

RESERVE BANK OF FIJI

PRESS RELEASE



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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board, at its monthly meeting on 31 July, agreed to maintain the Overnight Policy Rate (OPR) at 0.5 percent.

The Governor and Chairman of the Board, Mr Barry Whiteside, stated that, “while recovery continues in the global economy, growth prospects remain broadly fragile and uneven. In its latest update, the International Monetary Fund downgraded its 2014 global growth projection to 3.4 percent from 3.6 percent, largely reflecting weak quarter one activity especially in the United States and the subdued outlook for several emerging market economies. In addition, increased geopolitical tensions which could escalate energy prices present prominent downside risks to the current global economic outlook.”

The Governor also highlighted that indicators of domestic activity in the first half of 2014 suggest that outcomes are broadly consistent with the growth projection of 3.8 percent. Consumption and investment activity remained firm in the review period, supported by the growth in household income and private sector credit. Furthermore, apart from the fish and gold industries, sectoral performances were largely positive.

On the external front, relatively higher import demand, underpinned by buoyant domestic activity, outpaced the growth in exports and resulted in the widening in the trade deficit. Nevertheless, improved tourism earnings and remittances continue to support the country’s balance of payments position. For long term sustainability, the Governor emphasised the continuation of policies geared towards boosting the export and import substitution sectors.

Mr Whiteside stated that given the stable outlook for its twin objectives of inflation and foreign reserves, the accommodative monetary stance remains appropriate. Inflation was 1.1 percent in June while foreign reserves were around \$1,611.3 million as at 31 July 2014, sufficient to cover 4.4 months of retained imports of goods and non-factor services.

The Governor concluded that, the Reserve Bank will continue to monitor international and domestic developments, particularly the impact of growth on the Bank’s objectives, and align its policy decisions accordingly.

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