

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Broad Money (M3) fell by 1% to \$5,112 million in June, the same decrease recorded in May. This outcome emanated from a 2% decline in narrow money (M1) to \$4,078 million despite an increase in other deposits (time and savings) by 2% to \$1,035 million during the month. The decrease in M1 was driven by declines in both currency in active circulation and demand deposits, falling by 2% to \$750 million and 1% to \$3,328 million respectively. Meanwhile, the upturn in other deposits came from a 2% rise in time deposits to \$941 million and 1% growth in savings to \$94 million.

Net foreign Assets (NFA) grew by 1% to \$4,799 million during the month. The outcome reflected a 1% growth in CBSI's NFA to \$4,809 million notwithstanding the fall in ODC's NFA from \$2.4 million to minus \$9.6 million. On a year on year basis, NFA grew by 2%.

Net domestic Assets (NDA) of Depository Corporations (DC) contracted by 23% to \$313 million against the previous month. This reflected a 6% reduction in net domestic credit (NDC) to \$1,107 million together with a fall in other items net (OIN) by 23% to \$263 million. The deterioration in NDC stemmed from a 6% growth in net credit to government (NCG) to minus \$1,377 million. Private sector credit (PSC) recorded a negligible 0.2% rise to \$2,484 million. Meanwhile, both PSC and NCG grew by 5% and 2% respectively on annual basis.

Liquidity in the banking system declined further during the month by 3% to \$2,040 million. This outcome mirrored an expansion in NCG and a fall in OIN which saw a reduction in both free liquidity and excess liquidity by 3% to \$1,687 million and 4% to \$1,501 million respectively. Similarly, required reserves edged 1% lower to \$353 million during the month.

Domestic Market Operations

The CBSI floated \$1,193 million of its Bokolo Bills in June, however; only \$750 million was absorbed. Bokolo Bills weighted average yield (WAY) for 28 days narrowed from 0.57% in the previous month to 0.56%. In terms of government Treasury Bills, \$22.2 million was tendered though only \$11.9 million was accepted. The WAY for 91 and 182 days Treasury Bills remained fixed at 0.49% and 1.12% respectively. However, the WAY for 365 days slid from 1.99% to 1.98% during the month.

II. EXTERNAL CONDITIONS

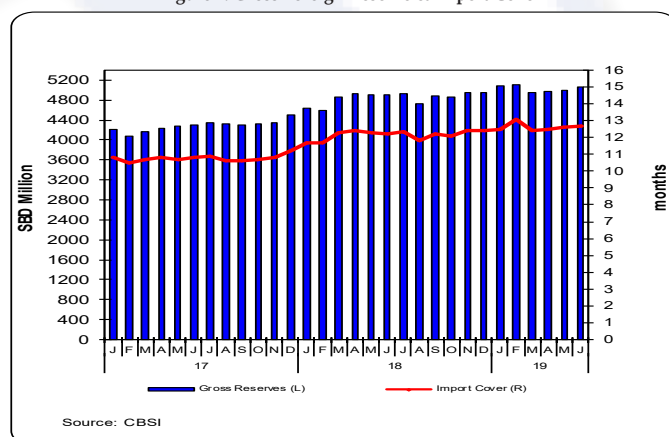
Trade in goods

The Balance on trade in goods improved further to \$36 million surplus in June from a \$9 million surplus witnessed in the previous month. This favourable outcome emanated from a 26% fall in imports to \$286 million driven by the slowdown across all import categories during the month. Similarly, exports dropped by 18% to \$322 million from \$394 million a month ago reflecting the declines in round logs, minerals and agriculture exports in June.

Gross Foreign Reserve

The gross foreign reserves grew by 1% to \$5,055 million, driven by higher inflows than outflows during the month. This level of reserves is sufficient to cover 12.7 months of import of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover



Exchange Rate

In terms of the exchange rate for the month of June, the Solomon Islands dollar (SBD) depreciated further against the United States dollar (USD) by 0.33% to \$8.17 per USD. It also weakened against the Australian dollar and the New Zealand dollar by 0.11% and 0.55% to \$5.67 per AUD and \$5.38 per NZD respectively. Similarly, it went down against the Euro dollar (EUR) and Japanese yen (JPY) but strengthened against the British pound. As a result of these mixed movements, the trade weighted index of the basket of currencies weakened further by 5 basis points to 111.15 during the month.

III GOVERNMENT FINANCE

Government’s fiscal position rebounded to a surplus of \$72 million in June after four consecutive months of recording fiscal deficit. This positive outcome reflected strong revenue collection combined with lower government spending during the month. Total government revenue surged by 22% to \$345 million while government expenditure contracted by 19% to \$273 million in June. Meanwhile, the overall debt balance grew slightly by 0.2% to \$1,037 million at the end of the period.

The increase in government revenue was driven by non-tax revenue and grant receipts collected during the month. Non-tax revenue increased to \$42 million from \$11 million collected in the preceding month reflecting higher receipts from fishing licences and sales of goods and services during the month. Similarly, total grants received was recorded at \$34 million, the highest for the first six months of the year, attributing to grant assistance from the Republic of China (ROC), Australia and New Zealand.

The decline in government’s total outlays was driven by a 20% reduction in recurrent spending to \$254 million during the month. This was attributed to lower spending on compensation of employees, purchases of goods and services, grants, social benefits and other payments during the period. Meanwhile, capital expenditure remain broadly at \$19 million.

The slight increase in government’s debt stock reflected the additional treasury bills issued in June. Of the total outstanding debt balance, external debt was accounted for \$770 million while domestic debt comprised of the remaining \$266 million. Meanwhile, total debt servicing paid during the month was \$9.7 million, of which \$7.2 million was on principal repayment and \$2.5 million was on interest payments.

IV DOMESTIC PRODUCTION

Domestic Economy

Based on preliminary estimates, the CBSI monthly production index fell by 21% to 103 points in June from a revised 129 points in May. This outcome reflected weaker performances across major commodities during the month. Round log output declined by 18% while fish catch fell drastically by 27%, reversing the record volume witnessed a month ago. Similarly, crude palm oil and palm kernel oil output dropped by 26% and 20% respectively. Production data for cocoa and copra were unavailable at the time of reporting. However, based on recent trends, copra output is expected to decrease by 13% while cocoa output is estimated to rebound by 10% during the month.

In terms of prices, the average international prices for both cocoa and fish rebounded by 4%, while prices for

round log grew by 2% during the month. In contrast, the average prices for palm kernel oil and crude palm oil decreased by 5% and 2% respectively.

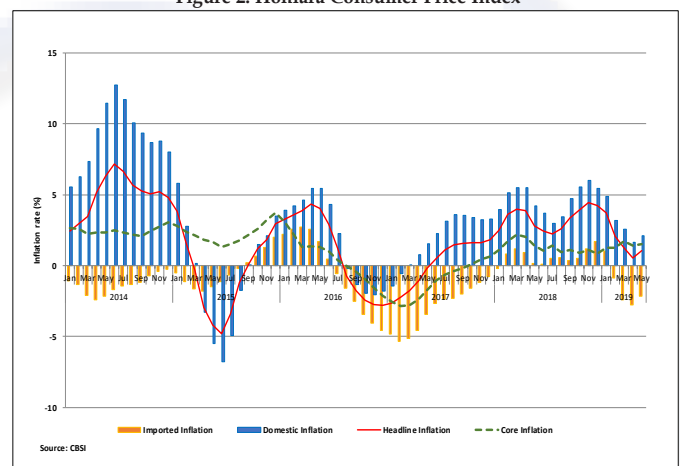
Headline Inflation

Headline inflation rebounded to 1% in May from 0.5% in April, after five consecutive months of subdued inflation. This outcome reflected the pick-up in domestic and imported inflation during the month. Domestic inflation rose to 2.1% from 1.6% in April, mainly driven by the price increases in housing utilities, transport, and alcoholic beverages, tobacco, and narcotics categories. On the other hand, food and non-alcoholic beverages, furnishings and household equipment declined while other categories remained flat during the month.

Similarly, imported inflation grew to minus 2.2% in May from minus 2.8% in April. This was driven by the price pickup in transport, housing utilities, clothing and footwear and miscellaneous goods and services categories during the period. These outweighed the price fall in food and non-alcoholic beverages during the month.

Meanwhile, core inflation edged up to 1.5% from 1.4% in April, implying an increase in the prices of non-food and non-fuel categories against the prior month.

Figure 2: Honiara Consumer Price Index



Honiara Fuel Prices

The average fuel price in Honiara increased further in June to \$9.34 per litre from \$9.28 per litre in May. This outcome was driven by the increases in both diesel and petrol prices during the month. Diesel price grew by 15 cents to \$9.45 per litre from \$9.30 per litre, while petrol price rose by 7 cents to \$9.12 per litre from \$9.05 per litre. In contrast, kerosene price declined further by 4 cents to \$ 9.46 per litre from \$9.50 per litre in the previous month.

Solomon Islands Key Economic Indicators

		Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19
Consumer price index (% change)	Headline (3mma)	3.7	2.1	1.3	0.5	1.0	na
	Underlying (3mma): core 3	1.3	1.3	1.7	1.4	1.5	na
	Month -on -Month	0.6	-0.9	1.3	-0.9	-0.1	na
Trade¹ (eop)	Exports (\$ millions)	389	324	324	204	394	322
	Imports (\$ millions)	278	585	285	293	385	286
Exchange Rates (Mid-rate, Monthly average)	SBD per USD	8.10	8.08	8.10	8.10	8.15	8.17
	SBD per AUD	5.78	5.77	5.74	5.76	5.66	5.67
	SBD per NZD	5.48	5.52	5.54	5.45	5.35	5.38
	SBD per GBP	10.41	10.49	10.68	10.56	10.48	10.35
	SBD per 100 JPY	7.43	7.32	7.29	7.26	7.40	7.56
	SBD per EUR	9.25	9.17	9.16	9.10	9.11	9.22
Gross Foreign Reserves (eop)	\$ millions	5,073	5,099	4,948	4,974	4,994	5,055
Liquidity² (eop)	Total Liquidity (\$)	2,122	2,189	2,123	2,502	2,104	2,040
	Excess Liquidity (\$)	1,588	1,646	1,583	1,961	1,567	1,501
Money and credit² (eop)	Narrow Money (\$)	4,167	4,277	4,180	4,187	4,140	4,078
	Broad Money (\$)	5,153	5,260	5,203	5,213	5,152	5,112
	Private Sector credit (\$)	2,410	2,430	2,458	2,471	2,480	2,484
Interest Rates (weighted average yield)	28-days Bokolo Bills rate	0.59%	0.59%	0.59%	0.58%	0.57%	0.56%
	56-days Treasury Bills rate	na	na	na	na	na	na
	91- days Treasury Bills rate	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%
	182-days Treasury Bills rate	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%
	365-days Treasury Bills rate	2.00%	2.00%	2.00%	2.00%	1.99%	1.98%
Fiscal Balance³ Surplus(+)/Deficit(-)	\$ million	66.2	-37.9	-61.0	-71.2	-60.0	72.0
SIG Debt stock (eop)	\$ million	1,021.0	1,027.0	1,031.3	1,027.8	1,035.0	1,037
Global Commodity Prices (monthly averages)	Round logs - (US\$/m3)	273	270	268	267	271	275
	Gold - (US\$/oz)	1,292	1,320	1,301	1,286	1,284	1,359
	Palm Oil - (US\$/tonne)	585	603	573	588	563	552
	Fish -(US\$/tonne)	1,366	1,434	1,404	1,354	1,180	1,228
	Copra -(US\$/tonne)	na	na	na	na	na	na
	Cocoa - (US\$/tonne)	2,260	2,260	2,200	2,330	2,320	2,410

¹ Value in terms of free on Board (FOB).

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

³ Fiscal balance based on GFSM2014 standards.

Note;
na : not available at time of publication.