

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) decreased by 1% to \$4,997 million in November. This was driven by a 1% decline in narrow money (M1) to \$3,948 million despite an increase in deposits (savings and time) by 0.1% to \$1,049 million. The decline in M1 stemmed from reductions in both currency in active circulation and demand deposits by 1% each to \$759 million and \$3,189 million respectively.

Total net foreign assets (NFA)¹ contracted by 3% to \$4,350 million against October driven largely by a 3% fall in CBSI's NFA to \$4,362 million. On a year on year basis, NFA contracted by 7%. Net credit to government (NCG) fell by 7% to minus \$979 million against the preceding month attributing to reductions in both CBSI and ODC's net liability positions; the former by 6% to minus \$753 million and the latter by 11% to minus \$225 million. Private sector credit (PSC) increased by 1% to \$2,559 million underpinned by a 1% increase in ODC lending to \$2,412 million. On a year-on-year basis, PSC grew by 7% whilst NCG contracted by 2%. Meanwhile, total liquidity fell by 1% to \$1,925 million in November. This saw both free and excess liquidity declined by 1% to \$1,574 million and 2% to \$1,391 million respectively. On the other hand, required reserve slightly increased by 2% to \$352 million.

Domestic Market Operations

The stock of CBSI Bokolo bills held remain capped at \$750 million at the end of November, with the weighted average yield (WAY) for 28 days fixed at 0.55%. The WAY for 91, 182 and 365 days treasury bills remained unchanged at 0.49%, 1.12% and 1.98% respectively as in October.

II. EXTERNAL CONDITIONS

Trade in goods

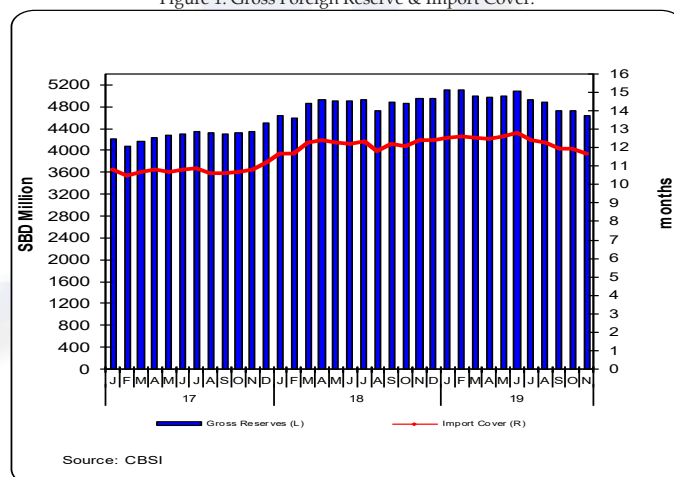
The balance on trade in goods for November 2019 worsened to \$97 million deficit following a \$31 million deficit in the previous month. This negative outcome emanated from a large decline in exports by 20% to \$243 million against a marginal increase in imports by 1% to \$340 million during the month. The fall in exports was largely driven by declines in round logs, fish and agricultural products despite pickups in minerals and other exports. Meanwhile, the rise in imports was

attributed to upturns in food and other imports, which more than offset declines in mineral fuel, machineries and basic manufactures.

Reserves

Gross foreign reserves fell by 2% to \$4,640 million, driven by higher outflows than inflows during the month. This level of reserves is sufficient to cover 11.7 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange Rates

The Solomon Islands dollar (SBD) appreciated by 0.36% against the United States dollar (USD) to an average of \$8.24 per USD. However, it depreciated against the Australian dollar (AUD) and New Zealand dollar (NZD) by 0.33% to \$5.63 per AUD and by 1% to \$5.28 per NZD respectively. Similarly, it weakened against the British pound (GBP) but strengthened against the Euro dollar (EUR) and the Japanese Yen (JPY). As result of the strong performance of the USD within the basket of currencies, the total weighted index strengthened by 36 basis points to 111.9 index points during the month.

III GOVERNMENT FINANCE

The government's fiscal position narrowed to a deficit of \$98 million in November 2019 from \$105 million deficit in the previous month. This outcome reflected weaker revenue collection and lower spending during the month. Total revenue fell by 15% to \$225 million whilst total government's outlays dropped by 12% to \$324 million. Meanwhile, the government's debt balance rose by 3% to \$1,078 million at the end of the month.

¹ NFA of the banking system, same for total liquidity, which is total liquidity of the banking system.

The decline in total revenue in November was attributed to lower tax, non-tax receipts and grant receipts. Tax revenue fell by 11% against the previous month to \$212 million. This was underpinned by weak collections across different tax components including; taxes on income and profits, tax on property, tax on goods and services and taxes on international trade and transactions. Similarly, non-tax revenue fell from \$26 million to \$13 million while grant assistance received dropped from \$0.6 million to \$0.06 million this month.

The fall in total government expenditure was driven by the reduction in both recurrent and capital outlays during the month. Recurrent expenses dropped by 9% to \$284 million reflecting lower spending across major expense items particularly; on goods and services, interest payments, grant transfers and social benefits. These outweighed increased spending on compensation of employees and other payments in November. Likewise, development spending plunged by 30% to \$40 million owing to reduced expenditure on buildings and structures and machinery and equipment.

The increase in government’s debt balance reflected an additional loan disbursement by the Asian Development Bank, issuance of new auction treasury bills and foreign exchange rate movements during the month. Of the total outstanding debt position, external debt stock accounted for \$803 million whilst domestic debt stock represented \$275 million. In terms of debt servicing, a total of \$2.9 million was paid during the month, of which \$2.4 million was on principle repayment and \$0.5 million on interest payments.

IV DOMESTIC PRODUCTION

Domestic Economy

The CBSI preliminary monthly production index dropped by 14% to 86 points in November following a 15% growth posted in October. This outcome was driven by lower outputs across all major commodities during the month, particularly; cocoa, round logs, fish and palm oil. Cocoa plunged by 55% to 382 tonnes, round logs contracted by 13% to 178,987 cubic metres, fish catch fell by 12% to 3,665 tonnes whilst palm oil declined by 6% to 2,756 tonnes. In contrast, copra output rebounded by 4% to 650 tonnes after a 14% fall

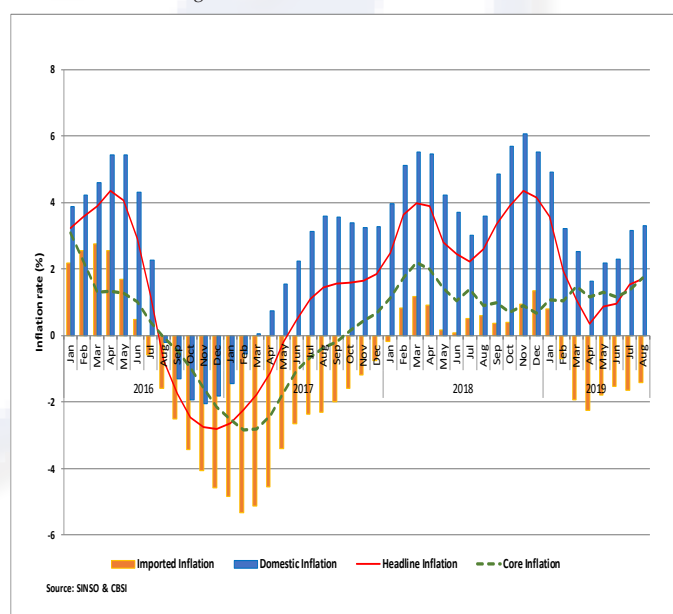
recorded last month.

The average international price for fish, coconut oil, palm oil, and cocoa picked up during the month except for round logs which declined by 1% to US\$273 per cubic meter. Fish price rebounded by 17% to US\$1,261 per ton, coconut oil and palm oil both increased by 16% to US\$836 per ton and US\$683 per ton respectively, whilst cocoa price grew by 3% to US\$2,520 per ton in November.

Headline Inflation

The latest national headline inflation was recorded at 1.7% in August. The National Statistics Office is yet to publish the inflation data for September.

Figure 2 :Honiara Consumer Price Index



Honiara Fuel Prices

The average fuel price in Honiara decreased in November to \$9.19 per litre from \$9.26 per litre in October. This outcome reflected the price fall in kerosene outweighing the price increase in both petrol and diesel during the month. Kerosene price dropped by 43 cents to \$9.60 per litre. On the other hand, petrol price rose by 15 cents to \$8.84 per litre and diesel price grew by 8 cents to \$9.14 per litre.

Solomon Islands Key Economic Indicators

		Jun 19	Jul 19	Aug 19	Sept 19	Oct 19	Nov 19
Consumer price index (% change)	Headline (3mma)	1.0	1.5	1.7	na	na	na
	Underlying (3mma): core 3	1.2	1.4	1.7	na	na	na
	Month -on -Month	0.1	0.7	0.0	na	na	na
Trade¹ (eop)	Exports (\$ millions)	322	323	279	306	278	243
	Imports (\$ millions)	286	348	296	289	337	340
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.17	8.16	8.24	8.26	8.27	8.24
	SBD per AUD	5.67	5.70	5.58	5.62	5.61	5.63
	SBD per NZD	5.38	5.45	5.31	5.24	5.23	5.28
	SBD per GBP	10.35	10.18	10.01	10.20	10.43	10.61
	SBD per 100 JPY	7.56	7.54	7.75	7.69	7.64	7.57
	SBD per EUR	9.22	9.16	9.17	9.09	9.13	9.11
Gross Foreign Reserves (eop)	\$ millions	5,082	4,928	4,839	4,733	4,727	4,640
Liquidity² (eop)	Total Liquidity (\$ millions)	2,040	2,058	2,048	1,993	1,941	1,925
	Excess Liquidity (\$ millions)	1,501	1,507	1,508	1,466	1,416	1,391
Money and credit² (eop)	Narrow Money (\$ millions)	4,078	4,090	4,032	3,940	3,988	3,948
	Broad Money (\$ millions)	5,112	5,166	5,077	4,981	5,036	4,997
	Private Sector credit (\$ millions)	2,484	2,514	2,526	2,542	2,532	2,559
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.56%	0.56%	0.55%	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	1.98%	1.98%	1.98%	1.98%	1.98%	1.98%
Fiscal Balance³ Surplus(+)/Deficit(-)	\$ million	54	-81	-103	-55	-105	-98
SIG Debt stock (eop)	\$ million	1,037	1,042	1,052	1,046	1,050	1,087
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	275	275	280	277	275	273
	Gold - (US\$/oz)	1,359	1,413	1,500	1,511	1,495	1,471
	Palm Oil - (US\$/tonne)	552	544	586	580	591	683
	Fish -(US\$/tonne)	1,228	1,134	1,273	1,290	1,079	1,261
	Coconut oil -(US\$/tonne)	636	657	719	724	720	836
	Cocoa - (US\$/tonne)	2,410	2,420	2,190	2,310	2,440	2,520

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.