

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) declined further in February 2022 by 1% to \$5,623 million, following the 0.2% downturn in January. A broad reduction was witnessed across the components of M3. Narrow money (M1) decreased by 2% to \$4,601 million with a fall in both currency in active circulation and demand deposits. Other deposits consisting of time and saving deposits fell by 1% to \$1,022 million.

Net foreign assets (NFA) of the banking system ticked 0.1% higher to \$4,983 million in February 2022 following a 2% decline in January. This was driven by the 1% growth in Central Bank's NFA to \$4,953 million while NFA of other depository corporations declined from \$81 million to \$30 million. Annually¹, NFA of the banking system fell by 2%.

The private sector credit (PSC) of the banking sector continued to drop by 1% to \$2,479 million while net credit to government (NCG) grew by 3% to \$995 million reflecting the increase in government deposits in the banking system. Annually, both PSC and NCG declined by 3% and 4% respectively.

Liquidity in the banking system grew by 8% to \$2,793 million in February 2022. This was driven by the growth in NFA during the month. Therefore, both free and excess liquidity increased by 9% to \$2,545 million and \$2,353 million respectively. Conversely, required reserves decreased by 0.3% to \$249 million.

Domestic Market Operations

The stock of Bokolo Bills held in February 2022 was \$379 million, a decline from \$387 million in January. The weighted average yield (WAY) for Bokolo Bills persisted at 0.10% from the previous months. Meanwhile, Treasury Bills recorded a tender of \$23 million in February of which \$12 million was accepted. The T-bills' WAY for 91, 182, and 365 days remain unchanged from the previous month at 0.49%, 0.99%, and 1.89%, respectively.

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

II. EXTERNAL CONDITIONS

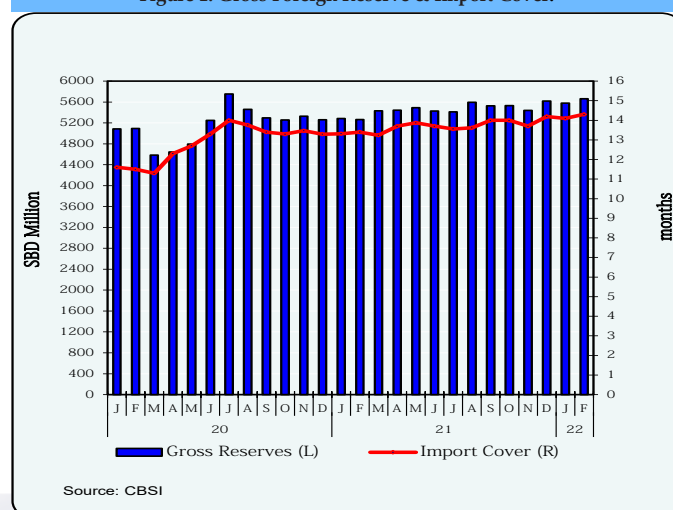
Trade in goods

In the month of February, the balance on trade in goods widened to a \$133 million deficit from an \$18 million deficit in the previous month. This negative outcome, resulted from a significant fall in exports by 25% to \$138 million and a 34% jump in imports to \$271 million. The drop in exports was largely driven by a fall in round logs, fish and mineral exports, despite an increase in exports of agricultural commodities during the month. Meanwhile, the rise in imports was attributed to imports of food, machinery, and basic manufactures, outweighing the decline in mineral fuel imports.

Gross foreign reserves

Gross foreign reserves in the month improved by 2% to \$5,661 million. This was driven by higher donor and fishing licence inflows during the month. The level of reserves is sufficient to cover 14.3 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In terms of exchange rates during the month, the Solomon Islands dollar depreciated by 0.14% against the United States dollar to an average of \$8.10 per USD. On the other hand, it appreciated against both the Australian and New Zealand dollars; by 0.4% to \$5.79 per AUD and by 1.3% to \$5.40 per NZD respectively.

Similarly, it strengthened against the British pound and Japanese Yen but weakened against the Euro. The trade-weighted index weakened by 0.3% to 109.87 due to the dominance of the USD within the currency basket during the month.

III: GOVERNMENT FINANCE

The government recorded an operational deficit of \$41 million in February 2022 reflecting a fall in revenue by 25% to \$133 million and an increase in total expenditure by 17% to \$174 million. Meanwhile, the central government’s debt stock fell slightly by 0.04% to \$1,878 million, attributed to debt servicing. External debt remained at \$1,134 million as in the previous month while domestic debt edged lower by 0.2% to \$744 million. Debt servicing in February 2022 totalled to \$22 million, of which \$17 million on principal repayments and \$5 million on interest charges.

IV: DOMESTIC ECONOMY

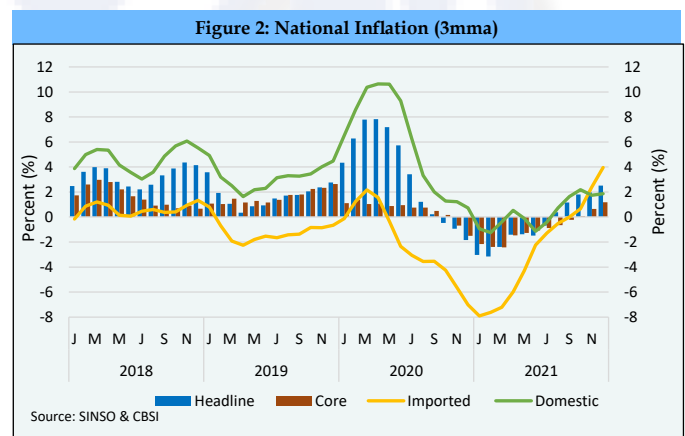
The preliminary monthly production index in February 2022 dropped further to 67 points against 83 points in the preceding month. The weak performance was pronounced across all the major commodities, owing to the disruptions from the mitigation measures to the COVID-19 community transmission during the month. Fish catch and copra plummeted by 37% each to 1,451 tons and 588 tons, respectively. Similarly, crude palm oil fell by 18% to 2,359 tons, round logs by 14% to 177 thousand cubic meters, and cocoa edged down by 9% to 131 tons.

The global prices for export commodities recorded mixed movements in February 2022 with crude palm oil rising by 13% to US\$1,522 per ton, coconut oil by 7% to US\$2,148 per ton and cocoa by 3% to US\$2,550 per ton. On the contrary, fish prices fell by 7% to US\$1,492 per ton, whilst round logs stayed broadly the same as in the previous month, sitting at US\$259 per cubic meters.

Consumer Price Index, Inflation (YoY - 3mma)

The National CPI in December 2021 edged up to an index of 107.8 from the index of 107.4 recorded in November. The upward movement reflected price rise in energy, fruit and vegetables, gas, and transport outweighing the price drop in betel-nuts, and fish and seafood.

Headline inflation continued to increase, reaching 2.5% in December driven by both domestic and imported items. Domestic inflation went up to 1.9% and imported inflation rose to 4.0%. Core inflation, likewise, rose during the month to 1.2% from 0.7% in November 2021.



CBSI Monthly Price Index (MPI)

The CBSI MPI for selected consumer items in February 2022 increased from the index of 106 to 110 points following the upward movement in the prices of solrice family 40lb rice by \$2.80 to \$137.60 per bag, fuel by 48 cents to \$10.14 per litre, and betel-nut by 38 cents to an average of \$2.00 per nut. The domestic electricity¹ tariff, however, declined by 2 cents to \$6.70 per KWh whilst LP gas was at \$26.93 per KG.

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

Solomon Islands Key Economic Indicators

		Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22
Consumer price index (% change)	Headline (3mma)	1.2	1.8	2.0	2.5	na	na
	Underlying (3mma): core 3	-0.2	0.1	0.7	1.2	na	na
	Headline (MoM)	0.7	0.2	-0.1	0.4	na	na
CBSI MPI (weighted Index)	Month- on - Month	92	97	102	103	106	110
Trade¹ (eop)	Exports (\$ millions)	228	277	168	368	184	138
	Imports (\$ millions)	291	367	321	403	202	271
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.05	8.05	8.05	8.10	8.08	8.10
	SBD per AUD	5.90	5.95	5.90	5.78	5.81	5.79
	SBD per NZD	5.69	5.67	5.66	5.49	5.40	5.40
	SBD per GBP	11.07	11.01	10.85	10.76	10.96	10.96
	SBD per 100 JPY	7.32	7.12	7.06	7.11	7.04	7.03
	SBD per EUR	9.49	9.33	9.20	9.15	9.18	9.18
	TWI	108.4	108.1	108.6	109.8	109.6	109.9
Gross Foreign Reserves (eop)	\$ millions	5,549	5,529	5,438	5,430	5,576	5,661
Liquidity² (eop)	Total Liquidity (\$ millions)	2,764	2,636	2,582	2,515	2,588	2,793
	Excess Liquidity (\$ millions)	2,313	2,185	2,146	2,083	2,159	2,353
Money and credit² (eop)	Narrow Money (\$ millions)	4,640	4,469	4,574	4,590	4,676	4,601
	Broad Money (\$ millions)	5,719	5,577	5,698	5,720	5,707	5,623
	Private Sector credit (\$ millions)	2,578	2,536	2,526	2,544	2,512	2,479
Interest Rates (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	1.02%	1.04%	1.00%	0.99%	0.99%	0.99%
	365-days Treasury Bills rate	1.92%	1.92%	1.89%	1.89%	1.89%	1.89%
Government Finance³	Revenue (\$ millions)	266	229	227	338	177	133
	Expenditure (\$ millions)	337	221	236	292	149	174
	Fiscal Balance (\$ millions)	-71	8	-9	46	28	-41
	SIG Debt stock (eop) (\$ millions)	1,780	1,891	1,888	1,886	1,879	1,878
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	270	263	261	261	259	259
	Gold - (US\$/oz)	1,775	1,777	1,822	1,790	1,816	1,856
	Palm Oil - (US\$/tonne)	1,181	1,310	1,348	1,270	1,345	1,522
	Fish - (US\$/tonne)	1,342	1,354	1,354	1,354	1,596	1,492
	Coconut oil - (US\$/tonne)	1,485	1,923	1,961	1,696	2,016	2,148
	Cocoa - (US\$/tonne)	2,560	2,570	2,390	2,380	2,470	2,550

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.