

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) barely grew in September 2022 by 0.05% to \$5,521 million, following a 0.3% rise in August 2022. This outcome was aided by a 2% increase in other deposits (savings and time) to \$1,051 million despite a 0.5% contraction in narrow money (M1) to \$4,469 million. Growth in other deposits came from a surge in time deposits despite a fall in saving deposits. The fall in M1 resulted from downturns in both the currency in circulation and demand deposits.

Net foreign assets (NFA) of the banking system fell by 4% in September 2022 to \$4,709 million, reversing a 1% growth in August. This was driven by the 4% fall in Central Bank's NFA to \$4,692 million. The NFA of other depository corporations also dwindled from \$28 million to \$17 million. Meanwhile, the NFA of the banking system declined by 7% on an annual¹ basis.

Private sector credit (PSC) of the banking system contracted by 0.2% to \$2,580 million this month, after a 2% increase in the previous month. Meanwhile, net credit to government (NCG) contracted by 9% to minus \$912 million due to the drawdown of government deposits. On an annual basis, PSC declined by 1% while NCG declined by 12%.

The total liquidity of the banking system decreased by 1% to \$2,511 million in September 2022. This came from the downturn in the NFA during the month. Consequently, both free and excess liquidity contracted by 1% to \$2,265 million and \$2,087 million, respectively. Similarly, required reserves fell by 0.2% to \$246 million during the month.

Domestic Market Operations

Bokolo Bills stock held at the end of September 2022 was \$362 million, a slightly higher level compared to the \$359 million in August. The weighted average yield (WAY) for Bokolo Bills remained at 0.10%. Meanwhile, Treasury Bills tendered amounted to \$41 million while only \$25 million was accepted. The T-bills' WAY for 91, 182, and 365 days remained at 0.49% and 0.97%, and 1.81% respectively in September.

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

II. EXTERNAL CONDITIONS

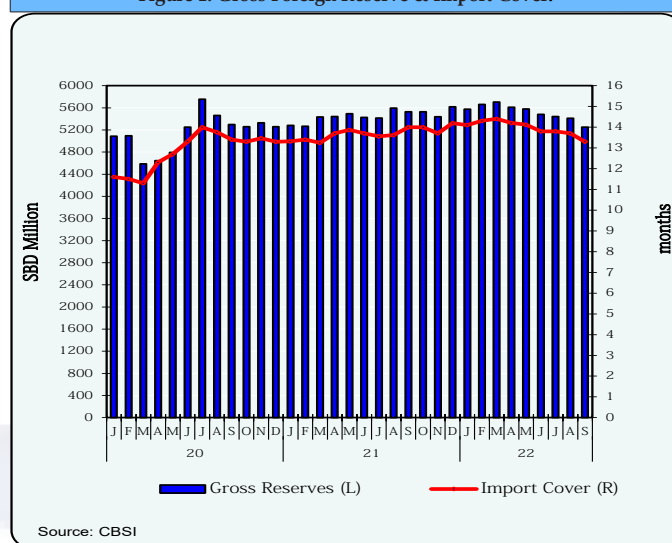
Trade in goods

The persistent deficit in the balance on trade in goods widened to \$228 million in September 2022 from a \$86 million deficit in the previous month. This outcome stemmed from a decline in exports by 20% to \$192 million against the 29% growth in imports to \$420 million. The fall in exports was driven by declines in round logs, fish and other export commodities which outweighed the rebound in minerals and agricultural exports. Meanwhile, the growth in imports was attributed to increases in payments for mineral fuel, basic manufacture, machinery and equipment, and other miscellaneous items during the month.

Gross foreign reserves

Gross foreign reserves continued to decline for the sixth consecutive month, falling by 3% to \$5,250 million in September 2022 corresponding to higher outflows than inflows during the month. This level of foreign reserves is sufficient to cover 13.3 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In September 2022, the Solomon Islands dollar (SBD) appreciated marginally by 0.5% against the United States dollar (USD) to an average of \$8.20 per USD. It also appreciated against both the Australian and New

Zealand dollars considerably by 4.6% to \$5.49 per AUD and 6.0% to \$4.88 per NZD, respectively. Similarly, the SBD strengthened against the British pound, Japanese Yen and the Euro. The trade-weighted index, however, depreciated by 2.2% to 114.7 reflecting the sizeable appreciations of the SBD against the AUD and NZD during the month.

II: GOVERNMENT FINANCE

The government recorded an operational deficit of \$111 million (provisional) in September 2022 higher than the \$64 million deficit (revised) posted in the previous month. This emanated from a surge in total expenditure by 36% to \$413 million, despite an increase in total revenue by 30% to \$290 million.

The increase in total revenues stemmed from improvements in taxes on PAYE and profits, GST and property tax offsetting the contraction in non-tax revenue due to lower proceeds from fishing licenses and administrative fees. The growth in expenditure reflected higher recurrent and capital spending associated with fixed assets payments.

Meanwhile, the central government's debt stock edged lower by 0.3% to \$1,822 million in September. The minimal fall came mainly from external debt which fell by 1.3% to \$1,057 million attributable to favorable movement of the exchange rate and debt repayments. Meanwhile domestic debt grew by 1.1% to \$765 million from increase in treasury bills. Debt servicing in September totaled \$25 million, of which \$19 million was on principal repayments and \$6 million on interest payments.

IV: DOMESTIC ECONOMY

The monthly production index for September 2022 fell by 32% to a preliminary 57 points. The negative outcome reflected the lower output witnessed across all the production commodities during the month. Round logs declined by 41% to 124 thousand cubic meters, crude palm oil by 10% to 2,093 tons, fish catch by 3% to 2,037 tons, copra down by 26% to 581 tons and cocoa by 40% to 254 tons.

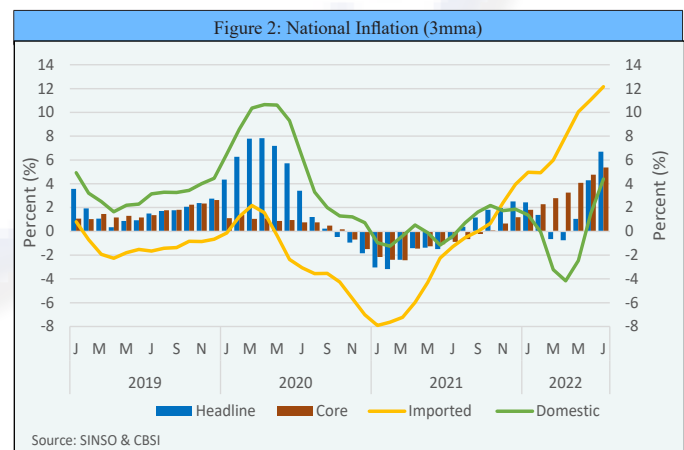
The average global prices for the country's major export commodities trended downwards during the

month except for fish prices which slightly picked up by 1% to US\$1,552 per ton. Meanwhile, the price of crude palm oil declined by 11% to US\$909 per ton, coconut oil by 10% to US\$1,248 per ton, round logs by 5% to US\$208 per cubic meter, and cocoa fell by 1% to US\$2,290 per ton.

Consumer Price Index, Inflation (YoY – 3mma)

The CPI in July 2022 went up to an index of 115.4 from 114.1 points in June 2022. The monthly upward trend reflected rising prices for milk and eggs, oils and fats foods, betel-nuts, fuel, and passenger sea fares.

Headline inflation rose sharply to 6.7% in July from 4.3% in June 2022, owing to the rising consumer prices from both imported and domestic components of the CPI with imported inflation increasing to 12.1% from 11.1% and domestic items edged up to 4.4% from 1.5%. Similarly, core inflation increased from 4.8% in June to 5.4% in July 2022.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in September 2022 fell to an index of 118 against 119 points in August. The downturn mirrored a \$1.78 reduction in fuel price to \$12.05 per litre contributed by the slow down in world crude oil prices and the government policy to relieve import duty and sales tax on fuel. LP gas also dropped by 55 cents to \$25.60 per KG. On the contrary, the price of solrice family (40lb) rose by \$3.40 to \$140.20 per bag, the domestic user tariff by 79 cents to \$9.03 per KWh, and betel-nut by 24 cents to an average of \$1.11 per nut.

Solomon Islands Key Economic Indicators

		Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22
Consumer price index (% change)	Headline (3mma)	-0.8	1.0	4.3	6.7	na	na
	Underlying (3mma): core 3	3.3	4.1	4.8	5.4	na	na
	Headline (MoM)	1.9	2.2	0.2	1.1	na	na
CBSI MPI (weighted Index)	Month- on - Month	112	113	116	119	119	118
Trade¹ (eop)	Exports (\$ millions)	223	191	259	272	239	192
	Imports (\$ millions)	285	443	299	462	325	420
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.03	8.12	8.15	8.23	8.24	8.20
	SBD per AUD	5.92	5.72	5.72	5.65	5.74	5.49
	SBD per NZD	5.44	5.20	5.17	5.10	5.17	4.88
	SBD per GBP	10.39	10.10	10.04	9.88	9.90	9.31
	SBD per 100 JPY	6.37	6.30	6.08	6.02	6.11	5.74
	SBD per EUR	8.69	8.58	8.60	8.39	8.35	8.13
	TWI	108.88	111.33	111.8	113.0	112.3	114.68
Gross Foreign Reserves (eop)	\$ millions	5,610	5,580	5,479	5,443	5,410	5,250
Liquidity² (eop)	Total Liquidity (\$ millions)	2,591	2,530	2,621	2,536	2,538	2,511
	Excess Liquidity (\$ millions)	2,172	2,106	2,196	2,112	2,106	2,087
Money and credit² (eop)	Narrow Money (\$ millions)	4,525	4,511	4,426	4,486	4,490	4,469
	Broad Money (\$ millions)	5,535	5,531	5,425	5,500	5,518	5,521
	Private Sector credit (\$ millions)	2,517	2,518	2,543	2,540	2,584	2,580
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	0.98%	0.97%	0.97%	0.97%	0.97%	0.97%
	365-days Treasury Bills rate	1.87%	1.85%	1.85%	1.82%	1.81%	1.81%
Government Finance³	Revenue (\$ millions)	220	390	308	463	240	302
	Expenditure (\$ millions)	231	350	284	309	304	413
	Fiscal Balance (\$ millions)	-12	40	24	154	-64	-111
	SIG Debt stock (eop) (\$ millions)	1,824	1,841	1,824	1,817	1,827	1,882
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	236	231	222	218	220	208
	Gold - (US\$/oz)	1,937	1,849	1,837	1,733	1,765	1,681
	Palm Oil - (US\$/tonne)	1,683	1,717	1,501	1,057	1,026	909
	Fish - (US\$/tonne)	1,429	1,470	1,523	1,501	1,542	1,552
	Coconut oil - (US\$/tonne)	2,095	1,813	1,701	1,541	1,385	1,248
	Cocoa - (US\$/tonne)	2,460	2,370	2,320	2,240	2,310	2,290

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.