



## CENTRAL BANK OF SOLOMON ISLANDS

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### **CENTRAL BANK OF SOLOMON ISLANDS RELEASES SEPTEMBER 2008 QUARTERLY REVIEW**

The Central Bank of Solomon Islands (CBSI) released its 2008 Third Quarter Review today. In releasing the report, the Governor of the Central Bank, Mr. Denton Rarawa highlighted the strong production performance and favorable balance of payment position during the third quarter. The Governor warns however that the impact on the economy from the worsening global economic situation may subdue the performance in the last quarter of 2008 and for much of 2009.

On domestic production, the Governor stated that despite falling global commodity prices, production remained strong in the first three quarters of 2008 at around 15%. He added that log production had been the main driver of the performance recording a 7.4% increase over the second quarter and 11% growth against the same period of 2007.

“In addition, copra and fish production expanded significantly with copra registering its highest quarterly output since 1985. The increased production was attributed to high world price for copra during the quarter. Meanwhile, cocoa and palm oil production fell by 14.8% and 12.6%, respectively” the Governor said.

On inflation, the Governor says this remained high at 23.5% at the end of the quarter.

Governor Rarawa says external reserves have fallen to \$750 million, equivalent to 2.8 months import cover and below the Bank's 3 months threshold.

Commenting on the government fiscal performance, the Governor reported that the government has achieved a recurrent surplus of \$59.4 million in the quarter, following the previous quarter's budget surplus of \$22.6 million. He says underlying this positive outcome had been the strong recurrent revenue collection and lower recurrent expenditures.

Mr. Rarawa also revealed a marginal increase in money supply by 2% to \$1,397 million in response to a rise in the domestic credit to \$1,238 million. He adds that excess liquidity also increased to \$87 million.

In conclusion, the Governor advises, "With the current inflationary pressures and pressure on the reserves, the Central Bank will maintain its tight Monetary Policy Stance whilst continuously monitoring economic events in the global and domestic economy".