

RESERVE BANK OF FIJI



PRESS RELEASE

Press Release No. : 14/2007

Phone : (679) 3313 611

Date : 26 July 2007

Fax : (679) 3301 688

E-mail : info@rbf.gov.fj

MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board decided to leave its current monetary policy unchanged at its monthly meeting on 26 July, 2007.

The Governor and Chairman of the Board, Mr Savenaca Narube noted that “Economic conditions have remained largely unchanged from the previous month. Latest data continues to suggest that the policy actions by the Bank are taking effect. Given the current economic downturn and the tight monetary policy, credit growth has slowed and imports have declined. Foreign reserves have stabilised and remain at an acceptable level.”

However, the Bank also notes that while imports have declined, it is not enough to close the large trade deficit. The poor performance of exports remains, hence, the outlook on the balance of payments will continue to shape the Bank’s monetary policy decisions.

Mr Narube also mentioned that “Inflation rose steadily throughout the first six months of the year and stood at 7.1 percent in June, largely underpinned by higher prices of food items”. He noted that “Supply constraints have pushed and held the prices of domestic market produce at very high levels, while at the same time drought-related supply shocks in Australia have also led to higher imported prices of wheat and dairy products in Fiji.”

Given these unexpected developments, the year-end inflation is now expected to be around 7 percent. Nonetheless, the Bank recognises that the main factors that are pulling inflation upwards are supply related and therefore, do not warrant any monetary policy response. It is expected that inflation will ease in the coming year.

Reserve Bank of Fiji