

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Money supply (M3) grew by 2% in January 2023, to \$5,724 million following a 1% increase in December 2022. This was driven by a 2% growth in narrow money (M1) to \$4,730 million despite a minimal 0.1% fall in other deposits (savings and time) to \$994 million. The rise in M1 was due to an increase in demand deposits offsetting the fall in currency in circulation during the month.

Net foreign assets (NFA) of the banking system recorded a further 2% increase in January 2023 to \$4,946 million from a 3% growth in the previous month. This was supported by a 1% increase in the Central Bank's NFA to \$4,879 million along with the expanded NFA of other depository corporations from \$20 million to \$67 million. NFA of the banking system increased by 2% on an annual basis<sup>1</sup>.

Private sector credit (PSC) contracted at the end of the month by 1% to \$2,608 million following a 1% growth in December 2022. Meanwhile, net credit to the government (NCG) grew by 1% to minus \$716 million due to the increase in government deposits during the month. On an annual basis, PSC and NCG declined by 1%.

The total liquidity of the banking system increased by 1% to \$2,657 million in January 2023. This came from the growth in NFA during the month. Consequently, both free and excess liquidity increased by 1% to \$2,325 million and \$2,139 million, respectively. On the other hand, required reserves barely expanded by 0.1% to \$332 million in January.

#### Domestic Market Operations

The CBSI Bokolo bills' stock declined to \$357 million in January from \$387 million in the previous month. The weighted average yield (WAY) for Bokolo bills remained unchanged at 0.25% as from the previous period. Meanwhile, the treasury bill tendered during the month was \$12 million and \$11 million was accepted. The T-bills' WAY for 91 days remained at 0.49% while the WAY for 182 and 365 days grew to 1.05% and 1.94% respectively.

<sup>1</sup> The percentage change on annual basis refers to growth comparison against end of 2022

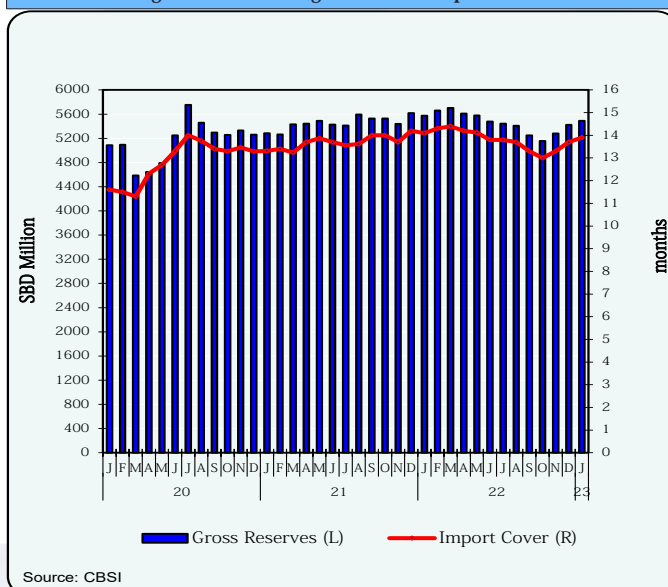
### II. EXTERNAL CONDITIONS

The deficit in the balance on trade in goods for January 2023 narrowed to \$221 million from \$309 million deficit witnessed in December 2022. This outcome emanated from a significant expansion in exports by 47% to \$280 million against total imports of \$501 million which was almost equal to that of the previous month. The surge in exports was driven by the growth in mineral exports reflecting the pickup in gold exports by Gold Ridge Mining combined with increases in round logs and agriculture commodities exports. Meanwhile, imports remained high from higher imports of machinery equipment and fuel during the month.

#### Gross foreign reserves

Gross foreign reserves grew marginally by 1% to \$5,491 million in January 2023 driven largely by exchange rate revaluation gains. This level of reserves is sufficient to cover 13.9 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange rates

In January 2023, the Solomon Islands dollar (SBD) depreciated against all the major trading partner currencies. It depreciated against the United States dollar (USD) by 0.2% to \$8.26 per USD, 3.2% against the Australian dollar (AUD) to \$5.75 per AUD, and 1.1% against the New Zealand dollar (NZD) to \$5.30

per NZD. Furthermore, the SBD also depreciated against the British pound, Japanese Yen, and the Euro. The trade-weighted index, however, appreciated by 1.3% to 112.0 reflecting the notable depreciation of the SBD against the AUD and NZD during the month.

## II: GOVERNMENT FINANCE

The government registered a provisional surplus of \$48 million in January 2023, owing to a higher revenue collection of \$221 million exceeding expenditure of \$174 million. Meanwhile, the government's debt stock grew by 2% to \$2,016 million, partly due to the exchange rate movements and issuance of development bonds worth \$40 million to the Solomon Islands National Provident Fund and Solomon Islands Ports Authority. Consequently, external debt grew by 0.8% to \$1,161 million whilst domestic debt expanded by 4.4% to \$855 million. Debt servicing in January amounted to \$17 million consisting of \$16 million in principal repayments and around \$1 million in interest charges.

## IV: DOMESTIC ECONOMY<sup>2</sup>

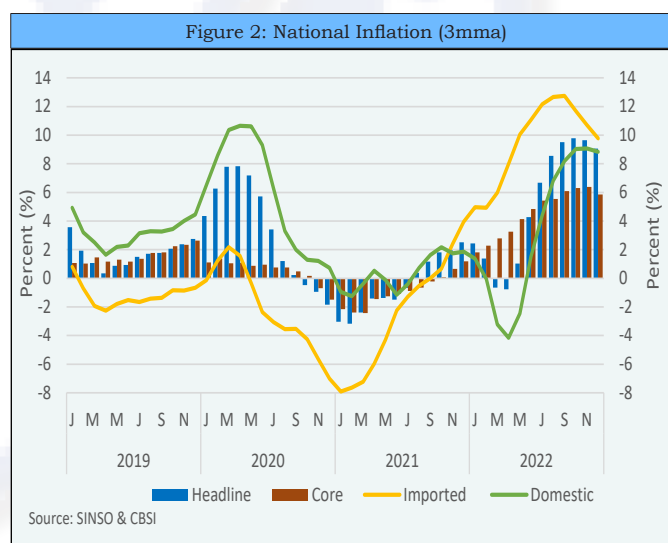
The preliminary monthly production index in January 2023 rebounded slightly by 2 points to an index of 98. The outcome was driven by higher output in mining (5 points), logging (4 points), and fishing (1 point) outweighing the 8 points fall in agriculture cash crops. Actual production showed minerals rose by 43% to 5,124 equivalent units of gold ounces, round logs went up by 11% to 128 thousand cubic meters, and crude palm oil, meanwhile, fell by 7% to 2,788 tons.

The commodity price index edged up in January 2023 by 3 points to an index of 82. This reflected the upward movement in the international prices of most export commodities – round logs by 3% to US\$228 per cubic meter, cocoa by 4% to US\$2,620 per ton, gold by 6% to US\$1,898 per ounces, and fish by 7% to US\$1,877 per ton. Crude palm oil and timber remained around the same at US\$942 per ton and US\$666 per cubic meter, respectively. Coconut oil, on the other hand, declined by 7% to US\$1,079 per ton.

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

The CPI in December 2022 slightly fell to an index of 117.0 from 117.2 points in November 2022. The month-on-month downward trend reflected declining prices for betel-nut, tobacco, electricity, gas and other fuels, oils and fats, milk, cheese and eggs, and passenger sea fares.

Headline inflation dropped in December 2022 to 9.1% from 9.6% in November 2022. This was driven by fall in both imported and domestic inflation. Imported items edged down to 9.8% from 10.7% and domestic components went down to 8.8% from 9.1% in November. Similarly, core inflation fell from 6.4% to 5.9% in December.



## CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in January 2023 went up to 115 points against an index of 110 points in December 2022. This was attributed to the upturn in prices of fuel by 77 cents to \$12.25 per litre, the domestic user electricity tariff by 63 cents to \$7.92 per KWh, and betel-nut rose marginally by 1 cent to an average of \$1.11 per nut. Meanwhile, the prices of solrice family (401b) and LP gas remained unchanged during the month at \$138.60 per bag and \$24.95 per KG, respectively.

<sup>2</sup> See December 2022 MEB publication, volume 13 Issue No.12, for explanations of the index and some components reported under this section.

## Solomon Islands Key Economic Indicators

|   |                                     | Aug<br>22 | Sep<br>22 | Oct<br>22 | Nov<br>22 | Dec<br>22 | Jan<br>23 |
|---|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Consumer price index (%)                          | Headline (3mma)                     | 8.5       | 9.5       | 9.8       | 9.6       | 9.1       | n.a       |
|   | Underlying (3mma): core 3           | 5.6       | 6.1       | 6.3       | 6.4       | 5.9       | n.a       |
|   | Headline (MoM)                      | 1.5       | 0.7       | -0.1      | -0.5      | -0.2      | n.a       |
| CBSI MPI<br>(weighted Index)                      | Month- on - Month                   | 119       | 118       | 116       | 112       | 110       | 115       |
| Production Index                                  | Index                               | 88        | 67        | 76        | 139       | 97        | 98        |
| Trade <sup>1</sup><br>(eop)                       | Exports (\$ millions)               | 239       | 192       | 200       | 313       | 191       | 280       |
|   | Imports (\$ millions)               | 325       | 420       | 403       | 432       | 500       | 501       |
|   | Trade Balance (\$ millions)         | -86       | -228      | -203      | -119      | -309      | -221      |
| Exchange Rates<br>(Mid-rate, Monthly average)     | SBD per USD                         | 8.24      | 8.20      | 8.19      | 8.23      | 8.25      | 8.26      |
|   | SBD per AUD                         | 5.74      | 5.49      | 5.21      | 5.42      | 5.56      | 5.75      |
|   | SBD per NZD                         | 5.17      | 4.88      | 4.65      | 4.98      | 5.24      | 5.30      |
|   | SBD per GBP                         | 9.90      | 9.31      | 9.25      | 9.65      | 10.04     | 10.12     |
|   | SBD per 100 JPY                     | 6.11      | 5.74      | 5.57      | 5.78      | 6.10      | 6.35      |
|   | SBD per EUR                         | 8.35      | 8.13      | 8.05      | 8.38      | 8.72      | 8.92      |
|   | TWI                                 | 112.3     | 114.68    | 117.36    | 115.16    | 113.48    | 112.0     |
| Gross Foreign Reserves( eop)                      | \$ milions                          | 5,410     | 5,250     | 5,157     | 5,282     | 5,423     | 5,491     |
| Liquidity <sup>2</sup><br>(eop)                   | Total Liquidity (\$ millions)       | 2,538     | 2,511     | 2,576     | 2,745     | 2,636     | 2,657     |
|   | Excess Liquidity (\$ millions)      | 2,106     | 2,087     | 2,053     | 2,195     | 2,115     | 2,139     |
| Money and credit <sup>2</sup><br>(eop)            | Narrow Money, M1 (\$ millions)      | 4,490     | 4,469     | 4,467     | 4,585     | 4,643     | 4,730     |
|   | Broad Money, M3 (\$ millions)       | 5,518     | 5,521     | 5,475     | 5,589     | 5,638     | 5,724     |
|   | Private Sector credit (\$ millions) | 2,625     | 2,620     | 2,615     | 2,610     | 2,629     | 2,608     |
| Interest Rates<br>( weighted average yield)       | 28-days Bokolo Bills rate (%)       | 0.10      | 0.10      | 0.10      | 0.18      | 0.24      | 0.25      |
|   | 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      | 1.05      |
|   | 365-days Treasury Bills rate (%)    | 1.81      | 1.81      | 1.81      | 1.85      | 1.84      | 1.94      |
| Government Finance <sup>3</sup>                   | Revenue (\$ millions)               | 240       | 302       | 283       | 289       | 318       | 221       |
|   | Expenditure (\$ millions)           | 304       | 413       | 288       | 275       | 333       | 174       |
|   | Fiscal Balance (\$ millions)        | -64       | -111      | -5        | 15        | -14       | 48        |
|   | SIG Debt stock (eop) (\$ millions)  | 1,827     | 1,882     | 1,840     | 1,860     | 1,900     | 2,016     |
| Global<br>Commodity Prices<br>( monthly averages) | CBSI Commodity Price Index          | 78        | 74        | 74        | 75        | 79        | 82        |
|   | Round logs - (US\$/m3)              | 220       | 208       | 202       | 209       | 221       | 228       |
|   | Gold - (US\$/oz)                    | 1,765     | 1,681     | 1,664     | 1,725     | 1,798     | 1,898     |
|   | Palm Oil - (US\$/tonne)             | 1,026     | 909       | 889       | 946       | 940       | 942       |
|   | Fish - (US\$/tonne)                 | 1,542     | 1,516     | 1,734     | 1,596     | 1,756     | 1,877     |
|   | Coconut oil - (US\$/tonne)          | 1,385     | 1,248     | 1,108     | 1,173     | 1,158     | 1,079     |
|   | Cocoa - (US\$/tonne)                | 2,310     | 2,300     | 2,310     | 2,410     | 2,510     | 2,620     |

<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.