



## CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

News Release: 08/2010

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### FOR IMMEDIATE RELEASE

#### Monetary Policy Statement: March 2010

(Honiara 07.04.10)

*“The Central Bank of Solomon Islands will pursue a moderately accommodative monetary policy in the first half of 2010. Conditions in the economy remain tight and with both inflationary pressures low and foreign reserves comfortable the Bank will continue to maintain an underlying stance of monetary easing”*

Denton H Rarawa  
Governor, Central Bank of Solomon Islands  
Honiara, 26th March 2010

The Central Bank of Solomon Islands (CBSI) releases its Monetary Policy Statement for the first half of 2010. A stance of monetary easing has been adopted against the background of several factors.

The Solomon Islands economy contracted in 2009 as a result of both domestic and international factors. Most notable is the decline in major exporting industries especially logging. Production output from other major export commodities (copra, fish and palm oil) fell but rallied towards the end of 2009. CBSI projections show the domestic economy returning to growth in 2010.

Inflation in the country remains low and stable whilst at the same time foreign reserves are comfortably above the Bank’s minimum threshold of three months import cover. Both are predicted to show little movement in the short term. Changes in commodity prices, especially oil prices, remain the major risk to these projections.

(More follows)

Credit growth in the economy remains negative and conditions tight. This is due to the cautious approach to lending employed by the commercial banks and lower demand for credit in the economy due to the down turn. CBSI predicts however, that lending will again begin to grow across the next few months preferably to sectors that would grow the economy.

CBSI Governor Mr. Denton Rarawa maintains that the Bank “will remain vigilant in monitoring possible inflationary and foreign reserve developments in the economy”. CBSI stands ready to act should economic conditions change.

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