

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Money supply (M3) minimally decreased by 0.1% at the end of December 2021 to \$5,690 million, after a 2% growth in November. This came from a 0.3% decline in narrow money (M1) that outweighs the growth of other deposits (saving and time) by 0.5% to \$1,130 million. The fall in M1 was due to the downturn in demand deposits offsetting the growth of currency in circulation during the festive season while growth in other deposits was driven by increases in both time and saving deposits.

Net foreign assets (NFA) of the banking system grew by 3% to \$5,400 million in December from a 1% fall in the previous month. This resulted from the growth in both Central Bank's NFA, expanding by 3% to \$5,359 million and that of other depository corporations, moving from \$40 million to \$41 million. On an annual basis<sup>1</sup>, total NFA grew by 11%.

The private sector credit (PSC) of the banking system grew slightly by 1% to \$2,544 million, after a 0.4% fall in the previous month. Whilst, net credit to government increased by 16% to \$896 million from \$770 million, reflecting increases in holdings of government deposits in the banking system. Annually, PSC increased by 2%; NCG, however, declined by 6%.

Liquidity in the banking system narrowed by 3% to \$2,515 million in December 2021. This was driven by growth in NCG during the month. Consequently, both free and excess liquidity declined by 3% to \$2,268 million and \$2,083 million respectively. Meanwhile, required reserves fell by 2% to \$248 million during the month.

#### Domestic Market Operations

Bokolo Bill's stock held at the end of December 2021 was \$391 million, an increase from \$381 million in November. The weighted average yield (WAY) for Bokolo Bills remained at 0.10% from the previous month. Meanwhile, Treasury Bills tendered during December was \$18 million, of which \$11 million was accepted. The T-bills' WAY for 91 and 365 days

remained at 0.49% and 1.89%, respectively, while the WAY for 182 days fell to 0.99% from 1.00% in the previous month.

### II. EXTERNAL CONDITIONS

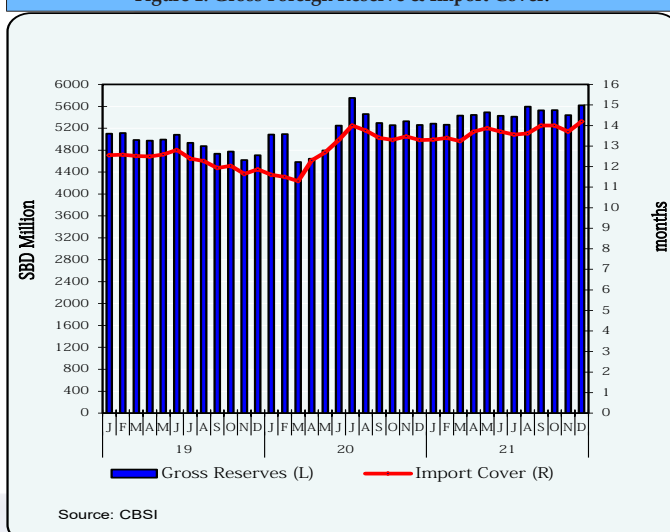
#### Trade in goods

The deficit balance on trade in goods for the month of December 2021 reduced to \$35 million from \$153 million in the previous month. This narrowed deficit was driven by exports doubling to \$368 million, against a 26% increase in imports to \$403 million, following the riot-led shortages of imported goods in capital at the end of November. The surge in exports stemmed from higher shipments in round logs, palm oil and fish.

#### Gross foreign reserves

The Gross foreign reserves in December rose by 3% to \$5,617 million and was supported by higher donor inflows for Covid-19 and education support during the month. This level of reserves is sufficient to cover 14.2 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange rates

In December, the Solomon Islands dollar depreciated by 0.5% against the United States dollar to an average of \$8.10 per USD. On the other hand, it appreciated

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

against the Australian dollar by 2% to \$5.78 per AUD and against the New Zealand dollar by 3% to \$5.49 per NZD. Similarly, it strengthened against the British pound and Euro but weakened against the Japanese Yen. As a result of these mixed movements within the currency basket, the trade-weighted index weakened by 1.1% to an index of 109.8 during the month.

### III: GOVERNMENT FINANCE

The government recorded a surplus of \$46 million in December 2021. This stemmed from an increase in total revenue by 49% to \$338 million driven by strong tax collections during the festive season. Total expenditure also increased by 24% to \$292 million largely attributable to payroll expenses.

Meanwhile, the central government's debt stock fell slightly by 0.1% to \$1,886 in December 2021, reflecting debt servicing. External debt edged up by 0.1% to \$1,138 million while domestic debt declined by 0.5% to \$748 million. Debt servicing in December amounted to \$28 million; \$24 million on principal repayments and \$4 million on interest payments.

### IV: DOMESTIC ECONOMY

#### Domestic Production

The preliminary monthly production index in December 2021 rebounded by 61% to 96 points backed by strong performance in round logs which more than doubled to 244 thousand cubic meters. In contrast, fish catch went down by 8% to 2,392 tons, copra by 10% to 1,330 tons, crude palm oil by 11% to 2,777 tons, and cocoa plummeted by 56% to 219 tons.

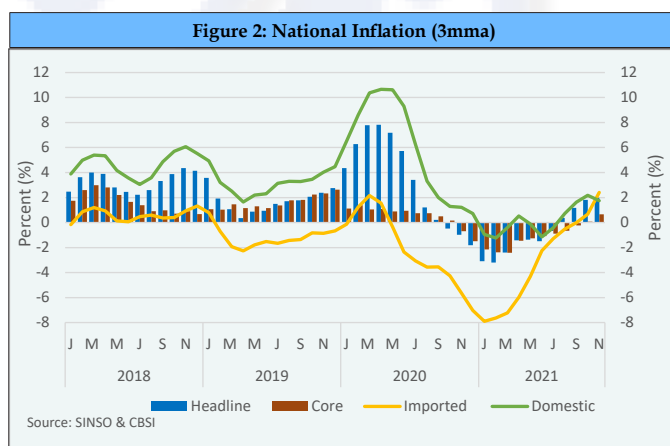
The world prices for most export commodities dropped in December except round logs and fish which remained at US\$261 per cubic meter and US\$1,354 per ton respectively. Crude palm oil declined by 6% to US\$1,270 per ton, coconut oil by 14% to US\$1,696 per

ton, and cocoa by less than 1% to US\$2,380 per ton.

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

The National CPI in November 2021 recorded an index of 107.4 a slight fall from the index of 107.5 in October. This monthly fall reflected price drops in energy, betel-nuts, meat, fruits and vegetables outweighing the price rises in gas, transport and restaurants and hotels.

Headline inflation in November was at 2.0%, a continuous increase from previous months driven by both imported and domestic items. Imported inflation rose to 2.4% whilst domestic inflation to 1.7%. Core inflation in November also picked up to 0.7%.



#### CBSI Monthly Price Index (MPI)

The CBSI MPI for selected consumer items in December increased to 103 points from 102 points attributable to a rise in the prices of fuel by 36 cents to \$10.29 per litre, solrice family 40lb rice by \$5 to \$134.60 per bag, domestic electricity tariff by 34 cents to \$6.38 per KWh, and LP gas by \$2.11 to \$27.53 per KG. Meanwhile, betel-nut price fell by 39 cents to average of \$1.11 per nut.

## Solomon Islands Key Economic Indicators

		Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21
<b>Consumer price index</b> (% change )	Headline (3mma)	-0.7	0.4	1.2	1.8	2.0	na
	Underlying (3mma): core 3	-0.9	-0.7	-0.2	0.1	0.7	na
	Headline (MoM)	-0.5	0.5	0.7	0.2	-0.1	na
<b>CBSI MPI</b> (weighted Index)	Month- on - Month	91	91	92	97	102	103
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	305	208	228	277	168	368
	Imports ( \$ millions)	337	335	291	367	321	403
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	8.05	8.07	8.05	8.05	8.05	8.10
	SBD per AUD	5.98	5.89	5.90	5.95	5.90	5.78
	SBD per NZD	5.62	5.63	5.69	5.67	5.66	5.49
	SBD per GBP	11.11	11.14	11.07	11.01	10.85	10.76
	SBD per 100 JPY	7.30	7.35	7.32	7.12	7.06	7.11
	SBD per EUR	9.52	9.50	9.49	9.33	9.20	9.15
	TWI	107.9	108.5	108.4	108.1	108.6	109.8
<b>Gross Foreign Reserves</b> (eop)	\$ milions	5,364	5,388	5,549	5,529	5,438	5,617
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	2,538	2,823	2,764	2,636	2,582	2,515
	Excess Liquidity ( \$ millions)	2,102	2,385	2,313	2,185	2,146	2,083
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	4,584	4,593	4,640	4,469	4,574	4,561
	Broad Money ( \$ millions)	5,646	5,656	5,719	5,577	5,698	5,690
	Private Sector credit (\$ millions)	2,568	2,581	2,578	2,536	2,526	2,544
<b>Interest Rates</b> ( weighted average yield)	28-days Bokolo Bills rate	0.10%	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	1.04%	1.02%	1.02%	1.04%	1.00%	0.99%
	365-days Treasury Bills rate	1.92%	1.92%	1.92%	1.92%	1.89%	1.89%
<b>Government Finance<sup>3</sup></b>	Revenue (\$ millions)	250	237	266	229	227	338
	Expenditure (\$ millions)	476	350	337	221	236	292
	Fiscal Balance (\$ millions)	-226	-113	-71	8	-9	46
	SIG Debt stock (eop) (\$ millions)	1,623	1,788	1,780	1,891	1,888	1886
<b>Global Commodity Prices</b> ( monthly averages)	Round logs - (US\$/m3)	270	271	270	263	261	261
	Gold - (US\$/oz)	1,808	1,785	1,775	1,777	1,822	1,790
	Palm Oil - (US\$/tonne)	1,063	1,142	1,181	1,310	1,348	1,270
	Fish - (US\$/tonne)	1,423	1,462	1,342	1,354	1,354	1,354
	Coconut oil - (US\$/tonne)	1,584	1,494	1,485	1,923	1,961	1,696
	Cocoa - (US\$/tonne)	2,330	2,480	2,560	2,570	2,390	2,380

<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.