

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Money supply (M3) slightly grew by 0.5% to \$5,045 million in April 2020 after a 0.2% fall in March. This was driven by an increase in other deposits (time and savings) by 2% to \$1,051 million while narrow money (M1) marginally decreased by 0.01% to \$3,993 million. Growth in other deposits stemmed from increases in both time and savings deposits; the former by 2% to \$953 million and the latter by 3% to \$98 million. On the other hand, M1 declined on account of a 1% fall in demand deposits to \$3,185 million, outweighing the 4% growth in currency in active circulation to \$809 million.

Net foreign assets (NFA) of the banking system expanded by 3% to \$4,429 million in April following a 1% decline in March 2020. This was driven by a 3% rise in CBSI's NFA to \$4,374 million despite the slight fall in NFA of other depository corporations from \$54.3 million to \$53.2 million during the month. Annually, NFA contracted by 7%.

Net domestic assets plunged in April 2020 by 16% to \$616 million following a 7% growth in March. The outcome reflected a 49% fall in other items net to \$206 million dampening the growth in net domestic credit by 5% to \$1,670 million and the 1% downturn in the capital account. The increase in net domestic credit was led by a reduction in net credit to government (NCG) by 11% to minus \$843 million along with a slight fall in private sector credit (PSC) by 1% to \$2,513 million. On an annual basis, PSC grew by 2% while NCG declined by 36%.

Liquidity in the banking system broadened by 2% to \$1,926 million in April, resulting in a 2% uptick in free liquidity to \$1,518 million and a 5% growth in excess liquidity to \$1,406 million. Meanwhile, required reserves also grew by 1% to \$344 million during the month.

#### Domestic Market Operations

The stock of CBSI Boloko bills issued for 28 days in April 2020 reduced by \$20 million to \$730 million. The rate of the weighted average yield (WAY) for the 28 days remained at 0.52% from the previous month. Meanwhile, government treasury bills tendered during the month totalled to \$20 million, of which \$9 million was accepted. The WAY for 91 and 365 days remain unchanged from the previous month at 0.49% and 1.95% respectively. However, the WAY for 182 days increased from 1.12% to 1.17%.

### II. EXTERNAL CONDITIONS

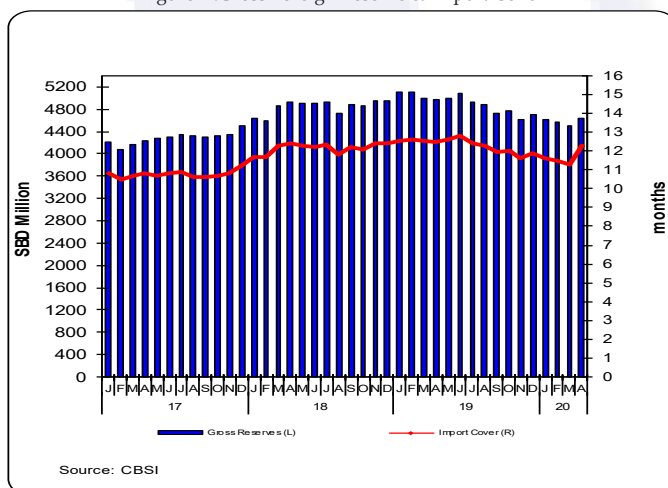
#### Balance of Trade in goods

In the month of April, the balance of trade in goods tumbled to a \$63 million deficit following a \$115 million surplus recorded in the previous month. This negative turnaround came from the sharp decline in exports by 65% to \$114 million, along with a sizable fall in imports by 17% to \$177 million. The fall in exports was driven largely by substantial declines in log shipments and all export commodities during the month, while the drop in imports was largely due to decreases in food, machineries, and all other imports that more than offset increases in mineral fuel & basic manufactures. The April outturns indicates as anticipated the first month impact of the coronavirus on the country's external sector, and thereafter the economy.

#### Reserves

Gross foreign reserves improved by 3.1% to \$4,636 million, due to higher inflows than outflows during the month. This level of reserves is sufficient to cover 12.3 months of imports of goods and services.

Figure 1 :Gross Foreign Reserve & Import Cover



#### Exchange Rates

In April, the Solomon Islands dollar (SBD) depreciated by 0.5% against the United States dollar (USD) to an average of \$8.32 per USD. It also depreciated by 1.4% against the Australian dollar (AUD) to \$5.23 per AUD but appreciated by 0.48% against the New Zealand dollar (NZD) to \$4.99 per NZD. On the other hand, it weakened against the British pound (GBP) and Japanese Yen (JPY) but strengthened against the

Euro dollar (EUR) during the month. As a result of the mixed movements within the currency basket, the total weighted index improved by 35 basis points to 116.2.

### III GOVERNMENT FINANCE

The Government recorded a broader deficit of \$176 million in April 2020, compared to a deficit of \$11 million registered in March 2020. This negative outcome resulted from a fall in revenue collection by 33% to \$186 million along with an increase in total expenditure by 26% to \$362 million. Meanwhile, the outstanding debt stock grew further by 2% to \$1,088 million at the end of April.

The fall in total revenue mirrored declines in tax, non-tax receipts, and grant receipts during the month. Tax revenue fell notably by 32% to \$167 million, stemming from lower collections on taxes on income, profits, and capital gains, tax on property, and taxes on international trade and transactions. This outturn negated gains in tax on goods and services by 14% to \$75 million. Likewise, non-tax revenue contracted from \$31 million to \$19 million this period, driven by fewer proceeds from fishing licenses and sales of goods and services. Similarly, no donor grants assistance was recorded in April.

The increase in expenditure emanated from higher recurrent spending during the period, surging by 35% to \$334 million. Underpinning this outcome was increased spending on purchases of goods and services, interest, subsidies, grants, social benefits, and other payments. On the other hand, capital outlays contracted from \$40 million in March to \$28 million, attributing to spending cuts on fixed assets.

The pickup in the central government's debt balance reflected an additional loan disbursement by the Asian Development Bank (ADB) and foreign exchange rate movements during the month. As a share of the outstanding debt stock, external debt accounted for \$823 million while domestic debt represented \$265 million.

Total debt servicing payments in April 2020 was \$3 million, of which \$2 million was on principal repayments and \$1 million on interest payments.

### IV DOMESTIC ECONOMY

#### Domestic Economy

The CBSI monthly production index declined by 60% to a first-time record low of 41 points in April 2020 from a revised 103 points in March 2020. All export commodities recorded a lower output during the month following the impact of the Coronavirus on weak global demand conditions and the public health precautionary measures in the country. Round logs declined by 69% to 78 thousand cubic meters, fish catch by 42% to 1,080 tons, copra fell by 19% to 971 tons, cocoa by 18% to

673 tons, and palm oil dropped by 8% to 3,166 tons.

The average international prices for round logs and agricultural commodities weakened during the month except for fish price, which increased by 13% to US\$1,882 per ton. Round logs world prices slightly dropped to US\$276 per cubic meter from US\$277 per cubic meter in the previous month. For global agricultural commodity prices, palm oil declined by 4% to US\$609 per ton, cocoa fell by 3% to US\$2,270 per ton, and coconut oil dropped to US\$835 per ton from US\$836 per ton.

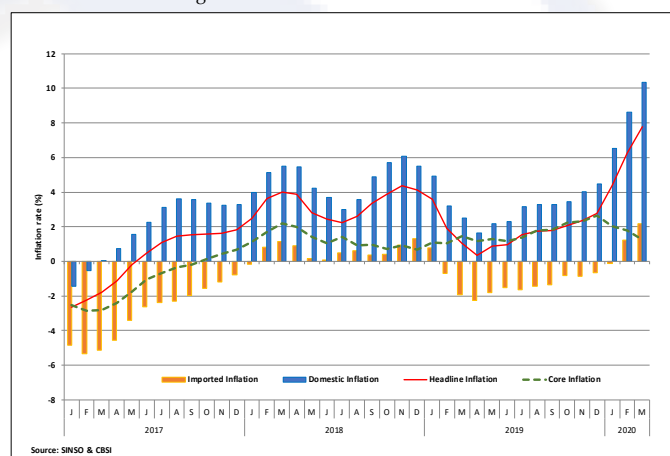
#### Consumer Price Index (CPI), Inflation

The latest national headline inflation for March 2020 jumped to 7.8% from 6.3% recorded in February 2020. This outcome reflected the rise in both domestic and imported inflation in March.

Domestic inflation rose further in March 2020 to 10.3% from 8.6% in February 2020 driven by higher prices in betel nuts, local vegetables and fruits. Likewise, imported inflation edged up in March to 2.2% from 1.2% in February attributed to the higher prices in imported meats, gas, and fuel.

Meanwhile, core inflation moderated to 1.2% in March from 1.8% posted in February 2020, implying a slow-down in the prices of non-volatile consumer items and ultimately consumer demand during the month.

Figure 2: Honiara Consumer Price Index



#### CBSI Monthly Price Index (MPI)

CBSI MPI index rebounded by 5.3% to 108 points in April 2020 from 103 points in March 2020. This outcome was driven by an increase in the prices of betelnut and rice despite the fall in electricity tariff and all fuel categories during the month. On average, betelnut price increased to \$3.00 per fruit due to a shortage of supply in the market, whilst the price of rice grew to \$174.8 per bag. On the other hand, electricity tariff declined in April 2020 to \$6.41 per kilowatt-hour from \$6.55 per kilowatt-hour in March 2020, and fuel price dropped further by 40 cents to \$8.36 per litre.

## Solomon Islands Key Economic Indicators

		Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20
<b>Consumer price index</b> (% change )	Headline (3mma)	2.4	2.8	4.4	6.3	7.8	na
	Underlying (3mma): core 3	2.3	2.6	2.0	1.8	1.2	na
	Month -on -Month	0.3	0.0	5.1	0.3	0.0	na
<b>CBSI MPI</b> (weighted Index)	Month- on - Month	-	99	111	114	103	108
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	243	234	261	322	329	114
	Imports ( \$ millions)	340	361	267	242	214	177
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	8.24	8.24	8.20	8.23	8.28	8.32
	SBD per AUD	5.63	5.65	5.63	5.50	5.15	5.23
	SBD per NZD	5.28	5.41	5.42	5.27	5.01	4.99
	SBD per GBP	10.61	10.79	10.73	10.68	10.24	10.31
	SBD per 100 JPY	7.57	7.55	7.51	7.48	7.69	7.72
	SBD per EUR	9.11	9.14	9.11	8.98	9.14	9.04
<b>Gross Foreign Reserves</b> (eop)	\$ millions	4,640	4,706	5,086	5,095	4,585	4,636
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	1,925	1,921	1,882	1,899	1,863	1,926
	Excess Liquidity ( \$ millions)	1,391	1,402	1,362	1,375	1,386	1,406
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	3,948	4,044	3,929	3,994	3,994	3,993
	Broad Money ( \$ millions)	4,997	5,113	4,971	5,031	5,021	5,045
	Private Sector credit (\$ millions)	2,559	2,553	2,551	2,534	2,538	2,513
<b>Interest Rates</b> ( weighted average yield)	28-days Bokolo Bills rate	0.55%	0.55%	0.53%	0.53%	0.52%	0.52%
	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%	1.17%
	365-days Treasury Bills rate	1.98%	1.98%	1.96%	1.96%	1.95%	1.95%
<b>Fiscal Balance<sup>3</sup></b> Surplus(+)/Deficit(-)	\$ million	-101	-84	-11	-65	-11	-176
<b>SIG Debt stock</b> (eop)	\$ million	1,087	1,070	1,066	1,066	1,068	1,088
<b>Global Commodity Prices</b> ( monthly averages)	Round logs - ( US\$/m3)	273	273	272	271	277	276
	Gold - (US\$/oz)	1,471	1,479	1,561	1,597	1,592	1,683
	Palm Oil - (US\$/tonne)	683	770	835	729	635	609
	Fish -(US\$/tonne)	1,261	1,538	1,646	1,952	1,665	1,882
	Coconut oil -(US\$/tonne)	836	1,016	993	844	836	835
	Cocoa - (US\$/tonne)	2,520	2,440	2,600	2,720	2,340	2,270

<sup>1</sup> Value in terms of free on Board (FOB)

<sup>2</sup> Based on weekly statistics provided by other depository corporations ( ODCs).

<sup>3</sup> Fiscal balance based on GFSM2014 standards.

Note;  
na : not available at time of publication.