RESERVE BANK OF FIJI

PRESS RELEASE

Press Release No. : 4/2017

Date : 23 February 2017

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MONETARY POLICY STANCE MAINTAINED

At its monthly meeting on 23 February 2017, the Reserve Bank of Fiji Board maintained the Overnight Policy Rate at 0.5 percent.

The Governor and Chairman of the Board, Mr Barry Whiteside stated that "despite the setback from last year's natural disasters, key sectors such as tourism, gold, garments and electricity registered positive performances in 2016. For this year, latest partial indicators suggest continuing strong domestic demand through higher consumption and investment on the back of buoyant consumer spending and ongoing rehabilitation activities. As such, a better growth outlook of 3.6 percent is anticipated for this year following a 2.0 percent estimated growth in 2016. This is led by improved performances expected across all major sectors of the economy, supported by favourable domestic sentiments and accommodative fiscal and monetary policy settings. Nevertheless, downside risks to the growth outlook prevail, especially adverse weather conditions, higher import prices and domestic supply side constraints."

On the global outlook, Mr Whiteside added that key commodity prices are slowly gaining traction whilst improved sentiments for advanced economies have underpinned a higher growth forecast for the world economy this year. On the contrary, geo-political and financial markets uncertainties, lower potential growth and elevated vulnerabilities in some emerging markets and developing countries may dampen growth expectations.

On the dual objectives of the Bank, inflation outcomes were higher in January at 6.8 percent from 3.9 percent in December, as a result of one-off factors such as the impact of the December 2016 Tropical Depression (TD04F) on prices of agricultural produce and the fallout of the lower Value Added Tax rate implemented a year ago from the inflation calculation. Inflationary pressures this year are expected to be domestically driven, mainly from the impact of the tropical depression on prices for market items while price pressures from imported inflation are anticipated to remain low.

Foreign reserves remained at comfortable levels, supported by buoyant tourism receipts. Currently (23 February), foreign reserves are at $1,976.1 million, sufficient to cover 5.3 months of retained imports of goods and non-factor services.

The Governor highlighted that the Bank will continue to closely monitor global and domestic developments, assess risks to the economy and the Bank's objectives, and align monetary policy accordingly.

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