INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/138

FIJI

June 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Fiji, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on March 25, 2025, with the officials of Fiji on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 29, 2025.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2025 Article IV Consultation with Fiji

FOR IMMEDIATE RELEASE

Washington, DC – **June 20, 2025:** On June 17, 2025, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Fiji, and considered and endorsed the staff appraisal without a meeting.

The economic recovery continued in 2024. Staff estimates aggregate GDP growth in 2024 to have reached 3.7 percent. While employment has recovered to pre-pandemic levels, investment has recently been held back by labor shortages and supply-chain challenges. Inflation decelerated though 2024 as the impact of the 2023 value-added tax increase faded and the nominal exchange rate appreciated. The public debt-to-GDP ratio has continued to decline from the peak reached in 2022, but remains elevated, at 80 percent. Likewise, the current account balance has improved, but the deficit in 2024 is estimated to be around 6.7 percent.

Monetary and financial conditions remain accommodative, while the fiscal stance has tightened. The Reserve Bank of Fiji (RBF) has maintained the policy rate at 0.25 percent since early 2020. The fiscal stance tightened in FY2024, with the overall deficit declining from 7.2 percent of GDP in FY2023 (August-July) to 3.5 percent of GDP in FY2024, compared to a budgeted deficit of 4.8 percent of GDP.

Executive Board Assessment

In concluding the 2025 Article IV consultation with Fiji, Executive Directors endorsed staff's appraisal, as follows:

The economy has been recovering from the pandemic but is facing new setbacks. Growth is expected to fall in 2025, to about 2.6 percent, mostly because of slowing external demand, and to take a couple of years to recover to its medium-term potential rate. The baseline projection implies that public debt would remain elevated. In addition, FX reserve coverage would fall, implying that the external position remains moderately weak. Growth would be higher with successful structural reforms, or should the external environment be more favorable than assumed. But the balance of risks appears to be mostly to the downside, both in the near term, if trade tensions were to worsen or their effects be more severe than assumed in the baseline, or over the medium term, mostly given vulnerabilities to natural disasters.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Fiscal and monetary policies should focus on addressing macroeconomic imbalances.

- Fiscal policy should focus on lowering public debt while continuing with growth-friendly fiscal consolidation, oriented toward capital spending. Significant progress has been achieved in recent years, but additional adjustment measures are needed to put public debt on a clear downward path. Targeted and temporary social protection measures should be used to protect the vulnerable. Fiscal tightening would also contribute to reducing external imbalances.

- Over the medium term, given potential pressures on the exchange rate peg, monetary conditions should be gradually tightened, raising the policy rate and reducing excess liquidity.

- Financial policy should be attentive to emerging credit risks and to safeguard against money laundering risks.

- The authorities should avoid using exchange rate restrictions and CFMs in place of macroeconomic adjustment and focus on a gradual, sequenced capital account liberalization to support high long-run growth objectives.

Raising potential growth calls for sustained structural reforms.

- Progress has been achieved in enhancing the business environment and addressing near-term constraints to growth. Immediate concerns include addressing ageing infrastructure in electricity, water, and waste utilities, and improving the transport network and digital connectivity. Ongoing concerns include training and human capital. Successful measures would also encourage more foreign investment, ease external imbalances, and reduce "brain drain."

- As for other Pacific states, Fiji faces ongoing challenges from natural disasters and climate change. Increasing resilience adds to the motivation to shift away from current toward capital spending.

Such issues require sustained political consensus and good governance. The government's recognition of the importance of institutional reform, commitment to the rule of law, and reducing corruption and bribery is welcome. Recent legislative progress will need to be matched by proper enforcement and addressing capacity constraints in the civil service.

Fiji: Selected Economic Indicators, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
Output and prices (percent change)									
Real GDP	19.8	7.5	3.7	2.6	2.8	3.2	3.2	3.2	3.2
GDP deflator	2.4	4.1	6.3	3.2	3.1	3.2	3.3	3.4	3.5
Consumer prices (average)	4.3	2.3	4.5	3.2	3.1	3.2	3.3	3.4	3.5
Consumer prices (end of period)	3.1	5.1	1.3	3.1	3.2	3.3	3.4	3.5	3.5
Central government budget on fiscal-year basis (percent of GDP)									
Revenue and Grants	21.4	23.2	27.4	27.1	27.1	26.8	26.8	26.6	26.5
Expenditure	33.5	30.3	31.0	31.5	31.2	31.0	31.0	30.9	30.9
Overall balance	-12.1	-7.2	-3.5	-4.4	-4.2	-4.2	-4.2	-4.3	-4.4
Primary balance	-8.5	-3.3	0.5	-0.3	-0.3	-0.6	-0.6	-0.7	-0.8
Central government debt	90.4	83.3	79.5	77.7	77.7	77.6	77.3	77.0	76.8
Central government external debt	33.3	30.6	28.7	26.5	26.5	26.4	26.1	25.8	25.6
External sector (percent of GDP)									
Current account balance	-17.3	-7.7	-6.7	-7.0	-7.7	-7.5	-7.2	-6.9	-6.9
Trade balance	-32.9	-32.7	-30.0	-29.1	-27.7	-27.3	-27.3	-26.9	-26.4
Services balance	11.8	20.4	20.0	19.9	18.4	17.8	17.3	17.1	16.5
Primary Income balance	-5.3	-5.7	-6.4	-6.8	-6.6	-6.4	-6.0	-5.9	-5.9
Secondary Income balance	9.2	10.3	9.6	9.0	8.2	8.5	8.8	8.9	9.0
Capital account balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial account balance (-= inflows)	-14.0	-4.9	-6.6	-4.1	-5.3	-5.7	-6.9	-6.5	-6.5
FDI	-1.8	-1.1	-1.6	-4.5	-5.4	-6.1	-7.3	-7.1	-7.2
Portfolio investment	0.5	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Other investment	-12.7	-4.8	-6.7	-1.3	-1.5	-1.3	-1.3	-1.1	-1.0
Errors and omissions	5.1	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserve assets (-=increase)	-2.1	0.3	0.1	2.9	2.3	1.7	0.3	0.3	0.4
Gross official reserves (in months of prospective imports)	5.5	5.3	5.2	4.4	3.7	3.1	2.9	2.6	…
Money and credit (percent change)									
Net domestic assets of depository corporations	4.9	12.1	8.0	6.4	6.1	…	…	…	…
Claims on private sector	6.7	7.5	11.4	10.0	8.0	…	…	…	…
Broad money (M3)	5.1	9.1	6.6	4.1	4.1	…	…	…	…
Monetary base	15.8	-4.0	7.5	3.6	1.4	…	…	…	…
Central Bank Policy rate (end of period)	0.25	0.25	0.25	…	…	…	…	…	…
Commercial banks deposits rate (end of period)	0.4	0.4	0.3	…	…	…	…	…	…
Commercial banks lending rate (end of period)	5.2	4.8	4.6	…	…	…	…	…	…
Memorandum items									
Exchange rate, average (FJD/USD)	2.2	2.3	2.3	…	…	…	…	…	…
Real effective exchange rate, average	108.2	106.4	108.3	…	…	…	…	…	…
GDP at current market prices (in millions of Fiji dollars)	10,940	12,245	13,494	14,286	15,148	16,130	17,193	18,342	19,594
GDP at current market prices (in millions of U.S. dollars)	4,970	5,442	5,949	6,257	6,564	6,913	7,284	7,674	8,089
GDP per capita (in U.S. dollars)	5,450	5,933	6,447	6,740	7,030	7,359	7,707	8,072	8,508

Sources: Reserve Bank of Fiji; Ministry of Finance; and IMF Staff Estimates and Projections.

INTERNATIONAL MONETARY FUND

FIJI

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

May 29, 2025

KEY ISSUES

Context: Economic recovery has continued, driven mainly by tourism. Inflation decelerated sharply in 2024 as the impact of the 2023 VAT hike faded. The fiscal stance was tightened, but monetary and financial conditions remain highly accommodative. Progress has been made in enhancing the business environment and addressing near-term constraints to growth, but significant structural challenges remain.

Outlook and risks: Growth was showing signs of slowing early in 2025. Tariffs will have additional effects, both directly on goods exports and indirectly through slowing external demand. On this basis, growth is projected at 2.6 percent in 2025, and to settle by 2027 and thereafter slightly below the pre-pandemic trend of 3.3 percent. The outlook is very uncertain. Risks remain tilted to the downside, in the near term from further deterioration in the global economy, while over the long term Fiji remains highly vulnerable to natural disasters. On the upside, greater structural reform momentum—particularly to modernize infrastructure, enhance human capital, and create a business-friendly environment—would raise potential growth, strengthen public finances, and improve external sustainability.

Main Policy Recommendations:

- Rebuilding fiscal buffers should be a priority, with growth-friendly consolidation promoting a shift from current to capital spending. Social protection measures should be ready to shield the most vulnerable from a pronounced downturn.

- Monetary policy should be gradually adjusted to at least neutral levels and exchange restrictions phased out.

- Financial policies should be attentive to emerging credit risks and safeguard against money laundering risks.

- A significant increase in reform momentum is needed to boost growth over the medium term, with long term prospects dependent on addressing the impact of natural disasters and mobilizing additional climate financing.

Approved By
Nada Choueiri (APD) and Geremia Palomba (SPR)

Discussions took place in Fiji between March 12-25, 2025, with extra discussions conducted virtually on April 16, 2025. The staff team comprised Arpitha Bykere, Ragnar Gudmundsson (both APD), Krishal Prasad (resident representative office local economist), Neil Saker (resident representative), and Alasdair Scott (mission chief). Andrew de Castro (LEG) attended meetings with the Attorney General and the Fiji Independent Commission Against Corruption virtually. Esala Masitabua (OEDST) attended the meetings and Kaweevudh Sumawong (OEDST) joined for the last five days. To-Nhu Dao, Reihana Paewai, and Yan Xu (all APD) contributed to the preparation of this report and supported the mission. The mission met with the Deputy Prime Minister/Minister for Finance Biman Chand Prasad, the Governor of the Reserve Bank of Fiji Ariff Ali, other senior government officials, development partners, and private sector representatives. Projections in this report were finalized on April 2, 2025.

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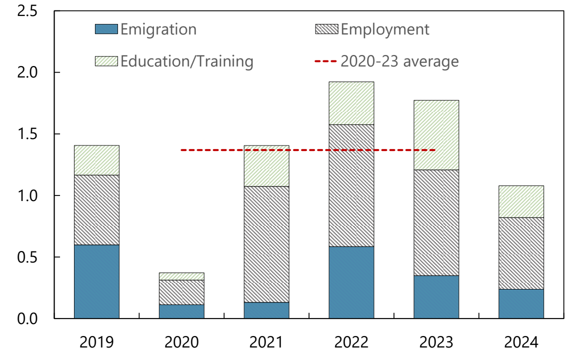
CONTEXT

1. The Fijian economy has been recovering from the pandemic but continues to face challenges. It is highly dependent on tourism; diversification is difficult because of geographical isolation, weak infrastructure, and limited human capital. Public debt increased significantly during the pandemic. Outward migration has tightened the labor market. Fiji is highly vulnerable to natural disasters, especially from cyclones and flooding.

Resident Departures
(In percent of population, 1-5 years or more)



Sources: Reserve Bank of Fiji; Fiji Bureau of Statistics; and IMF staff calculations.

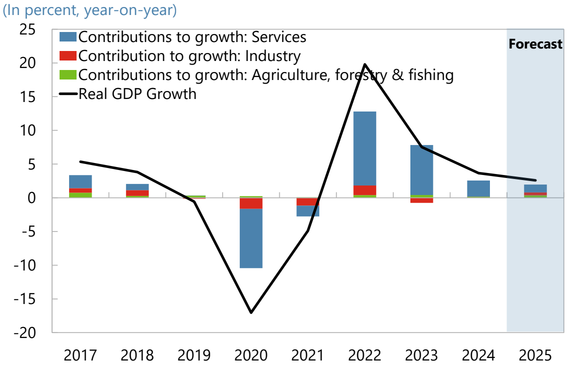
2. The coalition government has laid out a wide-ranging agenda to raise growth and economic opportunities. The 2025-2029 National Development Plan (NDP), published in September 2024, seeks to raise growth rates and the welfare of the Fijian people. The next general election will be held between August 2026 and February 2027.

RECENT DEVELOPMENTS

3. The Fijian economy now appears to be running at capacity overall, although the recovery has been uneven:

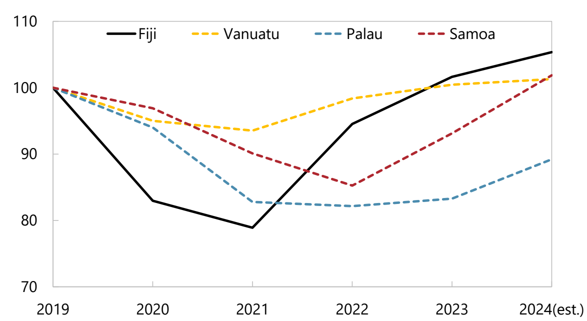
- GDP growth continued to be strong in 2024, after the sharp slump in 2020 and rebound in 2022. Staff estimates aggregate GDP growth in 2024 to have reached 3.7 percent. The recovery has been driven mainly by tourism and related sectors; although aggregate output now exceeds pre-pandemic levels, economic activity in twelve sectors representing about 30 percent of the economy remains below pre-pandemic levels.

Real GDP Growth
(In percent, year-on-year)



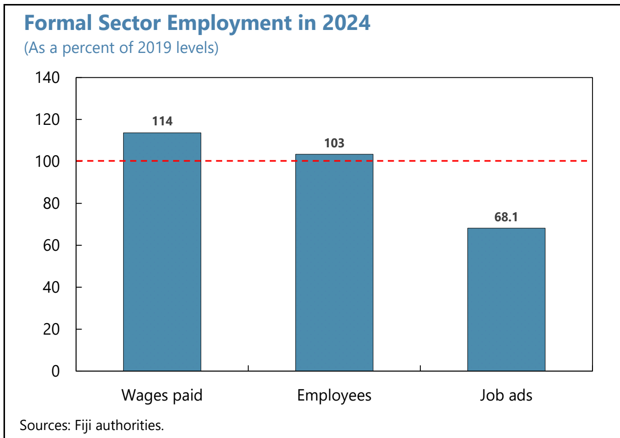
Sources: Fiji authorities; and IMF staff calculations.

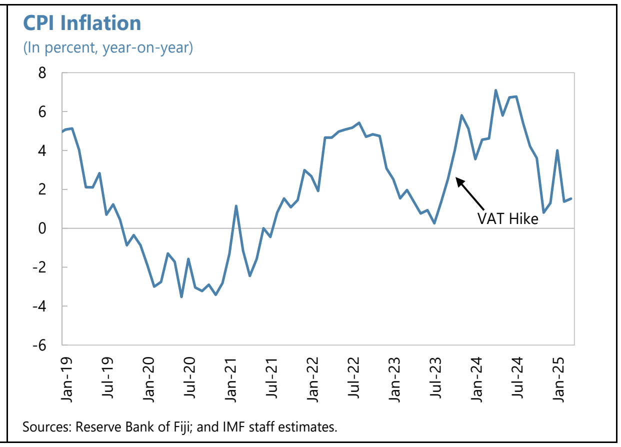
Economic Recovery in Tourism-Based Pacific Island Countries (Real GDP, 2019=100)



Sources: National authorities; and IMF staff estimates.

- While employment has recovered to pre-pandemic levels, investment has recently been held back by labor shortages and supply-chain challenges, slowing the implementation of tourism projects.[1]





- Inflation decelerated though 2024 as the impact of the 2023 value-added tax increase faded and the nominal exchange rate appreciated. The reduction in y/y inflation was common across CPI-sub-groups; deflation was seen in housing, water, electricity, gas and other fuels, and transport.

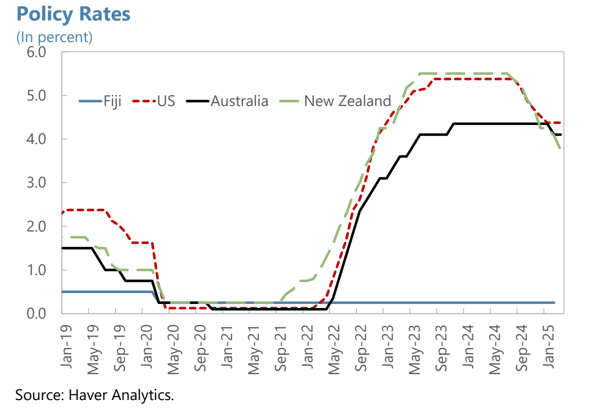
4. Monetary and financial conditions remain accommodative. The Reserve Bank of Fiji (RBF) has maintained the policy rate at 0.25 percent since early 2020, considering inflation to be stable (between 3 and 5 percent) and foreign exchange (FX) reserve coverage adequate (at least 5 months of retained imports).[2] Although liquidity in the banking system has fallen marginally from its previous peak (FJD 2.4 billion) as liquidity support from pandemic-related programs has been retracted,[3] it remains high.[4] Lending rates are at historical lows (Figure 4). Private sector credit growth has been picking up strongly, driven by demand from businesses and households. Lending to the wholesale, retail, hotel and restaurant, construction, real estate, and private individual sectors recorded double digit growth over the past year. Unsecured personal lending grew by around 20 percent.

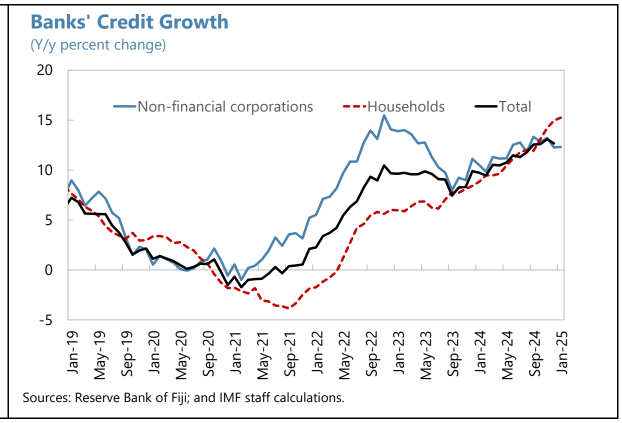
[1] SNA expenditure GDP data indicate private and public enterprise capital formation has been around 14 percent of nominal GDP in the 9 years to 2022 (the most recent values).

[2] The Fijian dollar (FJD) is pegged to a basket of five currencies. The main policy instrument is the overnight policy rate, reviewed monthly. Capital flow management measures have historically been used to insulate from external pressures (¶16).

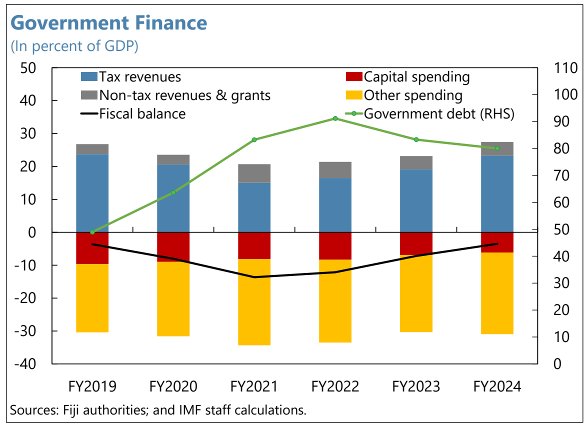
[3] Between 2021 and 2023, the RBF disbursed around FJD 1 billion under its special lending facilities. The outstanding balance for the lending facility is FJD 807 million, most of which is expected to be repaid in 2026 and 2027. This combined with expected decline in foreign reserves in the medium term, liquidity is expected to unwind somewhat naturally.

[4] Banks' demand deposits at the RBF are now around 17 percent of GDP, after peaking at around 24 percent in 2022, but averaging around 7 percent before the pandemic.



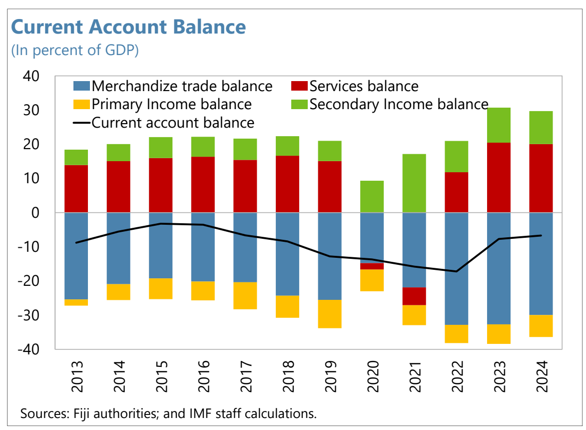


5. The fiscal stance tightened in FY2024.[5] The overall deficit declined from 7.2 percent of GDP in FY2023 (August-July) to 3.5 percent of GDP in FY2024, compared to a budgeted deficit of 4.8 percent of GDP. Significant progress was made by the authorities to mobilize revenues in the FY2024 budget and efforts to improve compliance have boosted tax revenues.[6] Capital spending continued to be under-executed owing to capacity constraints. The public debt-to-GDP ratio has continued to decline, currently at 79.5 percent from a peak of 90.4 percent in FY2022.



6. Despite recovery in tourism and the improved public savings balance, the external position remains moderately weak.

- Staff estimates the current account balance to have improved from -7.7 percent of GDP in 2023 to -6.7 percent in 2024. The FJD depreciated against the US dollar but appreciated against others in the basket. With inflation relatively high, the REER appreciated slightly in 2024.[7]



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[5] Fiji's fiscal year for budget purposes is from August to July.

[6] The FY2024 budget increased the VAT rate, corporate income tax rate and departure tax for tourists, and removed some tax concessions and incentives.

[7] Official balance of payments data for 2024 have not been released yet, as the Fiji Bureau of Statistics is reviewing tourism earnings data from 2019 onwards.

- The EBA-Lite current account model applied to 2024 estimates suggests that Fiji's external position in 2024 was broadly in line with fundamentals and desirable policy settings (Annex III). However, the NIIP position is substantially negative. The FX reserve coverage is projected to fall steadily over the projection horizon (¶12). From a sustainability perspective, therefore, staff's judgment is that the external position remained moderately weaker than fundamentals and desirable policy settings, as was assessed in the Staff Report for the 2024 Article IV Consultation.

7. Goods exports to the US face tariffs. On April 2, 2025, the US administration announced tariffs of 32 percent on goods exports. On April 9, 2025, the administration announced a 90 day "pause", during which the tariff rate would be 10 percent.

OUTLOOK AND RISKS

8. The projections shown in this Staff Report are based on announced policies as of April 2, 2025, consistent with the April 2025 WEO reference scenario:

- The tariff rate on Fijian goods exports to the US is assumed to be 32 percent through the projection period.

- Policy rates are assumed to remain at current levels, and current exchange restrictions and capital flow management measures (CFMs) remain in place. Based on announced policies, the fiscal outlook would remain broadly unchanged. Structural reforms are assumed to progress gradually.

- Tourist arrivals are expected to decline in the near term, while financial inflows remain steady, but below pre-pandemic levels. Global food and oil prices are expected to decline notably in the near-term, buffering demand effects on the BoP. The US dollar exchange rate is expected to move in line with Fiji-US inflation differentials and remains constant in real terms. Shortages in certain skilled labor market segments are expected to ease with higher migrant inflows.

9. On this basis, growth would slow in the near term, to 2.6 percent in 2025. The US takes the largest share of Fiji's exports; direct effects of US tariffs on goods exports lower growth by about 0.2 percentage points in 2025. Indirect effects (mainly via slower growth in tourist arrivals and weaker remittances from neighboring countries, including the US) lower growth by the same amount. The remaining difference to the 3.7 percent growth in 2024 is mainly because of lower tourism revenues given weakening demand already seen before the April tariffs. Uncertainty is assumed to drag on growth through 2026 (Annex I). The external shocks are assumed to affect the level of output and not potential growth, which is expected to settle slightly below the pre-pandemic trend of 3.3 percent.

10. Inflation is assumed to remain stable in the short term but pick up later. The projections assume that inflation is about 3 percent (compared with an average of 4.5 in 2024) in the near term, but the outlook is uncertain. Given the high share of imported goods,[8] reductions in global prices could pass through to lower prices in Fiji. Conversely, businesses might not pass on much price reduction if they seek to preserve margins as demand falls in the short term. Over the medium-term, the baseline assumptions imply nominal exchange rate depreciation and therefore higher inflation.

11. Public debt would remain elevated. The authorities plan additional fiscal consolidation over the medium-term.[9] Staff projects the overall deficit to remain at above 4 percent of GDP and the debt-to-GDP ratio to decline only marginally, to around 77 percent by FY2030. The IMF Debt Sustainability Analysis (DSA) assesses the risk of debt distress to be "moderate" for Fiji, given the favorable composition, terms and maturities of debt, and access to external official concessional financing (Annex IV).

12. External imbalances would become more apparent. With the slowdown in tourism earnings, the current account deficit would stabilize over the medium-term at around 7.5 percent of GDP; with financial inflows projected to remain lower than before the pandemic, FX reserve coverage would decline steadily, falling below the RBF's own policy of four months of current imports by 2026. The effects of the tariffs would be felt in weaker goods and services exports, but the effect on *net* trade is likely to be significantly less owing to the high proportion of imports (e.g., fuel, food and beverages). Weaker growth in neighboring countries would also reduce remittance income. The outlook for the balance of payments remains uncertain; small changes in assumptions about current account and financial inflows could yield significant changes in the outlook for reserves coverage.[10]

13. The unpredictability of the current global environment makes projections unusually uncertain—nonetheless, risks going forward remain tilted to the downside. Risks of escalation of trade frictions and persistent trade policy uncertainty could reduce growth further, especially via slowdown in demand from Fiji's main export destinations. In one downside scenario, the effects of current tariffs on growth in trading partner countries and the strength of transmission to demand for Fiji's exports could turn out to be stronger than assumed in the baseline, plausibly lowering growth in 2025 to about 1¾ percent (Annex I, ¶5). That said, de-escalation of trade tensions could lift global growth. Changes to structural reform momentum—particularly to ease labor shortages, raise human capital, and encourage investment—would affect potential growth, public finances, and external sustainability. Higher frequency and/or intensity of extreme weather-related events pose a further downside risk to growth.

[8] About two thirds of items in the CPI basket are imported.

[9] The authorities have a 3-year and 15-year fiscal strategy, with the latter currently under review. At this stage, the fiscal anchors are mainly projections, using the overall deficit and debt-to-GDP ratio as indicators, rather than binding numerical targets or caps. The authorities' own projections are for the overall deficit to fall to 3 percent and the debt-to-GDP ratio to reach 74.6 percent by FY2030. Other guides are to increase the capital spending share to 30 percent, maintain operating spending at operating revenues, and borrow only for capital spending.

[10] Note that the starting point for the FX reserves projection is uncertain—BoP data are under revision at the time of writing.

Authorities' Views

14. The authorities agreed that the outlook for Fijian economy would be highly dependent on the outlook for major trading partners. They broadly agreed with the assessment of direct and indirect effects of new tariffs on exports, while noting the substantial uncertainty around projections. The authorities emphasized that the United States has been an important trade partner and a key development partner for Fiji for the last several decades, and that less than 4 percent of imports from the United States are subject to import duties of 15 or 32 percent, with 72 percent subject to zero import duty. The authorities broadly agreed on the outlook for the external sector, their projections pointing to FX reserves coverage remaining adequate at four months of current imports by 2027. They noted the importance of export diversification, higher FDI, prudent external borrowing, and sustainable fiscal policies.

POLICY DISCUSSIONS

15. Policy discussions centered around the evolving external environment, pressures from imbalances, and bottlenecks to growth.

- Policymakers have made good progress over the past year in some critical areas: fiscal consolidation has advanced, notably because of a significant increase in tax revenue, while on the structural front, the authorities have addressed labor shortages constraining economic activity by reducing delays for the approval of worker permits (Annex V).

- However, public debt is projected to remain at high levels, constraining fiscal space to respond to shocks, while pressure for current spending squeezes the necessary capital spending to raise growth potential and adapt to natural disasters and adverse climate developments. The projections imply dwindling FX reserves coverage; current monetary conditions and the fiscal outlook could put pressure on the peg and require sustained reliance on capital controls, but such controls are likely not compatible with encouraging the investment needed to sustainably raise growth to the rate targeted by the authorities in their NDP. These tensions are exacerbated by the deteriorating global macroeconomic environment.

16. The policy mix should be directed to addressing macroeconomic imbalances, while protecting the vulnerable. Structural policies would support potential growth.

- The need to reduce public debt, rebuild fiscal space, and contribute to external sustainability argues for continuing with growth-friendly fiscal consolidation, oriented toward capital spending.

- Capital Flow Management measures (CFMs) are not the appropriate tool to shield against persistent external shocks. Instead, the authorities should promote a gradual, sequenced capital account liberalization to attract foreign investment and support high long-run growth objectives.

- Options for monetary policy to respond to deteriorating external demand are very limited. Easing would likely have little benefit to growth.[11] Benefits to exports from an exchange rate devaluation would likely be outweighed by costs to standards of living from higher prices. Over the medium term, given potential pressures on the exchange rate peg, monetary conditions should be gradually tightened.

- Financial policy should be attentive to emerging credit risks and to safeguard against money laundering risks.

- Structural policies should be directed to raising potential growth, which would also encourage more foreign investment, ease external imbalances, and reduce "brain drain."

- Should a downside growth scenario materialize (¶13), the authorities should use targeted and time-bound social protection measures to protect the vulnerable, financing such measures within the budget.[12]

A. Fiscal Policy

17. The FY2025 budget implies a pause in fiscal consolidation. Following the lower-than-expected budget outturn in FY2024, the budget envisages a larger deficit of 4.5 percent of GDP in FY2025. This includes higher planned capital spending and a pay increase for civil servants (about 0.6 percent of GDP) to adjust for past inflation.[13] Changes to departure taxes and customs and excise duties are expected to have a net revenue impact of 0.2 percent of GDP. Staff projects a slightly lower deficit of 4.4 percent of GDP, reflecting some under-execution of capital spending, even as the momentum in tax revenues moderates in H2 FY2025.

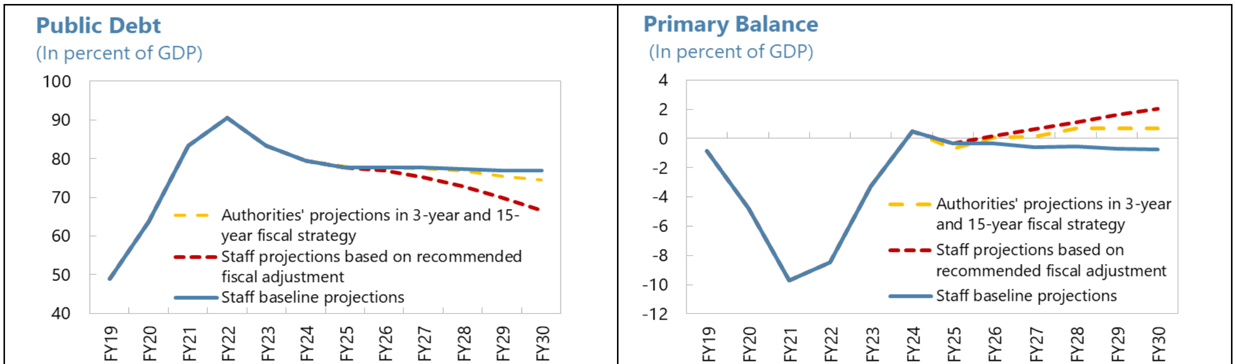
18. Rebuilding fiscal buffers should remain a priority, given limited fiscal space and vulnerability to shocks. Fiscal consolidation would help create the fiscal space to undertake countercyclical policy in the event of large temporary shocks in the future, including external and natural disaster shocks, and implement growth-enhancing spending to increase the economy's long-term resilience to global macroeconomic developments. Staff recommends fiscal policy to revert to a tightening stance starting in FY2026 and advises against reversing the tax increases implemented in recent years. Some targeted fiscal measures are already in place for exporters and

[11] The policy rate is near the zero bound. The authorities could relax reserve requirements, but liquidity is already plentiful (¶4).

[12] Fiji does not have public unemployment insurance, though cash transfers were provided to formal and informal sector workers affected during the pandemic. Social protection facilities include a Family Assistance Scheme, Child Protection Allowance, Social Pension Scheme, allowances for persons with disabilities, and transport allowances for the elderly and disabled.

[13] The budget also includes pay increase for ministers and parliamentarians, which, in most cases, more than offset the pay reductions enacted during the pandemic. In January 2025, the government expanded the cabinet by appointing additional ministers and assistant ministers.

the tourism sector.[14] Amidst elevated debt levels, any support for the affected sectors or measures for vulnerable households should be temporary, well-targeted, and financed within the budget via revenue or other spending measures.



Sources: Fiji Ministry of Finance; and staff estimates.
Note: The authorities' 15-year fiscal strategy is currently under review.

Sources: Fiji Ministry of Finance; and staff estimates.
Note: The authorities' 15-year fiscal strategy is currently under review.

19. Additional revenue mobilization and rationalization of current spending are needed to reduce debt levels and increase the fiscal space for undertaking capital spending. Staff recommends a more ambitious fiscal adjustment path relative to the authorities' Fiscal Strategy to achieve a primary surplus of around 2 percent of GDP by FY2030, which would help put the debt-to-GDP ratio on a clear downward path to below 70 percent. This would require about 2⅓ percent of GDP in additional revenue and expenditure measures (about 1 percent of GDP above the authorities' targets) over the next five years.[15]

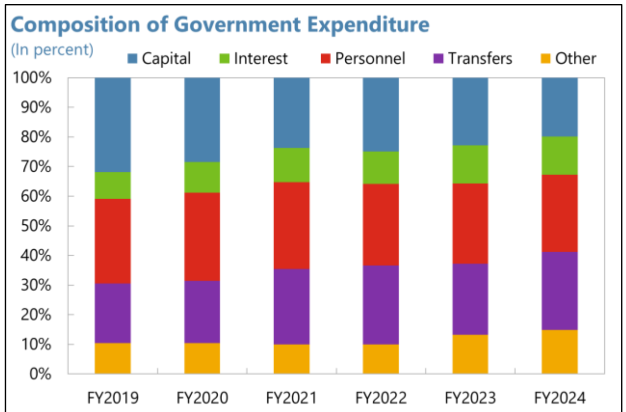
- *Revenues:* Further removing or rationalizing the tax incentives and exemptions for corporates, including tax holidays, would help increase the tax base. Any future tax incentives should be carefully designed to be expenditure-based rather than profit-based, , with streamlined criteria and reduced duration, as recommended by IMF technical assistance. The export income deduction, which is the last remaining criterion for Fiji's removal from the EU blacklist, should be gradually phased out. Re-introducing the dividend tax, which was removed in FY2018, and streamlining the personal income tax brackets and lowering the initial threshold back to the FY2018 levels would contribute to broadening the tax base. Gradually reducing the zero-rated and exempted VAT items and over time moving to a single VAT rate will help increase the tax base and improve administrative efficiency. Taxes on environmental externalities, such as by increasing the excise on diesel and heavy fuel oil, would help create fiscal space, including to finance climate mitigation and adaptation needs. Budgeting and reporting the tax expenditure on various incentives and exemptions would promote transparency and increase support for

[14] Firms extracting and bottling water have a 7-year income tax holiday starting FY2024, and exporters of 'agriculture, fisheries and forestry' and other goods and services can deduct 90 percent and 60 percent of their export income for tax purposes, respectively. New hotels, and companies acquiring existing hotels and undertaking refurbishments/extensions above FJD50 million receive a 20-year income tax holiday.

[15] Assuming a multiplier of 0.5, this would imply 1 percentage point reduction in *cumulative* growth, all else equal, over five years.

phasing out the costly and less-targeted measures. Gradual implementation of these measures over the near to medium term could yield at least 1.25 percent of GDP in additional tax revenues, based on estimates from IMF technical assistance on tax expenditure.

- *Current expenditure:* Further increases in current spending as a share of GDP should be limited, including by enhancing efficiency and containing the size of the government. Streamlining services across ministries, increasing efficiency such as via digitalization, and technical support from bilateral and multilateral partners would help mitigate capacity and implementation challenges in line ministries and agencies, contain the wage bill, and improve service delivery. Changing the legal status of the Water Authority of Fiji and rationalizing subsidies and reviewing lending to under-performing SOEs could deliver additional savings.[16, 17] Improving the coverage for the most vulnerable households, and reviewing the eligibility criteria by updating the proxy means test, and streamlining spending towards the most effective programs would help better target the social protection programs in a cost-effective manner.



Sources: Fiji authorities; and IMF staff calculations.
Note: 'Other' includes supplies, consumables, and purchase of outputs.

- *Capital expenditure:* Improving infrastructure—and hence correcting for the weak capital spending of recent years—will be crucial to support long-term growth prospects and debt dynamics. The efficiency of capital projects can be improved by identifying priority projects, implementing multi-year budgeting and reporting of maintenance and total project costs, strengthening the Public Sector Investment Program guidelines for project appraisal, and implementing a portfolio management system for projects, as recommended by IMF technical assistance on the *2024 Public Expenditure and Financial Accountability (Agile PEFA) Assessment* and the *2025 Public Investment Management Assessment (PIMA).*

- *Fiscal framework:* Introducing a quantitative fiscal anchor, such as debt-to-GDP, and a fiscal rule to achieve this target, such as the primary balance or overall balance, in the budget law, along with well-specified escape clauses and correction mechanisms to respond to shocks, would help strengthen the Fiscal Strategy. These measures, together with aligning the annual budget process with the Fiscal Strategy and developing a medium-term expenditure framework with a

[16] Changing the legal status of the Water Authority of Fiji to a corporate entity would open the possibility of securing commercial financing and reduce reliance on government financing. This would also provide operational and financial independence to increase tariffs in relation to the operational costs (while continuing to offer lower water charges for well-targeted vulnerable households), increasing financial viability and creating room for maintenance and investment activities and improving service quality.

[17] Financial support should be reviewed in the context of reforming the SOEs and related industries to limit fiscal risks.

bottom-up exercise, would support medium-term consolidation, and promote fiscal discipline and transparency.

Authorities' Views

20. While broadly agreeing on the need for continued debt reduction amid limited fiscal space, the authorities highlighted challenges around further fiscal consolidation. Highlighting the revenue mobilization measures undertaken in the FY2024 and FY2025 budgets and continued efforts to improve compliance, the authorities see limited room for additional tax measures in the near-term. They acknowledged challenges in containing current spending and agreed on the need to reprioritize and better-target spending. The authorities emphasized that reducing the debt burden at a faster pace will require higher economic growth. In this context, they highlighted plans to increase spending to support longer-term growth, including on infrastructure, education, and health care. Part of this spending will be financed by borrowing (including via official concessional financing). Amidst implementation challenges for capital projects, the authorities plan to streamline the financial and operational process of planning, executing, and monitoring projects, including via multi-year budgeting and enhanced coordination between departments. The authorities are reviewing the domestic-external financing mix as part of the medium-term debt management strategy, and working on introducing a fiscal framework, including the legislative provisions and quantitative fiscal anchors. They also plan to expand the scope of fiscal risk analysis by incorporating risks related to Public-Private Partnerships.

B. Monetary and Exchange Rate Policies

21. The authorities have made some progress in easing exchange restrictions and CFMs.[18] Notwithstanding a potential role for temporary use of CFMs as per the Fund's Institutional View, CFMs and exchange restrictions are not a substitute for adequate macroeconomic policies and the need to adjust the monetary-fiscal policy mix to better support the peg. Moreover, exchange controls may not be compatible with the sizable inward investment needed to boost growth. The authorities should continue to raise the limits on large payments that were tightened during the pandemic toward pre-pandemic levels, along with a careful and gradual removal of the pandemic-related CFMs. Moreover, building on recent progress, the authorities should also phase out the exchange restriction related to tax clearance certificates and develop a sequenced plan to fully remove the exchange restriction related to limits on large payments, in line with Article VIII obligations.

[18] The exchange restrictions include (1) limits on large payments, such as oil imports, profit repatriation, and loan repayments; and (2) tax clearance certification requirements for the transfer abroad of profits, proceeds from airline ticket sales, and external debt and maintenance payments. CFMs include threshold limits and/or RBF approval requirements for (1) offshore investment by companies, non-bank financial institutions and individuals; (2) emigrant transfers; (3) loan repayments; (4) withdrawal of investment through sale of shares and assets, and shareholder funds (including dividends); (5) deposits into FJD external accounts of proceeds from insurance maturity and sale of assets and personal effects; and (6) gifts to non-residents. Twelve limits were eased in 2024 on deposits into FJD accounts, payments of oil imports, loan repayments, investment withdrawals, and profit repatriation. exchange restrictions on tax clearance certification requirements, and CFMs on offshore investments by individuals remain in place, however.

22. Fiji's current exchange rate peg continues to provide an effective nominal anchor to the economy. Nonetheless, the exchange rate regime could be periodically assessed, including the composition of the currency basket. Maintaining the exchange rate peg will require ensuring a consistent macroeconomic policy framework, including fiscal and monetary policy.[19]

- *Monetary policy:* The RBF has continued to maintain the policy rate at 0.25 percent since early 2020. The projections of declining FX reserve coverage imply that the nominal exchange rate would come under pressure, in the absence of improvements in the current and/or financial account balances. Therefore, the RBF would be well advised to gradually raise the policy rate to at least a neutral level and to mop up excess liquidity in the system. Estimating the level of the neutral rate is difficult in the current system (in which the central bank is not active in daily operations and there is not a well-defined yield curve.) That said, a useful guide would be to gradually move the policy rate to zero in real terms—about 4 percent in nominal terms. This would enhance the external position of the economy and bolster foreign exchange reserves, providing greater stability and resilience against potential economic shocks.

- *Monetary operations:* The link between the policy rate and retail rates is loose and largely untested.[20] To improve control over monetary conditions and to withdraw excess liquidity, the RBF would need to bolster its capacity to conduct monetary operations. IMF technical assistance could be provided on open market operations and estimating liquidity needs.

Authorities' Views

23. The authorities confirmed their intention to gradually ease exchange restrictions and CFMs. They expressed concern that proceeding too rapidly with the removal of such controls in the current environment, before seeing FDI increase, could reduce stability and exacerbate risks stemming from a possible decline in FX reserve coverage. They also noted that existing controls have not been a significant deterrent to FDI, indicating that all requests for international payments or repatriation of profits and dividends are approved by the RBF, albeit with a lag that helps minimize market volatility.

24. While the authorities broadly agreed with the staff's view on the direction of monetary policy, they considered the current stance as appropriate for now. The authorities felt that their current approach is suited to Fiji's specific economic needs and that the current low-interest rate environment will continue to ensure affordable borrowing, thereby fostering investment and stimulating business activity. The authorities recognize that inflationary pressures are a concern, noting that some inflation has been linked to adjustments in the country's VAT rates. However, they emphasize that a significant portion of inflation is driven by external factors, particularly the rising

[19] More flexibility in the nominal exchange rate would help to respond to shocks, but nominal exchange rate depreciation is likely to be highly damaging to living standards, given that the portion of imported goods in the CPI basket is around 60 percent, with a large weight on imported foodstuffs.

[20] The RBF has made active use of the statutory reserves deposit (SRD) rate—the percentage of reserves commercial banks are required to deposit at the RBF—which is currently set at 10 percent. Increasing the SRD rate would reduce available loanable funds in the system. But the mechanism is less precise than conventional monetary operations.

cost of imports. The RBF, in expecting to meet both its primary objectives of price stability and foreign reserves adequacy in the near term, noted that recent economic data up to Q1 2025 indicate weaker-than-expected activity, underscoring the need to maintain current monetary policy settings to prevent premature tightening that could hinder growth. The RBF will continue to monitor risks to inflation and foreign reserves, revising monetary policy as necessary. The Ministry of finance was more optimistic about the outlook for the balance of payments, whereas the RBF noted the importance of fiscal consolidation to ensure that the envisaged increase in capital outlays remains compatible with foreign reserves adequacy.

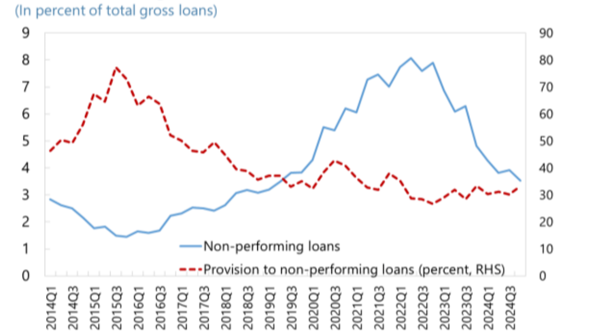
C. Financial Sector Policies

25. The banking sector is profitable and solvent.

- Nonperforming loans (NPLs) have gradually been falling, after increasing sharply during the pandemic, and returns on assets and equity have fully rebounded. Commercial banks have asset returns of 2.5 percent and a return on equity of 16.5 percent. The NPL ratio was 3.5 percent in 2024, its lowest level in three years, largely driven by the recovery of the tourism industry and its impact on related sectors. Liquid asset metrics are also relatively high, and there are few signs of maturity or exchange rate mismatches. Interest rate margin ratios have been falling, but back to historic levels, and the numerator itself has not been decreasing, consistent with competition in lending rather than systemic problems with profitability.

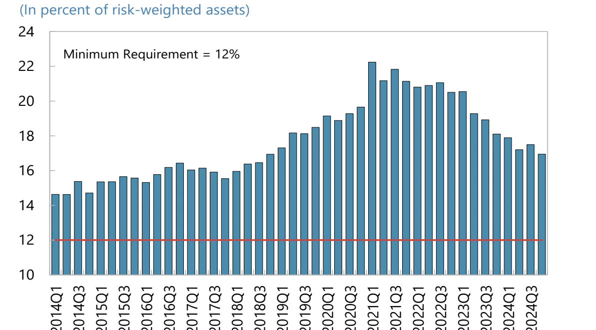
- Capital levels of all commercial banks remain adequate. The system-wide Capital Adequacy Ratio (CAR) increased during the COVID-19 pandemic, when prudential measures such as profit repatriation restrictions and repayment holidays helped banks stabilize loan provisions, while allowing banks to book profits, boosting equity via retained earnings. Over the past two years, the CAR has declined to around 17 percent as banks have repatriated profits and/or expanded balance sheets. All commercial banks have CARs well above the 12 percent regulatory requirement, with non-domestic banks noting additional tight capital requirements restrictions from parents.

Non-Performing Loans
(In percent of total gross loans)



Source: IMF Financial Soundness Indicators.

Commercial Banks' Capital Adequacy
(In percent of risk-weighted assets)



Source: IMF Financial Soundness Indicators.

- The recent increase in credit growth does not appear to have been associated with a widespread relaxation in lending standards. The recent adoption of zero-deposit home loans by one of the credit institutions is confined to specific new loans with tight eligibility requirements; staff notes that the RBF requires all lending products to be cleared by the RBF before such products can go to market. However, the growth in unsecured consumer credit merits particularly close monitoring. The high reliance on deposit funding raises the potential for liquidity risks, should there be unexpected cash outflows. The RBF plans to gradually increase the required Liquidity Coverage Ratio (LCR)[21] to mitigate such risks. Staff recommended that the RBF could consider complementing the LCR by introducing a Net Stable Funding Ratio (NSFR) requirement.[22]

- Additionally, authorities should expedite addressing the 2018 Financial Sector Stability Review recommendations, particularly regarding the RBF and Fiji Banking Acts and expanding RBF's supervision to non-bank financial institutions, including credit unions and the House Authority (Annex VII).

26. Recent enhancements to the financial infrastructure aim to boost financial inclusion and sector efficiency. The RBF reached a significant milestone by integrating Mobile Network Operators into its central infrastructure, enabling full interoperability for account-based transfers between commercial banks and digital wallets, as well as between wallets (Annex IX). The Cabinet approved a e-KYC functionality project to establish a secure National ID program, which will affect social welfare payments, education, health sector initiatives, and the distribution of land royalty funds to the iTaukei community, with registration expected to commence in June 2026. Additionally, authorities are developing a national FinTech Strategy, supported by a landscape assessment conducted by an external consultant with assistance from the UNCDF, currently under review.

27. Fiji should continue to tackle the vulnerabilities in its anti-money laundering and countering the financing of terrorism (AML/CFT) framework. Over the past year, the authorities have implemented various measures to meet remaining FATF recommendations, including completing a risk assessment for the banking sector. An update of the 2015 National Risk Assessment will be completed by mid-year. Key government officials have received extensive training, bolstered by technical assistance from the Asia/Pacific Group (APG) in vital areas such as investigations and prosecutions. Fiji's next APG Mutual Evaluation is scheduled for 2026. With the new National Payment System (NPS) in place, the Financial Intelligence Unit (FIU) has issued guidance to financial institutions regarding customer due diligence measures for digital identification systems. However, challenges remain in addressing deficiencies related to beneficial ownership, the use of financial intelligence and risk-based supervision, particularly in the banking sector.

Authorities' Views

28. The authorities recognize the need to be more attentive towards potential risks and will maintain close supervision and monitoring of the financial sector. The authorities are optimistic about the overall outlook for business confidence, anticipating sustained demand for

[21] The RBF plans to raise the LCR from 60 to 100 percent over the next 4 years.

[22] The two instruments are complementary—whereas an LCR focuses on the ability to meet cash outflows in the short run, the NSFR focuses on resilience to funding shocks.

credit and a projected decline in NPLs. The RBF's latest *Macroprudential Surveillance Report* indicates that, notwithstanding the notable increase in commercial bank lending, credit risk assessments do not indicate a need for policy intervention. The authorities also acknowledged that though the presence of a licensed credit reporting agency providing its service in the assessment and monitoring of credit risk would support loan growth, the application of lending standards and quality of borrowers will be an important area to monitor, noting lenders are now poised to grow their loan books given the historically low margins, ample liquidity levels, and drive for profitability.

D. Structural Policies and Building Resilience to Natural Disasters

29. The government has identified several targets for raising living standards. The NDP lays out wide-ranging ambitions to increase growth and economic resilience (including achieving a GDP growth rate of 5 percent within the next five years), diversify the economy, invest in people and infrastructure, and improve governance. The NDP highlights the need to (1) promote private sector participation, which it argues has been held back by excessive regulation and crowding out by government activities; (2) diversify and move to higher value added; and (3) strengthen resilience to natural disasters.[23] The success of the NDP depends on its implementation, securing financing, and enhancing administrative capacity.

30. Progress has been made in enhancing the business environment and addressing near-term constraints to growth. For example, the launch of an online system to process worker and investor permits within thirty days has contributed to easing labor shortages, although updating the 2003 Immigration Act could help address needs for skilled labor to support foreign investment. Other efforts underway to cut red tape and boost business activity include developing a centralized digital portal for new business registration to reduce the time to start a business and enhancing the National Single Window through online processes and permit approvals for large investment projects.

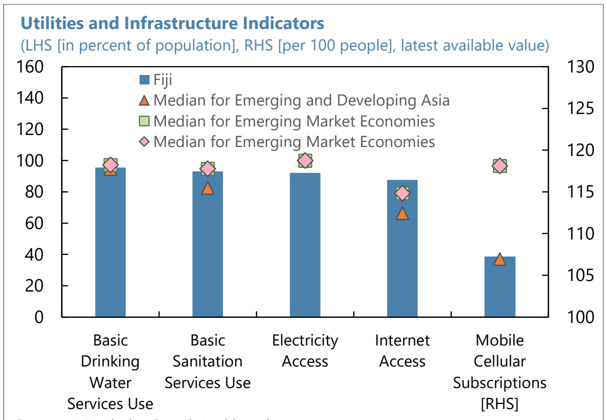
31. However, staff's assessment is that a significant increase in reform momentum is needed to boost growth prospects over the medium term. Structural policy priorities include:

- Addressing ageing infrastructure in electricity, water, and waste utilities. This would be key to attracting higher FDI, including in the tourism sector, and calls for a review of water and electricity tariff rates to ensure cost recovery, improve maintenance, and unlock new financing to upgrade the existing infrastructure. Regulatory reform should also contribute to facilitating the installation of renewable energy by businesses, in line with the authorities' target for all electricity to be generated from renewable energy sources by 2030 and enhancing access to water supply and sewerage services.
- Improving the transport network and digital connectivity. This begins with physical connectivity, such as roads and bridges, to particularly support tourism and agriculture. It extends to digital

[23] Government of the Republic of Fiji. *Fiji National Development Plan 2025-2029, Vision 2050*. https://www.finance.gov.fj/wp-content/uploads/2024/09/NPDF_final-9.pdf.

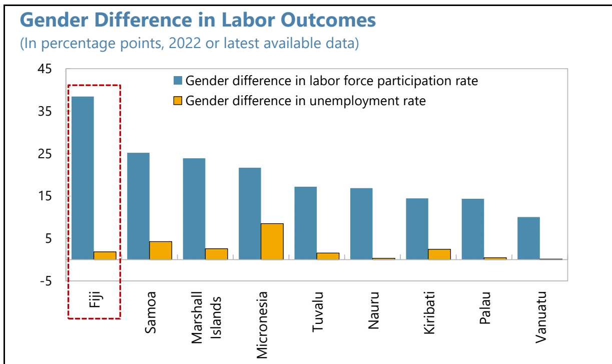
connectivity, to support human capital development and macroeconomic diversification (e.g., the development of the Business Process Outsourcing/Knowledge Process Outsourcing sectors).

- Mitigating the impact of migration and skilled labor shortages, including by investing in human capital, strengthening education and training, and facilitating higher female labor force participation by improving access to affordable childcare services and promoting flexible work arrangements.

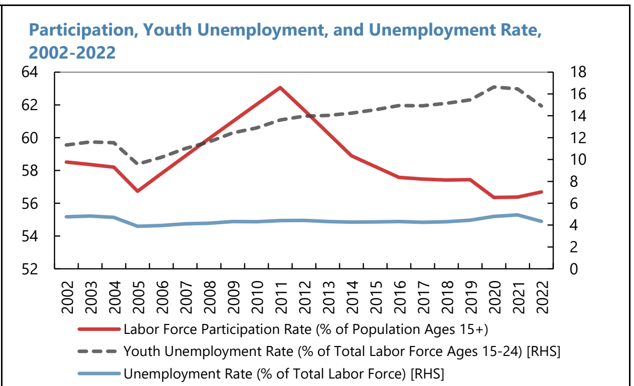


Source: IMF Inclusive Growth Dashboard.

- Improving land leasing arrangements to facilitate greater economies of scale, higher domestic value-added in tourism from the agriculture sector, and create new employment opportunities in rural areas.



Sources: World Development Indicators; and IMF staff calculation.
Note: Gender difference in unemployment rate measured as difference between the female and male unemployment rates.



Source: IMF Inclusive Growth Dashboard.

32. Fiji's long-term growth prospects depend on addressing the challenges posed by natural disasters and mobilizing additional climate financing.[24] IMF research suggests that natural disasters could subtract around 0.2 percentage point each year from Fiji's annual GDP growth (Annex X). An issue of increasing importance is sea level rise (SIP: Climate Change and Sea Level Rise), which presents difficult challenges for long-run adaptation and planning, in many cases with cultural and societal implications. Preliminary findings from the SIP suggest that, depending on scenarios of global warming, sea level rise could range between 0.5 and 1 meter over the course of the century. The analysis suggests that planned retreat from the coastline may be the most cost-effective strategy. In addition to seeking increased support from the international community, the authorities should focus on enhancing the efficiency of spending—the recent IMF Climate PIMA has

[24] In the 2022 National Climate Finance Strategy, the authorities have presented some estimates of their financing needs to address climate priorities, including about FJD 4.3 billion over ten years to strengthen the resilience of the country's transport infrastructure. While mitigation and adaptation needs have not been comprehensively costed, the World Bank is currently preparing its Fiji Country Climate and Development Report.

specific recommendations on coordination across government departments, alignment between climate objectives and sector investment plans, and assessment of vulnerabilities.

Authorities' Views

33. The authorities emphasized their commitment to implement the NDP through a whole-of-government approach and to promote business-enhancing reforms. In response to calls from development partners for precise measures to achieve the authorities' developmental objectives, NDP implementation booklets (IBs) providing more granular detail have been drafted across forty-five government agencies to support next year's budget consultations, including a costing strategy that is aligned with the National Infrastructure Investment Plan and three-year working programs that are consistent with the Medium-Term Fiscal Framework. Regarding infrastructure, the authorities' focus is currently on priority projects addressing flood alleviation, energy efficiency, road and bridge networks, wastewater management, and health facilities. Opportunities for public private partnerships in those sectors are under consideration, and implementation delays should be reduced through strategic procurement planning. A mid-term review of NDP strategies and IBs is planned for July 2026. Regarding the business environment, the authorities highlighted that under the 2022 Investment Act, their focus has shifted from regulation to facilitation, including by reducing administrative delays, identifying new export markets and sectors, and addressing the rising cost of doing business in manufacturing. They concurred that a review of electricity and water charges would help attract much-needed investment for essential utilities, while underscoring the importance of protecting vulnerable households.

34. The authorities highlighted their multi-pronged strategy to address the impact of climate change. Fiji has increasingly been affected by extreme weather-related events, including flooding episodes that have become more frequent and damaging, leading the authorities to adopt an approach combining relocation of coastal communities and the building of sea walls. Forty-three communities have requested relocation, with seventeen placed on a priority list and two being relocated. They emphasized that relocation raises significant social and cultural issues. Mobilizing adequate financing remains challenging, prompting the authorities to develop combined project proposals exceeding FJD 50 million in order to reduce administrative costs. Utilization of donor budget support within the budget cycle also presents a challenge because of significant planning and procurement delays. To promote better coordination of efforts in the context of the NDP, a Climate Finance Strategy is being prepared involving 23 line ministries.

E. Governance Reforms

35. The government has identified good governance as one of the three pillars of the NDP, emphasizing institutional reform, commitment to the rule of law, and reducing corruption and bribery. Recognizing that corruption remains a critical issue in Fiji, the Office of the Attorney General (OAG) has submitted to Parliament a Code of Conduct bill, an Accountability and Transparency Commission bill (which includes whistleblower protection provisions), and a Freedom of Information bill. Once enacted, effective implementation of these new laws will depend on conducting awareness campaigns and addressing capacity constraints in the civil service, including by drafting a manual of standard operating procedures. The authorities are also revising public procurement regulations, which include provisions for publishing beneficial ownership information for awarded contracts. The Fijian Independent Commission Against Corruption (FICAC) should focus its resources on high-level corruption and continue to build trust on its impartiality. Technical assistance from international partners (including the IMF) can support the authorities' efforts to analyze the effectiveness of the anti-corruption and rule of law frameworks.

Authorities' Views

36. The authorities underscored the importance of legislative reform to increase transparency, promote accountability, and fight against corruption. The OAG emphasized that the above-mentioned bills will be key to hold government and public officials accountable in the administration of goods and services. These bills notably provide for the declaration of assets by public officials, the creation of an asset register, and disclosure of government information on request. In parallel, FICAC officials noted that a priority moving forward will be to ensure enhanced screening and selectivity in their investigations, with a focus on the most serious cases of corruption, whether in terms of amounts involved, prominence of individuals, or public interest. The OAG and FICAC noted that as a small developing island state, Fiji faces capacity constraints that will require support from international partners, including to train civil servants in handling requests for information and conducting legal investigations.

CAPACITY BUILDING

37. The authorities face considerable challenges to execution of policies from lack of capacity in public institutions, arising in substantial part from rapid turnover of staff. This calls for well-coordinated, prioritized support from development partners. Fund technical assistance has recently focused on improving national accounts, price, and external sector statistics at the Fiji Bureau of Statistics, developing a forecasting and policy analysis system at the RBF, and revenue administration.

38. Further improvements to capacity building and data quality could help better guide policymaking. Priority areas should be public financial management, public investment management, tax policy and administration, debt sustainability, and monetary operations (Annex VI). Other areas include financial sector supervision; improving the quality of CPI, fiscal and external sector data; developing quarterly national accounts; and increasing the Fiji Bureau of Statistics' capacity (Annex VIII).

STAFF APPRAISAL

39. The economy has been recovering from the pandemic but is facing new setbacks. Growth is expected to fall in 2025, to about 2.6 percent, mostly because of slowing external demand, and to take a couple of years to recover to its medium-term potential rate. The baseline projection implies that public debt would remain elevated. In addition, FX reserve coverage would fall, implying that the external position remains moderately weak. Growth would be higher with successful structural reforms, or should the external environment be more favorable than assumed. But the balance of risks appears to be mostly to the downside, both in the near term, if trade tensions were to worsen or their effects be more severe than assumed in the baseline, or over the medium term, mostly given vulnerabilities to natural disasters.

40. Fiscal and monetary policies should focus on addressing macroeconomic imbalances.

- Fiscal policy should focus on lowering public debt while continuing with growth-friendly fiscal consolidation, oriented toward capital spending. Significant progress has been achieved in recent years, but additional adjustment measures are needed to put public debt on a clear downward path. Targeted and temporary social protection measures should be used to protect the vulnerable. Fiscal tightening would also contribute to reducing external imbalances.

- Over the medium term, given potential pressures on the exchange rate peg, monetary conditions should be gradually tightened, raising the policy rate and reducing excess liquidity.

- Financial policy should be attentive to emerging credit risks and to safeguard against money laundering risks.

- The authorities should avoid using exchange rate restrictions and CFMs in place of macroeconomic adjustment and focus on a gradual, sequenced capital account liberalization to support high long-run growth objectives.

41. Raising potential growth calls for sustained structural reforms.

- Progress has been achieved in enhancing the business environment and addressing near-term constraints to growth. Immediate concerns include addressing ageing infrastructure in electricity, water, and waste utilities, and improving the transport network and digital connectivity. Ongoing concerns include training and human capital. Successful measures would also encourage more foreign investment, ease external imbalances, and reduce "brain drain."

- As for other Pacific states, Fiji faces ongoing challenges from natural disasters and climate change. Increasing resilience adds to the motivation to shift away from current toward capital spending.

42. Such issues require sustained political consensus and good governance. The government's recognition of the importance of institutional reform, commitment to the rule of law, and reducing corruption and bribery is welcome. Recent legislative progress will need to be matched by proper enforcement and addressing capacity constraints in the civil service.

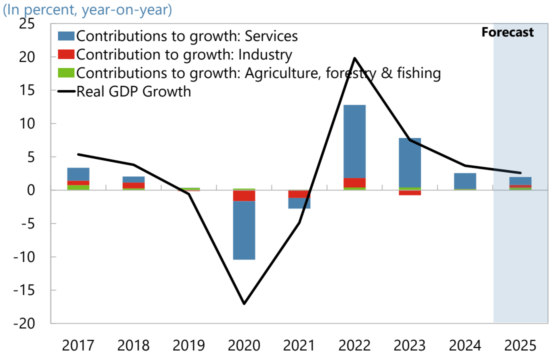
43. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Fiji: Recent Developments

GDP growth stabilized in 2024 after a strong rebound in 2022-23

Real GDP Growth

(In percent, year-on-year)

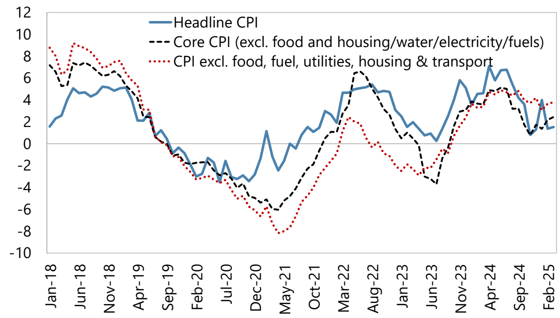


Sources: Fiji authorities; and IMF staff calculations.

Inflation declined through 2024 as the effect of the 2023 VAT rate hike waned

Inflation

(In percent, year-on-year)

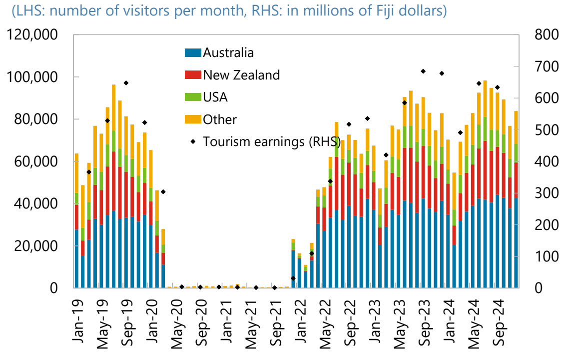


Sources: Reserve Bank of Fiji; and IMF staff estimates.

With tourist arrivals from Australia, New Zealand, and the US in 2024 surpassing pre-pandemic levels …

Visitor Arrivals, by Origin

(LHS: number of visitors per month, RHS: in millions of Fiji dollars)

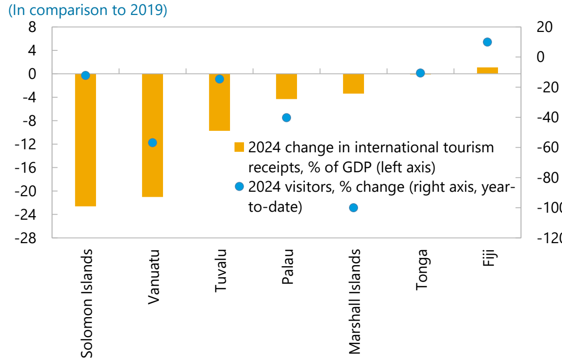


Source: Country authorities.

… the sector has outperformed those in other Pacific Island countries

PICs Tourism Estimates for 2024

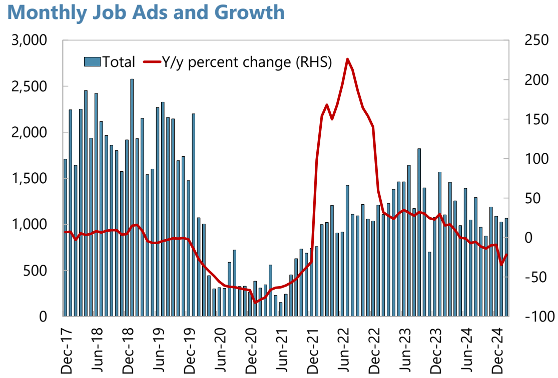
(In comparison to 2019)



Source: IMF staff estimates.

The labor market has tightened owing to economic recovery and outward migration …

Monthly Job Ads and Growth

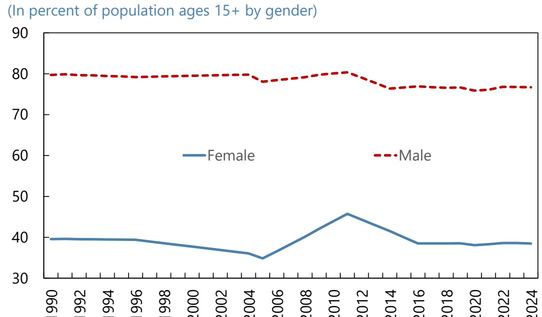


Sources: Reserve Bank of Fiji; and IMF staff calculations.

… but female labor force participation has remained low.

Labor Force Participation Rate

(In percent of population ages 15+ by gender)

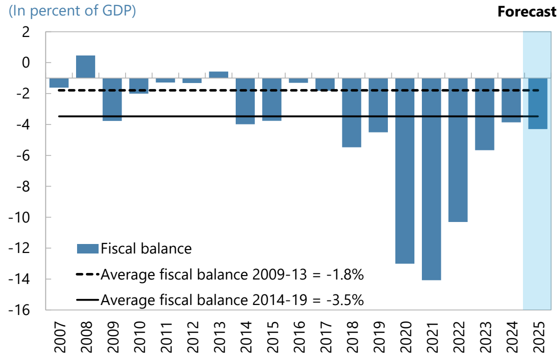


Sources: International Labour Organization; World Bank's *World Development Indicators.*

Figure 2. Fiji: Fiscal Sector Indicators

The fiscal deficit has narrowed recently

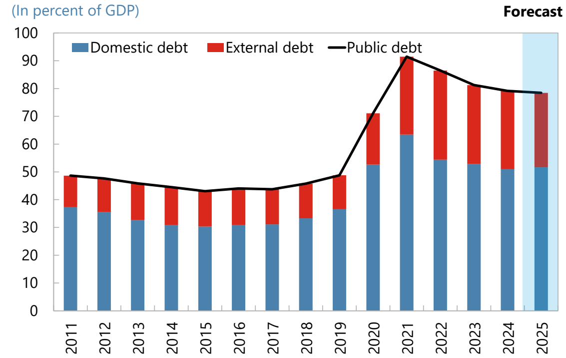
Fiscal Balance
(In percent of GDP)



Sources: Fiji authorities; and IMF staff calculations.

Public debt is declining but remains at elevated levels

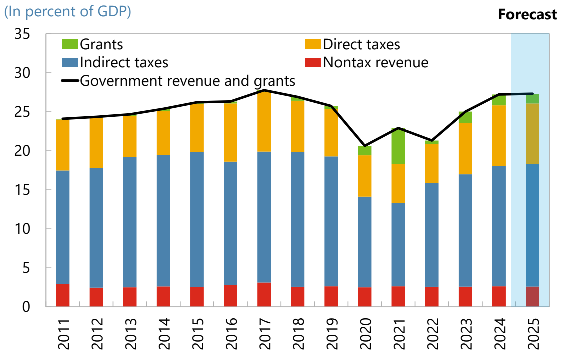
Public Debt
(In percent of GDP)



Sources: Fiji authorities; and IMF staff calculations.

Tax revenues have recovered, supported by strong growth momentum and tax measures in the budget…

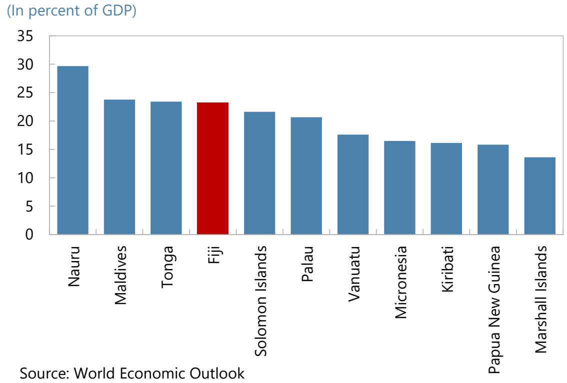
Government Revenues
(In percent of GDP)



Sources: Fiji authorities; and IMF staff calculations.

…and remain high relative to most PICs

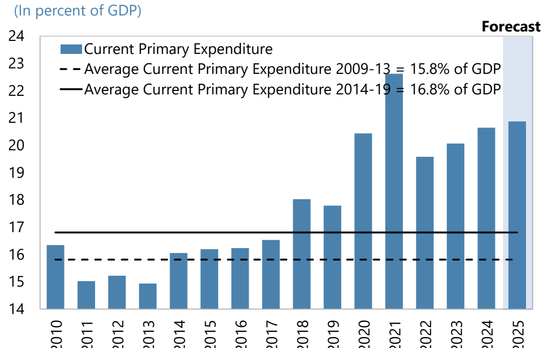
Tax Revenue of Pacific Islands Countries, 2023
(In percent of GDP)



Source: World Economic Outlook

Current expenditure remains elevated…

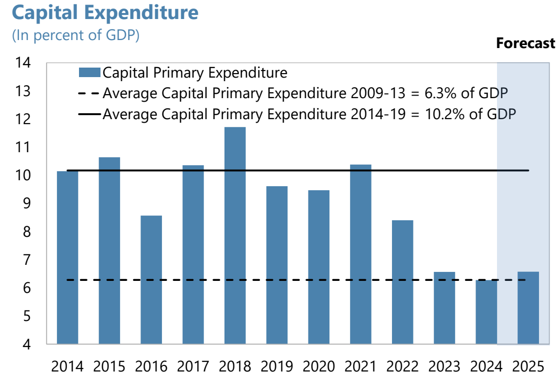
Current Primary Expenditure
(In percent of GDP)



Sources: Fiji authorities; and IMF staff calculations.

…while capital expenditure remains weak relative to pre-pandemic trends.

Capital Expenditure
(In percent of GDP)



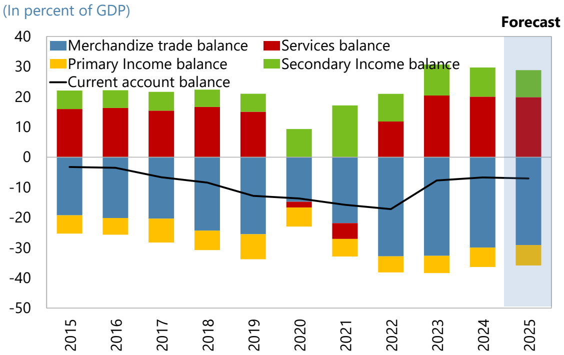
Sources: Fiji authorities; and IMF staff calculations.

Figure 3. Fiji: External Sector Indicators

The current account deficit has decreased since the 2022 commodity price shock

Current Account Balance

(In percent of GDP)

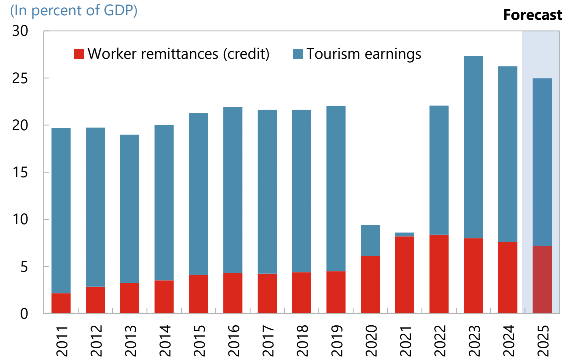


Sources: Fiji authorities; and IMF staff calculations.

…with tourism earnings rebounding to pre-pandemic levels and remittances remaining strong.

Tourism Earnings and Worker Remittances

(In percent of GDP)

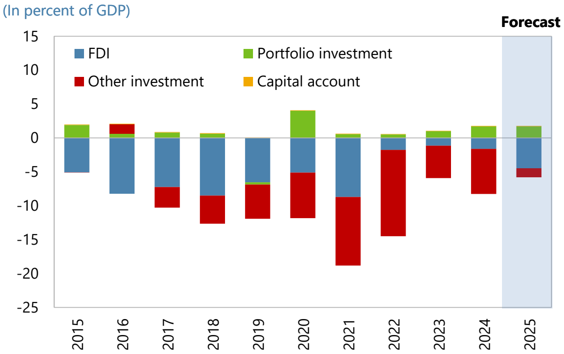


Sources: Reserve Bank of Fiji; and IMF staff calculations.

Pandemic-related official financing has begun to moderate…

Capital Account and Financial Account Components

(In percent of GDP)

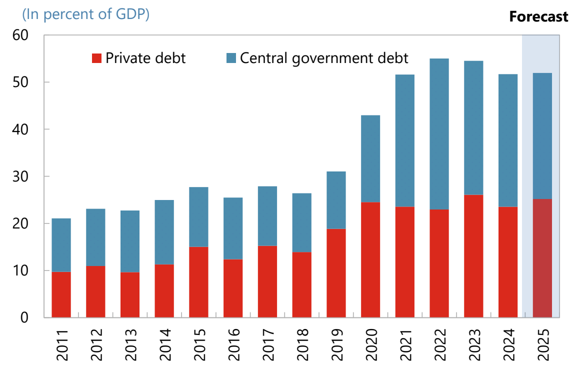


Sources: Reserve Bank of Fiji; and IMF staff calculations.

…helping to stabilize external debt following the surge in recent years.

External Debt

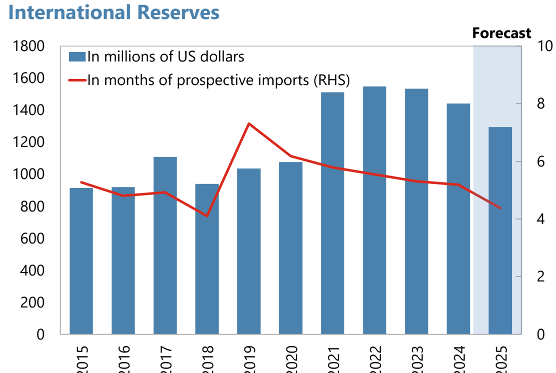
(In percent of GDP)



Sources: Reserve Bank of Fiji; and IMF staff calculations.

FX reserve coverage has declined from pandemic highs and is projected to fall further

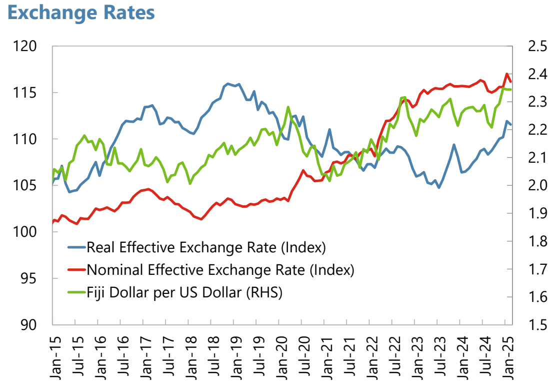
International Reserves



Sources: Reserve Bank of Fiji; and IMF staff calculations.

The REER appreciated in 2024 as trading partners' inflation rates declined faster than Fiji's

Exchange Rates

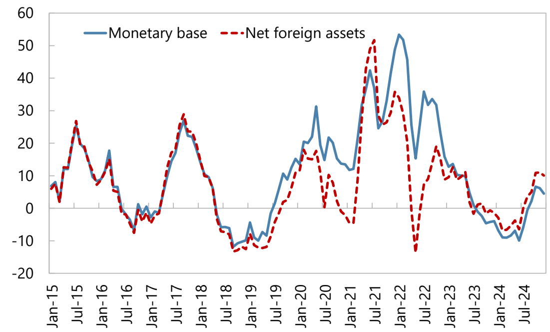


Sources: IMF INS database; and IMF staff calculations.

Figure 4. Fiji: Monetary and Financial Indicators

Monetary conditions continue to support growth ….

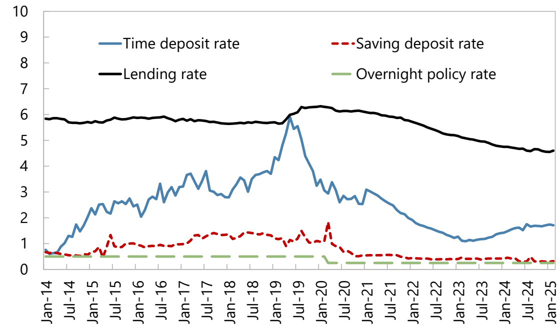
Monetary Base and Net Foreign Assets
(Year-on-year percent change)



Source: Reserve Bank of Fiji.

…with policy and retail interest rates at low levels.

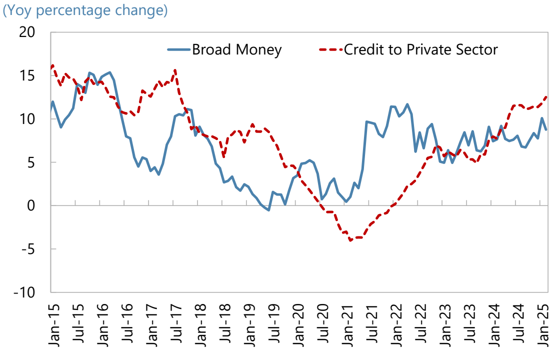
Interest Rates
(In percent)



Source: Reserve Bank of Fiji.

Credit to the private sector has recovered strongly

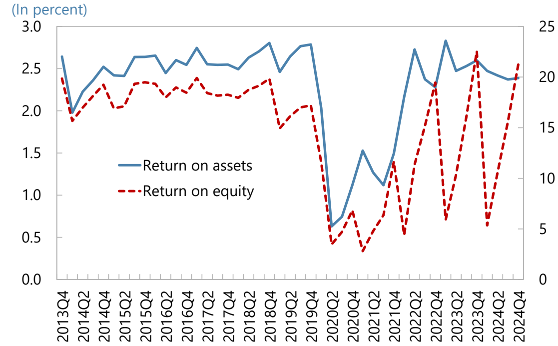
Credit to Private Sector and Broad Money
(Yoy percentage change)



Source: Reserve Bank of Fiji.

Banks profitability is improving

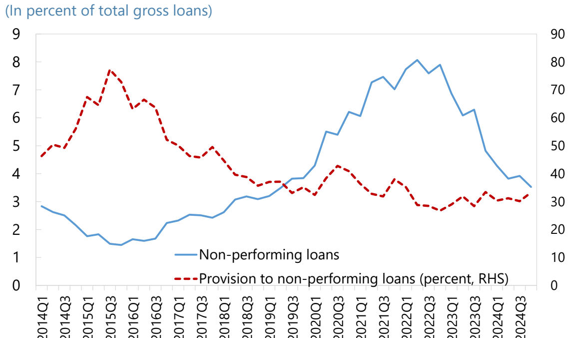
Return on Assets and Equity
(In percent)



Sources: IMF Financial Soundness Indicators; and Reserve Bank of Fiji.

NPLs are declining with NPL coverage stabilized

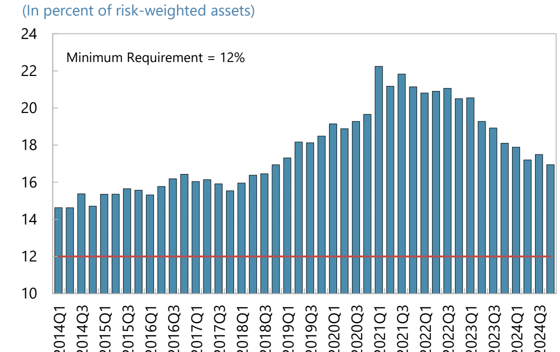
Non-Performing Loans
(In percent of total gross loans)



Sources: Haver Analytics; and IMF Financial Soundness Indicators.

Banking sector capital remains above the regulatory minimum, but has fallen sharply

Commercial Banks' Capital Adequacy
(In percent of risk-weighted assets)



Source: IMF Financial Soundness Indicators.

Table 1. Fiji: Selected Economic Indicators, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
Output and prices (percent change)									
Real GDP	19.8	7.5	3.7	2.6	2.8	3.2	3.2	3.2	3.2
GDP deflator	2.4	4.1	6.3	3.2	3.1	3.2	3.3	3.4	3.5
Consumer prices (average)	4.3	2.3	4.5	3.2	3.1	3.2	3.3	3.4	3.5
Consumer prices (end of period)	3.1	5.1	1.3	3.1	3.2	3.3	3.4	3.5	3.5
Central government budget on fiscal-year basis (percent of GDP)									
Revenue and Grants	21.4	23.2	27.4	27.1	27.1	26.8	26.8	26.6	26.5
Expenditure	33.5	30.3	31.0	31.5	31.3	31.1	31.0	30.9	30.9
Overall balance	-12.1	-7.2	-3.5	-4.4	-4.2	-4.2	-4.2	-4.3	-4.4
Primary balance	-8.5	-3.3	0.5	-0.3	-0.3	-0.6	-0.6	-0.7	-0.8
Central government debt	90.4	83.3	79.5	77.7	77.7	77.6	77.4	77.0	76.8
Central government external debt	33.3	30.6	28.7	26.5	26.5	26.4	26.1	25.8	25.6
External sector (percent of GDP)									
Current account balance	-17.3	-7.7	-6.7	-7.0	-7.7	-7.5	-7.2	-6.9	-6.9
Trade balance	-32.9	-32.7	-30.0	-29.1	-27.7	-27.3	-27.3	-26.9	-26.4
Services balance	11.8	20.4	20.0	19.9	18.4	17.8	17.3	17.1	16.5
Primary Income balance	-5.3	-5.7	-6.4	-6.8	-6.6	-6.4	-6.0	-5.9	-5.9
Secondary Income balance	9.2	10.3	9.6	9.0	8.2	8.5	8.8	8.9	9.0
Capital account balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial account balance (-= inflows)	-14.0	-4.9	-6.6	-4.1	-5.3	-5.7	-6.9	-6.5	-6.5
FDI	-1.8	-1.1	-1.6	-4.5	-5.4	-6.1	-7.3	-7.1	-7.2
Portfolio investment	0.5	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Other investment	-12.7	-4.8	-6.7	-1.3	-1.5	-1.3	-1.3	-1.1	-1.0
Errors and omissions	5.1	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserve assets (-=increase)	-2.1	0.3	0.1	2.9	2.3	1.7	0.3	0.3	0.4
Gross official reserves (in months of prospective imports)	5.5	5.3	5.2	4.4	3.7	3.1	2.9	2.6	…
Money and credit (percent change)									
Net domestic assets of depository corporations	4.9	12.1	8.0	6.4	6.1	…	…	…	…
Claims on private sector	6.7	7.5	11.4	10.0	8.0	…	…	…	…
Broad money (M3)	5.1	9.1	6.6	4.1	4.1	…	…	…	…
Monetary base	15.8	-4.0	7.5	3.6	1.4	…	…	…	…
Central Bank Policy rate (end of period)	0.25	0.25	0.25	…	…	…	…	…	…
Commercial banks deposits rate (end of period)	0.4	0.4	0.3	…	…	…	…	…	…
Commercial banks lending rate (end of period)	5.2	4.8	4.6	…	…	…	…	…	…
Memorandum items									
Exchange rate, average (FJD/USD)	2.2	2.3	2.3	…	…	…	…	…	…
Real effective exchange rate, average	108.2	106.4	108.3	…	…	…	…	…	…
GDP at current market prices (in millions of Fiji dollars)	10,940	12,245	13,494	14,286	15,148	16,130	17,193	18,342	19,594
GDP at current market prices (in millions of U.S. dollars)	4,970	5,442	5,949	6,257	6,564	6,913	7,284	7,674	8,089
GDP per capita (in U.S. dollars)	5,450	5,933	6,447	6,740	7,030	7,359	7,707	8,072	8,508

Sources: Reserve Bank of Fiji; Ministry of Finance; and IMF staff estimates and projections.

Table 2. Fiji: Balance of Payments, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
	(In millions of U.S. dollars)								
Current account	-861	-417	-399	-441	-504	-516	-525	-526	-561
Trade balance	-1,633	-1,779	-1,782	-1,822	-1,816	-1,890	-1,986	-2,063	-2,138
Exports, f.o.b.	1,055	1,067	1,119	1,139	1,202	1,271	1,338	1,433	1,547
Imports, f.o.b.	2,688	2,846	2,902	2,961	3,018	3,161	3,324	3,496	3,685
Services (net)	587	1,112	1,192	1,244	1,207	1,230	1,257	1,310	1,331
Primary Income (net)	-265	-312	-383	-423	-435	-443	-437	-453	-478
Secondary Income (net)	455	558	574	560	541	587	642	680	724
Private transfers	432	486	494	484	472	524	585	625	668
Capital account (net)	3	3	4	4	4	4	4	5	5
Financial account (net) (-=inflows)	-695	-268	-391	-257	-347	-393	-500	-499	-526
FDI (net)	-88	-62	-96	-280	-357	-419	-529	-545	-584
Portfolio investment (net)	25	54	101	107	112	118	124	131	138
Other investment (net)	-633	-260	-396	-83	-102	-92	-95	-84	-80
Errors and omissions	255	231	0	0	0	0	0	0	0
Overall balance	91	86	-5	-181	-153	-119	-21	-23	-30
Financing	-104	16	5	181	153	119	21	23	30
Change in official reserve assets (-=increase)	-104	16	5	181	153	119	21	23	30
	(In percent of GDP)								
Current account balance	-17.3	-7.7	-6.7	-7.0	-7.7	-7.5	-7.2	-6.9	-6.9
Trade balance	-32.9	-32.7	-30.0	-29.1	-27.7	-27.3	-27.3	-26.9	-26.4
Exports	21.2	19.6	18.8	18.2	18.3	18.4	18.4	18.7	19.1
Imports	54.1	52.3	48.8	47.3	46.0	45.7	45.6	45.6	45.6
Capital account balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial account balance	-14.0	-4.9	-6.6	-4.1	-5.3	-5.7	-6.9	-6.5	-6.5
	(Annual percent growth)								
Tourism receipts	4009.2	57.9	6.2	1.0	1.0	2.5	2.5	2.5	3.0
Workers' remittances (credits)	25.4	6.8	5.0	0.0	0.0	15.0	15.0	10.0	10.0
Imports of goods and services	56.2	11.7	3.4	1.2	3.7	5.1	5.9	5.5	6.6
Memorandum items:									
External debt (in percent of GDP) 1/	55.0	54.5	51.7	51.9	51.9	51.5	50.9	50.3	49.3
External central government debt (in percent of GDP)	32.0	28.4	28.2	26.8	26.7	26.5	26.3	25.9	25.7
Gross official reserves (in millions of U.S. dollars)	1,548	1,533	1,441	1,294	1,129	998	965	936	894
Gross official reserves (in months of prospective imports)	5.5	5.3	5.2	4.4	3.7	3.1	2.9	2.6	…
Nominal GDP (in millions of U.S. dollars)	4,970	5,442	5,949	6,257	6,564	6,913	7,284	7,674	8,089

Sources: Reserve Bank of Fiji; and IMF staff estimates.

1/ External Debt=Central Government External Debt+External Private Debt.

Table 3a. Fiji: Central Government Operations, CY2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
			Est.			Proj.			
				(In millions of Fiji dollars)					
Government Revenue	**2,332**	**3,045**	**3,837**	**3,872**	**4,093**	**4,330**	**4,601**	**4,879**	**5,194**
Tax revenue	2,003	2,526	3,244	3,332	3,538	3,761	4,017	4,281	4,565
Direct taxes	546	797	1,054	1,097	1,164	1,244	1,335	1,424	1,521
Indirect taxes	1,457	1,728	2,189	2,235	2,374	2,516	2,682	2,857	3,044
Grants	47	166	199	167	164	159	152	143	147
Other nontax revenue	283	354	395	373	391	411	432	455	482
Government Expenditure	**3,460**	**3,599**	**4,153**	**4,487**	**4,730**	**5,012**	**5,332**	**5,675**	**6,047**
Primary expenditure	3,061	3,101	3,626	3,921	4,162	4,424	4,705	5,013	5,354
Current	2,142	2,375	2,818	2,982	3,166	3,361	3,569	3,801	4,059
Personnel	943	979	1,114	1,219	1,295	1,371	1,450	1,545	1,649
Transfers	803	917	1,117	1,173	1,245	1,324	1,412	1,506	1,609
Supplies and consumables	271	292	332	377	400	426	454	484	517
Other	124	187	256	213	226	240	253	266	284
Capital	919	726	808	939	996	1,063	1,136	1,212	1,295
Interest	399	498	527	566	568	588	627	662	693
Overall balance	**-1,128**	**-554**	**-317**	**-614**	**-637**	**-682**	**-731**	**-796**	**-853**
Primary balance	-729	-56	211	-49	-69	-94	-104	-134	-160
Financing	1,128	554	317	614	637	682	731	796	853
Domestic	231	461	451	420	501	548	589	614	712
Foreign	1,076	26	294	109	178	181	195	210	206
Borrowing	1,180	181	474	305	414	424	438	450	450
Amortization	104	155	181	196	236	244	243	240	244
Privatizations	3	1	7	1	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
				(In percent of GDP)					
Government Revenue	**21.3**	**24.9**	**28.4**	**27.1**	**27.0**	**26.8**	**26.8**	**26.6**	**26.5**
Tax revenue	18.3	20.6	24.0	23.3	23.4	23.3	23.4	23.3	23.3
Direct taxes	5.0	6.5	7.8	7.7	7.7	7.7	7.8	7.8	7.8
Indirect taxes	13.3	14.1	16.2	15.6	15.7	15.6	15.6	15.6	15.5
Grants	0.4	1.4	1.5	1.2	1.1	1.0	0.9	0.8	0.7
Other nontax revenue	2.6	2.9	2.9	2.6	2.6	2.5	2.5	2.5	2.5
Government Expenditure	**31.6**	**29.4**	**30.8**	**31.4**	**31.2**	**31.1**	**31.0**	**30.9**	**30.9**
Primary expenditure	28.0	25.3	26.9	27.4	27.5	27.4	27.4	27.3	27.3
Current	19.6	19.4	20.9	20.9	20.9	20.8	20.8	20.7	20.7
Personnel	8.6	8.0	8.3	8.5	8.6	8.5	8.4	8.4	8.4
Transfers	7.3	7.5	8.3	8.2	8.2	8.2	8.2	8.2	8.2
Supplies and consumables	2.5	2.4	2.5	2.6	2.6	2.6	2.6	2.6	2.6
Other	1.1	1.5	1.9	1.5	1.5	1.5	1.5	1.5	1.5
Capital	8.4	5.9	6.0	6.6	6.6	6.6	6.6	6.6	6.6
Interest	3.6	4.1	3.9	4.0	3.7	3.6	3.6	3.6	3.5
Overall balance	**-10.3**	**-4.5**	**-2.3**	**-4.3**	**-4.2**	**-4.2**	**-4.3**	**-4.3**	**-4.4**
Primary balance	-6.7	-0.5	1.6	-0.3	-0.5	-0.6	-0.6	-0.7	-0.8
Financing	10.3	4.5	2.3	4.3	4.2	4.2	4.3	4.3	4.4
Domestic	2.1	3.8	3.3	2.9	3.3	3.4	3.4	3.3	3.6
Foreign	9.8	0.2	2.2	0.8	1.2	1.1	1.1	1.1	1.0
Borrowing	10.8	1.5	3.5	2.1	2.7	2.6	2.5	2.5	2.3
Amortization	1.0	1.3	1.3	1.4	1.6	1.5	1.4	1.3	1.2
Privatizations	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government debt	**86.5**	**81.2**	**79.2**	**78.5**	**78.6**	**78.3**	**78.0**	**77.6**	**77.3**
Domestic	54.4	52.8	51.1	51.8	51.8	51.8	51.7	51.7	51.7
External	32.0	28.4	28.2	26.8	26.7	26.5	26.3	25.9	25.7

Sources: Ministry of Finance; and IMF staff estimates.

Table 3b. Fiji: Central Government Operations, FY2022–30

	FY 2021–22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30
			Est.			Proj.			
				(In millions of Fiji dollars)					
Revenue	**2,159**	**2,709**	**3,560**	**3,778**	**4,005**	**4,216**	**4,490**	**4,756**	**5,051**
Tax revenue	1,662	2,246	3,019	3,245	3,455	3,655	3,909	4,169	4,439
Direct taxes	465	659	1,009	1,070	1,134	1,206	1,299	1,385	1,479
Indirect taxes	1,198	1,586	2,009	2,174	2,321	2,449	2,610	2,783	2,960
Grants	233	167	195	167	167	159	159	143	143
Other nontax revenue	264	296	347	366	383	402	423	445	469
Expenditure	**3,385**	**3,550**	**4,016**	**4,390**	**4,622**	**4,881**	**5,195**	**5,525**	**5,887**
Primary expenditure	3,014	3,094	3,496	3,824	4,056	4,311	4,582	4,877	5,204
Current	2,171	2,285	2,698	2,908	3,085	3,279	3,477	3,698	3,945
Personnel	930	964	1,042	1,188	1,263	1,341	1,413	1,504	1,602
Transfers	903	853	1,061	1,144	1,213	1,289	1,374	1,465	1,564
Supplies and consumables	252	300	314	368	390	414	442	471	503
Other	86	168	281	208	220	234	249	259	276
Capital	843	809	797	916	971	1,032	1,106	1,179	1,259
Interest	370	456	520	566	566	571	612	647	683
Overall balance	**-1,225**	**-841**	**-456**	**-613**	**-617**	**-666**	**-705**	**-768**	**-835**
Primary balance	**-855**	**-385**	**64**	**-47**	**-51**	**-95**	**-92**	**-121**	**-153**
Financing	1,225	841	456	613	617	666	705	768	835
Net change in public debt	1,223	839	448	612	617	666	705	768	835
Domestic	304	563	312	551	439	486	522	556	628
Foreign	919	276	135	60	178	179	182	212	207
Borrowing	982	408	313	231	410	420	430	450	450
Amortization	63	132	177	170	232	241	248	238	243
Privatizations	2	1	8	1	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
				(In percent of GDP)					
Government Revenue and Grants	**21.4**	**23.2**	**27.4**	**27.1**	**27.1**	**26.8**	**26.8**	**26.6**	**26.5**
Tax revenue	16.5	19.2	23.3	23.3	23.4	23.3	23.3	23.3	23.3
Direct taxes	4.6	5.6	7.8	7.7	7.7	7.7	7.8	7.8	7.8
Indirect taxes	11.9	13.6	15.5	15.6	15.7	15.6	15.6	15.6	15.5
Grants	2.3	1.4	1.5	1.2	1.1	1.0	0.9	0.8	0.7
Other nontax revenue	2.6	2.5	2.7	2.6	2.6	2.6	2.5	2.5	2.5
Government Expenditure	**33.5**	**30.3**	**31.0**	**31.5**	**31.3**	**31.1**	**31.0**	**30.9**	**30.9**
Primary expenditure	29.9	26.4	26.9	27.4	27.4	27.4	27.4	27.3	27.3
Current	21.5	19.5	20.8	20.8	20.9	20.9	20.8	20.7	20.7
Personnel	9.2	8.2	8.0	8.5	8.5	8.5	8.4	8.4	8.4
Transfers	8.9	7.3	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Supplies and consumables	2.5	2.6	2.4	2.6	2.6	2.6	2.6	2.6	2.6
Other	0.9	1.4	2.2	1.5	1.5	1.5	1.5	1.4	1.4
Capital	8.4	6.9	6.1	6.6	6.6	6.6	6.6	6.6	6.6
Interest	3.7	3.9	4.0	4.1	3.8	3.6	3.7	3.6	3.6
Overall balance	**-12.1**	**-7.2**	**-3.5**	**-4.4**	**-4.2**	**-4.2**	**-4.2**	**-4.3**	**-4.4**
Primary balance	**-8.5**	**-3.3**	**0.5**	**-0.3**	**-0.3**	**-0.6**	**-0.6**	**-0.7**	**-0.8**
Financing	12.1	7.2	3.5	4.4	4.2	4.2	4.2	4.3	4.4
Public debt	12.1	7.2	3.5	4.4	4.2	4.2	4.2	4.3	4.4
Domestic	3.0	4.8	2.4	3.9	3.0	3.1	3.1	3.1	3.3
Foreign	9.1	2.4	1.0	0.4	1.2	1.1	1.1	1.2	1.1
Borrowing	9.7	3.5	2.4	1.7	2.8	2.7	2.6	2.5	2.4
Amortization	0.6	1.1	1.4	1.2	1.6	1.5	1.5	1.3	1.3
Privatizations	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government debt	**90.4**	**83.3**	**79.5**	**77.7**	**77.7**	**77.6**	**77.4**	**77.0**	**76.8**
Domestic	57.1	52.7	50.8	51.2	51.2	51.3	51.3	51.2	51.2
External	33.3	30.6	28.7	26.5	26.5	26.4	26.1	25.8	25.6

Sources: Ministry of Economy; and IMF staff estimates.

Table 4. Fiji: Monetary Survey, 2021–26

	2021	2022	2023	2024	2025	2026
				Proj.		
	(in millions of Fiji dollars; end of period)					
Reserve Bank of Fiji						
Net foreign assets	2,707	2,946	2,903	3,196	2,986	2,917
Net domestic assets	1,223	1,606	1,469	1,373	1,745	1,871
Net claims on central government	620	652	670	639	641	678
Claims on other depository corporations	638	976	844	798	913	1,032
Other items, net	(35)	(22)	(45)	(64)	191	162
Monetary base	3,930	4,552	4,372	4,574	4,731	4,788
Currency in Circulation	992	1,045	1,070	1,118	1,144	1,169
Liabilities to other depository corporations	2,938	3,507	3,302	3,451	3,587	3,620
Depository corporations						
Net foreign assets	2,831	2,987	3,043	3,261	3,056	2,991
Net domestic assets	6,918	7,257	8,133	8,781	9,485	10,070
Net claims on central government	486	405	535	167	308	444
Claims on other sectors	8,588	9,139	9,890	11,022	11,573	12,151
in which, claims on private sector	8,054	8,594	9,243	10,294	11,323	12,229
Other items	(2,156)	(2,287)	(2,292)	(2,408)	(2,396)	(2,526)
Broad money	9,749	10,244	11,176	12,047	12,541	13,061
Currency outside depository corporations	762	789	825	858	878	897
Transferable deposits	6,123	6,810	7,570	8,287	8,666	8,973
Other deposits	2,763	2,577	2,735	2,867	2,959	3,151
Securities other than shares	99	68	45	35	37	40
Monetary Survey						
Monetary base	3,930	4,552	4,372	4,574	4,731	4,788
Narrow money (M1)	6,886	7,599	9,047	10,643	12,091	13,741
Quasi Money (M2)	8,887	9,387	10,241	11,040	11,492	11,968
Broad Money (M3)	9,749	10,244	11,176	12,047	12,541	13,061
	(in percent, unless otherwise noted)					
Memorandum items						
Money velocity (GDP/M2)	1.0	1.2	1.2	1.2	1.3	1.3
Money multiplier (M2/Monetary base)	2.3	2.1	2.3	2.4	2.4	2.5
Claims on private sector to GDP	90.4	78.6	75.5	76.3	78.6	79.7
Commercial Banks Loan to Deposit Ratio	79.0	79.8	78.2	80.4	84.9	87.9
RBF Policy rate (end-period)	0.25	0.25	0.25	0.25	…	…
Interest rates on saving deposits (end of period) 1/	0.5	0.4	0.4	0.3	…	…
Interest rates on time deposits (end of period) 1/	3.1	1.2	1.4	1.7	…	…
Lending rates (end of period) 1/	6.1	5.2	4.8	4.6	…	…

Sources: Reserve Bank of Fiji; and IMF staff estimates.

1/ Weighted average.

Table 5. Fiji: Financial Soundness Indicators, 2019–24

Ratios in percent	2019	2020	2021	2022	2023	2024
Capital Adequacy						
Risk Weighted CAR	18.5	19.7	21.1	21.3	18.1	16.9
Tier 1 Capital to RWA	15.5	16.6	17.8	17.2	14.9	14.1
Capital to Total Assets	11.0	11.4	10.8	10.2	11.5	11.1
Asset Quality						
NPLs to Total Loans	3.8	6.2	8.5	8.4	4.8	3.5
Provision to NPLs	35.1	40.9	36.1	28.8	33.4	33.3
Net NPLs to Capital	13.6	18.4	25.2	28.5	17.9	13.7
Earnings and Profitability						
Return on Assets	2.7	1.1	1.6	2.6	2.6	2.4
Return on Equity	20.6	8.2	11.6	19.9	22.5	21.2
Net Interest Income to Gross Income	58.5	66.5	70.4	66.0	60.2	58.7
Liquidity						
Liquid Assets to Total Assets	17.1	18.8	27.6	27.8	24.7	24.5
Liquid Assets to Total Deposits	25.6	26.8	40.1	41.6	31.2	31.0

Sources: Haver Analytics; and Reserve Bank of Fiji.

Annex I: Assessing the Growth Impact of Tariffs

1. Goods exports to the US face tariffs. On April 2, 2025, the US administration announced tariffs of 32 percent on goods exports. On April 9, 2025, the administration announced a 90 day "pause", during which the tariff rate would be 10 percent. The baseline projections are based on the announced tariffs as of April 2, 2025.

2. Exports to the US are important for Fiji. Fiji's goods exports represented 20 percent of nominal GDP in 2024. The US is the most important export destination, ahead of Australia, New Zealand, Tonga, and China, in descending order: 20 percent (FJD 467 million) were sent to the US, indicating that 4 percent of GDP would be subject to tariffs by the US. Of these exports, two thirds came from mineral water, with agricultural and horticultural goods the next most important category.

3. Exports to neighboring countries are very important. In particular, gross receipts from tourism were worth about 40 percent of GDP in 2024, with Australia (46 percent of visitors), New Zealand (23 percent), and the US (11 percent) the most important markets.

4. The direct and indirect effects from the tariffs would likely subtract about 0.4 percentage points from growth in the near term. The effects are assumed to be solely to the level of GDP, with no permanent damage to growth rates.

- Growth had already shown signs of slowing in 2025 before the tariff announcements in April, to 3.0 percent from 3.7 percent in 2024 (table, row 1).
- Assuming not fully elastic response of demand to tariff increases implies the loss of GDP in row 3; subtracting that from the pre-tariff level path (row 2) implies a revised path (row 4) and a loss of about 0.2 percentage points of growth in 2025 from the direct effects of the tariffs (row 5).
- Assuming moderate income elasticity of demand for exports of goods and services (including tourism) to trading countries, and assuming a weighted average growth rate loss in trading countries of just over half a percentage point, implies indirect effects would subtract a further 0.2 percentage points from growth in 2025 (rows 6-8).
- The simple calculations above do not model persistent effects. Based on simulations of the tariffs on other countries from macro models at the Fund, staff applies judgement to the level of output in 2026 to account for persistent effects from global trade uncertainty and production and capital reallocation (rows 9-11).
- The revised path is 0.4 percentage points lower in 2025 and 2026, returning to potential growth by 2027 (row 12). The path implies a cumulative output loss of about 1 percentage point by 2027 (row 13).

Annex I. Table I. Fiji: Effects of Tariffs on Growth and Output

			2024	2025	2026	2027
1	AIV baseline	growth rate	3.7	3.0	3.2	3.2
2		level	100.0	103.0	106.3	109.7
3	tariff direct effect	shock (share of GDP)	0.000	-0.002	-0.003	-0.003
4		level	100.0	102.8	106.0	109.4
5		growth rate (percent)	0.00	2.78	3.13	3.20
6	tariff indirect effect	shock (share of GDP)	0.0	-0.002	-0.002	-0.002
7		level	100.0	102.6	105.8	109.1
8		growth rate (percent)	0.00	2.59	3.11	3.18
9	add: judgment	shock (level, gdp)	0.0	0.0	-0.3	-0.3
10		level	100.0	102.6	105.5	108.8
11		growth rate (percent)	0.00	2.59	2.82	3.19
12	revised growth:			2.6	2.8	3.2
13	revised GDP path:		100	102.6	105.5	108.8

Source: IMF Staff Calculations.

5. The projections are subject to considerable uncertainty:

- ***Downside risks:*** Assuming more elastic price responses to tariffs (i.e., more harm to final demand in the US for goods exports) and larger income effects (e.g., if tourist visits were to prove more discretionary and hence more cancellations) could reduce growth rates by about another 0.4 percentage point in 2025. If the tariffs were to have a larger (about twice) the negative effect on trading partner countries, that would take off a further one third of a percentage point, lowering growth in 2025 to 1.7 percent.

- ***Upside risks:*** Easing tariff tensions could correspondingly raise growth, back to the "pre-tariff" projection of 3.0 percent for 2025.

Annex II. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Expected Impact	Recommended Policy Responses
External Risks			
Trade policy and investment shocks.	**Medium:** Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	**High:** Spillovers from key trading partners—the US, Australia, and New Zealand—would weigh on Fiji's growth prospects, including via lower tourist inflows and reduced remittances.	Targeted fiscal support as needed to most-affected groups while watching public debt sustainability carefully. Seek official financing for any additional financing needs.
Commodity price volatility	**Medium:** Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium:** Given Fiji's high reliance on food and fuel imports, including in the tourism sector, higher global commodity prices would raise inflationary pressures and increase external sector imbalances.	Immediate yet gradual adjustment in the policy mix to deal with shocks of uncertain duration. Provide targeted social protection measures for most vulnerable households. Continue to increase reliance on renewable energy generation. Increase domestic agriculture productivity.
Domestic Risks			
Higher inflation	**Medium:** The highly accommodative monetary conditions could support domestic inflation pressures, while exchange rate depreciation as reserves coverage weakens would raise imported goods prices.	**High:** Higher inflation would have a substantial effect on living standards and attractiveness as a tourist destination and accelerate outward migration pressures.	Immediate and steady adjustment in monetary conditions.
Changes to structural reform momentum	**Medium:** Structural reform momentum depends crucially on political will.	**Medium:** Slower or faster pace of reform implementation would affect potential growth.	Measures to reduce red tape, improve access to low-cost and better-quality infrastructure, facilitate sector-specific immigration, improve technical training, and increase diversification.
Natural disasters	**Medium:** Fiji is highly vulnerable to natural disasters, especially tropical cyclones and flooding.	**Medium:** Major disasters could cause large damages (Cyclone Winston: 12 percent of GDP) and lead to high growth volatility (with the highest impact on poor, women, and youth) and higher public spending needs.	Invest in infrastructure resilience and climate adaptation needs, in line with the National Adaptation Plan. Enhance fiscal buffers to meet climate financing needs. Seek official grants or financing. Improve the targeting of social assistance programs.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Annex III. External Sector Assessment

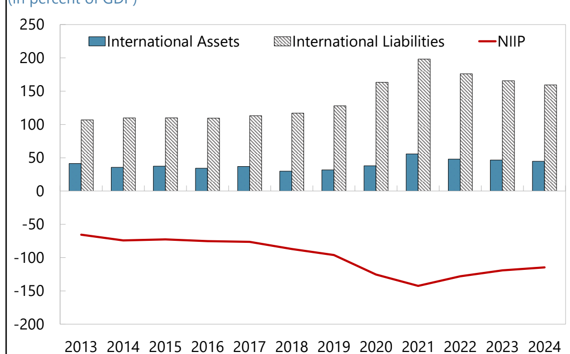
Overall Assessment: *The current account balance improved in 2024 with a continuation of the post-pandemic tourism boom observed in 2023. However, the underlying drivers of the long-standing current account imbalance remain in place, suggesting the current account deficit will remain sizeable in the near-term, contributing to further worsening in the NIIP. In addition, while adequate at present, the projected decline in the FX reserve level and coverage in 2025 and over the medium-term highlights the need for adjustments to maintain FX reserve adequacy. Hence, although the results of the IMF's EBA-Lite current account model applied to 2024 data imply that Fiji's external position in 2024 is broadly in line with the level implied by fundamentals and desirable policies, staff's judgment is that the external position is moderately weaker than fundamentals and desirable policies.*

Potential Policy Responses: *Building on recent progress, sustained fiscal consolidation efforts could help reduce imbalances of the public sector that have contributed to current account deficits and help foster a greater role for the private sector in the economy. A shift towards productivity-raising private investments would help increase the competitiveness of tradeable sectors and enhance the economy's medium-term growth potential. Building on the objectives of the recently published National Development Plan, policies to harness the potential of the tourism sector and promote export diversification could help reduce structural deficits and build additional resilience to external shocks. Moreover, fiscal consolidation and a tightening of monetary conditions would support the accumulation of FX reserves, facilitating the transition to an open financial account.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Following a sharp deterioration in 2020 and 2021, Fiji's Net International Investment Position improved modestly, increasing from -119 percent of GDP in 2023 to -115 percent of GDP in 2024. The improvement in the NIIP position in 2024 was driven by the continued recovery in nominal GDP, the lower current account deficit, and the reduction in exceptional official loans granted during the pandemic that had contributed to a sharp rise in international liabilities.

Net International Investment Position
(In percent of GDP)



Sources: Fiji authorities; and IMF staff estimates.

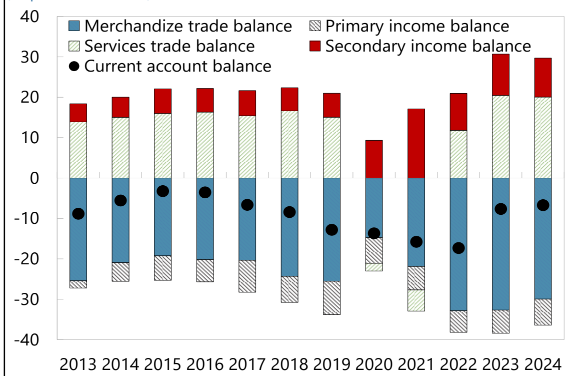
Assessment. The NIIP position is expected to worsen to -120 percent of GDP by 2027 and remain around that level over the medium term, necessitating a drawdown in official reserves to finance larger current account deficits. The recent increase in international liabilities mostly reflects concessional and medium- to long-term loans, reducing external sustainability risks somewhat. In addition, equity- and investment fund-related FDI inflows account for nearly two-thirds of outstanding international liabilities, which is in large part due to reinvested earnings being a significant share of FDI inflows into Fiji. International liabilities remain vulnerable to large exchange rate depreciations and anticipated current account deficits over the medium-term present sustainability risks.

2024 Est. (% GDP)	NIIP: (-) 115	Gross Assets: 45	Debt Assets: 42	Gross Liab.: 159	Debt Liab.: 61

Current Account

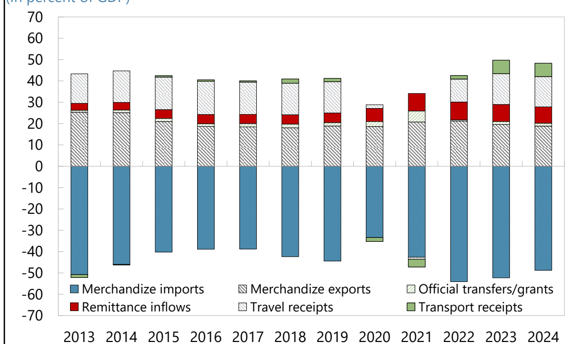
Background. Following a sharp reduction 2023 stemming from a strong recovery of the tourism sector, Fiji's current account deficit continued to improve in 2024. In addition to stable service export earnings from tourism, the trade balance improved following lower commodity prices and a reduction in capital goods imports. The narrowing of the fiscal deficit in 2024 improved the overall government savings-investment balance, contributing to lowering the current account deficit.

Current Account Developments
(In percent of GDP)



Sources: Fiji authorities; and IMF staff estimates.

Merchandize Imports and Key Credit Items in Current Account
(In percent of GDP)



Sources: Fiji authorities; and IMF staff estimates.

Assessment. In the absence of temporary external shocks, no adjustments were made to the application of the EBA-Lite current account model on 2024 data. On this basis, the EBA-Lite model estimates the adjusted CA balance for 2024 at -6.1 percent of GDP, against a model-determined CA norm of -6.7 percent of GDP, implying a CA gap of 0.6 percent of GDP. The CA model results therefore suggest that Fiji's external position in 2024 was broadly in line with the level implied by fundamentals and desirable policies. Nevertheless, the expected slowdown in tourist arrivals points to widening current account deficits, and with incomplete recovery of financial inflows, FX reserves coverage is projected to decline steadily over the medium-term.

Fiji: EBA-lite Model Results, 2024

	CA model 1/ (in percent of GDP)
CA-Actual	**-6.7**
Cyclical contributions (from model) (-)	-0.2
Additional temporary/statistical factors (-)	0.0
Natural disasters and conflicts (-)	-0.4
Adjusted CA	**-6.1**
CA Norm (from model) 2/	**-6.8**
Adjusted CA Norm	**-6.8**
CA Gap	**0.6**
o/w Relative policy gap	-0.7
Elasticity	-0.4
REER Gap (in percent)	**-1.8**

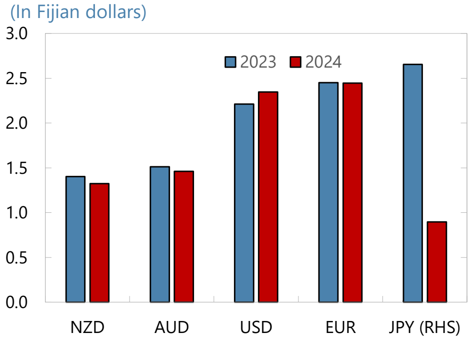
1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Fiji has a 'conventional peg' exchange rate regime pegged to a weighted basket of currencies comprising of the USD, AUD, NZD, EUR, and JPY. The Fijian dollar depreciated against the US dollar, but appreciated against other currencies, leading to a slight appreciation of the NEER in 2024, by 0.34 percent year-on-year. With inflation in Fiji picking up relative to trade partners in the wake of the August 2023 VAT hike, the REER also appreciated. Nonetheless, following the depreciation that took place during the pandemic, the REER remains close to the levels witnessed after the April 2009 devaluation.

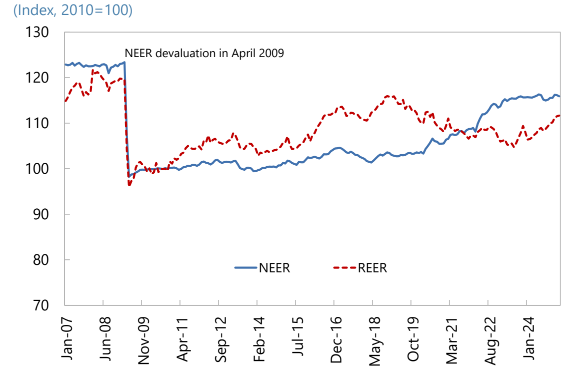
Assessment. The results from the EBA-Lite current account model applied to 2024 data and the elasticity of the trade balance to the REER imply that Fiji's REER is currently undervalued by 1.8 percent. However, as noted above, staff judgment, based on sustainability indicators and widening current account deficits, is that the external position remains moderately weak, implying some degree of overvaluation.

Nominal Exchange Rates
(In Fijian dollars)



Sources: Haver Analytics; and IMF staff calculations.

Effective Exchange Rates
(Index, 2010=100)

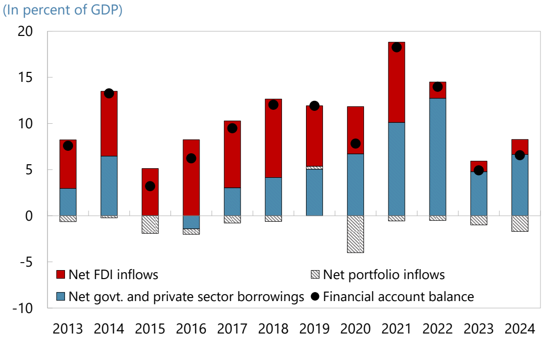


Sources: Fiji authorities; and IMF staff estimates.

Capital and Financial Accounts: Flows and Policy Measures

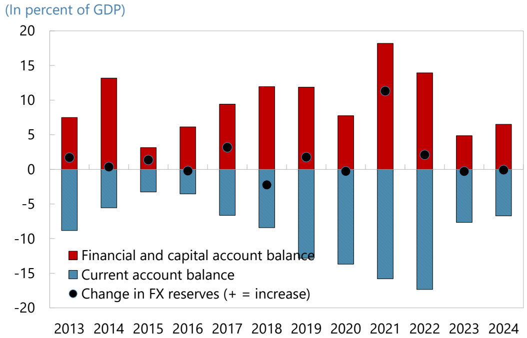
Background. As construction projects faced implementation delays, FDI inflows in 2024 remained considerably lower than pre-pandemic levels of close to 7.5 percent of GDP from 2016-20. Official financing also decreased as loans to the government were further reduced, while private sector borrowing abroad declined relative to 2023. Capital outflows increased in 2024, as CFMs on investment withdrawals, profit repatriation, loan repayments, and deposits into FJD external accounts were further eased, in line with the authorities' intention to gradually return exchange controls to pre-pandemic levels.

Financial Account Developments
(In percent of GDP)



Sources: Fiji authorities and IMF staff estimates.

Balance of Payments Developments
(In percent of GDP)



Sources: Fiji authorities; and IMF staff estimates.

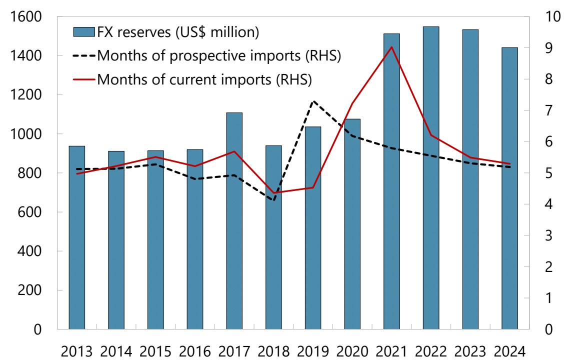
Assessment. The outlook for the composition of the financial account surplus will depend on reform measures to accelerate the progress made on improving the investment climate and revive FDI inflows. Data gaps and statistical inconsistencies between the current and financial accounts of the balance of payments result in net errors and omissions, introducing uncertainty into staff estimates and projections.

FX Intervention and Reserves Level

Background. FX reserves declined slightly in 2024 to reach US$1,474 million, equivalent to 25.0 percent of GDP. FX reserve cover remained adequate at 5.3 months of current imports and 5.2 months of prospective imports. FX reserves stood at 248 percent of short-term external debt in 2024. The authorities did not report any foreign exchange intervention operations in 2024.

Assessment. The Assessing Reserve Adequacy (ARA) metric for small state economies, with fixed exchange rates and 50 percent probability of a large shock, is based on a cost-benefit analysis of holding FX reserves. Based on this metric, the adequate level of FX reserves for Fiji is estimated to be 2.8 months of current imports. In 2024, Fiji's FX reserves remained above the adequate levels implied by the AR metric. However, if Fiji's vulnerability to natural disasters is incorporated in the AR metric by raising the probability of a large shock to 75 percent, the adequate level of reserves is estimated to be 4.4 months of current imports. Moreover, building up an additional buffer of FX reserves over the medium term would support the removal of exchange restrictions and facilitate higher capital inflows.

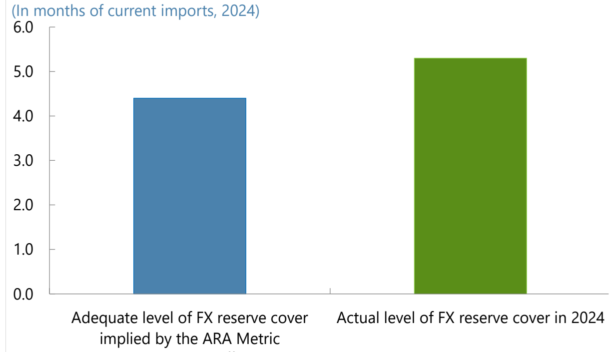
FX Reserve Cover



Sources: Fiji authorities; and IMF staff estimates.

ARA Metric and FX Reserve Cover

(In months of current imports, 2024)



Sources: Fiji authorities; and IMF staff estimates.

Annex IV. Public Sector Debt Sustainability Analysis

Annex IV. Table 1. Fiji: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Moderate	The overall risk of sovereign stress is assessed as moderate, reflecting a relatively consistent level of vulnerability over the medium- and long-term horizons.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate, which is aligned with the mechanical signal. This reflects Fiji's debt path showing elevated debt levels over the medium-term, large financing needs, and vulnerability to shocks.
Fanchart	High	…	
GFN	Low	…	
Stress test	Cont. Liabty. Nat. Diast.	…	
Long term	…	Moderate	Long-term risks are assessed as moderate, arising from climate-related risks. Large investment needs for climate adaptation feed into the debt dynamics.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: The risks of sovereign stress for Fiji are assessed to be moderate. The assessment is based on a scenario that envisages favorable GDP growth-interest rate differentials but small, persistent primary deficits, leading to elevated debt levels. Fiji remains vulnerable to large shocks against the backdrop of limited fiscal buffers. Given climate-related risks over the long run, fiscal reforms and investments in climate adaptation will help increase the economy's resilience to such risks. Mitigating factors include the overall composition of public debt. A large share of debt is held domestically, in local-currency, and in longer maturities, while the share of short-term debt remains small. External debt is held by official creditors, in particular multilateral institutions, including on concessional terms and longer maturities.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex IV. Table 2. Fiji: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					No	
2. Subsectors included in the chosen coverage in (1) above:						
Subsectors captured in the baseline					Inclusion	
CPS / NFPS / GG: expected / CG — 1 Budgetary central government					Yes	
2 Extra budgetary funds (EBFs)					No	Not applicable
3 Social security funds (SSFs)					No	Not applicable
4 State governments					No	
5 Local governments					No	
6 Public nonfinancial corporations					No	
7 Central bank					No	
8 Other public financial corporations					No	
3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/	
4. Accounting principles:	Basis of recording		Valuation of debt stock			
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/	
5. Debt consolidation across sectors:		Consolidated		Non-consolidated		

r code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on intra-government debt holdings

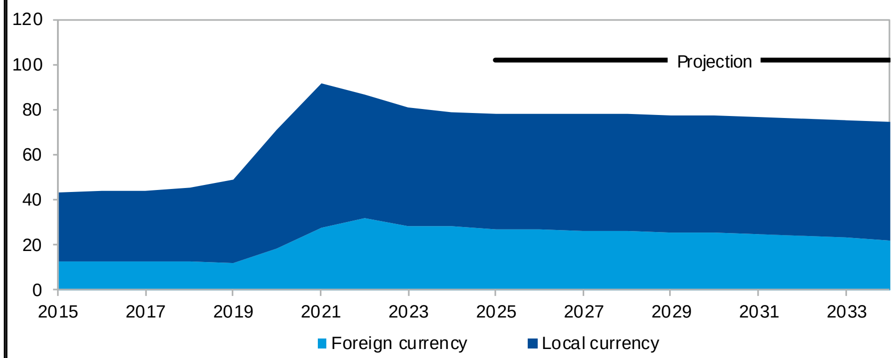
Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in Fiji's Sovereign Risk and Debt Sustainability Framework (SRDSF) is for the central government. The authorities are making efforts to expand the perimeter of public debt statistics, including for other sub-sectors of the general government and the public sector. The data used for the SRDSF is on a calendar year basis.

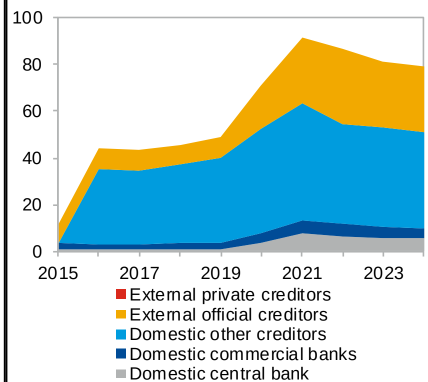
Annex IV. Figure 1. Fiji: Public Debt Structure Indicators

Debt by Currency (In percent of GDP)



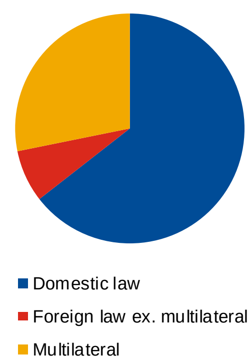
Note: The perimeter shown is central government.

Public Debt by Holder (In percent of GDP)



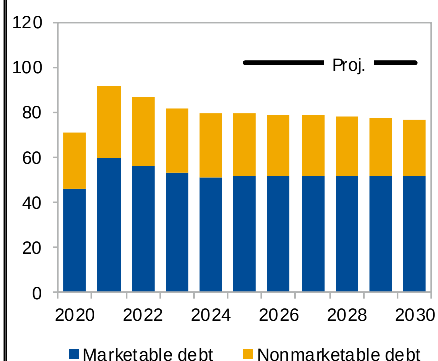
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (In percent)



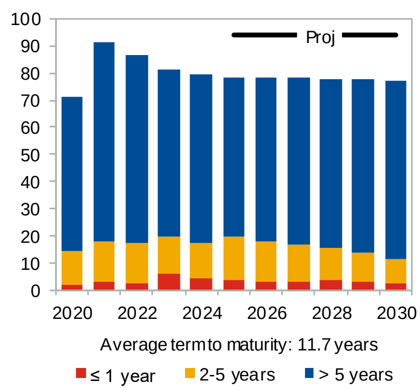
Note: The perimeter shown is central government.

Debt by Instruments (In percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (In percent of GDP)



Note: The perimeter shown is central government.

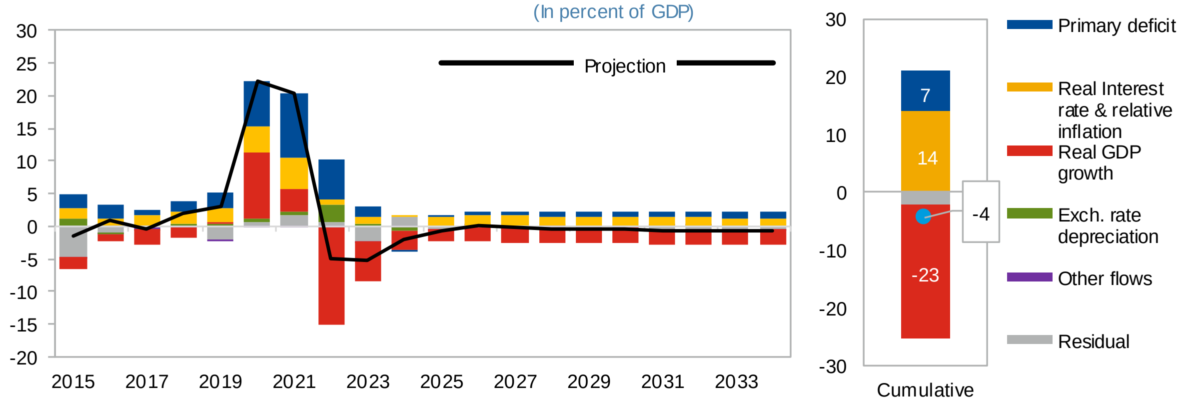
Commentary: As of end-FY2024, nearly two-thirds of public debt is held domestically. Domestic public debt is concentrated at the Fiji National Provident Fund (FNPF) [FNPF: 65 percent; insurance companies: 14.1 percent; Reserve Bank of Fiji: 10.8 percent; and commercial banks: 8.5 percent]. The FNPF and insurance companies have the capacity to absorb domestic financing, while the absorption capacity of the remaining private financial sector, in particular commercial banks, remains limited. External public debt is held by official creditors, in particular multilateral lenders, with access to concessional terms, longer maturities and grace periods. A large share of public debt is held in local currency-denominated instruments. Marketable instruments account for a large share of public debt and are held by domestic creditors. The share of short-term debt remains small, with both domestic and external public debt having an average term to maturity of over 5 years.

Annex IV. Table 3. Fiji: Baseline Scenario

(In percent of GDP unless indicated otherwise)	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	79.2	78.5	78.6	78.3	78.0	77.6	77.3	76.7	76.1	75.5	74.9
Change in public debt	-2.0	-0.7	0.0	-0.3	-0.3	-0.4	-0.3	-0.6	-0.6	-0.6	-0.6
Contribution of identified flows	-3.4	-0.3	0.0	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3
Primary deficit	-0.1	0.4	0.5	0.6	0.6	0.7	0.8	0.8	0.8	0.8	0.8
Noninterest revenues	27.0	27.1	27.0	26.8	26.7	26.6	26.5	26.5	26.5	26.5	26.5
Noninterest expenditures	26.9	27.4	27.5	27.4	27.4	27.3	27.3	27.3	27.3	27.3	27.3
Automatic debt dynamics	-3.3	-0.7	-0.6	-0.8	-0.9	-0.9	-1.0	-1.1	-1.1	-1.0	-1.0
Real interest rate and relative inflation	0.3	1.3	1.6	1.6	1.5	1.5	1.4	1.3	1.3	1.3	1.3
Real interest rate	-0.6	1.2	1.4	1.3	1.2	1.1	1.0	0.9	1.0	1.0	1.0
Relative inflation	1.0	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3
Real growth rate	-2.9	-2.0	-2.2	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.3
Real exchange rate	-0.8	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.7	-0.4	-0.4	-0.3
Other identified flows	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	1.4	-0.4	0.1	0.0	0.0	-0.2	-0.1	-0.4	-0.4	-0.4	-0.3
Gross financing needs	7.9	8.1	7.6	7.1	7.4	7.8	7.6	6.6	6.4	6.6	6.9
of which: debt service	8.0	7.8	7.1	6.5	6.8	7.1	6.8	5.8	5.6	5.8	6.0
Local currency	5.7	5.5	4.6	4.1	4.5	4.9	4.7	3.9	3.6	3.7	4.0
Foreign currency	2.4	2.3	2.5	2.4	2.3	2.2	2.1	1.9	2.0	2.1	2.1
Memo:											
Real GDP growth (percent)	3.7	2.6	2.8	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Inflation (GDP deflator; percent)	6.3	3.2	3.1	3.2	3.3	3.4	3.5	3.5	3.5	3.5	3.5
Nominal GDP growth (percent)	10.2	5.9	6.0	6.5	6.6	6.7	6.8	6.8	6.8	6.8	6.8
Effective interest rate (percent)	5.4	4.8	5.0	4.9	5.0	4.9	4.9	4.8	4.8	4.9	4.9

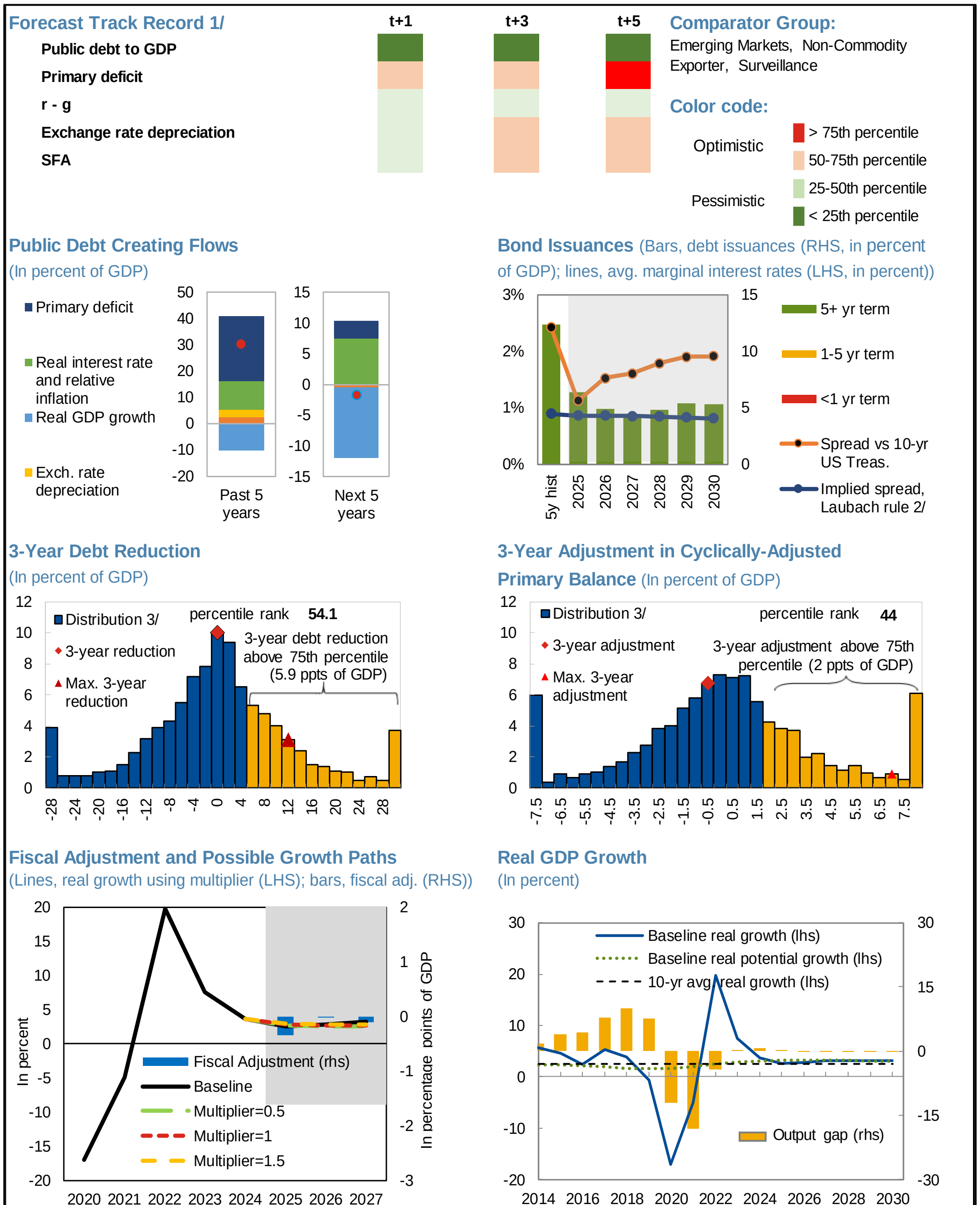
Contributions to Change in Public Debt over 20-Year Period

(In percent of GDP)



Commentary: The public debt-to-GDP ratio is projected to decline marginally over the medium-term, reflecting the positive GDP growth-interest rate differentials offset by small, persistent primary deficits.

Annex IV. Figure 2. Fiji: Realism of Baseline Assumptions



Commentary: Realism analysis shows that past forecast errors do not reveal systematic biases and the projected debt path is within norms, although the projected fiscal adjustment is in the top 25 percent of the cross-country database. The increase in the debt-to-GDP ratio in the past five years mainly reflects the impact of the pandemic on GDP growth and primary deficits, while the marginal decline in the next five years is projected to be mainly driven by positive GDP growth-interest rate differentials and relatively lower primary deficits. The bond issuances reflect the authorities' plans to continue to primarily issue longer-term debt domestically. The projected reduction in the debt-to-GDP ratio is marginal in comparison with cross-country experience and Fiji's historical experience. Following the temporary decline in FY2024, the primary deficit is projected to increase, which is in line with cross-country experience and Fiji's historical experience.

Source: IMF staff.

1/ Projections made in the October and April WEO vintage.

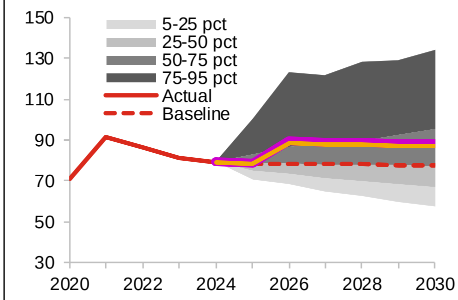
2/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

Annex IV. Figure 3. Fiji: Medium-Term Risk Assessment

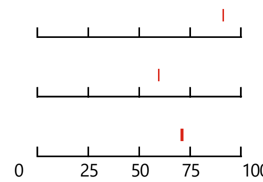
	Value	Contrib 1/	Percentile in peer group 2/

Final Fanchart (In percent of GDP)

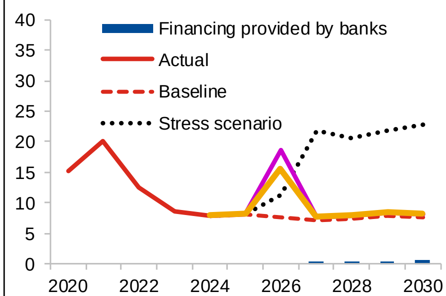


Debt fanchart module

	Value	Contrib 1/
Fanchart width *(percent of GDP)*	76.6	1.1
Probability of debt non-stabilization *(percent)*	41.1	0.3
Terminal debt-to-GDP x institutions index	41.9	0.9
Debt fanchart index (DFI)		2.4
Risk signal: 3/		High

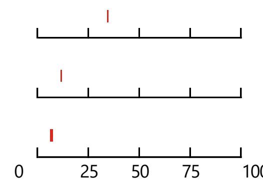


Gross Financing Needs (In percent of GDP)



Gross financing needs (GFN) module

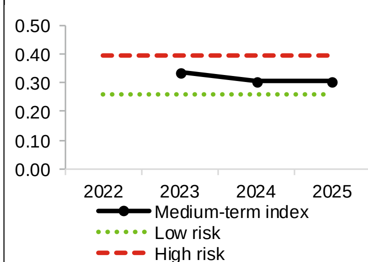
	Value	Contrib 1/
Average baseline GFN *(percent of GDP)*	7.6	2.6
Initial Banks' claims on th gen. govt *(pct bank assets)*	3.6	1.2
Chg. In banks' claims in stress *(pct banks' assets)*	1.7	0.6
GFN financeability index (GFI)		4.3
Risk signal: 4/		Low



Triggered stress tests for 2026 (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liabilities | Natural disaster

Medium-Term Index (Index number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	2.4	0.5	0.5	0.26
GFN finaceability index	4.3	0.1	0.5	0.04
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 18.2 pct.

Prob. of false alarms, 2025-2030, if stress predicted: 26.1 pct.

Commentary: For the two medium-term tools, the Debt Fanchart Module points to high risk, while the GFN Financeability Module suggests a low level of risk. The final assessment is moderate risk. The Debt Fanchart and GFN Financeability Modules reflect the high volatility of the debt path, large financing needs, and limited fiscal buffers amidst elevated debt levels and Fiji's high vulnerability to shocks. The stress scenario includes natural disaster shocks and materialization of contingent liabilities, which have a notable impact on gross financing needs and the debt-to-GDP ratio. Based on the FY2024 Annual Debt Report, contingent liabilities mainly include government guarantees to SOEs (7.7 percent of GDP), in addition to some other explicit contingent liabilities and implicit contingent liabilities (including provincial and municipal councils' debt) amounting to 4.9 percent of GDP.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

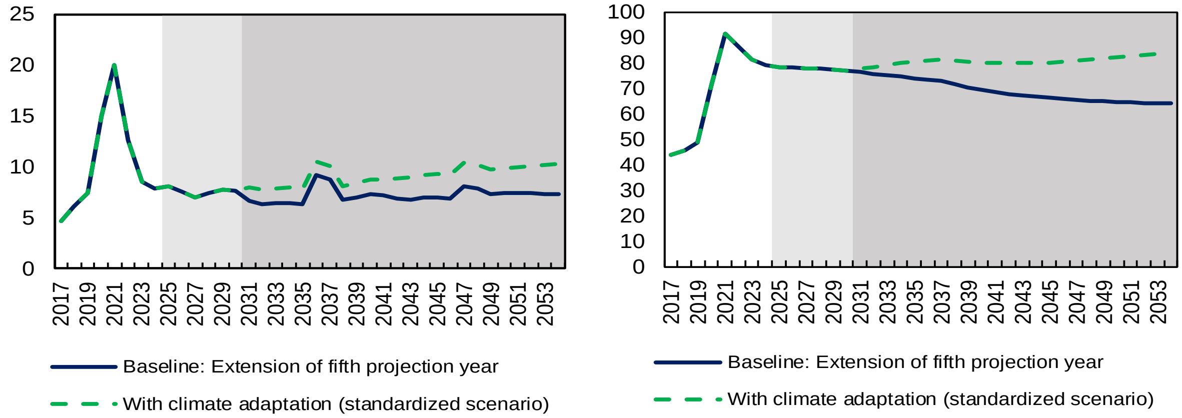
Annex IV. Figure 4. Fiji: Triggered Modules

Large amortizations	Pensions	**Climate change: Adaptation**	Natural Resources
	Health	Climate change: Mitigation	

Climate Change: Adaptation

GFN-to-GDP Ratio
(In percent)

Total Public Debt-to-GDP Ratio
(In percent)



Commentary: Fiji remains vulnerable to climate-related risks. Large investment needs for climate adaptation could increase the public debt-to-GDP ratio to more than 80 percent over the long run. Fiscal reforms and access to concessional financing will be critical for financing climate adaptation investments. At the same time, undertaking such investments can help increase the economy's resilience to climate risks over the long run.

Annex V. Implementation of Past Article IV Recommendations

Fund Recommendations	Policy Actions
Implementing a comprehensive tax reform strategy that raises revenue	*Notable progress*. The FY2024 budget included revenue-enhancing measures, including increases in VAT, CIT, and departure tax. The FY2025 budget further increased departure tax to pre-pandemic levels starting August 2025.
Reorientation of expenditure that promotes growth, resilience, and inclusion	*Some progress*. Recent budgets have prioritized spending on social protection and infrastructure. But the targeting of transfers and execution of capital expenditure need to be enhanced. PSIP guidelines for new capital projects was approved.
Improving public financial management and fiscal transparency	*Some progress*. Public guarantees for certain SOEs have been reduced, but the total size remains broadly unchanged. Certain SOEs have made progress in publishing their annual reports. Procurement regulations are being revised. A new Financial Management Information System was implemented.
Gradually unwinding accommodative monetary policy stance	*Limited progress*. The RBF has withdrawn liquidity support through its lending facilities, but the policy rate remains unchanged.
Reverse pandemic-related capital flow management measures (CFMs) and phase out current account exchange restrictions	*Some progress*. Limits increased on deposits into FJD external accounts, payments of oil imports, loan repayments, investment withdrawals, and profit repatriation. Exchange restrictions related to limits on large payments and tax clearance certification requirements and CFMs on offshore investment by individuals remain in place.
Strengthening financial regulation and supervisions	*Some progress*. The authorities are in the process of reviewing the Banking Act and RBF Act.
Strengthening anti-money laundering and countering-financing of terrorism (AML/CFT) framework	*Some progress*. In June 2024, the Cabinet approved the National ID e-KYC functionality. The authorities have also introduced measures such as the development of a new counter-terrorism law to fill legal gaps and the completion of a risk assessment for the non-profit organization sector.
Continuing to enhance financial inclusion	*Some progress*. In the next phase of the National Payment System, the RBF has onboarded Mobile Network Operators into its central infrastructure, which enabled full interoperability for account-based transfers between commercial banks and digital wallets.
Adopt and operationalize a carefully prioritized growth strategy.	*Some progress*. A National Development Plan has been published. It provides a roadmap to achieve a 5 percent growth rate by 2030 and is being costed and implemented.
Improving competitiveness and business environment	*Some progress*. Processing of new worker and investor permits has been accelerated to ease labor shortages in priority sectors. Bottlenecks in utility services need to be addressed.
Accelerate the implementation of plans to enhance resilience to climate shocks.	*Some progress*. The authorities are developing combined project proposals to reduce administrative constraints and preparing a Climate finance Strategy. Adaptation projects are focusing on the relocation of coastal communities and the construction of seawalls.

Annex VI: Country Engagement Strategy

1. **Fiji faces several developmental challenges to ensure a sustainable increase in living standards and resilience** (¶1). The authorities are aware of the challenges and have worked closely with the IMF and other development partners (DPs) in formulating appropriate growth-oriented strategies.

2. **The 2025-2029 National Development Plan sets out the medium-term key policy objectives to increase economic resilience, empower people, and improve governance.** These are broken down into specific objectives for building economic stability; managing natural resources; raising growth and increasing diversification; improving socioeconomic wellbeing, including poverty reduction and improving healthcare, education and training, and housing; developing public infrastructure and environment; and institutional reforms. During the initial years, the NDP prioritizes foundational elements critical to enhancing quality of life including improving access to clean drinking water, improving drainage, upgrading rural roads, and increasing access to healthcare. In addition, the authorities are also working towards addressing the outstanding vulnerabilities within Fiji's AML/CFT framework, continuous enhancements to the financial infrastructure in Fiji and improving the effectiveness of monetary policy operations and financial supervision.

3. **Progressing towards the established policy goals will involve navigating a range of challenges that require strategic planning and collaboration among stakeholders.** The increasing frequency and intensity of natural disasters and climate change-related issues pose substantial risks to infrastructure and livelihoods. Additionally, the recent rise in outward migration has created capacity constraints, further straining resources and public services. Furthermore, financing needs for development initiatives remain pressing, necessitating innovative funding solutions to ensure sustainable progress. External factors, such as geopolitical fragmentation and the changes in the global regulatory environment may have knock on effects.

4. **The IMF's engagement with Fiji will encompass both surveillance and capacity development (CD) to support the authorities' priorities in the following areas, while fully collaborating with DPs.**

- ***Potential growth***: The policies needed to promote diversification by looking at areas besides tourism and overcome the structural challenges that impede growth. Key priorities will include filling the skills gap left by migration, attracting FDI, and scaling up public and private investment. Staff will coordinate with other DPs with expertise in these areas, including the WB and ADB.

- ***Fiscal policy***: IMF, through PFTAC, has assisted Fiji in revising its Charts of Accounts (CoA) and implementing a new FMIS. This includes climate and gender tagging and alignment with the Government Finance Statistics Manual. PFTAC has continued to support Fiji on assessing tax policy and tax expenditures and improving revenue administration. Additionally, Staff has assisted Fiji in expanding its fiscal risk analysis approach to include quantitative assessments of climate risks, macroeconomic shocks, and risks from government guarantees to SOEs. The authorities are now building on this progress to formulate additional areas for reform in the Medium-Term Fiscal Strategy.

- ***Monetary policy and financial supervision**:* Surveillance and CD would assist with the modernization and effectiveness of monetary policy framework and liquidity management and aim to strengthen supervisory frameworks and regulatory capabilities for the financial sector. With support from the Fund, the authorities are currently reviewing the Fiji Banking Act and the Credit Union Act. Progress is also being made on addressing the remaining recommendations from the 2018 Financial Sector Stability Review (FSSR), which includes reviewing the RBF Act.

- ***Climate adaption and mitigation**:* Fiji faces substantial investment needs to enhance its climate adaptation and mitigation efforts amid increasing natural disasters. The government is collaborating with DPs to address these challenges. The IMF will engage with Fijian authorities and DPs on climate-related policies, focusing on financing for adaptation measures, strengthening capacities for effective climate investment, and implementing public financial management (PFM) reforms to integrate climate considerations into budget and project planning.

- ***Data:*** Data provided to the Fund are broadly adequate for surveillance. However, continued effort to improve data quality could help to better assess economic conditions and formulate appropriate policies. IMF CD engagement in this area, with follow ups in surveillance, is expected to continue.

Annex VII. 2018 Financial Sector Stability Review Outstanding Recommendations

Recommendations	Authorities' Response[1]
Conduct a broad review of the Banking Act and determine amendments required to ensure compatibility with powers required to implement supervision.	Review of the Banking Act to identify changes required is in progress. Concept note received from IMF PFTAC and recommendations are being considered in the review. Due for further work in 2025
Seek to amend the Banking Act to address related parties, consolidated supervision, major acquisitions, and establish definitions of significant ownership and controlling interest.	
Enhance the quantitative analysis to take into account and quantify the level of reliance of branches on their parent groups.	Papers to address recommendations to strengthen EWI in practice and bank resolution and recovery processes and procedures are in progress. Papers expected to be finalized in March 2025.
Enhance the integration of supervisory knowledge of the financial institution into stress testing and, conversely, relate the analytical outputs to potential supervisory actions including establishing early warning indicators (EWI).	Partially completed. Papers to address recommendations to strengthen EWI in practice and bank resolution and recovery processes and procedures are in progress. Planned to complete in March 2025 and is now re-prioritized to June 2025
Assign the macroprudential authority to the RBF with powers to identify and assess risks to financial stability; and to implement macroprudential policies.	Work in progress on further discussing an appropriate legislation to support implementation. Proposed regulations have been drafted. Work expected to proceed in June 2025.
Develop a detailed macroprudential toolkit, mapping policy instruments to intermediate policy objectives and to risk indicators.	Work in progress on the appropriate legislation to support implementation. Scope of RBF Act has been assessed as not adequate to capture macroprudential supervision by the RBF, thus the proposal of a separate regulations or amendment to RBF Act. A confirmation on the way forward is expected by June 2025.
Strengthen the domestic coordination arrangements by establishing a Financial Stability Committee (FSC).	Work in progress on appropriate legislation to support implementation. Scope of RBF Act seen as needing strengthening via regulations.
Assess the costs and benefits of deposit insurance and possible design options.	Partially completed and on hold. Following World Bank technical assistance provided, preparing a report on an appropriate framework for Fiji, outlining key pre-requisites, two discussion papers were tabled at the Financial System Policy Committee. Following the implementation of the crisis management recommendations, another review on the stance will take place in 2026.
Develop comprehensive bank resolution policies and procedures and establish bank recovery planning requirements.	Papers to address recommendations to strengthen EWI in practice and bank resolution, recovery processes and procedures are in progress. This recommendation is

[1] Reference relates to full update of all FSSR recommendations.

Recommendations	Authorities' Response[1]
	addressed in this work. Papers were expected to be finalized in March 2025 and is now re-prioritized to June 2025.
Develop ELA policy and processes.	Papers to address recommendations to strengthen bank resolution and recovery processes and procedures are in progress. Was expected to be finalized in December 2024 but is now re-prioritized to September 2025.
Enhance crisis management cross-border coordination with home authorities.	Papers to address recommendations to strengthen EWI in practice and bank resolution and recovery processes and procedures are in progress. Papers were expected to be finalized in March 2025. Now re-prioritized to June 2025
Strengthen the framework and capacity for the early detection of bank stress and early intervention actions, and to introduce recovery planning for banks.	Papers to address recommendations to strengthen EWI in practice and bank resolution and recovery processes and procedures are in progress. Papers were expected to be finalized in March 2025. Now re-prioritized to June 2025.

Annex VIII. Data Issues

Annex VIII. Table 1. Fiji: Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	C	B	B		
Granularity 3/	C		B	B	A		
			A		B		
Consistency			B	C		B	
Frequency and Timeliness	C	B	B	A	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Shortcomings related to national accounts statistics owe to capacity and staffing constraints that the authorities intend to address. Staff's analysis of economic trends would benefit from the production of quarterly GDP data, greater use of high frequency indicators and market surveys. Timeliness of yearly data is also an issue, with production approach data available with a 8-9 month lag and expenditure approach data with a 12 month lag. Coverage of the agriculture sector in the national accounts should also be expanded, and more comprehensive and disaggregated data on public and private investment would facilitate economic analysis. CPI data is available monthly and on a timely basis, but shortcomings include the absence of core CPI and of a breakdown between local and imported inflation. Moreover, the CPI weights and the basket used to deflate nominal GDP are based on 2014 data. With regard to balance of payments statistics, while coverage and timeliness are broadly adequate, the presence of significant net errors and omissions complicates the analysis of the external sector. Publication of 2024 balance of payments data has been delayed as the authorities are revising tourism earnings figures from 2019 onwards, but this delay is considered to be a one-off in nature. External debt data on the RBF's National Summary Data Page need to be updated. For monetary and financial statistics, the data is generally adequate for surveillance; however, improvements could be made in the coverage of Financial Soundness Indicators, particularly for non-banks. For Government Finance Statistics (GFS) and public sector debt statistics, the coverage is limited to budgetary central government; there are some classification and methodological issues in GFS (certain transfers that constitute current expenditure are classified as capital expenditure; issues in reconciling and consolidating central government and general government data); and the audited annual financial statements of subnational governments and some public corporations are reported with a delay.

Changes since the last Article IV consultation. Authorities have received Fund TA on nowcasting models and forecasting tools; the RBF is making progress on developing its forecasting database. The authorities have received Fund TA on updating CPI weights but the exercise has not been finalized because of capacity constraints. The authorities received TA on their external sector statistics in 2023 and are still in the process of implementing its recommendations, including on updating companies in the International Investment Survey.

Corrective actions and capacity development priorities. The CPI basket should be revised and weights updated, and the deflator methodology enhanced. Regarding national accounts statistics, the authorities are making efforts, with Fund TA, to expand the coverage of other sub-sectors of general government and public sector for GFS and public sector debt statistics, and update the Chart of Accounts mapping to align with international standards. Developing quarterly GDP data could also be considered.

Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Granular information on climate trends in Fiji and the extent to which extreme weather-related events may have led to an increase in natural disasters would help refine staff's analysis of the impact of climate change. More frequent and comprehensive data regarding migratory trends would enhance staff's analysis of domestic labor market conditions and how they impact economic actitivity. Additional data on inequality, public education and health spending, financial inclusion, and infrastructure quality would allow for better comparisons of recent trends with other Pacific Island Countries and emerging economies, including through the IMF's Inclusive Growth Dashboard.

Annex VIII. Table 2. Fiji: Data Standards Initiatives

Fiji participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since September 2018.

Annex VIII. Table 3. Fiji: Table of Common Indicators Required for Surveillance

As of April 16, 2025

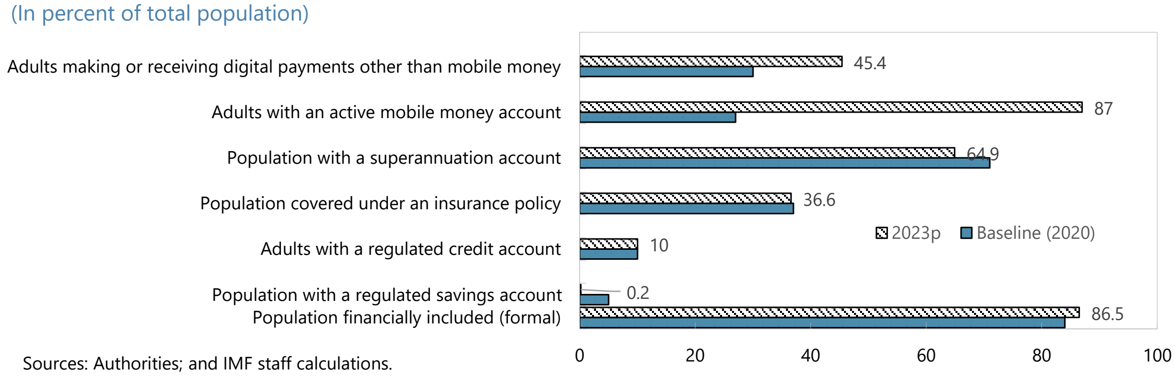
	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Fiji[8]	Expected Timeliness[6,7]	Fiji[8]
Exchange Rates	03/2025	04/2025	M	M	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	02/2025	04/2025	M	M	M	M	1M	2M
Reserve/Base Money	02/2025	04/2025	M	M	M	M	2M	2M
Broad Money	02/2025	04/2025	M	M	M	M	1Q	2M
Central Bank Balance Sheet	02/2025	04/2025	M	M	M	M	2M	2M
Consolidated Balance Sheet of the Banking System	02/2025	04/2025	M	M	M	M	1Q	2M
Interest Rates[2]	02/2025	04/2025	M	M	M	M	...	2M
Consumer Price Index	03/2025	04/2025	M	M	M	M	2M	1M
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	n/a	n/a	n/a	n/a	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	12/2024	03/2025	M	M	Q	Q	1Q	4M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	01/2025	03/2025	M	M	Q	M	2Q	2M
External Current Account Balance	Q3 2024	03/2025	Q	Q	Q	Q	1Q	4M
Exports and Imports of Goods and Services	Q3 2024	03/2025	Q	Q	Q	A	1Q	10M
GDP/GNP	2023	8/2024	A	A	Q	A	1Q	10M
Gross External Debt	Q3, 2024	03/2025	Q	Q	Q	Q	2Q	4M
International Investment Position	Q3 2024	03/2025	Q	Q	A	Q	3Q	4M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex IX. Digital Financial Inclusion in Fiji

1. **Fiji's financial inclusion landscape demonstrates significant progress**, with approximately 86.5 percent of adults now financially included, exceeding the National Financial Inclusion Strategy (NFIS) target of 86.0 percent by 2024. This marks a notable increase from the 2020 baseline of 84.0 percent. The gender gap in financial services has reduced from 10.2 percent in 2022 to 9.4 percent in 2023, indicating positive strides towards gender equality in financial access.

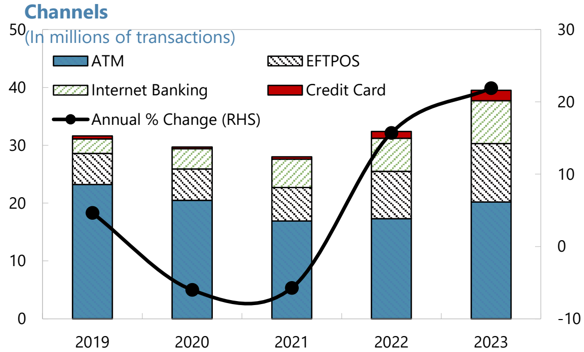
Key Inclusion Indicators for Adult Population
(In percent of total population)



Sources: Authorities; and IMF staff calculations.

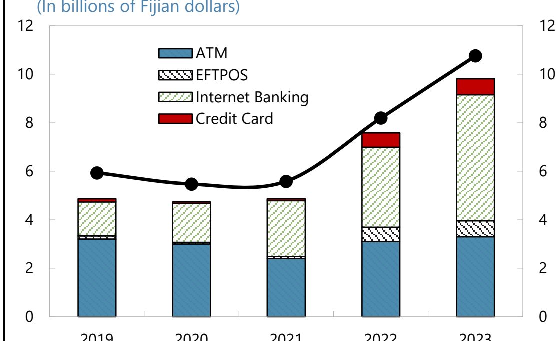
2. **The share of adults utilizing digital payments (excluding mobile money) has surged from 38.5 percent in December 2022 to 45.4 percent in 2023, surpassing the NFIS interim target of 34.0 percent.** Additionally, personal remittances via mobile money operators have risen by 36.4 percent over the previous financial year, establishing mobile money as the predominant remittance method with a 43.6 percent market share. The annual statistics on digital payments reveal substantial growth across various channels, including ATMs, EPFTOS, credit cards, and internet banking. The continued growth in the uptake of digital financial services post-COVID-19 reflects heightened customer demand for convenient payment solutions, supported by ongoing financial inclusion initiatives and reforms in the National Payment System. This also demonstrates a growing acceptance and reliance on digital financial services among the Fijian population.

Volume of Digital Payments by Different Channels
(In millions of transactions)



Sources: Authorities; and IMF staff calculations.

Value of Digital Payments by Different Channels
(In billions of Fijian dollars)



Sources: Authorities; and IMF staff calculations.

3. Key highlights of progress include:

- The RBF has made impressive strides in modernizing its National Payment System (NPS) over the last few years. In 2022, the bank rolled out an upgraded Real Time Gross Settlement System and a Central Securities Depository System, setting the stage for more efficient transactions.

- Building on this progress, in 2023, they launched the Automated Clearing House System, which makes electronic fund transfers for bulk and instant payments much easier for everyone.

- A standout achievement came in 2024 when Mobile Network Operators were integrated into the central payment infrastructure, allowing seamless transfers not just between banks, but also between digital wallets.

- The NPS Act 2021, which started in September 2022, has paved the way for better licensing and oversight of payment systems. Moreover, there's exciting work happening to standardize QR codes and improve processes like National ID and electronic Know Your Customer (e-KYC). With these developments, Fiji's payment system is now fully compliant with the ISO 20222 messaging format, which puts it on a solid foundation for the future.

4. Challenges and risks:

- Financial inclusion in Fiji faces several key challenges. One major issue is limited connectivity in remote areas, making it hard for people to access financial services. The absence of a national ID and e-KYC system also complicates the process of signing up for services. Additionally, many regions lack sufficient access points like banks and ATMs, especially in rural and maritime locations. Low levels of financial and digital literacy further prevent individuals from taking advantage of available services.

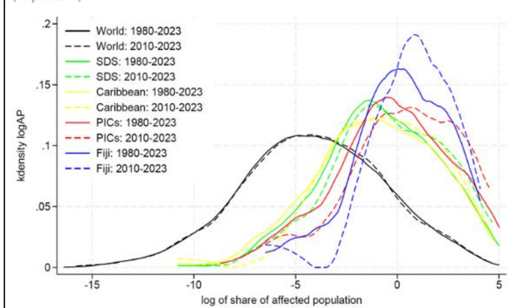
- As the use of digitized financial services grows, one of the biggest risks is the increase in attacks and fraud, largely due to inadequate cybersecurity measures. To tackle this, the RBF is implementing supervisory tools, including a comprehensive industry policy focused on minimum cybersecurity management requirements for all supervised entities. This approach aims to enhance surveillance and mitigate risks effectively. Additionally, the RBF is collaborating with development and private sector partners to boost digital literacy among customers, ensuring that users are more aware and better equipped to navigate the digital financial landscape safely.

- As Fiji continues to enhance its financial infrastructure through initiatives such as improved connectivity, digital literacy programs, and regulatory support, the trend towards increased digital financial services is expected to accelerate. This will further bolster financial inclusion and provide more opportunities for individuals and businesses to engage in the economy, ultimately contributing to sustainable economic growth and resilience in Fiji.

Annex X. Accounting for Climate Risks in the Macro-Framework and DSA

1. **Fiji has witnessed a high frequency of natural disasters**. The severity of these events—as measured by the share of population affected—has risen over time (Figure 1). This annex takes a first pass at how medium- and long-term projections for GDP growth and fiscal balances could be adjusted to reflect the negative impact of high frequency and severe natural disasters.

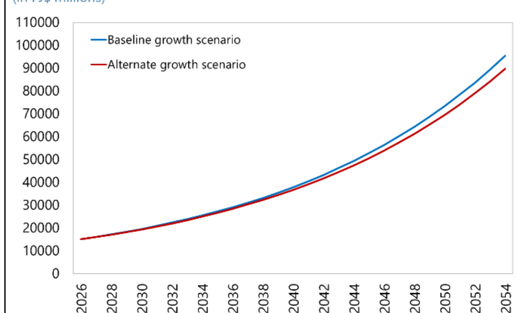
Share of Population Affected by Natural Disasters
(In percent)



Sources: Lim and Zhou (2025); EM-DAT; and World Development Indicators.

2. **The recurrent nature of natural disasters implies non-trivial effects on the level of GDP over long time spans.** Lee et al (2018) and Lim and Zhou (2025) estimate the annual adjustment to the baseline real GDP growth projections for the Pacific Island countries based on the probability of a natural disaster in a given year and the average impact per natural disaster for the country.[1] Their estimates suggest an adjustment to Fiji's real GDP growth projections for each year in the range of 0.13-0.22 ppts. These estimated effects are smaller than for many other Pacific Island economies (for example, Tonga, Tuvalu, and Vanuatu) which have been affected by more severe natural disasters historically. That said, the effect would cumulate over time, with national income about 6 percent lower after 30 years than without the regular setbacks from natural disasters (Figure 2).

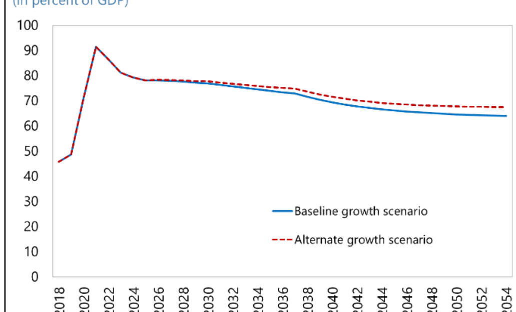
Nominal GDP
(In FJ$ millions)



Sources: Fiji authorities; and IMF staff calculations.

3. **Taking the effects on GDP levels into account shows in higher debt ratios,** all else equal. Public debt under the alternate growth scenario would see an upward trend over the longer-term horizon (Figure 3). These results suggest long-run benefits from early implementation of adaptation measures to natural disasters, particularly if such measures were to be implemented earlier rather than later.

Public Debt
(In percent of GDP)



Sources: Fiji authorities; and IMF staff calculations.

[1] See Lee, D., H. Zhang, and C. Nguyen, 2018, The Economic Impact of Natural Disasters in Pacific Island Countries: Adaptation and Preparedness, IMF Working Paper 18/108; and Choonsung Lim and Yue Zhou, 2025, Impact Dynamics of Natural Disasters and the Case of Pacific Island Countries, IMF Working Paper 25/84.

INTERNATIONAL MONETARY FUND

FIJI

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

May 29, 2025

Prepared By: Asia & Pacific Department (In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of April 30, 2025)

Membership Status: Joined: May 28, 1971; Article VIII

General Resources Account:

	SDR Million	Percent of Quota
Quota	98.40	100.00
Fund holdings of currency	73.43	74.62
Reserve position in Fund	25.00	25.41

SDR Department:

	SDR Million	Percent of Allocation
Net cumulative allocation	161.41	100.00
Holdings	138.48	85.79

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Type Stand-By	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn Allocation (SDR Million)
	Nov. 8, 1974	Nov. 7, 1975	3.25	0.00

Overdue Obligations and Projected Payments to Fund
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal					
Charges/Interest	0.52	0.69	0.69	0.69	0.69
Total	0.52	0.69	0.69	0.69	0.69

Exchange Rate Arrangement

1. Fiji's *de jure* and *de facto* exchange rate arrangement is a conventional peg. Since the beginning of 1999, the exchange rate of the Fiji dollar has been linked to a basket of five currencies: the U.S., Australian, and New Zealand dollars; the Euro; and the Japanese yen. The weights used in the basket, based mainly on the value of trade and tourist transactions, are reviewed annually. The exchange rate of the Fiji dollar against the U.S. dollar, the intervention currency, is determined daily by the Reserve Bank of Fiji (RBF) in relation to the currency basket. The RBF's buying and selling rates for transactions in U.S. dollars are communicated to commercial banks.

2. Fiji maintains exchange restrictions on current transactions subject to approval under Article VIII, Section 2(b) of the IMF's Articles of Agreement. These exchange restrictions include: (i) Limits on large payments, such as oil imports, dividend repatriation, and loan repayments; and (ii) Tax clearance certification requirements for the transfer abroad of profits and dividends, proceeds from airline ticket sales, and external debt and maintenance payments.

3. Fiji also maintains Capital Flow Management Measures (CFMs) under the Fund's Institutional View (IV). These CFMs include threshold limits and/or RBF approval requirements for: (i) Offshore investment by companies, non-bank financial institutions and individuals; (ii) Emigrant transfers; (iii) Loan repayments; (iv) Withdrawal of investment through sale of shares and assets, and shareholder funds (including dividends); (v) Deposits into FJD external accounts of proceeds from insurance maturity and sale of assets and personal effects; and (vi) Gifts to non-residents.

4. Exchange controls were tightened significantly in early-2009 following the devaluation of the currency, although some of the exchange controls were eliminated and amended since then. The exchange controls were tightened again at the onset of the COVID-19 pandemic in April 2020. In April 2023, the authorities completely reversed the threshold limits for CFMs such as emigrant transfers and offshore investment by companies and non-bank financial institutions back to the pre-pandemic levels (offshore investment by individuals remains suspended), whereas threshold limits for CFMs such as investment withdrawal (via shares and asset sale, shareholder funds and dividends) and deposits into FJD external accounts (of proceeds from insurance maturity and sale of assets and personal effects) were eased but not to the pre-pandemic levels. Exchange restrictions on profit repatriation and loan repayments were also eased, but not back to the pre-pandemic levels. In August 2024, CFMs on deposits in external accounts and thresholds for gifts were further eased, but not to pre-pandemic levels. Exchange restrictions on large payments—including profit repatriation, loan repayments, subscriptions to clubs, societies, and trade organizations—and tax clearance certification requirements were also eased, but not to pre-pandemic levels.

5. Details about current exchange control measures can be found in:

- https://www.rbf.gov.fj/markets/exchange-control/
- https://www.rbf.gov.fj/markets/exchange-control/ec-guidelines/ (latest)

Last Article IV Consultation

6. The 2024 Article IV consultation discussions were held in Suva during February 28-March 12, 2024. The consultation (Country Report No. 24/159) was completed by the Executive Board on May 22, 2024. Fiji is on a 12-month cycle.

Resident Representative

7. The Regional Resident Representative Office for Pacific Islands based in Suva, Fiji was opened on September 13, 2010, and covers Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Mr. Neil Saker is the resident representative.

Technical Assistance Activities

Fiji: Capacity Development

TA Area	Description	Advisors	Period
Revenue Administration	To assist in developing a digital vision, strategy, and roadmap for the Fiji Revenue and Customs Service.	PFTAC/FAD	July 2024
Revenue Administration	To assist the Fiji Revenue and Customs Service enhance and ensure optimal compliance from large businesses.	PFTAC/FAD	November 2024
Public Financial Management	To assist the Fiji Ministry of Finance, Strategic Planning, National Planning and Development (MoF) to undertake a Public Expenditure and Financial Accountability (PEFA) assessment, and to evaluate the Government's Public Financial Management (PFM) performance, strengths, and weaknesses.	PFTAC/FAD	November 2024
Revenue Administration	To assist Fiji Revenue and Customs Service to enhance interactions with tax agents, crucial for ensuring client tax compliance.	PFTAC/FAD	September-December 2024
Government Finance	To assess the progress of the new Financial Management Information System (FMIS) for compilation of GFS; assist in expanding coverage of the data reported to general government by investigating the reconciliation and consolidation of data; and to follow up on previous mission recommendations – the last mission was in 2022.	PFTAC/STA	March 2025
Monetary, Exchange Rate, and Capital Accounts Policies	To provide tailored training and conduct hands-on workshops with the staff of the RBF on topics selected from the Nowcasting (NWC) and Monetary Policy (MP) courses	ICD	February – March 2025

Public Financial Management	To conduct a Public Investment Management Assessment (PIMA) and a Climate PIMA (C-PIMA) in Fiji and recommend several measures to improve the efficiency and climate responsiveness of public investment.	FAD	March 2025
Financial Supervision and Regulation	To assist the Reserve Bank of Fiji in developing understanding of the prudential implications of IFRS 17 Insurance Contracts and supervise its implementation by insurance companies operating in Fiji.	MCM	March 2025
Tax Policy	To advance tax expenditure (TE) costing, evaluation and reporting in Fiji, particularly with regard to investment tax incentives.	FAD	March – April 2025

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank:
  https://financesapp.worldbank.org/countries/Fiji/

- Asian Development Bank:
  https://www.adb.org/countries/fiji/main

- Pacific Financial Technical Assistance Center:
  https://www.pftac.org/content/PFTAC/en1/countrieswp.html