

RESERVE BANK OF FIJI

PRESS RELEASE



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		Facsimile	: (679) 330 2094
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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board has maintained the Overnight Policy Rate at 0.5 percent following its monthly meeting on 29 November.

The Governor and Chairman of the Board, Mr Ariff Ali, stated that “sectoral performances so far in the year have been generally positive, attributed to the favourable outcomes noted for visitor arrivals, electricity generation and timber production.” He added that “consumption activity remains firm as revealed by the increase in VAT collections, higher vehicle registrations, increased turnover from the wholesale & retail trade sector and rising commercial bank lending for consumption.” Commercial bank lending for investment purposes also noted a turnaround in September and grew further in October following a temporary slowdown between March and August of this year. Governor Ali reiterated that, “the Fijian economy remains on track to achieve its ninth year of economic expansion this year.”

The Reserve Bank’s twin monetary policy objectives remained intact. Annual inflation increased to 5.2 percent in October from 4.6 percent in September. This was largely due to supply side shocks that led to higher prices for kava and vegetables when compared to last year, as well as increased prices for alcoholic beverages, tobacco and fuel due to duty changes and global commodity price movements. Nevertheless, core inflation for October remained below 2.0 percent. Inflation is expected to subside to around 3.5 percent in 2019 and 3.0 percent in 2020.

As at 29 November, foreign reserves were comfortable at around \$2,068.6 million, sufficient to cover 4.6 months of retained imports of goods and non-factor services. Notwithstanding any major shocks, foreign reserves are forecast to remain at comfortable levels at the end of 2018 and into the medium term.

Given the recent developments and outlook for the economy, the current accommodative monetary policy stance remains appropriate. The Reserve Bank will continue to monitor risks on the global and domestic fronts, and align monetary policy where appropriate.

For further information, please contact:-

Communications Office

Telephone: (679) 3223 381 **Email:** info@rbf.gov.fj

Mr Mervin Singh – Manager Corporate Communications

Telephone: (679) 3223 229 **Email:** mervin@rbf.gov.fj