



# RESERVE BANK OF FIJI



## ***PRESS RELEASE***

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### MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank Board at its monthly Board Meeting on 30 January agreed to maintain its existing accommodative stance by keeping the Overnight Policy Rate (OPR) at 0.5 percent.

The Governor of the Reserve Bank and Chairman of the Board, Mr Barry Whiteside said that “economic outcomes on both the external and domestic front have been positive. Externally, global economic conditions, particularly in advanced economies, gained momentum in the second half of last year prompting the International Monetary Fund (IMF) to upgrade global growth to 3.7 percent this year and 3.9 percent in 2015. This was a turnaround from last year when the IMF reduced growth prospects in all its four forecasts.”

Domestically, economic activity was broadly positive last year underpinned mainly by encouraging outturns in key sectors of the economy as well as upbeat performances in consumption and investment activity. Partial indicators and anecdotal evidence suggest that the 3.6 percent growth forecast for 2013 will be achieved.”

Domestic demand continues to be buoyant supported by a number of factors including improving labour market conditions, the expansionary 2014 Budget, record low commercial bank lending rates and a favourable general business environment. Similarly, partial indicators for investment reveal that the pace of investment activity strengthened in 2013 and will remain above 25 percent of GDP this year. The Governor noted that the “the pick-up in underlying economic activity is evident in rising domestic credit growth which has accelerated to 14.3 percent in December. While the higher lending is reflected in increased economic activity, it has also resulted in a widening trade deficit as imports continue to outpace exports. Nevertheless, healthy inflows of tourism earnings coupled with higher personal inward remittances have cushioned its impact on our foreign reserves position.”

The monetary policy objectives of the Reserve Bank remain intact with foreign reserves currently (29 January) at \$1,772 - million (sufficient to cover 4.7 months of retained imports of goods and non-factor services) and inflation expected to trend downwards to 3.0 percent by year-end. With the dual mandate of the Central Bank in check, Mr Whiteside remarked that the Government’s expansionary fiscal policy earmarked for this year will stimulate growth even further going forward. Hence, the economy is expected to surpass the 3.0 percent pre-budget forecast. The Governor concluded that the Bank will continue to assess global and domestic economic developments and adjust monetary policy accordingly.