

RESERVE BANK OF FIJI



PRESS RELEASE

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Phone : (679) 3313 611

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Fax : (679) 3301 688

E-mail : rbf@reservebank.gov.fj

RESERVE BANK OF FIJI RELEASES JUNE 2006 QUARTERLY REVIEW

In releasing the Reserve Bank's June Quarterly Review, the Governor, Mr. Savenaca Narube, stated that "economic developments during the second quarter of 2006 reflected robust domestic demand. During the review period, higher lending by financial institutions, a partial indicator of consumption, showed that consumption remained strong. Imports continued to outpace the growth in exports, thus widening Fiji's trade deficit. Furthermore, the rising imports bill is being exacerbated by the high and volatile international crude oil prices".

In order to dampen domestic demand, the Governor mentioned that the Bank raised its policy indicator rate by 100 basis points to 4.25 percent in June. He emphasised that the Bank will continue to monitor developments in the economy in the approaching months and align monetary policy accordingly.

On the domestic front, Mr. Narube also mentioned that "the economy is estimated to have expanded by 0.7 percent in 2005 and for 2006, the economy is projected to grow by 3.1 percent". In regards to the labour market, he revealed that partial indicators of employment and results of surveys conducted in June showed that employment conditions are improving and are expected to remain firm in the coming months.

Mr. Narube also said that the Bank's twin objectives remained intact during the June quarter. In spite of exorbitant oil prices, inflation was subdued during the review period at 1.6 percent. Looking ahead, the Governor stated that, "the year-end inflation is projected at around 3.5 percent". He added that, "foreign reserves were around \$649 million, at the end of June, sufficient to cover 2.8 months of imports of goods."

According to the recent cash flow data, cumulative to June, Government recorded an underlying deficit of \$85.0 million (equivalent to 1.7% of GDP), compared with a \$37.2 million deficit (equivalent to 0.8% of GDP) recorded in the corresponding period last year.

On the global economic performance, the Governor mentioned that "the International Monetary Fund (IMF) projects that the world economy will expand by 4.9 percent this year. Nevertheless, repercussions of the persistently high and volatile crude oil prices, the Avian Flu Pandemic, coupled with the continuous geo-political tensions and terrorism threats could derail global economic activity".

In conclusion, the Governor strongly re-emphasised the need to raise exports and investments in Fiji in the near term. He reiterated that "raising investments and growth driven by the private sector is crucial to move Fiji forward in achieving a sustainable economic growth".

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