



## CENTRAL BANK OF SOLOMON ISLANDS

Press Release: 07/2016

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### FOR IMMEDIATE RELEASE

#### Monetary Policy Stance - March 2016

Following a Central Bank of Solomon Islands (CBSI) Board of Directors meeting on 06 April 2016, the Governor and Chairman of the Board, Mr Denton Rarawa announced that the CBSI monetary policy stance for the next 6 months will remain accommodative. This compliments the expansionary policy of the Government which aims at growing the economy and address the development needs of the country.

Governor Rarawa pointed out that inflationary pressures had risen in recent months, but are expected to subside as the year progresses to within the 3-5% range. The pressure from a stronger USD should be countered by the weakening of other invoicing currencies against the USD, and thus against the SBD. Furthermore, continued low oil prices should also provide an additional buffer. This leaves ample policy space for economic growth without generating inflationary pressures beyond desired levels.

The Governor reaffirmed that the current exchange rate policy remains unchanged with the SBD pegged against a currency basket. In addition to helping cushion inflationary pressures, the depreciation of the SBD leads to an improvement in the competitiveness of local exports. As part of the Central Bank's efforts to disseminate more economic information to the market, the performance of the currency basket can be observed through the trade weighted index published on the CBSI website.

In terms of open market operations, the Governor advised that the Central Bank would continue to monitor both the securities market and the foreign exchange market. The securities market in the form of Bokolo bills and SIG Treasury bills would be reviewed as part of the drive to deepen financial sector development and strengthen the monetary policy framework.

Looking at economic growth projections for 2016, the economy is projected to grow at a rate of 2.9% this year, rising to 3.1% in 2017. The major drivers for this growth are expected to be the construction, manufacturing, hotel and restaurants sectors, and public spending. While the fisheries sector is expected to pick up during the year, forestry and agriculture are anticipated to make neutral contributions. Nonetheless, the Governor reiterated that the Central Bank will remain vigilant and will continue to assess economic and financial developments in the immediate future and act accordingly.

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For more information, please contact:

**Central Bank of Solomon Islands | P.O. BOX 634 | Honiara | Ph: (677) 21791 | Email:**

**[info@cbsi.com.sb](mailto:info@cbsi.com.sb) |**

**Website: [www.cbsi.com.sb](http://www.cbsi.com.sb)**