



RESERVE BANK OF FIJI

PRESS RELEASE



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Phone : (679) 331 3611

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Fax : (679) 330 2094

E-mail : info@rbf.gov.fj

MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank Board met for its monthly meeting on 25 July 2013 and approved to maintain the Overnight Policy Rate (OPR) at 0.5 percent.

In announcing the decision, the Governor and Chairman of the Reserve Bank Board, Barry Whiteside, stated that “the current accommodative monetary policy stance pursued by the Bank to facilitate growth in the domestic economy continues to be appropriate given the positive outlook of Fiji’s economy in an environment where the outlook for global economic growth has been downgraded. Earlier this month, the International Monetary Fund revised the world economic growth for 2013 downwards to 3.1 percent from an estimate of 3.3 percent in April. For 2014, the world economy is now anticipated to expand by 3.8 percent, down from the 4.0 percent envisaged earlier.”

The Governor added “that domestic economic conditions were very positive and there was a growing sense of optimism and confidence about our economy.” Consumption indicators remain upbeat evidenced by the increase in partial indicators such as VAT collections, a strong rise in inward remittances, higher imports and increased lending for consumption purposes. Additionally, investment activity is extremely buoyant as reflected by the higher value of work put in place in the first quarter of this year, higher domestic cement sales and increased lending to the manufacturing, building and construction and real estate sectors. He said, “these indicators are in line with the Reserve Bank’s estimate that the investment to GDP ratio for 2013 will exceed Government’s target of 25 percent.”

Conditions in the financial system remain conducive to further intermediation with ample liquidity in the banking system continuing to place downward pressure on market interest rates. Commercial banks’ time deposit and lending rates are now hovering at historical lows while capital and money market rates continue to trend downwards. Against this background, domestic credit has continued to gain momentum with robust commercial bank lending accounting for much of the surge in private sector credit.

On the external front, the Governor reiterated the importance of an export led growth for a small open economy such as Fiji as the trade deficit widened during the first four months of the year.

Nevertheless, the Governor concluded that with inflationary pressures remaining in check and foreign reserves at comfortable levels, the current accommodative stance is appropriate for the prevailing economic environment and the outlook in the near-term.

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