

Fiji economic survey: Low growth the new normal?

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Abstract

This article reviews the performance of the Fijian economy from 2015 to 2019. After several years of decent growth (around 5%), GDP growth fell to as low as 0.5% in 2019. Earlier hopes that a ‘new normal’ of GDP growth of around 5% per annum had been established have faded. The principle reason for this, it is argued, is a lack of business confidence, which is associated with the 2018 elections, but more fundamentally with a lack of faith in Fiji’s political system. At the same time, the government has also been forced to embark on a course of fiscal consolidation, as announced in the 2019–2020 National Budget, due to disappointing revenue collections and undisciplined expenditure in earlier years. The banking sector is hamstrung by a lack of liquidity. This article is written to understand the Fijian economy pre-COVID-19, but with the sharp downturn in economic growth in particular due to the impact of the COVID-19 virus on tourism—Fiji’s most important sector—and no room for fiscal expansion, growth prospects in Fiji are currently not bright. An improved medium-term outlook will require greater confidence (both political and economic) to increase investment, both foreign and domestic. Reforms to reduce the costs of doing business will also help.

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KEYWORDS

business confidence, economic survey, Fiji, Pacific economy, tourism

1 | INTRODUCTION

Fiji's economy grew by only 0.5% in 2019, following growth of 3.5% in 2018, a downturn compared to the 5.6%, 4.7% and 5.4% in 2014, 2015 and 2017, respectively (growth in 2016 was slower due to Cyclone Winston). Pre-COVID-19, the growth forecast for 2020 was 1.7%, and for 2021 2.9% (Reserve Bank of Fiji, 2020b). Of course, these forecasts, especially for 2020 and probably for 2021, have already been reduced due to the impact of COVID-19, with -4.3% growth projected for the current year as at May 2020. But even putting COVID-19 to one side, as this survey does, the country's recent growth performance suggests poor growth prospects. In late 2019, the Reserve Bank of Fiji (RBF) forecast trend growth to be around 2.9 to 3% from 2021 onwards (Reserve Bank of Fiji, 2019, p. 34).

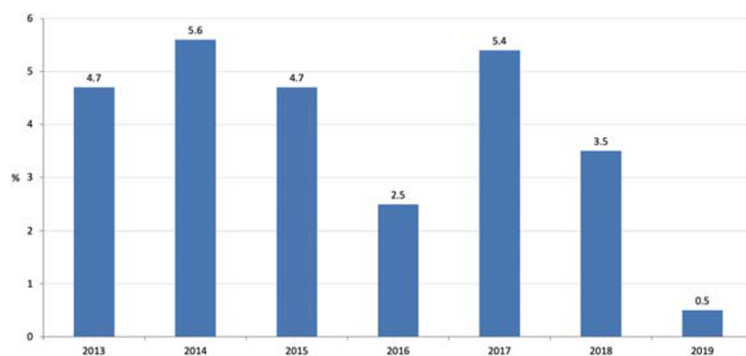
With weak growth, and disappointing revenue outcomes, the fiscal consolidation announced in the 2019–20 National Budget (delivered in June 2019) with steep expenditure cuts was inevitable given high government borrowing over the past 5 years. Previous budgets (particularly in the pre-election years of 2014 and 2018) had been used as a tool to gain at the polls, and the need for fiscal adjustment has been obvious since 2015. As Table 3 later in the article shows, the government is now being forced to cut back on vital expenditures for education, health and infrastructure, areas that the government itself has continuously identified as priorities. Due to the low-growth scenario, the revenue challenge facing the government is not a cyclical but a structural one.

The higher growth of around 5% observed a few years ago had been heralded as a 'new normal' for Fiji. What explains the growth slowdown? Prior to COVID-19, tourism continued to play a dominant role in maintaining economic growth. Activity in other important sectors such as sugarcane, timber, gold and sugar, however, has remained restrained. Moreover, as government has been forced to reduce expenditure, the contribution of government spending to growth has contracted.

The fundamental cause for the slowdown, however, is that the Fijian economy has been impacted by weak business and investor sentiment on account of both policies and politics. Business confidence started falling in June 2018, just ahead of the national elections of November 2018. There was no bounce back in confidence after the elections. Indeed, a year later business confidence had fallen to its lowest since 2009, and even the RBF noted that weaker demand in 2019 'reflect[ed] subdued consumption activity and contraction in investment, stemming largely from weak business and investor sentiments' (Reserve Bank of Fiji, 2019, p. 34). Restoring business confidence will not be easy, and, for reasons discussed, will be unlikely until the next election in November 2022, and even then there is no guarantee. With COVID-19 dealing a harsh blow to tourism, and no room for fiscal expansion, growth prospects in Fiji are currently not bright.

This article is written to document and explain the pre-COVID-19 slowdown in economic growth, and related fiscal developments. While of course the pandemic has acted as a major shock, it is not the focus of this survey. To increase trend growth, Fiji will not only need to recover from a pandemic-induced global depression, but also learn the lessons of the past.

FIGURE 1 Real GDP growth rate (2013–2019). GDP, gross domestic product. Source: Fiji Bureau of Statistics and Reserve Bank of Fiji



The rest of the article is organised as follows. Section 2 discusses the recent economic growth performance in the past 5 years and the short-term outlook. Section 3 provides reasons for the growth slowdown, with a focus on the role of politics and business confidence in economic outcomes. Fiscal developments and government debt are deliberated in Section 4. Section 5 provides a discussion on bank lending, and declining bank liquidity, a major topic of political debate and economic discussion in Fiji. Section 6 focuses on tourism and merchandise trade. Concluding remarks are provided in Section 7.

2 | ECONOMIC GROWTH

After relatively stronger growth outcomes of 5.6%, 4.7% and 5.4% in 2014, 2015 and 2017, respectively, Fiji's economy has slowed down since 2018 (Figure 1). A lower growth of 2.5% was recorded in 2016. Tropical Cyclone (TC) Winston had a negative impact on GDP; but post-cyclone reconstruction partly financed by increased foreign aid provided a stimulus, and consumption expenditure was strong in 2016 due to withdrawals of about \$275 million by impacted households from the Fiji National Provident Fund.¹ In 2017, growth significantly improved (up to 5.4%) largely on the back of the service sector, though primary sectors such as fishing, forestry and mining were sluggish.

However, the growth momentum of 2017 did not continue into 2018, which recorded growth of 3.5% that year. There was a further slowdown to 2019 with estimated growth of only 0.5%. Prior to COVID-19, which is having a devastating impact on tourism in Fiji, the country's most important sector, a sluggish recovery was forecast for 2020 and 2021 with growth anticipated to increase to 1.7% in 2020 and 2.9% in 2021 and onwards (Reserve Bank of Fiji, 2020a).

What explains the post-2017 growth slowdown? Industrial growth has been sluggish. The contribution of manufacturing to GDP has reduced from 10.7% in 2015 to an expected 10.4% in 2020. At the sectoral level, the annual industrial production index shows that out of Fiji's seven key private industrial sectors, only three have grown significantly since 2014 (Figure 2). Between September 2018 and September 2019, six of the eight sectors show negative growth in the annual industrial production index (Figure 3).

The share of agriculture in GDP is about 6.5%. Policy support and fundamental structural changes are needed for the agriculture sector, where the majority of the poor are concentrated. In the medium to long term, the government must strive to achieve food security through

¹All figures in this article are in Fiji dollars.

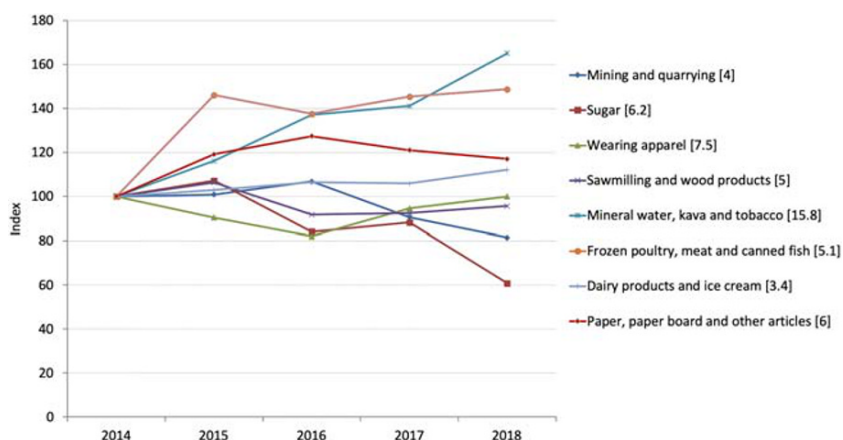


FIGURE 2 Annual industrial production index (base: 2014 = 100). Figures in square brackets are weights for the sector/industry. Source: Fiji Bureau of Statistics

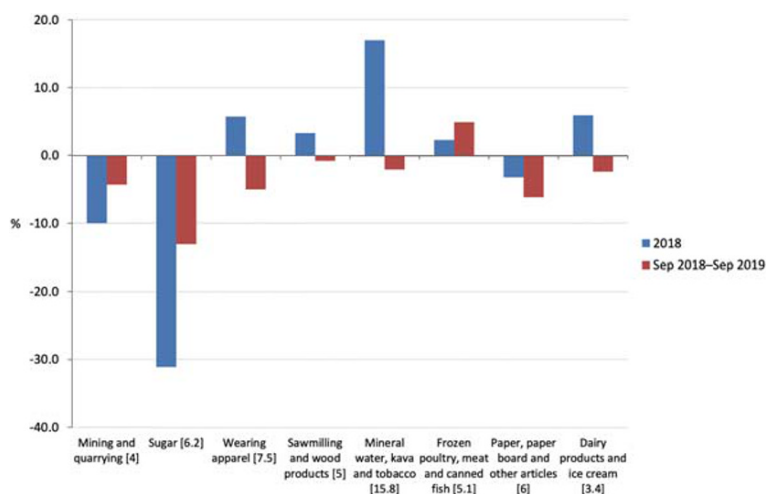
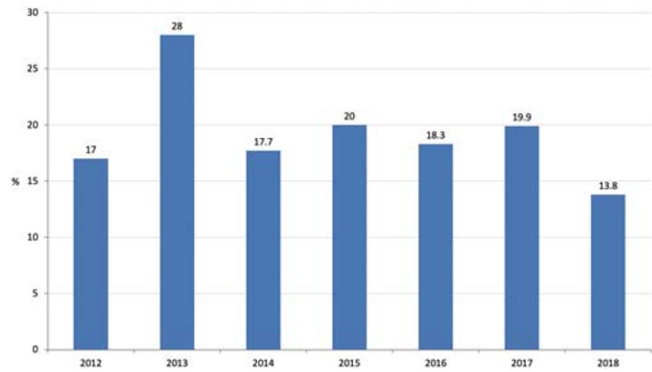


FIGURE 3 Percentage change in annual industrial production index. Figures in square brackets are weights for the sector/industry. Source: Fiji Bureau of Statistics

investments to increase the productivity, sustainability and resiliency of agriculture. There must be special targeting among smallholder farmers, many of whom live in absolute poverty. Smallholder farmers are also extremely vulnerable to weather shocks.

The sugar industry continues to contract (Figures 2 and 3). Production of sugar in 2018 was only 60% of the 2014 level (Figure 2) and there was a further 10% fall in 2019 (12 months to September). The 2019–2020 budget continues existing but controversial measures to prop up the sugar industry such as spending on cane access roads, the fertiliser subsidy, the weedicide subsidy and cane cartage from Rakiraki to Rarawai mill. However, it is apparent that policy tweaks will not work if the fundamentals within the industry are weak. The nature of property rights governing the use of land has been one of the major factors responsible for the decline of the industry. Until there are major reforms related to land use and availability, sugarcane or agriculture in general will continue to be unattractive for investment, both in terms of capital and labour. Budget documents mention Land Bank as a reform but it is unclear at this stage how land that is deposited under Land Bank changes the notion of land as a bundle of rights.

FIGURE 4 Investment (% of GDP).
GDP, gross domestic product. Source:
Fiji Bureau of Statistics and Reserve
Bank of Fiji



The underlying incentives for quality private investment have long been an issue in Fiji. Since 2008, the government's medium-term target has been to raise investment above 25% of GDP. However, this target was only achieved once, in 2013 (Figure 4). Since then investment has been stuck at 18–20%, falling to 14% in 2018. In 2019, commercial bank lending for consumption purposes and investment purposes both declined, the latter by 16.7% (Reserve Bank of Fiji, 2020a). From the RBF Economic Review (January 2020), this contraction has been mainly driven by the real estate and the building & construction sectors, important parts of the investment side of the economy. Similarly, new loans for consumption purposes declined by 4.8% during this period. This contraction was not only because households borrowed less for consumption purposes but also due to the wholesale, retail, hotels & restaurants sectors as well (Reserve Bank of Fiji, 2020a).

3 | REASONS FOR FIJI'S GROWTH SLOWDOWN

The way investors, businesses and households view the economy has important implications for economic outcomes as their expectations are drivers of consumption and investment. Changes in expectations due to changing politics and policies will therefore have an impact on economic growth. Policies and politics can be expected to have an effect on both short- and medium-term economic confidence, and thus on economic outcomes. In terms of investor confidence, Alesina and Perotti (1996) show that political instability creates an uncertain political and economic environment that raises risks and reduces investment. Political instability creates an environment that translates into lower private borrowing and investment if it increases the uncertainty faced by consumers, businesses and investors.

The uncertainty induced by the lead up to and outcomes of the 2018 general election is the key reason behind the slowdown in the Fijian economy, as it is the likely explanation for the fall in the country's investment rate. Business confidence has been falling after June 2018, ahead of the national election. However, the RBF only explicitly noted this in November 2019. Data from RBF's Business Expectation Survey shows that overall business confidence had fallen both in terms of expectations for the next 6 months and the next 12 months in December 2018. By June 2019, business confidence for the next 12 months had fallen to its lowest since 2009.

It would seem that the successful conclusion of Fiji's first post-coup elections in 2014 increased business confidence, and boosted growth. However, the apparent diminution of the

ruling party's popularity and the rise of a popular alternative in the 2018 elections have increased uncertainty.

Another reason for the growth slowdown may relate to the costs of doing business in Fiji. In May 2016, Fiji suspended the operations of Data Bureau Limited. This was Fiji's only operating data bureau and the suspension limited access to credit information. The *Fair Reporting of Credit Act* which eventually abolished the Data Bureau Limited was passed by the Fiji Parliament in April 2016 and came in force on May 26, 2016. While the new act is expected to provide the legal framework for credit reporting agencies, it is not yet clear whether it is in operation, and no new credit bureau has been created to take the place of Data Bureau Limited. The resulting lack of information on borrowers may have increased the probability of more loans being declined or lengthened the loan approval process, thus contributing to Fiji's investment and growth slowdown. Fiji fell in the World Bank Doing Business rank in 2020 with regards to getting credit, where it is now ranked 165 from 190 countries, down from 161 in 2019 (see Table 1; World Bank, 2019, 2020).

4 | FISCAL DEVELOPMENTS AND GOVERNMENT DEBT

The fiscal consolidation announced in the 2019–20 National Budget (delivered in June 2019) is clearly linked to the weak growth outlined above, but also to how the government has been spending and borrowing over the past 5 years. Between the 2016–17 and current fiscal years, government revenue as a percentage of GDP has hovered within a range of 27–28% (see Table 1). Income tax holidays and tax incentives have hurt direct taxes and there is a need to broaden the tax base. Due to the low growth scenario, the revenue challenge facing the government is not a cyclical but a structural one.

Since 2012, the government has not been able to meet its budget revenue targets. One of the main reasons for this is the projection of asset sales which never materialise, but are nonetheless budgeted again for the following year. For example, expressions of interest for the sale of Energy Fiji Limited (EFL) shares were first advertised in March 2015 and then in September 2016. The government has repeatedly budgeted for the sale of FEA shares: \$250 million in 2016–17, \$371 million in 2017–18, \$395 million in 2018–19 and \$80 million in the 2019–20 budget. More generally, in 2015, receipts from the sale of assets fell around \$200 million short of the \$507 million planned for that year. \$371 million worth of asset sales was predicted for the 2017–18 budget year but only \$0.6 million were realised. As a result, the government had to reduce actual expenditure by around \$480 million in the 2017–18 budget.

While revenue has been stuck at 27–28% of GDP, expenditure has been in the range of 29–30% reaching as high as 33% of GDP in 2017–18 (Table 2). In the lead up to the 2018 general election, the government seemed intent on attracting voters with giveaways without consideration as to whether there were funds to pay for those in a sustainable and reasonable way. While there could be a positive short-term effect from raising domestic demand, the quality of such spending and its long-term impact on the economy is questionable.

More recently, as shown in Table 3, the government has been forced to cut back on vital expenditures for education, health and infrastructure, areas that the government itself has continuously identified as priorities.

Between 2014–15 and 2017–18, government revenue grew by 61% whereas expenditure went up by 71%. As a result, debt increased as well. As at December 2019, government debt stood at \$5.7 billion or 48% of GDP (see Table 4), up from 45.8% in July 2015. Given that the

TABLE 1 Rankings on World Bank doing business topics (2020)

Topic	Score (100)	Rank (190)
Starting a business	73.6	163
Enforcing contracts	57.1	101
Paying taxes	71.1	101
Registering property	71.9	57
Getting credit	25.0	165
Dealing with construction permits	67.8	102
Getting electricity	72.8	97
Resolving insolvency	43.8	98

Source: *Doing business 2020*, World Bank, <https://www.doingbusiness.org/en/data/exploreeconomies/fiji>.

TABLE 2 Government revenue and expenditure (\$ million)

	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020
Direct taxes	699.0	717.9	826.8	768.5	804.8
Indirect taxes	1,577.4	1,914.3	1,967.3	2090.8	2221.9
<i>Value added tax</i>	715.9	815.1	751.3	805.5	855.5
<i>Customs duty</i>	577.4	625.7	668.6	701.1	746.0
<i>Service turnover tax</i>	91.3	98.1	97.9	87.9	93.5
<i>ECAL</i>	31.0	77.5	150.5	164.8	174.1
Total revenue	2,908.3	2,896.3	3,224.4	3,256.1	3491.7
Total expenditure	3,292.0	3,105.1	3,742.2	3,664.9	3840.9
Total revenue					
(% of GDP)	–	27.1	28.3	26.9	27.4
Total expenditure					
(% of GDP)	–	29.1	32.9	30.3	30.2
Nominal GDP	N/A	10,648.3	11,361.3	12,063.7	12,703.8

Source: Economic and Fiscal Update: Supplement to the 2019–2020 Budget Address, Government of Fiji.

Note: In 2016, the government fiscal year changed from January to December to July to June, and there was no GDP estimate for 2015–2016.

Abbreviations: ECAL, Environment and Climate Adaptation Levy; GDP, gross domestic product.

current government has been in power for 14 years, it can hardly blame its predecessors for this.

As government debt has continued to grow, questions have been raised about the potential medium- to long-term consequences (Chand, 2003; International Monetary Fund, 2016). The International Monetary Fund has recently noted the need for fiscal adjustment over the medium term to deliver on the objectives of lowering the public debt and strengthening the credibility of the fiscal framework (International Monetary Fund, 2016). Historically, Fiji has not experienced financing difficulties. Most of its debt is domestic (some 75% of the total—see Table 4). The current debt ratio may therefore be regarded as ‘sustainable’ or ‘manageable’. However, a more important question is the impact of debt burden on long-term economic growth prospects. Recent research suggests that the current debt ratio is negatively impacting long-term economic

TABLE 3 Expenditure of selected ministries, other entities and programs (\$ million)

	2017–2018	2018–2019	2019–2020	Change (2019/20–2018/19)
Ministry of Health	303.1	384.3	349.7	(34)
Ministry of Education	447.5	515.9	467.6	(48)
Fiji Roads Authority	382.7	563.1	419.4	(143)
Water Authority of Fiji	255.8	349.2	258.7	(90)
Fiji Police	143.1	193.5	177.7	(15)
Ministry of Infrastructure	115.6	165.2	89.6	(75)
Fiji Military Forces	92.1	103.2	95.9	(7)
Poverty Benefit Scheme	38.0	38.0	36.0	(2)
Social Pension Scheme	37.2	47.4	46.0	(1.4)

Source: Budget Estimates 2019–2020, Government of Fiji.

TABLE 4 Government debt (\$ million)

	Jul 2015	Jul 2016	Jul 2017	Jul 2018	Jul 2019	Dec 2019
Domestic debt	2,997.5	3,245.0	3,300.8	3,763.0	4,131.1	4,301.9
External debt	1,385.3	1,262.6	1,370.9	1,457.5	1,498.2	1,434.1
Total debt	4,382.8	4,507.7	4,671.7	5,220.5	5,629.3	5,735.9
Debt (% of GDP)	45.8	44.6	43.9	45.9	46.7	48.0

Source: Economic and Fiscal Update: Supplement to the 2019–2020 Budget Address, Government of Fiji.

growth (Gounder & Sami, 2019). This empirical study undertook a time series analysis of the long-run and short-run impact of public debt on economic growth in Fiji from 1970 to 2014. Using an augmented Solow growth modelling framework, this study found that public debt has a negative impact on economic growth in the long run and short run.

More recently, the government has defended its fiscal policy by claiming that the mix of capital (investment) and operating expenditure has been skewed in favour of the former, which has risen from 33% in 2014–15 to 41% in 2017–18. This is a good sign. However, the category of capital expenditure includes payments such as Tourism Fiji marketing grants, and marketing support to Fiji Airways and the Fiji International Golf Tournament. From an economic viewpoint, these are not necessarily capital investments since they do not add to the capital stock of the economy.

While there is no easily-identifiable optimal level of government debt for Fiji, given that Fiji is a small open economy and is vulnerable to shocks of various kinds, a cautious approach is warranted, and a relatively low level of government debt appropriate. Maintaining a lower level of debt ensures the government has the ability or fiscal space to respond to regional and global shocks to its financial position without necessitating any reduction in essential expenditure.

5 | BANK LENDING, LIQUIDITY AND THE FINANCIAL SECTOR

The RBF regulates and supervises all commercial bank operations in Fiji. Fiji's financial sector is profoundly bank-dominated (Gounder & Sharma, 2012). The commercial banks hold 44% of

total assets of the financial sector and are the major providers of credit to the private sector. As at June 2018, the commercial banks' share of credit to the private sector was 76%. In total, there are six commercial banks operating in Fiji. Of these, five are foreign owned.

The level of liquidity in the Fijian banking sector has attracted increased interest recently, with Fiji's parliament witnessing intense debates on the subject. During 2011 to 2015, the main concerns were about the high liquidity among banks, but more recently (late 2018 and early 2019), questions have been raised on the comparatively lower levels of liquidity. Looking at components of bank deposits, there has been a reversal in the trend for government deposits. Government deposit holdings fell by 16.7% in 2018, after a 33.6% growth in 2017. This indicates the government is using up its deposits in the banking system, as a result of the high level of expenditure in that election year as well as the shortfall of government revenue in that year. The revenue forecast for 2018–19 was \$4.2 billion, but the estimated actual revenue collected was \$3.2 billion. This led to increased borrowing and a drawdown on government deposits.

Falling bank liquidity makes banks less likely to lend, and we saw in Section 2 that bank lending has declined, though, as noted there, this is also linked to a lack of demand for loans due to falling confidence. Bank lending rates have only increased modestly.

Existing empirical evidence indicates that bank specific factors are strong determinants of liquidity in Fiji (Gounder & Gounder, 2019). This study finds that larger, more profitable and better capitalised banks are likely to hold more liquidity or liquid assets. Moreover, the study argues that bank liquidity increases with the higher capital adequacy of banks and higher bank profitability. From the perspective of banks, this could be an attempt at being cautious in terms of individual bank specific liquidity management. However, it could also be due to the inability of banks to find satisfactory clients. In addition, Gounder and Gounder (2019) show that government debt securities have implications for the conduct of monetary policy and banking sector liquidity management.

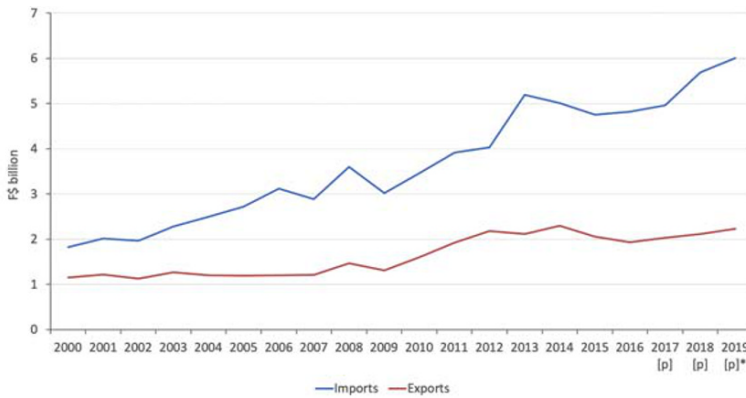
6 | MERCHANDISE TRADE AND TOURISM

The merchandise trade deficit continues to grow (Figure 5), and merchandise imports are now almost three times the value of merchandise exports. The merchandise trade deficit widened by 20% in 2018 alone due to growth in imports of 14.6% relative to growth in exports of 6.5%.

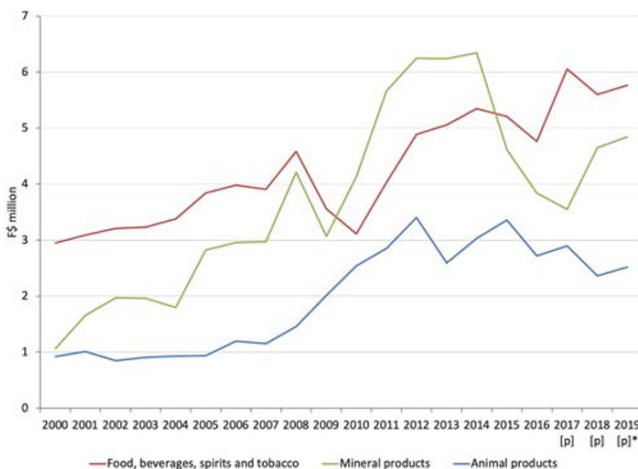
Aggregate merchandise exports are stagnant (Figure 5). In fact, all three of Fiji's top merchandise exports—animal products, food, beverages, spirits and tobacco, and minerals—have shown negative growth in recent years (Figure 6).

Tourism remains the largest contributor to GDP and foreign exchange earnings. Tourism earnings grew by 4.5% in 2018 to \$2,010.3 million, mainly due to higher earnings from the United States, China, United Kingdom and Canada (Figure 7). Personal remittances grew by 5.8% in 2018 reaching \$564.0 million. This record level of remittances contributes to maintaining consumption and domestic demand in the short term, but continued net out-migration may be a drag on economic growth.

Tariffs are one of the main instruments of trade policy tools. 49.5% of tariff lines have been bound. While broader coverage of bindings increases tariff predictability, there remains a significant gap between the overall bound average of 40.2% and the simple average applied most favoured nation (MFN) tariff of 11.2% (World Trade Organization, 2016). For agricultural products, the simple average bound rate is 40.6%. However, the actual applied MFN tariffs average

**FIGURE 5**

Merchandise exports and imports (total). [p] is provisional. [p]* indicates data is from January to November. Source: Fiji Bureau of Statistics

**FIGURE 6** Top three merchandise exports. [p] is provisional. [p]* indicates data is from January to November. Source: Fiji Bureau of Statistics

on agricultural products is 12.5% and non-agricultural products are 11%. This gap between bound rates and applied rates create the possibility that tariff rates can fluctuate between fiscal years and thus impacting the price of imported merchandise products.

Two major trade policy agendas have been implemented in the past 5 years. Fiji's first Trade Policy Framework was launched in 2015. It identifies key policy directions for the conduct of trade in goods and services for the next 10 years (2015–2025). In addition, the Melanesian Free Trade Agreement (MFTA) was signed in January 2017 and is currently open for ratification. The MFTA expands the Melanesian Spearhead Group Trade Agreement to include trade in services, labour mobility, investment and government procurement between Melanesian countries. Apart from these, bilateral discussions are currently underway for the possibility of a Fiji–China Free Trade Agreement. By contrast, Fiji has so far (alongside Papua New Guinea) refused to sign the new regional trade agreement PACER Plus, which includes Australia and New Zealand.

It is critically important for the Fijian Government to continue with the trade liberalisation that it began in the 1980s. A reversal of trade policy in this area will not provide support for broad-based economic growth. Between 2009 and 2014, some tariffs have been increased, and others reduced (World Trade Organization, 2016). Fiji's past experience suggests that it should

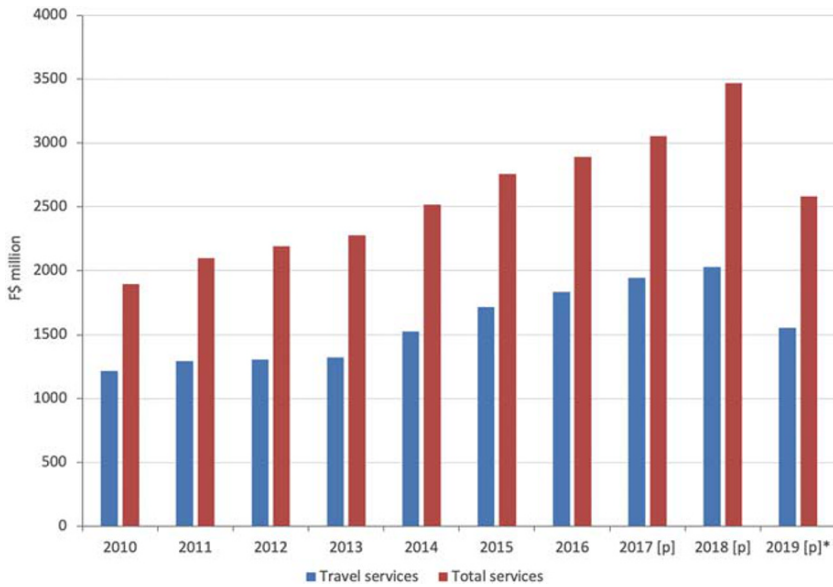


FIGURE 7 Export of travel and total services. [p] is provisional. [p]* indicates data is from January to September. Source: Fiji Bureau of Statistics

not go back to an inward-oriented strategy by providing protection to domestic firms in order to encourage production and employment (Gounder & Prasad, 2013). Moreover, for Fiji to continue to reap benefits from the global trading system, greater economic integration is necessary (but not sufficient) to create opportunities to diversify the economy, tap into new comparative advantages and increase jobs. One particular opportunity for Fijian firms through economic integration is the opportunity to participate in global value chains (GVCs) and supply chains. These not only provide opportunities to diversify exports and create new jobs but also obtain new technological capabilities. GVCs can allow small and micro enterprises (SMEs), in particular, to access foreign markets. It can play a major role in reducing trade restrictions in services and improve transport and communication logistics and infrastructure for SMEs. Nonetheless, economic liberalisation should be accompanied by policies promoting economic diversification and supporting/cultivating entrepreneurship which opens up broader opportunities for SMEs to benefit from GVCs.

7 | CONCLUDING REMARKS

Accelerating growth in Fiji is critical. 28% of the population still lives in poverty (Fiji Bureau of Statistics, 2015). While social protection can reduce the vulnerability of the poor to shocks and contribute to equity, the government is severely constrained in terms of public finances, as this survey has shown. In addition, the economy is vulnerable to weather-related and climate-change shocks. Improvements in human welfare, sustained poverty reduction, and increased reliance to shocks cannot be achieved in Fiji without a substantial increase in inclusive growth and creating more jobs.

This article has examined Fiji's recent growth performance. Hopes that GDP growth could be expected to be sustained at a level of around 5% have dissipated, with the disappointing

growth of recent years. The article has argued that this is not a cyclical downturn, but a structural one, driven by reduced business confidence due to political uncertainty.

Even leaving COVID-19 to one side, improving Fiji's growth prospects will not be easy. Achieving growth rates higher than 3% will require sustaining high levels of investment, whether foreign or domestic, especially in agriculture and manufacturing. But there is no easy way to improve investor confidence. Moreover, the government has no fiscal capacity and is cutting expenditure. And now the economy has to deal with the severe COVID-19 shock.

In this constrained environment, improving domestic revenue collection and prioritising expenditure will be important. Public investments also need to be executed effectively. Deeper reforms are required to life productivity in areas related to property rights, local governance, education, health, housing affordability and business environment. However, until confidence in Fiji's political system is restored, growth is likely to be anaemic at best.

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