

Global Economy



- Global economy continued to grow in July, mainly supported by the services sector.
- Growth in Fiji's major trading partners has broadly slowed while inflation trends have varied, prompting divergent monetary policy responses.

Commodity Prices



- Brent crude oil settled at **US\$80.72** per barrel at July-end [-6.6%] as weaker employment in the US weighed heavily on energy demand.
- FAO food prices fell over the month **[-0.2%]** due to lower prices for cereals and dairy.
- The dip in sugar prices **[-6.7%]** was driven by higher production in Brazil and better supply prospects in India.
- Gold prices settled at a new month-end peak of **US\$2,473.00** per fine ounce in July.

Domestic Economy



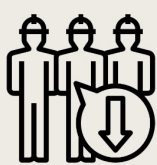
- Tourist arrivals topped at **98,332** visitors in July, the highest for a particular month. On a cumulative basis, visitor arrivals (545,487) are now **6.7%** higher than a year ago.
- Woodchips **(8.6%)**, sawn timber **(13.1%)**, electricity **(11.6%)** and gold production **(40.1%)** noted annual gains cumulative to July.
- Cane **(11.9%)** and sugar **(21.0%)** production so far in August was higher than the comparable 2023 period.
- Mineral water production remained low annually in July **[-15.4%]**, but some growth was noted over the month **(13.0%)**.

Consumption & Investment



- Consumption activity remained positive amid strong tourist demand, continued growth in remittances **(5.0%**, cumulative to June) and rising income levels proxied by the rise in PAYE **(25.2%)**.
- Domestic VAT collections **(38.8%)**, energy consumption **(9.7%)**, and vehicle registrations **(18.8%)** note robust growth.
- Investment activity gains momentum as domestic cement **(7.6%)** sales and new investment lending **(19.2%)** expanded in July.

Labour Market



- Labour demand eased further as jobs advertised declined by **7.2%** cumulative to July driven by adjustments in hiring intentions amid rising operational costs, increased import of labour and lower resident departures (for a year or more) for employment, education, and emigration purposes overseas **[-33.3%]**.

Financial Conditions



- High banking system liquidity (above **\$2.2b** as of 30/08) has supported the low-interest rate environment.
- Private sector credit growth remains strong at **11.6%** in July.

Inflation



- Annual headline inflation was **6.8%** in July led mainly by food and non-alcoholic beverages, alcoholic beverages, tobacco & narcotics, transport, and housing & utilities.
- Year-end inflation is expected to be between **4.0%** and **5.0%**.

Foreign Reserves



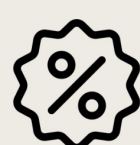
- Foreign reserves are more than **\$3.7b** (30/08), sufficient to cover **6.0 months** of retained imports of goods and services.

Risks



- Globally, escalating geopolitical tensions, slow growth in Fiji's trading partners, and volatile commodity prices threaten the outlook.
- Domestically, unfavourable weather conditions and structural and capacity constraints could weigh on the outlook.

Monetary Policy



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



ECONOMIC REVIEW

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Vol. 42

No. 08

Month Ended August 2024

The global economy remained in growth territory over July, primarily supported by the services sector. However, the rate of expansion decelerated, owing to near-stagnant factory output amid rising costs of raw materials. The growth momentum in Fiji's major trading partners has also broadly slowed, and the progress on disinflation has been mixed, leading to divergent monetary policy responses. Geopolitical tensions, particularly in the Middle East, have strengthened in recent weeks and could disrupt supply chains and increase commodity prices, adding upside pressure to inflation and delaying the normalisation of monetary policy in affected economies.

Global commodity prices mostly declined in July, except for gold. Brent crude oil settled at US\$80.72 per barrel at the end of July, noting a monthly (-6.6%) and annual (-5.7%) contraction as weaker employment in the United States (US) weighed heavily on energy demand. Food prices¹ fell over the month (-0.2%) and year (-3.0%) owing to lower monthly prices for cereals and dairy and some moderation from previous shocks over the year. Similarly, sugar prices fell over the month (-6.7%) to US\$18.94 cents per pound by July-end, influenced by higher production in Brazil and better supply prospects in India. On the other hand, gold prices reached a new month-end peak of US\$2,473.00 per fine ounce, owing to higher demand led by a prospective rate cut by the Fed, economic fragility within the US, and escalating geopolitical tensions.

Domestically, the latest partial and leading indicators suggest a pick-up in economic activity.

The tourism sector continued with its impressive performance, with a total of 98,332 visitors arriving in Fiji in July, an all-time high for a particular month, pushing the year to July arrivals to 545,487, 6.7 percent higher than the corresponding 2023 period. The increase in visitor arrivals was largely driven by non-Australian markets, such as New Zealand, Asia, the US, and the Pacific Islands, although the Australian market also contributed positively. Additional flights, anticipated new routes, global events hosted in Fiji from August onwards, and the potential of non-traditional markets, as they catch up to their pre-pandemic levels, are expected to bode well for visitor arrivals. At the same time, the cost-of-living pressures in major source markets, the increase in departure tax from August 2024, and the current high room rates could offset the anticipated optimism and remain a concern in the near to medium term.

Sectoral performances have started to show signs of positivity. Despite contracting in the first six months of 2024, higher production in July alone, driven by increased demand from Japan and China boosted the turnaround in woodchips (8.6%) and sawn timber (13.1%) production. Over the same period, gold production rose notably (40.1%), boosted by the onboarding of Tuvatu Gold Mines and the

¹ Measured by Food & Agriculture Organisation (FAO) Food Price Index.

continued output by Vatukoula Gold Mines Limited. Electricity production, a partial indicator of business activity also increased by 11.6 percent. While mineral water production continued to record an annual contraction (-15.4%) in the year to July, improvements were noted over the month (13.0%). As of 19 August, both cane (11.9%) and sugar (21.0%) production were higher than a year ago² but drought-like conditions, associated with the El-Nino phenomenon, in the cane belt areas are expected to affect production going forward.

Labour market pressures have somewhat moderated. The number of jobs advertised (-7.2%) cumulative to June contracted, partly attributed to adjustments in hiring intentions by businesses given the rising operational costs. In addition, around 150 companies are listed on the Department of Immigration's Qualified Employers' List, which allows these companies to import labour where there are skill shortages.

Furthermore, tighter migration policies abroad have led to a contraction in the number of Fijians moving overseas. In total, the number of people leaving (for a year or more) for employment, education/training, emigration, and other purposes noted a decline (-33.3%) cumulative to July, which may have resulted in less resignations and thus lower vacancies.

Recent partial indicators suggest positive consumption activity. Domestic Value Added Tax (VAT) collections expanded significantly (38.8%) in the year to July, attributed to higher visitor arrivals, rising income levels proxied by Pay As You Earn collections (25.2%) and continued growth in remittances (5.0%, cumulative to June). However, this nominal outcome also reflects the increase in the VAT rate to 15 percent on non-basic items since August 2023. Over the year to June, energy

consumption (9.7%) and vehicle registrations (18.8%) were also higher. Looking ahead, consumption activity is anticipated to remain positive, aided by commercial banks' new consumption lending up to July (27.3%) and the effects of the expansionary Budget, rise in the minimum wage and the increase in civil servants' pay.

Investment activity is picking up, with expansions noted in domestic cement sales in the year to July (7.6%). In addition to this, new investment lending noted a robust growth of 19.2 percent in the same period.³

The financial sector continues to support economic activity. The high banking system liquidity of around \$2.2 billion (30/08), aided by the inflow of foreign reserves, has kept commercial banks' lending rates near historic low levels. The favourable environment influenced the expansion in broad money (8.1%) in July, driven by the increase in private sector credit (11.6%) to business entities in the manufacturing, wholesale & retail trade and the household sectors.

Fiji's merchandise trade⁴ deficit cumulative to June widened (2.7%) annually to \$2,126.4 million, as the value expansion in imports (\$93.6m or 3.0%) outweighed the rise in exports (\$37.7m or 3.5%). Imports grew on the back of higher machinery & transport and manufactured goods imports whereas the increase in exports was largely sustained by machinery & transport re-exports, complemented by domestic exports of gold, woodchips and kava.

Headline inflation recorded its second-highest peak of 2024 in July at 6.8 percent, influenced mainly by increases in food and non-alcoholic beverages, transport and housing & utilities while other goods such as alcoholic beverages, tobacco & narcotics also impacted the outcome.

² Rarawai, Labasa and Lautoka mills are into 9th, 10th and 11th weeks of production respectively.

³ Excluding refinancing

⁴ Excluding aircraft

Considering the impact of the August 2023 VAT hike is expected to wane going forward, changes in excise duties, the rise in minimum wages and salaries of civil servants announced in the FY2024-25 Budget and high fuel prices anticipated for this year will keep inflation elevated at around 4.0 percent to 5.0 percent by year-end.

Government loan drawdowns and higher tourism receipts supported the foreign reserves position in July and more-than-offset the increased payments. Foreign reserves are currently (30/08) around \$3.7 billion, sufficient to cover 6.0 months of retained imports of goods and services and are projected to remain adequate over the medium term.

Risks to the outlook include elevated geopolitical uncertainty, supply chain issues, slow growth in Fiji's major trading partners, volatile commodity prices, structural and capacity constraints domestically, and unfavourable weather conditions.

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

RESERVE BANK OF FIJI

FIJI: ECONOMIC & FINANCIAL STATISTICS

KEY INDICATORS

	Jul-23	Apr-24	May-24	Jun-24	Jul-24
1. Sectoral Performance Indicators* (year-on-year % change)					
Visitor Arrivals	79.9	7.7	8.3	7.0	6.7
Electricity Production	5.4	9.4	10.3	10.7	11.6
Gold Production	-20.5	50.2	41.7	33.5	40.1
Cane Production	-14.9	n/a	n/a	35.4	7.4
Sugar Production	-25.7	n/a	n/a	75.8	15.5
Pinewood Production	-49.5	-43.1	-36.5	-32.3	-32.4
Woodchip Production	-36.3	-23.1	-31.9	-10.6	8.6
Sawn Timber Production	-22.7	-12.1	-15.0	-3.7	13.1
Mahogany Production	-43.0	-16.7	-3.8	-4.7	-7.8
Cement Production	-1.9	7.5	15.1	8.6	6.6
2. Consumption Indicators* (year-on-year % change)					
Net VAT Collections	29.3	36.0	38.4	38.3	41.9
New Consumption Lending ^{1/}	15.1	10.8	9.6	24.1	27.3
New Vehicle Registrations	32.1	17.6	15.2	8.2	5.8
Secondhand Vehicle Registrations	-30.5	31.8	31.5	30.6	30.2
Personal Remittances	22.8	6.2	5.2	5.0	n/a
Electricity Consumption	6.4	8.7	9.2	9.2	9.7
3. Investment Indicators* (year-on-year % change)					
Domestic Cement Sales	1.9	11.7	10.4	9.7	7.6
New Investment Lending ^{1/}	36.4	5.1	10.2	20.3	19.2
Building & Construction					
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	n/a	n/a	n/a
4. Labour Market (year-on-year % change)					
RBF Job Advertisement Survey	31.2	9.3	-2.5	-1.1	-7.2
Resident Departure	120.0	19.3	16.3	12.7	11.0
5. Consumer Prices** (year-on-year % change)^{2/}					
All Items	0.3	7.1	5.8	6.7	6.8
Food and Non-Alcoholic Beverage	8.0	12.2	7.7	10.1	10.0
Alcoholic Beverages, Tobacco & Narcotics	-4.9	8.2	7.7	8.5	8.1
6. Reserves*** (end of period)					
Foreign Reserves (\$m) ^{3/}	3,555.7	3,144.6	3,194.1	3,304.5	3,581.1
Months of retained imports of goods and non-factor services (MORI) ^{4/}	5.7	5.1	5.2	5.4	5.8
7. Exchange Rates*** (End of period, F\$1 equals) (Index)					
US dollar	0.4454	0.4384	0.4414	0.4411	0.4371
Australian dollar	0.6684	0.6675	0.6674	0.6634	0.6685
New Zealand dollar	0.7228	0.7331	0.7216	0.7249	0.7405
Euro	0.4043	0.4088	0.4087	0.4121	0.4043
Japanese Yen	62.88	68.45	69.60	70.92	66.83
Nominal Effective Exchange Rate	84.76	85.55	85.63	83.10	82.85
Real Effective Exchange Rate	93.57	95.48	94.55	93.41	93.54
8. Liquidity*** (end of period)					
Banks' Demand Deposits (\$m)	2,508.7	1,853.9	1,918.9	1,919.3	2,128.6
9. Money and Credit*** (year-on-year % change)					
Broad Money	8.4	7.7	7.5	7.6	8.1
Net Foreign Assets	1.4	-5.8	-8.0	-9.2	-0.6
Domestic Credit	9.2	9.6	10.4	11.2	9.0
Private Sector Credit	5.3	9.0	10.5	11.5	11.6
Narrow Money	9.7	7.7	7.2	9.0	8.0
10. Interest Rates (%)*** (monthly weighted average)					
Overnight Policy Rate ^{5/}	0.25	0.25	0.25	0.25	0.25
Repurchase Rate ^{5/}	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	4.96	4.70	4.67	4.68	4.60
Savings Deposit Rate	0.38	0.43	0.31	0.31	0.30
Time Deposit Rate	1.17	1.60	1.62	1.52	1.75
3 month Government T-Bills	n.i	n.i	n.i	n.i	n.i
12 month Government T-Bills	n.i	0.30	0.93	n.i	n.i
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)					
UK Gold Price/fine ounce (US\$)	1,981.9	2,302.9	2,345.8	2,339.6	2,473.0
CSCE No. 11 Sugar Spot Price/Global (US cents/pou)	24.4	19.4	18.3	20.3	18.9
Crude Oil/barrel (US\$)	85.6	87.9	81.6	86.4	80.7
FAO Food price index ^	124.6	119.3	120.6	120.6	120.8

Note:

^{1/} Excludes refinancing^{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 June 2024.^{5/} Not weighted average.

m - Millions

n.t - 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)