



The global recovery envisaged for this year is projected to remain uneven, as the pandemic continues to negatively impact economic activity. Some countries are dealing with further COVID-19 outbreaks against low vaccination levels, amid reduced space for additional macroeconomic policy accommodation. In contrast, other countries have benefited from continuing fiscal and monetary policy support into 2021 and swift vaccine rollout. Recent economic growth forecasts for the Asia-Pacific region confirm the varied recovery, with improved export demand underpinning the stronger prospects for East Asia (7.4%) this year relative to the Pacific (1.4%), where tourism activity has remained weak.

International commodity prices continued to gain in April. On a monthly basis, Brent crude oil prices rose by 5.8 percent (to US\$67.25 per barrel) at the end of April, underpinned by a weaker United States dollar (USD) and stronger economic recovery expectations in the US and China. Gold prices also increased by 4.5 percent (to US\$1,767.70 per fine ounce) in the same period led by falling US Treasury yields, and a weaker USD. World market sugar prices soared to US17.44 cents per pound at April-end, mainly due to supply constraints from major producers. The global FAO¹ Food Price Index rose for the eleventh consecutive month in April, indicating a steep increase in the wholesale price of food led by increasing demand and tight supplies due to lower-than-expected production of key commodities.

Domestically, the second wave of COVID-19 infections and the continued closure of borders for tourism is weighing heavily on Fiji's near-term growth prospects with an economic contraction likely for this year. For 2022, the outlook is uncertain and dependent on how the economy weathers the pandemic and, how soon tourism activity resumes. If the pandemic is not contained, it will exacerbate the downturn in many sectoral outputs, further dampen consumption activity and weaken the already fragile finances of many businesses.

According to the latest available sectoral (pre-lockdown) statistics, in the first four months of the year, visitor arrivals fell by a significant 96.4 percent as international travel remains severely restricted. Electricity production also registered an annual decline of 8.3 percent in the same period. On a positive note, gold production was buoyant with a 17.4 percent growth on account of processing plant upgrades and better-quality ore mined. Higher production was also noted in mahogany logs (+37.9%) and sawn timber (+70.5%) as a result of an increased availability of raw materials, while woodchips production (+96.6%) increased on the back of increased demand from China.

Aggregate demand indicators continued to portray weak sentiments in the year to April. Net VAT collections (-21.5%), new consumption lending (-20.6%), new vehicle registrations (-2.6%) and electricity consumption (-7.0%), all recorded annual contractions. Strong growth, however, was still noted in second-hand vehicle registrations (152.0%), led by the reduction of

¹ Food and Agriculture Organisation of the United Nations.

related fiscal duties and the easing of regulatory requirements on the import of second-hand vehicles. Leading investment activity indicators also reflected bleak outcomes as new investment lending fell by 3.0 percent in the year to April while the number of building permits issued noted an annual decline of 11.3 percent in 2020.

Labour market conditions are also being severely affected by the current spread of COVID-19 infections and enacted containment strategies. The RBF's Job Advertisement Survey results in the year to April confirm the very weak hiring sentiments as the total number of job vacancies plunged by a significant 66.2 percent as a result of reduced recruitment intentions being noted in all sectoral categories except for Mining & Quarrying.

The recent pandemic shock will further impair fiscal revenue collections and increase expenditure commitments of the Government. In the first nine months of the current fiscal year, the Government recorded a net deficit of \$905.0 million (-9.7% of GDP) as expenditure (\$2,256.0m) outweighed revenue (\$1,351.0m). The contraction in revenue (-39.1%, -\$868.0m) was substantial compared to the fall in expenditure (-11.2%, -\$283.5m).

Financial indicators reflect the weak economic environment with private sector credit contracting for the tenth consecutive month over the year in April. Net domestic credit decelerated to 0.7 percent, weighed down by reduced lending to the private sector (-3.7 %). Weak banking sector activity reflects heightened credit risks and subdued demand as commercial banks' new loans contracted (-1.5%) in the review period. However, risks in the banking system are being mitigated by sufficient levels of

provisioning and adequate levels of capital while banking system liquidity remains ample to date (28/05) at \$1,680.2 million.

Over the month in April, the Fijian dollar (FJD) strengthened against the USD (1.8%), and the Japanese Yen (JPY) (0.4%) but weakened against the New Zealand dollar (NZD) (-1.8%), Euro (-1.6%) and the Australian dollar (AUD) (-0.5%). On an annual basis, the FJD gained against the JPY (12.1%), USD (9.7%) but was lower against the AUD (-7.5%), NZD (-7.1%) and the Euro (-1.5%).

Consequently, the Nominal Effective Exchange Rate (NEER)² index declined marginally over the month (-0.01%) but was higher over the year (1.0%), indicating a general strengthening of the FJD from the same period in 2020. Meanwhile, the Real Effective Exchange Rate (REER)³ index was lower over the month (-0.7%) and year (-3.5%), denoting gain in trade competitiveness largely on account of lower relative prices against major trading partner currencies.

On the external front, Fiji's merchandise trade deficit continued to narrow on the back of reduced economic activity. In the year to February, the trade deficit narrowed by 25.9 percent to \$354.4 million as a result of a higher decline in total imports⁴ (-21.1%) relative to total exports⁵ (-13.2%).

Headline inflation remained in negative territory for the second consecutive month in April after turning positive in February 2021. The annual inflation rate in April dropped further to -2.4 percent, from -1.2 percent in the previous month and -1.3 percent recorded in April 2020.

² The NEER is the sum of the indices of each trading partner country's currency against the FJD, adjusted by their respective weights in the basket. This index measures the overall movement of the FJD against the basket of currencies. An increase in this index indicates a slight appreciation of the FJD against the basket of currencies and vice versa.

³ The REER index is the sum of each component of the NEER index, adjusted by the relative price differential between Fiji and each of Fiji's major trading partners. The index measures the competitiveness of the FJD against the

basket of currencies. A decline in the REER index indicates an improvement in Fiji's international competitiveness while an increase in the index indicates a deterioration in Fiji's international competitiveness.

⁴ This is mainly due to lower imports of mineral fuels, machinery & transport equipment (excluding aircraft), food & live animals, miscellaneous manufactured articles and beverage & tobacco.

⁵ This outcome was mainly led by decline in re-exports of mineral fuels and domestic exports of machinery & transport equipment, woodchips, fresh fish and garments.

The outcome is attributed to lower prices of kava, beer, spirits and garments & shoes.

Foreign reserves in April increased by \$404.9 million to \$2,776.7 million, sufficient to cover 8.6 months of retained imports (MORI). In May, foreign reserves reached a historical high, surpassing the three billion-dollar mark and currently (31/05) stands at \$3,134.0 million, sufficient to cover 9.7 months of retained imports. The outturn is largely due to higher external Government loan drawdowns, inflows of personal remittances, lower import payments and foreign direct investment in Energy Fiji Limited.

The near-term outlook for inflation and foreign reserves remains stable although the recent COVID-19 outbreak has placed more downside risks to economic prospects. As such, the Reserve Bank maintained its accommodative monetary policy stance in May by keeping the Overnight Policy Rate at 0.25 percent.

RESERVE BANK OF FIJI

FIJI: ECONOMIC & FINANCIAL STATISTICS

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KEY INDICATORS

1. Sectoral Performance Indicators
(year-on-year % change)

	Apr-20	Jan-21	Feb-21	Mar-21	Apr-21
Visitor Arrivals	-43.5	-98.5	-98.0	-97.0	-96.4
Electricity Production	-5.7	-13.7	-16.5	-13.4	-8.3
Gold Production	-8.3	14.0	10.6	17.5	17.4
Cane Production [^]	n.a	n.a	n.a	n.a	n.a
Sugar Production [^]	n.a	n.a	n.a	n.a	n.a
Pinewood Intake	-28.0	255.3	146.2	151.8	132.8
Woodchip	-18.4	179.3	101.4	92.7	96.6
Mahogany	15.2	-98.7	-85.2	-27.0	37.9
Cement Production	-31.3	13.4	-9.1	0.8	n.a

2. Consumption Indicators
(year-on-year % change)

Net VAT Collections	-23.4	-33.3	-36.3	-27.8	-21.5
New Consumption Lending	-4.4	-39.3	-37.5	-24.1	-20.6
New Vehicle Registrations****	-40.2	-32.0	-27.4	-17.2	-2.6
Secondhand Vehicle Registrations****	-64.0	101.2	91.9	122.2	152.0
Personal Remittances ^{1/}	1.6	10.9	15.9	25.8	n.a
Electricity Consumption	-4.6	-7.8	-12.5	-11.5	-7.0

3. Investment Indicators
(year-on-year % change)

Domestic Cement Sales	-20.4	-24.7	-20.3	-8.4	n.a
New Investment Lending	-1.1	-47.2	-41.4	-25.8	-3.0

4. Labour Market
(year-on-year % change)

RBF Job Advertisement Survey	-42.4	-82.6	-78.9	-75.8	-66.2
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5. Consumer Prices *
(year-on-year % change)^{2/}

All Items	-1.3	-1.3	1.1	-1.2	-2.4
Food and Non-Alcoholic Beverage	-1.0	5.8	12.9	7.5	2.4
Alcoholic Beverages, Tobacco & Narcotics	-7.5	-15.3	-13.3	-16.9	-18.8

6. Reserves ***
(end of period)

Foreign Reserves (\$m) ^{3/}	2,217.0	2,172.9	2,179.0	2,371.9	2,776.7
Months of retained imports of goods and non-factor services (MORI) ^{4/}	7.4	6.7	6.7	7.3	8.6

7. Exchange Rates ***
(mid rates, FSI equals)
(end of period)

US dollar	0.4478	0.4899	0.4961	0.4828	0.4913
Australian dollar	0.6838	0.6368	0.6300	0.6358	0.6325
New Zealand dollar	0.7304	0.6815	0.6728	0.6911	0.6784
Euro	0.4117	0.4039	0.4077	0.4120	0.4053
Japanese yen	47.74	51.07	52.71	53.28	53.51
Nominal Effective Exchange Rate	84.34	85.17	85.21	85.15	85.15
Real Effective Exchange Rate	100.90	101.79	100.55	97.97	97.32

8. Liquidity ***
(end of period)

Banks' Demand Deposits (\$m)	718.6	879.3	896.6	1,054.2	1,451.4
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9. Money and Credit ***
(year-on-year % change)

Broad Money	4.8	0.6	1.2	2.9	2.5
Net Foreign Assets	16.3	-1.1	5.1	18.6	13.9
Domestic Credit	4.2	2.3	1.5	0.7	0.7
Private Sector Credit	1.8	-3.0	-4.0	-3.7	-3.7
Narrow Money	6.3	9.4	9.9	10.6	9.9

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	0.25	n.i	n.i	n.i	n.i
Lending Rate	6.25	6.09	6.06	6.06	6.01
Savings Deposit Rate	0.99	0.54	0.55	0.54	0.55
Time Deposit Rate	4.05	3.09	3.02	2.94	2.86
3 month Government T-Bills	n.i	1.21	1.06	0.99	n.i
12 month Government T-Bills	3.40	2.25	2.00	1.70	n.i
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	n.i	n.i	4.50	n.i	n.i

11. Commodity Prices (US\$) **
(end of period)

UK Gold Price/fine ounce	1,694.2	1,850.3	1,728.8	1,691.1	1,767.7
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	10.4	15.8	16.5	14.8	17.4
Crude Oil/barrel	25.3	55.9	66.1	63.5	67.3

^{1/} Personal Remittances are inclusive of international mobile money receipts.

^{2/} 2014 rebase. Previous data had 2011 as its base.

^{3/} 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.

^{4/} 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