

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) in July 2022 rebounded by 1% to \$5,500 million. This was aided by a 1% increase in both narrow money (M1) and other deposits to \$4,486 million and \$1,014 million, respectively. The rise in M1 was due to the increase in demand deposits while growth in other deposits came from time deposits.

Net foreign assets (NFA) of the banking system declined in July 2022 by 1% to \$4,828 million, a slower pace compared to the 3% decline in June. This was driven by a 1% fall in the Central Bank's NFA to \$4,819 million. The NFA of other depository corporations, however, grew from \$8 million to \$10 million. Annually¹, the NFA of the banking system declined by 5%.

Credit to private sector of the banking system edged 0.1% lower to \$2,540 million. Likewise, net credit to government (NCG) saw a 9% decline to \$1,002 million reflecting withdrawal of government deposits. On an annual basis, private sector credit declined by 0.2% while NCG fell by 3%.

Total liquidity level of the banking system declined by 3% in July 2022 to \$2,536 million. This came from the fall in the NFA during the review period. Consequently, both free and excess liquidity declined by 3% to \$2,299 million and 4% to \$2,112 million, respectively. Meanwhile, required reserves saw a 2% decline to \$237 million during the month.

Domestic Market Operations

The stock of Bokolo Bills held in July 2022 was \$352 million, a drop from \$353 million in June. The weighted average yield (WAY) for Bokolo Bills remained at 0.10%. Meanwhile, Treasury Bills tendered in July totaled \$23 million and \$14 million was accepted. The T-bills' WAY for 91 and 182 days remained fixed at 0.49% and 0.97% respectively while the WAY for 365 days declined to 1.82% from 1.83% in June.

II. EXTERNAL CONDITIONS

Trade in goods

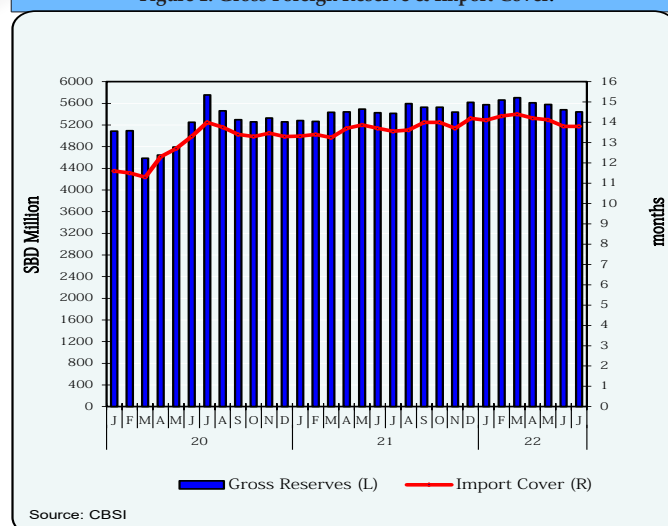
The balance on trade in goods for July 2022 broadened to a deficit of \$189 million from a \$41 million deficit

in the previous month. This outcome stemmed from a surge in imports by 54% to \$462 million owing to higher imports of machinery and equipment, basic manufacture items, chemicals and miscellaneous items during the month. These imports were associated with capital infrastructure projects in the country, medicines, and fertilizers. Meanwhile, exports grew by 5% to \$272 million attributed to an increase in fish and log exports which outweighed the decline in agricultural commodities, particularly palm oil and copra exports, and all other exports during the month.

Gross foreign reserves

Gross foreign reserves continued to decline for the fourth consecutive month, falling by 1% to \$5,443 million in July 2022 corresponding to pressures from the trade deficit. 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 July 2022, the Solomon Islands dollar depreciated by 1% against the United States (USD) dollar to an average of \$8.23 per USD. However, it appreciated against both the Australian and New Zealand dollars by 1.2% to \$5.65 per AUD and by 1.3% to \$5.10 per NZD, respectively. Similarly, the SBD strengthened against the British pound, Japanese Yen and the Euro. The trade-weighted index weakened by 1.1% to 113 during the month reflecting the dominance of the USD within the currency basket.

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

II: GOVERNMENT FINANCE

The government recorded a wider deficit of \$178 million in July 2022, compared to \$11 million surplus posted in the previous month. This stemmed from a surge in total expenditure by 56% to \$441 million and a fall in revenue by 11% to \$263 million. Meanwhile, the central government’s debt stock fell slightly by 0.2% to \$1,819 million.

The reduction in total revenue was underpinned by a decline in tax receipts. Tax revenue contracted by 12% to \$232 million, mirroring lower collections on income and profit taxes, which negated improvements in GST and customs duties. In contrast, non-tax revenue doubled to \$30 million from \$14 million in the prior month, driven by proceeds from fishing licenses and administrative fees.

The growth in expenditure reflected expansions in recurrent and capital spending. Recurrent expenses expanded by 42% to \$378 million, attributing to increases in payroll and benefits and transfers payments. Likewise, development spending soared to \$63 million from \$18 million in June 2022, relating to fixed assets.

The slight decrease in government’s debt stock was due to debt repayments. The external debt fell by 0.4% to \$1,069 million while domestic debt edged up by 0.1% to \$750 million. Debt servicing in July 2022 totalled \$17 million, of which \$16 million was on principal repayments and around \$1 million on interest payments.

IV: DOMESTIC ECONOMY

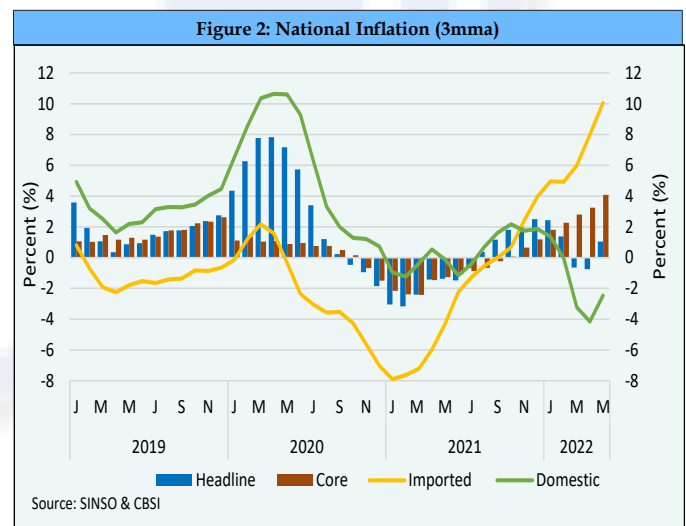
The monthly preliminary production index for July 2022 rebounded by 18% to 52 points underpinned by a 77% jump in round logs to 132 thousand cubic meters. Fish catch, however, went down further by 12% to 1,975 tons during the month. Other productions are not yet available at the time of this reporting.

The average international prices for all export commodities trended downwards during the month indicating weak demand globally for our major

commodities. The crude palm oil price declined by 30% to US\$1,057 per ton, coconut oil by 9% to US\$1,541 per ton, cocoa by 3% to US\$2,240 per ton, round logs by 2% to US\$218 per cubic meters, and fish fell by 1% to US\$1,501 per ton, respectively.

Consumer Price Index, Inflation (YoY - 3mma)

CPI in May 2022 rose to an index of 113.9 from 111.5 in April, indicating an upward movement in general prices particularly food, transport, and housing & energy in the month of May. Headline inflation in May 2022 bounced back to 1.0% from minus 0.8% in April. The rising consumer prices in the imported and domestic components of inflation drove this upward trend. Imported inflation edged higher to 10.1% from 8.0% and domestic inflation, likewise, rose to minus 2.5% from minus 4.2% in April. Similarly, core inflation went up to 4.1% from 3.3% in April.



Solomon Islands Key Economic Indicators

		Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22
Consumer price index (% change)	Headline (3mma)	0.6	-0.6	-0.8	1.0	na	na
	Underlying (3mma): core 3	1.9	2.8	3.3	4.1	na	na
	Headline (MoM)	0.6	0.0	1.9	2.2	na	na
CBSI MPI (weighted Index)	Month- on - Month	110	106	112	113	116	119
Trade¹ (eop)	Exports (\$ millions)	138	207	223	191	259	272
	Imports (\$ millions)	271	393	285	443	299	462
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.10	8.05	8.03	8.12	8.15	8.23
	SBD per AUD	5.79	5.93	5.92	5.72	5.72	5.65
	SBD per NZD	5.40	5.52	5.44	5.20	5.17	5.10
	SBD per GBP	10.96	10.62	10.39	10.10	10.04	9.88
	SBD per 100 JPY	7.03	6.81	6.37	6.30	6.08	6.02
	SBD per EUR	9.18	8.88	8.69	8.58	8.60	8.39
	TWI	109.9	108.71	108.88	111.33	111.8	113.0
Gross Foreign Reserves (eop)	\$ milions	5,661	5,705	5,610	5,580	5,479	5,443
Liquidity² (eop)	Total Liquidity (\$ millions)	2,793	2,623	2,591	2,530	2,621	2,536
	Excess Liquidity (\$ millions)	2,353	2,190	2,172	2,106	2,196	2,112
Money and credit² (eop)	Narrow Money (\$ millions)	4,601	4,567	4,525	4,511	4,426	4,486
	Broad Money (\$ millions)	5,623	5,580	5,535	5,531	5,425	5,500
	Private Sector credit (\$ millions)	2,479	2,526	2,517	2,518	2,543	2,540
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%	0.98%	0.98%	0.97%	0.97%	0.97%
	365-days Treasury Bills rate	1.89%	1.87%	1.87%	1.85%	1.85%	1.82%
Government Finance³	Revenue (\$ millions)	133	323	212	255	331	263
	Expenditure (\$ millions)	174	240	172	383	374	441
	Fiscal Balance (\$ millions)	-41	83	40	-128	-43	-178
	SIG Debt stock (eop) (\$ millions)	1,878	1,854	1,824	1,841	1,824	1,819
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	259	251	236	231	222	218
	Gold - (US\$/oz)	1,856	1,948	1,937	1,849	1,837	1,733
	Palm Oil - (US\$/tonne)	1,522	1,777	1,683	1,717	1,501	1,057
	Fish - (US\$/tonne)	1,492	1,471	1,429	1,470	1,523	1,501
	Coconut oil - (US\$/tonne)	2,148	2,230	2,095	1,813	1,701	1,541
	Cocoa - (US\$/tonne)	2,550	2,460	2,460	2,370	2,320	2,240

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.