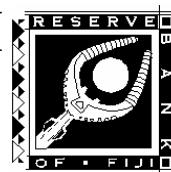


# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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**Press Release No.** : 15/2008

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### **MONETARY POLICY STANCE REMAINS UNCHANGED**

The Reserve Bank of Fiji Board held its monthly meeting on 26 June 2008 and left monetary policy unchanged.

According to the Board, "Latest economic data indicate that a modest economic recovery is anticipated this year on the back of significantly higher visitor arrivals and resumption of gold production. However, investment and consumption remains subdued."

In terms of the Reserve Bank's twin objectives, the pressure on foreign reserves remains, as growth in imports continue to offset the rise in exports, attributed to higher payments for food and mineral fuels. Consequently, Fiji's trade deficit has widened in the first four months of 2008.

On inflation, the Board noted that prices fell for the first time on a monthly basis since September last year. The inflation rate was 5.8 percent in May 2008 and is expected to fall in the next few months due to the recent measures announced by the Minister for Finance. The measures include the removal of VAT and fiscal duties on selected food items, which became effective on 1 June 2008. However, a pick up in inflation is expected towards the later part of the year based on the futures prices of crude oil and other basic commodities, as well as the upward revision in the inflation outlook for our major trading partners. As a result, the year-end inflation forecast was revised up to 7.5 percent from 5.0 percent.

The Board emphasised that monetary policy has little influence over the current inflationary pressures as they are underpinned by external and supply-side constraints.

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