

# Statement By CBSI Governor, Dr Luke Forau, at the Launch of the 2025 CBSI Annual Report, on Thursday 30<sup>th</sup> April, 2026 at the Heritage Park Hotel

## 1. Salutation

- The Honorable Minister of Finance & Treasury
- Honorable ministers of the Crown, and Members of Parliament
- Permanent Secretary of Finance and Treasury
- Other Permanent Secretaries, and Senior Government Officials
- Excellencies Representatives of the Diplomatic Corps
- Central Bank Board of Directors
- Heads of Financial Institutions
- Heads of Statutory Authorities
- Representatives of Non-Government Organizations
- Representatives of the Private Sector
- Solomon Islands Chamber of Commerce Board and CEO
- Representatives of the Media
- Distinguished Guests
- Ladies and gentlemen

## 2. Introduction and Context

It is my pleasure to warmly welcome you all to the Bank's 2025 Annual Report Launch. Thank you for coming along.

I will begin by providing a brief assessment of the country's economic performance in 2025, and share some insights on where we should focus our efforts in 2026. Please note, this is not about prescribing policies—rather it is about guiding our attention to the areas where action and investment can make the most meaningful impact for our people.

Ladies and Gentlemen, the global economy remains uncertain. Geopolitical tensions are rising, and commodity prices remain volatile—especially with the global oil markets, where tensions in the Middle East continue to fuel instability. For small, open economies like ours, such shocks directly transmit into our economy through rising costs, putting pressure on businesses and strain on households; these are realities that we cannot ignore.

At last year's Annual Report Launch, we emphasized the importance of building a stronger future grounded on clear goals, shared ownership, and a renewed sense of determination and urgency to deliver excellence. That message remains just as relevant today. However, this year we must go further by embedding a theme that entails ***"Fit for the Times: Prioritizing inclusive and resilient growth"***. It reflects a growing recognition that resilience and inclusion are inseparable, nor are they

optional; they are foundational upon which sustainable growth and prosperity must be built. The real question is how decisively and how quickly we act.

I will return to it later. For now, let me provide a snapshot of last year's economic performance and the outlook for this year.

### **3. Brief Economic update in 2025 and Economic outlook**

#### Global economy

In 2025, global economy grew by 3.4%<sup>1</sup>. The impact of the U.S. trade tariffs proved less severe than initially anticipated, highlighting the global economy's ability to adapt to policy uncertainty. At the same time, global inflation eased further to 4.1% as price pressures moderated and inflation continued to converge toward central banks' targets.

#### Domestic Economic growth

On the domestic front, the Solomon Islands' economy gained stronger momentum in 2025, expanding by 3.6% compared to 3.0% in 2024. The gains came from solid growths across key sectors such as mining, construction, agriculture, communications, wholesale and retail trade, and transport.

Stronger performance in mining and construction reflected increased investments and ongoing infrastructure development, while gains in communications, wholesale and retail, and transport signaled increased domestic demand and improved connectivity across the nation.

#### Labour conditions

Labour market conditions remained stable in 2025, with total SINPF contributors, a proxy for formal sector employment, increasing by 4% (2,448 new contributors) to 61,829 from 59,381 in 2024. The increase reflected employment opportunities in the wholesale and retail trade, mining, construction, hospitality, agriculture, and the services sector.

#### Inflation

Inflation moderated in 2025, with headline inflation declining to 1.6% from 4.6% in 2024, this is driven by lower domestic and imported price pressures. Domestic inflation eased to 2.2% due to improved fruit and vegetables supplies, while imported inflation fell to 0.2% amid lower global prices and fuel costs, supported by favourable exchange rate.

#### External conditions

On the external sector, the country's overall balance of payments surplus improved further to \$938 million, more than double the \$350 million recorded in the previous

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<sup>1</sup> According to the IMF WEO April 2026 Update

year. This improvement was largely driven by a surplus in the current account due to strong mineral export receipts and higher donor inflows. Consequently, gross foreign reserves increased by 14% to \$6,620 million, equivalent to 12 months of imports—well above the CBSI’s six-month policy threshold—and offering a strong buffer against short-term external shocks.

For those curious about remittances from seasonal workers, total cash remittances from the labour mobility scheme, seasonal workers and the RSE in 2025 dropped by 1% to \$471 million. This figure does not include those who brought in cash with them on the plane. On the bigger picture, workers continue to directly support families, households, and communities across the Solomon Islands.

## Monetary Policy

Monetary Policy stance during the year has been accommodative to support growth while at the same time ensuring inflation is tamed. Part of the policy was the stabilization of the Solomon dollar to ensure that imported inflation is contained. This may seem inconsistent with the accommodative stance, but it did work for our purpose. In times of uncertainty combined with market failure, it is only fitting that specific and targeted fit-for-purpose policies are implemented to cushion the adverse impact.

## Fiscal Policy

On fiscal developments, the Government maintained the expansionary fiscal stance, with the fiscal deficit widening by 4% of GDP (\$639 million) in 2025 from 2% of GDP (\$282 million) in 2024. This has resulted in the Government debt increasing to 30% of GDP as compared to 26% of GDP in the previous year.<sup>2</sup>

## Economic Outlook

Prior to the conflict, global growth was expected to remain at 3.3% in 2026, to be supported by advances in artificial intelligence, accommodative financial conditions, and continued monetary and fiscal policy support. With the Middle East conflict, the IMF<sup>3</sup> has revised down global growth for 2026 to 3.1%. Global inflation is also projected to rise slightly to 4.4% in 2026, reversing the earlier expectation that inflation would continue to ease.

For Solomon Islands economy, the Central Bank’s earlier growth projection of 3.8% was revised down to 3.6% following the Middle East crisis. Then came the Tropical Cyclone Maila, growth has been further revised down to 3.4%. This growth is expected to be driven by agriculture, fishing, mining, construction, wholesale and retail trade, and communications. However, the outlook remains uncertain and risks are tilted to the downside. Moreover, external shocks such as adverse export price

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<sup>2</sup> The government debt stock figures for 2024 and 2025 include IMF loans; as a result, the reported levels are slightly higher compared to last year’s Annual Report launch.

<sup>3</sup> IMF latest WEO April 2026.

movements, ongoing Middle East crisis, and the lingering impact of Cyclone Maila could negatively affect these sectors.

In the medium term, the economy is projected to grow by an average of around 4.5%, assuming a broad-based expansion across key sectors including mining, agriculture, construction, and services. These projections depend critically on the quality of policies developed and implemented; for without effective execution, they would remain largely aspirational.

### Challenges, risks and opportunities

The risks to the outlook are tilted to the downside. Global uncertainties continue to pose challenges, while domestically, we face natural disasters, investment gaps, and ongoing leadership and governance issues. On the flip side, there are clear opportunities; the private sector resilience and the willingness of our development partners have generously supported us on infrastructure and digital technology – laying the foundation for our future growth.

### Baseline growth and ambitious growth path forward

Before we return to our theme, let's take a moment to reflect on where we are today.

Between 2015 and 2019, our economy enjoyed steady growth of around 3% per year, on average. But this progress was sharply disrupted between 2020 and 2022, when the COVID-19 pandemic pushed us into recession.<sup>4</sup>

Since then, we have been on the path to recovery. From 2023 to 2025, growth has returned, averaging 3.1% per year, with growth for 2025 estimated at 3.6%, up from 3.0% in 2024.

Yes, we are growing—but not fast enough, and not broadly enough. We are falling short of our 5% growth target and of delivering the inclusive growth our people deserve. And might I add, with such performance we may not be able to graduate from an LDC status, come 2027.

When we dig deeper, it becomes clear why. Our growth depends heavily on a few sectors. Strip out mining, and our 3.6% growth falls to around 2.8% for 2025 and 2026. This highlights a structural challenge: our growth is still narrow-based and too concentrated.

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<sup>4</sup>SINSO published revised GDP figures in October 2025, including updated growth estimates for 2021 and 2022, along with actual data through 2024.

The challenge before us is clear: we must not just grow—but do things differently to grow. We must build an economy that is more inclusive, more resilient, and more sustainable.

Let us now consider a more ambitious path—a “big push” scenario. What would it take to lift growth to at least 5%? It would require coordinated and deliberate action across all sectors of the economy. It would demand bold, transformational change—not incremental adjustments.

And this brings us back to our theme: **“Fit for the Times: Prioritizing Inclusive and Resilient Growth.”**

Being fit for the times means more than responding to today’s challenges. It means preparing our economy to thrive in a world that is constantly changing. It means ensuring that growth is not only strong, but shared by all. It means building resilience so that shocks—whether global or domestic—do not derail our progress. They need to go together. Inclusive growth without resilience will only lift people out of poverty, but leaves them vulnerable to shocks. Similarly, resilient growth without inclusiveness, only protects systems and assets, but still widens inequality and social tension. In short, we need growth that is fair, durable, and future-ready.

This **“big push”** requires all of us. It calls on the private sector to innovate, the government to enable, communities to engage, and every citizen to see themselves as part of this transformation.

#### **4. Prioritizing Economic Sectors to drive inclusive and resilient growth**

Let me begin with the sector that can drive the widest impact: **agriculture**.

I mentioned this last year, but I want to mention it again because agriculture remains the most powerful and impactful engine of inclusive growth. It is where opportunity reaches the most people—across our provinces, our communities, and our households.

As we pursue our 5% growth target, there is enormous potential to expand production by leveraging the comparative advantages of our provinces. Guadalcanal, Western, and Central Provinces have strong potential in copra production, while Guadalcanal, Makira, and Malaita are well-positioned for cocoa. The potential is clear. The real question is: can we organize and support our farmers to fully realize it?

With the right tools and mindset, production could increase dramatically:

- Copra output could rise well beyond 30,000 tons
- Coconut oil production could exceed 15,000 tons

- Cocoa output could triple to over 15,000 tons
- Seaweed, an emerging commodity, could grow from 5,309 tons to over 15,000 tons
- Kava production could expand from 3 tons to 9 tons

But the opportunity does not stop at production. Agriculture is, in many ways, the mother of all industries. Its true value lies in the linkages it creates across the economy.

What if we processed more of what we grow? What if, instead of exporting raw cocoa, we produced our own chocolate—right here at home? That is where the multiplier effects kick in: more jobs, more value retained locally, stronger links to tourism, and a more resilient domestic economy. This is the shift we must make—from volume to value.

Agriculture also underpins food and nutritional security. Our high dependence on imported food exposes households to price volatility and supply disruptions. Strengthening domestic production of staples such as cassava, taro, and potatoes supports nutrition, sustains rural livelihoods, and reduces vulnerability to external shocks.

In 2025, food imports accounted for 25% of the country's total imports, with rice alone representing 27% of food imports—worth over \$398 million. Looking at the bigger picture, total food imports reached \$1,505 million, which is significantly higher than our agricultural exports of 1,007 million (a deficit of \$498 million). In simple terms, a large share of what we consume is coming from abroad rather than being produced locally—and that's a gap we need to address. I commend the Ministry of Agriculture and Livestock for piloting the rice project in Malaita Province, an important step towards reducing our dependence on rice imports.

Beyond agriculture, tourism offers untapped potential. I welcome the Government's strong focus on this sector. This year, the tourism budget jumped from \$10 million to \$46.4 million—a massive \$36.4 million boost—showing real commitment to unlocking that potential with the Government's bold ambition to achieve 100,000 visitor arrivals by 2035, up from 27,239 visitor arrivals recorded at the end of last year. Imagine the impact—not just more foreign exchange earnings, but thousands of new jobs and the positive spill-overs into our communities. With the right investments in infrastructure, connectivity, and service quality, tourism can become a powerful engine of inclusive growth. And remember, we need a minimum of 700 rooms, so says former CEO of the Tourist Solomons, the late losefa.

At the same time, digital transformation is a game changer. Expanding mobile financial services can improve access to finance, lower transaction costs, and bring

more of our people into the formal economy. Broadly, we are seeing these benefits in practice, though there is more to do. Under our third National Financial Inclusion Strategy 2021-2025, we had a target of 400,000 financial account users, with 50% of whom must be women. By end of 2025, we reached 88% (352,000), a shortfall of 48,000. Of this, 44% (or 156,000) were women. This is an encouraging progress, but there is still more to do to close the gap. The second national goal was to reach 1,150 access points. We have surpassed the target to reach 6,155 access points in 2025. This includes agents, EFTPOS terminals and merchants, ATMs and branches.

Protecting our investments is just as important as growing them. Innovative initiatives, such as the parametric insurance launched last year, are helping farmers and communities to withstand climate-related shocks and safeguard hard-earned progress. For example, during the recent rainy spell in January and early February, 35 policyholders received payouts under the recently introduced parametric insurance scheme, and I encourage more farmers to participate and benefit from this protection.

Similarly, on a national level, the Government has made a wise decision to protect the country against cyclones, earthquake, tsunami, and flooding. For example, the recent cyclone Maila has triggered payout from the Pacific Catastrophic Risk Insurance Company (PCRIC) to the SIG USD\$500,000, which only paid US\$45k in premium last November. Given the frequency of cyclones, the Government can benefit more by increasing the policy premium.

We must also accelerate renewable energy. Our reliance on imported fossil fuels leaves us vulnerable to volatile global prices, affecting agriculture, fisheries, and transport.

Coordinated action by government and private sector is critical to safeguard households, businesses, and livelihoods. Fast-tracking renewable energy projects, including solar expansion and the Tina Hydropower Project, will reduce exposure to external shocks, lower costs, and strengthen national resilience. These investments will enhance productivity, reduce the cost of doing business, and create a more stable foundation for sustainable growth. Resilience is not just about withstanding shocks—it's about bouncing forward. Not back. Forward!

## **5. Pillars for Turning Investment into Impact**

Stepping up investment is essential—but investment alone is not enough. We must ensure it translates into real, tangible improvements in our people's lives. This requires a practical framework built around four key pillars: people, tools, data, and systems.

First, **people** are central to both growth and resilience. Investing in farmers/business operators is crucial to ensure they are well- equipped to adapt to

changing conditions, and policymakers must have the capacity to define growth paths and respond to evolving circumstances. Provincial staff need upskilling, and outreach must reach every community.

Second, is **technology**. Productivity gains must be achieved within existing constraints. In agriculture and fisheries, practical and scalable technologies – such as improved planting materials, resilient farming practices, and basic storage and processing – can stabilize output and incomes while reducing exposure to price and weather volatility. Embracing technology, strengthening value chains, and linking farmers to markets, we can ensure these tools deliver maximum impact. Technology choices must be effective, affordable, and tailored to our local context.

Third, good policy depends on reliable **data**. Reliable information on production, prices, imports, and nutrition outcomes allows us to monitor performance, assess risks, and plan proactively. Comprehensive databases, including a farmer registry, will ensure financial interventions are targeted and evidence-based. At the national level, the Government must fully resource the National Statistics Office. They are the only mandated office in the country to collect data. It is critically important that capacity at the NSO is strengthened.

Fourth, **systems** must integrate people, tools, and data into actionable policies. Monitoring must feed into decision-making at national and provincial levels, with clear feedback loops for accountability and continuous improvement.

## 6. CBSI Operations

Let me close by briefly reflecting on the Bank's key operations last year.

On governance, the Bank continued to benefit from the oversight and guidance of its full nine-member Board of Directors. Day-to-day operations were carried out by 11 departments, all working to deliver the Bank's mandate. During the year, the Board endorsed the Mid-Term Review of the Bank's Strategic Plan 2024–2027 and its translation into the development of the 2026 Annual Strategic Operating Plan – helping to sharpen our focus, strengthen accountability, and better align our priorities and resources. The Bank's Strategic Plan is aligned to the Government's National Development Strategy (NDS) five objectives. Moreover, all our mandates, regulations, and internal policies are also aligned to the UN's SDGs.

The Bank's workforce also continued to expand and evolve. Staff numbers increased to 201, up from 187 in 2024, reflecting our deliberate investment in institutional capability. We are proud to be an equal opportunity employer, with women now making up 40 percent of our workforce, supported by our female empowerment initiative, *FemPower*. At the same time, we continued to invest in our people.

On infrastructure, the Bank prioritized the upkeep of its existing facilities while also planning for the future. Following the acquisition of the adjacent land next to CBSI Head Quarter, we progressed the redesign of our new Head Office– providing a clear vision for modern infrastructure to support our long-term institutional needs.

## **7. Conclusion**

Finally, let me sincerely thank everyone who has provided data, shared information, and made time to meet with us in support of our economic assessment throughout the year.

Foremost, I'd like to recognize the Board for its important oversight role and my staff at the Central Bank for their continued support and dedication.

Thank you for listening and may God Bless you all.

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