

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) edged 1% higher to \$5,946 million in July 2023. The increase was driven by a 1% growth in both the narrow money (M1) to \$4,971 million, and other deposits (time and savings) to \$975 million respectively during the month. M1's growth emanated from upturns in demand deposits and currency in circulation while growth in other deposits was supported by increases in savings and time deposits.

Net foreign assets (NFA) of the banking system increased by 1% to \$5,082 million. This was due to a 2% growth in Central Bank's NFA to \$5,059 million. On the other hand, the NFA of other depository corporations (ODCs) contracted from \$69 million in June 2023 to \$23 million in July. Meanwhile, NFA of the banking system grew by 5% on an annual basis¹.

Private sector credit (PSC) dwindled by 1% in July 2023 to \$2,638 million, reversing a 1% growth in June 2023. Similarly, net credit to the government (NCG) plunged by 6% to minus \$776 million as government deposits are drawn from the banking system during the month. PSC and NCG strengthened on an annual basis by 0.3% and 10%, respectively.

The total liquidity of the banking system firmed up in July 2023 by 3% to \$2,500 million. This was underpinned by the growth in NFA and the fall in NCG during the month. Accordingly, excess liquidity increased by 3% to \$2,307 million.

Domestic Market Operations

CBSI Bokolo Bills' stock held in July 2023 was \$407 million, an increase from \$403 million in the previous month. The weighted average yield (WAY) for Bokolo bills remained stable at 0.24%. Meanwhile, the treasury bill tendered and accepted during the month was \$19 million. The T-bills' WAY for 182 days and 365 days maturity rose from 1.77% to 1.83% and 2.10% to 2.11%, respectively. The WAY for 91 days remains unchanged at 0.50% from the previous month.

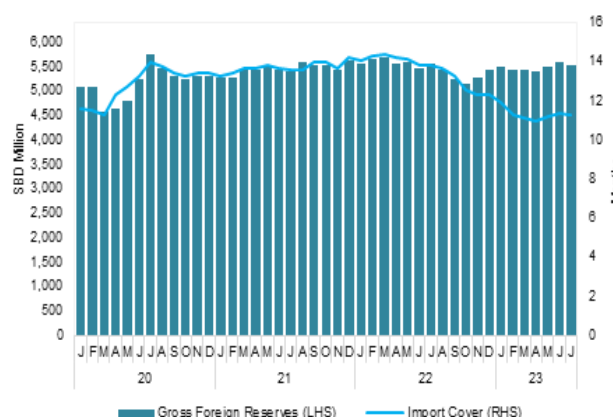
II. EXTERNAL CONDITIONS

The balance on trade in goods deteriorate further to \$143 million deficit in July 2023 from \$6 million deficit posted in the previous month. This negative outcome stemmed from a notable reduction in exports which dropped by half to \$193 million, outweighing the 15% fall in imports to \$336 million during the period. The decline in exports was driven by the sizeable fall in major export commodities including minerals, fish and round log exports. Meanwhile, the reduction in imports reflected the significant drop in fuel imports during the month following bulk imports a month ago.

Gross foreign reserves

Gross foreign reserves slid by 1% to \$5,535 million in July reflecting lower inflows and exchange rate revaluation losses during the period. This level of reserves is sufficient to cover 11.3 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In July 2023, the Solomon Islands dollar (SBD) depreciated against the United States dollar (USD) by 0.2% to \$8.36 per USD. Against the Australian and the New Zealand dollars, the SBD weakened further by 0.8% to \$5.64 per AUD, and 1.9% to \$5.21 per NZD, respectively. Similarly, it depreciated against the British Pound, Euro and the Japanese Yen during the month. The trade-weighted index (TWI) appreciated by 0.4%

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

to 113.67 in June resulting from the depreciation of the SBD against the USD, AUD and NZD.

II: GOVERNMENT FINANCE

The government recorded a provisional deficit of \$144 million in July 2023, driven by an elevated expenditure of \$393 million and lower revenue collection of \$249 million during the month. Meanwhile, the government's debt stock grew slightly by 1% to \$2,333 million, stemming from foreign exchange rates movements and additional auction treasury bills issued. Accordingly, the external debt edged up by 0.5% to \$1,398 million and domestic debt increased by 1.1% to \$934 million. Debt servicing in July, totaled \$15 million, consisting of \$13 million in principal repayments and only \$2 million on interest charges.

IV: DOMESTIC ECONOMY

The monthly production index edged lower by 48 points in July to a preliminary index of 87. The negative outcome reflected the downturn recorded across all the production commodities with logging (18 points), mining (16 points), fishing (3 points) and agriculture cash crops (10 points). Actual production showed fish declined by 33% to 1,257 tons, round logs by 31% to 115 thousand cubic meters and minerals by 67% to 2,658 equivalent units of gold ounces.

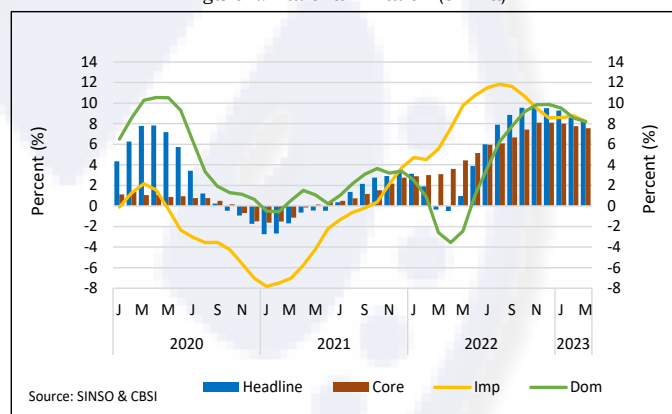
The commodity price index rebounded by 1 point in July to an index of 81. The upturn mirrored the rise in global prices for all the major export commodities. Crude palm oil went up by 8% to US\$879 per ton, cocoa by 7% to US\$3,390 per ton, coconut oil by 3% to US\$1,047 per ton, timber by 2% to US\$702 per cubic

meter, fish by 1% to US\$1,928 per ton, gold by 0.4% to US\$1,951 per ounce, and round logs by 0.1% to US\$211 per cubic meter.

Consumer Price Index, Inflation (YoY - 3mma)

The latest monthly CPI available is still for May 2023 and had been reported in the June 2023 Monthly Economic Bulletin. The headline inflation was at 5.5% whilst core inflation was at 6.1%.

Figure 2: National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items slightly up from 105 points in June to 106 points in July. This outcome reflected the increase in the prices of solrice family (40lb) which pick up by \$2.80 to \$146.40 per bag, electricity tariff for domestic users by 18 cents to \$6.95 per KWh and betel-nut by 6 cents to an average of \$0.67 per nut. On the other hand, fuel fell by 5 cents to \$10.72 per litre and LP gas by 42 cents to \$27.75 per KG.

Solomon Islands Key Economic Indicators

		Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23
Consumer price index (%)	Headline (3mma)	8.6	8.2	6.9	5.5	na	na
	Underlying (3mma): core 3	7.7	7.5	6.9	6.1	na	na
	Headline (MoM)	-0.9	-0.1	-0.1	-0.2	na	na
CBSI MPI (weighted Index)	Month- on - Month	114	110	110	108	105	106
Production Index	Index	103	133	120	89	135	87
Trade ¹ (eop)	Exports (\$ millions)	189	340	376	245	389	193
	Imports (\$ millions)	263	417	216	423	395	336
	Trade Balance (\$ millions)	-74	-77	160	179	-6	-143
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.26	8.32	8.33	8.34	8.35	8.36
	SBD per AUD	5.71	5.55	5.58	5.54	5.59	5.64
	SBD per NZD	5.20	5.16	5.17	5.19	5.11	5.21
	SBD per GBP	10.00	10.09	10.36	10.41	10.53	10.77
	SBD per 100 JPY	6.25	6.22	6.24	6.09	5.91	5.93
	SBD per EUR	8.86	8.90	9.13	9.07	9.04	9.25
	TWI	112.5	114.0	113.8	114.2	114.17	113.67
Gross Foreign Reserves(eop)	\$ milions	5,450	5,456	5,391	5,491	5,584	5,535
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,454	2,382	2,416	2,454	2,437	2,500
	Excess Liquidity (\$ millions)	2,265	2,190	2,220	2,259	2,242	2,307
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,728	4,780	4,876	4,857	4,931	4,971
	Broad Money, M3 (\$ millions)	5,711	5,752	5,853	5,837	5,896	5,946
	Private Sector credit (\$ millions)	2,626	2,628	2,614	2,638	2,661	2,638
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.23	0.24	0.24	0.24	0.24	0.24
	91- days Treasury Bills rate (%)	0.49	0.49	0.50	0.50	0.50	0.50
	182-days Treasury Bills rate (%)	1.21	1.26	1.39	1.54	1.77	1.83
	365-days Treasury Bills rate (%)	1.99	2.01	2.02	2.03	2.10	2.11
Government Finance	Revenue (\$ millions)	224	276	254	231	287	249
	Expenditure (\$ millions)	285	273	392	313	307	393
	Fiscal Balance (\$ millions)	-60	3	-138	-82	-20	-144
	SIG Debt stock (eop) (\$ millions)	2,031	2,129	2,218	2,300	2,316	2,333
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	82	82	85	83	80	81
	Round logs - (US\$/m3)	224	223	223	217	211	211
	Gold - (US\$/oz)	1,855	1,913	2,000	1,992	1,943	1,951
	Palm Oil - (US\$/tonne)	950	972	1,005	934	817	879
	Fish - (US\$/tonne)	2,043	1,901	2,074	2,032	1,916	1,928
	Coconut oil - (US\$/tonne)	1,087	1,115	1,074	1,048	1,013	1,047
	Cocoa - (US\$/tonne)	2,650	2,750	2,880	2,960	3,170	3,390
	Timber - (US\$/m3)	659	661	678	680	688	702

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.