

RESERVE BANK OF FIJI



PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji, following its monthly Board meeting held on 26 April, agreed to maintain the accommodative monetary policy stance aimed at supporting economic growth by keeping the Overnight Policy Rate (OPR) unchanged at 0.5 percent.

In announcing the Board decision, the Governor of the Reserve Bank and Chairman of the Board, Mr. Barry Whiteside commented that a moderate growth outlook for the international economy is now in place, following upward revisions to global growth by the International Monetary Fund earlier this month. The outturn is largely underpinned by the better-than expected performance of the US economy and the resolution of the Greek debt crisis in the first quarter of this year. However, significant downside risks to global growth prospects remain for 2012, particularly with a mild recession envisaged for Europe and modest growth in emerging market economies.

Domestically, the economy is expected to continue on its recovery path in 2012. While the two recent floods in the first quarter of this year provided some temporary shock to the economy, the impact is likely to be two-fold. On the downside, lost production from key flood affected sectors would be a drag on total output but this is expected to be offset by increased reconstruction and Government activities in its rehabilitation efforts. In addition, Mr Whiteside highlighted that positive developments in the tourism and resource related sectors should support growth this year. Evidently, increased domestic credit to the private sector in the first three months of this year also augurs well for the economy going forward.

Mr Whiteside added that foreign reserves, at current level of \$1,477 million, remain comfortable and are sufficient to cover 4.7 months of retained imports while inflationary pressures eased in March to 5.6 percent. Foreign reserves are envisaged to remain adequate in the coming months and inflation is expected to moderate to 3.5 percent by year end.

With the monetary policy objectives intact, the Governor concluded that the continued accommodative monetary policy stance of the Reserve Bank is appropriate given the need to create an environment that is conducive to investment, economic activity and growth.

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