

RESERVE BANK OF FIJI



PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board held its monthly meeting on 30 October 2008 and left monetary policy unchanged.

The Governor and Chairman of the Board, Mr. Savenaca Narube stated that “the global financial crisis and economic slowdown in our major trading partners is expected to have dampening effect on the domestic economy”. He added that Fiji’s growth forecast for 2008 and 2009 is already low and the downgrading of world economic growth is likely to pose downside risks to Fiji’s economic performance. In particular, demand for exports and visitor arrivals may soften and inward personal remittances are likely to decline further.

On the financial sector, Mr. Narube explained that Fiji’s banking system remains strong, resilient and adequately capitalised. While the global crisis will affect the real economy, its impact on the banking system is limited as liquidity is high and the financial institutions do not have any direct exposure to the international financial market given that bank lending is confined to domestic entities.

On the Bank’s objectives, Mr. Narube explained that while domestic inflation has reached a 20-year high of 9.8 percent in September, it is expected to fall in the coming months in line with the trend in crude oil and commodity prices. On the other hand, the widening trade deficit continues to weigh negatively on the foreign reserves levels.

Given the Bank’s commitment to its objectives and the risks posed by the current global financial crisis, the Board has decided to keep the current monetary policy unchanged.

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