RESERVE BANK OF FIJI



PRESS RELEASE

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RESERVE BANK ANNOUNCES THE FOLLOWING MONETARY POLICY CHANGES

1. Exchange Rate

Date

The Fiji Dollar is devalued by 20 percent with immediate effect.

2. Interest Rate

Lending rates of banks will be regulated as follows:

: 15 April 2009

- the weighted average lending rates of banks and other lending institutions including FNPF will be kept at the level as at 31 December 2008. This adjustment must take place within three months.
- (b) the interest rate spread of banks must be reduced to 4 percent or below by 31 December 2009. This policy will be reviewed in 12 months time.
- (c) banks are directed to set up specialized micro-finance service centres in all their branches by January 2010. The Reserve Bank will support this set up by setting up a Micro-finance Research and Development Unit headed by a Chief Manager.

The Reserve Bank has taken the above measures to cushion the severe effects of the global financial crisis on the Fiji economy.

The devaluation will bring the F\$ in line with the major trading partner countries such as Australia and New Zealand. F\$ had appreciated significantly by around 20 percent since 2007/2008. This is unsustainable. By correcting the value of F\$ it is expected that our exporters will benefit and will provide much needed boost to tourism.

Inflation is expected to rise immediately but will subside in the next twelve months.

The Reserve Bank is asking all sections of the Fiji's community to bear the burden of adjustment so that our economy can recover quickly and start to generate much needed employment. In this regard the control on banks interest rates will assist the business sector to have a more stable interest rate environment and depositors will earn respectable interest rates. The banks are requested to play an active role in the economic recovery.

On Micro-finance, the Reserve Bank clarified that while some work has started in this regard, much more and urgent work is required to make a real difference to the life styles of the poor and the rural dwellers including outer islands. Lack of capital has been a major hindrance for people who have vast amounts of natural resources. Micro-finance will empower the rural sector to be more actively involved in the economic activities of the country.