

RESERVE BANK OF FIJI

PRESS RELEASE



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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board agreed to keep its Overnight Policy Rate unchanged at 0.5 percent following its meeting on 2 November 2017.

In his announcement, Governor and Chairman of the Board, Mr Ariff Ali highlighted that “the near-term growth prospects for the economy have improved with the growth forecasts for 2017 and 2018 revised upward to 4.2 percent and 3.6 percent, respectively. The improved economic outlook is based on the expected impact of the 2017-2018 National Budget policies, continued rehabilitation activity and upbeat performances in the tourism, construction and transportation sectors. Aggregate demand also remains firm, as suggested by partial indicators for consumption and investment. In the coming months, positive consumer and business sentiments, ample bank liquidity and corresponding low interest rates are expected to provide additional impetus for economic expansion.”

On the global economy, Mr Ali stated that the growth momentum is expected to continue in 2017 and 2018 based on the recent upgrade in growth projections by the International Monetary Fund in its October 2017 World Economic Outlook. This bears well for Fiji’s external sector, particularly for commodity exports, tourism and remittances. However, the mixed movements in commodity prices may adversely impact Fiji as a net importer of goods and services with import commodity prices showing signs of possible hardening while export commodity prices continue to remain low.

Notwithstanding the expected higher import demand resulting from the improved growth projections, the Bank’s twin monetary policy objectives remain intact. Inflation was 2.6 percent in October, and is expected to remain subdued into the medium term notwithstanding any shocks. Foreign reserves are sufficient at around \$2,409.2 million as at 31 October, equivalent to 5.8 months of retained imports of goods and non-factor services.

Given the recent developments and revised outlook for the economy, Mr Ali stated that the current accommodative monetary policy stance remains appropriate. The Reserve Bank of Fiji will continue to monitor risks on the global and domestic fronts and align monetary policy accordingly.

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