RESERVE BANK OF FIJI

PRESS RELEASE

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MONETARY POLICY STANCE KEPT UNCHANGED

The Reserve Bank of Fiji Board met for its monthly meeting on 27 June and decided to keep its Overnight Policy Rate (OPR) unchanged at 0.5 percent.

The Governor and chairman of the Reserve Bank Board, Mr Barry Whiteside, noted that "the accommodative monetary policy stance that the Bank had adopted is giving the desirable results with annual commercial bank lending growing by 13.7 percent in May 2013. This growth in bank lending is the highest since March 2007 and has been supported by record low interest rates and Government initiatives announced in the last two national Budgets".

"The strong growth in credit is not a concern at this stage as most of it is directed to the productive sectors such as manufacturing, building and construction, real estate, wholesale and retail trade and utilities", he said.

The Governor added that while our traditional exports such as sugar and gold are performing below their historical highs, foreign reserves remain comfortable, supported by strong tourism earnings and inward remittances. Remittances grew by 24.7 percent during the first five months of 2013 over the same period last year. After a slowdown in visitor arrivals in the first three months due to the impact of Cyclone Evan, outbound short-term departures from Australia and New Zealand for Fiji in April were 30 percent higher over the year. As at 26 June 2013, foreign reserves were around $1,684 million, sufficient to cover 4.8 months of retained imports.

In addition, partial indicators on consumption and investment remain buoyant with the pick-up in economic activity reflected in a rise in imports.

Inflation gained slightly in May to 1.5 percent from 1.0 percent recorded in April, largely driven by price increases in the food and alcoholic drinks & tobacco categories. Price pressures are expected to remain stable and the year-end inflation forecast remains at 3.0 percent.

At the Board meeting, Mr Whiteside concluded that with subdued domestic inflationary pressures and the comfortable level of foreign reserves, at this stage, the current accommodative stance of monetary policy remains appropriate to support domestic economic activity.

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