

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) recorded a 1% growth in December 2022 to \$5,638 million, a slower outcome compared to the 2% increase in November. This came from a 1% growth in narrow money (M1) to \$4,643 million despite a 1% fall in other deposits (savings and time) to \$995 million. The increase in M1 was due to the surge in currency in circulation attributable to the higher spending during the festive season while demand deposits declined during the month. The fall in other deposits came from time deposits offsetting an increase in the saving deposits.

Net foreign assets (NFA) of the banking system grew by 3% in December 2022 to \$4,850 million, furthering a 2% growth in the previous month. The outcome was mainly driven by a 3% increase in Central Bank's NFA to \$4,830 million. On the other hand, the NFA of other depository corporations contracted from \$29 million to \$20 million. NFA of the banking system decreased by 4%¹ on an annual basis.

Private sector credit (PSC) edged 1% higher to \$2,629 million during the month following a 0.2% downturn in November. Meanwhile, net credit to the government (NCG) contracted by 1% to minus \$708 million which was driven by the withdrawal of government deposits during the month. On an annual basis, PSC expanded very minimally by 0.4%, and NCG declined by 32% reflecting a larger cash drawdown by the general government.

The total liquidity of the banking system declined by 2% to \$2,679 million in December 2022. This came from the surge in currency in circulation during the festive season. Consequently, free and excess liquidity both declined by 3% to \$2,304 million and 4% to \$2,115 million, respectively. Required reserves, however, expanded by 5% to \$375 million at the end of December.

Domestic Market Operations

The CBSI Bokolo bills' stock increased to \$387 million in December from \$306 million in November. The weighted average yield (WAY) for Bokolo bills also

increased to 0.25% from 0.18%. Meanwhile, Treasury bills tendered during the month were \$3.5 million and were fully accepted. The T-bills' WAY for 91 and 182 remain unchanged from the previous month at 0.49% and 0.97%. On the other hand, the WAY of 365 days edged lower to 1.84% from 1.85%.

II. EXTERNAL CONDITIONS

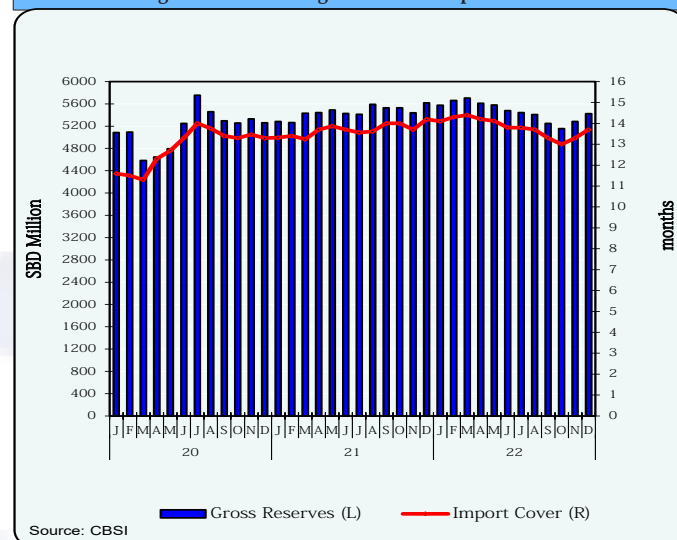
Trade in goods

The deficit in the balance on trade in goods for December 2022 widened to \$290 million from a \$115 million deficit in the previous month. This outcome emanated from a 34% fall in exports to \$210 million against a 16% increase in imports to \$500 million. The reduction in exports was driven by declines in round logs and agricultural commodities which outweighed the rebound in fish and mineral exports. Meanwhile, the growth in imports was attributed to increases in food, fuel and basic manufactures during the month.

Gross foreign reserves

Gross foreign reserves grew by 3% to \$5,423 million in December 2022 due to significant donor receipts from ADB, the World Bank Group, and Australia for budget support towards the Pacific Games preparation. 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.



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

In December 2022, the Solomon Islands dollar (SBD) depreciated against its major trading currencies by 0.2% against the United States dollar to \$8.25 per USD, 2.5% against the Australian dollar to \$5.56 per AUD, and 4.9% against the New Zealand dollar to \$5.24 per NZD. Similarly, the SBD depreciated against the British pound, Japanese Yen and Euro. The trade-weighted index, however, appreciated by 1.5% to 113.5 reflecting the notable depreciation of the SBD against the AUD and NZD during the month.

II: GOVERNMENT FINANCE

The government recorded a provisional deficit of \$14 million in December 2022, resulting from a total expenditure of \$333 million negating revenue of \$318 million. Meanwhile, the central government's outstanding debt stock grew slightly by 0.1% to \$1,900 million, attributable to exchange rate movements. Consequently, external debt rose by 1.3% to \$1,149 million while domestic debt declined by 2% to \$751 million, due to a fall in treasury bills issued. Debt servicing totaled to \$27 million in December 2022, of which \$23 million was on principal repayments and \$4 million on interest payments.

IV: DOMESTIC ECONOMY

The monthly production index in December 2022 declined by 15 points to a provisional index of 85¹. This was largely driven by logging which dropped 21 points following the 38% downturn in round logs to 116 thousand cubic meters. Agriculture cash crops dropped 0.3 point from the lower output estimated for copra, cocoa and coconut oil despite the 3% upturn in crude palm oil to 2,984 tons. Meanwhile, fishing improved by 4 points given the 22% increase in fish catch to 3,227 tons and mining rose by 2 points from a 14% increase in minerals to 3,487² equivalent units of gold ounces.

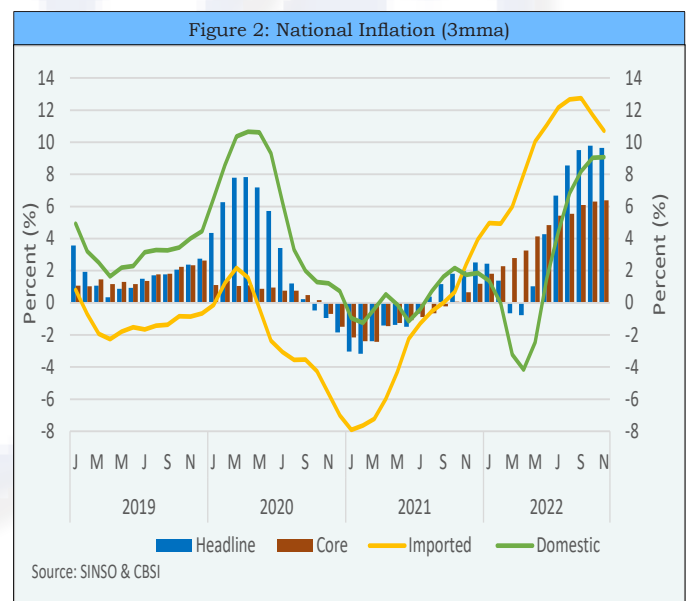
The commodity price index improved by 4 points to an index of 79³. This reflected the upward movement in the prices of fish by 10% to US\$1,756 per ton and round logs by 5% to US\$221 per cubic meter. Similarly, timber, cocoa and gold edged up by 4% each to US\$664 per cubic meter, US\$2,510 per ton and US\$1,798 per ounces, respectively. On the other hand, coconut oil

and crude palm oil edged lower by 1% each to US\$1,158 per ton and US\$940 per ton, respectively.

Consumer Price Index, Inflation (YoY - 3mma)

The CPI in November 2022 went down to an index of 117.2 from 117.8 points in October 2022. The monthly downward movement reflected falling prices for fruits, vegetables, tobacco, electricity, gas and other fuels.

Headline inflation slightly dropped to 9.6% in November from 9.8% in October 2022. This was driven by fall in imported inflation to 10.7% from 11.7% whilst domestic inflation on the other hand, slightly edged up to 9.1% from 9.0% in October. Meanwhile, core inflation remained high at 6.4% in November.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in December 2022 dropped further to 110 points from an index of 112 points in November. The downturn reflected a fall in prices of most consumer items except for solrice family (40lb) price which increased by \$1.40 to \$138.60 per bag during the month. LP gas went down by 53 cents to \$24.95 per KG, fuel by 37 cents to \$11.47 per litre, betel-nut price by 6 cents to an average of \$1.10 per nut and the domestic user electricity tariff reduced by 2 cents to \$7.28 per KWh.

¹The methodology for calculating the production index is slightly revised to include coconut oil and minerals with the objective to reflect current production dynamics, especially with the revitalization of gold ridge mining and the growing importance of coconut oil. The weights have been slightly changed to reflect the inclusion of these two productions but the base year remains in 2012 same as the national accounts. Meanwhile, the trend of the new and old indexes is similar except the new index is higher than the old index by around 8 points.

² Since mining production comprises several valuable geological products and purities, the volumes of several minerals are converted into an equivalent unit of gold ounces for ease of economic performance evaluation.

³The commodity price index is CBSI's calculated index measure with weights based on the commodity exports to reflect the importance of commodity prices to the country's exports. The base year is 2012.

Solomon Islands Key Economic Indicators

		Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22
Consumer price index (%)	Headline (3mma)	6.7	8.5	9.5	9.8	9.6	n.a
	Underlying (3mma): core 3	5.4	5.6	6.1	6.3	6.4	n.a
	Headline (MoM)	1.1	1.5	0.7	-0.1	-0.5	n.a
CBSI MPI (weighted Index)	Month- on - Month	119	119	118	116	112	110
Production Index	Index	67	88	67	76	100	85
Trade ¹ (eop)	Exports (\$ millions)	272	239	192	182	320	210
	Imports (\$ millions)	462	325	420	403	432	500
	Trade Balance (\$ millions)	-190	-86	-228	-221	-112	-290
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.23	8.24	8.20	8.19	8.23	8.25
	SBD per AUD	5.65	5.74	5.49	5.21	5.42	5.56
	SBD per NZD	5.10	5.17	4.88	4.65	4.98	5.24
	SBD per GBP	9.88	9.90	9.31	9.25	9.65	10.04
	SBD per 100 JPY	6.02	6.11	5.74	5.57	5.78	6.10
	SBD per EUR	8.39	8.35	8.13	8.05	8.38	8.72
	TWI	113.0	112.3	114.68	117.36	115.16	113.48
Gross Foreign Reserves(eop)	\$ milions	5,443	5,410	5,250	5,157	5,282	5,423
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,536	2,538	2,511	2,576	2,745	2,679
	Excess Liquidity (\$ millions)	2,112	2,106	2,087	2,053	2,195	2,115
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,486	4,490	4,469	4,467	4,585	4,643
	Broad Money, M3 (\$ millions)	5,500	5,518	5,521	5,475	5,589	5,638
	Private Sector credit (\$ millions)	2,580	2,625	2,620	2,615	2,610	2,629
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.10	0.10	0.10	0.10	0.18	0.24
	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 (%)	1.82	1.81	1.81	1.81	1.85	1.84
Government Finance ³	Revenue (\$ millions)	463	240	302	283	289	318
	Expenditure (\$ millions)	309	304	413	288	275	333
	Fiscal Balance (\$ millions)	154	-64	-111	-5	15	-14
	SIG Debt stock (eop) (\$ millions)	1,817	1,827	1,882	1,840	1,860	1,900
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	78	78	74	74	75	79
	Round logs - (US\$/m3)	218	220	208	202	209	221
	Gold - (US\$/oz)	1,733	1,765	1,681	1,664	1,725	1,798
	Palm Oil - (US\$/tonne)	1,057	1,026	909	889	946	940
	Fish - (US\$/tonne)	1,501	1,542	1,516	1,734	1,596	1,756
	Coconut oil - (US\$/tonne)	1,541	1,385	1,248	1,108	1,173	1,158
	Cocoa - (US\$/tonne)	2,240	2,310	2,300	2,310	2,410	2,510

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.