



The inclusion of news items in this review does not imply endorsement of the accuracy of the information nor agreement with views expressed.

Vol. 31

No. 11

Month Ended November 2014

The recovery in the world economy continues to be fragile, with further divergence in growth outlook and policy measures in the major advanced economies. While the United States (US) has reined in any further economic stimulus in November, consistent with the pick-up in economic activity, the Euro zone, Japan and China have just embarked on expanding their monetary stimulus in light of weak economic conditions. Global inflation and price pressures are expected to be contained over the medium term. However, the downside risks to the outlook remain.

The outlook for the domestic economy remains robust this year following last year's strong growth of 4.6 percent. Consequently, this year's growth has been revised upwards to 4.2 percent from 3.8 percent. Growth in 2014 is expected to be broad-based with the exception of expected declines in the fishing & aquaculture and the mining & quarrying sectors. A growth of 4.0 percent is projected for 2015, revised up from a 2.4 percent baseline growth envisaged earlier. The revision is largely attributed to the anticipated better performance in the construction; financial & insurance activities; transport & storage and the accommodation & food service activities sectors.

Domestic activity continued to be upbeat in the review period. Industry data indicates an increase in cane (11.8%) and sugar (24.3%) production as at 5 November, owing to improved cane quality and better milling efficiency.¹ Similarly, woodchip (40.9%) and

electricity production (0.6%) rose in the year to October, while total fish exports grew (13.7%) cumulative to September. However, gold production fell by 8.3 percent in the year to October.

Recent data suggest that consumption and investment activity remains vibrant. On the consumption front, partial indicators such as new lending for consumption purposes rose by 53.0 percent in the year to October, while imports of consumption goods rose by 12.6 percent cumulative to September. This outturn has largely been supported by higher incomes, improved labour market conditions and the growth in remittances. Annual increases were noted in Pay As You Earn tax collections (20.7%) and inward remittances (14.3%) cumulative to September.

Similarly, partial indicators for investment suggest increased investment activity. New lending for investment purposes rose by 15.5 percent over the year to October, largely underpinned by the growth in new loans to the real estate sector (27.9%). Moreover, investment related imports rose by 23.1 percent in the year to September.

Monetary conditions remained supportive of economic activity. In October, broad money rose by an annual 13.1 percent, on account of the continued gain in net domestic credit (19.5%) that was supported by a 16.0 percent growth in private sector credit. A broad based growth of 26.0 percent was noted in commercial banks' outstanding loans, while new lending cumulative to October increased by 34.6 percent. The weighted average new lending rate increased from 5.43 percent to 6.03

¹ The tonnes of cane to tonnes of sugar (TCTS) ratio was 8.1 at the beginning of November compared to 9.0 in the same period last year.

percent in October, while the outstanding lending rate was at its historical low of 5.67 percent in October.

Liquidity in the banking system fell by 4.6 percent over the month to \$504.9 million in October, underpinned by an increase in currency in circulation (\$9.1m). Currently (27 November), liquidity is around \$577.0 million.

Over the month of October, the Fiji dollar weakened against the Australian dollar (-0.7%) and the New Zealand dollar (-0.4%), but strengthened against the Euro (1.2%), US dollar (0.6%) and the Japanese Yen (0.4%). Over the year, the Fiji dollar appreciated against the Japanese Yen (6.3%), the Euro (4.4%), the Australian dollar (2.9%) and the New Zealand dollar (0.7%), but fell against the US dollar (4.1%).

The Nominal Effective Exchange Rate (NEER)² fell by a marginal 0.3 percent in October, suggesting a slight depreciation of the Fiji dollar against its major trading partner economies. However, the NEER rose by 0.9 percent over the year.

The Real Effective Exchange Rate (REER)³ also fell over the month by 0.6 percent, reflecting a slight gain in Fiji's trade competitiveness with its major trading partners, attributed to the lower domestic inflation rate. The REER index also fell by 0.6 percent, over the year.

The merchandise trade deficit (excluding aircraft) widened by 15.4 percent to \$2,083.3 million cumulative to September. Total exports (excluding aircraft) rose by 18.3 percent led by a rebound in re-exports and domestic exports. The increase in re-exports (27.0%) was underpinned by higher petroleum re-export receipts (16.2%), while the higher domestic exports (9.1%) was led by sugar, mineral water, coconut oil, and other domestic exports which more-than-offset the declines in exports of gold, timber, fruits and vegetables amongst others. Total imports (excluding aircraft) rose by 16.7 percent underpinned by the increase in all three broad categories of imports; investment (23.1%), intermediate (15.3%) and consumption (12.6%) goods.

Inflationary pressures have generally remained stable. Annual inflation in October was unchanged at 0.3 percent from September. The year-end inflation forecast remains at 1.5 percent, consistent with the weak global demand and the subdued trading partner inflation expectations.

Currently (27 November), foreign reserves are around \$1,788.0 million, sufficient to cover 4.7 months of retained imports of goods and non-factor services.

In its November meeting, the RBF Board agreed to keep the Overnight Policy Rate unchanged at 0.50 percent.

RESERVE BANK OF FIJI

² 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.

³ 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

Vol.31 No.11 2014

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

	Oct-14	Sep-14	Aug-14	Oct-13
All Items	0.3	0.3	0.7	3.3
Food and Non-Alcoholic Beverage	2.5	1.3	2.1	5.1
Foreign Reserves (\$m) ^{1/}	1,748.5	1,734.7	1,678.3	1,772.5
US dollar	0.5184	0.5154	0.5377	0.5405
Pound sterling	0.3240	0.3173	0.3241	0.3371
Australian dollar	0.5870	0.5913	0.5746	0.5704
New Zealand dollar	0.6611	0.6640	0.6413	0.6564
Swiss francs	0.4957	0.4903	0.4920	0.4862
Euro	0.4111	0.4062	0.4079	0.3937
Japanese yen	56.65	56.42	55.77	53.29
Liquid Assets Margin to Deposit Ratio (%)	6.92	7.07	6.53	10.24
Banks' Demand Deposits (\$m)	504.9	529.3	479.3	678.6
UK Gold Price/fine ounce	1,222.5	1,238.8	1,296.0	1,316.2
CSCE No. 11 Sugar Spot Price/Global (US cents/Pound)	16.5	14.6	15.9	18.8
Crude Oil/barrel	87.3	97.3	101.9	109.5
Narrow Money	6.9	38.9	43.3	63.9
Broad Money	13.1	12.9	14.7	15.2
Currency in Circulation	8.8	10.6	8.9	2.2
Quasi-Money (Time & Saving Deposits)	17.5	14.4	16.5	14.3
Domestic Credit	19.5	18.2	19.4	13.4
Lending Rate (Excluding Staff)	5.67	5.69	5.69	5.90
Savings Deposit Rate	1.04	1.30	1.17	0.80
Time Deposit Rate	1.98	1.90	1.78	1.96
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	n.i
10-Year Government Bond Yield	n.i	4.94	n.i	4.65

^{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