

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) fell marginally by 1% to \$4,934 million in April following the 2% growth in the previous month. This was underpinned by a 1% drop in narrow money (M1) to \$3,987 million whilst other deposits (savings and time) edged higher by 0.4% to \$947 million. The fall in M1 stemmed from a 2% decline in demand deposits to \$3,244 million along with a 0.1% downturn in currency in active circulation to \$743 million. The marginal increase in other deposits reflected an increase in savings deposits from \$75 million in the previous month to \$80 million, offsetting a negligible 0.2% fall in time deposits to \$867 million.

Net foreign assets (NFA) grew by 1% to \$4,754 million in April following the 6% growth observed in March. The increase was supported by a 1% uptick in CBSI's NFA position to \$4,751 million combined with an improvement in Other Depository Corporations' (ODC) NFA from \$2 million in the previous month to \$3 million.

Net domestic asset (NDA) of Depository corporations (DC) shrank for the second month, by 41% to \$180 million in April. This outcome mirrored a decline of 6% in Net Domestic Credit (NDC) to \$1,039 million, together with a fall in Other Items Net (OIN) to \$114 million from \$159 million a month ago and an uptick in capital account by 2% to \$973 million. The fall in NDC was attributed to a 7% upsurge in Net credit to government (NCG) to net liabilities of \$1,291 million despite a 1% increase in Private sector credit (PSC) to \$2,330 million. Growth in NCG was driven by the 12% rise in CBSI's net liability to \$1,048 million whilst ODC's net liabilities dropped by 9% to \$243 million. Growth in PSC was aided by a 1% increase in ODC lending to \$2,189 million against the previous month.

Total liquidity in the banking system fell by 4% to \$2,072 million mainly reflecting increases in government deposits and other items net during the month. This saw both free liquidity and excess liquidity dwindled by 5% each to \$1,746 million and \$1,578 million respectively against the previous month whilst required reserves declined by 1% to \$326 million.

Domestic Market Operations

Consistent with the current accommodative monetary stance, the stock of CBSI Bokolo bills issued remained

at \$750 million at the end of April with the weighted average yield (WAY) for 28 days maintained at 0.62%. The WAY for Government treasury bills for 56, 91 and 182 days levelled off at 0.34%, 0.46% and 1.12% respectively.

II. EXTERNAL CONDITIONS

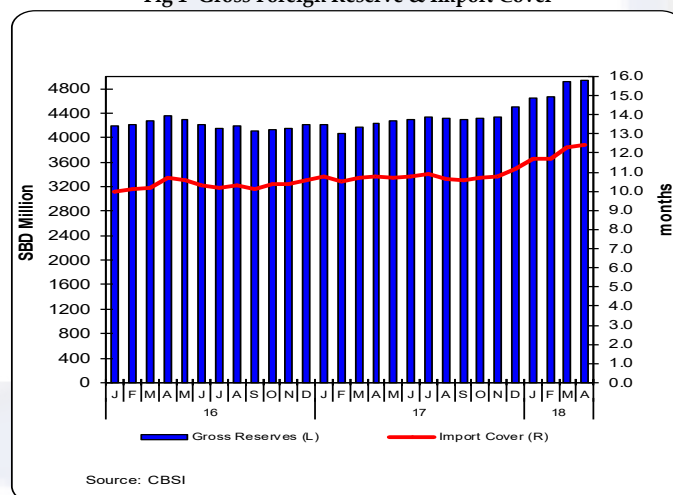
Trade in goods

The Balance on Trade in goods for April 2018 slid to a \$77 million surplus following a revised \$157 million surplus witnessed in the previous month. This drop emanated from a 16% decrease in exports to \$356 million while imports increased by 4% to \$279 million during the month. The fall in exports was driven by a downturn in log, fish, mineral exports and agricultural commodities despite the rise in other exports during the month. On the other hand, the upturn in imports came on the back of the increase in all imports except for machinery, which fell by 33% to \$71 million.

Gross Foreign Reserves

Gross foreign reserves increased marginally by 0.3% to \$4,935 million due to inflows exceeding outflows during the month. This level of reserves is sufficient to cover 12.4 months of imports of goods and services.

Fig 1 Gross Foreign Reserve & Import Cover



Exchange Rate

In April, the Solomon Islands dollar (SBD) depreciated against the United States dollar (USD) by 0.55% to an average of \$7.82 per USD and against the New Zealand

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

dollar by 0.39% to \$5.68 per NZD. Conversely, it appreciated against the Australian dollar by 0.61% to \$6.02 per AUD. Meanwhile, the SBD weakened against the British pound and the Euro dollar but strengthened against the Japanese yen. Because of these mixed movements, the trade weighted exchange rate basket index depreciated by 0.4% to 106.2 during the month.

III. GOVERNMENT FINANCE

The Government recorded a narrowed fiscal surplus of \$56 million during the month of April, following a series of budget surpluses recorded in the last three months. This outcome was driven by a \$113 million decline in total revenue collected against the previous month, while total expenditure rose slightly by \$2 million during the month. Meanwhile, government debt remained broadly the same as in the previous month.

The decline in revenue by 30% in April to \$261 million was attributed to a fall in all the revenue components with tax revenue falling by 22% to \$230 million, nontax fell to \$32 million from \$79 million with no grants received from donor partners during the month. The upturn in total expenditure stemmed from a 26% growth in the development expenditure to \$10 million from \$8 million in preceding month. Recurrent expenses, on the other hand, remained at the same level as in the previous month at \$196 million.

Total central government debt stock stood at \$963 million at the end of April, relatively the same as the previous month. Of the total outstanding debt stock, external debt made up the bulk of the debt stock at \$769 million while domestic debt accounted for the remaining \$195 million. Meanwhile, total debt servicing made during the month amounted to \$3 million, of which \$2 million was on principal repayments and \$1 million on interest payments. In the meantime, the debt-to-GDP ratio remained unchanged at 11% as in the previous month.

IV. DOMESTIC PRODUCTION

Domestic Economy

Based on preliminary estimates, the CBSI monthly production index increased slightly by 1% in April to 109 points from a revised 108 points in the previous month. This outcome reflected the increases in cocoa output and round log production during the month, rising by 22% and 8% respectively. In contrast, copra output fell markedly by 28% while fish catch volumes dropped by 13%. Production data for palm oil products were unavailable for reporting. However, based on recent trends, palm kernel oil production are expected to fall by 12% while crude palm oil are projected to drop by 10% during this

period, each reversing the 22% increase in March.

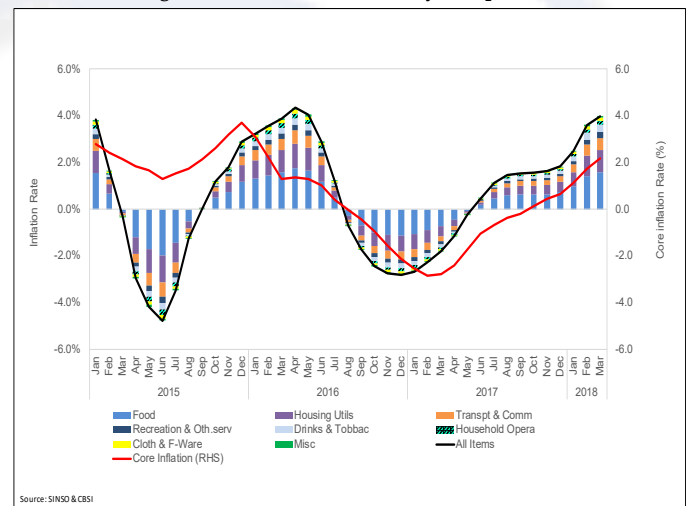
In terms of prices, the average international price for cocoa grew further by 5% in April, while copra price rose slightly by 1%. In contrast, prices for fish and crude palm oil both fell by 2% while round log and palm kernel oil prices dropped by 1% each during the month.

Headline Inflation

Headline inflation grew further to 4.0% in March, from 3.6% in February. This outcome was driven by the price pickups in both domestic and imported inflation during the month. Domestic inflation increased to 5.5% from 5.1% reflecting the price increases in food, drinks and tobacco, household operations, recreation, and clothing and footwear categories. Likewise, imported inflation rose to 1.2% from 0.8% a month ago. This outcome was driven by the price pick up in food, clothing and footwear, and miscellaneous categories. Core inflation increased further to 2.2% from 1.7% in February indicating sizable increases in the prices of non-food and non-fuel items during the month.

Of the overall headline inflation, food accounted for 1.6%, housing and utilities contributed 0.9%, transport and communication represented 0.5%; recreation, and drinks and tobacco categories contributed 0.3% each, whilst all other categories accounted for the remaining 0.4%.

Fig 2: Inflation Contributions by Components



Honiara Fuel Prices

The average fuel price in Honiara fell marginally in April to \$8.46 per litre from \$8.56 per litre in March. This outcome reflected the fall in diesel and petrol prices during the month, each falling by 16 cents to \$8.55 per litre and \$8.34 per litre from \$8.71 per litre and \$8.50 per litre respectively. Meanwhile, kerosene price increased slightly by 2 cents to \$8.50 per litre, from \$8.48 per litre in the previous month.

Solomon Islands Key Economic Indicators

		Dec 17	Jan 18	Feb 18	Mar 18	Apr 18
Consumer price index (% change)	Headline (3mma)	1.8	2.5	3.6	4.0	na
	Underlying (3mma): core 3	0.7	1.0	1.7	2.2	na
	Month -on -Month	0.8	1.8	2.1	-0.3	na
Trade¹ (eop)	Exports (\$ millions)	319	445	317	406	356
	Imports (\$ millions)	267	357	302	268	279
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	7.90	7.78	7.76	7.78	7.82
	SBD per AUD	6.03	6.18	6.13	6.06	6.02
	SBD per NZD	5.49	5.64	5.68	5.66	5.68
	SBD per GBP	10.58	10.72	10.86	10.88	11.03
	SBD per 100 JPY	7.00	7.01	7.19	7.35	7.28
	SBD per EUR	9.35	9.47	9.59	9.61	9.62
Gross Foreign Reserves (eop)	\$ millions	4,499	4,648	4,666	4,919	4,935
Liquidity² (eop)	Total Liquidity (\$)	1,781	1,915	2,005	2,162	2,072
	Excess Liquidity (\$)	1,317	1,432	1,523	1,661	1,578
Money and credit² (eop)	Narrow Money (\$)	3,695	3,752	3,945	4,047	3,987
	Broad Money (\$)	4,744	4,791	4,880	4,991	4,934
	private Sector credit (\$)	2,299	2,312	2,341	2,308	2,330
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 Traesury bills Rate	1.12%	1.12%	1.12%	1.12%	1.12%
Commodity Prices (monthly averages)	Round logs - (US\$/m3)	264	268	276	281	277
	Gold - (US\$/oz)	1,264	1,331	1,331	1,325	1,335
	Palm Oil - (US\$/tonne)	665	679	663	681	666
	Fish -(US\$/tonne)	1,848	1,701	1,695	1,615	1,580
	Copra -(US\$/tonne)	960	943	835	745	756
	Cocoa - (US\$/tonne)	1,920	1,950	2,120	2,500	2,620

¹ Value in terms of free on Board (FOB)

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