



REPUBLIC OF FIJI

June 2026

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR REPUBLIC OF FIJI

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 2026 Article IV consultation with the Republic of Fiji, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 29, 2026 consideration of the staff report that concluded the Article IV consultation with the Republic of Fiji.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 29, 2026, following discussions that ended on March 27, 2026, with the officials of the Republic of Fiji on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 14, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for the Republic of Fiji.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Concludes 2026 Article IV Consultation with Fiji

FOR IMMEDIATE RELEASE

Washington, DC – May 29, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Fiji.¹ The authorities have consented to the publication of the Staff Report prepared for this consultation.²

Economic activity remained resilient through 2025. Staff estimates real GDP growth at 3.2 percent, supported by solid tourism inflows, continued remittances, and fiscal stimulus. Inflation fell sharply, driven by VAT rate reductions and lower duties on selected essential goods, but began to rise again as these temporary effects faded. The fiscal stance was substantially eased before the oil shocks, with the FY2025-26 budget targeting an overall deficit of around 6½ percent of GDP. Monetary and financial conditions remain highly accommodative, with the Reserve Bank of Fiji (RBF) maintaining the Overnight Policy Rate at 0.25 percent.

The recent oil shock will challenge Fiji's ongoing recovery. Growth is expected to fall in 2026 because of higher oil prices, softer tourism demand, and elevated uncertainty, while inflation is projected to increase as rising fuel costs are reflected in domestic prices. The terms of trade effects from the oil shocks would widen the current account deficit, which is already somewhat larger than implied by medium-term fundamentals.

Executive Board Assessment³

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Fiji's continued economic recovery, supported by tourism and domestic demand. Directors noted, however, that the outlook has become more challenging following recent oil price increases. They emphasized that Fiji remains vulnerable to external shocks and natural disasters, while elevated public debt, widening external imbalances, and persistent structural bottlenecks continue to constrain policy space and weigh on living standards. In this context, Directors

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.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Fiji page.

³ At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

emphasized the importance of strengthening fiscal buffers and pursuing reforms to boost sustainable, inclusive growth.

Directors noted that the expansionary fiscal stance has increased fiscal and financing risks at a time when public debt remains elevated. They underscored the importance of rebuilding fiscal buffers, supported by gradual and growth-friendly fiscal consolidation, while prioritizing targeted social assistance to help the most vulnerable. They also urged continued efforts to strengthen public financial management, debt management, and public investment capacity. Directors considered that reinforcing the medium-term fiscal framework would further strengthen policy credibility and improve transparency.

Directors agreed that the exchange rate peg continues to serve Fiji well as a nominal anchor. They noted, however, that persistently high excess liquidity has weakened monetary policy transmission and reduced the effectiveness of the policy rate, and therefore welcomed ongoing efforts to strengthen the monetary policy operational framework. Directors noted that this would require a gradual normalization of liquidity conditions, supported by gradually raising the policy rate. They encouraged the authorities to gradually ease exchange restrictions and capital flow measures, while safeguarding external stability.

Directors considered that the financial sector remains broadly sound, with banks well capitalized and liquid, while noting that vulnerabilities warrant continued vigilance. They welcomed ongoing efforts to strengthen financial supervision, crisis preparedness, and the regulatory framework, and encouraged continued progress on strengthening the AML/CFT framework.

Directors welcomed the authorities' reform agenda and emphasized that sustained, well-sequenced structural reforms will be critical to support higher and more inclusive growth and improve resilience. In particular, they encouraged reforms to address infrastructure gaps, labor shortages, outward migration, and barriers to private sector development. Directors also highlighted the importance of resilience-enhancing investment and continued engagement with development partners to strengthen Fiji's capacity to adapt to climate change and natural disasters. Finally, they noted that strengthening governance and reinforcing the rule of law would be critical to supporting the investment climate.

Table 1. Fiji: Selected Economic Indicators, 2024-28

	2024	2025	2026	2027	2028
		Est.	Proj.		
Output and prices (percent change)					
Real GDP	3.5	3.2	2.4	2.7	3.0
GDP deflator	6.1	-1.4	2.2	3.0	2.5
Consumer prices (average)	3.9	-1.4	2.2	3.0	2.5
Consumer prices (end of period)	-0.2	0.0	3.8	2.4	2.5
Central government budget on fiscal-year basis (percent of GDP)					
Revenue and Grants	27.4	29.1	28.2	27.8	28.0
Expenditure	30.8	31.5	34.6	32.9	31.8
Overall balance	-3.4	-2.5	-6.4	-5.1	-3.8
Primary balance	0.6	1.4	-2.2	-1.0	0.4
Central government debt	79.1	78.7	82.5	83.6	83.0
Central government external debt	28.6	27.7	30.4	29.5	28.5
External sector (percent of GDP)					
Current account balance	-7.8	-9.5	-12.5	-10.9	-9.7
Trade balance	-28.9	-29.8	-30.2	-28.9	-28.4
Services balance	18.8	18.1	16.9	16.7	16.5
Primary Income balance	-6.2	-5.3	-6.2	-6.0	-5.6
Secondary Income balance	8.5	7.5	6.9	7.3	7.8
Capital account balance	0.1	0.1	0.1	0.1	0.1
Financial account balance (- = inflows)	-10.0	-7.5	-8.9	-7.3	-7.5
FDI	-3.0	-4.6	-5.6	-5.9	-6.3
Portfolio investment	1.0	1.0	1.0	1.0	1.0
Other investment	-8.0	-3.9	-4.3	-2.4	-2.3
Errors and omissions	0.0	1.5	0.0	0.0	0.0
Change in reserve assets (- =increase)	-2.2	-1.0	3.6	3.5	2.1
Gross official reserves (in months of prospective imports)	5.5	5.3	4.5	3.6	3.1
Money and credit (percent change)					
Net domestic assets of depository corporations	7.9	0.0	...	...	...
Claims on private sector	11.3	10.0	...	...	...
Broad money (M3)	7.7	-2.3	...	...	...
Monetary base	4.5	-1.6	...	...	...
Central Bank Policy rate (end of period)	0.25	0.25	...	...	...
Commercial banks deposits rate (end of period)	0.3	0.3	...	...	...
Commercial banks lending rate (end of period)	4.6	4.5	...	...	...
Memorandum items					
Exchange rate, average (FJD/USD)	2.3	2.3	...	...	...
Real effective exchange rate, average	112.6	107.5	...	...	...
GDP at current market prices (in millions of Fiji dollars)	13,538	13,774	14,419	15,254	16,098
GDP at current market prices (in millions of U.S. dollars)	5,968	6,041	6,352	6,663	7,013
GDP per capita (in U.S. dollars)	6,468	6,508	6,802	7,093	7,421
Sources: Reserve Bank of Fiji; Ministry of Finance; and IMF staff estimates and projections.					

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



REPUBLIC OF FIJI

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

May 14, 2026

KEY ISSUES

Outlook and risks: The economy is now challenged by higher fuel prices and weakening external demand. The fiscal stance was substantially eased before the oil shocks. Monetary and financial conditions remain highly accommodative. Nonetheless, growth will likely fall and inflation increase by year's end. Even assuming a steady reduction in fiscal deficits, public debt would remain high for an extended period, while higher fuel costs would exacerbate pressure on foreign reserves. Risks are tilted to the downside, from more severe increases in oil prices, higher fiscal financing costs and crowding out of much-needed public capital investment, long-standing vulnerabilities to structural and supply-side constraints, and natural disasters.

Main policy recommendations: The main policy challenge is to ease through cost of living and supply pressures on the economy from oil shocks while restoring fiscal buffers and supporting growth. To that end,

- Allowing fuel prices to increase, as the government has already, will encourage economization. Cost-of-living concerns should be addressed via targeted social assistance programs. To restore fiscal buffers, staff recommends reaching a 2 percent surplus by FY2029-30, which would bring public debt below 70 percent by FY2032-33. To sustain higher growth, the composition of public spending needs to be reoriented to capital investment.
- Liquidity conditions should be gradually normalized, and monetary transmission strengthened with further development of the operational framework.
- To raise potential growth, efforts to prioritize and sequence reforms should be redoubled, with emphasis on strengthening implementation capacity and measures that support private investment, improve public investment management, and enhance climate resilience.

Approved By
Nada Choueiri
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Palomba (SPR)

Discussions took place in Fiji between March 16-27, 2026. The staff team comprised Alasdair Scott (Mission Chief), Matteo Ghilardi, Zsuzsa Munkacsi, Sonam Tobgay (all APD), Shivneel Kirpal (local economist, resident representative office), and Neil Saker (resident representative). Andrew de Castro (LEG) took part in some meetings virtually. Mr. Idwan Hakim and Ms. Faadzilah Abu Bakar (OEDST) attended meetings with officials. To-Nhu Dao and Yan Xu (both APD) contributed to the preparation of this report and supported the mission.

CONTENTS

CONTEXT	4
RECENT DEVELOPMENTS	4
OUTLOOK AND RISKS	7
POLICY DISCUSSIONS	9
A. Fiscal Policy: Rebuilding Fiscal Buffers Amid Limited Space	10
B. Monetary Policy: Strengthening the Monetary Framework Under High Liquidity	15
C. Financial Sector Policies: Preserving Stability Amid Shallow Markets and Uneven Liquidity	16
D. Structural Policies: Addressing Structural Constraints to Lift Potential Growth	18
CAPACITY BUILDING	20
STAFF APPRAISAL	21
FIGURES	
1. Recent Developments	22
2. Fiscal Sector Indicators	23
3. External Sector Indicators	24
4. Monetary and Financial Indicators	25
TABLES	
1. Selected Economic Indicators, 2023–31	26
2. Balance of Payments, 2023–31	27
3a. Central Government Operations, CY2023–31	28
3b. Central Government Operations, FY2023–31	29
4. Monetary Survey, 2022–27	30
5. Financial Soundness Indicators, 2020–25	31

ANNEXES

I. Risk Assessment Matrix	32
II. External Sector Assessment	34
III. Public Sector Debt Sustainability Analysis	39
IV. Cost of Living and Living Standards in Fiji	47
V. Medium-Term Fiscal Framework and Fiscal Rules in Fiji	50
VI. Country Engagement Box – Republic of Fiji	52
VII. 2018 Financial Sector Stability Review – Outstanding Recommendations	54
VIII. Implementation of Past Article IV Recommendations	56
IX. Data Issues	57

CONTEXT

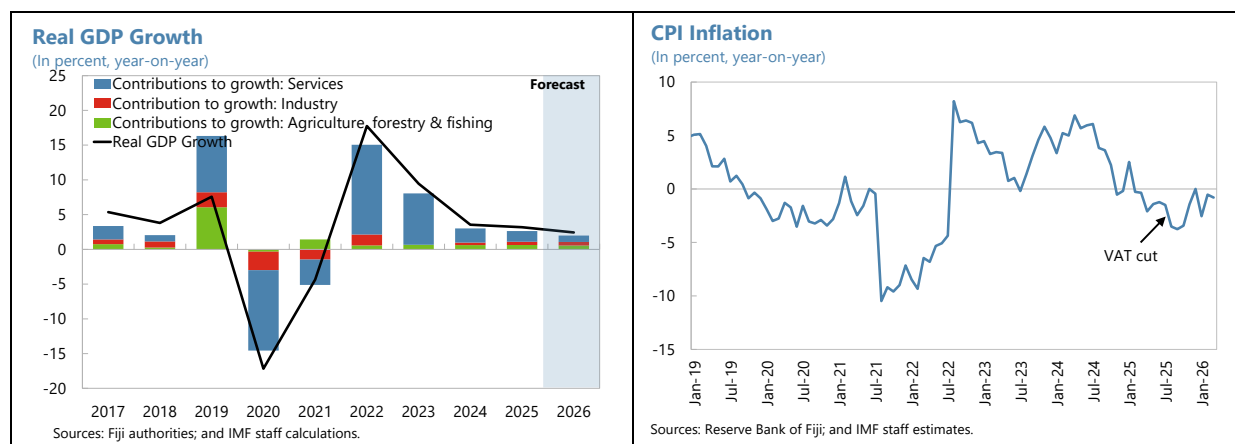
1. **Fiji was recovering well overall from the pandemic.** The closure of borders in 2020 had led to a dramatic contraction, but reopening saw a sharp rebound in 2022 and 2023, led by tourism. Tourist arrivals now exceed pre-pandemic levels. Demand for labor has been strong, albeit concentrated in certain sectors.
2. **However, the country faces development challenges, including infrastructure gaps, capacity constraints, and high exposure to natural disasters.** Living standards have come under increasing pressure (even before recent oil shocks; ¶7), reflecting high costs of essential goods—especially food and transport—against limited growth in domestic incomes (Annex IV). Outward migration has contributed to labor shortages, particularly in skilled occupations.¹

RECENT DEVELOPMENTS

3. **Economic activity remained resilient through 2025, supported by tourism and domestic demand.** Staff estimates real GDP growth at 3.2 percent—close to estimated potential growth (Selected Issues Paper)—supported by solid tourism inflows, continued remittances, and fiscal stimulus:
 - Limited goods exports exposure to the U.S., lower tariff rates than originally announced, and resilience in other trading partners have mitigated the macroeconomic impact of recent tariff changes.² The overall impact is estimated to have been modest, shaving about 0.1 percent off growth for the year.
 - High-frequency indicators point to improved sentiment in the second half of 2025, alongside firmer consumer spending, construction activity, and better-than-expected visitor arrivals. However, signs of softening in labor markets and tourism emerged starting November.
 - Inflation fell sharply, to -3.8 percent (y/y) in September, driven by VAT rate reductions and lower duties on selected essential goods. It rebounded as base effects began to unwind. Despite the reduction in overall inflation, price levels on essential goods remain elevated.

¹ In addition, upcoming general elections (to take place between August 2026 and February 2027) narrow the window for fiscal policy corrective actions.

² Tariffs on goods exports to the U.S. were set at 32 percent in April 2025, before being reduced to 15 percent in August. Goods exports to the U.S. represent about 4 percent of nominal GDP.



4. Progress in reducing fiscal deficits was reversed in the FY2025-26 budget.

- FY2024-25 concluded with a deficit of 2.5 percent of GDP, compared with a net deficit target of 4.5 percent, driven by both direct and indirect tax revenues and a drop in capital expenditure.
- However, the FY2025-26 budget targets an overall deficit of around 6½ percent of GDP, with lower indirect tax revenues following the VAT rate reduction³; a sizeable increase in current expenditure, mainly transfers; and further cuts to capital spending.
- The Fiscal Strategy—a preview to the budget—tabled in Parliament in March (before the oil shocks) sees the FY2026-27 deficit reduced by only a small amount (to 5 percent of GDP) and capital spending remaining at historic lows.

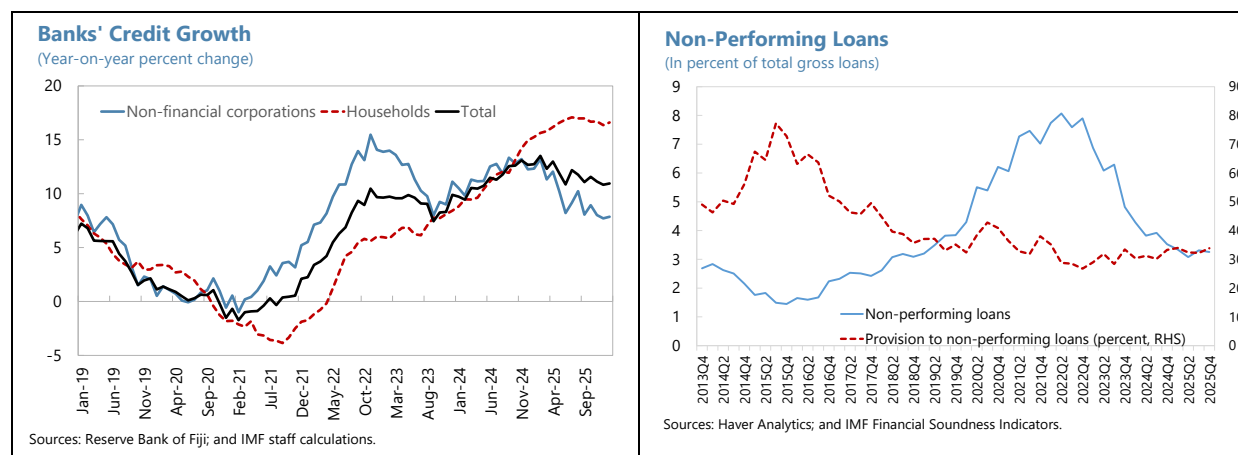
Text Table. Fiji: Budget Comparison
(In Percent of GDP)

	FY 2024-25	FY 2025-26	Difference
Revenue	29.1	28.2	-0.8
Expenditure	31.5	34.6	3.1
Current	20.0	23.8	3.9
Capital	7.7	6.5	-1.2
Interest	3.8	4.2	0.4
Overall balance	-2.5	-6.4	-3.9

Sources: Fijian authorities; and IMF staff estimates.

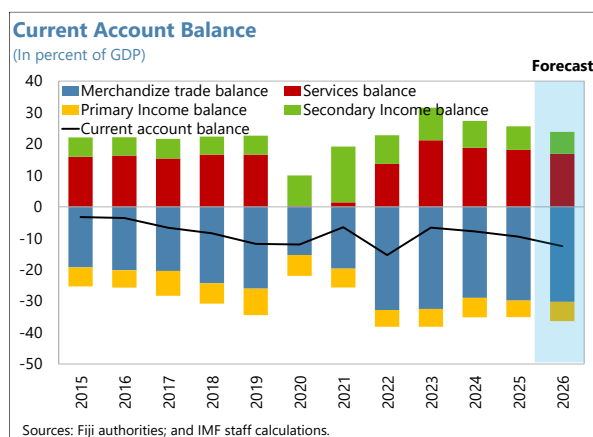
5. Monetary policy has remained highly accommodative. The Reserve Bank of Fiji (RBF) has maintained the Overnight Policy Rate at 0.25 percent since 2020. As a result of unsterilized foreign exchange inflows and the legacy of pandemic-related liquidity injections, excess liquidity in the banking system is high (FJD 1.83 billion as of February 2026). Credit has continued to grow, driven primarily by household lending, but NPLs are relatively low.

³ Fiji's VAT rate was reduced from 15 to 12.5 percent on August 1, 2025. The government aimed to ease cost-of-living pressure by partially reversing the August 2023 VAT reform (which raised the rate from 9 to 15 percent, to manage public debt).



6. The current account balance worsened due to stronger import demand.

- The deficit is estimated at 9.7 percent of GDP in 2025. Strong services receipts continued to provide a stable source of foreign exchange. Despite higher tariffs, goods exports remained broadly stable. But import growth was robust, driven by fuel, construction materials, and capital goods. As a result, the services balance remained in surplus, while the goods trade deficit widened further.



- The external position in 2025 was weaker than the level implied by medium-term fundamentals and desirable policies (Annex II). The current account deficit is expected to be financed primarily through foreign direct investment, official financing, and other capital inflows. Gross international reserves are projected to remain adequate by end 2025, covering around five months of prospective imports and amounting to about 120 percent of the IMF's Assessing Reserve Adequacy (ARA) metric.

7. Sharp increases in global oil prices have raised concerns about severe damage to living standards and the economy.

- Fiji is highly vulnerable to direct and indirect effects from the oil shocks. The share of fuel consumption is high—around 7 percent in the CPI—with other items also strongly affected by fuel prices (such as transportation and electricity) accounting for around 15 percent.⁴ Despite a push for renewable energy, diesel is needed for about half of electricity production. Sea and air transportation costs—already high—play a significant role in domestic costs; imported food is one quarter of total imports. The tourism sector depends on air travel from neighboring

⁴ Refined oil products are sourced from Southeast Asia, which in turn sources half of its crude supply from the Middle East.

countries that themselves are also vulnerable to oil price increases.

- Fuel prices have been increased by the government in April and May 2026.⁵ Diesel has been increased by as much as 79 percent in that time, depending on location. The government has laid out a combination of relief measures and contingency planning (Box 1).

Box 1. Fiji: The Authorities' Responses to Oil Shocks

On April 22, 2026, the government announced a budget redeployment of FJD 56 million dollars (0.4 percent of GDP) in its statement on fuel and the government's response:

- A 50 percent top-up to all social welfare recipients from the 1st of May to the 31st of July, costing approximately FJD 24 million.
- A subsidy to fully absorb an additional 10 percent fare increase on top of existing bus fares from the 1st of April to the 31st of July, costing FJD 4 million.
- FJD 28 million for a sugar cane price top-up for the 2025 crop season
- Fuel rebates (FJD 0.20 per liter on diesel and FJD 0.12 per liter on heavy fuel oil) to the majority state-owned Electricity Fiji Limited, for the next four months (not costed in the statement, but estimated to be FJD 7 million of foregone revenues).

All these measures are to be funded through savings within the existing budget, by diverting yet-to-be used capital funds. Earlier in April, a 20 percent pay cut was announced for ministers, along with a hold on all new civil service positions and suspension of overtime payments, and a halt to overseas travel for officials.

In addition, the new Fiji National Fuel Emergency Action Plan lays out phased responses of fuel conservation measures should fuel stocks fall to 50 percent and below, including fuel rationing if supply tightens, with fuel to be preserved for essential services (e.g., health, power, and emergency responses).

OUTLOOK AND RISKS

8. The baseline projection factors in the impact of recent economic developments and quantifiable policies, including the FY2025-2026 budget and latest fiscal strategy, fuel price increases, and measures listed in Box 1. It is based on the April 2026 WEO reference scenario, which assumes no oil supply disruptions.

9. Under these assumptions, growth is expected to moderate in 2026 before gradually recovering. Staff project real GDP growth to be about 2.4 percent in 2026, reflecting the impact of higher oil prices, softer tourism demand, and increased uncertainty, albeit with a residual contribution from the FY2025-26 fiscal expansion.⁶ The contribution to growth from fiscal stimulus is expected to decline over the projection horizon. Over the medium term, growth is projected to increase modestly, to around 3.4 percent, supported increasingly by higher investment and steady gains in productivity.

⁵ See [Fijian Competition & Consumer Commission's webpage](#) for more details of specific fuels and sale locations.

⁶ Fiscal multipliers are assumed to be relatively low, consistent with Fiji's high import dependence and structural capacity constraints typical of small, open economies.

10. Inflation is projected to increase in 2026 before falling. Staff project headline inflation to rise to 3.8 percent (EoP) in 2026, driven by higher fuel prices and their pass-through to domestic prices. As external price pressures ease and fiscal consolidation proceeds, inflation is expected to moderate over the medium term to about 2.5 percent, close to pre-crisis averages.

11. Public debt is expected to remain elevated. Staff projections incorporate the authorities' spending and deficit targets for FY2025-2026 and FY2026-2027. For FY2025-2026 and medium term, the projections assume that personnel costs, transfers, and capital expenditure evolve in line with the authorities' plans⁷, while revenues and other spending items grow broadly with nominal GDP. On this basis, staff projects that under current policies it would be feasible for the overall deficit to decline to 2.0 percent of GDP by CY2031. However, public debt would be at essentially around its 2020 level by 2031.

12. The current account deficit is projected to widen in the near term before narrowing gradually. It is expected to reach around 12.5 percent of GDP in 2026, largely reflecting higher oil import costs, with additional pressure from softer tourism receipts. Over the medium term, the deficit would narrow as the effects of the oil price shock wane, fiscal consolidation moderates import demand, and export receipts strengthen. Nonetheless, even with the assumption of healthy financial inflows, the ongoing fiscal deficit plus the terms of trade shock from fuel prices imply pressure on FX reserves, which fall below 3 months of import coverage by the end of the projection period, below levels suggested by the ARA metrics.⁸

13. Risks are tilted to the downside (Annex I).

- The main external risk is of a more severe increase in oil prices, which could worsen living standards and affect external demand (Box 2). Fuel shortages could severely affect tourism and primary resource sectors. Fiscal policy responses to such risks (including in more severe scenarios; ¶120) would be constrained by lack of fiscal space, under current policies (¶14). Under more severe scenarios, the central bank could be forced to tighten monetary conditions to maintain the exchange rate peg (and hence prevent further inflationary pressures; ¶124), but this would require increasing monetary operations capacity (¶125). The main risk for financial stability would most likely arise from consumer spending (¶128).
- The main domestic risk arises from the fiscal path. The FY2025-2026 budget and recent fiscal strategy will see higher debt (with risks to financing rates); reduced capital spending, apparently further cut in the April package (weakening growth prospects if persistent), and pressure on

⁷ According to the Medium-Term Fiscal Strategy (FY2026-27–FY2028-29), personnel costs are projected to remain stable at FY2025-26 levels through FY2028-29. Transfers are expected to hold steady until FY2027-28 before increasing slightly. Meanwhile, capital expenditure is planned to rise gradually, reaching FJD 1.1 billion by FY2028-29.

⁸ Errors and omissions in historical data include transactions not properly recorded in the financial account. The forecast assumes these are partially incorporated into the financial account. The authorities have requested technical assistance to improve the recording of these transactions.

external balances and reserves. In addition, a need for more external budget financing would imply higher rates (¶16-17).

- Structural and supply-side constraints—including infrastructure gaps, labor shortages linked to outward migration, and governance and implementation challenges—could further weigh on growth prospects. Fiji remains highly vulnerable to natural disasters, especially tropical cyclones and flooding.

**Box 2. Fiji: Adverse and Severe Scenarios:
Impact of a More Pronounced Global Oil Supply Shock**

This box assesses the macroeconomic impact of more severe oil supply disruptions on Fiji's economy.

The adverse scenario outlined in the April 2026 *WEO* assumes a large, temporary increase in global oil prices of around 60 percent in 2026, driven by production declines in the Middle East, alongside a modest rise in food prices, higher inflation expectations, and tighter global financial conditions. The shock is transmitted primarily through higher fuel costs, with additional effects arising from costs of electricity generation. Under the *WEO* severe scenario, oil prices increase by about 100 percent in 2026 and remain elevated in 2027, combined with a further tightening in financial conditions.

The macroeconomic impacts would be significant. Under the adverse scenario, real GDP growth would be about 1.5 percentage points lower than the baseline in 2026 and 0.8 percentage points lower in 2027, with particularly pronounced effects on the tourism sector from higher operating costs for hotels, airlines, and related services, dampening tourism demand. Under the severe scenario, growth would be lower by about 2.3 percentage points in 2026 and 1.7 percentage points in 2027. The current account deficit would widen significantly, with foreign exchange reserves declining even further. Inflation in the adverse scenario would increase by about 2.8 percentage points in 2026 and 0.9 percentage points in 2027, driven by direct pass-through from higher fuel prices and second-round effects through wages and broader price expectations. In the severe scenario it would increase by about 4.8 percentage points in 2026 and 2.2 percentage points in 2027.

Authorities' Views

14. The authorities agreed that the outlook has become much more challenging. They highlighted that tourism remains a key driver of growth, and emphasized continued support from remittances and investment. At the same time, they acknowledged that higher global oil prices are weighing on tourism arrivals, growth prospects, and adding to cost-of-living pressures. The authorities broadly concurred that growth is likely to moderate in 2026 and inflation to increase, while underscoring significant uncertainty around global commodity prices and external demand. They emphasized that policy efforts are focused on supporting growth while mitigating the impact of higher living costs.

POLICY DISCUSSIONS

15. Policy discussions focused on the fiscal and macroeconomic implications of expansionary budgets and the challenges from oil price increases. The discussions came in the context of concerns about high costs of living and the government's goal to be a high-income economy by 2050. Staff recommends a policy mix that favors essential capital spending, buttressed

by targeted social assistance measures to protect the most vulnerable from cost-of-living pressures, while restoring fiscal buffers. Draining excess liquidity and improving monetary operations are needed for monetary policy to become an effective tool for macroeconomic management. The financial sector appears adequately capitalized, but attention should continue to be paid for signs of emerging stress (e.g., consumer loans). Structural challenges are well understood, but reform momentum appears to have eased, underscoring the need for clearer prioritization and sequencing.

A. Fiscal Policy: Rebuilding Fiscal Buffers Amid Limited Space

16. Fiscal policy has reduced much-needed capital spending, and delays rebuilding buffers while straining external balances.

- Public debt is expected to remain above 80 percent of GDP until FY2028-29. The IMF's Debt Sustainability Analysis (DSA) continues to assess Fiji's risk of debt distress as moderate, reflecting the favorable structure of public debt, including long maturities, concessional terms, and continued access to external official financing (Annex III). Nonetheless, the high level of debt is not innocuous: interest servicing on debt averages 4.2 percent of GDP over the projection horizon (total debt servicing averages almost 10 percent), presenting a substantial cost.⁹
- The share of capital expenditure within total expenditure is projected to fall from 25 to just 18 percent within FY2025-26.¹⁰ The April measures are to be accommodated by a further reduction in capital spending in FY2025-26.
- Notwithstanding data uncertainties about unidentified financial inflows, the deficit adds to pressure on external balances and foreign reserves.

17. Budget financing could be challenging. Total financing needs would increase to 13.1 percent of GDP in FY2025-26 and 10.3 percent of GDP in FY2026-27. The government intends to finance deficits through a mix of external and domestic sources (38 and 62 percent in FY2025-26, respectively).

- On the domestic side, market depth is limited, with government securities largely absorbed by commercial banks and the Fiji National Provident Fund, whose portfolio constraints and return objectives may limit additional absorption at current yields. Combined, they hold about 69 percent of total government debt, highlighting a concentrated investor base and suggesting limited scope to significantly expand sovereign exposure.
- The costs of external financing would also likely be higher than before the pandemic.
- The government maintains cash deposits in the banking system (FJD 901.8 million in February

⁹ For comparison, public spending on health is 3.6 percent of GDP.

¹⁰ According to a 2025 Government Finance Statistics mission, FJ \$270 million was reclassified from capital expenditure to operating expenditure in the FY2025-26 budget.

2026, equivalent to 2½ months of expenditure, or 6.3 percent of GDP). Around half of this is held in trust (e.g., for contractual obligations). Using the remainder to finance deficits could tighten domestic financial conditions somewhat in the short run, with potential implications for credit growth and activity (Box 3).¹¹

Box 3. Fiji: Macro-Financial Effects of a Government Deposit Drawdown

This box illustrates the potential macro-financial implications of financing the fiscal deficit through a large drawdown of government deposits held in the banking system. The scenario illustrates how reliance on government deposits for financing the budget could reduce buffers and moderate credit and economic growth.

The scenario assumes tighter domestic financing conditions or delays in external disbursements, leading the authorities to finance part of the deficit through a drawdown of government deposits held in the banking system. Under this illustrative assumption, deposits decline from about 6.3 percent of GDP to around 4.5 percent of GDP. Given the significant role of public deposits in bank funding and system liquidity conditions, their withdrawal reduces liquidity buffers. This would lead banks to adopt a more cautious lending stance, moderating credit growth and reducing real GDP growth from 3.1 percent to 2.8 percent. An abrupt or uncoordinated drawdown could create pockets of funding tightness across institutions, given the concentrated nature of public deposits in the financial system, underscoring the need for a well-planned and gradual approach.

Box 3. Table 1. Fiji: Macro-Financial Effects of a Government Deposit Drawdown 2026

	Baseline	Alternative Scenario
Government Deposits (% of GDP)	6.3	4.5
Credit Growth (%)	8.0	6.7
GDP Growth (%)	3.1	2.8

Sources: Fijian authorities; and IMF staff estimates.

18. In the context of pre-existing fiscal imbalances and the oil shock, the policy challenge is to ease cost of living pressures while restoring fiscal buffers and supporting growth.

- **Oil shocks** should be addressed via carefully targeted social assistance programs for the most vulnerable. The fiscal measures announced to mitigate the effects of oil price shocks do not increase the deficit, but on the downside are accommodated with further reductions in capital spending (Box 1). The measures are all temporary, but could be better targeted.^{12, 13} In addition,

¹¹ Although there is a case for the level of cash, the *volatility* of government cash deposits does present challenges for commercial banks' asset and liability management (128).

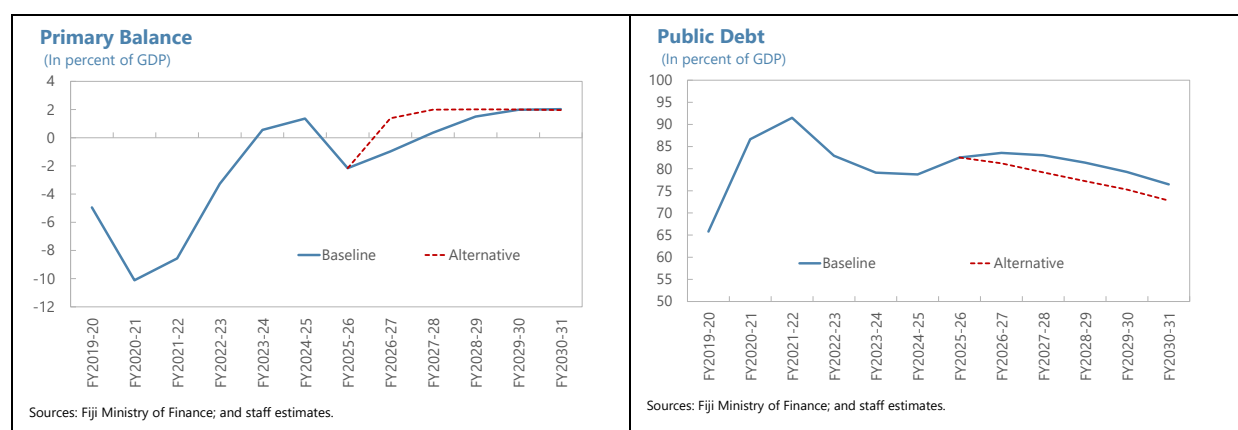
¹² The April package appears to include expansion of *all* social protection schemes, rather than those targeting lower income households. The proposed lower contributions to the state pension fund appear to be the same for employees across all income levels.

¹³ Although current social measures are built around use (for example, support for bus fares for students), the Ministry of Women, Children, and Social Protection has the data and mechanisms by which to target lower-income households. Calibration of transfers could take advantage of the updated Household Income and Expenditure Survey from the Fiji Bureau of Statistics, scheduled to be completed by April 2026. Creating a central registry of recipients

(continued)

introducing subsidies raises concerns that they might be hard to remove, with implications for fiscal sustainability and long-term distortions; not proceeding with them would create more space for well-targeted social assistance.

- Restoring fiscal buffers:** The financing risks and need to be able to address additional shocks in the future (e.g., damage from tropical cyclones) imply a need to restore fiscal buffers. The baseline projection shows that reaching a primary surplus of 2 percent of GDP is feasible, but with imbalances persisting for some time.¹⁴ Staff recommends reaching a 2 percent primary surplus by FY2027-28 (two years earlier than in the baseline projections), which would bring public debt below 70 percent of GDP by FY2032-33. Relative to the current baseline projection, this path implies bringing forward to FY2026-2027 and FY2027-2028 fiscal adjustment effort of up to 1¼ percent of GDP, in addition to current measures supporting the authorities' already-planned adjustment over the same period (2.6 percent of GDP). Options to achieve the additional fiscal effort earlier are described below (¶19); once the extra effort is achieved for faster adjustment, maintaining a primary balance of 2 percent would allow for extra public investment later. This would have some negative effects on growth in the short run, but would improve external balances and foreign reserves, while the extra public investment would support growth in the medium term.



19. Adjustment should be growth-friendly, shifting spending toward public investment. To spread the burden across different segments of the economy and society, a reform package of a higher, single VAT rate, lower tax expenditures (related to both direct and indirect taxes), improvements in tax compliance, and containing the public wage bill is warranted. Within that envelope, staff recommend increasing capital expenditure to support economic development.

- Revenues:** Building on compliance improvement strategies since 2017—including the current 2025–2028 plan along with the 2025 Tax Amnesty Program—the Fiji Revenue and Customs

and having a single government agency in charge of all transfers could reduce duplication and boost targeting efficiency.

¹⁴ Staff previously recommended a 2 percent surplus to bring public debt to 70 percent of GDP by FY2029-30—see 2025 Article IV Staff Report.

Service has secured a significant increase in public revenues. In the near term, the tax base could be increased with further rationalization of tax expenditures.¹⁵ A 2025 Tax Administration Diagnostic Assessment Tool (TADAT) assessment also revealed two areas on which to focus over the medium term: (i) cleaning the taxpayer registry, and (ii) strengthening the VAT refund system. In addition, streamlining the personal income tax brackets, reversing the 2025 VAT rate cut¹⁶, and gradually eliminating the zero-rated and exempted VAT items and over time moving to a single VAT rate would also further bolster public revenues.

- **Expenditures:** A strategic reprioritization of the spending envelope is required. In the short term, the nearly 19 percent increase in personnel costs in FY2024–25 necessitates public wage bill restraint. Staff recommends a stronger reduction than the gradual convergence toward its 2023 share of GDP over the projection horizon. The share of capital expenditure in total expenditure is at a historic low, but there is a recognized urgency to prioritize the modernization of roads, utilities, and public services.¹⁷ Gradually implementing the 2025 IMF PIMA recommendations could also help reduce inefficiencies in public investment, education and health spending which range from 30 to 40 percent today.¹⁸

The table illustrates potential yields from these measures, showing that the faster fiscal adjustment (T18) could also accommodate increased capital spending and additional targeted social assistance.¹⁹

Text Table: Fiji: Illustrative Fiscal Impact of Proposed Measures	
<i>(Percent of GDP)</i>	Estimated Yield
Revenue measures	2.8 – 3.3
Reversal of VAT rate cut	1.4 – 1.6
Rationalization of tax expenditures (incl. VAT exemptions)	1.2 – 1.3
PIT reform, tax base broadening, tax administration reforms (compliance, registry, refunds)	0.5 – 1.0
Expenditure measures	-1.2 – -1.5
Public wage bill restraint	0.5 – 0.7
Efficiency gains (PIMA-related reforms in investment, health, education)	0.5 – 0.7
Increase in capital spending	-2.0 – -3.0
Social assistance in response to oil shocks	-0.5
Total adjustment	1.6 – 1.8
Sources: IMF staff estimates.	

¹⁵ 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 expenditures from 2025 (2025 AIV Staff Report).

¹⁶ Fiji's VAT rate was reduced from 15 to 12.5 percent on August 1, 2025.

¹⁷ Fiji's National Development Plan 2025–2029 and Vision 2050 highlight essential goals, such as expanding access to clean water, improving rural roads and drainage, and improving healthcare services.

¹⁸ Based on the IMF's October 2025 Fiscal Monitor, Fiji's public investment, public education spending, and public health spending efficiency gaps are 43 percent, 29 percent, and 33 percent, respectively (averages between 2022 and 2024). The 2024 Public Expenditure and Financial Accountability Assessment and the 2025 Public Investment Management Assessment recommend upgrading processes for appraising the economic and social benefits of projects, selecting projects based on their potential for the greatest impact, and implementing clear, well-defined criteria for project selection.

¹⁹ Still more could be done with e.g., rationalization of ministries, which have increased in number over the past few years.

20. Responses to more severe oil shocks would be constrained. Given the lack of fiscal space (¶17), targeted social assistance within the existing budget envelope (rather than subsidies) would be needed in case more severe scenarios eventuate (Box 2). International community support through grants and ensuring that fuel supplies to Fiji and other Pacific Island countries are not restrained or interrupted would also be very important.

21. Anchoring consolidation within a clear and credible fiscal framework would help restore fiscal buffers and provide transparency and predictability in fiscal policy. The current framework does not provide a binding medium-term constraint to guide annual budget decisions and ensure steady progress toward rebuilding buffers (Annex V).

- Establishing a fully operational medium-term fiscal framework (MTFF) would help address this gap by setting out realistic macroeconomic assumptions and transparent projections for revenues, expenditures, and financing over the medium term.
- Strengthening the institutional link between the MTFF and the annual budget process would ensure that medium-term objectives guide aggregate expenditure ceilings and policy choices. Alternative policy scenarios and fiscal risk assessments (e.g., related to external shocks and natural disasters) can further enhance budget preparation.
- The adoption of a quantitative fiscal anchor—such as a medium-term debt target—supported by an operational fiscal rule targeting the primary or overall balance would enhance credibility and reinforce consolidation efforts. In addition, clearly specified escape clauses and correction mechanisms would preserve flexibility in the event of shocks while maintaining fiscal discipline.

Staff stand ready to provide technical assistance to strengthen fiscal frameworks.

Authorities' Views

22. The authorities recognized the need to rebuild fiscal buffers, improve the composition and quality of public spending, and secure financing. They acknowledged the challenges of elevated public debt and the importance of rebuilding fiscal buffers. Although they intend to continue enhancing tax compliance, they see limited scope for additional tax measures (including adjustments to VAT rates and tax expenditures). The authorities aim to keep personnel costs and transfers stable over three fiscal years FY2026-27 to FY2028-29. They acknowledged the need to shift expenditure from current expenses to capital projects. Furthermore, while they seek to improve the quality of public spending, capacity constraints and challenges when coordinating between ministries make the implementation of the 2025 PIMA assessment difficult. Finally, they expressed interest in exploring how to make their fiscal frameworks stronger through a binding medium-term fiscal framework, fiscal risk quantification, and the introduction of fiscal rules.

B. Monetary Policy: Strengthening the Monetary Framework Under High Liquidity

23. Persistently high liquidity has weakened policy rate transmission. The exchange rate peg remains the central nominal anchor and has played a key role in supporting macroeconomic and financial stability. However, policy rates have had limited influence on marginal funding conditions; instead, domestic monetary conditions are shaped primarily by liquidity rather than by changes in the policy rate (Selected Issues Paper), which is in turn shaped by levels of government deposits within the banking system and foreign exchange inflows associated with tourism, remittances, and official financing. Bank liquidity is well above banks' transactional and precautionary needs. As a result, pass-through from the policy stance to money-market rates, retail deposit rates, and lending rates has been very limited.

24. Maintaining the exchange rate remains the best bulwark against inflationary pressures. Easing liquidity conditions further (such as by lowering the statutory deposit rate) in the current environment of expansionary fiscal policy and an external supply shock would likely add to inflation pressures and potentially pressures on the exchange rate. The authorities should start to appropriately tighten monetary policy, to safeguard external and price stability, support the exchange rate peg, and support the gradual removal of CFMs.

25. Strengthening monetary transmission will require a gradual normalization of liquidity conditions and further development of the operational framework. Excess reserves are currently unremunerated. Active use of liquidity-absorbing operations, with excess reserves remunerated at rates linked to the policy rate, consistent with recent technical assistance recommendations, would establish the policy rate as the operational reference. A gradual increase in the policy rate would help reduce liquidity and deliver a needed tightening in monetary conditions. Regular, predictable, and transparent liquidity management would increase the responsiveness of short-term monetary conditions to policy signals. Key priorities include strengthening liquidity forecasting, enhancing coordination with fiscal authorities to better anticipate government cash-flow movements, and calibrating liquidity-absorbing operations to prevailing surplus conditions. Over time, periodic assessments of the exchange rate regime, including the composition of the currency basket, would help ensure that the peg continues to support macroeconomic stability and external competitiveness.

26. The authorities have taken steps to ease some exchange restrictions and capital flow measures (CFMs) tightened during the pandemic, while maintaining a cautious approach to liberalization. Fiji maintains a comprehensive exchange control framework, under which most routine current account transactions are permitted, while capital account flows and large payments remain subject to approval. Since the previous consultation, progress in easing exchange restrictions

and CFMs has been limited, with no substantive changes to the framework²⁰. While these measures have supported external stability and reserve adequacy during periods of stress, prolonged restrictions on profit repatriation, offshore investment, and large payments may weigh on investment and financial integration, delaying the path towards becoming a higher-income economy. Moreover, CFMs are not a substitute for appropriate macroeconomic policies and can complicate monetary policy implementation—in this case, the current policy mix would not support the exchange rate peg without CFMs. Staff encourage the authorities to continue raising delegated approval limits for foreign exchange transactions, allowing commercial banks to approve larger transactions without prior approval from the RBF and streamline administrative procedures. The authorities are encouraged to develop a sequenced plan to lift remaining restrictions, including the exchange restriction related to tax clearance certificates and limits on large payments (in line with Article VIII obligations), while safeguarding external stability, with the ultimate goal of removing restrictions completely.

Authorities' Views

27. The authorities agreed that excess liquidity has dampened the monetary policy operational framework over time. They reiterated that the exchange rate peg remains the cornerstone of the monetary policy framework and continues to serve as an effective nominal anchor. While recognizing the benefits of gradually improving liquidity management, they emphasized the need to proceed carefully, considering prevailing liquidity conditions, fiscal developments, and external risks. On exchange restrictions and capital flow measures, the authorities underscored that these measures have played a key role in safeguarding external stability and supporting reserve adequacy during a period of heightened uncertainty. They indicated that any further easing would be contingent on a sustained strengthening of external buffers and a stable macroeconomic environment. In this context, they emphasized a cautious and gradual approach to liberalization, while continuing to streamline administrative procedures and raise delegated approval limits where appropriate.

C. Financial Sector Policies: Preserving Stability Amid Shallow Markets and Uneven Liquidity

28. Banking system indicators remain sound. Asset quality has improved further, with the nonperforming loan ratio declining to 3.3 percent. The system-wide capital adequacy ratio is around 18 percent, above regulatory minimums.²¹ Liquidity buffers are comfortable, with liquid assets amounting to 23.4 percent of total assets. Banks are not heavily exposed to government debt risks,

²⁰ Since the 2025 Article IV consultation, the authorities have increased the limit on forward foreign exchange cover and options by increasing the limit from FJD 50 million to FJD 70 million. This change is currently being assessed in the context of the Institutional View on Capital Flows.

²¹ Stress testing conducted by the authorities suggests that, although capital ratios remain above minimum requirements even under severe shocks, there are uneven vulnerabilities across institutions. A prolonged oil price shock could further strain household and tourism-related borrowers, increasing credit risk and provisioning pressures.

and maturity and currency mismatches are low. Residential mortgage lending appears broadly supported by fundamentals: while the average size of newly-disbursed housing loans has increased over time, the number of loan accounts has remained relatively stable, suggesting that growth reflects higher property values and improved borrowing capacity rather than a broad-based easing of lending standards. However, consumer credit—which has been growing strongly—could deteriorate in quality as fuel prices stress purchasing power.

29. However, structural funding constraints and uneven liquidity distribution warrant close monitoring. Fiji’s banking system remains highly reliant on demand deposits for funding, (which account for about 88 percent of total liabilities), reflecting a limited domestic wholesale funding market and subdued interbank activity. Although *aggregate* liquidity is ample, changes in government cash balances (around 40 percent of banks’ demand deposits) can markedly affect liquidity conditions of *individual* institutions. Such volatility may also affect the ability to meet Liquidity Coverage Ratio (LCR) requirements, as fluctuations in large public sector deposits can alter the levels needed of high-quality liquid assets. Supervisors should therefore continue to monitor deposit concentration and bank-level liquidity resilience, including through stress testing of large withdrawal scenarios. A gradual transition toward a Treasury Single Account at the central bank—carefully sequenced to avoid abrupt liquidity adjustments—could help reduce such volatility and strengthen liquidity management. Current liquidity buffers remain strong, and these structural features do not presently pose material stability concerns.

30. Continuing improving the AML/CFT framework remains a priority. Fiji has continued to advance reforms to address vulnerabilities in its anti-money laundering and countering the financing of terrorism (AML/CFT) regime, drawing on progress achieved in recent years. The National Risk Assessment was updated in 2025, identifying overall money-laundering risk as high, driven by organized crime, tax and customs fraud, environmental crime, and corruption, while terrorist-financing risk remains assessed as low. These findings informed the adoption of a National Policy on Preventing Money Laundering and Terrorist Financing, which reinforces inter-agency coordination through the National AML Council. The roll-out of the National Payment System, which enhances interoperability between banks and mobile money providers and improves the traceability of digital transactions, has been accompanied by updated guidance from the Financial Intelligence Unit on customer due diligence, including the use of digital identification systems. At the same time, important gaps persist, particularly with respect to beneficial ownership transparency, the effective use of financial intelligence, and the consistent application of risk-based supervision in the banking sector. Addressing these shortcomings will be important as the authorities prepare for the next APG mutual evaluation in 2026.

Authorities’ Views

31. The authorities noted that, while financial conditions remain stable, continued vigilance and close supervision are warranted. The authorities assessed overall risks to financial stability to be contained, supported by adequate capital and liquidity buffers. Nonetheless, credit growth warrants continued close monitoring for any signs of rising nonperforming loans. They acknowledged that reliance on demand deposits and uneven liquidity distribution across banks

require attention, particularly given the sensitivity of liquidity conditions to fluctuations in government cash balances. The authorities further noted that recent stress test results indicate that, while the banking system remains resilient overall, capital buffers have become more vulnerable as shocks intensify, underscoring the importance of closer supervisory oversight and more granular monitoring of individual institutions. They highlighted that the recent passage of the Credit Union Act strengthens supervision of these non-bank institutions. The authorities reaffirmed their commitment to strengthening the AML/CFT framework and addressing remaining gaps ahead of the upcoming Asia/Pacific Group on Money Laundering mutual evaluation.

D. Structural Policies: Addressing Structural Constraints to Lift Potential Growth

32. The authorities' strategy to lift potential growth provides a useful framework, but implementation has lagged, underscoring the need for clearer prioritization and sequencing.

- The National Development Plan 2025-29 (NDP) and Vision 2050 lay out aspirations to reach high-income status by 2050. The NDP appropriately emphasizes productivity-enhancing reforms, higher and more resilient investment, human capital development, and improved governance as key pillars for raising living standards.²² These priorities are well aligned with the economy's structural challenges and long-term development needs.
- However, progress has been uneven. Reforms to strengthen the business environment, catalyze private investment, upgrade infrastructure, and improve public sector efficiency have advanced more slowly than envisaged, reflecting persistent under-execution of capital spending, capacity constraints within public institutions, and delays in project preparation and implementation. Skills shortages—exacerbated by outward migration—continue to weigh on reform execution and private sector development, while gaps in transport, utilities, and digital connectivity constrain productivity gains. High exposure to climate-related shocks further complicates implementation, as repeated natural disasters erode the capital stock and divert resources toward reconstruction.
- Against this backdrop, progress in raising potential growth will depend on clearer prioritization, better sequencing of reforms, and continued efforts to strengthen implementation capacity, with emphasis on measures that support private investment, improve public investment management, and enhance climate resilience. In addition, in an environment with elevated living costs, strengthening productivity and connectivity is also essential to support real wage growth and boost households' purchasing power.

33. Strong and durable medium-term growth is needed to achieve the authorities' objective of transitioning to high-income status by 2050. Fiji's estimated potential growth is close to, but slightly below, the pace required to achieve this objective. However, reaching high

²² See the 2025 Article IV Consultation Staff Report for a discussion on the objectives and reform pillars of the NDP.

income level would require sustained capital investment—public and private—and productivity improvements, leaving limited room for adverse shocks (Selected Issues Paper). This highlights the importance of policies that raise and preserve effective growth, including through higher and more efficient investment. Scaling up investment—especially in climate-resilient infrastructure—could help mitigate disaster-related output losses and support a more durable accumulation of capital over time. Complementary structural reforms to strengthen productivity, labor market outcomes and skills, human capital, and the business environment would further support convergence towards high income status.

34. Climate vulnerability remains a major macro-critical challenge for Fiji, requiring sustained investment in resilience, improved disaster preparedness, and stronger public financial management for climate-related spending. Recurrent cyclones and flooding continue to generate significant reconstruction spending and strain fiscal balances, while repeated damage to transport, energy, and water infrastructure erodes the public capital stock and weighs on potential growth. Recent IMF technical assistance under the Climate Public Investment Management Assessment, supported by PFTAC, finds that although climate risks are well embedded in national strategies, weaknesses in investment prioritization, pipeline sequencing, and inter-agency coordination reduce the effectiveness of resilience spending. Climate considerations are not systematically integrated into medium-term budgeting or maintenance planning, increasing the risk of repeated reconstruction costs. Strengthening project appraisal and climate-risk screening, improving alignment between national climate objectives and sector investment plans, and incorporating resilience assessments into budget frameworks would enhance infrastructure durability and reduce the fiscal impact of future shocks.

35. Strengthening governance is critical to supporting the investment climate. Key weaknesses can be found in regulatory frameworks (e.g., rule-making processes, trade facilitation), and rule of law (e.g., property rights, judicial integrity). These can distort resource allocation, undermine investment, and heighten financial risks, particularly in a small economy dependent on external investor confidence for future growth. The NDP appropriately recognizes good governance as a crucial component of convergence to high income status. It also emphasizes prioritization of institutional reform, rule of law, and reducing corruption and bribery.

36. The independence of anti-corruption institutions is essential to safeguard credibility and strengthen deterrence. The Fiji Independent Commission Against Corruption (FICAC) has remained operational during the ongoing leadership impasse. However, protracted litigation before the High Court over the appointment and removal of its head, if left unresolved, could undermine its independence and effectiveness in the long term. The failure to pass three key long-standing bills (i.e., Code of Conduct Bill, which includes an asset declaration framework, Access to Information Bill, and the Accountability and Transparency Commission Bill, which provides for whistleblower protection) also undermines the legal foundations to address corruption vulnerabilities. Their speedy passage will be critical to Fiji's NDP objectives.

37. Sustained efforts to strengthen the rule of law are essential. The authorities' decision to send a long overdue invitation for an official visit of the UN Special Rapporteur on the

independence of judges and lawyers is a positive signal. The planned comprehensive review of the State Land Act of 1945 will support improving transparency in land administration.

Authorities' Views

38. The authorities reaffirmed their commitment to raising potential growth and achieving high-income status over the long term, as outlined in the National Development Plan and Vision 2050. They emphasized that the strategy appropriately focuses on investment, productivity, and human capital development, and highlighted ongoing efforts to support private sector activity, expand tourism capacity, and strengthen infrastructure. At the same time, they acknowledged that implementation has been affected by capacity constraints, delays in project execution, and skills shortages linked to outward migration. They also noted that high exposure to climate-related shocks continues to disrupt investment and divert resources. The authorities emphasized that progress would depend on improving implementation capacity, advancing priority projects, and sustaining investment, particularly in infrastructure and energy. They underscored the importance of integrating climate considerations more systematically into medium-term budgeting and project appraisal to reduce the long-term fiscal impact of shocks, while recognizing that achieving higher and more durable growth will take time in the current environment.

CAPACITY BUILDING

39. Continued strengthening of institutional capacity and data quality remains critical to support effective policymaking. Over the past year, Fiji has made progress in key reform areas, supported by targeted capacity development. While efforts to enhance tax administration have supported revenue generation, the 2025 IMF PIMA assessment highlighted the need for improvements in practices on planning, project appraisal, multi-year budgeting and maintenance. In the monetary area, analytical work has helped inform liquidity management and operational reforms. Statistical capacity has also improved, thanks to ongoing efforts to strengthen national accounts and price statistics. Looking ahead, priorities include strengthening the medium-term fiscal framework and debt management, introducing fiscal rules,, enhancing liquidity forecasting and monetary operations, and further improving the quality and timeliness of macroeconomic data.

40. The Data Adequacy Assessment (DAA) indicates that the data provided to the Fund are broadly adequate for surveillance, although some shortcomings remain. As detailed in Annex VIII, the recent rebasing of CPI and national accounts to a 2019 base year has strengthened statistical consistency and improved representativeness of macroeconomic indicators. However, gaps in national accounts and price statistics—particularly in coverage, consistency, and timeliness—somewhat constrain real-time assessment of economic developments. Fiscal, external, and monetary statistics are generally adequate, though reducing net errors and omissions in the balance of payments and further improvements in granularity, reconciliation across datasets, and inter-sectoral consistency would strengthen surveillance.

STAFF APPRAISAL

41. The recent oil shock will challenge Fiji's ongoing recovery. Growth is expected to fall in 2026 from higher oil prices, softer tourism demand, and elevated uncertainty, while inflation is projected to increase as fuel costs pass through to domestic prices. The terms of trade effects from the oil shocks would widen the current account deficit, which is already somewhat larger than implied by medium-term fundamentals. Risks are tilted to the downside: fuel prices could be worse than assumed in the baseline, and shortages could emerge, while the fiscal path raises financing challenges and risks of further cuts to capital spending.

42. Fiscal policy will need to strike a balance between measures to ease cost of living pressures and rebuilding fiscal buffers to have capacity for future shocks. Responses to the oil shock should continue to be budget neutral and focus on carefully targeted and time-bound social assistance. Medium-term fiscal adjustment should be advanced. That would reduce the deficit more quickly while achieving targeted social assistance, which would provide space to reverse the decline in public capital spending, crucial for private sector investment. The composition and quality of public spending laid out in the most recent budget and Fiscal Strategy can be improved. Anchoring consolidation within a clear and credible fiscal framework would help restore fiscal buffers and provide transparency and predictability in fiscal policy.

43. Monetary policy reforms would help to support the exchange rate peg, given external pressures. Maintaining the exchange rate will prevent further inflation pass-through, but the oil shocks will put pressure on foreign reserves. Gradual normalization of liquidity conditions—supported by active liquidity absorption operations linked to the policy rate—would help strengthen transmission and re-anchor short-term interest rates. The authorities are encouraged to develop a plan to ultimately remove exchange rate restrictions and CFMs, consistent with Article VIII obligations.

44. The financial sector is sound overall, but potential weaknesses deserve close monitoring. In particular, consumer credit has been growing quickly, and loan quality could deteriorate as higher costs affect real incomes.

45. Addressing cost of living and resilience challenges will require adroit policies and good governance. Attention to raising productivity needs to be redoubled, with a resolute focus by the government on bottlenecks to growth from public infrastructure and public sector efficiency and implementation capacity. That in turn will require strengthening governance, including moving past recent controversies over the leadership of the anti-corruption agency that have raised doubts about reform momentum, and renewed momentum to pass important legislation on asset declarations, access to information held by public agencies, and accountability of officials.

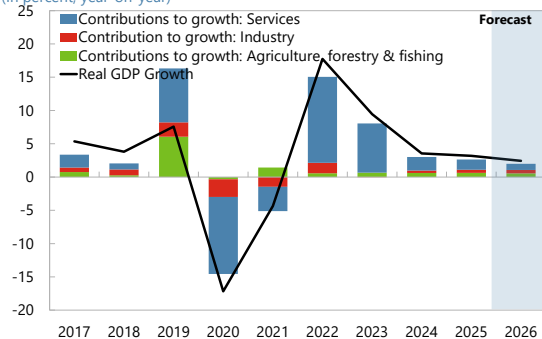
46. It is recommended that the next Article IV consultation will take place on the standard 12-month cycle.

Figure 1. Fiji: Recent Developments

Growth has moderated and is stabilizing near potential.

Real GDP Growth

(In percent, year-on-year)

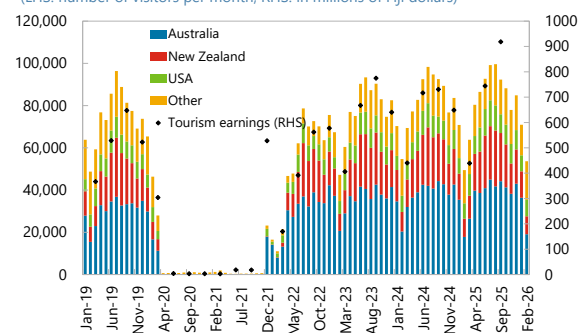


Sources: Fiji authorities; and IMF staff calculations.

Tourist arrivals have surpassed pre-pandemic levels.

Visitor Arrivals, by Origin

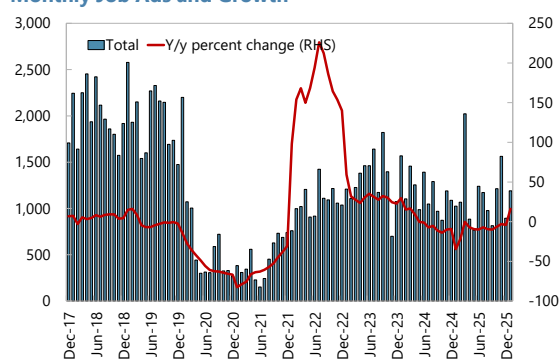
(LHS: number of visitors per month; RHS: in millions of Fiji dollars)



Sources: Haver Analytics, and Fijian authorities.

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

Monthly Job Ads and Growth

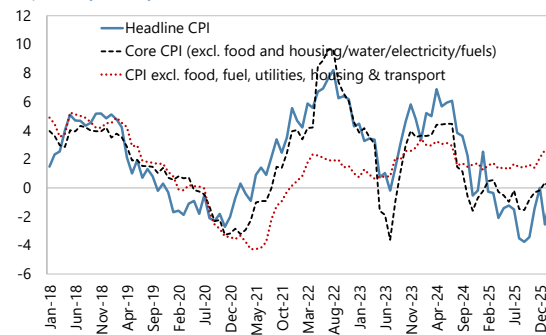


Sources: Reserve Bank of Fiji; and IMF staff calculations.

Inflation has fallen sharply as tax effects and base effects unwind.

Inflation

(In percent, year-on-year)

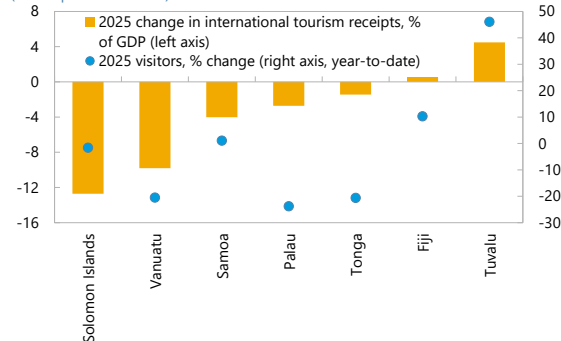


Sources: Reserve Bank of Fiji; and IMF staff estimates.

Fiji's tourism is among the strongest in the region.

PICs Tourism Estimates for 2025

(In comparison to 2019)

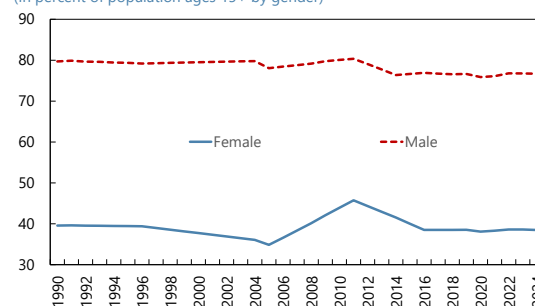


Source: IMF staff estimates.

Female labor force participation has remained low.

Labor Force Participation Rate

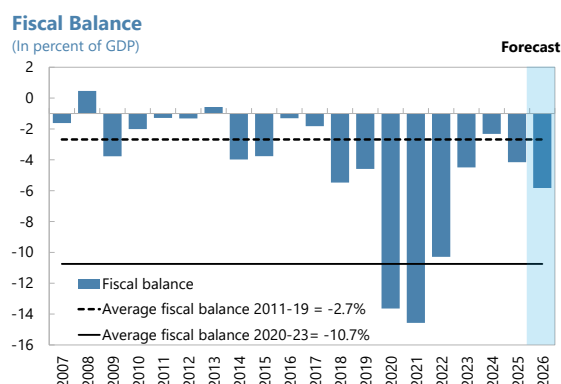
(In percent of population ages 15+ by gender)



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

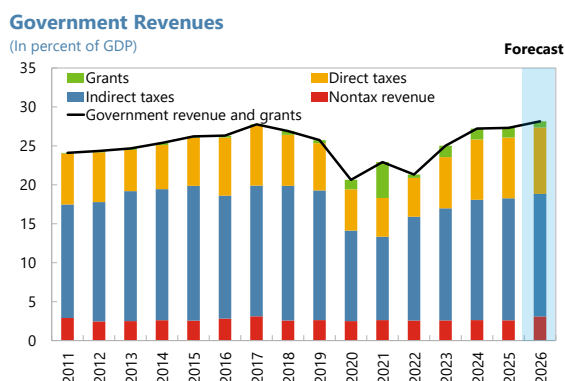
Figure 2. Fiji: Fiscal Sector Indicators

The fiscal stance has shifted from consolidation to expansion...



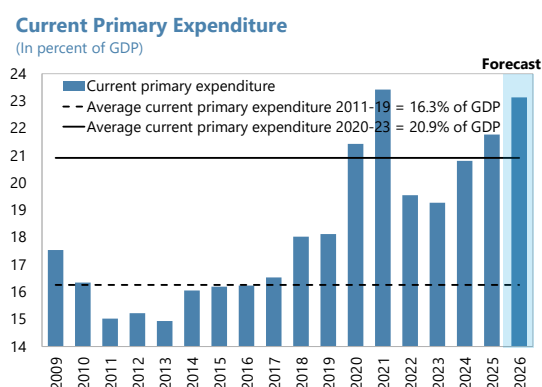
Sources: Fiji authorities; and IMF staff calculations.

Government revenues have recovered, supported by recent reforms...



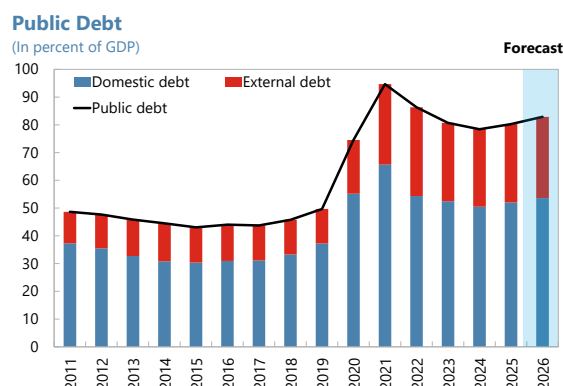
Sources: Fiji authorities; and IMF staff calculations.

Current expenditure is rising...



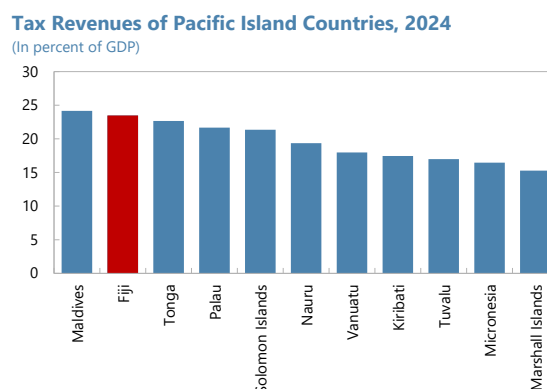
Sources: Fiji authorities; and IMF staff calculations.

...while public debt remains at high levels.



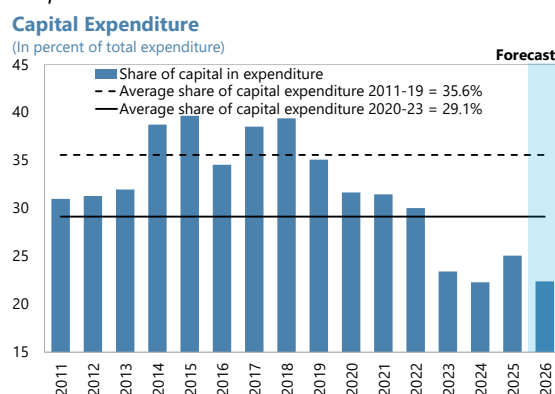
Sources: Fiji authorities; and IMF staff calculations.

...and tax revenues remain high relative to most PICs.



Source: World Economic Outlook.

...while the share of capital expenditure is low compared to historical levels.



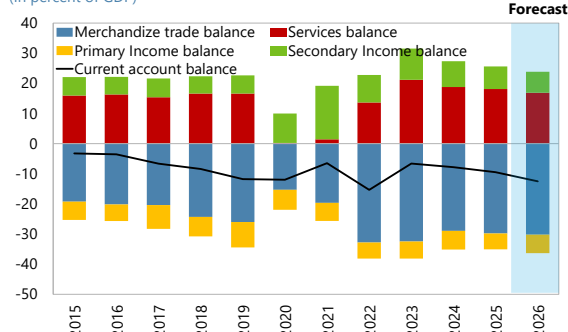
Sources: Fiji authorities; and IMF staff calculations.

Figure 3. Fiji: External Sector Indicators

The current account deficit narrowed after the pandemic surge but remains sizeable.

Current Account Balance

(In percent of GDP)

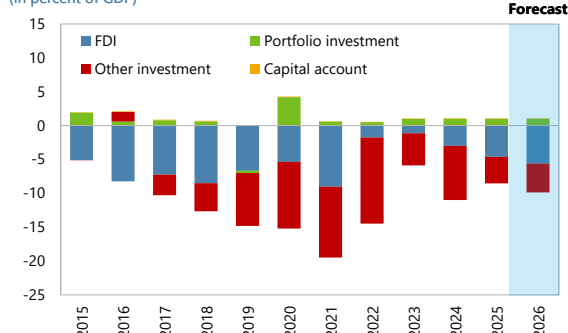


Sources: Fiji authorities; and IMF staff calculations.

Pandemic-related official financing has eased, with inflows moderating from earlier peaks.

Capital Account and Financial Account Components

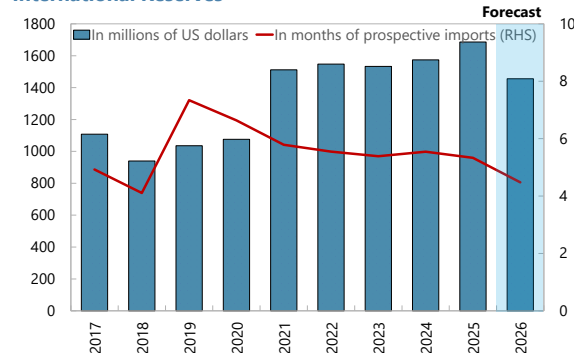
(In percent of GDP)



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

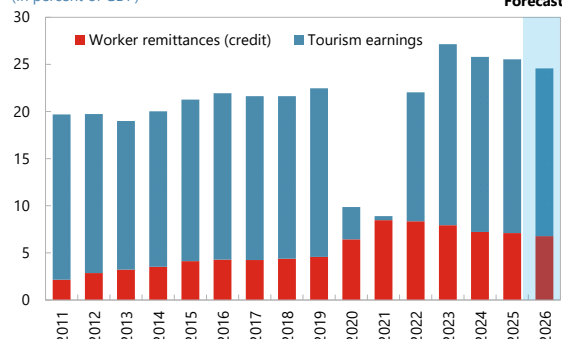


Sources: Reserve Bank of Fiji; and IMF staff calculations.

Tourism receipts and remittances have surpassed pre-pandemic levels.

Tourism Earnings and Worker Remittances

(In percent of GDP)

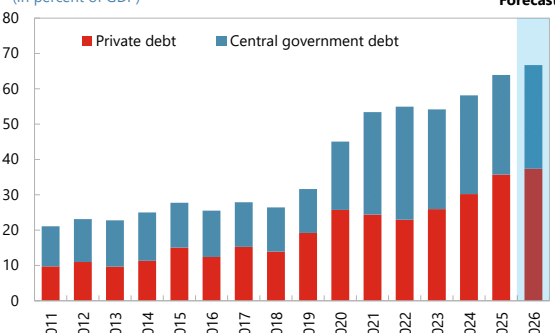


Sources: Reserve Bank of Fiji; and IMF staff calculations.

External debt rose sharply during the pandemic and remains elevated.

External Debt

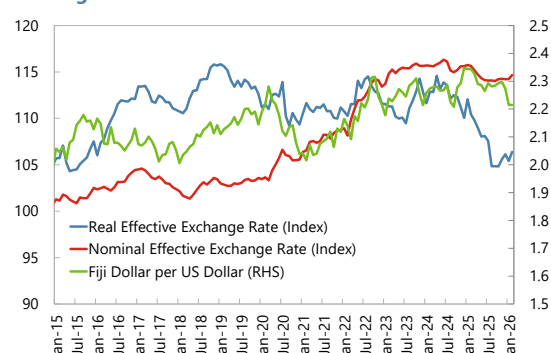
(In percent of GDP)



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

After a post-pandemic rise, the REER has declined in recent quarters.

Exchange Rates



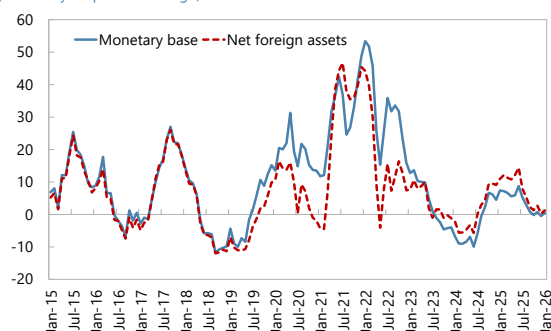
Sources: IMF INS database; and IMF staff calculations.

Figure 4. Fiji: Monetary and Financial Indicators

Monetary conditions continue to support growth

Monetary Base and Net Foreign Assets

(Year-on-year percent change)

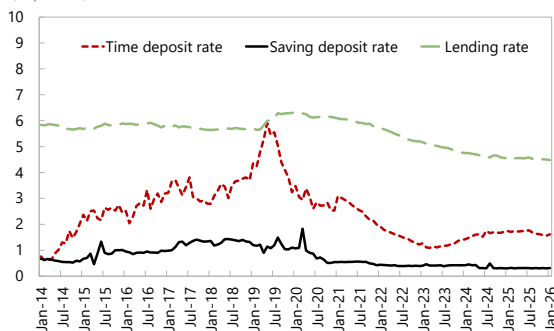


Source: Reserve Bank of Fiji.

...with retail interest rates at low levels.

Interest Rates

(In percent)

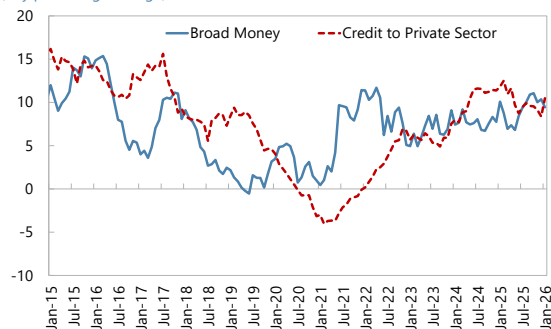


Source: Reserve Bank of Fiji.

Credit to the private sector has recovered strongly.

Credit to Private Sector and Broad Money

(Yoy percentage change)

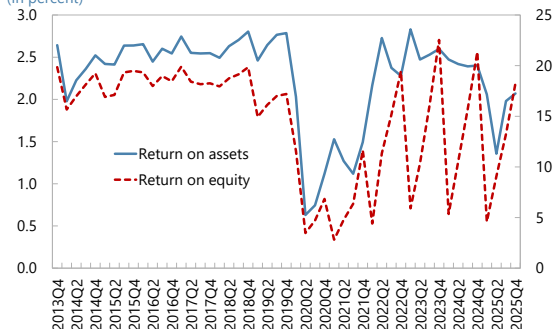


Source: Reserve Bank of Fiji.

Bank profitability is improving.

Return on Assets and Equity

(In percent)

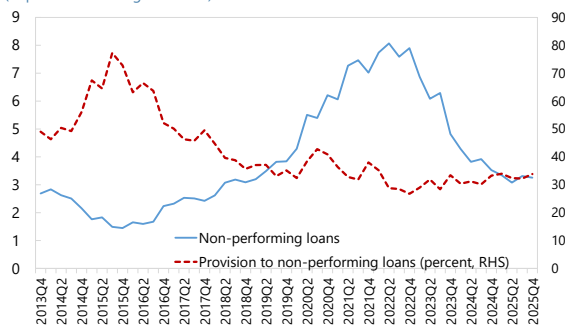


Sources: IMF Financial Soundness Indicators; and Reserve Bank of Fiji.

Shares of NPLs have been declining.

Non-Performing Loans

(In percent of total gross loans)

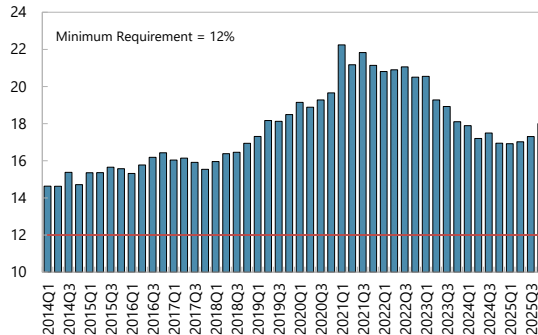


Sources: Haver Analytics; and IMF Financial Soundness Indicators.

Bank capital has fallen since the pandemic, as banks remunerate profits abroad, but remains above the regulatory minimum.

Commercial Banks' Capital Adequacy

(In percent of risk-weighted assets)



Source: IMF Financial Soundness Indicators.

Table 1. Fiji: Selected Economic Indicators, 2023–31

	2023	2024	2025	2026	2027	2028	2029	2030	2031
			Est.	Proj.					
Output and prices (percent change)									
Real GDP	9.4	3.5	3.2	2.4	2.7	3.0	3.1	3.3	3.4
GDP deflator	2.7	6.1	-1.4	2.2	3.0	2.5	2.5	2.5	2.5
Consumer prices (average)	3.0	3.9	-1.4	2.2	3.0	2.5	2.5	2.5	2.5
Consumer prices (end of period)	4.8	-0.2	0.0	3.8	2.4	2.5	2.5	2.5	2.5
Central government budget on fiscal-year basis									
(percent of GDP)									
Revenue and Grants	23.0	27.4	29.1	28.2	27.8	28.0	28.0	28.0	28.0
Expenditure	30.2	30.8	31.5	34.6	32.9	31.8	30.7	30.3	30.2
Overall balance	-7.2	-3.4	-2.5	-6.4	-5.1	-3.8	-2.7	-2.3	-2.2
Primary balance	-3.3	0.6	1.4	-2.2	-1.0	0.4	1.5	2.0	2.0
Central government debt	82.9	79.1	78.7	82.5	83.6	83.0	81.4	79.3	76.5
Central government external debt	30.4	28.6	27.7	30.4	29.5	28.5	27.5	26.5	24.9
External sector (percent of GDP)									
Current account balance	-7.6	-7.8	-9.5	-12.5	-10.9	-9.7	-8.1	-7.6	-6.6
Trade balance	-32.5	-28.9	-29.8	-30.2	-28.9	-28.4	-27.7	-27.0	-26.0
Services balance	21.2	18.8	18.1	16.9	16.7	16.5	16.6	16.3	16.0
Primary Income balance	-5.7	-6.2	-5.3	-6.2	-6.0	-5.6	-5.5	-5.5	-5.5
Secondary Income balance	10.3	8.5	7.5	6.9	7.3	7.8	8.4	8.6	8.9
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)	-4.9	-10.0	-7.5	-8.9	-7.3	-7.5	-7.8	-8.0	-8.4
FDI	-1.1	-3.0	-4.6	-5.6	-5.9	-6.3	-6.6	-7.0	-7.5
Portfolio investment	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other investment	-4.8	-8.0	-3.9	-4.3	-2.4	-2.3	-2.2	-2.0	-1.9
Errors and omissions	4.2	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserve assets (- = increase)	0.3	-2.2	-1.0	3.6	3.5	2.1	0.2	-0.5	-1.9
Gross official reserves (in months of prospective imports)	5.4	5.5	5.3	4.5	3.6	3.1	2.9	2.9	...
Money and credit (percent change)									
Net domestic assets of depository corporations	12.1	7.9	0.0	...	...	...	...	...	...
Claims on private sector	7.5	11.3	10.0	...	...	...	...	...	...
Broad money (M3)	9.1	7.7	-2.3	...	...	...	...	...	...
Monetary base	-4.0	4.5	-1.6	...	...	...	...	...	...
Central Bank Policy rate (end of period)	0.25	0.25	0.25	...	...	...	...	...	...
Commercial banks deposits rate (end of period)	0.4	0.3	0.3	...	...	...	...	...	...
Commercial banks lending rate (end of period)	4.8	4.6	4.5	...	...	...	...	...	...
Memorandum items									
Exchange rate, average (FJD/USD)	2.3	2.3	2.3	...	...	...	...	...	...
Real effective exchange rate, average	111.4	112.6	107.5	...	...	...	...	...	...
GDP at current market prices (in millions of Fiji dollars)	12,323	13,538	13,774	14,419	15,254	16,098	17,013	18,009	19,083
GDP at current market prices (in millions of U.S. dollars)	5,477	5,968	6,041	6,352	6,663	7,013	7,393	7,804	8,457
GDP per capita (in U.S. dollars)	5,971	6,468	6,508	6,802	7,093	7,421	7,776	8,209	8,896

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

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

Table 2. Fiji: Balance of Payments, 2023–31

	2023	2024	2025	2026	2027	2028	2029	2030	2031
			Est.			Proj.			
	(In millions of U.S. dollars)								
Current account	-417	-466	-573	-795	-723	-677	-597	-592	-560
Trade balance	-1,778	-1,728	-1,801	-1,919	-1,926	-1,992	-2,046	-2,106	-2,200
Exports, f.o.b.	1,067	1,129	1,170	1,377	1,446	1,520	1,605	1,704	1,836
Imports, f.o.b.	2,846	2,857	2,971	3,296	3,372	3,512	3,651	3,810	4,036
Services (net)	1,161	1,122	1,095	1,074	1,110	1,154	1,228	1,272	1,355
Primary Income (net)	-312	-370	-319	-391	-397	-390	-404	-427	-464
Secondary Income (net)	566	510	453	441	489	550	624	669	750
Private transfers	486	416	352	348	403	469	545	600	678
Capital account (net)	3	3	4	4	4	4	5	5	5
Financial account (net) (-=inflows)	-268	-596	-455	-563	-485	-529	-578	-624	-711
FDI (net)	-62	-178	-279	-356	-395	-440	-491	-546	-634
Portfolio investment (net)	54	60	61	64	67	71	75	79	85
Other investment (net)	-260	-477	-237	-271	-157	-159	-161	-157	-162
Errors and omissions	231	0	88	0	0	0	0	0	0
Overall balance	86	133	-27	-228	-235	-144	-14	37	157
Financing	16	-133	-61	228	235	144	14	-37	-157
Change in official reserve assets (-=increase)	16	-133	-61	228	235	144	14	-37	-157
	(In percent of GDP)								
Current account balance	-7.6	-7.8	-9.5	-12.5	-10.9	-9.7	-8.1	-7.6	-6.6
Trade balance	-32.5	-28.9	-29.8	-30.2	-28.9	-28.4	-27.7	-27.0	-26.0
Exports	19.5	18.9	19.4	21.7	21.7	21.7	21.7	21.8	21.7
Imports	52.0	47.9	49.2	51.9	50.6	50.1	49.4	48.8	47.7
Capital account balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial account balance	-4.9	-10.0	-7.5	-8.9	-7.3	-7.5	-7.8	-8.0	-8.4
	(Annual percent growth)								
Tourism receipts	57.9	6.2	1.0	1.0	2.5	2.5	2.5	3.0	3.0
Workers' remittances (credits)	6.8	0.0	0.0	0.0	15.0	15.0	15.0	10.0	10.0
Imports of goods and services	11.7	3.1	4.2	9.1	2.7	4.1	3.5	4.5	3.6
Memorandum items:									
External debt (in percent of GDP) 1/	54.2	58.1	63.9	66.7	67.4	67.7	67.8	67.5	66.4
External central government debt (in percent of GDP)	28.2	27.9	28.2	29.3	28.3	27.4	26.4	25.5	23.9
Gross official reserves (in millions of U.S. dollars)	1,533	1,574	1,686	1,456	1,213	1,066	1,050	1,084	1,266
Gross official reserves (in months of prospective imports)	5.4	5.5	5.3	4.5	3.6	3.1	2.9	2.9	...
Nominal GDP (in millions of U.S. dollars)	5,477	5,968	6,041	6,352	6,663	7,013	7,393	7,804	8,457

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, CY2023–31

	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Est.			Proj.					
(In millions of Fiji dollars)									
Government Revenue	3,045	3,838	3,982	4,059	4,255	4,509	4,773	5,050	5,338
Tax revenue	2,526	3,244	3,414	3,496	3,697	3,927	4,164	4,414	4,669
Direct taxes	797	1,054	1,162	1,229	1,313	1,401	1,489	1,576	1,670
Indirect taxes	1,728	2,190	2,253	2,267	2,384	2,526	2,675	2,837	2,999
Grants	166	199	140	114	100	100	100	100	100
Other nontax revenue	354	394	428	448	458	482	508	537	569
Government Expenditure	3,599	4,152	4,555	4,899	4,947	5,052	5,203	5,454	5,718
Primary expenditure	3,101	3,625	4,002	4,297	4,316	4,373	4,482	4,690	4,922
Current	2,375	2,817	3,022	3,368	3,284	3,295	3,356	3,498	3,659
Personnel	979	1,114	1,263	1,300	1,300	1,300	1,313	1,367	1,430
Transfers	917	1,117	1,147	1,373	1,291	1,303	1,333	1,375	1,421
Supplies and consumables	292	330	410	489	489	489	501	534	570
Other	187	256	202	206	204	204	209	222	237
Capital	726	808	980	929	1,032	1,078	1,127	1,192	1,263
Interest	498	527	553	602	631	679	721	764	796
Overall balance	-554	-314	-572	-840	-692	-542	-431	-403	-380
Primary balance	-56	213	-19	-239	-61	136	290	360	416
Financing	554	314	572	840	692	542	431	403	380
Domestic	461	378	217	565	640	475	355	339	301
Foreign	26	292	222	329	76	79	82	77	79
Borrowing	181	472	433	571	320	320	320	320	320
Amortization	155	180	211	242	244	241	238	243	241
Privatizations	1	7	1	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
(In percent of GDP)									
Government Revenue	24.7	28.3	28.9	28.1	27.9	28.0	28.1	28.0	28.0
Tax revenue	20.5	24.0	24.8	24.2	24.2	24.4	24.5	24.5	24.5
Direct taxes	6.5	7.8	8.4	8.5	8.6	8.7	8.8	8.8	8.8
Indirect taxes	14.0	16.2	16.4	15.7	15.6	15.7	15.7	15.8	15.7
Grants	1.3	1.5	1.0	0.8	0.7	0.6	0.6	0.6	0.5
Other nontax revenue	2.9	2.9	3.1	3.1	3.0	3.0	3.0	3.0	3.0
Government Expenditure	29.2	30.7	33.1	34.0	32.4	31.4	30.6	30.3	30.0
Primary expenditure	25.2	26.8	29.1	29.8	28.3	27.2	26.3	26.0	25.8
Current	19.3	20.8	21.9	23.4	21.5	20.5	19.7	19.4	19.2
Personnel	7.9	8.2	9.2	9.0	8.5	8.1	7.7	7.6	7.5
Transfers	7.4	8.2	8.3	9.5	8.5	8.1	7.8	7.6	7.4
Supplies and consumables	2.4	2.4	3.0	3.4	3.2	3.0	2.9	3.0	3.0
Other	1.5	1.9	1.5	1.4	1.3	1.3	1.2	1.2	1.2
Capital	5.9	6.0	7.1	6.4	6.8	6.7	6.6	6.6	6.6
Interest	4.0	3.9	4.0	4.2	4.1	4.2	4.2	4.2	4.2
Overall balance	-4.5	-2.3	-4.2	-5.8	-4.5	-3.4	-2.5	-2.2	-2.0
Primary balance	-0.5	1.6	-0.1	-1.7	-0.4	0.8	1.7	2.0	2.2
Financing	4.5	2.3	4.2	5.8	4.5	3.4	2.5	2.2	2.0
Domestic	3.7	2.8	1.6	3.9	4.2	3.0	2.1	1.9	1.6
Foreign	0.2	2.2	1.6	2.3	0.5	0.5	0.5	0.4	0.4
Borrowing	1.5	3.5	3.1	4.0	2.1	2.0	1.9	1.8	1.7
Amortization	1.3	1.3	1.5	1.7	1.6	1.5	1.4	1.4	1.3
Privatizations	0.0	0.1	0.0	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	80.7	78.4	80.3	82.9	83.0	82.1	80.3	78.1	75.2
Domestic	52.5	50.5	52.1	53.6	54.7	54.7	53.8	52.7	51.3
External	28.2	27.9	28.2	29.3	28.3	27.4	26.4	25.5	23.9

Sources: Ministry of Finance; and IMF staff estimates.

Table 3b. Fiji: Central Government Operations, FY2023–31

	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30	FY2030-31
	Est.			Proj.					
	(In millions of Fiji dollars)								
Revenue	2,709	3,568	3,974	3,993	4,150	4,401	4,661	4,929	5,220
Tax revenue	2,246	3,026	3,410	3,421	3,602	3,830	4,064	4,305	4,565
Direct taxes	659	1,011	1,138	1,195	1,278	1,363	1,454	1,538	1,629
Indirect taxes	1,586	2,015	2,272	2,226	2,325	2,466	2,610	2,767	2,936
Grants	167	195	152	124	100	100	100	100	100
Other nontax revenue	296	347	413	449	448	472	497	524	555
Expenditure	3,550	4,015	4,311	4,895	4,904	5,007	5,114	5,328	5,630
Primary expenditure	3,094	3,495	3,789	4,299	4,295	4,345	4,412	4,581	4,843
Current	2,285	2,479	2,731	3,429	3,284	3,284	3,312	3,417	3,610
Personnel	964	1,042	1,237	1,300	1,300	1,300	1,300	1,332	1,416
Transfers	853	842	943	1,432	1,291	1,291	1,319	1,352	1,407
Supplies and consumables	300	314	354	489	489	489	489	517	556
Other	168	281	197	208	204	204	204	215	232
Capital	809	1,016	1,058	871	1,012	1,062	1,100	1,164	1,233
Interest	456	520	522	596	609	662	703	747	787
Overall balance	-841	-448	-337	-902	-754	-606	-454	-399	-410
Primary balance	-385	72	185	-306	-145	56	249	348	377
Financing	841	448	337	902	754	606	454	399	410
Domestic	563	304	318	393	678	531	369	321	335
Foreign	276	135	17	509	77	75	84	78	75
Borrowing	408	313	206	750	320	320	320	320	320
Amortization	132	177	189	241	243	245	236	242	245
Privatizations	1	8	1	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
	(In percent of GDP)								
Government Revenue and Grants	23.0	27.4	29.1	28.2	27.8	28.0	28.0	28.0	28.0
Tax revenue	19.1	23.2	24.9	24.2	24.2	24.3	24.4	24.5	24.5
Direct taxes	5.6	7.8	8.3	8.4	8.6	8.7	8.7	8.7	8.7
Indirect taxes	13.5	15.5	16.6	15.7	15.6	15.7	15.7	15.7	15.8
Grants	1.4	1.5	1.1	0.9	0.7	0.6	0.6	0.6	0.5
Other nontax revenue	2.5	2.7	3.0	3.2	3.0	3.0	3.0	3.0	3.0
Government Expenditure	30.2	30.8	31.5	34.6	32.9	31.8	30.7	30.3	30.2
Primary expenditure	26.3	26.8	27.7	30.4	28.8	27.6	26.5	26.0	26.0
Current	19.4	19.0	20.0	24.2	22.0	20.9	19.9	19.4	19.4
Personnel	8.2	8.0	9.0	9.2	8.7	8.3	7.8	7.6	7.6
Transfers	7.3	6.5	6.9	10.1	8.7	8.2	7.9	7.7	7.5
Supplies and consumables	2.6	2.4	2.6	3.5	3.3	3.1	2.9	2.9	3.0
Other	1.4	2.2	1.4	1.5	1.4	1.3	1.2	1.2	1.2
Capital	6.9	7.8	7.7	6.2	6.8	6.7	6.6	6.6	6.6
Interest	3.9	4.0	3.8	4.2	4.1	4.2	4.2	4.2	4.2
Overall balance	-7.2	-3.4	-2.5	-6.4	-5.1	-3.8	-2.7	-2.3	-2.2
Primary balance	-3.3	0.6	1.4	-2.2	-1.0	0.4	1.5	2.0	2.0
Financing	7.2	3.4	2.5	6.4	5.1	3.8	2.7	2.3	2.2
Domestic	4.8	2.3	2.3	2.8	4.5	3.4	2.2	1.8	1.8
Foreign	2.3	1.0	0.1	3.6	0.5	0.5	0.5	0.4	0.4
Borrowing	3.5	2.4	1.5	5.3	2.1	2.0	1.9	1.8	1.7
Amortization	1.1	1.4	1.4	1.7	1.6	1.6	1.4	1.4	1.3
Privatizations	0.0	0.1	0.0	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	82.9	79.1	78.7	82.5	83.6	83.0	81.4	79.3	76.5
Domestic	52.5	50.6	51.0	52.1	54.0	54.5	53.8	52.7	51.6
External	30.4	28.6	27.7	30.4	29.5	28.5	27.5	26.5	24.9

Sources: Ministry of Economy; and IMF staff estimates.

Sources: Ministry of Economy; and IMF staff estimates.

Table 4. Fiji: Monetary Survey, 2022–27

Table 4. Fiji: Monetary Survey, 2022–27						
	2022	2023	2024	2025	2026	2027
				Proj.		
	(in millions of Fiji dollars; end of period)					
Reserve Bank of Fiji						
Net foreign assets	2,946	2,903	3,196	2,916	2,481	2,217
Net domestic assets	1,606	1,469	1,373	1,578	1,906	2,186
Net claims on central government	652	670	639	627	682	740
Claims on other depository corporations	976	844	798	871	959	1,077
Other items, net	(22)	(45)	(64)	80	265	369
Monetary base	4,552	4,372	4,569	4,494	4,388	4,403
Currency in Circulation	1,045	1,070	1,118	1,086	1,071	1,086
Liabilities to other depository corporations	3,507	3,302	3,451	3,407	3,317	3,317
Depository corporations						
Net foreign assets	2,987	3,043	3,263	2,984	2,551	2,291
Net domestic assets	7,257	8,133	8,772	8,774	8,986	10,202
Net claims on central government	405	535	167	293	448	606
Claims on other sectors	9,139	9,890	11,014	11,564	12,143	12,750
in which, claims on private sector	8,594	9,243	10,289	11,317	12,223	12,956
Other items	(2,287)	(2,292)	(2,409)	(3,084)	(3,605)	(3,154)
Broad money	10,244	11,176	12,034	11,758	11,537	12,494
Currency outside depository corporations	789	825	851	827	816	827
Transferable deposits	6,810	7,570	8,284	8,084	7,784	8,652
Other deposits	2,577	2,735	2,860	2,807	2,897	2,972
Securities other than shares	68	45	39	40	41	43
Monetary Survey						
Monetary base	4,552	4,372	4,569	4,494	4,388	4,403
Narrow money (M1)	7,599	9,047	10,632	11,336	12,139	14,344
Quasi Money (M2)	9,387	10,241	11,028	10,774	10,572	11,448
Broad Money (M3)	10,244	11,176	12,034	11,758	11,537	12,494
(in percent, unless otherwise noted)						
Memorandum items						
Money velocity (GDP/M2)	1.2	1.2	1.2	1.3	1.3	1.3
Money multiplier (M2/Monetary base)	2.1	2.3	2.4	2.4	2.4	2.6
Claims on private sector to GDP	78.4	75.0	76.0	82.2	86.1	86.0
Commercial Banks Loan to Deposit Ratio	79.8	78.2	80.5	90.6	99.7	97.2
RBF Policy rate (end-period)	0.25	0.25	0.25	0.25	...	...
Interest rates on saving deposits (end of period) 1/	0.4	0.4	0.3	0.3	...	...
Interest rates on time deposits (end of period) 1/	1.2	1.4	1.7	1.7	...	...
Lending rates (end of period) 1/	5.2	4.8	4.6	4.6	...	...
Sources: Reserve Bank of Fiji; and IMF staff estimates.						
1/ Weighted average.						

Table 5. Fiji: Financial Soundness Indicators, 2020–25

Ratios in percent	2020	2021	2022	2023	2024	2025
Capital Adequacy						
Risk Weighted CAR	19.7	21.1	21.3	18.1	16.9	18.0
Tier 1 Capital to RWA	16.6	17.8	17.2	14.9	14.1	15.3
Capital to Total Assets	11.4	10.8	10.2	11.5	11.1	11.6
Asset Quality						
NPLs to Total Loans	6.2	8.5	8.4	4.8	3.5	3.3
Provision to NPLs	40.9	36.1	28.8	33.4	33.3	33.8
Net NPLs to Capital	18.4	25.2	28.5	17.9	13.7	12.2
Earnings and Profitability						
Return on Assets	1.1	1.6	2.6	2.6	2.4	2.1
Return on Equity	8.2	11.6	19.9	22.5	21.4	18.3
Net Interest Income to Gross Income	66.5	70.4	66.0	60.2	58.7	59.1
Liquidity						
Liquid Assets to Total Assets	18.8	27.6	27.8	24.7	24.5	23.4
Liquid Assets to Total Deposits	26.8	40.1	41.6	31.2	31.0	29.9

Sources: Haver Analytics; and Reserve Bank of Fiji.

Annex I. Risk Assessment Matrix¹

Sources of Risks	Relative Likelihood	Expected Impact	Recommended Policy Responses
External Risks			
Commodity price volatility	High: Supply and demand imbalances fuel commodity price swings, amplifying external and fiscal pressures.	High: Given Fiji's high reliance on food and fuel imports, including in the tourism sector, higher global commodity prices would raise inflationary pressures, worsen living standards, and increase external sector imbalances.	Maintain the exchange peg as nominal anchor and provide targeted social protection to the most vulnerable households.
Fiscal Vulnerabilities and Higher Interest Rates	High: Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions.	High: Fiji's public debt level is high, and the level of debt distress is medium. The impact of higher rates is mitigated somewhat by long maturities and sourcing most financing from IFIs, but rates for placements with the domestic pension fund have been increasing. New debt could require higher rates, with potential for crowding out essential services and capital spending.	Fiscal consolidation would be needed. Such consolidation should be as growth friendly as possible, with targeted social protection to protect the most vulnerable.
Trade-related risks	High: Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	Medium: Although direct effects would likely be limited, given relatively small exports of goods, 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 social support to the most-affected groups while monitoring public debt sustainability carefully. Any public spending reprioritization should be designed in a growth-friendly way.
Domestic Risks			
Further pressure to increase current public spending	Medium: Given high costs of living, the government might be pressured to extend increases in current spending.	High: Larger or sustained fiscal deficits would put pressure on debt sustainability and the cost of borrowing. Increased current spending could result in further cuts to capital spending, with consequences for long-term growth.	Maintain fiscal discipline, preferably with a transparent and well-defined medium-term fiscal framework supported by fiscal rules.

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.

Sources of Risks	Relative Likelihood	Expected Impact	Recommended Policy Responses
Supply-side constraints	Medium: Structural and supply-side constraints could bind, including infrastructure gaps, labor shortages linked to outward migration, and implementation challenges	High: Such constraints would weigh on growth prospects.	Supply-side reforms, along with governance reforms and capacity building in administration.
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.

Annex II. External Sector Assessment

Overall Assessment: Staff's assessment is that that Fiji's external position in 2025 was weaker than the level implied by medium-term fundamentals and desirable policies. Fiji's external position weakened in 2025, reflecting a widening current account deficit driven primarily by stronger domestic demand and a looser fiscal stance. Import growth associated with public investment and consumption outpaced export earnings, notwithstanding continued strength in tourism receipts and resilient remittance inflows. As a result, the current account deficit widened, while the net international investment position remained substantially negative. Foreign exchange reserves declined modestly from their post-pandemic peak but remained adequate, providing an important buffer in support of the exchange rate peg. Results from the IMF's EBA-Lite current account model point to a negative current account gap, with fiscal policy accounting for the bulk of the deviation from the norm. Persistent current account deficits, a significantly negative NIIP, and declining reserve coverage reinforce the assessment of a weaker external position and point to the need for additional reserve accumulation over time, including to support a gradual transition toward a more open financial account. Overall, staff assess that the weakening appears largely policy-driven and is expected to unwind as fiscal consolidation resumes.

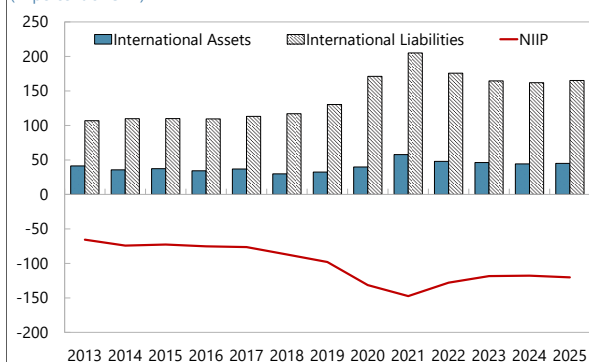
Potential Policy Responses: A credible medium-term fiscal consolidation path and a tightening of monetary conditions would support a gradual narrowing of the current account deficit, and ensure adequate reserves, facilitating the transition to an open financial account. Structural reforms to improve productivity and competitiveness—including improvements in public investment management, infrastructure, and the business environment—would raise the supply response of tradable sectors and support a more durable strengthening of the external position.

Foreign Assets and Liabilities: Position and Trajectory

Background. Fiji's net international investment position (NIIP) remains substantially negative, reflecting a long-standing reliance on external financing and a structurally large current account deficit. In 2025, the NIIP is estimated at around –120 percent of GDP, broadly unchanged from recent years. Gross international assets are estimated at about 45 percent of GDP, of which debt assets account for roughly 41 percent of GDP, while gross international liabilities amount to about 165 percent of GDP, including 63 percent of GDP in debt liabilities. The composition of liabilities continues to be dominated by foreign direct investment (FDI), largely reflecting reinvested earnings in the tourism and services sectors, alongside medium- and long-term external borrowing. Movements in the NIIP over time have been influenced by nominal GDP growth, current account dynamics, and valuation effects, including exchange rate developments and changes in external financing conditions.

Net International Investment Position

(In percent of GDP)



Sources: Fiji authorities; and IMF staff estimates.

Assessment. The NIIP is projected to remain broadly stable as a share of GDP over the medium term, albeit at a significantly negative level. While the widening of the current account deficit in 2025 is expected to weigh on the NIIP, this effect is partly offset by continued nominal GDP growth. The composition of external liabilities mitigates near-term external sustainability risks, as a large share consists of FDI and official borrowing with favorable terms and maturities. Nevertheless, the NIIP remains sensitive to adverse shocks, including a widening of current account deficits, slower growth, or large valuation effects. Maintaining fiscal discipline, supporting export earnings—particularly from tourism—and preserving adequate reserve buffers will be important to contain external vulnerabilities and stabilize the external position over time.

2025 Est. (% GDP)	NIIP: (-)	Gross Assets:	Debt Assets:	Gross Liab.:	Debt Liab.:
	-120	45	41	163	63

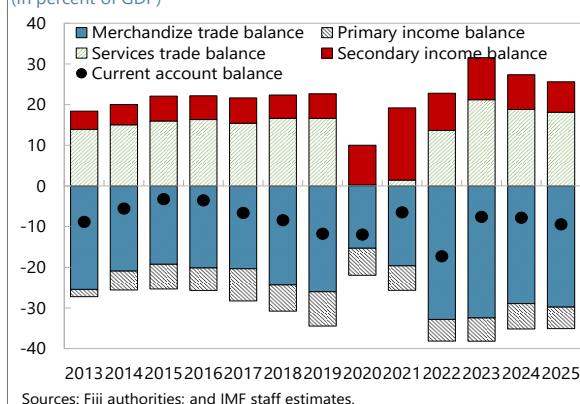
Current Account

Background. Fiji's current account deficit widened in 2025, reflecting a strengthening of domestic demand and a renewed fiscal expansion after the post-pandemic consolidation phase. Import growth accelerated, driven by higher fuel costs, construction materials, and capital goods associated with public investment and private sector activity. While tourism receipts remained strong and continued to underpin a sizable surplus in the services balance, they were insufficient to offset the widening merchandise trade deficit. Remittance inflows remained resilient and provided a stable source of foreign exchange, helping to cushion the overall external balance. The deterioration in the current account in 2025 thus largely reflects demand-driven import pressures rather than a weakening in export performance.

Assessment. The model estimates the adjusted current account balance at -8.7 percent of GDP, compared with a model-determined current account norm of -6.6 percent of GDP, implying a current account gap of -2.1 percent of GDP. Part of the gap (-0.4 percent of GDP) can be explained by the identified policy gap, notably stronger credit growth (-0.6 percent of GDP) and a looser than desirable fiscal stance (0.2 percent of GDP), which contributed to stronger domestic demand and higher imports. These results suggest that Fiji's external position in 2025 was weaker than the level implied by medium-term fundamentals and desirable policies. Under the baseline, the current account deficit is projected to narrow gradually over the medium term as fiscal consolidation resumes, import demand moderates, and export earnings continue to benefit from tourism and services growth.

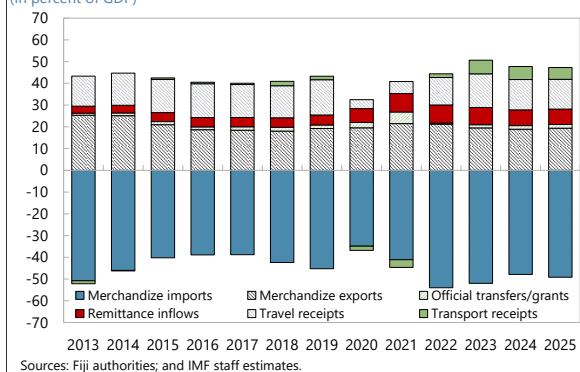
Current Account Developments

(In percent of GDP)



Merchandise Imports and Key Credit Items in Current Account

(In percent of GDP)



Fiji: EBA-lite Model Results, 2025		
	CA model 1/ (in percent of GDP)	REER model 1/
CA-Actual	-9.5	
Cyclical contributions (from model) (-)	-0.5	
Additional temporary/statistical factors (-)	0.0	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	-8.7	
CA Norm (from model) 2/	-6.6	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-6.6	
CA Gap	-2.1	-0.1
o/w Relative policy gap	0.0	
Elasticity	-0.4	
REER Gap (in percent)	5.7	0.2
1/ Based on the EBA-lite 3.0 methodology		
2/ Cyclically adjusted, including multilateral consistency adjustments.		

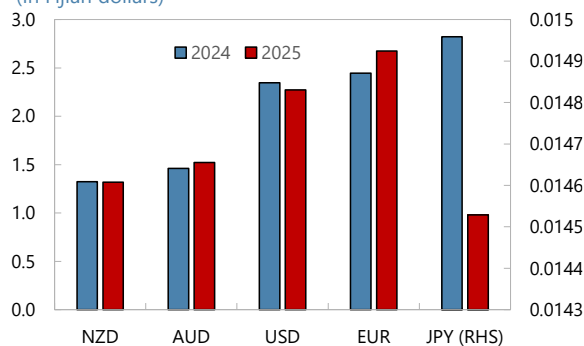
Real Exchange Rate

Background. Fiji maintains a conventional peg to a basket of currencies comprising the U.S. dollar, Australian dollar, New Zealand dollar, euro, and Japanese yen. In 2025, movements in the nominal exchange rate reflected changes in partner currencies, with the Fijian dollar depreciating against some major currencies while appreciating against others. On balance, the nominal effective exchange rate (NEER) recorded a modest appreciation over the year. At the same time, domestic inflation declined sharply in 2025 following tax policy changes and favorable base effects, resulting in a broadly stable real effective exchange rate (REER) relative to recent years. In historical perspective, the REER remains close to the range observed since the post-pandemic recovery and broadly aligned with levels prevailing after the April 2009 devaluation.

Assessment. The REER index model does not suggest a misalignment of the REER, given an estimated REER gap of 0.2 percent. However, the results from the EBA-Lite current account model applied to 2025 data and the elasticity of the trade balance to the REER imply that Fiji's REER is slightly overvalued by about 5.6 percent. It should be noted however that the real REER gap does not automatically imply the need for a depreciation of the REER by the same amount, as fiscal consolidation and moderation of domestic demand would help narrow the current account gap and reduce exchange rate misalignment over time.

Nominal Exchange Rates

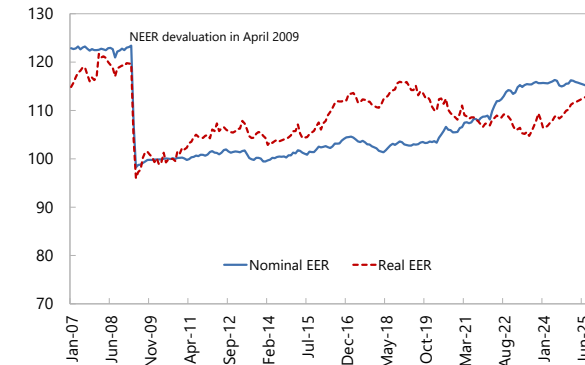
(In Fijian dollars)



Sources: Haver Analytics; and IMF staff calculations.

Effective Exchange Rates

(Index, 2010=100)



Sources: Fiji authorities; and IMF staff estimates.

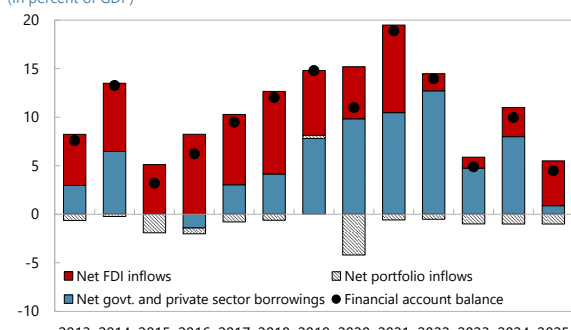
Capital and Financial Accounts: Flows and Policy Measures

Background. Capital and financial account flows remained positive in 2025, continuing to provide financing for the widening current account deficit. Net foreign direct investment (FDI) inflows strengthened relative to 2024 but remained below pre-pandemic levels, reflecting ongoing project execution delays and capacity constraints, particularly in large-scale tourism and infrastructure projects. Official borrowing picked up, largely in the form of concessional and medium- to long-term financing, supporting public investment and budget financing. At the same time, net private sector external borrowing moderated, consistent with tighter global financial conditions and a gradual normalization of domestic credit growth. Portfolio flows remained limited, reflecting the shallow domestic capital market and Fiji's restricted access to international portfolio financing. Capital outflows increased moderately, in line with the continued easing of exchange controls and the gradual normalization of profit repatriation, investment withdrawals, and external account transactions.

Assessment. The composition of capital and financial inflows continues to mitigate near-term external financing risks, given the predominance of FDI and official financing over short-term debt flows. However, the outlook for sustaining adequate financing over the medium term will depend on progress in improving the investment climate, strengthening project preparation and execution, and maintaining macroeconomic stability. Continued reliance on official financing underscores the importance of preserving access to concessional resources and ensuring prudent debt management. As capital flow measures are further normalized, careful monitoring of capital outflows will remain important to safeguard reserve adequacy. Persistent data gaps and statistical discrepancies between the current and financial accounts continue to give rise to net errors and omissions, highlighting the need for further improvements in balance of payments compilation and data coverage.

Financial Account Developments

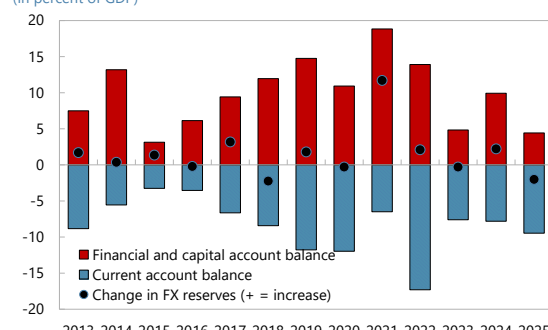
(In percent of GDP)



Sources: Fiji authorities and IMF staff estimates.

Balance of Payments Developments

(In percent of GDP)



Sources: Fiji authorities; and IMF staff estimates.

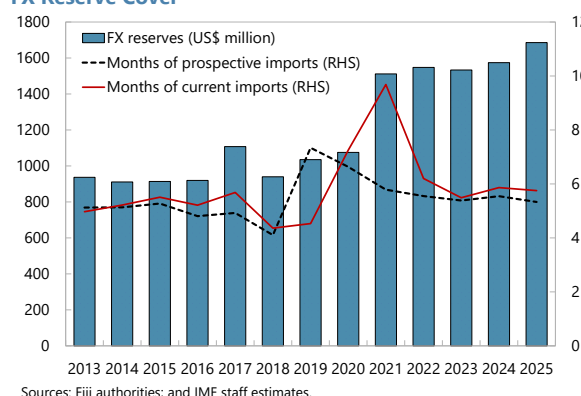
FX Intervention and Reserves Level

Background. Foreign exchange reserves remained adequate in 2025, despite some moderation relative to the post-pandemic peak. Reserves are estimated at around US\$1.5 billion at end-2025, equivalent to about 25 percent of GDP and covering approximately five months of prospective imports (around 5.1 months of current imports). Reserve coverage declined modestly over the year, reflecting the widening current account deficit and higher import demand, partly offset by continued financial inflows. The authorities continued to operate the exchange rate peg to the currency basket, with foreign exchange transactions conducted to

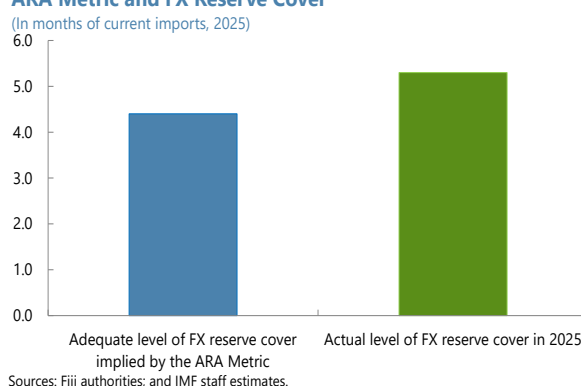
smooth market conditions and support the functioning of the peg. As in previous years, no discretionary or large-scale foreign exchange intervention operations were reported.

Assessment. Based on the IMF's Assessing Reserve Adequacy (ARA) metric for small states with fixed exchange rate regimes, Fiji's reserve holdings remain above the level implied by standard adequacy benchmarks. Assuming a 75 percent probability of a large shock, the ARA metric suggests an adequate reserve level of around 4.7 months of current imports, compared to an actual reserve cover of about 5.3 months in 2025. Looking ahead, maintaining adequate reserve buffers will remain important to support the exchange rate peg, and absorb external. Accumulation of foreign exchange buffers would be needed to support staff policy advice to gradually remove exchange-rate restrictions and capital flow management measures.

FX Reserve Cover



ARA Metric and FX Reserve Cover



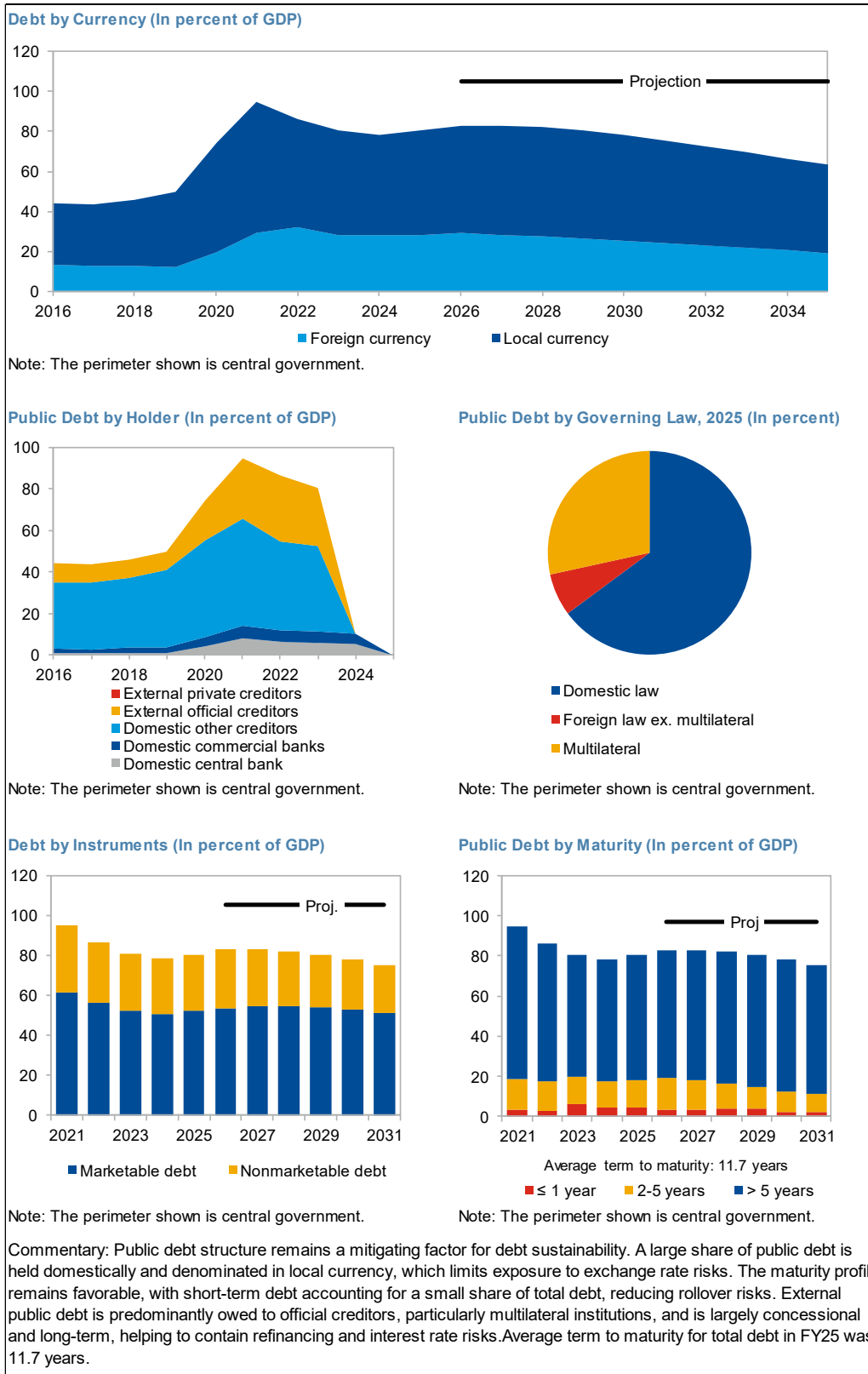
Annex III. Public Sector Debt Sustainability Analysis

Annex III. 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 as moderate, reflecting favorable GDP growth—interest rate differentials and a gradual improvement in the primary balance over the medium term, which supports a gradual decline in public debt. Nonetheless, debt remains elevated and fiscal buffers limited, leaving Fiji vulnerable to large adverse shocks, including from climate-related risks over the long run. Mitigating factors include the composition of public debt, with a large share held domestically, in local currency, and at long maturities, while short-term debt remains limited and external debt is largely official and concessional.			
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.			

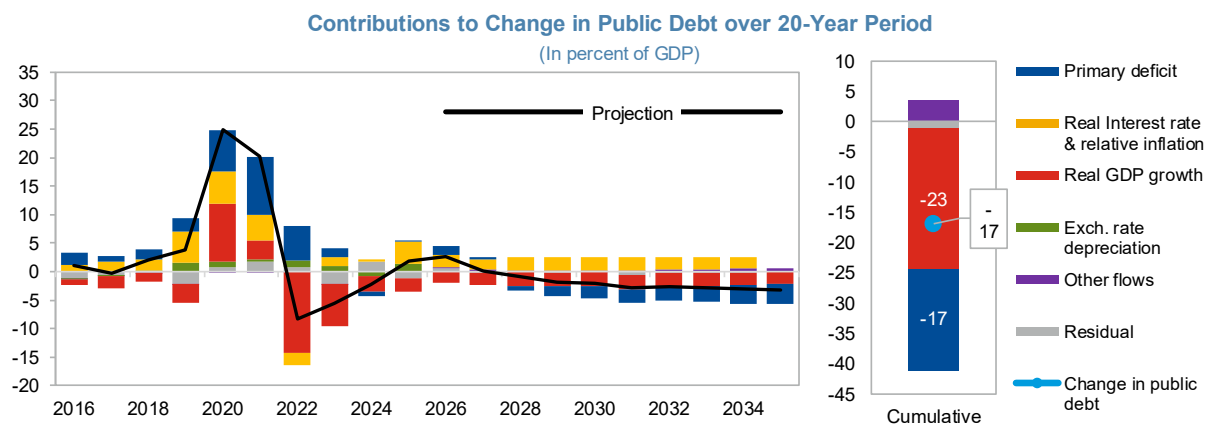
Annex III. Table 2. Fiji: Debt Coverage and Disclosures

Annex III. 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				
Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable																
Reporting on intra-government debt holdings																
				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			
CPS	NFPS	GG: expected	CG	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				
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 III. Figure 1. Fiji: Public Debt Structure Indicators

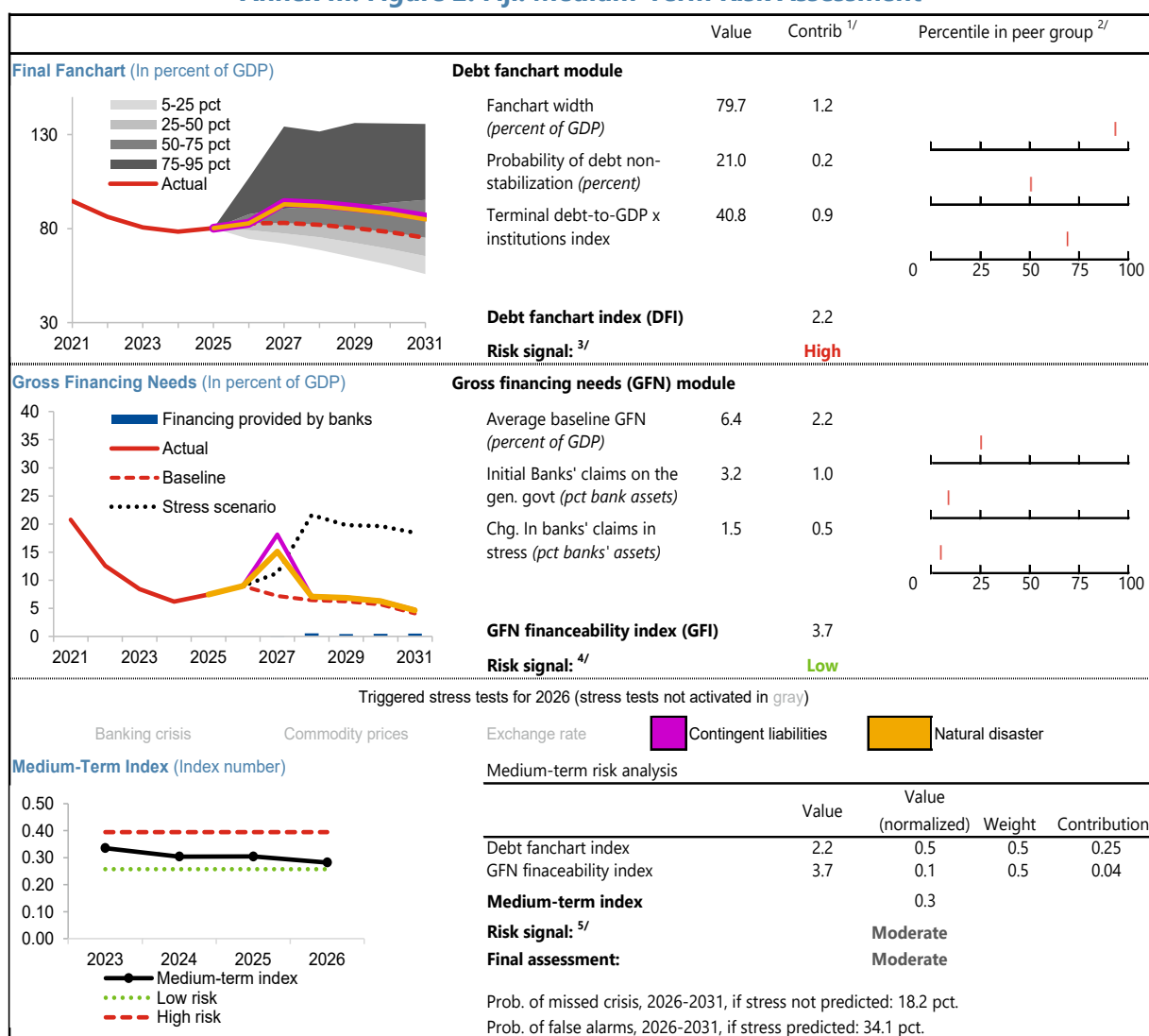
Annex III. Table 3. Fiji: Baseline Scenario
(In Percent of GDP, unless Otherwise Indicated)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	80.3	82.9	83.0	82.1	80.3	78.1	75.2	72.5	69.6	66.5	63.3
Change in public debt	1.8	2.6	0.2	-0.9	-1.9	-2.1	-2.9	-2.7	-2.9	-3.1	-3.2
Contribution of identified flows	3.0	2.1	0.4	-0.8	-1.7	-2.1	-2.3	-2.5	-2.8	-2.9	n.a.
Primary deficit	0.1	1.7	0.4	-0.8	-1.7	-2.0	-2.2	-2.5	-2.9	-3.2	-3.5
Noninterest revenues	28.9	28.1	27.9	28.0	28.1	28.0	28.0	27.8	27.7	27.6	27.4
Noninterest expenditures	29.1	29.8	28.3	27.2	26.3	26.0	25.8	25.3	24.8	24.4	23.9
Automatic debt dynamics	2.8	0.1	-0.4	-0.2	-0.3	-0.3	-0.4	-0.4	-0.3	-0.3	n.a.
Real interest rate and relative inflation	4.0	2.0	1.8	2.2	2.2	2.2	2.2	2.1	2.0	2.0	n.a.
Real interest rate	5.1	1.9	1.5	2.0	2.1	2.1	2.1	1.9	1.9	1.9	1.8
Relative inflation	-1.1	0.1	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	n.a.
Real growth rate	-2.4	-1.9	-2.2	-2.4	-2.5	-2.5	-2.6	-2.5	-2.4	-2.3	-2.2
Real exchange rate	1.3	0.1	0.0	-0.2	-0.1	-0.1	-0.7	-0.3	-0.1	-0.1	n.a.
Other identified flows	0.0	0.3	0.3	0.3	0.2	0.2	0.3	0.4	0.4	0.5	0.6
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	0.3	0.3	0.3	0.2	0.2	0.3	0.4	0.4	0.5	0.6
Contribution of residual	-1.1	0.5	-0.2	-0.1	-0.1	-0.1	-0.7	-0.1	-0.1	-0.1	n.a.
Gross financing needs	7.4	9.0	7.2	6.4	6.3	5.7	4.1	3.3	3.2	3.1	2.4
of which: debt service	7.3	7.3	6.8	7.3	8.0	7.7	6.3	5.8	6.1	6.2	5.9
Local currency	4.9	4.8	4.4	5.0	5.8	5.6	4.3	3.9	4.0	4.2	3.9
Foreign currency	2.4	2.5	2.4	2.3	2.1	2.1	2.0	1.8	2.1	2.1	2.0
<i>Memo:</i>											
Real GDP growth (percent)	3.2	2.4	2.7	3.0	3.1	3.3	3.4	3.4	3.4	3.4	3.4
Inflation (GDP deflator; percent)	-1.4	2.2	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	1.7	4.7	5.8	5.5	5.7	5.9	6.0	6.0	6.0	6.0	6.0
Effective interest rate (percent)	5.2	4.7	4.9	5.0	5.2	5.3	5.3	5.2	5.3	5.3	5.4



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 III. Figure 2. Fiji: Medium-Term Risk Assessment



Commentary: The medium-term risk assessment indicates a moderate level of sovereign risk. The Debt Fanchart Module points to high risk, reflecting elevated debt levels, volatility around the debt-to-GDP ratio, and limited fiscal buffers amid Fiji's high exposure to shocks. By contrast, the GFN Financeability Module signals low risk, supported by a favorable debt structure, long maturities, and manageable rollover needs, which mitigate near-term financing pressures. Stress scenarios continue to be driven by natural disaster shocks and the materialization of contingent liabilities. Based on the FY2025 Annual Debt Report government guarantees are about 7.2 percent of GDP and total contingent liabilities around 11.9 percent of GDP, largely related to state-owned enterprises and other public entities. These risks underscore the importance of continued monitoring and prudent risk management.

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.

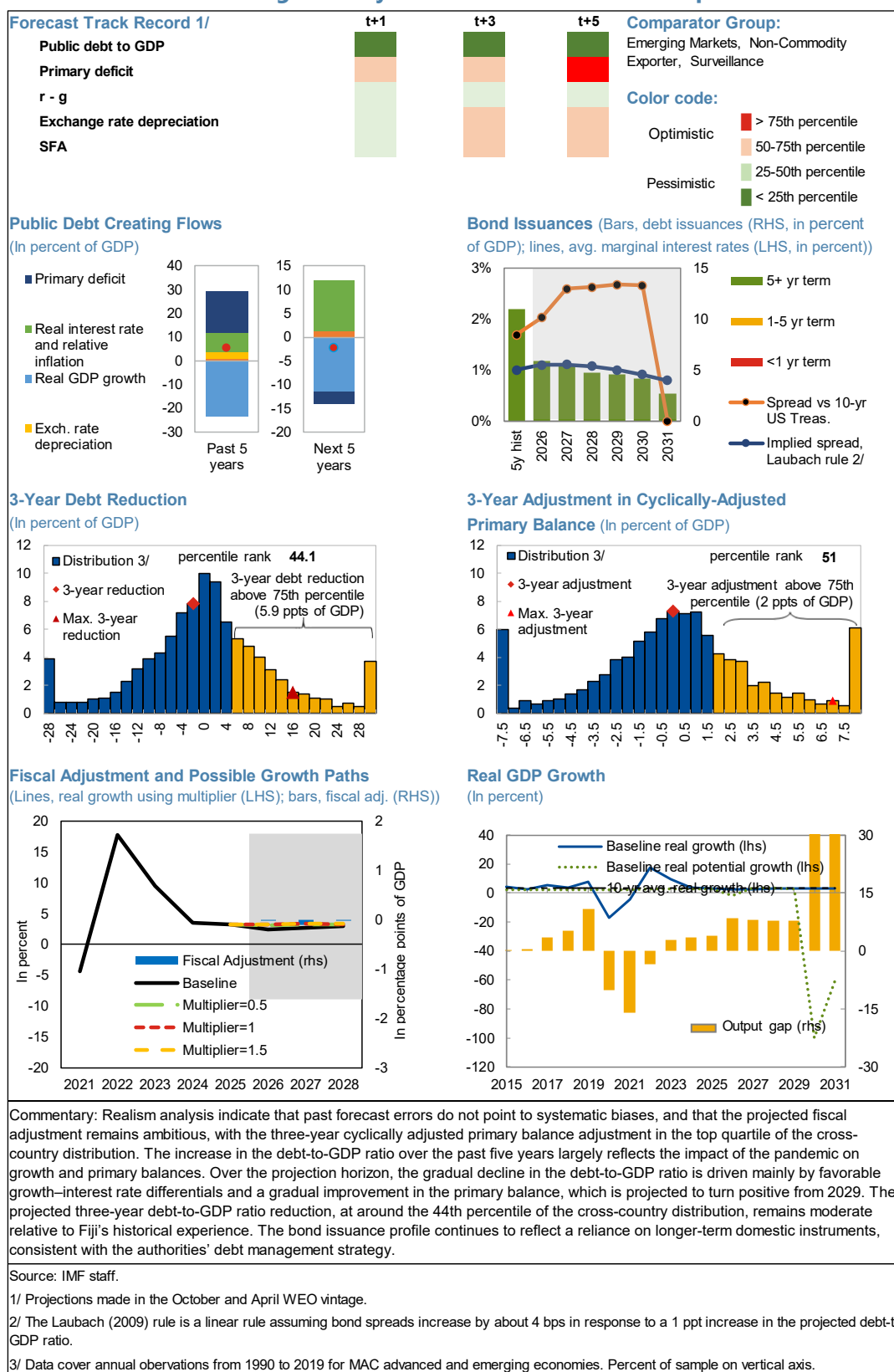
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.

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.

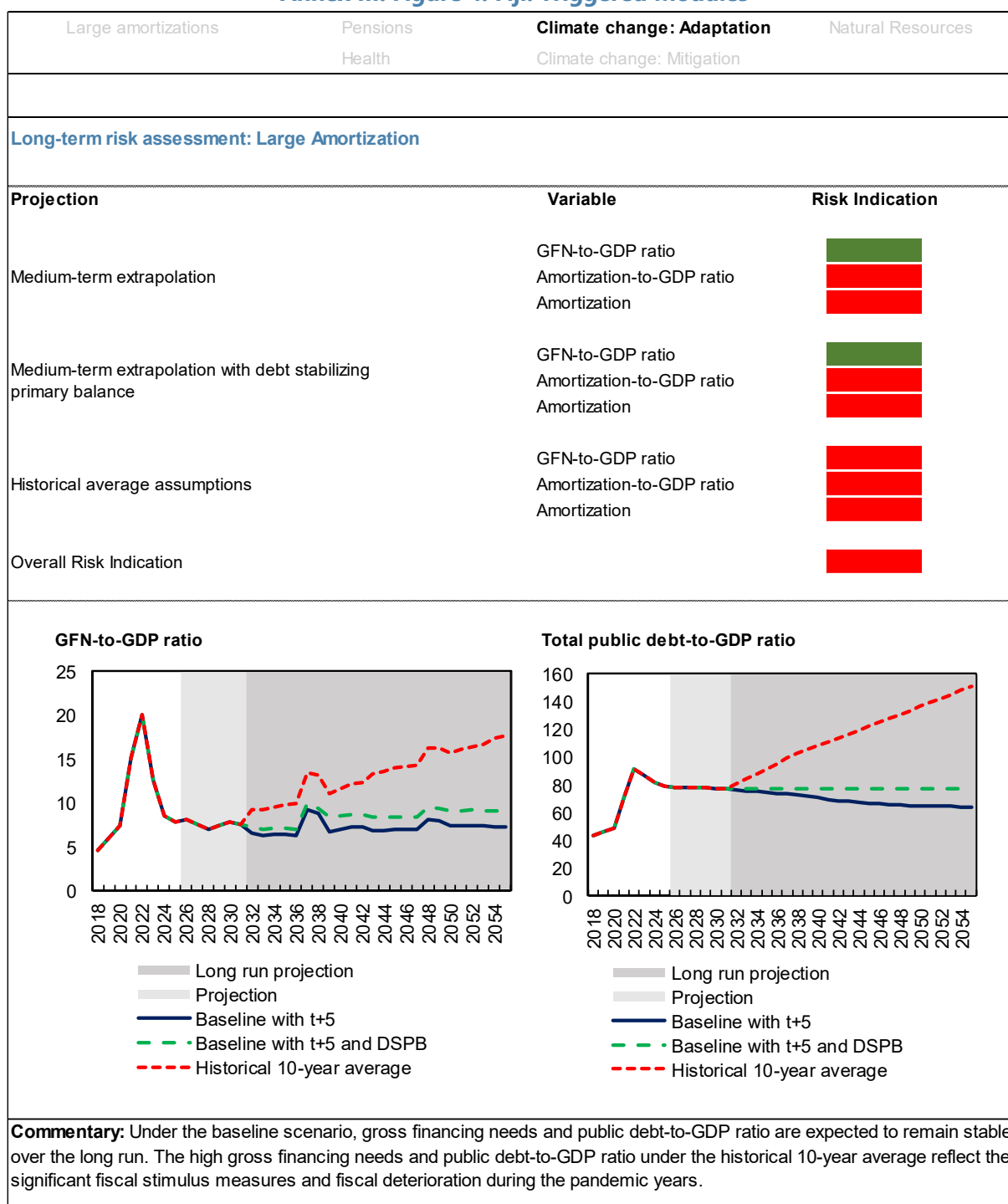
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

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

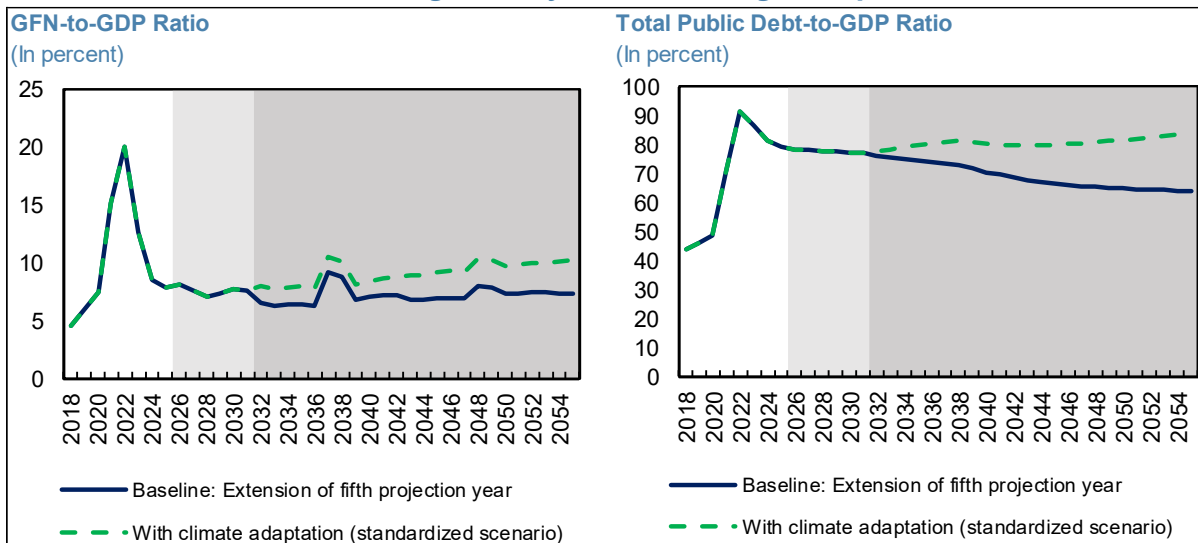
Annex III. Figure 3. Fiji: Realism of Baseline Assumptions



Annex III. Figure 4. Fiji: Triggered Modules



Annex III. Figure 5. Fiji: Climate Change: Adaptation



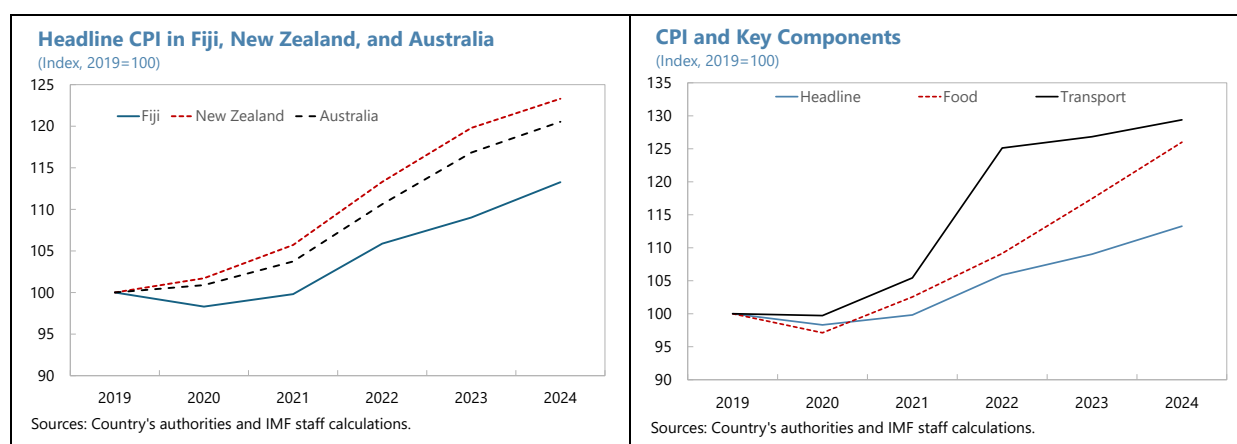
Commentary: Fiji remains vulnerable to climate-related risks. Large investment needs for climate adaptation could increase the public debt-to-GDP ratio to more than 80 percent over the long run. Fiscal reforms and access to concessional financing will be critical for financing climate adaptation investments.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

Annex IV. Cost of Living and Living Standards in Fiji¹

This Annex examines recent developments in the cost of living and living standards in Fiji, providing context for household cost pressures that are not fully captured by headline CPI indicators. While aggregate inflation has remained moderate in recent years, price pressures have been concentrated in essential consumption categories, particularly food and transport, which account for a large share of household expenditure. The analysis also highlights the role of structural factors in sustaining elevated living costs and discusses the importance of migration and remittances as adjustment mechanisms.

1. Living standards in Fiji have come under increasing pressure in recent years, reflecting a combination of structurally high living costs and limited growth in domestic incomes.

- At first glance, pressures appear low. Headline inflation has remained relatively moderate since the pandemic, averaging about 2.6 percent during 2020–24, lower than inflation rates seen in Australia and New Zealand over this period.
- However, this aggregate measure understates the cost pressures faced by households. Price increases have been significantly more pronounced in essential consumption categories, particularly food and transport, which account for a large share of household expenditure.² Over the same period, average inflation in food and transport reached about 4.8 percent and 5.7 percent, respectively, well above headline CPI. Transport prices also exhibit large, discrete increases, reflecting fuel price adjustments and fare revisions, amplifying perceived affordability pressures beyond what is captured by the aggregate index.

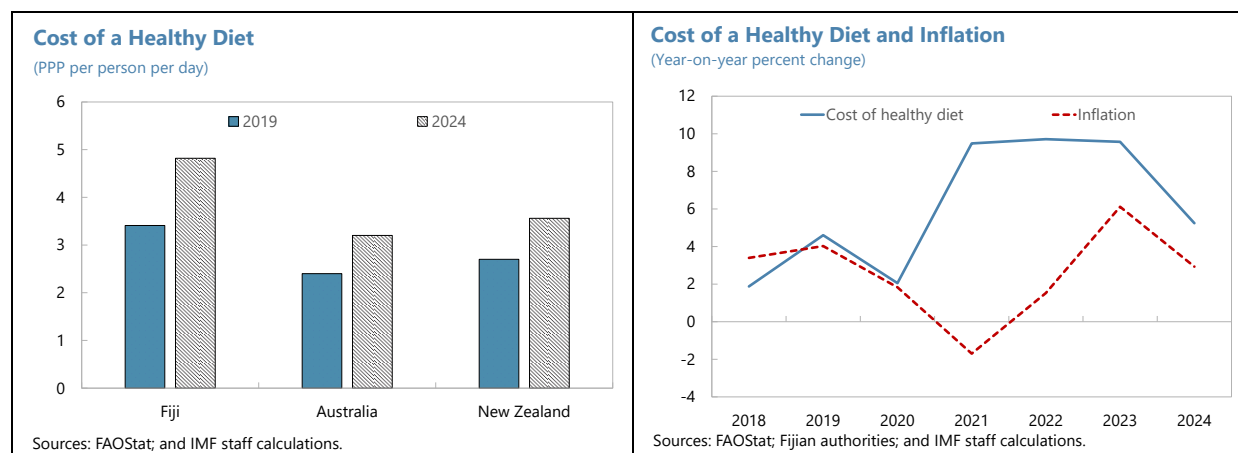


2. Food affordability has deteriorated particularly sharply, reinforcing concerns that standard price indicators understate key cost pressures. FAO's Cost of a Healthy Diet (CoHD) provides a complementary measure by capturing the minimum cost of meeting basic nutritional

¹ Prepared by Matteo Ghilardi.

² Based on the 2011 Household Income and Expenditure Survey, food accounts for approximately 20 percent of total household expenditure, while transport accounts for about 10 percent.

requirements. The CoHD in Fiji is not only higher than in Australia and New Zealand but has also increased more rapidly since 2019. Between 2019 and 2024, the CoHD rose by about 41 percent in Fiji, compared with roughly 33 percent in Australia and 32 percent in New Zealand. Moreover, the CoHD has consistently grown faster than headline CPI, indicating a widening gap between the cost households face in accessing adequate nutrition and what is reflected in CPI-based measures.

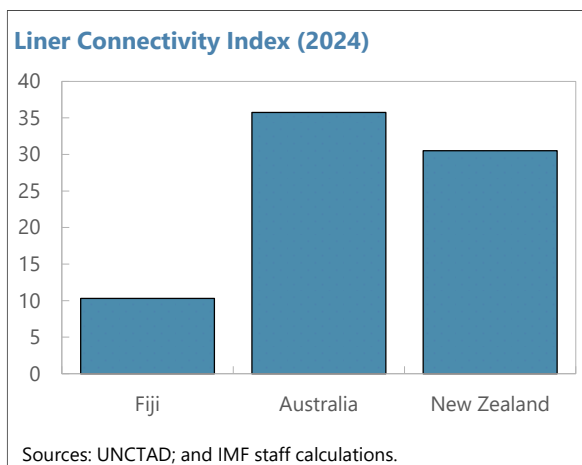


3. These cost pressures are underpinned by structural factors, particularly elevated transport and logistics costs associated with Fiji's geographic isolation and limited scale.

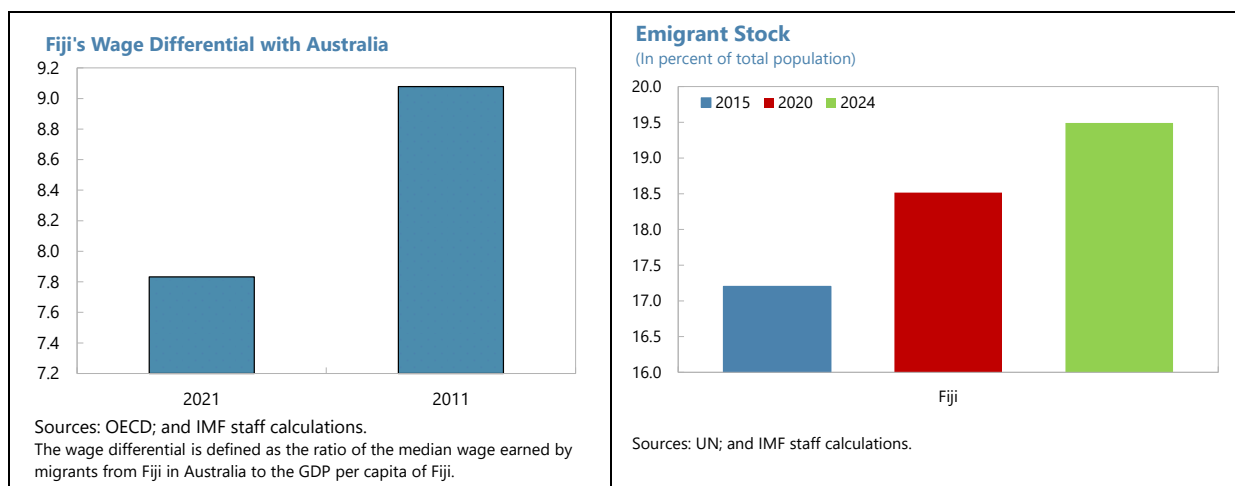
Distance from major markets, reliance on maritime transport, and weak competition in shipping and distribution raise import and distribution costs and increase exposure to global price shocks.

Indicators of shipping connectivity underscore these constraints. Fiji's liner shipping connectivity index remains well below that of Australia and New Zealand, reflecting fewer services, smaller vessel sizes, and lower container-handling capacity.

These characteristics suggest that transport-related price pressures are largely structural and unlikely to ease materially in the absence of changes in connectivity or scale.



4. At the same time, limited domestic income growth has constrained households' ability to absorb high living costs. While nominal wages have increased, large income differentials relative to higher-income destination countries persist. Earnings opportunities in Australia remain several multiples of domestic income levels in Fiji, even after some narrowing in recent years. In this context, outward migration has become an increasingly important household-level adjustment mechanism. Fiji's emigrant stock has risen steadily over time and is high relative to population, with migration flows concentrated toward Australia and New Zealand, reflecting wage differentials, geographic proximity, and expanded labor-mobility arrangements.



5. Migration and remittances have supported household incomes and contributed to poverty reduction, helping many households cope with rising living costs. However, sustained labor outflows also interact with domestic labor supply and potential growth, particularly in a small economy. Income earned abroad does not always translate fully into higher domestic economic activity, and migration can entail social costs related to family separation and education continuity.

Annex V. Medium-Term Fiscal Framework and Fiscal Rules in Fiji¹

Strong fiscal frameworks can improve fiscal planning, transparency and discipline, and ultimately the sustainability of public debt. Since FY2022-23, Fiji has been publicly releasing a medium-term fiscal strategy. Transitioning to a medium-term fiscal framework and implementing fiscal rules would strengthen the country's commitment to fiscal discipline and support its trajectory toward high-income status.

- 1. Fiscal policy in Fiji is challenged by large expenditure needs, narrow and vulnerable revenues, and limited buffers.** Fiji has significant infrastructure needs and limited fiscal room. Substantial additional expenditure is required to bridge human and physical capital infrastructure gaps to maintain the path toward reaching high-income status by 2050. Revenues are highly concentrated, stemming primarily from tourism and remittances. Public debt is among the highest in the region at approximately 80 percent of GDP and is expected to further increase with a projected fiscal deficit of 6.4 percent of GDP for FY2025-26 and 5.1 percent of GDP for FY2026-27. Because options for accessing external markets are constrained, and domestic markets are underdeveloped, the government's ability to execute countercyclical fiscal policy to mitigate the impact of shocks is limited.
- 2. The core of Fiji's fiscal framework is an annually published fiscal strategy.** The fiscal strategy, usually published in March, lays out projections for the current and next three fiscal years, with an update released as part of the budget documents in June.² The latest strategy was released in March 2026³; it includes several fiscal anchors—including a public deficit target of 3 percent of GDP and a public debt target of 80 percent of GDP until FY2028-29—and outlines proposed expenditure and revenue reforms to reach those targets.
- 3. However, the fiscal framework is not binding, and there are no fiscal rules.** The fiscal targets only serve as guidance for Ministries, and no expenditure ceilings are set. While detailed expenditure and revenue projections are published, the projection methodologies are not, and not all key macroeconomic projections (only GDP) are released. The strategy also lacks a debt sustainability analysis, alternative policy scenarios, quantification of fiscal risks, and fiscal rules.
- 4. A best practice fiscal strategy would include detailed fiscal and macroeconomic projections and expenditure ceilings in the context of a medium-term fiscal framework (MTFF).** MTFFs would be "binding" through administrative and procedural mechanisms that hold the government accountable for staying within its set targets. Credibility would be further increased by publishing projection methodologies. Best practice would also include a DSA, alternative scenarios, and an assessment of fiscal risks.

¹ Prepared by Zsuzsa Munkacsi.

² Fiji's fiscal year runs from August 1 to July 31 of the following year.

³ [Fiji Ministry of Finance, Fiscal Strategy](#)

5. Effective fiscal rules would require formal enforcement procedures, escape clauses, and correction mechanisms. A fiscal rule is a long-lasting constraint on fiscal policy that sets numerical limits on budgetary aggregates such as expenditure, revenue, balance, and / or debt. While a fiscal anchor is not expected to be binding in every single budget cycle, it should be achieved over the medium term, with the annual budget governed by specific operational rules.

- Escape clauses would ideally clearly specify: (i) the nature of the triggers; (ii) the authority responsible for activating and monitoring them; and (iii) the formal procedures for returning to compliance. Triggers should be restricted to major events outside government control, such as natural disasters or epidemics, and should be linked to quantitative economic conditions (e.g., growth during recession). The provision could indicate which aspect of the rule (e.g., NRPB and/or debt ceiling) is suspended and for how long; a two-year duration is typically appropriate to allow for a swift response through supplementary budgets in the year the shock hits and a subsequent response in the next year's budget. Finally, a policy statement should outline the concrete measures the government will take to return to the fiscal rule after exiting the escape clause, supported by ex-post progress reporting.
- The correction mechanism would specify the duration and magnitude of adjustments needed to comply with the fiscal rule. Remedial actions should generally take place within two years. To allow for a gradual transition, the annual adjustment could be set as the lesser of the actual deviation or a maximum of 2 percent of GDP. Moreover, all rules should be reviewed periodically—ideally every four to five years—to ensure they remain relevant without undermining their credibility through over-frequent changes.

6. Fiscal frameworks should consider capacity and data constraints. Simple MTFF features and fiscal rules can enhance communication, monitoring, and execution. MTFFs could start with basic elements, such as medium-term projections, and then gradually incorporate more complex features like fiscal risk assessments. Avoiding unnecessary bureaucratic costs, to the extent possible, is particularly important in cases of countries with limited capacity. Ongoing efforts to enhance capacities, including by technical assistance from international organizations, and improve the quality, timeliness, and frequency of data can further strengthen Fiji's fiscal frameworks.

7. Fiscal frameworks could be further reinforced by establishing an independent fiscal council—a public finance watchdog mandated to monitor and report on rule compliance. Such institutions, whether established by statutory or executive order, enhance credibility by providing independent, non-partisan assessments of fiscal policies and performance against longer-term stability and sustainability goals.

Annex VI. Country Engagement Box – Republic of Fiji

1. **Fiji continues to face structural and cyclical challenges to achieving a sustained increase in living standards and to bolster its resilience to shocks.** Key constraints include high exposure to climate-related shocks, limited economic diversification, persistent fiscal pressures, and shallow financial intermediation. These challenges have been compounded by rising outward migration, which has intensified skill shortages, weakened institutional capacity, and increased pressures on public service delivery. Against this backdrop, rebuilding fiscal space remains a central policy priority to enhance shock absorption, safeguard debt sustainability, and preserve room for priority development and climate-related spending. Risks include that weaker fiscal policies could undermine debt sustainability efforts and constrain funding from DPs. The authorities remain fully engaged with the IMF and other development partners (DPs) to address these constraints through coordinated policy and capacity-building efforts.
2. **The 2025-2029 National Development Plan (NPD) sets out the medium-term key policy objectives for the Fijian economy, and its full implementation would help improve economic resilience and good governance.** During the initial years, the NDP prioritized foundational elements critical to enhancing quality of life, including improving access to clean drinking water and drainage, upgrading rural roads, and increasing access to healthcare. The NDP also mainstreams cross-cutting priorities including gender balance, community empowerment, addressing climate change, upholding moral and ethical values, good governance and commitment to political stability which are imperative to achieving holistic and balanced development. It will be important to implement the NDP in a consistent and comprehensive manner. In addition, the authorities are also working towards addressing the outstanding vulnerabilities within its 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 likelihood of increased 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 led to labor shortages, 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) in the following areas, while fully collaborating with DPs.**
 - **Potential growth:** Surveillance will focus on identifying binding constraints to medium-term growth, including labor market pressures stemming from outward migration, low productivity, and limited diversification beyond tourism. Policy discussions will emphasize improving the investment climate, attracting quality FDI, enhancing public investment efficiency, and

addressing skills gaps. Staff will coordinate closely with the World Bank and the Asian Development Bank, which lead on sectoral and project-level interventions.

- **Public financial management:** Through PFTAC, the Fund continues to support reforms to strengthen fiscal institutions, including implementation of the revised Chart of Accounts, rollout of the new FMIS, and integration of climate and gender tagging consistent with international standards. CD has also supported tax policy analysis, tax expenditure reviews, and revenue administration reforms. Building on recent progress, engagement will focus on strengthening the Medium-Term Fiscal Strategy, enhancing fiscal risk analysis, including risks from climate shocks, macroeconomic volatility, SOEs, and contingent liabilities, and rebuilding fiscal space over the medium term through credible consolidation, improved revenue mobilization, and more efficient public spending, while protecting priority social and investment outlays.
- **Monetary policy and financial supervision:** Surveillance and CD will continue to support the modernization of the monetary policy framework, with a particular emphasis on strengthening monetary policy operations and liquidity management to improve policy transmission. Targeted IMF technical assistance will continue to support the Reserve Bank of Fiji in enhancing operational frameworks for liquidity forecasting, absorption instruments, and market operations, helping to address structurally high and uneven liquidity. Engagement will also focus on implementation of legal and regulatory reforms, including updates to the Banking Act and Credit Union Act, and on addressing remaining recommendations from the 2018 Financial Sector Stability Review, including revisions to the RBF Act. Strengthening supervisory capacity and financial sector resilience remains a priority.
- **Climate adaption and mitigation:** Given Fiji's high climate vulnerability, IMF engagement will emphasize integrating climate considerations into macro-fiscal frameworks, budget processes, and public investment management. Surveillance will assess the macroeconomic and fiscal implications of climate risks, while CD will support climate-informed PFM reforms, prioritization of adaptation investments, and improved access to climate finance, in close collaboration with development partners.
- **Data:** Data provided to the Fund are broadly adequate for surveillance. Continued CD will focus on improving data quality, coverage, and timeliness to strengthen policy formulation and surveillance.

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.	A comprehensive review of the Banking Act is ongoing. The review is supported by IMF technical assistance and is targeted for completion by June 2028.
Seek to amend the Banking Act to address related parties, consolidated supervision, major acquisitions, and establish definitions of significant ownership and controlling interest.	The review of the Banking Act currently underway is expected to address these issues. Completion is targeted for June 2028.
Enhance the quantitative analysis to consider and quantify the level of reliance of branches on their parent groups.	This recommendation is being addressed through a revised Early Intervention Framework (EIF). A draft paper was discussed at the Prudential Consultative Committee (PCC) in June 2025 and was further discussed in December 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).	Addressed under the revised EIF, which integrates supervisory assessments, stress testing results, and EWIs with potential supervisory actions. The draft framework was discussed at PCC in June 2025 and revisited in December 2025.
Assign the macroprudential authority to the RBF with powers to identify and assess risks to financial stability; and to implement macroprudential policies.	To be revisited as part of the planned review of the RBF Act.
Develop a detailed macroprudential toolkit, mapping policy instruments to intermediate policy objectives and to risk indicators.	Paper reviewing macroprudential toolkit planned to be discussed at PCC in July 2026
Strengthen the domestic coordination arrangements by establishing a Financial Stability Committee (FSC).	Institutional arrangements for macroprudential coordination, including the possible establishment of an FSC, will be considered alongside decisions on assigning macroprudential authority in the review of the RBF act.
Assess the costs and benefits of deposit insurance and possible design options.	An assessment was completed in 2024. The authorities plan to revisit the assessment in June 2026, following further progress on the EWI framework and crisis management framework.
Develop comprehensive bank resolution policies and procedures and establish bank recovery planning requirements.	A draft Recovery Planning framework for banks and credit institutions was discussed at PCC in August 2025 and is scheduled for further discussion in March 2026.
Develop ELA policy and processes.	Development of ELA policy and processes is being addressed as part of the broader recovery planning and crisis management framework. A draft paper on Recovery Planning for Banks and Credit Institutions was discussed at the PCC in August 2025 and is scheduled for further discussion in March 2026.

¹ Reference relates to full update of all FSSR recommendations.

Recommendations	Authorities Response ¹
Enhance crisis management cross-border coordination with home authorities.	Ongoing engagement with home authorities, including the Bank of Papua New Guinea (BPNG), through regional supervisory forums such as the BSP College. Further discussions are planned for 2026.
Strengthen the framework and capacity for the early detection of bank stress and early intervention actions, and to introduce recovery planning for banks.	Draft paper on Recovery Planning for Banks/Credit Institutions in Fiji discussed at PCC In August 2025 and is due for another discussion at PCC in March 2026. The paper includes a draft policy to establish bank recovery planning requirements.

Annex VIII. Implementation of Past Article IV Recommendations

Fund Recommendations	Policy Actions
Continue growth-friendly fiscal consolidation to rebuild buffers and reduce public debt; protect the vulnerable through targeted social support; shift spending toward capital investment.	<i>Limited Progress.</i> The fiscal stance tightened in FY2024, with the overall deficit declining sharply, supported by strong revenue mobilization and improved tax compliance. However, the FY2025 budget implied a pause in consolidation, reflecting higher planned spending, including wages and capital outlays. The FY2026 budget marks a renewed fiscal loosening, with a significantly higher deficit, driven by further increases in current expenditure and continued under-execution risks on capital spending.
Gradually tighten monetary conditions over the medium term to support the exchange rate peg and reduce excess liquidity.	<i>Limited progress.</i> The policy rate has remained unchanged at 0.25 percent since early 2020. Excess liquidity declined modestly as pandemic-related facilities were unwound but remains elevated.
Avoid reliance on exchange restrictions and CFMs as substitutes for macroeconomic adjustment; pursue gradual, sequenced capital account liberalization.	<i>Limited progress.</i> Since the previous consultation, there have been no substantive changes to exchange restrictions or CFMs. While delegated limits on certain current and capital account transactions had been raised in earlier periods, these measures primarily reflect administrative easing and do not constitute the removal of underlying approval requirements. The only change since the previous consultation has been an increase in the limit on forward foreign exchange cover and options from FJD 50 million to FJD 70 million, which is currently being assessed in the context of the Fund's Institutional View on Capital Flows. Key exchange restrictions and CFMs remain in place, including tax clearance requirements for certain outward payments and limits on offshore investments by residents and limits on large payments (such as oil imports, dividend repatriation, and loan repayments).
Safeguard financial stability, monitor emerging credit risks, and strengthen AML/CFT compliance ahead of the next APG mutual evaluation.	<i>Some progress.</i> Banking sector soundness indicators improved, with declining NPLs and strong profitability. Progress was made on AML/CFT risk assessments and supervisory guidance, but deficiencies remain regarding beneficial ownership, risk-based supervision, and use of financial intelligence.
Updating the Immigration Act 2003 to help address skilled labor needs and support foreign investment.	<i>Some progress.</i> A structured review of the Immigration Act 2003 and related migration laws has been undertaken, including public consultations and preparation of draft legal amendments. Work permit processing continues in alignment with existing legal provisions while these reviews proceed.
Address infrastructure bottlenecks and strengthen resilience to natural disasters through improved public investment management.	<i>Some progress.</i> Resilience-focused infrastructure planning and preparatory work have advanced, with project preparation support, donor-financed initiatives, and integrated planning frameworks underway. However, project delivery and public investment management capacity continue to constrain implementation of fully resilient infrastructure outcomes.
Strengthening governance, transparency, and anti-corruption frameworks through legislative reforms and improved enforcement.	<i>Some progress.</i> Legislative initiatives targeting governance, transparency, accountability, and freedom of information have progressed through drafting, public discussion, and parliamentary consideration. Comprehensive legal reform and strengthened enforcement remain ongoing, with further action needed to complete the recommended framework.

Annex IX. Fiji: Data Issues

Annex IX. 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. GDP has been rebased to a 2019 base year, improving consistency between national accounts and price statistics. 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. 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. In recent years, unidentified financial inflows reflected in net errors and omissions (E&O) have been non-negligible, averaging approximately 1.9 percent of GDP during 2019–2024, with variation across years. While part of these discrepancies likely reflects timing differences and survey coverage limitations, their persistence complicates the assessment of the composition and sustainability of external financing flows. 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 has completed development of its Nowcast model and strengthened its forecasting database. The authorities have also received Fund TA on updating CPI weights, and the CPI has been rebased to 2019=100 with updated expenditure weights. National accounts have likewise been rebased to a 2019 base year. The authorities received TA on their external sector statistics in 2023 and continue to implement its recommendations, including updating company coverage in the International Investment Survey.							
Corrective actions and capacity development priorities. While the CPI basket has been revised and weights updated to a 2019 base year, further improvements to deflator methodology would strengthen consistency across price and national accounts statistics. Regarding national accounts and fiscal statistics, the authorities are working, with Fund TA, to expand coverage to other sub-sectors of general government and the broader public sector for GFS and public sector debt statistics, and to update the Chart of Accounts mapping to align with international standards. Developing quarterly GDP data would further strengthen surveillance. In the external sector, reducing net errors and omissions in the balance of payments and improving reconciliation with International Investment Position data remain key priorities.							
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 activity. 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 IX. 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 IX. Table 3. Fiji: Table of Common Indicators Required for Surveillance

As of April 6, 2026

	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	03/2026	04/2026	M	M	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	01/2026	04/2026	M	M	M	M	1M	2M
Reserve/Base Money	01/2026	04/2026	M	M	M	M	2M	2M
Broad Money	01/2026	04/2026	M	M	M	M	1Q	2M
Central Bank Balance Sheet	01/2026	04/2026	M	M	M	M	2M	2M
Consolidated Balance Sheet of the Banking System	01/2026	04/2026	M	M	M	M	1Q	2M
Interest Rates ²	01/2026	04/2026	M	M	M	M	...	2M
Consumer Price Index	03/2026	04/2026	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	12/2025	03/2026	M	M	Q	Q	1Q	4M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	01/2026	03/2026	M	M	Q	M	2Q	2M
External Current Account Balance	Q3 2025	03/2026	Q	Q	Q	Q	1Q	4M
Exports and Imports of Goods and Services	Q3 2025	03/2026	Q	Q	M	M	12W	10W
GDP/GNP	2024	8/2025	A	A	Q	A	1Q	10M
Gross External Debt	Q3, 2025	03/2026	Q	Q	Q	Q	2Q	4M
International Investment Position	Q3 2025	03/2026	Q	Q	A	Q	3Q	4M

¹ Includes net market value of 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 "...".



REPUBLIC OF FIJI

May 14, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Asia and Pacific Department
(In consultation with other departments)

CONTENTS

FUND RELATIONS _____ 2

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS _____ 5

FUND RELATIONS

(As of March 31, 2026)

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	73.36	74.55
Reserve position in Fund	25.09	25.50

SDR Department:

	SDR Million	Percent of Allocation
Net cumulative allocation	161.41	100.00
Holdings	138.44	85.77

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				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest	0.47	0.64	0.64	0.64	0.64
Total	0.47	0.64	0.64	0.64	0.64

Exchange Rate Arrangement: 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.

Fiji maintains exchange restrictions on current transactions subject to approval under Article VIII, Section 2(a) 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.

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.

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. Since the 2025 Article IV consultation, the authorities have increased the limit on forward foreign exchange cover and options by increasing the limit from FJD 50 million to FJD 70 million.

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: The 2025 Article IV consultation discussions were held in Suva during March 12-March 25, 2025. The consultation (Country Report No. 25/138) was completed by the Executive Board on June 17, 2025. Fiji is on a 12-month cycle.

Resident Representative: 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, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Mr. Giovanni Ganelli is the resident representative.

Technical Assistance Activities:

Fiji: Capacity Development			
TA Area	Description	Advisors	Period
Revenue Administration	To enhance capabilities in transfer pricing with focus on manufacturing, communication and information technology services, intellectual property, and dispute resolution.	PFTAC/FAD	June 2025, September 2025, October 2025
Revenue Administration	To assess the health of the Fijian tax administration system using the Tax Administration Diagnostic Assessment Tool (TADAT).	PFTAC/FAD	August – September 2025, December 2025
Public Financial Management	To assist in the development of an appropriately sequenced and prioritized Public Financial Management (PFM) Reform action Roadmap.	PFTAC/FAD	September – October 2025
Government Finance	To review the authorities' progress on the implementation of previous mission recommendations, including updating the GFS mapping, reviewing the compilation process and update as necessary to process the data from the new Financial Management Information System (FMIS), and providing training on GFS concepts.	PFTAC/STA	December 2025
Central Bank Operations	To review the monetary policy implementation framework (MPIF) under Fiji's fixed exchange rate regime.	MCM	January – February 2026
Revenue Administration	To assist in the design of a Business Continuity Plan (BCP) to Fiji Revenue and Customs Service (FRCS) by undertaking an assessment of FRCS's Enterprise Risk Management (ERM) and business continuity arrangements, identifying key gaps and priorities for action, and helping develop a comprehensive draft enterprise-wide BCP for the FRCS.	FAD	March 2026
Financial Supervision and Regulation	To assist the Reserve Bank of Fiji in initiating the establishment of a comprehensive regulatory framework for Credit Unions in Fiji.	MCM	March 2026

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>

**Statement by Idwan Hakim, Executive Director for Republic of Fiji,
Kaweewudh Sumawong, Alternate Executive Director, and
Faadzilah Abu Bakar, Advisor to Executive Director**

May 29, 2026

Introduction

1. On behalf of the Fijian authorities, we would like to express our appreciation to the Mission Team, led by Mr. Alasdair Scott, for the constructive 2026 Article IV consultation. The consultation comes at a challenging juncture, as Fiji transitions from a strong recovery phase to a more complex external environment. External headwinds have intensified, while underlying structural vulnerabilities, particularly those related to climate risks, continue to shape the policy landscape. The authorities value the open and candid dialogue with staff. They broadly share the direction of the staff assessment and will carefully consider the policy recommendations.

Recent Economic Developments and Outlook

2. **The Fijian economy remained resilient in 2025**, with growth projected at 3.4 percent, underpinned by strong tourism activity, remittances, and supportive policies. While the recovery remains intact, the global conditions are becoming less supportive, particularly geopolitical developments. Growth is expected to moderate, though continued momentum in tourism – as reflected in solid visitor arrival – provides some upside. Domestic demand remains supported by employment gains and remittances, while investment activity continues despite cost pressures.

3. **Inflation has remained subdued**, although recent external cost pressures – particularly from energy prices – have begun to contribute to a rise in inflationary trends. Headline inflation rose to 1.8 percent in April 2026, driven by rising transport prices, alcoholic beverages, and tobacco. The authorities remain attentive to potential second-round effects, particularly given Fiji’s exposure to imported inflation and climate-related supply disruptions.

4. **External buffers remain adequate**, providing an important line of defense against shocks. Foreign reserves stand at around FJD3.4 billion as of end April, covering roughly 4.9 months of retained imports. However, the authorities recognize that the outlook is subject to significant downside risks. These relate primarily to external price volatility, global economic uncertainty, and the potential impact on key sectors including tourism, as well as domestic supply constraint. The authorities therefore remain firmly committed to preserving macroeconomic stability, further strengthening buffers, and advancing reforms to strengthen resilience and support more sustainable, private sector-led growth.

Fiscal Policy

5. **Fiscal discipline remains anchored in the medium-term fiscal strategy (MTFS)**. The FY2025/26 budget reflects a deliberate effort to cushion households and sustain activity during a period

of heightened uncertainty. At the same time, the authorities are committed to rebuilding buffers and are preparing the FY2026/27 budget to strengthen fiscal sustainability and place public debt on a firm downward trajectory. They welcome continued Fund support in strengthening the fiscal framework, including work on fiscal rules and anchors, which will complement the ongoing support from the World Bank on a Fiscal Responsibility Framework.

6. **On revenue, the authorities note improvements in tax compliance and remain focused on strengthening administration and enforcement to deliver durable gains.** While recognizing staff's recommendation to reverse the VAT cut, they stress that any such decision will need to carefully balance revenue objectives with ongoing cost of living pressures. Continuing digitalization and compliance initiatives are expected to support durable revenue performance over time.

7. **On expenditure, the authorities are prioritizing improvements in spending quality,** including a shift towards productive capital investment, particularly in infrastructure. Measures to strengthen project selection, planning, and execution are being advanced. At the same time, steps are being taken to contain non-priority spending and improve public sector efficiency, including reducing salaries of members of Parliament, freezing civil service recruitment, and suspending overseas travel for officials.

8. **Social protection reforms are advancing to improve targeting, delivery, and responsiveness,** including through digital systems and registry. In response to the fuel price shock, the authorities have implemented temporary, transparent, time-bound, and fiscally-neutral measures, including top-up to social welfare recipients and transportation subsidies, to support households and key economic sectors. Given the broad-based nature of shock, they consider that a combination of targeted and complementary measures is appropriate, with a clearly-defined strategy to move towards more targeted support as conditions stabilize.

9. **The authorities recognize that public debt remains elevated and are committed to a sustained and credible reduction strategy while safeguarding priority spending to support growth.** This will be supported by fiscal consolidation, improvements in spending quality, and efforts to broaden the sources of growth. Financing strategies continue to emphasize diversification and coordination with both external partners – including the ADB and World Bank – and domestic investors to strengthen the domestic debt markets.

Monetary and External Policies

10. **Monetary policy has been conducted with a view to supporting economic recovery while preserving price and external stability.** The authorities recognize the scope to further strengthen policy transmission and are actively considering a gradual enhancement of the operational framework, including the introduction of additional liquidity management tools. They emphasize that reforms in this area will be carefully sequenced and supported by clear communication.

11. **External sector policies continue to be managed prudently.** The authorities reaffirm the

central role of the exchange rate arrangement in anchoring stability and supporting confidence. They consider that it continues to serve Fiji well in the current context. In this regard, they appreciate staff's continued endorsement of Fiji's exchange rate arrangement. The authorities are taking measured steps toward easing certain foreign exchange measures, while ensuring that adequate safeguards remain in place to maintain external stability. Any further adjustments will proceed in line with prevailing conditions and reserve adequacy.

Financial Stability and Inclusion

12. **The authorities welcome the assessment that the financial system remains sound and well-capitalized.** Nevertheless, they agree with staff on the need for continued vigilance, especially in light of credit developments – particularly in housing and unsecured lending – and uneven liquidity conditions across institutions. Supervisory frameworks are being strengthened, and the authorities stand ready to deploy macroprudential tools should risks materialize. Broader regulatory reforms are also underway to enhance resilience, strengthen governance, and align with evolving standards across the financial sector.

13. **Strengthening the AML/CFT framework remains a key priority.** The authorities are making steady progress in addressing remaining gaps and enhancing supervisory effectiveness in preparation for the upcoming Asia Pacific Group Mutual Evaluation. Efforts include regulatory updates on beneficial ownership and sustained progress on risk-based AML supervision within the financial sector.

Structural Reforms

14. **The authorities remain firmly committed to advancing comprehensive structural reforms** under the National Development Plan and Vision 2050 to raise potential growth and enhance economic resilience. Priorities include improving productivity, strengthening human capital, and scaling up investment, particularly in infrastructure and energy. Efforts are underway to strengthen implementation capacity, coordination, and project execution, while advancing digitalization and private sector development. They would welcome continued Fund technical assistance in support of these efforts. Climate resilience and energy security remain central priorities, with increasing integration into national planning and continued investments in resilient infrastructure and renewable energy. Governance reforms are also progressing, with the advancement of key legislative initiatives, including the Code of Conduct Bill and Accountability and Transparency Commission Bill.

Conclusion

15. **The authorities appreciate staff's analysis and share the overarching objectives of** safeguarding macroeconomic stability, rebuilding fiscal buffers, strengthening monetary frameworks, and advancing structural reforms. They emphasize that policy implementation will proceed in a well-calibrated and phased manner, reflecting capacity considerations and evolving risks. In this regard, continued close engagement with the Fund, particularly through technical assistance, will remain important in supporting these efforts.