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Developments in the global economy remained positive, with signs of stabilisation and diminishing downside risks in many economic regions. The US economy continues to grow moderately, supported by improvements in housing and labour markets. However, the government spending cuts that came into effect from 01 March are expected to exert some drag on economic recovery. The Japanese economy also noted improved activity in early 2013, with a pick-up in exports and improved consumer and business sentiments, following the Government's announcement of more stimulus measures. However, the Euro zone continues to signal sustained weakness in economic activity following developments in Cyprus, which is on the brink of bankruptcy and in need of funding assistance.

On major trading partners, growth in Australia was around trend in 2012 while New Zealand's economy is gaining momentum despite the dry weather conditions which have restrained growth in the external sector, to some extent.

Domestic economic conditions at the beginning of 2013 showed mixed outcomes across key real sectors. On the industrial front, cement production rose in January by 46.8 percent while electricity production registered an annual growth of 5.1 percent in the year to February. However, weak performances were noted in the gold and tourism industries in January. Gold production registered an annual decline of 28.2 percent due to lower quality grade ore while the tourism industry noted some slowdown in visitor arrivals from our two key markets - Australia and New Zealand¹. Nonetheless, arrivals are expected to increase with the approach of the peak tourism season.

¹ According to the Australian Bureau of Statistics and Statistics New Zealand, in January, short-term resident departures from Australia and New Zealand to Fiji declined by 5.6 percent and 13.7 percent, respectively, on an annual basis.

Consumption activity continued to trend upward as evident in the 8.8 percent annual increase in total VAT collections in 2012 (on a net basis VAT collections rose by 9.3 percent). In the same period, inward remittances and imports of consumer goods rose annually by 5.3 percent and 7.3 percent, respectively.² Similarly, new lending for consumption purposes rose significantly (by \$109.9m) to \$128.6 million in the period cumulative to February compared to the corresponding period last year. In the coming months, consumer sentiments are likely to remain positive, mainly supported by factors such as the increase in salaries of established government wage earners effective from January this year, the relaxed credit environment and stable inward remittances.

Improvements in labour market conditions are further expected to have a positive effect on consumption activity. Recruitment intentions increased annually, by 4.1 percent during the first two months of this year, as indicated by the results of the RBF's Job Advertisement Survey.

Moreover, partial indicators for investment point to optimism in construction and other investment activities in the medium term. Domestic cement sales rose by 84.6 percent on an annual basis in January and are expected to remain upbeat, supported by ongoing and planned construction projects this year. The continuing reconstruction and rehabilitation work post-Cyclone Evan is also expected to further contribute to activity in the construction sector during the year. Consistent with this, new bank loans to the building & construction sector rose significantly (by \$14.3m) to \$18.4 million during the first two months of this year when compared with the same period last year. Furthermore, total investment lending grew by 85.9 percent over the same period. Imports of

² Unless otherwise noted, all trade figures are currently sourced from Overseas Exchange Transactions (OET) data.

investment goods registered an annual increase of 9.3 percent in 2012.

Monetary and financial conditions continued to improve, as net domestic credit rose by 5.4 percent in February from 4.1 percent in January, driven mainly by growth in private sector credit. Supporting this credit expansion was the decline in both outstanding and new lending rates over the month to February. The outstanding lending rate fell by 13 basis points (bp) to 6.36 percent while the new weighted average lending rate decreased over the month, by 62bp to 5.90 percent.

Consistent with the increase in net domestic credit, growth in broad money was 9.4 percent in February from 8.0 percent in the previous month, attributed mainly to an increase in net foreign assets. Liquidity levels remained high and were around \$471.3 million at the end of March.

Domestic inflation rose in March to 3.3 percent from 2.4 percent in February while the weighted average trading partner inflation rate declined marginally from 1.9 percent in February to 1.8 percent in March. The higher domestic inflation

rate, which mainly reflected higher food prices, contributed to a rise in the Real Effective Exchange Rate (REER)³ index by 0.1 percent over the month in March. The Nominal Effective Exchange Rate (NEER)⁴ index, however, remained unchanged in the same period.

On a bilateral basis, over the month to March, the Fiji dollar appreciated against the Euro (3.5%), the Yen (3.1%), and the US dollar (0.7%) but fell against the Aussie (-1.3%) and the New Zealand (-0.5%) dollars. On an annual basis, the Fiji dollar rose sizably against the Yen (14.4%) and the Euro (3.9%), but depreciated against the Kiwi (-2.5%), the Aussie (-0.7%) and the Greenback (-0.2%).

External trade remained soft in the year to February, as declines in foreign exchange earnings were noted for sugar, timber and gold. In the same period, apart from the increase in import of mineral fuels, other major import commodities such as food & beverages, machinery & transport equipment and raw materials recorded a slowdown. As at 28 March, the level of foreign reserves was around \$1,494.8 million, sufficient to cover 4.3 months of retained imports of goods and non-factor services.

RESERVE BANK OF FIJI

³ The REER index is the sum of each component of the NEER index, adjusted by the relative price differential between Fiji and each of Fiji's major trading partners. The index measures the competitiveness of the Fiji dollar against the basket of currencies. A decline in REER index indicates an improvement in Fiji's international competitiveness.

⁴ The NEER is the sum of the indices of each trading partner country's currency against the Fiji dollar, adjusted by their respective weights in the basket. This index measures the overall movement of the Fiji dollar against the basket of currencies. An increase in this index indicates an appreciation of the Fiji dollar against the basket of currencies and vice versa.

FIJI: FINANCIAL STATISTICS

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KEY INDICATORS

1. Consumer Prices *

(year-on-year % change)

All Items
Food

Mar-13	Feb-13	Jan-13	Mar-12
3.3	2.4	3.2	5.6
4.5	2.2	4.9	6.3

2. Reserves

(end of period)

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

Mar-13	Feb-13	Jan-13	Mar-12
1494.8(p)	1575.7(p)	1602.6(p)	1,513.2

3. Exchange Rates

(mid rates, FSI equals)

(end of period)

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

Mar-13	Feb-13	Jan-13	Mar-12
0.5599	0.5562	0.5626	0.5610
0.3701	0.3670	0.3560	0.3516
0.5363	0.5434	0.5405	0.5400
0.6690	0.6725	0.6732	0.6861
0.5341	0.5176	0.5127	0.5085
0.4382	0.4234	0.4146	0.4217
52.880	51.301	51.270	46.240

4. Liquidity

(end of period)

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

Mar-13	Feb-13	Jan-13	Mar-12
n.a.	10.3	10.4	12.8
471.3	573.8	570.2	537.4

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

Mar-13	Feb-13	Jan-13	Mar-12
1,593.1	1,627.6	1,671.0	1,673.8
18.3	18.2	18.9	23.8
109.2	116.5	113.0	124.9

6. Money and Credit

(year-on-year % change)

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

Mar-13	Feb-13	Jan-13	Mar-12
n.a.	15.0	16.7	41.2
n.a.	9.4	8.0	13.2
n.a.	5.2	5.1	8.6
n.a.	17.4	19.9	52.3
n.a.	5.8	2.5	1.1
n.a.	5.4	4.1	2.3

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

Mar-13	Feb-13	Jan-13	Mar-12
n.a.	6.36	6.49	7.17
n.a.	0.89	0.77	0.65
n.a.	2.28	2.29	2.73
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.	4.00	4.00	n.i
n.a.	5.54	5.00	6.60

^{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:

* Fiji Bureau of Statistics
** Bloomberg