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1. GENERAL OVERVIEW

Economic indicators available to the Bank of Papua New Guinea point to a slow down in the pace of growth in domestic economic activity in the first quarter of 2010. A decline in total level of employment in the private sector, a deficit in the balance of payments and lower increase in commercial bank credit extended to the private sector are indicative of the slow down in overall economic activity. The annual rate of headline inflation eased to 5.0 percent in the quarter from 10.2 percent in the corresponding quarter of 2009. The kina depreciated slightly against the key currencies including the US dollar, Australian dollar and the Japanese yen, resulting in a marginal decline in the trade weighted exchange rate index. Although inflation has eased, the Bank is mindful of inflationary pressures that can emanate from an increase in domestic activity and demand associated with the LNG project and an increase in foreign inflation associated with the global economic recovery. Consistent with the March 2010 Monetary Policy Statement (MPS) the Bank has taken a cautious approach by maintaining the policy signaling rate, the monthly Kina Facility Rate (KFR) at 7.0 percent throughout the quarter.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the private sector increased by 9.6 percent in the December quarter of 2009, compared to an increase of 4.2 percent in the September quarter of 2009. Excluding the mineral sector, sales increased by 5.2 percent in the December quarter, following an increase of 12.2 percent in the previous quarter. All sectors recorded increases, except transportation, while all regions recorded increases. In 2009, the total value of sales declined by 9.7 percent compared to the previous year.

The Bank's Employment Index show that the level of employment in the formal private sector declined by 1.1 percent in the March quarter of 2010, compared to an increase of 0.7 percent in the December quarter of 2009. Excluding the mineral sector, the level of employment declined by 1.2 percent in the March quarter of 2010, compared to an increase of 0.6 percent in the previous quarter. By industry, the level of employment declined in the manufacturing, retail, wholesale and financial/business and other services sectors, while it increased in the agriculture/forestry/fisheries, transportation, building and construction and the mineral sectors. By region, the level of employment declined in all regions, except the Islands and the Highlands regions. Over the year to March 2010, the total level of employment increased by 1.4 percent, compared to 4.2 percent over the year to December 2009. Excluding the mineral sector, the level of employment increased by 1.3 percent over the year to March 2010, compared to 5.0 percent over the year to December 2009.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), was 1.4 percent in the March quarter of 2010, compared to 1.2 percent in the December quarter of 2009. There were increases in the 'Food', 'Drinks, Tobacco and Betelnut', 'Rents, council charges, fuel and power', and 'Transport and Communication' expenditure groups. Annual headline inflation was 5.0 percent in the March quarter of 2010, compared to 5.7 percent in the December quarter of 2009. The easing in annual inflation was attributed to the reduction of school fees for the secondary and upper primary schools and full subsidising of lower primary school fees. The largest increases were recorded in the 'Drinks, Tobacco and Betelnut', 'Rents, council charges, fuel and power', and 'Transport and communication' expenditure groups, mainly reflecting increases in cigarettes, tobacco, and fuel prices over the year. By region, all urban areas recorded both quarterly and annual price increases in the March quarter and over the year to March 2010.

During the March quarter of 2010, the daily average kina exchange rate depreciated against all major currencies, except the euro and pound sterling. It depreciated against the US dollar by 1.7 percent to 0.3650, by 1.0 percent against the Australian dollar to 0.3989 and by 0.7 percent against the Japanese yen to 34.04. On the back of the debt problems in some countries in the Euro zone and the budget deficit in United Kingdom, the kina appreciated against the pound sterling by 2.9 percent to 0.242 and by 4.9 percent against the euro to 0.2722. These movements resulted in the daily average TWI depreciating by 0.7 percent in the quarter to 31.67, down from 32.20 in the December quarter of 2009.

Higher kina price of most of the mineral and agricultural commodities, reflecting high international prices resulted in the weighted average price of Papua New Guinea's exports increasing by 40.4 percent in the March quarter of 2010, compared to the corresponding quarter of 2009. There was a 45.0 percent increase in the weighted average price of mineral exports, with higher kina prices of all mineral exports. For the agricultural, forestry and marine product exports, the weighted average kina price increased by 12.3 percent and was attributed to higher kina prices of cocoa, coffee, copra oil, palm oil and rubber, which more than offset the decline in export prices of copra, marine products and logs.

There was an overall deficit of K243 million in the balance of payments in the March quarter of 2010, compared to a surplus of K323 million in the corresponding period of 2009. This outcome was due to a deficit in the current account, which more than offset a surplus in the capital and financial accounts.

The total value of merchandise exports in the quarter was K3,132 million, an increase of 11.1 percent from the corresponding period of 2009. This was attributed to higher values of palm oil, tea, rubber, crude oil, copper and gold exports, which more than offset declines in the values of cocoa, copra, copra oil, logs, marine products, refined petroleum products and other exports.

The trade account recorded a surplus of K1,723 million in the March quarter of 2010, 79.9 percent higher than the surplus in the corresponding quarter of 2009. The higher surplus was due to an increase in the value of merchandise exports, combined with a decline in merchandise imports.

The trade account recorded a surplus of K1,308 million in the March quarter of 2010, 36.5 percent higher than the surplus in the corresponding quarter of 2009.

The capital and financial accounts recorded a net inflow of K569 million in the March quarter of 2010, compared to a net inflow of K466 million in the March quarter of 2009. This outcome was due to net inflows of direct investment associated with re-investment of earnings by resident companies and investments in short-term money market instruments.

The level of gross foreign exchange reserves at the end of March 2010 was K6,803.3 (US$2,372.0) million, sufficient for 16.0 months of total and 27.1 months of non-mineral import covers.

Following the reduction of 1.00 percentage point in December 2009, The Bank took a cautious approach by maintaining the Kina Facility Rate (KFR) at 7.00 percent throughout the March quarter of 2010. The Bank maintained this stance in light of the expected inflationary pressures that could come from an increase in domestic activity and demand associated with the LNG project and an increase in foreign inflation. The dealing margin for the Repurchase Agreements (Repo) was kept unchanged at 100 basis points on both sides of the KFR.

The Bank continued to utilise Open Market Operation (OMO) instruments in the conduct of monetary policy over the March quarter of 2010. In addition to CBB issuance, Treasury bills and Inscribed stock auctions were conducted, which helped stabilised liquidity but resulted in continous decline in interest rates. Trading in the inter-bank market was low due to the high level of liquidity in the banking system. The Cash Reserve Requirement (CRR) and the Minimum Liquid Assets Ratio (MLAR) of commercial banks were maintained at 3.0 percent and 25.0 percent respectively, over the March quarter.

The average level of broad money supply (M3*) increased by 2.4 percent in the March quarter of 2010, compared to an increase of 4.1 percent in the December quarter of 2009. This outcome was due to an increase of 41.3 percent in average net claims to Central Government and 5.7 percent in average private sector credit. Average net domestic claims outstanding, excluding advances to the Central Government increased by 5.3 percent in the March quarter of 2010, compared to an increase of 3.3 percent in the December quarter of 2009.

During the March quarter of 2010, total domestic credit extended by depository corporations to the private sector, public non-financial corporations, Provincial and Local Governments, and other financial corporations, increased by K257.7 million to K6,822.3 million, compared to an increase of K298.0 million in the December quarter of 2009. This was mainly due to an increase in private sector credit of K269.9 million.

Preliminary estimates of the fiscal operations of the National Government over the three months to March 2010 show an overall deficit of K193.5 million, compared to a deficit of K184.3 million in the corresponding period in 2009. This represents 0.9 percent of nominal GDP.

Total revenue, including foreign grants, during the March quarter of 2010 was K1,100.9 million, 14.8 percent higher than the corresponding period in 2009.

This represents 14.7 percent of the Budgeted revenue. The increase in revenue reflected higher tax and non-tax receipts. Total expenditure during the three months to March 2010 was K1,294.4 million, 13.3 percent higher than in 2009 and represented 17.3 percent of the budgeted appropriation for 2010. This outcome was due to higher recurrent and development expenditure. Recurrent expenditure over the three months to March 2010 was K1, 019.4 million, 3.5 percent higher than in the corresponding period in 2009, and represents 24.9 percent of the budgeted appropriation for 2010.

As a result of these developments in revenue and expenditure, the Government recorded an overall budget deficit of K193.5 million. The deficit and net external loan repayments totalling K34.8 million was financed from domestic sources totalling K228.3 million. Net external loan repayments comprised of K28.0 million to concessionary and K6.8 million to extraordinary financing sources. Domestic financing totalled K228.3 million and comprised of K149.5 million in net borrowing by the financial corporations, while cheque floats not presented for encashment totalled K73.0 million.

Total public (Government) debt outstanding at the end of the March quarter of 2010 was K7,069.9 million, 0.8 percent higher than in the December quarter of 2009. The increase reflected higher domestic debt which more than offset a decline in external debt. The balance of the Government trust accounts held at the Central Bank declined by a net of K55.9 million to K371.2 million between the end of December 2009 and March 2010.

2. INTERNATIONAL DEVELOPMENTS

The global economic recovery from the world recession has evolved better than expected, with activity recovering at varying paces, slowly in many advanced economies while strongly in most emerging and developing economies. Among the advanced economies, recovery in the United States improved with increased confidence in business, consumer and the financial markets while in Japan recovery was slow. Economic recovery and growth remained weak and fragile in Europe, reflecting the debt crisis in Greece and increased budget deficit in Great Britain. China and India continued to dominate the recovery in the rest of Asia and emerging economies while some Latin American economies have experienced stability in the recovery .According to the IMF's April 2010 World Economic Outlook (WEO), global economic growth declined in 2009 by 0.6 percent, which was better than anticipated previously as a result of the various expansionary monetary and fiscal policies. The IMF raised its world growth forecast for 2010 to 4.25 percent, slightly above the 3.9 percent projected in the January 2010 Update, while the projection for 2011 remains unchanged at 4.3 percent. Emerging and developing economies, especially in Asia, are expected to contribute the most to this growth, with growth forecast to remain moderate in advanced economies. The emerging and developing economies are projected to grow by 6.3 percent in 2010 and 6.5 percent in 2011, while the advanced economies are expected to grow at a slower rate of 2.3 percent in 2010 and 2.5 percent in 2011. Global inflation remained relatively subdued in the first quarter of 2010, reflecting accommodative monetary and fiscal policies by various countries to speed up the recovery in economic activity and to combat any inflationary threats stemming from this recovery. In 2010, inflation is expected to remain low at 1.5 percent in the major advanced economies and 6.2 percent for the emerging and developing economies.

In January 2010, the World Economic Forum meeting was held in Davos-Klosters, Switzerland, to discuss the theme "Improve the State of the World: Rethink, Redesign, Rebuild'. The meeting discussed ways to improve the state of the world economy by addressing challenges and risks through global collaboration and cooperation. The 2008 financial crisis and 2009 recession raised tough questions about the future of the world economy while also providing insights into economic interdependencies, governance gaps, and systemic risks intrinsic to globalization. These revelations in turn compelled the various stakeholders to rethink business models, financial innovation and risk management. In his opening speech, French President Mr. Nicolas Sarkozy said that it will be impossible for countries to come out from the world economic crisis and guard against future crisis if economic imbalances that are at the root of the problem are not addressed adequately. He remarked that countries with trade surpluses must consume more and improve the living standards and social protection of their citizens, and countries with deficits must make an effort to consume less and repay their debts. He further argued that the world's currency regime is central to the issue and exchange rate instability and the under-valuation of certain currencies could lead to unfair trade and competition.

In February 2010, the Managing Director of the IMF Mr. Dominique Strauss-Kahn, addressed the Bretton Woods Committee Annual Meeting in Washington DC, and spoke about the importance of the role of the IMF in the 21st Century after the worst financial crisis in decades. In this context, a renewed vision for the IMF would enable it to respond to the post-crisis challenges its members are facing. He stressed that, firstly, a central lesson of the crisis has been that surveillance for crisis prevention needs to be much more rigorous-with greater coverage of the financial sector and regulatory issues, and better appreciation of systemic risks. Secondly, if the Fund is to serve as a reliable provider of crisis financing, the it's lending for crisis response must be of a speed, coverage and size far beyond previous assumptions. Finally, the IMF must do more to strengthen the long-term stability of the international monetary system, in particular by bolstering the stability of reserves.

In March 2010, the WTO forecast that world trade is set to rebound in 2010 by growing at 9.5 percent, after the sharpest decline in more than 70 years. Exports from advanced economies are expected to increase by 7.5 percent in volume terms in 2010, while exports from the rest of the world are forecast to increase by 11 percent. "WTO rules and principles have assisted governments in keeping markets open and they now provide a platform from which trade can grow as the global economy improves. We see the light at the end of the tunnel and trade promises to be an important part of the recovery. But we must avoid derailing any economic revival through protectionism," stated the Director-General Pascal Lamy. The Trade Negotiations Committee (TNC) stocktaking meeting ended with a collective determination to start building the global Doha package. The Director General told the TNC that "while there is certainly disappointment that they are not closer to their goal, there is no defeatism." Mr. Pascal mentioned that the multilateral trading system has been a "shock absorber" in the recent economic crisis: it has prevented a descent into full-scale protectionism. It can now provide a platform for the recovery, which is supported by their forecast of trade figures for 2010.

International prices for commodities, including agriculture picked up in the March quarter of 2010, supported by the recovery of demand, especially in Asia. International oil prices increased in March to around US$77 per barrel as global economic recovery gained momentum. According to the US Energy Information Administration, the West Texas Intermediate crude oil is projected to average at around US$82 and US$85 per barrel in 2010 and 2011, respectively, should economic recovery continue. Gold prices continued to increase and were at US$1109 per ounce in March quarter of 2010. The rise has been due to increased risk aversion and their safe-haven status after the fallout in financial related investments and ongoing debt problems in Europe.

In the United States, real GDP increased by 2.5 percent over the year to March 2010, compared to a contraction of 2.6 percent over the same period in 2009. The pick up was due to improved economic activity associated with strengthening in the labor market, growth in household and business spending as well as a positive outlook in the financial markets. The latest IMF forecast is for real GDP to grow by 2.6 percent in 2010.

Industrial production increased by 2.3 percent over the year to March 2010, following a decline of 11.6 percent over the same period in 2009. The Institute of Supply Management's Purchasing Managers Index was 59.6. This is the eighth consecutive increase since August 2009 and indicates that production in the manufacturing sector continued to expand. An index below 50 indicates contraction while an index above 50 indicates expansion in the manufacturing industry.

Retail sales increased by 5.7 percent over the year to March 2010, after a decline of 9.4 percent over the correponding period in 2009, reflecting a rebound in consumer spending. The annual unemployment rate was 9.7 percent over the year to March 2010, up from 8.1 percent over the same period in 2009.

Consumer prices increased by 2.4 percent over the year to March 2010, in contrast to the fall of 0.04 percent over the same period in 2009, reflecting improvement in activity and consumer spending. Broad money supply increased by 9.5 percent over the year to March 2010, slightly higher than the 9.4 percent over the corresponding period in 2009. The pace of economic recovery is likely to be moderate for a time, and with restrained cost pressures and longer-term inflation expectations stable, inflation is likely to be subdued for some time. In this context, the Federal Reserve (FED) indicated that it will keep the federal funds rate at the 0 to 0.25 percent range for an extended period.

The trade deficit was US$546.4 billion over the year to March 2010, an improvement from a deficit of US$730.4 billion over the year to March 2009. The lower deficit was attributed to the recovery in the US economy which led to an increase in exports, especially in industrial supplies and materials, capital goods, automotive vehicles, parts, engines, consumer goods, other goods, foods, feeds, and beverages.

In Japan, real GDP expanded by 4.6 percent over the year to March 2010, following a decline of 8.6 percent over the same period in 2009. This outcome was supported by the improvement in corporate profit, a recovery in consumer demand and strong exports, especially to the rest of Asia. The latest IMF forecast is for real GDP to grow by 1.9 percent in 2010.

Industrial production increased by 30.7 percent over the year to March 2010, after a drop of 34.2 percent over the same period in 2009. Retail sales increased by 6.5 percent over the year to March 2010, following a decline of 3.4 percent over the corresponding period in 2009. The unemployment rate was 5.0 percent over the year to March 2010, up from 4.8 percent over the same period in 2009.

Consumer prices decreased by 1.1 percent over the year to March 2010, compared to a fall of 0.5 percent over the year to March 2009, highlighting the deflationary pressure in the economy as retailers remain under pressure to cut prices to lure more consumers as wages continue to remain depressed. Broad money supply grew by 2.7 percent over the year to March 2010, following an increase of 1.3 percent over the same period in 2009. The Bank of Japan maintained the uncollateralized overnight call rate at 0.1 percent during the first quarter of 2010 as there is no sufficient momentum to support a self-sustaining recovery in domestic private demand.

The current account surplus was US$71.9 billion over the year to March 2010, up from US$43.5 billion over the same period in 2009. This outcome was due to the strong pick up in exports, especially to Asia.

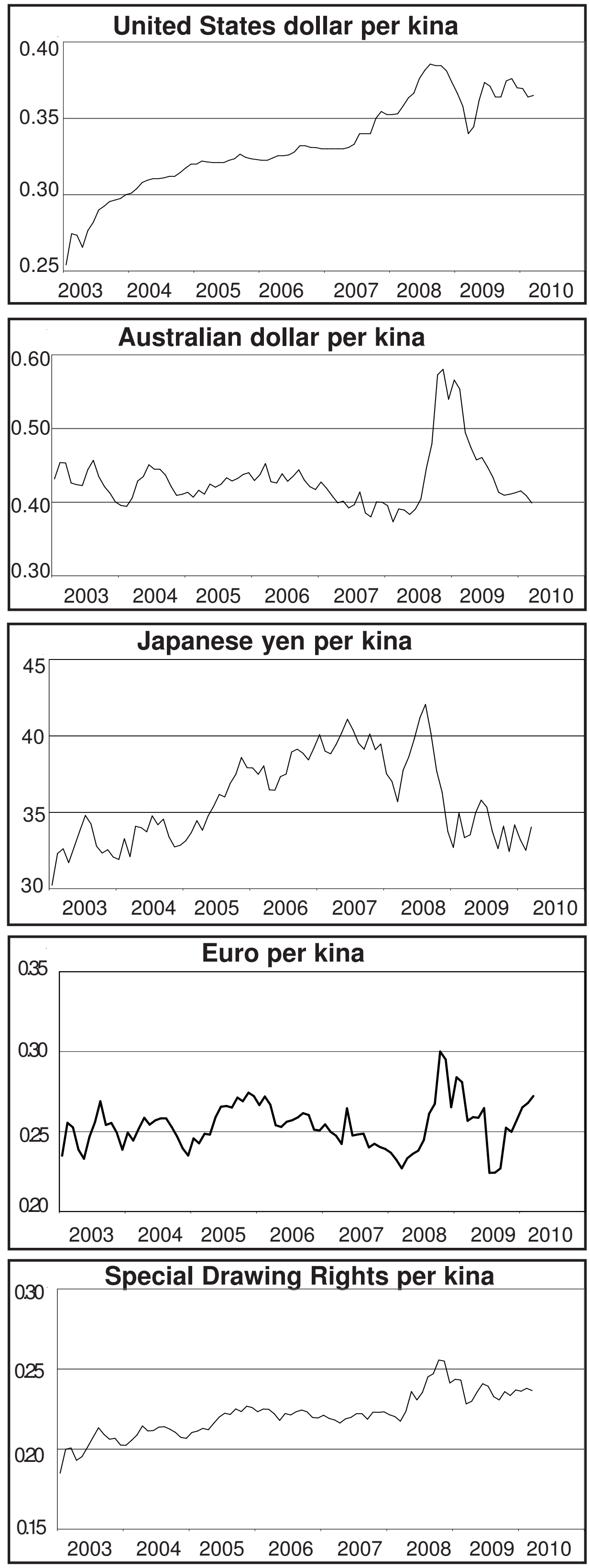
In the Euro area, real GDP increased by 0.5 percent over the year to March 2010, up from a negative growth of 4.6 percent over the same period in 2009, supported by growth in the largest member economies of Germany, France, and Italy. Increased exports and improved economic confidence were behind the growth . With the depreciation of the euro, European goods became more competitive, prompting companies to increase exports to bolster earnings as households hold back spending. While some of these recent economic indicators were quite encouraging, there is reason to remain prudent and cautious as some member countries are still struggling with debt problems. The latest IMF forecast is for real GDP to grow by 1.0 percent in 2010.

Industrial production increased by 6.9 percent over the year to March 2010, after a fall of 19.4 percent over the corresponding period in 2009. This was due to improvement in the production of intermediate goods and factory machinery boosted by the strong demand from Asia and the depreciation of the euro. Retail sales declined by 0.1 percent over the year to March 2010, an improvement from a drop of 2.4 percent over the same period in 2009. The unemployment rate was 10.0 percent over the year to March 2010, up from 8.9 percent over the same period in 2009.

Consumer prices in the Euro area increased by 1.4 percent over the year to March 2010, up from 0.6 percent over the year to March 2009, reflecting increased costs of production. Broad money supply declined by 0.1 percent over the year to March 2010, down from 5.1 percent over the corresponding period in 2009. The European Central Bank (ECB) continued to pursue an accommodative monetary policy stance, maintaining the Euro Refinancing Rate at 1.00 percent in the March quarter.

The trade account of the Euro area was in surplus by US$45.5 billion over the year to March 2010, an

EXCHANGE RATES



improvement from a deficit of US$56.8 billion over the corresponding period in 2009. The surplus mainly reflected improvement in exports.

In Germany, real GDP rose by 1.7 percent over the year to March 2010, following a decline of 6.9 percent over the same period in 2009. The improvement mainly reflected a pick up in exports and employment. The latest IMF forecast is for real GDP to grow by 1.2 percent in 2010.

Industrial production grew by 8.6 percent over the year to March 2010, following a decline of 20.3 percent over the same period in 2009, reflecting improvements in manufacturing production and factory orders. Retail sales declined by 2.6 percent over the year to March 2010, compared to a decline of 1.9 percent over the corresponding period in 2009. The unemployment rate was 8.0 percent over the year to March 2010, slightly above the 8.1 percent over the corresponding period in 2009. Consumer prices increased by 1.1 percent over the year to March 2010, a pick up from 0.5 percent over the same period in 2009, reflecting the improvement in confidence and a stronger labor market.

The current account surplus was US$207.2 billion over the year to March 2010, improving from the US$193.7 billion surplus over the corresponding period in 2009. The improved surplus was due to an increase in exports.

In the UK, real GDP fell by 0.3 percent over the year to March 2010, following a contraction of 4.1 percent over the same period in 2009. This was due to subdued activity in the service industry, especially distribution, hotels and restaurants, motor trades, wholesale and retail. The latest IMF forecast is for real GDP to grow by 1.3 percent in 2010.

Industrial production grew by 2.0 percent over the year to March 2010, after a fall of 12.4 percent over the same period in 2009. Retail sales increased by 2.5 percent over the year to March 2010, an improvement from 0.8 percent over the same period in 2009, supported by strong sales in textiles, clothing and footwear. The unemployment rate was 8.0 percent over the year to March 2010, up from 7.1 percent over the same period in 2009, mainly reflecting uncertainty in the strength of the economic recovery.

Consumer prices increased by 3.4 percent over the year to March 2010, after an increase of 2.9 percent over the same period in 2009, mainly driven by non-food items. Broad money supply increased by 3.5 percent over the year to March 2010, compared to an increase of 17.6 percent over the corresponding period in 2009. The Bank of England continued to maintain its official Bank Rate at 0.5 percent over the March quarter of 2010, despite high inflation as any increase in the interest rate could stall the economic recovery.

The trade deficit was US$131.6 billion over the year to March 2010, compared to US$156.7 billion deficit over the same period in 2009, mainly reflecting high import demand for intermediate goods and cars.

In Australia, real GDP grew by 2.7 percent over the year to March 2010, compared to an increase of 0.3 percent over the year to March 2009. The latest IMF forecast is for real GDP to grow by 2.0 percent in 2010.

Industrial production increased by 2.9 percent over the year to March 2010, after a decline of 2.9 percent over the year to March 2009. Retail sales increased by 0.1 percent over the year to March 2010, down from 1.4 percent over same period in 2009. The unemployment rate was 5.3 percent over the year to March 2010, compared to 5.7 percent over the same period in 2009.

Consumer prices rose by 2.9 percent over the year to March 2010, higher than the 2.5 percent recorded over the same period in 2009, mainly driven by higher prices of housing, education, transportation and health. Broad money supply increased by 5.7 percent over the year to March 2010, down from 10.9 percent over the same period in 2009. The Reserve Bank of Australia raised its Cash Rate by another 25 basis points to 4.0 percent in the March quarter of 2010.

The trade deficit was US$12.8 billion over the year to March 2010, compared to a deficit of US$6.2 billion over the same period in 2009.

During the March quarter of 2010, the US dollar appreciated against all the major currencies, reflecting the strengthening of the US economy, improvement in its exports, and capital inflows resulting from the debt problems in the Euro zone and budget deficit in UK. The US dollar appreciated by 6.3 percent against the euro, 4.5 percent against the pound sterling, 1.1 percent against the yen and 0.6 percent against the Australian dollar.

During the March quarter of 2010, the daily average kina exchange rate depreciated against all major currencies, except the euro and pound sterling. It depreciated against the US dollar by 1.7 percent to 0.3650, by 1.0 percent against the Australian dollar to 0.3989 and by 0.7 percent against the Japanese yen to 34.04. On the back of the debt problems in some countries in the Euro zone and the budget deficit in United Kingdom, the kina appreciated against the pound sterling by 2.9 percent to 0.2421 and by 4.9 percent against the euro to 0.2722. These movements resulted in the daily average TWI depreciating by 0.7 percent in the March quarter of 2010 to 31.67, down from 32.20 in the quarter of 2009.

3. DOMESTIC ECONOMIC DEVELOPMENT

DOMESTIC ECONOMIC ACTIVITY

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the private sector increased by 9.6 percent in the December quarter of 2009, compared to an increase of 4.2 percent in the September quarter of 2009. Excluding the mineral sector, sales increased by 5.2 percent in the December quarter, following an increase of 12.2 percent in the previous quarter. All sectors recorded increases, except transportation, while all regions recorded increases. In 2009, the total value of sales declined by 9.7 percent compared to the previous year

In the mineral sector, sales increased by 17.9 percent in the December quarter of 2009, following a decline of 17.9 percent in the previous quarter. The increase was mainly due to higher gold export volume and prices. In 2009, the total value of sales declined by 30.8 percent, compared to the previous year.

In the retail sector, sales increased by 13.5 percent in the December quarter of 2009, compared to an increase of 0.3 percent in the previous quarter. The increase was mainly due to high seasonal demand during the Christmas period, especially sales of consumable products and capital goods. In 2009, the total value of sales increased by 6.0 percent, compared to the previous year.

In the manufacturing sector, sales increased by 7.4 percent in the December quarter of 2009, compared to an increase of 13.0 percent in the previous quarter. The increase was mainly driven by higher demand during the festive season for food, drinks and processed oil-based products. Higher demand for building materials also contributed to the increase. In 2009, the total value of sales increased by 16.8 percent, compared to 2008.

In the wholesale sector, sales increased by 2.0 percent in the December quarter of 2009, compared to an increase of 24.6 percent in the September quarter. The increase was driven by higher demand during the festive season mainly due to sale of petroleum products, mainly fuel. In 2009, the total value sales declined by 18.3 percent, compared to the previous year.

In the agriculture/forestry/fisheries sector, sales grew by 5.4 percent in the December quarter of 2009, following an increase of 2.9 percent in the previous quarter. The increase was mainly in the agriculture and forestry sub-sector reflecting high production of palm oil and harvest of logs. In 2009, the total value of sales declined by 36.8 percent, compared to 2008.

In the building and construction sector, sales increased by 8.6 percent in the December quarter of 2009, compared to an increase of 24.1 percent in the previous quarter. The increase was due to maintenance work along the Magi highway in the Central province and on roads in NCD as well as road construction in the Western province. Increase in building construction activity in NCD also contributed to this outcome. In 2009, the total value of sales increased by 43.7 percent, compared to 2008.

In the financial/business and other services sector, sales increased by 2.0 percent in the December quarter of 2009, following an increase of 26.6 percent in the September quarter of 2009. The increase was mainly due to higher lending activity by financial institutions as well as increase in foreign exchange trading. There were also increases in activities by other service providers, especially hotels. In 2009, the total value of sales increased by 53.5 percent, compared to the previous year.

In the transportation sector, sales increased by 14.4 percent in the December quarter of 2009, compared to an increase of 1.4 percent in the September quarter of 2009. The increase was mainly due to higher passenger travel by air transportation during the Christmas period. In 2009, the total value of sales increased by 22.5 percent, compared to 2008.

By region, sales increases were recorded in all regions. In the Islands region, sales increased by 19.6 percent in the December quarter of 2009, following a 12.9 percent decline in the previous quarter. The increase was mainly in the mineral and wholesale sectors, and the agriculture sub-sector. The increase in the mineral sector was a result of higher gold export and price, while in the wholesale sector, the increase was due to high seasonal demand during the Christmas period. The increase in the agriculture sub-sector was due to higher production and export price of palm oil. In 2009, the total value of sales increased by 3.9 percent, compared to 2008.

In NCD, sales rose by 10.2 percent in the December quarter of 2009, compared to an increase of 12.3 percent in the previous quarter. The increase was mainly in the wholesale, retail, manufacturing, building and construction and financial/business and other services sectors. The increases in the wholesale and retail sectors were mainly due to higher seasonal demand during the Christmas period, while the increase in the manufacturing sector was due to high demand for building materials as well as for processed food products during the festive season. In the building and construction sector, the increase was due to road maintenance work combined with both residential and commercial property developments in Port Moresby. The increase in the financial/business and other services sector was due to higher lending activities and foreign exchange trading especially by commercial banks. In 2009, the total value of sales increased by 7.7 percent, compared to 2008.

In the Highlands region, sales increased by 13.3 percent in the December quarter of 2009, compared to a decline of 1.7 percent in the previous quarter. The increase was mainly in the mineral, wholesale and retail sectors. In the mineral sector, the increase was due to higher gold prices and exports, while in the wholesale and retail sectors, the increase was due to higher seasonal demand during the Christmas period. In 2009, the total value of sales increased by 26.9 percent, compared to the previous year.

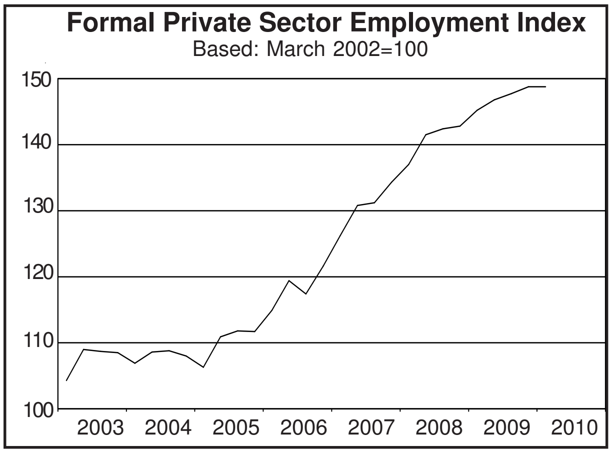
In Morobe, sales grew by 8.4 percent in the December quarter of 2009, compared to an increase of 7.7 percent in the previous quarter. The increase was mainly in the retail, wholesale and manufacturing sectors as a result of higher seasonal demand during the Christmas period. Increase in the supply of fuel by a petroleum company to retail customers also contributed significantly to this outcome. In 2009, the total value of sales increased by 14.3 percent, compared to the previous year.

In the Southern region, sales increased by 2.5 percent in the December quarter of 2009, compared to an increase of 10.3 percent in the September quarter. The increase was mainly in the mineral, building and construction and wholesale sectors and the forestry sub-sector. The increase in the mineral sector was due to higher copper exports and prices, while in the wholesale sector, the increase was due to higher seasonal demand during the Christmas period. The increase in the building and construction sector was due to road maintenance work in the western province and on Magi Highway in the central province. In the forestry sub-sector, the increase was due to higher log harvest and export. In 2009, the total value of sales increased by 10.5 percent, compared to the previous year.

In the Momase region, sales increased by 0.02 percent in the December quarter of 2009, compared to an increase of 17.6 percent in the previous quarter. The increase was mainly in the retail and wholesale sectors and the forestry sub-sector. The increases in the wholesale and retail sectors were associated with the Christmas festive season, while the increase in the forestry sub-sector was due to higher log harvest and export. In 2009, the total value of sales declined by 0.03 percent, compared to 2008.

EMPLOYMENT

The Bank's Employment Index show that the level of employment in the formal private sector declined by 1.1 percent in the March quarter of 2010, compared to an increase of 0.7 percent in the previous quarter. Excluding the mineral sector, the level of employment declined by 1.2 percent in the March quarter of 2010, compared to an increase of 0.6 percent in the previous quarter. By industry, the level of employment declined in the manufacturing, retail, wholesale and financial/business and other services sectors, while it increased in the agriculture/forestry/fisheries, transportation, building and construction and the mineral sectors. By region, the level of employment declined in all regions except the Islands and the highlands regions. Over the year to March 2010, the total level of employment increased by 1.4 percent, compared to 4.2 percent over the year to December 2009. Excluding the mineral sector, the level of employment increased by 1.3 percent over the year to March 2010,



compared to 5.0 percent over the year to December 2009.

In the agriculture/forestry/fisheries sector, the level of employment increased by 2.0 percent in the March quarter of 2010, compared to an increase of 1.3 percent in the December quarter of 2009. The increase was mainly in the agriculture and fisheries sub-sectors. The increase in the agriculture sub-sector was due to the recruitment of casual employees reflecting the harvest of coffee cherries in the Highlands and palm oil in the New Guinea Islands. In the fisheries sub-sector, the increase was due to higher catches of fish. Over the year to March 2010, the level of employment in the agriculture/forestry/fisheries sector increased by 6.0 percent, compared to the corresponding period in 2009.

In the building and construction sector, the level of employment increased by 3.2 percent in the March quarter of 2010, compared to an increase of 5.6 percent in the December quarter of 2009. The increase was mainly due to road maintenance and development of residential and commercial properties especially in NCD. Over the year to March 2010, the level of employment in the building and construction sector increased by 12.0 percent, compared to the corresponding period in 2009.

In the mineral sector, the level of employment increased 1.5 percent in the March quarter of 2010, compared to an increase of 0.4 percent in the December quarter of 2009. The increase was mainly due to the LNG related work and exploration activities in the Highland region. A major gold mine also hired additional workers to undertake various projects at the Pogera mine site. Over the year to March 2010, the level of employment in the mineral sector declined by 2.4 percent, compared to the corresponding in 2009.

In the manufacturing sector, the level of employment declined by 7.3 percent in the March quarter of 2010, compared to an increase of 1.5 percent in the December quarter of 2009. The decline was mainly due to the end of the festive season reflecting lower demand for consumable goods. Also a major loining company scaled down its daily shift operations from three to two shifts per day. Over the year to March 2010, the level of employment in the manufacturing sector dropped by 2.6 percent, compared to the corresponding period in 2009.

In the wholesale sector, the level of employment declined by 0.4 percent in the March quarter of 2010, compared to 0.7 percent in the December quarter of 2009, In the retail sector, the level of employment declined by 3.8 percent in the March quarter of 2010, compared to an increase of 3.1 percent in the December quarter of 2009. The declines in both sectors were mainly associated with the end of the Christmas festive season as wholesale and retail companies laid-off casual employees. Over the year to March 2010, the level of employment in the wholesale sector increased by 3.0 percent, while it declined by 2.0 percent in the retail sector, compared to the corresponding period in 2009.

In the transportation sector, the level of employment increased by 0.3 percent in the March quarter of 2010, compared to an increase of 4.1 percent in the December quarter of 2009. The increase was due to the expansion of a major airline company following the awarding of a contract associated with the provision of charter services to transport cargo and personnel for the LNG project. Also, a shipping company recruited additional employees for its cadet training program. Over the year to March 2010, the level of employment in the transportation sector declined by 12.6 percent, compared to the corresponding period in 2009.

In the financial/business and other services sector, the level of employment declined by 0.2 percent in the March quarter of 2010, compared to a decline of 3.9 percent in the December quarter of 2009. The decline was mainly due to lower demand for professional services after the Christmas festive season, especially hotels and catering services. Over the year to March 2010, the level of employment in the financial/business and other services sector grew by 2.0 percent, compared with the corresponding in 2009.

By region, the level of employment declined in all regions except the Highlands and Islands regions. In the Momase region, the level of employment declined by 7.9 percent in the March quarter of 2010, compared to a decline of 2.6 percent in the December quarter of 2009. The decline was mainly in the manufacturing and retail sectors. The decline in the manufacturing sector was due to a major loining company scaling down its daily shift operations from three to two per day, while the decline in the retail sector was due to laying-off of casual employees. Over the year to March 2010, the level of employment increased by 9.1 percent, compared to the corresponding period in 2009.

In the Southern region, the level of employment declined by 3.5 percent in the March quarter of 2010, compared to an increase of 3.5 percent in the December quarter of 2009. The decline was mainly in the wholesale, retail and financial/business and other services sectors. The declines in the wholesale and retail sectors were mainly due to the laying-off of casual employees following the end of the festive season. The decline in the financial/business and other services sector was mainly associated with the decline in tourism activity. Over the year to March 2010, the level of employment declined by 0.4 percent, compared to the corresponding period in 2009.

In NCD, the level of employment declined by 0.5 percent in the March quarter of 2010, compared to an increase of 2.6 percent in the December quarter of 2009. The decline was in the retail, wholesale, manufacturing and financial/business and other services sectors. The decline in the wholesale and retail sectors was due to laying-off of casual employees after the Christmas festive season, while the decline in the manufacturing sector was due to lower demand for consumable goods following the end of the festive season. In the financial/business and other services sectors, the decline was due to laying-off of security guards and casual staff at the hotels. Over the year to March 2010, the level of employment increased by 4.8 percent, compared to the corresponding period in 2009.

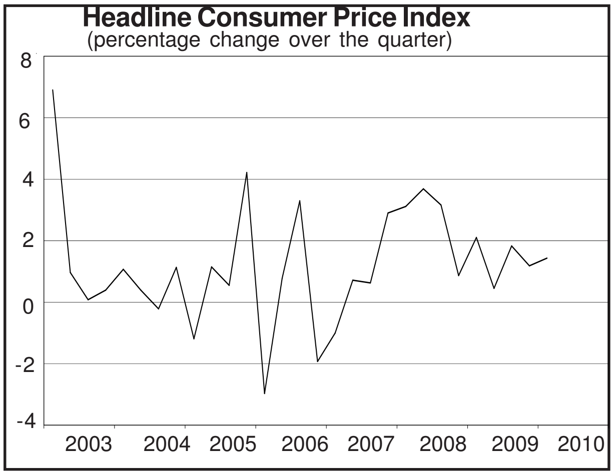
In the Islands region, the level of employment increased by 1.3 percent in the March quarter of 2010, compared to an increase of 2.1 percent in the December quarter of 2009. The increase was mainly in the mineral sector and the agriculture sub-sector. The increase in the mineral sector was due to exploration activities, while the increase in the agriculture sub-sector was due to higher palm oil harvest. Over the year to March 2010, the level of employment declined by 2.5 percent, compared to the corresponding period in 2009.

In Morobe, the level of employment declined by 1.3 percent in the March quarter of 2010, compared to an increase of 1.5 percent in the December quarter of 2009. The decline was mainly in the wholesale, retail and manufacturing sectors. Declines in all three sectors were due to lower demand following the end of the festive season. Over the year to March 2010, the level of employment remained the same as in the corresponding period in 2009.

In the Highlands region, the level of employment increased by 2.7 percent in the March quarter of 2010, compared to a decline of 0.7 percent in the December quarter of 2009. The increase was mainly in the mineral sector and the agriculture sub-sector. The increase in the mineral sector was mainly associated with the start of the construction work of the LNG project and exploration activities. The increase in the agriculture sub-sector was due to recruitment of casual employees reflecting the start of the coffee season. Over the year to March 2010, the level of employment increased by 1.2 percent, compared to the corresponding period in 2009.

CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), was 1.4 percent in the March quarter of 2010, compared to 1.2 percent in the December quarter of 2009. The quarterly increase was in the 'Food', 'Drinks, Tobacco and Betelnut', 'Rents, council charges, fuel and power', and 'Transport and Communication' expenditure groups. Annual headline inflation was 5.0 percent in the March quarter of 2010, compared to 5.7 percent in the previous quarter. The slight drop in annual inflation was attributed to the reduction of school fees for the secondary and upper primary schools and full subsidisation of lower primary school fees. The largest increases were recorded in the 'Drinks, Tobacco and Betelnut', 'Rents, council charges, fuel and power', and 'Transport and communication' expenditure groups, mainly reflecting increases in cigarettes, tobacco, and fuel prices over the year. By region, all urban areas recorded both quarterly and annual price increases in the March quarter and over the year to the March quarter of 2010.



The CPI for the 'Food' expenditure group increased by 0.8 percent in the March quarter of 2010, compared to an increase of 1.2 percent in the December quarter of 2009. The increase was in all sub-groups except fruits and vegetables. This expenditure group contributed 0.3 percentage points to the overall movement in the CPI.

In the 'Drinks, Tobacco and Betelnut' expenditure group, prices increased by 3.8 percent in the March quarter of 2010, compared to an increase of 1.1 percent in the previous quarter. All sub-groups increased except betelnut. This expenditure group contributed 0.8 percentage points to the overall movement in the CPI.

In the 'Clothing and Footwear' expenditure group, the CPI decreased by 2.2 percent in the March quarter of 2010, compared to an increase of 1.2 percent in the previous quarter. Men's and boys' clothing, and other clothing and footwear showed a decrease in prices, while prices for women and girls clothing recorded an increase. This expenditure group contributed negative 0.1 percentage points to the overall movement in the CPI.

The CPI for the 'Rents, Council charges, Fuel and power' expenditure group increased by 0.2 percent in the March quarter of 2010, compared to an increase of 1.8 percent in the previous quarter. The increase was in the fuel and power sub-group, which offset a decrease in the council charges, water, sewerage, and garbage subgroup. This expenditure group's contribution to the overall movement in the CPI was negligible.

The CPI for the 'Household equipment and operations' expenditure group declined by 2.8 percent in the March quarter of 2010, compared to a decrease of 1.3 percent in the previous quarter. The decrease was in all sub-groups. This expenditure group contributed negative 0.1 percentage points to the overall movement in the CPI.

In the 'Transport and Communication' expenditure group, prices increased by 2.2 percent in the March quarter of 2010, compared to an increase of 1.8 percent in the December quarter of 2009. The increase was in all sub-groups, the largest being motor vehicle purchases. This expenditure group contributed 0.3 percentage points to the overall movement in the CPI.

In the 'Miscellaneous' expenditure group, prices decreased by 1.3 percent in the March quarter of 2010, compared to an increase of 0.2 percent in the previous quarter. The decrease was in the entertainment and cultural and other goods subgroups. This expenditure group contributed negative 0.1 percentage points to the overall movement in the CPI.

By urban areas, quarterly headline inflation increased in all the surveyed centers in the March quarter of 2010. Madang recorded the highest increase of 2.9 percent followed by Goroka with 2.3 percent, Port Moresby 1.4 percent, Lae 0.7 percent, and Rabaul 0.6 percent.

In Port Moresby, prices increased by 1.4 percent in the March quarter of 2010, compared to an increase of 1.9 percent in the December quarter of 2009. All expenditure groups recorded increases except for 'Clothing and footwear', 'Household equipment and operation', and 'Miscellaneous'. The largest increase was in the 'Drinks, tobacco and betelnut' group at 2.8 percent, followed by 'Transport and Communication' at 2.6 percent, 'Food' at 1.9 percent, and 'Rents, Council charges, Fuel and power' at 0.5 percent. 'Household equipment and operations' recorded the largest decrease of 5.3 percent, followed by 'Clothing and footwear' at 4.6 percent, and 'Miscellaneous' at 4.5 percent.

In Madang, prices increased by 2.9 percent in the March quarter of 2010, compared to a 1.6 percent increase in the previous quarter. The increases were in all the expenditure groups except 'Clothing and footwear' and 'Household equipment and operations'. The 'Miscellaneous', 'Drinks, Tobacco and Betelnut', 'Rents, council charges, fuel & power', and 'Transport and communication', and 'Food' expenditure groups recorded increases of 12.4 percent, 6.1 percent, 1.6 percent, 1.3 percent, and 1.0 percent, respectively. The 'Clothing and footwear' and 'Household equipment and operations' groups recorded decreases of 5.2 percent and 2.3 percent, respectively.

In Goroka, prices increased by 2.3 percent in the March quarter of 2010, compared to an increase of 1.3 percent in the previous quarter. Increases in the 'Drinks, Tobacco and Betelnut', 'Transport and communication', and 'Food' expenditure groups outweighed declines in the other groups. Prices in the 'Drinks, Tobacco and Betelnut', 'Transport and communication', and 'Food' expenditure groups increased by 8.3 percent, 2.7 percent, and 0.4 percent, respectively. Prices declined in the 'Household equipment & operation', 'Clothing and Footwear', 'Miscellaneous', and 'Rents, Council charges, Fuel and power' expenditure groups by 2.2 percent, 0.6 percent, 0.5 percent, and 0.2 percent, respectively.

In Rabaul, prices increased by 0.6 percent in the March quarter of 2010, compared to an increase of 1.2 percent in the previous quarter. Increases in the 'Drinks, Tobacco and Betelnut', 'Food', and 'Transport and Communication' expenditure groups outweighed declines in other groups. 'Drinks, Tobacco and Betelnut' prices increased by 4.1 percent, 'Food' by 0.6 percent, and 'Transport and Communication' by 0.4 percent. Prices declined in the 'Miscellaneous', 'Clothing and footwear', 'Household equipment and operations', and 'Rents, Council charges, Fuel and power' expenditure groups by 11.9 percent, 2.7 percent, 2.5 percent, and 0.5 percent, respectively.

In Lae, prices increased by 0.7 percent in the March quarter of 2010, compared to a decrease of 0.4 percent in the December quarter of 2009. All expenditure groups recorded price increases except 'Food' and 'Rents, Council charges, Fuel and power'. The largest increase was in the 'Clothing and footwear' expenditure group at 3.2 percent, followed by the 'Drinks, Tobacco and Betelnut' group at 2.5 percent, and the 'Miscellaneous' group at 2.3 percent.

The quarterly exclusion-based and trimmed-mean inflation were 1.4 percent and 0.9 percent, respectively, in the March quarter of 2010, compared to increases of 0.8 and 1.1 percent, respectively, in the previous quarter. The annual exclusion-based inflation was 3.8 percent in the March quarter of 2010, compared to 5.0 percent in the December quarter of 2009. Annual trimmed-mean inflation was 4.3 percent in the March quarter of 2010, compared to 3.8 percent in the previous quarter.

4. EXPORT COMMODITIES REVIEW

The total value of merchandise exports in the March quarter of 2010 was K3,132 million, an increase of 11.1 percent from the corresponding quarter of 2009. Higher export values were recorded for coffee, palm oil, tea, rubber, gold, copper and crude oil exports, which more than offset declines in the values of cocoa, copra, copra oil, logs, marine and other non-mineral products. Mineral export receipts, excluding crude oil, were K2,160.1 million and accounted for 69.0 percent of total merchandise exports in the March quarter of 2010, compared to 61.5 percent in the corresponding quarter of 2009. Crude oil exports totalled K465.6 million and accounted for 14.9 percent of total merchandise exports in the quarter, compared to 15.2 percent in the corresponding quarter of 2009.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, were K382.4 million and accounted for 12.4 percent of total merchandise exports in the March quarter of 2010, compared to 16.9 percent in the corresponding quarter of 2009. Forestry product exports were K57.6 million and accounted for 1.8 percent of total merchandise exports in the quarter, compared to 3.6 percent in the corresponding quarter of 2009. Refined petroleum product exports were K61.3 million and accounted for 2.0 percent of total merchandise exports in the quarter, compared to 2.7 percent in the corresponding quarter of 2009.

The weighted average price of Papua New Guinea's exports increased by 39.1 percent in the March quarter of 2010, compared to the corresponding quarter of 2009. There was a 44.1 percent increase in the weighted average price of mineral exports, with higher kina prices of all mineral exports. For the agricultural, logs and marine product exports, the weighted average kina price increased by 13.4 percent and was attributed to higher kina prices of coffee, cocoa, copra oil, palm oil, tea and rubber, which more than offset declines in export prices of copra, logs and marine products. The higher kina export prices reflected an increase in international prices during the quarter, compared to the corresponding quarter of 2009. Excluding logs, the weighted average price of agricultural and marine product exports increased by 40.0 percent in the quarter, compared to the corresponding quarter in 2009.

Mineral Exports

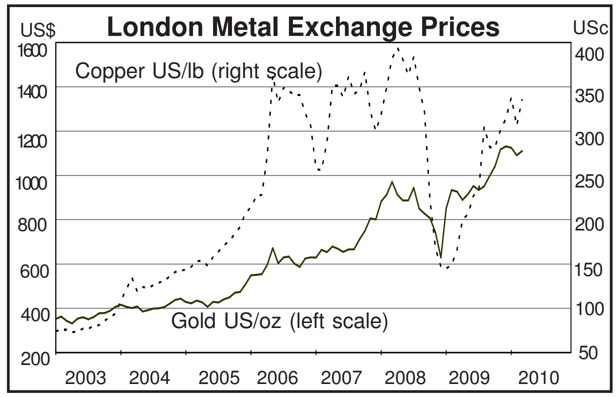
Total mineral export receipts were K2,625.7 million in the March quarter of 2010, an increase of 21.3 percent from the corresponding quarter of 2009. The increase was due to higher kina export prices of all mineral exports, which more than offset declines in the volumes.

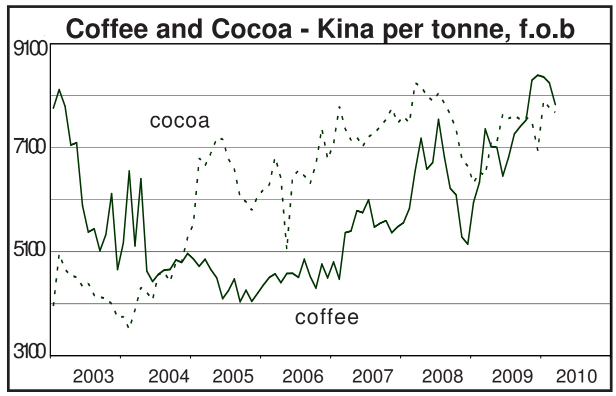
Gold export volumes were 14.9 tonnes in the March quarter of 2010, a decline of 13.9 percent from the corresponding quarter of 2009. The decline was due to lower production at the Ok Tedi, Lihir and Porgera mines. The lower production from the Ok Tedi and Lihir mine was attributed to lower head grade gold and industrial strike by the OkTedi mining workers. The average free on board (f.o.b.) price received for Papua New Guinea's gold exports was K96.9 million per tonne in the quarter, an increase of 21.2 percent from the March quarter of 2009. The average gold price at the London Metal Exchange increased by 22.6 percent to US$1,109 per fine ounce in the quarter, compared to the corresponding quarter of 2009. The increase was due to higher demand globally. The increase in export price more than offset the decline in export volume, resulting in a 4.4 percent increase in export receipts to K1,443.5 million, compared to the corresponding quarter of 2009.

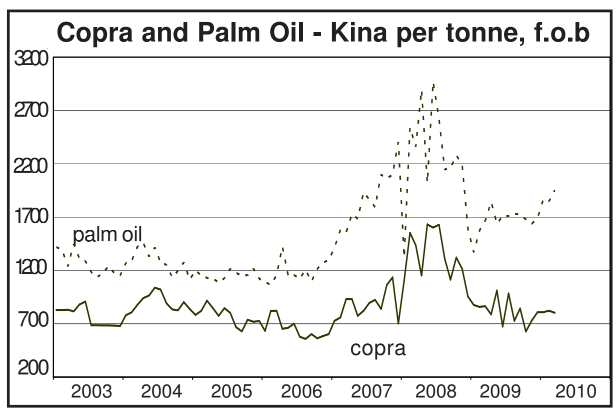
Copper export volumes were 36.2 thousand tonnes in the March quarter of 2010, a decline of 5.5 percent from the corresponding quarter of 2009. The decline was due to an industrial strike by the workers at the Ok Tedi mine. The average f.o.b. price of Papua New Guinea's copper exports was K19.2 million per tonne in the quarter, a substantial increase of 115.7 percent from the corresponding quarter of 2009. The increase reflected higher international prices due to increased demand especially from China following the global recovery. The increase in export price more than offset the decline in volume resulting in a 103.9 percent increase in export receipts to K696.2 million, compared to the corresponding quarter of 2009.

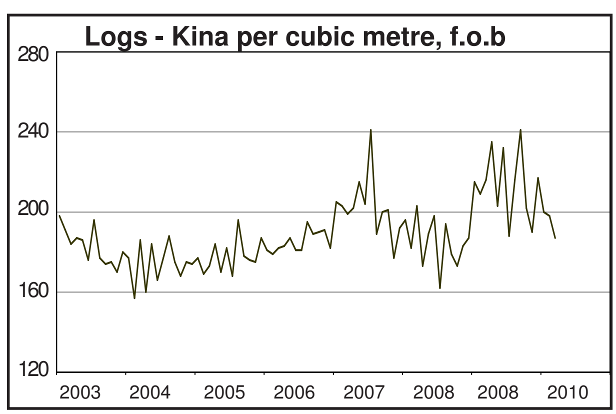
Crude oil export volumes were 2,299.3 thousand barrels in the March quarter of 2010, a decline of 31.6

EXPORT COMMODITY PRICES









percent from the corresponding quarter of 2009. The outcome reflected lower extraction rates, associated with the natural decline in the production of the existing oil fields. The average export price of crude oil was K202 per barrel in the March quarter of 2010, an increase of 58.5 percent from the corresponding quarter of 2009 reflecting higher international prices. The higher international price was due to lower production by the Organisation of the Petroleum Exporting Countries (OPEC) member countries, combined with strong global demand. The increase in export price more than offset the decline in export volume, resulting in a 8.4 percent increase in export receipts to K465.6 million, compared to the corresponding quarter of 2009.

Export receipts of refined petroleum products from the Napanapa Oil Refinery declined by 19.9 percent to K61.3 million in the March quarter of 2010, compared to the corresponding period of 2009. This outcome was due to delay in receipt of exports as the proceeds for the period was higher than the March quarter of 2009.

Agriculture, Logs and Fisheries Exports

Export prices of all agricultural export commodities increased in the March quarter of 2010, compared to the corresponding quarter of 2009, except for copra. Coffee prices increased by 20.8 percent, cocoa by 29.2 percent, palm oil by 20.4 percent, copra oil by 4.1 percent, tea by 38.5 percent and rubber by 2.8 percent, while copra prices declined by 5.3 percent. The average export price of logs was K195 per cubic meter in the quarter, a decline of 8.9 percent from the corresponding quarter of 2009. The increase in export prices of coffee, cocoa, copra oil, palm oil, tea and rubber more than offset the decline in prices of copra, logs and marine product exports, resulted in a 13.4 percent increase in the weighted average price of agricultural, logs and marine product exports. Excluding logs, the weighted average price of agricultural and marine product exports increased by 15.3 percent in the March quarter of 2010, compared to the corresponding period of 2009.

The volume of coffee exported in the March quarter of 2010 was 10,000 tonnes, an increase of 14.9 percent from the March quarter of 2009. This outcome was mainly attributed to a supply response associated with higher international prices combined with the recovery of coffee trees from the rehabilitation programs. The average export price of coffee was K7,860 per tonne in the quarter, an increase of 20.8 percent from the corresponding quarter of 2009. The increase was mainly due to higher international prices, attributable to lower production from Brazil and Columbia due to unfavourable wet weather conditions and berry borer diseases. The combined increase in export volume and price resulted in a 38.9 percent increase in export receipts to K78.6 million in the quarter, compared to the corresponding quarter of 2009.

The volume of cocoa exported in the March quarter of 2010 was 5,500 tonnes, a decline of 67.3 percent from the corresponding quarter of 2009. The outcome was attributed to lower production from the cocoa producing regions as a result of slow recovery of the pruned trees affected by the cocoa pod borer disease. The average export price of cocoa was K8,345 per tonne in the quarter, an increase of 29.2 percent compared to the March quarter of 2009. The increase was due to higher international prices resulting from lower supply in the world market, caused by declines in production from the Ivory Coast and Ghana. The decline in export volume more than offset the increase in export price, resulting in a 57.7 percent decline in export receipts to K45.9 million in the quarter, compared to the corresponding quarter of 2009.

The volume of copra exported in the March quarter of 2010 was 3,100 tonnes, a decline of 34.0 percent from the corresponding quarter of 2009. The decline was associated with a supply response to slow recovery of international prices which led to producers selling copra directly to the two local copra oil processing mills. The average export price of copra was K806 per tonne in the quarter, a decline of 5.2 percent from the corresponding quarter of 2009. The decline was due to lower demand associated with the global economic down-turn, combined with consumers switching to cheaper substitutes such as soybean and palm oil products. The combined decline in export price and volume resulted in a 37.5 percent decline in export receipts to K2.5 million in the quarter compared to the corresponding quarter of 2009.

The volume of copra oil exported in the March quarter of 2010 was 8,400 tonnes, a decline of 30.0 percent from the corresponding quarter of 2009. The outcome is a direct result of the decline in copra production leading to lower volume of copra being sold to the two domestic copra mills for processing. The average export price of copra oil was K2,143 per tonne in the quarter, an increase of 4.1 percent from the March quarter of 2009. The increase was mainly attributed to higher international prices. The decline in export volume more than offset the increase in export price resulting in a 27.1 percent decline in export receipts to K18.0 million in the quarter, compared to the March quarter of 2009.

The volume of palm oil exported in the March quarter of 2010 was 96,000 tonnes, a decline of 8.7 percent from the corresponding quarter of 2009. This outcome was attributed to lower shipment of palm oil by exporters. The average export price of palm oil was K1,891 per tonne in the quarter, an increase of 20.4 percent from the corresponding quarter of 2009. The increase reflected higher international prices, due to lower production in Malaysia, one of the world's major producers. The increase in export price more than offset the decline in export volume resulting in a 10.0 percent increase in export receipts to K181.5 million in the quarter, compared to the corresponding period of 2009.

The volume of rubber exported in the March quarter of 2010 was 1,200 tonnes, an increase of 9.1 percent from the March quarter of 2009. The average export price was K6,167 per tonne in the quarter, an increase of 2.8 percent from the corresponding period of 2009. The increase was due to higher international prices reflecting higher global demand. The combined increase in export volume and price resulted in a 12.1 percent increase in export receipts to K7.4 million in the quarter, compared to the March quarter of 2009.

The volume of tea exported in the March quarter of 2010 was 1,400 tonnes, a decline of 12.5 percent from the corresponding quarter of 2009. The average export price was K4,500 per tonne in the March quarter of 2010, an increase of 38.5 percent from the corresponding period of 2009. The increase in export price more than offset the decline in export volume resulting in a 21.2 percent increase in export receipts to K6.3 million in the March quarter of 2010, compared to the corresponding quarter of 2009.

The volume of logs exported in the March quarter of 2010 was 249.3 thousand cubic meters, a decline of 43.7 percent from the corresponding quarter of 2009. This outcome was mainly due to lower production from some of the major producing areas due to wet weather conditions. The average export price of logs was K195 per cubic meter in the March quarter of 2010, a decline of 8.7 percent from the corresponding quarter of 2009. The decline was attributed to lower international prices, reflecting lower demand for tropical hardwoods, especially from China and India. The combined decline in export volume and price resulted in a 48.6 percent decline in export receipt to K48.6 million in the March quarter of 2010, compared to the corresponding period of 2009.

The value of marine products exported in the March quarter of 2010 was K9.1 million, a decline of 83.8 percent from the corresponding quarter of 2009. The lower receipts was attributed to a substantial decline in export volumes.

5. BALANCE OF PAYMENTS

There was an overall deficit of K243 million in the balance of payments in the March quarter of 2010, compared to a surplus of K323 million in the corresponding period of 2009. This outcome was due to a deficit in the current account, which more than offset a surplus in the capital and financial accounts.

The deficit in the current account was attributed to higher net service, income and transfer payments, which more than offset a higher trade surplus in the March quarter of 2010, compared to the corresponding quarter of 2009.

The trade account recorded a surplus of K1,308 million in the March quarter of 2010, 36.5 percent higher than the surplus in the corresponding quarter of 2009. The higher surplus was due to an increase in the value of merchandise exports, which more than offset a decline in merchandise imports. The value of merchandise exports in the quarter was K3,132 million, an increase of 11.1 percent from the corresponding period of 2009. This was attributed to higher values of palm oil, tea, rubber, crude oil, copper and gold exports, which more than offset declines in the values of cocoa, copra, copra oil, logs, marine products, refined petroleum products and other exports.

The value of merchandise imports in the March quarter of 2010 was K1,824 million, a decline of 2.0 percent from the corresponding period of 2009. This was due to declines in general and petroleum sector imports, which more than offset an increase in mining sector imports. General imports were K1,228 million in the quarter, 8.5 percent lower than in the corresponding period of 2009. Mining sector imports were K384 million in the quarter, an increase of 18.7 percent from the corresponding period of 2009, mainly reflecting higher capital expenditure by the Lihir, Ok Tedi and Porgera mines. Imports by the petroleum sector were K143 million in the quarter, a decline of 27.8 percent from the corresponding period of 2009. The decline was due to lower capital expenditure by the Kutubu and Gobe oil projects. Imports associated with the PNG LNG project was K70 million.

The deficit in the services account was K1,781 million in the March quarter of 2010, compared to a deficit of K839 million in the March quarter of 2009. The outcome was attributed to higher payments relating to transportation, travel, other financial, communication, other business, construction, refining and smelting and other services, which more than offset higher service receipts by resident companies.

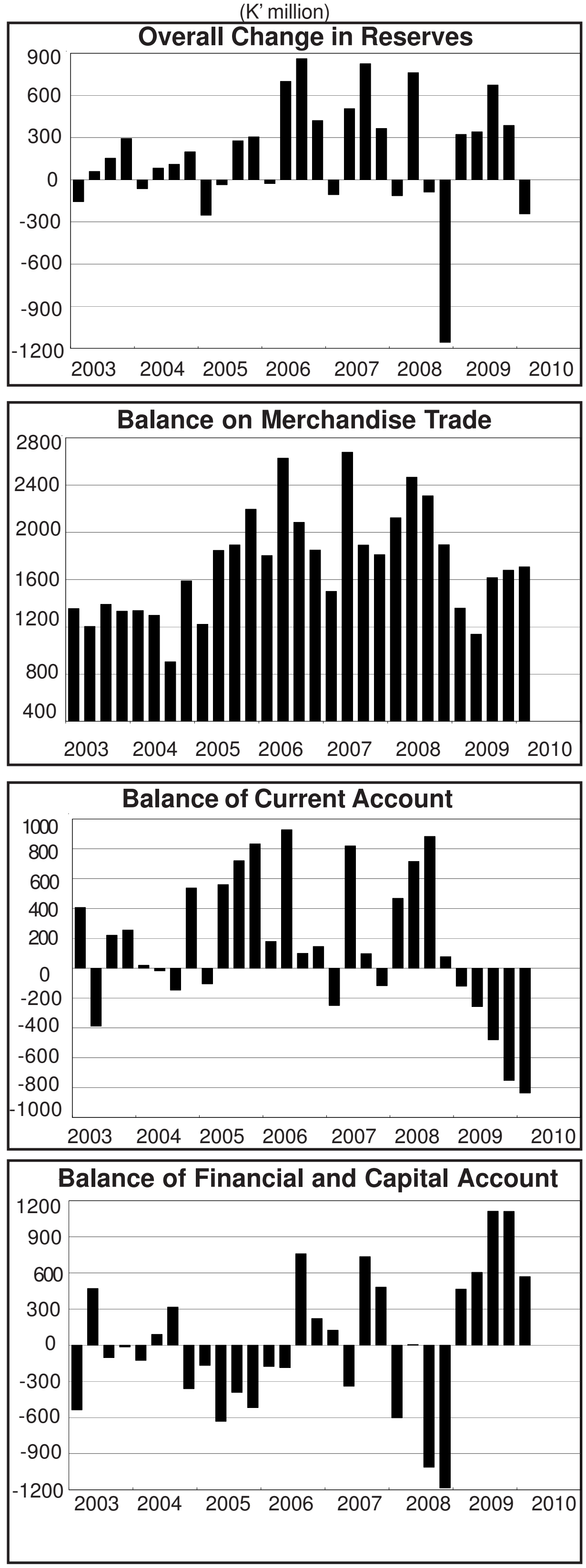
The deficit in the income account was K288 million in the March quarter of 2010 compared to a deficit of K230 million in the corresponding quarter of 2009. This was due to a significantly higher dividend payment and higher compensation of employees, which more than offset lower interest payments and higher income receipts by resident companies.

The deficit in the transfers account was K76 million in the March quarter of 2010, compared to a deficit of K10 million in the March quarter of 2009. The outcome was due to lower receipts from superannuation funds, family maintenance, gifts and grants, taxes and immigrant funds, despite lower transfer payments.

As a result of these developments in the trade, services, income and transfers accounts, the current account recorded a deficit of K837 million in the March quarter of 2010, compared to a deficit of K121 million in the corresponding quarter of 2009.

The capital and financial accounts recorded a net inflow of K569 million in the March quarter of 2010, compared to a net inflow of K466 million in the March quarter of 2009. This outcome was due to net inflows of direct investment associated with reinvestment of earnings by resident companies and investments in short-term money market instruments. This more than offset net outflows from financial derivatives and from other investments, and net loan repayments by the government.The net outflow in other investments reflected a build-up in the net foreign assets of the commercial banks and foreign currency account bal-

BALANCE OF PAYMENTS
(K' million)



ances of resident mineral companies.

The level of gross foreign exchange reserves at the end of March 2010 was K6,803.3 (US$2,372.0) million, sufficient for 16.0 months of total and 27.1 months of non-mineral import covers.

6. MONETARY DEVELOPMENTS

INTEREST RATES AND LIQUIDITY

The Bank took a cautious approach by maintaining the Kina Facility Rate (KFR) at 7.0 percent throughout the March quarter of 2010 following the reduction of 1.00 percentage point in December 2009. The dealing margin for the Repurchase Agreements (Repo) was kept unchanged at 100 basis points on both sides of the KFR. While inflation has moderated, the Bank is mindful of inflationary pressure that could come from an increase in domestic activity and demand associated with the LNG project and an increase in foreign inflation with the global economic recovery.

Interest rates for short-term securities decreased across all maturities between the end of December 2009 and end of March 2010. The 28-day Central Bank Bill (CBB) rate decreased from 5.15 percent to 4.21 percent, the 63-day rate from 5.08 percent to 4.54 percent and the 91-day CBB rate from 6.01 percent to 4.54 percent. The declining rates are attributed to excess liquidity in the banking system, and the bidders' willingness to accept lower rates of return. This was compounded by moderation in lending. Government Treasury bill rates also decreased, with the 182-day rate declining from 7.00 percent at the end of December 2009 to 6.07 percent at the end of March 2010 and the 364-day rate from 7.43 percent to 6.17 percent. There was no Treasury bills issued for the 91-day maturity since April 2009.

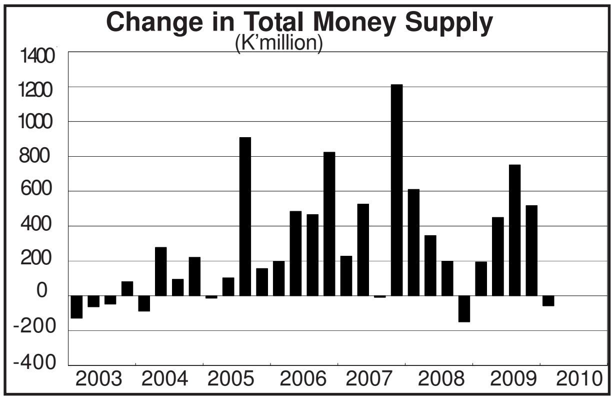
The weighted average deposit rates quoted by commercial banks on wholesale deposits (K500,000 and above) decreased across all maturities in the March quarter of 2010, except the 180-days rate. The 30-days rate declined from 4.01 percent to 3.70 percent, 60-days rate from 4.14 percent to 3.73 percent and the 90-days rate from 4.09 percent to 3.87 percent, while the 180-days rate increased from 4.35 percent to 4.92 percent. The weighted average interest rate on total deposits paid by commercial banks decreased from 2.2 percent to 1.9 percent, while the weighted average interest rate on total loans increased from 10.2 percent to 10.6 percent over the same period. The commercial banks' Indicator Lending Rates (ILR) spread remained at 10.95 – 11.95 percent at the end of March 2010, unchanged since the end of March 2009.

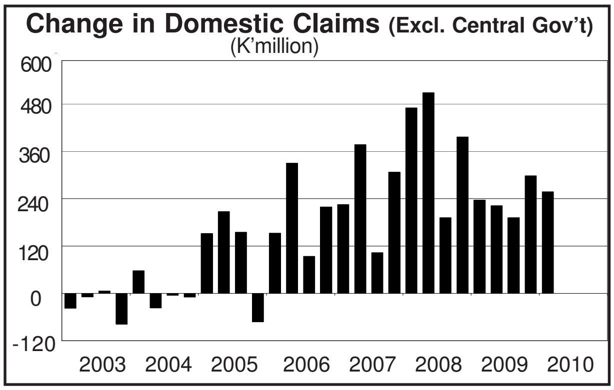
The Bank continued to utilise Open Market Operation (OMO) instruments in the conduct of monetary policy over the March quarter of 2010. In addition to CBB issuance, Treasury bills and Inscribed stock auctions were conducted, which helped stabilised liquidity but resulted in continuous decline in interest rates. Trading in the inter-bank market was low due to the high level of liquidity in the banking system. The Cash Reserve Requirement (CRR) and the Minimum Liquid Assets Ratio (MLAR) of commercial banks were maintained at 3.0 percent and 25.0 percent respectively, over the March quarter.

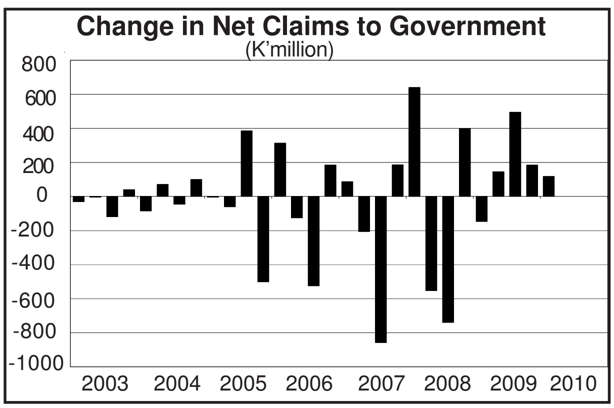
MONEY SUPPLY

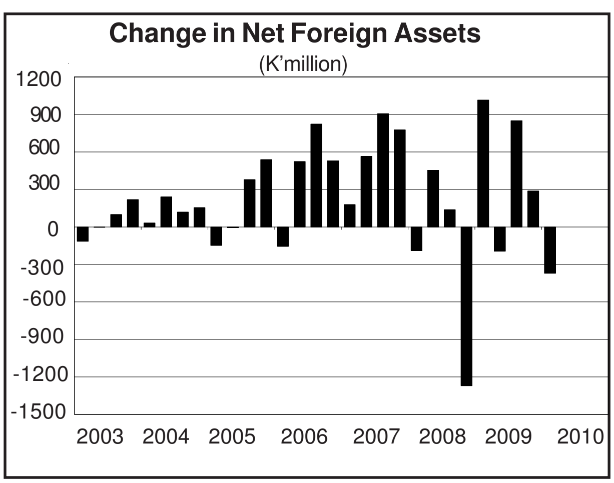
The average level of broad money supply (M3*) increased by 2.4 percent in the March quarter of 2010, compared to an increase of 4.1 percent in the December quarter of 2009. This outcome was due to an increase of 41.3 percent in average net claims to Central Government and 5.7 percent in average private sector credit. Average net domestic claims outstanding, excluding advances to the Central Government increased by 5.3 percent in the March quarter of 2010, compared to an increase of 3.3 percent in the December quarter of 2009. The average level of monetary base (reserve money) declined by 2.4 percent in the March quarter of 2010, compared to an increase of 2.9 percent in the December quarter of 2010. The decrease reflected lower deposits of ODCs at the Central Bank and currency in circulation.

The average level of narrow money supply (M1*) increased by 4.1 percent each in the March quarter of 2010 and in the December quarter of 2009. This was due to increases in transferable deposits and currency outside depository corporations. The average level of quasi money increased by 0.7 percent in the March quarter of 2010, compared to an increase of 4.2 percent in the December quarter of 2009, resulting from an increase in term deposits. The average level of deposits of the ODCs increased by 2.4 percent to K11,219.4 million in the March quarter of 2010 compared to the December quarter of 2009, due to









increases in both transferable and other deposits.

LENDING

During the March quarter of 2010, total domestic credit extended by depository corporations to the private sector, public non-financial corporations, Provincial and Local Governments, and other financial corporations increased by K257.7 million to K6,822.3 million, compared to an increase of K298.0 million in the December quarter of 2009. This was mainly due to an increase in private sector credit of K269.9 million. The growth in private sector credit was broad based reflecting lending to the building and construction, agriculture, transport and communication, commerce and other business services sectors, as well as for personal and housing loans. There was a write-off of around K18.0 million by the Government under the agricultural export commodity price support schemes. The remaining balance under the scheme is about K5.0 million. The annual growth in domestic credit, excluding Central Government and advances under the price support schemes, was 16.6 percent in the first quarter of 2010.

7. PUBLIC FINANCE

Preliminary estimates of the fiscal operations of the National Government over the three months to March 2010 show an overall deficit of K193.5 million, compared to a deficit of K184.3 million in the corresponding period in 2009. This represents 0.9 percent of nominal GDP. The higher deficit resulted from an increase in expenditure, which more than offset an increase in revenue.

Total revenue, including foreign grants, during the March quarter of 2010 was K1,100.9 million, 14.8 percent higher than the corresponding period in 2009. This represents 14.7 percent of the Budgeted revenue. The increase in revenue reflected higher tax and non-tax receipts.

Total tax revenue amounted to K1,058.4 million, 24.9 percent higher than the receipts collected during the same period in 2009, and represents 18.5 percent of the budgeted revenue for 2010. Direct tax receipt totalled K608.7 million, 25.9 percent higher than the receipts collected during the same period in 2009, and represents 15.1 percent of the budgeted revenue. This outcome is accounted for by increases in personal and company tax receipts, which more than offset a decline in other direct tax receipts. The increase in personal income tax was due to higher remuneration combined with late remittance of accrued personal tax due in January and February 2010. The increase in company tax receipts reflected improved profitability of companies due to continued growth in economic activity. The decrease in other direct tax was attributed to lower dividend withholding tax receipts.

Indirect tax receipts totalled K449.7 million, 23.6 percent higher than in the corresponding period in 2009, and represents 26.4 percent of the budgeted revenue for 2010. The increase reflected higher collections of excise duties, export tax and GST. The increase in excise duties reflected higher consumption of domestically produced and imported items, while the increase in GST was a result of higher collections in the main contributing provinces.

Total non-tax revenue amounted to K42.5 million, 72.8 percent higher than in the corresponding period of 2009 and represents 10.6 percent of the budgeted revenue for 2010. The increase mainly reflected higher collections from the National Departments, which more than offset a decline in dividend payments by statutory bodies. There was no record of foreign grants during the March quarter due to a lag in reporting by donor agencies. Infrastructure tax credits were not recorded either.

Total expenditure during the three months to March 2010 was K1,294.4 million, 13.3 percent higher than the corresponding period in 2009 and represented 17.3 percent of the budgeted appropriation for 2010. This outcome was due to higher recurrent and development expenditure. Recurrent expenditure over the three months to March 2010 was K1,019.4 million, 3.5 percent higher than in the corresponding period in 2009, and represents 24.9 percent of the budgeted appropriation for 2010. The increase was accounted for by higher spending by National Departments and Provincial Governments combined with higher interest payments. National Departmental expenditure totalled K639.0 million, 39.4 percent higher than the amount spent in the corresponding period of 2009, and represents 26.9 percent of the 2010 budget appropriation. The increase was mainly due to higher payments for departmental goods and services and an increase in disbursement of personnel emoluments. Provincial Government expenditure amounted to K229.2 million, 14.0 percent higher than in the same period in 2009, and represents 23.3 percent of the 2010 budgeted appropriation. This resulted from increases in the disbursement of personal emoluments, payments for goods and services and allocation to the Autonomous Bougainville Government. Interest payments totalled K80.3 million, 12.5 percent higher than in the corresponding period of 2009, and represents 17.2 percent of the budgeted appropriation for 2010. The increase mainly reflected higher interest payments on Inscribed stocks and Treasury bills associated with the increase in domestic debt issuance.

Total development expenditure for the first three months to March 2010 was K275.0 million, 74.2 percent higher than in the same period in 2009, and represents 8.1 percent of the budgeted appropriation for 2010. The higher development outlay mainly reflected the implementation of the Development Budget for 2010 with an increase in funding by the Government.

As a result of these developments in revenue and expenditure, the Government recorded an overall budget deficit of K193.5 million. The deficit and net external loan repayments totalling K34.8 million was financed from domestic sources totalling K228.3 million. Net external loan repayments comprised of K28.0 million to concessionary and K6.8 million to extraordinary financing sources. Domestic financing totalled K228.3 million and comprised of K149.5 million in net borrowing by the financial corporations,K5.8 million by the public non-financial corporations, and cheque floats not presented for encashment totalled K73.0 million.

Total public (Government) debt outstanding at the end of the March quarter of 2010 was K7,069.9 million, 0.8 percent higher than in the December quarter of 2009. The increase reflected higher domestic debt which more than offset a decline in external debt. The increase in domestic debt resulted from net issuance of Government securities, while the decrease in external debt reflected loan repayments combined with appreciation of the kina against most of the major currencies.

The balance of the Government trust accounts held at the Central Bank declined by a net of K55.9 million to K371.2 million between the end of December 2009 and March 2010.

PAPUA NEW GUINEA'S TOTAL EXTERNAL EXPOSURE

Papua New Guinea's total external exposure is given by the stock of public and private sector external debt and foreign equity holdings in resident business enterprises by non-resident entities.

This article reviews Papua New Guinea's total external exposure for the period 2007 to 2009. The last review was for 2005 to 2007. Historically, inflows of loans and equity capital for public and private sector investments have financed the balance of payments gap as a result of low levels of domestic savings. Papua New Guinea's balance of payments position for the review period presented in Table 1 shows that there was a net capital outflow in 2008. This reflects debt service payments mainly by the petroleum, manufacturing, retail and government sectors. In 2009, there was a net capital inflow, reflecting an increase in loan drawdowns mainly by the petroleum, retail and other private sectors. In the same year, the current account recorded a deficit, reflecting a decrease in the export value of goods and services, associated with the downturn in the global economy.

Between 2007 and 2009, Papua New Guinea's total external exposure as a percent of nominal Gross Domestic Product (GDP) decreased from 52.4 percent in 2007 to 47.1 percent in 2009 as shown in Table 2. This outcome can be attributed to a significant increase in nominal GDP, which more than offset an increase in total external debt outstanding. As a percentage of nominal GDP, total external debt outstanding declined from 30.0 percent in 2007 to 26.3 percent in 2009, while total foreign equity holdings declined from 22.4 percent in 2007 to 20.8 percent in 2009. At the end of 2009, 52.9 percent of Papua New Guinea's external debt was denominated in US dollars, 15.8 percent in Special Drawing Rights (SDR), 14.0 percent in Japanese Yen and the rest in other currencies. Between 2007 and 2009, the kina appreciated by 8.0 percent and 7.0 percent against the US dollar and SDR, respectively, while it depreciated by 14.0 percent against the Japanese yen. The kina value of total external exposure increased, during this period, as a result of an increase in the private sector external debt, which more than offset a decline in public external debt, combined with the increase in total foreign equity holdings.

Papua New Guinea's total foreign exposure was K10, 263 million in 2009, 4.7 percent higher than in 2007.

Table 1: Balance of Payments (K'million) (a)

	2002	2003	2004	2005	2006	2007	2008	2009 (p)
Export of Goods and Services	7,123	8,671	9,093	11,229	13,816	15,148	16,655	12,415
Import of Goods and Services	7,731	7,323	7,920	8,353	10,603	13,206	13,206	12,567
Current Account Balance (b) (c)	-607	-351	-233	1,206	751	1,942	3,449	-152
Capital & Financial Account	320	-183	-313	-1,714	618	1,001	-2,796	3,063
Foreign Exchange Reserve Level	1,377	1,743	2,072	2,368	4,326	5,919	5,322	7,046
Months of Total Import Cover	5.0	4.9	5.6	6.0	8.5	9.1	7.5 r	10.1

Source: Bank of Papua New Guinea.

(a) The BOP format changed in 2002 to conform with the new IMF reporting format (BPM5), refer to "For the Record Note" in the March 2003 QEB for detailed explanations to the changes in the reporting format.

(b) Excludes transfer account transactions. Beginning in 2002, it includes transactions in the Income Account, due to changes in the reporting. Prior to 2002, all Income Account transactions were recorded under Services Account. Refer to footnote (a).

(c) Break in the series in 2006 highlights the exclusion of Income and Transfer accounts from export and import calculations which conforms with the method of calculation of debt-ratios used and the indictors employed in the calculation process. See "For the Record", June 2007 QEB for detailed explanation.

Table 2 : External Debt Outstanding and Foreign Equity Holdings (K'million) (a)

	2002	2003	2004	2005	2006	2007	2008	2009 (p)
External Debt								
Official Sector	**5,777.4**	**4,901.0**	**4,409.5**	**3,855.7**	**3,617.9**	**3,145.7**	**2,844.9 r**	**2,786.5**
Commercial	224.0	184.0	170.0	133.0	123.9	107.6	108.8	89.5
Concessional	5,553.4	4,717.0	4,239.5	3,722.7	3,494.0	3,038.1	2,736.1 r	2,697.0
Private Sector	**3,050.0**	**2,380.0**	**2,138.0**	**2,485.0**	**2,986.4**	**2,475.6**	**2,505.7** r	**2,943.5**
Mineral (b)	1,824.0	1,383.0	1,161.0	1,559.0	2,130.4	1,610.9	1,804.2 r	2,348.7
Other	1,124.0	930.0	923.0	842.0	840.0	858.0	701.4 r	594.8
Commercial Stat. Authorities.	102.0	67.0	53.0	84.0	16.0	6.7	-	-
Total Debt Outstanding	**8,827.4**	**7,281.0**	**6,547.5**	**6,340.7**	**6,604.3**	**5,621.3**	**5,350.6** r	**5,730.0**
As a % of GDP	**76.3**	**57.0**	**47.8**	**41.3**	**38.7**	**30.0**	**24.7** r	**26.3**
As a % of Export of Goods and Services (c)	**123.9**	**84.0**	**72.0**	**56.5**	**47.8**	**37.1**	**32.1** r	46.2
Foreign Equity Holdings								
Private Sector								
Mineral	2,241.0	2,176.0	2,236.0	2,231.7	3,001.5	3,080.0	3,251.2	3,317.5
Other	755.0	800.0	916.0	1,077.8	1,088.4	1,104.0	1,106.9	1,215.5
Total Foreign Equity Holdings	**2,996.0**	**2,976.0**	**3,153.0**	**3,309.5**	**4,089.9**	**4,184.0**	**4,358.1**	**4,533.0**
As a % of GDP (Nominal terms)	**25.9**	**23.3**	**23.0**	**21.6**	**24.0**	**22.4**	**20.2**	**20.8**
Total External Exposure	**11,823.4**	**10,257.0**	**9,699.0**	**9,650.2**	**10,694.2**	**9,805.3**	**9,708.7** r	**10,263.0**
As a % of GDP (Nominal terms)	**102.2**	**80.4**	**70.8**	**62.9**	**62.7**	**52.4**	**44.9** r	**47.1**
GDP (Nominal Terms)	**11,568.6**	**12,765.0**	**13,692.0**	**15,339.2**	**17,050.8**	**18,715.6**	**21,625.8** r	**21,781.7**

Source: Bank of Papua New Guinea, National Statistics Office & Department of Treasury.
(a) Figures from 1999-2003 are based on the old CS-DRMS database. Figures for 2004-2009 are from the upgraded database system.
(b) Includes petroleum and Mineral Resources Development Company Pty Ltd (MRDC).
(c) See footnote (c) in Table 1.

This outcome was due to an increase in total private sector external debt, combined with an increase in total foreign equity holdings, which more than offset the decline in Government sector debt. The decline in Government sector external debt resulted from higher net loan repayments by the Government, while the increase in private sector external debt was mainly due to higher loan drawdowns by petroleum, retail and other private sectors. Between 2007 and 2009, the total foreign equity holdings increased due to higher investments in the communication, forestry, mineral and the petroleum sectors.

Composition of External Debt Outstanding

As presented in Table 2, Papua New Guinea's total external debt outstanding increased by 1.9 percent to K5, 730 million in 2009, from K5, 621 million in 2007. Total external debt outstanding, as a percentage of nominal GDP, declined from 30.0 percent in 2007 to 26.3 percent in 2009, mainly resulting from a 16.4 percent increase in nominal GDP over the same period. The Government's external debt outstanding declined by 11.4 percent to K2, 786.5 million in 2009 from 2007, and made up 48.6 percent of total external debt in 2009, compared to 56.0 percent in 2007. Concessionary loans comprised 96.8 percent of total public external debt in 2009, with commercial loans making up the balance.

The marginal increase in the stock of debt between 2007 and 2009 was mainly due to drawdown of loans by the private sector, which more than offset the decline in Government debt and effects of the appreciation of the kina against the US dollar (8.0 percent) and SDR (7.0 percent), the currencies in which 68.7 percent of total external debt is denominated.

The decline in the share of public debt out of total external debt is consistent with the Goverment's commitment under the Medium Term Debt Strategy to reduce the level of public external debt to sustainable levels. This is facilitated by retiring foreign-currency debt owed to international agencies and commercial sources and substituting it with financing from the domestic sources through increased issuance of Inscribed stocks.

The total stock of private sector external debt outstanding increased by 18.9 percent to K2,943.5 mil-

Table 3: Maturity Structure of Government External Debt Outstanding: 2002 - 2009 (K'million) (a)

Maturity	2002	%	2003	%	2004	%	2005	%	2006	%	2007	%	2008		%	2009 (p)	%
1 to 5 years	41	1	41	1	20	0	9	0	0	0	0	0	0		0	0	0
6 to 9 years	433	7	429	9	235	5	102	3	33	1	31	1	41		1	37	1
Over 10 years	5,303	92	4,431	90	4,155	94	3,745	97	3,585	99	3,115	99	2,804	r	99	2750	99
Total	**5,777**	**100**	**4,901**	**100**	**4,410**	**100**	**3,856**	**100**	**3,618**	**100**	**3,146**	**100**	**2,845**	**r**	**100**	**2,787**	**100**

Source: Financial Evaluation Division, Department of Treasury (DOT).
(a) The maturity intervals have changed as per the data provided by DOT.
This is due to an update in the system used by DOT, the CDRMS (Commonwealth Debt Recording and Management System).

lion in 2009, from K2,475.6 million in 2007. The increase was due to higher loan drawdowns by the mineral, retail and other sectors. In the mineral sector, higher loan drawdowns were recorded in the Petroleum sub-sector, while the mining subsector recorded lower drawdowns in 2009. The private sector debt outstanding, excluding mineral and commercial statutory authorities, declined by 30.7 percent to K594.8 million in 2009, from 2007. This was mainly due to lower loan drawdowns by the agriculture and manufacturing sectors.

Maturity Structure of Government External Debt Outstanding

Table 3 presents the maturity structure of the Government's external debt, classified by date of maturity from drawdown. At the end of 2009, 1 percent of debt stock had original maturities between 6 to 9 years, while the remaining 99 percent of debt had maturities over 10 years. This has been the composition since 2006. The majority of the loans are provided by multilateral agencies to fund development projects.

Maturity Structure of Private External Debt Outstanding

As presented in Table 4, the maturity structure of private sector debt, classified by date of maturity from drawdown, shows that 73.0 percent of the total stock had original maturities of 1 to 10 years in 2009. These are mainly commercial debt associated with the min-

Table 4: Maturity Structure of Private External Debt Outstanding: 2002 - 2009 (K'million) (a)

Maturity	2002	%	2003	%	2004	%	2005	%	2006	%	2007	%	2008		%		2009 (p)	%
1 to 5 years	966	32	135	6	790	37	342	14	314	11	1,244	50	1,209	r	48	r	1,518	52
6 to 10 years	532	17	1,010	42	433	20	1,172	47	1,817	61	364	15	546	r	22	r	631	21
11 to 15 years	753	25	672	28	607	28	577	23	564	19	362	15	303	r	12		331	11
Over 15 years	799	26	563	24	307	14	394	16	291	10	505	20	447	r	18	r	464	16
Total	**3,050**	**100**	**2,380**	**100**	**2,138**	**100**	**2,485**	**100**	**2,986**	**100**	**2,476**	**100**	**2,505**	**r**	**100**	**r**	**2,944**	100

Source : Bank of Papua New Guinea.
(a) See footnote (a) in Table 2.

Table 5: External Debt Service by Category of Borrower (K'million) (a)

	2002	2003	2004	2005	2006	2007	2008	2009 (p)
Official Sector	**549**	**610**	**567**	**466**	**478**	**614**	**555 r**	**230**
Principal	364	446	435	354	364	501	468	170
Commercial	34	45	27	17	16	16	17	18
Concessional	330	401	408	336	348	485	451	152
Interest (b)	185	164	133	112	114	113	88 r	59
Commercial	6	4	3	2	2	2	2	2
Concessional	179	160	130	109	112	111	86 r	58
Private Sector	**468**	**1,145**	**377**	**663**	**1,034**	**2,513**	**3,062 r**	**1,334**
Principal	376	1,039	316	577	935	2,389	2,976 r	1,291
Mineral (c)	278	936	217	499	496	897	856	14
Other	57	63	81	23	430	1,483	2,113 r	1,277
Commercial Stat. Authorities (d)	41	40	18	55	9	9	7	-
Interest (b)	92	106	61	86	99	124	86 r	43
Mineral (c)	54	64	33	48	83	83	59 r	3
Other	32	39	26	36	16	41	27	40
Commercial Stat. Authorities (d)	6	3	2	2	-	-	-	-
Total Debt Service	**1,017**	**1,755**	**945**	**1,129**	**1,512**	**3,126**	**3,617 r**	**1,564**
Principal	**740**	**1,485**	**750**	**931**	**1,299**	**2,889**	**3,443 r**	**1,461**
Interest	**277**	**270**	**194**	**198**	**213**	**237**	**174**	**102**
Total Debt Servicing/Export of Goods and Sevices (%) (e)	**14.3**	**20.1**	**10.6**	**10.1**	**10.9**	**20.6**	**21.7 r**	**12.6**
Interest Payments/Export of Goods and Sevices (%) (e)	**3.9**	**3.1**	**2.2**	**1.8**	**1.5**	**1.6**	**1.0**	**0.8**

Source: Bank of Papua New Guinea & Department of Treasury.
(a) See foot note (a) in Table 2.
(b) From 1999 onwards Other fees and charges are not included.
(c) Includes petroleum and MRDC.
(d) Includes Bank of Papua New Guinea's debt service.
(e) See footnote (c) in Table 1.

eral and manufacturing sectors. The remaining 27.0 percent were for over 10 years to maturity and mainly constitutes inter-company debt, contracted between resident companies and their foreign affiliates.

External Debt Service

Table 5 shows that Papua New Guinea's external debt service payments, comprising of principal and interest, declined significantly by 50.0 percent to K1,564 million in 2009, from 2007. Much of the decrease was attributed to petroleum and mining subsectors of the mineral sector and the manufacturing and agriculture sectors. The external debt service of the mineral and other, excluding the commercial and statutory authorities, accounted for a large portion relative to the total external debt service of the private sector. The Government's external debt service payments declined between 2007 and 2009, following the decline in government debt outstanding.

Debt Service to Exports Ratio[1]

The debt service to exports ratio is defined as the ratio of external debt service, both principal and interest payment, to the value of exports of goods and services. This ratio is used as an indicator of a country's ability to meet external debt obligations from its export earnings.

As shown in Chart 1, Papua New Guinea's debt service to exports ratio declined significantly to 12.6 percent in 2009, after reaching the peak of 21.7 percent in 2008. This was lower than that of the Latin American and other developing countries. This outcome was due to a significant decline of 50.0 percent in debt service payments to K1, 564 million, and the appreciation of the kina against the US dollar and SDR. The overall decline in PNG's debt service to export ratio indicates that the country's ability to meet its external debt obligations has improved.

[1] Refer to "For the Record" in the June 2007 QEB for detailed explanation.

Debt to Exports Ratio[2]

The debt to exports ratio is defined as the ratio of total outstanding debt to the value of exports of goods and services. This ratio is used as a measure of sustainability and as an indicator of a country's ability to meet its future external debt obligations from its export earnings.

Papua New Guinea's ratio of external debt outstanding to exports of goods and services increased from 37.1 percent in 2007 to 46.2 percent in 2009, as shown in Chart 2. However, it was still lower than the ratios of Latin America, Africa and developing economies. Compared to 2008, it was the first year-on-year increase since 2002.The increase was due to a 18.0 percent decline in export receipts of goods and services, combined with an increase in total outstanding debt resulting from higher mineral sector debt during the same period.The increase in the country's debt to exports ratio indicates a decline in the country's ability to meet future external debt obligations from its export earnings.

Debt to GDP Ratio[3]

This ratio is defined as total outstanding external debt to nominal GDP. It is an indication of the country's ability to service external debt by switching resources from production of domestic goods to the production of export commodities.

The ratio of Papua New Guinea's external debt outstanding to nominal GDP, as shown in Chart 3, declined between 2007 and 2009, settling slightly above that of the developing countries. The outcome was due to higher debt repayments by the mineral sector, appreciation of kina against the US dollar and SDR and a significant increase in the nominal GDP, which more than offset lower debt repayment by the public sector. The ratio decreased from 30.0 percent in 2007 to 26.3 percent in 2009, resulting from 16.4 percent increase in GDP over the same period, which offset the increase of 2.0 percent in external debt outstanding. The decline in the debt to GDP ratio indicates an improvement in the country's ability to meet its future external debt obligations.

Chart 1: Debt Service to Exports Ratio

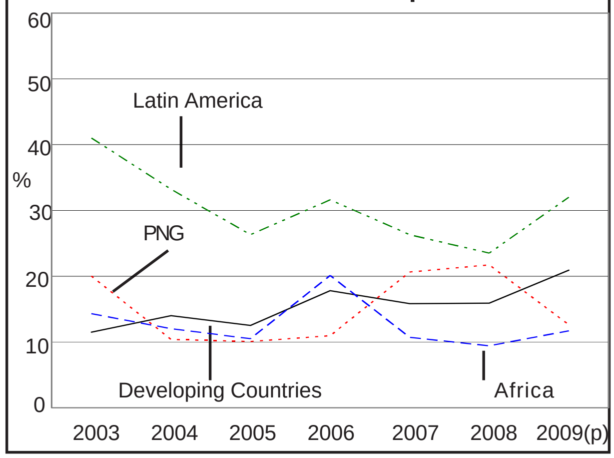


Chart 2: Debt to Exports Ratio

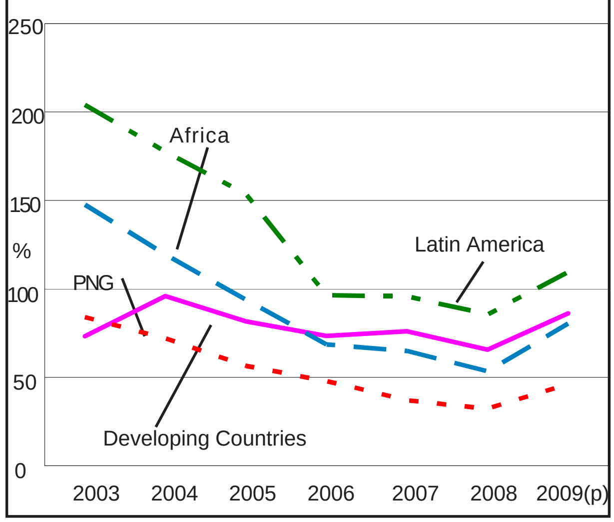
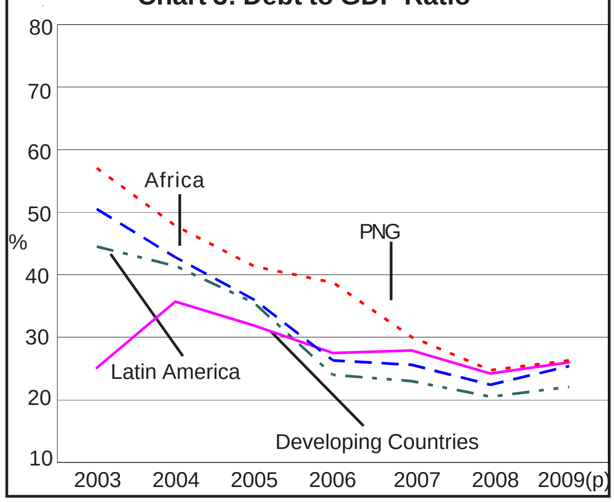


Chart 3: Debt to GDP Ratio



[2] Refer to footnote on page 25.

[3] Refer to footnote on page 25

Table 6:	Foreign Equity Holdings by Country of Origin (K'million) (a)							
Country	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008 (b)**	**2009 (p)**
Australia	1,615	1,612	1,658	1,671	2,280	2,305	860 r	944
United States	112	48	48	48	48	48	48	48
United Kingdom	158	158	156	181	181	206	206	206
Japan	115	115	107	107	107	107	1,717 r	1,717
Canada	42	42	42	43	43	98	98	98
Singapore	142	142	155	162	162	162	165	165
Hong Kong	49	52	66	66	70	70	70	69
South Korea	64	64	64	41	41	24	24	24
Malaysia	126	170	170	170	170	170	170	164
Bahamas	189	189	189	189	189	189	189	189
Bermuda	66	66	66	66	66	66	66	66
Others	318	318	431	565	734	740	747 r	844
Total Foreign Equity	**2,996**	**2,976**	**3,152**	**3,309**	**4,090**	**4,184**	**4,358**	**4,533**
As a % of GDP (nominal) (c)	**25.9**	**23.3**	**23.0**	**21.6**	**24.0**	**22.4**	**20.2**	**20.8**
Gross Domestic Product (GDP) (d)	11,569	12,765	13,692	15,339	17,051	18,716	21,626 r	21,782

Source: Bank of Papua New Guinea.
(a) See footnote (a) in Table 2.
(b) See footnote (d) in Table 2.
(c) There was a reclassification from dividend to equity following the sale of an Australian oil company of its equities in the various oil projects. The equity waspurchased by a Japanese company, who also was a stakeholder in the projects.
(d) GDP figures are from various budget documents published by Department of Treasury.

Foreign Equity Investment in Papua New Guinea

As presented in Table 6, foreign equity investment in Papua New Guinea increased by 8.3 percent to K4, 533 million in 2009, from 2007. The increase was mainly due to significant investments in the communication, forestry, and mineral sectors. The ratio of foreign equity to normal GDP declined from 22.4 percent in 2007 to 20.8 percent in 2009, due to a 16.4 percent increase in nominal GDP over the same period. By country of origin, equity investments was led by Japan, Australia, United Kingdom (UK), Bahamas, Singapore and Malaysia, which together accounted for 74.7 percent in 2009, compared to 75.0 percent in 2007. Investments from Japan and Singapore increased while investments from Australia, Hong

Table 7:	Foreign Equity Holdings by Economic Sector (K'million) (a)							
Economic Sector	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008 (b)**	**2009 (p)**
Agriculture	194	194	194	194	194	219	219	219
Mineral (c)	2,241	2,176	2,237	2,232	3,002	3,080	3,251	3318
Transportation	7	5	5	5	5	5	5	4
Manufacturing	100	144	214	379	382	382	382	382
Fisheries	52	52	52	52	52	52	52	52
Bank/Insurance/Finance	113	113	115	131	131	137	137	137
Retail	32	32	32	31	38	38	38	38
Forestry	125	128	152	130	130	130	134 r	134
Hotel/Restraurant	10	10	10	10	10	10	10	10
Communication	-	-	-	-	-	-	-	120
Other	122	122	141	146	147	131	131	119
Total Foreign Equity	**2,996**	**2,976**	**3,152**	**3,309**	**4,090**	**4,184**	**4,358 r**	**4,533**

Source: Bank of Papua New Guinea.
(a) See footnote (a) in Table 2.
(b) See footnote (c) in Table 6.
(c) Includes petroleum.

Table 8: **Equity Inflows by Country of Origin (K'million) (a)**

Country	2002	2003	2004	2005	2006	2007	2008 (b)	2009 (p)
Australia	100	-	59	2	609	27	165	90
United Kingdom	-	-	10	-	-	25	-	-
Fiji	-	-	-	-	1	-	-	-
Japan	-	-	40	-	-	-	1,610 r	-
Germany	-	-	-	-	-	-	-	-
Canada	-	-	-	1	-	55	-	-
Singapore	122	-	13	-	-	-	3	-
Hong Kong (PRC)	4	3	15	-	3	-	-	-
Taiwan (PRC)	-	-	13	-	-	-	-	-
Malaysia	-	44	-	-	-	-	-	-
Italy	-	-	-	-	-	-	-	1
British Virgin Islands	-	-	-	-	-	-	-	120
Others	44	-	78	154	168	7	7	-
Total Foreign Equity (c)	**270**	**47**	**228**	**157**	**781**	**114**	**1,785 r**	**211**

(a) See foot note (a) in Table 2.

(b) See footnote (c) in Table 6.

(c) The large inflows in 2002, 2004, 2005, 2006 and 2007 were for the agriculture, manufacturing, fisheries and mineral sectors, whereas in 2006, 2008 and 2009 were were mostly for the mineral sector.

Kong and Malaysia declined. Investments from the United States of America, Canada, Bahamas, and Bermuda remained stable over the same period. Investment from Japan in 2008 and 2009 was significantly high due to acquisition of equity in several oil projects in the Highlands by a Japanese petroleum company, Nippon Oil Limited, from an Australian Gas and Oil company, AGL Energy Limited.

Table 7 shows that the mineral sector accounted for 73.6 percent and 73.2 percent of the total foreign equity in 2007 and 2009, respectively, reflecting the dominance of equity investments by this sector in the economy. Equity in the non-mineral private sector increased by 10.1 percent to K1, 215 million in 2009 from 2007, primarily as a result of investment in the communication sector.

Table 9: **Equity Withdrawals /Transfers by Country of Destination (K'million) (a)**

	2002	2003	2004	2005	2006	2007	2008 (b)	2009 (p)
Australia	142	3	-	-	-	2	1,610 r	5
Canada	-	-	-	-	-	1	-	-
Japan	-	-	48	-	-	-	-	-
Korea, Republic of	-	-	-	-	-	17	-	-
Malaysia	-	-	-	-	-	-	-	6
United Kingdom	6	-	3	-	-	-	-	-
United States	-	65	-	-	-	-	-	-
South Africa	-	-	-	-	-	-	-	24
Others	2	-	-	-	-	1	-	1
Withdrawals/ Transfers (c)	**150**	**68**	**51**	**0**	**0**	**20**	**1,610 r**	**36**
Net Flows	**120**	**-20**	**177**	**157**	**781**	**94**	**175**	**175**

Source: Bank of Papua New Guinea.

(a) See foot note (a) in Table 2.

(b) See footnote (c) in Table 6

(c) Transfers to other non-residents are treated as withdrawals.

Table 10: **Dividend Payments by Country of Destination (K'million) (a)**

Country	2002	2003	2004	2005	2006	2007	2008 (b)	2009 (p)
Australia	146	490	506	449	411	317	528 r	150
United States	123	219	26	16	4	-	-	1
United Kingdom	1	-	-	-	-	-	13	25
Japan	-	1	3	3	2	-	27	24
France	-	-	-	5	2	-	-	-
New Zealand	8	2	10	12	12	11	5	1
Korea, Republic of	-	12	17	18	13	13	14	14
Philippines	-	-	-	2	11	2	-	-
Hong Kong (PRC)	1	3	3	-	-	3	20	17
Italy	-	-	-	-	64	-	-	-
Canada	18	-	-	-	-	-	-	-
Singapore	3	32	29	774	1,295	1,070	657	255
Malaysia	23	24	26	36	17	26	90	8
Total Foreign Equity	2	1	29	17	116	160	4	-
	325	**785**	**650**	**1,333**	**1,947**	**1,601**	**1,359 r**	**494**

Source: Bank of Papua New Guinea.
(a) See foot note (a) in Table 2.
(b) See footnote (c) in Table 6

Net Equity Flows

As shown in Tables 8 and 9, Papua New Guinea displayed a consistent trend of net equity inflows from 2007 to 2009. This outcome was due to significant investment in the communication sector as well as in the mineral and forestry sectors. In the same period, the equity inflows from Japan were significantly high due to an acquisition of AGL Energy Ltd's equity, an Australian Oil & Gas company, by Nippon Oil Ltd, a Japanese petroleum company.

Dividend Payments

Dividends reflect the cash return to shareholders and are an indicator of the profitability of an enterprise. As shown in Tables 10 and 11, dividend payments declined by 15.1 percent in 2008 to K1, 359 million from 2007, and by 63.6 percent in 2009 to K494 million from 2008. The decline between 2008 and 2009 was due to a lower payment by the petroleum subsector. The lower commodity prices combined with overall downturn in the global economy induced higher operational costs within all sectors of the economy, with signifi-

Table 11:

Economic Sector	2002	2003	2004	2005	2006	2007	2008 (b)	2009 (p)
Mineral (c)	166	587	318	1,026	1,663	1,348	981 r	251
Agriculture	10	21	18	33	-	-	73	-
Transportation	-	17	10	9	12	2	-	2
Dredging Construction	2	2	1	-	4	3	-	-
Engineering Construction	2	-	2	-	-	16	3	-
Fisheries	-	-	-	2	11	2	-	-
Manufacturing	38	73	106	72	71	80	197	135
Bank/Ins/Finance	42	55	136	108	116	54	28	35
Retail	28	4	8	16	14	31	7	17
Forestry (d)	-	1 r	-	-	-	-	6 r	4
Electricity, Gas and Water	-	12	17	18	13	13	14	14
Others (e)	36	13	33	48	42	52	50 r	36
Total Foreign Equity	**325**	**785**	**650**	**1,333**	**1,947**	**1,601**	**1,359**	**494**

Source: Bank of Papua New Guinea.
(a) See footnote (a) in Table 2.
(b) See footnote (c) in Table 6.
(c) Includes petroleum.
(d) Inclusion of new sector, hence the revisons for 2001, 2003 and 2008.
(e) Includes dividends from the remaining sectors and from unspecified sectors.

cant impact on the capital intensive industries. Consequently, dividend payments by the petroleum and mining subsectors declined significantly. The consistently high annual dividend payments made to Australia and Singapore between 2007 and 2009 reflect the high shareholding in mineral companies by these countries, and their significant share of equity investment in Papua New Guinea (see Table 6).

FOR THE RECORD

MONTHLY KINA FACILITY RATE ANNOUNCEMENTS

The Central Bank introduced the Kina Facility Rate (KFR) in February 2001 as the official rate to indicate its stance of monetary policy. The KFR is a monthly rate and any changes to it should translate to changes in market interest rates. Changes to the KFR is based on assessment of economic fundamentals consistent with the overall objective of monetary policy of price stability in the economy. From January 2008, the KFR announcements by the Bank were;

2008	07 January	Maintained at 6.00 %
	04 February	Maintained at 6.00 %
	03 March	Maintained at 6.00 %
	07 April	Maintained at 6.00 %
	05 May	Maintained at 6.00 %
	02 June	Maintained at 6.00 %
	10 June	Raised to 6.25 %
	07 July	Maintained at 6.25 %
	04 August	Raised to 6.50 %
	01 September	Raised to 7.00 %
	06 October	Maintained at 7.00 %
	03 November	Maintained at 7.00 %
	01 December	Raised to 8.00 %
2009	05 January	Maintained at 8.00 %
	02 February	Maintained at 8.00 %
	02 March	Maintained at 8.00 %
	06 April	Maintained at 8.00 %
	04 May	Maintained at 8.00 %
	01 June	Maintained at 8.00 %
	06 July	Maintained at 8.00 %
	03 August	Maintained at 8.00 %
	07 September	Maintained at 8.00 %
	05 October	Maintained at 8.00 %
	02 November	Maintained at 8.00 %
	07 December	Reduced to 7.00 %
2010	04 January	Maintained at 7.00 %
	01 February	Maintained at 7.00 %
	01 March	Maintained at 7.00 %
	06 April	Maintained at 7.00 %
	03 May	Maintained at 7.00 %
	07 June	Maintained at 7.00 %

For details of the KFR, see Table 6.3 (S34) of the QEB.
KFR announcements prior to January 2007 are reported in various bulletins starting with the March 2001 QEB.

GLOSSARY OF TERMS AND ACRONYMS

Balance of Payments
A statistical statement that systematically summarises a country's economic transactions with the rest of the world, over a specific time period. It comprises the Current and Capital and Financial Accounts.

Broad Money Supply (M3*)
Total volume of money comprising narrow money (M1*) and quasi money in the economy at a point in time. See 'narrow' and 'quasi' money.

Cash Reserve Requirement (CRR)
A requirement imposed on commercial banks to hold cash as a percentage of total deposits and other prescribed liabilities at all times.

Capital Account
Records all transactions that involves the receipts or transfers of capital and acquisitions/disposal of non-produced, non-financial assets such as purchase of production facilities, i.e. plants and machinery, etc.

Central Bank Bill (CBB) [1]
A monetary policy instrument of the Bank of PNG used to manage liquidity in the banking system by either injecting or defusing it in order to achieve a desired level of interest rate.

Current Transfers Account
Records all foreign transactions that are not transfers of capital and cannot be repaid. These includes donations, gifts and grants, superannuation funds and licensing fees.

Exchange Settlement Account (ESA)
Accounts of the commercial banks with the Bank of PNG for settlement transactions with each other.

Exclusion-based CPI measure
An underlying inflation measure which involves zero weighting of volatile sub-groups or items such as fruit & vegetables, betelnut and prices that are largely determined by non-market (seasonal) forces, as well as alcoholic drinks, cigarettes & tobacco, etc. See 'Underlying CPI'.

Financial Account
Records all transactions associated with changes of ownership of foreign financial assets such as holdings of monetary gold, special drawing rights (SDR), claims on non-residents and foreign liabilities.

Headline Consumer Price Index (CPI)
A measure of inflation as calculated and published quarterly by the National Statistical Office (NSO), which measures the total price movements in goods and services in the basket.

[1] See 'For the Record' on page 34 in the 2004 September QEB.

Income Account	Records transactions such as compensation of employees, which cover wages, salaries, and other benefits in cash and kind, dividends and interest earned on investments between PNG and the other countries.
Inscribed Stock (bond)	A Government debt instrument sold to the public for a maturity term of one year or longer for Budget financing.
Kina Facility Rate (KFR)	Official benchmark rate used by the Bank of PNG to signal its monetary policy stance. The KFR is announced monthly by the Governor and published in the newspapers and on the Bank's website.
Liquid Assets	Assets of the commercial banks, which are in near liquid form, comprising cash, ESA balances, CBBs, Treasury bills and Inscribed stocks less than 3 years to maturity.
Minimum Liquid Asset Ratio (MLAR)	A prudential requirement imposed by the Bank of PNG on commercial banks to hold liquid assets as a percentage of total deposits and other prescribed liabilities at all times.
Monetary Base (or Reserve Money)	Comprised of currency held by the public and liquid assets of the commercial banks, including deposits held with the Bank of PNG under the Repurchase Agreement Facility (RAF) or Repos.
Narrow Money	A component of total money supply that is considered liquid or can be converted easily to cash on demand, and comprises of currency in circulation (held outside the banking system) and demand deposits.
Open Market Operations (OMO)	Operations of liquidity management conducted by the Bank of PNG with commercial banks and other financial intermediaries involving Government securities, CBB, Repos and foreign exchange trading to influence short-term interest rates.
Over the year CPI	Percentage change in the CPI of a quarter compared to the corresponding quarter of the previous year (Also called 'annual' CPI).
Portfolio Investment	Investments, mainly in equity and debt securities such as bonds and notes, money market debt instruments and financial derivatives, as well as long-term debt, equity and securities.
Quasi Money	A component of total money supply that is not easily convertible to cash on demand and comprises of savings and term deposits.

Repurchase Agreement Facility (RAF)	A money market instrument used by Bank of PNG to lend to or borrow from the commercial banks, for liquidity management, and is unwound on maturity. The terms range from overnight to 14 days and can be collateralised, for instance, using Treasury bills.
Tap Facility	A facility conducted by the Bank of PNG for sale of Treasury bills and Inscribed stocks to the public.
Temporary Advance Facility	A statutory mechanism stipulated under Section 54 of the Central Banking Act 2000, that provides the National Government with access to short-term financing to meet mismatches in revenue.
Trade Account	Records all economic transactions associated with merchandise exports and imports of physical goods.
Trade Weighted Index [2]	The Trade Weighted Index (TWI) measures the value of the kina against a basket of currencies of PNG's major trading partners.
Treasury Bill	Government security or debt instrument sold at a discount value, but redeemed at face value on maturity for purposes of Budget financing. In PNG, Treasury bills are issued for 28, 61, 91, 182 and 364 day maturities.
Trimmed-mean CPI measure	A fixed proportion of prices at each end of the distribution of price changes are zero weighted and the mean of the remaining price changes recomputed. See also 'Underlying CPI'.
Underlying CPI (exclusion-based and trimmed-mean CPI measures)	A measure of inflation that excludes short-term volatile movements in prices, such as seasonal factors, Government policy decisions and price controlled items.

[2] See 'For the Record' p.24 in the 2005 September QEB.

REFERENCE "FOR THE RECORD"

Some issues of the Quarterly Economic Bulletin (QEB) have 'For the Record' as additional information relating to changes introduced to various statistical tables. The following 'For the Record' have appeared in the QEB since March 2000.

Issue		For the Record
Mar 2000	-	Removal of QEB Table 3.8
Jun 2000	-	Inflation - Consumer Price Index (CPI)
	-	Changes to Table 7.2: Other Domestic Interest Rates
Mar 2001	-	Introduction of Monthly Kina Facility Rate
Jun 2001	-	Changes to Table 10.2: Prices and Wages
Dec 2001	-	Measures of Inflation
	-	Changes to Table 7.1: Commercial Banks Interest Rates
	-	Changes to Table 7.2: Other Domestic Interest Rates
	-	Changes to Table 10.2 Prices and Wages
Jun 2002	-	Exclusion of QEB Tables 4.2: Rural Development Bank of PNG and Table 10.1: Indicators of Economic Activity
Mar 2003	-	Changes to Balance of Payments Tables
	-	Bank of PNG Employment Index: Changes to Table 10.4 and Table 10.5
	-	Regional and Industrial Classifications and Abbreviations
Jun 2003	-	Changes to Open Market Operations Instruments
	-	Directions of Merchandise Trade
Sep 2003	-	Changes to the Treasury Bills Auction Allocation Process
Dec 2003	-	Further Change to the Treasury Bills Auction Allocation Process
	-	Bank of PNG Employment Survey
Sep 2004	-	Introduction of Central Bank Bill (CBB)
Mar 2005	-	Changes to Table 9.5 to include Exports from Napanapa Oil Refinery
	-	Changes to Tables 1.2 and 1.3 'Other Items (Net)'
June 2005	-	Changes to Tables 8.2 and 8.5 'External Public Debt'
Sep 2005	-	Trade Weighted Exchange Rate Index
	-	Employment Index - Changes to Tables 10.4 and 10.5
	-	Central Bank Bill (CBB) Auction - Changes to Tables 3.8 and 7.2
Mar 2006	-	Updated Weights for the Trade Weighted Index (TWI)
June 2006	-	Expansion of Monetary and Financial Data Coverage
	-	Upgrade of PNG's Private Debt and Equity Recording System
Dec 2006	-	Changes to Table 8.1 - Capital Transfers
Jun 2007	-	Revisions to the March Quarter 2007 and December Quarter 2006 Consumer Price Index
Jun 2007	-	Debt Ratios
Sep 2007	-	Revisions to the Consumer Price Indices in June Quarter 2007 back to September Quarter 2005.
Mar 2008	-	Updated Weights for the Trade Weighted Index (TWI)
Mar 2009	-	Changed Monetary Policy Statement release month from January to March
Mar 2009	-	Updated Weights for the Trade Weighted Index (TWI)
Dec 2009	-	New Tables; 8.7, 8.8, 8.9 and 8.10 were included in the December Quarterly Economic Bulletin, resulting in subsequent renumbering of all other tables that follow.
Dec 2009	-	Revisions to Monetary and Financial Statistics tables in the December 2009 Quarterly Economic Bulletin

REFERENCE

Each issue of the Quarterly Economic Bulletin contains a review of economic conditions for the past quarter and a comprehensive set of updated statistical tables. Articles of special interest to current economic policy are also prepared by Bank staff for inclusion in the Bulletin. The following articles have appeared in the Quarterly Economic Bulletin since December 1998.

Issue	Title
Mar 1999	Papua New Guinea's Total External Exposure
Sep 1999	The 1999 Supplementary Budget
Dec 1999	The 2000 National Budget
Jun 2000	Semi-annual Monetary Policy Statement, July 2000
Dec 2000	The 2001 National Budget
Dec 2000	Semi-annual Monetary Policy Statement, January 2001
Jun 2001	Semi-annual Monetary Policy Statement, July 2001
Dec 2001	Semi-annual Monetary Policy Statement, January 2002
Dec 2001	The 2002 National Budget
Jun 2002	Semi-annual Monetary Policy Statement, July 2002
Sep 2002	The 2002 Supplementary Budget
Dec 2002	Semi-annual Monetary Policy Statement, January 2003
Dec 2002	The 2003 National Budget
Mar 2003	Special article: Export Price Index, Volume Index and Weights Calculations Methodology
Jun 2003	Semi-annual Monetary Policy Statement, July 2003
Dec 2003	The 2004 National Budget
Dec 2003	Semi-annual Monetary Policy Statement, January 2004
Sep 2004	Semi-annual Monetary Policy Statement, July 2004
Dec 2004	Semi-annual Monetary Policy Statement, January 2005
Dec 2004	The 2005 National Budget
Jun 2005	Papua New Guinea's Total External Exposure
Jun 2005	Semi-annual Monetary Policy Statement, July 2005
Dec 2005	The 2006 National Budget
Dec 2005	Semi-annual Monetary Policy Statement, January 2006
Jun 2006	Papua New Guinea's Total External Exposure
Jun 2006	Semi-annual Monetary Policy Statement, July 2006
Dec 2006	The 2007 National Budget
Dec 2006	Semi-annual Monetary Policy Statement, January 2007
Jun 2007	Papua New Guinea's Total External Exposure
Jun 2007	Semi-annual Monetary Policy Statement, July 2007
Jun 2007	Supplement to the July 2007 Monetary Policy Statement
Dec 2007	The 2008 National Budget
Dec 2007	Semi-annual Monetary Policy Statement, January 2008
Jun 2008	Papua New Guinea’s Total External Exposure
Jun 2008	Semi-annual Monetary Policy Statement, July 2008
Dec 2008	The 2009 National Budget Document
Dec 2008	Monetary Policy Statement, January 2009 Update
Mar 2009	Monetary Policy Statement, March 2009
Jun 2009	Papua New Guinea’s Total External Exposure
Sep 2009	Monetary Policy Statement, September 2009
Dec 2009	The 2010 National Budget Document
Dec 2009	Monetary Policy Statement, March 2010
Mar 2010	Papua New Guinea’s Total External Exposure

STATISTICAL SECTION

Sources

Statistics for the commercial banks have been derived from returns submitted to the Bank. Statistics on Savings and Loan Societies and Papua New Guinea Government securities are derived from sources within the Bank.

Government financial statistics are supplied by the Department of Finance and Treasury.

Information on prices of Papua New Guinea exports are gathered from marketing boards or export producers; world indicator prices are reproduced from the Public Ledger published in London. Tea prices are from the Tea Market Report, London. The general indices of commodity prices are constructed from data published in The Economist, London.

Most other statistics are published initially by the National Statistical Office.

Symbols used

n.a	not available
..	figure less than half the digit shown
-	nil
e	estimate
f	forecast
p	provisional
r	revised
n.i.e	not included elsewhere

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