

RESERVE BANK OF FIJI

PRESS RELEASE



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MONETARY POLICY STANCE MAINTAINED

The Reserve Bank of Fiji Board at its monthly meeting on 29 February agreed to maintain the Overnight Policy Rate at 0.5 percent and work closely with stakeholders to help rebuild the economy following the recent devastation by Tropical Cyclone (TC) Winston.

The Governor and Chairman of the Board, Mr Barry Whiteside in announcing the Board's decision stated that "while earlier expectations for positive sectoral outcomes and strong demand conditions in the economy were in line with the 3.5 percent growth projection for this year, the impact from TC Winston is expected to lower the current growth forecast, notwithstanding the impetus from rehabilitation activities."

Mr Whiteside highlighted that the recent natural disaster shock would exacerbate the impact of already weak global conditions on the domestic economy. He added that latest data and indicators point to slower growth in major advanced and emerging market economies despite lower oil prices and interest rates. Financial sector volatility and geopolitical risks have also added to global uncertainty, while long-term inflation expectations remained quite weak.

Given the current low global commodity prices, especially for oil, soft trading partner inflation expectations and taking into account the fuller effects of the lower VAT and temporary hikes in prices of affected market items following the cyclone, the 2016 year-end inflation is expected to be below 3.0 percent. Foreign reserves, which are currently (29/02) comfortable at \$2,019 million, sufficient to cover 5.7 months of retained imports of goods and non-factor services, are expected to be slightly dented by a higher demand for imports to support the recovery as well as a more subdued growth in exports. Nevertheless, remittances and tourism inflows are expected to hold up.

Against this background, the Governor concluded that, "the dual objectives of the Bank remain stable at this time, and the RBF will continue to vigilantly monitor latest developments and risks to the global and domestic economic outlook and align monetary policy accordingly."

Moreover, the Reserve Bank has reintroduced its Natural Disaster Rehabilitation Facility (NDRF) to support national relief efforts following the devastation by TC Winston. The facility provides funding for businesses faced with either production loss requiring replacement of stock or damaged inventory, or asset loss which may include repairs for damage to business premises as a result of the TC. The funding is also extended to homeowners for repairs and reconstruction. The facility is available through the commercial banks, Fiji Development Bank and licensed credit institutions (LCIs)¹. NDRF loans are limited to \$0.5 million per business and approval is left to the discretion of the respective financial institutions.

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¹ LCIs include Credit Corporation Fiji Limited, Merchant Finance Limited, BSP Finance (Fiji) Limited and Kontiki Finance Limited.