

Monthly Economic Bulletin

Data published in this bulletin are subject to revision and the Bank cannot guarantee the accuracy of the information obtained from outside sources.

Content	Page
I. Monetary Developments	1
II. External Conditions	1
III. Government Finances	2
IV. Domestic Production	2-3
V. Key Economic Indicators	4

I. MONETARY DEVELOPMENTS

Money supply (M3) grew by 2% to \$5,244 million in November following a marginal growth of 0.2% in the previous month. The growth was sustained by a 2% rise in narrow money (M1) and a 0.3% uptick in other deposits (savings and time) to \$4,212 million and \$1,032 million respectively. The increase in M1 stemmed from a 2% expansion in demand deposits to \$3,407 million and a 3% growth in currency in active circulation to \$806 million. Meanwhile, the slight increase in other deposits reflected a 3% increase in savings to \$100 million whilst time deposit barely increased during the month.

Net foreign assets (NFA) grew by 2% to \$4,682 million in November reversing the 2% decline observed in October. This outcome was supported by a 2% upturn in CBSI's NFA position to \$4,697 million despite a fall in ODC's NFA by \$9 million. On an annual basis, NFA expanded by 9%.

Net domestic assets (NDA) of Depository corporations (DC) expanded by 2% to \$560 million against the previous month. This outcome reflected a 9% expansion in Net Domestic Credit (NDC) to \$1,397 million. The growth in NDC mirrored a 10% drop in net credit to government (NCG) to minus \$996 million, driven by a decline in CBSI's net liability positions by 17% to minus \$708 million. Meanwhile, private sector credit (PSC) slightly improved by 0.4% to \$2,393 million underpinned by a 0.4% increase in ODC lending to \$2,252 million. On a year-on-year basis, PSC grew by 5% whilst NCG contracted by 5%.

Total liquidity in the banking system rose by 3% to \$2,375 million following a 0.3% fall in a month prior. This outcome reflected decreases in government deposits along with an increase in NFA during the month. Consequently, both free liquidity and excess liquidity went up by 3% to \$2,021 million and \$1,841 million respectively against the previous month. Meanwhile, required reserves expanded by 2% to \$354 million over the month.

Domestic Market Operations

The stock of CBSI Bokolo bills issued at the end of November is capped at \$750 million. The Bokolo Bills weighted average yield (WAY) for 28 days reduced from 0.61% to 0.60% during the month. Meanwhile, the WAY for government treasury bills for the maturity

terms of 56, 91, 182 and 365 days remained unchanged from the previous month at 0.48%, 0.49%, 1.12% and 2.00% respectively.

II. EXTERNAL CONDITIONS

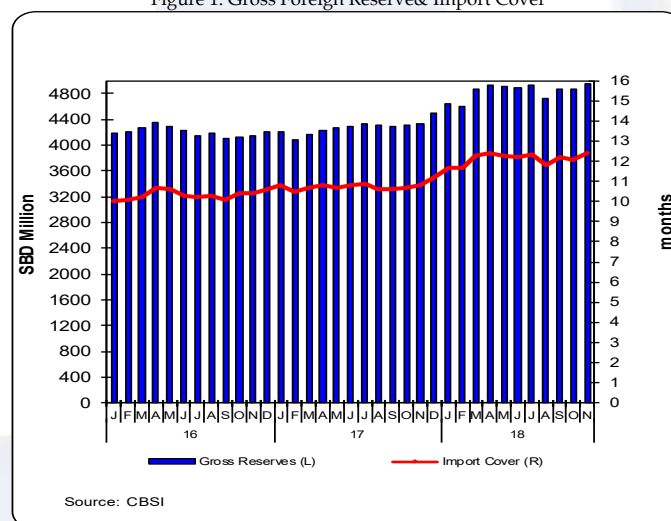
Trade in goods

The balance of trade in goods for November 2018 narrowed to a \$30 million surplus following a \$118 million surplus in the previous month. The weak result reflected a 13% fall in exports to \$397 million coupled with an 8% increase in imports to \$367 million during the month. The decline in exports was driven mainly by relatively low outturns in round logs, agricultural and other commodities in November despite increase in mineral exports. The upturn in imports was attributed to the increase in mineral fuel and other imports despite decrease in food, machineries and basic manufactures categories during the month.

Reserves

Gross foreign reserves grew by 2% to \$4,957 million due to higher inflows surpassing outflows during the month. This level of reserves is sufficient to cover 12.4 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover



Exchange rate

During the month of November, the Solomon Island dollar (SBD) appreciated against the United States dollar by 0.22% to an average of \$8.10 per USD. In contrast, it depreciated against both the Australian dollar (AUD) and New Zealand dollar (NZD) by 1.49% to \$5.86

per AUD and 3.08% to \$5.47 per NZD respectively. The SBD strengthened against the other tradeable currencies, namely, the British pound, Japanese yen and Euro dollar. As a result of mixed movements, the trade weighted basket index appreciated by 0.8% to 109.4 index points during the month.

III GOVERNMENT FINANCE

The Government's fiscal position improved markedly in November, recording a \$20 million surplus against the \$32 million deficit recorded in the previous month. This positive outturn stemmed from the 17% increase in revenue collection to \$345 million, supported by a 1% fall in government's outlays to \$324 million during the period. Meanwhile, the government's debt balance grew by 3% to \$993 million at the end of November.

The increase in government revenue came mainly from higher collections in tax revenue and grants received during the month. Total tax revenue rose by 6% to \$282 million from \$266 million in the previous month. This reflected the 39% surge in taxes on income, profits and capital gains to \$82 million and a 23% increase in taxes on international trade and transactions to \$165 million during the period. Similarly, total grants received was recorded at \$45 million, the highest for the year, attributing to the grant assistance from the Republic of China (ROC). Meanwhile, other revenue collection dropped by 36% to \$18 million driven by lower revenue collection from fishing licences during the month.

The rise in government outlays reflected the surge in capital expenditures which rose by 56% to \$72 million against \$46 million recorded in October. This came as a result of higher capital spending on buildings and structures and other fixed assets, outweighing the fall in machinery and equipment during the period. On the other hand, recurrent spending fell by 10% to \$252 million reflecting lower spending on goods and services, interest payments, social benefits and grant transfers during the month.

The upturn in government's debt balance at the end of November was driven by the increase in domestic debt stock to \$245 million from \$210 million at the end of October. This reflected the \$30 million bond issued to Solomon Power combined with an additional increase in treasury bills issued during the month. Of the total outstanding debt balance of \$993 million, external debt comprised \$748 million while domestic debt accounted for \$245 million. Meanwhile, total debt service payments made during the month amounted to \$2.7 million, of which \$2.4 million was on principal repayment and \$0.3 million was on interest payment.

IV DOMESTIC PRODUCTION

Domestic Economy

Based on preliminary estimates, the CBSI monthly production index fell by 2% to 100 points in November from a revised growth of 13% in October. The negative

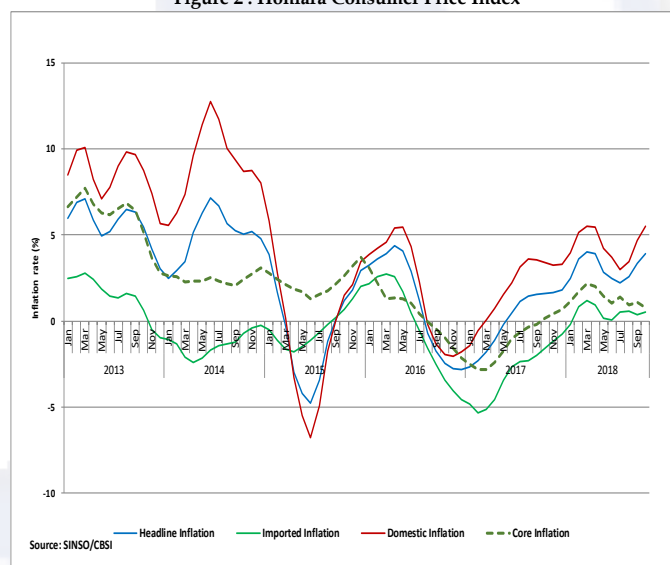
outcome was driven by weaker output in some major commodities during the month. Copra and cocoa production declined by 1% and 65% respectively. Round log production fell by 6% to 216,342 cubic meters against previous month. In contrast, fish catch grew by 12% to 4,109 metric tonnes, palm kernel oil rose by 6.1% to 298 metric tonnes while crude palm oil increased by 7% to 3,079 metric tonnes in November. In terms of prices, the average international price for all export commodities recorded declines except for cocoa and fish prices which grew by 3% each during the month. The Average crude palm oil and palm kernel oil price went down by 9% and 11% respectively in November. Meanwhile, the average international price for round log remained stabled at US\$263 per cubic meter.

Headline Inflation

Headline inflation went up to 3.9% in October from 3.4% in September. This outcome reflected price increases in both domestic and imported inflation during the month. Domestic inflation rose to 5.5% from 4.7% in September, driven by the price increase in food and non-alcoholic beverages, alcoholic beverages and tobacco, and furnishings, household equipment and routine household maintenance. In contrast, clothing and footwear, housing, water, electricity, gas and other fuels categories recorded price falls during the month.

Imported inflation grew slightly to 0.5% in October from 0.4% in September owing to price pickup in transport category, housing, water, electricity and other fuels category while furnishings, household equipment and routine household maintenance, and miscellaneous goods and services categories moderated against last month.

Figure 2 : Honiara Consumer Price Index



Meanwhile, core inflation eased further to 0.8% in October from 1.1% a month ago reflecting slowdown in prices of non-food and non-fuels category against the previous month.

Honiara Fuel Prices

The average fuel price in Honiara further increased to \$10.02 per litre in November from \$9.77 per litre in October. This reflected an increase in price of all fuel

categories during the month. Petrol price grew by 22 cents to \$9.70 per litre from \$9.48 per litre, diesel went up by 40 cents to \$10.17 per litre from \$9.76 per litre while kerosene price picked up by 11 cents to \$10.19 per litre from \$10.08 per litre in the previous month.

Solomon Islands Key Economic Indicators

		Jul 18	Aug 18	Sep 18	Oct 18	Nov 18
Consumer price index (% change)	Headline (3mma)	2.2	2.6	3.4	3.9	na
	Underlying (3mma): core 3	1.4	0.9	1.1	0.9	na
	Month -on -Month	0.2	0.2	0.8	-0.2	na
Trade¹ (eop)	Exports (\$ millions)	342	305	429	458	397
	Imports (\$ millions)	366	340	299	340	367
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.00	8.02	8.08	8.12	8.10
	SBD per AUD	5.92	5.89	5.82	5.77	5.86
	SBD per NZD	5.42	5.36	5.33	5.30	5.47
	SBD per GBP	10.48	10.34	10.54	10.58	10.45
	SBD per 100 JPY	7.16	7.23	7.23	7.20	7.15
	SBD per EUR	9.34	9.27	9.42	9.34	9.20
Gross Foreign Reserves (eop)	\$ millions	4,930	4,724	4,877	4,864	4,957
Liquidity² (eop)	Total Liquidity (\$)	2,226	2,049	2,314	2,307	2,375
	Excess Liquidity (\$)	1,715	1,543	1,797	1,784	1,841
Money and credit² (eop)	Narrow Money (\$)	4,136	4,023	4,139	4,121	4,212
	Broad Money (\$)	5,105	4,998	5,140	5,150	5,244
	private Sector credit (\$)	2,375	2,402	2,388	2,384	2,393
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.62%	0.61%	0.61%	0.61%	0.60%
	56-days Treasury Bills rate	0.46%	0.46%	0.47%	0.48%	0.48%
	91- days Treasury Bills rate	0.46%	0.46%	0.49%	0.49%	0.49%
	182-days Treasury Bills rate	1.12%	1.12%	1.12%	1.12%	1.12%
	365-days Treasury Bills rate	0.00%	0.00%	2.02%	2.00%	2.00%
Commodity Prices (monthly averages)	Round logs - (US\$/m3)	267	268	266	264	263
	Gold - (US\$/oz)	1,238	1,202	1,198,	1,215	1,221
	Palm Oil - (US\$/tonne)	545	534	524	499	540
	Fish -(US\$/tonne)	1,324	1,310	1,321	1,383	1,423
	Copra -(US\$/tonne)	NA	NA	NA	NA	NA
	Cocoa - (US\$/tonne)	2,360	2,170	2,190	2,130	2,190

¹ Value in terms of free on Board (FOB)

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