

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) increased by 4% in July 2021 to \$5,646 million after a 4% decline in the previous month. This was supported by the growth in narrow money (M1) and other deposits (saving and time). M1 expanded by 5% to \$4,584 million as a result of the increase in demand deposits and currency in circulation. Meanwhile, other deposits also grew minimally by 0.2% to \$1,062 million.

Net foreign assets (NFA) of the banking system went up by \$6 million to \$5,368 million in July following the 3% fall in the previous month. This positive movement came mainly from a \$23 million increase in NFA of Other Depository Corporations to \$29 million offsetting the \$17 million fall in Central Bank's NFA to \$5,339 million. Annually, NFA grew by 10%¹.

Net domestic assets (NDA) of the banking system rebounded to \$275 million in July from \$43 million in the previous month. This was attributable to a 2% growth in private sector credit (PSC) to \$2,568 million combined with the 18% fall in net credit to government (NCG) to \$770 million. Annually, PSC increased by 3% while NCG recorded a 19% fall.

Total liquidity grew by 5% to \$2,538 million by the end of July 2021. This was driven by the fall in NCG during the month. Consequently, both free and excess liquidity increased by 5% to \$2,296 million and \$2,102 million respectively. Meanwhile, required reserves expanded by 2% to \$242 million during the month due to the growth in deposits in the banking system.

Domestic Market Operations

Boloko Bill's stock in July was maintained at \$430 million. The weighted average yield (WAY) for Bokolo Bills also moved lower to 0.10% from 0.18% in the previous month. Meanwhile, Treasury Bills accepted during the month were \$13 million from a tender of \$27 million. The WAY for 91 and 365 days remained unchanged from June; however, the WAY for 182 days fell to 1.04% from 1.05% in June.

II. EXTERNAL CONDITIONS

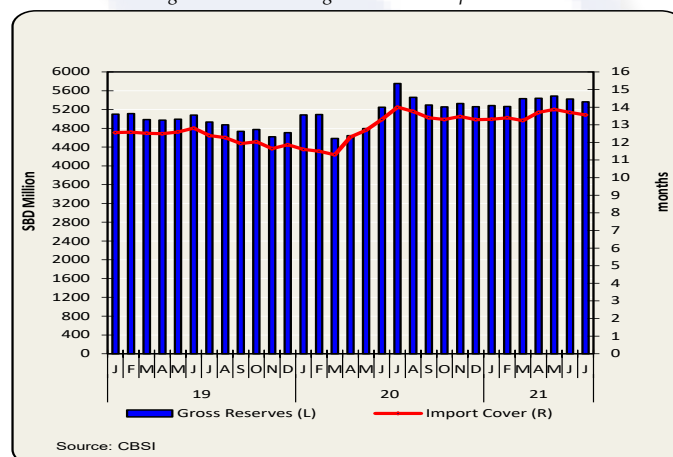
Trade in goods

The balance on trade in goods for the month of July widened to a \$130 million deficit, following a \$122 million deficit witnessed in the previous month. This outcome resulted from a \$50 million increase in imports to \$337 million in spite of the \$42 million rise in exports to \$207 million during the month. The upturn in exports was driven by round logs and agricultural exports offsetting declines in fisheries and mineral exports. Meanwhile, the rise in imports was attributed to the increase on almost all import categories except for fuel imports that dropped during the month.

Reserves

The gross foreign reserves slid by 1% to \$5,364 million during the month from higher outflows than inflows coupled with revaluation losses in the period. This level of reserves is sufficient to cover 13.6 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In terms of the exchange rates for the month of July, the Solomon Islands dollar (SBD) depreciated against the United States dollar by 0.5% to an average of \$8.05 per USD. On the other hand, it appreciated against the Australian dollar by 2.5% to \$5.98 per AUD and against the New Zealand dollar by 1.4% to \$5.62 per

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

NZD. Similarly, the SBD strengthened against the Euro and British pound but weakened against the Japanese Yen. As a result of the strong dominance of the USD in the currency basket, the total weighted index (TWI) weakened by 122 basis points to 107.9 during the month.

III GOVERNMENT FINANCE

The fiscal position recorded another deficit in July of \$226 million following the deficit levels in the previous two months. This continued to put pressure on government finances. Compared to the previous month, revenue fell by 10% to \$250 million and expenditure declined by 29% to \$476 million.

In terms of revenue, the declines in tax and grants receipts offset gains in non-tax revenue. Tax revenue shrank by 9% to \$203 million from lesser income and profit taxes collection. Donor grants receipts fell to \$0.4 million compared to \$33 million in June. Meanwhile, non-tax revenue more than doubled to \$46 million, attributable to the higher proceeds from fishing licenses fees.

On expenditure, both recurrent and capital spending declined in July. Recurrent expenses fell by 29% to \$348 million, attributing to declines in purchase of goods and services and `benefits and transfers` outweighing the increase in payroll by 7% to \$149 million. Capital outlays fell by 28% to \$128 million, due to lower spending on fixed assets.

The central government's total debt rose by 1% to \$1,623 million in July reflecting an increase in treasury bills issued and exchange rate movements during the month. External debt rose by 1% to \$1,168 million whilst the domestic debt edged higher by 0.3% to \$456 million. Debt servicing in July totaled \$4 million, \$3 million in principal repayment and \$1 million on interest payments.

IV DOMESTIC ECONOMY

Domestic Production

The preliminary monthly production index rebounded by 29% to 78 points in July owing to positive performance in fish catch, round logs, copra

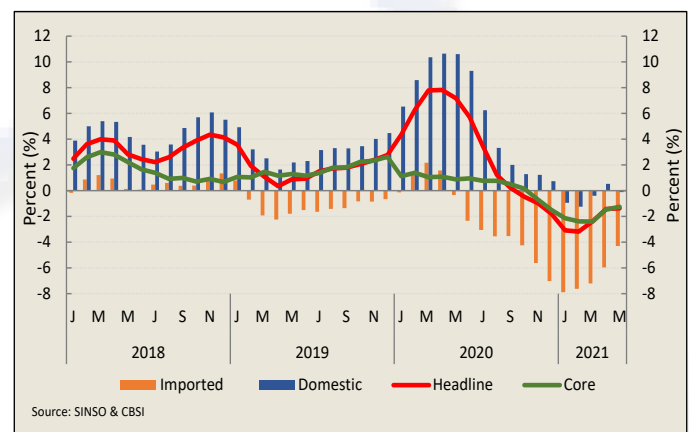
and cocoa. Fish catch jumped by 43% to 3,281 tons, copra by 55% to 1,282 tons, round logs by 28% to 158 thousand cubic meters, and cocoa rose by 8% to 201 tons. Crude palm oil, however, dropped by 7% to 3,085 tons.

The international prices for export commodities recorded mixed movements in July. Crude palm oil and fish prices bounced back by 5% each to US\$1,057 per ton and US\$1,423 per ton, respectively. On the other hand, coconut oil went down by 5% to US\$1,587 per ton, and cocoa by 2% to US\$2,330 per ton. Round log during the month remained at US\$270 per cubic meters as in the previous month.

Consumer Price Index, Inflation (yoy - 3mma)

Headline inflation in May 2021 remained unchanged at minus 1.4% compared to the previous month, as the rise in imported inflation was equally offset by domestic inflation. Domestic inflation fell to minus 0.1% from 0.5%, however, imported inflation rose to minus 4.3% from minus 6% in the previous month. Core inflation increased to minus 1.3% from minus 1.5% registered in April.

Figure 2: National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI MPI in July went down by 5.4% to 91 points attributable to a fall in betel-nut price from \$2 per fruit in the previous month to \$1 per fruit. However, fuel price increased by 25 cents to \$9.00 per litre, solrice family product by 2 cents to \$115.60 per 401b bag, and the domestic electricity tariff by 22 cents to \$5.94 per KWh. The price of LP gas per KG, was unchanged at \$24.77.

Solomon Islands Key Economic Indicators

		Feb 21	Mar 21	April 21	May 21	Jun 21	Jul 21
Consumer price index (% change)	Headline (3mma)	-3.2	-2.4	-1.4	-1.4	na	na
	Underlying (3mma): core 3	-2.4	-2.4	-1.5	-1.3	na	na
	Headline (MoM)	1.7	2.6	0.9	-0.4	na	na
CBSI MPI (weighted Index)	Month- on - Month	104	105	103	96	97	91
Trade¹ (eop)	Exports (\$ millions)	217	342	229	283	165	207
	Imports (\$ millions)	272	260	263	372	287	337
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.01	7.99	7.99	7.98	8.01	8.05
	SBD per AUD	6.20	6.16	6.15	6.20	6.12	5.98
	SBD per NZD	5.80	5.71	5.69	5.77	5.70	5.62
	SBD per GBP	11.09	11.07	11.05	11.23	11.24	11.11
	SBD per 100 JPY	7.61	7.36	7.33	7.31	7.29	7.30
	SBD per EUR	9.69	9.52	9.56	9.69	9.66	9.52
	TWI	105.9	106.3	106.3	105.9	106.6	107.9
Gross Foreign Reserves (eop)	\$ millions	5,266	5,433	5,440	5,488	5,425	5,364
Liquidity² (eop)	Total Liquidity (\$ millions)	2,445	2,340	2,400	2,410	2,422	2,538
	Excess Liquidity (\$ millions)	2,028	1,930	1,984	1,986	1,999	2,102
Money and credit² (eop)	Narrow Money (\$ millions)	4,503	4,432	4,537	4,649	4,345	4,584
	Broad Money (\$ millions)	5,380	5,314	5,520	5,624	5,405	5,646
	Private Sector credit (\$ millions)	2,544	2,537	2,578	2,567	2,526	2,568
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.23%	0.20%	0.19%	0.18%	0.18%	0.10
	91- days Treasury Bills rate	0.49%	0.49%	0.49%	0.49%	0.49%	1.49%
	182-days Treasury Bills rate	1.05%	1.05%	1.05%	1.05%	1.05%	1.04%
	365-days Treasury Bills rate	1.93%	1.92%	1.92%	1.80%	1.92%	1.92%
Government Finance³	Revenue (\$ millions)	171	276	241	191	278	250
	Expenditure (\$ millions)	258	234	229	302	666	476
	Fiscal Balance (\$ millions)	-87	42	11	-110	-387	-226
	SIG Debt stock (eop) (\$ millions)	1,440	1,427	1,617	1,621	1,609	1,623
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	283	274	273	273	270	270
	Gold - (US\$/oz)	1,808	1,718	1,760	1,850	1,835	1,808
	Palm Oil - (US\$/tonne)	1,020	1,031	1,078	1,156	1,010	1,057
	Fish - (US\$/tonne)	1,282	1,370	1,403	1,402	1,358	1,423
	Coconut oil - (US\$/tonne)	1,438	1,578	1,514	1,717	1,671	1,587
	Cocoa - (US\$/tonne)	2,410	2,460	2,370	2,410	2,370	2,330

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.