

# RESERVE BANK OF FIJI

## PRESS RELEASE



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### **RBF MAINTAINS OVERNIGHT POLICY RATE AND RECALIBRATES FACILITY TO ASSIST BUSINESSES AFFECTED BY COVID-19**

The Reserve Bank of Fiji (RBF) Board at its monthly meeting on 26 March maintained the Overnight Policy Rate at 0.25 percent. The decision comes on the back of the 25 basis points reduction on 18 March in which the central bank signalled its intention to ease monetary policy to support economic activity.

The Governor and Chairman of the Board, Mr Ariff Ali stated that the Fijian economy is currently in uncharted waters and headed for a recession this year. The coronavirus (COVID-19) pandemic has led to the cessation in tourism activity and transmitted significant negative knock-on effects to the broader economy. While precautionary and containment measures adopted by the authorities and the general population will drastically affect consumption spending and government revenue, they are appropriate and crucial to avoid longer-term social and economic damage.

The Governor added that amid the synchronised recession on the global and domestic front, an accommodative monetary policy stance along with policy initiatives to support the private sector and households are warranted. To this effect, the RBF will expand its Natural Disaster and Rehabilitation Facility to include businesses affected by epidemics/pandemics and be renamed the Disaster Rehabilitation and Containment Facility. Total allocation for this facility has been raised to \$60 million. Businesses affected by the COVID-19 pandemic can access funds under this facility through their respective commercial banks, licenced credit institutions or the Fiji Development Bank at an interest rate of up to a maximum of 5.0 percent.

The magnitude of the domestic economic contraction will depend on the duration and the spread of the pandemic, which continues to unfold. That said, financial conditions remain accommodative with ample liquidity, stable interest rates and modest credit growth. Notably, the reduction in interest rates and various other reprieve measures announced by commercial banks' to assist customers should support businesses during this downturn. On the fiscal front, the stimulus expected to be announced by the Honourable Minister for Economy in the supplementary budget should assist in the recovery of the economy.

For now, the financial system is sound and the RBF's twin monetary policy objectives of low inflation and adequate foreign reserves remain intact. Annual inflation was registered at a historic low of -3.0 percent in February while foreign reserves were around \$2,228.2 million as at 26 March, sufficient to cover 5.7 months of retained imports of goods and services.

The Governor concluded that downside risks emanating from both the external and domestic fronts have increased in recent weeks and remain elevated. The RBF is closely monitoring these economic and financial developments and will align monetary policy and other measures accordingly.

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