RESERVE BANK OF FIJI

PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

At its monthly meeting on 28 April 2016, the Reserve Bank of Fiji Board agreed to maintain the Overnight Policy Rate at 0.5 percent.

In announcing the decision, the Governor and Chairman of the Board, Mr Barry Whiteside highlighted that "the ongoing weakness in global demand remains a downside risk for Fiji's exports, tourism and remittance sectors. Nevertheless, windfall gains from the current low global commodity prices, particularly for oil augurs well for many of our key sectors. The Fiji economy is still on track to achieve its seventh year of growth this year, albeit at a slower pace than earlier expected due to the negative impacts of the recent natural disasters and weak trading partner demand.''

Latest indicators suggest mixed sectoral performances. While better-than-expected performances were recorded by the tourism and mining sectors up to March 2016, declines were noted for the timber and fish industries for the March quarter and the first two months, respectively. Nevertheless, disaster related assistance including member withdrawals from the Fiji National Provident Fund and various facilities offered by financial institutions, coupled with rebuilding and rehabilitation efforts are expected to stimulate consumption and construction activity in the economy. Furthermore, the current situation of favourable monetary conditions and record low interest rates, are expected to provide further impetus for investment and growth.

Amidst these developments, the twin objectives of the Reserve Bank remain intact. Despite the supply-side shock from Tropical Cyclone Winston and the recent flooding, inflation has remained low, falling to 0.8 percent in March from 1.2 percent in February. Year-end inflation is forecast at around 2.0 percent, which takes into account the subdued imported inflation emanating from lower crude oil prices, and the subsequent reductions in domestic fuel prices. Foreign reserves are currently (28 April) $1,984.0 million, sufficient to cover 5.6 months of retained imports of goods and non-factor services."

Mr Whiteside reiterated that "given the weak global outlook and the adverse effects of the recent spate of natural disasters, supporting economic recovery is vital, while at the same time safeguarding the Bank's twin objectives. In this regard, the Bank will continue to closely monitor economic developments to identify any potential risks to our monetary policy objectives that would warrant a change in monetary policy."

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