

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Broad Money (M3) posted a 1% growth to \$5,166 million in July, up from a 1% fall in the previous month. The upturn was driven by increases in both narrow money (M1) and other deposits (time and savings). M1 increased by 0.3% to \$4,090 million and other deposits by 4% to \$1,075 million. M1 growth was sustained by a 0.1% uptick in currency in circulation to \$751 million and a 0.4% rise in demand deposits to \$3,340 million. The expansion in other deposits emanated from a 2% rise in savings to \$96 million and 4% upturn in time deposits to \$979 million.

Net foreign assets (NFA) declined by 2% to \$4,698 million in July driven by a 3% contraction in CBSI's NFA to \$4,686 million. On the other hand, other depository corporation's (ODC) NFA expanded from minus \$9.6 million in the prior month to \$12 million. NFA contracted by 1% on annual basis.

Net domestic assets (NDA) rebounded by 50% to \$468 million relative to June. This outcome mirrored a 10% increase in net domestic credit (NDC) to \$1,213 million and a surge in other items net (OIN) by 34% to \$353 million. The expansion in NDC stemmed from a 5% drop in net credit to government (NCG) to minus \$1,301 million; coupled with a 1% rise in private sector credit (PSC) to \$2,514 million. On a year on year basis, PSC grew by 6% and NCG by 18%.

Liquidity in the banking system rose by 1% to \$2,058 million in July largely driven by a fall in NCG and growth in OIN. Consequently, both free liquidity and excess liquidity slightly increased by 0.5% to \$1,695 million and 0.4% to \$1,507 million respectively. Required reserves edged 3% higher to \$363 million during the month.

Domestic Market Operations

CBSI received a total bid of \$1,141 million for its Boloko bills; however, only \$750 million was accepted. The Bokolo Bills weighted average yield (WAY) for 28 days remained at 0.56% from the previous month. Meanwhile, only \$14.1 million was absorbed from a total bid of \$29.4 million tendered for the government's Treasury Bills. The WAY for 91, 182 and 365 days remained fixed at 0.49%, 1.12% and 1.98%, respectively.

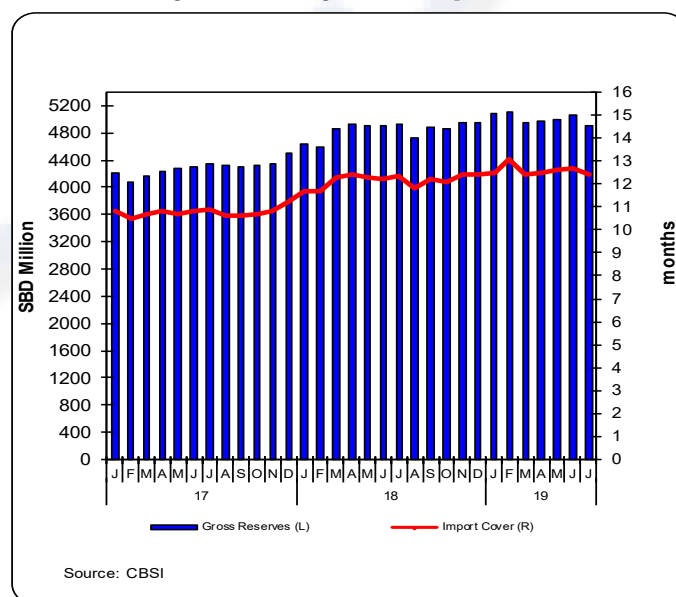
II. EXTERNAL CONDITIONS

Balance on Trade

The balance on trade in goods for the month of July

plunged to a provisional \$51 million deficit reversing the revised \$67 million surplus in the previous month. This negative outcome was driven by a 16% drop in exports, to \$298 million and the 22% rise in imports to \$348 million during the month. The decline in exports reflected a larger magnitude fall in round logs, which more than offset an increase in fish, minerals, and agricultural exports. Meanwhile, the upturn in imports was attributed to higher payments for fuel, food and miscellaneous items.

Figure 1: Gross Foreign Reserve & Import Cover



Gross Foreign Reserves

Gross foreign reserves fell by 3% to \$4,913 million, due to the deficit trade balance position during the month. This level of reserves is sufficient to cover 12.4 months of imports of goods and services.

Exchange Rate

In July, the Solomon Islands dollar (SBD) appreciated slightly by 0.08% against the United States dollar (USD) to an average of \$8.17 per USD and depreciated against the Australian dollar (AUD) and the New Zealand dollar (NZD) by 0.13% to \$5.68 per AUD and by 0.52% to \$5.41 per NZD respectively. It also weakened against the Euro (EUR) but strengthened against the British pound (GBP) and Japanese Yen (JPY). As a result, of the stronger effect against the USD, the SBD weighted index improved by 31 basis points to 110.8 during the month.

III GOVERNMENT FINANCE

Government's fiscal position deteriorated in July to a deficit of \$108 million, compared to a surplus of \$72 million recorded in June 2019. This negative outcome was driven by a 36% decline in revenue collection to \$220 million and a 20% increase in total government outlays to \$328 million during the month. Meanwhile, the central government's debt stock slipped from \$1,043 million to \$1,042 million at the end of July.

The decline in total government's revenue reflected lower collections across all revenue categories during the month. Tax revenue fell by 22% to \$209 million driven by the reduction in tax on income and profits, and taxes on international trade and transactions. Similarly, non-tax revenue dropped substantially from \$42 million to \$11 million, attributing to lower proceeds from fishing licenses and reduced collection on sales of goods and services during the period. Donor grant receipts also fell markedly to \$0.3 million in July from \$34 million received a month ago.

The increase in government's expenditure was driven by increased spending on both recurrent and capital outlays during the month. Recurrent expenses grew by 14% to \$289 million reflecting higher spending on goods and services, subsidies, grants, social benefits and other payments. Likewise, development expenditure more than doubled from \$19 million to \$40 million driven by higher spending on fixed assets during the month.

The slight reduction in government's debt stock reflected the decline in external debt balance owing to debt repayment to the Asian Development Bank (ADB) during the month. Of the total outstanding debt balance, external debt comprised of \$770 million while domestic debt accounted for \$271 million. Meanwhile,

total debt servicing made in July amounted to \$3.8 million, of which \$3.1 million was on principal repayment and \$0.7 million was on interest payments.

IV DOMESTIC PRODUCTION

Domestic Economy

The CBSI production index declined by 20% to a preliminary 81 points in July from a revised 102 points in June. This outcome was largely driven by the lower output in round logs and copra outweighing the higher outturns in palm oil, fish, and cocoa. Round logs declined by 38% to 152,000 m³ and copra by 17% to 202 tonnes. On the other hand, crude palm oil (CPO) grew by 18% to 3,577 tonnes, cocoa by five folds to 879 tonnes, and fish catch by 5% to 3,581 tonnes.

International commodity prices for CPO and fish declined during the month. CPO fell 1% to US\$544 per ton and fish by 8% to US\$1,134 per ton. Round log remained the same at US\$275 per m³. Meanwhile, cocoa prices increased negligibly by less than 1% to US\$2,420 per ton.

Headline Inflation

The National Statistics Office is yet to publish the inflation data for June at the time of this monthly bulletin.

Honiara Fuel Prices

The average fuel price in Honiara fell in July to \$9.06 per litre from \$9.34 per litre in June, reversing the upward movement over the past four consecutive months. This outcome reflects the price falls in both petrol and diesel prices during the month. Petrol price went down by 60 cents to \$8.52 per litre, while diesel price declined by 43 cents to \$9.02 per litre. In contrast, kerosene price picked up by 20 cents to \$9.65 per litre in the prior month.

Solomon Islands Key Economic Indicators

		Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19
Consumer price index (% change)	Headline (3mma)	2.1	1.3	0.5	1.0	na	na
	Underlying (3mma): core 3	1.3	1.7	1.4	1.5	na	na
	Month -on -Month	-0.9	1.3	-0.9	-0.1	na	na
Trade¹ (eop)	Exports (\$ millions)	324	324	204	394	322	298
	Imports (\$ millions)	585	285	293	385	286	348
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.08	8.10	8.10	8.15	8.17	8.17
	SBD per AUD	5.77	5.74	5.76	5.66	5.67	5.68
	SBD per NZD	5.52	5.54	5.45	5.35	5.38	5.41
	SBD per GBP	10.49	10.68	10.56	10.48	10.35	10.31
	SBD per 100 JPY	7.32	7.29	7.26	7.40	7.56	7.56
	SBD per EUR	9.17	9.16	9.10	9.11	9.22	9.22
Gross Foreign Reserves (eop)	\$ millions	5,099	4,948	4,974	4,994	5,082	4,913
Liquidity² (eop)	Total Liquidity (\$)	2,189	2,123	2,502	2,104	2,040	2,058
	Excess Liquidity (\$)	1,646	1,583	1,961	1,567	1,501	1,507
Money and credit² (eop)	Narrow Money (\$)	4,277	4,180	4,187	4,140	4,078	4,090
	Broad Money (\$)	5,260	5,203	5,213	5,152	5,112	5,166
	Private Sector credit (\$)	2,430	2,458	2,471	2,480	2,484	2,514
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.59%	0.59%	0.58%	0.57%	0.56%	0.56%
	56-days Treasury Bills rate	na	na	na	na	na	na
	91- days Treasury Bills rate	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%
	182-days Treasury Bills rate	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%
	365-days Treasury Bills rate	2.00%	2.00%	2.00%	1.99%	1.98%	1.98%
Fiscal Balance³ Surplus(+)/Deficit(-)	\$ million	-37.9	-61.0	-71.2	-60.0	72.0	-108
SIG Debt stock (eop)	\$ million	1,027.0	1,031.3	1,027.8	1,035.0	1,037	1,042
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	270	268	267	271	275	275
	Gold - (US\$/oz)	1,320	1,301	1,286	1,284	1,359	1,413
	Palm Oil - (US\$/tonne)	603	573	588	563	552	544
	Fish -(US\$/tonne)	1,434	1,404	1,354	1,180	1,228	1,134
	Copra -(US\$/tonne)	na	na	na	na	na	na
	Cocoa - (US\$/tonne)	2,260	2,200	2,330	2,320	2,410	2,420

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

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

³ Fiscal balance based on GFSM2014 standards.

Note;
na : not available at time of publication.