

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) expanded by 3% to \$6,104 million in August 2023 following a 1% growth posted in July 2023. This was driven by a 3% rise in narrow money (M1) to \$5,110 million, and a 2% growth in other deposits (time and savings) to \$995 million during the month. M1's growth emanated from the increase in demand deposits and currency in circulation while the growth in other deposits was supported by an increase in time deposits.

Net foreign assets (NFA) of the banking system contracted by 1% to \$5,049 million. This was spurred by a 1% decline in the Central Bank's NFA to \$5,021 million. The NFA of other depository corporations (ODCs), however, grew from \$23 million in July to \$28 million in August. Meanwhile, the NFA of the banking system grew by 4% during the year¹.

Private sector credit (PSC) increased by 0.4% in August 2023 to \$2,647 million, after a 1% downturn in July 2023. Similarly, net credit to the government (NCG) contracted by 1% to minus \$767 million due to the withdrawal of government deposits from the banking system during the month. PSC and NCG firmed annually by 0.7% and 8.4%, respectively.

The total liquidity of the banking system strengthened in August 2023 by 5% to \$2,627 million following a 3% recorded in the previous month. This was underpinned by the fall in NCG during the month. Subsequently, excess liquidity increased by 5% to \$2,424 million.

Domestic Market Operations

CBSI Bokolo Bills' stock held in August 2023 was \$399 million, a decline compared to \$407 million in the previous month. The weighted average yield (WAY) for Bokolo bills remained fixed at 0.24%. Meanwhile, the treasury bill tendered and accepted during the month was \$25 million and \$18 million, respectively. The T-bills' WAY for 182 days and 365 days maturity narrowed from 1.83% to 1.82% and 2.11% to 2.10%, respectively. The WAY for 91 days remained at 0.50% from the previous month.

II. EXTERNAL CONDITIONS

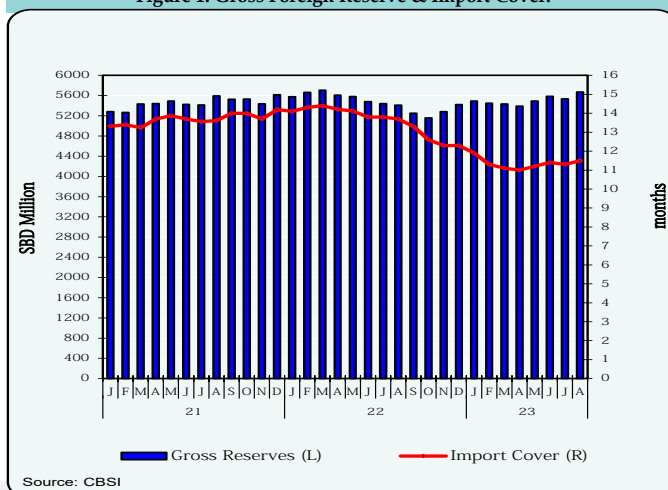
Balance on trade in goods

The balance on trade in goods deficit, widened marginally by 1% to \$145 million deficit in August from a \$143 million deficit in the previous month. This outcome stemmed from a 27% increase in imports to \$428 million against a 47% surge in exports to \$283 million during the month. The rise in imports was largely driven by an upsurge imports of machineries and basic manufactures, outweighing falls in imports of food and fuel. Meanwhile, the increase in exports was attributed to upturns in mineral, fish and agricultural exports despite a decline in round log exports during the period.

Gross foreign reserves

Gross foreign reserves edged higher by 2% to \$5,671 million in August 2023 corresponding to higher revaluation gains during the month. This level of foreign reserves is sufficient to cover 11.5 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In August 2023, the Solomon Islands dollar (SBD) depreciated by 0.5% against the United States dollar (USD) to an average of \$8.40 per USD. However, appreciated against the Australian dollar (AUD) by 3.3% to \$5.45 per AUD and the New Zealand

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

dollar (NZD) by 3.2% to \$5.04 per NZD. Similarly, it strengthened against the British pound, Japanese Yen and the Euro. Meanwhile, trade weighted index weakened by 1.8% to 115.70 index reflecting the strong dominance of the USD within the currency basket during the reviewed period.

II: GOVERNMENT FINANCE

The government registered a provisional deficit of \$191 million in August 2023, stemming from an expenditure of \$496 million exceeding revenue collection of \$305 million during the period. Meanwhile, the central government's debt stock increased minimally by 0.03% to \$2,340 million, due to foreign exchange rates movements. Consequently, external debt grew slightly by 0.2% to \$1,407 million while domestic debt edged down by 0.2% to \$933 million. Debt servicing amounted to \$31 million in August, \$26 million constituted of principal repayments and \$5 million on interest payments.

IV: DOMESTIC ECONOMY

The preliminary monthly production index edged up by 17 points in August to an index of 114. The outcome mirrored the upturn in mining (18 points) and agriculture cash crops (6 points) despite the downturn in logging (6 points) and fishing (1 point). Actual output showed minerals rose three-folds to 8,695 equivalent units of gold ounces while round logs, on the other hand, declined by 16% to 97 thousand cubic meters.

The commodity price index slightly fell by 1 point in August to an index of 80. The unfavorable outcome reflected the fall in global prices for crude palm oil by 2% to US\$861 per ton, round logs by 3% to US\$206 per cubic meter, timber by 1% to US\$692 per cubic meter and gold by 2% to US\$1,919 per ounce. In contrast, coconut oil increased by 5% to

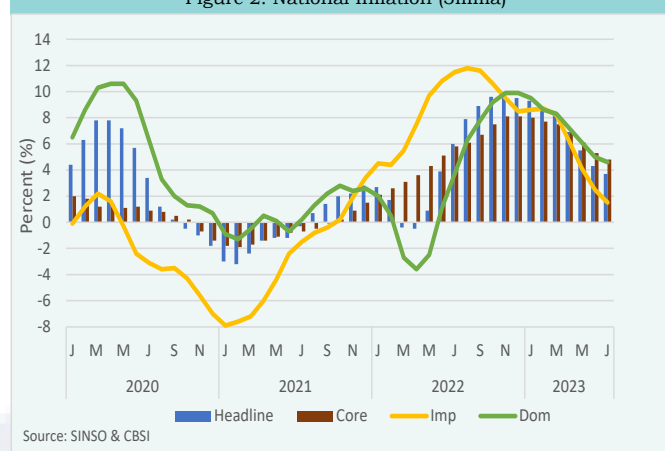
US\$1,099 per ton, cocoa by 2% to US\$3,460 per ton, while fish remained unchanged at US\$1,926 per ton.

Consumer Price Index, Inflation (YoY - 3mma)

The CPI in July 2023 rose to an index of 119.9 from 118.8 points in June reflecting price increases in narcotics (betel-nuts), electricity, and passenger fares by sea and air.

Headline inflation in July fell to 3.7% from 4.3% in June. The downward trend was driven by a fall in domestic inflation by 0.4 percentage points to 4.6% and imported inflation by 1 percentage point to 1.5%. Similarly, core inflation fell by 0.5 percentage points to 4.8% in July.

Figure 2: National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items edged up from 106 points to 107 points in August. This outcome was driven by increase in the prices of solrice family (40Ib) by \$3.80 to \$150.20 per bag, fuel by 18 cents to \$10.90 per litre while electricity tariff for domestic users unchanged at \$6.95 per KWh. On the contrary, LP gas went down by 64 cents to \$27.11 per KG and betel-nut by 8 cents to an average of \$0.59 per nut.

Solomon Islands Key Economic Indicators

		Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23
Consumer price index (%)	Headline (3mma)	8.2	6.9	5.5	4.3	3.7	n.a
	Underlying (3mma): core 3	7.5	6.9	6.1	5.3	4.8	n.a
	Headline (MoM)	-0.1	-0.1	-0.2	0.2	0.9	n.a
CBSI MPI (weighted Index)	Month- on - Month	110	110	108	105	106	107
Production Index	Index	134	126	94	133	98	114
Trade ¹ (eop)	Exports (\$ millions)	340	376	245	389	193	283
	Imports (\$ millions)	417	216	423	395	336	428
	Trade Balance (\$ millions)	-77	160	179	-6	-143	-145
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.32	8.33	8.34	8.35	8.36	8.40
	SBD per AUD	5.55	5.58	5.54	5.59	5.64	5.45
	SBD per NZD	5.16	5.17	5.19	5.11	5.21	5.04
	SBD per GBP	10.09	10.36	10.41	10.53	10.77	10.67
	SBD per 100 JPY	6.22	6.24	6.09	5.91	5.93	5.80
	SBD per EUR	8.90	9.13	9.07	9.04	9.25	9.16
	TWI	114.0	113.8	114.2	114.17	113.67	115.70
Gross Foreign Reserves(eop)	\$ millions	5,456	5,391	5,491	5,584	5,535	5,671
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,382	2,416	2,454	2,437	2,500	2,627
	Excess Liquidity (\$ millions)	2,190	2,220	2,259	2,242	2,307	2,424
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,780	4,876	4,857	4,931	4,971	5,110
	Broad Money, M3 (\$ millions)	5,752	5,853	5,837	5,896	5,946	6,104
	Private Sector credit (\$ millions)	2,628	2,614	2,638	2,661	2,638	2,647
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.24	0.24	0.24	0.24	0.24	0.24
	91- days Treasury Bills rate (%)	0.49	0.50	0.50	0.50	0.50	0.50
	182-days Treasury Bills rate (%)	1.26	1.39	1.54	1.77	1.83	1.82
	365-days Treasury Bills rate (%)	2.01	2.02	2.03	2.10	2.11	2.10
Government Finance	Revenue (\$ millions)	276	254	231	291	249	305
	Expenditure (\$ millions)	273	392	313	307	325	496
	Fiscal Balance (\$ millions)	3	-138	-82	-15	-77	-191
	SIG Debt stock (eop) (\$ millions)	2,129	2,218	2,300	2,316	2,339	2,340
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	82	85	83	80	81	80
	Round logs - (US\$/m3)	223	223	217	211	211	206
	Gold - (US\$/oz)	1,913	2,000	1,992	1,943	1,951	1,919
	Palm Oil - (US\$/tonne)	972	1,005	934	817	879	861
	Fish - (US\$/tonne)	1,901	2,074	2,032	1,916	1,926	1,926
	Coconut oil - (US\$/tonne)	1,115	1,074	1,048	1,013	1,047	1,099
	Cocoa - (US\$/tonne)	2,750	2,880	2,960	3,170	3,390	3,460
	Timber - (US\$/m3)	661	678	680	688	702	692

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.