

RESERVE BANK OF FIJI

PRESS RELEASE



Press Release No. : 27/2017

Telephone : (679) 331 3611

Date : 30 November 2017

Facsimile : (679) 330 2094

Email : info@rbf.gov.fj

MONETARY POLICY STANCE UNCHANGED

At its monthly meeting on 30 November, the Reserve Bank of Fiji Board maintained the Overnight Policy Rate at 0.5 percent.

The Governor and Chairman of the Board, Mr Ariff Ali, stated that “while domestic real sector outcomes were mixed to date, aggregate demand conditions have remained firm, largely underpinned by buoyant consumption and investment activity.” Over the month, positive outturns were noted in the cane and sugar sectors, visitor arrivals, as well as electricity and fish production. Contrastingly, output in the cement, gold and timber industries contracted cumulative to October. Mr Ali added that “economic activity continues to be propelled by the services sector particularly the tourism industry on account of higher visitor arrivals, supported by expansionary fiscal and monetary policies and improved labour market conditions.” He also highlighted that the prevailing ample liquidity situation and low interest rate environment are conducive to growth and the overall financial system is sound.

On the external front, Mr Ali said that the near-term outlook for global economic conditions is upbeat as performances in the Euro zone, Japan, the US and China strengthened further. However, this remains subject to downside risks stemming from the rise of protectionism in the US, the pace of US interest rate hikes, China’s rebalancing process amid a cooling housing market, and uncertainties around the Brexit negotiations. The negative impacts from any sharp increase in prices of imported oil and food commodities and weather related shocks remain a concern. Against this backdrop, Mr. Ali underscored the importance of reining in the trade deficit, growing tourism earnings and remittances and attracting foreign direct investment to safeguard future external stability.

Mr Ali noted that the twin objectives of monetary policy remain intact and the outlook is also favourable. Inflation edged-up to 2.6 percent in October from 2.0 percent in the previous month, underpinned mainly by the upswing in prices for alcoholic beverages, tobacco & narcotics. The 2017 year-end forecast for inflation is 2.5 percent. Foreign reserve holdings are currently (30 November) at \$2,311.0 million, sufficient to cover 5.5 months of retained imports of goods and non-factor services while year-end levels are expected to remain comfortable at \$2,268.0 million equivalent to 5.4 months of retained imports of goods and non-factor services.

In light of recent developments and the favourable outlook for the economy, Mr Ali stated that the current accommodative monetary policy stance remains appropriate. The Reserve Bank of Fiji will continue to monitor risks on the global and domestic fronts and align monetary policy accordingly.

RESERVE BANK OF FIJI