Tourism led strong recovery in 2022. While arrivals were only 71% of pre-pandemic levels, visitors stayed longer and spent more. Positive effects spilled over into transport and wholesale and retail trade. Credit from commercial banks increased as confidence strengthened. Remittances reached record levels. Revenue increased, but higher debt stock will likely constrain fiscal space. Inflation accelerated in tandem with commodity price trends and domestic demand. Economic expansion is projected to moderate from 2023 as brain drain drags on growth.

**Economic Performance**

**Tourism rebound supported economic recovery in 2022.** The reopening of international borders at the end of 2021 revived tourism and contributed to 15.9% GDP growth in 2022. Services contributed 12.8 percentage points to growth as tourism rebounded, lifting complementary services such as wholesale and retail trade and transportation (Figure 2.33.1). Higher sugar and cement production underpinned growth in industry, and growth was noted as well in niche agriculture.

**Visitor arrivals recovered and guests spent more.** Visitor arrivals from Australia in 2022 reached 94% of their numbers in 2019, with December recording Fiji’s highest monthly arrivals ever. Meanwhile, arrivals from New Zealand and North America were more than two-thirds of their 2019 number (Figure 2.33.2). Surveys found visitors spending more daily and staying longer than in 2019. On average, Australian visitors spent 20% more from April to August 2022 than in the same period in 2019, while spending by American visitors was 18% higher. More than 80% of visitors to Fiji were there for leisure or holiday, with visiting friends and relatives at 10% and business travel at 2%.

**Consumption increased with support from higher incomes.** Inward remittances surpassed F$1 billion for the first time as they increased by 23% in 2022. This has translated to higher consumption, with value-added tax collection rising by 84% and vehicle sales by 24%. Personal income tax increased by 17%, and new consumer loans were 32% higher. Increases in cement sales and investment lending suggest higher investment in 2022.

**The fiscal deficit widened in 2022 on higher spending.** The shortfall reached the equivalent of 12.2% of GDP in fiscal year 2022 (FY2022, ended 31 July 2022). Expenditure increased by 7%, mostly to...
fund pandemic relief measures, but revenue remained largely unchanged from a year earlier. This translated into higher national debt, which rose to an equivalent of 91.1% of GDP (Figure 2.33.3). Personnel costs remained stable as the government tightened control over civil service wages, froze recruitment, and implemented other cost-cutting measures. The government managed to reduce the cost of its external debt. It did so in part by accessing concessional financing with longer repayment periods from multilateral and bilateral partners. Apart from 2021, when Fiji had to pay back the whole principal on a maturing global bond, external debt repayment has been below 4% of government revenue and domestic debt repayment below 20% of government revenue (Figure 2.33.4).

The financial sector has made strides toward recovery from the impact of COVID-19. Commercial bank liquidity increased in line with high foreign currency reserves, keeping the lending rate on a downward trend. Private sector credit grew for the first time since 2019, by 7%.

Inflation surged in 2022, reflecting the impact of the Russian invasion of Ukraine on global prices. The consumer price index jumped by 4.3% in 2022 compared with 0.2% in 2021. High oil prices raised transport prices by 17.8% and supply constraints raised food prices by 6.1% (Figure 2.33.5).

The current account deficit widened despite recovery in tourism. While remittances and tourism earnings increased, high demand for imports and elevated commodity prices for most of the year offset these gains, increasing the current account deficit to the equivalent of 12.5% of GDP.
Economic Prospects

GDP growth is projected to moderate to 6.3% in 2023 and 3.0% in 2024 (Table 2.33.1). The economy is expected to return to pre-pandemic activity by 2024, with tourism as the main driver of growth. Primary sector exports such as timber and niche agricultural produce are also expected to grow as foreign demand improves, and business process outsourcing is likely to expand further in line with growing demand. However, the sustainability of the economic rebound may be tested by increased emigration of skilled workers.

Table 2.33.1  Selected Economic Indicators, %

<table>
<thead>
<tr>
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<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>-5.1</td>
<td>15.9</td>
<td>6.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Inflation</td>
<td>0.2</td>
<td>4.3</td>
<td>4.2</td>
<td>3.5</td>
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GDP = gross domestic product.
Source: Asian Development Bank estimates.

Fiji will face intense competition from other tourist destinations as travel normalizes. While Fiji relies heavily on Australian arrivals, this dependence is one-sided, as the destination normally welcomes only about 3% of Australian outbound travelers. It will have to compete with other destinations such as Bali (Indonesia) and Thailand. Fiji aims to increase arrivals from North America, with the national airline aiming to expand direct flight connections beyond Los Angeles and San Francisco, as well as continue to fly the Vancouver route it launched in November 2022. Direct flights from Tokyo’s Narita airport are scheduled to resume in April 2023. For the new routes, the national airline is expected to add two A350s this year to its current fleet. Before the pandemic, North Americans and Europeans normally stayed longer and spent more than visitors from other markets.

Inflation is projected to subside to 4.2% in 2023 and 3.5% in 2024, in line with easing global commodity prices. While prices for selected items such as onions are currently elevated in Fiji, price movements are projected to remain restrained, reflecting movements in international prices and falling inflation in major economies.

Favorable terms of trade are likely to narrow the current account deficit to 12.2% of GDP in 2023 and 11.8% in 2024. A lower trade deficit as commodity prices decline and tourism earnings rise is expected to reduce the current account deficit even as remittances moderate.

Fiji’s fiscal position is expected to improve over the forecast horizon. The government projects a lower fiscal deficit, equal to 7.4% of GDP in FY2023 and 4.5% in FY2024. Revenue will likely remain below pre-pandemic levels for some time with the continuation of structural tax reduction instituted in response to COVID-19. While the government restrains additional expenditure, tighter fiscal space is likely to bring the ratio of debt to GDP down to about 83% by FY2024.

Policy Challenge—Reducing Brain Drain to Sustain Recovery

As Fiji recovers from the pandemic, steadily increasing emigration of skilled labor poses a challenge. As of mid-2019, more than 222,000 Fiji-born people, equal to a quarter of the population of Fiji, resided abroad, 95% of them in Australia, Canada, New Zealand, or the US. In 2022, more citizens of Fiji departed for emigration and employment in Australia and the US than in any year since 2016. While emigration boosted remittances, which play a critical role in stabilizing Fiji’s external position and providing a safety net to Fijians, consequent brain drain exacerbates skill gaps and is an emerging concern.
Fiji’s access to labor mobility schemes in Australia and New Zealand has increased the emigration of skilled labor. Of 34,400 Pacific workers employed in a labor scheme in either Australia or New Zealand in mid-2022, about 3,300 were from Fiji (Figure 2.33.6). Recent migrants from many Pacific developing member countries have tended to be more skilled than in the past. The pace of emigration from Fiji has left many businesses understaffed, especially as many emigrants leave on short notice after having secured work visas. Emigration has affected in particular restaurants with an exodus of chefs and serving staff, health-care providers with the resignation of 800 nurses last year, and tourism businesses, which lost 16,000 workers to emigration last year. The ramping up of overseas recruitment has coincided with Fiji’s reopening and recovery, when it can least afford to be short of labor.

In the short term, training can strengthen labor market mobility and resilience. Continuous training of workers should be integral to business strategy to ensure continuity of operations. Training and apprenticeship programs can match skills with ever-changing labor market needs, thereby improving the chances of labor market reintegration and responding to immediate labor shortage concerns. Over the long term, responsibility to train workers can extend beyond businesses and may involve the governments of both source and recipient countries. Governments should consider how to collaborate to train labor migrants and their replacements in the source countries. Education and training policies and systems must align with labor market demand in growth sectors and occupations.

The government response over the longer term should complement and sustain gains from short-term solutions. Longer-term solutions include responsive skilling programs and enabling policies that reduce the likelihood of labor shortages and migration issues recurring. Emigration must be addressed to sustain Fiji’s economic recovery. The targeted labor market strategies discussed above must be complemented by closer coordination and collaboration among stakeholders to ensure a seamless and effective response.