



ECONOMIC REVIEW

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Global growth prospects have deteriorated rapidly in recent months due to rising geopolitical tensions, economic slowdown observed in major economies, particularly the United States (US), Europe, and China, and increasing inflation, which has resulted in most countries tightening monetary and financial conditions. The International Monetary Fund and World Bank have also stated that global recession is possible. In addition, partial indicators for major countries point towards a slowdown, with the US economy already in a “technical recession” and China registering a quarterly contraction in June.

Monitored commodity prices remain high annually but have declined over July amid rate hikes and anticipation of a potential global recession. Brent Crude oil prices fell to US\$110 per barrel at the end of July following weak Chinese economic data and fears of a global slowdown dampening energy demand. Over the same period, gold prices continued to fall as rate hikes weakened the appeal of the precious metal, while lower ethanol prices prompted mills to divert more cane into sugar production, leading to a drop in sugar prices. Food prices¹ fell for the fourth consecutive month in July due to significant reductions in vegetable oil and cereal prices. In addition, sunflower oil and wheat exports from Ukraine have resumed, which should help further reduce food prices.

Domestically, the economic recovery has gained momentum, supported by a strong rebound in the tourism industry and generally positive sectoral

performances. In the year to July, 284,167 visitors arrived in Fiji, representing 56.4 percent of arrivals in the same period in 2019, with July alone bringing in 78,638 visitors (81.6% of July 2019). In July, average revenue per available room remained above the comparable period in 2019, with occupancy rates at similar levels. In sectoral performances, sugar, sawn timber, mineral water, electricity and mahogany production noted annual gains, while gold and woodchip production fell.

Domestic demand continues to rise, sustained by higher consumption and investment spending. Partial indicators of consumer spending such as net Value Added Tax (VAT), new consumption lending and total vehicle registrations grew in the year to July. Similarly, indicators for investment activity, including domestic cement sales and lending to the real estate sector, noted annual gains. Building permits issued, a forward-looking indicator for construction activity, expanded in the first quarter, suggesting an uptick in building activity in the near term. Nonetheless, election uncertainty and high building material prices remain a downside risk to investment activity.

Labour market conditions improved in tandem with the recovery in domestic economic activity. The number of advertised jobs increased significantly annually (+226.1%) and monthly (+55.3%) in July. Recruitment intentions increased across all sectors except for mining & quarrying. Furthermore, the general uptake in employment across major sectors as per Fiji

¹ As per the Food and Agriculture Organisation’s (FAO) Food Price Index.

National Provident Fund data and growth in Pay As You Earn (PAYE) tax collection (13.2%) cumulative to July, indicate a rise in formal sector employment.

Financial conditions remain accommodative and supportive of growth. Net domestic credit grew by 6.4 percent in July, underpinned by growth in private sector credit (+3.9%). Commercial banks' new lending grew significantly cumulative to July (+55.2%), led by lending to tourism-related sectors. High banking system liquidity (\$2,527.0m as of 31 August), mainly driven by high foreign reserves, has helped keep interest rates low.

On exchange rate developments, over the month, the Fijian dollar (FJD) strengthened against the United States dollar (USD) (+0.7%) and the Euro (+3.2%) but weakened against the Japanese Yen (-1.1%), the Australian (AUD) (-0.8%) and New Zealand dollars (NZD) (-0.4%). However, on an annual basis, the FJD gained against all trading partner currencies except the USD (-5.5%).

Consequently, the nominal effective exchange rate (NEER)² was lower over the month (-0.1%) and year (-0.2%), noting a deterioration in the FJD. The real effective exchange (REER)³ rate was higher over the month (+0.9%) but remained lower over the year (-0.6%), the latter denoting a gain in competitiveness on account of lower domestic prices relative to major trading

partners, particularly the US.

On the external front, Fiji's trade deficit (excluding aircraft) widened substantially in the year to May, led by a significant expansion in imports (+47.3%) against a slower growth in exports (+4.2%). Cumulative to July, inward remittances increased by 22.3 percent to \$574.3 million, driven by high growth in mobile money inflows. Due to the high demand for Fijian workers abroad, remittances are projected to remain stable in the short term.

Inflationary pressures continue to be influenced by imported inflation (+12.3%) relative to domestic inflation (+3.6%). The headline inflation rate rose to 5.2 percent in July due to higher food and energy prices.

Foreign reserves remained comfortable at \$3,545.6 million (8.3 months of retained imports) on 31 August, sustained by high tourism receipts and personal remittances inflows. Foreign reserves are expected to remain adequate in the near to medium term.

In assessing the latest global and domestic developments, and status of foreign reserves and inflation, the RBF kept the Overnight Policy Rate unchanged at 0.25 percent in August to support economic recovery.

RESERVE BANK OF FIJI

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 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.

FIJI: ECONOMIC & FINANCIAL STATISTICS

KEY INDICATORS

1. Sectoral Performance Indicators

(year-on-year % change)

	Jul-21	Apr-22	May-22	Jun-22	Jul-22
Visitor Arrivals	-95.6	1,798.1	2,538.0	3,464.5	4,470.1
Electricity Production	-6.3	10.2	12.7	13.6	14.6
Gold Production	12.8	-39.8	-37.1	-33.9	-32.3
Cane Production ^Λ	-18.2	n.a	n.a	n.a	-2.5
Sugar Production ^Λ	-15.4	n.a	n.a	n.a	0.5
Pinewood logs	124.6	-59.7	-48.7	-43.9	-42.7
Woodchip	95.7	-61.7	-50.4	-44.4	-42.4
Sawn Timber	36.5	-27.0	-11.5	18.7	44.8
Mahogany	92.7	75.9	77.8	61.3	46.8
Cement Production	-35.8	5.5	32.7	52.0	55.8

2. Consumption Indicators

(year-on-year % change)

Net VAT Collections	-16.7	29.2	50.6	61.0	69.1
New Consumption Lending	-3.0	73.4	64.5	58.4	58.8
New Vehicle Registrations****	-7.0	18.5	45.7	47.8	50.7
Secondhand Vehicle Registrations****	114.7	5.3	34.0	42.3	44.3
Personal Remittances ^{1/}	22.3	9.3	16.7	19.7	22.3
Electricity Consumption	-6.3	9.7	12.0	13.2	15.0

3. Investment Indicators

(year-on-year % change)

Domestic Cement Sales	-38.9	-1.0	25.3	43.5	45.1
New Investment Lending	11.6	66.4	89.4	85.4	33.8

4. Labour Market

(year-on-year % change)

RBF Job Advertisement Survey	-60.7	149.8	168.3	194.1	226.1
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5. Consumer Prices *

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

All Items	-0.4	4.7	5.0	5.1	5.2
Food and Non-Alcoholic Beverage	5.4	7.1	3.6	3.3	4.7
Alcoholic Beverages, Tobacco & Narcotics	-15.0	5.1	3.9	3.4	-0.6

6. Reserves ***

(end of period)

Foreign Reserves (\$m) ^{3/}	3,113.7	3,052.5	3,023.9	3,412.6	3,596.0
Months of retained imports of goods and non-factor services (MORI) ^{4/}	8.8	7.1	7.0	7.9	8.4

7. Exchange Rates ***

(mid rates, F\$1 equals)

(end of period)

US dollar	0.4798	0.4597	0.4637	0.4503	0.4534
Australian dollar	0.6486	0.6473	0.6441	0.6542	0.6487
New Zealand dollar	0.6844	0.7084	0.7069	0.7234	0.7204
Euro	0.4035	0.4376	0.4301	0.4312	0.4449
Japanese yen	52.51	60.13	59.14	61.52	60.87
Nominal Effective Exchange Rate	84.95	85.01	84.76	84.80	84.75
Real Effective Exchange Rate	98.22	96.47	96.32	96.78	97.60

8. Liquidity ***

(end of period)

Banks' Demand Deposits (\$m)	1,548.4	2,077.1	2,064.3	2,402.5	2,585.4
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9. Money and Credit ***

(year-on-year % change)

Broad Money	9.9	10.0	8.8	4.4	6.4
Net Foreign Assets	60.7	22.5	5.7	2.5	8.8
Domestic Credit	-1.6	6.5	9.2	6.6	6.4
Private Sector Credit	-2.1	2.3	2.5	3.0	3.9
Narrow Money	19.9	21.3	18.4	12.0	14.8

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	5.92	5.57	5.50	5.45	5.40
Savings Deposit Rate	0.56	0.41	0.42	0.39	0.39
Time Deposit Rate	2.55	1.68	1.62	1.58	1.52
3 month Government T-Bills	0.54	0.05	n.i	0.04	n.i
12 month Government T-Bills	2.95	n.i	0.14	0.15	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	n.i	n.i	n.i

11. Commodity Prices (US\$) **

(end of period)

UK Gold Price/fine ounce	1,817.2	1,911.7	1,848.4	1,807.3	1,781.8
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	17.9	19.2	19.4	18.5	17.5
Crude Oil/barrel	76.3	109.3	122.8	114.8	110.0
FAO Food prices index	124.6	158.4	157.9	154.3	140.9

AFSC data as at week ending 08 August - 2022

^{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 June 2022.

Note:

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

Sources:

*	Fiji Bureau of Statistics
**	Bloomberg
***	Reserve Bank of Fiji
****	Land Transport Authority
Λ	Fiji Sugar Corporation