



RESERVE BANK OF FIJI

ECONOMIC REVIEW

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According to the latest International Monetary Fund World Economic Outlook, the performance of the world economy continues to strengthen, driven by better outcomes in the advanced economies. In spite of this, however, the global growth forecast for 2014 released in January, has been revised downward slightly to 3.6 percent from the previous 3.7 percent forecast. This is in response to a slowdown in certain key emerging market economies. The growth forecast for 2015 remains at 3.9 percent. All of Fiji's major trading partner economies are expected to grow this year.

Domestically, according to the latest Macroeconomic Policy Committee's projections, the Fijian economy is estimated to have grown by 3.6 percent in 2013. This year, economic growth is projected at 3.8 percent, compared to 3.0 percent forecast earlier.¹ The projection now incorporates Government's expenditure announced in the National Budget which was not fully factored in previously. The growth outlook for 2014 is broad-based, with the exception of an expected contraction in the fishing sector. The growth outlook for both 2015 and 2016 remains unchanged at 2.4 percent.

In the review period, sectoral performances have been generally positive. Annual increases were noted in the production of electricity (5%) and pine wood (37%) in the year to March, while gold production fell (-3%) during the same period. The latest provisional data from the Fiji Bureau of Statistics for the tourism sector showed that total visitor arrivals rose by 3.0 percent in January this year.

Partial indicators of demand reveal a slight

¹ The latest projection is based on a 2008 base while the forecast in November 2013 was based on a 2005 base. The new 2008 base reflects the changing structure of the economy and the inclusion of new sectors which have resulted in changes to the weights of various sectors.

slowdown in consumption activity while the outlook for investment remains positive.

Net value added tax collections, a partial indicator of consumption, rose by 5 percent on an annual basis cumulative to March compared to a growth of 17 percent a year ago. The Reserve Bank's Job Advertisements Survey recorded an increase of 18 percent in the number of jobs advertised during the first quarter of 2014, while inward remittances grew by 8 percent cumulative to March.

The outlook for investment activity is still expected to be positive considering the stronger sentiments expressed for investment in plant & machinery and buildings in the Reserve Bank's December 2013 Business Expectations Survey, coupled with increased Government capital expenditure (40%) planned for this year.

Monetary conditions remained accommodative to economic growth. Broad money (M3) grew by 18 percent in March, underpinned by growth in net foreign assets (20%) and net domestic credit (15%). The growth in the latter was underpinned by an expansion in private sector credit (9%) and net credit to the non-financial public sector (78%). In the same period, commercial banks' outstanding lending rose by 4 basis points (bp) to 5.88 percent and the time deposit rate increased by 10 bp to 1.83 percent. Systemic liquidity rose by 3 percent to \$593 million over the month to March, underpinned by an increase in foreign reserves (\$23m). Currently (28 April), liquidity is around \$529 million.

In March, inflation fell to -0.2 percent from 0.2 percent in February largely due to base related effects as the inflation rate a year ago was 4.0 percent. In addition, the decline was also influenced by the free primary and secondary education structural change which affected consumer prices

from last month.

In terms of bilateral exchange rate movements, the Fiji dollar strengthened against the Yen (3%), the US dollar (2%), and the Euro (2%), but weakened against the New Zealand (-2%) and the Australian (-1%) dollars in the month of March. However, over the year to March, the Fiji dollar rose against the Australian dollar (9%) and the Yen (5%), but fell against the Euro (-10%), the New Zealand (-7%) and the US (-4%) dollars.

The Real Effective Exchange Rate (REER) rose over the month, by 0.3 percent, reflecting a loss in Fiji's international competitiveness. Over the year, the REER fell by 4 percent.

Across the external sector, exports (excluding aircraft) are forecast to turnaround and grow by 5 percent this year, with most sectors expected to contribute, except fish. Over the same period, imports (excluding aircraft) are also expected to grow by 5 percent, reflecting stronger demand across all categories of imports – consumption, intermediate and investment goods. Remittance earnings have continued to be buoyant and tourism receipts are expected to remain stable during the year. Currently (29 April), foreign reserves are around \$1,667 million, sufficient to cover 4.5 months of goods and non-factor services.

The Reserve Bank of Fiji Board in its April meeting kept its Overnight Policy Rate at 0.50 percent.

RESERVE BANK OF FIJI

FIJI: FINANCIAL STATISTICS

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KEY INDICATORS

1. Consumer Prices *

(year-on-year % change)

All Items
Food and Non-Alcoholic Beverage

2. Reserves ***

(end of period)

Foreign Reserves (\$m)^{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

4. Liquidity ***

(end of period)

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

5. Commodity Prices (US\$) **

(monthly average)

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

6. Money and Credit ***

(year-on-year % change)

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

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

(monthly weighted 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

(monthly average)

5-Year Government Bond Yield
10-Year Government Bond Yield

	Mar-14	Feb-14	Jan-14	Mar-13
All Items	-0.2	0.2	2.3	4.0
Food and Non-Alcoholic Beverage	1.1	1.9	2.5	5.4
Foreign Reserves (\$m) ^{1/}	1,717.8	1,697.3	1,757.8	1,494.2
US dollar	0.5405	0.5306	0.5234	0.5599
Pound sterling	0.3246	0.3180	0.3177	0.3701
Australian dollar	0.5848	0.5921	0.5957	0.5363
New Zealand dollar	0.6239	0.6340	0.6423	0.6690
Swiss francs	0.4786	0.4714	0.4729	0.5341
Euro	0.3927	0.3870	0.3863	0.4382
Japanese yen	55.64	54.19	53.78	52.88
Liquid Assets Margin to Deposit Ratio (%)	9.07	8.43	9.41	7.89
Banks' Demand Deposits (\$m)	593.2	574.1	636.0	471.3
UK Gold Price/fine ounce	1291.8	1326.5	1251.0	1598.3
CSCE No. 11 Sugar Spot Price/Global (US cents/Pound)	17.8	17.7	15.6	17.7
Crude Oil/barrel	107.0	109.3	107.2	109.3
Narrow Money	65.6	58.0	62.8	7.6
Broad Money	17.8	14.7	16.1	7.0
Currency in Circulation	0.0	3.7	4.1	4.8
Quasi-Money (Time & Saving Deposits)	21.4	17.4	19.0	7.9
Domestic Credit	14.8	12.7	12.9	6.8
Lending Rate (Excluding Staff)	5.88	5.84	5.85	6.27
Savings Deposit Rate	0.83	0.74	0.72	0.74
Time Deposit Rate	1.83	1.73	1.74	2.20
14-day RBF Note Rate (month end)	n.i	n.i	n.i	n.i
Minimum Lending Rate (MLR) (month end) ^{2/}	1.00	1.00	1.00	1.00
Overnight Inter-bank Rate	n.t	n.t	n.t	n.t
5-Year Government Bond Yield	n.i	n.i	n.i	n.i
10-Year Government Bond Yield	4.24	4.23	4.32	5.00

^{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
n.a not available

Sources:

* Fiji Bureau of Statistics
** Bloomberg
*** Reserve Bank of Fiji