

International Economy

Global Economy

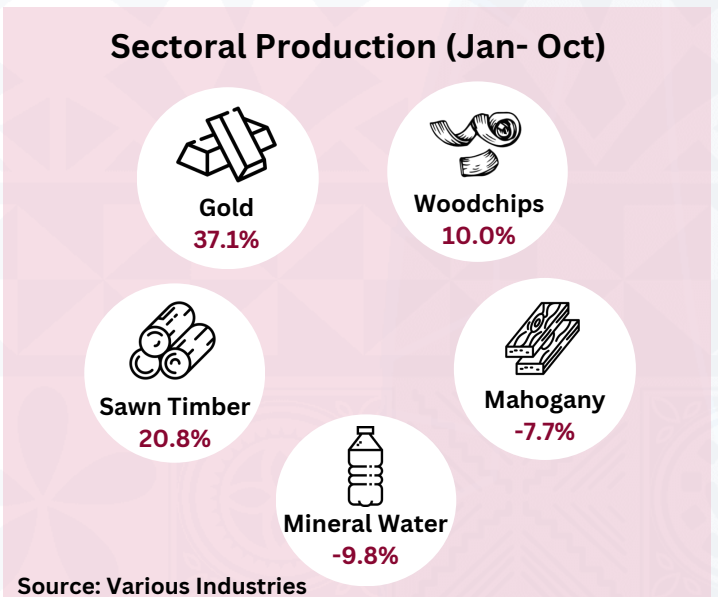
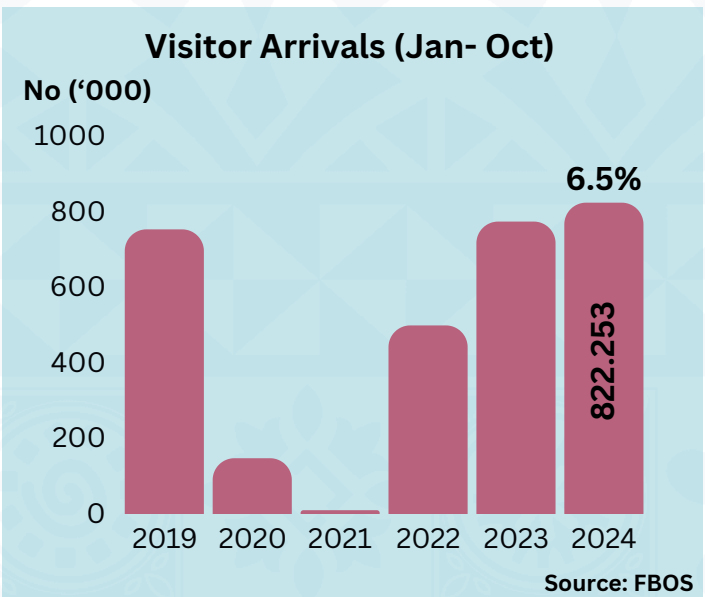
Growth in Fiji's trading partners remain positive but slow, as manufacturing and services activity diverge.

Global Commodity Prices (Oct- End)

- Gold** US\$2,749.3
- Sugar** US\$22.7 cents
- UN FAO Index** 127.4
- Brent Crude Oil** US\$73.2

Source: Bloomberg

Fijian Economy



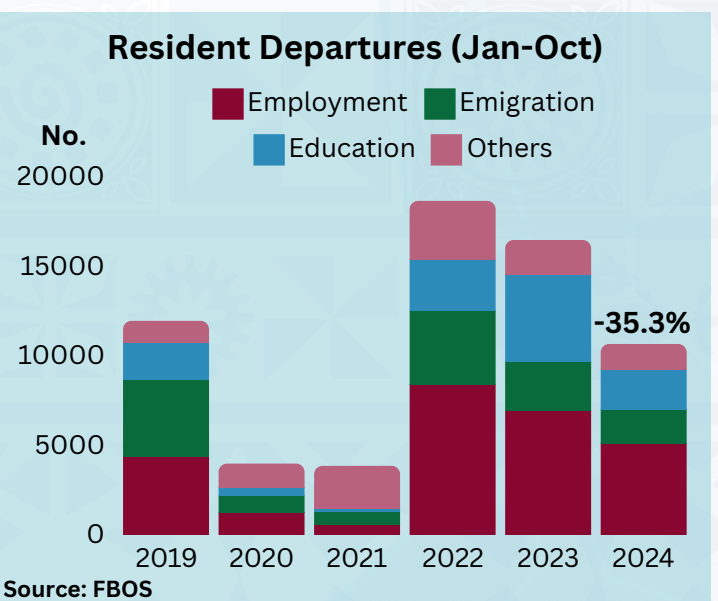
Consumption (Jan- Oct)

- Net VAT: **34.6%**
- Vehicle Registrations: **19.8%**
- Consumption Lending: **33.9%**

Investment (Jan- Oct)

- Investment Lending: **25.0%**
- Domestic cement sales: **11.2%**

Source: FRCS, RBF, Various Industries



Financial Conditions

- Liquidity (28/11)** \$2.3 billion
- Broad Money (Oct)** 7.5%
- Private Sector Credit (Oct)** 11.2%

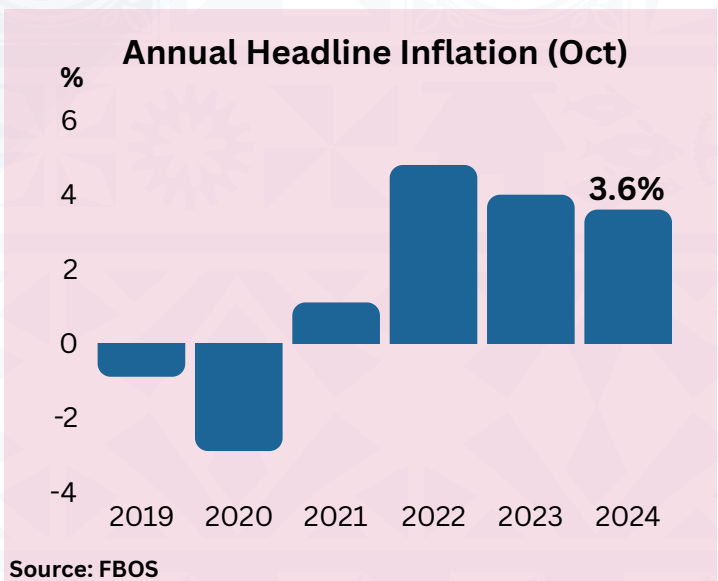
Source: RBF

Monetary Policy Objectives

Foreign Reserves

\$3.8 billion (28/11)
6.2 MORI

Source: RBF



Overnight Policy Rate

The RBF board maintained the Overnight Policy Rate at **0.25%** in its November 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.

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The International Monetary Fund (IMF), in its October World Economic Outlook, maintained its forecast for global growth in 2024 at 3.2 percent. However, the projection for 2025 has been revised down by 0.1 percentage point, due to a weaker outlook for China and the Euro Area, as well as increased downside risks to the outlook.¹ Moreover, the re-election of Donald Trump as President of the United States (US) raises the possibility of shifts in the US economic and trade policies, which could impact global supply chains and escalate trade tensions. Meanwhile, growth in most of Fiji's trading partner economies (TPEs) remain positive but has decelerated from the previous quarter.² Despite the weak outcome in manufacturing activity, the expansion in services was noted in most TPEs.

Commodity price movements trended upwards in October. The Brent Crude oil price grew by 1.9 percent to US\$73.16 per barrel over the month in October, fuelled by ongoing tensions in the Middle East. Likewise, global food prices rose by 2.0 percent over the month as the FAO³ index stood at 127.4 in October from 124.9 last month, driven by the higher prices for vegetable oils, sugar, dairy and cereals, as concerns of production of vegetable oils and unfavourable weather persisted. Similarly, sugar prices picked up and settled at US\$22.74 cents per pound (m-o-m: 1.2%), mostly due to drought conditions in Brazil impacting global supply. Gold prices also rose (3.4%) to a new month-end peak of US\$2,749.30 per fine ounce at October end,

attributed to rising tensions in the Middle East, and sustained demand from central banks.

On the domestic front, the economy maintains momentum and is projected to grow by 3.8 percent this year, following the 7.5 percent expansion in 2023.⁴ The projected growth is reflective of the better-than-expected visitor arrivals, increased consumption spending, and improved sectoral performance.

In the year to October, visitor arrivals grew by an annual 6.5 percent to 822,253 visitors, fuelled by higher arrivals mainly from Australia, New Zealand, the US, and Pacific Islands. Given the outcome noted so far, visitor arrivals are expected to record an annual growth of 6.0 percent in 2024 (to 985,524 visitors), which would result in a new peak for the tourism industry.

Sectoral outcomes have turned broadly positive despite the persistence of industry-specific challenges. Cumulative to October, woodchips (10.0%) and sawn timber (20.8%) production recorded annual gains, driven by higher export demand. Similarly, total gold output expanded significantly (37.1%), boosted by production from the Tuvatu Gold Mine. Contrastingly, mineral water (-9.8%) and mahogany (-7.7%) production recorded subdued outcomes in the same period. Furthermore, due to a combination of factors including limited cane supply,⁵ the 2024 crushing season concluded around five weeks earlier than a year ago, noting

¹ Downside risk to the outlook include, an escalation in regional conflicts, especially in the Middle East, posing serious risks for commodity markets; shifts toward undesirable trade and industrial policies; and abrupt global fiscal consolidation

² Excluding Japan and New Zealand

³ Food and Agriculture Organisation

⁴ The 3.8 percent growth for this year is an upward revision from the 2.8 percent projected earlier in June

⁵ Combination of factors include unfavourable weather conditions, increased burnt cane and frequent mill breakdowns

comparative contractions in cane (-15.0%) and sugar (-9.6%) production.⁶

Tightness in the labour market has moderated. The number of job vacancies advertised fell (-14.0%) cumulative to October, mostly attributed to lower recruitment advertisements noted in the services sector. In addition, the number of Fijian residents travelling abroad for employment, education/training, emigration, and other purposes have fallen (-35.3%) from the same period last year.⁷ In tandem, the annual growth in inward remittances (6.9%) cumulative to September has slowed notably from a year ago (22.2%), mirroring the waning emigration trend, coupled with the high cost-of-living in major remitting countries.

Total wages paid rose by 11.6 percent in the year to September, mostly as part of employer retention efforts to mitigate skills and labour losses. Comparably, the Pay as You Earn (PAYE) tax collections noted a double-digit increase (25.8%) cumulative to October, aligning with the observed rise in total wages paid.

Consumption activity has been steady, attributed to positive spillover effects from tourism activity, rising incomes, remittances, and increased government spending. This has been evident in partial indicators such as net Value Added Tax (VAT) collections (34.6%), total vehicle registrations (19.8%), and new credit for consumption purposes (33.9%), recording significant yearly gains cumulative to October.

Investment activity is picking up but at a gradual pace. In the year to October, new credit for investment purposes grew 25.0 percent, mostly driven by higher lending to the building & construction sector. Likewise, in the same period, domestic cement sales were higher

(11.2%) over the year. However, high construction costs, and access to key infrastructure continue to impede the speed and implementation of projects. As evident, the value of work put-in-place cumulative to the second quarter noted a contraction (-8.9%) from the same period last year.⁸

Financial conditions remain supportive of growth. Broad money expanded by an annual 7.5 percent in October, underpinned by robust growth in private sector credit (11.2%), driven by lending to both business entities and households. Banking system liquidity remains high at around \$2.3 billion (28/11), helping keep interest rates at near historical lows.

Annual headline inflation settled at 3.6 percent in October, lower than the 4.0 percent noted a year ago, and a deceleration from the 4.2 percent in September 2024, with food & non-alcoholic beverages and alcoholic beverages, tobacco & narcotics categories underpinning the outcome. By this year-end, headline inflation is projected to be around 3.5 percent, lower than the 5.1 percent recorded in December 2023, owing to a moderation in prices noted in the food & non-alcoholic beverages, transport, and housing & utilities categories.

Foreign reserves continue to remain at adequate levels and currently (28/11) stands at \$3.8 billion, covering 6.2 months of retained imports of goods and services, and are projected to remain sufficient over the medium term.

Risks to the outlook continues to exist on both the downside and upside. The downside risks include escalating geopolitical tensions, an economic slowdown in major TPEs, the Trump administration's trade protectionism policies, the persistent threat from natural disasters, ageing infrastructure, and increased crime rates

⁶ The 2024 crushing season concluded on 11th November

⁷ Resident departures for the period of one year and above.

⁸ Value of work put in place grew by 16.3 percent cumulative to the second quarter of 2023.

and illicit drug use. However, new flight routes, the slowdown in emigration, productivity gains from imported labour, and advancements in technology can bode well for growth prospects.

With the current outlook of the twin monetary policy objectives, the Reserve Bank of Fiji Board maintained the Overnight Policy Rate at 0.25 percent at its meeting on 27 November.

RESERVE BANK OF FIJI

KEY INDICATORS

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

	Oct-23	Jul-24	Aug-24	Sep-24	Oct-24
Visitor Arrivals	55.3	6.7	6.9	6.3	6.5
Electricity Production	3.8	11.6	11.0	11.0	11.6
Gold Production	-13.0	40.1	30.3	32.3	37.1
Cane Production	-8.1	7.4	18.3	4.7	0.8
Sugar Production	-13.6	15.5	26.6	10.8	6.4
Pinewood Production	-35.0	-32.4	-33.1	-32.5	-34.9
Woodchip Production	-27.8	8.6	5.7	13.1	10.0
Sawn Timber Production	-25.0	13.1	14.5	18.2	20.8
Mahogany Production	-29.4	-7.8	-8.0	-0.7	-7.7
Cement Production	0.2	6.6	6.5	7.8	9.1

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

Net VAT Collections	27.6	41.9	46.1	39.7	34.6
New Consumption Lending ^{1/}	17.3	27.3	28.9	28.0	33.9
New Vehicle Registrations	32.6	5.8	6.4	4.4	5.7
Secondhand Vehicle Registrations	-25.6	30.2	28.6	30.2	32.4
Personal Remittances	21.8	3.1	6.6	6.9	n.a
Electricity Consumption	4.4	9.7	10.1	9.3	n.a

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

Domestic Cement Sales	-4.4	7.6	6.8	9.4	11.2
New Investment Lending ^{1/}	42.0	19.2	19.3	26.3	25.0
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	30.3	-7.2	-5.2	-11.3	-14.0
Resident Departure	81.7	11.0	9.5	8.7	7.2

**5. Consumer Prices **
(year-on-year % change)^{2/}**

All Items	4.0	6.8	5.4	4.2	3.6
Food and Non-Alcoholic Beverage	8.6	10.0	9.6	7.5	7.7
Alcoholic Beverages, Tobacco & Narcotics	-1.7	8.1	10.1	11.6	9.3

6. Reserves *
(end of period)**

Foreign Reserves (\$m) ^{3/}	3,487.2	3,581.1	3,717.8	3,762.0	3,857.9
Months of retained imports of goods and non-factor serv	5.6	5.8	6.0	6.1	6.3

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

US dollar	0.4329	0.4371	0.4492	0.4529	0.4390
Australian dollar	0.6792	0.6685	0.6607	0.6558	0.6680
New Zealand dollar	0.7413	0.7405	0.7176	0.7147	0.7349
Euro	0.4078	0.4043	0.4055	0.4058	0.4043
Japanese Yen	64.55	66.83	65.12	64.40	67.34
Nominal Effective Exchange Rate	84.75	85.65	85.52	85.56	85.60
Real Effective Exchange Rate	94.91	96.57	96.88	95.44	94.76

8. Liquidity *
(end of period)**

Banks' Demand Deposits (\$m)	2,287.2	2,128.6	2,226.6	2,343.0	2,413.1
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9. Money and Credit *
(year-on-year % change)**

Broad Money	6.3	8.1	6.8	6.7	7.5
Net Foreign Assets	-0.5	-0.6	0.4	6.5	8.5
Domestic Credit	7.2	9.0	6.6	5.9	6.0
Private Sector Credit	5.9	11.6	11.3	11.2	11.2
Narrow Money	7.9	8.1	5.1	6.7	7.7

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	4.84	4.60	4.58	4.66	4.68
Savings Deposit Rate	0.42	0.30	0.30	0.31	0.30
Time Deposit Rate	1.26	1.75	1.66	1.69	1.68
3 month Government T-Bills	0.03	n.i	0.10	n.i	0.15
12 month Government T-Bills	0.15	n.i	1.14	n.i	1.14
5-year Government Bond Yield	n.i	n.i	3.00	5.00	n.i
10-year Government Bond Yield	n.i	n.i	4.00	n.i	n.i

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

UK Gold Price/fine ounce (US\$)	1,994.3	2,473.0	2,527.6	2,659.4	2,749.3
C&SCE No. 11 Sugar Spot Price/Global (US cents/pound)	27.1	18.9	19.4	22.5	22.7
Crude Oil/barel (US\$)	87.4	80.7	78.8	71.8	73.2
FAO Food price index ^	120.9	120.8	120.7	124.4	127.4

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

^{4/} MORI is based on the Macroeconomic Committee forecast as at November 2024.

^{5/} 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)