

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Money supply (M3) edged 1% lower in March 2022 to \$5,580 million. This was driven by a fall in narrow money (M1) and other deposits both by 1% to \$4,567 million and \$1,013 million respectively. The fall in M1 was due mainly to the reduction in currency in active circulation. Meanwhile, the outcome in other deposits came from declines in both time and saving deposits.

Net foreign assets (NFA) of the banking system grew by 2% to \$5,102 million in March 2022 following a 0.1% growth in February. This was driven by a 2% growth in Central Bank's NFA to \$5,063 million combined with an increase in NFA of other depository corporations from \$30 million to \$39 million. NFA of the banking system grew by 1% on an annual<sup>1</sup> basis.

Private sector credit (PSC) of the banking sector grew by 2% to \$2,526 million. Likewise, net credit to government (NCG) went up by 7% to \$1,062 million reflecting an increase in government deposits in the banking system. Annually, PSC declined by 1% while NCG saw a 2% growth.

Liquidity in the banking system fell by 6% to \$2,623 million in March 2022. This was driven by the growth in NCG during the month. Thus, both free and excess liquidity declined by 7% to \$2,373 million and \$2,190 million respectively. Required reserves, however, grew by 1% to \$250 million.

#### Domestic Market Operations

The stock of Bokolo Bills held in March 2022 was \$371 million, a drop from \$379 million in the previous month. The weighted average yield (WAY) for Bokolo Bills remains fixed at 0.10% from the previous months. Government Treasury Bills report for March was not available at the time of this publication.

### II. EXTERNAL CONDITIONS

#### Trade in goods

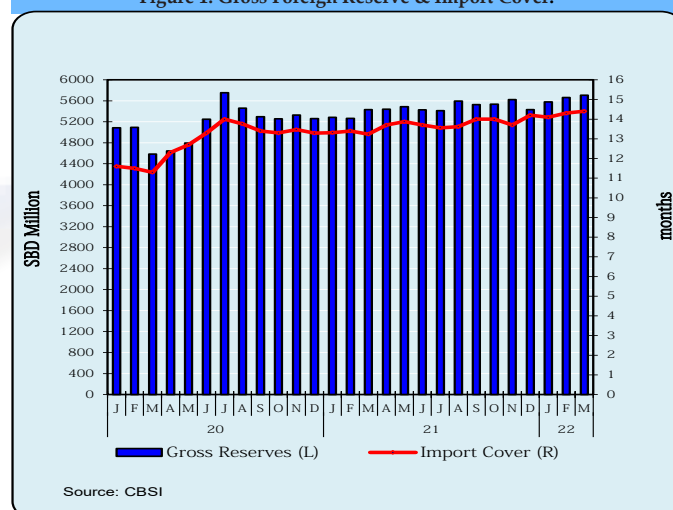
In the month of March, the deficit balance on trade in goods widened to a \$186 million from \$133 million the month prior. This negative outcome, resulted from a significant rise in imports by 45% to \$393 million

exceeding the 50% increase in exports to \$207 million. The rise in imports was attributed to increase in all major import categories and the upturn in exports was largely driven by a higher shipment in round logs, fish and minerals during the month.

#### Gross foreign reserves

Gross foreign reserves improved marginally by 1% to \$5,705 million with net outflows in transactions offset by revaluation gains. The level of reserves is sufficient to cover 14.4 months of imports.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange rates

In terms of exchange rates during the month, the Solomon Islands dollar appreciated by 0.53% against the United States dollar to an average of \$8.05 per USD. On the other hand, it depreciated against both the Australian and New Zealand dollars; by 2.34% to \$5.93 per AUD and by 2.31% to \$5.52 per NZD, respectively. The SBD also strengthened against the British pound, Japanese Yen and the Euro. The trade-weighted index appreciated by 1.1% to 108.7 due to the dominance of the USD within the currency basket.

### III: GOVERNMENT FINANCE

The government in March recorded an operational surplus of \$83 million. This mirrored the increase in revenue, which more than doubled to \$323 million from previous month, as quarterly tax obligations were

<sup>1</sup> The percentage change on annual basis refers to growth comparison against end of 2021

due at the end of March. Meanwhile, total expenditure expanded by 39% to \$240 million largely due to higher payments for payrolls and purchase of goods.

The Central Government’s debt stock edged lower by 1.3% to \$1,854 million due to debt servicing and appreciation of SBD against debt denominated currencies. Consequently, external debt fell by 2% to \$1,109 million while domestic debt grew slightly by 0.2% to \$746 million. Total debt servicing in March 2022 was \$24 million, consisting of \$18 million on principal repayments and \$6 million on interest payments.

**IV: DOMESTIC ECONOMY**

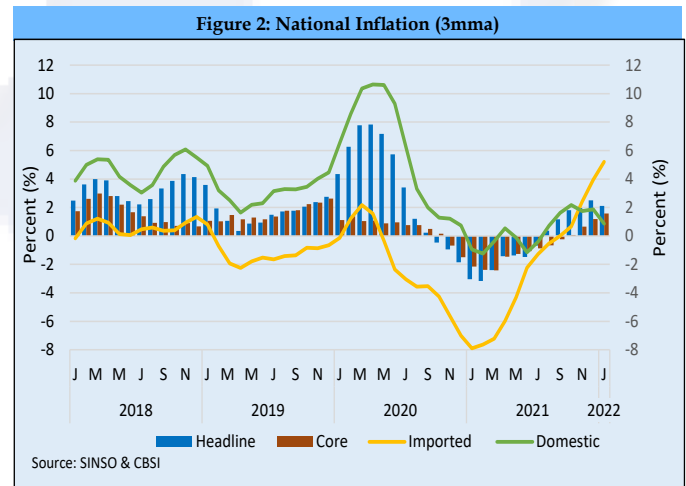
The monthly production index for March 2022 rebounded to a preliminary index of 57 points from a revised 33 points in February. The positive outturns came from an upturn in crude palm oil by 7% to 2,508 tons, cocoa by 24% to 162 tons, fish catch by 49% to 2,167 tons, and round logs which more than doubled to 124 thousand cubic meters. Copra, however, plunged from 588 tons to 120 tons.

The average international commodity prices for our export commodities posted mixed movements in March with crude palm oil increasing by 17% to US\$1,777 per ton, and coconut oil by 4% to US\$2,230 per ton. On the contrary, cocoa dropped by 4% to US\$2,460 per ton, round logs by 3% to US\$251 per cubic meters, and fish by 1% to US\$1,471 per ton.

**Consumer Price Index, Inflation (YoY - 3mma)**

The National CPI in January 2022 was stable, sitting at an index of 107.8. The monthly upward movement in prices of energy, bread and cereals, and gas were offsetted against downward movements in prices of betel-nuts, clothing and footwear, vegetables, fruits,

and fish and seafood. Headline inflation fell to 2.1% in January, reversing the upward trend since it has reached the positive territory in August 2021 driven mainly by domestic items. Domestic inflation went down to 0.9% whilst imported inflation edged up to 5.2%. Meanwhile, core inflation during the month rose to 1.6% from 1.2% in December 2021.



**CBSI Monthly Price Index (MPI)**

The CBSI MPI for selected consumer items in March 2022 declined from the index of 110 to 106 points resulting from the downward movement in the prices of solrice family 40lb rice falling by \$1.60 to \$136 per bag, betel-nut by 96 cents to an average of \$1.04 per nut, LP gas by 35 cents to \$26.58 per KG, and the domestic user tariff by 4 cents to \$6.66 per KWh. Meanwhile, fuel price went up by 81 cents to \$10.94 per litre and with the higher global oil prices following the Russia-Ukraine conflict, fuel price in pump stations is expected to remain high in coming months.

<sup>1</sup> Average of the three consumption blocks in the domestic category.

## Solomon Islands Key Economic Indicators

		Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22
<b>Consumer price index</b> (% change )	Headline (3mma)	1.8	2.0	2.5	2.1	na	na
	Underlying (3mma): core 3	0.1	0.7	1.2	1.6	na	na
	Headline (MoM)	0.2	-0.1	0.4	0.0	na	na
<b>CBSI MPI</b> (weighted Index)	Month- on - Month	97	102	103	106	110	106
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	277	168	368	184	138	207
	Imports ( \$ millions)	367	321	403	202	271	393
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	8.05	8.05	8.10	8.08	8.10	8.05
	SBD per AUD	5.95	5.90	5.78	5.81	5.79	5.93
	SBD per NZD	5.67	5.66	5.49	5.40	5.40	5.52
	SBD per GBP	11.01	10.85	10.76	10.96	10.96	10.62
	SBD per 100 JPY	7.12	7.06	7.11	7.04	7.03	6.81
	SBD per EUR	9.33	9.20	9.15	9.18	9.18	8.88
	TWI	108.1	108.6	109.8	109.6	109.9	108.71
<b>Gross Foreign Reserves</b> (eop)	\$ millions	5,529	5,438	5,430	5,576	5,661	5,705
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	2,636	2,582	2,515	2,588	2,793	2,623
	Excess Liquidity ( \$ millions)	2,185	2,146	2,083	2,159	2,353	2,190
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	4,469	4,574	4,590	4,676	4,601	4,567
	Broad Money ( \$ millions)	5,577	5,698	5,720	5,707	5,623	5,580
	Private Sector credit (\$ millions)	2,536	2,526	2,544	2,512	2,479	2,526
<b>Interest Rates</b> ( weighted average yield)	28-days Bokolo Bills rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
	91- days Treasury Bills rate	0.49%	0.49%	0.49%	0.49%	0.49%	na
	182-days Treasury Bills rate	1.04%	1.00%	0.99%	0.99%	0.99%	na
	365-days Treasury Bills rate	1.92%	1.89%	1.89%	1.89%	1.89%	na
<b>Government Finance<sup>3</sup></b>	Revenue (\$ millions)	229	227	338	177	133	323
	Expenditure (\$ millions)	221	236	292	149	174	240
	Fiscal Balance (\$ millions)	8	-9	46	28	-41	83
	SIG Debt stock (eop) (\$ millions)	1,891	1,888	1,886	1,879	1,878	1,854
<b>Global Commodity Prices</b> ( monthly averages)	Round logs - (US\$/m3)	263	261	261	259	259	251
	Gold - (US\$/oz)	1,777	1,822	1,790	1,816	1,856	1,948
	Palm Oil - (US\$/tonne)	1,310	1,348	1,270	1,345	1,522	1,777
	Fish - (US\$/tonne)	1,354	1,354	1,354	1,596	1,492	1,471
	Coconut oil - (US\$/tonne)	1,923	1,961	1,696	2,016	2,148	2,230
	Cocoa - (US\$/tonne)	2,570	2,390	2,380	2,470	2,550	2,460

<sup>1</sup> Value in terms of free on Board (FOB)

<sup>2</sup> Based on weekly statistics provided by other depository corporations (ODCs).

<sup>3</sup> Based on GFSM2014 standards.

Note;  
na : not available at time of publication.