

Monthly Economic Bulletin

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Content	Page
I. Monetary Developments	1
II. External Conditions	1
III. Government Finances	1-2
IV. Domestic Production	2
V. Key Economic Indicators	3

I. MONETARY DEVELOPMENTS

Money supply (M3) grew by 1% to \$5,036 million in October 2019 driven by growths in narrow money (M1) by 1% to \$3,988 million and other deposits (time and savings) by 1% to 1,048 million. The increase in M1 was supported by a 3% rise in currency in circulation to \$770 million and a 1% uptick in demand deposits to \$3,218 million. Growth in other deposits was driven by a 1% increase in both time and savings deposits to \$949 million and \$99 million respectively.

Net foreign assets (NFA) declined by 1% to \$4,478 million driven largely by a 1% fall in CBSI's NFA to \$4,478 million despite an improvement in the NFA of other depository corporations (ODCs) from minus \$4 million to \$0.1 million during the month. On a year on year basis, NFA contracted by 3%.

Net domestic assets rose by 22% to \$558 million, reflecting an upturn in other items net from \$69 million to \$177 million despite a 0.3% increase in capital account to \$1,098 million. Meanwhile, net domestic credit edged down by 0.1% to \$1,479 million driven by a decrease in both the private sector credit (PSC) by 0.4% to \$2,532 million and net credit to government (NCG) by 1% to minus \$1,054 million respectively. Annually, PSC grew by 6% while NCG declined by 4%.

Liquidity in the banking system fell by 3% to \$1,941 million in October. Consequently, both free and excess liquidity decreased by 3% to \$1,596 million and \$1,416 million respectively. Required reserves also narrowed by 1% to \$345 million during the month.

Domestic Market Operations

The stock of CBSI Boloko bills issued in October 2019 remained fixed at \$750 million with the weighted average yield (WAY) for 28 days maintained at 0.55% relative to the previous month. On the Government's treasury bills, a total of \$29 million was tendered but only \$13 million was absorbed. The WAY for 91, 182 and 365 days remains unchanged at 0.49%, 1.12%, and 1.98%, respectively.

II. EXTERNAL CONDITIONS

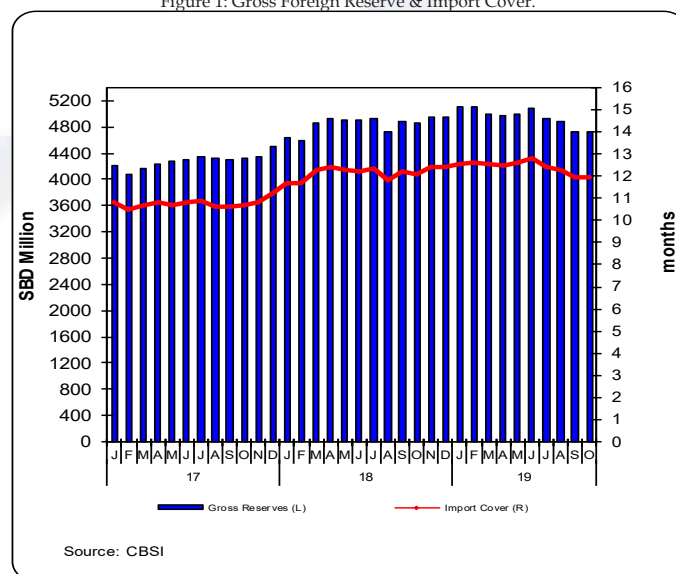
The balance on trade in goods for the month of October plunged to \$59 million deficit following a \$17 million surplus in the previous month. This negative outcome was driven by a 9% fall in exports to \$278

million against a 17% rise in imports to \$337 million. The fall in exports emanated from declines in round logs, minerals, and agricultural commodities though fish exports rose during the month. Meanwhile, the rise in imports resulted from increases in mineral fuel and machineries, which more than offset falls in food imports, basic manufactures and other imports.

Gross Foreign Reserves

Gross foreign reserve fell marginally by 0.1% to \$4,727 million during the month. This resulted from higher outflows than inflows, with the level of reserves sufficient to cover 11.9 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange Rate

In October, the Solomon Islands dollar depreciated against the United States dollar for the third consecutive month by 0.14% to an average of \$8.27 per USD. On the other hand, it appreciated against the Australian dollar (AUD) and New Zealand dollar (NZD) by 0.17% collectively to \$5.61 per AUD and \$5.23 per NZD. Similarly, it strengthened against the Japanese Yen (JPY) but weakened against the Euro dollar (EUR) and British pound (GBP). As a result of these mixed movements, the total weighted index weakened by 12 basis points to 112.3 points during the month.

III GOVERNMENT FINANCE

The government's fiscal position deteriorated to a deficit of \$105 million in October 2019 compared to a

\$55 million deficit registered in September 2019. This negative outcome reflected the increase in government expenditure by 9% to \$370 million combined with a decline in revenue collection by 7% to \$265 million during the month. Meanwhile, the central government’s outstanding debt stock edged up by 0.4% to \$1,050 million at the end of October.

The fall in total government’s revenue was driven by a weaker collection on tax revenue and lower grant receipts during the month. Tax revenue decreased by 11% to \$238 million, reflecting lower collection on taxes on income, profits and capital gains, and tax on international trade and transactions. Similarly, donor grant receipts fell to \$0.6 million in October from \$6 million received in the preceding month. In contrast, non-tax revenue surged from \$11 million to \$26 million, mirroring higher earnings from fishing licenses and sales of goods and services during the month.

The pickup in government’s expenditure was underpinned by increased spending on both recurrent and development outlays during the period. Recurrent expenses rose by 4% to \$312 million, attributing to higher spending on purchases of goods and services, grants and social benefits. Likewise, capital expenditure surged by 49% to \$58 million, reflecting increased spending on buildings and structures, and machinery and equipment during the month.

The slight increase in the government’s debt stock was due to the issuance of additional treasury bills and foreign exchange rate movements during the month. Of the outstanding debt balance, external debt stock was accounted for \$776 million while domestic debt stock comprised of \$274 million. Meanwhile, total debt servicing payments made in October was \$3 million, of which \$2.1 million was on principal repayment and \$0.9 million on interest payments.

IV DOMESTIC PRODUCTION

Domestic Economy

The CBSI preliminary monthly production index rebounded by 15% to 100 points in October from a revised 87 points in September. This outcome was attributed to higher outturns in fish, cocoa, and palm oil outweighing the fall in round logs and copra during the month. Fish catch surged by 68% to 4,156 tonnes, cocoa more than doubled to 840 tonnes and palm oil increased by 7% to 2,923 tonnes. On the other hand, copra declined by 14% to 627 tonnes and round logs fell by 2% to 206,021 cubic meters.

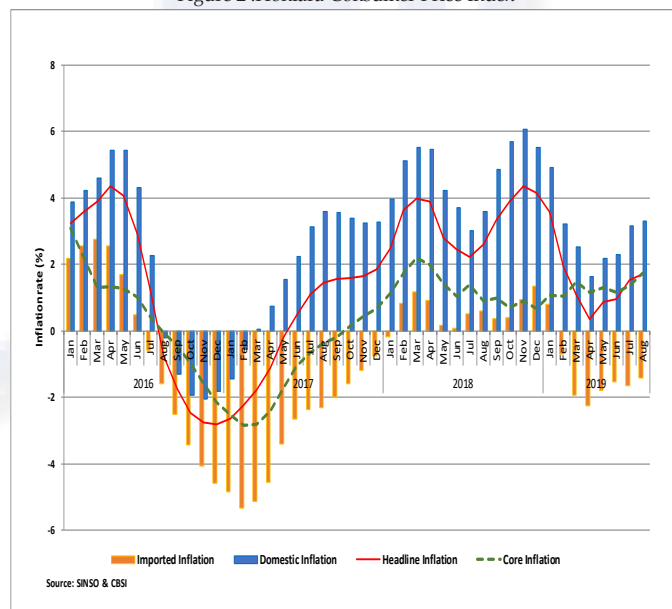
The average international price for key export commodities recorded mix movements during the month. Cocoa and palm oil trending up by

6% to US\$2,440 per ton and 2% to US\$591 per ton respectively. Meanwhile, world prices for fish declined by 16% to US\$1,079 per ton, coconut oil, and round logs both decreased by 1% each to US\$720 per ton and US\$275 per cubic meters respectively.

Headline Inflation

The latest national headline inflation stood at 1.7% in August increasing from the lowest point of 0.4% in April. This outcome was driven by the increase in both domestic and imported inflation during the month. Domestic inflation rose to 3.3% from 3.1% in July owing to price pickup in clothing and footwear, housing utilities, transport, recreation and culture, and restaurants and hotels categories offsetting the fall in the price of alcoholic beverages, tobacco, and narcotics categories. Meanwhile, other categories remained stable during the month.

Figure 2 :Honiara Consumer Price Index



Similarly, imported inflation increased to minus 1.4% in August from minus 1.7% in July. This outcome reflected the price rise in food and non-alcoholic beverages, housing utilities, furnishings, household equipment, and routine household maintenance, and recreation and culture categories. These outweighed the price fall in transport and miscellaneous goods and services categories during the period.

Meanwhile, core inflation edged up in August to 1.7% from 1.4% in July. This implies a relative rise in prices of non-food and non-fuel categories against the previous month.

Solomon Islands Key Economic Indicators

		May 19	Jun 19	Jul 19	Aug 19	Sept 19	Oct 19
Consumer price index (% change)	Headline (3mma)	0.9	1.0	1.5	1.7	na	na
	Underlying (3mma): core 3	1.3	1.2	1.4	1.7	na	na
	Month -on -Month	0.0	0.1	0.7	0.0	na	na
Trade¹ (eop)	Exports (\$ millions)	394	322	323	279	306	278
	Imports (\$ millions)	385	286	348	296	289	337
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.15	8.17	8.16	8.24	8.26	8.27
	SBD per AUD	5.66	5.67	5.70	5.58	5.62	5.61
	SBD per NZD	5.35	5.38	5.45	5.31	5.24	5.23
	SBD per GBP	10.48	10.35	10.18	10.01	10.20	10.43
	SBD per 100 JPY	7.40	7.56	7.54	7.75	7.69	7.64
	SBD per EUR	9.11	9.22	9.16	9.17	9.09	9.13
Gross Foreign Reserves (eop)	\$ millions	4,994	5,082	4,928	4,839	4,733	4,727
Liquidity² (eop)	Total Liquidity (\$ millions)	2,104	2,040	2,058	2,048	1,993	1,941
	Excess Liquidity (\$ millions)	1,567	1,501	1,507	1,508	1,466	1,416
Money and credit² (eop)	Narrow Money (\$ millions)	4,140	4,078	4,090	4,032	3,940	3,988
	Broad Money (\$ millions)	5,152	5,112	5,166	5,077	4,981	5,036
	Private Sector credit (\$ millions)	2,480	2,484	2,514	2,526	2,542	2,532
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.57%	0.56%	0.56%	0.55%	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	1.99%	1.98%	1.98%	1.98%	1.98%	1.98%
Fiscal Balance³ Surplus(+)/Deficit(-)	\$ million	-67	54	-81	-103	-55	-105
SIG Debt stock (eop)	\$ million	1,035.0	1,037	1,042	1,052	1,046	1,050
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	271	275	275	280	277	275
	Gold - (US\$/oz)	1,284	1,359	1,413	1,500	1,511	1,495
	Palm Oil - (US\$/tonne)	563	552	544	586	580	591
	Fish -(US\$/tonne)	1,180	1,228	1,134	1,273	1,290	1,079
	Coconut oil -(US\$/tonne)	661	636	657	719	724	720
	Cocoa - (US\$/tonne)	2,320	2,410	2,420	2,190	2,310	2,440

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.