



# RBF May Economic Review: at a glance



## Global Economy



- Economic fragilities still persist and will continue to shape global growth prospects.
- The lingering effects of COVID-19 and the ongoing war in Ukraine will impede the outlook for world trade.

## Commodity Prices



- Sugar, gold and food prices (FAO index) were higher in April except for Brent crude oil.

## Domestic Economy



- Strong consumption activity is supported by the growing consumption-related loans, inward remittances and employment opportunities.
- Modest recovery in investment activity continue, evident in the pick up in new investment lending (25.1%).

## Labour Market



- Labour market conditions continues to record strong recovery.
- Cumulative to April, jobs advertised rose by **23.6 percent** to **4,923** vacancies.

## Financial Sector



- Financial conditions continue to support economic recovery.
- Private sector credit grew (5.7%) in April.

## Liquidity and Interest Rates



- Liquidity as of 31 May stood at **\$2.3 billion**, as a result interest rates continue its downward trend.

## External Trade



- Personal remittance grew by **25.2 %** cumulative to April led by personal transfers.

## Exchange Rate Developments



- In April, the FJD strengthen against the NZD, AUD and JPY but weakened against the Euro and the USD.

## Inflation



- Domestic price pressures have moderated over the year, however, it continues to be driven mainly by imported food and energy prices.

## Foreign Reserves (FR)



- Foreign reserves remain comfortable at **\$3.3 billion** with 5.8 MORI as of 31 May and is projected to be adequate in the near to medium term.

## Risks



- External risks still exist including economic fragilities, climate change, inflationary pressures and monetary policy tightening.
- Domestic risks include increased labour migration, adverse weather conditions and uncertainty around fiscal policies.

## Monetary Policy



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



## 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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Economic fragilities continue to shape global growth prospects. The lingering effects of COVID-19 and the ongoing war in Ukraine will continue to hinder world trade despite the latest improvements. Although inflation has moderated, it remains elevated and above the target range for most major central banks.

Commodity prices were generally higher in April except for Brent crude oil (US\$79.54 per barrel) which slightly declined over the month following the anticipation of further rate hikes by the United States Federal Reserve. Meanwhile, the FAO<sup>1</sup> food price index (averaged 127.2 points) registered its first monthly increase following a year of decline owing to steep increases in the prices of sugar and meat. The higher sugar prices (US26.40 cents per pound) were a result of lower supply forecasts for India and China as well as sentiments around the US dollar. Meanwhile, low US treasury yields reduced the demand for the greenback which led to an uptick in gold prices (US\$1,999.10 per fine ounce) over the month.

On the domestic front, GDP figures have been revised upward to 8.0 percent from the earlier 6.0 percent projected in November 2022. This is largely underpinned by the faster than anticipated recovery of the tourism industry, and its positive spill over into other sectors of the economy. In the year to April, visitor arrivals reached 252,245, 1.4 percent higher than the arrivals recorded in the same period in 2019. On the production front, activity remained broadly mixed. Electricity generation, rose in the year to

April while, gold, woodchip, sawn timber and mahogany saw an annual decline in production in the review period.

The demand for labour continues to be strong, evidenced by increases in job advertisements. As per the RBF's job advertisement surveys, the number of vacancies advertised in the year to April rose (23.6%). Increased recruitment intentions were notable in the community, social & personal services; electricity & water; manufacturing and wholesale, retail, hotels and restaurant sectors while hiring intentions dipped in the agriculture & construction sectors. Alongside this, Pay As You Earn (PAYE) tax collections grew on an annual basis in the same period (19.3%), denoting higher wages and income as a result of increased employment and tight labour conditions.

Consumption activity remained upbeat. Improved income levels, new consumer loans (6.8%) and the steady inflow of remittances (25.2%) provided an impetus to consumer spending, evident in higher net VAT collections (44.5%) in the year to April. Spending on new vehicles also picked up in the year to April reflected in higher registrations (20.2%).

The steady yet modest recovery in construction and investment activities continued, evident in the pickup in new investment lending (25.1%) both to the real estate and building & construction sectors in the year to April. However, in the same period, domestic cement sales shrunk (-1.0%) owing to lower demand. Nonetheless, the recent reduction in domestic cement sale prices should augur well for

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

construction activities in the months ahead. Investment decisions are also expected to firm up once tax and fiscal policies are announced in the upcoming National Budget.

Financial conditions have continued to support economic recovery amidst sufficient liquidity in the banking system (\$2.3b as of 31/05). As a result outstanding lending rates remain at historic low levels with private sector credit noting continuous growth in the year to April (5.7%).

On exchange rate developments, the Fijian dollar (FJD) strengthen against the New Zealand (NZD) (1.2%), Australian dollar (AUD) (0.4%) and the Japanese Yen (JPY) (0.2%) but weakened against the Euro (-1.9%) and the United States dollar (USD) (-0.8%). Annually, the FJD strengthened against the AUD (3.8%) and the NZD (2.4%) but weakened against the

Euro (-7.7%), USD (-3.1%) and the JPY (-0.8%).

Inflation in Fiji continues to be driven mainly by imported food and energy prices. While prices remain elevated, these have moderated from 2022 levels. In addition, foreign reserves remain at comfortable levels (\$3.3b as of 31/05) enough to cover 5.8 months of retained imports of goods and services, and are expected to be sufficient in the medium term.

In light of developments in the external and domestic economy and given the comfortable outlook for the RBF's monetary policy objectives, the Board decided to keep the Overnight Policy Rate at 0.25 percent. These developments will continue to be closely monitored, and if necessary, the monetary policy stance will be adjusted accordingly.

## **RESERVE BANK OF FIJI**

**KEY INDICATORS**

**1. Sectoral Performance Indicators \***  
(year-on-year % change)

	Apr-22	Jan-23	Feb-23	Mar-23	Apr-23
Visitor Arrivals	1,798.1	309.1	317.0	258.4	163.9
Electricity Production	10.2	16.0	11.4	10.5	10.2
Gold Production	-39.8	-19.1	-16.0	-18.1	-24.2
Cane Production	n.a	n.a	n.a	n.a	n.a
Sugar Production	n.a	n.a	n.a	n.a	n.a
Pinewood Production	-60.0	-20.5	-70.3	-63.6	-55.8
Woodchip Production	-61.7	-55.0	-70.4	-70.5	-46.4
Sawn Timber Production	-27.0	-96.4	0.9	-47.4	-34.1
Mahogany Production	75.9	-69.8	-63.6	-46.6	-35.2
Cement Production	5.5	-13.6	16.4	-15.0	-0.5

**2. Consumption Indicators \***  
(year-on-year % change)

Net VAT Collections	29.2	46.9	42.6	53.3	44.5
New Consumption Lending	73.4	18.4	21.5	17.4	6.8
New Vehicle Registrations	18.5	38.1	22.8	14.9	20.2
Secondhand Vehicle Registrations	5.3	-23.4	-30.2	-32.4	-32.1
Personal Remittances <sup>1/</sup>	10.0	42.0	28.7	31.3	25.2
Electricity Consumption	9.7	8.8	11.6	10.7	9.5

**3. Investment Indicators \***  
(year-on-year % change)

Domestic Cement Sales	-1.0	0.9	1.5	-2.5	-1.0
New Investment Lending	66.4	-34.3	-12.5	52.0	25.1

**4. Labour Market**  
(year-on-year % change)

RBF Job Advertisement Survey	149.8	59.3	31.8	27.5	23.6
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**5. Consumer Prices \*\***  
(year-on-year % change)<sup>2/</sup>

All Items	4.7	2.5	1.5	2.0	n.a
Food and Non-Alcoholic Beverage	7.1	7.0	3.2	5.3	n.a
Alcoholic Beverages, Tobacco & Narcotics	5.1	-8.3	-7.2	-8.0	n.a

**6. Reserves \*\*\***  
(end of period)

Foreign Reserves (\$m) <sup>3/</sup>	3,052.5	3,373.9	3,364.8	3,332.9	3,310.2
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	5.5	5.9	5.9	5.9	5.8

**7. Exchange Rates \*\*\***  
(End of period, F\$1 equals)  
(Index)

US dollar	0.4597	0.4591	0.4468	0.4488	0.4453
Australian dollar	0.6473	0.6506	0.6630	0.6689	0.6717
New Zealand dollar	0.7084	0.7099	0.7246	0.7167	0.7251
Euro	0.4376	0.4232	0.4212	0.4116	0.4038
Japanese yen	60.13	59.90	60.86	59.52	59.64
Nominal Effective Exchange Rate	85.01	84.73	84.72	84.64	n.a
Real Effective Exchange Rate	96.47	97.06	93.78	93.78	n.a

**8. Liquidity \*\*\***  
(end of period)

Banks' Demand Deposits (\$m)	2,077.1	2,438.1	2,450.8	2,402.3	2,342.1
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**9. Money and Credit \*\*\***  
(year-on-year % change)

Broad Money	10.0	4.0	5.7	4.2	5.3
Net Foreign Assets	22.5	5.7	7.7	5.8	8.8
Domestic Credit	6.5	5.1	5.7	5.0	5.2
Private Sector Credit	2.3	5.7	6.3	5.9	5.7
Narrow Money	21.3	9.4	11.5	8.6	9.0

**10. Interest Rates (%) \*\*\***  
(monthly weighted average)

Overnight Policy Rate <sup>5/</sup>	0.25	0.25	0.25	0.25	0.25
Repurchase Rate <sup>5/</sup>	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	5.57	5.17	5.11	5.08	5.05
Savings Deposit Rate	0.41	0.40	0.46	0.41	0.41
Time Deposit Rate	1.68	1.27	1.11	1.09	1.14
3 month Government T-Bills	0.05	n.i	0.03	0.03	n.i
12 month Government T-Bills	n.i	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	n.i	n.i	n.i	3.90	n.i

**11. Commodity Prices \*\*\*\***  
(end of period)

UK Gold Price/fine ounce (US\$)	1,911.7	1,945.3	1,836.7	1,986.2	1,999.1
C\$CE No. 11 Sugar Spot Price/Global (US cents/pound)	19.2	21.8	20.1	22.3	26.4
Crude Oil/barrel (US\$)	109.3	84.5	83.9	79.8	79.5
FAO Food price index ^	158.4	130.2	129.8	126.5	127.2

**Note:**

<sup>1/</sup> Personal Remittances are inclusive of international

<sup>2/</sup> 2014 rebase. 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 May 2023.

<sup>5/</sup> Not weighted average.

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)