

# RESERVE BANK OF FIJI

## PRESS RELEASE



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### Reserve Bank of Fiji Releases 2012 Annual Report

The Acting Prime Minister and Acting Minister for Finance, Mr Aiyaz Sayed-Khaiyum tabled the 2012 Annual Report of the Reserve Bank of Fiji in Cabinet on 18 June, 2013. The report includes the audited accounts and the operations of the Reserve Bank for the year ended 31 December 2012.

The Governor of the Reserve Bank, Mr Barry Whiteside, noted that 2012 was a particularly challenging year for our nation beginning in January and March with widespread devastation inflicted by two separate instances of flooding in the western and northern Divisions and ending in December with further damage in the west along the path of the category 4 Cyclone Evan. These natural disasters were a significant blow to both the tourism and agriculture sectors. Further, the escalation of uncertainty in the world economy as a result of high public debt in Euro zone and the United States posed a threat to the recovery of the our domestic economy. All these developments placed challenges on the Reserve Bank's policy formulation in 2012. Monetary policy was already very accommodating given that the Bank's overnight policy rate had been set at a historic low of 0.5 percent for some time.

To support economic recovery, the 2012 Annual Report chronicles some of the unconventional policy tools that were implemented throughout the year. This included the introduction of a directed lending program targeted at agriculture and renewable energy; the establishment of a concessional loan facility to the Housing Authority to support affordable housing programs for low income households; the doubling of funding capacity for the Import Substitution and Export Finance Facility to promote sectors that contribute directly to strengthening our trade balance; and the re-introduction of the Disaster Rehabilitation Facility to expedite rebuilding by businesses as a direct response to the damage due to severe flooding earlier in the year. These measures complemented the monetary policy stance which remained accommodative with the overnight policy rate unchanged throughout the year.

The Annual Report also highlights that the domestic financial system remained sound, in spite of the challenges that exist in many advanced countries at the moment with regard to financial stability. Mr Whiteside said, "this is validated in part by the entry of Bred Bank (Fiji) Limited onto the domestic scene, which was accompanied by a welcome intensity in competition for market share across the banking system."

Despite the volatile international financial markets and historically low interest rates in our major trading partner countries, the Bank recorded a profit of \$25.4 million in 2012 and transferred a total of \$35.4 million to the Fijian Government, which includes a \$10 million transfer from the Revaluation Reserve Account in accordance with the Reserve Bank of Fiji Act (1983).

Finally, Mr Whiteside underlined that, "as the business priorities of the Reserve Bank evolve along with the changing nature and complexity of the economic environment we face, the compass of the Bank will remain fixed towards the maintenance of low and stable inflation and a comfortable level of foreign reserves. In this regard, foreign reserves rose to \$1.6 billion and consumer price inflation eased to a 10-year low of 1.5 percent in December 2012." The RBF Annual Report prominently features the new "flora and fauna" design notes and coins which were launched in December 2012.

**Reserve Bank of Fiji**