Central Bank of Solomon Islands Governor's Statement

March 2026 Monetary Policy Stance

February 19th 2026, CBSI Board Room

Good afternoon, ladies and gentlemen, members of the media.

Welcome, and thank you for joining us this afternoon.

This inaugural press conference on the Central Bank's monetary policy stance is yet one of our communication strategies on monetary policy issues going forward. It is part of the Bank's monetary policy modernization strategy.

Today's statement sets out our monetary policy response in light of current economic conditions and outlook for the economy. It also outlines how the Central Bank manages interest rates and money supply to influence spending, inflation and ultimately the cost of living. The Monetary Policy Stance is published twice a year, this is the first statement for 2026 and the first to be delivered in this press-conference format. Our next review will take place in September. We see this as an opportunity to explain our monetary policy decisions more clearly, and help the public and businesses understand what to expect going forward.

Monetary Policy Decision

At its meeting held this morning, the Board of the Central Bank of Solomon Islands (CBSI) has **unanimously voted to maintain the monetary policy accommodative for the next six months.** This means the Bank will continue supporting economic growth while closely monitoring the inflation development and emerging risks to the outlook.

CBSI Policy Rate

In line with this decision, the Central Bank has introduced a policy rate set at 1.5% as a starting point. This policy rate is a new operational tool within our monetary policy framework. This marks an initial step towards modernizing the way we implement monetary policy.

In simple terms, the policy rate will serve as the Bank's primary monetary policy to tool to signal the market. This should help guide interest rates across the economy, including those offered by commercial banks on loans and savings, thereby influencing the level of money supply available in the hands of the general public.

The Bank will now begin establishing the systems required to support its effective implementation, including arrangements for remunerating commercial bank's cash reserves balances held with the Central Bank. All other existing monetary policy tools will remain in place. The new policy rate will complement these tools, strengthening the overall framework as the Bank continues to fulfil its key mandate of maintaining **price stability**.

Now let me turn to recent economic update and outlook supporting this Monetary Policy Stance.

Global economy

The global economy proved more resilient than expected in 2025 in spite of the evolving trade policies of the US and geopolitical uncertainties. Growth was broadly supported by fiscal stimulus in several countries, strong investment in artificial intelligence (AI) —especially in the US and Asia and —and steady global trade. Against this backdrop, the IMF projects global growth to remain steady at 3.3% in 2026. Meanwhile, global inflation has continued to decline across most regions, moving closer to central banks' target. This reflects sustained drop in oil and lower food prices. These global dynamics are expected to be favorable for the domestic economy.

Economic Growth

On the domestic front, the economy performed better than we expected in the second half of 2025. CBSI now estimates that growth for 2025 reached 3.6%, up from our earlier projection of 2.7%. This growth was driven by higher mineral exports and solid gains in agriculture, fisheries, and construction, supported by ongoing public infrastructure projects and increased private investment. The services sector also remained firm, with wholesale and retail trade, transport and storage, communications, tourism, and real estate contributing positively. Labour market conditions were broadly supportive, with total active contributors to the SINPF rising modestly by 442 to 61,829 in the second half of 2025, reflecting expansion in formal employment.

Building on this momentum, growth for 2026 is projected at 3.8%, this is to be supported by continued expansion in mining, agriculture, fisheries, and construction, alongside with broad-based growth across the service sectors, which is expected to more than offset the decline in logging.

While the growth outlook remains positive, risks from global developments and domestic weather related-events could have an adverse impact on the growth projection.

Inflation

Headline inflation fell sharply in 2025, from 3.7% in June to 1.6% in December. This decline largely reflected improved domestic supply-side conditions, particularly lower prices for fruits and vegetables and lower imported inflation supported by easing global oil and food prices.

Looking ahead, headline inflation is expected to rise temporarily in the first quarter of 2026 due to weather-related supply disruptions experienced earlier this year. However, as supply conditions normalize, inflation is projected to fall to 3.5% by June and reach 3.4%-year end of 2026. Key risks to the inflation outlook include elevated geopolitical tensions that could increase oil price, more extreme-than expected weather conditions affecting domestic food supply and persistent structural inefficiencies within local markets. Should these risks materialize, inflation could rise above the current forecast.

Inflation is influenced by both demand and supply factors and global price developments. To better assess underlying demand pressures, the Bank also monitors **core inflation** which excludes volatile items such as food and energy items. In 2025, core inflation remained low, declining from 1.2% in June to 0.9% by year-end and is projected to rise slightly in 2026 with stronger economic activity.

It is important to highlight that much of the recent inflation movements in the country has been supply driven than demand driven. Global fuel prices in 2025 have remained relatively stable, helping to keep imported costs contained. At the same time, temporary shortages of certain domestic products—for example, betelnut—can trigger sharp but short-lived price increases. Such cost-driven inflation is an area where monetary policy has limited direct influence.

Addressing these pressures often requires broader structural measures. Government initiatives—such as investing in hydropower, repairing infrastructure damaged by heavy rainfall, supporting farmers to boost production, and strengthening disaster resilience—can help stabilize supply and reduce price volatility. During the recent rainy spell in January and early February, 33 policyholders received payouts under the recently introduced parametric insurance scheme, and I encourage more farmers to participate.

Together, these measures complement the central bank's role, which focuses on maintaining price stability by managing liquidity and overall demand.

External position

The country's balance of payments position improved significantly during 2025 supported by stronger mining exports and continued donor inflows. Gross foreign reserves increased sharply to 6.6 billion, equivalent to around 12 months of import cover, providing comfortable external buffer for international trade. Looking ahead, foreign reserves is projected to remain adequate at this level in 2026, supported by robust export earnings and ongoing donor inflows.

Fiscal position

On the fiscal side, the government budget remained in deficit in 2025, with public debt rising due to borrowings for key infrastructure projects. At the end of the year, total government debt stock reached 4.2 billion, with 2.8 billion in external debt and 1.4 billion in domestic debt. The fiscal outlook for 2026 points towards consolidation, as the Government has signaled its intention to gradually reduce the deficit and rebuild cash reserves.

Monetary position

Monetary and financial conditions firmed up in the second half of 2025, supported by an expansion in the money supply, driven largely by higher net foreign assets arising from the balance of payments surplus. Private Sector Credit showed a slight increase, although interest rate margins widened. In 2026, monetary aggregates are projected to grow moderately, with credit growth expected to remain modest and mainly driven by personal loans.

Concluding Remarks

To conclude, the Board has agreed to maintain an accommodative monetary policy stance in line with our mandates of price stability. We will continue to monitor economic development, risks and inflation closely and stand ready to adjust the policy stance should inflationary pressures intensify or if significant macroeconomic shocks arise.

Thank you for your attention!

I am happy to take any questions