



RESERVE BANK OF FIJI

ECONOMIC REVIEW

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Month Ended March 2014

On the global front, advanced economies continued to show improvements in growth outcomes while output in emerging economies was below trend over the review month.

Better growth outcomes are expected this year from Fiji's major trading partner economies, however at different speeds. The United States is gradually picking up after a bumpy start to the year owing to the severe winter conditions. The New Zealand economy experienced robust growth that has raised inflationary concerns.¹ For Australia, despite concerns of a cooling off in the mining sector, there are expectations of a better performance. In Japan, rising imports continue to be a concern for external sector sustainability, while the weak pace of economic activity and rising unemployment level remains a worry for the Euro-area.

Domestically, in the review period, economic performances have been mixed across the different sectors. On the industrial front, annual increases were noted in electricity output (5%) cumulative to February and wood chip production (9%) cumulative to January, while gold production fell (-2%) over the year to February. For services, in January, short term resident departures to Fiji from New Zealand registered an annual growth of 22 percent while departures from Australia fell marginally.

On demand conditions, partial indicators reveal a slight slowdown in consumption activity whereas the outlook for investment remains positive. Cumulative to February, net Value Added Tax collections, a partial indicator of consumption, recorded an annual growth (5%). Generally, consumption activity over the review period was supported by higher remittance inflows (5%) and a

buoyant job market (as revealed by the RBF's Job Advertisement Survey (16%). Going forward, consumption activity is expected to remain fairly strong according to the RBF's latest Retail Sales Survey.

The outlook for investment activity in 2014 remains optimistic according to the RBF's latest Business Expectations Survey, which highlights positive sentiments received from businesses for increased investment in plant & machinery and buildings. Investment this year is projected at 26 percent of Gross Domestic Product (GDP).

Monetary conditions remained conducive for economic activity. Broad money (M3) grew by 15 percent in February, underpinned by growth in net foreign assets (16%) and net domestic credit (13%). The growth in the latter was underpinned by an expansion in private sector credit (9%) and net credit to the non-financial public sector (81%). Commercial banks' outstanding lending and time deposit rates fell further by 1 basis point (bp) each to 5.84 percent and 1.73 percent, respectively over the month to February.

Liquidity in March rose by 3 percent to \$593 million, underpinned by a rise in foreign reserves (\$23m).

In terms of bilateral exchange rate movements, the Fiji dollar strengthened slightly against the US dollar, the Yen and the Euro, but weakened marginally against the New Zealand and the Australian dollars in the month of February. However, over the year to February, the Fiji dollar appreciated against the Australian dollar (9%) and the Yen (6%), but depreciated against the Euro (-9%), and the New Zealand (-6%) and US (-5%) dollars.

¹This led the Reserve Bank of New Zealand to raise its Official Cash Rate by 25 basis points to 2.75 percent on 13 March 2014.

The Real Effective Exchange Rate (REER) fell in February by 5 percent and by 3 percent on an annual basis in the year to February, reflecting a gain in Fiji's international competitiveness. This was largely attributed to the lower annual inflation outturn in February (0.2%). The subdued inflation outcome was underpinned by the Government's free education policy for primary and secondary schools students as announced in the

2014 National Budget.

Foreign reserves are currently 31 March around \$1,720 million, sufficient to cover 4.5 months of retained imports of goods and non-factor services.

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

RESERVE BANK OF FIJI

FJI: 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

	Feb-14	Jan-14	Dec-13	Feb-13
All Items	0.2	2.3	3.4	3.0
Food and Non-Alcoholic Beverage	1.9	2.5	5.1	2.6
Foreign Reserves (\$m) ^{1/}	1,697.3(p)	1,757.8	1,778.1	1,570.8
US dollar	0.5306	0.5234	0.5269	0.5562
Pound sterling	0.3180	0.3177	0.3190	0.3670
Australian dollar	0.5921	0.5957	0.5912	0.5434
New Zealand dollar	0.6340	0.6423	0.6422	0.6725
Swiss francs	0.4714	0.4729	0.4678	0.5176
Euro	0.3870	0.3863	0.3818	0.4234
Japanese yen	54.19	53.78	55.38	51.30
Liquid Assets Margin to Deposit Ratio (%)	8.34	9.41	9.51	11.05
Banks' Demand Deposits (\$m)	574.1	636.0	598.3	573.7
UK Gold Price/fine ounce	1301.0	1244.8	1225.4	1627.6
CSCE No. 11 Sugar Spot Price/Global (US cents/Pound)	16.3	15.4	16.4	18.2
Crude Oil/barrel	108.8	107.4	110.7	116.5
Narrow Money	57.8	62.7	67.2	16.0
Broad Money	14.6	16.0	18.9	9.7
Currency in Circulation	3.6	3.9	0.9	5.6
Quasi-Money (Time & Saving Deposits)	17.3	19.0	23.2	10.8
Domestic Credit	12.7	12.9	14.1	5.9
Lending Rate (Excluding Staff)	5.84	5.85	5.86	6.36
Savings Deposit Rate	0.74	0.72	0.72	0.89
Time Deposit Rate	1.73	1.74	1.79	2.28
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	4.00
10-Year Government Bond Yield	4.23	4.32	4.46	5.54

^{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