



Rising inflationary pressures linked to persistent supply chain disruptions and high commodity prices have prompted an earlier-than-expected withdrawal of monetary and fiscal support across the globe. In addition to these, the widespread impact of the Omicron variant and the anticipated slowdown in the United States and China led to the International Monetary Fund to downgrade the global growth projection for 2022. Despite this downgrade, outlook for Fiji's major trading partners and tourist source markets remain positive. Risks remain tilted to the downside in the form of resurgence of COVID-19 cases, emergence of new variants, commodity price volatility, prolonged supply chain disruptions and persistent inflation. Furthermore, the escalated geo-political conflict between Ukraine and Russia is expected to exacerbate existing supply tightness and mounting inflation.

Commodity price movements were mixed in January. Brent crude oil prices continued its upward trajectory and ended the month at US\$91.21 per barrel, 17.3 percent higher than the previous month amid continuing demand-supply mismatches. As Ukraine-Russia tensions have escalated, prices surged above US\$100 per barrel and are now hovering around US\$97.93 per barrel at February-end. In contrast, gold prices declined slightly (-1.8%) to US\$1,796.40 per fine ounce following the Federal Reserve's signal to tighten monetary policy to curb inflationary pressures, consequently increasing demand for treasury securities over gold. Over the same period, sugar prices fell (-3.5%) to US18.22 cents per pound led by the improved production from India and Thailand. The FAO<sup>1</sup>

food price index rose by 1.1 percent, reaching the highest level since April 2011 driven by rising vegetable oil and dairy prices, a result of supply tightness in global markets.

Domestically, while consumption activity and sectoral performances were generally positive in the review period, investment activity remained weak.

In January 2022, 16,502 visitors (85% from Australia) arrived into Fiji, a higher outcome relative to the mere 1,011 visitors in January 2021 when borders were closed. Electricity generation increased by 5.9 percent, indicative of increasing economic activity following the further easing of restrictions. Additionally, mineral water production grew significantly (+12.8%) on the back of strong external demand. On the other hand, the planned closure of the Drasa and Wairiki mills for maintenance in January led to a decline in production of pine log (-91.4%), woodchips (-88.3%), and sawn timber (-42.5%). Similarly, gold production noted a sharp contraction (-53.5%) due to the recent flooding that disrupted operations.

Latest partial indicators indicate improvement in consumption activity. In January, Net Value Added Tax (VAT) collections increased, underpinned by higher domestic VAT (+6.9% to \$43.9m), customs import VAT (+24.8% to \$37.0m) collections and lower refunds. Over the same period, commercial banks' new lending for consumption purposes grew considerably by 163.9 percent (to \$123.9m), largely driven by increased lending to the wholesale, retail, hotels & restaurants sector as well as private

<sup>1</sup> Food and Agriculture Organisation.

individuals. In January, new vehicle registrations noted a growth (+4.4%) while second-hand registrations declined (-10.4%).

On investment, uncertainty around the economic recovery continued to weigh on activity. While new lending to the real estate sector grew significantly in the review period (+290.8%, to \$74.2m), new loans to the building and construction sector (-47.8%), and domestic cement production (-29.8%) and sales (-7.4%) contracted over the year in January.

Labour market conditions improved in tandem with the recovery in tourism and consumption activity. This was shown by increased Pay As You Earn tax collections (+2.3%) and a growth (+98.2%, +376 vacancies) in the number of vacancies advertised in January as per the RBF's Job Advertisement Survey. The growth in the number of advertised vacancies was driven by increased recruitment intentions in community, social & personal services, transport, storage & communication and wholesale & retail trade & restaurants & hotels sectors.

Financial sector outcomes continued to improve in January. Private sector credit (PSC) recorded growth (+0.6%) for the second consecutive month supported by increased lending to private sector business entities. The positive outturn in PSC, along with higher gross reserves and quantitative easing measures, underpinned the growth in money supply. Consequently, banking system liquidity remained high at \$2,071.9 million (25/02), keeping downward pressure on interest rates. While Non-Performing Loans remain elevated, they continue to fall from their peak recorded five months ago. Nonetheless, other financial stability indicators point to a relatively stable financial sector.

In January, the Fijian dollar (FJD) strengthened against the New Zealand dollar (NZD) (2.0%) and the Australian dollar (AUD) (1.6%), but weakened against the United States dollar (USD)

(-2.2%), Japanese Yen (JPY) (-2.0%), and the Euro (-0.6%). On an annual basis, the FJD gained against the JPY (4.3%), AUD (3.8%), NZD (3.4%), and the Euro (2.7%), but was lower against the USD (-5.7%).

On the external sector, inward remittances contracted by 4.0 percent in January to total \$62.1 million mainly led by lower inflows from personal transfers and compensation of employees. The decline can be attributed to the scaling back of monetary and fiscal stimulus in source countries limiting the sending capacity of the Fijian diaspora and some improvement in domestic labour market conditions. On the trade front, cumulative to November, higher growth in imports (9.0%) relative to exports (3.8%) led to the widening of the trade deficit<sup>2</sup> (13.7%). The growth in imports can be attributed to the increased costs driven by rising trading partner inflation, elevated freight cost and supply shortages.

Annual headline inflation in January stood at 2.7 percent mainly driven by high imported inflation due to rising commodity prices, persistent supply disruptions and the pick-up in foreign demand. Given these developments and the recent floods, year-end inflation is expected to be around 4.5 percent in 2022. For 2023 and 2024, year-end inflation is expected to moderate to 3.0 percent and 2.7 percent, respectively, as commodity prices and demand-supply mismatches are anticipated to stabilise.

Foreign reserves are currently (28/02) at around \$3,066.6 million, sufficient to cover 8.5 months of retained imports of goods and services and are expected to remain above adequate levels in the medium term.

Given the economic developments on the domestic and external front, and the outlook for inflation and foreign reserves, the RBF kept the Overnight Policy Rate unchanged at 0.25 percent in January.

## **RESERVE BANK OF FIJI**

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<sup>2</sup> Excluding aircraft.

## FIJI: ECONOMIC &amp; FINANCIAL STATISTICS

## KEY INDICATORS

## 1. Sectoral Performance Indicators

(year-on-year % change)

	Jan-21	Oct-21	Nov-21	Dec-21	Jan-22
Visitor Arrivals	-98.5	-94.7	-94.3	-78.5	1,532.2
Electricity Production	-13.7	-6.3	-5.3	-3.6	5.9
Gold Production	14.1	9.6	6.6	1.2	-53.6
Cane Production <sup>^</sup>	n.a	-3.0	-18.0	n.a	n.a
Sugar Production <sup>^</sup>	n.a	2.7	-12.1	n.a	n.a
Pinewood logs	255.3	41.9	33.7	27.4	-91.4
Woodchip	179.3	43.1	34.6	36.8	-88.3
Sawn Timber	15.9	-5.0	0.0	-3.5	-42.5
Mahogany	-98.7	102.9	97.0	103.7	10,025.1
Cement Production	13.4	-30.4	-22.6	-18.6	-29.8

## 2. Consumption Indicators

(year-on-year % change)

Net VAT Collections	-33.3	-8.9	-7.4	-3.6	19.3
New Consumption Lending	-39.3	6.5	13.1	17.2	163.9
New Vehicle Registrations****	-32.0	4.8	11.6	19.1	4.4
Secondhand Vehicle Registrations****	101.2	86.7	77.2	71.2	-10.4
Personal Remittances <sup>1/</sup>	10.9	17.8	16.2	14.6	-3.9
Electricity Consumption	-8.1	-6.1	-5.2	-3.8	7.3

## 3. Investment Indicators

(year-on-year % change)

Domestic Cement Sales	-24.7	-26.8	-22.7	-20.1	-7.4
New Investment Lending	-47.2	32.1	30.4	33.6	179.3

## 4. Labour Market

(year-on-year % change)

RBF Job Advertisement Survey	-82.6	-44.6	-37.9	-30.6	98.2
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## 5. Consumer Prices \*

(year-on-year % change)<sup>2/</sup>

All Items	-1.3	1.1	1.5	3.0	2.7
Food and Non-Alcoholic Beverage	5.8	5.3	4.5	8.2	10.9
Alcoholic Beverages, Tobacco & Narcotics	-15.3	-9.7	-7.2	-6.9	-6.2

## 6. Reserves \*\*\*

(end of period)

Foreign Reserves (\$m) <sup>3/</sup>	2,172.9	3,069.2	3,061.5	3,201.4	3,145.4
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	6.7	9.5	9.5	9.9	8.7

## 7. Exchange Rates \*\*\*

(mid rates, F\$1 equals)

(end of period)

US dollar	0.4899	0.4845	0.4694	0.4722	0.4620
Australian dollar	0.6368	0.6422	0.6583	0.6505	0.6610
New Zealand dollar	0.6815	0.6730	0.6894	0.6907	0.7047
Euro	0.4039	0.4147	0.4161	0.4170	0.4147
Japanese yen	51.07	55.04	53.36	54.34	53.25
Nominal Effective Exchange Rate	85.17	84.99	84.96	84.78	84.78
Real Effective Exchange Rate	101.80	96.94	95.99	97.20	100.59

## 8. Liquidity \*\*\*

(end of period)

Banks' Demand Deposits (\$m)	851.5	1,669.4	1,813.1	1,990.8	2,091.9
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## 9. Money and Credit \*\*\*

(year-on-year % change)

Broad Money	0.6	8.3	9.3	11.3	10.7
Net Foreign Assets	-1.1	28.6	30.2	38.2	37.6
Domestic Credit	2.3	2.5	3.7	4.1	4.5
Private Sector Credit	-3.0	-1.1	-0.6	0.3	0.6
Narrow Money	9.4	18.7	19.5	23.3	22.0

## 10. Interest Rates (% p.a.) \*\*\*

(monthly weighted average)

Overnight Policy Rate	0.25	0.25	0.25	0.25	0.25
Repurchase Rate	0.50	0.50	0.50	0.50	0.50
Overnight inter-bank Rate	n.t	n.t	n.t	n.t	n.t
Lending Rate	6.09	5.88	5.79	5.77	5.72
Savings Deposit Rate	0.54	0.49	0.47	0.42	0.44
Time Deposit Rate	3.09	2.18	2.14	1.99	1.88
3 month Government T-Bills	1.21	0.17	0.08	n.i	0.06
12 month Government T-Bills	2.25	0.49	0.28	0.13	0.13
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	4.00	4.00	4.00	3.95	3.95

## 11. Commodity Prices (US\$) \*\*

(end of period)

UK Gold Price/fine ounce	1,850.3	1,783.9	1,776.5	1,828.6	1,796.4
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	15.8	19.3	18.6	18.9	18.2
Crude Oil/barrel	55.9	84.4	70.6	77.8	91.2
FAO Food prices index	113.5	133.2	135.3	134.1	135.7

<sup>1/</sup> Personal Remittances are inclusive of international mobile money receipts.<sup>2/</sup> 2014 rebase. Previous data had 2011 as its base.<sup>3/</sup> Foreign reserves includes monetary gold, Special Drawing Rights, reserve position in the Fund and foreign exchange assets consisting of currency and deposits actually held by the Reserve Bank.<sup>4/</sup> MORI is based on the Macroeconomic Committee forecast as at November 2020.

Note:

n.i No issue  
n.a Not available  
n.t No trading

Sources: \* Fiji Bureau of Statistics  
\*\* Bloomberg  
\*\*\* Reserve Bank of Fiji  
\*\*\*\* Land Transport Authority  
^ Fiji Sugar Corporation