



GLOBAL ECONOMY



- The International Monetary Fund maintained the global growth forecast for 2023 at 3.0%, however, growth for 2024 has been downgraded to 2.9%.
- Globally, inflation is moderating slower than anticipated and remains above the targets of respective central banks.

GLOBAL COMMODITY PRICES



- Brent crude oil and sugar prices rose over the month in September due to tight market supply.
- Gold prices fell due to a strong US dollar and a slight dip in food prices was due to a fall in vegetable oil, meat and dairy prices.

DOMESTIC ECONOMY



- The strong tourism performance has aided economic recovery. Visitor arrivals rose annually by 61.4% to 689,142 up to September and were 2.2% higher than the equivalent 2019 period.
- Sectoral production on the other hand continues to be influenced by industry-specific challenges.

LABOUR MARKET



- The momentum in labour market conditions remained strong evident by increases in Fiji National Provident Fund member registrations and recruitment intentions (27.8%).
- Although labour migration continues to impact labour supply, recent data reveals that there has been a slowdown.

CONSUMPTION AND INVESTMENT INDICATORS



- Consumption activity remains positive, proxied by indicators such as higher net Value Added Tax (VAT), new consumption lending and new vehicle registrations.
- Investment activity, although modest, has been improving evidenced by higher value of work-put-in-place and the demand for new credit for construction, real estate and second home investment purposes.

FINANCIAL SECTOR



- Financial conditions continued to support domestic economic recovery. Private sector credit rose mostly driven by households.
- Commercial banks' outstanding lending rates fell to a historical low of 4.9% amid the high liquidity levels of \$2,287.2 million (31/10).

EXTERNAL TRADE



- Fiji's trade deficit widened by 8.6% to \$2,537.2 million, cumulative to July, as imports increased more than exports.

INFLATION



- Annual headline inflation rate was 2.5% in September and is expected to rise in the coming months as the full impact of the increase in VAT and other taxes passes through to final prices

FOREIGN RESERVES



- Foreign reserves remain comfortable at \$3,482.1 million, sufficient to cover 6.1 months of retained imports as of 31 October, and is anticipated to remain adequate in the medium term.

RISKS



- Global risks include the deepening of China's real estate crisis, higher commodity prices, prolonged geopolitical conflicts and climatic events such as El Nino.
- Domestic risks include the slower investment project uptake, expected slowdown in tourism, the impact of El Nino and natural disasters.

MONETARY POLICY



Assessing the risks to the outlook and the stable economic recovery, the RBF maintained its accommodative monetary policy stance at 0.25% in October.



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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The International Monetary Fund, in its October World Economic Outlook, kept the global growth forecast for 2023 unchanged at 3.0 percent, following an expansion of 3.5 percent in 2022. However, for 2024 the growth forecast has been revised down by 0.1 percentage points to 2.9 percent. The pace of global growth, which remains below pre-pandemic trend, reflects the longstanding effect of the pandemic, continued war in Ukraine and growing global divergences. Besides these, cyclical factors such as the series of monetary policy tightening to tame high inflation, the recoil of fiscal stimulus and have also weighed on the outlook. Globally inflation has been moderating but remains far from the targets of respective central banks. The recent outbreak of the conflict in Gaza, as well as the El Nino conditions, are new threats to both the inflation and growth outlook.

Commodity prices noted mixed outcomes over September, displaying market volatility. The Brent crude oil price gained significantly, reaching US\$95.31 per barrel amid tight market supply as key oil producers extended their voluntary output cut until the end of 2023. Similarly, sugar prices increased to US26.48 cents per pound due to supply disruptions from the El Nino impact on Thailand's harvest and India's export ban. On the other hand, gold prices fell to US\$1,866.10 per fine ounce as the US dollar strengthened in September-end and global food prices¹ dipped slightly, averaging 121.5 points, attributed to lower prices for vegetable oils, meat and dairy.

Domestically, the strong tourism performance has aided economic recovery. Visitor arrivals rose annually by 61.4 percent to 689,142 up to

September and were 2.2 percent higher than the equivalent 2019 period.

Sectoral production, on the other hand, continues to be influenced by industry-specific challenges. Cumulative to September, factory disruptions resulted in annual contractions in both cane harvested (-16.0%) and sugar produced (-23.7%). Other natural resources such as gold (-13.0%), mineral water (-8.9%), pine logs (-43.1%), woodchips (-35.0%), sawn timber (-22.9%) and mahogany (-46.1%) production were muted while electricity generation (4.4%) remained positive in line with economic activity in the same period.

The flow-on effects of the rebounding economy supported consumption activity in the review period. Consumption indicators such as net Value Added Tax (25.1%), new consumption lending (9.7%) and new vehicle registrations (29.4%) grew over the year. Similarly, the RBF's June 2023 Retail Sales Survey estimates that retail trade will grow by 12.2 percent this year and 9.4 percent in 2024.

Investment activity, although modest, has been improving, evidenced by higher value of work-put-in-place (16.3%) up to June. Likewise, new lending for building & construction (32.8%) and real estate (20.2%) purposes and to households for second home investment (64.5%) rose as of September indicating recovery in activity. Concurrently, sentiments relayed in the June 2023 Business Expectations Survey were generally positive with respondents anticipating an improvement in overall business conditions in the short to medium term. The results indicate improved intentions to invest in plant &

¹ Based on the Food and Agriculture Organisation Price Index.

machinery and buildings over the next 12 months.

The improving trend in labour market conditions continued, evident by increases in formal employment in the year to July, the rise in recruitment intentions (27.8%) up to August and higher PAYE in September. Labour migration continues to impact labour supply however, recent data reveals there has been a slight decline (-3.4%) in residents departing for employment purpose.

Financial conditions supported the domestic economic recovery. Private sector credit expanded in September mostly driven by higher household credit. The June Credit Conditions Survey showed signs of easing credit standards, an increase in private-sector loan demand and improvements in asset quality indicators such as non-performing loans (NPLs). As at the end of September, the NPLs ratio declined to 6.3 percent from 7.6 percent a year earlier. Commercial banks' outstanding lending rates fell to a historic low of 4.9 percent in September amid the high liquidity levels of \$2,286.8 million (30/10).

Fiji's trade deficit widened by 8.6 percent to \$2,537.2 million in the year to July, as imports outpaced exports. Imports grew to \$3,800.6 million led by an increase in miscellaneous manufactured goods, machinery and transport equipment and mineral fuel categories. In comparison, exports expanded to \$1,263.4 million, largely due to strong re-exports growth.

The annual headline inflation rate was 2.5 percent in September and is expected to rise in the coming months as the full impact of the increase in VAT and other taxes passes through to final prices.

Foreign reserves remain comfortable at \$3,482.1 million, sufficient to cover 6.1 months of retained imports as of 31 October, and is anticipated to remain adequate in the medium term.

Global outlook risks are more balanced, but the downside is tilted due to the deepening China's real estate crisis, commodity supply chain fragmentation, geopolitical conflicts and limited fiscal space hindering response to new crises.

Domestically, the slower uptake of investment projects this year and the expected slowdown in tourism growth next year remain challenging. In addition, climatic events such as El Nino and forewarnings of a few natural disasters as Fiji heads into the cyclone season also pose risks to inflation and growth.

Assessing the risks to the outlook and the stable economic recovery, the RBF maintained its accommodative monetary policy stance at 0.25 percent in October.

RESERVE BANK OF FIJI

KEY INDICATORS

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

	Sep-22	Jun-23	Jul-23	Aug-23	Sep-23
Visitor Arrivals	5,915.7	103.3	79.9	69.0	61.4
Electricity Production	16.8	7.2	5.4	4.5	4.4
Gold Production	-30.4	-14.7	-20.5	-13.5	-13.0
Cane Production	2.6	n.a	-14.9	-16.4	-16.0
Sugar Production	6.9	n.a	-25.7	-24.7	-23.7
Pinewood Production	-35.9	-57.3	-49.5	-46.0	-43.1
Woodchip Production	-38.9	-41.7	-36.3	-36.1	-35.0
Sawn Timber Production	48.1	-21.0	-22.7	-20.9	-22.9
Mahogany Production	29.9	-42.7	-43.0	-44.3	-46.1
Cement Production	35.2	-2.6	-1.9	5.3	n.a

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

Net VAT Collections	87.1	30.4	29.3	22.4	25.1
New Consumption Lending	55.8	10.4	7.7	8.4	9.7
New Vehicle Registrations	52.6	24.5	32.1	33.9	29.4
Secondhand Vehicle Registrations	35.8	-32.6	-30.5	-29.2	-28.3
Personal Remittances ^{1/}	25.6	26.6		22.7	22.2
Electricity Consumption	17.2	8.3	6.4	4.3	4.6

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

Domestic Cement Sales	33.2	0.7	1.9	3.4	n.a
New Investment Lending	34.1	27.4	31.0	31.5	27.5

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

RBF Job Advertisement Survey	186.1	35.1	31.2	27.8	n.a
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5. Consumer Prices **
(year-on-year % change)^{2/}

All Items	4.7	0.9	0.3	1.3	2.5
Food and Non-Alcoholic Beverage	6.0	9.0	8.0	7.0	8.4
Alcoholic Beverages, Tobacco & Narcotics	-2.0	-7.5	-4.9	-4.8	-5.6

6. Reserves ***
(end of period)

Foreign Reserves (\$m) ^{3/}	3,543.6	3,482.4	3,555.7	3,594.3	3,566.3
Months of retained imports of goods and non-factor services (MORI) ^{4/}	6.4	6.1	6.3	6.3	6.3

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

US dollar	0.4324	0.4424	0.4454	0.4378	0.4358
Australian dollar	0.6662	0.6684	0.6684	0.6758	0.6782
New Zealand dollar	0.7565	0.7285	0.7228	0.7338	0.7311
Euro	0.4410	0.4072	0.4043	0.4008	0.4125
Japanese Yen	62.49	64.07	62.88	64.02	65.06
Nominal Effective Exchange Rate	84.75	84.73	84.76	84.71	84.73
Real Effective Exchange Rate	96.56	93.44	93.57	95.35	94.51

8. Liquidity ***
(end of period)

Banks' Demand Deposits (\$m)	2,584.1	2,476.8	2,508.7	2,374.0	2,377.7
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9. Money and Credit ***
(year-on-year % change)

Broad Money	6.7	8.0	6.7	9.1	9.6
Net Foreign Assets	14.4	4.8	1.4	7.1	2.1
Domestic Credit	6.2	8.7	9.3	8.6	6.8
Private Sector Credit	5.5	6.1	5.4	5.4	4.9
Narrow Money	14.2	10.7	9.3	12.7	10.5

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

Overnight Policy Rate ^{5/}	0.25	0.25	0.25	0.25	0.25
Repurchase Rate ^{5/}	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	5.27	4.99	4.96	4.95	4.90
Savings Deposit Rate	0.40	0.42	0.38	0.41	0.42
Time Deposit Rate	1.42	1.15	1.17	1.18	1.23
3 month Government T-Bills	0.03	0.03	n.i	0.03	n.i
12 month Government T-Bills	0.14	0.13	n.i	0.13	0.14
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	n.i	n.i

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

UK Gold Price/fine ounce (US\$)	1,672.0	1,929.4	1,981.9	1,965.9	1,866.1
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	17.7	22.9	24.4	25.1	26.5
Crude Oil/barrel (US\$)	88.0	74.9	85.6	86.9	95.3
FAO Food price index ^	136.0	122.7	124.1	121.6	121.5

Note:

^{1/} Personal Remittances are inclusive of international mobile money receipts.

^{2/} 2014 rebased. Previous data had 2011 as its base.

^{3/} 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.

^{5/} 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)