

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Total money supply increased marginally by 1% to \$3,636 million at the end of November 2015, following the same growth in the previous month. This was driven by 1% rise in both narrow money (M1) and other deposits (time and savings). The increase in M1 was due to the rise in both currency in circulation and demand deposits by 3% to \$560 million and 1% to \$2,317 million, respectively. Meanwhile, the growth in other deposits was owed to rise in time deposits by 2% to \$635 million. Total net foreign assets (NFA) of the banking system grew by 4% to \$3,953 million this month compared to the 3% fall witnessed in the previous month. The increase was driven by rise in both CBSI's and other depository corporations (ODCs') NFA.

The banking system's net credit to government (NCG) fell marginally by 1% to \$1,461 million due to drawdown in government deposits held with CBSI by 4% to \$1,254 million. The private sector credit (PSC) also fell by 1% to \$1,901 million. This was due mainly to falls in commercial banks' credit by 1% to \$1,758 million and other credit by 2% to \$136 million. Mirroring the fall in PSC and increase in NFA, total liquidity of the banking system grew by 5% to \$1,340 million. This resulted in excess liquidity rising by 4% to \$944 million.

Domestic Market Operations

The total value of CBSI Bokolo bills absorbed by ODCs in November 2015 was \$710 million with the weighted average yield (WAY) for the 28 days Bokolo bills remained unchanged at 0.62%. Meanwhile, the WAY for the Government treasury bills for 56 days and 91 days also remained unchanged at 0.34 and 0.46%, respectively while the WAY for 182 days dropped slightly to 1.14% from 1.15% in the previous month.

II. EXTERNAL CONDITIONS

Trade in goods

Trade activity in November, using banks' foreign exchange transactions as proxy, showed an improvement in the trade balance to a surplus of \$44 million from \$38 million deficit in October. This was largely due to the surge in exports by 30% to \$336 million while imports dropped slightly by 1% to \$292 million. The rise in exports was mainly driven by a 43% increase in forestry exports to \$280 million due to higher round log production during the month. On the other hand, the fall in imports was driven by

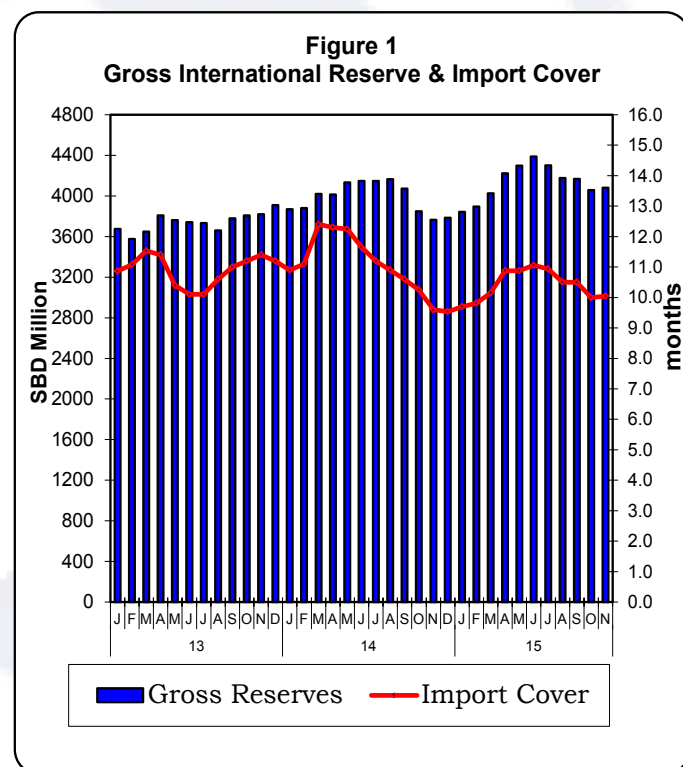
miscellaneous and other imports which fell by 34% to \$58 million.

Gross foreign reserves

Gross foreign reserves increased by 1.2% to \$4,082 million at end November as a result of higher exports and donor inflows during the month. This level is sufficient to cover 10.0 months of imports.

Exchange rate

The Solomon Islands dollar (SBD) depreciated in November by 0.49% against the United States dollar to an average \$8.09 per USD, a reversal from the appreciation in the previous month. The SBD also weakened against the British pound. Meanwhile, the SBD appreciated against the Australian dollar by 0.39% to \$5.78 per AUD and the New Zealand dollar by 0.58% to \$5.34 per NZD. The SBD also strengthened against the Japanese Yen and EUR.



¹ The basket is trade weighted index to 100 with a base year of 2012.

As a result of these movements, the exchange rate basket index weakened during the month by 49 basis points to 110.0.

III. GOVERNMENT FINANCE

The government recorded a smaller deficit of \$8 million in November compared to \$108 million deficit in October. This resulted from a 30% increase to \$288 million in revenue collections whilst expenditure contracted by 10% to \$295 million over the prior month. However, relative to the budget, revenue and expenditure fell short by 8% and 16% respectively.

The increase in revenue against October was mainly driven by a 14% increase in tax proceeds to \$245 million coupled with a total of \$35 million in grant revenue received during the month. Driving the upturn in tax receipts were increases in income taxes and tax on international trade, both rising by 26% to \$86 million and \$113 million respectively against the preceding month. On grant revenue, \$33 million came from Republic of China (ROC) and \$2 million from Australian bilateral aid. Nontax revenue also increased slightly from \$6 million in October to \$7 million. Meanwhile, the reduction in expenditure was mainly driven by a 35% decline to \$67 million reflecting a slowdown in spending on fixed assets including roads, bridges, and buildings. Recurrent expenses, on the other hand, rose slightly by 2% to \$228 million on the back of increases in other charges, social benefit payments and other payments against the previous month.

The central government's debt stock declined by 2% to \$802 million in November reflecting a total of \$5 million in debt servicing made during the month combined with the appreciation of the SBD against the SDR and EUR. The debt repayment includes \$1 million in interest payments and \$4 million in principal repayments.

The debt-to-GDP ratio remained broadly unchanged at 11% as in the previous month. Meanwhile, external debt accounted for \$657 million and domestic debt made up \$145 million of the outstanding debt stock.

IV. DOMESTIC PRODUCTION

Based on preliminary estimates, the CBSI monthly production index improved further by 28% to 104 points in November from 81 points in the previous month. This came mainly from the increase in log production and strong recovery in copra and cocoa output during the month. Log output grew significantly by 34% while copra and cocoa production went up by 31% and 44%, respectively. Fish catch increased by 11%, palm oil output grew by 5% increase while palm kernel oil showed a slight increase of 1%. In terms of prices, contract prices for cocoa and palm kernel oil improved further during the month. In contrast, contract prices for crude palm oil saw a fall while contract price for copra remained flat. Meanwhile, all international prices fell across the board except for cocoa prices which increased by 5% and fish price which levelled off at the end of November.

Inflation & Honiara Fuel Prices

Headline inflation for month of November was not available during this reporting period.

The average fuel price in Honiara fell to \$8.21 per litre in November from \$8.55 per litre in the previous month. This outcome reflected the decline in prices across all fuel categories. Diesel price dropped from \$8.17 per litre to \$7.98 per litre, petrol price fell from \$9.00 per litre to \$8.49 per litre and kerosene price dropped by 30 cents to \$8.18 per litre.

Solomon Islands Key Economic Indicators

		Jul 15	Aug 15	Sept 15	Oct 15	Nov 15
Consumer Price Index (% change)	Headline (3mma)	-3.4	-1.2	0.1	1.2	n.a
	Underlying (3mma): core 3	1.5	1.8	2.2	2.6	n.a
	Month-on month	1.8	0.7	-0.7	1.0	n.a
Trade¹ (eop)	Exports (\$ millions)	202	297	228	258	336
	Imports (\$ millions)	300	312	336	296	292
Exchange rates (mid-rate, monthly average)	SBD per USD	7.97	8.03	8.14	8.05	8.09
	SBD per AUD	5.92	5.86	5.74	5.80	5.78
	SBD per NZD	5.30	5.26	5.16	5.37	5.34
	SBD per GBP	12.40	12.58	12.49	12.24	12.25
	SBD per 100 JPY	6.47	6.51	6.75	6.69	6.61
	SBD per EUR	8.77	8.93	9.18	9.05	8.70
Gross Foreign Reserves (eop)	\$ millions	4,336	4,176	4,171	4,059	4,082
Liquidity² (eop)	Total Liquidity (\$ millions)*	1,457	1,380	1,356	1,279	1,340
	Excess Liquidity (\$ millions)*	1,110	1,011	991	907	944
Money and Credit² (eop)	Narrow Money (\$ millions)*	2,853	2,756	2,811	2,838	2,877
	Broad Money (\$ millions)*	3,583	3,498	3,565	3,587	3,636
	Private Sector Credit (\$ millions)*	1,801	1,834	1,887	1,915	1,901
Interest rates (weighted average yield)	28-days Bokolo Bills Rate	0.62%	0.62%	0.62%	0.62%	0.62%
	56-days Treasury Bills Rate	0.34%	0.34%	0.34%	0.34%	0.34%
	91-days Treasury Bills Rate	0.46%	0.46%	0.46%	0.46%	0.46%
	182-days Treasury Bills Rate	1.15%	1.15%	1.15%	1.15%	1.14%
Commodity Prices (monthly average)	Round logs (US\$/m3)	241	242	248	248	243
	Gold - (US\$/oz)	1,128	1,118	1,125	1,159	1,086
	Palm Oil - (US\$/tonne)	636	549	538	584	565
	Fish - (US\$/tonne)	1,236	1,514	1,340	1,563	1,563
	Copra - (US\$/tonne)	735	689	699	736	735
	Cocoa - (US\$/tonne)	3,330	3,150	3,280	3,200	3,360

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

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