

# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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Press Release No. : 32/2012

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Date : 26 October 2012

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### MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank Board at its monthly meeting on 25 October 2012, agreed to maintain the Overnight Policy Rate (OPR) at 0.5 percent.

The Governor and the Chairman of the Board, Mr. Barry Whiteside said that “the escalation in the financial and debt crisis in the Euro zone and persistent weakness in the United States, is affecting economic activity across the globe, prompting the International Monetary Fund to downgrade its global growth projections for this year and 2013, from 3.5 percent and 3.9 percent to 3.3 percent and 3.6 percent, respectively”. Mr. Whiteside stressed that downside risks have now worsened and subdued demand in our major trading partner economies has the potential to negatively impact the Fijian economy through our trade and financial linkages. Globally, the heightened risks are pushing authorities to maintain fiscal discipline through lower deficits and debt levels as well as shore up foreign reserves, in order to maintain buffers in the possible event of declines in their respective economies. He added that while the pick-up domestically in consumption and business investment – partly a result of the 2012 Budget stimulus measures, and good progress on the implementation of public sector capital projects - continue to drive the current domestic recovery, the recent downturn in trading partner demand could mean lower production and reduced earnings for the economy from some primary exports as well as remittances.

Nonetheless, overall economic expansion for this year is expected to remain above two percent, largely driven by the continued growth in consumption and investment related activity, evident through higher Value Added Tax collections, sales of new vehicles, private sector credit, and value of work put in place as well as domestic cement sales. The Macroeconomic Policy Committee is currently reviewing its April growth forecast of 2.7 percent for 2012 to take into account the combined impact of ongoing buoyancy in domestic demand on the one hand and the deterioration in external demand, on the other hand.

Despite the increasing global uncertainty, our monetary policy objectives remain at comfortable levels. Inflation continues on a general downward trend registering 3.7 percent in September and is forecast to fall further to 3.5 percent by year-end, driven by lower prices for food and stability in oil prices. Foreign reserves are currently (26/10) around \$1,587.8 million, sufficient to cover 5.0 months of retained imports of goods and non-factor services.

The Governor concluded that given the slowing global economy and a stable outlook for our foreign reserves and inflation, monetary policy will continue to remain accommodative to provide stimulus for economic growth.

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