

## Global Economy



- Global economic environment is weakening.
- Growth in Fiji's major trading partner advanced economies is below-trend.
- Disinflation is gaining traction in some advanced economies.

## Commodity Prices



- Commodity prices showed mixed outcomes at the end of November as Brent crude oil (US\$82.83/barrel) and sugar prices (US\$26.04 cents/pound) fell while gold prices (US\$2,057.20/fine ounce) rose.

## Domestic Economy



- Economic activity has been healthy despite persistent headwinds.
- Thriving tourism sector, strong remittances and resilient domestic demand offset the drag from elevated price pressures and softer performance in the primary and natural resource.

## Consumption & Investment Indicators



- Consumption activity is being upheld by increased tourism activity, rising incomes and higher remittance inflows.
- Partial indicators for investment (banks' new lending for investment, value of work put-in-place, number of building permits issued) have shown signs of recovery, but at a gradual pace.

## Labour Market



- Labour market conditions remain tight, driven by economic rebound and increased worker emigration.
- The number of job vacancies (Jan-Oct) rose by 30.3%.

## Financial Sector



- The financial sector continued to support domestic economic activity.
- Lending to the private sector rose by 6.1% in November supported by higher lending to both business entities and private individuals.
- Liquidity in the banking system remains adequate at \$2.1 billion (27/12).

## External Trade



- Fiji's merchandise trade deficit widened by 5.4% to around \$3.7 billion in the year to October, as growth in imports continued to outpace the expansion in exports.

## Inflation



- Headline inflation surged to 5.8% in November as higher prices were noted across most categories.

## Foreign Reserves (FR)



- Foreign reserves are adequate at \$3.4 billion (28/12), sufficient to cover 5.7 months of retained imports of goods and services.

## Risk



- **Global risks:** continued geopolitical conflicts and monetary policy tightening.
- **Domestic risks:** climate change & natural disasters, labour shortages, and tourism capacity constraints.



## 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 global economic environment is weakening. Growth in Fiji's major trading partner advanced economies is below-trend as the lagged effects of monetary tightening and prolonged high inflation weigh on real incomes, household consumption and housing investment. However, disinflation is gaining traction in some advanced economies such as the United States (US) and Eurozone due to softening demand and positive base effects from lower international energy and food prices.

Commodity prices showed mixed outcomes in November, with Brent crude oil and sugar prices falling but gold prices rising. The Brent crude oil price fell to US\$82.83 per barrel over investor concerns about sluggish fuel demand in the US and China while US oil production remained near record highs. World market sugar prices also declined to US26.04 cents per pound as global sugar supplies rose with higher production output in Brazil. On the contrary, gold prices rose to record highs and settled at US\$2,057.20 per fine ounce at the end of November, as geopolitical conflicts and market expectations of interest rate cuts by central banks boosted the demand for the safe haven asset. World food prices, as measured by the FAO Food Price Index,<sup>1</sup> remained unchanged in November from the previous month, as increases in the price indices for vegetable oils, dairy products and sugar offset the decline in prices of cereals and meat.

Economic activity domestically has been healthy despite persistent headwinds, underpinned mainly by the thriving tourism sector, strong remittances and resilient domestic demand. These drivers offset the drag from slower

economic growth in major trading partner economies, elevated price pressures and softer performance in the primary and natural resource sectors. Visitor arrivals continued to grow despite the high room rates, with 846,920 tourists in the year to November, 51.0 percent and 3.2 percent higher than the corresponding period in 2022 and 2019, respectively.

Major sectoral production remained broadly weak due to industry-specific issues. Cane (-4.0%) and sugar production (-9.9%) recorded annual contractions as of 20 November, underpinned by cane supply disruptions and operational challenges. In the forestry sector, pine wood (-33.1%), sawn timber (-24.0%), and woodchip (-26.7%), also contracted in the year to November. Likewise, gold production (-13.4%) dropped over the same period.

Positive flow-on-effects from increased tourism activity, rising income and higher remittance inflows (21.7%, cumulative to November) continued to drive consumption activity. Partial indicators for consumption activity, such as net Value Added Tax (VAT) collections (28.1%) and commercial banks' new lending for consumption purposes (14.4%), recorded annual increases in the year to November.

Partial indicators for investment activity have shown signs of recovery but at a gradual pace. Commercial banks' new lending for investment purposes rose annually by 29.6 percent cumulative to November, driven mainly by higher lending to the private individuals,<sup>2</sup> building & construction, and real estate categories. The value of work put-in-place also picked up (7.8%) into the third quarter of this

<sup>1</sup> Averaged 120.4 points.

<sup>2</sup> New loans for 2<sup>nd</sup> home buying.

year when compared to the same period last year. Leading indicators for construction activity, such as the number of building permits issued, also improved by 17.1 percent cumulative to the third quarter. However, cement sales recorded an annual decline of 4.9 percent cumulative to November.

Labour market conditions remain tight as demand for labour continues to rise reflecting growth in economic activity coupled with increased worker emigration. The higher labour demand is reflected in the 30.3 percent rise in the number of job vacancies in the year to October, with higher recruitment intentions noted in tourism-related sectors. Formal employment numbers and wages paid by employers also increased annually up to October.

The financial sector continued to support domestic economic activity, as indicated by the expansion in broad money by 8.6 percent in November. This can be attributed to the increase in domestic credit activity (7.2%), particularly lending to the private sector, which rose by 6.1 percent supported by higher lending to both business entities and private individuals. Liquidity in the banking system is adequate and stands at around \$2.1 billion (27/12), which has helped to keep interest rates at near historical lows.

Fiji's merchandise trade deficit widened by 5.4 percent to around \$3.7 billion cumulative to October as growth in imports continued to outweigh exports. Specifically, merchandise imports (excluding aircraft) grew by 5.9 percent to about \$5.7 billion, underpinned by an increase

in machinery & transport equipment and miscellaneous manufactured goods imports. On the other hand, merchandise exports rose by 6.9 percent to almost \$2.0 billion, primarily due to higher re-exports of mineral fuel and lubricants exports.

Headline inflation surged to 5.8 percent in November as higher prices were noted across most categories, particularly the food & non-alcoholic beverages, transport, housing & utilities, and restaurants & hotels categories. Inflation continues to be driven mainly by supply side factors.

Foreign reserves are adequate at around \$3.4 billion (28/12), sufficient to cover 5.7 months of retained imports of goods and services.

The current global and domestic economic outlook is vulnerable to several ongoing challenges and uncertainties. These include escalating geopolitical conflicts and its implications on commodity prices, and further softening in global demand due to lagged effects of monetary policy tightening on the international front. On the domestic front, adverse weather conditions during Fiji's cyclone period and its potential to raise food prices, skilled labour shortage due to emigration and capacity constraints in the tourism industry are major downside risks.

In consideration of current economic conditions, and the outlook for inflation and foreign reserves, the RBF Board in its last meeting on 7 December agreed to maintain the Overnight Policy Rate at 0.25 percent.

FIJI: ECONOMIC & FINANCIAL STATISTICS

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KEY INDICATORS

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
Visitor Arrivals <sup>1/</sup>	6,581.7	69.0	61.4	55.3	51.0
Electricity Production	15.9	4.5	4.4	3.8	3.6
Gold Production	-27.5	-13.5	-13.0	-13.0	-13.4
Cane Production	15.1	-16.4	-16.0	-8.1	n.a
Sugar Production	16.4	-24.7	-23.7	-13.6	n.a
Pinewood Production	-35.1	-46.0	-43.1	-35.0	-33.1
Woodchip Production	-40.0	-36.1	-35.0	-27.8	-26.7
Sawn Timber Production	31.8	-20.9	-22.9	-25.0	-24.0
Mahogany Production	16.1	-44.3	-46.1	-29.4	n.a
Cement Production	23.3	5.3	4.4	0.2	-2.3

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
Net VAT Collections	90.3	22.4	25.1	27.6	28.1
New Consumption Lending	37.9	8.4	9.7	11.2	14.4
New Vehicle Registrations	34.4	33.9	29.4	32.6	n.a
Secondhand Vehicle Registrations	19.8	-29.2	-28.3	-25.6	n.a
Personal Remittances <sup>2/</sup>	22.7	22.7	22.2	21.8	21.7
Electricity Consumption	16.4	4.3	4.6	n.a	n.a

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
Domestic Cement Sales	24.3	3.4	-2.6	-4.4	-4.9
New Investment Lending	29.9	31.5	27.5	33.8	29.6

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
RBF Job Advertisement Survey	153.8	27.8	32.3	30.3	n.a

**5. Consumer Prices \*\***  
(year-on-year % change)<sup>2/</sup>

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
All Items	4.7	1.3	2.5	4.0	5.8
Food and Non-Alcoholic Beverage	9.6	7.0	8.4	8.6	12.0
Alcoholic Beverages, Tobacco & Narcotics	-5.3	-4.8	-5.6	-1.7	1.1

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
Foreign Reserves (\$m) <sup>3/</sup>	3,439.6	3,594.3	3,564.6	3,487.2	3,433.9
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	6.2	6.1	6.0	5.9	5.8

**7. Exchange Rates \*\*\***  
(End of period, FS1 equals)  
(Index)

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
US dollar	0.4455	0.4378	0.4358	0.4329	0.4434
Australian dollar	0.6683	0.6758	0.6782	0.6792	0.6706
New Zealand dollar	0.7191	0.7338	0.7311	0.7413	0.7209
Euro	0.4315	0.4008	0.4125	0.4078	0.4041
Japanese Yen	61.82	64.02	65.06	64.55	65.36
Nominal Effective Exchange Rate	84.73	84.71	84.73	85.94	n.a
Real Effective Exchange Rate	94.32	95.35	94.68	94.60	n.a

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
Banks' Demand Deposits (\$m)	2,457.9	2,374.0	2,377.7	2,287.2	2,173.9

**9. Money and Credit \*\*\***  
(year-on-year % change)

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
Broad Money	5.7	9.0	7.8	7.9	8.6
Net Foreign Assets	14.8	7.1	2.1	-0.6	0.8
Domestic Credit	5.2	8.5	6.7	7.2	7.2
Private Sector Credit	6.9	5.4	4.9	5.9	6.1
Narrow Money	10.8	12.7	10.5	10.1	10.9

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
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	5.21	4.95	4.90	4.84	4.78
Savings Deposit Rate	0.40	0.41	0.42	0.42	0.42
Time Deposit Rate	1.29	1.18	1.23	1.26	1.36
3 month Government T-Bills	0.03	0.03	n.i	0.03	0.03
12 month Government T-Bills	0.14	0.13	0.14	0.15	0.15
5-year Government Bond Yield	n.i	n.i	n.i	ee	n.i
10-year Government Bond Yield	n.i	n.i	n.i	n.i	3.90

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

	Nov-22	Aug-23	Sep-23	Oct-23	Nov-23
UK Gold Price/fine ounce (US\$)	1,759.9	1,965.9	1,866.1	1,994.3	2,057.2
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	19.6	25.1	26.5	27.1	26.0
Crude Oil/barrel (US\$)	85.4	86.9	95.3	87.4	82.8
FAO Food price index ^	134.7	121.6	121.5	120.4	120.4

**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> 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 cover for 2023 is based on the Macroeconomic Committee forecast as at November 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)