

# RESERVE BANK OF FIJI

## *PRESS RELEASE*



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### **MONETARY POLICY STANCE REMAINS UNCHANGED**

The Reserve Bank of Fiji Board agreed to keep its Overnight Policy Rate unchanged at 0.5 percent following its monthly meeting on 30 March, 2017.

In announcing the decision, the Governor and Chairman of the Board, Mr Barry Whiteside highlighted that this year's domestic growth outlook remained generally positive with upbeat performances in sectors such as tourism, remittances and construction, but weaker outcomes in the mining and timber industries. Domestic demand continues to be buoyant, as suggested by strong growth in partial indicators for consumption and investment including net VAT collections, vehicle sales and registrations and new bank lending. Adequate bank liquidity, low interest rates and favourable business sentiments, continue to support the economic expansion. The Reserve Bank's December 2016 Business Expectations and Retail Sales surveys prove the optimism by businesses through expectations for improved economic conditions, higher investments and retail sales over the next twelve months.

On the global front, Mr Whiteside stated that "global economic activity is expected to pick up in 2017 led by emerging market and developing economies and a turnaround in key advanced economies. A stronger global economy augurs well for the Fijian economy in terms of increased export demand, visitor arrivals and personal remittances."

Against the positive outlook for the economy, the Bank's twin monetary policy objectives are expected to remain intact. As expected, inflation eased to 5.5 percent in February having peaked to 6.8 percent in January, although remained high when compared to 1.2 percent in the same period last year. The current higher inflation continues to be driven by supply shortages of market items resulting from adverse weather conditions and the consistently high yaqona prices, post Tropical Cyclone Winston. Given the recent outcomes, the year-end inflation forecast is now expected to be around 3.0 percent.

Foreign reserves stood at around \$1,991.0 million as at 30 March, sufficient to cover 5.2 months of retained imports of goods and non-factor services.

Taking into account the recent developments and outlook for the economy, Mr Whiteside stated that the current accommodative monetary policy stance remains appropriate to support growth while safeguarding macroeconomic stability. Furthermore, the Reserve Bank of Fiji will continue to closely monitor external and domestic risks to the growth outlook and align monetary policy as warranted.

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