

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Total money supply grew by 2% for the second consecutive months to \$4,086 million at the end of April 2016. The increase was driven by growth in narrow money (M1) by 2% to \$3,292 million despite a marginal fall in other deposits (savings and time) by 1% to \$795 million. The increase in M1 stemmed mainly from a 4% growth in demand deposits to \$2,672 million that outweighed the fall in currency in circulation by 3% to \$619 million. On the other hand, the fall in other deposits came from the 3% and 0.4% contractions in both savings and time deposits respectively. Meanwhile, total net foreign assets (NFA) of the banking system declined marginally by 0.3% to reach \$3,868 million following a 0.4% fall in the previous month. This was driven by the fall in other depository corporations' (ODCs) NFA from \$31 million to \$11 million which outweighed a marginal rise in CBSI's NFA at the end of April 2016. Year-on-year growth showed a decrease in NFA by 3% against the same period in 2015.

Net credit to government (NCG) fell by 7% to net liabilities of \$1,359 million following a growth of 5% in the previous month. The fall was due to drawdown in government deposits held with CBSI by 8% to \$1,118 million despite an increase in ODCs holdings by 2% to \$241 million. Meanwhile, private sector credit (PSC) continued to grow for the fourth consecutive month, albeit marginally by 0.3% to \$2,015 million. Year-on-year growth showed PSC increased by 13% compared to the same period in 2015. In the review period, total liquidity in the banking system increased by 8% to \$1,690 million, following a 4% growth in the previous month. This was driven by increases in ODCs' call deposit balances held with CBSI, which led to increases in excess liquidity by 10% to \$1,247 million.

Domestic Market Operations

The total value of the stock of CBSI Bokolo bills floated in April 2016 remained unchanged at \$710 million, achieving full subscription for the month. The weighted average yield (WAY) for the 28 days stood at 0.62%, unchanged from the previous month.

Meanwhile, the WAY for Government treasury bills for 56 and 91 days also remained stable at 0.34% and 0.46% respectively, while the WAY for 182 days fell to 1.14% this month from 1.15% in the previous month

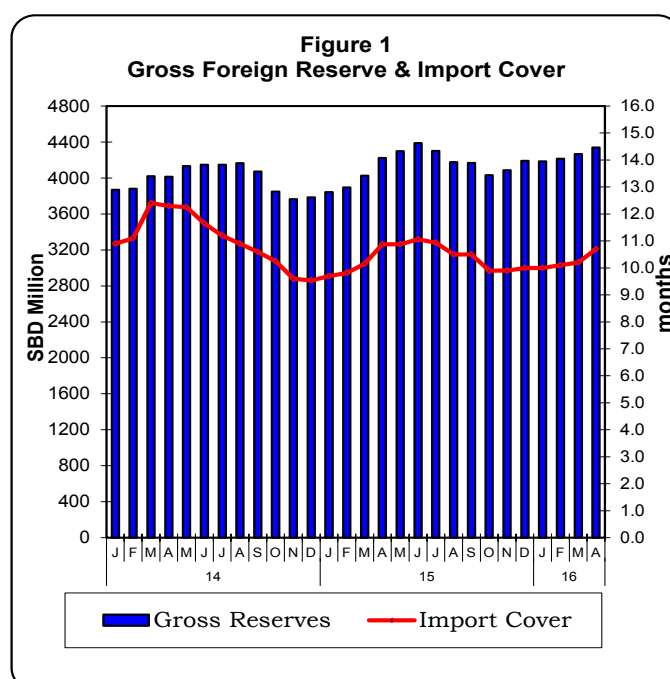
II. EXTERNAL CONDITIONS

Trade in goods

The balance on trade in goods for April 2016 recorded a provisional \$2 million deficit, narrowed from a \$36 million deficit in the previous month. This was driven by a larger increase in exports by 22% to \$277 million compared to a lesser 6% rise in imports to \$280 million. The sizeable increase in exports was driven by higher shipments for round logs and agricultural products while the smaller increase in imports was largely due to higher fuel imports.

Gross foreign reserves

Gross foreign reserves rose by 2% to \$4,338 million mainly due to higher round log inflows during the month. This level was sufficient to cover 10.7 months of imports of goods and services.



¹The basket is trade weighted index to 100 with a base year of 2012.

Exchange rate

The Solomon Islands dollar (SBD) appreciated by 1.06% in April against the United States dollar (USD) to an average of \$7.86 per USD. The SBD also appreciated against the British pound. Meanwhile, the SBD depreciated against the Australian dollar by 0.57% to \$6.02 per AUD and against the New Zealand dollar by 1.16% to \$5.41 per NZD. The SBD also depreciated against the Japanese Yen and EUR. As a result of these movements, the exchange rate basket index strengthened by 1.12% to 106.7 during the month.

III. GOVERNMENT FINANCE

A preliminary deficit of \$133 million was recorded in April compared to the \$73 million deficit in March. This month-on-month outcome was driven mainly by the decline in revenue by 11% and rise in expenditure also by 11% to \$207 million and \$340 million, respectively. However, both revenue and expenditure were 34% and 4% below their respective budgets.

The fall in revenue against March was attributed mainly to a 10% decline in tax revenue to \$197 million combined with a 27% reduction in nontax revenue to \$10 million. Meanwhile, no grant receipts were recorded in April. On expenditure, the outturn relative to March was underpinned by increases in recurrent outlays and development spending by 6% to \$246 million and 29% to \$94 million, respectively. Increased spending on goods and services, and transfers largely explained the growth in recurrent outlays, whilst the upsurge in development spending relates broadly to machineries and equipment payments.

The central government debt fell by 0.5% against the previous month to \$678 million at the end of April. This reflected total debt servicing of \$5 million made during the month. Of the outstanding stock, external debt accounted for \$635 million whilst the domestic component accounted for the remaining \$43 million. Meanwhile, the debt-to-GDP ratio remained at 9%, broadly the same as in March.

IV. DOMESTIC PRODUCTION

Based on preliminary estimates, the CBSI monthly production index rebounded by 18% to 89 points in April from a revised 76 points last month. The positive growth was mainly owed to a 32% increase in log production during the month. In contrast, fish catch, palm oil, copra and cocoa productions all fell by 14%, 1%, 9% and 18% respectively. In terms of prices, international prices for all commodities increased during the month.

Inflation & Honiara Fuel Prices

Headline inflation rose to 3.9% in March from 3.6% a month ago. The increase reflected the continued inflationary pressures from both domestic and imported inflation which rose from 4.2% and 2.5% to 4.6% and 2.7% respectively in March. The increase in domestic inflation came mainly from food price increases particularly, local food produce from the market during the month. Pressures from imported inflation were driven by the housing and utilities and the transport and communication categories.

In terms of contributions to the overall headline inflation of 3.9%, food accounted for 1.6%, followed by housing and utilities with 0.9%, transport and communication accounted for 0.5% whilst all other categories accounted for the remaining 0.9% during the month.

After falling in the previous two months, the average fuel price in Honiara rose in April by 50 cents to \$7.79 per litre from \$7.29 per litre a month ago. The rise reflected mainly the significant pick-up in kerosene prices by \$1.34 to \$9.22 per litre from \$7.88 per litre. To a lesser extent, the increase in diesel price by 24 cents to \$6.81 per litre from \$6.57 per litre in the previous month also contributed.

Solomon Islands Key Economic Indicators						
		Dec. 15	Jan. 16	Feb. 16	Mar 16	Apr 16
Consumer Price Index (% change)	Headline (3mma)	2.9	3.3	3.6	3.9	n.a
	Underlying (3mma): core 3	3.7	3.1	2.2	3.1	n.a
	Month-on month	-0.6	0.7	0.1	0.3	n.a
Trade¹ (eop)	Exports (\$ millions)	352	241	307	209	277
	Imports (\$ millions)	311	247	255	276	280
Exchange rates (mid-rate, monthly average)	SBD per USD	8.05	8.15	8.05	7.94	7.86
	SBD per AUD	5.83	5.71	5.77	5.93	6.02
	SBD per NZD	5.42	5.33	5.36	5.34	5.41
	SBD per GBP	12.02	11.75	11.59	11.30	11.23
	SBD per 100 JPY	6.61	6.90	7.03	7.03	7.17
	SBD per EUR	8.75	8.83	8.97	8.80	8.95
Gross Foreign Reserves (eop)	\$ millions	4,190	4,187	4,214	4,265	4,338
Liquidity² (eop)	Total Liquidity (\$ millions)*	1,504	1,477	1,509	1,570	1,690
	Excess Liquidity (\$ millions)*	1,100	1,059	1,088	1,132	1,247
Money and Credit² (eop)	Narrow Money (\$ millions)*	3,050	3,105	3,153	3,216	3,292
	Broad Money (\$ millions)*	3,838	3,888	3,939	4,016	4,086
	Private Sector Credit (\$ millions)*	1,959	1,973	1,989	2,009	2,015
Interest rates (weighted average yield)	28-days Bokolo Bills Rate	0.62%	0.62%	0.62%	0.62%	0.62%
	56-days Treasury Bills Rate	0.34%	0.34%	0.34%	0.34%	0.34%
	91-days Treasury Bills Rate	0.46%	0.46%	0.46%	0.46%	0.46%
	182-days Treasury Bills Rate	1.15%	1.15%	1.15%	1.15%	1.14%
Commodity Prices (monthly average)	Round logs (US\$/m3)	245	252	259	264	272
	Gold - (US\$/oz)	1,068	1,098	1,200	1,245	1,242
	Palm Oil - (US\$/tonne)	568	565	639	686	723
	Fish - (US\$/tonne)	1,552	1,444	1,480	1,556	1,781
	Copra - (US\$/tonne)	759	763	813	990	1,045
	Cocoa - (US\$/tonne)	3,350	2,905	2,920	3,070	3,080

¹. Value in terms of free on board (FOB)

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