

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 30 January kept the Overnight Policy Rate unchanged at 0.5 percent.

The Governor and Chairman of the Board, Mr Ariff Ali stated that the decision was based on recent developments in the global and domestic economy, which posed no immediate threat to the Bank's twin monetary policy objectives of low inflation and adequate foreign reserves.

On the external front, Governor Ali noted that the recent growth projections released by the International Monetary Fund suggests a modest pick-up in global economic activity in 2020. Global growth is forecast to rise to 3.3 percent in 2020 from an estimated 2.9 percent in 2019, down from earlier projections of 3.4 percent and 3.0 percent, respectively. While the recent signing of a trade deal between the United States (US) and China should ease tensions and enhance manufacturing activity and global trade flows, the recent Coronavirus outbreak along with a re-escalation in the US-Iran conflict and other geopolitical tensions could derail global growth prospects going forward.

Domestically, the Fijian economy is anticipated to expand at a slightly higher rate of 1.7 percent in 2020, following an estimated growth of 1.0 percent in 2019. The growth is expected to be underpinned by the agriculture, information & communication, manufacturing, financial & insurance activities, wholesale & retail and accommodation & food service sectors. However, headwinds from the global economy coupled with the Coronavirus outbreak and the Australian bushfires could negatively weigh on the economic outturn for this year. Domestic demand which had been weak throughout last year is expected to recover in 2020 in tandem with economic activity.

Annual inflation stood at a record low of -0.9 percent in December 2019, compared to the 4.8 percent recorded in 2018 on account of lower prices in the communication and alcoholic beverages, tobacco & narcotics categories. Foreign reserves (RBF holdings) are around \$2,248.1 million (30/01), sufficient to cover 5.1 months of retained imports of goods and non-factor services and are expected to remain comfortable in the medium-term.

Governor Ali concluded that with the stable outlook for foreign reserves and inflation, the Bank will maintain its accommodative stance and will continue to closely monitor economic developments as well as risks and align monetary policy accordingly.

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