

# RESERVE BANK OF FIJI

## *PRESS RELEASE*



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### **MONETARY POLICY STANCE REMAINS UNCHANGED**

The Reserve Bank of Fiji Board at its August meeting decided to maintain the Overnight Policy Rate at 0.50 percent.

In making the decision, the Governor and the Chairman of the Board, Mr Barry Whiteside highlighted that “the domestic economy continues to be driven by strong consumption and ongoing investment activity. Sectoral performances remain mixed. Apart from the sugar and timber sectors, most other sectors recorded higher output annually including gold, electricity and visitor arrivals. Financial conditions continue to be favourable indicated by adequate bank liquidity and low lending rates, while credit growth has slowed over the year.”

On the growth outlook, the Governor highlighted that “the subdued global growth performances and prospects imply a possible dampening in our remittances and tourism earnings although annual projections are still higher than last year’s record levels.”

The twin objectives of monetary policy remain intact. As of 24 August, 2016, foreign reserves were \$1,920.7 million, sufficient to cover 5.3 months of retained imports. Reflecting the impact of the natural disasters, inflation increased for the fourth consecutive month in July to 5.5 percent. This was mostly driven by the shortages in market related items following the tropical cyclones and floods earlier this year, higher excise duty on alcoholic beverages and tobacco and the increase in fuel prices in July. The year-end inflation forecast remains at around 3.5 percent. Over the medium term, the impact from the natural disasters is expected to taper. Notwithstanding any significant risks from higher commodity prices, particularly crude oil and food, inflation is expected to normalise.

In conclusion, the Chairman stated that “monetary policy will remain accommodative and focus on supporting the domestic economic recovery while the Bank will continue to monitor all macroeconomic developments and align monetary policy accordingly.”

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