

RESERVE BANK OF FIJI

PRESS RELEASE



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OVERNIGHT POLICY RATE REMAINS UNCHANGED

The Reserve Bank of Fiji Board at its meeting on 30 August agreed to maintain the Overnight Policy Rate at 0.5 percent.

In announcing the decision, the Governor and Chairman of the Board, Mr Ariff Ali stated that the “economic slowdown is being felt across the globe as growth is forecast to be the lowest in a decade. The weak sentiments are fuelled primarily by the escalating trade impasse between the United States and China and has led central banks across the world to cut rates to prop up their economies. While on one hand, the fragile global environment poses downside risks for Fiji particularly for tourism, remittances and export receipts, the resulting stabilisation in crude oil prices has positive impetus for inflation, imports and foreign reserves”.

Mr Ali added that the “latest indicators also point towards a slowdown in the domestic economy. While the tourism industry has recently performed above expectations, there has been a slowdown in consumption and contraction in investment spending which is reflected in weak private sector credit growth as well as labour demand. The RBF’s June Business Expectations and Retail Sales Surveys show that business and investor confidence sentiments for the next 12 months are comparatively weaker from the previous survey at the end of last year. Nonetheless, current indicators show that overall growth will remain positive this year but a thorough review is scheduled by the Macroeconomic Committee in October.”

The Governor added that despite the softening economic sentiments, the RBF’s monetary policy objectives remain intact. Banking system liquidity has improved to over \$600 million at the end of August. Inflation has decelerated to 0.7 percent in July and year end projection is around 3.0 percent. Foreign reserves continue to rise and were \$2,160.2 million on 30/08, sufficient to cover 5.0 months of retained imports and projected to remain at adequate levels over the medium term.

The Governor concluded that the moderation in the global and domestic economy and comfortable level of inflation and foreign reserves warrants the continuation of the accommodative monetary policy stance and the Bank will continue to monitor local and international developments closely and align policy as needed.

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