

Monthly Economic Bulletin

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Content	Page
I. Monetary Developments	1
II. External Conditions	1
III. Government Finances	2
IV. Domestic Production	2
V. Key Economic Indicators	3

I. MONETARY DEVELOPMENTS

Money supply (M3) declined by 1% to \$5,857 million in May 2024, reversing a 1% increase in the previous month. The fall in M3 was driven by a 1% reduction in narrow money (M1) to \$4,928 million combined with a 0.1% fall in other deposits (time and savings) to \$929 million. The downturn in M1 came from declines in currency in circulation and demand deposits.

Net foreign assets (NFA) of the banking system decreased by 1% to \$4,989 million. This came from a 1% decline in the Central Bank's NFA to \$4,987 million along with a fall in NFA of other depository corporations (ODCs) from \$11 million to only \$1 million in May. NFA fell by 4% on an annual basis¹.

Credit to the private sector (PSC) contracted by 1% to \$2,740 million. Meanwhile, net credit to the government (NCG) saw a 3% increase to minus \$548 million, reflecting the build up of government deposits in the banking system during the month. Annually, PSC and NCG declined by 1% and 22%, respectively.

Liquidity of the banking system expanded by 15% in May 2024 to \$2,992 million. The increase was driven by the accumulation of Commercial Banks' call account deposits with the Central Bank. Consequently, excess liquidity grew by 16% to \$2,723 million during the month.

Domestic Market Operations

CBSI's Bokolo Bills stock remained at the maximum cap of \$430 million in May 2024, unchanged from the previous month. The weighted average yield (WAY) for Bokolo Bills rose to 0.24% from 0.20% in the prior month. Meanwhile, the tender for treasury bills (T-Bills), during the month amounted to \$29 million, of which \$22 million was accepted. The WAY for T-bills with maturity of 91, 182 and 365 days remained unchanged at 1.10%, 2.45% and 2.65%, respectively.

II. EXTERNAL CONDITIONS

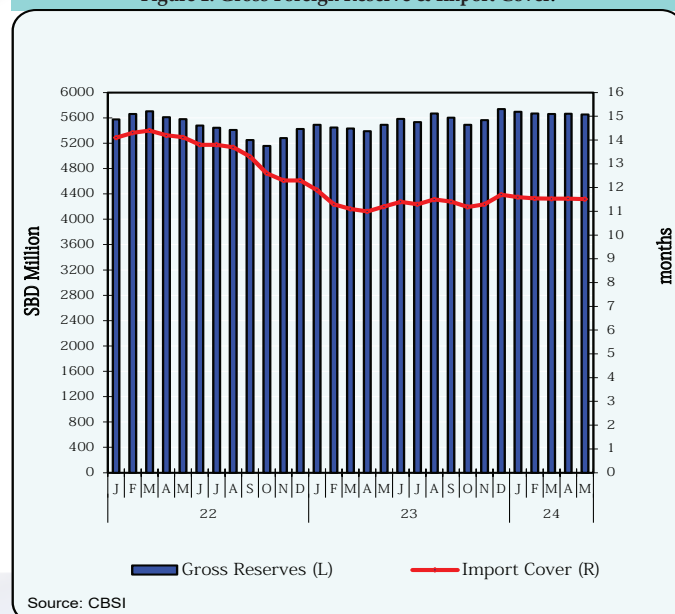
Trade in goods

The balance on trade in goods improved significantly to \$147 million surplus in May 2024, reversing the \$281 million deficit in the previous month. This positive outcome stemmed from a substantial increase in exports by 63% to \$403 million combined with a 51% decline in imports to \$256 million during the month. The surge in exports was largely driven by minerals, fish and agricultural exports. Meanwhile, the fall in imports was attributed to the decline across all import categories.

Gross Foreign Reserves

Gross foreign reserves edged lower by 0.2% to \$5,655 million during the month, reflecting net outflow in international transactions over the period. 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 rate

In May 2024, the Solomon Islands dollar appreciated against the United States dollar by 0.4% to an average of \$8.51 per USD. On the other hand, it depreciated

¹ The annual percentage change refer to growth comparison against December 2023

against the Australian dollar and the New Zealand dollar by 1.2% to \$5.63 per AUD, and by 1.1% to \$5.15 per NZD respectively. Against other trading currencies, the SBD strengthened against the Japanese Yen but weakened against the British pound and the Euro during the month. Overall, the exchange rate basket index went up by 0.6% to 115.2 over the period.

II: GOVERNMENT FINANCE

The government recorded provisional operating balance of \$15 million deficit in May 2024, which narrowed from a \$36 million deficit in the previous month. The slight improvement is due to higher revenue collection combined with a reduction in government expenditure during the month. Total revenue grew by 6% to \$264 million, stemming from increases in tax receipts. Conversely, total expenditure edged lower against the prior month by 2% to \$280 million, mirroring lower payments on goods and services.

Meanwhile, the Central Government overall debt stock fell to \$2,855 million in May from a revised \$2,919 million in April. This downturn owed to exchange rate revaluations and debt repayments made during the period. Consequently, external debt dropped by 3% to \$1,626 million whilst domestic debt declined by 2% to \$1,228 million. Debt servicing totaled \$37 million in May 2024, constituted of \$31 million in principal repayments and \$6 million on interest charges.

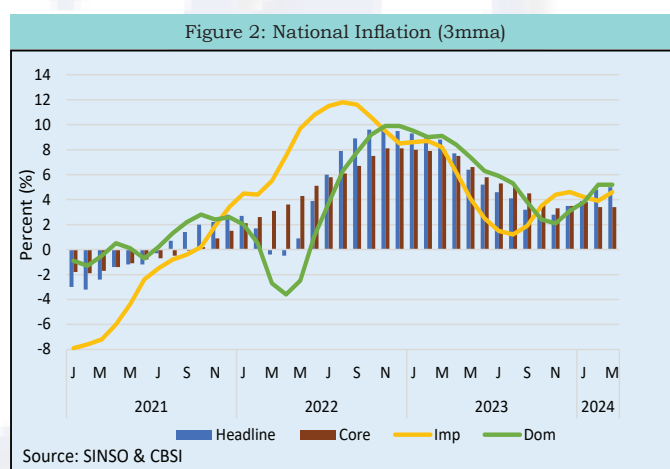
IV: DOMESTIC ECONOMY

The monthly production index declined by 11 points to a provisional index of 107 in May 2024. The outcome was attributed to the downturn in logging (22 points), and agriculture cash crops (2 points) which outweighed the upturn in mining (10 points), and fishing (2 points). Actual production showed round logs dropped by 34% to 125 thousand cubic meters, copra by 45% to 701 tons, and coconut oil by 16% to 263 tons. In contrast, fish catch increased by 19% to 2,905 tons, crude palm oil by 31% to 2,358 tons, minerals more than doubled to 6,474 equivalent units of gold ounces, and cocoa increased by five-folds to 272 tons.

The commodity price index fell by 2 points to an index of 86.7, largely driven by the slowdown of the recent surge in cocoa prices, which declined by 23% to US\$7,540 per ton. Additionally, there were declines in the prices of crude palm oil by 8% to US\$859 per ton, coconut oil by 2% to US\$1,402 per ton, and round logs by 1% to US\$191 per cubic meter. On the other hand, fish price, rose by 8% to US\$1,652 per ton, timber by 1% to US\$688 per cubic meter, and gold by 1% to US\$2,351 per ounce.

Consumer Price Index, Inflation (YoY - 3mma)

The latest monthly CPI available is still for March 2024 and had been reported in the April 2024 Monthly Economic Bulletin. The headline and core inflation stood at 5.0% and 3.4%, respectively.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer items went down to 115 points from 117 points in May. This was mainly driven by the significant fall in the prices of betel-nut from \$1.15 to \$0.58 per nut. However, the prices of Solrice family (40lb) edged up by 60 cents to \$151.20 per bag, the electricity tariff for domestic customers by 42 cents to \$8.26 per KWh, and fuel by 18 cents to \$11.64 per litre. Meanwhile, LP gas remained unchanged as in the previous month at \$30.01 per KG.

Solomon Islands Key Economic Indicators

		Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24
Consumer price index (%)	Headline (3mma)	3.5	3.9	4.8	5.0	na	na
	Underlying (3mma): core 3	3.5	3.8	3.4	3.4	na	na
	Headline (MoM)	0.5	1.3	1.5	-0.8	na	na
CBSI MPI (weighted Index)	Month- on - Month	130	117	119	116	117	115
Production Index	Index	129	129	137	100	118	107
Trade ¹ (eop)	Exports (\$ millions)	335	465	375	349	247	403
	Imports (\$ millions)	334	299	288	353	528	256
	Trade Balance (\$ millions)	1	166	88	-4	-281	147
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.48	8.45	8.50	8.49	8.54	8.51
	SBD per AUD	5.66	5.63	5.55	5.57	5.56	5.63
	SBD per NZD	5.26	5.23	5.21	5.19	5.09	5.15
	SBD per GBP	10.73	10.74	10.74	10.80	10.69	10.74
	SBD per 100 JPY	5.88	5.80	5.69	5.68	5.56	5.46
	SBD per EUR	9.24	9.23	9.18	9.24	9.16	9.19
	SBD Currency Basket Index	114.3	114.5	115.5	115.3	115.9	115.2
Gross Foreign Reserves(eop)	\$ millions	5,775	5,696	5,670	5,662	5,665	5,655
Liquidity ² (eop)	Total Liquidity (\$ millions)	2,589	2,625	2,771	2,716	2,609	2,992
	Excess Liquidity (\$ millions)	2,222	2,315	2,450	2,399	2,351	2,723
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	5,143	4,956	4,856	4,925	4,985	4,928
	Broad Money, M3 (\$ millions)	6,158	5,885	5,781	5,848	5,915	5,857
	Private Sector credit (\$ millions)	2,763	2,748	2,748	2,769	2,768	2,740
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.24	0.26	0.24	0.24	0.24	0.24
	91- days Treasury Bills rate (%)	0.50	0.53	0.58	0.93	1.10	1.10
	182-days Treasury Bills rate (%)	2.39	2.45	2.45	2.45	2.45	2.45
	365-days Treasury Bills rate (%)	2.60	2.65	2.65	2.65	2.65	2.65
Government Finance	Revenue (\$ millions)	300	335	195	273	251	264
	Expenditure (\$ millions)	492	263	290	269	287	280
	Fiscal Balance (\$ millions)	-197	72	-95	4	-36	-15
	SIG Debt stock (eop) (\$ millions)	2,827	2,819	2,875	2,925	2,919	2,855
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	80.0	81.6	79.8	83.8	88.5	86.7
	Round logs - (US\$/m3)	207	204	199	199	194	191
	Gold - (US\$/oz)	2,026	2,034	2,023	2,158	2,331	2,351
	Palm Oil - (US\$/tonne)	814	845	857	943	936	859
	Fish - (US\$/tonne)	1,580	1,580	1,847	1,451	1,535	1,652
	Coconut oil - (US\$/tonne)	1,109	1,131	1,172	1,288	1,425	1,402
	Cocoa - (US\$/tonne)	4,210	4,400	5,560	7,089	9,740	7,540
	Timber - (US\$/m3)	690	692	688	693	683	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.