

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Money supply (M3) fell by 2% to \$4,981 million in September 2019 driven by reductions in both narrow money (M1) and other deposits (time and savings). M1 dropped by 2% to \$3,940 million following a 3% decline in demand deposits to \$3,190 million despite a 0.3% uptick in currency in circulation to \$751 million. Other deposits edged lower by 0.4% to \$1,041 million driven by a 1% fall in time deposits to \$943 million, which negated a 1% upturn in savings deposits to \$98 million.

Net foreign assets (NFA) declined by 1% to \$4,525 million driven largely by a 1% decrease in CBSI's NFA to \$4,529 million. Conversely, Other Depository Corporations' (ODCs) NFA deteriorated from minus \$2 million to minus \$4 million during the month. NFA contracted by 4% on annual basis. Net domestic assets (NDA) contracted by 7% to \$455 million reflecting an increase in capital accounts by 4% to \$1,094 million and a fall in other items net (OIN) from \$216 million to \$69 million. Conversely, net domestic credit (NDC) increased by 12% to \$1,481 million. The expansion stemmed from a 12% decrease in net credit to government (NCG) to minus \$1,061 million along with an uptick in private sector credit (PSC) by 1% to \$2,542 million. Annually, PSC grew by 6% while NCG rose by 8%.

Liquidity in the banking system fell by 3% to \$1,993 million in September. Consequently, both free and excess liquidity decreased by 3% to \$1,644 million and \$1,466 million respectively, whilst required reserves dropped by 2% to \$350 million during the month.

#### Domestic Market Operations

The stock of CBSI Boloko bills issued in September 2019 remained fixed at \$750 million with the weighted average yield (WAY) for 28 days maintained at 0.55% as in the previous month. In terms of the Government's treasury bills, a total of \$27 million was floated but only \$12 million was absorbed. The WAY for 91, 182 and 365 days remained unchanged at 0.49%, 1.12%, and 1.98%, respectively as in August.

### II. EXTERNAL CONDITIONS

#### Trade in Goods

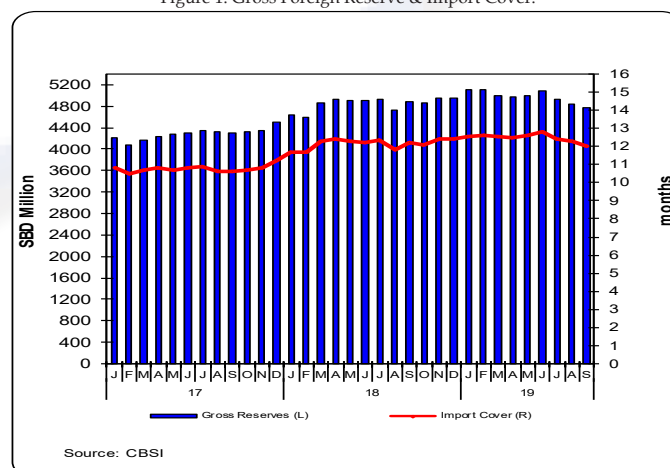
The balance on trade in goods for September 2019 registered a smaller deficit of \$34 million following a

revised \$38 million deficit witnessed in the previous month. This was attributed to a slowdown in both exports and imports during the month. Exports declined marginally by 1% to \$255 million reflecting the fall in log and other export commodities while imports dropped by 2% to \$289 million driven by the decline in machinery, food, and mineral fuel imports.

#### Gross Foreign Reserves

Gross foreign reserve slid by 1% to \$4,778 million due to higher outflows than inflows during the month. This level of reserves was sufficient to cover 12.0 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange rate

In September, the Solomon Islands dollar depreciated against the United States dollar (USD) by 0.19% to an average of \$8.26 per USD and against the Australian dollar by 0.66% to \$5.62 per AUD. The SBD however appreciated against the New Zealand dollar by 1.36% to \$5.24 per NZD. The Solomon Islands dollar also weakened against the British pound but strengthened against the Japanese yen and Euro dollar. Meanwhile, the total weighted trade index appreciated by 11 basis points to 112.2 points during the month.

### III GOVERNMENT FINANCE

Government's fiscal balance narrowed to \$55 million deficit in September compared to a deficit of \$101 million recorded in the previous month. This outcome was mainly driven by the reduction in government spending during the month. Total outlays declined by 12% to \$339 million whilst revenue collection

slipped from \$285 million to \$284 million this period. Meanwhile, the central government's overall debt position edged down by 0.5% to \$1,046 at the end of September.

The slight reduction in government' total revenue reflected mixed movements in tax and non-tax receipts during the month. Non-tax revenue dropped notably from \$58 million to \$11 million this month, attributed to fewer proceeds from fishing licences. In contrast, tax revenue increased by 18% to \$268 million reflecting strong collection on taxes on income, profits and capital gains, tax on property and taxes on international trade and transactions. Meanwhile, grants received from foreign donors totalled \$6 million in September 2019.

The decline in total government expenditures emanated from the reduced spending on development outlays in September. Capital expenditure fell sharply by 58% to \$39 million, stemming from lower spending on buildings and structures and machinery and equipment during the period. On the other hand, recurrent expenses grew by 2% from \$295 million to \$301 million, mirroring the increase in purchases of goods and services, interest payments and grants during the month.

The fall in government's debt stock was driven by the decline in external debt balance, reflecting debt repayments made to the Asian Development Bank (ADB), European Union (EU) and the World Bank (WB) during the month. Of the total outstanding debt balance, external debt comprised of \$772 million while domestic debt accounted for \$274 million. Meanwhile, total debt servicing paid in September amounted to \$9 million, of which \$4 million was on principal repayment and \$5 million on interest payments.

## IV DOMESTIC PRODUCTION

### Domestic Economy

The CBSI preliminary monthly production index declined by 7% to 88 points in September from 94 points in August. This outcome was driven by lower output in fish, cocoa and palm oil offsetting higher outturns in copra and round log during the month. Fish catch decreased by 29% to 2,481 tonnes, cocoa fell by 17% to 375 tonnes, and crude palm oil dropped by 13% to 2,740 tonnes. On the other hand, copra increased four-folds to 1,100 tonnes while round log volumes edged up by 1% to 211,008 cubic meters.

The average international price for cocoa, fish and coconut oil picked up during the month. Cocoa rebounded by 5% to US\$2,300 per ton, fish and coconut oil both grew by 1% to US\$1,290 per ton and US\$724 per ton respectively. Meanwhile, the average prices for both round logs and palm oil declined by 1% to US\$277 per cubic meters and US\$580 per ton respectively against the previous month.

### Headline Inflation

The National Statistics Office is yet to publish the inflation data as from June 2019.

### Honiara Fuel Prices

The average fuel price in Honiara declined in September to \$9.16 per litre from \$9.21 per litre in August. This outcome reflected the price falls in both petrol and diesel prices during the month. Petrol price decreased by 13 cents to \$8.59 per litre while diesel price dropped by 4 cents to \$9.04 per litre. On the other hand, kerosene price grew by 2 cents to \$9.85 per litre during the month.

## Solomon Islands Key Economic Indicators

		Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sept 19
<b>Consumer price index</b> (% change )	Headline (3mma)	0.5	1.0	na	na	na	na
	Underlying (3mma): core 3	1.4	1.5	na	na	na	na
	Month -on -Month	-0.9	-0.1	na	na	na	na
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	204	394	322	323	279	255
	Imports ( \$ millions)	293	385	286	348	296	289
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	8.10	8.15	8.17	8.16	8.24	8.26
	SBD per AUD	5.76	5.66	5.67	5.70	5.58	5.62
	SBD per NZD	5.45	5.35	5.38	5.45	5.31	5.24
	SBD per GBP	10.56	10.48	10.35	10.18	10.01	10.20
	SBD per 100 JPY	7.26	7.40	7.56	7.54	7.75	7.69
	SBD per EUR	9.10	9.11	9.22	9.16	9.17	9.09
<b>Gross Foreign Reserves</b> (eop)	\$ millions	4,974	4,994	5,082	4,928	4,839	4,778
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	2,502	2,104	2,040	2,058	2,048	1,993
	Excess Liquidity ( \$ millions)	1,961	1,567	1,501	1,507	1,508	1,466
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	4,187	4,140	4,078	4,090	4,032	3,940
	Broad Money ( \$ millions)	5,213	5,152	5,112	5,166	5,077	4,981
	Private Sector credit (\$ millions)	2,471	2,480	2,484	2,514	2,526	2,542
<b>Interest Rates</b> ( weighted average yield)	28-days Bokolo Bills rate	0.58%	0.57%	0.56%	0.56%	0.55%	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%	1.99%	1.98%	1.98%	1.98%	1.98%
<b>Fiscal Balance<sup>3</sup></b> Surplus(+)/Deficit(-)	\$ million	-50	-64	-58	-77	-101	-55
<b>SIG Debt stock</b> (eop)	\$ million	1,027.8	1,035.0	1,037	1,042	1,052	1,046
<b>Global Commodity Prices</b> ( monthly averages)	Round logs - ( US\$/m3)	267	271	275	275	280	277
	Gold - (US\$/oz)	1,286	1,284	1,359	1,413	1,500	1,511
	Palm Oil - (US\$/tonne)	588	563	552	544	586	580
	Fish -(US\$/tonne)	1,354	1,180	1,228	1,134	1,273	1,290
	Copra -(US\$/tonne)	na	na	na	na	na	na
	Cocoa - (US\$/tonne)	2,330	2,320	2,410	2,420	2,190	2,308

<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.