



RESERVE BANK OF FIJI



QUARTERLY REVIEW MARCH 2024

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QUARTERLY REVIEW OF THE ECONOMY & FINANCIAL CONDITIONS

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OVERVIEW

The April World Economic Outlook (WEO) report by the International Monetary Fund (IMF) predicts that global economic expansion will continue at a steady pace of 3.2 percent in 2024 and 2025, the same as in 2023. Growth in 2024 reflects a 0.1 percentage point improvement attributed to the remarkable resilience of the global economy and the improved demand conditions that materialised towards the end of 2023. Consumption activity was partially funded by household savings and better incomes from strengthened labour markets. This adaptability and demand upturn are expected to continue into 2024.

In the domestic economy, recent indicators from the past three months show some slowdown, suggesting a return to growth trend following the strong post-pandemic recovery over the last two years. Positive sentiments were expressed in the RBF's February 2024 Business Expectations Survey (BES) and Retail Sales Survey (RSS), however results also indicate less optimism in the economy.

Broadly, production in the natural resource sectors of the economy continues to be affected due to industry-specific challenges. For instance, mineral water (-35.4%) production fell while the performance of the timber and related industry output remains dismal in the review period. In contrast, the tourism industry continues to perform above expectations with the number of international visitors increasing to 194,391, an annual growth of 10.9 percent in the March quarter of 2024. However, tight labour market, infrastructure, weather impacted access, and capacity constraints related to accommodation may impact the sectoral outlook for sector this year.

Consumption spending shows signs of deceleration. Despite the increase in income (as proxied by PAYE collections, wages paid data from FNPF and inward remittances), the rate of growth in Domestic Value Added Tax (VAT) collections remained lower (33.6% cumulative to March 2024) when compared to the same period in 2023 (64.4%), denoting subdued spending behavior amidst higher prices. New consumption-related lending, a leading indicator for consumption activity, also moderated on a quarterly basis (to 7.0% in March 2024 from 11.6% in December 2023), driven primarily by the wholesale & retail sector. In addition, lower retail sales sentiments were echoed in the RSS in comparison to last year.

The pace of investment activity remained weak, with sentiments in the BES pointing to a slow uptake in investment-related projects. Notably, new credit issued for investment purposes dropped by 29.6 percent cumulative to March, underpinned by lower credit to the building & construction (-31.9%) and the real estate (-27.2%) sectors. Similarly, new loans to private individuals (second home investment) contracted by 36.9 percent. While prices of building materials (Building Material Price Index) have moderated, prices are still high compared to pre-pandemic levels.

Labour market conditions continued to be tight, reflecting higher outward migration of labour. To replace the lost labour, higher recruitment intentions were noted in the March quarter of 2024 (15.6%) by the RBF's job advertisement survey.

On the prices front, the annual headline inflation rate rose by 4.6 percent in March 2024. Higher prices for food and non-

alcoholic beverages, alcoholic beverages, tobacco & narcotics, transport, restaurants & hotels, housing & utilities, furnishing, health and miscellaneous categories underpinned this outcome.

Financial sector conditions were favourable with adequate liquidity and historically low lending rates which continues to support the country's growth efforts. However, in the March quarter, there was a 14.8 percent decline in new lending by commercial banks.

On the external front, cumulative to February 2024, Fiji's trade deficit¹ narrowed by 3.5 percent, driven by a 8.5 percent growth in exports which outpaced a 0.6 percent growth in import payments. Inward personal

remittances grew by 9.8 percent to \$189.7 million in the first two months of the year with most funds being channelled via mobile network operators and foreign exchange dealers.

Foreign reserves (RBF holdings) stood at \$3,146.8 million in March 2024, sufficient to cover 5.1 months of retained imports (MORI).

Given the comfortable outlook for inflation and foreign reserves, the RBF maintained its monetary policy stance and kept the overnight policy rate at 0.25 percent in the March quarter to support economic growth and financial stability.

¹ Trade deficit (value of imports exceeding the value of exports) excluding aircraft.

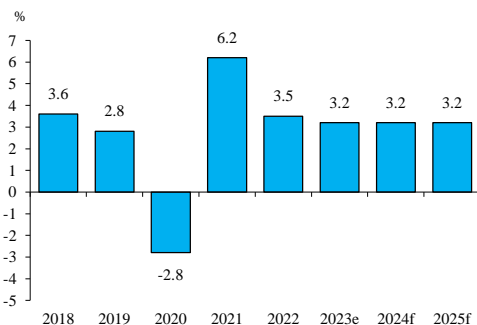
THE INTERNATIONAL ECONOMY

International Economic Conditions

According to the IMF in its April WEO, the global economy will continue to expand at a steady pace of 3.2 percent in 2024 and 2025, the same as in 2023 (Graph 1). Despite significant Central Bank interest rate hikes aimed at restoring price stability the global economy has been surprisingly resilient. This can be attributed to an improvement in incomes and the ability of households in major advanced economies to draw on substantial savings accumulated during the pandemic to fund consumption.

Going forward, the adaptability and improved demand are expected to continue into 2024 and 2025, while global inflation is forecasted to decline steadily from 6.8 percent in 2023 to 5.9 percent in 2024.

Graph 1
World GDP Growth Rates



Source: IMF WEO, April 2024
e- estimate
f- forecast

The economies of Fiji's major trading partners (TPEs) experienced slow and uneven growth in the first quarter of 2024. The US economy remained healthy with an annualised growth rate of 1.6 percent in the first quarter of 2024. China's economy also

grew by 1.6 percent (seasonally adjusted) in the March quarter of 2024 but remains affected by the downturn in its property sector. Australia and Japan both had slower economic activity, expanding by 0.2 percent and 0.1 percent, respectively in the December quarter. New Zealand on the other hand, entered a technical recession in the December 2023 quarter due to aggressive monetary policy tightening and a decline in investment. The unemployment rate across the TPEs remains low, indicating relatively tight labour market conditions.

Inflation in various countries is gradually easing towards respective Central Bank target ranges. In Australia, the annual inflation rate stood at 3.6 percent in the March quarter, lower from 4.1 percent recorded in the December quarter, but still slightly above the Reserve Bank of Australia's 2-3 percent target range. In New Zealand, the annual inflation rate eased to 4.0 percent in the March quarter of 2024 from 4.7 percent in the December quarter but is above the central bank's target band of 1-3 percent. Furthermore, inflation has slowed down in the Euro Area, China and India in the review period but remains above the respective central banks' target ranges except for China, whose inflation is below its target range of 3 percent. On the other hand, price pressures modestly accelerated in the US and Japan to 3.5 percent and 2.7 percent, respectively, in March.

During the first quarter of 2024, the central banks of Fiji's major trading partner economies held their key policy interest rates steady in their respective monetary policy meetings. The only exception was the Bank of Japan, which increased its rates from -0.10

percent to a band range of 0- 0.10 percent to achieve its inflation target sustainably. Other policymakers believed that their restrictive monetary policy stance was necessary to reduce inflationary pressures further. (Table 1)

Table 1
TPE’s Policy Interest Rates

Policy Interest Rate (%)	Jan	Feb	Mar
US Federal Reserve	5.25-5.50	5.25-5.50	5.25-5.50
Reserve Bank of Australia	4.35	4.35	4.35
Reserve Bank of New Zealand	5.50	5.50	5.50
European Central Bank	4.50	4.50	4.50
Bank of Japan	(-0.1)	(-0.1)	(0-0.1)
Reserve Bank of India	6.50	6.50	6.50
People’s Bank of China	3.45	3.45	3.45

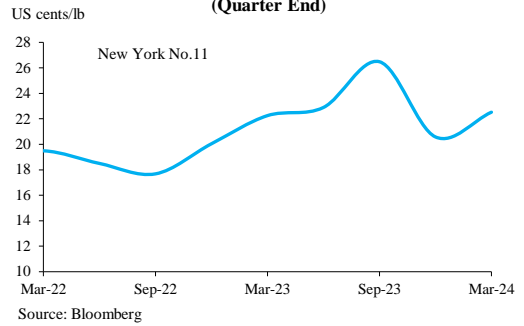
Source: Various Central Bank websites

Commodity prices mostly trended higher in the March quarter as geopolitical tensions flared uncertainty in the commodity markets.

World market sugar² prices rose significantly in March to US\$22.52 cents per pound, 9.4 percent higher than in December, underpinned by weak production prospects from the major producers - Brazil, India and Thailand (Graph 2).

Graph 2

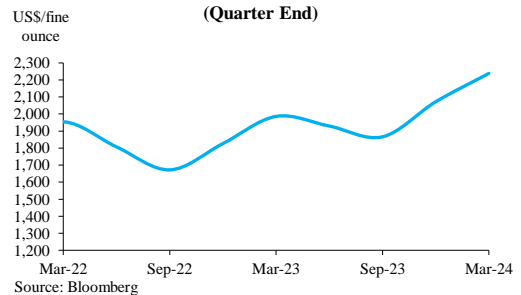
Sugar Price
(Quarter End)



Gold prices rose to a high US\$2,238.40 per fine ounce (oz.) in March, 8.0 percent higher than in December. With gold considered as a resilient investment, the hike in price reflected heightened geopolitical uncertainty, more investors betting for gold as they anticipate the US Federal Reserve to cut interest rates and also due to central banks (led by China) buying up gold to reduce their dependence on the US dollar (Graph 3).

Graph 3

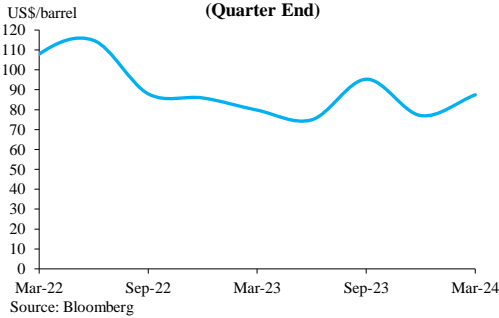
Gold Price
(Quarter End)



² Month-end world market sugar prices as per the New York No. 11 benchmark.

The price of **Brent crude oil** rose on a quarterly basis by 13.6 percent to US\$87.48 per barrel in March amid continued geopolitical tensions and OPEC+³ producers maintaining a global production deficit of 2.2 million barrels per day (Graph 4).

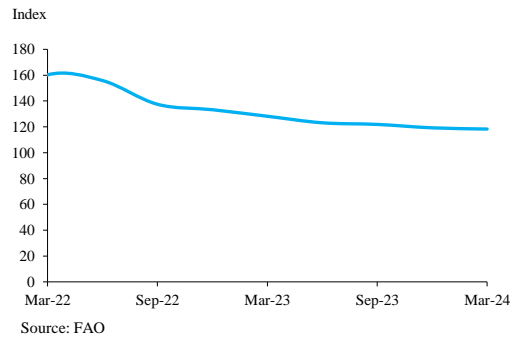
Graph 4
Crude Oil Price
 (Quarter End)



While **global food prices**⁴ eased further by 0.8 percent from December 2023 to 118.3

points in March 2024, international food prices in March saw their first increase in seven months on the back of higher quotations for vegetable oils, dairy products, and meat, although the rate of growth was the slowest since the invasion of Ukraine.

Graph 5
FAO Food Price Index



³ Organization of the Petroleum Exporting Countries and its allies.

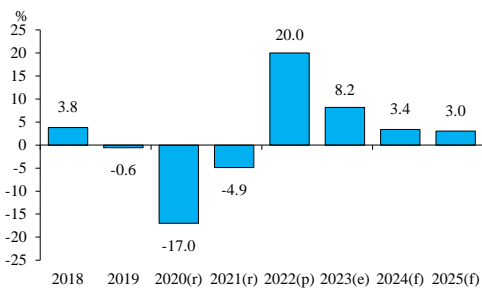
⁴ As measured by the United Nations Food and Agriculture Organisation (FAO) Food Price Index.

THE DOMESTIC ECONOMY

Domestic Economic Conditions

The Fijian economy is expected to slow down, suggesting a return to the growth trend following the strong post-pandemic recovery over the last two years as indicated by recent economic indicators.

Graph 6
GDP Growth Rate



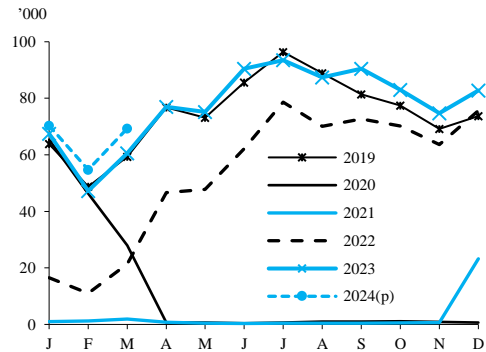
Sources: FBOS and Macroeconomic Committee
 r - revised
 p - provisional
 e - estimate
 f - forecast

Production

Generally, sectoral production remains weak due to industry-specific challenges and delayed materialisation of certain industry improvements. However, the tourism and related sectors’ performance continued to be steady.

Cumulative to March, visitor arrivals increased by 10.9 percent to 194,391 tourists (Graph 7), from 175,284 visitors in the comparable 2023 period. Australia continues to account for a large share of tourists that visited Fiji, although a mere 0.2 percent increase annually. Nonetheless, tourists from China (182.1%), New Zealand (16.0%), and the US (19.6%) boosted visitor numbers.

Graph 7
Monthly Visitor Arrivals

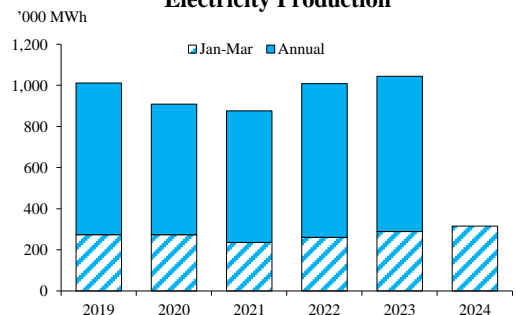


Source: FBOS
 p - provisional

Notably, visitor arrivals in March alone grew annually by 14.5 percent to 69,335 visitors, the highest recorded for that month in a 10-year period.

In the year to March, electricity production by the Energy Fiji Limited (EFL) totalled 315,002 Megawatt hours (MWh), an 8.9 percent increase over the comparative period last year (Graph 8). Renewable energy sources accounted for 66.3 percent of total electricity generated in the review period.

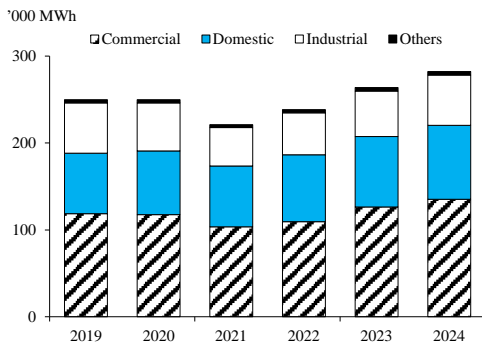
Graph 8
Electricity Production



Source: EFL

Similarly, electricity consumption rose by 6.9 percent (to 282,054 MWh) cumulative to March, mainly due to increased demand from domestic (4.9%), industrial (9.9%), and commercial (7.1%) consumers (Graph 9).

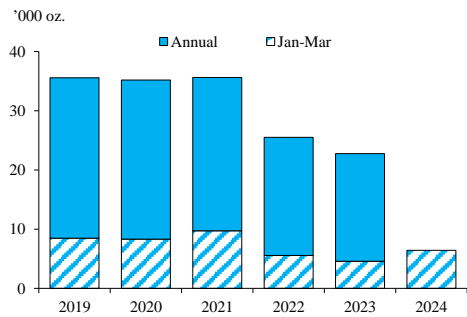
Graph 9
Electricity Consumption
(Jan-Mar)



Source: EFL

Gold production cumulative to March has been boosted by the operation of Lion One Metals,⁵ which together with Vatukoula Gold Mines Limited (VGML), has increased the gold production by 40.4 percent to 6,404 ounces, in contrast to an 18.1 percent decline noted by VGML alone in the same period a year ago (Graph 10). On the other hand, mineral water production fell in the same period by 35.4 percent.

Graph 10
Gold Production



Sources: VGML and Lion One Metals

The performance of the forestry industry was mixed. In the year to March, pinewood supply fell by 41.6 percent (to 11,184 tonnes), mainly driven by dip in pulp production. The lower pulp production led to a decline in wood chip production (-19.8% to 9,013 tonnes). On the other hand, saw log production increased by 25.5 percent leading to higher production for sawn timber to 3,014 cubic metres (m³). Contrastingly, mahogany production contracted by 22.9 percent to 3,200 m³ in the same period.

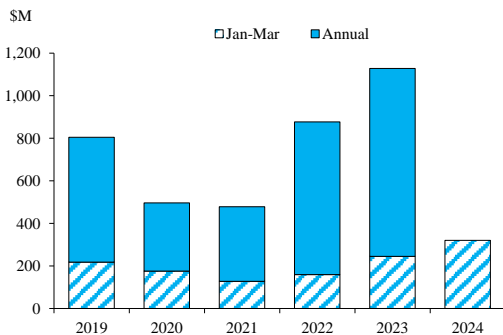
⁵ Lion One Metals' Tuvatu Gold Mine project, commenced gold extraction in December 2023.

Consumption

Consumption activity in the first quarter of 2024 showed signs of deceleration.

Receipts from the consumption tax (net VAT) rose by 30.8 percent (to \$319.7m) in the year to March, as higher domestic (33.6% to \$209.4m) and customs import VAT (47.7% to \$201.1m), coupled with the rise in other Government VAT (2.7% to \$3.1m), more-than-offset the increase in refunds (83.5% to \$93.5m) (Graph 11).⁶ However as shown by the comparative 2023 period (a 53.3% rise in net VAT collections), the rate of growth has slowed. Additionally, the Wholesale and Retail Trade Survey revealed that total sales/service income increased annually by 8.0 percent to \$6,589 million in 2023.⁷

Graph 11
Net VAT Collections



Source: Fiji Revenue & Customs Service

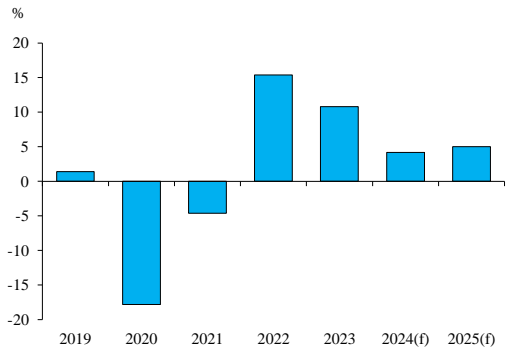
Commercial banks’ new lending for consumption purposes grew by 7.0 percent over the quarter to \$415.0 million, driven by increased disbursement of new loans to the households category (13.0% to \$62.0m) and the WRHR⁸ sector (6.0% to \$353.0m). However, growth stood lower than the 11.6 percent in the previous quarter.

⁶ Effective 1 August 2023, the VAT rate on non-essential items increased from 9 percent to 15 percent.

Likewise, vehicle registrations increased by 20.4 percent (from a 17.0% fall a year ago) cumulative to March 2024, underpinned by higher registrations of second-hand vehicles and new cars.

In tandem, sentiments around the general slowdown resonated with the RBF’s February 2024 RSS which now expects a slower growth in retail sales of 4.2 percent in 2024 from 9.4 percent anticipated in the previous survey (Graph 12).

Graph 12
Retail Sales Survey



Source: RBF

Investment

Investment activity remained weak, with investor sentiments pointing to a slow uptake in projects.

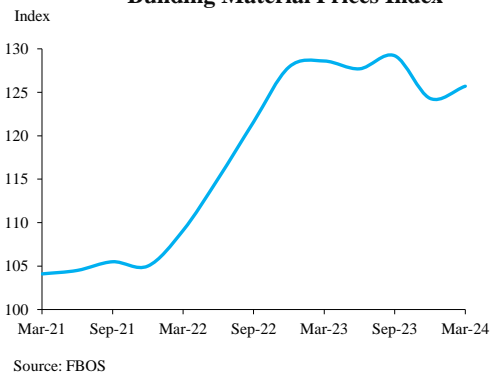
New credit for investment purposes dropped by 29.6 percent cumulative to March to \$169.2 million, underpinned by lower credit to the building & construction (-31.9% to \$45.0m) and real estate (-27.2% to \$106.6m) sectors. Similarly, new loans to households for second home investment contracted by 36.9 percent (to \$17.6m).

⁷ This survey is undertaken by the Fiji Bureau of Statistics on a quarterly basis.

⁸ WRHR – wholesale, retail, hotels, and restaurants.

While, domestic cement sales increased by 12.3 percent in the year to March, prices of building materials rose (1.1%) over the previous quarter, boosted by higher prices largely in the cement & related materials, iron & steel, electrical products, and wood & related materials, which more-than-offset the fall in prices of floor & wall tiles and plumbing ware (Graph 13), hence slowing investment activity.

Graph 13
Building Material Prices Index



In 2023, the estimated value of work put-in-place, a measure of construction activity, was higher (by 6.0% to \$557.9m) on an annual basis as a result of more public (10.7%) and private (2.8%) construction works. Similarly, the total value strengthened by 16.5 percent in the December quarter.

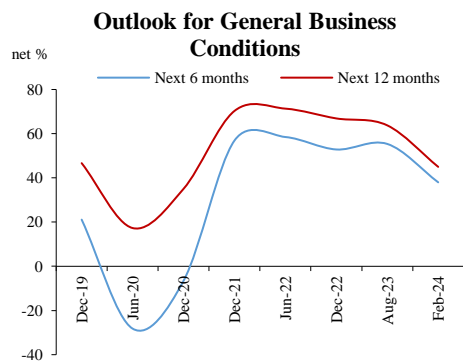
Building permits issued – a forward-looking indicator for construction activity – increased over the quarter, both in number (4.5%), and value (15.3%) in the December

2023 quarter. The number and value rose (38.0% and 0.2%, respectively) on an annual basis as well.

According to the RBF’s February 2024 BES results (a leading indicator), firms plan to increase their investment in plants & machinery in the near to medium term, although sentiments are lower than the previous survey. Businesses’ intentions to invest in buildings in the next 6-12 months has declined.

Furthermore, overall business confidence remains positive but lower for the next 6 months, as indicated by a net positive⁹ 37.7 percent of respondents in comparison to the 55.4 percent in the August 2023 Survey (Graph 14). Sentiments were positive across the surveyed sectors, except for the information & communication (ICT) sector, forestry & logging and tourism sectors. Respondents from the other 12 economic sectors expressed more optimistic views.¹⁰

Graph 14



⁹ The net balance reflects the general direction of change (difference between the number of respondents expecting an increase and respondents expecting a decrease). A positive value implies an improvement in outlook and vice versa.

¹⁰ Sectors that expressed positive sentiments in the next 6 months included: mining & quarrying; electricity, gas, steam & air-conditioning supply; water supply, sewerage, waste management & remediation activities; human health & social work; real estate; construction; transport & storage; finance & insurance; wholesale & retail sales; business services; manufacturing; and education sectors.

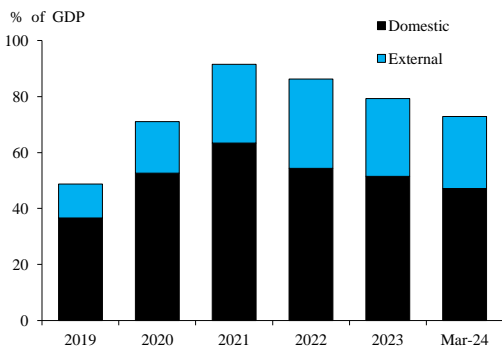
For the medium term, firms remain optimistic with a net positive 45.4 percent of respondents anticipating business conditions to improve although lower than the August 2023 survey outcome (a net 64.0% of respondents). Respondents from all economic sectors expect favourable business conditions in the medium term, except for the ICT, forestry & logging and business services sectors.

However, existing issues such as shortage of skilled labour, higher operational costs, infrastructure capacity, and barriers to doing business, can impact investment plans going forward.

Public Finance

Government debt stood at \$9,974.0 million in March 2024, or 72.8 percent of GDP (Graph 15). Domestically denominated debt totalled \$6,454.3 million (47.1% of GDP), while external debt stood at \$3,519.6 million (25.7% of GDP).

Graph 15
Government Debt

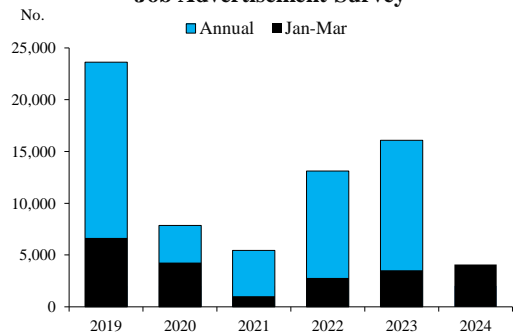


Sources: Ministry of Finance, Strategic Planning, National Development and Statistics, RBF

Labour Market

Labour market conditions remained tight, reflecting higher outward migration of labour. As per the RBF Job Advertisement Survey, the number of jobs advertised rose by 15.6 percent cumulative to March, from a rise of 27.5 percent in the comparative previous year (Graph 16). The outturn was due to improved recruitment intentions mostly in the agriculture; construction; and transport, storage & communication sectors.

Graph 16
Job Advertisement Survey



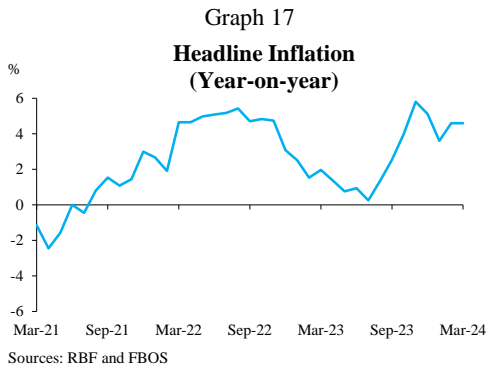
Sources: The Fiji Times and Fiji Sun

Staff retention strategies due to labour shortage, inflation adjustment to salaries along with higher labour demand in some sectors may have pushed wages higher, as reflected in the PAYE tax collections increasing annually by 20.6 percent (to \$50.6m) in the review period, surpassing the 17.1 percent growth noted in last year's corresponding period.

Inflation

The annual headline inflation rate in March stood at 4.6 percent, from 5.1 percent

recorded in the previous quarter. The outcome was underpinned by higher prices in the food and non-alcoholic beverages, alcoholic beverages, tobacco & narcotics, transport, restaurants & hotels, housing & utilities, furnishing, health and miscellaneous categories (Graph 17).



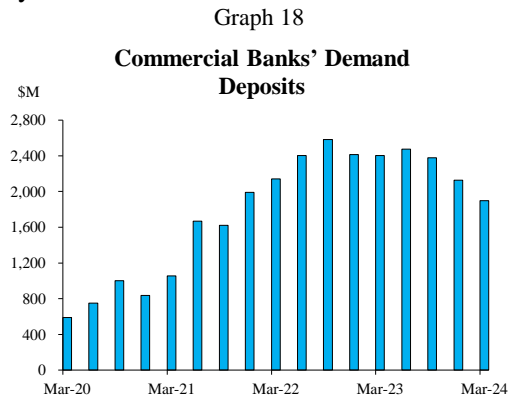
Going forward, the volatility in global commodity prices due to geopolitical tensions and the possibility of an increase in the national minimum wage rate are expected to have an upside risk to the inflation outlook. Nonetheless, inflation is expected to moderate to 3.0 percent by the end of the year.

Domestic Financial Conditions

The RBF maintained its accommodative monetary policy stance during the March quarter by keeping the overnight policy rate at 0.25 percent and ensuring adequate liquidity.

Excess liquidity in the banking system, as measured by the banks' demand deposits (BDD), remained adequate, although declining by 10.9 percent on a quarterly basis to \$1,896.1 million at the end of March (Graph 18).

The fall in BDD for the last three quarters was largely impacted by the decline in foreign reserves. Also accounting for the decline, although marginally, was the repayment towards RBF targeted lending facilities¹¹ by banks and FDB which effectively drew money out of the banking system.



Financial Intermediaries

Broad money (M3)/ Money supply increased slightly (0.9%) to \$11,243.0 million during the March quarter compared to the 1.9 percent growth noted in the December quarter. The bulk of the growth in M3 was led by **net domestic assets (NDA)** (4.1%), while **net foreign assets (NFA)** continued to decline over the quarter (-7.7%). The increase in NDA was attributed to increased private sector credit (2.2%), which are mostly commercial bank loans to private sector business entities (PSBEs) and to the household sector. Furthermore, net credit to (claims on) the central government position grew (21.7%, \$116.0m) due to the fall in demand deposit balances of the central government at commercial banks. The contraction in

¹¹ Since the beginning of this fiscal year, the RBF has ceased all lending under its Unconventional Monetary Policy facilities.

NFA was largely driven by the decline in gross reserves (-7.2%), which more-than-offset the decline in foreign liabilities (-0.8%) during the same period.

Narrow money (M1), a component of broad money, rose slightly (0.2%) in the March quarter compared to the 1.5 percent growth during the previous quarter, led by higher transferrable deposits (0.6%, \$42.4m), particularly demand deposits of non-bank financial institutions (NBFIs) which offset the lower demand deposit balances of PSBEs. This more-than-offset the decline in currency in circulation (-2.9%) in the review period, which emanated from the lower issuance of new notes over the quarter. Other deposits, a sub-component of M3 also increased (3.1%), driven by time deposits of PSBEs and NBFIs.

Commercial banks’ outstanding loans increased by 2.5 percent (by \$214.9m) in the March quarter to \$8,748.4 million, compared to a 3.2 percent growth in the previous quarter. The quarterly outcome was mainly due to higher lending to the WRHR, households, real estate, manufacturing and professional & business services sectors (Graph 19).

However, **new lending by commercial banks** fell by 14.8 percent (\$163.3m) cumulative to the March quarter, totalling \$942.6 million, largely underpinned by the decline in new credit to the transport & storage, real estate, building & construction and manufacturing sectors.

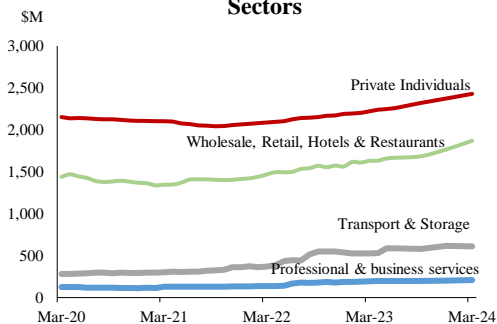
Commercial banks’ outstanding lending rates continued to decline while new lending and deposit rates increased over the review period. The weighted average outstanding lending rate reached a historical low of 4.72 percent, from 4.77 percent in the December quarter. However, the weighted average new lending rate rose to 4.86 percent from 4.77 percent in the previous quarter.

The weighted average existing time deposit rate rose further to 1.55 percent in March from 1.40 percent in December 2023. Similarly, the weighted average new time deposit rate increased to 2.05 percent from 1.52 percent over the same period. The upward movement in deposit rates, and the subsequent increase seen in new lending rates, can be attributed to the fall in liquidity levels.

As a result of these movements, both the outstanding (20bp) and new interest rate (43 bp) spread narrowed over the March quarter (Graph 20).

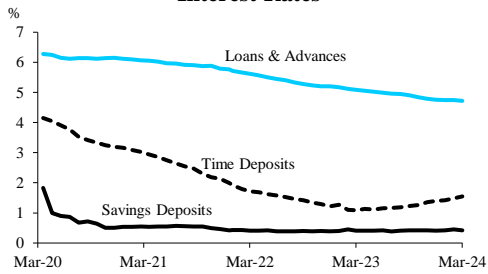
Graph 19

Commercial Banks’ Lending to Sectors



Source: RBF

Graph 20
Interest Rates



Note: The above are outstanding rates.

Source: RBF

Money Market

Government treasury bills were undersubscribed by \$41.0 million in the March quarter, with a total of \$99.0 million accepted on maturities of 91, 182, and 364 days, having respective yields¹² of 0.06, 0.11, and 0.20 percent. This is the first time since quarter two of 2019 that treasury bills were undersubscribed for two consecutive quarters.

Bond Market

The Fiji Government Infrastructure bonds were undersubscribed by \$58.0 million in the March quarter, and \$87.0 million was accepted on the 2 and 20 years maturities, with yields of 0.56 and 4.75 percent, respectively. Over the same period, \$1.9 million worth of Viti bonds were accepted on the 5, 7, and 10 years maturity, earning

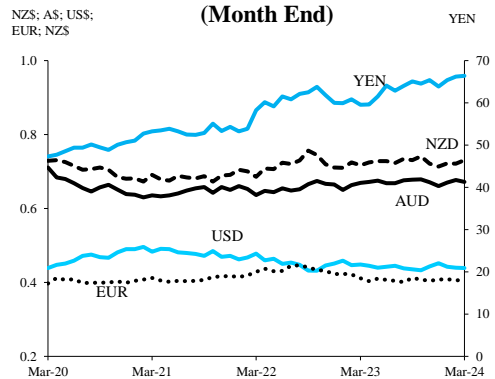
¹² Rates quoted for the money and bond market are the weighted average rates.

fixed rates of 3.00, 3.50, and 4.00 percent, respectively.

Exchange Markets

Exchange rate movements between the Fijian dollar (FJD) and major trading partner currencies remain generally mixed over the March quarter (Graph 21).

Graph 21
Exchange Rates
F\$/Selected Currencies
(Month End)



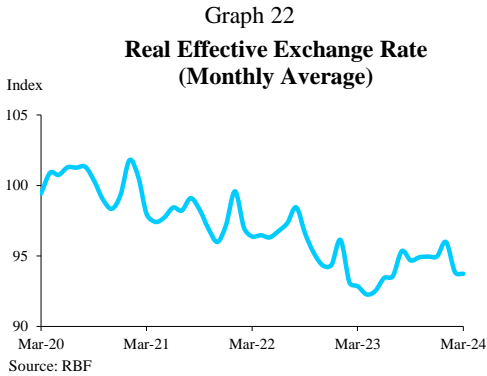
Source: RBF

On a quarterly basis, the FJD strengthened against the Japanese Yen (JPY) (3.8%), NZ dollar (NZD) (2.4%) and the Australian dollar (1.6%) but weakened against the US dollar (-2.9%) and the Euro (-0.7%).

The **Nominal Effective Exchange Rate¹³** index fell (-0.03%) over the March quarter reflecting a slight depreciation of the Fiji

¹³ The NEER is the sum of the indices of each trading partner country’s currency against the FJD, adjusted by their respective weights in the basket. This index measures the overall movement of the FJD against the basket of currencies. An increase in this index indicates a slight appreciation of the FJD against the basket of currencies and vice versa. New ER weights were implemented in November 2023.

dollar against the trading partner currencies. Similarly, the Real Effective Exchange Rate¹⁴ index fell by 1.3 percent, indicating an improvement in Fiji's international competitiveness due to lower domestic inflation relative to key trading partner economies (Graph 22).



Banking Industry Quarterly Condition Report – 31 December 2023

Overview – Commercial Banks

The overall performance of the commercial banking sector was assessed as satisfactory, based on satisfactory earnings, capital and liquidity positions with a marginal rating for asset quality.

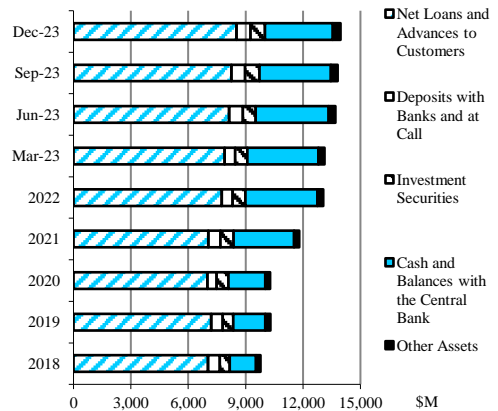
Balance Sheet

Total assets of commercial banks stood at \$14.0 billion with growth noted of 1.1 percent (or \$157.6m) and 7.0 percent (or \$907.7m) over the quarter and year respectively.

The growth over the quarter was mainly attributed to the increase in net loans (by \$277.9m), other assets (by \$53.8m), cash

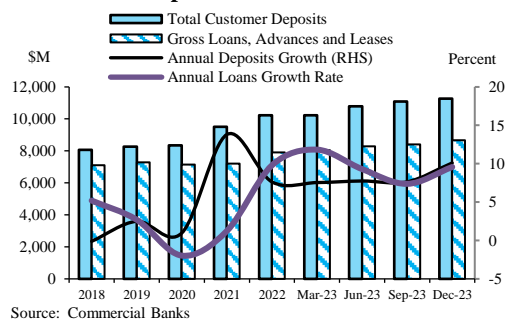
on hand (by \$43.8m) and statutory reserve deposits (by \$19.4m), off-set by the decline in exchange settlement account (by \$249.3m) (Graph 23).

Graph 23
Structural Change and Growth in Commercial Banks' Assets



Commercial banks' total deposits rose by \$164.5 million (or 1.5%) over the quarter to \$11.3 billion, largely attributed to time and demand deposits (Graph 24).

Graph 24
Commercial Banks' Customer Deposits and Loans



The growth in time deposits of 4.7 percent (or \$108.2m) over the quarter to \$2.4

competitiveness of the FJD against the basket of currencies. A decline in the REER index indicates an improvement in Fiji's international competitiveness and vice versa.

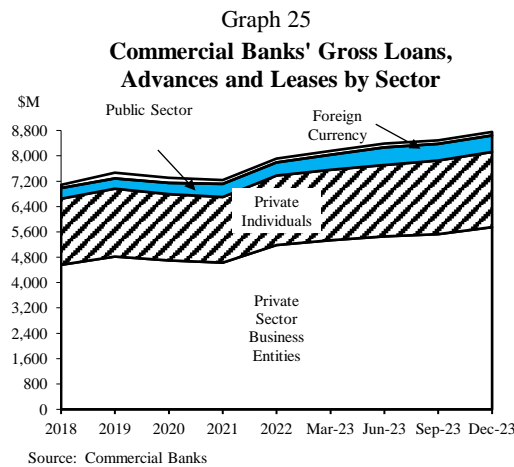
¹⁴ The REER index is the sum of each component of the NEER index, adjusted by the relative price differential between Fiji and each of Fiji's major trading partners. The index measures the

billion was underpinned by placements from non-bank financial institutions (NBFIs) (by \$72.0m) and public enterprises (PEs) (by \$54.7m), offset by maturities of private individuals (PIs) (by \$21.2m) deposits.

Similarly, demand deposits increased by 0.7 percent (or \$58.2m) to \$8.8 billion as a result of placements by PIs (by \$110.8m) and private sector business entities (PSBEs) (by \$60.1m), which outweighed the withdrawals of PEs (by \$79.5m), non-residents (by \$20.0m) and central Government (by \$15.8m) demand deposits.

Savings deposits further declined from \$50.6 million to \$48.6 million, mainly due to withdrawals of \$1.5 million by PIs.

Commercial banks’ gross loans & advances stood at \$8.7 billion, registering a growth of 3.2 percent (or \$267.7m) over the quarter and 9.6 percent (or \$756.9) over the year (Graph 25). The increase in lending over the quarter was largely driven by loans to PSBEs (by \$219.6m) and PIs (by \$55.1m).



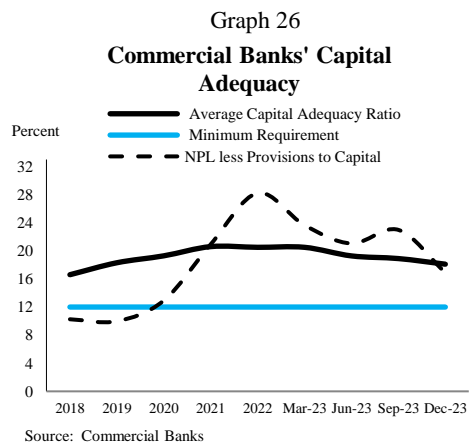
The wholesale, retail, hotels & restaurants (WRHR) sector, accounted for the majority

of the \$1.1 billion in new loans disbursed for the quarter at 30.1 percent (or \$333.1m), followed by PIs (\$180.3m), real estate (\$143.1m) and manufacturing (\$134.0m) sectors.

Capital Adequacy

Commercial banks’ combined capital adequacy ratio stood at 18.1 percent as at 31 December 2023 (September 2023: 18.9%). The decrease in capital adequacy ratio was due to growth in risk weighted assets by 2.4 percent (or \$201.1m) while total capital fell by 2.0 percent (or \$32.0m).

All commercial banks continued to comply with the prudential minimum capital adequacy requirement of 12.0 percent (Graph 26).



The increase in total risk weighted assets over the quarter was a result of the on-balance sheet exposures increasing by \$276.0 million, stemming largely from the 100 percent risk weighted assets category.

The prepayment of Tier 2 term subordinated debts (\$30.0m) contributed to the decrease in commercial banks’ total capital.

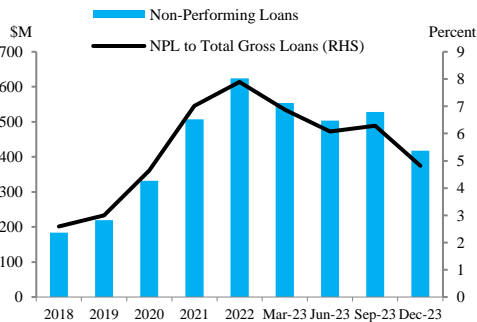
Non-performing loans (NPLs) less specific provisions to capital ratio stood at 16.9 percent, improving from 23.9 percent in the September 2023 quarter due to the decline in NPLs.

Asset Quality

Asset quality for commercial banks continued to be assessed as *marginal*, though classified exposures to gross loans ratio reduced to 4.8 percent (September 2023: 6.3%).

Graph 27

Commercial Banks' Non-Performing Loans



Source: Commercial Banks

Commercial banks' classified exposures declined considerably over the quarter by 21.0 percent (or \$110.7m) to \$417.4 million, largely due to the upgrading of substandard accounts (by \$90.9m). The doubtful and loss categories also noted declines by \$14.0 million and \$5.8 million, respectively. The industry's classified exposures remain dominant in the substandard category (\$238.4m), followed by doubtful (\$128.3m) and loss (\$50.7m) accounts. The special mention category noted an increase of 5.2 percent (or \$14.6m) to \$296.8 million.

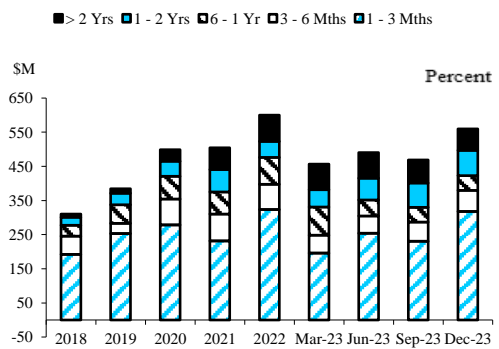
Total past due levels for commercial banks' rose moderately over the quarter by 1.3 percent (or \$3.1m) to \$241.5 million, as a result of the increase in accounts aged "1 - 6 months" (by \$5.4m) and "1 - 2 years" (by \$2.9m) (Graph 31).

Classified exposures in the review quarter, was concentrated in the real estate sector at 24.7 percent, followed by PIs (23.4%), WRHR (18.6%), transport & storage (14.4%) and building & construction (9.0%) sectors.

In terms of coverage, specific provisions fell over the quarter by 7.0 percent (or \$10.5m) to \$139.5 million due to the decrease in both collectively assessed provisions (by \$7.1m) and individually assessed provisions (by \$3.4m), reflective of the decline in the overall impaired assets¹⁵. Specific provisions to non-performing loans stood at 33.4 percent (September 2023: 28.4%)

Graph 28

Commercial Banks' Past Due Status



Source: Commercial Banks

¹⁵ Impaired Assets are those credit facilities and other assets which are not fully performing, for example, where the full amount of originally contracted interest is not being accrued

in the institution's income statement or where the need for a specific provision has been identified and allocated on a particular credit facility.

General reserve for credit losses (GRCL) remained relatively unchanged over the quarter at \$108.5 million, and covered 1.3 percent of net loans.

Earnings and Interest Spread

Commercial banks' earnings level was assessed as satisfactory, as net profit before tax grew by 10.0 percent (or \$9.6m) to \$105.1 million over the quarter. This was largely due to the decline in operating expenses by \$6.4 million. On an annual basis, net profit before tax increased by 45.8 percent (or \$33.0m) (Table 1).

The decline in operating expenses by 7.8 percent (or \$6.4m) to \$75.7 million was underpinned by the decrease in "other" expenses by \$5.6 million.

Similarly, operating income fell over the quarter by 0.8 percent (or \$1.4m) to \$167.2 million, driven by the \$2.7 million decline in net interest income.

As a result of the greater decrease in operating expenses compared to operating income, the efficiency ratio for commercial banks improved to 45.3 percent (September 2023: 48.7%) in the review quarter.

Bad debts & provisions decreased by \$4.6 million, due to the reduction in loan loss provisions (by \$4.6m), whereby collectively assessed provisions and individually assessed provisions declined by \$4.0 million and \$0.6 million,

respectively. Bad debt write-offs also declined marginally (by \$0.1m) and loan recoveries receded (by \$34k) during the quarter (September 2023: \$1.1m).

Table 1
Commercial Banks' Combined Income Statement

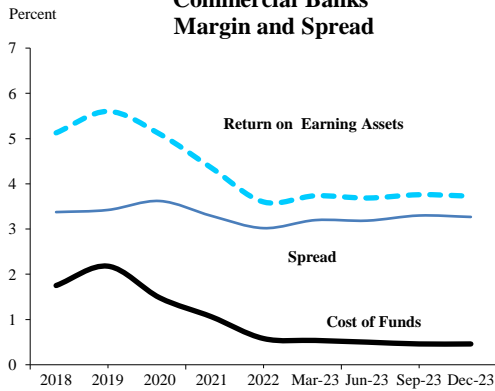
Quarter Performance \$M	Dec-22	Sep-23	Dec-23	% Change	
				Over Qtr.	Over Year
Interest Income	108.6	112.7	111.0	-1.5	2.2
Interest Expense	14.0	13.4	14.4	7.5	2.9
Net interest income	94.6	99.3	96.6	-2.7	2.1
<i>Add: Non interest income</i>	<i>54.8</i>	<i>69.4</i>	<i>70.6</i>	<i>1.7</i>	<i>28.8</i>
Income from overseas exchange transactions	22.0	30.0	29.1	-3.0	32.3
Commission	3.7	3.3	3.1	-6.1	-16.2
Fee Charges	19.7	23.0	21.3	-7.4	8.1
Other income	9.5	13.1	17.0	29.8	78.9
<i>Equals</i>					
Total operating income	149.4	168.6	167.2	-0.8	11.9
<i>Less: Operating expenses</i>	<i>67.2</i>	<i>82.1</i>	<i>75.7</i>	<i>-7.8</i>	<i>12.6</i>
<i>Less: Bad Debts & provisions</i>	<i>10.1</i>	<i>-8.9</i>	<i>-13.5</i>	<i>51.7</i>	<i>-233.7</i>
<i>Equals:</i>					
Profit before tax	72.1	95.5	105.1	10.1	45.8
<i>Less: Tax</i>	<i>13.0</i>	<i>20.3</i>	<i>25.3</i>	<i>24.6</i>	<i>94.6</i>
Net profit after tax	59.1	75.1	79.8	6.3	35.0

Source: Commercial Banks

The annualised return on assets (ROA) before tax stood at 2.7 percent (September 2023: 2.5%), supported by the increase in profits reported in the review quarter, while the combined annualised interest spread for commercial banks remained at 3.3 percent (Graph 29).

Graph 29

Commercial Banks' Margin and Spread



Source: Commercial Banks

Liquidity

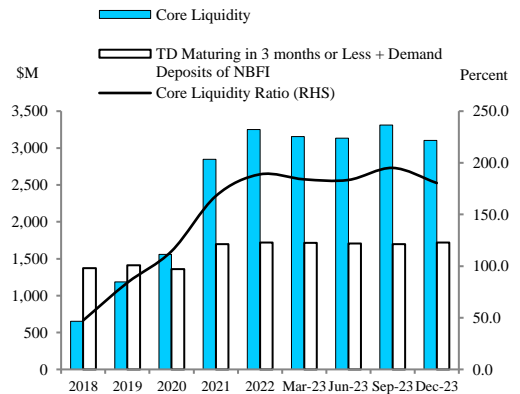
Commercial banks’ liquidity position continued to be assessed as satisfactory in the review quarter, attributed to the level of liquid assets available to cover for short term liabilities, although core liquidity fell by 6.2 percent over the quarter.

Commercial banks’ aggregate liquid asset holdings contracted by 5.0 percent (or \$201.2m), and stood at \$3.9 billion, however continued to be assessed as satisfactory, with a coverage of 34.2 percent of total deposits.

Loans to deposits ratio was reported at 76.9 percent (September 2023: 75.7%), while core liquidity¹⁶ ratio was assessed as strong, covering 180.5 percent of short term liabilities (Graph 30).

Graph 30

Commercial Banks' Core Liquidity Ratio



Source: Commercial Banks

Overview – Credit Institutions

The overall performance of credit institutions continued to be assessed as satisfactory, supported by the satisfactory rating for capital, earnings and liquidity, while asset quality was rated as poor.

Balance Sheet

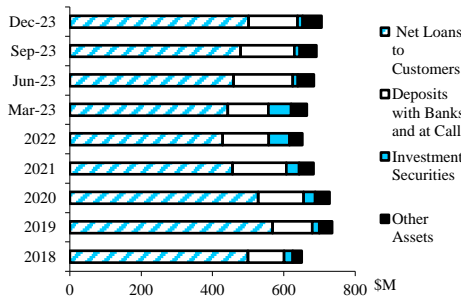
Credit institutions’ balance sheet expanded over the quarter by 2.0 percent to \$705.4 million as at 31 December 2023, mainly due to rise in net receivables and fixed assets.

Annually, the credit institutions’ balance sheet grew by 8.3 percent (or \$54.0m) from \$651.4 million (Graph 31).

¹⁶Core liquidity includes cash on hand, demand balances at RBF and demand balances due from corresponding foreign banks. Core liquidity ratio is the ratio of core liquidity to

term deposits maturing in three months or less plus demand deposits of non-bank financial institutions.

Graph 31
Structural Change and Growth in Credit Institutions' Assets



Source: Credit Institutions

Balance Sheet Funding

Total deposits increased by 0.3 percent (or \$1.3m) over the quarter to \$423.8 million, attributed to further deposit placements by PSBEs (by \$4.1m), PEs (by \$2.2m) and central Government (by \$0.2m). The increases however, were moderately offset by the withdrawals from PIs (by \$2.5m), NBFIs (by \$1.7m), local Government (by \$0.7m) and non-residents' (by \$0.3m) deposits. On an annual basis, total deposits increased by 4.5 percent (or \$18.1m) from \$405.7 million (Graph 32).

The PIs sector continued to account for the majority of the credit institutions' term deposits as at 31 December 2023 at 36.2 percent, followed by the PSBEs (30.0%), public enterprises (18.8%) and NBFIs (13.2%).

The 15 large depositors were reported at 243.3 million, and represented 57.4 percent of the credit institutions' total term deposits.

Financial Intermediation

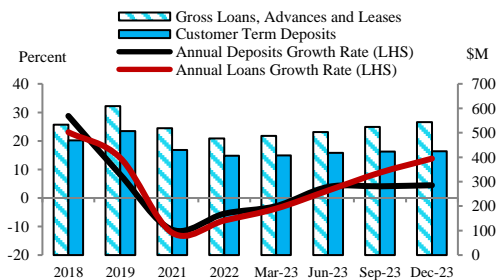
Lending by credit institutions increased by 3.8 percent (or \$19.8m) to \$543.1 million over the quarter (Graph 10), and accounted for 77.0 percent of total assets. The growth

in lending was driven increased loans to PSBEs (by \$12.1m) and PIs (by \$7.1m) sectors. Over the year, gross loans increased by 13.8 percent (or \$65.9m) from \$477.2 million.

The PIs sector continued to represent a large portion of the credit institutions' gross loans as at December 2023 at 48.5 percent, followed by the transport & storage (16.6%), WRHR (9.9%) and building & construction (8.2%) sectors.

The 15 largest credit exposures were reported at \$36.7 million, and represented 6.7 percent and 23.4 percent of the credit institutions' gross loans and total capital, respectively.

Graph 32
Credit Institutions' Customer Term Deposits and Loans and Advances



Source: Credit Institutions

Capital Adequacy

Credit institutions' capital adequacy ratio continued to be assessed as satisfactory during the quarter, despite the slight decrease from 28.8 to 28.5 percent, attributed to the marginal increase in total capital (by \$5.6m) being outweighed by the increase in risk weighted assets (by \$25.4m) over the quarter (Graph 36).

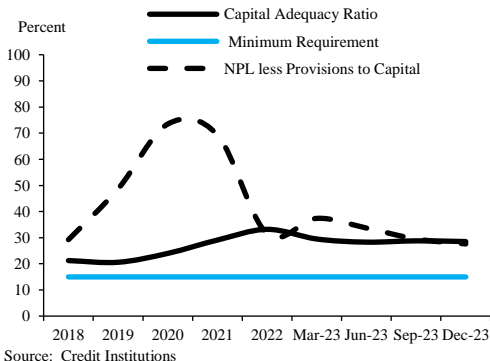
All credit institutions maintained their capital adequacy ratios above the minimum prudential requirement of 15.0 percent.

Total capital noted an increase over the quarter by 3.6 percent (or \$5.6m) to \$162.1 million, resulting from the increase in unaudited retained profits (by \$9.2m), however, slightly offset by the decline in disclosed reserves (by \$3.5m).

Similarly, total risk weighted assets increased by 4.7 percent (or \$25.4m) to \$568.2 million, attributed to the increase in other loans to private sector (by \$21.7m), other assets (by \$4.1m) and premises, plant, equipment & other fixed assets (by \$1.6m).

Credit institutions' ability to withstand non-performing loans related losses, as indicated by the NPL less provisions to capital ratio, improved from 29.5 percent to 27.6 percent as at 31 December 2023.

Graph 33
Credit Institutions' Capital Adequacy

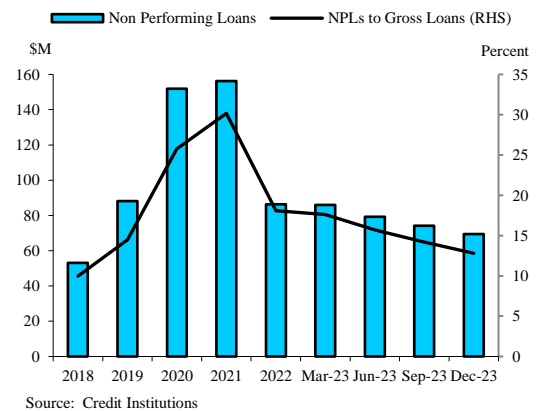


Asset Quality

Asset quality of the credit institutions sector continued to be assessed as *poor*, despite the improvement noted in the classified exposures to gross loans ratio, which stood at 12.8 percent (September 2023: 14.2%) (Graph 34).

During the quarter, classified exposures fell by 6.3 percent (or \$4.7m) to \$69.4 million, resulting from upgrading of accounts from the substandard (by \$0.4m) and doubtful (by \$6.1m) categories. On the other hand, the loss category increased by 15.1 percent (or \$1.9m) to \$14.3 million. Special mention accounts stood at \$58.4 million as at 31 December 2023 (September 2023: \$47.4m).

Graph 34
Credit Institutions' Non Performing Loans



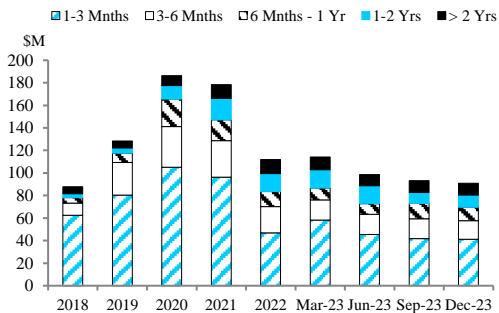
Impaired assets also recorded a decline over the quarter by 2.8 percent (or \$1.5m) to \$50.3 million, and represented 9.3 percent of gross loans.

In terms of coverage, specific provisions to classified exposures declined to 37.6 percent from 40.5 percent, underpinned by the decrease in specific provisions which stood at \$26.1 million, registering a decline of 12.9 percent over the quarter.

General reserve for credit losses (GRCL) increased from \$4.3 million to \$5.5 million, and covered 1.1 percent of net loans.

Past due levels stood at \$90.9 million in the review quarter, a decline from \$93.2 million recorded in the prior quarter, underpinned by the decrease in the 1 - 3 months (by 1.2%), 3 - 6 months (by 8.1%) and 6 months - 1 year (by 10.1%) buckets. Conversely, the 1 - 2 years and over 2 years categories grew by 10.1 percent and 0.2 percent, respectively (Graph 35).

Graph 35
Credit Institutions' Past Due Status



Source: Credit Institutions

Earnings and Interest Spread

Credit institutions' overall earnings performance continued to be assessed as satisfactory, recording profit before tax of \$11.5 million for the quarter, compared to \$7.5 million reported in the previous quarter. The increase in the profit before tax was largely due to the increase in net interest and non-interest income by \$0.5 million and \$2.0 million, respectively, outweighing the increases in operating expenses (by \$0.2m).

On an annual basis, profit before tax contracted by 1.7 percent (or \$0.2m) from \$11.7 million (Table 2).

Net interest income was recorded at \$18.1 million for the December 2023 quarter compared to \$17.6 million in the prior quarter. The increase is attributed to the growth of 1.4 percent in interest income to \$21.5 million, complemented by the decrease of 5.6 percent in interest expense to \$3.4 million.

Operating expenses (non-interest expense) increased by 2.3 percent (or \$0.2m) to \$8.9 million, as a result of the cumulative increases in personnel expenses (by \$0.1m), other management expenses (by \$0.2m) and depreciation/amortisation (\$0.1m) being somewhat offset by the decline in other expenses (by \$0.2m). Similarly, bad debts & provisions decreased by 65.4 percent (or \$1.6m) over the quarter to \$0.9 million.

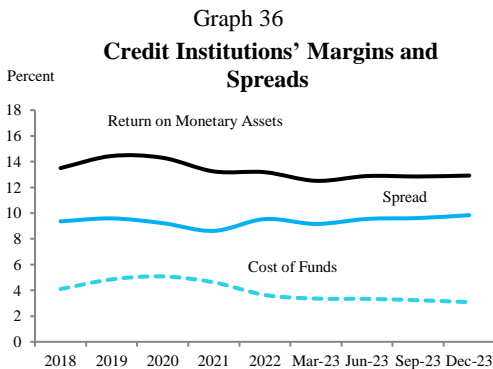
Table 2
Credit Institutions' Income Statement

Quarter Performance \$M	Dec-22	Sep-23	Dec-23	% Change	
				Over Qtr.	Over Yr.
Interest Income	20.0	21.2	21.5	1.4	7.5
Interest Expense	3.9	3.6	3.4	-5.6	-12.8
Net interest income	16.1	17.6	18.1	2.8	12.4
Add: Non interest income	1.1	1.2	3.2	166.7	190.9
Total operating income	17.2	18.8	21.3	13.3	23.8
Less:					
Operating expenses	8.0	8.7	8.9	2.3	11.3
Less: Bad Debts & provisions	-2.5	2.6	0.9	-65.4	-136.0
Profit before tax	11.7	7.5	11.5	53.3	-1.7
Less: Tax	2.4	2.0	1.3	-35.0	-45.8
Net profit after tax	9.4	5.6	10.1	80.4	7.4

Source: Credit Institutions

The increase in operating expenses was outweighed by the greater increase in operating income resulted in the efficiency ratio improving to 41.8 percent in the review quarter compared to 46.4 percent in the prior quarter.

Credit institutions’ annualised interest margin (interest spread) stood at 9.8 percent in the review quarter compared to 9.6 percent in the previous quarter, with an increase noted in the yield on earnings assets while cost of funding liabilities decreased (Graph 36).



Source: Credit Institutions

Credit institutions’ annualised ROE and ROA ratios (before tax) were recorded at 23.9 percent and 6.2 percent, respectively for the December 2023 quarter.

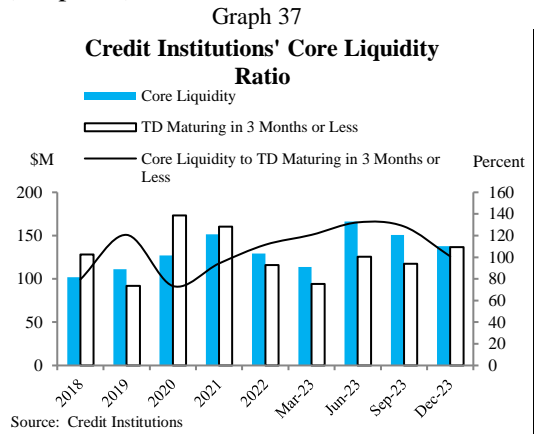
Liquidity

Credit institutions’ liquidity position continued to be assessed as satisfactory. Liquid assets¹⁷ decreased by 7.9 percent (or \$13.0m) over the quarter to \$152.4 million, as a result of a decline in deposits with banks in Fiji. Liquid assets represented 21.6 percent of the credit institutions’ total

¹⁷ Liquid assets include demand and term balances with banks, and holdings of Government and Quasi Government debt securities.

assets.

Core liquidity¹⁸ ratio fell from 128.5 percent to 100.8 percent over the quarter from, due to the decline in the level of core liquidity together with the increase in the level of maturing short term deposits (Graph 37).



Source: Credit Institutions

Insurance Industry Quarterly Condition Report – 31 December 2023

Both the life and general insurance sectors maintained strong solvency levels and satisfactory earnings and liquidity positions, as the insurance industry continued to be assessed as satisfactory in the review quarter.

Life Insurance Sector

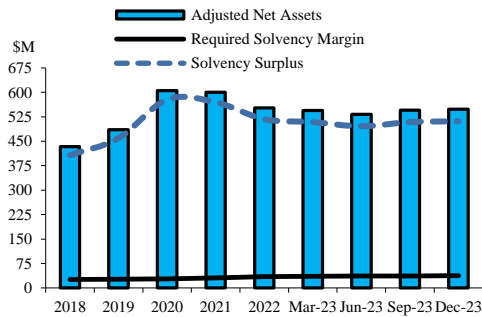
Capital

The solvency position of the life insurance sector continued to be assessed as strong as at December 2023, with a combined solvency surplus of \$511.1 million, above the minimum solvency requirement of \$37.6 million (Graph 38).

¹⁸ Core liquidity includes demand balances with banks. Core liquidity ratio is the ratio of core liquidity to term deposits maturing in three months or less.

The increase in solvency surplus by 0.5 percent (or \$2.4m) was largely underpinned by the growth in admissible assets by 3.7 percent (or \$68.1m) to \$1.9 billion, which outweighed the increase in adjusted liabilities of \$64.5 million.

Graph 38
Life Insurers' Solvency



Source: Insurance Companies

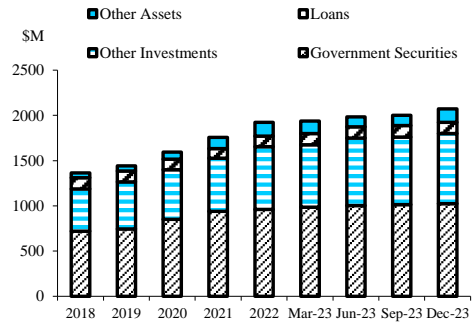
Assets

Total assets of the life insurance sector stood at \$2.1 billion, recording an increase of 3.4 percent (or \$68.7m) over the quarter. Similarly, total assets expanded by 7.6 percent (or \$146.7m) on an annual basis.

The quarterly growth in total assets largely emanated from the increase in investments (by \$36.8m) and cash on hand (by \$34.8m), although partially offset by the decline in other assets (by \$1.8m) and intangible assets (by \$1.5m).

The composition of the life insurers' total assets continued to be dominated by investments at 86.6 percent, followed by loans and cash on hand at 6.1 percent and 5.3 percent, respectively (Graph 39).

Graph 39
Distribution of Assets of Life Insurance Companies

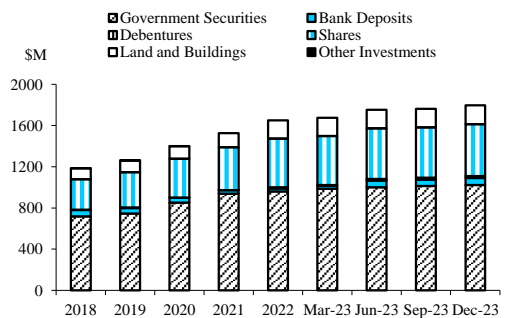


Source: Insurance Companies

Total investments of life insurers stood at \$1.8 billion as at 31 December 2023, increasing by 2.1 percent (or \$36.8m) over the quarter. The growth was largely attributed to the increase in shares in related persons (by \$14.0m), Government securities (by \$10.5m), bank deposits (by \$5.5m) and land & buildings (\$5.4m). (Graph 43). Similarly, on an annual basis, investments increased by 8.8 percent (or \$145.9m) from \$1.7 billion.

Graph 40

Composition of Investments



Source: Insurance Companies

Liabilities

The combined total liabilities of the life insurance sector increased by 3.2 percent (or \$61.9m) over the quarter to \$2.0 billion, largely attributed to the increase in the balance of revenue account by 2.8 percent (or \$50.6m) to \$1.9 billion, and continued to be the major liability of life insurers at 95.4 percent. On an annual basis, total liabilities grew by 7.7 percent (or \$142.2m).

Moreover, other provisions increased by 21.1 percent (or \$10.1m) to \$57.7 million, underpinned by the increase in provisions for dividends and taxation by \$8.5 million and \$1.9 million, respectively. Similarly, 'other' liabilities increased by 6.6 percent (or \$1.3m) largely due to the growth in sundry creditors (by \$1.3m).

Earnings

The life insurance sector's earnings was assessed as satisfactory for the December 2023 quarter, as life insurers reported a combined after tax profit of \$21.5 million compared to \$13.4 million in the previous quarter.

Total income increased significantly by 91.2 percent (or \$57.6m) to \$120.7 million, largely attributed to asset value appreciation (by \$44.6m), net insurance premiums (by \$6.4m) and dividends (by \$5.6m).

Similarly, the total outgoings of life insurers increased over the quarter by 93.0 percent (or \$46.3m) to \$96.0 million, underpinned by the increase in policy liabilities (by \$39.1m), net policy payments (by \$3.8m) and operating expenses (by \$2.5m).

Liquidity

Core liquid assets increased by fell over the quarter by 28.9 percent (or \$40.2m) to \$179.5 million, owed to the increases in bank deposits and cash on hand.

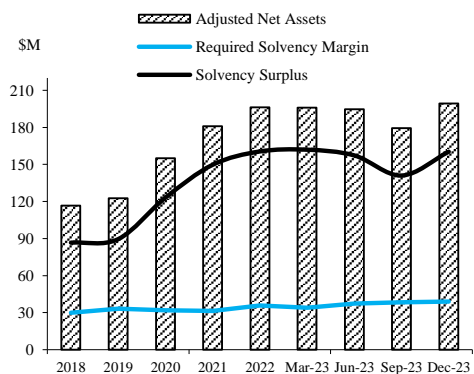
The broad liquidity ratio (incl. Government securities), which measures the ability of life insurers to meet their total liabilities, stood at 60.7 percent compared to 60.0 percent in the prior quarter. Overall, the liquidity position of life insurers continued to be assessed as satisfactory.

General Insurance Sector

Capital

The solvency position of the general insurance industry continued to be assessed as **strong**, on the back of a consolidated solvency surplus of \$160.3 million, above the mandated requirement of \$39.0 million (Graph 41).

Graph 41
General Insurers' Solvency



Source: Insurance Companies

The growth in the consolidated solvency surplus resulted from the greater decrease in adjusted liabilities by 14.5 percent (or \$57.7m) over the quarter to \$340.0 million,

compared to the reduction in admissible assets by 6.6 percent (or \$37.9m). This resulted in the overall increase in the net adjusted assets by 11.0 percent (or \$19.8m) to \$199.3 million.

Assets

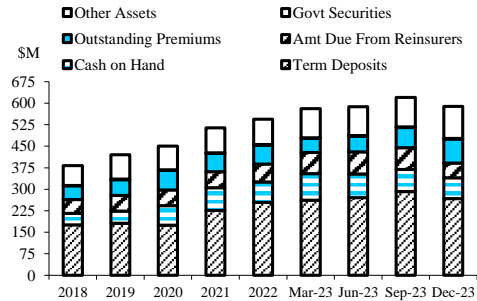
The general insurance sector's total assets decreased by 4.9 percent (or \$30.5m) over the quarter to \$589.5 million. On an annual basis, total assets grew by 8.3 percent (or \$45.0m).

The decline over the quarter was largely attributed to the decrease in amounts due from reinsurers on outstanding claims (by \$25.8m), bank deposits (by \$24.5m) and cash on hand (by \$3.8m). Notwithstanding the overall reduction in assets, there were increases noted in outstanding premiums 3 months and under, by 31.2 percent (or \$16.6m) and shares in non-related persons by 85.3 percent (or \$5.3m).

Total investments of the general insurance sector declined by 5.1 percent (or \$17.8m) over the quarter to \$334.4 million, and represented 56.7 percent of total assets. The reduction was largely attributed to bank deposits that were offset by the increase in shares in non-related persons.

Bank deposits continued to remain the largest component of general insurers' total assets at 45.4 percent, followed by outstanding premiums at 14.3 percent and cash on hand at 12.3 percent. (Graph 42).

Graph 42
Distribution of Assets for General Insurance Companies



Source: Insurance Companies

Reinsurance

Reinsurance premiums ceded offshore reduced over the quarter by 18.8 percent (or \$2.5m) to \$11.0 million, compared to \$13.5 million recorded in the previous quarter. All general insurers complied with the reinsurance requirements.

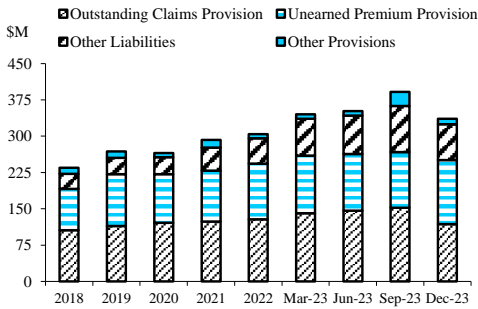
Liabilities

The general insurance sector's total liabilities decreased by 14.4 percent (or \$57.3m) over the quarter to \$340.7 million. Conversely, on an annual basis, total liabilities recorded an increase of 9.7 percent (or \$30.0m) from \$310.7 million.

The quarterly decline in total liabilities was mainly due to reductions in outstanding claims provision (admitted & IBNR) (by \$33.9m), dividend provisions (by \$20.0m) followed by amounts due to sundry creditors (by \$17.0m). These were partly offset by the increases noted in unearned premium provisions (by \$17.1m) and 'other' liabilities (by \$1.2m).

Unearned premium provisions dominated total liabilities in the review quarter at 38.7 percent, followed by outstanding claims provisions (admitted and IBNR) at 34.8 percent, and amounts due to reinsurers at 15.9 percent (Graph 43).

Graph 43
Distribution of Liabilities of General Insurers



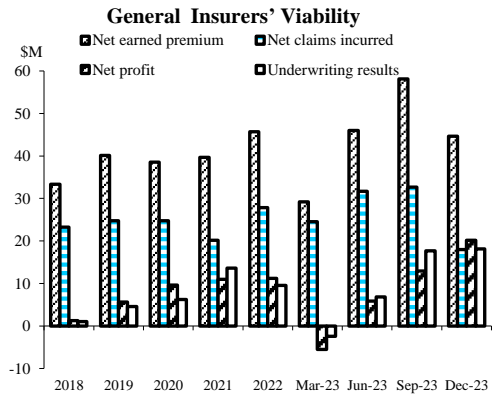
Source: Insurance Companies

Earnings

Earnings continued to be assessed as satisfactory, as the general insurers recorded an after tax profit of \$20.2 million in the review quarter compared to a profit of \$12.9 million recorded in the prior quarter, underpinned by the increase in non-underwriting income.

Non-underwriting income increased by \$8.2 million and stood at \$9.3 million. Similarly, underwriting surplus increased by 2.5 percent (or \$0.4m) over the quarter and stood at \$18.1 million driven by a larger decrease in net claims incurred (by \$14.7m) compared to reduction in net earned premiums (by \$13.5m) (Graph 44).

Graph 44



Source: Insurance Companies

Liquidity

Liquid assets continued to be assessed as satisfactory despite the decline in the industry’s liquidity position over the quarter by 7.7 percent (or \$28.2m) to \$340.3 million. Liquid assets was assessed as sufficient to cover outstanding claims by 2.9 times.

Insurance Broking Industry

Earnings

The insurance broking sector reported an after tax profit of \$1.0 million, decreasing by 51.4 percent (or \$1.0 million) when compared to the previous quarter.

Total revenue for insurance brokers increased by 25.6 percent (or \$1.8 million) and stood at \$8.9 million for the quarter ending 31 December 2023, underpinned by the increase in brokerage earned as commission and other revenues by \$1.4 million and \$0.4 million, respectively. Brokerage earned as commission accounted for 91.7 percent of the insurance brokers consolidated total revenue earned.

Total expenses increased by 45.1 percent (or \$1.9m) to \$6.2 million, largely owed to the increase in other expenses (by \$1.7 million) followed by salaries & wages and PI & FG covers at \$0.2 million and \$0.1 million, respectively.

Broking Account

The broking account balance grew over the quarter by 63.2 percent (or \$8.3m) and stood at \$21.4 million as at 31 December 2023.

Total monies received by insurance brokers during the quarter increased by 0.9 percent (or \$0.7m) to \$73.5 million. Premiums received from insureds for payment to local insurers stood at \$57.1 million and accounted for 77.7 percent of the total monies received, while premiums received from insureds on account of offshore insurers amounted to \$16.1 million, and 22.0 percent of total monies received.

Total monies withdrawn, on the other hand, decreased by 7.9 percent to \$65.3 million, with premium payments to local insurers representing 62.3 percent (at \$40.7m), while premium payments to offshore insurers and payments to self, represented 24.6 percent and 12.3 percent, respectively.

Offshore Placements

233 applications totalling \$30.9 million in premiums were approved during the quarter, when compared to 358 applications at \$29.9 million approved in the prior quarter (Table 3).

Out of the 233 approved applications, 47 applications worth \$22.7 million were approved by the RBF whilst the remaining 186 applications worth \$8.2 million were approved by the licensed insurance brokers.

The material damage and business interruption (MD/BI) class continue to dominate the share of premiums remitted offshore at 69.9 percent, followed by 'term life' and 'others' classes at 16.5 percent and 5.2 percent, respectively.

Table 3
Summary of Offshore Placements

Category by Insurance Class	December 2023			September 2023	
	Premium (\$m)	No. of App.	% Share of amount	Premium (\$m)	No. of App.
Term Life	5.1	10	16.5	4.8	9
Medical	0.1	11	0.3	0.2	33
Aviation	0.2	11	0.6	0.8	9
Professional Indemnity	0.6	21	1.9	0.6	38
Comprehensive / Excess/General Liability /Public Liability	0.4	18	1.3	0.9	38
MD/BI	21.6	26	69.9	17.9	32
Marine Hull	0.5	9	1.6	0.4	13
Travel	0.2	55	0.6	0.4	74
Directors & Officers Liability	0.1	18	0.3	1.2	28
Marine Cargo	0.0	0	0	0.3	7
Political Violence	0.0	6	0	0.5	13
Fines & Defence Costs	0	0	0.0	0.0	0
Personal accident	0.3	8	1.0	0.4	12
Marine Protection & Indemnity	0.2	12	0.6	0.2	13
Others	1.6	28	5.2	1.1	39
Total	30.9	233	100.0	29.9	358

Source: Insurance Brokers

Capital Markets Quarterly Performance Report – 31 December 2023

Stock Market

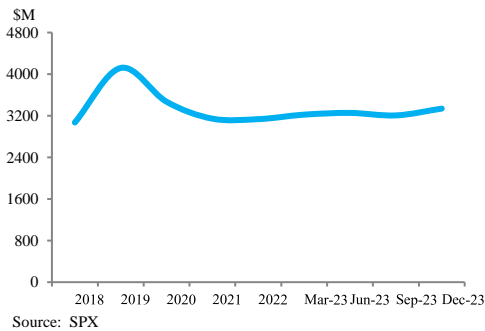
The stock market's key performance indicators of market capitalisation, SPX Total Return Index (STRI), number of trades, value of shares traded recorded

declines over the quarter, whilst volume of shares traded noted an increase. The buy and sell ratio continued to reflect the excess number of listed securities on offer relative to bids.

The market capitalisation of listed securities expanded over the quarter by 4.1 percent (or \$130.9m) to \$3,337.6 million. Similarly, market capitalisation grew by 6.5 percent (or \$202.7m) over the year (Graph 45).

Graph 45

Market Capitalisation



The increase in the share price of three of the top five listed securities contributed to the quarterly growth in market capitalisation, namely Fijian Holdings Limited (FHL) by 9.6 percent, Amalgamated Telecom Holdings Ltd (ATH) by 8.1 percent and Flour Mills of Fiji Ltd (FMF) by 2.2 percent. Kontiki Fiji Ltd also reported an increase in share price by 13.0 percent and quoted an additional 187,797 shares on the SPX trading platform, as part of the execution of its dividend reinvestment plan.

The top five listed securities composition in terms of the market capitalisation remain unchanged at 73.3 percent as at 31 December 2023 (September 2023: 73.3%), and the individual market share over the quarter were as follows:

- ATH: 28.7 percent (Sept 2023: 27.6%);

- RBG: 14.1 percent (Sept 2023: 14.9%);
- VIL: 12.7 percent (Sept 2023: 13.2%);
- FHL: 9.4 percent (Sept 2023: 8.9%); and
- FMF: 8.5 percent (Sept 2023: 8.7%).

Five listed companies’ declared/paid dividends during the quarter and three listed securities reported increased dividend returns, while one listed entities dividend returns remained consistent with the prior period.

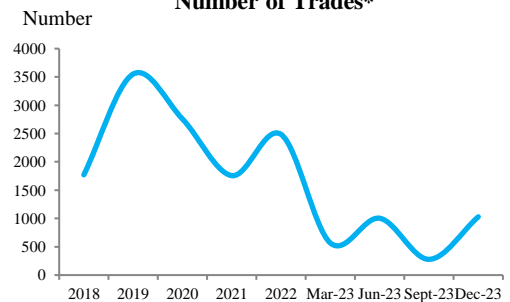
SPX Total Return Index (STRI) increased by 5.0 percent over the quarter to 8,611.46, in line with the increase in dividend and capital returns. On an annual basis, STRI increased by 8.6 percent from 7,928.20.

As at 31 December 2023, the stock market recorded a year-to-date (YTD) average return of 4.0 percent consisting of an average yield of 5.9 percent and capital gain (CG) of 2.1 percent.

1,029 trades were executed in the quarter under review compared to 278 trades in the preceding quarter. Of the total number of trades, 72.8 percent were in FHL shares underpinned by the execution of FHL’s market-based dividend reinvestment trades (Graph 46).

Graph 46

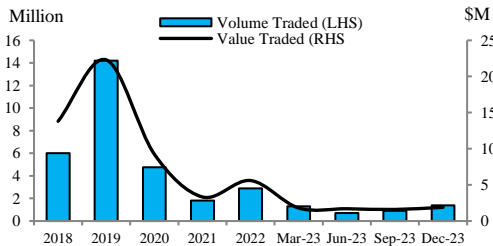
Number of Trades*



* Excludes special crossing transactions
Source: SPX

Two special crossing transactions were conducted over the quarter, therefore the volume and value of shares traded stood at 1.4 million and \$1.9 million, respectively (Graph 47).

Graph 47

Volume and Value Traded*

* Excludes special crossing transactions
Source: SPX

The buy and sell ratio increased in the review quarter and stood at 1:18 (Sep 2023: 1:17).

Managed Investment Schemes (MIS) Market

The MIS market's key performance indicators of funds under management, investment, net profit, liquid assets and number of unitholders noted growth over the quarter while investment income declined.

Balance Sheet

Funds under management grew by 4.5 percent (or \$24.7m) to \$576.5 million relative to the 2.2 percent increase in the preceding quarter. Similarly, on an annual basis, funds under management grew by 10.7 percent (or \$55.7m).

The quarterly growth was attributed to the increases in fair value reserve and unitholders' funds by \$14.9 million and \$9.8 million, respectively.

Assets

Total assets of the MIS market grew by 4.7 percent (or \$26.5m) over the quarter to \$591.4 million, attributed to further investments (by \$36.7m) and other assets (by \$0.7m). However, cash on hand (by \$5.7m) and accrued income (by \$5.3m) declined over the quarter.

The combined investment portfolio expanded by 8.2 percent (or \$36.7m) to \$485.2 million in the review quarter (September 2023: \$448.4m) underpinned by the increases in the following investment categories:

- unlisted securities by \$22.5 million;
- listed securities by \$9.8 million; and
- bonds by \$4.8 million.

Over the year, the investment portfolio of MISs expanded by 14.9 percent (or \$63.1m).

Liabilities

Total liabilities increased by 14.5 percent (or \$1.9m) over the quarter to \$14.9 million as at 31 December 2023. The increases were due to the growth in sundry creditors (by \$2.1m), distributions payable (by \$1.9m) and 'others' (by \$1.3m). Redemption payable (by \$2.9m) and management fee payable (by \$0.5m) declined over the quarter.

Liquid Assets

Liquid assets of the MIS market contracted by 3.0 percent (or \$5.7m) over the quarter to \$179.8 million as at 31 December 2023. The decrease was underpinned by the decline in cash on hand by \$5.7 million while term deposits held with financial

institutions remain unchanged. The liquid assets was able to cover 31.2 percent of unitholders' equity.

Unit repurchases fell over the quarter to \$7.9 million (units redeemed: 6.1m) when compared to \$8.8 million (units redeemed: 7.2m) in the preceding quarter. Institutional investors continued to record the highest repurchases at 72.8 percent (or \$5.8m) followed by local retail investors at 27.2 percent (or \$2.2m).

The repurchases to unitholders' funds ratio reduced from 2.2 times in the preceding quarter to 2.0 times in the December 2023 quarter. As a result of the decrease in repurchases, the ratio of liquid assets to repurchases improved from 21.1 times to 22.6 times.

Earnings

The combined net profit of the MIS market for the December 2023 quarter remained consistent at \$2.0 million when compared to the preceding quarter. This was largely attributed to decline in both investment income and investment expenses over quarter by \$0.1 million to \$3.3 million and \$1.3 million, respectively.

The Annualised Return on Investment (AROI) remained at 2.7 percent despite the marginal decrease in investment income (Table 4).

Table 4
MIS Combined Income Statement

Quarter Performance (\$M)	Dec-23	Sep-23	Dec-22	% Change	
				Over Qtr.	Over Yr.
Investment income	3.3	3.4	3.0	(2.9)	10.0
Investment expense	1.3	1.4	0.7	(7.1)	85.7
Net operating income	2.0	2.0	2.3	0.0	(13.0)
Other operating income	0.0	0.0	0.0	0.0	0.0
Non-investment expense	0.0	0.0	0.0	0.0	0.0
Income Tax	0.0	0.0	0.0	0.0	0.0
Net Profit after tax	2.0	2.0	2.3	0.0	(13.0)

Source: MIS Returns

The Bond Market

The value of bonds outstanding further increased by 1.4 percent (or \$87.8m) over the quarter to \$6.2 billion (Sep 2023: \$6.1b), due to an additional \$190.4 million bond issued during the December 2023 quarter (September 2023: \$142.8m), which outweighed the redemptions of \$102.6 million (September 2023: \$60.7m).

Government bonds continued to grow the fixed income market through the issuance of Fiji Infrastructure Bonds (by \$167.1m), Viti Bonds (by \$3.3m) and Fiji Sovereign Blue Bonds (\$20.0m). On the other hand, bond redemptions were noted for Fiji Development Loan (FDL) of \$43.4 million and FIB of \$30.2 million.

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Commercial Banks
Fiji Development Bank
Fiji National Provident
Fund Fiji Bureau of
Statistics Ministry of
Economy Macroeconomic
Committee IMF Article IV
Consultation Reports

ABBREVIATIONS

\$: Fiji Dollars unless stated otherwise
M: Million
B: Billion
(b): Budget
(e): Estimate
(f): Forecast
(p): Provisional
(r): Revised

n.a.: Data not available

n.i.: No issues

n.t.: No trading

m.a.: Mergers and Acquisition

d.l.: Delisted

-: Zero

RBF: Reserve Bank of Fiji

IMF: International Monetary Fund

LFIs: Licensed Financial Institutions

c.i.f.: Cost of goods, including insurance and freight to Fiji

f.o.b.: Free on board (the value of goods at Fiji ports before export)