

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) marginally grew by 1% to \$5,752 million in March 2023 driven by an increase in narrow money (M1) which offset the fall in other deposits (time and savings). Narrow money (M1) grew by 1% to \$4,780 million from higher demand deposits while other deposits declined by 1% to \$973 million as both savings and time deposits continued to fall.

Net foreign assets (NFA) of the banking system declined in March by 1% to \$4,835 million furthering a 1% fall in the previous month. This was driven by a 1% fall in the Central Bank's NFA to \$4,795 million along with a decline in NFA of other depository corporations from \$43 million to \$40 million. On an annual basis¹, NFA of the banking system narrowed by 0.3%.

Private sector credit (PSC) marginally increased in March by 0.1% to \$2,628 million from a 1% growth in February. Meanwhile, net credit to the government (NCG) dropped by 4% to minus \$715 million reflecting a drawdown in government deposits in the banking system during the month. PSC and NCG declined annually by 0.03%, respectively.

The total liquidity of the banking system contracted by 3% to \$2,382 million in March 2023, attributable to the decline in NFA during the month. Correspondingly, excess liquidity also narrowed by 3% to \$2,190 million.

Domestic Market Operations

CBSI Bokolo bills' stock expanded to \$426 million in March 2023 from \$330 million in the previous month. The weighted average yield (WAY) for Bokolo bills increased to 0.24% from 0.23% in February. Meanwhile, the treasury bill tendered during the month was \$19 million and \$14 million was accepted. The T-bills' WAY for 91 days remained at 0.49% while the WAY for 182 and 365 days increased, respectively, to 1.26% and 2.01%.

II. EXTERNAL CONDITIONS

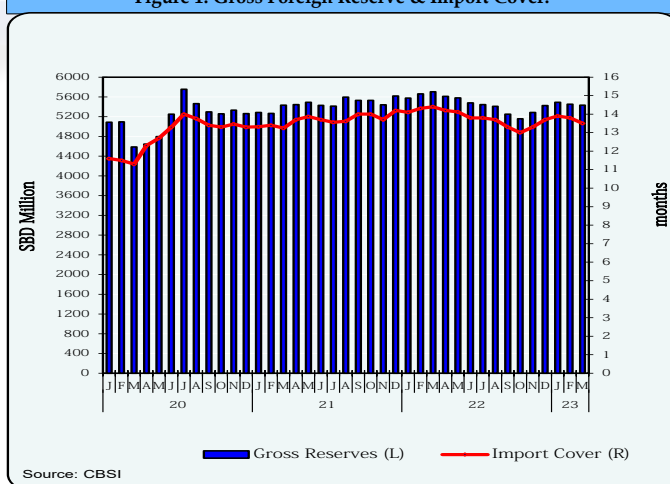
The deficit in the balance on trade in goods continued for a third consecutive month in March 2023. A wider deficit of \$56 million was witnessed from a \$14 million deficit in previous month. This outcome emanated

from a surge in imports by more than half to \$417 million which outweighed the notable increase in exports by 45% to \$362 million. The growth in imports was driven by the sizeable increases in all imports categories except for food which fell by 28% to \$63 million. Meanwhile, the rebound in exports reflected the pickup in round logs, minerals, and palm oil exports during the month.

Gross foreign reserves

Gross foreign reserves fell marginally by 0.3% to \$5,433 million in March 2023 driven by higher outflows than inflows, and exchange rate revaluation losses. This level of reserves is sufficient to cover 13.5 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In March 2023, the Solomon Islands dollar (SBD) depreciated against the United States dollar (USD) by 0.7% to \$8.32 per USD. However, it continued to appreciate against the Australian dollar (AUD) and the New Zealand dollar (NZD) for the third consecutive month by 2.8% to \$5.55 per AUD and by 0.9% to \$5.16 per NZD, respectively. Furthermore, the SBD also appreciated against the Japanese Yen, but depreciated against the British pound and the Euro. The trade-weighted index depreciated by 1.4% to 114.02 reflecting the depreciation of the SBD against the USD during the month.

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

II: GOVERNMENT FINANCE

The government recorded a provisional surplus of \$35 million in March 2023, reversing the \$104 million deficit posted in the previous month. The favourable outcome emanated from a 40% surge in revenue to \$298 million against a 17% reduction in expenditure to \$262 million.

Meanwhile, the central government’s debt stock edged up by 1% to \$2,048 million at end of March following the disbursement of the external loan from the ADB and exchange rate movements during the month. Accordingly, external debt rose by 3% to \$1,205 million whilst domestic debt stock slid by 0.3% to \$843 million. Debt servicing during the month totalled \$27 million, of which \$21 million was on principal repayments and \$6 million on interest payments.

IV: DOMESTIC ECONOMY

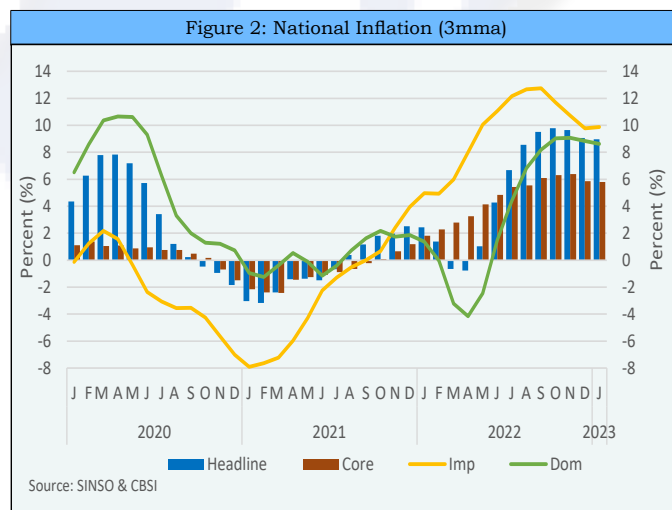
The preliminary monthly production index in March 2023 rose by 16 points to an index of 136. This outcome reflected the positive outturns in logging (12 points), mining (14 points), and fishing (0.2 points) outweighing the fall in agriculture cash crops (10 points). Actual production showed round logs increased by 27% to 157 thousand cubic meters, and minerals by more than three-fold to 6,497 equivalent units of gold ounces.

The commodity price index improved by 0.3 points in March to an index of 82. This was driven by the increase in global prices of cocoa by 4% to US\$2,750 per ton, crude palm oil by 2% to US\$972 per ton, coconut oil by 3% to US\$1,115 per ton, and gold by 3% to US\$1,913 per ounces, whilst the price of timber remained around the same at US\$661 per cubic meter.

In contrast, fish price declined by 6% to US\$1,901 per ton and round logs by 1% to US\$223 per cubic meter, respectively.

Consumer Price Index, Inflation (YoY - 3mma)

The latest monthly CPI available is still for January 2023 and had been reported in the February 2023 Monthly Economic Bulletin. The headline inflation was at 9.0% whilst the core inflation was at 5.8%.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in March 2023 fell to 110 points from 114 points in February 2023. This outcome reflected the reduction in the prices of betel-nut by 59 cents to an average of \$0.61 per nut, and electricity tariff for domestic users by 39 cents to \$7.53 per KWh. On the other hand, fuel price rose by 13 cents to \$11.83 per litre, solrice family (401b) by 20 cents to \$140.40 per bag, and LP gas by \$1.84 to \$26.79 per KG.

Solomon Islands Key Economic Indicators

		Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23
Consumer price index (%)	Headline (3mma)	9.8	9.6	9.1	9.0	n.a	n.a
	Underlying (3mma): core 3	6.3	6.4	5.9	5.8	n.a	n.a
	Headline (MoM)	-0.1	-0.5	-0.2	1.7	n.a	n.a
CBSI MPI (weighted Index)	Month- on - Month	116	112	110	115	114	110
Production Index	Index	129	154	97	95	121	136
Trade ¹ (eop)	Exports (\$ millions)	200	313	191	280	249	362
	Imports (\$ millions)	403	432	500	501	263	417
	Trade Balance (\$ millions)	-203	-119	-309	-221	-14	-56
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.19	8.23	8.25	8.26	8.26	8.32
	SBD per AUD	5.21	5.42	5.56	5.75	5.71	5.55
	SBD per NZD	4.65	4.98	5.24	5.30	5.20	5.16
	SBD per GBP	9.25	9.65	10.04	10.12	10.00	10.09
	SBD per 100 JPY	5.57	5.78	6.10	6.35	6.25	6.22
	SBD per EUR	8.05	8.38	8.72	8.92	8.86	8.90
	TWI	117.36	115.16	113.48	112.0	112.46	114.02
Gross Foreign Reserves(eop)	\$ milions	5,157	5,282	5,423	5,491	5,450	5,433
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,238	2,386	2,304	2,325	2,454	2,382
	Excess Liquidity (\$ millions)	2,051	2,195	2,115	2,130	2,265	2,190
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,467	4,585	4,643	4,730	4,728	4,780
	Broad Money, M3 (\$ millions)	5,475	5,589	5,638	5,724	5,711	5,752
	Private Sector credit (\$ millions)	2,615	2,610	2,629	2,608	2,626	2,628
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.10	0.18	0.24	0.25	0.23	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	1.05	1.21	1.26
	365-days Treasury Bills rate (%)	1.81	1.85	1.84	1.94	1.99	2.01
Government Finance	Revenue (\$ millions)	247	262	415	254	212	298
	Expenditure (\$ millions)	332	441	430	222	316	262
	Fiscal Balance (\$ millions)	-85	-179	-15	32	-104	35
	SIG Debt stock (eop) (\$ millions)	1,877	1,965	1,971	2,046	2,019	2,048
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	74	75	79	82	82	82
	Round logs - (US\$/m3)	202	209	221	228	224	223
	Gold - (US\$/oz)	1,664	1,725	1,798	1,898	1,855	1,913
	Palm Oil - (US\$/tonne)	889	946	940	942	950	972
	Fish - (US\$/tonne)	1,734	1,596	1,756	1,877	2,043	1,901
	Coconut oil - (US\$/tonne)	1,108	1,173	1,158	1,079	1,087	1,115
	Cocoa - (US\$/tonne)	2,310	2,410	2,510	2,620	2,650	2,750
	Timber - (US\$/m3)	615	640	664	666	659	661

¹ Value in terms of free on Board (FOB)

² Based on weekly statistics provided by other depository corporations (ODCs).

Note;
na : not available at time of publication.