

Monthly Economic Bulletin

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

I. MONETARY DEVELOPMENTS

Money Supply (M3) fell by 2% to \$5,077 million in August. This outturn mirrored reductions in both narrow money (M1) and other deposits (time and savings); the former by 1% to \$4,032 million and the latter by 3% to \$1,045 million. The fall in M1 stemmed from a 2% decrease in demand deposits to \$3,284 million and a negligible 0.3% decline in currency in active circulation to \$748 million. The fall in other deposits was attributed to a 3% drop in time deposits to \$948 million despite a rise in savings by 1% to 96 million.

Net foreign assets (NFA) contracted by 2% to \$4,588 million driven largely by a 2% fall in CBSI's NFA to \$4,590 million. On the other hand, net domestic assets (NDA) expanded by 5% to \$489 million following an increase in domestic credit by 9% to \$1,326 million. The increase in domestic credit was due largely to a decline in net credit to government (NCG) by 8% to minus \$1,200 million despite a marginal growth in private sector credit (PSC) by 0.5% to \$2,526 million. On a year-on-year basis, NCG and PSC grew by 11% and 5% respectively. Meanwhile, capital accounts and other items net declined by 4% to \$1,053 million and 39% to 216 million.

Liquidity in the banking system edged lower by 0.5% to \$2,048 million following a 1% increase recorded in July. Required reserves also dipped by 1.0% to \$358 million during the month. Meanwhile, free liquidity slipped by 0.3% to \$1,690 million whilst excess liquidity edged higher by 0.1% to \$1,508 million.

Domestic Market Operations

The stock of CBSI bokolo bills issued in August remain capped at \$750 million although the weighted average yield (WAY) rate fell to 0.55% from 0.56% in July. On government's treasury bills, \$29.17 million was tendered in August with only \$12 million accepted. The WAY for 91, 182 and 365 days remained at 0.49%, 1.12% and 1.98% as in July.

II. EXTERNAL CONDITIONS

Trade in Goods

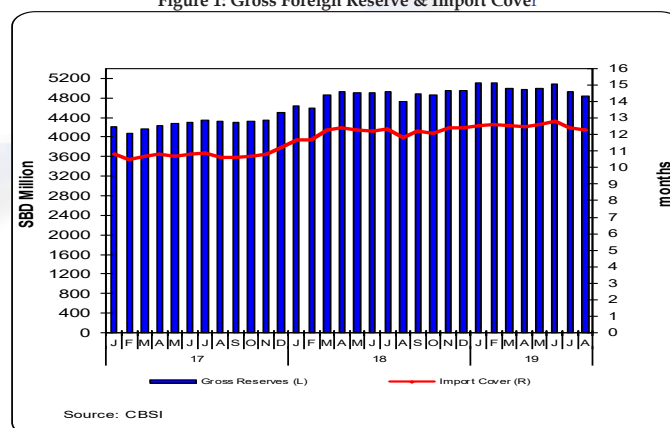
The balance on trade in goods for August 2019 narrowed to a \$17 million deficit from a revised \$25 million deficit witnessed in the previous month. This outcome was driven by a slowdown in both exports

and imports with a larger magnitude fall in imports by \$52 million. Exports declined by 14% to \$279 million reflecting the fall across all other export commodities except for round logs. Meanwhile, the drop in imports was attributed to the decline in basic manufactures and miscellaneous imports, which more than offset the pickup in food, mineral fuel and machineries.

Reserves

Gross foreign reserve slid by 2% to \$4,839 million, due to higher outflows than inflows during the month. This level of reserves was sufficient to cover 12.3 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover



Exchange rate

In August, the Solomon Islands dollar depreciated against the United States dollar (USD) by 1.0% to an average of \$8.24 per USD. On the other hand, it appreciated against the Australian dollar by 2% to \$5.58 per AUD and New Zealand dollar by 3% to \$5.31 per NZD. The Solomon Islands dollar also strengthened against the British pound, but weakened against the Japanese yen and euro dollar. Meanwhile, the strong dominance of the US dollar resulted in a fall in the total weighted index by 138 basis points to 112.3 during the month.

III GOVERNMENT FINANCE

The Government's fiscal balance narrowed to a deficit of \$66 million in August, compared to a \$108 million deficit in July. This outcome emanated from the surge in revenue collection by 30% to \$287 million outweighing an 8% increase in government's expenditures to \$353 million during the month. Meanwhile, the overall

debt stock edged up by 1% to \$1,052 million at the end of the month.

The growth in total revenue was largely driven by the increase in both tax and non-tax receipts in August. Tax revenue firmed up by 9% to \$228 million, attributed to the upturn in taxes on income, profits and capital gains, taxes on goods and services and, taxes on international trade and transactions. Likewise, non-tax revenue surged from \$11 million to \$59 million this month, reflecting strong collections from fishing licences during the period. Meanwhile, no donor grants assistance was received in August.

The increase in total government's outlays was underpinned by the pickup in recurrent and development expenditures during the month. Recurrent expenses rose by 3% to \$297 million, stemming from higher spending on compensation of employees, purchases of goods and services, social benefits and other payments. Similarly, capital expenditure surged by 40% to \$56 million, driven by the increased spending on 'buildings and structures', and 'machinery and equipment' during the month.

The slight increase in Central Government's debt stock reflected the additional loan disbursement by the World Bank combined with the increase in treasury bills issued and foreign exchange rate movements during the month. Of the total outstanding debt balance, external debt accounted for \$778 million while domestic debt comprised of \$274 million. Meanwhile, total debt servicing payments in August was \$3.3 million, of which \$2.6 million was on principal

repayment and \$0.7 million was on interest payments.

IV DOMESTIC PRODUCTION

Domestic Economy

The CBSI preliminary monthly production index rebounded by 16% to 94 points in August from 81 points in July. This outcome was attributed to the higher outturn in round logs and copra offsetting the lower output in cocoa, palm oil, and fish. Round logs and copra picked up markedly by 38% to 209,000 cubic meters and 22% to 247 tonnes respectively. Meanwhile, cocoa declined 49% to 450 tonnes, palm oil by 12% to 3,141 tonnes, and fish catch by 10% 3,515 tonnes.

The average international price for key export commodities went up during the month except for cocoa that dropped by 10% to US\$2,190 per ton. Round logs increased by 2% to US\$280 per cubic meter, fish by 12% each to US\$1,273 per ton, palm oil by 8% to US\$586 per ton, and coconut oil by 9% to US\$719 per ton.

Headline Inflation

The National Statistics Office is yet to publish the inflation data for June.

Honiara Fuel Prices

The average fuel price in Honiara picked up in August to \$9.21 per litre from \$9.06 per litre in July. This outcome reflected price increases across all fuel categories during the month. Petrol price increased markedly by 20 cents to \$8.72 per litre, kerosene price rose by 18 cents to \$9.83 per litre, while diesel price grew by 6 cents to \$9.08 per litre.

Solomon Islands Key Economic Indicators

		Mar 19	Apr 19	May 19	Jun 19	Jul 19	Aug 19
Consumer price index (% change)	Headline (3mma)	1.3	0.5	1.0	na	na	na
	Underlying (3mma): core 3	1.7	1.4	1.5	na	na	na
	Month -on -Month	1.3	-0.9	-0.1	na	na	na
Trade¹ (eop)	Exports (\$ millions)	324	204	394	322	323	279
	Imports (\$ millions)	285	293	385	286	348	296
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.10	8.10	8.15	8.17	8.16	8.24
	SBD per AUD	5.74	5.76	5.66	5.67	5.70	5.58
	SBD per NZD	5.54	5.45	5.35	5.38	5.45	5.31
	SBD per GBP	10.68	10.56	10.48	10.35	10.18	10.01
	SBD per 100 JPY	7.29	7.26	7.40	7.56	7.54	7.75
	SBD per EUR	9.16	9.10	9.11	9.22	9.16	9.17
Gross Foreign Reserves (eop)	\$ millions	4,948	4,974	4,994	5,082	4,928	4,839
Liquidity² (eop)	Total Liquidity (\$)	2,123	2,502	2,104	2,040	2,058	2,048
	Excess Liquidity (\$)	1,583	1,961	1,567	1,501	1,507	1,508
Money and credit² (eop)	Narrow Money (\$)	4,180	4,187	4,140	4,078	4,090	4,032
	Broad Money (\$)	5,203	5,213	5,152	5,112	5,166	5,077
	Private Sector credit (\$)	2,458	2,471	2,480	2,484	2,514	2,526
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.59%	0.58%	0.57%	0.56%	0.56%	0.55%
	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%	1.99%	1.98%	1.98%	1.98%
Fiscal Balance³ Surplus(+)/Deficit(-)	\$ million	-61.0	-71.2	-60.0	72.0	-108	-66.0
SIG Debt stock (eop)	\$ million	1,031.3	1,027.8	1,035.0	1,037	1,042	1,052
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	268	267	271	275	275	280
	Gold - (US\$/oz)	1,301	1,286	1,284	1,359	1,413	1,500
	Palm Oil - (US\$/tonne)	573	588	563	552	544	586
	Fish -(US\$/tonne)	1,404	1,354	1,180	1,228	1,134	1,273
	Copra -(US\$/tonne)	na	na	na	na	na	na
	Cocoa - (US\$/tonne)	2,200	2,330	2,320	2,410	2,420	2,190

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.