

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) slightly decreased by 0.02% to \$5,898 million in August 2024, following a 0.5% decline in July. This outcome was driven by a 0.2% fall in narrow money (M1) to \$4,959 million, offsetting a 1% increase in other deposits (time and savings) to \$939 million during the month.

Net foreign assets (NFA) of the banking system narrowed by 1% to \$5,075 million. This was due to a 0.5% decline in the Central Bank's NFA to \$5,046 million. Similarly, the NFA of other depository corporations (ODCs) narrowed from \$43 million in July to \$29 million in August. Meanwhile, NFA diminished by 1% on an annual basis¹.

Credit to private sector (PSC) firmed up by 0.2% to \$2,780 million. Meanwhile, net credit to the government (NCG) reduced by 14% to minus \$478 million reflecting the fall in government deposits in the banking sector during the month. On an annual basis¹, PSC and NCG declined by 0.1% and 32%, respectively.

Free liquidity² in the banking system narrowed by 2% in August to \$2,576 million. The decline was driven by the fall in call account deposits at CBSI along with the fall in NFA during the month. The minimum required reserve stood at \$327 million in August.

Domestic Market Operations

The stock of CBSI's Bokolo Bills increased to \$430 million in August 2024 from \$410 million in July. The weighted average yield (WAY) for Bokolo Bills rose to 0.29% from 0.26% in the previous month. Meanwhile, the tender for treasury bills (T-Bills) during the month reached \$39 million although only \$22 million was absorbed. The T-bills WAY for 91 days declined marginally from 1.13% to 1.12% while the WAY for 182 and 365 days increased from 2.41% to 2.42% and 2.61% to 2.62%, respectively.

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

². Free liquidity is total liquidity excluding the minimum required reserves

II. EXTERNAL CONDITIONS

Trade in goods

The balance on trade in goods recorded a wider deficit of \$303 million in August 2024, following a \$165 million deficit witnessed in July. This negative outcome was primarily driven by a 29% surge in imports to \$616 million, which outweighed a slight improvement in exports by 0.1% to \$314 million. The sizeable increase in imports was largely driven by higher imports of machinery during the month. Meanwhile, the slight increase in exports was due to upturns in minerals and round logs exports.

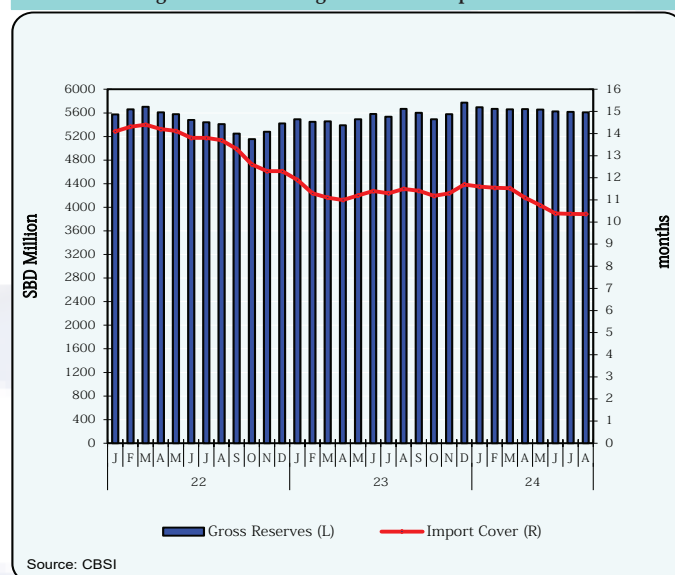
Remittances

The remittances processed through money transfer operators during the month, posted a total inward receipts of \$73 million against outward payments of \$57 million. Accordingly, net remittance in August recorded a surplus of \$16 million, from the \$9 million surplus in the previous month.

Gross Foreign Reserves

Gross foreign reserves edged lower by 0.1% to \$5,612 million, on the back of higher outflows in trade payments during the month. This level of reserves is sufficient to cover 10.4 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange Rate

The Solomon Islands dollar slightly depreciated against the United States dollar by 0.11% to an average of \$8.47 per USD in August. In contrast, the SBD appreciated against the Australian dollar by 0.4% to an average of \$5.62 per AUD, yet it depreciated against the New Zealand dollar by 0.7% to an average of \$5.14 per NZD. Meanwhile, the SBD depreciated against the British pound, Japanese Yen, and the Euro, respectively. Following the mixed movements of foreign currencies against the SBD, the currency basket index strengthened by 0.29% to 114.5 points.

II: GOVERNMENT FINANCE

The government’s operational balance recorded a provisional deficit of \$36 million in August 2024, following a \$37 million deficit posted in July. This negative outcome stemmed from lower revenue collection despite a reduction in total expenditure during the month. Total revenue fell significantly by 32% to \$212 million, owing to declines in tax and non-tax receipts. Meanwhile, total expenditure fell by 28% to \$248 million, reflecting reduced payments on payroll and goods and services.

The government’s debt stock edged up by 1% to \$2,931 million at the end of August attributing to the disbursement of a new external loan from EXIM Korea and additional loans disbursed by JICA and the World Bank. As a result, total external debt grew by 3% to \$1,778 million whilst domestic debt declined by 2% to \$1,153 million, due mainly to debt repayments to domestic creditors during the month. Meanwhile, debt servicing in August amounted to \$52 million, and comprised of \$50 million in principal repayments and \$2 million in interest payments.

IV: DOMESTIC ECONOMY

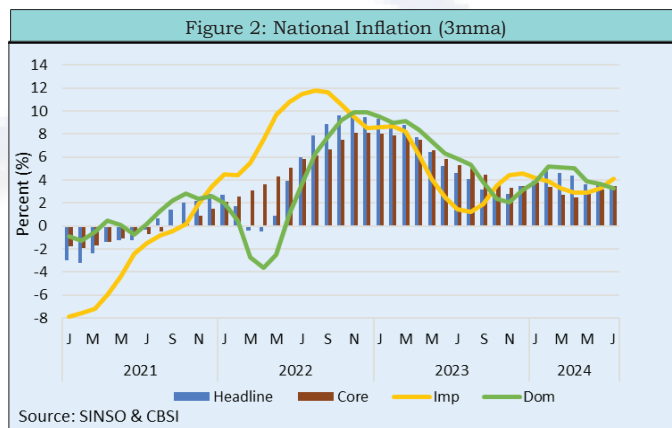
The provisional monthly production index jumped by 24 points to an index of 110 in August 2024. This positive result was primarily driven by the strong performance in agriculture cash crops (18 points) and to a lesser extent, supported by the upturn in mining (4 points), logging (1 point), and fishing (1 point). Actual production showed minerals increased by 27% to 5,840 equivalent units of gold ounces, fish catch grew by 4% to 2,376 tons, round logs by 3% to 115 thousand cubic meters, cocoa production surged by 42% to 345 tons, and coconut oil more than doubled to 426 tons. Meanwhile, copra output declined by 29% to 458 tons.

The commodity price index edged up by 1 point to an index of 89.3. This outcome stemmed from the upward trend in the prices of coconut oil by 10% to US\$1,619 per ton, round logs by 8% to US\$204 per cubic meter, palm oil by 4% to US\$933 per ton, gold by 3% to US\$2,470 per ounce and timber by 1% to US\$705 per cubic meter. On the other hand, fish and cocoa prices fell by 21% to US\$1,395 per ton and 3% to US\$6,880 per ton, respectively during the month.

Consumer Price Index, Inflation (YoY - 3mma)

The CPI in July 2024 rose to an index of 125.2 from 124.4 in June. This reflected the increase in prices for betel-nut, fruits, bread and cereals, solid fuels, and household utensils which outweighed the fall in the prices for vegetables, transport, alcoholic beverages, oils and fats, and maintenance and repair.

Headline inflation in July fell slightly to 3.5% from 3.6% in June. The downward movement was mainly driven by a fall in domestic inflation by 0.4 percentage points to 3.3% while imported inflation, on the other hand, increased by 0.8 percentage points to 4.1%. Meanwhile, core inflation went up by 0.3 percentage points to 3.5% in July.



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumption items went up from 115 points to 118 points in August. This outcome was attributed to the rise in the prices of fuel by 17 cents to \$11.09 per litre and betel-nut by 58 cents to an average of \$1.21 per nut. In contrast, the prices of Solrice (40lb) decreased by \$1.40 to \$166.20 per bag, LP gas by 72 cents to \$29.30 per KG, and the electricity tariff for domestic customers by 16 cents to \$7.57 per KWh.

Solomon Islands Key Economic Indicators

		Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24
Consumer price index (%)	Headline (3mma)	4.6	4.4	3.6	3.6	3.5	na
	Underlying (3mma): core 3	2.7	2.5	2.8	3.2	3.5	na
	Headline (MoM)	-2.0	-0.3	-0.3	0.5	0.6	na
CBSI MPI (weighted Index)	Month- on - Month	116	117	115	112	115	118
Production Index	Index	116	117	112	99	87	110
Trade ¹ (eop)	Exports (\$ millions)	356	298	417	288	313	314
	Imports (\$ millions)	387	508	318	399	478	616
	Trade Balance (\$ millions)	-30	-210	99	-111	-165	-303
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.49	8.54	8.51	8.47	8.46	8.47
	SBD per AUD	5.57	5.56	5.63	5.63	5.64	5.62
	SBD per NZD	5.19	5.09	5.15	5.20	5.10	5.41
	SBD per GBP	10.80	10.69	10.74	10.77	10.87	10.95
	SBD per 100 JPY	5.68	5.56	5.46	5.37	5.35	5.79
	SBD per EUR	9.24	9.16	9.19	9.12	9.17	9.32
	SBD Currency Basket Index	115.3	115.9	115.2	115.0	114.8	114.5
Gross Foreign Reserves(eop)	\$ milions	5,662	5,665	5,655	5,626	5,618	5,612
Liquidity ² (eop)	Free Liquidity (\$ millions)	2,716	2,609	2,992	2,906	2,617	2,576
Money and credit ² (eop)	Narrow Money, M1 (\$ millions)	4,925	4,985	4,928	4,994	4,968	4,959
	Broad Money, M3 (\$ millions)	5,848	5,915	5,857	5,928	5,899	5,898
	Private Sector credit (\$ millions)	2,769	2,768	2,740	2,756	2,774	2,780
Interest Rates (weighted average yield)	28-days Bokolo Bills rate (%)	0.24	0.24	0.24	0.24	0.26	0.29
	91- days Treasury Bills rate (%)	0.93	1.10	1.10	1.12	1.13	1.12
	182-days Treasury Bills rate (%)	2.45	2.45	2.45	2.40	2.41	2.42
	365-days Treasury Bills rate (%)	2.65	2.65	2.65	2.63	2.61	2.62
Government Finance	Revenue (\$ millions)	273	251	264	299	310	212
	Expenditure (\$ millions)	269	287	280	252	347	248
	Fiscal Balance (\$ millions)	4	-36	-15	47	-37	-36
	SIG Debt stock (eop) (\$ millions)	2,888	2,882	2,855	2,906	2,912	2,931
Global Commodity Prices (monthly averages)	CBSI Commodity Price Index	83.8	88.5	86.7	87.4	87.9	89.3
	Round logs - (US\$/m3)	199	194	191	189	189	204
	Gold - (US\$/oz)	2,158	2,331	2,351	2,326	2,398	2,470
	Palm Oil - (US\$/tonne)	943	936	859	874	896	933
	Fish - (US\$/tonne)	1,451	1,535	1,652	1,764	1,764	1,395
	Coconut oil - (US\$/tonne)	1,288	1,425	1,402	1,398	1,474	1,619
	Cocoa - (US\$/tonne)	7,089	9,740	7,540	8,270	7,090	6,880
	Timber - (US\$/m3)	693	683	688	693	701	705

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.