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The International Monetary Fund (IMF) has revised the United States (US) growth for 2014 down to 2.0 percent from 2.8 percent after harsh winter conditions resulted in a higher-than-expected first quarter contraction of 2.9 percent.<sup>1</sup> Downside risks to the outlook remain especially with deflationary expectations mixed with sluggish growth in the Euro zone and the political uncertainty in Iraq (and surrounding states) and its impact on crude oil and energy prices. As the US economy accounts for almost one quarter of world output, it is likely that the 3.6 percent global growth forecast announced in April will be revised downwards by the IMF in its next release.

Domestically, partial indicators suggest an increase in aggregate demand in the review period. Net Value Added Tax (VAT) collections (6.4%) and imports of consumption goods (16.4%) rose on an annual basis cumulative to April implying upbeat consumer demand. Consumer spending was supported by increased inward remittances (11.3%), higher nominal income as indicated by an annual rise (22.7%) in Pay As You Earn (PAYE) tax collections cumulative to May, coupled with improved labour market conditions.

On investment, outcomes were mixed. Imports of investment goods (22.6%) and domestic cement sales (7.6%), partial indicators of investment and construction activity, rose on an annual basis cumulative to April. In addition, the decline in new investment lending slowed slightly over the year, cumulative to May.

Latest available data also showed mixed results in sectoral performances in the review period. Visitor arrivals rose by an annual 3.6 percent (244,890 visitors) cumulative to May while in the same period, woodchip production more-than-

doubled (107.3%). On the other hand, mahogany and gold production fell over the year by 44.7 percent and 11.7 percent, respectively cumulative to May.

Labour market conditions remained buoyant evident by increases in the Job Advertisement Survey data, a partial indicator for employment. The number of jobs advertised in the year to May, rose by 23.7 percent on an annual basis, with the increase mainly underpinned by the manufacturing, community, social & personal services and the transport, storage and communication sectors.

On financial conditions, broad money grew by an annual 15.5 percent in May, led by an expansion in both net foreign assets (14.4%) and net domestic credit (14.3%). Growth in net domestic credit was in turn underpinned by private sector credit (12.2% to \$4.8b) and net credit to the nonfinancial public sector (25.0% to \$0.5b). In the same month, the weighted average commercial banks' outstanding lending rate fell by 2 basis points (bp) to 5.85 percent, while savings deposit rates rose by 4bp to 0.91 percent in May. Time deposit rates decreased by 5bp to 1.78 percent in May.

Liquidity in the banking system rose over the month in May by 7.1 percent to \$577.2 million, owing to an increase in foreign reserves (\$29.7m). Currently (27 June), systemic liquidity is around \$513.4 million.

On the exchange rate, the Fiji dollar weakened over the month of May against the Yen (-0.9%), the Australian dollar (-0.5%) and the US dollar (-0.1%), but strengthened against the Euro (1.5%) and the New Zealand dollar (0.7%). Over the year to May, the Fiji dollar strengthened against the Australian dollar (3.7%) and the Yen (1.0%), but depreciated against the New Zealand dollar (-4.9%), the Euro (-4.2%) and the US dollar (-0.1%).

<sup>1</sup> The US economy contracted by an annualised 2.9 percent in the March quarter, a much steeper pace than the 1.0 percent decline released earlier.

The Nominal Effective Exchange Rate (NEER) index fell marginally over the month to May, implying a slight depreciation of the Fiji dollar against its major trading partners. Though the Real Effective Exchange Rate (REER) rose over the month (0.2%), it fell by 2.4 percent over the year, owing to an annual slowdown in the inflation rate to 0.8 percent in May from 2.5 percent a year earlier, reflecting an improvement in Fiji's international competitiveness. On an annual basis, the NEER index remained stable.

On the external front, the trade deficit (excluding aircraft) widened by 28.0 percent cumulative to April when compared to the same period last year as

imports (16.7%), indicative of upbeat domestic demand, outpaced exports (1.5%) in the review period.

On price developments, annual inflation rose to 0.8 percent in May from 0.1 percent in April. This was led mainly by the higher prices of certain items in the alcoholic beverages, tobacco & narcotics category followed by the food and non-alcoholic beverages category.

Foreign reserves (RBF Holdings) are currently (30 June) around \$1,678.8 million, sufficient to cover 4.5 months of retained imports of goods and non-factor services.

## **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

May-14	Apr-14	Mar-14	May-13
0.8	0.1	-0.2	2.5
1.9	1.2	1.1	2.9

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

(end of period)

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

May-14	Apr-14	Mar-14	May-13
1,696.7	1,669.6	1,717.8	1,605.0

**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

May-14	Apr-14	Mar-14	May-13
0.5394	0.5397	0.5405	0.5400
0.3227	0.3207	0.3246	0.3546
0.5796	0.5823	0.5848	0.5588
0.6357	0.6314	0.6239	0.6688
0.4843	0.4769	0.4786	0.5147
0.3965	0.3908	0.3927	0.4140
54.91	55.39	55.64	54.38

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

(end of period)

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

May-14	Apr-14	Mar-14	May-13
8.5	7.38	9.09	10.83
577.2	539.1	593.2	585.2

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

(monthly average)

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

May-14	Apr-14	Mar-14	May-13
1,287.5	1,299.0	1,336.1	1,413.5
18.2	18.2	17.6	17.4
109.7	107.8	107.4	103.0

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

(year-on-year % change)

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

May-14	Apr-14	Mar-14	May-13
59.7	64.3	65.6	15.8
15.5	16.8	17.8	12.8
4.7	4.6	0.0	3.2
18.2	19.5	21.4	14.4
14.3	14.9	14.8	10.1

**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

May-14	Apr-14	Mar-14	May-13
5.85	5.87	5.88	6.18
0.91	0.87	0.83	0.76
1.78	1.83	1.83	2.13
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

May-14	Apr-14	Mar-14	May-13
n.i	n.i	n.i	4.00
4.27	n.i	4.24	5.48

<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