



## Global Economy



- Global economic sentiments have modestly improved from April as the IMF in its July WEO increased the global growth projection by 0.2 percentage points to 3.0% for this year;
- However, global growth remains weak by historical standards.

## Commodity Prices



- Global fuel prices were higher over the month in June (3.1% to US\$74.90 a barrel), owing to increased demand expectations from China;
- World food prices (FAO) fell in June due to decline in international prices for sugar, vegetable oils, cereals, and dairy products.

## Domestic Economy



- The tourism industry has been performing above pre-pandemic levels;
- Consumption activity remained strong indicated by the increases in new consumer loans (10.4%) and net value-added tax collections (30.4%);
- Investment activity also noted annual improvements during the review period.

## Labour Market



- Labour market conditions remained favourable, with the number of positions advertised increasing by 35.1 percent in the first half of the year;
- Pay As You Earn collections, a measure of income growth, increased by 17.1% in the same period.

## Financial Sector



- The financial sector remained supportive of domestic activity;
- Private sector credit increased by 6.1% in June, driven particularly by higher loans to private sector business entities.

## Liquidity and Interest Rates



- Banking system liquidity remained high at \$2.5 billion as of 27 July and has kept interest rates at historical lows.

## External Trade



- Trade deficit, in the year to April, widened by 11.5% to \$1.4 billion, owing to a higher growth in imports relative to exports;
- Personal remittances grew by 26.6 percent in the year to June, led by personal transfers.

## Exchange Rate Developments



- Annually, the FJD strengthened against the JPY (4.1%), AUD (2.2%) and the NZD (0.7%) in June but weakened against the Euro (-5.6%) and the USD (-1.8%).

## Inflation



- The annual headline inflation rate grew marginally by 0.9% in June, up from the 0.8% recorded in May, as food prices remained high, while the continued fall in kava and fuel prices weighed down the inflation outcome.

## Foreign Reserves (FR)



- Foreign reserves remain adequate at \$3,549.4 million as of 31 July, enough to cover 6.3 months of retained imports.

## Risk



- External Risks: Geopolitical concerns, inflationary pressures, monetary policy tightening, higher than anticipated slowdown in global economy and climate change;
- Domestic Risks: shortage of room inventory, natural disasters and growing labour migration.

## Monetary Policy



- The outlook for RBF's twin monetary policy objectives remain intact;
- The RBF maintained its current accommodative stance in July.



## 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 economic sentiments have modestly improved from April as the International Monetary Fund in its July World Economic Outlook increased the global growth projection by 0.2 percentage points to 3.0 percent for this year, mainly on the moderation of concerns regarding the US and Europe banking sector and resolution of the US debt default standoff. Despite the easing of these challenges, global growth remains weak by historical standards. Furthermore, the balance of risks to the global economy remains skewed to the downside as the still-high inflation continues to prompt further tightening of monetary policy by various central banks, flaring concerns on debt distress and a return of financial market volatility.

In June, commodity prices varied but trended lower than the peak levels of the same period last year. Global fuel (Brent crude oil) prices were higher from a month earlier (3.1% to US\$74.90 a barrel), owing to increased demand expectations from China. Global food prices,<sup>1</sup> on the other hand, dropped (to an average of 122.3 points) in June, due to the fall in price indices for sugar, vegetable oils, cereals, and dairy products. In particular, world market sugar prices fell over the review period (-8.7% to US\$22.89 cents per pound), underpinned by Brazil's higher sugar output. Gold prices also contracted (-2.7% to US\$1,929.40 per fine ounce) as a result of the US Federal Reserve's hawkish policy stance, which weighed on the metal's demand.

On the domestic front, the Fijian economy has been performing well and is poised to strengthen by 8.0 percent this year. In the first half of the

year, partial indicators of the tourism industry, such as visitor arrivals (103.3% to 417,852 visitors), hotel occupancy (86.8%), and tourism earnings (284.2% to \$420.3m, cumulative to March), registered significant annual growth, also indicating a positive trend going forward, supported by both increased capacity and new routes by the national airline. However, other sectoral production such as mahogany (-42.7%), woodchip (-41.7%), sawn timber (-21.0%), gold (-14.7%), and mineral water (-8.4%), recorded annual declines due to industry-specific challenges.

Consumption activity remained strong throughout the review period, as evidenced by annual increases in new consumption loans (10.4%), personal remittances (26.6%), and net value-added tax revenues (30.4%). Investment activity noted improvements as portrayed by an increase in new loans for investment purposes (27.4%) and domestic cement sales (0.7%). However, building material prices<sup>2</sup> remained high annually (10.9%), impacting the overall cost of construction projects and marring investment activity going forward.

Labour market conditions remained favourable in the year to June, with the number of jobs advertised increasing by 35.1 percent. Pay As You Earn collections, a measure of income growth, also increased by 17.1 percent within the same time period. In addition, the expansionary posture of the Fiscal Year 2023–24 National Budget is likely to positively impact the economy in the months ahead.

<sup>1</sup> Measured by the United Nations Food and Agriculture Organisation Food Price Index.

<sup>2</sup> Measured by the Building Material Price Index.

The financial sector remained supportive of domestic activity. In June, broad money grew by 8.0 percent, mostly due to increased credit to the private sector (6.1%), particularly private sector business entities. The low interest rate environment as a result of the accommodative monetary policy stance supports the outturn, which is reinforced by high levels of banking sector liquidity, which currently stands at \$2,502.9 million as of 27 July.

On exchange rate developments, the Fijian dollar (FJD), over the month in June, strengthened against the Japanese Yen (JPY) (4.1%), and the United States dollar (USD) (0.5%) but weakened against the Australian dollar (AUD) (-1.1%) and Euro (-0.7%), however, remained broadly unchanged against the New Zealand dollar (NZD). Annually, the FJD strengthened against the JPY (4.1%), AUD (2.2%) and the NZD (0.7%) but weakened against the Euro (-5.6%) and the USD (-1.8%). The nominal effective exchange rate rose (0.1%) over the month but fell over the year in June (-0.1%), the latter led by a weakening against the Euro and the USD. Consequently, the real effective exchange rate, weakened over the year (-4.4%), denoting an overall gain in competitiveness while the monthly outturn remained unchanged.

On the external front, the trade deficit widened by 11.5 percent in the year to April as higher imports continued to outweigh the gain from merchandise exports. The increase in imports (15.0% to \$2,051.6m) was primarily led by mineral fuels, machinery and transport equipment, miscellaneous manufactured goods, and food and live animals while the gain in exports (22.8% to \$671.4m) stemmed from higher mineral fuel re-exports coupled with domestic exports of sugar and mineral water.<sup>3</sup>

Furthermore, inward personal remittances grew by 26.6 percent (to \$592.5m) cumulative to June, predominantly driven by higher personal transfers. Remittances were mostly channelled via money transfer operators and mobile money networks.

In terms of consumer price developments, the annual headline inflation rate grew marginally by 0.9 percent in June, up from the 0.8 percent recorded in May, as food prices remained high, while the continued fall in kava and fuel prices weighed down the inflation outcome. Going forward, taxation policies announced in the National Budget are expected to put upward pressure on domestic consumer prices.

Foreign reserves remain adequate at \$3,549.4 million as of 31 July, enough to cover 6.3 months of retained imports.

Taking these developments into account, the RBF maintained its current accommodative stance at 0.25 percent in July.

## **RESERVE BANK OF FIJI**

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<sup>3</sup> Although mineral water added positively to exports growth, its contribution is much lower than recent years.

## FIJI: ECONOMIC &amp; FINANCIAL STATISTICS

## KEY INDICATORS

	Jun-22	Mar-23	Apr-23	May-23	Jun-23
<b>1. Sectoral Performance Indicators *</b> (year-on-year % change)					
Visitor Arrivals	3,464.5	258.4	163.9	128.3	103.3
Electricity Production	13.6	10.5	10.2	8.8	7.2
Gold Production	-33.9	-18.1	-24.2	-19.5	-14.7
Cane Production	n.a	n.a	n.a	n.a	-24.6
Sugar Production	n.a	n.a	n.a	n.a	-42.0
Pinewood Production	-44.0	-63.6	-55.8	-61.8	-57.3
Woodchip Production	-44.4	-70.5	-46.4	-36.0	-41.7
Sawn Timber Production	18.7	-47.4	-34.1	-18.1	-21.0
Mahogany Production	61.3	-46.6	-35.2	-39.4	-42.7
Cement Production	52.0	-15.0	-0.5	0.1	-2.6
<b>2. Consumption Indicators *</b> (year-on-year % change)					
Net VAT Collections	61.0	53.3	44.5	34.9	30.4
New Consumption Lending	58.4	17.4	6.8	16.0	10.4
New Vehicle Registrations	47.8	14.9	20.2	18.0	n.a
Secondhand Vehicle Registrations	42.3	-32.4	-32.1	-33.7	n.a
Personal Remittances <sup>1/</sup>	20.1	31.3	26.3	23.9	26.6
Electricity Consumption	13.2	10.7	9.5	9.2	8.3
<b>3. Investment Indicators *</b> (year-on-year % change)					
Domestic Cement Sales	43.5	-2.5	-1.0	1.7	0.7
New Investment Lending	86.2	60.1	31.4	28.5	27.4
<b>4. Labour Market</b> (year-on-year % change)					
RBF Job Advertisement Survey	194.1	27.5	23.6	33.5	35.1
<b>5. Consumer Prices **</b> (year-on-year % change) <sup>2/</sup>					
All Items	5.1	2.0	1.4	0.8	0.9
Food and Non-Alcoholic Beverage	3.3	5.3	4.8	8.1	9.0
Alcoholic Beverages, Tobacco & Narcotics	3.4	-8.0	-9.5	-7.7	-7.5
<b>6. Reserves ***</b> (end of period)					
Foreign Reserves (\$m) <sup>3/</sup>	3,412.6	3,332.9	3,310.2	3,319.6	3,482.4
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	6.2	5.9	5.8	5.8	6.1
<b>7. Exchange Rates ***</b> (End of period, F\$1 equals) (Index)					
US dollar	0.4503	0.4488	0.4453	0.4402	0.4424
Australian dollar	0.6542	0.6689	0.6717	0.6755	0.6684
New Zealand dollar	0.7234	0.7167	0.7251	0.7284	0.7285
Euro	0.4312	0.4116	0.4038	0.4102	0.4072
Japanese Yen	61.52	59.52	59.64	61.54	64.07
Nominal Effective Exchange Rate	84.80	84.64	84.64	84.68	84.73
Real Effective Exchange Rate	96.78	92.87	92.27	92.30	92.52
<b>8. Liquidity ***</b> (end of period)					
Banks' Demand Deposits (\$m)	2,402.5	2,402.3	2,342.1	2,326.5	2,476.8
<b>9. Money and Credit ***</b> (year-on-year % change)					
Broad Money	4.4	4.2	5.3	6.7	8.0
Net Foreign Assets	2.6	5.8	8.8	11.1	4.8
Domestic Credit	6.5	5.0	5.2	6.1	8.7
Private Sector Credit	2.9	5.9	5.7	6.5	6.1
Narrow Money	12.2	8.6	9.0	11.6	10.7
<b>10. Interest Rates (%) ***</b> (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	5.45	5.08	5.05	5.03	4.99
Savings Deposit Rate	0.39	0.41	0.41	0.41	0.42
Time Deposit Rate	1.58	1.09	1.14	1.11	1.15
3 month Government T-Bills	0.04	0.03	n.i	0.03	0.03
12 month Government T-Bills	0.15	0.14	n.i	0.13	0.13
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	n.i	3.90	n.i	n.i	n.i
<b>11. Commodity Prices ****</b> (end of period)					
UK Gold Price/fine ounce (US\$)	1,807.3	1,986.2	1,999.1	1,982.1	1,929.4
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	18.5	22.3	26.4	25.1	22.9
Crude Oil/barrel (US\$)	114.8	79.8	79.5	72.7	74.9
FAO Food price index ^	154.7	127.0	127.7	124.0	122.3

## Note:

<sup>1/</sup> Personal Remittances are inclusive of international mobile money<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)