



# RBF SEP 2024 ECONOMIC REVIEW

## at a glance



### Global Economy

- Global activity in August continued to grow, led by robustness in the services sector.
- Slow growth outcomes in Fiji's key trading partners have prompted monetary policy actions.

- Brent crude prices fell to **\$US78.80 per barrel** at August-end, while FAO food prices eased to 120.7 points, owing to higher supply prospects.
- International gold and sugar prices rose to **US\$2,527.60** per fine ounce and **US19.38** cents per pound at August-end respectively.

### Commodity Prices



### Domestic Economy

- A new August record for visitor arrivals (**94,787**), added to the 2024 cumulative figure of **640,274** and annual growth of **6.9 percent**.
- Gold (**30.3%**), sawn timber (**14.5%**), woodchips (**5.7%**) and electricity production (**11.0%**) noted positive outcomes in the year to August.

- Cumulative to August, job advertisements fell by **5.2 percent** compared to the same period last year. The decline is driven by higher operational costs as income growth continued to remain strong in the same period (PAYE: **25.6%**).

### Labour Market



### Consumption & Investment

- Higher domestic incomes, remittances and tourist arrivals are supportive of consumption spending.
- Investment activity maintains pace and is expected to improve, supported by solid domestic cement sales (July: **7.6%**) and new investment lending (August: **19.3%**).

- Ample system liquidity of **\$2.3 billion (30/09)** has kept interest rates low, supporting robust growth in private sector credit, which increased by **11.6 percent**, cumulative to August.

### Financial Conditions



### Inflation

- Headline annual inflation moderated to **5.4 percent** in August from **6.8 percent** in July.
- Year end inflation is expected to be around **4.0 percent** to **5.0 percent**.

- Foreign reserves remain comfortable at (30/09) **\$3.7 billion**, sufficient to cover **6.1** months of retained imports of goods and services and are projected to remain adequate over the medium term.

### Foreign Reserves



### Risks

- Globally, slower growth in Fiji's trading partners, geopolitical tensions, conflict escalation and volatile commodity prices pose risks to the growth outlook.
- The impact of domestic labour strikes on productivity, unfavourable weather, structural and capacity constraints could skew the outlook to the downside.

- The outlook for inflation and foreign reserves remains stable over the medium term.
- The RBF Board maintained the Overnight Policy Rate at **0.25 percent** in its September meeting to support economic growth.

### 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.

Vol. 42

No. 09

Month Ended September 2024

Global activity picked up pace in August, as strong demand led to robust service sector expansion which helped offset weaknesses in manufacturing activity. Monetary conditions worldwide are broadly easing as domestic inflation gradually converges to respective target rates. Central banks in Fiji's key trading partner economies started to ease policy rates, particularly in the United States (US), New Zealand and China while the Reserve Bank of Australia has taken a more dovish stance.

Global commodity prices at August-end were favourable for Fiji. Brent crude oil and food prices fell at the end of the month by 2.4 percent to US\$78.80 per barrel and 0.3 percent to 120.7 points respectively,<sup>1</sup> owing to better supply prospects. Prices for Fiji's two key export commodities rose in the same period, with international gold prices settling at US\$2,527.60 per fine ounce (2.2%), supported by an expected US Federal Reserve rate cut which increased the appetite for the bullion. Sugar prices settled higher at US\$19.38 (2.3%) as unfavourable weather conditions lowered supply prospects in Brazil.

Domestically, recent data indicate an improved outlook for the Fiji economy, supported by tourism, consumption spending, sectoral production and investment activity in the year to August. The economy is poised for another year of growth following an expansion of 7.5 percent in 2023.

The tourism industry is expected to benefit from the greater-than-expected influx of visitor arrivals. In August, 94,787 tourists arrived, setting a record for this particular month, and bringing the cumulative number of visitors in 2024 to 640,274, which is 6.9 percent higher than its comparable period last year. Higher arrivals from key source markets such as Australia (1.8pp),<sup>2</sup> New Zealand (1.4pp) and USA (1.3pp) mainly contributed to this positive outcome, supported by China (0.9pp) and the Pacific Islands (0.7pp).

Sectoral outcomes were generally positive based on the latest economic indicators. Gold production continued to grow in the year to August, rising by 30.3 percent. The resumption of pine supply from Kadavu supported higher annual production in sawn timber (14.5%) and woodchips (5.7%). Furthermore, electricity generation, surged by 11.0 percent over the same period, shaped by a sizable growth in renewable energy production (31.0%) to support newly registered households under Energy Fiji Limited's grid expansion initiative.<sup>3</sup>

Partial indicators suggest some cooling in the labour market. Cumulative to August, job advertisements fell by 5.2 percent compared to the same period last year. Despite this, incomes continued to improve in the same period, corroborated by a 25.6 percent growth in Pay As you Earn (PAYE) tax collections.

<sup>1</sup> Food prices are measured by the Food and Agriculture Organisation (FAO) Food Price Index

<sup>2</sup> Percentage points (pp).

<sup>3</sup> This is part of the rural electrification project whereby newly solar electrified households are being connected to the EFL grid.

Investment activity is expected to gather momentum as new investment lending noted a growth of 19.3 percent in the year to August,<sup>4</sup> led by increased credit to the building and construction category. In tandem, domestic cement sales rose in the year to July (7.6%). Furthermore, investor confidence is expected to be better footed following the National Budget address and the launch of the National Development Plan (NDP).

The continued growth in domestic income and remittances (cumulative to July: 3.1%), complemented by higher-than-expected visitor arrivals have imprinted well on consumption spending. Cumulative to August, strong double-digit growth in import and domestic Value Added Tax (VAT) has underpinned the 46.4 percent expansion in net VAT collections. Consumption is anticipated to remain upbeat given the trend in income growth, supported by the 28.9 percent growth momentum in new lending for consumption up to August.

Financial conditions have remained supportive of growth as ample banking system liquidity of \$2.3 billion (30/09) kept interest rates near historical lows. This conducive borrowing environment drove an 11.6 percent growth in private sector credit up to August, fuelled by an increased appetite of the private sector business entities and households.

Fiji's merchandise trade deficit cumulative to June widened (2.7%) annually to \$2,126.4 million.<sup>5</sup> The value expansion in imports (\$93.6m or 3.0%), underpinned by greater machinery purchases, outweighed the re-export led growth in exports (\$37.7m or 3.5%).

Headline inflation moderated to 5.4 percent in August from 6.8 percent in July. Food and non-alcoholic beverages were the largest contributor followed by sin goods like alcoholic beverages, tobacco & narcotics, and transport and housing & utilities, restaurants & hotels. Despite the expected ease from the VAT hike implemented in August 2023 and the removal of fiscal duties on raw materials, with changes in excise duties, the rise in civil servant incomes, and higher fuel prices, headline inflation is anticipated to moderate to around 4.0 percent to 5.0 percent by the end of 2024.

High tourism-led receipts and a Government loan drawdown, underpinned the rise in foreign reserves over August and comfortably offset the elevated payments. Foreign reserves are currently (30/09) \$3.7 billion, sufficient to cover 6.1 months of retained imports of goods and services and are projected to remain adequate over the medium term.

Potential risks to the outlook include slow growth of key trading partners, heightened geopolitical uncertainties, and conflict escalation, which could lead to volatility in commodity prices. This could contribute to higher imported prices, and upward pressure on headline inflation due to domestic structural and capacity constraints. Other potential risks include labour strikes affecting productivity and unfavourable weather conditions.

Given the stable medium-term outlook for inflation and foreign reserves, the Reserve Bank of Fiji Board decided in its September meeting to maintain the Overnight Policy Rate at 0.25 percent.

## **RESERVE BANK OF FIJI**

---

<sup>4</sup> Excluding refinancing

<sup>5</sup> Excluding aircraft

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

|                        | Aug-23 | May-24 | Jun-24 | Jul-24 | Aug-24 |
|------------------------|--------|--------|--------|--------|--------|
| Visitor Arrivals       | 69.0   | 8.3    | 7.0    | 6.7    | 6.9    |
| Electricity Production | 4.5    | 10.3   | 10.7   | 11.6   | 11.0   |
| Gold Production        | -13.5  | 41.7   | 33.5   | 40.1   | 30.3   |
| Cane Production        | n.a    | n/a    | 35.4   | 7.4    | 18.3   |
| Sugar Production       | n.a    | n/a    | 75.8   | 15.5   | 26.6   |
| Pinewood Production    | -46.0  | -36.5  | -32.3  | -32.4  | -33.1  |
| Woodchip Production    | -36.1  | -31.9  | -10.6  | 8.6    | 5.7    |
| Sawn Timber Production | -20.9  | -15.0  | -3.7   | 13.1   | 14.5   |
| Mahogany Production    | -44.3  | -3.8   | -4.7   | -7.8   | -8.0   |
| Cement Production      | 5.3    | 15.1   | 8.6    | 6.6    | n.a    |

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

|                                       |       |      |      |      |      |
|---------------------------------------|-------|------|------|------|------|
| Net VAT Collections                   | 22.4  | 38.4 | 38.3 | 41.9 | 46.1 |
| New Consumption Lending <sup>1/</sup> | 15.0  | 9.6  | 24.1 | 27.3 | 28.9 |
| New Vehicle Registrations             | 33.9  | 15.2 | 8.2  | 5.8  | 6.4  |
| Second hand Vehicle Registrations     | -29.2 | 31.5 | 30.6 | 30.2 | 28.6 |
| Personal Remittances                  | 22.6  | 5.2  | 5.0  | 3.1  | n.a  |
| Electricity Consumption               | 4.3   | 9.2  | 9.2  | 9.7  | 10.1 |

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

|                                      |      |      |      |      |      |
|--------------------------------------|------|------|------|------|------|
| Domestic Cement Sales                | 3.4  | 10.4 | 9.7  | 7.6  | n.a  |
| New Investment Lending <sup>1/</sup> | 40.8 | 10.2 | 20.3 | 19.2 | 19.3 |
| <b>Building &amp; Construction</b>   |      |      |      |      |      |
| Completion Certificates Issued       |      |      |      |      |      |
| Number                               | n/a  | n/a  | n.a  | n/a  | n/a  |
| Value                                | n/a  | n/a  | n.a  | n/a  | n/a  |
| Building Permits Issued              |      |      |      |      |      |
| Number                               | n/a  | n/a  | n.a  | n/a  | n/a  |
| Value                                | n/a  | n/a  | n.a  | n/a  | n/a  |
| Value of work put in place           | n/a  | n/a  | -8.9 | n/a  | n/a  |

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

|                              |       |      |      |      |      |
|------------------------------|-------|------|------|------|------|
| RBF Job Advertisement Survey | 27.8  | -2.5 | -1.1 | -7.2 | -5.2 |
| Resident Departure           | 100.9 | 16.3 | 12.7 | 11.0 | 9.5  |

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

|  |      |     |      |      |      |
|--|------|-----|------|------|------|
| All Items                                | 1.3  | 5.8 | 6.7  | 6.8  | 5.4  |
| Food and Non-Alcoholic Beverage          | 7.0  | 7.7 | 10.0 | 10.0 | 9.7  |
| Alcoholic Beverages, Tobacco & Narcotics | -4.9 | 8.0 | 8.2  | 8.1  | 10.1 |

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

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Foreign Reserves (\$m) <sup>3/</sup>                              | 3,594.3 | 3,194.1 | 3,304.5 | 3,581.1 | 3,717.8 |
| Months of retained imports of goods and non-factor services (MCI) | 5.8     | 5.2     | 5.4     | 5.8     | 6.0     |

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

|                                 |        |        |        |        |        |
|---------------------------------|--------|--------|--------|--------|--------|
| US dollar                       | 0.4378 | 0.4414 | 0.4411 | 0.4371 | 0.4492 |
| Australian dollar               | 0.6758 | 0.6674 | 0.6634 | 0.6685 | 0.6607 |
| New Zealand dollar              | 0.7338 | 0.7216 | 0.7249 | 0.7405 | 0.7176 |
| Euro                            | 0.4008 | 0.4087 | 0.4121 | 0.4043 | 0.4055 |
| Japanese Yen                    | 64.02  | 69.60  | 70.92  | 66.83  | 65.12  |
| Nominal Effective Exchange Rate | 84.71  | 85.63  | 83.10  | 82.85  | 82.19  |
| Real Effective Exchange Rate    | 95.35  | 94.55  | 93.41  | 93.51  | 93.24  |

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

|                              |         |         |         |         |         |
|------------------------------|---------|---------|---------|---------|---------|
| Banks' Demand Deposits (\$m) | 2,374.0 | 1,918.9 | 1,919.3 | 2,128.6 | 2,226.6 |
|------------------------------|---------|---------|---------|---------|---------|

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

|                       |      |      |      |      |      |
|-----------------------|------|------|------|------|------|
| Broad Money           | 8.6  | 7.5  | 7.6  | 8.1  | 6.8  |
| Net Foreign Assets    | 7.1  | -8.0 | -9.2 | -0.7 | 0.4  |
| Domestic Credit       | 8.5  | 10.4 | 11.2 | 9.0  | 6.8  |
| Private Sector Credit | 5.3  | 10.5 | 11.5 | 11.6 | 11.6 |
| Narrow Money          | 12.0 | 7.2  | 9.0  | 8.0  | 5.1  |

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

|                                     |      |      |      |      |      |
|-------------------------------------|------|------|------|------|------|
| Overnight Policy Rate <sup>5/</sup> | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Repurchase Rate <sup>3/</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                        | 4.95 | 4.67 | 4.68 | 4.60 | 4.58 |
| Savings Deposit Rate                | 0.41 | 0.31 | 0.31 | 0.30 | 0.49 |
| Time Deposit Rate                   | 1.18 | 1.62 | 1.52 | 1.75 | 1.66 |
| 3 month Government T-Bills          | 0.03 | n.i  | n.i  | n.i  | 0.10 |
| 12 month Government T-Bills         | 0.13 | 0.93 | n.i  | n.i  | 1.14 |
| 5-year Government Bond Yield        | n.i  | n.i  | n.i  | n.i  | 3.00 |
| 10-year Government Bond Yield       | n.i  | n.i  | n.i  | n.i  | 4.00 |

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

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| UK Gold Price/fine ounce (US\$)                      | 1,965.9 | 2,345.8 | 2,339.6 | 2,473.0 | 2,527.6 |
| CSCE No. 11 Sugar Spot Price/Global (US cents/pound) | 25.2    | 18.3    | 20.3    | 18.9    | 19.4    |
| Crude Oil/barrel (US\$)                              | 86.9    | 81.6    | 86.4    | 80.7    | 78.8    |
| FAO Food price index <sup>^</sup>                    | 122.0   | 120.6   | 121.0   | 120.8   | 120.7   |

**Note:**<sup>1/</sup> Excludes refinancing<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> MORI is based on the Macroeconomic Committee forecast as at June 2024.<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

<sup>^</sup> Food and Agriculture Organisation (FAO)