

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Money supply (M3) marginally grew in August 2022 by 0.3% to \$5,518 million. Underlying this outcome was a 0.1% increase in narrow money (M1) to \$4,490 million and a 1.4% growth in other deposits to \$1,028 million. Growth in M1 came from the increase in currency in circulation while growth in other deposits came from upturns in both time and saving deposits.

Net foreign assets (NFA) of the banking system rebounded by 1% in August 2022 to \$4,896 million, after a 1% decline in July. This was supported by the increase in Central Bank's NFA by 1% to \$4,869 million. The NFA of other depository corporations also grew from \$10 million to \$28 million. Meanwhile, the NFA of the banking system declined by 3% on an annual<sup>1</sup> basis.

Credit to the private sector of the banking system expanded by 2% to \$2,584 million. Whilst, net credit to government (NCG) contracted by 0.3% to minus \$999 million reflecting the drawdown of government deposits. On an annual basis, private sector credit declined by 2% while NCG declined by 4%.

The total liquidity level of the banking system edged 0.1% higher to \$2,538 million in August. This came from the growth in the NFA along with the fall in NCG during the month. However, both free and excess liquidity contracted by 0.3% to \$2,292 million and \$2,106 million, respectively. Meanwhile, required reserves grew by 4% to \$246 million during the month.

#### Domestic Market Operations

Bokolo Bills held at the end of August 2022 was \$359 million slightly higher than the \$352 million in July. The weighted average yield (WAY) for Bokolo Bills remained at 0.10%. Meanwhile, Treasury Bills tendered in amounted to \$43 million while only \$25 million was accepted. The T-bills' WAY for 91 and 182 days remained at 0.49% and 0.97% respectively, while the WAY for 365 days declined to 1.81% in August.

### II. EXTERNAL CONDITIONS

#### Trade in goods

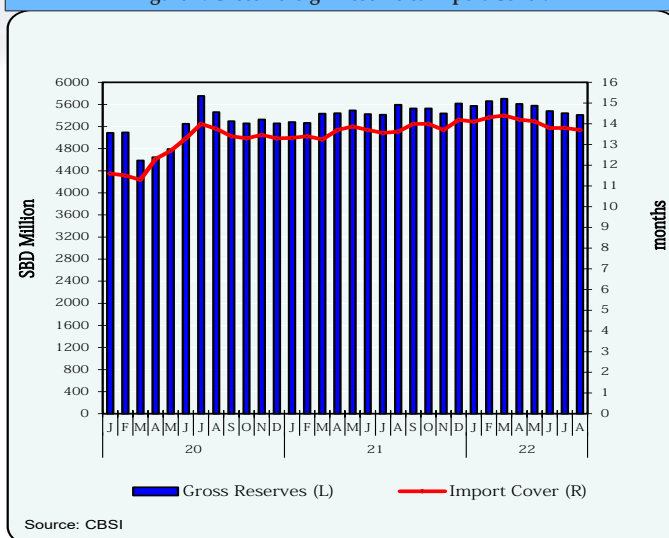
The persistent deficit in the balance on trade in goods narrowed to \$86 million in August 2022 from a \$189

million in the previous month. This outcome stemmed from a decline in imports by 30% to \$325 million owing to declines in imports of machineries and equipment, basic manufactures and other miscellaneous items, despite the increase in imports for fuel and food during the month. Meanwhile, exports fell by 12% to \$239 million attributed to the reduction in agricultural, fish and mineral exports which outweighed the growth in round logs exports and all other export commodities during the month.

#### Gross foreign reserves

Gross foreign reserves continued to decline for the fifth consecutive month, falling by 1% to \$5,410 million in August 2022 corresponding to higher outflow than inflows. This level of foreign reserves is sufficient to cover 13.7 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange rates

In August 2022, the Solomon Islands dollar depreciated marginally by 0.1% against the United States dollar (USD) to an average of \$8.24 per USD. Compared to other bilateral trading currencies, it also depreciated against both the Australian and New Zealand dollars by 1.7% to \$5.74 per AUD and 1.3% to \$5.17 per NZD, respectively. Similarly, the SBD also weakened against the British pound and Japanese Yen but strengthened against the Euro. The trade-weighted index strengthened by 0.7% to 112.3 resulting from sizeable depreciations of the SBD against AUD and NZD

<sup>1</sup> The percentage change on annual basis refers to growth comparison against end of 2021

## II: GOVERNMENT FINANCE

The government recorded an operational deficit of \$223 million in August 2022, compared to the \$103 million surplus posted in the prior month. This outcome mirrored higher expenditure and lower revenue collections in August. Meanwhile, the government's debt stock grew slightly by 0.6% to \$1,827 million in August.

Tax revenue fell by 42% to \$240 million against July driven by declines in tax and non-tax receipts. Tax receipts dropped by 4% to \$223 million, attributed to weaker collections on PAYE and profits taxes and GST. Likewise, non-tax revenue fell by 45% to \$17 million, reflecting lower proceeds from fishing licenses.

Expenditure surged by 50% to \$463 million underpinned by increases in recurrent and development spending. Recurrent expenses surged by 27% to \$348 million, on the back of higher spending on goods and services, and benefits and transfers. Similarly, capital outlays expanded from \$36 million in the preceding month to \$115 million.

The slight increase in the debt stock mirrored additional treasury bills issued and exchange rate movements. Consequently, external debt grew by 0.2% to \$1,071 million and domestic debt by 1.2% to \$756 million. Debt servicing amounted to \$24 million in August 2022, of which \$19 million was for principal repayments and the remaining \$5 million was for interest charges.

## IV: DOMESTIC ECONOMY

The production index for August grew further by 34% to a preliminary 83 points from revised 62 index points recorded in July. The 57% increase in round logs to 208 thousand cubic meters coupled with the

7% rise in fish catch to 2,104 tons drove the favourable outcome. Conversely, crude palm oil went down by 10% to 2,334 cubic meters, copra by 24% to 789 tons and cocoa by 32% to 423 tons during the reviewed period.

The global prices for the country's major export commodities registered mixed movements during the month. The crude palm oil weakened by 3% to US\$1,026 per ton and coconut oil by 10% to US\$1,385 per ton, reflecting excess supply in the international market. Fish, round log and cocoa, on the other hand, rebounded this month. Fish price firmed by 3% to US\$1,542 per ton, log edged up by 1% to US\$220 per cubic meters and cocoa by 3% to US\$2,310 per ton.

### Consumer Price Index (CPI), Inflation (YoY - 3mma)

The CPI dropped to 112.7 points in June from 113.9 index points in May 2022. The monthly fall in CPI owed to decline in food and 'housing and energy'. Although the monthly movement in CPI has dropped, the CPI compared to year ago has increased as reflected in the headline inflation. Headline inflation increased further to 3.9% in June from 1.0% in May 2022, owing to annual rise in food, transport, and 'housing and energy'. The sources of higher inflation came from both the imported and domestic inflation with imported component rising to 11.1% and domestic component up by 3.4 percentage points to 0.9%. Meanwhile, core inflation remained at 4.1% in June.

### CBSI Monthly Price Index (MPI)

The CBSI MPI in August remained unchanged at an index of 119. The outcome was owed to a 65 cents wane in fuel price to \$14.99 per litre and 26 cents decline in gas price to \$26.15 per kg. These falls were offset by the rising prices of solrice family (40lb) by 2 dollars to \$136.80 per bag, electricity tariffs by 20 cents to \$8.24 per MWh, and betel-nut by 25 cents to \$0.87 per nut.

## Solomon Islands Key Economic Indicators

		Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22
<b>Consumer price index</b> (% change )	Headline (3mma)	-0.6	-0.8	1.0	3.9	na	na
	Underlying (3mma): core 3	2.8	3.3	4.1	4.1	na	na
	Headline (MoM)	0.0	1.9	2.2	-1.1	na	na
<b>CBSI MPI</b> (weighted Index)	Month- on - Month	106	112	113	116	119	119
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	207	223	191	259	272	239
	Imports ( \$ millions)	393	285	443	299	462	325
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	8.05	8.03	8.12	8.15	8.23	8.24
	SBD per AUD	5.93	5.92	5.72	5.72	5.65	5.74
	SBD per NZD	5.52	5.44	5.20	5.17	5.10	5.17
	SBD per GBP	10.62	10.39	10.10	10.04	9.88	9.90
	SBD per 100 JPY	6.81	6.37	6.30	6.08	6.02	6.11
	SBD per EUR	8.88	8.69	8.58	8.60	8.39	8.35
	TWI	108.71	108.88	111.33	111.8	113.0	112.3
<b>Gross Foreign Reserves</b> (eop)	\$ milions	5,705	5,610	5,580	5,479	5,443	5,410
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	2,623	2,591	2,530	2,621	2,536	2,538
	Excess Liquidity ( \$ millions)	2,190	2,172	2,106	2,196	2,112	2,106
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	4,567	4,525	4,511	4,426	4,486	4,490
	Broad Money ( \$ millions)	5,580	5,535	5,531	5,425	5,500	5,518
	Private Sector credit (\$ millions)	2,526	2,517	2,518	2,543	2,540	2,584
<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	0.98%	0.98%	0.97%	0.97%	0.97%	0.97%
	365-days Treasury Bills rate	1.87%	1.87%	1.85%	1.85%	1.82%	1.81%
<b>Government Finance<sup>3</sup></b>	Revenue (\$ millions)	323	212	255	331	412	240
	Expenditure (\$ millions)	240	172	383	374	309	463
	Fiscal Balance (\$ millions)	83	40	-128	-43	103	-223
	SIG Debt stock (eop) (\$ millions)	1,854	1,824	1,841	1,824	1,817	1,827
<b>Global Commodity Prices</b> ( monthly averages)	Round logs - (US\$/m3)	251	236	231	222	218	220
	Gold - (US\$/oz)	1,948	1,937	1,849	1,837	1,733	1,765
	Palm Oil - (US\$/tonne)	1,777	1,683	1,717	1,501	1,057	1,026
	Fish - (US\$/tonne)	1,471	1,429	1,470	1,523	1,501	1,542
	Coconut oil - (US\$/tonne)	2,230	2,095	1,813	1,701	1,541	1,385
	Cocoa - (US\$/tonne)	2,460	2,460	2,370	2,320	2,240	2,310

<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.