

# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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### **RESERVE BANK RAISES OFFICIAL INTEREST RATE**

At its monthly meeting yesterday, the Reserve Bank Board decided to raise the official indicator rate from 3.25 to 4.25 percent. In line with this, the Reserve Bank's Minimum Lending Rate will also increase to 5.25 percent. The new interest rates will be effective from today.

The Governor of the Reserve Bank and Chairman of the Board Mr. Savenaca Narube said that in raising interest rate for the second time this year, the Board noted that the pattern of growth in Fiji continues to be unchanged, driven by strong domestic demand which has led to buoyant imports while we have yet to see improvement in exports. This situation has been worsened by the high oil prices.

The Governor emphasised that "The one percentage point interest rate rise underlines the Bank's efforts to safeguard macroeconomic stability. This decision supplements the recent actions by the Bank to slow down the rise in credit and dampen demand by raising interest rates and tightening domestic liquidity".

The Governor added that "The Bank is fully aware of the potential impact of interest rates on investment spending. To minimise this impact, the Bank has issued lending guidelines to commercial banks and credit institutions to continue to support priority sectors of the economy particularly investment. At the same time, our interest rates are at the lower to middle end of the spectrum in relation to our trading partners. As such, the Bank is of the view that the level of interest rate is not likely to deter investment spending in the economy.

The decision to raise interest rates also takes into account that the current levels of short term rates are higher than the policy rate and that interest rates particularly lending rates have been slow to adjust to earlier policy announcements. With existing liquidity conditions, the Bank expects that this time around, lending rates will be more responsive to the change in the official rate".

The Governor concluded by stressing that one thing is clear and that is for the country to do all it can to correct the imbalance in our net exports position.

**Savenaca Narube**  
**Governor and Chairman of the Board**  
**Reserve Bank of Fiji**