

RESERVE BANK OF FIJI

PRESS RELEASE



Press Release No.	: 1/2016	Telephone	: (679) 331 3611
		Facsimile	: (679) 330 2094
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MONETARY POLICY STANCE REMAINS UNCHANGED

At its monthly meeting on 28 January, the Reserve Bank of Fiji Board agreed to maintain the Overnight Policy Rate at 0.5 percent.

In announcing the decision, the Governor and Chairman of the Board, Mr Barry Whiteside stated that, “following an estimated 4.0 percent expansion last year, the domestic economy is poised to achieve its seventh consecutive year of economic growth in 2016, of 3.5 percent. Growth is expected to be broad based with most sectors contributing to overall output. Aggregate demand is expected to hold up this year supported by favourable financial conditions, positive consumer and business sentiments and fiscal stimulus through the 2016 National Budget which should further spur growth.” Comparatively, sectoral performances in 2015 were broadly positive with the exception of the sugar, timber and fish industries, which declined. However, better-than-expected outcomes were recorded for tourism and inward remittances.

On the external front, Mr Whiteside highlighted that the International Monetary Fund further downgraded its global growth projection for 2016 to 3.4 percent largely due to heightened uncertainty and turbulence in emerging market economies and lower growth prospects in the United States and other advanced economies. The elevated downside risks to the global outlook are expected to create negative spill overs for Fiji’s trading partners thereby impacting our tradable sector. However, further declines in commodity prices provide an upside risk for commodity importing countries including Fiji.

Governor Whiteside noted that despite the increasing uncertainties on the international front, domestic growth prospects remain firm and the outlook for the Bank’s monetary policy objectives is intact. Inflation fell to 1.6 percent in December and is forecast to remain low this year. Foreign reserves remain comfortable, currently (28 January) at around \$1,998.3 million, sufficient to cover 5.6 months of retained imports of goods and non-factor services.

The Governor concluded that the Reserve Bank will continue to closely monitor the developments on the outlook for inflation and foreign reserves and align monetary policy accordingly.

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