

RESERVE BANK OF FIJI



PRESS RELEASE

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CURRENT MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board held its meeting on 26 August, 2010 and decided to maintain the Overnight Policy Rate (OPR) at 3.00 percent.

While announcing the board decision, the Governor and Chairman of the Board, Mr. Sada Reddy stated that, “the global economy is recovering markedly and this should augur well for our exports and tourism industries which are supporting the domestic economic recovery. On sectoral performance, aside from the sugar industry which continues to show lackluster performance, recent data points to continued strong growth in visitor arrivals and improvements for the gold and fish sectors. Indicators of consumption activity showed modest increases in consumer spending aided by improvements in the labour market, increased lending and higher inward personal remittances”.

The Board also noted that the inflation rate declined further to 5.4 percent in July and is expected to subside further to around 5.0 percent by the end of this year. On the external sector, the trade deficit narrowed in the first five months of this year, thus keeping the foreign reserves at adequate levels. Consistently, bank liquidity remains at high levels.

Overall, the domestic economy is showing signs of improvement, however, the speed of recovery is slow. Consequently, the Reserve Bank has decided to maintain the OPR at 3.00 percent to provide support for the domestic economy while various measures may be taken to bring excess liquidity to appropriate levels.

However, the Board noted that balance of payments risks remain and the Reserve Bank will continue to monitor developments closely and align monetary policy accordingly.

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