

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Money supply (M3) grew by 1% in September 2021 to \$5,719 million, following a 0.2% growth in August 2021. The growth was driven by both narrow money (M1) and other deposits (saving and time). M1 moved 1% higher to \$4,640 million from increases in demand deposits and currency in circulation. Meanwhile, growth in other deposits by 2% to \$1,079 million was underpinned by the increase in time deposits.

Net foreign assets (NFA) of the banking system declined by 1% to \$5,321 million in September following a 0.1% downturn in August. This outcome came mainly from the 1% fall in the NFA of the Central Bank of Solomon Islands to \$5,295 million despite growth in NFA of other depository corporations from \$4 million to \$26 million. Annually, NFA grew by 9%¹.

Net domestic assets (NDA) of the banking system firmed up by 35% to \$397 million in September, driven by an increase in the capital accounts. On the other hand, net domestic credit recorded a 4% drop which came from a 0.1% fall in private sector credit (PSC) to \$2,578 million and a 11% growth in net credit to government (NCG) to minus \$720 million. Annually, PSC grew by 4%, while NCG declined by 24%.

Total banking liquidity rose by 2% to \$2,883 million in September 2021, driven mainly by the fall in NCG during the month. Consequently, both free and excess liquidity increased by 2% to \$2,630 million and \$2,432 million respectively. Required reserves also grew by 1% to \$253 million during the month in tandem with the increased demand deposits in the banking system.

Domestic Market Operations

The stock of Boloko Bills held at the end of September 2021 was \$380 million, an increase from \$370 million in August. The weighted average yield (WAY) for Bokolo Bills stayed on at 0.10% as in the previous month. Meanwhile, Treasury Bills tendered during September was \$29 million although only \$15 million was accepted. The WAY for 91 days, 182 days and 365 days remained at 0.49%, 1.02%, and 1.92% respectively.

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

II. EXTERNAL CONDITIONS

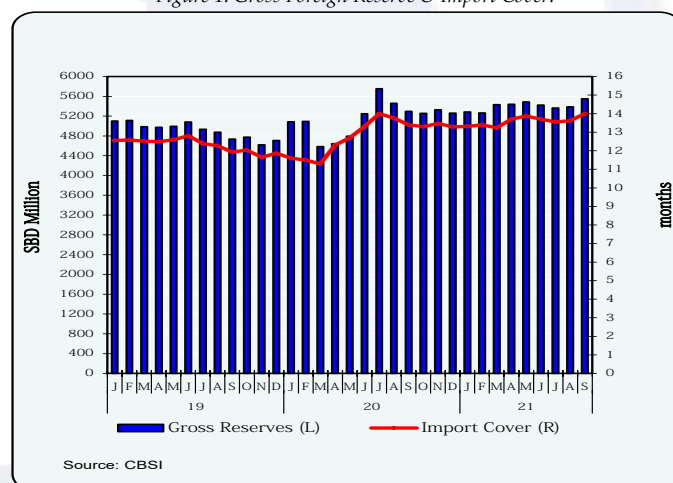
Trade in goods

In the month of September 2021, the balance of trade in goods registered a narrowed deficit of \$75 million, following a \$116 million deficit witnessed in the previous month. This stemmed from a larger fall in imports by 13% to \$291 million, despite a 2% decline in exports to \$215 million during the month. The decrease in exports was primarily driven by downturns in fish and agricultural exports, outweighing upticks in round logs, minerals and other exports. Meanwhile, the drop in imports was attributed to declines in mineral fuel, machineries and basic manufactures, despite an increase in food during the period.

Gross foreign reserves

Gross foreign reserves in September rose by 3% to \$5,549 million, owing to higher inflows related to the additional \$228.78 million IMF's SDR allocation for Solomon Islands during the month. This level of reserve is sufficient to cover 14 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



Exchange rates

In terms of the exchange rate movements for the month of September, the Solomon Islands dollar appreciated against the United States dollar by 0.17% to an average of \$8.05 per USD. It however, depreciated against both the Australian and New Zealand dollar, by 0.04% to \$5.90 per AUD and by 1.06% to \$5.69 per NZD respectively. Nevertheless, it strengthened

against other tradable currencies, namely, the British pound, Japanese Yen and Euro. As a result of the mix movements' of currencies within the currency basket, the trade-weighted index went up by 12 basis points to 108.4.

III: GOVERNMENT FINANCE

The government recorded a narrower deficit of \$71 million in September, compared to \$113 million deficit in August. Total expenditure fell by 4% to \$337 million, but still higher than revenues, which increased by 12% to \$266 million. Meanwhile, the central government debt stock slid to \$1,780 million, 0.4% lower than in August.

The growth in revenue stemmed from increases in tax and non-tax receipts. Tax revenue rose by 17% to \$219 million, supported by strong collections on income and company taxes, property tax and trade taxes. Non-tax revenues expanded to \$47 million from \$18 million in August, buoyed by higher proceeds from fishing licenses fees.

The reduction in expenditure came from a decline in capital outlays by 35% to \$43 million attributing to less spending on fixed assets. Conversely, recurrent expenses grew by 4% to \$293 million. This was driven by an increase in payroll by 50% to \$158 million, mainly covid-19 related allowances. Meanwhile, purchase of goods and services and `benefits and transfers` declined against the preceding month.

The slight fall in the debt stock mirrored debt servicing and exchange rate movements during the month. External debt edged lower by 1% to \$1,151 million whilst domestic debt grew by 0.4% to \$629 million. Debt servicing in September totaled \$20 million, \$19 million in principal repayments, mainly matured T-bills, and \$1 million on interest charges.

IV: DOMESTIC ECONOMY

Domestic Production

The preliminary monthly production index rebounded in September by 51% to 78 points following the turnaround in cocoa, round logs, fish catch, and crude palm oil during the month. Cocoa increased more than doubled to 867 tons, round logs by 69% to 157

thousand cubic meters, fish catch by 37% to 3,050 tons, and palm oil rose by 13% to 2,902 tons. Copra, however, declined by 70% to 365 tons.

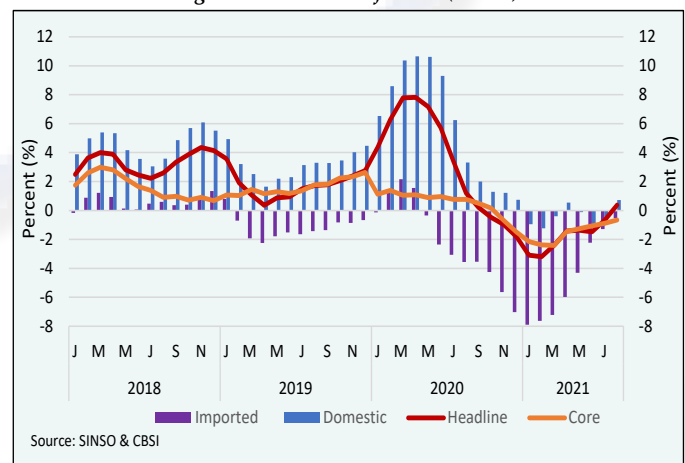
The global prices for export commodities recorded a mixed movement in September with cocoa and crude palm oil both growing by 3% each to US\$2,560 per ton and US\$1,181 per ton respectively. However, fish dropped by 8% to US\$1,342 per ton, coconut oil by 1% to US\$1,485 per ton, and round log fell minimally per cubic meters to US\$270 from US\$271.

Consumer Price Index, Inflation (yoy - 3mma)

The National CPI in August climbed to an index of 106.6 from the index of 106.1 in July. This upward movement backed by price rise in narcotics (or betelnuts), fish and seafood and tobacco.

Headline inflation reached the positive territory for the first time in August at 0.4% since the deflation witnessed in October 2020. This was driven by increases in both domestic inflation to 0.7% and imported inflation to minus 0.5%. Similarly, core inflation went up notably to minus 0.7% in the reviewed month.

Figure 2: National Inflation (3mma)



CBSI Monthly Price Index (MPI)

The CBSI Monthly Price Index (MPI) went up in September to 92 points from 91 points in August. This was driven by the rise in prices of rice (Solrice family 40lb) by \$3 to \$123.20 per bag, LP gas by 51 cents to \$25.29 per KG, and the domestic electricity¹ tariff by 25 cents to \$6.31 per KWh. On the other hand, fuel and betelnut both dropped by 15 cents to \$9.15 per litre, and by 3 cents to \$0.61 cent per nut, respectively.

¹ Average of the three consumption blocks in the domestic category.

Solomon Islands Key Economic Indicators

		Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21
Consumer price index (% change)	Headline (3mma)	-1.4	-1.4	-1.5	-0.7	0.4	na
	Underlying (3mma): core 3	-1.5	-1.3	-1.1	-0.9	-0.7	na
	Headline (MoM)	0.9	-0.5	-2.4	-0.5	0.5	na
CBSI MPI (weighted Index)	Month- on - Month	103	96	97	91	91	92
Trade¹ (eop)	Exports (\$ millions)	229	283	165	207	219	215
	Imports (\$ millions)	263	372	287	337	335	291
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	7.99	7.98	8.01	8.05	8.07	8.05
	SBD per AUD	6.15	6.20	6.12	5.98	5.89	5.90
	SBD per NZD	5.69	5.77	5.70	5.62	5.63	5.69
	SBD per GBP	11.05	11.23	11.24	11.11	11.14	11.07
	SBD per 100 JPY	7.33	7.31	7.29	7.30	7.35	7.32
	SBD per EUR	9.56	9.69	9.66	9.52	9.50	9.49
	TWI	106.3	105.9	106.6	107.9	108.5	108.4
Gross Foreign Reserves (eop)	\$ milions	5,442	5,491	5,427	5,364	5,388	5,549
Liquidity² (eop)	Total Liquidity (\$ millions)	2,400	2,410	2,422	2,538	2,823	2,883
	Excess Liquidity (\$ millions)	1,984	1,986	1,999	2,102	2,385	2,432
Money and credit² (eop)	Narrow Money (\$ millions)	4,537	4,649	4,345	4,584	4,593	4,640
	Broad Money (\$ millions)	5,520	5,624	5,405	5,646	5,656	5,719
	Private Sector credit (\$ millions)	2,578	2,567	2,526	2,568	2,581	2,578
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.19%	0.18%	0.18%	0.10%	0.10%	0.10%
	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%	1.04%	1.02%	1.02%
	365-days Treasury Bills rate	1.92%	1.80%	1.92%	1.92%	1.92%	1.92%
Government Finance³	Revenue (\$ millions)	241	191	278	250	237	266
	Expenditure (\$ millions)	229	302	666	476	350	337
	Fiscal Balance (\$ millions)	11	-110	-387	-226	-113	-71
	SIG Debt stock (eop) (\$ millions)	1,617	1,621	1,609	1,623	1,788	1,780
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	273	273	270	270	271	270
	Gold - (US\$/oz)	1,760	1,850	1,835	1,808	1,785	1,775
	Palm Oil - (US\$/tonne)	1,078	1,156	1,010	1,063	1,142	1,181
	Fish - (US\$/tonne)	1,403	1,402	1,358	1,423	1,462	1,342
	Coconut oil - (US\$/tonne)	1,514	1,717	1,671	1,584	1,494	1,485
	Cocoa - (US\$/tonne)	2,370	2,410	2,370	2,330	2,480	2,560

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.