

Savenaca Narube: Promoting investment in Fiji

Opening address by Mr Savenaca Narube, Governor of the Reserve Bank of Fiji, at the opening of Westpac's MHCC branch, Suva, 20 June 2008.

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Mr. John Cashmore, Westpac Fiji Chief Manager
Management and Staff
Distinguished Guests

Introductory comments

Today marks yet another milestone in Westpac's history as they open their 19th banking site. They have certainly come a long way since they opened in Fiji as the Bank of New South Wales on 12th August 1901.

I am honored to be part of this milestone this evening.

In the last ten months, Westpac has opened branches in Port Denarau (September 2007) and Nakasi (November 2007). Westpac now has the second largest number of bank branches and agencies in Fiji. That is an impressive progress.

I congratulate Westpac for their commitment to Fiji and also for their confidence in Fiji's financial system.

Investment

And confidence is a special thing. True, it is hard to build and very quick to fall. And generating your own confidence when the climate is hard is a tough thing to do. But it can also be self fulfilling. It can be contagious.

It is always encouraging to see businesses growing. Look at this complex. It was completed about six months ago. It is now a modern meeting point in the City. As they say "business must go on" whatever is the environment. No one owes us a living.

Investment must continue. We need that now more than ever before. Investment is the locomotive of growth. Without it, the economy will lose steam. So I hope that Westpac's confidence will rub off on many of us.

We are doing what we can at the Reserve Bank to promote investment. At the end of April we raised the local borrowing limits of non-resident companies in light of the stability in foreign reserves. We listened to what the investors and the commercial banks were telling us. The change was welcomed and well received by lenders and investors.

We are now going further still. We have just completed our review of the local borrowing limits of non-resident individuals. We are relaxing their borrowing too and I wish to announce the major changes. Firstly, to build a new residence in Fiji, non-resident individuals do not have to bring in all their funding from offshore – they can now borrow locally up to 60 percent of the project cost.

Secondly, we are making further refinements to their local borrowing under an integrated development project. We do not want to inconvenience projects that had already started when we implemented the policy at the beginning of this year. If your company can convince us that your project had substantially started before that, we will add your project to our so called "exempted list" which would allow non-resident individuals buying your properties to borrow even more locally. Details of these relaxations will be announced shortly.

These relaxations are positive signs. I would like to count them as proactive moves. They are intended to signal that we should focus on what lies ahead of us. I am sure that these relaxations will provide much needed impetus to private sector investment.

On this front, let me take the opportunity to again say that the credit ceiling is not constraining investment in this country. If a commercial bank wants to lend to your business for investment purposes, all it has to do is apply to us and we will give our approval in a very short period of time generally within two days.

Moreover, the credit ceiling has allowed us to raise liquidity which has reduced interest rates. Interest rates are generally were they were back in 2005. So again interest rates are not constraining investments.

Global prices

The whole world is reeling from high food and fuel prices. These prices may stay with us for some time although some easing of food prices is expected toward the end of this year. But it's anybody's guess where the fuel prices may end up at! For Fiji, this has come a very vulnerable time when the economy is recovering from a severe decline last year, the national debt is high and the foreign reserves are weak.

Monetary policy is already tight with a credit ceiling in place. We cannot tighten any further to address inflation. Even if we could, this is not my preferred solution when prices are driven by supply constraints abroad. The adjustment burden then rests with the national budget. The question becomes: "How much load can the budget carry to mitigate rising?" My answer is that – "Perhaps not much given the high debt level!" We are somewhat caught between a rock and a hard place! In my view, we need to concentrate more on measures that will change our behaviours in how we do things – how we can reduce fuel consumption or be self sufficient in basic foods.

To help in some small way, the Reserve Bank announced some relaxation to the Forward Foreign Exchange Cover Facility. Commercial banks can now enter into forward foreign exchange contracts with local importers of rice, wheat, flour, edible oils and milk to hedge against future price increases. Previously, commercial banks could only match forward sales with forward purchases. We hope that this measure will reduce import costs on food items and this benefit will be passed onto the customers.

Westpac at MHCC

Let me get back to MHCC and Westpac. For a shopping mall that opened in December 2007, MHCC already looks like a place to be in Suva. It appears that John and his Westpac team won what may have been a scrabble to open a branch at MHCC.

With the volume of foot traffic I see today, this branch may be a small point of representation for Westpac, but it is certainly going to be a busy one. I am also told that with more cruise ships calling into Suva, the traffic will become even more intense.

Retail businesses are important users of financial services and I can say that Westpac has them covered. Westpac's presence at MHCC will compliment its branches in Cumming Street and Thomson Street.

I have been told that apart from personal banking services, this branch will offer foreign exchange and international services like travelers' cheques and telegraphic transfers.

As you can see, this branch features an Internet and Telephone banking kiosk for customers wishing to do their banking online instead of standing in the queue. There is also an ATM that is accessible from 9.00am to 9.00pm – the opening hours of MHCC.

Shoppers and customers will be glad to know that this branch operates extended banking hours from 9.00am to 4.00pm daily and on Saturdays from 9.00am to 1.00pm. This branch will also open on Sundays when cruise liners are in port.

I take this opportunity to thank Westpac for its leading role in servicing the business sector and the wider Fiji economy through its expanding outreach, innovative products and the latest banking technology.

Official opening

I thank Mr. Cashmore for his kind invitation. I wish him and his team at Westpac every success in their operations in Fiji.

I now have much pleasure in declaring the Westpac MHCC branch open.

Thank you.