



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

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Monetary Policy Stance for March 2024

Following its meeting on 12th March 2024, the Board of the Central Bank of Solomon Islands (CBSI) have decided to maintain a tight monetary policy stance for the next six months, mainly in response to the inflationary pressures within the economy.

Domestic economic activities in the second half of 2023 showed mixed outcomes, with weaker-than-expected performance in the fishing, mining, and forestry sectors being offset by a surge in visitor arrivals and a strong recovery in transport, accommodation, communication, and other business services. All these areas were impacted by the country's hosting of the 2023 Pacific Games (PGs).

Inflation declined from 5.2% in June to 3.5% in December 2023 reflecting CBSI's tight monetary policy stance to bring down inflation and a moderation in domestic food and energy prices. However, inflation rebounded up to 3.9% in January 2024 due to the pass-through and the lag effects following temporary spikes in global fuel prices in the fourth quarter of 2023.

The outlook for 2024, post PGs, is conservative with growth expecting to moderate to 2.9% in anticipation of a rebound in fishing and palm oil, expansion in mining, and a positive outlook across the services sector.

Moreover, CBSI expects inflation to rise to 5.1% in June 2024 before easing to 3.5% by December, which is in line with the anticipated fall in global energy prices. In spite of this easing, downside risks remain on the horizon.

In such environment where inflationary pressures remain, CBSI will be attentive and flexible to incoming macroeconomic information and take appropriate actions should any large shocks and associated risks emerge.

For more information, contact the Central Bank of Solomon Islands (CBSI) on 21791 or Email: info@cbsi.com.sb | Website: www.cbsi.com.sb