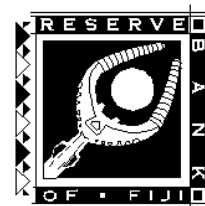


RESERVE BANK OF FIJI



PRESS RELEASE

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RESERVE BANK ANNOUNCES POLICY CHANGES

The Reserve Bank of Fiji Board held its meeting on 25 November, 2010 and decided to reduce the Overnight Policy Rate (OPR) to 2.50 percent.

While announcing the Board decision, the Acting Chairman of the Board, Mr. Robin Yarrow stated that, “considering the weak recovery in the domestic economy and the favourable outlook for foreign reserves and inflation, a reduction in the OPR is appropriate”.

On the global economy, Mr. Yarrow said that the positive growth outlook for our major trading partners augurs well for our exports and tourism industries. On the domestic economy, recent indicators suggest the non-sugar export sector and the tourism industry are performing remarkably well, supported by favourable commodity prices and improved external demand. However, these are partly offset by contractions in sectors such as the agriculture and transport, storage and communications sectors as well as lower-than-expected positive contributions from others including the manufacturing and wholesale & retail sectors. Recent indicators suggest a pickup in consumption spending from last year’s levels, supported by a slight growth in lending and strong inflows of personal remittances. However, investment activity in the economy remains subdued as evident from lower imports of investment goods and modest increases in new investment lending by banks.

The Board noted that the inflation rate rose slightly in October to 1.6 percent, driven mainly by higher food prices. The outlook for inflation remains at around 4.0 percent for the end of the year. The forecast for foreign reserves remains positive, driven by higher-than-expected export earnings and tourism receipts and reduced import demand this year. Against this background, a reduction in the OPR will help stimulate demand by reducing the cost of borrowing and facilitating an interest rate environment more conducive for investment. However, Mr. Yarrow noted that the Reserve Bank will continue to monitor developments closely and align monetary policy accordingly.

On other policy changes, the Board also announced a review of its Import Substitution and Export Finance Facility (ISEFF) Guidelines which enables businesses to obtain concessional back-to-back finance from commercial banks, the Fiji Development Bank and licensed credit institutions. To date, the utilisation of funds under the facility, which has a cap of \$40 million, has been low. In light of this, the Board agreed to extend the coverage of the Facility to include renewable energy projects. The Acting Board Chairman stated that “this enhancement will help encourage investment in renewable energy and complement Government policies on import substitution through reduced mineral fuel imports to support our balance of payments”.