



PRESS RELEASE

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RESERVE BANK OF FIJI MAINTAINS MONETARY POLICY STANCE

“While the Bank has left its monetary policy package largely unchanged, it has reduced the delegated limits on a few exchange controls”, the Reserve Bank of Fiji Governor Mr. Savenaca Narube announced following the Board meeting on 26 March 2009.

The Governor said that the Board noted with concern that the outlook of the world economy is getting progressively worse. The International Monetary Fund now expects that in 2009 the global economy will decline for the first time in 60 years. The impact of this deepening world recession on Fiji’s trading partners are now intensifying and will have significant flow on effects to Fiji’s tourism industry and commodity exports. These will continue to exert pressure on our balance of payments.

According to Mr. Narube, “Domestic demand continues to be weak. This is not surprising as the effects of the global slowdown and the impact of the floods feed into our economy. Latest sectoral data show that in January, visitor arrivals, electricity generation and copra production all contracted on an annual basis. Indicators of incomes, consumption and investment also turned out weaker, when compared with the same period last year.”

The Governor added that, “In line with the data that we have received so far, as well as from the feedback from various industries, we expect to significantly revise down Fiji’s economic growth for the year.”

On a positive note, inflation eased sharply to 1.9 percent in February, from 6.6 percent in January. Post-floods, supply of market items seem to have normalized quicker than was expected and this should ease price pressures further. However, the year-end projection remains at 4.5 percent and accounts for possible risks, such as a turnaround in oil prices later in the year.

In view of the worsening global economy and its possible impact on foreign reserves, the Board announced a reduction in the delegated limits on certain exchange controls. With immediate effect, overseas travel allowances are reduced to \$5,000 per traveler and limits for credit and debit card payment are reduced to \$5,000 per month. These delegated limits will be reviewed on an ongoing basis.

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