

RESERVE BANK OF FIJI



PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank Board decided to leave the Overnight Policy Rate (OPR) unchanged at 0.5 percent, following its monthly meeting held on 30 August, 2012.

While announcing the Board decision, the Governor and Chairman of the Board, Mr. Barry Whiteside stated that “the global growth outlook remains clouded by underlying problems in the Euro zone and the associated flow-on effects on its trading partner economies. Having picked up in the early months of 2012, growth in the world economy has since softened”.

The Governor highlighted that despite the global setbacks, domestic real sector outcomes were generally positive in the first half of the year. Consumption spending remained elevated while investment activity is expected to strengthen in the second half of this year, supported by the pick-up in Government capital projects and several major private investment activities. Increased domestic credit to the private sector also augurs well for the economy going forward.

Mr Whiteside added that the cash-based trade data for the first half of the year showed that the threat to Fiji’s external sector with the background of slowing global growth is limited for now. Foreign reserves, at the current level of \$1,512.4 million remain comfortable and are sufficient to cover 4.8 months of retained imports of goods and non-factor services. Consumer prices rose by 4.0 percent in July from a year earlier - slower than the inflation rates noted in previous months - largely reflecting the reduction in oil and food prices relative to last year.

The Board noted that despite the general pick-up in the economy in the year to date and positive sentiments for the near term, it is important that monetary policy remains supportive of the economic recovery. In the coming months, the Board will continue to assess global and domestic developments and align monetary policy accordingly.

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