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The growth outlook of major advanced economies remains uneven. While a steady pickup in economic activity was noted in the United States (US), the growth outlook in the European and Asian regions remain subdued due to ongoing deflationary concerns and slower investments. Monetary conditions and global liquidity were mainly accommodative while global commodity prices continue to weaken.

Economic data for Fiji indicate that conditions remain positive and in line with the 4.2 percent growth projection for 2014. At the end of the 2014 crushing season, cane (13.7%) and sugar (25.8%) production were significantly higher over the year¹ with improved tonnes of cane to tonnes of sugar (TCTS) ratio of 8.1.² In the timber industry, while woodchip production grew by 28.1 percent cumulative to November, mahogany production declined by 14.1 percent in the year to October largely due to wet weather conditions. Gold production also fell by 9.4 percent cumulative to November. In addition, visitor arrivals grew by 4.9 percent cumulative to November underpinned by higher arrivals from Fiji's main tourist destinations, Australia (2.5%) and New Zealand (13.6%).

Aggregate demand conditions remained upbeat in the review period. Imports of consumption goods and new lending for consumption purposes rose strongly over the year by 20.4 percent and 61.2 percent cumulative to October and November, respectively.

Investment and construction indicators were robust. New investment lending grew by 9.5 percent cumulative to November while imports of investment related machinery & equipment increased by 24.5 percent in the year to October. Up to the September quarter, the number and value of completion certificates issued rose by 7.3 percent

and 147.3 percent, respectively. In the same period, the number of building permits issued, a forward indicator of construction activity also increased by 5.9 percent, while the value of building permits issued dipped slightly by 0.9 percent.

In the banking sector, broad money rose by an annual 10.3 percent in November, on account of a growth in net domestic credit (18.5%), driven by higher private sector credit (16.0%). A broad based growth of 26.6 percent was noted also in commercial banks' outstanding loans. The banks' weighted average new lending rate fell over the month from 6.03 percent to 5.90 percent in November, while the outstanding lending rate rose marginally from its historical low level of 5.67 percent in October to 5.69 percent in November.

Liquidity in the banking system rose over the month by 13.1 percent to \$571.1 million in November, underpinned by an increase in foreign reserves. Currently (30 December), liquidity is around \$521.7 million.

The Fijian dollar weakened against the New Zealand dollar (-1.7%), the US dollar (-1.3%) and the Euro (-0.2%) but strengthened against the Yen (6.4%) and the Australian dollar (2.0%) over the month to November. On an annual basis, the Fiji dollar appreciated against the Japanese Yen (11.2%), the Euro (5.3%) and the Australian dollar (2.8%) but depreciated against the US (-3.5%) and New Zealand dollars (-0.4%).

The Nominal Effective Exchange Rate (NEER)³

³ 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.

¹ The 2014 sugar crushing season ceased on 18 November.

² The 2013 crushing season ended with a TCTS of 9.0.

index fell marginally over the month to November by 0.02 percent, indicating a slight depreciation of the Fiji dollar against major trading partner currencies. However, over the year, the NEER index rose by 1.1 percent.

The Real Effective Exchange Rate (REER)⁴ index fell by 0.8 percent over the month, reflecting a marginal gain in Fiji's international competitiveness. This was attributed to lower domestic inflation rate when compared to the weighted average inflation rate of major trading partner countries. Similarly over the year, the REER index fell by 0.9 percent.

The merchandise trade deficit (excluding aircraft) widened by 25.4 percent to \$2,513.8 million cumulative to October. Total exports (excluding aircraft) rose by 13.7 percent, mainly due to higher growth in re-exports and domestic exports. The increase in re-exports (21.6%) was underpinned by

petroleum receipts (11.8%), while the higher domestic exports (3.0%) was led by sugar, mineral water, coconut oil, yaqona, textiles, molasses, folding cartons and other domestic exports. Total imports (excluding aircraft) rose by 20.2 percent, led by higher imports of investment goods (24.5%) followed by consumption (20.4%) and intermediate goods (15.4%).

Inflationary pressures remained low, largely reflective of the soft trading partners' inflation outlook and the persistent weakness in international oil and food prices. Annual inflation was -0.2 percent in November from 0.3 percent in October, owing to the declines in prices of certain education and transport items.

Currently (31 December), foreign reserves are around \$1,811.3 million, sufficient to cover 4.7 months of retained imports of goods and non-factor services.

RESERVE BANK OF FIJI

⁴ 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.

FIJI: 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

	Nov-14	Oct-14	Sep-14	Nov-13
All Items	-0.2	0.3	0.3	3.4
Food and Non-Alcoholic Beverage	1.8	2.5	1.3	5.5
Foreign Reserves (\$m) ^{1/}	1,773.4	1,748.5	1,734.7	1,861.5
US dollar	0.5117	0.5184	0.5154	0.5302
Pound sterling	0.3252	0.3240	0.3173	0.3245
Australian dollar	0.5986	0.5870	0.5913	0.5821
New Zealand dollar	0.6499	0.6611	0.6640	0.6523
Swiss francs	0.4933	0.4957	0.4903	0.4803
Euro	0.4103	0.4111	0.4062	0.3898
Japanese yen	60.29	56.65	56.42	54.21
Liquid Assets Margin to Deposit Ratio (%)	7.07	6.92	7.07	11.24
Banks' Demand Deposits (\$m)	571.1	504.9	529.3	728.4
UK Gold Price/fine ounce	1,176.3	1,222.5	1,238.8	1,275.8
CSCE No. 11 Sugar Spot Price/Global (US cents/Pound)	15.9	16.5	14.6	17.7
Crude Oil/barrel	78.4	87.3	97.3	108.1
Narrow Money	4.6	6.9	38.9	64.0
Broad Money	10.3	13.1	12.9	17.0
Currency in Circulation	8.4	8.8	10.6	2.1
Quasi-Money (Time & Saving Deposits)	10.9	14.3	14.4	19.9
Domestic Credit	18.5	19.5	18.2	12.4
Lending Rate (Excluding Staff)	5.69	5.67	5.69	5.90
Savings Deposit Rate	0.59	1.04	1.30	0.71
Time Deposit Rate	2.03	1.98	1.90	1.84
14-day RBF Note Rate (month end)	n.i	n.i	n.i	n.i
Minimum Lending Rate (MLR) (month end) ^{2/}	1.0	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	n.i
10-Year Government Bond Yield	n.i	n.i	4.94	4.60

^{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:

n.i No Issue
n.t No Trade

Sources:

^{*} Fiji Bureau of Statistics

^{**} Bloomberg

^{***} Reserve Bank of Fiji