Savenaca Narube: Fiji – the way ahead

Opening address by Mr Savenaca Narube, Governor of the Reserve Bank of Fiji, at the official opening of the Colonal National Bank Namaka branch, Suva, 23 February 2007.

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Introductory remarks

Mr. John Duncan, Acting Chairman of the Colonial Board;
Directors of Colonial National Bank;
Mr. Laurie Mellsop, Managing Director, Colonial Fiji Group;
Mr. Ross Munn, General Manager Banking;
Distinguished Guests;
Ladies and Gentlemen:

Good evening.

I am pleased to be in Namaka today for the opening of Colonial's newest branch.

Colonial has opened 3 branches in the last 14 months. In December 2005, I had the pleasure of opening Colonial's branch in Pacific Harbour. Since then, Colonial has opened another branch at Centrepoint in Laucala Bay, Suva, which caters for the busy Nausori/Nabua corridor. This Centrepoint branch opens also on Saturday from 9.00am to 1.00pm.

The official opening today of the Namaka branch makes it the 18th Colonial branch in Fiji. By far, Colonial has the most number of branches in Fiji. Colonial also has 36 ATM sites and two bureau operations at Suva Central and Sofitel Resort and Spa. Colonial's assets are growing strongly.

That is an impressive achievement and I congratulate Colonial for its contribution to the provision of financial services to the people of Fiji. This branch reflects Colonial's confidence in the Fiji economy. And let me say that this confidence is very refreshing in the environment that we currently face.

Namaka CNB branch and customer service

Positioning a bank in Namaka is very timely. We know that Nadi town is becoming very busy. Namaka provides an alternative venue to do business and shop. Namaka now boasts many shops, restaurants and other service amenities which make it an important stop for both locals and the tourists. Namaka was a wise choice.

I understand that this Colonial branch opened for operations on 8 January 2007 with 10 staff.

I wish to congratulate Mr. Mellsop and his Team for this initiative particularly at this time. I am sure your customers will appreciate your presence here.

In this modern era of banking, customer service drives financial businesses. Financial services are being taken to the customers. Gone are the old days of bankers waiting for customers to walk through their doors, hat in hand with a hopeful smile. Competition has driven this customer focus. More and more, bankers are walking about offering innovative products that best address customer needs.

Modernisation

Modernisation and technology has catalyzed this new financial age. The provisions of ATMs, phone banking, internet banking and so forth have provided customers easier access to financial services from the comfort of their homes and offices. I am glad to say that Fiji is not lagging too far behind the rest of the world in financial technology and innovation.

I appreciate the commercial banks' effort to modernise our financial system. A lot has been done in this automation and modernisation. Later this year, the Reserve bank will be introducing an automated payments system which will facilitate faster clearance of cheques amongst banks. I wish to thank the banks for their support and guidance in this project.

The Fiji economy

Let me say a few words on the economy.

Our estimate before December last year was for the economy to grow by around 2 percent in 2007. This projection as you know is no longer relevant. We now expect the economy to decline by 2 to 4 percent in 2007.

I know that this growth range is a bit wide. But it is deliberately left wide as we are still evaluating the full impact of the political crisis on the economy. To make matters worse, the impact of the recent flooding in the West and the North will now need to be factored into this scenario.

Unfortunately, we have carried many economic problems with us for some time. Sugar continues to struggle. Fishing, forestry and agriculture have not performed to their potential. Production of garments is now less than half of what it used to be. The mining of gold has now stopped altogether.

The political crisis has brought an additional dimension to these challenges.

Our exports of goods are not doing well. To make matters worse, imports are booming. And to make matters even worse, the rise in the price of oil has come at the worst possible time. Our oil imports are four times what we used to pay some six years ago. The balance of payments therefore continues to come under pressure. This is the number one challenge that we face. Reviving exports is the key.

The only bright spot in our scenario is tourism. It has been the driving force of our economic growth since 2000. Tourism will play a critical part in our economic recovery as it did in 2000. We hear some good news that tourism is bouncing back very quickly and we hope that this continue. Without tourism, it is fair to say that the economy would have been worse off. Tourism therefore needs our full support while we furiously work at reviving commodity exports.

We must work together to restore growth. I am confident that we can overcome the challenges and not only to return the economy to a positive growth cycle but even to lift this growth rate. However, in our pursuit of growth, we must not take the easier way out. We must build our strategy on a firm foundation – one that will last for a long time. We therefore have no choice but to address long standing reforms that are critical to lift economic growth towards the five percent mark. We know what these reforms are and we have known them for many, many years. These include sugar, land lease, public enterprise, public service and exports.

Next Friday, the Interim Administration will be presenting its budget for 2007. We are looking forward to the policy content of this budget to map out for us the economic way forward. We hope that it will address convincingly the fundamental hurdles that I have mentioned.

Monetary policy

The Reserve Bank has been highlighting the imbalance between exports and imports for some time now. We will continue to do so. We realise though that the solutions to this problem are largely outside the direct influence of the Reserve Bank itself.

In many ways, we are therefore dealing with the effects rather than the cause. But we have no choice but to protect our financial position while we try to solve the root cause which is exports. Solving the root cause however is taking a lot of time – a luxury that we are running out of very quickly. Our task therefore becomes more difficult and complex as time slips by.

Over the last five years, the Reserve Bank has therefore used the tools available to us to stabilize the situation. We have progressively raised interest rates in the last four years. We have tightened liquidity. And since December last year we have imposed a credit ceiling on commercial banks and also reduced their delegated limits on selected overseas transactions.

At this point, let me point out two things on our policy. First, we have not curtailed any foreign remittances. We only have asked that in a few types of transactions, you seek our approval if you want to remit more than the amount delegated to commercial banks. Second, while the credit ceiling is in place, the Reserve Bank continues to encourage lending for investment. Commercial banks can seek our approval for these lending on a case by case basis.

No one likes higher interest rates. Neither do we. But do we have a choice? In my view, we really have none. Using other monetary instruments is not an alternative. Our efforts to raise exports need to bear fruit sooner rather than later. With exports rising, interest rates will come down naturally and, more importantly, sustainably. I am confident that we can achieve this within the next three years.

I wish to thank the commercial banks for their understanding and support in our effort to address this economic challenge more so after December 5th last year.

We do we go from here? All I can say at this time is that the economic picture will need to become clearer on the sustainability of our foreign reserves before we can be able to review the existing stance of monetary policy. However, I know that the liquidity in the market place is extremely tight and we expect it to remain so for some time. This puts a lot of pressure on lending rates. Therefore, when necessary, the Reserve Bank will release funds into the system to moderate liquidity and ease undue pressure on interest rates.

Let me also assure you that our financial system is sound. The comprehensive review of our financial system undertaken last year by the International Monetary Fund and the World Bank confirmed that this is so.

Concluding remarks

Finally, I would like to thank Mr. Mellsop for inviting me here today. I must say that the Colonial Group has contributed well to the development of the Fiji economy. It offers a diversified range of financial services in banking, insurance, property and trusts. It has invested considerably in the provisions of its services and widening its outreach to the community. The Group has grown strongly in the last five years.

I congratulate you on the opening of your 18th branch. I take this opportunity to wish the Colonial team all the best in its future endeavors.

Official opening

I have much pleasure in declaring this Namaka branch of the Colonial National Bank open.

Thank you.