

# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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### **RESERVE BANK REPLIES**

There have been recent public comments on the policies introduced by the Reserve Bank. The Governor of the Reserve Bank of Fiji, Mr. Savenaca Narube said, “While the Bank welcomes such scrutiny and debate by various sections of the community and it is healthy, it is extremely important that the background to the Bank’s policies are fully understood. The Reserve Bank of Fiji has attempted to explain this background in its monetary policy statements, press releases, presentations and publications”.

He went on to explain that when formulating policies and sequencing the implementations of such policies the Bank takes into account a whole range of factors. Some of these considerations may not be that obvious to outside commentators. But these factors are critical for a balanced and effective outcome of such policies. The success of the Bank’s policies must be measured against the outcomes. Policies must take into account the specific nature of Fiji’s Economy. We have avoided applying prescriptive solutions to our situation.

Mr. Narube said, “In the current circumstances the Bank is comfortable with the mix of policies introduced so far. The ceiling placed on the growth in private sector credit since December last year is now taking effect. Bank’s credit was growing at around 25 to 30 percent per annum last year. This has slowed to below 15 percent. This is expected to drop further”.

He noted that, “We are already noticing a significant slow down in the growth in imports. Imports were growing at close to 20 percent per annum but more recently there has actually been a fall of around 5 percent. It is expected that imports will drop further. In this regard, it

is noteworthy that the economy is heavily reliant on imports for essential commodities, raw materials and construction components. On the other hand exports are not generally demand driven but are determined more by supply factors.

He went on to say that “As a result of the current policies it is encouraging to note that foreign reserves are stabilising. There has been no evidence of capital flight as was the case in the 1987 crisis”.

Mr. Narube added that the firm action taken by the Interim Government to stabilise government finances by fixing the budget deficit to 2 percent of GDP, exercising strict controls on operating expenditure, diverting more resources for capital expenditure, introducing reforms in the civil service etc are greatly supporting the Bank’s monetary policy. These efforts must continue despite the challenges being faced.

He further explained that interest rates have stabilised and indeed have started to fall. This should assist in the economic recovery. The Reserve Bank of Fiji has not limited the amounts of money remitted overseas. What we have done is to request that certain transactions are submitted to the Reserve Bank of Fiji for approval. This is for the sole purpose of stricter monitoring.

Finally, Mr. Narube reiterated that under the circumstances there is no need to devalue the Fiji dollar.

**Reserve Bank of Fiji**