

RESERVE BANK OF FIJI



PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji, at its monthly Board meeting held on 29 March, 2012 agreed to maintain the Overnight Policy Rate (OPR) at 0.5 percent.

While announcing the Board decision, the Reserve Bank Governor and Chairman of the Board, Mr. Barry Whiteside highlighted that “while tensions of a possible deeper global economic downturn have eased, downside risks remain and conditions remain fragile. The possible spill over effects to our major trading partner countries appears limited for now, but any further deterioration in the global economy can negatively impact our current account balance, foreign investment flows and the domestic economy at large”.

Mr. Whiteside added that while domestic growth is expected to remain positive this year, partial indicators suggest continued negative performances in the labour market and a slowdown in the housing sector, reflective of the subdued state of investment activity in the economy. Damage from the recent flood is expected to further slow recovery in major sectors for agriculture and sugar and therefore put a drag on the growth forecast for this year. However, reconstruction work should provide some positive impetus to the economic recovery.

The Chairman also noted that “external sector developments remain stable, as higher travel and gold receipts combined with modest outflows for imports, dividends and other related payments, continue to support a comfortable level of foreign reserves”.

Inflation is expected to moderate towards 3.5 percent by year-end despite the recent surges in food prices due to the floods. Mr. Whiteside noted that “our underlying measures of inflation have subsided to below 3.0 percent in February, implying an easing of inflationary pressures over the medium term”. However, a higher inflation outcome is still possible due to higher crude oil prices, given the existing geo-political tensions in the Middle East, and the impact of the recent flood.

In light of the above developments, the Board Chairman reiterated that “our monetary policy objectives are expected to remain intact this year. Besides, given the persistent concerns for the fragility of the global economy and slower trading partner economies’ growth and their impact on the domestic economic outlook, the current stimulatory monetary policy stance remains justified to support domestic demand and growth in the Fiji economy”.

Nevertheless, the Governor pointed out the Bank will continue to monitor the latest global and domestic developments and align monetary policy accordingly.