

# RESERVE BANK OF FIJI

## PRESS RELEASE



Press Release No. : 12/2013

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### MONETARY POLICY STANCE REMAINS UNCHANGED

Following its monthly meeting held on 30 May, 2013, the Reserve Bank of Fiji Board decided to maintain its current accommodative monetary policy stance, with the Overnight Policy Rate (OPR) remaining unchanged at 0.5 percent.

In announcing the Board decision, the Governor of the Reserve Bank of Fiji and Chairman of the Board, Mr Barry Whiteside stated that “Given our current comfortable outlook of foreign reserves and inflation in the near term, the monetary policy stance is appropriate to support domestic economic activity, especially when we consider the global economic growth has been recently revised downwards.”

On the domestic front, recent consumption and investment indicators indicate a pick-up in economic activity supported by record low commercial bank lending rates, lower personal and corporate tax rates and higher inward remittances. This trend is expected to strengthen further in the months ahead based on the positive sentiments from the Reserve Bank’s Retail and Business Expectation Surveys. The latter revealing that investment in plant & machinery and buildings is anticipated to increase in the short and medium terms. On the labour market, partial indicators suggest continued positive performances driven by investment and business activities. The growth in private sector credit continues to accelerate, largely underpinned by higher commercial banks’ and licensed credit institutions’ lending.

However, on the downside, Mr Whiteside stated that the latest data up to February revealed that our trade deficit widened noticeably by 28.5 percent, mostly on account of a fall in export earnings. The Chairman reiterated that to sustain the upbeat demand conditions, the export sector needs to improve quickly to finance the rise in imports.

Consumer prices in April fell to 1.0 percent – the lowest since May 2009. In the coming months, inflationary pressures are expected to remain relatively subdued, and inflation is forecast to settle at around 3.0 percent by year-end. The Chairman added that “Foreign reserves remain comfortable and are currently around \$1,603 million, sufficient to cover 4.6 months of retained imports.”

The Board Chairman concluded “That the monetary policy stance adopted since 2011 has resulted in commercial bank lending rates falling to historical lows and has supported the economic recovery.” However, the Board Chairman emphasised that the Reserve Bank will continue to monitor the latest global and domestic developments in particular, the level of private sector credit amidst the poor export performance and its impact on foreign reserves and align monetary policy accordingly.

**Reserve Bank of Fiji**