

Monthly Economic Bulletin

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I. MONETARY DEVELOPMENTS

Total money supply fell by 1% to \$3,507 million following consecutive increases in the last two months. This was primarily due to a 1% drop in narrow money to \$2,791 million resulting from a downturn in demand deposits by 2% to \$2248 million. Other deposits (time and savings) increased by 1% to \$716 million in June 2015. Total net foreign assets (NFA) increased by 1% to \$4,145 million slowing from the 3% growth recorded in the previous month. The upturn in NFA was mainly driven by 2% growth in CBSI NFA which outweighed the significant fall in other depository corporations (ODCs) NFA from \$55 million to \$5 million in June 2015.

Net credit to government (NCG) increased by 6% to net liabilities of \$1,817 million following a 3% rise in the previous month. This was due to build-up in government deposits with CBSI out weighing the fall in deposit with ODCs. Meanwhile, private sector credit (PSC) increased by 2% to \$1,794 million, rebounding from a fall of 1% in the previous month. Year-on-year growth saw PSC increased by 23% against the same period in 2014. On the other hand, total liquidity fell by 2% to \$1,450 million following an increase of 6% in May 2015.

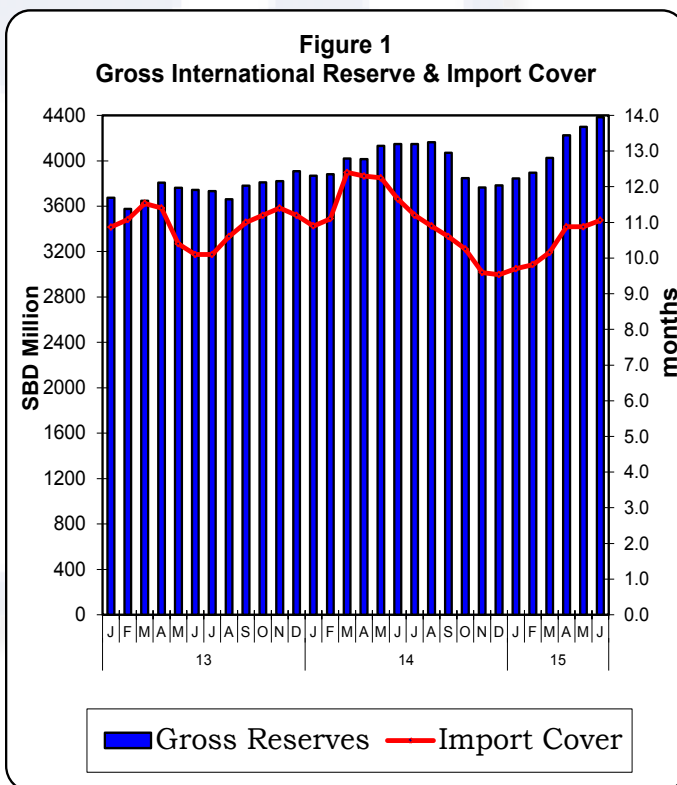
Domestic Market Operations

The total CBSI Bokolo bills stock floated in June 2015 remained unchanged at \$710 million. However bids received were lower at \$620 million therefore was fully absorbed. The weighted average yield (WAY) for the 28 days bill remained at 0.62%. Meanwhile, the (WAY) of Government treasury bills for 56, 91 and 182 days remained unchanged at 0.34%, 0.46% and 1.15% respectively.

II. EXTERNAL CONDITIONS

Gross foreign reserves grew by 2% to \$4,383 million, sufficient to cover 11 months of imports of goods and services. This came as a result of inflows on donors, fishing licensing, and log exports combined with lower trade payments during the month.

The Solomon Islands dollar (SBD) depreciated against the United States dollar (USD) by 1.24% to \$7.85 per USD but appreciated against the Australian dollar (AUD) by 1.23% to \$6.05 per AUD during the month. The SBD also appreciated against the New Zealand dollar and the Japanese Yen but depreciated against the British Pound and Euro during the period.



III. GOVERNMENT FINANCE

The government recorded a preliminary deficit of \$42 million in June driven by a 35% month-on-month increase in total expenditure to \$324 million following increased spending in the development budget. Meanwhile, total revenue increased by 41% against the preceding month to \$282 million on the back of increases in all revenue categories.

On revenue collections, tax receipts went up by 8% to \$210 million against the previous month benefiting from increases in company tax, withholding tax, personal provisional tax and sales tax. Non-tax revenue was buoyed by a \$44 million payment in fishing licence fees to \$63 million up from \$6 million recorded in May. Donor grants received during the month amounted to \$9 million. Nonetheless, total revenue fell short of the budget by 2%.

Recurrent expenses increased by 23% against the previous month to \$282 million. This outcome was largely driven by increases in payroll expenses by 9% to \$90 million and a \$40 million increase in other payments to \$51 million, mainly attributed to subventions and scholarship grants.

Social benefits payments also increased by \$23 million to \$26 million. The increase was related to outstanding dues owed to the police officers that manned the border between Solomon Islands and Papua New Guinea during the Bougainville crisis. In contrast, purchase of goods and services declined by 13% to \$93 million compared to May. Development spending went up from \$11 million in the prior month to \$42 million as the government commenced drawing down on its development budget.

Total public debt stock declined by 3% to \$795 million at the end of June resulting from a total of \$12 million in debt servicing made during the month. Of the total debt serving, \$9 million was on principal repayments and \$3 million in interesting payments. The debt-to-GDP ratio remained broadly unchanged at 11% as in the previous month. Meanwhile, external debt accounted for \$641 million while domestic debt made up \$154 million of the outstanding debt stock.

IV. DOMESTIC PRODUCTION

Based on preliminary estimates, the monthly production index, as a proxy of domestic production, declined further in June by 17% to 67 points. Weak performances in timber, fish catch and copra production during the month contributed to this fall. Log output fell 25% while copra production and fish catch saw minimal contractions of 3% and 4% respectively. Palm oil, palm kernel oil and cocoa productions on the other hand, rebounded in June following declines in the previous month. In terms of prices, average international price for palm oil bounced back after registering three consecutive months of decline while prices of fish, palm kernel oil and copra dropped. Meanwhile, log price remained unchanged at US\$249 per cubic meter.

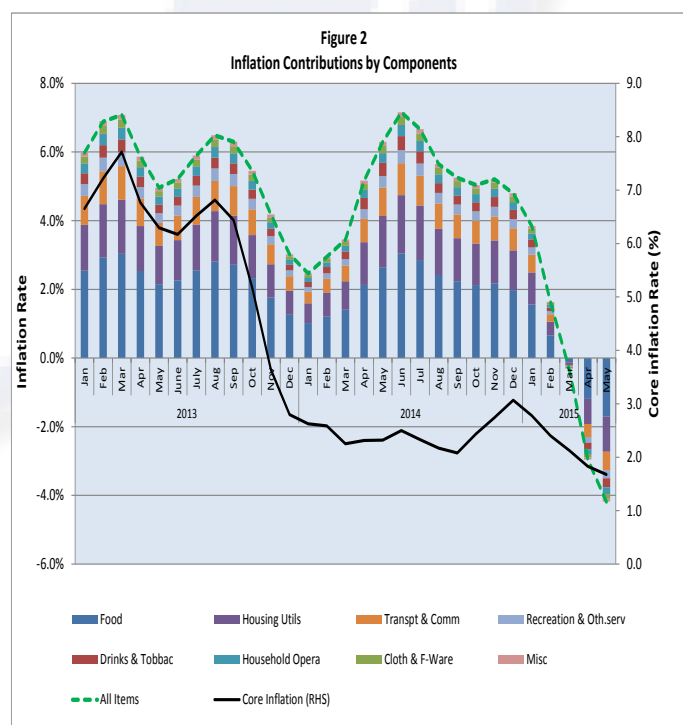
Inflation & Honiara Fuel Prices

Headline inflation eased to a minus 4.2% in May following the minus 3.0% registered in April. The fall mainly reflected a decline in domestic inflation from minus 3.3% to minus 5.5%. Imported inflation remained in the negative zone at minus 1.5% during the review period.

The decline in domestic inflation was largely driven by price decreases in the food and drinks and tobacco categories during the review period outpacing the increases in clothing and footwear; transport and communication; and the household operations categories.

In terms of contributions to overall headline inflation, the deflation¹ of 4.2% was accounted for by notable falls in food; and housing and utilities prices. The remaining components made marginal contributions to the overall deflation for the month. Correspondingly, the core inflation² for May slowed to 1.7% from 1.8% a month ago.

The average fuel price in Honiara rose further to \$8.88 per litre in June from \$8.50 per litre in May. The increase reflected price surges in all three fuel categories during the month with diesel up by 21 cents to \$8.58 per litre, petrol rising by 39 cents to \$8.94 per litre and kerosene increasing by 54 cents to \$9.13 per litre.



1. Falling prices
2. Excluding all volatile and controlled items

Solomon Islands Key Economic Indicators

		Feb 15	Mar 15	Apr 15	May 15	Jun 15
Consumer Price Index (% change)	Headline (3mma)	1.6	-0.3	-3.0	-4.2	N/A
	Underlying (3mma): core 3	2.4	2.1	1.8	1.7	N/A
	Month-on month	-1.4	0.2	0.1	-0.2	N/A
Trade¹ (eop)	Exports (\$ millions)	300	254	296	277	N/A
	Imports (\$ millions)	255	322	306	280	N/A
Exchange rates (mid-rate, monthly average)	SBD per USD	7.78	7.80	7.80	7.75	7.78
	SBD per AUD	6.06	6.04	6.03	6.12	6.05
	SBD per NZD	5.79	5.84	5.92	5.75	5.49
	SBD per GBP	11.91	11.70	11.65	11.97	12.20
	SBD per 100 JPY	6.56	6.49	6.53	6.45	6.34
	SBD per EUR	8.86	8.47	8.41	8.66	8.81
Gross Foreign Reserves (eop)	\$ millions	3,895	4,026	4,224	4,298	4,383
Liquidity² (eop)	Total Liquidity (\$ millions)*	1,143	1,198	1,404	1,486	1,450
	Excess Liquidity (\$ millions)*	803	858	1,055	1,119	1,090
Money and Credit² (eop)	Narrow Money (\$ millions)*	2,612	2,630	2,739	2,825	2,791
	Broad Money (\$ millions)*	3,302	3,338	3,450	3,536	3,507
	Private Sector Credit (\$ millions)*	1,710	1,719	1,778	1,764	1,794
Interest rates (weighted average yield)	28-day Bokolo Bills Rate	0.61%	0.61%	0.62%	0.62%	0.62%
	56-day Treasury Bills Rate	0.30%	0.32%	0.34%	0.34%	0.34%
	91-day Treasury Bills Rate	0.48%	0.48%	0.46%	0.46%	0.46%
	128-day Treasury Bills Rate	1.13%	1.13%	1.11%	1.15%	1.15%
Commodity Prices (monthly average)	Round logs (US\$/m3)	249	249	249	249	249
	Gold - (US\$/oz)	1,227	1,179	1,199	1,199	1,182
	Palm Oil - (US\$/tonne)	688	674	662	658	670
	Fish - (US\$/tonne)	1,147	1,308	1,538	1,292	1,269
	Copra - (US\$/tonne)	794	721	714	743	740
	Cocoa - (US\$/tonne)	2,950	2,950	2,870	3,100	3,240

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

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