



PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

The Reserve Bank of Fiji Board held its monthly meeting on 25 September 2008 and left monetary policy unchanged.

The Board noted the positive developments in the performance of certain industries, such as tourism, forestry, fishing and mineral water so far this year and was encouraged by prospects for next year, especially in tourism and gold.

In terms of the Reserve Bank's twin objectives, the Board noted that inflation rose to an 18-year high of 9.5 percent in August from 7.8 percent recorded in July. The pick-up in inflation is also a reflection of the revised consumer basket of 2005. The Board recognises that there may be upside risks to the inflation outlook of 7.5 percent this year, given that oil and food prices are still high, despite easing somewhat recently.

There was some improvement in export performance in the first seven months of the year, but this was more than offset by the strong growth in imports, which was being driven by high food and oil prices. However, foreign reserves are holding up well at adequate levels.

The Board's decision was guided by the outlook on balance of payments and inflation, which had not improved from the previous month. According to the Board, "High commodity prices continue to pose threats to both these objectives and will be closely monitored in the coming months".

The Board once again emphasised the need to grow exports to assist in supporting the balance of payments.

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