3 May 2000

Hon. Alpha Kimata (MP)
Minister for Dept of Finance
Department of Finance
HONIARA

Dear Honourable Minister,

In accordance with the provisions of section 47(1) of the Central Bank of Solomon Islands Act, CAP 49, I have the honour to submit to you the 1999 Annual Report and the Accounts of the Central Bank of Solomon Islands.

Yours sincerely,

R N Houenipwela
Governor

The principal objects of the Central Bank shall be:

(a) to regulate the issue, supply, availability and international exchange of money;

(b) to advise the Government on banking and monetary matters;

(c) to promote monetary stability;

(cc) to supervise and regulate banking business;

(d) to promote a sound financial structure; and

(e) to foster financial conditions conducive to the orderly and balanced economic development of the Solomon Islands.

Section 4
<u>Central Bank of Solomon Islands Act, CAP 49</u>

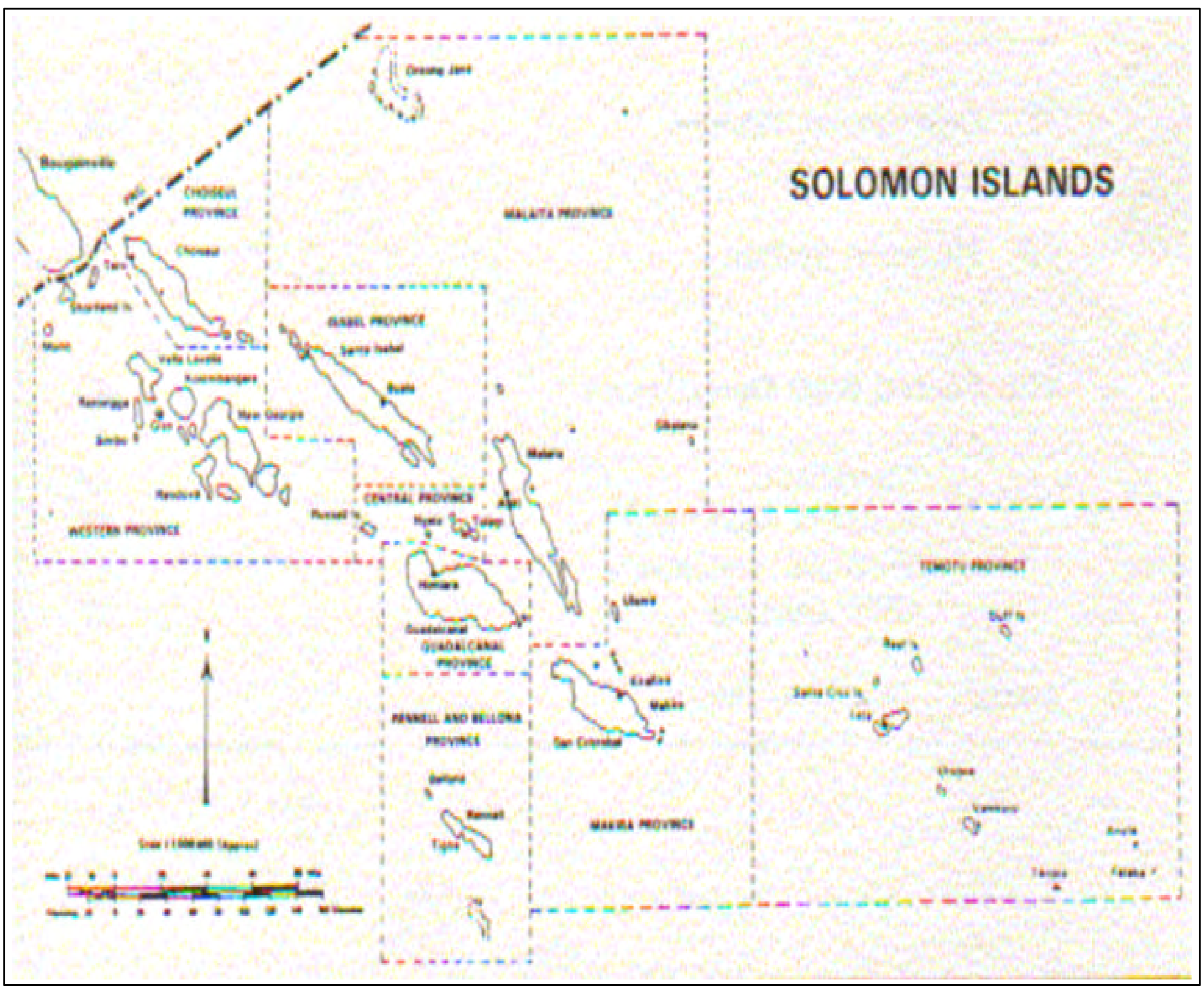
Foreword

This is the eighteenth Annual Report issued by the Central Bank of Solomon Islands and the twenty third in the series begun by the Solomon Islands Monetary Authority in 1977.

In this report, data was provided by the various government departments, statutory corporations, financial institutions, resident diplomatic missions, country representatives of international institutions, non-government organisations and firms in the private sector. The Central Bank is very grateful for the ready cooperation and assistance it received.

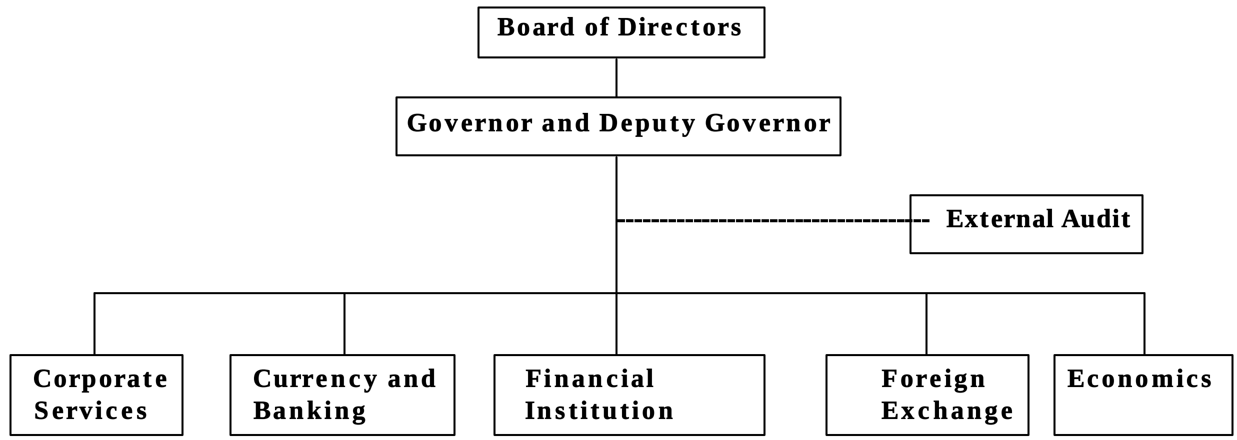
Data on the monetary system are derived from Central Bank records. The interpretations and conclusions in this report are entirely the responsibility of the Central Bank.

Central Bank of Solomon Islands
May 2000



Contents

Organisation of the Central Bank



71 Board of the Central Bank, at end 1999

R N Houenipwela	Chairman, ex officio
D H Rarawa	Director, ex officio
G Kiriau	Permanent Secretary, DoF Director, ex officio
R. Hilly	Director
J Radford	Director
Hon A Hairiu	Director
S Ilala	Director
C. Waiwori	Director (to 27.11.99)
M. Sibisopere	Director (to 27.11.99)
E Ronia	Secretary to the Board

Management of the Central Bank, at end 1999

Governor	R N Houenipwela
Deputy Governor	D H Rarawa
General Advisor (wef 11.10.99)	M Brown
Manager, Corporate Services (wef 1.10.99)	E Ronia
Manager, Financial Institutions Department	G Simbe
Manager, Currency and Banking Operations	J K Pitisopa
Manager, Foreign Exchange	R P Aquillah
Manager, Economics	P Terawasi

I. POLICY ISSUES, PERFORMANCE, AND OUTLOOK

The Solomon Islands economy entered the year 1999 with optimism. Growth was projected at 2-3%, inflation was predicted to fall to 7-8%, there would be a further build up in international reserves, and more importantly, government finances would be restored with further debt arrears clearances, debt restructuring and the government securities market reactivated. The international economy, following a bleak performance in 1998 partly as a consequence of the Asian crisis in late 1997, was clearly on the upswing by the end of 1998. The recovery in the Asian log markets, Japan and South Korea mainly, would impact positively on Solomon Islands economy given log exports account for more than 50% share of the country's export trade and the contribution of more than 20% to government revenue prior to the Asian crisis. As well, the gold mine operation in Solomon Islands would have its first full year of operation. The fishing sector and tree crop productions would also continue to provide important contributions to an improved performance in 1999.

The implementation of the government's reform program in 1998 also provided a basis for optimism. The program entailed three main elements: macro-economic stabilisation, public service restructure, and privatisation and reform of state-owned enterprises and joint venture companies.

The achievements by the end of 1998 saw a rise in the level of reserves that raised import cover to more than three months and good progress had been made in normalising the government debt situation. Inflation remained high at 13.3%. Development partners' support for the reform program underpinned the achievements in 1998 with more external assistance expected in 1999, especially from World Bank (WB) and Asian Development Bank (ADB) program loans.

The objectives for 1999 were to consolidate the gains already made with policy measures, to complete the process of normalising public finances and pushing ahead with the government's structural reforms.

The macro-economic framework necessary to consolidate the gains and to pursue the objectives for 1999 was described by:

(i) Continuation of tight fiscal policy to enable full restoration of market confidence in public finance management. In this context the 1999 budget sought to balance revenues and expenditures of the re-current budget while allowing financing of capital expenditure from highly concessional external sources. The budget also allowed for a wage freeze that in general had received the support of the unions and the private sector.

(ii) Restrained monetary policy to reduce inflation to 7-8% while permitting adequate expansion in credit to the private sector. As government finances are restored and the market for government securities revived, the latter, through an auction process, would be deployed as an instrument of monetary policy in place of the Central Bank's own instrument, Bokolo bills.

(iii) Stabilisation of the exchange rate and,

(iv) Encouragement of wage increases based on productivity rather than indexed to the CPI and hence inflation.

Offsetting this optimistic outlook for 1999 however, was the brewing social unrest on Guadalcanal. As the year progressed, this indeed was the single most important national issue and factor in performances during the year, on the social front, government finances, the balance of payments, prices and growth. More than 30,000 people from the rural areas and workforce on Guadalcanal were displaced and businesses scaled down or closed operations. The closures included that of the only producing palm oil plantation in Solomon Islands, traditionally the third most important export earner for the country and an important revenue source for government. The toll of the unrest on economic activity and performance in 1999 could have been far greater, but for the assistance to the government by development partners.

In 1999, overall economic growth declined 0.5% as business activity and Solomon Islands international trade contracted. In nominal terms, GDP grew by just under 2%. The closure of Solomon Islands Plantations Limited (SIPL) was the largest contributor to the decline. The latter, along with other closures and scaling down of business operations, more than offset growth in other sectors, notably the mining and forestry sectors. The mining sector, in its first full year of operation, almost tripled the output level in the previous year and without the contribution from this sector, real GDP would have declined by 5.7%. The forestry sector, on account of the improvement in the international market for logs as the Asian economies recovered, grew 15.9%. Output in the fisheries sector, on the other hand, declined by 3.0% as prices, driven down by exceptionally good supplies globally, were a disincentive to domestic production.

Against the economic contraction, inflation decelerated to 7.8% from 13.3% in 1998. The deceleration came principally from moderation in the imported component of the overall index. This occurred as the impact of the devaluation at the end of 1997 faded. As well, weak domestic demand persisted during the year as a consequence of the relative tightness in fiscal and monetary policies. Persistent pressure came from the domestic side, however, with the tension-related shortage in the food supply in Honiara consistently the major contributor to the rise in the domestic index. Also some pressure from the imported component became apparent towards the end of the year as the impact of the world oil price increase filtered through. Nonetheless, inflation decelerated significantly over the year.

The balance of payments in 1999 recorded an overall surplus of $23 million that followed a surplus of $83 million in 1998. As in 1998, the contribution from official inflows was the largest contributor to the surplus. The current account in 1999 recorded a surplus of $194 million, (up from $144 million in 1998). The surplus in the trade account of $64 million resulted from the moderate expansion in exports relative to the decline in imports. Exports, largely on account of the increase in receipts for logs, coconut oil and gold, rose 6%. There would have been a better performance had it not been for the decline in fish and palm products export proceeds. Imports declined 14% over the year. The overall surplus in the balance of payments for the year brought the level of international reserves to $255 million or more than three months of import cover.

On the fiscal front, estimates show that the budget recorded an overall deficit of $41 million in 1999 compared to a deficit of $27 million in 1998. The deficit for the year resulted from expenditure reaching $712 million relative to revenues totalling $671 million. Total expenditure comprised $366 million recurrent and $346 million capital. The total recurrent expenditure was more than covered by the revenue from domestic sources and this resulted in the recurrent budget posting a $33 million surplus. The government contributed $21 million towards financing capital expenditure. The remaining $325 million financing in the capital budget came from external sources.

In addition, the government completed normalising its debt and the government securities market was revived as of May. The process of normalising government debt involved:

- Clearing of debt arrears totalling $77 million and making all debt servicing current. This comprised $54 million towards external debt arrears and $23 million towards domestic interest arrears. The latter, in agreement with domestic creditors, was smoothed out over the year under a debt-restructuring plan. All debt arrears effectively were cleared by the end of the year with the exception of $54 million outstanding on Marubeni and EFIC loans. The government, as of February 2000, has been able to reschedule the EFIC loan into more manageable terms including a five-year grace period, and full principal repayment at 3% over twenty years. An initial offer by the government to reschedule the Marubeni loan was turned down but efforts to reach an amicable arrangement are continuing.

- Restructuring of debt which in April 1999 involved conversion of a total of $207 million in government frozen Treasury bills into two, three, four and five-year Restructuring Bonds. A total of $22 million remained in frozen Treasury Bills by the end of the year. In the first quarter of 2000, these were gradually being absorbed into the auction process. This 'de-frosting' is due to be completed by May 2000. The restructuring has enabled the government to manage its debts more effectively.

- Reopening of the government securities market that involved auctioning of government Treasury bills as of May 1999.The bidding process allowed for the setting of a market related yield curve. Preceding this was the redefinition of the composition of eligible liquid assets for purposes of calculating the liquid asset ratio (LAR) for commercial banks and the lowering of the ratio itself. The new definition excluded Treasury Bill holdings and included only till cash and deposits with the Central Bank. At the same time the LAR was reduced from the statutory limit of 40% that had been reached, to only 7.5% of the banks' deposit liabilities. The redefinition freed the banks from being captive holders of government securities while the reduction in the LAR provided greater potential effectiveness of the LAR as a monetary policy instrument.

The implementation of monetary policy in 1999 focussed on slowing down growth in domestic credit. The net domestic assets of the Central Bank, specifically net credit to government, was used as an intermediate target. An indicative monetary program with quarterly benchmarks on the net domestic assets (NDA) and net international reserves (NIR) of the Central Bank was developed at the start of the year. Performance relative to the targets were consistently over-achieved in the first three quarters of the year. However, there was substantial slippage in the last quarter of the year, in large part because of the non-receipt of the second tranche under the ADB program loan and the closure of SIPL during the second half of the year.

Interest rate developments during the year saw commercial bank lending rates averaging more than 14% while deposit rates declined from an average of just over 4% to above 3%. With the decline in inflation to 7.8% in 1999, the banks were earning positive real returns on their lending while depositors continued to earn negative real returns. The banks' interest rate margin is a matter of concern to government and the public. The Central Bank is commissioning a study on interest rate to identify the causes and to advise on measures to take to reduce the margins.

The government auction bills offered yields of between 4% and 8%. Clearly this offered a better alternative avenue for investors. This option was not taken up to the extent anticipated, however. The Central Bank realises the need to encourage investors to participate in the auction market where they will derive better returns and also contribute to the effectiveness of monetary policy.

In the conduct of monetary policy and against developments in the external accounts, the broad money supply increased 4.3% over the year. The relative flatness stemmed from both the lack of incentive to borrow by and opportunities to lend to the private sector in the wake of the unrest and the relative tightness in monetary policy. Over the year, domestic credit rose moderately by 4.8%, accounted for solely by the expansion in credit to the private sector- 9.2% ($16.4 million), that occurred mostly in the last quarter of the year. Net credit to government, on account of the variation in its deposits, expanded by only half a percent over the year. Monetary growth during the year, albeit moderate, was largely on account of the positive developments in the external accounts.

Despite the many setbacks the social disturbance on Guadalcanal caused, achievements were made in terms of international reserve growth, slowdown in inflation, government not borrowing from the banking system, successful debt restructuring and reactivation of the securities market. Additionally, there were favourable results in terms of progress in other elements of the reform program. In the public service reform, the trimming down of the public service and the training aspect were successfully undertaken and are continuing in 2000. In an endeavour to improve the forestry management, the reform undertaken saw the passing by Parliament during the year of a new forestry legislation. Additionally, an Australian funded Forest Management Unit was set up in the Department of Forest to better equip the management and monitoring of developments in the forestry sector. In the financial sector reform, the Financial Institutions Amendment Act 1999 strengthened further the supervisory and regulatory capacity of the Central Bank.

Outlook for 2000

The need to further consolidate gains made in 1999 is paramount. The harmonised policy framework that has brought about these achievements must continue and for 2000 this means through a macro-economic framework which includes a budget that allows for financing of a deficit equivalent to 2.5% of GDP, continued restraint on monetary policy, exchange rate stability and wage restraint. Positive prospects for developments in the international economy, including the moderation of world oil prices, should contribute positively to the domestic economy. However, it is the domestic side, specifically the current social unrest, that is the biggest threat to advancement. Progress must be made towards resolving the issues surrounding the unrest.

Economic growth for 2000 is projected to be flat, implying yet another period of relative decline in per capita GDP, in large part because of the continuing closure of SIPL and the postponing of many investment plans by investors as the investment environment continues to deteriorate and remain uncertain because of the unrest. This is despite the favourable outlook and impact of growth in other sectors, mainly in mining, forestry and may be fisheries sectors.

Inflation at 7.8% at the end of the year is still high relative to Solomon Islands trading partners' and therefore remains a threat to export competitiveness and a disincentive to saving. It is therefore essential to continue to work towards even lower rates of inflation in the years ahead. The social unrest-related shortage in the food supply and the potential rise in wages in the private sector pose the major threats to efforts to dampen inflation. However, the tendency towards lower inflation appears to be sustained with inflation in January at 7.5% and February 6.8%. The inflation target for 2000 at between 6% and 7% appears attainable.

The level of international reserves at the end of April 2000 stood at $236 million, or about three months of import cover. Developments over the first four months of 2000 witnessed significant turnarounds in both exports and imports with the latter outstripping the rise in exports significantly. This caused the drop in reserves over the first three months of the year. This, however, has been reversed following receipt of official inflows in April. Over the remaining months of 2000, the external reserves are not likely to decline by any significant level as exports recover further and official receipts, largely from the second tranches from ADB and World Bank and Stabex materialise. Reserves in terms of import cover most likely should remain around three months. In the absence of severe pressure on the international reserves, the management of the exchange rate will focus more on its stabilisation so as to minimise inflationary pressures from this source.

The budget for 2000 is optimistic in several respects. Overall, revenue for 2000 may have been overstated and expenditure understated. It is largely with respect to the continuing unrest that vigilance on the revenue and expenditure performances need to be made. Indeed, the revenue performance in the first three months of 2000 has been significantly below budget estimates. The outcome for 2000 crucially depends on how the intentions as outlined in the budget speech on the revenue and expenditure aspects are adhered to. In addition, the decision to revoke remissions where possible and granting nothing further must be upheld. In 1999 this cost the government more than $30 million. Revenue could be further improved if the determined price for log species used in the assessment of export duties is made more current and other revenue enhancement actions are taken. On the expenditure side, the further into the future the unrest on Guadalcanal remains unresolved, the greater the pressure will be on the budget.

Monetary policy in 2000 continues with attempts to decelerate expansion in domestic credit. The net credit position of the government with the Central Bank will continue to be reduced through securitisation of the government's remaining advance balances with the Central Bank. The securities market therefore will be active and broadened so as to attract small and large participants.

The role played by development partners in past years in assisting the Solomon Islands economy is acknowledged. This continued assistance will favourably impact on development especially under the current circumstances. Over the medium to long term, however, reliance on external assistance must reduce. This requires creation of an environment conducive to sustainable private sector growth.

Important steps have been taken by government in the facilitation of this process. These include review of company laws, relaxation of exchange control requirements, reduction of export and import tariffs, and stabilising the exchange rate. Furthermore, it is in the context of the government's privatisation and reform of state-owned enterprises that private sector participation in the development process is increased. It is also government's desire to encourage active participation of the rural sector in economic activity and the potentials are there. In so doing, government is actively pursuing decentralisation (from Honiara) of large industrial and commercial activites, as well as continuous use of DBSI in its development role. In this respect, a concerted effort by government on the harmonisation of its policies must continue.

But however concerted such efforts may be on the policy front, these could only be effective in a society that is in harmony. Because of the social unrest, the economy and people of Solomon Islands suffered unnecessarily over the past year. Infact more serious repercussions would be felt in the years ahead if peace is not restored. Indeed, the achievements at the macro-level in 1999 could have been far better in terms of greater economic activity, further build-up in external reserves and even lower prices. Restoration of peace is therefore crucial if there is to be, first, recovery or at least progress towards recouping the losses from the unprecedented level of hardship inflicted on business activities, the lives of innocent families, children and women, and the investment climate. Second, there is need to instil a brighter hope and confidence for the future. These could only be realised if the parties in the conflict lay down arms and return to more active participation in more useful economic activities. While serious attempts to diffuse the tension, including the recent Buala talks, continue, not until arms are laid down will the desired peace return.

II. INTERNATIONAL ECONOMIC DEVELOPMENTS

The global economy in 1999, after experiencing considerable slowdown in 1998 following the late 1997 Asian and other emerging market crisis, recovered substantially. Estimates on World output for the year continue to be revised upwards with the most recent estimate at 3.3%. This exceeds the rate of growth of 2.5% in 1998. The advanced economies increased their output by 3.1% while the developing economies rose by 3.8%, both up on the 2.4% and 3.2% last year respectively. The key factors to the brisk recovery globally were the speed of pick-up in economic activity in many of the crisis Asian economies, the on-going strength of the US economy, the recovery (albeit slow) in Japan, and the general stability in the global financial markets.

Table 1

World Economy: Selected Indicators (Annual % Change)

	1998	1999	2000 (Proj)
World Output:	2.5	3.3	4.2
Advanced economies	2.4	3.1	3.6
Developing countries:	3.2	3.8	5.4
of which: Asia	3.1	6.0	6.2
World Trade Volume	4.2	4.6	7.9
Imports:			
Advanced economies	5.5	7.4	7.8
Developing countries	0.4	-0.3	9.8
Exports:			
Advanced economies	3.7	4.4	7.2
Developing countries	4.5	1.7	9.7
Commodity Prices (US$):			
Oil	-32.1	38.7	35.1
Non fuel	-14.7	-6.9	4.9
Consumer Prices:			
Advanced economies	1.5	1.4	1.9
Developing countries	10.1	6.5	5.7

Source: World Economic Outlook, IMF, March 2000 Update.

The East Asia economies rebounded against the backdrop of relatively accommodating macro-economic policies unlike those in the preceding year. Removal of the pressure, along with removal of the financial distress led to a rebound in domestic spending. This in turn provided the impetus for trade within the region to grow as demand for imports recovered to the situation in 1997 and early 1998. The pick-up was strongest in South Korea with a rise in GDP of 10.5%, Malaysia 5.5% and Thailand 4.25%.

The US economy, despite the many forecasts for a slowdown, continued to grow strongly at 4.2% during 1999.

The Japanese economy, through fiscal stimulation measures and increased private sector spending, grew moderately by 0.3%. The performance reverses the situation of 1998 when the economy was in deep recession and recorded a decline of 2.5%. A threat to the upturn in the economy, and in particular exports, was the relative strength of the Yen.

The relative stability in financial markets globally contributed importantly to the brisk recovery. The debt markets remained cautious, however, and according to IMF and BIS data, private capital flows to emerging markets were probably similar to 1998 or about one third of what they were in 1995 and 1996. Credit spreads remained wide for Latin American and East European borrowers and a little larger than in developed countries. The credit spread for Asian borrowers tended to fall. It was the boom in the equity markets that saw a 25% rise in US share prices, 60% in Hong Kong and equally strong growth in other markets that provided the further spur to the to the global recovery.

From a global perspective, the low cost of funds in recent years has been an important contributor. Major central banks have had in place reasonably accommodating monetary policies, long-term interest rates have been low as well because inflation was low, and the boom in equity markets has pushed down the cost of raising equity. All these combined formed an expansionary force.

Prospects

The year 2000 has commenced with the absence of any major crisis that is either threatening the global financial markets or the global economy. This is unlike the start of 1999 when the Brazilian crisis was at its peak or the start of 1998 when the Asian crisis was still rampant. The only threat was the Y2K problem but this brought no major distortions to economic activities. The absence of either a financial or technical crisis has an important positive bearing on the outlook for the year.

The International Monetary Fund estimate for world output growth for 2000 is 4.2%. The main sources will come from the on-going recoveries in Asia, positive growth in Japan, along with turnarounds in Latin America and some improvements in Europe. The US economy may slow somewhat but this should be more than outweighed by the developments in other economies.

Reflective of the above prospects, financial markets sentiment has shifted from one of worrying about recession and deflation in early 1999 to a focus on global economic strength and the possibility of inflationary pressure. Thus long-term interest rates have risen from their unusually low levels in 1999 as markets perceive that monetary policies in many countries have changed direction. Central banks have indeed moved to gradually unwind the reductions in interest rates made in late 1998 and early 1999 to better align with the new circumstances. The modest tightening in international financial conditions moves to lessen any further pick-up in world growth that has already occurred.

Risks to world growth for 2000 are those that are specific to US growth and rising oil prices. The latter have since slowed down and this should contribute to growth. The risk to US growth stems from the possibility that inflation will increase and could prompt the Federal Reserve to tighten more quickly, or that the share market will fall and with it, a downfall in consumer demand. In mid-April the stock market plunged but rallied soon after as there is belief that the foundations of a strong economy remains. The projected inflation for 2000 is still modest and the projected growth still strong.

The implications of a positive outlook in the international economy for Solomon Islands are that with a better external environment, the export sector should also benefit. This is particularly true with the recovery in the log markets as overall export performance continues to rely on this commodity. This should positively impact on the contribution of the export sector to GDP growth. The problem with Solomon Islands exports, however, is the relative inability of the export sector to respond fully to a better environment. Much of the production of the export commodities is fixed by the relative inflexibility of the producing units to expand. This is rooted, among other things, in the land tenure system and the size and nature of operations. These constraints need to be overcomed before any meaningful benefit from the improved external environment can be realised.

III. DOMESTIC ECONOMIC ACTIVITY

Gross Domestic Product

Solomon Islands gross domestic product (GDP) in 1999 declined by an estimated 0.5%. The monetary part of GDP went down by 1.2% as the primary sector, because of the closure of SIPL in the latter half of the year, declined by more than 9%. (See Table 2). The decline in monetary GDP would have been greater without the noticeable recovery in the forestry sector, the Honiara road construction, and more importantly, the first full year of operation of the gold mine. Without the latter, monetary GDP would have declined by around 6%.

The overall decline in GDP in 1999 follows a 1.3% growth (revised from a substantial decline) in 1998 with the start of the gold mine in the latter half of the year the single most important contributor. Without the commencement of the gold mine operation towards the end of 1998, monetary GDP would have declined by more than 2%. The primary sector, against the sharp drop in logging because of the Asian crisis, declined by more than 7%. The agriculture sector also declined.

Table 2
Estimated Real GDP, ($ million, 1985 Prices)

Industry	1996	1997	1998	1999
Agriculture	51.1	56.4	54.3	42.3
Forestry	32.3	30.1	20.8	24.1
Fishing	24.5	25.4	28.6	27.7
Mining & Exporation	(1.1)	(1.9)	6.8	19.2
Manufacturing	16.6	16.8	17.4	17.4
Electricity and Water	5.0	5.4	5.7	6.0
Construction	17.3	11.3	6.2	4.5
Retail and Wsale Trade etc.	30.4	30.3	33.1	31.0
Transport & Comm.	14.0	13.0	14.6	15.3
Finance	20.1	18.7	16.2	15.2
Other Services	75.5	75.7	80.6	78.1
GDP at 1985 Prices (Mntry)	285.8	281.3	284.2	280.8
Index (1985 = 100)	171.9	169.2	170.9	168.9
Annual % movement	1.4	(1.6)	1.0	(1.2)
Omitting Mining Explo.	287.0	283.2	277.3	261.6
Index (1985 = 100)	171.0	168.8	165.3	155.9
Annual % movement	1.5	(1.3)	(2.1)	(5.7)
Primary Prodn (Mntry) - 1985 Prices	108.0	111.9	103.6	94.1
Annual % movement	(6.0)	3.7	(7.4)	(9.2)
Non-Monetary : Food	50.0	51.3	52.7	54.1
Non-Monetary : Constr.	4.3	4.4	4.5	4.6
GDP at 1985 Prices (all Prodn) in SI$)	340.1	337.0	341.3	339.4
Annual % movement (Real)	1.6	(0.9)	1.3	(0.5)

Source: Central Bank of Solomon Islands

Investment

As a developing economy, Solomon Islands needs to strengthen and diversify its investment base. Investment is the engine for economic growth and thus a stable environment conducive to development should be established. The country therefore needs to expand its domestic savings, create employment opportunities, as well as stimulate foreign investment by creating incentives for both the foreign and local investors. The structural impediments include those inherent in the land tenure system, government taxation regimes, and scarcity of skilled workers. Also, the machinery responsible for processing investment applications in the past years has been handicapped by the lack of transparency and there was considerable delay in the processing of investment applications. In this context, it was a requirement on the part of government under its reform program to establish an independent corporate body (Promotion Authority) to replace the Investment Board and to simplify the investment approval procedures. This did not eventuate in 1999 but efforts to effect this are continuing.

The Investment Board (IB), the authority responsible for screening and approving foreign investment applications in Solomon Islands, received 40 applications (worth $315 million) during 1999. Of these, the Board approved 26 ($297 million), rejected 6 ($2 million) and deferred 9 ($16 million). 82% of the applications were from Forum Island countries, 16% from Asia and the rest from Europe, the USA and Africa.

Of the 26 applications approved 20 ($275 m) were new investments, 3 ($16 m) were additional activities, 2 ($3m) were technology agreements and 1 ($2m) share transfer. The distribution of the approved applications by sector were: fisheries, 81%; tourism 8%; forestry 7%; and the rest agriculture, manufacturing, engineering, transportation and other.

The social unrest on Guadalcanal has drastically altered the investment environment and attitude towards Solomon Islands, denying investors opportunities to contribute to economic growth which presently lags behind population growth. The situation remains fragile and normalisation from the viewpoint of investment is only part of a wider call for a solution to the issues.

Employment and Industrial Relations

Employment data for 1999 is not available. The 1998 employment survey conducted by the Statistics Division in the Department of Finance shows that more than 34,000 people were formally employed during that year, 2% above the 1997 figure. (See Table 3). The primary sector (agriculture, forestry and fishing) accounted for 21% of the total employment. This was a reduction from the 24% share in 1997. The notable drop over this period was in the forestry sector that continued the trend in 1997 when the sector shrank against the collapse in the world log market. Employment in the manufacturing sector grew 6% to represent 12% of the workforce in 1998, the same share as in 1997. The trading sector grew 10% in 1998 to represent 13% of the total workforce. Other growth sectors in employment terms (and their share of the total workforce) (in 1998) were: Electricity and Water, 18% growth (1% share); Transport and Communication, 12% (5%); Administration, 8% (12%) and; Other Services 6% (25%).

Table 3
Employment by Sectors

	1995	1996	1997	1998
Agriculture	4157	4093	3809	3356
Forestry	4040	3313	2709	2658
Fishing	2623	2844	2579	1412
Mining & Exploration	32	38	62	1412
Manufacturing	1471	1612	1665	4348
Electricity & Water	631	703	650	387
Construction	1474	1925	1638	1187
Retail & Wholesale	3921	4066	3844	4641
Transport & Telecom	1427	1972	1777	1878
Finance	1291	1422	1602	1183
Public Administration	6244	6198	1016	4261
Other	4080	8567	5057	8750
Total	**31536**	**36846**	**26408**	**34061**

Source: Statistics Office, Department of Finance

In 1999, the most important factor to affect employment was the social unrest on Guadalcanal. This led to a large number of employees leaving the workplace voluntarily or by intimidation. The closure of SIPL, for example, resulted in the displacement of more than 1,700 employees.

In addition, 452 government officers were made redundant under the government's public service reform program. A further 100 are scheduled for redundancy from the public service in 2000.

Government's imposition of a wage freeze in 1999 was adhered to, at least in the public sector and to some extent in the private sector. Where awards were granted, these ranged between 4-12%. The wage freeze continues in 2000. The Chamber of Commerce has advocated that their members be mindful of the government policy to move towards performance related pay increases and many private sector companies have began to implement such systems.

Production

Forest

The impact of the social unrest on the Forestry sector during 1999 was not as severe compared to other sectors. The Western and Isabel provinces are the major hosts to logging operations and therefore while logging on Guadalcanal ceased for some time or were operating at below full capacity, the overall output actually rose. Relocation to other provinces, especially Malaita, also took place.

Log production data is not available and this report uses export shipment data as proxy. In 1999, around 624,000 cubic meters of logs were exported, up by 3% on the previous year. The annual log production in 1999 exceeded the estimated sustainable production rate by a factor of more than two. It is not expected that the cutting rate would decline to the desired sustainable rate immediately, especially given the recent recovery in the market for logs and in view of the budgetary importance of log exports. Over the medium term, however, the cutting rate must reduce or the life span of the resource will continue to diminish correspondingly.

Log prices improved in 1999 but are still significantly lower relative to the levels prior to the log market collapse in the second half of 1997. The average unit value for Solomon Islands logs, by species, is provided in Table 4. Export duty on log is based on a 'determined' species price list that is updated occasionally. The current determined price list correspond to that issued in March 1999. It is believed that the government may be losing out substantially on revenues from log exports because of the relatively higher current prices.

Table 4

Log Species Prices, 1998-2000 (US$m3)

Species	1998	1999	2000/1
Amoora	60	82	-
Burkela	59	74	80
Calophyllum	68	86	94
Campnosperma	69	65	67
Canarium (Ngali)	67	78	88
Celtis	135	70	-
Dillenia	64	70	71
Dysoxyllum	50	71	-
Eugenia (Water Gum)	54	69	-
Maranthes	51	59	-
Mixed Red	57	57	66
Mixed White	54	55	65
Others Species (mix)	57	70	130
Palaguim	74	77	86
Parinari	59	59	54
Planchonella	79	73	-
Pometia (Taun, Akwa)	75	90	94
Schizomeriaq (Beabea)	64	71	80
Terminalia	89	83	76
Terminalia (others)	66	72	-
Terminalia brassii	73	91	84
Vitex (Vasa)	122	101	-

1/Jan-Mar period

Source: Central Bank of Solomon Islands

Kolombangara Forest Plantation Limited (KFPL) and Eagon Plantation Ltd are the only two forest plantation operators in the country. Between them, they exported a total of 76,706 cubic meters of plantation logs valued at US$5 million in 1999. This compares to the previous year's combined plantation exports totalling 61,052 cubic meters valued at US$3 million. The rise in the unit export value for plantation logs, from US$42 per cubic meter to US$61 per cubic meter in 1999 reflected the continuing turnaround in the log markets. The 1999 total plantation exports comprised principally of Eucalyptus deglupta (64%) and Campnospema (19%) (in terms of species). On the technology front, the use of cable hauling in the moving of logs from point to point within a given area proved not only more efficient but environmentally friendly.

A $40 million sawmill project at Ringi Cove with an annual capacity of 100,000 cubic meters throughput for a 55,000 cubic meter output currently is being considered by CDC, the major shareholder in KFPL. The investment, however, is being affected by the unrest on Guadalcanal. The mill, if established, would dwarf the current producing mills (including one already owned by KFPL) with capacities of only 2,000 to 3,000 cubic meters per annum.

A foreign-owned veneer and plywood factory on Guadalcanal started operating in October 1999. Established at a cost of $17 million, the operation employs close to 300 locals. The factory operates on three shifts on a 24-hour basis with about 50 workers per shift. Given the small size of the domestic market, other markets in Asia and the Pacific are being looked at. At full capacity the factory processes 4,500 cubic meters of raw wood on a monthly basis to produce veneer and plywood at a conversion factor of about 50%. Logs are bought from other provinces to supply the factory. Since operation in October, the factory has produced a trial 40 cubic meters of plywood that were sold locally and 800 cubic meters of veneer that were exported recently. The factory is expected to come into full operation by June 2000. By the end of 2000, a total of 22,500 cubic meters of round log would have been processed into 11,000 cubic meters of veneer and plywood.

A new forestry legislation was passed in 1999 by Parliament. The new act is aimed at rectifying weaknesses in the sector's administration and providing for sustainable harvesting, customary forest rights acquisition, fair treatment to all parties, ensuring of suitable harvest areas and carrying out of reforestation after logging.

A $4 million Australian funded Forestry Management Unit project was successfully established in 1999 in the Department of Forest. The Unit is expected to contribute to better management of the forestry sector through better provision of market information and surveillance and monitoring of activities in the sector.

Fish

Total tuna catch in Solomon Islands in 1999 was recorded at more than 72,000 tons. This, however, was a 38% drop on 1998 when a significant increase, owing to substantial foreign fleet involvement, was registered. Of the total, 48,000 tons were caught by the two major local fishing companies, Solomon Taiyo Limited (STL) and National Fisheries Development (NFD). The catches were 3.0% down following a significant rise of 22% in 1998. The lower catches were against the backdrop of relatively higher tuna inventories abroad that had caused prices to drop to one of the lowest levels in history.

STL fish cannery at Noro utilised 12,300 tons of raw tuna to produce 997,300 cases of canned tuna in 1999. This was 7% below the preceding year. Of the total produced, 714,300 cases were exported and 283,000 sold domestically. A further 4,900 tons of raw tuna was utilised in the production of smoked fish. Fish meal production in 1999 totalled 1,100 tons.

The domestic market for canned fish product from STL fared well with prices ranging between SI$90 a carton for second grade canned tuna and SI$190 a carton for the chili brand. Local sales were high in 1999 which may have been positively impacted by the need to care for displaced people.

Solgreen Enterprise Limited, a locally based longline operation with 16 boats, registered lower catch in 1999 resulting in a 40% drop in its revenue to $3 million. The company exported both frozen and fresh sashimi tuna to Japan. The average prices for exports are SI$50 a kilo for Big-eye, $30 a kilo for Yellow-fin and $20 a kilo for marlin. Fish not exported were sold locally at $5 a kilo.

World prices for tuna plummeted in 1999 with skipjack prices (C&F Bankok) averaging US$550 a ton as against US$980 a ton in the preceding year. Fish prices remain volatile with prices at the start of 2000 up to US$700 per ton but which have since retracted to a range of US$600-650 per ton in April.

In late 1999 NFD ceased fishing with it's pole and line fleet and four vessels were offered for sale. These measures became necessary in light of the prolonged depressed prices and the higher rates of duties and taxes, most of which were introduced during 1999.

During 1999 a fisheries taxation review was undertaken by government with ADB assistance to determine the effectiveness and competitiveness of the prevailing fiscal regime. The findings indicate that the current local tax and duty regimes are much higher than those in the region, particularly with respect to goods tax on inputs and fuel, export duty and the import duty on inputs and fishing vessels. It is therefore essential that a more competitive fiscal regime should be introduced to stimulate and enhance further future investment in this sector.

The medium term prospects for the industry depend on the market conditions and how the investment climate appeals to investors. There are indications of Spanish interest in the industry, both surface tuna fishing and establishment of a cannery at Bina Harbour on Malaita. It is not certain how soon this investment will take place. It is also expected that an additional operator will shortly enter the sashimi longlining operation. Price recovery in 2000 will, to a large extent, depend on the levels of catch in the Eastern Pacific which have been consistently high for two successive years and due mainly to recently improved methods of floating raft fishing.

Palm Oil and Kernel

SIPL closed down production as of June 1999 due to the social unrest on Guadalcanal. By the time of the closure the company had produced 3,200 tons of palm kernel and 12,900 tons of palm oil. Compared to the first six months of 1998, palm kernel production was down by 19% and palm oil by 22%.

Rehabilitation works on the plantation and mills are currently progressing in attempts to revive SIPL's operations. While it is anticipated that full operations may be restored during 2000, the prospect of this is becoming more uncertain as the element of unrest persists on the island.

Consideration for SIPL's privatisation is progressing. This includes allowing for the shareholding arrangement to facilitate greater focus on increasing land-owner active participation.

Vangunu palm oil project in the Western Province, with a much larger scale of operation than SIPL, is now progressing beyond nursery stage. The two issues delaying the commencement of operations, i.e., goods tax exemption and felling licence from the Commissioner of Forests, have been cleared. Environmental issues appear not to be a major obstacle, providing the recommendations in the study are carefully implemented. This concerns the need to allow for recognition of catchment areas, road pavement, etc. Landowners have indicated interest on "out-grower" scheme. It is within a time horizon of three or so years to expect production from this plantation.

Copra and Coconut Oil

Copra production data for 1999 for both Russell Islands Plantation Limited (RIPEL) and small holders totalled 21,800 tons, Generally, production was low from the Guadalcanal Province in consequence of the unrest on the island. There was interuption to copra production and the transportation to buying points. Additionally, the tension forced the RIPEL's Tenaru plantations to close down over the second half of the year. Direct revenue lost due to the tension is about SI$6.2 million. Continuity of operations of the Tenaru Estate in the immediate to medium term as a viable entity is doubtful until matters of security and land tenure become more clearer. Besides the unrest, the decision to convert all copra into coconut oil meant that less copra passed through CEMA as it was being processed by the provincial crushing mills. A number of crushing mills have been established in the provinces which process coconut oil product especially for export.

RIPEL produced more than 4,900 tons of copra in 1999 and lost 800 tons as a result of the unrest on Guadalcanal. More than 10,000 tons of coconut oil and 6,600 tons of copra cake were exported for $36 million and $2 million respectively. The rise of 24% in coconut oil production reflected the increase in crushing mills around the provinces. Four new mills were commissioned in 1999 in Choiseul, Guadalcanal, Malaita, and Isabel provinces. This increased the established mills to eight apart from RIPEL's major one in Russell. Each of these smaller mills has the capacity of 500 tons whilst the RIPEL main mill operates at 26,000 tons capacity, 9000 tons of which are obtained from its own plantations.

World copra prices during 1999, averaged US$462 a ton, 12% higher than in 1998. Coconut oil prices averaged US$737 a ton in 1999 compared to US$658 per ton in 1998. The average copra cake price remained unchanged at US$280 a ton in 1999 but is anticipated to rise to $320 per ton in 2000.

RIPEL advanced its operation in 1999 by acquiring a copra extraction machine with a processing capacity of 180,000 nuts a day. The machine was bought in Australia at a cost of A$320,000. It is now operating on a trial basis, and is expected to enter full production later in the year. This should greatly benefit the company by increasing its profits and by eliminating its difficulty in finding copra cutters and firewood for processing its copra.

CEMA bought three vessels from Korea for $4.5 million in 1999; the boats will be used to enhance transporting of its commodities to be crushed or marketed. CEMA has, since 1995, undertaken an internal restructuring of its organisation to split the regulatory and facilitate functions from the more commercial functions. With the CEMA Act (Amendment) 1995, this has enable CEMA to fully activate its functions. Companies have been set up therefore to eventually privatise the commercial functions by end 2000/early 2001. Companies have been set up to enhance production processing, and marketing of commodities and services in copra crushing, shipping, cattle, cocoa and tourism.

Cocoa

Total cocoa production for 1999 was 2,400 tons, down by 30% from the previous year. The slump in cocoa prices internationally along with the unrest on Guadalcanal contributed to the fall. There is optimism for a price rebound in 2000. Prices paid to the rural farmers in 1999 between $0.70 - $1.50 a kilo for wet beans and $2.50 - $3.50 a kilo for dried beans were lower than in 1998. Production levels for 2000 will depend on how the international price for cocoa picks up and also the social situation on Guadalcanal.

In 1999 RIPEL purchased a 3,000 ha coconut plantation on Isabel for $1.5 million with a plan to develop it into a cocoa plantation. Work has begun on 400 hectares with the company employing 25 workers at a cost of $20,000 a month. The overall development plan of the plantation depends on the success of the initial development and the future cocoa price outlook. This is not expected to have any major impact on cocoa production in the medium term.

It is within government's policy framework for the establishment of a national cocoa project. A six week feasibility study for the project commenced recently and will look at marketing, research, etc and will make recommendations on the management of the project. The concept envisages development of some 20,000 ha by smallholders with yield of 20,000 – 30,000 tons dried beans harvestable at the end of three years if a hybrid cocoa from PNG is used. The private sector will manage the project that will start in 2001 if funding is available.

Rice

The main development in rice farming in Solomon Islands in 1999 was a significant increase in participation by small holders especially in the provinces. About 720 hectares were planted of which, 240 hectares were in Malaita Province. 680 hectares were planted with upland rice and the rest with paddy rice. 3,240 tons were produced but only 67% (2,160 tons) ended up being polished, due to lack of rice mills at the farm sites. The total production was entirely retained for local consumption. The increase in rice farming by small holders led to commissioning and handing over of rice mills by ROC and other donors to certain community farms in the provinces. In 2000, one thousand hectares of upland rice and 40 hectares of paddy rice will be planted.

The increase of upland rice over paddy rice in the provinces was due to its adaptability to the rural climatic conditions and easier management without irrigation. Paddy rice farms, however, have been established in Malaita on two sites covering 7 hectares. Demand for rice farming in Solomon Islands is increasing.

The most notable setback in rice farming in 1999 was the unrest on Guadalcanal. This impeded progress on farms in the Province and forced the major paddy rice project at Metapona to close. By mid 1999, 50 hectares out of 120 hectares had been farmed. There is possibility that this project will be revitalized in the future if the social unrest is resolved.

Honey

An estimated 20 tons of honey was produced in 1999, up 11% on the 18 tons produced in 1998. It was anticipated earlier that production would be higher than 20 tons given the assistance under the support from Stabex and PDU to the industry in the preceding year. The actual production was lower than the estimates, as honey producers, mostly Malaitans, fled Guadalcanal during the social unrest. Of the total production, about 10 tons were purchased by Solomon Islands Honey Producers Cooperatives Association Limited (SIHPCA).

At the height of the unrest, the total number of producers was not known, but 200 farmers from provinces other than Guadalcanal were engaged at that time in the activity. These farmers had 2000 hives, 33% below the 1998 number of hives. Despite higher overseas demand for the product, only 3 tons of honey was exported to Malaysia during the year. The remainder was sold locally at $13 a kilo.

Energy

The power supply shortage problem for Honiara, improved in 1998 with the installation of four generators (three 1.5

mw F.G. Wilson generators and one 2.85 mw Mirrles generator). It was further alleviated with the installation of two 4.2 mw generators in 1999. The funding came from a grant from the Japanese government and through the Structural Adjustment Credit.

In 1999, SIEA's generation of income from the sale of electricity was also adversely affected by the unrest on Guadalcanal. Not only was there a decline in the demand for electricity but the Authority was also not able to effectively collect electricity dues from areas outside of Honiara. The economic hardship in the preceding year also had adverse effects on the Authority's income generation capacity. These contributed to the Authority experiencing considerable cash-flow difficulties over the year. In the extreme, on occasions, the Authority was not able to provide cash to buy its own fuel from its local supplier. This was one of the main reasons for the frequent power cuts experienced throughout the year.

The drop in revenue, however, was partly compensated for by the upward revision of the tariff charges. In the domestic category, the tariff was raised to 46.46 cents from 41.30 cents and in the industrial, government and commercial categories the raise was to 68.74 cents from 61.00 cents. The tariff revision also was applied to the Noro Port area where the adjustment was to 61.80 cents from 55.50 cents.

Quite apart from the economic hardship that effected the cash-flow situation of the Authority, there were allegedly serious management problems. This probably had a greater bearing on the dismal performance of the Authority over the years. The accounts remain un-audited since 1994. As part of the government's serious move to revitalise the institution, Cabinet has agreed to contract out the management of the Authority.

Under its rural electrification project, SIEA was to establish thirteen power projects for rural areas; 6 for Malaita, one each for Temotu, Central Guadalcanal, RenBel and Choiseul provinces. Esimated costs for these totalled $73.3 million. All were to be administered by SIEA with financial support to come from internatinonal agencies.

A study mission funded by the Japanese government was conducted in September to establish a power master plan for the next 15 years. The thrust of the plan was to provide electricity for the entire country through utilisation of locally available solar and hydro energy sources. Additionally, the study was to address the need for relocation of the present fuel depot with a view of leasing these out to oil companies.

Progress on the major Lungga Hydropower project slowed down during 1999 and was halted in the second part of 1999 as the social unrest intensified. The 25 MW power project, however, will continue in the future with SMEC (Snowy Mountain Engineering Company) to continue with the feasibility studies. Meanwhile, a potential site was also identified by a Japanese team at the Metapona River, North-east Guadalcanal. This is a 2 MW hydro power capable of supplying the entire Guadalcanal plains.

The Energy Division is currently reviewing the 1939 Petroleum Act. The old Act is to be repealed and replaced by a new one; only essential parts will be maintained. This will be drafted by the Attorney General and funded by the Ministry of Mines, Energy and Water Resources.

Minerals

The Gold Ridge Mine, (comprising of 520 employees 17% of whom are expatriates) completed its full year of operation in

1999. In 1999, the company produced 110,000 ounces of gold and 66,900 ounces of silver. This was at an average operating cost of A$260 per ounce or 14% below feasibility forecast. The exceptionally heavy rains early in the year and the militant disturbances in the mine vicinity caused production to fall by 7% below forecasts. In 2000, the mine expects to produce 130,000 ounces of gold and 54,000 ounces of silver.

The operation during the year was confined to the Valehaichichi orebody with drilling progressing around the Kupers and Dawson deposits. Upgrading and modifications of the mine plant, tailing dams, and equipment were undertaken to improve and expand production. The CIP plant, for instance, was optimised to almost 3 million tonnes and will increase production to 150,000 ounces of gold per year. This upgrading is estimated to cost A$3 million.

The Gold Ridge Mine injected about $21 million into the local economy in 1999. This was in the form of royalty payment, taxes, duties, salaries and other payments. In 2000, it hopes to inject $27 million into the country: $6 million in export taxes and royalties; $12 million in duties, taxes and permits; and $9 million on wages and food.

The gold price in 1999 was low, averaging $1,390 per ounce whilst that for silver averaged $25 an ounce. Since February 2000, however, prices have picked up to $1500 an ounce and to $26 an ounce respectively. The company made a net loss before tax of $9.6 million and net loss after tax of $6.4 million.

The social unrest on Guadalcanal affected the mine's operation through a reduction in its workforce, and disturbances to the mine's fleet of vehicles and equipment. In relation to the tension, an additional $1.5 million was incurred by the company to upgrade its security measures. The unrest has led the company to postpone it's $50 million plan to expand its mill ore output from 2.4 million tons to 3.4 million tonnes.

The company hopes that the recent gold price increase is sustained and that discussions with government on taxation issues produce a favourable outcome. A number of capital projects are scheduled for 2000 at a cost of $28 million. These include further construction of the tailings dam, new roads, scats re-handling system, extension of powerhouse and other smaller projects. Ross Mining (the parent company of Gold Ridge Mining Ltd) has merged with Delta Gold Limited, a move that augurs well for the future of Gold Ridge Mine.

Nickel and bauxite prospecting on Isabel continued in 1999, with 45 million tonnes of nickel being discovered. Approved tenders for prospecting on Guadalcanal have been held up due to the social unrest and tenders for Marovo in the Western Provinces have been also held up pending criticisms that Marovo is a valued site for World Heritage listing. A licence was issued in early 2000 for diamond prospecting on some parts of Malaita.

Tourism

Progress in development of the tourist industry in Solomon Islands decelerated in 1999. The sector, being small and fragmented, wrestled with traditional constraints such as lack of funds, insufficient accommodation, inadequate facilities, and poor transport systems. The unrest on Guadalcanal compounded these problems.

The impact on the tourism sector included a drop in tourist arrival. This was evidenced by a 19% drop in Solomon Airline's international passengers during the year. Supporting industries were also affected. The Kitano Hotel, one of the major hotels in the country, reported a drop in room occupancy rate to less than 50% from between 65% - 90% in normal times. The tension caused tourist operators to cease or scale down operations. In September 1999, a seminar was conducted to find ways to alleviate the effects of the unrest on the tourism industry and to facilitate and accelerate growth in this industry.

The Solomon Islands Visitors Bureau (SIVB), is focussing on creating local and international events to stimulate and boost tourist arrivals. Tourist arrivals are expected to be higher in 2000 due to international events like the Brisbane-Honiara Yacht race, the Olympic torch relay, more cruise ships, and the implementation of a project to locate, preserve and present the old war sites in the country.

In the longer run, SIVB is planning to engage in other activities such as fishing sports, church-related and cultural tourism, music festival development, butterfly rearing, beach development, world heritage, and developing research sites for academics. SIVB has been recommended for privatisation under the government's privatisation and reform of state-owned enterprises. If so, the existing functions of SIVB will be transffered to the ministry responsible for tourism.

Telecommunications

Communication development in Solomon Islands progressed at a slower pace in 1999. Solomon Telekom, the only provider of telecommunication services in Solomon Islands, undertook some projects during the year. These included commissioning of a new office in Taro (Choiseul Province), upgrading its facilities in the Provincial centres, and establishing public internet connections in Gizo and Auki.

Solomon Telekom is working with the Government and donor organisations a project called Unity Blong Community to bring a multiple services to the Provincial areas all over the Country. Telecommunications services will be but one of the facilities provided under this concept. 291 prime sites have been identified with an estimated overall cost of SI$420 million. At present the concept proposal is awaiting formal Government approval.

In 2000, the company plans to create a new microwave link between Honiara and Yandina, replace old systems at provincial centres and upgrade its Internet system. The company is also awaiting government approval of its application to set up a television service in Solomon Islands. A $10 million grant to the Solomon Islands Government from the France Agency has been secured for the telecommunications projects in Choisel and Western Provinces.

Towards the end of 1999, the Investment Corporation of Solomon Islands, (ICSI) sold 48.1% of its 58.1% stake in Telekom for $48.9 million to Solomon Islands National Provident Fund. The sale is part of the governments privatisation and reform program of its state-owned enterprises. ICSI still retains 10% in Telekom.

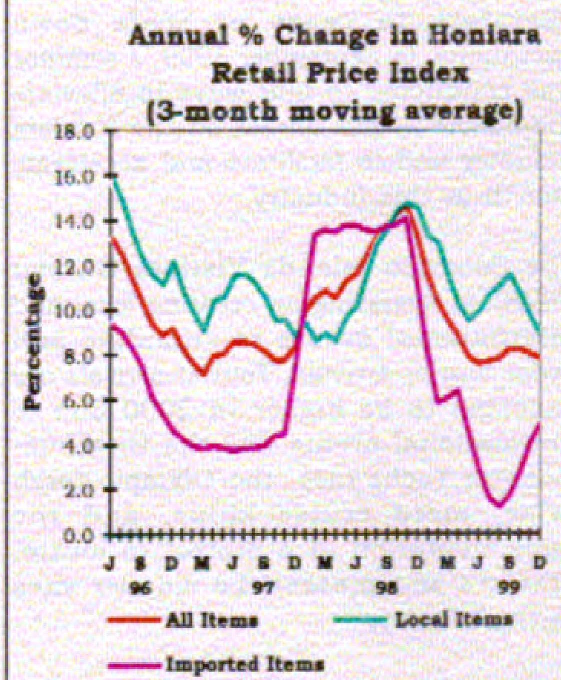
Prices

The annual inflation rate at the end of December (three-month average) was 7.8%, compared to 13.3% in December 1998. The downward trend in the overall price index over the year came principally from the persistent moderation in the imported component of the overall index. This occurred as the impact waned of the devaluation at the end of 1997. Some pressure from the imported component became apparent towards the end of the year from an oil price increase and the slight weakening of the Solomon Islands dollar. Weak demand persisted for the most part of the year, in part caused by the relative tightness in fiscal and monetary policies with support from the general acceptance of the wage freeze. Uncertainty brought about by the social unrest on Guadalcanal that resulted in many dislocations to people and scaling down of business operations also contributed.

Persistent pressure came from the domestic side, with the food supply shortage in the markets reflected in the food category index consistently the major contributor to the rise in the domestic index. Nonetheless, pressure from this source was less than expected.

The fresh food supply shortage, along with the potential rise in private sector wages, comprise the major downside risks to what otherwise should be relatively moderate inflation under present policy stances. An inflation target of between 6-7% is in mind for 2000. This goal is achieveable as the recent year's successful policy harmonisation has shown.

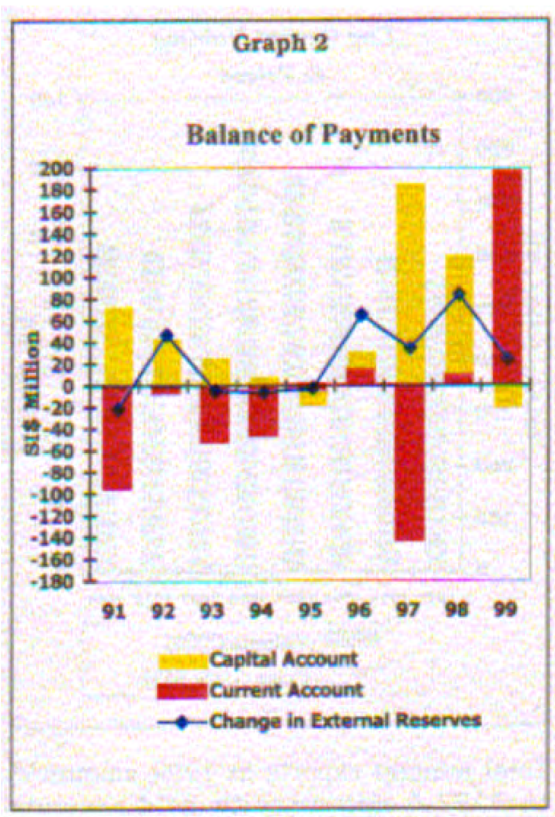
Graph 1



IV. BALANCE OF PAYMENTS

Overall Balance

The balance of payments estimates for 1999 showed an overall surplus of $23.0 million, a significant slow-down from the $83.0 million surplus in the previous year. This performance primarily reflected the sharp turnaround in net capital and financial flows that swung from a $88.4 million surplus in 1998 to a deficit of $109.3 million in 1999. The upsurge in the private sector amortization payments, from $104.5 million in 1998 to a 5-year high of $201.6 million in 1999, was the major factor underlying this performance.



The current account registered a surplus of $193.9 million in 1999, up from a $143.7 million surplus in the previous year. This performance was specifically driven by the improvement in the net trade position, from a deficit of $87.0 million in 1998 to a surplus of $64.1 million in 1999. The net services and net transfers results showed deteriorations over the year.

Following the above results, the level of Solomon Islands gross external reserves rose to $255.1 million in 1999 from $233.4 million in 1998, the highest in six years. This maintained the import cover at more than 3 months.

Trade Account

The substantial turnaround in the net trade position from a deficit of $87.0 million to a surplus of $64.1 million primarily was influenced by the strong growth in exports relative to the sharp decline in imports resulting from a contraction in domestic demand. Total exports rose 6% to $724.0 million in 1999. This performance was underpinned by the improvement in receipts from logs, coconut oil, and gold exports. This was against the backdrop of a 2% decline in Solomon Islands terms of trade (Graph 3) and cessation of palm oil exports since the middle of the year.

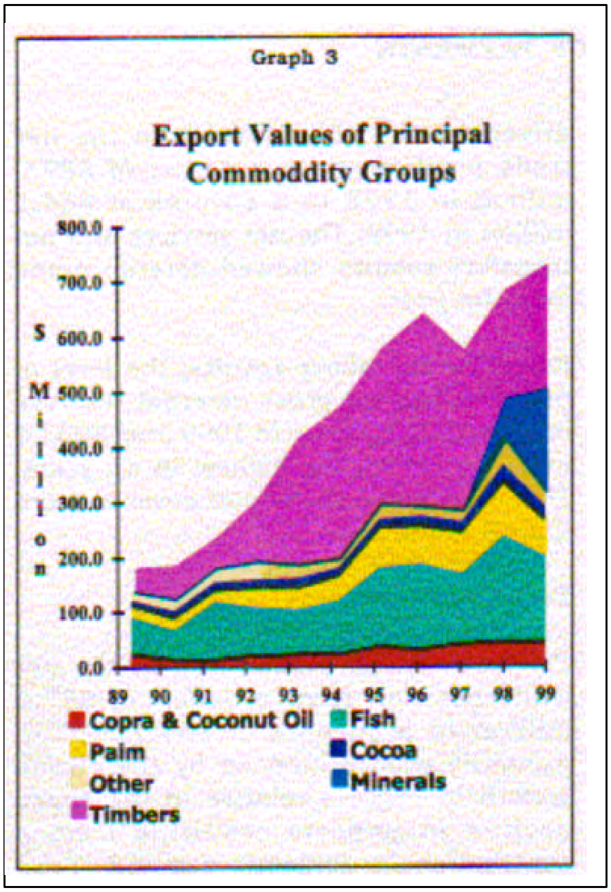
Table 5

Balance of Payments Trade Account

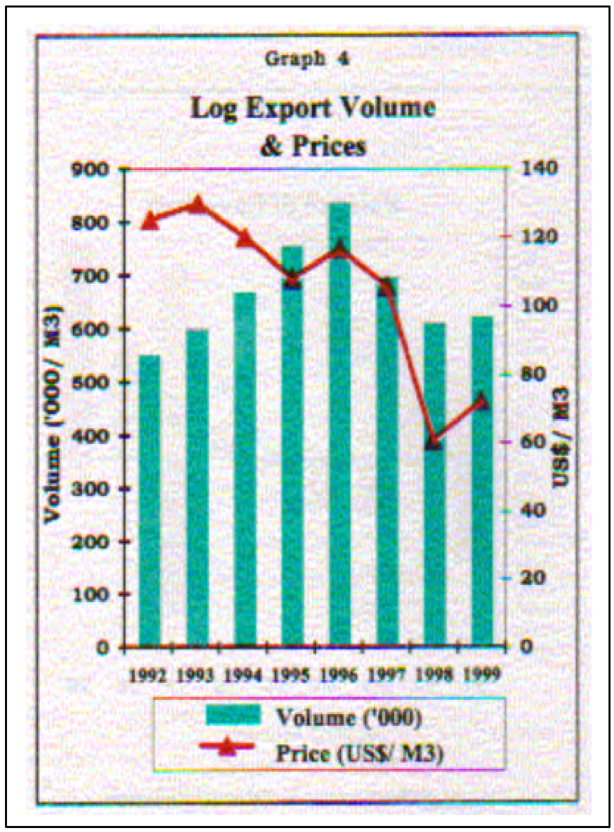
($millions)

	1995	1996	1997	1998	1999
Exports FOB	573.2	576.6	581.5	683.0	724.0
Imports CIF	526.3	537.9	685.9	770.0	659.9
Trade Balance	46.9	38.7	-104.4	-87.0	64.1
Trade Balance as % of total trade	4.3	3.5	-8.2	-6.0	4.6

Source: Central Bank of Solomon Islands



Solomon Islands lead export earner, logs, recovered in 1999 with total export volume up 3% to 623,855 cubic meters. This follows a 7% decline in the previous year. Log export receipts increased by 14% to $223.6 million in 1999, increasing the percentage share of log exports to 31% of total exports or 2 percentage points over and above 1998. The market for forest products improved in 1999 against with better demand conditions in Asia and tightness in supplies. The improvement in demand conditions in large part was driven by a rebound in market activity by the Asian economies while the tight supply was led primarily by disruptions caused by the Asian financial crises to logging activities in Asia. The unfavorable weather conditions in Asia and over much of the African continent greatly affected logging activities while in Indonesia and Cameroon reforms in the forestry sector contributed to lower production. The reform in Indonesia, in part, was aimed at revoking (and not renewing) concession felling licenses of logging operators while that of Cameroon was aimed, in part, at banning log exports of some of the endangered species. Against this background, the average export price for logs improved by around 15% compared to a drop of 32% in the previous year. For much of 2000, the export price for logs is expected to remain firm as supplies are expected to remain tight. On account of firmer export prices, domestic production is projected to reach around 650,000 cubic meters (including plantation logs) in 2000 with the average export unit value projected at US$89 per cubic meter. Forest products will continue to be Solomon Islands lead export in 2000.



Total mineral exports in 1999 amounted to $187.6 million with gold receipts accounting for 98% and silver the remaining 2% of the total proceeds. This compares to the previous year when mineral exports totaled $74.4 million. The increase in mineral exports was in spite of declining export prices where the average price for gold plunged from

US$294.2 per troy ounce to US$278.8 per troy ounce and silver from US$5.53 per troy ounce to US$5.25 per troy ounce. Mineral exports, as a percentage of total exports, trail behind forest products but have the potential of increasing their share.

Export receipts for coconut products moderately picked up by 0.3% to $39.2 million, continuing the growth since 1996. The rise reflects the continuing shift from copra to coconut oil and associated by-products. Over the year the average export price for coconut oil rose to US$737 per ton from respective average prices of US$657 per ton and US$658 per ton in 1997 and 1998. This resulted from tight supplies since major coconut suppliers especially in the South East Asian region have not yet fully recovered from the delayed El Nino effects. Export of coconut products contributed 5% to total exports in 1999.

Total export receipts for fish products declined by 18% in 1999, from $194.2 million to $159.0 million, reversing the consecutive growths in the preceding two years. The substantial decline in tuna fish prices, from US$985 per ton to US$546 per ton, as a result of good catches in the Eastern Pacific, was the main factor underlying this weak performance. Along with the decline in export receipts, the percentage share of fish exports fell to 22% as against 28% in 1998. However with moderate recovery expected in the international fish market in 2000, fish exports are projected to rise by around 5%. In 1999, frozen tuna contributed 69% of the total fish exports, sashimi tuna 20%, canned tuna 9% while the remainder came from other fish exports.

Palm products export receipts fell dramatically from the previous year by 33% to $65.1 million. This resulted from the closure of the only producing palm oil plantation in June as a result of the social unrest on Guadalcanal. The sharp decline in the international price for palm oil would have also contributed. The international price for palm oil, following an impressive growth in global output, receded from US$671 per ton in 1998 to US$462 per ton in 1999, the lowest since 1993. The percentage share of palm product exports declined from 14% in 1998 to 9% in 1999. For 2000 no production and export is envisaged and export prices are expected to be slightly below the 1999 level as two of the world’s leading suppliers, Malaysia and Indonesia, are expected to increase their crop and drive up global output to record levels.

Export receipts from cocoa fell by 19% in 1999 to $24.4 million. Following the previous two consecutive years of strong growth. This resulted from the significant downturn in export prices that reached a 5-year low of $1135 per ton in 1999. With leading cocoa suppliers in Africa (Cote d’Ivoire, Ghana, Nigeria and Cameroon) and Asia (Indonesia and Malaysia) leaning towards increasing output, bearish sentiment is expected over much of 2000 and export receipts are expected to be slightly lower relative to 1998/99 levels. During the year, cocoa exports contributed 3% of the total export earnings, down from 4% in the previous year.

Receipts for ‘other exports ‘ also increased over the year, by 34% to $68.8 million.

Import payments in 1999 contracted by 14% to $659.9 million from the previous year. Imports grew strongly in the preceding three years but these were largely influenced by the heavy capital imports relating to the establishment of the gold mine. Imports form a critical part in the overall macroeconomic assessment of a highly open developing economy like Solomon Islands. Not only because these economies rely heavily on imported goods for growth and development, many of which cannot be manufactured locally or are too expensive to produce locally, but also because of their ability to promptly respond to domestic demand pressures. The contraction in 1999, in part, reflected the relative tightness of both monetary and fiscal policies, although the element of uncertainty that caused cancellation of many major investment plans also contributed.

Oil imports, in spite of the 13% upsurge in international prices for oil, to US$18.07 per barrel over the year, receded by 28% to $75.2 million over the year. The decline partially reflected the significant slowdown in real domestic activity following the deepening of the social unrest on Guadalcanal during the second half of the year. Imports for beverages & tobacco also declined, by 34% to $6.1 million, continuing the 23% decline in the previous year. Imports for building and construction materials also declined, by 2% to $33.4 million, while payments for all other imports declined by 21% to $198.5 million. The import categories to register increases over the year were food (up by 1% to $83.0 million); plant, vehicles and transport equipment (up by 5% to $127.5 million) and chemicals (11% to $14.7 million).

Table 6
Balance of Payments - Services Account

($Millions)

	Receipts			Payments		
	1997	1998	1999	1997	1998	1999
Transport/Travel	35.9	39.6	36.0	54.9	69.2	72.8
Insurance	0.2	0.6	0.2	0.2	0.6	13.3
Royalties & License Fees	-	0.5	0.3	-	0.5	0.3
Communication	-	10.8	11.0	-	10.8	26.1
Financial Services	-	92.1	92.8	-	92.1	24.9
Others	202.6	140.8	127.7	202.6	140.8	217.6
Wages and Other	-	4.2	11.4	-	15.7	26.7
Interest Dividends and profits	1.1	1.7	1.2	31.9	25.4	25.7
Official Interest	8.9	8.3	13.3	2.0	9.8	29.3
Other Income	-	0.0	0.1	-	-	-

Source : Central Bank of Solomon Islands.

Services Account

In 1999 the services account deficit widened to $142.7 million from $52.2 million in 1998. This occured as a result of the increase in services payments ($122.9 million) more than outweighed the rise in services receipts ($32.4 million).

The travel and transportation account posted a deficit of $36.8 million in 1999, the largest in four years. Total receipts from travel and transportation amounted to $36.0 million in 1999, a slow-down from $39.6 million in the previous year. Payments on the other hand, rose to $72.8 million from $69.1 million. The fall in receipts and the rise in payments partly related to the social unrest on Guadalcanal that resulted in many cancellations of intended visits to the country just as it caused some mass departure of foreign nationals. Higher departures by foreign employees to celebrate the new millennium in their respective countries also contributed.

The incomes and investment account recorded a deficit of $55.7 million in 1999, a deterioration of 52% from the previous year. This resulted from the substantial upsurge in income payments, from $50.8 million in 1998 to $81.7 million in 1999. There were payment increases in compensation and other benefits to non-resident by resident entities (from $15.7 million in 1998 to $26.7 million), and private sector interest and dividend payments (from $25.4 million to $25.8 million). Official payments in respect of interest arrears increased from $9.8 million to $29.3 million. The upsurge in payments more than offset the rise of 83% ($14.2 million) to $26.0 million in receipts. The overall increase in income receipts in 1999 comprised mainly official interest (from $8.3 million to $13.3

million) and wages and other (from $4.2 million in 1998 to $11.4 million).

Other service items, which comprises insurance, communication, financial services, royalties and licence fees and others, swung from a $14.0 million surplus in 1998 to a deficit of $50.2 million in 1999. This performance was largely accounted for by the upsurge in payments under other where outflows markedly rose from $123.7 million in 1998 to $217.6 million in 1999. Insurance payments rose from $5.4 million in 1998 to $13.3 million in 1999. These more than offset the declines in financial services payments over the year. It is possible that some of the outflows under the respective headings relate more to capital flight than a reflection of the true magnitude of the transaction.

Transfers Account

The transfers account, which comprises the value of direct monetary transactions for official and private sector development assistance, posted a surplus of $159.7 million in 1999 as against $203.1 million surplus in 1998. This performance largely reflected the strong outflows in private sector transfers that more than offset the steady flows under official transfers. Official cash grants in 1999 totaled $54.6 million, up from $50.9 million in 1998, and official goods and services slightly fell to $217.6 million from $220.1 million in 1998.

Private transfers posted a deficit of $112.5 million in 1999, significantly up from $67.9 million in the previous year. This was accounted for by an increase in private outflows, from $190.3 in 1998 to $235.4 million in 1999, where gifts and donations rose 13% to $99.6 million and temporary resident transfers up by 11% to $13.3 million over the year. As well, outflows under other rose to $122.5 million from $100.5 million. This was against the backdrop of relatively flatter private inflows, which at year-end stood at $122.8 million, the same as last year.

Solomon Islands has been recording surpluses in its transfers account over the past several years. This largely reflects the stage of economic development the country has reached where the savings-investment gap has to be supplemented by external resources. For 2000 the transfers account is again projected to show a surplus with a substantial portion of it expected to emanate from official inflows.

Table 7
Balance of Payments - Transfers Account

($Millions)

	Receipts			Payments		
	1997	1998	1999	1997	1998	1999
Gifts & Donations	30.2	29.4	16.1	52.9	79.8	99.6
Temporary Resdnt. Transfers	18.7	1.5	1.9	10.6	10.1	13.3
Other 1/	58.8	91.5	104.9	63.6	100.4	122.5
Official	125.0	96.3	259.3	-	-	-
Cash Aid	31.8	50.9	54.6	-	-	-
Goods & Services	117.0	220.1	217.6	-	-	-

Source: Central Bank of Solomon Islands.

Capital and Financial Account

The capital account recorded a deficit of $109.3 million in 1999, a sharp turnaround from a surplus of $88.4 million in 1998. The major cause for this was the significant increase in private amortization payments, from $104.5 million in 1998 to $201.6 million in 1999, while private loan disbursements contracted substantially from $109.7 million to $10.0 million. Further, the flows under direct and equity investments reduced from $35.0 million in 1998 to $14.8 million in 1999. This was due, in part, to the uncertain economic environment because of the social unrest on Guadalcanal.

Table 8

Balance of Payments - Capital Account

($Millions)

	Receipts			Payments		
	1997	1998	1999	1997	1998	1999
Long-Term						
Capital	227.0	250.8	99.5	79.6	138.7	222.7
Government	10.8	92.8	74.7	28.6	34.2	21.1
Private	216.2	158.0	24.8	51.0	104.5	201.6
Loans	87.8	109.7	10.0	51.0	104.5	201.6
Equity	128.4	48.3	14.8	-	-	-
Short-Term						
Capital	35.5	-23.7	14.2	-	-	-
Government	38.1	-17.8	13.9	-	-	-
Private	-2.6	-5.9	0.3	-	-	-
Total	**262.5**	**227.1**	**113.7**	**79.6**	**138.7**	**222.7**

Source: Central Bank of Solomon Islands.

Net official borrowing in 1999 amounted to $53.6 million, down from $91.9 million in 1998. This comprised $74.7 million in loan disbursements, (a large part of this accounted for by the disbursement of the first tranche of World Bank loan) and $21.1 million in loan repayments that includes arrears. As a consequence, short term borrowing rose from a net repayment position of $17.8 million in 1998 to a net borrowing position of $13.9 million in 1999.

External Debt

The total amount of outstanding debt at the end of 1999 was $833.8 million. This compares to $827.7 million in the previous year. The increase in the level of outstanding debt was caused mainly by the rise in official debts, from $574.0 million in 1998 to $596.9 million in 1999. The level of official external arrears also rose, from $40.5 million in 1998 to $54.4 million in 1999. The arrears specifically were towards the Marubeni and EFIC loans, one of which has been successfully rescheduled and the other under negotiation. Of the total amount of debt outstanding, the government sector accounted for 72% against 69% in 1998 while the private sector 28% against 31% in the previous year.

The level of private sector outstanding debt at end-1999 was $236.9 million, 7% lower than the amount outstanding in the previous year. Amortisation payments in 1999 totalled $201.6 million and interest payments $19.7 million. In the previous year, amortization payments amounted to $138.7 million and interest payments $48.2 million. The Gold Ridge Mine debt-servicing out of its offshore accounts heavily influenced the movement of overall debt-servicing during the year.

Table 9
External Debt

($millions)

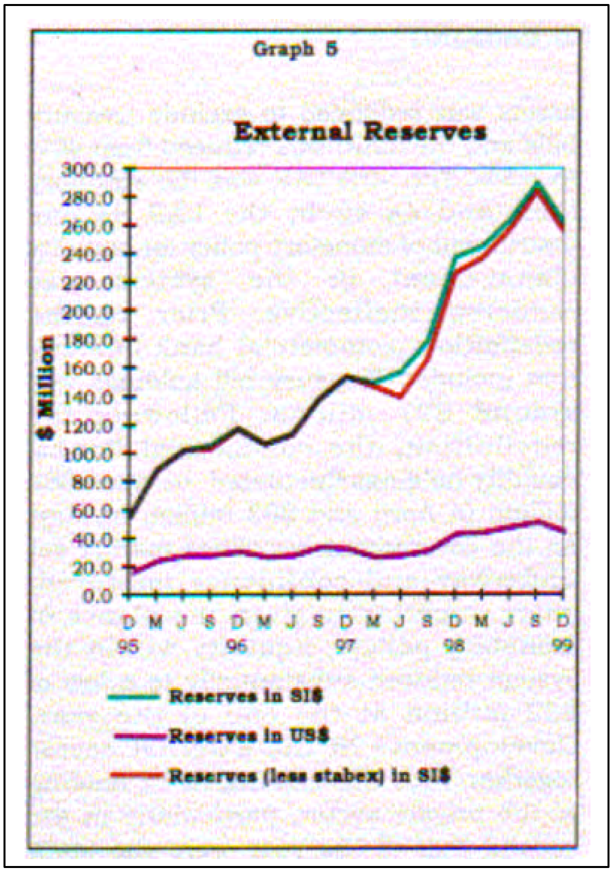
	1995	1996	1997	1998	1999
Private Sector	233.3	212.8	248.5	253.7	236.9
Official	339.9	370.3	507.5	574.0	596.9
of which: arrears		24.3	52.3	40.5	54.4
Total	519.3	583.1	756.0	827.7	833.8
Debt Service	81.7	75.4	91.4	186.9	271.7
Principal	69.5	70.8	79.6	138.7	222.7
Interest	12.2	4.6	11.8	48.2	49.0

Source: Central Bank of Solomon Islands

External Reserves

The level of gross external reserves at end-December 1999 was $255.1 million, $23.0 million higher than in 1998 and $104.7 million more than in 1997.

The level of gross external reserves was relatively flat in the first three months but increased rapidly before reaching peak levels in July (Graph 5). The rapid increase in the level of reserves in the first 7 months largely reflected an unprecedented increase in financial inflows towards the government's reform program, rehabilitation of Guadalcanal displaced victims, and renovation of the Solomon Islands Police Force housing. From the third quarter onwards, however, the level of gross external reserves showed a declining trend but settled at



a relatively higher level compared to the first half of the year. The considerable slow-down in import demand as a result of subdued domestic economic activity partly contributed to the rise in reserves. In terms of import cover, the stock of reserves at year-end represented more than 3 months cover and is forecast to persist at that level in 2000.

Exchange Rates

The Central Bank in consultation with the government maintained its policy of determining the value of the local currency on a trade weighted basket of currencies. The administration of the exchange rate in 1999 was influenced by the need to minimise inflationary pressures from a depreciating currency and the adequacy of international reserves relative to import demand. As the international reserves remained broadly adequate in terms of import cover and the outlook was positive, the inflationary concerns took more of the emphasis of exchange rate policy. As a result, the stability of the exchange rate featured prominently in exchange rate administration during 1999, especially against the US dollar.

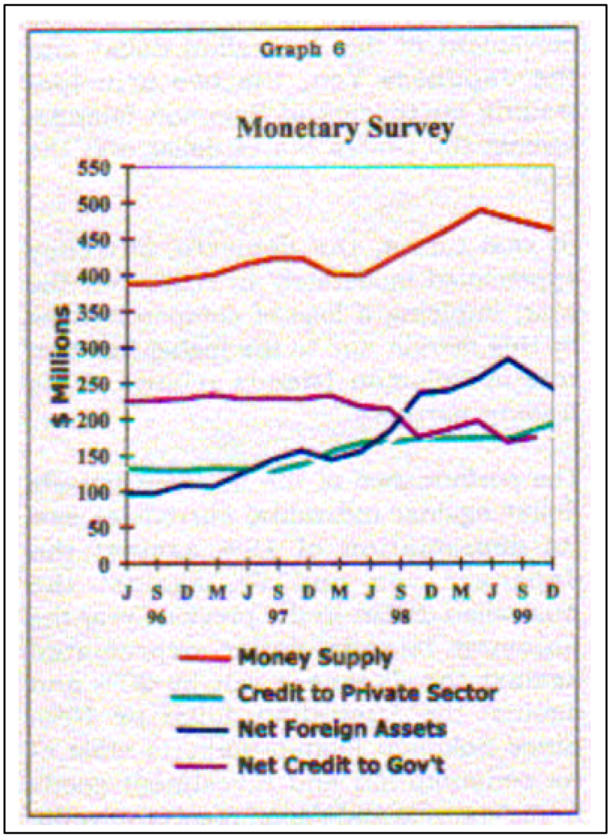
In nominal terms, the domestic currency depreciated by 4% in the first quarter but strengthened marginally by 2% in the second quarter before fading again in the third and fourth quarter by 6% and 4% respectively. This largely reflected the movement of the Australian dollar and the Japanese Yen, the two principal trading currencies of Solomon Islands, against the United States dollar over the year.

In real terms, the domestic currency appreciated moderately by 0.3% over the year, implying a loss of competitiveness by this margin due to the higher inflation rate in Solomon Islands relative to its trading partners.

The performance of the Solomon Islands dollar against individual currencies saw its depreciation of 18% against the Japanese yen and 5% against the Australian dollar. In the previous year the Solomon Islands dollar depreciated against the Japanese yen by 20% and against the Australian dollar by 10%. Since Solomon Islands imports most of its consumption and investment goods from Australia and Japan respectively, the depreciation would have adversely impacted import prices. Against the US dollar the local currency marginally depreciated by 2%, 0.1% against the British Pound Sterling and against the New Zealand dollar by 0.5%.

V. MONEY AND BANKING

Monetary growth was markedly subdued in 1999. This was in response to lower growth in net foreign assets and modest growth in domestic credit from the banking system. Total domestic credit rose by 4.8% in contrast to a decline of 3.6% in 1998. This increase was in respect of a moderate 9.2% increase in credit to the private sector as the government did not borrow from the banking system. The expansion in credit to the private sector occurred towards the end of the year.



The government securities market was revived in April 1999 through an auction process. The initial auctioning of government Treasury Bills was aimed at securing $75 million of governments' loans and advances with the Central Bank to banks, other institutions, and the public. The underlying liquidity position of the commercial banks showed a declining trend through out the year. In April, the composition of eligible reserve assets was redefined to exclude treasury bills and the (LAR) was reduced from 40% to 7.5%. The 40% LAR was the statutory limit and as such, the LAR as one instrument of monetary policy for liquidity management in the system was rendered ineffective. Prior to the redefinition, commercial bank liquidity that included Treasury bill holdings was around $97 million. Following the redefinition, the commercial banks' liquidity holdings fluctuated between $68 million in April and $83 million in May. As the government securities market got underway and confidence improved, (more importantly given the stance of monetary policy), liquidity within the system reduced substantially to a low of $32 million at the end of the year. Developments in the external sector together with the expansion in lending to the private sector, particularly in the second half of the year were the main factors determining liquidity developments during the year.

Monetary Policy in 1999 and Out-turn

The monetary policy framework in 1999 was necessarily set to compliment efforts on the fiscal front to restore confidence in the management of public finances. In this context, revival of the government securities market was crucial. To facilitate this, the government undertook a debt-restructuring plan. The aim was to ensure affordability to the government by smoothing debt-service payments, restore a clear and close connection between interest rates on government securities and the demand and supply of other financial assets, and to reduce the distortion of the LAR that has been used to capture holders to finance excessive government borrowing.

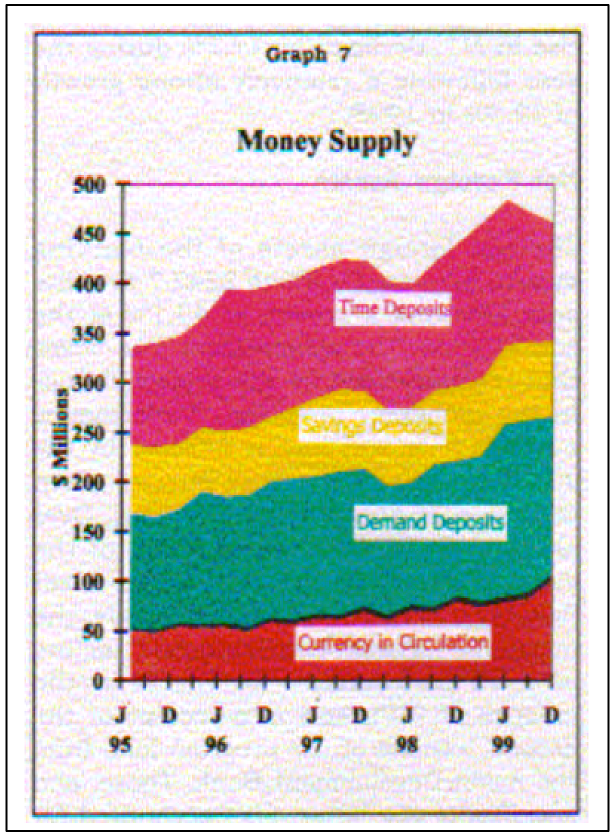
The main features of the plan entailed conversion of frozen Treasury bills into longer term restructuring bonds, continual rolling over of the remaining bills at a fixed rate of 6% or lower as the market condition warrants, reduction of the LAR from 40% to 7.5%, and advances of government with the Central Bank secured into short-term Treasury bills with the interest rate determined through an auction process. At the same time the use of Bokolo bills in liquidity management was to be phased out.

The above goals were accomplished in the early part of the year. This follows successful conversion of more than $200 million of frozen Treasury bills into Restructuring bonds with maturities of between two and five years. The auctioning of government securities began thereafter. The total amount to auction was determined at more than $124 million, influenced by the aim to secure $75 million of government advances with the Central Bank and to phase out $49 million of Bokolo bills. The amount of weekly issues in the conduct of liquidity management was determined by the liquidity within the system including the amount of maturing bills.

The aim of monetary policy in 1999 was to bring down inflation to 7-8% with a medium term target of 3-4%. As the year turned out, this was achieved. To guide monetary policy, the net domestic assets (NDA) of the banking system were used as an intermediate target with a view to achieving a significant deceleration in the growth of credit in 1999. In this context, an indicative monetary program with benchmarks on the net international reserves (NIR) and NDA of the CBSI were developed to ensure consistency with existing policy objectives.

Money Supply

Against the monetary policy framework and developments in the external sector, the broad money supply (M3) grew moderately by 4.3% in 1999. This was comparable to the previous year's growth of 4.8%. The underpinning of monetary growth over the year was the rise in net foreign assets (up 7.8%) as there was only a marginal increase (0.6%) in the net domestic assets of the banking system. Monetary growth essentially occurred in the first two quarters of the year.



The narrow measure of the money supply (M1), consisting of currency in circulation and demand deposits, increased substantially by 19.6% ($43.3 million). This follows a rise of only 4.4% in 1998. The strong growth in both currency and demand deposits over the year was at the expense of the sharp decline in term deposits (-17.7% or $25.4 million). Public preferences to hold more liquid assets at the end year festive season, the Y2K issue, and the substantial amount of disbursed funds by government to the displaced victims of the social unrest on Guadalcanal, contributed to the movement.

Saving deposits marginally increased by 1.3% in 1999 in contrast to the decline of 3.0% in the preceding year. The marginal increase in saving deposits would, in part, relate to the low interest savings rates offered by banks. Individual savings deposits declined by 14% during the year.

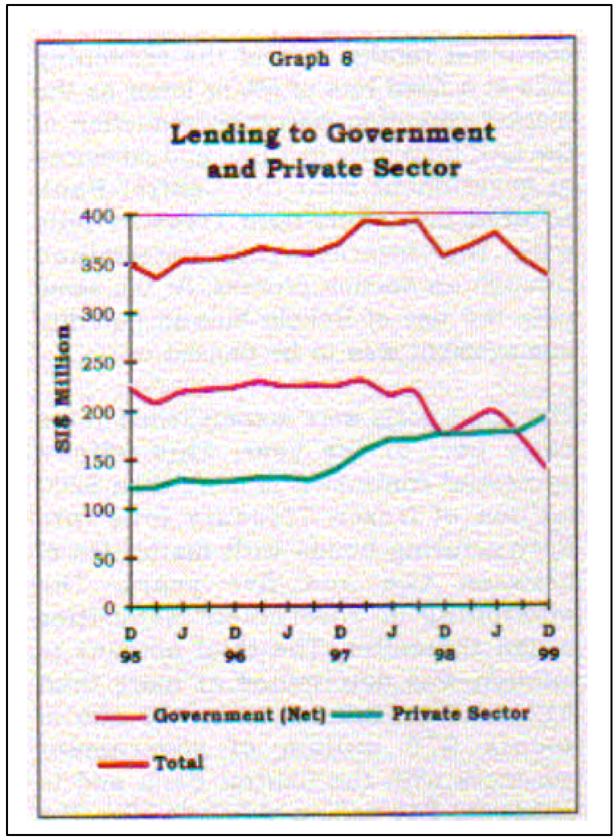
Term deposits, against the substantial rise in M1, declined by 17.7% during the year following a relatively strong growth of 10.3% in 1998.

Net Foreign Assets

The net foreign assets of the banking system increased 7.8% to $242.7 over the year following a growth of 49.1% at the end of 1998. The achievement was below that recommended as the projected floor in the monetary program. Performance over the year was largely affected by the 10.0% decline in the final quarter when the external accounts deteriorated. Over each of the first three quarters of the year, the position of net foreign asset holdings consistently were above the quarterly targets. Two important factors affected performance for the year: the closure of SIPL and non-receipt of the second tranche of the program loan from the Asian Development Bank. These, and specifically the latter, also accounted for achievement of the net domestic assets (NDA) target.

Net Domestic Assets

The net domestic assets of the banking system (comprised domestic credit - net credit to government plus gross credit to the private sector) and other items net, increased marginally by 0.6% ($1.3 million) over the year. Total domestic credit extended by the banking system increased by 4.8% over the year. The growth came wholly from the increase in credit to the private sector (9.2%) as government did not borrow from the banking system during the year.



Of specific relevance in the conduct of monetary policy as an intermediary target to slowdown domestic credit in 1999 were the net domestic asset of the Central Bank. The monetary program for 1999 envisaged reduction of the Central Bank's NDA by $77.0 million. Over the course of the year, the NDA of the Central Bank increased marginally by 1.8% ($1.6 million), -$90.0 million to -$88.4 million. Again, while achievements in each of the first three quarters of the year were more than satisfactory, it was in the final quarter that considerable slippage was experienced. Non-receipt of the anticipated program loan second tranche from the Asian Development Bank meant that in the deposits of the government with the Central Bank did not rise by the amount expected. The net credit position of government accordingly did not decline to the extent anticipated.

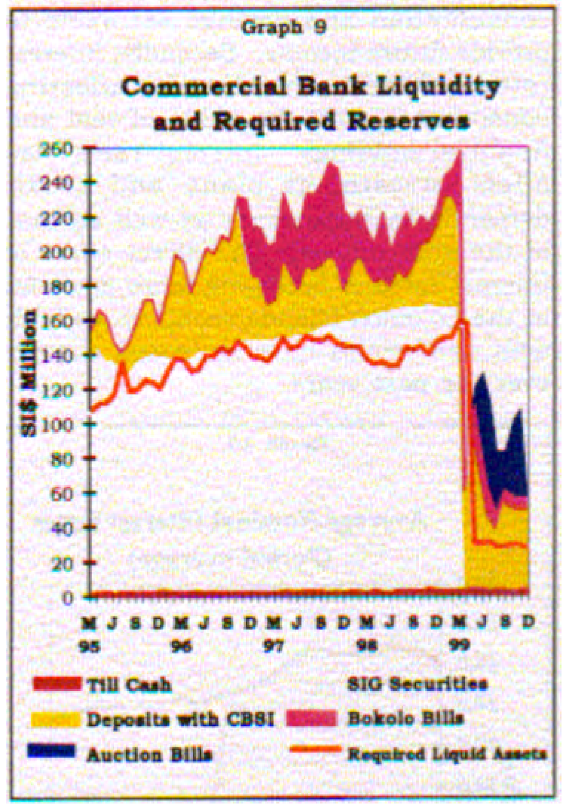
Net credit to government over the year rose marginally by 0.5% although there were variations during the year but these related more to variations in government deposits than its borrowings.

Gross credit to the private sector on an annual basis grew by 9.2% ($16.4 million). Only in the last quarter of the year did credit to the private sector pick up strongly (7.9% or $14.1 million). In large part this related to the rise in the demand for trade finance in that quarter. The relative tightness in monetary policy and the element of uncertainty brought on by the social unrest affected both the attitudes of lenders and borrowers over the year resulting in sluggish growth in credit to the private sector.

Liquidity

Liquidity management was greatly enhanced following the revival of the government securities market. The redefinition of the eligible reserve assets for purposes of calculating the LAR, and the reduction of the LAR to 7.5% from the 40% statutory limit that had been reached contributed to this enhancement. On a weekly basis, the Central Bank floated amounts estimated to be the excess of banks' normal reserve requirements. Reflective of recent experience in government finances and non-performance of government securities on the investors' balance sheets, along with the small and undeveloped nature of the domestic capital market, participation in the auction started slowly and cautiously. The banks, whose participation was critical to the success of the operation, for example, initially were prepared to leave their money in their call accounts with the Central Bank, earning zero interest for amounts exceeding the 7.5% LAR, rather than participate in the auction. Equally, other institutions and the public, whose participation is also crucial, were not too eager initially to participate. Confidence restoration was most critical initially and considerable progress was made in this respect.

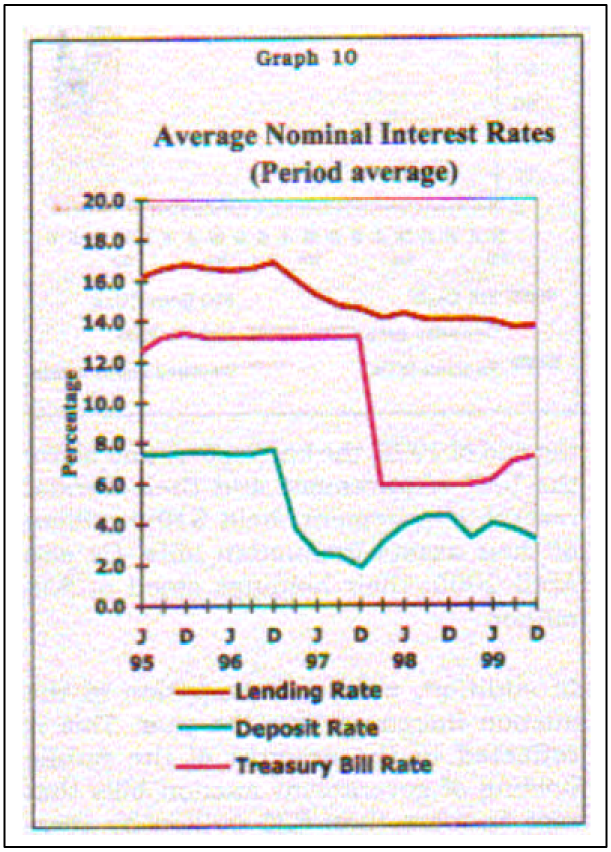
Over the course of the year commercial bank liquidity fluctuated significantly. By the end of 1999, the banks, over and above the LAR requirement and their normal reserve requirement, held $10.4 million of their assets in Auction bills. By end April 2000, their holdings stood at $38 million.



In addition, public participation in the auction increased over the year. This is reflected in the amount of the public holding of government auction bills that rose to more than $23 million by year-end. By end April 2000, the public holding of auction bills has risen to $32 million. While the NPF commands more than two thirds of these public holdings, participation by the public, albeit small, is important and the Central Bank will be encouraging this trend.

Interest Rates

Interest rates have a direct effect on consumers, businesses and government. First, interest rates affect how consumers divide their incomes between consumption and savings set aside to provide future income. Secondly, interest rates influence spending by affecting consumer wealth, the value of real and financial holdings. Interest rates also affect investment plans and credit demands by businesses as well as that of the government. The direct effect of interest rates is becoming more powerful in the Solomon Islands economy, as both debt and wealth have increased sharply over the past years.



Notwithstanding the tight monetary policy, deposit rates continued to decline throughout the year. The average interest rate on deposits declined from 4.54% at the end of 1998 to 3.89% over the first half of 1999 and further reduced to 3.08% by the end of the year. The lending rates, on the other hand, were maintained at 14.12% during the year.

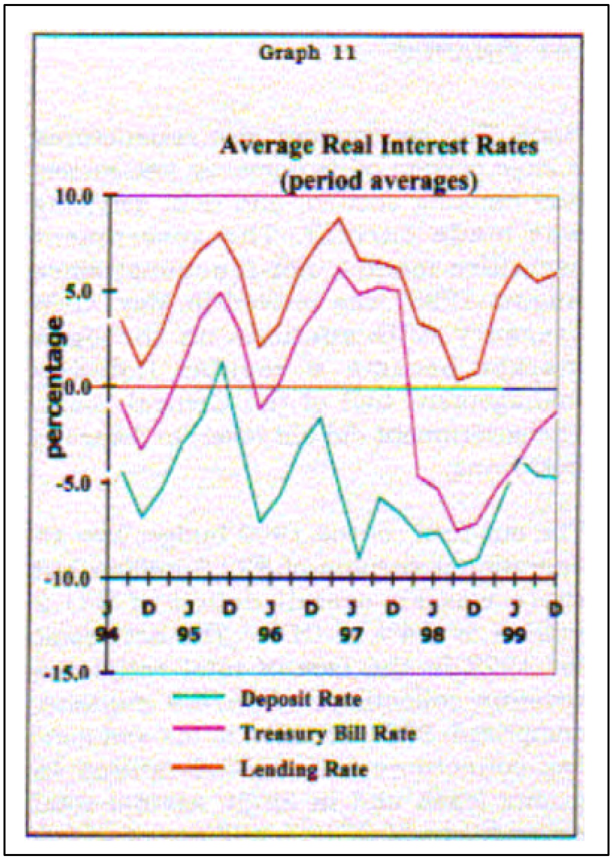
Development in real interest rates shows the difference between nominal interest rates and annual rate of inflation, (see Graph 10). The average real interest rate on lending at the end of 1999 rose to 6.3% from 1.7% at the end of 1998. The average real interest on deposits improved to –5.5% from –8.0% in 1998. This improvement in the real interest rate was in response to the decline in the annual inflation rate. Thus while the commercial banks, given the decline in the inflation rate (and with a further outlook for a decline), have improved their real interest earnings, depositors on the other hand continue to earn negative real returns. This will hold as long as deposit rates do not improve or conversely, inflation fails to substantially decelerate.

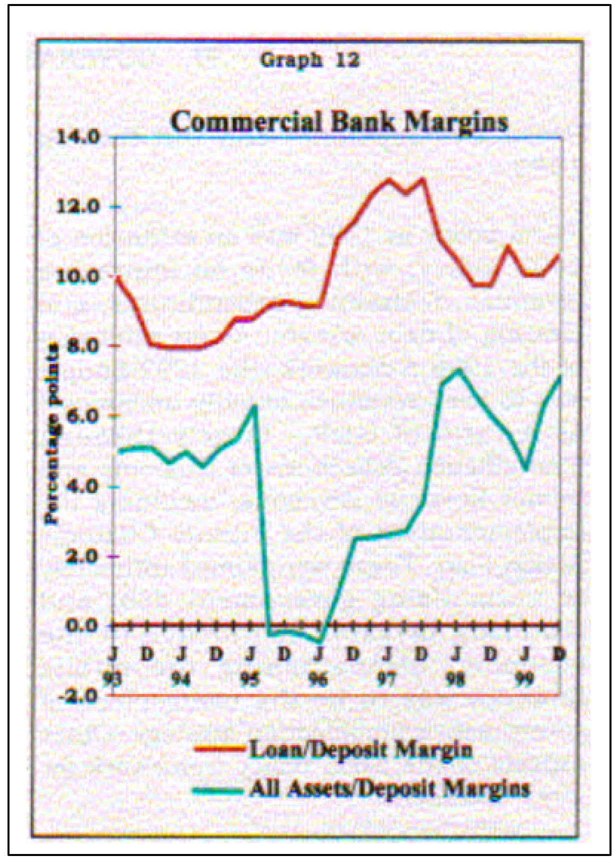
The yield on auctioned treasury bills provides an alternative investment avenue for potential investors. The yield on the 91-day Auction bill averaged 7.2% in 1999 against the inflation rate of 7.8%. In mid-April 2000 the yield on the 91-day bills averaged 7.1%. With inflation anticipated to moderate further, it is in the public's own interest to realise these gains by participating in the auction process.

Commercial Bank Margins

Commercial bank margins are defined as the difference between average lending rate and the average deposit rate. By regional and international standard the commercial bank margins in the Solomon Islands are relatively high. It has been suggested that this anomaly stems from the market being small and which incurs relatively high transaction costs. Further, the element of risk is higher in the Solomon Islands than elsewhere.

The graph above (Graph 12) shows two definitions of commercial bank margins. The first (the upper line) is the difference between average commercial bank lending rates and their average deposit rates. The second (lower line) is the difference between the weighted average interest rate on all commercial bank





assets and liabilities. Assets include lending to the private sector and government, call account deposits with Central Bank, holding of Bokolo Bills, and auction bills. A much wider and complete indication of the contribution of lending and deposit interest differentials to commercial bank's profitability is shown in the "all assets-deposit margin," as it includes a range of interest-earning assets.

In 1999, interest rate margins rose to 10.7% from 9.8% in the previous year. The widening of the margins reflected the decline in the banks' average interest rates on deposits. This was against the stability in their lending rate during the year.

Monetary Policy and Outlook for 2000

The monetary conditions in the Solomon Islands at any given year are very sensitive to the balance of payments outcome, because of the very openness of the economy. Strong export performance should be encountered by a tight monetary policy to keep aggregate demand stable and to ease the inflationary pressures.

The main aim of monetary policy is to achieve a low and stable inflation rate. The achievement of this objective has been modest during 1999 and attributed to the success of government in carrying out a tight fiscal policy, adoption of a wage freeze, a relatively stable exchange rate, and tight monetary policy. Monetary policy will be pursuing the same objectives in 2000 and in this context will remain relatively tight in tandem with other policy arms of government. Accordingly, the yield on government securities, if necessary, will be priced more attractively to entice wider participation.

VI. GOVERNMENT FINANCE

Broad Developments and Out-turn in 1999

Fiscal policy in 1999 was an extension of 1998 policy, with focus on improving revenues, restraining expenditures, and clearing of debt arrears. As an extension of the 1998 framework, the 1999 budget was to keep revenues broadly unchanged as a ratio of GDP, largely through strengthened collections of Customs and Inland Revenue Divisions, including the implementation of the interim Customs Action Plan. These were aimed ultimately at normalising government debt and restoring investor confidence in the economy. Strengthening the public finances was to be the centrepiece of government's stabilisation strategy. Other aspects of the fiscal policy framework for 1999 included:

(i) No recourse to domestic financing in 1999;

(ii) all foreign borrowing to be on concessional terms;

(iii) elimination of arrears by end of 1999, including completion of interest arrears clearance as scheduled, and;

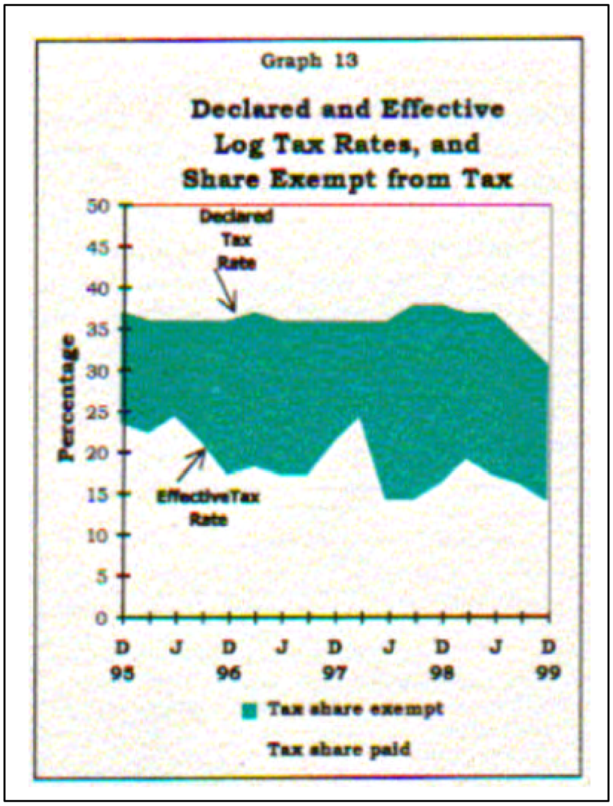
(iv) no new arrears to be incurred during the year and debt servicing, in particular to NPF, was to remain current.

Despite the social unrest and resulting setbacks, the government made significant progress. All debt arrears were cleared, domestic and external (except for Marubeni and EFIC). This was facilitated in large part by proceeds from the first tranches of program loans from the World Bank and Asian Development Bank. The government also restructured a large portion of its domestic (see money and banking section) and debt servicing was made current. The government securities market, not functional since August 1995, was revived in May when Treasury Bills auctions on the open market became a regular liquidity management tool of the Central Bank. The government did not revert to domestic borrowing.

The out-turn of the 1999 budget saw an operational surplus of $32.5 million but there was an overall deficit of $41.2 million or 2.4% of GDP. The net result for 1999 in the face of total estimated revenue collections of $670.9 millions, comprised $398.8 million in tax and non-tax collections and $272.2 million in grants (cash and in kind), against total expenditure of $712.1 million, of which recurrent expenditure totalled $366.3 million and capital expenditure $345.8 million.

Revenue

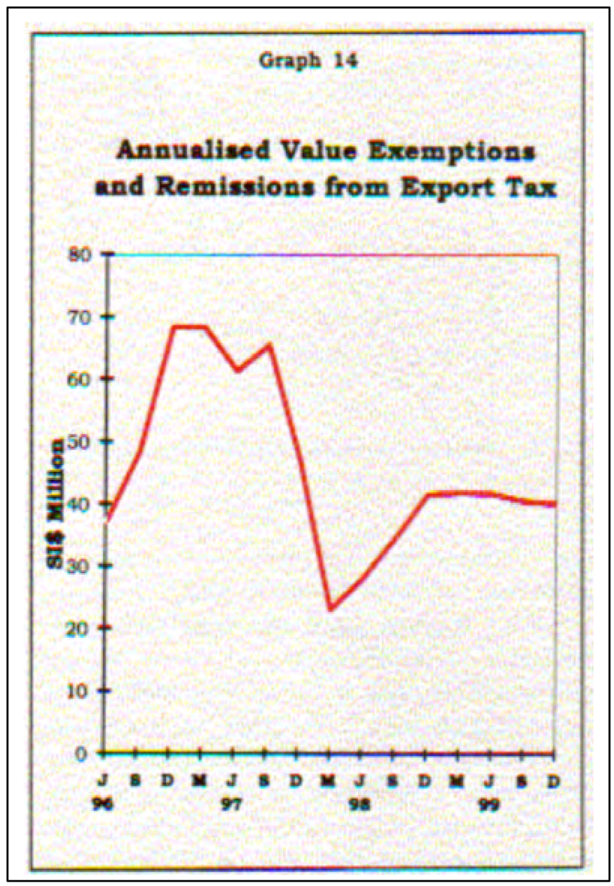
Total domestic revenues collected during the year came to $398.8 million. This comprised $366.6 million from tax and $32.2 million non-tax. Grants (cash and in kind) in 1999 totalled $272.2 million. The Inland Revenue division collections for the year totalled $228.1 million, comprising of $139.9 million income tax and $88.2 million tax on goods and services. Under income tax, personal tax totalled $62.5 million and company tax totalled $77.3 million. A particular boost to company tax in 1999 was the 'exceptional amount' received from SIPL tax case of around $10 million. Company tax receipts are likely to be lower in 2000 because of the social unrest on Guadalcanal. Many businesses scaled down or closed down their operations and their profitability has been adversely affected. Receipts under goods tax exceeded 1998 performance by 11%, boosted in particular by improved receipts under the wholesale goods tax with a rise of 29% to $59.2 million.



Revenue collection from international trade rose 19.4% ($22.5 million) to $138.5 million from the previous year. This was despite a contraction in the volume and value of imports. The main factors contributing to this were the recovery in log exports that resulted in increased log tax receipts (42% to $44.6 million) and greater compliance by duty payers, importers and exporters. One of the specific measures taken was the physical examination of containers as well as closer scrutiny of invoices of imported goods. Additionally, a proper budget forecast system has been established in the Division under a technical assistance program. This involved the adoption of a new computer entry processing system that also enhances revenue collection.

Despite improvement in revenue collection efforts, the government also lost revenue notably from granting remissions on importers and exporters.The provisional total loss of revenue from remissions during the year was about $30 million.

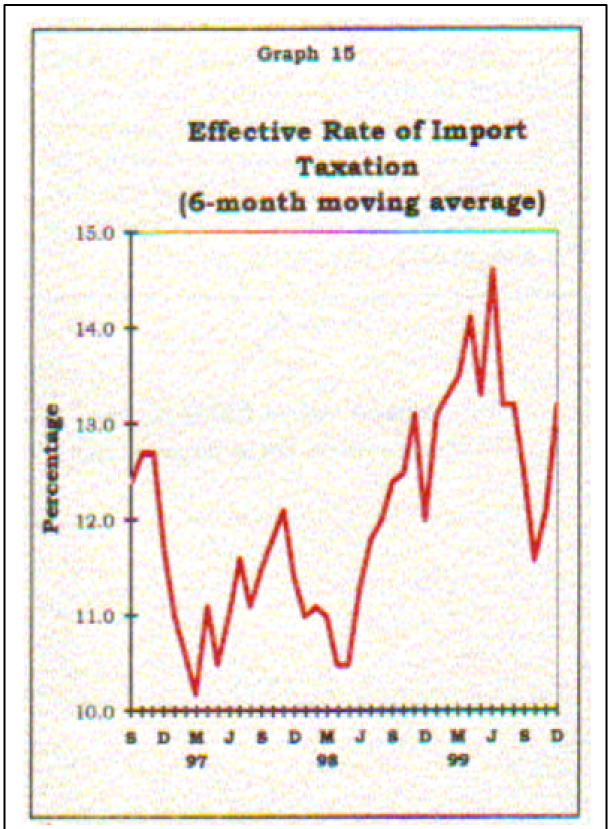
The value of remissions on log export duty was $3.2 million, down by 54% on the previous year. The effective rate of log taxation is the rate of export tax actually paid as a proportion of total export value. It gives an indication of the return to the government per dollar of log exports. The return from every cubic metre of timber exported is directly related to changes in the effective rate of export taxation, that is, the lower the effective rate, the lesser return from logs. (See Graph 13). The effective tax rate on log exports at the end of the year stood at 15%.



The log tax regime currently stipulates that the lowest rate of export tax of 25% is applied to logs valued up to $450 per cubic meter, while 40% for values between $450 to $700 per cubic meter.

Beyond that, the official tax rate is 60% plus $212.50 per cubic meter.

Import duties increased on last year by 12% to $82.0 million despite the 30% drop in import values in 1999. The increase stemmed largely from the traders' compliance with Customs requirements. The effective rate of import taxation (as indicated by a six months moving average) at the end of 1999 was the same as the previous year, at 13%.



Non-tax revenue totalled $32.2 million, up $3.3 million from the previous year. Against the budget, it was down considerably. The delay in and inaccurate reporting of data from other Ministries to the Treasury is a course for concern that need to be addressed by the government. Contributing to the under-performance in other revenues relative to budget was non-realisation of the $15 million budgeted for log export proceeds from the Alu Plantation.

Expenditure

Total expenditure for the year came to $712.1 million, comprising $366.3 under recurrent and $345.8 million under capital.

Under recurrent expenditure, payroll expenses were $152.1 million or 42% of the recurrent expenditure. Against the previous year, this was down by $2.8 million while against budget it was up by $2.0 million. The excess against the budget of $150.0 for the year was due to the overspend under the Ministry of Police and Justice and Education. Specifically these were towards security and teachers demand for pay increases respectively.

Table 11
Solomon Islands Government Operations
($Million)

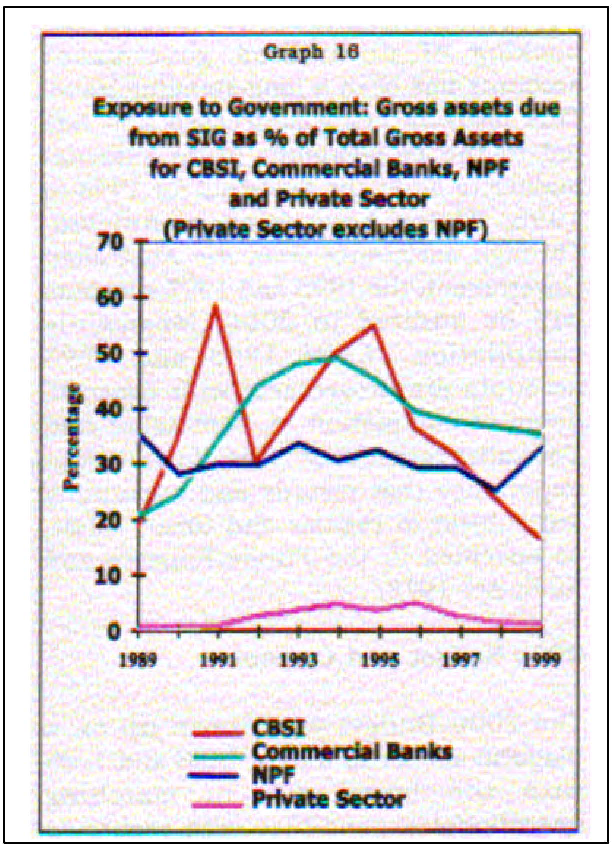
	1997	1998 Rev.	1999 Est.	2000 Bud.
Total Revenues &Grants:	**468.0**	**613.3**	**670.9**	**646.2**
Total Revenue	319.2	342.2	398.8	410.7
Income Tax	101.4	132.9	139.9	132.4
Taxes on Goods & Services	52.2	64.4	88.2	84.7
Tax on International Trade	135.6	116.0	138.5	145.6
Total NonTax Revenue	30.0	28.9	32.2	48.1
Grant	148.8	271.0	272.2	235.6
Total Expenditures:	**534.8**	**640.5**	**712.1**	**698.8**
Recurrent Expend.	364.6	340.4	366.3	382.5
Wages and Salaries	155.1	156.4	152.1	150.2
Interest	44.1	36.4	30.9	34.9
Other	165.4	147.6	183.4	197.4
Capital Expend.	170.2	300.1	345.8	316.3
Domestically Financed	12.0	21.8	20.5	30.0
Externally Financed	158.2	278.3	325.3	286.3
Current Balance	-45.4	1.8	32.5	28.2
Overall Balance	-66.7	-27.3	-41.2	-52.6
Financing	66.7	27.3	41.2	52.6
Foreign (net)	11.4	56.1	38.5	55.1
Domestic (net)	55.3	-28.8	-25.8	-5.5
Privatization	0.0	-	28.5	3.0

Source: Department of Finance & Central Bank of Solomon Islands

Expenditure on interest servicing totalled $30.9 million against $36.4 million in 1998.

Government spent about $183.4 million on other expenditures, of which $101.3 million was on goods and services. Subsidies, transfers and others expenditure came to $82.0 million, of which $58.7 million went to provincial governments.

Development expenditure totalled $345.8 million in 1999, up 15% on the previous year. The financing of capital expenditure came largely from external sources totalling $325.3 million against $20.5 million from domestic sources.



Government Debt and arrears

Government total debt stood at $912.9 million as at December 1999. This was down by $4.3 million from the previous year, although in the second quarter of 1999, it was further down by $61.1 million. However, it increased towards the end of the year due to the disbursements from the World Bank, ADB and ROC. Total disbursed outstanding external debt increased by 12% to $596.6 million. Of this, the Asian Development Bank accounted for 41.1% ($245.4 million) and the World Bank 33.6% ($200.5 million).

External debt servicing in 1999 totalled $21.2 million, comprised $13.4 million towards principal repayments and $7.8 million towards interest.

Domestic debt at $389.1 million was 17.5% lower than the previous year. This comprised $321.3 million in securities and the rest in overdrafts and advances.

By the end of the year, all domestic debt arrears had been cleared. External debt arrears stood at $54.4 million, entirely attributed to the EFIC and Marubeni loans. Of this, $32.9 million was accounted for principal and $21.5 million for interest. The arrears under the EFIC loan have been successfully rescheduled to terms that include a five-year grace period, principal repayment over a twenty-year period, and interest rate of 3%. Negotiations are continuing for the rescheduling of the Marubeni loan.

Government Reforms

Public service reform: The reform program instigated by the SIAC government since its inception in late 1997 has resulted in the trimming of the public service by some 450 personnel in 1999 with a further 100 in 2000. The second phase that covers training of redundant workers and consolidation of certain divisions in the various ministries has been successfully completed. This resulted in the merging of 19 ministries into departments under 10 ministries permitting them to share administration, accounting and secretarial functions. Further restructuring and institutional strengthening carried out by the Institutional Strengthening Unit (ISU) is ongoing. This specifically looks at creating appropriate work cultures that induce innovations and implant an output focus approach in the service.

Privatisation: The privatisation and reform of the government state-owned enterprises during the year progressed at a slower pace than initially anticipated. This was largely due to the technicalities involved and the complexities arising from the social unrest. Nonetheless, by the end of the year, 48.1% of the 58.1% of government stake with Telekom was sold to NPF for $48.9 million. Of the proceeds, $30.3 million was used to repay government debt with NPF and to clear ICSI arrears with NPF.

Privatisation of SIPL remains pending due to the current circumstances. The company is currently undertaking rehabilitation work and while its operation is anticipated to commence in June, this depends on availability of $20 million capital needed to inject for its restart and the conditions relating to the unrest. The government, through ICSI, holds a 30% stake in SIPL. A new Shareholders Agreement is currently under discussion with CDC, ICSI, GDA, government and landowners. Under the proposed arrangement, the landowners will be allowed to hold at least 5% (3% landowners and 2% through the Province) of the shares.

It is most probable that the next candidates for privatision are the Solomon Islands Printers Ltd, Kolombangara Forest Plantation Ltd., and Solomon Airlines. Other state-owned enterprises being considered for privatisation and to undergo reforms include the Home Finance Corporation, Solomon Islands Electricity Authority, Solomon Islands Postal Corporation, Solomon Taiyo Ltd., Livestock Development Authority, Solomon Islands Ports Authority, Solomon Islands Visitors Bureau, Solomon Islands Broadcasting Corporation, CEMA, Russel Islands Plantation Estate Ltd., and Solomon Islands Water Authority.

Tax reform: Tax reform has been reinforced with the help of technical assistance from various donors to help identify optimum rates. In this regard, Inland Revenue and Customs divisions have received attention in various areas, including income tax revision, rationalizing the tariffs that included reduction of the import duty band from 40% to 20% and, more generally, broadening the tax base. Most of these became effective in January 2000.

Accounting and budget framework: The backlog of un-audited government accounts has been a long-standing issue. This issue is being addressed and has led to the engagement of an external auditor to audit the accounts for 1993 to 1995. These have been completed. Through assistance from the Australian Government, the 1996 and 1997 accounts will be audited in 2000. Meanwhile compilation of the 1998 and 1999 accounts are progressing with expected dates of completion in September and December respectively. It is of paramount importance that records and accounting are subject to regular and timely audit, as specified in the Public Finance and Audit Act 1978.

2000 Budget and Outlook

The 2000 Budget was drawn up on a platform similar to that of 1998 and 1999 with the broad aim of matching operational expenditure with recurrent revenues and for the overall deficit to be financed largely from external sources. The financing required roughly represents 2.8% of GDP.

The anticipated recurrent revenue in 2000 of $410.7 million may prove to be on the high side while the recurrent expenditure of $382.5 million is on the low side. However, if revenues are overestimated, expenditure must be brought down for there to be compatibility between the two, and the objective is to be maintained. In particular on the revenue side is the estimate for non-tax revenue at $48.1 million. This could well be overestimated by more than $10 million. Under these circumstances, it is even more important for the government to uphold its intentions of doing away with further remissions and also improve its revenue from log exports (currently believed to be under-collected because of the anomaly between the determined prices and current market log prices).

Indeed, for 2000, if the budget is to be consistent with other policy objectives of lower inflation and increasing the level of external reserves, a lower overall deficit is required, equivalent to 2.5% of GDP as against 2.8% in the initial estimates. This also depends on capital expenditure remaining largely externally financed.

VII. FINANCIAL SYSTEM

The financial sector in Solomon Islands consists of the Central Bank (CBSI), three commercial banks (National Bank of Solomon Islands (NBSI), ANZ Bank and Westpac Banking Corporation), The Development Bank of Solomon Islands (DBSI), one finance company and over a hundred credit unions. In addition, there are specialised financial institutions such as the National Provident Fund (NPF), Home Finance Corporation (HFC), Investment Corporation of Solomon Islands (ICSI), and several insurance companies.

It is important that the stability and soundness of these institutions are maintained at all times in terms of efficient service delivery, the cost and accessibility of this service, safety of deposits and management accountability. That is why the Central Bank, as overseer of the financial system, places great importance on ensuring that there is accurate reporting of information to allow surveillance and supervision of financial institutions.

During its November 1999 sitting, the Solomon Islands Parliament amended the Financial Institutions Act of 1998. The Financial Institutions 1999 Amendment Act had two aims. First was to make corrections to some typographical errors in the Act passed in 1998. The second was to define pyramid selling as banking business. This made it illegal for people to advertise, promote or operate pyramid schemes in the Solomon Islands without a license to do so under the provisions of the Financial Institutions Act. The inclusion of the definition of pyramid schemes in the Financial Institutions Act is intended to control situations such as in 1998 when a lot of pyramid schemes led many small savers to lose their savings due to unfulfilled promises of financial returns.

Commercial Banks

In terms of new entrants for banking business in Solomon Islands, there was no new application for a banking license received during the year.

Total resources available to the commercial banks at the end of 1999 increased by 11 percent from 1998. The major change to the assets of the commercial banks was the redistribution of the government treasury bills to long term assets mainly in development bonds and restructuring bonds. The liquidity position of the commercial banks changed due an alteration to the definition and a reduction in required reserve assets from 40% to 7.5% that came into effect on April. At the end of the year, the actual holdings of liquid assets represented 14% of the deposit liabilities against the 7.5% minimum requirement.

Commercial banks reported strong after tax profits during the year. This result was achieved even after adjusting for the effect of interest in arrears from government securities. The interest margin defined here as net interest income divided by average earning assets was around 8 percent. Non-interest income, as a percent of total income averaged 36%. Combined cost to income ratio was 51.6%.

Gross troubled loans increased by 16% in 1999 to $8.2 million representing 4% of loans to the private sector. Provisions covered about 70% of troubled loans at end 1999. The average risk-adjusted capital ratio for the three commercial banks at end 1999 was 28% compared with 29% a year earlier (NB branches of foreign banks are required to assign capital in the Solomon Islands).

Development Bank of Solomon Islands (DBSI)

DBSI's lending in 1999 grew by $5 million, down from $10 million in 1998. The lower growth in lending emanated from constraints largely related to problems with arrears collections. These problems were compounded by the unrest on Guadalcanal. Lending activities were suspended in the final quarter of the year.

DBSI's lending was facilitated largely by an increase in its borrowings under the European Investment Bank credit line, up $6 million to $18 million. On the increases on the liability side were in public savings ($2.3 million from $1.2 million), balances under RCDF (by $2.4 million), and balance with its creditors ($2.4 million from $1.7 million).

By December 1999, the total value of outstanding arrears stood at $14 million or about 23% of the DBSI's gross outstanding loan portfolio. This compares to $11 million or 20% of its portfolio in the previous year.

Of the total value of DBSI loans outstanding at the end of 1999, 43% went to the services sector, commerce 24% and agriculture 16%. All other sectors accounted for less than 10% shares.

As part of the government's financial sector reform program, DBSI is to be brought under the supervision of the Central Bank. Progress on this has seen completion of an independent study review on the current state of the Development Bank with recommendations as to the future direction of this institution. The study has strongly pointed out the poor state the DBSI is currently in and made strong recommendations to remedy the situation. The recommendations are being considered by the government.

National Provident Fund (NPF)

The balance sheet of the NPF expanded by 5% to $384 million following a 12% expansion in 1998.

On the asset side, considerable restructuring of NPF's holdings of government debt occurred. The restructuring involved conversion of frozen Treasury bills holdings, totalling more than $55 million into longer term Restructuring bonds. As well, the government term loans of around $14 million were cleared by the end of the year. The NPF's holding of the Central Bank's Bokolo bills, totalling $8 million, were redeemed. The NPF purchased $48.9 million of government shares in Telekom towards the end of the year. The government used these proceeds to reduce its term loans with NPF and ICSI debts with NPF. There follows a significant reduction in government term loans and similarly a significant reduction in the amount of outstanding credit to statutory corporations. Loans to the private sector (comprised staff loans, housing loans, and lending to provincial authorities for vessel purchases), increased modestly by $2 million over the year. This follows from a $7 million rise in 1998. The NPF fixed assets rose by around $3 million over the year while its other assets went up significantly by $53 million.

On the liabilities side, members' contribution account rose 5% to $36 million, slower than the 8% growth in 1998. The slowdown in part was a consequence of the government's redundancy exercise and the dislocation to the formal workforce caused by the unrest on Guadalcanal. The NPF's accumulated funds rose 27% to $22 million while other assets rose only slightly.

As part of the government's financial sector reform program, the NPF, along with DBSI, is to be brought under the supervision of the Central Bank. An independent study on the NPF has been undertaken and its recommendations are being considered by the government.

Home Finance Corporation (HFC)

The Solomon Islands' government expectation of HFC is to increase the number of houses available to the general public, with an immediate emphasis on housing for public sector employees, especially nurses and police. As in the past years, the Corporation's effort to mobilise finances and offer mortgages to the public was hampered by lack of finance. The government needs to come out clear with its housing policies and its seriousness to address the current housing issues. The government has decided to partly privatise the corporation by converting some of its equity into shares and sell them to interested private sector enterprises.

The HFC lending for 1999 was about $0.3 million as lending activities were temporarily suspended due to the uncertainty of the social unrest that affected the cash flow situation through causing difficulties with loan repayments. Additionally, the government redundancy exercise contributed to the cash flow difficulty as this affected repayment.

A Memorandum of Understanding was agreed to HFC to finally transfer the ownership of some 1,100 lots to the HFC. This awaits cabinet approval.

The HFC is owed arrears of about $1 million, up on the $0.9 million in 1998. In total this is about 10% of HFC's gross outstanding loan balances. Efforts continued to resolve the arrears problem and about $0.5 million are currently under legal processing. The slow process in the legal system has hampered progress in this area.

The 1999 accounts are still pending audit. However, unaudited figures show an overall increase in assets by $0.2 million. The rise came from the marginal increase in housing loans as well as in plant, property and equipment. On the liabilities side, there was a 2.3% reduction to $1.62 million.

Income for the year was about $2.1 million, down from $2.8 million in 1998. The variation came from the sale of some rental properties. Expenditure was up 27% to $1.5 million compared to $1.2 million in 1998. This was attributed to HFC's introduction of its early retirement scheme under its downsizing exercise.

Investment Corporation of Solomon Islands (ICSI)

ICSI activities in 1999 focussed largely on facilitating the divestment process under the government's privatisation program. The assessment and advice on privatisation are basically done by the Privatisation Unit. The only privatisation concluded in 1999 was the sale to NPF of 48.1% of government's 58.1% stake in Telekom. ICSI, on behalf of government, still retained the other 10% and the chairmanship position in Telekom.

The sale proceeds, totalling $48.9 million, were applied largely to clear ICSI debts with NPF by $18.1 million and government debts with NPF by $12.2 million.

Following the sale of Telekom, ICSI's portfolio of companies comprises of these in Table 12.

It is most likely that the Solomon Islands Printer will be the next to be privatised. This is based on the responses from potential buyers. The progress overall on privatisation, however, while dependent on responses from interested investors, also relies heavily on the political will and mood of government.

Table 12

ICSI Portfolio of Companies
(Percent Share)

	1999
Solomon Islands Plantations Ltd.	30
Kolombangara Forest Plantations Ltd.	49
Solomon Taiyo Ltd.	49
Sasape Marina Ltd.	100
Solomon Airlines	100
Solomon Islands Printers Ltd.	100
Telekom	10

Source: Investment Corporation of Solomon Islands

The profitability of ICSI's portfolio companies has been largely confined to those of Telekom and SIPL. With the non-operation of SIPL, the only income source will be from the 10% stake remaining in Telekom. In the last two years, Solomon Airlines made some profits, but these were trivial in the context of an accumulated $48 million loss over the past years.

Credit Unions

The number of registered credit unions at the end of 1999 was164, an increase of one on 1998. The inability of SICUL to continue its outreach and visitation into the rural areas due to financial difficulties slowed the growth in Credit Union numbers. The distribution of credit unions as at the end of the year was Honiara 42, Malaita 41, Isabel 25, Guadalcanal 18, Western 15, Makira 11, Temotu 7, Choiseul 3 and Central with 2. As at the end of 1999, the total membership of registered credit unions fell to 18,258 from 18,311 in 1998. Judging from the lack of reports received by the Registrar's office, it is estimated that up to 50 percent of rural based credit unions may be inactive. A majority of the credit unions on Guadalcanal have not reported and almost all of them are believed to have vanished as a result of the current social unrest.

Despite these problems, the reported total financial resources (assets) available to the credit unions at the end of 1999 was $22.5 million, an increase of about half a percent from 1998. Of the total resources available to the credit unions, $17.1 million was invested in loans to members. At this level investment remains unchanged from the amount of total loans outstanding at the end of 1998. The financing of these assets came from shares of members that stood at $19.3 million, an increase of less than a percent from the total shares in 1998. The loan to total share ratio was 78 percent.

In terms of the financial structure, the Credit Unions play important intermediary services in Solomon Islands especially in the rural areas. With the tendency for commercial banks to restrain their rural presence, the successful development of credit unions can provide an alternative means of providing financial services to the rural population of Solomon Islands. Aside from the problem of SICUL sustainability the IFAD Rural Financial Services project has provided a structure that can be further developed in the future for the benefit of the rural people in Solomon Islands.

The ability of rural people to save money and for that money to be mobilized locally for productive and providential purpose remains vital to the development of provincial areas in Solomon Islands. Credit unions with their penetration into the rural areas are a strong contender for this role. It is recognised among policy makers importance of the role that the credit union movement can play in resource mobilization. However, at the same time it is necessary that adequate resources be given to SICUL to enable it to operate and supervise the growth and promotions of the credit unions in

Solomon Islands, if this potential is to come to fruition. The present Credit Union Act needs to be reviewed to ensure that it is not outdated and meets best practice standards in prudential supervision for this type of financial institution. Changes in the Act are also required to ensure that restrictions that prevent the Credit Unions identifying the full cost of their operation and preventing the adoption of market interest rates are removed. It is also important to ensure that officers of credit unions who abuse the confidence that the members have vested in them are appropriately dealt with.

The Credit Union Registrar's Office, in the Central Bank in an effort to work towards greater accountability of the urban-based credit unions has allocated two officers from the Financial Institutions Department in CBSI to assist the SICUL in supervising those Credit Unions with assets more than $100,000. The major task ahead for SICUL is the supervision of the rural-based credit unions.

In 1999, SICUL made some major changes in its administration. Because of budgetary problems, the SICUL retrenched most of its supporting staff and leaving only a core number of officers to run the office. A new manager was also recruited to continue the responsibilities of the SICUL as required by the Credit Union Act 1986. During 1999, the SICUL received technical assistance as well as financial support from AusAid, Canadian Fund, and Hans Seidel Foundation.

Other Financial Institutions

The balance sheet of other financial institutions reduced slightly by 4% ($0.2 million) to $4.0 million. This follows from a 5% reduction in the previous year. Loans made to the public declined substantially by 77% to $0.4 million, a continuation of the trend since 1994. Other assets declined substantially as well. Other financial institutions dues from other banks rose substantially, however, by 95% to $3.3 million. On the liabilities side, the deposit base reduced by 64% to $0.1 million, a substantial change from two years back when the deposit base was more than $7.0 million.

VIII. CENTRAL BANK OPERATIONS

The main functions of the Central Bank are provided for in the Central Bank Act 1976. These are to: conduct monetary policy; act as banker to banks, government and statutory bodies; act as advisor to SIG on economic and financial matters; issue currency notes and coins; manage the external reserves; administer exchange control and banking legislation; supervise commercial banks and credit unions; manage the Small Business Finance Scheme; act as a liaison institution between the Solomon Islands and international financial institutions; and carry out economic research and analysis.

Highlights of the Central Bank activities during 1999 are described in this chapter.

Finance & Accounts

The 1999 audited financial statements of the Central Bank and explanatory notes are given in the next section of this report.

The total balance sheet of the Central Bank marginally declined 2% to $332 million in 1999, compared with a growth of 33% in 1998. On the asset side, the major reduction was in the advances to government, by $30 million to $45 million as these were securitised to the banks, other institutions and the public. The decline in government advances more than offset the rise of $22 million to $255 million in international reserves. Other domestic assets also declined, by just under $1 million to less than $22 million. On the liabilities side, the declines occurred in deposits, Bokolo bills, and other domestic assets. The deposit liabilities of the Central Bank declined by more than $21 million as government deposits reduced by more than $18 million to $41 million, and banks call accounts and other deposits reduced by $1 million and $2 million to $49 million and to $2 million respectively. These declines were against increases in external liabilities and currency in circulation. The rise in external liabilities was on account of the $7 million rise to $10 million in capital subscriptions while the increase in currency in circulation, from $85 million to $104 million, reflected the public's greater preference for liquidity during the end of year celebrations and Y2K issue, and the substantial disbursement of funds by government to the displaced victims of the social unrest on Guadalcanal.

The profit and loss statement showed an operating profit of less than $1 million for 1999, down on the profit of $1.5 million in 1998. The fall in profit was due to the decline in domestic interest income and the increase in domestic interest payments, salaries and staff benefits, administrative expenses, and depreciation charges. With inclusion of transfer from reserves, a net profit of $2.1 million was recorded, as against $2.6 million last year.

Currency Operations

Currency issued by the Bank in 1999 increased by 21% to $104 million compared to a rise of 16% in the previous year. Of the total stock of currency issued, $99 million was in active circulation and $4 million was in commercial banks' till holdings. Over the year, the Bank destroyed $14 million in mutilated notes compared to more than $16 million in 1998.

Securities Market

Holdings of government securities underwent substantial restructuring during the year under the debt-restructuring plan. A total of $207 million in frozen Treasury bills were converted to two to five-year Restructuring bonds, leaving only $22 million in frozen treasury bills . The government securities market also revived in May 1999. The latter was used initially to secure the stock of government advances with the Central Bank. This resulted in the decline in government advances from $75 million to $45 million over the year. Accordingly, the total stock of government securities at the end of 1999 stood at $321 million, a rise of 11% ($34 million) from the previous year. Of the total stock of securities, $207 million were in Restructured Bonds, $14 million in Development Bonds, $22 million in frozen bills, $44 million in Treasury bonds, and $34 million were in Auction bills.

Exchange Control Operations

The Central Bank of Solomon Islands administers the Exchange Control Act and Regulations which monitors foreign exchange transactions between Solomon Islands residents and the rest of the world. The primary reason for exchange control in the Solomon Islands is to help conserve the country's foreign reserves through monitoring of inflows and outflows of foreign exchange and ensuring that export proceeds are received in Solomon Islands within reasonable time. Under the Exchange Control Regulations, commercial banks are appointed as authorised dealers to process transactions up to a specified limit as authorised by the Central Bank from time to time. Remittances above this limit require Exchange Control approval from the Central Bank.

In December 1997, this limit was lowered to $5,000. However it was restored to the original level of $25,000 in March 1998. Residents can repatriate capital, dividends and profits provided there is a tax clearance from the Commissioner of Inland Revenue. Likewise, emigrating residents from Solomon Islands can transfer part or all of their savings providing tax clearance is given by the Commissioner. Temporary residents may transfer part or all of their surplus earnings subject to Exchange Control approval from the Central Bank.

The sale and purchase of shares in companies registered in Solomon Islands by non-residents require Exchange Control approval from the Central Bank as well as the Investment Board. This is to establish a proper record of the new owners who may wish to remit capital funds, profits or dividends at a later date.

All overseas borrowings by residents requires approval from the Central Bank. Investments by non-residents in Solomon Islands require prior approval of the Investment Board. The investment approval is further subject to Exchange Control requirements.

In March 1999 the Central Bank allowed partial liberalisation of its exchange control to permit qualified exporters to hold a foreign currency account with domestic commercial banks. This decision came as a result of recommendations by a government task force commissioned to promote private sector growth. This partial liberalisation of the exchange control policy is aimed at promoting export growth, by assisting the exporters through cost savings when making payments for their imports. In order for an exporter to qualify to hold a foreign currency account, the exporter must meet three main conditions:

- First, the exporter must not have any outstanding export proceeds. This condition is intended to ensure that only those exporters who have repatriated the proceeds of their exports within 90 days after the date of export are qualified to hold foreign currency accounts.
- Second, the exporter has been in the exporting business for a period of at

least 24 months.

- Third, the exporter must have a tax clearance from the Commissioner of Inland Revenue indicating compliance with tax obligations to the Solomon Islands government.

Only exporters of goods are eligible to have a foreign currency account and it is not extended to service industries, importers or individuals.

All commodities (except round logs) are exported under the General Authority. Export proceeds must be remitted back to Solomon Islands within ninety days from the date of export, and the foreign currency proceeds should be sold promptly to a bank in Solomon Islands. Export of logs require the acquisition of a Specific Authority. This is given by the Central Bank upon presentation by the exporter of a market price certificate issued by the Commissioner of Forests. In 1999 the Central Bank approved 307 applications under Specific Authority for the export of round logs with estimated value of US$52 million ($87 million in 1998) and volume totaling 743,817 cubic metres (823,309 cubic metres in 1989).

As part of its monitoring task, the Bank processed a total of 1,091 (1,313 in 1998) shipping bills valued at $421 million ($499 million in 1998) for the purpose of monitoring the receipts of export proceeds stipulated in the General Authority to export. About 22 percent of the total amount remained outstanding at the end of the year. The Bank approved 4,377 applications for overseas remittance of funds compared to 3,721 in 1998. In value terms these applications totalled $756 million compared to $716 million in 1998.

Management of External Reserves

The Central Bank manages Solomon Islands under external reserves guidelines approved by its Board of Directors. The Foreign Exchange Department conducts the day to day management of the external reserves, through investment strategies sanctioned by an internal Investment Advisory Committee. The three key objectives of reserves management are: to ensure the availability of liquidity to meet the trading needs of the economy, to ensure safety of the reserves, and to receive income from the investment of the reserves. Given the current circumstances, the former two objectives take prominence. To achieve these objectives, the reserves are divided into two funds: a working capital fund, to meet the liquidity needs of the economy, and an investment fund, which is invested for interest income. Currency risks are minimised through a diversified portfolio of reserves which are held in seven currencies namely, US dollars, Pounds sterling, Australian dollars, Japanese Yen, Euro-Zone Currency Units (EUR), Singapore dollars and Special Drawing Rights (SDR). These are held mostly with the major international central banks such as the Federal Reserve Bank of New York and the Bank of England or with reputable financial institutions.

Supervisions of Financial institutions

The Central Bank under its charter is responsible for the supervision and regulation of banking business in the Solomon Islands. This mandate was strengthened with the passing of the Financial Institutions Act in 1998 under which the Bank is given powers to regulate banking business, and for licensing, regulating and supervising of financial institutions carrying on banking business in Solomon Islands.

In line with the Government's financial sector reform, the Financial Institutions Department (FID) was strengthened to enable it to meet the wider responsibilities of supervising both banking and non-banking financial institutions.

Changes were made in the organizational structure and the supervisory focus of the department. The department was divided into two major divisions with clear lines of responsibilities. One of the divisions is mandated to focus on the supervision of commercial banks. The other is responsible for the supervision of financial institutions other than commercial banks and the promotion of financial education amongst the public. Officers with the necessary qualifications and experience were transferred from other departments of the Bank or were recruited from outside of the Bank to staff the respective divisions.

Prudential Policies

During the year, the Bank acquired Technical Assistance from the World Bank to develope its supervision policies and practices. As a result of this assistance the FID was able to issue draft prudential policy statements to financial institutions for comment in the areas of capital adequacy, liquidity management, asset quality and credit grading systems, large exposures and connected lending, corporate governance and the role of external auditors. These prudential polices will become part of the licensing conditions of financial institutions doing banking business in the Solomon Islands once they are finalized. Commercial banks were also requested during the year to provide the Central Bank with descriptions of their risk management policies in place for their Solomon Islands operations.

Small Business Finance Scheme

The Small Business Finance Scheme, a successor to the Small Loans Guarantee Scheme of the late 1980s was established in 1990. The aim of the the scheme are to provide guarantee as collateral for commercial and Development Bank lending, to defray part of the interest rate cost of commercial bank loans and refinance loans made under the scheme in the case of liquidity shortage.

As at the end of 1999, the number of loans nominated under the scheme stood at 354, up 4% on the previous year. Of the 13 new loans nominated, commercial banks nominated 8 and DBSI accounted for the remainder. The gross value of loans nominated under the scheme at end 1999 was $13.7 million while loans outstanding were $12.6 million. The value of the Central Bank guarantee outstanding at end 1999 was $3.5 million. This amount represented the potential loss that the Bank would sustain if all the outstanding nominations under the scheme were to fail. In 1999, the Bank paid $11,624 towards claims on the guarantee. At the end of 1999, the value of loans with subsidized interest rates was $1.2 million.

Extension Services

As part of promoting financial services and general education of the public in Solomon Islands, the Bank aired a total of eleven hours of radio programs over the Solomon Islands Broadcasting Corporation (SIBC) in 1999. The topics covered banking and banking services, business management, personal money management and other subjects of general interest to the listeners.

Rural Financial Services Project Management

The FID was the project coordinator for the Rural Financial Services Project; a project implemented in 1991 aimed at assisting rural people to enter the cash economy through the development of a sound rural-based financial systems using the Credit Unions as the delivery vehicle. This project, which was funded under a loan of $8 million from the IFAD, ended in 1998, but was completed in 1999. The success of the project can be assessed from the growth of the Credit

Unions as presented earlier, in this report. However, one major disappointment in the project was its inability to realize its objective of making the Solomon Island Credit Union League (SICUL) the parent body of the credit unions in Solomon Islands financially self sustaining. The SICUL board will address this weakness during 2000.

Economic Research

One of the core responsibilities of the Central Bank is to collect, compile and publish economic information derived from various domestic and external sources. Analysis and research of economic conditions are done regularly; these form the basis of the Bank's advice to government and for use in monetary policy formulation in consultation with the Bank's internal Monetary Policy Committee (MPC). Information on the economy is published for public dissemination in the various regular reports of the Bank.

The Bank continued to be represented on the government's Policy and Structural Reform Committee (PSRC) as well as on the sub-committee (taskforce) responsible for financial and economic reform. The Bank also continue to host the Monthly Management Meetings (4M's) that provides an avenue for review of recent economic developments. These avenues allow the Bank to make a contribution to the government's reform process and policy development. Besides that some of the Bank staff were resource persons and participants in a number of workshops and seminars.

Audit

For the first time, in early 1999, the Bank invited outside accounting firms to submit tenders to undertake the function of the Internal Auditor to the Bank. Sojnocki accounting firm was engaged for a term of two years to provide regular audits on all operations of the Bank.

Regular internal checks are aimed at testing compliance with existing legal requirements and administrative procedures and policies. They are also aimed at maintaining efficient and effective operations and service delivery.

Administration, Personnel and Training

The Bank made significant changes to its staffing structure in 1999. The positions of departmental managers were placed on contract for a term of three years. This was aimed at attracting the best suitable candidates from the market, enhancing high productivity and quality performance in the Bank. Of the five management positions four were filled internally converting three managers and one assistant manager on permanent employment basis to contract employment. The fifth contracted management position was filled by recruitment from outside.

In 1999 eight officers took up early retirement, one on medical grounds. In early 2000 another took up early retirement also on medical grounds.

During the year, three staff undertook full time studies in Fiji and Australia. One graduated with a Masters degree in Accountancy at the end of the year. Two staff members attended full time studies at Solomon Islands College of Higher Education (SICHE). One completed the diploma programme in Business Finance at the end of the year.

Eleven staff attended part-time studies at SICHE and USP Centre in 1999. One completed a diploma programme in Banking at SICHE at the end of the year. Ten (10) short courses were attended overseas. Seven (7) staff members of the Bank, including managers and governors attended various seminars and funded overseas.

By the end of 1999 there were 71 staff employed by the Bank comprising 43 males and 28 females.

Upgrade of Security System

In 1999 the Board engaged Norman Disney and Young (NDY) of Australia to undertake a review of the CBSI Headquarters Security Systems. Based on the recommendations of the NDY Report, the Board endorsed investing on the upgrading of the security systems of the Bank.

Reinforcement of the security systems of the Bank is timely in view of the tense security situation currently prevailing in the nation.

Board Activities

Nine Board meetings, including one special Board Meeting, were held in 1999. One of the Board Meetings was held at Auki, Malaita Province. Holding of Board meetings in the provinces give opportunity for Provincial leaders and rural people to meet with members of the Board and to ask questions concerning the functions and activities of the Bank.

In November, 1999 the terms of three Directors, (Milton Sibisopere, Solomon Ilala and Celement Waiwori) expired. Mr. Solomon Ilala has since been reappointed by the Minister of Finance.

Relations with International Organisation

Relationship between Solomon Islands and multilateral development agencies, in particular the Asian Development Bank (ADB), World Bank (WB), International Monetary Fund (IMF) and European Union (EU), continued to be cordial and meaningfully used to exchange ideas on economic matters and securing of resources especially towards the government's reform program. The first tranches of program loans were obtained from the ADB and WB in 1998 and the second part of 1999 respectively. The second tranches are expected in 2000, along with a substantial Stabex assistance from the EU. The multilateral institutions have been very considerate of the financial difficulties imposed on the government because of the unrest on Guadalcanal and their assessment of economic progress has recognised the difficulties.

REPORT OF THE AUDITOR GENERAL

To the Minister of Finance:

Scope

I have audited the financial statements of Central Bank of Solomon Islands (the Bank) for the financial year ended 31st December 1999. The financial statements comprise:

- Balance Sheet
- Income Statement
- Statement of Cash Flows
- Notes to and forming part of the financial statements.

The Bank's directors are responsible for the preparation and presentation of the financial statements and the information they contain.

I have conducted an independent audit of these financial statements in order to express an opinion on them to the Minister.

My audit has been conducted in accordance with international standards on auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with international accounting standards and statutory requirements so as to present a view which is consistent with my understanding of the Bank's financial position, the results of its operations and its sources and application of funds.

The audit opinion expressed in this report has been formed on the above basis.

CENTRAL BANK OF SOLOMON ISLANDS - BALANCE SHEET
AS AT 31ST DECEMBER, 1999

	Notes	1999 ($'000)	1998 ($'000)
ASSETS			
DOMESTIC			
GOVERNMENT			
Loans and Advances	10	44,727	75,183
Development Bonds		27	27
Other Securities		11,074	6,410
		55,828	**81,620**
SECURITIES AND INVESTMENT (less provision for diminution)	15	4,198	4,198
FIXED ASSETS			
Premises & Equipment (less provision for depreciation)	9	7,211	7,994
OTHER DOMESTIC ASSETS	11	8,668	7,735
EXTERNAL			
Holding of Special Drawing Rights		52	3
Money at Call		103,618	128,706
Term Deposits	12	152,249	104,967
Other	13	1,092	378
		257,011	**234,066**
TOTAL ASSETS		**333,936**	**335,603**
LIABILITIES			
DOMESTIC			
CURRENCY ON ISSUE			
Notes		99,532	80,307
Coins		5,078	4,764
		104,610	**85,071**
FIXED DEPOSITS			
Solomon Islands Government	14	19,117	48,719
DEMAND DEPOSITS			
Banks		48,726	50,065
Solomon Islands Government		21,862	10,717
Financial Corporations		684	3,405
Other		1,201	111
		72,473	**64,298**
PROVISION FOR TRANSFER TO CONSOLIDATED FUND	6	1,253	231
OTHER DOMESTIC LIABILITIES	7	4,044	1,518
CBSI SECURITIES - BOKOLO BILLS	8	8,440	25,480
EXTERNAL			
Allocation of Special Drawing Rights by International Monetary Fund		4,563	4,464
Capital Subscriptions	4	6,435	1,770
Other External Liabilities	5	4,977	2,133
		15,976	**8,367**
TOTAL LIABILITIES		**226,011**	**233,684**
NET ASSETS		**107,925**	**101,919**
EQUITY			
CAPITAL AND RESERVES			
Paid up Capital	2	2,597	2,597
General Reserve	3(a)	6,000	6,000
Revaluation Reserve	3(b)	96,344	89,834
Other Reserves	3(c)	2,984	3,488
TOTAL EQUITY		**107,925**	**101,919**

Notes numbered 1 to 17 form part of these financial statements.

Date: 17 April 2000 Signed: .... Signed: ....
(Manager, Corporate Services Dept)

Audit Opinion

In my opinion the financial statements of Central Bank of Solomon Islands are properly drawn up:

(i) so as to give a true and fair view of the Bank's state of affairs as at 31st December 1999 and of its surplus for the financial year ended on that date;

(ii) in accordance with the provisions of the Public Finance and Audit Act 1978; and

(iii) in accordance with International Accounting Standards.

Isaac Vula Tatapu
Auditor General

Office of the Auditor General
P.O.Box G18
Honiara
Solomon Islands

20th April 2000

CENTRAL BANK OF SOLOMON ISLANDS

INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 1999

	Notes	1999 ($'000)	1998 ($'000)
Interest income:			
Interest received on external investment		12,039	9,197
Interest received on domestic lending		1,955	4,149
Total Interest Income		**13,994**	**13,346**
Interest expenses:			
Interest expense on external liabilites		151	193
Interest expense on domestic liabilities		4,004	2,769
Total Interest Expense		**4,155**	**2,962**
Net Interest Income		**9,839**	**10,384**
Other income:			
Royalties		106	220
Fees and commissions		1,656	1,619
Other income		2,653	385
Total Other Income		**4,415**	**2,224**
Total Income		**14,254**	**12,608**
Non-Interest Expenses			
Salaries and staff benefits		5,736	4,926
Administrative expenses		3,201	2,177
Board expenses		113	398
Currency expenses		1,006	1,011
Investment and commission		102	80
Depreciation		1,284	949
Subventions		199	240
Losses on Investment		87	0
Small Business Finance Scheme losses		14	125
Other expenses		1,762	1,182
Total Non-Interest Expenses		**13,504**	**11,088**
Operating profit		**750**	**1,520**
Transfer from reserves			
Other Reserves	3(c)	1,362	1,031
Total transfer from reserves		**1,362**	**1,031**
Net Profit		**2,112**	**2,551**
Transfers to reserves			
Other Reserves	3(c)	859	2,320
Total transfer to reserve		**859**	**2,320**
Transfer to SIG consolidated fund		**1,253**	**231**

Notes numbered 1 to 17 form part of these financial statements.

CENTRAL BANK OF SOLOMON ISLANDS
STATEMENT OF CASH FLOWS FOR YEAR ENDED 31ST DECEMBER, 1999

	Notes	1999 ($000's)	1998 ($000's)
Cash flows from operating activities			
Interest received		13,280	13,783
Cash received from other income		3,052	1,195
Interest paid		(4,154)	(2,962)
Cash payments in the course of operations		(8,366)	(8,165)
Net cash from operating activities before movement in operating assets and liabilities		**3,812**	**3,851**
Cash received on placement of deposits		(21,428)	86,153
Cash received from sale of CBSI Securities		0	0
Cash received/(paid) on IMF allocation of SDR		100	269
(Increase)/decrease in government finance provided		25,791	(2)
Net cash provided by operating activities		**8,275**	**90,271**
Cash flows from investment activities			
Payments for Premises, Plant & Equipment		(1,515)	(1,092)
Proceeds from sale of Premises, Plant & Equipment		105	82
Decrease in government investments		0	0
(Increase)/decrease in foreign investments		(14,883)	(78,434)
Net cash used in investment activities		**(16,293)**	**(79,444)**
Cash flows from financing activities			
Net movement in issue of circulating currency		19,539	11,646
Net movement in foreign currency loan		5,762	1,268
Redemption of Bokolo Bills		(17,040)	(22,120)
Payments to consolidated fund		(231)	(1,614)
Net cash from financing activities		**8,030**	**(10,820)**
Net increase (decrease) in cash held		**12**	**7**
Cash at the beginning of the financial year		**56**	**49**
Cash at the end of financial year	16	**68**	**56**

Notes numbered 1 to 17 form part of these financial statements

CENTRAL BANK OF SOLOMON ISLANDS

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 1999**

1. STATEMENT OF ACCOUNTING METHODS

The financial statements of the Bank have been drawn up in accordance with the International Accounting Standards and the requirement of the laws of Solomon Islands, in particular the Central Bank of Solomon Islands Act, CAP 49. They have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated current valuations of non-current assets. Except where stated, the accounting policies have been consistently applied.

Set out below is a summary of the significant accounting policies adopted by the Bank in the preparation of the accounts.

(a) **Depreciation**

Depreciation is provided on all fixed assets so as to write-off the assets progressively over their estimated economic life. Fixed assets are first depreciated in the year of acquisition. The straight-line method of depreciation has been used. The estimated useful lives of non-current assets are: premises –30 years, furniture and equipment 3 – 5 years, motor vehicle – 4 years.

(b) **Foreign Currencies**

Transactions involving foreign currencies have been recorded in Solomon Islands dollars using the rates of exchange prevailing on the date of transaction.

Assets and liabilities in the foreign currencies have been translated into Solomon Islands dollars at the rate of exchange prevailing at the year-end.

(c) **Valuation of Overseas Assets and Liabilities**

The gains or losses arising from appreciation or depreciation of the Bank's overseas assets and liabilities due to movements in exchange rates have been accounted for in accordance with section 45 (1) of the Central Bank of Solomon Islands Act, CAP 49 and are not included in the determination of net profit. (See also notes 3 and 5).

(d) **Revenues and Expenditures**

Revenue and expenditures have been accounted for on accrual basis, except where assets are regarded by the Board of Directors as impaired. In such cases revenue is recognised only upon the receipt of income.

CENTRAL BANK OF SOLOMON ISLANDS

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 1999

2 CAPITAL

	1999 ($'000)	1998 ($'000)
Authorised Capital	3,000	3,000
3,000,000 ordinary shares @ $1 per share		
Paid up capital		
2,597,000 ordinary shares @ $1 per share fully paid	2,597	2,597

3 RESERVES

	1999 ($'000)	1998 ($'000)
(a) General Reserves		
Balance 1.1.99	6,000	6,000
Transfer of net operating profit/(loss) for year in terms of section 20 (1) of Central Bank of Solomon Islands Act, CAP 49	0	0
Balance 31.12.99	**6,000**	**6,000**
(b) Revaluation Reserves		
Balance 1.1.99	89,834	85,268
Transfer of portion gains/losses for year in terms of section 45(1) of Central Bank of Solomon Islands Act, CAP 49	6,510	4,566
Balance 31.12.99	**96,344**	**89,834**
(c) Other Reserves		
Small Business Finance Scheme		
Balance 1.1.99	398	353
Payment on CBSI Schemes during the year	(14)	(125)
Transfer from P&L appropriation	678	170
Balance 31.12.99	**1,062**	**398**
Retirement Scheme		
Balance 1.1.99	1,589	845
Payment on CBSI Schemes during the year	(1,348)	(906)
Transfer from P&L appropriation	0	1,650
Balance 31.12.99	**241**	**1,589**

CENTRAL BANK OF SOLOMON ISLANDS

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 1999

3(c) Other Reserve cont'd

	1999	1998
	($'000)	**($'000)**
Capital Assets Reserve		
Balance 1.1.99	1,500	1,000
Payment on capital projects during the year	0	0
Transfer from P & L Appropriation	0	500
Balance 31.12.99	**1,500**	**1,500**
Gratuity Reserve		
Balance 1.1.99	0	0
Payment During Year	0	0
Transfer from reserve	181	0
Balance 31.12.99	**181**	**0**
Total - Other Reserves	**2,984**	**3,488**
Total Reserves	**105,328**	**99,322**

4 CAPITAL SUBSCRIPTION

The liability includes subcriptions to the International Monetary Fund (IMF) which are maintained in the two accounts, namely IMF No.1 and IMF No.2 Accounts. IMF keeps a balance both in SDR as well as in Solomon Islands dollars while the Bank keeps balances only in Solomon Islands dollars.

5 OTHER EXTERNAL LIABILITIES

	1999	1998
Demand deposit of international organisations such as Asian Development Bank (ADB), European Development Bank (EDB), International Fund for Agricultural Development (IFAD), International Development Association (IDA)	4,035	2,087
Interest payable - accrued but not due (Interest payable on SDR allocations and other external liabilities)	42	46
Total other external liabilities	**4,077**	**2,133**

CENTRAL BANK OF SOLOMON ISLANDS

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1999

		1999 ($'000)	1998 ($'000)
6	**PROVISION FOR TRANSFER TO SIG CONSOLIDATED FUND**		
	Balance 1.1.99	231	1,614
	Payment during the year	(231)	(1,614)
	Transfer of portion of net profit in terms of section 20 (2) of Central bank of Solomon Islands Act, CAP 49	1,253	231
	Balance 31.12.99	**1,253**	**231**
7	**OTHER DOMESTIC LIABILITIES**		
	Other (sundry creditors, general suspense, bank cheques, etc)	4,044	1,518
8	**CBSI SECURITIES - BOKOLO BILLS**	8,440	25,480
	The interest rate paid on Bokolo Bills as at balance date was 3% (1998 - 3%).		
9	**FIXED ASSET**		
	Fixed Assets less accumulated depreciation		
	Premises - at cost	8,005	8,646
	Accumulated depreciation	2,685	2,329
	Written down value	**5,320**	**6,317**
	Furniture and equipment - at cost	1,638	2,747
	Accumulated depreciation	1,200	1,988
	Written down value	**438**	**759**
	Computer - at cost	1,516	2,325
	Accumulated depreciation	485	1,663
	Written down value	**1,031**	**662**
	Motor Vehicle - at cost	694	469
	Accumulated depreciation	272	213
	Written down value	**422**	**256**

CENTRAL BANK OF SOLOMON ISLANDS

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 1999

9 Fixed Asset cont'd	1999 ($'000)	1998 ($'000)
Total Fixed Asset - at cost	11,853	14,187
Accumulated depreciation	4,642	6,193
Written down value	**7,211**	**7,994**

1999	TOTAL ($'000)	PREMISES ($'000)	FURNITURE EQUIPMENT ($'000)	COMPUTER ($'000)	MOTOR VEHICLE ($'000)
Written down Value at 1st January 1999	7,994	6,317	759	662	256
Additions during the year	1,515	176	209	825	305
Disposal during the year at written down value	1,015	741	186	88	0
Depreciations for the year	1,283	432	344	368	139
Written Down Value at 31st December1999	**7,211**	**5,320**	**438**	**1,031**	**422**

1998	TOTAL ($'000)	PREMISES ($'000)	FURNITURE EQUIPMENT ($'000)	COMPUTER ($'000)	MOTOR VEHICLE ($'000)
Written down Value at 1st January 1998	7,933	6,385	1,005	383	160
Additions during the year	1,092	271	156	460	205
Disposal during the year at written down value	82	53	0	7	22
Depreciations for the year	949	286	402	174	87
Written Down Value at 31st December 1998	**7,994**	**6,317**	**759**	**662**	**256**

10 CONCENTRATION OF CREDIT RISK

About thirteen percent (13%) (1998 - 22%) of the Bank's total asset is in the form of Advances to the Government. The quality of this asset has been affected by difficulties faced by the Government since 1995 in meeting its debt servicing obligations. But since January 1998, Goverhment has been servicing its debts with the Bank.

CENTRAL BANK OF SOLOMON ISLANDS

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 1999

11	OTHER DOMESTIC ASSETS	1999 ($000's)	1998 ($000's)
	Accrued Interest	1	1
	Staff loans	3,964	3,157
	Other (suspense,SI cash & current assets)	4,723	4,577
		8,688	**7,735**

12 MATURITY OF FINANCIAL ASSETS

All 1999 Term deposits mature within three months

13 OTHER EXTERNAL ASSETS

Accrued Interest - interest receivable but not due	1,092	378

14 SOLOMON ISLANDS GOVERNMENT (SIG) DEPOSITS

Represents funds received by Solomon Islands Government (SIG) under the Stabex scheme of the European Community, Asian Development Bank, Republic of China and Papua New Guinea Government. The corresponding foreign exchange funds form part of the external reserves. Interest earned by the Bank on the external reserves, interest paid to SIG on the local currency deposit. SIG draws on these deposits as and when it is ready to use the funds in the manner approved by the donors.

15 SECURITY INVESTMENT

These Investments made by the Bank, at the request of SIG, in the share capital of Investment Corporation of Solomon Island (ICSI) and Development Bank of Solomon Islands (DBSI) are carried at the lower of cost and recoverable amount, being at the Directors valuation based on historical cost, less provision for diminution of the value to reflect the net asset value indicated by the financial statement of each institution: - ICSI - 1996 qualified accounts and DBSI - 1997 final accounts.

	1999	1998
Investment Corporation of Solomon Islands (ICSI)		
Investment at cost	10,000	10,000
Accumulated Provision for diminution	6,640	6,640
Net Equity Investment	**3,360**	**3,360**
Development Bank of Solomon Islands (DBSI)		
Original investment at cost	2,150	2,150
Accumulated Provision for diminution	1,312	1,312
Net Equity Investment	**838**	**838**
TOTAL NET EQUITY	**4,198**	**4,198**

CENTRAL BANK OF SOLOMON ISLANDS

**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 1999**

	1999 ($'000)	1998 ($'000)

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise the following amounts, included in the Balance Sheet caption "Other Domestic Assets."

Cash on Hand	68	56

17 DIRECTORS REMUNERATION

Renumeration includes income from monthly and sitting allowances as approved by the Minister of Finance.

Directors' fees and allowances	59	52

CENTRAL BANK OF SOLOMON ISLANDS

1999 CALENDER OF EVENTS

January

· Supervisor, Economics Department attached to the Reserve Bank of Fiji, Suva.

February

. ADB Mission visited Solomon Islands.
· Mr. Alpha Kimata was appointed as Minister of Finance.

March

· Mr. Rolance Hilly, Mrs. Janita Radford and Hon. Alfred Hairiu were appointed as new Board Directors.
· Manager, Economics Department [ECO] attended a seminar in Singapore.
· Administration Policy & Implementation Committee [APIC] established.
. Governor attended AusAid workshop on Public Service Reforms in Suva, Fiji.

April

· The CBSI Board approved placing all senior management positions on contract for three-year terms. The position of Manager, Economics department was put on contract.
· Governor was part of a Solomon Islands delegation to the Asian Development Bank [ADB] Annual General Meeting in Manila.
· Minister of Finance issued a directive to have the Development Bank of Solomon Islands and National Provident Fund come under the supervisory ambit of the Central Bank.
· Seminar on Y2K bug organized and hosted by the Bank and attended by several companies and organizations.
· About $230 million government treasury bills converted into long term restructured bonds
· LAR reduced to 7.5%

May

· Governor accompanied the Minister of Finance to Washington D.C., USA to negotiate a US$15 million from the World Bank [WB].
· First auction of Tbills held with $10 million floated and received bids of $8.8 million.
· CBSI Annual Report for 1998 launched.
· Internal Audit functions of the Bank out-sourced to a local accounting firm.
· Supervisor, Currency and Banking Operations [CBO] attended a course in Singapore.
. National Parliament in session.

June

- Governor attended the Commonwealth Central Bank Governors Symposium in London, UK and the Annual Meeting of the Bank for International Settlements [BIS] in Basle, Switzerland.
- Manager, Financial Institutions Department [FID] and a senior supervisor attended a regional Seminar in Suva, Fiji, while the Assistant Manager, FID attended a workshop in Chiang Mai, Thailand.
- The International Monetary Fund [IMF] endorsed the macroeconomic framework of the Solomon Islands reform program.
- Mr. Reddy, Policy Adviser left the Bank after four years.
- Social Unrest on north Guadalcanal erupted.

July

- Deputy Governor, Manager Corporate Services Department [CSD] and Head of IT attended a Y2K and Business Continuity Planning [BCP] Seminar in Sydney, Australia.
- WB Executive Directors visited Solomon Islands.
- First tranche [US$7 million] of WB structural adjustment loan received.
- Manager, CBO attended a course on Monetary Operations in Kuala Lumpur, Malaysia.
- Norman Disney & Young [NDY] of Brisbane reviewed all security systems, procedures and equipment in the Bank.
- Discovery of counterfeit $50 notes.
- Signing of Vangunu Oil Palm Project.

August

- A rotation exercise was implemented for some staff.
- Governor and Manager, FID attended a workshop on Money Laundering in Port Vila, Vanuatu.
- Governor was resource person at the Social Malaita Conference.

September

- Supervisor, Foreign Exchange Department attended a course on Reserves Management in Kuala Lumpur, Malaysia.
- Governor attended the Annual Meetings of the WB Group and IMF in Washington D.C., USA

October

- Deputy Governor and Manager, CBO attended a Currency Conference in Sydney, Australia
- Mr. Michael Brown joined the Bank as General Adviser.
- Mr. Edward Ronia joined the Bank as the new Manager CSD.
- Mr. David Prees, TA on Bank Supervision joined the Bank.
- Seven and fourteen day T/Bills issued.
- Manager, ECO attended a Seminar on Data Dissemination Systems in Singapore.

- A representative of Thomas De La Rue visited the Bank for discussions on currency issues.
- ADB follow up mission to Solomon Islands.
- Negotiations with World Bank on Health Project.

November

- The Board held its provincial meeting at Auki, Malaita Province.
- Amendments to the Financial Institutions Act aimed at restricting the activities of Pyramid Schemes were passed in Parliament.
- Parliament passed the 2000 National Budget.
- The terms of Messrs. Milton Sibisopere, Solomon Ilala and Clement Waiwori ended as Directors on the Board.
- A representative of Note Printing Australia made a presentation to the Bank about polymer notes.
- The Central Bank adopted the SWIFT money transfer system replacing the telex system.
- Prudential policy statements were issued to banks for comments.

December

- Governor and Manager, FID attended the South Pacific Central Bank Governors Conference in Wellington, New Zealand.
- Consultants began a review of DBSI.

STATISTICAL ANNEX

D. Prices

E. Domestic Economy

TABLE 1.1 MONETARY SURVEY

(SI$'000)

Period Average 1	NET FOREIGN ASSETS: Monetary Authority	Banks	Total	DOMESTIC CREDIT: Govern-ment(net)	Private Sector	Total	NARROW MONEY (M1): Currency in Circulation	Demand Deposit: Banks	Demand Deposit: CBSI	Total	QUASI-MONEY: Savings Deposits	Time Deposits	BROAD MONEY (M3)	OTHER ITEMS (NET)
1988	78012	-3487	74525	7665	76349	84014	20093	25028	860	45981	23633	55779	123533	35006
1989	51003	-1891	49112	22634	98879	121513	22685	27362	309	50356	25017	51416	126789	43836
1990	37788	-6839	30949	60524	95767	156291	25289	38582	2220	66091	29001	46316	141408	45832
1991	14921	-1038	13883	119692	87772	207464	27802	50528	339	78669	36212	57731	172612	48735
1992	58905	1654	60559	131043	80913	211956	34763	71950	135	106848	41041	69660	217549	54966
1993	49233	1732	50965	170555	88276	258831	42152	80838	1019	124009	49705	75486	249200	60596
1994	46745	-4175	42570	214837	107971	322808	50280	109325	830	160435	60633	88286	309354	56024
1995	43991	-1816	42175	226937	123176	350113	54961	113556	1097	169614	64318	106135	340067	52221
1996	107728	-1352	106376	226024	130901	356925	59722	136773	1712	198207	64260	131001	393468	69834
1997	143846	7044	150890	226910	142021	368931	70840	139250	1278	211368	77104	129827	418299	101522
1998	225037	18	225055	177999	177768	355767	81340	135727	3507	220574	74790	143157	438521	142301
1999	240101	2570	242671	178861	194133	372994	100114	162764	1008	263886	75792	117778	457456	158209
1997														
Mar	97455	6779	104234	231352	133912	365264	58513	141408	1731	201652	70841	126705	399198	70300
Jun	104235	17318	121553	226852	133936	360788	63930	138887	1018	203835	78785	128963	411583	70758
Sep	129196	9754	138950	227741	131837	359578	63679	144797	685	209161	81471	128995	419627	78901
Dec	143846	7044	150890	226910	142021	368931	70840	139250	1278	211368	77104	129827	418299	101522
1998														
Mar	138965	-121	138844	231524	160240	391764	62893	131170	1239	195302	75048	127435	397785	132823
Jun	144344	4794	149138	217028	171259	388287	71748	126032	678	198458	75001	123043	396502	140923
Sep	165959	10329	176288	214304	172104	386408	70640	145581	700	216921	73634	127972	418527	144169
Dec	225037	18	225055	177999	177768	355767	81340	135727	3507	220574	74790	143157	438521	142301
1999														
Jan	237980	-233	237747	178806	168605	347411	76931	137334	3316	217581	73745	147284	438610	146548
Feb	226570	-7528	219042	190576	178654	369230	75251	134129	3605	212985	74061	151975	439021	149251
Mar	228884	-74	228810	187819	177434	365253	75904	144702	4664	225270	77266	155770	458306	135757
Apr	227174	-2485	224689	208197	180040	388237	81201	145421	3772	230394	76685	157879	464598	147968
May	238137	-1683	236454	204670	178972	383642	79301	162328	1705	243334	78506	159164	481004	139092
Jun	245725	-2142	243583	199126	179288	378414	80890	175619	924	257433	79625	144052	481110	140887
Jul	296701	-542	296159	157436	181773	339209	81590	190266	967	272823	79960	136576	489359	146009
Aug	280310	-4365	275945	161823	172748	334571	81198	170093	16056	267347	78304	122726	468377	142139
Sep	271527	-1837	269690	172020	179995	352015	84416	171586	6068	262070	78616	128406	469092	152613
Oct	262661	3001	265662	174147	180730	354877	88112	176933	1368	266413	77516	125811	469740	150799
Nov	258129	-4859	253270	184764	182706	367470	86157	191283	1340	278780	77214	115180	471174	149566
Dec	240844	2570	243414	178267	194317	372584	100114	162764	1882	264760	75792	117778	458330	157668

(1) End of period beginning January 1989

Source: Central Bank of Solomon Islands

TABLE 1.2 MONEY SUPPLY

(SI$'000)

Period Average 1/	(1) Currency In Active Circulation	(2) Demand Deposits Commercial Banks (adj)	(2) Demand Deposits Central Bank	(3) Money Supply (M1) (1 + 2)	(4) Savings Deposits	(5) Money Supply (M2) (3 + 4)	(6) Time Deposits (adj)	(7) Money Supply (M3) (5 + 6)
1988	20093	25028	860	45981	23633	69614	54779	124393
1989	22685	27362	309	50356	25017	75373	51416	126789
1990	25289	38582	2220	66091	29001	95092	46316	141408
1991	27802	50528	339	78669	36212	114881	57731	172612
1992	34763	71950	135	106848	41041	147889	69660	217549
1993	42152	80838	1019	124009	49705	173714	75486	249200
1994	50280	109325	830	160435	60633	221068	88286	309354
1995	54961	113556	1097	169614	64318	233932	106135	340067
1996	59721	136773	1713	198207	64260	262467	131001	393468
1997	70840	139250	1278	211368	77104	288472	129827	418299
1998	81340	135727	3502	220574	74790	295364	143157	438521
1999	100114	162764	1008	263886	75792	339678	117778	457456
1997								
Mar	58513	141408	1731	201652	70841	272493	126705	399198
Jun	63930	138887	1018	203835	78785	282620	128963	411583
Sep	63679	144797	685	209161	81471	290632	128995	419627
Dec	70840	139250	1278	211368	77104	288472	129827	418299
1998								
Mar	62893	131170	1239	195302	75048	270350	127435	397785
Jun	71748	126032	678	198458	75001	273459	123043	396502
Sep	70640	145581	700	216921	73634	290555	127972	418527
Dec	81340	135727	3502	220574	74790	295364	143157	438521
1999								
Jan	76931	137334	3316	217581	73745	291326	147284	438610
Feb	75251	134129	3605	212985	74061	287046	151975	439021
Mar	75904	144702	4664	225270	77266	302536	155770	458306
Apr	81201	145421	3772	230394	76685	307072	157879	464958
May	79301	162328	1705	243334	78506	321840	159164	481004
Jun	80890	175619	924	257433	79625	337058	144052	481110
Jul	81590	190266	967	272823	79960	352783	136576	489359
Aug	`81198	170093	16056	267347	78304	345651	122726	468377
Sep	84416	171586	6068	262070	78616	340686	128406	469092
Oct	88112	176933	1368	266413	77516	343929	125811	469740
Nov	86157	191283	1340	278780	77214	355994	115180	471174
Dec	100114	162764	1882	264760	75792	340552	117778	458330

1/ End of period begining January 1989.
Source: Central Bank of Solomon Islands.

TABLE 1.3 ASSETS OF CENTRAL BANK OF SOLOMON ISLANDS

(SI$'000)

Period Average 1/	EXTERNAL ASSETS: Money at call	Deposits	Secs	SDR Holdings	Total	SOLOMON ISLANDS GOVERNMENT: Advances	O/D Account	T/Bills	Dev Bonds	Other Secs	Total	LOANS & ADVANCES: Banks	Non-Bank	OTHER DOMESTIC ASSETS: Secs & Invts	Prems & Equip	Other	Total	TOTAL ASSETS	GOVT * FOREIGN ASSETS
1988	7762	74339	1268	8	83377	5617	-	4483	110	1333	11543	148	5710	6250	4876	1441	12567	113345	215
1989	12196	48425	-	160	60781	5735	-	12881	91	1333	20040	6760	5000	6650	4306	2067	13023	105604	154
1990	14747	27231	-	963	42941	21808	-	9107	110	1333	32358	63	5000	3803	4123	4615	12541	92903	-39
1991	15098	6450	-	287	21835	55031	-	2016	12	3819	60878	25	5600	4053	3962	4587	12602	100940	45
1992	28994	31888	6202	154	67238	29331	-	267	3	8527	38128	-	6909	2888	3718	3954	10560	122835	856
1993	30562	24538	6496	130	61716	43087	-	43	4	8527	51661	-	1336	2888	4105	3904	10897	125620	926
1994	20008	35115	-	41	55164	62408	-	-	25	8527	70960	-	-	4198	4885	3161	12244	138368	419
1995	26878	25605	-	19	52502	76108	-	-	3	8527	84638	-	-	4198	5689	3558	13445	150585	109
1996	67134	49397	-	35	116566	71217	-	-	25	7282	78524	-	-	4198	8238	7743	19179	214269	197
1997	34189	116184	-	17	150390	75139	-	-	25	6410	81574	-	-	4198	9121	8552	21871	254650	57
1998	128488	104914	-	2	233404	75183	-	-	27	6410	81620	-	-	4198	9118	9000	22316	337340	0
1999	102854	152290	-	3	255147	44727	-	-	27	11075	55829	-	-184	4198	7135	10287	21620	332412	22
1997																			
Mar	54856	49092	-	2	103950	73328	-	-	25	7282	80635	-	-	4198	8184	6983	19365	203950	193
Jun	50015	60757	-	32	110804	71340	-	-	25	6409	77774	-	-	4198	8422	6807	19427	208005	199
Sep	54031	81319	-	5	135355	73018	-	-	25	6410	79453	-	-	4198	8741	7529	20468	235276	196
Dec	34189	116184	-	17	150390	75139	-	-	25	6410	81574	-	-	4198	9121	8552	21871	254650	57
1998																			
Mar	55587	90964	-	45	146596	75879	-	-	25	6410	82314	-	-	4198	7992	7972	20162	249072	61
Jun	60950	93029	-	10	154038	75058	-	-	27	6410	81495	-	-	4198	8317	9291	21806	257339	61
Sep	73556	101980	-	23	175559	75183	-	-	27	6410	81620	-	-	4198	8792	11395	24385	281564	64
Dec	128488	104914	-	2	233404	75183	-	-	27	6410	81620	-	-	4198	9118	9000	22316	337340	0
1999																			
Jan	140172	106231	-	44	246447	75183	-	-	27	6410	81620	-	-	4198	8534	9590	22322	350389	0
Feb	94709	144705	-	11	239425	75183	-	-	27	11075	86285	-	-	4198	8598	10607	23403	349113	71
Mar	102325	139145	-	11	241481	75183	-	-	27	11075	86285	-	-	4198	8730	9915	22843	350609	140
Apr	95701	138959	4910	76	239646	75183	-	-	27	11075	86285	-	-	4198	8801	7585	20584	346515	36
May	99166	146301	4886	47	250400	75183	-	-	27	11075	86285	-	-	4198	8899	10236	23333	360018	37
Jun	114754	138416	4903	47	258120	49014	-	-	27	11075	60116	-	-	4198	9074	8992	20264	340500	36
Jul	161088	142691	4987	49	308815	23794	-	-	27	11075	34896	-	-	4198	9089	9288	22575	366286	36
Aug	145851	143169	5012	21	294053	7227	-	-	27	11075	18329	-	-	4198	9108	10716	24022	336404	37
Sep	136738	148676	-	21	285435	20766	-	-	27	11075	31868	-	-	4198	9175	11673	25046	342349	34
Oct	126518	148594	-	34	275146	20766	-	-	27	11075	31868	-	-	4198	9103	9888	23189	330203	35
Nov	120886	151645	-	3	272534	20765	-	-	27	11075	31867	-	-	4198	9261	9678	23137	327538	34
Dec	103618	152249	-	52	255919	44727	-	-	27	11075	55829	-	-	4198	7110	9778	21086	332834	22

* Included as memorandum item only; not part of CBSI assets.
1/ End of period beginning January 1989.
Source: Central Bank of Solomon Islands.

TABLE 1.3 LIABILITIES OF CENTRAL BANK OF SOLOMON ISLANDS

(SI$'000)

Period 1/ Average	EXT. LIABILITIES S.D.R. Alloca.	Other	Total	CURRENCY IN CIRCULATION Notes	Coins	Total	DEPOSITS Government Euro-Loan	Other	Total	Banks	Other	Total	CAPITAL FUNDS Paid-up Capital	Reval'n Res	Other Res	Total	SEC Bokolo Bills	OTHER DOM LIABS	TOTAL LIABI-LITIES
1988	1861	3504	5365	20519	1966	22485	-	33039	33039	10072	860	43971	2597	24038	6300	32935	-	8589	113345
1989	2078	7700	9778	22521	2209	24730	-	22942	22942	2314	309	25565	2597	32478	6708	41783	399	3349	105604
1990	2414	2739	5153	26026	2405	28431	-	8630	8630	2642	2220	13492	2597	35784	6562	44943	-	884	92903
1991	2614	4300	6914	29104	2584	31688	-	1672	1672	10559	339	12570	2597	35818	6503	44918	-	4850	100940
1992	2792	5541	8333	35003	2813	37816	-	5710	5710	3130	135	8975	2597	38037	6368	47002	17439	3270	122835
1993	2924	9569	12493	41565	3152	44717	-	5039	5039	2295	1019	8353	2597	40438	6355	49390	9866	801	125620
1994	3149	5270	8419	51388	3405	54793	-	10673	10673	6731	830	18234	2597	46194	5450	54241	1531	1150	138368
1995	3390	5121	8511	54973	3795	58768	-	4179	4179	16889	1097	22165	2597	47174	6251	56002	-	5119	150585
1996	3401	5437	8838	58539	4081	62620	-	3661	3661	37366	1712	42739	2597	50898	6850	60345	35000	4727	214269
1997	4195	2349	6544	68994	4430	73424	-	6492	6492	19094	1278	26864	2597	50898	6850	60345	47600	39873	254650
1998	4464	3903	8367	80307	4764	85071	-	59728	59728	49943	3507	113178	2597	85268	8198	96063	25480	9181	337340
1999	4563	10483	15046	98652	5078	103730	-	40385	40385	48728	1008	90121	2597	96344	8125	107066	8440	8009	332412
1997																			
Mar	3288	3207	6495	57218	4130	61348	-	3834	3834	23830	1731	29395	2597	50898	6200	59695	39800	7217	203950
Jun	3351	3218	6569	62852	4200	67052	-	4045	4045	26560	1018	31623	2597	50898	6850	60345	40600	1816	208005
Sep	3324	2835	6159	62557	4295	66852	-	4203	4203	38286	685	43174	2597	50848	6850	60345	55600	3146	235276
Dec	4195	2349	6544	68994	4430	73424	-	6492	6492	19094	1278	26864	2597	50898	6850	60345	47600	39873	254650
1998																			
Mar	4195	3436	7631	60774	4470	65244	-	8931	8931	27988	1239	38158	2597	85268	8199	96064	30500	11475	249072
Jun	4179	5515	9694	69323	4593	73916	-	25037	25037	14037	678	39752	2597	85268	8199	96064	35610	2303	257339
Sep	4407	5193	9600	69468	4684	74152	-	28201	28201	27395	700	56296	2597	85268	8198	96063	35070	10383	281564
Dec	4464	3903	8367	80307	4764	85071	-	59728	59728	49943	3507	113178	2597	85268	8198	96063	25480	9181	337340
1999																			
Jan	4516	3951	8467	75574	4739	80313	-	57827	57827	67252	3316	128395	2597	89834	9488	101919	27695	3600	350389
Feb	4464	8391	12855	73782	4763	78545	-	51034	51034	67460	3605	122099	2597	89834	9488	101919	31245	2450	349113
Mar	4252	8345	12597	74929	4786	79715	-	48459	48459	55746	4664	108869	2597	89834	9488	101919	52160	-4651	350609
Apr	4294	8178	12472	80124	4831	84956	-	38891	38891	58264	3772	100927	2597	89834	9488	101919	48800	-2559	346515
May	4246	8017	12263	78634	4849	83483	-	47625	47625	93703	1705	143033	2597	89834	9488	101919	22720	-3400	360018
Jun	4238	8157	12395	80175	4866	85041	-	58540	58540	66989	924	126453	2597	89834	9488	101919	18550	-3858	340500
Jul	4392	7722	12114	80220	4846	85066	-	100043	100043	45410	967	146420	2597	89834	9488	101919	18090	2677	366286
Aug	4416	9327	13743	80074	4860	84934	-	64745	64745	38281	16056	119082	2597	89834	9488	101919	12410	4316	336404
Sep	4573	9335	13908	83132	4910	88042	-	55292	55292	53263	6068	114623	2597	89834	9488	101919	8800	15057	342349
Oct	4596	7889	12485	85900	4950	90850	-	53560	53560	51859	1368	106787	2597	89834	9488	101919	8800	9362	330203
Nov	4554	9851	14405	84917	4993	89910	-	51613	51613	48122	1340	101075	2597	89834	9488	101919	8790	11439	327538
Dec	4563	10512	15075	98652	5078	103730	-	40979	40979	48728	1882	91589	2597	96344	8125	107066	8440	6934	332834

1/ End of period beginning January 1989.
Source: Central Bank of Solomon Islands.

TABLE 1.4 ASSETS OF COMMERCIAL BANKS

(SI$'000)

Period Average 1/	S.I CASH	DUE FROM CENTRAL BANK		SECURITIES					LOANS AND ADVANCES					OTHER DOM ASSETS	FOR'N ASSETS	TOTAL ASSETS
		Call	Other	Treasury Bills	Dev/Tr Bonds	Restr. Bonds	Auct. T'Bills	CBSI Secur.	SIG	Prov Govt	Stat Corps	Other	Total			
1988	2392	4409	5967	22316	9571	-	-	-	1788	4	614	70025	72430	14296	2911	134291
1989	2045	2368	-	14965	14997	-	-	-	660	61	8321	85558	96600	16586	1248	148809
1990	3142	2641	-	20254	16628	-	-	-	2478	636	8458	82309	93881	20913	3131	160590
1991	3886	10173	-	42776	27161	-	-	-	1	283	6532	75640	82456	24909	6501	197862
1992	3053	3582	-	80405	24831	-	-	15959	230	478	1783	72221	74712	26265	6696	235503
1993	2565	2295	-	107341	23131	-	-	8342	391	411	2717	84223	87742	29788	6908	268112
1994	4513	7987	-	128654	33289	-	-	-	700	1244	913	107058	109915	31485	11875	327718
1995	3807	18229	-	133644	23253	-	-	-	2101	223	1219	121957	125500	34625	4511	343569
1996	2898	37005	-	144243	14333	-	-	28000	1752	597	2705	128196	133250	28249	13136	401114
1997	2584	19059	-	154478	4500	-	-	45000	3726	309	753	141268	146056	34343	19208	425228
1998	3731	4773	-	162027	3500	-	-	10000	-	208	783	176985	177976	41479	6290	452776
1999	3616	48721	-	42473	27300	91040	19484	8000	-	219	2581	191736	194536	36277	30784	502231
1997																
Mar	2835	22406	-	144551	14333	-	-	33000	5429	455	995	132917	139796	31763	20598	409282
Jun	3122	26381	-	146616	12333	-	-	33000	4232	294	438	133498	138462	29178	36735	425827
Sep	3173	36197	-	150612	8333	-	-	48000	2950	302	306	131531	135089	30482	24914	436800
Dec	3731	19059	-	154478	4500	-	-	45000	3726	309	753	141268	146056	34343	19208	425228
1998																
Mar	2351	27567	-	156969	4500	-	-	23000	25	479	855	159385	160744	31652	22114	428897
Jun	2168	15415	-	160842	3500	-	-	20000	136	356	203	171056	171751	31393	14142	419211
Sep	3512	24909	-	161830	3500	-	-	20000	3	244	424	171680	172351	35814	12449	434365
Dec	2584	47773	-	162027	3500	-	-	10000	-	208	783	176985	177976	41479	6290	452776
1999																
Jan	3383	64401	-	162027	3500	-	-	12000	-	150	177	168428	168755	40132	9857	464055
Feb	3294	65380	-	162027	3500	-	-	15000	-	1	228	177661	177890	38350	4552	469993
Mar	3811	54688	-	162027	3500	-	-	36000	2	3	793	176641	177439	40470	10750	488685
Apr	3755	58427	-	50700	119340	-	-	36000	6	6	158	179882	180052	40525	11480	500279
May	4182	91471	-	55681	119340	-	-	19000	-	3	60	178912	178975	39438	7277	515364
Jun	4151	66998	-	86389	119340	-	-	16000	8	13	732	178556	179309	43619	6933	522739
Jul	3476	45073	-	100576	27300	91040	10570	16000	-	14	1055	180718	181787	38449	15386	529657
Aug	3736	37709	-	42473	27300	91040	56638	11000	33	227	725	172023	173008	42453	16871	502228
Sep	3626	52882	-	42473	27300	91040	43501	8000	34	183	1654	178341	180212	40959	20027	510020
Oct	2738	50573	-	42473	27300	91040	49882	8000	-	125	376	180354	180945	38093	26374	517418
Nov	3753	48529	-	42473	27300	91040	54165	8000	-	184	1927	180779	182890	39149	21117	518416
Dec	3616	48721	-	42473	27300	91040	19484	8000	-	219	2581	191736	194536	36277	30784	502231

1/ End of period beginning January 1989.
Source: Central Bank of Solomon Islands.

TABLE 1.4 LIABILITIES OF COMMERCIAL BANKS

(SI$'000)

Period Average 1/	DEMAND DEPOSITS S.I.G	DEMAND DEPOSITS Prov Govt	DEMAND DEPOSITS Stat Corps	DEMAND DEPOSITS Other	DEMAND DEPOSITS Total	SAVINGS DEPOSITS	TIME DEPOSITS S.I.G	TIME DEPOSITS Prov Govt	TIME DEPOSITS Stats Corps	TIME DEPOSITS Other	TIME DEPOSITS Total	TOTAL DEPOSITS S.I.G.	TOTAL DEPOSITS Prov Govt	TOTAL DEPOSITS Stat Corps	TOTAL DEPOSITS Other	TOTAL DEPOSITS Grand Total	DUE TO CBSI	CAP & RES	OTHER LIABS	FOR'N LIABS	TOTAL LIABS
1988	3857	408	973	23785	29023	23633	132	122	8874	45905	55033	3989	530	9847	93323	107689	112	10141	9952	6398	134291
1989	2438	889	1708	25654	30689	25017	3573	247	19144	32272	55236	6011	1136	20852	82943	110942	5763	13619	15346	3139	148809
1990	2020	652	2095	36487	41254	29001	194	334	17509	28807	46844	2214	986	19604	94295	117099	63	16570	16888	9970	160590
1991	2427	1428	4512	46016	54383	36212	5509	371	26712	31019	63611	7936	1799	31224	113247	154206	29	18385	17703	7539	197862
1992	3214	2323	4863	67087	77487	41041	1098	684	25708	43952	71442	4312	3007	30571	152080	189970	-	25540	14951	5042	235503
1993	4015	1223	5784	75054	86076	49705	1159	944	26912	48574	77589	5174	2167	32696	173333	213370	-	32295	17271	5176	268112
1994	2825	3323	11072	98253	115473	60633	2410	779	26812	61474	91475	5235	4102	37884	220360	267581	-	30874	13213	16050	327718
1995	4364	2467	6820	106736	120387	64318	4956	956	23978	82157	112047	9320	3423	30798	253211	296752	-	28789	11692	6327	343569
1996	2588	1305	13690	123103	140666	64260	5246	625	15534	115467	136872	7834	1930	29204	302830	341798	-	32542	12286	14488	401114
1997	2973	2408	11926	127324	144631	77104	5250	554	25273	104554	135631	8223	2962	37199	308982	357366	-	38351	17347	12164	425228
1998	4205	4721	16402	119325	144653	74790	147	555	18491	124666	143859	4352	5276	34893	318781	363302	-	62394	20808	6272	452776
1999	12741	3711	9361	153403	179216	75792	142	505	26284	91494	118425	12883	4216	35645	320689	373433	-	72188	28396	28214	502231
1997																					
Mar	2625	1850	11013	130395	145883	70841	5282	460	19916	106789	132447	7907	2310	30929	308025	349171	-	32227	14065	13819	409282
Jun	1992	2568	4019	134868	143447	78785	5332	460	20327	108636	134755	7324	3028	24346	322289	356987	-	33100	16323	19417	425827
Sep	1344	2535	12269	132528	148676	81471	5364	463	16862	112133	134822	6708	2998	29131	326132	364969	-	35506	21165	15160	436800
Dec	2973	2408	11926	127324	144631	77104	5250	554	25273	104554	135631	8223	2962	37199	308982	357366	-	38351	17347	12164	425228
1998																					
Mar	1354	1693	12842	118328	134217	75048	345	440	18751	108684	128220	1699	2133	31593	302060	337485	-	43401	25776	22235	428897
June	1997	1512	15527	110505	129541	75001	415	340	30084	92959	123798	2412	1852	45611	278465	328340	-	57515	24008	9348	419211
Sep	2344	1564	15322	130259	149489	73634	423	361	20389	107583	128756	2767	1925	35711	311476	351879	-	57240	23126	2120	434365
Dec	4205	4721	16402	119325	144653	74790	147	555	18491	124666	143859	4352	5276	34893	318781	363302	-	62394	20808	6272	452776
1999																					
Jan	6289	3521	16521	120813	147144	73745	147	707	16985	130299	148138	6436	4228	33506	324857	369027	-	54273	30665	10090	464055
Feb	6848	2678	15489	118640	143655	74061	148	707	14982	136993	152830	6996	3385	30471	329694	370546	-	57163	30204	12080	469993
Mar	11441	3241	11191	133511	159384	77266	148	709	41132	114638	156627	11589	3950	52323	325415	393277	-	63236	21348	10824	488685
Apr	6063	2324	14796	130625	153808	76685	148	714	39924	117955	158741	6211	3038	54720	325265	389234	-	65977	31103	13965	500279
May	6001	2155	14119	148209	170484	78506	148	710	48577	110587	160022	6149	2865	62696	337302	409012	-	72551	24841	8960	515364
Jun	5391	1989	39982	135637	182999	79625	149	671	32710	111342	144872	5540	2660	76292	326604	407496	-	77637	28531	9075	522739
Jul	4209	1821	36280	153986	196296	79960	149	738	33053	103523	137463	4358	2559	69333	337469	413719	-	71840	28170	15928	529657
Aug	5693	2849	34191	135902	178635	78304	149	781	19724	103002	123656	5842	3630	53915	317208	380595	-	63991	36406	21236	502228
Sep	6293	1660	29895	141691	179539	78616	152	982	27317	101089	129540	6445	2642	57212	321396	387695	-	64144	36317	21864	510020
Oct	12598	1784	30768	146165	191315	77516	142	547	27135	98676	126500	12740	2331	57903	322357	395331	-	69683	29031	23373	517418
Nov	6186	3784	43583	147700	201253	77214	142	540	16762	98418	115862	6328	4324	60345	323332	394329	-	69833	28278	25976	518416
Dec	12741	3711	9361	153403	179216	75792	142	505	26284	91494	118425	12883	4216	35645	320689	373433	-	72188	28396	28214	502231

1/ End of period beginning January 1989.
Source: Central Bank of Solomon Islands.

TABLE 1.5A SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT OUTSTANDING *

(SI$'000)

End of Period	Agriculture	Forestry	Fisheries	Mining & Quarrying	Manufacturing	Construction	Transport	Telecom-munications	Distribu-tion	Tourism
1988	6614	6187	679	91	6288	3738	7216		18356	-
1989	6351	7071	7492	101	7716	6872	3635	1771	23059	1255
1990	6152	7677	5399	63	8686	5697	3415	3605	19742	1632
1991	6237	2442	6607	-	6953	5484	4695	2664	18786	1775
1992	6064	4053	4448	-	6792	3982	4094	1877	16787	1719
1993	4146	7213	5765	-	8155	6045	3537	789	18949	3169
1994	2899	6631	5260	-	5661	7977	4460	3894	27057	4254
1995	1448	3799	6370	3	8618	9576	5088	3180	27710	8617
1996	2043	4180	2494	-	12471	9604	4232	2041	36347	6554
1997	2962	5982	1970	-	22656	9244	3296	892	34762	5940
1998	5740	9331	597	-	26386	9294	3782	730	54256	5188
1999	6547	11936	1738	-	33897	8014	3245	6546	38714	3688
1997										
Mar	1834	8820	442	-	17091	10039	4561	1771	32361	6434
Jun	2214	5505	604	-	16305	9939	5250	1362	34274	6483
Sep	1952	5746	2123	4	16646	9435	4866	1618	31628	6095
Dec	2962	5982	1970	-	22656	9244	3296	892	34762	5940
1998										
Mar	2594	5794	637	-	28017	9102	3832	1818	50492	5220
Jun	5356	6556	1221	-	26012	10365	3780	2000	55358	5581
Sep	5137	5846	976	-	26318	9576	3808	164	56388	5480
Dec	5740	9331	597	-	26386	9294	3782	730	54256	5188
1999										
Jan	5515	8971	206	-	26582	9335	3099	1556	45951	5107
Feb	5338	12137	260	-	27042	9314	3823	387	52856	5048
Mar	5611	11152	269	-	37025	9500	4985	1708	37587	5015
Apr	6387	11204	2785	-	36887	9758	4302	1361	35974	5122
May	4217	11289	1757	-	33836	9322	3979	2977	40825	4032
Jun	3855	11524	1296	-	33341	9355	2829	3471	41058	4038
Jul	4752	12526	2129	-	30633	9371	3365	3483	40092	4214
Aug	5370	10121	2060	-	28822	8618	3641	1651	37948	3926
Sep	5274	9248	2405	-	29970	8755	3704	3537	39777	3894
Oct	4894	9284	1605	-	30731	8512	3476	4281	41619	3961
Nov	4641	9176	2985	-	31572	8148	3334	3931	39597	3669
Dec	6547	11936	1738	-	33897	8014	3245	6546	38714	3688

* Part of this table is continued on the next page.
Source: Central Bank of Solomon Islands

TABLE1.5B SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT OUTSTANDING (Cont'd)

(SI$'000)

End of Period	Entertainment & Catering	Government	Statutory Corporations	Public Financial Institutions	Private Financial Institutions	Professional & Other Services	Personal	TOTAL	NON-RESIDENT
1988	-	2702	-	-	3492	6293	11370	73026	-
1989	599	722	6212	1343	2007	7680	12636	96596	145
1990	245	3114	6885	1573	1941	7374	10780	93881	123
1991	378	284	6125	407	950	7583	11086	82456	118
1992	375	708	1398	383	1069	7004	13959	74712	88
1993	384	802	1768	949	667	5472	19932	87742	70
1994	1310	1944	682	231	951	8991	27713	109915	1291
1995	3450	2324	1194	25	823	8172	35103	125500	731
1996	3432	2349	1439	1266	1058	7536	36204	133250	168
1997	3583	4035	746	7	1037	8352	40592	146056	521
1998	3120	208	102	681	646	7903	50012	177976	551
1999	2926	219	2350	231	1088	7701	65696	194536	287
1997									
Mar	3369	5884	908	87	1061	7282	37852	139796	148
Jun	3736	4526	436	2	1029	9414	37383	138462	3474
Sep	3634	3252	306	-	941	7844	38999	135089	4943
Dec	3583	4035	746	7	1037	8352	40592	146056	521
1998									
Mar	3585	504	849	6	959	8221	39114	160744	625
Jun	3485	591	187	16	797	8021	42425	171751	510
Sep	3072	247	94	330	859	7851	46205	172351	485
Dec	3120	208	102	681	646	7903	50012	177976	551
1999									
Jan	3095	150	140	37	583	8566	49862	168755	510
Feb	3184	1	161	67	718	8418	49135	177890	458
Mar	3123	5	752	41	614	7825	52227	177439	470
Apr	3185	12	151	7	864	8262	53791	180052	465
May	3382	3	52	8	877	7645	54774	178975	459
Jun	3180	21	437	295	940	7559	56110	179309	452
Jul	3019	14	1052	3	1125	8282	57727	181787	318
Aug	3254	169	533	3	837	8234	57821	173008	314
Sep	3225	217	1237	417	992	7967	59593	180212	311
Oct	3053	215	124	212	1152	8154	59632	180945	305
Nov	3085	184	1714	213	1101	7449	62091	182890	282
Dec	2926	219	2350	231	1088	7701	65696	194536	287

Source: Central Bank of Solomon Islands.

TABLE 1.6 COMMERCIAL BANK LIQUID ASSETS POSITION

(SI$'000)

Period Average 1/	ELIGIBLE RESERVE ASSETS: Till Cash	ELIGIBLE RESERVE ASSETS: Balances With CBSI	ELIGIBLE RESERVE ASSETS: Government Securities	ELIGIBLE RESERVE ASSETS: Total	REQUIRED RESERVE ASSETS	OTHER LIQUID ASSETS: CBSI Securities	SURPLUS/ (DEFECIT)
1989	2045	2368	29962	34375	33995	-	380
1990	3142	2641	36882	42665	36246	-	6419
1991	3886	10173	-	14059	11754	-	2305
1992	3053	3582	80405	87040	71239	15959	31760
1993	2565	2295	107341	112201	80014	8342	40529
1994	4513	7987	128654	141154	100343	-	40811
1995	3807	18229	133644	155680	118701	-	36979
1996	2898	37005	144243	184146	136719	28000	75427
1997	2584	19059	154478	176121	142946	45000	78175
1998	3731	47773	162027	213531	145321	10000	78210
1999	3616	47821	-	52337	28007	8000	110524
1997							
Mar	2835	22406	144551	169792	139668	33000	63124
Jun	3122	26381	146616	176119	142795	33000	66324
Sep	3173	36197	150612	189982	145988	48000	91994
Dec	2584	19059	154478	176121	142946	45000	78175
1998							
Mar	2351	27567	156969	186887	134994	23000	74893
Jun	2168	15415	160842	178425	131336	20000	67089
Sep	3512	24909	161830	190251	140752	20000	69499
Dec	3731	47773	162027	213531	145321	10000	78210
1999							
Jan	3383	64401	162027	229811	147611	12000	94200
Feb	3294	65380	162027	230701	148218	15000	97483
Mar	3811	54688	162027	220526	157311	36000	99215
Apr	3755	58427	-	62182	155693	36000	-57511
May	4182	91471	-	95653	30675	19000	83977
Jun	4151	66998	-	71149	30562	16000	56586
Jul	3476	45073	-	48549	31028	16000	33520
Aug	3736	37709	-	41445	28544	11000	23900
Sep	3626	52882	-	56508	29077	8000	35431
Oct	2738	50573	-	53311	29650	8000	31661
Nov	3753	48529	-	52282	29575	8000	30707
Dec	3616	47821	-	52337	28007	8000	32330

1/ End of period begining January 1989.
Source: Central Bank of Solomon Islands.

TABLE 1.7 ASSETS AND LIABILITIES OF OTHER LOCAL FINANCIAL INSTITUTIONS

(SI$'000)

End of Period	ASSETS: Due from Banks	Loans and Advances	Treaury Bills	Other Assets	LIABILITIES: Time Deposits	Due to Banks	Capital	Other Liabilities	TOTAL ASSETS = TOTAL LIABIL-ITIES
1989	117	4853	-	344	2713	1340	911	350	5314
1990	-	6347	-	1159	4389	1225	500	1392	7506
1991	60	4852	-	252	3269	354	1477	164	5264
1992	462	5439	-	285	3657	-462	2380	611	6186
1993	178	6418	-	952	4634	-	3329	-415	7548
1994	50	7592	-	1019	5040	-	3743	-122	8661
1995	535	7049	-	2404	5792	1750	2145	301	9988
1996	1200	6447	-	2652	7514	-	2631	154	10299
1997	-	3281	-	1118	764	357	2978	300	4399
1998	1672	1888	-	616	288	-	3321	567	4176
1999	3261	430	-	299	105	-	3727	158	3990
1997									
Mar	764	5912	-	2663	6435	-	2655	249	9339
Jun	-	4730	-	1969	3123	837	2469	270	6699
Sep	-	4178	-	1455	1191	1453	2712	277	5633
Dec	-	3281	-	1118	764	357	2978	300	4399
1998									
Mar	131	2685	-	1113	457	-	3200	272	3929
Jun	896	2283	-	848	374	-	3385	268	4027
Sep	1387	1899	-	576	356	-	3177	329	3862
Dec	1672	1888	-	616	288	-	3321	567	4176
1999									
Jan	1844	1468	-	286	255	-	3031	312	3598
Feb	1952	1379	-	295	243	-	3074	309	3626
Mar	2438	1255	-	307	247	-	3459	294	4000
Apr	2441	1163	-	435	247	-	3498	294	4039
May	2637	1065	-	343	212	-	3540	293	4045
Jun	2743	827	-	361	155	-	3581	195	3931
Jul	2840	715	-	380	158	-	3620	157	3935
Aug	2887	679	-	398	158	-	3648	158	3964
Sep	2986	533	-	415	100	-	3679	155	3934
Oct	3174	511	-	278	101	-	3705	157	3963
Nov	3217	463	-	288	104	-	3709	155	3068
Dec	3261	430	-	299	105	-	3727	158	3990

Source: Central Bank of Solomon Islands.

TABLE 1.8 ASSETS AND LIABILITIES OF DEVELOPMENT BANK OF SOLOMON ISLANDS

(SI$'000)

	ASSETS							LIABILITIES						
								Term Liabilities						
End of Period	Fixed Deposits	Treasury Bills	Term Loans	Equity Holdings	Staff Loans	Fixed* Assets	Other+ Assets	S.I.G	C.B.S.I	Overseas#	N.P.F	Capital and Reserves	Other Liabs	TOTAL ASSETS = TOTAL LIABS.
1989	1009	-	13123	337	588	2186	-3383	100	-	4643	3098	5104	915	13860
1990	1232	800	14518	307	722	2176	-1574	2500	-	4205	2757	8112	607	18181
1991	2379	1800	14958	150	1248	2843	-4902	3747	-	1496	2397	9871	670	18476
1992	2950	3100	18139	150	1511	2686	-4810	3286	-	3185	3941	12421	893	23726
1993	1795	1600	24745	150	1746	2553	-7533	2856	-	4361	3385	13339	1115	25056
1994	1216	958	25021	97	1308	2765	-4033	2423	-	5019	3656	14128	2106	27332
1995	1385	780	29488	97	1578	2589	-4521	2369	-	6737	1020	14575	6695	31396
1996	3987	780	36461	97	2440	2658	-6178	1881	-	7944	905	14931	14584	40245
1997	4765	780	44614	97	3843	2844	-3565	1346	-	8069	703	15624	27636	53378
1998	2248	-	55609	970	2508	2852	-6839	1321	-	8069	2713	14583	30662	57348
1999	2573	-	60640	97	3817	5036	-8819	1320	-	13561	2647	14781	31035	63344
1997														
Mar	3287	780	36703	97	2256	2547	-3626	1764	-	7943	845	15339	16153	42044
Jun	4034	780	38475	97	3241	2591	-3881	1471	-	7943	845	15751	19327	45337
Sep														
Dec	4765	780	44614	97	3843	2844	-3565	1346	-	8069	703	15624	27636	53378
1998														
Mar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jun	3827	780	48095	97	2481	2938	-4191	1321	-	8069	2713	13350	28574	54027
Sep	1438	780	54004	970	2508	2897	-6593	1321	-	8069	2713	15484	28417	56004
Dec	2248	-	55609	970	2508	2852	-6839	1321	-	8069	2713	14583	30662	57348
1999														
Jan	2426	-	56573	97	2566	2847	-6559	1321	-	9711	2640	13133	31145	57950
Feb	2226	-	57171	97	2622	3693	-8850	1321	-	9711	2740	11463	31724	56959
Mar	3292	-	57653	97	3353	3962	-9685	1320	-	12428	2647	11434	30843	58672
Apr	3370	-	56250	97	3383	4350	-8829	1320	-	12552	2647	12989	29113	58621
May	1352	-	57961	97	3430	4156	-9069	1320	-	13361	2647	10834	29765	57927
Jun	802	-	58424	97	3480	4371	-9369	1320	-	13361	2647	10709	29768	57805
Jul	514	-	58067	97	3742	4365	-9155	1320	-	13361	2647	10824	29478	57630
Aug	514	-	59378	97	3593	3592	-7796	1320	-	11461	2647	10280	33670	59378
Sep	1517	-	59844	97	3624	4307	-9545	4820	-	11511	2647	10166	30700	59844
Oct	1172	-	59724	97	3668	4280	-8762	2320	-	13561	2647	11166	30485	60179
Nov	1948	-	60249	97	3426	4519	-8923	4770	-	13561	2647	9831	30507	61316
Dec	2573	-	60640	97	3817	5036	-8819	1320	-	13561	2647	14781	31035	63344

* Less provision for depreciation. + Include provisions for doubtful debts. # Intermediated by SI Government

Source: Development Bank of Solomon Islands.

TABLE 1-9 BALANCE OF PAYMENTS

(SI $Millions)

	1995	1996	1997	1998	1999/2
CURRENT ACCOUNT	**-6.1**	**14.0**	**-90.8**	**143.7**	**193.9**
Merchandise trade (net)	46.9	39.8	-104.3	-87.0	64.1
Exports, fob	573.2	576.6	581.5	683.0	724.0
Imports, cif	526.3	536.9	685.9	770.0	659.9
Services (net)	-142.5	-155.6	-146.6	-52.2	-142.6
a) Travel (net)	-1.0	-9.1	-19.0	-29.5	-36.8
Credit	58.2	56.7	35.9	39.6	36.0
Debit	59.2	65.8	54.9	69.1	72.8
b) Investment income (net)	-22.9	-25.2	-31.4	-36.7	-55.7
Credit	4.1	8.4	10.1	14.2	26.0
Debit /3	27.0	33.6	41.5	50.9	81.7
c) Other services (net)	-118.6	-121.3	-96.1	14.0	-50.2
Credit	84.2	109.2	202.8	207.8	232.0
Debit /4	202.8	230.5	298.9	193.7	282.0
Transfers (net)	**89.5**	**129.8**	**160.1**	**283.0**	**272.5**
a) Official	88.3	139.0	148.8	131.0	272.2
Cash	3.3	5.6	31.8	50.9	54.6
Goods and Services	85.0	119.4	117.0	220.1	217.6
b) Private (net)	1.2	4.9	11.3	12.1	0.3
Credit	61.1	66.0	79.6	123.8	122.8
Debit	59.9	61.2	68.3	111.6	122.5
CAPITAL ACCOUNT	**-13.6**	**-16.5**	**181.8**	**88.4**	**-109.3**
Private (net)	-39.8	-33.7	162.6	47.6	-176.5
a) Long term (net)	-46.7	-21.0	36.8	5.2	-191.6
Loans	16.7	45.2	87.8	109.7	10.0
Repayments	63.4	66.2	51.0	104.5	201.6
b) Direct Investment (net) /5	4.6	1.6	128.4	48.3	14.8
c) Other (net)	2.3	13.7	-2.6	-5.9	0.3
SI Government (net)	**11.8**	**-7.5**	**19.2**	**40.8**	**67.2**
a) Long term (net)	11.8	-7.5	-18.9	58.6	53.3
Loans	24.7	9.2	9.7	92.8	74.4
Repayments /6	12.9	16.7	28.6	34.2	21.1
b) Short term capital (net) /7	9.3	27.9	38.1	-17.8	13.9
Net Errors and Omissions	**17.0**	**33.5**	**57.1**	**-49.2**	**-61.6**
Overall Balance	**-2.7**	**64.1**	**38.8**	**83.3**	**23.0**
Financing	2.7	-64.1	-33.8	-83.0	-23.0
Reserves (-=increase)	2.7	-64.1	-33.8	-83.0	-23.0

1/ Revised figures.
2/ Provisional estimates
3/ Figures for 1995-99 include interest arrears
4/ 1997 figure includes non-debt arrears.
5/ 1997 figure includes $11.3m in debt equity swaps
6/ 1995-99 figures include principal arrears.
7/ Principal, interest and other external arrears.

Source: Central Bank of Solomon Islands.

Table1-10 Real and Nominal Trade Flows
Trade Flows $Millions at 1990 Prices; Indices: 1990=100

Period	Principal Exports Value	Export Unit Value	Other Exports Value	Nominal Effective Ex. Rates	Real Exports	Nominal Trade Imports	Price of Imports	Real Trade Imports	Terms of Trade
1980	50.3	49.6	7.8	31.2	126.3	61.5	27.7	222.2	159.0
1981	47.0	43.1	9.2	32.3	137.4	66.0	30.0	220.0	133.1
1982	45.8	44.0	9.3	32.4	132.8	57.5	31.1	184.9	131.0
1983	59.8	46.5	10.8	37.2	157.6	70.6	35.9	196.8	116.5
1984	94.4	65.1	23.4	39.8	203.7	83.8	38.7	216.7	141.8
1985	98.9	65.7	4.9	43.4	161.9	102.7	42.3	242.9	135.8
1986	107.1	53.4	7.8	59.5	213.8	104.3	52.5	198.9	101.7
1987	117.2	88.7	11.1	75.6	153.0	134.9	66.8	202.1	126.9
1988	155.3	106.5	15.3	86.2	163.5	203.3	81.0	250.9	131.5
1989	158.1	105.5	15.7	91.2	164.7	259.5	90.8	285.8	116.1
1990	163.1	100.0	58.2	100.0	116.3	231.0	100.0	231.0	100.0
1991	206.8	101.5	64.8	110.7	262.3	305.7	103.2	296.2	98.4
1992	272.7	115.0	31.5	121.0	263.2	326.0	110.2	296.5	104.3
1993	392.4	149.4	19.1	134.2	276.8	436.3	118.9	367.0	125.7
1994	454.5	149.2	13.4	147.5	313.7	468.1	128.8	363.6	115.9
1995	550.2	157.5	23.0	160.8	363.6	526.3	143.8	365.9	109.5
1996	559.7	190.2	7.8	160.1	230.7	536.9	146.3	367.0	130.0
1997	561.3	207.8	20.5	161.4	282.8	685.9	146.0	469.8	142.4

NB: Imports exclude exceptional items.

Source: Central Bank of Solomon Islands.

TABLE 1-11 VALUE OF EXPORTS BY COMMODITY

(SI$'000)

Period	Frozen Fish	Fish Canned	Fish Smoked	Total Fish	Timber Logs	Timber Sawn	Total Timber	Copra	Palm Oil	Palm Kernel	Cocoa	Coconut Oil	Marine Shells	Gold	Other Exports	Re-ex-ports	TOTAL
1990	31226	18403	3556	53185	56526	4285	60811	10936	17933	1387	11375	2467	6305	1198	6718	5320	177635
1991	67689	35957	2771	106417	49455	4102	53557	10369	19345	1523	13728	1886	2719	1252	14515	4577	229888
1992	48131	36756	3063	87950	104018	6430	110448	21294	32900	2861	14368	5519	1476	843	22421	3772	303852
1993	28589	48050	6048	82687	221725	9990	231715	18533	35808	2272	16804	4653	905	947	13172	3945	411442
1994	33066	60389	5613	99068	267072	9484	276856	19770	39911	4304	12549	2013	1282	311	14585	2668	467877
1995	73987	65281	6443	145711	269616	13335	282952	32852	66544	5493	13424	4122	5568	631	8426	7429	573153
1996	50355	48830	6134	105319	336463	12900	349363	23510	55808	7147	12855	5689	330	181	10374	6072	576648
1997	59490	63882	6447	129819	278206	12468	290674	36787	68049	6351	17034	12562	2027	57	12230	6186	581776
1993																	
Q1	5080	7817	182	13079	42687	1309	43996	5998	10504	769	3011	2035	287	337	3695	688	84400
Q2	7932	12090	3693	23715	62042	2147	64189	4632	6790	610	3995	624	98	235	3749	540	109177
Q3	7126	14543	797	22466	60993	4219	65212	4499	6470	267	7584	1994	107	230	2930	1587	113346
Q4	8451	13600	1376	23427	56003	2315	58318	3404	12044	626	2214	-	413	145	2798	1130	104519
1994																	
Q1	1243	11789	332	24452	66819	1964	68783	6210	11986	646	1627	-	242	46	1765	430	116187
Q2	7855	15424	1287	24566	68426	2370	70796	2846	8531	1004	3171	780	185	20	2188	329	115911
Q3	4899	16552	2119	23570	48542	2841	51383	6231	12689	1265	5606	1233	441	146	2556	1195	106315
Q4	7881	16624	1975	26480	83285	2509	85794	3083	6705	1389	2145	-	414	99	2637	714	129460
1995																	
Q1	18311	8224	53	26589	71527	4007	75534	7786	22882	1589	817	-	297	112	2353	1707	139666
Q2	27449	19192	1829	48481	55352	3410	58762	9092	17047	1647	2421	1902	1384	217	1922	1587	144462
Q3	17785	21307	2441	41713	84954	2664	87617	6893	19931	1273	5125	685	1034	167	1731	410	166580
Q4	10442	16558	1248	28929	57784	3255	61039	9081	6683	984	5060	1535	2853	135	2420	3726	122445
1996																	
Q1	10031	9028	-	19059	92564	1774	94338	7755	11338	1750	1266	1466	276	96	1818	3273	142345
Q2	10528	8617	1672	20818	78528	2888	81416	2936	22321	1828	3647	2326	7	41	2304	828	138472
Q3	14541	14686	1829	31056	79364	3384	82748	6702	10166	2461	5046	1897	32	26	2785	1156	144075
Q4	15255	16499	2632	34386	86007	4854	90861	6117	11983	1108	2896	-	15	18	3467	815	151666
1997																	
Q1	16948	12148	223	29319	72466	2389	74855	9875	16499	1487	1967	3829	312	26	2403	3068	143590
Q2	12879	19981	1390	34250	66182	2849	69031	9459	14397	1534	5435	3393	632	-	3309	695	142140
Q3	9299	11515	2853	23667	85953	3734	89687	8539	17230	1318	6693	3288	715	-	3347	612	155096
Q4	20364	20328	1981	42583	53605	3496	57101	8914	19973	2012	2939	2047	368	31	3171	1811	140950

Source: Statistics Division, Ministry of Finance.

TABLE 2-8 VALUE OF IMPORTS BY COMMODITY GROUP

(SI$'000)

Period	Food	Beverages & Tobacco	Crude Material Inedible	Mineral Fuels & related Materials	Animal & Vegetable Oil & Fats	Chemi-cals	Manufactured Goods by materials	Machinery & Transport Equipment	Miscellaneous Manufactured Articles	Miscellaneous Transactions Commodities	TOTAL
1980	7957	2179	500	11849	481	3797	12244	28854	5648	262	73771
1981	8455	2812	712	18265	400	4596	14552	23167	6035	301	79295
1982	10211	2558	654	17285	613	4507	10972	15912	5927	281	68920
1983	9852	3268	961	21428	889	5046	15126	22166	5758	264	84758
1984	15773	4464	1482	22873	946	6053	16264	24061	8082	575	100572
1985	18792	4738	1063	24995	2167	7344	19417	32404	11750	529	123199
1986	20969	4888	986	23614	941	5909	19648	36920	10206	1110	125190
1987	24271	5077	950	24005	960	10841	33235	47137	14940	665	162080
1988	34771	6575	1681	23055	1024	13881	40161	61989	19285	876	203297
1989	36596	7919	1836	25062	903	11120	51691	94568	24742	5034	259471
1990	36211	7580	2064	30440	1358	11710	55257	58660	24433	3323	231036
1991	39919	7478	3103	41002	3051	16859	62259	99682	26476	5884	305713
1992	45812	9477	3950	39421	2360	15626	59564	111741	33354	5304	326609
1993	52990	5482	2691	40961	1478	20727	91701	172061	42565	5636	436289
1994	61255	6853	4443	38250	3449	24203	93284	177749	43627	6393	468121
1995	80667	10347	4884	48899	4822	27000	120072	170697	51202	7680	526270
1996	81302	12046	5413	60843	3480	23845	119116	162844	60439	7546	536874
1997	94974	14632	6706	59036	6591	33651	138359	258629	67562	5738	685878
1994											
Q1	14305	1481	1245	9398	466	6285	18295	37257	6658	2435	97825
Q2	12534	1623	1285	9066	710	5719	22540	40951	14994	1345	110767
Q3	14114	1434	861	9928	901	5460	23283	36241	9852	753	102827
Q4	20302	2315	1052	9858	1372	6739	29166	63300	12123	1860	148087
1995											
Q1	20455	1955	1013	12520	1591	5548	23583	33235	9224	2038	111162
Q2	15640	3357	1242	12996	983	6709	34160	44586	14683	2039	137005
Q3	24949	2739	1159	8756	636	7952	32100	52197	13448	1719	145655
Q4	19623	2296	1470	14627	1612	6181	30229	40679	13847	1884	132448
1996											
Q1	19952	2718	1044	11199	1483	4758	25212	30494	13157	2718	112735
Q2	20512	3222	1147	17762	805	7284	36403	64679	16042	2106	169962
Q3	21899	3026	1739	14121	733	5280	28345	34704	15549	751	126147
Q4	18939	3080	1483	17761	459	6523	29156	32967	15691	1971	128030
1997											
Q1	21113	3847	1464	16553	1701	6868	33234	56095	11782	1074	154332
Q2	22843	2805	1421	17796	1624	9312	30212	50858	16742	1559	155172
Q3	23694	4503	2223	13054	1813	11328	35455	83948	20517	1138	197674
Q4	27324	3477	1597	11633	1454	1642	39458	67728	18521	1367	178701

Source: Statistics Division, Ministry of Finance.

TABLE 1-13 EXCHANGE RATES

(UNITS OF SI$ PER FOREIGN CURRENCY)

Period Average	US$	Aus$	Pound Stg	Yen (Per 100)	NZ$	S.D.R.
1988	2.11	1.67	3.72	1.63	1.21	2.81
1989	2.34	1.83	3.76	1.67	1.39	3.00
1990	2.53	1.97	4.52	1.75	1.49	3.44
1991	2.72	2.12	4.79	2.03	1.56	3.72
1992	2.93	2.15	5.15	2.31	1.58	4.11
1993	3.18	2.17	4.79	2.87	1.72	4.47
1994	3.29	2.41	5.04	3.23	1.95	4.72
1995	3.41	2.52	5.38	3.64	2.24	5.17
1996	3.55	2.80	5.54	3.27	2.44	5.15
1997	3.73	2.76	6.13	3.07	2.46	5.12
1998	4.82	3.03	7.98	3.68	2.60	6.55
1999	5.06	3.22	8.16	4.93	2.57	6.95
1994						
Q1	3.25	2.30	4.84	3.03	1.85	4.51
Q2	3.28	2.38	4.93	3.18	1.90	4.68
Q3	3.30	2.43	5.12	3.33	1.98	4.83
Q4	3.33	2.52	5.27	3.37	2.07	4.88
1995						
Q1	3.36	2.47	5.36	3.69	2.17	5.14
Q2	3.39	2.32	5.41	4.01	2.28	5.05
Q3	3.44	2.59	5.36	3.43	2.26	5.08
Q4	3.49	2.58	5.37	3.43	2.27	5.18
1996						
Q1	3.52	2.77	5.33	3.28	2.40	5.10
Q2	3.54	2.81	5.47	3.25	2.40	5.11
Q3	3.58	2.84	5.58	3.26	2.49	5.19
Q4	3.61	2.88	6.01	3.18	2.55	5.20
1997						
Mar	3.64	2.87	5.81	2.97	2.54	5.01
Jun	3.67	2.77	6.04	3.20	2.53	5.09
Sep	3.72	2.69	5.96	3.08	2.37	5.05
Dec	4.22	2.81	7.02	3.11	2.51	5.72
1998						
Mar	4.78	3.21	7.94	3.72	2.75	6.43
Jun	4.81	2.90	7.92	3.26	2.46	6.40
Sep	4.93	2.90	8.29	3.66	2.49	7.05
Dec	4.84	3.00	8.07	4.11	2.53	6.77
1999						
Jan	4.93	3.12	8.16	4.37	2.66	6.93
Feb	4.89	3.13	7.97	4.20	2.66	6.77
Mar	4.82	3.04	7.81	4.03	2.57	6.53
Apr	4.84	3.10	7.79	4.04	2.62	6.56
May	4.85	3.22	7.84	3.98	2.69	6.55
Jun	4.84	3.18	7.73	4.01	2.58	6.49
Jul	4.86	3.24	7.65	4.06	2.55	6.50
Aug	4.94	3.19	7.94	4.35	2.61	6.74
Sep	5.04	3.25	8.18	4.70	2.64	6.93
Oct	5.06	3.30	8.39	4.77	2.60	7.03
Nov	5.06	3.23	8.21	4.83	2.59	6.96
Dec	5.06	3.22	8.16	4.93	2.57	6.95

Source: Central Bank of Solomon Islands.

TABLE 1-14 COMPETITIVENESS AND RELATIVE PRICES

Period Average		A Nominal Effective	B Real Effective 1 based on relative retail prices	C Real Effective 2 based on domestic retail prices and foreign export prices	D Term of Trade export unit values relative to foreign export prices (in common currency)
		Exchange rates			
1986		59.5	78.5	81.3	104.6
1987		75.6	91.0	91.1	124.0
1988		86.2	96.0	99.0	125.3
1989		91.2	92.7	97.3	108.3
1990		100.0	100.0	100.0	100.0
1991		110.7	103.0	94.5	98.8
1992		121.0	102.7	92.4	103.8
1993		134.2	103.2	90.3	149.4
1994		147.5	98.9	83.4	144.1
1995		160.8	98.7	83.5	125.7
1996		160.1	92.0	75.2	131.0
1997		161.4	85.0	69.2	140.8
1998		185.3	85.2	70.4	127.7
1999		205.4	85.0	65.4	125.2
1997	Q1	157.0	80.8	65.1	136.2
	Q2	158.3	80.4	64.7	135.9
	Q3	158.2	79.5	65.1	135.2
	Q4	172.2	85.3	70.8	122.8
1998	Q1	166.8	76.0	63.3	127.5
	Q2	160.5	75.5	59.5	132.2
	Q3	156.5	68.6	57.7	135.3
	Q4	169.9	72.2	60.6	128.0
Annual Percentage Changes					
1990		9.7	8.6	2.8	-7.7
1991		10.7	-1.1	-9.3	-1.2
1992		9.3	-0.3	-2.3	5.1
1993		10.9	0.5	-2.2	43.9
1994		9.9	-4.2	-7.6	-3.5
1995		9.0	-0.2	0.1	-12.8
1996		-0.5	-6.8	-10.0	4.1
1997		0.9	-7.6	-8.0	-7.5
1998		14.8	0.3	1.8	-9.3
1999		10.8	-0.3	-7.2	-1.9
Quarterly Percentage Changes					
1997	Q1	-3.0	-8.1	-7.3	2.0
	Q2	-0.9	-0.6	-0.6	-0.2
	Q3	-0.1	-0.6	0.6	-0.5
	Q4	8.8	6.8	8.7	-9.2
1998	Q1	-3.2	-11.0	-10.7	3.9
	Q2	-3.8	-5.9	-5.9	3.7
	Q3	-2.5	-4.1	-3.1	2.4
	Q4	8.5	5.3	5.1	-5.4

A A rise in the nominal effective exchange rates implies a depreciation of the average exchange rate of SI dollar against a trade weighted basket of other currencies.

B. A rise indicates a depreciation: average foreign retail prices increased faster than HRPI when all are expressed in a common currency.

C. A rise indicates a depreciation: average foreign export prices increased faster than SI consumer prices, when all are expressed in a common currency.

D. A rise indicates SI export prices increased relative to those countries from which it imports.

TABLE 1-15 GOVERNMENT SECURITIES BY HOLDER AND INSTRUMENT

(SI$'000)

End of Period	DEVELOPMENT & TREASURY BONDS						TREASURY BILLS						OTHER	
	Commercial Banks	Central Bank	National Provident Fund	Statutory Corporations	Public	Total	Commercial Banks	Central Bank	National Provident Fund	Statutory Corpora-tions	Public	Total	Central Bank	GRAND TOTAL
1985	3918	19	11634	1229	710	17510	2316	2996	-	36	84	5432	1333	24752
1986	3918	84	12334	514	652	17502	4132	2594	-	-	187	6913	1333	25748
1987	5518	124	12600	1014	600	19856	19066	1199	-	-	161	20426	1333	41615
1988	9571	110	12600	1014	647	23942	22316	4483	-	-	394	27193	1333	52468
1989	14997	12	12200	1014	554	28856	14965	12881	-	-	469	28314	1333	58503
1990	16628	110	11050	514	554	28856	20254	9107	-	1250	753	31364	1333	61558
1991	27161	11	11050	59	593	38875	42776	2016	10082	1753	1639	58266	3819	100960
1992	24831	3	11050	59	3140	39083	80405	267	17250	3100	5799	106821	8527	154431
1993	23131	4	12650	-	4976	40761	107340	43	39000	1363	10439	158185	8527	207473
1994	33278	24	18504	-	8055	59861	128654	-	31787	958	15680	177079	8527	245467
1995	23253	25	17504	-	7979	48761	133644	-	41292	780	13453	189179	8527	246445
1996	14333	25	22204	-	5334	41896	144243	-	45595	780	14747	205365	7252	254513
1997	4500	25	16104	-	344	20973	154478	-	51672	780	18809	225739	6410	253122
1998	3500	27	53775	-	340	57542	162027	-	55804	-	11877	229708	6410	293760
1999	118340	-	180297	12883	167414	478934	61957	118340	-	180297	12883	373477	11075	863486
1997														
Mar	14333	25	17704	-	4411	36473	144551	-	47086	780	15242	251414	7282	284414
Jun	12333	25	17305	-	2510	32173	146616	-	50472	780	16775	253226	6410	286226
Sep	8333	25	16104	-	510	24972	150612	-	51672	780	18719	221783	6410	253165
Dec	4500	25	16104	-	344	20973	154478	-	51672	780	18809	225739	6410	253122
1998														
Mar	4500	25	16104	-	344	20973	156968	-	52556	788	18758	229071	6410	256454
Jun	3500	27	11304	-	340	15171	160842	-	55219	-	12076	228137	6410	249718
Sep	3500	27	11304	-	340	15171	161830	-	55241	-	12055	229126	6410	250707
Dec	3500	27	53775	-	340	57542	162027	-	55804	-	11877	229708	6410	293760
1999														
Mar	1000	27	54975	-	324	56326	162027	-	54444	-	12054	228525	11075	295926
Jun	25800	27	110475	-	2339	139622	86389	-	1994	-	15421	103804	11075	254501
Sep	118340	27	104475	-	339	223181	86074	-	14537	-	15964	116575	11075	350831
Dec	118340	27	110475	-	-	228842	61957	-	15119	-	10033	87109	11075	327026

Note: NPF, Public and Statutory Corporations use data for the last Wednesday of the month. Commercial Banks and Central Bank use end month data.
Source : Central Bank of Solomon Islands.

TABLE 1-16 SUMMARY OF GOVERNMENT ANNUAL ACCOUNTS AND BUDGET FORECASTS *

($ Millions)

		1993	1994	1995	1996	1997	1998	1999	Average 90-99
Budget Forecasts:									
Total Expenditure		**244**	**273**	**354**	**387**	**375**	**543**	**379**	**309.5**
A.	Recurrent Expenditure	231	256	328	358	337	523	349	290.1
	i. Pay	91	105	111	126	142	147	141	107.8
	ii. Other Charges	94	105	147	148	151	160	149	117.6
	iii. Debt Service	46	46	70	84	44	67	59	49.8
	iv. Policy & Struct. Reform						149	92	24.1
B.	Development Expenditure	13	18	26	29	38	20	30	19.4
Total Income		**224**	**252**	**275**	**337**	**446**	**604**	**376.4**	**297.34**
	i. Log Revenue	13	61	75	70	96	47	34	42.7
	ii. Non-Log Revenue	211	190	200	267	349	327	342.4	231.64
	iii. Policy & Struct. Reform Income						149	92	24.1
	iv. Grants						81	69	15
Fiscal Deficit (domestically financed)		**19**	**22**	**79**	**50**	**-70**	**-61**	**2.6**	**12.16**
Actual Government Accounts:									
Total Expenditure		**294**	**339**	**360**	**391**	**365**	**490**	**479**	**332.4**
A.	Recurrent Expenditure	278	321	328	362	306	471	458	309.5
i.	Pay	106	125	124	127	137	108	152	111.6
ii.	Other Charges	124	141	134	151	157	129	175	124.4
iii.	Debt Service	48	55	70	84	13	85	87	54.2
iii.	Policy & Struct. Reform						149	44	19.3
B.	Development Expenditure	17	18	32	29	58	19	21	22.9
Total Income		**222**	**274**	**309**	**336**	**315**	**534**	**559**	**303.2**
i.	Log Revenue	58	86	70	73	58	36	46	47.9
ii.	Non-Log Revenue	164	188	239	263	257	311	356	220.9
iii.	Policy & Struct. Reform Income						149	79	22.8
iv.	Grants						38	78	11.6
Fiscal Deficit (domestically financed)		**73**	**64**	**51**	**55**	**50**	**-44 #**	**-26**	**34.6**
Difference between Actual and Budget (%)									
Total Expenditure		**21%**	**24%**	**2%**	**1%**	**-3%**	**-10%**	**-26%**	**-10%**
A.	Recurrent Expenditure	20%	25%	0%	1%	-9%	-10%	31%	9%
i.	Pay	16%	19%	12%	1%	-4%	-27%	8%	6%
ii.	Other Charges	32%	34%	-9%	2%	4%	-19%	17%	8%
iii.	Debt Service	4%	20%	0%	0%	-70%	27%	47%	11%
iv.	Policy and Structural Reform							-52%	-26%
B.	Development Expenditure	31%	0%	23%	0%	-53%	-5%	-30%	30%
Total Income		**-1%**	**9%**	**12%**	**0%**	**-29%**	**-12%**	**49%**	4%
i.	Log Revenue	346%	41%	-7%	4%	-40%	-23%	35%	55%
ii.	Non-Log Revenue	-22%	-1%	20%	-1%	-26%	-5%	4%	-3%
iii.	Policy and Structural Reform						0%	-14%	-7%
iv.	Grants						-53%	13%	-20%
Fiscal Deficit (domestically financed)		**265%**	**183%**	**-35%**	**10%**	**-171%**	**-28%**	**-3177%**	-281%
Memorandum Items:									
Actual Change in Government Domestic Debt									
Change in Gross Domestic Debt		60	64	17	5	6	27	-10	28.6
Change in Net Domestic Debt		53	57	19	7	3	-27	-10	24.2
Change in Foreign Debt		26	26	9	11	94	83	63	38.1
Gross change in Total Debt		85	73	38	16	100	111	-5	60.3
Net change in Total Debt		79	40	18	98	25	60	65	60.5

* Budget Forecasts are published in February or March of each year by the Ministry of Finance.
# In 1998 the government made a surplus budget of $44 million.

Source: Central Bank of Solomon Islands.

TABLE 1-17 GOVERNMENT REVENUES

(SI$'000)

End of Period	Total Customs& Inland Revenue	Total Customs	Import Duty	Log Export Duty	Timber Levy	Other Exports	Other Customs	Total Inland Rev.	Company	Personal	Govt. PAYE	Goods & Sales	Other I.R.	Ministries & Other *
1995	**271188**	149202	67739	63101	7294	4433	6655	**121986**	36731	28201	10928	36406	9720	**38354**
1996	**290234**	152871	64667	68091	9070	6269	4774	**137363**	40749	29312	11050	41694	14558	**46347**
1997	**285874**	140402	69060	50778	7407	7416	5741	**145472**	27592	33361	21611	42241	20667	**28820**
1998	**316047**	126093	71422	30702	5525	11839	6605	**189954**	55184	39703	16813	53657	24597	**31305**
1999	**365368**	148029	75660	45604	-	10790	15974	217339	51774	44101	18077	71318	32069	**32216**
1998														
Q1	**73347**	34644	17138	11997	1734	2527	1248	**38703**	8217	9659	4077	11109	5641	**9180**
Q2	**66054**	27414	18572	4240	404	2998	1020	**38640**	9458	9500	4690	11170	3822	**10026**
Q3	**81124**	29276	17160	5801	1263	2963	2089	**51848**	15996	9577	3861	14491	7923	**5765**
Q4	**96155**	34682	18372	8664	2124	3351	2171	**61473**	23322	11630	4186	17248	5087	**5839**
1999														
Q1	91916	38338	17494	13829	0	3411	3604	53578	14925	10304	3464	16404	8481	16546
Q2	86974	36767	20753	8618	0	3761	3634	50207	11413	11274	3874	17724	5922	4152
Q3	89175	32340	15275	12194	0	1321	3550	56835	14797	11843	4345	16847	9003	5215
Q4	95852	39134	22138	9963	-	2197	4836	56718	10639	10680	6394	20343	8662	6303

Percentage Change on year earlier

End of Period	Total Customs& Inland Revenue	Total Customs	Import Duty	Log Export Duty	Timber Levy	Other Exports	Other Customs	Total Inland Rev.	Company	Personal	Govt. PAYE	Goods & Sales	Other I.R.	Ministries & Other *
1995	**13%**	-1%	14%	-6%	-53%	161%	11%	**35%**	83%	32%	-4%	30%	3%	**22%**
1996	**7%**	2%	-5%	8%	24%	41%	-28%	**13%**	11%	-1%	14%	15%	21%	**21%**
1997	**-2%**	-8%	7%	-25%	-18%	18%	20%	**6%**	-32%	19%	74%	1%	-42%	**-38%**
1998	**11%**	-10%	3%	-40%	-25%	60%	15%	**31%**	100%	19%	-22%	27%	19%	**9%**
1999	**16%**	17%	6%	49%	-100%	-9%	142%	**14%**	-6%	11%	8%	33%	30%	**3%**
1998														
Q1	**16.6**	17.5	29.5	2.5	162.3	-5.4	2.9	**15.7**	17.2	14.7	-1.5	19.3	24.0	**48.3**
Q1	**-8.3**	-26.8	-0.4	-68.5	-81.8	66.8	-9.2	**14.0**	61.9	26.5	8.2	0.6	-25.4	**25.6**
Q3	**5.1**	-24.9	0.7	-63.2	-51.4	99.3	-0.1	**35.7**	104.3	10.9	2.8	28.7	17.8	**58.4**
Q4	**29.2**	0.5	-8.0	-11.9	10.4	129.5	65.3	**54.0**	237.7	32.2	-55.4	63.2	19.1	**-47.0**
1999														
Q1	**25.3**	10.6	2.1	15.3	-100.0	35.0	203.9	**38.5**	119.9	6.7	-15.0	47.7	20.1	**188.0**
Q2	**33.0**	33.8	10.7	126.8	-100.0	28.8	245.8	**32.3**	25.7	27.6	-17.4	63.9	30.8	**-65.7**
Q3	9.9	10.5	-11.0	110.2	-100.0	-55.4	70.4	9.6	-7.5	23.7	12.5	16.3	13.6	**-9.5**
Q4	-0.3	12.8	20.5	15.0	-100.0	-34.4	122.8	-7.7	-54.4	-8.2	52.7	17.9	70.3	**7.9**

Percentage Contribution to Total Inland Revenue and Customs Revenue

End of Period	Total Customs& Inland Revenue	Total Customs	Import Duty	Log Export Duty	Timber Levy	Other Exports	Other Customs	Total Inland Rev.	Company	Personal	Govt. PAYE	Goods & Sales	Other I.R.	Ministries & Other *
1995	**100.0**	55.0	25.0	23.3	2.7	1.6	2.4	**45.0**	13.5	10.4	4.0	13.4	3.6	**14.1**
1996	**100.0**	52.7	22.3	23.5	3.1	2.2	1.6	**47.3**	14.0	9.6	4.3	14.4	5.0	**16.0**
1997	**100.0**	49.1	24.2	17.8	2.6	2.6	2.0	**50.9**	9.7	11.7	7.6	14.8	7.2	**10.1**
1998	**100.0**	39.9	22.6	9.7	1.7	3.7	2.1	**60.1**	17.5	12.6	5.3	17.0	7.8	**9.9**
1999	**100.0**	40.5	20.7	12.5	0.0	3.0	4.4	**59.5**	14.2	12.1	4.9	19.5	8.8	**8.8**

* The December 1995 figure for Ministries and Other is estimated.
Source: Central Bank of Solomon Islands

TABLE 1-18 HONIARA RETAIL PRICE INDEX
(1985 = 100)

Period Average	Food	Drink & Tobacco	Clothing & Footwear	Transport	Housing & Utilities	Micellaneous	Local Items	Imported Items	All Items	Annual % Change (All Items)
Weight	**510.0**	**100.0**	**49.0**	**66.0**	**125.0**	**150.0**	**463.0**	**537.0**	**1000.0**	
Annual Averages										
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.0
1986	110.5	138.1	105.4	118.6	108.2	108.5	115.5	111.0	113.1	13.1
1987	120.4	178.6	110.8	136.6	111.6	120.7	131.1	121.9	126.1	11.5
1988	145.0	205.7	129.6	152.1	114.9	143.5	146.4	148.1	147.3	16.8
1989	170.6	241.6	146.4	164.7	120.3	162.3	166.9	171.2	169.3	14.9
1990	185.0	251.4	152.4	200.7	134.1	174.7	177.9	188.8	183.8	8.6
1991	216.0	275.9	182.8	256.9	147.2	193.0	203.6	218.8	211.8	15.2
1992	240.8	313.4	201.9	300.1	149.3	207.4	222.3	245.1	234.5	10.7
1993	262.7	354.3	210.3	350.0	159.0	232.8	245.5	264.2	256.0	9.2
1994	292.3	380.5	231.9	460.3	177.7	264.2	287.5	285.7	290.1	13.3
1995	313.4	437.1	253.8	486.1	188.7	301.0	313.7	304.4	317.9	9.6
1996	355.3	445.8	261.5	516.5	230.0	345.1	363.3	333.9	355.3	11.8
1997	394.8	534.0	265.2	537.1	237.8	368.1	399.8	350.5	384.0	8.1
1998	445.4	585.5	282.0	666.3	262.4	397.3	447.1	396.4	431.3	12.4
1999	493.7	576.2	284.0	709.4	291.2	382.4	484.5	418.8	466.1	8.0
Three months averages										
1997										
Mar	382.9	512.6	262.0	531.8	255.7	314.3	390.5	342.7	375.2	7.2
Jun	399.0	544.7	262.2	532.9	256.7	313.3	404.3	346.7	385.2	8.6
Sep	398.1	534.1	264.3	536.8	256.9	312.1	401.8	350.7	385.3	8.1
Dec	399.0	544.6	272.2	546.8	258.8	317.4	402.4	362.2	390.4	8.4
1998										
Mar	431.3	562.8	280.6	595.7	254.0	392.0	425.8	389.2	415.6	10.8
Jun	441.0	578.1	282.3	679.5	262.8	393.3	445.6	394.7	429.7	11.6
Sep	452.5	592.0	282.1	691.0	266.5	398.6	456.5	398.5	437.8	13.7
Dec	456.8	609.1	283.1	699.0	266.4	405.4	460.6	403.3	442.3	13.3
1999										
Mar	475.8	619.7	283.7	704.1	277.6	367.6	475.0	413.7	455.1	9.5
Jun	485.5	616.5	283.2	710.3	288.2	370.0	490.0	407.0	461.4	7.4
Sep	507.5	536.1	283.2	710.5	305.2	368.8	509.3	406.2	472.6	7.8
Dec	506.0	532.6	285.9	712.6	293.8	423.2	463.8	448.4	475.4	7.5

Source: Statistics Division, Ministry of Finance and Central Bank of Solomon Islands

TABLE 1-19 INTERNATIONAL COMMODITY PRICES

End of Period	Copra (US$/m.t)	Palm Oil (US$/m.t)	Fish # (US$/m.t)	Cocoa (US$/m.t)	Logs * (US$/cu.m)
1979	673	654	n.a.	3290	169
1980	454	584	n.a.	2600	156
1981	379	571	n.a.	2080	134
1982	314	445	875	1740	175
1983	496	501	722	2120	160
1984	710	729	601	2396	176
1985	386	501	713	2254	136
1986	198	257	698	2070	151
1987	309	343	964	1994	222
1988	398	437	800	1585	233
1989	348	350	847	1241	224
1990	229	290	674	1267	210
1991	287	339	594	1195	222
1992	380	394	578	1100	250
1993	296	379	682	1117	386
1994	418	532	1048	1391	310
1995	439	628	862	1432	256
1996	489	531	975	1455	253
1997	433	547	1082	1618	237
1998	411	671	1006	1676	163
1999	462	436	680	1127	187
1996					
Mar	461	519	1068	1339	256
Jun	550	509	860	1538	256
Sep	475	545	948	1476	259
Dec	498	561	1025	1474	250
1997					
Mar	489	559	858	1524	237
Jun	415	534	1057	1688	264
Sep	403	523	1152	1766	235
Dec	394	566	1260	1739	211
1998					
Mar	378	671	1153	1721	191
Jun	414	633	1170	1723	137
Sep	409	703	1046	1686	150
Dec	474	663	912	1524	164
1999					
Jan	471	632	750	1456	176
Feb	451	561	875	1411	177
Mar	451	497	900	1314	173
Apr	504	509	910	1178	175
May	530	475	840	1068	176
Jun	530	392	625	1063	184
Jul	449	319	610	1113	186
Aug	431	354	650	998	198
Sep	421	388	610	1061	203
Oct	430	381	525	1022	198
Nov	436	370	400	922	199
Dec	434	354	470	919	199

Prior to 1995 Q1, average ATSA prices from INFOFISH was used, but from 1995 Q1 to present, data source has been changed to Thailand Market prices.
* Malaysian Meranti, Sale price charged by importer, Japan.

Source: World Bank and Infofish..

TABLE 1-20 REAL GROSS DOMESTIC PRODUCT

(1985 = 100)

Industry	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
Agriculture	116.5	125.5	125.1	138.0	132.7	103.5
Forestry, Logging, Sawmilling	170.6	196.1	209.9	195.8	134.9	156.8
Fishing	148.2	205.7	151.4	156.7	176.6	170.9
Mining & Exploration	53.1	58.1	74.9	124.2	-449.7	-1262.5
Manufacturing	215.3	227.7	235.1	237.8	245.7	246.0
Electricity and Water	211.8	235.2	232.4	249.7	263.4	276.9
Construction	90.7	218.3	289.8	189.5	103.9	75.1
Retail and Wholesale Trade	129.5	135.9	146.9	146.6	159.8	149.7
Transport and Communications	155.9	163.8	164.0	152.0	170.7	179.3
Finance	227.0	249.5	303.2	281.6	243.9	228.6
Other Services	169.6	169.6	170.7	171.2	182.2	176.7
Index of Monetary GDP Production	151.9	169.4	171.8	168.9	170.9	169.1
Annual % movement	9.3	11.5	1.4	-1.7	1.2	-1.1
Index of Primary Production	135.1	158.5	149.0	154.5	143.0	156.3
Annual % movement	7.7	17.3	-6.0	3.7	-7.4	-5.5
Non-Monetary: Food	126.0	129.4	132.8	136.3	139.0	143.6
Non-Monetary: Construction	123.9	126.3	128.7	131.1	133.7	136.2
Non-Monetary GDP Index	125.8	129.1	132.4	135.9	139.4	143.0
Index of Total GDP Production	**146.7**	**161.5**	**164.1**	**162.6**	**164.7**	**163.8**
Annual % movement	**8.1**	**10.1**	**1.6**	**-0.9**	**1.3**	**-0.5**

* Provisional.
Source: Central Bank of Solomon Islands.

TABLE 1-21 PRODUCTION BY MAJOR COMMODITY

Period	Copra (m.t)	Coconut Oil (m.t)	Palm Oil (m.t)	Palm Kernel (m.t)	Cocoa (m.t)	Fish Catch (m.t)/1	Timber Log Prodn. ('000Cum) 2/
1985	41907	-	20000	4177	1713	31106	378
1986	31672	-	14560	3133	1874	44207	471
1987	27148	-	11999	2432	2667	32408	322
1988	29272	-	15227	3172	2639	41913	310
1989	33691	21	20091	4476	3299	36947	304
1990	34306	2693	22104	5051	3895	25986	442
1991	25133	2717	22518	4992	4615	50859	336
1992	29073	3879	30854	6781	4159	39996	640
1993	29057	4286	30986	7043	3297	32486	547
1994	22500	2827	29737	7183	3337	39005	267
1995	26148	4372	29562	6861	2482	56133	-
1996	21989	3520	28680	6834	2464	41199	-
1997	28679	5399	28863	7005	3907	40654	650
1998	26971	8339	29077	6821	3454	49390	604
1999	23242	10345	12877	3182	2395	47961	622
1994							
Q1	5461	684	8917	2050	435	6634	165
Q2	5789	570	8458	2242	1109	9711	102
Q3	5363	610	5728	1417	1338	11652	n.a.
Q4	5887	933	6634	1474	456	11008	n.a.
1995							
Mar	6142	554	8825	1899	185	12605	n.a.
Jun	7213	569	9330	2276	709	17425	n.a.
Sep	6766	172	6269	1518	1171	15321	n.a.
Dec	6027	1158	5138	1168	417	10782	n.a.
1996							
Mar	4758	503	8417	1970	275	3782	n.a.
Jun	5120	769	8647	2085	948	8272	n.a.
Sep	6070	823	6629	1603	820	15321	n.a.
Dec	6041	1425	4987	1176	421	13804	n.a.
1997							
Mar	5915	1085	5904	1403	320	9535	168
Jun	7146	1171	7783	1864	1309	10702	181
Sep	7418	2612	7991	1864	1383	9165	195
Dec	8200	531	7185	1874	895	11251	107
1998							
Mar	6536	1619	8427	2088	726	6794	166
Jun	7666	2370	7976	1821	794	14209	150
Sep	6082	1857	6500	1553	1613	11832	120
Dec	6687	2493	6174	1359	321	16555	166
1999							
Jan	1869	763	2309	545	35	4232	55
Feb	1778	883	1891	487	143	3709	44
Mar	2881	922	2841	740	179	3687	59
Apr	1851	1286	2710	651	300	4715	63
May	2097	1129	2387	586	295	5137	46
Jun	1894	841	739	173	307	3936	56
July	1771	701	-	-	201	4296	68
Aug	1727	668	-	-	200	3978	55
Sep	1704	646	-	-	125	3860	41
Oct	1512	1016	-	-	195	4145	62
Nov	1901	754	-	-	225	3397	48
Dec	2257	736	-	-	190	2871	33

1/ The catches reported here are those of Solomon Taiyo Ltd and National Fisheries Development only.
2/ Log production data has no sources, thus export data has been used since January 1997 as proxy.
Source: Central Bank of Solomon Islands.

TABLE 1-22 SELECTED ECONOMIC INDICATORS

		Unit	1997	1998				1999			
			Quarter IV	Quarter I	Quarter II	Quarter III	Quarter IV	Quarter I	Quarter II	Quarter III	Quarrter IV
A.	External Trade	SI$'000									
	i) Exports		145007	159480	148894	161290	138607	148109	151950	151549	117997
	ii) Imports c.i.f.		162628	175775	141084	152579	145963	119221	135377	153962	129847
B.	Gross External Reserves	SI$'000	15039	145900	153987	175559	233673	241481	258077	285435	255098
C.	Money Supply	SI$'000									
	i) Currency in active circulation		70840	62893	71748	70640	81340	75905	79867	84416	100994
	ii) Demand Deposits		140528	132409	126710	146281	139234	149366	176833	177654	163772
	iii) Money Supply (M1)		211368	195302	198458	221657	220574	225271	256700	262070	264766
	iv) M1 and Savings Deposits (M2)		288472	270350	273459	290555	295364	302537	336325	340686	340558
	v) M2 and Term Deposits (M3)		418299	397785	396502	418527	438521	458307	480377	469092	458336
D.	Domestic Credit	SI$'000									
	i) Government (net)		226910	231524	217028	214304	177999	187819	199126	172020	178267
	ii) Statutory Corporations		753	855	203	424	783	793	732	1654	2581
	iii) Other		1412688	159385	171056	171680	176985	176641	178556	178341	191736
E.	Interest Rates (average)	%									
	i) Savings Deposits		1.3	1.2	1.6	1.9	1.9	1.3	1.9	1.5	2.7
	ii) Time Deposits (6-12 months)		2.5	3.9	4.4	5.6	6.0	6.5	5.0	3.7	4.8
	iii Lending		14.7	14.2	14.5	14.1	14.1	14.1	13.9	13.7	13.8
	iv) Bank Deposits with CBSI		1.5	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
F.	Exchange Rates										
	i) US$1.00 = SI$		3.90	4.78	4.8	4.8	4.9	4.9	4.8	4.9	5.1
	ii) AU$1.00 = SI$		2.70	3.18	3.0	2.9	3.0	3.1	3.2	3.2	3.3
G.	Honiara Retail Price Index (1985=100)		401.9	424.6	433.6	438.8	443.4	458.7	463.0	475.4	477.5
	Annual % change		8.4	10.8	11.6	13.6	13.3	9.5	7.5	8.2	7.8
H.	International Commodity Prices	SI$/per tonne									
	i) Copra		1706.8	1795.7	1941.8	1941.8	2221.1	2205.6	2524.6	2186.9	2195.8
	ii) Cocoa		7266.6	8022.6	8355.7	8135.0	7691.8	6716.5	5341.4	5332.0	4832.1
	iii) Palm Oil		2363.0	3108.7	3240.6	3277.4	3285.0	2714.9	2221.1	1783.5	1865.0
	iv) Fish		4689.5	4796.0	4894.4	2899.9	4428.7	3020.1	3180.0	3081.3	1552.7

Source: Central Bank of Solomon Islands