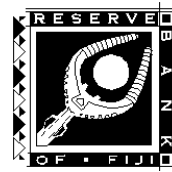


# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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Press Release No. : 30/2009

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### MONETARY POLICY STANCE REMAINS UNCHANGED

Following the meeting of the Reserve Bank of Fiji Board held on 30 July 2009, the Governor and Chairman of the Board, Mr. Sada Reddy announced that the current monetary policy stance remains unchanged.

Mr. Reddy stated that the Board considered the recent outlook for improved global recovery although the revival may be slow and uneven. He added that expectations for world growth this year had slightly worsened to a 1.4 percent contraction while growth for next year at 2.5 percent, indicates a more positive outlook. All of our major trading partner economies are expected to contract this year.

Domestically, the current weak global demand is being felt in our major export and services sectors. However, modest growth in most trading partner economies next year, assisted by the devaluation, should help boost export demand, tourism earnings and personal remittance receipts. He added that there is optimism in the tourism industry that visitor arrivals may pick up in the coming months.

The Governor stated that the trade balance in the first five months of the year improved by 10 percent when compared with the same period last year. Personal remittances grew by 15.0 percent, cumulative to May this year. Nonetheless, Mr. Reddy reiterated that this is not sufficient to cover the trade gap, with Fiji still being a significant net-importer.

The Governor noted that foreign reserves are now at over \$700 million and commercial bank liquidity has also improved strongly to over \$200 million. The commercial banks' outstanding lending rate has fallen to 7.96 percent in June from 8.24 percent in March this year.

“As expected, consumer prices have risen, in line with devaluation. Inflation in June was 2.3 percent. The year-end inflation projection is 9.5 percent for 2009 but will fall to around 2.0 percent next year,” the Governor stated.

In light of the assessment on the above-mentioned factors, the Board decided to maintain a tight monetary policy stance. The Reserve Bank will continue to monitor developments closely and align its policies accordingly in the coming months.

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