

RESERVE BANK OF FIJI

PRESS RELEASE



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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji (RBF) Board met on 27 July 2017 and agreed to keep monetary policy unchanged by maintaining the Overnight Policy Rate at 0.5 percent.

The Acting Governor and Chairman of the Board, Mr Ariff Ali stated that, “the continuation of central bank’s accommodative stance reflects that the dual mandates of the Bank remain intact with no significant impending risks in the medium term.”

While certain policy measures announced in the National Budget, such as the duty increases on alcohol, cigarettes and tobacco and higher disposable incomes would likely push up prices in the coming months, this is expected to be largely offset by lower prices noted in a few major categories over the recent months. Annual inflation fell further to 2.0 percent in June, from 2.5 percent in May and from the high of 5.3 percent in June last year, led by lower food & non-alcoholic drinks and clothing & footwear prices. As a result, the year-end projection remains at 3.0 percent.

Foreign reserves rose in June 2017 to \$2,283 million, sufficient to cover 5.7 months of retained imports of goods & non-factor services (MORI). On 20 July, foreign reserves reached another all-time high of \$2,307 million and are expected to rise to a new high of \$2,314 million (5.7 MORI) on 28 July. Looking ahead, foreign reserves are expected to remain adequate until the end of the year.

On the domestic economy, Mr Ali stated that, “despite the recent weak outcomes in the mining and timber industries, the upbeat performances in sectors such as tourism, electricity and construction, coupled with the turnaround noted in cane and sugar production, confirm the positive 3.8 percent growth outlook for 2017.” Various partial indicators for consumption and investment point towards firm aggregate demand in the year to date. In addition, the expansionary fiscal stance and incentives announced in the 2017-18 National Budget should augur well for growth in the near and medium terms.

Internationally, the IMF has kept its global growth projection for 2017 and 2018 at 3.5 percent and 3.6 percent, respectively. Nonetheless, medium term risks to this growth outlook remain on the downside.

The Acting Governor concluded that the RBF will continue to monitor developments and risks to the global and domestic economic outlook and align monetary policy accordingly.

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