

RESERVE BANK OF FIJI

PRESS RELEASE



Press Release No.	: 07/2021	Telephone	: (679) 331 3611
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Date	: 29 April 2021	Email	: info@rbf.gov.fj

RBF MAINTAINS AN ACCOMMODATIVE MONETARY POLICY STANCE

On April 29, the Reserve Bank of Fiji (RBF) Board agreed to maintain the Overnight Policy Rate at 0.25 percent.

The Governor and Chairman of the Board, Mr Ariff Ali, highlighted that “the decision to maintain an accommodative stance is based on the current economic environment and the outlook for the twin monetary policy objectives of the RBF.” He noted the relatively stronger yet divergent economic recovery anticipated for the global economy for this and next year, as projected by the International Monetary Fund (IMF) in its April World Economic Outlook report. He added that “risks to the global economy remain, with policy advice from the IMF as the pandemic continues focused on prioritising health care spending, maintaining targeted fiscal support and accommodative monetary policy while tracking financial stability risks.”

Domestically, economic activity remains weak based on the lacklustre output in key sectors and contraction in consumption and investment activity. Weak labour market conditions persist with ongoing support from the Fiji National Provident Fund and the Government via the COVID-19 unemployment scheme. Subdued real economic conditions were corroborated by financial sector activity, where lending to the private sector contracted due to reduced lending to both households and private sector business entities. Nonetheless, current (28/04) liquidity levels in the banking system remained high at \$1,497.6 million. As such, interest rates remained relatively lower over the year.

The over 50,000 people who had received the first dose of the AstraZeneca COVID-19 vaccine and the 26,000 doses that just arrived in the country are positive developments. However, the recent local transmission cases and the resulting containment measures imposed locally add to the near-term economic uncertainty and will likely delay the resumption of tourist activity.

The Governor reaffirmed that the RBF’s twin monetary policy objectives of stable inflation and adequate foreign reserves remain intact. Headline inflation returned to negative territory (-1.2%) in March, underlined by lower food, alcohol, and *yaqona* prices. In the near term, inflationary pressures are expected to stem from increases in crude oil and global food prices coupled with potential weather-related shocks. Foreign reserve levels continue to be assessed as adequate, and currently (29/04) stand at \$2,781.6 million, sufficient to cover 8.6 months and supported by a drawdown of external loans and lower import payments.

Governor Ali concluded that the RBF will continue to monitor international and domestic economic developments and align monetary policy accordingly.

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