

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Total money supply grew by 2% to \$4,016 million at the end of March 2016, following a 1% rise in the previous month. The increase was driven by both narrow money (M1) and other deposits (savings and time) which increased by 2% each to \$3,216 million and \$801 million respectively. The increase in M1 stemmed from 7% growth in currency in circulation to \$638 million and demand deposits by 1% to \$2,578 million respectively. On the other hand, the rise in other deposits came from a 5% and 1% increase in savings and time deposits. Meanwhile, total net foreign assets (NFA) of the banking system declined marginally by 0.4% to reach \$3,880 million following a 3% fall in the previous month. This was driven by the fall in other depository corporations' (ODCs) NFA from \$111 million to \$31 million which outweighed the rise in CBSI's NFA at the end of March 2016. However, year-on-year growth showed an increase in NFA by 2% against the same period in 2015.

Net credit to government (NCG) grew by 5% to net liabilities of \$1,457 million from a marginal fall of 0.4% in the previous month. The increase was due to build up in government deposits held with ODCs to \$237 million from \$184 million and a marginal increase of 1% in deposits held with CBSI to \$1,220 million. Meanwhile, private sector credit (PSC) continued to grow for the third consecutive month by 1% to \$2,009 million. Year-on-year growth showed PSC increased by 17%. The total liquidity in the banking system increased by 4% to \$1,570 million this month, following a 2% growth witnessed 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 4% to \$1,132 million.

Domestic Market Operations

The total value of the stock of CBSI Bokolo bills floated in March 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, 91 and 182 days also remained stable at 0.34%, 0.46% and 1.15% respectively.

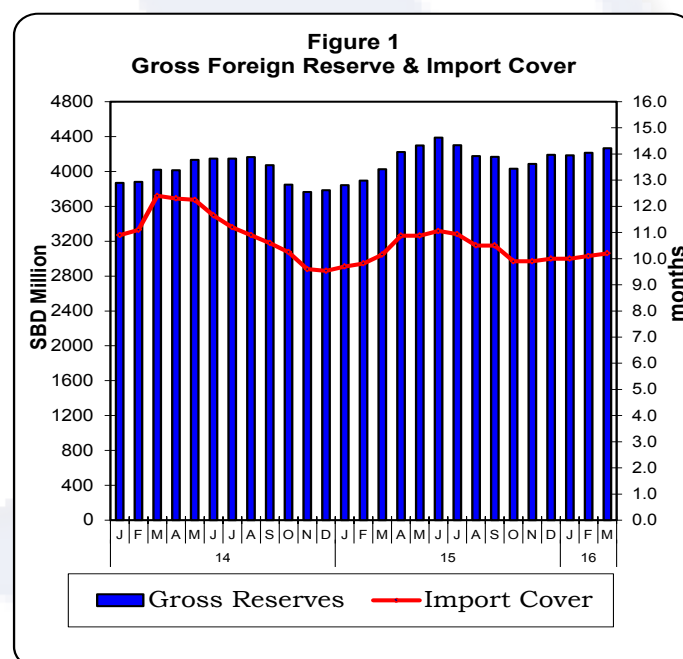
II. EXTERNAL CONDITIONS

Trade in goods

The balance on trade in goods for March 2016 recorded a provisional \$66 million deficit, overturning a revised \$53 million surplus in the previous month. This was driven by a 32% fall in exports to \$209 million and an 8% rise in imports to \$276 million. The decline in exports was driven by lower shipments for round logs and agricultural products while the increase in imports was largely due to higher food imports.

Gross foreign reserves

Gross foreign reserves rose by 1% to \$4,265 million mainly due to higher donor inflows during the month. This level was sufficient to cover 10.2 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 1.33% in March against the United States dollar (USD) to an average of \$7.94 per USD and 0.24% against the New Zealand dollar to \$5.34 per NZD. The SBD also appreciated against the British pound, Japanese Yen, and EUR. Meanwhile, the SBD depreciated against the Australian dollar by 2.82% to \$5.93 per AUD. As a result of these movements, the exchange rate basket index strengthened by 1.85% to 107.9 during the month.

III. GOVERNMENT FINANCE

The Government recorded a deficit of \$73 million in March broadly the same as in February. The deficit stemmed from an increase in expenditure by 11% to \$306 million despite an 18% rise in revenue to \$233 million against the previous month. However, both revenue and expenditure were 25% and 13% lower than their respective budgets.

The increase in revenue against the previous month was mainly driven by an 18% upsurge in tax receipts to \$219 million and 17% rise in nontax revenues to \$13 million. Meanwhile, there were no grant receipts recorded in the first three months of the year. The upsurge in expenditure was driven by a more than twofold increase in acquisition of fixed assets from \$30 million to \$73 million and a 22% increase in compensation of employees to \$99 million. Meanwhile, purchase of goods and services, and other payments fell to \$97 million and \$28 million from \$102 million and \$36 million, respectively.

Central Government debt fell by 2% at the end of March to \$681 million. The fall came about following the debt repayment of \$4 million to both the external and domestic creditors, of which principle payment constituted the bulk of total debt servicing at \$3 million and interest payment with the residue.

IV. DOMESTIC PRODUCTION

Based on preliminary estimates, the CBSI monthly production index fell by 18% to 74 points in March from a revised 90 points last month. This was largely driven by declines in log production, fish catch and copra output during the month, falling by 20%, 16% and 70%, respectively. In contrast, palm oil and cocoa production registered growth of 6% and 19% respectively in March. In terms of prices, international prices for all commodities increased during the month.

Inflation & Honiara Fuel Prices

Headline inflation increased further in February to 3.6% from 3.3% in January. This reflected the increases in both domestic and imported inflation by 0.3 percentage points each to 4.2% and 2.5%, respectively. The increases in domestic and imported inflation rates were driven mainly by increases in food prices during the month.

In terms of contributions to the overall headline inflation of 3.6%, food accounted for 1.4%, followed by housing and utilities with 0.9%, transport and communication accounted for 0.5% whilst all other categories accounted for the remaining 0.8% during the month.

The average fuel price in Honiara declined further in March to \$7.29 per litre from \$7.86 per litre in the previous month. This was attributed to declines across all fuel categories during the month. Diesel prices dropped by 69 cents to \$6.57 per litre, petrol prices fell by 42 cents to \$7.43 per litre while kerosene prices decreased by 60 cents to \$7.88 per litre.

Solomon Islands Key Economic Indicators

		Nov. 15	Dec. 15	Jan. 16	Feb. 16	Mar 16
Consumer Price Index (% change)	Headline (3mma)	1.8	2.9	3.3	3.6	n.a
	Underlying (3mma): core 3	3.2	3.7	3.1	2.2	n.a
	Month-on month	-0.1	-0.6	0.7	0.1	n.a
Trade¹ (eop)	Exports (\$ millions)	344	352	241	307	209
	Imports (\$ millions)	292	311	247	255	276
Exchange rates (mid-rate, monthly average)	SBD per USD	8.09	8.05	8.15	8.05	7.94
	SBD per AUD	5.78	5.83	5.71	5.77	5.93
	SBD per NZD	5.34	5.42	5.33	5.36	5.34
	SBD per GBP	12.25	12.02	11.75	11.59	11.30
	SBD per 100 JPY	6.61	6.61	6.90	7.03	7.03
	SBD per EUR	8.70	8.75	8.83	8.97	8.80
Gross Foreign Reserves (eop)	\$ millions	4,088	4,190	4,187	4,214	4,265
Liquidity² (eop)	Total Liquidity (\$ millions)*	1,340	1,504	1,477	1,509	1,570
	Excess Liquidity (\$ millions)*	944	1,100	1,059	1,088	1,132
Money and Credit² (eop)	Narrow Money (\$ millions)*	2,877	3,050	3,105	3,153	3,216
	Broad Money (\$ millions)*	3,636	3,838	3,888	3,939	4,016
	Private Sector Credit (\$ millions)*	1,901	1,959	1,973	1,989	2,009
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	1.14%	1.15%	1.15%	1.15%	1.15%
Commodity Prices (monthly average)	Round logs (US\$/m3)	243	245	252	259	264
	Gold - (US\$/oz)	1,086	1,068	1,098	1,200	1,245
	Palm Oil - (US\$/tonne)	558	568	565	639	686
	Fish - (US\$/tonne)	1,476	1,552	1,444	1,480	1,556
	Copra - (US\$/tonne)	716	759	763	813	990
	Cocoa - (US\$/tonne)	3,360	3,350	2,905	2,920	3,070

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

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