

## Monthly Economic Bulletin

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| Content                    | Page |
|----------------------------|------|
| I. Monetary Developments   | 1    |
| II. External Conditions    | 1    |
| III. Government Finances   | 2    |
| IV. Domestic Production    | 2    |
| V. Key Economic Indicators | 3    |

### I. MONETARY DEVELOPMENTS

Money supply (M3) rebounded by 2% at the end of November 2021 to \$5,698 million, from a 2% decline in October 2021. This was due to 2% growths in both narrow money (M1) and other deposits (saving and time) to \$4,574 million and \$1,125 million, respectively. The increase in M1 resulted from higher demand deposits and currency in circulation. Growth in other deposits was supported by expansions in both time and saving deposits.

Net foreign assets (NFA) of the banking system declined by 1% to \$5,228 million in November after a 0.3% fall in the previous month. This came from the Central Bank's NFA, falling by 2% to \$5,189 million despite growth in NFA of other depository corporations from \$30 million to \$40 million. NFA grew by 7% on an annual basis<sup>1</sup>.

Credit to the private sector (PSC) fell marginally by 0.4% to \$2,526 million, a third consecutive monthly fall reflecting slow lending activities during the month. Meanwhile, net credit to the government (NCG) increased by 3% to \$797 million from \$720 million mirroring increased government deposits during the month. On an annual basis, PSC grew by 2% while NCG declined by 19%.

Liquidity in the banking system declined by 2% to \$2,582 million in November 2021. This was driven by a fall in NFA during the month. As a result, both free and excess liquidity decreased by 2% each to \$2,329 million and \$2,146 million respectively. Required reserves also fell by 1% to \$253 million during the month.

#### Domestic Market Operations

The Bokolo Bills stock held at the end of November 2021 was \$381 million, an increase from \$371 million in October. The weighted average yield (WAY) for Bokolo Bills leveled off at 0.10% from the previous month. Meanwhile, Treasury Bills tendered during November was \$24 million; of that, \$15 million was accepted. The T-bills' WAY for 91 remained at 0.49% while the WAY for 182 and 365 days declined to 1.00% and 1.89%, respectively.

<sup>1</sup> The percentage change on annual basis refers to growth comparison against end of 2020

### II. EXTERNAL CONDITIONS

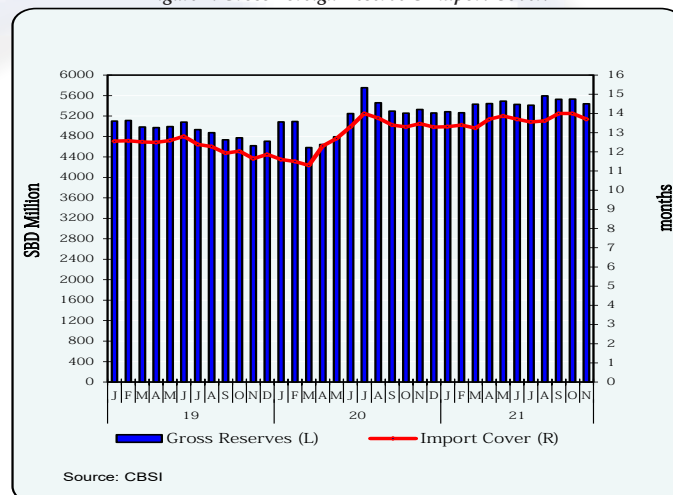
#### Balance on Trade in goods

In November 2021, the deficit balance on trade in goods deteriorated to \$168 million from \$90 million in the previous month. This outcome stemmed from a significant fall in exports by 45% to \$153 million from weaker shipments across all export commodities. Imports declined by 13% to \$321 million during the month driven largely by machinery and basic manufactures outweighed the upturns in food and fuel imports during the period.

#### Gross foreign reserves

The gross foreign reserves during the month fell by 2% to \$5,438 million due to higher outflows than inflows in the period. This level is sufficient to cover 13.7 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange rates

The Solomon Islands dollar in November 2021, depreciated against the United States dollar to an average of \$8.05 per USD. On the other hand, it appreciated against the Australian dollar by 0.89% to \$5.90 per AUD, and against the New Zealand dollar by 0.11% to \$5.66 per NZD. Similarly, it strengthened against the Japanese yen, Euro and British pound. Consequently, due to the strong dominance of the USD, the trade-weighted index weakened by 41 basis points to 108.6 during the month.

### III: GOVERNMENT FINANCE

The government overall balance posted a deficit of \$9 million in November 2021 stemming from a 7% increase in total expenditure to \$236 million and a 1% decline in revenue to \$227 million. The higher expenditure reflected an increase in payroll expenses while the decline in revenue was driven by weaker collection across all tax categories particularly in the last week of November following the riot and looting in Honiara.

The government’s debt stock edged lower by 0.2% to \$1,888 million in November due to exchange rate movements and debt servicing. External debt declined by 0.3% to \$1,136 million while domestic debt rose by 0.04% to \$752 million. Debt servicing totaled \$19 million; \$17 million on principal repayments and \$2 million on interest charges.

### IV: DOMESTIC ECONOMY

#### Domestic Production

The preliminary monthly production index in November dropped 20% to 57 points driven by weaker output in round logs, and fish catch despite the upturns in copra, crude palm oil and cocoa. Round logs went down by 31% to 102 thousand cubic meters, and fish catch by 17% to 2,369 tons. On the other hand, copra and crude palm oil both grew by 12% to 1,475 tons and 3,111 tons, respectively, and cocoa tripled to 502 tons.

The international prices for all export commodities posted a mixed movement in November. The price per ton for coconut oil and crude palm oil increased by 3% each to US\$1,983 and US\$1,348, respectively. Round log, however, dropped by 1% to US\$261 per cubic meters, and fish price was maintained at US\$1,354 per ton.

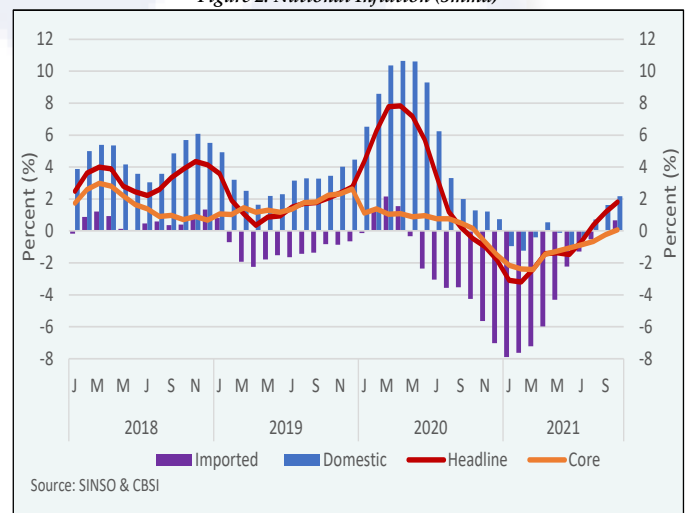
#### Consumer Price Index, Inflation (yoy - 3mma)

The National CPI in October went up to an index of 107.5 points compared to an index of 107.3 points

posted in September. This monthly upward movement was driven by upturn in prices of fish and seafood, vegetables, bread and cereals, energy, health, and transport offsetting the price falls in betel-nuts, fruits, and tobacco.

Headline inflation in October rose to 1.8% from 1.2% in the preceding month driven by both domestic and imported items. Domestic inflation increased to 2.2% and imported inflation rebounded to 0.7%. Likewise, core inflation recorded at 0.1%, a positive rate for the first time since November 2020.

Figure 2: National Inflation (3mma)



#### CBSI Monthly Price Index (MPI)

The CBSI Monthly Price Index (MPI) in November increased by 4.6% to 102 points owing to price rise in the selected consumer items except for domestic electricity tariff which fell by 36 cents to \$6.04 per KWh. The prices of rice (Solrice family 40lb) edged up by \$1.40 to \$129.60 per bag, fuel by 70 cents to \$9.93 per litre, betel-nut by 42 cents to \$1.50 per nut, and LP gas remained at \$25.42 per KG.

## Solomon Islands Key Economic Indicators

|   |                                     | Jun 21 | Jul 21 | Aug 21 | Sep 21 | Oct 21 | Nov 21 |
|---|-------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>Consumer price index</b><br>(% change )            | Headline (3mma)                     | -1.5   | -0.7   | 0.4    | 1.2    | 1.8    | na     |
|   | Underlying (3mma): core 3           | -1.1   | -0.9   | -0.7   | -0.2   | 0.1    | na     |
|   | Headline (MoM)                      | -2.4   | -0.5   | 0.5    | 0.7    | 0.2    | na     |
| <b>CBSI MPI</b><br>(weighted Index)                   | Month- on - Month                   | 97     | 91     | 91     | 92     | 97     | 102    |
| <b>Trade<sup>1</sup></b><br>(eop)                     | Exports ( \$ millions)              | 165    | 305    | 208    | 228    | 277    | 153    |
|   | Imports ( \$ millions)              | 287    | 337    | 335    | 291    | 367    | 321    |
| <b>Exchange Rates</b><br>(Mid-rate, Monthly average)  | SBD per USD                         | 8.01   | 8.05   | 8.07   | 8.05   | 8.05   | 8.05   |
|   | SBD per AUD                         | 6.12   | 5.98   | 5.89   | 5.90   | 5.95   | 5.90   |
|   | SBD per NZD                         | 5.70   | 5.62   | 5.63   | 5.69   | 5.67   | 5.66   |
|   | SBD per GBP                         | 11.24  | 11.11  | 11.14  | 11.07  | 11.01  | 10.85  |
|   | SBD per 100 JPY                     | 7.29   | 7.30   | 7.35   | 7.32   | 7.12   | 7.06   |
|   | SBD per EUR                         | 9.66   | 9.52   | 9.50   | 9.49   | 9.33   | 9.20   |
|   | TWI                                 | 106.6  | 107.9  | 108.5  | 108.4  | 108.1  | 108.6  |
| <b>Gross Foreign Reserves</b><br>(eop)                | \$ millions                         | 5,427  | 5,364  | 5,388  | 5,549  | 5,529  | 5,438  |
| <b>Liquidity<sup>2</sup></b><br>(eop)                 | Total Liquidity (\$ millions)       | 2,422  | 2,538  | 2,823  | 2,764  | 2,636  | 2,582  |
|   | Excess Liquidity ( \$ millions)     | 1,999  | 2,102  | 2,385  | 2,313  | 2,185  | 2,146  |
| <b>Money and credit<sup>2</sup></b><br>(eop)          | Narrow Money (\$ millions)          | 4,345  | 4,584  | 4,593  | 4,640  | 4,469  | 4,574  |
|   | Broad Money ( \$ millions)          | 5,405  | 5,646  | 5,656  | 5,719  | 5,577  | 5,698  |
|   | Private Sector credit (\$ millions) | 2,526  | 2,568  | 2,581  | 2,578  | 2,536  | 2,526  |
| <b>Interest Rates</b><br>( weighted average yield)    | 28-days Bokolo Bills rate           | 0.18%  | 0.10%  | 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%  | 1.04%  | 1.02%  | 1.02%  | 1.04%  | 1.00%  |
|   | 365-days Treasury Bills rate        | 1.92%  | 1.92%  | 1.92%  | 1.92%  | 1.92%  | 1.89%  |
| <b>Government Finance<sup>3</sup></b>                 | Revenue (\$ millions)               | 278    | 250    | 237    | 266    | 229    | 227    |
|   | Expenditure (\$ millions)           | 666    | 476    | 350    | 337    | 221    | 236    |
|   | Fiscal Balance (\$ millions)        | -387   | -226   | -113   | -71    | 8      | -9     |
|   | SIG Debt stock (eop) (\$ millions)  | 1,609  | 1,623  | 1,788  | 1,780  | 1,891  | 1,888  |
| <b>Global Commodity Prices</b><br>( monthly averages) | Round logs - (US\$/m3)              | 270    | 270    | 271    | 270    | 263    | 261    |
|   | Gold - (US\$/oz)                    | 1,835  | 1,808  | 1,785  | 1,775  | 1,777  | 1,822  |
|   | Palm Oil - (US\$/tonne)             | 1,010  | 1,063  | 1,142  | 1,181  | 1,310  | 1,348  |
|   | Fish - (US\$/tonne)                 | 1,358  | 1,423  | 1,462  | 1,342  | 1,354  | 1,354  |
|   | Coconut oil - (US\$/tonne)          | 1,671  | 1,584  | 1,494  | 1,485  | 1,923  | 1,983  |
|   | Cocoa - (US\$/tonne)                | 2,370  | 2,330  | 2,480  | 2,560  | 2,570  | 2,390  |

<sup>1</sup> Value in terms of free on Board (FOB)

<sup>2</sup> Based on weekly statistics provided by other depository corporations ( ODCs).

<sup>3</sup> Based on GFSM2014 standards.

Note;  
na : not available at time of publication.