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Price Monitoring Bulletin

Fiji | 2022 Annual review



World Food Programme

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February 2023

Highlights

- The **indirect impact** of the war in Ukraine in terms of **rising food prices** and **increased transport costs** disproportionately affected the most vulnerable groups of the population, causing gaps in food consumption and/or use of non-traditional strategies to cope with food stresses.
- **Inflation increased steadily throughout 2022 in Fiji**, with the **average annual rate** of inflation in December being at **4.4%**, a **3.6% increase from December 2021**. The rise was primarily driven by significant increase of prices for two commodity groups - **Transportation and Food and Non-Alcoholic Beverages**.
- The value of the **Fijian Dollar (FJD)**, continued to depreciate against **USD** throughout 2022, closing in **December 2022 at 2.22FJD per USD**, 4.4% lower than December 2021.
- Evidence from the WFP's remote data collection for the third quarter of 2022, indicated an **increase in food prices as a major concern** for 82% of the interviewed households. A **significant increase in the adoption of crisis or emergency coping strategies** reported by households in order to meet essential needs.
- Continued **depreciation of the national currency has triggered an increase in fuel costs**. In December 2022, diesel retail price reached USD3.06 per litre – a rise of 32.5% compared to the same month in 2021. On average, **diesel retail price increased by 46%** in 2022.
- Overall, in comparison with the previous year, **prices of many essential staple foods increased significantly in 2022**. Subsequently, several products were affected by **high price volatility** throughout the year, with prices varying greatly across quarters. Prices for onions doubled while potatoes prices rose by 53%, flour by 29% and chicken by 9% in Year-on-Year basis.
- At present, the levels of **food insecurity remain low across the country**. **Nonetheless**, an increase in the proportion of WFP interviewed households reported employing non-traditional coping strategies to meet food and essential needs suggests that many families are **resorting increasingly to unsustainable and severe measures to sustain their consumption over time**.

Overall impact of the Global Food Crisis on Consumption

The indirect impact of the global food crisis and war in Ukraine has been reflected in rising food and non-food prices and the impacts resulting from increased energy, transportations costs and other goods have been causing gaps in food consumption and use of non-traditional strategies by vulnerable population to cope with the situation.

Inflation

The inflation rate increased steadily throughout 2022, with the average annual rate sitting at 4.4% in December 2022¹. Inflation increased by 3.6% compared to December 2021², and by 0.17% compared to November 2022.

By looking at the Consumer Price Index (CPI) (Graph 1), inflation is mostly driven by increases in the prices of two commodity groups: Transportation and Food and Non-Alcoholic Beverages. Health, Household Equipment, Water & Electricity and Clothing also experienced increase in prices throughout the year, though less severe.

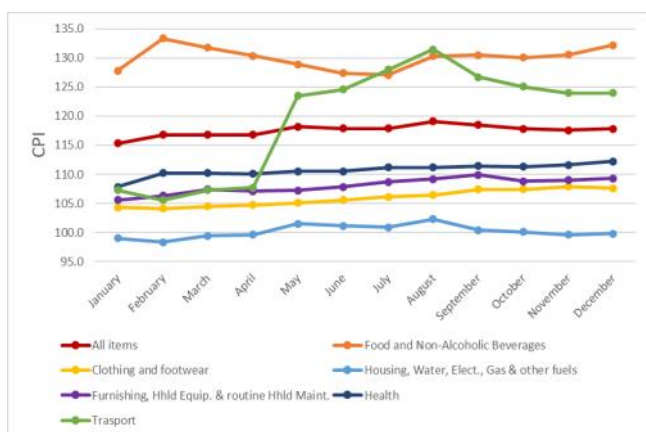
On average, Transportation cost increased by 17.7% in 2022 compared to 2021, reaching its peak in August (27.8%) and slowly decreasing

in the last quarter of the year. In December 2022, the Transport CPI was 16.5% compared to the same period of 2021. No significant differences have been observed at subnational level, with the three Divisions following the national average trend.

The annual average Food Inflation Rate was 6.2% in 2022, with notable differences between the three provinces (Graph 2). For instance, the Western Province registered an average annual food inflation rate of 9.5%, while the Northern province was at 3.4%. Moreover, while Central and Western division price fluctuations align, the Northern province shows an irregular pattern, with prices decreasing in the first quarter of the year compared to 2021, and then sharply increasing at the end of 2022, reaching 10.4% rise in December 2022 compared to the same period in 2021.

As of December 2022, food inflation increased by 7% compared to December 2021, negatively affecting household cost of living. Evidence from the WFP quarterly remote data collection³ indicates that the increase in food prices was a main preoccupation for many Fijian families throughout 2022, with 82% of interviewed households mentioning it as a major concern in the last round of data collection (September 2022).

Graph 1. Consumer Price Index—National Trend



Source: self-elaborated using data from Fiji Bureau of Statistics - <https://www.statsfiji.gov.fj/statistics/economic-statistics/summary-of-consumer-price-index12.html>

¹Average Annual Rate of Inflation compares the annual average CPI for the current year, with the annual average CPI for the previous year.

²Month-on-Month Inflation rate compares All items CPI of the current month with All Items CPI of the same month for the previous year.

³Since 2020, WFP has been conducting in Fiji quarterly remote data collection on a random sample of 400 households to collect data on food security, livelihoods and essential needs through its mVAM tool. More information available at: <https://analytics.wfp.org/t/Public/views/PACOMVAM/HomePage?paco=Fiji&%3AisGuestRedirectFromVizportal=y&%3Aembed=y>

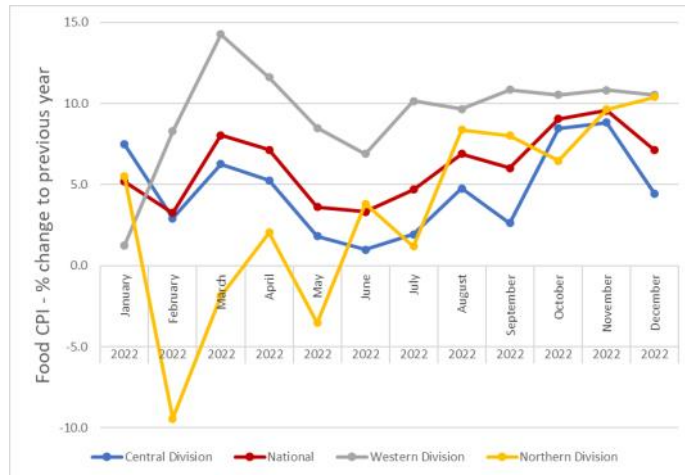
Constant and significant increase in prices in essential commodities, such as food, transportation, health, fuels and clothing, hinder Fijians' purchasing power, weaken domestic consumer spending and ultimately impede citizens to meet their essential needs.

Data from WFP remote data collection shows that in the last quarter of 2022, 53.7% of interviewed households resorted to crisis or emergency coping strategies to meet their essential needs, with the three top strategies adopted being reduced health expenses (40%), spending savings (15%) and borrowing money to buy food (6%).

Given that Fijian households are already cash constrained, a continued rise in inflation in 2023 without appropriate income support interventions could negatively affect households' wellbeing and food security.

As inflation continues to increase the costs of food and fuel, trends have shown households and communities are less likely to make healthy food choices.

Graph 2. Food CPI—% change to previous year

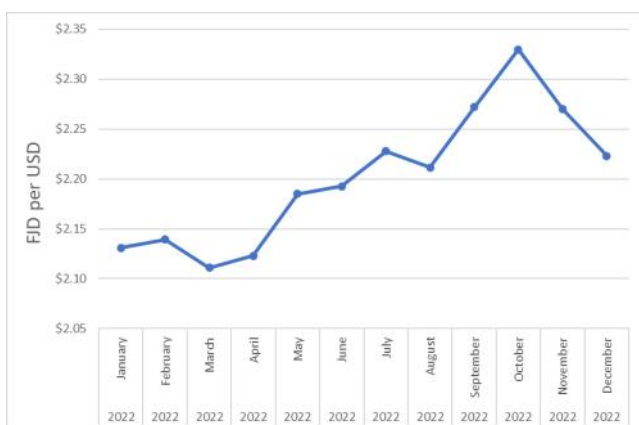


Source: self-elaborated using data from Fiji Bureau of Statistics - <https://www.statsfiji.gov.fj/statistics/economic-statistics/summary-of-consumer-price-index12.html>

Currency Exchange Rate

The value of national currency, Fijian Dollar (FJD), kept depreciating against the USD in 2022, closing in December 2022 at FJD2.22 per USD, 4.4% lower than in December 2021 (Graph 3). On average, the FJD depreciated by 6.3% in 2022 compared to 2021.

Graph 3. Exchange rate—FJD per USD (period average)



Source: self-elaborated using data from Reserve Bank of Fiji - <https://www.rbf.gov.fj/statistics/nsdp/>

Available data on the monthly currency exchange rates for the past year indicates a continued decline in the value of FJD in the first three quarters of the year.

In October the local currency value declined by 11.6% compared to October 2021. In Quarter 4, the exchange rate improved slightly in favour of the FJD, although it still remains lower than the previous year.

Depreciation of the national currency increases the cost of imports and hence of prices. According to the United Nations COMTRADE database, Fiji's main imports are fuels (16% of total imported goods), Aircrafts and Machinery (7.7%), Electrical equipment (6.9%), Plastics (5%), Vehicles (4.8%), Cereals (3.9%) such as rice and wheat, Medical and Pharmaceutical equipment, Meat and Natural Gas (Trading Economic, 2023⁴).

⁴Trading Economics: <https://tradingeconomics.com/fiji/imports-by-category>

Fuel Prices

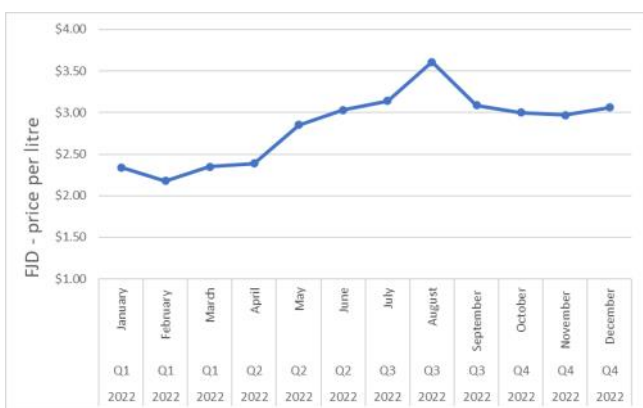
Fiji's reliance on imports of fossil fuels is a significant stressor to both macroeconomic and household level indicators. Increases in fuel costs directly translate to a rise in manufacturing costs and transportation of goods and people.

Continued depreciation of the FJD triggers increases in fuel costs. Rising fuel costs hinder development of industrial manufacturing sectors by increasing energy and input costs and increases in transportation costs of goods and people, diminishing household purchasing power and reducing smallholder farmers revenues.

In December 2022, the diesel retail price per litre was US\$3.06, 32.5% higher than the same month in 2021. This represents an annual average increase of 46% in 2022, with constant increase for the first three quarters and peaking in August (76% higher than August 2021).

In Quarter 4, the price hike slowed but still remains high compared to the last quarter of 2021 (+40%) (see Graph 4). The increase in the diesel price, as one of the main drivers of the increase in the Transport CPI (Graph 5), had a direct and immediate impact on the cost of living for the population.

Graph 4. Diesel retail prices (VAT inclusive)



Source: self-elaborated using data from *Fijian Competition & Consumer Commission* - <https://fcc.gov.fj/category/press-release/>

In response to high fuel costs, the Government of Fiji raised bus fares by 36.3% in May.

Adjustments were made in taxi rates for use in day and night times, indicating increase rates in mid-July.

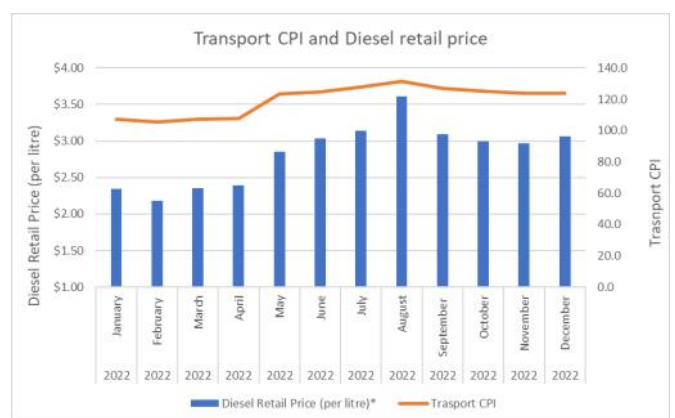
The notable and worrisome increase in fuel prices and transportations costs impacts not only the poorest, but also supply chains and overall cost of living for the population.

Similarly, increases in fuel prices and transportation costs added on usual amount paid by families, thus increasing the volume of households' consumption expenditure.

Additionally, the hike in fuel prices resulted in businesses experiencing an increase in input costs, putting upward pressure in expenses by the households for the services.

The impact of high oil prices felt in both urban and rural areas, affecting particularly the poor and vulnerable group, as a growing factor in the squeeze on household budgets. The burden had been felt through spending more on the public transportation services, increased costs for delivering cargo to markets, higher expenditure for electricity consumption, other daily consumption of fuel by the households, etc.

Graph 5. Transport CPI and Diesel retail price (per litre)



Source: self-elaborated using data from *Fijian Competition & Consumer Commission* - <https://fcc.gov.fj/category/press-release/> and *Fiji Bureau of Statistics* - <https://www.statsfiji.gov.fj/statistics/economic-statistics/summary-of-consumer-price-index12.html>



Photo Credit: Makoi Market (Fiji), Otto Navunicagi, USP

Staple Food Prices

The war in Ukraine resulted in increased prices of cereals, vegetable oil as well as fuel and fertilizers globally in 2022, causing a rise in production and transportation costs of other food groups. This is particularly true for the countries where a significant proportion of food supplies are imported.

For many staple foods in Fiji, price fluctuations have been significant throughout 2022, with prices rising and dropping from one quarter to the next without a stable trend (Table 1)⁵.

The data indicates an overall considerable increase in prices, with the year-on-year comparison between December 2021 and December 2022 in line with the Food inflation rate. The depreciation of the FJD further pushed up already historically high prices of imported goods commodities, such as cereals, and meat. The price of onions increased by 99%, potatoes by 53.4%, flour by 29%, dhal by 20.9%, soya bean oil by 15.5% and chicken by 9.2% in December 2022 respectively in comparison with December 2021 (Table 2). The rise also was observed in prices of flour and noodles, primarily as the consequence of wheat

price increase triggered by insufficient supplies from Russia and Ukraine, both countries being among the main exporters of wheat globally, coupled with the rise in fuel and transportation costs. The drastic increase in food prices and high volatility of many essential staple foods negatively affecting households' purchasing power, potentially may lead to rise in food insecurity.

The higher food costs lead consumers, particularly vulnerable families and those without access to arable land, to opt for cheaper, often less healthy, food options resulting in increased malnutrition in the country.

Data from the last round of WFP remote food security monitoring in Fiji (September 2022) indicated adequate food consumption across the country, with only 1.4% of households interviewed classified as food insecure.

⁵WFP relies on Consumer Council of Fiji price monitoring of a selected basket of staple food on a bi-monthly basis to monitor the impact of macro-economic trends on food prices.

However, while many households were initially spending their savings and borrowing money in 2021 and the first quarter of 2022, the annual trend from the survey shows a clear increase in the percentage of interviewed households employing crisis or emergency coping

strategies, such as reducing expenses on health and education, to meet food and other essential needs. This suggests that these families are resorting increasingly more to unsustainable and severe measures to smooth their consumption over time.

Table 1. Average quarter prices and % change from previous quarter (2022)

	Q1 2022		Q2 2022		Q3 2022	
	Price	% change	Price	% change	Price	% change
Eggs (10 eggs)	\$5.6	0.9	\$6.1	9.0	\$6.1	0.1
Rice (10 kg)	\$19.0	-1.0	\$18.2	-4.1	\$19.4	6.6
Chicken (size 12)	\$13.4	4.0	\$13.8	3.2	\$14.3	3.4
Potatoes (1 kg)	\$2.5	35.5	\$2.4	-6.1	\$2.6	9.0
Onions (1 kg)	\$2.7	41.1	\$2.3	-15.8	\$3.3	43.6
Dahl (1 kg)	\$1.9	-7.9	\$2.1	8.4	\$2.5	22.0
Soya Bean Oil (750 ml)	\$4.3	0.0	\$4.4	3.4	\$5.2	17.4
Sugar (2 kg)	\$5.0	42.8	\$5.2	2.5	\$5.2	0.0
Milk (1 lt)	\$2.8	-1.9	\$2.9	0.2	\$3.0	3.9
Flour – Normal (1 kg)	\$7.7	8.7	\$9.2	20.5	\$9.4	2.2
Frozen Mixed Vegetables (500 gr)	\$3.6	5.2	\$3.9	7.6	\$3.8	-1.7
Noodles (5 pkts)	\$3.0	9.1	\$3.3	9.1	\$3.6	7.5
Canned Tuna (170 gr)	\$2.1	0.9	\$2.2	5.8	\$2.2	-0.5
Corned beef (326 gr)	\$4.4	4.1	\$4.5	2.7	\$4.7	4.3
Breakfast crackers (375 gr)	\$1.7	3.1	\$2.1	23.6	\$2.2	3.9

Source: self-elaborated using data from Consumer Council of Fiji

Table 2. National Average Price and Year-on-Year % change of staple food prices (December 2022)

Commodity	Price December 2022	% Change from December 2021
Eggs (10 eggs)	\$6.17	12.6 %
Rice (10 kg)	\$19.48	0.3%
Chicken (size 12)	\$14.38	9.2%
Potatoes (1 kg)	\$2.90	53.4%
Onions (1 kg)	\$4.34	99.1%
Dahl (1 kg)	\$2.50	20.9%
Soya Bean Oil (750 ml)	\$5.28	15.5%
Sugar (2 kg)	\$5.16	46.6%
Milk (1 lt)	\$2.96	1.8%
Flour – Normal (1 kg)	\$9.25	29%
Frozen Mixed Vegetables (500 gr)	\$3.80	11.6%
Noodles (5 pkts)	\$3.59	27.5%
Canned Tuna (170 gr)	\$2.16	5.4%
Corned beef (326 gr)	\$4.72	11.2%
Breakfast crackers (375 gr)	\$2.23	29.7%

Source: self-elaborated using data from Consumer Council of Fiji

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