



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

Press Release: 13/2018

Thursday 27th September, 2018

FOR IMMEDIATE RELEASE

Monetary Policy Statement – September 2018

The Central Bank of Solomon Islands (CBSI) Board at its meeting on 27th September 2018 has approved an accommodative monetary policy stance for the next six months. This decision is based on the modest levels of projected inflation, stable macroeconomic conditions and the need to support growth in the economy.

Despite headline inflation peaking in March 2018 at 4%, the Board observed a moderation of consumer prices to 2.4% in June 2018. This came from easing imported and domestic inflation, particularly from food, housing utilities and transport. Core inflation also slowed to 1.1% in June from 2.2% in March. With these developments and the projection for headline inflation in 2018 to range between 2% - 4%, the Board notes that there is spare capacity to accommodate inflationary pressures in the economy.

Meanwhile, macroeconomic conditions remained stable. On the high side, productive commodities led by logs, fish and palm oil improved and, along with a related surge in the country's current account. There were also gains in construction and wholesale retail services. On the other hand, growth in the monetary aggregates slowed, manufacturing output weakened and fiscal expenditure declined.

With the better than expected outturns in the productive commodities, the GDP growth forecast is estimated at 3.5% for 2018, up by 10 basis points from the last monetary policy stance. In the near term, the economy is projected to further expand by 3.8% in 2019 on the back of the anticipated roll out of the major development projects. Nonetheless, there are also risks on the horizon and in the event of any significant shocks; the Bank will take appropriate measures to cushion its impact on the economy.

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