

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Broad money (M3) expanded by 4% to \$5,520 million in April 2021, driven by increases in both narrow money (M1) and other deposits. The former by 2% to \$4,537 million and the latter by 11% to \$983 million. Growth in M1 was mainly attributed to a rise in demand deposits despite a decline in currency in circulation. An increase in other deposits was driven by a surge in time deposits.

Net foreign assets (NFA) of the banking system strengthened by 12% to \$5,449 million in April. This was due to the build up in Central Bank's NFA by 12% to \$5,402 million and to a lesser extent Other Depository Corporations' NFA that grew from \$31 million to \$47 million. NFA grew by 12% on an annual basis¹.

Net domestic assets (NDA) of the banking system significantly dropped to \$70 million in April from \$453 million in March. This was largely due to a 5% fall in domestic credit to \$1,431 million as a result of an 11% increase in net credit to the government (NCG) to minus \$1,147 million, reflecting higher government deposits with the Central Bank during the month. Private Sector Credit (PSC), however, grew by 2% to \$2,578 million. Annually, PSC and NCG increased by 4% and 21% respectively.

Liquidity in the banking system grew by 3% to \$2,400 million. This was driven by the growth in NFA during the month. Consequently, both free and excess liquidity rebounded by 3% each to \$2,167 million and \$1,984 million respectively. Required reserves also increased by 1% to \$233 million corresponding to a rise in demand deposits during the month.

Domestic Market Operations

CBSI Boloko Bills stock at the end of April remained at \$430 million in light of the ongoing expansionary monetary policy stance. The weighted average yield (WAY) for Bokolo Bills in April declined to 0.19% from 0.20% in March. Treasury Bills accepted during the month were \$13 million from a tender of \$27 million. The WAY for 91,182 and 365 days were fixed at 0.49%, 1.05% and 1.92% respectively.

II. EXTERNAL CONDITIONS

Trade in Goods

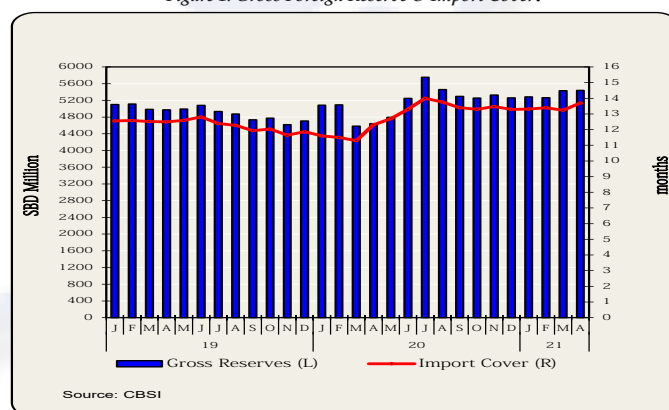
The balance on trade in goods for April 2021, dropped to a \$58 million deficit following an \$82 million surplus recorded in the previous month. This negative outcome stemmed from a significant fall in exports by 40% to \$205 million against a 1% rise in imports to \$263 million during the month. The drop in exports was largely driven by a significant fall in round log exports. On the other hand, the marginal growth in imports was

attributed to upturns in imports for fuel, basic manufactures and other imports outweighing downturns in food and machinery imports.

Gross foreign reserves

Gross foreign reserves in April was recorded at \$5,440, a minimal increase of 0.1% from the previous month. This level of reserves is sufficient to cover 13.7 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rate

In April 2021, the Solomon Islands dollar (SBD) remained stable against the United States dollar at an average of \$7.99 per USD. However, it appreciated against both the Australian dollar and New Zealand dollar by 0.1% to \$6.15 per AUD and by 0.2% to \$5.69 per NZD, respectively. Similarly, it strengthened against the British pound and Japanese Yen but weakened against the Euro during the month. As a result of the mixed movements within the currency basket, the trade-weighted index (TWI) weakened by 31 basis points to 106.4 during the period.

III GOVERNMENT FINANCE

The government recorded a surplus of \$11 million in April compared to the \$42 million surplus posted in March. This outcome mirrored reductions in revenue and expenditure; the former by 13% to \$241 million and the latter by 2% to \$229 million. Meanwhile, the government's debt stock surged to \$1,617 million, 12% higher than at the end of December 2020.

A fall in tax revenue by 27% to \$189 million driven by weaker trade and company tax collections underpinned the lower outturn. Nontax revenue, on the other hand, improved to \$51 million from \$17 million in the previous month. No grant receipts were recorded in April. Meanwhile, the decline in expenditure stemmed from 'benefits and transfers' which declined by 11% to \$25 million and less interest payment in

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

April. Conversely, operational costs rose by 2% to \$203 million due to an increase in payroll by 20% to \$140 million despite a 24% decline in purchase of goods and service to \$62 million. Capital spending will commence in May following the passing of the 2021 national budget by Parliament in April.

The government’s debt position at end of April stood at \$1,617 million, 0.4% higher than in the previous month and 12% higher compared to the end of 2020. The year-to April increase reflected a new loan disbursement of 2.5 billion yen (around \$180 million) from Japan International Corporation (JICA) at the end of March. On debt composition, external debt stood at \$1,164 in April and domestic debt at \$453 million. Total debt servicing in April totalled \$3 million, \$2 million on principal repayment and \$1 million in interest payment.

IV DOMESTIC ECONOMY

Domestic Production

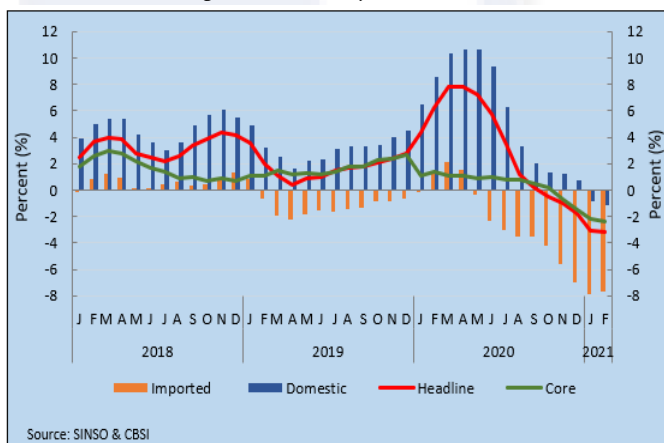
The CBSI preliminary monthly production index contracted to 65 points in April, a 50% fall against the previous month. This outcome was witnessed across all the major commodities except for crude palm oil that posted a 5% growth to 2,719 tons. Round logs during the month, dropped markedly by 60% to 147 thousand cubic meters, copra plunged by 17% to 1,076 tons, cocoa by 15% to 196 tons, and fish catch went down by 8% to 2,026 tons.

The international commodity prices in April recorded mix movements with crude palm oil rising by 4% to US\$1,075 per ton. Coconut oil and cocoa, however, declined by 4% each to US\$1,508 per ton and US\$2,370 per ton, respectively. Meanwhile, round logs and fish increased negligibly to US\$273 per cubic meters and US\$1,372 per ton.

Consumer Price Index, Inflation (yoy - 3mma)

National headline inflation remained negative in February 2021, recorded at minus 3.2% compared to the negative 3.1% posted in January. This was driven by both the domestic and imported components. Domestic inflation dropped to minus 1.1% from minus 0.9% whilst imported inflation eased to minus 7.6% from minus 7.9%. Core inflation for February 2021 plunged to minus 2.4% compared to minus 2.2% in January indicating weaker demand.

Figure 2. National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI MPI for the selected consumer prices slightly dropped from 105 points to 103 points in April. Price falls in betelnut and electricity tariffs were the main drivers despite the rise in prices for fuel and rice during the month. Betelnut edged down 50 cents to \$3.00 per fruit, and the domestic user electricity fell by 10 cents to \$5.97 per KWh. Fuel and solrice family rice (40lb), in contrast, went up by 48 cents to \$8.59 per litre and by \$3.40 to \$115.20 per bag, respectively. Meanwhile, LP gas remained stable at \$24.77 per KG.

Solomon Islands Key Economic Indicators

		Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	April 21
Consumer price index (% change)	Headline (3mma)	-0.9	-1.8	-3.1	-3.2	na	na
	Underlying (3mma): core 3	-0.7	-1.5	-2.2	-2.4	na	na
	Headline (MoM)	0.1	-0.4	0.5	1.7	na	na
CBSI MPI (weighted Index)	Month- on - Month	90	89	100	104	105	103
Trade¹ (eop)	Exports (\$ millions)	161	288	162	217	342	205
	Imports (\$ millions)	202	243	252	272	260	263
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.09	8.04	8.03	8.01	7.99	7.99
	SBD per AUD	5.87	6.04	6.20	6.20	6.16	6.15
	SBD per NZD	5.54	5.69	5.77	5.80	5.71	5.69
	SBD per GBP	10.71	10.79	10.94	11.09	11.07	11.05
	SBD per 100 JPY	7.75	7.74	7.74	7.61	7.36	7.33
	SBD per EUR	9.56	9.77	9.77	9.69	9.52	9.56
Gross Foreign Reserves (eop)	\$ millions	5,324	5,315	5,283	5,266	5,433	5,440
Liquidity² (eop)	Total Liquidity (\$ millions)	2,378	2,444	2,363	2,445	2,340	2,400
	Excess Liquidity (\$ millions)	1,959	2,030	1,949	2,028	1,930	1,984
Money and credit² (eop)	Narrow Money (\$ millions)	4,385	4,417	4,429	4,503	4,432	4,537
	Broad Money (\$ millions)	5,274	5,301	5,308	5,380	5,314	5,520
	Private Sector credit (\$ millions)	2,483	2,489	2,512	2,544	2,537	2,578
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.43%	0.35%	0.29%	0.23%	0.20%	0.19%
	91- days Treasury Bills rate	0.49%	0.49	0.49%	0.49%	0.49%	0.49%
	182-days Treasury Bills rate	1.05%	1.07%	1.05%	1.05%	1.05%	1.05%
	365-days Treasury Bills rate	1.95%	1.95%	1.95%	1.93%	1.92%	1.92%
Government Finance³	Revenue (\$ millions)	230	291	236	171	276	241
	Expenditure (\$ millions)	426	341	198	258	234	229
	Fiscal Balance (\$ millions)	-196	-50	39	-87	42	11
	SIG Debt stock (eop) (\$ millions)	1,365	1,450	1,442	1,440	1,427	1,617
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	285	287	287	283	274	273
	Gold - (US\$/oz)	1,866	1,858	1,867	1,808	1,718	1,760
	Palm Oil - (US\$/tonne)	918	979	990	1,020	1,031	1,075
	Fish - (US\$/tonne)	1,269	1,339	1,454	1,282	1,370	1,372
	Coconut oil - (US\$/tonne)	1,369	1,452	1,455	1,438	1,578	1,508
	Cocoa - (US\$/tonne)	2,350	2,410	2,390	2,410	2,460	2,370

¹ Value in terms of free on Board (FOB)

² Based on weekly statistics provided by other depository corporations (ODCs).

³ Based on GFSM2014 standards.

Note;
na : not available at time of publication.