



RESERVE BANK VANUATU

PRESS RELEASE

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MONETARY POLICY STANCE REMAINS UNCHANGED

In its meeting on October 2nd 2018, the Board of the Reserve Bank of Vanuatu (RBV) maintained the Bank's monetary policy stance. This means the policy rate remains at 2.90 percent, the SRD ratio remains at 5.25 percent, and the LAR ratio remains at 5.00 percent. Other credit facilities of the Reserve Bank including; Import Substitution and Export Financing Facility (ISEFF) & the Disaster Financing Credit Facility (DRCF) also remain active.

In considering this decision, the RBV Board noted that global growth expansion is becoming less even and trade tensions rising. The IMF, in its October 2018 WEO, downgraded global growth to 3.7 percent from 3.9 percent for 2018 and 2019, noting that the risks to global growth outlook are becoming more pronounced. Growing uncertainties stemming from the world's largest economies pursuing conflicting policies on tariffs and currency valuations have dampen the outlook for fiscal, monetary and trade policies. Countries with weak economic fundamentals are becoming more vulnerable to policy shocks and the appreciating United States Dollar (USD) is creating restrictive financial conditions in many countries.

Domestically, the macroeconomic fundamentals remain sound. Real GDP forecast for 2018 is 3.4 percent, remaining relatively concentrated on activities in the infrastructure construction (Industry) and services sector (Tourism). Monetary and financial conditions remain supportive of growth. The banking sector continues to be highly liquid and maintains a sound capital position. The Government's fiscal position remained favourable over the year to June 2018.

Domestic inflation eased, falling to 2.3 percent in Quarter two from 3.2 percent in Quarter one 2018. Official foreign reserves at 10.5 months remained above the threshold level of 4 months of import cover at the end of June 2018, which are sufficient buffers for imports and external obligations. The outlook over the rest of 2018 and 2019 is that the inflation rate will remain within the bounds of the RBV target range of 0-4 percent and import cover to remain above the 4 months of import cover threshold.

Based on the above developments, the RBV judged that maintaining the monetary policy stance was necessary. The Bank will continue to monitor developments and adjust its monetary policy stance accordingly.

RBV's next monetary policy statement is expected to be released in December 2018.

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