

at a glance



Global Economy

- In May, global economic activity expanded at its fastest rate in twelve months.
- Rate cut expectations in most of Fiji's major trading partner countries are being deferred amidst persistent inflation.

- Ample supply created by the resumption of Russian refineries lowered (-7.1%) crude oil prices at May-end.
- The FAO food price index trended higher (0.9%).
- Gold prices reached a new month-end high (1.9%) due to robust demand while sugar prices fell (-5.7%).

Commodity Prices

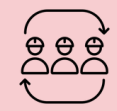


Domestic Economy

- Visitor arrivals grew 8.3% cumulative to May, reflecting an impressive off-peak performance.
- Sectoral outcomes of resource-based industries were mixed and below par in the year to May, however, some improvements were realised over the month.

- Advertised jobs declined by 2.5% cumulative to May.
- Emigration slowed as resident departures noted an annual decline in the year to May (-24.9% to 6,082 people).

Labour Market



Consumption & Investment

- Consumption activity remained positive in line with increased tourism activity and higher incomes, supplemented by the steady inflow of remittances (cumulative to April: 6.2%).
- Investment activity continues to grow, but the pickup has been slow.

- Liquidity remains ample (28/06: \$1.9b).
- Outstanding lending rate recorded a new historical low in May.
- Private sector credit grew by 9.4 percent in May.

Financial Conditions



Inflation

- Annual headline inflation rate stood at 5.8% in May.
- Higher prices were driven particularly by the food and non-alcoholic beverages category.

- Foreign reserves (28/06: \$3.3b), sufficient to cover 5.4 months of retained imports of goods and services.

Foreign Reserves



Risks

- **Global risks:** heightened geopolitical tensions could cause commodity price shocks and global trade disruptions. Slower growth in Fiji's trading partners could impede remittances and trade.
- **Domestic risks:** continued loss in labour and the rising cost of doing business could deter potential investors while adverse weather conditions and capacity constraints could hinder growth.

- Current outlook for inflation and foreign reserves in the medium term is stable.
- The RBF Board maintained the Overnight Policy Rate at 0.25% in its June meeting to support the economy.

Monetary Policy





ECONOMIC REVIEW

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Global economic activity expanded at its fastest rate in a year in May as resilient demand bolstered manufacturing and services activity in key economies such as the United States (US), the United Kingdom, China and India. Meanwhile, rate cut expectations in most of Fiji's major trading partner countries are being deferred as lingering inflationary pressures in these economies prove persistent, despite generally subdued growth at the beginning of the year.

Commodity prices noted mixed outcomes in May. The Brent Crude oil price fell (-7.1%) to US\$81.62 per barrel on the back of ample supply as previously damaged Russian refineries resumed operations. Contrastingly, world food prices measured by the FAO¹ Food Price Index continued to trend higher, rising (0.9%) for the third consecutive month to 120.4 points. In addition, strong demand from central banks ushered gold prices to a new month-end high of US\$2,345.80 per fine ounce, while improved production in Brazil contributed to reducing sugar prices (-5.7%) to US18.30 cents per pound.

Domestically, recent economic data indicate a mixed outcome into the second quarter.

Sectoral performance in resource-based industries was mixed. Gold production rose on an annual basis cumulative to May, attributed to process improvement by Tuvatu and more excavation by the Vatukoula gold mine. Timber-related outputs (sawn timber, mahogany and woodchips) and

mineral water production continued to contract in the year to May due to industry-specific challenges. However, some improvements were realised over May. Sawn timber and woodchips production rose by 175.1 percent and 32.8 percent, respectively, owing to higher export demand, however, mahogany supply fell (-14.7%) as adverse weather affected harvesting efforts. While mineral water production fell cumulative to May, there have been consecutive monthly improvements since March (May: 19.9%). Electricity generation grew by 10.3 percent in May, reflecting higher overall business activity, given resilient tourism demand, and fruition of rural electrification.

The tourism industry has performed impressively well during the off-peak period, remaining a consistent driver of growth in the economy. Visitor arrivals cumulative to May increased by 8.3 percent (to 354,584 visitors), largely underpinned by higher arrivals from non-Australian markets (7.2 percentage points), particularly, Asia, New Zealand and the US. Arrivals from Australia noted a strong rebound in May (12.2%) after declining annually in the past five months, except March. Strong visitor arrivals complemented higher per-diems (average daily spending), contributing to a record first quarter earnings of \$490.7 million this year. Additionally major source markets² and visitors arriving for a holiday or to visit friends and relatives drove this annual expansion of 16.7 percent in tourism earnings.

¹ Food and Agriculture Organisation.

² Top contributors were the US, China, New Zealand, Australia, Japan and Continental Europe.

In the labour market, over the year to May, advertised jobs fell by 2.5 percent (to 6,370 vacancies), possibly due to higher operational costs or as some employers turn to migrant labour amid tight labour market conditions. This fall was underpinned by the community, social and personal services (-3.0pp), wholesale & retail (-1.9pp), finance, insurance, and real estate (-1.5pp) and electricity & water (-1.5pp) sectors. Nonetheless, hiring intentions in the construction (+4.4pp), agriculture, forestry & fishing (+1.3pp) and transport, storage & communication (+0.8pp) sectors improved.

Lower recruitment intentions could also partly reflect slower emigration. Resident departures (for a year or more) for employment, education, permanent migration, and other purposes declined in the year to May (-24.9% to 6,082 people) amid tightening of student and work visa requirements in Australia and New Zealand. However, with Australia's recent launch of the Pacific Engagement Visa, outward migration could rise slightly in the near term.

Despite this, based on monitored indicators, higher employment and tight labour market conditions prompted higher wages and contributed to growth in incomes as evidenced by higher PAYE collections (cumulative to May: 20.7%).

Consumption activity continued to be positive in the review period in line with increased tourism activity and higher incomes, supplemented by the steady inflow of remittances (cumulative to April: 6.2%). However, the continued loss of people and high cost of living have dampened its momentum. In the year to May, net VAT rose by 38.4 percent, similar to the growth in the same 2023 period (34.9%) despite the higher VAT rate introduced. Commercial banks' new lending for consumption purposes³ grew by 9.6 percent, below the expansion pace during the comparable 2023 period (30.4%). In addition, electricity usage cumulative to May also rose (9.2%), mirroring the overall higher consumption.

³ Excluding re-financing.

⁴ Excluding re-financing.

While investment activity continues to grow, the pickup has been slow. Commercial banks' new lending for investment purposes⁴ in the year to May increased by 10.2 percent, however, at a pace below the comparable 2023 period (42.6%). On the other hand, the building material price index fell by 1.8 percent on average in the first two quarters, largely due to the drop in cement prices. This partly explains the increase in domestic cement sales in the year to May (10.4%), which grew at a pace above the same period last year (1.7%) as projects that were on hold last year are now beginning construction work.

Aggregate demand is expected to improve in the coming months given the recent announcements in the fiscal year (FY) 2024-25 National Budget, with total Government expenditure increasing by 10.2 percent compared to the current FY budget.⁵

Financial conditions remain supportive of economic activity. Banking system liquidity remains ample (28/06; \$1.9b), which has helped drive the outstanding lending rate to a new historical low in May. The low interest rate environment is supporting lending activity as private sector credit grew 9.4 percent over the year in May.

In the first quarter of 2024, the merchandise trade deficit⁶ was at \$987.9 million, lower by 7.3 percent compared to the same period a year ago. The outcome is attributed to higher exports (3.2%) underpinned by re-exports, coupled with lower imports (-3.9%) owing to lower mineral fuel imports.

In May, the annual headline inflation rate dropped to 5.8 percent after registering a decade-high of 7.1 percent in April. The top contributors to higher prices over the year in May were food & non-alcoholic beverages, alcoholic beverages, tobacco & narcotics, transport, and housing & utilities. Furthermore, foreign reserves as of 28 June was around \$3.3 billion, sufficient to cover 5.4 months

⁵ Excluding Government VAT.

⁶ Excluding aircraft.

of retained imports of goods and services. Over the medium term, foreign reserves coverage is projected to remain adequate.

Risks to the outlook remain skewed to the downside. Global risks and uncertainties continue to evolve as heightened geopolitical tensions could cause commodity price shocks and global trade disruptions. In addition, slower growth in Fiji's main trading partners could impede remittances and trade and the constant risk from climate change and natural disasters threatens growth and development. Domestically, continued loss in

labour and the high cost of doing business could deter potential investors, while adverse weather conditions and capacity constraints could hinder growth.

Given the current stable medium-term outlook for inflation and foreign reserves, the RBF Board decided in its June meeting to maintain the Overnight Policy Rate at 0.25 percent to support the economy.

RESERVE BANK OF FIJI

FIJI: ECONOMIC & FINANCIAL STATISTICS

KEY INDICATORS

1. Sectoral Performance Indicators *

(year-on-year % change)

	May-23	Feb-24	Mar-24	Apr-24	May-24
Visitor Arrivals	128.3	9.0	10.9	7.7	8.3
Electricity Production	8.8	9.7	8.9	9.4	10.3
Gold Production	-3.5	17.4	38.2	95.6	18.9
Cane Production	n/a	n/a	n/a	n/a	n/a
Pinewood Production	-61.8	-1.2	-41.6	-43.1	-36.5
Woodchip Production	-36.0	-45.5	-19.8	-23.1	-31.9
Sawn Timber Production	-18.1	-24.3	25.5	-12.1	-15.0
Mahogany Production	-39.4	24.5	-22.9	-16.7	-3.8
Cement Production	0.1	3.3	39.3	7.5	15.1

2. Consumption Indicators *

(year-on-year % change)

	May-23	Feb-24	Mar-24	Apr-24	May-24
Net VAT Collections	34.9	37.7	30.8	36.0	38.4
New Consumption Lending ^{1/}	30.4	-4.1	13.4	10.8	9.6
New Vehicle Registrations	18.0	23.9	13.3	17.6	n.a
Secondhand Vehicle Registrations	-33.7	27.7	26.1	31.8	n.a
Personal Remittances ^{2/}	23.9	11.2	14.3	6.2	n.a
Electricity Consumption	9.3	10.1	10.1	8.7	9.2

3. Investment Indicators *

(year-on-year % change)

	May-23	Feb-24	Mar-24	Apr-24	May-24
Domestic Cement Sales	1.7	12.8	12.3	11.7	10.4
New Investment Lending ^{1/}	42.6	0.7	-18.7	5.1	10.2

4. Labour Market

(year-on-year % change)

	May-23	Feb-24	Mar-24	Apr-24	May-24
RBF Job Advertisement Survey	33.5	15.3	15.6	8.7	-2.5

5. Consumer Prices **

(year-on-year % change)^{3/}

	May-23	Feb-24	Mar-24	Apr-24	May-24
All Items	0.8	4.6	4.6	7.1	5.8
Food and Non-Alcoholic Beverage	8.1	6.8	7.3	12.2	7.7
Alcoholic Beverages, Tobacco & Narcotics	-7.7	4.3	4.5	8.2	7.7

6. Reserves ***

(end of period)

	May-23	Feb-24	Mar-24	Apr-24	May-24
Foreign Reserves (\$m) ^{4/}	3,319.6	3,183.4	3,146.8	3,144.6	3,194.1
Months of retained imports of goods and non-factor services (MORI) ^{5/}	5.4	5.2	5.1	5.1	5.2

7. Exchange Rates ***

(End of period, F\$1 equals)

(Index)

	May-23	Feb-24	Mar-24	Apr-24	May-24
US dollar	0.4402	0.4397	0.4388	0.4384	0.4414
Australian dollar	0.6755	0.6768	0.6716	0.6675	0.6674
New Zealand dollar	0.7284	0.7209	0.7308	0.7331	0.7216
Euro	0.4102	0.4056	0.4052	0.4088	0.4087
Japanese Yen	61.54	66.25	66.40	68.45	69.60
Nominal Effective Exchange Rate	84.68	85.58	85.56	85.55	85.63
Real Effective Exchange Rate	92.51	93.81	93.45	95.49	94.62

8. Liquidity ***

(end of period)

	May-23	Feb-24	Mar-24	Apr-24	May-24
Banks' Demand Deposits (\$m)	2,326.5	1,929.2	1,896.1	1,853.9	1,918.9

9. Money and Credit ***

(year-on-year % change)

	May-23	Feb-24	Mar-24	Apr-24	May-24
Broad Money	7.0	7.3	9.0	7.7	7.6
Net Foreign Assets	11.1	-1.0	-3.3	-5.9	-7.1
Domestic Credit	6.0	7.8	10.2	9.6	9.5
Private Sector Credit	6.5	7.8	8.9	9.1	9.4
Narrow Money	11.9	7.9	9.5	7.6	7.3

10. Interest Rates (%) ***

(monthly weighted average)

	May-23	Feb-24	Mar-24	Apr-24	May-24
Overnight Policy Rate ^{6/}	0.25	0.25	0.25	0.25	0.25
Repurchase Rate ^{6/}	0.50	0.50	0.50	0.50	0.50
Overnight inter-bank Rate	n.i	n.i	n.i	n.i	n.i
Lending Rate	5.03	4.75	4.72	4.70	4.67
Savings Deposit Rate	0.41	0.44	0.42	0.43	0.31
Time Deposit Rate	1.11	1.48	1.55	1.60	1.62
3 month Government T-Bills	0.03	0.05	0.10	n.i	n.i
12 month Government T-Bills	0.13	0.20	0.25	0.30	0.93
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)

	May-23	Feb-24	Mar-24	Apr-24	May-24
UK Gold Price/fine ounce (US\$)	1,982.1	2,054.7	2,238.4	2,302.9	2,345.8
C\$CE No. 11 Sugar Spot Price/Global (US cents/pound)	25.1	21.7	22.5	19.4	18.3
Crude Oil/barrel (US\$)	72.7	83.6	87.5	87.9	81.6
FAO Food price index [^]	124.7	117.4	118.8	119.1	120.4

Note:

^{1/} Excludes refinancing^{2/} Personal Remittances are inclusive of international mobile money receipts.^{3/} 2014 rebase. Previous data had 2011 as its base.^{4/} 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.^{5/} MORI cover for 2023 and 2024 is based on the Macroeconomic Committee forecast as at November 2023.^{6/} MORI is based on the Macroeconomic Committee forecast as at May 2024.^{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)