

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) decreased by 2% in October 2021 to \$5,577 million, compared to a 1% growth in the previous month. This was sustained by a 4% downturn in narrow money (M1) to \$4,469 million that outweighed a 3% growth in other deposits (saving and time) to \$1,107 million. M1 declined as a result of a drop in demand deposits notwithstanding a slight increase in currency in circulation. On the other hand, growth in other deposits was supported by the increases in both time and saving deposits.

Net foreign assets (NFA) of the banking system edged 0.3% lower to \$5,308 million in October following a 1% decline in September. This came from the Central Bank's NFA, falling by 0.3% to \$5,278 million despite the growth in NFA of other depository corporations from \$26 million to \$30 million. NFA grew on an annual basis by 9%¹.

Net domestic assets (NDA) of the banking system plummeted by 32% to \$269 million in October due to the fall in both net domestic credit and other items net. The decline in net domestic credit was driven by a 2% drop in private sector credit (PSC) to \$2,536 million and an 11% growth in net credit to government (NCG) to minus \$797 million. On an annual basis, PSC grew by 2% while NCG has declined by 16%.

Liquidity in the banking system declined by 5% to \$2,636 million in October 2021. This was driven by the rise in NCG and the fall in NFA during the month. As a result, both free and excess liquidity decreased by 5% to \$2,381 million and 6% to \$2,185 million respectively. Required reserves, however, increased by 1% to \$255 million during the month.

Domestic Market Operations

The Bokolo Bills stock held at the end of October 2021 was \$371 million, a slight drop from \$380 million in September. The weighted average yield (WAY) for Bokolo Bills was sustained at 0.10% from the previous month. Meanwhile, Treasury Bills tendered during October was \$28 million; \$15 million was accepted. The T-bills' WAY for 91 and 365 days remained at 0.49% and 1.92% respectively. The WAY for 182 days, however, increased to 1.04% from 1.02% in September.

¹ The percentage change on annual basis refers to growth comparison against end of 2020

II. EXTERNAL CONDITIONS

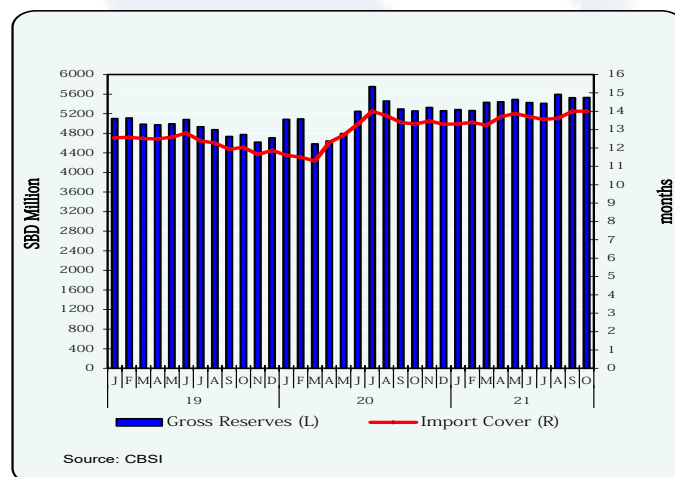
Trade in goods

The balance of trade in goods for the month of October recorded a widened deficit of \$90 million from a \$63 million deficit in the previous month. This outcome reflected a higher increase in imports by 26% to \$367 million against a 21% increase in exports to \$277 million during the month. The rise in exports was primarily driven by fish and agricultural exports, outweighing declines in round logs and minerals exports. Meanwhile, the increase in imports was largely contributed by machineries, fuel and basic manufactures during the period.

Gross foreign reserves

The gross foreign reserves in October remained fairly stable at \$5,529 million resulted from a moderate net inflow during the month. This level of reserves is sufficient to cover 14 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

The Solomon Islands dollar in October appreciated against the United States dollar by 0.09% to an average of \$8.05 per USD. Similarly, it appreciated against the New Zealand dollar by 0.31%, to \$5.67 per NZD, but depreciated against the Australian dollar by 0.91% to \$5.95 per AUD. On the other hand, it strengthened against all other tradable currencies which included British pound, Japanese yen and the Euro. As a result of the above currency movements, the trade-weighted index (TWI) appreciated by 27 basis points to 108.1 during the month.

III: GOVERNMENT FINANCE

The government recorded a surplus of \$8 million in October 2021. This mirrored reductions in expenditure by 34% to \$221 million and revenue by 14% to \$229 million. Meanwhile, the central government’s debt stock expanded by 6% to \$1,891 million in October and equivalent to 15% of GDP.

Declines in both tax and other revenues underpinned the fall in revenue collection. Tax revenue fell by 14% to \$188 million against the preceding month. Similarly, other revenues dwindled to \$41 million from \$47 million in September, attributing to lower proceeds from fishing licenses fees. The fall in total expenditure stemmed from reductions in recurrent and development spending during the month.

The increase in the debt stock reflected additional domestic bonds issued during the month to Solomon Power and Solomon Ports of \$60 million each. Consequently, the domestic debt rose by 19% to \$751 million. In contrast, the external debt stock edged lower by 1% to \$1,140 million due to repayments. Total debt servicing amounted to \$16 million in October 2021, \$15 million on principal repayments and around \$1 million was on interest payments.

IV: DOMESTIC ECONOMY

Domestic Production

The monthly production index in October declined to a preliminary 71 points against 77 points in the previous month attributable to a weaker outturn in round logs, crude palm oil, and fish catch offsetting upturns in copra and cocoa. Round logs fell by 11% to 147 thousand cubic meters, fish catch by 7% to 2,852 tons, and a 4% drop by crude palm oil to 2,779 tons. Copra and cocoa, however, bounced back by 84% and 32% to 1,315 tons and 185 tons, respectively.

The international prices in October for all export commodities increased except for log price which declined by 3% to US\$263 per cubic meters. Coconut oil surged by 29% to US\$1,919 per ton, crude palm oil

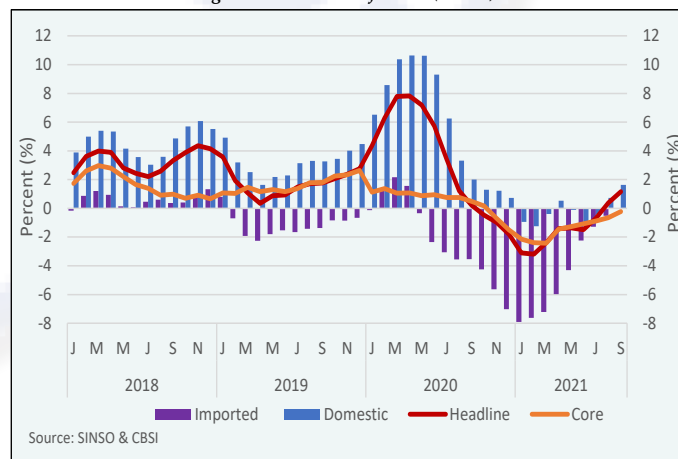
by 11% to US\$1,307 per ton, fish rose minimally by 1% to US\$1,354 per ton, and cocoa grew negligibly per ton from US\$2,560 to US\$2,570, respectively.

Consumer Price Index, Inflation (yoy - 3mma)

The National CPI in September posted an index of 107.3 points, an uptick from the index of 106.6 points in August. The shot up in prices for narcotics (or betel-nuts), energy, fish and seafood, transport, bread and cereals, and fruits aided this month-on-month movement.

Headline inflation in September soared to 1.2% from 0.4% a month ago. This ascending movement was driven by both domestic and imported items. Domestic inflation went up to 1.6% and imported inflation levelled off at zero percent. Similarly, core inflation rebounded to minus 0.2% in the reviewed period.

Figure 2: National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI Monthly Price Index (MPI) climbed from 92 points to 97 points in October following the upturn in prices of selected consumer items. The prices of rice (Solrice family 40lb) went up per bag by \$5 to \$128.20, the domestic electricity¹ tariff by 8 cents to \$6.40 per KWh, fuel by 7 cents to \$9.22 per litre, betel-nut by 47 cents to \$1.08 per nut, and LP gas by 13 cents to \$25.42 per KG.

¹ Average of the three consumption blocks in the domestic category.

Solomon Islands Key Economic Indicators

		May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
Consumer price index (% change)	Headline (3mma)	-1.4	-1.5	-0.7	0.4	1.2	na
	Underlying (3mma): core 3	-1.3	-1.1	-0.9	-0.7	-0.2	na
	Headline (MoM)	-0.5	-2.4	-0.5	0.5	0.7	na
CBSI MPI (weighted Index)	Month- on - Month	96	97	91	91	92	97
Trade¹ (eop)	Exports (\$ millions)	283	165	305	208	228	277
	Imports (\$ millions)	372	287	337	335	291	367
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	7.98	8.01	8.05	8.07	8.05	8.05
	SBD per AUD	6.20	6.12	5.98	5.89	5.90	5.95
	SBD per NZD	5.77	5.70	5.62	5.63	5.69	5.67
	SBD per GBP	11.23	11.24	11.11	11.14	11.07	11.01
	SBD per 100 JPY	7.31	7.29	7.30	7.35	7.32	7.12
	SBD per EUR	9.69	9.66	9.52	9.50	9.49	9.33
	TWI	105.9	106.6	107.9	108.5	108.4	108.1
Gross Foreign Reserves (eop)	\$ millions	5,491	5,427	5,364	5,388	5,549	5,529
Liquidity² (eop)	Total Liquidity (\$ millions)	2,410	2,422	2,538	2,823	2,764	2,636
	Excess Liquidity (\$ millions)	1,986	1,999	2,102	2,385	2,313	2,185
Money and credit² (eop)	Narrow Money (\$ millions)	4,649	4,345	4,584	4,593	4,640	4,469
	Broad Money (\$ millions)	5,624	5,405	5,646	5,656	5,719	5,577
	Private Sector credit (\$ millions)	2,567	2,526	2,568	2,581	2,578	2,536
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.18%	0.18%	0.10%	0.10%	0.10%	0.10%
	91- days Treasury Bills rate	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%
	182-days Treasury Bills rate	1.05%	1.05%	1.04%	1.02%	1.02%	1.04%
	365-days Treasury Bills rate	1.80%	1.92%	1.92%	1.92%	1.92%	1.92%
Government Finance³	Revenue (\$ millions)	191	278	250	237	266	229
	Expenditure (\$ millions)	302	666	476	350	337	221
	Fiscal Balance (\$ millions)	-110	-387	-226	-113	-71	8
	SIG Debt stock (eop) (\$ millions)	1,621	1,609	1,623	1,788	1,780	1,891
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	273	270	270	271	270	263
	Gold - (US\$/oz)	1,850	1,835	1,808	1,785	1,775	1,777
	Palm Oil - (US\$/tonne)	1,156	1,010	1,063	1,142	1,181	1,307
	Fish - (US\$/tonne)	1,402	1,358	1,423	1,462	1,342	1,354
	Coconut oil - (US\$/tonne)	1,717	1,671	1,584	1,494	1,485	1,919
	Cocoa - (US\$/tonne)	2,410	2,370	2,330	2,480	2,560	2,570

¹ Value in terms of free on Board (FOB)

² Based on weekly statistics provided by other depository corporations (ODCs).

³ Based on GFSM2014 standards.

Note;
na : not available at time of publication.