

## Monthly Economic Bulletin

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### I. MONETARY DEVELOPMENTS

Broad money (M3) marginally grew in January 2021, by 0.1% to \$5,308 million. This was due to the increase in narrow money (M1) by 0.3% to \$4,429 million offsetting the 0.6% decline in other deposits to \$879 million. The rise in M1 is attributable to the increase in demand deposits while the fall in other deposits stemmed from declines in both savings and time deposits.

Net foreign assets (NFA) of the banking sector strengthened by 0.5% to \$4,909 million in January. This was driven by the rebound in the NFA of ODCs from minus \$7 million to \$23 million. Conversely, NFA of the Central Bank of Solomon Islands (CBSI) fell by 0.1% to \$4,886 million. Annually, net foreign assets expanded by 13%.

Net domestic assets (NDA) dropped by 1% to \$412 million in January. This was led by a 5% downturn in domestic credit to \$1,462 million and a 5% increase in capital account to \$1,358 million. Domestic credit eased as a result of a 11% rebound in net credit to government (NCG) to minus \$1,051 million following the increase in government deposits held with CBSI. Meanwhile, private Sector Credit (PSC) edged up by 1% to \$2,512 million. On an annual basis, PSC fell by 2% while NCG recorded a 6% growth.

Total liquidity in the banking system fell by 3% to \$2,363 million in January 2021. This was fueled by the uptick of NCG during the month. Consequently, both the free and excess liquidity dwindled by 4% to \$2,130 million and \$1,949 million respectively. Required reserves, on the other hand, grew by 1% to \$233 million corresponding to the increase in demand deposits.

#### Domestic Market Operations

The stock of CBSI Boloko Bills held at the end of January remained at \$430 million from December level reflecting the Bank's expansionary monetary policy stance in September 2020. The weighted average yield (WAY) for Bokolo Bills in January declined to 0.29% from 0.35% in the previous month. Meanwhile, Treasury Bills accepted \$26 million of the \$56 million tender received. The WAY for 91 and 365 days remained firm at 0.49% and 1.95%, respectively while for 182 days minimally reduced to 1.05% from 1.07% in December 2020.

### II. EXTERNAL CONDITIONS

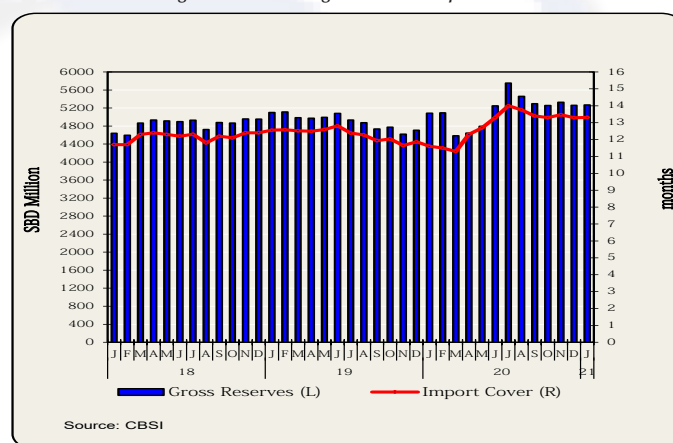
#### Trade in goods

The balance of trade in goods in January 2021 worsened to a \$75 million deficit, reversing a \$43 million surplus in December 2020. This negative outcome stemmed from a sizable fall in exports by 38% to \$177 million and a 4% increase in imports to \$252 million. The decline in exports attributed to lower proceeds from round logs, fish, and agricultural commodities. Meanwhile, the rise in imports emanated from the surge in basic manufactures import such as iron and steel products.

#### Reserves

Gross foreign reserve rose marginally by 0.2% to \$5,268 million on the back of other revaluation gains despite the trade deficit during the month. This level of reserves is sufficient to cover 13.3 months of imports of goods and services.

Figure 1: Gross Foreign Reserve & Import Cover.



#### Exchange Rates

The Solomon Islands dollar (SBD) appreciated against the United States Dollar by 0.2% to \$8.03 per USD. The SBD however, depreciated against the Australian dollar and the New Zealand dollar by 2.6% to \$6.20 per AUD and 1.3% to \$5.77 per NZD, respectively. Against other currencies, the SBD remained unchanged against the Japanese yen, strengthened against the Euro, and weakened against the British pound. Overall, the trade weighted index (TWI) strengthened by 1% to an index of 106.05.

### III GOVERNMENT FINANCE

The fiscal position recorded a \$39 million surplus in January 2021, reversing the \$50 million deficit in December 2020. This reflected a sizeable reduction in total expenditure to \$198 million from \$341 million compared to the fall in revenue to \$236 million from \$290 million. Meanwhile, the central government’s debt stock in January grew by 5% to \$1,437 million.

Declines in both tax and non-tax receipts underlined the fall in total revenue collections. Tax revenue fell by 11% to \$220 million, attributing to weaker collections on company tax, and import and export duties. Likewise, non-tax revenue contracted to \$16 million from \$44 million in the preceding month, owing to lower proceeds from fishing licenses fees. Donor grants receipts during the month was minimal at \$0.4 million. The considerable fall in expenditure stemmed from a reduction in recurrent spending and a freeze on development spending pending the passage of the 2021 national budget. Recurrent expenses dropped by 31% to \$198 million largely attributable to lower purchases of goods and services.

The increase in the debt stock reflected additional loan disbursement from the Asian Development Bank (ADB) and a new \$60 million bond issued in the domestic market. Accordingly, external debt stock rose by 1% to \$985 million while domestic debt stock increased to \$452 million from \$392 million in the previous month. Debt servicing in January 2021 totalled \$4 million, of which \$3 million was on principal repayments and \$1 million on interest payments.

### IV DOMESTIC ECONOMY

#### Domestic Production

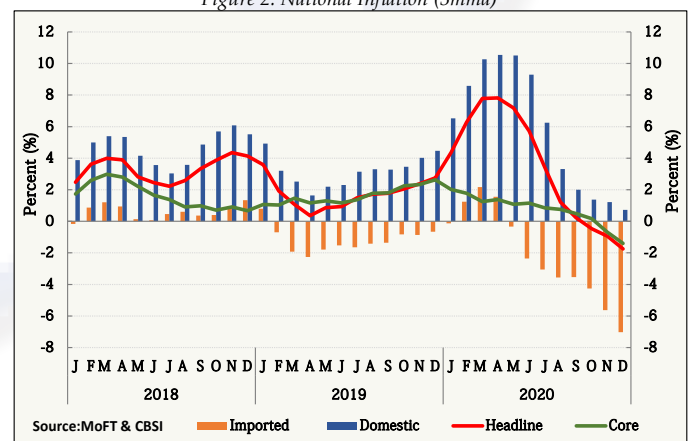
The CBSI preliminary monthly production index for January 2021 contracted to 63 points from a revised 85 points in December 2020. This negative outcome was largely driven by lower outturns in round logs, palm oil, copra and fish. Round logs plunged by 36% to 136 thousand cubic meters, palm oil by 5% to 2,271 tons, copra by 4% to 957 tons, and fish catch by 1% to 2,346 tons. Cocoa, on the other hand, tripled to 277 tons.

The international prices for most export commodities improved in January 2021, except for cocoa that slightly declined by 1% to US\$2,390 per ton during the month. Fish trended up by 9% to US\$1,454 per ton, crude palm oil grew by 1% to US\$990 per ton, whilst, coconut oil and round logs increased negligibly to US\$1,455 per ton and US\$287 per cubic meters, respectively.

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

Headline inflation stayed negative in December 2020 at minus 1.8% from minus 0.9% in November. The declining consumer prices in both domestic and imported components contributed to this fall. Domestic items eased to minus 0.7% from a peak of 10.6% in March while imported items fell to minus 7.0% from 2.2% in March. The major driver is the pass-through effect of falling imported crude oil prices to the domestic transport and energy sector combined with a general fall in food prices. Core inflation posted a negative 1.5% in December 2020 reflecting weak demand in the economy.

Figure 2. National Inflation (3mma)



#### CBSI Monthly Price Index (MPI)

The CBSI MPI rebounded to 100 points in January 2021 from 89 points in December 2020, attributable to the rise in prices of betelnut, fuel, and electricity. Betelnut doubled to \$3.25 per fruit, electricity tariff went up by 10 cents to \$6.16 per KWh, and fuel picked up by 50 cents to \$7.39 per litre. On the other hand, solrice family rice (40lb) dropped to \$113.20 per bag from \$127.60 per bag, while, LP gas remained stable at \$23.00 per KG.

## Solomon Islands Key Economic Indicators

		Aug 20	Sept 20	Oct 20	Nov 20	Dec 20	Jan 21
<b>Consumer price index</b> (% change )	Headline (3mma)	1.2	0.2	-0.5	-0.9	-1.8	na
	Underlying (3mma): core 3	0.8	0.5	0.2	-0.7	-1.5	na
	Headline (MoM)	-1.9	-0.6	-0.2	0.1	-0.1	na
<b>CBSI MPI</b> (weighted Index)	Month- on - Month	89	95	88	90	89	100
<b>Trade<sup>1</sup></b> (eop)	Exports ( \$ millions)	192	329	169	161	288	177
	Imports ( \$ millions)	286	284	231	202	243	252
<b>Exchange Rates</b> (Mid-rate, Monthly average)	SBD per USD	8.21	8.14	8.11	8.09	8.04	8.03
	SBD per AUD	5.90	5.89	5.78	5.87	6.04	6.20
	SBD per NZD	5.42	5.43	5.38	5.54	5.69	5.77
	SBD per GBP	10.78	10.56	10.52	10.71	10.79	10.94
	SBD per 100 JPY	7.74	7.70	7.71	7.75	7.74	7.74
	SBD per EUR	9.71	9.60	9.55	9.56	9.77	9.77
<b>Gross Foreign Reserves</b> ( eop)	\$ millions	5,461	5,296	5,257	5,329	5,260	5,268
<b>Liquidity<sup>2</sup></b> (eop)	Total Liquidity (\$ millions)	2,200	2,051	2,299	2,378	2,444	2,363
	Excess Liquidity ( \$ millions)	1,783	1,648	1,884	1,959	2,030	1,949
<b>Money and credit<sup>2</sup></b> (eop)	Narrow Money (\$ millions)	4,275	4,243	4,236	4,385	4,417	4,429
	Broad Money ( \$ millions)	5,161	5,139	5,158	5,274	5,301	5,308
	Private Sector credit (\$ millions)	2,514	2,504	2,455	2,483	2,489	2,512
<b>Interest Rates</b> ( weighted average yield)	28-days Bokolo Bills rate	0.51%	0.48%	0.47%	0.43%	0.35%	0.29%
	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	1.07%	1.10%	1.09%	1.05%	1.07%	1.05%
	365-days Treasury Bills rate	1.96%	1.96%	1.96%	1.95%	1.95%	1.95%
<b>Fiscal Balance<sup>3</sup></b> Surplus(+)/Deficit(-)	\$ million	-80	-121	-97	-196	-50	39
<b>SIG Debt stock</b> (eop)	\$ million	1,315	1,358	1,366	1,365	1,364	1,437
<b>Global Commodity Prices</b> (monthly averages)	Round logs - (US\$/m3)	281	282	283	285	287	287
	Gold - (US\$/oz)	1,969	1,922	1,900	1,866	1,858	1,867
	Palm Oil - (US\$/tonne)	760	796	819	918	979	990
	Fish - (US\$/tonne)	1,360	1,233	1,268	1,269	1,339	1,454
	Coconut oil - (US\$/tonne)	981	1,034	1,118	1,369	1,452	1,455
	Cocoa - (US\$/tonne)	2,340	2,640	2,290	2,350	2,410	2,390

<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> Fiscal balance based on GFSM2014 standards.

<sup>4</sup> Adjustments by substituting CBSI monthly collected betel-nut prices.

Note:  
na : not available at time of publication.