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I. MONETARY DEVELOPMENTS

Money supply (M3) edged 0.2% lower in January 2022 to \$5,707 million, after a 0.4% growth in December 2021. This was driven by a 9% fall in other deposits (saving and time) offsetting the 2% growth in narrow money (M1) to \$4,676 million. The decline in other deposits was aided by time deposits despite the growth in savings deposits. The growth in M1 came from increases in both demand deposits and currency in circulation.

Net foreign assets (NFA) of the banking system narrowed by 2% to \$4,981 million in January 2022 following a 3% downturn in the previous month. This was underpinned by the 2% fall in the Central Bank's NFA to \$4,899 million despite growth in the NFA of other depository corporations, moving from \$41 million to \$81 million. On an annual basis¹, the total NFA fell by 2%.

The private sector credit (PSC) of the banking sector decreased by 1% to \$2,512 million. This was after a 1% growth in the previous month. Meanwhile, net credit to government also fell by 7% to \$961 million from the withdrawal of government deposits in the banking system. Annually, both PSG and NCG declined by 1% and 7% respectively.

Liquidity in the banking system grew by 3% to \$2,588 million in January 2022. This was driven by the decline in NCG during the month. Thus, free and excess liquidity increased by 3% to \$2,338 million and 4% to \$2,159 million respectively. Meanwhile, required reserves grew by 1% to \$249 million during the same period.

Domestic Market Operations

The stock of Bokolo Bills held in January 2022 was \$387 million, a decline from \$391 million in December 2021. The weighted average yield (WAY) for Bokolo Bills persisted at 0.10% for

¹ The percentage change on annual basis refers to growth comparison against end of 2021.

seven consecutive months. Meanwhile, Treasury Bills recorded a tender of \$20 million in January; only \$12 million was accepted. The T-bills' WAY for 91, 182, and 365 days remained at the same rate as in the previous month at 0.49%, 0.99%, and 1.89%, respectively.

II: EXTERNAL CONDITIONS

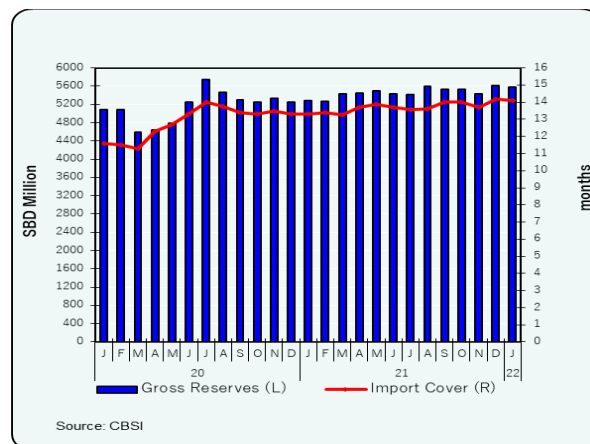
Trade in goods

In the month of January 2022, the deficit balance on trade in goods narrowed to \$18 million from \$35 million witnessed in December 2021. Despite this narrowed deficit, trade activities significantly reduced attributable to the health control measures to mitigate the COVID-19 outbreak in Honiara beginning of January 19th. Both exports and imports dropped by half to \$184 million and \$202 million respectively with a broad decline across export commodities and import categories.

Reserves

The Gross foreign reserves in January, slid by 0.7% to \$5,576 million and was due to higher outflows and revaluation losses during the month. This level of reserves is sufficient to cover 14.1 months of imports.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

The Solomon Islands dollar in January appreciated against the United States dollar by 0.2% to an average of \$8.08 per USD. Similarly, it appreciated against the New Zealand dollar by 0.5% to \$5.46 per NZD but depreciated against the Australian dollar by 0.5% to \$5.81 per AUD. Against other currencies, the SBD weakened against the Euro and British pound but strengthened against the Japanese Yen. As a result of this mixed movements the trade-weighted index (TWI) strengthened by 0.23% to 109.6 during the month.

III: GOVERNMENT FINANCE

The government recorded an operational surplus of \$28 million² in January 2022, although both revenue and spending fell by nearly 50% to \$177 million and \$149 million respectively. The lockdowns imposed to control the COVID-19 community outbreak in Honiara contributed to this outcome. The government actual debt stock

² Provisional estimates

in January 2022 is not available at the time of this report, however, the debt stock in December 2021 was \$1,886 million.

IV: DOMESTIC ECONOMY

Domestic Production

The monthly production index in January 2022 declined to a preliminary 83 points from a revised 94 points in December 2021. This negative outcome reflected a significant drop in round logs and copra from the disruptions of the COVID-19 community transmission in the third week of January. Round logs went down by 17% to 205 thousand cubic meters and copra by 20% to 937 tons, respectively. On the other hand, crude palm oil grew by 4% to 2,889 tons, fish catch by 9% to 2,291 tons and cocoa more than doubled to 144 tons.

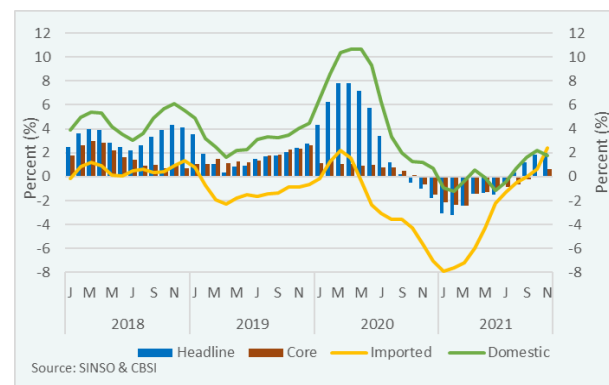
The international prices for most commodities trended up in January 2022 except for round logs which fell by 1% to US\$259 per cubic meters. Coconut oil edged up by 19% to US\$2,016 per ton, fish by 18% to US\$1,596 per ton, crude palm oil by 6% to US\$1,345 per ton, and cocoa rose by 4% to US\$2,470 per ton.

Consumer Price Index, Inflation (YoY – 3mma)

The latest monthly CPI is still November 2021 reported in the December 2021 Monthly Economic Bulletin. The headline inflation was 2.0%, however, the CBSI MPI price monitor

indicated prices rose after November, thus headline inflation in December 2021 and January 2022 were likely to be higher than 2.0%. The aftermath November riot and subsequent COVID-19 community outbreak in January contributed to supply-shortages and price rise.

Figure 2: National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI MPI for selected consumer items in January 2022 went up to an index of 106 from 103 backed by pick up in the prices of betel-nut by 52 cents to an average of \$1.63 per nut, domestic electricity tariff by 34 cents to \$6.72 per KWh, and solrice family 40lb rice by 2 cents to \$134.80 per bag. In contrast, fuel dropped by 63 cents to \$9.66 per litre and LP gas by 60 cents to \$26.93 per KG.