



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

Press Release: 05/2021

Thursday 11th March 2021

Monetary Policy Stance for March 2021

In light of continued uncertainties with the COVID-19 pandemic, its associated drag on domestic economic conditions and on-going risks to recovery, the Central Bank of Solomon Islands Board in its meeting on 11th March 2021 consider it appropriate to maintain the current stance of expansionary monetary policy for the next six months to continue to support and sustain economic recovery.

Domestic economic activity in the second half of 2020 continued to be significantly impacted by the Covid-19 pandemic with broad contractions seen across most productive commodities, employment, foreign investment applications and building permits. Subsequently, real GDP growth for 2020 has been revised downwards to -4.3% from -3.9% in September. The outlook for 2021 is more optimistic, albeit at a slower pace of 1.5% on the back of anticipated key national projects and recovery in some sectors such as fishing and agriculture.

Consumer Prices remained low easing to -1.8% in December on account of weak domestic demand amid excess supply of market produce during the festive season offsetting the gains in food and fuel prices during the period. Consequently, core inflation slowed to -1.4%. The Bank expects inflation to remain low at -1.6% in the first half of this year consistent with on-going depressed demand and to improve to 3% by end 2021 to reflect upward pressures from food and fuel prices and transitory inflationary pressures of volatile items at the market.

In view of these assessments, CBSI through its expansionary monetary policy actions will maintain the Cash Reserve Requirement at 5% to continue supporting banks with additional liquidity, purchase additional government bonds in the secondary market to support the post-COVID-19 recovery effort of the Government and have in place an Export Finance Facility to assist exporters in the country by the second quarter of 2021.

Nonetheless, considerable downside risks remain and CBSI will be vigilant to take on appropriate actions accordingly should outcomes envisaged turn out differently.

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