



# RESERVE BANK OF FIJI

## *PRESS RELEASE*



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### MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank Board agreed to maintain the Overnight Policy Rate (OPR) at 0.5 percent after its monthly board meeting on 27 February 2014.

According to the Acting Chairman of the Board, Mr Robin Yarrow, “domestic economic conditions remain positive with improved performances envisaged for most key sectors of the economy this year.” He added that aggregate demand continues to strengthen given the buoyant performance of consumption and investment activity. The Acting Chairman added that the positive outlook of the economy is supported by the latest RBF Retail Sales and Business Expectation Survey results which point towards improved prospects for consumption and investment in the coming months. In this regard, the Fiji economy is likely to grow higher than the 3.0 percent estimated prior to the announcement of the 2014 National Budget.

On the same note, financial conditions have remained conducive for growth with ample liquidity resulting in a downward trend in interest rates. Annual commercial bank credit has accelerated to a 7-year high, expanding by 17 percent in the year to January 2014.

The Acting Chairman highlighted that the Reserve Bank’s twin policy objectives of low inflation and adequate foreign reserves are currently at stable levels and therefore the accommodative monetary policy stance remains appropriate. However, Mr Yarrow emphasised that the Reserve Bank is closely monitoring macroeconomic fundamentals; particularly foreign reserves as demand for imports tend to rise much faster than exports when the economy grows, resulting in a widening of the trade deficit. In the past, this trade deficit has been financed by inward remittances and tourism earnings. He added that “while buoyant economic activity is beneficial to the economy, for a small open economy like Fiji with a very narrow export base, too much of it can create inflationary pressures and place pressure on our balance of payment position”.

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