

International Economy

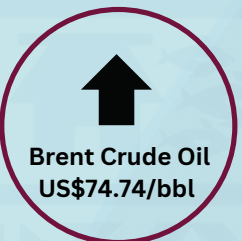
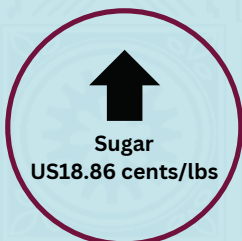
Global Economy



Global growth is expected to slow to 2.8% in 2025, revised down from 3.3%, driven by increasing U.S.-China trade tensions, a 10% tariff on US trade partners, and resulting global economic disruptions.

Source: IMF WEO, Apr-25

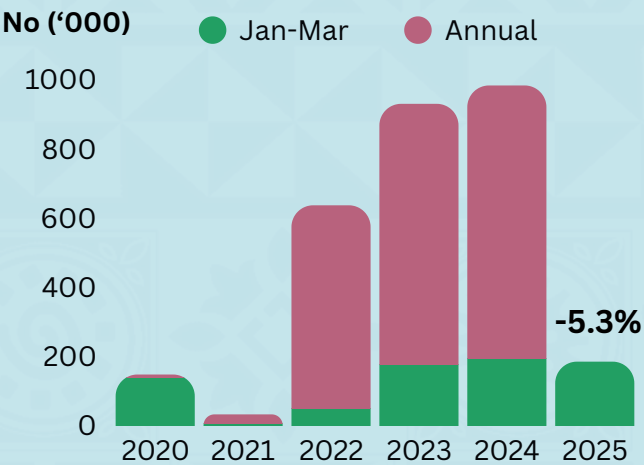
Commodity Prices (Mar-end)



Sources: Bloomberg, FAO

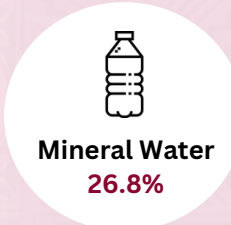
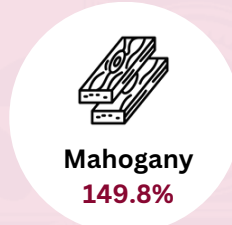
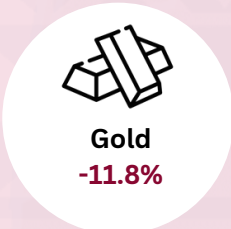
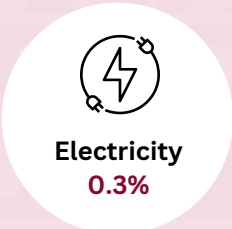
Fijian Economy

Visitor Arrivals



Source: FBoS

Sectoral Production (Jan-Mar)



Source: Various Industries

Consumption (Jan-Mar)



- Net VAT Collections **11.7%**
- Consumption Lending **58.2%**
- Inward Remittances **10.3%**

Investment (Jan-Mar)



- Domestic Cement Sales **8.6%**
- Investment Lending **12.2%**

Sources: FRCS, RBF, Various Industries

Labour Market (Jan-Mar)

Residents' departure by purpose - 1yr above



- Employment **-42.3%**
- Education/Training **-22.2%**



Approved Foreign Labour Work Permits **-84.6%**



Job Advertisements **-0.3%**

Sources: FBoS, Fiji Immigration Dept., RBF

Financial Conditions



Liquidity (29/04)
\$1.9 billion



Broad Money (Mar-25)
6.9%



Private Sector Credit (Mar-25)
11.0%

Source: RBF

Risks to the Outlook



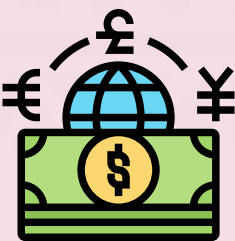
- Greater policy uncertainty
- Trade tensions
- Softer global economic conditions
- Lower trend in visitor arrivals to Fiji
- Downward revision to global & Fiji's growth by IMF



Lower commodity prices

Monetary Policy Objectives

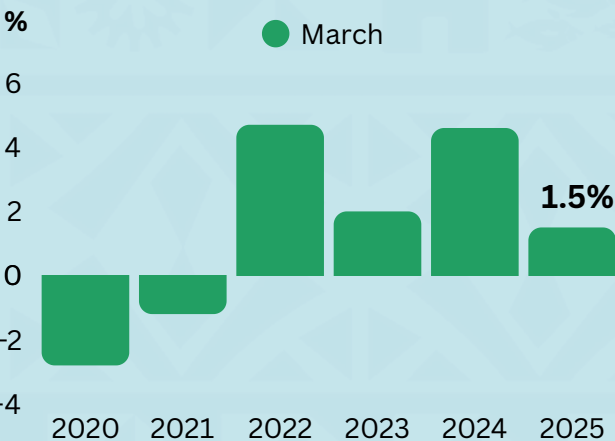
Foreign Reserves



\$3.5 billion (30/04)
5.6 MORI

Source: RBF

Headline Inflation



Source: FBoS

Overnight Policy Rate



The RBF Board maintained the Overnight Policy Rate at **0.25%** in its April 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.

Vol. 43

No. 04

Month Ended April 2025

Global growth is forecast to decelerate to 2.8 percent in 2025, from the 3.3 percent estimated in January, as per the International Monetary Fund's April World Economic Outlook report. The downgrade reflects the swift escalation of trade tensions, most notably between the United States (US) and China, and the broad implementation of a uniform 10.0 percent tariff on US trading partners. These developments have caused broad policy shifts, disrupted global supply chains and increased uncertainty, collectively contributing to a deceleration in global economic activity.

The elevated uncertainty around the recent trade war has also triggered notable commodity price movements. While the price of Brent crude oil rose annually to US\$74.74 per barrel at the end of March, prices fell in April (to US\$65.86 per barrel on 28/04) as fears of an economic slowdown following the tariff war led to a decline in energy demand. On the flip side, gold prices rallied to record-breaking highs in March (US\$3,154.8/oz) and prices have climbed further during April (to US\$3,347.7/oz on 28/04), reflecting the demand for the metal as a safe-haven asset against the backdrop of a volatile geopolitical and trade landscape. Global food prices¹ were also higher in the review period (6.9%), while monthly gains were noted in sugar prices (1.8%) amidst a weaker dollar and dips in supply.

On the domestic front, visitor arrivals recorded a second consecutive decline in March, aligning more with pre-pandemic monthly trends. In the first quarter of 2025, total arrivals fell by 5.3 percent over the year to 180,119 visitors. The dip was led by lower arrivals from key tourist markets - Australia (-8.5%) and New Zealand (-14.1%), which outweighed the increases from Pacific Island Countries (22.7%) and the US (8.2%).

Production in resource-based sectors noted positive performances in the review period. Mahogany production marked significant increases in the year to March. Over the same period, mineral water production grew (26.8%) after the successful plant upgrade, which enhanced production capacity. Similarly, electricity generation rose marginally in the year to March. In contrast, gold output contracted (-11.8%), owing to the unscheduled repair and maintenance works at both the Tuvatu and Vatukoula gold mines.

Supply and demand indicators suggest some stabilisation in the labour market. The importation of labour² has slowed and resident departures,³ mostly for employment (-42.3%) and education (-22.2%), together with hiring adjustments by businesses, have led to the stabilisation. The total number of foreign work permits approved till March has fallen significantly (-84.6%) to 117 workers from a year ago (4.1%). In addition, the total number of job vacancies declined at a marginal rate (-0.3%) cumulative to March, with lower recruitment intentions across all sectors except for mining & quarrying and community, social & personal services. Employees registered by the Fiji National Provident Fund grew by 2.5 percent in February and wages paid rose cumulative to February (9.9%), albeit at a slower rate than a year ago (12.2%). Incomes continue to be supported by inward remittances,⁴ which in the year to March, (\$342.7m) exceeded outward remittances (\$139.6m), with net remittances growing (5.0%) to \$203.1 million.

Despite a degree of stabilisation in the labour market, the latest RBF's Business Expectations Survey (BES) (February 2025) revealed that certain businesses still anticipate losing more workers to migration in the next twelve months, while skill

¹ Food and Agriculture Organisation food price index.

² Proxied by the foreign work permits.

³ Resident departures by purpose for one year and above.

⁴ Reflects personal transfers that individuals receive from overseas via mobile money, commercial banks and money transfer operators.

shortages and wage expectations continue to be key challenges in hiring local labour.

Consumption activity remains upbeat, supported by higher incomes and inward remittances. Net VAT collections, a partial indicator of consumption activity, rose (11.7%) in the year to March, driven by domestic (15.8%) and customs (11.1%) VAT collections. Similarly, new consumption-related loans by commercial banks expanded (58.2%) from higher lending (63.4%) to the wholesale retail, hotels & restaurants (WRHR) sector. Responses from the RBF's February 2025 Retail Sales Survey indicate that while consumption spending is expected to remain positive, the pace of growth is projected to moderate compared to the previous survey.

Indicators of investment are signalling generally positive performances, but the prevailing high-cost environment continues to weigh on investment activity. Commercial banks' new loans for investment purposes increased cumulative to March (12.2%), with the credit momentum in the building & construction sector (39.1%), and for households' second-home purchases (79.7%). Domestic cement sales also rose (8.6%) in the same period, supported by sustained market demand. However, building material prices remain elevated and rose by 3.8 percent annually in the first quarter of 2025, compared to the decline (-0.8%) in the same quarter of 2024. Moreover, the February 2025 BES results show increased business intention to invest in plant & machinery in the medium term compared to the last survey. In contrast, short-term investment plans in buildings over the next 12 months have declined and now sit below prior survey levels.

In terms of the overall business sentiments, the RBF's February 2025 BES results indicated that although lower than the previous survey, on net, businesses generally remain optimistic about future business conditions.

Supportive financial conditions drove credit activity in March, with broad money expanding by 6.9 percent, led by an increase in private sector credit

(11.0%) to business entities (10.0%) largely in the WRHR (13.6%) and the real estate (11.2%) sectors, coupled with lending to the household sector (14.4%). Liquidity remained adequate at \$1.9 billion (30/04), keeping lending rates low (4.51%).

In March 2025, the Fijian dollar (FJD) strengthened against the New Zealand (NZD) (2.8%) and Australian dollar (AUD) (1.7%) but weakened against the Japanese Yen (JPY) (-3.1%), the US Dollar (USD) (-2.1%) and the Euro (EUR) (-2.0%) on an annual basis. Over the month, the FJD appreciated against JPY (0.7%) and the USD (0.7%) and weakened against the EUR (-3.2%), the NZD (-0.8%), and the AUD (-0.2%).

In January, Fiji's merchandise trade⁵ deficit widened by 18.7 percent, as the annual outcome in imports (14.4%) of \$442.9 million outpaced exports (6.3%) totalling \$208.8 million. Chemical products, other transport, and road vehicles accounted for a sizeable share of imports, while the export growth was led by the mineral water and molasses categories.

Annual inflation eased to 1.5 percent in March from 4.6 percent in the same period last year, and barring any major domestic and global shocks, is expected to moderate further in the coming months as Fiji exits the cyclone season. Foreign reserves (30/04) are at comfortable levels at around \$3.5 billion, sufficient to cover 5.6 months of retained imports of goods and services and are projected to be adequate in the medium term.

Currently, risks to the outlook are driven mainly by external factors and tilted to the downside due to greater policy uncertainty, trade tensions, and softer global economic conditions. On the upside, lower imported prices, particularly for fuel, will be a positive externality to the trade war. Domestically, the decline in visitor arrivals in the first quarter of 2025 has raised concerns about the outlook in the months ahead. In addition to the downward revision to world growth, the IMF has also lowered Fiji's growth forecast for 2025 from 3.4 percent to 3.0

⁵ Analysis excludes aircraft.

percent initially and then further to 2.6 percent recently due to the tariff war. This is expected to spill over into 2026 as the outlook was downgraded from the pre-pandemic average of around 3.3 percent to 2.8 percent.

With a comfortable outlook of the twin monetary policy objectives, inflation and foreign reserves, the RBF Board decided to maintain the Overnight Policy Rate at 0.25 percent in its April meeting.

RESERVE BANK OF FIJI

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

Visitor Arrivals
Electricity Production
Gold Production
Pinewood Production
Woodchip Production
Sawn Timber Production
Mahogany Production
Cement Production

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
10.9	5.7	0.7	-3.8	-5.3
8.9	10.6	2.2	-1.1	0.3
40.4	40.2	-34.2	-15.0	-11.8
-41.6	-34.5	263.1	73.4	n.a
-19.8	5.8	n.a	496.7	n.a
25.5	12.5	n.a	314.1	n.a
-22.9	-19.2	24.1	84.7	149.8
39.3	7.2	-9.2	0.1	-10.5

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

Net VAT Collections
New Consumption Lending ^{1/}
Vehicle Registrations
 New Vehicle Registrations
 Secondhand Vehicle Registrations
Inward Personal Remittances
Outward Personal Remittances
Electricity Consumption

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
30.8	32.9	16.4	7.4	11.7
13.4	33.5	29.2	77.2	58.2
20.4	19.0	30.5	31.3	n.a
13.3	3.3	30.1	31.0	n.a
26.1	33.5	30.8	31.6	n.a
14.3	-6.8	29.8	16.9	10.3
10.1	15.9	84.8	41.7	19.2
10.1	8.5	1.9	0.0	n.a

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

Domestic Cement Sales
New Investment Lending ^{1/}

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
12.3	11.0	10.9	3.7	8.6
-18.7	22.6	61.3	15.9	12.2

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

RBF Job Advertisement Survey
Resident Departure by purpose-1yr above^{2/}

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
16.5	-11.6	-34.6	-21.7	-0.3
-4.8	-39.2	-27.2	-25.0	-28.2

5. Consumer Prices **
(year-on-year % change)^{3/}

All Items
Food and Non-Alcoholic Beverage
Alcoholic Beverages, Tobacco & Narcotics

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
4.6	1.3	4.0	1.4	1.5
7.3	1.4	9.3	1.4	0.2
4.5	9.2	7.1	7.5	7.6

6. Reserves ***
(end of period)

Foreign Reserves (\$m)^{4/}
Months of retained imports of goods and non-factor services (MO

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
3,146.8	3,707.7	3,668.7	3,581.8	3,521.0
5.1	6.0	5.9	5.8	5.7

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

US dollar
Australian dollar
New Zealand dollar
Euro
Japanese Yen
Nominal Effective Exchange Rate^{6/}
Real Effective Exchange Rate^{6/}

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
0.4388	0.4259	0.4267	0.4267	0.4297
0.6716	0.6841	0.6839	0.6841	0.6829
0.7308	0.7547	0.7543	0.7574	0.7514
0.4052	0.4094	0.4091	0.4101	0.3971
66.40	66.85	65.73	63.90	64.35
85.56	85.54	85.56	85.51	85.44
93.47	93.68	97.14	92.47	92.17

8. Liquidity ***
(end of period)

Banks' Demand Deposits (\$m)

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
1,896.1	2,425.4	2,164.8	2,079.2	1,989.7

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

Broad Money
Net Foreign Assets
Domestic Credit
Private Sector Credit
Narrow Money

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
9.2	7.7	10.1	8.8	6.9
-3.2	7.2	13.7	11.5	12.0
10.1	7.3	8.5	8.4	5.5
8.9	11.3	11.8	12.5	11.0
9.8	8.8	11.3	9.5	6.8

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

Overnight Policy Rate^{7/}
Repurchase Rate^{7/}
Overnight inter-bank Rate
Lending Rate
Savings Deposit Rate
Time Deposit Rate
3 month Government T-Bills
12 month Government T-Bills
5-year Government Bond Yield
10-year Government Bond Yield

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
0.25	0.25	0.25	0.25	0.25
0.50	0.50	0.50	0.50	0.50
n.t	n.t	n.t	n.t	n.t
4.72	4.56	4.55	4.60	4.51
0.42	0.30	0.30	0.32	0.30
1.55	1.71	1.74	1.71	1.74
0.10	n.i	0.15	0.15	n.i
0.25	1.14	1.14	1.14	n.i
n.i	n.i	n.i	n.i	n.i
n.i	n.i	3.90	n.i	n.i

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

UK Gold Price/fine ounce (US\$)
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)
Crude Oil/barrel (US\$)
FAO Food price index [^]

Mar-24	Dec-24	Jan-25	Feb-25	Mar-25
2,238.4	2,641.0	2,835.0	2,848.5	3,154.8
22.5	19.3	19.35	18.52	18.86
87.5	74.6	76.8	73.2	74.7
118.9	127.4	124.7	126.8	127.1

Note:^{1/} Excludes refinancing^{2/} Resident departure by purpose includes Employment, Education/ Training, Emigration & Others^{3/} 2014 rebased.^{4/} Foreign reserves includes monetary gold, Special Drawing Rights, reserve position in the Fund and foreign exchange assets consisting^{5/} MORI is based on the Macroeconomic Committee forecast as at November 2024.^{6/} Methodology is currently under review.^{7/} 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)