OVERNIGHT POLICY RATE REMAINS UNCHANGED

The Reserve Bank of Fiji Board agreed to maintain the Overnight Policy Rate at 0.5 percent during its monthly meeting on 27 June.

In conveying the decision, the Governor and Chairman of the Board, Mr Ariff Ali stated that the policy stance was based on latest available information and the outlook on the Bank’s twin monetary policy objectives of inflation and foreign reserves.

Externally, the World Bank downgraded its global growth forecast in June following the cut by the International Monetary Fund earlier in April. Downside risks from trade tensions between the United States and China have increased and international trade and investment have been subdued. Against this backdrop, Australia and New Zealand, two of our major trading partners have eased policy and lowered their benchmark interest rates to record lows.

On the domestic economy, Mr Ali stated that despite the recent weak outcomes in the mining and timber industries, actual outturns in sectors such as tourism and electricity so far in the year have been favourable and consistent with the positive, albeit slower growth forecast of 2.7 percent for 2019. In addition, private sector credit grew by 8.8 percent in the year to May 2019, faster than the expansion noted in the previous month as well as in May last year. Mr Ali emphasised that the planned fiscal consolidation by Government for the next fiscal year bodes well for external stability and that favourable policies particularly towards maximising investment in the country should provide positive impetus towards economic growth.

Annual inflation stood at 2.1 percent in May, unchanged from April and lower than the 5.1 percent registered in May 2018, led by lower prices in the food & non-alcoholic drinks, communications, transport and health categories. Consequently, the year-end projection for inflation is downward biased to 3.2 percent.

Foreign reserves were $1,933.2 million at the end of May, sufficient to cover 4.4 months of retained imports (MORI). On 27 June, foreign reserves rose further to $1,973.6 million (4.5 MORI) and are expected to remain comfortable over the medium term. Additionally, commercial banks’ liquidity increased to $418.3 million on 26 June, from $323.2 million at the end of May.

While the outlook of the twin monetary policy objectives of the Bank remains intact, Mr. Ali however cautioned that the impact of the global economic slowdown could further dampen domestic economic conditions going forward. The Reserve Bank will continue to closely monitor international and domestic developments and align monetary policy accordingly.

RESERVE BANK OF FIJI

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