



# RESERVE BANK OF FIJI

## ECONOMIC REVIEW

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The global economy is poised to expand by 3.6 percent this year amidst improved growth prospects in advanced economies. Even with signs of firmer recovery in advanced economies, the persistently high unemployment rates, threat of deflation in the Euro zone, softness in major emerging and developing economies and the unwinding of quantitative easing across major economies continues to pose downside risks to the global growth projections.

Domestically, performances varied across key sectors but remained broadly positive. Latest data on tourism suggest the industry continues to expand. Short term departures from Australia and New Zealand increased by 7.4 percent and 14.1 percent, respectively, in the year to March. Electricity production also noted a 3.3 percent yearly increase cumulative to April. In the same period, timber production was upbeat as woodchip production more than doubled (101.3%). However, gold production declined further by 4.1 percent in the year to April after a 15.6 percent decline in 2013. The fishing industry continues to note annual declines in production as per the feedback from major industry stakeholders.

Consumption activity remains strong as evidenced by the positive growth in partial indicators. In the year to April, net Value Added Tax (VAT) collections rose by 6.3 percent while new lending for consumption purposes increased by 27.5 percent from a year earlier. Imports of consumption goods were also higher by 11.0 percent cumulative to February. In the review period, consumer spending has been supported by higher inward remittances (8.3% growth cumulative to March) and higher incomes as reflected by a 21.8 percent expansion in Pay As You Earn tax collections, cumulative to April.

Investment activity also remains firm, as most partial indicators continue to depict positive sentiments. Cumulative to April, domestic cement

sales grew by an annual 7.6 percent, while imports of investment goods (excluding aircraft) expanded by 15.7 percent in the year to February. However, new lending for investment purposes saw a marginal decline of 1.6 percent cumulative to April. Overall, investment is forecast to be around 26.0 percent of Gross Domestic Product (GDP) this year.

The buoyant demand conditions in the economy are well reflected in the labour market. Cumulative to April, the number of jobs advertised increased by 17.2 percent led by high recruitment intentions in the manufacturing sector followed by the community, social & personal services and the transport, storage and communication sectors.

Monetary conditions continue to support economic expansion. Broad money expanded by 16.8 percent in April from a year ago, led by increases in net foreign assets and net domestic credit which expanded by 17.1 percent and 14.9 percent, respectively. Growth in net domestic credit was in turn led by higher credit to the private sector (11.6%) as well as to the non-financial public sector (37.6%). In the same month, the commercial banks' lending rate fell by 1 basis point (bp) on a monthly basis to 5.87 percent while the savings deposit rate increased by 4 bp to 0.87 percent. The time deposit rate remained unchanged at 1.83 percent in April.

Liquidity in the banking system fell by 9.1 percent to \$539.1 million in April from the previous month, underpinned by a decline in foreign reserves (\$52.1m). Currently (29 May), systemic liquidity is around \$589.0 million.

Over the month to April, the Fiji dollar weakened against the Euro (-0.5%), the Yen (-0.5%), the Australian dollar (-0.4%), and the US dollar (-0.2%) but strengthened against the New Zealand (1.2%) dollar. However, over the year, the Fiji dollar rose against the Australian dollar (7.4%) and the Yen (0.9%), but fell against the Euro (-8.8%), the US dollar (-3.9%) and the New Zealand dollar (-3.7%).

The Nominal Effective Exchange Rate (NEER) index rose over the month to April by 0.2 percent, implying a slight appreciation of the Fiji dollar against its major trading partners. The Real Effective Exchange Rate (REER), however fell by 0.3 percent over the month. On an annual basis, both the NEER and the REER index fell by 0.4 percent and 3.3 percent, respectively.

On the external front, Fiji's trade deficit (excluding aircraft) widened by an annual 20.4 percent cumulative to February this year. This was underpinned by a pick-up in imports (11.5%), reflecting the positive growth in domestic demand. In contrast, domestic exports fell by 4.6 percent while total exports (inclusive of re-exports)

contracted by 0.8 percent during the same period, due to lower exports of gold, timber and other domestic exports.

Inflation rose slightly in April to 0.1 percent from -0.2 percent recorded in March, underpinned largely by increases in prices of alcoholic beverages, tobacco and certain non-food categories. Foreign reserves (RBF Holdings) are currently (30 May) around \$1,697.6 million, sufficient to cover 4.6 months of retained imports of goods and non-factor services. Given the comfortable level of foreign reserves and low inflation, the Reserve Bank maintained the accommodative monetary policy stance and kept the Overnight Policy Rate unchanged at 0.5 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

Apr-14	Mar-14	Feb-14	Apr-13
0.1	-0.2	0.2	1.6
1.2	1.1	1.9	-0.3

**2. Reserves \*\*\***

(end of period)

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

Apr-14	Mar-14	Feb-14	Apr-13
1,669.6	1,717.8	1,697.3	1,468.4

**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

Apr-14	Mar-14	Feb-14	Apr-13
0.5397	0.5405	0.5306	0.5616
0.3207	0.3246	0.3180	0.3623
0.5823	0.5848	0.5921	0.5424
0.6314	0.6239	0.6340	0.6557
0.4769	0.4786	0.4714	0.5262
0.3908	0.3927	0.3870	0.4287
55.39	55.64	54.19	54.91

**4. Liquidity \*\*\***

(end of period)

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

Apr-14	Mar-14	Feb-14	Apr-13
7.38	9.07	8.43	8.08
539.1	593.2	574.1	481.6

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

(monthly average)

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

Apr-14	Mar-14	Feb-14	Apr-13
1,299.0	1,336.1	1,301.0	1,485.1
18.2	17.6	17.7	16.7
107.8	107.4	108.8	102.9

**6. Money and Credit \*\*\***

(year-on-year % change)

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

Apr-14	Mar-14	Feb-14	Apr-13
64.3	65.6	58.0	8.8
16.8	17.8	14.7	7.8
4.6	0.0	3.7	1.7
19.5	21.4	17.4	9.3
14.9	14.8	12.7	7.4

**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)<sup>2/</sup>  
Overnight Inter-bank Rate

Apr-14	Mar-14	Feb-14	Apr-13
5.87	5.88	5.84	6.21
0.87	0.83	0.74	0.74
1.83	1.83	1.73	2.14
n.i	n.i	n.i	n.i
1.00	1.00	1.00	1.00
n.t	n.t	n.t	n.t

(monthly average)

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

Apr-14	Mar-14	Feb-14	Apr-13
n.i	n.i	n.i	4.00
n.i	4.24	4.23	5.44

<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:

(p) provisional  
n.i No Issue  
n.t No Trade  
n.a not available

Sources:

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