

# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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Phone : (679) 331 3611

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Fax : (679) 330 2094

E-mail : [info@rbf.gov.fj](mailto:info@rbf.gov.fj)

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### MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank Board at its monthly meeting on 28 June 2012, agreed to maintain the Overnight Policy Rate (OPR) at 0.5 percent.

The Governor and Chairman of the Board, Mr. Barry Whiteside noted that “with the re-emergence of fiscal and banking sector vulnerabilities in Europe, the external environment is expected to remain fragile and continue to pose downside risks to Fiji’s growth prospects”.

Domestically, sectoral performances and consumption related activity in the first half of the year have, however, been generally positive, despite the early setback of two damaging floods in January and late March. Economic activity in the second half of the year is expected to be supported by recent developments in the mining and forestry sectors, new public infrastructure projects, the commencement of sugar harvesting and onset of the peak tourism season, as well as the continuation of growth in consumption related activities. The economy is forecast to expand by 2.7 percent this year following an estimated 2.0 percent expansion in 2011.

In terms of monetary policy objectives, the outlook remains favourable, for now, with inflation easing to 4.7 percent in May from 6.4 percent in April, largely due to the fading of temporary price hikes in domestic agricultural produce after the floods. The Governor indicated that these price hikes have not been prolonged due to the tremendous response by our farmers to get on with their lives and the timely response by Government and other agencies in providing the necessary support, including the supply of seeds and other growing material. Inflation is forecast to ease to 3.5 percent by year-end, supported by the slowing global economy, which is expected to rein in growth in global food and crude oil prices.

Foreign reserves remain adequate at around \$1,488.3 million at the end of June, sufficient to cover 4.7 months of retained imports of goods and non-factor services.

With the monetary policy objectives remaining intact, the Governor concluded that monetary policy will continue to remain accommodative to provide the necessary impetus for domestic economic growth given the ongoing uncertainty in the global economy.

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