



Risks of a possible deep downturn in global economic activity have eased recently as policy actions by European authorities worked to restore market confidence in the Euro area. However, while the European debt crisis appears to be contained for now, structural issues and consolidating debt and fiscal positions particularly, for most advanced countries, remain a challenge for a more stable global recovery. Against this background, the global economy is expected to grow at a below trend rate of 3.3 percent in 2012, down from the estimated 3.8 percent growth in 2011.

Information to date suggests that the spill-over effects of the debt crisis to Fiji's other major trading partner countries are contained. The US economy expanded by an annualised 3.0 percent in the last quarter of 2011, the fastest pace since June 2010 and employment conditions improved, although weaknesses in the housing sector and efforts to consolidate its fiscal position are likely to restrain growth to moderate levels. While the Japanese economy shrank in the last quarter, other Asian economies performed well, albeit at a moderated pace supported by internal domestic demand. Growth in Fiji's Australasian trading partners are expected to be positive this year, supported by high commodity prices and the mining boom although the high value of their respective currencies pose significant challenges to other tradable sectors.

On exchange rate movements, in March, the Fiji dollar weakened against the US dollar by 2.0 percent and against the Euro by 0.9 percent but rose against the Australian dollar by 1.6 percent and against the Japanese Yen and New Zealand dollar by 0.3 percent when compared to February.

On the domestic front, some slowdown in economic

activity is expected during the first part of this year, considering the floods in January, although this may be offset to some extent by the reconstruction and replanting activity as the economy moves into recovery mode. According to preliminary assessments, extensive damage to key agricultural commodities and to infrastructure was recorded in the Western Division.

On sectoral performance, gold and electricity production rose by an annual 46.1 percent and 0.5 percent, respectively. Moreover, visitor arrivals reached record levels in 2011, and in the year to February this year, travel related receipts remain buoyant despite the global economic slowdown.

Over the same period, domestic consumption remained subdued, as reflected by partial indicators, such as net Value Added Tax (VAT) collections, new consumption lending, and imports of consumer goods. Sentiments from the December 2011 Retail Sales Survey (RSS), however, reveal a more positive outlook for nominal retail sales this year (3.3%), given a 5.8 percent growth estimated for 2011. Consumption activity is expected to pick-up in the coming months, as the effects of the reduction in personal income tax rates and increases in civil servants' salaries, effective from January this year, materialise.

However, some weakness was noted in the housing sector in 2011, particularly in the last quarter - reflecting weak household wealth conditions and confidence, resulting in lower appetite for house purchases. Indicators for house sales and prices both declined on an annual basis, by 8.8 percent and 24.8 percent, respectively. In addition, labour market indicators continued to show some slackness, causing a drag on consumer activity. The number of jobs advertised declined annually in the

first two months of this year, although this may be partially due to lower emigration of professional workers.

Investment activity is envisaged to slowly pick-up in the near term due to a number of upcoming investment projects. However, recent investment intentions and activities have been focused on Fiji's resource and tourism sectors, suggesting subdued fixed capital formation in other major industries.

Annual growth in broad money supply accelerated in February to 15.4 percent, from 14.0 percent in the previous month. Yearly growth in net domestic credit was led largely by private sector credit, which rose by 5.8 percent in February, from 6.2 percent in the previous month. Credit growth is expected to remain buoyant in the months ahead on account of the positive growth outlook. Moreover, liquidity in the banking system remains above the \$500 million mark. The new lending rate declined while the new time deposit rate rose over the month to February.

However, the new time deposit rate fell on an annual basis in February, commensurate with the high liquidity levels.

Inflation in February rose to 6.2 percent from 5.9 percent in January, reflecting more on the effects of the January floods and led higher food prices. Risks to the inflation outlook are tilted to the upside, considering the volatility of oil prices associated with the geo-political tensions in the Middle East. Food prices have regained some strength more recently but are expected to decline slightly over the year. In addition, the current moderation in growth by the world's second-largest user of crude oil – China - is expected to restrain any upward pressure on oil prices. Overall, inflation is expected to moderate towards 3.5 percent by the end of this year.

Foreign reserves remain at comfortable levels and were around \$1,513.7 million at the end of March 2012, sufficient to cover 4.8 months of retained imports of goods and non-factor services.

**RESERVE BANK OF FIJI**

**FIJI: FINANCIAL STATISTICS**

Vol.29 No.03 2012

**KEY INDICATORS**

**1. Consumer Prices \***

(year-on-year % change)

**All Items**  
**Food**

Feb-12	Jan-12	Dec-11	Feb-11
6.2	5.9	7.7	7.6
8.1	6.3	9.1	7.3

**2. Reserves**

(end of period)

Foreign Reserves (\$m)<sup>1/</sup>

Feb-12	Jan-12	Dec-11	Feb-11
1497.2	1504.0	1512.5	1308.1

**3. Exchange Rates**

(mid rates, F\$1 equals)

(end of period)

US dollar  
Pound sterling  
Australian dollar  
New Zealand dollar  
Swiss francs  
Euro  
Japanese yen

Feb-12	Jan-12	Dec-11	Feb-11
0.5725	0.5668	0.5493	0.5477
0.3602	0.3611	0.3568	0.3400
0.5317	0.5350	0.5421	0.5393
0.6837	0.6913	0.7126	0.7297
0.5126	0.5206	0.5171	0.5085
0.4254	0.4319	0.4244	0.3985
46.08	43.26	42.68	44.77

**4. Liquidity**

(end of period)

Liquid Assets Margin to Deposit Ratio (%)  
Banks' Demand Deposits (\$m)

Feb-12	Jan-12	Dec-11	Feb-11
12.8	10.9	12.2	11.1
537.8	521.7	510.1	384.9

**5. Commodity Prices (US\$) \*\***

(monthly average)

UK Gold Price/fine ounce  
CSCE No. 11 Sugar Spot Price/Global (US cents/Pound)  
Crude Oil/barrel

Feb-12	Jan-12	Dec-11	Feb-11
1742.6	1656.1	1652.3	1372.7
25.0	24.0	23.4	24.6
119.7	111.2	107.9	104.0

**6. Money and Credit**

(year-on-year % change)

Narrow Money  
Broad Money  
Currency in Circulation (monthly average)  
Quasi-Money (Time & Saving Deposits)  
Domestic Credit

Feb-12	Jan-12	Dec-11	Feb-11
35.7	27.8	42.5	16.2
15.4	14.0	15.3	4.6
4.9	5.7	5.4	7.5
3.0	5.4	-1.2	-1.1
5.1	4.3	4.3	-1.9

**7. Interest Rates (% p.a.)**

(weighted monthly average)

Lending Rate (Excluding Staff)  
Savings Deposit Rate  
Time Deposit Rate  
14-day RBF Note Rate (month end)  
Minimum Lending Rate (MLR) (month end)<sup>2/</sup>  
Overnight Inter-bank Rate  
5-Year Government Bond Yield  
10-Year Government Bond Yield

Feb-12	Jan-12	Dec-11	Feb-11
7.36	7.43	7.42	7.49
0.91	0.91	0.91	1.13
2.81	2.81	2.97	4.51
n.i	n.i	n.i	n.i
1.00	1.00	1.00	2.50
n.t	n.t	n.t	n.t
n.i	n.i	n.i	n.i
6.75	n.i	n.i	n.i

<sup>1/</sup> Foreign reserves includes monetary gold, Special Drawing Rights, reserve position in the Fund and foreign exchange assets consisting of currency and deposits actually held by the Reserve Bank.

<sup>2/</sup> With the introduction of the new Monetary Policy Framework on 17 May 2010, the minimum lending rate was set at 50 basis points above the Overnight Policy Rate.

Note:

n.a Not Available  
n.i No Issue  
n.t No Trade

Sources:

<sup>\*</sup> Fiji Bureau of Statistics  
<sup>\*\*</sup> Bloomberg