

Barry Whiteside: Fiji's Chinese renminbi trading platform

Address by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the launch of ANZ Fiji's Chinese Renminbi Trading Platform, Suva, 25 February 2013.

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Salutation

H.E. Huang Yong (Ambassador of the Peoples Republic of China)
Mr Vishnu Mohan (ANZ Bank, Chief Executive Officer Pacific & Fiji)
Mr Li-Gang Liu (ANZ Chief Economist, Greater China)
Distinguished Guests
Management and Staff of ANZ Bank
Ladies and Gentlemen

Good evening and a belated Gong Xi Fai Chai (Happy Chinese New Year).

Introductory remarks

Let me first thank Mr Mohan for the kind invitation to officiate at this launch of your Renminbi (RMB) Trading Platform. This is another milestone event for Fiji and indeed for the Pacific, as ANZ will be the first commercial bank in our region to offer RMB transfers. I am told that following the Fiji rollout a similar process will be facilitated for ANZ Papua New Guinea, Vanuatu and the Solomon Islands.

We have been closely following the developments on the RMB internationalisation and it has now come to our shores. We also have a special interest in the RMB as China is now our fifth largest trading partner, having recently dislodged Japan from that position.

Deregulation of the financial system and new products

I can recall the Reserve Bank initially embarking on a path towards deregulating the financial system in the early 1980s to encourage innovation and make the market more efficient. As such, we always welcomed the introduction of new financial products and services into the market as well as new players, provided they met our requirements. The rapid global technological advancements over the last decade continue and we do not intend to be left too far behind.

Today's event and launch is one more example of one of our long time financial players maintaining its pace of innovation. More and more services and products are now being made available to make banking efficient and more accessible to the public. In Fiji we have seen the introduction of ATMs, EFTPOS, phone banking, internet banking, SMS banking, FijiClear or real time settlements and foreign exchange hedging to name just a few services. Some innovations are more visible than others. We of course take all these in our stride and often wonder how we ever managed without them. The horror is that we are getting close to the day when we will spend more time with our smart phones than with our partners, because they do more for us!

Jokes aside, I am pleased to say that ANZ has been at the forefront of a number of the changes I have mentioned here in Fiji. It was also the first bank in our modern era to roll out direct banking services to the rural communities and the first lending institution to introduce a SME-focussed product line following the announcement of Government's SME Credit Guarantee Scheme. ANZ is also playing its part in our overall financial inclusion drive to take banking to the unbanked.

Let me also add that ANZ Fiji has been continuously assessed by the Reserve Bank as a sound and resilient bank with strong capital and earning base as well as holding the largest

market share. It is known for its compliance with international prudential standards. The fact that it has recently moved its Pacific Regional Office to Fiji also speaks volumes for the faith this bank has in our country.

Chinese economy & Fiji-China relationship

Ladies and gentlemen, I will not delve in detail on the rapid growth in the Chinese economy and its emergence as a major player on the global stage. This was more than adequately covered by ANZ's Chief Economist, Mr Liu, in his presentation this morning. However, it is important to highlight that China's economy is the second largest in the world and also that China surpassed the United States last year to become the world's biggest trading nation, with total annual flows reaching US\$3.9 trillion. In this regard, the RMB is clearly expected to play a greater role in international economic and financial activities.

Since 2009, the Government of the People's Republic of China and its central bank have been progressively deregulating and internationalising the country's currency. This liberalisation of the RMB presents business opportunities and has seen a surge in RMB offshore deposits, RMB bonds issuance and trade payments through Hong Kong, the premier offshore RMB business centre. More than 10 percent of China's cross-border trade is now settled in RMB with over 70 countries already doing business in the currency.

Fiji has a long-standing cordial relationship with China, having established diplomatic relations in 1975. China is becoming an increasingly important bi-lateral trade partner. Our trade with China has increased almost ten-fold from F\$35 million in 2000 to over F\$300 million in 2012. As I highlighted earlier, it is now one of our top five trading partners. In September last year, the Fijian Government signed three agreements with the People's Republic of China to expand economic and technological cooperation and offer concessional loans for infrastructure projects.

ANZ's RMB currency exchange & benefits to Fiji

Today's launch of the RMB currency exchange is therefore timely and a step in the right direction for Fiji. ANZ Bank's new facility will enable trade and investment between Fiji and China to be directly settled in RMB. I have been informed that in this first phase of the rollout, customers will be able to negotiate Spot FX rates and Forward rates for hedging purposes. I also note that over the next 6 months ANZ will introduce further RMB-denominated products such as trade finance instruments (including Letters of Credit) and RMB deposit accounts.

We at the Reserve Bank are excited by this initiative for a number of reasons. First, the RMB trading platform will allow local businesses an opportunity to negotiate improved commercial terms as Chinese suppliers who currently invoice in US dollars will no longer need to build in a FX margin. Both Fiji businesses and consumers should benefit from the removal of the extra conversion costs associated with denominating transactions in US dollars.

Secondly, Fiji businesses can now access a wider pool of mainland suppliers as we will now have the flexibility to pay in their local currency.

The third possible benefit is that Chinese investors into Fiji can now convert RMB directly into Fiji dollars. This new initiative will also greatly assist Government and statutory corporations that have RMB denominated loans to make repayments in a more straight forward and cost effective way without first converting to US Dollars.

Finally, as you are all aware, Fiji's exchange rate is pegged to our five major trading partners' currencies. Even though China is now one of the top five trading partner countries, its currency is still not part of our exchange rate basket as almost all trade with China is currently denominated in US Dollars. However, with the introduction of this trading platform and likely increased trade settlement using the RMB, there is the strong possibility of the Chinese currency being part of the Fiji dollar basket in the not too distant future.

Economic update

Ladies and gentlemen, the Reserve Bank remains bullish on our economic prospects and supports the notion underpinning the 2013 National Budget that the fundamentals are being laid and the best is yet to come. Throughout 2012 domestic demand had been buoyant and investment continued to pick up. As a result, our labour market is finding some traction.

However we are always prone to the threat of natural disasters and Cyclone Evan showed that we must not be complacent. There also continue to be risks on the external front with the recent downward revisions in global growth.

Despite the downside risks the Reserve Bank's twin objectives of low inflation and a comfortable level of foreign reserves presently remain intact. Inflation fell to 1.5 percent in December then blipped upwards to 3.2 percent in January following Cyclone Evan. Our end-year expectation is around 3 percent. Foreign reserves are currently at \$1.6 billion or sufficient to pay for just under 5 months of imports of goods and services.

Before I close I would just like to mention that the credit rating agency Moody's recently upgraded Fiji's credit rating outlook from 'negative' to 'stable', citing improved fiscal and macroeconomic outcomes and the stability of Fiji's external payments position. This is now in line with the rating and views of another agency, Standard & Poors, and puts a positive spin on our economic outlook.

Conclusion

Ladies and gentlemen, I have taken up a lot of your time and it is my great pleasure to launch ANZ's Renminbi trading platform today. I hope all local businesses that have links with the Peoples Republic of China will explore doing business in RMB from now onwards.

Once again, my sincere thanks for inviting me here today. I congratulate Vishnu and his ANZ Bank Team for this initiative and I wish you every success as you roll out your new product.

Shieh shieh, thank you and Vinaka Vakalevu.