

RESERVE BANK OF FIJI

PRESS RELEASE



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MONETARY POLICY STANCE REMAINS UNCHANGED

At its monthly meeting on 24 November, the Reserve Bank of Fiji Board agreed to maintain the Overnight Policy Rate at 0.5 percent.

The Acting Chairperson of the Board, Ms Makereta Konrote, Permanent Secretary, Ministry of Economy, stated that “while domestic real sector outcomes have been mixed to date, aggregate demand conditions have remained robust, largely underpinned by buoyant consumption and investment activity.” Output from the primary sector has been below par so far this year with declines noted in sugar cane, fish, mahogany and pine log production mainly due to supply side issues. In contrast, industrial output has been broadly positive, with increases in gold, cement and electricity production. In addition, higher construction activity is expected to continue despite the delays in supply of building materials for reconstruction works after Tropical Cyclone Winston. Ms Konrote added that economic activity continues to be propelled by the services sector led by the tourism industry on account of increases in visitor arrivals this year and the current accommodative monetary conditions which have boosted consumption and investment.

On the external front, Ms Konrote highlighted that global economic conditions remain subdued with heightened uncertainties continuing despite the recent financial market rallies following the US elections. The elevated downside risks to the global outlook could create negative spill overs for Fiji’s trading partners thereby impacting our tradable sectors. However, the persistent low commodity prices continue to augur well for commodity-importing countries including Fiji.

Ms Konrote noted that despite the growing uncertainties on the international front, near term domestic growth prospects and the outlook for the Bank’s monetary policy objectives remain firm. A broad-based growth of 3.6 percent is forecast for the Fijian economy in 2017, following a projected expansion of 2.0 percent this year. Inflation slowed to 4.7 percent in October and is forecast to remain around similar levels by year-end. Foreign reserves remain comfortable, currently (24 November) at \$1,927.9 million, sufficient to cover 5.4 months of retained imports of goods and non-factor services.

Ms Konrote concluded that the Reserve Bank will continue to closely monitor developments on the outlook for inflation and foreign reserves and align monetary policy accordingly.

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