

RESERVE BANK OF FIJI

PRESS RELEASE



Press Release No. : 14/2017

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MONETARY POLICY STANCE REMAINS UNCHANGED

Following its monthly meeting on 28 June, the Reserve Bank of Fiji Board agreed to maintain the Overnight Policy Rate at 0.5 percent.

In conveying the decision, the Acting Governor and Chairman of the Board, Mr Ariff Ali stated that, “the dual monetary policy objectives remain intact with no risk in the immediate term.”

On price stability, the annual inflation rate fell to 2.5 percent in May 2017, the lowest rate since March 2016. The lower inflation outturn was underpinned by declines in the food & non-alcoholic beverages category and also reflected the fall in prices for fresh fruit and vegetables from the high levels prevalent immediately after TC Winston. Barring any major changes in the National Budget, the year-end inflation forecast for 2017 remains at 3.0 percent.

With regards to external stability, as at 28 June, foreign reserves stood at \$2,279.7 million (sufficient to cover 5.7 months of retained imports of goods and non-factor services) and are expected to remain comfortable until the end of the year.

Against this background, Mr Ali stated that, “the Fijian economy is on target to achieve a broad-based growth forecast of 3.8 percent this year, on account of higher aggregate demand coupled with strong performances so far in the tourism and electricity sectors as well as anticipated increases in manufacturing, construction and cane and sugar output. In addition, business confidence remains strong as indicated by the acceleration in private sector credit which rose by 14.1 percent in the year to May 2017.”

While risks to the world economy remains, recent assessment confirms firm global growth and positive performances expected for most of Fiji’s trading partner economies in 2017. Consumer and business confidence remain strong, contributing to the pick-up in global trade so far this year.

The Acting Governor concluded that the Reserve Bank will continue to closely monitor international and domestic developments, in particular the impact of the 2017/2018 National Budget which will be announced on 29 June, and align monetary policy accordingly.

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