

RESERVE BANK OF FIJI



PRESS RELEASE

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RESERVE BANK ANNOUNCES FOREIGN EXCHANGE PRESERVATION POLICIES

The Reserve Bank of Fiji announced further policies to safeguard Fiji's balance of payments in light of the deepening global crisis and its lagged effect on South Pacific Island Countries including Fiji. At a recent Pacific Central Bank Governors' Conference held in Nadi from 15-17 April, the Governors agreed that their small island country economies were still to face the full impact of the global crisis.

The Governor of the Reserve Bank, Mr Sada Reddy, who chaired the Conference, said the Pacific Island Countries and Fiji must take heed of the assessment by the Governors in terms of the possible adverse effects on their economies.

In light of this Governor Reddy has announced the following additional policies to support the policies announced last week which also saw the Fiji dollar devalued by 20 percent: -

(1) Tourism – Local Value Added

The Reserve Bank will implement policies from June this year which will link borrowing from commercial banks and other lending institutions by hotel operators to their local value added and environment protection. From now to June the Reserve Bank will consult with key stakeholders on the processes involved in identifying the extent of local value added and environment protection.

The Reserve Bank will further support this policy by giving an annual Prime Minister's award to the most successful and innovative hotel to achieve high local value added and being environmentally friendly. The Reserve Bank will also give 6 month scholarships to the most promising graduate from the tourism industry schools to study in Asia on local food processing.

(2) High End Luxury Imports

The Reserve Bank has asked commercial banks and other lending institutions to review their lending to this sector so that there is no excessive holdings of stocks and imports of high end luxury imports which tie up valuable foreign exchange in stocks. Imports related to tourism will not be affected.

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In explaining the above policies Mr Reddy said devaluation alone will not solve Fiji's balances payments situation. Every section of the community needs to act in concert to preserve foreign currency and encourage exports to increase foreign reserves. Governor Reddy has sought support and cooperation from the Unions to apply restraint in pay increases in the next two years to allow the country to recover.

He also sought support from the business community to not pass on the full effects of the price increase arising from the devaluation. Mr Reddy added that foreign reserves have recovered strongly following the devaluation and the liquidity in the banking system is back to normal.

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