

# RESERVE BANK OF FIJI

## *PRESS RELEASE*



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<b>Press Release No.</b>	<b>: 01/2019</b>	<b>Telephone</b>	<b>: (679) 331 3611</b>
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### MONETARY POLICY STANCE UNCHANGED

The Reserve Bank of Fiji Board has, in its monthly meeting on 28 January, maintained the Overnight Policy Rate at 0.5 percent.

In announcing the decision, the Governor and Chairman of the Board Mr Ariff Ali, stated that “2018 was another year of positive growth where expansionary fiscal and monetary policies supported aggregate demand and boosted consumption and investment spending. On the production side, overall primary and industrial production increased while in the services sector, the tourism industry noted another record year with 870,309 visitors.”

He added that while the outturn in the twin objectives of monetary policy weakened over the year, they remained at acceptable levels. Inflation edged-up to 4.9 percent at end-2018 driven by the substantial increase in global crude oil prices, domestic supply shortages post-natural disasters, and hikes in duties of alcohol & tobacco. Foreign reserves declined due to higher mineral fuel imports, approved offshore investments by the Fiji National Provident Fund, and higher imports of machinery and transport equipment underlined by robust domestic economic activity.

Governor Ali has however assured that the outlook for the monetary policy objectives is comfortable. Global crude oil prices have declined by almost 17.6 percent since October last year to \$US61.53/barrel (25/01) and would help suppress domestic inflation, and imports growth this year. Consequently, inflationary pressures are projected to subside to 3.5 percent by end-2019. Foreign reserves at \$2,016.7 million (25/01) is sufficient to cover 4.4 months of retained imports and expected to hover around similar levels in the near to medium term. The financial system is stable with gross assets rising to \$20.7 billion at the end of 2018. Although banking system liquidity declined over the year in line with strong domestic demand and developments in the external sector, it is adequate at \$374.4 million (25/01) and ample to support economic activity.

According to the Reserve Bank Board, the Fijian economy’s growth performance of more than 3.0 percent is anticipated to persist over the medium term as macroeconomic policies continue to be accommodative. Private investment is gaining momentum given the increase in forward looking indicators such as the number and value of building permits issued, and the tourism industry is also envisaged to achieve another record-breaking year in terms of arrivals and earnings in 2019.

Governor Ali concluded that with the outlook for foreign reserves and inflation remaining comfortable, the Bank will maintain its accommodative stance, and will continue to closely monitor economic developments and recalibrate monetary policy as needed.

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