

RESERVE BANK OF FIJI

PRESS RELEASE



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OVERNIGHT POLICY RATE REMAINS UNCHANGED

The Reserve Bank of Fiji Board decided to keep the Overnight Policy Rate unchanged at 0.5 percent at its meeting on 28 November.

The Governor and Chairman of the Board, Mr Ariff Ali, stated that while the Bank's twin objectives remained intact, major sectoral performances to date have been mixed and aggregate demand has softened in line with the 1.0 percent revised growth forecast for 2019. He added that in line with the latest business expectations and retail sales surveys, private sector credit growth further slowed in October.

Inflation has been decelerating since the middle of the year and has turned negative. Consumer prices declined annually by 0.9 percent in October compared with the 0.4 percent increase noted a month earlier and is much lower than the 5.2 percent growth recorded in the same month a year ago. All major categories noted a decline in prices, with the exception of food & non-alcoholic beverages. Given that aggregate demand is forecast to remain soft, demand side inflationary pressures are forecast to be broadly muted in the near-term.

In addition, balance of payments vulnerabilities have subsided. The decline in imports amid continuous growth in tourism and remittance receipts has led to an improvement in foreign reserves of around \$180 million since the end of 2018. Foreign reserves were \$2,190 million at the end of November, sufficient to cover 5.0 months of retained imports of goods and services and are forecast to remain at comfortable levels over the medium-term given the modest outlook for import growth and uptick in tourism and remittance inflows.

While the Reserve Bank's monetary policy objectives are intact, accommodative macroeconomic policies are needed to raise growth whilst maintaining price and external stability. Therefore, the current accommodative monetary policy stance remains appropriate and is supported by surplus bank liquidity which was above \$600 million throughout November.

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