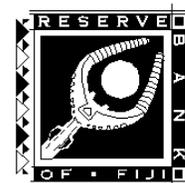


RESERVE BANK OF FIJI



PRESS RELEASE

Press Release No. : 33/2010

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Date : 30 August, 2010

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RESERVE BANK OF FIJI RELEASES 2009 ANNUAL REPORT

The Prime Minister and Minister for Finance, Commodore Josaia Voreqe Bainimarama tabled the 2009 Annual Report of the Reserve Bank of Fiji in Cabinet on 16 August, 2010. The Report includes the audited accounts and the operations of the Reserve Bank for the year ended 31 December 2009.

The Governor and Chairman of the Reserve Bank Board, Sada Reddy, said the first four months of 2009 saw Fiji going through a particularly tough period economically, as foreign reserves fell sharply to a low of \$430 million and liquidity plunged to below \$20 million. Difficult monetary policy decisions had to be taken to correct the situation, including the 20 percent devaluation of the Fiji dollar on 15 April 2009.

The policy actions, together with the International Monetary Fund's Special Drawing Rights allocation program to all members, helped turn the slide in foreign reserves around through the second half of the year to a comfortable level of \$1,091 million by end December. Foreign reserves continue to perform well and are currently around \$1,160 million, worth around 3.7 months of imports of goods and non-factor services.

Mr. Reddy added that although inflation rose from the effects of the devaluation, the 6.8 percent inflation recorded in December was well within initial expectations. As anticipated, inflation peaked in April 2010 at 10.5 percent and eased recently to 5.4 percent in July. It is now expected that inflation will be around 5 percent by the end of this year.

The Governor stated that Fiji's economy contracted in 2009 mainly from the impact of the global financial crisis on the domestic economy and natural disasters, which included major flooding and a cyclone. It is now estimated that the economy contracted by 2.2 percent last year. Mr. Reddy remarked that, "our economy is now on a recovery path and will be assisted by measures announced in Government's recently revised 2010 National Budget. Appropriate monetary policies will also be in place to support the economic recovery. The lifting of various controls imposed last year and recent introduction of a new monetary policy framework will assist in this regard."

The 2009 Annual Report also highlights the Reserve Bank's concerted efforts in expanding its wider role in developing the economy, with the set up of the Financial Systems Development and Compliance Group in April 2009, to address microfinance initiatives and the development of small and medium enterprises. In addition, an Export Proceeds Monitoring Unit was also set up with the responsibility of ensuring all export proceeds are remitted to Fiji. The transfer of the Capital Markets Development Authority (CMDA) to the Reserve Bank in August 2009 was another key organisational development, bringing together the supervisory elements of the financial sector to more effectively utilise the skills we have in this area.

The Report also notes that the Reserve Bank transferred a total of \$39.2 million to Government. This comprised its entire profit of \$16.6 million in the financial year ended 2009 and one fifth of the balance of the Revaluation Reserve Account of \$22.6 million.

Governor Reddy concluded that, "Despite recent favourable economic indicators and the welcome turnaround in the global economy, there is still a need to be vigilant. We will continue to work closely with the Government to ensure that appropriate monetary and fiscal policies are put in place to ensure a smooth recovery process."