



CENTRAL BANK of SOLOMON ISLANDS
P.O. BOX 634, Honiara, Solomon Islands

Press Release: 04/2020

Friday 13th March 2020

FOR IMMEDIATE RELEASE

Monetary Policy Statement for March 2020

The Central Bank of Solomon Islands (CBSI) Board at its meeting held on March 12th 2020 adopted an expansionary monetary policy stance for the next six months, and aims to support growth in the economy, as inflation is expected to remain within its desired level.

This decision was taken considering the expected slowdown in global growth than previously anticipated, moderate growth prospects for 2020 and, risks around this outlook.

Moreover, inflationary pressures remained within acceptable margins in 2019 on account of stable food and fuel prices across the year. Headline inflation rebounded to 2.8% in December 2019 compared to 1.0% in June 2019 and 4.1% in December 2018. Core inflation rose to 2.6% in December 2019 from 1.6% in June.

The Board expects headline inflation to reach around 2.0% by end December 2020 and to average at 2.7% over the year. Upside risk for lower inflation is weak consumer spending due to a larger than anticipated impact of the coronavirus that could inhibit global and domestic demand. Meanwhile, a downside risk which could affect supply conditions and trigger higher inflation include persistent bad weather in the fourth quarter that could affect food prices, and any geopolitical shocks that could drive fuel prices up.

The economic growth for 2019 is projected to slow further to 1.2%, a downward revision of 1.4 percentage points from the September MPS projections. This downward revision reflected broad-based subdued performances across the production, manufacturing and the services sectors in the second half of the year. Growth in 2020 is projected to pick up modestly to 2.0%. This will be supported predominantly by the secondary and services sectors particularly construction and communication.

Furthermore, the outlook for this year considers the tapered growth and disruption that is likely to be caused by the impact of the Coronavirus outbreak on the business activities in the country, as well as in the global economy. Downside risks to this outlook remain, including a more severe coronavirus outbreak. CBSI will continue to monitor the macroeconomic developments in the economy and take appropriate actions if necessary.

Ends//

For more information, please contact: **Central Bank of Solomon Islands | P.O. BOX 634 | Honiara | Ph.: (677) 21791 | Email: info@cbsi.com.sb | Website: www.cbsi.com.sb**