



# RESERVE BANK OF FIJI

## ECONOMIC REVIEW

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Global economic growth is expected to pick up to 3.4 percent in 2020 against an anticipated lackluster 3.0 percent expansion in 2019. Ongoing trade tensions coupled with weak global demand have weighed on growth of major economies in 2019. Going forward, further escalation in United States (US)-China trade war and an upswing in crude oil prices pose downside risks to global growth next year.

Commodity prices generally rose over the month in November due to higher demand for crude oil supported by some optimism in US-China trade deal. The monthly increase in the FAO<sup>1</sup> food price index was driven by higher prices of vegetable oils, meat and sugar.

The Fijian economy is expected to grow by 1.7 percent in 2020, from a 1.0 percent anticipated growth in 2019. The modest growth estimated for 2019 reflects subdued aggregate demand, mixed sectoral performances, weak business confidence and reduced fiscal stimulus. Tourism remains positive as visitor arrivals rose by 3.5 percent cumulative to November, due to higher arrivals from the US, New Zealand, Japan, Pacific Island Countries and Australia. In addition, tourism earnings grew by 3.7 percent to total \$1,543.0 million up to the third quarter of the year. In the 2019 crushing season, both cane (6.5%) and sugar production (5.3%) increased over the year. Similarly, mahogany production rose significantly, while woodchips, pine wood, sawn timber and gold output fell in the year to November.

Aggregate demand conditions remained soft as suggested by partial indicators for consumption and investment. In the year to November, commercial banks' new consumption lending contracted by an annual 6.3 percent, underpinned by lower lending to the wholesale, retail, hotels & restaurants sector and private individuals sectors. Similarly, new vehicle

(-25.7%) and second hand vehicle registrations (-21.3%) fell on an annual basis in the same period. In terms of investment activity, commercial banks' new investment lending shrunk by 16.9 percent in the year to November while domestic cement production (-5.9%) and cement sales (-7.5%) noted annual contractions cumulative to October. Also, up to the September quarter, the value of building permits and completion certificates issued declined by 21.6 percent and 47.5 percent, respectively.

Employment prospects as indicated by the RBF's Job Advertisement Survey noted a modest turnaround as the number of vacant jobs advertised increased annually by 1.8 percent in the year to November.

Broad money rose annually (1.2%) owing to growth in both net domestic credit (4.5%) and net foreign assets (NFA) (1.8%). Increased lending to the private sector (4.7%) influenced the moderate growth in net domestic credit while the annual growth in gross reserves (6.3%) and other foreign assets (4.6%) drove the NFA outturn.

Banks' demand deposits or excess liquidity in the banking system remained sufficient, and as at 30 December, was \$590.1 million, down slightly from \$614.5 million at the end of November.

In November, the Fijian dollar (FJD) strengthened against the Australian dollar (AUD) (1.3%) the Euro (0.9%) and the Japanese Yen (JPY) (0.1%) but weakened against the New Zealand (NZD) (-1.1%) and US (-0.5%) dollars from the previous month. Annually, the FJD appreciated against the AUD (4.0%) and NZD (2.9%) but fell against the Japanese Yen (-6.9%), the USD (-3.6%) and the Euro (-0.2%).

Fiji's overall exchange rate remained relatively stable as the Nominal Effective Exchange Rate (NEER)<sup>2</sup> noted only a marginal increase over the

<sup>1</sup> Food and Agriculture Organisation.

<sup>2</sup> The NEER is the sum of the indices of each trading partner country's currency against the Fiji dollar, adjusted by their

month in November (0.02%). However, the Real Effective Exchange Rate (REER)<sup>3</sup> index declined over the month (-0.3%) and over the year (-2.9%), denoting a gain in trade competitiveness, due to negative domestic inflation in November.

In the year to October, total exports (excluding aircraft) rose by 2.2 percent underpinned by growth in re-exports, while domestic exports declined mainly due to lower exports of sugar, woodchips and manufactured goods. In the same period, imports (excluding aircraft) fell by 5.6 percent attributed to lower imports of machinery & transport equipment (excluding aircraft) and chemicals. Consequently, the merchandise trade deficit (excluding aircraft) narrowed by 10.4 percent to \$2,559.3 million, compared with a widening of 25.2 percent in the corresponding period in 2018.

Annual inflation stood at -0.3 percent in November, compared to -0.9 percent noted in October and significantly lower than the 5.1 percent recorded in the same month in 2018. This is largely attributed to annually lower prices recorded for the communication; alcoholic beverages; tobacco & narcotics and housing; water; electricity gas & other fuels categories.

Over the month in November, foreign reserves rose by \$6.4 million to \$2,190.0 million, sufficient to cover 5.1 months of retained imports of goods and non-factor services (MORI). As at 31 December, foreign reserves was \$2,226.7 million, sufficient to cover 5.2 MORI.

## **RESERVE BANK OF FIJI**

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respective weights in the basket. This index measures the overall movement of the Fiji dollar against the basket of currencies. An increase in this index indicates a slight appreciation of the Fiji dollar against the basket of currencies and vice versa.

<sup>3</sup> The REER index is the sum of each component of the NEER index, adjusted by the relative price differential between Fiji and

each of Fiji's major trading partners. The index measures the competitiveness of the Fiji dollar against the basket of currencies. A decline in the REER index indicates an improvement in Fiji's international competitiveness

## FIJI: ECONOMIC &amp; FINANCIAL STATISTICS

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

	Nov-18	Aug-19	Sep-19	Oct-19	Nov-19
Visitor Arrivals	3.6	4.4	3.8	3.2	3.5
Electricity Production	0.2	4.6	3.5	n.a	n.a
Gold Production	-7.2	-15.7	-12.9	-12.6	-14.0
Cane Production <sup>^</sup>	-1.6	-8.2	-4.8	1.2	5.6
Sugar Production <sup>^</sup>	-13.9	-15.2	-10.3	-2.7	3.5
Pinewood Intake	179.3	-13.1	-9.5	-12.9	-12.4
Woodchip	107.0	-24.6	-25.4	-29.1	-27.5
Mahogany	601.5	39.8	48.2	61.7	41.2
Cement Production	-24.1	-6.4	-5.2	-5.9	-4.5

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

Net VAT Collections	6.0	8.2	9.8	7.1	2.9
New Consumption Lending	12.3	-1.0	-6.1	-6.8	-6.3
New Vehicle Registrations****	24.8	-28.2	-27.0	-27.4	-25.7
Secondhand Vehicle Registrations****	11.4	-10.5	-13.7	-18.1	-21.3
Personal Remittances	7.7	6.2	4.8	n.a	n.a
Electricity Consumption	2.2	4.8	4.1	3.4	3.3

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

Domestic Cement Sales	-26.9	-9.5	-8.7	-7.5	-5.6
New Investment Lending	2.9	-26.6	-27.9	-20.1	-16.9

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

RBF Job Advertisement Survey	3.7	-2.7	-1.0	-1.4	1.8
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**5. Consumer Prices\***  
(year-on-year % change)<sup>1/</sup>

All Items	5.1	1.2	0.4	-0.9	-0.3
Food and Non-Alcoholic Beverage	7.2	5.6	3.3	1.2	2.9
Alcoholic Beverages, Tobacco & Narcotics	16.6	0.8	0.0	-2.3	-2.6

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

Foreign Reserves (\$m) <sup>2/</sup>	2,056.7	2,165.3	2,161.1	2,183.6	2,190.0
Months of retained imports of goods and non-factor services (MORI)	4.5	5.0	5.0	5.1	5.1

**7. Exchange Rates \*\*\***  
(mid rates, F\$1 equals)  
(end of period)

US dollar	0.4732	0.4545	0.4542	0.4586	0.4564
Australian dollar	0.6473	0.6754	0.6718	0.6647	0.6735
New Zealand dollar	0.6907	0.7202	0.7223	0.7188	0.7106
Euro	0.4159	0.4110	0.4150	0.4114	0.4149
Japanese yen	53.70	48.41	49.04	49.93	50.00
Nominal Effective Exchange Rate	84.69	84.37	84.34	84.34	84.36
Real Effective Exchange Rate	105.21	105.08	104.20	102.48	102.20

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

Banks' Demand Deposits (\$m)	366.5	617.7	612.6	615.8	614.5
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**9. Money and Credit \*\*\***  
(year-on-year % change)

Broad Money	2.1	0.9	0.8	-0.3	1.2
Net Foreign Assets	-16.8	-12.0	-7.6	-1.6	1.8
Domestic Credit	10.1	8.0	6.7	3.7	4.5
Private Sector Credit	8.5	6.9	5.6	4.5	4.7
Narrow Money	2.3	-2.0	-1.9	-2.5	-3.4

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

Lending Rate	5.67	6.29	6.25	6.28	6.29
Savings Deposit Rate	1.34	1.49	1.24	1.04	1.03
Time Deposit Rate	3.55	4.32	4.31	4.27	4.23
14-day RBF Note Rate (month end)	n.i	n.i	n.i	n.i	n.i
Minimum Lending Rate (MLR) (month end)	1.00	1.00	1.00	1.00	1.00
Overnight inter-bank Rate	1.00	n.t	n.t	1.00	1.00
3 month Government T-Bills	n.i	n.i	2.62	2.63	n.i
12 month Government T-Bills	n.i	n.i	n.i	n.i	3.65
5-year Government Bond Yield	n.i	n.i	n.i	n.i	n.i
10-year Government Bond Yield	n.i	n.i	6.00	n.i	n.i

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

UK Gold Price/fine ounce	1,217.6	1,528.4	1,485.3	1,511.0	1,460.2
CSCE No. 11 Sugar Spot Price/Global (US cents/pound)	12.8	11.1	11.9	12.5	12.9
Crude Oil/barrel	58.7	60.4	60.8	60.2	62.4

<sup>1/</sup> 2014 rebase. Previous data have 2011 base.<sup>2/</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.

Note:

n.i No issue  
n.a Not available  
n.t No trading

Sources: \* Fiji Bureau of Statistics  
\*\* Bloomberg  
\*\*\* Reserve Bank of Fiji  
\*\*\*\* Land Transport Authority  
^ Fiji Sugar Corporation