

WESTPAC WAVE

Fiji Quarterly Economic Update

July 2024

Budget measures to address rising cost of living

EXECUTIVE SUMMARY

- The 2024-25 National Budget for Fiji, announced on June 28 attempts to address cost of living pressures through pay increments, ensure economic stability and consolidate Government's medium-term fiscal position. Key highlights from the budget included the increase in the national minimum wage from \$4 to \$5 per hour in two phases and raising sectoral minimum wages. Government employees will see pay increases in the 7-10 percent range for salaried workers and 10-20 percent range for wage earners, with \$85.0mn allocated for these increases. While the wage relief will support disposable income, there are concerns it may further contribute towards already high prices.
- The Fijian Government expects \$3.9bn in revenue and will spend an estimated \$4.6bn, resulting in a fiscal deficit of \$635.5mn (4.5 percent of GDP) next fiscal year. The gross deficit is projected at \$984.6mn (7.0 percent of GDP), which includes \$349.1 million in principal debt repayments. To finance the deficit, Fiji Government will borrow \$298.3mn from external sources and \$686.3mn in domestic bonds and loans. Gross debt will decrease slightly to 77.8 percent of GDP by July 2025, mostly due to increase in nominal GDP.
- The Medium-Term Fiscal Strategy (MTFS) released earlier in the year aimed to reduce the budget deficit to 3.0 percent of GDP, achieve a primary surplus, and target a debt level of 75 percent of GDP within next three years. While the 2024-25 budget mostly aligned with these goals, the Government has tweaked the numbers to balance competing demands and needs. The budget is set to continue with a primary deficit of 0.7 percent in 2024-25 after breaking even in the current fiscal year.
- Inflation stood at 6.7 percent in June 2024, driven by higher prices for food, non-alcoholic drinks, alcohol, tobacco, health-related expenses, transport, and housing utilities. The average annual inflation for the 12 months leading to June 2024 rose to 4.3 percent. Year-end inflation is projected to end up at a higher pace in 2024 led by high commodity prices, freight costs, and shocks emanating from the budget's cost of living measures.
- Despite subdued growth in key tourism markets such as Australia and New Zealand, Fiji's tourism sector performed exceptionally well during the first half of 2024, with 8.3 percent increase in visitor arrivals compared to last year. Merchandise exports remain flat, while imports continue to grow, resulting in a wider trade deficit. However, tourism services and remittance inflows have helped bridge the trade gap and supported the foreign reserves remaining sustainable.
- Westpac Fiji maintains its 2.5 percent growth forecast for 2024, with an expected rebound to 3.0 percent in the near term as high inflation, population decline amid high emigration, underperforming primary sectors, declining construction activity and regulatory bottlenecks are offset by a robust tourism sector and surprising strong personal remittance inflows. Key reforms announced in the 2024-25 budget are notably growth neutral.

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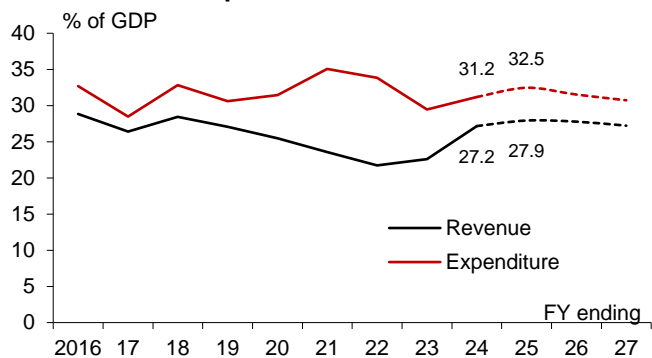
Review of the 2024-2025 budget

The 2024-25 National Budget was unveiled on June 28, delivering no major surprises. The theme of the budget was “An Economically Stable, Secure and Sustainable Fiji” with a forward-looking outlook and a focus on handling the current cost of living pressures without changing the income and consumption tax rates. The business community welcomed the decision to keep dividend taxes unchanged, but the early announcement of it possibly increasing might have led to some capital flight. Government remained committed to transparency and accountability, having announced most policy reforms months in advance.

Key reforms, including adjustments to the minimum wage rate, civil service pay, departure taxes, and measures to support the cost-of-living pressures were set out in public debates. The increase in the national minimum wage rate from \$4 per hour to \$5 per hour, following a brief nationwide consultation starting in late April, responds directly to inflation and cost-of-living challenges faced by ordinary citizens. Government employees will also receive significant pay increases next fiscal year, ranging from 7-10 percent for salaried workers and 10-20 percent for wage earners, with \$85.0mn allocated to cover these pay increment.

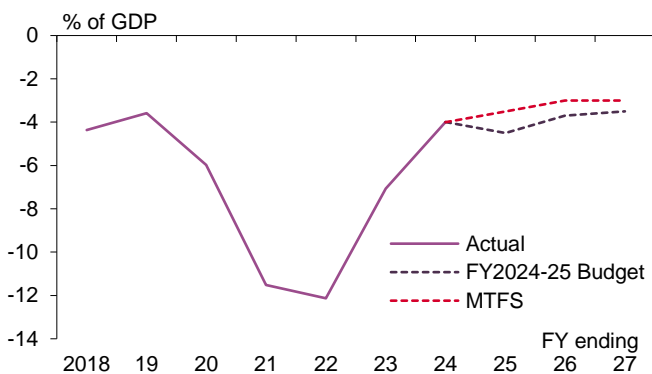
Revenue projections for 2024-25 stand at 27.9 percent of GDP, a 0.7 percent increase from FY2023-24, while expenditure is expected to reach 32.5 percent of GDP, up 1.3 percent from the previous fiscal year; both are expected to trend downward in the medium term. With a fiscal deficit of 4.5 percent of GDP, debt levels are expected to reach 77.8 percent of GDP by July 2025 and 77.6 percent by 2026-27.

Revenue and Expenditure



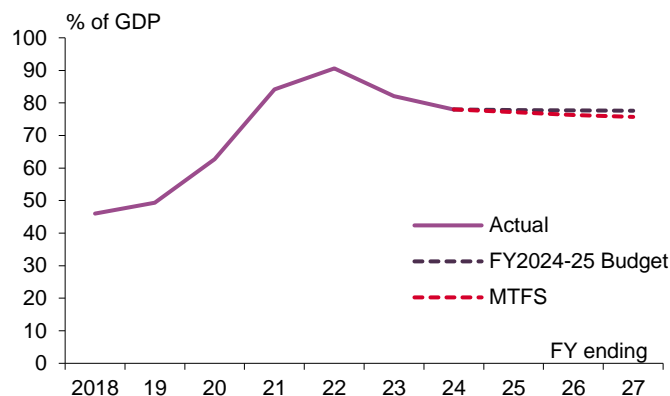
Source: Ministry of Finance

Fiscal Balance



Source: Ministry of Finance

Gross debt



Source: Ministry of Finance

Table 1 on next page reports the key fiscal aggregates from the budget.

Broad budget numbers

Receipts (27.9% of GDP)

\$3.9bn

+0.3bn
over last FY

Spending (32.5% of GDP)

\$4.6bn

+0.4bn
over last FY

Net deficit (4.5% of GDP)

\$635.5mn

+0.1bn
over last FY

Gross debt (77.8% of GDP)

\$10.9bn

+0.6bn
over last FY

Interest payment (3.9% of GDP)

\$543.7mn

+7.0mn
over last FY

Table 1: Key fiscal numbers

	2022-23(a)	2023-24(e)	2024-25(b)	2025-26(f)	2026-27(f)
Revenue, \$mn	2,749.8	3,577.6	3,916.7	4,095.9	4,214.4
% of GDP	23.1	27.2	27.9	27.8	27.2
<i>Tax</i>	2,285.0	3,035.9	3,299.0	3,469.9	3,644.9
<i>Non-tax</i>	464.8	541.7	617.7	626.0	569.5
Expenditure, \$mn	3,589.2	4,106.2	4,552.2	4,648.1	4,758.7
% of GDP	30.2	31.2	32.5	31.5	30.7
Primary Balance, \$mn	-383.1	0.8	-95.5	-40.2	-62.3
% of GDP	-3.2	0.0	-0.7	-0.3	-0.4
Fiscal Balance, \$mn	-839.4	-528.6	-635.5	-552.2	-544.3
% of GDP	-7.1	-4.0	-4.5	-3.7	-3.5
Debt, \$mn	9,747.5	10,276.1	10,911.6	11,463.8	12,008.0
% of GDP	82.0	78.0	77.8	77.7	77.6
FY GDP, \$mn	11,880.0	13,170.2	14,022.8	14,745.9	15,483.2

Source: Ministry of Finance, Budget Supplement 2024-25

The MTFS released earlier this year laid a foundation for the 2024-25 budget, intending to reduce budget deficit to around 3.0 percent of GDP, achieving primary surplus and targeting the debt to 75 percent of GDP in next 3 years. Broadly, the budget maintains the promises made in the MTFS. However, given that significant time has gone since the strategy was published, the Government has attempted to balance its fiscal position to meet competing demands. Against the outset of the MTFS, the 2024-25 budget will continue to run a primary deficit of 0.7 percent and a fiscal balance deficit at 4.5 percent of GDP. Fiscal consolidation path stays unaffected as primary balance continues its trend upwards in the near-term. However, the MTFS target of lowering gross debt to 75 percent of GDP in next 3 years seems a touch further against budget forecast of 77.6 percent.

Table 2: Budget against the Medium-Term Fiscal Strategy (MTFS)

	2023-24(e)	2024-25(b)	2025-26(f)	2026-27(f)
Revenue, \$mn				
Budget 2024-25	3,577.6	3,916.7	4,095.9	4,214.4
MTFS	3,700.7	3,845.4	4,009.0	4,149.4
<i>Difference (Budget- MTFS)</i>	-123.1	71.3	86.9	65.0
Expenditure, \$mn				
Budget 2024-25	4,106.2	4,552.2	4,648.1	4,758.7
MTFS	4,339.9	4,339.9	4,450.1	4,622.2
<i>Difference (Budget- MTFS)</i>	-233.7	212.3	198.0	136.5
Fiscal Balance, \$mn				
Budget 2024-25	-528.6	-635.5	-552.2	-544.3
MTFS	-639.2	-494.5	-441.1	-472.8
<i>Difference (Budget- MTFS)</i>	110.6	-141.0	-111.1	-71.5
Debt, \$mn				
Budget 2024-25	10,276.1	10,911.6	11,463.8	12,008.0
MTFS	10,386.7	10,881.1	11,322.2	11,795.1
<i>Difference (Budget- MTFS)</i>	-110.6	30.5	141.6	212.9

Source: Ministry of Finance, Budget 2024-25 and Medium-Term Fiscal Strategy

Support to education...

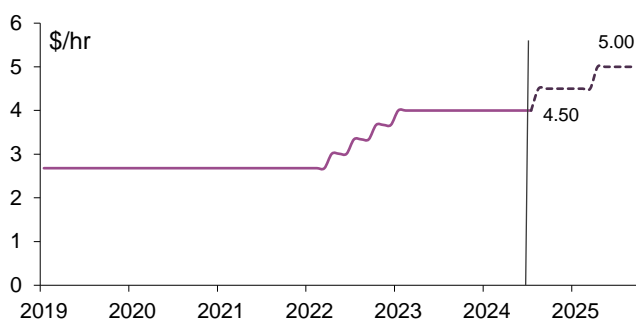
Ministry of Education received a budget of \$627.6mn, an increase of \$18.9mn compared to 2023-24. The back-to-school support will be rolled out for a third year in a row with a total allocation of \$40mn, despite this year's actual expenditure being \$42.5mn. Since the announcement did not make any mention of any changes to the eligibility criteria, Government will need to source an additional \$2-3mn to support the same number of students. Government continues to invest \$430.6mn towards free education from early childhood education to secondary education in its effort to develop human capital capacity. From 1 August, student/children bus fares will no longer have a discount of 50% which will see the transport assistance scheme for students increase from \$20mn to \$37mn.

New announcements under the tertiary scholarships scheme will see more funding being directed towards research scholarships at overseas universities, industry specific training, business start-up training, reserved schemes for special cases/demographics, competency-based training for school dropouts and critical economic sectors. Operating grants and transfers to higher education institution has declined by 14.2 percent to \$88.7mn in 2024-25 as USP's outstanding grant falls to \$5.0mn.

Minimum wage rate increased...

The national minimum wage rate (NMWR) will increase from \$4 per hour to \$5 per hour. This will be done in two phases. Effective from 1 August, the national minimum wage rate will increase to \$4.50 per hour and to \$5.00 per hour from 1 April 2025. Additionally, sectoral minimum wages will also increase by \$0.50 from 1 August, and another \$0.50 from 1 April 2025. This wage reform aims to address the issue of brain drain and out-migration of skilled and experienced workers. However, it will take a few months of data to evaluate the policy's impact on emigration numbers. The NMWR was last increased to \$4 per hour a year ago in January 2023, and since then, consumer prices have on average gone up by 7.5 percent.

National minimum wage rate increased



Source: Ministry of Finance

Theoretically, the increase in the minimum wage rate is expected to result in higher consumer prices as domestic businesses pass on the increased labour costs to final goods and services. Export-oriented businesses, operating in

competitive markets, may see shrinking profit margins and might adopt cost-saving strategies such as boosting productivity, acquiring new technology, or, in extreme cases, laying off workers. However, past trends indicate that significant layoffs are unlikely, as companies tend to prefer other cost-saving measures. Given Fiji's high living costs, the increase in NMWR could further drive-up prices due to cost-push inflation and enhancing productivity will be crucial to mitigate long-term risks.

Additionally, the budget has accommodated \$85.0 million for increase in wages and salaries for all civil service workers. Government wage earners will have a disproportionate increase in the pay in the 10-20 percent range while salary earners will receive a pay increase in the 7-10 percent range by restructuring the current civil service salary bands, effective from 1 August 2024. Government employees last received a pay increase in 2017 with reforms to the civil service salary bands, while the overall consumer prices have since risen by 16.8%. There are plans to improve productivity in the civil service as around \$24.0mn is allocated towards modernising the IT infrastructure, improving ease of doing business and reducing waiting time.

Key reviews to tax system...

- Departure tax will be raised to \$170 from 1 August 2024 and fully reinstate to \$200 from 1 August 2025. Departure tax exemption for those in transit reduced to 48 hours.
- 3 percent fiscal duty will be removed from the importation of raw material, machinery and packaging materials not manufactured and available locally.
- Fiscal duty will be reduced from 32% to 5% on prefabricated buildings
- Excise duty on alcohol and tobacco products will be increased by 5%.
- From 1 August 2024, water resource tax will increase from 1 cent to 5 cents per litre on water extraction below 10mn litres per month.
- Threshold on personal imports concession is reduced from \$2,000 to \$1,000.
- The 3 percent export duty on sugar is removed.
- Tax-free region (TFR) incentive extended to Lyndhurst Ltd to develop Lots 1-7 in Kalabu.
- TFR incentive amended to allow indigenous i-Taukei companies to qualify for new investment above \$250,000.
- Subdivision of land incentive extended till 31 July 2025.
- Companies acquiring existing hotels and resorts and undertaking renovations/refurbishments of over \$50mn will qualify for a 20-year tax holiday under SLIP.
- Non-profit organizations will be now subject to income tax from business and property income.
- Fringe benefits tax rates increase on motor and electric vehicles.

Table 3: Key expenditure policy measure

Spending measures	2024-25, \$mn	Description
Back to School Support	40	This budget continues with the back-to-school support for a third year in a row where parents are eligible for \$200 per child for the 2025 school year.
Workers Compensation	6	The Ministry of Employment, Productivity and Workplace will now be responsible for the compensation relating to workplace and school injury.
Civil service wage increase	85	Government salary earners will receive a pay increase in the 7-10 percent range while Government wage earners to receive pay increase in the 10-20 percent range.
FNPF pensioners	4	Government will reinstate the pension payments for pensioners that earlier opted for a reduced pension rate following the 2011 pension reforms. This will cost \$4.0mn to public finances.
Investing in future through education	18	The education budget has been increased by \$18.0mn to \$627.6mn. This includes \$1.4mn to assist early school dropouts to take competency-based training and get them employed. Transport assistance to students increased to \$37.0mn as students/children fares will no longer be discounted by 50%.
Empowering Indigenous Communities	13	Government has allocated \$7.0mn grant to provisional councils, \$2.0mn towards the village transformation initiative and \$4.0mn for i-Taukei Resources Owners Development Scheme.
Fight against drug problem	2	A Narcotics Bureau has been established to fight against the drug problem grappling the entire nation with the National Counter Narcotics Strategy 2023-28 already launched.
Formalisation of informal settlements	13.5	Formalisation of 5 informal settlements (Nepani, Raiwaqa, Davuilevu, Wainibuku and Tavakubu).
Strengthening statistics	2.9	This is to support with the completion of employment and unemployment survey (\$0.6mn) and the household income and expenditure survey (\$2.3mn).
Electricity support	9.6	This support will be used towards the Solar Home Systems programme, house wiring for completed grid extension projects and extension of grid power for Rotuma and Lakeba Government power stations.
Grant to Fiji Servicemen's Aftercare Fund	14.9	Support to ex-servicemen or their beneficiaries as monthly allowances, medical and education assistance.
Public Works Department	11	\$5mn allocated for the maintenance and upgrade of rural roads while \$6mn is allocated of the maintenance/refurbishment of public structures and water & sewer lines.
Rural water	1	Support through the Rural High Risk Water Sanitation Project to help rural communities access clean and safe water and sanitation.
Vatukoula mine workers strike settlement	9.2	368 Vatukoula Mine workers will receive \$25,000 each as part of the settlement to world's longest running strike lasting 33 years.
Fiji Public Sector Learning Institute	0.3	Establishment of Fiji Public Sector Learning Institute to create high-quality learning environment to skill up and develop leadership capabilities in the public sector.
Public-Private Partnership (PPP)	90.0	Allocated towards the operations and maintenance cost to Health Care (Fiji) Pte Ltd for the Lautoka and Ba hospitals under the PPP arrangement.

Budget financing plan

The gross deficit for 2024-25 budget is projected at \$984.6mn, which includes debt repayment of \$349.1mn and estimated fiscal deficit of \$635.5mn. Government plans to finance 30 percent (\$298.3mn) of the deficit through external borrowings and 70 percent (\$686.3mn) from issuance of domestic bonds and loans next fiscal year. Government plans to issue Fiji Infrastructure Bonds and Viti Bonds in the domestic market while they might also issue thematic bonds like Green Bonds and Blue Bonds in 2024-25. Between August 2023 and May 2024, Government issued \$284.0mn in 6-month and 12-month treasury bills which they will continue to issue and rollover in the domestic market to meet short term cash needs. Historically, Fiji Government has fallen short against its fiscal deficit target due to underutilisation of expenditures and thus

ends up borrowing less. Given this, we expect fiscal deficit to end up at a lower rate against budget projections by July 2025

Apart from this, Government expects to receive \$178.6mn in grant in aid and official development assistance as follows:

- Australian Government - \$100.0mn
- New Zealand Government - \$5.3mn
- United Nations - \$10.0mn
- European Union - \$7.4mn
- Government of Indonesia - \$3.8mn
- World Bank - \$6.3mn
- Asian Development Bank - \$0.9mn
- Other - \$45.0mn

Table 4: Financing plan

	2022-23(a)	2023-24(r)	2024-25(b)
Overseas, \$mn			
Asian Development Bank	90.2	41.77	173.78
World Bank	38.6	317.24	39.83
Japan International Cooperation Agency	-	-	73.0
Asian Infrastructure Investment Bank	112.7	-	-
Australian Infrastructure Financing Facility for Pacific	63.8	24.1	9.6
European Investment Bank	-	7.1	2.2
Total, \$mn	305.5	390.2	298.3
Domestic bonds and loans, \$mn	597.0	765.2	686.3
Total Financing, \$mn	902.5	1,155.4	984.6

Source: Ministry of Finance, Budget Estimate 2024-25

Economic update and outlook

Consumer prices remain elevated...

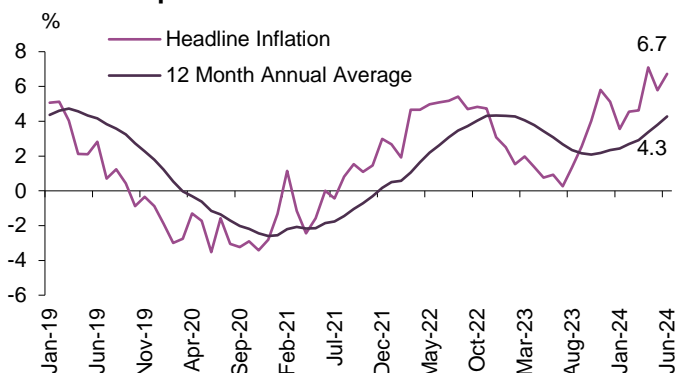
The headline inflation rate stood at 6.7 percent in June 2024 as the consumer price index rose to 127.0, higher by 8 points compared to June 2023 and up by 1 point from the previous month.

The main reasons for the increase in June inflation were higher prices for:

- Food and non-alcoholic drinks, which went up by 10.1 percent,
- Alcoholic beverages and tobacco, which increased by 8.5 percent,
- Health-related expenses, which rose by 7.3 percent
- Transport, which went up by 5.8 percent,
- Housing utilities, which increased by 4.9 percent.

The average annual inflation for 12 months leading to June 2024 rose to 4.3 percent from 3.8 percent in May.

Consumer prices rose 6.7% in June 2024



Source: Fiji Bureau of Statistics

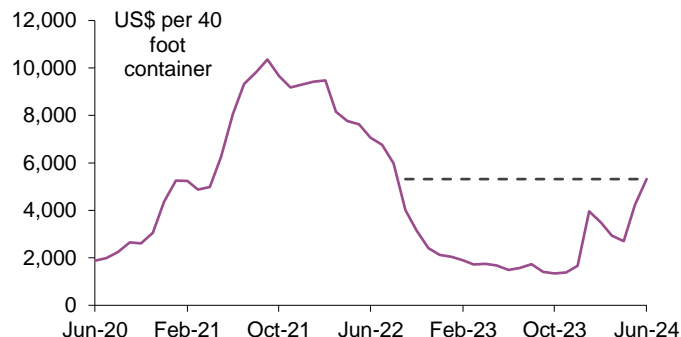
Price increases in the food and non-alcoholic beverages category, especially in items like meat, seafood, milk, cheese, eggs, oil and fats, fruit, vegetables, and confectionery, contributed 4.1 percent to the headline inflation. This category makes up 34.7 percent of the consumer price index basket. The remaining 2.6 percent of the headline inflation was mainly due to price increases in alcoholic beverages and tobacco, transport, and utilities.

The non-additivity problem of different categories within the overall index poses significant challenges to accurately gauging the inflation currently faced by consumers. Caution should be taken when interpreting these numbers. The Fiji Bureau of Statistics has advised that it is investigating the underlying issue of non-additivity, but a resolution has not yet been reached. This ongoing issue complicates the assessment of the real inflationary pressures on the ground.

Shipping costs, as indicated by Drewry's World Container Index, rose to \$5,318 per 40-foot container in June, a two-year high. While ocean freight rates remained historically stable for most of 2023, they began to rise sharply from December 2023.

This increase was due to a strong global demand and the Red Sea crisis, along with low water levels in the Panama Canal due to drought, forcing many shippers to take longer routes to avoid the conflict with the Houthi rebels, or reduce shipping loads cope with lower water levels.

World container index is at 2-year high



Source: Bloomberg

The goods producer price index (PPI) rose to 121.8 points in the March quarter of 2024, higher by 4.7 percent compared to the corresponding quarter. Businesses continue to face rising costs throughout various stages of the manufacturing process across all industries. Only the prices for the manufacture of sugar, wood products, and furniture remained flat when released from factories. The high inflation numbers recorded in recent months (5.8 percent in May and 6.7 percent in June) reflect the rising producer prices being passed onto final products. The services PPI dipped in the March quarter due to price controls on bus, taxi, and minivan fares.

Hence, domestic inflation outlook is now on the upside for 2024 due to higher-than-expected inflation during the first half of the year, higher commodity prices, and rising freight and production costs. With the recent increase in the national and sectoral minimum wages, we anticipate that inflation will close the year at a higher rate against our earlier forecast of 3.1 percent, largely due to cost-push factors as businesses pass on the higher labour costs onto their final goods and services. The impact of wage increment on purchasing power will likely be marginal, as high inflation will absorb most of the increases to disposable income.

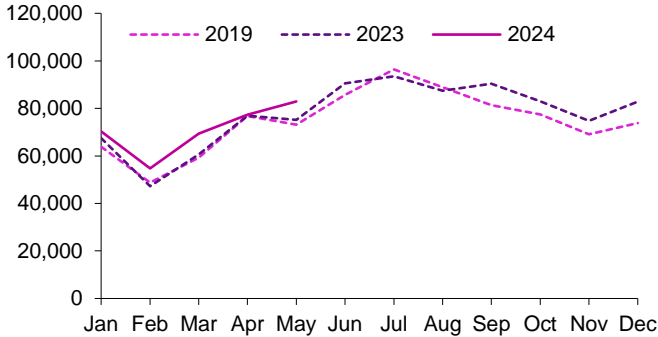
Tourism sector continues to surprise...

Despite subdued growth in Fiji's two largest tourism source markets, Australia and New Zealand, visitor arrivals have performed exceptionally well during the first half of 2024. Based on the current trend, Fiji's tourism sector is expected to register another year of record arrivals.

Year-to-date Fiji received 354,584 visitors, a 8.3 percent increase compared to 327,392 arrivals last year. In May 2024 visitor arrivals rose 10.3 percent year-on-year and 7.3 percent month-on-month to 82,901, setting a record high for this month. Fiji welcomed 38,944 Australian visitors in May, a

12.2% year-on-year increase. This number was likely boosted by the visit of two Australian Super Rugby Pacific teams' supporters during the month, as historically May sees a slight dip in arrivals, suggesting 2024 is seeing sport led tourism growth. Year-to-date, visitor arrivals from Australia are up by 2.3 percent, New Zealand is up by 11.3 percent and the United States is up by 13.3 percent.

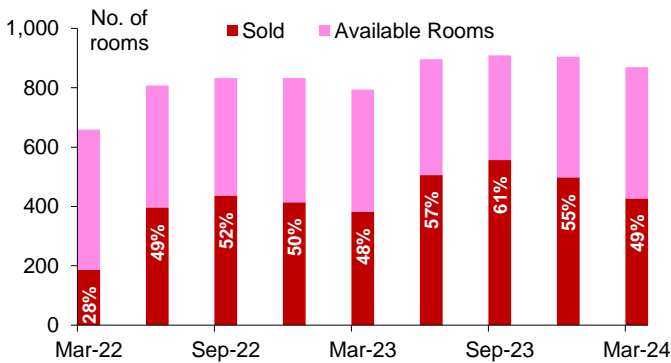
Visitor arrivals continue to track above historical levels



Source: Fiji Bureau of Statistics

There has been a noticeable increase in the number of rooms sold and the occupancy rate during the first quarter of 2024, driven particularly by record year-to-date arrivals. In the March quarter of 2024, the room occupancy rate was 49.1%, up from 48.2% in March 2023, with an additional 75,600 rooms available during the quarter.

Hotel rooms available and sold



Source: Fiji Bureau of Statistics

The tourism sector is also set to benefit at large in next 10 years from the planned upgrade to the Nadi International Airport that will see the international passenger capacity increased to 5.0 million from the current 2.1 million while domestic passenger capacity will increase to 0.5 million from the current 0.3 million. The Nadi International Airport is operating at full capacity as Fiji expects to receive 1.0mn visitors this year and the planned upgrade over the next decade will provide much needed relief to the current supply side constraints with a number of infrastructure development plans in place.

Widening trade balance...

In April 2024, Fiji exported \$186mn worth of merchandise while importing \$589mn, resulting in a trade deficit of \$403mn. Year-to-date through April, Fiji has exported \$713mn in merchandise and imported a staggering \$2.1bn, widening the trade deficit to \$1.4bn for these four months. Fiji's merchandise export sector has struggled to expand and has remained flat over the years, with exports averaging around \$2.0bn annually. In 2023, Fiji's merchandise imports reached \$7.0bn, driven by high oil prices and freight costs, with 24.3% of imports being mineral fuels and lubricants. On the positive side, Fiji's tourism services exports and remittance inflows have performed remarkably well in bridging the trade deficit gap, maintaining foreign reserves at sustainable levels, and keeping the domestic monetary and financial sectors intact.

Merchandise trade and widening trade deficit

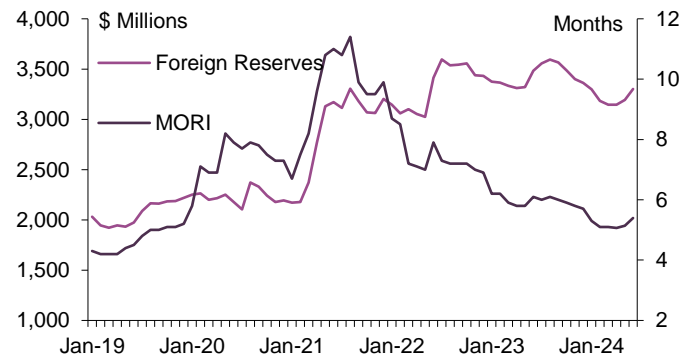


Source: Fiji Bureau of Statistics

Financial sector stable...

The financial sector is supported by adequate foreign reserves of \$3.3 billion, enough to cover 5.4 months of retained imports (MORI), while the banking system's liquidity has been ample at \$1.9 billion, helping to keep the weighted average lending rate affordable. Foreign reserves have increased by 4.9% since late April, driven by the government's overseas loan drawdowns. This trend is expected to continue early into Government's new fiscal year before the foreign reserves begins on a downward trend. While foreign reserves have stayed above historical levels, MORI fell sharply from 11.4 in late 2021 and currently stands at 5.4 as the price and size of our imports have ballooned to almost \$7.0bn last year.

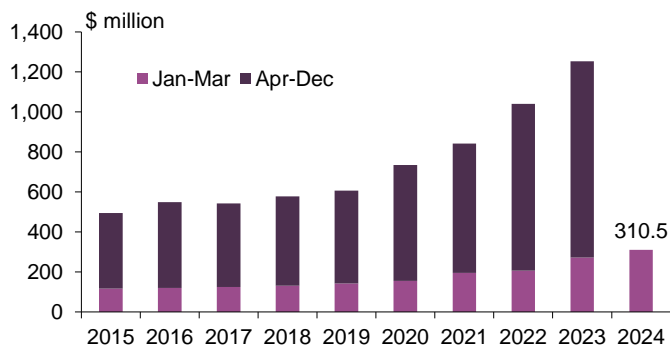
Foreign reserves



Source: Reserve Bank of Fiji

Personal remittance inflows grew by 14.2 percent during the first quarter of 2024 to \$310.5mn compared to \$271.8 received in same quarter of 2023, supported by mass emigration and ease in sending money back home. Mobile digital wallet has taken the centre stage over Money Transfer Operators (FX Dealers). The share of remittance sent through mobile digital wallets has increased to an average of 43.6 percent during the first quarter of 2024 compared to 37.7 percent share held by money transfer operators while remittance sent through commercial banks as a share has fallen to 18.7 percent. We anticipate an overall positive outlook for remittances in the near term.

Remittance inflows



Source: Reserve Bank of Fiji

On the contrary, non-residents working in Fiji remitted around \$33.9mn back to their home country last year, which comprised \$17.1mn in compensation of employees and \$16.8mn in personal transfers.

Economic outlook tilted to the downside...

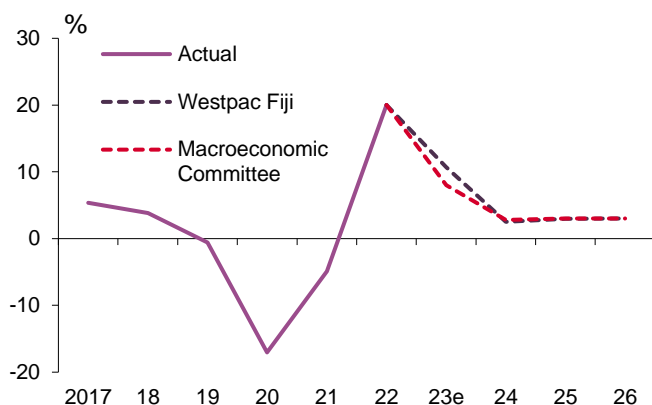
Westpac Fiji maintains Fiji's economic growth forecast at 2.5 percent for 2024, with an expected rebound to 3.0 percent in the near term. The Macroeconomic Committee has also downgraded the outlook for 2024 from 3.4 percent to 2.8 percent, citing same factors behind lower growth forecasts. Despite the tourism sector exceeding expectations with record arrivals in the first half of the year, risks remain tilted to the downside.

Fiji continues to grapple with high inflation, population decline due to emigration, underperforming primary sector and a construction sector that remains in negative territory. Construction activity during the first quarter of 2024 declined by 16.9 percent compared to the same quarter last year and

registered a 21.7 percent decrease from the December quarter, with a lower \$122mn value of work put in place.

With a slight moderation in growth outlook, the Government would remain cautious about its impact on revenue collection and while any buffer from the VAT rate hike in previous budget will wane once the new financial year begins. This means government finances will increasingly be dependent on broad-based economic expansion. Overall, growth remains neutral to the recent budget announcement as most reforms were on the operational aspects, with fewer emphases on capital development, creating job opportunities and increasing productivity.

GDP growth



Source: Fiji Bureau of Statistics, Macroeconomic Committee and Westpac Fiji estimates

In terms of what is happening among Fiji's major trading partner economies, Westpac Economics forecasts that both Australia and New Zealand, will continue to experience subdued economic growth in 2024 before rebounding next year. While inflation has moderated, it remains above the central bank's target range and making interest rate cut unlikely to happen in 2024, which has presented challenges for consumers, as they remain cautious with their spending and keeping their purses shut.

Economic & financial statistics and forecasts

Economic statistics

Fiji	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Visitor Arrivals (%)	46.1	4.2	9.0	10.9	7.7	8.3
Net VAT (%)	28.5	34.6	37.7	30.8	36.0	38.4
Personal Remittance (%)	9.7	2.7	11.1	14.2	6.2	n.a
Private Sector Credit (%)	7.6	8.5	7.8	8.9	9.1	9.4
Liquidity (F\$M)	2,128.40	1,991.60	1,929.20	1,896.10	1,853.90	1,918.90
Foreign Reserves (F\$M)	3,361.30	3,297.90	3,183.40	3,146.80	3,144.60	3,194.1
MORI	5.7	5.3	5.1	5.1	5.1	5.2
Inflation (%)	5.1	3.6	4.6	4.6	7.1	5.8
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 Finance. Cumulative year-on-year % change

Round-up on Fiji financial markets

Fiji Government Yields (%)	3 mths	6 mths	12 mths	10 yrs	15 yrs	20 yrs
Jun-24	0.10	0.35	0.93	3.90	4.15	4.98
May-24	0.10	0.35	0.93	3.90	4.15	4.94
Apr-24	0.10	0.15	0.30	3.90	4.15	4.85
Mar-24	0.10	0.15	0.25	3.90	4.15	4.78
Feb-24	0.05	0.10	0.20	3.90	4.15	4.75
Jan-24	0.03	0.08	0.17	3.90	4.15	4.75

Source: Reserve Bank of Fiji and Ministry of Finance

Exchange rate forecast

Cross	Latest	Sept-24	Dec-24	Mar-25	Dec-25	Dec-26
FJD-USD	0.4439	0.4399	0.4437	0.4478	0.4600	0.4759
FJD-AUD	0.6589	0.6665	0.6622	0.6585	0.6479	0.6345
FJD-EUR	0.4108	0.4036	0.4034	0.4034	0.4035	0.4067
FJD-JPY	71.34	68.19	68.33	67.17	64.40	57.10
FJD-NZD	0.7231	0.7332	0.7274	0.7223	0.7077	0.6998

Source: Westpac Fiji Estimates

Interest rate forecast

Australia	Latest (5 July)	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Dec-26
Cash	4.35	4.35	4.10	3.85	3.60	3.35	3.10	3.10
10 Year Bond	4.41	4.30	4.25	4.20	4.10	4.00	4.00	4.15
US								
Fed Funds	5.375	5.125	4.875	4.625	4.375	4.125	3.875	3.375
US 10 Year Bond	4.37	4.40	4.30	4.20	4.10	4.00	4.00	4.10
New Zealand								
Cash	5.50	5.50	5.50	5.25	5.00	4.75	4.50	3.75
10 Year Bond	4.73	4.90	4.80	4.70	4.65	4.55	4.50	4.35

Source: Westpac Economics Market Outlook

Global and trading partner growth forecast

Economies	2020	2021	2022	2023	2024f	2025f
World	-2.7	6.5	3.5	3.2	3.3	3.3
United States	-2.2	5.8	1.9	2.5	2.5	1.5
China	2.2	8.4	3.0	5.2	5.2	5.0
Japan	-4.1	2.6	1.0	1.9	0.4	1.0
India	-5.8	9.7	7.0	7.8	6.9	6.7
Europe	-6.1	5.9	3.4	0.4	0.6	1.5
Australia	-2.1	5.5	3.9	2.0	1.3	2.2
New Zealand	-1.4	5.6	2.4	0.6	-0.2	1.8

Source: Westpac Economics Market Outlook

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