

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) in June declined by 4% to \$5,405 million, driven by a fall in narrow money (M1) in spite of the growth in other deposits. M1 decreased by 7% to \$4,345 million following a decrease in demand deposits despite an expansion in currency in circulation. Meanwhile, other deposits grew by 9% to \$1,060 million, driven by saving deposits notwithstanding a slight drop in time deposits.

Net foreign assets (NFA) of the banking system fell by 3% to \$5,362 million in June. This was supported by a 1% fall in Central Bank's NFA to \$5,356 million along with the downturn in NFA of Other Depository Corporations from \$72 million to \$6 million. On an annual basis, NFA grew by 10%¹.

Net domestic assets (NDA) of the banking system markedly dropped to \$43 million in June from \$123 million in May. This was supported by the fall in other items net from \$93 million to minus \$193 million. Domestic credit, however, expanded by 11% to \$1,583 million due to a 17% fall in net credit to government (NCG) to minus \$943 million. Meanwhile, private sector credit (PSC) declined by 2% to \$2,526 million, reflecting the drop in lending by the banking sector. Annually, PSC increased by 1% while NCG recorded a 1% fall during the period.

Total Liquidity edged up by 0.5% to \$2,422 million. This was underpinned by the fall in NCG during the month. Consequently, both free and excess liquidity increased by 0.6% to \$2,184 million and \$1,999 million respectively. On the other hand, required reserves declined by 0.2% to \$238 million during the month due to the fall in demand deposits in the banking system.

Domestic Market Operations

CBSI's Boloko Bills stock, in June, levelled off at \$430 million from the previous month. The weighted average yield (WAY) for Bokolo Bills also remained unchanged at 0.18% from previous month. Meanwhile, Treasury Bills accepted during the month was \$16 million from a tender of \$32 million. The WAY for 91 and 182 days remained unchanged; however, the WAY for 365 days rebounded to 1.92% in June from 1.80% in May.

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

II. EXTERNAL CONDITIONS

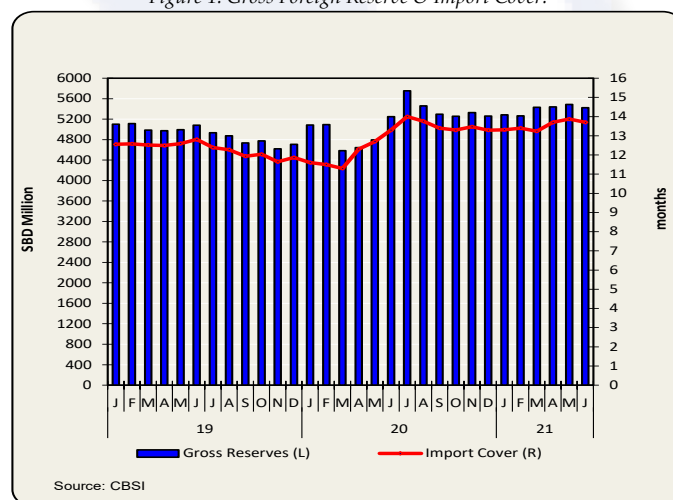
Balance on Trade in goods

The balance on trade in goods for the month of June worsened to a \$96 million deficit following a \$72 million deficit witnessed in the previous month. This negative outcome stemmed from a larger fall in exports by 13% to \$192 million against a marginal decline in imports by 1% to \$287 million during the month. The contract in exports was driven by declines in round logs and mineral exports outweighing the increase in fish and agricultural exports. Meanwhile, the fall in imports was attributed to downturns across all import categories except for fuel.

Gross Foreign Reserves

Gross foreign reserves fell by 1% to \$5,425 million, reflecting higher outflows than inflows during the month. This level of reserves is sufficient to cover 13.7 months of imports.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In the month of June, the Solomon Islands dollar (SBD) depreciated against the United States dollar by 0.3% to an average of \$8.01 per USD. On the other hand, it appreciated against the Australian dollar and New Zealand dollar by 1.2% to \$6.12 per AUD and by 1.2% to \$5.70 per NZD, respectively. Furthermore, the SBD weakened against the British pound but strengthened against the Japanese Yen and the Euro during the period. Against the bilateral exchange rate movements within the trade-weighted index (TWI) currency basket weakened by 65 basis points to an index of 106.6.

III GOVERNMENT FINANCE

The government fiscal position in the month of June recorded a widening deficit of \$387 million from the \$110 million deficit in May. This outcome mirrored higher total expenditure which more than doubled to \$666 million from \$302 million despite the increase in revenue to \$278 million from \$191 million. Meanwhile, the government’s debt stock slightly reduced by 0.7% to \$1,609 million in June.

The increase in revenue stemmed from all broad revenue categories of tax, non-tax and grants. Tax revenue rose by 23% to \$225 million, reflecting higher collections on company taxes and GST. Similarly, non-tax revenue grew to \$20 million from \$8 million, largely driven by proceeds from fishing licenses and administrative fees. On grants, a total of \$33 million is received during the month.

The surge in expenditure reflected increases in both recurrent expense and capital spending. Recurrent expenses went up to \$488 million from \$282 million in the preceding month, attributing to increases in payroll, purchase of goods and services and `benefits and transfers` payments. Likewise, capital outlays expanded to \$178 million from \$20 million attributable to fixed assets and non-produced assets spending.

The slight reduction in overall debt stock was mainly from external debt servicing. The external debt fell marginally by 1.1% to \$1,155 million while the domestic debt stock rose slightly by 0.2% to \$454 million. Debt servicing in June was \$12 million of which \$5 million on principal repayments and \$7 million on interest payments.

IV DOMESTIC ECONOMY

Domestic Production

The monthly production index dwindled further to 55 points in June from 73 points in May. The decline in fish catch by 2% to 2,288 tons, copra by 37% to 826 tons and round logs by 35% to 107 thousand cubic meters were the drivers behind the negative outturn. Crude palm oil and cocoa, on the other hand, went up by

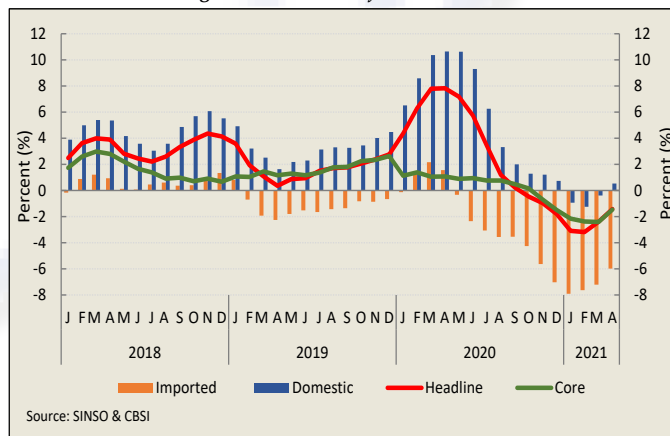
13% to 3,317 tons and cocoa more than doubled to 481 tons.

Meanwhile, the global commodity prices for all export commodities contracted in June. Crude palm oil fell by 12% to US\$1,017 per ton, coconut oil and cocoa, each dropped by 2% to US\$1,676 per ton and US\$2,370 per ton, and round logs and fish both edged down by 1% to US\$270 per cubic meters and US\$1,393 per ton, respectively.

Consumer Price Index, Inflation (yoy - 3mma)

Headline inflation rebounded to minus 1.4% in April compared to minus 2.4% in March. The outcome was reflected in both the domestic and imported inflation. Domestic inflation went up to 0.5% compared to minus 0.4%. Similarly, the imported inflation bounced back to minus 6% from minus 7.2% in the previous month. Core inflation surged to minus 1.5% in the reviewed period against the minus 2.4% posted in March.

Figure 2: National Inflation (3mma)



Solomon Islands Key Economic Indicators

		Jan 21	Feb 21	Mar 21	April 21	May 21	Jun 21
Consumer price index (% change)	Headline (3mma)	-3.1	-3.2	-2.4	-1.4	na	na
	Underlying (3mma): core 3	-2.2	-2.4	-2.4	-1.5	na	na
	Headline (MoM)	0.5	1.7	2.6	0.9	na	na
CBSI MPI (weighted Index)	Month- on - Month	100	104	105	103	96	97
Trade¹ (eop)	Exports (\$ millions)	162	217	342	189	220	192
	Imports (\$ millions)	252	272	260	263	292	287
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.03	8.01	7.99	7.99	7.98	8.01
	SBD per AUD	6.20	6.20	6.16	6.15	6.20	6.12
	SBD per NZD	5.77	5.80	5.71	5.69	5.77	5.70
	SBD per GBP	10.94	11.09	11.07	11.05	11.23	11.24
	SBD per 100 JPY	7.74	7.61	7.36	7.33	7.31	7.29
	SBD per EUR	9.77	9.69	9.52	9.56	9.69	9.66
	TWI	106.0	105.9	106.3	106.3	105.9	106.6
Gross Foreign Reserves (eop)	\$ milions	5,283	5,266	5,433	5,440	5,488	5,425
Liquidity² (eop)	Total Liquidity (\$ millions)	2,363	2,445	2,340	2,400	2,410	2,422
	Excess Liquidity (\$ millions)	1,949	2,028	1,930	1,984	1,986	1,999
Money and credit² (eop)	Narrow Money (\$ millions)	4,429	4,503	4,432	4,537	4,649	4,345
	Broad Money (\$ millions)	5,308	5,380	5,314	5,520	5,624	5,405
	Private Sector credit (\$ millions)	2,512	2,544	2,537	2,578	2,567	2,526
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.29%	0.23%	0.20%	0.19%	0.18%	0.18%
	91- days Treasury Bills rate	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%
	182-days Treasury Bills rate	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%
	365-days Treasury Bills rate	1.95%	1.93%	1.92%	1.92%	1.80%	1.92%
Government Finance³	Revenue (\$ millions)	236	171	276	241	191	278
	Expenditure (\$ millions)	198	258	234	229	302	666
	Fiscal Balance (\$ millions)	39	-87	42	11	-110	-387
	SIG Debt stock (eop) (\$ millions)	1,442	1,440	1,427	1,617	1,621	1,609
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	287	283	274	273	273	270
	Gold - (US\$/oz)	1,867	1,808	1,718	1,760	1,850	1,835
	Palm Oil - (US\$/tonne)	990	1,020	1,031	1,078	1,163	1,017
	Fish - (US\$/tonne)	1,454	1,282	1,370	1,403	1,402	1,393
	Coconut oil - (US\$/tonne)	1,455	1,438	1,578	1,514	1,614	1,676
	Cocoa - (US\$/tonne)	2,390	2,410	2,460	2,370	2,410	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.