

# RBF APRIL ECONOMIC REVIEW:



## at a glance



### Domestic Economy

- Labour market conditions remained tight from continued emigration.
- BES survey reveals most labour migration falls within the semi (49%) and high (44%) skilled categories.



### Consumption & Investment

- Liquidity remains ample at around \$1.8 billion (29/04).
- Lending rates were around historical lows while new lending rates noted a slight pick-up.
- New lending growth moderated to 8.1 percent cumulative to March.



### Inflation

- Foreign reserves remained stable at around \$3.2 billion (30/04), adequate to cover 5.1 months of retained imports of goods and services.



### Domestic Risks

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

- Most businesses anticipate an improvement in general business conditions (Business Expectations Survey), although optimism levels are lower than the previous survey.
- 194,391 visitor arrivals were received up to March, 10.9% higher compared to a year ago, partly driven by higher arrivals for Easter Holidays.
- Primary sectors noted mixed outcomes.



### Labour Market

- Signs of softening consumption activity despite increased income levels.
- Sentiments echoed in the Retail Sales Survey (RSS), indicating lower optimism towards retail sales for this year
- Investment activity continues to face a slow-paced recovery.



### Financial Conditions

- The annual headline inflation rate was 4.6% in March.
- Higher prices were noted in the food and non-alcoholic beverages category, particularly prices of market items.



### Foreign Reserves

- Continued loss of labour (mostly semi and high skilled) due to migration, hotel capacity constraints, ageing infrastructure, slow uptake in private sector investment, rising cost of doing business and constant threat from climate change/natural disasters.



### Monetary Policy





## 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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Global growth in 2024 is forecast to continue at the same pace as 2023 at 3.2 percent (April International Monetary Fund's World Economic Outlook report). Advanced economies are most likely to experience slight growth with faster disinflation compared to emerging and developing economies, which are expected to slow but remain supportive of global expansion. Despite a rebalancing of risks, several factors such as the ongoing conflict in Gaza, and China's push for fiscal consolidation and its continued property sector issues, could weigh heavily on the growth projections.

The prices of global commodities trended higher in March. Brent Crude Oil prices surged to US\$87.48 per barrel by the end of March, influenced by the ongoing war in Gaza, a production cut by OPEC<sup>1</sup> and a strong demand outlook from the United States (US) and China. The FAO Food Price Index (FFPI) also rose in March to 118.3 points, its first increase in seven months due to higher quotations for vegetable oils, dairy products and meat, although the rate of growth was the slowest since the invasion of Ukraine. Sugar prices rose to US\$22.52 cents per pound at March-end, driven by expectations of sparse supply from major producers. Gold prices reached an all-time high of US\$2,238.40 per fine ounce at the end of March, as the US Federal Reserve is anticipated to loosen monetary policy gradually.

<sup>1</sup> Organisation of the Petroleum Exporting Countries (OPEC) member countries announced an extension of production cut by 2.2 million barrels per day for the second quarter of 2024.

The Fiji economy is projected to return to the growth trend following the strong post-pandemic recovery in the last two years. According to the RBF's latest Business Expectations Survey (BES) most businesses anticipate an improvement in general business conditions over the next six to twelve months. However, optimism levels are lower relative to the last survey conducted in August 2023.

The tourism industry, which continues to perform remarkably well, witnessed visitor arrivals increase by 10.9 percent to 194,391 visitors in the first quarter of 2024 from 175,284 visitors in the comparable period in 2023. Although Australia continues to account for a large share of tourist arrivals, the 87,084 Australians that visited Fiji up to March represented a mere 0.2 percent increase over 2023. Nonetheless, tourists from China, New Zealand, and the US propped up visitor numbers.

On the other hand, the primary sector noted mixed outcomes in the year to March. This was evident in the higher production of sawn timber (25.5%), gold (40.4%) plus electricity generation (8.9%), while woodchip (-19.8%) and mahogany (-22.9%) output declined due to weather-related and mechanical issues.<sup>2</sup>

Labour market conditions remain tight as a result of labour migration. The BES<sup>3</sup> revealed

<sup>2</sup> Boiler, generator and power turbines.

<sup>3</sup> February 2024 survey with a weighted response rate of 66 percent.

growing concerns by businesses regarding the loss of skill and experience due to labour migration. Surveyed firms indicated that most departing workers fall into the semi (49%) and high (44%) skilled categories. The increased number of job vacancies (15.6%) reflects the impact of this labour loss, with heightened demand observed in the community, social, personal services, and construction categories.

Consumer spending is showing signs of deceleration despite the increased income levels (higher inward remittances, PAYE collections and wage growth). Domestic VAT collections (up to March) grew over the year, but its growth (33.6%) slowed when compared to the corresponding period in 2023 (64.4%), denoting subdued spending behaviour amidst higher prices. New consumption-related lending moderated annually (13.7% from 17.4% up to March 2024), driven primarily by the wholesale & retail sector. In line with this, respondents of the Retail Sales Survey (RSS) expect a lower growth (compared to the August 2023 survey results) in retail sales this year.

On the investment front, activity continues at a slow pace. The BES results indicate that intentions to invest in plant and machinery are positive but lower than the previous survey, while intentions to engage in construction over the next year have fallen. These sentiments are reflected in the decline in new loans extended for investment purposes to both the real estate (-27.2%) and building and construction (-31.9%) sectors cumulative to March 2024. In addition, while prices of building materials (Building Material Price Index) have moderated, prices remain high compared to pre-pandemic levels.

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<sup>4</sup> The NEER is the sum of the indices of each trading partner country's currency against the FJD, adjusted by their respective weights in the basket. This index measures the overall movement of the FJD against the basket of currencies. An increase in the index indicates a slight appreciation of the FJD against the basket of currencies and vice versa.

Banking system liquidity fell further over the month but remains ample at \$1.8 billion (29/04). As a result, time deposit rates have started to pick up. Moreover, the pace of new lending by banks up to March has moderated from a year ago (8.1% from 21.6%), with total new lending amounting to \$0.9 billion.

In March, the Fijian dollar (FJD) strengthened against the New Zealand dollar (NZD) (1.4%) and the Japanese Yen (JPY) (0.2%) but weakened against the Australian dollar (AUD) (-0.8%), the United States dollar (USD) (-0.2%), and the euro (-0.1%). Annually, the FJD gained against the JPY (11.6%), NZD (2.0%), and the AUD (0.4%) but weakened against the USD (-2.2%) and the euro (-1.6%).

Consequently, the nominal effective exchange rate (NEER)<sup>4</sup> fell over the month but rose over the year. The real effective exchange rate (REER)<sup>5</sup> fell over the month, denoting improved trade competitiveness aided by the nominal depreciation of the FJD.

In January, Fiji's merchandise trade deficit was \$360.2 million, 3.2 percent narrower than a year ago. A higher-than-expected growth in mineral fuel re-exports underpinned the 10.5 percent growth in January, compared to a 1.4 percent growth in imports, led by miscellaneous manufactured goods.

The annual headline inflation rate was 4.6 percent in March, underpinned by higher prices for the food and non-alcoholic beverages category, particularly prices of local market items.<sup>6</sup>

<sup>5</sup> The REER index is the sum of each component of the NEER index, adjusted by the relative price differential between Fiji and each of Fiji's major trading partners. The index measures the competitiveness of the FJD against the basket of currencies. A decline in the REER index indicates an improvement in Fiji's international competitiveness and vice versa.

<sup>6</sup> Market items such as cassava (+0.9pp), dalo (+0.9pp), rourou (+0.1pp), pawpaw (+0.1pp) and pineapples (+0.1pp).

Foreign reserves remain stable at around \$3.2 billion (30/04), sufficient to cover 5.1 months of retained imports of goods and services. Over the medium term, foreign reserves are projected to remain adequate.

The Fijian economy remains vulnerable to several challenges and ongoing issues which could impede growth prospects. These include geopolitical conflicts, the shortage of skilled labour, ageing infrastructure, high cost of doing business, hotel capacity constraints, slow uptake

in investment, and the constant threat from natural disasters and climate change.

Guided by the stable outlook for inflation and foreign reserves, and to support economic activity, the RBF Board maintained the Overnight Policy Rate at 0.25 percent at its April meeting.

**RESERVE BANK OF FIJI**

## FIJI: ECONOMIC &amp; FINANCIAL STATISTICS

## KEY INDICATORS

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
Visitor Arrivals	258.4	46.1	4.2	9.0	10.9
Electricity Production	10.5	3.6	3.9	9.7	8.9
Gold Production	-18.1	-10.8	68.1	41.4	40.4
Pinewood Production	-63.6	-29.9	-48.5	-1.2	-41.6
Woodchip Production	-70.5	-22.9	n.a	-45.5	-19.8
Sawn Timber Production	-47.4	-23.7	n.a	-24.3	25.5
Mahogany Production	-46.6	-16.4	133.4	24.5	-22.9
Cement Production	-15.0	0.1	42.2	3.3	39.3

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
Net VAT Collections	53.3	28.5	34.6	37.7	30.8
New Consumption Lending	17.4	15.0	-7.1	-3.9	13.7
New Vehicle Registrations	14.9	35.5	30.9	23.9	13.3
Secondhand Vehicle Registrations	-32.4	-23.2	28.1	27.7	26.1
Personal Remittances <sup>1/</sup>	31.3	20.4	0.1	9.8	n.a
Electricity Consumption	10.7	4.0	9.0	10.1	6.9

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
Domestic Cement Sales	-2.5	-4.5	11.3	12.8	12.3
New Investment Lending	60.1	33.6	-17.7	-0.3	-29.6

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
RBF Job Advertisement Survey	27.5	22.8	29.7	15.3	15.6

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
All Items	2.0	5.1	3.6	4.6	4.6
Food and Non-Alcoholic Beverage	5.3	9.0	3.4	6.8	7.3
Alcoholic Beverages, Tobacco & Narcotics	-8.0	2.8	5.4	4.3	4.5

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
Foreign Reserves (\$m) <sup>3/</sup>	3,332.9	3,361.3	3,297.9	3,183.4	3,146.8
Months of retained imports of goods and non-factor services (MORI) <sup>4/</sup>	5.6	5.7	5.3	5.1	5.1

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
US dollar	0.4488	0.4517	0.4427	0.4397	0.4388
Australian dollar	0.6689	0.6608	0.6705	0.6768	0.6716
New Zealand dollar	0.7167	0.7132	0.7218	0.7209	0.7308
Euro	0.4116	0.4081	0.4082	0.4056	0.4052
Japanese Yen	59.52	63.85	65.36	66.25	66.40
Nominal Effective Exchange Rate	84.64	85.59	85.59	85.6	85.6
Real Effective Exchange Rate	92.87	94.97	95.99	93.9	93.7

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
Banks' Demand Deposits (\$m)	2,402.3	2,128.4	1,991.6	1,929.2	1,896.1

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
Broad Money	4.8	8.8	7.1	7.3	9.0
Net Foreign Assets	5.8	1.8	-1.5	-1.0	-3.3
Domestic Credit	5.0	9.3	8.3	8.2	10.5
Private Sector Credit	5.9	7.6	8.5	8.3	9.3
Narrow Money	9.5	10.0	7.1	7.9	9.3

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

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-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	5.08	4.77	4.75	4.75	4.72
Savings Deposit Rate	0.41	0.42	0.42	0.45	0.42
Time Deposit Rate	1.09	1.40	1.42	1.48	1.55
3 month Government T-Bills	0.03	n.i	0.03	0.05	0.10
12 month Government T-Bills	0.14	0.16	0.17	0.20	0.25
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)

	Mar-23	Dec-23	Jan-24	Feb-24	Mar-24
UK Gold Price/fine ounce (US\$)	1,986.2	2,071.8	2,067.4	2,054.7	2,238.4
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	22.3	20.6	24.1	21.7	22.5
Crude Oil/barrel (US\$)	79.8	77.0	81.7	83.6	87.5
FAO Food price index ^	128.2	119.2	117.7	117.0	118.3

Note:

<sup>1/</sup> Personal Remittances are inclusive of international mobile money receipts.<sup>2/</sup> 2014 rebased. 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> 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. The cane &amp; sugar industries will be added to the table once the crushing season restarts in 2024.

\*\* Fiji Bureau of Statistics

\*\*\* Reserve Bank of Fiji

\*\*\*\* Bloomberg

^ Food and Agriculture Organisation (FAO)