



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

Press Release: 15/2021

Friday 24th September 2021

Monetary Policy Stance for September 2021

Ensuing pandemic impacts continued to affect the economy in the first half of 2021 and with the low vaccination rates of the general population, this will add greater risk to the economy. Getting the population vaccinated for COVID is central to opening the economy and recovery.

Against this backdrop of on-going considerable uncertainty and a weaker-than-expected outcome across the first six months, the Central Bank of Solomon Islands Board in its meeting on 23rd September 2021 decided to adopt an accommodative monetary policy stance for the next six months to continue to support and more importantly sustain recovery in the economy.

Economic conditions in the Solomon Islands remained subdued in the first six months of the year building on from lacklustre conditions in the second half of 2020. Broad-based contractions remained across key sectors of the economy apart from fish catch, copra, coconut oil and manufacturing. This weak activity led to a downward revision of real GDP growth for 2021 to 0.4% from 1.5% estimated earlier. The drivers for this growth include fishing in the near-term and construction of key ticket projects over the medium term.

Moreover, headline inflation was muted at minus 1.5% in June consistent with the fall in economic activity. Accordingly, core inflation stood at minus 1.1% by the end of the first half. The Bank expects inflation to improve to 3% by the end of 2021 as in the previous forecast on the back of high food and fuel prices in the second half of the year.

Reflecting these developments, the CBSI will maintain the CRR at 5%, the stock of Bokolo Bills issued at \$430 million as in March, continue with bond purchasing in the secondary market, maintained the relaxed exchange control limits and roll out the Export Finance Facility to ensure ample liquidity remains in the financial system to support economic recovery. However, significant uncertainty remains and CBSI will closely monitor the situation and will take appropriate actions if needed.

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For more information, please contact:

**Central Bank of Solomon Islands | P.O. BOX 634 | Honiara | Ph: (677) 21791 | Email: info@cbsi.com.sb
| Website: www.cbsi.com.sb**