

Denton Rarawa: Recent economic and financial developments in Solomon Islands

Address by Mr Denton Rarawa, Governor of the Central Bank of Solomon Islands, at the opening of the new ANZ branch, Honiara, 16 August 2011.

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Mr. Vishnu Mohan, CEO ANZ North West Pacific

Mr. Barry Sowman, CEO ANZ Bank Solomon Islands

Staff of ANZ Bank

ANZ Clients

Distinguished Guests

Ladies and Gentlemen

Good Evening

Let me thank the ANZ Bank for the kind invitation to officiate at the opening of this new branch facility this evening. It is indeed an honor and privilege for me to be part of this occasion.

I am very encouraged when financial institutions in Solomon Islands expand their services through opening of new branch facilities and financial products in the country. This allows financial deepening in the economy and brings banking financial services closer to their clients and the people. This, in turn promotes financial inclusion in the country.

In this regard, I would like to congratulate and commend ANZ bank for the opening of this new branch. It is another example of your long term commitment to delivering banking services in Solomon Islands.

And the presence of Mr Vishnu Mohan, CEO ANZ North West Pacific makes this event extra special. Your presence with us this evening further reaffirms ANZ's strong commitment and support to Solomon Islands.

ANZ BANK OPERATIONS IN SOLOMON ISLANDS

ANZ's history in Solomon Islands go back a long way. I am told that ANZ established its first branch in the country in October 1966.

Today ANZ is the biggest bank in the country with 6 branches and an extensive range of EFTPOS and ATM terminals. The development of electronic banking services continues to grow enabling more convenient and efficient ways of processing payments.

ANZ is also involved in providing rural banking services in Guadalcanal and Malaita provinces serving 10,000 clients. The bank is further looking to the development of mobile phone banking in the country early next year. This will further benefit rural communities in the country.

ANZ is a significant contributor to the banking system in the country and it is heartening to see that ANZ continues to invest in growing their presence in our country.

For this, I commend ANZ for its many years of service to the people of Solomon Islands. ANZ has indeed played a valuable role in advancing Solomon Island's financial system and also its economic development.

I am sure that ANZ customers will appreciate this additional facility to conduct their banking business. This branch certainly has a modern look and feel about it. I feel as if I am in an

ANZ branch in Sydney or Brisbane. ANZ has certainly raised its standard in terms of its facilities. I know it is not cheap but this is what I mean when I say that Solomon Islands deserve the best or world class facilities and products and not the “*fitim Solomon*” facilities or products.

UPDATE ON SI ECONOMY

Let me provide a brief update on our recent economic performance. At the beginning of this year we projected the Solomon Islands economy to grow by around 6 percent, slightly lower than last year. Based on available data for the last seven months, it appears that growth for 2011 would be the same or even higher than last year.

Economic performance in the first half of 2011 had been robust with key macroeconomic indicators showing positive outcomes.

In the **Real Sector** the production of all commodities were strong in the first half of 2011 with copra doubling, palm oil up 14%, cocoa up 26%, fish up 17% and logs up by 50%. Of great interest is log production, with total output up to July reaching 1,143,222 cubic meters. At this rate, total log production for 2011 would reach 1.9 – 2.0 million cubic meters.

Gold production has also come on stream and is contributing to the country's exports and growth.

In the **External Sector**, strong commodity prices and production have led to:

- Improvements in the trade account with the June quarter posting a trade surplus, the first since 2006.
- Marked improvement in export receipts, lower import payments, donor and investment inflows contributed to the positive outcome in the external sector.

As a result, foreign reserves rose by 24% to SBD\$2.6 billion by last week, or equivalent to over 10 months of import cover.

In the **Monetary Sector**, money supply (M3) grew by a moderate 3.0% as opposed to 0.8% growth in the same period last year. At the same time credit growth has been subdued resulting in:

- A 22% increase in liquidity since December 2010 despite the Central Bank absorbing more than \$200 million of this liquidity from the banking system.

In terms of **government finances**, the country's fiscal position has improved markedly. With sound fiscal management, revenue collection has increased and expenditure contained within budget allocations. The Government had been able to build up its cash reserves.

On the downside and a major concern is that of **inflation**. Inflationary pressures in the economy are being driven predominantly by external sources mainly food and fuel prices. Inflation in June 2011 was 7.3%, up from 1.3% in November 2010.

The good news is that there are indications that the drivers of inflationary pressures in the country are easing. For example, fuel prices at the pump stations have declined, and further reduction is expected in the months ahead.

The macro picture ladies and gentlemen, is that our economy is expected to record strong growth again this year. In fact, Solomon Islands is one of the few high growing economies in the region. I hope this will be an encouragement for all of us to continue to work hard for the betterment of our country.

MONEYPACIFIC GOALS

Ladies and gentlemen, I want to say a few words about financial literacy and the **MoneyPacific** goals. Many of you may not be familiar with the MoneyPacific goals. These goals have been endorsed by the Ministers of Finance and Ministers of Education of Pacific Islands Forum Countries. The Governors of the central banks in the region including RBNZ and RBA have also given their approval to these goals. The aim is to achieve these goals by 2020.

The four **MoneyPacific** goals are:

- *All school children to receive financial education through core curricula.*
- *All adults to have access to financial education.*
- *Simple and transparent consumer protection to be in place.*
- *To halve the number of households without access to basic financial services.*

These four goals can be reduced to three: (1) **financial education**, (2) **consumer protection** and (3) **access to basic financial services**. Let me just elaborate further on these goals and briefly report on the activities of the National Financial Inclusion Taskforce established early this year to address these issues.

Financial education

We all agree that a financially literate and informed person usually makes sound financial decisions. The same applies to a financially literate and informed population. So financial education is critical in any country because a lot of the decisions we (as individuals or as a country) make everyday involves finances.

And better still, if financial education is introduced in our national education curriculum and taught in our primary and secondary schools. In this regard I am pleased to inform the public that work has started to introduce financial education into our primary and secondary schools. Hopefully, in the not too distant future, we will produce a generation of Solomon Islanders that are financially literate and equipped with basic entrepreneurial skills when they leave school.

Consumer protection

We always refer to the customer/consumer as the king. If our customers are kings then we should look after and treat them as kings. Therefore having simple and transparent consumer protection mechanisms in place is critical.

For example, in the financial system, consumers need to be aware of the fees and charges they have to pay. What do they do and where do they go if they have complaints about financial services and products?

To this end, the Central Bank will soon introduce a voluntary Banking and Financial Institutions Code for financial institutions in the country.

I hope our banks and other financial institutions will sign up to this code because it is very important that our customers/consumers are protected and well informed.

Access to financial services

To achieve this objective, there is increasing focus on the use of technology as a means of overcoming the physical barriers to extending financial services in rural areas. The use of the mobile phone as channel to extend coverage of financial services to a greater portion of our rural people is a good example. There is also special emphasis on ensuring greater access to financial services by our women.

The three goals I have just highlighted form the key activities of the National Financial Inclusion Taskforce (NFIT) established early this year. And I am encouraged that ANZ and other banks in the country are proactive members on the taskforce. And on their own banks have also been very proactive in conducting financial inclusion activities for their clients and the wider public.

I am confident that with on-going support from all stakeholders, Solomon Islands would successfully achieve the MoneyPacific goals ahead of the other countries in the region.

OFFICIAL OPENING

Ladies and gentlemen, without taking anymore of your time, I would like to thank Barry for inviting me to this important occasion. I wish Barry and his team on-going success in their activities in Solomon Islands.

With these few words, ladies and gentlemen, I now have the pleasure in declaring ANZ's new Honiara Central branch here at the Hyundai Mall officially open.

Thank you very much.