



International economic conditions remain generally fragile with uneven growth patterns across regions. Global inflation has remained low due to declining commodity prices while monetary conditions continue to be accommodative in major regions.

Recent economic indicators reveal mixed performance in Fiji's major trading partner economies. The United States (US) is expected to moderate in the first quarter as industrial and business sentiments fell slightly in January 2015. While the Japanese economy is showing signs of a slight improvement with higher manufacturing activity noted in January, overall growth is likely to remain low. In Australia, consumption activity improved in January 2015 owing to increased consumer optimism and higher household spending. In China, the decline in the manufacturing and services sectors slowed in January while the Euro zone continues to be besieged with deflation and lower industrial production.

Domestically, outcomes in partial indicators for both consumption and investment in 2015 remain firm and in line with the 4.0 percent growth projected for the year. In January 2015, new lending for consumption purposes increased by a substantial 93.6 percent to \$70.2 million. In addition, the Reserve Bank of Fiji's December 2014 Retail Sales Survey indicates that retail sales are expected to increase by 6.2 percent this year, after growing by 11.1 percent in 2014. The strong investment activity noted in 2014 is expected to continue in 2015. In January 2015, new lending for investment purposes more than doubled to \$43.1 million. This year, investment is projected to be around

26.0 percent of GDP, largely underpinned by strong investment by the private sector coupled with the increase in Government's capital spending.

Recent sectoral performances show mixed results in January. Gold production noted a turnaround and grew by an annual 14.3 percent while electricity (-0.8%) and mahogany (-39.2%) production declined. Visitor arrivals noted a growth of 5.6 percent (50,225 visitors).

Labour market conditions remain favourable reflecting the continued growth in aggregate demand. As per the RBF's Job Advertisements Survey, the number of vacant jobs advertised rose by an annual 9.4 percent in January led by high recruitment intentions in the community, social & personal services; construction and the wholesale & retail trade and restaurant sectors.

In the banking sector, broad money increased in January by 12.1 percent underpinned by an increase in net domestic credit (18.1%) owing to a strong growth in private sector credit (16.1%). The commercial banks' weighted average outstanding lending rate fell to 5.68 percent in January from 5.72 percent in December 2014 while the weighted average new lending rate declined to 5.66 percent from 6.03 percent in December. Credit conditions are forecast to remain conducive for growth and investment this year.

Liquidity in the banking system rose by 14.5 percent to \$597.4 million in January, owing to an increase in foreign reserves and a decline in currency in circulation. Currently (25 February), liquidity is around \$553.8 million.

The domestic currency weakened against the US dollar (-3.4%) and the Japanese Yen (-4.3%) but strengthened against the New Zealand dollar (4.1%), the Euro (3.8%) and the Australian dollar (1.7%) in the month of January. However, on an annual basis, the Fiji dollar rose against the Japanese Yen (8.5%), the Euro (8.3%) and the Australian dollar (3.9%) but fell against the US dollar (-4.5%) and remained unchanged against the New Zealand dollar.

The Nominal Effective Exchange Rate (NEER)¹ index fell marginally in January by 0.02 percent from the previous month, implying a marginal depreciation of the Fiji dollar against its major trading partners. However, over the year, the NEER index rose by 1.1 percent.

The Real Effective Exchange Rate (REER)² index rose by 1.1 percent in January from the previous month, reflecting a slight loss in Fiji's international competitiveness against its major trading partners. Similarly, over the year, the REER index rose by 0.1 percent.

The merchandise trade deficit (excluding aircraft) widened by 25.7 percent to \$2,680.5 million cumulative to November 2014. Total exports (excluding aircraft) rose by 12.3 percent due to a higher growth in re-exports and modest

increase in domestic exports. The increase in re-exports (20.2%) was underpinned mainly by higher petroleum re-exports (9.1%). Domestic exports grew by 0.3 percent led by increase in mineral water, sugar, corned meat, folding cartons, textiles, molasses, coconut oil and other domestic exports. Imports (excluding aircraft) grew by 19.4 percent led by higher imports of investment (24.2%), consumption (20.1%) and intermediate goods (13.7%). Moreover, retained imports³ (excluding aircraft), increased by 15.7 percent in the same period.

Annual inflation rose marginally to 0.2 percent in January, from 0.1 percent in December 2014, led by higher prices of alcoholic beverages, tobacco & narcotics; food & non-alcoholic beverages; miscellaneous goods & services; restaurants & hotels; health and the furnishings, household equipment & routine household maintenance categories.

Currently (25 February), foreign reserves are around \$1,807.4 million, sufficient to cover 4.5 months of retained imports of goods and non-factor services.

The Reserve Bank of Fiji Board in its February meeting kept the Overnight Policy Rate (OPR) at 0.5 percent given the comfortable outlook for inflation and foreign reserves.

RESERVE BANK OF FIJI

¹ 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 a slight appreciation of the Fiji dollar against the basket of currencies and vice versa.

² 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 the REER index indicates an improvement in Fiji's international competitiveness.

³ Refers to those imported goods that are retained for use in Fiji rather than being re-exported to other countries.

FIJI: FINANCIAL STATISTICS

KEY INDICATORS

	Jan-15	Dec-14	Nov-14	Jan-14
1. Consumer Prices * (year-on-year % change)				
All Items	0.2	0.1	-0.2	2.3
Food and Non-Alcoholic Beverage	2.7	1.5	1.8	2.5
2. Reserves *** (end of period)				
Foreign Reserves (\$m) ^{1/}	1,846.3	1,810.7	1,773.4	1,757.8
3. Exchange Rates *** (mid rates, FS1 equals) (end of period)				
US dollar	0.4859	0.5031	0.5117	0.5234
Pound sterling	0.3224	0.3231	0.3252	0.3177
Australian dollar	0.6250	0.6144	0.5986	0.5957
New Zealand dollar	0.6687	0.6424	0.6499	0.6423
Swiss francs	0.4490	0.4974	0.4933	0.4729
Euro	0.4292	0.4136	0.4103	0.3863
Japanese yen	57.50	60.10	60.29	53.78
4. Liquidity *** (end of period)				
Liquid Assets Margin to Deposit Ratio (%)	7.21	6.22	7.07	9.41
Banks' Demand Deposits (\$m)	597.4	514.2	571.0	636.0
5. Commodity Prices (US\$) ** (monthly average)				
UK Gold Price/fine ounce	1,251.8	1,202.3	1,176.3	1,244.8
CSCE No. 11 Sugar Spot Price/Global (US cents/Pound)	15.1	15.0	15.9	15.4
Crude Oil/barrel	48.1	62.4	78.4	107.4
6. Money and Credit *** (year-on-year % change)				
Narrow Money	4.4	5.6	4.6	62.8
Broad Money	12.1	10.4	10.3	16.1
Currency in Circulation	10.0	11.5	8.4	4.1
Quasi-Money (Time & Saving Deposits)	12.4	10.6	10.9	19.0
Domestic Credit	18.1	18.9	18.5	12.9
7. Interest Rates (% p.a.) *** (monthly weighted average)				
Lending Rate (Excluding Staff)	5.68	5.72	5.69	5.85
Savings Deposit Rate	0.67	0.57	0.59	0.67
Time Deposit Rate	2.24	2.15	2.03	1.74
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
(monthly weighted average)				
5-Year Government Bond Yield	n.i	n.i	n.i	n.i
10-Year Government Bond Yield	n.i	4.94	n.i	4.32

^{1/} Foreign reserves includes monetary gold, Special Drawing Rights, reserve position in the Fund and foreign exchange assets consisting of currency

^{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.i No Issue
n.t No Trade

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