

28 July 2015

## DEPOSITORY CORPORATIONS AND CENTRAL BANK SURVEY REPORT FOR JUNE 2015

To: Director, Research and Statistics Department

Cc: Division Heads and Team Leaders, Research and Statistics Department

### Recommendations:

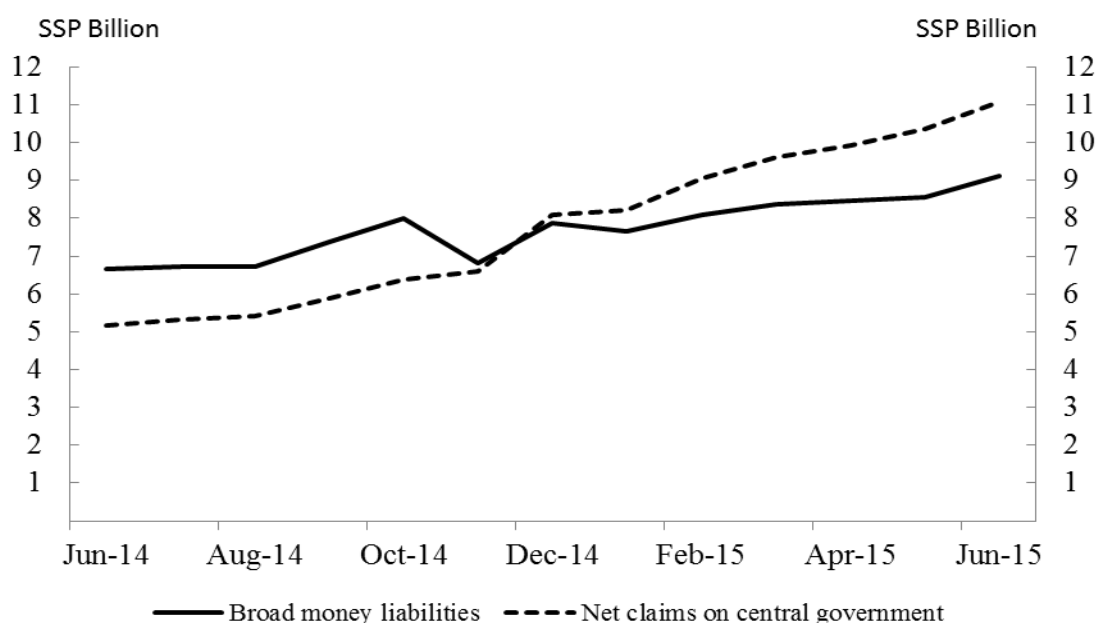
□ You note that the June 2015 Depository Corporations Survey and Central Bank Survey was completed on June 27<sup>th</sup> 2015, and that the money supply has continued to grow sharply from SSP 6.6 billion in June 2014 to SSP 9.1 billion June 2015. The continuing increase in money supply is in respond to the growing net claim on Central Government, and also has contributed to depreciation of the SSP and high inflation in the country.

### Key points:

□ Net claims to Central Government continued to expand in June. Over the past years, net claims on the Central Government have increased from SSP5.2 billion in June 2014 to SSP 11.1 billion in June 2015.

□ An increase in Government borrowing or loan is as a result of the decrease in oil production (which comprises of more than 98% of Government revenue). This is due to the ongoing crisis in the oil producing regions, and the decline in the price of oil since 2014.

**Chart 1: Net Claims on Central Government and Broad Money Liabilities**



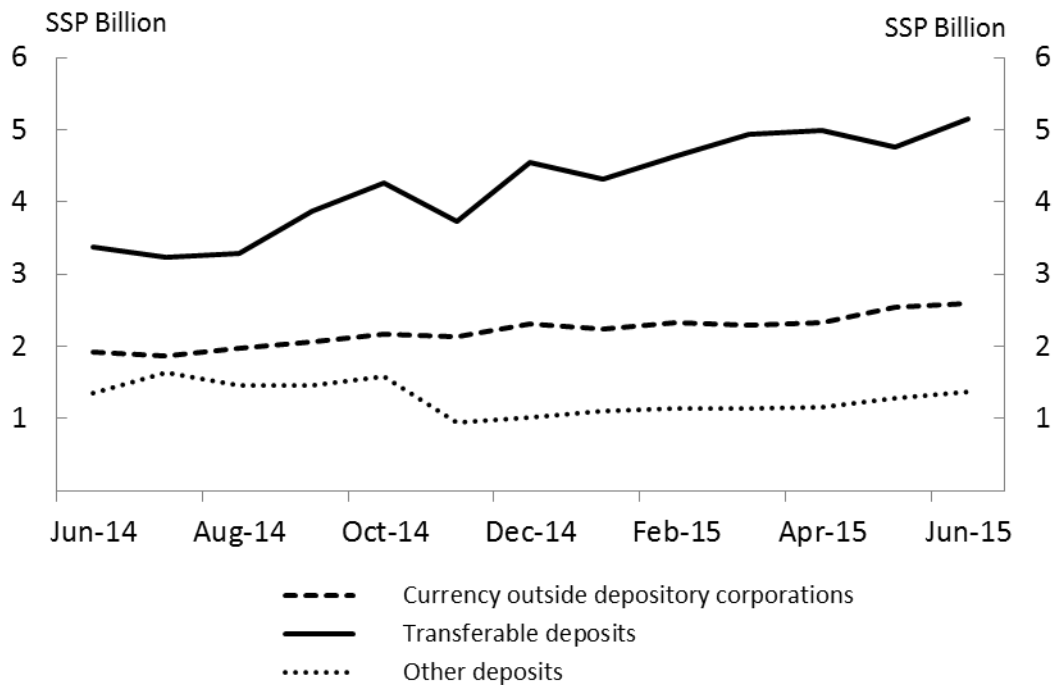
Source: BSS Depository Corporations survey

- Broad money (M2) has increased from SSP 6.6 billion in June 2014 to SSP 9.1 billion in June 2015.

- Growth of M2 has been particularly strong in transferable deposits and moderate in other deposits and currency from outside depository corporations (see Chart 2 below), which largely comprises Central Government Officials Salaries and other government expenses. This is consistent with the continuous increase in Net Claims on the Central Government in Chart 1.

- We expect this growth in broad money to continue and would further weaken the SSP and push the inflation higher over the coming months.

**Chart 2: Components of Broad Money:**



**Source: BSS Depository corporations Survey.**

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