



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

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CENTRAL BANK OF SOLOMON ISLANDS HAS SHIFTED TO AN EXPANSIONARY MONETARY POLICY STANCE FOR THE NEXT SIX MONTHS

At its meeting on August 21, 2025, the Board of the Central Bank of Solomon Islands (CBSI) adopted an expansionary monetary policy stance for the next six months to support growth while containing inflation within the desired range. The decision reflects a careful assessment of both the global and domestic economic conditions and prospects.

Global growth is projected to moderate from 3.3% in 2024 to 3.0% in 2025, before edging up to 3.1% in 2026, amid rising trade tensions and heightened policy uncertainty. Disinflation continues but at a slower pace, with risks to the outlook tilted to the downside.

Domestic activity was mixed in the first half of 2025. Weaker outcomes were recorded in agriculture, fishing, forestry, manufacturing, and investment, while mining, construction, wholesale and retail trade, utilities, and tourism performed favourably. Labor market conditions remained broadly supportive.

Against this backdrop, domestic economic growth is projected at 2.7% for 2025, unchanged from the March forecast. This is supported by anticipated recoveries in agriculture and fisheries, continued expansion in mining, construction, and manufacturing, and steady performance in services. Over the medium term, growth is expected to stabilize at around 2.6%, assuming no new growth drivers emerge.

The external position is expected to strengthen in 2025, with foreign reserves projected to increase. The government's fiscal deficit is projected to widen, reflecting expansionary fiscal policies aimed at accelerating public investment and improving service delivery. Monetary aggregates are projected to grow, although credit conditions are likely to remain subdued.

Headline inflation rose to 3.7% in June 2025 from 2.4% in March, driven by higher prices for domestic food, alcohol, tobacco, housing, and utilities. This remains below the 4.6% recorded in December 2024. Inflation is projected to ease in the second half of 2025 and stay within CBSI's desired range of 2 – 5%, supported by lower domestic food prices and stable global oil and food prices. Core inflation rose to 1.7% in June from 1.2% in March and is expected to remain near the lower bound of the 1–3% range by December 2025. Key risks to the inflation outlook include geopolitical tensions, trade policy uncertainty, changing weather conditions, and domestic market inefficiencies.

The Bank will continue to monitor the macroeconomic developments closely and is prepared to adjust its policy stance as warranted should inflationary pressures or other significant macroeconomic shocks arise.

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