

RESERVE BANK OF FIJI

PRESS RELEASE



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OVERNIGHT POLICY RATE REMAINS UNCHANGED

The Reserve Bank of Fiji Board at its monthly meeting on 26 September maintained the Overnight Policy Rate at 0.5 percent.

The Governor and Chairman of the Board, Mr Ariff Ali stated that “global economic activity remains sluggish, with latest economic indicators suggesting a further slowdown especially in Fiji’s major trading partner economies. In addition, the recent drone attacks on Saudi Arabia’s largest oil production facilities disrupted output and temporarily raised crude oil prices, reversing the downward trend noted in the past few months.” Nevertheless, oil prices are expected to stabilise in the near term as supplies are restored. Additionally, the on-going trade war between the United States and China, geo-political and technology disputes, along with the uncertainty surrounding Brexit remain key risks to the global outlook moving forward.

Mr Ali noted that the “domestic economic activity remains subdued given weak sugar, gold and timber output to date. Also, aggregate demand conditions have moderated with the slowdown noted in consumption and investment activities. Nevertheless, higher visitor arrivals in the year to August underscore the continuing resilience of the tourism industry.” Consequently, higher tourism earnings and strong remittance inflows have further strengthened Fiji’s external position, against subdued imports.

Given these developments, the Governor cautioned that while there were no immediate threats to our twin objectives, growth prospects for 2019 and the medium term are relatively lower. Inflation was 1.2 percent in August compared with 4.3 percent recorded in August 2018. Year-end inflation is now expected to be 2.0 percent, a downward revision from the 3.0 percent projected earlier. Foreign reserves are currently around \$2,173.7 million as at 26 September 2019, sufficient to cover 5.0 months of retained imports and are anticipated to remain at comfortable levels over the medium term.

Against this backdrop, Governor Ali concluded that “the Reserve Bank will continue with its accommodative monetary policy stance to support domestic growth, while closely monitoring global and domestic developments as well as risks to the macroeconomic outlook and align policy where appropriate.”

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