

RESERVE BANK OF FIJI

PRESS RELEASE



Press Release No.	: 1/2017	Telephone	: (679) 331 3611
		Facsimile	: (679) 330 2094
Date	: 26 January 2017	Email	: info@rbf.gov.fj

MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board, at its monthly meeting on 26 January 2017, agreed to keep monetary policy unchanged by maintaining the Overnight Policy Rate at 0.5 percent, necessary to encourage investment and further strengthen growth in the economy.

The Governor and Chairman of the Board, Mr Barry Whiteside announced the board decision stating that, “the economy remains on a recovery path as reconstruction works continue following TC Winston and given the damage caused by the tropical depression in December on the key sectors for agriculture, manufacturing, mining, construction and utilities. However, despite the setbacks from the natural disasters, consumption and investment activity have remained buoyant, signalled by positive trends in partial indicators. Supportive fiscal measures, accommodative monetary policy settings, together with inflows of remittances and tourist earnings and favourable labour market conditions, have boosted consumer spending and investor sentiments.”

Mr Whiteside added that global economic conditions remain subdued underpinned by weaker outcomes in emerging markets and developing economies. Global growth for 2017 is expected to improve to 3.4 percent from a lower 3.1 percent estimated for last year, supported by an improved outlook for advanced economies. Notably, potential policy changes by the new United States administration and its impact across the globe represent the key downside risk to the current global growth outlook.

On the dual mandates of the RBF, inflationary pressures in 2016 largely emanated from domestic supply side factors following the natural disasters earlier in the year. However in December, inflation fell to 3.9 percent from 4.3 percent in November 2016. Inflation in the near term is expected to continue to be domestically driven with major downside risks stemming from adverse weather conditions and a sharp increase in oil and food prices. For now, year-end inflation is projected at around 2.5 percent.

With the modest performance of Fiji’s external sector, foreign reserves levels remain adequate, currently (25 January) at \$1,906.0 million, sufficient to cover 5.1 months of retained imports of goods and non-factor services.

The Governor highlighted that the Bank will continue to closely monitor the latest developments and risks to the global and domestic economic outlook and align monetary policy accordingly.

RESERVE BANK OF FIJI