



## ECONOMIC REVIEW

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Global growth gathered pace in February given the strong services output and the upturn in production activity. However, ongoing militant attacks in the Red Sea are depressing the outlook for global trade and have raised inflation expectations.

Contrary to the trend in the global economy, growth for Fiji's major trading partner, Australia continued to lose momentum whilst New Zealand fell into its second technical recession over the last five quarters, as the lagged effects of previous interest rate hikes and cost of living pressures dampened consumption.

Commodity prices noted mixed outcomes in February. The Brent Crude oil price rose (2.9%) to US\$83.62 per barrel as prevailing attacks in the Red Sea and the extended supply cut by OPEC<sup>1</sup> continued to shape market outcomes. Contrastingly, global sugar prices fell (-10.1%) sharply to US\$21.69 cents per pound, on the back of a significant rise in Brasil's sugar production. Gold prices edged lower (-0.6%) but remained elevated at US\$2,054.70 per fine ounce, underpinned by a stronger-than-expected US inflation report that weakened prospects of an early interest rate cut from the US Federal Reserve. Comparably, world food prices remained higher than pre-pandemic levels, but continued to moderate with the FAO<sup>2</sup> Food Price Index declining over the month by 0.7 percent.

Domestically, the recent indicators support Fiji's economy returning to trend growth in 2024. The tourism industry continued to record positive growth as the number of visitor arrivals increased by 9.0 percent (to 125,056 visitors)

cumulative to February from the 114,736 visitors noted in the same period last year. The outcome was largely underpinned by higher arrivals from New Zealand and North America while arrivals from Australia, Fiji's biggest source market, fell for the third consecutive month.

On the back of record high visitor arrivals noted last year along with higher per-diems<sup>3</sup>, tourism earnings for 2023 stood at \$2,367.7 million, 14.6 and 57.9 percent higher than the \$2,065.5 million and \$1,499.3 million earned in 2019 and 2022 respectively. In 2024, the growth in tourism earnings is greatly underpinned by the growth in visitor arrivals.

On the other hand, the resource-based sectors continued to be largely dismal due to industry-specific challenges. In the year to February, woodchip (-45.5%), sawn timber (-24.3%) and mineral water (-28.3%) production noted significant contractions. However, given the start of production at Tuvatu goldmine, total gold output<sup>4</sup> expanded by 41.4 percent in the same period.

Labour market conditions remained tight amid high migration as demand for labour continues to grow. In the year to February, the total number of jobs advertised grew by 15.3 percent (to 2,671 vacancies) from the 2,316 vacancies noted in the same period last year, with higher recruitment intentions noted in the construction (107.8%); community, social & personal services (12.4%); and the transport, storage & communication (59.3%) sectors. In the same

<sup>1</sup> Organisation of the Petroleum Exporting Countries.

<sup>2</sup> Food and Agriculture Organisation.

<sup>3</sup> In 2023, annual visitor arrivals stood at a record 929,740

<sup>4</sup> Includes both the Vatukoula and Tuvatu Goldmines.

period, residents' departure for employment (35.5%), education/training (52.1%) and emigration purposes (49.8%) increased significantly.<sup>5</sup>

Consumption activity remains positive, driven by increased tourism activity coupled with higher remittances inflows (cumulative-Feb: 9.8%) and the rise in income levels. Partial indicators such as, Net VAT (37.7%) and PAYE tax (20.0%) collections<sup>6</sup> grew cumulative to February however, commercial banks' new lending for consumption purposes fell in the same period (-3.9%).

The pickup in investment activity has been slow. The commercial banks' new lending for investment purposes dropped (-0.3%) slightly in the year to February, mainly underpinned by the contraction in lending to the building and construction (-10.8%) and private individual (-18.0%) categories. Contrastingly, domestic cement sales rose (12.8%) in the same period.

Financial conditions remained accommodative to growth as credit to the private sector grew by 8.2 percent in February. As of 27 March, the banking system liquidity remained ample at \$1.9 billion, helping to keep outstanding lending rates at historical lows although an increase has been noted in the new lending rates. On the outlook, liquidity is expected to dip slightly over the next few months and then pick up again from the middle of the year, as planned external loans are drawn by the Government, and the peak tourism season starts.

The annual headline inflation rate rose to 4.6 percent in February (from 3.6% in January) largely on account of higher prices recorded in the food and non-alcoholic beverages category. The year-end inflation for 2024 is forecast to moderate to 3.0 percent, notwithstanding commodity price shocks that could alter the current outlook.

Foreign reserves remained stable at around \$3.1 billion (28/03), sufficient to cover 5.1 months of retained imports of goods and services. Over the medium term, foreign reserves coverage is projected to remain within the adequate range.

Risks to the outlook remain tilted to the downside. Global risks include escalating geopolitical tensions, particularly around the ongoing wars in Ukraine and Gaza which are factors that could lead to commodity price shocks and global trade disruptions. Domestically, the continued loss of labour due to migration, hotel capacity and infrastructure constraints, slow uptake in investment, rising cost of doing business and constant threat from natural disasters pose challenges that can disrupt growth projections.

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

## **RESERVE BANK OF FIJI**

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<sup>5</sup> The data is based on the length of absence for one year and above.

<sup>6</sup> Value Added Tax and Pay As You Earn.

**KEY INDICATORS**

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
Visitor Arrivals	317.0	51.0	46.1	4.2	9.0
Electricity Production	11.4	3.6	3.6	3.9	9.7
Gold Production	-14.0	-13.4	-10.8	68.1	41.4
Cane Production	n/a	-4.5	n/a	n/a	n/a
Sugar Production	n/a	-10.4	n/a	n/a	n/a
Pinewood Production	-70.3	-33.1	-29.9	-48.5	-1.2
Woodchip Production	-70.4	-26.7	-22.9	n/a	-45.5
Sawn Timber Production	0.9	-24.0	-23.7	n/a	-24.3
Mahogany Production	-63.6	-25.7	-16.4	133.4	24.5
Cement Production	16.4	-2.3	0.1	42.2	3.3

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
Net VAT Collections	42.6	28.1	28.5	34.6	37.7
New Consumption Lending	21.5	14.4	15.0	-7.1	-3.9
New Vehicle Registrations	22.8	37.1	35.5	30.9	23.9
Secondhand Vehicle Registrations	-30.2	-24.9	-23.2	28.1	27.7
Personal Remittances <sup>1/</sup>	28.7	21.7	20.4	0.1	9.8
Electricity Consumption	11.7	4.0	4.0	9.0	10.1

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
Domestic Cement Sales	1.5	-4.9	-4.5	11.3	12.8
New Investment Lending	-4.9	29.5	33.6	-17.7	-0.3

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
RBF Job Advertisement Survey	31.8	24.5	22.8	29.7	15.3

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
All Items	1.5	5.8	5.1	3.6	4.6
Food and Non-Alcoholic Beverage	3.2	12.0	9.0	3.4	6.8
Alcoholic Beverages, Tobacco & Narcotics	-7.2	1.1	2.8	5.4	4.3

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
Foreign Reserves (\$m) <sup>3/</sup>	3,364.8	3,401.5	3,361.3	3,297.9	3,183.4
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	5.7	5.8	5.7	5.3	5.1

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
US dollar	0.4468	0.4434	0.4517	0.4427	0.4397
Australian dollar	0.6630	0.6706	0.6608	0.6705	0.6768
New Zealand dollar	0.7246	0.7209	0.7132	0.7218	0.7209
Euro	0.4212	0.4041	0.4081	0.4082	0.4056
Japanese Yen	60.86	65.36	63.85	65.36	66.2500
Nominal Effective Exchange Rate	84.72	85.52	85.59	85.59	85.5779
Real Effective Exchange Rate	93.11	94.96	94.97	95.99	93.8512

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
Banks' Demand Deposits (\$m)	2,450.8	2,173.9	2,128.4	1,991.6	1,929.2

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
Broad Money	6.4	6.6	8.8	7.1	7.3
Net Foreign Assets	7.7	0.8	1.8	-1.5	-1.0
Domestic Credit	5.7	7.0	9.3	8.3	8.2
Private Sector Credit	6.3	6.0	7.6	8.5	8.2
Narrow Money	12.4	8.2	10.0	7.1	7.9

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-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.t	n.t	n.t	n.t	n.t
Lending Rate	5.11	4.79	4.77	4.75	4.75
Savings Deposit Rate	0.46	0.42	0.42	0.42	0.45
Time Deposit Rate	1.11	1.36	1.40	1.42	1.47
3 month Government T-Bills	0.03	0.03	n.t	0.03	0.05
12 month Government T-Bills	0.16	0.15	0.16	0.17	0.20
5-year Government Bond Yield	n.t	n.t	n.t	n.t	n.t
10-year Government Bond Yield	n.t	n.t	n.t	n.t	n.t

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

	Feb-23	Nov-23	Dec-23	Jan-24	Feb-24
UK Gold Price/fine ounce (US\$)	1,836.7	2,057.2	2,071.8	2,067.4	2,054.7
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	20.1	26.0	20.6	24.1	21.7
Crude Oil/barrel (US\$)	83.9	82.8	77.0	81.7	83.6
FAO Food price index ^	131.1	120.8	119.1	118.0	117.3

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>5/</sup> Not weighted average.

m - Millions

n.t - 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)