

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) grew in October 2023 by 5% to \$5,807 million reversing the 10% decline in the previous month. The growth in M3 was driven by a 7% increase in narrow money (M1) to \$4,855 million despite a 3% decline in other deposits (time and savings) to \$953 million over the month. The rise in M1 was attributable to increases in demand deposits in the banks, whilst the contraction in other deposits was primarily from a fall in time deposits.

Net foreign assets (NFA) of the banking system dwindled by 4% to \$4,866 million. This was largely driven by a 4% decline in the Central Bank's NFA to \$4,824 million. Conversely, the NFA of other depository corporations (ODCs) expanded from \$31 million in the previous month to \$42 million in October. On an annual basis¹, the total NFA of the banking system minimally grew by 0.3%.

Private sector credit (PSC) rose by 0.3% in October 2023 to \$2,664 million, a similar growth compared to the previous month. Similarly, net credit to the government (NCG) expanded by 2% to minus \$813 million, reflecting an increase in government deposits in the banking system during the month. PSC and NCG increased over the year to October by 1% and 15%, respectively.

The total liquidity of the banking system declined in October 2023 by 7% to \$2,371 million compared to a 2% growth in the previous month. This was driven by the increase in NCG and fall in NFA during the month. In addition, excess liquidity plummeted by 8% to \$2,062 million.

Domestic Market Operations

CBSI's stock of Bokolo Bills declined in October 2023 to \$388 million from \$409 million in September. Bokolo bill's weighted average yield (WAY) however, remained unchanged at 0.24%. Meanwhile, the treasury bills tendered during the month amounted to \$7 million and this was fully accepted. The T-bills' WAY for 91-days remained at 0.50%, whilst WAYs for 182-days and 365-days maturity increased from 1.80% to 1.95% and 2.09% to 2.17%, respectively.

II. EXTERNAL CONDITIONS

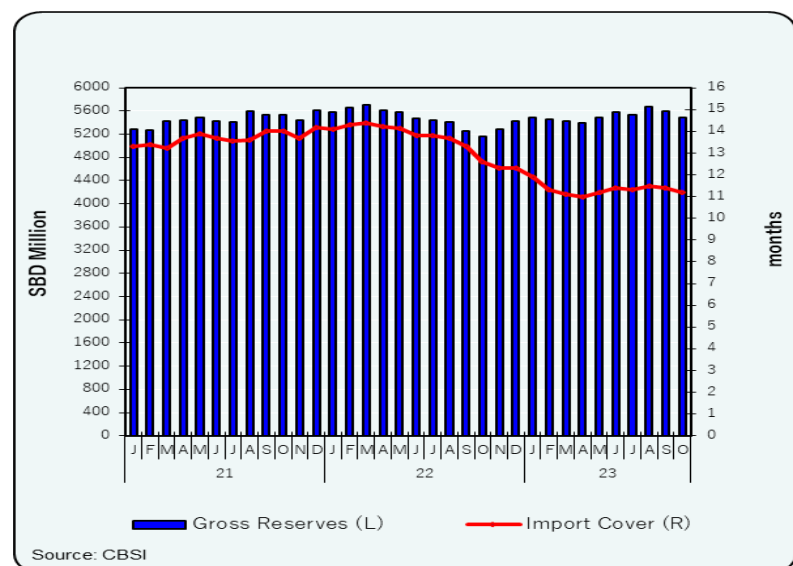
Balance on trade in goods

The balance on trade in goods recorded a wider deficit of \$296 million in October 2023 from \$194 million deficit witnessed in the previous month. This outcome was primarily driven by a 28% decline in exports to \$276 million attributed to the fall in round logs, fish, minerals and agricultural commodities. Meanwhile, imports edged lower by 1% to \$572 million during the month reflecting lower food and machinery imports which outweighed the increase in fuel and basic manufacture during the period.

Gross foreign reserves

Gross foreign reserves slid by 2% to \$5,491 million in October reflecting higher outflow payments during the month. This level of reserves is sufficient to cover 11.2 months of imports of goods and service.

Figure 1: Gross Foreign Reserve & Import Cover



Exchange rates

The Solomon Islands dollar (SBD), on average, depreciated against the United States dollar during the month by 0.3% to \$8.48 per USD. On the other hand, it appreciated against the Australian dollar by 0.8% to \$5.39 per AUD and against the New Zealand dollar by 0.1% to \$5.00 per NZD. Similarly, the SBD strengthened against the other tradable currencies including the British pound, Euro, and Japanese Yen. Meanwhile, the trade-weighted index (TWI) weakened by 0.5% to 117.02 during the month reflecting the depreciation of the SBD against USD in the currency basket.

III. GOVERNMENT FINANCE

The government registered a provisional deficit of \$43 million in October 2023, stemming from higher expenditure of \$283 million exceeding revenue collection of \$240 million during the month. Meanwhile, the government's debt stock grew further by 6% to \$2,620 million, attributable mainly to issuance of additional development bonds in the domestic market and foreign exchange rate movements. Consequently, external debt slightly increased by 1% to \$1,543 million and domestic debt rose notably by 14% to \$1,078 million. Debt servicing amounted to \$18 million in October consisting of \$16 million on principal repayments and only \$2 million on interest payments.

IV. DOMESTIC ECONOMY

The monthly production index declined by 40 points in October to a provisional index of 96. The negative outcome mirrored the downturn in logging (37 points), mining (4 points), and agriculture cash crops (0.3 points) whilst fishing in contrast grew by 1 point. Actual production revealed round logs dropped by 53% to 97 thousand cubic meters and minerals by 23% to 4,082 equivalent units of gold ounces. Fish catch, on the other hand, increased by 18% to 1,800 tons.

The commodity price index fell marginally by 0.3 points in October to an index of 79. This was driven by the decline in global prices of crude palm oil by 3% to US\$804 per ton, coconut oil by 2% to US\$1,046 per ton, round logs by 1% to US\$199 per cubic meter and

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

timber by 2% to US\$663 per cubic meter. On the contrary, fish price rose by 3% to US\$1,945 per ton, cocoa by 1% to US\$3,630 per ton and gold price, meanwhile, remained unchanged at US\$1,916 per ounce.

Consumer Price Index, Inflation (YoY – 3mma)

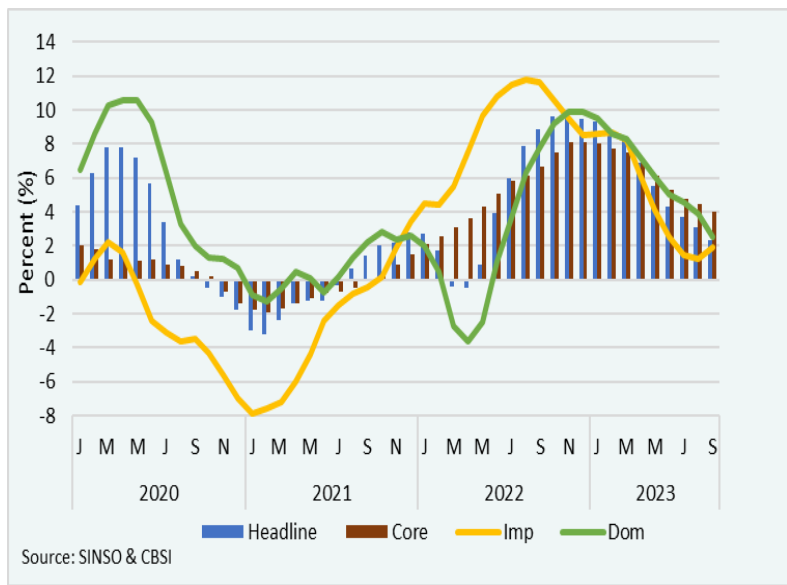
The CPI in September 2023 remained unchanged as in the previous month at an index of 119.9. This reflected that the price fall in food particularly vegetables and fruits offsetting the price rise in narcotics (betel-nut), electricity, and gas.

Headline inflation in September eased to 2.3% from 3.1% in August. The downward trend was driven by a fall in domestic inflation by 1.4 percentage points to 2.5% while imported inflation, on the other hand, increased by 0.7 percentage points to 1.9%. Meanwhile, core inflation dropped by 0.5 percentage points to 4.0% in September.

CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items edged up from 122 points to 124 points in October. This outcome reflected the increase in the prices of most monitored consumer goods. Solrice family (40lb) went up by \$1.00 to \$150.80 per bag, LP gas by 98 cents to \$28.26 per KG, fuel by 54 cents to \$12.49 per litre, and the electricity tariff for domestic customers by 29 cents to \$7.61 per KWh. Conversely, betel-nut price dropped by 17 cents to an average of \$1.92 per nut.

Figure 2: National Inflation (3mma)



Solomon Islands Key Economic Indicators							
		May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Consumer Price Index (% change)	Headline (3mma)	5.5	4.3	3.7	3.1	2.3	n.a
	Underlying (3mma): core 3	6.1	5.3	4.8	4.5	4.0	n.a
	Headline (MoM)	-0.2	0.2	0.9	0.0	0.0	n.a
CBSI MPI (Weighted Index)	Month-on-Month	108	105	106	107	122	124
Production Index	Index	105	126	101	121	136	96
Trade¹ (eop)	Exports (\$ millions)	245	389	193	283	310	187
	Imports (\$ millions)	423	395	336	442	283	572
	Trade Balance (\$ millions)	(179)	(6)	(143)	(159)	27	(385)
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.34	8.35	8.36	8.40	8.45	8.48
	SBD per AUD	5.54	5.59	5.64	5.45	5.43	5.39
	SBD per NZD	5.19	5.11	5.21	5.04	5.01	5.00
	SBD per GBP	10.41	10.53	10.77	10.67	10.50	10.32
	SBD per 100 JPY	6.09	5.91	5.93	5.80	5.73	5.67
	SBD per EUR	9.07	9.04	9.25	9.16	9.04	8.95
	TWI	114	114	114	116	116	117
Gross Foreign Reserves (eop)	\$ millions	5,491	5,584	5,535	5,671	5,602	5,491
Liquidity² (eop)	Total Liquidity (\$ millions)	2,454	2,437	2,500	2,515	2,558	2,371
	Excess Liquidity (\$ millions)	2,259	2,242	2,307	2,312	2,242	2,062
Money and Credit² (eop)	Narrow money (\$ million)	4,857	4,931	4,971	5,110	4,541	4,855
	Broad money (\$ million)	5,837	5,896	5,946	6,104	5,522	5,807
	Private sector credit (\$ million)	2,638	2,661	2,638	2,647	2,655	2,664
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 (%)	1.54	1.77	1.83	1.82	1.8	1.95
	365-days Treasury Bills rate(%)	2.03	2.1	2.11	2.1	2.09	2.17
Government Finance	Revenue (\$ millions)	276	292	253	306	296	240
	Expenditure (\$ millions)	385	315	369	427	494	283
	Fiscal Balance (\$ millions)	(109)	(23)	(116)	(121)	(199)	(43)
	SIG Debt Stock (eop) (\$ millions)	2,300	2,316	2,339	2,340	2,478	2,620
Global Commodity Prices (Monthly averages)	CBSI Commodity Price Index	83	80	81	80	79	79
	Round logs - (US\$/m ³)	217	211	211	206	202	199
	Gold - (US\$/oz)	1,992	1,943	1,951	1,919	1,916	1,916
	Palm Oil - (US\$/tonne)	934	817	879	861	830	804
	Fish - (US\$/tonne)	2,032	1,916	1,926	1,950	1,888	1,945
	Coconut Oil - (US\$/tonne)	1,048	1,013	1,047	1,099	1,072	1,046
	Cocoa - (US\$/tonne)	2,960	3,170	3,390	3,460	3,610	3,630
Timber - (US\$/m ³)	680	688	702	692	676	663	

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.