



# RBF June Economic Review: at a glance



## Global Economy



- Global growth prospects remain fragile as the Euro Area and New Zealand economies dip into technical recessions.
- Advanced economies continue aggressive interest rate hikes to rein in inflation.

## Commodity Prices



- Brent crude oil, gold, sugar and food prices fell over the month in May.

## Domestic Economy



- Tourism continues to be a main driver for economic growth and has surpassed pre-pandemic levels so far into the year.
- Job vacancies rose by 33.5 percent cumulative to May.
- Higher consumption activity was supported by increased employment, expansion in credit and remittances in the review period.
- Growth in investment continues at a slower pace, however is expected to pick up pace given clarity on taxes and fiscal policy in the newly announced National Budget.
- Production outcome in the natural resource sectors were generally weak in the year to May.
- On balance, the FY2023-24 National Budget's expansionary fiscal stance will contribute positively towards growth.

## Financial Sector



- Accommodative financial conditions continue to support the economic recovery.
- Private sector credit rose (6.5%) in May.

## Liquidity and Interest Rates



- Banking system liquidity remains ample at \$2.5b (as at 05/07), which has kept interest rates at historic lows.

## External Trade



- Personal remittances grew by 25.2 percent cumulative to April led by personal transfers.
- Higher transmission via mobile network operators supported the growth.

## Exchange Rate Developments



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

## Inflation



- The annual headline inflation rate fell to 0.8 percent in May mainly due to lower fuel and kava prices.
- The increase in the VAT rate and excise duty announced in the FY2023-2024 Budget is expected to put upward pressure on inflation.

## Foreign Reserves (FR)



- Foreign reserves remain comfortable at around \$3.5 billion as at 05 July with 6.2 MORI.

## Risk



- External risks include the continuation of global geopolitical tensions, inflationary pressures, monetary policy tightening and climate change.
- Risks from domestic sources include continued threat from natural disasters and increased labour migration.



## 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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Global growth prospects remain fragile as advanced economies continue aggressive interest rate hikes to subdue persistently high inflation. Amongst our major trading partners, the Euro Area and New Zealand have fallen into technical recessions, while economic activity in China has been performing below expectations. The United States (US) had also avoided a debt default that would have had ramifications on global financial markets. The softness in the global economy is likely to persist, as monetary policy could be tightened further, with inflation still above target for most advanced economies.

Generally, commodity prices fell at the end of May, reflecting the overall weakness in the global economy. The Brent crude oil price (US\$72.66 per barrel) slightly declined due to uncertainty around the US debt ceiling and restrictive monetary policy. Similarly, the FAO<sup>1</sup> food price index (averaged 124.3 points) declined, underpinned by significant drops in the price indices for vegetable oils, cereals and dairy. Similarly, the May end sugar price fell (US\$25.06 cents per pound) as better than anticipated harvest in Brazil bolstered supply. Gold prices declined to US\$1,982.10 per fine ounce due to stronger US treasury yields.

Domestically, Fiji's macroeconomic performance in the first half of the year is in line with the projected 8.0 percent growth for 2023. Tourism continues to be the main recovery catalyst, with arrivals in the year to May noting an annual increase of 128.3 percent to 327,392 visitors, 1.7 percent higher than the arrivals recorded in the comparable 2019 period. However, production in the natural resource

sectors has been weak in the year to May. Mahogany (-39.4%), woodchip (-36.0%), sawn timber (-18.1%), gold (-19.5%) and mineral water (-10.4%) production have noted double-digit annual contractions, primarily due to industry-specific issues around supply and demand.

Consumer spending has increased, supported by higher tourist arrivals, employment opportunities, higher credit and an increased inflow of personal remittances. New consumption loans (16.0%), inward remittances (25.2%) and net Value Added Tax collections (34.9%), a proxy for consumption activity, noted annual gains so far into the year.

Investment spending has improved relative to last year but remains below pre-pandemic levels. New investment lending (23.0%) noted growth in the year to May, while domestic cement sales dropped slightly (-1.0%) up to April due to lower market demand.

The FY2023-24 National Budget's expansionary fiscal stance will, on balance, contribute positively towards growth. In addition, investment is expected to pick-up given clarity on taxes and fiscal policy in the newly announced National Budget.

Demand for labour continues to improve, as noted by significant growth in job advertisements cumulative to May (33.5%). In sync, Pay As You Earn collections (19.9%) noted an annual increase in the same period, implying income growth.

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

The financial sector remains supportive of economic recovery. Compared to a year ago, broad money expanded by 6.7 percent while private sector credit grew by 6.5 percent in May, supported by commercial banks' (CBs) lending to business entities and households. High banking system liquidity (\$2.5 billion as of 05/07) has kept interest rates near historic lows. In May, CBs' outstanding lending rate reached a new all-time low of 5.03 percent, while the new lending rate fell over the year to 4.62 percent.

On exchange rate developments, over the month of May, the Fijian dollar (FJD) strengthened against the Japanese Yen (JPY) (3.2%), Euro (1.6%), the Australian dollar (AUD) (0.6%) and the New Zealand dollar (NZD) (0.5%) but weakened against the United States dollar (USD)

(-1.1%). Annually, the FJD strengthened against the AUD (4.9%), JPY (4.1%) and the NZD (3.0%) but weakened against the USD (-5.1%) and the Euro (-4.6%).

The annual headline inflation rate declined to 0.8 percent in May, from the 1.4 percent recorded in April. Prices in the alcoholic beverages, tobacco & Narcotics (kava); transport and housing & utilities (fuel) and education categories were lower compared to a year ago. The changes in VAT and customs measures announced in the FY2023-24 National Budget will put upward pressure on inflation.

Foreign reserves remain at comfortable levels and are currently around \$3.5 billion (05/07), sufficient to cover 6.2 months of retained imports of goods and services.

## **RESERVE BANK OF FIJI**

## FIJI: ECONOMIC &amp; FINANCIAL STATISTICS

## KEY INDICATORS

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

	May-22	Feb-23	Mar-23	Apr-23	May-23
Visitor Arrivals	2,538.0	317.0	258.4	163.9	128.3
Electricity Production	12.7	11.4	10.5	10.2	8.8
Gold Production	-37.1	-16.0	-18.1	-24.2	-19.5
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	-48.9	-70.3	-63.6	-55.8	-88.4
Woodchip Production	-50.4	-70.4	-70.5	-46.4	-36.0
Sawn Timber Production	-11.5	0.9	-47.4	-34.1	-18.1
Mahogany Production	77.8	-63.6	-46.6	-35.2	-39.4
Cement Production	32.7	16.4	-15.0	-0.5	n.a

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

Net VAT Collections	50.6	42.6	53.3	44.5	34.9
New Consumption Lending	64.5	21.5	17.4	6.8	16.0
New Vehicle Registrations	45.7	22.8	14.9	20.2	18.0
Secondhand Vehicle Registrations	34.0	-30.2	-32.4	-32.1	-33.7
Personal Remittances <sup>1/</sup>	17.3	28.7	31.3	25.2	n.a
Electricity Consumption	12.0	11.6	10.7	9.5	n.a

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

Domestic Cement Sales	25.3	1.5	-2.5	-1.0	n.a
New Investment Lending	77.0	-12.5	52.0	25.1	23.0

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

RBF Job Advertisement Survey	168.3	31.8	27.5	23.6	33.5
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**5. Consumer Prices \*\***  
(year-on-year % change)<sup>2/</sup>

All Items	5.0	1.5	2.0	1.4	0.8
Food and Non-Alcoholic Beverage	3.6	3.2	5.3	4.8	8.1
Alcoholic Beverages, Tobacco & Narcotics	3.9	-7.2	-8.0	-9.5	-7.7

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

Foreign Reserves (\$m) <sup>3/</sup>	3,023.9	3,364.8	3,332.9	3,310.2	3,319.6
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	5.5	5.9	5.9	5.8	5.8

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

US dollar	0.4637	0.4468	0.4488	0.4453	0.4402
Australian dollar	0.6441	0.6630	0.6689	0.6717	0.6755
New Zealand dollar	0.7069	0.7246	0.7167	0.7251	0.7284
Euro	0.4301	0.4212	0.4116	0.4038	0.4102
Japanese yen	59.14	60.86	59.52	59.64	61.54
Nominal Effective Exchange Rate	84.76	84.72	84.64	84.64	84.68
Real Effective Exchange Rate	96.32	93.78	93.78	92.61	92.76

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

Banks' Demand Deposits (\$m)	2,064.3	2,450.8	2,402.3	2,342.1	2,326.5
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**9. Money and Credit \*\*\***  
(year-on-year % change)

Broad Money	8.8	5.7	4.2	5.3	6.7
Net Foreign Assets	5.7	7.7	5.8	8.8	11.1
Domestic Credit	9.2	5.7	5.0	5.2	6.1
Private Sector Credit	2.5	6.3	5.9	5.7	6.5
Narrow Money	18.4	11.5	8.6	9.0	11.6

**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.t	n.t	n.t	n.t	n.t
Lending Rate	5.50	5.11	5.08	5.05	5.03
Savings Deposit Rate	0.42	0.46	0.41	0.41	0.41
Time Deposit Rate	1.62	1.11	1.09	1.14	1.11
3 month Government T-Bills	n.i	0.03	0.03	n.i	0.03
12 month Government T-Bills	0.14	0.15	0.14	n.i	0.13
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	n.i	n.i	3.90	n.i	n.i

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

UK Gold Price/fine ounce (US\$)	1,848.4	1,836.7	1,986.2	1,999.1	1,982.1
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	19.4	20.1	22.3	26.4	25.1
Crude Oil/barrel (US\$)	122.8	83.9	79.8	79.5	72.7
FAO Food price index <sup>^</sup>	158.1	129.8	127.0	127.7	124.3

**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.<sup>3/</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

<sup>^</sup> Food and Agriculture Organisation (FAO)