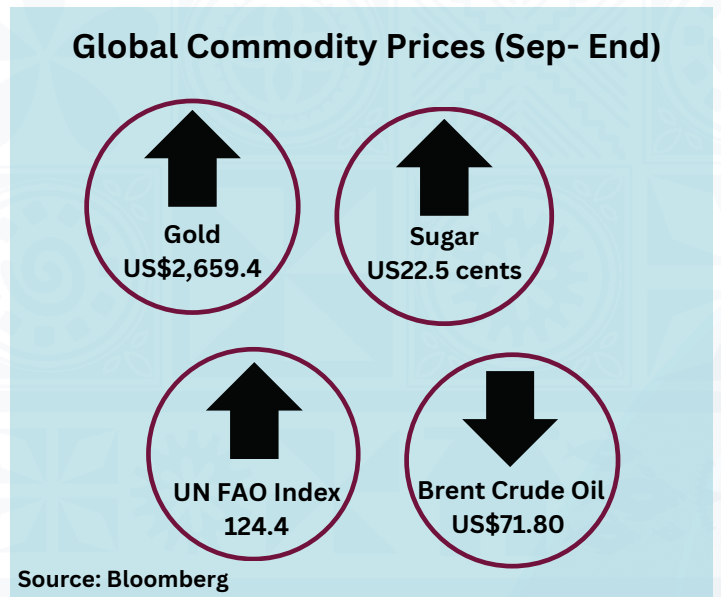
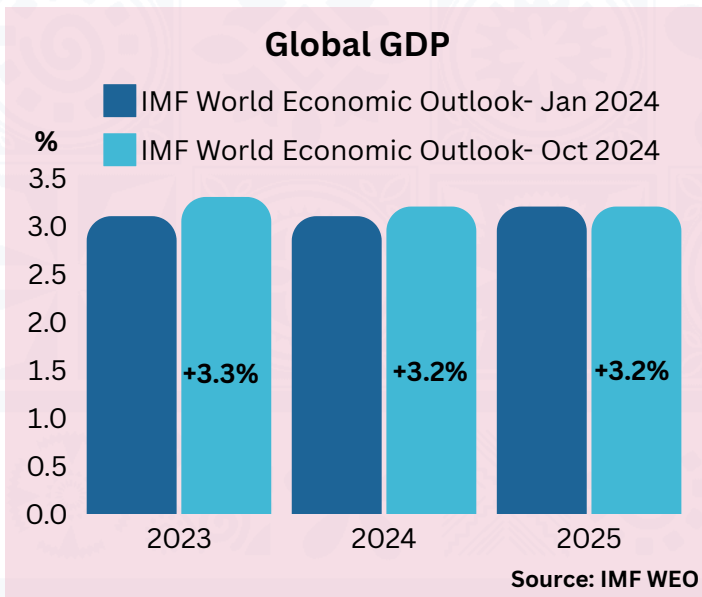
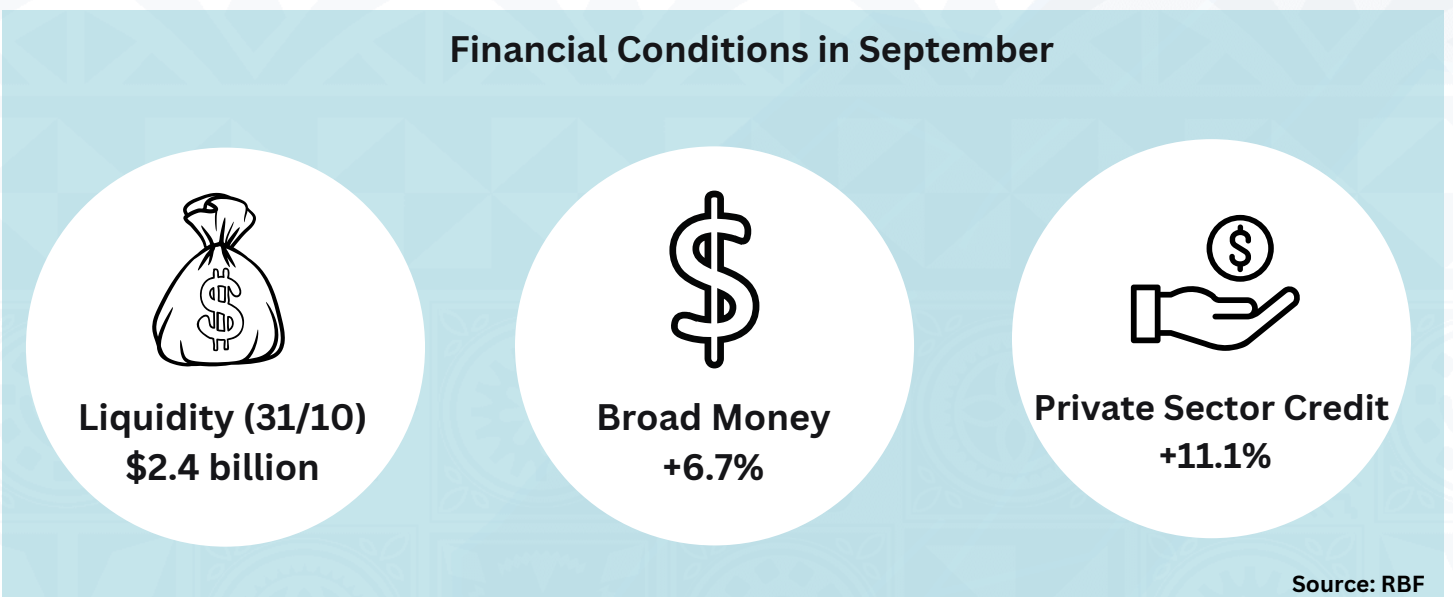
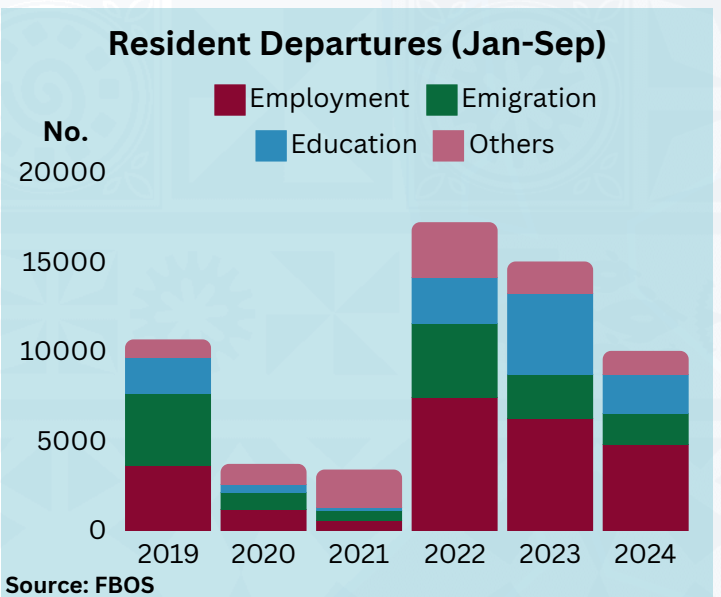
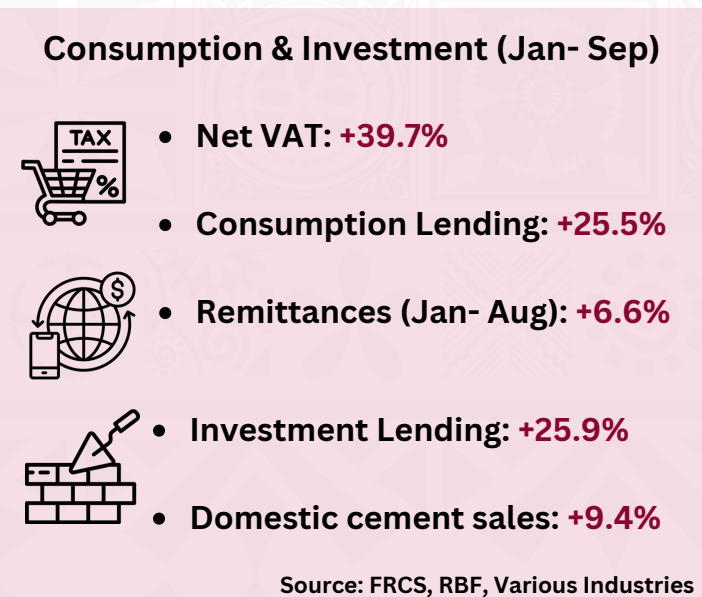
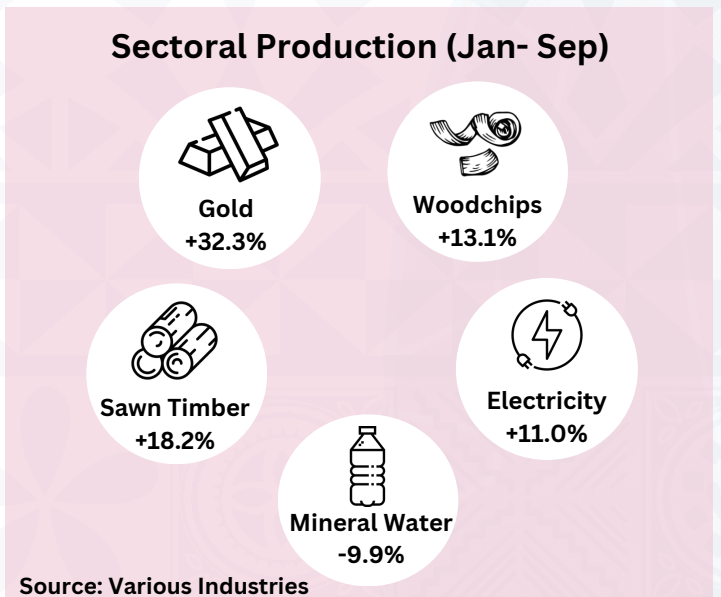
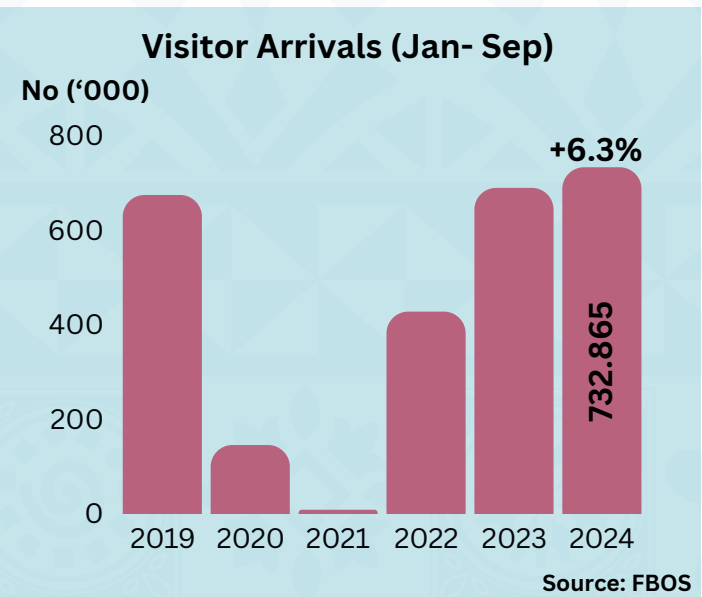


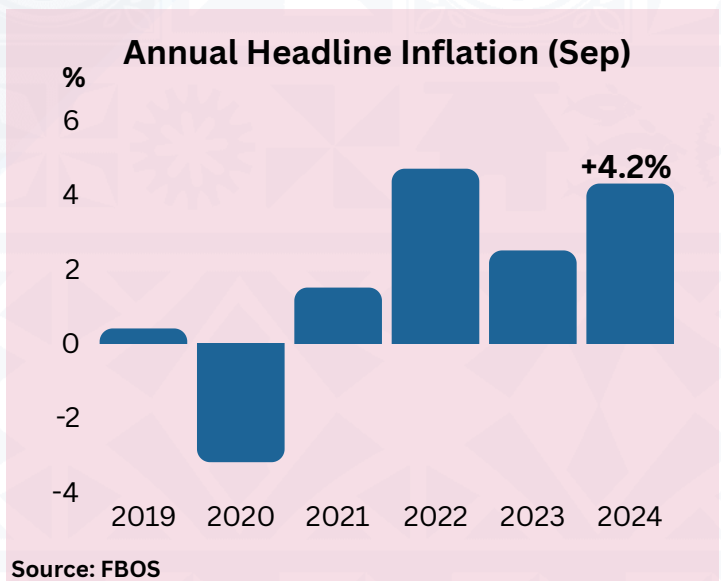
### International Economy



### Fijian Economy



### Monetary Policy Objectives



### Overnight Policy Rate

The RBF board maintained the Overnight Policy Rate at **0.25%** in its October 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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No. 10

Month Ended October 2024

Global growth for 2024 is projected to remain steady at 3.2 percent according to the International Monetary Fund's October World Economic Outlook report. This year's growth prospects are largely fuelled by better-than-expected United States' (US) consumer spending and strong underlying fundamentals in India and Brazil, which offset downgraded growth forecast for China and other advanced economies. In general, major central banks have started to cut their policy rates, moving their policy stance toward neutral as annual inflation rates are beginning to align towards respective central banks' inflation target range. Notably, central banks of Fiji's key trading partners, including the US, New Zealand (NZ), China and the Euro Area, have begun to lower interest rates, with more monetary normalisation expected in the near term.

Most commodity price movements exhibited favourable trends at the end of September. Brent crude oil price declined by 8.9 percent over the month, settling at US\$71.77 per barrel, primarily due to excess global fuel inventories. Export commodity prices in contrast noted an upward trajectory, with world market sugar prices rising by 15.9 percent (to US\$22.47 cents per pound), driven by tighter global supplies from Brazil and India. Gold prices leaped by 5.2 percent, reaching another all-time month-end high of \$2,659.40 per fine ounce, underpinned by escalating tensions in the Middle East and large cuts in the US Federal Reserve Fund rate. On the other hand, import commodity prices may be unfavourable for Fiji as global food prices rose by 3.0 percent over the month (to 124.4 points), owing to supply concerns for sugar, vegetable oils, and cereals, alongside heightened demand for dairy and meat, which contributed to rising price levels.

Domestically, the growth momentum continues to gain traction, supported by robust tourism activity and its positive influence on related industries. According to the RBF's August Business Expectations Survey (BES) results, most businesses expect general business conditions to remain stable over the next six months, with further improvements anticipated in the medium term. Tourism activity remains strong, with arrivals already above expectations and is gearing towards a new peak by this year-end. In September, a total of 92,591 tourists arrived in Fiji, bringing the total number of visitors in the nine months of the year to 732,865, denoting a 6.3 percent rise compared to the comparable period last year. Visitor numbers continued to increase from key markets including Australia, the US and NZ. However, the sustainability of the growth momentum is a concern for the outer years, given the increasing cost of tourism and capacity constraints.

Overall, the performance of sectoral outcomes was positive annually, although industry-specific challenges persist. Electricity generated was 11.0 percent higher over the year in September. Similarly, gold production recorded a 32.3 percent growth in the same period, reaching 21,960 ounces, driven by higher output from the Tuvatu gold mine. Additionally, the timber industry exhibited improvements, with woodchips and sawn timber growing by 13.1 percent and 18.2 percent, respectively, cumulative to September. Cane (3.5%) and sugar production (10.8%) also noted gains so far into the current crushing season. However, production of mineral water and mahogany declined by 9.9 percent and 0.7 percent, respectively.

The labour market has noted signs of softening, as indicated by a fall in job vacancies by 11.3 percent in the year up to September, as per the RBF Job Advertisements Survey. This trend corresponds with the latest August BES findings which point to reduced hiring sentiments relative to the February survey. Employers also cited the loss of highly skilled and semi-skilled workers and the difficulty in finding suitable replacements locally. As a countermeasure, majority of employers have raised wages of existing staff to mitigate further drain, which collaborates with the higher wages (10.3%) and PAYE (24.5%) collections recorded in the year to September.

On a positive note, emigration trends cumulative to September showed an annual decline of 33.3 percent, particularly in resident departures for employment, education or training, emigration, and other purposes. This is due to tightening migration policies and international student visa requirements in Australia and New Zealand.

Consumption activity has been firm in the year to September, as evidenced by Net Value Added Tax collections (39.7%), vehicle registrations (18.1%), and new lending for consumption purposes (25.5%) expanding annually. These trends can be attributed to rising disposable income, higher inward remittances<sup>1</sup> (6.6% to \$867.4m), and increased demand from higher tourism activity and Government expenditure. Correspondingly, the results of the Wholesale, Retail, and Trade (WRT) survey cumulative to June quarter grew by 4.3 percent,<sup>2</sup> reflecting improved consumption sentiments in the economy. Similarly, as per the August Retail Sales Survey (RSS), businesses expect retail sales to improve in the current and coming year.

Investment activity is gradually picking up relative to last year. Cumulative to September, new credit for investment purposes grew by 25.9 percent, driven by higher lending to the building & construction and real estate sectors as well as the private individuals' investment (second home) category. In tandem,

domestic cement sales increased by 9.4 percent in the year to September. The pick-up in investment activity somewhat reflects an improved investment climate and a slight moderation in the building and material prices. Furthermore, the Government's capital and operation expenditure has steadily increased in the year to September, compared to the same period in 2023, supporting overall economic growth. Based on the performance of various partial indicators so far in the year, economic growth for 2024 is anticipated to be better than earlier projected.

Fiji's financial conditions remain conducive to growth as ample banking system liquidity of \$2.4 billion (31/10) has kept interest rates near historic lows. In September, broad money grew by 6.7 percent, largely fuelled by a rise in private sector credit (11.1%) to businesses and households.

On the trade front, Fiji's merchandise trade deficit narrowed (3.8%) in the year to July. A strong export performance growth (7.7%), driven by re-exports, comfortably offset the minimal growth in merchandise imports (0.04%), helping to reduce the overall trade gap.

Annual headline inflation stood at 4.2 percent in September, higher than 2.5 percent in the same period last year. The outcome was largely driven by higher prices noted in the food and non-alcoholic beverages, and alcoholic beverages, tobacco & narcotics categories. Nevertheless, the trend in inflation has moderated since July (6.8%).

Strong receipts upheld the foreign reserves position in September, led by tourism-related earnings, merchandise export proceeds and other inflows, which outweighed the elevated major payments. Foreign reserves are currently over \$3.8 billion (31/10), sufficient to cover 6.2 months of retained imports of goods and services and are projected to remain adequate over the medium term.

Potential risks to the outlook of monetary policy include slow growth in key trading partners and geopolitical conflicts, prompting commodity price

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<sup>1</sup> Cumulative to August.

<sup>2</sup> Compared to 14.0 percent growth rate in Quarter Two, 2023.

volatility and higher import costs, resulting in possible upward pressure on inflation. Additional concerns involve increasing imported labour which has translated into higher outward remittances. In addition, a rise in labour-related strikes can affect productivity, and rising cybercrimes and drug-related issues dent investor confidence.

Given the stable medium-term outlook for inflation and foreign reserves, the Reserve Bank of Fiji Board decided in its October meeting to keep the Overnight Policy Rate unchanged at 0.25 percent.

## **RESERVE BANK OF FIJI**

**KEY INDICATORS**

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
Visitor Arrivals	61.4	7.0	6.7	6.9	6.3
Electricity Production	4.4	10.7	11.6	11.0	11.0
Gold Production	-13.0	33.5	40.1	30.3	32.3
Cane Production	-16.0	35.4	7.4	18.3	4.7
Sugar Production	-23.7	75.8	15.5	26.6	10.8
Pinewood Production	-43.1	-32.3	-32.4	-33.1	-32.5
Woodchip Production	-35.0	-10.6	8.6	5.7	13.1
Sawn Timber Production	-22.9	-3.7	13.1	14.5	18.2
Mahogany Production	-46.1	-4.7	-7.8	-8.0	-0.7
Cement Production	4.4	8.6	6.6	6.5	7.8

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
Net VAT Collections	25.1	38.3	41.9	46.1	39.7
New Consumption Lending <sup>1/</sup>	15.6	24.1	27.3	28.9	25.5
New Vehicle Registrations	29.4	8.2	5.8	6.4	4.4
Secondhand Vehicle Registrations	-28.3	30.6	30.2	28.6	30.2
Personal Remittances	22.2	5.0	3.1	6.6	n.a
Electricity Consumption	4.6	9.2	9.7	10.1	9.3

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
Domestic Cement Sales	-2.6	9.7	7.6	6.8	9.4
New Investment Lending <sup>1/</sup>	37.2	20.3	19.2	19.3	25.9
<b>Building &amp; Construction</b>					
Completion Certificates Issued					
Number	10.5	-26.9	n/a	n/a	n.a
Value	24.7	-4.8	n/a	n/a	n.a
Building Permits Issued					
Number	17.1	-27.4	n/a	n/a	n.a
Value	-5.1	99.7	n/a	n/a	n.a
Value of work put in place	7.8	-8.9	n/a	n/a	n.a

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
RBF Job Advertisement Survey	32.3	-1.1	-7.2	-5.2	-11.3
Resident Departure	89.6	12.7	11.0	9.5	8.7

**5. Consumer Prices \*\***  
(year-on-year % change)<sup>2/</sup>

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
All Items	2.5	6.7	6.8	5.4	4.2
Food and Non-Alcoholic Beverage	8.4	10.1	10.0	9.6	7.5
Alcoholic Beverages, Tobacco & Narcotics	-5.6	8.5	8.1	10.1	11.6

**6. Reserves \*\*\***  
(end of period)

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
Foreign Reserves (\$m) <sup>3/</sup>	3,564.6	3,304.5	3,581.1	3,717.8	3,762.0
Months of retained imports of goods and non-factor services (MCI)	5.8	5.4	5.8	6.0	6.1

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
US dollar	0.4358	0.4411	0.4371	0.4492	0.4529
Australian dollar	0.6782	0.6634	0.6685	0.6607	0.6558
New Zealand dollar	0.7311	0.7249	0.7405	0.7176	0.7147
Euro	0.4125	0.4121	0.4043	0.4055	0.4058
Japanese Yen	65.06	70.92	66.83	65.12	64.40
Nominal Effective Exchange Rate	84.73	85.68	85.65	85.52	85.56
Real Effective Exchange Rate	94.68	96.24	96.57	96.88	96.29

**8. Liquidity \*\*\***  
(end of period)

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
Banks' Demand Deposits (\$m)	2,377.7	1,919.3	2,128.6	2,226.6	2,343.0

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
Broad Money	6.4	7.6	8.1	6.8	6.7
Net Foreign Assets	2.2	-9.2	-0.7	0.4	6.5
Domestic Credit	6.6	11.2	9.0	6.8	6.0
Private Sector Credit	4.9	11.5	11.6	11.6	11.1
Narrow Money	8.2	9.0	8.0	5.1	6.5

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
Overnight Policy Rate <sup>5/</sup>	0.25	0.25	0.25	0.25	0.25
Repurchase Rate <sup>5/</sup>	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	4.90	4.68	4.60	4.58	4.66
Savings Deposit Rate	0.42	0.31	0.30	0.49	0.31
Time Deposit Rate	1.23	1.52	1.75	1.66	1.69
3 month Government T-Bills	n.i	n.i	n.i	0.10	n.i
12 month Government T-Bills	0.14	n.i	n.i	1.14	n.i
5-year Government Bond Yield	n.i	n.i	n.i	3.00	5.00
10-year Government Bond Yield	n.i	n.i	n.i	4.00	n.i

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

	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
UK Gold Price/fine ounce (US\$)	1,866.1	2,339.6	2,473.0	2,527.6	2,659.4
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	26.5	20.3	18.9	19.4	22.5
Crude Oil/barrel (US\$)	95.3	86.4	80.7	78.8	71.8
FAO Food price index <sup>^</sup>	121.9	121.0	120.8	120.7	124.4

**Note:**

<sup>1/</sup> Excludes refinancing  
<sup>2/</sup> 2014 rebase. Previous data had 2011 as its base.  
<sup>3/</sup> 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.  
<sup>4/</sup> MORI is based on the Macroeconomic Committee forecast as at June 2024.  
<sup>5/</sup> 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)