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The impact of the Russia-Ukraine conflict continues to reverberate across the globe, worsening supply chain disruptions and adding to inflationary pressures. On account of these developments, global growth for 2022 is now expected to be lower than earlier anticipated. Meanwhile, central banks have ended their pandemic related quantitative easing measures and are now moving towards normalising monetary policy. For instance, the United States (US) Federal Reserve Board raised interest rates on 16 March and signalled additional hikes for the rest of the year to fight rising inflation. The Russia-Ukraine crisis has further complicated central bank decisions as they attempt to navigate the turbulent economic recovery amidst added uncertainty. While the progress made on the re-opening of international borders and the easing of COVID-related restrictions will support the recovery, the risk of COVID-19 resurgence remains.

Commodity prices were mostly higher in February due to global supply disruptions. Oil prices soared (10.7% to US\$100.99 per barrel) at the end of February as the invasion of Ukraine stoked supply concerns, with the Organization of the Petroleum Exporting Countries refusing to provide any relief. The FAO¹ food price index also increased in the same period to an all-time high (3.9% to 140.7), attributed to higher vegetable oil and dairy prices as global supply tightness continued. Similarly, gold ended higher in February (5.8% to US\$1,900.70 per fine ounce) as the escalation of geopolitical tensions saw an increase in the demand for safe-haven assets. Sugar prices, however, fell (-2.9% to US\$17.70 cents per pound), led by improved

production from India and Thailand. Price movements into March for these commodities were also higher, fuelled further by the ongoing geopolitical tensions.

Domestically, with the exception of investment, the latest sectoral performance and consumption indicators reflect an economy that is slowly recovering.

Production levels for resource-based sectors recovered over February as gold, timber and mineral water production picked up. Gold production was higher (2.9%) as mine operations began normalising following weather-related disruptions in January. Moreover, following maintenance works in the mills, increases in the supply of pine (337.7%) saw an increase in the production of woodchip (245.2%) and sawn timber (131.4%), while mahogany (86.8%) production also improved in the same period. As expected, the growth in visitor arrivals cumulative to February (1,164.4%) was significantly higher than last year. However, seasonality factors, unfavourable weather in Fiji, and the Omicron variant's spread in our major source market, Australia, affected monthly arrivals (-33.3%). Nonetheless, the recent relaxation around travel requirements in New Zealand, Fiji's second-largest source market, is expected to boost arrivals in the coming months. Similarly, electricity production fell over the month (-4.2%) in February but picked up on a cumulative basis (9.6%).

Aggregate demand remained upbeat based on the latest partial indicators for consumption

¹ Food and Agriculture Organisation.

which grew over the year. Although still below the pre-pandemic levels, increased consumption activity was evident in the higher Pay as You Earn Tax (2.0%), domestic (7.0%) and import Valued Added Tax (VAT) (40.9%) collections and the electricity demand (6.4%) cumulative to February. Spending on both new (17.2%) and second-hand (4.0%) motor vehicles also increased in the same period. The increased consumption activity can be attributed to the higher inward personal remittances (3.9%), and consumption-related loans (121.3%) noted over the year.

However, the pullback in investment activity is reflective of the cautious environment that precedes elections, rising costs and global supply chain disruptions. This was evident in the decline in cement sales (-8.1%) and lending to the building & construction sector (-23.6%), cumulative to February. On a monthly basis, though, cement sales (4.4%) noted a positive outturn in February after registering three straight months of decline since November last year. In addition, new lending to the real estate sector (238.0%) cumulative to February remained positive.

The labour market shows signs of recovery as the RBF's job advertisement survey results revealed an increase in the number of jobs advertised over the month (31.5%) and year (153.9%) in February. The vacancy rate in February was the highest recorded since the pre-pandemic period. The monthly increase was largely driven by the wholesale, retail, hotels & restaurants and manufacturing sectors mainly because of increased recruitment in the tourism industry.

Financial sector outcomes were in line with the real sector recovery as lending to the private sector (0.8%) picked up further in February,

driven largely by business entities. Excess liquidity in the banking system remains high and stands at \$2,140.4 million as of 31 March, held up by higher inflows of foreign reserves and quantitative easing measures. Accordingly, interest rates in February fell over the month, except for the new lending rate. Moreover, the level of non-performing loans for commercial banks and licensed credit institutions has trended downwards from the peaks in the third quarter of 2021.

In February, the Fijian dollar (FJD) strengthened against the United States dollar (USD) (1.1%), Japanese Yen (JPY) (1.1%) and the EURO (1.0%), but weakened against the Australian (AUD) (-1.3%), and the New Zealand dollar (NZD) (-0.6%). On an annual basis, the FJD gained against the NZD (4.1%), AUD (3.6%), EURO (2.8%) and JPY (2.1%) but was lower against the USD (-5.8%).

Consequently, the nominal effective exchange rate² (NEER) was lower both over the month (-0.1%) and year (-0.6%) in February 2022. Similarly, the real effective exchange rate³ (REER) was lower both over the month (-1.6%) and year (-2.5%) denoting a gain in competitiveness on account of lower domestic prices relative to major trading partners.

On the external front, Fiji's trade deficit (excluding aircraft) widened by 17.5 percent in 2021 compared to a narrowing by 32.0 percent in 2020. This was due to the strong rebound in import growth (11.7%) outpacing the growth in exports (5.2%). The growth in the value of imports reflect the rise in commodity prices in 2021 as well as the higher inflation noted in our trading partner countries. The growth in exports was dominated by mineral water and crude materials. Meanwhile, tourism earnings picked up over the final quarter of 2021 (2,466.7% to

² The NEER is the sum of the indices of each trading partner country's currency against the Fiji dollar, adjusted by their respective weights in the basket. This index measures the overall movement of the Fiji dollar against the basket of currencies. An increase in this index indicates a slight appreciation of the Fiji dollar against the basket of currencies and vice versa.

³ 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 Fiji dollar against the basket of currencies. A decline in the REER index indicates an improvement in Fiji's international competitiveness while an increase in the index indicates a deterioration in Fiji's international competitiveness.

\$30.8m) on account of the re-opening of our borders in December.

Inward remittances rose by 1.3 percent to total \$133.3 million in the year to February compared to a 15.9 percent growth in the same period in 2021 underpinned by higher inflows of personal transfers. The value of remittances received via the mobile money platform increased (70.8%) while transfers via other channels noted a decline.

The annual inflation rate moderated to 1.9 percent in February from the 2.7 percent recorded in the previous month, led by higher prices noted for food, transport & fuel and utility bills. Food prices, in particular, rose by 3.2 percent, affected by the existing pandemic-induced bottlenecks, recent events surrounding the Russia-Ukraine war, domestic effects of Tropical Cyclone Cody and the sugar price review. While the recent measures announced in

the revised 2021-2022 National Budget are expected to cushion inflationary pressures by around 0.9 percentage points, the continued rise in imported inflation will push domestic prices to average above 5.0 percent this year.

Foreign reserves remain above adequate levels and are forecast to remain comfortable in the medium term. Currently (31/03), foreign reserves are around \$3,125.3 million, sufficient to cover 8.6 months of retained imports.

Given the recent economic developments on both the domestic and external fronts, and the outlook for inflation and foreign reserves, the RBF kept the Overnight Policy Rate unchanged at 0.25 percent in March.

RESERVE BANK OF FIJI

FJI: ECONOMIC & FINANCIAL STATISTICS
KEY INDICATORS
1. Sectoral Performance Indicators
(year-on-year % change)

	Feb-21	Nov-21	Dec-21	Jan-22	Feb-22
Visitor Arrivals	-98.0	-94.3	-78.5	1,532.2	1,116.4
Electricity Production	-16.5	-5.3	-3.6	5.9	9.6
Gold Production	10.3	6.6	1.2	-53.6	-43.1
Cane Production [^]	n.a	-18.0	n.a	n.a	n.a
Sugar Production [^]	n.a	-12.1	n.a	n.a	n.a
Pinewood logs	146.2	33.7	27.4	-91.4	-72.9
Woodchip	101.4	34.6	36.8	-88.3	-73.4
Sawn Timber	3.6	0.0	-3.5	-42.5	-45.7
Mahogany	-85.2	97.0	103.7	10,025.1	731.8
Cement Production	-9.1	-22.6	-18.6	-29.8	-20.6

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

Net VAT Collections	-36.3	-7.4	-3.6	19.3	33.9
New Consumption Lending	-37.5	13.1	17.2	163.9	121.3
New Vehicle Registrations****	-27.4	11.6	19.1	4.4	17.2
Secondhand Vehicle Registrations****	91.9	77.2	71.2	-10.4	4.0
Personal Remittances ^{1/}	15.9	16.2	14.6	-4.0	3.9
Electricity Consumption	-12.6	-5.2	-3.8	7.3	6.4

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

Domestic Cement Sales	-20.3	-22.7	-20.1	-7.4	-8.1
New Investment Lending	-41.4	30.4	33.6	179.3	149.0

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

RBF Job Advertisement Survey	-78.9	-37.9	-30.6	98.2	153.9
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5. Consumer Prices *
(year-on-year % change)^{2/}

All Items	1.1	1.5	3.0	2.7	1.9
Food and Non-Alcoholic Beverage	12.9	4.5	7.1	5.2	3.3
Alcoholic Beverages, Tobacco & Narcotics	-13.3	-7.2	-6.2	-4.8	-3.3

6. Reserves ***
(end of period)

Foreign Reserves (\$m) ^{3/}	2,179.0	3,061.5	3,201.4	3,145.4	3,058.9
Months of retained imports of goods and non-factor services (MORI) ^{4/}	6.8	9.5	9.9	8.7	8.5

7. Exchange Rates ***
(mid rates, F\$1 equals)
(end of period)

US dollar	0.4961	0.4694	0.4722	0.4620	0.4672
Australian dollar	0.6300	0.6583	0.6505	0.6610	0.6527
New Zealand dollar	0.6728	0.6894	0.6907	0.7047	0.7004
Euro	0.4077	0.4161	0.4170	0.4147	0.4190
Japanese yen	52.71	53.36	54.34	53.25	53.83
Nominal Effective Exchange Rate	85.21	84.96	84.78	84.78	84.73
Real Effective Exchange Rate	100.56	95.99	97.20	99.59	98.04

8. Liquidity ***
(end of period)

Banks' Demand Deposits (\$m)	896.6	1,813.1	1,990.8	2,091.9	2,069.6
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9. Money and Credit ***
(year-on-year % change)

Broad Money	1.2	9.3	11.1	10.5	9.2
Net Foreign Assets	5.1	30.2	38.2	37.6	30.5
Domestic Credit	1.5	3.4	3.9	4.2	4.8
Private Sector Credit	-4.0	-0.9	-0.1	0.2	0.8
Narrow Money	9.9	19.3	22.9	21.2	19.2

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

Overnight Policy Rate	0.25	0.25	0.25	0.25	0.25
Repurchase Rate	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	6.06	5.79	5.77	5.72	5.67
Savings Deposit Rate	0.55	0.47	0.42	0.44	0.43
Time Deposit Rate	3.02	2.14	1.99	1.92	1.79
3 month Government T-Bills	1.06	0.08	n.i	0.06	0.06
12 month Government T-Bills	2.00	0.28	0.13	0.13	0.13
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	4.50	4.00	3.95	3.95	3.95

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

UK Gold Price/fine ounce	1,728.8	1,776.5	1,828.6	1,796.4	1,900.7
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	16.5	18.6	18.9	18.2	17.7
Crude Oil/barrel	66.1	70.6	77.8	91.2	101.0
FAO Food prices index	116.6	135.3	133.7	135.4	140.7

^{1/} Personal Remittances are inclusive of international mobile money receipts.

^{2/} 2014 rebase. Previous data had 2011 as its base.

^{3/} 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.

^{4/} MORI is based on the Macroeconomic Committee forecast as at November 2020.

Note:

n.i No issue
n.a Not available
n.t No trading

Sources:

* Fiji Bureau of Statistics
** Bloomberg
*** Reserve Bank of Fiji
**** Land Transport Authority
^ Fiji Sugar Corporation