



## **Opening Address**

by

**Honourable Patrick Pruaitch, CMG, MP**

**Minister for Treasury, Papua New Guinea**

**To the 50<sup>th</sup> SEACEN GOVERNORS' Conference and 34<sup>th</sup> Meeting of the SEACEN Board of Governors**

*in*

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### **Acknowledgements**

**Mr. Loi Bakani, host Governor of this year's SEACEN Governors Conference and Board of Governors meeting, Dr. Yuba Raj Khatiwada, Governor of Nepal Rastra Bank and previous host, other Central Bank Governors of SEACEN member economies, Mr Naoyuki Shinohara, Deputy Managing Director of the IMF, Dr. Eli Remolona, Chief Representative, Bank for International Settlements Representative Office for Asia and the Pacific, Mr. Hookyu Rhu, Executive Director of the SEACEN Centre, invited guests, Distinguished Speakers, ladies and gentlemen. Thank you for the invitation to deliver the opening address at this important event.**

### **Welcome Remarks**

**Let me also join my host Governor, Mr. Bakani in extending a warm welcome to all of you to Port Moresby and Papua New Guinea. The Government of Papua**

**New Guinea congratulates SEACEN on this milestone of the 50<sup>th</sup> SEACEN Governors' Conference and the 34<sup>th</sup> Meeting of the SEACEN Board of Governors. I also acknowledge the new member of SEACEN, the Hong Kong Monetary Authority.**

**SEACEN has proven itself over the years to be not only an important forum for central bank Governors and officials from within the Asia-Pacific region to exchange views and discuss current issues but also as a training institution for central bank staff. Such forums are important to ensure our voices are heard and concerns raised in a world of competing challenges and diverse interests. In this day and age of globalisation, organisations such as SEACEN are important in providing a regional perspective to global challenges and issues.**

**Last month, I was honoured to be the chairman of the Joint Annual Discussion at the 2014 IMF/World Bank Annual Meetings in Washington, DC. It was an honour and a great privilege to listen to and articulate the deliberations of the representatives of 188 countries at that global gathering, as well as those of the many important and varied stakeholders. Many of you and your Ministers of Finance would have been at the annual meetings. I noted that despite the different stages of economic development and the varied cultural background of each of the constituents, we all shared similar goals in attaining inclusive socio-economic growth and a quality lifestyle for our people.**

**The issues and challenges facing the world, and especially in our region in Asia/Pacific, are many. They range from capital mobilisation, infrastructure development, poverty reduction and environmental degradation to climate change. These are challenges we also face here in Papua New Guinea.**

**For those of you who are new to the country, we are a young and vibrant economy of over seven million people, having achieved political independence thirty-nine years ago in 1975. Like most of your own economies, we have a very**

**young population. The mineral sector is an important contributor to our GDP, but so is the non-mineral sector where the majority of our population still live in the rural areas and depend on the traditional sectors of agriculture/forestry/fisheries for their livelihood.**

**PNG is currently enjoying the longest stretch of economic growth, since 2002, as measured by the increase in Real GDP. While the mining and petroleum sectors played an important role to GDP growth, in the last seven years, non-mineral GDP grew much faster than total GDP. This was mainly attributed to the commencement of the construction of the LNG project in 2010 and its spin-off to activities in the other sectors, notably construction, manufacturing, commerce and transportation.**

**In the recent past, we have managed to achieved high economic growth but without the accompanying concern of high inflation. This is because of the appreciation of our currency up to mid-2012 combined with the depressed global economy and low inflation in our neighbouring trading partners, which has resulted in low imported inflation. The situation is now changing, as the global economy slowly recovers and our currency depreciates because of high import demand and low foreign exchange inflows. Inflationary pressures are building up.**

**Over the last two years, we had an expansionary fiscal policy to support economic growth as the construction of the US\$14 billion liquefied natural gas (LNG) project which drove economic activity winded down. Much of the construction activities you see around Port Moresby are spin-offs from this project as well as in preparation of us hosting the 2015 Pacific Games and 2018 APEC forum. The central bank's accommodative monetary policy stance has assisted in supporting private sector activity.**

**Next year will be exciting time for PNG as the first LNG revenues flow into the country. The challenge as with the exploitation of all non-renewable resources is to ensure the revenues from these projects are used wisely for the benefit of all the people. We remain committed to our aim to grow the economy and ensure sustainable development. Yesterday, I presented in Parliament our K ... billion National Budget for 2015. The budget, as with previous budgets, focused on the priority areas of infrastructure, health and education. We aim to also ensure our debt levels are maintained at sustainable levels.**

**Managing economies and financial systems today has new challenges as well as opportunities. As our economies develop and our financial systems evolve, we as decision-makers and policy advisers have to adapt to the ever-changing environment. The financial crises of the recent past showed that we should never let our guard down but be ever vigilant. While it is true that some of these crises have their roots in faraway parts of the world and are not of our making, globalisation through international trade and financial flows mean we too have to be prepare for and be ready to response to them. It may at times seem a daunting and never-ending task. But that is why we are in business – Governments and central banks - in ensuring fiscal and monetary policies achieved the desired outcomes of sustainable economic growth, stable macroeconomic conditions, stable prices and sound financial systems.**

**Hence, the theme of your conference on ‘Regional Initiatives in the Midst of Vulnerabilities’ is not only timely but important, as our Governments and central banks search for better ways of managing our financial affairs with appropriate policy responses in light of recent financial crises. Managing monetary policy is now not only solely focused on maintaining price stability but also has to work in tandem with the supervisory and regulatory function on ensuring financial stability. How do central banks respond to this expanded mandate is a matter of on-going discussions. In addition, financial markets are now more integrated with each other. Collective efforts and policy responses**

**are therefore needed to deal with such cross-border issues, capital movements and integration such that no one economy is made worse off.**

**I noted in my opening address to the Plenary Session in Washington DC that “despite policymakers’ concerted efforts to revive global growth, the recovery remains fragile and downside risks are on the rise”. I trust your two day event of discussions and meeting will assist in some way or another work out some pragmatic responses and initiatives towards addressing the vulnerabilities facing us as a region.**

**I look forward to hearing and receiving the materials of the discussions in your conference.**

**I wish you all a wonderful and enjoyable stay here in Port Moresby.**

**Thank you for listening.**