



RESERVE BANK OF VANUATU

FINANCIAL & ECONOMIC NEWS

SUMMARY

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Issue 157

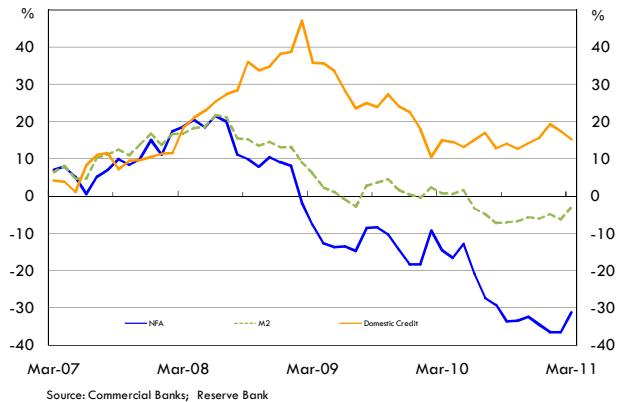
April 2011

MONETARY SURVEY

Broad money supply (M2) remained virtually unchanged in March. The 3.7 percent decrease in the banking system's net foreign assets (NFA) a 2.1 percent increase in domestic credit. The annual growth rate of M2 for the year ending March 2011 remained negative at -3.0 percent.

Chart 1 below shows that the annual growth rate of M2 was determined by the trends in NFA and domestic credit.

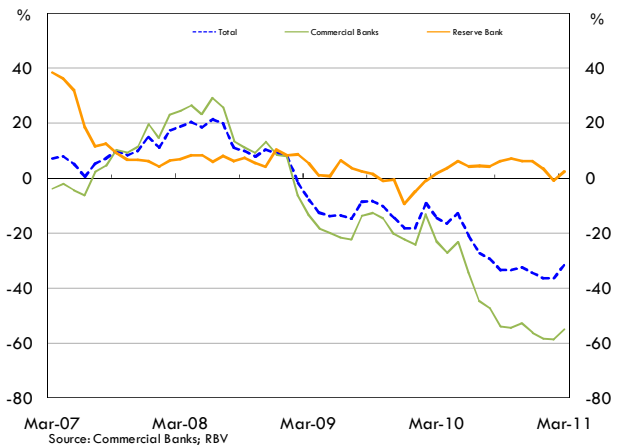
Chart 1: Total Money Supply
(Percentage Change; Year-on-Year Growth)



Determinants of Money Supply

In March, after briefly increased in February, the banking system's total NFA decreased again, resulting from a 10.0 percent decrease in the commercial banks' NFA, which outweighed a slight increase in the Reserve Banks' NFA. The year-on-year growth rate of NFA remained negative at -31.2 percent.

Chart 2: Net Foreign Assets
(Percentage Change; Year-on-Year Growth)



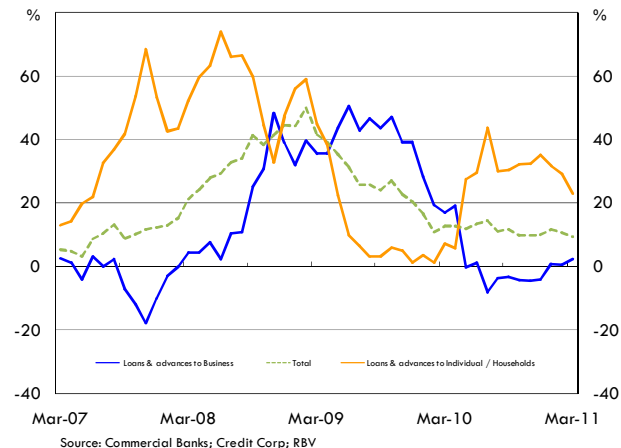
The slight increase in the NFA of the Reserve Bank resulted from a 0.7 percent increase in its foreign assets combined with a 0.3 percent decrease in foreign liabilities. The increase in foreign assets reflected net inflows of foreign exchange during the month. Projected months of import cover stood at 5.9, above the bank's minimum comfortable threshold. The year-on-year records showed an increase of 3.1 percent in the Reserve Bank's NFA position, up from a 2.4 percent increase over the year to February 2011.

The decrease in the commercial banks' NFA in March was driven by a 3.7 percent contraction in foreign Assets with the combination of 1.3 percent increase in foreign liabilities. Over the year to March 2011, the growth in commercial banks' NFA remained negative at -55.0 percent.

Domestic credit increased by 2.1 percent in March, after recording a slight decrease during the previous month. The annual growth rate over the year to March 2011 slowed to 15.2 percent as compared to 17.4 percent over the year to February. The increase in March was attributed primarily to an increase in the banking system's net

claims on the government, claims on municipalities and the claim on private sector. Banking system claims on the private sector increased by 1.6 percent, up from a 0.4 percent recorded during the previous month.

Chart 3: Private Sector Credit
(Percentage Change; Year-on-Year Growth)

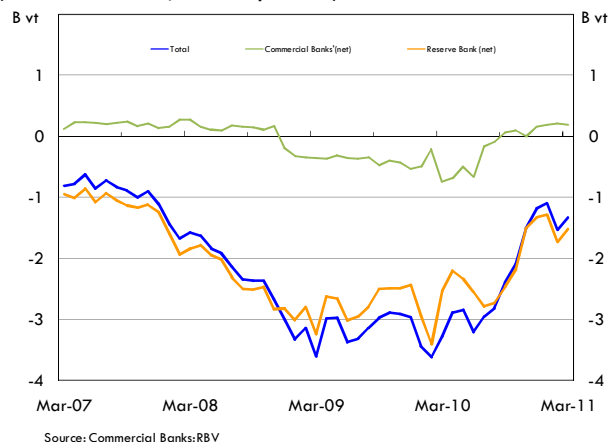


Lending to individuals & households recorded a decrease of 0.03 percent, and loan to businesses recorded an increase of 2.5 percent which outweighed the decrease, and resulted in overall credit to private sector to recording an increase over the month. Over the year, loans to business recorded a 2.3 percent increase and loans to individuals & households recorded a 22.9 increase.

After a 13.0 percent decrease in February 2011, loans to municipalities increased by 40.6 percent in March, resulting in year-ended growth of -30.3 percent.

After recording several consecutive months of deterioration, the government’s net credit position vis-à-vis the banking system deteriorated in March. The Reserve Bank’s net claims on the government increased by 12.7 percent over the month, driven by a decrease in government deposits by 6.8 percent. On a year-on-year basis, the Reserve Bank’s net claims on the government showed an increase of 40.0 percent. The commercial banks’ net claims on the government decreased by 12.2 percent in March, resulting primarily from an increase in government deposits. Over the year to March, the government’s net credit position with the banking system as a whole improved by 59.3 percent (Chart 4).

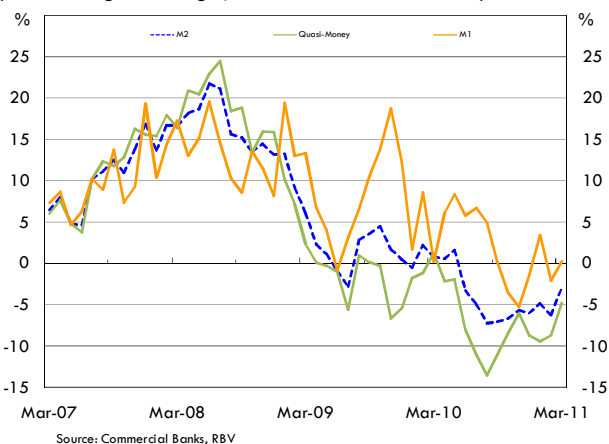
Chart 4: Net Claims on Government
(Billions of Vatu; Monthly Data)



Measures of Money Supply

The stable value of M2 stemmed from a 2.1 percent increase in quasi money which outweighed a 3.2 percent decrease in narrow money (M1). Over the year ending March 2011, a 3.0 percent decline in M2 was driven mainly by quasi-money, which fell by 9.0 percent, whilst M1 increased by 2.1 percent (Chart 5).

Chart 5: Measures of Money
(Percentage Change; Year-on-Year Growth)

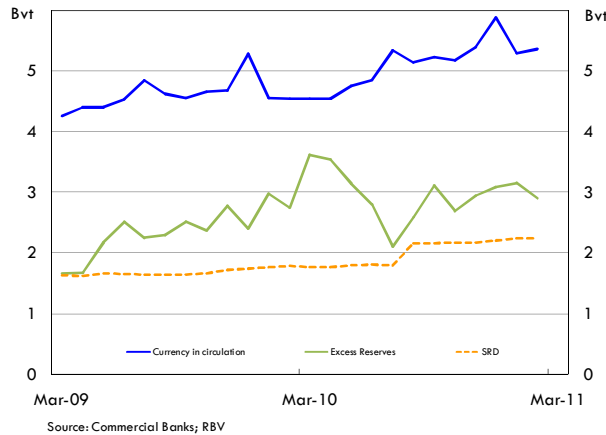


The month-on-month decrease in M1 was driven by decreases in both demand deposits and currency outside banks by 3.6 and 1.4 percent, respectively. The decrease in demand deposits stemmed from a 1.8 percent and 5.6 percent decrease in local currency deposits and foreign currency deposits respectively.

Reserve Money

Reserve money¹ decreased by 2.5 percent in March, but increased by 3.2 percent on a year-on-year basis. The monthly decrease was due to an 8.1 percent decrease in commercial banks' cash holdings, whilst their deposits remained unchanged.

Chart 6: Components of Reserve Money
(Billions of Vatu)

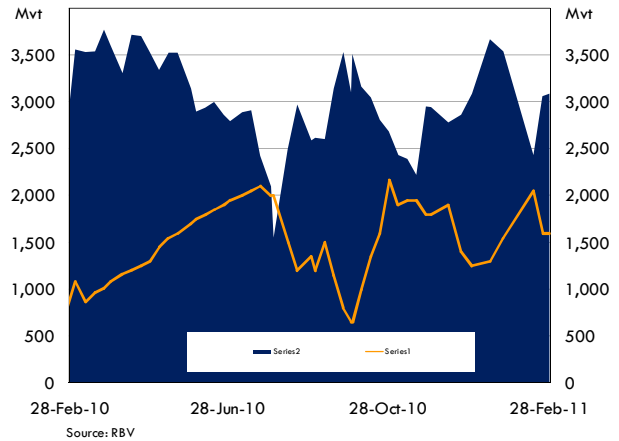


Open Market Operations (OMO) – April 2011

The Bank conducted one Open Market Operation in April 2011, where it issued VT350 million in RBV notes, compared to VT2.2 billion over the previous month. The decrease in the volume of issue was to assist the market in absorbing the government bond issued in April.

Total subscription received for these issues was recorded at VT550 million compared to VT3.6 billion for the previous month. This high level of subscription compared to the total offer continues to reflect the high level of liquidity in the system.

Chart 7: Commercial Banks Liquidity
(Levels; Millions of Vatu; Weekly Data)



Total maturity for the month was VT1.3 billion, leaving outstanding notes at VT1.4 billion at the end of April compared to VT2.2 billion at the end of the previous month.

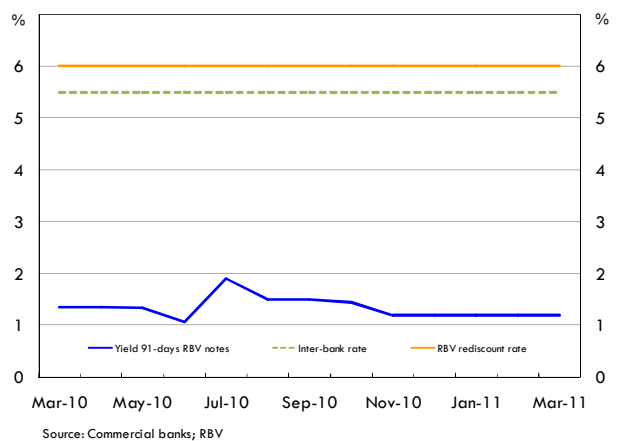
Table 1: Amount Allotted (Millions of Vatu)

Term	Amount Allotted
7 days	100
14 days	100
28 days	50
63 days	50
91 days	50

Table 2: Yields on RBV Notes (Percent)

Term	End Apr. 2011	End Mar. 2011
7 days	0.86	0.85
14 days	0.82	0.79
28 days	0.95	0.85
63 days	1.20	1.19
91 days	1.20	1.20

Chart 8: Short-term Interest rates



The inter-bank rate remained at 5.5 percent.

¹ Reserve money comprises currency in circulation, Statutory Reserve Deposits (SRD) and Excess Reserves.

Interest Rates

Table 3: Interest Rates (Percent)

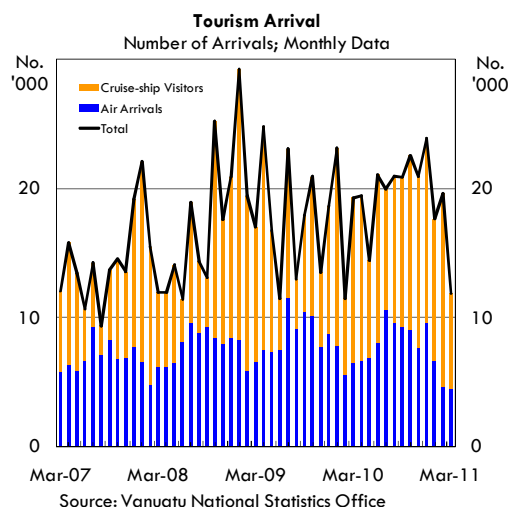
Deposit Interest Rates				
	Savings	1-Mnth	2-6 Mnths	Above 6 Mnths
Dec-10	0.5-5.00	1.50-7.50	1.60-7.00	2.50-9.80
Jan-11	0.5-5.00	1.50-5.75	1.50-6.50	2.50-8.00
Feb-11	0.5-5.00	1.50-5.75	1.50-6.50	2.50-8.00
Lending Rates				
	Commercial	Personal	Housing	Agriculture
Dec-10	8.95-23.00	5.5-26.50	8.90-13.00	9.99-19.50
Jan-11	8.95-23.00	8.95-19.50	8.90-13.00	9.99-19.50
Feb-11	8.95-23.00	5.50-26.50	8.95-11.99	9.99-19.50

Tourism Update –March 2011

In March 2011, total non-resident visitor arrivals (air plus cruise-ship visitors) to Vanuatu fell 39 percent in the month and 38 percent over the year to 11,883 visitors. This was mainly contributed by declined day-visitors (mainly cruise-ship) which fell strongly by 51 percent in the month to 7,388 visitors as P&O cruise visits (made by Pacific Dawn and Pacific Jewel) to Port Vila fell. The visit also included en-route port calls to outer-island ports of Mystery Is, and mainly origin from Brisbane and Sydney ports. Compared to March 2010 (estimated six P&O cruise visits with 12,784 visitors), day visitor arrivals to Vanuatu fell 42 percent.

Air visitor arrivals declined 3 percent in the month to 4,495 visitors, a low month for arrivals, recording the lowest level since 4,179 visitors recorded in March 2006. The decline in the month was led by decline in arrivals from New Caledonia, Europe, Other Pacific countries, Other Countries and Japan, which more than offset the growth in arrivals from Australia, New Zealand and North America. Stop-over visitors, visitors arriving to visit friends/relatives and meeting/conferences declined in the month, in the exception of growth in visitors arriving for holiday. Over the year to March 2011, air visitor arrivals declined 31 percent mainly shown for Port Vila while arrivals to Luganville rose. The decline was shown for all major markets strongly led by Australia, New Zealand, New Caledonia, N. America, Europe, Other Countries and Other Pacific Countries which are mainly holiday visitors and visitors arriving for meetings/conferences, visitors visiting friends/relatives and stop-over. Seasonally adjusted, total air visitor arrivals declined 14 percent in the month and 29 percent over the year. The average length of stay for visitors fell to 8.6 days, down from 9.9 days in the previous month and down from 9.2 days in March 2010. Compared to the same period of 2010, cumulative sum for the period January-March 2011 depicted a 21 percent drop in air visitor arrivals and a 2 percent drop in cruise-ship arrivals. Overall, total

non-resident visitor arrivals into the country declined in the period by 9 percent to 49,108 visitors compared to 54,837 visitors recorded in the same period of the previous year.

Chart 9: Tourism Arrivals
(Number of Arrivals; Monthly Data)

Exchange Rate Developments

The exchange rate developments of the vatu vis-à-vis its major trading currencies for the month of April are shown in the following table and charts.

	Vatu/USD	Vatu/AUD	Vatu/NZD	Vatu/EUR
Apr-11	88.52	96.73	71.04	131.23
1 month ago	91.89	94.88	70.02	129.82
%▲	-3.7	1.9	1.5	1.1
3 months ago	93.88	92.89	72.30	127.69
%▲	-5.7	4.1	-1.7	2.8
12 months ago	97.62	90.53	70.64	129.11
%▲	-9.3	6.8	0.6	1.6

Note: (-) appreciation of vatu

Figure 10: Exchange Rate against USD and AUD
(Indices; April 2007=100)

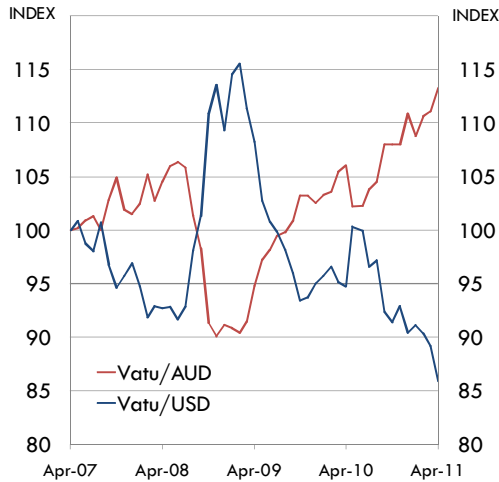
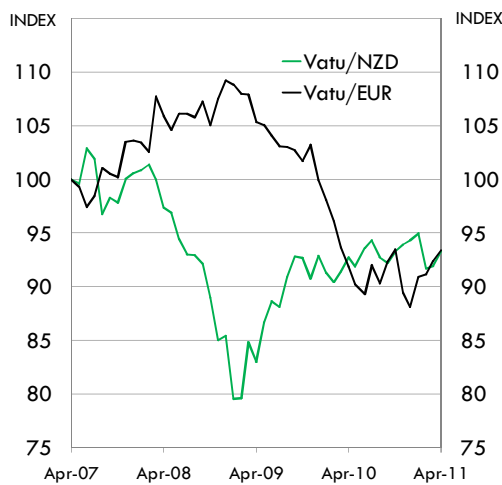


Figure 11: Exchange Rate against NZD and EUR
(Indices; April 2007=100)



During the month, the vatu appreciated against the US dollar (USD), but depreciated against the Australian dollar (AUD), New Zealand dollar (NZD), and euro (EUR).

The AUD reached a new record high against the USD during the month, underpinned by continued increases in commodity prices, contributing to increasing investor

expectations that the Reserve Bank of Australia would further tighten monetary conditions in the coming months. Figures released during the month showed an acceleration in consumer inflation, combined with a slight decline in unemployment from an already low level.

The US Federal Reserve kept its policy interest rate unchanged during the month, and continued to implement the second round of quantitative easing. This contrasted with tightening and expected tightening of monetary conditions by many other major central banks, and likely contributed to the depreciation of the USD. Figures released during the month showed GDP growth during the first quarter of 2011 slowing markedly, whilst headline inflation picked up; although this was primarily attributed to increases in food and fuel prices.

The NZD appreciated against the vatu despite the Reserve Bank of New Zealand leaving its policy rate unchanged after the 0.5 percentage point reduction in March and stating that current settings were likely to be appropriate for some time. The currency's appreciation was supported by further increases in the prices for New Zealand's commodity exports. The central bank said that indicators suggested that the majority of the economy away from Christchurch was relatively unaffected by the February earthquake and was showing signs of improvement.

In early April, the European Central Bank increased its policy interest rate by 0.25 percentage points, after leaving the rate unchanged since May 2009, likely contributing to the appreciation of the EUR against the vatu. The move follows a trend of accelerating inflation, and was implemented despite figures showing aggregate euro-area unemployment remaining close to 10 percent. The central bank stressed the need to head off secondary effects of high commodity prices on the broader price level and the potential for inflation expectations to become less well-anchored.

MONETARY AND FINANCIAL STATISTICS

TABLE A1 : CONDENSED BALANCE SHEET OF RESERVE BANK OF VANUATU

End of Period	Mar-10	Dec-10	Jan-11	Feb-11	Mar-11	%Change		
						1 Month	3 months	12months
Foreign Assets	14986.2	15035.1	14868.4	15068.3	15171.1	0.7	0.9	1.2
Foreign Exchange 1/	14362.2	14452.5	14285.7	14488.7	14586.1	0.7	0.9	1.6
Reserve Position with IMF	382.2	358.6	358.6	358.6	362.0	0.9	0.9	-5.3
SDR Holdings	241.8	224.0	224.0	220.9	223.0	0.9	-0.5	-7.8
Claims on Government	621.0	1419.4	1419.4	1369.2	1369.2	0.0	-3.5	120.5
Advances to statutory Bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Advances to commercial Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
O/w under repurchase agreement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	1961.1	2109.7	230.0	348.7	245.2	-29.7	-88.4	-87.5
Total Assets	17568.3	18564.2	18483.4	18555.1	18591.9	0.2	0.1	5.8
Reserve Money	9906.8	11156.7	10669.2	10489.5	10230.5	-2.5	-8.3	3.3
Currency outside Banks 3/	3545.2	4553.3	4198.7	4222.7	4162.3	-1.4	-8.6	17.4
Commercial Banks Cash	994.5	1320.0	1083.5	1134.9	1193.4	5.2	-9.6	20.0
Commercial Banks Deposit with RBV	5367.2	5283.5	5387.1	5131.9	4874.8	-5.0	-7.7	-9.2
Foreign Liabilities 2/	2706.2	2714.1	2709.1	2501.3	2508.6	0.3	-7.6	-7.3
Government Deposits, of which	3156.9	2756.4	2702.8	3102.4	2890.5	-6.8	4.9	-8.4
Government contribution to RTP	382.2	358.6	358.6	358.6	362.0	0.9	0.9	-5.3
RBV Notes	1082.5	1196.5	1746.7	1596.6	2195.6	37.5	83.5	102.8
Other Liabilities	715.9	842.5	655.5	865.4	771.2	-10.9	-8.5	7.7
TOTAL Liabilities	17568.3	18564.2	18483.4	18555.1	18591.9	0.2	0.1	5.8

1/ Reserve Bank's foreign currency accounts with residents' commercial banks are included in foreign exchange holdings of the Bank.

2/ Including deposits by the Asian Development Bank and the Commission of the European Communities (CEC)

3/ Currency Outside Banks was revised to comply with the Monetary and Financial Statistics Manual

TABLE A2 : CONDENSED BALANCE SHEET OF COMMERCIAL BANKS IN VANUATU

END OF PERIOD	Mar-10	Dec-10	Jan-11	Feb-11	Mar-11	%Change		
						1 Month	3 months	12 Months
Domestic currency	994.5	1320.0	1083.5	1134.9	1193.4	5.2	-9.6	20.0
Deposits with RBV	5367.2	5283.5	5387.1	5131.9	4874.8	-5.0	-7.7	-9.2
RBV Notes	1082.5	1196.5	1746.7	1596.6	2195.6	37.5	83.5	102.8
Foreign Assets, of which	28100.2	21780.6	20879.6	20036.3	19297.0	-3.7	-11.4	-31.3
Claims on non-residents' banks	25353.3	2520.5	2564.5	2535.9	2540.0	0.2	0.8	-90.0
Claims on Private sector	40257.3	43857.3	43840.4	44016.1	44722.9	1.6	2.0	11.1
Claims on Government	587.0	786.3	786.3	786.3	786.3	0.0	0.0	33.9
Other claims 1/	114.8	43873.1	43847.1	44021.9	44731.0	1.6	2.0	38879.2
Other Assets	3111.5	43952.6	43952.6	43952.6	43952.6	0.0	0.0	1312.6
TOTAL ASSETS	79614.9	77677.9	77389.1	76476.9	76908.1	0.6	-1.0	-3.4
Demand Deposits, of which	17307.0	17591.8	17520.3	17356.8	16728.2	-3.6	-4.9	-3.3
Foreign currency	9297.3	8097.5	8291.6	8280.1	7816.3	-5.6	-3.5	-15.9
Savings deposits, of which	4551.1	5536.5	5527.7	5498.6	5694.3	3.6	2.9	25.1
Foreign currency	406.7	390.4	400.2	386.3	366.6	-5.1	-6.1	-9.8
Time deposits, of which	32162.0	28870.4	28354.9	28749.7	29268.4	1.8	1.4	-9.0
Foreign Currency	14097.8	10854.1	10031.8	10185.4	10269.7	0.8	-5.4	-27.2
Foreign Liabilities, of which	10438.2	12226.1	12226.5	11212.8	11357.5	1.3	-7.1	8.8
Non residents Banks	3425.1	3229.9	3254.1	2561.4	2195.5	-14.3	-32.0	-35.9
Government Deposits	1332.1	632.2	603.8	580.3	599.0	3.2	-5.3	-55.0
Credit from RBV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities, including shareholders' funds	13824.5	12820.8	13155.8	13078.4	13260.7	1.4	3.4	-4.1
TOTAL LIABILITIES	79614.9	77677.9	77389.1	76476.7	76908.1	0.6	-1.0	-3.4

1/ Includes: Claims on other Financial Institutions and Interbank Claims, Claims on Municipalities and Claims on Public Enterprises

Nb: Figures highlighted have been revised

TABLE A3 : MONETARY SURVEY: A CONSOLIDATED STATEMENTS OF ACCOUNTS OF THE MONETARY INSTITUTIONS

END OF PERIOD	Mar-10	Dec-10	Jan-11	Feb-11	Mar-11	%Change		
						1 Month	3 months	12 Months
1. Net Foreign Assets	29,942.0	21,875.5	20,812.3	21,390.4	20,602.0	-3.7	-5.8	-31.2
Monetary Authorities (Net)	12,280.0	12,321.1	12,159.2	12,567.0	12,662.5	0.8	2.8	3.1
Commercial Banks (Net)	17,662.0	9,554.4	8,653.0	8,823.4	7,939.5	-10.0	-16.9	-55.0
2. Net Domestic Assets	27,623.3	51,094.0	51,100.9	50,950.7	51,935.4	1.9	1.6	88.0
(a) Domestic Credit	37,835.1	42,885.3	42,945.1	42,694.1	43,593.3	2.1	1.7	15.2
(i) Net claims on government	(3,280.9)	(1,183.0)	(1,100.9)	(1,527.2)	(1,334.0)	12.7	-12.8	59.3
Monetary Authorities	(2,535.9)	(1,337.0)	(1,283.4)	(1,733.2)	(1,521.3)	12.2	-13.8	40.0
Commercial Banks	(745.0)	154.1	182.5	206.0	187.3	9.1	-21.6	125.1
(ii) Claims on Non financial Public enterprises (NFPE)	103.1	95.3	98.7	96.9	93.2	-3.9	-2.3	-9.7
(iii) Claims on Private Sector (1)	41,001.3	43,957.1	43,940.7	44,118.6	44,826.0	1.6	2.0	9.3
(iv) Claims on other financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(v) Claims on Municipalities	11.6	15.8	6.6	5.8	8.1	40.6	-48.7	-30.3
(b) Other items (net)	(10,211.8)	8,208.8	8,155.8	8,256.6	8,342.1	1.0	1.6	-181.7
3. Total Assets= Total Money Supply (M2)	57,565.3	56,551.9	55,601.6	55,827.9	55,853.2	0.0	-1.2	-3.0
(a) Money (M1)	20,852.2	22,145.1	21,718.9	21,579.5	20,890.5	-3.2	-5.7	0.2
(i) Currency outside Banks	3,545.2	4,553.3	4,198.7	4,222.7	4,162.3	-1.4	-8.6	17.4
(ii) Demand deposits	17,307.0	17,591.8	17,520.3	17,356.8	16,728.2	-3.6	-4.9	-3.3
(b) Quasi-money	36,713.1	34,406.9	33,882.6	34,248.3	34,962.7	2.1	1.6	-4.8
(i) Saving Deposits	4,551.1	5,536.5	5,527.7	5,498.6	5,694.3	3.6	2.9	25.1
(ii) Time Deposits	32,162.0	28,870.4	28,354.9	28,749.7	29,268.4	1.8	1.4	-9.0

1) Include RBV staff loans excluding credit corp

TABLE A4 : MONTHLY CHANGES IN TOTAL MONEY SUPPLY

END OF PERIOD	Mar-10	Dec-10	Jan-11	Feb-11	Mar-11
1. Net Foreign Assets	(3,760.9)	(1,133.6)	(1,063.2)	578.1	(788.4)
Monetary authorities	1.8	(150.5)	(161.8)	407.7	95.5
Commercial Banks	(3,762.7)	(983.1)	(901.4)	170.4	(883.9)
2. Domestic Money creation	1,577.4	834.8	6.9	(150.2)	984.8
(a) Domestic credit	1,467.8	999.8	59.9	(251.0)	899.3
Net Claims on Government	340.1	325.8	82.1	(426.4)	193.2
Monetary Authorities (net)	872.5	167.8	53.7	(449.8)	211.9
Commercial Banks (net)	(532.5)	158.0	28.5	23.5	(18.7)
Claims on non financial public enterprises	(0.7)	(4.3)	3.3	(1.7)	(3.8)
Claims on Private sector	1,127.9	679.5	(16.4)	177.9	707.5
(b) Other Domestic factor	109.6	(165.0)	(53.0)	100.8	85.5
3. Money Supply creation (M4)	(1,186.5)	31.2	(950.4)	226.3	25.4
Money (M1)	(1,186.5)	349.6	(426.1)	(139.4)	(689.0)
Quasi-money	0.0	(318.4)	(524.2)	365.7	714.4

TABLE: 5 ASSETS AND LIABILITIES OF CREDIT CORPORATION AND VANUATU AGRICULTURE BANK

End of Period	Nov-10	Dec-10	Jan-11	Feb-11
Reserves	52.2	30.4	13.6	107.1
Domestic currency	52.24	30.38	13.61	107.13
Deposits with RBV	0	0.00	0.00	0.00
RBV Notes	0	0.00	0.00	0.00
Foreign Assets 1/	0	0.00	0.00	0.00
Claims on non-resident banks; of which	0	0.00	0.00	0.00
Vanuatu's offshore financial Inst. 2/				
Claims on non-resident nonbanks	0	0.00	0.00	0.00
Claims on Government	0	0.00	0.00	0.00
Claims on Municipalities	0	0.00	0.00	0.00
Claims on public enterprises	0	0.00	0.00	0.00
Claims on private sector	1025.09	1,061.10	1,083.06	1,093.58
Claims on other finan. Inst. 2/				
Inter-bank claims	44.82	37.92	32.04	34.42
Fixed Assets	18.59	18.29	17.86	17.49
Debit Items for collection	0	0.00	0.00	0.00
Unclassified assets	7.57	7.66	17.908	7.824
TOTAL	1,148.3	1,155.3	1,164.48	1,260.45
Demand Deposits	0.0	0.0	0.0	0.0
Local currency	0.0	0.00	0.00	0.00
Foreign currency	0.0	0.00	0.00	0.00
Savings deposits	-	0.00	0.00	0.00
Local currency	0	0.00	0.00	0.00
Foreign currency	0	0.00	0.00	0.00
Time deposits	183.3	186.9	181.87	187.15
Local currency	183.33	186.92	181.869	187.150
Foreign currency				
Foreign Liabilities	0.4	0.5	0.568	0.626
Non residents banks & Financial Institution	0.44	0.51	0.568	0.626
Non residents nonbanks				
Government Deposits				
Credit from monetary authorities				
Capital and fixed reserves	768.68	768.68	768.68	868.68
Profit and loss accounts	39.95	39.28	57.08	59.35
Reserves including Provisions	56.65	59.65	50.64	53.65
Inter-bank liabilities				
Unclassified Liabilities	99.22	287.23	105.637	91.002
TOTAL	1148.3	1342.3	1164.48	1260.45
Other items (net)	91.6	279.6	87.7	83.2
[Unclassified Liabilities [minus Unclassified Assets]				