



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

Press Release: 03/2015

Thursday 16th April 2015

Monetary Policy Stance - March 2015

Following a Central Bank of Solomon Islands (CBSI) Board of Directors meeting on April 15 2015, the Governor and Chairman of the Board, Mr. Denton Rarawa announced that the CBSI monetary policy stance for the next 6 months will remain accommodative but with a particular bias towards addressing the excess liquidity in the banking system.

Governor Rarawa noted that inflationary pressures from the supply shocks that emanated from the flash floods in April 2014 were temporary and have since subsided from 7.2% in June down to 4.8% in December. This was within the inflation range of 4 – 6% anticipated by CBSI. Latest data showed headline inflation in February 2015 dropped further to 1.6% on the back of low fuel and food prices.

The Governor stressed that the falling inflation rate and adequate foreign reserves provided policy space for the CBSI to maintain an accommodative stance in support of the growth plans of the Government while at the same time create an enabling environment for effective monetary policy implementation, financial deepening and efficient allocation of financial resources in the medium term.

Governor Rarawa also pointed out that the value of the Solomon Islands dollar (SBD) is no longer pegged to the United States Dollar but determined by a basket of key invoicing currencies. A key benefit of the currency basket peg is that it minimises exchange rate volatilities. The CBSI will start publishing on its website and reports an invoice weighted index that shows the movement of the currency basket.

Preliminary estimates showed the Solomon Islands economy recovered from the April floods to post a growth of 2.0% in 2014. This positive growth was driven mainly by the forestry sector and supported by agriculture, fisheries, construction, and communication sectors.

In terms of the economic outlook, the Solomon Islands economy is projected to grow by 3.3% with much of the growth expected to come from fishing, agriculture, construction and the services sectors. Inflation for 2015 is projected to be within the inflation range of 3 – 5 percent, down from the 4 – 6 percent range in previous years.

The Governor reiterated that the CBSI will remain vigilant and will take necessary adjustments as and when the need arises.

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For more information, please contact:

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