



## Global Economy



- The IMF downgraded the global growth forecast by 0.1 percentage points to 2.8% in 2023 and 3.0% in 2024.
- The downgrade reflects the tight monetary conditions amid persistently high inflation and rising geoeconomic fragmentation.

## Commodity Prices



- In March the prices of gold and sugar rose while Brent crude oil and global food prices declined.

## Domestic Economy



- Consumption activity remains upbeat supported by the growing consumption-related loans, inward remittances and employment opportunities.
- Investment activity continues to pick up with an increase in investment-related loans.

## Labour Market



- Labour market conditions continued to improve in the first quarter.
- Vacancies advertised rose by 27.5% noting higher recruitment intentions across the majority of the surveyed job categories.

## Financial Sector



- Financial conditions remain supportive of the economic recovery.
- Private sector credit growth (5.9%) held up net domestic credit.
- New lending by commercial banks grew in March.

## Liquidity and Interest Rates



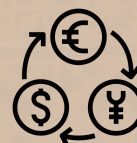
- Liquidity as of 28 April stands at \$2.3 billion.
- Interest rates have descended to historic low and continue to stimulate credit growth.

## External Trade



- Cumulative to February 2023, the trade deficit worsened by 4.1% led by a higher import payments relative to export receipts.
- Personal remittances grew by 31.4% cumulative to March led by personal transfers.

## Exchange Rate Developments



- The Fijian dollar strengthened against the Australian and the United States dollar but weakened against the Euro, Japanese Yen and the New Zealand dollar over the month in March.

## Inflation



- The annual inflation rate stood at 2.0% in March with imported inflation remaining the major contributor to the price movements (1.1pp) relative to domestic inflation (0.9pp).

## Foreign Reserves (FR)



- Foreign reserves remain comfortable at \$3.3 billion with 6.1 MORI as of 28 April and is projected to remain adequate in the near to medium term.

## Risks



- Several global headwinds exist including geoeconomic fragmentation, climate change, inflationary pressures and subsequent monetary policy tightening.
- Domestic risks include adverse weather conditions, increased labour migration and further disruption of utility supplies affecting business operations and productivity.

## Monetary Policy



- The RBF maintained its Overnight Policy Rate at 0.25% in April.



## 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.

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Recent global data indicate that economic fragilities are taking shape, and sticky inflation is keeping monetary policy restrictive, further denting growth prospects. As such, the International Monetary Fund, in its April World Economic Outlook (WEO), downgraded the global growth forecast for 2023 and 2024 by 0.1 percentage points to 2.8 percent and 3.0 percent, respectively. The downgrade reflects tight monetary conditions amid persistent high inflation, the recent financial sector woes, the ongoing war in Ukraine, and rising geo-economic fragmentation.

Commodity prices saw mixed movements over the month of March, which were influenced by a number of economic factors. Brent Crude Oil increased to US\$84.18 per barrel following an announcement in mid-March by the Organisation of Petroleum Exporting Countries to cut output further by 1.2 million barrels per day till the end of the year. However, by month-end, oil prices had fallen to US\$79.77. The Food and Agriculture Organisation Food Price Index fell by 20.5 percent from its March peak last year averaging 126.9 points in March 2023, marking the 12th consecutive month of decline. The price indices for wheat, vegetable oil, and dairy experienced large declines in March, while sugar and meat price indices rose. In anticipation that the United States (US) Federal Reserve would pause interest rate hikes, the price of gold rose at March-end as investors scurried for the safe-haven metal.

On the domestic front, tourism-related sectors continue to support the economy, given the significant increase in visitor arrivals cumulative to March. Other sectoral outputs noted mixed movements in the first quarter, while electricity production, a proxy for economic activity, rose

annually. The scheduled closure of mills for repairs and maintenance, and the lack of inventory due to bad weather limiting forest access, resulted in a decline in sawn timber, woodchips, and mahogany output. In addition, the low-quality gold-ore extraction saw a fall in the production of gold.

The labour market continued to show signs of improvement, evidenced by increases in the pick-up of job advertisements (implying higher labour demand), and Pay As You Earn collections denoting higher disposable income. However, the labour market remains tight with the increased general migration abroad and employment opportunities via the regional labour mobility schemes.

Developments in the labour market also supported higher consumption activity. Higher inward remittances, income levels, and new consumption lending by commercial banks continue to fuel the domestic consumption appetite shown by the increased net Value Added Tax collected in the review period.

However, due to policy-related uncertainties and the persistent higher cost of building materials, the rate of investment is anticipated to remain modest in the near future. Domestic cement sales slowed in March, implying softer construction activity. New investment lending, on the other hand, increased cumulative to March, underpinned by higher lending to both the real estate, and building and construction sectors.

Financial conditions remain conducive, enabling both economic recovery and expansion. Although liquidity levels have started to moderate, it remains high as of April 28, at \$2.3

billion, pushing the outstanding lending rate to a historic low.

In March, the Fijian dollar (FJD) strengthened against the Australian dollar (AUD) (0.9%) and the US dollar (USD) (0.4%) but weakened against the Euro dollar (-2.3%), Japanese Yen (JPY) (2.2%), and New Zealand dollar (NZD) (1.1%). Annually the FJD gained strength against the AUD (5.1%), NZD (4.6%), and JPY (2.2%) but weakened against the USD (-6.1%) and the Euro dollar (-3.9%).

Consequently, the nominal effective exchange rate (NEER)<sup>1</sup> fell over the month and year, while the real effective exchange rate (REER)<sup>2</sup> also weakened over the month and year denoting, an overall gain in competitiveness. The dip in the REER over the month mirrored lower prices relative to all trading partner economies, while the annual fall reflected lower prices relative to the US, Australia, NZ, and the Euro Area.

In the year to February, the trade balance widened by 4.1 percent to \$669.7 million, owing to a higher increase in imports (\$109.2m) relative to exports (\$82.8m). Imports grew by 12.1 percent to \$1,011.7 million, driven mainly

by mineral fuels while the 32.0 percent expansion in exports (\$342.0m) was primarily led by the re-exports of mineral fuels and sugar exports. Inward remittances grew by 31.4 percent (to \$271.8m) cumulative to March, predominantly driven by higher personal transfers. In terms of transfer channels, inflows through mobile money was the major contributor to the significant growth.

The annual headline inflation rate stood at 2.0 percent in March, lower than the outcome in the same period last year (4.7%), with 1.1 percentage points driven by imported inflation and the remaining 0.9 percentage points by domestic inflation. As of 28 April, foreign reserves were around \$3.3 billion, sufficient to cover 6.1 months of retained imports.

Considering the economic developments in both the domestic and the global arena, and given the comfortable outlook for the twin monetary policy objectives of stable inflation and adequate levels of foreign reserves, the RBF kept the Overnight Policy Rate unchanged at 0.25 percent in April.

## **RESERVE BANK OF FIJI**

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<sup>1</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>2</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 FJD against the basket of currencies. A decline in the REER index indicates an improvement in Fiji's international competitiveness and vice versa.

## FIJI: ECONOMIC &amp; FINANCIAL STATISTICS

## KEY INDICATORS

	Mar-22	Dec-22	Jan-23	Feb-23	Mar-23
<b>1. Sectoral Performance Indicators *</b> (year-on-year % change)					
Visitor Arrivals	1,058.1	1,912.5	309.1	317.0	258.4
Electricity Production	10.5	15.1	16.0	11.4	10.5
Gold Production	-42.7	-28.4	-19.1	-16.0	-18.1
Cane Production	n.a	15.6	n.a	n.a	n.a
Sugar Production	n.a	17.0	n.a	n.a	n.a
Pinewood Production	-60.8	-34.4	-20.5	-70.3	-63.6
Woodchip Production	-62.7	-43.4	-55.0	-70.4	-70.5
Sawn Timber Production	-29.6	31.6	-96.4	0.9	-47.4
Mahogany Production	150.2	11.1	-69.8	-63.6	-46.6
Cement Production	-10.4	19.0	-13.6	16.4	-15.0
<b>2. Consumption Indicators *</b> (year-on-year % change)					
Net VAT Collections	25.1	83.6	46.9	42.6	53.3
New Consumption Lending	68.4	32.1	18.4	21.5	17.4
New Vehicle Registrations	21.8	29.2	38.1	22.8	n.a
Secondhand Vehicle Registrations	5.0	14.1	-23.4	-30.2	n.a
Personal Remittances <sup>1/</sup>	6.5	23.1	42.0	28.7	31.4
Electricity Consumption	7.9	15.8	8.8	11.6	10.7
<b>3. Investment Indicators *</b> (year-on-year % change)					
Domestic Cement Sales	-10.3	20.3	0.9	1.5	-2.5
New Investment Lending	77.0	25.0	-34.3	-12.5	52.0
<b>4. Labour Market</b> (year-on-year % change)					
RBF Job Advertisement Survey	168.1	140.1	59.3	31.8	27.5
<b>5. Consumer Prices **</b> (year-on-year % change) <sup>2/</sup>					
All Items	4.7	3.1	2.5	1.5	2.0
Food and Non-Alcoholic Beverage	8.0	7.1	7.0	3.2	5.3
Alcoholic Beverages, Tobacco & Narcotics	1.7	-7.1	-8.3	-7.2	-8.0
<b>6. Reserves ***</b> (end of period)					
Foreign Reserves (\$m) <sup>3/</sup>	3,102.2	3,430.6	3,373.9	3,364.8	3,332.9
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	6.3	6.9	6.2	6.2	6.2
<b>7. Exchange Rates ***</b> (End of period, F\$1 equals) (Index)					
US dollar	0.4781	0.4511	0.4591	0.4468	0.4488
Australian dollar	0.6364	0.6653	0.6506	0.6630	0.6689
New Zealand dollar	0.6853	0.7105	0.7099	0.7246	0.7167
Euro	0.4284	0.4228	0.4232	0.4212	0.4116
Japanese yen	58.25	59.98	59.90	60.86	59.52
Nominal Effective Exchange Rate	84.96	84.73	84.73	84.72	84.64
Real Effective Exchange Rate	96.38	94.38	97.06	93.78	93.78
<b>8. Liquidity ***</b> (end of period)					
Banks' Demand Deposits (\$m)	2,140.4	2,413.5	2,438.1	2,450.8	2,402.3
<b>9. Money and Credit ***</b> (year-on-year % change)					
Broad Money	9.6	3.6	4.0	5.7	4.2
Net Foreign Assets	22.5	5.5	5.7	7.7	5.8
Domestic Credit	6.1	5.2	5.1	5.7	5.0
Private Sector Credit	1.4	6.7	5.7	6.3	5.9
Narrow Money	20.8	8.3	9.4	11.5	8.6
<b>10. Interest Rates (%) ***</b> (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	5.62	5.20	5.17	5.11	5.08
Savings Deposit Rate	0.42	0.39	0.40	0.46	0.41
Time Deposit Rate	1.72	1.22	1.27	1.11	1.09
3 month Government T-Bills	0.05	n.i	n.i	0.03	0.03
12 month Government T-Bills	0.13	0.13	n.i	0.15	0.14
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	n.i	3.95	n.i	n.i	3.90
<b>11. Commodity Prices ****</b> (end of period)					
UK Gold Price/fine ounce (US\$)	1,954.0	1,826.2	1,945.3	1,836.7	1,986.2
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	19.5	20.0	21.8	20.1	22.3
Crude Oil/barrel (US\$)	107.9	85.9	84.5	83.9	79.8
FAO Food price index ^	159.7	131.8	130.3	129.7	126.9

## Note:

<sup>1/</sup> Personal Remittances are inclusive of international mobile money receipts.<sup>2/</sup> 2014 rebase. Previous data had 2011 as its base.

m - Millions

n.i - No Issue

n.a - Not Available

n.t - No Trading

## Sources:

\* Various Industry Sources

\*\* Fiji Bureau of Statistics

\*\*\* Reserve Bank of Fiji

\*\*\*\* Bloomberg

^ Food and Agriculture Organisation (FAO)