



## CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

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Friday 11<sup>th</sup> March 2022

### Monetary Policy Stance for March 2022

Based on recent assessments of economic conditions and outlook, the Central Bank of Solomon Islands Board in its meeting on 10<sup>th</sup> March 2022 deemed it appropriate to maintain an expansionary monetary policy for the next six months to ensure an incipient recovery takes hold.

Domestic economic activity broadly remained weak since the last Monetary Policy Statement in September 2021, indicating that the economy still faces significant uncertainties and risks that are holding back recovery.

Recent economic indicators remained subdued and uneven with a broad range of indicators still struggling to recover from the economic fallout from the pandemic, as well as the November riot.

In light of these current circumstances of low inflation, low growth, uneven economic fallout across sectors, businesses and households combined with adverse impacts of the November riot and community transmission early this year, growth for 2022 is projected to further decline by -7.3%. Broad contractions across all sectors of the economy are expected to contribute to this fallout. Enormous uncertainty surrounds the forecast and if materialized will slow recovery even further.

Consumer prices averaged at -0.5% at the end of 2021 and only turned positive towards the end of the year. The latest data for December 2021 saw inflation strengthening to 2.5%, largely attributable to surging global oil prices and to a lesser extent food price increases in the second half of last year.

Subsequently, core inflation increased to 0.7% by end 2021. The Bank expects inflation to be contained within single digits in 2022. In the next six months, inflation is projected to rise to 3% in June 2022 and 3.2% by end 2022. Supply-side constraints and commodity price increases are expected to drive this upward trend. However, risks including prolonged supply disruptions and rising commodity prices could potentially increase prices beyond the inflation outlook.

In maintaining the current stance, CBSI will continue to support the economy by keeping the Cash Reserve Requirement at 5%, maintain the Bokolo Bills stock at \$430 million and continue to assist exporters with the Export Finance Facility.

There is also room for bond purchasing in the secondary market. Extreme uncertainties and rising risks remain, and CBSI stands ready to act accordingly should the circumstance warrant. In light of the difficult economic circumstances, fast tracking the re-opening of the economy would help expedite economic recovery.

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