

RESERVE BANK OF FIJI



PRESS RELEASE

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RESERVE BANK TO REMOVE CONTROLS FROM JANUARY 2010

The Reserve Bank of Fiji Board held its monthly meeting on 26 November 2009. The Governor and Chairman of the Board, Mr. Sada Reddy said that “Foreign reserves have continued to improve since the devaluation to current levels of \$1,085 million, equivalent to close to 4 months of imports. As a result, liquidity in the banking system has also risen to around \$390 million.”

Mr. Reddy noted that with the improvements in the foreign reserves, it was time to remove various direct controls that were put in place in April to assist in economic recovery. “These controls had served their purpose during a period when foreign reserve levels were very low.”

Hence the Board took the following decisions which will be effective from 1 January 2010:

1. **Specific Exchange Control transactions will be re-delegated to commercial banks and foreign exchange dealers with increased limits.** The Governor noted that in April this year, with low foreign reserves levels, it became necessary for the Reserve Bank to take control of most foreign exchange transactions. The Bank will now increase the delegation limits of specific transactions to the commercial banks and foreign exchange dealers. (See Attachment for the list of transactions and delegated limits).
2. **The lending rate and interest rate spread polices will be removed.** In April 2009, the Bank announced that the weighted average lending rates of banks and other lending institutions should be brought down to 31 December 2008 levels. All commercial banks have now complied with the lending rate policy of the RBF. In

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addition, banks are on target to meet the 4 percent interest rate margin policy by December 2009.

In removing the lending rate and interest rate spread policies, Mr. Reddy stated that “all commercial banks are advised to maintain the trend in lending rate and any increase in spread above 4 percent in the future will have to be fully justified and explained to the RBF.”

On the economy, the Governor noted that 2009 was a tough year with the full impact of the global economy and the adverse effects of the floods passing through the economy. This led to the economy to decline by 2.5 percent. As the international economy improves next year, the domestic economy is expected to grow a modest 1.9 percent. As a result of the weak economy, the current account deficit has improved to an estimated 8.6 percent of GDP from 17.7 percent in 2008. Mr. Reddy reiterated the need to reduce the current account deficit to 5 percent of GDP in the medium term.

With the announcement of the National Budget earlier today, Governor Reddy commended the Government for the bold announcements on much needed reforms in the economy. He said this augurs well for a sustained economic recovery in the future.

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Appendix Exchange Control Delegated Limits

The Reserve Bank will increase delegated limits on the following transactions, effective 1 January 2010:

- a) Travel:
 - Delegated limit will be increased from **\$5,000** to **\$10,000** return trip
- b) Charges/Fees/Services
 - Delegated limit will be increased from **\$50,000** to **\$100,000** per invoice
- c) Airline Ticket Sales
 - Delegated limit will be increased from **\$50,000** to **\$100,000** per application
- d) Education/Medical Expenses
 - Delegated limit will be increased from **\$500** to **\$1,000** paid to student/patient
- e) Loan Repayments
 - Delegated limit will be increased from **\$50,000** to **\$100,000** for scheduled principal and interest payments
- f) Lease Payments
 - Delegated limit will be increased from **\$50,000** to **\$100,000** per scheduled payment

The revised amounts are maximum amounts delegated to authorised foreign exchange dealers. Requests for amounts in excess of these must be referred to the Reserve Bank of Fiji.

Date: 27th November, 2009.