



RESERVE BANK OF FIJI

ECONOMIC REVIEW

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Global economic developments continued to be influenced by uncertainties surrounding the state of US fiscal policies and the depressed state of the Euro zone. However, while the performance of most of Fiji's major trading partner economies remained weak, there are signs of stabilisation towards the end of the year, particularly for the US and Chinese economies.

Domestically, downside risks to Fiji's growth projections have now increased as a result of Tropical Cyclone Evan. Currently, the full extent of damages is yet to be ascertained. Nevertheless, damages to infrastructure (housing, public utility and in the hotel industry), cane and non-cane crops, livestock and the loss of manufacturing and retailing hours are expected to provide downward impetus on the growth outlook. Additionally, due to possible reprioritisation of funds for rehabilitation activity, there is likely to be delays in the implementation of planned projects by both the private and public sector.

Sectoral performances remained mixed in the review period. Weak outcomes were noted for cane and sugar production and visitor arrivals. In the year to November, cane and sugar production both declined on an annual basis by 21.8 percent and 2.8 percent respectively. Similarly, visitor arrivals cumulative to September 2012 declined by 2.5 percent on an annual basis. However, when compared to the same period in 2010, visitor arrivals were higher by 4.8 percent.

On the upside, partial indicators for consumption continue to suggest increased household and business spending within the economy. In the year to October, domestic Value Added Tax collections noted a year-on-year growth of 16.2 percent. In the same period, new lending for consumption purposes more than doubled to \$180.1 million. Consumption

activity was also supported by the inflow of personal remittances and rose over the year by 6.4 percent in September.

Similarly, investment indicators remained upbeat. New lending for investment purposes rose year-on-year by 16.9 percent cumulative to October and a growth of around 7.6 percent was also noted in domestic cement sales, indicating a positive outlook for investment in the coming months.

Financial conditions features declining lending rates, a recovery in credit and buoyant liquidity levels.

Over the month to October, the commercial banks' weighted average lending rate slid to 6.73 percent from 6.84 percent recorded in the preceding month. Furthermore, private sector credit grew by 5.8 percent on an annual basis in October, after rising by 3.3 percent in the same period in 2011. However, the annual growth in broad money slowed to 8.2 percent in the same period, underpinned by the general moderation in the growth rate of Net Foreign Assets during the year.

Over the month to November, liquidity rose by \$20.8 million to \$554.8 million. At the end of December 2012, liquidity was around \$578.0 million.

Inflation in November declined to 2.1 percent from 4.1 percent in October. The decline over the month was attributed to the fall in international food & oil prices, weak global growth and lower domestic prices recorded for some food items and clothing & footwear. Over the year, nearly all categories noted price increases.

The Nominal Effective Exchange Rate (NEER) index rose over the month to November by 0.1

percent, indicating an overall appreciation of the Fiji dollar against its major trading partner currencies. Similarly, on an annual basis, the NEER index rose marginally by 0.4 percent.

During the same period, due to a decline in domestic inflation and an increase in trading partner inflation, the Real Effective Exchange Rate (REER)

index fell by 0.3 percent over the month. However, on an annual basis, the REER index rose by 0.9 percent.

Foreign reserves were around \$1,636.3 million at the end of December 2012, sufficient to cover 5.2 months of retained imports of goods and non-factor services.

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KEY INDICATORS

1. Consumer Prices *

(year-on-year % change)

All Items
Food

Nov-12	Oct-12	Sep-12	Nov-11
2.1	4.1	3.7	8.8
2.4	3.0	3.1	12.3

2. Reserves

(end of period)

Foreign Reserves (\$m)^{1/}

Nov-12	Oct-12	Sep-12	Nov-11
1577.1(p)	1583.1(p)	1602.7	1464.2

3. Exchange Rates

(mid rates, FSI equals)

(end of period)

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

Nov-12	Oct-12	Sep-12	Nov-11
0.5615	0.5609	0.5646	0.5470
0.3501	0.3489	0.3478	0.3503
0.5385	0.5411	0.5407	0.5457
0.6828	0.6833	0.6791	0.7179
0.5212	0.5230	0.5294	0.5032
0.4330	0.4328	0.4373	0.4103
46.12	44.66	43.82	42.59

4. Liquidity

(end of period)

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

Nov-12	Oct-12	Sep-12	Nov-11
n.a.	11.1	12.1	11.0
554.8	535.4	576.7	497.0

5. Commodity Prices (US\$) **

(monthly average)

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

Nov-12	Oct-12	Sep-12	Nov-11
1721.1	1747.0	1744.5	1739.0
19.3	20.4	19.5	23.5
109.7	112.0	113.4	111.4

6. Money and Credit

(year-on-year % change)

Narrow Money
Broad Money
Currency in Circulation (monthly average)
Transferable deposits
Other deposits
Net Domestic Credit

Nov-12	Oct-12	Sep-12	Nov-11
n.a.	15.2	9.8	38.5
n.a.	8.2	4.4	9.8
n.a.	11.3	11.2	3.8
n.a.	16.1	9.4	50.8
n.a.	6.3	3.4	-2.1
n.a.	4.0	5.2	0.2

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)^{2/}
Overnight Inter-bank Rate
5-Year Government Bond Yield
10-Year Government Bond Yield

Nov-12	Oct-12	Sep-12	Nov-11
n.a.	6.73	6.84	7.46
n.a.	0.83	0.82	1.06
n.a.	2.30	2.34	3.12
n.a.	n.i	n.i	n.i
n.a.	1.00	1.00	1.00
n.a.	n.t.	n.t.	n.t.
n.a.	n.i	4.00	n.i
n.a.	5.83	5.98	n.i

^{1/} 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.

^{2/} 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:

p Provisional
n.i No Issue
n.t No Trade

Sources: * Fiji Bureau of Statistics
** Bloomberg