

Global Economy



- Global growth prospects continues to be clouded by risks and challenges.
- Geo-political fragmentation has worsened amid concerns about de-risking policies.
- Growth in Fiji's major trading partner economies (TPEs) was positive, although slow.

Commodity Prices



- Commodity price movements were mixed in October.
- Brent Crude Oil price fell to US\$87.41 per barrel while the world food prices index (FAO) declined by 10.9 percent (yoy).
- Gold price rose and settled at US\$1,994.34 per fine ounce while sugar prices increased to US\$27.09 cents per pound at the end of October.

Domestic Economy



- The Fijian economy is projected to grow by 8.2 percent this year, reflecting the strong recovery in the tourism sector.
- Primary and natural resource sector production remains weak due to industry-specific factors.

Consumption & Investment Indicators



- Consumption activity has been robust indicated by the pick-up in new lending for consumption purposes and net VAT collections.
- Partial indicators (banks' new lending for investment purposes and value of work put-in-place) for investment activities have shown gradual signs of recovery.

Labour Market



- Labour market conditions remain tight, with the number of job vacancies rising by 32.3 percent in the year to September.

Financial Sector



- The financial sector continues to be supportive of domestic economic activity.
- Lending to the private sector rose by 5.9 percent in October supported by higher lending to both business entities and private individuals.
- Liquidity in the banking system is adequate and stands around \$2.2 billion (30/11).

External Trade



- Fiji's merchandise trade deficit widened by 5.0 percent to around \$3.3 billion cumulative to September, as growth in imports outweighed exports..

Inflation



- Headline inflation stood at 4.0 percent in October as higher prices were noted across most categories.

Foreign Reserves (FR)



- Foreign reserves remain adequate at around \$3.4 billion as of 30 November, sufficient to cover 5.7 months of retained imports of goods and services.

Risk



- Global risks: weak global demand, slowdown in China, tight labour markets, higher commodity prices and elevated inflation.
- Domestic risks: loss of skilled labour, capacity constraints in the tourism industry, high cost of doing business and persistent threats from natural disasters and climate change.



ECONOMIC REVIEW

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Global economic activity remains below trend and continues to be shrouded by risks and challenges. The latest data indicates that manufacturing and services activities slowed on the back of weak demand. Worsening geopolitical fragmentation has also led to de-risking strategies through friend-shoring¹ to allied economies and re-shoring,² adding to the drag on global growth.

Growth in Fiji's major trading partner economies (TPEs) was positive, although slow, in the review period while headline inflation eased for most TPEs, amid tightened monetary policy but remains above the respective target rates.

Commodity price movements recorded mixed outcomes in October. The Brent Crude Oil price fell to US\$87.41 per barrel as OPEC³ and the United States ramped up production, while world food prices index (FAO) declined by 10.9 percent, led by the fall in prices for cereal and rice, which more-than-offset the increase in dairy prices. Nevertheless, gold prices rose both over the month and year and settled at US\$1,994.34 per fine ounce stemming from higher demand for the safe haven by investors. Similarly, sugar prices settled at a 13-year high month end price of US27.09 cents per pound in October driven by lower global market supply.

Despite the slowdown in global economy, the Fijian economy continues to perform well and is projected to grow by 8.2 percent this year, following a robust 20.0 percent expansion in 2022 thereby restoring GDP to pre-pandemic

levels. The impressive growth is reflective of the strong recovery in the tourism industry as visitor arrivals cumulative to October totalled 772,172 visitors, 55.3 percent and 2.7 percent higher than the corresponding period in 2022 and 2019, respectively. With the growing tourist demand, the hotels average daily room rate has also picked up significantly and exceeded pre-pandemic levels, leading to higher revenue earned from rooms sold.

On the contrary, weak performances were noted in the primary and natural resource sector due to industry-specific issues. Cane yield (-8.1%) and sugar production (-13.6%) recorded annual contractions as of 30 October underpinned by cane supply disruptions and operational issues. Similarly, the lower supply of pine wood (-35.0%) cumulative to October led to a decline in woodchip (-27.8%) and sawn timber (-25.0%) output. Over the same period, mineral water (-5.3%) and gold (-13.0%) production dropped.

Consumption activity has been strong supported by the positive flow-on effects from increased tourism activity, rising incomes as reflected by the rise in Pay As You Earn (PAYE) tax collections (20.1%) and higher remittance inflows (21.8%) cumulative to October. Partial indicators for consumption such as net Value Added Tax (VAT) collections (27.6%) and new lending for consumption purposes (11.2%) recorded annual increases up to October.

Meanwhile, partial indicators for investment activity have shown gradual signs of recovery. Commercial banks' new lending for investment

¹ It happens when a Government pushes businesses to restructure supply chains, shifting production away from geopolitical rivals to friendly powers.

² The practice of moving a business or part of a business that was based in a different country back to its original country.

³ Organisation of the Petroleum Exporting Countries.

purposes (33.7%) rose annually cumulative to October driven by higher lending to the real estate, building & construction and to households for home investments. Likewise, the value of work put-in-place (16.3%) picked up in the first-half of this year compared to the same period last year. In contrast, leading indicators for construction activity such as the number of building permits issued (-12.4%) cumulative to the second-quarter and cement sales (-2.6%) cumulative to September recorded annual declines.

Labour market conditions remain tight as demand for labour continues to rise, reflective of the rebounding economic activity coupled with higher labour emigration. The number of job vacancies (32.3%) increased in the year to September led by higher recruitment intentions in tourism related sectors. Similarly, the number of formal employment and wages paid also increased annually up to August.

The financial sector continues to support domestic economic activity. In October, broad money expanded by 7.9 percent underpinned by the increase in domestic credit activity (7.2%). In particular, lending to the private sector rose by 5.9 percent supported by higher lending to both business entities and households. Liquidity in the banking system is adequate at around \$2.2 billion (30/11), keeping interest rates at historical lows.

On the external front, Fiji's merchandise trade deficit widened by 5.0 percent to around \$3.3 billion cumulative to September as growth in imports continued to outweigh the expansion in exports. Specifically, imports (excluding aircraft) grew by 5.2 percent to approximately \$5.0 billion underpinned by an increase in machinery & transport and miscellaneous manufactured goods imports while the improvements in exports (5.6% to \$1.7b) stems from higher re-exports of mineral fuels and lubricant commodities.

Headline inflation stood at 4.0 percent in October as higher prices were noted across most categories, with food & non-alcoholic beverages, transport, and restaurants & hotels being the major drivers.

Foreign reserves remain at adequate levels and are currently around \$3.4 billion (30/11), sufficient to cover 5.7 months of retained imports of goods and services.

The risks to the outlook remain tilted to the downside. On the global front, the ongoing weak global demand, slowdown in China, tight labour markets, rising commodity prices and high inflation are expected to drag global growth. Domestically, the loss of skilled labour due to high emigration, capacity constraints in the tourism industry, high cost of doing business and persistent threat from natural disasters and climate change pose challenges that can disrupt growth projections.

KEY INDICATORS

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

	Oct-22	Jul-23	Aug-23	Sep-23	Oct-23
Visitor Arrivals	6,376.7	79.9	69.0	61.4	55.3
Electricity Production	16.1	5.4	4.5	4.4	3.8
Gold Production	-29.6	-20.5	-13.5	-13.0	-13.0
Cane Production	6.7	-14.9	-16.4	-16.0	-8.1
Sugar Production	9.7	-25.7	-24.7	-23.7	-13.6
Pinewood Production	-37.5	-49.5	-46.0	-43.1	-35.0
Woodchip Production	-41.0	-36.3	-36.1	-35.0	-27.8
Sawn Timber Production	41.0	-22.7	-20.9	-22.9	-25.0
Mahogany Production	17.5	-43.0	-44.3	-46.1	-29.4
Cement Production	28.0	-1.9	5.3	4.4	n.a

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

Net VAT Collections	88.3	29.3	22.4	25.1	27.6
New Consumption Lending	44.3	7.7	8.4	9.7	11.2
New Vehicle Registrations	40.1	32.1	33.9	29.4	n.a
Secondhand Vehicle Registrations	26.6	-30.5	-29.2	-28.3	n.a
Personal Remittances ^{1/}	21.7	22.8	22.7	22.2	21.8
Electricity Consumption	16.9	6.4	4.3	4.6	n.a

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

Domestic Cement Sales	26.5	1.9	3.4	-2.6	n.a
New Investment Lending	23.7	31.0	31.5	27.5	33.7

4. Labour Market

(year-on-year % change)

RBF Job Advertisement Survey	164.3	31.2	27.8	32.3	n.a
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5. Consumer Prices **

(year-on-year % change)^{2/}

All Items	4.8	0.3	1.3	2.5	4.0
Food and Non-Alcoholic Beverage	9.1	8.0	7.0	8.4	8.6
Housing, Water, Electricity, Gas & other Fuels	2.9	-4.6	-2.7	0.2	2.4
Transport	16.9	-9.9	-3.8	1.1	4.1

6. Reserves ***

(end of period)

Foreign Reserves (\$m) ^{3/}	3,560.6	3,555.7	3,594.3	3,564.6	3,487.2
Months of retained imports of goods and non-factor services (MORI) ^{4/}	6.5	6.0	6.1	6.0	5.9

7. Exchange Rates ***

(End of period, FSI equals)
(Index)

US dollar	0.4317	0.4454	0.4378	0.4358	0.4329
Australian dollar	0.6747	0.6684	0.6758	0.6782	0.6792
New Zealand dollar	0.7447	0.7228	0.7338	0.7311	0.7413
Euro	0.4340	0.4043	0.4008	0.4125	0.4078
Japanese Yen	63.81	62.88	64.02	65.06	64.55
Nominal Effective Exchange Rate	84.71	84.76	84.71	84.73	85.94
Real Effective Exchange Rate	95.20	93.57	95.35	94.68	94.60

8. Liquidity ***

(end of period)

Banks' Demand Deposits (\$m)	2,562.2	2,508.7	2,374.0	2,377.7	2,287.2
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9. Money and Credit ***

(year-on-year % change)

Broad Money	7.2	6.7	9.0	7.8	7.9
Net Foreign Assets	20.0	1.4	7.1	2.1	-0.6
Domestic Credit	5.4	9.3	8.5	6.7	7.2
Private Sector Credit	5.6	5.4	5.4	4.9	5.9
Narrow Money	13.0	9.3	12.7	10.5	10.1

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.t	n.t	n.t	n.t	n.t
Lending Rate	5.23	4.96	4.95	4.90	4.84
Savings Deposit Rate	0.39	0.38	0.41	0.42	0.42
Time Deposit Rate	1.34	1.17	1.18	1.23	1.26
3 month Government T-Bills	n.i	n.i	0.03	n.i	0.03
12 month Government T-Bills	n.i	n.i	0.13	0.14	0.15
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\$)	1,640.7	1,981.9	1,965.9	1,866.1	1,994.3
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	18.0	24.4	25.1	26.5	27.1
Crude Oil/barrel (US\$)	94.8	85.6	86.9	95.3	87.4
FAO Food price index ^	135.4	124.1	121.6	121.5	120.6

Note:

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

^{2/} 2014 rebase. 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.

^{4/} MORI cover for 2023 is based on the Macroeconomic Committee forecast as at November 2023.

^{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)