



The inclusion of news items in this review does not imply endorsement of the accuracy of the information nor agreement with views expressed.

Vol. 39

No. 07

Month Ended July 2022

The International Monetary Fund (IMF) in its July World Economic Outlook (WEO) lowered global growth projections to 3.2 percent for 2022 and 2.9 percent for 2023, a downgrade of 0.4 percentage points (pp) and 0.7pp, respectively, from the April WEO. This was on account of the slowdown in growth faced by the world's three largest economies—the United States (US), China, and the Euro area from the materialisation of downside risks highlighted in April. With the global economy already weakened by the pandemic and still coping with extreme weather patterns, further shocks from the higher-than-expected inflation have sparked tighter financial conditions. Moreover, pandemic-related disruptions in China have renewed supply chain bottlenecks and the additional negative spillovers from the Ukraine war have placed the world's economic outlook in a bleak and uncertain position. In response, the IMF emphasised the need for countries to manage inflation, target fiscal assistance to the needy, make sensible use of macroprudential tools and undertake vital reforms for public debt management. The IMF also called for progress on vaccination rates to protect against future variants as well as multilateral action for reducing carbon emissions and hastening the transition to a green economy.

Commodity prices generally fell in June but remained higher compared to a year ago. At the end of June, the value of gold dwindled to US\$1,807.30 per fine ounce underpinned by a stronger US dollar (USD) and aggressive rate hikes by major central banks. In the same month, the Brent crude oil price fell to US\$114.81 per barrel on the back of mounting fears of a global recession which dampened global energy demand. In turn, slower global economic growth reduced demand for sugar, vegetable oils, and cereals, and placed downward pressure on overall food prices in June, as noted in the FAO food price index.<sup>1</sup>

In contrast to the global economy, the rebound in tourism is supporting the current domestic economic recovery. Cumulative to June, tourist arrivals totalled 205,529; representing around 50 percent of visitor arrivals in the same period in 2019. Majority of the tourists were from Australia, New Zealand and the US. Other sectoral outputs have noted mixed movements and in the first half of the year, sugar, electricity, cement, mahogany, and sawn timber production recorded annual growth while gold and woodchip production fell.

Aggregate demand has picked up supported by improvement in consumption activity as denoted by partial indicators. In the year to June, collections for Pay As You Earn (PAYE) (12.3%) and Net Value Added Tax (61.0%) along with total vehicle registrations (44.0%) grew. This corroborated with the annual growth in commercial banks' new lending for consumption purposes (58.4%) over the same period.

Similarly, construction-led investment spending is recuperating but remains subdued relative to 2019 levels. Domestic cement sales and new lending for investment purposes rose cumulatively in the first six months. March quarter construction activity indicators point towards a rebound in activity as the number of building permits, completion certificates issued and value of work put-in-place increased both over the quarter and year. However, the impending general elections, rising costs and supply chain bottlenecks are likely to delay planned construction activities till next year.

In sync with the recovery in aggregate demand, improved conditions were noted in the labour market. Recruitment intentions remained high in the first half of the year as the number of job advertisements as per the RBF's Survey rose (194.1%, to 3,833 vacancies), mainly driven by tourism-related sectors. The higher PAYE

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

collections and the increase in formal employment, as per the Fiji National Provident Fund data validate the jobs survey results.

In the review period, a broadly low interest rate environment persisted as liquidity levels in the banking system remained high (\$2,585.4 m as at 29 July) largely on account of higher foreign reserves inflows and uptake in the level of RBF's special lending facilities. Private sector credit growth improved further to 3.0 percent in June as commercial banks' continued to lend to business entities and households.

On exchange rate developments, the Fijian dollar (FJD) strengthened against all its basket currencies<sup>2</sup> over the month in June with the exception of the USD (-2.9%). Similarly, over the year, the FJD gained against the Japanese yen (15.5%), Euro dollar (6.6%), New Zealand dollar (5.0%) and Australian dollar (2.1%) but lost ground to the USD (-6.5%). Consequently, the nominal effective exchange rate (NEER)<sup>3</sup> was higher over the month (0.1%) but lower over the year (-0.4%). The real effective exchange (REER)<sup>4</sup> rate was also higher over the month (1.4%) but lower over the year (-0.7%) denoting an annual gain in competitiveness on account of lower domestic prices relative to major trading partners, particularly the US.

On the external front, Fiji's trade position deteriorated further as the trade deficit (excluding aircraft) widened (61.4%) cumulative to April with the growth in imports (37.8%) outpacing a moderate expansion in exports (4.4%). The substantial increase in imports was largely driven by the mineral fuel, machinery & transport equipment and food & live animals categories.

Cumulative to May, inward remittances rose by 16.7 percent to \$387.6 million, supported mainly by higher inflows via money transfer operators and mobile network operators.

Inflationary pressures persisted in June with headline inflation reaching 5.1 percent primarily driven by higher food and energy prices. Excluding food and

fuel prices, underlying inflation remained high at 4.5 percent indicating the second-round effects of high energy prices. Evidently, inflation dynamics continued to be influenced by higher imported inflation (10.7%) relative to a domestic inflation rate of 3.7 percent.

Foreign reserves are currently \$3,595.0 million (29/07), sufficient to cover 8.4 months of retained imports.

## **RESERVE BANK OF FIJI**

---

<sup>2</sup> Japanese Yen (JPY) (4.0%), New Zealand Dollar (NZD) (2.3%), Australian dollar (AUD) (1.6%) and EURO (0.3%).

<sup>3</sup> 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.

<sup>4</sup> 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 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.

**KEY INDICATORS**

**1. Sectoral Performance Indicators**

(year-on-year % change)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
Visitor Arrivals	-95.9	1,058.1	1,798.1	2,538.0	3,464.5
Electricity Production	-7.2	10.5	10.2	12.7	13.6
Gold Production	11.8	-42.7	-39.8	-37.1	-33.9
Cane Production <sup>^</sup>	n.a	n.a	n.a	n.a	n.a
Sugar Production <sup>^</sup>	n.a	n.a	n.a	n.a	n.a
Pinewood logs	128.0	-60.8	-59.7	-48.7	-43.9
Woodchip	90.9	-62.7	-61.7	-50.4	-44.4
Sawn Timber	32.2	-29.6	-27.0	-11.5	18.7
Mahogany	91.3	150.2	75.9	77.8	61.3
Cement Production	-33.9	-10.4	5.5	32.7	52.0

**2. Consumption Indicators**

(year-on-year % change)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
Net VAT Collections	-18.2	25.1	29.2	50.6	61.0
New Consumption Lending	-8.6	68.4	73.4	64.5	58.4
New Vehicle Registrations****	-8.0	21.8	18.5	45.7	47.8
Secondhand Vehicle Registrations****	120.4	5.0	5.3	34.0	42.3
Personal Remittances <sup>1/</sup>	24.5	5.7	9.3	16.7	n.a
Electricity Consumption	-6.2	7.9	9.7	12.0	13.2

**3. Investment Indicators**

(year-on-year % change)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
Domestic Cement Sales	-38.4	-10.3	-1.0	25.3	43.5
New Investment Lending	-17.9	77.0	66.4	89.2	85.4

**4. Labour Market**

(year-on-year % change)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
RBF Job Advertisement Survey	-63.0	168.1	149.8	168.3	194.1

**5. Consumer Prices.\***

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

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
All Items	0.0	4.7	4.7	5.0	5.1
Food and Non-Alcoholic Beverage	8.3	8.0	7.1	3.6	3.3
Alcoholic Beverages, Tobacco & Narcotics	-17.2	1.7	5.1	3.9	3.4

**6. Reserves \*\*\***

(end of period)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
Foreign Reserves (\$m) <sup>3/</sup>	3,172.6	3,102.2	3,052.5	3,023.9	3,412.6
Months of retained imports of goods and non-factor services (M)	8.9	7.2	7.1	7.0	7.9

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

(mid rates, F\$1 equals)

(end of period)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
US dollar	0.4816	0.4781	0.4597	0.4637	0.4503
Australian dollar	0.6410	0.6364	0.6473	0.6441	0.6542
New Zealand dollar	0.6887	0.6853	0.7084	0.7069	0.7234
Euro	0.4046	0.4284	0.4376	0.4301	0.4312
Japanese yen	53.25	58.25	60.13	59.14	61.52
Nominal Effective Exchange Rate	85.12	84.96	85.01	84.76	84.80
Real Effective Exchange Rate	98.43	96.38	96.47	96.32	97.70

**8. Liquidity \*\*\***

(end of period)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
Banks' Demand Deposits (\$m)	1,668.5	2,140.4	2,077.1	2,064.3	2,402.5

**9. Money and Credit \*\*\*\***

(year-on-year % change)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
Broad Money	10.0	9.6	10.0	8.8	4.4
Net Foreign Assets	56.4	22.5	22.5	5.7	2.5
Domestic Credit	-0.6	6.1	6.5	9.2	6.6
Private Sector Credit	-2.9	1.4	2.3	2.5	3.0
Narrow Money	20.5	20.8	21.3	18.4	12.0

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

(monthly weighted average)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
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	5.96	5.62	5.57	5.50	5.45
Savings Deposit Rate	0.56	0.42	0.41	0.42	0.39
Time Deposit Rate	2.64	1.72	1.68	1.62	1.58
3 month Government T-Bills	0.67	0.05	0.05	n.i	0.04
12 month Government T-Bills	1.30	0.13	n.i	0.14	0.15
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i

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

(end of period)

	Jun-21	Mar-22	Apr-22	May-22	Jun-22
UK Gold Price/fine ounce	1,771.6	1,954.0	1,911.7	1,848.4	1,807.3
CSCC No. 11 Sugar Spot Price/Global (US cents/pound)	17.9	19.5	19.2	19.4	18.5
Crude Oil/barrel	75.1	107.9	109.3	122.8	114.8
FAO Food prices index	125.3	159.7	158.4	157.9	154.2

<sup>1/</sup> Personal Remittances are inclusive of international mobile money receipts.

<sup>2/</sup> 2014 rebased. 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 June 2022.

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