

Global Economy



- The IMF expects global growth to decelerate to 2.9% in 2023 before rebounding to 3.1% in 2024.
- Risks to the outlook remain tilted to the downside and include the possible escalation of Russia's war in Ukraine, the ongoing global fight against inflation and tighter global financial conditions.

Domestic Economy



- A total of 636,312 visitor arrivals was recorded in 2022, reaching 71.1% of 2019 levels.
- Consumption activity remained resilient supported by the growth in personal remittances which surpassed \$1 billion in 2022, higher consumption related lending and the recovery in incomes, proxied by higher Pay as You earn collections.
- Investment activity progressed moderately hampered by high building material costs and economic policy uncertainty.

Financial Sector



- Financial conditions continue to support economic recovery.
- Private sector credit grew (7.1%) to a 41-month high in December.

External Trade



- Trade deficit widened by 89.0% in the year to October.
- Growth in imports (59.3%) outpaced that of exports (23.7%).

Inflation



- Inflation moderated to 3.6 percent in December, undershooting the 5.0 percent forecast.
- Food and energy prices continue to remain the major drivers of inflation.
- Imported inflation accounted for two-thirds of the price movements (2.4pp) relative to domestic inflation (1.2pp).

Monetary Policy



- RBF kept the Overnight Policy Rate unchanged at 0.25% in December based on developments to date and the outlook for inflation and foreign reserves still within the comfortable range.

Global Commodity Prices



- Brent crude oil, sugar and gold prices recorded gains in December while food prices dropped.
- Brent crude oil prices rose to US\$85.91 per barrel at end- December.
- Food prices dipped to its lowest in December for the year 2022.

Labour Market



- Labour market conditions recorded a strong recovery in 2022.
- Vacancies advertised in 2022 rose by 140.1% annually, driven by higher recruitment intentions across most major sectors.
- Labour market conditions are expected to tighten in the coming months in line with increased domestic employment opportunities and migration.

Liquidity and Interest Rates



- Excess banking system liquidity has kept interest rates at historical lows.
- Liquidity as at 31 January stood at \$2.4 billion.

Exchange Rate Developments



- Over the month, the FJD strengthened against the USD but weakened against the JPY, Euro, NZD and AUD in December.

Foreign Reserves (FR)



- Foreign reserves remained comfortable at \$3.4 billion with 6.3 MORI as at 31 January.
- Held up by record inflow of higher tourism receipts, personal remittances, and government loan drawdowns.
- Near to medium term outlook remains comfortable.

Risks



- Ongoing Russian war in Ukraine.
- Persistently elevated global inflation is pressuring central banks to hike interest rates further.
- Spillovers of China re-opening.
- Natural disasters.