CENTRAL BANK OF SOLOMON ISLANDS

QUARTERLY REVIEW

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Note:

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GENERAL NOTE

p provisional

e estimate

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n.a. not available

(i) The sum of the components may differ from the totals in some instances due to rounding.

(ii) Data are subject to periodic revision as more updated information becomes available.

GLOSSARY

The following terminologies are defined in the context of Solomon Islands.

Balance of Payments (BoP): Records all payments and receipts relating to the movement of funds between a country and foreign countries.

Bank Liquidity: Total amount of cash held by banks and not used for investment or other transactions.

Capital account: Records international transactions relating to the flow of capital between a country and foreign countries, such as investment, loans etc.

Current account: Records international transactions relating to the flow of goods, services, income and gifts. A surplus indicates higher inflows than outflows and a deficit indicates the opposite.

Domestic credit: Value of loans and advances obtained from within the country.

Excess Liquidity: The liquidity that banks possess that is greater than the minimum prescribed by the Central Bank.

Exchange rate: The price of foreign currencies stated in terms of the local currency or the vice versa.

Exports: Goods that a country sells abroad.

External reserves: Stock of foreign currency assets of the Central Bank. These assets are earned though exports, foreign aid and loans obtained from institutions abroad.

Gross Domestic Product (GDP): Total value of all final goods and services produced in an economy during the course of a year.

Honiara Retail Price Index (HRPI): A consumer price index which shows the price level and changes in price level of goods and services in Honiara over time. This information forms the basis for calculating inflation in the economy.

Imports: Goods that a country buys from abroad.

Liquidity Asset Requirement: Usually defined as a percentage of deposit liabilities of a commercial bank that shall be hold as cash or as balance with the Central Bank.

Money Supply: The total quantity of money in a country's economy at a particular time.

Narrow money: Notes and coins in the hands of the public plus money held on demand deposits at the Central Bank.

Net Credit to Government: Value of borrowings by Government less its deposits at the banks and the Central Bank.

Private sector credit: Value of borrowings by private companies and individuals within the country.

Quasi money: Total of time deposits and savings deposits.

Trade balance: The difference between merchandise exports (goods sold overseas) and merchandise imports (goods purchased from overseas).

Trade surplus/deficit: A trade surplus is when the value of exports is higher than the value of imports, whilst a trade deficit is when receipts from exports are less than payments for imports.

Chapter I. OVERVIEW AND ANALYSIS

The third quarter of 2015 saw the global economy faced with yet more downside risks to growth following the slight recovery seen in the second quarter. World markets found themselves plagued by fears of a Greek exit from the euro area, only to have attention turned to China soon after as markets there tumbled. And all this turmoil was set against a backdrop of reduced world trade over the preceding two quarters. Moreover, a weakening China acted as a catalyst to falling commodity prices, hurting the economies of commodity exporters. It is in the face of these developments that global growth projections for 2015 received a downgrade in the third quarter to 3.1%. This represents a fall of 0.2 percentage points from the July 2015 World Economic Outlook (WEO) Update, and lower still than the 3.4% growth observed in 2014. While advanced economies are expected to continue to recover slightly, growth in emerging and developing economies is expected to continue to contract primarily reflecting weaker prospects and softer commodity prices.

Growth projections for advanced economies received a slight downgrade to 2.0% for 2015 from the 2.1% projected in July. This indicated that growth in these economies is expected to remain modest through the year, despite some initially concerning developments. The United States continued to recover from its slow start in the first quarter of the year as growth took a firmer hold. This saw growth projections upgraded slightly from the July forecast by 0.1 percentage points to 2.6%. Developments for the euro area also remained optimistic with growth projections being maintained at 1.5% for the region. This came as concerns over the Greek debt crisis were quelled over the quarter, while many of the other major economies in the region continued to grow at a steady pace. This included the United Kingdom which received a slight upgrade in growth projections to 2.5% from 2.4% in the July WEO Update. Meanwhile, Japan saw a contraction in its growth projections to 0.6% as a result of falling investment and deteriorating inventories. While this represented a reduction of 0.2 percentage points from the July projection, this was still higher than the -0.1% growth observed in 2014.

Conversely, growth in emerging market and developing economies continues to wane. Growth projections for the region were downgraded by 0.2 percentage points from the July WEO Update to 4.5% growth in 2015. This was a reflection of the weaker prospects of some of the emerging market economies while declining commodity prices dampened the growth prospects of many commodity exporters, particularly amongst developing economy countries. Global energy prices alone dropped 17% in the third quarter in the face of continuing surplus supply, augmenting the downside risks to oil exporting countries. As the growth realignment in China becomes more entrenched, and despite the turmoil witnessed in its markets during the quarter, growth projections for the country remained unchanged at 6.8%. Other major emerging economies did not fare as well with both India and Russia receiving downgrades of 0.2 percentage points and 0.5 percentage points to 7.3% and negative 3.8% respectively.

Closer to home, growth in Solomon Islands' trading partners Australia and New Zealand is projected to ease as a result of lower commodity prices. In Australia, growth estimates have been downgraded by 0.4 percentage points since the April WEO to 2.4% while New Zealand saw an even larger downgrade of 0.7 percentage points to 2.2%. For Australia, lower commodity prices are expected to dampen exports and disposable income, particularly owing to reduced demand from its largest trading partner, China. Meanwhile, the poor performance of the external sector continued to weigh on growth in New Zealand as commodity prices continued to soften. Nonetheless, small states and Pacific Island countries (PICs) are expected to continue benefitting from foreign exchange inflows from remittances and tourism. Projections for average growth across PICs did, however, receive a slight downward revision by 0.1 percentage points to 3.6% growth for 2015, up from 3.5% in 2014.

Turning to inflation, as commodity prices have continued to fall, the downward pressure on headline inflation in advanced economies has continued. While core inflation has remained relatively stable, however, it is still below-target for many central banks. Emerging market and developing economies have also experienced the downward pressure on headline inflation, but currency depreciations in some of these countries have led to offsets on the upside, especially for commodity exporters. Inflation in the PICs is projected to fall to 2.2% in 2015 as falling global commodity prices drive down inflation in many of these countries.

On the domestic scene economic activity, as proxied by the Central Bank of Solomon Islands (CBSI) production index, saw a contraction in the third quarter following marginal gains made in the second quarter. The index fell to 73 points from 79 points in the previous quarter, a contraction driven by declines in log production, palm kernel oil and cocoa output, which outweighed increases in fish, palm oil and copra production. Conversely, manufacturing activities as measured by the CBSI manufacturing index rose to 303 points compared to 246 points in the previous quarter. This reflected the increase in manufactured products destined for both the domestic and export markets during the quarter. Similarly, foreign direct investment applications saw a notable increase from 44 applications in the last quarter to 70 applications. Meanwhile, labour market conditions showed contraction with the average number of Solomon Islands National Provident Fund (SINPF) contributors falling by 2%.

[1] All statistics in this section obtained from IMF World Economic Outlook, October 2015 unless otherwise stated.

[2] Commodity Markets Outlook – Understanding El Niño, World Bank Group, October 2015

[3] Author's calculations based on data from The IMF World Economic Outlook, October 2015. Countries included in average are: Fiji, Kiribati, Marshall Islands, Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Headline inflation, as measured by a 3 months moving average turned positive to 0.1% in September, recovering from the deflation recorded over the preceding six months. The increase in general price index was largely driven by domestic inflation, rising to zero (0.0%) from minus 6.8% in June. Imported inflation also turned positive for the first time since the fourth quarter of 2013 to 0.2% from minus 1.1% in June. Nonetheless, core inflation remained positive throughout the quarter and increased to 2.2% in September from 1.3% at the end of the previous quarter.

The external sector performed poorly over the third quarter with balance of payments deterioration in the face of a rise in the current account deficit, a decline in the surplus of the capital and financial accounts, and a contraction in gross foreign reserves. The current account registered a provisional $271 million deficit, overturning the revised $54 million surplus in the June 2015 quarter. The capital and financial account saw a reduction from the revised $322 million surplus in the previous quarter to a provisional surplus of $42 million. This was due to smaller inward capital transfers and net repayments on financial liabilities. Meanwhile, the country's net international investment position worsened with net borrowing increasing from $302 million in the previous quarter to $526 million in the third quarter. Similarly, gross foreign reserves deteriorated by 5% to $4,169 million at the end of the September quarter, primarily due to a rise in net outflows of $318 million. Meanwhile, on the exchange rate front, the Solomon Islands dollar continued to depreciate against the United States dollar over the quarter while appreciating against the Australian dollar and New Zealand dollar.

Monetary aggregates saw mixed developments over the quarter with reserve money (M0) falling, while narrow money (M1) and broad money (M3) saw marginal increases. Total liquidity in the banking system declined this quarter, driven by a 5% fall in CBSI's net foreign assets, which resulted in excess liquidity falling by 9% to $989 million. Nonetheless, private sector credit (PSC) from other depository corporations (ODCs) continued to grow by 5% to reach $1,889 million. This upturn stemmed primarily from credit issued to other non-financial corporations, coupled with a rise in credit issued to individuals and households. Meanwhile, the weighted average interest margin for ODCs fell over the quarter to 9.9% due to a fall in both lending and deposit rates. Open market operations in the sale of CBSI Bokolo bills was maintained at a monthly float of $710 million throughout the quarter while the cash reserve requirement remained at 7.5%.

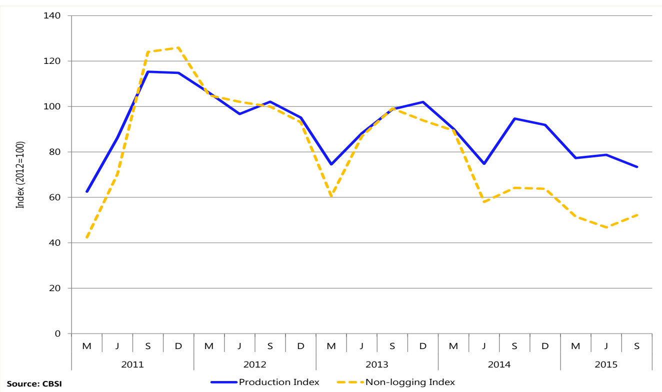
The fiscal sector saw a complete erosion of the $48 million surplus posted in the preceding quarter to reach a deficit of $292 million in the third quarter. The outcome had been anticipated following an increase in total government expenditure which was not matched by an increase in total revenue. Total expenditure increased by 32% over the quarter to $1,001 million driven by an increase in recurrent expenses and development outlays. On the other hand, total revenue collection fell to $710 million in the third quarter from $809 million in the preceding quarter. This was a result of a marked decline in non-tax revenue and grants. Meanwhile, the central government debt position rose marginally by 2% to $833 million compared to the June quarter, ending the downward trend seen since September quarter of 2013. This quarter-on-quarter increase reflected a depreciation of the SBD against the main debt-denominated currencies. Despite this increase, debt levels at the end of the third quarter were still 14% lower than the corresponding quarter of 2014.

Chapter II. DOMESTIC ECONOMY

Production Index

The CBSI production index, a proxy to measure domestic economic activities fell to 73 points from 79 points in the previous quarter. The contraction was driven by declines in log production, palm kernel oil and cocoa output during the quarter, outweighing the increases in fish, crude palm oil and copra production. The non-logging production index in contrast, rose 11% from 47 points to 52 points reflecting the removal of log which has a big weight in the index.

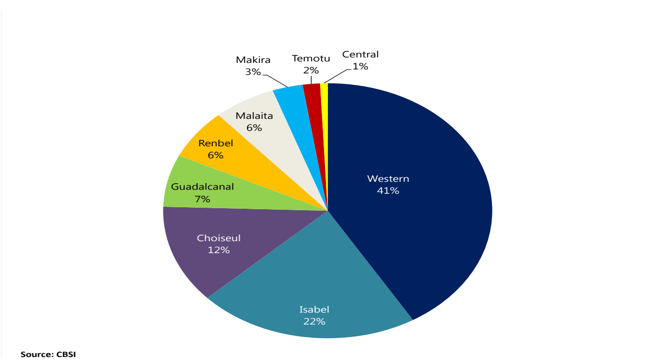
Figure 2.1:Production Index



Logs

Log exports, as a proxy for log production, fell by 15% to 473,861 cubic meters from 558,832 cubic meters in the previous quarter. Year to September production surpassed that of the corresponding period in 2014 by 2% to reach 1.551 million cubic meters.

Figure 2.2: Log Export by Province



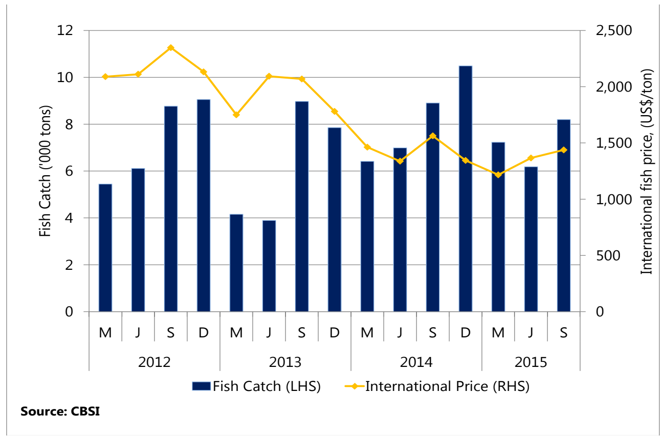
Log export by provinces showed Western province leading with the largest share accounting for 42%, followed by Isabel province with 21%, then Choiseul province with 13%, Guadalcanal, Malaita and Renbell provinces each sharing 6%, while Temotu and Central produced 2% and 1% each, respectively (see Figure 2.2).

Figure 2.3: Volume and Average Price of Logs

Fish

Fish catch saw a notable increase this quarter by 33% to 8,195 tons reversing the 15% fall in the previous quarter. This outcome resulted from favourable fishing conditions and international fish prices during the quarter. However, on a year-on-year basis, fish catch for the quarter was 8% below the corresponding period of 2014. This brought the year-to-September fish catch to 21,608 tons, 3% below the same period a year ago.

Figure 2.4: Fish Catch and Average Prices



Canned tuna production rose significantly by 65% to 210,132 cartons this quarter following a 33% fall in the previous quarter. Fish loin and fish meal both increased by 1% to 251,236 bags and 43% to 22,498 bags respectively. The average international fish price grew by 5% to US$1,438 per ton from US$1,366 per ton in the previous quarter (see Figure 2.4).

[1] All production commodities excluding logs

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Palm Oil

Harvested palm oil fruit bunches rose by 7% to 31,711 tons following a 35% decline in the previous quarter. Reflecting this, crude palm oil production increased by 8% to 7,222 tons from 6,689 tons but underperformed by 1% against the corresponding period in 2014. Palm kernel oil, on the other hand, fell by 20% to 775 tons from 971 tons in the previous quarter but was 2% higher than the same period a year ago. Year to September production of palm oil was slightly below the same period in the previous year by 1% at 24,466 metric tons while palm kernel oil recorded an increase of 11%.

Average contract prices for palm oil products weakened further during the quarter to new historical lows. The contracted export price of crude palm oil fell marginally by 2% to US$687 per ton whilst contracted prices for palm kernel oil dropped by 16% to US$1,023 per ton.

Figure 2.5: Palm Oil Production, International and Contract Prices

Cocoa

Following a significant turnaround in the June quarter, cocoa production fell markedly by 64% to 767 tons this quarter. This downturn reflected low yields during the quarter compared to higher output in the previous quarter. This output level was 49% below the same quarter a year ago while year to September production stood at 3,565 tons, 11% below the corresponding period in 2014.

In terms of production by province, Guadalcanal province led with the highest share of 61%, followed by Malaita province and Makira province each accounting for 19% each whilst Western, Isabel, Central and Temotu provinces made up the remaining 1%.

Contracted export prices received by exporters rose significantly by 8% to GBP1,775 per ton following a marginal 0.3% fall in the last quarter. Domestic prices mirrored a similar trend rising 9% from $16 per kilo to $18 per kilo at the end of the quarter.

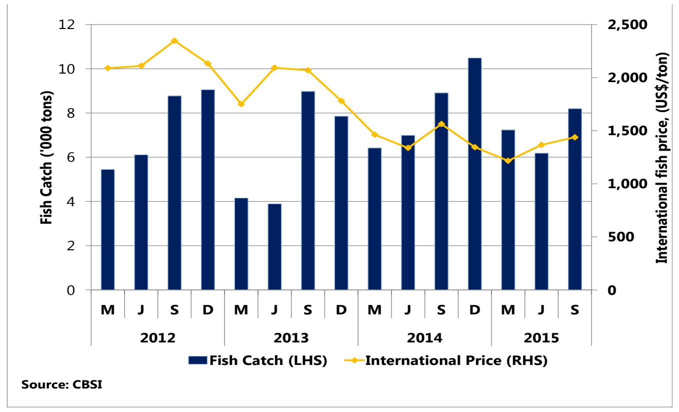
Copra

Copra output increased by 10% to 4,331 tons this quarter, up from 3,922 tons. However, year to September production was 15% below the corresponding period in 2014.

Production by province, showed that Central province still accounted for the largest share of production with 2,101 tons (49%), followed by Western province with 766 tons (18%), and Guadalcanal province with 449 tons (10%). The other provinces accounted for the remaining 23%.

In terms of prices, the average contract prices received by local copra exporters fell by 7% this quarter to US$533 per ton from US$575 per ton in the previous quarter. In contrast, domestic price of copra went up from an average of $3.20 per kilogram in the June quarter to $3.30 per kilogram in the September quarter.

Figure 2.6: Copra Production and Contract Price



Employment

The number of Solomon Islands National Provident Fund (SINPF) contributors, as a partial indicator for labour market conditions, showed a decline in the third quarter of 2015. The average number of contributors during the period fell by 2% to 55,232 from 56,566 in the previous quarter. However, on a year-on-year basis, the average number of contributors increased by 3%.

Disaggregating these figures, the active contributors to the SINPF recorded a 1% increase over the quarter to 46,684 from 46,180 contributors in the previous quarter, but showed a 1% decline against the same quarter a year ago. In contrast, the slow active category dropped by 18% to 8,548 contributors during the quarter. Nevertheless, it showed a 16% increase on a year-on-year basis.

The CBSI job vacancy advertisement survey showed a further decline in advertised positions for the third quarter. Advertised vacant positions fell by 4% to 351 vacancies from 367 vacancies in the previous quarter.

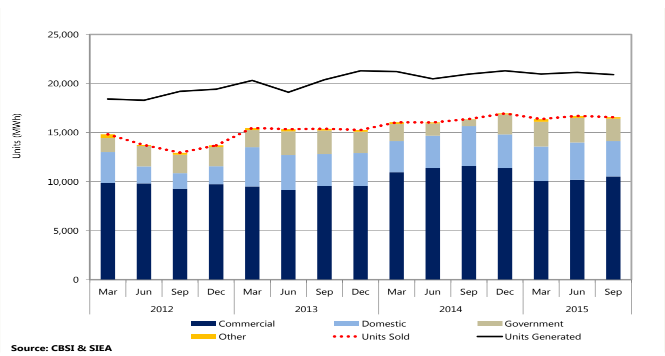
In terms of vacancies by sectors, administrative and support services accounted for 119 vacancies (34%), followed by public administration and defence with 59 vacancies (17%), professional and technical activities with 38 vacancies (11%) and transport and storage comprised of 27 vacancies (8%). All the other sectors contributed to the remaining 108 vacancies (31%).

Energy

Units of electricity generated by the Solomon Islands Electricity Authority (SIEA) in the third quarter increased slightly by 1% to 20,899 Megawatts per hour (MWh) against the previous quarter, but fell marginally by 0.3% year-on-year. In terms of year-to-date figures, total electricity generated stood at 62,992, 1% above year-to-date in 2014.

Units of electricity sold during the quarter fell by 1% to 16,562 MWh from 16,699 MWh in the previous quarter and dropped 8% on a year-on-year basis. Sales to all categories declined during the quarter except for commercial clients which saw an increase of 3% to 10,520 MWh and accounted for 64% of total units sold. Domestic households' usage representing 22% of total units sold fell by 5% to 3,588 MWh, sales to Government dropped by 8% to 2,309 MWh and others clients dropped further by 27% to 145 MWh. Meanwhile, unsold units fell by 2% to 4,337 MWh during the period.

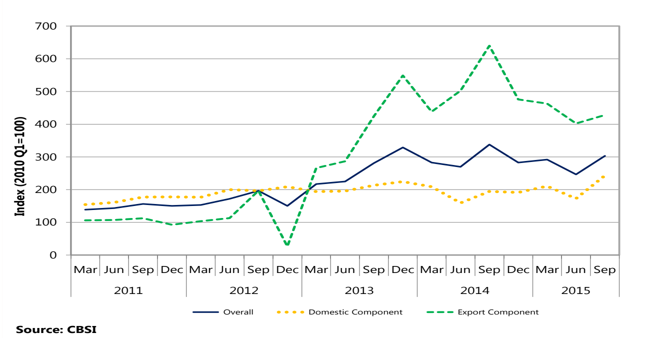
Figure 2.7: Units of Electricity Generated and Sold



Manufacturing

Manufacturing activities, as measured by the CBSI manufacturing index rose markedly by 23% to 303 points compared to 246 points in the previous quarter. This reflected the increase in manufactured products destined for both the domestic and export markets during the quarter. The manufactured products destined for the domestic market surged by 41% to 243 points from 173 points in the previous quarter. This resulted from increases in canned tuna and tobacco production by 65% to 386 points and 55% to 125 points respectively. Similarly, output for beer and soft drinks went up by 45% while manufactured biscuits increased by 7% whilst the index for tuna export showed a 6% increase during the quarter.

Figure 2.8: CBSI Manufacturing Index



Construction

Approved building permits issued during the September quarter by the Honiara City Council (HCC) fell by 30% to 47 permits from 67 permits issued in the previous quarter. This reflected declines in all building categories. The total approved permits comprised of 24 residential permits, 10 commercial permits and 13 permits for 'others' category. The estimated value of the approved permits more than doubled to $159 million against $71 million in the preceding quarter attributing to an increase in the estimated value for the commercial category.

Foreign Investment

Approved foreign direct investment applications increased notably by 59% to 70 following a decline of 25% in the previous quarter. In terms of applications by sector, wholesale and retail services accounted for the majority with 30 applications, followed by other services with 19 applications, tourism receiving 7 applications, mining registering 4 applications, and construction having 3 applications. Fisheries and transport sector recorded 2 applications each while forestry, consultancy and electrical services registered 1 application each.

Most applicants indicated more than one operational location. Distribution by province showed that Honiara registered the highest with 58 applications, followed by Guadalcanal with 7 applications and Western province registered 6 applications. Malaita, Isabel and Temotu Provinces recorded 3 applications each whilst the remaining provinces received 2 applications each during the quarter.

The estimated value of the FDI applications dropped further by 17% to $323 million from $387 million recorded in the previous quarter.

Inflation

Headline inflation, as measured by a 3 months moving average turned positive to 0.1% in September following deflation recorded over the past six months. This reflected a 4.9 percentage points increase from minus 4.8% recorded in the June quarter. The increase in general price index was largely driven by domestic inflation, rising to zero (0.0%) from minus 6.8% in June. Imported inflation also turned positive for the first

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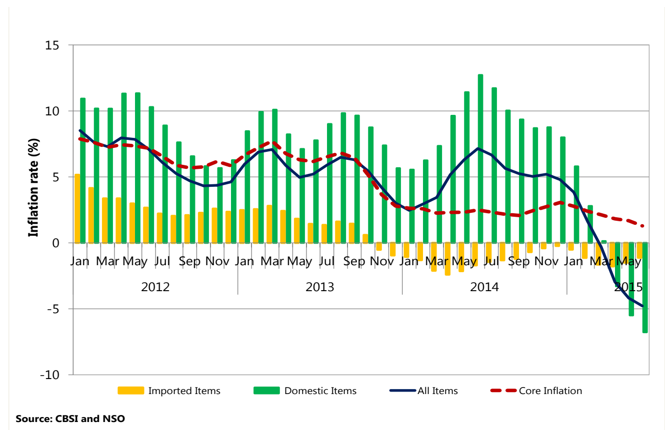
time since the fourth quarter of 2013 to 0.2% from minus 1.1% in June quarter.

Domestic inflation increased notably as a result of a surge in the food price index to minus 8.7% compared to minus 17.4% in the last quarter. The housing and utilities category which accounted for the second largest weight of the domestic component also increased to minus 0.2% from minus 1.7%. The transport and communications index rose to 4.6% from 3.4% and drinks and tobacco category increased markedly to 29.4% from minus 12.4% due to an increase in the price of tobacco.

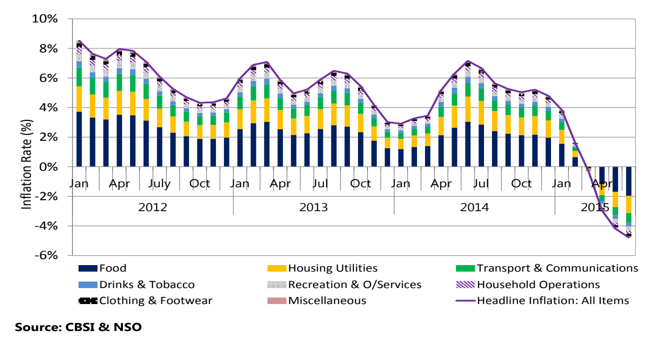
Similarly, the increase in imported inflation was fuelled by movements in food inflation from 1.6% to 3.8%, housing and utilities rising from minus 7.7% to minus 6.2% and transport and communications increasing from minus 13.6% to minus 11.4% during the quarter. The depreciation of the Solomon Islands dollar (SBD) against the United States dollar (USD) also contributed to the rise in imported inflation. The underlying or core inflation increased further to 2.2% from 1.3% at the end of the previous quarter (see Figure 2.9).

Figure 2.9: Headline and Underlying Inflation Rates (3mma)



Of the overall inflation rate of 0.1% for September, food inflation accounted for 0.04%; housing and utilities contributed 0.03% whilst the drinks & tobacco, transport & communication and recreation categories contributed the remaining 0.07%.

.Figure 2.10: Contributions to Headline Inflation



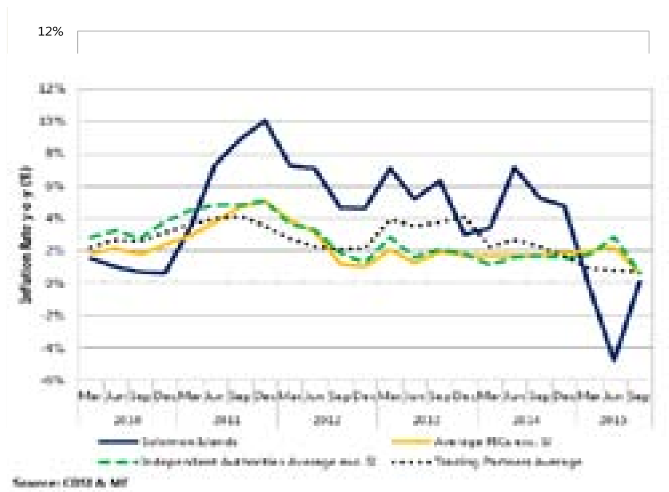
Honiara Retail Fuel Price

Average Honiara retail fuel prices for the September quarter increased by 2% to an average of $8.83 per litre from $8.65 per litre in the June quarter. This resulted from an increase in petrol and diesel prices. The average petrol price went up by 51 cents to $9.19 per litre while the increase in diesel was more modest by 5 cents to $8.52 per litre from $8.47 per litre. These increases outweighed the slight fall in kerosene, which dropped to $8.78 per litre from $8.76 per litre. When compared against the same period a year ago, average fuel prices had fallen by 24%. On an end of period basis, average Honiara retail fuel prices showed a 2% fall at end of September.

Regional Inflation

Comparing headline inflation across the Pacific region, inflation in the Solomon Islands was 0.1% against the Pacific region's average inflation of 0.4% and our major trading partners' average inflation rate of 0.7%.

Figure 2.11: Regional Inflation



Chapter III. BALANCE OF PAYMENTS

The Solomon Islands balance of payments deteriorated over the September quarter as evident in the rise in the current account deficit, the decline in the surplus of the capital and financial accounts, and the negative growth in the gross foreign reserves.

Table 3.1: Balance of Payments Statistics				
	2014	2015		
	Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr
	SBD million			
A. Current Account	-50	-40	54	-271
Goods	61	-41	-86	-173
Services	-154	-109	-167	-134
Primary Income	-42	-35	-13	-47
Secondary Income	86	144	321	84
B. Capital & Financial Account	-177	259	322	42
Capital	129	134	153	52
Financial account (excl. reserve as set) 1/	-306	125	169	-10
C. Reserve Assets (+ve = increase)	-279	290	376	-318
D. Net errors and omissions	-52	72	-1	-89
Position of Gross Foreign Reserves at end	3784	4026	4390	4169
Months of Import cover of Goods and Services	9.5	10.2	11.1	10.5

1/ The financial account in BOP analytical presentation shows reserve assets separately in item C. Under BPM6, the financial account includes reserve assets.

Source: CBSI

Current Account

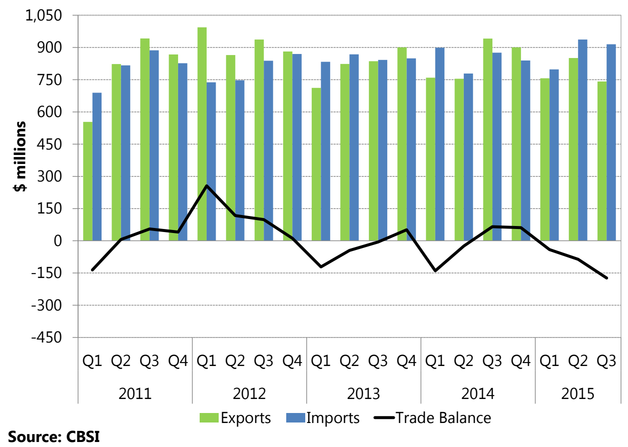
The current account registered a provisional $271million deficit, overturning the revised $54million surplus in the June 2015 quarter. This was driven by an increase in the deficit in the goods and income account combined with a marked decrease in the surplus in the secondary income during the quarter. While the deficit in the services account narrowed slightly, it remained a significant contributor to the overall current account deficit.

The capital and financial account (excluding reserve assets) posted a provisional surplus of $42million, a considerable reduction from the revised $322million surplus in the previous quarter. This was due to smaller inward capital transfers and net repayments on financial liabilities. This reduced surplus in the capital and financial account was insufficient to finance the higher current account deficit and is reflected by the drawdown of $318million from the stock of foreign reserves during the quarter. As a result, the gross foreign reserves declined by 5% to $4,169 million and was sufficient to cover 10.5 months of imports of goods and services.

Trade in goods

The balance on trade in goods for the September quarter recorded a preliminary $173million deficit, widening from the revised $86million deficit in the previous quarter. This was driven by a large fall in exports by 13% to $742million that offsets the slight 2% fall in imports to $915 million.

Figure 3.1: Trade in Goods



Source: CBSI

Exports

The weak export performance was driven mainly by declining exports in the forestry and agriculture sectors due to lower production and unfavourable international prices during the quarter. Forestry exports declined by 20% to $472million and agriculture exports fell by 6% to $106million. Meanwhile, fisheries exports rose 45% to $132million primarily due to higher tuna loin exports to Europe.

Imports

The small drop in imports was driven by lower imports of fuel which fell by 23% to $141million during the quarter as larger stockpiles were brought in during the previous quarter. Food imports, however, rose by 4% to $230million largely due to higher imports of rice products. Machineries and transport equipment also went up by 4% to $346million which reflected the higher importation of ships and motor vehicles.

Trade in Services

The trade in services account recorded a provisional deficit of $134million that narrowed from a revised $167million deficit in the previous quarter. This outcome was reflected across all major service components particularly in the transport and travel services. The deficit in transport services dropped from $86million to $78million owing to lower freight and transport related service payments. Similarly, travel services narrowed from a $24million deficit to net zero due to increased business and travel receipts that reflects higher spending by visitors in the country. The net deficit position for all other services also reduced slightly from $57million to $56million due to the fall

in government and business services payments during the quarter.

Primary Income Account

The deficit in the primary income account widened to $47 million from $13million in the previous quarter. This outcome stemmed from higher net outflows in investment income and compensation of employees. The investment income outflow increased from $74million to $100million mainly due to higher dividend payments made during the quarter. Compensation of employees also widened from $4million deficit to $21million deficit due to higher payments for wages and salary during the quarter. Meanwhile, the surplus in other primary income increased from $65million to $73million. This represents rents on the country's natural resources such as the Exclusive Economic Zones for fishing as well as the use of the country's air space

Secondary Income Account

The secondary income account surplus plunged in the third quarter to $84 million from $321million in the previous quarter. This outcome was largely due to surplus general government transfers falling from $288million in the previous quarter to $97million. The downturn stemmed from the decline amongst all donor grant categories, namely technical assistance, aid in cash and aid in kind. This was expected after the surge in inflows during the previous period. However, net private sector transfers worsened slightly to a $13million deficit from $33 million due in part to a rise in worker's remittances outflows and decreases in transfers by Non-Government Organizations and insurance receipts during the quarter.

Capital Account

The surplus in the capital account reduced from $153million to $52million in the third quarter. This result emanated from falls in general government capital transfers and was expected after the spike in donor funded capital inflows related to the major infrastructure projects in the previous period.

Financial Account

The financial account deteriorated from a 'net lending' (surplus) of $207million in the June quarter to a 'net borrowing' (deficit) of $308million in the September quarter. This reversal was based on the significant fall in financial assets from a surplus of $366million to a deficit of $378million that offset the decrease in financial liabilities from $159million to $69million deficit.

The downturn in financial assets was driven by the significant decline in reserve assets from a surplus of $376million to $318 million deficit. Related to the reduction in reserves was the fall in other investments assets from a deficit of $5million to $58 million deficit due to the reduction in commercial banks' holding of currency and deposits overseas. On the other hand, resident firms' direct investment assets abroad rose to $3million from a deficit of $3million during the quarter.

Meanwhile, the decline in financial liabilities was based on the fall in other investment liabilities from $7million to a deficit of $73million. This was due to the decrease in loan repayments and a fall in non-resident companies and commercial bank's holdings of currency and deposits in the country. In addition, foreign direct investment (FDI) slowed to $3million from $153 million due to a slowdown in new investments and a decrease in reinvestment earnings by FDI companies.

International Investment Position

The country's net international investment position worsened from a 'net borrowing' from the rest of the world of $302million in the second quarter to a 'net borrowing' of $526million in the third quarter. This was mainly due to the 5% drop in the stock of financial assets to $5,050million. Notably, the deterioration on the asset side was led by the 5% fall in the stock of reserve assets to $4,169million and the 13% decrease to $403million in the stock of other investment assets.

Meanwhile, the stock of financial liabilities fell slightly by 1% to $5,577million. This was primarily brought about by the 3% drop in the stock of other investment to $1,224million. The fall reflected the reduction in currency and deposit liabilities by foreign investor firms and banks in the country during the period.

Gross External Debt

The country's gross external debt position marginally fell during the quarter to $2,009million from $2,075million. This positive outcome was mainly due to the reduction in debt by the private sector. In particular, debt by 'deposit taking corporations' fell by 37% to $84million, intercompany lending by foreign direct investors decreased by 4% to $786million and other private sector enterprises fell by 10% to $170million.

Table 3.2: Gross External Debt Statistics				
	2014	2015		
	Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr
	SBD million			
Gross External Debt Position	**4,640**	**4,705**	**2,075**	**2,009**
A. Public External Debt	**940**	**926**	**938**	**970**
(i) General Government	685	668	666	684
(ii) Central Bank	2545	258	272	286
B. Private External Debt	**3,699**	**3,779**	**1,136**	**1,039**
(iii) Deposit-Taking Corporatoins	77	113	133	84
(iv) Other Sectors 1/	208	196	188	170
(v) FDI: Intercompany Lending 1/	3,414	3,471	814	786

1/Provisional
Source: CBSI

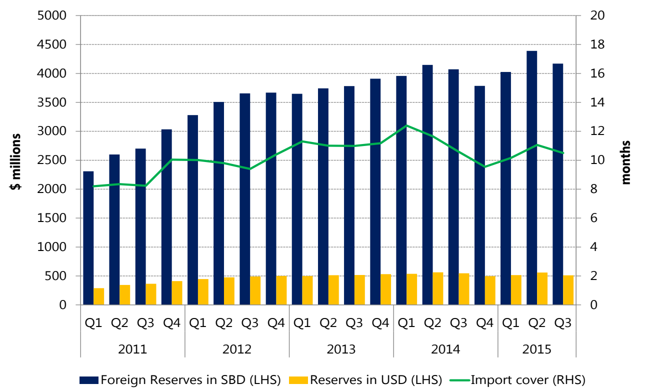
[1] 'Net borrowing' implies a deficit, while 'net lending' entails a surplus in the net International Investment Position.

On the other hand, the stock of external public sector debt increased during the period. General government debt rose by 3% to $684 million and Central Bank's external debt grew by 5% to $286 million. Coupled with the decline in loan repayments, the increase in the general government's external debt was also driven by foreign exchange revaluation effects.

Gross Foreign Reserves

The gross foreign reserves deteriorated by 5% to $4,169 million at the end of the September quarter. This was primarily due to the rise in net outflows of $318 million that reversed the net inflows of $376 million in the June quarter. The result was driven by the decline in donor funds and the jump in trade and financial payments. This level of reserves is adequate to cover 10.5 months of imports of goods and services.

Figure 3.2 Foreign Reserve and Import Cover

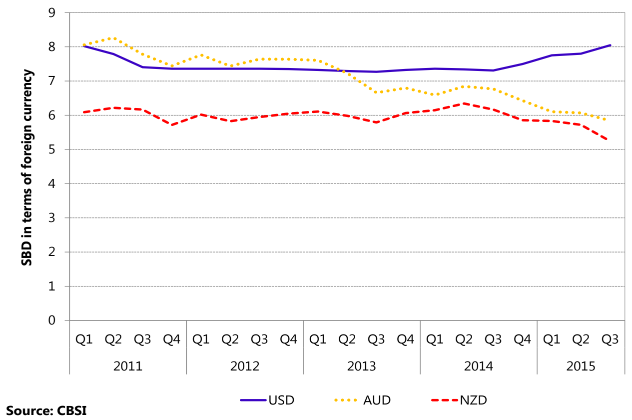


Source: CBSI

Exchange Rate

The Solomon Islands dollar continued the previous four quarters' downward slide against the United States dollar and depreciated by 3.1% to an average $8.04 per USD during the quarter. In contrast, it appreciated by 3.9% against the Australian dollar to an average $5.84 per AUD. Compared to other trading currencies, the SBD on average depreciated against the British Pound by 4.4% to $12.49 per GBP and by 3.7% against the Euro to $8.96 per EUR. It also fell against the Japanese Yen by 2.1% to $6.58 per 100 JPY during period. On the other hand, the SBD appreciated by 9.1% against the New Zealand dollar to $5.24 per NZD.

Figure 3.3 Exchange Rate



Source: CBSI

Chapter IV. MONEY AND BANKING

Monetary Developments

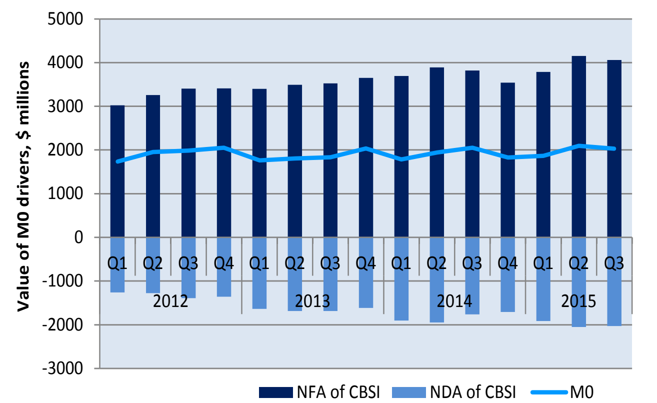
During the third quarter of 2015, key monetary aggregates saw mixed developments with reserve money (M0) falling, while narrow money (M1) and broad money (M3) grew marginally over the period. Total liquidity in the banking system declined this quarter resulting in excess liquidity falling by 9% to $989 million. Despite the fall in liquidity, private sector credit (PSC) continued to grow this period, primarily through financing from overdrafts and lease financing. Meanwhile, other depository corporations (ODCs) weighted average interest rate margin fell due to fall in both the weighted average interest rate in deposits and lending at the end of the period.

Reserve Money

M0 decreased by 5% to $1,988 million at the end of the September quarter, following increases in the last two quarters. This was driven mainly by the fall in the ODC's call account balances held with CBSI by 7% to $1,356 million. Currency in circulation issued also contributes to the fall, shrinking by 1% to $629 million this quarter.

The downward movement in the CBSI's net foreign assets (NFA) by 6% to $3,925 million combined with the improvement of the net position of CBSI's net domestic assets (NDA) was the main driving force behind the decline in reserve money. The fall in NFA position of CBSI was notably attributed to a decline in gross reserves by 5% to $4,169 million, owing to a decline in donor inflows and high outward payments. Meanwhile, the net positon of CBSI's NDA had improved by 6% to net liability of $1,933 million due to draw down of government deposits during the period (see Figure 4.1).

Fig 4.1: Drivers of Reserve Money



Source: CBSI

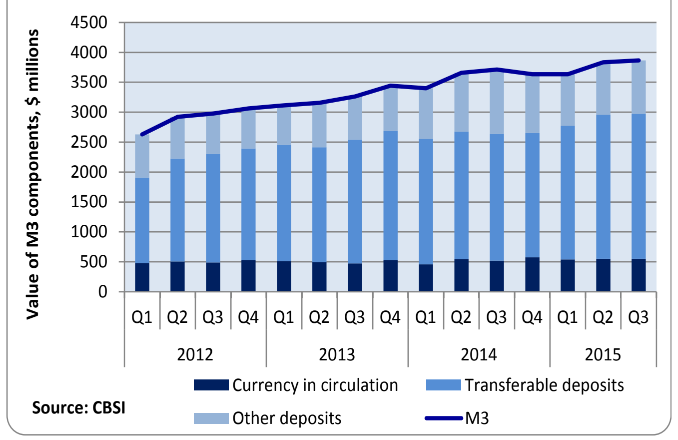
Narrow Money

Narrow Money (M1) recorded a slight fall of 0.1% to $2,954 million this quarter, following a 7% growth in the previous quarter. This resulted from a fall in currency in circulation by 1.4% to $545 million which outweighed the 0.2% rise in transferable deposits held with depository corporations (DCs). Year-on-year saw 12% growth in M1.

Broad Money

Broad money supply (M3) increased slightly this quarter by 1% to $3,869 million, following a 6% rise in the previous quarter. This increase was transmitted from a rise in M1 combined with a 4% increase to $915 million in other deposits. Comparing against the same period in 2014, M3 went up by 4% (see Figure 4.2).

Fig 4.2: Components of Broad Money

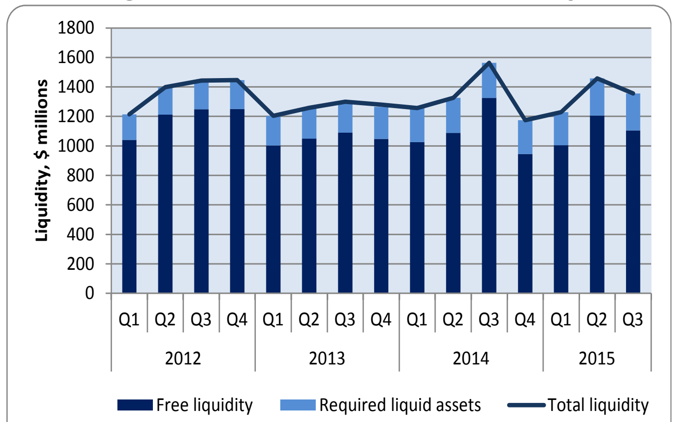


Source: CBSI

Liquidity

Total liquidity in the banking system fell by 7% to $1,356 million this quarter compared to a 19% increase in the previous quarter. This was due to the fall in the M0, resulting in excess liquidity declining by 9% to $989 million, following a 23% rise in the previous quarter. The drop in total liquidity was driven by the 5% fall in CBSI's NFA at the end of period. Year-on-year comparisons showed total liquidity also declined by 13% against the same period in 2014 (see Figure 4.3).

Fig 4.3: Commercial Bank Liquidity



Source: CBSI

Domestic Credit

The net domestic credit (NDC) of depository corporations increased significantly from $31 million in the June quarter to $366 million at the end of this quarter. Driving the increase was the rise in depository corporations PSC by 5% to $1,895 million, together with the fall in the liability to the Central Government by 13% to $1,660 million. The decline in depository corporations' liabilities to the government reflected large drawn down in government deposits, which resulted in net liabilities of DCs to fall by 14% to $1,530 million at the end of period.

Meanwhile, ODC's PSC increased for the third consecutive quarter by 5% to $1,889 million, following a 3% rise in the previous quarter. The upturn in ODC's PSC came mainly from credit allotted to other non-financial corporations that rose by 5% to $1,257 million coupled with a rise in credit issued to individuals and households by 4% to $628 million. However, total sectoral credit of commercial banks fell by 3% to $1,747 million this end quarter. The sectors contributing to the fall were distribution which drops from $248 million to $221 million, transportation down to $70 million from $95 million, forestry from $68 million to $46 million, mining and quarrying from $3 million to $2 million and agriculture, which dropped from $36 million to $29 million this quarter (see Table 4.1).

Table 4.1 Private Sector Credit by Sectors						
$ millions	2014	2015		Percentage Change		
Sectors	Q4 G	Q1 E	Q2 I	Q1-15 E/G	Q2-15 I/G	Q3-15 I/G
Personal	596	617	602	3%	-2%	1%
Construction	152	164	173	8%	5%	-2%
Distribution	250	251	248	1%	-1%	-11%
Communications	189	184	188	-3%	2%	8%
Tourism	107	106	106	-1%	0%	8%
Prof.& Other Services	106	108	118	2%	9%	5%
Transport	91	97	95	7%	-2%	-26%
Manufacturing	81	89	109	10%	22%	3%
Forestry	29	35	68	21%	94%	-32%
Agriculture	34	35	36	3%	3%	-19%
Entert & Catering	6	6	5	-2%	-18%	-20%
Bills Receivables	0	0	0	0%	0%	0%
Mining & Quarrying	3	3	3	-8%	-%	-33%
Fisheries	4	3	7	-6%	133%	-29%
Statutory Corporations	41	40	37	-2%	-8%	8%
Total	**1688.7**	**1739.0**	**1793.5**	1747	-	-

Note: Figure includes only the Commercial Banks and Credit Corporation of Solomon Islands. Excluding Credit Unions and accured interest on loans and advances

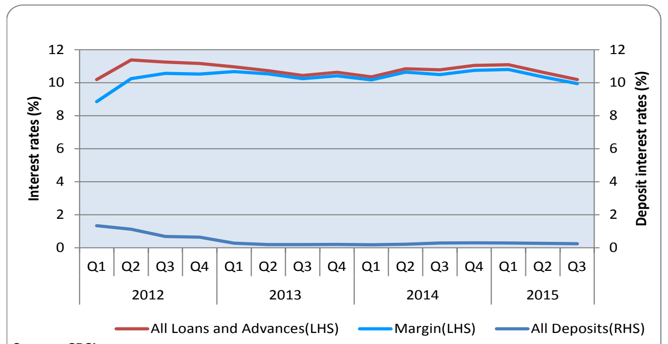
Source: CBSI

The fall in credit lending in those sectors were mainly sourced from loans category by 4% to $1,533 million. Meanwhile, both overdrafts and lease financing increased by 9% to and 16% to $200 million and $15 million respectively.

Interest Rates

The ODCs indicative weighted average interest rate margin dropped to 9.9% from 10.4% in the previous quarter, due to a fall in both lending and deposit rates. The indicative weighted average interest rates on all deposits offered by ODCs continued on its downward trajectory, falling to 0.25% from 0.27% in the previous quarter. This resulted from drops in time deposit rates for maturity periods of 1-3 months, 3-6 months, 1-2 years and 2-3 years. Likewise, the indicative weighted average interest rates on lending also decreased from 10.6% to 10.2% at the end of third quarter. This was due to falls in the cost of borrowing in some sectors such as non-residents from 17.4% to 16.7%, agriculture from 13.8% to 10.5%, forestry from 19.3% to 18.9% and transportation from 11.1% to 9.7%, (see Figure 4.4).

Fig 4.4: Interest Rate Development



Source: CBSI

Other Financial Corporations

The NFA of other financial corporations (OFCs) fell by 1% to $265 million compared to 2% rise in the previous quarter. This was driven by a fall in foreign assets by 1% to $280 million while the foreign liabilities of OFCs remained unchanged during the quarter.

Meanwhile, the OFC's NDA saw a marginal fall of 0.2% to $2,094 million this quarter following a 9% increase in the previous quarter. Contributing to this were the 2% fall in OFC's net domestic credit (NDC) to $2,319 million, 4% decline in other items net (OIN) to $447 million and 9% drop in the capital accounts to $672 million. The drop in NDC was driven by falls in both credit to private sector by 2% to $1,433 million and net credit to financial corporations by 2% to $725 million respectively.

The downturn in private sector credit was the result of a 3% fall to $1,243 million in credit associated with shares to other non-financial corporations, together with a 2% drop in loans to other non-financial corporations. Meanwhile, credit associated with securities to other non-financial corporations increased by 1% to $46 million at the end of period. The fall in net credit to financial corporations was driven by declines in both net credit to Central Bank by 5% to $17 million and net credit to ODCs by 2% to $708 million. The fall in the former was due to decline

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in holdings of deposits in national currency after a 6% rise in the previous quarter. Meanwhile, the latter reflected a drop in transferrable deposits of OFCs held with ODCs, which declined from $232 million to $202 million this quarter.

Monetary Policy

The Central Bank continued to monitor recent inflation trends as part of its domestic price stability objective. At the end of September 2015, headline inflation reverted to 0.1% from negative 4.8% in June 2015, driven mainly by domestic inflation components. This marginal increase remained below the CBSI forecasted range of 3% - 5% in 2015.

Table 4:2: Monetary Policy Instruments		
Instrument	**Description**	**Status in Sept. MPS 2015**
Exchange Rate	The Solomon Islands Dollar is pegged to a invoice basket of trading currencies that is free to fluctuate around the base rate.	Since the review in Decemeber 2014, the Solomon Island dollar is allowed to move in tandem with the basket of currencies within slightly wider margin.
Open Market Operations- Bokolo Bills	Bokolo Bills are Central Bank backed securities denominated in Solomon Island Dollars with a 28 day maturity.	Data for September showed CBSI Bokolo Bills earned full subscriptions of $710million floated.
Cash Reserve Requirment	The Cash Reserve Requirment is the minimum fraction of customer deposit liabilities and notes that each commercial bank must hold as reserves, as set by Central Bank.	The Cash Reserve Requirement is maintained at 7.5% of total deposits.

With these recent economic developments together with the anticipation that prices will continue to be low at the end of 2015, the Bank therefore maintains its accommodative monetary policy stance this quarter.

In terms of the monetary policy instrument, CBSI continued to maintain the cash reserve requirement ratio at 7.5% of the ODCs' total deposits liabilities over the period. Likewise, the Central Bank continued to issue Bokolo bills to absorb excess liquidity in the tune of $710 million per month.

In addition, CBSI continued to maintain its current exchange rate regime since the last review in December 2014, by pegging the Solomon Island dollar against the currency basket to lessen exchange rate volatility. At the end of September quarter, gross foreign reserves of $4,169 million was sufficient to cover 10.5 months of imports compared to 11.1 months in the previous quarter. Despite the slight drop in import cover, it is comfortably above the three months benchmark.

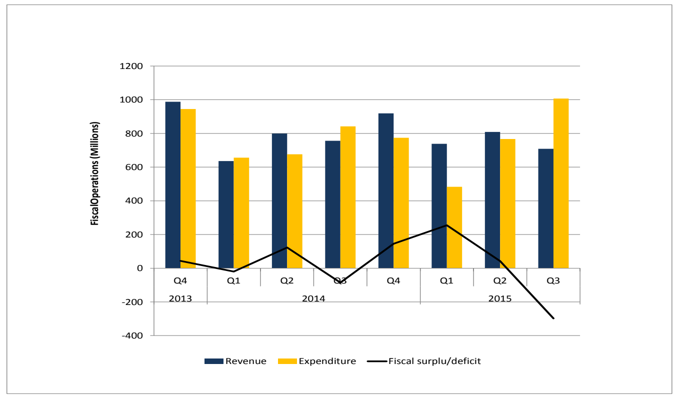
The volume of the Government treasury bills CBSI administered remained capped at $40 million, same as in the previous quarter. Meanwhile, the weighted average yields (WAYs) for 56 days, 91 days and 182 days bills remained unchanged at 0.34%, 0.46% and 1.15% as in the last quarter.

Chapter V. GOVERNMENT FINANCE

Overview

The government ended the third quarter of 2015 with a deficit of $298 million, reversing the surplus of $42 million recorded in the preceding quarter. The higher deficit was expected and was due to an increase in total government expenditure combined with a fall in total revenue during the quarter. Meanwhile, central government debt position rose marginally by 2% to $834 million compared to June quarter, ending the downward trend seen since September quarter of 2013.

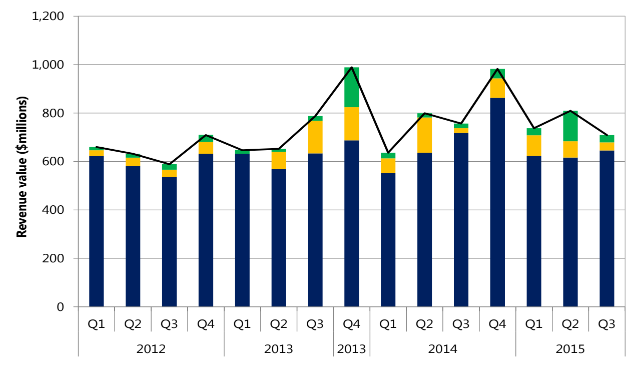
Fig 5.1: Fiscal Balance



Revenue

Following the increase registered in the last quarter, revenue collection fell this quarter to $709 million from $809 million. This was 17% lower than the quarterly budget estimates and 6% lower than the same quarter of 2014. The fall against the previous quarter was related to a marked decline in non-tax revenue and grants which negated gains from tax proceeds

Fig 5.2: Fiscal Revenue



Source: CBSI

Tax Revenue

Tax revenue which remained as the bulk of the government revenue at 91%, increased by 5% in the three months to September to $646 million, but was 4% lower than same quarter of 2014 and 0.1% higher than budget estimates. The 5% increase over the previous quarter was owed to increases in tax revenue on income, profit and capital gains as well as goods and services tax, whilst international trade and transactions related tax revenue remained broadly unchanged from the previous quarter.

Tax on international trade and transactions which accounted for 41% of the total tax revenue remained flat at $266 million this quarter, after registering a 10% growth in the last quarter. This outcome came about following a 13% fall in duties levied on export of goods and services to $115 million, driven mainly by an 11% decline in exported log value. Import duties, in contrast, rose by 14% to $152 million, on the back of an increase in import duties charged on manufacturing in particular material goods items.

Tax on income, profit and capital gains, which made up 35% of the total tax revenue rebounded by 13% in the third quarter to $228 million and was 3% higher than the projection for the quarter. The favourable outcome was observed across all major items that constitute tax on income, profit and capital gains. Tax payable by corporations and other enterprises grew by 15% to $121 million driven by a 32% surged in corporate income tax. Payables by individuals, which consist mainly of payroll tax revenue, went up to $108 million from $97 million in the last quarter. The increase was primarily attributed to an 18% increase in government Pay as You Earn (PAYE) tax to $30 million.

Goods and services tax which accounted for 22% of total collection grew to $144 million in September from $139 million in the previous quarter, but was 13% lower than the quarterly budget estimates. The increase in goods and services tax was explained by a 34% pickup in excise duties to $38 million following a 22% drop in the previous quarter. Sales tax, however, declined from $28 million in the June quarter to $18 million.

Property tax, which made up the remaining 1% of tax revenue, dropped from $9 million in the last quarter to $7 million. This was 24% lower than the budget but 13% higher than similar quarter a year ago. The fall against the previous quarter was related to a decline in lease of property withholding tax during the quarter.

Donor Grants

In the third quarter of 2015, total grants received which accounted for 5% of the total revenue, maintained the downward trend seen in the last quarter, dropping to $33 million from $67 million. This was 76% lower than budget estimates but 80% more than the corresponding period of 2014. Of the total grants received during the quarter, around 97% came from Australian government in which $17 million was distributed to the Ministry of Health and Medical Services (MHMS), $9 million expended to the Ministry of Finance and Treasury (MoFT) and $6 million to the Ministry of Police and National Security (MPNS). Meanwhile, the remaining 0.3% of the grants, received was from Fred Fellow New Zealand towards the Regional Eye Clinic.

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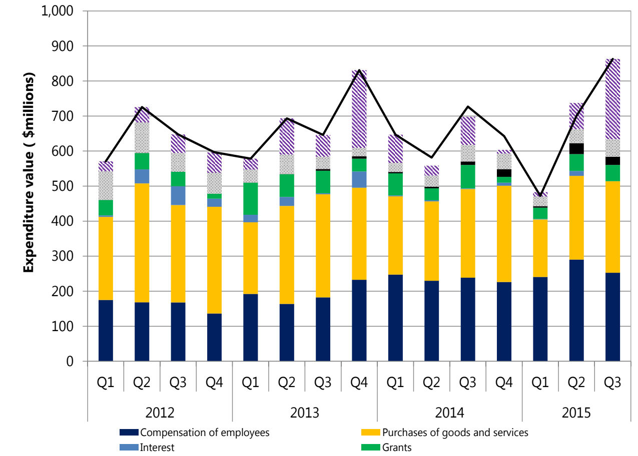
Other Revenue

Subsequent to the substantial increase recorded in the second quarter, non-tax revenue shrunk to $30 million this quarter from $126 million. This collection level was down by 54% against the budget and 53% against the corresponding quarter of 2014. Underpinning the quarter on quarter fall was a notable decline in returns from overseas fishing licenses which fell from $93 million to $7 million.

Expenditure

Total government expenditure grew by 31% to $1,007 million in the September quarter and was up 20% on the corresponding quarter of last year. The upsurge against the June quarter was driven by a 10% increase to $775 million in recurrent expenses and a surge in development outlays from $60 million to $232 million. Growth in recurrent expenses was attributed primarily to increases in goods and services outlays, other expenses and subsidies payment. The upsurge in development spending was anticipated given the expectation to expend the development budget before the close of the current fiscal year. However, total expenditure remained within budget by 1%.

Fig 5.3: Fiscal Expenditure



Source: CBSI

Compensation of Employees

Compensation of employees, which accounted for 33% of total recurrent outlays, declined by 11% to $257 million against the previous quarter but was 8% higher than the same quarter a year prior. The decline against the previous quarter was attributed mainly to a 12% decline in wages and salaries to $243 million was attributed mainly to the fact that there were seven pay periods in the second quarter as opposed to six pay periods in the third quarter. In contrast, the Solomon Islands National Provident Fund (NPF) employer contributions remained at $14 million as in the June quarter. Meanwhile, the payroll outcome this quarter was 1% slightly higher than the budget estimates. Compensation of employee components showed mixed movements against the June quarter. Housing allowances shrunk by 36% to $37 million, various allowances by 23% to $33 million and overtime by 9% to $3 million. In contrast, wages and salaries, the highest spending item, edged upwards by 1% to $156 million whilst special duty allowances and employer NPF contributions remained largely unchanged at $9 million and $14 million respectively. Nonetheless, these movements brought the expenditure items broadly in line with their respective budget estimates.

The Ministry of Education and Human Resource Development's (MEHRD) outlays represented 37% ($94 million) of payroll spending. This was followed by MHMS and MPNS at 21% ($53 million) and 10% ($25 million) respectively. The remainder was shared amongst the other government ministries.

Purchases of Goods and Services

Spending on goods and services, representing 42% of recurrent expenditure, expanded at a reduced pace this quarter, increasing by 29% to $327 million compared to the 54% increase recorded in the second quarter. This outturn surpassed the same quarter a year prior by 5%, albeit 15% lower than the budget. Growth in maintenance costs of capital assets and infrastructures and training-related spending largely underpinned this quarter-on-quarter outcome.

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By major consumption items, maintenance costs surged from $27 million to $57 million whilst training related expenses expanded by 69% to $82 million against the previous quarter. Consultancy fees and seminars and workshops also increased this quarter, increasing from $11 million to $24 million and from $8 million to $17 million, respectively. In contrast, electricity fell by 42% to $15 million, dressing and drugs by 54% to $6 million and printing/photocopying by 47% to $6 million, respectively against the previous quarter.

By ministries, MEHRD spending accounted for the largest share at 30% ($98 million) followed by Ministry of Infrastructure Development (MID) at 14% ($45 million) and Office of the Prime Minister and Cabinet and MPNS each at 8% ($26 million) during the quarter. MoFT constituted 6% ($18 million), MHMS made up 5% ($17 million) and the rest contributed less than 4% each to overall spending

Grants to Provinces

Central Government transfers, which constituted 6% of recurrent expenditure, declined by 1% to $48 million against the June quarter and 29% less than the same quarter a year prior. However this was 15% higher than budgeted. The marginal decline relative to the previous quarter was mainly driven by fixed services grant which decreased by 39% to $12 million and primary health services grants which fell by 6% to $18 million. Meanwhile, Solomon Island National University (SINU) received a total of $11 million in grant payments compared to non in the June quarter, whilst provincial grants increased from $2 million to $3 million.

Social Benefits
Social benefits payments fell by 27% to $23 million relative to the previous quarter. However, this outturn was more than double the amount in the corresponding quarter of 2014 and 14% higher than the budget. The higher outturn against the previous quarter was largely attributed to the $12 million payment SIG made to members of the Royal Solomon Islands Police force that manned the Solomon Islands (SI) -Papua New Guinea (PNG) border during the Bougainville crisis.

Other Payments
Other payments, which made up 13% of recurrent spending, fell 6% below the budget but were 44% higher than spending in the previous quarter to $100 million. Compared to the same quarter in the previous year, spending this quarter grew by 20%. The increase on the prior quarter was attributed mainly to subventions and grants, basic education grants, church grants, and community services obligation (CSO) payments which increased from $35 million to $52 million, $7 million to $18 million, $1 million to $7 million, and from zero to $6 million this quarter.

Acquisition of Nonfinancial Assets (NFA)
Non-financial assets, which constituted primarily of development spending, jumped from $60 million in the June quarter to $232 million and was 4% higher than the September quarter's budget. Compared to the June quarter, the increase in nonfinancial asset was attributed mainly to the increase in fixed assets from $54 million to $229 million. Underlying the upsurge in fixed assets spending were increases in buildings and structures, and machineries and equipment from $38 million to $137 million and from $16 million to $91 million respectively against the prior month. However, non-produced assets shrunk by half against the previous quarter to $3 million.

Debt Stock & Servicing
Total public debt stock increased by 2% to $834 million against the June quarter, ending the downward trajectory observed since the 2013 September quarter. Despite the slight increase, this outturn was still 14% lower compared to the corresponding quarter of 2014. This quarter-on-quarter increase reflected the depreciation of the SBD against the SDR and USD, being the two main debt-denominated currencies. Total debt servicing during the quarter amounted to $15 million, of which principal repayment accounted for $13 million and interest payment the remaining $2 million. Total debt stock as a proportion of GDP increased to 12% compared to 11% in the June quarter.

External Public Debt Stock and Servicing
External public sector debt went up by 3% to $684 million over the June quarter but was down 2% on the same period in 2014. The increase in debt stock came in spite of the $9 million debt servicing payments SIG made during the quarter and was a direct result of the weaker SBD. Of this amount, $8 million was on principal repayment and $1 million on interest payment. Classified by recipient, repayments to the International Development Association accounted for $6 million whilst Asian Development Bank and European Union together made up the other $3 million.

By debt holdings, multilateral creditor's maintained the largest proportion at 85%, equivalent to $582 million. This was 3% higher than it was in the June quarter but 2% lower than the same period in 2014. External debt stock held by bilateral creditors constituted 15% following a 4% increase to $102 million against the previous quarter. However, this was still 1% lower compared to the same period a year prior. By currency composition, 74% of the external stock was denominated in SDR, followed by USD and EUR with 22% and 4% respectively.

Domestic Public Debt Stock
Domestic public debt stock continued to fall, down 3% to $150 million at the end of the review period and 19% against the same period a year prior. The decline reflected a total of $6 million in debt servicing of which $5 million was in principal repayment and $1 million in interest payment. Total debt servicing this quarter was broadly in line with the scheduled repayment of $6 million. In terms of domestic holders, the banking sector constituted 51%, of which the Central Bank of Solomon Islands accounted for $55 million, 3% less than in the previous quarter. Other depository institution's holdings fell by 8% to $22 million compared to the previous quarter. The non-banking sector held 49%, equivalent to $73 million of which financial corporations accounted for $33 million while other holders remained at $40 million. This was 7% and 1% lower than they were in the June quarter respectively.

Public Debt Stock and Debt Service Indicators
In terms of the debt sustainability indicators, the debt-to-GDP ratio increased slightly to 12% compared to 11% in the June quarter. However, liquidity indicators fell relative to the previous quarter. Debt-to-ex¬port of goods and services and debt-to-domestic revenue both fell to 2% from 4% respectively. Debt service-to-GDP declined to 0.2% from 0.5% in the previous quarter.

Statistical Tables