

Reserve Bank of Fiji

24 January 2017

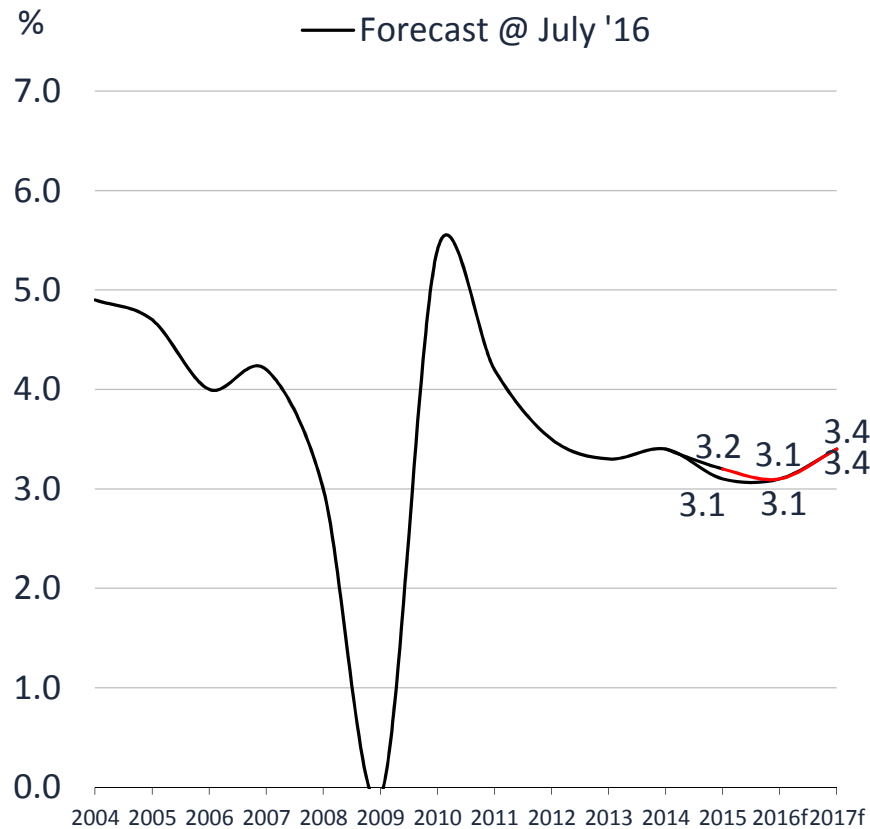
# FIJI ECONOMY - Recent Economic Developments

# Developments in the International Economy that would impact on Fiji's Economy?

- Global growth/US/China
- Trading partner performances
- Commodity price movements
- Major currency changes
- Geopolitical tensions
- Policy uncertainty (tighter monetary stances, protectionist trade policies, etc.)



# WORLD GDP GROWTH

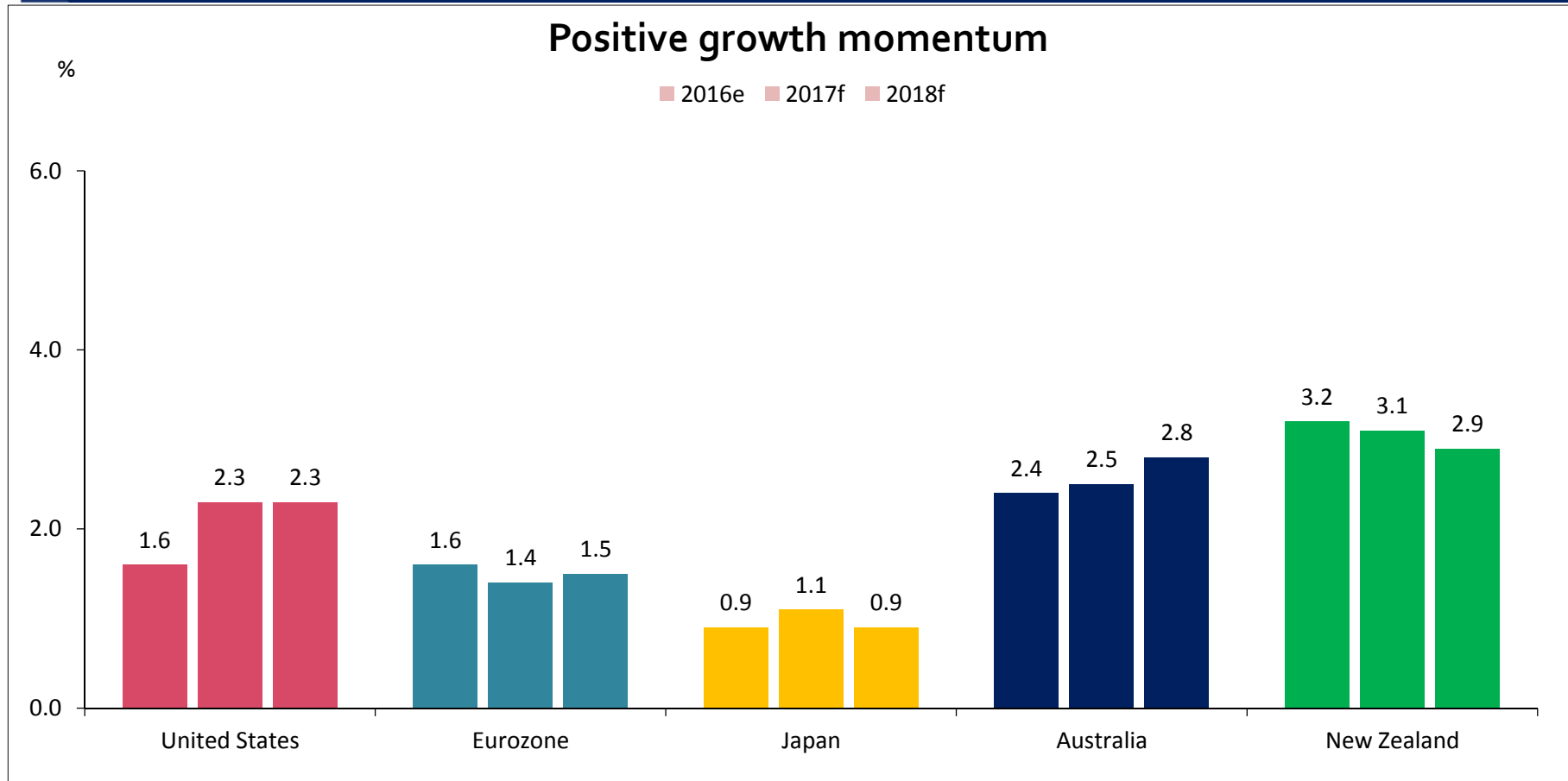


Sources: IMF World Economic Outlook July/October 2016

- **Global growth forecast this year is stronger than that for 2016, with *upward biases provided by the US and China.***
- **The *outlook for advanced economies has improved,*** reflecting rebound in second-half activity last year for the US, Euro zone, the UK.
- ***Weaker prospects for emerging market and developing economies,*** particularly India and Brazil.
- **Deviation from this central forecast driven by *policy uncertainty around the policy stance of the incoming US administration and its impact.***

Sources: IMF World Economic Outlook Update Jan 2017

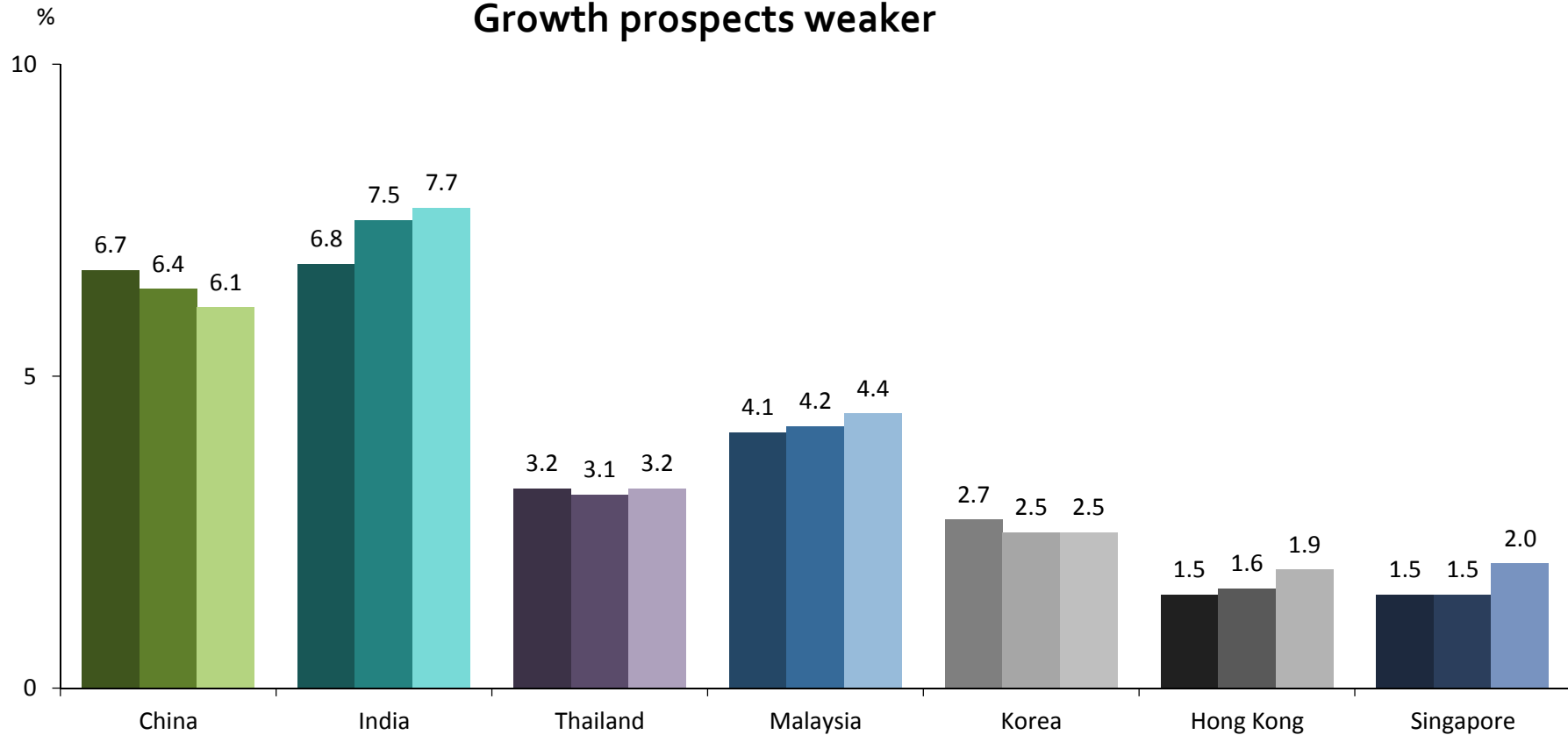
# TRADING PARTNERS' OUTLOOK



Sources: January 2017 Consensus Forecast and Asia Pacific Consensus Forecasts

# ASIA'S ECONOMIC OUTLOOK

## Growth prospects weaker



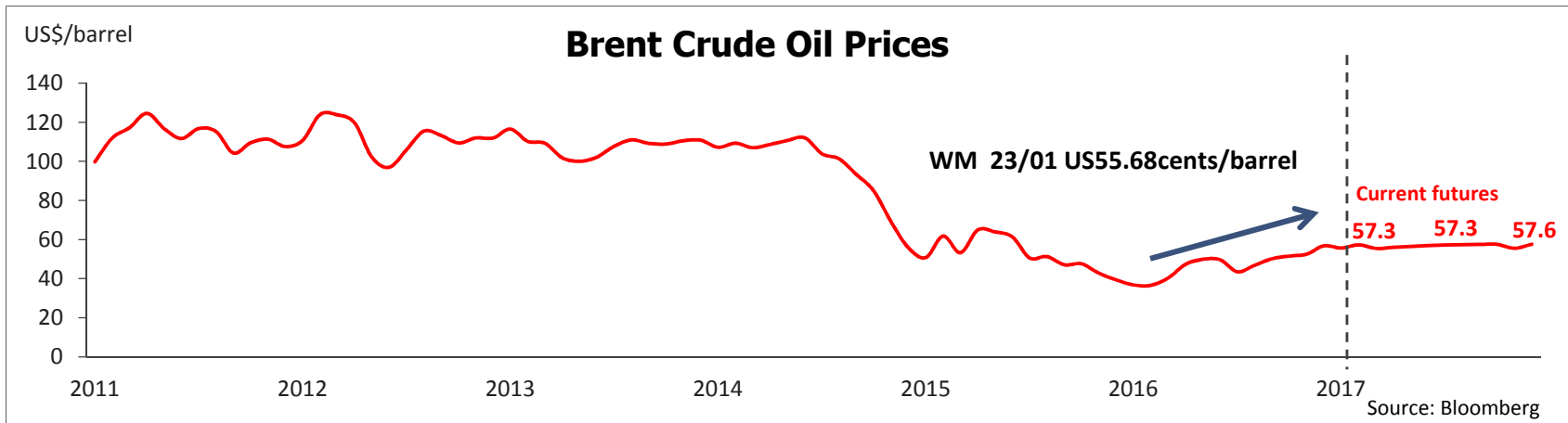
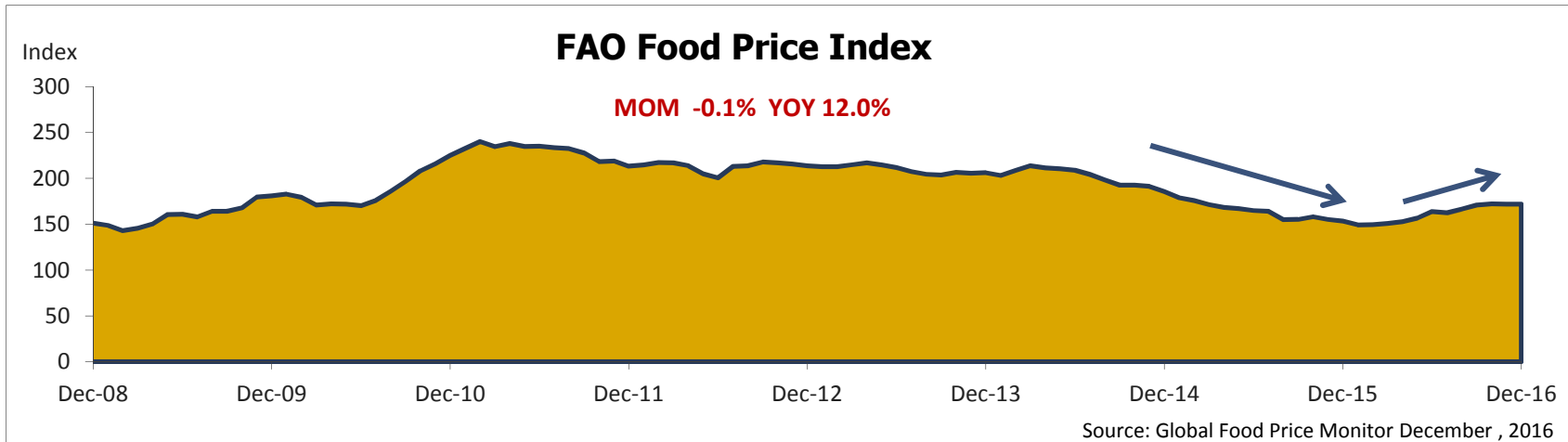
Sources: January 2017 Consensus Forecast and Asia Pacific Consensus Forecasts

# COMMODITIES - Recent Developments

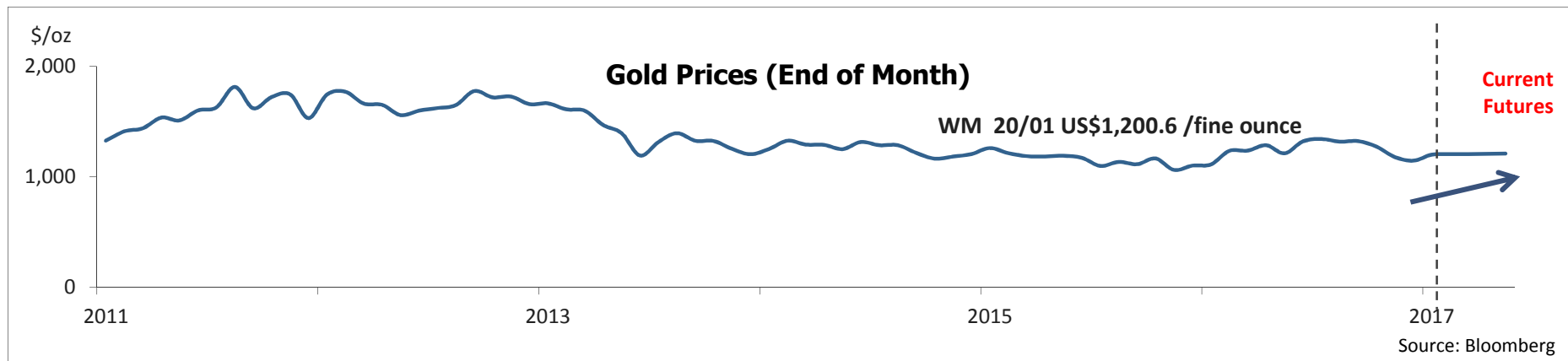
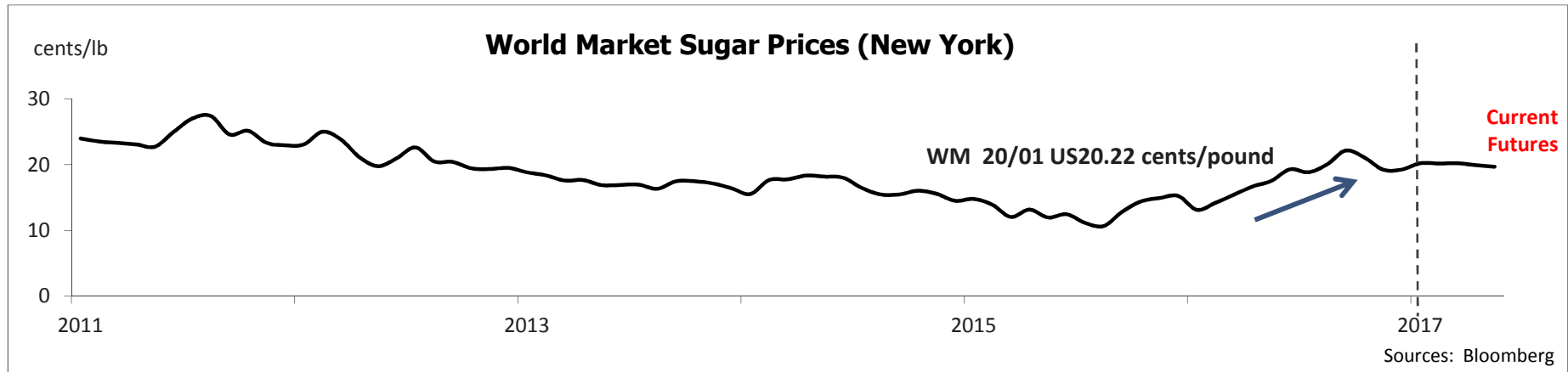
- Agreement by OPEC and non-OPEC members on oil supply
- Oil production in the US
- Increased demand by China
- Other supply related factors



# IMPORT COMMODITY PRICES



# EXPORT COMMODITY PRICES





# THE DOMESTIC ECONOMY

## Recent developments

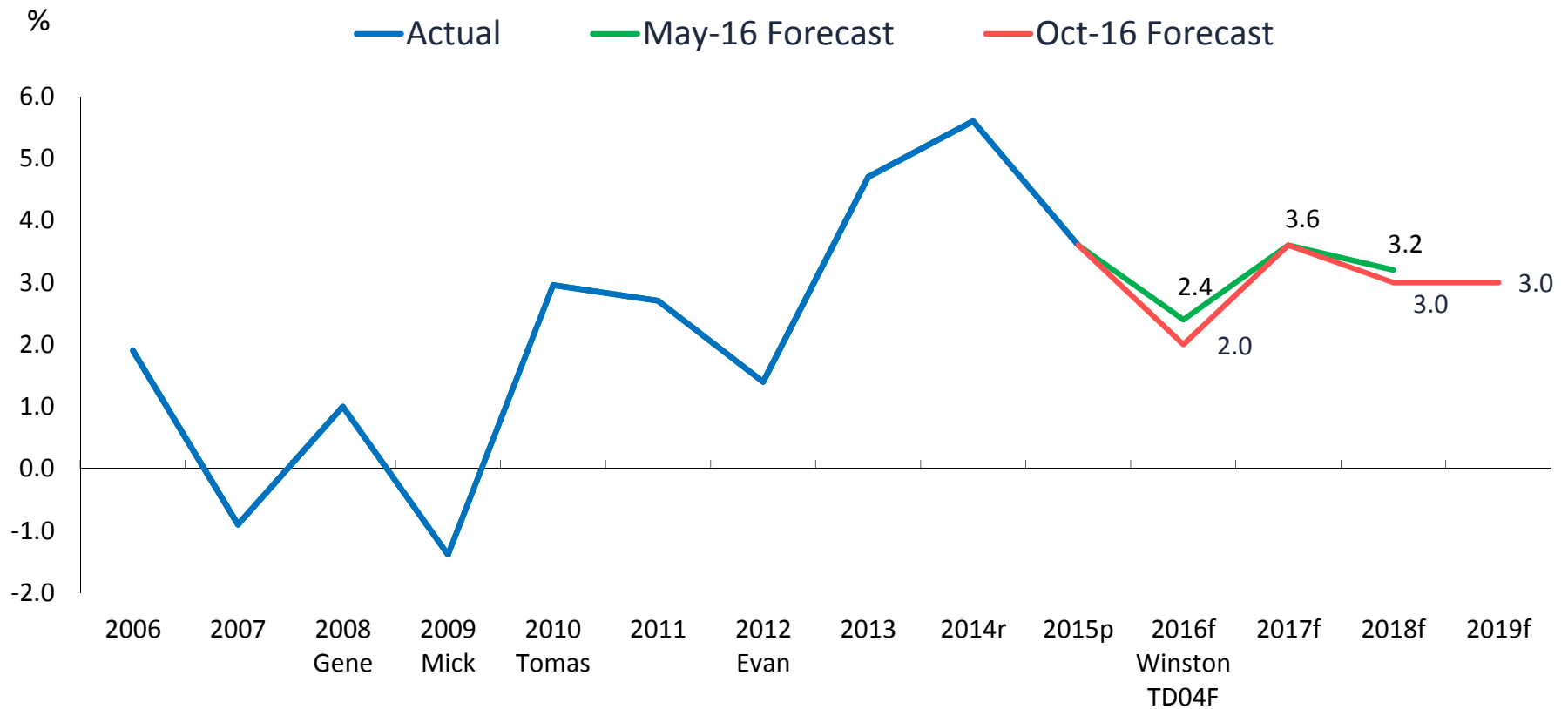
- TC Winston and Zena (Feb/Apr16)
- TDo4F (Dec16)
- Lower than forecast tourist arrivals
- Lower than forecast remittances
- Pick up in commodity prices
- Delayed reconstruction /supply shortages





# GDP GROWTH

*Reduced growth prospects*

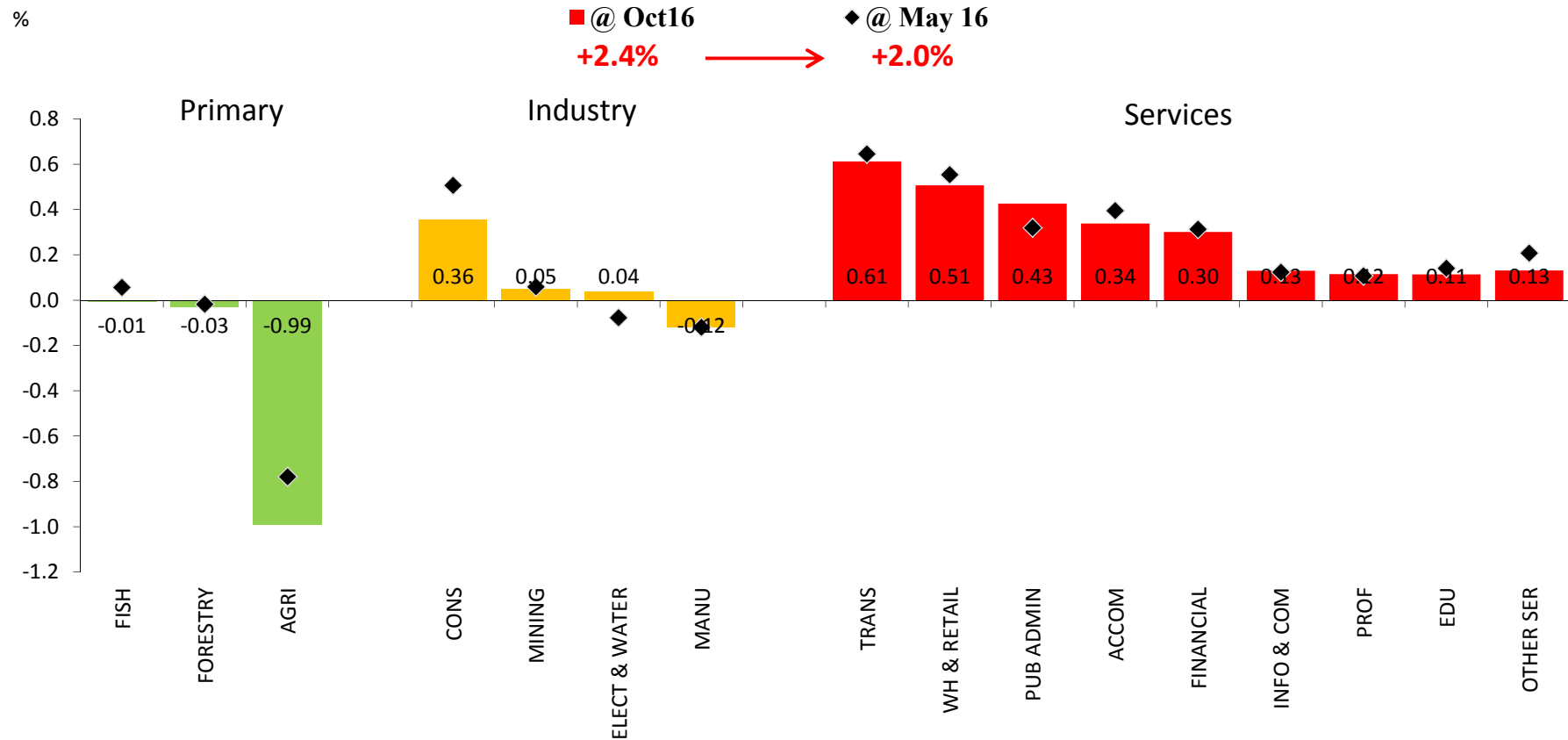


Sources: Fiji Bureau of Statistics & Macroeconomic Committee



# Sector contribution to Estimated Growth in 2016

*Agriculture, manufacturing, forestry, fishing and water sectors are expected to decline.*

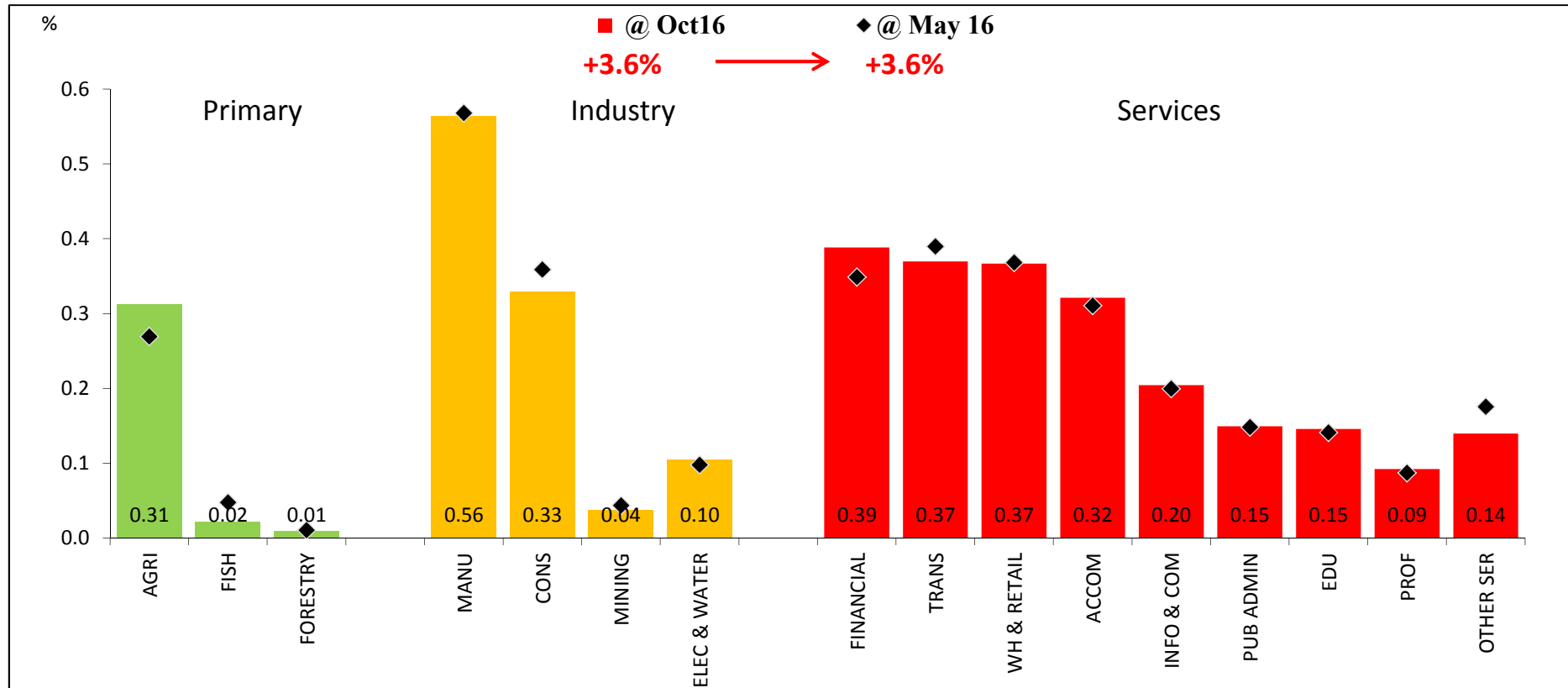


Source: Macroeconomic Committee



# Sector contribution to Projected Growth in 2017

*Broad based growth is expected in 2017 – slight downward bias following TD04F*



Source: Macroeconomic Committee

# AGGREGATE DEMAND

- Consumption indicators remain firm
- Investment trends are positive
- Fiscal measures are targeted at rebuilding the economy

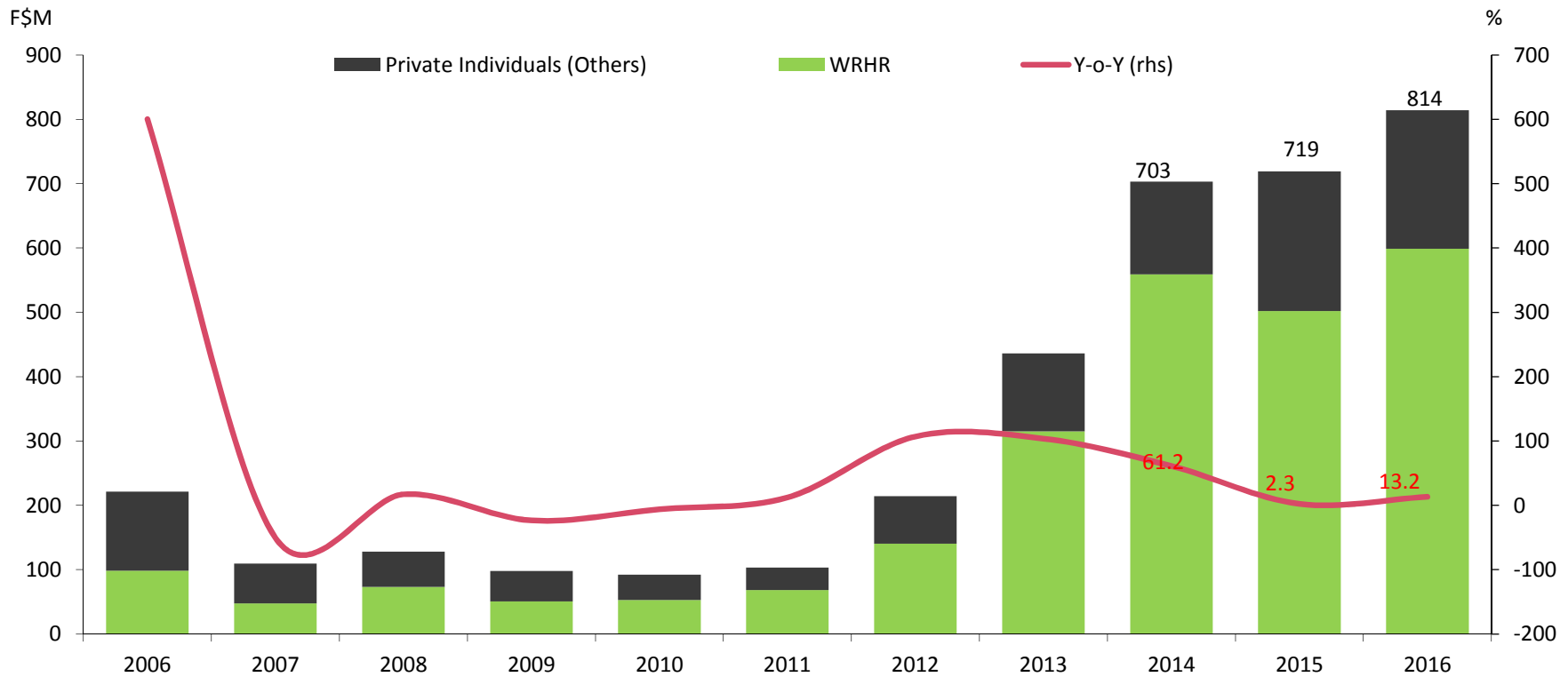
## Aggregate Demand





# BANKS' NEW CONSUMPTION LOANS, NOV

New consumption credit growth has slightly picked

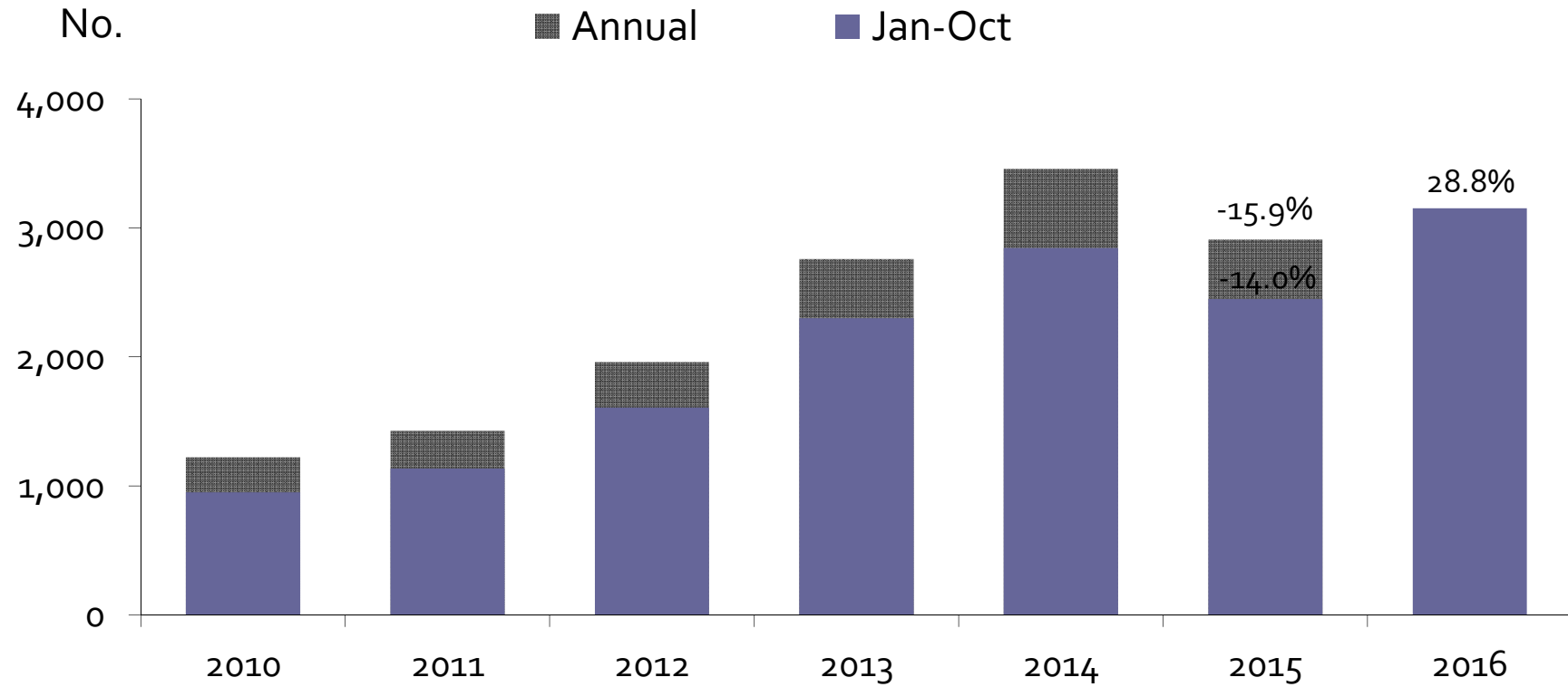


From March 2014 HFC lending is included in Commercial Banks' lending.

Source: Reserve Bank of Fiji



# NEW VEHICLES SALES



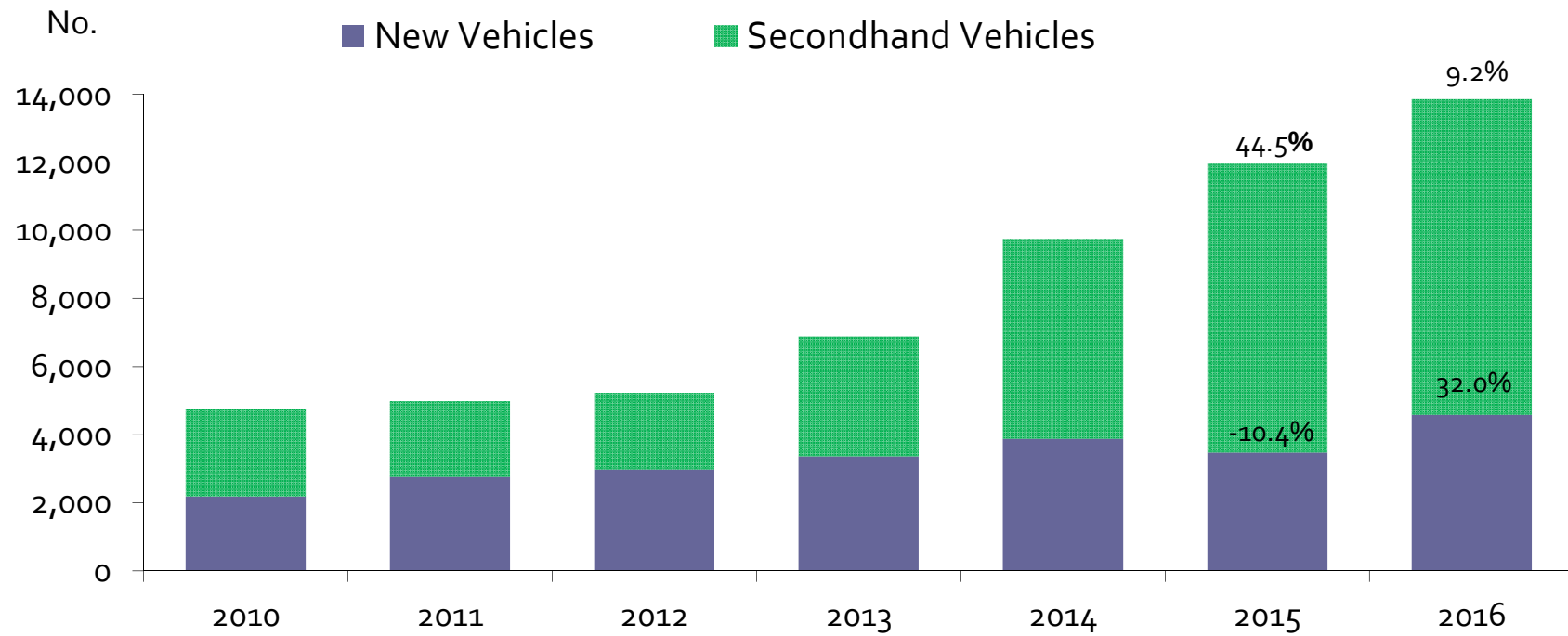
Note: Effective 2012, New Vehicle Sales data inclusive of data from Vision Motors

Sources: Fiji Motor Traders Association and Vision Motors



# VEHICLES REGISTRATION

## Jan-Nov

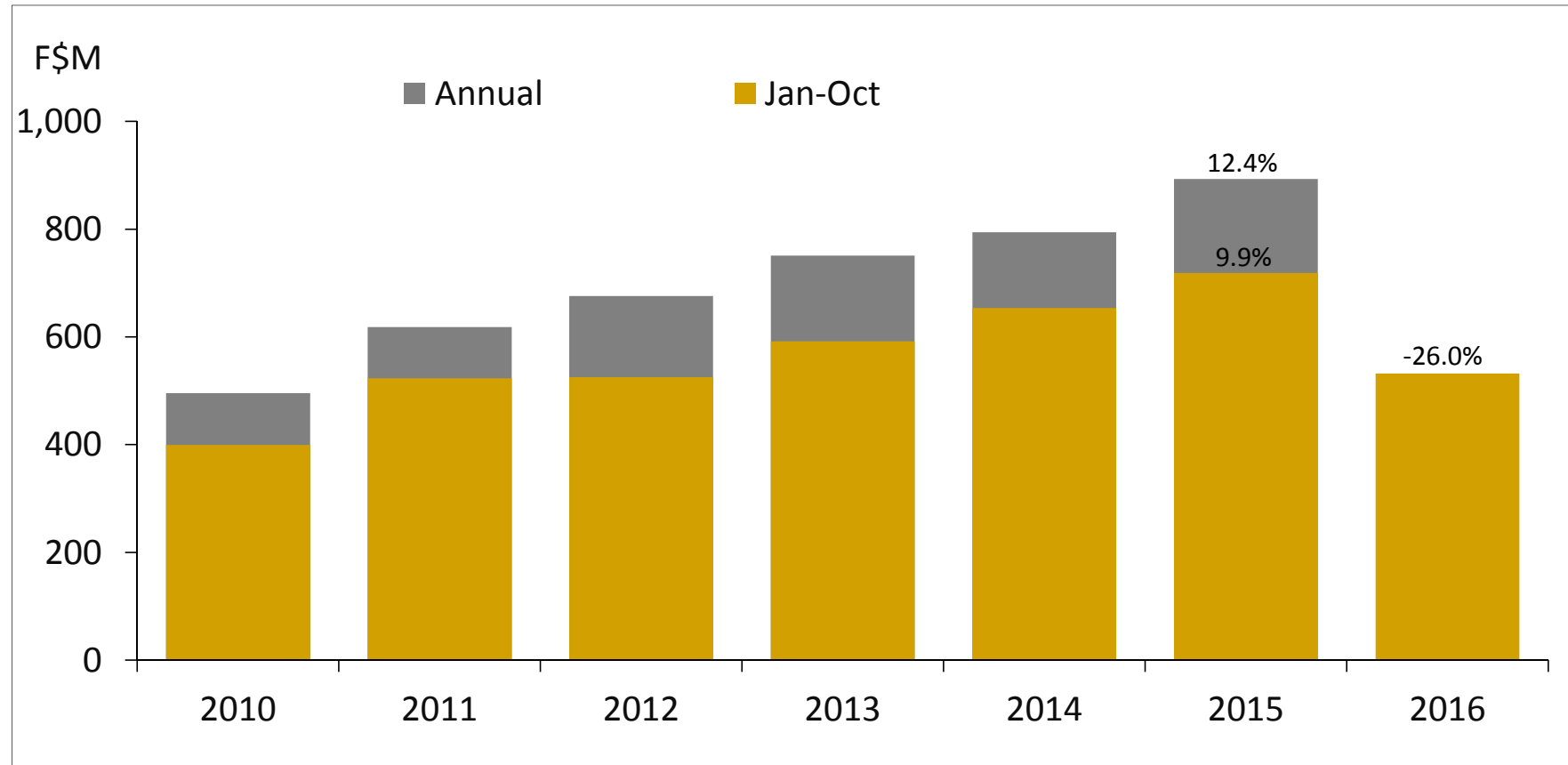


Source: Land Transport Authority





# NET VAT COLLECTIONS

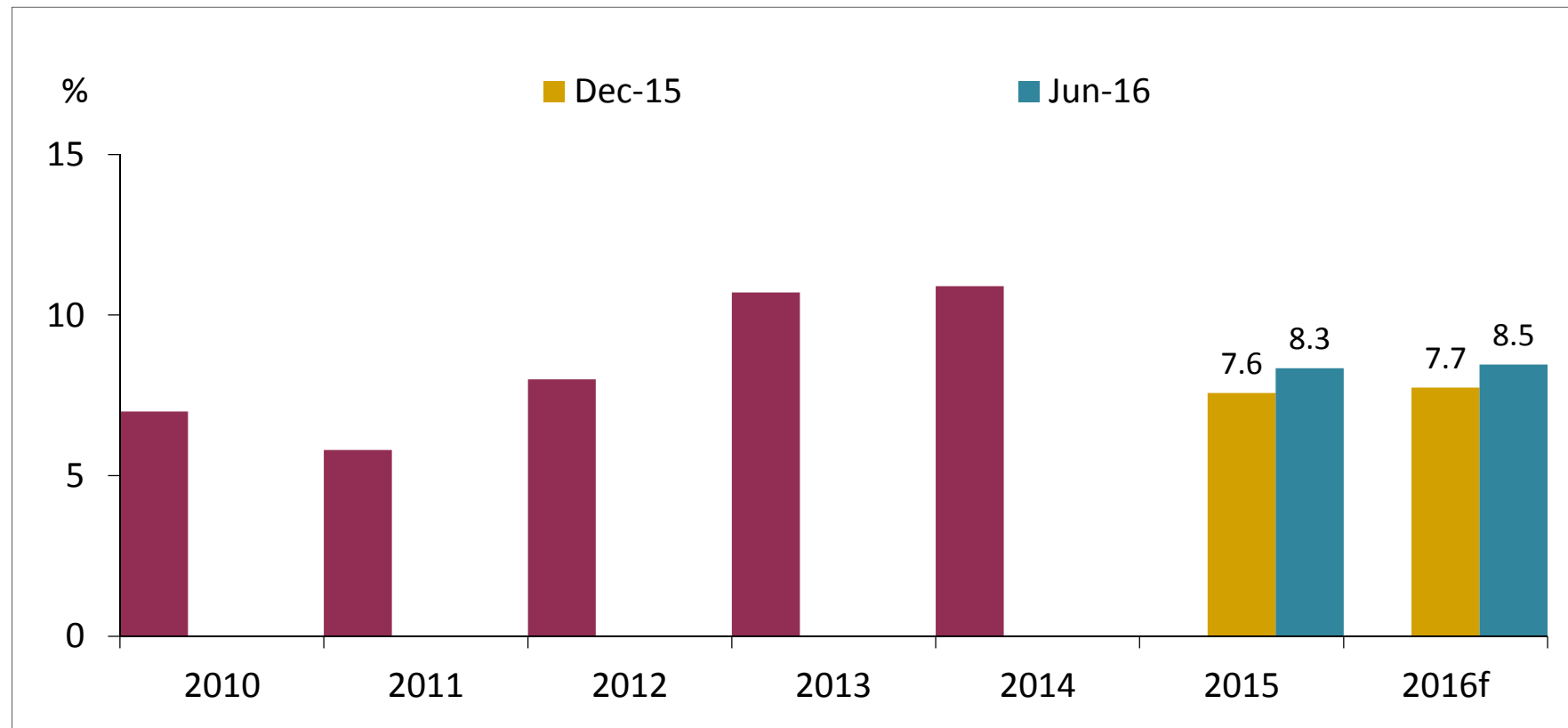


Source: Fiji Revenue & Customs Authority



# RBF RETAIL SALES SURVEY

## Annual Percent Change

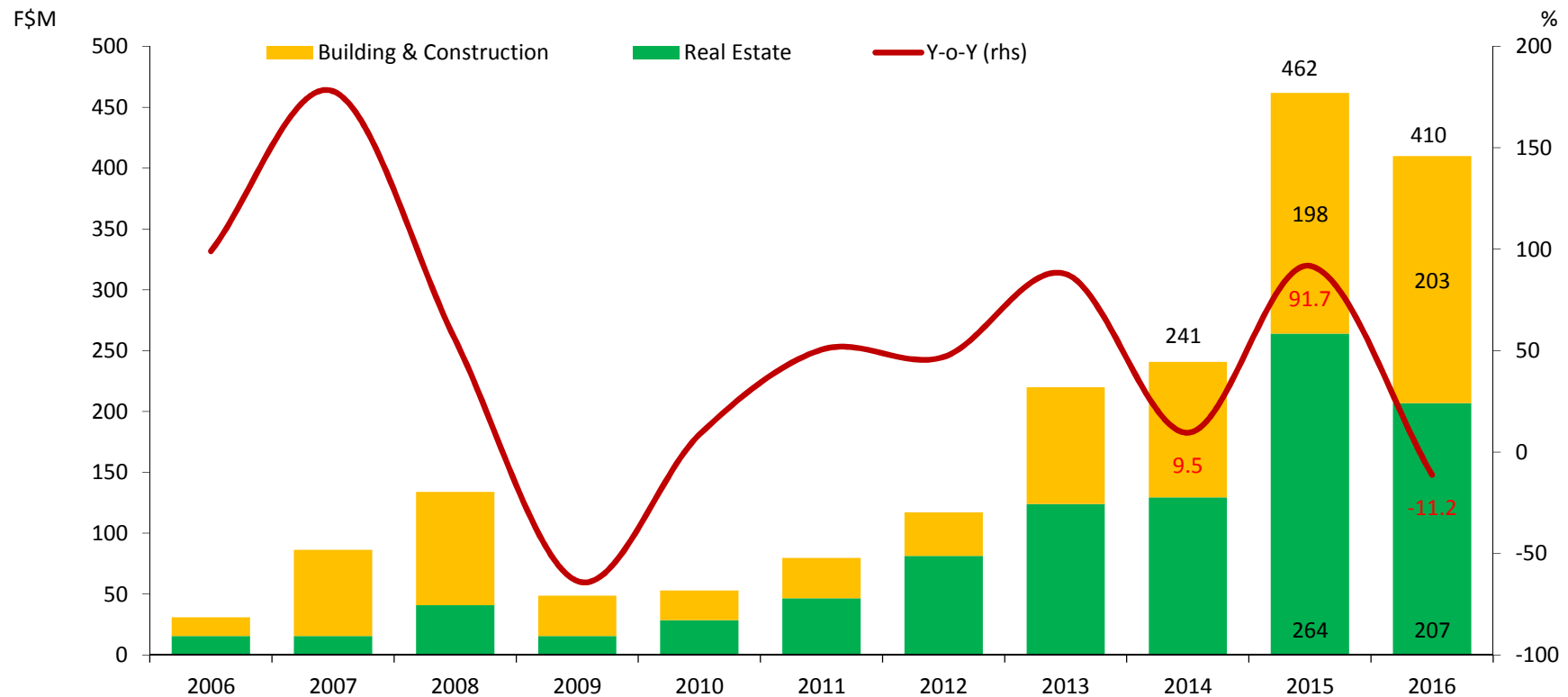


Source: Reserve Bank of Fiji



# BANKS' NEW INVESTMENT LOANS, NOV

New investment credit growth has been negative since January 2016



From March 2014 HFC lending is included in Commercial Banks' lending.

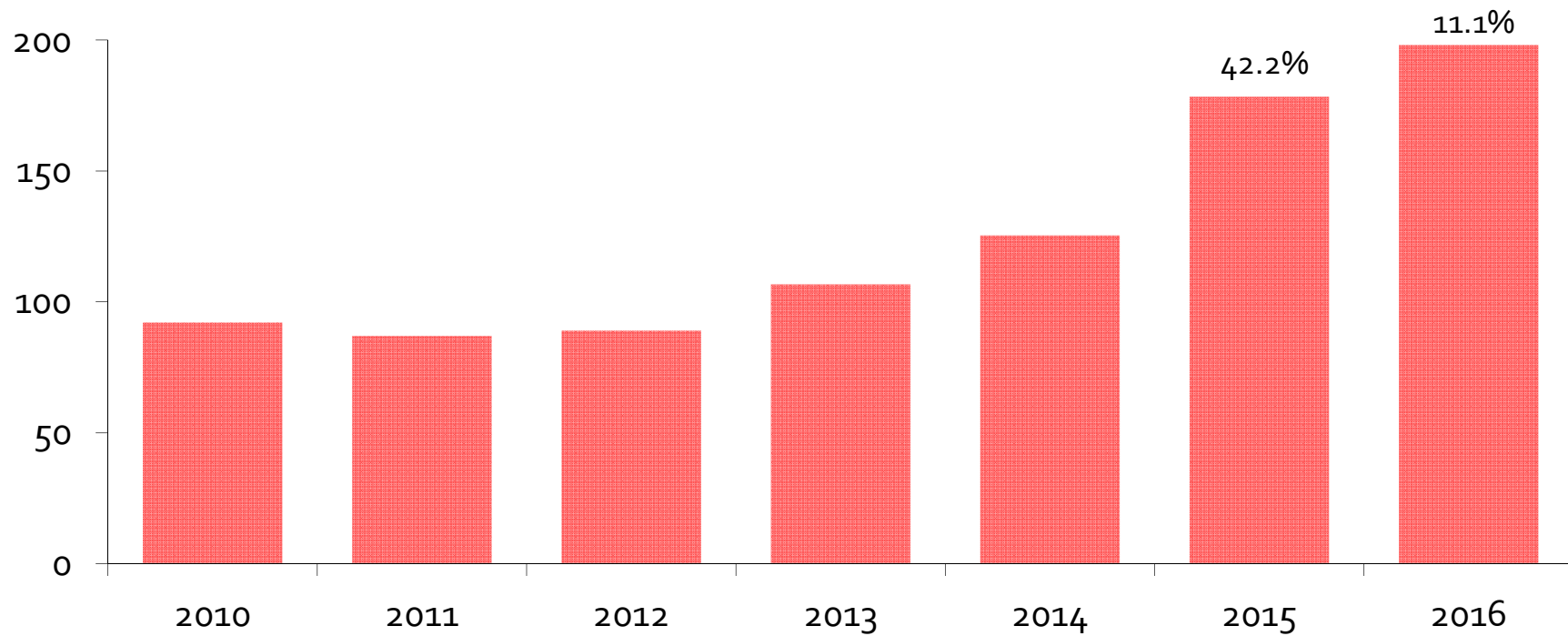
Source: Reserve Bank of Fiji



# DOMESTIC CEMENT SALES

Annual

'000 TONNES

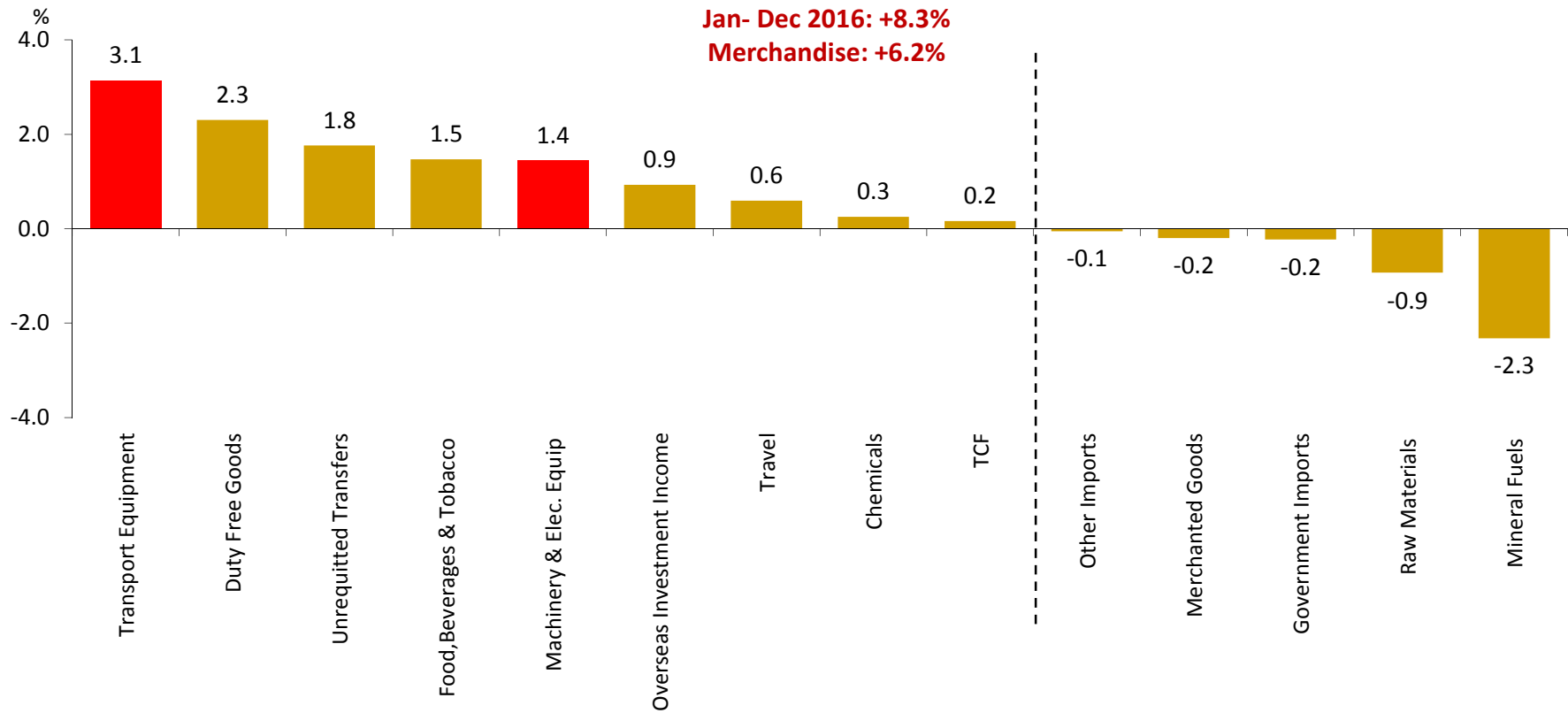


\* Cement production data inclusive of data from Tengy Cement (Fiji) Company Limited effective March 2014

Sources: Pacific Cement Ltd and Tengy Cement (Fiji) Company Limited



# OET MAJOR PAYMENTS SECTORAL CONTRIBUTIONS

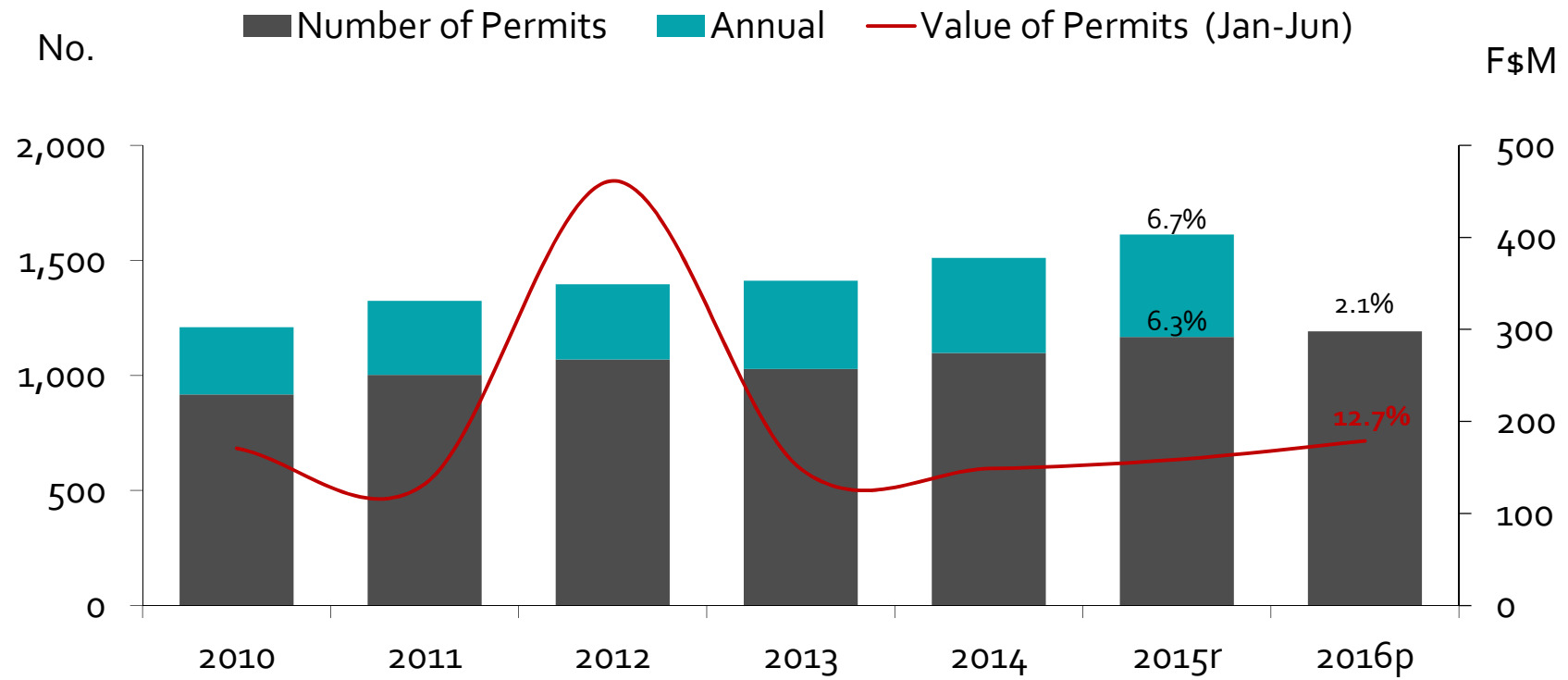


Source: OET



# BUILDING PERMITS

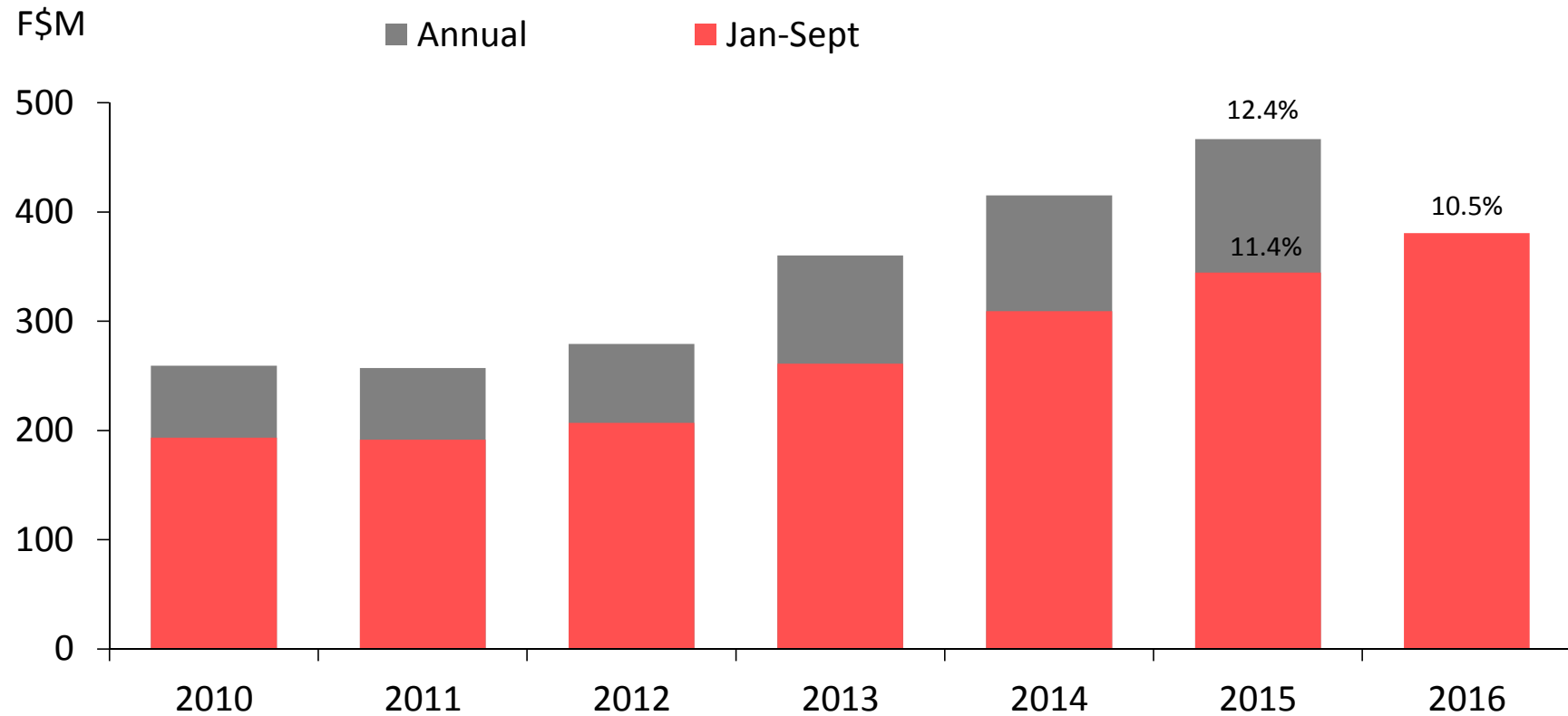
## Jan-Sept



Source: Fiji Bureau of Statistics



# TOTAL VALUE OF WORK PUT-IN-PLACE

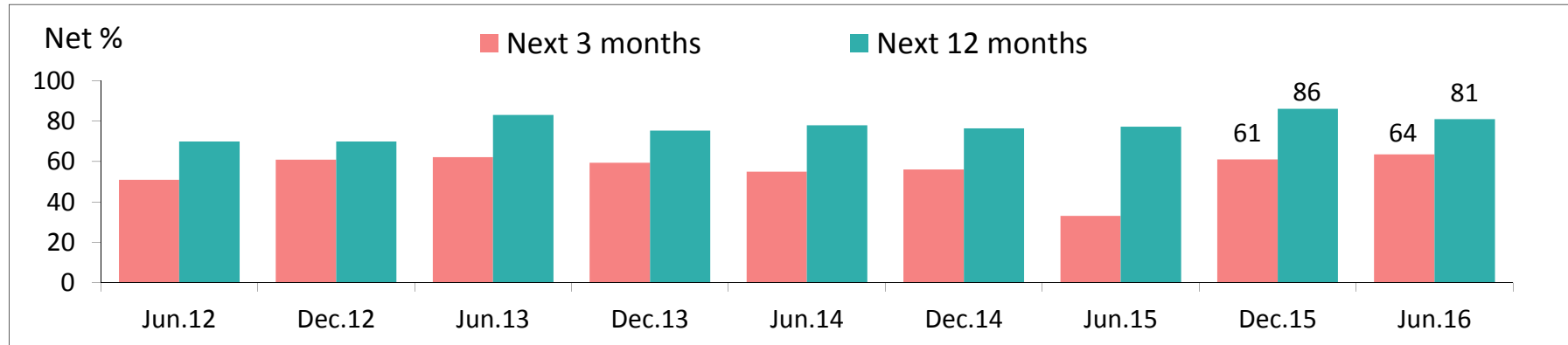


Source: Fiji Bureau of Statistics

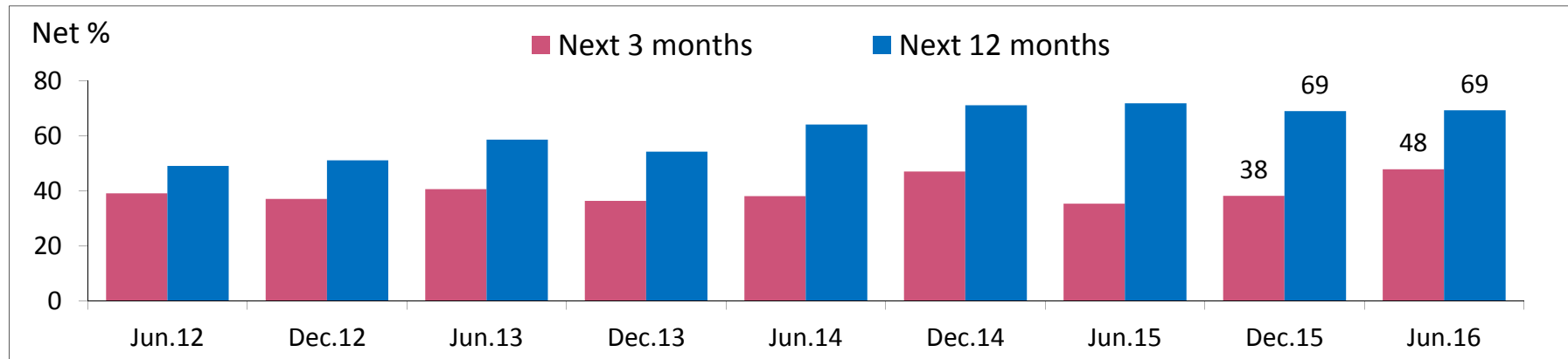


# BUSINESS SENTIMENTS

## Outlook for Investment (Plant & Machinery)



## Outlook for Investment (Buildings)



Source: Reserve Bank of Fiji

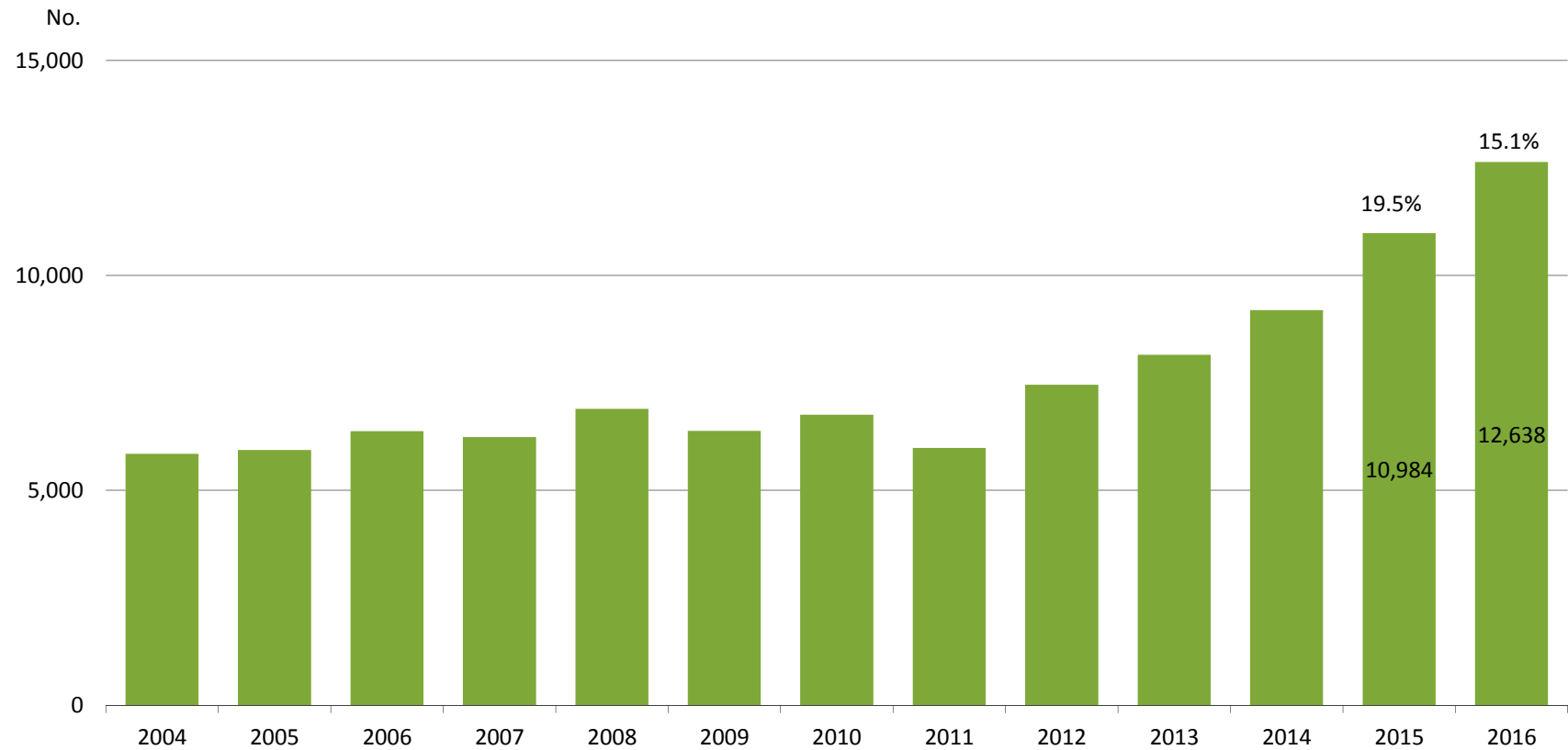




Labour market conditions remain favourable



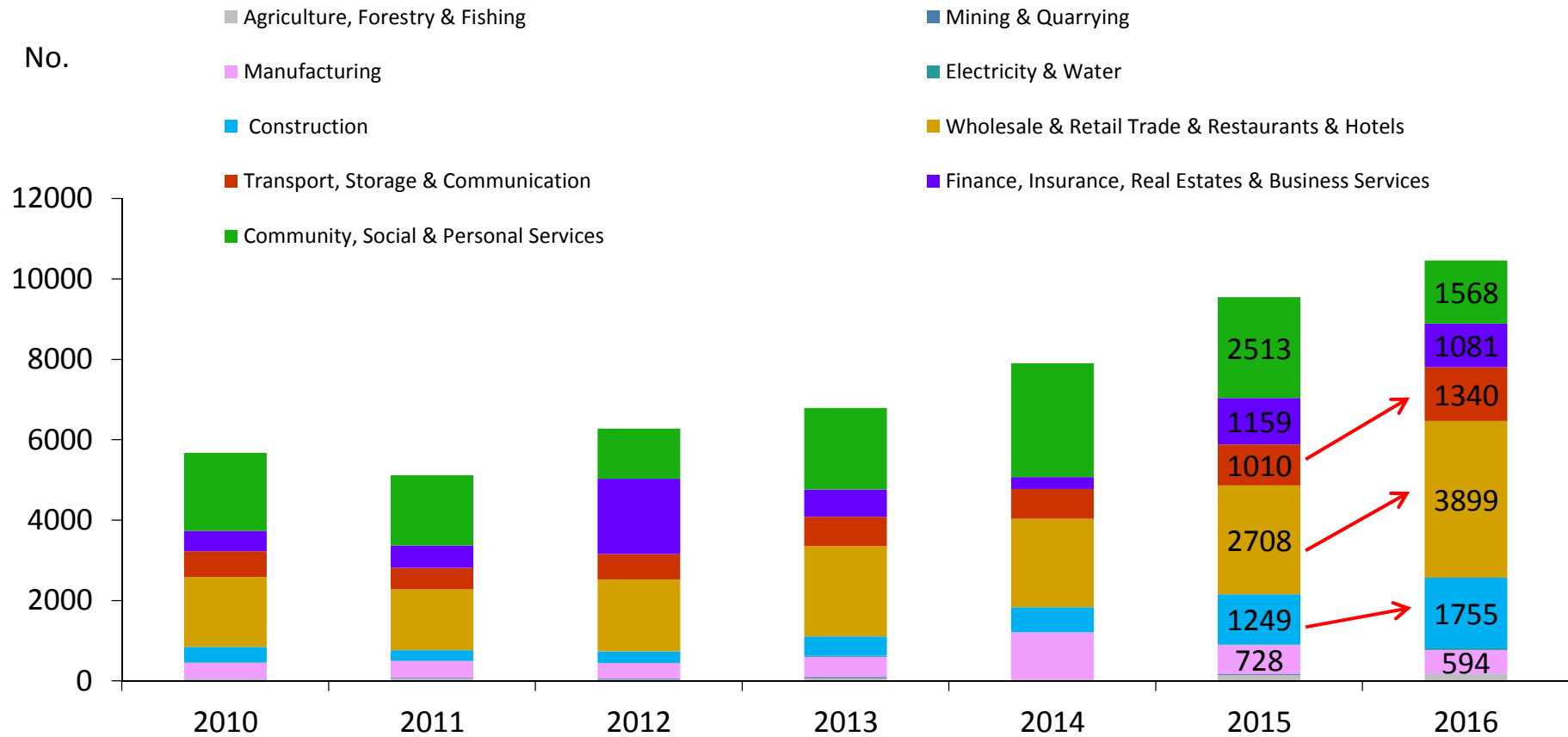
# RBF JOB ADVERTISEMENTS SURVEY



Source: The Fiji Times



# JOB ADVERTISEMENTS BY SECTORS



Sources: The Fiji Times

## EXTERNAL SECTOR

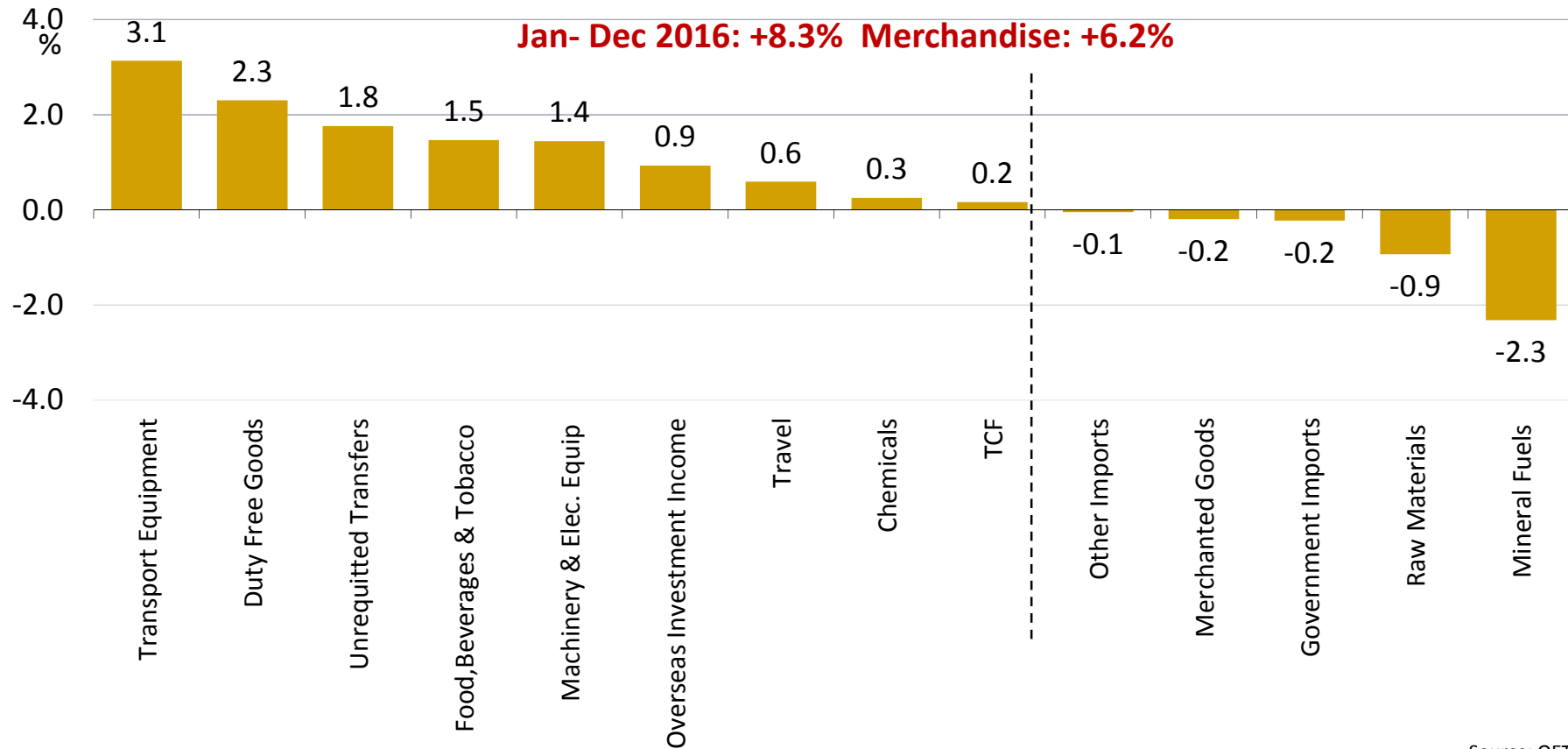
GLOBAL  
TRADE

- *External balances remain stable despite some deterioration in the trade account and lower than expected performances in the services and income account*





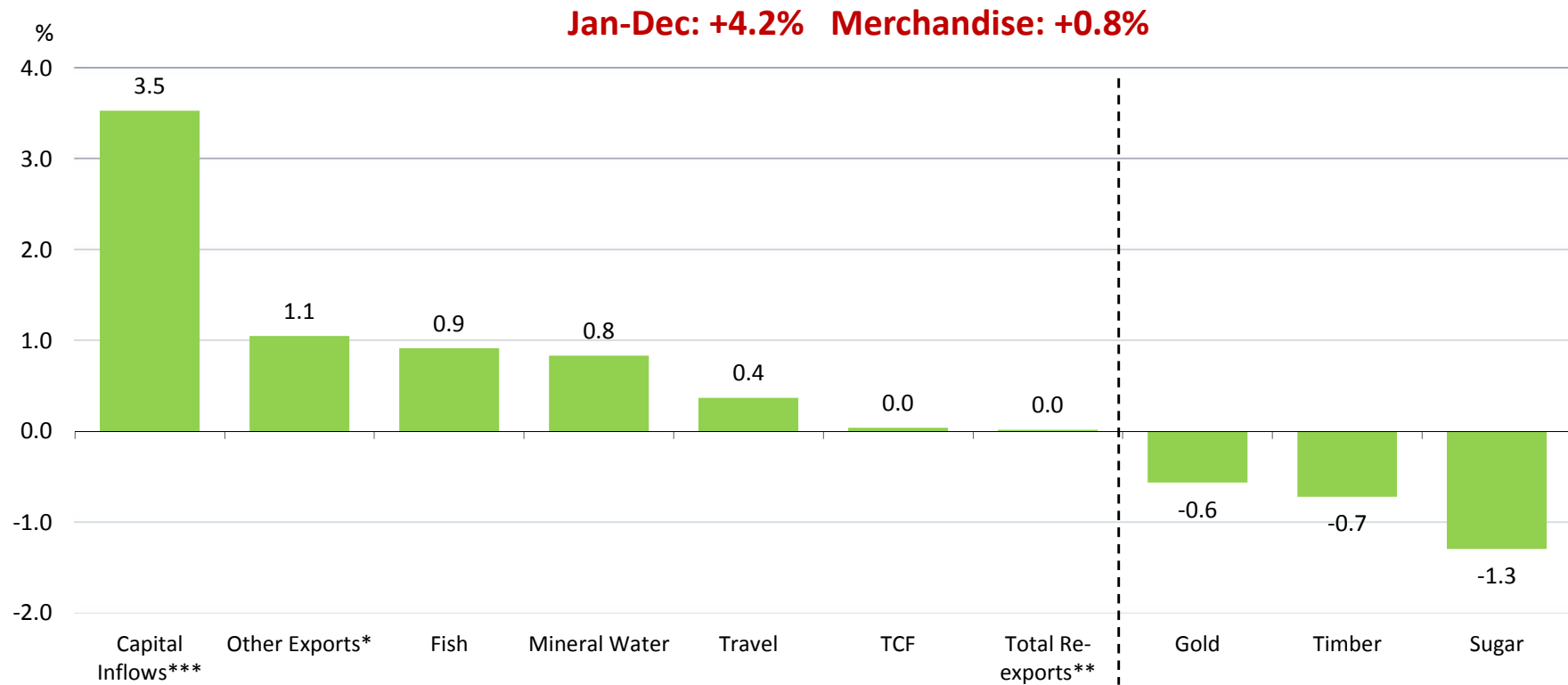
## MAJOR OET PAYMENTS – Contribution by category



Source: OET



## MAJOR OET RECEIPTS – Contribution by category



\*Other Exports Includes: Ginger, Copra, Merchant Goods and other exports

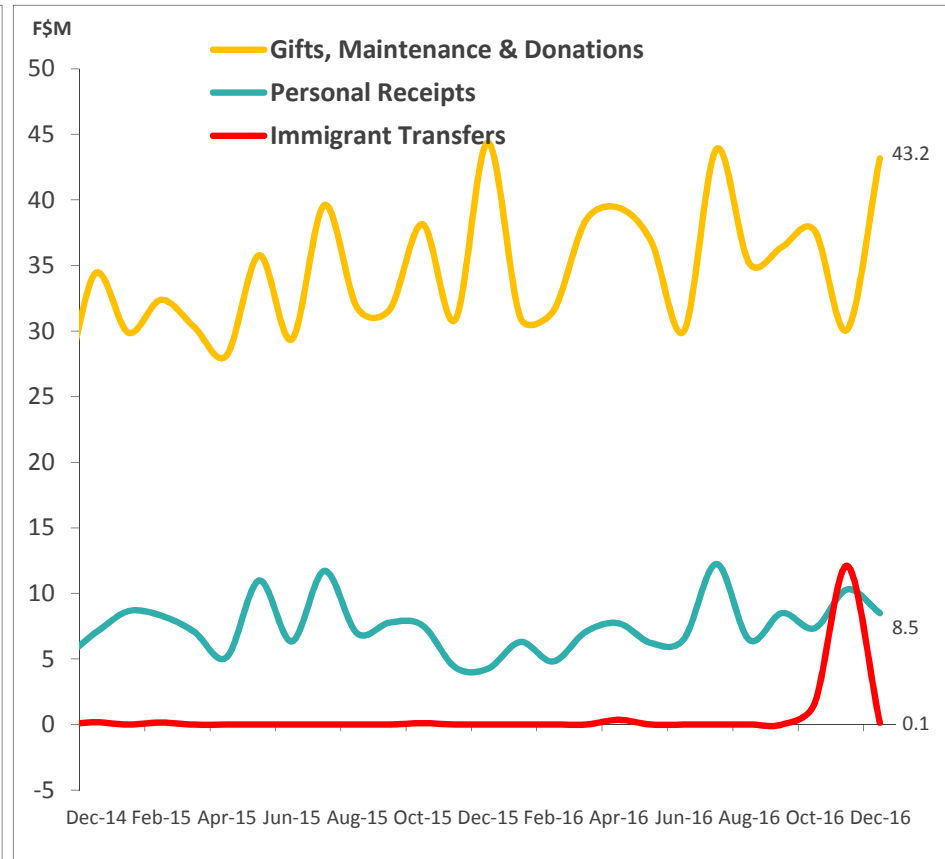
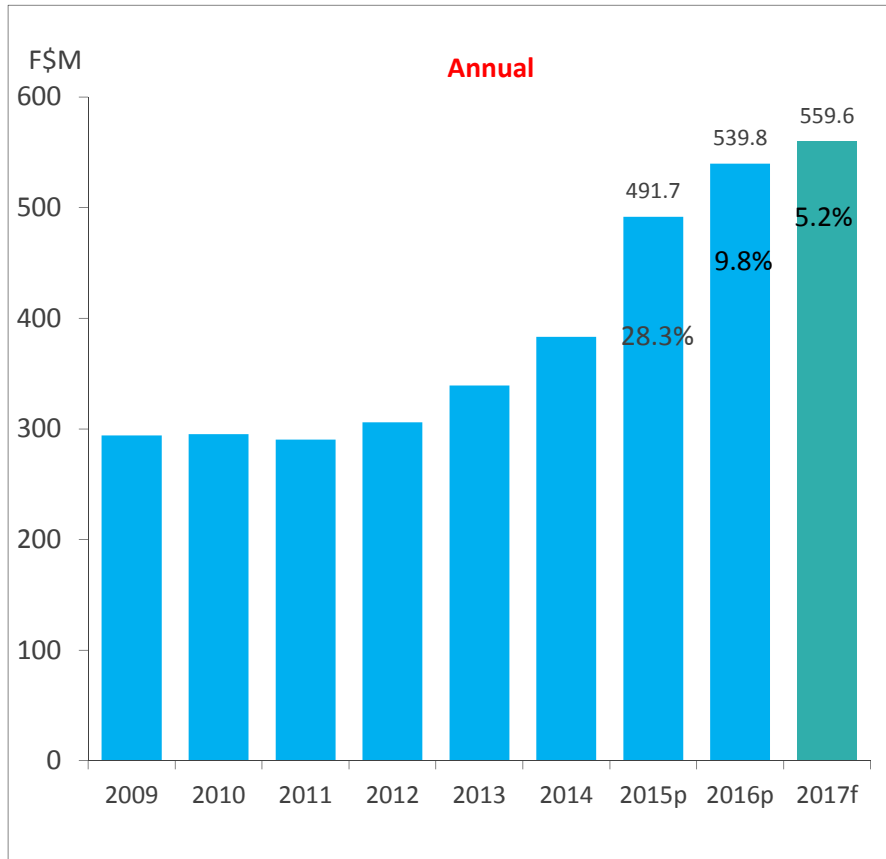
\*\* Total Re-exports includes: Mineral fuel and Others

Source: OET

\*\*\*Capital Inflows: Official Capital Transaction & Private Capital Transaction

# PERSONAL REMITTANCES

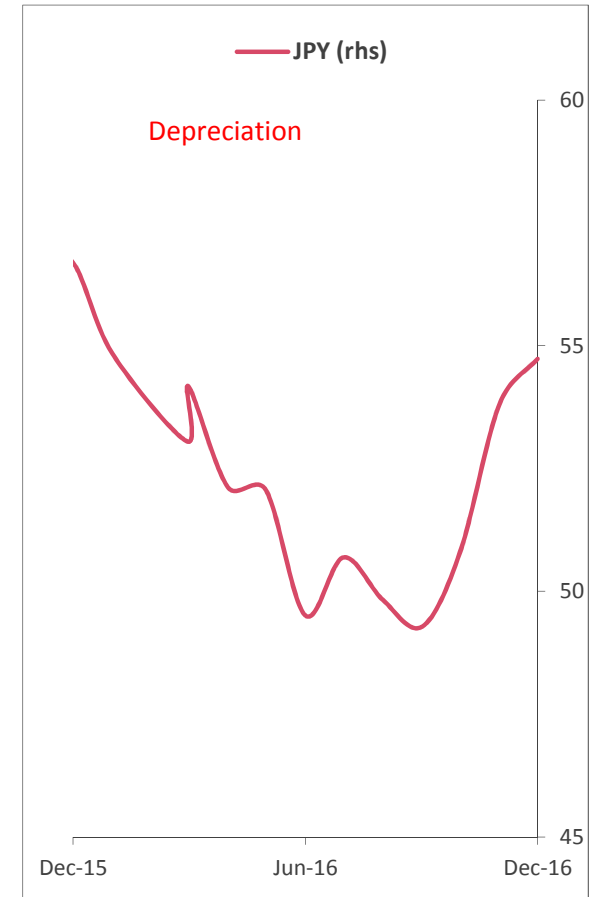
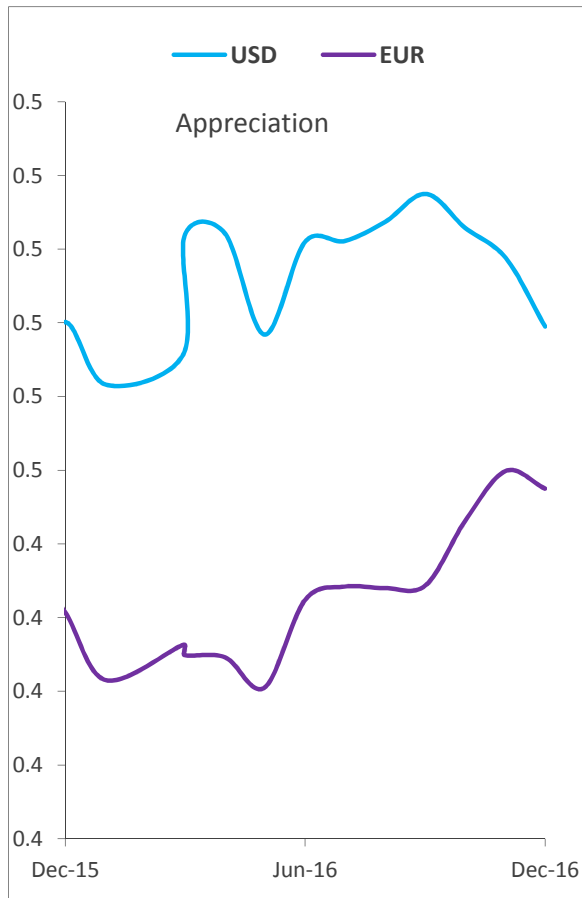
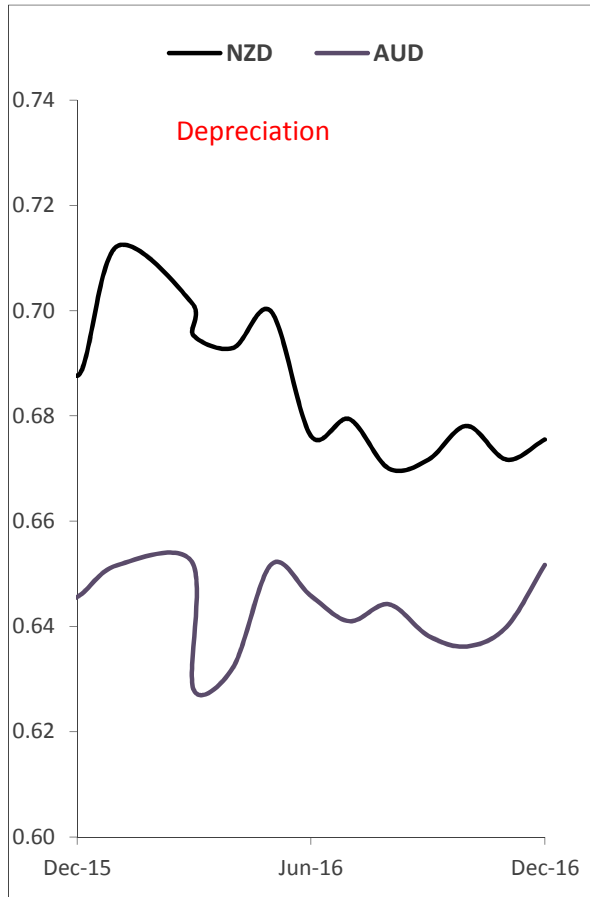
*Lower than expected*



Sources: OET & Macroeconomic Committee



# FIJI DOLLAR/BASKET CURRENCIES



As @ 30 December 2016



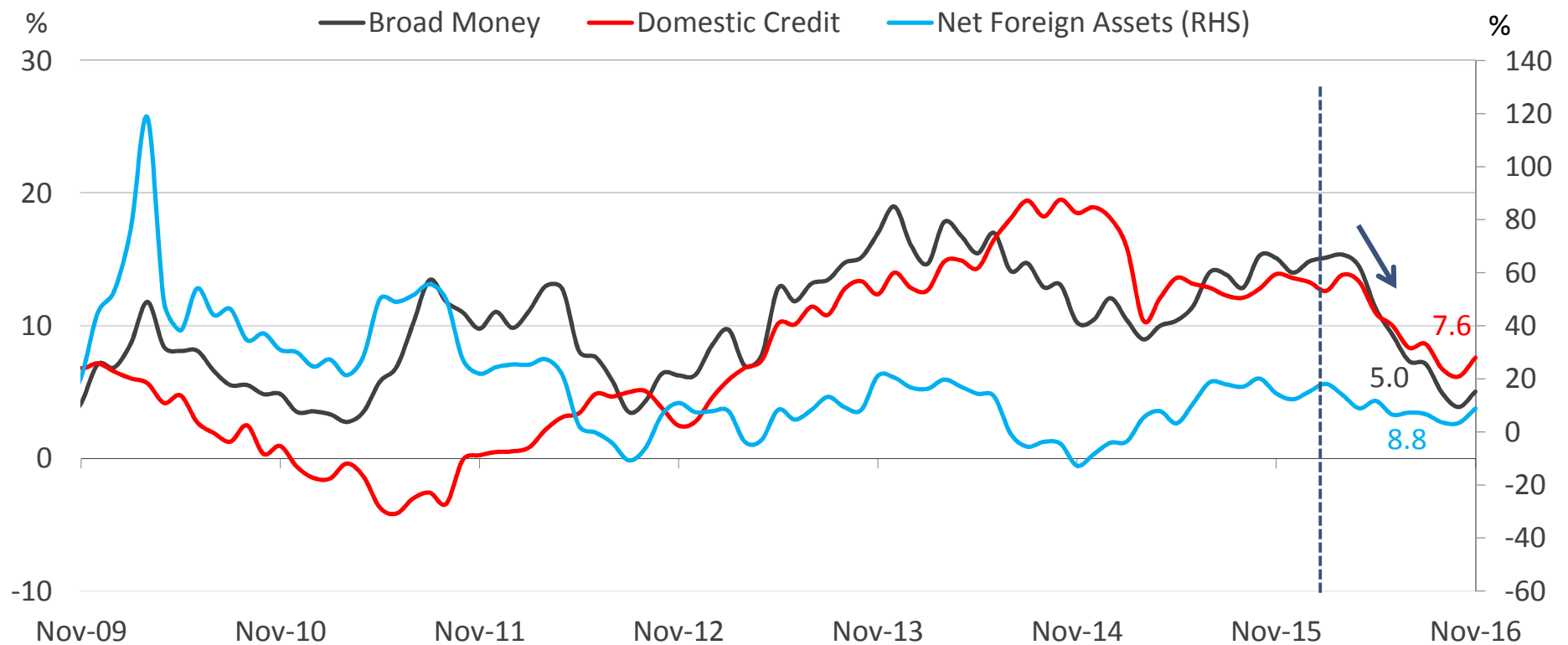
# FINANCIAL CONDITIONS



- *Slowdown in major credit aggregates*
- *General decline in lending rates and some upward movement in deposit rates*
- *Overall liquidity conditions remain adequate while levels have fallen*

# BROAD MONEY & CREDIT

Monetary conditions remain favourable but credit growth slowing

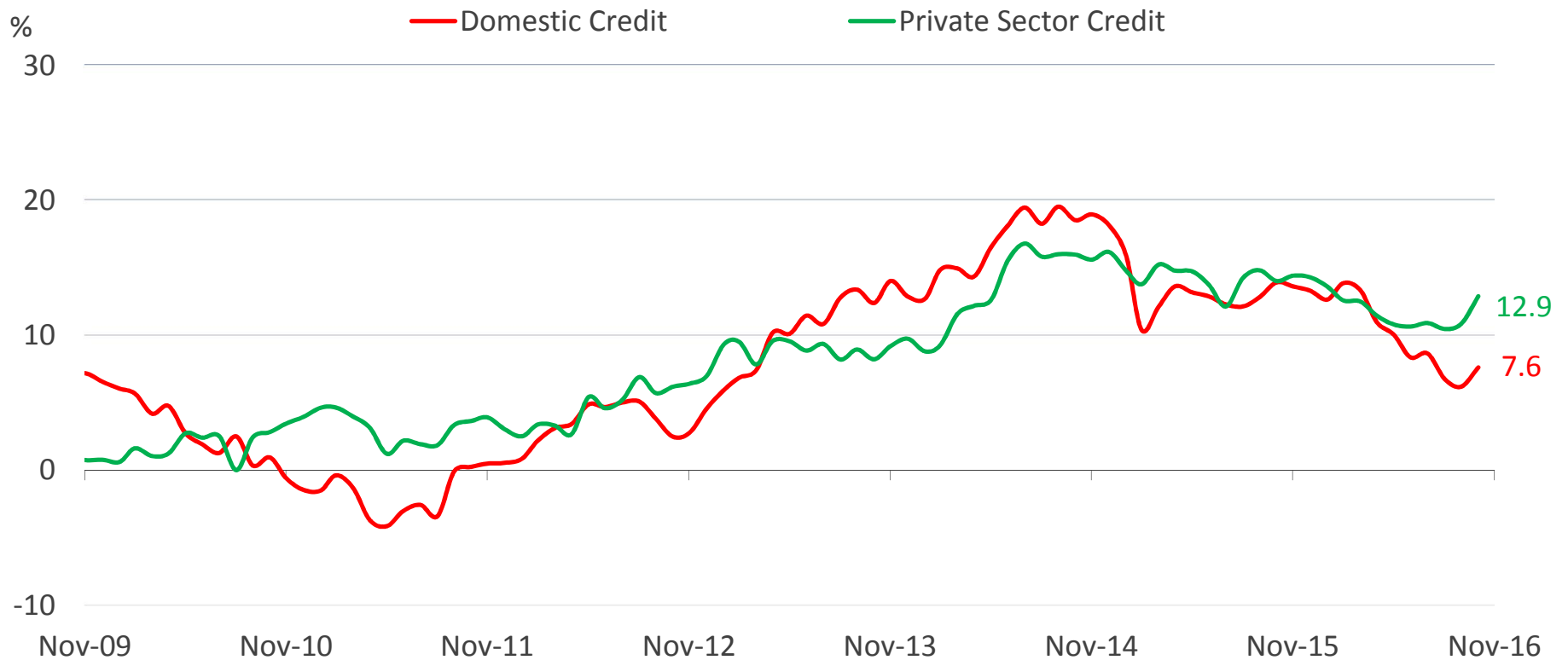


Source: Reserve Bank of Fiji



# DOMESTIC CREDIT

Monetary conditions remain favourable but credit growth slowing

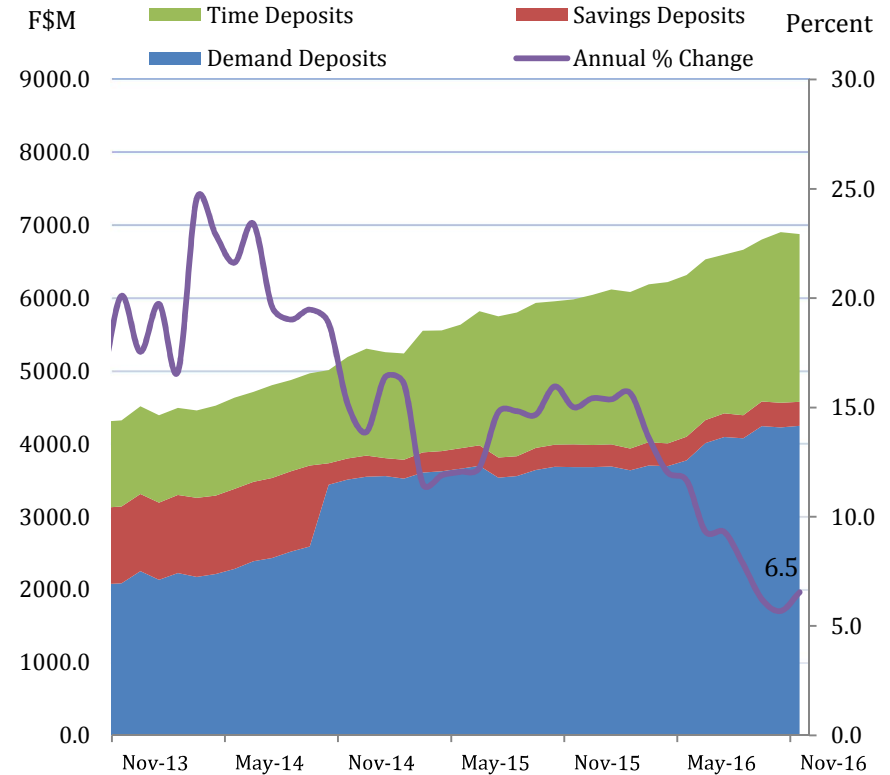
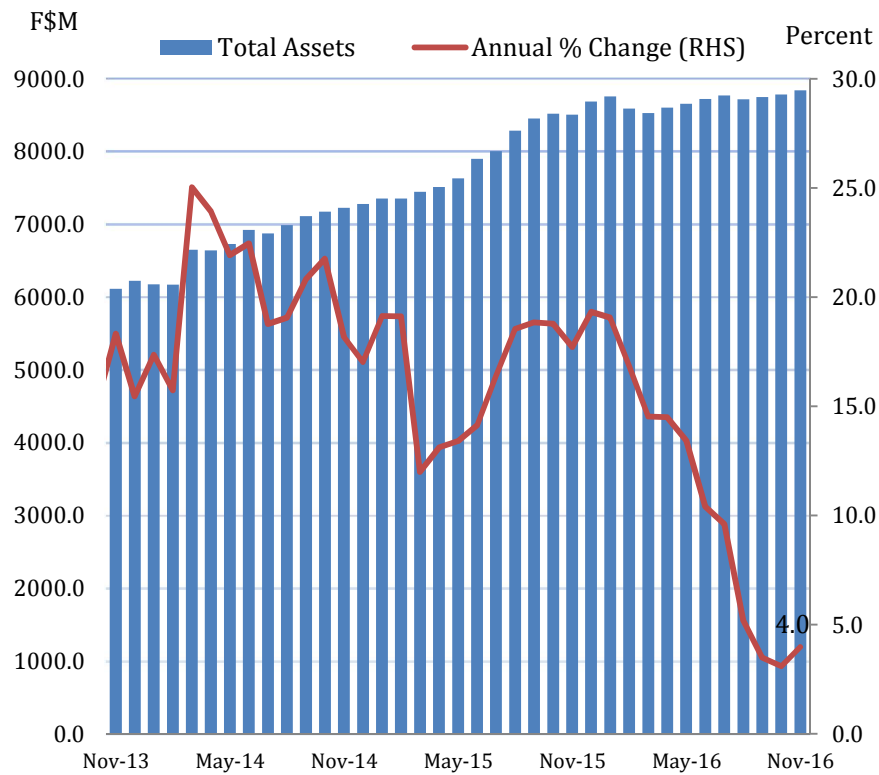


Source: Reserve Bank of Fiji



# COMMERCIAL BANKS' ASSETS & DEPOSITS, NOV

Both assets and deposits growth have slowed over the year

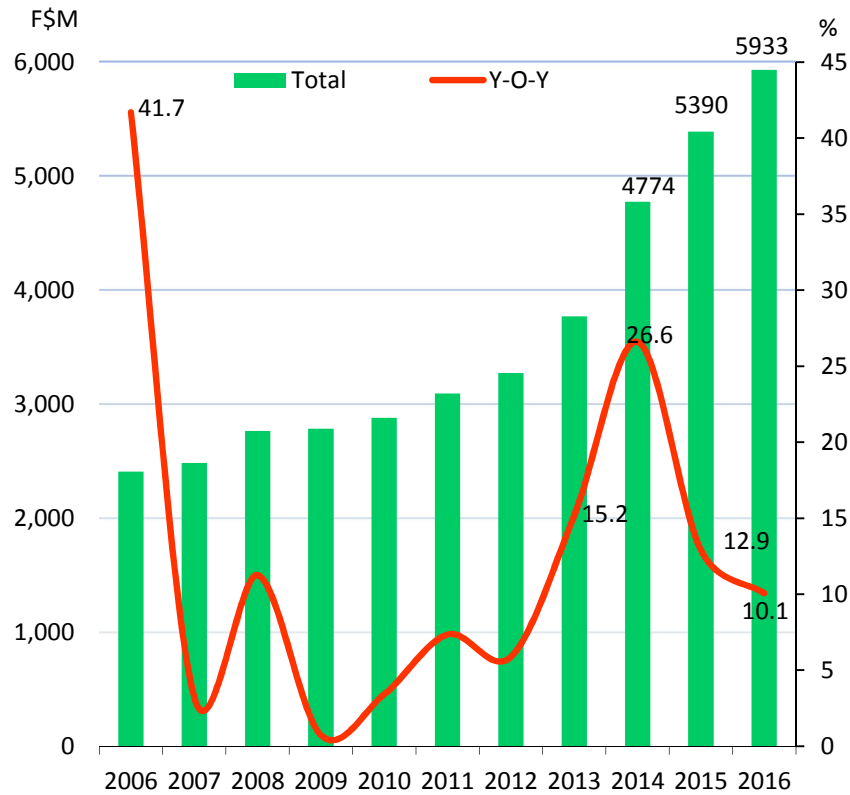


Source: Reserve Bank of Fiji

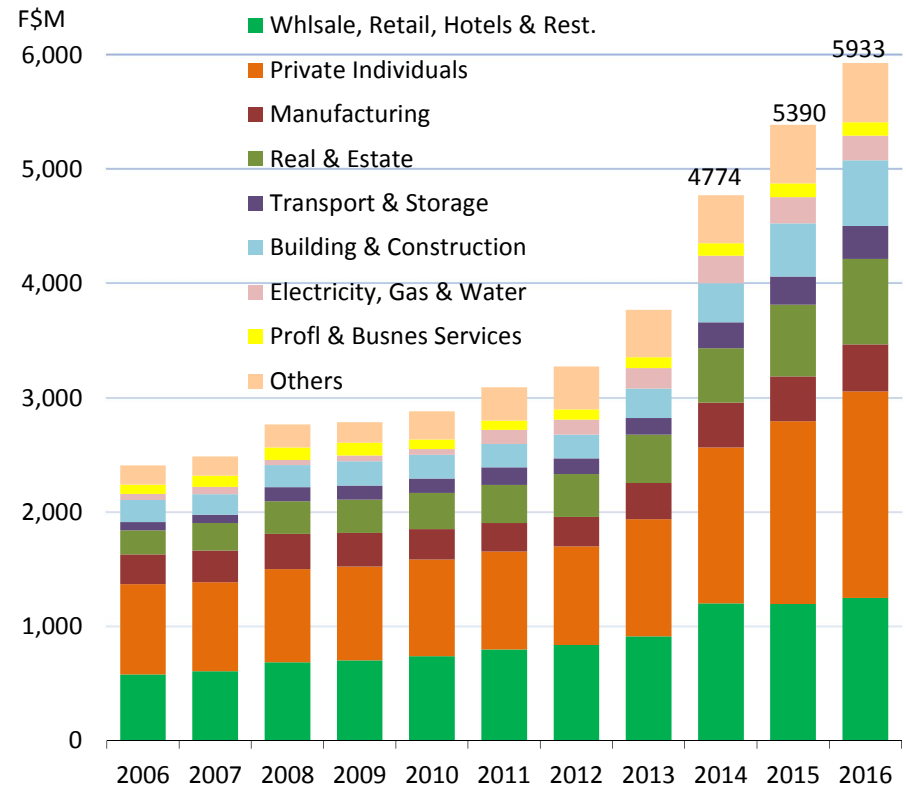


# COMMERCIAL BANKS' OUTSTANDING LENDING, NOV

Growth has been sluggish since January 2016



From March 2014 HFC lending is included in Commercial Banks' lending.

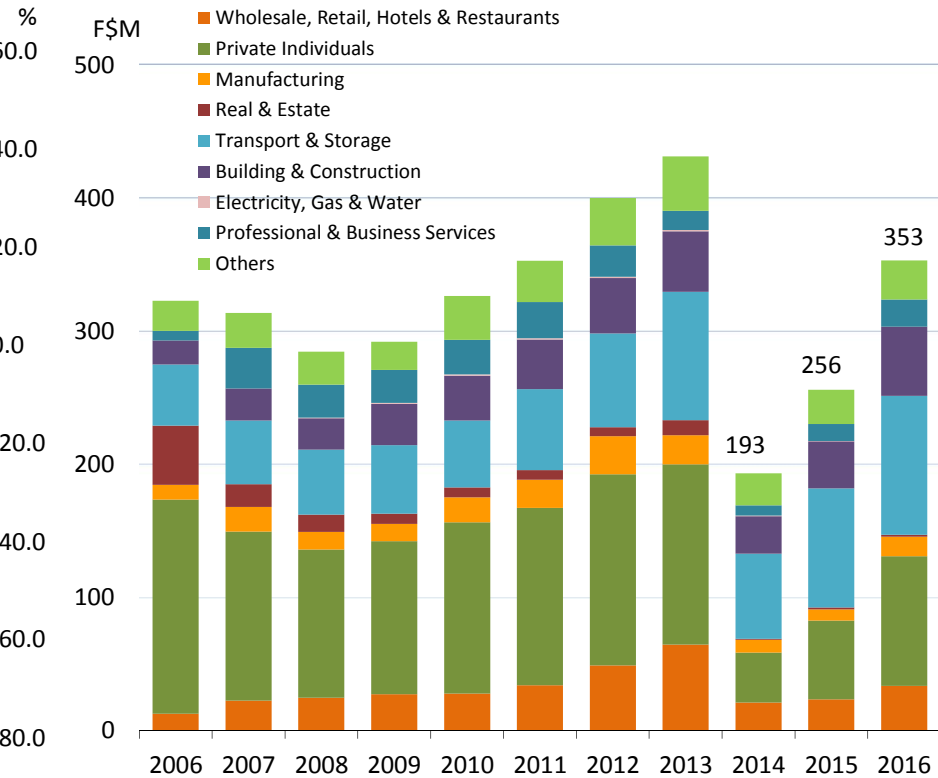
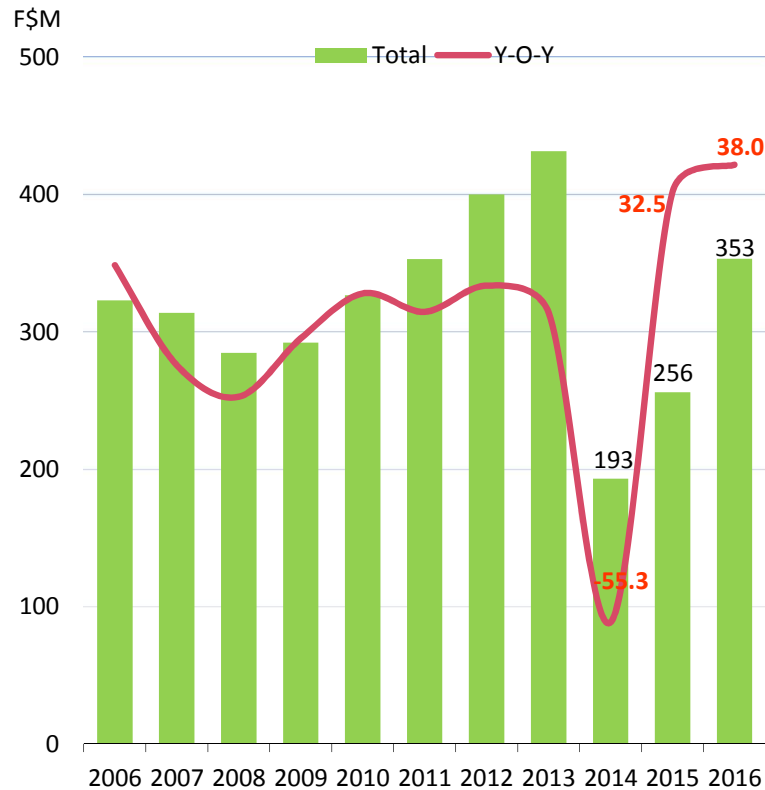


Source: Reserve Bank of Fiji



# LCIs' OUTSTANDING LENDING, NOV

Mostly driven by lending to private individuals and transport & storage sectors



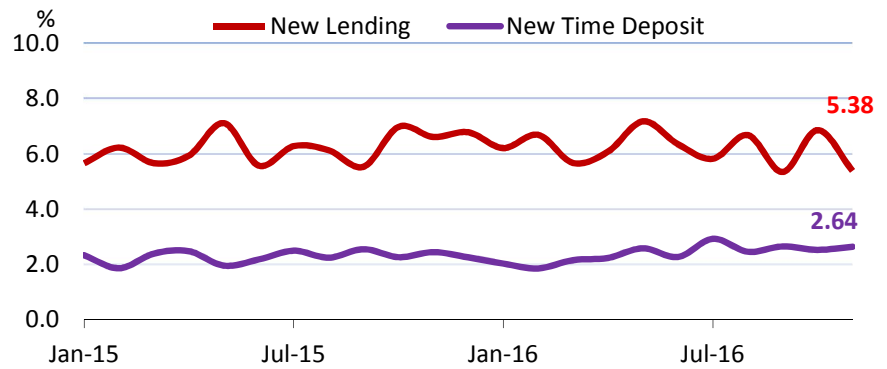
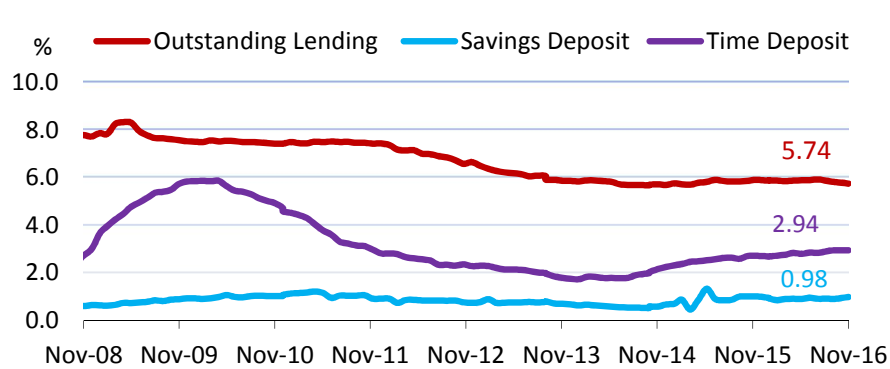
From March 2014 HFC lending is included in Commercial Banks' lending.

Source: Reserve Bank of Fiji

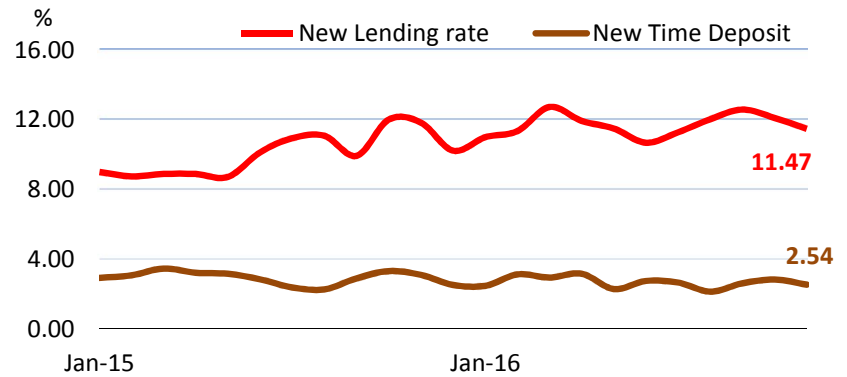
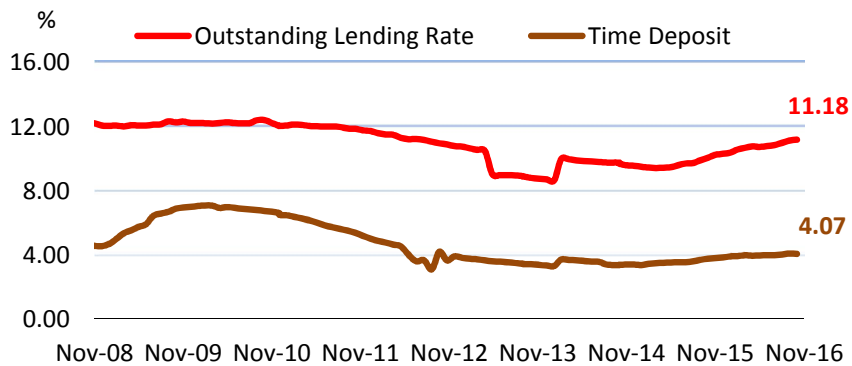


# INTEREST RATES

## Commercial Banks



## LCIs

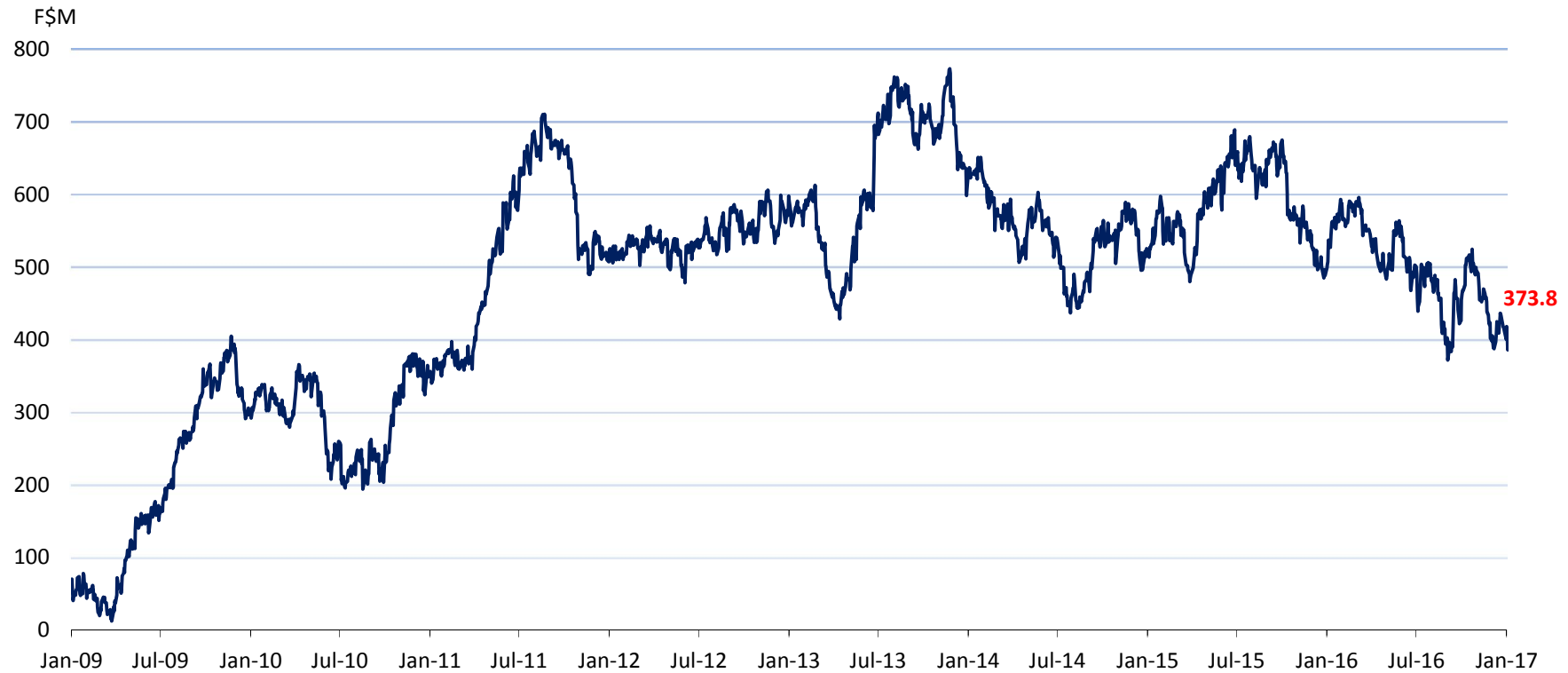


Source: Reserve Bank of Fiji



# BANKS' LIQUIDITY

Liquidity has declined but remains ample



As at 16<sup>th</sup> January 2017

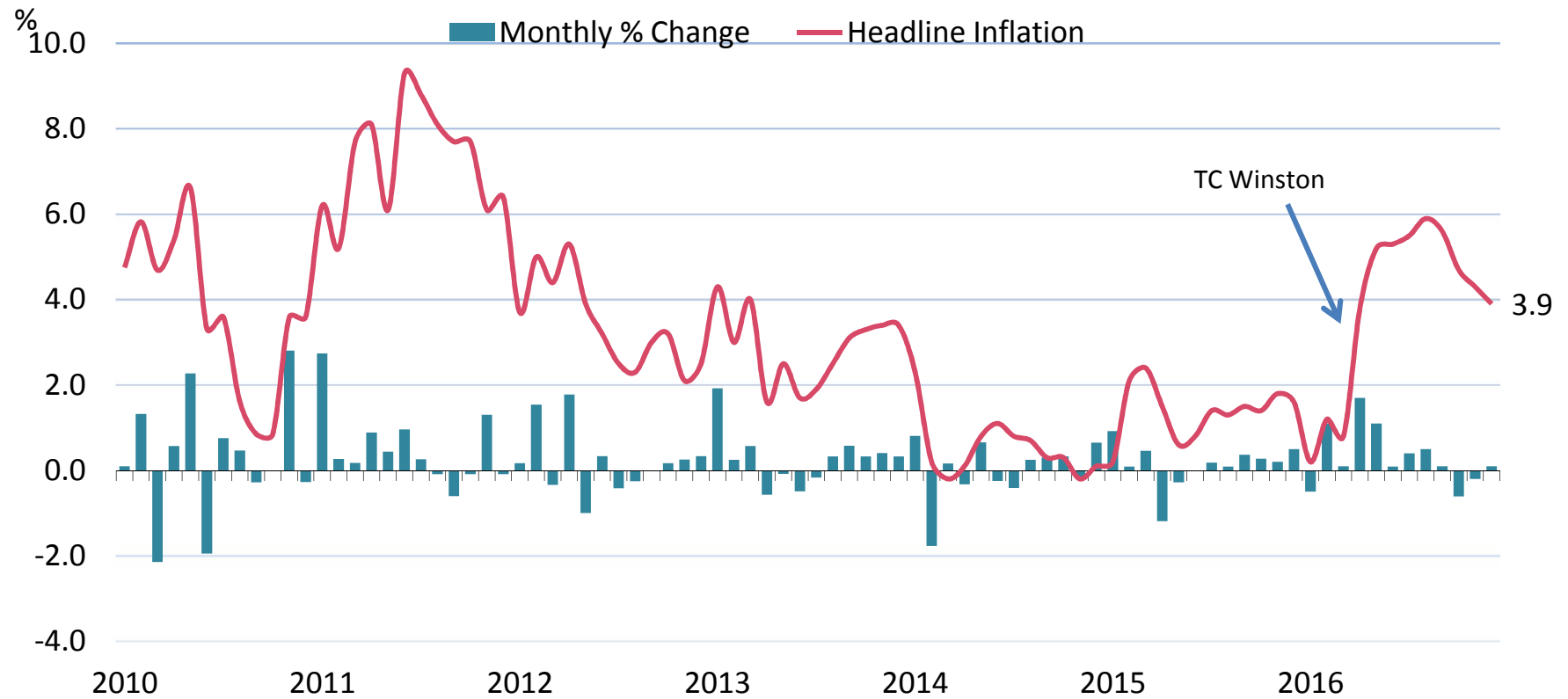


## MONETARY POLICY: RBF's TWIN OBJECTIVES



- *Maintain foreign reserves at adequate levels*
- *Keep inflation low and stable*

# INFLATION : 2010 - 2016

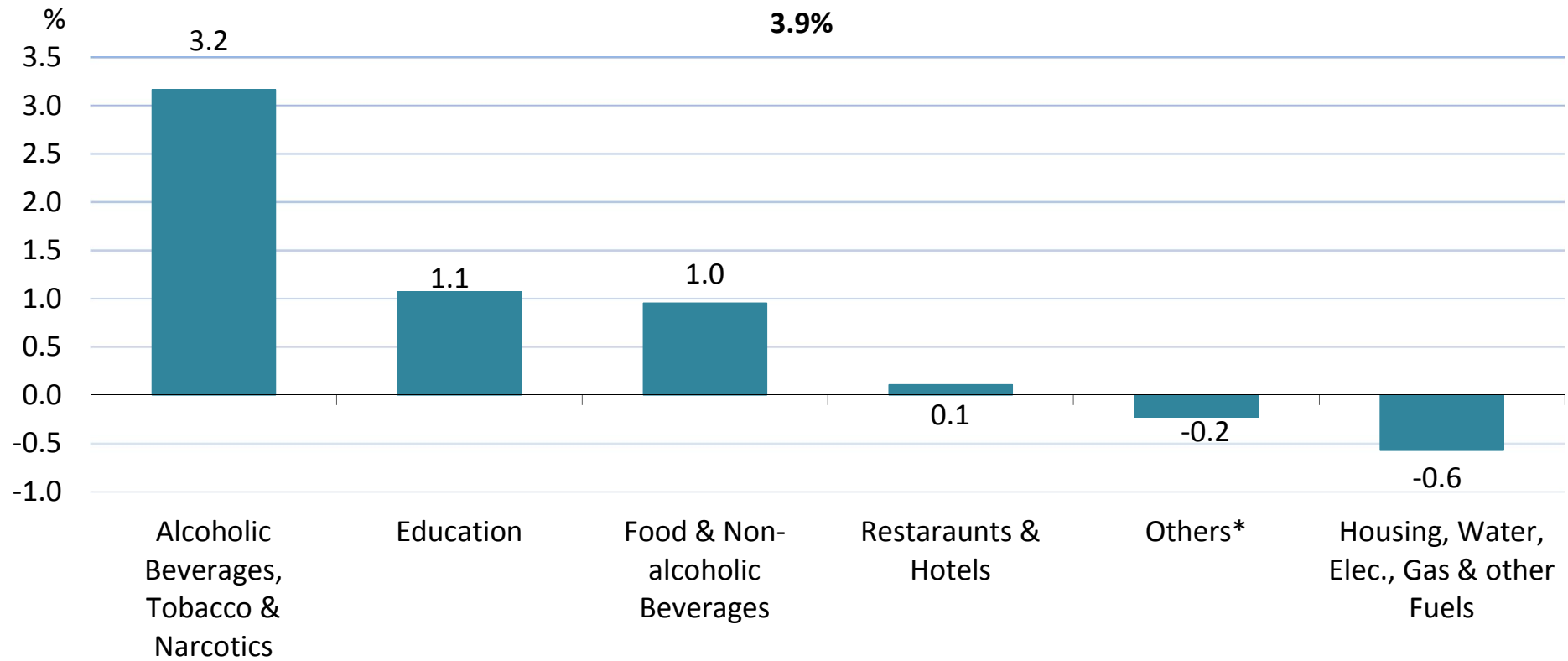


\*Others include Health, Communication, Furnishings, Hhld., Equip. Routine Hhld. maintenance, Recreation & Culture, Clothing & Footwear and Misc.

Sources: Reserve Bank of Fiji and Fiji Bureau of Statistics

# INFLATION

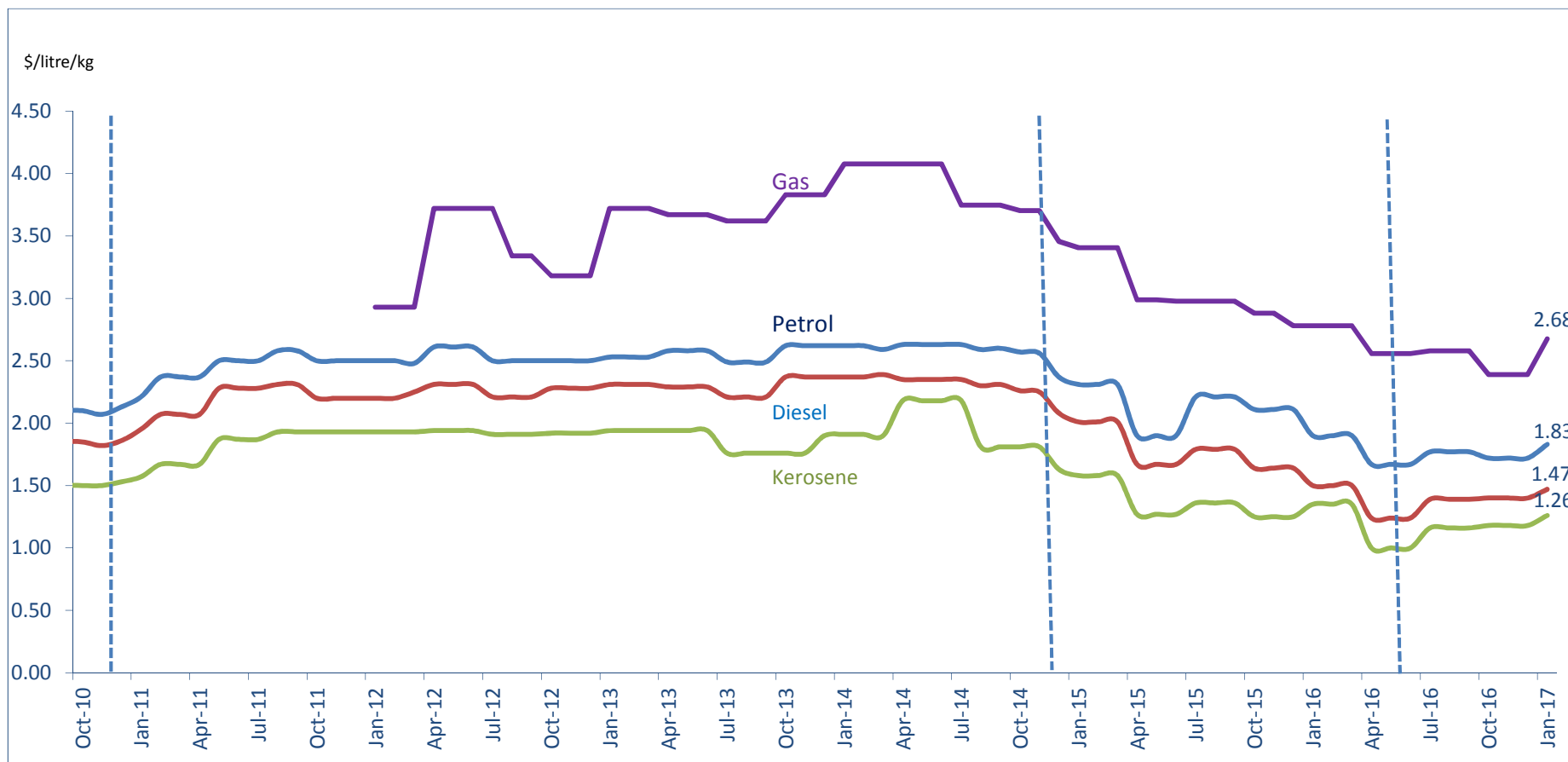
## Contribution to Inflation - December



\*Others include Health, Communication, Furnishings, Hhld., Equip. Routine Hhld. maintenance, Recreation & Culture, Clothing & Footwear and Misc.

Sources: Reserve Bank of Fiji and Fiji Bureau of Statistics

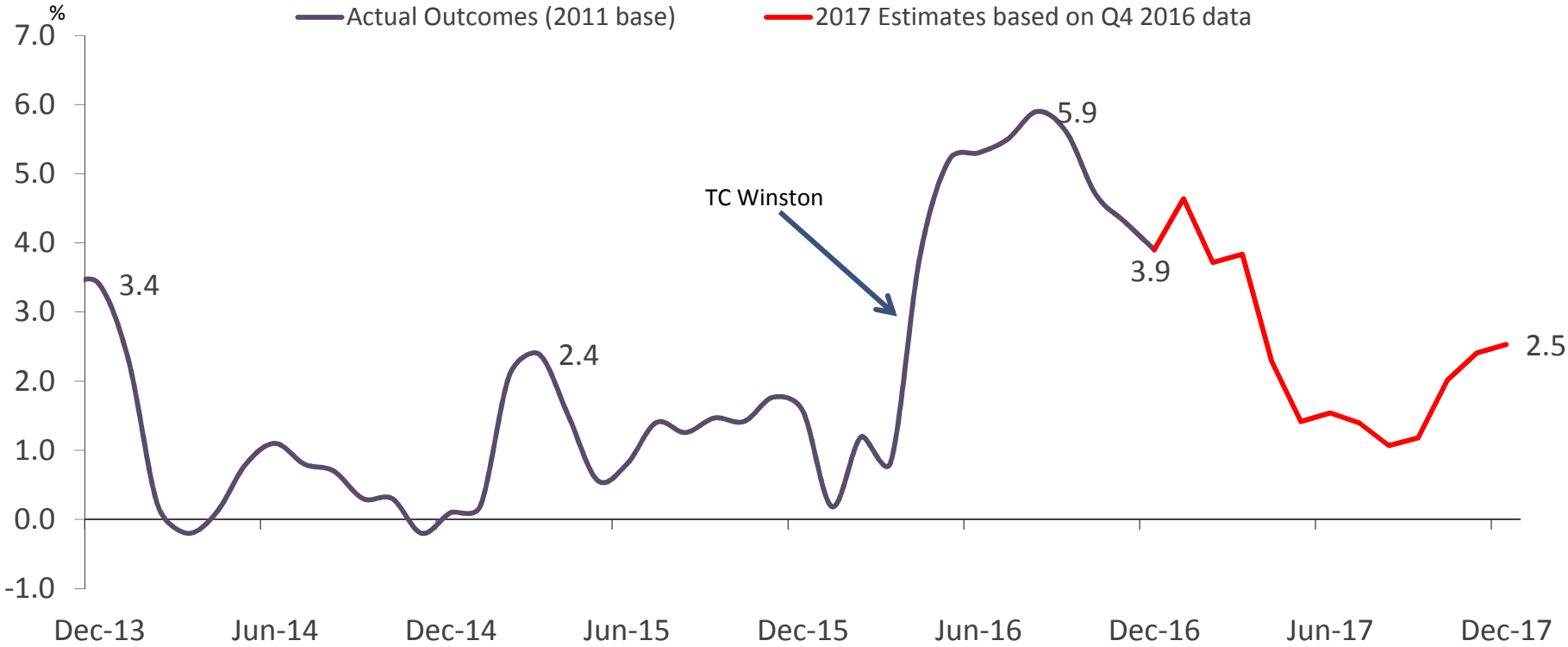
# DOMESTIC FUEL PRICES



Source: Fiji Bureau of Statistics



# INFLATION FORECAST

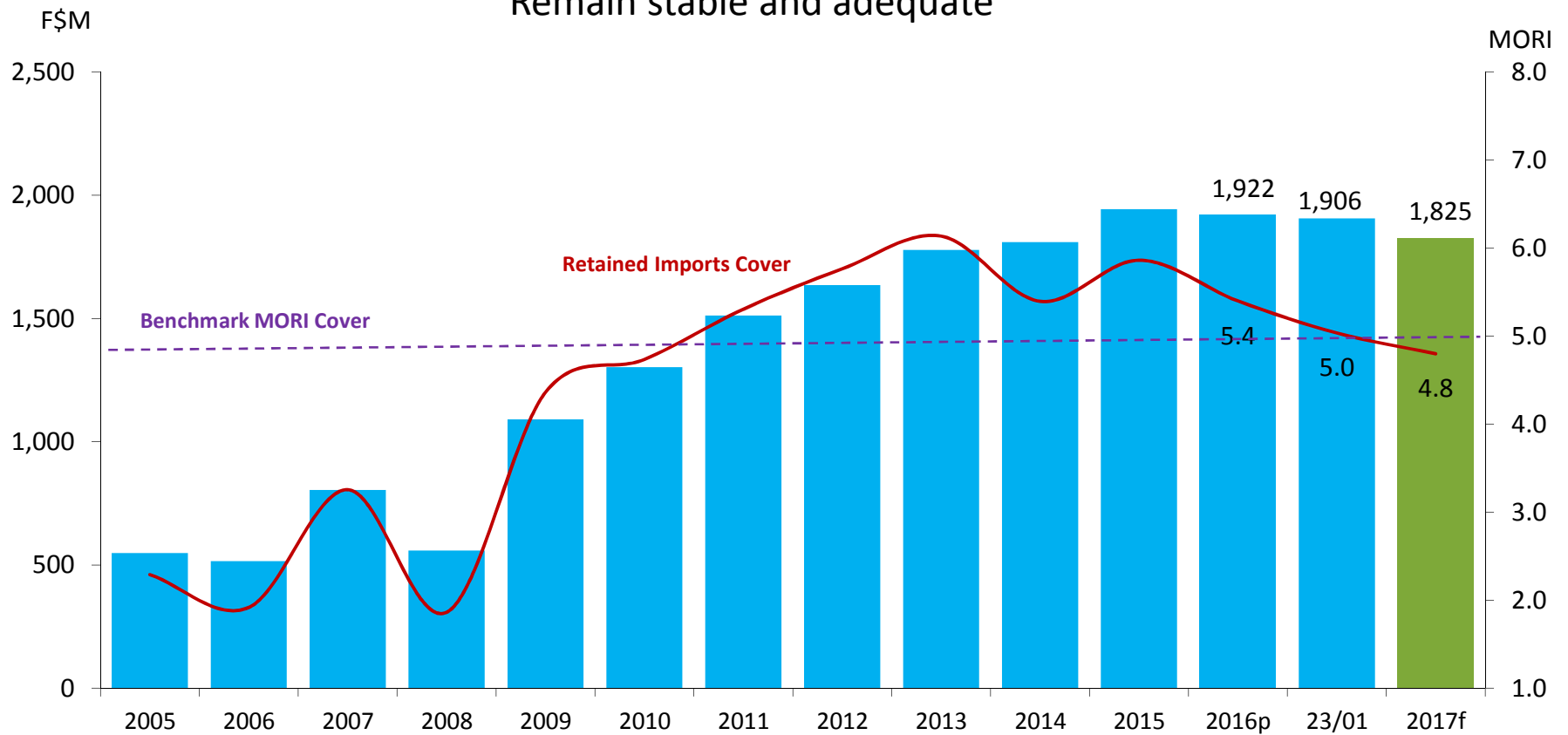


Source: Fiji Bureau of Statistics and Reserve Bank of Fiji



# FOREIGN RESERVES

Remain stable and adequate



Source: Reserve Bank of Fiji

# BALANCE OF RISKS



- Upside risks to global growth from both the US and China based on policy stimulus factors.
- **Negative risks include inward-looking policies and protectionism, tighter financial conditions, increased geopolitical tensions and severe China slowdown, sharp rise in commodity prices and currency changes.**
- Domestically, downside risks from higher frequency of natural disasters and its impact on consumer/business confidence and other macro indicators.
- **Progress of Government's structural reform agenda especially in the lead up to elections will continue to be monitored.**
- Impact of risks on forecasts for reserves and inflation will be closely monitored.

# SUMMARY

- The global outlook is for an improved 3.4 percent growth this year – downside risks prevail
- 2017 domestic growth forecast at 3.6 percent – slight negative impact from TD04F
- Consumption and investment remain firm
- Labour market conditions are positive
- Liquidity conditions remain generally adequate while levels have declined
- *Inflation is likely to rise slightly from the impact of the recent flooding before generally declining to around 2.5 percent by year end*
- *Foreign reserves are currently comfortable at \$1,906 million (5.1 MORI) and expected to remain adequate in 2017*
- Overall monetary and financial stability are expected to remain intact
- Macroeconomic policy remain supportive of the economic recovery and raising growth potential



