RESERVE BANK OF FIJI

PRESS RELEASE

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Phone : (679) 331 3611
Fax : (679) 330 2094
E-mail : info@rbf.gov.fj

MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank Board agreed to maintain the Overnight Policy Rate (OPR) at 0.5 percent following its monthly Board meeting on 29 November 2012.

In announcing the Board decision, the Governor and Chairman of the Board, Mr Barry Whiteside stated that "developments on the global front indicate a possibility of further deterioration in the global economy next year as a result of possible fiscal tightening in the US and the degree to which austerity measures are undertaken within the Euro zone".

On the domestic economy, the Governor highlighted that the adverse impact from the further slowdown in global economic activity has partly resulted in a slightly weaker growth forecast for 2012 and 2013. Overall, growth in these years are envisaged to be broad-based with the Fiji economy now projected to grow this year by 2.5 percent, below the earlier 2.7 percent growth forecast before picking up to 2.7 percent growth next year. Currently, upbeat investment and consumption activity are supported by attractive interest rates and higher household income and this is expected to be upheld next year following the recent incentives announced by the Government through the 2013 National Budget. On the labour market, continued improvement is expected to be seen in the coming months.

Inflation rose to a lower-than-expected 4.1 percent in October from 3.7 percent in September. Looking ahead, the Governor stated that, "price pressures are expected to moderate further due to the flow-on-effects of restrained growth in global demand. The year-end inflation forecast remains at around 3.5 percent with possible downward movement in the remaining months". The Governor added that, "foreign reserves remain comfortable and are currently (29 November) around $1,578 million, sufficient to cover 5.0 months of retained imports. In this regard, the Reserve Bank will continue to monitor the level of foreign reserves closely and align policies accordingly to ensure that it remains at adequate levels".

The Governor noted that, "given the perceived downside risks to growth next year and the modest recovery continuing in the economy, it would be appropriate to maintain the current low interest rate environment to support economic growth".

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