

## Global Economy



- Global economic activity has been unexpectedly resilient with labour markets remaining tight
- Major central banks have paused interest rate hikes as global inflation continues to ease

## Commodity Prices



- Geopolitics and unfavorable weather conditions generally drove commodity prices in Jan
- Brent crude oil (US\$81.71 per barrel) and sugar (US\$24.13 cents per pound) prices rose but gold price (US\$2,067.40 per fine ounce) edged lower but remained historically elevated

## Domestic Economy



- Visitor arrivals was higher in Jan (4.2%) compared to Jan 2023
- Other sectoral performances, particularly, in the primary and natural resource sectors noted broadly weaker output

## Consumption & Investment Indicators



- Consumption activity showed mixed results in Jan. Net VAT and PAYE tax increased, while commercial banks' new lending for consumption purposes contracted
- Investment activity also noted mixed results in Jan. Cement sales rose, while new lending for investment purposes fell

## Labour Market



- Labour market conditions remained tight as demand for labour persisted
- Jobs advertisements rose by 29.7% in Jan
- Emigration continues to hinder the labour market

## Financial Sector



- Liquidity was ample at around \$1,991.6 million in Jan
- Lending rates were around historical lows and private sector credit rose by 8.5%

## Inflation



- Annual headline inflation rate was 3.6% in Jan
- Higher prices, particularly for food and non-alcoholic beverages, alcoholic beverages, tobacco & narcotics, transport, restaurants & hotels and housing & utilities categories

## Foreign Reserves



- Foreign reserves are comfortable at around \$3.2 billion (29/02), sufficient to cover 5.1 months of retained imports of goods and services

## Risks



- Global risks: escalation of geopolitical conflicts and commodity price shocks, lagged effect of interest rate hikes, 2024 global election & political risks, and the slowing Chinese economy
- Domestic risks: Labour loss, hotel capacity constraints, and adverse weather conditions

## Monetary Policy



- Comfortable outlook for foreign reserves and inflation
- The RBF Board maintained the Overnight Policy Rate at 0.25% in its February meeting



## 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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According to the International Monetary Fund in its January 2024 World Economic Outlook, the better-than-anticipated resilience of the United States (US) economy jointly supported the growth in emerging market and developing economies. This, coupled with falling inflation, has slightly uplifted (by 0.2 percentage points) this year's global economic growth forecast to 3.1 percent. Additionally, major central banks have paused interest rate hikes, presumably having reached their peaks. However, near-term concerns of inflationary spikes, increasing debt levels, and lower consumer savings remain, prompting caution across economies.

Despite being more balanced, risks to the global outlook pose challenges going forward. Geopolitical tensions could continue to inflict commodity price shocks, affecting global oil and food prices which may result in an upward revision to inflation and place downward pressure on global growth. Additionally, with 2024 being the biggest election year in history globally, this may disrupt fiscal dynamics due to the likelihood of reforms. Likewise, the slowing Chinese economy is expected to negatively impact countries that have trade links with China.

Geopolitics and unfavourable weather conditions generally drove commodity prices in January. The Brent crude oil price rose (6.1%) to US\$81.71 per barrel, owing to disrupted shipments spurred by geopolitical tensions in the Red Sea zone. Furthermore, the world market sugar price surged to US\$24.13 cents per pound, amid tight global supplies arising from a weather-inflicted low production prospects in Thailand and India, coupled with expectations of

a fall in Brazil's cane yields. Gold prices edged lower but remained historically elevated, to US\$2,067.40 per fine ounce, largely driven by a volatile but weak US dollar and expectations that the US Federal Reserve will start cutting interest rates. Similarly, world food prices remain above pre-pandemic levels but continue to decline gradually, with the FAO<sup>1</sup> Food Price Index falling further over the same month by 0.9 percent.

Domestically, partial data for consumption, investment and major sectoral production showed mixed results in the year to date. However, performance in the tourism sector was better-than-expected as visitor arrivals increased over the year by 4.2 percent totalling 70,324 in January, the highest arrivals on record for January. Notably, the number of Australian tourists, Fiji's biggest market, fell by 7.1 percent from the same month a year ago.

The primary and natural resource sectors continue to be affected by industry-specific challenges. Pinewood (-48.5%) and mineral water (-27.6%) production dropped in January when compared to the previous year. However, gold (33.1%) and electricity (3.9%) production improved.

Labour market conditions remained tight in the review period as demand for labour persisted. The total number of jobs advertised rose by 29.7 percent to 1,568 vacancies in January, with improved recruitment intentions noted in the community, social & personal services; construction and transport, storage & communication sectors. Increased emigration continues to hinder the labour market, creating

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

shortage of both skilled and semi-skilled workers. Consequently, inward remittances in January 2024 was \$89.0 million, similar to the January 2023 level, following the \$1.25 billion record-collection last year.

Tourism activity and personal remittances continue to underscore consumption activity. However, partial indicators were mixed in January as Net VAT (34.6%) and PAYE tax (16.8%) collections<sup>2</sup> recorded annual increases while commercial banks' new lending for consumption purposes contracted (-7.1%).

Investment activity also noted mixed results. Domestic cement sales, an indicator for domestic construction, expanded by 11.3 percent in January. Contrastingly, new lending for investment purposes fell (-17.7%) in the same period. In addition, new lending to the building and construction sector, a forward-looking indicator, dropped (-34.9%). A combination of factors such as higher building material costs, supply-chain issues, shortage of skilled labour, challenges in acquiring foreign workers, and regulatory red tapes have delayed investment projects.

Financial conditions remained conducive to growth. The banking system liquidity, although lower over the month by \$136.7 million, was ample at around \$1,991.6 million in January. This helped in keeping lending rates around historical lows and supporting economic activity. In tandem, credit to the private sector grew by 8.5 percent.

The annual headline inflation was 3.6 percent in January (from 5.1% in December 2023), largely on account of higher prices recorded across most categories, particularly for food and non-alcoholic beverages, alcoholic beverages, tobacco & narcotics, transport, restaurants & hotels and housing & utilities categories. Inflation is projected to fall to 3.0 percent by the

end of this year mainly on the back of the receding effects of tax rises and lower oil price futures.

Foreign reserves are comfortable at around \$3.2 billion (29/02), sufficient to cover 5.1 months of retained imports of goods and services. Foreign reserves coverage is expected to remain within the comfortable level over the medium term.

Given the comfortable outlook for foreign reserves and inflation, the RBF Board decided to maintain the Overnight Policy Rate at 0.25 percent in its meeting in February.

## **RESERVE BANK OF FIJI**

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<sup>2</sup> Value Added Tax and Pay As You Earn.

## FIJI: ECONOMIC &amp; FINANCIAL STATISTICS

## KEY INDICATORS

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
Visitor Arrivals	309.1	55.3	51.0	46.1	4.2
Electricity Production	16.0	3.8	3.6	3.6	3.9
Gold Production	-19.1	-13.0	-13.4	-12.7	33.1
Cane Production	n/a	-8.1	-4.5	n.a	n/a
Sugar Production	n/a	-13.6	-10.4	n.a	n/a
Pinewood Production	-20.5	-35.0	-33.1	-29.9	-48.5
Woodchip Production	-55.0	-27.8	-26.7	-22.9	n.a
Sawn Timber Production	-96.4	-25.0	-24.0	-23.7	n.a
Mahogany Production	-69.8	-29.4	-25.7	-16.4	n.a
Cement Production	-13.6	0.2	-2.3	0.1	42.2

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
Net VAT Collections	46.9	27.6	28.1	28.5	34.6
New Consumption Lending	18.4	11.2	14.4	15.0	-7.1
New Vehicle Registrations	38.1	32.6	37.1	35.5	n.a
Secondhand Vehicle Registrations	-23.4	-25.6	-24.9	-23.2	n.a
Personal Remittances <sup>1/</sup>	42.0	21.8	21.7	20.4	0.1
Electricity Consumption	8.8	4.4	4.0	4.0	n.a

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
Domestic Cement Sales	0.9	-4.4	-4.9	-4.5	11.3
New Investment Lending	-29.4	33.7	29.5	33.6	-17.7

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
RBF Job Advertisement Survey	59.3	30.3	24.5	22.8	29.7

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
All Items	2.5	4.0	5.8	5.1	3.6
Food and Non-Alcoholic Beverage	7.0	8.6	12.0	9.0	3.4
Alcoholic Beverages, Tobacco & Narcotics	-8.3	-1.7	1.1	2.8	5.4

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
Foreign Reserves (\$m) <sup>3/</sup>	3,373.9	3,487.2	3,401.5	3,361.3	3,297.9
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	5.7	5.9	5.8	5.7	5.3

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
US dollar	0.4591	0.4329	0.4434	0.4517	0.4427
Australian dollar	0.6506	0.6792	0.6706	0.6608	0.6705
New Zealand dollar	0.7099	0.7413	0.7209	0.7132	0.7218
Euro	0.4232	0.4078	0.4041	0.4081	0.4082
Japanese Yen	59.90	64.55	65.36	63.85	65.36
Nominal Effective Exchange Rate	84.73	84.75	85.52	85.59	85.59
Real Effective Exchange Rate	96.14	94.91	94.96	94.97	96.18

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
Banks' Demand Deposits (\$m)	2,438.1	2,287.2	2,173.9	2,128.4	1,991.6

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
Broad Money	4.9	5.9	6.6	8.8	7.1
Net Foreign Assets	5.7	-0.6	0.8	1.8	-1.5
Domestic Credit	5.0	7.1	7.0	9.3	8.3
Private Sector Credit	5.7	5.8	6.0	7.6	8.5
Narrow Money	10.6	7.5	8.2	10.0	7.1

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

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
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.i	n.i	n.i	n.i	n.i
Lending Rate	5.17	4.84	4.78	4.77	4.75
Savings Deposit Rate	0.40	0.42	0.42	0.42	0.42
Time Deposit Rate	1.27	1.26	1.36	1.40	1.42
3 month Government T-Bills	n.i	0.03	0.03	n.i	0.03
12 month Government T-Bills	n.i	0.15	0.15	0.16	0.17
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)

	Jan-23	Oct-23	Nov-23	Dec-23	Jan-24
UK Gold Price/fine ounce (US\$)	1,945.3	1,994.3	2,057.2	2,071.8	2,067.4
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	21.8	27.1	26.0	20.6	24.1
Crude Oil/barrel (US\$)	84.5	87.4	82.8	77.0	81.7
FAO Food price index ^	131.6	120.9	120.8	119.1	118.0

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 and 2024 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/a - Not Applicable

n.t - No Trading

Sources:

\* Various Industry Sources

\*\* Fiji Bureau of Statistics

\*\*\* Reserve Bank of Fiji

\*\*\*\* Bloomberg

^ Food and Agriculture Organisation (FAO)