



RESERVE BANK OF VANUATU

FINANCIAL & ECONOMIC ANALYSIS: April 2012

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Exchange Rate and International Developments

In April the IMF published its World Economic Outlook (WEO). Forecasts for the coming years have been revised up in comparison to the January update thanks to an improving US recovery and receding dangers from the euro zone. Global growth is now predicted at 3.5 percent in 2012 compared to 3.3 percent estimated in January and 4.1 percent in 2013 from 4.0 percent estimated previously. Despite this, growth forecasts remain down on September's and the fragility of the economic outlook is still apparent.

The prospects of advanced economies continued to look mixed this month. Statistical releases published in April showed unemployment in the euro zone had moved even higher to 10.8 percent. In contrast we saw a continuation of previous improvements seen in the US labour market with March's unemployment falling to 8.2 percent from 8.3 percent in February. However, data released at the end of the month suggests US economic growth is slowing with first quarter annualised GDP growth only 2.2 percent compared to 3.0.

Australian labour market statistics showed unemployment in March remained elevated but stable at 5.2 percent, while inflation was considerably lower than expected at 1.6 percent over the year to the first quarter of 2012. These changes to inflation have left policy space for the RBA to loosen monetary policy in coming months.

During the month, the vatu appreciated against the Euro but depreciated against the USD, AUD and the NZD.

Real Sector Developments

Tourism arrivals for the month of February 2012 continued to show increases over the year (despite a recorded decline in the month as both air and cruise arrivals fell, a seasonally low month for arrivals). Both air and cruise-ship arrivals were up over the year by 2 percent and 43 percent, respectively. As a result, the total non-resident visitor arrivals (air plus cruise) rose 33 percent over the previous year to 26,082 visitors (with more cruise visitors as 13 cruise visits were made compared to 7 in the previous year). The increase in air arrivals was driven by more arrivals from New Caledonia, Other Pacific Island Countries and New Zealand who would have probably arrived for meetings/conferences despite Australia being the major market for holiday visitors had declined over the period.

Total exports earnings for the year-ended period January – February 2012 declined 10 percent to VT718 million while total imports rose by 2.6 percent to VT4.1 billion, as a result, the trade deficit rose in the period compared to a year by 5.6 percent to VT3.4 billion. This was result of declined export earnings (from major export commodities of coconut oil, copra and beef) and increased import expenditure (in particularly food, beverage & tobacco and machineries & equipment).

Headline inflation as measured by the Consumer Price Index for the year-ended March Quarter 2012 rose to 2.1 percent from 1.2 percent in the previous quarter. This is represented by an increase of 2.1 percent for Port Vila and 2.0 percent for Luganville. The increase in the quarter was due to higher price for household supplies, food, housing and utilities, health and miscellaneous despite fallen price for clothing and footwear, recreation, transport, drinks and tobacco and communication. The underlying inflation (annual) rate rose to 2.9 percent from 1.9 percent in the previous quarter. Forecast for inflation in the upcoming quarters is still expected to remain within the bound of RBV target range of 0-4 percent. (Source: Vanuatu National Statistics Office)

Table 1: Exchange Rate Movements

	Vatu/USD	Vatu/AUD	Vatu/NZD	Vatu/EUR
Apr-12	91.75	95.16	74.96	121.29
1 month ago	91.61	95.13	74.90	121.86
%▲	0.2	0.0	0.1	-0.5
3 months ago	90.99	96.43	74.50	119.44
%▲	0.8	-1.3	0.6	1.5
12 months ago	88.52	96.73	71.04	131.23
%▲	3.6	-1.6	5.5	-7.6

Note: (-) appreciation of vatu

Monetary Developments

During the month M2 fell 0.5 percent, while the annual M2 growth rate for the year ending March 2012 fell to 5.4 percent from 6.0 percent recorded last month. Driving these declines were movements in NFA, which outweighed relatively strong domestic credit growth over the period. After recording increases of 6.3 percent in February, March's NFA saw a return to the downward trend with decreases of 4.6 percent. Domestic credit increased 1.4 percent in March after a 1.2 percent increase over the previous month.

The monthly decrease in the NFA of the banking system stemmed from decreases in both commercial banks' and the monetary authorities' NFA. A 9.5 percent decrease in the commercial banks' NFA was driven mainly by 8.7 percent increase in foreign liabilities. Monetary authorities saw a 1.6 percent decrease in foreign assets and a 1.2 percent increase in foreign liabilities leading overall to 2.1 percent deterioration in NFA during March.

Private sector credit increased by 1.6 percent compared to 1.0 percent growth recorded the previous month, bringing the year-on-year increase to 10.4 percent compared to the 10.3 percent over the year to February 2012. During the month loans to individuals and households decreased by 0.9 percent after increasing further by 3.5 percent and 1.0 percent the two previous months. Loans to businesses increased by 4.8 percent after a decrease of 1.3 percent the previous month. Over the year to March 2012, both loans to business and loans to individuals and households recorded increases of 11.8 percent and 8.6 percent respectively.

Net claims on government of the banking system decreased over the month by VT147.1 million, however over the year net claims have increased driven largely by monetary authorities which increased VT413.5 million over the year.

Open Market Operations

The Bank conducted four Open Market Operations in April 2012 where it issued VT1.06 billion a slight increase compared to VT1.05 billion over the previous month. The total tender for those four issues were over-subscribed by VT1.57 billion. The over subscription reflects the high level of liquidity in the system. The inter-bank rate remained at 5.5 percent.

Table 2: Amount Allotted (Millions of Vatu) and Yields on RBV Notes (Percent)

Term	Amount Allotted	Yield End April 2012	Yield End March 2012
7 days	415	0.40	0.70
14 days	245	0.40	0.70
28 days	145	0.40	0.70
63 days	125	0.85	1.50
91 days	125	1.14	1.64

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

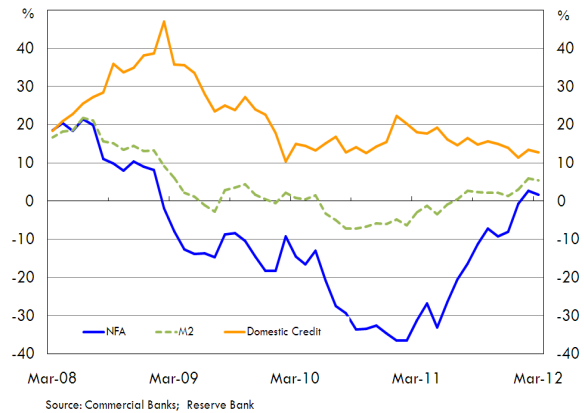
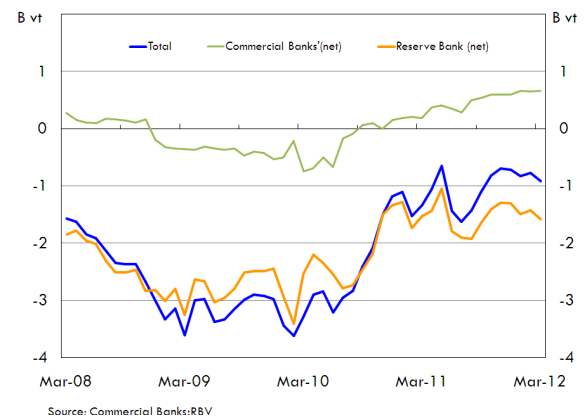


Chart 2: Net Claims on Government
(Levels; VT billions)



MONETARY AND FINANCIAL STATISTICS
TABLE A1 : CONDENSED BALANCE SHEET OF RESERVE BANK OF VANUATU

End of Period	Mar-11	Dec-11	Feb-12	Mar-12	%Change		
					1 Month	3 months	12 months
Foreign Assets	15171.1	16258.7	16717.5	16449.1	-1.6	1.2	8.4
Foreign Exchange 1/	14586.1	15686.9	16160.3	15884.7	-1.7	1.3	8.9
Reserve Position with IMF	362.0	359.3	348.7	353.2	1.3	-1.7	-2.4
SDR Holdings	223.0	212.4	208.6	211.2	1.3	-0.6	-5.3
Claims on Government	1369.2	1518.5	1518.5	1518.5	0.0	0.0	10.9
Advances to statutory Bodies	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
O/w under repurchase agreement	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	2051.7	2029.4	1978.2	1963.4	-0.7	-3.3	-4.3
Total Assets	18591.9	19806.6	20214.2	19931.0	-1.4	0.6	7.2
Reserve Money	10230.5	11880.8	12408.9	12321.3	-0.7	3.7	20.4
Currency outside Banks 3/	4162.3	4885.7	4353.7	4505.4	3.5	-7.8	8.2
Commercial Banks Cash	1193.4	1686.4	1524.2	1338.2	-12.2	-20.6	12.1
Commercial Banks Deposit with RBV	4874.8	5308.7	6531.0	6477.8	-0.8	22.0	32.9
Foreign Liabilities 2/	2508.6	2477.4	2407.5	2436.8	1.2	-1.6	-2.9
Government Deposits, of which	2890.5	2823.9	2943.9	3104.1	5.4	9.9	7.4
Government contribution to RTP	362.0	359.3	348.7	353.2	1.3	-1.7	-2.4
RBV Notes	2195.6	1619.1	1373.1	1120.9	-18.4	-30.8	-48.9
Other Liabilities	766.8	1145.4	1080.8	959.2	-11.3	-16.3	25.1
TOTAL Liabilities	18591.9	19806.6	20214.2	19931.0	-1.4	0.6	7.2

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-11	Dec-11	Feb-12	Mar-12	%Change		
					1 Month	3 months	12 Months
Domestic currency	1193.4	1686.4	1524.2	1338.2	-12.2	-20.6	12.1
Deposits with RBV	4874.8	5308.7	6531.0	6477.8	-0.8	22.0	32.9
RBV Notes	2195.6	1619.1	1373.1	1120.9	-18.4	-30.8	-48.9
Foreign Assets, of which	19297.0	16198.7	16707.0	16772.9	0.4	3.5	-13.1
Claims on non-residents' banks	2540.0	2635.6	1994.1	2017.6	1.2	-23.5	-20.6
Claims on Private sector	44722.9	47856.3	48548.9	49362.8	1.7	3.1	10.4
Claims on Government	786.3	1186.7	1184.6	1184.6	0.0	-0.2	50.7
Other claims 1/	519.5	591.5	624.7	634.8	1.6	7.3	22.2
Other Assets	3318.7	3007.8	3059.0	5267.6	72.2	75.1	58.7
TOTAL ASSETS	76908.1	77455.3	79552.4	79921.9	0.5	3.2	3.9
Demand Deposits, of which	16728.2	17527.7	19898.3	19098.2	-4.0	9.0	14.2
Foreign currency	7816.3	7827.0	9376.6	9217.6	-1.7	17.8	17.9
Savings deposits, of which	5694.3	5737.4	5523.4	5632.9	2.0	-1.8	-1.1
Foreign currency	366.6	376.8	390.4	371.5	-4.8	-1.4	1.3
Time deposits, of which	29268.4	29136.9	29375.5	29609.7	0.8	1.6	1.2
Foreign Currency	10269.7	9180.4	9482.0	9948.4	4.9	8.4	-3.1
Foreign Liabilities, of which	11357.5	9867.0	9061.8	9850.9	8.7	-0.2	-13.3
Non residents Banks	2195.5	1646.5	1196.3	2139.3	78.8	29.9	-2.6
Government Deposits	599.0	593.9	532.6	519.6	-2.5	-12.5	-13.3
Credit from RBV	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities, including shareholders' funds	13260.7	14592.3	15160.4	15210.3	0.3	4.2	14.7
TOTAL LIABILITIES	76908.1	77455.3	79552.3	79921.9	0.5	3.2	3.9

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

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

END OF PERIOD	Mar-11	Dec-11	Feb-12	Mar-12	%Change		
					1 Month	3 months	12 Months
1. Net Foreign Assets	20,602.0	20,112.9	21,955.1	20,934.2	-4.6	4.1	1.6
Monetary Authorities (Net)	12,662.5	13,781.2	14,310.0	14,012.3	-2.1	1.7	10.7
Commercial Banks (Net)	7,939.5	6,331.7	7,645.1	6,921.9	-9.5	9.3	-12.8
2. Net Domestic Assets	35,251.2	37,174.7	37,195.8	37,912.0	1.9	2.0	7.5
(a) Domestic Credit	44,633.9	48,881.3	49,632.3	50,315.4	1.4	2.9	12.7
(i) Net claims on government	(1,334.0)	(712.6)	(773.4)	(920.5)	-19.0	-29.2	31.0
Monetary Authorities	(1,521.3)	(1,305.4)	(1,425.4)	(1,585.6)	-11.2	-21.5	-4.2
Commercial Banks	187.3	592.8	652.0	665.1	2.0	12.2	255.0
(ii) Claims on Non financial Public enterprises (NFPE) (2)	93.2	410.2	531.1	550.0	3.6	34.1	490.4
(iii) Claims on Private Sector (1)	45,866.6	49,150.1	49,842.8	50,656.6	1.6	3.1	10.4
(iv) Claims on other financial institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(v) Claims on Municipalities	8.1	33.6	31.8	29.4	-7.7	-12.7	262.3
(b) Other items (net)	(9,382.6)	(11,706.6)	(12,436.5)	(12,403.5)	-0.3	6.0	32.2
3. Total Assets= Total Money Supply (M2)	55,853.2	57,287.6	59,150.9	58,846.2	-0.5	2.7	5.4
(a) Money (M1)	20,890.5	22,413.3	24,252.0	23,603.6	-2.7	5.3	13.0
(i) Currency outside Banks	4,162.3	4,885.7	4,353.7	4,505.4	3.5	-7.8	8.2
(ii) Demand deposits	16,728.2	17,527.7	19,898.3	19,098.2	-4.0	9.0	14.2
(b) Quasi-money	34,962.7	34,874.3	34,898.9	35,242.6	1.0	1.1	0.8
(i) Saving Deposits	5,694.3	5,737.4	5,523.4	5,632.9	2.0	-1.8	-1.1
(ii) Time Deposits	29,268.4	29,136.9	29,375.5	29,609.7	0.8	1.6	1.2

1) Include RBV staff loans excluding credit corp

2) revised on December 2011 due to misclassification

Commercial Banks Sectoral Distribution of Loans and Advances

SECTOR	(Millions of Vatu)				% change		
	Mar-11	Dec-11	Feb-12	Mar-12	1 Month	3 Months	12 Months
Agriculture	791.9	659.4	672.1	673.4	0.2	2.1	-15.0
Fisheries	49.1	39.1	40.0	38.4	-4.2	-2.0	-21.9
Mining & Quarring	128.2	146.1	150.0	152.0	1.4	4.0	18.6
Manufacturing	1826.0	1832.8	1804.1	1786.2	-1.0	-2.5	-2.2
Distribution	3114.7	3471.5	3359.5	3374.8	0.5	-2.8	8.4
Tourism	4465.1	4762.2	4310.6	4907.8	13.9	3.1	9.9
Entertainment & Catering	316.9	322.9	330.0	422.0	27.9	30.7	33.2
Transport	1613.4	1406.1	1406.9	1408.4	0.1	0.2	-12.7
Public Utilities	36.9	50.1	49.6	49.1	-0.9	-2.0	32.9
Construction	6776.0	7214.7	7289.3	7377.5	1.2	2.3	8.9
a) Central Government	26.3	54.1	30.5	27.2	-10.8	-49.8	3.1
b) Public Corporation	24.0	24.3	209.6	193.8	-7.5	697.3	708.0
Financial Institutions	639.1	591.2	602.4	564.9	-6.2	-4.5	-11.6
Professional & Other Services	2362.6	3113.4	3085.4	3164.8	2.6	1.7	34.0
Housing & Land Purchases	14412.9	15829.0	16130.4	16095.9	-0.2	1.7	11.7
Other Personal	7280.6	7892.7	8051.0	7944.4	-1.3	0.7	9.1
Miscellaneous	1101.8	1197.5	1798.8	1938.8	7.8	61.9	76.0
TOTAL	44965.4	48607.2	49320.3	50,119.4	1.6	3.1	11.5
of which Vatu:	35903.0	38116.9	38401.1	38640.3	0.6	1.4	7.6

NB: Loans to Central Gvt does not include government Bonds

TABLE 4: ASSETS AND LIABILITIES OF CREDIT CORPORATION AND VANUATU AGRICULTURE BANK

End of Period	Dec-10	Dec-11	Feb-12	Mar-12
Reserves	30.4	80.7	86.2	91.3
Domestic currency	30.38	80.66	86.22	91.31
Deposits with RBV	0.00	0.00	0.00	0.00
RBV Notes	0.00	0.00	0.00	0.00
Foreign Assets 1/	0.00	0.00	0.00	0.00
Claims on non-resident banks; of which	0.00	0.00	0.00	0.00
Vanuatu's offshore financial Inst. 2/				
Claims on non-resident nonbanks	0.00	0.00	0.00	0.00
Claims on Government	0.00	0.00	0.00	0.00
Claims on Municipalities	0.00	0.00	0.00	0.00
Claims on public enterprises	0.00	0.00	0.00	0.00
Claims on private sector	1,061.10	1,030.23	1,006.77	988.61
Claims on other finan. Inst. 2/				
Inter-bank claims	37.92	164.41	198.79	224.26
Fixed Assets	18.29	13.71	12.57	12.11
Debit Items for collection	0.00	0.00	0.00	0.00
Unclassified assets	7.66	9.768	4.581	4.923
TOTAL	1,155.3	1,298.78	1,308.93	1,321.22
Demand Deposits	0.0	0.0	0.0	0.0
Local currency	0.00	0.00	0.00	0.00
Foreign currency	0.00	0.00	0.00	0.00
Savings deposits	0.00	0.00	0.00	0.00
Local currency	0.00	0.00	0.00	0.00
Foreign currency	0.00	0.00	0.00	0.00
Time deposits	186.9	-	182.92	185.52
Local currency	186.92	0.00	182.92	185.52
Foreign currency				
Foreign Liabilities	0.5	1.936	2.052	2.108
Non residents banks & Financial Instit	0.51	1.936	2.052	2.108
Non residents nonbanks				
Government Deposits				
Credit from monetary authorities				
Capital and fixed reserves	768.68	868.680	868.680	868.680
Profit and loss accounts	39.28	58.252	62.407	63.862
Reserves including Provisions	59.65	94.412	103.553	106.359
Inter-bank liabilities				
Unclassified Liabilities	287.23	275.500	89.32	94.690
TOTAL	1342.3	1298.78	1308.93	1321.22
Other items (net)	279.6	265.7	84.7	89.8
[Unclassified Liabilities [minus Unclassified Assets]				