



RESERVE BANK OF FIJI

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Economic growth projections for the United States, Australia and Japan have been revised down while the outlook for New Zealand has improved. The downward revisions to growth projections have largely been due to declining household consumption and business investment. On balance, however, economic growth of our major trading partner countries remains firm.

On the domestic front, results of latest business surveys suggest a gradual recovery in business sentiments since last December. According to the results of the June Business Expectations Survey, relatively more respondents expect business conditions to improve in the next 12 months.

During the review period, exports of specific merchandise, such as mineral water and fish have showed growth on an annual basis. Nonetheless, provisional data from the Fiji Islands Bureau of Statistics indicate that visitor arrivals declined by 5.5 percent over the corresponding period in 2006. In addition, imports of consumer and investment goods have fallen on an annual basis in the first 7 months of the year, reflecting relatively weak domestic demand conditions.

Total loans and advances of commercial banks showed an annual increase of 7.9 percent in the year to August 2007. Over the month, total loans and advances increased marginally by 0.3 percent in August. Post implementation of the credit ceiling, the average monthly growth in credit remains low at 0.2 percent up to August 2007, when compared with the average monthly growth of 1.8 percent registered during the same period last year.

Labour market conditions remain weak, as low

confidence in the private sector continues to have a dampening impact on recruitment intentions. Cumulative to August, hiring intentions, as measured by the RBF Job Advertisements Survey, fell by around 8.5 percent over the corresponding period last year. Weaker employment prospects were noted in several sectors including finance, insurance, real estate & business services; mining & quarrying; electricity & water and construction.

Whilst the trade gap has improved so far this year, the exports sector has not recovered significantly and imports, while declining, remain more than double the value of exports. As at the end of August, the official foreign reserves level stood at \$865.7 million (provisional), sufficient to cover 4 months of goods imports.

The inflation rate has now eased for two consecutive months. Apart from the lower price of transport items, the improved supply of market produce continues to have an easing impact on prices. Inflation stood at 5.1 percent in August compared to 6.4 percent registered in July. Looking ahead, the general rise in average trading partner inflation, from 2.0 percent in May to 2.2 percent in August, may keep some upward pressure on prices. However, year-end inflation may turn out to be lower than the current forecast of 7 percent.

The Nominal Effective Exchange Rate (NEER) Index of the Fiji dollar rose by 0.3 percent in the year to August. A rise in the NEER indicates an appreciation of the Fiji dollar against the basket of currencies. The Real Effective Exchange Rate (REER) Index of the Fiji dollar also rose over the year.

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FIJI: FINANCIAL STATISTICS

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KEY INDICATORS	Aug-07	Jul-07	Jun-07	Aug-06
1. Money and Credit (year-on-year % change)				
Narrow Money	n.a.	15.11	8.20	-4.78
Currency in Circulation (monthly average)	7.04	8.39	5.68	11.50
Quasi-Money (Time & Saving Deposits)	n.a.	14.79	17.70	36.08
Domestic Credit	n.a.	10.79	12.49	26.74
2. Consumer Prices ^{1/} (year-on-year % change)				
All Items	5.1	6.4	7.1	2.9
Food	10.7	14.5	16.5	1.9
3. Reserves (end of period)				
Gross Foreign Reserves (\$m)*	865.7(p)	877.3(p)	859.9(p)	593.3
Months of Imports (goods)	4.0(p)	4.0(p)	3.9(p)	2.5
4. Liquidity (end of period)				
Liquid Assets Margin to Deposit Ratio (%)	11.5	11.1	10.3	4.6
Banks' Demand Deposits (\$m)	262.9	198.7	123.2	53.6
5. Interest Rates (% p.a.) (monthly average)				
Lending Rate (Excluding Staff)	8.84	8.94	9.20	7.65
Savings Deposit Rate	0.84	0.98	1.01	0.81
Time Deposit Rate	6.64	6.77	7.27	6.23
91-day RBF Note Rate (month end)	n.i	n.i.	4.25	n.i
Minimum Lending Rate (MLR) (month end)	5.25	5.25	5.25	5.25
Overnight Inter-bank Rate	n.t	n.t.	n.t	5.15
5-Year Government Bond Yield	6.25	n.i.	7.50	n.i
10-Year Government Bond Yield	7.45	n.i.	8.75	n.i
6. Exchange Rates ^{2/} (mid rates, FS1 equals) (end of period)				
US dollar	0.6097	0.6309	0.6264	0.5816
Pound sterling	0.3030	0.3116	0.3128	0.3054
Australian dollar	0.7477	0.7372	0.7403	0.7622
New Zealand dollar	0.8689	0.8227	0.8149	0.8967
Swiss francs	0.7436	0.7593	0.7712	0.7144
Euro	0.4474	0.4607	0.4660	0.4532
Japanese yen	70.69	75.17	77.15	68.12
7. Commodity Prices (US\$) (monthly average)				
UK Gold Price/fine ounce ^{3/}	664.92	664.61	656.04	633.00
New York #11 Spot Market Price ^{3/}	11.66	12.18	11.05	13.58
Crude Oil/barrel ^{4/}	70.80	77.2	71.26	73.61

n.a. - Not available/No activity

n.i. - No issues

n.t. - No trading

* Official reserves includes foreign reserves holdings of the RBF and Non-Bank Financial Institution, as per the new definition of official reserves

Sources:

^{1/} Fiji Islands Bureau of Statistics

^{2/} Bloomberg and Reserve Bank of Fiji

^{3/} Fiji Sugar Marketing Company Limited

^{4/} Bloomberg