

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) edged 0.8% lower in October 2022 to \$5,475 million, following a marginal increase in September. This was driven by a 4% fall in other deposits (savings and time) to \$1,007 million and a 0.04% slight fall in narrow money (M1) to \$4,467 million. The decline in other deposits came from a fall in time deposits offsetting an increase in saving deposits. Similarly, the fall in M1 was due to the downturn in demand deposits outweighing an uptick in the currency in circulation.

Net foreign assets (NFA) of the banking system declined by 1% in October to \$4,640 million, following a 4% downturn in September. The outcome was driven by a 2% fall in Central Bank's NFA to \$4,598 million. On the other hand, the NFA of other depository corporations expanded from \$17 million to \$42 million. Annually, the NFA of the banking system decreased by 8%¹.

Private sector credit (PSC) of the banking system sustained a 0.2% decline during the month to \$2,575 million following a 0.2% fall in September. Meanwhile, net credit to government (NCG) dwindled by 6% to minus \$862 million due to the withdrawal of government deposits during the month. On an annual basis, PSC expanded by 1% while NCG dropped by 17%.

The total liquidity of the banking system narrowed by 1% to \$2,576 million in October 2022. This was fostered by the decline in NFA during the month. Consequently, free and excess liquidity narrowed by 1% to \$2,238 million and \$2,053 million, respectively. Required reserves, however, increased by 1% to \$339 million during the month.

Domestic Market Operations

Bokolo Bills' stock held at the end of October 2022 fell to \$338 million compared to \$362 million in September. The weighted average yield (WAY) for Bokolo Bills remained at 0.10%. Meanwhile,

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

Treasury Bills tendered was \$27 million and \$25 million was accepted. The T-bills' WAY for 91, 182, and 365 days remain unchanged from the previous month at 0.49%, 0.97%, and 1.81%, respectively.

II. EXTERNAL CONDITIONS

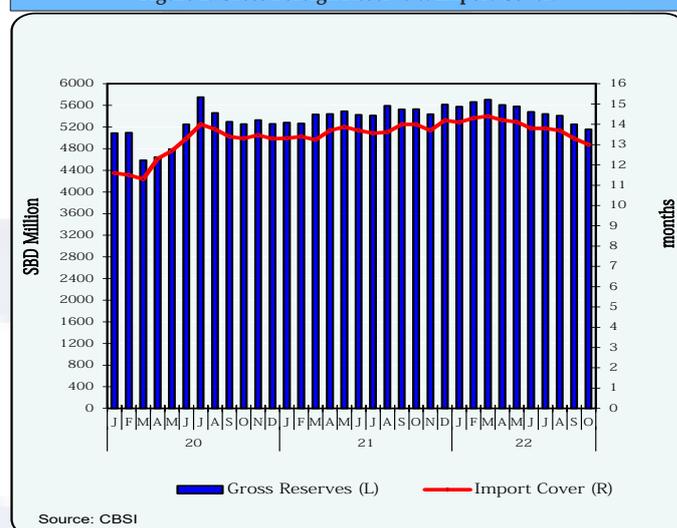
The Balance on Trade in Goods

The persistent deficit in the balance on trade in goods continued widening to \$222 million in October 2022 from \$201 million in the previous month. This outcome stemmed from a decline in exports by 17% to \$182 million against the 4% fall in imports to \$403 million. The drop in exports was driven by a sizeable reduction in agriculture and minerals exports despite the increase in round logs, whilst fish export maintained at the same level as in the previous month. Meanwhile, the decline in imports was attributed to the fall in all import categories except for food imports which doubled during the month.

Gross foreign reserves

Gross foreign reserves continued to decline for the seventh consecutive month, falling by 2% to \$5,157 million in October 2022, corresponding to higher outflows than inflows during the month. This level of foreign reserves is sufficient to cover 13 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In October 2022, the Solomon Islands dollar (SBD) appreciated slightly by 0.2% against the United States dollar (USD) to an average of \$8.19 per USD. It also appreciated against both the Australian and New Zealand dollars considerably by 5.4% to \$5.21 per AUD and 4.8% to \$4.65 per NZD, respectively. Similarly, the SBD strengthened against the British pound, Japanese Yen and the Euro. The trade-weighted index, however, depreciated by 2.3% to 117.4 reflecting the sizeable appreciations of the SBD against the AUD and NZD during the month.

II: GOVERNMENT FINANCE

The government recorded a provisional deficit of \$5 million in October 2022, resulting from an expenditure of \$288 million offsetting revenue of \$283 million. Meanwhile, the central government’s debt stock grew by 1% to \$1,840 million, driven by additional treasury bills issued. Consequently, external debt rose by 1.3% to \$1,070 million and domestic debt by 0.6% to \$770 million. Debt servicing totaled \$16 million in October, of which \$15 million was on principal repayments and only \$1 million on interest payments.

IV: DOMESTIC ECONOMY

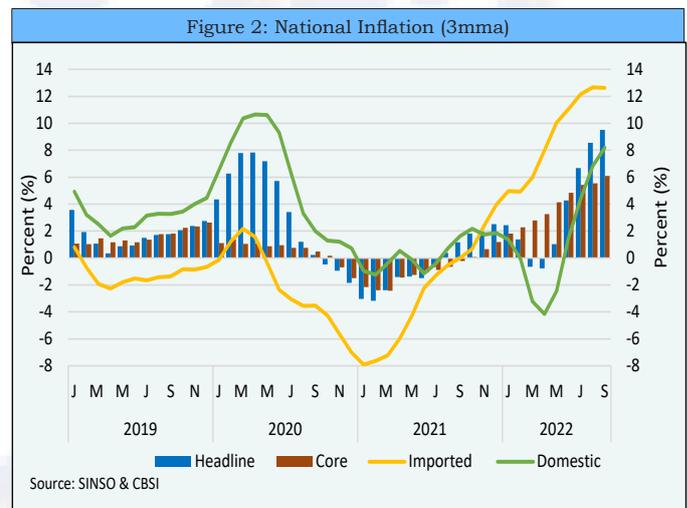
The preliminary monthly production index for October 2022 rebounded by 2% to 56 points driven mainly by 43% surged in fish catch to 2,923 tons. Round logs, however, fell by 3% to 121 thousand cubic meters. Meanwhile, other productions are not yet available at the time of this reporting.

The average international prices for the country’s major export commodities recorded mixed movements during the month with fish rising by 11% to US\$1,716 per ton, and cocoa increasing marginally by 0.4% to US\$2,310 per ton. On the other hand, coconut oil declined by 11% to US\$1,108 per ton, round logs by 3% to US\$202 per cubic meter, and crude palm oil fell by 2% to US\$889 per ton.

Consumer Price Index, Inflation (YoY - 3mma)

The CPI in September 2022 edged up to an index of 118.0 against 117.1 points in August 2022. The month-on-month upward movement mirrored rising prices for fish and seafood, oil and fat foods, bread and cereals, electricity, and narcotics.

Headline inflation surged to 9.5% in September from 8.5% in August 2022 attributable to rising consumer prices from both imported and domestic components of the CPI basket. Imported inflation remained high at 12.6% and domestic inflation further rose to 8.2% from 6.8%. Core inflation, likewise, edged up to 6.1% in September from 5.6% in August 2022.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in October 2022 went down from an index of 118 to 116 points, owing to a reduction in prices of most consumer items during the month. The domestic user electricity tariff edged lower by 93 cents to \$8.10 per KWh, solrice family (40lb) went down by 40 cents to \$137.20 per bag, fuel fell by 10 cents to \$11.95 per litre, whilst, the price of LP gas remained unchanged at \$25.60 per KG. Betel-nut price, on the other hand, went up by 23 cents to an average of \$1.38 per nut.

Solomon Islands Key Economic Indicators

| | | May 22 | Jun 22 | Jul 22 | Aug 22 | Sep 22 | Oct 22 |
|--|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Consumer price index (% change) | Headline (3mma) | 1.0 | 4.3 | 6.7 | 8.5 | 9.5 | n.a |
| | Underlying (3mma): core 3 | 4.1 | 4.8 | 5.4 | 5.6 | 6.1 | n.a |
| | Headline (MoM) | 2.2 | 0.2 | 1.1 | 1.5 | 0.7 | n.a |
| CBSI MPI (weighted Index) | Month- on - Month | 113 | 116 | 119 | 119 | 118 | 116 |
| Trade¹ (eop) | Exports (\$ millions) | 191 | 259 | 272 | 239 | 192 | 182 |
| | Imports (\$ millions) | 443 | 299 | 462 | 325 | 420 | 403 |
| Exchange Rates (Mid-rate, Monthly average) | SBD per USD | 8.12 | 8.15 | 8.23 | 8.24 | 8.20 | 8.19 |
| | SBD per AUD | 5.72 | 5.72 | 5.65 | 5.74 | 5.49 | 5.21 |
| | SBD per NZD | 5.20 | 5.17 | 5.10 | 5.17 | 4.88 | 4.65 |
| | SBD per GBP | 10.10 | 10.04 | 9.88 | 9.90 | 9.31 | 9.25 |
| | SBD per 100 JPY | 6.30 | 6.08 | 6.02 | 6.11 | 5.74 | 5.57 |
| | SBD per EUR | 8.58 | 8.60 | 8.39 | 8.35 | 8.13 | 8.05 |
| | TWI | 111.33 | 111.8 | 113.0 | 112.3 | 114.68 | 117.36 |
| Gross Foreign Reserves (eop) | \$ milions | 5,580 | 5,479 | 5,443 | 5,410 | 5,250 | 5,157 |
| Liquidity² (eop) | Total Liquidity (\$ millions) | 2,530 | 2,621 | 2,536 | 2,538 | 2,511 | 2,576 |
| | Excess Liquidity (\$ millions) | 2,106 | 2,196 | 2,112 | 2,106 | 2,087 | 2,053 |
| Money and credit² (eop) | Narrow Money (\$ millions) | 4,511 | 4,426 | 4,486 | 4,490 | 4,469 | 4,467 |
| | Broad Money (\$ millions) | 5,531 | 5,425 | 5,500 | 5,518 | 5,521 | 5,475 |
| | Private Sector credit (\$ millions) | 2,518 | 2,543 | 2,540 | 2,584 | 2,580 | 2,575 |
| 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 | 0.97% | 0.97% | 0.97% | 0.97% | 0.97% | 0.97% |
| | 365-days Treasury Bills rate | 1.85% | 1.85% | 1.82% | 1.81% | 1.81% | 1.81% |
| Government Finance³ | Revenue (\$ millions) | 390 | 308 | 463 | 240 | 302 | 283 |
| | Expenditure (\$ millions) | 350 | 284 | 309 | 304 | 413 | 288 |
| | Fiscal Balance (\$ millions) | 40 | 24 | 154 | -64 | -111 | -5 |
| | SIG Debt stock (eop) (\$ millions) | 1,841 | 1,824 | 1,817 | 1,827 | 1,882 | 1,840 |
| Global Commodity Prices (monthly averages) | Round logs - (US\$/m3) | 231 | 222 | 218 | 220 | 208 | 202 |
| | Gold - (US\$/oz) | 1,849 | 1,837 | 1,733 | 1,765 | 1,681 | 1,664 |
| | Palm Oil - (US\$/tonne) | 1,717 | 1,501 | 1,057 | 1,026 | 909 | 889 |
| | Fish - (US\$/tonne) | 1,470 | 1,523 | 1,501 | 1,542 | 1,516 | 1,716 |
| | Coconut oil - (US\$/tonne) | 1,813 | 1,701 | 1,541 | 1,385 | 1,248 | 1,108 |
| | Cocoa - (US\$/tonne) | 2,370 | 2,320 | 2,240 | 2,310 | 2,300 | 2,310 |

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.