

Monthly Economic Bulletin

Data published in this bulletin are subject to revision and the Bank cannot guarantee the accuracy of the information obtained from outside sources.

Content	Page
I. Monetary Developments	1
II. External Conditions	1
III. Government Finances	2
IV. Domestic Production	2
V. Key Economic Indicators	3

I. MONETARY DEVELOPMENTS

Money supply (M3) minimally dropped by 0.3% to \$5,837 million in May 2023. This was due to a 0.4% decline in narrow money (M1) to \$4,857 million. On the other hand, other deposits (time and savings) slightly increased by 0.3% to \$980 million during the month. The narrowed M1 attributed to a fall in demand deposits despite a slight increase in currency in circulation. The growth in other deposits was driven by increases in both savings and time deposits.

Net foreign assets (NFA) of the banking system declined in May 2023 by 1% to \$4,777 million. This was driven by the fall in the NFA of other depository corporations (ODCs) from \$64 million to \$2 million despite a 1% growth in Central Bank's NFA to \$4,775 million. NFA of the banking system narrowed by 1% on an annual basis¹.

Private sector credit (PSC) grew by 1% in May 2023 to \$2,638 million following a 1% decline in April 2023. Whilst, net credit to the government (NCG) also grew by 7% to minus \$731 million as government deposits grow in the banking system during the month. PSC and NCG grew on an annual basis by 0.3% and 3%, respectively.

The total liquidity of the banking system expanded by 2% to \$2,454 million in May 2023 due to an increase in the ODCs' call account balances with the Central Bank. Consequently, excess liquidity increased by 2% to \$2,259 million.

Domestic Market Operations

CBSI Bokolo Bills' stock recorded in May 2023 was \$405 million, a decline from a stock of \$420 million in the previous month. The weighted average yield (WAY) for Bokolo bills remained unchanged at 0.24%. Meanwhile, the treasury bill tendered during the month was \$35 million while \$27 million was accepted. The T-bills' WAY for 182 days and 365 days maturity increased from 1.39% to 1.54% and 2.02% to 2.03%, respectively. The WAY for 91 days remained at 0.50% as in the previous month.

II. EXTERNAL CONDITIONS

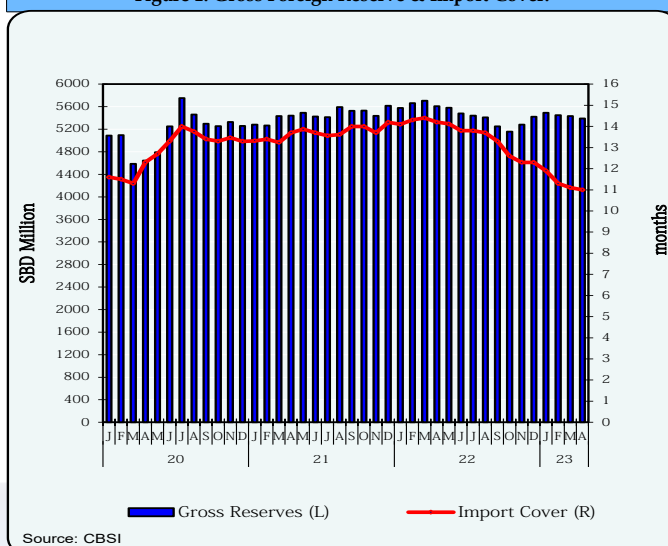
Balance on Trade in goods

The balance on trade in goods posted a deficit of \$193 million in May 2023 reversing a \$127 million surplus witnessed in the previous month. This negative outcome was largely driven by a significant reduction in exports by 44% to \$191 million combined with a surge in imports by 78% to \$385 million during the month. The sizeable fall in exports was attributed to the declines in round logs, fish, and mineral exports which outweighed the pickup in agricultural exports. Meanwhile, the growth in imports emanated from the higher importation of machinery, road vehicles, and basic manufactures.

Gross foreign reserves

Gross foreign reserves edged higher by 2% in May 2023 to \$5,491 million. This came as a result of higher inflows mainly from donor partners during the month. This level of reserves is sufficient to cover 11.2 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In May 2023, the Solomon Islands dollar (SBD) depreciated marginally against the United States dollar by 0.1% to an average of \$8.34 per USD. It also depreciated against the New Zealand dollar by 0.3% to \$5.19 per NZD, however, it appreciated against the Australian dollar by 0.6% to \$5.54 per AUD during the

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

month. Furthermore, the SBD strengthened against the Japanese Yen and Euro but weakened against the British pound. As a result of the exchange rate movements within the currency basket, the trade-weighted index (TWI) depreciated by 0.3% to 114.2 during the month.

II: GOVERNMENT FINANCE

The government recorded a surplus of \$39 million in May 2023, driven by strong revenue collection of \$371 million outpacing total expenditure of \$332 million during the period. Meanwhile, the government's debt stock grew slightly by 1% to \$2,258 million, attributed to additional disbursement from the ADB and World Bank, and issuance of domestic bonds and auction treasury bills. Accordingly, external debt picked up by 2% to \$1,353 million while domestic debt rose by 7% to \$905 million. Debt servicing in May totaled \$19 million consisting of \$15 million on principal repayment and \$4 million on interest payments.

IV: DOMESTIC ECONOMY

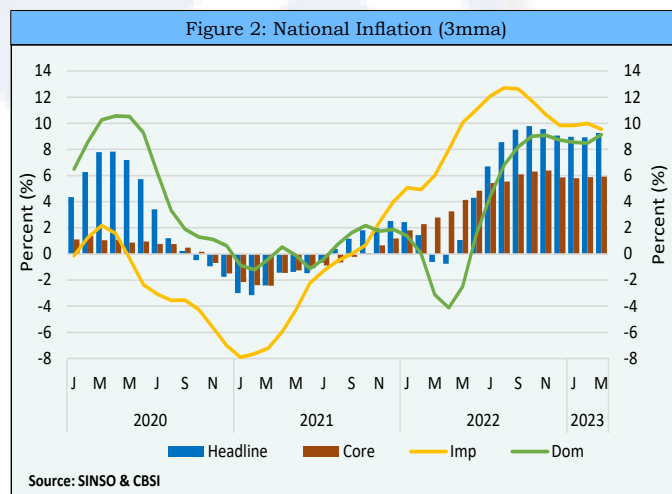
The monthly production index declined by 26 points in May to a preliminary index of 99. The outcome stemmed from lower outturns in logging (25 points), mining (4 points) and fishing (1 point) offsetting the rebound in agriculture cash crops (5 points). Actual production showed round logs went down by 51% to 71 thousand cubic meters, minerals by 14% to 8,090 equivalent units of gold ounces, and fish catch by 11% to 2,028 tons.

The commodity price index edged down by 2 points in May to an index of 83. The downward trend was driven by a fall in global prices for most of the major export commodities. Round logs fell by 3% to US\$217

per cubic meter, gold by 0.4% to US\$1,992 per ounce, fish by 2% to US\$2,032 per ton, crude palm oil by 7% to US\$934 per ton, and coconut oil by 2% to US\$1,048 per ton. On the other, cocoa rose by 3% to US\$2,960 per ton and timber by 0.3% to US\$680 per cubic meter.

Consumer Price Index, Inflation (YoY - 3mma)

The latest monthly CPI available is still for March 2023 and had been reported in the April 2023 Monthly Economic Bulletin. The headline inflation was at 9.2% whilst the core inflation was at 5.9%.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items dropped to 108 points from 110 points in April. This outcome reflected the reduction in the prices of the electricity tariff for domestic users by 68 cents to \$6.91 per KWh and LP gas by 7 cents to \$30.01 per KG. In contrast, the prices of solrice family (40lb) increased by \$1.40 to \$143.00 per bag, fuel by 4 cents to \$11.37 per litre, and betel-nut by 1 cent to an average of \$0.63 per nut.

Solomon Islands Key Economic Indicators

		Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23
Consumer price index (%)	Headline (3mma)	9.1	9.0	8.9	9.2	n.a	na
	Underlying (3mma): core 3	5.9	5.8	5.9	5.9	n.a	na
	Headline (MoM)	-0.2	1.7	0.3	0.5	n.a	na
CBSI MPI (weighted Index)	Month- on - Month	110	115	114	110	110	108
Production Index	Index	97	120	103	133	125	99
Trade ¹ (eop)	Exports (\$ millions)	191	317	189	340	343	191
	Imports (\$ millions)	500	501	263	417	216	385
	Trade Balance (\$ millions)	-309	-184	-74	-77	127	-193
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.25	8.26	8.26	8.32	8.33	8.34
	SBD per AUD	5.56	5.75	5.71	5.55	5.58	5.54
	SBD per NZD	5.24	5.30	5.20	5.16	5.17	5.19
	SBD per GBP	10.04	10.12	10.00	10.09	10.36	10.41
	SBD per 100 JPY	6.10	6.35	6.25	6.22	6.24	6.09
	SBD per EUR	8.72	892	8.86	8.90	9.13	9.07
	TWI	113.5	112.0	112.5	114.0	113.8	114.2
Gross Foreign Reserves(eop)	\$ milions	5,423	5,491	5,450	5,456	5,391	5,491
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,304	2,325	2,454	2,382	2,416	2,454
	Excess Liquidity (\$ millions)	2,115	2,130	2,265	2,190	2,220	2,259
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,643	4,730	4,728	4,780	4,876	4,857
	Broad Money, M3 (\$ millions)	5,638	5,724	5,711	5,752	5,853	5,837
	Private Sector credit (\$ millions)	2,629	2,608	2,626	2,628	2,614	2,638
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.24	0.25	0.23	0.24	0.24	0.24
	91- days Treasury Bills rate (%)	0.49	0.49	0.49	0.49	0.50	0.50
	182-days Treasury Bills rate (%)	0.97	1.05	1.21	1.26	1.39	1.54
	365-days Treasury Bills rate (%)	1.84	1.94	1.99	2.01	2.02	2.03
Government Finance	Revenue (\$ millions)	415	254	236	270	204	371
	Expenditure (\$ millions)	430	198	285	308	263	332
	Fiscal Balance (\$ millions)	-15	56	-48	-38	-59	39
	SIG Debt stock (eop) (\$ millions)	2,042	2,118	2,090	2,158	2,177	2,258
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	79	82	82	82	85	83
	Round logs - (US\$/m3)	221	228	224	223	223	217
	Gold - (US\$/oz)	1,798	1,898	1,855	1,913	2,000	1,992
	Palm Oil - (US\$/tonne)	940	942	950	972	1,005	934
	Fish - (US\$/tonne)	1,756	1,877	2,043	1,901	2,074	2,032
	Coconut oil - (US\$/tonne)	1,158	1,079	1,087	1,115	1,074	1,048
	Cocoa - (US\$/tonne)	2,510	2,620	2,650	2,750	2,880	2,960
	Timber - (US\$/ m3)	664	666	659	661	678	680

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.