

Country Insight Snapshot

Fiji

July 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB5c

High risk: Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high return transactions only.



Rating Outlook: Deteriorating rapidly

CORE OUTLOOK

- + As a relatively poor country in a fast-growing region of the world, with good infrastructure and an increasing population, Fiji has significant long-term growth potential.
- + The return to multi-party elections means Fiji is receiving much greater inflows of investment, aid and finance.
- Fiji is saddled with structural defects and a difficult business environment, which have undermined its productivity.
- The number of graduates remains small, and many skilled workers emigrate each year.

KEY DEVELOPMENT

The short-term economic outlook continues to deteriorate as restrictions on international travel devastate the local tourist industry, leading to a humanitarian crisis in the Western Division.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating rapidly

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating rapidly

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

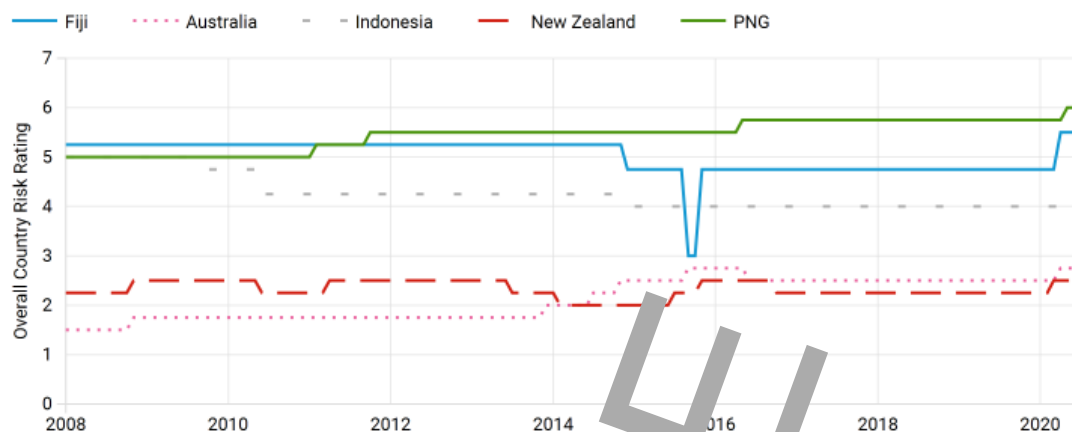


Trend: Stable

Key Development has had a negative impact on the outlook.

KEY INDICATORS

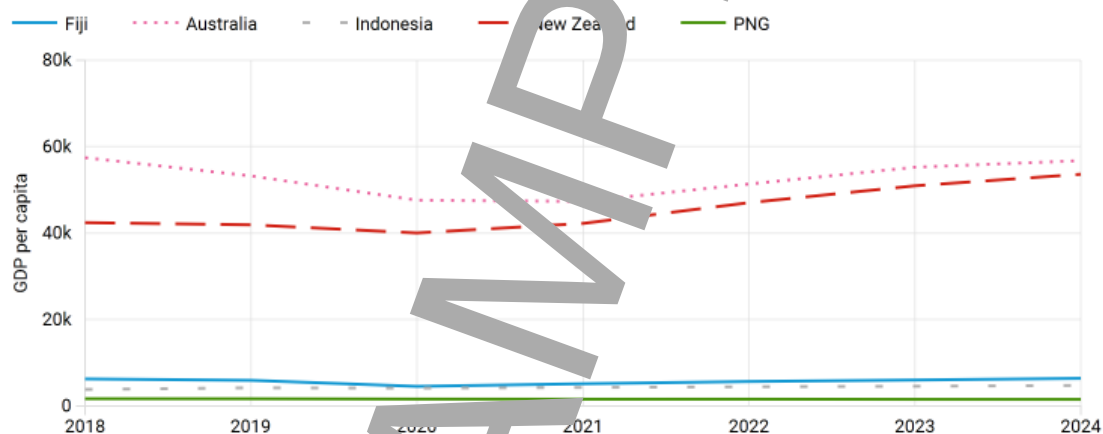
Rating History and Comparison



Source: Dun & Bradstreet

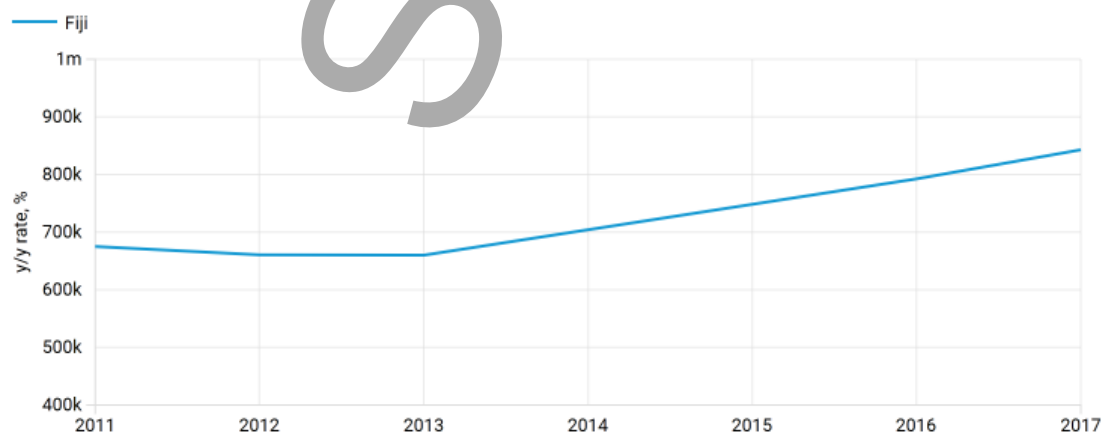
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Tourist Arrivals (Monthly) / y rate, percentage



Source: National Statistical Offices



Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-6.7	-8.5	-13.2	-12.0	-3.7	-5.0	-7.1	-6.5
Debt Service Ratio, %	2.8	2.8	2.9	2.9	3.2	3.3	3.3	3.1
Govt balance, % GDP	-4.3	-3.0	-3.3	-7.5	-3.5	-2.7	-2.5	-2.3
Inflation, annual avge %	3.3	5.0	1.1	3.5	2.5	2.3	2.3	2.1
Real GDP Growth, %	5.4	3.5	-1.3	-20.0	15.0	6.0	3.2	3.0

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Fiji ranks 101st out of 191 countries in the world in terms of its tax competitiveness, according to PwC and the World Bank's *Paying Taxes* 2020. On the upside, Fiji's total tax and contribution rate moderately outperforms the average for the East Asia and Pacific region, at 32.1% of a company's profits compared to 33.6%. However, Fiji underperforms against other measures: firms operating in the country must make 38 payments a year compared to an average of 20.6 in East Asia and Pacific; the average time needed to pay taxes is 210 hours a year, compared to a regional average of 173; and firms must spend much longer on post-filing activities such as applying for VAT refunds and correcting corporate income tax returns. Fiji is outperformed by most of its regional peers including New Zealand (9th in the world for paying taxes), Australia (28th), Vanuatu (68th) and Samoa (82nd), but performs better than Papua New Guinea in 118th position. Fiji's international tax competitiveness is consistent with the overall quality of the business environment, which the World Bank ranks 102nd in the world in its 2020 *Doing Business* report.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: LC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing opportunities in the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

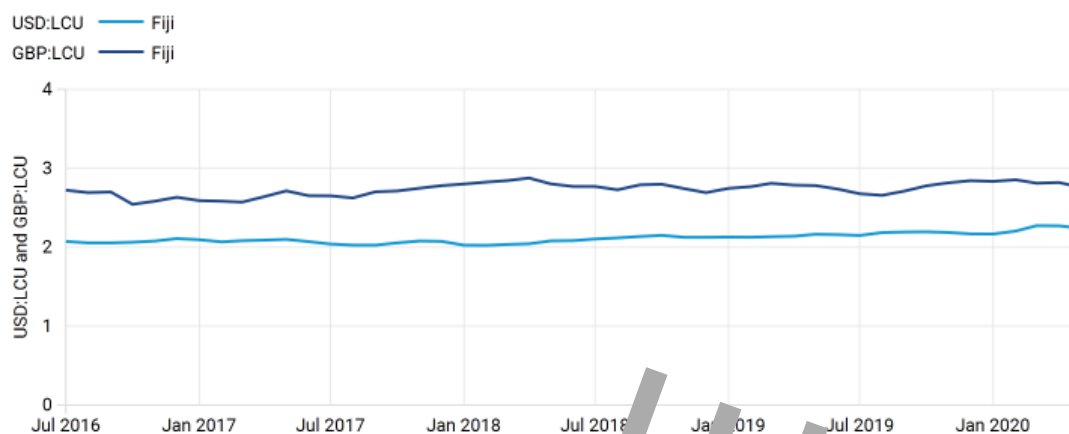
Local Delays: 1-2 months

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 1-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

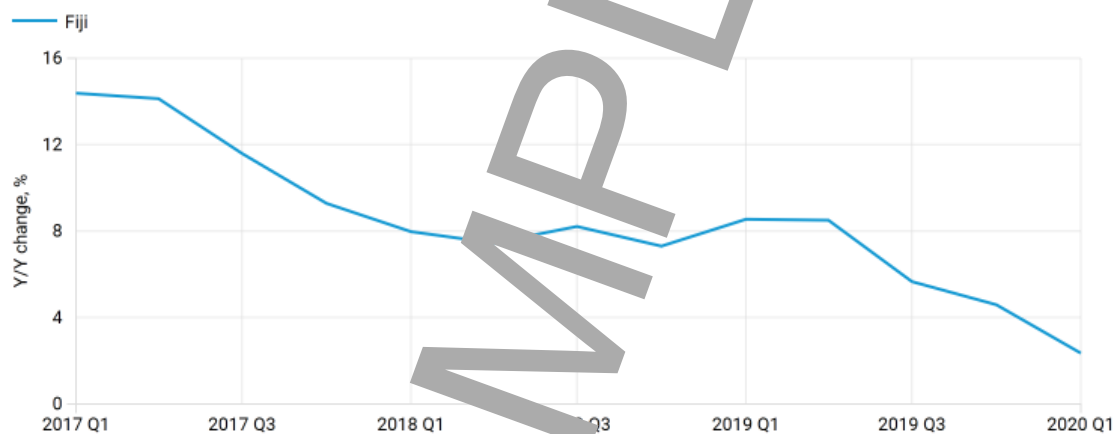
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Fijian dollar

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics

RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Local tourist industry devastated

Fiji's short-term economic outlook continues to deteriorate due to the coronavirus pandemic and the consequent suspension of international flights. This has had a severe effect on the tourist sector, which typically accounts for around a third of GDP and directly employs around 120,000 people (a quarter of the workforce). According to Fiji's Bureau of Statistics, the number of visitors arriving in May this year amounted to just 709, compared to 73,169 in May 2019. As households lose their incomes, many other sectors of the economy, such as retail, have also been adversely affected, forcing them to scale back or halt operations, at the same time as traditional export sectors such as timber, cement and gold are suffering due to the downturn in overseas demand. In desperation, the government is pushing the idea of 'Bula Bubble', which allows relatively unimpeded travel from Australia and New Zealand (from where around 70% of tourists to Fiji arrive) for those who can provide documentary evidence that they do not have coronavirus. On arrival in Fiji, passengers would be isolated from the rest of the population by means of special 'VIP lanes' on the roads, and sanitised accommodation. However, this idea appears to be unworkable as Australia continues to grapple with coronavirus, forcing the government to maintain its prohibition on international flights, potentially into next year, a period which covers the height of Fiji's tourist season. As a consequence, we are now speculatively forecasting a contraction in GDP of 20% this year.

The collapse in tourism has had a devastating effect on living standards in Fiji, particularly in the Western Division where tourism is concentrated. Charities are reporting a humanitarian crisis affecting around half the population, forcing many workers into agriculture or fishing as their only means of survival. Violence and theft are also reportedly increasing. The government has tried to help under its Covid-19 withdrawal scheme but its resources are increasingly limited as tax revenues collapse in the wake of the recession. Inevitably, this has also led to a sharp decline in demand for imports, which fell to just FJD281m in May, well below the long-term trend of around FJD400m a month.

Political/Insecurity Risk

Main opposition party in disarray

In the meantime, the main opposition, the Social Democratic Liberal Party (SODELPA), has descended into disarray. Under the party's own constitution, its leader Sitiveni Rabuka was obliged to step down following the party's defeat in the 2018 elections, but he has tried to hold on to power by technical means. As a consequence, the party has split into two rival factions, each of which has held separate elections to select a new executive. For 35 days between May and June, SODELPA was also suspended by the Registrar of Political Parties for breaching political rules. Until the party can overcome its internal feud, SODELPA cannot provide any effective scrutiny of government's work at a time of national crisis or contribute effectively to the parliamentary debate on the budget for 2020-21, which must be agreed by parliament by late July. Its chances of mounting a meaningful challenge to the ruling Fiji First in the 2022 elections are also rapidly declining.



COUNTRY PROFILE AND STATISTICS

Overview

The Republic of Fiji, which became fully independent in 1970, is located in the South Pacific between Hawaii and New Zealand. Fiji comprises three principal islands and scores of smaller islands and islets. Fiji is making an economic transition away from traditional sectors such as sugar into higher-value-added activities such as tourism.

However, the country is burdened by political instability rooted in the divide between ethnic Fijians on the one hand and Indians (who immigrated in the 19th and 20th centuries) on the other. This has led to a series of coups in recent years as the military intervenes to prevent governmental crises. At the present time, Fiji is run by a bi-ethnic government which seeks to involve ethnic Indians in the political process, but which has to rule by authoritarian means to keep various nationalist elements at bay.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Voreqe Frank BAINIMARAMA
Capital	Suva
Timezone	GMT +12-00
Official language	English
Population (millions)	0.9
GDP (USD billions)	5.3
GDP per capita (USD)	5,939
Life expectancy (years)	67.2
Literacy (% of adult pop.)	99.9
Surface area (sq km)	18,270

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	4.7	2.5	5.4	3.5	-1.3
Nominal GDP in USDbn	5	5	5	6	5
Nominal GDP in local currency (bn)	10	10	11	12	11
GDP per Capita in USD	5,391	5,651	6,101	6,267	5,939
Population (year-end, m)	0.9	0.9	0.9	0.9	0.9
Exchange rate (yr avge, USD-LCU)	2.1	2.1	2.1	2.1	2.2
Current Account in USDbn	-0.2	-0.2	-0.4	-0.5	-0.7
Current Account (% of GDP)	-3.5	-3.7	-6.7	-8.5	-13.2
FX reserves (year-end, USDbn)	0.9	0.9	1.1	0.9	1.0
Import Cover (months)	4.1	3.9	4.4	3.3	3.5
Inflation (annual avge, %)	1.4	3.9	3.3	5.0	1.1
Govt Balance (% GDP)	-3.2	-4.3	-4.3	-3.0	-3.3

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-20.0	15.0	6.0	3.2	3.0
Nominal GDP in USDbn	4	5	5	6	6
Nominal GDP in local currency (bn)	9	11	12	13	13
GDP per Capita in USD	4,541	5,151	5,666	6,016	6,393
Population (year-end, m)	0.9	0.9	0.9	0.9	0.9
Exchange rate (yr avge, USD-LCU)	2.3	2.4	2.3	2.3	2.2
Current Account in USDbn	-0.5	-0.2	-0.3	-0.4	-0.4
Current Account (% of GDP)	-12.0	-3.7	-5.0	-7.1	-6.5
FX reserves (year-end, USDbn)	1.1	1.0	1.1	1.1	1.2
Import Cover (months)	3.8	3.6	5.0	5.1	5.2
Inflation (annual avge, %)	3.5	2.5	2.3	2.3	2.1
Govt Balance (% GDP)	-7.5	-3.5	-2.7	-2.5	-2.3

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Fiji	Australia	Indonesia	NZ	PNG
Income per Capita (USD)	4,541	41,117	4,136	40,038	1,598
Country Population (m)	0.9	24.5	273.5	4.8	8.9
Internet users (% of population)	49.5	88.2	25.4	88.5	9.6
Real GDP Growth (% p.a., 2020 - 2029)	-4.0	0.7 - 3.1	4.5 - 7.0	2.1 - 4.5	3.5 - 5.3

Source: Various sources/Dun & Bradstreet



LINKS

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