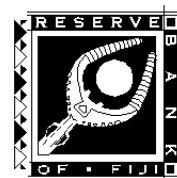


RESERVE BANK OF FIJI

PRESS RELEASE



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OVERNIGHT POLICY RATE REMAINS UNCHANGED

The Reserve Bank of Fiji Board at its meeting on 27 February decided to keep the Overnight Policy Rate unchanged at 0.5 percent, following the assessment that the Bank's monetary policy objectives of low inflation and adequate foreign reserves remain intact.

The Governor and Chairman of the Board, Mr Ariff Ali stated that the current monetary policy stance is appropriate, providing necessary stimulus in light of weaker global and domestic economic conditions. Key indicators for employment, consumption, investment activity and credit outcomes have continued to soften in early 2020. While the spread of the coronavirus poses further downside risks to domestic and global growth projections for this year, the observed decline in Brent crude oil prices resulting from the lower demand in China will augur well for Fiji's trade balance.

Governor Ali noted that the domestic impact of the coronavirus outbreak will likely be most prominent in the tourism sector due to travel bans on foreign nationals, cancelled flights and the current uncertainty and risks surrounding global travel. Local businesses may also potentially feel the ripple effects of disruptions to China's supply chain and manufacturing network, especially through lower growth in our major trading partners. On the upside, results from the RBF Business Expectations Survey point to an improvement in business and investment sentiments over the medium term although the outlook in consumption from the Retail Sales Survey remains flat.

Price pressures were muted as the annual inflation rate edged down for the fourth consecutive month to negative 1.9 percent in January. The historic low rate was on account of lower prices noted in the communication, alcoholic beverages, tobacco & narcotics and food & non-alcoholic beverages categories. Inflationary pressures are forecast to remain muted this year. At present (27/02), foreign reserves (RBF holdings) are comfortable at around \$2,264.7 million, sufficient to cover 5.1 months of retained imports of goods and non-factor services, with an adequate level projected for the medium-term.

The current comfortable outlook for the RBF's twin monetary policy objectives warrant that the accommodative monetary policy stance be maintained. The Bank will continue its monitoring of economic developments and risks and adjust monetary policy if needed.

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