

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) minimally dropped by 0.1% to \$5,531 million in May 2022. This was driven by a 0.3% dip in narrow money (M1) to \$4,511 million despite a 1% increase in other deposits to \$1,021 million. M1 saw a decline due to reductions in both currency in active circulation and demand deposits. Other deposits, however, increased as a result of growth in savings despite a fall in time deposits.

Net foreign assets (NFA) of the banking system inched 0.5% higher in May 2022 to \$5,008 million, after a 2% decline in April. This was driven by a 1% increase in Central Bank's NFA to \$4,989 million. However, the NFA of other depository corporations declined from \$23 million to \$19 million. On an annual¹ basis, the NFA of the banking system narrowed by 1%.

Private sector credit (PSC) of the banking system barely grew by 0.02% to \$2,518 million. Meanwhile, net credit to government (NCG) grew by 1% to \$1,152 million due to a slight increase in government bank deposits. Annually, PSC declined by 1% while NCG moved 11% higher.

Total liquidity in the banking system declined in May 2022 by 2% to \$2,530 million. This came from the growth in NCG during the month. As a result, both free and excess liquidity decreased by 2% to \$2,291 million and 3% to \$2,106 million respectively. Meanwhile, required reserves also declined by 1% to \$239 million due to reduced deposits in the banking system.

Domestic Market Operations

Bokolo Bills held at the end of May 2022 was \$354 million, from \$370 million in April. The weighted average yield (WAY) for Bokolo Bills remained the same from previous months at 0.10%. Meanwhile, Treasury Bills tendered in May totaled \$30 million, of which \$17 million was accepted. The T-bills' WAY for 91 days remained fixed at 0.49% while WAYs for 182 and 365 days declined from the previous month to 0.97%, and 1.85%, respectively.

¹ The percentage change on annual basis refers to growth comparison against end of 2021

II. EXTERNAL CONDITIONS

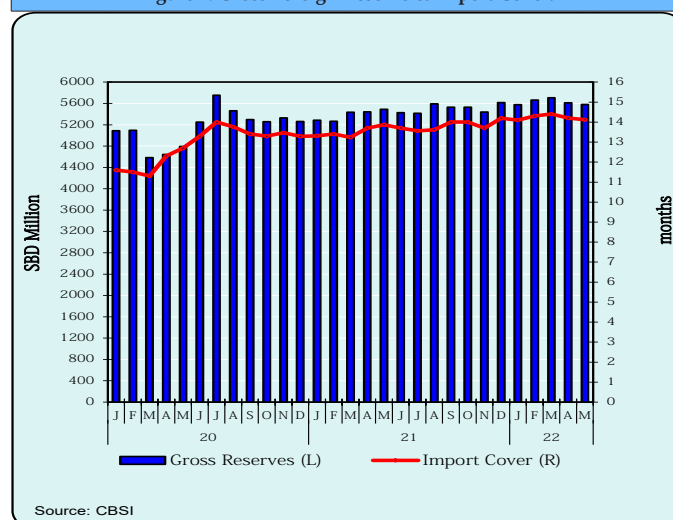
The Balance on trade in goods

The balance on trade in goods for May 2022 posted a wider deficit of \$287 million from a \$62 million deficit in the previous month. This negative outcome was driven by a significant fall in exports by 30% to \$157 million coupled with a 56% surge in imports to \$443 million. The decline in exports stemmed from a reduction in exports of round logs and agriculture commodities, despite an increase in exports of fish, minerals and other export commodities during the month. Meanwhile, the jump in imports was attributed to increases in food, machineries, and basic manufactures imports in May.

Gross foreign reserves

Gross foreign reserves fell marginally by 1% to \$5,580 million this month corresponding to the higher trade deficit. This level of reserves is sufficient to cover 14.1 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In May, the Solomon Islands dollar depreciated by 1.1% against the United States dollar to an average of \$8.12 per USD. However, it appreciated against both the Australian and New Zealand dollars by 3.6% to \$5.72 per AUD and by 4.7% to \$5.20 per NZD, respectively. Similarly, it strengthened against the British pound, Japanese Yen and against the Euro. The trade weighted index weakened by 2.3% to 111.3 during the month reflecting the dominance of the USD within the currency basket.

II: GOVERNMENT FINANCE

The government began implementing the 2022 national budget in May 2022. Consequently, with additional program and development spending, the government recorded a higher deficit of \$128 million in May from the deficit of \$29 million in April. This outcome mirrored a surge in total expenditure by 58% to \$383 million, offsetting an increase in revenue by 19% to \$255 million. Meanwhile, the central government’s outstanding debt grew by 1% to \$1,841 million in May. The positive outcome on revenue stemmed from increases in tax and non-tax receipts. Tax revenue rose by 3% to \$185 million, attributed to higher collections on property tax and GST. Likewise, non-tax revenue more than doubled to \$70 million largely from fishing license fees.

The soaring expenditure reflected expansions in both recurrent and capital spending. Recurrent expenses surged by 44% to \$349 million, due to elevated spending on ‘benefits and transfers’ and purchase of goods and services. Similarly, capital spending totalled \$34 million mainly for fixed assets.

The slight rise in the government’s debt stock resulted from the depreciation of the SBD against debt-denominated currencies. Consequently, the external debt rose by 2% to \$1,093 million while domestic debt remained at \$747 million. Debt servicing in May totalled \$21 million, of which \$16 million was on principal repayments and \$5 million on interest payments.

IV: DOMESTIC ECONOMY

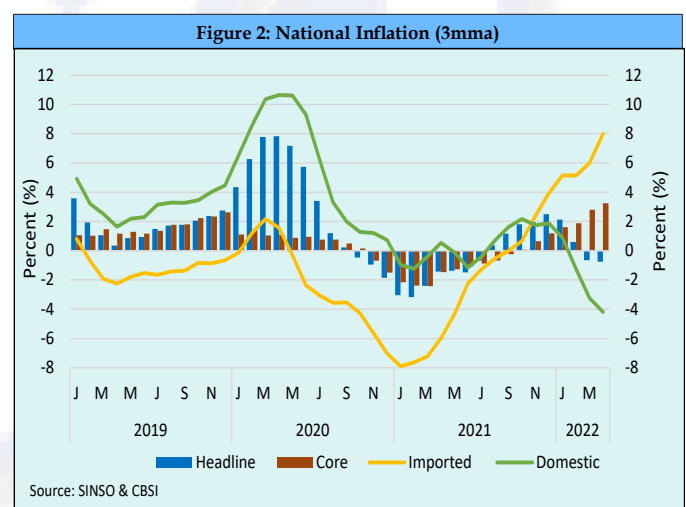
The monthly production index for May 2022 remained unchanged at a preliminary 49 points. The rebound in Fish catch by 63% to 2,301 tons and crude palm oil by 31% to 2,918 tons was offset by the drop in round logs by 21% to 91 thousand cubic meters, cocoa by 29% to 25 tons, and copra by 5% to 590 tons.

The average international prices for all export commodities recorded mixed movements during the

month. Coconut oil dwindled by 13% to US\$1,813 per ton, cocoa by 4% to US\$ 2,370 per ton, and round logs by 2% to US\$231 per cubic meters. On the other hand, fish bounced back 3% to US\$1,470 per ton and crude palm oil by 2% to US\$1,717 per ton.

Consumer Price Index, Inflation (YoY - 3mma)

Headline inflation in April 2022 eased further to minus 0.8% from minus 0.6% in March. The falling consumer prices in the domestic component of inflation contributed to this deflation. Domestic inflation went down to minus 4.2% from minus 3.2% owing to price falls in betel-nut and tobacco. Imported inflation, however, rose to 8% from 6% in March. Core inflation in April, likewise, rose to 3.3% from 2.8% in the previous month.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items in May 2022 rose to an index of 113 points from 112 points backed by increasing prices of fuel by 58 cents to \$12.91 per litre, the domestic user tariff by 68 cents to \$7.56 per KWh, solrice family 40lb rice by 80 cents to \$137.40 per bag, and LP gas by \$1.63 to \$28.22 per KG. The upward movement in prices was expected due to higher global commodity prices. In contrast, prices of betel-nut dropped by 48 cents to an average of \$0.60 cents per nut.

Solomon Islands Key Economic Indicators

		Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22
Consumer price index (% change)	Headline (3mma)	2.5	2.1	0.6	-0.6	-0.8	na
	Underlying (3mma): core 3	1.2	1.6	1.9	2.8	3.3	na
	Headline (MoM)	0.4	0.9	0.6	0.0	1.9	na
CBSI MPI (weighted Index)	Month- on - Month	103	106	110	106	112	113
Trade¹ (eop)	Exports (\$ millions)	368	184	138	207	223	157
	Imports (\$ millions)	403	202	271	393	285	443
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.10	8.08	8.10	8.05	8.03	8.12
	SBD per AUD	5.78	5.81	5.79	5.93	5.92	5.72
	SBD per NZD	5.49	5.40	5.40	5.52	5.44	5.20
	SBD per GBP	10.76	10.96	10.96	10.62	10.39	10.10
	SBD per 100 JPY	7.11	7.04	7.03	6.81	6.37	6.30
	SBD per EUR	9.15	9.18	9.18	8.88	8.69	8.58
	TWI	109.8	109.6	109.9	108.71	108.88	111.33
Gross Foreign Reserves (eop)	\$ millions	5,430	5,576	5,661	5,705	5,610	5,580
Liquidity² (eop)	Total Liquidity (\$ millions)	2,515	2,588	2,793	2,623	2,591	2,530
	Excess Liquidity (\$ millions)	2,083	2,159	2,353	2,190	2,172	2,106
Money and credit² (eop)	Narrow Money (\$ millions)	4,590	4,676	4,601	4,567	4,525	4,511
	Broad Money (\$ millions)	5,720	5,707	5,623	5,580	5,535	5,531
	Private Sector credit (\$ millions)	2,544	2,512	2,479	2,526	2,517	2,518
Interest Rates (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%	0.49%
	182-days Treasury Bills rate	0.99%	0.99%	0.99%	0.98%	0.98%	0.97%
	365-days Treasury Bills rate	1.89%	1.89%	1.89%	1.87%	1.87%	1.85%
Government Finance³	Revenue (\$ millions)	338	177	133	323	212	255
	Expenditure (\$ millions)	292	149	174	240	172	383
	Fiscal Balance (\$ millions)	46	28	-41	83	40	-128
	SIG Debt stock (eop) (\$ millions)	1,886	1,879	1,878	1,854	1,824	1,841
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	261	259	259	251	236	231
	Gold - (US\$/oz)	1,790	1,816	1,856	1,948	1,937	1,849
	Palm Oil - (US\$/tonne)	1,270	1,345	1,522	1,777	1,683	1,717
	Fish - (US\$/tonne)	1,354	1,596	1,492	1,471	1,429	1,470
	Coconut oil - (US\$/tonne)	1,696	2,016	2,148	2,230	2,095	1,813
	Cocoa - (US\$/tonne)	2,380	2,470	2,550	2,460	2,460	2,370

¹ Value in terms of free on Board (FOB)

² Based on weekly statistics provided by other depository corporations (ODCs).

³ Based on GFSM2014 standards.

Note;
na : not available at time of publication.