

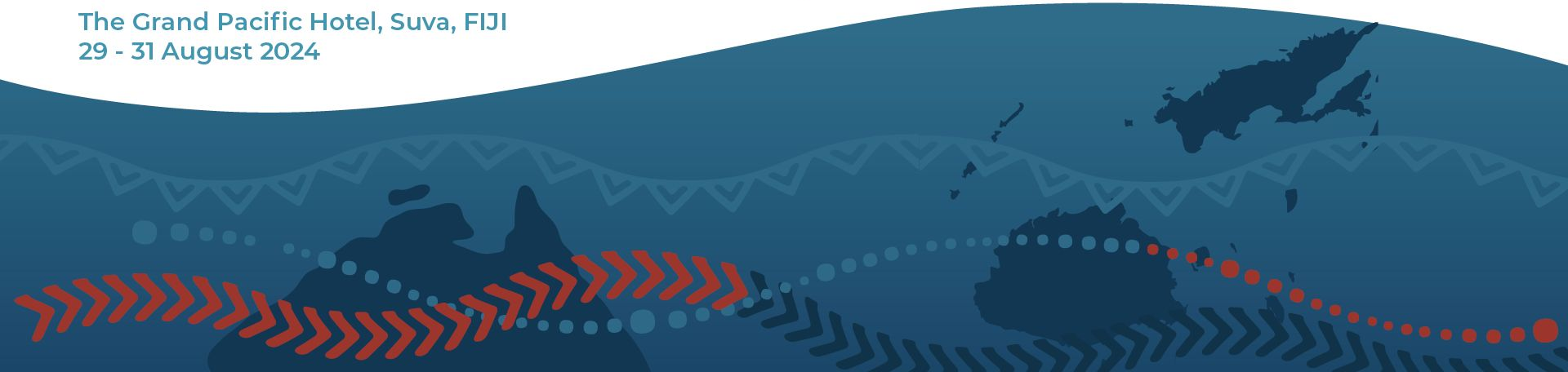
FIJI
AUSTRALIA
BUSINESS
COUNCIL

Australia—Fiji
Business Council

2024 FIJI-AUSTRALIA AND AUSTRALIA-FIJI BUSINESS COUNCILS
JOINT BUSINESS FORUM:

New Challenges. New Solutions

The Grand Pacific Hotel, Suva, FIJI
29 - 31 August 2024



Setting the Scene

Justin Smirk, Westpac Group Senior Economist



New Challenges New Solutions

Prepared by Justin Smirk, Pacific
Economist.

August 2024



Vuvale

Closer social, cultural, political and economic relationship between the Pacific Region and Australia presents many opportunities as well as challenges.

Setting the scene

- A presentation in three sections

1. **Global themes**
2. **Regional and opportunities & challenges**
3. **How to boost investment in Fiji**

As Jenny Seeto noted, World Bank research suggests to get growth to average around 5% we need to lift investment from 15.5% of GDP to 18%.

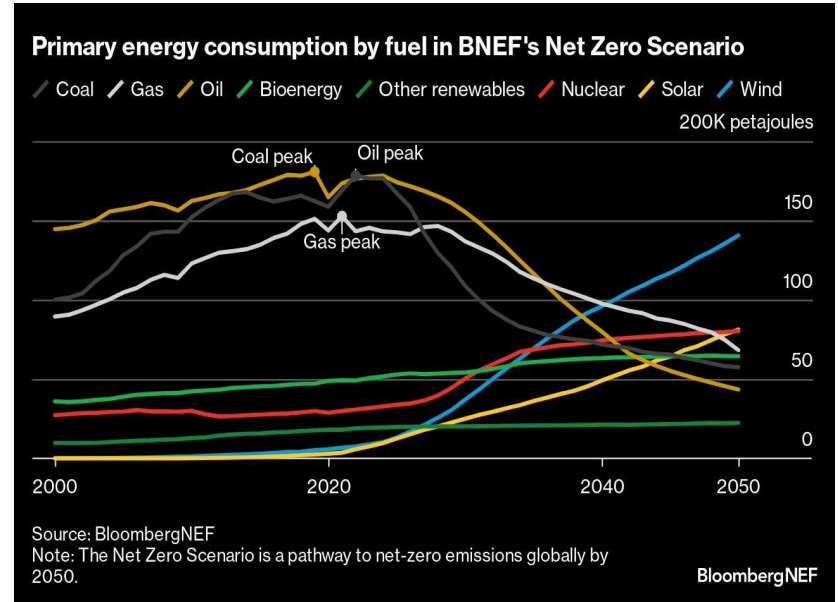
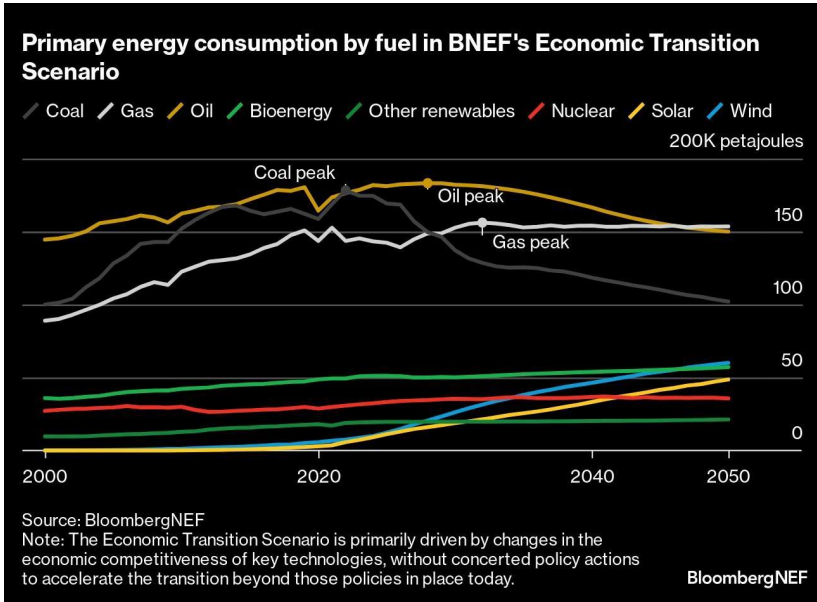
Global Themes

- Major geopolitical shifts
 - Shift to multipolar global politics - US/China rivalry
 - Increased expectations of government
- Demographic trends changing in unexpected ways
 - Ageing population is *not* shrinking the labour force (outside US)
 - Continued strong migration into many Western nations
- Technological shifts require extra investment (and higher rates) an potential pressure on inflation
 - AI (energy intensive and could increase industry concentration)
 - Climate transition – will also have local specific issues

BNEF outlook for energy consumption scenarios

Current policies limit but don't correct

Need new more aggressive policies for net zero



Pacific Trading Partner Growth

Global & Trading Partner Growth Forecasts

	2020	2021	2022	2023	2024(f)	2025(f)	2026(f)	2027(f)
World Economy	-2.7	6.5	3.5	3.2	3.3	3.3	3.2	3.1
US	-2.2	5.8	1.9	2.5	2.5	1.7	1.7	1.6
Eurozone	-6.1	5.9	3.4	0.4	0.6	1.5	1.3	1.3
Australia	-2.1	5.5	3.9	2.0	1.3	2.2	3.1	3.2
New Zealand	-1.4	5.6	2.4	0.6	-0.3	1.3	2.3	3.1
Japan	-4.1	2.6	1.0	1.9	0.3	1.1	0.9	0.8
China	2.2	8.4	3.0	5.2	5.0	4.9	4.7	4.5
India	-5.8	9.7	7.0	7.8	7.0	6.8	6.5	6.3

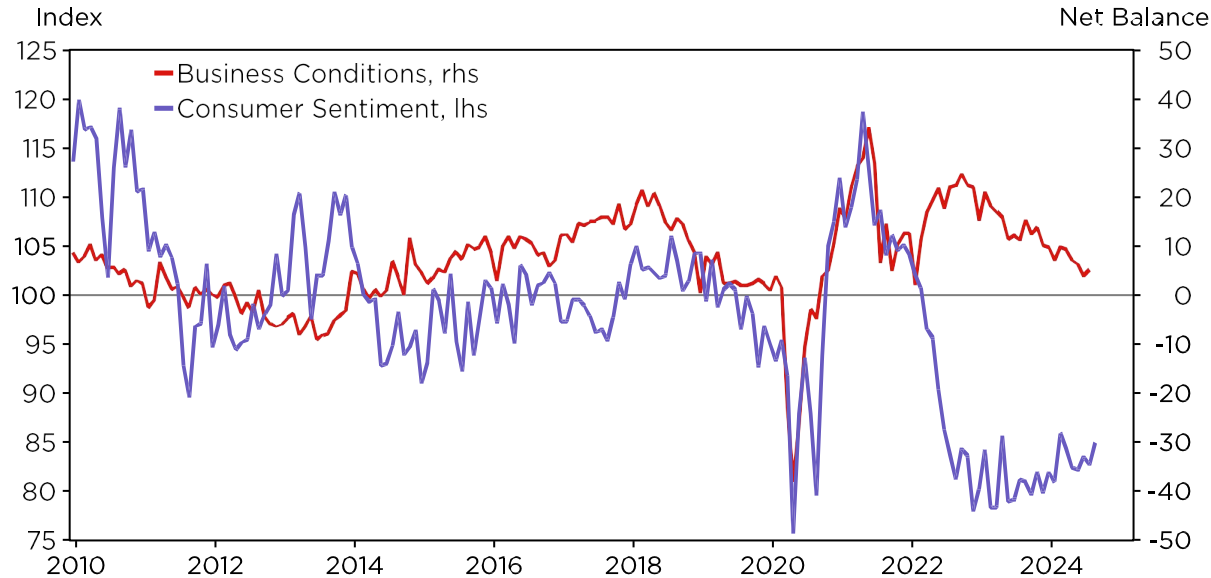
Sources: Macrobond, Westpac Economics.



Australian consumers remain very gloomy

On average, Australians are not spending freely

Consumer Sentiment and Business Conditions

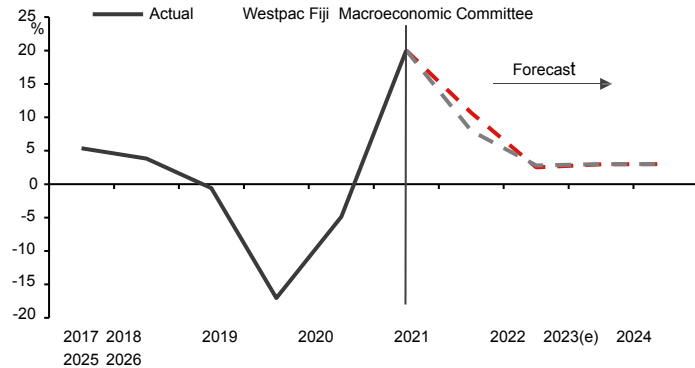


Source: NAB, Melbourne Institute of Applied Economic & Social Research, Macrobond, Westpac Economics

- Prolonged period of weakness in consumer sentiment.
- Second only to the early-90s recession.
- While businesses remain relatively more positive supporting employment and job security.
- Robust business sentiment is reflected in sound jobs growth consumers' confidence in job security.

Fiji's domestic real sector

RBF and MOF downgrade Fiji's growth

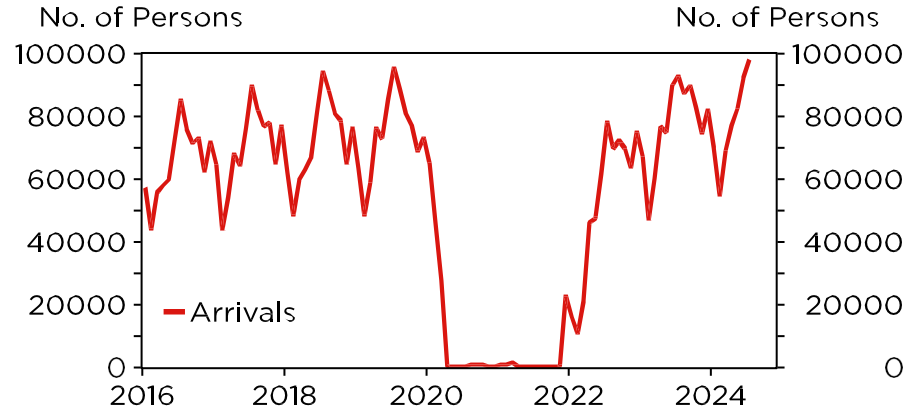


Macroeconomic Committee has downward revised Fiji's growth outlook for 2024 to 2.8% from the earlier 3.4%; in line with Westpac' growth projections of 2.5% this year.

This comes as no surprise given sluggish consumption and investment activity while primary sectors underperformed during first 5 months despite broad tourism numbers and remittance inflows surprising in a positive way.

Businesses continue to be impacted with exodus of skilled and experienced workforce, evident by increased passport demand and formal sector wage growth.

Total visitor arrivals



Source: FBoS, Macrobond, Westpac Economics

Visitor arrivals hit a new record high in July as arrivals from Australia and NZ returned to previous levels.

Expanding alternative markets, in particular the US, has boosted overall numbers as traditional markets remain solid.

New/old

To leverage existing opportunities while diving into emerging opportunities

Exploiting current opportunities

The near term will be focused on leveraging existing comparative advantages

1. **Tourism**: Two groups, cashed up older generations looking for something a bit special and the young looking for value for money .
2. **Labour Shortages**: Fijians will continue to take advantage of the tight labour market boosting remittances.
3. **Exporting services**: Opportunities for business and personal services.
4. **Food production & processing**: Remains a key opportunity if logistics can be improved.
5. **Leveraging “friendshoring”**: The centre of evolving Aus/US trade expansion.

Challenge

The great vacuum that is the Australian labour market will continue to draw on the Pacific labour pool presenting opportunities and threats.

Develop & capture human capital

The evolution of the global & regional economies have significant ramifications Fiji. The risk is rising energy costs and overall sticky inflation.

1. **Electrification:** Rising energy prices, and global CBAMs, encourages adoption of renewable energy.
2. **Education & training:** Fiji to leverage its larger partners to support the development of local talent they are exploiting; government and private partners.
3. **Increase labour force participation:** How can we encourage female participation.
4. **Services exports:** Expanding business and finance services with opportunities in health and aged care.
5. **Agriculture, manufacturing & data processing:** Requires renewables and improved logistics.

Profit

Tax breaks or subsidies/direct support will not stimulate investment if there are no profitable opportunities.

Profit before taxation (or subsidies)

Get the basics right then focus on incentivising investment.

1. **Clear regulation framework:** It is not regulation per se that is the problem but complex regulation that does not have clear objectives.
2. **Experience knowledgeable administrators:** Regulations can only achieve the desired outcomes when there are skilled, experienced administrators who focus on outcomes rather than processes.
3. **Access to resources:** Land, inputs, workers, logistics, utilities and broader infrastructure which includes environment, cultural and social inputs.
4. **Simple, equitable and efficient tax regime:** To raise required revenue in stable & equitable way.

WestpacIQ & Westpac Wire

Home of our research and commentary.

The screenshot shows the WestpacIQ website homepage. The browser address bar displays 'westpaciq.com.au'. The navigation bar includes 'Westpac home', 'IQ', 'Economics', 'Markets', 'Thought leadership', and 'About us'. There are 'Sign in' and 'Subscribe' buttons. Below the navigation bar, there are dropdown menus for 'Popular topics' and 'Authors'. The main content area is divided into three columns: 'Economics', 'Markets', and 'Thought leadership'. The 'Economics' column features an article titled 'Westpac PNG March Update' with a photo of a woman in traditional dress. The 'Markets' column features an article titled 'NZD FX Weekly' with a photo of a city skyline at night. The 'Thought leadership' column features an article titled 'Q4 2023 Sustainable Finance Market Update' with a photo of a forest.

www.wibiq.westpac.com.au

The screenshot shows the Westpac Wire website news page. The browser address bar displays 'westpac.com.au/news/'. The navigation bar includes 'Westpac Wire', 'Home', 'Personal', 'Business', 'Corporate', 'About us', and 'Help'. There are 'Contact us', 'Locate us', 'Lost or stolen cards', and 'Register' buttons. Below the navigation bar, there are dropdown menus for 'Jump to' and 'Trending topics', and a search bar. The main content area is titled 'Westpac Wire' and 'Latest stories'. It features several article cards with photos and titles: 'More Aussies are planning moves in the property market', 'Swiftonomics: Assessing Taylor's impact on spending', 'Women in Western Sydney a powerhouse of untapped potential', 'Success comes naturally to these female business founders', and 'Meet the young economists looking to inspire their generation'.

<https://www.westpac.com.au/news/>



Contact

Fiji



Shamal Chand, Senior Economist, Westpac Fiji



+679 998 3024



shamal.chand@westpac.com.au



Contact

Australia



Justin Smirk, Director/Senior Economist



+61 459 844 788



jsmirk@westpac.com.au



THANK YOU



Disclaimer

Email & PDF disclaimer/Westpac IQ bottom of page disclaimer

© 2024 Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141, AFSL233714 ('Westpac'). References to the "Westpac Group" are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

Disclaimer

This information has been prepared by the Westpac Institutional Bank and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714).

Note: Luci Ellis is a member of the Australian Statistics Advisory Council (ASAC) which is a key advisory body to the Minister and the Australian Bureau of Statistics on statistical services. Luci does not have access to sensitive data/ reports in her capacity as a member of ASAC.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.



Disclaimer continued

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ("the Exchange Act") and member of the Financial Industry Regulatory Authority ("FINRA"). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ("BaFin") and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ("Deutsche Bundesbank"). WEG is registered with the commercial register ("Handelsregister") of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here: <https://www.westpaciq.com.au/terms-and-conditions/investment-recommendation-disclosure>. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.



Thank you to our Sponsors



And to our Media Partners:

The Fiji Times

FBC

VALUE CITY

