



RESERVE BANK OF VANUATU

FINANCIAL & ECONOMIC ANALYSIS: April 2012

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Exchange Rate and International Developments

Growing uncertainty over the world economic outlook returned during May. The commitment and ability to implement austerity measures of some euro area countries was brought back into question, bringing the discussion of potential exits from the euro and its knock-on effects back to the fore. At the same time, stories on the extent of a slowdown in China and worries about the upcoming fiscal difficulties in the US compounded the growing uncertainty over the month.

During May, data from the euro area showed that the region avoided falling into a technical recession with GDP growth remaining stable in the first quarter of 2012 in comparison to a contraction of 0.3 percent in the last three months of 2011. This was largely a result of the strong performance of Germany, the euro area's biggest economy. However, unemployment in the region continued to increase, reaching 10.9 percent in March, compared to 10.8 percent in February 2012.

Table 1: Exchange Rate Movements

	Vatu/USD	Vatu/AUD	Vatu/NZD	Vatu/EUR
May-12	96.16	93.35	72.44	118.95
1 month ago	91.75	95.16	74.96	121.29
%▲	4.8	-1.9	-3.4	-1.9
3 months ago	89.75	96.73	75.21	120.88
%▲	7.1	-3.5	-3.7	-1.6
12 months ago	89.64	95.80	73.16	128.02
%▲	7.3	-2.6	-1.0	-7.1

Note: (-) appreciation of vatu

Unemployment in Australia fell to 4.9 percent in April from 5.2 in March with significant gains in Australia's biggest mining states. In contrast statistics published this month in New Zealand showed unemployment rose unexpectedly to 6.7 percent during the first quarter of 2012. This is an increase from a revised 6.4 percent in the last quarter of 2011.

During the month the Vatu appreciated against the AUD, NZD and EUR but depreciated against the USD.

Domestic Real Sector Developments

Tourism arrivals for the month of March 2012 continued to increase over the year (following an increase in the month as air visitors rose while cruise-ship arrivals fell, but remained at elevated levels). Air visitors grew 20 percent over the year to 6,343 visitors and cruise-ship visitors grew 169 percent over the year to 20,506 visitors (supported by 12 cruise-ship visits mainly from Australian ports). As a result, the total non-resident visitor arrivals (air plus cruise) rose 108 percent over the previous year to 26,849 visitors. The increase in air arrivals over the same month of the previous year was driven by more visitor arrivals for holiday from Australia, New Zealand and New Caledonia despite decline in visitors from Other Pacific Countries over the period.

Total exports earnings (accumulated) for the year-ended period January – April 2012 declined 24 percent to VT1.5 billion while total imports declined 12 percent over the year to VT7.4 billion. As a result, compared to the same period of last year, the trade deficit declined (improved) 9 percent to VT6.0 billion. Overall export earnings fell with declines seen in coconut oil, beef and fish exports. However, copra, cocoa, sawn timber and kava exports improved over the period. Import expenditure also declined reflecting falls in mineral fuel, food and live animals, chemical products, basic manufactured products, miscellaneous manufactured goods and machine and transport equipment. Increases in beverages and tobacco imports were observed over same period of last year. (Source: Vanuatu National Statistics Office)

Monetary Developments

During the month M2 increased by 1.1 percent while the annual M2 growth rate for the year ending April 2012 increased slightly to 5.8 percent from 5.4 percent recorded last month. Driving these increases were movements in NFA and domestic credit growth. After recording a decrease of 4.6 percent in March, April's NFA saw another increase of 1.5 percent in April. Domestic credit recorded a slight increase of 0.3 percent in April, lower than the 1.4 percent increase recorded the previous month.

The monthly increase in the NFA of the banking system stemmed from increases in both commercial banks' and the monetary authorities' NFA. A 2.5 percent increase in the commercial banks' NFA was driven by increases in foreign assets by 1.7 percent outweighing increases in foreign liabilities of 1.1 percent. Monetary authorities saw a 0.9 percent increase in foreign assets and a 0.1 percent increase in foreign liabilities leading overall to 1.0 percent increase in NFA during April.

Private sector credit remained stable during April, bringing the year-on-year growth to 8.9 percent from 10.4 percent over the year to March 2012. During the month loans to individuals and households decreased slightly by 0.3 percent after increasing by 0.9 percent and 3.5 percent the two previous months. Loans to businesses decreased by 0.4 percent after an increase of 4.8 percent the previous month. Over the year to April 2012, both loans to business and loans to individuals and households recorded increases of 7.7 percent and 10.1 percent respectively.

Net claims on government of the banking system decreased over the month by VT187.3 million, however over the year net claims have increased driven largely by monetary authorities which increased VT504.6 million over the year.

Open Market Operations

The Bank conducted Five Open Market Operations in May 2012 where it issued VT1.13 billion an increase compared to VT1.06 billion over the previous month.

The total tender for those four issues were over-subscribed by VT2.39 billion. The over subscription reflects the high level of liquidity in the system.

Table 1: Amount Allotted (Millions of Vatu) and Yields on RBV Notes (Percent)

Term	Amount Allotted	Yield End May 2012	Yield End April 2012
7 days	340	0.35	0.40
14 days	277	0.35	0.40
28 days	206	0.35	0.40
63 days	171	0.75	1.85
91 days	144	0.95	1.14

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

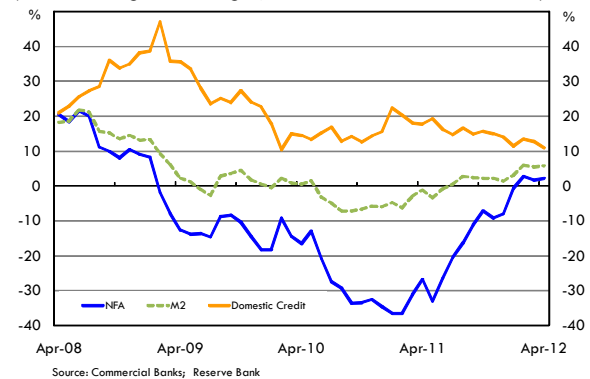


Chart 2: Net Claims on Government
(Levels; VT billions)

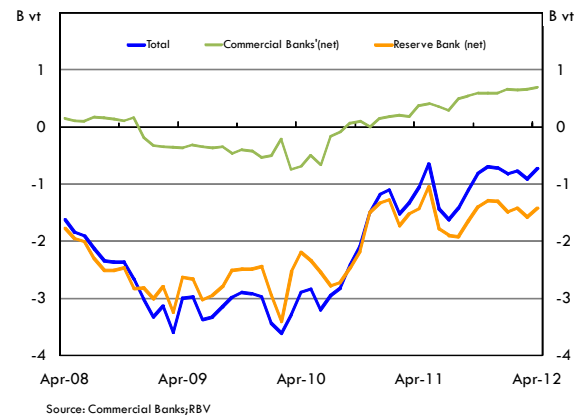


TABLE A1 : CONDENSED BALANCE SHEET OF RESERVE BANK OF VANUATU

End of Period	Apr-11	Jan-12	Mar-12	Apr-12	%Change		
					1 Month	3 months	12 months
Foreign Assets	15111.2	16411.7	16449.1	16595.2	0.9	1.1	9.8
Foreign Exchange 1/	14534.4	15848.0	15884.7	16030.3	0.9	1.2	10.3
Reserve Position with IMF	357.0	352.7	353.2	353.5	0.1	0.2	-1.0
SDR Holdings	219.9	211.0	211.2	211.4	0.1	0.2	-3.9
Claims on Government	1518.2	1518.5	1518.5	1518.5	0.0	0.0	0.0
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	2071.1	2027.5	1963.4	2069.9	5.4	2.1	-0.1
Total Assets	18700.5	19957.7	19931.0	20183.6	1.3	1.1	7.9
Reserve Money	11069.5	11221.9	12321.3	12731.1	3.3	13.4	15.0
Currency outside Banks 3/	4410.6	4485.2	4505.4	4501.5	-0.1	0.4	2.1
Commercial Banks Cash	1123.4	1443.0	1338.2	1405.2	5.0	-2.6	25.1
Commercial Banks Deposit with RBV	5535.6	5293.6	6477.8	6824.5	5.4	28.9	23.3
Foreign Liabilities 2/	2474.6	2434.3	2436.8	2438.4	0.1	0.2	-1.5
Government Deposits, of which	2951.0	3007.1	3104.1	2943.6	-5.2	-2.1	-0.2
Government contribution to RTP	357.0	352.7	353.2	353.5	0.1	0.2	-1.0
RBV Notes	1396.7	2218.3	1120.9	1082.1	-3.5	-51.2	-22.5
Other Liabilities	808.8	1076.1	959.2	977.3	1.9	-9.2	20.8
TOTAL LIABILITIES	18700.5	19957.7	19931.0	20183.6	1.3	1.1	7.9

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	Apr-11	Jan-12	Mar-12	Apr-12	%Change		
					1 Month	3 months	12 Months
Domestic currency	1123.4	1443.0	1338.2	1405.2	5.0	-2.6	25.1
Deposits with RBV	5535.6	5293.6	6477.8	6824.5	5.4	28.9	23.3
RBV Notes	1396.7	2218.3	1120.9	1082.1	-3.5	-51.2	-22.5
Foreign Assets, of which	18347.8	16376.0	16772.9	17059.6	1.7	4.2	-7.0
Claims on non-residents' banks	2489.8	2662.1	2017.6	1983.8	-1.7	-25.5	-20.3
Claims on Private sector	45206.3	48080.7	49362.8	49357.5	0.0	2.7	9.2
Claims on Government	986.3	1184.6	1184.6	1085.0	-8.4	-8.4	10.0
Other claims 1/	147.2	570.2	634.8	643.8	1.4	12.9	337.2
Other Assets	3463.6	5267.6	5267.6	5267.6	0.0	0.0	52.1
TOTAL ASSETS	76206.9	78148.7	79921.9	80462.6	0.7	3.0	5.6
Demand Deposits, of which	16974.2	17688.6	19098.2	19439.8	1.8	9.9	14.5
Foreign currency	7999.9	8055.0	9217.6	9016.2	-2.2	11.9	12.7
Savings deposits, of which	5830.0	5413.5	5632.9	5789.8	2.8	7.0	-0.7
Foreign currency	337.4	350.8	371.5	398.8	7.4	13.7	18.2
Time deposits, of which	28988.8	29701.3	29609.7	29742.6	0.4	0.1	2.6
Foreign Currency	9995.5	9548.8	9948.4	10008.3	0.6	4.8	0.1
Foreign Liabilities, of which	10194.4	9701.0	9850.9	9962.4	1.1	2.7	-2.3
Non residents Banks	1685.9	1656.3	2139.3	1881.7	-12.0	13.6	11.6
Government Deposits	617.6	524.7	519.6	393.1	-24.3	-25.1	-36.3
Credit from RBV	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities, including shareholders' funds	13601.8	15119.6	15210.3	15134.6	-0.5	0.1	11.3
TOTAL LIABILITIES	76206.9	78148.6	79921.9	80462.6	0.7	3.0	5.6

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	Apr-11	Jan-12	Feb-12	Mar-12	Apr-12	%Change		
						1 Month	3 months	12 Months
1. Net Foreign Assets	20,790.0	20,652.4	21,955.1	20,934.2	21,254.0	1.5	2.9	2.2
Monetary Authorities (Net)	12,636.6	13,977.4	14,310.0	14,012.3	14,156.8	1.0	1.3	12.0
Commercial Banks (Net)	8,153.4	6,675.1	7,645.1	6,921.9	7,097.2	2.5	6.3	-13.0
2. Net Domestic Assets	35,413.7	36,636.2	37,195.8	37,912.0	38,219.7	0.8	4.3	7.9
(a) Domestic Credit	45,535.2	49,052.0	49,632.3	50,315.4	50,488.6	0.3	2.9	10.9
(i) Net claims on government	(1,064.0)	(828.6)	(773.4)	(920.5)	(733.2)	20.3	11.5	31.1
Monetary Authorities	(1,432.7)	(1,488.6)	(1,425.4)	(1,585.6)	(1,425.1)	10.1	4.3	0.5
Commercial Banks	368.7	660.0	652.0	665.1	691.9	-4.0	-4.8	-87.6
(ii) Claims on Non financial Public enterprises (NFPE) (2)	92.7	470.6	531.1	550.0	541.2	-1.6	-15.0	483.8
(iii) Claims on Private Sector (1)	46,499.0	49,374.5	49,842.8	50,656.6	50,651.3	0.0	2.6	8.9
(iv) Claims on other financial institutions	0.0	0.0	0.0	0.0	0.0			
(v) Claims on Municipalities	7.5	35.6	31.8	29.4	29.3	-0.3	-17.8	292.1
(b) Other items (net)	(10,121.5)	(12,415.8)	(12,436.5)	(12,403.5)	(12,268.9)	-1.1	-1.2	21.2
3. Total Assets= Total Money Supply (M2)	56,203.7	57,288.6	59,150.9	58,846.2	59,473.7	1.1	3.8	5.8
(a) Money (M1)	21,384.8	22,173.9	24,252.0	23,603.6	23,941.3	1.4	8.0	12.0
(i) Currency outside Banks	4,410.6	4,485.2	4,353.7	4,505.4	4,501.5	-0.1	0.4	2.1
(ii) Demand deposits	16,974.2	17,688.6	19,898.3	19,098.2	19,439.8	1.8	9.9	14.5
(b) Quasi-money	34,818.9	35,114.8	34,898.9	35,242.6	35,532.4	0.8	1.2	2.0
(i) Saving Deposits	5,830.0	5,413.5	5,523.4	5,632.9	5,789.8	2.8	7.0	-0.7
(ii) Time Deposits	28,988.8	29,701.3	29,375.5	29,609.7	29,742.6	0.4	0.1	2.6

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		
	Apr-11	Jan-12	Mar-12	Apr-12	1 Month	3 Months	12 Months
Agriculture	788.0	679.2	673.4	692.1	2.8	1.9	-12.2
Fisheries	50.6	38.6	38.4	36.3	-5.3	-6.1	-28.3
Mining & Quarring	148.1	128.9	152.0	209.2	37.6	62.3	41.2
Manufacturing	1745.4	1790.9	1786.2	1814.3	1.6	1.3	3.9
Distribution	3229.0	3296.9	3374.8	3385.1	0.3	2.7	4.8
Tourism	4316.4	3963.0	4907.8	4879.5	-0.6	23.1	13.0
Entertainment & Catering	343.6	325.8	422.0	430.9	2.1	32.2	25.4
Transport	1589.8	1430.2	1408.4	1407.2	-0.1	-1.6	-11.5
Public Utilities	36.8	49.6	49.1	48.8	-0.5	-1.5	32.6
Construction	6505.7	7386.9	7377.5	7291.1	-1.2	-1.3	12.1
a) Central Government	20.4	131.2	261.7	263.9	0.8	101.2	1194.7
b) Public Corporation	18.6	99.9	234.5	236.2	0.7	136.3	1170.2
Financial Institutions	645.9	701.4	564.9	568.9	0.7	-18.9	-11.9
Professional & Other Services	2602.3	3157.9	3164.8	3081.4	-2.6	-2.4	18.4
Housing & Land Purchases	14750.5	15942.0	16095.9	16122.1	0.2	1.1	9.3
Other Personal	7350.3	8166.8	7944.4	8072.1	1.6	-1.2	9.8
Miscellaneous	1325.8	1689.3	1670.6	1866.2	11.7	10.5	40.8
TOTAL	45447.9	48978.5	50119.4	50168.9	0.1	2.4	10.4
of which Vatu:	36316.7	38094.4	38640.3	38713.6	0.2	1.6	6.6

NB: Loans to Central Gvt does not include government Bonds