



Monthly Economic Bulletin

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Content	Page
I Money and Banking	1
II Balance of Payments	1
III Government Finance	2
IV Domestic Economy	3

I. MONEY AND BANKING

Money supply

Total money supply (M3) in November 2009 increased by 1.8% to \$1,613.9 million from a revised figure of \$1,585.5 million in the previous month. Net foreign assets (NFA) declined by 7.1% to \$1,045.5 million. This was due to a fall in the NFA held by the commercial banks from \$195.7 million in October to \$96 million this month. However, the Central bank's NFA rose by 2.1% to \$949.5 million.

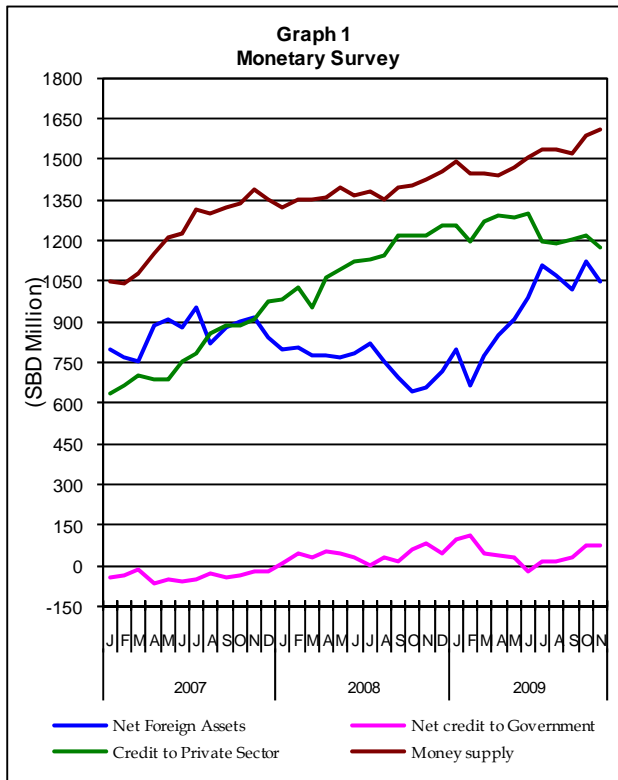
Domestic Credit

Total domestic credit fell by 4.1% to \$1,252.7 million, following an increase of 4.5% in the previous month. The drop was attributable to a decline in net credit to the private sector by 3.2% to \$1177.6 million. Meanwhile, net credit to government has been stable at the end of the month at \$75.1 million.

II. BALANCE OF PAYMENTS

Solomon Islands' Balance of Payments (BoP) position in November recorded an overall surplus of \$26.5 million up from a surplus of \$16.7 million in the previous month. The increase was mainly attributed to high donor flows, increase in CBSI interest income combined with a fall in import payments during the month.

Export receipts, however, decreased by 26.5% to \$68.2 million in November. The decline came from a 30.3% drop in log receipts to \$41.1 million. While log volumes slightly rose during the month, the decline in receipts was due mainly to time lag between shipments and the actual log inflows into the banking system. Fish exports also dropped to \$5.4 million from \$11.8 million in the previous month due to lower catch conditions. Alluvial gold decreased by 23.2% to \$2.6 million and 'other commodities' dropped to \$1.0 million from \$2.7 million.



On the other hand, copra receipts jumped 27.6% to \$8.1 million, cocoa receipts rose 12.5% to \$5.5 million and sawn timber increased by 18.4% to \$4.3 million.

Meanwhile, services receipts improved by 14.8% to \$12.3 million. Total transfer receipts also slightly rose by 2.4% to \$57.9 million. This rise was due to increase in transfers to ‘private individuals and companies’, foreign embassies, churches, RAMSI, the Solomon Islands government (through the commercial banks), and ‘Non Government Organizations’. Transfers to funding agencies, however, declined during the month.

Import payments in November, as estimated from CBSI’s exchange control approved payment applications declined by 11.5% to \$171.6 million. This was due to a drop in the import payment of fuel, building and construction materials, beverages and tobacco, chemical products, and ‘other imports’. On the other hand, imports of food and ‘plants, machinery and equipment’ rose during the month.

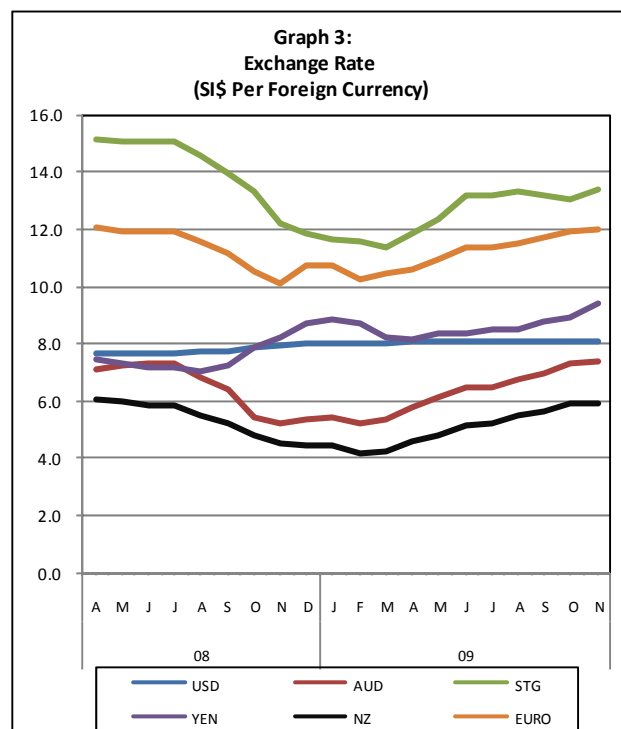
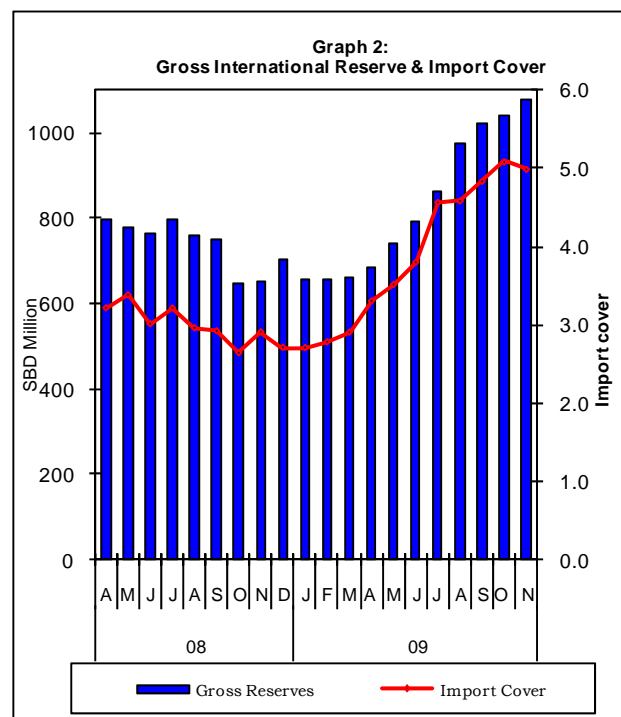
Services payments’ are estimated to have increased by 13.7% to \$25.8 million. Other payments, predominately capital repatriation also rose to \$16.3 million from \$11.2 million in the previous month.

Gross external reserves in November slightly improved by 2.1% to \$1,080.3 million. This positive outcome, in spite of the decline in exports was due to increases in government-designated donor funds (through CBSI), and CBSI investment interest income. This level of reserves is equivalent to 5.0 months of imports of goods and non-factor services.

Exchange rates

The Solomon Islands dollar (SBD) in November remained unchanged against the US Dollar for the eighth consecutive month, trading on average at \$8.06 per USD.

The SBD, however, depreciated by 1.6% against the Australian dollar to \$7.41 per AUD, by 2.7% against the British Pound to \$13.38 per GBP, by 0.6% against the EURO to \$12.02 per EURO and by 5.7% against the Japanese Yen to \$9.44 per 100 JPY. On the other hand, the SBD appreciated by 1.1% against the New Zealand dollar to \$5.88 per NZD.



III. FISCAL

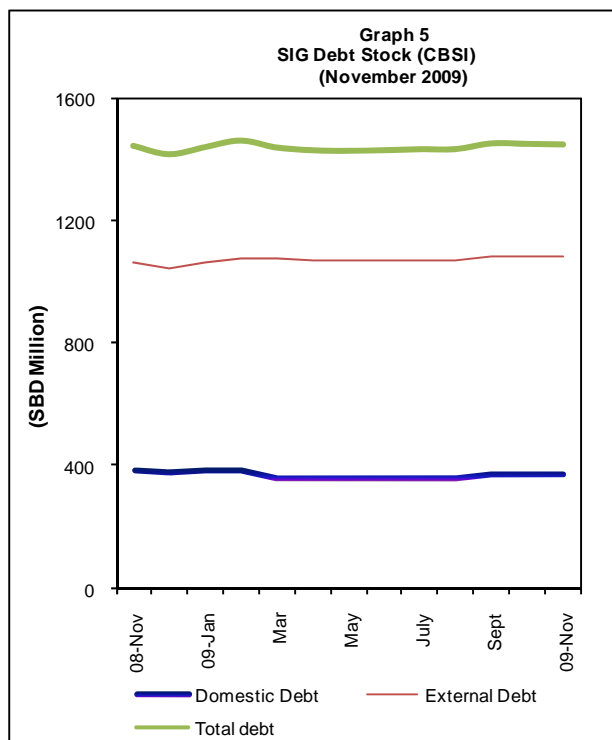
SIG Debt Stock

The Solomon Islands Government total debt stock at the end of November 2009 edged down by 0.1% to \$1,447.5 million, following a 0.5%

rise in the previous month. This total comprised \$1,079.6 million in external debt and \$367.9 million in domestic debt, accounting for 35.4% of total Gross Domestic Product. Both the external and domestic debt stock slightly dropped during the month. The external debt stock declined by 0.2%, due to debt repayment and movements in the exchange rate. The domestic debt fell by 0.02%, due to the redemption of matured bonds.

A total of \$6.8 million of the national government’s debt was serviced during the month. This was 26.1% lower than the scheduled repayment for the month. The year to day (YTD) repayment totaled \$86.4 million, 3.7% lower than scheduled repayments. The lower than scheduled repayment was owed to exchange rate movements. External debt service to exports ratio was 5.2% compared to 6.2% in October. A total of \$4.2 million was repaid to the external creditors, largely to the Asian Development Bank. The domestic debt servicing totaled \$2.7 million, almost the same level of repayment in October.

Total debt arrears during the month rose to \$26.7 million from \$26.4 million..



IV. DOMESTIC ECONOMY

Logs

Log production based on export volumes bounced back by 34% to 69,137 cubic metres in November, after a 50% decline in the previous month. The turnaround was largely due to low export shipments in the previous month. Year to November production reached only 937,008 cubic meters, a 33% drop on the output levels in the same period in 2008. This raised doubts of whether the preliminary forecast of 1 million cubic metres will be met by the end of 2009.

The international price for logs sourced from the World Bank dropped from US\$277 per cubic metre in October to US\$272 per cubic metre in November. Meanwhile, average log prices paid to our local exporters rose from US\$75 per cubic meter to US\$76 per cubic metre this month.

Copra

Preliminary estimates for copra export volumes in November declined 4% to 2,081 tons reflecting mostly weak world prices since June 2009. This resulted in substantial falls in exported volumes to 22,086 tons in the first eleven months of 2009 compared to 36,075 tons in the same period in 2008. Estimated contracted export prices for copra improved slightly to US\$302 per ton from US\$300 per ton in the previous month. Meanwhile, domestic prices deteriorated to \$1.88 per kilo from \$1.90 per kilo. Averaged world copra prices improved by 5% to US\$493 per ton for the first time in three months.

Cocoa

Preliminary cocoa export volumes rose markedly by 33% to 298 metric tons in November, reversing the 6% fall posted a month earlier. The growth was attributed mainly to seasonal factors and supported by high international cocoa prices seen since June 2009. Year to November export volumes stood at 3,978 metric tons, roughly the same as output levels in the first eleven months of 2008. Provisional aver-

age contracted export prices fell 5% to £1,443 per metric ton during the review period while domestic prices went down 6% to \$15.77 per kilo reflecting high supply in the world market. Average international price for cocoa improved to US\$3,385 per metric ton in November from US\$3,360 per metric ton in the previous month.

Fish

Provisional fish catch in November registered a 36% growth to 2,440 tons reversing the fall recorded in the preceding month. The rise was mainly attributed to the increase in boat capacity by one of the two major fishing companies. Year to November catches however, were down 25% (17,081 tons) as compared with year to November 2008 catches which were 22,631 tons. Average fish price for November is not available.

Palm Oil

Palm oil productions improved markedly in November. Fresh fruit bunches harvested reached 10,938 tons at the end of November, leading to a 16% increase in crude palm oil (CPO) to 2,420 tons and a 22% increase in palm kernel to 654 tons. The rise is in line with the start of another peak seasonal cropping period. Year to November CPO production stood at 23,057 tons, 15% above the output levels in the first ten months of 2008 whilst year to November production for palm kernel reached 6,542 tons compared with 5,636 tons in the same period in 2008. The international price for palm oil sourced from the World Bank rose 7% to US\$728 per ton from US\$680 per ton a month ago.