

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) declined by 2% to \$5,781 million in February 2024 following a 4% growth in the previous month. The fall in M3 was driven by a 2% contraction in narrow money (M1) to \$4,856 million coupled with a 0.4% decline in other deposits (time and savings) to \$925 million. The downturn in M1 came from the fall in currency in circulation and demand deposits. Meanwhile, the reduction in other deposits was due to a decline in time deposits.

Net foreign assets (NFA) of the banking system fell by 3% to \$5,079 million. This was driven by a 2% fall in the Central Bank's NFA to \$5,061 million along with a reduction in the NFA of other depository corporations (ODCs) from \$47 million in January to \$18 million in February. Annually¹, NFA of the banking system fell by 2%.

Credit to the private sector (PSC) remained unchanged from the previous month at \$2,748 million. Meanwhile, net credit to the government (NCG) grew by 3% to minus \$630 million, reflecting an increase of government deposits in the banking system during the month. On annual basis¹, PSC fell by 1% while NCG narrowed by 10%.

Liquidity of the banking sector expanded by 6% in February 2024 to \$2,771 million, comprised of \$2,450 million of excess liquidity. The rise in liquidity was driven by higher deposits in the ODC's call account with the central bank.

Domestic Market Operations

CBSI's Bokolo Bills stock declined in February 2024 to \$255 million from \$344 million in the prior month. Bokolo Bill's weighted average yield (WAY) had also narrowed to 0.24% from 0.26% in January. Meanwhile, treasury bills tendered during the month was \$32 million, of which only \$26 million was accepted. The T-bills' WAY for 91 days increased from 0.53% to 0.58%. However, the WAY for 182 and 365 days remained fixed at 2.45% and 2.65% respectively during the month.

II. EXTERNAL CONDITIONS

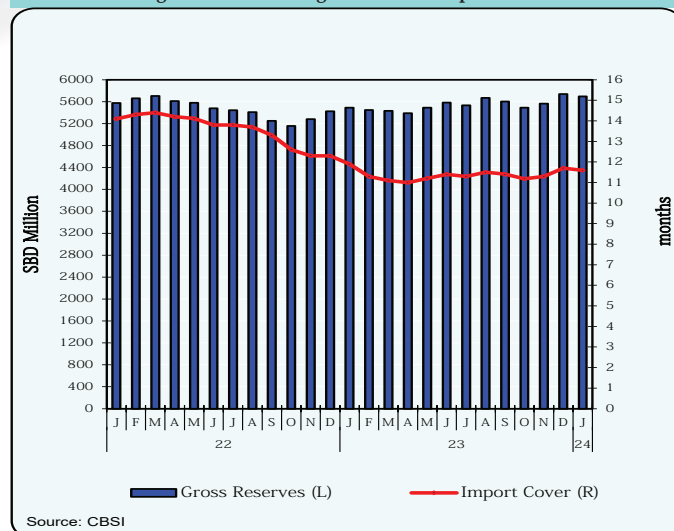
Trade in goods

The balance on trade in goods surplus improved further by 34% to \$223 million in February 2024. This positive outcome stemmed primarily from a decline in imports by 20% to \$240 million driven by a reduction across all import categories. Meanwhile, exports fell by 1% to \$463 million and attributed to the fall in round logs and agricultural exports which outweighed the upturns in mineral, fish and other exports during the month.

Gross foreign reserves

Gross foreign reserves slid marginally by 0.5% to \$5,670 million during the month, reflecting higher services payments. This level of reserves is sufficient to cover 11.5 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

The Solomon Islands dollar depreciated by 0.6% against the United States dollar to an average of \$8.50 per USD. Conversely, it appreciated against the Australian dollar and the New Zealand dollar by 1.4% to \$5.55 per AUD, and 0.3% to \$5.21 per NZD respectively. Similarly, the SBD strengthened against the remaining tradable currencies including the Japanese Yen, Euro and the

¹ The percentage change on yearly basis refers to growth comparison against end of 2023

British pound. However, as a result of the dominance of the USD in the currency basket, the trade weighted index (TWI) weakened by 0.9% to 115.5 during the period.

II: GOVERNMENT FINANCE

The government recorded a provisional deficit of \$110 million in February 2024, driven by lower revenue collection and elevated expenditure during the month. Total revenue fell notably to \$195 million from \$415 million in the preceding month whilst expenditure increased by 2% to \$305 million. Meanwhile, the government’s debt stock edged up by 0.1% to \$2,822 million. Domestic debt grew slightly by 0.4% to \$1,207 million reflecting the issuance of additional treasury bills. Conversely, external debt declined minimally by 0.1% to \$1,615 million, attributed to the exchange rate movements during the period. Debt servicing totaled \$18 million in February, consisting of \$17 million in principal repayments and only \$1 million on interest charges.

IV: DOMESTIC ECONOMY

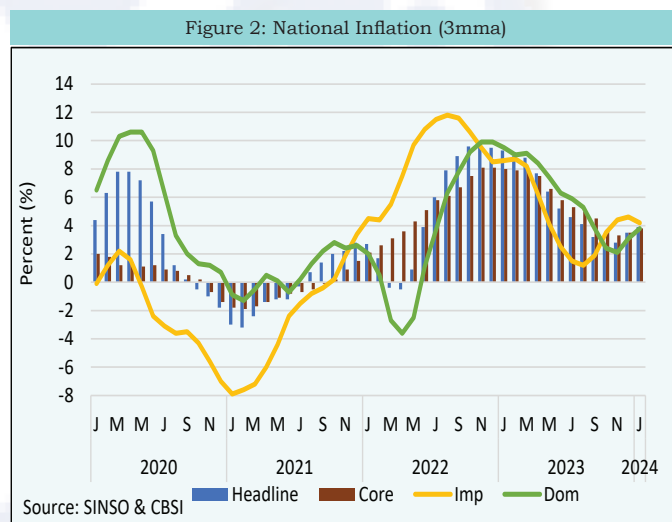
The monthly production index in February increased by 7 points to a provisional index of 132. The positive performance reflected the upturn in mining (7 points) and agriculture cash crops (35 points) which outweigh the fall in logging (34 points). Actual production showed minerals surged by 39% to 7,857 equivalent units of gold ounces, coconut oil increased three-folds to 665 tons, while round logs, on the other hand, plunged by 45% to 123 thousand cubic meters. Meanwhile, fishing is estimated to remained unchanged.

The commodity price index grew marginally by 0.3 points to an index of 82 points. This was driven by the upward movements in the international prices of cocoa by 26% to US\$5,560 per ton, coconut oil by 4% to US\$1,172 per ton, and crude palm oil by 1% to US\$857 per ton. In contrast, round logs fell by 2% to US\$199 per cubic meter, timber by 0.6% to US\$688 per cubic meter, gold by 0.5% to US\$2,023 per ounce whilst fish price remained the same at US\$1,847 per ton.

Consumer Price Index, Inflation (YoY - 3mma)

The latest CPI in January 2024 rose to an index of 125.1 from 123.5 in December 2023. This reflected the price rise in betel-nut, gas, fruits, and vegetables which outweighed the price fall in electricity.

Headline inflation in January edged up to 3.9% from 3.5% in December. The upward trend was driven by a rise in domestic inflation by 0.7 percentage points to 3.8% while imported inflation, on the other hand, eased by 0.4 percentage points to 4.2%. Meanwhile, core inflation increased by 0.3 percentage points to 3.8% in January.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in February went up to 119 points from 117 points in January. This outcome was driven mainly by a surge in the prices of betel-nut by 65 cents to an average of \$2.04 per nut. On the other hand, the prices of fuel declined by 4 cents to \$10.91 per litre, Solrice family (40lb) by 20 cents to \$151.40 per bag, and electricity tariff for domestic customers by 93 cents to \$7.13 per KWh. Meanwhile, LP gas price remained unchanged as in the previous month.

Solomon Islands Key Economic Indicators

		Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24
Consumer price index (%)	Headline (3mma)	3.2	2.7	2.8	3.5	3.9	n.a
	Underlying (3mma): core 3	4.5	3.7	3.3	3.5	3.8	n.a
	Headline (MoM)	0.0	1.7	-0.1	0.5	1.3	n.a
CBSI MPI (weighted Index)	Month- on - Month	122	124	128	130	117	119
Production Index	Index	138	104	91	126	126	132
Trade ¹ (eop)	Exports (\$ millions)	377	269	214	335	465	463
	Imports (\$ millions)	576	601	625	334	299	240
	Trade Balance (\$ millions)	-200	-332	-411	1	166	223
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.45	8.48	8.48	8.48	8.45	8.50
	SBD per AUD	5.43	5.39	5.50	5.66	5.63	5.55
	SBD per NZD	5.01	5.00	5.08	5.26	5.23	5.21
	SBD per GBP	10.50	10.32	10.52	10.73	10.74	10.74
	SBD per 100 JPY	5.73	5.67	5.66	5.88	5.80	5.69
	SBD per EUR	9.04	8.95	9.16	9.24	9.23	9.18
	TWI	116.5	117.0	115.9	114.3	114.5	115.5
Gross Foreign Reserves(eop)	\$ millions	5,602	5,491	5,578	5,775	5,696	5,670
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,554	2,364	2,474	2,589	2,625	2,771
	Excess Liquidity (\$ millions)	2,186	1,997	2,107	2,222	2,315	2,450
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,693	4,655	4,708	5,143	4,956	4,856
	Broad Money, M3 (\$ millions)	5,745	5,667	5,718	6,158	5,885	5,781
	Private Sector credit (\$ millions)	2,733	2,735	2,753	2,763	2,748	2,748
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.24	0.24	0.24	0.24	0.26	0.24
	91- days Treasury Bills rate (%)	0.50	0.50	0.50	0.50	0.53	0.58
	182-days Treasury Bills rate (%)	1.80	1.95	2.22	2.39	2.45	2.45
	365-days Treasury Bills rate (%)	2.09	2.17	1.84	2.60	2.65	2.65
Government Finance	Revenue (\$ millions)	310	268	290	300	415	195
	Expenditure (\$ millions)	388	350	475	492	300	305
	Fiscal Balance (\$ millions)	-78	-81	-185	-197	115	-110
	SIG Debt stock (eop) (\$ millions)	2,478	2,626	2,677	2,827	2,819	2,822
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	78.9	78.5	79.8	80.0	81.6	82.0
	Round logs - (US\$/m3)	202	199	199	207	204	199
	Gold - (US\$/oz)	1,916	1916	1,984	2,026	2,034	2,023
	Palm Oil - (US\$/tonne)	830	804	830	814	845	857
	Fish - (US\$/tonne)	1,888	1,909	1,848	1,580	1,580	1,847
	Coconut oil - (US\$/tonne)	1,072	1,046	1,115	1,109	1,131	1,172
	Cocoa - (US\$/tonne)	3,610	3,630	4,030	4,210	4,400	5,560
	Timber - (US\$/m3)	676	663	677	690	692	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.