

RESERVE BANK OF FIJI

PRESS RELEASE



Press Release No. : 22/2017

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MONETARY POLICY STANCE REMAINS UNCHANGED

At its monthly meeting today, the Reserve Bank of Fiji Board decided to maintain the Overnight Policy Rate at 0.5 percent.

In announcing the decision, the Reserve Bank Governor and Chairman of the Board, Mr Ariff Ali highlighted that the “RBF’s twin monetary policy objectives remain intact as the outlook for inflation and foreign reserves continue to be favourable. Inflation has fallen to 1.9 percent in August from a high of 6.8 percent in January, and is expected to be around 2.5 percent by year-end. Foreign reserves reached a new all-time high of \$2,445.1 million in September, equivalent to 6.1 months of retained imports of goods and non-factor services, and are forecast to remain comfortable during the rest of the year.”

Growth prospects for this year are slightly upward biased following the base effects from the lower-than-expected growth outturn last year. The lower growth in 2016 was underpinned by weaker performances in the agriculture, forestry, real estate, accommodation and food services, transport and storage, and financial and insurance activities sectors. To date, sectoral performances have remained mixed while aggregate demand continue to be buoyant, boosted by ongoing consumer and business optimism and the positive impact from the 2017-2018 National Budget policies. The economy remains on track to achieve its eighth consecutive year of growth in 2017.

On the international front, Mr Ali noted that improved global economic conditions and outlook, particularly in our major trading partner economies, continue to augur well for the Fijian economy. Nevertheless, risks remain tilted to the downside especially those relating to the escalating tensions between North Korea and the United States and the impact of the recent natural disasters in the northern hemisphere which could derail the current global outlook. Otherwise, the persistently low import commodity prices and improved food supplies due to favourable weather conditions in certain countries continue to bode well for commodity-importing countries including Fiji.”

Governor Ali further added that “labour market conditions remain upbeat supported by the June Business Expectations Survey results which indicate that firms are confident about employment intentions in the medium-term. Steady growth in commercial bank lending for both consumption and investment purposes backed by adequate liquidity levels in the banking system, continue to support the positive growth outlook.”

The Governor concluded that the Reserve Bank will continue its close monitoring of developments and risks to the global and domestic economic outlook and align monetary policy accordingly.