



Revised 2021-2022 National Budget



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Revised 2021-2022 National Budget Commentary

The Fiji Economy

The COVID-19 pandemic has had a major impact on the Fiji economy in 2020 and 2021 with the after effects continuing into 2022. The Fiji economy is estimated to have declined by 15.2% in 2020 and is estimated to have further contracted by 4.1% in 2021 due to the impacts of the second wave of COVID-19 infections on the economy.

The tourism industry contributes an estimated 40% to Gross Domestic product "GDP" both directly and indirectly thus Fiji's economic recovery is dependent on the rebound in tourism. In 2020 international visitors declined by 83.6% and by 2021 had further declined by 96.5% compared to 2019 numbers. The opening of the Fiji borders in December 2021 is already having a significant impact on the Fiji economy however international visitors' arrivals are not projected to return to pre-pandemic levels until at least 2024.

In 2022 the economy is expected to rebound by 11.3% however significant challenges remain with rising inflation, global supply chain bottlenecks and the risk of new COVID-19 variants.

Inflation for 2021 was estimated at 3% in line with global trends and is forecast at 4.5% in 2022.

Government of Fiji

Based on projected revenue of \$2,253 million and total expenditure of \$3,715 million the net deficit stands at \$1,462 million for F21/22 which equates to 14.12% of GDP. This compares to a net deficit of \$1,047 million in F20/F21 equivalent to 10.8% to GDP.

The revised Fiscal Framework for F2021/F2022 is presented below:

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

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

36% of Public debt is external debt and has almost doubled in the past 5 years.

The 10-year Government Bond rate has dropped from 6% February 2020 to 3.95% at February 2022.

A link to the detailed Government of Fiji publication is:

<https://www.economy.gov.fj>

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Major initiatives in the Revised F2021/F2022 budget

Indirect tax measures

From 1 April 2022, zero rated VAT will apply on 21 basic consumer items and a higher VAT of 15% will apply on a select list of goods and services where those prescribed goods and services exceed turnover of \$100,000 per annum. The 5% Environment and Climate Adaptation Levy previously applicable to certain items affected by the VAT increase to 15% on this list will be removed. VAT of 9% will apply to those goods and services not covered by the prescribed lists above. Details of goods and services affected by these changes are in the Government of Fiji publication link.

The 20 cents per litre fiscal duty on fuel will be removed which was brought in the COVID-19 Response Budget.

Direct Tax Measures

- ▶ ECAL will be removed and the SRT rate increased by 5% for the computation of personal income tax. The tax burden however remains the same.
- ▶ To support tourism the 5-year tax holiday for investments more than \$2 million will be extended for an additional 12 months until 31 December 2023.

National minimum wage

The National Minimum wage will now be increased to \$4.00 per hour in four tranches with final tranche to \$4.00 per hour by January 2023.