

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Total money supply (M3) grew further by 3% to \$3,450 million at the end of April 2015 following a 1% increase in March, with year-on-year growth of 6%. The increase was driven by narrow money (M1), which went up by 4% to \$2,739 million and other deposits (time and savings) by 0.4% to \$711 million respectively. Meanwhile, total net foreign assets (NFA) of the banking system increased by 5% to \$4,001 million in April driven mainly by the growth in CBSI's NFA during the month.

Net credit to government (NCG) increased by 2% to net liabilities of \$1,664 million, following a 4% rise in the previous month. Driving this increase was the continuous build-up in government deposits with CBSI and other depository corporations (ODCs) over the period. Similarly, private sector credit (PSC) grew further by 4% to \$1,778 million driven by increased lending by ODCs during the period. Year-on-year, PSC recorded a growth of 21% against April 2014. Mirroring the increase in the overall NFA, total liquidity of the banking system increased significantly by 17% to \$1,404 million, resulting in excess liquidity increasing by 23% to \$1,054 million from the previous month.

Domestic Market Operations

The total CBSI Bokolo bills stock floated in April 2015 continued to remain unchanged at \$710 million, of which \$620 million worth of Bokolo bills was absorbed. The Bokolo bills weighted average yield (WAY) for 28 days increased to 0.62% from 0.61% in the previous month. Meanwhile, the WAY of the Government treasury bills for 91 and 182 days maturities decreased from 0.48% and 1.13% a month ago to 0.46% and 1.11% in April respectively. In contrast, the WAY for 56 days increased from 0.32% in March to 0.34% this month.

II. EXTERNAL CONDITIONS

The balance on trade in goods recorded a provisional \$28 million deficit in April, narrowing from a revised \$68 million deficit in the previous month. This came mainly from an increase in exports by 9% to \$278 million (f.o.b) and a 5% drop in imports to \$306 million (f.o.b).

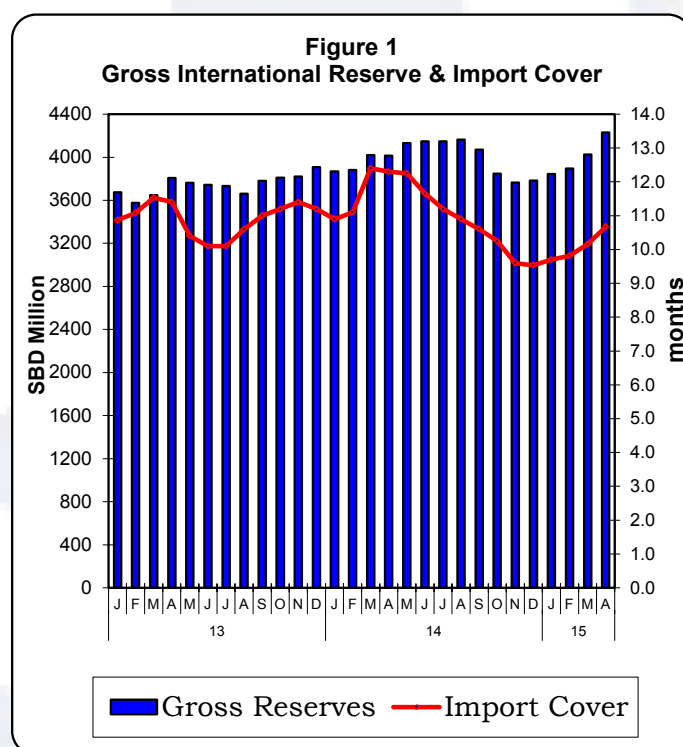
The growth in exports was driven by increases across all exports commodities except for fish exports which dropped by 34% to \$29 million due to weak commodity prices during the month. Round log and timber exports grew by 18% to \$221 million while all agricultural exports

increased by 20% to \$16 million resulting from higher export volumes. Minerals exports grew slightly from \$2 million to \$3 million, and all other exports increased from \$8 million to \$9 million during the period.

The fall in imports came largely from declines in import payments for machineries and fuel, outweighing the increase in imports for food and basic manufactures during the month. Machineries import fell by 16% to \$112 million, fuel imports dropped by 15% to \$63 million and all other import categories declined by 29% to \$41 million. Meanwhile, food imports grew by 46% to \$77 million and basic manufactures increased by 16% to \$52 million.

Gross foreign reserves increased by 5% to \$4,230 million, sufficient to cover 10.7 months of imports of goods and services. This was largely driven by higher donor inflows and receipts on log exports during the month.

The Solomon Islands dollar (SBD) on average remained stable against the United States dollar (USD) at \$7.80 per USD and appreciated against the Australian dollar (AUD) by 0.11% to \$6.03 per AUD during the month. The SBD also appreciated against the British Pound and Euro but further depreciated against the Japanese Yen and the New Zealand dollar during the month.



III. GOVERNMENT FINANCE

Preliminary fiscal estimates showed a surplus of \$7 million in April, driven by higher revenue collections relative to expenditure. Total revenue went up by 44% to \$203 million against the previous month primarily owing to increased collections from Customs and Excise Division by 45% to \$104 million and Inland Revenue Division by 33% to \$81 million. On the other hand, expenditure increased by 57% month-on-month to \$196 million on the back of increases in payroll to \$77 million from \$44 million and other payments to \$119 million from \$81 million during the month.

Meanwhile, total public debt stock declined by 2% to \$817 million at the end of April, reflecting a total of \$17 million in debt servicing during the month. The debt-to-GDP ratio remained at 11%, unchanged from the previous month. Of the outstanding debt stock, external debt accounted for \$659 million while domestic debt accounted for the remaining \$158 million.

IV. DOMESTIC PRODUCTION

Based on preliminary estimates, the monthly production index, rebounded by 15% in April to 88 points following a 9% fall in the previous month. The increase was due to a turnaround in log output by 23%, offsetting falls in other commodities. In terms of prices, average international prices for all major export commodities contracted against the previous month.

Inflation & Honiara Fuel Prices

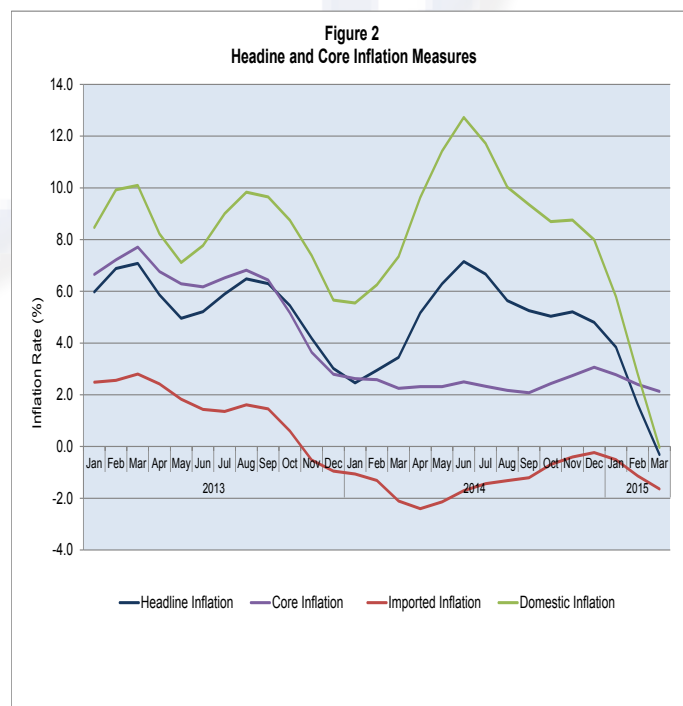
Headline inflation for the month of March went below zero for the first time in over two decades of records, continuing the downward trajectory recorded since the spike in prices in June 2014.

The headline inflation rate was recorded at minus 0.3%, compared to 1.6% in the previous month. This was driven mostly by domestic inflation falling to zero (0%) from 2.8% a month prior, while the imported component remained negative at minus 1.6%. The substantial decline in domestic inflation was largely driven by the food component declining from 4.2% to 1.4%.

A significant fall in drinks and tobacco to minus 24% as a result of betel nut prices plunging more than 50% also contributed to the fall. Similarly, housing and utilities further eased to 3.2% from 5.7%. The declining prices in these components outpaced increases in clothing and footwear to 23%, household operations at 3.7%, transport and communication with 2.7%, and recreation rising to 9.8%.

In terms of contributions to overall headline inflation, the deflation of 0.3% was accounted for by food prices with minus 0.12%, followed by housing utilities contributing minus 0.08%. The remaining components made marginal contributions to the overall deflation for the month. Similarly, the core inflation for March eased further to 2.1% compared to 2.4% the previous month.

The average fuel price in Honiara has now increased after seven months of decline to \$8.56 per litre from \$8.17 per litre a month ago. The increase was due to both petrol and diesel going up by 77 cents and 44 cents respectively to reach \$8.57 per litre and \$8.48 per litre. Meanwhile, kerosene price remained relatively stable at \$8.63 per litre, registering only a marginal decline of 5 cents from the previous month.



Solomon Islands Key Economic Indicators

		Dec 14	Jan 15	Feb 15	Mar 15	Apr 15
Consumer Price Index (% change)	Headline (3mma)	4.8	3.8	1.6	-0.3	N/A
	Underlying (3mma): core 3	2.7	2.8	2.4	2.1	N/A
	Month-on month	-0.8	1.3	-1.4	0.2	N/A
Trade¹ (eop)	Exports (\$ millions)	327	208	300	254	278
	Imports (\$ millions)	275	217	255	322	306
Exchange rates (mid-rate, monthly average)	SBD per USD	7.59	7.79	7.76	7.80	7.80
	SBD per AUD	6.30	6.08	6.08	6.04	6.03
	SBD per NZD	5.89	5.68	5.87	5.84	5.92
	SBD per GBP	11.86	11.75	11.79	11.70	11.65
	SBD per 100 JPY	6.41	6.49	6.56	6.49	6.53
	SBD per EUR	9.38	8.95	8.86	8.47	8.41
Gross Foreign Reserves (eop)	\$ millions	3,784	3,844	3,895	4,026	4,230
Liquidity² (eop)	Total Liquidity (\$ millions)*	1,174	1,460	1,143	1,198	1,404
	Excess Liquidity (\$ millions)*	824	1,122	803	858	1,055
Money and Credit² (eop)	Narrow Money (\$ millions)*	2,556	2,555	2,612	2,630	2,739
	Broad Money (\$ millions)*	3,291	3,255	3,302	3,338	3,450
	Private Sector Credit (\$ millions)*	1,689	1,683	1,710	1,719	1,778
Interest rates (weighted average yield)	28-day Bokolo Bills Rate	0.61%	0.61%	0.61%	0.61%	0.62%
	56-day Treasury Bills Rate	0.30%	0.30%	0.30%	0.32%	0.34%
	91-day Treasury Bills Rate	0.48%	0.48%	0.48%	0.48%	0.46%
	128-day Treasury Bills Rate	1.24%	1.16%	1.13%	1.13%	1.11%
Commodity Prices (monthly average)	Round logs (US\$/m3)	249	249	249	249	249
	Gold - (US\$/oz)	1,201	1,251	1,227	1,179	1,199
	Palm Oil - (US\$/tonne)	693	688	688	674	662
	Fish - (US\$/tonne)	1,222	1,194	1,147	1,308	1,538
	Copra - (US\$/tonne)	812	764	794	721	714
	Cocoa - (US\$/tonne)	2,950	2,920	2,950	2,950	2,870

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

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