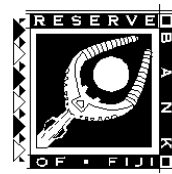


# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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**Press Release No.** : 37/2009

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### **RBF BOARD ANNOUNCES REMOVAL OF CREDIT CEILING**

Mr. Sada Reddy, the Governor and the Chairman of the Board announced today that, “The Reserve Bank Board met on 27 August and decided to remove the credit ceiling put in place on banks in December 2006. This will be effective from 1 September 2009.”

According to the Governor, “The credit ceiling was implemented in December 2006 to prevent any capital flight in light of the political developments. As foreign reserves have now improved to comfortable levels, the Board decided to remove the credit ceiling and assist with the recovery of the economy. However, the guidelines given to commercial banks with respect to priority sectors will remain in place and we ask the banks to strictly comply with these. The Reserve Bank will be monitoring commercial banks’ lending to these sectors closely. As much as possible the financing of luxury imports is to be discouraged.”

On the domestic economy, Governor Reddy noted that “sectoral performances were mixed. While consumer spending was subdued there is cautious optimism of a pickup in the remaining months of the year, particularly for tourism and investment-related activity. This is consistent with the gradual global recovery supported by a favourable exchange rate and other fiscal and monetary policies. Mr Reddy remarked that, “The pickup in domestic activity should strengthen next year. Investment sentiments also appear to be improving.”

“Foreign reserves are currently around \$920 million. Liquidity in the banking system is buoyant at around \$260 million. The commercial banks’ average lending rate which has been gradually falling in recent months declined further in July to 7.77 percent from 7.96 percent a month ago. These easings in monetary conditions, as well as the removal of the credit ceiling, should support economic recovery as we move forward.”

Consumer prices rose over the year by 2.2 percent in July, compared to 2.3 percent in June. Governor Reddy highlighted that the lower inflation in July was a result of much lower prices of energy-related items relative to 2008, which have offset to a large degree the recent price increases in other items.

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