RESERVE BANK OF FIJI

PRESS RELEASE

Press Release No. **: 28/2020**

Date **: 29 October 2020**

Telephone : (679) 331 3611
Facsimile : (679) 330 2094
Email : info@rbf.gov.fj

MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji (RBF) Board maintained the Overnight Policy Rate (OPR) at 0.25 percent following its monthly meeting on 29 October.

The Governor and Chairman of the Board Mr Ariff Ali, noted the latest revisions on global growth prospects by the International Monetary Fund and highlighted that "while the global economic contraction for this year is expected to be less severe than earlier anticipated, continuous policy support and collaborative efforts towards the development of the vaccine will be crucial for economic recovery. Nevertheless, constant vigilance in monitoring the associated risks to the economic outlook should remain a key priority for policymakers across the globe."

Mr Ali added that in line with global developments, domestic economic activity was subdued as per the latest partial indicators. Sectoral output and aggregate demand remain weak on an annual basis reflecting the substantial impact of the crisis on market demand and supply. However, on the upside, most partial indicators of domestic demand and several key sectoral outcomes have improved consistently on a monthly basis following the easing of domestic lockdown and restrictions. Furthermore, annually higher inward remittances in the year to September, has also provided added impetus to consumption activity.

Credit conditions have tightened given the current elevated risk levels and depressed economic environment. However, given the ample level of liquidity in the financial system, the cost of funds for commercial banks and lending rates have declined relative to last year and should augur well for the economy during the recovery phase. Additionally, Government initiatives outlined in the 2020-21 National Budget, coupled with the RBF's accommodative monetary policy stance and various lending facilities should continue to support domestic economic activity in the months ahead.

Headline inflation fell further to -3.2 percent in September from -3.0 percent in August and continues to be underpinned by lower prices for alcohol, *yaqona*, food and fuel. Looking ahead, inflation is envisaged to be in negative territory until mid-2021 considering the weak economic environment, reduced taxes and duties and lower international oil prices. Foreign reserves are adequate at $2,250.9 million as at 29 October, sufficient to cover 8.2 months of retained imports, and are expected to remain adequate in the medium term.

The Governor concluded that while the outlook for the Reserve Bank's twin monetary policy objectives of low inflation and adequate foreign reserves remains satisfactory, key risks such as the delayed resumption of international travel and the imminent threat of natural disasters persist. As such, ongoing support on the monetary, financial and fiscal fronts will be vital in minimising further economic losses. Therefore, the Bank will continue to closely monitor international and domestic economic developments and align monetary and financial sector policies where appropriate.

For further details, please contact:-

Communications Office Telephone:
(679) 3223 381 Email: info@rbf.gov.f j

Mr Mervin Singh – Manager Corporate Communications:
Telephone: (679) 3223 229 Email: mervin@rbf.gov.f j

RESERVE BANK OF FIJI