

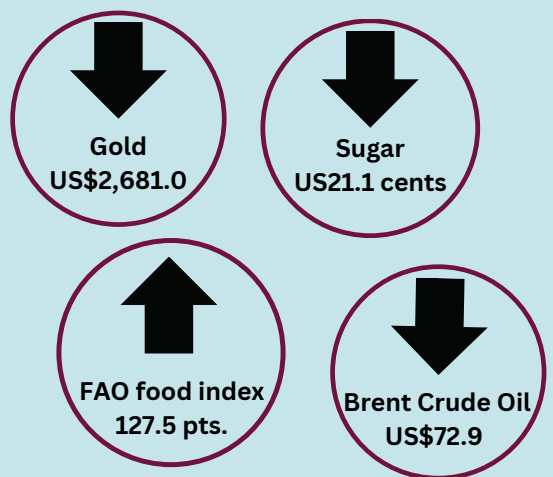
International Economy

Global Economy



The global economy shows resilience but faces risks from geopolitical tensions, trade protectionism, and high public debt.

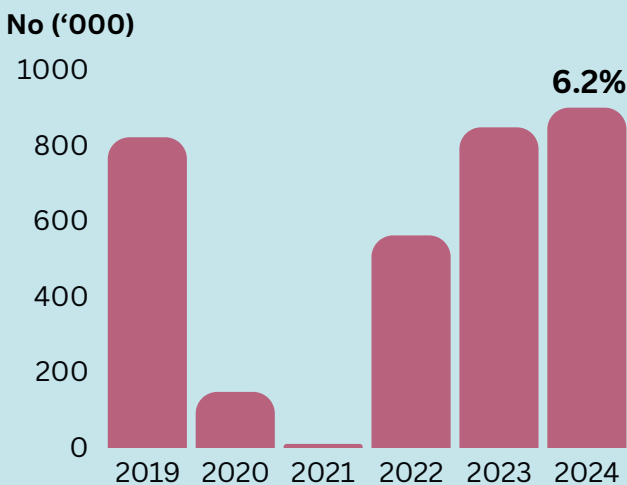
Global Commodity Prices (Nov-End)



Source: Bloomberg, UN FAO

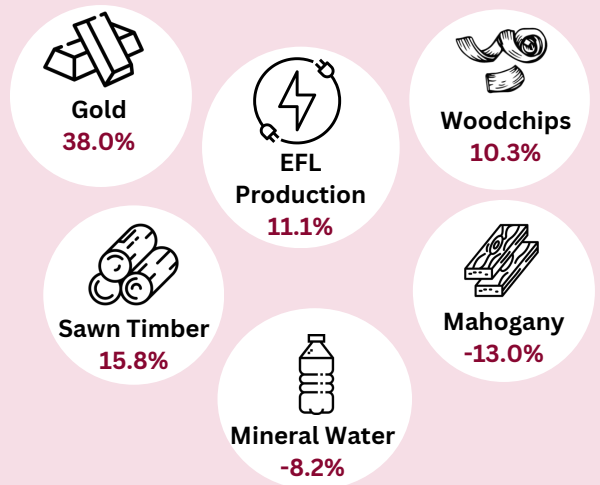
Fijian Economy

Visitor Arrivals (Jan-Nov)



Source: FBOS

Sectoral Production (Jan-Nov)



Source: Various Industries

Consumption (Jan-Nov)



- Vehicle Registrations: **18.4%**
- New Consumption Lending: **33.8%**

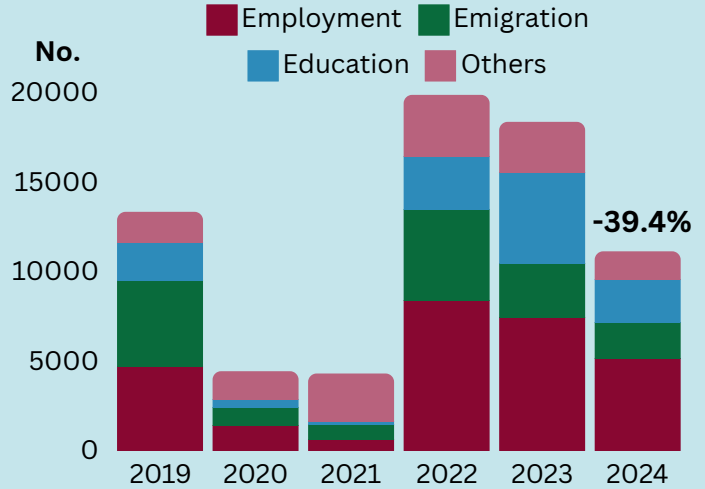
Investment



- New Investment Lending (Jan-Nov): **25.9%**
- Building Permits (Jan-Sep)
 - No. of permits: **-35.9%**
 - Value of permits: **97.7%**

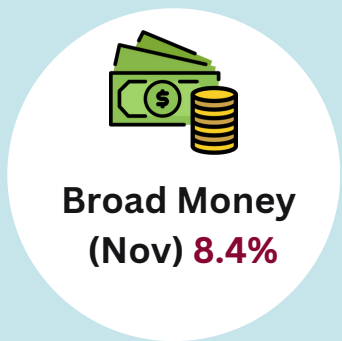
Source: RBF, Various Industries

Resident Departures (Jan-Nov)



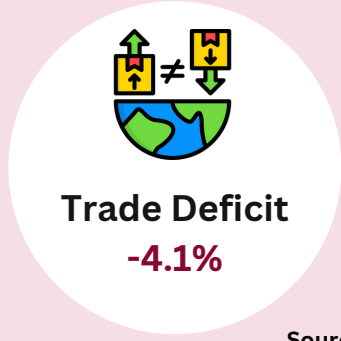
Source: FBOS

Financial Conditions



Source: RBF

External Trade (Jan-Oct)



Source: RBF

Monetary Policy Objectives

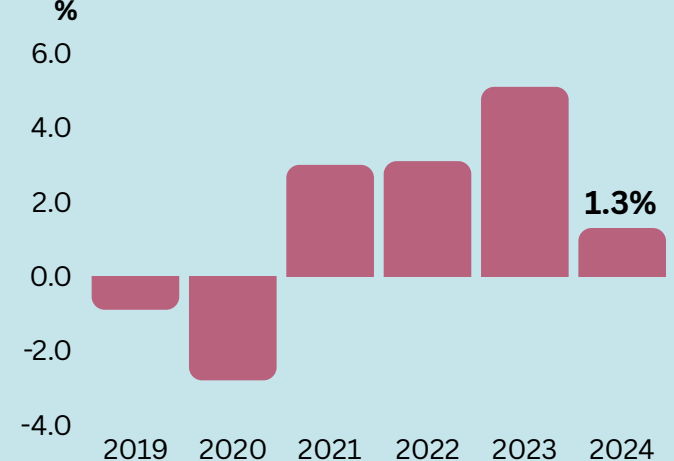
Foreign Reserves



\$3.7 billion (31/12)
6.0 MORI

Source: RBF

Year-End Headline Inflation



Source: FBOS



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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Month Ended December 2024

The global economy continues to exhibit resilience despite the backdrop of ongoing geopolitical tensions and various economic challenges. The easing of inflationary pressures has led to some normalisation of monetary policy in major economies and positively impacted household income growth. While consumer confidence is yet to fully recover to pre-pandemic levels, there is a gradual improvement in household spending aided by improvements in the labour market evident by the low unemployment rates. Nonetheless, there are several risks that can significantly hamper growth prospects, including increased geopolitical uncertainty, a rise in trade protectionist policies, and elevated public debt levels in emerging markets.

The influence of geopolitical factors on commodities has become increasingly pronounced, causing volatilities across key commodities such as gold, Brent crude oil, food, and sugar. At November end, Brent crude oil settled lower over the month at US\$72.9 per barrel, while the Food and Agriculture Organisation's food prices rose to 127.5 points, driven primarily by escalating tensions in the Middle East, particularly the ongoing Gaza conflict. Improvements in supply at November-end led to sugar prices moderating to US\$21.1 cents in the same period. In addition, gold prices experienced a decline to US\$2,681.0 per fine ounce as strong demand for the US Dollar, fuelled by the recent presidential election results in November, exerted downward pressure on gold demand.

The Fijian economy has continued to post upbeat outcomes largely driven by the positive performance of the tourism industry. A total of 899,098 visitor arrivals were noted in the year to

November, marking a 6.2 percent increase compared to the same period in 2023, with major markets such as Australia, New Zealand, and the US accounting for the largest share of the increase.

Sectoral data have generally exhibited positive results in the review period. Electricity generation rose (11.1%) in the year to November, with 54.0 percent of the energy produced from renewable sources. Similarly, gold production grew (38.0%), mainly attributed to enhanced output from the Tuvatu Gold mine. The timber industry also performed well with outcomes in woodchips (10.3%) and sawn timber (15.8%) production increasing, although mahogany production remained subdued (-13.0%). Mineral water production has continued to be lower than a year ago (-8.2%) owing to plant upgrade works by the largest industry manufacturer.

Tightness in the labour market has continued to ease with resident departures for employment, education or emigration declining by 39.4 percent (to 11,100 citizens) as of November, moderating the depletion of local labour. The Fiji National Provident Fund also recorded an increase in total wages paid (12.7%) in the year to October mirroring the effect of higher wages paid as part of job retention efforts by businesses.

Consumption activity has remained robust, supported by higher disposable incomes, increased personal remittances and strong tourist demand. Partial indicators for consumption, such as, vehicle registrations rose (18.4%) cumulative to November while new consumption lending (excluding refinance) increased (33.8%) to \$1.7 billion, lent mostly to

the wholesale, retail, hotels and restaurants sector.

On investment, activity has improved but is still slow paced. The number of building permits issued cumulative to September declined by 35.9 percent but the value of the permits remained high (97.7%) reflecting increased cost of construction materials and shortage of skilled labour. In tandem with these developments, commercial banks' new lending for investment purposes rose (25.9%) (excluding refinancing) to \$883.6 million in the year to November, mostly allocated for building and construction purposes.

Fiji's financial conditions remain conducive for growth. In November, broad money expanded by 8.4 percent annually, primarily driven by a significant rise in private sector credit (11.4%). Of this, lending to private sector businesses and households grew by 10.9 percent and 13.3 percent, respectively. As of December 31, the banking system's liquidity remained ample at \$2.4 billion, keeping lending rates at historically low levels. However, there have been some observable increases in new time deposit rates, a trend associated with the implementation of BASEL III requirements.¹ In November, the commercial banks' outstanding lending and time deposit rates fell to 4.59 percent and 1.67 percent, respectively.

On the external front, Fiji's merchandise trade deficit in the year to October, narrowed by 4.1 percent as strong export growth (4.8%), driven by re-exports, was complemented by the decline in merchandise imports² (1.0%), reducing the overall trade gap.

While the annual headline inflation slowed to 1.3 percent in December 2024, prices have eased notably from 5.1 percent in December 2023 and the year's peak of 7.1 percent in April. The deceleration in the general price level over the year is attributed primarily to the waning of the

VAT hike introduced in the last fiscal year's budget and, to some extent, the removal of the 3.0 percent fiscal duty on raw materials effective from this fiscal year. The December inflation rate is also the lowest year-end inflation rate recorded since December 2021, driven by the slowest increase in food prices witnessed in nearly four years.

Foreign reserves remain at adequate levels at \$3.7 billion (31/12), covering 6.0 months of retained imports of goods and services, and are projected to remain comfortable over the medium term.

Downside risks to the outlook remain, including the slow growth among key trading partners, coupled with increased geopolitical uncertainties which can lead to fluctuations in commodity prices. Furthermore, New Zealand's recent slip into recession has significant implications for the Fijian economy, particularly affecting inward remittances and tourism. This interplay of international developments could result in elevated imported prices, thereby exerting upward pressure on headline inflation. The impact of this situation is exacerbated by ongoing domestic structural issues and capacity constraints. As the cost of imported goods escalates, consumers can face a weakening purchasing power, thus, placing additional strain on local businesses that depend heavily on these imports. On the upside, the continued upbeat performance of the tourism industry and the commencement of pipeline projects in the year ahead could augur well for the Fiji economy.

RESERVE BANK OF FIJI

¹ The Basel III liquidity coverage ratio requirement requires banks to hold enough high-quality liquid assets to cover their cash outflows over a 30-day period of financial stress.

² Imports declined due to a comparatively higher base value in 2023 from a one-off large import in July of that year. Without the base effect, imports are higher over the year by 1.0 percent, cumulative to October.

KEY INDICATORS

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

	Nov-23	Aug-24	Sep-24	Oct-24	Nov-24
Visitor Arrivals	51.0	6.9	6.3	6.5	6.2
Electricity Production	3.6	11.0	11.0	11.6	11.1
Gold Production	-13.4	30.3	32.3	37.1	38.0
Cane Production	-4.5	18.3	4.7	0.8	-15.0
Sugar Production	-10.4	26.6	10.8	6.4	-9.6
Pinewood Production	-33.1	-33.1	-32.5	-34.9	-32.7
Woodchip Production	-26.7	5.7	13.1	10.0	10.3
Sawn Timber Production	-24.0	14.5	18.2	20.8	15.8
Mahogany Production	-25.7	-8.0	-0.7	-7.7	-13.0
Cement Production	-2.3	6.5	7.8	9.1	n.a

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

Net VAT Collections	28.1	46.1	39.7	34.6	n.a
New Consumption Lending ^{1/}	20.4	28.9	28.0	33.9	33.8
New Vehicle Registrations	37.1	6.4	4.4	5.7	2.9
Secondhand Vehicle Registrations	-24.9	28.6	30.2	32.4	32.8
Personal Remittances	21.7	5.9	6.9	n.a	n.a
Electricity Consumption	4.0	10.1	9.3	n.a	n.a

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

Domestic Cement Sales	-4.9	6.8	9.4	11.2	n.a
New Investment Lending ^{1/}	40.2	19.3	26.3	25.0	25.9
Building & Construction					
Completion Certificates Issued					
Number	n/a	n/a	-47.0	n/a	n/a
Value	n/a	n/a	-20.0	n/a	n/a
Building Permits Issued					
Number	n/a	n/a	-35.9	n/a	n/a
Value	n/a	n/a	97.7	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	24.5	-5.2	-11.3	-14.0	-11.9
Resident Departure	77.4	9.5	8.7	7.2	7.7

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

All Items	5.8	5.4	4.2	3.6	0.8
Food and Non-Alcoholic Beverage	12.0	9.6	7.5	7.7	1.2
Alcoholic Beverages, Tobacco & Narcotics	1.1	10.1	11.6	9.3	7.9

6. Reserves ***
(end of period)

Foreign Reserves (\$m) ^{3/}	3,401.5	3,717.8	3,762.0	3,857.9	3,770.1
Months of retained imports of goods and non-factor services (MOI)	5.5	6.0	6.1	6.3	6.1

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

US dollar	0.4434	0.4492	0.4529	0.4390	0.4361
Australian dollar	0.6706	0.6607	0.6558	0.6680	0.6708
New Zealand dollar	0.7209	0.7176	0.7147	0.7349	0.7402
Euro	0.4041	0.4055	0.4058	0.4043	0.4132
Japanese Yen	65.36	65.12	64.40	67.34	66.07
Nominal Effective Exchange Rate	85.52	85.52	85.56	85.60	85.59
Real Effective Exchange Rate	94.96	96.88	95.45	94.91	93.23

8. Liquidity ***
(end of period)

Banks' Demand Deposits (\$m)	2,173.9	2,226.6	2,343.0	2,413.1	2,286.6
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9. Money and Credit ***
(year-on-year % change)

Broad Money	6.9	6.8	6.7	7.5	8.4
Net Foreign Assets	0.8	0.4	6.5	8.5	9.5
Domestic Credit	7.0	6.6	5.9	5.9	6.9
Private Sector Credit	5.9	11.3	11.2	11.2	11.4
Narrow Money	8.6	5.1	6.7	7.7	9.4

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	4.79	4.58	4.66	4.65	4.59
Savings Deposit Rate	0.42	0.30	0.31	0.30	0.31
Time Deposit Rate	1.36	1.66	1.69	1.68	1.67
3 month Government T-Bills	n.i	0.10	n.i	0.15	n.i
12 month Government T-Bills	0.15	1.14	n.i	1.14	1.14
5-year Government Bond Yield	n.i	3.00	5.00	n.i	n.i
10-year Government Bond Yield	3.90	4.00	n.i	n.i	n.i

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

UK Gold Price/fine ounce (US\$)	2,057.2	2,527.6	2,659.4	2,749.3	2,681.0
CSCC No. 11 Sugar Spot Price/Global (US cents/pound)	26.0	19.4	22.5	22.7	21.08
Crude Oil/barrel (US\$)	82.8	78.8	71.8	73.2	72.9
FAO Food price index ^	120.8	121.7	124.9	127.4	127.5

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 November 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)