

RESERVE BANK OF FIJI



PRESS RELEASE

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RESERVE BANK OF FIJI BOARD ANNOUNCES POLICY CHANGES

The Reserve Bank Board held its monthly meeting on 29 March 2007 and decided to leave interest rates unchanged.

The Board has, however, announced a number of policy measures to help safeguard Fiji's balance of payment. The decision was made against the backdrop of a contracting economy, falling investment, inflation edging upwards, underperformance of exports, widening trade deficit and declining foreign reserves. Under such an economic climate, the Board felt it necessary to put in place a combination of measures to protect Fiji's financial position but at the same time ease upward pressures on interest to help growth and investment.

The policy measures announced are:

- Continuation of the credit ceiling on commercial banks where loans and advances to the private sector will be held at or below levels prevailing at 30 November 2006. Special consideration, however, will be given for investment projects, exports, and to the small business sectors. Lending to these areas will be treated as outside the credit ceiling.
- Non-resident companies and Individuals:
 - Foreign owned companies will be encouraged to borrow offshore. Existing 100 percent foreign owned companies borrowings from domestic sources will be gradually reduced.
 - New foreign owned companies will be required to fund their capital expenditure from offshore while working capital requirements will be allowed to be borrowed from domestic sources. Companies having joint venture with locals will be able to borrow in the domestic market in proportion to local equity.
 - Local borrowing by non-resident individuals to purchase properties will be withdrawn from 1 January 2008 except to already approved tourism related projects.
 - Details of these Exchange Control measures will be announced later.
- A reduction in the Statutory Reserve Deposits ratio (SRD) from 7 percent to 6 percent, effective 1 May 2007.

The Bank will continue to closely monitor the current economic developments.