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## 1. GENERAL OVERVIEW

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Economic indicators available to the Bank of Papua New Guinea (the Bank) show continued but lower economic growth in the economy into the third quarter of 2008. Growth in employment, surplus in the trade account, continued growth in credit to the private sector and increased sales by the private sector are supportive of the growth. The growth in lending to the private sector reflected expansion of business activity in some sectors, including the construction sector. The Consumer Price Index (CPI) inflation increased by 13.5 percent over the twelve months to September 2008, attributable to: the feed-through of increased international food and fuel prices to domestic prices; increases in the prices of seasonal produces; and strong domestic demand pressures. The kina appreciated against the US and Australian dollars, which resulted in the Trade Weighted Index (TWI) appreciating by 9.5 percent in the September quarter. This combined with the retreating of international food and fuel prices in the September quarter from their historic highs, as a result of a slow down in global demand from the financial crisis, should contribute to an easing in inflationary pressures in the next two to three quarters. In line with the tightening stance of monetary policy announced in the July 2008 Monetary Policy Statement (MPS), the Bank increased the Kina Facility Rate (KFR) by 25 basis points to 6.50 percent in August and by 50 basis points to 7.00 percent in September 2008.

Data obtained from the Bank's Business Liaison Survey (BLS) show a lower growth in business sales by the formal private sector in the June quarter of 2008, compared to the previous quarter. The nominal value of sales increased by 2.6 percent in the June quarter of 2008, compared to an increase of 15.0 percent in the previous quarter. Excluding the mineral sector, the nominal value of sales increased by 9.3 percent in the June quarter, compared to an increase of 6.6 percent in the previous quarter. The increase was in all sectors, except the mineral sector. By region, there were increases in the National Capital District (NCD), Highlands, Momase and Morobe regions, while the Southern and Islands regions recorded decreases. Over the twelve months to June 2008, the total nominal value of sales increased by 8.3 percent. Excluding the mineral sector, annual sales increased by 25.6 percent.

The Bank's Employment Index recorded an increase of

0.6 percent in the total level of employment in the formal private sector in the September quarter of 2008, compared to an increase of 3.3 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 0.5 percent in the September quarter, compared to an increase of 3.4 percent in the previous quarter. The mineral, manufacturing, building and construction, wholesale and transport sectors recorded increases in employment levels while the agriculture/forestry/fisheries, retail, financial/business and other services sectors experienced declines. All regions recorded increases in employment level, except the Southern region (excluding NCD). Over the twelve months to September 2008, the total level of employment increased by 8.5 percent. Excluding the mineral sector, the level of employment increased by 9.3 percent.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 3.2 percent in the September quarter of 2008, compared to an increase of 3.7 percent in the June quarter. This outcome was due to higher prices in all expenditure groups, except the 'Transport and communication' and 'Miscellaneous' expenditure groups. Annual headline inflation was 13.5 percent in the September quarter of 2008, compared to an increase of 10.7 percent in the June quarter. The higher outcome was due to price increases in all expenditure groups. The largest increases were recorded in the 'Food', and 'Rents, council charges, fuel and power' groups, which reflected high international food and fuel prices and their feed-through to domestic prices, and increases in the prices of seasonal produces. By region, all urban areas recorded higher prices in the September quarter and over the twelve months to September 2008. The exclusion-based inflation rate was 3.1 percent in the September quarter of 2008, compared to 3.7 percent in the June quarter. The trimmed mean inflation rate was 2.5 percent in the September quarter of 2008, compared to 3.6 percent in the June quarter.

In the September quarter of 2008, the daily average kina exchange rate appreciated against all the major currencies. It appreciated by 4.9 percent against the US dollar, 11.7 percent against the Australian dollar, 9.0 percent against the euro, 9.4 percent against the pound sterling and 7.8 percent against the Japanese yen. These movements, mainly the appreciation against the Australian dollar, resulted in the daily average TWI appreciating by 9.5 percent during the September quarter.

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Higher international prices for most mineral and agricultural exports resulted in a 16.2 percent increase in the weighted average kina price of exports in the September quarter of 2008, compared to the corresponding quarter of 2007. There was a 16.8 percent increase in the weighted average price of mineral exports, with higher kina prices of gold and crude oil. For agricultural, logs and marine product exports, the weighted average kina price increased by 13.5 percent. This was accounted for by higher kina prices of coffee, cocoa, palm oil, copra, copra oil, tea, rubber and marine product exports.

There was an overall surplus of K560 million in the balance of payments for the nine months to September 2008, compared to a surplus of K1,227 million in the corresponding period of 2007. The lower surplus was due to higher net outflows in the capital and financial accounts, which partially offset a higher surplus in the current account.

The current account recorded a higher surplus of K2,157 million in the nine months to September 2008, compared to a surplus of K668 million in the corresponding period of 2007. This outcome was the result of a higher trade surplus and lower net service and income payments, which more than offset lower net transfer receipts.

The capital and financial accounts recorded a net outflow of K1,609 million in the nine months to September 2008, compared to a net inflow of K519 million in the corresponding period of 2007.

The capital account recorded a lower net inflow of K63 million in the nine months to September 2008, compared to a net inflow of K93 million in the corresponding period of 2007. The decline reflected lower capital inflows by donor agencies for project financing.

The financial account recorded a net outflow of K1,672 million in the nine months to September 2008, compared to a net inflow of K426 million in the corresponding period of 2007. This outcome was a result of higher net outflow from direct investments, investments in financial derivative instruments abroad and other investments and net loan repayments by the Government, which more than offset the lower net inflows from portfolio investments.

The level of gross foreign exchange reserves at the end of September 2008 was K6,479.7 (US\$2,513) million,

sufficient for 9.2 months of total and 13.4 months of non-mineral import cover.

In line with the tightening stance of monetary policy, the KFR was increased by 25 basis points in August and by 50 basis points in September to 7.00 percent from 6.25 percent in June 2008. The dealing margin for the Repurchase Agreements (Repos) was maintained at 100 basis points on both sides of the KFR during the same period. Domestic Interest rates for short-term securities increased across all maturities during the quarter.

The Bank continued to utilise Open Market Operation (OMO) instruments in the conduct of monetary policy over the September quarter of 2008, using Central Bank Bills (CBBs) and Reverse Repos to diffuse excess liquidity. Trading in the inter-bank market was moderate during the same period. 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, in the September quarter of 2008.

The average level of broad money supply (M3\*) increased by 3.5 percent in September quarter of 2008, compared to an increase of 7.0 percent in the June quarter of 2008. This was due to an increase of 4.1 percent in average net foreign assets of the depository corporations and an increase of 8.0 percent in average private sector credit, which more than offset a significant decline of 129.5 percent in average net claims on the Government. Average net domestic claims outstanding, excluding advances to the Central Government and outstanding loans under the Government's Agricultural export commodity price support scheme, increased by 8.0 percent in the September quarter of 2008, compared to an increase of 10.9 percent in the previous quarter.

During the September quarter of 2008, 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 K194.7 million to K5,222.0 million, compared to an increase of K508.0 million in the previous quarter. This was mainly due to increased credit of: K183.2 million to the private sector; and K11.7 million to public non-financial corporations. The annualised growth in domestic credit, excluding advances made to the Central Government and advances under the price support schemes, was 37.5 percent in

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the third quarter of 2008.

Preliminary estimates of the fiscal operations of the National Government for the nine months to September 2008 show an overall surplus of K1,063.4 million, compared to a surplus of K1,617.2 million in the corresponding period of 2007. This represents 5.4 percent of nominal Gross Domestic Product (GDP). The lower surplus was due to lower revenue and an increase in expenditure compared to the corresponding period in 2007.

Total revenue, including foreign grants, during the nine months to September 2008 was K4,597.2 million, 6.8 percent lower than the receipts collected in the corresponding period of 2007. This represents 63.8 percent of the budgeted revenue for 2008. The decrease was attributed to lower collections in non-tax revenue

combined with lower foreign grants, which more than offset an increase in tax revenue and infrastructure tax credits.

Total expenditure for the nine months to September 2008 was K3,533.8 million, 6.7 percent higher than in the corresponding period in 2007, and represents 50.5 percent of the budgeted expenditure for 2008. The increase was due to higher recurrent expenditure, which more than offset lower development expenditure.

As a result of these developments in revenue and expenditure, the Government recorded an overall budget surplus of K1,063.4 million for the nine months to September 2008. The surplus was used to make overseas loan repayments totalling K115.1 million, while K948.3 million was a net negative financing from domestic sources.

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## 2. INTERNATIONAL DEVELOPMENTS

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The world economy slowed down considerably in the third quarter of 2008 and is expected to slow even further in the fourth quarter. The November 2008 World Economic Outlook (WEO) Update of the International Monetary Fund (IMF) revised downward its Gross Domestic Product (GDP) projection for 2008 from 3.9 percent to 3.7 percent. Global growth is projected to slow further to 2.2 percent in 2009. It is anticipated that most advanced economies would be in or close to recession in the last quarter of 2008 or early 2009. The high rates of growth in most emerging and developing economies also decelerated in the third quarter of 2008. The IMF expects emerging and developing economies to grow by 6.6 percent in 2008, compared to 8.0 percent in 2007. Inflation in advanced economies is expected to rise to 3.6 percent in 2008 compared to 2.2 percent in 2007. Due to the slowdown in the global economy, inflation in the advanced economies is expected to fall to 1.4 percent in 2009. In emerging and developing economies, inflation is expected to decline more gradually, as recent commodity price increases and strong growth continue to exert upward pressure on prices.

In July 2008, the Managing Director of the IMF, Dominique Strauss-Kahn, in a Group of Eight (G8) summit held in Hokkaido, Japan, expressed concerns over the continued global inflationary pressures which were being driven by high oil and food prices. He called on the G8 leaders to act to prevent past food and fuel price increases from being translated into higher overall inflation outcomes through second-round effects. The United Nation's Food and Agriculture Organization's food price index fell by 12 percent in September from July after having reached an all time high in June 2008.

A high level forum on aid effectiveness was held in Accra, Ghana, in September to assess the success made towards achieving the goals set out in the Paris Declaration on Aid Effectiveness. The forum concluded with the adoption of an Accra Agenda for Action. It emphasizes the importance of changing the nature of donor conditionality to support ownership, increasing the predictability of aid and strengthening developing country capacity to lead and manage development strategies.

The price of United States (US) light sweet crude oil hit an all time record high of US\$147.27 per barrel on 11<sup>th</sup> July. Concerns over global supplies as a result of geopolitical tensions between Iran and the West and the crisis in Nigeria pushed oil prices to this new high. In all, the price of oil has increased by around 40 percent over the year to 11<sup>th</sup> July 2008. By 4<sup>th</sup> August the price of light sweet crude had retreated to US\$119.5 per barrel as production concerns were relieved and the prospect of falling demand, stemming from the financial crisis, exerted downward pressure on prices. On 22<sup>nd</sup> September, the price of oil for October delivery was around US\$120.92 per barrel due to tight inventories and fears of a weak US dollar.

The financial market crisis, which began in the middle of 2007, continued into the September quarter of 2008 putting financial institutions in major economies under considerable stress. In July, the US government approved a US\$300 billion rescue fund to help home owners get cheaper loans and to bail out the struggling mortgage Government Sponsored Enterprises Fannie Mae and Freddie Mac. In September, a major US investment bank, Lehman Brothers, collapsed due to its holding of illiquid assets and unstable wholesale liabilities. Meanwhile, the US government agreed to take control of the American International Group (AIG) in return for a US\$85 billion loan to prevent a disorderly liquidation of AIG assets which would have created further financial market instability.

In the US, real GDP grew by 0.8 percent over the year to September 2008, compared to an increase of 4.9 percent over the corresponding period in 2007. The lower growth was mainly attributed to a decline in consumer spending due to the financial crisis, combined with the lag effects of high food and fuel prices. The latest IMF forecast is for GDP to grow at a lower rate of 1.4 percent in 2008.

Industrial production declined markedly by 4.9 percent over the year to September 2008, compared to an increase of 1.9 percent over the year to September 2007. The sharp decline was due to the effects of the hurricanes, an airline strike and the credit crunch which weakened the manufacturing industry dramatically. The Institute of Supply Management's Purchasing Managers Index<sup>1</sup> was 50.0, 49.9 and 43.5 percent in July, August and September 2008, respectively, indicating a contraction in the manufacturing sector

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<sup>1</sup> An index below 50 indicates contraction while an index above 50 indicates expansion in the manufacturing sector.



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which affected the whole economy. Retail sales declined by 3.3 percent over the year to September 2008, compared to an increase of 4.7 percent over the corresponding period in 2007, reflecting weak consumer spending. The unemployment rate was 6.1 percent in September 2008, compared to 4.7 percent in September 2007.

Consumer prices rose by 4.9 percent over the year to September 2008, compared to an increase of 2.8 percent over the same period in 2007. This outcome was mainly due to the effects of high energy and food prices. Broad money supply increased by 6.2 percent over the year to September 2008, compared to an increase of 6.7 percent over the corresponding period in 2007. The Federal Reserve kept the Federal Funds Rate unchanged at 2.00 percent in the September quarter of 2008 due to concerns over the slow down in economic growth, despite inflationary pressures remaining high.

The trade deficit was US\$851.1 billion over the year to September 2008, compared to a deficit of US\$805.0 billion over the same period in 2007.

In Japan, real GDP declined by 0.1 percent over the year to September 2008, compared to an increase of 2.6 percent over the year to September 2007. The decline was associated with the effects of high energy and material prices, the significant slow down in export growth and weak domestic demand. The latest IMF forecast is for GDP to grow by 0.5 percent in 2008.

Industrial production increased by 0.2 percent over the year to September 2008, compared to an increase of 0.8 percent over the same period in 2007. Retail sales declined by 1.8 percent over the year to September 2008, compared to an increase of 0.7 percent over the corresponding period in 2007, reflecting weak consumer demand. The unemployment rate was 4.0 percent in September 2008, the same as in the corresponding period in 2007.

Consumer prices increased by 2.1 percent over the year to September 2008, compared to a decline of 0.2 percent over the year to September 2007. The higher inflation outcome was mainly driven by increases in domestic fuel and food prices, reflecting increases in international oil and commodity prices. Broad money supply increased by 2.2 percent over the year to September 2008, compared to an increase of 4.7 percent over the same period in 2007. Despite the

higher inflation outcome, the Bank of Japan maintained its call rate at 0.50 percent during the September quarter of 2008.

The current account surplus was US\$185.9 billion over the year to September 2008, compared to a surplus of US\$205.0 billion over the year to September 2007. The lower surplus was mainly due to a slow down in exports to the US.

In the Euro area, real GDP grew by 0.7 percent over the year to September 2008, compared to an increase of 2.8 percent over the year to September 2007. The lower growth was a result of the financial market crisis which has affected investor and consumer confidence, and a fall in trade with the US. The latest IMF forecast is for GDP to grow by 1.2 percent in 2008.

Industrial production fell by 2.4 percent over the year to September 2008, compared to an increase of 3.5 percent over the year to September 2007. This reflected low exports and private sector investments. Retail sales declined by 1.6 percent over the year to September 2008, compared to an increase of 1.6 percent over the year to September 2007, reflecting lower consumer demand. The unemployment rate was 7.5 percent in September 2008, compared to 7.3 percent in September 2007.

Consumer prices in the Euro area increased by 3.6 percent over the year to September 2008, compared to an increase of 2.1 percent over the year to September 2007. Broad money supply increased by 8.6 percent over the year to September 2008, compared to an increase of 11.3 percent over the year to September 2007. The European Central Bank increased the Euro Refinancing Rate by 25 basis points to 4.25 percent in July 2008 due to concerns over high inflationary pressures.

The current account of the Euro zone recorded a deficit of US\$51.4 billion over the year to September 2008, compared to a surplus of US\$34.2 billion over the same period in 2007.

In Germany, real GDP grew by 0.8 percent over the year to September 2008, compared to 2.8 percent over the corresponding period in 2007, reflecting a slowdown in economic activity. The latest IMF forecast is for GDP to grow by 1.7 percent in 2008.

Industrial production declined by 2.3 percent over the

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year to September 2008, compared to an increase of 6.1 percent over the year to September 2007, reflecting a fall in factory orders. Retail sales increased by 1.2 percent over the year to September 2008, compared to a decline of 2.2 percent over the year to September 2007. The unemployment rate was 7.6 percent in September 2008, compared to 8.8 percent in September 2007.

Consumer prices increased by 2.9 percent over the year to September 2008, compared to an increase of 2.5 percent over the year to September 2007.

The current account surplus was US\$266.8 billion over the year to September 2008, compared to US\$239.3 billion over the corresponding period in 2007, mainly reflecting high import prices.

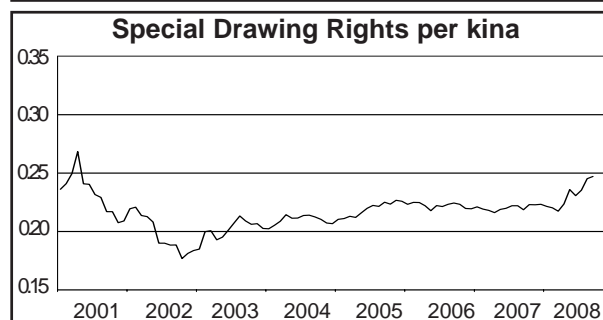
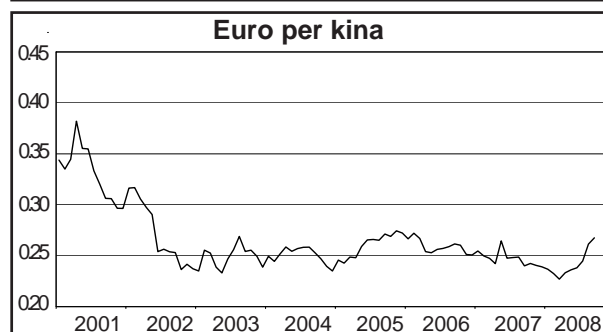
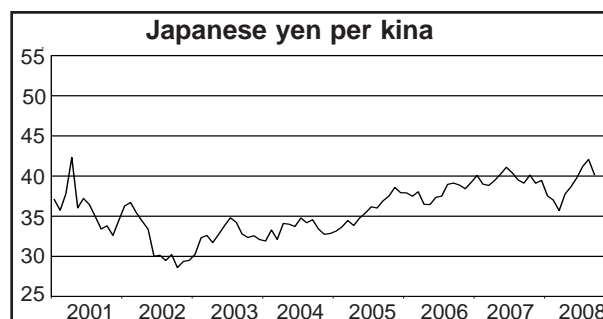
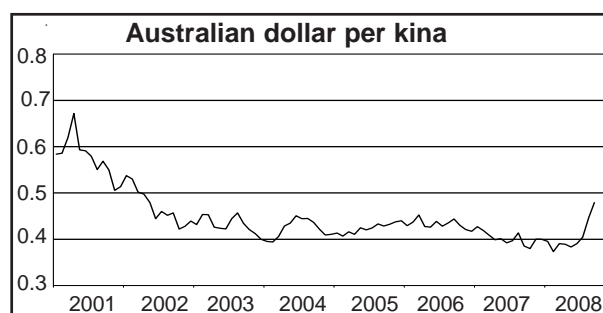
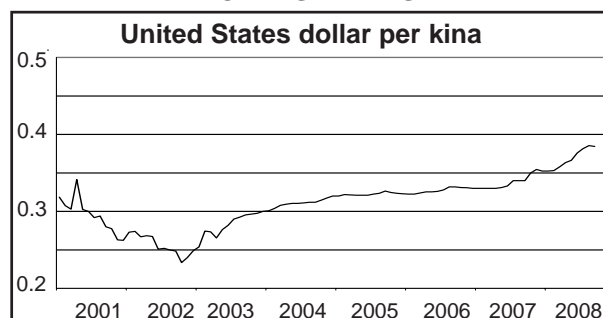
In the United Kingdom (UK), real GDP grew by 0.3 percent over the year to September 2008, compared to an increase of 3.2 percent over the same period in 2007. The slow growth was associated with the impacts of higher energy and commodity prices, combined with the global financial crisis which adversely affected consumer and investor confidence. The latest IMF forecast is for GDP to grow by 0.8 percent in 2008.

Industrial production declined by 2.2 percent over the year to September 2008, compared to a decline of 0.3 percent over the same period in 2007, reflecting a fall in manufacturing activity. Retail sales increased by 1.8 percent over the year to September 2008, compared to an increase of 6.3 percent over the corresponding period in 2007. The lower increase reflected a decline in consumer spending and confidence. The unemployment rate was 5.8 percent in September 2008, compared to 5.4 percent in September 2007.

Consumer prices increased by 5.2 percent over the year to September 2008, compared to an increase of 1.8 percent over the year to September 2007 mainly due to higher food and fuel prices. Broad money supply increased by 12.2 percent over the year to September 2008, compared to an increase of 12.8 percent over the corresponding period in 2007. Despite the high inflationary pressures, the Bank of England maintained its official Bank Rate at 5.00 percent throughout the September quarter.

The trade deficit was US\$185.5 billion over the year to September 2008, compared to a deficit of US\$164.4 billion over the year to September 2007, reflecting

## EXCHANGE RATES



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higher import demand and prices.

In Australia, real GDP grew by 1.9 percent over the year to September 2008, compared to an increase of 4.3 percent over the year to September 2007. The weaker growth was due to a slow down in economic activity mainly reflecting a sharp decline in consumer spending, lower international commodity prices and deterioration in business confidence. The effects of high inflation and the global financial crisis also contributed significantly to the low growth. The latest IMF forecast is for GDP to grow by 2.5 percent in 2008.

Industrial production increased by 2.8 percent over the year to June 2008, compared to an increase of 4.6 percent over the same period in 2007. Retail sales increased by 1.0 percent over the year to September 2008, compared to an increase of 5.1 percent over the year to September 2007. The slow growth reflected a sharp decline in household spending. The unemployment rate was 4.3 percent in September 2008, compared to 4.2 percent in September 2007.

Consumer prices increased significantly by 5.0 percent over the year to September 2008, compared to an increase of 1.9 percent over the year to September 2007. The higher outcome was associated with past high international food and fuel prices which drove underlying inflation to a 17-year high of 4.7 percent. Broad money supply increased by 17.7 percent over the year to September 2008, compared to an increase of 18.5 percent over the year to September 2007. Due to concerns over the slowdown in domestic economic activity in light of the global recession, the Reserve Bank of Australia reduced its Cash Rate by 25 basis points to 7.00 percent in September 2008, even though inflationary outcomes were high.

The trade deficit was US\$14.0 billion over the year to September 2008, compared to US\$13.6 billion over the same period in 2007.

During the September quarter of 2008, the daily average US dollar exchange rate appreciated against all the major currencies. It appreciated by 6.0 percent against the Australian dollar, 3.7 percent against the euro, 4.0 percent against the pound sterling and 2.8 percent against the Japanese yen. The appreciation of the US dollar against all the major currencies was due to the unwinding of carry trade activities reflecting heightened risk aversion appetite and increasing confidence in the US economy.

In the September quarter of 2008, the daily average kina exchange rate appreciated against all the major currencies. It appreciated by 4.9 percent against the US dollar, 11.7 percent against the Australian dollar, 9.0 percent against the euro, 9.4 percent against the pound sterling and 7.8 percent against the yen. These movements, mainly the appreciation against the Australian dollar, resulted in the daily average TWI appreciating by 9.5 percent during the September quarter.

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### 3. DOMESTIC ECONOMIC DEVELOPMENT

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#### DOMESTIC ECONOMIC ACTIVITY

Data obtained from the Bank's Business Liaison Survey (BLS) show a lower growth in business sales by the formal private sector in the June quarter of 2008, compared to the previous quarter. The nominal value of sales increased by 2.6 percent in the June quarter of 2008, compared to an increase of 15.0 percent in the previous quarter. Excluding the mineral sector, the nominal value of sales increased by 9.3 percent in the June quarter, compared to an increase of 6.6 percent in the previous quarter. The increase was in all sectors, except the mineral sector. By region, there were increases in the National Capital District (NCD), Highlands, Momase and Morobe regions, while the Southern and Islands regions recorded decreases. Over the twelve months to June 2008, the total nominal value of sales increased by 8.3 percent. Excluding the mineral sector, annual sales increased by 25.6 percent.

In the retail and wholesale sectors, the nominal value of sales increased by 15.7 percent and 14.5 percent in the June quarter of 2008, compared to an increase of 4.6 percent and a decline of 1.4 percent, respectively, in the March quarter of 2008. The increase in the retail sector was mainly driven by strong consumer demand and higher sales to the mineral and construction companies, especially in Morobe. The increase in the wholesale sector was mainly associated with higher prices resulting from strong demand, reflecting favourable prices of agricultural commodities, expansion into other centres and aggressive marketing. Over the twelve months to June 2008, the nominal value of sales in the retail and wholesale sectors increased by 26.2 percent and 31.1 percent, respectively.

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In the building and construction sector <sup>2</sup>, the nominal value of sales increased by 12.0 percent in the June quarter of 2008, compared to an increase of 12.5 percent in the March quarter of 2008. The increase was mainly associated with the continuation of building projects in NCD, Kokopo, Lae, Kiunga and Hidden valley. In addition, the on-going road maintenance work along the Highlands highway and Lae and construction of some feeder roads in the Western Highlands and Chimbu provinces also contributed to the increase.

In the agriculture/forestry/fisheries sector, the nominal value of sales increased by 8.9 percent in the June quarter of 2008, compared to an increase of 20.2 percent in the previous quarter. The increase was in the agriculture and fishery sub-sectors, mainly reflecting higher prices and production of most agricultural commodities and catchment of fishery products, respectively. In the forestry sub-sector, sales declined due to lower price and production of forestry products. Over the twelve months to June 2008, the total nominal value of sales increased by 27.5 percent.

In the transportation sector, the nominal value of sales increased by 7.2 percent in the June quarter of 2008, compared to a decline of 3.3 percent in the March quarter of 2008. The increase was mainly associated with high passenger travel as a result of fare discounts by an airline company and increased shipping activities at the Lae port. Over the twelve months to June 2008, the total nominal value of sales increased by 21.2 percent.

In the manufacturing sector, the nominal value of sales increased by 5.8 percent in the June quarter of 2008, compared to an increase of 12.7 percent in the previous quarter. The increase was mainly due to higher production of consumer goods and petroleum products supported by higher consumer demand and improved efficiency in fuel production by the oil refinery company. In addition, higher prices of fuel also assisted in increased sales revenue. Over the twelve months to June 2008, the total nominal value of sales increased by 31.6 percent.

In the financial/business and other services sector, the nominal value of sales increased by 4.3 percent in the June quarter of 2008, compared to an increase of 2.2 percent in the March quarter. The increase mainly reflected new contracts awarded to major security and

catering companies and higher business activity by commercial banks. Over the twelve months to June 2008, the total nominal value of sales increased by 12.4 percent.

In Morobe, the nominal value of sales increased by 16.1 percent in the June quarter of 2008, compared to a decline of 12.0 percent in the March quarter. The increase was in the manufacturing, wholesale, retail and transportation sectors. In the manufacturing sector, the increase was due to higher prices and production of soft drinks and chemicals and introduction of a new product brand by a manufacturing company. In the wholesale and retail sectors, the increases were mainly due to higher prices and demand, as well as aggressive marketing. In the transportation sector, the increase was mainly due to higher shipping activity at the Lae port, especially cargo haulage. Over the twelve months to June 2008, the total nominal value of sales increased by 14.4 percent.

In the Momase region (excluding Morobe), the nominal value of sales increased by 13.3 percent in the June quarter of 2008, compared to an increase of 31.2 percent in the previous quarter. The increase was in the wholesale sector and fishery sub-sector. The increase in the wholesale sector was mainly due to increased orders from mineral companies and high demand generated by favourable commodity prices, while the growth in the fishery sub-sector was associated with higher catchment as a result of favourable weather condition. Over the twelve months to June 2008, the total nominal value of sales increased by 76.4 percent.

In the Highlands region, the nominal value of sales increased by 8.8 percent in the June quarter of 2008, compared to a decline of 4.1 percent in the March quarter of 2008. The increase was in the wholesale sector and agriculture sub-sector. The increase in the wholesale sector was mainly due to the coffee season, while the increase in the agriculture sub-sector was associated with higher prices and production of coffee. Over the twelve months to June 2008, the total nominal value of sales increased by 42.8 percent.

In NCD, the nominal value of sales increased by 7.9 percent in the June quarter of 2008, the same as in the previous quarter. The increase was in the retail, wholesale, manufacturing, transport and financial/business and other services sectors. In the retail and wholesale

<sup>2</sup> Annual growth in the nominal value of sales for the building and construction sector is not provided due to data inconsistencies.

sectors, the increase was associated with strong demand, expansion of business and increased activity in the mineral and building and construction sectors. The increase in the manufacturing sector was due to higher production supported by favourable commodity prices, improved production and refinery efficiency by an oil company and increased demand for building materials. The increase in the transportation sector was due to higher passenger travel reflecting special fare discounts by an airline company and increased shipping activities by a shipping company. In the financial/businesses and other services sector, the increase was due to new contracts awarded to major security and catering companies and higher lending and trading activities by commercial banks. Over the twelve months to June 2008, the total nominal value of sales increased by 23.2 percent.

In the Islands region, the nominal value of sales declined by 7.2 percent in the June quarter of 2008, compared to an increase of 9.3 percent in the previous quarter. The fall was mainly in the manufacturing sector reflecting a lower production of coconut oil. Over the twelve months to June 2008, the total nominal value of sales increased by 7.7 percent.

In the Southern region, the nominal value of sales declined by 5.1 percent in the June quarter of 2008, compared to an increase of 45.8 percent in the March quarter of 2008. The decrease was in the mineral sector and forestry sub-sector. The decrease in the mineral sector was mainly associated with lower exports of copper ores due to reduced shipment by a mineral company, while in the forestry sub-sector, the decline was mainly due to lower production as a result of lower prices of forestry products and, to some extent, decrease in logging activity. Over the twelve months to June 2008, the total nominal value of sales declined by 13.3 percent.

## EMPLOYMENT

The Bank's Employment Index indicate that the total level of employment in the formal private sector increased marginally by 0.6 percent in the September quarter of 2008, compared to an increase of 3.3 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 0.5 percent in the September quarter, compared to an increase of 3.4 percent in the previous quarter. The mineral, manufacturing, building and construction, wholesale and transportation sectors recorded in-

creases in employment levels, while the agriculture/forestry/fisheries, retail, and financial/business and other services sectors recorded declines. All regions recorded increases in employment level except the Southern region. Over the year to September 2008, the level of employment excluding the mineral sector increased by 9.3 percent.

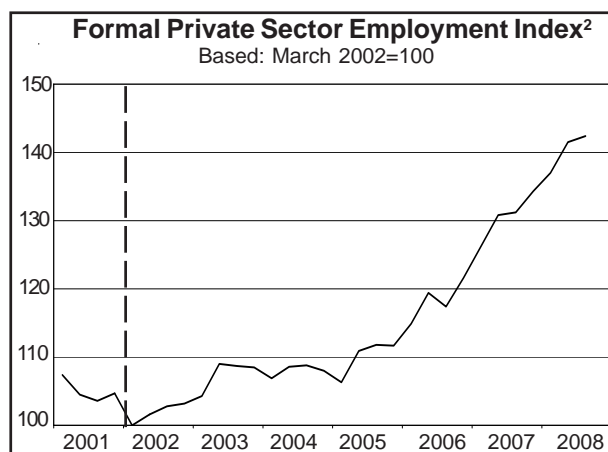
In the building and construction sector, the level of employment grew significantly by 14.3 percent in the September quarter, compared to a decline of 0.7 percent in the June quarter of 2008. The increase was mainly due to the hiring of workers for a number of major building construction projects in NCD and on road projects in the Highlands and Morobe regions. Over the year to September 2008, the level of employment grew by 25.6 percent.

In the transportation sector, the level of employment increased by 6.7 percent in the September quarter, compared to an increase of 4.5 percent in the June quarter of 2008. This outcome was associated with increased activity in the building and construction sector and increased haulage of cargo by wholesalers and retailers due to high import demand. Over the year to September 2008, the level of employment increased by 12.7 percent.

In the manufacturing sector, the level of employment increased by 5.3 percent in the September quarter of 2008, compared to an increase of 1.2 percent in the previous quarter. This increase was largely the result of higher demand across a range of products including food and beverages, as well as increased demand for building materials by the building and construction sector. Over the year to September 2008, the level of employment increased by 13.7 percent.

In the wholesale sector, the level of employment increased by 1.1 percent in the September quarter, compared to an increase of 4.3 percent in the previous quarter. The increase reflected higher consumer demand and expansion of existing businesses to new locations. This outcome was also associated with increased activity in the building and construction sector. Over the year to September 2008, the level of employment in the wholesale sector increased by 5.3 percent.

In the agriculture/forestry/fisheries sector, the level of employment decreased by 3.5 percent in the September quarter of 2008, compared to an increase of 3.8



percent in the previous quarter. The decrease was in all the sub-sectors. In the agriculture sub-sector, the decrease was due to the laying-off of seasonal workers after the palm oil and coffee harvests. In the forestry sub-sector, the decline was due to the scaling down of operations by several logging companies, while in the fisheries sub-sector, the decrease was associated with a seasonally lower harvest of tuna and other seafood products. Over the year to September 2008, the level of employment increased by 6.8 percent.

In the retail sector, the level of employment decreased by 1.1 percent in the September quarter of 2008, compared to an increase of 4.1 percent in the June quarter. The decline was mainly due to a fall in demand generated by the end of the coffee season and laying off of casual employees at logging and fishing sites. Over the year to September 2008, the level of employment in the retail sector increased by 4.6 percent.

In the financial/business and other services sector, the level of employment fell by 1.1 percent in the September quarter of 2008, compared to an increase of 4.2 percent in the June quarter. The fall in employment was mainly due to declines in the number of people hired by security companies. Over the year to September 2008, the level of employment increased by 7.3 percent.

By region, all regions recorded increases in the level of employment, except the Southern region. In Morobe, the level of employment increased by 4.1 percent in the September quarter of 2008, compared to an increase of 9.0 percent in the previous quarter. Higher employ-

ment was recorded in the manufacturing, transportation, mineral, building and construction and wholesale sectors. The increase in the manufacturing sector was due to higher consumer demand and increased activity in the building and construction sector. The increase in the transportation sector was mainly the result of higher shipping activity. The increase in the building and construction sector was due to new building and construction and road maintenance projects in and around Lae, while in the retail and wholesale sectors, it was due to growth in demand generated by the building and construction activities in the province. Over the year to September 2008, the level of employment increased by 15.8 percent.

In the Highlands region, the level of employment increased by 3.6 percent in the September quarter of 2008, compared to an increase of 2.4 percent in the previous quarter. The increase was in the manufacturing, building and construction, retail and financial/business and other services sectors. In the manufacturing sector, the growth was due to increased activity by a local bakery while in the retail sector, the increase reflected high customer demand. The increase in the building and construction sector was associated with the maintenance and upgrading of the Highlands highway and building projects. Over the year to September 2008, the level of employment grew by 10.4 percent.

In the Islands region (including the Autonomous Region of Bougainville), the level of employment increased by 0.9 percent in the September quarter of 2008, compared to an increase of 0.3 percent in the June quarter. The increase was in the building and construction, manufacturing, mineral, and other services sectors. The increase in the building and construction sector was due to additional workers recruited for new projects. In the manufacturing sector, the growth reflected increased orders from construction companies, while in the other services sector, the growth was due to increased activities by two hotels. Over the year to September 2008, the level of employment increased by 10.0 percent.

In NCD, the level of employment increased marginally by 0.4 percent in the September quarter of 2008, compared to an increase of 2.4 percent in the previous quarter. The increase was in the building and construction, manufacturing and transportation sectors, and the hotel and real estate sub-sectors. The growth in the

<sup>2</sup>The dotted vertical line indicates a break in series from 2002. See 'For the Record' in the March 2003 QEB on page 31 and the September 2005 QEB on page 29.

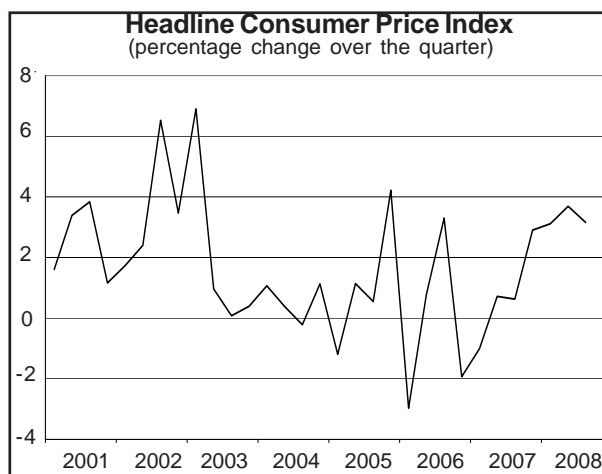
building and construction sector was attributed to the increased number of building projects. In the manufacturing sector, the increase was due to the introduction of new products by a major manufacturing company and increased activity by a furniture company and a tailoring company. The growth in the transportation sector was mainly due to the recruitment of casual chauffeurs by a car rental company and casual employees for a helicopter company. Over the year to September 2008, the level of employment grew by 5.2 percent.

In the Momase region (excluding Morobe), the level of employment increased marginally by 0.3 percent in the September quarter of 2008, compared to an increase of 5.0 percent in the previous quarter. Higher employment was recorded in the manufacturing and wholesale sectors, and the hotel sub-sector. The increase in the manufacturing sector was due to higher orders placed with a cannery and improvement in business resulting from higher copra volume at a coconut oil production facility. The increase in the wholesale sector was a result of higher orders from mining related activities and growth in demand generated by higher commodity prices. Higher employment in the hotel sub-sector was due to recruitment of casual employees by a major hotel. Over the year to September 2008, the level of employment increased by 19.4 percent.

In the Southern region, the level of employment fell by 5.9 percent in the September quarter of 2008, compared to an increase of 2.8 percent in the previous quarter. Declines in employment were recorded in the agriculture/forestry/fisheries, manufacturing, retail and wholesale sectors. The decline in the agriculture/forestry/fisheries sector was due lower crop yield, downsizing of sawmill activity and the laying-off of seasonal workers. The decline in the manufacturing sector was mainly due to the downsizing of operations by a major timber processing company, while the fall in the retail and wholesale sectors was due to trimming of manpower due to lower demand. Over the year to September 2008, the level of employment declined by 5.1 percent.

## CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 3.2 percent in the September quarter of 2008, compared to an increase of 3.7 percent in the June quarter. This outcome



was due to higher prices in all expenditure groups, except the 'Transport and communication' and 'Miscellaneous' groups. Annual headline inflation was 13.5 percent in the September quarter of 2008, compared to an increase of 10.7 percent in the June quarter. The higher outcome was due to price increases in all expenditure groups. The largest increases were recorded in the 'Food', and 'Rents, council charges, fuel and power' groups which reflected high international food and fuel prices and increases in the prices of seasonal produces. By region, all urban areas recorded higher prices in the September quarter and over the year to September 2008.

The CPI for the 'Food' expenditure group increased by 6.0 percent in the September quarter of 2008, compared to an increase of 6.2 percent in the June quarter. This outcome was due to high prices in all sub-groups, especially the cereals and fruits and vegetables sub-groups. This expenditure group contributed 2.5 percentage points to the overall movement in the CPI.

The CPI for the 'Drinks, tobacco and betelnut' expenditure group increased by 2.0 percent in the September quarter of 2008, compared to an increase of 2.2 percent in the previous quarter. This outcome was due to high prices in all sub-groups, especially betelnut. This expenditure group contributed 0.4 percentage points to the overall movement in the CPI.

Prices in the 'Clothing and footwear' expenditure group increased by 2.1 percent in the September quarter of 2008, compared to a decline of 4.5 percent in the June quarter. This outcome was mainly driven by higher prices for clothing. This expenditure group contributed



0.1 percentage point to the overall movement in the CPI.

In the 'Rents, council charges, fuel and power' expenditure group, the CPI increased by 4.1 percent in the September quarter of 2008, compared to an increase of 7.3 percent in the June quarter. The increase reflected the lag effect of high international oil prices on domestic fuel prices. This expenditure group contributed 0.3 percentage points to the overall movement in the CPI.

In the 'Household equipment and operations' expenditure group, the CPI increased by 2.0 percent in the September quarter of 2008, compared to an increase of 1.6 percent in the previous quarter. The increase was due to higher prices in all sub-groups, mainly from the semi-durable and non-durable goods. This expenditure group contributed 0.1 percentage point to the overall movement in the CPI.

In the 'Transport and communication' expenditure group, prices declined by 1.0 percent in the September quarter of 2008, compared to an increase of 2.3 percent in the June quarter. The outcome was due to a decline in the prices of motor vehicle purchases, which more than offset the increase in the cost of motor vehicle operations. The other sub-groups recorded no price changes for the quarter. This expenditure group contributed negative 0.1 percentage point to the overall movement in the CPI.

The 'Miscellaneous' expenditure group recorded no price changes in the September quarter of 2008, compared to an increase of 0.2 percent in the June quarter. This outcome was a result of the offsetting price movements between the sub-groups. The decline in the other goods sub-group was offset by the increase in the medical and health care and entertainment and cultural sub-groups.

By urban areas, prices increased in all surveyed centers in the September quarter of 2008. Lae recorded the highest increase of 7.0 percent in the September quarter of 2008, compared to an increase of 6.5 percent in the previous quarter. There were higher prices in all expenditure groups, except the 'Miscellaneous' expenditure group. The 'Food', and 'Rents, council charges, fuel and power' expenditure groups recorded huge price increases. In Port Moresby, prices increased by 2.0 percent in the September quarter of 2008, compared to an increase of 2.3 percent

in the June quarter. Prices increased in all expenditure groups, except the 'Drinks, tobacco and betelnut' and 'Transport and communication' expenditure groups. The biggest increases were recorded in the 'Food' and 'Rents, councils charges, fuel and power' groups.

In Goroka, prices increased by 1.2 percent in the September quarter of 2008, compared to an increase of 4.3 percent in the previous quarter. All expenditure groups recorded price increases except the 'Clothing and footwear' and 'Transport and communication' expenditure groups. Huge increases were in the 'Food' and 'Rents, council charges, fuel and power' expenditure groups. In Madang, prices increased by 1.8 percent in the September quarter of 2008, compared to an increase of 2.4 percent in the June quarter. Prices increases were recorded in all expenditure groups, except the 'Transport and communication' and 'Miscellaneous' expenditure groups. The 'Clothing and footwear' and 'Rents, council charges, fuel and power' expenditure groups recorded significant increases. In Rabaul, prices increased by 3.6 percent in the September quarter of 2008, compared to an increase of 4.6 percent in the previous quarter. There were higher prices in all expenditure groups, except the 'Miscellaneous' expenditure group. Huge increases were in the 'Food', 'Rents, council charges, fuel and power' and 'Household, equipment and operation' expenditure groups.

The exclusion-based inflation rate was 3.1 percent in the September quarter of 2008, compared to 3.7 percent in the June quarter. The trimmed mean inflation rate was 2.5 percent in the September quarter of 2008, compared to 3.6 percent in the June quarter. Annual exclusion-based inflation was 12.2 percent in the September quarter of 2008, compared to 10.2 percent in the June quarter. Annual trimmed-mean inflation was 13.0 percent in the September quarter of 2008, compared to 11.4 percent in the June quarter.

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#### 4. EXPORT COMMODITIES REVIEW

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The total value of merchandise exports in the September quarter of 2008 was K3,886 million, 14.1 percent higher than in the corresponding quarter of 2007. There were increases in the export values of gold, copper, crude oil, coffee, palm oil, copra, copra oil, tea, rubber and refined petroleum products, which more than offset declines in the values of cocoa, forestry, marine

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products and other non-mineral exports. Mineral export receipts, excluding crude oil were K2,105.1 million and accounted for 54.2 percent of total merchandise exports in the September quarter of 2008, compared to K1,856 million or 54.5 percent in the corresponding quarter of 2007. Crude oil exports totalled K872.6 million and accounted for 22.5 percent of total merchandise exports in the September quarter of 2008, compared to K700.0 million or 20.6 percent of total merchandise exports in the corresponding quarter of 2007.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports was K580.1 million and accounted for 14.9 percent of total merchandise exports in the September quarter of 2008, compared to K580.6 million or 17.1 percent of total merchandise exports in the corresponding quarter of 2007. Forestry product exports were K95.8 million and accounted for 2.5 percent of total merchandise exports in the September quarter of 2008, compared to K129.5 million or 3.8 percent in the corresponding quarter of 2007. Refined petroleum product exports were K232.4 million and accounted for 6.0 percent of total merchandise exports in the September quarter of 2008, compared to K138.9 million or 4.1 percent in the corresponding quarter of 2007.

The weighted average price of Papua New Guinea's exports was 16.2 percent higher in the September quarter of 2008, compared to the corresponding quarter of 2007. There was a 16.8 percent increase in the weighted average price of mineral exports, with higher kina prices of gold and crude oil. The weighted average price of agricultural, logs and marine product exports increased by 13.5 percent and was accounted for by higher kina prices of coffee, cocoa, palm oil, copra, copra oil, tea, rubber and marine product exports. Excluding logs, the weighted average price of agricultural and marine product exports increased by 19.3 percent in the September quarter of 2008, compared to the corresponding period of 2007.

### **Mineral Exports**

Total mineral export receipts were K2,977.7 million in the September quarter of 2008, an increase of 16.5 percent from the corresponding quarter of 2007. The increase was due to higher prices of gold and crude oil exports and higher volumes of gold and copper, which more than offset the decline in price of copper and

volume of crude oil.

Gold export volumes in the September quarter of 2008 was 15.1 tonnes, an increase of 1.3 percent from the corresponding quarter of 2007. This outcome was due to the extraction of high ore grades from the Ok Tedi and Lihir mines, which more than offset the decline in production from the Porgera mine. The average free on board (f.o.b.) price received for Papua New Guinea's gold exports was K74.3 million per tonne during the September quarter of 2008, 16.6 percent higher than in the corresponding period of 2007. The increase was mainly attributed to higher international prices during the quarter. The average gold price at the London Metal Exchange was US\$874 per fine ounce in the September quarter of 2008, an increase of 28.3 percent from the corresponding quarter of 2007. The increase was due to higher demand from investors for gold-based items as safe haven investment after the increased volatility of prices in the equity markets, the uncertainty surrounding the US dollar and the global financial crisis. The combined increase in export price and volume resulted in export receipts of K1,121.9 million in the September quarter of 2008, an increase of 18.1 percent from the corresponding quarter of 2007.

Copper export volumes in the September quarter of 2008 was 45,800 tonnes, an increase of 15.4 percent from the corresponding quarter of 2007. This outcome was due to higher production from the Ok Tedi mine resulting from extraction of higher ore grades. The average f.o.b. price of Papua New Guinea's copper exports was K21,074 per tonne in the September quarter of 2008, a decline of 6.2 percent from the corresponding quarter of 2007. The decline was mainly attributed to the appreciation of the kina against the US dollar as international prices were higher compared to the corresponding period of 2007. The increase in volume more than offset the decline in price resulting in export receipts of K965.2 million in the September quarter of 2008, an increase of 8.3 percent from the corresponding quarter of 2007.

Crude oil export volumes in the September quarter of 2008 was 2,420.7 thousand barrels, a decline of 22.5 percent from the corresponding quarter of 2007. The decline reflected lower extraction rates and production from the Kutubu, Gobe and Moran oil fields due to the natural decline of reserves. The average export price of crude oil was K360 per barrel in the September quarter of 2008, an increase of 60.7 percent from the corresponding quarter of 2007, due to higher interna-

tional prices. The higher international prices were due to cuts to the production quotas by the Organisation of Petroleum Exporting Countries (OPEC) combined with supply disruptions in Nigeria by militants. The significant increase in export price more than offset the decline in export volume resulting in export receipts of K872.6 million in the September quarter of 2008, an increase of 24.7 percent from the corresponding quarter of 2007.

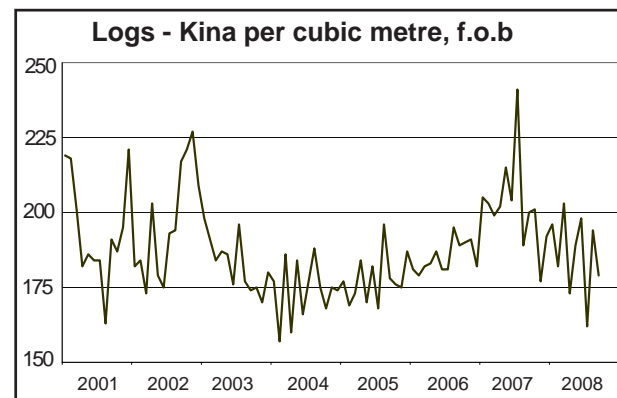
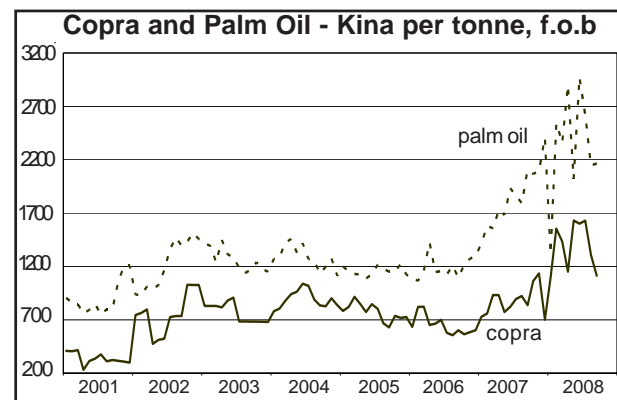
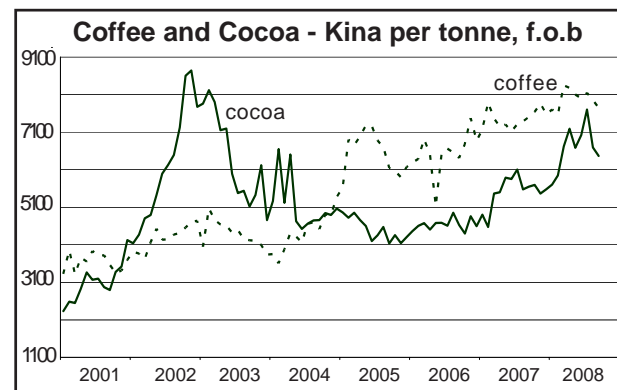
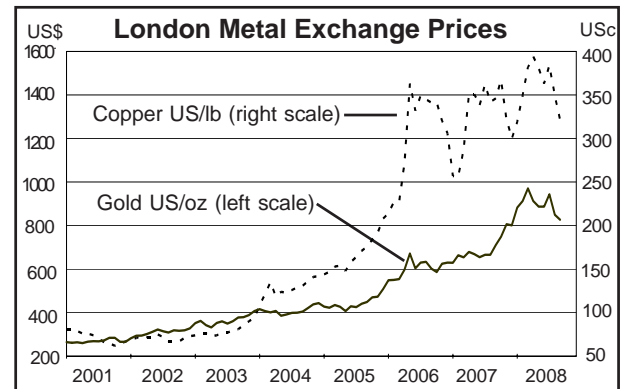
Export receipts from refined petroleum products from the Napa Napa Oil Refinery in the September quarter of 2008 was K232.4 million, a significant increase of 40.2 percent from the corresponding period of 2007. The increase was due to high international prices and increase in export volume.

### Agriculture, Logs and Fisheries Exports

Export prices of all agricultural export commodities increased in the September quarter of 2008, compared to the corresponding quarter of 2007. Coffee prices increased by 7.4 percent, cocoa by 28.7 percent, palm oil by 17.5 percent, copra by 47.4 percent, copra oil by 41.9 percent, tea by 4.4 percent and rubber by 16.0 percent. The average export price of logs was K178 per cubic metre in the September quarter of 2008, a decline of 13.6 percent from the corresponding quarter of 2007. The net effect of these price movements was a 13.5 percent increase in the weighted average price of agricultural, logs and marine export products. Excluding logs, the weighted average price of agricultural and marine export products increased by 19.3 percent in the September quarter of 2008, compared to the corresponding period of 2007.

The volume of coffee exported in the September quarter of 2008 was 21,500 tonnes, an increase of 11.4 percent from the corresponding quarter of 2007. The outcome was due to higher production attributed to favourable weather conditions in the coffee producing areas and continued recovery of trees after rehabilitation. The average export price of coffee was K7,940 per tonne in the September quarter of 2008, an increase of 7.5 percent from the corresponding quarter of 2007. This outcome was due to higher international prices resulting from a decline in world supply following lower output from Brazil, the major producing nation, as a result of unfavourable weather conditions. The increase in export price and volume resulted in export receipts of K170.7 million in the September quarter of 2008, an increase of 19.7 percent from the corresponding period

### EXPORT COMMODITY PRICES



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of 2007.

The volume of cocoa exported in the September quarter of 2008 was 6,800 tonnes<sup>3</sup>. The average export price of cocoa was K7,368 per tonne in the September quarter of 2008, an increase of 28.2 percent from the corresponding period of 2007. This outcome was due to higher international prices resulting from lower supply in the world market caused by a decline in production from the Ivory Coast, other West African producing countries and Indonesia. The significant decline in export volume resulted in a decline in export receipts by 46.2 percent to K50.1 million in the September quarter of 2008, compared to the corresponding period of 2007.

The volume of copra exported in the September quarter of 2008 was 8,700 tonnes, a significant increase of 248.0 percent from the corresponding quarter of 2007. This was attributed to increased production from the Autonomous Region of Bougainville and other producing regions. The average export price for copra was K1,356 per tonne in the September quarter of 2008, an increase of 47.4 percent from the corresponding quarter of 2007. This outcome was mainly due to higher international prices resulting from lower production from the Philippines, the world's major producer, due to unfavourable weather conditions. The combined increase in price and volume resulted in export receipts of K11.8 million in the September quarter of 2008, a significant increase of 413.0 percent from the corresponding period of 2007.

The volume of copra oil exported in the September quarter of 2008 was 14,100 tonnes, an increase of 11.8 percent from the corresponding period of 2007. The increase was mainly due to higher volumes of copra purchased by the two domestic copra oil mills for processing and exporting. The average export price of copra oil was K3,581 per tonne in the September quarter of 2008, an increase of 41.9 percent from the corresponding period of 2007. The increase was due to higher international prices resulting from a decline in copra production from the Philippines, the world's major copra producer, due to unfavourable weather conditions. The combined increase in the price and volume resulted in export receipts of K50.5 million in the September quarter of 2008, a significant increase of 58.7 percent from the corresponding period of 2007.

The volume of palm oil exported in the September quarter of 2008 was 85,000 tonnes, an increase of 3.7 percent from the corresponding period of 2007. The increase was due to the harvesting of matured palm oil trees in the new estates and the lagged effect of the peak palm oil harvesting season in the first half of the year. The average export price of palm oil was K2,328 per tonne in the September quarter of 2008, an increase of 17.5 percent from the corresponding quarter of 2007. The increase reflected higher international prices as a result of lower production from Malaysia combined with higher demand from China and India caused by increased demand for vegetable oils. The increase in export price and volume resulted in export receipts of K198.0 million in the September quarter of 2008, 21.8 percent higher than in the corresponding period of 2007.

The volume of tea exported in the September quarter of 2008 was 1,500 tonnes, an increase of 15.4 percent from the corresponding quarter of 2007. The increase was due to favourable weather conditions. The average export price of tea was K3,133 per tonne in the September quarter of 2008, an increase of 4.4 percent from the corresponding period of 2007. The combined increase in price and volume resulted in export receipts of K4.7 million in the September quarter of 2008, an increase of 20.5 percent from the corresponding period of 2007.

The volume of rubber exported in the September quarter of 2008 was 1,300 tonnes, the same as in the corresponding quarter of 2007. The average export price was K6,692 per tonne in the September quarter of 2008, an increase of 16.0 percent from the corresponding period of 2007. The increase was associated with higher international prices as a result of lower supply in the world market. The increase in price resulted in export receipts of K8.7 million in the September quarter of 2008, 16.0 percent higher than in the corresponding period of 2007.

The volume of logs exported in the September quarter of 2008 was 461,000 cubic metres, a decline of 16.2 percent from the corresponding period of 2007. The outcome was mainly attributed to lower production and shipment from major logging projects due to unfavourable wet weather conditions. The average export price of logs was K178 per cubic metre in the September

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<sup>3</sup> Data for the September quarter of 2008 is only for the first two months and is therefore not comparable. It will be revised in the December quarter 2008 issue.

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quarter of 2008, a decline of 13.6 percent from the corresponding period of 2007. This outcome was due to lower international prices reflecting higher supply of logs to the Asian markets, especially China. The combined decline in price and volume resulted in export receipts of K82.2 million in the September quarter of 2008, a decline of 27.4 percent from the corresponding period of 2007.

The value of marine products exported was K32.4 million in the September quarter of 2008, a significant decline of 48.1 percent from the corresponding period of 2007. The outcome was due to a decline in export volume which more than offset the increase in export price.

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## 5. BALANCE OF PAYMENTS

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There was an overall surplus in the balance of payments for the nine months to September 2008 was K560 million, compared to a surplus of K1,227 million in the corresponding period of 2007. This outcome was due to significant net outflows in the capital and financial accounts which more than offset a higher surplus in the current account.

The increased surplus in the current account was attributed to a higher trade surplus and lower net service and income payments, which more than offset lower net transfer receipts. The outcome in the capital and financial accounts was due to a higher net outflow of direct investments, financial derivatives and other investments, combined with a lower net inflow from portfolio investments.

During the nine months to September 2008, the kina appreciated against the currencies of Papua New Guinea's major trading partners, compared to the corresponding period of 2007.

The trade account recorded a surplus of K5,657 million in the nine months to September 2008, an increase of 16.1 percent from the corresponding period of 2007. The higher surplus was due to an increase in the value of merchandise exports, which more than offset an increase in the value of merchandise imports. The value of merchandise exports in the nine months to September 2008 was K11,977 million, an increase of 13.3 percent from the corresponding period of 2007. The increase was attributed to higher export values of

gold, crude oil, coffee, palm oil, copra, copra oil, rubber and other exports.

The value of merchandise imports was K6,320 million in the nine months to September 2008, an increase of 10.9 percent from the corresponding period of 2007. The increase was due to higher imports by all sectors. General imports increased by 19.2 percent to K4,360 million in the nine months to September 2008, compared to the corresponding period of 2007. Imports by the mining sector increased by 19.8 percent to K1,361 million in the nine months to September 2008, compared to the corresponding period of 2007. The increase reflected higher capital expenditure undertaken by the Ok Tedi, Lihir and Hidden Valley gold mines. Petroleum sector imports increased by 30.5 percent to K599 million in the nine months to September 2008, compared to the corresponding period of 2007. The increase was due to higher capital expenditure for exploration and evaluation of new and existing oil projects.

The deficit in the services account was K2,640 million in the nine months to September 2008, a decline of 20.8 percent from the corresponding period of 2007. The outcome was due to lower payments for transportation, education, other financial, computer and information, communication, other business, construction, refining and smelting and other services, combined with lower service receipts by resident companies.

The deficit in the income account was K1,201 million in the nine months to September 2008, a decline of 16.6 percent from the corresponding period of 2007. This outcome was due to lower payments of dividend, interest on foreign loans and compensation of employees, combined with lower income receipts.

The surplus in the transfers account was K341 million in the nine months to September 2008, a decline of 40.4 percent from the corresponding period of 2007. This outcome was due to higher payments for family maintenance, gifts and grants, tax and emigrant funds, combined with lower transfer for superannuation, gifts and grants, tax and licensing fees.

As a result of these developments in the trade, services, income and transfers accounts, the current account recorded a higher surplus of K2,157 million in the nine months to September 2008, compared to a surplus of K668 million in the corresponding period of

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2007.

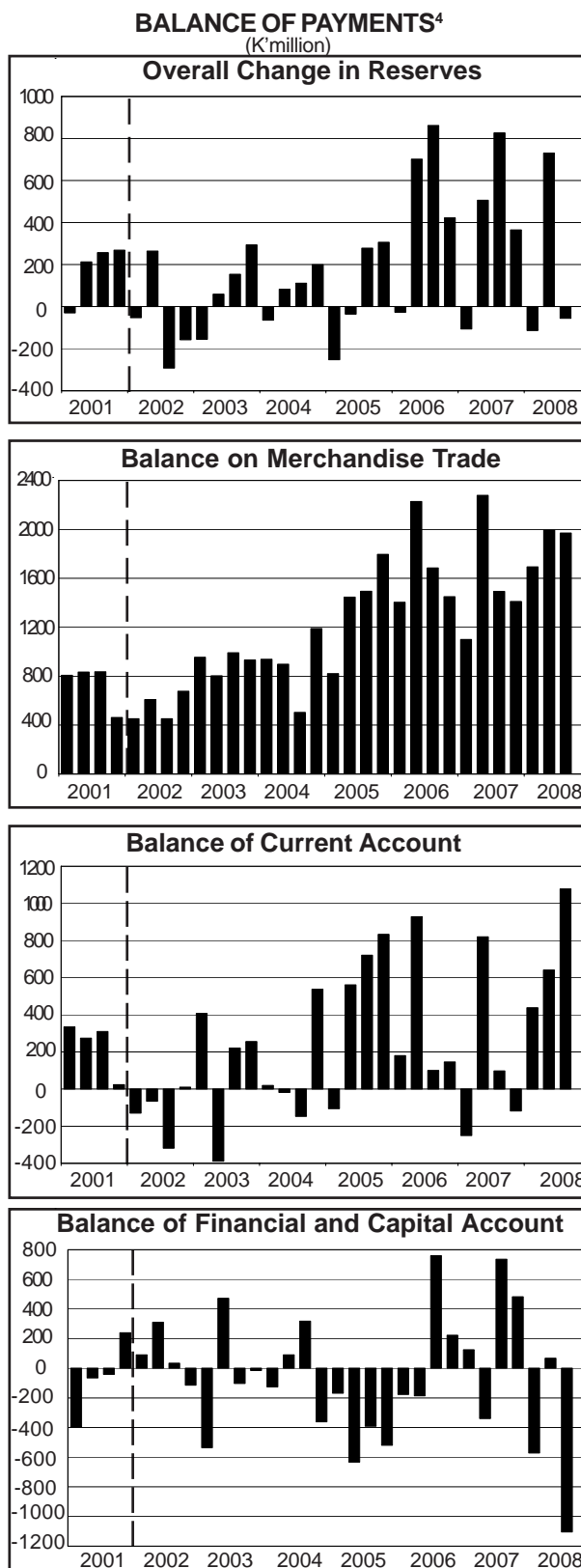
The capital account recorded a lower net inflow of K63 million in the nine months to September 2008, compared to the corresponding period of 2007. The decline reflected lower capital inflows by donor agencies for project financing.

The financial account recorded a net outflow of K1,672 million in the nine months to September 2008, compared to a net inflow of K426 million in the corresponding period of 2007. This outcome reflected a significant net outflow from direct investments due to withdrawal of equity by foreign direct investors, investments in financial derivative instruments and net loan repayments by the Government, combined with other investments. The net outflow in other investments was due to a build-up in the net foreign assets of the banking system and foreign currency account balances of resident mineral companies. In addition, there was a decline in net inflows from portfolio investments reflecting lower drawdown of investments in short-term money market instruments by resident entities.

In the September quarter of 2008, the balance of payments recorded an overall deficit of K56 million, compared to a surplus of K827 million in the corresponding quarter of 2007.

The value of merchandise exports was K3,886 million in the September quarter of 2008, an increase of 14.1 percent from the corresponding quarter of 2007. The increase was due to higher export values of gold, copper, crude oil, coffee, palm oil, copra, copra oil, tea, rubber, and refined petroleum products.

The value of merchandise imports was K1,916 million in the September quarter of 2008, an increase of 0.2 percent from the corresponding quarter of 2007. This outcome was due to higher petroleum imports which more than offset declines in general and mining imports. General imports declined by 3.8 percent to K1,293 million in the September quarter of 2008, compared to the corresponding quarter of 2007. Imports by the petroleum sector increased by 44.8 percent to K233 million in the September quarter of 2008, compared to the corresponding quarter of 2007. This was due to continued increases in capital expenditure on exploration activities and evaluation of new and existing oil fields. Mining sector imports declined by 4.5 percent to K389 million in the Septem-



<sup>4</sup> The dotted vertical lines indicate a break in series from 2002. See 'For the Record' in the March 2002 QEB on page 29.



ber quarter of 2008, compared to the corresponding quarter of 2007. The decline was due to lower capital expenditure undertaken by the Porgera and Tolukuma gold mines, which more than offset increases from Ok Tedi and Lihir mines.

The deficit in the services account was K737 million in the September quarter of 2008, a decline of 21.6 percent from the corresponding quarter of 2007. The lower deficit was due to declines in service payments for transportation, education, insurance, other financial, communication, cultural and recreational, government services n.i.e, refining and smelting and other services. These more than offset higher service receipts by resident companies.

The deficit in the income account was K173 million in the September quarter of 2008, a decline of 63.3 percent from the corresponding quarter of 2007. This outcome was due to a decline in interest and dividend payments by resident companies and compensation of employees.

The surplus in the transfers account was K18 million in the September quarter of 2008, compared to a surplus of K16 million in the corresponding quarter of 2007. The outcome was due to higher receipts for gifts and grants.

As a result of these developments in the trade, services, income and transfers accounts, the current account recorded a surplus of K1,078 million in the September quarter of 2008, compared to a surplus of K98 million in the corresponding quarter of 2007.

The capital account recorded a higher net inflow of K26 million during the September quarter of 2008, compared to a surplus of K12 million in the corresponding period of 2007. This reflected higher capital inflows by a resident entity involved in trading carbon credits and by donor agencies for project financing.

The financial account recorded a net outflow of K1,130 million in the September quarter of 2008, compared to a net inflow of K723 million in the corresponding period of 2007. This outcome was due to investments in financial derivative instruments and other investments, combined with lower net inflows from portfolio investments due to a decline in drawdown of short-term money market instruments. The net outflow in other investments was due to a build-up in the net foreign assets of the banking system and foreign currency

account balances of resident mineral entities. This more than offset net inflows of direct investments reflecting equity investments by resident entities.

The level of gross foreign exchange reserves at the end of September 2008 was K6,479.8 (US\$2,513) million, sufficient for 9.2 months of total and 13.4 months of non-mineral import cover.

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## 6. MONETARY DEVELOPMENTS

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### INTEREST RATES AND LIQUIDITY

In line with the tightening stance of monetary policy, as announced in the July 2008 MPS, the KFR was increased by 75 basis points in aggregate to 7.00 percent in the September quarter from 6.25 percent in June 2008. The dealing margin for the Repurchase Agreements (Repos) was maintained at 100 basis points on both sides of the KFR during the same period.

Interest rates for short-term securities increased across all maturities during the September quarter of 2008. The 28-day Central Bank Bill (CBB) rate increased from 5.45 percent at the end of June quarter to 6.17 percent at the end of September quarter, the 63-day CBB rate from 5.54 percent to 6.29 percent and the 91-day CBB rate from 5.54 percent to 6.35 percent. The increasing rates reflected higher issuance of CBBs by the Central Bank to diffuse excess liquidity and align short-term domestic interest rates with the KFR, consistent with the tightening stance of monetary policy.

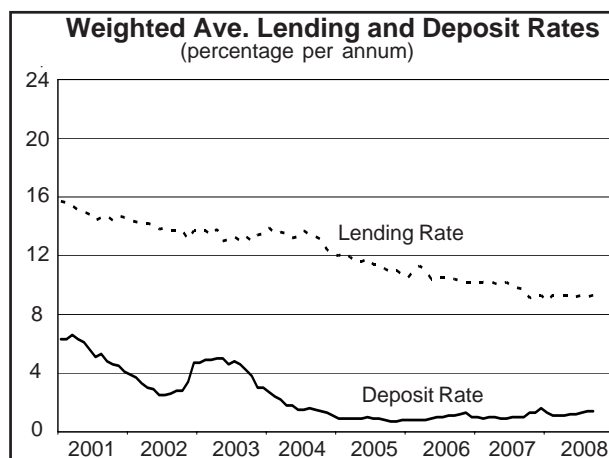
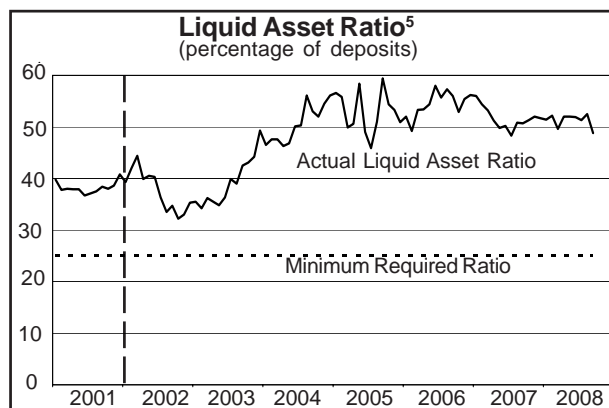
There were no Treasury bill auctions during the period reflecting the Government's surplus cash flow position. The weighted average rates quoted by commercial banks on wholesale deposits (K500,000 and above) increased across all maturities; the 30-day rate increased from 4.08 percent to 4.32 percent, the 60-day rate from 3.61 percent to 3.72 percent, the 90-day rate from 3.30 percent to 4.10 percent and the 180-day rate from 3.96 percent to 4.39 percent, respectively. The weighted average interest rate on both the total deposits and loans paid by the commercial banks increased. The total weighted average deposit rate increased from 1.2 percent to 1.4 percent and the total weighted average rate on loans from 9.2 percent to 9.3 percent, respectively. The commercial banks Indicator Lending

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Rates (ILR) spread increased to 8.95 - 9.95 percent from 8.95 - 9.70 percent reflecting the increase in the KFR.

The Bank continued to utilise Open Market Operation (OMO) instruments in the conduct of monetary policy over the September quarter of 2008, using CBBs and Reverse Repos to diffuse excess liquidity. As a result, trading in the inter-bank market increased moderately during the same period. 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, in the September quarter of 2008.

Average liquid assets held by other depository corporations (ODCs) increased by 4.5 percent in the September quarter of 2008, compared to an increase of 7.1 percent in the June quarter of 2008. The increase reflected higher holdings of CBBs and currency, which more than offset the decline in holdings of Treasury bills, Inscribed stocks with maturity of less than three years and deposits held at the Central Bank.



## MONEY SUPPLY

The average level of broad money supply (M3\*) increased by 3.5 percent in September quarter of 2008, compared to an increase of 7.0 percent in the June quarter of 2008. This outcome was due to an increase of 4.1 percent in average net foreign assets of the depository corporations and an increase of 8.0 percent in average private sector credit, which more than offset a significant decline of 129.5 percent in average net claims on the Government. Average net domestic claims outstanding, excluding advances to the Central Government and outstanding loans under the Government's Agricultural export commodity price support schemes increased by 8.0 percent in the September quarter of 2008, compared to an increase of 10.9 percent in the previous quarter. The average level of the monetary base (reserve money) declined by 9.4 percent in the September quarter of 2008, compared to an increase of 12.4 percent in June quarter of 2008. This reflected lower deposits of ODCs at the Central Bank and a decline in currency in circulation.

The significant decline in average net claims on the Government in the September quarter of 2008 resulted from the decline in purchase of Government securities by the ODCs and increase in Government deposits held at the Central Bank and the ODCs.

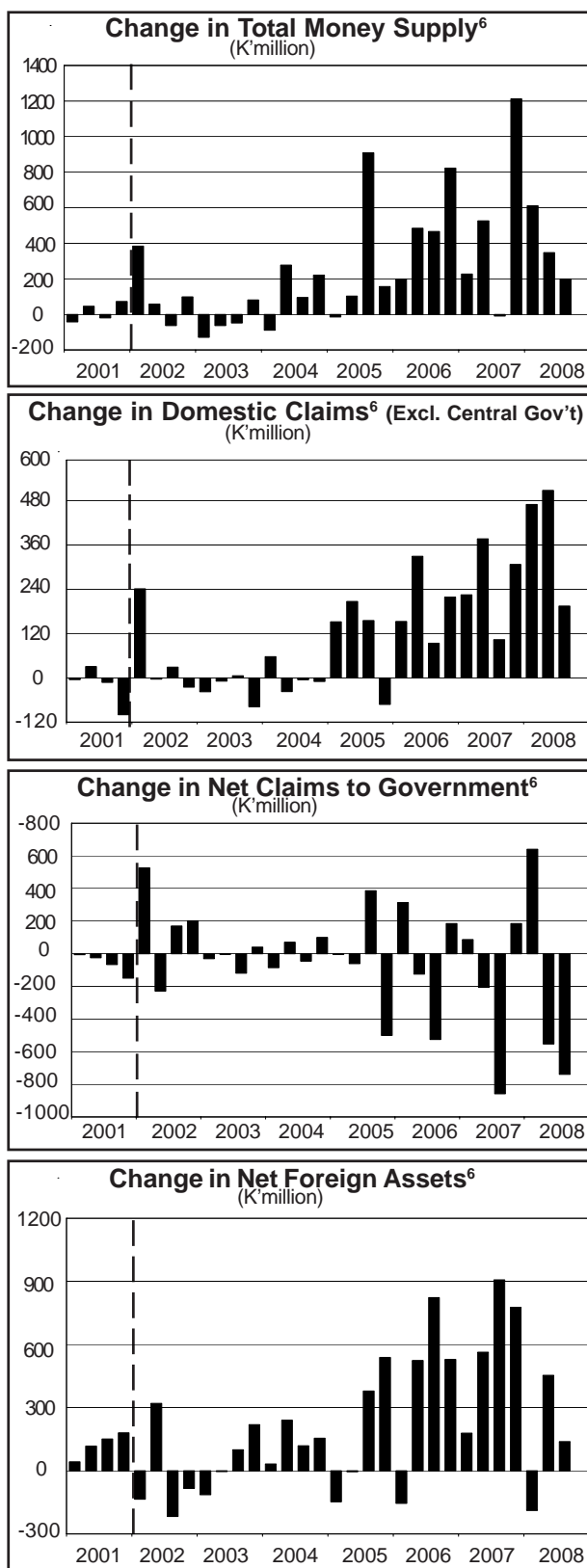
The average level of narrow money supply (M1\*) declined by 0.5 percent in the September quarter of 2008, compared to an increase of 11.5 percent in the June quarter of 2008. This was due to a decline in both transferable deposits and currency in circulation. The average level of quasi money increased by 9.1 percent in the September quarter of 2008, compared to an increase of 1.4 percent in the previous quarter, reflecting an increase in average savings deposits.

The average level of deposits of the ODCs increased by 7.0 percent in the September quarter of 2008 to K10,920.2 million from K10,210.9 million in the June quarter of 2008. This was due to an increase in other deposits including Central Government deposits, which more than offset the decline in transferable deposits.

## LENDING

During the September quarter of 2008, total domestic credit extended by depository corporations to the private sector, public non-financial corporations, Pro-

<sup>5</sup> The dotted vertical lines indicate a break in series from 2002. See 'For the Record' in the June 2006 QEB on page 44.



vincial and Local Governments, and other financial corporations, increased by K194.7 million to K5,222.0 million, compared to an increase of K508.0 million in the previous quarter. This was mainly due to an increase of K183.2 million in private sector credit and K11.7 million claims on public non-financial corporations. Credit to the private sector was broad based with lending to the agriculture, forestry and fisheries, manufacturing, transport and communication, wholesale and retail trade, building and construction, mining and quarrying and other business services sector, as well as the household sector for personal loans and advances for housing. There were no repayments under the price support schemes. The annualised growth in domestic credit, excluding the Central Government and advances under the price support schemes was 37.5 percent in the third quarter of 2008.

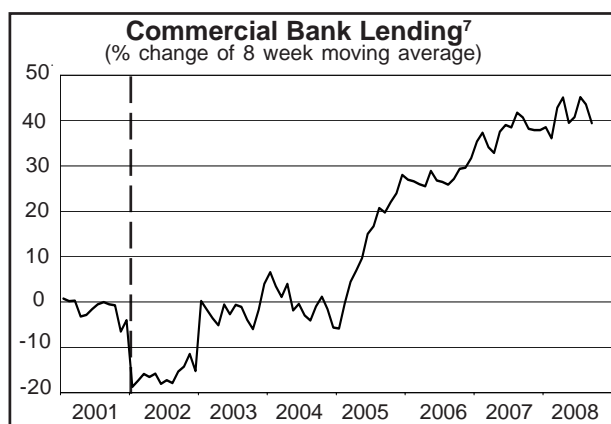
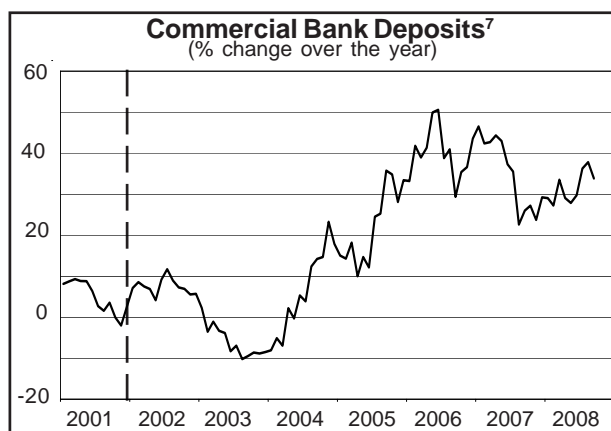
## 7. PUBLIC FINANCE

Preliminary estimates of the fiscal operations of the National Government for the nine months to September 2008 showed an overall surplus of K1,063.4 million, compared to a surplus of K1,617.2 million in the corresponding period of 2007. This represents 5.4 percent of nominal GDP. The lower surplus was due to lower revenue, which more than offset an increase in expenditure.

Total revenue, including foreign grants, during the nine months to September 2008 was K4,597.2 million, 6.8 percent lower than the receipts collected in the corresponding period of 2007. This represents 63.8 percent of the budgeted revenue for 2008. The decrease was attributed to lower collections in non-tax revenue combined with lower foreign grants, which more than offset an increase in tax revenue and infrastructure tax credits.

Total tax revenue amounted to K4,335.7 million, 1.5 percent higher than the receipts collected during the same period in 2007, and represents 78.6 percent of the budgeted tax receipts. Direct tax receipts totalled K3,330.9 million, K77.9 million more than the receipts collected over the corresponding period in 2007, and represents 80.4 percent of the budgeted amount. The increase was due to higher personal, company and other direct taxes. The increase in personal income tax receipts reflected the growth in employment by the

<sup>6</sup> Break in series. Refer to footnote on page 20.



private sector. The increase in company tax receipts was due to improved profitability of companies underpinned by continued higher commodity prices and strong aggregate demand. Other direct taxes increased mainly due to higher dividend and interest withholding tax receipts.

Indirect tax receipts was K1,004.8 million, 1.4 percent lower than in the corresponding period in 2007, and represents 73.1 percent of the budgeted receipts for 2008. The decrease reflected lower collections for export tax and other indirect tax receipts, which more than offset increased collections in the remaining indirect tax categories. The decline in export tax reflected lower log exports, while the low receipt from other indirect taxes was related to the phasing out of the mining levy. The increase in import and excise duties and Goods and Services Tax (GST) reflected increased domestic demand.

Total non-tax revenue amounted to K146.4 million, 24.0 percent lower than the amount collected in the

corresponding period of 2007, and represents 30.0 percent of the budgeted amount. The decline mainly reflected lower dividend payments by statutory bodies. Infrastructure tax credits utilised to September 2008 totalled K21.9 million, 47.0 percent higher than in the corresponding period in 2007, reflecting faster drawdowns by mostly mineral companies. Foreign grants to September 2008 totalled K93.2 million, 79.3 percent lower than in the corresponding period in 2007, mainly due to non-reporting of most donor funded projects.

Total expenditure over the nine months to September 2008 was K3,533.8 million, 6.7 percent higher than in the corresponding period in 2007, and represents 50.5 percent of the 2008 budgeted expenditure. The increase was due to higher recurrent expenditure which more than offset lower development expenditure.

Recurrent expenditure during the nine months of 2008 was K2,874.4 million, 17.8 percent higher than in the corresponding period in 2007, and represents 79.1 percent of the 2008 budgeted appropriation. From this total, K1,815.5 million relates to National Departmental expenditure, which is 23.7 percent higher than the amount spent in the corresponding period in 2007, and represents 80.3 percent of the budgeted appropriations. The increase reflects higher personal emoluments, purchase of goods and services, disbursement of education subsidies and court order payments. Provincial Government recurrent expenditure was K620.1 million, 14.0 percent higher than in the corresponding period in 2007, and represents 79.7 percent of the budgeted amount. The increase was due to higher salaries and wages, payments of goods, conditional grants and grant to the Autonomous Bougainville Government. Interest payments totalled K232.5 million, 11.2 percent lower than the amount paid in the corresponding period in 2007, and reflected the retirement of Treasury bills combined with the appreciation of the kina against the US dollar which reduced interest payments on overseas loans.

Total development expenditure for the nine months to September 2008 was K659.4 million, 23.3 percent lower than in the corresponding period in 2007, and represents 34.9 percent of the budgeted expenditure for 2008. The decline reflected the slow implementation of projects relating to the lack of capacity by implementing agencies in coordinating earmarked

<sup>7</sup> Refer to footnote on page 20.

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projects.

The Budget surplus of K1,063.4 million was used to make net overseas loan repayments of K115.1 million, while K948.3 million was net negative financing to domestic sources. The net overseas loan repayments comprised of K48.0 million to concessionary, K8.3

million to commercial and K58.8 million to extraordinary sources. Net repayments to the domestic sector comprised of loan repayments totalling K246.5 million to the other depository corporations and other financial corporations, increased deposits and the Central Bank totalling K443.9 million, and cheque floats presented for encashment totalling K257.9 million.

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**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 2006, the KFR announcements by the Bank were;

<b>2006</b>	02 January	Maintained at 6.00 %
	06 February	Maintained at 6.00 %
	06 March	Maintained at 6.00 %
	03 April	Maintained at 6.00 %
	01 May	Maintained at 6.00 %
	05 June	Maintained at 6.00 %
	03 July	Maintained at 6.00 %
	07 August	Maintained at 6.00 %
	04 September	Maintained at 6.00 %
	02 October	Maintained at 6.00 %
	06 November	Maintained at 6.00 %
	04 December	Maintained at 6.00 %
<b>2007</b>	02 January	Maintained at 6.00 %
	05 February	Maintained at 6.00 %
	05 March	Maintained at 6.00 %
	02 April	Maintained at 6.00 %
	07 May	Maintained at 6.00 %
	04 June	Maintained at 6.00 %
	02 July	Maintained at 6.00 %
	06 August	Maintained at 6.00 %
	03 September	Maintained at 6.00 %
	01 October	Maintained at 6.00 %
	05 November	Maintained at 6.00 %
	03 December	Maintained at 6.00 %
<b>2008</b>	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 %	

For details of the KFR, see Table 6.3 (S34) of the QEB.

KFR announcements prior to January 2005 are reported in various bulletins starting with the March 2001 QEB.

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**GLOSSARY OF TERMS AND ACRONYMS**


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<b>Balance of Payments</b>	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.
<b>Broad Money Supply (M3*)</b>	Total volume of money comprising narrow money (M1*) and quasi money in the economy at a point in time. See 'narrow' and 'quasi' money.
<b>Cash Reserve Requirement (CRR)</b>	A requirement imposed on commercial banks to hold cash as a percentage of total deposits and other prescribed liabilities at all times.
<b>Capital Account</b>	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.
<b>Central Bank Bill (CBB)<sup>8</sup></b>	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.
<b>Current Transfers Account</b>	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.
<b>Exchange Settlement Account (ESA)</b>	Accounts of the commercial banks with the Bank of PNG for settlement transactions with each other.
<b>Exclusion-based CPI measure</b>	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'.
<b>Financial Account</b>	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.
<b>Headline Consumer Price Index (CPI)</b>	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.

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<sup>8</sup> See 'For the Record' on page 34 in the 2004 September QEB.

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<b>Income Account</b>	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.
<b>Inscribed Stock (bond)</b>	A Government debt instrument sold to the public for a maturity term of one year or longer for Budget financing.
<b>Kina Facility Rate (KFR)</b>	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.
<b>Liquid Assets</b>	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.
<b>Minimum Liquid Asset Ratio (MLAR)</b>	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.
<b>Monetary Base (or Reserve Money)</b>	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.
<b>Narrow Money</b>	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.
<b>Open Market Operations (OMO)</b>	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.
<b>Over the year CPI</b>	Percentage change in the CPI of a quarter compared to the corresponding quarter of the previous year (Also called 'annual' CPI).
<b>Portfolio Investment</b>	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.
<b>Quasi Money</b>	A component of total money supply that is not easily convertible to cash on demand and comprises of savings and term deposits.

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<b>Repurchase Agreement Facility (RAF)</b>	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.
<b>Tap Facility</b>	A facility conducted by the Bank of PNG for sale of Treasury bills and Inscribed stocks to the public.
<b>Temporary Advance Facility</b>	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.
<b>Trade Account</b>	Records all economic transactions associated with merchandise exports and imports of physical goods.
<b>Trade Weighted Index<sup>9</sup></b>	The Trade Weighted Index (TWI) measures the value of the kina against a basket of currencies of PNG's major trading partners.
<b>Treasury Bill</b>	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.
<b>Trimmed-mean CPI measure</b>	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'.
<b>Underlying CPI (exclusion-based and trimmed-mean CPI measures)</b>	A measure of inflation that excludes short-term volatile movements in prices, such as seasonal factors, Government policy decisions and price controlled items.

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<sup>9</sup> See 'For the Record' p.24 in the 2005 September QEB.

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**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.

<b><u>Issue</u></b>	<b><u>For the Record</u></b>
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)

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## 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 1996.

<u>Issue</u>	<u>Title</u>
Dec 1996	The 1997 National Budget
Dec 1996	Monetary Policy for 1997
Mar 1997	Papua New Guinea's Total External Exposure
Dec 1997	Monetary Policy for 1998
Mar 1998	The 1998 National Budget
Mar 1998	Papua New Guinea's Total External Exposure
Dec 1998	The 1999 National Budget
Dec 1998	Monetary Policy for 1999
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

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# STATISTICAL SECTION

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# 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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