

Monthly Economic Bulletin

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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) expanded in February, by 1% to \$5,380 million. The growth was supported by a 2% increase in narrow money (M1) to \$4,503 million offsetting the 0.3% decline in other deposits to \$877 million. Growth in M1 was underpinned by increases in both demand deposits and currency in circulation while the fall in other deposits was driven by a decline in saving deposits.

Net foreign assets (NFA) of the banking sector weakened by 0.2% to \$4,902 million in February. This was driven by the fall in NFA of ODCs from \$23 million to \$19 million along with a 0.1% fall in CBSI's NFA to \$4,883 million. NFA expanded by 0.3% on an annual basis¹.

Net domestic assets (NDA) strengthened by 16% to \$478 million in February. This was supported by an 8% rebound in domestic credit to \$1,577 million. Domestic credit increased as a result of a 1% to \$2,544 million growth in Private Sector Credit (PSC). Whilst, net credit to government (NCG) fell by 8% to \$967 million reflecting a decline in government deposits held with CBSI during the month. On an annual basis, PSC inched higher by 2.2% while NCG expanded by 1.8%. Total liquidity in the banking system rebounded by 4% to \$2,445 million in February 2021. This was stirred by the fall in NCG during the month. Consequently, both free and excess liquidity expanded by 4% to \$2,211 million and \$2,028 million respectively. Correspondingly, required reserves edged up by 0.4% to \$234 million as demand deposits increased.

Domestic Market Operations

CBSI Boloko Bills held at the end of February remained at \$430 million reflecting the expansionary monetary policy stance during the period. The weighted average yield (WAY) for Bokolo Bills in February declined to 0.23% from 0.29% in January. Meanwhile, Treasury Bills accepted was \$13 million from the \$30 million received in the tender. The WAY for 91 and 182 days remained at 0.49% and 1.05% respectively. However, the WAY for 182 days fell to 1.93% from 1.95% in January 2021.

¹ The percentage change on annual basis refers to growth comparison against end of 2020

II. EXTERNAL CONDITIONS

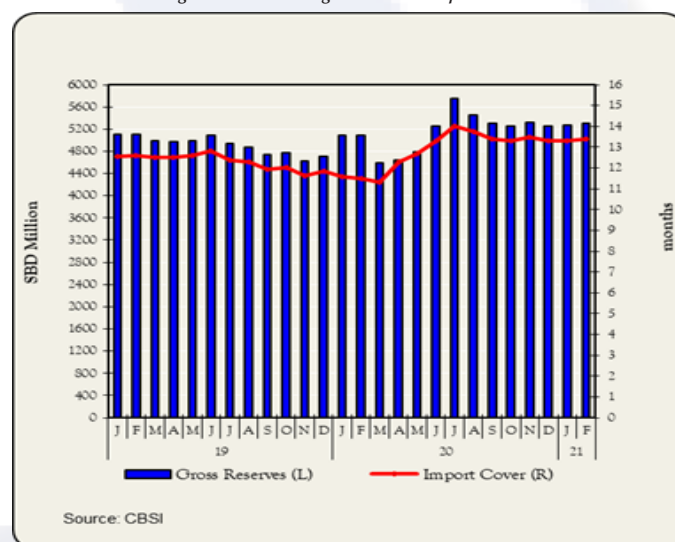
Trade in goods

The balance on trade in goods for the month of February recorded a widened deficit of \$89 million from a \$75 million deficit witnessed in the previous month. This outcome reflected a higher increase in imports compared to exports during the period. Exports picked up by 3.4% to \$183 million, owing to a surge in agricultural commodities outweighing declines in Round logs, minerals and fish exports. In contrast, imports increased by 8% to \$272 million, attributed to upturns in mineral fuel and basic manufactures, although food, machineries and other imports decreased during the month.

Reserves

Gross foreign reserves at the end of month increased marginally by 0.6% to \$5,298 million mainly from exchange rate revaluation gains. This level of reserves is sufficient to cover 13.4 months of imports.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange Rates

In February, the Solomon Islands dollar (SBD) appreciated against the United States dollar by 0.3% to an average of \$8.01 per USD. On the other hand, it depreciated against both the Australian dollar and the New Zealand dollar by 0.1% to \$6.20 per AUD and by 0.4% to \$5.80 per NZD respectively. Similarly, it weakened against the British pound but strengthened

against the Japanese Yen and the Euro during the period. As a result of the strong dominance of the USD within the currency basket, the trade weighted index (TWI) strengthened by 13 basis points to 105.9 index.

III GOVERNMENT FINANCE

The government recorded a deficit of \$87 million in February, reversing the \$39 million surplus posted in January. This outcome mirrored a surge in expenditure by 30% to \$258 million and a fall in revenue by 28% to \$171 million. Meanwhile, the central government’s debt stock slid by 0.2% to \$1,440 million in February. The drop in revenue stemmed from declines in tax and non-tax receipts. Tax revenue fell by 28% to \$158 million reflecting lower collections on income tax, GST, and customs duty. Similarly, non-tax revenue shrunk by 20% to \$13 million, attributable to lower receipts from fishing licenses fees. There was no donor grants received during the month.

The upsurge in expenditure was mainly due to increase in recurrent spending on goods and services to \$99 million from \$18 million and ‘other payments’ to \$36 million from \$26 million. Meanwhile, capital spending is still pending the 2021 national budget approval. The slight fall in the debt stock was mainly due to exchange rate movements that minimally reduced external debt by 0.3% to \$987 million while domestic debt stock remained at \$452 million as in January. Debt servicing in February totalled \$3.4 million, of which \$2.7 million was for principal repayments and \$0.7 million for interest payments.

IV DOMESTIC ECONOMY

Domestic Production

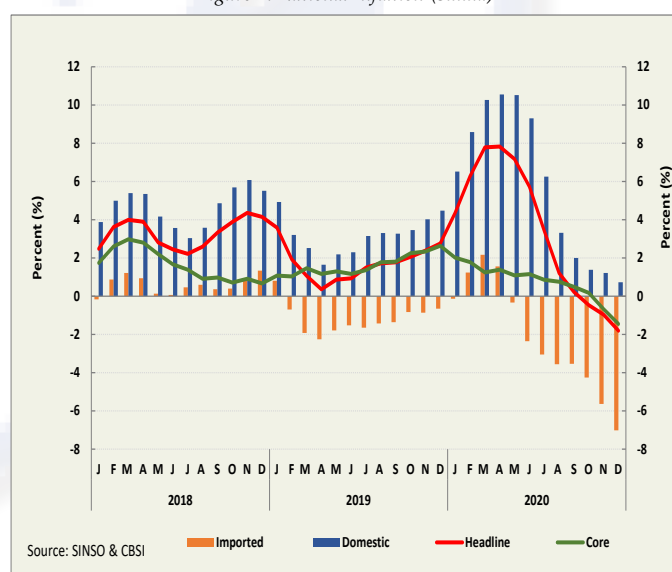
The CBSI preliminary production index dwindled further to 52 points in February after registering 63 points in January. The weak performance was pronounced across all the major commodities with round logs dropping further by 14% to 117 thousand cubic metres, fish catch by 23% to 1,803 tons, palm oil by 28% to 1,628 tons and cocoa by 53% to 130 tons. Meanwhile, copra maintained the same level, sitting at 957 tons as in the previous month.

The international commodity prices registered mixed movements during the month with fish price falling by 12% in February to US\$1,282 per ton, round logs by 2% to US\$283 per cubic meters and coconut oil dropping by 1% to US\$1,438 per ton. Palm oil and cocoa, however, edged up by 3% and 1% during the month to US\$1,017 per tons and US\$2,410 per tons, respectively.

Consumer Price Index, Inflation (yoy - 3mma)

January 2021 CPI is not yet available from the Solomon Islands National Statistics Office (SINSO). However, the latest headline inflation was recorded at minus 1.8% in December 2020 as previously reported in the January Monthly Economic Bulletin.

Figure 2. National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI MPI in February grew by 3.8% to 104 points. The 50 cents growth in betelnut price to \$3.75 per fruit together with the 33 cents increase in the price of fuel to \$7.72 per litre were the drivers behind the outcome. Conversely, the price of solrice family rice (40lb) went down to \$111.80 per bag in February from \$113.20 per bag in January and the domestic-user electricity tariff dropped by 13 cents to \$6.03 per KWh during month.

Solomon Islands Key Economic Indicators

		Sept 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21
Consumer price index (% change)	Headline (3mma)	0.2	-0.5	-0.9	-1.8	na	na
	Underlying (3mma): core 3	0.5	0.2	-0.7	-1.5	na	na
	Headline (MoM)	-0.6	-0.2	0.1	-0.1	na	na
CBSI MPI (weighted Index)	Month- on - Month	95	88	90	89	100	104
Trade¹ (eop)	Exports (\$ millions)	329	169	161	288	177	183
	Imports (\$ millions)	284	231	202	243	252	272
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.14	8.11	8.09	8.04	8.03	8.01
	SBD per AUD	5.89	5.78	5.87	6.04	6.20	6.20
	SBD per NZD	5.43	5.38	5.54	5.69	5.77	5.80
	SBD per GBP	10.56	10.52	10.71	10.79	10.94	11.09
	SBD per 100 JPY	7.70	7.71	7.75	7.74	7.74	7.61
	SBD per EUR	9.60	9.55	9.56	9.77	9.77	9.69
Gross Foreign Reserves (eop)	\$ millions	5,296	5,245	5,324	5,315	5,268	5,298
Liquidity² (eop)	Total Liquidity (\$ millions)	2,051	2,299	2,378	2,444	2,363	2,445
	Excess Liquidity (\$ millions)	1,648	1,884	1,959	2,030	1,949	2,028
Money and credit² (eop)	Narrow Money (\$ millions)	4,243	4,236	4,385	4,417	4,429	4,503
	Broad Money (\$ millions)	5,139	5,158	5,274	5,301	5,308	5,380
	Private Sector credit (\$ millions)	2,504	2,455	2,483	2,489	2,512	2,544
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.48%	0.47%	0.43%	0.35%	0.29%	0.23%
	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	1.10%	1.09%	1.05%	1.07%	1.05%	1.05%
	365-days Treasury Bills rate	1.96%	1.96%	1.95%	1.95%	1.95%	1.93%
Fiscal Balance³ Surplus(+)/Deficit(-)	\$ million	-121	-97	-196	-50	39	-87
SIG Debt stock (eop)	\$ million	1,358	1,366	1,365	1,450	1,442	1,440
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	282	283	285	287	287	283
	Gold - (US\$/oz)	1,922	1,900	1,866	1,858	1,867	1,808
	Palm Oil - (US\$/tonne)	796	819	918	979	990	1,017
	Fish - (US\$/tonne)	1,233	1,268	1,269	1,339	1,454	1,282
	Coconut oil - (US\$/tonne)	1,034	1,118	1,369	1,452	1,455	1,438
	Cocoa - (US\$/tonne)	2,640	2,290	2,350	2,410	2,390	2,410

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.