

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) continued to decline by 2% to \$5,425 million in June 2022. This was driven by the decrease in the narrow money (M1) and other deposits by 2% to \$4,426 million and \$999 million respectively. The fall in M1 was due to the reduction in demand deposits that outweighed the increase in currency in active circulation. Other deposits saw a decline as a result of the fall in both savings and time deposits.

Net foreign assets (NFA) of the banking system declined in June 2022 by 3% to \$4,856 million, after a 0.5% increase in May. This was driven by a 3% fall in Central Bank's NFA to \$4,848 million combined with the reduction in the NFA of other depository corporations from \$19 million to \$8 million. On an annual¹ basis, the NFA of the banking system declined by 9%.

Private sector credit (PSC) of the banking system grew marginally by 1% to \$2,543 million. Meanwhile, net credit to government (NCG) declined by 5% to \$1,098 million due to the withdrawal of government bank deposits. Annually, PSC declined by 0.7% while NCG moved 16% higher.

Total liquidity in the banking system increased in June 2022 by 4% to \$2,621 million. This was driven by a fall in NCG deposits during the month. As a result, free and excess liquidity both increased by 2% to \$2,379 million and \$2,196 million during the period. Moreover, required reserves pickup by 1% to \$241 million due to increased deposits in the banking system.

Domestic Market Operations

Bokolo Bills held at the end of June 2022 was \$348 million, which fell from \$354 million in May. The weighted average yield (WAY) for Bokolo Bills remained the same from previous months at 0.10%. Meanwhile, Treasury Bills tendered in June totaled \$30 million, of which \$17 million was accepted. The T-bills' WAY for 91 days, 182 days, and 365 days remained fixed as of the preceding month at 0.49%, 0.97%, and 1.85%, respectively.

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

II. EXTERNAL CONDITIONS

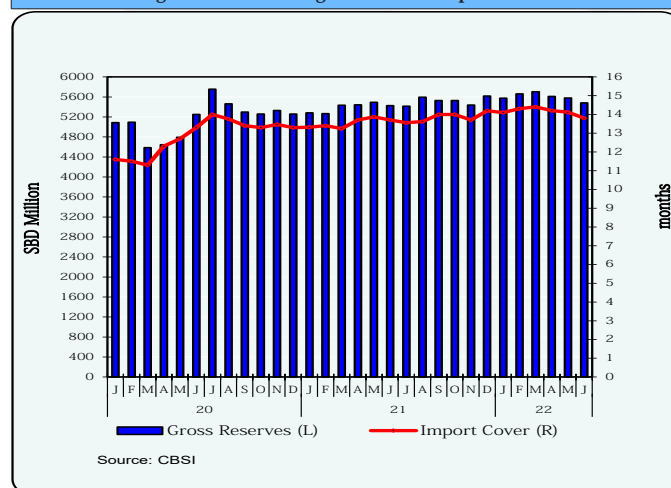
Trade in goods

The balance on trade in goods for June 2022 posted a narrower deficit of \$69 million from a \$287 million deficit in the previous month. This outcome stemmed from the rebound in exports by 47% to \$231 million coupled with a 32% fall in imports to \$299 million. The surge in export attributes to increases in agricultural commodities, particularly palm oil and copra exports. These outweighed the fall in round logs, fish and minerals exports during the month. Meanwhile, the contraction in imports was driven by declines across all import categories during the month except for mineral fuel.

Gross foreign reserves

Gross foreign reserves fell by 2% to \$5,479 million this month corresponding to higher outflows than inflows. This level of foreign reserves is sufficient to cover 13.8 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In June 2022, the Solomon Islands dollar depreciated by 0.4% against the United States (USD) dollar to an average of \$8.15 per USD. However, it appreciated against both the Australian and New Zealand dollars by 0.1% to \$5.72 per AUD and by 0.5% to \$5.17 per NZD, respectively. Similarly, it strengthened against the British pound and Japanese Yen whilst it depreciated against the Euro. The trade-weighted index weakened

by 0.4% to 111.8 during the month reflecting the dominance of the USD within the currency basket.

II: GOVERNMENT FINANCE

The government recorded a provisional deficit of \$43 million in June 2022 with \$374 million in expenditure exceeding revenue collection of \$331 million. Meanwhile, the central government’s debt stock edged lower by 1% to \$1,824 million, due mainly to debt repayments and depreciation of debt-denominated currencies against the SBD. Accordingly, external debt fell by 2% to \$1,073 million whilst domestic debt grew slightly by 0.4% to \$750 million. Debt servicing totalled \$26.5 million in June 2022, of which \$22.3 million was on principal repayments and \$4.2 million on interest charges.

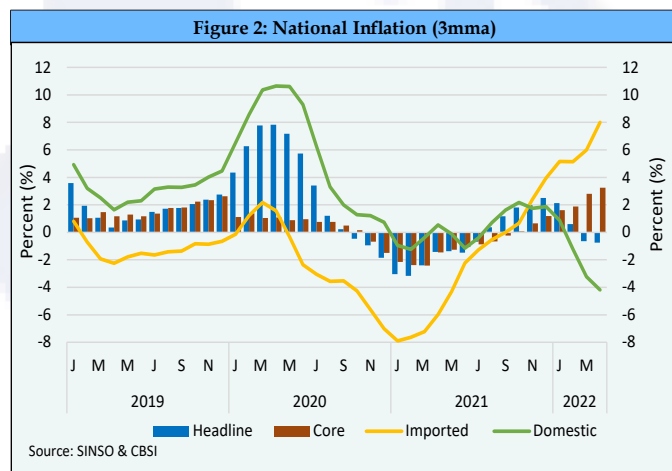
IV: DOMESTIC ECONOMY

The monthly production index for June 2022 dwindled by 20% to a preliminary 41 points following the 26% fall in round logs to 75 thousand cubic meters. Other productions are not yet available at the time of this reporting.

The average international prices for all export commodities trended downwards except for fish which grew by 4% to US\$1,523 per ton during the month. Crude palm oil dwindled by 13% to US\$1,501 per ton, coconut oil by 6% to US\$1,701 per ton, round logs by 4% to US\$222 per cubic meter, and cocoa fell by 2% to US\$2,320 per ton.

Consumer Price Index, Inflation (YoY - 3mma)

The latest monthly CPI is still for April 2022 reported in the May 2022 Monthly Economic Bulletin. The headline inflation was at minus 0.8% and core inflation at 3.3%.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in June 2022 went up to an index of 116 points from 113 points a month ago underpinned by rising prices of fuel by 44 cents to \$13.34 per litre and the domestic user tariff by 46 cents to \$8.03 per KWh. The upward trend in prices was owed to higher global commodity prices. On the contrary, solrice family 40lb rice dropped by \$1.20 to \$136.20 per bag, LP gas by 96 cents to \$27.25 per KG, and betel nut fell by 1 cent to an average of \$0.59 per nut.

Solomon Islands Key Economic Indicators

		Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22
Consumer price index (% change)	Headline (3mma)	2.1	0.6	-0.6	-0.8	na	na
	Underlying (3mma): core 3	1.6	1.9	2.8	3.3	na	na
	Headline (MoM)	0.9	0.6	0.0	1.9	na	na
CBSI MPI (weighted Index)	Month- on - Month	106	110	106	112	113	116
Trade¹ (eop)	Exports (\$ millions)	184	138	207	223	157	231
	Imports (\$ millions)	202	271	393	285	443	299
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.08	8.10	8.05	8.03	8.12	8.15
	SBD per AUD	5.81	5.79	5.93	5.92	5.72	5.72
	SBD per NZD	5.40	5.40	5.52	5.44	5.20	5.17
	SBD per GBP	10.96	10.96	10.62	10.39	10.10	10.04
	SBD per 100 JPY	7.04	7.03	6.81	6.37	6.30	6.08
	SBD per EUR	9.18	9.18	8.88	8.69	8.58	8.60
	TWI	109.6	109.9	108.71	108.88	111.33	111.8
Gross Foreign Reserves (eop)	\$ millions	5,576	5,661	5,705	5,610	5,580	5,479
Liquidity² (eop)	Total Liquidity (\$ millions)	2,588	2,793	2,623	2,591	2,530	2,621
	Excess Liquidity (\$ millions)	2,159	2,353	2,190	2,172	2,106	2,196
Money and credit² (eop)	Narrow Money (\$ millions)	4,676	4,601	4,567	4,525	4,511	4,426
	Broad Money (\$ millions)	5,707	5,623	5,580	5,535	5,531	5,425
	Private Sector credit (\$ millions)	2,512	2,479	2,526	2,517	2,518	2,543
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	0.99%	0.99%	0.98%	0.98%	0.97%	0.97%
	365-days Treasury Bills rate	1.89%	1.89%	1.87%	1.87%	1.85%	1.85%
Government Finance³	Revenue (\$ millions)	177	133	323	212	255	331
	Expenditure (\$ millions)	149	174	240	172	383	374
	Fiscal Balance (\$ millions)	28	-41	83	40	-128	-43
	SIG Debt stock (eop) (\$ millions)	1,879	1,878	1,854	1,824	1,841	1,824
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	259	259	251	236	231	222
	Gold - (US\$/oz)	1,816	1,856	1,948	1,937	1,849	1,837
	Palm Oil - (US\$/tonne)	1,345	1,522	1,777	1,683	1,717	1,501
	Fish - (US\$/tonne)	1,596	1,492	1,471	1,429	1,470	1,523
	Coconut oil - (US\$/tonne)	2,016	2,148	2,230	2,095	1,813	1,701
	Cocoa - (US\$/tonne)	2,470	2,550	2,460	2,460	2,370	2,320

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.