

RESERVE BANK OF FIJI

PRESS RELEASE



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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board has agreed to keep the Overnight Policy Rate unchanged at 0.5 percent following its monthly meeting on 31 May.

Announcing the decision, the Governor and Chairman of the Board, Mr Ariff Ali, stated that “sectoral performances in the year have been generally positive so far, attributed to robust recovery in gold and timber production coupled with positive outcomes noted for visitor arrivals and electricity generation.” Governor Ali highlighted that “consumption activity remains upbeat as reflected in increased VAT collections, higher vehicle registrations, and rising commercial banks’ lending.” He added that despite the natural disasters in early April, the economy is expected to register its ninth consecutive year of economic growth in 2018.

On the international front, Governor Ali stated that the global economic upswing continues to strengthen underpinned by the recoveries in emerging market economies and the increase in global trade and investment activities. However, geopolitical tensions between the United States and Iran and the general increase in commodity prices could pose risks to our macroeconomic outlook going forward.

Nevertheless, the outlook for the Reserve Bank’s twin monetary policy objectives remains intact. Annual inflation increased to 4.0 percent in April from 2.6 percent in March, attributed to supply-side shocks post-natural disasters and relatively higher prices for yaqona (kava) and vegetables. However, this is anticipated to subside in the months ahead as supply of most agricultural market items normalise. Foreign reserves were adequate at \$2,163.3 million as at 31 May, sufficient to cover 5.0 months of retained imports of goods and non-factor services and are expected to remain at comfortable levels by year-end.

Governor Ali concluded that in light of the latest global and domestic economic developments and the stable outlook for inflation and foreign reserves, the monetary policy stance would remain accommodative. The Reserve Bank will continue to monitor economic developments closely and will align monetary policy as and when appropriate.

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