

WESTPAC WAVE

FIJI ECONOMIC UPDATE AND OUTLOOK

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Fiji will get through this crisis

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The Strait of Hormuz remains closed as the Middle East conflict enters its 53rd day. At the time of this publication, prospects for a second round of US–Iran negotiations appear to be fading in Pakistan, as Iran declines to attend. On 22 April, Trump said the US would extend the ceasefire indefinitely until a new proposal is submitted and talks conclude, while maintaining the blockade over the Strait.

Fiji finds itself in a difficult position through no action of its own. The energy market crisis triggered by the conflict is widely regarded as the largest since the 1970s oil shock, with its effects already reverberating through the Fijian economy.

Domestic fuel prices rose sharply in April, following panic buying and hoarding ahead of the official price announcement. Further fuel price increases are likely in coming months as the Fiji Competition and Consumer Commission (FCCC) reassesses global refined fuel prices, shipping/insurance costs and exchange-rate movements. Given fuel remains price-controlled, the pass-through to consumers has so far been partially muted, though pressures are clearly building.

If the conflict is prolonged, Fiji could face significant challenges to economic activity and foreign-reserve holdings, stemming from both higher import costs and potential disruptions to tourism export earnings. Airline route consolidation, driven by rising operating and jet fuel costs, poses a particular risk. Despite tourism performing strongly in the first three months of 2026, with visitor arrivals rising 7.0%/y, we expect a flatter tourism profile for the remainder of the year in our baseline scenario, given its high exposure to the fuel-dependent transport sector. Elevated jet fuel prices and the risk of supply disruptions present downside risks, especially from the perspective of high intermediate costs. Fiji Airways has already begun consolidating operations, explicitly citing high jet fuel prices as a key driver.

Accordingly, we have downgraded Fiji's 2026 growth forecast to 2.0%, from a pre-conflict projection of 3.3%. Even if the conflict ends soon, our baseline scenario suggests a stalling recovery, with full normalisation unlikely before mid-2027. Headline inflation could rise to around 6.4% by Sept-2026.

While no physical disruptions to Fiji's fuel imports have been observed so far, cost pressures are already being felt, particularly by Energy Fiji Limited (EFL), which still relies on thermal generation for around half of national electricity demand. EFL is now urging consumers to conserve electricity amid rising fuel costs. Electricity rationing is on card now for if diesel supply is disrupted.

Fiji received a major fuel shipment on 4 April, according to IMF ports data, with another major tanker arriving on 21 April, followed by a further shipment expected in early May, based on live shipping-tracking data. On 19 April, Singapore's Foreign

Minister assured Fiji that fuel shipments would not be affected.

Beyond energy, the industrial sector, including mining, faces rising input costs that will dampen real output. Manufacturers are expected to pass higher costs on to consumers over time, while agriculture is expected to see declining value addition due to higher fuel and fertiliser costs. These developments are reflected in our downgraded growth outlook. We continue to monitor and assess the ongoing conflict and will update our forecast accordingly.

The Fiji Government has repeatedly confirmed that fuel stocks remain adequate. More recently, the Government activated the four-phase Fiji National Fuel Emergency Action Plan to manage fuel and cost-of-living risks linked to the conflict. In a nationwide address, Prime Minister Rabuka announced parallel fiscal and household measures under consideration, including a proposed 20% salary cut for Ministers and MPs subject to approval, an immediate halt to overseas travel, a freeze on new civil service hiring, diesel subsidies for EFL, relief measures for bus operators, and potential temporary reductions in FNNP contribution rates to support take-home pay. With the national budget due in June, further support measures may be announced, dependent on fiscal space.

Crisis is an opportunity

History shows crises often force economies to reassess systems, behaviour and policy choices. While short-term shocks are painful, the medium- to long-term outcome often includes greater efficiency, stronger institutions and enhanced resilience. For Fiji, the conflict underscores long-recognised vulnerabilities, most notably dependence on imported fossil fuels. The COVID-19 experience offers a useful parallel: while deeply disruptive, it accelerated digital payments and improved financial inclusion.

Energy security is therefore likely to move higher on the policy agenda with this conflict. Renewable investment may accelerate, electric vehicles and plug-in hybrids could gain traction, and businesses may diversify suppliers, hold larger inventories and invest in more fuel-efficient capital. Even if this conflict proves shorter than feared, another shock will eventually emerge. For Fiji, this episode is both a warning about fuel dependence and an opportunity to build lasting energy resilience before the next crisis strikes.

Finally, expectations of a structurally weaker US dollar could provide some relief under Fiji's fixed exchange-rate regime. A firmer FJD against the USD could help contain imported inflation, particularly fuel. The FJD is expected to remain broadly stable versus the AUD, supporting tourism competitiveness, while weakening modestly against the NZD, EUR and JPY and slightly reducing export competitiveness to the US.

The fragile ceasefire extended indefinitely...

It is now 53 days since the Middle East conflict began, leading to the complete closure of the Strait of Hormuz and causing significant disruption to energy markets. The global economy has been extremely volatile since then.

The Strait of Hormuz sits at the centre of these concerns. Before the conflict intensified, more than 100 vessels transited the Strait each day. Recent data suggest that traffic has dropped to only a handful of ships. Given that close to one-fifth of the world's oil and LNG supply passes through this single chokepoint, the impact on global markets has been severe. The Strait remained closed at the time of publication.

On 22 April, President Trump said the United States had indefinitely extended the ceasefire, maintaining its naval blockade of Iranian port traffic until Iran agrees to US terms and submits a new proposal. The ceasefire, initially agreed for two weeks from 7–8 April, has come under increasing strain as military blockades persist. While large-scale air and missile strikes have paused, both sides continue to accuse each other of violating the spirit of the ceasefire.

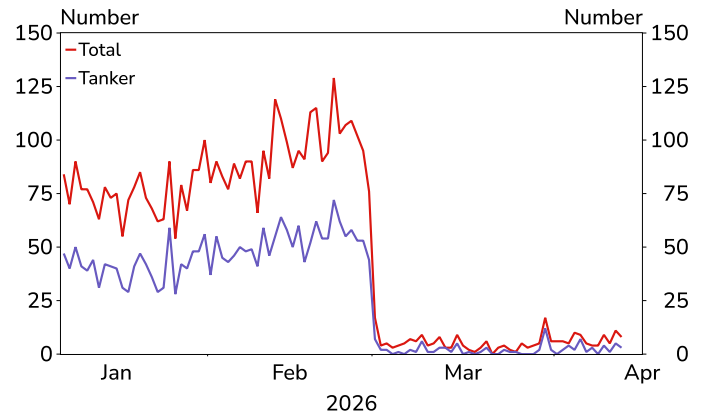
Despite US reassurances and the formal ceasefire, insurance coverage for transit through the Strait of Hormuz remains difficult to obtain, and major shipping companies remain reluctant to resume normal passage. A 10-day Israel–Lebanon ceasefire began on 16 April, easing fighting in southern Lebanon, but this has not resolved broader US–Iran conflict dynamics or maritime tensions. The US naval blockade of Iranian ports remains in place.

After Iran briefly stated that the Strait of Hormuz was fully open to commercial vessels, restrictions were re-imposed over the weekend of 18–19 April, with Tehran citing continued US violations of the ceasefire through its blockade of Iranian ports. Iran has stated that access through the Strait will remain constrained until the blockade is lifted. The US maintains that it is blockading Iranian port traffic rather than the Strait itself, but overlapping instructions and operational uncertainty have sharply reduced transit volumes.

US–Iran talks remain ongoing but inconclusive, with Pakistan acting as the main intermediary after earlier negotiations in Islamabad failed to secure a longer-term ceasefire. Reportedly, progress has stalled over three key issues: Iran's uranium enrichment and stockpiles, the US naval blockade, and rules governing Hormuz shipping access and coordination.

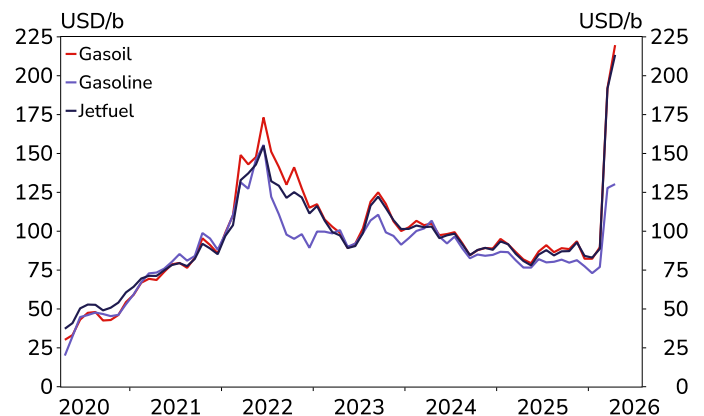
Oil prices remain extremely volatile, falling sharply following ceasefire announcements and rebounding after renewed Hormuz closures. Physical markets remain tight due to tanker congestion, re-routing, and insurance constraints. Since the onset of the conflict, tanker freight costs have surged, with Baltic Exchange dirty and clean tanker indices rising sharply. On average, global refined product prices have increased sharply, with Singapore gasoline up 169%, gasoil up 244%, and jet fuel also up 244% from pre-conflict levels.

Ships passing through Strait of Hormuz



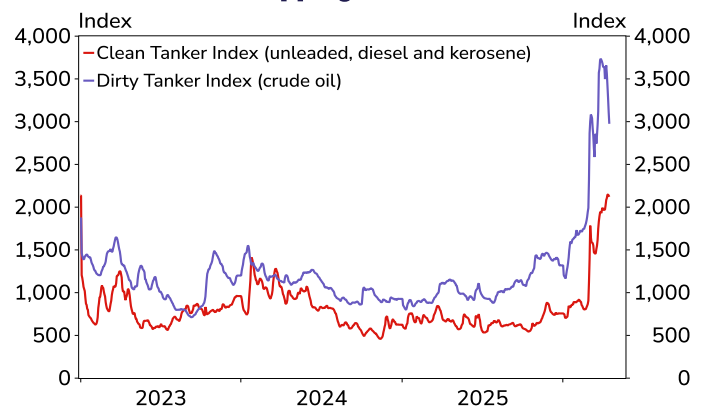
Source: IMF, Macrobond, Westpac Economics

Global Refined Fuel Price



Source: Bloomberg, Macrobond, Westpac Economics

Oil & fuel tankers shipping cost



Source: Baltic Exchange, Macrobond, Westpac Economics

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... keeping Fiji's economy at risk

Fiji's economy faces significant downside risks from the ongoing Middle East conflict, leading to higher fuel prices, transport and shipping costs plus a higher import bill. Any potential disruptions to fuel supply could meaningfully hamper domestic economic activity, which is already facing significant strain from higher prices. The tourism sector faces elevated risks from higher jet fuel prices and, in a more severe scenario, the unavailability of jet fuel that could ground long-haul flights. High fuel prices, and their second-round effects transmitted through other channels, are expected to add materially to intermediate costs across all economic sectors.

[Westpac's baseline assumption](#) is that the Strait of Hormuz will be effectively closed for around 8 weeks, through to late April, followed by a slow and incomplete reopening. Full normalisation is not expected until late-2026 to mid-2027. The two-week ceasefire announced on 7 April reduced the risk of escalation, but did not materially alter near-term oil or shipping flows. Tanker traffic remains severely constrained, and Iranian exports (around 1.6 mb/d) remain largely offline. Even under a relatively optimistic ceasefire scenario, initial reopening would lift shipping capacity to only around 20–30% of pre-conflict levels, with both production and shipping recovering only gradually.

Brent oil is expected to average around US\$105 per barrel in Q2 2026, easing to approximately US\$75 per barrel by end-2026. However, physical oil and refined product prices are expected to remain elevated for longer due to logistics, insurance, and refinery constraints. Even if the conflict were to end in April under an optimistic scenario, the recovery is expected to be slow.

After factoring in these risks, we have downgraded Fiji's growth forecast for 2026 to 2.0%, from our pre-conflict outlook of 3.3%. Growth is expected to rebound to 3.2% in 2027. Higher input costs are expected to erode value-addition across key sectors, resulting in a broadly flatter growth profile for industries heavily reliant on fuel and transport inputs. We expect visitor arrivals to be flat this year, despite a very strong Q1 outcome, reflecting downside risks from higher fuel prices and the likelihood of jet fuel supply disruptions

affecting flights. The primary sector, especially agriculture is at risk from higher fuel and fertiliser prices. Government spending is expected to provide some support in 2026. We expect cost-of-living support measures to be announced in the upcoming June Budget ahead of the General Election later this year.

Further, these domestic risks are compounded by the threat of a broader slowdown, or recession, across Fiji's major trading and tourism markets, particularly Australia, New Zealand, and the US. Higher inflation and weaker growth in these economies could constrain their household budgets, reducing outbound travel and dampening tourist arrivals to Fiji.

Westpac Economics, in its latest [April Market Outlook](#), expects the Middle East conflict to remain a major global shock in 2026 with Australia expected to experience a slight slowdown, with GDP growth averaging around 1.8% in 2026, trimmed-mean inflation peaking near 4%, and unemployment rising towards 5%. The Reserve Bank of Australia is expected to deliver three further 25bp rate hikes (in May, June, and August) to contain second-round inflation pressures.

New Zealand is also entering a period of slower growth of 1.5% and elevated inflation, with higher oil prices acting as a negative terms-of-trade shock. In the US, growth had already slowed prior to the conflict. The Federal Reserve is expected to remain on hold, tolerating energy-driven headline inflation while closely monitoring labour-market risks.

Asia remains highly exposed given its reliance on energy and food imports. Inflation pressures are expected to keep policy settings tighter for longer, though outcomes remain uneven. China is relatively insulated, with Q1 2026 growth at 5.0%/y and longer-term support from rising global demand for green technologies.

Overall, there is an upside risk to our growth outlook if the tourism sector sees minimal impact from the conflict, beating our underlying assumption. However, this would depend on flights continuing to operate as normal and the national airline being able to absorb higher operating costs through efficiency gains, without any disruptions.

Medium-term economic growth forecast

Sectors	2020	2021	2022	2023	2024	2025	2026	2027	2028
Primary	-3.8%	9.1%	3.0%	3.8%	4.4%	4.0%	2.4%	4.6%	3.8%
Industry	-15.3%	-8.8%	10.2%	0.3%	2.4%	1.1%	0.2%	1.6%	1.0%
Service	-20.9%	-6.9%	25.1%	13.5%	3.6%	3.3%	2.3%	3.2%	3.0%
Net taxes	-17.2%	-4.3%	17.7%	9.4%	3.5%	3.1%	2.0%	3.2%	2.9%
Real GDP	-17.2%	-4.3%	17.7%	9.4%	3.5%	3.1%	2.0%	3.2%	2.9%

Source: Westpac Pacific Economics

Fuel prices will rise further

Fuel prices rose sharply nationwide from 1 April, with motor spirit increasing to \$2.93 per litre (from \$2.44), diesel to \$2.89 per litre (from \$2.14), and kerosene to \$2.40 per litre (from \$1.69). These increases were broadly in line with our expectations. As expected, gas prices saw no major change due to their contractual pricing arrangements. However, rising shipping costs could place upward pressure on LPG prices in the near-term.

So far, the full impact of global energy price increases has not yet been fully felt domestically in Fiji, largely due to fuel price controls.

Fuel prices are expected to rise further in May, with additional adjustments likely to be announced by the FCCC in the coming days, adding to the price increases experienced in April. Our fuel price forecasts are presented in the table below.

Fuel prices are expected to exceed levels experienced during the Russia–Ukraine war in upcoming months, reflecting much wider refinery margins, damage to oil and gas infrastructure in the Middle East, and the prolonged closure of a major global chokepoint.

Even before the March price adjustments took effect, there were early signs of panic buying and fuel hoarding locally, placing additional pressure on logistics and supply chains.

Higher fuel prices are expected to feed through into input costs across all sectors. Given Fiji’s heavy reliance on imports and shipping for food supply, higher fuel and insurance costs have raised shipping costs, placing upward pressure on the prices of food and other essentials.

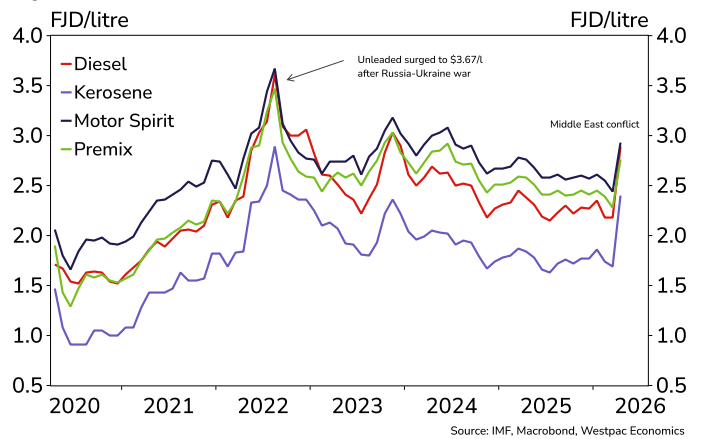
Headline inflation is expected to peak at around 6.4% by September 2026, averaging 3.4% for the year, with upside risks should the conflict extend beyond April under our baseline scenario and the Strait of Hormuz remain closed.

The Fiji Government imposes a 46c per litre fiscal duty on motor spirit and around 20c per litre on diesel, together with 12.5% VAT. FCCC accommodates a retail margin of 10c per litre on motor spirit and 9.5c on diesel. The Fiji Government’s fiscal space to respond to incoming inflationary pressures is extremely limited. While reducing fiscal duties could be

considered, this would not be best practice.

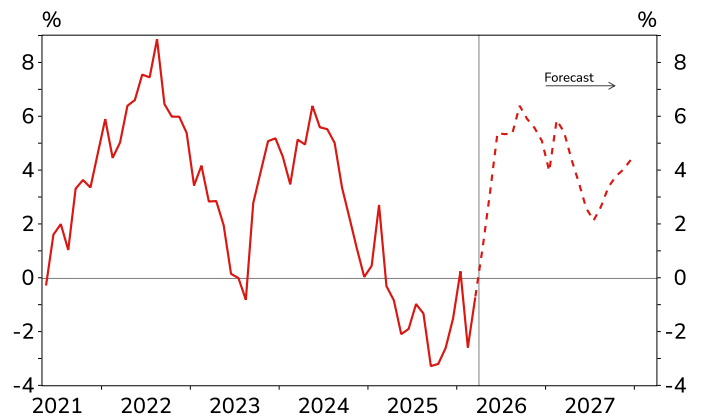
As with the VAT cut in the last budget, fuel duty reductions are unlikely to be fully passed through to consumers. Targeted income support for vulnerable households would be a more effective option.

Fiji Domestic Fuel Price



Source: IMF, Macrobond, Westpac Economics

Headline inflation forecast



Source: FBoS, Macrobond, Westpac Economics

Westpac Pacific Fuel Price Forecast

Date	Motor Spirit (\$/L)	Premix (\$/L)	Diesel (\$/L)	Kerosene (\$/L)
April-26 (Current Price)	2.93	2.76	2.89	2.40
May-26	3.33 [3.10-3.56]	3.10 [2.89-3.32]	3.55 [3.29-3.81]	3.03 [2.80-3.27]
June-26	3.36 [3.13-3.60]	3.04 [2.82-3.25]	3.68 [3.41-3.94]	3.16 [2.92-3.39]

Note: 95% confident that prices will fall within the stated confidence range in [...]. There is 5% margin for error in this forecast given uncertainties around the assumptions and daily developments regarding the conflict. These are price forecasts, see disclaimer.

Source: Westpac Pacific Economics

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Fiji's fuel supply remains unaffected

Global oil market

The Energy Information Administration (EIA), in its April report, estimates that around 7.5 mb/d of crude oil production was shut in during March, rising to about 9.1 mb/d in April, largely across Iraq, Saudi Arabia, Kuwait, the UAE, Qatar and Bahrain. These shut-ins have forced consuming regions to draw down inventories rapidly.

Global observed oil inventories fell by 85 mb in March. Outside the Middle East Gulf, stocks declined by 205 mb, while oil on water fell sharply by 107 mb. Meanwhile, inventories have been building in the Middle East, with around 100 mb added to floating storage and about 20 mb added to onshore crude stocks. China added 40 mb of crude in March, acting as a partial buffer for the global system, with some of these barrels supplying Singapore refineries. The EIA has downgraded its near-term global oil demand outlook. Even after the conflict ends, demand destruction from sustained high prices and the continued structural shift away from oil are expected to remain a constraint on the global oil market over the long-term.

Robert Rennie, Westpac's Head of Commodities and Carbon Strategy, notes in a recent [Energy Market Report](#) that the market is materially under-pricing the physical impact of the US-Iran conflict. He estimates that around 12 mb/d of crude and refined product exports have been disrupted, implying roughly over 550 million barrels removed from global supply.

Fiji's fuel supply

At present, fuel shipments are en route to Fiji, with the Shan Gang Fa Xian vessel (45,841 DWT) arriving on 2 May. The Morning Glory tanker vessel (50,322 DWT) arrived on 21 April. Importantly, deliveries scheduled for both April and May remain secured, and no disruptions to fuel shipments to Fiji have been observed to date.

On 19 April, Singapore's Foreign Minister also assured Fiji that Singapore will not impose restrictions on fuel exports and will continue to ensure the free flow of energy supplies through diversification, resilience and open international trade routes.

In March, Fiji imported approximately 85,861 tonnes of fuel, of which about 11,585 tonnes were re-exported to other Pacific Island countries. This left roughly 74,276 tonnes available for domestic use, adding an estimated 26 days of fuel cover to national reserves. According to IMF port data, Fiji imported 56,085 tonnes of fuel as of 17 April, while re-exported 19,410 tonnes of fuel, resulting in a net import of 36,675 tonnes. Comparatively, Fiji imported over 100,000 metric tonnes of fuel in April last year. In 2025, Fiji imported about 1.3 million tonnes of fuel, with around 170,000 tonnes re-exported to neighbouring Pacific economies.

The domestic fuel market is supplied by Mobil, Pacific Energy and TotalEnergies Fiji, with bulk storage terminals located at Walu Bay in Suva and Vuda Point in Lautoka. Dedicated

LPG facilities are located in Lami and Malau. Nationwide fuel storage capacity exceeds 100 million litres, while average daily fuel consumption is close to 2.5 million litres, placing Fiji's standalone fuel cover at roughly 40 days under normal operating conditions. When scheduled deliveries are incorporated, effective fuel cover typically extends to two to three months.

Fiji imports 100% of its refined fuels, including petrol, diesel, Jet A-1 and kerosene, predominantly from Singapore, while LPG is sourced from Australia under longer-term supply arrangements.

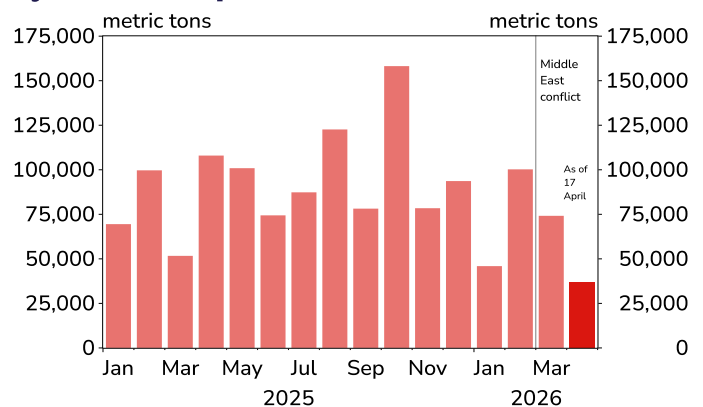
Why is the diesel price so high?

Historically, the price of diesel has been below that of unleaded petrol. However, this trend is now changing. The key reason lies in tightness within refined fuel markets, particularly for diesel and jet fuel. The EIA highlights that refining systems are globally less flexible than crude supply, and refinery operations have been disrupted by both crude availability constraints and direct infrastructure risks.

Diesel is also a globally traded fuel, critical for shipping, trucking and industrial activity worldwide. Diesel powers freight transport, heavy machinery, power generators and military vehicles. Even in war-driven price spikes, trucks must continue hauling goods, ships must keep sailing, and backup generators must remain operational. Refineries cannot instantly shift production to increase diesel output. Diesel is derived from specific crude fractions, which are particularly exposed during geopolitical disruptions. This is why diesel prices have gone up quickly.

Elevated diesel prices have significant implications for electricity generation in Fiji, where Energy Fiji Limited (EFL) continues to rely on thermal generation to meet around half of total electricity demand.

Fiji's net fuel import



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Tourism is still the X-factor

We expect visitor arrivals to remain broadly flat in 2026, despite a strong start to the year. Visitor arrivals in Q1 2026 increased by 7.0%/y, supported by robust outcomes across all three months. Arrivals totalled 70,993 in January, dipped seasonally to 54,219 in February, before rebounding sharply to a record 71,765 in March. This lifted total Q1 arrivals to 196,977 visitors, compared to 184,119 in 2025.

Monthly growth strengthened through the quarter, rising from 0.3%/y in January to 9.6% in February and 12.4% in March. March recorded the highest visitor arrivals ever for the month, suggesting demand regained momentum following the seasonal slowdown in February.

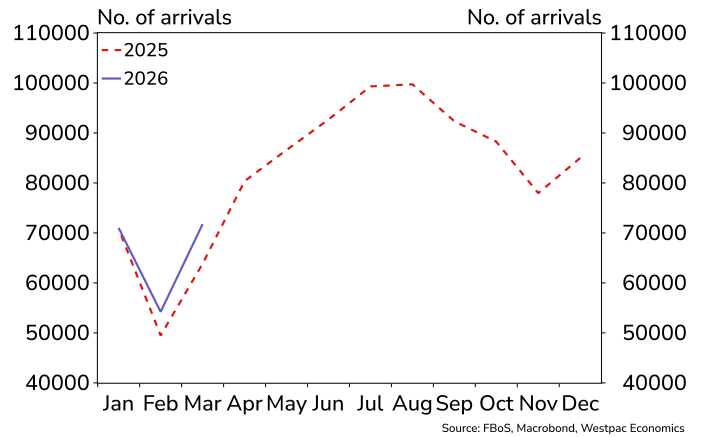
While tourism sector momentum was strong in early 2026, the outlook for the remainder of the year is becoming more challenging. Elevated jet fuel prices, coupled with risks of fuel supply disruptions linked to the ongoing Middle East conflict, present significant headwinds for airline operations and the wider tourism sector.

These pressures have already begun to affect flight capacity. Fiji Airways has announced the temporary suspension of four services across two international routes, including selected services on the Nadi–Brisbane route from late April and Tuesday services on the Dallas–Nadi route between May and mid-June. With fuel remaining its single largest cost, the airline is preparing for a prolonged period of elevated operating expenses. Management has signalled a cautious approach, focusing on efficiency gains, route optimisation, and prioritising core Australia and New Zealand markets, while seeking to limit fare increases where possible. The national airline is expected to face higher operating costs, which will weigh on its margins. The national airline may pursue further route consolidation if access to jet fuel at offshore airports becomes constrained, as countries increasingly prioritise domestic supply.

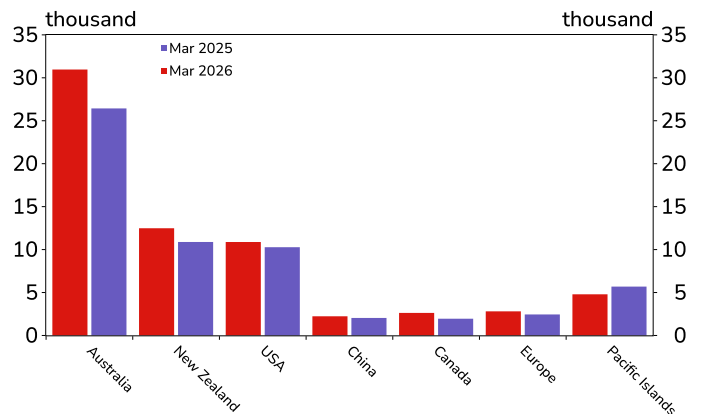
Australia remained Fiji’s largest source market in Q1 2026, with arrivals totalling 86,445 visitors, up 8.5%/y, although its share of arrivals softened in February before recovering in March. New Zealand arrivals rose 5.1%/y to 33,506 visitors, providing steady support across the quarter. Arrivals from the US continued to perform strongly, increasing 5.2%/y to 26,189 visitors, with the US share of arrivals rising steadily through the quarter. Visitor arrivals from China spiked in February before easing in March, pointing to early signs of a gradual recovery from Asian markets, albeit still below pre-pandemic levels. Overall, Fiji’s major source markets continued to account for around 82–90% of total arrivals.

Working-age travellers remained the dominant visitor cohort, with 65.2% aged 25–64, while holiday travel continued to account for around 75–80% of arrivals each month. Under our baseline scenario, these factors point to flat visitor arrivals for 2026, with upside risk should fuel prices ease and operational disruptions prove limited.

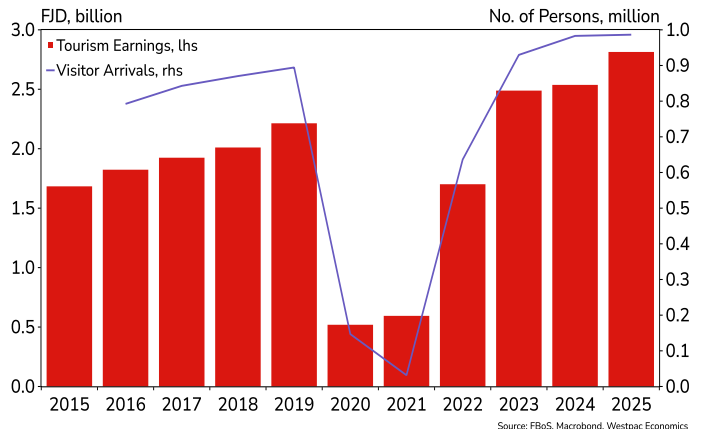
March visitor arrivals up 12.4%



Australia, NZ and US top markets



Tourism Earnings



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Fiji dollar risks contained

Westpac Economics, in the latest [April Market Outlook](#), expects the US dollar to weaken structurally over the medium term as its safe-haven appeal fades, despite ongoing Middle East risks. USD gains have remained capped during the conflict, with markets increasingly willing to look through geopolitical shocks amid expectations of a gradual reopening of the Strait of Hormuz and improving global growth prospects outside the US. The DXY index is expected to fall from around 98 to 96.8 by end-2026 and to 94.0 by end-2027.

The Australian dollar is expected to outperform, supported by Australia's relatively tighter policy stance. The RBA is set to deliver three additional rate hikes, lifting AUD back to multi-year highs. AUD strength is described as being rate-driven, assisted by a positive terms of trade shock, rather than purely risk-on sentiment, with AUD/USD forecast to trade around 0.73–0.74 through 2027.

The New Zealand dollar is also projected to recover gradually as the USD weakens, though energy-related income shocks and slightly later RBNZ tightening cash rate. NZD/USD is forecast to rise toward 0.62 by end-2026 and 0.67 by end-2027.

The Euro is identified as a key beneficiary of USD depreciation as the ECB shifts from expected cuts to rate hikes in response to higher energy-driven inflation. Westpac projects EUR/USD to rise toward 1.20–1.22 by 2027.

The Japanese yen, starting from very weak levels, is forecast to strengthen materially as Japanese policy normalises and global risk conditions stabilise, with USD/JPY falling toward the low-140s by 2028.

As such, under Fiji's basket-peg exchange rate regime, the RBF target stability in the trade-weighted FJD. The projected path implies the FJD strengthens against the USD, remains broadly

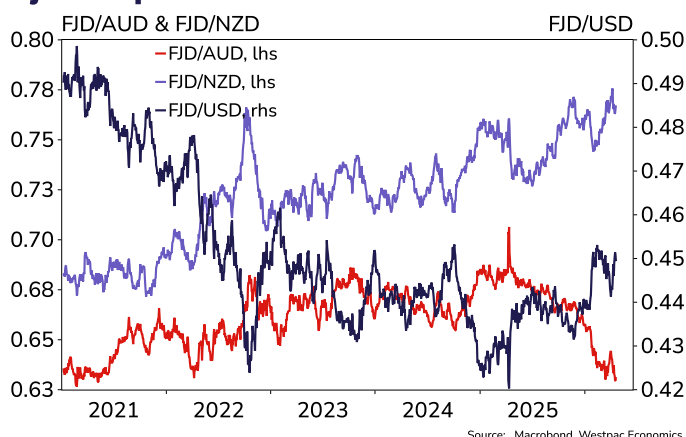
stable versus the AUD, and weakens modestly against the EUR, JPY and NZD over time.

This aligns with our expectation that the US dollar increasingly lacks support, even amid Middle East tensions. A firmer Fiji dollar against the US dollar could help contain imported inflation pressures, particularly for USD-invoiced imports such as fuel and freight-intensive goods. This means Fiji exports to the United States, especially mineral water could become slightly more expensive for US consumers.

From a tourism competitiveness perspective, the largely stable FJD/AUD relationship implies Fiji's price competitiveness for Australian visitors remains broadly unchanged. However, a weaker FJD against the NZD suggests Fiji becomes marginally more affordable for New Zealand visitors.

FJD weakness against the Japanese yen raises the local currency cost of Japan-sourced goods and services, like Japanese vehicles.

Fiji dollar performance



Source: Macrobond, Westpac Economics

Exchange rate forecast

Majors	Latest	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
FJD/USD	0.4409	0.45	0.46	0.46	0.46	0.47	0.47	0.47	0.47	0.47
FJD/AUD	0.6298	0.63	0.60	0.63	0.63	0.63	0.63	0.63	0.64	0.64
FJD/EUR	0.3838	0.38	0.39	0.39	0.39	0.39	0.38	0.38	0.38	0.38
FJD/JPY	71.85	71	72	71	70	70	69	69	67	66
FJD/NZD	0.7642	0.76	0.76	0.74	0.72	0.71	0.70	0.70	0.70	0.70
AUD/USD	0.7153	0.72	0.77	0.73	0.73	0.74	0.74	0.74	0.73	0.73
EUR/USD	1.1740	1.18	1.18	1.19	1.20	1.21	1.22	1.22	1.22	1.22
USD/JPY	159.41	158.0	156.0	154.0	152.0	150.0	148.0	146.0	144.0	142.0
NZD/USD	0.5893	0.59	0.61	0.62	0.64	0.66	0.67	0.67	0.67	0.67

Source: Bloomberg, Westpac Economics Market Outlook, Westpac Pacific Economics

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Energy investment is critical for Fiji's future

There was considerable discussion around the Fijian Competition and Consumer Commission's (FCCC) proposed electricity tariff changes in late December 2025. The announcement attracted country-wide criticism from households and businesses concerned about the potential economic impact, prompting a 21-day public consultation period in January.

Now that the initial reaction has eased, it is timely to revisit this issue. This discussion has become even more relevant in the context of the ongoing Middle East conflict, which has once again exposed Fiji's vulnerability to global energy price shocks and supply disruptions. The Minister for Finance, Esrom Immanuel had indicated that the final increase in electricity tariffs is expected to be lower than the initially proposed 24.2%, following public consultation feedback. Even so, tariff rates are still expected to rise.

Revisiting the proposed changes, under the FCCC's 2025 tariff determination Fiji was set to transition from a single flat tariff to an inclining block (tiered) structure for domestic customers, although this has since been put on hold.

More than half of residential customers were to fall within the 0–100 unit band and would therefore see no change in their electricity bills. For commercial customers, the FCCC approved a move from a flat tariff to a stepped inclining block structure, with rates ranging from around 43c to 63c per unit and an average increase of 24.2%. As with households, higher consumption attracts higher marginal tariffs. Notably, electricity tariffs were last revised in October 2019.

This note outlines why an eventual increase in electricity tariffs remains justified and important for Fiji's future, despite short-term inflationary pressures, especially in a world where geopolitical risks are once again driving fuel price volatility.

The global AI revolution is driving large-scale investment into energy supply, grid systems and supporting infrastructure to meet electricity-intensive digital demand. In larger economies, deep capital markets and competitive pricing frameworks support this transition.

Fiji, however, faces different realities. Electricity supply in Fiji is a natural monopoly. Generation and grid systems require large, long-lived upfront investments that cannot be efficiently duplicated in a small market. When tariffs are held below the cost of reliable supply, investment is delayed, outage risks rise, and the system becomes increasingly reliant on ad-hoc public support, an approach that becomes more problematic when fiscal pressures are rising due to higher global fuel and import costs linked to conflicts such as those in the Middle East.

For Fiji to position itself as a regional trade and digital connectivity hub, sustained investment in energy infrastructure is essential. Electricity demand has already risen

to the point where additional diesel generators are required during peak periods, exposing Fiji directly to global fuel price movements. At the same time, Google has begun constructing a major ICT facility in Natadola, including a new subsea cable landing station. This strengthens Fiji's role in regional digital connectivity but also raises the importance of a reliable, expandable and modernised power system. Fiji still relies heavily on fossil-fuel generation, and meeting rising demand sustainably will require an accelerated shift toward renewable energy.

Stronger grid investment and renewable energy development are also critical for Fiji's core economic sectors. Tourism, which accounts for nearly 70% of services activity, depends on stable electricity for hotels, airports and transport systems. Agriculture (13.5% of GDP) relies on electricity for irrigation, cooling, milling and packaging, while manufacturing (17.4% of GDP) depends on reliable power to remain competitive. In an environment of global energy uncertainty, a weak grid would amplify economic shocks rather than absorb them.

Energy Fiji Limited (EFL) has outlined more than FJ\$1.7 billion in planned investment over the next decade, aligned with Fiji's target of achieving 100% renewable electricity by 2035. EFL has reported electricity demand growth of around 9% in 2024 and expects annual demand growth of about 5%. At current tariff levels, EFL has indicated it would be unable to adequately fund new generation capacity, transmission upgrades and system-wide resilience, increasing the risk of future power disruptions.

Financing these investments cannot rely on syndicated banking alone. Small Island Developing States face high capital costs, limited economies of scale and long payback periods, making energy projects less attractive to private financiers, particularly when tariffs are tightly constrained. EFL has stated that tariff revenue is the only stable and predictable cash flow available to service debt and unlock long-term financing.

While higher electricity tariffs will have a measurable short-term impact on inflation, the effect is likely to be smaller than feared and should ease over time. The longer-term benefits including reduced diesel imports, lower exposure to global energy price shocks, and stronger energy security are especially valuable during periods of geopolitical instability. Higher tariffs may also encourage greater uptake of rooftop solar, strengthening energy independence further.

The experience of the Water Authority of Fiji offers a cautionary lesson. Persistently low tariffs, chronic under-investment and reliance on public support have led to frequent service disruptions. Fiji cannot afford to repeat this mistake in the energy sector.

Fiji Government yields

Month	3 mths	6 mths	12 mths	10 yrs	15 yrs	20 yrs
Mar-26	0.20	0.45	1.12	3.90	4.15	5.75
Feb-26	0.20	0.45	1.12	3.90	4.15	5.75
Jan-26	0.20	0.45	1.12	3.90	4.15	5.75
Dec-25	0.20	0.45	1.12	3.90	4.15	5.75
Nov-25	0.20	0.45	1.12	3.90	4.15	5.75
Oct-25	0.20	0.45	1.13	3.90	4.15	5.46
Sep-25	0.20	0.45	1.13	3.90	4.15	5.50
Aug-25	0.20	0.45	1.15	3.90	4.15	5.50
Jul-25	0.20	0.45	1.19	3.90	4.15	5.00
Jun-25	0.20	0.45	1.19	3.90	4.15	5.00

Source: Westpac Pacific

Interest rate forecast

Economies	Latest	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Australia										
Cash	4.10	4.60	4.85	4.85	4.85	4.85	4.85	4.85	4.60	4.35
10 Year Bond	5.00	5.00	5.05	5.05	5.05	5.05	5.00	4.95	4.90	4.90
United States										
Fed Funds	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625
10 Year Bond	4.31	4.35	4.40	4.45	4.50	4.55	4.60	4.65	4.70	4.75
New Zealand										
Cash	2.25	2.25	2.50	3.00	3.50	3.75	4.00	4.25	4.25	4.25
10 Year Bond	4.68	4.85	4.95	5.00	5.05	5.10	5.10	5.10	5.10	5.10

Source: Westpac Economics Market Outlook

Economic growth forecasts (year average)

Country	2021	2022	2023	2024	2025	2026	2027	2028
World	6.7	3.8	3.3	3.4	3.4	3.1	3.2	3.3
United States	6.2	2.5	2.9	2.8	2.1	1.5	1.6	1.8
China	8.4	3.1	5.4	5.0	5.0	4.7	4.6	4.4
Japan	3.6	1.3	0.7	-0.2	1.2	0.6	0.8	0.9
India	9.7	7.6	7.2	7.1	7.6	6.5	6.7	6.6
Europe	6.4	3.7	0.5	0.9	1.5	0.8	1.3	1.6
Australia	5.4	4.2	2.1	1.0	2.0	1.8	1.2	2.4
New Zealand	5.5	2.6	2.2	-0.3	0.2	1.5	3.5	3.3

Source: Westpac Economics Market Outlook

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



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