RESERVE BANK OF FIJI

PRESS RELEASE

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MONETARY POLICY STANCE UNCHANGED

The Reserve Bank of Fiji (RBF) Board has maintained the Overnight Policy Rate at 0.5 percent in its monthly meeting on 23 August, acknowledging that there are no immediate threats to the RBF's twin objectives of low inflation and adequate level of foreign reserves.

In announcing the decision, Governor and Chairman of the Board, Mr Ariff Ali, stated that "domestic economic conditions remain robust, led by positive performance in sectors such as tourism, gold and timber. For the sugar industry, just over 30.0 percent of the Macroeconomic Committee's sugar output forecast has been achieved by 20 August. Consumption spending remain strong as noted from annual growths registered by partial indicators such as net VAT collections, new consumption lending by commercial banks and private vehicle registrations, in the year to July. Partial indicators for investment spending were mixed but are expected to improve towards the latter part of the year supported by the higher budgeted capital expenditure by Government for the fiscal year 2018-19."

Governor Ali added that consumer and business confidence remain favourable. The RBF June 2018 Business Expectations Survey indicated a net 80.0 percent of respondents expect overall economic conditions to be positive in the next 6 to 12 months, the highest rating since December 2015. Similarly, the RBF June Retail Sales Survey noted an 8.3 percent expected increase in retail sales this year. Recruitment intentions are also positive as the number of jobs advertised rose by an annual 6.3 percent in the year to July.

However, he cautioned that risks to the macroeconomic outlook and RBF's twin objectives remain in the medium to long-term. In the external sector, while all our major trading partners are expected to note positive growth, downside risks have become more pronounced due to escalating trade and geopolitical tensions. Headline inflation edged up to 4.7 percent in July and is forecast to remain elevated till year-end, led by increased duty on alcohol, tobacco, sweetened drinks and higher fuel prices. Nevertheless, core inflation remains low at around 1.5 percent and inflationary pressures from higher duties and commodity prices are expected to subside from 2019.

Foreign reserves are currently around $2,152.6 million (23/08), sufficient to cover 5.0 months of retained imports and coverage is expected to hover around 5.0 months of retained imports over the medium term. Governor Ali concluded that "with the outlook for the twin objectives comfortable, monetary policy will remain accommodative to support economic growth". The RBF will continue to monitor macroeconomic developments and risks closely, and align monetary policy as needed.

For further information, please contact:-

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