

# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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### **RESERVE BANK BOARD LEAVES MONETARY POLICY UNCHANGED**

The Reserve Bank Board had its monthly meeting in Nadi on Friday 31 August. The meeting was preceded by a presentation on Fiji's economic conditions to the Western Business Community on Thursday evening.

At the conclusion of the Board meeting, the Governor and Chairman of the Board, Mr. Savenaca Narube announced that "The economic indicators are in line with the projection for an economic decline of 3 percent in 2007."

Mr. Narube added that "The Bank's policies aimed at restraining demand are slowly taking effect. For the first time in three years, the annual growth in commercial bank lending has dipped below ten percent. This had led to a decline in imports which has brought about some stability in our foreign reserves."

Mr. Narube cautioned that "While the foreign reserves levels are holding up, we are still projecting a decline in exports in 2007. In addition, remittances have also fallen in the first half of the year. Therefore the country's balance of payments position is still fundamentally weak and we must continue our drive to lift our exports."

He added that inflation fell in the year to July to 6.4 percent from 7.1 percent in June on account of improved domestic supply of market produce. Looking ahead, inflationary pressures are anticipated to remain for some time but subside to historical level by the end of next year.

The liquidity in the financial system is historically high and this has pushed interest rate lower which should offer some relief in debt servicing and help support growth.

In light of the above developments, the Reserve Bank Board has decided to leave monetary policy unchanged.

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