



PRESS RELEASE

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RESERVE BANK OF FIJI MAINTAINS MONETARY POLICY STANCE

Following the meeting of the Reserve Bank of Fiji Board held on 28th November 2008, the Governor and Chairman of the Board, Mr. Savenaca Narube, said that the monetary policy stance remained unchanged.

Prospects for global growth have deteriorated further over the past month, as the global financial crisis continues to unravel. Consequently, the International Monetary Fund (IMF) downgraded world growth to 3.7 percent this year. Moreover, a global recession is envisaged for 2009, with world growth now projected at 2.2 percent. Likewise, of Fiji's major trading partner countries, New Zealand, Euro-zone and Japan are in recession, while the US and Australia are expected to slow significantly this year and in 2009.

Mr. Narube added that "the domestic economy remained weak, with growth forecast at 1.2 percent for 2008, a downward revision from the earlier forecast of 1.7 percent. On a positive note, the fiscal expansionary policy outlined in the National Budget augurs well for growth in 2009. Mainly as a result of these measures, the economy is anticipated to expand by 2.4 percent, up from the previous projection of 1.4 percent, as well as positive outcomes from agriculture, tourism and manufacturing. However, we have yet to fully evaluate the impact of the global recession on our economic sectors."

The Governor noted that international inflationary pressures have abated somewhat, as inflation eased to 8.5 percent in October, down from a 20-year high of 9.8 percent in September. This was underpinned by the recent dramatic fall in oil prices. This has somewhat offset the recent announcement in the increase in FEA's electricity fuel surcharge, as well as various measures listed in the 2009 Budget. The year-end inflation outlook therefore remains unchanged at 7.5 percent.

However, Mr. Narube cautioned that "the balance of payments was still forecast to remain under pressure, underpinned by the wide trade deficit. The investment and export measures announced in the Budget are welcomed. However, their benefits would be reaped over the medium to long term. As such, we must remain active in protecting Fiji's external position in the short term."

Accordingly, the Reserve Bank of Fiji Board decided to keep the current monetary policy stance unchanged.

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