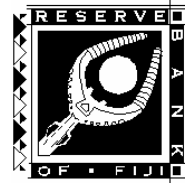


# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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### RESERVE BANK IMPLEMENTS FURTHER TIGHTENING MEASURES

The Reserve Bank of Fiji Board approved at its monthly meeting yesterday to further tighten monetary policy to supplement the increase in interest rates announced in February.

The Governor of the Reserve Bank and Chairman of the Board, Mr Savenaca Narube, said that, "The Board has taken the following measures to tighten liquidity and to allow a more conducive environment for better flow through of its interest rate increases.

- **Statutory Reserve Deposit (SRD):** Effective from 8 May 2006, the ratio will be increased from 5 percent to 7 percent of all licensed commercial banks' deposits and similar liabilities; and
- **Minimum Lending Rate (MLR):** Effective from 8 May 2006, the margin between the official indicator rate and the MLR will be increased from 50 basis points to 100 basis points. Hence, the current MLR will now rise from 3.75 percent to 4.25 percent."

The Governor stressed that "In taking this decision, the Reserve Bank noted that commercial banks' credit continues to grow at a buoyant rate which is far beyond the rate of economic growth and inflation. Such a rate of credit expansion therefore cannot be supported by the increase in real national incomes and is contributing to excessive rise in indebtedness.

At the same time, this high credit growth directly contributes to higher demand for imports at a time when our exports are not performing. It is therefore necessary for the Bank to tighten liquidity which will assist in the execution of its monetary policy."

The RBF will continue to monitor the situation closely and introduce further measures when necessary.

**Reserve Bank of Fiji**