



CENTRAL BANK of SOLOMON ISLANDS

P.O. BOX 634, Honiara, Solomon Islands

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FOR IMMEDIATE RELEASE

CBSI Closely Monitoring Inflation Risk Amid Escalating Middle-East Conflict

The Central Bank of Solomon Islands (CBSI) is closely monitoring recent developments in the Middle East, where military strikes by US and Israel on Iran on 28th February have triggered a sharp rise in global oil prices. Brent crude oil, which was trading at around USD70 per barrel, surged by 17% to USD84 per barrel, in a span of five days.

CBSI's preliminary assessment indicates that sustained increases in global oil prices are likely to push up domestic fuel costs, thereby feeding into higher imported inflation and overall headline inflation. Current average retail fuel prices at Honiara pump stations stand at SBD9.38 per litre, and the impact of the oil price shock is expected to be felt from April 2026 onwards.

Historical experiences have shown that domestic prices are sensitive to global energy shock. During the Russia-Ukraine conflict in 2022, Brent crude oil peaked at USD120 per barrel, resulting in average retail fuel prices in Honiara surging by 32% to a record high of SBD14.47 per litre. Electricity tariffs also rose by up to 10.7%, reflecting the direct pass-through of higher global fuel costs to domestic energy prices. A similar transmission effect could occur if the current conflict in the Middle East persists. The extent of the impact, however, will depend on both the scale and duration of the conflict.

In the absence of the current geopolitical tensions, the CBSI's headline inflation projections were expected to reach 3.5% in the second quarter of 2026 before easing slightly to 3.4% by the end of 2026. However, given the ongoing global oil price shock, inflation is anticipated to rise above this

forecast if the situation persists. Without timely policy responses, the risk of worsening inflationary pressures remains significant.

The experience of 2022 provides a cautionary precedent. During the Russia-Ukraine war, imported inflation soared to 11.8%, while headline inflation reached 9.5% by year-end. At that time fiscal and monetary policy measures were implemented to cushion the impact, helping to stabilize prices and prevent further escalation.

CBSI emphasizes that it remains vigilant and prepared to take appropriate measures to mitigate the impact of the current conflict on inflation. In line with its mandate of maintaining price stability, the Bank will continue to monitor global developments closely and adjust domestic policy responses as necessary to safeguard the Solomon Islands economy. To complement monetary policy, the Government may also consider targeted fiscal interventions such as temporary Sales Tax or GST exemptions on fuel imports and adjustments to import duties on essential goods. Additionally, measures to enhance energy efficiency and accelerate investment in renewable energy could help reduce reliance on imported fuel over the medium term. Coordinated action between CBSI and the Government will be critical to ensuring that inflationary pressures are contained while protecting the welfare of Solomon Islanders.

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