



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

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Press Release: 02/2019

Monday 1<sup>st</sup> April, 2019

### MONETARY POLICY STANCE - MARCH 2019

Following its meeting on March 29 2019, the Central Bank of Solomon Islands (CBSI) Board resolved to adopt a moderate tightening monetary policy stance for the next six months.

The decision was made in light of the potential for headline inflation to be more on the high side of or even above the projected 3-5% range, as the prospects for domestic supply shocks and external uncertainties are more pronounced over the forecast horizon. Nonetheless, foreign reserves are projected to remain at comfortable levels.

Inflationary pressures gathered pace in the second half of 2018. Headline inflation grew to 4.2% at the end of December 2018. This reflected price increases in both domestic and imported inflation during the period. Also supporting this outcome was the introduction of the new Honiara Consumer Price Index (HCPI) Series 3 in July 2018 that led to changes to the HCPI, namely the inclusion of additional four categories compared to the former HCPI series 2. In contrast, core inflation moderated to 0.8% in December 2018 from 1.7% in June 2018. Looking ahead, the Board expects headline inflation over the near term to be in the range of 3-5%, compared to the 2-5% range in the last six months.

Growth in the economy is estimated at 3.9% in 2018 backed by strong performances in the logging, fishing, and palm oil industries, as well as in the construction, manufacturing, wholesale and retail and communication sectors. Prospects for 2019 are for a growth of 3.7%, mainly reflecting a slow growth projected for the forestry sector as the Government's sustainable initiative program unfolds. However, there are risks to this outlook and CBSI will continue to monitor the macroeconomic developments in the economy, and will take appropriate actions if necessary.

The full report of the *Monetary Policy Stance, March 2019* is accessible on the CBSI official website.

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