



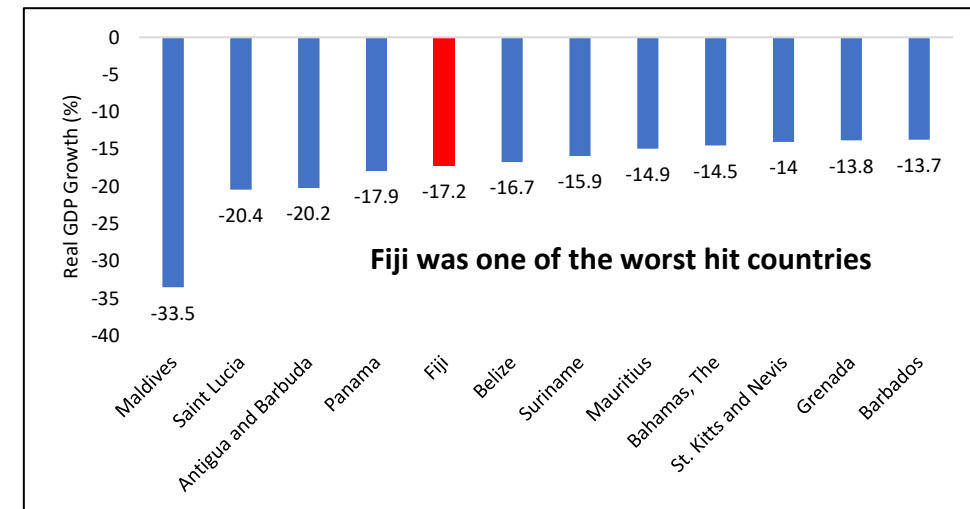
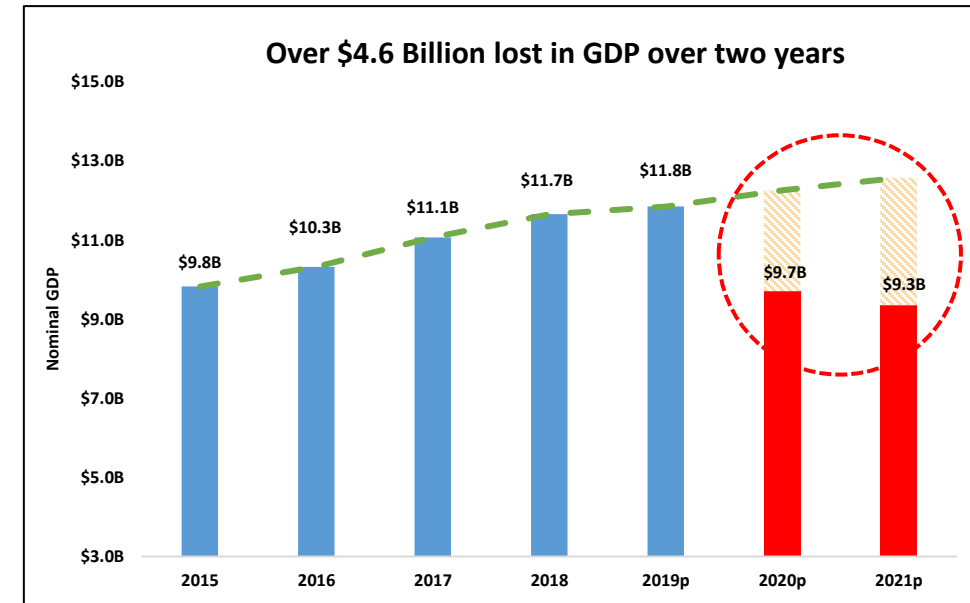
FY2022-2023 Budget Consultations

Attorney-General and Minister for Economy

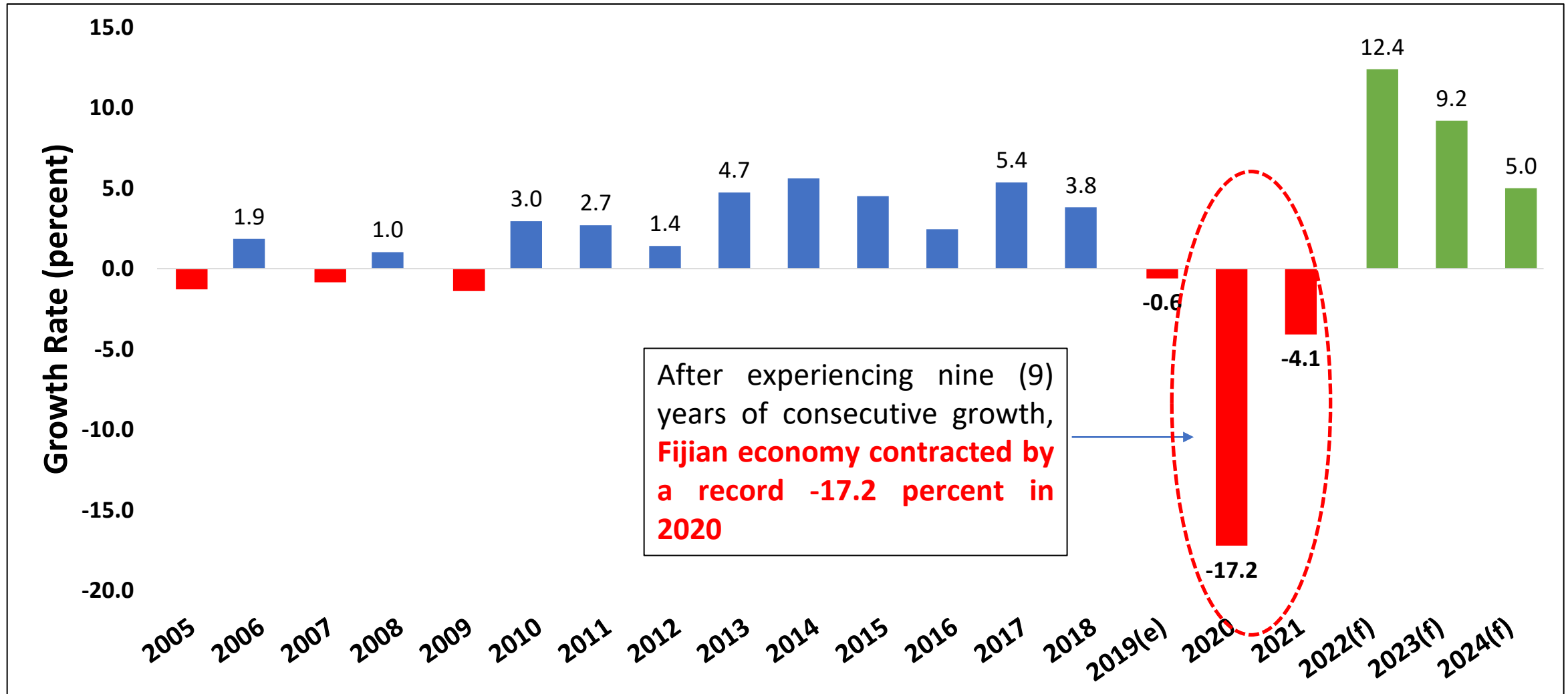
COVID-19 had a devastating impact



- Fiji was one of the worst affected countries with a cumulative decline of almost 21 percent in the last two years.
 - Largest ever economic contraction of 17.2 percent in 2020 with a further 4.1 percent contraction for 2021.
 - We lost a total of \$4.6 billion in GDP over the last two years – total GDP in 2020 was at levels similar to 2014 (COVID-19 took the economy six years back).
 - We lost around \$4 billion in foreign exchange from tourism earnings.
 - Government tax collections declined by 50 percent on average – lost a total of around \$2.8 billion in tax revenues.
 - Over 100,000 Fijians were either unemployed or on reduced hours.
 - Socio-economic conditions became challenging, and Government had to provide around \$500 million in income support.



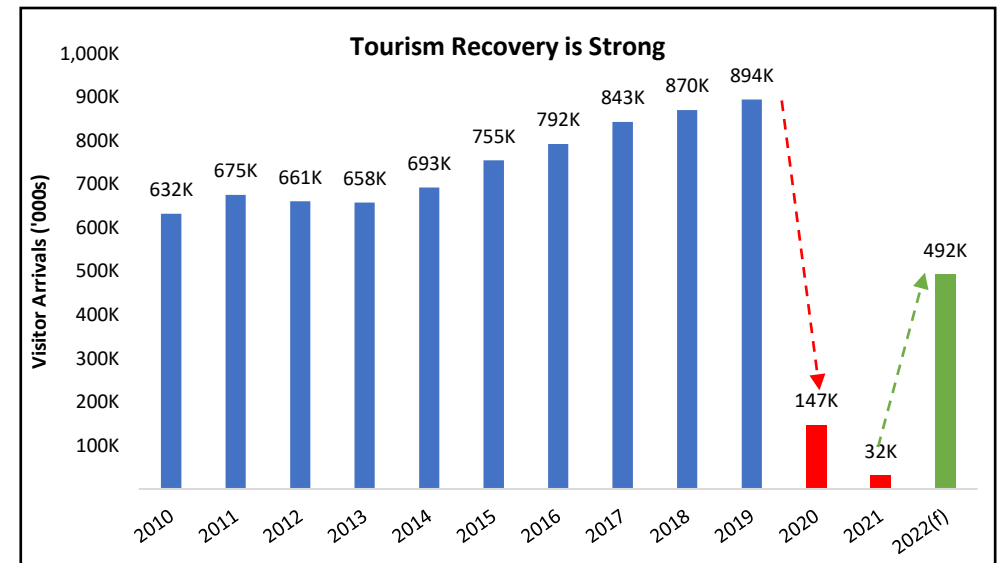
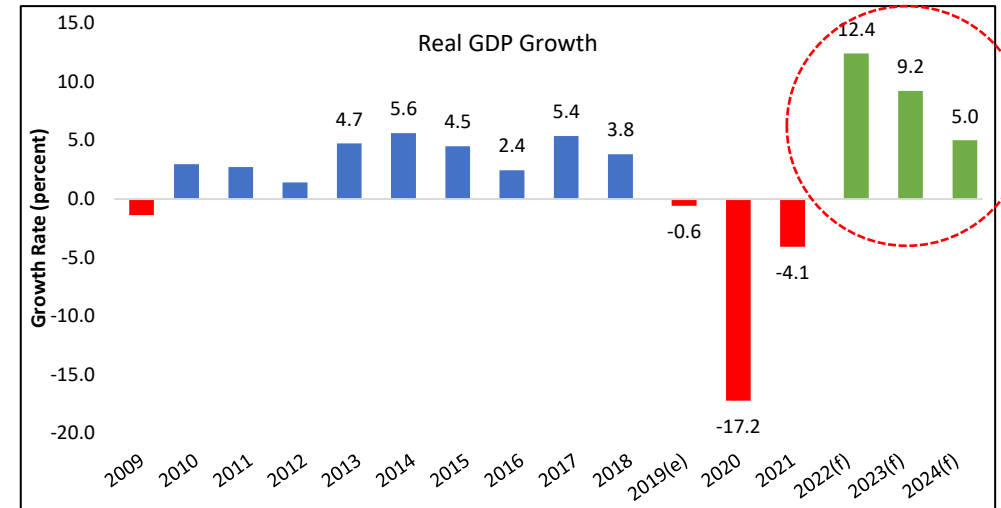
Fijian Economy registered a record contraction in 2020 due to COVID-19



Economic recovery is already underway



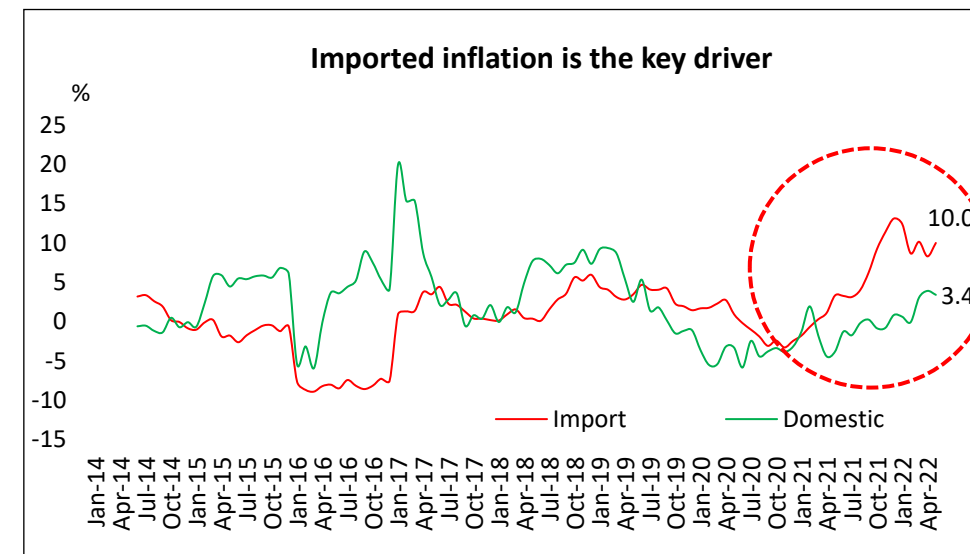
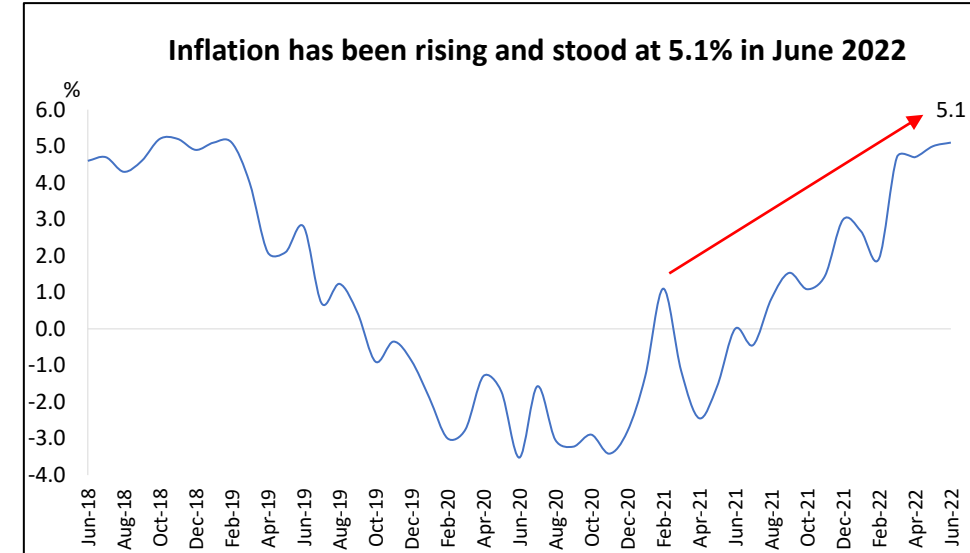
- **It's a hard-fought recovery and we all need to protect it.**
- Fijian economy is projected to grow by 12.4 percent in 2022, 9.2 percent in 2023 and 5.0 percent in 2024.
- Timely access to vaccines and effective rollout has been key to reopening the economy and international borders.
- **Tourism recovery looks promising**
 - Cumulative to May 2022, visitor arrivals is around 45 percent of pre-pandemic levels
 - For the month of May 2022, visitor arrivals was about 65 percent of pre-pandemic levels (May 2019)
 - Major source markets have done well in May 2022 – Australian arrivals were 90 percent of pre-Covid while New Zealand arrivals were around two-third of pre-Covid.
 - June and July bookings even looks much better.



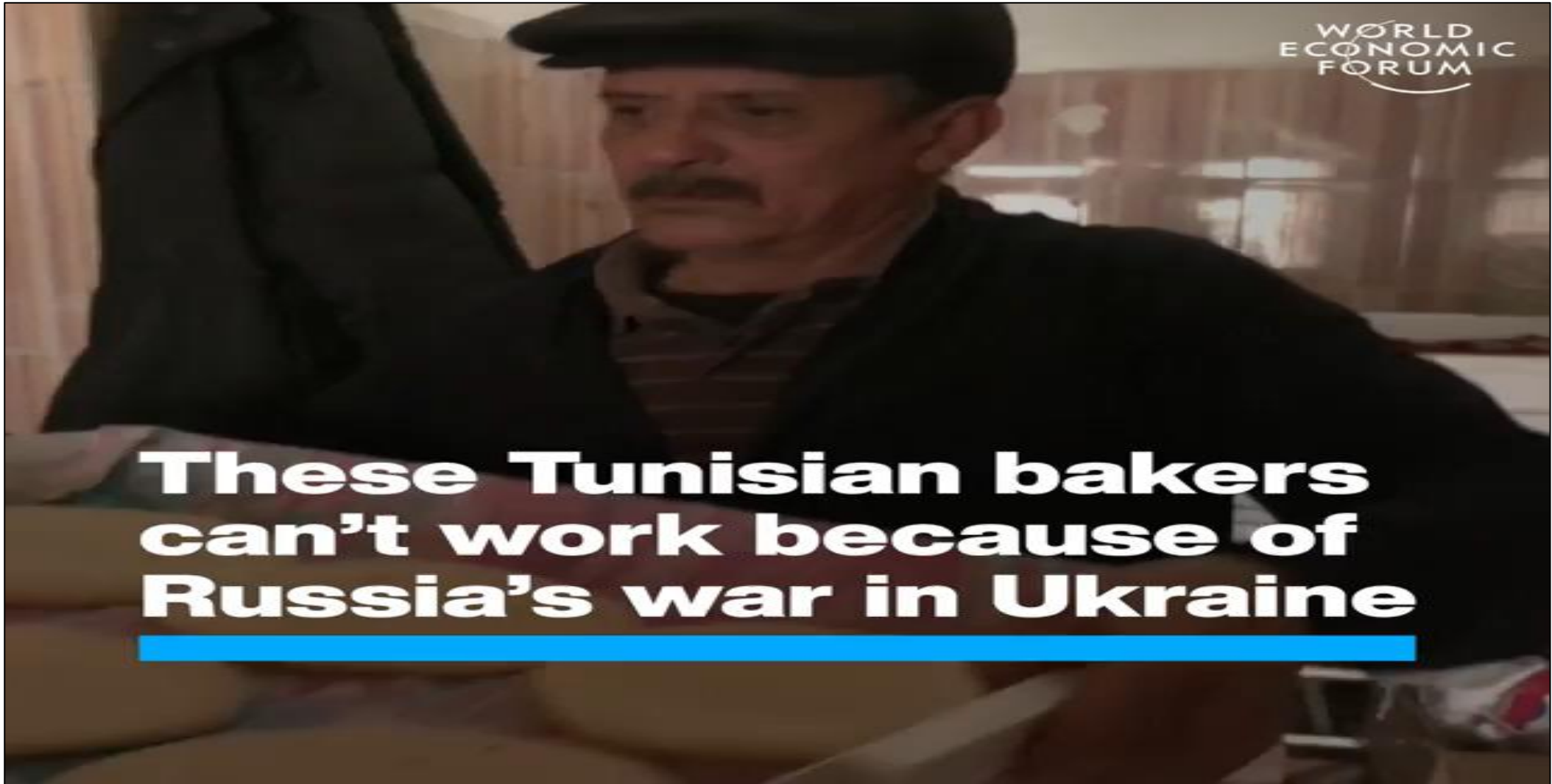
Inflationary pressures have become a challenge



- Inflation has been rising due to rising fuel/food and other commodity prices.
 - Fuel prices are above US\$100/barrel for some time
 - Russia-Ukraine war and supply disruptions (Fuel, Wheat, Fertilizer, etc.)
 - Substantial increase in freight cost due to supply-chain issues
 - Food prices are at all-time high measured FAO food price index (Meat, Dairy, Sugar, Cereals, Vegetable Oil)
 - China's 'Zero-COVID' policy also cause supply-chain challenges
 - Rising international prices is fueling the increase in domestic prices



Impact of Russia-Ukraine war on food prices in developing countries



Source: World Economic Forum

[Video link](#)

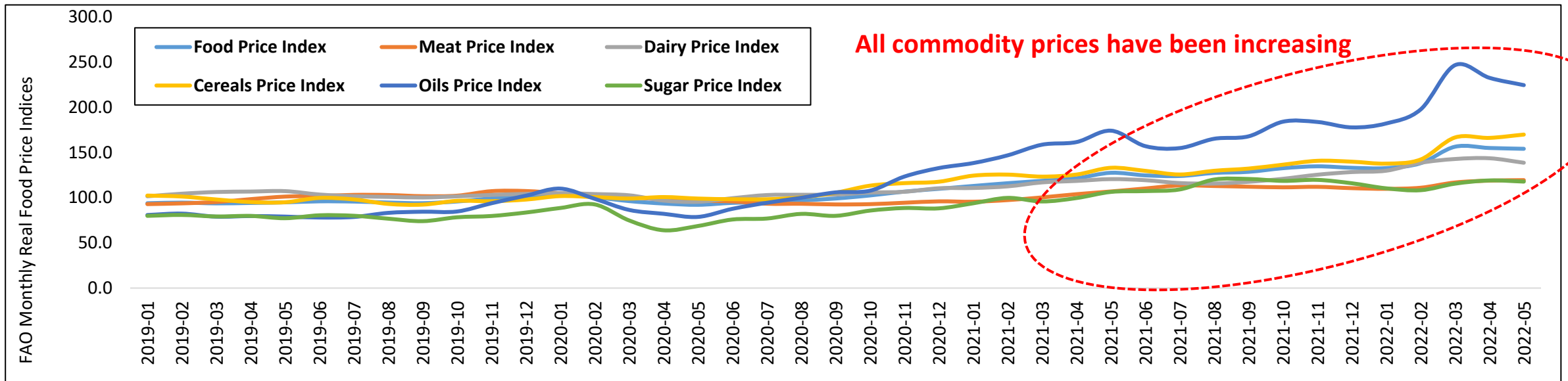
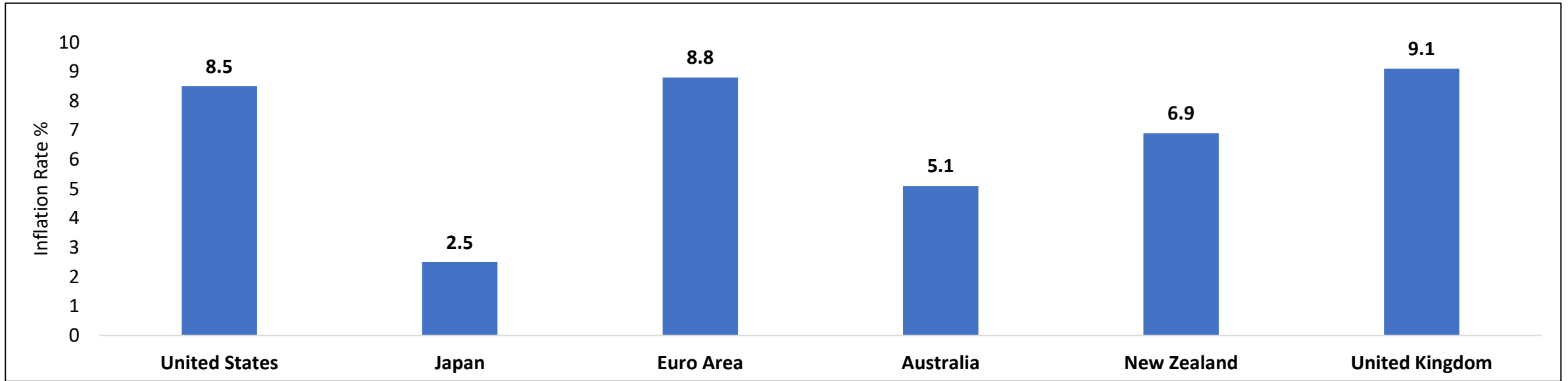
Uproar in prices and unemployment in Sri-Lanka



Source: Aljazeera

[Video link](#)

We are not alone – inflation is a problem everywhere



Zero-rated VAT on 21 essential items



Government zero-rated VAT on 21 essential items in the FY2021-2022 revised Budget

- ✓ Sugar
- ✓ Powdered milk
- ✓ Toothpaste
- ✓ Flour
- ✓ Liquid Milk
- ✓ Kerosene
- ✓ Rice
- ✓ Dhal
- ✓ Cooking gas
- ✓ Canned fish
- ✓ Tea
- ✓ Cooking oil
- ✓ Salt
- ✓ Potato
- ✓ Soap
- ✓ Onion
- ✓ Soap powder
- ✓ Garlic
- ✓ Toilet Paper
- ✓ Baby milk
- ✓ Sanitary Pads

How has Government supported so far?

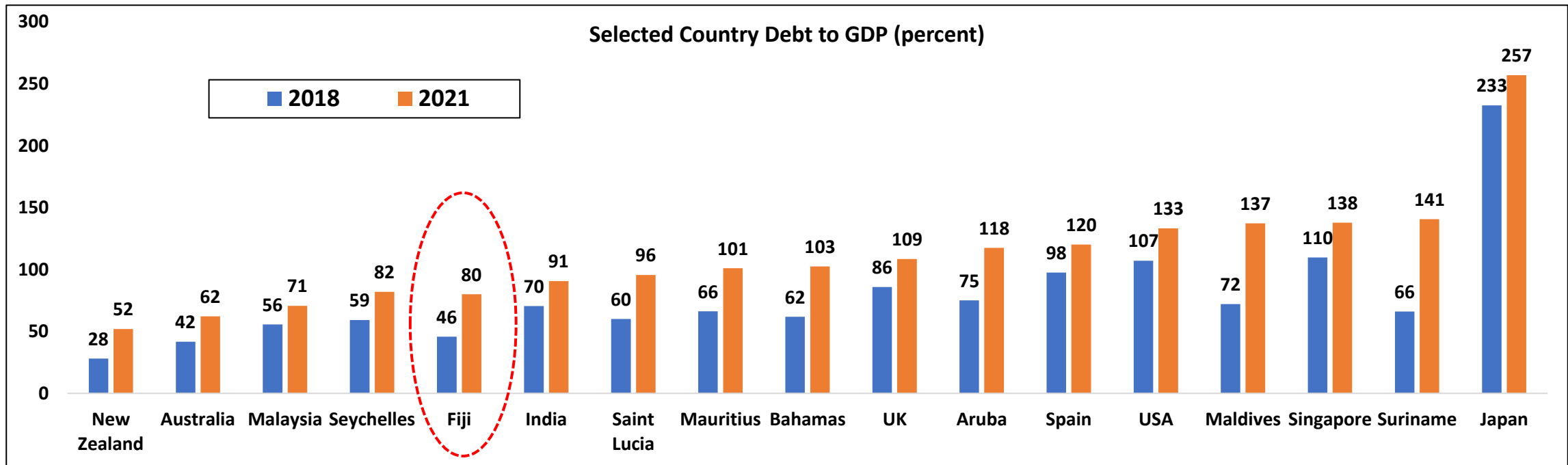


- **Government ensured macroeconomic stability during the crisis – critical to maintain confidence and for economic rebuilding.**
 - Exchange rate stability – First major crisis without a devaluation. Unlike in the past, we entered the crisis with a strong foreign reserves position supported by external Government borrowings.
 - Fiscal stability – despite the 50 percent decline in tax revenues we managed to sustain public spending (including the \$500m livelihood support). Divestment receipts, budget support grants and increased concessional borrowings.
 - Financial sector stability – The financial sector remains sound (adequate capital and liquidity).
- **Government introduced various measures to support businesses, rebuild competitiveness of the tourism industry and entice new investments**
 - ECAL has been removed, departure tax reduced from \$200 to \$100, removal of stamp duties and the 6 percent STT, import tariff reductions across the board and removal of business licenses
 - Businesses were provided relief through deferment of tax payments, reduction in the FNPF contribution rates (18 percent to 10 percent), loan repayment holidays, concessional loan to MSMEs
 - COVID-19 recovery credit guarantee scheme - \$200 million for working capital support. First 2 years interest payment of 3.99 percent borne by Government.
 - Zero-rated VAT on 21 essential items to reduce inflation pressures

Government had to substantially increase its borrowings



- **Income support of over \$500 million** assisted those unemployed/reduced hours, provided much-needed fiscal stimulus for business activity and helped increase our vaccination rates. This was on top of all other expenditures to ensure there is no major disruptions to public services.
- **Government had to increase its borrowings to sustain the economy.** The alternative of not borrowing and supporting the economy during the last 2 years would have been catastrophic. The economic decline and socio-economic consequences would have been much more severe, including a large devaluation.
- **Almost every country increased its borrowing levels substantially.**

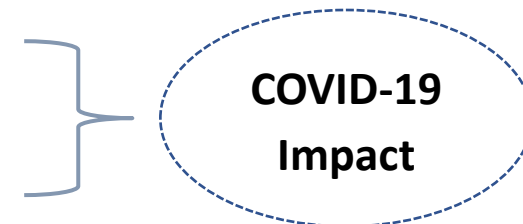
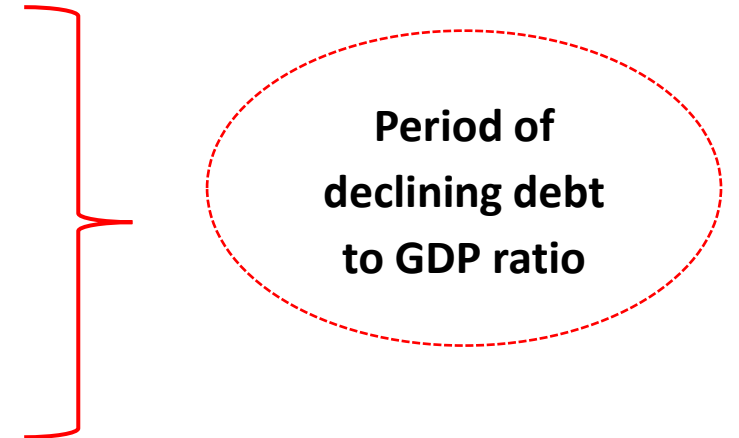


Fiji Debt to GDP (Percent)

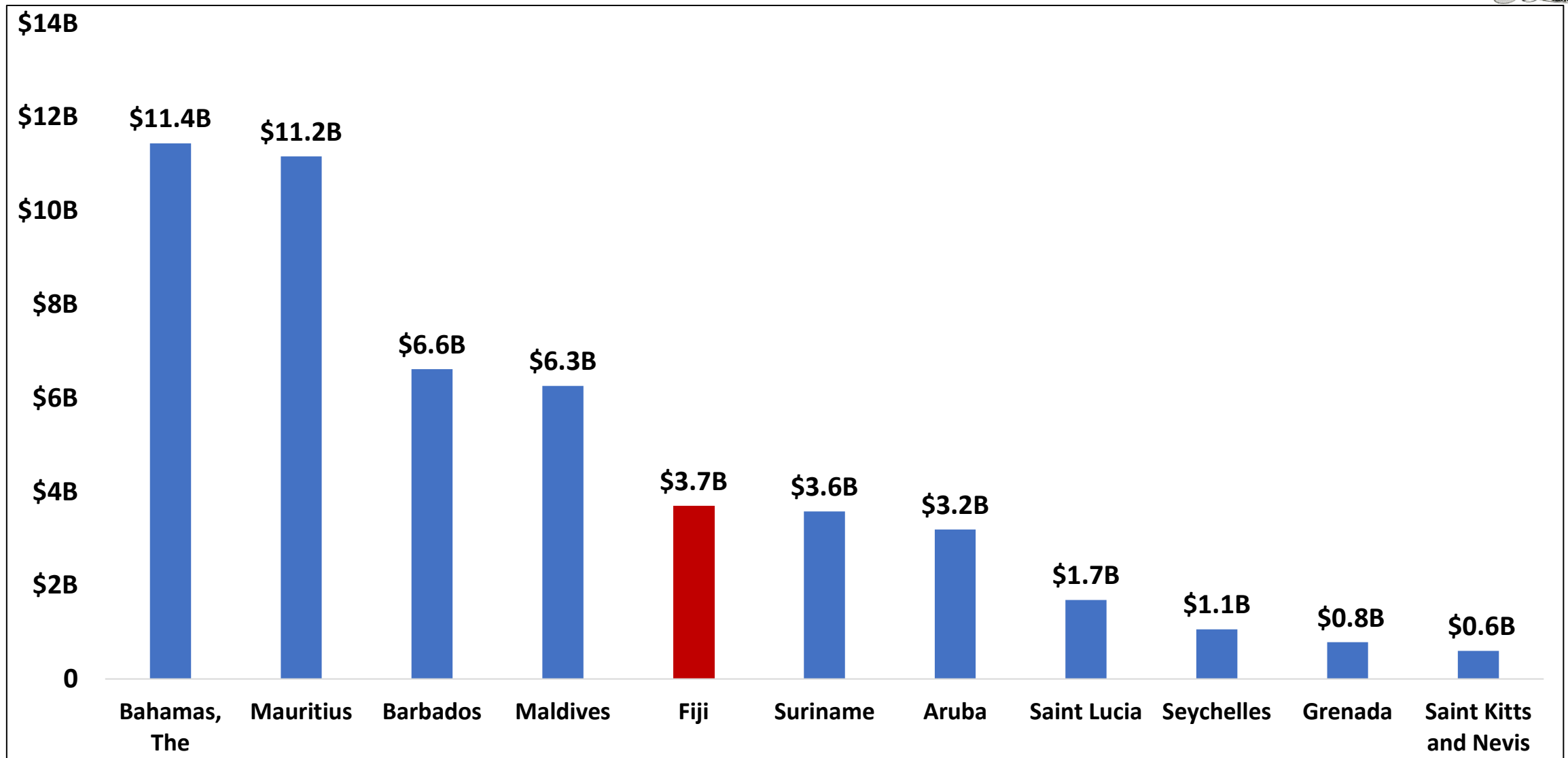


Fiscal Year	Debt (\$M)	Debt to GDP ratio (%)
2006	2,863.1	53.3
2007	2,734.8	49.9
2008	2,887.0	51.4
2009	3,132.3	55.8
2010	3,383.2	56.2
2011	3,566.5	52.7
2012	3,670.0	51.6
2013	3,832.0	49.7
2014	4,080.1	44.5
2015	4,227.9	43.0
2015-16	4,507.6	44.6
2016-17	4,671.7	43.5
2017-18	5,220.5	45.8
2018-19	5,735.3	48.4
2019-20	6,686.0	61.8
2020-21	7,663.7	79.0
2021-22 (B)	9,125.7	88.6

Declining revenue, high expenditures and low GDP has contributed to increased debt to GDP ratio

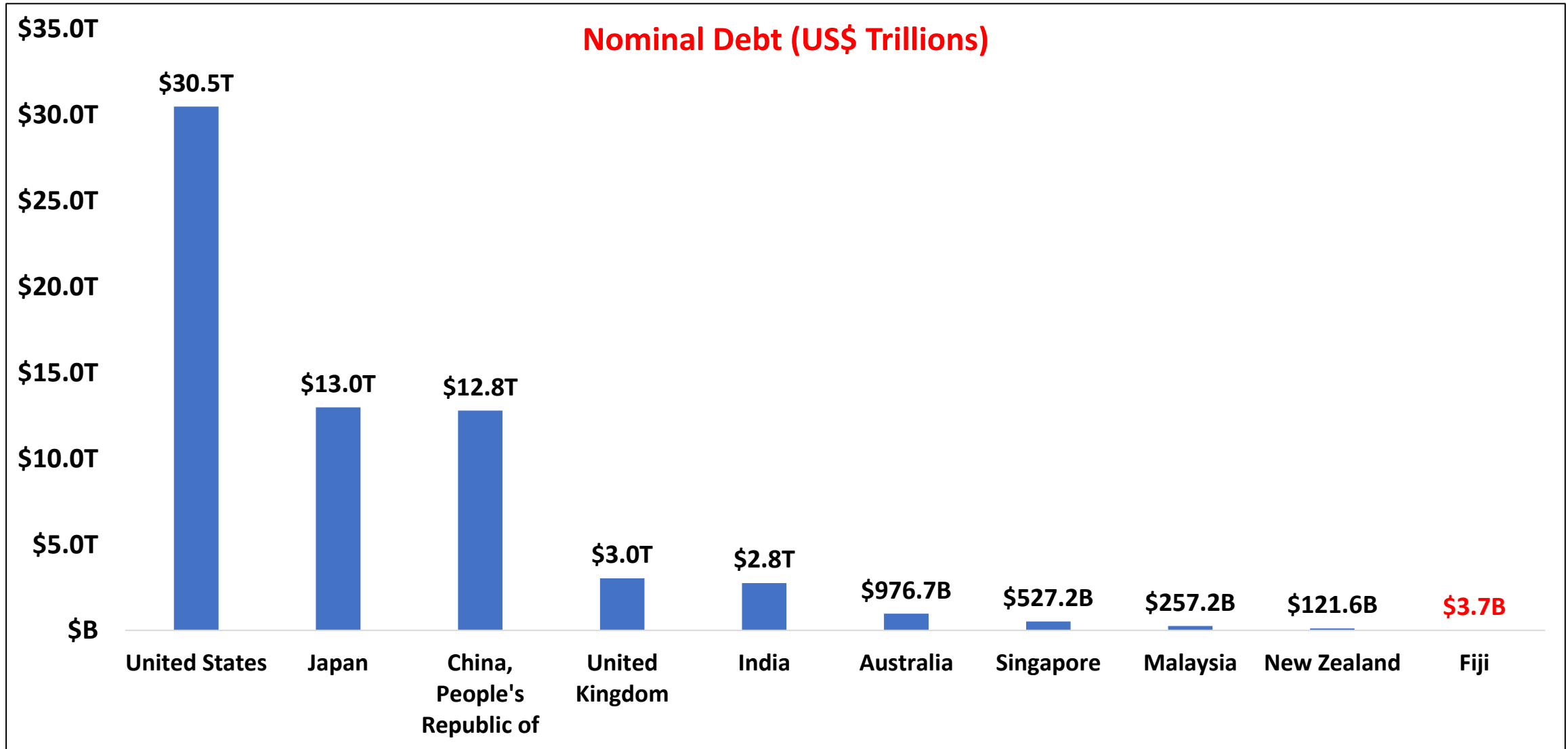


Tourism-Dependent Countries 2021 Nominal Debt (US\$)



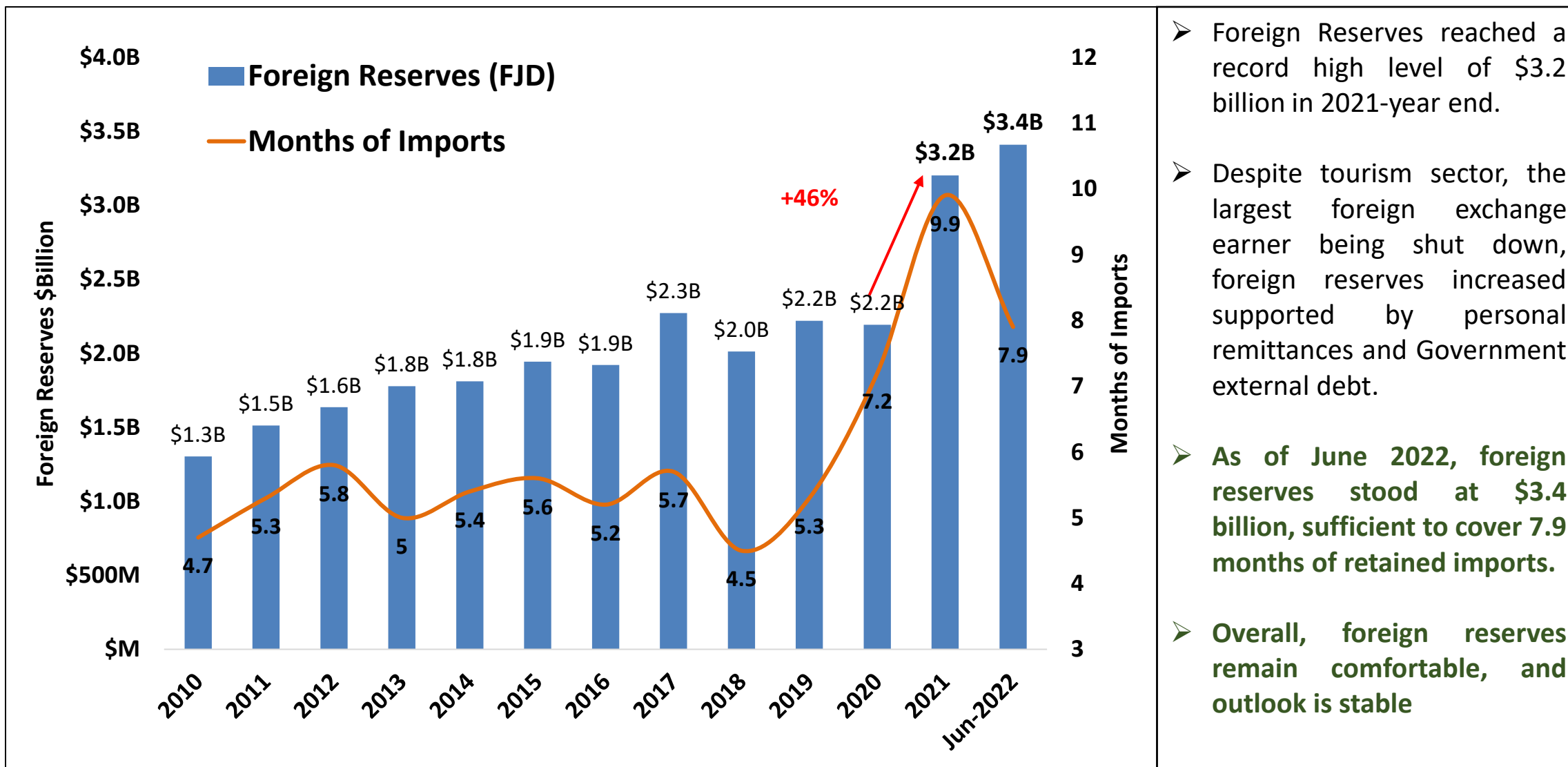
Source: IMF

Other Selected Countries 2021 Nominal Debt (US\$)



Source: IMF

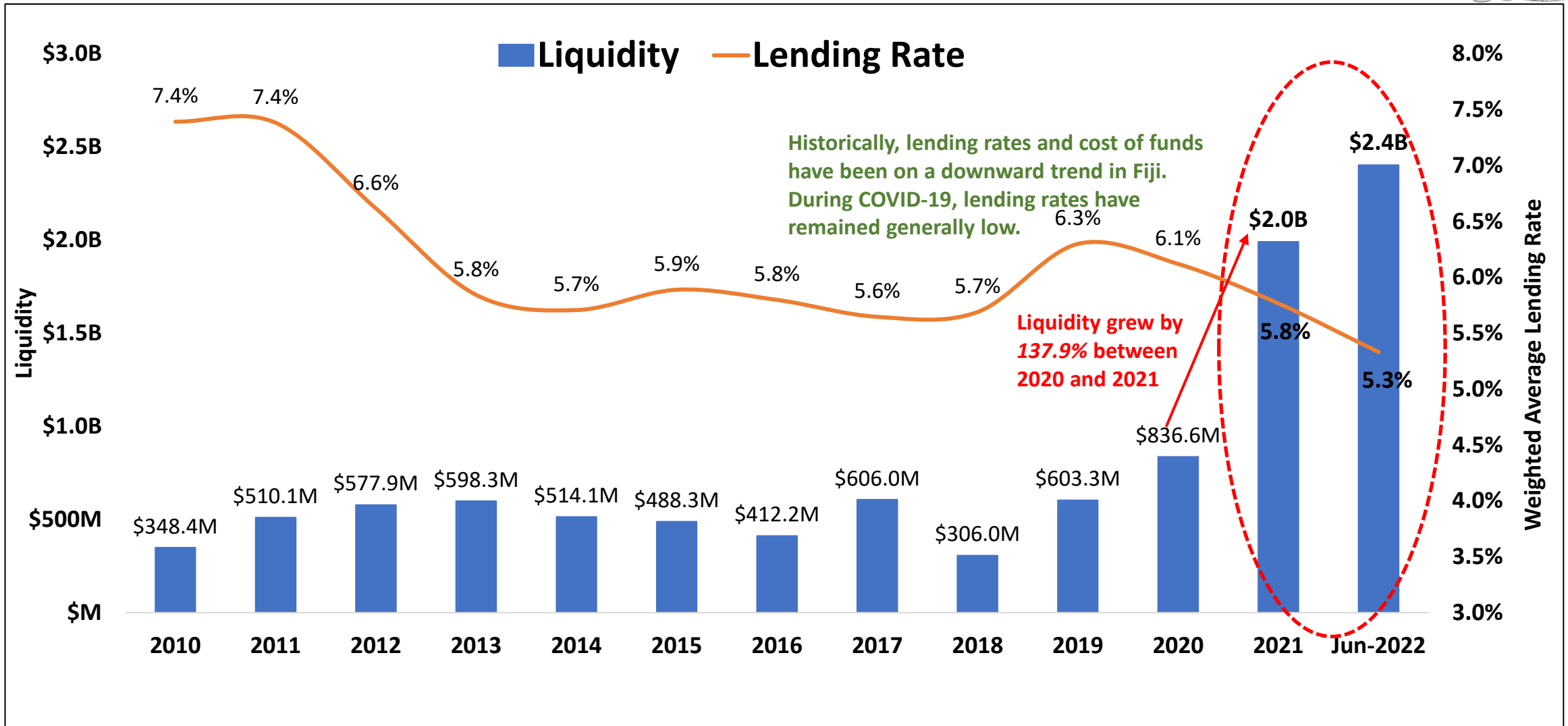
Foreign Reserves (\$ Billion)



- Foreign Reserves reached a record high level of \$3.2 billion in 2021-year end.
- Despite tourism sector, the largest foreign exchange earner being shut down, foreign reserves increased supported by personal remittances and Government external debt.
- As of June 2022, foreign reserves stood at \$3.4 billion, sufficient to cover 7.9 months of retained imports.
- Overall, foreign reserves remain comfortable, and outlook is stable

Source: Reserve Bank of Fiji

Liquidity in the financial sector at around \$2 billion



Source: Reserve Bank of Fiji

Where to from here?



Protect the fragile and hard-fought recovery

- We have managed to come out of the COVID-19 crisis and it is time to rebuild the economy.
- Recovery of tourism is critical for overall recovery (competitiveness is key).
- Continuous need for confidence building
- There are downside risks - Russia/Ukraine crisis, global inflationary pressures, natural disasters, another round of the pandemic!
- It's in everyone's interest to protect this fragile recovery and build upon this momentum.

Private sector will have to take the lead role in the post-COVID-19 recovery

- Post-COVID-19 recovery has to be private sector-led.
- Government will focus on ensuring macro-economic stability, confidence building, improving competitiveness and productivity (taxes, technology and skill).
- Regulatory reforms are needed (business processes, policy consistency)

Where to from here?



As private sector takes the lead, Government will consolidate its position

- The counter-cyclical fiscal response to the crisis was appropriate. As things improve this support has to be withdrawn and focus will be on fiscal consolidation.
- Tax reforms (simplicity, fairness, revenue adequacy)
- Restraint on public expenditures, lower fiscal deficit and put debt on a downward path
- Continue the SOE divestment agenda for better service delivery and putting the private sector in the lead.

Economic Diversification

- Focus on areas of competitive/comparative advantage (price or value proposition) – BPO, Health tourism, sports, agriculture (kava, ginger, turmeric), value addition in agriculture and other niche areas
- Attract efficiency-seeking investments
- Have to address structural impediments (making productive land more accessible, ensuring right skill availability, re-looking at immigration, getting the right technology, and huge focus on productivity improvement/competitiveness.

Where to from here?



Inclusive socio-economic development

- Development has to be inclusive to be sustainable.
- Continue investments in education, health service improvements, infrastructure development, connectivity, public utilities, and provision of other public services.
- Provide equality of opportunities (skill development, jobs and access to services)
- Climate change (building resilience and adaptation)
- Wage rate increase (Minimum wage rate of \$4.00) and productivity commission
- Removal of 20 cents fuel duty and VAT restructure with 21 zero-rated items

Government Unemployment Support



Programme	Beneficiaries	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	\$87.0 million
\$100 Vanua Levu Assistance	19,526	\$2.0 million
Total		\$432.0 million

Investment in education remains top priority



- The Fijian Government spends around \$700m annually on the education sector. Of which:

Heads	Revised FY2021-2022 Budget
Ministry of Education, Heritage and Arts	\$447.1m
Higher Education Institutions	\$47.9m
Tertiary Education Loans Scheme	\$111.3m
National Toppers Scholarship	\$45.2m
Ongoing rehabilitation and construction of schools	\$10m

School, Teacher and Principal Information

Division	Primary Schools	Secondary Schools	Teachers	Principals	Head Teachers
Central	199	65	4,652	64	198
Eastern	117	14	839	14	116
Northern	166	37	2,314	37	160
Western	254	59	4,343	57	247
Grand Total	736	175	12,148	172	721

Investment in education remains top priority



- The Fijian Government allocated \$156.5 million in the FY2021-2022 Revised Budget for Tertiary Education Loans Scheme (TELS) and National Toppers Scheme (NTS)
- Government introduced a new TELS stream in the FY2021-2022 Budget with 5,000 placements available for TVET courses for Certificates 3, 4 and Diploma Level 5 at Fiji National University.
- Privately enrolled MBBS students with a minimum Year 13 mark of 340, first-year GPA of 3.0 and combined family income less than \$100,000 are now eligible for a one-off \$10,000 Government Grant toward their education.
- 20 MBBS and 5 Bachelor of Dental Surgery awards (NTS) announced in FY2021-2022 revised Budget to new students who have completed Year 13 with a mark of 340 in 2021 .
- Temporary reduction in entry mark to 250 in the revised FY2021-2022 Budget, except for the Commerce category, where the cutoff mark will remain at 280 with a quota of 850 due to over-supply of graduates.

Share your views and suggestions



Postal Delivery	Hand Delivery	E-mail
<p data-bbox="290 529 759 629">“Budget Consultations 2022-2023”</p> <p data-bbox="308 672 741 719">Ministry of Economy</p> <p data-bbox="366 753 682 796">P. O. Box 2212</p> <p data-bbox="290 836 759 883">Government Buildings</p> <p data-bbox="468 918 580 961">Suva</p>	<p data-bbox="848 529 1449 629">“Budget Consultations 2022- 2023”</p> <p data-bbox="937 672 1360 719">Ministry of Economy</p> <p data-bbox="894 753 1403 801">Level 10, Ro Lalabalavu</p> <p data-bbox="1080 815 1217 858">House</p> <p data-bbox="988 898 1309 941">Victoria Parade</p> <p data-bbox="1098 981 1200 1023">Suva</p>	<p data-bbox="1505 611 2295 715">Subject: “Budget Consultations 2022- 2023”</p> <p data-bbox="1518 753 2283 801">budgetconsultation@economy.gov.fj</p>

For further details, visit

www.economy.gov.fj

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Thank You