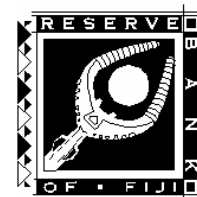


RESERVE BANK OF FIJI



PRESS RELEASE

Press Release No: 8/2007

Date: 24 May 2007

Phone: (679) 331 3611

Fax : (679) 330 1688

E-mail: info@rbf.gov.fj

RESERVE BANK OF FIJI RELEASES 2006 ANNUAL REPORT

The Acting Minister for Finance, National Planning and Sugar Industry, Mr. Jone Navakamocea tabled the 2006 Annual Report of the Reserve Bank of Fiji in Cabinet on 22 May 2007. The Report includes the audited accounts and the operations of the Reserve Bank for the year ended 31 December 2006.

The Governor of the Reserve Bank, Mr. Savenaca Narube stated that 2006 was a challenging year for the Bank in terms of achieving its twin objectives of monetary policy. The policy decisions made during the year assisted the Bank in maintaining an adequate level of foreign exchange reserves and low inflation. Inflation was 3.1 percent in December and the 2006 year-end official foreign reserves level was \$879.9 million, sufficient to cover 3.7 months of imports of goods.

On the Bank's operations, the Governor reported that the Bank recorded a profit of \$10.7 million. This was lower than 2005 which he explained was basically due to the lower level of foreign reserves recorded during 2006. In accordance with the Reserve Bank of Fiji Act, the Bank will also transfer to Government one-fifth of the balance of revaluation reserves which amounted to \$4.2 million. The total transfer to Government in 2007 would be \$14.9 million.

Highlighting developments in the year, Mr. Narube added that the Fiji economy continued to face several challenges on export performance, high international oil prices, rising debt level and underperformance of key resource based industries. He also mentioned that while the political events in the latter part of 2006 as well as the closure of the Vatukoula gold mine in early December adversely affected Fiji's overall economic performance, the economy was still expected to grow by 3.4 percent in 2006 slightly down from the initial forecast of 3.6 percent.

Mr. Narube reiterated that Fiji's financial system was strong, with total assets (excluding the Reserve Bank) growing by 10.6 percent to \$8.7 billion in 2006. On the modernisation of Fiji's financial system, the Governor reported that the logistics for the new Real Time Gross Settlement (RTGS) System was now in place, expecting to go live in June 2007. The Bank conducted its first on-site examination of the FNPF in March 2006 with the objective of assessing the effectiveness of the Fund's governance arrangements and key oversight functions.

The Governor further stated that work on the new currency notes was completed in 2006 with the introduction of a new \$100 note. He was also pleased to announce that the Financial Intelligence Unit was now fully established.

In concluding, the Governor remarked that, "our key economic challenge is to reverse the widening trade deficit. Exports must be the platform for growth and the country must speedily

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implement strategies to grow exports like sugar, gold and other resourced based products. Tourism holds good potential to continue to be the major driver of growth. From a monetary policy perspective, we will continue to manage demand to help protect Fiji's external financial position while giving time for exports to rise. The Reserve Bank will monitor economic developments closely and will implement policies that will help maintain macroeconomic stability and safeguard Fiji's financial position."

Reserve Bank of Fiji