

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) in February 2023 minimally fell by 0.2% to \$5,711 million driven by declines in both narrow money (M1) and other deposits (time and savings). Narrow money (M1) slightly dropped by 0.05% to \$4,728 million coming from a fall in demand deposits while other deposits declined by 1% to \$983 million reflecting a reduction in both savings and time deposits.

Net foreign assets (NFA) of the banking system declined by 1% in February to \$4,898 million following a 2% increase in the previous month. This was spurred by a 0.5% fall in the Central Bank's NFA to \$4,855 million along with a decline NFA of other depository corporations from \$67 million to \$43 million. Annually¹, the NFA of the banking system increased by 1%.

Private sector credit (PSC) expanded in February 2023 by 1% to \$2,626 million after a 1% contraction in January 2023. Meanwhile, net credit to the government (NCG) grew by 4% to minus \$743 million due to the increase in government deposits in the banking system during the month. PSC and NCG declined, on an annual basis, by 0.1% each.

The total liquidity of the banking system surged by 6% to \$2,455 million in February 2023. This came from the growth in call account deposits during the month. Consequently, excess liquidity expanded by 6% to \$2,266 million.

Domestic Market Operations

The stock of the CBSI Bokolo bill stock declined to \$330 million in February 2023 from \$357 million in the previous month. Hence, the weighted average yield (WAY) for Bokolo bills declined to 0.23% from 0.25% in January. Meanwhile, the treasury bill tendered during the month was \$9 million and \$8.6 million was accepted. The T-bills' WAY for 91 days remained at 0.49% while the WAY for 182 and 365 days increased to 1.21% and 1.99% respectively.

¹ The percentage change on annual basis refers to growth comparison against end of 2022

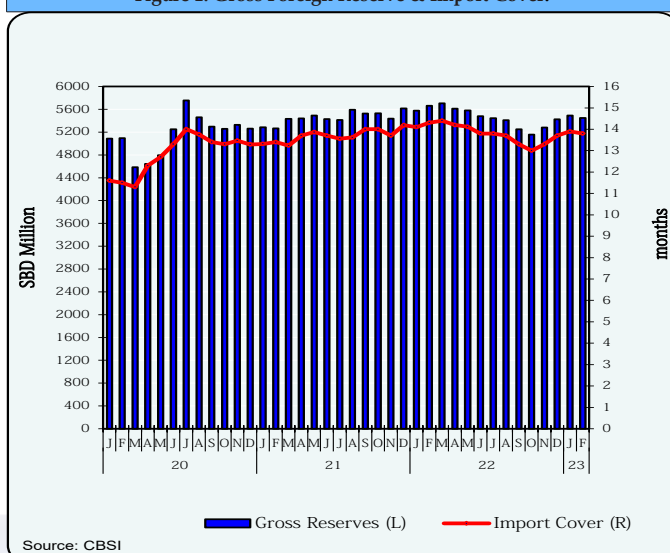
II. EXTERNAL CONDITIONS

The deficit in the balance on trade in goods for February 2023 narrowed to \$14 million from \$221 million deficit witnessed in January 2023. This outcome emanated from a significant decline in imports by 48% to \$263 million against a 11% fall in exports to \$249 million. The reduction in imports was driven by a sizeable fall in fuel reflecting adequate inventory in stock following higher imports in the previous two months, combined with the declines across all import categories during the month. Meanwhile, the fall in exports reflected the decline in round logs, minerals, and agriculture exports.

Gross foreign reserves

Gross foreign reserves fell marginally by 1% to \$5,450 million in February 2023 driven by higher outflows than inflows, and exchange rate revaluation losses. This level of reserves is sufficient to cover 13.8 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In February 2023, the Solomon Islands dollar (SBD) remained constant against the United States dollar (USD) at \$8.26 per USD. However, it appreciated against the Australian dollar (AUD) by 0.7% to \$5.71 per AUD,

and by 1.8% against the New Zealand dollar (NZD) to \$5.20 per NZD. Furthermore, the SBD also appreciated against the British pound, Japanese Yen, and the Euro. The trade-weighted index, however, depreciated by 0.4% to 112.5 reflecting the appreciation of the SBD against the AUD and NZD during the month.

II: GOVERNMENT FINANCE

The government registered a provisional deficit of \$104 million in February 2023, compared to the revised surplus of \$32 million posted in the previous month. This outcome mirrored a surge in total expenditure by 42% to \$316 million and a 16% decline in revenue to \$212 million. The higher expenditure during the month was underpinned by rising purchases of goods and services, while the decline in revenue was attributed to the decline in tax revenues and fishing licenses.

Meanwhile, the central government's debt stock fell by 1% to \$1,989 million in February reflecting debt servicing and exchange rate movements. Accordingly, external debt edged lower by 1.5% to \$1,144 million and domestic debt slid by 1.1% to \$845 million. Debt servicing in February 2023, totaled \$26 million, of which \$21 million was on principal repayments and \$5 million on interest payments.

IV: DOMESTIC ECONOMY

The monthly production index in February 2023 rebounded by 25 points to a preliminary index of 121. This outcome reflected the higher outturns in agriculture cash crops (41 points) offsetting the fall in mining (10 points), fishing (4 points), and logging (2 points). Actual production showed minerals declined by 61% to 2,034 equivalent units of gold ounces, fish catch fell by 25% to 2,180 tons, crude palm oil by 19% to 2,249 tons, and round logs by 4% to 124 thousand cubic meters.

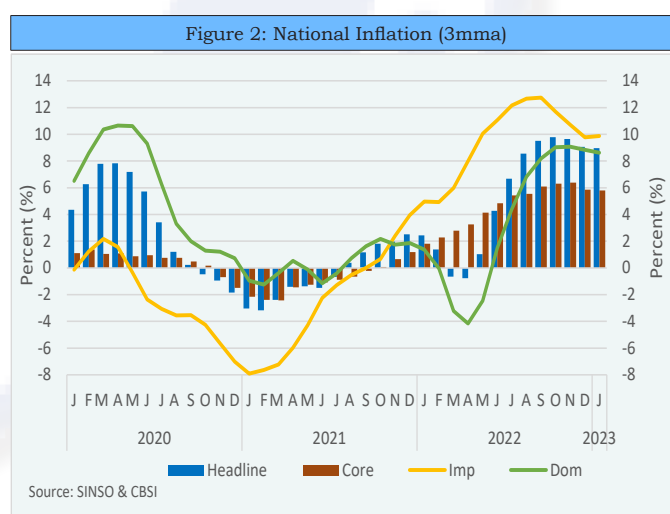
The commodity price index fell marginally in February by 0.2 points to an index of 82. This was owed to the decline in global prices of gold by 2% to US\$1,855 per ounces, round logs by 2% to US\$224 per cubic meter, and timber by 1% to US\$659 per cubic meter. In contrast, fish price rose by 9% to US\$2,043 per ton, while crude palm oil, coconut oil and cocoa grew by

1% each to US\$950 per ton, US\$1,087 per ton, and US\$2,650 per ton, respectively.

Consumer Price Index, Inflation (YoY - 3mma)

The CPI in January 2023 went up to an index of 118.9 from 117.0 points in December 2022. The monthly upward movement reflected rising prices for betel-nut, fruits, vegetables, bread and cereals, electricity, gas and other fuels, transport, and education.

Headline inflation in January 2023 still remained high although edged down slightly to 9.0% from 9.1% in December 2022. This was driven by a fall in domestic inflation by 2 percentage points to 8.6% offsetting the 1 percentage point increase in imported inflation to 9.9%. Meanwhile, core inflation eased to 5.8% in January 2023.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in February 2023 fell to 114 points against an index of 115 in January 2023. This was mainly driven by a fall in fuel price by 54 cents to \$11.70 per litre. On the other hand, the price of solrice family (401b) went up by \$1.60 to \$140.20 per bag, and betel-nut by 9 cents to an average of \$1.20 per nut. Meanwhile, the prices of LP gas and the domestic user electricity tariff remained around the same at \$24.95 per KG and \$7.92 per KWh, respectively.

Solomon Islands Key Economic Indicators

		Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23
Consumer price index (%)	Headline (3mma)	9.5	9.8	9.6	9.1	9.0	n.a
	Underlying (3mma): core 3	6.1	6.3	6.4	5.9	5.8	n.a
	Headline (MoM)	0.7	-0.1	-0.5	-0.2	1.7	n.a
CBSI MPI (weighted Index)	Month- on - Month	118	116	112	110	115	114
Production Index	Index	102	129	154	97	95	121
Trade ¹ (eop)	Exports (\$ millions)	192	200	313	191	280	249
	Imports (\$ millions)	420	403	432	500	501	263
	Trade Balance (\$ millions)	-228	-203	-119	-309	-221	-14
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.20	8.19	8.23	8.25	8.26	8.26
	SBD per AUD	5.49	5.21	5.42	5.56	5.75	5.71
	SBD per NZD	4.88	4.65	4.98	5.24	5.30	5.20
	SBD per GBP	9.31	9.25	9.65	10.04	10.12	10.00
	SBD per 100 JPY	5.74	5.57	5.78	6.10	6.35	6.25
	SBD per EUR	8.13	8.05	8.38	8.72	8.92	8.86
	TWI	114.68	117.36	115.16	113.48	112.0	112.46
Gross Foreign Reserves(eop)	\$ millions	5,250	5,157	5,282	5,423	5,491	5,450
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,511	2,576	2,745	2,636	2,657	2,455
	Excess Liquidity (\$ millions)	2,087	2,053	2,195	2,115	2,139	2,266
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,469	4,467	4,585	4,643	4,730	4,728
	Broad Money, M3 (\$ millions)	5,521	5,475	5,589	5,638	5,724	5,711
	Private Sector credit (\$ millions)	2,620	2,615	2,610	2,629	2,608	2,626
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.10	0.10	0.18	0.24	0.25	0.23
	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	1.05	1.21
	365-days Treasury Bills rate (%)	1.81	1.81	1.85	1.84	1.94	1.99
Government Finance ³	Revenue (\$ millions)	307	247	262	415	254	212
	Expenditure (\$ millions)	436	332	441	430	222	316
	Fiscal Balance (\$ millions)	-129	-85	-179	-15	32	-104
	SIG Debt stock (eop) (\$ millions)	1,822	1,840	1,860	1,971	2,016	1,989
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	74	74	75	79	82	82
	Round logs - (US\$/m3)	208	202	209	221	228	224
	Gold - (US\$/oz)	1,681	1,664	1,725	1,798	1,898	1,855
	Palm Oil - (US\$/tonne)	909	889	946	940	942	950
	Fish - (US\$/tonne)	1,516	1,734	1,596	1,756	1,877	2,043
	Coconut oil - (US\$/tonne)	1,248	1,108	1,173	1,158	1,079	1,087
	Cocoa - (US\$/tonne)	2,300	2,310	2,410	2,510	2,620	2,650

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.