



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

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FOR IMMEDIATE RELEASE

THE IMPACT OF CORONA VIRUS ON SOLOMON ISLANDS ECONOMY

The Central Bank of Solomon Islands (CBSI) wish to provide the following updates regarding the Corona Virus/COVID 19 impact on the national economy:

- The Coronavirus will likely have a considerable negative impact on the Solomon Islands economy. The spread and considerable disruption of this epidemic will be exacerbated by the increasingly intertwined trade and investment relationships between China and its neighbours in the Asia Pacific region. Being a small open economy, the Solomon Islands will likely be adversely affected through the trade channel and thereafter the economy, and even fiscal operations.
- With respect to the country's exports; Logs, one of the country's key exports commodities would be affected. As China is the key destination for our log exports, the epidemic might see a 11% fall in log output to 2.2 million cubic metres. Foreign exchange from logs might decline by 9% to \$2.3 billion. There will also be delays in log shipments to China as well as the remittance of the proceeds.
- The negative impact on logs could thereafter affect fiscal operations. Log duties could fall by 6% to \$467 million, leading to a further 1% fall in total domestic revenue to \$3.5 billion. On the expenditure side, health spending might soar if the virus spreads in the country. The fiscal balance might deteriorate to negative 1% of GDP or a reallocation and rationing of funds might be required.
- Imports of vital goods could also be affected. This is due to the fact that the country's key trading partners that account for 40% of total imports are at the centre of the outbreak; China, Hong Kong, Korea, Singapore and Japan. This would disrupt the supply chain of materials for consumption, manufacturing and investment in the country.
- Due to the impact of the virus on the primary, secondary and tertiary sectors, the real GDP outlook for 2020 has been projected to decline by 60 basis points to 2.0%. This decline is likely to emanate from a slowdown in activities associated with forestry, tourism, and transport-related sectors.
- Depending on the severity and duration of this pandemic, the Solomon Islands economy might contract further to around 1% or even fall into a recession. When this happens, there

could be large-scale closure of schools and businesses. The ability of the Government to provide public goods and services could also be affected. More specifically, the health system would be stretched to its limits and government finances to support the containment measures would be under a lot of strain.

- Support from development partners would be crucial to assist the Solomon Islands respond to the pandemic. This would be for both the emergency health response and also grant and short-term concessional debt financing to support the government and the economy.
- Domestically, the government, statutory agencies and private businesses must be prepared to mitigate the risk and the magnitude of these impacts. Nonetheless, post-Coronavirus containment, economic activity should pick up as in previous pandemics, as the global, Chinese and Solomon Islands economies recover.

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