WESTPAC WAVE

Fiji Quarterly Economic Update July 2022

Fijian Economy on a solid footing for an economic rebound

EXECUTIVE SUMMARY

- Globally, central banks have again taken centre stage asserting their determination to respond to the inflation challenge that has now become a concern for many major economies. The focus is now on gradually winding back the extraordinary package of stimulus measures that was in place. The wider environment continues to be unsettled for markets as the threat and uncertainty around inflation and policy tightening combines with ongoing supply issues and geopolitical disruptions around Russia's invasion of Ukraine. As such, a slower growth is now anticipated for the global economy.

- In Fiji, timely indicators suggest an improvement in economic activity and stages the economy for a strong recovery this year. The underlying strength in the economy has been particularly evident in the tourism industry, where conditions are the most robust in the past two years. Strong labour demand and fiscal measures are supporting growth in household income, although recent large increases in food and energy prices are having some impact on household budgets. Nonetheless, the economy is forging ahead at an impressive pace on the back of reopening momentum.

- As such, we expect the Fijian economy to make a broad-based recovery after the COVID-related contraction in 2020 and 2021 and forecast real GDP to expand by 12.9 percent through 2022, unchanged from our last economic update. The key dynamics shaping this outlook remain a spending catch-up by consumers and a strong tailwind from policy stimulus which is set to continue, with the 2022/23 National Budget delivering new spending initiatives.

- For 2023, on the back of tourism activity gaining further momentum, spillover effects from the 2022/23 National Budget and with the assumption of a successful general election in Fiji, thereby boosting business and consumer confidence, we project a further 9.5 percent growth, slightly higher than the 9.3 percent projected earlier. We expect the economy to cool appreciably in 2024 with an output growth of 5.0 percent.

- Consistent with the recovery in the domestic economy, financial sector outcomes have also improved. The central bank's policy measures continue to support highly accommodative financial conditions. System liquidity is at an all-time high with historic low interest rates. With the return of borrowing appetite and the expected pick up in commercial banks' lending to private sector business entities, system credit growth will continue its steady growth trajectory.

- Overall, while Fiji is adapting to a world with COVID-19 and has implemented strategies to normalise economic activity, challenges and risks remain. The Russia-Ukraine war has resulted in ongoing supply-side issues that could weigh heavily on business confidence and investment, and broadening price pressures could threaten real incomes and consumer demand. Natural disasters and the upcoming general election also pose some downside risk to the growth outlook and could derail the expected recovery of the Fijian economy. Nonetheless, for now Fiji is well placed for a double-digit growth outcome as it proceeds into the second half of 2022.

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Fiji's Current Economic Conditions in a Nutshell

Fiji has adapted well to COVID-19 and is normalising economic activity...

First Dose - 707,425*

519 Active Cases

Fully Vaxxed - 636,149*

First Booster Dose - 152,049

*including adults and children aged between 12-17
Source: Ministry of Health & Medical Services as at 25 July 2022

...with thriving visitor arrivals to our shores since borders reopened...

Visitor Arrivals since border reopening - 228,755

Jan 22 to Jun 22 Arrivals - 205,529

Year-end projection of more than 50% of 2019 Arrivals

...closely supported by Government National Budget outcomes...

Govt Revenue ($2.1b) & Expenditure ($3.6b)

Govt Net Deficit -13.8% of GDP

Govt Debt 89.4% of GDP

...registering improved aggregate demand in the year to date...

Consumption activity has increased

Investment activity has bottomed-out

...as such a solid economic recovery is now projected for the medium term...

2022 GDP to grow by 12.9%

2023 GDP to grow by 9.5%

2024 GDP to grow by 5.0%

GDP

...with stable financial and external sector outcomes...

Foreign Reserves
- $3.6 billion
- MORI 8.3

System Liquidity
- $2.6 billion

...however, inflationary pressures have become prominent...

Higher Energy Prices

Higher Food Prices

Supply Side Issues

Russia-Ukraine War

...while other risks also remain.

General Election uncertainties

Natural disasters

Spikes in COVID-19

Risks to outlook

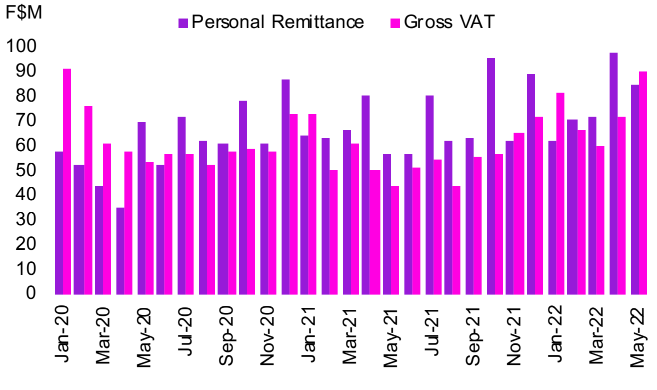
Fijian Economy tracking well to achieve a double-digit rebound

Fiji is adapting to a world with COVID-19 and has implemented strategies to normalise economic activity. While the pandemic situation continued to unfold rapidly with the new Omicron variant resulting in a proliferation of cases at the beginning of the year, high vaccination rates have allowed for a return to more normal operations in Fiji. Although Fiji continues to see community transmission of COVID-19, the economic impact has become milder or negligible compared to previous outbreaks due to the absence of hard lockdowns, with the Government opting for more targeted measures instead.

Reopening momentum, emerging from the third wave of COVID-19, tourism recovery and resulting pent-up demand has put the Fijian economy on a solid footing for expansion this year. As at end of June 2022, Fiji has welcomed more than 200,000 international travellers, a significant growth compared to last year. This is expected to pick up further as Fiji now enters the peak tourism season. Fiji is now fully reopened to vaccinated tourists from around the world, coinciding with increased airlift and the reopening of multiple hotels over the first half of the year. This development further confirms that the economy has considerable momentum and continues to be supported by ongoing policy stimulus. Additionally, ongoing positive impact of the 2021/22 Revised National Budget and the recent 2022/23 National Budget add a much-needed boost to the economy not only in terms of stimulus but also by addressing the challenges of the post-pandemic world, particularly the surging inflation and the impact on businesses and households. The National Budget continues with most of the measures announced earlier to support economic recovery, rejuvenate private sector activity, protect jobs, assist the unemployed and maintain overall macro-fiscal sustainability.

In tandem with tourism recovery, the labour market in Fiji is also improving, ultimately supporting increased aggregate demand. The Reserve Bank of Fiji job advertisement survey shows an upward trend in the number of jobs being advertised in Fiji. The bulk of laid off workers from the tourism industry have returned to work, and the reduced working hours and income for most businesses have also been reinstated. As such, consumer spending has increased in the economy, which is evident by the increase in gross Value Added Tax (VAT) collections. Consumption is also supported by the continued influx of inward remittances which rose in the first five months of 2022. Additionally, commercial banks' new lending for consumption purpose also noted growth in the year to May as borrowing appetite improves, particularly for the wholesale, retail, and hotels & restaurants sectors. Similarly, commercial banks' new lending for investment purpose which remained subdued so far in the year is showing signs of pickup.

Chart 1: Gross VAT Collections and Personal Remittances

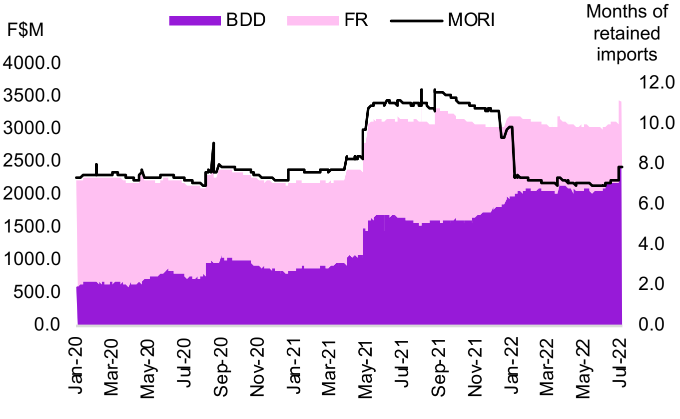


Source: Reserve Bank of Fiji and Ministry of Economy

Consistent with robust demand in the economy, improvement in employment, ongoing fiscal and monetary support and year to date sectoral outcomes, the Fijian economy is well on track to rebound in 2022. As earlier anticipated, we expect real GDP to grow by 12.9 percent this year, led by turnaround in most sectors of the economy, particularly those linked to the tourism sector. For 2023, a slightly stronger expansion is now projected with spillover effects from the National Budget, expected positive outcomes of the general election, combined with ongoing recovery in the tourism sector. We now expect real GDP to grow by 9.5 percent in 2023, compared to the 9.3 percent anticipated earlier. The Fijian economy is expected to moderate slightly in 2024 and grow by around 5.0 percent.

Fiji's financial and external sector continues to remain stable on the back of record levels of system liquidity and foreign reserves, and it is expected to remain so in the medium term. Latest data show the out-turns in the financial sector is aligned with improvements noted in the domestic economy. Credit growth in the system has rebounded and continues to gradually grow led by higher lending by commercial banks and other financial institutions. Liquidity in the banking system reached an all-time high in June, which has kept interest rates at historic lows. As at end of June 2022, banking system liquidity stands at above $2.6 billion supported by foreign reserves which stands at above $3.6 billion, sufficient to cover more than 8.3 months of retained imports. Foreign reserves are projected to remain comfortable into the medium term, once again on the back of borrowings as the government gross deficit will be financed through borrowings from multilateral and bilateral development partners. Subsequently, liquidity in the banking system is also expected to remain at comfortable levels in the medium term.

Chart 2: System Liquidity and Foreign Reserves



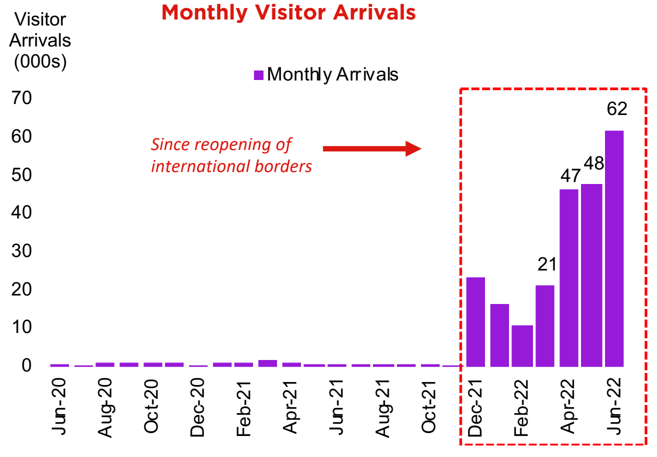
Source: Reserve Bank of Fiji

The global economic impact of the Russia-Ukraine war has resulted in higher commodity prices, leading to broadening inflationary pressures across the globe, including Fiji. In June, annual headline inflation stood at 5.1 percent led by higher prices noted for food, transport & fuel, and utility bills. According to the Reserve Bank of Fiji, the second-round effects of higher food and energy prices are much more apparent now as, excluding food and fuel, underlying consumer prices rose further. Going forward, prices for consumer durables are expected to increase further with the ongoing impact of the war combined with ongoing supply chain disruptions, sustained global and domestic demand, and elevated shipping costs. While the Revised 2021/22 National Budget and the recently announced 2022/23 National Budget are expected to cushion some of these inflationary pressures, the continued rise in imported inflation will push domestic prices higher.

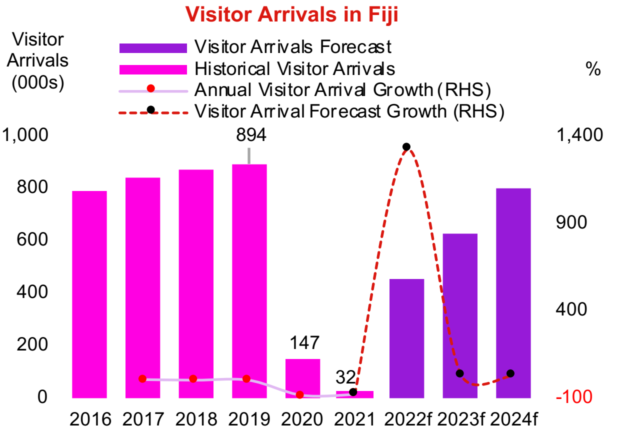
Overall, both the global and domestic outlooks for growth and inflation involve considerable uncertainties stemming from various supply-side factors. Pandemic-related challenges are being exacerbated by renewed disruptions in China and the prolonged Russia-Ukraine war. In Fiji, downside risks remain in the form of further outbreaks of COVID-19, adverse weather events, impact of geopolitical tensions, and rising international oil and food prices. Moreover, the 2022 Fiji General Election and related uncertainties could influence investor sentiments and potentially slow recovery.

In Depth: Tourism Recovery, 2022/23 National Budget and Real GDP

Seven months into 2022, the Fijian economy has made tremendous progress after the COVID-19 led downturn in 2020 and 2021. Most partial indicators point towards ongoing improvement in domestic economic conditions, particularly since the reopening of the international borders in December 2021. The recovery in the tourism industry is playing a crucial role in upbeat economic activity so far this year despite the ongoing challenges of the pandemic. Visitor arrivals continue to increase with every passing month, indicating the demand for Fiji as a safe travel destination. In the year to June 2022, Fiji received a total of 205,529 visitors, registering a 3,464.50 percent growth. This is also much higher than the whole of 2021 when Fiji only received 31,618 visitors. Since the reopening of borders, Fiji has received 228,755 visitors, which is expected to increase further as we enter our peak tourism season. Going by current trends and demand from major markets such as Australia, New Zealand and the US, it is anticipated that by year end Fiji would surpass 50 percent of 2019 visitor arrivals.



Source: Fiji Bureau of Statistics



Source: Fiji Bureau of Statistics and Westpac Fiji calculations

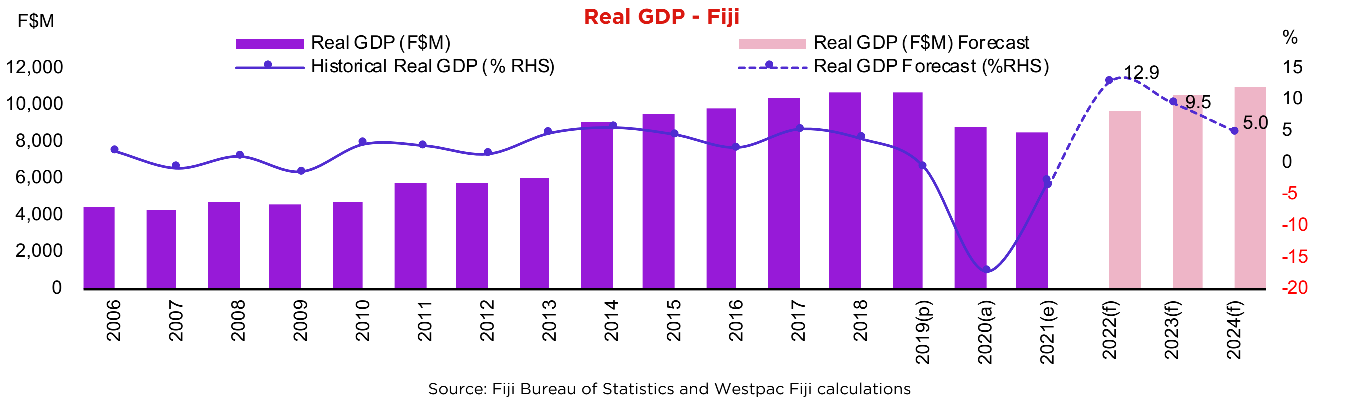
- The recovery in the tourism industry augurs well for various sectors of the economy such as transport & storage, accommodation and food service sector, manufacturing, financial & insurance activities and the wholesale, retail & trade among other sectors which are anticipated to turnaround in 2022.

- Additionally, the positive impact of the Revised 2021/22 National Budget and the outcomes of the 2022/23 National Budget which addresses the ongoing and the new challenges being faced in the post-pandemic world, including measures to mitigate inflationary pressures, is supportive of growth outcomes. The gradual increase in the minimum wage rate that has already come into effect and the continuation of zero-rated VAT on 21 basic consumer items to cushion the impact of higher global prices on Fijian consumers adds to consumer confidence and will eventually add to activity in the economy. Overall, it is safe to say that the economic compass provided by this budget will deliver solid bearings, and a course correction to guide us through the next part of this much longer race towards full recovery.

- The Government has also secured support from international agencies such as the Asian Development Bank and the World Bank in terms of loan drawdowns for ongoing recovery from the immense shocks of the COVID-19 pandemic that exacerbated the impacts of recent natural disasters. This is to promote a private sector-driven recovery, strengthen climate resilience, improve the management of public finances and mobilise tax revenue.

- The above puts the Fijian economy on a firm footing to achieve a double-digit growth in real GDP in 2022, ending three years of economic contraction. Westpac Fiji remains confident that the Fijian economy is on track to attain the 12.9 percent rebound in real GDP this year as previously anticipated (Westpac Wave April 2022). For 2023, on the assumption that the tourism recovery gains further momentum, ongoing positive impact of the National Budget and implementation of strategies and that there is a successful general election in Fiji giving further confidence to the economy and boosting investment activity, we expect real GDP to grow by 9.5 percent, an upward revision from the 9.3 percent anticipated earlier. The economy is expected to moderate and grow by around 5.0 percent in 2024.

- Risks to the economic forecast abound, as is always the case. The outlook is vulnerable to risks around the recovery – both the initial bounce and the durability of any upswing with various factors at play. These include spikes in COVID-19 in the community, effects of natural disasters, political instability, geopolitical tensions and ongoing inflationary pressures.



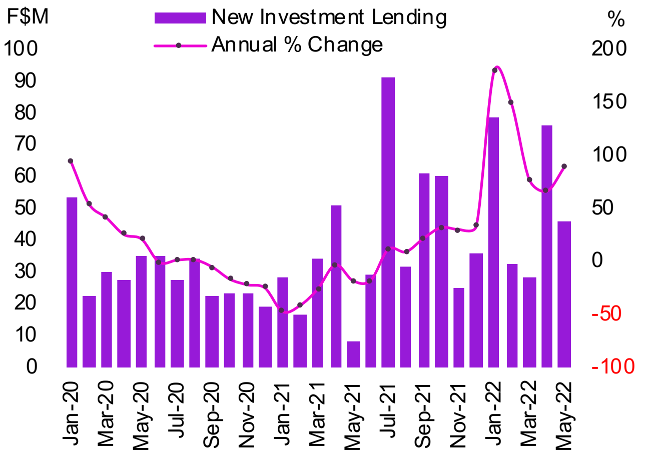
Source: Fiji Bureau of Statistics and Westpac Fiji calculations

A Wrap on Investment Activity in Fiji

The uncertainty amid the COVID-19 pandemic held back investments globally over the past two years. Additionally, investment has lost momentum recently, owing to supply disruptions and the negative impact of the war in Ukraine. The contraction of real estate investment moderated at the start of the pandemic and deepened further due to pandemic-related restrictions. Investment has weakened further in many emerging markets and developing economies, particularly in those facing tighter financial conditions amid marked increases in policy uncertainty, an erosion in confidence and subdued growth prospects. Investment, which was already expected to be subdued, is likely to be further weakened by soft investor confidence, higher interest rates and heightened uncertainty about growth prospects and policy, especially in economies perceived as less creditworthy. Increases in extractive investment are expected to be limited by investor concerns regarding the significant volatility in commodity prices and heightened geopolitical uncertainty. The invasion of Ukraine represents an additional supply shock to a global economy still recovering from the pandemic. The associated physical and logistical disruptions and the ensuing sharp rise in commodity prices are driving inflation higher and weighing on activity, exacerbating the pre-existing strains from the pandemic on the global economy. The war has also eroded confidence and heightened risk aversion, contributing to weaker trade and investment as firms seek to hedge against adverse outcomes.

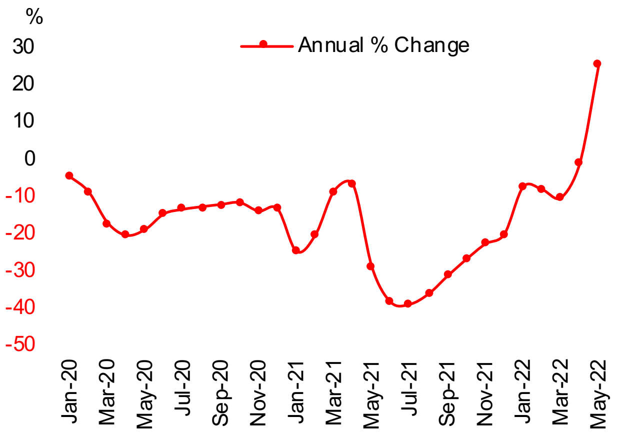
In Fiji, investment activity contracted sharply over the past two years due to the pandemic as large projects came to a standstill because of lockdown restrictions, supply chain disruptions, labour market issues and overall uncertainty. Additionally, because of the above-mentioned reasons the borrowing appetite for investment projects in an uncertain environment was much lower. Nonetheless, with Fiji reopening its international borders and the resumption of activity and removal of all restrictions, activity has generally picked up, albeit lower. Investment activity in Fiji is closely linked to the political environment, with historical data showing softening in investment in the lead up to the general election. Given that this is an election year, investors are taking a cautious approach and a lot will depend on the outcome of the election. A smooth election and transition of government, if the case, will uplift Fiji's investment environment and rebuild much-needed confidence in the economy and hence result in significant increase in new investments in Fiji.

Commercial Banks' Investment Lending



Source: Reserve Bank of Fiji

Domestic Cement Sales



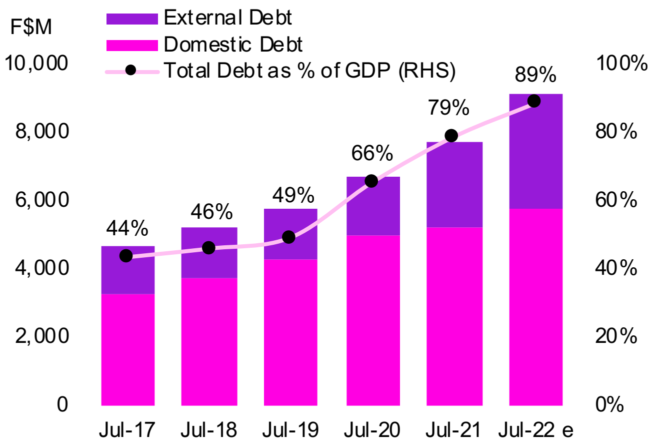
Source: Reserve Bank of Fiji

- Latest data show that investment spending has picked up somewhat, underpinned by a rise in domestic cement production (32.7%) and sales (25.3%) in the year to May.
- Additionally, new loans for investment purpose (building & construction and real estate sectors) also rose during the review period. While there is some improvement noted in investment activity, the rise in building material prices, along with investors' cautionary strategy ahead of the general election, is projected to keep investment activity subdued for the coming few months.
- Going forward, with the economy projected to rebound strongly this year underpinned by rising productivity, political stability post-election, improved private sector confidence and the implementation of critical reforms by the Fijian Government, investments are also expected to gradually improve.
- Fiscal policy will play an important role as Government maintains a low and attractive tax regime to support private sector investment while also channelling public spending towards improving the delivery of public services.
- The resumption of the tourism industry is critical for the recovery of the overall economy, jobs and economic stability. To improve the competitiveness of the tourism sector, Government in the Revised 2021/22 Budget reduced all major tourism-related taxes and introduced attractive tax incentives to stimulate new investments and reinvestments in the sector. A number of additional policy measures have also been put in place to promote growth in other economic sectors with the aim of further economic diversification.
- Overall, with improved confidence levels and reduced uncertainty with the pandemic, investment prospects are looking favourable.
- In terms of risk, the geopolitical tensions, economic slowdown in China, supply chain disruptions and the resulting inflation with rise in international prices and freight costs may have some impact on investment going forward.

A Snapshot of Public Debt in Fiji

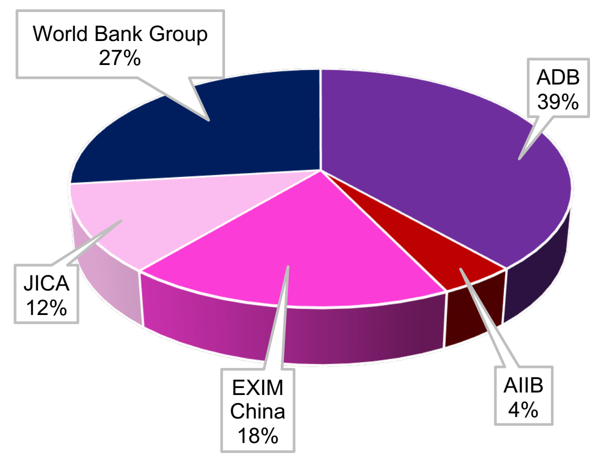
The Fijian economy was amongst the hardest hit by the COVID-19 pandemic. While the first wave was quickly contained by swift action from the Government to close the international borders, the second wave had infection rates at one point among the highest in the world, leading to the worst economic contraction in Fiji's history. The almost $2.0 billion tourism industry, which contributes around 40 percent of Fiji's GDP and is the major source of foreign exchange for the country, was at a standstill. Government finances had been under strain throughout the pandemic as monthly tax revenues declined by almost 50 percent on average. Government expenditures had to be sustained at pre-pandemic levels to avoid disruptions to public services and to cater for the increased funding to support the unemployed and those affected by the pandemic. This resulted in increased fiscal deficit for the past two budget rounds which was eventually financed through government loan drawdowns, thereby increasing government's stock of debt.

Central Government Debt



Source: Ministry of Economy

External Debt Breakdown (%)



Source: Ministry of Economy

- Government in the last two years has accessed over FJ$1.0 billion in highly concessional financing (i.e. the overall cost of debt is significantly low) from development partners. This in turn has significantly lowered the borrowing cost in the domestic market as liquidity levels reached at an all-time high.

- It is important to note that policy-based loans with the Asian Development Bank and the World Bank Group are subject to the completion of policy reform actions as agreed to with multilateral partners. The policy reforms broadly aim to promote private sector-led economic recovery, strengthen debt and Public Financial Management (PFM), enhance climate, disaster and social resilience, improve public policy for community resilience and increase the efficiency and adaptability of Fiji's social protection systems.

- The question of debt sustainability depends on the strength of recovery for the Fijian economy. While the large fiscal response to the pandemic was timely and appropriate from a cyclical point of view given the sharp contraction of growth, fiscal consolidation now will play a crucial role to safeguard sustainability and place the public debt-to-GDP ratio on a steady downward path. On the flipside, the sustainability of the economic outlook will also rest critically on the government's ability to embark on policy reforms necessary for macro-fiscal stabilisation and to begin reducing public debt.

- The reopening of the international borders is showing positive impact on the fiscal performance of the Government, evident in the cash flow data for the first 10 months of FY2021-22. The resumption of international tourism activity and improvement in the labour market provides a positive outlook for tax collections which is expected to be better than expected, albeit still lower than pre-COVID-19 levels. With the tax policies announced in the Revised 2021/22 National Budget and the positive economic outlook, tax collections are expected to normalise to pre-pandemic levels within the next two to three years which augurs well for government finance going forward.

- Government expenditures in nominal terms have remained around similar levels since FY2017-18, despite large one-off expenditures for unemployment support and other relief measures. This has been achieved by tight controls on the civil service wage bill, reduction in other operational expenditures and slow implementation of capital projects due to COVID-19 and other natural disasters. The same is expected to continue over the coming years.

- The major risk for Fiji's debt sustainability is the contingent liabilities that have surged during the pandemic. Government guaranteed debt stands at above $1.1 billion, equivalent to 11.0 percent of GDP. The increase was mainly attributed to the utilisation of approved guarantee facilities for Fiji Airways, Fiji Development Bank and the Housing Authority of Fiji. This was linked to Fiji's COVID response to maintain Fiji Airways in anticipation of an eventual recovery and supporting Fiji Development Bank given its concentration of activities in micro, small and medium enterprises.

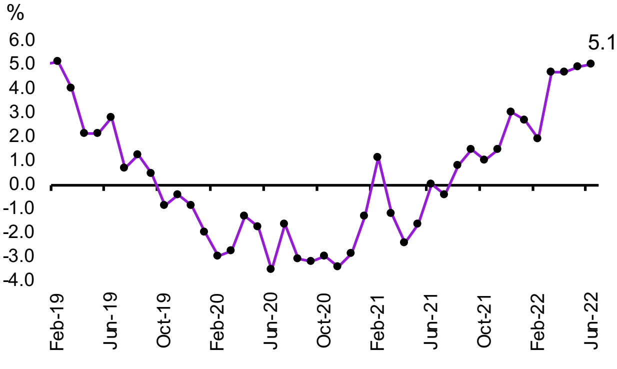
- Nonetheless, these new contingent liabilities add to Fiji's overall fiscal vulnerability. Given the uncertainty regarding the speed and depth of economic recovery and continued downside risks that shadow the outlook, there is a need to address the increase in contingent liabilities related to state-owned enterprises, develop contingency plans, and strengthen governance and transparency. It is also important that Fiji further builds climate resilience and mainstreams climate adaptation considerations into fiscal policy planning, particularly to avoid any natural disaster shocks.

Consumer Prices in Fiji

The pickup in post-COVID-19 demand and the war in Ukraine has led to a rise in inflation across the globe, with food and energy prices hitting record highs. The monthly food price index from the UN's Food and Agriculture Organization (FAO), which tracks prices of globally-traded food commodities, reported significant increases between February and May to reach the highest level since its inception in 1990. The invasion of Ukraine by Russia has also caused oil prices, which were already high due to pent-up consumer demand post-COVID, to soar over US$110 a barrel, as many Western countries imposed crippling sanctions on Russia in retaliation. According to the World Bank in its latest Global Economic Prospects, several years of above-average inflation and below-average growth are now likely, with potentially destabilising consequences for low and middle-income economies. In order to curb the rising inflation, central banks across the world are resorting to aggressive changes to their monetary policy stance i.e. by raising rates to bring inflation down to its long-term target.

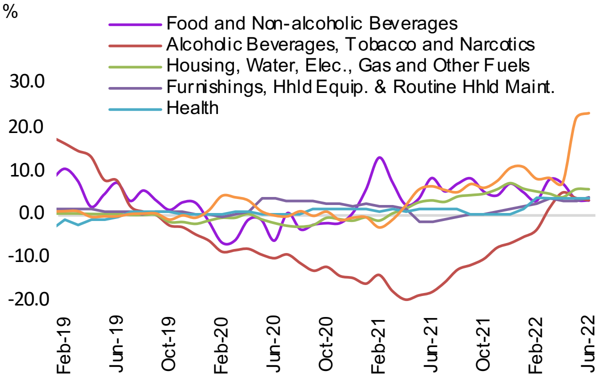
In Fiji, over the last two years (since October 2019), the inflation rate has generally been negative, averaging -1.7 percent. During this period, inflation was negative for 16 consecutive months (October 2019 - January 2021), leading to the longest deflationary period on record. The negative inflation was largely driven by lower prices for fruits & vegetables and yaqona due to a temporary oversupply; lower prices for alcoholic beverages following significant duty reductions; and lower fuel prices as global demand plummeted at the beginning of the pandemic. However, since then average inflation has moved to the positive territory denoting an upward pressure on prices.

Headline Inflation in Fiji



Source: Fiji Bureau of Statistics

Major Drivers of Inflation



Source: Fiji Bureau of Statistics

- Like other developing open economies, most goods and services demanded in Fiji are not produced locally and have to be purchased from the global market. Therefore, when prices in other countries go up, the prices we pay for imports also go up.

- Inflation is also influenced by the exchange rate. A weaker Fijian dollar against other foreign currencies makes Fiji's imports expensive, causing prices paid by consumers to increase as well. Inflation in Fiji also indirectly reflects the inflation rates of the countries whose currencies the Fijian dollar is pegged to in the currency basket.

- Inflation in Fiji is also influenced by domestic factors. For instance, when there is an increase in wages and salaries without a corresponding rise in productivity, firms are likely to pass the added costs to consumers in the form of higher prices. Moreover, disruptions to domestic supply caused by natural disasters can also lead to short-term price increases. Following a hurricane or drought, the prices of fruits and vegetables usually increase temporarily due to lower supply in the market. In addition, delays resulting from significant damage in the economy, such as to infrastructure, can also affect the prices for goods and services that depend on these factors.

- In Fiji, annual headline inflation was 5.1 percent in June due to rising food and fuel prices, a vastly different dynamic compared to a year ago when inflation was 0.0 percent. According to the Reserve Bank of Fiji, given the added price pressures, headline inflation is now forecast to reach 5.0 percent, from the earlier projection of 4.5 percent, by the end of 2022.

- While other central banks across the world are raising interest rates in response to the surging inflation, the case of Fiji is slightly different given the nature of the economy and because the economy is still in a fragile state with a long way to go for recovery. Although higher interest rates will help suppress demand in the economy and bring down the inflation rate, with aggregate demand currently still weak and not back to the pre-pandemic level, a premature tightening of interest rates would be counterproductive for the economy and fail to address higher imported inflation which is the main driver.

- Hence, a better way to address this is through a fiscal response, some of which was announced in the Revised 2021/22 National Budget and in the 2022/23 National Budget in the form of targeted income support to the poor and vulnerable to help ride out periods of high inflation, reduction in taxation and import duties on essential imports, balanced with the government's financing needs and expanding insurance for natural disaster-induced calamities to ensure faster recovery in production after natural disasters.

- As far as global inflation is concerned, inflation is expected to peak in the second half of 2022 and then decline as supply chain disruptions are somewhat normalised and a resolution on the Russia-Ukraine war is hopefully reached. Alternatively, central banks may be forced to tighten monetary policy more rapidly than currently expected to bring rising price pressures under control.

Economic & Financial Statistics and Forecasts

Economic Statistics (annual unless otherwise stated)

Fiji	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Visitor Arrivals (%)	1,116.4	1,058.1	1,798.1	2,538.0	3,464.5	n.a
Net VAT (%)	33.9	25.1	29.2	50.6	n.a	n.a
Personal Remittance (%)	3.9	5.7	10.1	16.7	n.a	n.a
Private Sector Credit (%)	0.8	1.4	2.3	2.6	n.a	n.a
Liquidity (F$M)	2,069.6	2,128.9	2,077.1	2,064.3	2,402.5	2,566.8
Foreign Reserves (F$M)	3,058.9	3,118.1	3,052.5	3,028.2	3,409.6	3,599.1
MORI	7.1	7.2	7.1	7.0	7.9	8.3
Inflation (%)	1.9	4.7	4.7	5.0	5.1	n.a
Overnight Policy Rate (OPR)	0.25	0.25	0.25	0.25	0.25	0.25

Source: Reserve Bank of Fiji, Fiji Bureau of Statistics and Ministry of Economy n.a – data not available

Fiji Government Bond Yields

Fiji Government Yields	3 mths	6 mths	12 mths	10 yrs	15 yrs	20 yrs
Jun-22	0.04%	0.09%	0.15%	3.95%	4.25%	4.68%
May-22	0.04%	0.07%	0.14%	3.95%	4.25%	4.68%
Apr-22	0.04%	0.07%	0.13%	3.95%	4.25%	4.68%
Mar-22	0.05%	0.07%	0.13%	3.95%	4.25%	4.68%
Feb-22	0.06%	0.08%	0.13%	3.95%	4.25%	4.70%
Jan-22	0.06%	0.08%	0.13%	3.95%	4.25%	4.70%

Source: Reserve Bank of Fiji and Westpac Fiji calculations

Exchange Rate Forecast

Cross	Latest	Sep-22	Dec-22	Mar-23	Dec-23	Dec-24	Dec-25	Dec-26
FJD-USD	0.4509	0.4611	0.4726	0.4803	0.4910	0.4908	0.4839	0.4839
FJD-AUD	0.6501	0.6405	0.6302	0.6238	0.6138	0.6135	0.6205	0.6205
FJD-EUR	0.4457	0.4392	0.4336	0.4327	0.4270	0.4195	0.4172	0.4172
FJD-JPY	61.74	61.80	62.39	62.44	60.40	57.43	55.66	55.66
FJD-NZD	0.7238	0.7095	0.6951	0.6862	0.6820	0.6913	0.7014	0.7014

Source: Reserve Bank of Fiji and Westpac Fiji calculations

Interest Rate Forecast

Australia	Latest	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Cash	1.35	2.35	3.10	3.35	3.35	3.35	3.35	3.10
10 Year Bond	2.87	3.10	3.00	2.90	2.70	2.50	2.30	2.20
US								
Fed Funds	1.625	2.875	3.375	3.375	3.375	3.375	3.125	2.875
US 10 Year Bond	2.99	3.30	3.10	2.90	2.70	2.50	2.30	2.20
New Zealand								
Cash	2.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50
10 Year Bond	3.67	3.80	3.60	3.40	3.20	3.10	3.00	2.95

Source: Westpac Economics

Global & Trading Partner Growth Forecast

	2018	2019	2020e	2021f	2022f	2023f
World Economy	3.6	2.8	-3.1	6.1	3.2	2.9
US	2.9	2.2	-3.4	5.7	2.3	1.0
Eurozone	1.9	1.3	-6.4	5.4	2.6	1.2
Australia*	2.8	2.0	-2.1	4.8	4.5	2.7
New Zealand*	3.4	2.9	-2.1	5.6	2.1	3.3
Japan	0.8	0.3	-4.5	1.7	1.7	1.7
China	6.6	6.0	2.2	8.1	3.3	4.6
India	6.8	4.2	-6.6	8.7	7.4	6.1

Source: International Monetary Fund, World Economic Outlook, and Westpac Economics*