

Savenaca Narube: A few words on Fiji's economy and financial system

Opening address by Mr Savenaca Narube, Governor of the Reserve Bank of Fiji, at the official opening of Credit Corporation's new head office at 10 Gorrie Street, Suva, 19 November 2007.

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Your Excellency, The Papua New Guinea High Commissioner to Fiji, Mr. Peter Eafeare
Sir Henry ToRobert, former Chairman of Credit Corporation (for 14 years) and former
Governor Bank of Papua New Guinea (for 21 years)
Mr. Noreo Beangke, Group Managing Director Credit Corporation
Mr. Rob Allport, the first General Manager of Credit Corporation Fiji Limited
Board Directors of Credit Corporation
Mr. Ross McDonald, Managing Director, Credit Corporation Fiji Limited
Distinguished Guests
Ladies and Gentlemen

Introductory remarks

A Good Evening to you all

I am pleased to be here this evening for the opening of Credit House – Credit Corporation Fiji Limited's new head office.

I take this opportunity to congratulate Credit Corporation for its 15 years of service to Fiji. I have watched the growth of the company with interest during these 15 years. It has come a long way. Its assets have grown. The quality of its loan book has significantly improved. Apart from its head office in Suva, it has opened offices in Nadi and Lautoka. The number of its employees has risen to over forty. Its products have expanded and now include lease and asset purchasing, fleet leasing, personal finance, insurance premium, pre-finance vehicles and investment facilities.

Understandably, the first few years of operations in Fiji were difficult for CCFL. They have come through well. CCFL now have a sound business with prudent financial management and I am pleased to say in compliance with Reserve Bank requirements. The Corporation can look back at its 15 years in Fiji with great satisfaction.

I can confidently state that Credit Corporation has played a valuable role in advancing Fiji's financial system and economic development.

Credit Corporation Fiji Limited

CCFL's entry into the Fiji market in 1992 was instrumental in bringing finance and increasing competition to that secondary market. Its financing reaches out to many key sectors like the bus industry, pine, timber and logging and the major transport industry for ten-wheeler trucks and trailers. In addition, I am told that they also have as clients both large and small businesses and across all sectors of agriculture financing the movement of farm produce and cane harvesters in the sugar industry as examples. This segment of the economy is extremely important in sustaining livelihoods in the rural communities and they need our support. Many of these businesses have now grown into successful enterprises that are now fully integrated into the banking system as a direct result of CCFL's initial support for them.

CCFL has also enabled many individuals to gain access to finance. They have funded taxis, mini-buses, carriers, tour operators, rental and hire cars, and working capital for many of those that could not for one reason or another access the commercial banking system.

CCFL also brought much needed competition into the capital markets. Its Interest Bearing Deposit (IBD) is at a very competitive interest rate. This has brought significant benefits to both small and large investors alike and to many non-profit organizations.

CCFL is a good corporate citizen and plays its part in the finance industry. It was instrumental in the establishment of the Finance Companies Association in 2004 and Mr. Ross McDonald CCFL's Managing Director was its first Chairman. The Association plays a vital role in liaison with the Reserve Bank on financial issues and in developing policies to meet the needs of the industry. CCFL also makes its staff available to act on government committees and Boards where you will remember Mr. McDonald was a former Chairman of the Fiji Sugar Corporation.

Licensed finance companies

Let me add a few more words about licensed finance companies in general. The Reserve Bank recently put out a paid advertisement that advised the public that Credit Corporation Limited, Home Finance Company Limited and Merchant Finance & Investment Company Limited are the only finance companies that are licensed and supervised by the Reserve Bank of Fiji. The Bank advised the public to exercise caution when investing with finance companies that are not licensed by the Reserve Bank. The Bank will take appropriate legal action against unlicensed finance companies that are found to be carrying out banking business in Fiji.

Financial system

Fiji needs a sound and efficient financial system to promote business and investment. In this regard, let me say that Fiji's financial system is sound.

The credit ceiling that was put in place in December last year has been effective in slowing down annual credit growth to about 7 percent in September from about 27 percent a year ago. The slowdown in the economy has also contributed to this low credit growth. I am comfortable with this current rate of credit expansion by commercial banks. We will review the credit ceiling at the end of this year.

Let me assure you that the Reserve Bank continues to encourage commercial banks to lend to priority sectors for investment and to the micro, small and medium sized enterprises. At this point, we have allowed banks to exceed their credit ceiling by over \$185 million.

As you know, the credit ceiling only applies to commercial banks. Earlier in the year, we had discussed with the credit institutions like CCFL the possibility of imposing a similar credit ceiling on them if the need arose. Credit growth of credit institutions has also slowed considerably and the need for a credit ceiling has largely dissipated.

In modernising Fiji's financial system, we were very pleased to launch Fiji's real time automated payments system or FIJICLEAR on 16 October. Fiji is the first country in the South Pacific to have such a state of the art payments system. FIJICLEAR will improve efficiency in making and receiving payments as well as help safeguard financial stability. Payments using FIJICLEAR will deliver funds the same day compared with 3 to 6 days required to clear cheques. I take this opportunity to encourage you to use FIJICLEAR for speed, certainty, reliability and convenience. I would like to thank Ross and the Finance Companies Association for their support and guidance as we embarked on this project.

The Fiji economy

Let me say a few words about the economy.

An economic contraction is expected for 2007. In 2008, a mild economic recovery of 2 percent is expected led mainly by the tourism industry contributing to growth in the wholesale & retail trade and hotels & restaurants and transport & communication sectors. Based on latest information, we expect better outcomes for the agriculture, forestry and fishing and manufacturing sectors. With the reopening of the Vatukoula gold mine, we expect a positive contribution to the mining and quarrying sector.

We have revised these economic figures. The new economic projections will be announced on Budget Day this Friday.

Fiji's balance of payments still remains a concern due to the poor performance of our traditional exports. The increase in oil prices will only further widen Fiji's trade deficit. The policies towards dampening import demand seem to be effective. But we must work together to grow our exports. At the Bank, we recently announced changes to the Export Finance Facility which will assist the export sector access credit at a relatively low interest rate. We have also removed the local content requirement. We hope that these changes will make the facility more attractive to the commercial banks and exporters.

With the recent stability in the level of our foreign reserves, we have relaxed the limits on payment for credit cards for expenditure abroad, cash drawings and delegated limits on import payments. We have received positive feedback on these policies. We will continue to review exchange control policies regularly to ensure that they are practical, relevant and appropriate.

Concluding remarks

Finally, I would like to thank Mr. Ross McDonald for his kind invitation. I thank Credit Corporation Fiji Limited for their support and cooperation with the Reserve Bank's policies and guidelines and also for the role that it has played in Fiji's economic development.

I congratulate Ross and his Team on the opening of your new head office. I also wish the CCFL Team all the best in its future endeavours.

Official opening

I now have much pleasure in declaring CCFL's Credit House open.

Thank you.