

## 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
V. Key Economic Indicators	3

### I. MONETARY DEVELOPMENTS

Money supply (M3) fell by 1% to \$5,314 million in March driven by narrow money (M1) which dropped by 2% to \$4,432 million despite a 1% growth in other deposits to \$883 million. The fall in M1 was due to the decrease in demand deposits, notwithstanding an increase in currency in circulation. The uptick in other deposits was driven mainly by growth in time deposits.

Net foreign assets (NFA) of the banking sector declined by 1% to \$4,861 million in March due to the 1% fall in CBSI's NFA to \$4,830 million. NFA of ODCs, however, grew from \$19 million to \$31 million. NFA narrowed by 0.5% on an annual basis<sup>1</sup>.

Net domestic assets (NDA) weakened by 5% to \$453 million in March, attributable to a 5% fall in domestic credit to \$1,503 million. Domestic credit fell as a result of a 0.3% downturn in Private Sector Credit (PSC) to \$2,537 million. On the other hand, net credit to government (NCG) grew by 7% to minus \$1,034 million reflecting the increase in government deposits held with CBSI during the month. On an annual basis, PSC and NCG increased by 2% and 9% respectively.

Total liquidity in the banking system declined by 4% to \$2,340 million. This was stirred by the fall in NFA during the month. Consequently, both free and excess liquidity dropped by 5% to \$2,108 million and \$1,930 million respectively. Required reserves also edged lower by 1% to \$231 million as deposits fell in the banking system during the month.

#### Domestic Market Operations

CBSI Boloko Bills stock held at the end of March remained at \$430 million reflecting the expansionary monetary policy stance during the period. The weighted average yield (WAY) for Bokolo Bills in March declined to 0.20% from 0.23% in February. Meanwhile, Treasury Bills accepted \$13 million from the \$26 million that was tendered during the month. The WAY for 91 and 182 days remained at 0.49% and 1.05% respectively. The WAY for 182 days, however, fell to 1.92% from 1.93% in the previous month.

### II. EXTERNAL CONDITIONS

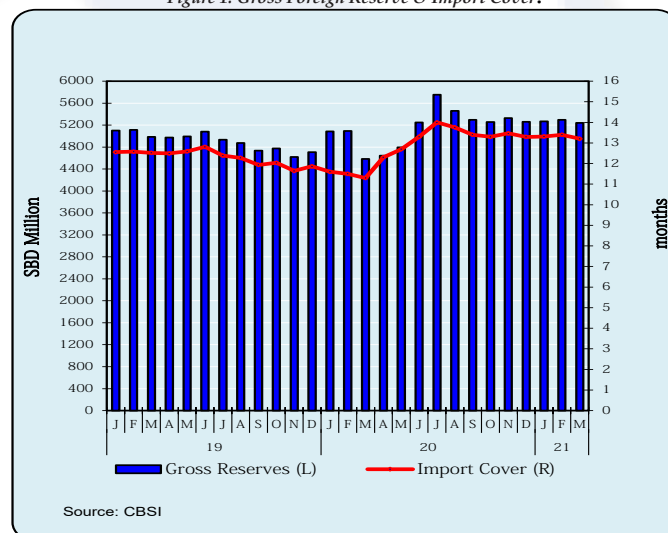
#### Trade in goods

The balance on trade in goods for the month of March recorded a narrowed deficit of \$0.4 million from \$89 million deficit witnessed in the previous month. This outcome reflected a significant 41% increase in exports to \$259 million and a 5% fall in imports to \$260 million. The surge in exports came from higher shipments in round log exports and minerals which outweighed the fall in fish, and agricultural exports. The fall in exports was attributed to lower payments for fuel and basic manufactures, despite the increasing imports for food and machineries during the month.

#### Reserves

Gross foreign reserves at the end of March fell marginally by 1% to \$5,239 million, mainly from exchange rate revaluation loss. This level of reserves is sufficient to cover 13.2 months of imports.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange Rates

In March 2021, the Solomon Islands dollar (SBD) on average strengthened against all the trading currencies. Against the United States dollar by 0.3% to \$7.99 per USD, 0.8% against the Australian dollar to \$6.16 per AUD and 1.6% against the New Zealand dollar to \$5.71 per NZD. The trade weighted index (TWI) however weakened by 11 basis points to an index of 106.

<sup>1</sup> The percentage change on annual basis refers to growth comparison against end of 2020

### III GOVERNMENT FINANCE

The government recorded a surplus of \$42 million in March, an improvement from the \$87 million deficit posted in February. This stemmed from strong revenue collections which increased to \$276 million from \$171 million in February, and a decline in total expenditure by 9% to \$234 million. Meanwhile, the government's debt stock fell slightly by 1% to \$1,427 million in March, equivalent to 11% of GDP.

Increases in both tax and non-tax receipts underpinned the growth in revenue collections. Tax revenue expanded to \$259 million from \$158 million in February, supported by strong collections on company tax, property tax, GST and import and export duties. Similarly, non-tax revenue rose by 34% to \$17 million, owing to higher proceeds from fishing licenses and administrative fees.

The total expenditure during the month consisted entirely of recurrent spending as the development budget remained on hold awaiting the appropriation of the 2021 national budget<sup>1</sup>. The fall in expenditure, therefore, mirrored a reduction in spending for goods and services by 16% to \$83 million, grants to \$3 million from \$13 million, and other payments by 33% to \$24 million. Conversely, payroll increased by 11% to \$117 million.

The slight decline in overall debt stock reflected principal debt servicing and favourable exchange rate movements. The external debt slipped by 1.3% to \$974 million while domestic debt edged up by 0.2% to \$453 million. Debt servicing in March amounted to \$9 million, of which \$3 million was on principal repayments and \$6 million on interest payments.

### IV DOMESTIC ECONOMY

#### Domestic Production

The CBSI preliminary production index jumped in March to 126 points from a revised 59 points in February. This outcome was pronounced across all the major commodities items with round logs tripling to 365 thousand cubic meters from 141 thousand cubic meters, cocoa surging by 80% to 216 tons, crude palm oil increasing by 59% to 2,593 tons, fish catch growing by 3% to 1,865 tons, and copra rising marginally by 1% to 971 tons.

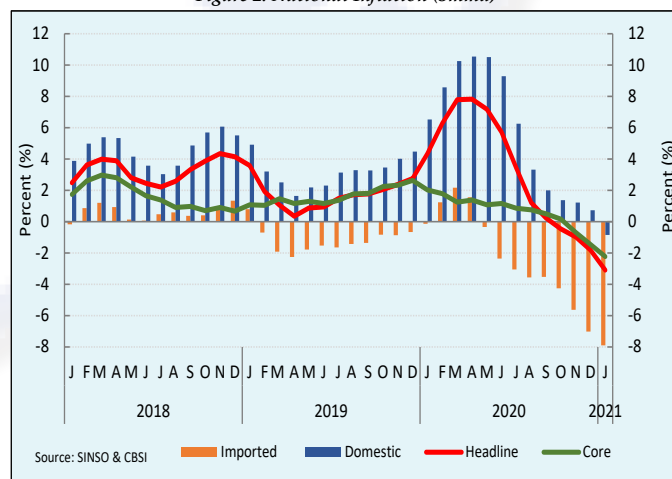
The international commodity prices in March trended upwards except for round logs that further dropped

by 3% to US\$274 per cubic meters. Coconut oil bounced back by 10% to US\$1,578 per ton, fish by 7% to US\$1,370 per ton, cocoa grew further by 2% to US\$2,460 per ton, and crude palm oil pick up by 1% to US\$1,031 per ton.

#### Consumer Price Index, Inflation (yoy - 3mma)

Headline inflation remained at the negative territory in January 2021, recording a further drop to minus 3.1% from minus 1.8% in December 2020. The continued falling consumer prices in both the domestic and imported items reflected this outcome. Domestic components reduced to minus 0.9% from 0.7% in December whilst imported components plunged to minus 7.9% from minus 7.0% in December. The lower fuel and food prices were the drivers behind this outcome. Core inflation stayed negative at minus 2.2% in January 2021 reflecting a persistent weak demand in the economy.

Figure 2. National Inflation (3mma)



#### CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer prices slightly rose from 104 points in the previous month to 105 points in March. This was attributable to the higher prices in LP gas, fuel, and electricity tariff. LP gas went up to \$24.77 per KG, an increase of \$1.52 from the preceding month. Likewise, fuel edged up by 39 cents to \$8.11 per litre, and the domestic-user electricity picked up by 4 cents to \$6.07 per KWh. However, the price of betel-nut dropped by 25 cents to \$3.50 per fruit, while, solrice family rice (40lb) remained stable at \$111.80 per bag.

<sup>1</sup> The 2021 government budget is expected to be passed by parliament in April 2021

## Solomon Islands Key Economic Indicators

		Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
<b>Consumer price index</b> (% change )	Headline (3mma)	-0.5	-0.9	-1.8	-3.1	na	na
	Underlying (3mma): core 3	0.2	-0.7	-1.5	-2.2	na	na
	Headline (MoM)	-0.2	0.1	-0.1	0.5	na	na
<b>CBSI MPI</b> (weighted Index)	Month- on - Month	88	90	89	100	104	105
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	169	161	288	177	183	259
	Imports ( \$ millions)	231	202	243	252	272	260
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	8.11	8.09	8.04	8.03	8.01	7.99
	SBD per AUD	5.78	5.87	6.04	6.20	6.20	6.16
	SBD per NZD	5.38	5.54	5.69	5.77	5.80	5.71
	SBD per GBP	10.52	10.71	10.79	10.94	11.09	11.07
	SBD per 100 JPY	7.71	7.75	7.74	7.74	7.61	7.36
	SBD per EUR	9.55	9.56	9.77	9.77	9.69	9.52
<b>Gross Foreign Reserves</b> (eop)	\$ millions	5,245	5,324	5,315	5,283	5,285	5,239
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	2,299	2,378	2,444	2,363	2,445	2,340
	Excess Liquidity ( \$ millions)	1,884	1,959	2,030	1,949	2,028	1,930
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	4,236	4,385	4,417	4,429	4,503	4,432
	Broad Money ( \$ millions)	5,158	5,274	5,301	5,308	5,380	5,314
	Private Sector credit (\$ millions)	2,455	2,483	2,489	2,512	2,544	2,537
<b>Interest Rates</b> ( weighted average yield)	28-days Bokolo Bills rate	0.47%	0.43%	0.35%	0.29%	0.23%	0.20%
	91- days Treasury Bills rate	0.49%	0.49%	0.49	0.49%	0.49%	0.49%
	182-days Treasury Bills rate	1.09%	1.05%	1.07%	1.05%	1.05%	1.05%
	365-days Treasury Bills rate	1.96%	1.95%	1.95%	1.95%	1.93%	1.92%
<b>Fiscal Balance<sup>3</sup></b> Surplus(+)/Deficit(-)	\$ million	-97	-196	-50	39	-87	42
<b>SIG Debt stock</b> (eop)	\$ million	1,366	1,365	1,450	1,442	1,440	1,427
<b>Global Commodity Prices</b> ( monthly averages)	Round logs - (US\$/m3)	283	285	287	287	283	274
	Gold - (US\$/oz)	1,900	1,866	1,858	1,867	1,808	1,714
	Palm Oil - (US\$/tonne)	819	918	979	990	1,020	1,031
	Fish - (US\$/tonne)	1,268	1,269	1,339	1,454	1,282	1,370
	Coconut oil - (US\$/tonne)	1,118	1,369	1,452	1,455	1,438	1,578
	Cocoa - (US\$/tonne)	2,290	2,350	2,410	2,390	2,410	2,460

<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.