RESERVE BANK OF FIJI

PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board at its monthly meeting on 28 July agreed to maintain the Overnight Policy Rate at 0.5 percent.

The Governor and Chairman of the Board, Mr Barry Whiteside in announcing the board decision stated that, "despite the subdued global economic environment and the further complications caused by the surprise United Kingdom (UK) exit vote from the European Union (EU), latest partial indicators signal continued buoyancy in domestic demand. Consumption and investment activity remain relatively firm supported by continued accommodative monetary settings, higher remittance and tourist inflows and favourable labour market conditions. RBF survey sentiments also point to strong retail sales for the rest of the year, despite the moderation in commercial banks' new consumption and investment lending growth."

Mr Whiteside also highlighted that sectoral performances were mixed in the review period as some cyclone-affected sectors posted negative outcomes. Nonetheless, given the expansionary fiscal stance and incentives announced in the 2016/2017 National Budget, growth in the domestic economy is expected to be slightly upward biased. On a positive note, the impact of the 'Brexit' on Fiji through direct and indirect exposure to the UK and EU is, for now, expected to be modest as Fiji's trade and foreign exchange earnings from these two sources is relatively small.

On the dual mandates of the Bank, inflationary pressures over recent months have been influenced by domestic supply factors following the natural disasters earlier in the year and the recent announcements in the Government's National Budget, particularly the increase in duty on alcohol, tobacco and cigarettes. As such, inflation was 5.3 percent in June, up from 5.2 percent in May 2016. End of year inflation is now expected to be higher than earlier projected, at around 3.5 percent.

With the stable performance of Fiji's external sector, foreign reserves are currently (28 July) comfortable at $1,978 million, sufficient to cover 5.5 months of retained imports of goods and non-factor services. The drawdowns of the Asian Development Bank and World Bank loans are also expected to further support foreign reserves levels for 2016.

The Governor concluded that the RBF will continue to monitor latest developments and risks to the global and domestic economic outlook and align monetary policy accordingly.

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