

## Marshall Islands

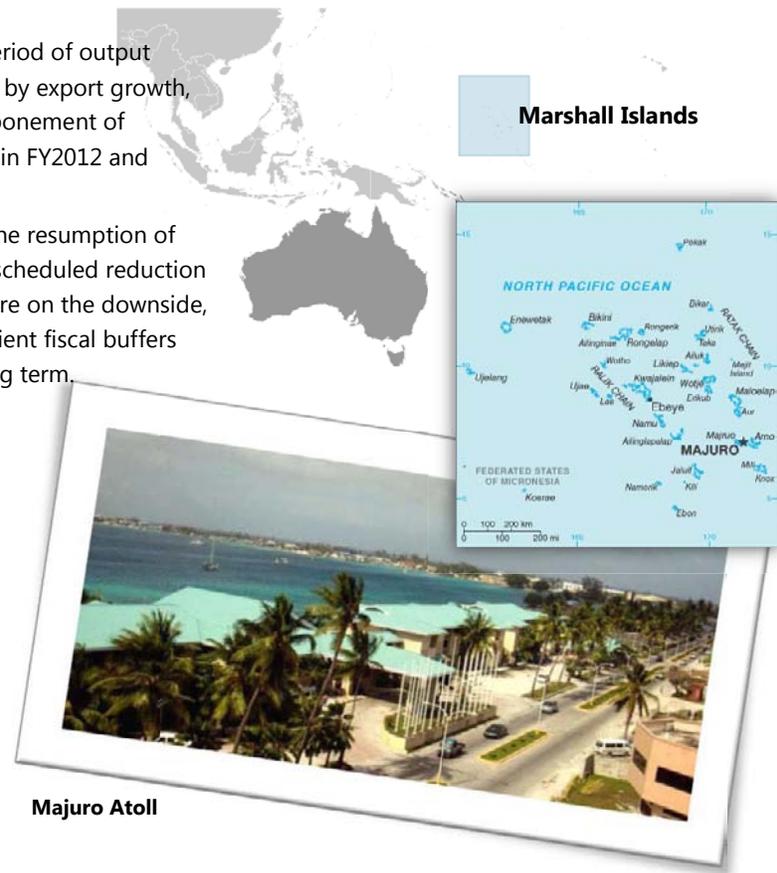
**Context:** The Republic of the Marshall Islands (RMI) is going through a period of output fluctuations. The economy expanded in FY2012 by 3.2 percent, supported by export growth, but in FY2013 is estimated to have slowed to 0.8 percent due to the postponement of infrastructure projects. A fiscal deficit of 0.8 percent of GDP was recorded in FY2012 and another deficit of similar magnitude is estimated for FY2013.

**Outlook and Risks:** A growth rebound is expected in FY2014, assuming the resumption of infrastructure projects. A sustained increase in growth is hindered by the scheduled reduction in Compact grants and limited private sector expansion. Near-term risks are on the downside, stemming from possible further delays in project implementation. Insufficient fiscal buffers and public contingent liabilities constitute key risks for the medium to long term.

**Policy Issues:** The RMI faces persistent budget deficits, substantial fiscal risks from poorly performing state-owned enterprises (SOEs) and the social security system, and the expiration of most Compact grants after FY2023. Private sector development is limited by remoteness, small market size, SOE dominance in some sectors and a weak business climate, constraining growth, and making fiscal sustainability more challenging. Household debt and debt service ratios are high, while the supervisory power and capacity of the Banking Commission is hindered by institutional and resource constraints.

Source: Latest IMF Article IV Staff Report

<http://www.imf.org/external/pubs/ft/scr/2014/cr1426.pdf>



Majuro Atoll

## Fiji

**Context:** Fiji is one of the largest and most developed of the Pacific island economies, with a per capita income of US\$4,200. Growth in recent decades has been sluggish owing to persistent political turmoil, external shocks, and slow progress on structural reforms. Unemployment at nearly 9 percent continues to be stubbornly high, with youth and underemployment at significantly higher rates. The political environment remains complex as Fiji prepares for transition to a democratic government in 2014, although the strained relations with traditional development partners have started to ease. Lately, economic activity has picked up, partly driven by supportive policies.

**Outlook and Risks:** Economic growth is expected to have increased to around 3 percent in 2013, fueled by consumption and investment spending both by the public and private sectors. In 2014, growth is projected to moderate to 2¼ percent, in line with estimated potential. While strong linkages with Asia would help in the event of a global downturn, Fiji remains vulnerable to global commodity price shocks and natural disasters.

**Policy Issues:** The current configuration of mildly expansionary fiscal policy and accommodative monetary policy is broadly appropriate as the unemployment rate remains high and inflationary pressures dissipate. The key policy challenges are to raise potential growth, reduce vulnerability to shocks, and further reduce poverty. Although the authorities have recently implemented some structural measures—improving infrastructure, enhancing land-leasing efficiency, restructuring the sugarcane industry, among others—the need for deeper and faster reform to support higher growth and reduce unemployment and poverty is urgent.

Source: Latest IMF Article IV Staff Report

<http://www.imf.org/external/pubs/ft/scr/2013/cr13370.pdf>

Photos and images: The World Fact Book; Destination360



Sigatoka, Island of Viti Levu