

Barry Whiteside: Overview of the Fijian economy

Address by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the opening of Credit Corporation (Fiji) Limited's new building, Nadi, 4 October 2013.

* * *

The Chairman of the Credit Corporation Board, Mr Garth McIlwain

Board of Directors

Managing Director, Mr Peter Dixon

Management and Staff

Distinguished Guests

Ladies and Gentlemen

Introductory comments

Good morning and *Bula Vinaka*.

I thank Peter for the kind invitation to open this new Credit Corporation (Fiji) Limited building, which I am told will now house the institution's Nadi Branch.

These occasions are exciting for us as they are evidence of the increased confidence and optimism shown by our business community in the Fijian economy. We are progressing as a nation, and in this regard are grateful to institutions like Credit Corporation for their commitment and for building their presence in Fiji.

Please allow me to provide a brief update on how our economy is progressing.

The Fiji economy

We are fortunate that the Fijian economy has not been seriously impacted by the current global slowdown. Our economy this year is forecast to grow by 3.2 percent, up from the 2.2 percent growth last year.

Consumption activity has been upbeat and is a reflection of a combination of factors including lower personal income taxes and higher inward remittances. Inflation is expected to be around 3.0 percent by the year-end and our foreign reserves were recorded at \$1.83 billion as at 03 September 2013, sufficient to pay for 5.2 months of retained imports of goods and services. Investment is forecast to be around 28 percent of GDP this year, above the Government target of 25 percent.

We however still need to work on some real challenges and in this regard, the current accommodative monetary policy stance will be maintained. We are mindful that consumption and investment led growth cannot be sustained for too long as they have heavy import content. For this reason, policies aimed at export diversification and promotion, and import substitution remain paramount.

New lending as an indicator of economic activity, has increased significantly in the last 8 months. Lending institutions like Credit Corporation are experiencing great competition as they work on retaining customers in a period of high liquidity and falling interest rates, but at the same time ensuring they meet their growth targets. Financial institutions therefore remain the backbone of our financial system and their expansion is an indicator of increased confidence in our economy. This new development by Credit Corporation is definitely an example of such a vote of confidence in doing business in Fiji.

I feel it would be pertinent at this stage to say a few words about Credit Corporation (Fiji) Limited or CCFL as we refer to it in the Reserve Bank.

Credit Corporation (Fiji) Limited

CCFL is a subsidiary of Credit Corporation (PNG) Ltd and has been licensed here in Fiji as a credit institution under supervision of the Reserve Bank, having started its operations in Fiji in 1992, at Gorrie Street in Suva. It has been serving the Fiji market for over 21 years now, with a network of 4 branches, all located in the popular business centres around the country. The company now employs 44 staff with a customer base of more than 4000.

CCFL has not only grown in presence, but also in size, from its initial investment of \$1.0 million, to an asset base of just over \$101 million as at December 2012. While its asset size is smaller relative to other licensed credit institutions in the market, its performance has been remarkable, reporting one of the most favourable returns on assets and efficiency in the industry, during the 2012 financial year.

The institution has had its share of operational challenges in the past, but somehow continues to show resilience in ensuring its Fiji operations remain prudent and sound. We noted that in 2012, CCFL made a strategic decision to have additional provisions, resulting in a higher than normal provisioning charge against its profit.

There is no better indicator of soundness for financial system supervisors like the Reserve Bank than seeing our licensed financial institutions taking their own initiative to be adequately provisioned and having a satisfactory buffer against any deterioration in the quality of their loan portfolio. Such prudent measures are effective in meeting unexpected losses in times of crisis, such as in the aftermath of natural disasters, which remain a significant risk for all our lending institutions.

Fiji had experienced colossal losses of around \$146 million attributed to natural disasters in 2012; with \$71 million caused by the two major floods and an even greater loss of \$75 million caused by Cyclone Evan. CCFL's own Namaka Branch, along with other financial institutions in the area, were severely affected by these events.

While all of them have undertaken refurbishment incurring significant costs in the process, the operational risk of being affected by floods in future remains. I have been told that it was this that initially prompted CCFL to purchase this piece of land in 2011. The construction of this completed commercial property, which will now house the Nadi Branch, is indeed a mission accomplished.

I understand that this is a non-flood prone area, but even so CCFL has taken the necessary steps to meet challenges faced during times of natural disasters equipping the site with backup water supply and power generators and improving safety for staff and tenants. The building has been designed with a modern, functional and efficient concept; and the significantly larger floor space also intends to provide comfort to both customers and staff. With these state of the art features, we can definitely expect to see a lift in CCFL's profile and visibility in the West.

Concluding remarks

Ladies and Gentlemen, the opening of this new building is testament to the commitment of the institution to its customers and to the country, as it seeks to increase its facilitation of financial intermediation, and grow its investment in Fiji. My warmest congratulations to the Credit Corporation Team on the opening of this new building, and I wish you all the very best in your future endeavours.

Official opening

I thank the Board and Management again for the invitation to be here today, and now have much pleasure in declaring Credit Corporation (Fiji) Limited's new Namaka Building, open.

Vinaka vakalevu.