

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) contracted in September 2023 by 2% to \$6,009 million, reversing a 3% growth in the previous month. This was driven by a 2% downturn in narrow money (M1) to \$5,028 million along with a 1% decline in other deposits (time and savings) to \$981 million during the month. M1 has narrowed due to a fall in demand deposits while other deposits receded mainly from a fall in time deposits.

Net foreign assets (NFA) of the banking system edged 0.1% lower to \$5,044 million. This was driven by a 0.2% decline in the Central Bank's NFA to \$5,013 million. Conversely, the NFA of other depository corporations (ODCs) expanded from \$28 million in the previous month to \$31 million in September. Meanwhile, the total NFA of the banking system grew by 4% during the year¹.

Private sector credit (PSC) increased by 0.3% in September 2023 to \$2,655 million after a 0.4% increase in August 2023. Likewise, net credit to the government (NCG) expanded by 4% to minus \$796 million from the accumulation of government deposits in the banking system during the month. PSC and NCG strengthened on an annual basis¹ by 1% and 12%, respectively.

The total liquidity of the banking system dwindled in September 2023 by 3% to \$2,558 million compared to a 5% growth in the previous month. This was due to the increase in NCG and a fall in NFA during the month. Consequently, excess liquidity narrowed by 2% to \$2,365 million.

Domestic Market Operations

The stock of the CBSI's Bokolo Bills increased in September 2023 to \$409 million from \$399 million in August. Bokolo bill's weighted average yield (WAY) remained unchanged at 0.24%. Meanwhile, the treasury bills tendered during the month were \$33 million of which \$30 million was accepted. The T-bills' WAY for 91 days remained at 0.50%. However, the WAYs for 182 and 365 days maturity narrowed from 1.82% to 1.80% and 2.10% to 2.09%, respectively.

II. EXTERNAL CONDITIONS

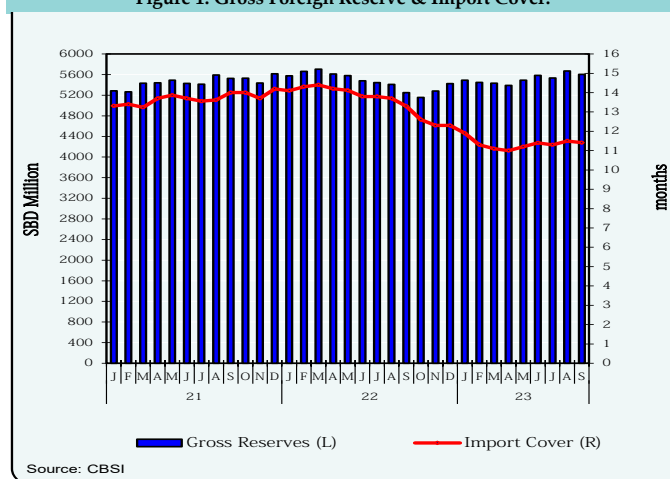
Balance on trade in goods

The balance on trade in goods recorded a \$27 million surplus in September following a \$159 million deficit witnessed in the previous month. This favourable outcome was largely driven by a 10% increase in exports to \$310 million combined with a reduction in imports by 36% to \$283 million during the month. The growth in exports was primarily driven by increases in exports of round logs and agricultural commodities, which outweighed the declines in fish and mineral exports. Meanwhile, the fall in imports was attributed to the declines across all imports except for fuel.

Gross foreign reserves

Gross foreign reserves slid by 1% to \$5,602 million in September reflecting higher payments for fuel during the period. This level of reserves is sufficient to cover 11.4 months of import of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rate

In September, the Solomon Islands dollar (SBD) depreciated against the United States dollar (USD) by 0.64% to an average of \$8.45 per USD. On the other hand, it appreciated against both the Australian dollar (AUD) and the New Zealand dollar (NZD) by 0.47% to \$5.43 per AUD and by 0.72% to \$5.01 per NZD respectively. Similarly, the SBD strengthened against

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

all other tradable currencies, including the Euro, British pound and the Japanese Yen. Consequently, the strong dominance of the USD in the currency basket resulted in the weakening of the trade weighted index by 0.67% to 116.5 in the reviewed period.

II: GOVERNMENT FINANCE

The government recorded a provisional surplus of \$38 million in September 2023, driven by higher revenue collection of \$300 million outpacing total expenditure of \$261 million during the month. Meanwhile, the central government's outstanding debt stock rose by 6% to \$2,478 million, largely due to the incurrence of a new external loan and additional auction treasury bills issued. Accordingly, external debt grew by 9% to \$1,533 million whilst domestic debt increased by 1.3% to \$945 million. Debt servicing in September totaled \$30 million, consisting of \$24 million on principal repayments and \$6 million on interest charges.

IV: DOMESTIC ECONOMY

The monthly production index grew by 26 points in September to a preliminary index of 152. The positive performance reflected the upturn in logging (23 points), fishing (3 points) and agriculture cash crops (10 points) whilst mining fell by 10 points. Actual production showed round logs increased by 48% to 204 thousand cubic meters and fish catch by 65% to 1,512 tons. In contrast, minerals went down by 39% to 5,326 equivalent units of gold ounces.

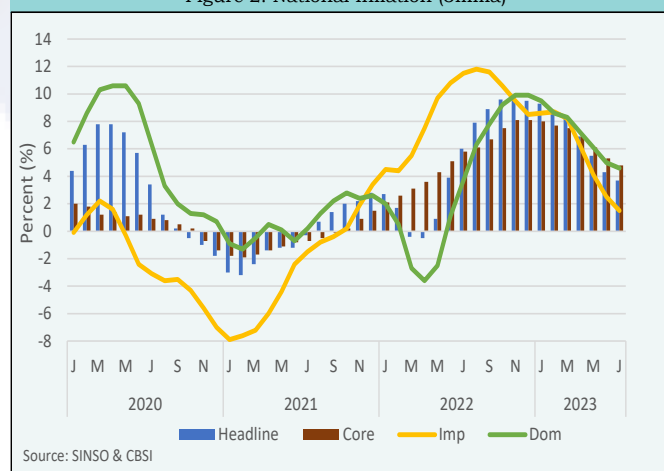
The commodity price index edged down by 1 point in September to an index of 79. The downward movement was attributed to the fall in global prices for crude palm oil by 4% to US\$830 per ton, coconut oil by 2% to US\$1,072 per ton, fish by 3% to US\$1,888

per ton, round logs by 2% to US\$202 per cubic meter, gold by 0.2% to US\$1,916 per ounce and timber by 2% to US\$676 per cubic meter.

Consumer Price Index, Inflation (YoY - 3mma)

The latest monthly CPI available is still for July 2023 and had been reported in the August 2023 Monthly Economic Bulletin. The headline inflation stood at 3.7% whilst core inflation was at 4.8%.

Figure 2: National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items increased from 107 points to 122 points in September. This outcome was driven by increase in the prices of fuel by \$1.06 to \$11.96 per litre, betel-nut by \$1.49 to an average of \$2.08 per nut, LP gas by 18 cents to \$27.29 per KG and the electricity tariff for domestic users by 37 cents to \$7.32 per KWh. On the other hand, solrice family (40lb) fell by 40 cents to \$149.80 per bag.

Solomon Islands Key Economic Indicators

		Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23
Consumer price index (%)	Headline (3mma)	6.9	5.5	4.3	3.7	n.a	n.a
	Underlying (3mma): core 3	6.9	6.1	5.3	4.8	n.a	n.a
	Headline (MoM)	-0.1	-0.2	0.2	0.9	n.a	n.a
CBSI MPI (weighted Index)	Month- on - Month	110	108	105	106	107	122
Production Index	Index	126	104	124	100	125	152
Trade ¹ (eop)	Exports (\$ millions)	376	245	389	193	283	310
	Imports (\$ millions)	216	423	395	336	442	283
	Trade Balance (\$ millions)	160	-179	-6	-143	-159	27
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.33	8.34	8.35	8.36	8.40	8.45
	SBD per AUD	5.58	5.54	5.59	5.64	5.45	5.43
	SBD per NZD	5.17	5.19	5.11	5.21	5.04	5.01
	SBD per GBP	10.36	10.41	10.53	10.77	10.67	10.50
	SBD per 100 JPY	6.24	6.09	5.91	5.93	5.80	5.73
	SBD per EUR	9.13	9.07	9.04	9.25	9.16	9.04
	TWI	113.8	114.2	114.2	113.7	115.7	116.5
Gross Foreign Reserves(eop)	\$ millions	5,391	5,491	5,584	5,535	5,671	5,602
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,416	2,454	2,437	2,500	2,627	2,558
	Excess Liquidity (\$ millions)	2,220	2,259	2,242	2,307	2,424	2,365
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,876	4,857	4,931	4,971	5,110	5,028
	Broad Money, M3 (\$ millions)	5,853	5,837	5,896	5,946	6,104	6,009
	Private Sector credit (\$ millions)	2,614	2,638	2,661	2,638	2,647	2,655
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 (%)	0.50	0.50	0.50	0.50	0.50	0.50
	182-days Treasury Bills rate (%)	1.39	1.54	1.77	1.83	1.82	1.80
	365-days Treasury Bills rate (%)	2.02	2.03	2.10	2.11	2.10	2.09
Government Finance	Revenue (\$ millions)	254	231	291	249	305	300
	Expenditure (\$ millions)	392	313	307	325	496	261
	Fiscal Balance (\$ millions)	-138	-82	-15	-77	-191	38
	SIG Debt stock (eop) (\$ millions)	2,218	2,300	2,316	2,339	2,340	2,478
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	85	83	80	81	80	79
	Round logs - (US\$/m3)	223	217	211	211	206	202
	Gold - (US\$/oz)	2,000	1,992	1,943	1,951	1,919	1,916
	Palm Oil - (US\$/tonne)	1,005	934	817	879	861	830
	Fish - (US\$/tonne)	2,074	2,032	1,916	1,926	1,926	1,926
	Coconut oil - (US\$/tonne)	1,074	1,048	1,013	1,047	1,099	1,072
	Cocoa - (US\$/tonne)	2,880	2,960	3,170	3,390	3,460	3,610
	Timber - (US\$/m3)	678	680	688	702	692	676

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.