

# SOLOMON ISLANDS

**Table 1** **2023**

Population, million	0.7
GDP, current US\$ billion	1.5
GDP per capita, current US\$	2067.9
International poverty rate (\$2.15) <sup>a</sup>	26.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	61.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	88.5
Gini index <sup>a</sup>	37.1
School enrollment, primary (% gross) <sup>b</sup>	104.3
Life expectancy at birth, years <sup>b</sup>	70.3
Total GHG emissions (mtCO2e)	46.3

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2012), 2017 PPPs.  
b/ WDI for School enrollment (2019); Life expectancy (2021).

*The economy is expected to grow by 2.8 percent in 2024, driven by national election preparations and public infrastructure investments in the energy and transportation sectors. In the medium term (2024-26), growth is projected to average 2.9 percent of GDP, while the fiscal deficit is expected to average 3.7 percent of GDP. State fragility, climate change, and subdued global economic conditions pose downside risks.*

## Key conditions and challenges

Solomon Islands is a small, secluded archipelago with 721,000 people scattered across 90 inhabited islands. Geographic dispersion, remoteness from global markets, and vulnerability to natural calamities all provide substantial obstacles to development. Limited state capacity and political economic dynamics frequently impede the design and implementation of sound public policies. Poor infrastructure, widespread underemployment, and a limited private sector pose significant growth challenges. The Solomon Islands are particularly vulnerable to natural calamities such as earthquakes, cyclones, and tsunamis, which may cause significant economic harm.

Development challenges have been exacerbated by a series of shocks that have resulted in a significant economic decline during the previous years, including a local COVID-19 outbreak in 2022 and impacts from the Russian invasion in Ukraine. World Bank phone survey data indicates that food insecurity remains elevated, with an increasing share of the population worried about not having enough food to eat. According to the 2012/13 Household Income and Expenditure Survey (HIES), 61 percent of the population was considered poor based on the lower-middle-income poverty line (\$3.65 per day in 2017 PPP).

## Recent developments

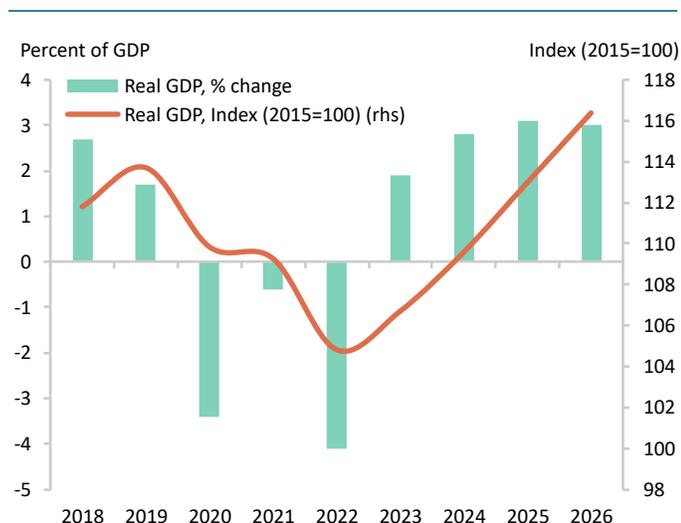
The economy returned to 1.9 percent growth in 2023, driven by the hosting of the Pacific Games in November 2023 and several large public infrastructure projects in the energy and transport sectors. An uptick in international visitor arrivals has positively impacted the accommodation, restaurant, and transport sectors. Increased participation in regional labor mobility programs contributed to household incomes through remittances. Data from high-frequency phone surveys – collected from April to September 2023 – indicate that employment has largely remained unchanged.

Inflation reached 4.7 percent in 2023, down from 5.5 percent in 2022. In March 2023, the Central Bank of Solomon Islands (CB-SI) tightened monetary policy by increasing the cash reserves ratio from 5 percent to 6 percent, in response to growing inflationary pressures. The financial sector remains relatively stable, with well-capitalized banks and adequate liquidity levels.

The current account deficit reached 11.6 percent of GDP in 2023, due to a decline in logging and agricultural exports. Foreign reserves fell from 9.5 months of imports in 2022 to 8.4 months of imports by the end of 2023, still above the reserve adequacy range of four to seven months of imports. The current account deficit was financed through external concessional borrowing and FDI inflows.

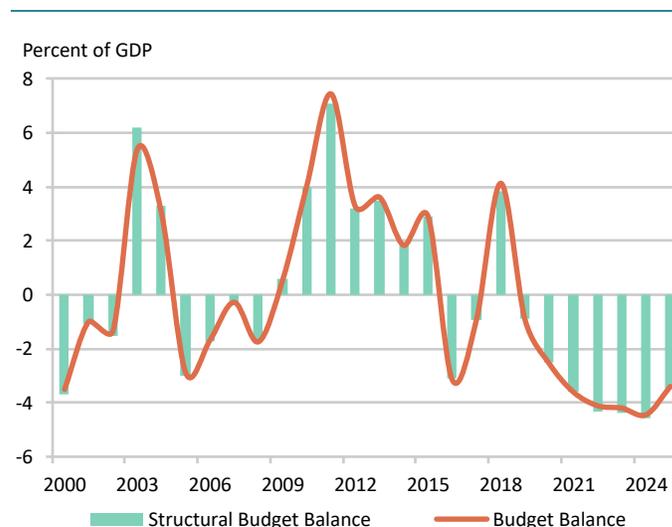
The fiscal deficit in 2023 is estimated at 4.2 percent of GDP. Total revenues expanded

**FIGURE 1 Solomon Islands / Real GDP**



Sources: IMF and World Bank staff calculations.

**FIGURE 2 Solomon Islands / Fiscal balance**



Sources: IMF and World Bank staff calculations.

slightly to reach 28.8 percent of GDP. The government managed to contain expenditure growth, despite facing substantial spending demands. Expenditures decreased slightly to 33 percent in 2023, explained largely by a reduction in development spending.

Public debt increased to 20.4 percent of GDP in 2023, up from 16.9 percent of GDP in 2022. This was due to rising primary fiscal deficit and lagging nominal GDP growth. As part of the COVID-19 response, the government issued domestic development bonds during 2020-22, close to doubling the stock of development bonds from SI\$360 million at the end of 2020 to SI\$650 million at the end of 2021.

## Outlook

The economy is expected to grow by 2.9 percent in the medium term (2024–26), boosted by government spending on

election preparations, a large infrastructure pipeline, and increased mining activity. An uptick in the labor mobility program is expected to contribute to economic activity through the remittance channel. Whilst inflation is projected to average 3.4 percent during 2024-2026 amid cooling energy and food prices, this is above the average inflation experienced during the past five years (2.7 percent). Nevertheless, poverty is likely to decline with the projected economic growth and increasing remittances. The new HIES, which is to be collected in 2024/25, will help update the poverty measure.

The current account deficit is projected to remain substantial, averaging 9 percent of GDP over the period of 2024- 2026. This is primarily due to increased import needs from infrastructure projects and an expected decline in logging exports. International reserves are expected to decline to 7 months of imports while remaining adequate.

After reaching 4.4 percent of GDP in 2024, the fiscal deficit is projected to decline over

the medium term, reaching 3.3 percent of GDP in 2026. This partly reflects declining recurrent expenditure and the normalization of development grants after the pandemic and election preparations. Public debt is sustainable, and the external and overall risk of debt distress is moderate.

Subdued global economic conditions, climate shocks, low levels of cash buffers, and social instability pose downside risks. The upcoming general elections in 2024 may increase economic uncertainty and increase the risk of unrest. The rate of recovery in the tourism industry and increasing participation in regional labor mobility programs may provide economic benefits, while second order impacts of infrastructure investment may drive a stronger recovery. Subdued global economic conditions – especially a Chinese growth slowdown – may lower demand for commodity exports, particularly logs, with negative consequences for growth, the current account balance, and government finances.

**TABLE 2 Solomon Islands / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	-0.6	-4.1	1.9	2.8	3.1	3.0
<b>Real GDP growth, at constant factor prices</b>	-0.6	-4.1	1.9	2.8	3.1	3.0
Agriculture	-1.0	-11.8	0.0	1.0	2.0	2.0
Industry	3.0	0.1	5.1	6.0	5.9	5.9
Services	-1.1	-2.7	1.7	2.6	2.7	2.5
<b>Inflation (consumer price index)</b>	-0.1	5.5	4.7	3.7	3.3	3.3
<b>Current account balance (% of GDP)</b>	-5.1	-13.3	-11.6	-10.3	-9.4	-7.4
<b>Net foreign direct investment inflow (% of GDP)</b>	1.5	2.5	2.0	1.9	1.7	1.7
<b>Fiscal balance (% of GDP)</b>	-3.6	-4.1	-4.2	-4.4	-3.4	-3.3
<b>Revenues (% of GDP)</b>	31.2	32.6	28.8	30.8	31.4	31.3
<b>Debt (% of GDP)</b>	15.4	16.9	20.4	24.0	26.3	28.4
<b>Primary balance (% of GDP)</b>	-3.4	-3.8	-3.7	-4.0	-2.8	-2.7
<b>GHG emissions growth (mtCO2e)</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Energy related GHG emissions (% of total)</b>	0.4	0.4	0.4	0.4	0.4	0.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.