

WESTPAC WAVE

FIJI QUARTERLY ECONOMIC UPDATE

January 2025



RESILIENT FIJIAN ECONOMY, MIGRATION SLOWS, TOURISM BUOYANT AND INFLATION FALLS

- Fiji's economy showed great resilience in 2024, growing by an estimated 3.0 percent. This growth is an incredible feat given the economy came off a high post-COVID growth of 7.5 percent the prior year. Against our initial expectation, growth was led by the tourism sector, with the industry receiving a record number of 982,938 visitors, a 5.7 percent increase on 2023.
- Inflation eased to 1.3 percent year-on-year in December 2024, aided by moderation in Food and Non-Alcoholic Beverage inflation and fuel prices declining. Remember, lower inflation means prices are still rising but at a slower pace rather than seeing outright price declines, which would be deflation rather than inflation.
- Partial indicators show broad based growth in 2024 with consumption and investment activities in the green-zone. However, primary sectors around forestry and logging continue to lag severely with production declining.
- The US dollar continues to strengthen against its peers as fear grows that the Trump administration's trade and domestic policies could be inflationary. This presents an inflationary risk via Fiji's US dollar dominated imports particularly mineral fuels.
- The good news is that the net migration trend has slowed to historical levels with a healthy labour market supported by foreign workers filling the gaps. Formal sector wages have increased as businesses have gone the extra mile to retain existing workers.
- Broadly, Fiji's financial system is conducive with accommodative monetary policy keeping interest rates at historical lows. Foreign reserves are at sustainable levels, exceeding the accepted minimum benchmark for imports coverage and there is ample liquidity in the system.
- The outlook for 2025 is on the favourable side, but vigilance needs to be maintained on key sectors while reforms are required to better position the nation as we see the restructuring of the global economic system. Westpac Fiji estimates economic growth at around 3.4 percent for 2025. However, there are significant upside and downside risks to our outlook. We will have a better feel on how economic events will unfold this year once we have the first quarter data in 2025.

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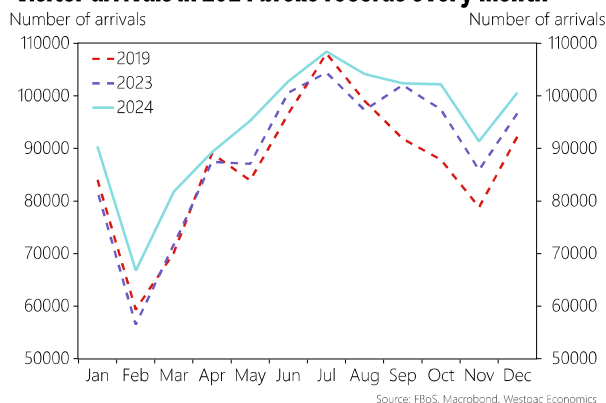
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Catching up with 2024

Fiji's economy navigated a challenging path last year, facing heightened global inflation, geopolitical tensions, and commodity price spikes. Despite the early hiccups in the tourism sector in the early stages of 2024, the industry came out stronger by reporting record arrivals every month. Visitor arrivals in 2024 was just shy of the one-million mark. Our growth estimates for 2024 remained unchanged at 3.0 percent, which is nothing less than a remarkable feat noting Fiji was coming from a high growth rate of 7.5 percent in 2023. Fiji is now out of the pandemic era, with real output higher than 2019 levels with tourism being a remarkable driver of growth since Fiji's borders reopened. As things stand, economic growth is projected to stabilize in 2025 at around the historical average at 3.4 percent.

Visitor arrivals in 2024 broke records every month



Domestic inflation subsided in 2024, at 1.3 percent year-on-year and -0.1 percent month-on-month basis for the December print. The 12-month annual average inflation eased slightly to 4.5 percent at year-end compared to prior 4.9 percent.

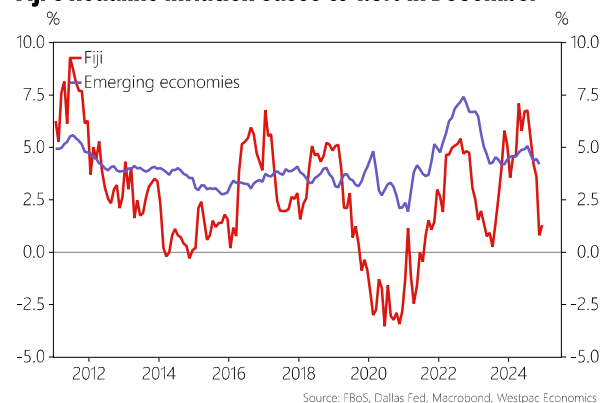
Food and Non-Alcoholic Beverages category was the major driver behind the lower reported inflation in the past two months. The category only rose by 1.2% year-on-year in November and 1.4% year-on-year during the December survey compared to at least an average of 7.5% in prior months. Furthermore, lower input costs particularly declining fuel prices have contributed to lower inflation. While we had expected inflation to recede in the last quarter of 2024, the speed of reduction beat our expectation.

As expected, headline inflation eased into the new fiscal year, after the impact of VAT-rate hike waned. In

simple terms prices have still gone up but the rate at which prices increased has slowed. There is an upside risk to inflation from the recent floods in the Western division of Fiji which might have impacted livestock and food supply on top of the external risks to inflation due to the reshaping of the global geopolitical and economic system.

Broadly, inflation is expected to end slightly higher in December 2025 from the low of 1.3%/yr in December 2024

Fiji's headline inflation eases to 1.3% in December



Partial indicators in 2024 pointed to broad based growth across major sectors, except for sugarcane which year-to-date declined by 9.6 percent on the back of lower yields and early mills closure. These partial indicators, compiled by the Reserve Bank of Fiji, provide a snapshot of Fiji's economic health. Other primary sectors including pinewood and mahogany fell by 32.7 percent and 13.0 percent, respectively. On the plus side, key sectors like gold grew by 38.0 percent in 2024, electricity was up by almost 10 percent while domestic cement production and sales grew by 9.1 percent and 11.2 percent, respectively. Consumption and investment activity were in the green-zone driven by higher new consumption lending (+33.8%), new vehicle registrations (+2.9%), second hand vehicle registrations (+32.8%) and new investment lending (+25.9%).

Fiji returns to historical growth path in 2025... albeit with room for revisions as more data becomes available

The Fijian economy fully recovered in 2024, slightly surpassing the pre-pandemic 2019 output levels. The

economy grew at around 3.0 percent in 2024 and it is expected to further grow by 3.4 percent into 2025, the historical growth average rate between 2010 to 2019. Should there be no major deviations in the underlying assumptions in growth projections for this year, our growth expectations would remain unchanged. We will get a much clearer picture on economic performance and the expected landing zone for the Fijian economy this year as the first quarter data becomes available.

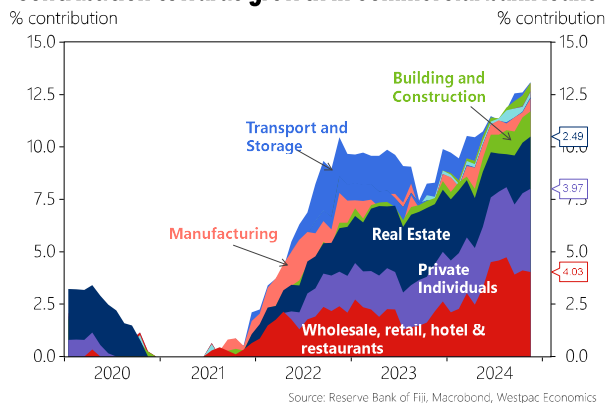
Financial sector buoyant

Foreign reserves stood at \$3.7 billion in December 2024, enough to cover half a year's worth of retained imports and supporting a liquidity of \$2.4 billion in the banking system.

Since COVID-19, the RBF has maintained the overnight policy rate at 0.25%, a very accommodative monetary policy stance as the twin objectives remain in focus, which are the maintenance of sustainable foreign reserves and ensuring price stability.

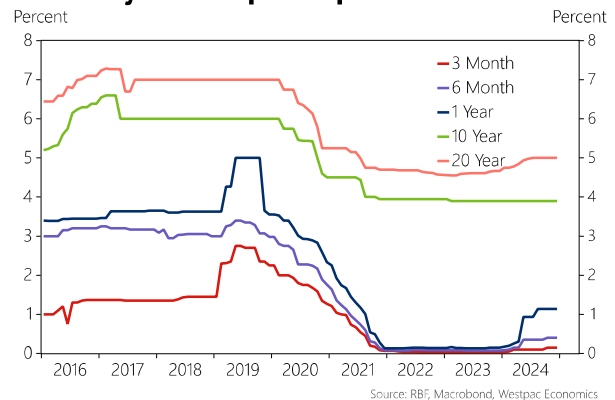
The year 2024 has noted a healthy credit growth in double digits. Total commercial bank outstanding loans rose by 13.1 percent in the year to November 2024 to a value of \$9.5 billion. The largest contributors to the total outstanding loans in 2024 have come from lending to wholesale, retail, hotel & restaurants contributing 4.0 percent towards the 13.1 percent total growth. This follows lending to private individuals, real estate, business and construction and manufacturing sectors which contributed the most. Further, private sector credit growth has ticked 11.4 percent upwards in 2024 leading broad money to grow by 8.4 percent.

Contribution towards growth in commercial bank loans



Domestic yields have picked up slightly for Treasury bills as the Government's new fiscal year kicked in August. Yields have been relatively flat since late 2021, at historic lows, having dropped significantly during the pandemic-era as external borrowings funded the Government's fiscal deficit, reducing the need to seek domestic borrowings. Yields for 3-month bills have risen from 0.10 to 0.15 percent and 6-month bill yields rose from 0.35 to 0.40 percent in October 2024. As the new fiscal year started in August 2024, yields for 12-month bills rose from 0.93 to 1.14 percent. Bonds of 20-year tenure have also seen some action, as yields rose to 5.0 percent from prior 4.98 percent.

Domestic yields have picked up



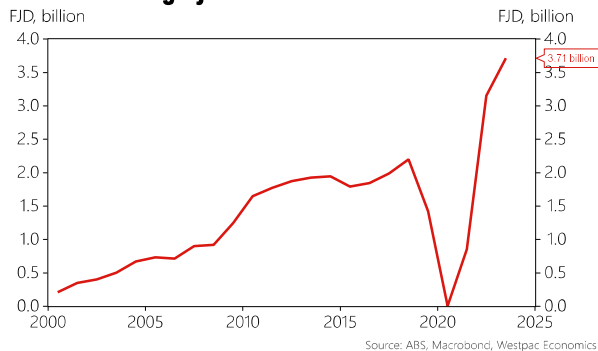
Fiji makes 11th on the list of places Australians most spend when travelling

There is no doubt Australia is Fiji's largest tourism source market, representing over 45 percent of total arrivals. Fiji has long been heavily reliant on Australia providing tourists and over the years has continued to build on that relationship. In 2024, close to 450,000 Australians visited Fiji, growing by 5% from the prior year, and should the environment remain conducive and favourable, there should be no hinderance in attracting more visitors in 2025.

In 2023, for instance, over 10 million Australian residents departed for short-term travels for holiday visits and business reasons, of which around 4.2% or 434,000 came to Fiji. At one point, just after Fiji borders reopened post-pandemic late in 2021 and early 2022, over 11% of Australian travellers decided to come to Fiji as other popular destinations remained closed. Since then, Australian departures to Fiji have trended down to historical norms.

We also surveyed international trade statistics from Australia. We find that in terms of where Australians like to spend the most when travelling, Fiji is 11th on the list, spending \$3.7 billion (AUD2.5 billion) between July 2023 and June 2024. Indonesia received the most in terms of Australian tourist expenditure which stood at AUD9.8 billion (FJD14.6 billion) followed by New Zealand at AUD8.2 billion (FJD12.2 billion) during the same time period.

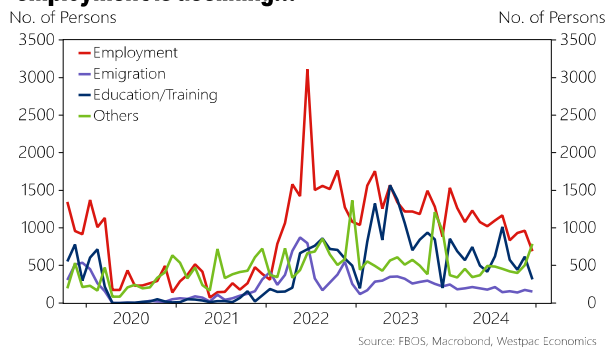
Australians spent \$3.7 billion between July 2023 - June 2024 travelling Fiji



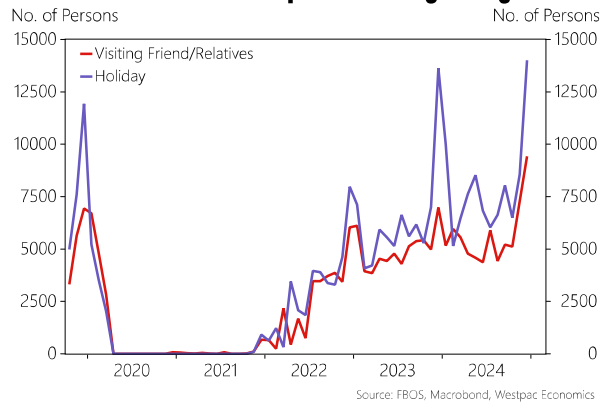
Migration eases

Long-term resident departures declined in 2024; however, short term departures rose. Businesses have flagged emigration as a massive problem for Fiji's post-pandemic recovery. In 2024, emigration numbers dropped by around 31.5 percent to around 2,197 permanent migrations. Similarly, last year, departures due to employment and education reasons declined by 18.4 percent and 31.4 percent, respectively. Despite this, total resident departures rose by 7.9 percent in 2024, mostly led by Fijians going on holidays which was up by 23.5 percent and for reasons like visiting friends and relatives, up by 13.2 percent.

Resident departures for emigration, education and employment is declining...

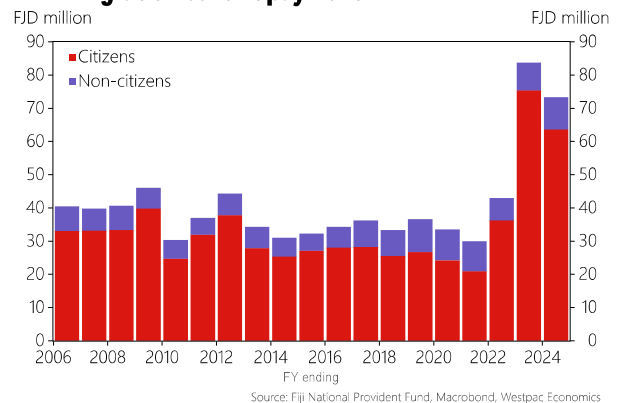


...while the short term departures are growing



High emigration numbers in 2022 coincided with Fiji National Provident Fund (FNPF) paying more in migration payout, which amounted to \$75.3 million during their 2022-2023 financial year. FNPF in its recent 2023-2024 financial year paid a lower but still historically high of \$63.6 million to migrating residents. Between 2016 and 2019, FNPF were paying on average \$27 million annually towards Fiji citizens migrating and \$8 million annually to non-resident departures. Not only has migration reshaped Fiji's labour force, but it has taken funds from the superannuation coffers. Nevertheless, the burden on FNPF on these additional payouts is expected to drop in line with easing migration numbers.

FNPF migration benefit payment



Permanent migration stood at 2,197 in 2024, from which over half (50.5%) emigrated to New Zealand. Historically, New Zealand has been the top destination for Fijians looking for a new permanent home. The second top destination for emigration, at 24.8 percent, was the United States of America, followed by 21.5 percent of Fijians who migrated to Australia.

What to expect in 2025?

International Monetary Fund (IMF) revised the global growth for 2025 to 3.3 percent, an upward revision of 0.1 percentage point led by robust US economic performance while the 2026 outlook remains unchanged at 3.3 percent. Nonetheless, global growth remains below the historical average of 3.7 percent. Advanced economies are expected to grow by 1.9 percent this year with the United States economy expected to expand by 2.7 percent in 2025. IMF notes global disinflation is in progress and at a much faster pace in advanced economies than the emerging markets. Global headline inflation is expected to decline to 4.2 percent in 2025 from 6.5 percent in 2024.

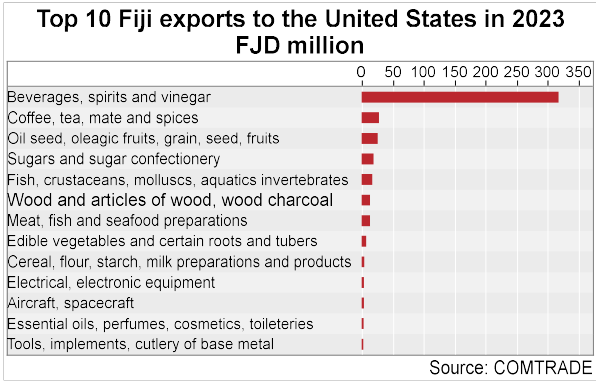
Highlighted are major downside risks skewed mainly coming from policies that could hinder disinflation process and interrupt monetary policy easing by major central banks. But there is some light at the end of tunnel should these policies provide robust growth against expectations. IMF highlights global financial conditions remain mostly accommodative, with equities in advanced economies rallying. Uncertainty has risen sharply driven by the Trump administration’s proposed protectionism policies.

Global inflation is receding leading to major central banks reducing the interest rates, but they remain extremely cautious. The threat of a protectionism policy stance by the Trump administration could reverse the gains and the market has priced in fewer interest rate cuts this year.

The inauguration of Donald Trump as the president of the United States was the big news in January. Various protectionism policies were touted during the election campaign period and so far, the new administration appears to be on track to introduce many of them. However, there is still much debate as market anticipated a magnitude of tariffs lower than what has been stated but this was quickly rebuked by President Trump. China, which potentially faces the biggest threat, is already adjusting its business practices and looking into new markets to sell its products. With Trump warning of a universal tariff, and a special focus on Mexico and Canada, China may find a common ground with many countries. Higher tariffs raise the possibility of higher inflation, supply chain disruptions, inefficient production while curbs on migration into the US could create labour shortages. Chinese exports rose by 7.1 percent to \$3.5 trillion, accelerating in last

couple of months, as Chinese businesses tried to avoid higher tariffs. Importers have been also eager to opt for more Chinese goods as internal deflation, and a weaker yuan, lowers the price of Chinese goods.

What does this mean for Fiji? In 2023, Fiji exported \$476.7 million of merchandise to the US while importing \$357.6 million of goods, resulting in a trade surplus of \$119.1 million. United States is the only country Fiji has merchandise trade surplus with. Beverage exports to the US stood at \$317 million in 2023, most of which was mineral water. Given that these goods fall in the luxury side of things, the additional tariff might not hinder consumer behaviour, leading to price increases. Also, the exporters may consider reducing the exports prices to stay competitive. Trump plans to impose a 60 percent tariff on China, 25 percent on Mexico and Canada. There is also a universal 10 percent tariff which Trump plans, and Fiji’s exports should fall in this category of tariffs.

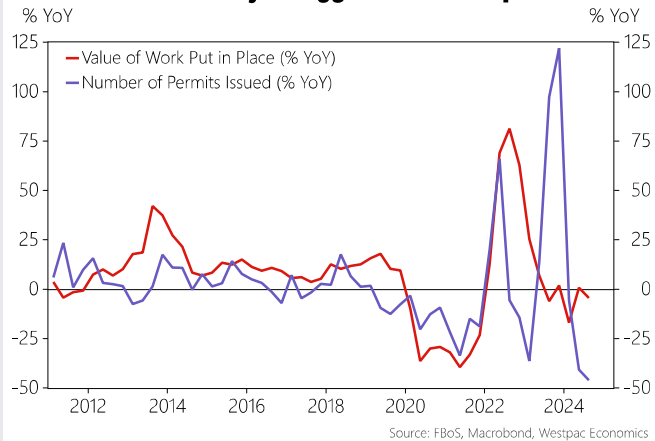


Data Wrap

Construction sector downbeat

The construction sector was subdued in 2024. The value of work put in place in the construction sector declined by 7.4 percent during the first three quarters of 2024, totalling \$372.21 million. In the third quarter of 2024, work-put-in-place dropped by 4.5 percent. During the same period, the number and value of completion certificates issued were in the negative double-digit territory. In the first three-quarters of 2024, the number of completion certificates issued stood at 251, a decline of 47.1 percent while the value dropped to \$67.14 million, a 20 percent decline.

Construction activity struggles to catch up

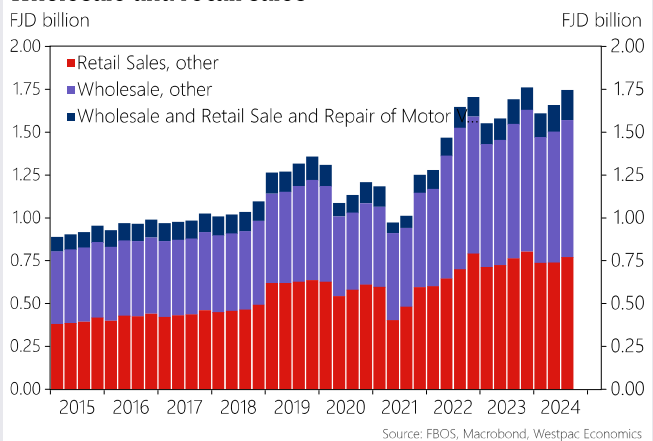


Wholesale and retail sales upbeat

Wholesale and retail sales reached \$5.0 billion in the first three-quarters of 2024; a gain of 3.9 percent compared to the corresponding period in 2023. Motor vehicle trade and repairs, wholesale and retail activities rose 20 percent while other wholesale rose by 2.9 percent and retail sales was up by a more modest 2.1 percent.

There has been a robust growth in wholesale and retail sales sector post-pandemic. While the nominal value of wholesale and retail sales have grown, factoring in inflation which on average stood at 4.5 percent during 2024 and 1.3 percent in December 2024, real growth in sales has been flat.

Wholesale and retail sales

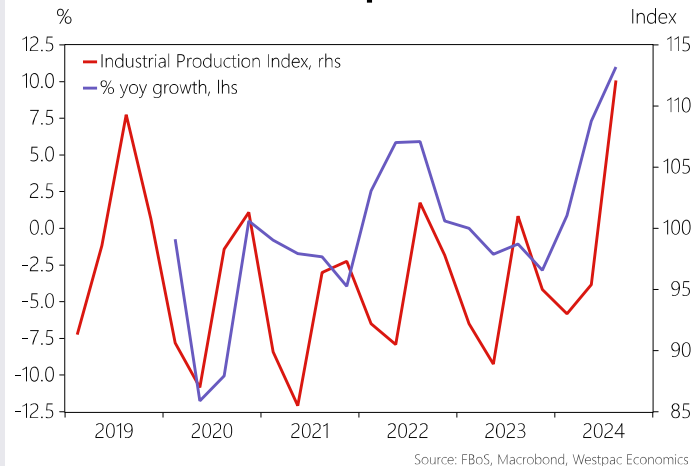


Data Wrap

Industrial activity improved in 2024

In the third quarter of 2024, for the first time since the pandemic, industrial production has surpassed 2019 levels, higher by 11.0 percent year-on-year with the index reaching 112. Manufacturing has been the main contributor towards the uplift in industrial production, rising by 12.2 percent, while sugar production was subdued at 1.8 percent and mining & quarry activity noting a significant decline of 12.6 percent. Manufacture of frozen poultry, meat and canned fish, which takes significant share of industrial production index, noted no major change, remaining relatively stable over the year during the first three quarters. The largest sector in industrial production, the manufacture of soft drinks, mineral water, yaqona and tobacco, grew by 7.5 percent during the first three quarters. Overall, the industrial sectors have performed well looking at the first three quarters data in 2024. However, sugar production growth was modest and is expected to fall further with early mill closures and a lower than projected sugarcane harvest.

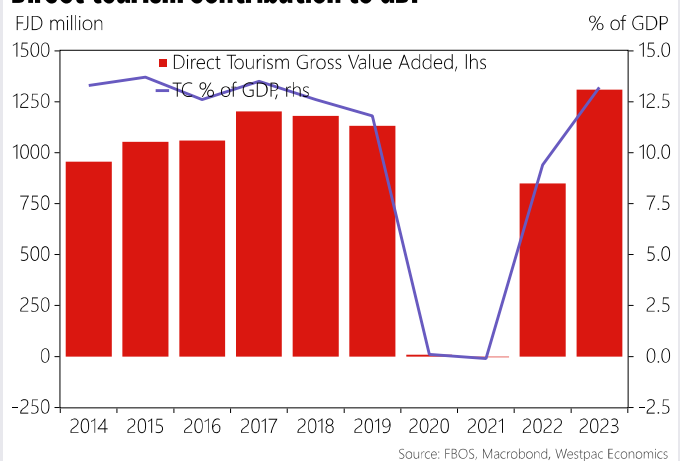
Industrial Production index up in 9 months of 2024



Direct tourism gross value-added recovers to 2017 levels

Examining Fiji's tourism data from 2014 to 2023 reveals significant trends and impacts on the economy. From 2014 to 2019, the tourism sector showed consistent growth, directly contributing around 12.6% to 13.7% to Fiji's GDP. Despite minor fluctuations, this period reflected the importance of tourism to the nation's economic health. Direct Tourism Gross Value Added is measure of the value generated from tourism and the other industries of the economy that directly serve international visitors as well as domestic tourism.

Direct tourism contribution to GDP



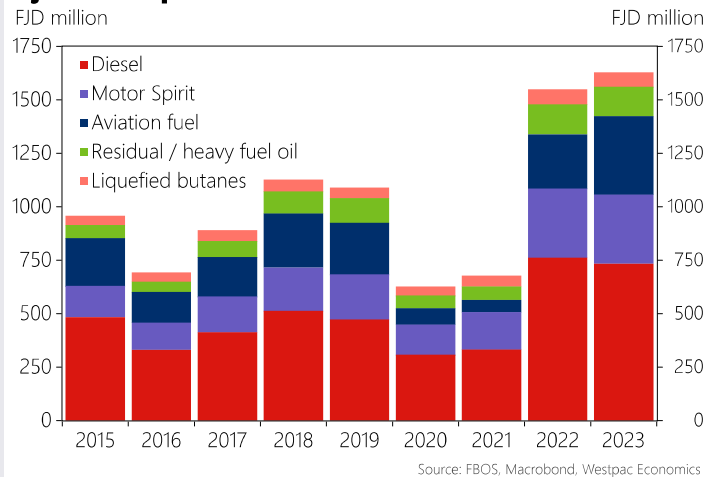
The COVID-19 pandemic drastically impacted the sector in 2020 and 2021. In 2020, the tourism value plummeted to just FJD 9 million, a mere 0.1% of GDP, and further declined to negative figures in 2021, highlighting the severe economic consequences. The recovery phase began in 2022 with a partial rebound to FJD 849.8 million, contributing 9.4% to GDP. In 2023, the sector made a remarkable recovery, surpassing pre-pandemic levels with provisional Direct Tourism Gross Value Added standing at \$1,308.6 million, representing 13.2% of the total Gross Value Added. This rebound underscores the significant economic role of Fiji's tourism industry, even after such unprecedented challenges.

Data Wrap

Fiji's fuel import bill rose dramatically during the post-pandemic era.

Fiji's fuel import bill rose to \$1.6 billion in 2023, up by 5.1 percent from the prior year and almost 50 percent higher compared to 2019 levels. Diesel consistently constitutes the largest share of Fiji's fuel imports, reflecting its crucial role in powering the economy, followed by aviation fuel and then motor spirit. Aviation fuel imports exhibited significant fluctuations, strongly correlating with the dynamics of the tourism sector. The sharp decline in 2020 is directly attributable to the pandemic and its impact on international travel. Motor spirit imports show a more consistent upward trend, with notable increases in 2017, 2018 and 2022, likely reflecting the growing number of vehicles in Fiji and low reluctance among the population purchasing electric or hybrid vehicles. The post-pandemic era notes rising fuel imports for Fiji, which was exacerbated by not only the rebound in economic activity and demand, but also high crude oil and refined mineral fuel prices. Fuel prices rose dramatically due to Russia-Ukraine conflict and OPEC+ production cuts. The 2024 fuel import bill is expected to have dropped slightly due to oil prices falling.

Fiji's fuel import cost rose to \$1.6 billion in 2023



Building material prices have grown significant in the last decade.

The cost of construction has spiralled upwards in Fiji. Since 2014, building material prices have gone up by 39.2 percent, across a spectrum of items and critical inputs.

Since 2014, the largest increase has been for wood and related materials, which rose 61.7 percent (4.5 percent Sept-24 yoy). This was followed by prices of electrical products rising 51.8 percent in the last decade while plumbing ware lifted 41.2 percent.

Cement, which takes up just over half of the basket, prices on aggregate have risen by 39.3 percent in the last decade. Similar trends are visible across paint & glass +39.3 percent, iron & steel +10.8 percent and door & window frame +9.9 percent.

Only floor and wall tiles' prices have stayed relatively stagnant over last 10 years.





ECONOMIC & FINANCIAL STATISTICS AND OUTLOOK

Economic activity forecasts

Indicators (% YoY unless otherwise)	2022	2023p	2024f	2025f	2026f	2027f
Real GDP growth	19.8	7.5	3.0	3.4	3.3	3.3
Inflation, average	4.3	2.4	4.9	3.2	2.6	2.6
Inflation, year-end	3.1	5.1	3.8	2.9	2.6	2.6
GDP Deflator	2.5	4.1	4.5	3.2	3.1	3.0
Visitor Arrivals	1,912.5	46.1	6.3	5.0	4.5	4.5
Tourism earnings	2,013.7	55.1	8.1	6.9	6.7	7.0
Remittances	23.6	20.4	6.9	5.0	5.0	5.0

Sources: FBoS, Westpac Fiji Estimates

Key economic statistics

Fiji	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Visitor arrivals (%)	7.0	6.7	6.9	6.3	6.5	6.2
Net VAT (%)	38.3	41.9	46.1	39.7	34.6	n. a
Personal remittance (%)	5.0	3.1	6.6	6.9	n. a	n. a
Private sector credit (%)	11.5	11.6	11.6	11.2	11.2	11.4
Liquidity (F\$M)	1,919.30	2,128.60	2,226.60	2,343.00	2,413.10	2,286.60
Foreign reserves (F\$M)	3,304.50	3,581.10	3,717.80	3,762.00	3,856.80	3,766.80
Months of retained imports	5.3	5.8	6.0	6.1	6.2	6.1
Inflation (%)	6.7	6.8	5.4	4.2	3.6	0.8
Overnight policy rate (OPR)	0.25	0.25	0.25	0.25	0.25	0.25

Source: RBF, FBOS and Ministry of Finance. Cumulative year-on-year % change

Fiji government yields

Month	3 mths	6 mths	12 mths	10 yrs	15 yrs	20 yrs
Dec-24	0.15	0.40	1.14	3.90	4.15	5.00
Nov-24	0.15	0.40	1.14	3.90	4.15	5.00
Oct-24	0.15	0.40	1.14	3.90	4.15	5.00
Sep-24	0.10	0.35	1.14	3.90	4.15	5.00
Aug-24	0.10	0.35	1.14	3.90	4.15	5.00
Jul-24	0.10	0.35	0.93	3.90	4.15	5.00
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

Source: Reserve Bank of Fiji and Ministry of Finance

Global and trading partner growth forecast

Economies	2020	2021	2022	2023	2024	2025	2026
World	-2.7	6.5	3.5	3.2	3.3	3.3	3.3
United States	-2.2	5.8	1.9	2.9	2.8	2.4	2.0
China	2.2	8.4	3.0	5.2	5.0	4.8	4.5
Japan	-4.1	2.6	1.0	1.9	-0.1	1.2	1.0
India	-5.8	9.7	7.0	7.8	6.8	6.8	6.5
Europe	-6.1	5.9	3.4	0.4	0.8	1.3	1.5
Australia	-2.1	5.5	3.9	2.0	1.3	2.2	2.4
New Zealand	-1.4	5.6	2.4	0.7	-0.1	1.4	2.8

Source: Westpac Economics December-January Market Outlook

Interest rate forecast

Economies	Latest	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Australia									
Cash	4.35	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35
10 Year Bond	4.42	4.35	4.35	4.45	4.55	4.65	4.75	4.85	4.85
United States									
Fed Funds	4.375	4.125	4.875	4.625	3.375	3.375	3.375	3.625	3.875
10 Year Bond	4.54	4.30	4.30	4.40	4.50	4.60	4.70	4.80	4.80
New Zealand									
Cash	4.25	3.75	3.25	3.25	3.25	3.25	3.50	3.75	3.75
10 Year Bond	4.50	4.40	4.50	4.55	4.65	4.75	4.80	4.85	4.85

Source: Westpac Economics Forecast

Exchange rate forecast (Majors)

Majors	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
AUD/USD	0.6222	0.65	0.65	0.66	0.66	0.67	0.68	0.69	0.70
NZD/USD	0.5643	0.58	0.58	0.57	0.57	0.58	0.58	0.59	0.60
USD/JPY	154.24	151	150	149	148	146	144	142	141
EUR/USD	1.0389	1.06	1.07	1.08	1.09	1.10	1.10	1.11	1.11
GBP/USD	1.2422	1.28	1.29	1.30	1.31	1.32	1.33	1.33	1.33
USD/CNY	7.2446	7.30	7.25	7.20	7.15	7.10	7.05	6.95	6.85
AUD/NZD	1.1027	1.12	1.12	1.15	1.16	1.16	1.17	1.17	1.16

Source: Westpac Economics



Exchange rate forecast (Fiji Dollar Majors)

FJD vs	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
USD	0.4267	0.43	0.43	0.44	0.44	0.44	0.44	0.45	0.45
AUD	0.6839	0.67	0.67	0.66	0.66	0.66	0.65	0.65	0.64
NZD	0.7543	0.75	0.75	0.76	0.76	0.76	0.76	0.76	0.75
JPY	65.73	65.64	65.25	64.91	64.52	64.22	63.65	63.33	63.29
EUR	0.4091	0.41	0.41	0.40	0.40	0.40	0.40	0.40	0.40
PGK	1.7269	1.74	1.78	1.81	1.81	1.83	1.80	1.76	1.77

Source: Westpac Economics

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