MONTARY POLICY STATEMENT

March 2023

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1. Overview

The ongoing Russia's invasion of Ukraine, the lingering COVID-19 pandemic and tighter monetary conditions continued to weigh heavily on economic activity in the second half of the year. These negative headwinds continue to hamper recovery efforts across Advanced Economies and Emerging Markets and Developing Economies (EMDEs) over the year. Global growth projection slowed significantly in 2022 to 3.4%, a 0.2 percentage point higher than previously forecasted in the IMF's World Economic Outlook (WEO) update for January 2023. The upward revision stemmed from domestic recovery particularly in United States, euro area, and major EMDEs underpinned by the stronger-than-expected household consumption and investment, greater-than-anticipated fiscal support, and reduced pressures on production.

Global food and oil prices eased in the second half of 2022 although prices remained elevated reflecting the on-going supply chain disruptions following the Russian-Ukraine war. This has pushed global inflation to a record high. In 2023, both fuel and nonfuel prices are expected to ease amid improvement in supply bottlenecks. Nevertheless, uncertainties emanating from the war in Ukraine and a faster recovery in China's growth may increase commodity prices.

The domestic economy showed improved conditions in second half of 2022 following the relaxation of the COVID-19 measures which led to the full reopening of the international borders, resumption of schools and the pickup in business activities. Productivity gains were seen across all commodities along with broad-based growth in most sectors. The ongoing constructions of major infrastructure projects towards the 2023 Pacific Games also benefitted the economy. Labor market conditions remained weak despite the pickup in the number of vacancy advertisements.

Key monetary aggregates improved in the remaining six months of 2022 with reserve money and excess liquidity both increasing by 9% each reflecting improved reserves during the period. Similarly, broad money grew by 8% mirroring the growth in narrow money, whilst private sector credit edged higher by 1% underpinned by the increase in banks' lending.

The Balance of Payment (BOP) position deteriorated over the second half of 2022 driven by the widening deficit in the current account owed to the worsening trade balance in goods and services, and a contraction in the primary account surplus. These outweighed the gains in the capital and financial accounts surplus. The gross foreign reserves remain adequate despite the slight decline over the period.

The government recorded a larger deficit of $376 million in the second half of 2022 against a smaller surplus in the first six months to June. This reflected the 41% surge in expenditures which outweighed the 18% increase in revenue collection. Meanwhile, the government's debt stock rose to $1,968 million at the end of December.

Headline inflation (3mma) surged to a record high of 9.1% at the end of December 2022 from 4.3% in June. This outcome reflected higher imported food and fuel prices and the pass-through effect of higher fuel price on domestic production, energy and transportation costs over the period.

In light of these developments, real domestic growth is projected at minus 3.6% in 2022. The COVID-19 community transmission combined with weaker consumption demand owing to loses in real income attributed to higher consumer prices, and the lingering impacts of the 2021 November riot all contributed to this outcome. With the anticipated economic recovery, growth is forecasted to rebound to 2.7% in 2023 before moderating to around 2.1% growth over the medium term.

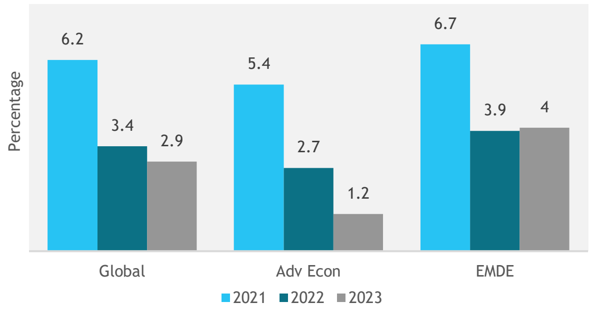
The balance of risks to this outlook tilted downward with the projected decline in the forestry sector, impacts of climate variations, slower structural reforms, an escalation of the Ukraine war and geopolitical tensions, and the resurgence of the COVID-19. Meanwhile, plausible upside risks include a rebound in the global economy, a faster recovery in China's growth, favourable commodity prices and ongoing donor support for infrastructure development.

2. International Economic Developments

Global growth in 2022 decelerated markedly to 3.4%[1] curtailed by the Russia's war in Ukraine, the ongoing COVID-19 pandemic, and the spiraling inflation (see figure 1). These adverse events have synchronized negative implications across economies resulting in slower growth in the Advanced Economies slowed EMDEs.

[1] All statistics in this section are obtained from the IMF WEO January 2023 Update, unless otherwise stated.

Figure 1: Global Economic Growth



Source: IMF

The global growth outlook for 2023 is expected to ease further to 2.9% largely as the Advanced Economies continue to face a heavy toll on the Ukraine war and tightening of monetary conditions to combat high inflation. Meanwhile, growth in Emerging markets and Developing Economies (EMDEs) is projected to pickup slightly with an expected rebound in the China's economy following the full reopening of its borders as of January 2023.

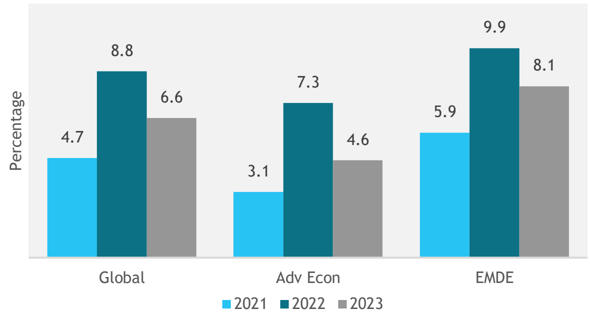
The risks to the outlook are tilted downward with the continual war in Ukraine, persistence in inflation, and China's contracted property market along with low level of population immunity raising additional concerns in tackling any major health adversities.

On the regional front, the 2023 growth path for Australia and New Zealand is also forecasted to ease just below 2% reflecting tighter monetary conditions amid inflation forecasts still above the target level.

The global commodity prices have abated in the second half of 2022 from the soaring level in March to June 2022 as reflected in the fall in IMF's primary commodity price index from 230 points to 194 points. With the global economy growth tumbling and tightened financial conditions, demand also receded. The agreement reached between Ukraine and Russia to open up the trade blockade in the Black Sea amid the ongoing war has also improved the grain supply and lessened price pressures. Consequently, both petroleum and food price indexes declined to 189 points from 275 points, and 138 points from 153 points, respectively.

Global inflation surged to a record high of 8.8% in 2022 following the supply chain disruptions, the Russian-Ukraine war, and higher commodity prices (see Figure 2).

Figure 2: Global Inflation



Source: IMF

3. Domestic Economic Development

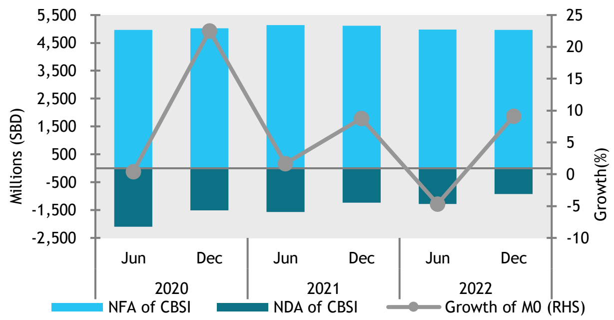
3.1. Monetary Conditions

Developments in the monetary condition in the second half of 2022 saw growth in all key monetary aggregates namely reserve money(M0), narrow money (M1), broad money (M3), and private sector credit (PSC). Hence, total banking liquidity continued to increase while Other Depository Corporations' (ODCs) interest rate margins narrowed during the period.

3.1.1. Reserve Money

Reserve money (M0) increased by 9% to $4,036 million in the second half of 2022, following a 5% decline in the first half of 2022. This outcome mirrored the increase in both the currency in circulation and ODCs' call balances by 9% each to $1,279 million and $2,755 million respectively. On the sources side, this increase reflected a decline in the net position of the domestic assets (NDA) by 27% to minus $928 million despite a fall in the net foreign assets (NFA) by 0.2% to $4,791 million.

Figure 3: Drivers of Reserve Money (M0)



Source: CBSI

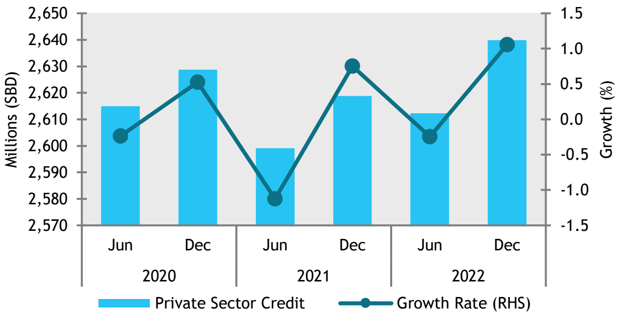
3.1.2. Money Supply

Broad money supply (M3) grew by 8% to $5,814 million in the second half of 2022, after a 2% fall recorded in the first half of the year. This outcome was largely driven by the increase in M1 by 10% to $4,746 million despite a 1% fall in other deposits to $1,068 million. On the sources side, the NFA of the banking system rose 2% to $5,266 million, underpinning the growth in M3 during the period. Meanwhile, the NDA of the banking system increased from $266 million to $608 million over the same period.

3.1.3. Credit Conditions

The total lending of the banking system to the private sector recorded a marginal increase of 1% to $2,640 million in the second half of 2022 following a 0.2% growth posted in the previous period.

Figure 4: Credit to Private Sector



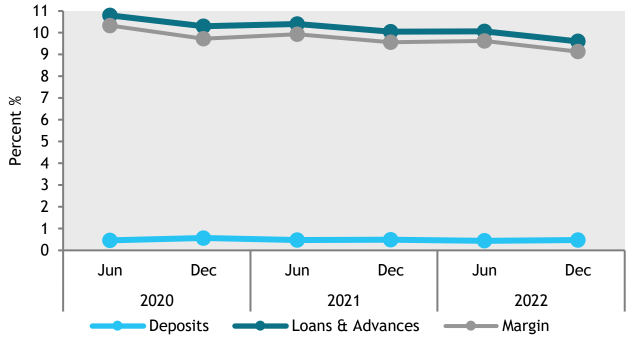
Source: CBSI

The slight pickup in PSC reflected the increase in ODCs' lending by 1% to $2,618 million. The major sectors that benefited include personal, construction, and communication.

3.1.4. Interest Rates

The ODCs' weighted interest rate margin narrowed to 9.1% in December 2022 from 9.6% in June 2022. This resulted from a fall in the weighted average lending rates from 10.06% in June 2022 to 9.60% in December 2022. This fall was driven mainly by the decline in the lending rates to sectors namely forestry, distribution, tourism, transportation, entertainment and catering, and professional and other services. Meanwhile, the weighted average deposit rates increased from 0.44% in June 2022 to 0.47% in December 2022.

Figure 5: Interest Rates



Source: CBSI

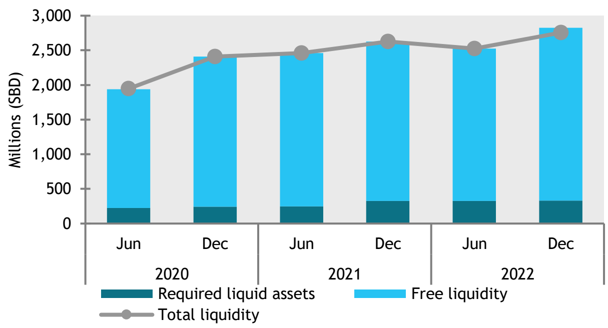
3.1.5. Open Market Operations

The weighted interest rate for the Bokolo bills increased to 0.25% in December 2022 from 0.1% recorded in June 2022. However, the stock of Bokolo bills issued remained capped at $430 million in the second half of 2022. This reflected CBSI's support through its accommodative policy, and to lessen the impacts of external shocks on the financial system. Furthermore, the stock of treasury bills issued increased to $150, exceeding the previous limit of $100 million. Of this total, $106 million was issued by the end of December 2022. Meanwhile, the weighted interest rate offered for 91 days and 182 days remained unchanged at 0.49% and 0.97% respectively, whilst the weighted interest rate for 365 days increased marginally to 1.84% from 1.83% in June 2022.

3.1.6. Liquidity Levels

The total liquidity level in the banking system increased by 9% to $2,755 million by end of December 2022 reversing a 4% fall posted at the end of June 2022.

Figure 6: Liquidity



Source: CBSI

This outcome reflected a decline in the CBSI's NDA position owed to the reduction in government deposit balances during the second half of 2022. As a result, both free and excess liquidity increased significantly by 14% to $2,496 million and 13% to $2,296 million respectively over the review period.

3.2. Domestic Conditions

Domestic conditions improved in the second half of 2022 with the relaxation of COVID-19 measures, the full reopening of the international borders, and the resumptions of schools, notwithstanding weak consumption hampered by higher inflation. Signs of recovery from the pandemic was evident with the pickup in the production index, and growth in electricity and water consumption, manufacturing, and visitors' arrivals over the period.

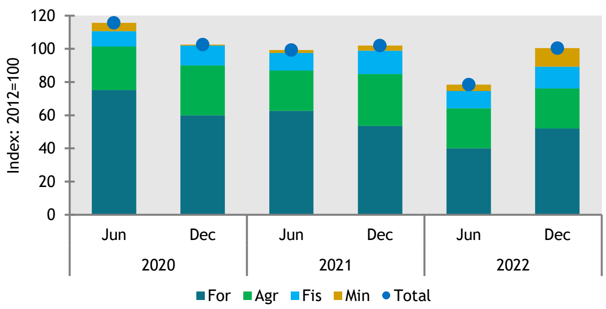
3.2.1. Economic Growth

The annual economic growth in 2022 is estimated at minus 3.6%, a further drop from minus 0.6% estimated in 2021. The contraction was driven by the COVID-19 community outbreak in January 2022, loses in real purchasing power from the hike in consumer prices in the second half of the year induced by the Ukraine war, and the lingering effects of the 2021 November riot. The sizeable reduction in primary production following a broad decline across sectors in the first half of the year also contributed to the weaker growth. Despite this outcome, the growth projection reflected an upward revision from minus 4.3% forecasted in the September 2022 Monetary Policy Statement due to the resumption of gold production and exports by the Gold Ridge Mining Limited (GRML), a higher-than-expected uptick in visitors' arrival, and a smaller decline in manufacturing than previously forecasted.

3.2.2. Production Index

The production index improved in the second half of 2022 by 22 points to an index of 100 against the first half. Recovery is seen across key commodities including mining as Gold Ridge Mining resumed gold production in November.

Figure 7: Production Index



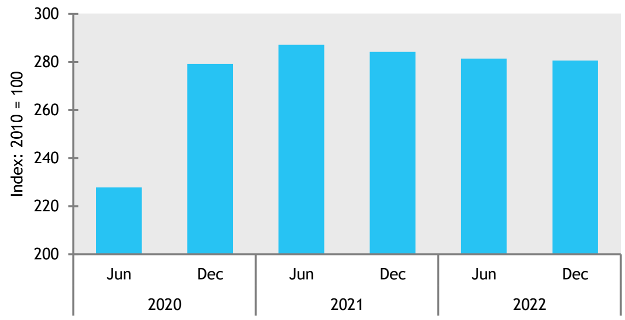
Source: CBSI

However, on annual basis, the production index was 11 points lower than in 2021 reflecting significant loses in the forestry and agriculture sector.

3.2.3. Manufacturing

Manufacturing remained at an index of 281 in the second half of 2022 with the improvement in manufactured products for exports was offset by the decline in manufactured products for domestic consumption.

Figure 8: Manufacturing Index



Source: CBSI

On annual basis, the manufacturing index dropped by 5 index points following the decline in manufacturing of tuna loins.

3.2.4. Other Sectors

Other economic indicators showed favourable outcomes over the period. Visitors' arrival by air jumped to 6,688 visitors from 635 in the first six months. Furthermore, five international cruise ships arrived in Honiara in the fourth quarter alone. These outcomes reflected the full reopening of the international border as of July 2022. Investment indicators including cement imports and number of building permits also picked up. Similarly, electricity and water consumption units grew by 5% and 4%, respectively, relative to the first half of 2022. Likewise, the ongoing construction of public infrastructures including the Kukum Highway project (phase 2) funded by Japan, the Honiara international terminal expansion, and Pacific Games sports facilities all benefited other sectors. The multi-purpose sports complex funded by the Indonesian government was formally commissioned and handed to the government in the third quarter.

3.2.5. Employment

Developments in the labour market softened in the second half of 2022 with the SINPF's number of contributions (active and slow active), a proxy for formal employment, declined after a slight increase in the first half of the year. Total number of contributions declined by 1.1% to 55,224 contributions. Meanwhile, vacancy advertisements rose to 916 from 648 in the first six months of 2022 indicating the momentum for recruitment as business activities slowly picked up.

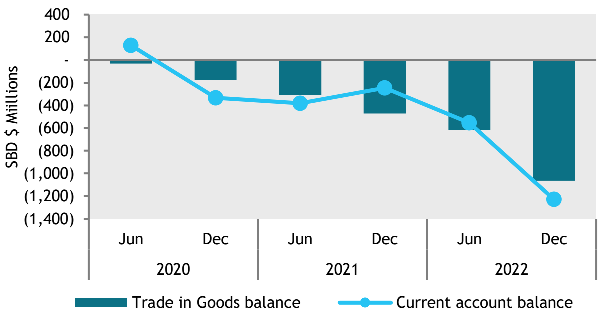
3.3. External Conditions

The Balance of Payment (BOP) position deteriorated in the second half of 2022 to minus 2.8% of GDP (-$172 million) from minus 0.3% of GDP (-$20 million) in the first six months of the year. This negative outturn stemmed from the widening deficit in the current account which outweighed the surpluses in the capital and financial account. As a result, the level of gross foreign reserves declined by 0.1% over the period.

3.3.1. Current Accounts

The current account deficit widened to minus 20% of GDP (-$1,288 million) in the six months to December 2022 from minus 9% of GDP (-$522 million) in the preceding six months.

Figure 9: Trade and Current Account



Source: CBSI

The sizeable expansion in the trade in goods deficit combined with a wider deficit in the trade in services and a contraction in the primary income surplus contributed to this outcome.

The negative outcome in trade in goods was mainly driven by a surge in imports over the period, rising by 34% to $2,556 million outweighing the growth in exports. This outcome reflected the increase across all major import categories, particularly food, beverages and fuel following higher global commodity prices, and chemicals, basic manufactures, machineries and equipment, and crude materials due to the ongoing construction of sporting facilities and infrastructures for the 2023 Pacific Games. Meanwhile, exports grew by 16% to $1,492 million following the pickup in mineral exports driven by the resumption of concentrated gold production in the final quarter of 2022, combined with increases in round logs, fish, palm kernel oils, cocoa, and other exports.

The deficit in trade in services widened to minus 11.0% of GDP (-$708 million) from minus 8.0% of GDP (-$500 million) in the first half of 2022 reflecting higher payments for transport, travel and all other services following the re-opening of the international border in the second half of the year. Meanwhile, the primary income surplus shrank to 0.5% of GDP ($32 million) attributed to lower fishing licenses receipts and higher dividend payments. In contrast, the secondary income surplus edged up slightly to 8.2% of GDP ($513 million) owed to donor inflows through technical assistance, and the increase in inward remittances.

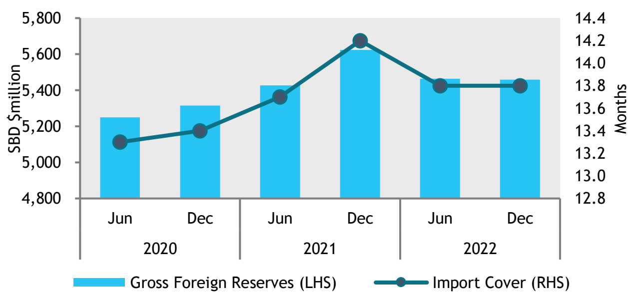
3.3.2. Capital and Financial Accounts

The capital and financial account surplus expanded to 14.1% of GDP ($877 million) over the six months to December 2022 relative to the previous period. This reflected the increase in donor capital grants towards the 2023 Pacific Games related infrastructure projects, the increase in foreign currency holdings by depository-taking corporations, and the government's external loan disbursement from World Bank and ADB.

3.3.3. Foreign Reserves

The gross foreign reserves slid by 0.1% to $5,458 million at the end of December 2022 following the weaker conditions in the external sector and the deterioration in the current account balance during the second half of the year. This level of foreign reserves is adequate to cover 13.8 months[2] of imports.

Figure 10: Gross Foreign Reserves



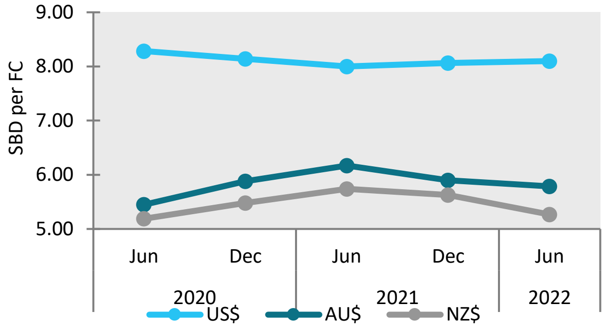
Source: CBSI

[2] The months of import cover reported here is based on the latest data on payments of goods and services through the International Transaction Reporting System (ITRS) or the Banking System. This may be different from the IMF Article IV report which in most cases considers prospective imports in assessing reserve adequacy and vulnerabilities.

3.3.4. Exchange Rate

Given the weaker external conditions in the second half of 2022, along with the movements in global currencies, particularly the strengthening of the US dollar (USD), has led to the weakening of the Solomon Islands dollar (SBD) against the Trade Weighted basket by 4% to 114.3 index points. Against other key bilateral currencies, the SBD depreciated against the USD by 2% to $8.22 per USD. However, it appreciated significantly against the Australian dollar and the New Zealand dollar by 5% to $5.51 per AUD and 7% to $5.00 per NZD, respectively.

Figure 11: Nominal Bilateral Exchange Rates



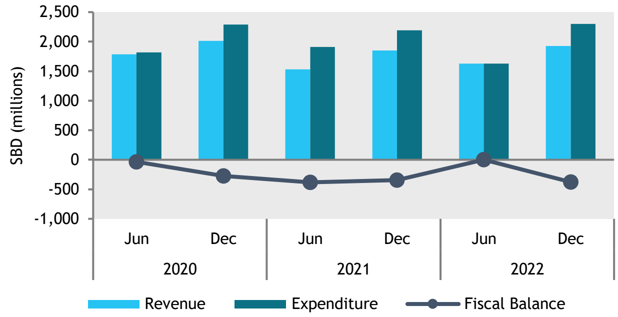
Source: CBSI

The country's Nominal Effective Exchange Rate (NEER) appreciated in the second half of 2022 by 5% to 123.5 index points. Similarly, the Real Effective Exchange Rate (REER) on average appreciated by 7% to 134.5 points, reflecting the inflation differentials between the country and its trading partners over the period.

3.4. Fiscal Conditions

The reopening of the international borders and the pickup in business conditions following the relaxation of the COVID-19 measures in July 2022 led to the expansion in revenue collection, and a surge in expenditures in the second half of 2022 reflecting the government's support towards the recovery efforts.

Figure 12: Fiscal Balance



Source: MOFT and CBSI

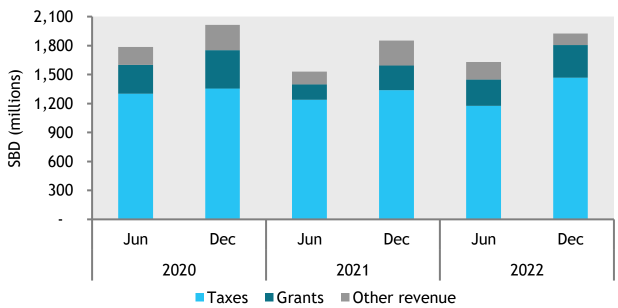
As a result, the fiscal deficit widened to $376 million, from a negligible surplus of $1 million recorded in the first six months of 2022. Meanwhile, the Central Government's debts stock increased over the period.

3.4.1. Revenue

Total revenue rebounded by 18% in the second six months of 2022 to $1,926 million, 4% higher than the corresponding period in 2021. This favourable outcome stemmed from increases in tax and grants reflecting the recovery in economic activities, strong tax compliance and the ongoing donor support towards recovery efforts.

Tax revenue firmed up by 25% to $1,466 million during the six months to December 2022, and 10% higher than the tax collections the same period in 2021. This outcome reflected increases across all tax categories with income tax rising by 18% to $533 million, tax on goods and services rose by 22% to $373 million, and tax on international trade soared by 34% to $561 million. Grant receipts grew by 24% to $339 million, 32% higher compared to the same period a year ago. Meanwhile, revenue from other ministries dropped by 34% to $121 million attributed to the decline in fishing revenue.

Figure 13: Government Revenue

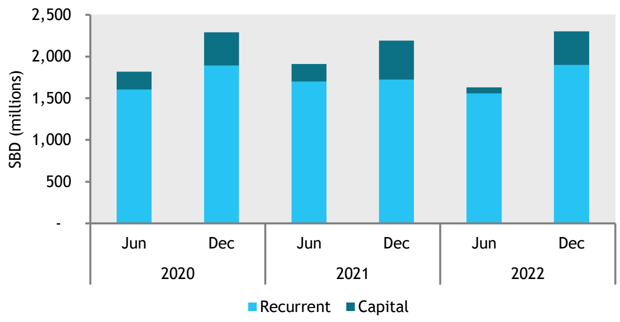


Source: MOFT and CBSI

3.4.2. Expenditure

Total expenditure grew markedly by 41% to $2,303 million in the second half of 2022, and 5% higher year-on-year reflecting the surge in both recurrent and development outlays over the period.

Figure 14: Government Expenditure



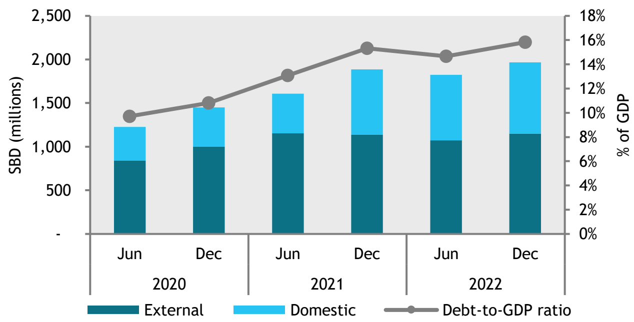
Source: MOFT and CBSI

Recurrent expenses, which accounted for over 80% of total expenditure, rose by 22% to $1,898 million owing to increased spending on payroll, other charges, and transfers and benefits. Expenditure on capital projects surged from $72 million in the first six months to $405 million in the second half of 2022 attributed to increased spending on fixed assets despite the delay in passing the 2022 national budget.

3.4.3. Central Government Debt Stock

Total Central Government debt stock rose by 8% to $1,968 million by year end driven by increases in both domestic and external debt.

Figure 15: Government Debt



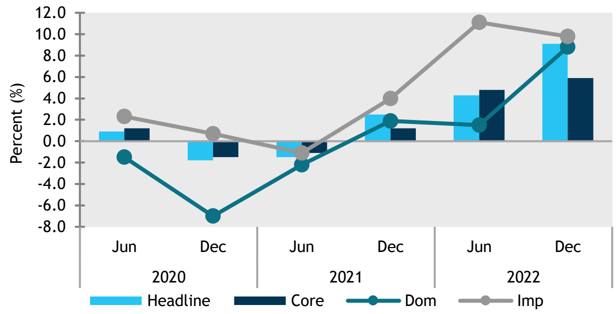
Source: MOFT and CBSI

External debt stock grew by 7% to $1,149 million, attributing to the additional loan disbursements from the ADB and the World Bank in the fourth quarter. Domestic debt stock rose by 9% to $819 million reflecting the issuance of development bonds and treasury bills over the period. Meanwhile, debt to GDP ratio at the end of December 2022, increased to 15.8% from 14.7 % at the end of June 2022.

3.5. Inflation Development

The headline inflation (3mma annual change) more than doubled to 9.1% in December 2022 from 4.3% at the end of June 2022.

Figure 16: Inflation



Source: SINSO and CBSI

This outcome reflected higher imported food and fuel prices and the pass-through effect of higher fuel prices on energy and transport in the domestic economy. Imported inflation has moderated since June although it remained elevated. The major drivers of inflation over the period include food, transport, and housing, utilities and energy.

Core inflation (excluding controlled prices, excise, and volatile items) further increased to 5.9% in December 2022 from 4.8% in June reflecting higher cost of input associated with higher fuel, electricity, and freights costs in the local market.

CBSI price monitor of selected items in Honiara rose to an index of 116 in December 2022 from 110 in June 2022 driven by increases in prices for petrol, rice, and electricity which outweighed the reduction in prices for LP gas and betelnut.

In light of the inflation pressures carried over from the first half of the year, an accommodative monetary policy stance was adopted in the second half of the year aiming at taming high inflation.

4. Domestic Economic Outlook

4.1. Real Economy

The domestic economy is anticipated to recover in 2023 after three consecutive years of negative growth following the COVID-19 pandemic and socio-political upheaval. Economic growth is projected to rebound to 2.7%, 0.7 percentage point higher than previously forecasted in September 2022, before returning to 2.2% in 2024. The upgrade for 2023 reflects broader recuperation expected across all sectors with economic activities synchronizing to new normal following the pandemic. The reopening of Gold Ridge Mining towards end of 2022 is expected to boost gold production and additional gains in the export sector. Furthermore, the preparations and hosting of the Pacific Games in November 2023 is a key catalyst underpinning the recovery with spill over benefits anticipated in trade, accommodation, catering, logistics, and transport sectors.

Over the medium term, growth is projected to return to a new growth path averaging around 2.1% as the economy returns to pre-pandemic levels and recuperates to its potential capacity combined with the optimistic global outlook.

The balance of risks to this outlook tilted downward reflecting the country's vulnerability to natural disasters and climate variations, declining forestry, inefficient transport system, poor infrastructure, limited fiscal buffer, and political uncertainties relating to the 2024 National General Elections (NGE). On the external front, a further escalation of the Russia's war in Ukraine, geopolitical tensions, and a resurgence of COVID-19 are expected to downgrade this forecast. However, there are plausible upside growth opportunities including the anticipated rebound in the global economy, a faster recovery in China's growth (Solomon Islands' largest trading partner), favourable commodity prices, donor support towards infrastructure development, expansion of the Pacific Australia Labour Mobility (PALM) scheme, and the country's capacity to host other regional sports events.

To sustain the medium-to-long term growth, policy redirection is crucial including identifying new sources of growth, rebuilding fiscal buffers to mitigate the impacts of natural disasters and shocks, and generating resources to achieve the Sustainable Development Goals and realizing the 2035 National Development Strategy objective of 'improving the social and economic livelihood of all Solomon Islanders'.

4.2. Fiscal

The fiscal outlook is for a wider fiscal deficit in 2023 reflecting the Government's commitment to finance its two key policy priorities including; i). the hosting of the 17th South Pacific Games 2023, and ii). the preparation for the 2024 NGE. With the additional spending towards these major events on top of financing its normal operations, government expenditure is anticipated to increase markedly amid lower revenue expectations. As a result, fiscal deficit is projected to widen to around 9% of GDP in 2023 compared to 3% of GDP in 2022.

Against this backdrop, two immediate risks associated with the fiscal outlook are; i). a larger fiscal deficit, and ii). the inadequate level of government's cash reserves. With the current fiscal deficit, there is tendency for additional borrowing in 2023 which may lead to crowding out of private sector investment. Furthermore, with the government's cash reserves already below the IMF's $300 million benchmark, there is limited fiscal space to meet expenditure needs to support economic recovery and the tendency for additional debt financing remain high. Immediate fiscal policy response is necessary to mitigate current fiscal risks including strengthening tax compliance, controlling government spending, and proper managing of government's resources in accordance to the Public Finance Management (PFM) Act.

Over the medium term (2024-2027), the fiscal deficit is projected at 5% of GDP with growth in expenditure anticipated to exceed revenue growth. To achieve fiscal and debt sustainability over the medium term, government expenditures need to grow in line with domestic revenue capacity. Moreover, with the anticipated increase in demand for social services as the population expands, government revenue needs to grow at pace with the population growth to achieve economic sustainability going forward.

4.3. External

The outlook for the external sector is positive with the current account deficit anticipated to improve in 2023 with the expected recovery in economic activities, and the expansion in the trade in services underpinned by the spillover benefits from the opening of the international borders and the hosting of the 2023 Pacific Games. Meanwhile, the capital and financial account surpluses are expected to reduce given the anticipated decline in capital inflows as most infrastructure projects related to the Pacific Games are near completion and lower FDI inflows. The gross foreign reserves are forecasted to drop by 5% though remaining at sufficient level well above the IMF's threshold of six (6) months of import cover.

The medium-term outlook remains unfavorable due to the downside risk associated with the projected decline in the forestry sector, the negative impacts of climate change variations on domestic output, uncertainties and negative spillovers from the ongoing Ukraine-Russian war, and any possible COVID-19 pandemic resurgence. Considering these negative risks, the balance of payment forecasted a current account deficit averaging around minus 7% of GDP and a 1% decline in gross foreign reserves over the medium-term.

4.4. Monetary

All key monetary aggregates including reserve money, broad money, and private-sector credit are expected to grow moderately in 2023. Hence, excess liquidity is forecasted to further increase with the anticipated recovery in economic conditions. Over the medium-term, growth is projected across all key monetary indicators in line with the growth momentum expected going forward. However, external headwinds and uncertainties in the external sector would weigh on the medium-term forecast.

4.5. Inflation Outlook

With the ongoing uncertainties in the global environment, inflation is projected to remain elevated averaging around 5.4% in the first six months to June 2023 before gradually declining to around 3% by end of 2023. This forecast is based on the assumption that global food and fuel prices which reached their highest peaks in mid-2022 to ease gradually by the second half of 2023 translating to lower domestic food, transport, and household utility prices. Inflation is projected to be higher once this assumption does not hold. However, a faster-than-expected decline in global food and fuel prices and a faster passthrough effect to domestic prices may lower inflation to 3% by year end. In 2024, inflation is forecasted to be at 3%.

The risks to this outlook remain tilted to the downside with the uncertainties in the global market, the supply-chain disruptions associated with the ongoing war in Ukraine, and a stronger demand from China attributable to the easing COVID-19 restrictions and a faster recovery. On the domestic front, an increase in demand following the positive economic growth outlook amid supply constraints combined with the shallow competition in the local market and the stickiness in prices would add inflationary pressures on this outlook.

5. Monetary Policy Stance

In light of the on-going uncertainties in the global environment, the onset of higher inflationary pressures in the second half of 2022, and the expectations for inflation to remain elevated in the near term, the CBSI has resolved to adopt a tightening monetary policy stance for the next six months. The shift from the previous accommodative stance reflects the expectations of persistent inflation from war related disruptions and rebounding domestic demand. CBSI will continue to monitor the implications of incoming data for these outlooks and take appropriate action as necessary.