

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Money supply (M3) edged 0.2% higher in August 2021 to \$5,656 million, a slower growth compared to the 4% increase in July. This was aided by the growth in narrow money (M1) and other deposits (saving and time). M1 moved up by 0.2% to \$4,593 million due to the increase in demand deposits despite a downturn in currency in circulation. Other deposits marginally grew due to an increase in time deposits.

Net foreign assets (NFA) of the banking system inched 0.04% lower to \$5,366 million in August following a 0.1% growth in the previous month. This outcome came mainly from the \$25 million falls in the NFA of other depository corporations to \$4 million despite the 0.4% increase in the NFA of the Central Bank to \$5,362 million. Annually, NFA grew by 10%<sup>1</sup>.

Net domestic assets (NDA) of the banking system strengthened by 5% to \$290 million in August. This was underpinned by the growth in net domestic credit owed to a 16% fall in net credit to government (NCG) to minus \$647 million and a 1% growth in private sector credit (PSC) to \$2,581 million. Annually, PSC grew by 4% while NCG fell by 32%.

Total liquidity in the banking system soared by 11% to \$2,823 million in August 2021, driven mainly by the fall in NCG during the month. Consequently, free liquidity increased by 12% to \$2,571 million while excess liquidity grew by 13% to \$2,385 million. Similarly, required reserves expanded by 4% to \$251 million during the month corresponded to the increased demand deposits in the banking system.

#### Domestic Market Operations

The stock of Boloko Bills at the end of August 2021 stood at \$370 million from \$430 million the preceding month. The weighted average yield (WAY) for Bokolo Bills, however, remained fixed at 0.10% from the previous month. Meanwhile, Treasury Bills tendered was \$30 million although only \$14 million was accepted. The WAY for 91 and 365 days remained fixed at 0.49% and 1.92% respectively. However, the WAY for 182 days fell to 1.02% from 1.04% in July.

<sup>1</sup> The percentage change on annual basis refers to growth comparison against end of 2020

### II. EXTERNAL CONDITIONS

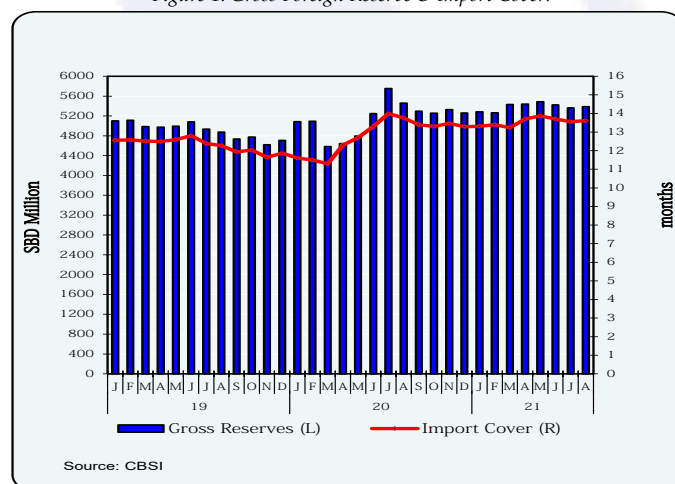
#### Trade in goods

In August 2021, the balance on trade in goods recorded a narrowed deficit of \$116 million following the \$130 million in the previous month. This improved outcome stemmed from an increase in exports by 6% to \$219 million and slight decline in imports by 1% to \$335 million during the month. Contributed to the rise in exports were upturns in fish, minerals and agricultural exports, outweighing falls in round logs and other exports. Meanwhile, the decline in imports was attributed to downturns in food and mineral fuel, despite upticks in machineries and basic manufactures in the period.

#### Gross Reserves

The Gross foreign reserves minimally improved by 0.4% to \$5,388 million, due to revaluation gains during the month. 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 rate

In terms of exchange rates in August, the Solomon Islands dollar (SBD) depreciated against the United States dollar by 0.2% to an average of \$8.07 per USD. On the other hand, it appreciated against the Australian dollar by 1.4% to \$5.89 per AUD but depreciated against the New Zealand dollar by 0.2% to \$5.63 per NZD. Similarly, it weakened against the British pound and Japanese yen while it strengthened against the Euro. As a result of the strong dominance of the USD in

the currency basket, the trade-weighted index (TWI), weakened by 58 basis points to 108.5 during the period.

### III GOVERNMENT FINANCE

The fiscal position narrowed to \$113 million deficit in August from \$226 million deficit posted in July. Expenditure was contained but still higher than revenue collections in August. Expenditure fell by nearly 30% to \$350 million and revenue by 5% to \$237 million. Meanwhile, total central government debt rose to \$1,788 million, 11% higher than in July, driven by additional domestic borrowing.

Declines in taxes and non-tax revenues underpinned the lower revenue outturn in August. Tax revenue fell by 8% to \$187 million, attributing to fewer collections on GST and trade taxes. Non-tax revenues shrank to \$18 million from \$46 million in July whilst grant receipts increased to \$33 million, up from less than a million in July.

Both recurrent and capital spending fell against July; the former by 19% to \$283 million and the latter by nearly half to \$67 million. The fall in recurrent expense mirrored reductions in operation costs, mainly payroll and purchase of goods and services. Transfer and benefits also fell relative to July.

The increase in total debt was attributed to acquisition of additional domestic development bonds in August, \$60 million each from CBSI and SINPF, and \$50 million from Pan Oceanic Bank. This saw the domestic debt rose by 38% to \$627 million. Conversely, external debt declined by 1% to \$1,161 million reflecting movements in exchange rates and debt repayments. Meanwhile, total debt repayment in August rose to \$16 million from \$4 million in July, \$16 million in principal repayment and less than \$1 million on interest charges.

### IV DOMESTIC ECONOMY

#### Domestic Production

The preliminary monthly production index dropped by 34% in August to 51 points, following a growth of 29% in the previous month. The negative outturn was pronounced across all the major commodities except for cocoa production that surged to 359 tons from 201 tons. Round logs dwindled by 41% to 93 thousand cubic meters, fish by 32% to 2,224 tons, palm oil by

14% to 2,651 tons, and copra declined by 6% to 1,202 tons, respectively.

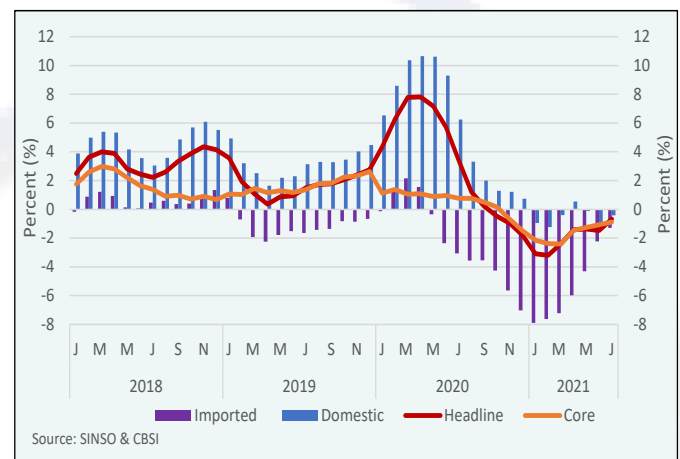
The global prices for export commodities posted a mixed movement during the month with crude palm oil trended up by 7% to US\$1,136 per ton, cocoa by 6% to US\$2,480 per ton, fish by 3% to US\$1,462 per ton, and round logs increased negligibly to US\$271 per cubic meters (m3) from US\$270 per m3 in July. In contrast, coconut oil fell by 5% to US\$1,498 per ton.

#### Consumer Price Index, Inflation (yoy - 3mma)

The National CPI in July posted an index of 106.1 fell from the index of 106.6 in June. This monthly fall reflected price drop in narcotics (or betel-nuts) and cereal products.

On the other hand, headline inflation continued heading upwards to the positive territory in July, reaching minus 0.7% from its trough of minus 2.4% posted in March. This was driven by increases in both domestic inflation to minus 0.4% and imported inflation to minus 1.3%. Similarly, core inflation gradually went up to minus 0.9% in the reviewed month from the lowest point of minus 2.4% in March.

Figure 2: National Inflation (3mma)



#### CBSI Monthly Price Index (MPI)

The CBSI Monthly Price Index (MPI) remained at 91 points in August compared to July. The fall in betelnut price by 36 cents to \$0.64 cent per nut was the main driver. Rice (Solrice family 40lb), fuel and electricity, however, firmed up by \$4.60 to \$120.20 per bag, fuel by 30 cents to \$9.30 per litre and electricity<sup>1</sup> by 12 cents to \$6.06 per KWh. Whilst LPG stayed the same as in the prior month.

<sup>1</sup> Average of the three consumption blocks in the domestic category.

## Solomon Islands Key Economic Indicators

		Mar 21	April 21	May 21	Jun 21	Jul 21	Aug 21
<b>Consumer price index</b> (% change )	Headline (3mma)	-2.4	-1.4	-1.4	-1.5	-0.7	na
	Underlying (3mma): core 3	-2.4	-1.5	-1.3	-1.1	-0.9	na
	Headline (MoM)	2.6	0.9	-0.4	-1.8	-1.1	na
<b>CBSI MPI</b> (weighted Index)	Month- on - Month	105	103	96	97	91	91
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	342	229	283	165	207	219
	Imports ( \$ millions)	260	263	372	287	337	335
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	7.99	7.99	7.98	8.01	8.05	8.07
	SBD per AUD	6.16	6.15	6.20	6.12	5.98	5.89
	SBD per NZD	5.71	5.69	5.77	5.70	5.62	5.63
	SBD per GBP	11.07	11.05	11.23	11.24	11.11	11.14
	SBD per 100 JPY	7.36	7.33	7.31	7.29	7.30	7.35
	SBD per EUR	9.52	9.56	9.69	9.66	9.52	9.50
	TWI	106.3	106.3	105.9	106.6	107.9	108.5
<b>Gross Foreign Reserves</b> (eop)	\$ millions	5,433	5,442	5,491	5,427	5,364	5,388
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	2,340	2,400	2,410	2,422	2,538	2,823
	Excess Liquidity ( \$ millions)	1,930	1,984	1,986	1,999	2,102	2,385
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	4,432	4,537	4,649	4,345	4,584	4,593
	Broad Money ( \$ millions)	5,314	5,520	5,624	5,405	5,646	5,656
	Private Sector credit (\$ millions)	2,537	2,578	2,567	2,526	2,568	2,581
<b>Interest Rates</b> ( weighted average yield)	28-days Bokolo Bills rate	0.20%	0.19%	0.18%	0.18%	0.10%	0.10%
	91- days Treasury Bills rate	0.49%	0.49%	0.49%	0.49%	1.49%	1.49%
	182-days Treasury Bills rate	1.05%	1.05%	1.05%	1.05%	1.04%	1.02%
	365-days Treasury Bills rate	1.92%	1.92%	1.80%	1.92%	1.92%	1.92%
<b>Government Finance<sup>3</sup></b>	Revenue (\$ millions)	276	241	191	278	250	237
	Expenditure (\$ millions)	234	229	302	666	476	350
	Fiscal Balance (\$ millions)	42	11	-110	-387	-226	-113
	SIG Debt stock (eop) (\$ millions)	1,427	1,617	1,621	1,609	1,623	1,788
<b>Global Commodity Prices</b> ( monthly averages)	Round logs - (US\$/m3)	274	273	273	270	270	271
	Gold - (US\$/oz)	1,718	1,760	1,850	1,835	1,808	1,785
	Palm Oil - (US\$/tonne)	1,031	1,078	1,156	1,010	1,063	1,136
	Fish - (US\$/tonne)	1,370	1,403	1,402	1,358	1,423	1,462
	Coconut oil - (US\$/tonne)	1,578	1,514	1,717	1,671	1,584	1,498
	Cocoa - (US\$/tonne)	2,460	2,370	2,410	2,370	2,330	2,480

<sup>1</sup> Value in terms of free on Board (FOB)

<sup>2</sup> Based on weekly statistics provided by other depository corporations ( ODCs).

<sup>3</sup> Based on GFSM2014 standards.

Note;  
na : not available at time of publication.