RESERVE BANK OF FIJI

PRESS RELEASE

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RESERVE BANK OF FIJI CLARIFIES ISSUES ON FOREIGN RESERVES

The Reserve Bank of Fiji today clarified the measurement of the level of foreign reserves in months of imports. Mr. Barry Whiteside, Acting Deputy Governor explained that the adequacy of foreign reserves is measured in how much imports these foreign reserves can cover. Imports can include the imports of goods only, or they can also include the imports of services. The appropriate measure for a country like Fiji is the imports of goods only. This is because Fiji enjoys a surplus on the services account, largely as a result of tourism and remittance flows. Given that payments for such services are more than fully covered by inflows, adding services to merchandise or goods imports, is not considered relevant.

Mr. Whiteside added, "The question then turns to what merchandise import numbers are used in this measurement. Since the objective is to measure the adequacy of the foreign reserves, it is the future imports that are relevant and not historical imports. For instance, if future imports are predicted to rise, then using historical import figures will overestimate the adequacy of foreign reserves. Therefore, while foreign reserves are currently declining, the forecast is that imports in 2009 will also decline compared to the level last year."

At the end of January 2009, the Reserve Bank reported that Fiji's official foreign reserves were provisionally estimated at $737.5 million, equivalent to 3.0 months of imports of goods. Despite a reduction in the level of official reserves from December 2008, the import cover improved in January to 3.0 months. This is because we expect our import bill in 2009 to be lower than 2008, primarily due to falling international oil prices.

Mr. Whiteside emphasised that the Reserve Bank informs the public about the level of foreign reserves every month. He said, "The Bank wishes to reconfirm that while foreign reserves have fallen due to the seasonal build up of stocks before Christmas and some one-off lumpy outflows, they remain adequate. More importantly, the Reserve Bank has stated repeatedly over the last decade that the country should do all it can now to increase exports to ease the pressure on foreign reserves."

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