

Monthly Economic Bulletin

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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) rose by 1% to \$5,896 million in June 2023, reversing the 0.3% decline in the previous month. The increase was due to a 2% rise in narrow money (M1) to \$4,931 million, despite a fall in other deposits (time and savings) by 2% to \$965 million. The surge in M1 was attributed to the increase in demand deposits offsetting the slight fall in currency in circulation.

Net foreign assets (NFA) of the banking system increased notably in June 2023 by 5% to \$5,009 million, after a 1% fall recorded in May 2023. This was driven by a 3% rise in the Central Bank's NFA to \$4,940 million and other depository corporations' (ODCs) NFA jumping up from \$2 million to \$69 million. NFA of the banking system grew by 3% on an annual basis¹

Private sector credit (PSC) grew by 1% to \$2,661 million in June 2023, likewise, net credit to the government (NCG) also expand further by 13% to minus \$827 million, reflecting an increase in holdings of government deposits during the month. Thus, PSC and NCG grew on an annual basis by 2% and 17% respectively.

The total liquidity in the banking system falls by 1% to \$2,437 million in June 2023, due to a decline in the ODCs' call account balances with the Central Bank. As a result, excess liquidity decreased by 1% to \$2,242 million.

Domestic Market Operations

The stock of CBSI Bokolo bills stood at \$403 million in June 2023 from a stock of \$405 million in the previous month. The weighted average yield (WAY) for Bokolo bills remained unchanged at 0.24% since March 2023. Meanwhile, the treasury bill tendered during the month was \$23 million, and it was all accepted. The T-bill's WAY for 182 days and 365 days increased from 1.54% and 2.03% to 1.77% and 2.10%, respectively. The WAY for 91 days remained at 0.50% for the third consecutive month

II. EXTERNAL CONDITIONS

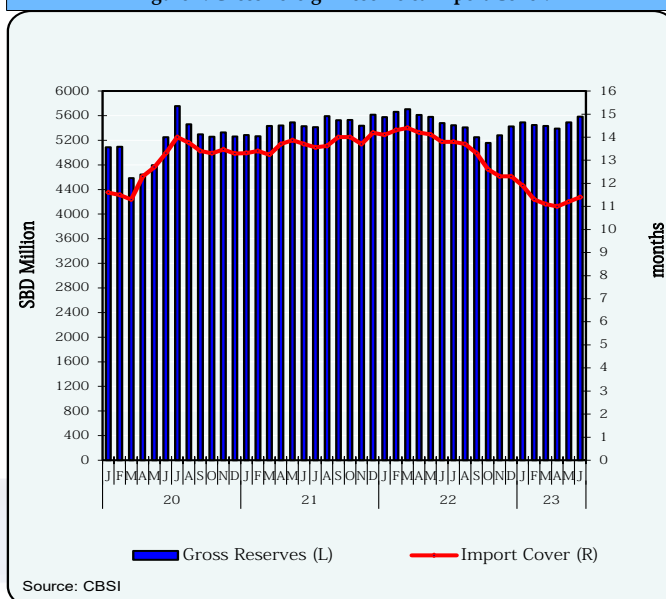
Trade in goods

The deficit in the balance on trade in goods narrowed to \$12 million in June 2023 from \$193 million deficit in the previous month. This improved outcome stemmed from a surge in exports from \$191 million to \$364 million and a 2% decline in imports to \$375 million during the month. The significant increase in exports was largely driven by round logs and mineral exports which outweighed the reduction in fish and agriculture commodities. Meanwhile, the decline in imports was attributed to the fall in food and machinery imports despite the pickup in fuel and basic manufactures during the reviewed period.

Reserves

Gross foreign reserves edged higher by 2% to \$5,584 million in June 2023 corresponding to higher donor inflows and revaluation gains during the month. This level of foreign reserves is sufficient to cover 11.4 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In June 2023, the Solomon Islands dollar (SBD) depreciated marginally by 0.1% against the United States dollar to an average of \$8.35 per USD and 0.9% against the Australian dollar to \$5.59 per AUD. On

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

the other hand, the SBD appreciated against the New Zealand dollar by 1.5% to \$5.11 per NZD. Furthermore, the SBD strengthened against the Euro and Japanese Yen but weakened against the British pound. Meanwhile, the trade-weighted index appreciated minimally by 3 basis points to 114.17 reflecting the offsetting movements of the SBD against trading partner currencies during the month.

II: GOVERNMENT FINANCE

The government posted a provisional deficit of \$179 million in June 2023, stemming from a higher expenditure of \$466 million outweighing revenue collections of \$287 million during the month. Meanwhile, the central government's debt stock edged up by 1% to \$2,316 million largely due to higher auctioned Treasury Bills. Consequently, the domestic debt component grew by 2.1% to \$924 million. On the other hand, the external debt component slid by 0.2% to \$1,392 million attributed to external debt repayments. Debt servicing for the month amounted to \$18 million, of which principal repayments constituted \$14 million and interest payments \$4 million.

IV: DOMESTIC ECONOMY

The preliminary monthly production index edged up by 26 points in June to an index of 129. The outcome was driven by the rebound in logging (29 points) and agriculture cash crops (3 points) offsetting the lower outturns in mining (6 points) and fishing (1 point). Actual production showed round logs more than doubled to 168 thousand cubic meters, whilst, minerals decreased by 25% to 6,077 equivalent units of gold ounces, crude palm oil by 11% to 2,281 tons and fish fell by 8% to 1,869 tons.

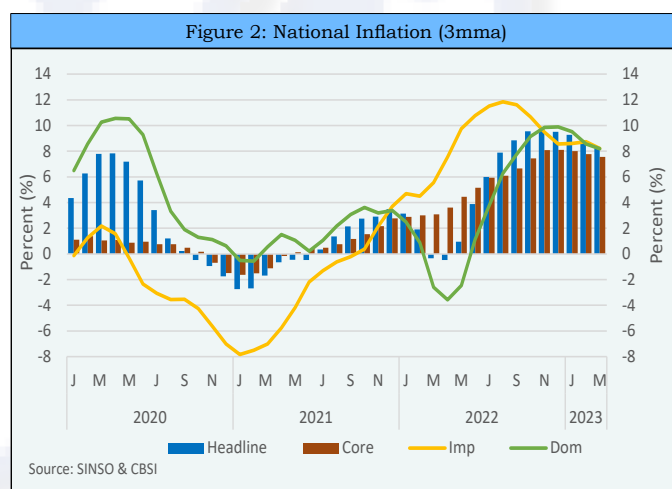
The commodity price index edged lower by 3 points in June to an index of 80. The downturn reflected the fall in global prices for most of the major export commodities. Crude palm oil declined by 13% to US\$817 per ton, fish by 6% to US\$1,916 per ton, coconut oil by 3% to US\$1,013 per ton, gold by 2% to US\$1,943

per ounce and round logs by 3% to US\$211 per cubic meter. In contrast, cocoa edged up by 7% to US\$3,170 per ton and timber by 1% to US\$688 per cubic meter, respectively.

Consumer Price Index, Inflation (YoY - 3mma)

The CPI in May 2023 dropped to an index of 118.5 from 118.8 points in April with a notable fall in prices for fruits and electricity.

Headline inflation in May eased to 5.5% from 6.9% in April. This was driven by a fall in domestic inflation by 1 percentage point to 6.1% and imported inflation by 2 percentage points to 4.1%. Similarly, core inflation dropped by 0.8 percentage points to 6.1% in May 2023.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items dropped from 108 points in May to 105 points in June suggesting inflation in June could further easing. This outcome mirrored the reduction in the prices of most consumer items except for solrice family (40Ib) which increased by 60 cents to \$143.60 per bag. Fuel price fell by 60 cents to \$10.77 per litre, LP gas by \$1.84 to \$28.16 per KG, betel-nut by 2 cents to an average of \$0.61 per nut, and the electricity tariff for domestic users declined by 13 cents to \$6.77 per KWh.

Solomon Islands Key Economic Indicators

		Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23
Consumer price index (%)	Headline (3mma)	9.3	8.6	8.2	6.9	5.5	na
	Underlying (3mma): core 3	8.0	7.7	7.5	6.9	6.1	na
	Headline (MoM)	1.5	-0.9	-0.1	-0.1	-0.2	na
CBSI MPI (weighted Index)	Month- on - Month	115	114	110	110	108	105
Production Index	Index	120	103	133	128	103	129
Trade ¹ (eop)	Exports (\$ millions)	317	189	340	343	191	364
	Imports (\$ millions)	501	263	417	216	385	375
	Trade Balance (\$ millions)	-184	-74	-77	127	-193	-12
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.26	8.26	8.32	8.33	8.34	8.35
	SBD per AUD	5.75	5.71	5.55	5.58	5.54	5.59
	SBD per NZD	5.30	5.20	5.16	5.17	5.19	5.11
	SBD per GBP	10.12	10.00	10.09	10.36	10.41	10.53
	SBD per 100 JPY	6.35	6.25	6.22	6.24	6.09	5.91
	SBD per EUR	892	8.86	8.90	9.13	9.07	9.04
	TWI	112.0	112.5	114.0	113.8	114.2	114.17
Gross Foreign Reserves(eop)	\$ milions	5,491	5,450	5,456	5,391	5,491	5,584
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,325	2,454	2,382	2,416	2,454	2,437
	Excess Liquidity (\$ millions)	2,130	2,265	2,190	2,220	2,259	2,242
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,730	4,728	4,780	4,876	4,857	4,931
	Broad Money, M3 (\$ millions)	5,724	5,711	5,752	5,853	5,837	5,896
	Private Sector credit (\$ millions)	2,608	2,626	2,628	2,614	2,638	2,661
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.25	0.23	0.24	0.24	0.24	0.24
	91- days Treasury Bills rate (%)	0.49	0.49	0.49	0.50	0.50	0.50
	182-days Treasury Bills rate (%)	1.05	1.21	1.26	1.39	1.54	1.77
	365-days Treasury Bills rate (%)	1.94	1.99	2.01	2.02	2.03	2.10
Government Finance	Revenue (\$ millions)	254	224	276	254	231	287
	Expenditure (\$ millions)	197	285	308	409	412	466
	Fiscal Balance (\$ millions)	57	-60	-32	-155	-181	-179
	SIG Debt stock (eop) (\$ millions)	2,040	2,031	2,129	2,218	2,300	2,316
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	82	82	82	85	83	80
	Round logs - (US\$/m3)	228	224	223	223	217	211
	Gold - (US\$/oz)	1,898	1,855	1,913	2,000	1,992	1,943
	Palm Oil - (US\$/tonne)	942	950	972	1,005	934	817
	Fish - (US\$/tonne)	1,877	2,043	1,901	2,074	2,032	1,916
	Coconut oil - (US\$/tonne)	1,079	1,087	1,115	1,074	1,048	1,013
	Cocoa - (US\$/tonne)	2,620	2,650	2,750	2,880	2,960	3,170
	Timber - (US\$/m3)	666	659	661	678	680	688

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.