FY2023-2024 to FY2025-2026 by July 2023. This will outline Government's debt strategies in the medium term, targeted financing needs, payment obligations and assessment on cost and risk indicators in line with the MTFS and responsible financial management policies to ensure public debt is maintained at sustainable levels.

Domestic Debt

5.5 Domestic debt is expected to reach $6,218.2 million, equivalent to 51.1 percent of GDP, by the end of July 2023. This comprises $5,921.0 million in domestic bonds and $297.2 million in Treasury bills ('T-Bills'). **Table 9** depicts Government's domestic debt position from FY2018-2019 to FY2022-2023.

Table 9: Government's Domestic Debt ($Million)

Particulars	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23 (f)
Bonds	3,971.0	4,681.0	4,967.7	5,483.9	5,921.0
Treasury Bills	307.5	269.7	273.5	283.5	297.2
Loan	-	25.8	-	-	-
Total Domestic Debt	**4,278.5**	**4,976.5**	**5,241.2**	**5,767.4**	**6,218.2**
Domestic Debt to GDP (%)	**36.4**	**46.5**	**57.2**	**56.1**	**51.1**

Source: Ministry of Finance

5.6 The domestic debt market remains the main source of Government debt financing. During the FY2022-2023, domestic debt instruments issued consisted of Fiji Infrastructure Bonds (FIB) and Viti Bonds. Viti bonds are retail bonds which are on high demand as evidenced by the full utilisation of the approved limit[9]. 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 temporary financing.

5.7 To develop a well-functioning domestic market for debt securities, Government issued short term bonds (2-year, 3-year and 5-year) with gradual reductions in T-Bills during the year.

Domestic Interest Rate Structure

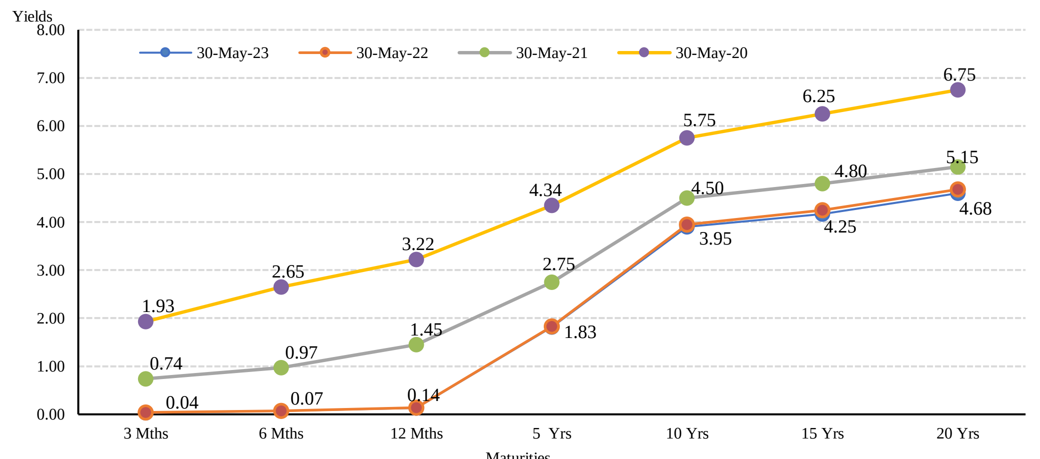
5.8 At the end of May 2023, liquidity levels remained high at $2.3 billion and is projected to remain at adequate levels in 2023. This has pushed yields for Government debt instruments to historic low resulting in slow intake for long-term Government securities.

5.9 Trends in FY2021-2022 and FY2022-2023 is similar for the short-term T-Bills with market yields dropping significantly below the RBF overnight policy rate[10]. Similarly, market yields for long-term bonds have significantly dropped when compared to four years ago. The shorter end of the yield curve (3-months, 6-months and 12-months) fell by 190 basis points, 258 basis points and 309 basis points, respectively, while the longer end (10-year, 15-year and 20-year) fell by 185 basis points, 208 basis points, and 215 basis points, respectively.

[9] Annual limit is $10.0 million with the increase in uptake, Viti bonds limits have been fully utilised since FY2019-2020 till to-date.

[10] The RBF overnight policy rate was 0.25 percent at the end of May 2023.

Figure 1.7: Government Bond Yields



Source: Ministry of Finance

External Debt

5.10 External debt stock is projected to increase to $3,664.1 million by the end of July 2023, equivalent to 30.1 percent of GDP. **Table 10** depicts Government's external debt position from FY2018-2019 to FY2022-2023.

Table 10: Government External Debt ($Million)

Particulars	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23(f)
Loans	1,023.8	1,285.3	2,422.5	3,364.1	3,664.1
Global Bonds	433.0	424.2	-	-	-
Total External Debt	**1,456.8**	**1,709.5**	**2,422.5**	**3,364.1**	**3,664.1**
External Debt to GDP (%)	*12.4*	*16.0*	*26.4*	*32.7*	*30.1*

Source: Ministry of Finance

5.11 The increase in external debt is attributed to the increase in external financing accessed during and post COVID-19 periods to support Government finances of which majority were on concessional terms. At the end of May 2023, a total of $1,027.5 million or 29.2 percent of external debt are concessional, while the remaining 70.8 percent are non-concessional loans. The appreciation of US dollar against the Fiji dollar is also a contributing factor to the rise in the value of external debt as 78.2 percent of the external debt portfolio is denominated in US dollar.

5.12 In FY2021-2022, Government secured a policy-based loan of US$50.0 million (equivalent to $112.7 million) from the Asian Infrastructure Investment Bank (AIIB) under the Sustainable and Resilient Recovery Program (US$310.0 million) which is co-financed by the Asian Development Bank (ADB) and other development partners with the aim to restore fiscal sustainability and inclusive climate-resilient economic growth.

5.13 Government secured the first ever loan and grant financing amounting to US$50.3 million (equivalent to $117.0 million) under the Australian Infrastructure

Financing Facility for the Pacific (AIFFP). From this amount US$40.0 million (equivalent to $93.0 million) is being sourced from the loan facility with Export Finance Australia while the remaining US$10.3 million (equivalent to $24.0 million) is grant financing from the Australian Government's Department of Foreign Affairs and Trade (DFAT) to assist Government through the Fiji Transport Infrastructure Restoration Project with FRA. So far Government has received US$14.2 million (equivalent to $31.4 million) loan and US$6.0 million (equivalent to $13.5 million) grant financing from these facilities.

5.14 Additionally, Government has embarked on a Tourism Development Programme which aims to support an integrated, resilient and sustainable tourism development in Vanua Levu. The proposed financing is a Multi Phased Programmatic Approach with IDA for a total financing package of around US$200.0 million (equivalent to $454.3 million) for a ten-year term. Cabinet has approved the amount of US$60.1 million (equivalent to $136.5 million) as phase one of the programme in FY2023-2024 for implementation over six years.

5.15 Government continues to drawdown external borrowings that finances key Government infrastructural projects such as transport, water supply and sanitation and projects supporting Government's recovery works post COVID-19 pandemic. Recovery works focused on the strengthening of the national systems in public health preparedness including works to enhance the social protection systems.

5.16 In terms of currency composition, loans denominated in USD stands at 78.2 percent, followed by the JPY and Chinese Renminbi (CNY) at 11.5 percent and 10.3 percent, respectively. As depicted in **Table 11** below, USD-denominated loans have increased over the years due to policy-based programmatic loans and ongoing projects and infrastructure loans with multilateral lenders.

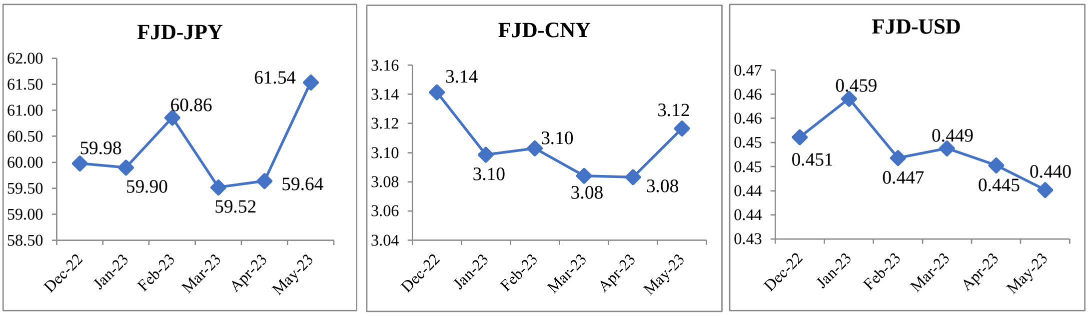
Table 11: External Debt Stock by Currency ($Million)

Particulars	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23(f)
USD	982.6	1,247.3	1,686.7	2,519.0	2,865.0
CNY	462	409.0	444.8	431.4	378.9
JPY	9.7	50.9	290.3	413.7	420.2
EUR	2.5	2.3	0.7	-	-
Total External Debt	**1,456.8**	**1,709.5**	**2,422.5**	**3,364.1**	**3,664.1**

Source: Ministry of Finance

5.17 In the past five months, the Fiji dollar has weakened against the USD while its movements against the JPY and CNY has been mixed, as shown in **Figure 1.8** below.

Figure 1.8: Exchange Rate Movements as at 31 May, 2023

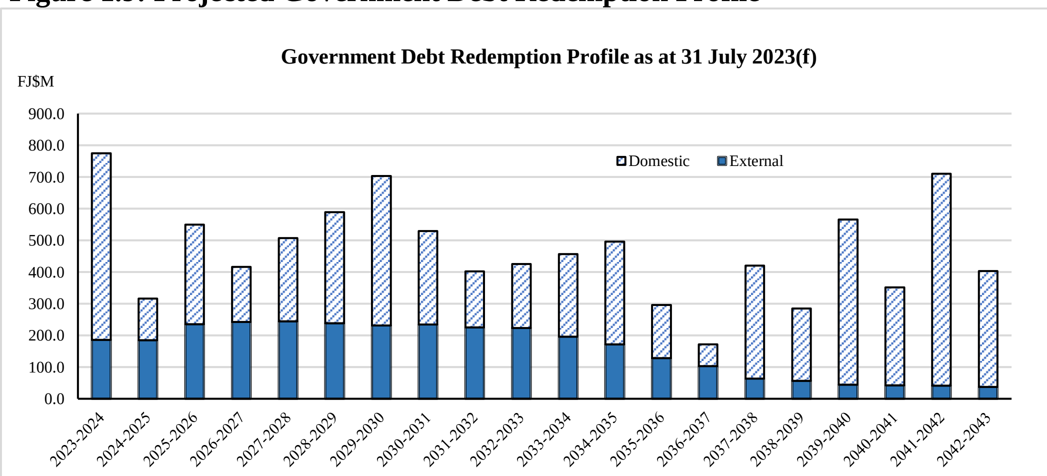


Source: Ministry of Finance

Government Debt Redemption Profile

5.18 Government's debt portfolio has shown improvement over the years, reflecting the increase in Government borrowings under concessional terms and conditions. **Figure 1.9** below indicates the maturity structure that FY2029-2030, FY2039-2040 and FY2041-2042 are relatively higher than other years, attributed to the significant proportion of domestic bonds maturing in those respective periods. FY2023-2024 also shows a higher maturity structure due to the presence of shorter-term T-Bills. Exercising the liability management operations such as bond buybacks will enable Government to actively manage the refinancing risk that is associated with large maturities in a year.

Figure 1.9: Projected Government Debt Redemption Profile[11]



Source: Ministry of Finance

[11] Government's debt maturity profile is based on the July 2023 disbursed outstanding debt (DOD) forecast.

Cost and Risk Indicators

5.19 **Table 12** summarises the cost and risk indicators of Government debt portfolio for FY2021-2022 and forecast for FY2022-2023.

Table 12: Risk Exposure

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="3">FY2021-2022</th><th colspan="3">FY2022-2023 (f)</th></tr>
<tr><th>External debt</th><th>Domestic debt</th><th>Total debt</th><th>External debt</th><th>Domestic debt</th><th>Total debt</th></tr>
<tr><td colspan="2">Amount (FJ$ Million)</td><td>3,364.1</td><td>5,767.4</td><td>9,131.5</td><td>3,664.1</td><td>6,218.2</td><td>9,882.3</td></tr>
<tr><td colspan="2">Amount (US$ Million)</td><td>1,525.5</td><td>2,614.9</td><td>4,140.4</td><td>1,640.5</td><td>2,783.9</td><td>4,424.4</td></tr>
<tr><td colspan="2">Nominal debt (% of GDP)</td><td>32.7</td><td>56.1</td><td>88.8</td><td>30.1</td><td>51.1</td><td>81.2</td></tr>
<tr><td rowspan="2">Refinancing risk</td><td>ATM (years)</td><td>11.4</td><td>10.3</td><td>10.7</td><td>10.5</td><td>10.5</td><td>10.5</td></tr>
<tr><td>Debt maturing in 1 year (% of total)</td><td>3.4</td><td>8.0</td><td>6.2</td><td>5.0</td><td>9.4</td><td>7.8</td></tr>
<tr><td rowspan="3">Interest rate risk</td><td>ATR (years)</td><td>7.5</td><td>10.3</td><td>9.3</td><td>6.8</td><td>10.5</td><td>9.1</td></tr>
<tr><td>Debt re-fixing in 1 year (% of total)</td><td>54.4</td><td>8.0</td><td>25.3</td><td>57.1</td><td>9.4</td><td>27.4</td></tr>
<tr><td>Weighted Av. IR (%)</td><td>1.9</td><td>6.1</td><td>4.6</td><td>3.8</td><td>6.1</td><td>5.2</td></tr>
<tr><td>FX risk</td><td>FX debt (% of total debt)</td><td colspan="3">36.8</td><td colspan="3">37.2</td></tr>
</table>

Source: Ministry of Finance

5.20 The refinancing risk, measured using the Average Time to Maturity (ATM) indicator of Government debt's portfolio, remain stable at 10 years. This is attributed to the longer-term concessional financing from Japan International Cooperation Agency (JICA) and IDA that have 40-year terms and also indicates that Government has more time to settle all of its debt.

5.21 The Average Time to Refixing (ATR) reflects the average time it takes for principal repayments to be subjected to a new interest rate, hence shorter ATR implies that the debt portfolio is exposed to variable interest rate shocks. The ATR at the end of July 2023 is expected at 9.1 years which indicates ample time for Government to re-fix interest rates.

5.22 The Weighted Average Interest Rate (WAIR) is projected to increase by 60 basis points to 5.2 percent at the end of July 2023 compared to the same period last year. This is attributed to the hike in Secured Overnight Financing Rate (SOFR) reference rate[12] in external financing. Conversely, domestic financing yields remain stable over the year.

5.23 Additionally, the foreign exchange rate risk has marginally deviated from the current MTDS target of domestic to external, 70:30 (+/-5%), expected to increase further to 37.2 percent at the end of July 2023 from the 36.8 percent in FY2021-2022. This is due to increase in external financing accessed during the period and strengthening of USD currency against the Fiji dollar. Government can utilise the

[12] SOFR rate as at 31 May 2023 was 5.04 percent (1 August 2022 was at 2.28 percent).

embedded options available in most of its external loan facilities which allow for interest rate swaps and currency conversions to mitigate exchange rate risk.

5.24 **Table 13** below shows debt by lenders as of April 2023.

Table 13: Debt by Lenders

Central Government Debt Statistics ($Million)	
Particulars	**Apr-23**
Debt Stock	
TOTAL GOVERNMENT DEBT	**9,676.2**
DOMESTIC DEBT	**6,133.9**
BONDS:	**5,861.8**
FNPF	3,517.9
FNPF Retirement Income Fund	351.8
FNPF Special Death Benefit Fund	68.5
Insurance companies	845.5
Commercial Banks	234.0
RBF	695.6
Trust Fund	21.5
Unit Trust of Fiji	20.4
Merchant Finance	2.1
Kontiki Finance Limited	50.6
Others	54.1
T-BILLS	272.1
Commercial Banks	272.1
EXTERNAL DEBT	**3,542.4**
LOANS	**3,542.4**
Asian Development Bank	1,417.4
Asian Infrastructure Investment Bank	224.6
Exim Bank of China	374.9
Japan International Cooperation Agency	420.2
World Bank - International Bank for Reconstruction & Development	407.6
World Bank - International Development Agency	678.8
European Investment Bank	19.0
Australian Infrastructure Financing Facility for the Pacific (AIFFP)	0.00

Source: Ministry of Finance

Contingent Liabilities

5.25 Total contingent liabilities stood at $1,678.6 million or 13.8 percent of GDP as at April 2023. Government guaranteed debt accounted for 61.3 percent, while other explicit contingent liabilities and implicit contingent liabilities accounted for the remaining 33.5 percent and 5.2 percent, respectively (**Table 14**).

5.26 Total Government guaranteed debt stood at $1,028.6 million, equivalent to 8.4 percent of GDP at the end of April 2023. This represents a decline of 6.2 percent when compared to the previous financial year ending July 2022 attributed to the settlement of guaranteed loans and utilisation of approved guaranteed facilities by the Fiji Airways, FDB and FSC.

Table 14: Contingent Liabilities

Government Guarantees ($Million)	Jul-19	Jul-20	Jul-21	Jul-22	Apr-23
Air Pacific Limited trading as Fiji Airways		279.0	421.7	438.5	369.6
Fiji Development Bank	291.9	307.8	308.8	309.9	284.3
Energy Fiji Limited (EFL)	53.9	50.2	-	-	-
Fiji Hardwood Corporation Limited (FHCL)	3.6	1.7	0.7	-	-
Fiji Pine Limited (FPL)	-	-	-	-	-
Fiji Sugar Corporation Limited	241.3	199.2	216.9	273.0	264.5
Housing Authority (HA)	68.0	90.2	102.2	76.7	109.1
Fijian Broadcasting Corporation Limited (FBCL)	10.5	8.3	-	-	-
Pacific Fishing Company Pte Limited (PAFCO)	4.1	2.5	0.8	-	1.1
Total Explicit Government Guarantees (A)	**673.3**	**939.0**	**1,051.0**	**1,098.1**	**1,028.6**
% of Government Guarantees to GDP	5.7	8.8	11.5	10.7	8.4
International Bank for Reconstruction & Development (IBRD)	312.2	305.9	300.6	335.4	335.4
Asian Development Bank (ADB)	204.2	204.7	204.2	203.8	203.8
Asian Infrastructure Investment Bank (AIIB)		21.2	20.8	22.5	22.5
Total Other Explicit Contingent Liabilities (B)	**516.4**	**531.8**	**525.6**	**561.6**	**561.6**
National Bank of Fiji – Asset Management Bank	0.7	0.7	0.4	-	-
Fiji Revenue & Customs Services (FRCS)	51.2	90.8	58.5	57.6	71.9
Provincial Council	1.2	0.9	0.8	1.1	1.1
Municipal Council	21.6	19.4	18.5	16.0	15.4
Total Implicit Contingent Liabilities (C)	**74.8**	**111.8**	**78.1**	**74.6**	**88.4**
Total Other Contingent Liabilities (B+C)	**591.2**	**643.6**	**603.7**	**636.6**	**650.0**
Total Contingent Liabilities (A+B+C)	**1,264.6**	**1,582.5**	**1,654.7**	**1,735.0**	**1,678.6**
Total Contingent Liabilities to GDP (%)	10.8	14.8	18.1	16.9	13.8

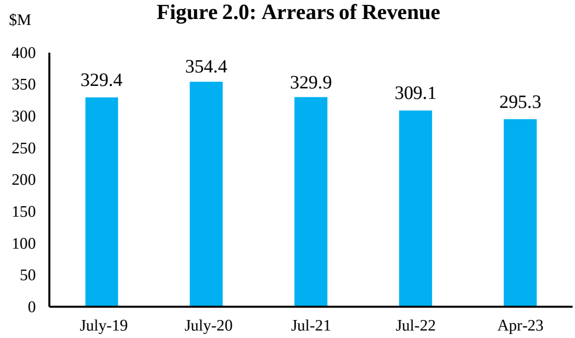
Source: Ministry of Finance

5.27 Stringent monitoring of guaranteed entities will be done to ensure that fiscal risks associated with a likely call on their guarantees are assessed and mitigated promptly.

Arrears of Revenue

5.28 Arrears of revenue comprises of unpaid direct and indirect taxes, fees, rates, charges, penalties, and fines levied on the provision of goods and services by the Government (**Figure 2.0**).

Figure 2.0: Arrears of Revenue



Source: Ministry of Finance

5.29 At the end of April 2023, total arrears of revenue stood at $295.3 million, lower by 4.5 percent when compared to July 2022.

Lending/On-Lending Fund (Term Loan Receivables)

5.30 The lending portfolio comprises of Government lending and on-lending to Government entities and agencies.

5.31 As shown in **Table 15** below, term loan receivables are forecast at $275.2 million, significant reduction of $589.3 million or 68.2 percent compared to July 2022. This is largely attributed to the conversion of outstanding TELS loans into scholarships as per Government's mandate.

Table 15: Lending Fund ($Million)

Lending/On-Lending Fund Agencies	**Jul-19**	**Jul-20**	**Jul-21**	**Jul-22**	**Jul-23(f)**
Lending Agencies					
Public Officers and Ministers	0.01	0.01	0.01	0.01	0.01
I-Taukei Affairs Board	5.3	4.5	4.5	4.3	4.3
FRCS-Tertiary Education Loan Scheme (TELS)	388.6	474.4	539.4	589.1	-
FRCS-PSC Scholarship Recovery	8.9	8.9	8.8	8.8	8.8
Fiji Sports Council	4.5	4.5	4.5	4.5	4.4
Fiji Pine Limited (FPL)	2.2	2.2	-	-	-
Fiji Sugar Corporation Limited (FSC)	173.8	200.3	200.3	200.2	200.2
Viti Corporation Company Limited (VCCL)	2.9	2.9	2.9	2.9	2.9
Food Processors Fiji Limited	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	9.2 (r)	8.8	8.5
Pacific Fishing Company Limited (PAFCO)	9.0	9.0	9.0	9.0	9.0
Public Rental Board (PRB)	-	-	-	1.0	1.0
Total Lending	**608.8**	**720.2**	**782.5**	**832.2**	**242.9**
On-Lending Agencies					
Housing Authority (HA)	32.7	28.9	28.0	25.5	25.5
Public Rental Board (PRB)	8.8	7.7	7.5	6.8	6.8
Total On-Lending	**41.5**	**36.6**	**35.5**	**32.3**	**32.3**
Total Outstanding Loans	**650.2**	**756.8**	**817.9**	**864.5**	**275.2**

Source: Ministry of Finance

5.32 Work is in progress for the conversion of Government loans into equity for earmarked entities, namely FSC, VCCL, FRL, FPFL and PAFCO. The process will be undertaken in accordance with the Companies Act 2015, and upon completion, will reduce the loan balances for the mentioned entities.

Equity Investment

5.33 The Ministry of Public Enterprises is guided by the Public Enterprises Act 2019 and other policies/frameworks for effective monitoring and surveillance of SOEs. A total of 13 entities have been designated as public enterprises and are listed under Schedule 1 of the Public Enterprises Act 2019. However, Government continues to report on all SOEs in which it has investment shareholding interest.

5.34 Government shares and investment in SOEs feature as a prominent asset item in Government's balance sheet. SOEs have the potential to generate significant revenues that could be utilised to supplement Government funding in priority sectors.

5.35 To ensure the sustainability and continuity of SOEs, Government provides both direct and indirect, financial and non-financial support, including grants and aid, loans and Government guarantees.

5.36 In addition, the Ministry of Public Enterprises, as part of its monitoring role has requested SOEs to incorporate both financial and non-financial impacts of crises into their strategic plans and develop appropriate action plans.

5.37 Government, through the Ministry of Public Enterprises, appoints Directors to serve on Boards of Public Enterprises and Statutory Authorities listed in Schedule 3 of the Public Enterprise Act. Since January, the Ministry has received and compiled over 1,200 applications from individuals expressing their interest to serve on Government Boards. Subsequently, the Ministry has facilitated the appointment of more than 100 new Directors, of which 30 percent were women.

5.38 In collaboration with the Pacific Private Sector Development Initiative, the Ministry has facilitated a Corporate Governance Workshop for Public Enterprise Directors. The Ministry has also developed a Guideline for a Merit-Based Selection and Appointment Process for Board Appointments with the intention of being used as a benchmarking process in the appointment of Boards across Government.

5.39 **Table 16** below provides an overview of Government's shareholding in SOEs.

Table 16: Shares & Portfolio Allocations in SOEs

	State Owned Entities	Shares (%)	Sector/Portfolio
	Public Enterprises (PEs)		
1	Airports Fiji Limited (AFL) T/A 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
	Not Listed as Public Enterprises		
1	Housing Authority (HA)	100	Trade & Finance
2	Public Rental Board (PRB)	100	Trade & Finance
3	Water Authority of Fiji (WAF)	100	Transport & Infrastructure
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 Finance & Ministry of Public Enterprises

5.40 **Table 17** below shows the financial position and performance of all 25 SOEs.

Table 17: Overall SOE Portfolio Performance

Financial Indicators	Total SOE Portfolio			
	2019 (000's)	2020 (000's)	2021 (000's)	2022 (000's)
Total Assets	8,403,471	8,243,883	8,822,736	9,025,335
Total Liabilities	4,456,227	4,409,490	5,028,415	5,154,299
Shareholder's Equity	3,947,244	3,834,393	3,794,321	3,871,036
Total Revenue	2,439,191	1,417,762	1,239,468	2,319,869

Financial Indicators	Total SOE Portfolio			
	2019	2020	2021	2022
	(000's)	(000's)	(000's)	(000's)
Total Expenditure	2,219,680	1,521,317	1,452,742	2,286,079
Net Profit After Tax	**219,511**	**(103,555)**	**(213,274)**	**33,790**
Dividends	73,300	20,760	20,920	30,821
Return on Assets (ROA)	2.88%	-1.24%	-2.80%	0.38%
Return on Equity (ROE)	5.68%	-2.66%	-5.59%	0.88%
Debt to Equity	113%	115%	133%	133%

Source: Ministry of Finance & Ministry of Public Enterprises

5.41 Total asset base of the SOE portfolio has grown significantly in the last 3 years, standing at over $9,025.3 million as at end of 2022 with entities in the infrastructure and transport sector (AFL, EFL, FPCL and Fiji Airways) having the largest asset base. Similar trends has been noted in consolidated SOE liabilities due to the increase in externally funded capital investments and borrowings during the pandemic.

5.42 SOEs experienced an improvement in Net Profit after Tax and dividends in 2022 due to the opening of borders and resumption of economic activity, particularly for entities in the infrastructure and transport sectors, which were severely affected by border closures and the grounding of the national airline.

5.43 **Table 18** below shows sectoral 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 deteriorated in 2021 and 2022 after positive return was noted in 2020. In 2020, FPL undertook fair value adjustment of its plantation resulting in an improvement in returns.

5.44 A major improvement was also noted in the trade and finance sector in 2022. The improvement was due to the revaluation of PRB buildings. The transport and infrastructure sector experienced a decline in returns during the pandemic and the subsequent years.

Table 18: Average ROA and ROE by Sector (%)

Sector	2019		2020		2021		2022	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Agriculture	9.45	13.82	-9.20	-12.65	-13.13	-14.32	-12.75	-12.45
Communication	5.13	8.54	5.88	9.04	4.20	6.02	3.69	5.23
Fisheries & Forestry	-2.49	-2.94	13.47	15.88	4.24	4.98	3.03	3.53
Trade & Finance	1.18	2.89	1.55	3.87	0.08	0.20	19.60	50.33

Sector	2019		2020		2021		2022	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Transport &Infrastructure	2.74	5.07	-2.73	-5.63	-3.38	-7.47	-0.41	-0.96

Source: Ministry of Finance & Ministry of Public Enterprises

Dividends from Government Investments by Sector

5.45 **Table 19** below outlines the dividends received from SOEs by sector from 2019 to 2023.

Table 19: Dividends by Sector ($Million) 2019-2023

Sector Type	2019	2020	2021	2022	2023
Agriculture	-	3.5	-	-	-
Communication	1.4	2.2	-	1.5	-
Fisheries & Forestry	-	-	-	-	0.4
Trade & Finance	0.5	0.7	-	-	0.8
Transport & Infrastructure	71.4	14.3	21.9	29.3	5.5
Total	**73.3**	**20.7**	**21.9**	**30.8**	**6.7**

Source: Ministry of Finance & Ministry of Public Enterprises

5.46 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. Notably, over the years, there has been an across-the-board decline in dividends due to the impacts of the pandemic on SOE performance. However, a slight improvement was noted in FY2021-2022 whereby Government received a total of $30.8 million in dividends from EFL ($23.8 million), FPCL ($5.5 million) and ATH ($1.5 million).

CHAPTER 6: EXTERNAL TRADE AND DEVELOPMENT COOPERATION

External Trade

6.1 International trade is a catalyst for economic growth, poverty reduction, and sustainable development. The 2015-2025 Trade Policy Framework encompasses a comprehensive and inclusive approach to trade, with a broader development agenda focusing on sustainable and inclusive growth.

6.2 Fiji is scheduled for its 4th Trade Policy Review at the World Trade Organization (WTO) from 19 to 21 July 2023. The upcoming Trade Policy Review at the WTO will be used as an opportunity to engage in constructive dialogue with Fiji's trading partners and other key stakeholders to enhance Fiji's Trade Policy Framework. The strategies below provide an overview of Fiji's trade policy direction.

Enhancing Export Diversification

6.3 Fiji recognises the importance of diversifying its export base by shifting towards the development of non-traditional sectors including services, manufacturing and value-added industries. Government will invest in capacity building initiatives and market access facilitation for MSMEs.

Strengthening Regional and Bilateral Trade Relations

6.4 Fiji is committed to deepening and expanding bilateral trade relationships and enhancing regional integration in the Pacific. Concerted efforts will be undertaken to pursue bilateral trade relations with key trading partners to secure preferential market access, promote investments and foster cooperation in various sectors.

Exploring and Participating in Innovative Trade and Economic Cooperation Agreements

6.5 The global trade landscape has undergone significant transformation in recent years, driven by technological advancements, geopolitical shifts and emerging challenges. Traditionally, tariffs were the primary barriers to trade. However, in the current landscape, non-tariff barriers have gained prominence. Regional and Mega Free Trade Agreements, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership, has reshaped global trade dynamics. Moreover, external shocks, including natural disasters, economic crises and pandemics are affecting trade and economic stability. Hence, innovative and flexible agreements are needed to overcome such challenges.

6.6 Government will proactively address some of these challenges and seize opportunities by participating in the Indo-Pacific Economic Framework to enable cooperation in areas of trade, supply chains, clean economy and tax and anti-corruption.

Enhancing Trade Promotion and Market Access

6.7 The Trade Commissions will be strengthened to raise awareness about Fiji's products and services, identify new export markets, facilitate market entry and negotiate to secure favourable market access conditions for exports.

Promoting Investment and Trade Facilitation

6.8 Support will be provided to streamline trade procedures, reduce administrative burdens by implementing the WTO Trade Facilitation Agreement to promote investment, enhance efficiency and competitiveness.

Fostering Inclusive Trade

6.9 The trade policy framework will include measures to enhance the competitiveness of MSMEs, facilitate their access to finance, empower and encourage women entrepreneurs and provide capacity-building support.

Supporting Sustainable Development

6.10 Fiji's trade and economic agreements will incorporate provisions that safeguard environmental standards, labour rights and social inclusivity, ensuring a balance between economic growth and environmental protection.

Development Cooperation

6.11 The total value of Official Development Assistance (ODA) expected in FY2023-2024 is $129.3 million, consisting of $66.8 million in cash grants and $62.5 million in Aid in Kind (AIK) (**Table 20**).

6.12 Focus areas include budget support for various capacity building programmes, infrastructure development, health, climate resilience, renewable energy, and waste management.

Table 20: Official Development Assistance 2021-2022 to 2023-2024

Particulars	2021-2022 (a)		2022-2023 (e)		2023-2024 (f)	
	$Million	%	$Million	%	$Million	%
Cash Grants	232.6	*93.7*	157.9	*83.4*	66.8	*51.6*
Aid in Kind	15.7	*6.3*	31.5	*16.6*	62.5	*48.4*
Total ODA	**248.3**	*100.0*	**189.4**	*100.0*	**129.3**	*100.0*

Source: Ministry of Finance

6.13 The **General Administration** sector is expected to receive over $40.5 million in cash grants and $5.8 million in AIK. A total of $29.7 million will be provided by New Zealand's Ministry of Foreign Affairs and Trade (MFAT) to support Government's climate change initiatives and disaster risk management. In addition, the Delegation of the European Union to the Pacific will provide $9.8 million towards the implementation of the Climate Change Act 2021. The Food and Agriculture Organisation (FAO) will provide $1.0 million for Community-based Integrated Natural Resource Management Project. JICA will provide around $5.8 million in AIK for various capacity building and training programme that will improve safety facilities at major airports, disaster risk reduction and enhance customs capacity. The AIK projects will be implemented by JICA in collaboration with the Ministry of Civil Service, FRCS, Ministry of Rural and Maritime Development and Disaster Management and Airport Fiji Limited.

6.14 The **Social Services** sector is expected to receive AIK of around $9.0 million. JICA will provide $4.8 million, Korea International Cooperation Agency (KOICA) $4.1 million and DFAT $0.1 million. The AIK will be directed towards various health initiatives, waste management, and climate resilience, renewable energy expansion and capacity development programme. These initiatives will be undertaken in collaboration with Ministry of Health and Medical Services, Ministry of Housing and Local Government and Fiji National University.

6.15 The **Infrastructure Sector** is expected to receive a total of $38.8 million in cash grants and AIK. The ADB is expected to provide $3.4 million towards enhancing COVID-19 preparedness for the Nadi International and the Nausori Airports. JICA and KOICA will provide a combined $35.4 million for the reconstruction of Tamavua-i-wai Bridge and capacity development in areas such as hybrid power generation systems, climate change and renewable energy. The Ministry of Public Works, Meteorological Services and Transport will work closely with JICA and KOICA to implement these projects.

6.16 The **Economic Services** sector is expected to receive around $2.8 million in cash grants and $12.4 million in AIK. The World Bank is expected to disburse around $1.2 million to facilitate the Carbon Fund Emission Reduction Program while New Zealand MFAT will provide $1.1 million for the Fiji Trade Negotiation Capacity Support Program. $0.5 million will be provided by the Indonesian Government for the preliminary study on the development of a Demonstration Farm and a Regional Training Centre at the Dobuilevu Research Station. Furthermore, KOICA will provide $11.5 million in AIK to support the installation of the agrophotovoltaic facility in Ovalau. This will allow the island to access renewable energy source by solar power and the project site will also be used as a farm for profit. JICA will provide $0.9 million in AIK for capacity enhancement in achieving SDG 14 and for the preparation survey for the Nadi flood alleviation project.

6.17 Apart from the direct assistance that Government will receive from donors as stated above, it should be noted that around $150.0 million in budget support will also be mobilised by development partners to support Government on various programmes and initiatives, including capacity building, infrastructure development, health, climate resilience, renewable energy and waste management which is already appropriated in this Budget.

CHAPTER 7: INVESTMENT FACILITATION

7.1 Government is focused on having a dynamic private sector that invests, innovates and creates jobs. Investments, especially domestic and FDI, can facilitate the entry of capital, technology and know-how and diversification into new sectors and activities, and foster the integration of domestic firms into global value chains, among other benefits.

7.2 Government is committed to make Fiji an attractive investment destination for both local and foreign investors by simplifying investment process, removing bottlenecks and red tapes, facilitating collaboration between investors and relevant Government agencies to ensure that investment projects are implemented smoothly and in a timely manner.

Trends in Investment and Trade

7.3 In 2022, Investment Fiji had registered 104 projects with a proposed investment value of $241.0 million in tourism, manufacturing, agriculture, wholesale & retail and services sectors. Investment Fiji has noted an increase in the interest and number of committed leads in the tourism, real estate and BPO sectors.

Investment Fiji Reforms

7.4 Investment Fiji has introduced new processes and services for investors and exporters and eliminated regulatory processes including, Issuance of Foreign Investment Registration Certificate (FIRC), approval for any amendment or changes to FIRC and providing a progress report to the Fijian Department of Immigration. Investment Fiji's shift into its new role was a much-needed change to suit the global landscape and will allow the organisation to leverage Fiji in the global platform as an investment and trade destination.

7.5 The 2023-2025 Strategic Plan with a new vision and mission reflects Investment Fiji's ambitions as a new Investment and Trade Promotion Agency, as mandated by the 2021 Investment Fiji Act. In addition, Investment Fiji has developed a new marketing strategy which includes activities such as Direct Outreach, Outbound Missions, Consultant-Lead Generation and In-Market Presence.

Investment Facilitation

7.6 Investment facilitation will be a high priority for Government to create an enabling environment for investment in Fiji. A project management listing has been developed to list new projects, monitor the progress of the projects, identify issues, and provide assistance. The listing currently contains 171 committed projects with a total value of over $4.2 billion.

7.7 Furthermore, the Cabinet has approved the Investment Facilitation Committee (IFC) that is tasked to resolve issues that hinder investment and business activities in Fiji. The key roles of the IFC are as follows:

- Fast-track and endorse high priority investment projects;
- Improve the competitiveness and ease of doing business in Fiji;
- Facilitate prompt actions or resolution to resolve regulatory bottlenecks in respect to investment activities;
- Review and facilitate investment projects that are facing regulatory and administrative challenges;
- Ensure that regulatory procedures do not act as barriers to investment and ensure that regulatory processes in place serve an ultimate purpose; and
- Improve Fiji's attractiveness as a destination for investments that supports Fiji's economy in achieving its development aspirations.

7.8 The Government is currently working on introducing a centralised digital portal "BusinessNow" formally known as "bizfiji" to shift the manual processes to automation resulting in cost cutting and efficiency in processes.

Investment Promotion

7.9 Investment Fiji has been part of 32 investment and trade promotional events. These events were held across key markets such as Australia, New Zealand, Japan and Indonesia and focused on sectors such as Tourism, ICT, Food & Agriculture and Manufacturing.

7.10 The Fiji Tourism Investment Summit 2023 held from 30 March to 1 April targeted 110 local and foreign participants to market Fiji's tourism sector potential. The event brought representatives from Fiji's tourism industry, public sector and key stakeholders that provided investors with information on investment opportunities, incentives and the potential of the tourism sector.

7.11 The Fiji-New Zealand Investment and Trade Mission 2023 was held in Auckland and Wellington, New Zealand from 20 to 24 March. The aim of the mission was to enhance investment and trade opportunities between Fiji and New Zealand through effective marketing of investment opportunities and incentives available to investors who are seeking cross-border investment opportunities, establishing networks and providing a platform for business-to-business meetings and marketing Fijian products internationally.

Strategic Partnership

7.12 Investment Fiji has been working alongside Fiji's Trade Offices and Embassies and several international and local organisations to improve its capabilities, increase expertise and resources, enhance market access and deepen economic and trade relationships.

CHAPTER 8: 2023-2024 TAX POLICY MEASURES

Part 1 – Direct Tax Measures

(i) Income Tax Act

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Corporate Income Tax Rate</td><td>➢ The corporate income tax rate will increase from 20% to 25%.
➢ This policy will be effective from tax year 2023.</td></tr>
<tr><td>2. Corporate Income Tax Rate for South Pacific Stock Exchange Listed Companies</td><td>➢ The corporate income tax rate of 10% available to companies listed on the South Pacific Stock Exchange will increase to 15%.
➢ This policy will be effective from tax year 2023.</td></tr>
<tr><td>3. Social Responsibility Tax (SRT)</td><td>➢ SRT will be incorporated into the Pay As You Earn (PAYE) tax bracket.
➢ There will be a 5% reduction for PAYE income brackets above $270,000.
➢ This policy will be effective from 01 January 2024.
➢ The new PAYE tax table is as follows.

<u>Resident Individual</u>
<table>
<tr><th>Chargeable Income ($)</th><th>Income Tax $</th></tr>
<tr><td>0 -30,000</td><td>Nil</td></tr>
<tr><td>30,000-50,000</td><td>18% of excess over $30,000</td></tr>
<tr><td>50,001-270,000</td><td>$3,600 + 20% of excess over $50,000</td></tr>
<tr><td>270,001-300,000</td><td>$47,600 + 33% of excess over $270,000</td></tr>
<tr><td>300,001-350,000</td><td>$57,500 + 34% of excess over $300,000</td></tr>
<tr><td>350,001-400,000</td><td>$74,500 + 35% of excess over $350,000</td></tr>
<tr><td>400,001-450,000</td><td>$92,000 + 36% of excess over $400,000</td></tr>
<tr><td>450,001-500,000</td><td>$110,000 + 37% of excess over $450,000</td></tr>
<tr><td>500,001-1,000,000</td><td>$128,500 + 38% of excess over $500,000</td></tr>
<tr><td>1,000,001 +</td><td>$318,500 + 39% of excess over $1,000,000</td></tr>
</table>

<u>Non-Resident Individual</u>
<table>
<tr><th>Chargeable Income ($)</th><th>Income Tax ($)</th></tr>
<tr><td>0 -30,000</td><td>20% of excess over $0</td></tr>
<tr><td>30,001-50,000</td><td>$6,000 + 20% of excess over $30,000</td></tr>
<tr><td>50,001-270,000</td><td>$10,000 + 20% of excess over $50,000</td></tr>
<tr><td>270,001-300,000</td><td>$54,000 + 33% of excess over $270,000</td></tr>
<tr><td>300,001-350,000</td><td>$63,900 + 34% of excess over $300,000</td></tr>
<tr><td>350,001-400,000</td><td>$80,900 + 35% of excess over $350,000</td></tr>
<tr><td>400,001-450,000</td><td>$98,400 + 36% of excess over $400,000</td></tr>
<tr><td>450,001-500,000</td><td>$116,400 + 37% of excess over $450,000</td></tr>
<tr><td>500,001-1,000,000</td><td>$134,900 + 38% of excess over $500,000</td></tr>
<tr><td>1,000,001 +</td><td>$324,900 + 39% of excess over $1,000,000</td></tr>
</table>
</td></tr>
<tr><td>4. First Residential Property – Capital</td><td>➢ The CGT exemption on a gain made on the disposal of the first residential property which is limited to sole ownership or co-ownership with his or her spouse including a spouse living in a de-facto</td></tr>
</table>

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>Gains Tax (CGT) Exemption</td><td>relationship, will be extended to include ownership with siblings, parents, children, grandchildren, and grandparents.</td></tr>
<tr><td>5. Capital Gains Tax (CGT) on Sale of Shares</td><td>➢ The CGT exemption on gains made on the disposal of shares if the shares were held by the person before 1 May 2011 will be repealed.
➢ This policy will be effective from 01 July 2023. All applications still under consideration as at 01 July 2023 will be treated in accordance with the new law.</td></tr>
<tr><td>6. Warehouse Incentive Package</td><td>➢ The Warehouse Incentive Package will be repealed.
➢ This policy will be effective from 01 July 2023 and any applications received before 01 July 2023 will be accepted.</td></tr>
<tr><td>7. ICT Incentive</td><td>➢ The ICT Incentive Regulations will be amended with new definitions of the ICT business with qualifying conditions such as minimum investment levels and minimum number of employees. The conditions are summarized below:
<table>
<tr><th>Capital Investment</th><th>Tax Holiday</th><th>Minimum Employees</th></tr>
<tr><td>$100,000 to $250,000</td><td>5-year tax holiday</td><td>25</td></tr>
<tr><td>$250,001 to $500,000</td><td>7-year tax holiday</td><td>50</td></tr>
<tr><td>$500,001 to $1,000,000</td><td>10-year tax holiday</td><td>75</td></tr>
<tr><td>Greater than $1,000,000</td><td>13-year tax holiday</td><td>100</td></tr>
</table>
➢ This policy will be effective from 01 July 2023.</td></tr>
<tr><td>8. Resident Interest Withholding Tax (RIWT) Exemption</td><td>➢ To improve the ease of doing business for the banking sector, the Resident Interest Withholding Tax exemption on interest income less than $1,000 will be removed.
➢ The RIWT exemption which is available to senior citizens, pensioners, or individuals with a gross annual income of $30,000 will still be available.
➢ This policy will be effective from 01 January 2024.</td></tr>
<tr><td>9. Employment Taxation Scheme (ETS)</td><td>➢ The 300% tax deduction available for wages or salaries paid for hiring of first-time employees will be removed.
➢ The remaining incentives under the ETS scheme such as the incentive for work placements, apprenticeship, hiring of part-time workers and hiring of persons with disabilities will be maintained.</td></tr>
<tr><td>10. Tax Deduction for Companies Sponsoring Tertiary Education</td><td>➢ The 100% tax deduction available to companies on the amount of tuition and living expenses paid for student(s) at a higher education institution will be removed.</td></tr>
<tr><td>11. Income Tax Exemption for Water Extraction & Bottling Business</td><td>➢ The income of entities involved in the extraction and bottling of water will be exempt from Income Tax for 7 years. This will be applicable to existing and new businesses.</td></tr>
<tr><td>12. Film Rebate</td><td>➢ To promote transparency in governments revenue and expenditure reporting, the film rebates will now be issued as part of governments expenditure initiatives and not through governments tax revenue refunds.</td></tr>
<tr><td>13. Application of Non-Resident Withholding Taxes</td><td>➢ To discourage treaty shopping, Section 10(8) of the Income Tax Act will be deleted.</td></tr>
<tr><td>14. Definition of ‘SLIP’</td><td>➢ The definition of Short Life Investment Package (SLIP) under the Hotel Incentives Regulations will be amended to limit newly incorporated entities to qualify for the incentive only.</td></tr>
</table>

Policy	Description
15. Filing of Withholding Tax Certificate	➢ Due to the automation of the FRCS tax system, Regulation 18 (2) of the Income Tax Withholding Tax Regulations will be amended to remove the requirement for employers to file a manual copy of the withholding certificate to the CEO.
16. ICT Start Up Incentive	➢ The ICT incentive has undergone various changes in the last few budgets including changes to the qualifying criteria and the level of benefits. As a result of these changes, Para 14, Part 9 of the ITA is now redundant therefore, this provision will be deleted from the ITA. ➢ Para 14 provides exemptions to the income of Information Communications Technology start-ups involved in application design or software development for a period of 13 years from the date of approval by the CEO.

(ii) Tax Administration Act (TAA)

Policy	Description
1. Tax Agents Board (TAB)	➢ To ensure tax agents' ongoing professional development, the qualifying criteria for a new tax agents license, TAA will be amended to include the following: • The applicant must be a chartered accountant (CA) of the Fiji Institute of Chartered Accountants (FICA) or • Hold membership of a similar recognized body. • The new criteria will not apply to existing tax agents. ➢ TAB will be empowered to conduct verification such as additional reference checks, qualification or any other verification deemed necessary. ➢ The fees for applications and renewals of Tax Agents license will be increased which will come into effect from 01 January 2024. The new rates are as follows: a. New applications: $436 to $500 b. Renewals: $218 to $350 ➢ The term "Prescribed fee" will be removed and replaced with "Approved fee." which would allow TAB to set the fees.
2. Alternative Dispute Resolution	➢ A new provision will be introduced to allow the taxpayers and FRCS to seek resolution for matters under dispute through an Alternative Dispute Resolution process.
3. Arrival Alert	➢ TAA will be amended to allow FRCS to place arrival alerts at the border for returning taxpayers who have outstanding tax obligations.

Part 2 – Indirect Tax Measures

(i) Value Added Tax (VAT) Act

Policy	Description
1. VAT Rates	➢ The three VAT rates will be replaced with a simplified two-VAT rate system. The new rates are as follows: 1. 9% VAT will increase to 15%, 0% will be maintained. 2. The 21 zero-rated items will be increased to 22 items with the addition of prescribed medicine.

Policy	Description
	➢ This policy will be effective from 01 August 2023.
2. VAT Monitoring System	➢ The planned further implementation of the VAT Monitoring System will be paused whilst the entire system is reviewed

(ii) Airport Departure Tax Act

Policy	Description
1. Airport Departure Tax	➢ The Airport Departure Tax will increase to: 1. $125 effective from 01 August 2023 2. $140 effective from 01 January 2024

(iii) Customs Tariff Act

Policy	Description
1. Fuel Rebate for Bus Companies operating in Vanua Levu and Taveuni	➢ A 10 cents per liter fuel rebate will be provided to bus companies operating in Vanua Levu and Taveuni. ➢ The existing 2 cents per liter will be maintained for all other regions.
2. Duty on Motor Vehicles	➢ Import Excise Duty on new and used passenger motor vehicles will increase by 5%.

<u>Motor Vehicle Duty Rate Changes</u>

Cylinder Capacity	Hybrid Category	Old Rates		New Rates	
		Fiscal Duty	Import Excise	Fiscal Duty	Import Excise
Less than 1,500cc	New	5%	Free	5%	5%
	Used	$2,000	Free	$2,000	5%
1,500cc to 2,500cc	New	5%	Free	5%	5%
	Used	$2,250	Free	$2,250	5%
2,500cc to 3,000cc	New	5%	Free	5%	5%
	Used	$2,500	Free	$2,500	5%
Exceeding 3,000cc	New	5%	Free	5%	5%
	Used	$4,250	Free	$4,250	5%

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

Policy	Description
3. Fiscal Duty on Concession codes 231, 231A, 231B, 235, 235A, 236, 236A and 236B	➢ A 3% fiscal duty will be imposed on all goods imported under the following concession codes: a. Concession code 231, applicable for Packaging materials for a Producer or manufacturer. b. Concession code 231A, applicable for an approved exporter of local fresh produce. c. Concession code 231B, applicable for an approved importer or exporter of locally manufactured/produced goods. d. Concession code 235, applicable to existing hotels and resorts. e. Concession code 235A applicable for new hotels and resorts granted approval under Short Life Investment Package (SLIP) as per the Income Tax (Hotel Investment Incentives) Regulations 2016. f. Concession code 236, applicable to a manufacturer or producer approved by the comptroller. g. Concession code 236A applicable to a manufacturer or producer approved by the Comptroller importing food-grade plastic pallets. h. Concession code 236B, applicable to a manufacturer or producer approved by the Comptroller for the processing of finished goods through assembly, mixing or blending.
4. Removal of Concession Codes 137, 138, 140, 117, 272 and 302.	➢ The following concession codes will be removed: a. Concession code 137, which provides for duty-free importation on kitchenware and tableware products. b. Concession code 138, which provides for duty-free importation on biodegradable and environmentally friendly detergents. c. Concession code 140, which provides for duty-free importation of Led lights and lightning. d. Concession code 117, which offers fuel concessions for resorts, manufacturers, cruise vessels and mining industries. e. Concession code 272, which provides for duty-free importation of smartphones. f. Concession code 302, which provides for duty-free importation to companies involved in broadcasting and internet services.
5. Reduction in Fiscal Duty	➢ To reduce costs and ensure a consistent supply of products in the market, the duty rates on the following products will be reduced: a. The fiscal duty on the importation of sheep/lamb meat will be reduced from 5% to 0%. b. The fiscal duty on the importation of beef will be reduced from 32% to 15%. c. The fiscal duty on the importation of prawns will be reduced from 32% to 15%. d. The fiscal duty on the importation of ducks will be reduced from 32% to 15%. e. The fiscal duty on the importation of corned meat of lamb/sheep will be reduced from 32% to 15%. f. The fiscal duty on the importation of corned meat of beef will be reduced from 32% to 15%. g. The fiscal duty on the importation of canned mackerel will be reduced from 32% to 15%. h. The fiscal duty on the importation of canned tomatoes will be reduced from 15% to 5%.

Policy	Description
6. Reduction in Import Excise Duty	➢ The Import Excise Duty on the importation of chicken portions will be reduced from 10% to 0%.
7. Non-alcoholic wine	➢ A new breakdown will be made under the Customs Tariff Act to record the importation of non-alcoholic wine.
8. Tariff Alignment	➢ The Customs Tariff Act will be amended to remove the 'cc' ratings from the electric vehicle categories.
9. Tariff Alignment	➢ Sub-heading 0306 for HS codes 0306.11.00 to 0306.19.00 will be amended from "live, fresh or chilled" to "frozen"
10. Sugar Classification`	➢ Alignment of sugar classification rates to capture sugar imports above 99.5 degrees at 32% fiscal duty.

(iv) Excise Act

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Excise Duty</td><td>➢ In line with the government's direction to control Non-Communicable Diseases (NCDs), the following changes will be implemented:
a. Domestic Excise Duty on alcohol will be increased by 5%.
b. Domestic Excise Duty on tobacco will be increased by 5%.
c. Domestic Excise Duty on carbonated or sugar-sweetened beverages will be increased from 35 cents per liter to 40 cents per liter.
➢ A corresponding increase to the import excise on the above products will also be imposed.</td></tr>
<tr><td>2. New Excise Duty on snacks and drinks</td><td>➢ A 40 cents per kg/liter domestic excise duty or 15% import excise duty will be imposed on the following products:
a. Sweet biscuits
b. Imported fruit juices
c. Ice cream
d. Snacks obtained by roasting, frying, baking, swelling, etc.
e. Sugar confectioneries

➢ This policy will be effective from 01 January 2024.</td></tr>
<tr><td>3. Certificate Fees under the Excise Act</td><td>➢ The fees for certificates under the Excise Act will be increased to $50 effective from 1 August 2023. The details are as follows:
<table>
<tr><th>No.</th><th>Document</th><th>Fee</th></tr>
<tr><td>1</td><td>Certificate of weight for each consignment</td><td>$50</td></tr>
<tr><td>2</td><td>Any other certificate issued by the Comptroller</td><td>$50</td></tr>
<tr><td>3</td><td>Certified copy of any document (for each 100 words or part of 100 words)</td><td>$50</td></tr>
</table></td></tr>
<tr><td>4. Apparatus for measuring alcohol strength</td><td>➢ The currently authorized instrument for measuring alcohol strength "Gay Lussac Hydrometer" will be extended to include other "approved apparatus".</td></tr>
</table>

(v) Water Resource Tax Act

Policy	Description
Increase in the Water Resource Tax Rate	➢ The water resource tax rate for extraction above 10 million liters per month will increase from 18 cents per liter to 19.5 cents per liter.

(vi) Customs Act

Policy	Description
1. Goods Warehousing Period	➢ The goods warehousing period will revert to pre-COVID practice. ➢ The warehousing period for items under Chapter 84 (machinery & mechanical appliances) and Chapter 87 (motor vehicles) will only be for 1 year and with no extensions. ➢ Other goods can be warehoused for 1 year with an extension of 6 months.
2. Import VAT Deferral	➢ Section 92 of the Custom Act will be amended to remove the policy on Import VAT deferral for 60 days available to Gold Card Companies. This was a measure introduced during the pandemic to assist businesses with cash flow issues.
3. Customs Entry Post Modification Fee	➢ A $15 post-modification fee will be imposed on all post-customs post entry modifications.
4. Definition of "Cargo Reporter"	➢ A new definition of "cargo reporter" will be incorporated in the Customs Act. The new definition has been provided below: "cargo reporter" in relation to a ship or aircraft and in relation to a particular voyage or flight means the operator of the ship or the aircraft; a Shipping Agent in respect of the ship; or a freight forwarder in respect of the ship or aircraft; for the voyage or flight."
5. Advance Notification of Cargo Information	➢ A new provision will be made for the advance notification of cargo information. ➢ This provision will provide for the requirement of cargo reporters to produce the advance cargo information on cargoes prior to the ship or aircraft arriving in Fiji
6. Electronic Data Access	➢ Section 111 of the Customs Act will be amended to enable FRCS to access electronic data under the 'Power of Search' provisions.
7. Remittance of Court Matters	➢ The Customs Act will be amended to allow the court to remit matters to the Comptroller.
8. Objections and Appeals Provisions	➢ The Customs Act will be amended to allow FRCS to recover disputed duty despite the matter being in court.

APPENDICES

Table 1: Gross Domestic Product by Sector 2019-2025 ($Million)

Activity	Base Weight	2019	2020r	2021p	2022e	2023f	2024f	2025f
AGRICULTURE	**8.3**	**726.3**	**756.2**	**764.0**	**788.4**	**827.5**	**873.4**	**924.9**
General Government	0.1	10.2	9.1	9.0	9.0	9.0	9.1	9.1
Subsistence	1.8	128.1	132.0	132.5	133.5	134.3	135.1	135.9
Formal Non-Government Agriculture	6.0	558.1	584.1	590.9	614.0	651.8	696.3	746.5
Taro	0.9	52.9	55.3	55.8	61.4	64.5	67.7	71.1
Sugarcane	1.3	95.6	91.4	74.6	86.2	86.2	88.7	91.3
FORESTRY AND LOGGING	**0.8**	**24.7**	**26.6**	**34.1**	**26.0**	**26.4**	**26.7**	**26.9**
FISHING AND AQUACULTURE	**1.2**	**66.2**	**61.1**	**49.8**	**53.0**	**56.2**	**57.4**	**58.9**
Formal Non-Government Fishing and Aquaculture	0.8	40.8	35.5	27.0	29.8	32.3	33.0	33.8
MINING & QUARRYING	**0.9**	**60.7**	**59.1**	**56.3**	**47.2**	**40.7**	**50.5**	**60.5**
MANUFACTURING	**13.5**	1,111.1	1,018.6	999.9	1,013.4	1,042.9	1,068.7	1,092.8
Informal manufacturing	2.5	185.8	179.6	176.4	174.7	175.5	176.6	177.7
Sugar	0.9	25.6	19.1	17.0	19.9	19.9	20.5	21.1
Mineral water	1.0	133.5	120.0	162.5	171.0	179.5	188.5	197.9
Wearing apparel	1.1	87.4	65.7	56.8	53.4	54.4	55.5	56.6
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**176.2**	**153.3**	**134.4**	**154.3**	**161.7**	**173.0**	**185.0**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	**59.2**	**54.6**	**53.6**	**55.7**	**57.8**	**61.9**	**66.2**
CONSTRUCTION	**2.9**	**311.5**	**251.7**	**164.9**	**202.8**	**223.9**	**262.4**	**278.8**
Formal Non-Government Construction	1.9	206.5	147.0	84.7	118.6	136.4	170.5	184.2
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**915.7**	**858.9**	**772.4**	**878.7**	**907.1**	**938.0**	**964.7**
Informal WRT	3.4	247.4	247.5	245.5	246.5	241.9	244.2	246.6
Formal Non-Government WRT	7.9	668.3	611.4	526.9	632.3	665.3	693.8	718.1
TRANSPORT AND STORAGE	**7.9**	**415.9**	**37.7**	**157.8**	**446.3**	**523.6**	**537.6**	**551.1**
Formal Non-Government Transport & Storage	7.7	403.9	27.8	148.6	435.7	511.7	525.5	538.9
Water & air transport	3.9	69.2	-282.6	-117.9	117.9	176.8	182.1	187.6
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**520.3**	**170.9**	**96.3**	**351.3**	**479.0**	**493.2**	**507.9**
Formal Non-Government Accommodation and Food Service Activities	6.1	508.1	159.5	85.3	339.8	467.1	481.1	495.6
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	460.0	122.7	56.9	299.0	418.6	431.1	444.1
INFORMATION AND COMMUNICATION	**5.4**	**448.5**	**402.2**	**392.7**	**409.0**	**420.9**	**432.4**	**443.9**
Formal Non-Government Information and Communication	5.3	443.4	397.4	388.1	404.4	416.3	427.8	439.2
Wired telecommunications activities	1.1	72.6	75.0	66.0	67.3	68.7	70.1	71.5
Wireless telecommunications activities	2.6	234.8	207.1	223.1	234.3	241.3	248.5	256.0
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**755.3**	**739.4**	**767.3**	**813.7**	**842.0**	**870.9**	**901.1**
Central banking	0.2	15.9	15.0	15.2	15.6	16.2	16.3	16.4
Other monetary intermediation	5.0	391.1	379.3	408.5	449.3	471.8	495.4	520.2

Activity	Base Weight	2019	2020r	2021p	2022e	2023f	2024f	2025f
Activities of holding companies	0.9	63.1	62.8	62.5	63.1	63.8	64.4	65.0
REAL ESTATE ACTIVITIES	**4.0**	**307.5**	**292.7**	**275.5**	**287.7**	**295.1**	**301.8**	**308.1**
Owner Occupied Dwellings	3.1	232.8	228.7	221.8	228.4	233.0	237.7	242.4
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	**2.4**	**187.0**	**159.6**	**138.8**	**147.3**	**155.4**	**161.1**	**165.5**
ADMINISTRATIVE AND SUPPORT SERVICES	**2.0**	**160.8**	**110.4**	**61.1**	**119.3**	**146.7**	**153.8**	**158.3**
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	**810.1**	**793.4**	**754.2**	**759.8**	**765.3**	**768.1**	**768.0**
General Public administrative activities	2.2	210.0	199.9	190.5	192.5	194.4	195.3	195.3
Defence activities	2.4	168.6	162.5	151.6	153.1	154.7	155.5	155.5
Public order and safety activities	2.6	203.0	214.7	212.4	214.6	214.6	214.6	214.6
EDUCATION	**7.6**	**639.3**	**628.6**	**621.5**	**644.7**	**651.4**	**658.1**	**664.9**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**251.6**	**303.9**	**357.0**	**339.4**	**352.9**	**363.5**	**370.8**
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	**0.4**	**30.9**	**24.3**	**19.0**	**20.8**	**22.2**	**22.9**	**23.7**
OTHER SERVICE ACTIVITIES	**1.2**	**93.2**	**85.8**	**59.9**	**61.8**	**63.0**	**64.0**	**65.0**
GVA @ CONSTANT PRICES)	**100.0**	**8,072.2**	**6,989.1**	**6,730.6**	**7,620.4**	**8,061.8**	**8,338.6**	**8,586.3**
ADD NET TAXES		**2,598.9**	**1,867.8**	**1,673.6**	**2,343.1**	**2,694.5**	**2,829.2**	**2,914.1**
REAL GDP		**10,671.0**	**8,856.9**	**8,404.2**	**9,963.4**	**10,756.3**	**11,167.8**	**11,500.4**

(Sources: FBOS & Macroeconomic Committee; r = revised, p = provisional, e = estimate, f = forecast)

Table 2: GDP Growth by Sector 2019-2025 (% Change)

Activity	Base Weight	2019	2020r	2021p	2022e	2023f	2024f	2025f
AGRICULTURE	**8.3**	**5.7**	**4.1**	**1.0**	**3.2**	**5.0**	**5.5**	**5.9**
General Government	0.1	1.1	-10.1	-2.0	1.0	0.0	0.0	0.0
Subsistence	1.8	0.6	3.1	0.5	0.6	0.6	0.6	0.6
Formal Non-Government Agriculture	6.0	7.3	4.7	1.2	3.9	6.1	6.8	7.2
Taro	0.9	4.7	4.4	1.0	10.0	5.0	5.0	5.0
Sugarcane	1.3	6.6	-4.4	-18.4	15.6	0.0	2.9	2.9
FORESTRY AND LOGGING	**0.8**	**-5.4**	**7.9**	**28.0**	**-23.8**	**1.8**	**0.9**	**0.9**
FISHING AND AQUACULTURE	**1.2**	**-4.0**	**-7.7**	**-18.5**	**6.4**	**6.0**	**2.2**	**2.6**
Formal Non-Government Fishing and Aquaculture	0.8	-6.1	-13.0	-23.9	10.3	8.6	1.9	2.6
MINING & QUARRYING	**0.9**	**15.7**	**-2.6**	**-4.7**	**-16.3**	**-13.6**	**23.9**	**19.8**
MANUFACTURING	**13.5**	**-2.3**	**-8.3**	**-1.8**	**1.3**	**2.9**	**2.4**	**2.3**
Informal Manufacturing	2.5	-0.6	-3.3	-1.8	-1.0	0.5	0.6	0.6
Sugar	0.9	13.7	-25.2	-10.9	17.0	0.0	2.9	2.9
Mineral water	1.0	-19.3	-10.0	35.4	5.2	5.0	5.0	5.0
Wearing apparel	1.1	-4.7	-24.9	-13.5	-6.0	2.0	2.0	2.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**-12.0**	**-13.0**	**-12.3**	**14.8**	**4.8**	**7.0**	**7.0**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	**1.0**	**-7.8**	**-1.9**	**3.9**	**3.8**	**7.1**	**7.0**
CONSTRUCTION	2.9	9.0	-19.2	-34.5	23.0	10.4	17.2	6.2
Formal Non-Government Construction	1.9	10.5	-28.8	-42.4	40.0	15.0	25.0	8.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**1.6**	**-6.2**	**-10.1**	**13.8**	**3.2**	**3.4**	**2.8**
Informal WRT	3.4	0.4	0.0	-0.8	0.4	-1.9	1.0	1.0
Formal Non-Government WRT	7.9	2.0	-8.5	-13.8	20.0	5.2	4.3	3.5

Activity	Base Weight	2019	2020r	2021p	2022e	2023f	2024f	2025f
TRANSPORT AND STORAGE	**7.9**	**-22.6**	**-90.9**	**318.4**	**182.8**	**17.3**	**2.7**	**2.5**
Formal Non-Government Transport & Storage	7.7	-22.9	-93.1	434.1	193.1	17.5	2.7	2.5
Water & air transport	3.9	-62.5	-508.1	58.3	200.0	50.0	3.0	3.0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**8.1**	**-67.1**	**-43.7**	**264.8**	**36.4**	**3.0**	**3.0**
Formal Non-Government Accommodation and Food Service Activities	6.1	8.3	-68.6	-46.5	298.4	37.5	3.0	3.0
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	8.5	-73.3	-53.6	425.5	40.0	3.0	3.0
INFORMATION AND COMMUNICATION	**5.4**	**-0.8**	**-10.3**	**-2.4**	**4.1**	**2.9**	**2.7**	**2.6**
Formal Non-Government Information and Communication	5.3	-0.8	-10.4	-2.3	4.2	3.0	2.8	2.7
Wired telecommunication activities	1.1	-2.7	3.2	-12.0	2.0	2.0	2.0	2.0
Wireless telecommunications activities	2.6	-4.8	-11.8	7.8	5.0	3.0	3.0	3.0
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**0.6**	**-2.1**	**3.8**	**6.0**	**3.5**	**3.4**	**3.5**
Central banking	0.2	-3.3	-3.0	1.1	2.6	4.0	0.5	0.5
Other monetary intermediation	5.0	-2.1	-3.0	7.7	10.0	5.0	5.0	5.0
Activities of holding companies	0.9	0.6	-0.5	-0.5	1.0	1.0	1.0	1.0
REAL ESTATE ACTIVITIES	**4.0**	**2.7**	**-4.8**	**-5.9**	**4.4**	**2.6**	**2.3**	**2.1**
Owner Occupied Dwellings	3.1	1.4	-1.7	-3.0	3.0	2.0	2.0	2.0
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	**2.4**	**-2.1**	**-14.7**	**-13.0**	**6.1**	**5.5**	**3.7**	**2.7**
ADMINISTRATIVE AND SUPPORT SERVICE	**2.0**	**6.3**	**-31.3**	**-44.6**	**95.2**	**22.9**	**4.8**	**3.0**
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	**-0.9**	**-2.1**	**-4.9**	**0.7**	**0.7**	**0.4**	**0.0**
General public administrative activities	2.2	-4.3	-4.9	-4.7	1.0	1.0	0.5	0.0
Defence activities	2.4	-9.2	-3.6	-6.7	1.0	1.0	0.5	0.0
Public order and safety activities	2.6	3.8	5.8	-1.1	1.0	0.0	0.0	0.0
EDUCATION	**7.6**	**1.6**	**-1.7**	**-1.1**	**3.7**	**1.0**	**1.0**	**1.0**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**25.5**	**20.8**	**17.5**	**-4.9**	**4.0**	**3.0**	**2.0**
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	**0.4**	**6.9**	**-21.5**	**-21.7**	**9.2**	**6.7**	**3.4**	**3.3**
OTHER SERVICE ACTIVITIES	**1.2**	**0.2**	**-7.9**	**-30.2**	**3.3**	**1.9**	**1.6**	**1.6**
GVA @ CONSTANT PRICES	**100.0**	**0.3**	**-13.4**	**-3.7**	**13.2**	**5.8**	**3.4**	**3.0**
ADD NET TAXES		**-3.1**	**-28.1**	**-10.4**	**40.0**	**15.0**	**5.0**	**3.0**
REAL GDP		**-0.6**	**-17.0**	**-5.1**	**18.6**	**8.0**	**3.8**	**3.0**

(Sources: FBOS & Macroeconomic Committee; r = revised, p = provisional, e = estimate, f = forecast)

Table 3: Nominal GDP 2019-2025 ($Million and %)

	2019	2020r	2021p	2022e	2023f	2024f	2025f
Nominal GDP ($M)	11,842.6	9,709.8	8,896.0	11,099.3	12,393.6	13,140.9	13,801.6
Growth Rate (%)	1.6	-18.0	-8.4	24.8	11.7	6.0	5.0

(Source: Macroeconomic Committee; r = revised, p = provisional, e = estimate, f = forecast)

Table 4: Fiscal Year Nominal GDP 2019–2025 ($Million and %)

	2019-20	2020-21p	2021-22e	2022-2023f	2023-2024f	2024-2025f
Nominal GDP ($M)	10,710.2	9,163.6	10,280.9	12,176.8	13,266.6	13,991.9
Growth Rate (%)	-8.9	-14.4	12.2	18.4	8.9	5.5

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

Table 5: Total Exports by Major Commodities 2019–2025 ($Million)

COMMODITIES	2019	2020	2021	2022p	2023f	2024f	2025f
Sugar	99.4	101.6	63.7	132.8	121.7	135.6	141.1
Molasses	14.3	20.5	26.6	26.9	26.3	30.9	34.2
Gold	108.6	134.2	132.5	101.4	72.2	110.9	150.5
Timber	48.2	64.6	89.6	71.4	72.9	68.5	69.8
Fish	96.1	70.1	55.4	77.9	81.8	85.2	88.1
Yaqona	32.5	43.6	41.9	40.7	40.7	42.7	44.8
Textiles	7.6	8.2	10.0	8.4	8.7	9.1	9.5
Garments	94.8	71.6	70.9	65.5	68.3	71.2	74.2
Mineral Water	293.5	223.2	312.9	361.8	387.8	407.2	427.6
Other Domestic Exports	372.2	405.5	448.0	487.1	501.7	519.0	536.4
Re- Exports (excl. aircraft)	990.6	612.3	595.5	948.4	1,051.7	1,072.9	1,081.7
Total Exports	**2,218.7**	**1,792.0**	**1,849.6**	**2,323.0**	**2,433.8**	**2,553.1**	**2,657.9**
Total Exports Excl. Aircraft	**2,157.7**	**1,755.4**	**1,847.0**	**2,322.2**	**2,433.8**	**2,553.1**	**2,657.9**

(Sources: FBOS & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

Table 6: Fiscal Year Exports 2019–2025 ($Million and %)

	2019-2020	2020-2021	2021-2022p	2022-2023f	2023-2024f	2024-2025f
Total Exports ($M)	**1,947.5**	**1,805.3**	**1,713.2**	**2,453.6**	**2,422.9**	**2,556.3**
Total Exports Excl. Aircraft ($M)	**1,943.8**	**1,769.0**	**1,710.1**	**2,453.6**	**2,422.9**	**2,556.3**
Exports Excl. Aircraft Growth Rate (%)	-8.2	-9.0	-3.3	43.5	-0.4	4.6

*(Source: Macroeconomic Committee; r = revised, p = provisional, f = forecast Note: *Figures are rounded-off)*

Table 7: Total Imports by Category 2019–2025 ($Million)

ECONOMIC CATEGORY	2019	2020	2021	2022p	2023f	2024f	2025f
Food	787.0	737.5	783.4	1,070.5	1,108.7	1,062.4	1,018.8
Beverage & Tobacco	55.6	34.6	36.7	70.3	79.3	84.4	89.2
Crude Materials	56.6	44.3	46.1	57.3	61.0	65.8	70.8
Mineral Fuels	1,123.7	656.6	721.3	1,626.1	1,716.2	1,735.9	1,748.4
Oil & Fats	38.7	51.2	62.8	126.6	70.6	73.2	76.4
Chemicals	422.1	385.4	501.1	677.4	581.9	566.6	552.3
Manufactured Goods	719.7	609.5	640.2	914.1	981.9	1,014.4	1,039.5
Machinery & Transport Equipment	2,315.8	838.2	1,251.7	1,425.8	1,563.2	1,647.5	1,717.4
-of which large items	934.7	15.1	308.7	12.4	0.0	0.0	0.0
Miscellaneous Manufactured Goods	460.8	383.4	433.4	615.8	606.9	615.2	623.1
Other Commodities	28.6	12.5	8.3	14.7	19.2	20.5	21.6
Total Imports	**6,008.5**	**3,753.2**	**4,484.9**	**6,598.6**	**7,689.0**	**6,885.7**	**6,957.5**
Total Imports Excl. Aircraft	**5,073.8**	**3,738.1**	**4,176.2**	**6,586.2**	**6,789.0**	**6,885.7**	**6,957.5**

(Sources: FBOS & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

Table 8: Fiscal Year Imports 2019–2025 ($Million and %)

	2019-2020	2020-2021	2021-2022p	2022-2023f	2023-2024f	2024-2025f
Total Imports ($M)	5,149.0	4,147.0	5,283.4	7,001.9	7,745.5	6,927.6
Total Imports Excl. Aircraft ($M)	4,322.8	3,846.8	5,265.6	7,001.9	6,845.5	6,927.6
Imports Excl. Aircraft Growth Rate (%)	-20.4	-11.0	36.9	33.0	-2.2	1.2

*(Source: Macroeconomic Committee; r = revised, p = provisional, f = forecast Note: *Figures are rounded-off)*

Table 9: Balance of Payments 2019–2025 ($Million)

ITEMS	2019	2020	2021	2022p	2023f	2024f	2025f
BALANCE ON GOODS	-3,004.0	-1,421.8	-1,960.3	-3,599.5	-4,508.3	-3,563.4	-3,506.6
Exports f.o.b	2,218.0	1,772.3	1,839.6	2,318.0	2,428.2	2,549.5	2,656.7
Imports f.o.b	5,222.0	3,197.2	3,799.9	5,917.5	6,936.6	6,112.9	6,163.2
BALANCE ON SERVICES	1,770.2	-182.0	-466.0	1,286.6	1,992.4	2,000.4	2,041.8
Export of Services	3,482.0	899.9	589.8	2,952.2	3,820.6	3,933.9	4,041.4
Import of Services	1,711.8	1,081.9	1,055.8	1,665.6	1,828.2	1,933.5	1,999.6
BALANCE ON PRIMARY INCOME	-974.6	-609.6	-518.3	-584.2	-850.6	-871.3	-889.3
Income from non-residents	132.0	134.2	127.9	125.9	151.5	153.6	155.9
Income to non- residents	1,106.6	743.8	646.2	710.1	1,002.0	1,024.9	1,045.2
BALANCE ON SECONDARY INCOME	698.4	895.4	1,525.2	995.8	1,279.1	1,232.1	1,251.5

ITEMS	2019p	2020p	2021p	2022f	2023f	2024f	2025f
Inflow of current transfers	903.2	1,070.2	1,704.1	1,200.7	1,516.0	1,470.7	1,490.0
Outflow of current transfers.	204.8	174.8	178.9	204.9	236.9	238.6	238.5
CURRENT ACCOUNT BALANCE	-1,509.1	-1,318.1	-1,419.4	-1,901.3	-2,087.4	-1,202.2	-1,102.6
CURRENT ACCOUNT BALANCE (excl. aircraft)	-574.4	-1,302.9	-1,110.7	-1,888.9	-1,187.4	-1,202.2	-1,102.6
CAPITAL ACCOUNT BALANCE	6.9	7.7	6.6	6.5	7.9	7.9	7.9
FINANCIAL ACCOUNT BALANCE (excl. RA)	1,402.7	752.7	1,628.0	1,521.3	1,641.6	838.0	900.0
Errors & Omissions	302.4	519.8	794.3	574.7	203.5	10.4	-119.5
RESERVE ASSETS	202.9	-37.9	1,009.5	201.2	-234.5	-345.8	-314.1

(Source: FBOS & Macroeconomic Committee; r = revised, p = provisional, f = forecast, Note: 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)

Table 10: Tourism Statistics 2019–2025

	2019p	2020p	2021p	2022p	2023f	2024f	2025f
Visitors	894,389	146,905	31,618	636,312	894,389	921,221	948,857
Average length of stay (days)	11.1	11.0	12.6	11.8	11.1	11.1	11.1
Visitor days (millions)	8.0	1.5	0.2	5.3	8.1	8.3	8.6
Earnings (F$M)	2,065.5	314.9	36.5	1,499.3	2,142.3	2,166.8	2,190.8

(Sources: FBOS & Macroeconomic Committee; p = provisional, f = forecast)

Table 11: Sugar Export and Price 2019–2025

	2019	2020	2021	2022p	2023f	2024f	2025f
Export Quantity Sugar (000 tonnes)	145.6	142.5	83.8	123.9	125.8	136.7	141.4
Unit Value (FJ$/tonne)	670.3	713.2	759.7	1,072.0	967.0	992.0	998.0
Sugar Export Earnings (F$M)	99.4	101.6	63.7	132.8	121.7	135.6	141.1
Molasses Export Earnings (F$M)	14.3	20.5	26.6	26.9	26.3	30.9	34.2

(Sources: FBOS, Fiji Sugar Corporation & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

Table 12: Inflation Rates 2019–2025

	2019	2020	2021	2022	2023f	2024f	2025f
All items (year-end) %	-0.9	-2.8	3.0	3.1	2.8	2.3	2.5

(Sources: FBOS, RBF; r = revised, p = provisional, f = forecast)

Table 13: Employment by Sector 2016–2019 (in thousands of persons)

ECONOMIC ACTIVITY	2016	2017r	2018p	2019p
Agriculture, Forestry Fishing	5.7	5.7	5.7	5.9
Mining & Quarrying	2.0	2.0	2.1	2.1
Manufacturing	20.1	23.3	24.3	23.3
Electricity, Gas & Air Conditioning Supply	0.8	0.8	0.8	0.8
Water Supply; Sewerage, waste management and Remediation activity	3.2	3.3	3.1	3.3
Construction	11.6	11.7	11.8	12.1
Wholesale and Retail; Repair of motor vehicles and motorcycle	29.0	30.0	30.0	30.7
Transport and Storage	13.3	13.3	13.4	13.8
Accommodation and Food Services	16.9	17.2	17.6	17.9
Information and Communication	3.8	3.9	3.9	4.0
Financial and Insurance activities	5.2	5.3	5.3	5.4
Real Estate Activities	0.7	0.7	0.7	0.7
Professional Scientific and Technical Activities	5.9	5.9	5.7	6.0
Admin and Support Services Activities	7.2	7.5	7.6	7.7
Public admin and defence compulsory social security	17.0	17.1	17.2	17.7
Education	15.9	16.7	16.7	17.0
Human Health and social work activities	9.3	7.5	7.5	8.4
Arts, Entertainment and recreation	0.7	0.7	0.8	0.8
Other Service Activities	1.6	1.6	1.7	1.7
Activities of household as employers; undifferentiated	0.7	0.1	0.1	0.1
Activities of Extra Territorial Organizations and Bodies	0.0	0.7	0.8	0.7
Total	**170.6**	**174.8**	**176.8**	**180.0**

(Source: FBOS. 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)