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Exports of Fiji on the rise

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In the midst of depressing world economic news, we have some encouraging positive news. This is in regard to exports of Fiji.

Last week, Fiji's Bureau of Statistics released the merchandise trade statistics for 2011.

Fiji's exports rose by $ 311.1 million from 2010 to 1916.4 million in 2011. In percentage terms, the rise is 19.4 percent.

Since the world economic downturn from 2008, the brunt of the impact was borne by exports. While the world output known as gross domestic product decreased by 0.7 per cent, world trade flows fell by 11 per cent. Exports of Pacific island countries (PICs) were hit, except the minerals and logs of Papua New Guinea and Solomon Islands.

The main channel of transmission of overseas economic shocks to PICs has been exports.

Need for greater export earnings

Earnings from exports sustain imports. If export earnings are less than the payments for imports, which range from food and fuel to intermediate goods such as cement and steel and finished goods including computers and cars, PICs would incur trade deficits. The trade deficits have to be financed by remittances and earnings from services including tourism and capital inflows.

If the country earns more from exports and inward remittances and tourism than the outgoings arising out of payments for imports and outward remittances and tourism, foreign reserves are augmented.

On the other hand, if import expenditures are higher than export earnings from goods and services, there will be pressures on exchange rate. In such situations, the country concerned will have balance of payments difficulties. International reserves of the country have to be run down to finance deficits. The case of devaluation of Fiji in 2009 is relevant here.

ANZ Pacific quarterly has estimated the current account deficit for 2012 to be around 10 percent of GDP.

Exports are very important to all PICs including Fiji, in the context of high dependence on imports and limited foreign capital inflows and general balance of payments constraints, which include narrow range of exports such as coconuts and fruits as in the case of Tonga.

Fiji has the most diversified export base (both in terms of products and markets). It has been a major exporter, with exports equal to about 50 percent GDP in 2009, whereas in smaller states – Cook Islands, Federated States of Micronesia (FSM), Kiribati, Tuvalu, Palau and RMI – exports contribute less than only 15 per cent of GDP.

Latest figures for 2011 show that major export destinations for Fiji were United Kingdom and New Zealand.

Exports to UK went up by 76 percent (from $61.1 million) to $141.6 million. The main contributing product is exports of sugar. Exports to New Zealand recoded an increase of $3.8 million to reach $80.1million and the major contributor was biscuits. The rise was by 4.9 per cent.

On the other hand, exports to Australia registered a decline by 5.6 percent or by $17.4 million. They were $295.2 million. The main reasons are decrease in exports of garments and gold. Garment exports fell by 9.3 per cent and exports of gold by 3.6 per cent. Exports of woodchips to Japan also decreased, the decrease being $56.8million to $44.4 million.

Recent data indicate that exports have been increasing at 24.0 percent annually, as against the annual rise in imports by 17.3 percent. Trade deficits are around US $ 265 million. Foreign reserves are at a comfortable level and are around F$1,561.7 million, sufficient to cover 5.0 months of retained imports of goods and non-factor services.

Incentives to exporters

Keeping in view the importance of exports, and the need for increasing domestic production of agricultural products, which are imported today, incentives are in place since July 2010. Under the Import Substitution and Export Finance Facility (ISEFF), the Reserve Bank of Fiji has been providing funds to lending institutions such as Fiji Development Bank, commercial banks and licensed credit institutions at an interest rate of 2 percent per annum. The latter are expected to lend to eligible businesses for up to a maximum of 6 percent per annum.

The ISEFF loans are offered for a maximum duration of five years. To date, 35 companies in the manufacturing, agriculture, forestry, garment and renewable energy sectors have benefitted from the Facility.

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