RESERVE BANK OF FIJI

PRESS RELEASE

Press Release No.	**: 12/2017**	**Telephone**	**: (679) 331 3611**
		Facsimile	**: (679) 330 2094**
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MONETARY POLICY STANCE REMAINS UNCHANGED

At its monthly meeting on 25 May, the Reserve Bank of Fiji Board agreed to maintain the Overnight Policy Rate at 0.5 percent.

In conveying the decision, the Governor and Chairman of the Board, Mr Barry Whiteside stated that, “domestically, real sector outcomes have been mixed to date, however, aggregate demand conditions remain positive, largely underpinned by buoyant consumption and improving investment activity.”

Mr Whiteside added that, “the domestic growth outlook has improved this year, largely from the spill-over of post Tropical Cyclone (TC) Winston related reconstruction activities from 2016, and better-than-expected sectoral performances so far this year. Economic activity continues to strengthen supported by conducive labour market and financial conditions.” With the exception of the fishing, forestry and mining sectors, a broad-based services-led growth of 3.8 percent is forecast for the Fijian economy in 2017, following an estimated 2.0 percent expansion last year.

On the external front, Mr Whiteside highlighted that the global economy is expected to gain momentum this year, led by growth in advanced economies while prospects for emerging and developing economies remain uneven. “Risks to the projections remain downward biased and include widening global imbalances and increased geopolitical tensions in the Middle East, North Africa and Korean peninsula, which can have negative repercussions for Fiji’s trading partners and eventually our external sector. On the upside, a relatively low commodity price environment continues to augur well for our commodity-importing country, particularly as import demand picks up to meet the ongoing recovery needs.”

The dual monetary policy objectives of the Bank remain intact. Inflation fell to 4.1 percent in April 2017 from 5.6 percent in March, after remaining above the 5.0 percent mark in the first quarter of this year. Inflationary pressures in 2017 continue to be dominated by domestic factors, mainly supply shortages of certain market items (particularly yaqona) which have kept prices elevated following TC Winston. However, annual inflation is expected to fall to 3.0 percent by year-end as supply for most agricultural produce normalises. As of 25 May, foreign reserves were around $2,240.0 million, sufficient to cover 5.6 months of retained imports of goods and non-factor services.

The Governor concluded that the Reserve Bank will continue to closely monitor developments and risks to the global and domestic outlook and align monetary policy as warranted.

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