



The International Monetary Fund in its April World Economic Outlook downgraded global growth projections to 3.6 percent for 2022 and 2023, 0.8 percentage points (pp) and 0.2 pp, respectively, lower than in January. The slowdown was primarily driven by the continuing conflict in Ukraine, which has caused widespread economic damage through sanctioned trade and stifled shipping routes, affecting the global supply of energy, food, and other essential commodities. The war, coupled with rising freight costs and supply chain disruptions, has pushed prices upward. In a bid to slow the inflation momentum, major central banks have already moved towards tightening their monetary policy stance.

The prolonged supply compression ensuing from the Ukraine crisis has pushed up international commodity prices. Sanctions on Russian energy exports, in particular, have reduced supplies and is underpinning the surge in fuel prices, which reached US\$107.90 per barrel at the end of March. Among other aspects, the war, primarily, has interrupted vegetable oil, cereal, other food varieties and fertiliser supplies, pushing global food prices¹ to an all-time high in March.

In spite of these developments, the domestic economy is expected to gain momentum in the coming months as tourism and related service industries continue to recover amidst the further easing of global travel restrictions. Tourist arrival numbers totalled 72,132 between December 2021 and March of this year, with

21,390 visitors registered in March alone, the majority being Australians. In line with this upswing, other sectoral performances have generally been positive in the year to March, with mineral water (16.8%), mahogany (150.2%), sawn timber (70.1%), and electricity (10.5%) productions all reporting positive results, while wood supply (-60.8%), woodchips (-62.7%), and gold (-42.7%) output noted declines. In the same period, consumption indicators were largely favourable, aided by increases in tax collections such as net (25.1%) Value-Added Tax (VAT), supported by domestic (2.5%) and customs import (26.3%) VAT. Additionally, total vehicle registrations (9.9%), electricity consumption (7.9%), and new loans for consumption purposes (69.3%) showed positive results in the same period. On the other hand, investment spending remained relatively subdued, underpinned by a fall in domestic cement production (-10.4%) and sales (-10.3%) in the year to March, which is also consistent with the drop in the number of building permits² (-22.1%) approved in 2021. Additionally, new loans for building and construction purposes fell (-17.2%) during the review period although that was offset to some extent by the increase in lending to the real estate sector (124.5%) The rise in building material prices (4.8%), along with investors' cautionary strategy ahead of the General Elections, is projected to constrain investment activity in the coming months.

Labour market conditions have been continuously improving, with new jobs advertised³ increasing (168.1% to 1,742 jobs) in

¹Global food prices are measured using the Food and Agriculture Organisation (FAO) Food Price Index which averaged 159.3 points in March.

²A forward-looking indicator for construction activity.

³Recruitment intentions are measured by the RBF Job Advertisements Survey that is conducted every month.

the year to March, owing to improved recruitment intentions across all industries, but particularly higher for the tourism and service-related sectors. Notably, the number of job opportunities in the month of March 2022 (1,021 jobs) was the highest since March 2020, bolstered by higher recruitment intentions in the Western Division.

Positive momentum in the domestic economy has bode well for the financial sector. Concomitantly, lending to the private sector increased (1.4%) annually in March, driven by increased lending to private sector business entities by commercial banks and the Fiji Development Bank, mostly through targeted lending facilities accessed via the Reserve Bank of Fiji (RBF). In the first three months of this year, the drawdown of new loans from commercial banks totalled \$716.9 million, much higher than the \$501.3 million in the same period last year. As a result of these special lending facilities, as well as higher reserves and other injections, liquidity conditions remained buoyant at \$2,077.1 million as of April 29, placing downward pressure on lending rates as commercial banks' cost of funds hovers near historical lows.

In terms of currency rates, in the year to March, the Fijian dollar (FJD) strengthened against the Japanese yen (JPY) (8.2%), the US dollar (USD) (2.3%), and the Euro (2.2%) but fell against the Australian dollar (AUD) (-2.5%) and the New Zealand dollar (NZD) (-2.2%). On an annual basis, the FJD gained by 9.3 percent against the JPY, 4.0 percent against the Euro, and 0.1 percent against the AUD, but fell against the USD (-1.0%) and the NZD (-0.8%).

As a result, the nominal effective exchange rate (NEER)⁴ increased over the month (0.3%) but decreased over the year in March (-0.2%).

⁴The NEER is the sum of the indices of each trading partner country's currency against the Fiji dollar, adjusted by their respective weights in the basket. This index measures the overall movement of the Fiji dollar against the basket of currencies. An increase in this index indicates a slight appreciation of the Fiji dollar against the basket of currencies and vice versa.

Similarly, the real effective exchange rate (REER)⁵ was higher over the month (0.6%) but lower over the year in the review period (-0.4%), indicating an annual increase in Fiji's international competitiveness due to relatively lower domestic prices compared to key trading partners.

Fiji's trade deficit (excluding aircraft) widened annually (74.2%) in January 2022, owing to a particularly large increase in imports relative to exports. Specifically, total imports (excluding aircraft) surged (46.2%), driven by higher imports in all categories of merchandise goods, except manufactured goods and other commodities. Going forward, the import bill is expected to increase further as a result of higher import prices and strengthening domestic demand. Likewise, total exports (excluding aircraft) also grew (4.4%), but at a slower pace, due mostly to increases in re-exports of transport equipment (excluding aircraft) and mineral fuels, lubricants, and associated materials.

On a positive note, inward personal remittances increased (5.7%) to \$205.4 million in the year to March, of which \$63.0 million was received via mobile network operators. The increasing demand for Fiji's labour under the seasonal worker schemes is expected to augur well for inward remittances going forward.

The annual headline inflation rose to 4.7 percent in March, up from 1.9 percent in February, primarily due to rising food, fuel and other related goods. Imported inflation contributed 3.0pp to headline inflation in March, as volatile global developments, as well as the transmission of rising international commodity prices, continue to have an effect on domestic prices. Food⁶ prices, for instance, increased by an annual 7.8 percent in March, one of the major driving forces of overall inflation. Given these

⁵The 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 Fiji dollar 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.

⁶The food category accounts for 33.7 percent of the Consumer Price Index basket.

developments, headline inflation is expected to reach 5.0 percent by the end of 2022, from the 4.5 percent earlier projected, before moderating to 3.1 percent in 2023 and 2.4 percent in 2024.

Furthermore, as an import-dependent nation, increasing import payments due to soaring global commodity prices and a resurgence in local demand would result in considerable outflows of foreign reserves, more so with the expected continual rise in fuel and food prices. Nevertheless, at this stage, foreign reserves are projected to remain comfortable in the near term, boosted by the rebound in tourism and related activities, stronger inward remittances, and Government loan drawdowns. Foreign reserves stood at \$3,055.6 million as of April 29, enough to sustain 8.5 months of retained imports.

The RBF held an accommodative monetary policy stance in March with the Overnight Policy Rate kept unchanged at 0.25 percent which was warranted by the still stable outlook for foreign reserves and inflation and also in support of Fiji's current budding economic recovery.

RESERVE BANK OF FIJI

FIJI: ECONOMIC & FINANCIAL STATISTICS

KEY INDICATORS

1. Sectoral Performance Indicators

(year-on-year % change)

	Mar-21	Dec-21	Jan-22	Feb-22	Mar-22
Visitor Arrivals	-96.1	-78.5	1,532.2	1,116.4	1,058.1
Electricity Production	-13.4	-3.6	5.9	9.6	10.5
Gold Production	17.2	1.2	-53.6	-43.1	-42.7
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 logs	151.8	27.4	-91.4	-72.9	-60.8
Woodchip	92.7	36.8	-88.3	-73.4	-62.7
Sawn Timber	21.6	-3.5	61.3	35.0	70.1
Mahogany	-27.0	103.7	10,025.1	731.8	150.2
Cement Production	0.8	-18.6	-29.8	-20.6	-10.4

2. Consumption Indicators

(year-on-year % change)

Net VAT Collections	-27.8	-3.6	19.3	33.9	25.1
New Consumption Lending	-24.1	17.2	163.9	121.3	69.3
New Vehicle Registrations****	-17.2	19.1	4.4	17.2	21.8
Secondhand Vehicle Registrations****	122.2	71.2	-10.4	4.0	5.0
Personal Remittances ^{1/}	25.8	14.6	-4.0	3.9	5.7
Electricity Consumption	-11.6	-3.8	7.7	6.6	7.9

3. Investment Indicators

(year-on-year % change)

Domestic Cement Sales	-8.4	-20.1	-7.4	-8.1	-10.3
New Investment Lending	-25.8	33.6	179.3	149.0	77.7

4. Labour Market

(year-on-year % change)

RBF Job Advertisement Survey	-75.8	-30.6	98.2	153.9	168.1
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5. Consumer Prices *

(year-on-year % change)^{2/}

All Items	-1.2	3.0	2.7	1.9	4.7
Food and Non-Alcoholic Beverage	7.5	7.1	5.2	3.3	8.0
Alcoholic Beverages, Tobacco & Narcotics	-16.9	-6.2	-4.8	-3.3	1.7

6. Reserves ***

(end of period)

Foreign Reserves (\$m) ^{3/}	2,371.9	3,201.4	3,145.4	3,058.8	3,102.0
Months of retained imports of goods and non-factor services (MORI) ^{4/}	7.4	9.9	8.7	8.5	8.6

7. Exchange Rates ***

(mid rates, F\$1 equals)

(end of period)

US dollar	0.4828	0.4722	0.4620	0.4672	0.4781
Australian dollar	0.6358	0.6505	0.6610	0.6527	0.6364
New Zealand dollar	0.6911	0.6907	0.7047	0.7004	0.6853
Euro	0.4120	0.4170	0.4147	0.4190	0.4284
Japanese yen	53.28	54.34	53.25	53.83	58.25
Nominal Effective Exchange Rate	85.15	84.78	84.78	84.73	84.96
Real Effective Exchange Rate	97.98	97.20	99.59	97.00	97.57

8. Liquidity ***

(end of period)

Banks' Demand Deposits (\$m)	1,054.2	1,990.8	2,091.9	2,069.6	2,140.4
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9. Money and Credit ***

(year-on-year % change)

Broad Money	2.9	11.1	10.5	9.2	9.5
Net Foreign Assets	18.6	38.2	37.6	30.5	22.5
Domestic Credit	0.7	3.9	4.2	4.8	6.1
Private Sector Credit	-3.7	-0.1	0.2	0.8	1.4
Narrow Money	10.6	22.9	21.2	19.2	20.8

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.i	n.i	n.i	n.i	n.i
Lending Rate	6.06	5.77	5.72	5.67	5.62
Savings Deposit Rate	0.54	0.42	0.44	0.43	0.42
Time Deposit Rate	2.94	1.99	1.92	1.79	1.72
3 month Government T-Bills	0.99	n.i	0.06	0.06	0.05
12 month Government T-Bills	1.70	0.13	0.13	0.13	0.13
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	n.i	3.95	3.95	3.95	n.i

11. Commodity Prices (US\$) **

(end of period)

UK Gold Price/fine ounce	1,715.6	1,828.6	1,796.4	1,900.7	1,954.0
C\$CE No. 11 Sugar Spot Price/Global (US cents/pound)	14.8	18.9	18.2	17.7	19.5
Crude Oil/barrel	63.5	77.8	91.2	101.0	107.9
FAO Food prices index	119.2	133.7	135.6	141.4	159.3

^{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