RESERVE BANK OF FIJI

PRESS RELEASE

Press Release No.	**: 01/2018**	**Telephone**	**: (679) 331 3611**
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Date	**: 25 January 2018**	**Email**	**: info@rbf.gov.fj**

MONETARY POLICY STANCE REMAINS UNCHANGED

Following its monthly meeting on 25 January 2018, the Reserve Bank of Fiji Board agreed to maintain the Overnight Policy Rate at 0.5 percent.

In conveying the decision, the Governor and Chairman of the Board, Mr Ariff Ali stated that, "recent data confirm the strong growth momentum in 2017 for both the global and domestic economy. Externally, the International Monetary Fund earlier this month upgraded global growth to 3.7 percent for last year on account of stronger performances in both advanced and emerging market economies. For 2018, the world economy is now envisaged to expand by 3.9 percent, propelled by the positive spillovers of the US tax cuts on trading partner economies. Nevertheless, downside risks in the form of higher inflationary pressures, build-up of financial vulnerabilities and tightening of global financing terms may potentially derail this year's global outlook."

Domestically, Mr Ali stated that, "the Fiji economy is expected to achieve a broad-based growth of 3.6 percent this year underpinned by higher aggregate demand coupled with strong sectoral performances in tourism and anticipated higher manufacturing and industrial activity. Several underperforming sectors such as gold and timber are also expected to rebound this year. The Government's expansionary policies should continue to support consumer and investor confidence". He also added that strong private sector credit growth predicated on the current low interest rate environment is also conducive to growth. On the downside, Mr Ali noted that adverse weather conditions and the somewhat subdued performance in the primary industries represent downside risks to the domestic economic outlook while the recent increase in global crude oil prices have trickled into higher domestic energy costs.

Nevertheless, the twin monetary policy objectives of the Bank remain intact. Inflation was 2.8 percent at end-2017, slightly higher than the forecast of 2.5 percent. Higher yaqona and tobacco prices persisted throughout the year and are likely to continue in the months ahead. While inflation in the near term is expected to be domestically driven, any sharp increase in oil and food prices as well as adverse weather conditions such as the recent flooding in the West could put further upward pressure on prices. Foreign reserves remain at comfortable levels. As of 25 January, foreign reserves stood at $2,194.2 million (sufficient to cover 5.0 months of retained imports of goods and non-factor services) and are expected to remain comfortable throughout the year despite the risks from higher mineral fuel prices.

The Governor concluded that the Reserve Bank will continue to monitor international and domestic developments closely and align monetary policy accordingly.

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