

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) edged 0.2% higher to \$5,213 million in April compared to a 1% decline in the month prior. The outcome was supported by marginal growths in both narrow money (M1) and other deposits (time and savings) by a 0.2% to \$4,187 million and 0.3% to \$1,026 million respectively. The uptick in M1 was sustained by an increase in demand deposits by 1% to \$3,442 million despite the decline in currency in active circulation by 3% to \$745 million. Meanwhile, the minimal growth in other deposits came from an expansion in both savings and time deposits; the former by 2% to \$93 million and the latter by 0.2% to \$933 million.

Net foreign assets (NFA) grew by 1% to \$4,748 million in April. The outturn was aided by a 1% increase in CBSI's NFA to \$4,724 million despite a drop in ODC's NFA from \$26 million to \$24 million against the prior month. Annually, NFA declined by 0.1%.

Net domestic assets (NDA) of Depository corporations (DC) contracted by 6% to \$465 million against the previous month. This reflected a decrease in Net Domestic Credit (NDC) by 1% to \$1,164 million, a fall in other items net by 3% to \$398 million together with an increase in capital account by 1% to \$1,097 million. The fall in NDC was underpinned by a 2% growth in net credit to government (NCG) to minus \$1,307 million despite a 1% increase in private sector credit (PSC) to \$2,471 million. Meanwhile, both PSC and NCG grew, year-on-year, by 6% and 1% respectively.

Liquidity in the banking system expanded by 18% to \$2,502¹ million following a 3% fall in the previous month. The outturn mirrored a growth in NFA which saw free liquidity increasing by 21% to \$2,146 million and excess liquidity by 24% to \$1,961 million. Furthermore, required reserves edged higher by 0.1% to \$355 million during the month.

Domestic Market Operations

Bids received for CBSI Bokolo bills in April totaled \$1,115 million. However, only \$750 million was absorbed. Bokolo Bills weighted average yield (WAY) for 28 days edged lower from 0.59% to 0.58% during the month. Meanwhile, the amount tendered for

government treasury bills was \$24.6 million whilst only \$10.8 million was accepted. The WAY for treasury bills with maturity terms of 91, 182 and 365 days remained unchanged from the previous month at 0.49%, 1.12% and 2.00% respectively.

II. EXTERNAL CONDITIONS

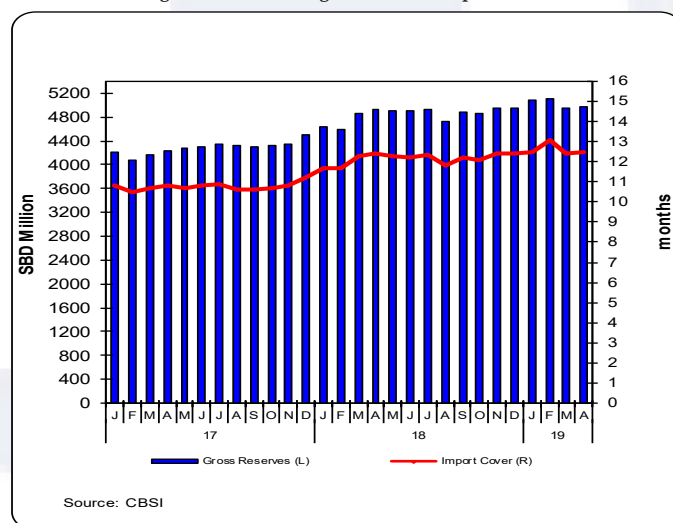
Trade in Goods

The Balance of Trade for the month of April 2019 declined markedly to a deficit of \$89 million from a \$38 million surplus in the previous month. This negative outcome emanated from a drop in exports by 37% to \$204 million, coming against a 3% rise in imports to \$293 million. The decrease in exports resulted from falls in round logs, minerals and other exports, while fish and agricultural commodities increased moderately over the month. On the other hand, the upturn in imports was attributed largely to the rise in food and basic manufactures, offsetting falls in mineral fuel, machineries and other imports.

Gross Foreign Reserve

Gross Foreign Reserve improved marginally by 0.5% to \$4,974 million, due to higher inflows than outflows during the month. The level of reserves is sufficient to cover 12.5 months of import of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover



Exchange Rates

In terms of Exchange rates, the Solomon Islands dollar (SBD) remained stable in the month against the United States dollar at an average of \$8.10 per USD. On the other hand, it depreciated against the Australian dollar

¹The increase reflected payout of matured bokolo bills but no auctions conducted within the same week to cover the shortfall.

by 0.4% to \$5.76 per AUD but appreciated against the New Zealand dollar by 1.6% to \$5.45 per NZD. Furthermore, it strengthened against the Japanese yen, Euro dollar and British pound. With the SBD stable against the USD the total weighted basket of currencies improved marginally to 110.02 during the month.

III GOVERNMENT FINANCE

Government’s fiscal position deteriorated further in April to a deficit of \$71 million, from the \$61 million deficit posted in the preceding month. This outcome reflected a 19% fall in revenue collections to \$210 million which outweighed the 12% decline in government expenditure to \$281 million during the month. Meanwhile, the total government debt stock balance dropped slightly by 0.3% to \$1,028 million at the end of April 2019.

The decrease in government revenue was driven by the reduction in tax receipts collected during the month. Tax revenue fell drastically by 24% to \$187 million from \$245 million recorded a month ago. This came mainly from lower collection on tax on income, profits and capital gains, tax on property and taxes on international trade and transactions, outweighing the increase in tax on goods and services during the month. In contrast, non-tax revenue surged from \$15 million to \$23 million on the back of higher proceeds from fishing licences in April. Total grants assistance received amounted to \$0.14 million compared to \$0.04 million received in March.

The fall in total government’s expenditure was largely driven by the reduced spending on recurrent expenditures by 18% to \$251 million. This was attributed to lower spending on all expense categories during the period, except for grants and other expenses. In contrast, development expenditures rose from \$23 million to \$30 million attributed to increased outlays on fixed assets during the month.

The decline in government’s debt stock reflected the slight reduction in external debt, related to favourable exchange rate movements during the month. Of the total outstanding debt, external debt accounted for \$769 million while domestic debt comprised of \$259 million. Meanwhile, total debt servicing paid during the month amounted to \$2.5 million, of which \$1.9 million was on principle repayments and \$0.6 million was on interest payments.

IV DOMESTIC PRODUCTION

Domestic Economy

Based on preliminary estimates, the CBSI monthly production index rebounded by 4% to 92 points in April, reversing the 14% fall in the previous month. Supporting this outcome was the 10% growth in fish catch coupled with the projected pick up in round log production, estimated to increase by 5% during the month. In contrast, cocoa and copra production fell

markedly over the period while crude palm oil and palm kernel oil contracted by 7% and 5% respectively. In terms of prices, the average international price for cocoa and crude palm oil picked up strongly during the month, increasing by 6% and 3% respectively. On the other hand, prices for fish and palm kernel oil declined for the second month by 4% and 3% respectively. Meanwhile, round log price fell marginally against the previous month.

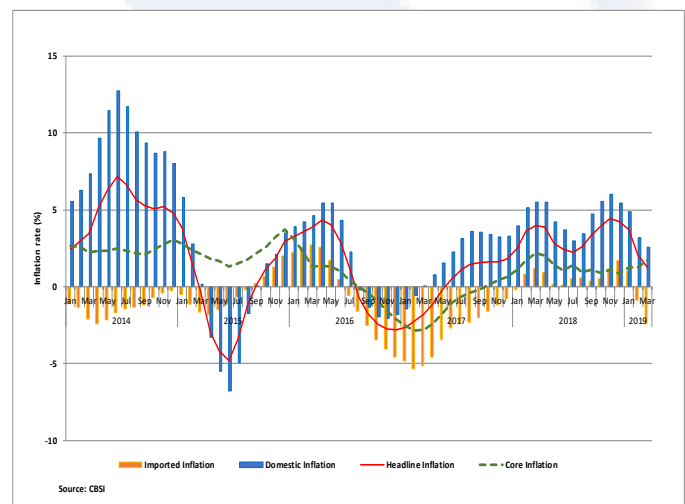
Headline Inflation

Headline inflation declined further to 1.3% in March from 2.1% in the previous month. The outcome reflected the continued slowdown in domestic and imported inflation during the month. Domestic inflation moderated to 2.5% from 3.2% in February, driven by the slow-down in prices of food and non-alcoholic beverages, alcoholic beverages, tobacco and narcotics, education, furnishing and household equipment. These offset the price increases in housing utilities and transport, while other categories levelled off during the month.

Similarly, imported inflation dropped further to minus 2.4% from minus 0.9% in February. The outcome was underpinned by the sustained price falls in transport and housing utilities. On the other hand, there was a marginal price rise in ‘food and non-alcoholic beverages’ and, ‘furnishings and household equipment’.

Meanwhile, core inflation picked up to 1.7% from 1.3% in February, implying an increase in the prices of non-food and non-fuel items during the month.

Figure 2: Honiara Consumer Price Index



Honiara Fuel Prices

The average fuel price in Honiara increased further to \$9.17 per litre in April from \$8.83 per litre in March. The outcome reflected price increases across all fuel categories during the month. Petrol price grew by 55 cents to \$8.61 per litre from \$8.06 per litre, diesel price rose by 32 cents to \$9.24 per litre from \$8.92 per litre, while kerosene price picked up by 15 cents to \$9.65 per litre from \$9.51 per litre in the previous month.

Solomon Islands Key Economic Indicators

		Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19
Consumer price index (% change)	Headline (3mma)	4.5	4.2	3.7	2.1	1.3	na
	Underlying (3mma): core 3	1.1	0.8	1.3	1.3	1.7	na
	Month -on -Month	0.3	0.1	0.6	-0.9	1.3	na
Trade¹ (eop)	Exports (\$ millions)	397	195	389	324	324	204
	Imports (\$ millions)	367	590	278	585	285	293
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.10	8.07	8.10	8.08	8.10	8.10
	SBD per AUD	5.86	5.81	5.78	5.77	5.74	5.76
	SBD per NZD	5.47	5.52	5.48	5.52	5.54	5.45
	SBD per GBP	10.45	10.22	10.41	10.49	10.68	10.56
	SBD per 100 JPY	7.15	7.17	7.43	7.32	7.29	7.26
	SBD per EUR	9.20	9.17	9.25	9.17	9.16	9.10
Gross Foreign Reserves (eop)	\$ millions	4,957	4,952	5,073	5,099	4,948	4,974
Liquidity² (eop)	Total Liquidity (\$)	2,375	2,126	2,122	2,189	2,123	2,502
	Excess Liquidity (\$)	1,841	1,595	1,588	1,646	1,583	1,961
Money and credit² (eop)	Narrow Money (\$)	4,212	4,218	4,167	4,277	4,180	4,187
	Broad Money (\$)	5,244	5,203	5,153	5,260	5,203	5,213
	Private Sector credit (\$)	2,393	2,409	2,410	2,430	2,458	2,471
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.60%	0.59%	0.59%	0.59%	0.59%	0.58%
	56-days Treasury Bills rate	0.48%	0.50%	na	na	na	na
	91- days Treasury Bills rate	0.49%	0.48%	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%	2.00%	2.00%	2.00%
Fiscal Balance³ Surplus(+)/Deficit(-)	\$ million	20.4	-59.9	66.2	-37.9	-61.0	-71.2
SIG Debt stock (eop)	\$ million	992.6	1,016.3	1,021.0	1,027.0	1,031.3	1,027.8
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	263	265	273	270	268	267
	Gold - (US\$/oz)	1,221	1,250	1,292	1,320	1,301	1,286
	Palm Oil - (US\$/tonne)	540	535	585	603	573	588
	Fish -(US\$/tonne)	1,423	1,401	1,366	1,434	1,404	1,354
	Copra -(US\$/tonne)	NA	NA	NA	NA	NA	N/A
	Cocoa - (US\$/tonne)	2,190	2,210	2,260	2,260	2,200	2,330

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.