

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Broad money supply (M3) increased by 1% to \$3,291 million following a 1% fall a month ago, while year-on-year registered an increase of 3%. The rise in M3 was driven by an upturn in narrow money (M1) by 3% in spite of a 5% drop in other deposits (savings and time).

The increase in M1 resulted from 4% and 2% growth in currency in active circulation and demand deposits respectively. The 5% fall in other deposits was driven by a decline in both savings and time deposits by 2% and 5% respectively. Meanwhile, net foreign assets (NFA) of the banking system increased slightly by 0.2% to \$3,497 million at the end of month but showed a fall of 4% against the previous year.

Net credit to government (NCG) grew by 11% to net liabilities of \$1,410 million compared to 4% fall witnessed in the previous month. The increase was due to a 16% rise in deposits held with CBSI counteracting a 23% fall in deposits held with ODCs. The rise in NCG implies a build-up of government deposits in the banking system over the month. Meanwhile, private sector credit (PSC) increased for the fifth consecutive month to \$1,689 million, mainly from ODCs, with year-on-year growth reaching 17%. Total liquidity declined by 5% to \$1,174 million, a slower drop from a fall of 8% witnessed in the previous month.

Domestic Market Operations

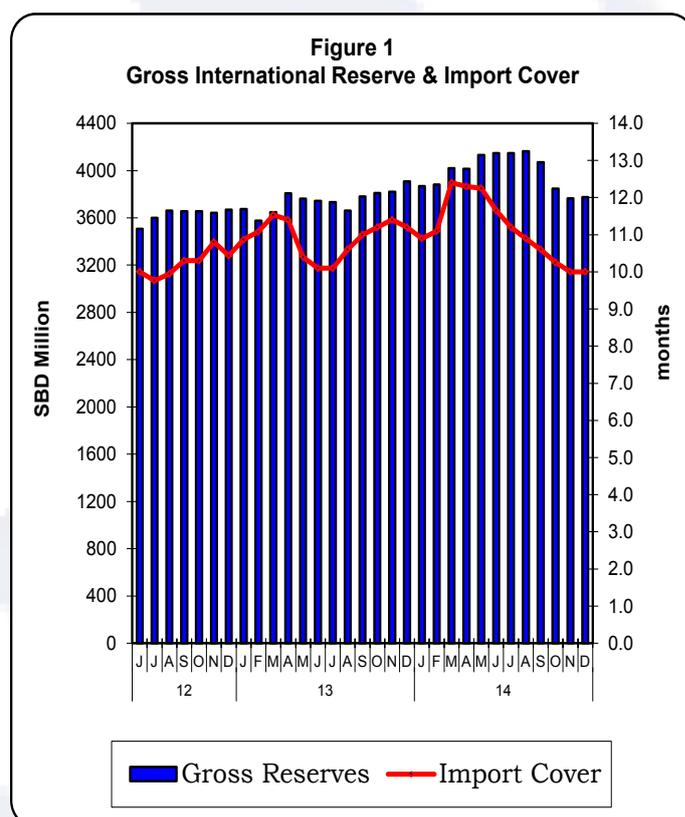
The total Bokolo Bills stock CBSI floated in December remained unchanged at \$710 million, of which \$60 million went unabsorbed during the month. The Bokolo Bills stock issued increased to \$610 million compared to \$600 million stock in November. Meanwhile, the weighted average yield (WAY) for 28 days remained stable at 0.61%. In comparison, the WAY of government treasury bills for 56 days increased from 0.28% to 0.30%, while 91 and 182 days maturities declined from 0.49% to 0.48% and from 1.30% to 1.24%, respectively.

II. EXTERNAL CONDITIONS

The balance on trade in goods rebounded to a provisional \$65 million surplus in December from a deficit of \$7 million in the previous month. This resulted from a larger increase in exports by 31% to \$340 million (f.o.b) relative to a smaller 3% rise in imports to \$275 million (f.o.b) during the month. The surge in exports was driven mainly by increases

in round log, fish, cocoa and other export. Log exports increased by 25% to \$235 million owing to higher export volumes. Fish exports grew by 58% to \$59 million and cocoa doubled from \$6 million to \$12 million due to favourable prices, while all other exports almost doubled from \$5 million to \$9 million. The increase in imports came from all import categories except for fuel imports which dropped by 30% to \$58 million due to lower fuel price and higher fuel payments in the previous month.

Gross foreign reserves increased marginally by 0.3% to \$3,776 million, sufficient to cover 10 months of imports of goods and services. This was attributed to increase in donor and fishing licencing inflows during the month. The Solomon Islands dollar (SBD) on average depreciated against the United States dollar (USD) by 1.49% to \$7.59 per USD and appreciated against the Australian dollar (AUD) by 2.66% to \$6.30 per AUD during the month. The SBD also appreciated against the Japanese Yen but depreciated against the New Zealand dollar, British Pound and Euro during the period.



III. GOVERNMENT FINANCE

The government recorded a preliminary surplus of \$141 million for the month of December. This was due to higher revenue collection relative to lower expenditure during the month. Total revenue collections reached \$439 million driven by higher receipts from Inland Revenue Division, Customs and Excise Duty and nontax revenue. Conversely, total expenditure registered \$298 million with development expenditures, loan repayment and payroll accounting for major spending during the month.¹

Total public debt stock at the end of December stood at \$859 million, 1% down on the \$869 million posted in November. This was equivalent to 13% of nominal gross domestic product. Of the total debt stock, domestic debt accounted for \$174 million and external debt the remaining \$685 million.

IV. DOMESTIC PRODUCTION

The monthly production index for December increased further by 16% to 105 points following a revised rebound of 19% to 91 points a month ago. The improvement was driven by a 20% increase in log production and positive performance in all palm production with palm oil and kernel oil surging by 29% and 36% respectively.

Provisional estimates for fish and copra were also expected to outperform November figures by 4% and 28% respectively. Meanwhile, preliminary estimates for cocoa production showed a fall of 15% for December. Year-to-December data for all commodities outperformed total output for 2013. On the downside, international prices for December showed negative movements for most export commodities, with the exception of copra and cocoa prices.

Inflation & Honiara Fuel Prices

The average fuel price in Honiara has continued on its downward trajectory since September 2014, reflecting the fall in world fuel prices. Mirroring this fall, average fuel prices in Honiara fell further by 2.9% this month to \$10.44 per litre, against \$10.75 per litre in November. The decline was driven by the slowdown in prices of both diesel and petrol during the month. Diesel prices slipped by 55 cents to reach \$9.85 per litre while petrol fell 44 cents to \$9.96 per litre from \$10.40 per litre in November. Meanwhile, kerosene remained relatively unchanged at \$11.50 per litre.

1. Figures reported were obtained from CBSI weekly management report on movements in Solomon Islands Government revenue and expenditure accounts.

Solomon Islands Key Economic Indicators

		Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
Consumer Price Index¹ (% change)	Headline (3mma)	5.6	5.2	5.1	N/A	N/A
	Underlying (3mma): core 3	2.2	2.1	2.4	N/A	N/A
	Month-on month	-2.1	0.3	-0.7	N/A	N/A
Trade (eop)	Exports (\$ millions)	313	297	288	260	340
	Imports (\$ millions)	236	263	314	268	275
Exchange rates (mid-rate, monthly average)	SBD per USD	7.30	7.33	7.42	7.48	7.59
	SBD per AUD	6.79	6.66	6.51	6.47	6.30
	SBD per NZD	6.16	5.99	5.84	5.83	5.89
	SBD per GBP	12.18	11.97	11.94	11.80	11.86
	SBD per 100 JPY	7.09	6.85	6.88	6.50	6.41
	SBD per EUR	9.72	9.48	9.41	9.32	9.38
Gross Foreign Reserves (eop)	\$ millions	4,164	4,071	3,847	3,757	3,776
Liquidity² (eop)	Total Liquidity (\$ millions)*	1,615	1,564	1,347	1,239	1,174
	Excess Liquidity (\$ millions)*	1,206	1,222	1,009	899.03	824.30
Money and Credit² (eop)	Narrow Money (\$ millions)*	2,568	2,538	2,497	2,492	2,556
	Broad Money (\$ millions)*	3,368	3,359	3,290	3,266	3,291
	Private Sector Credit (\$ millions)*	1,538	1,587	1,612	1,629	1,689
Interest rates (weighted average yield)	28-day Bokolo Bills Rate	0.61%	0.61%	0.61%	0.61%	0.61%
	56-day Treasury Bills Rate	0.10%	0.10%	0.10%	0.28%	0.30%
	91-day Treasury Bills Rate	0.10%	0.10%	0.20%	0.49%	0.48%
	128-day Treasury Bills Rate	0.69%	0.58%	0.93%	1.30%	1.24%
Commodity Prices (monthly average)	Round logs (US\$/m3)	289	278	276	276	249
	Gold - (US\$/oz)	1,295	1,237	1,222	1,175	1,201
	Palm Oil - (US\$/tonne)	766	709	722	728	685
	Fish - (US\$/tonne)	1,775	1,588	1,445	1,367	1,222
	Copra - (US\$/tonne)	770	785	769	795	812
	Cocoa - (US\$/tonne)	3,270	3,220	3,110	2,910	2,950

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

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