



# RESERVE BANK OF FIJI

## ECONOMIC REVIEW

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Global growth prospects have improved somewhat, as advanced and emerging market economies continue to heal. Financial conditions around the globe continue to be supported by low interest rates and central banks' accommodative monetary policies that are aiding the recovery. However, distinct risks still persist in major economies in terms of lowering unemployment rates to pre-crisis level, timing the tapering of economic stimulus and tightening of financial conditions from their current supportive levels. Looking ahead, the International Monetary Fund forecasts an accelerated 3.6 percent global growth in 2014 (down from 3.8 percent released in July 2013), following an estimated 2.9 percent growth in 2013.

Domestically, real sector performances remained broadly positive in the review period. Cumulative to November, electricity production grew annually by 5.6 percent. Visitor arrivals rose by a provisional 0.4 percent cumulative to September when compared with a year earlier. Short-term resident departures from Australia and New Zealand, cumulative to October, rose annually by 0.3 percent and 4.7 percent, respectively. On the contrary, gold production remains weak as it declined by 13.8 percent to 37,242 ounces in the year to November.

Partial indicators for consumption continue to suggest increased household and business spending within the economy. In the year to November, new vehicle sales recorded an annual growth of 40.4 percent, while new lending for consumption purposes more than doubled in the same period. In the year to October, net VAT collections grew by 12.7 percent, while imports of consumption goods

Month Ended December 2013

registered an annual growth of 5.6 percent in the first nine months of the year. Consumption activity was further supported by the inflow of personal remittances which rose over the year to October by 6.9 percent to \$270.6 million.

Investment activities were also positive in the review period, mainly supported by the positive performance in the construction sector. Partial indicators such as new lending for investment purposes rose significantly (87.8%) in the year to November and, imports of investment goods rose annually by 25.2 percent cumulative to September. Domestic cement sales, an indicator of construction activity, rose by 12.7 percent in the year to October.

Labour market conditions continue to improve, as shown by the results of the RBF's Job Advertisement Survey. In the year to November, the number of vacant jobs advertised grew annually by 9.7 percent, mainly driven by the community, social & personal services followed by wholesale, retail trade & restaurants & hotels and the construction sectors.

In November, inflation rose marginally to 3.4 percent from 3.3 percent in October, largely on account of higher contributions from the food and non-alcoholic beverages category.

On monetary conditions, broad money rose by 16.9 percent on an annual basis in November, largely underpinned by the growth in net foreign assets which expanded by 21.2 percent in the same period. Similarly, the annual growth in outstanding commercial banks' loans rose to 15.2 percent in the year to November, while new lending by commercial banks also

rose by 66.1 percent to \$1,315.0 million in the same period.

The weighted average bank lending rate was unchanged at 5.90 percent at the end of November when compared to October, whilst both the time deposit rate and savings deposit rate fell by 12 basis points to 1.84 percent and 9 basis points to 0.71 percent, respectively in the same period.

Liquidity in the banking system rose over the month to November by 7.3 percent (\$49.8m) to \$728.4 million, led by an increase in foreign reserves (\$83.0m). Currently (30 December), liquidity is around \$635.5 million.

The Fijian dollar strengthened against the Australian dollar and the Yen but weakened against the Euro, US and New Zealand dollar over the month to November. On an annual basis, the Fijian dollar rose against the Yen (17.5%) and the Australian dollar (8.1%), but fell against the other currencies in the basket.

The Nominal Effective Exchange Rate (NEER) index fell over the month to November by 0.2 percent, reflecting a slight overall depreciation of the Fijian dollar against our major trading partner currencies.

On the external front, the merchandise trade deficit (excluding aircraft) widened by 29.5 percent to \$1,805.1 million in the year to September when compared to the same period in 2012. Domestic export earnings fell by 7.7 percent mainly led by gold, sugar, and other domestic exports which more-than-offset the increases in fish, garments, flour and fruit & vegetables. Including re-exports, total export earnings (excluding aircraft) fell by 10.1 percent. Import payments (excluding aircraft) rose by 8.6 percent while retained imports (excluding aircraft), an indicator of domestic demand, surged by 18.2 percent in the same period, supporting the growth in consumption activity.

Foreign reserves continue to be at comfortable levels and stood at around \$1,789 million as at 30 December, sufficient to cover 4.9 months of retained imports of goods and non-factor services.

#### **RESERVE BANK OF FIJI**

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

All Items	3.4	3.3	3.1	2.1
Food and Non-Alcoholic Beverage	5.5	5.1	4.3	0.9

**2. Reserves \*\*\***  
(end of period)

Foreign Reserves (\$m) <sup>1/</sup>	1,861.5	1,772.5	1,798.8	1,576.6
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**3. Exchange Rates \*\*\***  
(mid rates, F\$1 equals)  
(end of period)

US dollar	0.5302	0.5405	0.5375	0.5615
Pound sterling	0.3245	0.3371	0.3333	0.3501
Australian dollar	0.5821	0.5704	0.5765	0.5385
New Zealand dollar	0.6523	0.6564	0.6494	0.6828
Swiss francs	0.4803	0.4862	0.4871	0.5212
Euro	0.3898	0.3937	0.3937	0.4330
Japanese yen	54.21	53.29	52.57	46.12

**4. Liquidity \*\*\***  
(end of period)

Liquid Assets Margin to Deposit Ratio (%)	11.24	10.24	11.73	9.33
Banks' Demand Deposits (\$m)	728.4	678.6	723.8	500.6

**5. Commodity Prices (USS) \*\***  
(monthly average)

UK Gold Price/fine ounce	1275.8	1316.2	1348.8	1721.1
CSCE No. 11 Sugar Spot Price/Global (US cents/Pound)	17.7	18.8	17.6	19.3
Crude Oil/barrel	108.1	109.5	111.6	109.7

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

Narrow Money	63.5	63.9	23.7	7.6
Broad Money	16.9	15.1	14.7	6.3
Currency in Circulation	2.0	2.0	-4.5	11.0
Quasi-Money (Time & Saving Deposits)	-20.3	-24.5	8.4	7.7
Domestic Credit	12.4	13.4	12.8	2.5

**7. Interest Rates (% p.a.) \*\*\***  
(monthly weighted average)

Lending Rate (Excluding Staff)	5.90	5.90	6.06	6.57
Savings Deposit Rate	0.71	0.80	0.78	0.76
Time Deposit Rate	1.84	1.96	1.99	2.35
14-day RBF Note Rate (month end)	n.i.	n.i.	n.i.	n.i.
Minimum Lending Rate (MLR) (month end) <sup>2/</sup>	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	4.00	n.i.	4.00	4.00
10-Year Government Bond Yield	4.60	4.65	4.94	5.77

<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:**

n.i.	No Issue
n.t.	No Trade

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