REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE
SUPPLEMENT TO THE REVISED 2021-2022
BUDGET ADDRESS

Ministry of Economy
24 March 2022

FOREWORD

This Economic and Fiscal Update presents an overview of the impact of COVID-19 crisis on the Fijian economy and government finances and discusses Government's fiscal response to the pandemic, including a suite of new policy measures designed to support ordinary Fijians and businesses as we embark on our economic recovery.

This document is a "Supplement to the Revised 2021-2022 Budget Address" and was compiled by the Ministry of Economy (MoE) in conjunction with the Fiji Revenue and Customs Service (FRCS), and the Reserve Bank of Fiji (RBF). It incorporates economic and fiscal information as of March 2022.

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Permanent Secretary for Economy
24 March 2022

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CHAPTER 1: INTRODUCTION

1.1 Fiji recorded its strongest period of economic growth in the decade leading up to the COVID-19 pandemic, with nine years of consecutive economic growth from 2010 to 2018. As a result, per capita income levels rose to over FJ$13,000 and the unemployment rate fell to a 20-year low of 4.5 percent. Socio-economic conditions improved, and Fijians had better and equitable access to education, healthcare, roads, transportation, electricity, clean water, legal services and digital connectivity, amongst other things.

1.2 This period of growth was underpinned by rising productivity and investment, political stability, improved private sector confidence and the implementation of critical reforms by the Fijian Government. Fiscal policy played an important role, as Government maintained a low and attractive tax regime to support private sector investment while also channeling public spending towards improving the delivery of public services.

1.3 The dual shocks of the COVID-19 pandemic and a series of recent natural disasters have had devastating impacts on the Fijian economy, jobs, public finance and socio-economic conditions. Fiji recorded its largest ever economic contraction of 15.2 percent in 2020 with a further 4.1 percent contraction estimated for 2021.

1.4 The tourism industry, which contributes almost 40 percent towards the economy and brings in $2.0 billion in foreign exchange annually, was at a complete standstill, with over 100,000 Fijians either unemployed or on reduced hours. Tax collections declined by 50 percent on average in the immediate aftermath of the pandemic, putting immense pressure on Government finances. Government has lost over $3.2 billion in tax revenues since the pandemic as business and economic activity declined.

1.5 At the same time, there was a need to keep expenditures at pre-pandemic levels to ensure no major disruption to public services and to also provide over $500 million in unemployment support and other relief measures to those affected by the pandemic. Apart from increasing borrowing levels in the last 2 fiscal years, new non-tax inflows via budget support grants from Australia and New Zealand, and divestment receipts from Energy Fiji Limited (EFL) assisted with the financing of the Budget as well as supporting the Balance of Payments situation.

1.6 On the fiscal front, the COVID-19 pandemic led to a significant increase in Fiji's debt levels to over 80 percent of GDP at the end of February 2022 compared to around 48 percent of GDP pre-pandemic. Apart from the increased borrowings to a tune of over $2.0 billion during the pandemic period, the sharp contraction in nominal GDP has also contributed to the spike in the debt to GDP ratio. Prior to the pandemic, the debt to GDP ratio remained within the generally accepted benchmark of 50 percent despite the increased public spending on rehabilitation and reconstruction in the wake of Tropical Cyclone (TC) Winston and other severe natural disasters experienced during that period. The sustained period of economic growth during this decade greatly helped keep the debt to GDP ratio under control. More details on the public debt are discussed in Chapter 4.

1.7 The prolonged COVID-19 induced economic crisis required Government to maintain spending to support the economy as business activity plummeted and socio-economic challenges worsened. With tax revenues declining by almost 50 percent, Government had to implement a counter cyclical fiscal response with increased borrowings from both external and domestic sources. Without this fiscal support, the economic contraction would have been much severe and the socio-economic challenges would have been devastating. This counter cyclical response also supported the economic recovery trajectory which otherwise would have been much more prolonged and difficult.

1.8 Furthermore, with the largest foreign exchange earner tourism near zero for almost 20 months, there was a high risk of devaluation if Government had not secured additional foreign reserves through the external borrowings, budget support grants and foreign investment in EFL. A devaluation during the pandemic would have created greater uncertainty and worsened the economic crisis and social challenges. The increased external borrowings not only supported foreign reserves but helped increase liquidity levels in the domestic market, which in turn kept domestic borrowing costs low - a critical pre-condition for economic recovery.

1.9 The multilateral and bilateral development partners, including the Asian Development Bank (ADB), World Bank, Japan International Cooperation Agency (JICA), Asian Infrastructure Investment Bank (AIIB), Governments of Australia and New Zealand supported Fiji with external debt financing and budget support grants during this period. This increased level of financing support provided by credible partners reaffirmed that the counter cyclical fiscal response to COVID-19 crisis was appropriate and at the same time shows the confidence of these lenders in Fiji's debt serviceability moving forward.

1.10 While debt levels have increased, the overall cost of debt has also come down significantly. Bringing down the cost of debt has been a key objective of the Fijian

Government's debt management strategy. In the last 2 years, Government has accessed over $900 million in highly concessional[1] financing from the World Bank and JICA which was contingent upon policy reforms to strengthen fiscal management, improve private sector investments, reform state owned enterprises (SOE's) and build economic and climate resilience. Details on these policy reforms are provided in Chapter 4.

1.11 Given the severity of the COVID-19 induced economic crisis and the long-term benefits of these policy reforms, the Australian Government and the New Zealand Government has also partnered with the multilateral development partners to provide over $400 million in cash grants during the last 2 fiscal years.

1.12 With the inflow of these external debt and grant financing, domestic borrowing costs have also declined substantially as liquidity levels in the financial system increased to over $2.0 billion. Current yields in the domestic market for government securities are at all-time lows of 0.06 percent for 3 month T-bills, 0.08 percent for 6 month T-bills, 0.13 percent for 1 year T-bills, 3.95 percent for 10-year bonds (previously 6 percent in 2019), 4.25 percent for 15-year bonds (previously 6.5 percent in 2019), and 4.7 percent for 20-year bonds (previously 7 percent in 2019).

1.13 Highly concessional JICA loans at 40-year terms, with 10-year grace periods and 0.01 percent interest rate has a grant element of around 67 percent while World Bank International Development Association (IDA) loans at almost similar terms have a grant element of around 57 percent. Other JICA loans with 15-year terms, 4-year grace period and 0.01 percent interest rate have a grant element of 36 percent.

1.14 To access these concessional financing, the Fijian Government lobbied for the World Bank Group to recognise the Fijian economy's vulnerability to climate change and natural disasters as Fiji being an upper-middle income country could not initially access IDA funding prior to 2020. Similarly, accessing the JICA concessional funds also required support from the Japanese Government.

1.15 Cheaper external debt and declining domestic market rates have resulted in an overall reduction in the cost of Government debt. The Ministry of Economy will

[1] The degree of concessionality of a loan is measured by its "grant element". The grant element is defined as the difference between the loan's nominal value (face value) and the sum of the discounted future debt-service payments to be made by the borrower (present value), expressed as a percentage of the loan's face value.

continue to explore opportunities to ensure that the cost of debt is minimised within prudent levels of risk.

1.16 Looking ahead, the economy is now on a recovery path following the last 3 years of consecutive economic decline. A double-digit growth (11.3 percent) is projected for 2022, possibly the highest-ever growth in our post-independence history. However, fully rebuilding the economy to pre-pandemic levels will take at least 3 years. Fiji's remarkable pace of vaccinations has enabled Government to gradually ease COVID-19 restrictions and ultimately reopen borders for international travel, helping create a wave of optimism across the country. However, potential downside risks to the outlook remain, including uncertainties surrounding the pace of recovery for tourism, natural disasters and pandemic-related economic scarring. Further details are provided in Chapter 2.

1.17 The resumption of the tourism industry is critical for the recovery of the overall economy, jobs and economic stability. To improve the competitiveness of the tourism sector, Government in the last Budget reduced all major tourism-related taxes and introduced attractive tax incentives to stimulate new and re-investments in the sector. A number of other policy measures have also been put in place to promote growth in other economic sectors with the aim of further economic diversification.

1.18 Early indications from the resumption of tourism are encouraging - in the year to February, visitor arrivals have totaled 27,516, which is a twelve-fold increase relative to the same period in 2021. Including visitors that arrived last December, there has been a seventeen-fold increase in visitor arrivals (from 2,974 to 50,742) since borders reopened for tourism.

1.19 Fiji's overall macroeconomic fundamentals also remain strong - an important prerequisite for future growth and development. Foreign reserves currently stand at $3,162.4 million, equivalent to cover 8.7 months of retained imports, lending stability to the exchange rate regime. Liquidity levels in the financial system are currently around $2.0 billion, helping to support the low interest rate environment. The financial sector remains sound backed by strong capital position with adequate provisioning.

1.20 With improved confidence levels and reduced uncertainty with the pandemic, investment prospects are looking favourable. Inflation, on the other hand, has been increasing recently with the rise in international prices and freight costs.

1.21 The Revised FY2021-2022 Budget builds upon the better than earlier anticipated recovery in the tourism sector and the overall economy and is designed to align revenue projections with recent economic developments and recalibrate expenditures based on current performance with spending reprioritisation where needed.

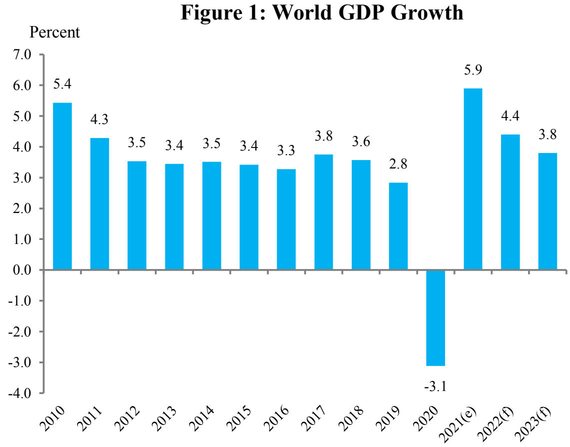
1.22 This Revised Budget also addresses some of the new challenges being faced in the post-pandemic world, including measures to mitigate inflationary pressures while at the same time restructuring the tax regime to ensure revenue adequacy and efficiency in tax collection. Expenditure allocation focuses on ensuring improvements in public service delivery and at the same time clamping down on inefficiencies and controlling operational expenditure. Detailed fiscal projections and major policy announcements are included in Chapter 3 and Chapter 5.

CHAPTER 2: ECONOMIC PERFORMANCE & OUTLOOK

International Outlook

2.1 After an estimated 5.9 percent rebound in 2021, the global economic recovery is expected to continue this year, albeit at a more moderate pace. In its January World Economic Outlook, the International Monetary Fund (IMF) marked down its growth forecast for 2022 to 4.4 percent on the back of slower growth anticipated for the United States (US) and China. In the US, lower fiscal stimulus, earlier withdrawal of monetary policy support and supply chain issues are weighing on growth prospects, while disruptions related to a zero-COVID strategy and subdued private consumption has dented China's growth momentum. For 2023, global growth is forecast at 3.8 percent.

Figure 1: World GDP Growth



(Source: IMF World Economic Outlook - January)

2.2 Prolonged demand-supply mismatches continue to place upward pressure on commodity prices, especially fuel and food prices. The Russia-Ukraine war has exacerbated the mismatch between global oil demand and supply, pushing crude oil prices above US$100 a barrel in March - levels not seen since 2008. Rising global food commodity prices are expected to increase even further in the near-term due to consequent supply disruptions in the Black Sea region. This has fed into elevated inflation which, along with a lack of fiscal space, has prompted many countries to tighten fiscal and monetary policies, posing further challenges to their economic recovery.

Fiji's Trading Partners

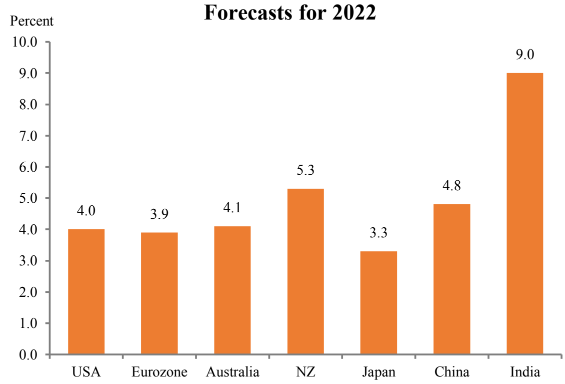
2.3 The **US** economy rebounded by 5.7 percent in 2021, compared to a 3.4 percent contraction in 2020. The growth was on account of higher personal consumption, investment and exports. The US economy is expected to grow by 4.0 percent and

2.6 percent in 2022 and 2023, respectively.

2.4 The **Eurozone** economy rebounded by 5.2 percent in 2021, however, prospects have been dampened by the emergence of the Omicron variant beginning late last year. Nonetheless, countries in the region have since begun easing restrictions to avoid impinging on the economic recovery. Energy prices and broad-based price pressures pushed inflation to a record high of 5.8 percent in February 2022, putting pressure on the European Central Bank to gradually withdraw its pandemic support into 2022. The Eurozone is forecast to expand by 3.9 percent in 2022 and 2.5 percent in 2023.

2.5 The **Japanese** economy grew by an annual 1.7 percent in 2021, a recovery from the 4.5 percent contraction in 2020. The Omicron variant coupled with rising global prices are expected to dent economic activity to some extent in early 2022. Inflation rose for the fifth straight month in January, largely led by sharp increases in food, fuel, light and water charges. The Japanese economy is forecast to grow by 3.3 percent in 2022 due to massive stimulus from the Government. The economy is forecast to expand further by 1.3 percent in 2023.

Figure 2: Major Trading Partners Growth Forecasts for 2022



(Sources: Country Authorities & IMF World Economic Outlook - January 2022)

2.6 The **Australian** economy expanded by 4.2 percent in the last quarter of 2021 as states emerged out of lockdowns and restrictions were uplifted. The January unemployment rate registered a 14-year low of 4.2 percent and the Reserve Bank of Australia anticipates that the high number of job vacancies is indicative of the economy bouncing back. The Australian border opened from 21 February 2022 for vaccinated individuals which could create further impetus for its economic recovery. The Australian economy is forecast to grow by 4.1 percent in 2022 and 2.5 percent in 2023.

2.7 The **New Zealand** (NZ) economy has been grappling with the impact of a nationwide lockdown implemented in the second half of 2021. Its economic recovery is now being overshadowed by an Omicron-led second wave. Despite recording new cases of the new omicron sub-variant BA.2 in early 2022, the Government has opened its borders in stages beginning 28 February 2022, and restrictions are being gradually relaxed which could lend momentum to its rebound. The NZ economy is expected to rebound in 2022 by 5.3 percent and a further 3.0 percent in 2023.

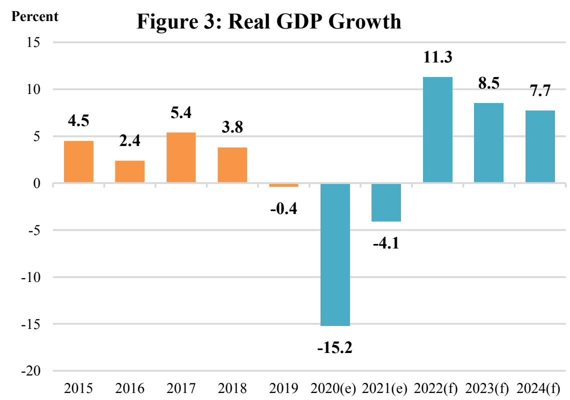
2.8 The **Chinese** economy grew by an annual 8.1 percent in 2021, recording its fastest pace of expansion in a decade. Nonetheless, the start of 2022 saw the economy decelerating amid the resurgence of COVID-19 cases as authorities continued their zero-COVID strategy and stringent pandemic control measures. Inflationary pressures eased further in January 2022, largely underpinned by a drop in food prices, partly reflective of weaker domestic demand. The Chinese economy is expected to grow by a slower 4.8 percent in 2022 and 5.4 percent in 2023.

2.9 The **Indian** economy grew by 5.4 percent in the last quarter of 2021. While a sustained downward trend in case numbers and the accompanying easing of restrictions mean that the COVID-19 impact will slowly dissipate, inflationary pressures are building as evident by the 6.0 percent annual inflation rate registered in January 2022. The Indian economy is expected to grow by 9.0 percent in 2022 and 7.1 percent in 2023.[2]

Domestic Outlook

2.10 The Fijian economy is estimated to have declined by 15.2 percent in 2020, compared to the earlier anticipated contraction of 15.7 percent. The improvement is largely due to better-than-expected contributions from the Public Administration, Agriculture and Transport & Storage sectors.

Figure 3: Real GDP Growth



(Sources: Fiji Bureau of Statistics and Macroeconomic Committee)

2.11 The domestic economy is

[2] Estimates are based on fiscal years running from April to March.

estimated to have further contracted by 4.1 percent in 2021, following the spin-off impacts of the second wave of COVID-19 infections on the economy (**Figure 3**). The associated movement restrictions and extended closure of international tourism exacerbated the subdued aggregate demand and sectoral activity. Nevertheless, the resumption of tourism from December and Government's cash assistance programmes have helped cushion the economy from a much larger contraction.

2.12 The tourism industry contributes an estimated 40 percent of GDP both directly and indirectly, thus Fiji's economic recovery is inexorably tied to the rebound in tourism. Visitor arrivals fell from a record-high of 894,389 in 2019 to 146,905 in 2020, then further to 31,618 in 2021. On a positive note, visitor arrivals tallied 27,516 over the two months ending February 2022, a twelve-fold growth over the same period in the previous year. However, visitor arrivals are not projected to fully return to pre-pandemic levels until at least 2024.

2.13 In 2022, the economy is expected to rebound by 11.3 percent after three consecutive years of decline. Services-related sectors such as Accommodation & Food Services; Transport & Storage; Finance & Insurance; and Wholesale & Retail trade are expected to note a turnaround. In tandem, primary and industrial sectors are anticipated to grow in line with the recovery in domestic demand and the labour market.

2.14 Despite the upward revision to the growth forecast, there remains downside risks to the medium-term outlook. Rising inflation (particularly for fuel), global supply chain bottlenecks, the risk of new variants, a slower-than-expected tourism recovery, investor caution in light of the upcoming General Elections and ongoing threats from natural disasters and climate change can easily undermine Fiji's economic recovery going forward.

2.15 The broad-based recovery is expected to continue into 2023 and 2024, with the economy envisaged to expand further by 8.5 percent and 7.7 percent, respectively.

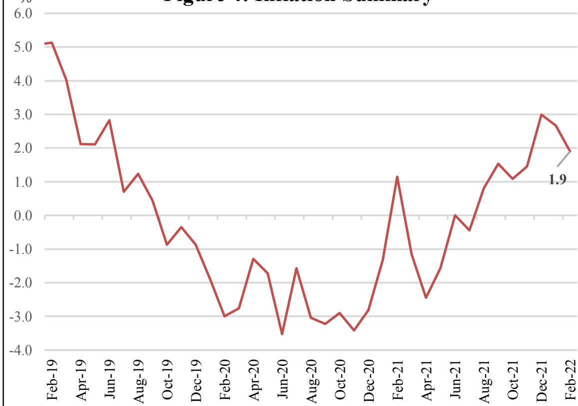
Inflation

2.16 The inflation rate noted a significant turnaround over the last seven months (August 2021- February 2022) and averaged 1.8 percent after remaining in negative territory for nearly two years, largely influenced by pandemic-induced supply shocks. These included mobility restrictions and consequent labour shortages, higher food and fuel prices, higher freight costs and a mismatch between pent-up demand and inadequate supply.

2.17 Annual inflation stood at 1.9 percent in February 2022 with increases noted in the food and non-alcoholic beverages, health and miscellaneous services categories, and decreases in the restaurants & hotels and transport categories. The year-end inflation rate stood at 3.0 percent in 2021 primarily driven by higher prices for food and fuel.

2.18 Over the next few months, domestic inflation is expected to rise as local fruit and vegetable prices increase due to floods associated with TC Cody. In addition, the geopolitical conflict between Russia and Ukraine poses further risks to inflation as Brent crude oil prices are trending above US$100 per barrel. As a result, year-end inflation is now estimated at 4.5 percent, largely reflective of higher prices for food and fuel throughout 2022. In the medium-term, inflation is forecast to moderate to 3.0 percent and 2.6 percent by the end of 2023 and 2024, respectively.

Figure 4: Inflation Summary



(Source: Fiji Bureau of Statistics)

Exports[3]

2.19 Cumulative to November 2021, total exports grew by 3.8 percent to $1,685.8 million, following a 19.4 percent contraction in the same period in 2020. The outcome till November was led by a larger growth in domestic exports relative to the decline in re-exports. The growth in domestic exports mainly resulted from increases in exports of mineral water, crude materials, other food & live animals, molasses, electrical machinery and gold, while the decline in re-exports can be attributed to lower re-exports of mineral fuel and fresh fish.

2.20 In 2022, total exports are projected to grow by 16.0 percent to $2,025.5 million, led by an expansion in domestic exports (8.9 percent) and a rebound in re-exports

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

(30.1 percent). All export categories are anticipated to grow, in particular food & live animals, beverages & tobacco, miscellaneous manufactured articles and crude materials for domestic exports, and mineral fuels and fresh fish for re-exports. Recovery in the domestic and global economy, particularly amongst Pacific Island Countries, is anticipated to raise exports.

2.21 In 2023 and 2024, growth in total exports is forecast to moderate to 9.4 percent (to \$2,216.3 million) and 8.1 percent (to \$2,395.8 million), respectively. With continued domestic recovery and growth in trading partner economies, both domestic exports and re-exports are forecast to expand.

Imports[4]

2.22 Cumulative to November 2021, total imports grew by 9.0 percent to total \$3,738.6 million, compared to a contraction of 27.3 percent in the same period in 2020. The growth was led by higher imports of chemicals, machinery & transport equipment, food & live animals, miscellaneous manufactured goods, manufactured goods, mineral fuel, and animals & vegetable oils & fats, which more than offset the decline in imports of other categories. The strong pick-up in imports despite the anticipated contraction in domestic activity is due to higher global prices (mainly food and fuel), increased freight charges, rising trading partner inflation and supply bottlenecks.

2.23 In 2022, total imports are projected to rise significantly by 13.9 percent (to \$4,636.7 million), driven by the expected increase in mineral fuel, machinery & transport, manufactured goods, and food & live animals imports. The outturn is expected to be driven by a strong rebound in domestic activity in step with the tourism recovery, and the increasing cost of imports brought about by demand-supply mismatches for major commodities in global markets, rising trading partner inflation, escalating geopolitical tensions and higher freight charges. In 2023 and 2024, total imports are projected to increase by 8.0 percent (to \$5,005.5 million) and 8.3 percent (to \$5,421.8 million), respectively.

Balance of Payments[5]

2.24 In 2021, the current account deficit (CAD) is forecast to narrow to \$1,065.6 million, equivalent to 11.2 percent of GDP, compared to a deficit of \$1,210.6 million (12.2 percent of GDP) in 2020. The expected narrowing of the CAD is

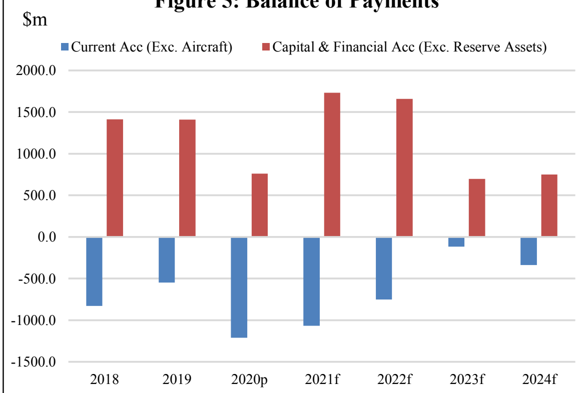
[4] All analysis on imports excludes aircraft.
[5] Excluding aircraft.

largely due to a higher growth in remittances. The capital and financial account (KFA) (excluding reserve assets) surplus is forecast to widen significantly to $1,731.6 million, equivalent to 18.2 percent of GDP led by higher foreign direct investment (FDI) and other investment (Government external loan drawdowns).

2.25 Inward personal remittances noted a strong growth of 14.6 percent (from $734.9 million to $842.2 million) in 2021, on the back of a 21.2 percent growth in 2020, driven by strong remittances from the Fijian diaspora abroad supported by COVID-19 stimulus packages in source countries, and the availability of cheaper, more convenient mobile money transfer platforms. Growth is expected to moderate to 3.0 percent in 2022 as stimulus is scaled back in source countries and improving domestic labour market conditions reduce the reliance on remittances.

2.26 Tourism earnings are expected to grow significantly in 2022 as visitor arrivals are anticipated to be much higher than the preceding two years amid the reopening of borders to international travellers. For the outer years, earnings are projected to increase in line with rising visitor arrivals as more countries ease travel restrictions. As the tourism industry rebounds from 2022 onwards, the CAD is projected to narrow gradually supported by the increase in tourism earnings which will offset the worsening trade deficit to some extent.

Figure 5: Balance of Payments



(Sources: Fiji Bureau of Statistics & Macroeconomic Committee)

2.27 In 2022, the CAD is expected to narrow to $749.7 million, equivalent to 6.9 percent of GDP. The outturn is due to an expected rebound in tourism earnings which is anticipated to more than offset the widening trade deficit. The KFA balance (excluding reserve assets) is projected to narrow to $1,659.9 million in 2022, equivalent to 15.4 percent of GDP, largely underpinned by lower FDI which is anticipated to offset higher Government external loan drawdowns. The overall balance of payments for 2022 is forecast to be positive, and reserve assets are projected to increase by $160.5 million.

2.28 In 2023 and 2024, the CAD is projected to narrow to $118.1 million (1.0 percent of GDP) and later widen to $335.8 million (2.5 percent of GDP), respectively. These outcomes are largely led by the expected widening of the trade deficit which will more than offset the anticipated service and income balances. In these years, the KFA (excluding reserve assets) is projected to be around $696.4 million (5.8 percent of GDP) and $749.4 million, (5.6 percent of GDP) led by a reduction in Government external loan drawdowns. Therefore, in 2023 and 2024, the overall balance is forecast to be negative and reserve assets are expected to decrease by $586.1 million and $590.7 million, respectively.

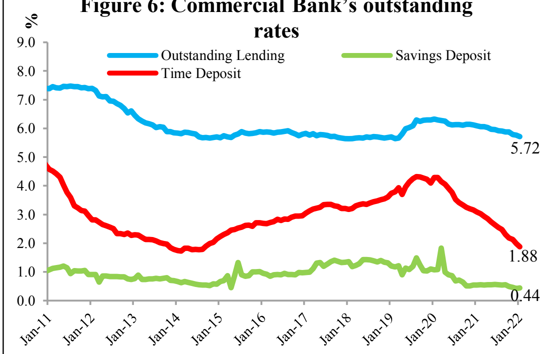
Foreign Reserves

2.29 As at 24 March, foreign reserves (RBF holdings) were around $3,162.4 million, equivalent to cover 8.7 months of retained imports of goods and services.

Money and Credit

2.30 Money supply registered an annual growth of 10.7 percent in January 2022, on account of higher gross reserves and quantitative easing measures. In the same period, private sector credit recorded an annual growth of 0.6 percent driven by increased lending to private sector business entities from the commercial banks and the Fiji Development Bank (FDB), a result of the higher drawdowns noted for RBF's lending facilities in January.

Figure 6: Commercial Bank's outstanding rates



(Source: Reserve Bank of Fiji)

Interest Rates

2.31 The weighted average outstanding rates for banks have noted a general downward trend since the start of COVID-19. The outstanding lending rate for commercial banks stood at 5.72 percent in January 2022, representing an annual decline of 37 basis points (**Figure 6**). Similarly, the weighted average outstanding time deposit rate fell over the year by a significant 117 basis points to 1.92 percent from 3.09 percent in January 2021. The weighted average savings deposit rate dipped further over the year (-10.0 basis points), registering 0.44 percent at the end of January 2022. Similar reductions have also been noted for yields on Government securities.

Exchange Rates

2.32 Over the year in February 2022, the Fijian dollar (FJD) strengthened against the New Zealand dollar (4.1 percent), Australian dollar (3.6 percent), Euro (2.8 percent) and the Japanese Yen (2.1 percent) but was lower against the United States dollar (-5.8 percent).

2.33 In February 2022, the Nominal Effective Exchange Rate (NEER) index was lower over the year (-0.6 percent), indicating a general weakening of the FJD. Likewise, the Real Effective Exchange Rate (REER) index fell over the year (-2.5 percent), denoting a gain in trade competitiveness largely on account of lower relative prices against major trading partner currencies given their higher inflationary pressures.

Monetary Policy and support to the Fijian Economy

2.34 The RBF continued to support the economy via unconventional means, particularly through its targeted lending facilities and investment in Government bonds. More specifically, the RBF expanded its balance sheet since the start of this financial year by $950 million with increased allocations towards the Disaster Rehabilitation & Containment Facility ($400 million), Import Substitution and Export Financing Facility (ISEFF) ($200 million), and through additional investment in Government bonds ($350 million). Moreover, the scope of eligible borrowers under the ISEFF was extended in December 2021 to cover businesses engaged in the export of services. These actions have provided adequate liquidity to the banking system, supported credit activity and placed downward pressure on interest rates.

2.35 From a macro-prudential perspective, supervisory assessments have shown that the financial system remains stable, supported by adequate capital positions, high banking system liquidity levels and sufficient provisioning. Moreover, the nascent recovery in the economy has significantly reduced the number of customers supported by loan moratoriums.

2.36 By year-end, banking system liquidity is expected to remain more than ample against the backdrop of Government's higher external loan drawdowns and the continued economic recovery. As at 22 March, liquidity levels were around $2,162.6 million. Given the excess liquidity and the current accommodative monetary policy stance, no upward pressure is anticipated on lending rates during the year.

Formal sector employment

2.37 Labour market conditions have improved since the start of the pandemic, but remain somewhat subdued. The unemployment rate stood at 7.4 percent in 2019-2020[6]; however, disruptions to the tourism industry and its spillover effects on other economic sectors have since pushed thousands more Fijian workers into unemployment or underemployment. On a positive note, after registering several months of double-digit declines, the number of vacancies advertised in the RBF job advertisement survey grew by 98.2 percent in January 2022, driven by vacancies in the community, social & personal services, transport, storage & communication, wholesale & retail trade, and restaurants & hotels sectors.

2.38 As result of the pandemic, the number of Fiji National Provident Fund (FNPF) contributing employees decreased from 189,569 in December 2019 to 138,594 in May 2021 (-26.9 percent). It should also be noted that these figures exclude formal sector employees on reduced hours, which comprise the vast majority of workers affected by the pandemic. Over the same period, the number of contributing employers decreased from 7,380 to 5,066 (-31.4 percent), while total monthly wages paid reduced from $320.3 million to $207.9 million (-35.1 percent). As of December 2021, the number of contributing employers and employees had rebounded to 6,058 and 162,382, respectively.

Unemployment assistance programmes

2.39 When COVID-19 first arrived in March 2020, Government partnered with the FNPF to provide cash support to affected Fijians in the formal sector. This support was targeted specifically at those who had lost jobs in the formal sector, particularly in tourism and ancillary services. Unemployed workers were eligible to withdraw $220 per fortnight from their General Account, while those on reduced hours could access pro-rata assistance based on the number of days without work. As part of the initiative, Government disbursed $205.0 million to top up member balances, assisting around 68,864 Fijians.

2.40 In 2021, Government also implemented several rounds of cash assistance (one

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[6] Source: Fiji Bureau of Statistics- 2019-20 Household Income Expenditure Survey.

round of $90, two rounds of $50 and two rounds of $360), supporting over 400,000 Fijians both in the formal and informal sector with a total payout of $225 million. Together with the earlier disbursement through the FNPF, Government has disbursed over $430.0 million in cash assistance to affected individuals since the start of the pandemic (**Table 1**).

2.41 These programmes have supported the incomes of those affected by the pandemic, provided much-needed fiscal stimulus to reignite the economic recovery and catalysed Fiji's strong vaccination rates. The cash support was primarily used for private consumption, evidenced by a sharp uptick in domestic Value Added Tax (VAT) collections during the period of disbursements. Domestic VAT collections began to improve from August 2021 onwards as a result of the cash assistance and easing of local COVID-19 restrictions. As domestic demand has started to pick-up, many previously unemployed workers have returned to their jobs, reviving business and consumer optimism in the process.

2.42 For the first time ever, Government used mobile platforms to disburse cash assistance. Unlike past Government cash assistance programs, which were often time consuming and involved substantial paperwork and physical queues, the roll-out of these programmes using mobile platforms allowed the assistance to be distributed in a timely and efficient manner. Each application took less than three minutes, with timely disbursement after a stringent multi-stakeholder assessment and verification process.

2.43 The roll-out of these initiatives also assisted Government to develop its first social safety database for both the formal and informal sectors. Data collected included the name of the applicant, date of birth, mobile phone number, Tax Identification Number (TIN), birth registration number, FNPF number, voter identification number, location of the applicant and vaccination details. A large number of recipients, particularly those in the informal sector, registered for their TIN and voter identification cards for the first time.

2.44 As a result of the roll-out of unemployment assistance through digital wallets, there has been a rapid growth in the number of Fijians using the MPAiSA and MyCASH platforms. This has greatly promoted the use of digital payment platforms and opened up a wide range of new opportunities for e-commerce.

Table 1: Total Government COVID-19 Cash Transfers

Programme	Numbers Approved	Amount
Unemployment Assistance for the formal Sector through FNPF *(March 2020 – June 2021)*	68,864	$205 million
Round 1 - $90 *(May 2021)*	118,000	$10.6 million
Round 2 - $50 *(June 2021)*	224,000	$11.2 million
Round 3 - $50 (*July 2021)*	205,000	$10.2 million
Round 4 - $360 *(August 2021-October 2021)*	294,924	$106.0 million
Round 5 - $360 *(November 2021-January 2022)*	241,347	$87.4 million
Total		**$430.4 million**

(Source: Ministry of Economy)

COVID-19 Credit Guarantee Scheme

2.45 In the FY2021-2022 National Budget, Government, via the RBF, provided $200 million to help businesses meet their working capital needs, including payment of wages and salaries, rental cost, utility bills, purchase of stocks, etc. Under the scheme, existing micro businesses with turnover below $50,000 can access up to $10,000; small businesses with annual turnover between $50,000 and $300,000 can access up to $20,000; medium-sized businesses with turnover between $300,000 and $1.25 million can access up to $50,000; and large businesses with turnover above $1.25 million can access up to $100,000.

2.46 Commercial banks, the FDB and other licensed credit institutions can access the $200 million funding from the RBF at 0.25 percent, and then on-lend at a maximum rate of 3.99 percent. As of 3 March 2022, a total of 5,429 loan applications have been approved to the tune of roughly $112.7 million (**Table 2**). Of the successful applicants, 2,567 (47 percent) are micro businesses, 1,704 (31 percent) are small businesses, 693 (13 percent) are medium-sized businesses, and 465 (9 percent) are large businesses.

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

<table>
<tr><th colspan="2">Business Size</th><th>Micro</th><th>Small</th><th>Medium</th><th>Large</th><th>Total</th></tr>
<tr><td rowspan="2">Approved pending drawdown</td><td>Applications</td><td>8</td><td>13</td><td>19</td><td>16</td><td>56</td></tr>
<tr><td>Loan Value $M</td><td>0.1</td><td>0.3</td><td>0.9</td><td>1.6</td><td>2.8</td></tr>
<tr><td rowspan="2">Disbursed</td><td>Applications</td><td>2,559</td><td>1,691</td><td>674</td><td>449</td><td>5,373</td></tr>
<tr><td>Loan Value $M</td><td>18.0</td><td>23.3</td><td>28.7</td><td>39.8</td><td>109.9</td></tr>
<tr><td rowspan="2">Total Approvals</td><td>Applications</td><td>2,567</td><td>1,704</td><td>693</td><td>465</td><td>5,429</td></tr>
<tr><td>Loan Value $M</td><td>18.1</td><td>23.6</td><td>29.6</td><td>41.4</td><td>112.7</td></tr>
</table>

(Source: Reserve Bank of Fiji)

CHAPTER 3: REVISED MEDIUM-TERM FISCAL OUTLOOK

FY2021-2022 Half-Year Fiscal Performance

3.1 Government finances have been under strain throughout the pandemic as monthly tax revenues have declined by almost 50 percent on average. Government expenditures had to be sustained at pre-pandemic levels to avoid disruptions to public services and to cater for the increased funding to support the unemployed and those affected by the pandemic.

3.2 Similar to the previous two budgets, the original FY2021-2022 Budget was based on a conservative revenue estimate, resulting in a projected fiscal deficit of $1,605.4 million (equivalent to 16.2 percent of GDP), with Government debt projected at around $9.1 billion by July 2022. This conservative revenue estimation strategy was adopted given the uncertainties surrounding the second wave of the virus and its implications on the economy, in particular tax revenue collections.

3.3 For the first six months of FY2021-2022, fiscal performance overall has been better than budgeted. Total revenues stood at $1,114.1 million while total expenditure amounted to $1,674.1 million (**Table 3**). The net deficit position stood at $560.0 million or 5.4 percent, almost half of the budgeted fiscal deficit of 11.7 percent of GDP for this period.

Table 3: Fiscal Performance for 6 Months (1 August 2021 to 31 January 2022)

Particulars	2020-2021 Actual	2021-2022 Budget	2021-2022 Quarter 2 Forecast	2021-2022 Quarter 2 Actual	2021-2022 Quarter 2 Variance	2021-2022 Quarter 2 Variance
	($m)	($m)	($m)	($m)	($m)	(%)
Total Revenue	**2,143.0**	**2,085.1**	**906.7**	**1,114.1**	**207.5**	**22.9**
Tax Revenue	1,412.6	1,597.6	764.1	782.6	18.5	2.4
Non-Tax Revenue	730.4	487.5	142.6	331.6	189.0	132.6
Total Expenditure	**3,190.3**	**3,690.5**	**2,114.7**	**1,674.1**	**(440.6)**	**(20.8)**
Operating Expenditure	2,189.0	2,423.5	1,351.9	1,056.8	(295.2)	(21.8)
Capital Expenditure	973.3	1,221.2	739.1	605.8	(133.3)	(18.0)
SEG 13 VAT	28.0	45.9	23.7	11.5	(12.1)	(51.2)
Net Deficit	**(1,047.3)**	**(1,605.4)**	**(1,208.0)**	**(560.0)**	**648.1**	**(53.6)**
% of GDP	**(10.8)**	**(16.2)**	**(11.7)**	**(5.4)**	**6.3**	**(53.6)**
Nominal GDP	*9,695.5*	*9,889.2*	*10,302.6*	*10,302.6*		

(Source: Ministry of Economy)

3.4 The favourable fiscal performance relative to the budget for the first six months was largely due to a $207.5 million over-collection in Government revenues (22.9 percent higher than budgeted) and tighter controls on public expenditures, resulting in $440.6 million in under-spending.

3.5 The over-collection in Government revenues was largely attributed to $185.9 million in non-tax cash inflows from one-off budget support grants received from Australia and New Zealand in December 2021. Furthermore, higher-than-expected tax revenue collections in December 2021 and January 2022 resulted in a cumulative six-month collection of $782.6 million - an above forecast collection of $18.5 million. The strong pick-up in tax collections post-December 2021 is largely due to the resumption of international tourism and its positive spill-over effects on the wider economy.

3.6 In terms of expenditures, the under-spending of $440.6 million is the result of tighter controls on public spending and the underutilisation of certain budgetary allocations due to prevailing circumstances during the financial year. In the first six months, both operating and capital expenditure were below forecast by $295.2 million and $133.3 million, respectively. This under-spending is despite the front-loading of the unemployment assistance in the first half of the fiscal year.

FY2021-2022 Revised Fiscal Framework

3.7 Based on the favourable fiscal performance in the first 6 months of FY2021-2022 and a quick turnaround in the economic outlook for the second half, the FY2021-2022 Budget has been revised with a fiscal deficit of 14.2 percent of GDP, lower than the 16.2 percent of GDP previously budgeted.

3.8 For FY2021-2022, tax revenue collections are expected to be higher than the original budget by $112.9 million (an increase of 7.1 percent) and higher by $297.9 million or 21.1 percent relative to FY2020-2021. Tax revenues have improved significantly in recent months due to the earlier-than-anticipated reopening of international borders. Moreover, monthly tourist bookings have exceeded early expectations and are likely to reach pre-pandemic levels much sooner than projected.

3.9 Nonetheless, the year-end tax revenue forecast is based on the conservative assumption that visitor arrivals will reach around half of 2019 levels (about 450,000 visitors) in 2022. It also takes into account the $56 million in estimated tax loss for a 12-month period from the removal of the 20 cents per litre excise duty on fuel, the removal of Environment and Climate Adaptation Levy (ECAL) on prescribed goods and services, and the 'revenue-neutral' VAT adjustment to compensate revenue losses from the zero-rating of VAT on 21 essential everyday items, by increasing the VAT from 9 percent to 15 percent on 21 selected goods and services.

3.10 The 21 zero-rated items include sugar, flour, rice, canned fish, cooking oil, tea, powdered milk, liquid milk, baby milk, potatoes, onion, garlic, dhal, salt, sanitary pads, soap powder, soap, toilet paper, toothpaste, cooking gas and kerosene. The zero-rating of VAT on these items is expected to result in a 12-month revenue loss of around $163 million.

3.11 To compensate for this loss in tax revenue, VAT on 21 good and services will be increased from 9 percent to 15 percent. This includes prescribed services under the Environmental Levy (Budget Amendment) Act 2021 with turnover above $100,000; alcohol & tobacco; certain white goods; perfume, jewellery & watches; stereos and sound systems; electrical machinery and equipment; textiles, clothing & footwear; mobile phones; passenger vehicles; and professional services such as legal and accounting, management and consultancy, architectural and engineering, scientific research and development, advertising and market research, veterinary activities and other professional, scientific and technical activities. ECAL is now removed on these prescribed goods and services. The revenue gain from these items will offset the decline mentioned in 3.11 above. More details are provided in Chapter 5.

3.12 The revised revenue projection also takes into account the continuation of various tax measures introduced over the past two years to support businesses, rebuild tourism competitiveness and entice new investments, including the removal of Service Turnover Tax (STT) and stamp duties, reduction in departure tax from $200 to $100 and reduction in duties and taxes on over 2,000 items.

3.13 Overall, while tax collections are expected to be better than previously forecast, they will still be $1,109.3 million (39.3 percent) lower than pre-COVID levels (collections in FY2018-2019). With the tax policies announced in this revised Budget and the positive economic outlook, tax collections are expected to normalise to pre-pandemic levels within the next 2 to 3 years.

3.14 Non-tax revenue collections are expected at $542.6 million, higher than the original FY2021-2022 Budget of $487.5 million. Apart from the slight increase in collections from fees, fines and charges, budget support grants and dividends from state-owned enterprises (SOEs) are expected to generate additional revenues of around $108.6 million.

3.15 Cash grants were conservatively budgeted at around $116.3 million. However, with large budget support inflows from Australia and New Zealand in the first half of the year together with projected inflows from other development partners, grant revenues are now anticipated at around $214.2 million. Government also expects to receive around $70.0 million in reimbursement and recoveries from various existing trust fund accounts and $14.8 million from the sale and disposal of various properties, including the Brussels Foreign Mission, Savusavu Industrial Zone Lots, Factory 6 and Administration Building in Kalabu Tax Free Zone (KTFZ), 4.2-acre lot in Vatuwaqa and remittances from properties in KTFZ. These increases are expected to offset the shortfall from the $150 million planned divestment of Amalgamated Telecom Holdings Limited shares which is currently on hold.

3.16 Based on the above assumptions, the revised total revenue projection for FY2021-2022 is $2,253.1 million. This includes tax revenues of $1,710.5 million, and non-tax revenues of $542.6 million. Detailed breakdowns are provided in the FY2021-2022 Revised Budget Estimates.

3.17 Total Government expenditure for FY2021-2022 is budgeted at $3,715.1 million, $24.5 million higher than the original Budget. Government expenditures in nominal terms have remained around similar levels since FY2017-2018, despite large one-off expenditures for unemployment support and other relief measures. This has been achieved by tight controls on the civil service wage bill, reduction in other operational expenditures and slow implementation of capital projects due to COVID-19 and other natural disasters. The operating to capital mix for the Revised Budget stands at 65:35. More details are provided in the FY2021-2022 Revised Budget Estimates.

3.18 **Table 4** provides Government's revised Cashflow Statements for FY2020-2021 and FY2021-2022.

Table 4: Cashflow Statement

$ millions	2020-2021 (Actual)	2021-2022 (Budget)	2021-2022 (Revised Budget)
Receipts			
Direct taxes	466.2	457.2	481.3
Indirect taxes (excluding SEG 13 VAT)	918.5	1,094.6	1,182.5
Value Added Tax	415.2	498.2	588.7
Customs Taxes	399.8	459.4	473.8
Service Turnover Tax	1.1	-	0.05
Water Resource Tax	72.0	89.8	86.4
Departure Tax	0.9	10.2	12.8
Stamp Duty	7.9	-	0.1
Fish Levy	-	-	-
Telecommunication Levy	0.8	1.0	1.0
Environment and Climate Adaptation Levy	20.8	35.9	19.7
Fees, Fines, Charges & Penalties	123.7	130.9	135.4
Grants in aid	283.8	116.3	214.2
Dividends from Investment	51.3	48.0	58.7
Reimbursement & Recoveries	24.3	10.4	83.8
Other Revenues and Surpluses	28.6	24.8	28.0
Total operating receipts	**1,896.3**	**1,882.1**	**2,183.9**
Payments			
Personnel	928.5	988.6	984.1
Transfer payments	580.4	646.5	637.1
Supplies and consumables	254.5	252.5	266.5
Purchase of outputs	55.3	145.8	136.5
Interest paid	363.2	376.9	370.3
Other operating payments	7.1	13.2	8.2
Total operating payments	**2,189.0**	**2,423.5**	**2,402.7**
Net cash flows from operating activities	**(292.6)**	**(541.4)**	**(218.8)**
as a % of GDP	*-3.0%*	*-5.5%*	*-2.1%*
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Government Assets	210.5	150.0	14.9
Interest from Bank Balance	2.1	1.5	1.2
Interest on term loans and advances	2.6	2.6	2.6
Return of Surplus Capital from Investment	3.5	3.0	3.9
Foreign Exchange Rate Gains	-	-	-
Total investing receipts	**218.7**	**157.2**	**22.6**

$ millions	**2020-2021 (Actual)**	**2021-2022 (Budget)**	**2021-2022 (Revised Budget)**
Payments			
Transfer payments	853.4	1,075.7	1,127.8
Purchase of physical non-current assets	120.0	145.5	137.9
Total investing payments	**973.3**	**1,221.2**	**1,265.7**
Net cash flows from investing activities	**(754.7)**	**(1,064.1)**	**(1,243.1)**
as a % of GDP	***-7.8%***	***-10.8%***	***-12.1%***
NET (DEFICIT)/SURPLUS	**(1,047.3)**	**(1,605.4)**	**(1,462.0)**
as a % of GDP	***-10.8%***	***-16.2%***	***-14.2%***

3.19 The revised Fiscal Framework for FY2021-2022 is presented in **Table 5** below.

Table 5: FY2021-2022 Revised Fiscal Framework

($M)	**2020-2021 (Actual)**	**2021-2022 (Budget)**	**2021-2022 (Revised)**
Revenue	**2,143.0**	**2,085.1**	**2,253.1**
As a % of GDP	22.1%	21.1%	21.9%
Tax Revenue	1,412.6	1,597.6	1,710.5
Non-Tax Revenue	730.4	487.5	542.6
Expenditure	**3,190.3**	**3,690.5**	**3,715.1**
As a % of GDP	32.9%	37.3%	36.1%
Net Deficit	**(1,047.3)**	**(1,605.4)**	**(1,462.0)**
As a % of GDP	***-10.8%***	***-16.2%***	***-14.2%***
Debt	**7,663.7**	**9,061.4**	**9,125.7**
As a % of GDP	*79.0%*	*91.6%*	88.6%
GDP at Market Prices	**9,695.5**	**9,889.2**	**10,302.6**

3.20 Based on the projected total revenue of $2,253.1 million and total expenditure of $3,715.1 million, the net deficit stands at $1,462.0 million for the FY2021-2022 Revised Budget, equivalent to 14.2 percent of GDP. The projected total gross deficit, which is the sum of the net deficit and principal debt repayments, is around $1,809.5 million. The gross deficit will be financed through both domestic and external borrowings from multilateral and bilateral development partners. The financing details are provided in the FY2021-2022 Revised Budget Estimates.

3.21 Public debt is projected to increase to $9,125.7 million, equivalent to 88.6 percent of GDP. This is lower than the earlier projected debt to GDP ratio of 91.6 percent, due to a lower than earlier anticipated fiscal deficit. Moving forward, with the projected growth in the economy and the planned reduction in fiscal deficit levels, the debt to GDP ratio is expected to fall below 80 percent in the next 2 to 3 fiscal years.

Major Initiatives in the Revised FY2021-2022 Budget

Value Added Tax

3.22 Effective from 1 April 2022, zero-rated VAT will apply on 21 basic consumer items (**Table 6**) to cushion the impact of higher global prices on Fijian consumers. Government expects to lose around $163 million in tax revenues from zero-rating these goods.

3.23 Since the second half of 2021, inflationary pressures have been rising due to higher import prices and freight costs. The entire world is facing supply chain issues as pent-up demand has outpaced supply, with supply chains further impacted by the Russia-Ukraine conflict. Crude oil prices have already surpassed US$100 per barrel and wheat and other commodity prices have been rising rapidly. Domestic prices have risen significantly, reflecting international price developments with Fiji being a price-taker for all imported items.

3.24 To recoup these lost revenues from the zero rating of VAT, effective from 1 April 2022, a higher VAT rate of 15 percent will apply on a select list of goods and services (**Table 6**). For prescribed services that previously attracted ECAL of 5 percent, this will no longer be applicable. Instead, the higher VAT rate of 15 percent will now apply to those prescribed services with turnover of above $100,000.

Table 6: Revised VAT Rates

Zero-Rated VAT	15% VAT
1. Sugar	1. Air Conditioners
2. Flour	2. Dishwashers
3. Rice	3. Dryers
4. Canned Fish	4. Electric Jugs
5. Cooking Oil	5. Electric Lawn Mowers
6. Potato	6. Electric and Gas Stove
7. Onion	7. Hair Dryers
8. Garlic	8. Microwaves
9. Baby Milk	9. Refrigerators and Freezers
10. Powdered Milk	10. Mobile Phones
11. Liquid Milk	11. Televisions
12. Dhal	12. Toasters
13. Tea	13. Washing Machine
14. Salt	14. Passenger Vehicles
15. Soap	15. Alcohol and Tobacco

Zero-Rated VAT	15% VAT
16. Soap Powder 17. Toilet Paper 18. Sanitary Pads 19. Toothpaste 20. Kerosene 21. Cooking Gas	16. Textiles, Clothing and Footwear 17. Perfume, Jewellery and Watches 18. Stereo/Sound systems 19. Electrical machinery and equipment 20. Professional, Scientific & Technical Activities 21. Prescribed services under ECAL

Fuel Duty

3.25 The 20 cents per litre fuel duty will be removed to offer much-needed relief to consumers and businesses.

3.26 After disruptions to international travel and global supply chains at the start of the pandemic resulted in global crude oil prices plummeting to an all-time low, an additional fiscal duty of 20 cents per litre was imposed in the COVID-19 Response Budget to help compensate for COVID-19 induced revenue losses from income taxes and VAT, and to maintain domestic fuel prices at affordable levels. Subsequently, the duty on diesel was increased from 20 cents to 40 cents per litre, and unleaded fuel was increased from 46 cents to 66 cents per litre.

3.27 Recently, crude oil prices have been increasing due to higher global demand and supply-side disruptions caused by the escalating Russia-Ukraine conflict. International crude oil prices have increased to over US$100 per barrel with indications of further increases in the near-term. This has translated to higher domestic fuel prices, which are affecting transportation costs, consumption and business activity, and could potentially impact Fiji's economic recovery.

3.28 This reduction in fuel duty will offer relief to businesses and ordinary Fijians. Government will lose $56 million in revenue annually from this measure.

National Minimum Wage

3.29 Following a nationwide consultation process, the national minimum wage (NMW) rate will now be increased to $4.00 per hour in four tranches. Effective from 1 April 2022, the NMW rate will be increased from $2.68 to $3.01 an hour. It will further increase to $3.34 per hour on 1 July 2022, then to $3.67 on 1 October 2022, and finally to $4.00 per hour by January 2023.

3.30 Fiji's first ever NMW rate was introduced in 2014 for unskilled workers at $2.00 an hour. Since then, the NMW rate has been raised twice: first to $2.32 an hour in 2015, and then again to $2.68 an hour in 2017.

3.31 Following the increase in the NMW, the 10 sectoral minimum wage rates will also increase. Further details are provided in the Employment Relations (National Minimum Wage) Regulations 2022.

Investment in Fijian Drua

3.32 The establishment of the Fijian Drua and the business activity created by its participation in the Super Rugby Pacific competition will further support the development and commercialisation of the local sporting industry, an area of great comparative/competitive advantage for Fiji.

3.33 This will help attract foreign investors, boost investor confidence and provide another source of foreign exchange for Fiji. The creation of the Fijian Drua franchise and its participation in the competition will result in the progressive creation of over 65 new jobs to the economy and will provide a massive platform for television exposure into Fiji's core tourism markets of Australia and New Zealand, with the potential to reach other key markets around the globe.

3.34 To assist the Fiji Rugby Union (FRU) and the Fijian Drua in meeting the New Zealand Rugby Union's financing requirements for Super Rugby Pacific, Government will invest $6 million for a 51 percent stake in Counter Ruck Pte. Limited (CRL), which owns and operates the Fijian Drua.

3.35 Through this revised budget, Government will allocate the first tranche of $3 million for a 25.5 percent stake, and the second tranche- an additional $3 million- will be undertaken by December 2022 to secure the total 51 percent stake. By December 2022, FRU will own 49 percent while Government will own 51 percent. FRU will maintain management control of the company, and Government may consider divesting its shares in future once there is private sector interest in the business.

3.36 In addition, CRL will be granted a 13-year income tax holiday, and will be provided a waiver for customs duty on goods imported specifically for the establishment of Fijian Drua-related venues and High-Performance Unit for the period 1 July 2022 to 30 June 2023. A 200 percent tax deduction is also provided for sponsorship above $250,000 to the Fijian Drua.

3.37 Government support for the Fijian Drua will ensure that the potential benefits of the team on the growth and development of local rugby is realised, and that we capitalise on the abundance of naturally gifted athletes and rugby players in Fiji. The Fijian Drua provides an avenue for our domestic players to pursue professional sports careers right here in the Pacific, further strengthening grassroots rugby. Home matches that will be played in Fiji will become important sports tourism events and result in the creation of jobs and economic activity.

Amendments to Film Tax Rebate

3.38 Film incentives are regulated under the Income Tax Act 2015 (Film – Making and Audio- Visual Incentives Regulations 2016). Currently, Part 5 (Film Tax Rebate and Television Commercials) of the Regulations offers a very attractive package for productions in Fiji, with a 75 percent rebate on expenditure incurred in Fiji, with a minimum expenditure of $250,000 and a maximum rebate cap of $15 million.

3.39 The coverage of qualifying Fiji production expenditure (QFPE) was restricted in the FY2019-2020 Budget to spending undertaken only in Fiji, and thus excluded director's fees and charges for foreign cast members. However, the rate was increased from 47 percent to 75 percent.

3.40 In the Revised FY2021-2022 Budget, Government will:

- Limit the rebate rate to 20 percent of local expenditure; and
- Cap the rebate at $4 million per production.

Tourism Sector Incentives

3.41 Under the Short Life Investment Package (SLIP), new hotel investment projects are eligible for a 5-year income tax holiday for capital investments from $250,000 to $1 million, a 7-year tax holiday for investments between $1 million to $2 million, a 13-year tax holiday for capital investments between $2 million to $40 million and a 25-year income tax holiday for investments above $40 million.

3.42 Customs duty exemptions on all capital goods, including capital equipment, plant & machinery, building materials, furnishing & fittings, room amenities, kitchen & dining equipment and specialised water equipment will continue to be provided for hotels and resorts for an additional year until 31 December 2023.

3.43 To further encourage renovations and refurbishments for existing hotels, the 5-year tax holiday for investments above $2 million will also be further extended until 31 December 2023.

Expenditure Support

Expanding Health Services through Private General Practitioners

3.44 In June 2021, Government engaged the services of 14 General Practitioners (GPs) and one medical centre General Practitioner as part of a new scheme to improve the reach and quality of medical services to members of the public during the COVID-19 pandemic. Under this initiative, Government has so far spent more than $1.4 million to cater for the cost of general outpatient services (which includes consultation, review, referrals, injections, dressings, and other minor dressings) for more than 52,000 patient visits.

3.45 This initiative has proven successful in easing the strain on public medical facilities and has enabled participating GPs to grow their patient base. As such, Government will be including additional GPs to part take in this public private partnership. An Expression of Interest for the engagement of additional private medical GPs had been called earlier in March 2022, and is currently being assessed. Government will in the future also provide support to fund GP startups in areas currently not served by GPs and look into expanding the overall supply of GPs in Fiji.

3.46 Government is also seeking to expand the list of general outpatient services and medical care that eligible patients have access to through the inclusion of additional services including Multi Urine Dipstick Test, Electrocardiogram (ECG), Nebulizer (for asthma medications), oxygen supply, and Ultrasound scan.

3.47 In addition, Government will also engage GP's/practices that provide laboratory services for blood sample testing for the following: Sugar, Complete Blood Count (CBC), Basic metabolic panel (basic electrolyte panel), Cholesterol (lipid profile), Glycated hemoglobin (Hemoglobin A1C), Liver function, and Renal function.

3.48 Government is also engaging private dental practitioners (DPs) to improve the oral health of all Fijians, including school aged children, through government-funded access to private dental care. Services to be included under this initiative includes consultation/oral examination, extraction, temporary filling, and permanent filling.

Public Utilities

3.49 The Water Authority of Fiji (WAF) is provided a grant of $195.2 million, of which $80.7 million is for operating expenditure and $114.5 million is for capital expenditure. WAF's operating budget has been increased by $8.7 million to boost the provision of water and sewerage services.

3.50 An amount of $3.9 million is allocated in the Revised FY2021-2022 Budget to mitigate water disruptions in the Greater Suva-Nausori corridor. This funding will be used to carry out valve operations, put emergency water tanks within densely populated areas to ease water carting, purchase bulk mains repair clamps and install pressure reducing valves (PRVs) to regulate pressure along the upper Tovata system to assist elevated areas that face low pressure to water regularly. A total of 5 PRVs are earmarked for installation under this budget.

3.51 The Natakiviqa Outlet Mains Extension Project ($1.1 million) will benefit 1,250 Fijians along the Nakelo to Kaba Peninsula with improved supply and water pressure. The Waikete Village Pipeline Upgrade ($2.2 million) will alleviate the low-pressure issues faced by the Waikete Village community.

3.52 Government is allocating $4.5 million for the upgrade and replacement of existing 200 mm PVC Water Mains along Tagitagi for a total distance of 6.3 km. This project is focused on alleviating the current intermittent water supply issues being faced by customers in Tagitagi, Qalela, Nasivi, Matacawa, Honey Road and Lubulubu areas. The existing infrastructure is fragile and outdated, and its replacement will benefit upwards of 4,000 Fijians in this area.

3.53 In addition to this, Government is allocating an additional $3.38 million to complete and commission a total of 13 water supply projects in the Western and Northern Region. Fijians residing on Malake Island, Khalsa Top and Vatiyaka No.1 Road, Olosara Sewerage Road, Malomalo Village, Nalagi Primary School, Yalava and Samusamu Settlement, Vanuakula to Drasa Tropik Wood, Koroivolu, Matalevu, Navudi to Navai, Nasarava and Vunikawakawa will be positively impacted by these projects.

3.54 Grid Extension and House wiring Projects - A budget of $6.1 million has been allocated under Head 50 for grid extension and house wiring works. The extension of EFL grid networks will benefit rural areas that do not have access to electricity. A total of 48 schemes (Central Division- 13, Western Division- 29, and Northern Division- 6) will be implemented, with more than 5,000 Fijians to benefit from the programme.

3.55 The EFL Subsidy for residential customers ($13.2 million) will assist domestic customers with a combined annual income less than or equal to $30,000 for the first 100kwh of electricity consumed. Around 58,192 customers benefit from the subsidy programme on a monthly basis. From 1 August 2021 to 31 January 2022, Government paid 100 percent of the electricity bill for residential customers on the subsidy programme. However, from 1 February 2022, subsidised customers will now pay 50 percent of the bill.

3.56 EFL Subsidy for Micro, Small and Medium Enterprises (MSMEs) ($2.0 million)- From 1 August 2021 to 31 January 2022, Government subsidised MSME electricity costs by paying $6.98 cents per month for MSMEs with annual turnover of $1.25 million, covering the first 1,000 units of electricity consumed. To cushion the impacts of high energy prices, the subsidy has been extended for an additional six months until 31 July 2022.

Roads

3.57 The Fiji Roads Authority (FRA) has been allocated $338.2 million in the FY2021-2022 Revised Budget, of which $13.1 million is for operating expenditure and $325.1 million is for capital expenditure. Of this, $72.9 million is allocated for essential road maintenance, $60.0 million to expand FRA's road renewal and rehabilitation programme, $34.0 million for the upgrade and replacement of bridges, and $14.5 million is allocated to the Rural Roads Programme.

3.58 $21.8 million has been allocated for the rehabilitation of damages caused by TD03F and Tropical Cyclone Cody, while $102.1 million is allocated for The Transport Infrastructure Investment Sector Project, which will rehabilitate footpaths and street lights along major arterial roads, and bus shelters across villages and settlements.

Education and Skill Development

3.59 The Education sector is provided a total budget of $661.6 million. This includes $447.1 million to the Ministry of Education, Heritage and Arts, $47.9 million to Higher Education Institutions and $156.5 million for tertiary education funding. Government will continue to provide free education, bus fare assistance and other education-related initiatives.

3.60 The Fijian Government will continue to rationalise, review and innovate investment in tertiary education through the National Toppers Scheme (NTS) and the Tertiary Education Loan Scheme (TELS). In the FY2021-2022 Budget, a new quota system was introduced for TELS and the entry mark was increased from 250 to 280. For areas where there was an oversupply of graduates, including Accounting, Tourism, Law, Management and Public Administration and certain areas in teacher training, medicine, and health, the eligibility mark was increased to 300 for Year 13. The TELS quota system was introduced to balance funding between high-priority areas with skills shortages and areas with possible oversupply.

3.61 The situation changed significantly following the announcement of the FY2021-2022 Budget, with the second wave of COVID-19 drastically impacting the education of students and potentially affecting their performance in examinations.

3.62 In the Revised FY2021-2022 Budget Government has temporarily reduced the TELS entry mark to 250, except for the Commerce category, where the cutoff mark will remain at 280 with a quota of 850 due to over-supply of graduates. The entry mark for Commerce programmes with over-supply will remain at 300. As such the quota for TELS degree programmes will now be increased from 2,000 to 2,942 with increased attention to areas such as Medicine and Health, Engineering, Science and Technology.

3.63 Government also recognises the contribution made by the nurses in our health sector. To fill the gaps created by nurse resignations and migrations, the TELS quota for Bachelor of Nursing will now be increased from 100 to 350 students for the 2022 intake.

3.64 As part of the FY2020-2021 Budget announcement, funding for the MBBS program was suspended under the NTS and TELS. However, considering the impact of COVID-19, Government is reprioritising health service delivery by engaging GPs to improve access to medical services. This creates more opportunities for graduate doctors to seek employment in both public and private hospitals.

3.65 As such, Government will now provide 20 MBBS and 5 Bachelor of Dental Surgery awards to new students who have completed Year 13 with a mark of 340 in 2021 through the NTS. Students who are registered on the TSLS Online Portal for 2022 intake can apply, or change their programme to qualify.

3.66 In the FY2021-2022 Budget, Government provided funds for one-off $10,000 grants for privately enrolled MBBS students with a minimum Year 13 mark of 340 and above in 2020, first-year GPA of 3.0 and above and combined parental income of less than $100,000, with potential students assessed via stringent means testing. In February this year, 42 eligible students were selected to be assisted with one-off grants of $10,000, which the students could use to clear their fees for 2021. To further assist students meeting the aforementioned criteria, Government will now provide full-time scholarships under the NTS effective from Semester 1, 2022. The existing Scholarship regulations will be amended to include students who did Year 13 in 2020.

3.67 In the FY2021-2022 Budget, Government has announced a 20-year tax holiday incentive for the Business Process Outsourcing (BPO) sector. Building on this support, Government will ringfence 300 awards for BPO Training under TELS for TVET at FNU, with an existing allocation of 5,000 awards.

3.68 The Accelerated Repayment Initiatives (ARI) for TELS students was introduced in the FY2018-2019 Budget. This provided an opportunity for TELS students to make early repayments of loans and get heavy discounts. The earlier the repayment date, the higher the discount percentage on the overall amount. For this initiative, the determination of the repayment period for discount eligibility will exclude Year 2020, 2021, and 2022.

Unemployment Support

3.69 Government has so far paid $430 million in unemployment support to the formal and informal sectors. In the FY2021-2022 Revised Budget, $20 million is allocated for one-off unemployment support of $100 to those in the informal sector in Vanua Levu and a one-off $50 top up for all social welfare recipients.

CHAPTER 4: GOVERNMENT DEBT AND FINANCING

Government Debt

4.1 Government debt is forecast to reach $9.1 billion, equivalent to 88.4 percent of GDP by end of July 2022. Domestic debt is forecast at $5.8 billion (64 percent) and external debt is forecast at $3.3 billion (36 percent).

Table 7: Government Debt ($M)

Particulars	**Jul-18**	**Jul-19**	**Jul-20**	**Jul-21**	**Jul-22 Revised Forecast**
Domestic Debt	3,763.0	4,278.5	4,976.5	5,241.2	5,825.7
External Debt	1,457.5	1,456.8	1,709.5	2,422.5	3,300.0
Total Debt	**5,220.5**	**5,735.2**	**6,686.0**	**7,663.7**	**9,125.7**
Debt (as % of GDP)	**46.0**	**49.3**	**65.5**	**79.8**	**88.6**
Domestic to Total Debt	*72%*	*75%*	*74%*	*68%*	*64%*
External to Total Debt	*28%*	*25%*	*26%*	*32%*	*36%*

(Source: Ministry of Economy)

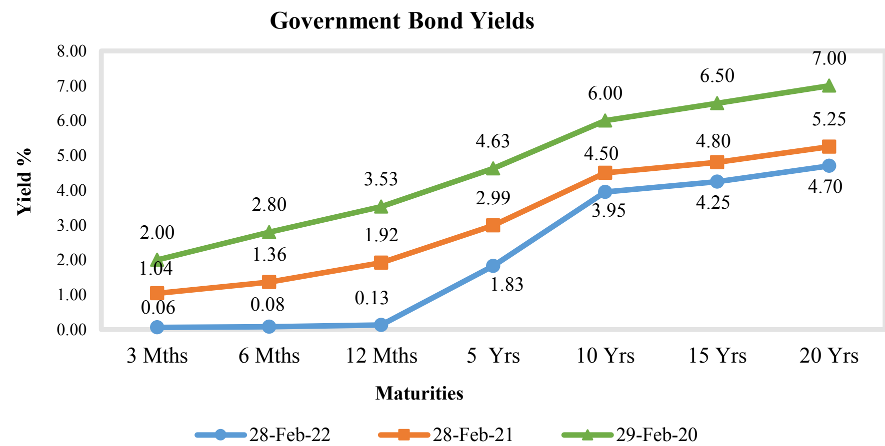
4.2 On 18 March 2022, Government accessed Phase two of the COVID-19 Crisis Response Emergency Support Loan from JICA amounting to JPY10 billion (FJ$176.8 million) at concessional terms, with a 15-year repayment period inclusive of a 4 -year grace period at 0.01 percent interest rate. The first phase of the program also amounted to JPY10 billion (FJ$187.4 million) and was accessed in FY2020-2021. Subsequent to the Phase two drawdown, JICA is now the largest bilateral lender to Government.

4.3 Government is currently finalising policy-based loans with the ADB and the World Bank Group amounting to around US$300 million. Financing will be subject to the completion of policy reform actions as agreed to with multilateral partners. The policy reforms broadly aim to promote private sector-led economic recovery, strengthen debt and Public Financial Management (PFM), enhance climate, disaster and social resilience, improve public policy for community resilience and increase the efficiency and adaptability of Fiji's social protection systems.

4.4 Overall, Government in the last two years has accessed over FJ$900 million in highly concessional financing from development partners. This has significantly lowered the borrowing cost in the domestic market as liquidity levels in the banking system have increased.

4.5 Government yields for the last three years have declined significantly. Current short-term yields have reduced by 194 basis points, 272 basis points and 340 basis points for the 3 month, 6 month and 12 month T-bills, respectively, relative to February 2020 (pre-COVID). Similarly, current long-term yields noted significant reductions by 205 basis points, 225 basis points and 230 basis points for the 10-year, 15-year and 20-year bonds, respectively.

Figure 7: Government Bond Yields



(Source: Ministry of Economy)

4.6 Government is in the process of finalising its Liability Management Operations (LMO) Policy which maps out processes for conducting debt management operations such as bond call options, bond switches and buy backs. The principal functions of the LMO are to enhance market liquidity and mitigate refinancing risk consistent with the Medium-Term Debt Management Strategy (MTDS).

4.7 As at 28 February 2022, Government had executed the final Debt Service Suspension Initiatives (DSSI) Agreements with the EXIM Bank of China and JICA via the Paris Club. This has resulted in the total suspension of debt service amounting to CNY216.1 million (equivalent to FJ$68.3 million) and JPY63.6 million (equivalent to FJ$1.2 million), respectively. This has assisted Government to concentrate financial resources on COVID-19 response and recovery efforts.

4.8 The risk indicators for the Government debt portfolio as at 31 January 2022 are summarized in **Table 8**.

Table 8: Government Debt- Cost and Risk Indicators

		Jan- 2020	Jan-2021	Jan-2022
Nominal debt as percentage of GDP		50.5	69.4	79.6
Cost of Debt	Weighted Av. IR (percent)	6.2	5.2	4.6
Refinancing risk	ATM (years)	8.1	9.6	10.8
Interest rate risk	ATR (years)	6.9	8.0	9.5
FX risk	FX debt (percent of total debt)	25.3	25.9	31.2

(Source: Ministry of Economy)

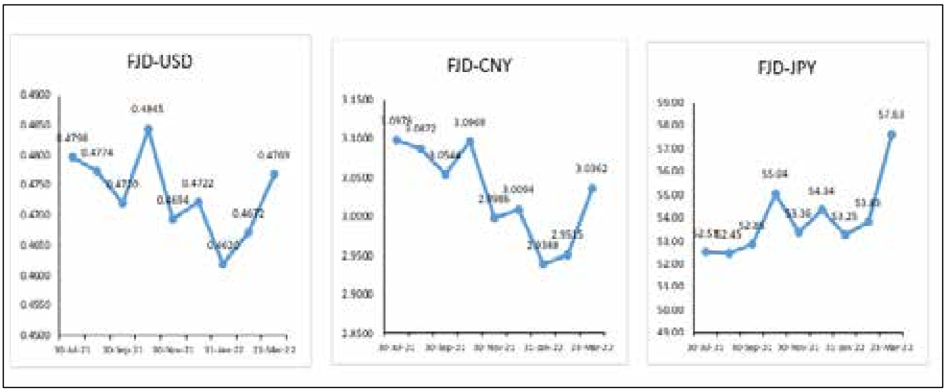
4.9 The Fijian Government debt portfolio cost and risk indicators over the past three fiscal years showed significant improvement in terms of the weighted average interest rates and the refinancing risk, mostly attributed to financing sources with concessional terms and issuing long-term bonds with low interest rates in the domestic market.

4.10 External debt accounted for 31.2 percent of the total debt portfolio as at 31 January 2022, mainly due to the accessing of concessional external financing to cushion the impact of the closure of borders and the absence of tourism on foreign reserves and to avoid a devaluation during the pandemic.

4.11 As at March 2022, the USD loans dominated the external debt portfolio at 67.2 percent, followed by the Japanese Yen (JPY) at 16.5 percent and the Chinese Renminbi Yuan (CNY) at 16.3 percent. Furthermore, the FJD currency has strengthened against all its major currencies as depicted in **Figure 8**.

4.12 Government guaranteed debt stood at $1.1 billion, equivalent to 10.9 percent of GDP at the end of January 2022. This represents a 4.7 percent increase over the quarter and an increase of 27.2 percent when compared to the same period last year, solely attributed to the utilisation of approved guaranteed facilities by Fiji Airways, FDB and Fiji Sugar Corporation Ltd (FSC).

Figure 8: Exchange Rate Movements



(Source: Ministry of Economy)

4.13 On 22 October 2021, Parliament approved an additional $80 million Government guarantee to FDB during the fiscal year. This increased FDB's guarantee limit for the guarantee period 1 March 2021 to 28 February 2022 from $170 million to $250 million. Furthermore, in February 2022, Parliament approved that Government guarantee FDB's borrowings for a further 12-month period from 1 March 2022 to 28 February 2023 for the sum of $200 million, and that a guarantee fee of 0.075 percent be applied.

4.14 Parliament also approved an increase in the existing Government guarantee for Fiji Airways' local borrowings from FJ$191.1 million to FJ$241.1 million, and for their offshore borrowings from US$117.1 million to US$142.1 million. This increases the total guarantee ceiling from $455 million to $561.4 million, valid until the guaranteed facilities are discharged or fully settled. Fiji Airways is also exempted from paying a guarantee fee.

4.15 The conversion of Government loans to equity with entities such as FSC, Pacific Fishing Company Pte. Limited, Fiji Rice Limited, Food Processors (Fiji) Limited and Viti Corp Company Limited is still progressing, and the finalisation of this process should reduce the total outstanding lending fund portfolio. As at 31 January 2022, the total lending portfolio of Government amounts to $815.7 million.

4.16 Overall, Government's broad debt policies are as follows:

- Set the debt to GDP ratio back on a downward trajectory;

- Lower the cost of debt through concessional financing from multilateral and bilateral partners;
- Maintain an optimal cost and maturity structure for Government's debt portfolio to ensure prudent liability management;
- Develop the domestic bond market to focus more on liquidity, transparency, secondary market trading, settlement mechanisms and investor diversification;
- Ensure consistent domestic market operations and provide clear investor guidance and market signaling for market development; and
- Minimise risks associated with on-lending and contingent liabilities.

Policy-based Budget Support

4.17 Government has undertaken a comprehensive reform programme over the past two years to improve Fiji's governance and management of public finances, enhance the policy, legal and institutional framework for SOEs and public-private partnerships (PPPs), and open up opportunities for trade, competition and private investment.

4.18 These reforms have enabled Government to access technical assistance, concessional lending and policy-based budget support from our development partners, including the Governments of Australia and New Zealand, the ADB, AIIB, JICA and the World Bank, among others. Budget support from our key development partners has been a key feature of bilateral assistance throughout the pandemic, with around $900 million received in the past two years. **Table 9** below provides a list of key policy reforms undertaken over that period.

Table 9: Key reforms for policy-based budget support from FY2019-2020 to FY2021-2022

Focus Area	Key Reforms
COVID-19 Response	i. In the COVID-19 Response Budget, Government introduced the following measures to assist the private sector and workers: ▪ reduced employers' statutory FNPF contributions until 1 January 2022 ▪ 21 days paid sick leave for workers testing positive for COVID-19 ▪ tax deductions for employers for wages and salary paid to employees in self-quarantine ▪ additional contributions to boost SME lending programmes ▪ relief payments to informal sector workers in lockdown areas, including for women-owned micro-enterprises (such as hawkers)

Focus Area	Key Reforms
	ii. Ministry of Women, Children and Poverty Alleviation (MWCPA) developed a guidance note on the gendered impacts of COVID-19 in Fiji. iii. Government established the COVID-19 Credit Guarantee Scheme to support the post-COVID medium-term recovery for new and existing businesses (including those run by women). The scheme is a working capital facility that provides a two-year interest rate subsidy and can be accessed through licensed financial institutions.
Improve public financial management	i. MoE completed a high-level public expenditure review (PER) on education, health, capital spending, personnel, and transfers and subsidies. A synopsis of the PER was published on the MoE website. ii. MoE implemented the Medium-Term Expenditure Framework (MTEF) through the incorporation of forward estimates and clear links between investments and recurrent cost requirements in the FY2020-2021 budget submission template. iii. MoE completed a Public Expenditure and Financial Accountability (PEFA) Assessment and the final report has been published on its website. It also completed a PEFA self-assessment of gender- responsive PFM, which has been approved by the PEFA Secretariat. iv. 92 percent of Government payments have been made through digital platforms during 1 August 2019–31 March 2020. v. To strengthen PFM and improve gender equality, Cabinet approved the Financial Management Act (Amendment Bill) 2021 and Gender Responsive Budgeting (GRB) in the FY2020-2021 budget, and included GRB in annual finance circulars and budget submission templates. vi. In addition, the amendment mandates a fiscal strategy that considers the impact of policy decisions on present and future generations by strengthening controls and accountability of permanent secretaries, and by introducing new legal requirements to improve procurement and cash management. vii. Cabinet approved Fiji's first medium-term debt management strategy (MTDS) for FY2021–FY2023, which was published on the MoE website to enhance fiscal transparency. Beginning last year, MoE has aligned its annual borrowing plan with the MTDS, and has integrated the plan into its medium-term fiscal strategy

Focus Area	Key Reforms
	for FY2021–FY2023. viii. Cabinet approved a Medium-Term Fiscal Strategy (MTFS) that strengthens fiscal discipline and initiates fiscal consolidation through expenditure-side measures consistent with debt sustainability. ix. To strengthen PFM systems, the MoE has developed the Public Financial Management Improvement Plan for FY2020-FY2025.
Enhance performance of SOEs and PPPs	i. Government made regulations under the Public Enterprises Act 2019 in relation to the percentage of share ownership or control for the purposes of section 43(2)(e). ii. Cabinet approved the PPP implementation guidelines, which were subsequently published on the MoE website. iii. Cabinet approved a new policy framework for on-lending to Government entities, including public enterprises. This was published on the MoE website. iv. Two public enterprises, Food Processors (Fiji) Limited and Fiji Rice Limited, have restructured their balance sheets including through the sale of non-core assets.
Promote private sector-led growth	i. Regulation of Building Permits Act 2017 came into force in 2020, allowing for harmonised forms, the appointment of Building Permits Evaluation Committee members and an online information portal for obtaining building permits, among other things. ii. Cabinet approved separate bills relating to trademarks, designs, and patents, in each case for tabling in Parliament. iii. Cabinet approved a policy statement and the drafting of a Bill relating to competition and consumer law which recognizes the specific needs of women, rural and disadvantaged groups and a commitment to supporting women's consumer rights. iv. Government amended the Customs Tariff Act 1986 to simplify compliance and reduce customs and fiscal duties on a range of imported inputs relevant for business recovery. v. Government removed the requirement to apply for business licenses and to promote the formalisation and creation of new enterprises (including those run by women) via repeal of the Business Licensing Act 1976.

Focus Area	Key Reforms
	vi. To improve the efficiency of payment systems, foster digital solutions and reduce transaction costs for businesses, Cabinet approved the National Payment System Act 2021. vii. Government abolished stamp duties via repeal of the Stamp Duties Act 1920. viii. Cabinet approved the Investment Act 2021, which strengthens investor protections and provides simple, transparent processes for the entry of foreign investment. ix. Parliament enacted the International Arbitration Act 2017 to improve the framework governing international commercial arbitration. x. Government established the regulatory framework and institutions to allow moveable property to be used as secure collateral for credit purposes via the Personal Property Securities Act 2017; the publication and commencement of the Personal Property Securities Regulations 2019; and appointment of RBF as the Registrar and administrator of the Personal Property Securities Registry. xi. The Minister for Justice issued the Companies (Wholesale Corporate Bonds) Regulations 2021, providing guidance to Fijian businesses wishing to raise funds through bonds and making Fiji's finance sector more competitive.
Strengthen community and climate resilience	i. Government developed the Climate Change Policy 2018-2030 to scale-up Fiji's activities for enhancing the resilience of key vulnerable sectors. ii. Government enacted the Climate Change Bill 2021, which establishes a gender-sensitive framework for resilience-building and mitigation that safeguards the future of Fiji by mainstreaming climate change throughout the public sector, including requirements for incorporating climate change considerations into public procurement, the national budget, and agency budget submissions. iii. Seven ministries will implement and monitor GRB allocations for 14 programmes in FY2021-2022, building on lessons from the pilot run in FY2020-2021. iv. MWCPA will implement an overarching social assistance policy that guides gender-responsive targeting of social assistance programmes.

Focus Area	Key Reforms
	v. Government has exempted VAT for premiums on climate and disaster risk parametric insurance products to accelerate their roll-out, and launched a market-based climate risk parametric micro-insurance product that transfers risks from businesses to the private (re)insurance market, in partnership with local insurance companies. vi. Government launched the National Ocean Policy 2020-2030, which promotes the sustainable management of our ocean resources and enhances the resilience of coastal communities and marine ecosystems. vii. Government amended the Environmental Management Act (2005) and Customs Act (1986) to phase-out polystyrene products. viii. Cabinet approved Resilient Building Guidelines that strengthen new single-story schools and residential housing on native land against climate-related risks and earthquakes. The guidelines are aligned with the Fiji National Building Code, and will inform training courses for building practitioners in rural areas.

(Source: Ministry of Economy)

CHAPTER 5: FY2021-2022 REVISED BUDGET REVENUE POLICIES

Part 1 – Direct Tax Measures

(i) Income Tax Act 2015

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Social Responsibility Tax (SRT) and Environment and Climate Adaptation Levy (ECAL)</td><td>

➢ ECAL will be removed and the SRT rate will be increased by 5% for the computation of personal income tax. The tax burden will remain the same. The new SRT structure will be as follows:

<table>
<tr><th>Chargeable Income</th><th>Social Responsibility Tax Payable</th></tr>
<tr><td>$270,001 – $300,000</td><td>18% of excess over $270,000</td></tr>
<tr><td>$300,001 – $350,000</td><td>$5,400 + 19% of excess over $300,000</td></tr>
<tr><td>$350,001 – $400,000</td><td>$14,900 + 20% of excess over $350,000</td></tr>
<tr><td>$400,001 – $450,000</td><td>$24,900 + 21% of excess over $400,000</td></tr>
<tr><td>$450,001 – $500,000</td><td>$35,400 + 22% of excess over $450,000</td></tr>
<tr><td>$500,001 – $1,000,000</td><td>$46,400 + 23% of excess over $500,000</td></tr>
<tr><td>$1,000,000 +</td><td>$161,400 + 24% of excess over $1,000,000</td></tr>
</table>

</td></tr>
<tr><td>2. Hotel Investment Incentive</td><td>

➢ In the FY2021-2022 Budget, the Short Life Investment Package (SLIP) was extended to renovations and refurbishments of existing hotels or resorts.

➢ The 5-year tax holiday for investments of more than $2 million will be extended for an additional 12 months until 31 December 2023.

➢ The duty-free importation for all hotels and resorts will also be extended for an additional 12 months until 31 December 2023.

</td></tr>
<tr><td>3. Film-making and Audio-visual Incentives</td><td>

➢ The Income Tax (Film-making and Audio-visual Incentives) Regulations 2016 will be amended to make the following changes:

- The film tax rebate will be decreased from 75% to 20% and will be based on the expenditure incurred in Fiji and paid to Fiji residents for goods and services.

- The maximum rebate payable per approved final certificate will not be more than $4 million.

</td></tr>
<tr><td>4. Tax incentive for the Fijian Drua</td><td>

➢ A 13-year tax holiday will be given to the Fijian Drua to assist in its development.

</td></tr>
</table>

Policy	Description
	➢ Import duty exemption will also be available on the importation of items specifically used for the establishment of the High-Performance Unit for the Fijian Drua. The period of exemption will be available from 1 July 2022 to 30 June 2023.
5. Tax deduction for sponsorship	➢ A 200% tax deduction will be available for sponsorships of not less than $250,000 made to the Fijian Drua.
6. Resident Interest Withholding Tax	➢ For ease of administration, resident interest withholding tax will be exempted on interest income of less than $1,000.
7. Annual Tax Withholding Certificate	➢ The Income Tax (Withholding Tax) Regulations 2013 will be amended to allow financial institutions to issue annual tax withholding certificates through electronic means.
8. Debt forgiveness	➢ As the economy embarks on its recovery, this policy will be extended by an additional 12 months. The new extension period will be as follows: - Debt creation period will be extended from 31 December 2021 to 31 December 2022. - Debt forgiveness period will be extended from 31 December 2022 to 31 December 2023.
9. Tax deduction for salaries and wages	➢ The 300% deduction allowed on salaries and wages paid to an employee quarantined and/or tested positive for COVID-19 will be extended from 31 December 2022 to 31 December 2023.
10. Tax deduction for reduction of commercial rent	➢ The 200% tax deduction given to landlords for the amount of reduction of commercial rent will be extended until 31 July 2023.
11. Subdivision of Land Incentive	➢ The incentive package for the subdivision of lots will be extended for an additional 24 months until 31 July 2024.
12. Relief to State controlled entity from costs incurred in the acquisition of assets.	➢ Section 85 of the Income Tax Act 2015 will be amended to allow an exemption to any State-controlled entity that is in the business of generating, distributing and retailing electricity from costs related to any grant, subsidy, rebate, commission, or other assistance received or receivable by the person in respect of the acquisition of the asset. This will not be applied retrospectively.
13. Tax deduction for maternity leave	➢ A 200% tax deduction will be allowed for salary and wages paid to staff on maternity leave.
14. Plastic Bag Levy and ECAL	➢ The 50 cents ECAL on plastic bags will now be renamed as Plastic Bag Levy.

(ii) Tax Administration Act 2009

Policy	Description
1. Departure Prohibition Order	➢ Section 31of the Tax Administration Act 2009 will be amended to remove the requirement for a Fiji Revenue and Customs Service Board member to co-sign a Departure Prohibition Order.
2. Debt write-off	➢ Instruction 57C of the Finance Instructions 2010 will be amended to allow the chief executive officer of the Fiji Revenue and Customs Service to write-off debts up to $100,000 for a taxpayer.

Part 2 – Indirect Tax Measures

(i) Value Added Tax Act 1991

Policy	Description
1. Value Added Tax (VAT)	➢ The VAT on the following goods will be zero-rated:

No.	Zero Rated
1	Sugar
2	Flour
3	Rice
4	Canned fish
5	Cooking oil
6	Potato
7	Onion
8	Garlic
9	Baby milk
10	Powdered milk
11	Liquid milk
12	Dhal
13	Tea
14	Salt
15	Soap
16	Soap powder
17	Toilet Paper
18	Sanitary pads
19	Toothpaste
20	Kerosene
21	Cooking gas

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td></td><td>

- The VAT will be increased to 15% on the following list of goods and services:

<table>
<tr><th>No.</th><th>15%</th></tr>
<tr><td>1</td><td>Air conditioners</td></tr>
<tr><td>2</td><td>Dishwashers</td></tr>
<tr><td>3</td><td>Dryers</td></tr>
<tr><td>4</td><td>Electric jugs</td></tr>
<tr><td>5</td><td>Electric lawn mowers</td></tr>
<tr><td>6</td><td>Electric and gas stoves</td></tr>
<tr><td>7</td><td>Hair dryers</td></tr>
<tr><td>8</td><td>Microwaves</td></tr>
<tr><td>9</td><td>Refrigerators and freezers</td></tr>
<tr><td>10</td><td>Mobile phones</td></tr>
<tr><td>11</td><td>Televisions</td></tr>
<tr><td>12</td><td>Toasters</td></tr>
<tr><td>13</td><td>Washing machines</td></tr>
<tr><td>14</td><td>Passenger motor vehicles</td></tr>
<tr><td>15</td><td>Alcohol and tobacco</td></tr>
<tr><td>16</td><td>Textile, clothing and footwear</td></tr>
<tr><td>17</td><td>Perfume, jewellery and watches</td></tr>
<tr><td>18</td><td>Electrical machinery and equipment</td></tr>
<tr><td>19</td><td>Stereo/sound systems</td></tr>
<tr><td>20</td><td>Professional, scientific and technical services including legal and accounting, management and consultancy, architectural and engineering, scientific research and development, advertisement and market research, veterinary activities and other professional, scientific and technical activities.</td></tr>
<tr><td>21</td><td>Environment and Climate Adaptation Levy prescribed services</td></tr>
</table>

- The 5% Environment and Climate Adaptation Levy previously applicable on prescribed services, white goods and passenger motor vehicles will be removed.

</td></tr>
</table>

(ii) Customs Tariff Act 1986 – Fiscal Duty and Import Excise Changes

Policy	Description
1. Fuel	➢ The fiscal duty on the importation of diesel will be reduced from 40 cents to 20 cents per litre. ➢ The fiscal duty on the importation of petrol (benzene) will be reduced from 66 cents to 46 cents per litre.
2. Passenger allowance for Gold Card Taxpayers	➢ Concession Code 218 will be amended to increase the allowance for accompanied luggage for Gold Card Taxpayers from $2,000 to $3,000.
3. Companies involved in milling and processing of raw sugar	➢ Concession Code 243 will be extended to include companies involved in milling and processing of raw sugar. ➢ The duty concession will be available on the following: i. Approved factory upgrade and maintenance materials ii. Tramline & spares iii. Mill parts iv. Laboratory glassware & chemicals v. Sugar processing equipment
4. Zip-lock bags	➢ The fiscal duty on zip-lock bags will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%.
5. Lunch boxes	➢ The fiscal duty on lunch boxes will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%. ➢ This will only be applicable to lunch boxes with a thickness of 1.88mm or more, and is not manufactured locally.
6. Water bottles	➢ The fiscal duty on water bottles will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%.
7. Wheelie bins	➢ The fiscal duty on wheelie bins will be reduced from 32% to 5% and the import excise will be reduced from 15% to 0%.
8. Meat patties and nuggets	➢ The fiscal duty on meat patties and nuggets will be reduced from 32% to 5%.

(iii) Customs Act 1986

Policy	Description
1. Commercial Standard Administrative Document	➢ The requirement for a customs entry for commercial consignments below $1,500 will be waived for the clothing and textile sector.
2. Deferred payment for authorised economic operators	➢ The late payment penalty charged for failure to clear deferred duty by the due date will be reduced from the current 25% to 15% for authorized economic operators.
3. Waiver of Euro 4 requirement on specialised vehicles	➢ The Euro 4 requirement will be waived on the importation of specialised vehicles used for mining and state-funded road projects.

(iv) Airport Departure Tax Act 1986

Policy	Description
1. Increase in transit hours for departure tax exemption	➢ The transit time for passengers for the departure tax exemption will be increased from 72 hours to 96 hours.

(v) Superyacht Charter Act 2010

Policy	Description
1. Superyacht Charter Fee and ECAL	➢ The 5% ECAL on superyacht charters will be renamed as Superyacht Charter Fee.

(vi) Environment and Climate Adaptation Levy Act 2015

Policy	Description
1. Environment and Climate Adaptation Levy	➢ ECAL on prescribed services, personal income, white goods, motor vehicles, superyacht charter and plastics will be removed.

APPENDICES

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

Activity	Base Weight	2018r	2019(p)	2020(e)	2021(e)	2022f	2023f	2024f
AGRICULTURE	**8.3**	**686.9**	**725.8**	**761.4**	**703.4**	**753.8**	**797.2**	**836.7**
General Government	0.1	10.0	10.2	9.7	9.7	9.8	9.9	10.0
Subsistence	1.8	127.3	128.1	133.2	137.2	138.6	140.0	141.4
Formal Non-Government Agriculture	6.0	520.3	557.6	587.6	525.3	573.9	615.5	653.2
Taro	0.9	50.6	52.9	55.4	47.1	51.8	54.4	57.1
Sugarcane	1.3	89.7	95.6	91.5	74.1	84.7	95.3	97.9
FORESTRY AND LOGGING	**0.8**	**26.1**	**24.7**	**27.8**	**32.0**	**33.6**	**34.0**	**34.4**
FISHING AND AQUACULTURE	**1.2**	**69.0**	**66.2**	**63.5**	**68.2**	**71.0**	**73.8**	**76.6**
Formal Non-Government Fishing and Aquaculture	0.8	43.4	40.9	36.5	39.5	40.9	42.3	43.5
MINING & QUARRYING	**0.9**	**52.4**	**49.3**	**48.0**	**50.1**	**54.6**	**65.1**	**76.2**
MANUFACTURING	**13.5**	**1,137.1**	**1,111.1**	**1,064.8**	**1,112.8**	**1,167.9**	**1,214.3**	**1,245.8**
Informal manufacturing	2.5	187.0	185.8	186.9	187.3	188.4	189.5	190.7
Sugar	0.9	22.5	25.6	23.0	20.0	22.0	24.8	25.5
Mineral water	1.0	165.3	133.5	120.4	168.5	185.4	200.2	210.2
Wearing apparel	1.1	91.7	87.4	73.4	62.4	71.7	73.2	74.6
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**200.2**	**201.0**	**207.2**	**203.3**	**239.5**	**251.5**	**264.1**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	**58.7**	**59.2**	**54.1**	**55.1**	**56.6**	**58.1**	**59.8**
CONSTRUCTION	**2.9**	**285.9**	**305.8**	**245.1**	**236.6**	**255.5**	**276.0**	**293.3**
Formal Non-Government Construction	1.9	186.8	200.8	150.6	141.6	155.8	171.3	183.3
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**901.6**	**915.6**	**870.5**	**829.1**	**886.5**	**909.8**	**913.9**
Informal WRT	3.4	246.4	247.4	240.6	227.5	238.6	233.9	219.9
Formal Non-Government WRT	7.9	655.2	668.2	629.9	601.6	647.8	675.9	694.0
TRANSPORT AND STORAGE	**7.9**	**537.1**	**482.0**	**307.4**	**269.0**	**381.7**	**498.4**	**705.4**
Formal Non-Government Transport & Storage	7.7	523.8	470.0	295.6	257.5	370.2	486.8	693.8
Water & air transport	3.9	184.8	135.3	40.6	21.2	82.0	147.9	267.4
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**481.1**	**519.0**	**147.0**	**45.0**	**255.8**	**418.1**	**494.2**
Formal Non-Government Accommodation and Food Service Activities	6.1	469.0	506.8	134.7	32.7	243.4	405.7	481.7
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	424.0	460.0	123.7	23.0	220.9	368.2	437.3
INFORMATION AND COMMUNICATION	**5.4**	**452.2**	**436.9**	**454.9**	**482.7**	**501.5**	**515.7**	**529.7**
Formal Non-Government Information and Communication	5.3	447.0	431.8	449.8	477.5	496.2	510.4	524.4
Wired telecommunications activities	1.1	74.6	61.0	64.0	67.2	69.2	71.3	73.1
Wireless telecommunications activities	2.6	246.7	234.8	251.2	276.3	290.2	298.9	307.8
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**751.2**	**755.4**	**716.9**	**699.1**	**773.6**	**817.3**	**841.2**
Central banking	0.2	16.4	15.9	15.1	15.1	15.1	15.1	15.1
Other monetary intermediation	5.0	399.3	391.1	367.7	351.1	414.7	442.5	457.5
Activities of holding companies	0.9	62.7	63.1	63.7	64.4	65.0	65.7	66.3
REAL ESTATE ACTIVITIES	**4.0**	**299.3**	**304.4**	**274.9**	**272.8**	**283.4**	**292.5**	**301.8**
Owner Occupied Dwellings	3.1	229.5	232.8	221.1	221.1	227.8	234.6	241.6
PROFESSIONAL, SCIENTIFIC	**2.4**	**191.1**	**196.6**	**182.6**	**187.2**	**194.1**	**199.4**	**204.8**

Activity	Base Weight	2018r	2019(p)	2020(e)	2021(e)	2022f	2023f	2024f
AND TECHNICAL ACTIVITIES								
ADMINISTRATIVE AND SUPPORT SERVICES	**2.0**	**151.3**	**152.8**	**94.6**	**90.2**	**117.3**	**138.1**	**147.5**
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	**817.5**	**789.3**	**757.6**	**750.4**	**766.8**	**785.1**	**810.4**
General Public administrative activities	2.2	219.5	188.3	169.5	157.6	162.3	167.2	175.6
Defence activities	2.4	185.7	168.6	160.1	160.1	163.3	166.6	169.9
Public order and safety activities	2.6	195.5	203.0	207.1	211.2	215.4	219.7	224.1
EDUCATION	**7.6**	**629.2**	**640.3**	**657.6**	**639.5**	**650.8**	**660.0**	**669.2**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**200.5**	**227.7**	**254.1**	**324.7**	**311.1**	**326.1**	**341.9**
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	**0.4**	**28.9**	**30.4**	**25.1**	**26.1**	**27.3**	**28.2**	**29.0**
OTHER SERVICE ACTIVITIES	**1.2**	**93.0**	**93.2**	**90.7**	**91.2**	**93.9**	**95.5**	**97.3**
GVA @ CONSTANT PRICES)	**100.0**	**8,050.1**	**8,086.7**	**7,305.8**	**7,168.2**	**7,876.1**	**8,454.2**	**8,973.1**
ADD NET TAXES		**2,683.3**	**2,599.0**	**1,760.9**	**1,528.4**	**1,803.5**	**2,047.0**	**2,331.6**
REAL GDP		**10,733.5**	**10,685.7**	**9,066.7**	**8,696.7**	**9,679.6**	**10,501.2**	**11,304.6**

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

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

Activity	Base Weight	2018r	2019(p)	2020(e)	2021e	2022f	2023f	2024f
AGRICULTURE	**8.3**	**5.5**	**5.7**	**4.9**	**-7.6**	**7.2**	**5.7**	**5.0**
General Government	0.1	3.4	1.1	-5.0	1.0	1.0	1.0	1.0
Subsistence	1.8	0.4	0.6	4.0	3.0	1.0	1.0	1.0
Formal Non-Government Agriculture	6.0	7.2	7.2	5.4	-10.6	9.3	7.2	6.1
Taro	0.9	14.5	4.7	4.6	-15.0	10.0	5.0	5.0
Sugarcane	1.3	4.0	6.6	-4.3	-19.0	14.3	12.5	2.8
FORESTRY AND LOGGING	**0.8**	**16.2**	**-5.4**	**12.6**	**15.1**	**5.2**	**1.2**	**1.1**
FISHING AND AQUACULTURE	**1.2**	**-14.8**	**-4.0**	**-4.1**	**7.4**	**4.1**	**4.0**	**3.8**
Formal Non-Government Fishing and Aquaculture	0.8	-19.7	-5.8	-10.6	8.0	3.6	3.4	3.0
MINING & QUARRYING	**0.9**	**-16.7**	**-6.0**	**-2.6**	**4.4**	**9.0**	**19.1**	**17.0**
MANUFACTURING	**13.5**	**2.3**	**-2.3**	**-4.2**	**4.5**	**5.0**	**4.0**	**2.6**
Informal Manufacturing	2.5	0.0	-0.6	0.6	0.2	0.6	0.6	0.6
Sugar	0.9	-39.4	13.7	-10.1	-12.9	10.1	12.5	2.8
Mineral water	1.0	9.6	-19.3	-9.8	40.0	10.0	8.0	5.0
Wearing apparel	1.1	2.6	-4.7	-16.0	-15.0	15.0	2.0	2.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**36.2**	**0.4**	**3.0**	**-1.9**	**17.8**	**5.0**	**5.0**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	2.7	1.0	-8.7	1.8	2.7	2.8	2.8
CONSTRUCTION	2.9	7.6	7.0	-19.8	-3.5	8.0	8.0	6.2
Formal Non-Government Construction	1.9	9.7	7.5	-25.0	-6.0	10.0	10.0	7.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**-3.3**	**1.6**	**-4.9**	**-4.8**	**6.9**	**2.6**	**0.5**
Informal WRT	3.4	0.5	0.4	-2.8	-5.4	4.9	-2.0	-6.0
Formal Non-Government WRT	7.9	-4.7	2.0	-5.7	-4.5	7.7	4.3	2.7
TRANSPORT AND STORAGE	**7.9**	**-0.5**	**-10.3**	**-36.2**	**-12.5**	**41.9**	**30.6**	**41.5**
Formal Non-Government Transport & Storage	7.7	-0.7	-10.3	-37.1	-12.9	43.8	31.5	42.5
Water & air transport	3.9	-4.4	-26.8	-70.0	-47.8	286.9	80.3	80.8
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**6.0**	**7.9**	**-71.7**	**-69.4**	**468.2**	**63.5**	**18.2**
Formal Non-Government Accommodation and Food Service Activities	6.1	6.2	8.0	-73.4	-75.7	644.5	66.7	18.8

Activity	Base Weight	2018r	2019(p)	2020(e)	2021e	2022f	2023f	2024f
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	6.3	8.5	-73.1	-81.4	860.0	66.7	18.8
INFORMATION AND COMMUNICATION	**5.4**	**1.2**	**-3.4**	**4.1**	**6.1**	**3.9**	**2.8**	**2.7**
Formal Non-Government Information and Communication	5.3	1.1	-3.4	4.2	6.2	3.9	2.9	2.7
Wired telecommunication activities	1.1	-6.9	-18.3	5.0	5.0	3.0	3.0	2.6
Wireless telecommunications activities	2.6	1.9	-4.8	7.0	10.0	5.0	3.0	3.0
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**1.1**	**0.6**	**-5.1**	**-2.5**	**10.7**	**5.7**	**2.9**
Central banking	0.2	1.6	-3.3	-5.2	0.0	0.0	0.0	0.0
Other monetary intermediation	5.0	2.5	-2.0	-6.0	-4.5	18.1	6.7	3.4
Activities of holding companies	0.9	0.4	0.6	1.0	1.0	1.0	1.0	1.0
REAL ESTATE ACTIVITIES	**4.0**	**2.8**	**1.7**	**-9.7**	**-0.8**	**3.9**	**3.2**	**3.2**
Owner Occupied Dwellings	3.1	2.2	1.4	-5.0	0.0	3.0	3.0	3.0
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	**2.4**	**2.2**	**2.9**	**-7.1**	**2.5**	**3.7**	**2.7**	**2.7**
ADMINISTRATIVE AND SUPPORT SERVICE	**2.0**	5.0	1.0	-38.1	-4.7	30.0	17.7	6.8
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	5.2	-3.4	-4.0	-1.0	2.2	2.4	3.2
General public administrative activities	2.2	12.3	-14.2	-10.0	-7.0	3.0	3.0	5.0
Defence activities	2.4	-0.2	-9.2	-5.0	0.0	2.0	2.0	2.0
Public order and safety activities	2.6	-0.2	3.8	2.0	2.0	2.0	2.0	2.0
EDUCATION	**7.6**	**2.2**	**1.8**	**2.7**	**-2.8**	**1.8**	**1.4**	**1.4**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**6.1**	**13.6**	**11.6**	**27.8**	**-4.2**	**4.8**	**4.8**
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	**0.4**	**0.3**	**5.0**	**-17.3**	**3.7**	**4.9**	**3.0**	**3.0**
OTHER SERVICE ACTIVITIES	**1.2**	**2.0**	**0.2**	**-2.6**	**0.5**	**3.0**	**1.8**	**1.8**
GVA @ CONSTANT PRICES	**100.0**	**2.7**	**0.5**	**-9.7**	**-1.9**	**9.9**	**7.3**	**6.1**
ADD NET TAXES		**7.3**	**-3.1**	**-32.2**	**-13.2**	**18.0**	**13.5**	**13.9**
REAL GDP		**3.8**	**-0.4**	**-15.2**	**-4.1**	**11.3**	**8.5**	**7.7**

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

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

	2018r	2019(p)	2020(e)	2021e	2022f	2023f	2024f
Nominal GDP ($M)	11,650.6	11,874.1	9,921.0	9,508.4	10,844.7	12,099.1	13,425.5
Growth Rate (%)	5.3	1.9	-16.4	-4.2	14.1	11.6	11.0

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

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

	2018-19r	2019-20e	2020-21e	2021-22f	2022-2023f	2023-2024f
Nominal GDP ($M)	11,773.3	10,815.5	9,695.5	10,302.7	11,820.4	13,120.2
Growth Rate (%)	3.4	-8.1	-10.4	6.3	14.7	11.0

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

Table 5: Total Exports by Major Commodities 2016–2024 ($M)

COMMODITIES	2016	2017p	2018p	2019p	2020(p)r	2021f	2022f	2023f	2024f
Sugar	117.2	178.6	78.5	99.4	101.6	74.4	103.5	102.2	106.1

COMMODITIES	2016	2017p	2018p	2019p	2020(p)r	2021f	2022f	2023f	2024f
Molasses	5.6	18.1	15.1	14.3	20.5	14.8	18.0	19.4	20.7
Gold	120.9	118.7	113.6	108.6	134.2	120.0	145.8	171.1	214.9
Timber	55.3	18.6	85.3	48.2	64.6	72.8	60.7	61.2	61.7
Fish	110.1	99.8	98.9	96.1	70.1	57.2	60.3	63.8	67.5
Yaqona	14.1	19.7	30.8	32.5	43.6	39.9	40.0	44.4	49.3
Textiles	6.8	6.3	7.6	7.6	8.2	7.2	8.4	8.4	8.4
Garments	101.8	91.7	97.4	94.8	71.6	66.3	71.7	75.2	78.8
Mineral Water	214.4	243.4	262.9	293.5	223.2	296.8	311.7	321.0	327.4
Other Domestic Exports	389.8	398.0	384.8	372.2	405.5	417.3	450.7	467.1	483.6
Re- Exports (excl. aircraft)	792.9	844.8	917.4	990.6	612.3	580.2	754.6	882.6	977.2
Total Exports	**1,930.9**	**2,039.3**	**2,102.0**	**2,218.7**	**1,792.0**	**1,747.1**	**2,025.5**	**2,216.3**	**2,395.8**
Total Exports Excl. Aircraft	**1,929.0**	**2,037.6**	**2,092.3**	**2,157.7**	**1,755.4**	**1,746.7**	**2,025.5**	**2,216.3**	**2,395.8**

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

Table 6: Fiscal Year Exports 2016–2024 ($M and %)

	2016-2017p	2017-2018p	2018-2019r	2019-2020p	2020-2021p	2021-2022f	2022-2023f	2023-2024f
Total Exports ($M)	**1,919.1**	**2,089.7**	**2,175.3**	**1,947.5**	**1,807.3**	**1,950.2**	**2,142.2**	**2,320.5**
Total Exports Excl. Aircraft ($M)	**1,917.2**	**2,080.0**	**2,117.4**	**1,943.8**	**1,771.1**	**1,947.8**	**2,142.2**	**2,320.5**
Exports Excl. Aircraft Growth Rate (%)	-7.4	8.5	1.8	-8.2	-16.4	10.0	10.0	8.3

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

Table 7: Total Imports by Category 2016–2024 ($M)

ECONOMIC CATEGORY	2016	2017	2018	2019	2020p	2021f	2022f	2023f	2024f
Food	786.7	801.1	802.5	787.0	737.5	778.0	861.2	906.4	950.2
Beverage & Tobacco	44.8	49.3	58.1	55.6	34.6	34.9	39.8	49.5	56.6
Crude Materials	66.7	48.1	71.6	56.6	44.3	41.7	47.8	52.3	56.9
Mineral Fuels	725.8	930.2	1,164.8	1,123.7	656.6	704.4	929.2	1,097.8	1,270.5
Oil & Fats	41.6	51.6	49.3	38.7	51.2	64.3	73.3	73.3	73.3
Chemicals	418.5	427.3	499.8	422.1	385.4	491.1	512.2	474.4	487.5
Manufactured Goods	772.5	760.5	808.6	719.7	609.5	648.0	728.2	786.3	839.9
Machinery & Transport Equipment	1,469.2	1,373.8	1,727.7	2,315.8	838.2	1,179.0	981.5	1,067.6	1,148.4
-of which large items	8.8	30.7	141.0	934.7	15.1	300.2	0.0	0.0	0.0
Miscellaneous Manufactured Goods	468.0	498.8	487.9	460.8	383.4	419.4	449.5	478.3	511.1
Other Commodities	26.2	31.7	26.3	28.6	12.5	10.0	14.0	19.6	27.4
Total Imports	**4,820.1**	**4,972.4**	**5,696.7**	**6,008.5**	**3,753.2**	**4,370.7**	**4,636.7**	**5,005.5**	**5,421.8**
Total Imports Excl. Aircraft	**4,811.3**	**4,941.7**	**5,555.7**	**5,073.8**	**3,738.1**	**4,070.5**	**4,636.7**	**5,005.5**	**5,421.8**

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

Table 8: Fiscal Year Imports 2016–2024 ($M and %)

Commodities	2016-2017p	2017-2018p	2018-2019r	2019-2020f	2020-2021f	2021-2022f	2022-2023f	2023-2024f
Total Imports ($M)	4,988.2	5,387.4	5,666.5	5,149.0	4,144.2	4,492.8	4,861.4	5,253.7
Total Imports Excl. Aircraft ($M)	4,986.9	5,330.3	5,428.5	4,322.8	3,844.0	4,484.3	4,861.4	5,253.7
Imports Excl. Aircraft Growth Rate (%)	7.4	6.9	1.8	-20.4	-11.1	16.7	8.4	8.1

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

Table 9: Balance of Payments 2016–2024 ($M)

ITEMS	2016	2017	2018	2019r	2020p	2021f	2022f	2023f	2024f
BALANCE ON GOODS	-2,086.3	-2,256.8	-2,839.4	-3,004.0	-1,439.2	-2,007.5	-1,954.5	-2,102.6	-2,312.0
Exports f.o.b	1,928.4	2,037.1	2,097.2	2,218.0	1,772.2	1,736.7	2,028.2	2,230.6	2,372.0
Imports f.o.b	4,014.7	4,293.9	4,936.6	5,222.0	3,211.4	3,744.2	3,982.7	4,333.3	4,684.0
BALANCE ON SERVICES	1,685.6	1,704.6	1,937.9	1,770.2	-182.1	-353.5	748.4	1,731.9	1,853.4
Export of Services	2,889.0	3,054.5	3,465.8	3,482.0	899.9	650.9	1,858.6	2,922.2	3,134.3
Import of Services	1,203.4	1,349.9	1,527.9	1,711.8	1,082.0	1,004.4	1,110.2	1,190.3	1,280.9
BALANCE ON PRIMARY INCOME	-569.7	-874.5	-751.1	-973.7	-609.6	-447.5	-673.2	-769.9	-817.3
Income from non-residents	151.4	159.5	144.7	132.9	134.2	125.6	127.2	128.4	128.5
Income to non-residents	721.1	1034.0	895.8	1,106.6	743.8	573.0	800.4	898.3	945.8
BALANCE ON SECONDARY INCOME	602.4	689.0	670.6	717.1	977.6	1,442.6	1,129.7	1,022.5	940.1
Inflow of current transfers	779.3	874.5	888.1	921.9	1,152.4	1,610.8	1,303.9	1,211.8	1,138.6
Outflow of current transfers.	176.9	185.5	217.5	204.8	174.8	168.2	174.2	189.3	198.6
CURRENT ACCOUNT BALANCE	-368.0	-737.7	-982.0	-1,490.4	-1,253.3	-1,365.8	-749.7	-118.1	-335.8
CURRENT ACCOUNT BALANCE (excl. aircraft)	-359.3	-707.0	-841.0	-555.7	-1,238.2	-1,065.6	-749.7	-118.1	-335.8
CAPITAL ACCOUNT BALANCE	9.0	9.1	10.4	6.9	7.7	7.8	7.4	6.9	6.9
FINANCIAL ACCOUNT BALANCE (excl. RA)	634.8	703.0	1,666.3	1,199.8	790.6	1,723.8	1,652.5	689.6	742.5
Errors & Omissions	-275.8	25.6	-694.7	283.7	455.0	428.5	-749.7	-1,164.5	-1,004.3
RESERVE ASSETS	8.3	347.9	-263.8	202.9	-37.9	794.3	160.5	-586.1	-590.7

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

Table 10: Tourism Statistics 2016–2024

	2016	2017	2018	2019p	2020p	2021p	2022f	2023f	2024f
Visitors	792,320	842,884	870,309	894,389	146,905	31,618	447,195	760,231	894,389
Average length of stay (days)	11.2	11.2	11.2	11.1	11.0	12.5	12.5	12.5	11.1
Visitors days (millions)	7.0	7.2	7.6	7.6	1.5	0.7	5.6	9.5	10.0
Earnings (FJ$M)	1,823.3	1,924.3	2,010.3	2,065.5	314.9	36.5	998.2	1,840.7	1,925.7

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

Table 11: Sugar Export and Price 2016–2024

	2016	2017	2018	2019p	2020p	2021f	2022f	2023f	2024f
Export Quantity Sugar (000 tonnes)	141.7	193.7	114.4	145.6	142.5	100.0	115.0	130.0	135.0
Unit Value (FJ$/tonne)	826.9	940.6	686.0	670.3	713.2	744.0	900.0	786.0	786.0
Sugar Export Earnings (FJ$M)	117.2	178.6	78.5	99.4	101.6	74.4	103.5	102.2	106.1
Molasses Export Earnings (FJ$M)	5.6	18.1	15.1	14.3	20.5	14.8	18.0	19.4	20.7

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

Table 12: Inflation Rates 2016–2024

	2017	2018	2019	2020	2021	2022f	2023f	2024f
All items (year-end) %	2.8	4.8	-0.9	-2.8	3.0	4.5	3.0	2.6

(Source: Fiji Bureau of Statistics and RBF forecasts)

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

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

(Source: Fiji Bureau of Statistics) r=revised; e= estimate; p=provisional)
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.