



RESERVE BANK OF VANUATU

FINANCIAL & ECONOMIC ANALYSIS: March 2012

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Exchange Rate and International Developments

During March data releases showed divergent prospects for economies with the US continuing to show mild signs of improvement, while the Euro area saw the impact of continued bank deleveraging and fiscal consolidation on the real economy. Central to discussions over the month about the prospects of Australia and New Zealand economies has been the continued debate over the extent to which we are observing a 'hard landing' in China.

In the euro zone unemployment continued to break records reaching 10.7 percent in February compared to a revised 10.6 percent in January. Meanwhile the February inflation rate remained stubbornly high at 2.7 percent thanks in part to upward pressure on euro denominated energy prices. Over the month, the most considerable monetary intervention came from the ECB when it issued its second batch of Long Term Financing Operations (LTFO) bringing the total injection of liquidity close to 1 trillion euro. The monetary stance of the US remained unchanged with unemployment in February remaining at 8.3 percent, appearing to have brought to an end a string of improvements seen over previous months and fitting with the assessment that recent employment changes were not representative of an overall recovery.

Australia posted its growth figures for the fourth quarter of 2011 which suggested lower than expected growth at 0.4 percent (2.3 percent y/y). Unemployment also remained stubbornly high at 5.2 percent in February. The Reserve Bank of Australia held tight its monetary stance with growth estimated as close to trend and inflation close to target. New Zealand fourth quarter growth was also less than generally expected at 0.3 percent. The Reserve Bank of New Zealand also held tight its monetary policy stance with a strong New Zealand Dollar negating the need for monetary tightening in the near future.

During the month, the vatu depreciated against the US dollar and the Euro but appreciated against the New Zealand dollar and Australian dollar.

Real Sector Developments

Tourism arrivals for the month of January 2012 improved significantly over the same period of last year with total non-resident visitor arrival (air plus cruise visitors) into the country up by 43 percent to 35,892 visitors (a notably significant improvement over the previous month as well). Both air and cruise visitors rose over the same period of last year by 31 percent to 8,755 visitors and 48 percent to 27,137 visitors, respectively primarily due to the holiday season. As a result more visitors arrived for holiday or visiting friends and relatives mainly from all major markets led by Australia New Caledonia, New Zealand and Other Pacific Countries despite a fall in arrivals from N. America. In the month cruise-ship visits particularly by P&O Cruises to Port Vila rose from 10 to 16 visits, including various en-route calls to outer islands as well, mainly Mystery Island and Champagne Bay. The rise in the number of these visiting cruise-ships to Vanuatu has given more opportunity for tourists to travel by sea than air, none-the-less, both air and cruise visitors recorded high levels during the month compared to a year ago. (Source: Vanuatu National Statistics Office)

Table 1: Exchange Rate Movements

	Vatu/USD	Vatu/AUD	Vatu/NZD	Vatu/EUR
Mar-12	91.61	95.13	74.90	121.86
1 month ago	89.75	96.73	75.21	120.88
%▲	2.1	-1.7	-0.4	0.8
3 months ago	93.56	94.91	72.17	121.29
%▲	-2.1	0.2	3.8	0.5
12 months ago	91.89	94.88	70.02	129.82
%▲	-0.3	0.3	7.0	-6.1

Note: (-) appreciation of vatu

Monetary Developments

In February, the NFA increased further by 6.3 percent compared to a 2.7 percent increase over the previous month, the same picture could be noted for domestic credit, increasing by 1.2 compared to 0.3 percent the previous month. The annual M2 growth rate for the year ending February 2012 was 6.0 percent compared to 3.0 percent the previous month.

This monthly increase in the NFA of the overall banking system stemmed from increases in both commercial banks' and the monetary authorities' NFA. A 14.5 percent increase in the commercial banks NFA was driven by 2.0 percent increase in foreign assets combined with a 6.6 percent decrease in its foreign liabilities. Monetary authorities also saw an increase in foreign assets and a decrease in foreign liabilities leading to 2.4 percent growth in NFA over February. Private sector credit increased by 1.0 percent compared to 0.5 percent recorded the previous month, bringing about an increase of 10.3 percent compared to the 9.7 percent over the year to January 2012.

During the month loans to individuals and households increased further by 3.5 percent compared to 1.0 percent the previous month, loans to businesses decreased further by 1.3 percent. Over the year to February 2012, both loans to business and loans to individuals and households recorded increases of 6.3 percent and 12.8 percent respectively.

Net claims on government by the banking system increased over the month by VT55.3 million, and over the year net claims increased reflecting particularly large increases in both claims by commercial banks and monetary authority by VT 446.0 million and of VT 307.8 million, respectively.

Open Market Operations

The Bank conducted Four Open Market Operations in March 2012 where it issued VT1.05 billion compared to VT1.20 billion over the previous month.

The total tender for those four issues were over-subscribed by VT2.12 billion. The over subscription reflects the high level of liquidity in the system.

The inter-bank rate remained at 5.5 percent.

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

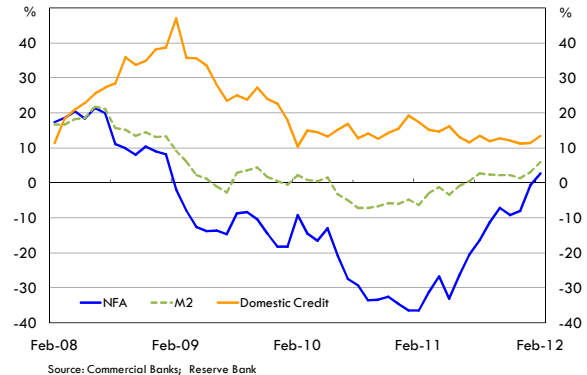


Chart 2: Net Claims on Government
(Percentage Change; Year-on-Year Growth)

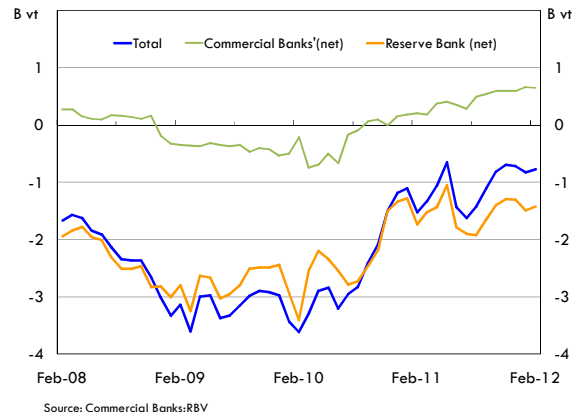


Table 2: Amount Allotted (Millions of Vatu) and Yields on RBV Notes (Percent)

Term	Amount Allotted	Yield End March 2012	Yield End February 2012
7 days	415	0.70	1.20
14 days	245	0.70	1.23
28 days	145	0.70	1.23
63 days	125	1.50	2.00
91 days	125	1.64	3.25

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

End of Period	Feb-11	Nov-11	Jan-12	Feb-12	%Change		
					1 Month	3 months	12months
Foreign Assets	15068.3	16323.9	16411.7	16717.5	1.9	2.4	10.9
Foreign Exchange 1/	14488.7	15742.0	15848.0	16160.3	2.0	2.7	11.5
Reserve Position with IMF	358.6	364.1	352.7	348.7	-1.1	-4.2	-2.8
SDR Holdings	220.9	217.8	211.0	208.6	-1.1	-4.2	-5.6
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
0/w under repurchase agreement	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	2145.8	2082.6	2027.5	1978.2	-2.4	-5.0	-7.8
Total Assets	18555.1	19925.0	19957.7	20214.2	1.3	1.5	8.9
Reserve Money	10489.5	11567.4	11221.9	12408.9	10.6	7.3	18.3
Currency outside Banks 3/	4222.7	4660.7	4485.2	4353.7	-2.9	-6.6	3.1
Commercial Banks Cash	1134.9	1296.3	1443.0	1524.2	5.6	17.6	34.3
Commercial Banks Deposit with RBV	5131.9	5610.4	5293.6	6531.0	23.4	16.4	27.3
Foreign Liabilities 2/	2501.3	2509.3	2434.3	2407.5	-1.1	-4.1	-3.7
Government Deposits, of which	3102.4	2809.9	3007.1	2943.9	-2.1	4.8	-5.1
Government contribution to RTP	358.6	364.1	352.7	348.7	-1.1	-4.2	-2.8
RBV Notes	1596.6	2057.8	2218.3	1373.1	-38.1	-33.3	-14.0
Other Liabilities	865.4	980.6	1076.1	1080.8	0.4	10.2	24.9
TOTAL LIABILITIES	18555.1	19925.0	19957.7	20214.2	1.3	1.5	8.9

1/ Reserve Bank's foreignz currency accounts with residents' commercial banks are included in foreignz 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	Feb-11	Nov-11	Jan-12	Feb-12	%Change		
					1 Month	3 months	12 Months
Domestic currency	1134.9	1296.3	1443.0	1524.2	5.6	17.6	34.3
Deposits with RBV	5131.9	5610.4	5293.6	6531.0	23.4	16.4	27.3
RBV Notes	1596.6	2057.8	2218.3	1373.1	-38.1	-33.3	-14.0
Foreign Assets, of which	20036.3	17561.5	16376.0	16707.0	2.0	-4.9	-16.6
Claims on non-residents' banks	2535.9	2575.2	2662.1	1994.1	-25.1	-22.6	-21.4
Claims on Private sector	44016.1	47453.5	48080.7	48548.9	1.0	2.3	10.3
Claims on Government	786.3	1086.3	1184.6	1184.6	0.0	9.1	50.7
Other claims 1/	354.5	110.4	506.2	562.9	11.2	409.9	58.8
Other Assets	3420.2	5217.7	5217.7	5217.7	0.0	0.0	52.6
TOTAL ASSETS	76476.7	78808.8	78148.7	79552.4	1.8	0.9	4.0
Demand Deposits, of which	17356.8	17619.1	17688.6	19898.3	12.5	12.9	14.6
Foreignz currency	8280.1	7859.1	8055.0	9376.6	16.4	19.3	13.2
Savings deposits, of which	5498.6	6409.3	5413.5	5523.4	2.0	-13.8	0.5
Foreignz currency	386.3	1055.2	350.8	390.4	11.3	-63.0	1.1
Time deposits, of which	28749.7	29062.1	29701.3	29375.5	-1.1	1.1	2.2
Foreign Currency	10185.4	9004.0	9548.8	9482.0	-0.7	5.3	-6.9
Foreign Liabilities, of which	11212.8	10496.3	9701.0	9061.8	-6.6	-13.7	-19.2
Non residents Banks	2561.4	1833.2	1656.3	1196.3	-27.8	-34.7	-53.3
Government Deposits	580.3	492.8	524.7	532.6	1.5	8.1	-8.2
Credit from RBV	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities, including shareholders' funds	13078.4	14728.9	15119.6	15160.4	0.3	2.9	15.9
TOTAL LIABILITIES	76476.7	78808.8	78148.6	79552.2	1.8	0.9	4.0

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	Feb-11	Nov-11	Jan-12	Feb-12	%Change		
					1 Month	3 months	12 Months
1.Net Foreign Assets	21,390.4	20,879.8	20,652.4	21,955.1	6.3	5.2	2.6
Monetary Authorities (Net)	12,567.0	13,814.6	13,977.4	14,310.0	2.4	3.6	13.9
Commercial Banks (Net)	8,823.4	7,065.2	6,675.1	7,645.1	14.5	8.2	-13.4
2.Net Domestic Assets	34,437.5	36,871.5	36,636.2	37,195.8	1.5	0.9	8.0
(a) Domestic Credit	42,694.1	46,969.9	47,860.9	48,443.6	1.2	3.1	13.5
(i) Net claims on government	(1,527.2)	(697.9)	(828.6)	(773.4)	6.7	-10.8	49.4
Monetary Authorities	(1,733.2)	(1,291.4)	(1,488.6)	(1,425.4)	4.2	-10.4	17.8
Commercial Banks	206.0	593.5	660.0	652.0	1.2	-9.9	-216.5
(ii) Claims on Non financial Public enterprises (NFPE) (2)	96.9	92.0	470.6	531.1	12.9	477.3	447.9
(iii) Claims on Private Sector (1)	44,118.6	47,557.4	48,183.4	48,654.1	1.0	2.3	10.3
(iv) Claims on other financial institutions	0.0	0.0	0.0	0.0			
(v) Claims on Municipalities	5.8	18.4	35.60200	31.82700	-10.6	73.0	451.9
(b) Other items (net)	(8,256.6)	(10,098.4)	(11,224.7)	(11,247.8)	0.2	11.4	36.2
3.Total Assets= Total Money Supply (M2)	55,827.9	57,751.2	57,288.6	59,150.9	3.3	2.4	6.0
(a) Money (M1)	21,579.5	22,279.8	22,173.9	24,252.0	9.4	8.9	12.4
(i) Currency outside Banks	4,222.7	4,660.7	4,485.2	4,353.7	-2.9	-6.6	3.1
(ii) Demand deposits	17,356.8	17,619.1	17,688.6	19,898.3	12.5	12.9	14.6
(b) Quasi-money	34,248.3	35,471.4	35,114.8	34,898.9	-0.6	-1.6	1.9
(i) Saving Deposits	5,498.6	6,409.3	5,413.5	5,523.4	2.0	-13.8	0.5
(ii) Time Deposits	28,749.7	29,062.1	29,701.3	29,375.5	-1.1	1.1	2.2

1) Include RBV staff loans excluding credit corp

2) revised due to misclassification

Table 3 : Commercial Banks Sectoral Distribution of Loans and Advances

SECTOR	(Millions of Vatu)				% change		
	Feb-11	Nov-11	Jan-12	Feb-12	1 Month	3 Months	12 Months
Agriculture	800.7	663.2	679.2	672.1	-1.0	1.3	-16.1
Fisheries	51.1	45.6	38.6	40.0	3.6	-12.2	-21.7
Mining & Quarring	126.2	144.2	148.1	150.0	1.3	4.0	18.8
Manufacturing	1736.4	1795.3	1790.9	1804.1	0.7	0.5	3.9
Distribution	3360.9	3225.2	3296.9	3359.5	1.9	4.2	0.0
Tourism	4052.9	3928.5	3963.0	4310.6	8.8	9.7	6.4
Entertainment & Catering	159.9	324.4	325.8	330.0	1.3	1.7	106.4
Transport	1516.3	1487.3	1430.2	1406.9	-1.6	-5.4	-7.2
Public Utilities	37.1	50.3	49.6	49.6	0.0	-1.4	33.6
Construction	6659.3	7332.5	7386.9	7289.3	-1.3	-0.6	9.5
a) Central Government	19.5	42.2	31.2	30.5	-2.4	-27.8	56.4
b) Public Corporation	19.5	24.6	99.9	167.8	67.9	583.1	761.8
Financial Institutions	625.6	600.2	701.4	602.4	-14.1	0.4	-3.7
Professional & Other Services	2394.0	2373.1	3157.9	3085.4	-2.3	30.0	28.9
Housing & Land Purchases	13435.7	15398.6	15942.0	16130.4	1.2	4.8	20.1
Other Personal	8128.8	7964.8	8166.8	8051.0	-1.4	1.1	-1.0
Miscellaneous	1135.2	2321.1	1770.0	1840.5	4.0	-20.7	62.1
TOTAL	44259.0	47120.8	48,978.5	49,320.3	0.7	4.7	11.4
of which Vatu:	35723.8	36840.6	38094.4	38401.1	0.8	4.2	7.5

NB: Loans to Central Gvt does not include government Bonds

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

End of Period	Dec-10	Dec-11	Feb-12
Reserves	30.4	80.7	86.2
Domestic currency	30.38	80.66	86.22
Deposits with RBV	0.00	0.00	0.00
RBV Notes	0.00	0.00	0.00
Foreign Assets 1/	0.00	0.00	0.00
Claims on non-resident banks; of which	0.00	0.00	0.00
Vanuatu's offshore financial Inst. 2/			
Claims on non-resident nonbanks	0.00	0.00	0.00
Claims on Government	0.00	0.00	0.00
Claims on Municipalities	0.00	0.00	0.00
Claims on public enterprises	0.00	0.00	0.00
Claims on private sector	1,061.10	1,030.23	1,006.77
Claims on other finan. Inst. 2/			
Inter-bank claims	37.92	164.41	198.79
Fixed Assets	18.29	13.71	12.57
Debit Items for collection	0.00	0.00	0.00
Unclassified assets	7.66	9.768	4.581
TOTAL	1,155.3	1,298.78	1,308.93
Demand Deposits	0.0	0.0	0.0
Local currency	0.00	0.00	0.00
Foreign currency	0.00	0.00	0.00
Savings deposits	0.00	0.00	0.00
Local currency	0.00	0.00	0.00
Foreign currency	0.00	0.00	0.00
Time deposits	186.9	-	182.92
Local currency	186.92	0.00	182.92
Foreign currency			
Foreign Liabilities	0.5	1.936	2.052
Non residents banks & Financial Institutio	0.51	1.936	2.052
Non residents nonbanks			
Government Deposits			
Credit from monetary authorities			
Capital and fixed reserves	768.68	868.680	868.680
Profit and loss accounts	39.28	58.252	62.407
Reserves including Provisions	59.65	94.412	103.553
Inter-bank liabilities			
Unclassified Liabilities	287.23	275.500	89.317
TOTAL	1342.3	1298.78	1308.93
Other items (net)	279.6	265.7	84.7
[Unclassified Liabilities [minus Unclassified Assets]			