



ECONOMIC REVIEW

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. 11

Month Ended November 2022

The global economy is facing multiple headwinds in the form of geopolitical tensions, higher commodity prices, China's zero-COVID policy and persistently high inflation. Major economies have resorted to tightening monetary policy to restrain elevated inflationary pressures, which have further exacerbated the likelihood of a global recession.

Commodity prices continued to remain elevated at the end of October. The Brent crude oil price increased to US\$94.83 per barrel from US\$87.96 per barrel a month ago due to production cuts by major producers. Similarly, the price of sugar marginally rose to US17.97 cents per pound from US17.68 cents per pound recorded a month ago, as higher global crude oil prices prompted Brazil's sugar mills to divert more cane towards ethanol production rather than sugar. However, strengthening demand for the United States (US) dollar led to a drop in gold prices to US\$1,640.70 per fine ounce from US\$1,672.00 per fine ounce in the previous month. The Food and Agriculture Organisation's food price index declined marginally by 0.1 percent in October from a month ago due to the lower vegetable oil prices but was 2.0 percent higher than a year ago.

Domestic economic activity continues to be resilient against global headwinds supported by the impressive performance in the tourism industry and other service related sectors. In the year to October, visitor arrivals totalled 497,086, reaching 66.1 percent of the comparable period in 2019.

Sectoral performance were also generally upbeat in the year to October. Annual gains were noted for electricity (16.1%), sawn timber (41.0%), mahogany (17.5%), and cane (6.7%) and sugar

(9.7%) production. However, production of pine logs (-37.5%) and woodchip (-41.0%) fell as more logs were diverted to the higher value sawn timber production. Similarly, gold production contracted annually (-29.6%) owing to low-quality ore.

Domestic demand continues to strengthen as revealed by partial consumption and investment indicators in the year to October. New consumption lending (44.3%) and higher inward remittances (21.7%) continue to fuel consumption spending. Higher collections were recorded for net Value Added Tax (88.3%) and Pay As You Earn (14.8%). Partial indicators for investment, such as domestic cement sales (26.5%) and new investment lending (20.4%) also noted annual gains, but were relatively muted due to higher construction costs and election-related uncertainties.

Demand for labour continues to pick up. Cumulative to October, the number of jobs advertised expanded annually (164.3%) to 10,651 vacancies. Similarly, formal sector employment in September returned to 94.1 percent of the same period in 2019.

Financial sector remains supportive of economic recovery. In October, broad money expanded by 7.3 percent while private sector credit grew annually (5.7%) for the tenth consecutive month, supported by commercial banks' lending to business entities and households. High banking system liquidity (\$2,476.4m as at 28/11) has kept interest rates around historical lows.

On exchange rate developments, over the month of October, the Fijian dollar (FJD) strengthened against the Japanese Yen (JPY) (2.1%) and the

Australian dollar (AUD) (1.3%) but weakened against the Euro (-1.6%), New Zealand dollar (NZD) (-1.6%) and the USD (-0.2%). However, annually, the FJD strengthened against the JPY (15.9%), NZD (10.7%), AUD (5.1%) and the Euro (4.7%) but weakened against the USD (-10.9%).

Consequently, the nominal effective exchange rate (NEER)¹ fell over the month (-0.05%) and year (-0.3%) in October. Similarly, the real effective exchange rate (REER)² fell both over the month and year by 0.8 percent, denoting a gain in competitiveness on account of lower domestic prices relative to the US.

The annual headline inflation rate in October stood at 5.4 percent, slightly higher than the 5.1 percent recorded in September.

The higher annual prices were driven primarily by imported food and fuel prices. On the brighter side, monthly consumer prices fell in October by 0.6 percent led by lower prices for food & non-alcoholic beverages and transport.

Foreign reserves remained adequate at \$3,430.8 million on 30 November 2022, sufficient to cover 6.9 months of retained imports of goods and services.

The RBF kept the Overnight Policy Rate at 0.25 percent in November to support the ongoing economic recovery as the outlook for inflation and foreign reserves remained within the comfortable range.

RESERVE BANK OF FIJI

¹ 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.

² 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.

FIJI: ECONOMIC & FINANCIAL STATISTICS

KEY INDICATORS

	Oct-21	Jul-22	Aug-22	Sep-22	Oct-22
1. Sectoral Performance Indicators (year-on-year % change)					
Visitor Arrivals	-94.7	4,470.1	5,237.9	5,915.7	6,376.7
Electricity Production	-6.3	14.6	16.5	16.8	16.1
Gold Production	9.6	-32.3	-30.1	-30.4	-29.6
Cane Production [^]	-3.0	0.2	-3.7	2.6	6.7
Sugar Production [^]	2.7	3.0	-2.6	6.9	9.7
Pinewood logs	41.9	-42.7	-38.0	-35.8	-37.5
Woodchip	43.1	-42.4	-38.7	-38.9	-41.0
Sawn Timber	-5.0	44.8	44.9	48.1	41.0
Mahogany	102.9	46.8	33.3	29.9	17.5
Cement Production	-30.4	55.8	41.7	35.2	28.0
2. Consumption Indicators (year-on-year % change)					
Net VAT Collections	-8.9	69.1	84.9	87.1	88.3
New Consumption Lending	6.5	58.8	60.2	55.8	44.3
New Vehicle Registrations****	4.8	50.7	46.9	52.6	40.1
Secondhand Vehicle Registrations****	86.7	44.3	42.0	35.8	26.6
Personal Remittances ^{1/}	18.2	22.6	24.5	25.5	21.7
Electricity Consumption	-6.1	15.0	17.0	17.2	16.9
3. Investment Indicators (year-on-year % change)					
Domestic Cement Sales	-26.8	45.1	39.3	33.2	26.5
New Investment Lending	32.1	33.8	37.1	31.3	20.4
4. Labour Market (year-on-year % change)					
RBF Job Advertisement Survey	-44.6	226.1	212.4	186.1	164.3
5. Consumer Prices * (year-on-year % change) ^{2/}					
All Items	1.1	5.2	5.9	5.1	5.4
Food and Non-Alcoholic Beverage	5.3	4.7	6.9	6.0	9.1
Alcoholic Beverages, Tobacco & Narcotics	-9.7	-0.6	-3.1	-2.0	-4.4
6. Reserves *** (end of period)					
Foreign Reserves (\$m) ^{3/}	3,069.2	3,596.0	3,538.5	3,543.6	3,557.4
Months of retained imports of goods and non-factor services (MORI) ^{4/}	9.3	7.3	7.2	7.2	7.2
7. Exchange Rates *** (mid rates, FS1 equals) (end of period)					
US dollar	0.4845	0.4534	0.4473	0.4324	0.4317
Australian dollar	0.6422	0.6487	0.6523	0.6662	0.6747
New Zealand dollar	0.6730	0.7204	0.7295	0.7565	0.7447
Euro	0.4147	0.4449	0.4463	0.4410	0.4340
Japanese yen	55.04	60.87	62.09	62.49	63.81
Nominal Effective Exchange Rate	84.99	84.75	84.79	84.75	84.71
Real Effective Exchange Rate	96.94	97.34	98.91	96.93	96.15
8. Liquidity *** (end of period)					
Banks' Demand Deposits (\$m)	1,669.4	2,585.4	2,527.0	2,584.1	2,562.2
9. Money and Credit *** (year-on-year % change)					
Broad Money	8.2	6.4	4.5	6.7	7.3
Net Foreign Assets	28.6	8.8	10.3	14.4	19.9
Domestic Credit	2.5	6.3	5.1	6.2	5.3
Private Sector Credit	-1.0	3.7	4.6	5.5	5.7
Narrow Money	8.2	6.4	4.5	6.7	7.3
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	5.88	5.40	5.34	5.27	5.27
Savings Deposit Rate	0.49	0.39	0.39	0.40	0.39
Time Deposit Rate	2.18	1.52	1.46	1.42	1.34
3 month Government T-Bills	0.17	n.i	0.03	0.03	n.i
12 month Government T-Bills	0.49	n.i	0.15	0.14	n.i
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	4.00	n.i	n.i	n.i	n.i
11. Commodity Prices (US\$) ** (end of period)					
UK Gold Price/fine ounce	1,783.9	1,781.8	1,726.2	1,672.0	1,640.7
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	19.3	17.5	18.1	17.7	18.0
Crude Oil/barrel	84.4	110.0	96.5	88.0	94.8
FAO Food prices index	133.2	140.6	137.6	136.0	135.9

^{1/} Personal Remittances are inclusive of international mobile money receipts.^{2/} 2014 rebased. 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 October 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



Global Economy



- The global economy is facing multiple headwinds.
- Major economies have resorted to tightening monetary policy to restrain elevated inflationary pressures, which have further exacerbated the likelihood of a global recession.

Commodity Prices



- Commodity prices continue to remain elevated.
- The Brent crude oil price increased to **US\$94.83** per barrel at the end of October from **US\$87.96** per barrel a month ago.
- Brent crude oil price as at 25 November stands at **US\$83.63** per barrel.

Domestic Economy



- Domestic economic activity continues to be resilient against global headwinds supported by the impressive rebound in tourism.
- Consumption spending remains robust, supported by higher disposable income and remittances.
- Investment spending has also picked up, albeit at a slower pace due to high construction costs and election-related uncertainty.

Labour Market



- Jobs advertised were higher by **164.3 percent** in the year to October.
- Recruitment intentions were highest in the tourism-related sectors.
- In September, formal sector employment returned to **94.1 percent** of the comparable period in 2019.

Financial Sector



- Financial sector remains supportive of economic recovery.
- Private sector credit grew for the tenth straight month in October (**5.7%**).

Liquidity and Interest Rates



- Liquidity as at 28 November stands at **\$2,476.4 million**.
- Lending rates are around historical lows.

External Trade



- Trade deficit widened in the year to August.
- The growth in imports (**51.1%**) continues to outpace that of exports (**24.6%**).

Exchange Rate Developments



- The FJD strengthened against the JPY and the AUD but weakened against the EUR, NZD and USD in October from the previous month.

Inflation



- Headline inflation was **5.4%** in October.
- Driven mostly by food and fuel prices.
- Imported inflation was **8.8 percent** while domestic inflation was **3.3 percent**.

Foreign Reserves



- Foreign reserves were **\$3,430.8 million** on 30 November.
- Adequate to cover **6.9** months of retained imports of goods and services

Monetary Policy



- Overnight Policy Rate kept unchanged at **0.25 percent** in November.

Risks



- Slowdown in the global economy.
- Continued geopolitical tensions.
- Persistently elevated inflation.
- Natural disasters and climate change.
- Election related uncertainties.