



The inclusion of news items in this review does not imply endorsement of the accuracy of the information nor agreement with views expressed.

Vol. 30

No. 11

Month Ended. November 2011

The outlook on global economic and financial conditions has become more uncertain due to the escalating sovereign debt crisis in Europe and poor confidence in the major advanced economies. In other regions, high inflation, geo-political tensions and natural disasters have contributed to the lowering of growth prospects.

Consequently, growth forecasts for Fiji's major trading partner economies for 2011 and 2012 have been lowered. In New Zealand, growth has been revised downwards for both years based on the adverse impact of prolonged Euro zone debt crisis. Similarly, Australia's growth for this year has been downgraded on subdued domestic demand with a rebound anticipated for next year. As for the Euro zone, escalating debt continued to dampen growth for 2011 and even more in 2012. In Japan, growth for 2011 is expected to improve slightly on reconstruction demand while growth for the US economy is expected to pick-up in 2011 and next year due to a surge in business investment and rebound in consumption.

Domestically, recent revisions to growth projections reveal that the Fiji economy is now projected to grow by 2.1 percent in 2011, compared to the earlier anticipated recovery of 2.7 percent. The downward revision is mainly attributed to projected lower-than-expected performances in the manufacturing; and forestry sectors coupled with contractions expected in the fishing; public administration & defence; mining & quarrying; electricity & water; and the health & social work sectors. The major drivers of this year's growth are expected to be the agriculture; financial intermediation; transport, storage & communication; hotels & restaurants; real estate & business services and the manufacturing

sectors. For 2012 and 2013, the domestic economy is forecast to grow by 2.3 percent and 1.9 percent respectively.

Sector performances to date suggest mixed outcomes. While increases were noted in consumption activity as well as in the tourism, sugar and copra industries, weaker performances were recorded in the construction, electricity and gold sectors.

The labour market remained subdued as indicated by the results of the November Job Advertisement Survey. The yearly decline in the number of job advertisements was mainly attributed to the wholesale, retail trade & restaurants & hotels; community, social & personal services and the construction sectors.

Inflation in October eased to 9.1 percent from 9.7 in September led largely by declines in energy and food prices. In the coming months, prices are expected to moderate further due to a slowdown in the global economy and the consequent decline in global commodity prices, as well as the phasing out of one-off price adjustments for the electricity tariff and VAT.

In the banking sector, broad money (M2) rose on an annual basis by 15.9 percent in October, unchanged from the previous month. This was underpinned by a slowdown in growth of net foreign assets which offset a recovery domestic credit expansion. Over the review period, growth in net foreign assets fell from 41.9 percent in September to 22.1 percent in October while domestic credit grew by 4.5 percent, a turnaround from a contraction of 0.8 percent in September. The recovery in domestic credit was attributed to

improved claims on official entities and a relatively slower decline in claims on government. Over the same period, private sector credit rose over the year by 6.1 percent.

Exchange rate movements in October revealed that the Fiji dollar depreciated against the Australian and New Zealand dollar by 4.1 percent and 1.3 percent respectively, but appreciated against the US dollar (5.1%), the Japanese Yen (3.5%) and the Euro (1.0%).

On an annual basis, the Fiji dollar fell against the Australian dollar (3.4%), the New Zealand dollar

(2.8%) and the Japanese Yen (1.3%) but rose against the US dollar (5.7%) and the Euro (4.2%).

Liquidity in the banking system, measured by bank demand deposits fell further by \$74.2 million (-13.0%) over the month to \$497.1 million as at 30 November.

As at 30 November 2011, foreign exchange reserves stood at \$1,464.7 million, equivalent to around 4.8 months of retained imports of goods and non-factor services.

RESERVE BANK OF FIJI

FIJI: FINANCIAL STATISTICS

Vol.30 No.11 2011

KEY INDICATORS

1. Consumer Prices *
(year-on-year % change)

All Items
Food

Oct-11	Sep-11	Aug-11	Oct-10
9.1	9.7	10.4	1.6
8.2	9.1	10.9	3.9

2. Reserves
(end of period)

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

Oct-11	Sep-11	Aug-11	Oct-10
1543.0	1626.2	1632.7	1264.9

3. Exchange Rates
(mid rates, FSI equals)
(end of period)

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

Oct-11	Sep-11	Aug-11	Oct-10
0.5727	0.5448	0.5779	0.5416
0.3552	0.3489	0.3546	0.3398
0.5347	0.5574	0.5411	0.5536
0.6983	0.7075	0.6773	0.7184
0.4954	0.4891	0.4740	0.5323
0.4050	0.4011	0.4001	0.3889
43.31	41.85	44.31	43.90

4. Liquidity
(end of period)

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

Oct-11	Sep-11	Aug-11	Oct-10
12.5	14.3	15.4	9.7
571.2	661.8	678.9	311.6

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

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

Oct-11	Sep-11	Aug-11	Oct-10
1665.2	1771.9	1755.8	1342.0
26.3	26.7	27.9	35.3
109.5	111.1	110.1	82.9

6. Money and Credit
(year-on-year % change)

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

Oct-11	Sep-11	Aug-11	Oct-10
36.6	38.2	39.4	10.6
15.9	15.9	17.4	4.7
5.2	5.7	7.8	12.8
1.5	1.0	3.1	1.0
4.5	-0.8	-0.5	-1.8

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

Oct-11	Sep-11	Aug-11	Oct-10
7.45	7.49	7.49	7.44
1.03	1.04	0.84	1.02
3.14	3.23	3.30	5.02
n.i	n.i	n.i	2.83
2.00	2.00	2.00	3.50
n.t.	n.t.	n.t.	n.t.
n.i	n.i	n.i	n.i
n.i	n.i	n.i	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:

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

Sources:

^{1/} Fiji Bureau of Statistics
^{2/} Bloomberg