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PORT MORESBY
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1. GENERAL OVERVIEW

Economic indicators available to the Bank of Papua New Guinea (the Bank) point to a slight improvement in domestic economic activity in the September quarter of 2017. Higher international commodity prices and exports of some commodities, higher Government expenditure and a marginal increase in private sector lending supported this growth. The improvement in commodity prices and exports resulted in a higher balance of payments surplus for the nine months to September 2017, compared to the corresponding period of 2016. The resulting increase in inflows of foreign exchange was minimal as a significant portion of the LNG and mineral export receipts are kept in foreign currency accounts offshore. The kina depreciated against all major currencies, except the Japanese yen. As a result, the Trade Weighted Index (TWI) decreased by 2.85 percent to 29.99 in the September quarter of 2017. Prices of seasonal items fell and resulted in annual headline inflation easing further to 5.1 percent in September quarter from 5.8 percent in June quarter 2017. The Central Bank therefore, continued to maintain a neutral monetary policy by keeping the monthly Kina Facility Rate (KFR) at 6.25 percent over the September quarter of 2017.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the private sector increased by 3.3 percent in the June quarter of 2017, compared to a decline of 2.0 percent in the March quarter of 2017. Excluding the mineral sector, sales fell by 4.1 percent, compared an increase of 1.5 percent in the previous quarter. By sector, sales increased in the mineral and financial/business and other services sectors, while it declined in the rest of the sectors. By region, sales increased in the Islands, Highlands, Morobe and Momase (excluding Morobe) regions while it declined in the Southern (excluding NCD) region and NCD. Over the year to June 2017, total sales increased by 14.2 percent, compared to an increase of 1.1 percent in the corresponding period of 2016, while excluding the mineral sector, sales increased by 9.5 percent, compared to an increase of 7.9 percent in the corresponding period of 2016.

The Bank's Employment Index shows that the total level of employment in the formal private sector declined by 0.7 percent in the September quarter of 2017, compared to a decline of 1.3 percent in the June quarter of 2017. Excluding the mineral sector, the level of employment fell by 1.2 percent in the quarter, compared to a decline of 1.5 percent in the June quarter. By sector, employment decreased in the construction, manufacturing, agriculture/forestry/fisheries, transportation, retail and financial/business and other services sectors, which more than offset increases in the mining and wholesale sectors. By region, employment declined in the Southern, NCD and Islands regions, while it increased in the Highlands, Morobe and Momase regions. Over the year to September 2017, the total level of employment declined by 3.2 percent, compared to a decline of 1.0 percent over the corresponding period of 2016. Excluding the mineral sector, employment declined by 4.5 percent, compared to a decline of 1.3 percent in the corresponding period of 2016.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.0 percent in the September quarter of 2017, compared to an increase of 1.2 percent in the June quarter. All expenditure groups recorded price increases except for the 'Transport', Communication' and 'Education' expenditure groups, all of which recorded no change. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 5.1 percent over the year to September quarter 2017, compared to 5.8 percent over the year to June quarter of 2017.

In the September quarter of 2017, the US dollar depreciated against the euro by 7.2 percent, the Australian dollar by 5.8 percent and the British pound sterling by 3.4 percent, while it appreciated against the Japanese yen by 18.2 percent. The US dollar weakened due to improved economic conditions in the euro area and Australia, and slower growth in the US. During the September quarter of 2017, the average daily kina exchange rate depreciated against all major currencies, except the yen. It depreciated against the euro by 6.6 percent to ú0.2674, the Australian dollar by 5.1 percent to A$0.3967, the pound sterling by 2.0 percent to £0.2421 and the US dollar by 0.2 percent to US$0.3139. It appreciated against the yen by 2.4 percent to ¥35.7993. These currency movements resulted in the TWI depreciating by 2.85 percent to 29.99 in the September quarter of 2017.

The weighted average kina price of Papua New Guinea's export commodities, excluding LNG, increased by 21.5 percent in the September quarter of 2017, compared to the corresponding quarter of 2016. There was an increase of 13.8 percent in the weighted average price of mineral exports, reflecting higher kina

prices for all mineral commodities. For agricultural, logs and marine product exports, the weighted average kina price increased by 8.3 percent, due to higher prices of all agricultural commodities, except for cocoa, coffee and palm oil. Excluding logs, the weighted average kina price of agricultural and marine product exports increased by 8.7 percent in the September quarter, from the corresponding quarter of 2016. The increase in kina export prices reflected improved international prices for some of PNG's export commodities, combined with the price effect of the kina's depreciation against the US dollar.

There was an overall surplus of K327 million in the balance of payments for the nine months to September 2017, compared to a surplus of K241 million in the corresponding period of 2016. A surplus in the current account more than offset a deficit in the capital and financial account.

The current account recorded a surplus of K13,935 million for the nine months to September 2017, compared to a surplus of K11,229 million in the corresponding period of 2016. This was due to a higher trade account surplus and net transfer receipts, which more than offset service and income payments.

The capital and financial account recorded a deficit of K13,639 million in the nine months to September 2017, compared to a deficit of K10,971 million in the corresponding period of 2016. The outcome was due to net outflows in direct, portfolio and other investments reflecting withdrawal of equity and investments in short term money market instruments, and build up in offshore foreign currency account balances of resident mineral companies under the Project Development Agreement, respectively.

The level of gross foreign exchange reserves at the end of September 2017 was K5,573.2 (US$1,769.5) million, sufficient for 5.6 months of total and 9.0 months of non-mineral import cover.

In determining the stance of policy, the Central Bank considered the continued downward trend in annual headline inflation and the relative stability in other macroeconomic indicators and therefore maintained its neutral stance of monetary policy. As a result, Kina Facility Rate (KFR) was maintained at 6.25 percent during the September quarter of 2017.

The Bank utilised its Open Market Operation (OMO) instruments in the conduct of monetary policy to manage liquidity during the September quarter of 2017. Liquidity continued to remain high in the banking system. There was a net Central Bank Bill (CBB) issuance of K137.0 million during the quarter. The Government also made a net issuance of K1.9 million in Treasury bills and K135.9 million in Treasury bonds during the period for budget financing. The Cash Reserve Requirement (CRR) for the commercial banks was maintained at 10.0 percent during the quarter.

The average level of broad money supply (M3*) increased by 1.3 percent in the September quarter of 2017, compared to a marginal decline in the June quarter. This outcome was due to increases in average net foreign assets and net domestic claims of 4.4 percent and 0.8 percent, respectively. The average net domestic claims outstanding, excluding net claims on the Central Government, increased by 0.9 percent in the September quarter of 2017, compared to a decrease of 0.4 percent in the June quarter of 2017. The average level of monetary base (reserve money) increased by 0.4 percent during the quarter, following a decline of 1.9 percent in the June quarter of 2017. This reflected an increase in commercial banks' deposits at the Central Bank.

The NFA of the financial corporations, comprising depository corporations (DCs) and other financial corporations (OFCs), increased by 8.5 percent to K7,522.1 million in the September quarter of 2017, compared to a decrease of 6.5 percent in the previous quarter. There were increases in the NFA of both the Central Bank and ODCs. The increase in NFA of the Central Bank reflected foreign exchange inflows related to mineral sector dividend and tax receipts during the quarter. The increase in the ODCs reflected an increase in foreign exchange inflows during the period. Net claims on the Central Government by financial corporations increased by K212.2 million to K13,114.2 million in the September quarter of 2017, compared to an increase of K306.7 million in the previous quarter. This resulted from new issuance of Government securities, particularly Treasury bonds, for budget financing.

In the September quarter of 2017, total domestic credit extended by financial corporations to the private sector, public non-financial corporations and 'Provincial and Local level Governments' increased by K93.7 million to K16,502.5 million, compared to an increase of K98.7 million in the previous quarter. This was influenced by

an increase of K109.2 million in credit to the private sector. The increase in credit to the private sector resulted from advances by ODCs to the 'retail trade', 'transport and communication', 'wholesale trade' and 'finance' sectors.

The fiscal operations of the National Government over the nine months to September 2017 show a deficit of K894.6 million, compared to the deficit of K542.5 million in the corresponding period of 2016. This represents 1.2 percent of nominal GDP.

Total tax revenue amounted to K6,278.0 million, 9.4 percent higher than in the same period in 2016 and represents 70.8 percent of the total revised amount for 2017. Direct tax receipts totalled K3,913.1 million, 0.5 percent lower than in 2016 and represents 67.3 percent of the total revised amount. The decline in direct tax reflected lower company tax which more than offset the increase in personal and other direct taxes. The decline in company tax was partly associated with downward variations in provisional tax instalments due to low economic activity, and low mining and petroleum taxes. The increase in personal tax reflected improved lodgements and payments as a result of increased compliance.

The deficit of K894.6 million was financed from domestic sources totalling K1,990.5 million, while there was a net repayment of external loans totalling K1,095.9 million. Total public (Government) debt outstanding as at September 2017 was K23,856.7 million, an increase of K969.9 million from June 2017.

The total amount of Government deposits at depository corporations decreased by K67.9 million to K2,174.4 million in September 2017, compared to June 2017.

2. INTERNATIONAL DEVELOPMENTS

The global economy grew stronger than expected in the third quarter of 2017, supported by steady growth in advanced and emerging market economies. In the United States (US), growth was driven by domestic demand partly due to higher international fuel prices and marginal increase in exports. In the Euro area and Japan, strong private consumption, investment and export demand boosted growth. In emerging markets, growth was mainly driven by China. With global economic activity expected to improve slightly, the International Monetary Fund (IMF) revised upwards its growth forecast by 0.1 percent to 3.6 percent for 2017 in its October World Economic Outlook (WEO).

In July, the 12th Summit of the Group of 20 (G20) of the most developed and emerging market economies was held in Hamburg, Germany, attended by heads of state, finance ministers and central bank governors. They discussed sharing the benefits of globalisation, building resilience and improving sustainable livelihoods. To build resilience, there was a need for an open and resilient global financial system built on international standards. On the international financial architecture, the leaders called for stronger, effective and representative global economic and financial institutions. Regarding international tax cooperation and financial transparency, they pledged to continue their work for a globally fair and modern international tax system.

In August, the 2017 Annual Economic Policy Symposium was held in Jackson Hole, Wyoming, US, with the theme 'Fostering a Dynamic Global Economy'. Participants included central bankers, finance ministers, academics and financial market officials. They discussed central bank balance sheets and financial stability, the causes of inflation, high-technology industries and market structure and, the distribution of income in industrialized countries. As most central banks continue to acquire a various financial assets, central bank balance sheets and financial stability featured prominently in the discussions as well as the debate on the most appropriate time to tighten monetary policy. Central Banks claim that selling assets now would drain liquidity and disrupt local economies, the global recovery and shock capital markets. The main challenge in 2017 is the high level of global liquidity, low wage growth and stagnation in economic growth for some economies.

In September, the 48th Pacific Islands Forum (PIF) Leaders' Meeting was held in Apia, Samoa with the theme the 'Blue Pacific', covering the sea, security, sustainable development, management and conservation. Leaders discussed issues including climate change, illegal fishing and labour mobility. On climate change, they reaffirmed their call for the Framework for the Resilient Development of the Pacific, to reflect the outcomes of the Paris Agreement. On illegal fishing, leaders called for a coherent and coordinated plan to address illegal, unreported and unregulated fishing, as well as monitoring, control and surveillance. Regarding labour mobility, Australia has extended its Pacific Labour Scheme to Kiribati, Nauru and Tuvalu.

Also in September, China hosted the heads of key international organizations in Beijing for roundtable meetings under the theme 'Promoting an open, invigorated and inclusive world economy'. Attendees included the heads of the World Trade Organization (WTO), the IMF, the World Bank and other major international economic organisations and financial institutions. With regard to trade, China and WTO discussed the continued need to promote an open, inclusive global economy and the central role of the multilateral trading system.

In the US, real GDP increased by 2.3 percent over the year to September 2017, compared to a growth of 1.5 percent over the same period in 2016. This was due to higher consumer spending and private sector investment. The IMF revised upwards its latest forecast for real GDP to grow by 2.2 percent in 2017.

Industrial production increased by 2.1 percent over the year to September 2017, compared to a decline of 1.0 percent over the same period in 2016. The increase was driven by higher output from the mining and utilities sector. The Purchasing Managers Index increased to 60.8 in September 2017, compared to 57.8 in June 2017, reflecting an expansion in the manufacturing sector. The expansion was mainly due to higher production of textile, machinery, non-metallic mineral products, transportation equipment, plastics, rubber, paper and wood products. Retail sales rose by 3.3 percent over the year to September 2017, compared to an increase of 4.1 percent in the corresponding period in 2016. The unemployment rate was 4.2 percent in September 2017, compared to 4.9 percent in September 2016.

Consumer prices increased by 2.2 percent in the September quarter of 2017, compared to an increase of 1.5 percent over the corresponding period in 2016. The increase was due to higher energy prices reflecting disruptions of supply and production by oil refineries along the Gulf of Mexico by hurricanes. Broad money supply increased by 5.1 percent over the year to September 2017, compared to 6.8 percent in the corresponding period in 2016. The Federal Reserve maintained the federal fund rate at 1.25 percent in September from June 2017.

The trade deficit was US$792.5 billion over the year to September 2017, compared to a deficit of US$739.4 billion over the corresponding period in 2016. The higher deficit reflected lower exports.

In Japan, real GDP grew by 1.7 percent over the year to September 2017, following an increase of 0.9 percent over the same period in 2016. The growth was driven by exports and business spending. The IMF revised upwards its latest forecast for real GDP to grow by 1.5 percent in 2017.

Industrial production increased by 2.6 percent over the year to September 2017, compared to an increase of 0.9 percent over the same period in 2016. Higher demand for chemicals (excluding drugs), plastic, petroleum and coal products contributed to the increase. Retail sales grew by 0.8 percent over the year to September 2017, compared to an increase of 0.5 percent over the corresponding period in 2016. The increase was mainly attributed to higher sales of general merchandise, food, clothing and accessories. The unemployment rate was 2.8 percent in September 2017, compared to 3.0 percent in September 2016.

Consumer prices increased by 0.7 percent over the year to September 2017, compared to a decline of 0.5 percent over the corresponding period in 2016. The increase was mainly due to higher utility charges, and prices for food and medical care. Broad money supply increased by 3.4 percent over the year to September 2017, compared to an increase of 2.9 percent over the same period in 2016. The Bank of Japan continued to maintain its policy rate at negative 0.1 percent in the September quarter of 2017. It also continued its quantitative easing measures of purchasing Japanese Government bonds amounting to ¥80 trillion per annum.

The trade surplus was US$48.8 billion over the year to September 2017, compared to a surplus of US$38.8 billion in the corresponding period of 2016. The surplus was attributed to higher exports of motor vehicles and transport equipment.

In the Euro area, real GDP grew by 2.5 percent over the year to September 2017, compared to an increase of 1.6 percent over the same period in 2016. This growth was mainly due to higher consumer spending and business investment mainly in France. The IMF revised upwards its latest forecast for real GDP to grow by 2.1 percent in 2017.

Industrial production increased by 3.3 percent over the year to September 2017, compared to an increase of 1.6 percent over the same period in 2016. Higher output of intermediate, capital and non-durable goods contributed to the increase, which more than offset a fall in energy output. Retail sales grew by 3.7 percent over the year to September 2017, compared to an increase of 1.1 percent over the same period in 2016. This reflected higher sales in food, drinks, tobacco and durable goods. The unemployment rate fell to 8.9 percent in September 2017, from 10.0 percent in September 2016, as economic conditions improved.

Consumer prices in the Euro area, as measured by the Harmonized Index of Consumer Prices, increased by 1.5 percent over the year to September 2017, compared to an increase of 0.4 percent over the same period in 2016. The increase was due to higher prices for food, alcohol, tobacco and energy. Broad money supply increased by 5.1 percent over the year to September 2017, the same as in the corresponding period in 2016. The European Central Bank (ECB) maintained its refinancing rate at zero percent in September since March 2016, while maintaining a net asset purchase of ú60 billion on monthly basis. The asset purchase program aims to achieve an inflation rate below or close to 2.0 percent, with the ECB's view that pressures on core inflation would continue to be low despite higher GDP growth.

The trade surplus was US$265.3 billion over the year to September 2017, compared to a surplus of US$299.7 billion over the same period in 2016. The lower trade surplus was due to a drop in exports of energy, machinery, vehicles and other manufactured products.

In the United Kingdom (UK), real GDP increased by 1.5 percent over the year to September 2017, compared to an increase of 2.3 percent over the corresponding period in 2016. The lower growth was a result of a fall

in business investment and private sector demand. The IMF maintained its forecast for real GDP to grow by 1.7 percent in 2017.

Industrial production increased by 2.6 percent over the year to September 2017, compared to an increase of 0.3 percent over the same period in 2016. The increase was driven by higher demand for air transport equipment and spacecraft machinery. Retail sales grew by 1.3 percent over the year to September 2017, compared to an increase of 1.1 percent in the corresponding period of 2016. Higher sale of food, clothing and household goods contributed to the increase. The unemployment rate was 4.3 percent in September 2017, compared to 4.8 percent in September 2016.

Consumer prices rose by 3.0 percent over the year to September 2017, compared to an increase of 1.0 percent over the same period in 2016. Broad money supply increased by 4.8 percent over the year to September 2016, compared to an increase of 6.1 percent over the same period in 2016. The Bank of England maintained its policy rate at 0.25 percent in September, since August 2016.

The trade account deficit was US$170.6 billion over the year to September 2017, compared to a deficit of US$190.9 billion over the same period in 2016. The lower deficit reflected lower volumes of imports of both goods and services.

In China, real GDP grew by 6.8 percent over the year to September 2017, compared to an increase of 6.7 percent over the same period in 2016. The growth was due to an increase in industrial production and higher exports. The IMF revised upwards their latest forecast for real GDP to grow by 6.8 percent in 2017.

Industrial production increased by 6.6 percent over the year to September 2017, compared to an increase of 6.1 percent over the same period in 2016. Higher demand and output of electricity, water, gas and manufactured goods contributed to the increase. Retail sales increased by 9.3 percent over the year to September 2017, compared to an increase of 9.6 percent in the corresponding period of 2016. The unemployment rate was 4.0 percent in September 2017, compared to 4.1 percent in September 2016.

Consumer prices rose by 1.6 percent over the year to September 2017, compared to an increase of 1.9 percent over the same period in 2016. Broad money supply increased by 8.8 percent over the year to September 2017, compared to an increase of 11.5 percent over the same period in 2016. The People's Bank of China maintained its policy rate at 4.35 percent since March and the reserve requirement ratio for all commercial banks at 17.0 percent with the aim to simulate lending and support growth.

The trade account recorded a surplus of US$427.0 billion over the year to September 2017, compared to a surplus of US$571.4 billion over the same period in 2016. The surplus was attributed to lower exports and higher imports.

In Australia, real GDP increased by 2.8 percent over the year to September 2017, compared to an increase of 1.8 percent over the same period in 2016. The growth was driven by an increase in household consumption, government spending and higher exports. The IMF revised downward their latest forecast for real GDP growth of 2.2 percent in 2017, partly due to lower housing investment and mining exports affected by bad weather.

Industrial production increased by 3.5 percent over the year to September 2017, compared to an increase of 3.7 percent over the corresponding period in 2016. The fall in production was mainly due to lower output from the manufacturing sector. Retail sales grew by 2.6 percent over the year to September 2017, compared to an increase of 1.2 percent over the corresponding period in 2016. This outcome was driven by higher sales of food items. The unemployment rate was 5.5 percent in September 2017, compared to 5.6 percent in September 2016.

Consumer prices increased by 1.8 percent over the year to September 2017, compared to an increase of 1.3 percent over the corresponding period in 2016. Higher prices of housing, alcoholic beverages and tobacco products, and recreation contributed to the increase. Broad money supply increased by 7.8 percent over the year to September 2017, compared to an increase of 5.9 percent over the corresponding period in 2016. The Reserve Bank of Australia maintained its official cash rate at 1.5 percent in September, mindful of inflation reaching its target level of 2.0 percent.

The trade account recorded a surplus of US$15.7 billion over the year to September 2017, compared to a deficit of US$11.8 billion over the same period in 2016. The surplus was attributed to higher exports of

metals, mineral ore and livestock exports.

In the September quarter of 2017, the US dollar depreciated against the euro by 7.2 percent, the Australian dollar by 5.8 percent and the British pound sterling by 3.4 percent, while it appreciated against the Japanese yen by 18.2 percent. The US dollar weakened due to better economic data from the euro area and Australia, and slower growth in the US.

During the September quarter of 2017, the average daily kina exchange rate depreciated against all major currencies, except the yen. It depreciated against the euro by 6.6 percent to ú0.2674, the Australian dollar by 5.1 percent to A$0.3967, the pound sterling by 2.0 percent to £0.2421 and the US dollar by 0.2 percent to US$0.3139. It appreciated against the yen by 2.4 percent to ¥35.7993. These currency movements resulted in the TWI depreciating by 2.85 percent to 29.99 in the September quarter of 2017.

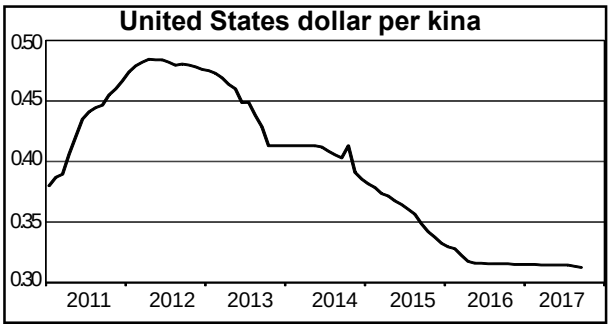
3. DOMESTIC ECONOMIC CONDITIONS

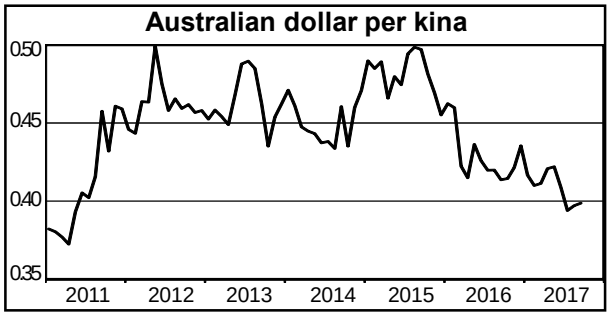
DOMESTIC ECONOMIC ACTIVITY[1]

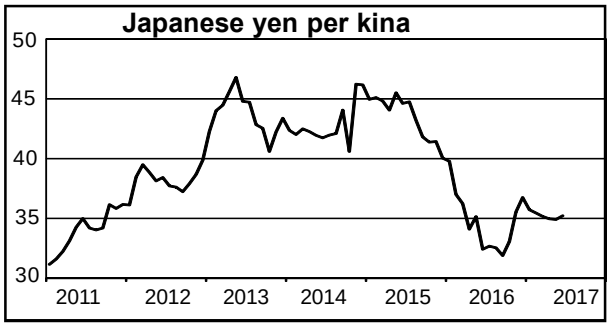
Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the private sector increased by 3.3 percent in the June quarter of 2017, compared to a decline of 2.0 percent in the March quarter of 2017. Excluding the mineral sector, sales fell by 4.1 percent, compared to an increase of 1.5 percent in the previous quarter. By sector, sales increased in the mineral and financial/business and other services sectors, while it declined in the rest of the sectors. By region, sales increased in the Islands, Highlands, Morobe and Momase (excluding Morobe) regions while it declined in the Southern (excluding NCD) region and NCD. Over the year to June 2017, total sales increased by 14.2 percent, compared to an increase of 1.1 percent in the corresponding period of 2016. Excluding the mineral sector, sales increased by 9.5 percent, compared to an increase of 7.9 percent in the corresponding period of 2016.

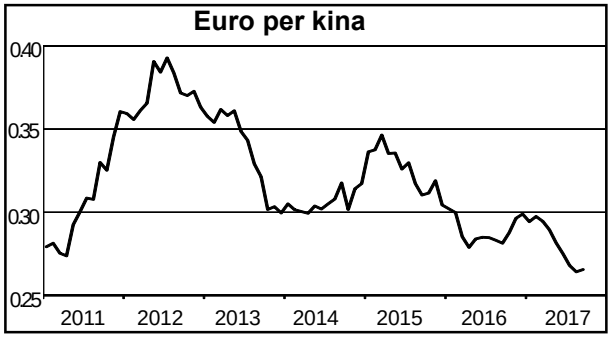
In the mineral sector, sales increased by 16.6 percent in the June quarter of 2017, compared to a decline of 5.7 percent in the previous quarter. The increase was attributed to higher production and higher international prices for gold, nickel and cobalt. Over the year to June 2017, sales increased by 21.7 percent, compared to a

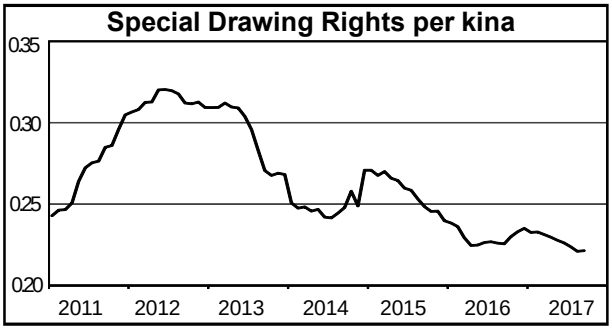
EXCHANGE RATES











decline of 2.5 percent in the corresponding period of 2016.

In the financial/business and other services sector, sales increased by 2.1 percent in the quarter, compared to no change in the previous quarter. This outcome was mainly driven by increased income from loans, investments and other interest earnings in the financial sub-sector. Increased activity in the real estate and other services sub-sectors also contributed to the increase. Over the year to June 2017, sales increased by 10.3 percent, compared to an increase of 13.0 percent in the corresponding period of 2016.

In the manufacturing sector, sales declined by 0.5 percent in the June quarter of 2017, compared to an increase of 8.1 percent in the previous quarter. The decline was due to lower sales of timber products, sugar, meat and steel products. Over the year to June 2017, sales increased by 25.1 percent, compared to a decline of 7.4 percent in the corresponding period of 2016.

In the wholesale sector, sales fell by 2.2 percent in the quarter, compared to an increase of 15.8 percent in the March quarter of 2017. Lower sale of general merchandise items including food, drinks and fuel products contributed to the decline. Over the year to June 2017, sales increased by 19.2 percent, compared to a decline of 0.9 percent in the corresponding period of 2016.

In the retail sector, sales declined by 6.7 percent in the June quarter of 2017, compared to a decline of 0.7 percent in the previous quarter. This outcome was attributed to a lower demand for heavy equipment and cars and vehicle parts. Over the year to June 2017, sales increased by 4.8 percent, compared to a decline of 22.2 percent in the corresponding period of 2016.

In the agriculture/forestry/fisheries sector, sales fell by 13.4 percent in the quarter, compared to a decline of 13.4 percent in the March quarter of 2017. The decline was mainly driven by lower production and export of palm oil, which more than offset increases in coffee, tea and cocoa production. Over the year to June 2017, sales declined by 14.1 percent, compared to a decline of 0.2 percent in the corresponding period of 2016.

In the transportation sector, sales declined by 14.0 percent in the quarter, compared to a decline of 16.0 percent in the March quarter of 2017. The decline was mainly due to a slowdown in passenger travel, freight forwarding and cargo haulage, reflecting lower activity in the air transportation sub-sector. Over the year to June 2017, sales fell by 9.3 percent, compared to a decline of 10.2 percent in the corresponding period of 2016.

In the construction sector, sales declined by 19.2 percent in the June quarter of 2017, compared to a decline of 34.5 percent in the March quarter of 2017. The decline reflected the completion of road maintenance work in the Highlands, and reconstruction of the Taurama road in NCD. The completion of road maintenance work, building renovations and construction of accommodation units in the Southern region also contributed to the decline. Over the year to June 2017, sales fell by 50.4 percent, compared to an increase of 328.0 percent in the corresponding period of 2016.

By region, sales increased in the Islands, Highlands, Morobe and Momase regions, while it declined in the Southern region and NCD. In the Islands region, sales increased by 16.1 percent in the June quarter, compared to a decline of 3.2 percent in the previous quarter. The increase was mainly due to higher gold production, which more than offset declines in the agriculture sub-sector, the retail and wholesale sectors. Over the year to June 2017, sales increased by 12.7 percent, compared to a decline of 5.7 percent in the corresponding period of 2016.

In the Highlands region, sales increased by 12.4 percent in the quarter, compared to a decline of 2.3 percent in the March quarter of 2017. This increase was attributed to higher production of tea and coffee combined with increased sales in the wholesale sector. Over the year to June 2017, sales increased by 12.9 percent, compared to a decline of 14.9 percent in the corresponding period of 2016.

In Morobe, sales increased by 6.8 percent in the June quarter of 2017, following a decline of 2.4 percent in the previous quarter. The increase reflected higher sales in the hotel and catering business, and increased activity in the real estate and land transportation sub-sectors. Over the year to June 2017, sales increased by 25.4 percent, compared to an increase of 5.0 percent in the corresponding period of 2016.

[1]The quarterly growth rates for the March 2017 quarter have been revised. The June 2017 figures are preliminary.

In the Momase region, sales increased by 4.7 percent in the quarter, compared to a decline of 1.0 percent in the March quarter. The increase was mainly due to higher production and export of nickel and cobalt ore. Over the year to June 2017, sales increased by 48.6 percent, compared to a decline of 7.0 percent in the corresponding period of 2016.

In the Southern region, sales fell by 5.2 percent in the June quarter of 2017, compared to a decline of 12.0 percent in the previous quarter. The decline was mainly due to lower harvest and export of palm oil, and completion of road maintenance, building renovations and construction of accommodation units. Over the year to June 2017, sales increased by 3.7 percent, compared to an increase of 67.7 percent in the corresponding period of 2016.

In NCD, sales declined by 7.5 percent in the June quarter of 2017, following an increase of 4.7 percent in the previous quarter. The decline reflected lower retail sales of heavy equipment, vehicles, vehicle parts and the completion of the Taurama road reconstruction. Lower demand for wholesale goods, including food, drinks, fuel products and lower passenger travel, freight forwarding and cargo haulage also contributed to the decline. Over the year to June 2017, sales increased by 4.3 percent, compared to an increase of 8.2 percent in the corresponding period of 2017.

EMPLOYMENT[2]

The Bank's Employment Index shows that the total level of employment in the formal private sector declined by 0.7 percent in the September quarter of 2017, compared to a decline of 1.3 percent in the June quarter of 2017. Excluding the mineral sector, the level of employment fell by 1.2 percent in the quarter, compared to a decline of 1.5 percent in the June quarter. By sector, employment decreased in the construction, manufacturing, agriculture/forestry/ fisheries, transportation, retail and financial/business and other services sectors, which more than offset increases in the mining and wholesale sectors. By region, employment declined in the Southern, NCD and Islands regions, while it increased in the Highlands, Morobe and Momase regions. Over the year to September 2017, the total level of employment declined by 3.2 percent, compared to a decline of 1.0 percent over the corresponding period of 2016. Excluding the mineral sector, employment declined by 4.5 percent, compared to a decline of 1.3 percent in the corresponding period of 2016.

In the construction sector, the level of employment fell by 5.4 percent in the September quarter of 2017, compared to a decline of 8.5 percent in the June quarter of 2017. The decline was due to the completion of road projects in NCD. Over the year to September 2017, the level of employment fell by 27.1 percent, compared to a decline of 4.6 percent in the corresponding period of 2016.

In the manufacturing sector, the level of employment fell by 2.7 percent in the September quarter, following a decline of 1.3 percent in the previous quarter. The decline reflected the laying-off of workers by a timber processing company and a food manufacturer following the downsizing of their operations as part of cost cutting measures. Over the year to September 2017, the level of employment declined by 5.2 percent, compared to an increase of 1.0 percent in the corresponding period of 2016.

In the agriculture/forestry/fisheries sector, the level of employment declined by 1.1 percent in the quarter, compared to a decline of 3.3 percent in the June quarter. The decline was accounted for by the laying-off of seasonal workers by two major palm oil producers due to low crop production, and the laying-off of seasonal workers by a sugar producer after the end of the harvesting period. Over the year to September 2017, the level of employment declined by 2.9 percent, compared to an increase of 0.9 percent in the corresponding period of 2016.

In the transportation sector, the level of employment declined by 0.4 percent in the quarter, compared to an increase of 5.0 percent in the June quarter of 2017. This reflected the downsizing of operations by a major shipping company as demand for its services declined, and the laying-off of employees by a major freight company in the Highlands due to road closures and low demand for its services. Over the year to September 2017, the level of employment decreased by 1.1 percent, compared to a decline of 3.0 percent in the corresponding period of 2016.

In the retail sector, the level of employment declined by 0.1 percent in the September quarter of 2017, compared

[2] The quarterly growth rates for the June 2017 quarter have been revised. The September 2017 figures are preliminary.

to a decline of 1.1 percent in the previous quarter. The decline was due to the laying-off of workers by several major retailer companies to reduce costs as business activity declined. Over the year to September 2017, the total level of employment fell by 3.3 percent, compared to a decline of 9.1 percent in the corresponding period of 2016.

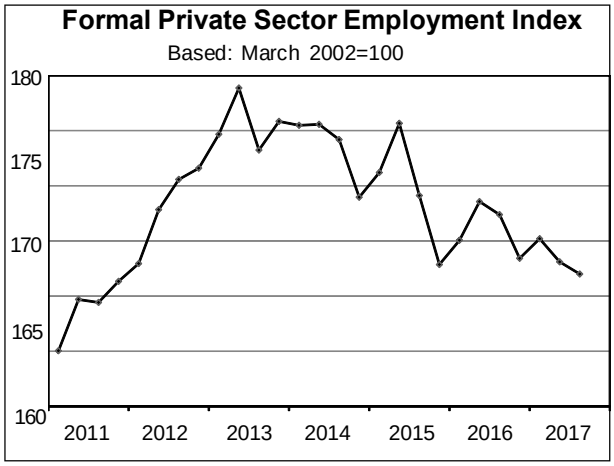
In the financial/business and other services sector, the level of employment decreased by 0.1 percent in the September quarter of 2017, compared to an increase of 1.3 percent in the previous quarter. The decline was attributed to a finance company downsizing its operation in Morobe. Over the year to September 2017, the level of employment increased by 1.7 percent, compared to a decline of 2.5 percent in the corresponding period of 2016.

In the mineral sector, the level of employment increased by 3.0 percent in the September quarter of 2017, following an increase of 0.7 percent in the previous quarter. This reflected recruitments by Oil Search Ltd and Porgera Joint Venture due to increased production and manpower requirements. Over the year to September 2017, the level of employment increased by 8.1 percent, compared to an increase of 10.4 percent in the corresponding period of 2016.

In the wholesale sector, the level of employment increased by 0.7 percent in the quarter, compared to an increase of 1.5 percent in the June quarter of 2017. The increase was mainly attributed to the hiring of casual employees in anticipation of higher business activity during the Christmas period. Over the year to September 2017, the level of employment fell by 3.9 percent, compared to a decline of 1.0 percent in the corresponding period of 2016.

By region, employment declined in the Southern, NCD and Islands regions, while it increased in the Highlands, Morobe and Momase regions.

In the Southern region, the level of employment fell by 6.5 percent in the September quarter of 2017, compared to a marginal increase of 0.1 percent in the previous quarter. The decline was attributed to seasonal workers being laid off by two palm oil producers due to lower crop production. A construction company also laid-off casual workers after the completion of a road project. Over the year to September 2017, employment fell by 3.0 percent, compared to an increase of 7.8 percent in the corresponding period of 2016.



In NCD, the level of employment declined by 3.9 percent in the September quarter, compared to a decline of 1.7 percent in the June quarter of 2017. This was attributed to the laying-off of workers by a construction company after the completion of a road project. A large wholesale company and an electricity producer laid off casual employees as part of their cost cutting measures also contributed to the decline. Over the year to September 2017, employment decreased by 10.7 percent, compared to a decline of 4.2 percent in the corresponding period of 2016.

In the Islands region, the level of employment decreased by 2.0 percent in the September quarter of 2017, compared to a decrease of 4.4 percent in the previous quarter. The decrease was due to the laying-off of workers by a timber processing company reflecting lower demand for its products, and the laying-off of temporary workers by a logging company because of lower production requirements. Over the year to September 2017, employment decreased by 3.2 percent, compared to a decline of 1.6 percent in the corresponding period of 2016.

In the Highlands region, the level of employment grew by 5.2 percent in the quarter, compared to an increase of 0.7 percent in the June quarter of 2017. The increase was mainly due to recruitment of casual workers by a major coffee producer to increase production. Recruitment of additional staff by Porgera Joint Venture and Oil Search Ltd to meet increasing manpower requirements also contributed to the increase. Over the year to September 2017, employment declined by 0.1 percent, compared to an increase of 18.4 percent in the corresponding period of 2016.

In Morobe, the level of employment grew by 4.1 percent in the September quarter of 2017, compared to a decline of 0.6 percent in the previous quarter. This was due to additional recruitment by a food manufacturer for its new production plant, and recruitment of additional staff by a construction company due to increased activity. An agriculture company involved in palm oil production and other crops also recruited additional workers to cater for its increasing production needs. Over the year to September 2017, the level of employment increased by 1.6 percent, compared to a decline of 1.2 percent in the corresponding period of 2016.

In the Momase region, the level of employment increased by 0.2 percent in the September quarter of 2017, compared to an increase of 0.7 percent in the previous quarter. The increase was attributed to the recruitment of staff by a fish processing company to cater for increased production requirements, and the recruitment of staff by a retail company in anticipation of higher demand during the festive season. Over the year to September 2017, employment increased by 1.2 percent, compared to a decline of 10.0 percent in the corresponding period of 2016

CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.0 percent in the September quarter of 2017, compared to an increase of 1.2 percent in the June quarter. All expenditure groups recorded price increases except for the 'Transport', Communication' and 'Education' expenditure groups, all of which recorded no change. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 5.1 percent over the year to September quarter 2017, compared to 5.8 percent over the year to June quarter of 2017.

The CPI for the 'Housing' expenditure group increased by 1.9 percent in the September quarter, compared to an increase of 0.7 percent in the previous quarter. There were price increases in the 'cooking' and 'rent' sub-groups of 3.4 percent and 2.4 percent, respectively. There was also a 1.1 percent increase in both the 'housing maintenance' and 'hardware goods' sub-groups. This expenditure group contributed 0.9 percentage points to the overall movement in the CPI.

The CPI for 'Food and Non-alcoholic Beverages' expenditure group increased by 1.4 percent in the September quarter of 2017, compared to an increase of 0.4 percent in the previous quarter. The 'meat' sub-group had the highest price increase of 4.3 percent, followed by 'oil and fat' with 3.6 percent, 'sugars and confectionary' with 3.0 percent and 'fish' with 2.0 percent. The 'other food products', 'non-alcoholic beverages', 'dairy products, eggs, cheese', 'fruits and vegetables' and 'cereals' sub-groups recorded marginal increases. The expenditure group contributed 1.2 percentage points to the overall movement in the CPI.

The CPI for the 'Health' expenditure group increased by 1.3 percent in the quarter, compared to an increase of 0.9 percent in the previous quarter. There was an increase in the 'medical supplies' sub-group of 2.3 percent, while the 'medical services' sub-group recorded no price change. This expenditure group contributed 0.1 percentage points to the overall movement in the CPI.

Prices for the 'Recreation' expenditure group increased by 1.3 percent in the September quarter of 2017, compared to a decrease of 0.3 percent in the previous quarter. This was accounted for by price increases for batteries of 5.9 percent, bicycle of 1.8 percent, DVD players of 1.6 percent, digital cameras of 1.4 percent, television of 0.4 percent, and flash drives of 0.3 percent. There were no price changes for biros, magazines, newspapers, sports gates and movie fees and photography. This expenditure group's contribution to the overall CPI was negligible.

The CPI for 'the Clothing and Footwear' expenditure group increased by 1.2 percent in the quarter, compared to an increase of 0.1 percent in the June quarter. The main increases were in the 'footwear' and 'clothing' sub-groups of 2.4 percent and 2.3 percent, respectively. Marginal increases were recorded in the 'men's wear', 'headwear', 'sewing items' and 'boys wear' sub-groups. These increases more than offset a decline of 0.3 percent in the women's and girls' wear' sub-group. This expenditure group contributed 0.1 percentage points to the overall movement in the CPI.

Prices in the 'Miscellaneous' expenditure group increased by 0.8 percent in the September quarter of 2017, compared to an increase of 1.4 percent in the June quarter. This reflected price increases in the 'other goods and services' and 'toiletries and personal care products' sub-groups of 0.8 percent and 0.3 percent, respectively. This expenditure group's contribution to the overall CPI was negligible.

The CPI for the 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group increased by 0.7 percent in the September quarter, compared to an increase of 3.3 percent in the previous quarter. The increase was driven by price increases in the 'alcoholic beverages' and 'tobacco' sub-groups of 4.1 percent and 3.1 percent, respectively. These more than offset a price decline of 0.8 percent in the 'betelnut and mustard' sub-group. This expenditure group contributed 2.0 percentage points to the overall movement in the CPI.

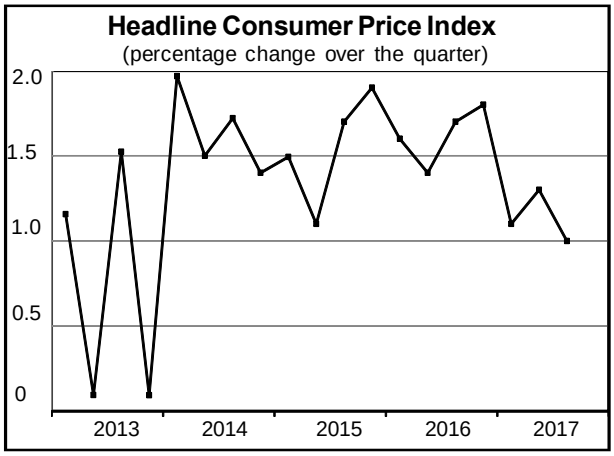
The CPI for the 'Household Equipment' expenditure group increased by 0.7 percent in the quarter, compared to an increase of 1.2 percent in the previous quarter. This was accounted for by increases in the 'household maintenance goods' and 'household furniture and furnishings' sub-groups of 1.7 and 1.2 percent, respectively. These more than offset a decline of 0.7 percent in the 'household appliances' sub-group. This expenditure group contributed 0.2 percentage points to the overall movement in the CPI.

The CPI for the 'Restaurants and Hotels' expenditure group increased by 0.6 percent in the September quarter of 2017, compared to an increase of 1.5 percent in the previous quarter. Prices increased in the 'accommodation' and the 'takeaway food' sub-groups by 1.3 percent and 0.5 percent, respectively. This expenditure group's contribution to the overall CPI was negligible.

There was no price change in the 'Transport' expenditure group in the September quarter of 2017, compared to an increase of 2.5 percent in the previous quarter. Prices increased for both the 'motor vehicle purchase' and 'fuel and lubricants' sub-groups by 3.0 percent and for the 'operations of transport' sub-group by 2.9 percent. These equally offset a price decline of 4.5 percent in the 'fares' sub-group. There was no price movement in the 'other services' sub-group. This expenditure group contributed 0.5 percentage points to the overall movement in the CPI.

As in the previous quarter, there were no price movements for the 'Communication' and 'Education' expenditure groups in the September quarter of 2017.

By urban centre, prices increased in all the surveyed centres. In Alotau/Kimbe/Rabaul, prices increased by 1.2 percent in the September quarter of 2017, compared to an increase of 0.7 percent in the previous quarter. The 'Health' expenditure group recorded the largest



increase of 4.7 percent, followed by 'Miscellaneous' with 3.4 percent, 'Housing' with 2.0 percent, 'Recreation' with 3.0 percent, 'Transport' with 1.9 percent, 'Household Equipment' with 1.5 percent and 'Food and Non-alcoholic Beverages' and 'Alcoholic Beverages, Tobacco and Betelnut' groups, both with 1.3 percent. These more than offset price declines in the 'Restaurants and Hotels' and 'Clothing and Footwear' expenditure groups. The 'Communication' and 'Education' expenditure groups recorded no price change. Alotau/Kimbe/Rabaul contributed 0.9 percentage points to the overall movement in the CPI.

In Port Moresby, prices increased by 1.0 percent in the quarter, compared to an increase of 1.1 percent in the June quarter. The 'Clothing and Footwear' expenditure group recorded the largest increase of 4.0 percent, followed by 'Restaurants and Hotels' with 2.9 percent, 'Housing' with 2.3 percent, 'Food and Non-alcoholic Beverages' with 1.9 percent and 'Health' with 1.6 percent. There were also marginal increases in the 'Recreation', 'Alcoholic Beverages, Tobacco and Betelnut' and 'Miscellaneous' groups. These more than offset the declines in the 'Transport' and 'Household Equipment' groups. The 'Communication' and 'Education' groups recorded no price change. Port Moresby contributed 2.1 percentage points to the overall movement in the CPI.

In Lae, prices increased by 1.0 percent in the September quarter of 2017, compared to an increase of 1.8 percent in the previous quarter. The 'Restaurants and Hotels' expenditure group recorded the largest increase of 1.9 percent followed by 'Transport' with 1.7 percent, 'Food and Non-alcoholic Beverages' with 1.6 percent and 'Housing' with 1.5 percent. Marginal price increases were recorded in the 'Alcoholic Beverages,

Tobacco and Betelnut', 'Household Equipment', 'Recreation', 'Clothing and Footwear' and 'Health' groups. These, more than offset a price decline in the 'Miscellaneous' group. The 'Communication' and 'Education' groups recorded no price change. Lae contributed 1.0 percentage points to the overall movement in the CPI.

In Goroka/Mt. Hagen/Madang, prices increased by 0.6 percent in the quarter, compared to an increase of 0.9 percent in the previous quarter. There were increases of 1.9 percent for the 'Clothing and Footwear' expenditure group, 1.4 percent for 'Housing' and 1.2 percent for the 'Restaurants and Hotels' expenditure group. Marginal increases were recorded for the 'Food and Non-alcoholic Beverages', 'Alcoholic Beverages, Tobacco and Betelnut', 'Recreation', 'Household Equipment' and 'Health' groups. These increases more than offset price declines for the 'Miscellaneous' and 'Transport' expenditure groups. The 'Communication' and 'Education' recorded no price change. Goroka/Mt. Hagen/Madang contributed 1.3 percentage points to the overall movement in the CPI.

The annual headline inflation was 5.1 percent over the year to September quarter 2017, compared to 5.8 percent over the year to the June quarter of 2017.

All expenditure groups recorded increases. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest increase of 13.1 percent, followed by 'Housing' with 6.6 percent, 'Household Equipment' with 5.5 percent, 'Transport' with 4.1 percent, 'Food and Non-alcoholic Beverages' with 3.8 percent, 'Health' with 3.3 percent, 'Miscellaneous' with 2.4 percent, 'Clothing and Footwear' with 2.2 percent, 'Recreation' with 1.7 percent and 'Restaurants and Hotels with 1.6 percent. There were no price changes for the 'Communication' and 'Education groups.

The NSO's quarterly exclusion-based inflation measure (which is the overall CPI excluding seasonal, customs excise and price regulated items) increased by 1.5 percent in the September quarter of 2017, compared to the increase of 0.7 percent in previous quarter. The annual exclusion-based inflation measure was 3.4 percent in the quarter, compared to 2.2 percent in the June quarter of 2017.

The quarterly trimmed mean inflation measure published by the Bank of PNG increased by 1.1 percent in September quarter of 2017, compared to an increase of 0.5 percent in the previous quarter. The annual trimmed mean inflation was 2.6 percent in the quarter, compared to an increase of 1.0 percent in the same period in 2016.

4. EXPORT COMMODITIES REVIEW

The total value of merchandise exports in the September quarter of 2017 was K7,246 million, compared to K6,414 million in the corresponding quarter of 2016. The increase was due to higher export receipts for Liquefied Natural Gas (LNG), condensate, copper, nickel, cobalt, copra oil, palm oil, tea, rubber and other non-mineral exports.

The value of agricultural, marine products and other non-mineral exports, excluding logs and refined petroleum product exports was K915.6 million and accounted for 12.6 percent of total merchandise exports in the September quarter of 2017, compared to K989.7 million or 13.7 percent of total merchandise exports in the corresponding quarter of 2016. Forestry product exports were K161.3 million, and accounted for 2.2 percent of total merchandise exports in the quarter, compared to K231.9 million or 3.6 percent in the corresponding quarter of 2016. Refined petroleum product exports were K236.8 million and accounted for 3.3 percent of total merchandise exports in the quarter, compared to K240.7 million or 3.8 percent in the corresponding quarter of 2016. Mineral export receipts, including Liquefied Natural Gas (LNG) and condensate were K5,932.3 million and accounted for 81.9 percent of total merchandise exports in the quarter, compared to K4,954.7 million or 77.2 percent in the corresponding quarter of 2016.

The weighted average kina price of Papua New Guinea's export commodities, excluding LNG, increased by 12.5 percent in the September quarter of 2017, compared to the corresponding quarter of 2016. There was an increase of 13.8 percent in the weighted average price of mineral exports, reflecting higher kina prices for all mineral commodities. For agricultural, logs and marine product exports, the weighted average kina price increased by 8.3 percent, due to higher prices of all agricultural commodities, except for cocoa, coffee and palm oil. Excluding logs, the weighted average kina price of agricultural and marine product exports increased by 8.7 percent in the September

quarter, from the corresponding quarter of 2016. The increase in kina export prices reflected improved international prices for some of PNG's export commodities, combined with the price effect of the kina's depreciation against the US dollar.

MINERAL EXPORTS

Total mineral export revenue was K5,932.3 million in the September quarter of 2017, compared to K4,954.7 million in the corresponding quarter of 2016. The increase was due to higher export values of all mineral exports except gold and crude oil.

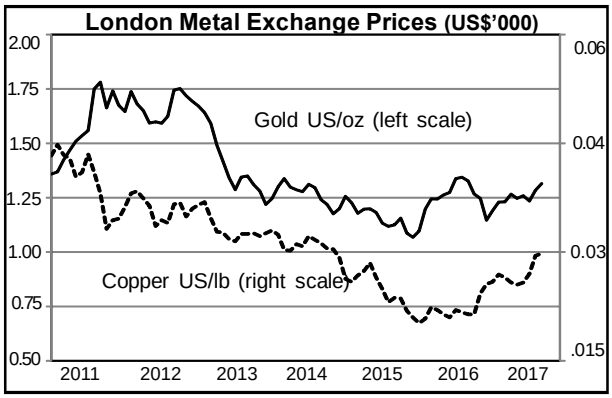
The value of LNG export was K2,766.0 million in the September quarter of 2017, compared to K2,066.5 million in the corresponding quarter of 2016. This was due to higher production and demand from importing countries, especially Japan, China, and Taiwan, combined with an increase in price.

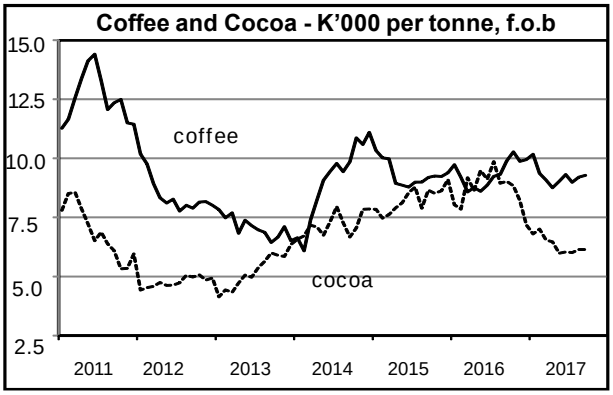
The volume of condensate exported was 3,149.9 thousand barrels in the September quarter of 2017, compared to 2,781.5 thousand barrels in the corresponding quarter of 2016. The increase was due to higher production by the PNG LNG project. The average free on board (f.o.b) price for condensate export was K168 per barrel in the quarter, compared to K149 per barrel in the corresponding quarter of 2016, reflecting higher international price. The increase in export volume and price resulted in export receipts of K529.2 million in the quarter, compared to K414.0 million in the corresponding quarter of 2016.

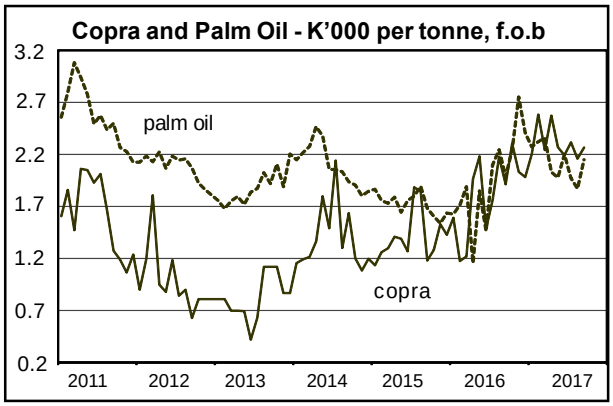
The volume of copper exported was 26.7 thousand tonnes in the quarter, compared to 17.0 thousand tonnes in the corresponding quarter of 2016. The increase was attributed to higher production from the Ok Tedi mine. The average f.o.b. price of Papua New Guinea's copper exports was K20,273 per tonne in the quarter, compared to K15,253 per tonne in the corresponding quarter of 2016. The higher price was due to disruptions in production in Chile, Peru and Indonesia, combined with strong demand from China. The combined increase in export volume and price resulted in export receipts of K541.3 million in the quarter, compared to K259.3 million in the corresponding quarter of 2016.

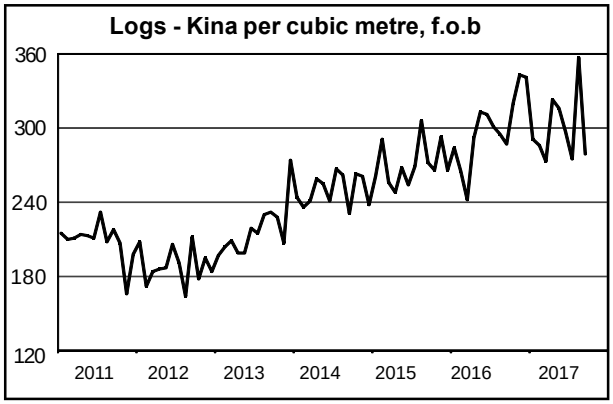
The volume of nickel exported was 8.9 thousand tonnes in the quarter, compared to 4.7 thousand

EXPORT COMMODITY PRICES









tonnes in the September quarter of 2016. The outcome was due to higher production from the Ramu Nickel/ Cobalt mine in response to higher international prices. The average f.o.b. price of Papua New Guinea's nickel exports was K33,764 per tonne in the quarter, compared to K30,213 per tonne in the corresponding quarter of 2016. The increase was a result of persistent demand from China. The combined increase in export volume and price resulted in export receipts of K300.5 million in the quarter, compared to K142.0 million in the corresponding quarter of 2016.

The volume of cobalt exported was 0.8 thousand tonnes in the quarter, compared to 0.4 thousand tonnes in the corresponding quarter of 2016. This was mainly due to increased production from the Ramu Nickel/Cobalt mine. The average f.o.b. price of Papua New Guinea's cobalt exports was K198,000 per tonne in the quarter, compared to K92,750 per tonne in the corresponding quarter of 2016. The significant increase was mainly driven by demand from battery manufacturers as a result of technological advancement in the automotive sector for electric vehicles. The combined increase in export volume and price resulted in export receipts of K158.4 million in the quarter, compared to K37.1 million in the corresponding quarter of 2016.

The volume of gold exported was 11.2 tonnes in the quarter, compared to 12.8 tonnes in the September quarter of 2016. The decline was due to lower production at the Porgera and Lihir mines, as well as from alluvial exporters, which more than offset higher production from the Ok Tedi, Hidden Valley and Simberi mines. The average free on board (f.o.b.) price received for Papua New Guinea's gold exports was K128.5 million per tonne in the quarter, compared to K124.0 million per tonne in the corresponding quarter of 2016. This mainly reflected the effect of the depreciation of the kina. The average gold price at the London Metal Exchange declined by 4.7 percent to US$1,278.0 per fine ounce in the quarter, compared to the corresponding quarter of 2016. The decline was mainly due to a weak demand for gold as a safe-haven investment with prospects of better returns in US dollar investments given the expected increase in the US Federal Reserve fund rate, combined with the strengthening of the US dollar against other currencies. The decline in export volume and price, resulted in export receipts of K1,438.8 million in the quarter, compared to K1,587.6 million in the corresponding quarter of 2016.

The volume of crude oil exported was 795.3 thousand barrels in the quarter, compared to 2,645.8 thousand barrels in the September quarter of 2016. The decline reflected lower production from the Kutubu and Moran oil fields. The average export price of crude oil was K155 per barrel in the quarter, compared to K138 per barrel in the corresponding quarter of 2016. This was attributed to higher international prices reflecting cuts in production agreed to by both the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC member countries, mainly Russia. The decline in the export volume more than offset the increase in export price, resulting in export receipts of K123.6 million in the quarter, compared to K364.0 million in the corresponding quarter of 2016.

Export receipts of refined petroleum products, which include Naphtha from the PNG LNG project exports, were K236.8 million in the quarter, compared to K240.7 million in the corresponding quarter of 2016. The outcome was due to lower export volumes for the various refined petroleum products.

AGRICULTURE, LOGS AND FISHERIES EXPORTS

Export prices of all non-mineral commodities, except for cocoa, coffee and palm oil increased in the September quarter of 2016, compared to the corresponding quarter of 2016. Tea price increased by 16.7 percent, copra by 13.9 percent, copra oil by 10.4 percent, rubber by 36.8 percent, logs by 6.8 percent and marine products by 71.3 percent. The net effect was a 6.4 percent increase in the weighted average kina price of agricultural, logs and marine product exports. Excluding logs, the weighted average kina price of agricultural and marine product exports increased by 14.8 percent in the quarter, compared to the corresponding quarter of 2016.

The volume of coffee exported was 15.7 thousand tonnes in the quarter, compared to 27.2 thousand tonnes in the corresponding quarter of 2016. The decline was due to lower yield from coffee trees, following the biennial harvest season where higher production in the preceding year is followed by lower harvest in the following year. The average export price of coffee declined by 3.2 percent to K9,159 per tonne in the quarter, compared to the corresponding quarter of 2016. The decline reflected lower international prices as a result of higher production from the world's major producers, Brazil, including other Central and South American countries, Vietnam and Indonesia. The

combined decline in export price and volume resulted in export receipts of K143.8 million in the quarter, compared to K257.3 million in the corresponding quarter of 2016.

The volume of cocoa exported was 9.3 thousand tonnes in the quarter, compared to 17.1 thousand tonnes in the corresponding quarter of 2016. The decline was mainly due to lower production from the major producing regions attributed to unfavourable wet-weather conditions. The average export price of cocoa declined by 35.0 percent to K6,108 per tonne in the quarter, compared to the corresponding period of 2016. The decline was due to higher production from the world's largest producer, Ivory Coast, due to favourable wet weather conditions. The combined decline in export volume and price resulted in export receipts of K56.8 million in the quarter, compared K160.7 million in the corresponding quarter of 2016.

The volume of copra exported was 9.5 thousand tonnes in the September quarter, compared to 14.0 thousand tonnes in the corresponding quarter of 2016. The outcome was mainly due to lower production and shipment, from major producing regions, attributed to unfavourable wet-weather conditions. The average export price for copra increased by 13.9 percent to K2,221 per tonne in the quarter, compared to the corresponding quarter of 2016. This outcome reflected higher international prices and the depreciation of the kina against the US dollar. The decline in the export volume more than offset the increase in export price, resulting in export receipts of K21.1 million in the quarter, compared to K27.3 million in the corresponding period of 2016.

The volume of copra oil exported was 3.6 thousand tonnes in the quarter, compared to 2.4 thousand tonnes in the corresponding quarter of 2016, reflecting higher production and shipment from the existing mills. The average export price of copra oil increased by 10.4 percent to K4,694 per tonne in the quarter, compared to the corresponding quarter of 2016. The increase was mainly due to lower production of copra from the Philippines and India, combined with the depreciation of the kina against the US dollar. The combined increase in export volume and price resulted in export receipts of K16.9 million in the quarter, compared to K10.2 million in the September quarter of 2016.

The volume of palm oil exported was 136.1 thousand tonnes in the quarter, compared to 70.4 thousand tonnes in the corresponding period of 2016. There was higher production and shipments, including a new oil palm exporter, from major producing provinces. The average export price of palm oil declined by 5.9 percent to K1,963 per tonne in the quarter, compared to the corresponding quarter of 2016, reflecting weak global demand from the world's biggest buyer, India, after its government raised import duties. The increase in export volume more than offset the decline in export price, resulting in export receipts of K267.2 million in the quarter, compared to K146.9 million in the September quarter of 2016.

The volume of tea exported was 300 tonnes in the quarter, compared to 200 tonnes in the corresponding quarter of 2016. There was higher production associated with favourable wet weather conditions. The average export price of tea increased by 16.7 percent to K4,667 per tonne in the quarter, compared to the corresponding period of 2016. The increase was due to lower production from the major producers, Kenya and India. The combined increase in export volume and price resulted in export receipts of K1.4 million in the quarter, compared to K0.8 million in the corresponding quarter of 2016.

The volume of rubber exported was 1.0 thousand tonnes in the quarter, compared to 700 tonnes in the corresponding period of 2016. There was higher production and shipment by a major producer in the Central Province. The average export price of rubber increased by 36.8 percent to K4,300 per tonne in the quarter, compared to the September quarter of 2016. The increase reflected higher international prices for natural rubber due to lower production from the major producers, Thailand and Malaysia, attributed to unfavourable changes in weather patterns. The combined increase in export volume and price resulted in export receipts of K4.3 million in the quarter, compared to K2.2 million in the corresponding quarter of 2016.

The volume of logs exported was 496.8 thousand cubic meters in the quarter, compared to 779.0 thousand cubic meters in the corresponding period of 2016. There was lower shipment from major producing areas due to unfavourable wet weather conditions. The average export price of logs increased by 6.8 percent to K314 per cubic meter in the quarter, compared to the corresponding quarter of 2016. This was due to higher international prices reflecting strong demand, mainly from China. The decline in export volume more than offset the increase in export price, resulting in export receipts of K155.9 million in the quarter, compared to

K229.4 million in the corresponding quarter of 2016.

The value of marine products exported was K260.2 million in the September quarter of 2017, compared to K287.1 million in the corresponding quarter of 2016. This was due to a decline in export volume more than offsetting an increase in export price.

5. BALANCE OF PAYMENTS

There was an overall surplus of K327 million in the balance of payments for the nine months to September 2017, compared to a surplus of K241 million in the corresponding period of 2016. A surplus in the current account more than offset a deficit in the capital and financial account.

The current account recorded a surplus of K13,935 million for the nine months to September 2017, compared to a surplus of K11,229 million in the corresponding period of 2016. This was due to a higher trade account surplus and net transfer receipts, which more than offset higher service and income payments.

The trade account recorded a surplus of K16,562 million for the nine months to September 2017, compared to a surplus of K13,467 million in the corresponding period of 2016. The surplus was mainly due to an increase in the export value.

The value of merchandise exports was K22,668 million for the nine months to September 2017, compared to K18,121 million in the corresponding period of 2016. The increase was attributed to higher export values of LNG condensate, copper, nickel, cobalt, gold, copra, copra oil, palm oil, tea, rubber, other non-mineral exports, and marine and refined petroleum products. These more than offset lower export values of crude oil, cocoa, coffee and logs.

The value of merchandise imports was K6,106 million in the nine months to September 2017, compared to K4,653 million in the corresponding period of 2016. There were increases in general, mining and petroleum imports. The value of general imports was K3,696 million in the period, compared to K2,771 million in the corresponding period of 2016, reflecting payment of imports due to improved level of foreign currencies in the domestic foreign exchange market. The value of petroleum sector imports was K390 million in the period, compared to K351 million in the corresponding period of 2016. This reflected higher expenditure on exploration and drilling activities by a major resident petroleum company. Mining sector imports was K2,020 million in the period, compared to K1,530 million in the corresponding period of 2016. The increase was due to higher capital expenditure undertaken by the Ok Tedi, Porgera and Lihir mines, which more than offset a decline in capital expenditure at the Simberi mine. Resident companies in the mining and petroleum sectors used their offshore foreign currency accounts to pay for imports allowed under their project development agreements (PDAs).

The service account had a deficit of K2,626 million in the nine months to September 2017, compared to a deficit of K2,135 million in the corresponding period of 2016. This was due to higher net payments for all services, except for communication, and cultural and recreational services.

The income account recorded a deficit of K630 million in the nine months to September 2017, compared to K611 million in the corresponding period of 2016. The higher deficit was mainly due to higher interest and dividend payments.

The transfers account had a surplus of K629 million in the nine months to September 2017, compared to a surplus of K508 million in the corresponding period of 2016. The outcome was mainly due to higher gifts and grants and tax receipts.

As a result of the developments in the trade, service, income and transfers accounts, the current account recorded a surplus of K13,936 million in the nine months to September 2017, compared to a surplus of K11,229 million in the corresponding period of 2016.

The capital account recorded a surplus of K23 million in the nine months to September 2017, compared to a surplus of K5 million in the corresponding period, reflecting higher transfers by donor agencies for project financing.

The financial account recorded a deficit of K13,662 million in the nine months to September 2017, compared to a deficit of K10,976 million in the corresponding period of 2016. The outcome was due to net outflows in direct, portfolio and other investments reflecting withdrawal of equity, investments in short term money market instruments and build up in offshore foreign

currency account balances of resident mineral companies under their PDAs, respectively.

As a result of these developments, the capital and financial account recorded a deficit of K13,639 million in the nine months to September 2017, compared to a deficit of K10,971 million in the corresponding period of 2016.

In the September quarter of 2017, there was an overall surplus of K186 million, compared to a surplus of K314 million in the corresponding quarter of 2016. A surplus in the current account more than offset a deficit in the capital and financial accounts.

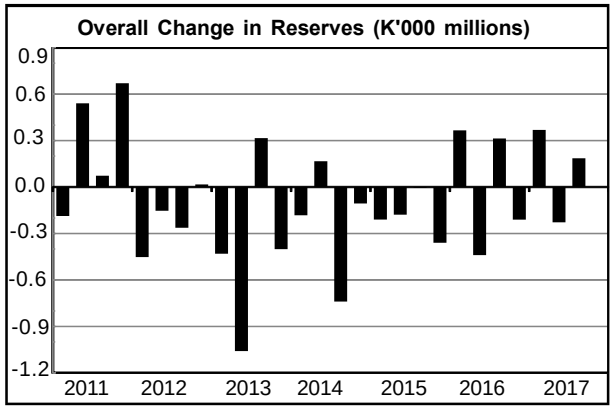
The value of merchandise exports was K7,246 million in the September quarter of 2017, compared to K6,414 million in the corresponding quarter of 2016. There were increases in the value of all mineral exports except for gold and crude oil, combined with increases in the value of exports of palm oil, copra oil, rubber and tea.

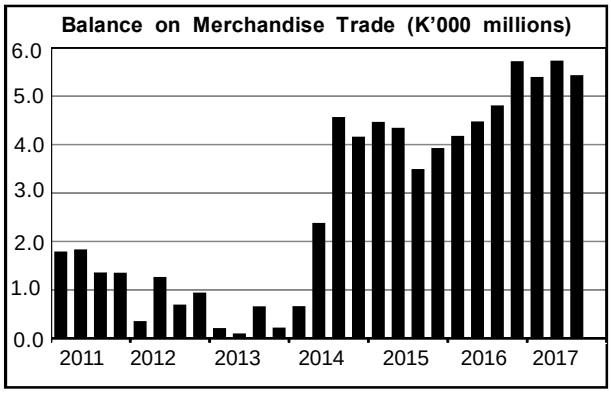
The value of merchandise imports was K1,813 million in the quarter, compared to K1,605 million in the corresponding quarter of 2016. There were higher mining and petroleum imports, which more than offset lower general imports. The value of general imports was K874 million in the quarter, compared to K937 million in the corresponding quarter of 2016, reflecting slowdown in economic activity. Petroleum sector imports was K125 million in the quarter, compared to K92 million in the corresponding quarter of 2016. This reflected higher expenditure on exploration and drilling activities by a major resident petroleum company. The value of mining sector imports was K814 million in the quarter, compared to K576 million in the corresponding quarter of 2016. The increase reflected higher capital expenditure by the Ok Tedi, Porgera and Lihir mines, which more than offset a decline at the Simberi mine. Mining and petroleum sector firms used their offshore foreign currency accounts to pay for imports allowed under their PDAs.

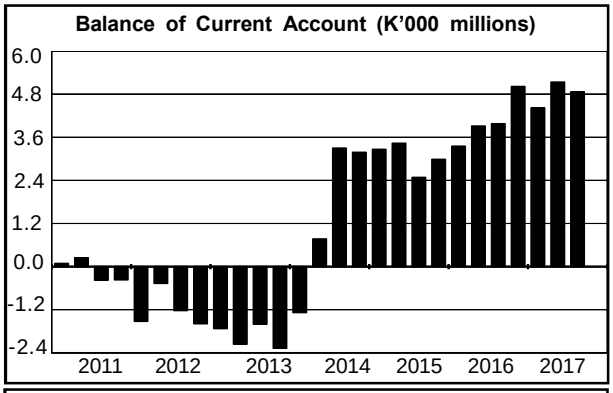
The service account recorded a deficit of K753 million in the quarter, compared to a deficit of K865 million in the corresponding quarter of 2016. The lower deficit was due to lower payments for all services, except for travel, insurance, computer and information, construction, refining and smelting, and other services.

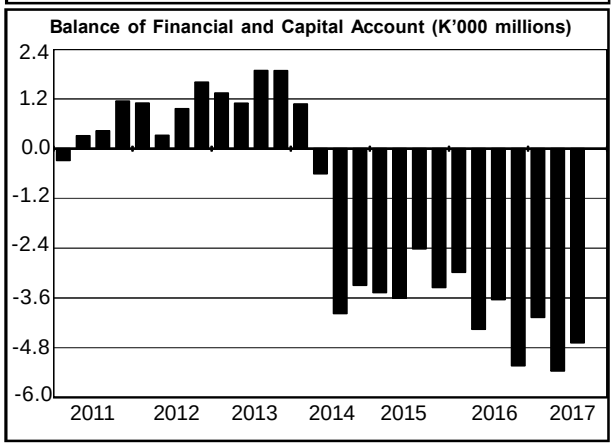
The income account recorded a deficit of K108 million

BALANCE OF PAYMENTS









in the quarter, compared to K128 million in the corresponding quarter of 2017. This outcome was mainly due to lower payments for compensation of employees.

There was a surplus of K289 million in the transfers account in the quarter, compared to a surplus of K158 million in the corresponding quarter of 2016. The outcome was mainly due to higher receipts for gifts and grants.

As a result of the developments in the trade, service, income and transfers accounts, the current account recorded a surplus of K4,860 million in the quarter, compared to a surplus of K3,973 million in the corresponding quarter of 2016.

The capital account recorded a surplus of K6 million in the quarter, compared to a surplus of K5 million in the corresponding quarter of 2016, reflecting transfers by donor agencies for project financing.

The financial account recorded a deficit of K4,684 million in the September quarter of 2017, compared to a deficit of K3,643 million in the corresponding period of 2016. The outcome was due to net outflows in portfolio and other investments reflecting investments in short term money market instruments by resident entities, net Government and private sector loan repayments and a build-up in offshore foreign currency account balances of mineral companies under their PDAs, respectively. These more than offset net inflows from direct investments reflecting purchases of equity.

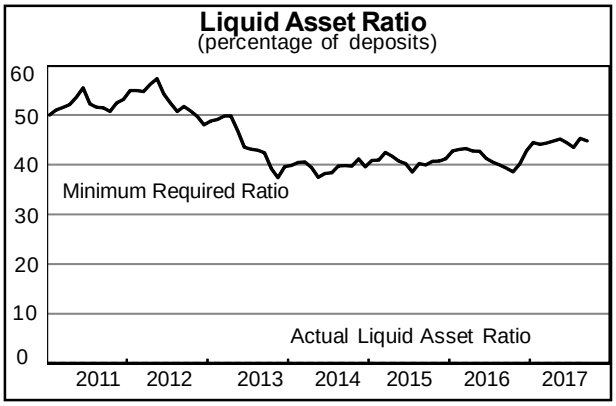
As a result of these developments, the capital and financial account recorded a deficit of K4,679 million in the quarter, compared to a deficit of K3,638 million in the corresponding quarter of 2016.

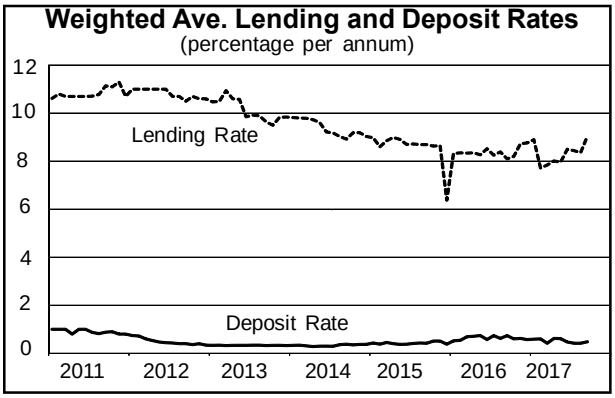
The level of gross foreign exchange reserves at the end of September 2017 was K5,573.2 (US$1,769.5) million, sufficient for 5.6 months of total and 9.0 months of non-mineral import cover.

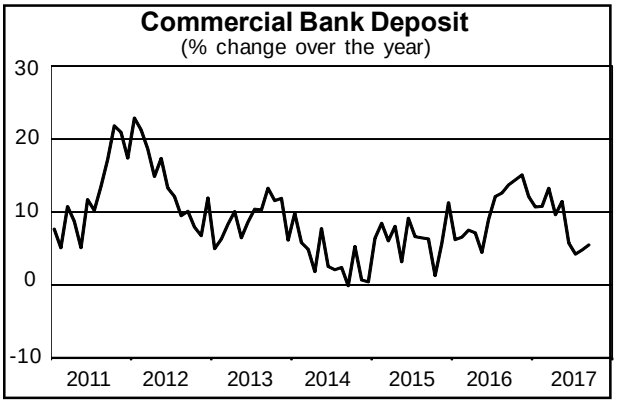
6. MONETARY DEVELOPMENTS

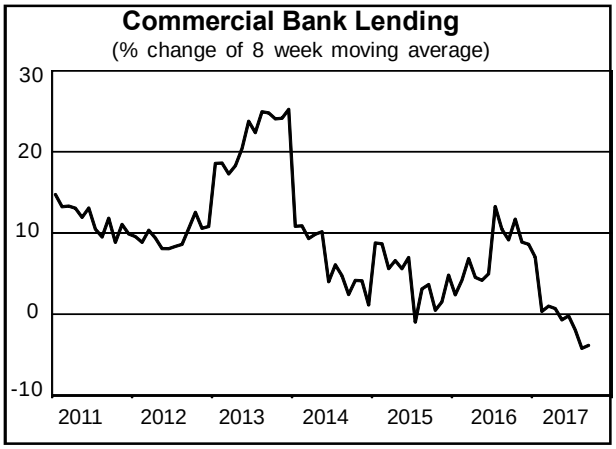
INTEREST RATES

In determining the stance of policy, the Central Bank considered the continued downward trend in annual









headline inflation and the relative stability in other macroeconomic indicators and therefore maintained its neutral stance of monetary policy. As a result, the KFR was maintained at 6.25 percent during the September quarter of 2017. The dealing margins for the Repurchase Agreement (Repos) were maintained at 100 basis points on both sides of the KFR.

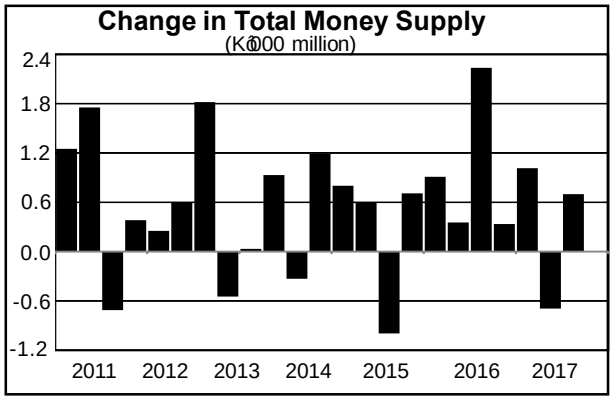
The Bank utilised its OMO instruments in the conduct of monetary policy to manage liquidity. There was a net CBB issuance of K137.0 million during the quarter. The Government also made a net issuance of K1.9 million in Treasury bills and K135.9 million in Treasury bonds during the period for budget financing. The CRR for the commercial banks was maintained at 10.0 percent during the quarter.

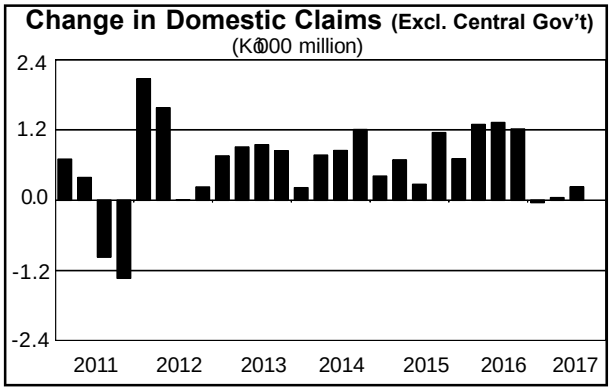
Movements in domestic interest rates were mixed over the September quarter of 2017. The CBB weighted average rate for the 28-day term increased to 1.37 percent at the end of September 2017 from 1.28 percent at the end of June 2017. The 63-day term recorded 2.35 percent at end September, the same as at end June. There were no auctions for the 91 and 182-day terms. There was strong investor demand for the shorter term securities, therefore the Government offered Treasury bills in those terms. The 63-day rate increased from 2.38 percent in June to 2.40 percent in August, while the 91-day rate decreased from 2.50 percent in June to 2.48 percent in September 2017. The 182-day term decreased to 4.73 percent, from 4.74 percent, while the 273-day rate increased from 6.67 percent to 6.73 percent and the 364-day term from 7.94 percent to 8.00 percent.

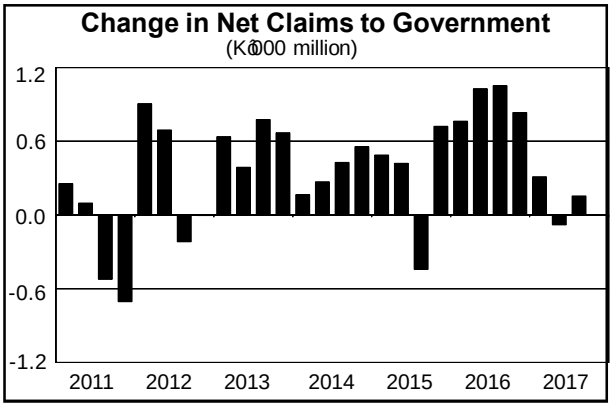
The weighted average interest rates on wholesale deposits (K500,000 and above) quoted by commercial banks declined during the quarter. The 30, 60, 90 and 180-day rates decreased to 0.20 percent, 0.11 percent, 0.25 percent and 0.36 percent, from 0.22 percent, 0.14 percent, 0.65 percent and 0.83 percent, respectively. The 270-day rate increased to 2.34 percent from 1.27 percent, while the 365-day rate declined to 2.99 percent from 4.14 percent, during the same period. The weighted average interest rate on total deposits increased marginally to 0.48 percent from 0.47 percent, while it increased for total loans to 8.93 percent from 8.45 percent. The commercial banks' Indicator Lending Rates (ILR) remained between 11.20 - 11.70 percent.

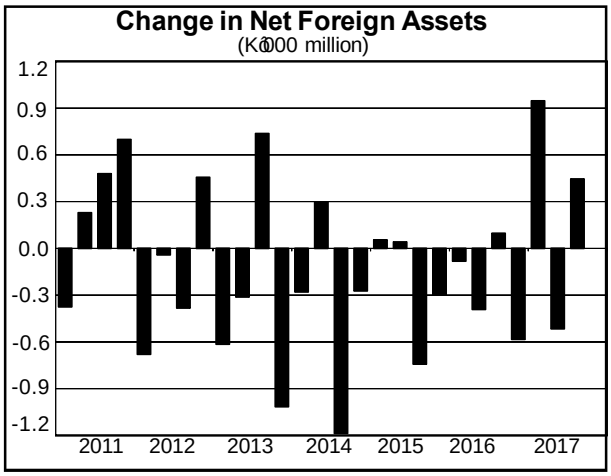
MONEY SUPPLY

The average level of broad money supply (M3*) increased









by 1.3 percent in the September quarter of 2017, compared to a marginal decline in the June quarter. This outcome was due to increases in average net foreign assets and net domestic claims of 4.4 percent and 0.8 percent, respectively. The average net domestic claims outstanding, excluding net claims on the Central Government, increased by 0.9 percent in the September quarter of 2017, compared to a decrease of 0.4 percent in the June quarter of 2017.

The average level of monetary base (reserve money) increased by 0.4 percent during the quarter, following a decline of 1.9 percent in the June quarter of 2017. This reflected an increase in commercial banks' deposits at the Central Bank.

The average level of narrow money supply (M1*) increased by 0.5 percent in the quarter, following an increase of 0.8 percent in the June 2017 quarter. This was mainly influenced by an increase in the average level of transferable deposits of the depository corporations. The average level of quasi money increased by 3.5 percent in the quarter, compared to a decrease of 2.1 percent in the previous quarter.

The average level of deposits in other depository corporations (ODCs) increased by 1.2 percent to K23,437.6 million in the September 2017 quarter, from K23,168.4 million in the June 2017 quarter. This reflected an increase in average deposits of the other depository corporations, other financial corporations and other resident sectors.

The NFA of the financial corporations, comprising depository corporations (DCs) and other financial corporations (OFCs), increased by 8.5 percent to K7,522.1 million in the September quarter of 2017, compared to a decrease of 6.5 percent in the previous quarter. There were increases in the NFA of both the Central Bank and ODCs. The increase in NFA of the Central Bank reflected foreign exchange inflows related to mineral sector dividend and tax receipts during the quarter. The increase in the ODCs reflected an increase in foreign exchange inflows during the period.

Net claims on the Central Government by financial corporations increased by K212.2 million to K13,114.2 million in the September quarter of 2017, compared to an increase of K306.7 million in the previous quarter. This resulted from new issuance of Government securities, particularly Treasury bonds, for budget financing.

LENDING

In the September quarter of 2017, total domestic credit extended by financial corporations to the private sector, public non-financial corporations and 'Provincial and Local level Governments' increased by K93.7 million to K16,502.5 million, compared to an increase of K98.7 million in the previous quarter. This was influenced by an increase of K109.2 million in credit to the private sector. The increase in credit to the private sector resulted from advances by ODCs to the 'retail trade', 'transport and communication', 'wholesale trade' and 'finance' sectors.

7. PUBLIC FINANCE

Preliminary estimates of the fiscal operations of the National Government over the nine months to September 2017 show a deficit of K894.6 million, compared to the deficit of K542.5 million in the corresponding period of 2016. This represents 1.2 percent of nominal GDP.

Total revenue, including foreign grants, over the nine months to September 2017 was K7,138.5 million, 12.2 percent higher than in the corresponding period of 2016. This represents 65.0 percent of the total revised revenue for 2017. The increase reflects higher tax, non-tax receipts and foreign grants.

Total tax revenue amounted to K6,278.0 million, 9.4 percent higher than in the same period in 2016 and represents 70.8 percent of the total revised amount for 2017. Direct tax receipts totalled K3,913.1 million, 0.5 percent lower than in 2016 and represents 67.3 percent of the total revised amount. The decline in direct tax reflected lower company tax which more than offset the increase in personal and other direct taxes. The decline in company tax was partly associated with downward variations in provisional tax instalments due to low economic activity, and low mining and petroleum taxes. The increase in personal tax reflected improved lodgements and payments as a result of increased compliance.

Indirect tax receipts for the nine months to September 2017 totalled K2,364.9 million, 30.8 percent higher than the corresponding period of 2016 and represents 77.4 percent of the revised 2017 total budgeted amount. The increase reflected higher collections of Goods and

Services tax (GST) and excise duties. Improved collections from the major contributing provinces contributed to the increase in GST.

Total non-tax revenue was K441.4 million, 7.6 percent higher than in the corresponding period of 2016 and is 38.7 percent of the 2017 revised amount. This increase was mainly from dividends. Foreign grants received in the period was K419.1 million, and represents 43.3 percent of the 2017 revised budget amount.

Total expenditure over the nine months to September 2017 was K8,033.1 million, 16.3 percent higher than in the corresponding period of 2016 and represents 62.5 percent of the 2017 revised expenditure. This outcome was due to higher recurrent expenditure, which more than offset lower development expenditure.

Recurrent expenditure was K6,873.7 million, 23.1 percent higher than in the corresponding period of 2016 and represents 64.7 percent of the 2017 revised appropriation. Major increases were from National Departments and interest payments. There was higher spending on compensation of employees from National Departments, which more than offset the decline in expenditure on goods and services over the nine months to September 2017, compared to the same period of 2016. Expenditure by National Departments was K3,796.5 million, 40.2 percent higher than in the corresponding period in 2016 and is 68.9 percent of the 2017 revised budget amount. Interest payments totalled K1,130.7 million and represents 73.8 percent of the revised appropriation. This reflects the increase in the level of both the domestic and foreign debt during the period.

Total development expenditure over the nine months to September 2017 was K1,159.4 million, 12.3 percent lower than in the corresponding period of 2016, and represents 51.8 percent of the 2017 revised appropriation. The lower development expenditure reflected reduced spending on capital investment projects.

The deficit of K894.6 million was financed from domestic sources totalling K1,990.5 million, while there was a net repayment of external loans totalling K1,095.9 million. Net domestic borrowing comprised of net purchase of Government securities by the ODCs and OFCs of K942.0 million and K628.4 million, respectively. These more than offset net retirement of Government securities by the Central Bank and public non-financial corporations of K47.3 million and K30.9 million, respectively. Cheque floats from the previous year totalled K498.3 million. External loan repayments comprised of K756.0 million to concessional sources and K339.0 million to commercial sources.

Total public (Government) debt outstanding as at September 2017 was K23,856.7 million, an increase of K969.9 million from June 2017. Both the external and domestic debt levels increased. The increase in external debt reflected drawdowns on both concessional and commercial loans. The increase in domestic debt was attributed to net issuance of Government securities.

The total amount of Government deposits at depository corporations decreased by K67.9 million to K2,174.4 million in September 2017, compared to June 2017.

MONETARY POLICY STATEMENT 30th September 2017

Objective of Monetary Policy

The objective of monetary policy in Papua New Guinea (PNG) is to achieve and maintain price stability. This entails low inflation supported by stable interest and exchange rates. The maintenance of price stability leads to:

- Confidence in the kina exchange rate and management of the economy;
- A foundation for stable fiscal operations of the Government;
- Certainty for businesses to plan for long-term investment; and
- A stable macroeconomic environment conducive to economic growth.

Executive Summary

The improvement in PNG's external balance in 2016 continued into the first half of 2017, as projected in the March 2017 Monetary Policy Statement (MPS), with a surplus in the overall balance of payments. This was driven by increase in prices and production of some of the agricultural and mineral export commodities, including LNG. However, the improvement did not lead to higher Government revenue and significant foreign exchange inflows. As a result, the budgetary and foreign exchange situation that prevailed since 2015 continued in 2017. The Government therefore announced a Supplementary Budget in September 2017 with downward revisions in expenditure of K494.3 million and revenue of K494.1 million. This will maintain the deficit of K1,876.2 million as in the original 2017 Budget.

The Bank's assessment of foreign exchange market data shows that the total supply of foreign currency, including the Central Bank's intervention, was more than sufficient to clear the outstanding daily orders in the spot market. However, the Authorised Foreign Exchange Dealers (AFEDs) claim that the inflows are not enough to meet the demand for foreign exchange and the imbalance continues to persist. The outstanding orders by AFEDs reflect frontloading of orders, preference for serving small orders and others not backed with the required kina funds.

The Central Bank agreed for an intervention of US$100 million in the Government's 100 Day 25 Point Plan. The Deputy Prime Minister and Treasurer agreed with Oil Search, a domestic crude oil extractor and Puma Energy, the owner of the local oil refinery and the largest foreign currency user in the country, for 50.0 percent of the annual purchases of crude to be settled in kina. This will ease the demand for foreign currency in the market.

The improvement in the external sector is expected to continue in the second half of 2017 and in the medium-term, due to increases in prices and production of mining and non-mining export commodities. In line with this, the Bank projects real GDP growth to be around 2.7 percent as forecasted in the 2017 Supplementary Budget and expects further increases in the medium-term. The Bank considers that this forecasted growth would not exert pressure on inflation.

Considering these developments, the Bank will maintain a neutral policy stance over the next six months. It will continue to monitor developments in inflation and other macroeconomic indicators and may adjust its monetary policy stance as necessary.

Monetary Policy Discussions

1. Monetary Policy Assessment, Issues and Expectations

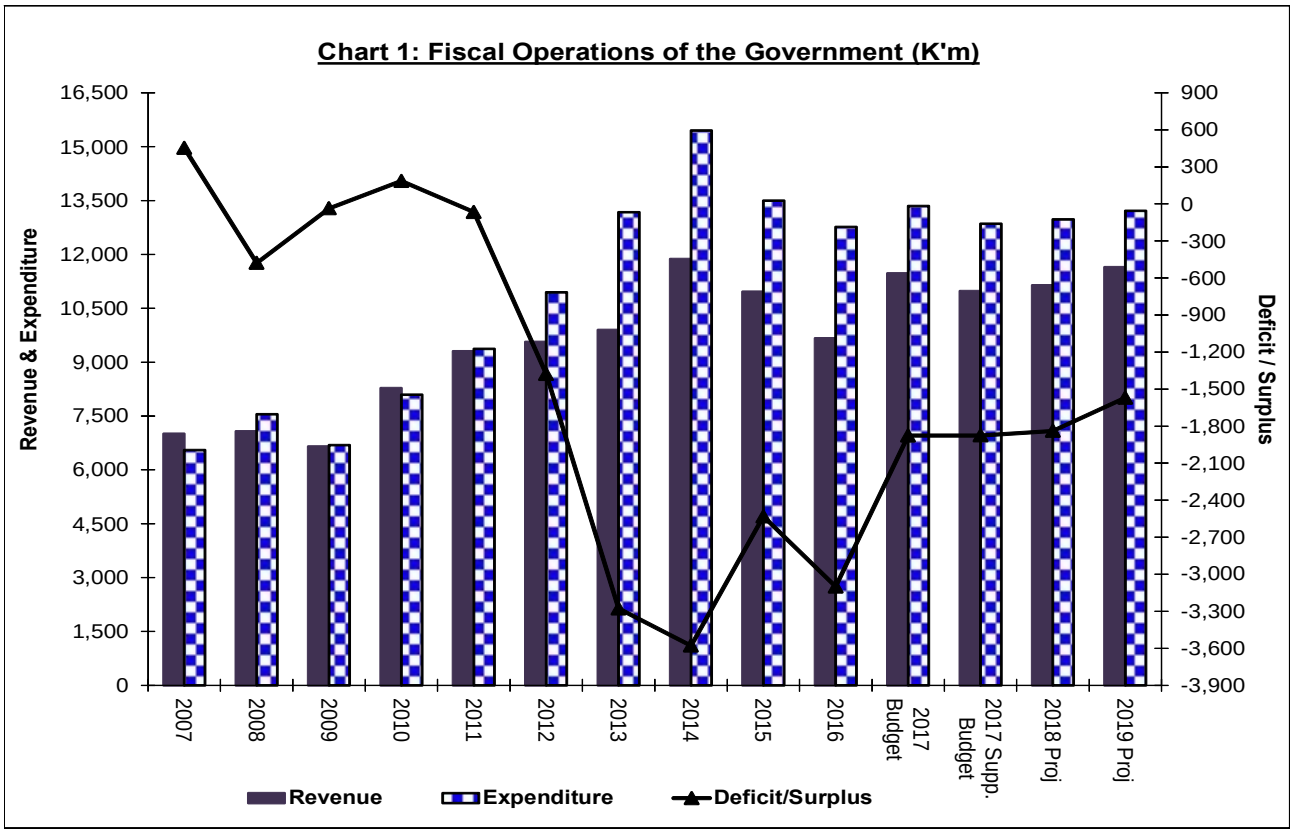
PNG experienced an improvement in the prices and production of some of its export commodities in the first half of 2017. This led to a surplus in the overall balance of payments, and relative stability in the kina exchange rate. However, Government revenue was not as high as the increase in expenditure. The Government resorted to more

domestic financing with the issuance of securities to finance the budget deficit.

The preliminary fiscal outcome of the National Government continued to be in deficit for the seven months to July 2017. Over this period, both total revenue and expenditure comprised 50.1 percent of the 2017 Supplementary Budget.

The newly-elected Government introduced a 100 Day 25 Point Plan in August followed by a Supplementary Budget in September 2017, to ensure macroeconomic stability. The Government aims to maintain the deficit-to-GDP ratio of 2.5 percent. This will be achieved through reduction in expenditure and improved revenue collections. The Government plans to stimulate economic activity through spending in key priority areas that would improve the productive capacity of the economy as well as promoting import substitution industries mainly in the agriculture sector.

The debt level has risen significantly from K8.5 billion in 2012 to K24.1 billion as at end of June 2017. It is projected



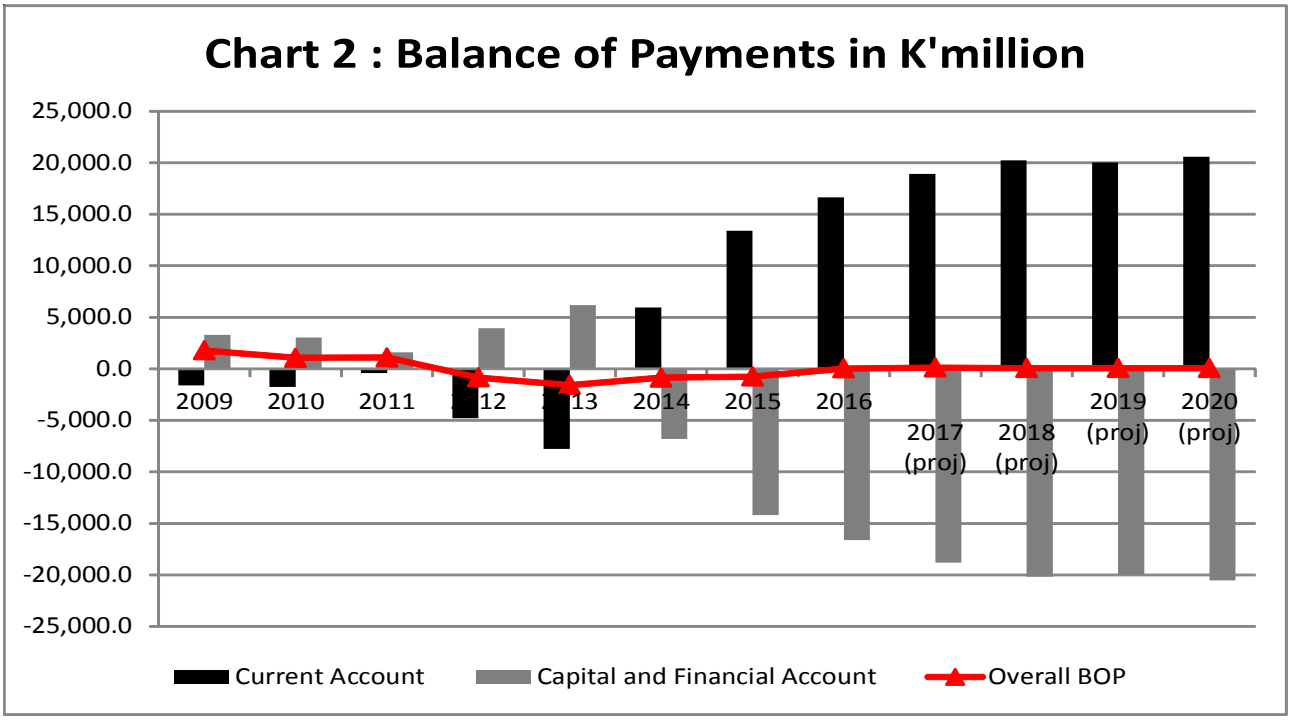
Source: 2017 Budget and 2017 Supplementary Budget

to decline to K23.8 billion by the end of the year compared to the 2017 original Budget estimate of K21.6 billion. Financing of the budget deficit continues to be a challenge with some domestic financiers reaching their exposure limits on sovereign debt. The Government should pursue the balance of the second tranche of the Credit Suisse syndicated loan.

The overall balance of payments recorded a surplus of K141 million in the first half of 2017. It is expected to record a surplus at the end of the year. A higher surplus in the current account more than offset a deficit in the capital and financial account. The projected current account surplus of K18,917 million for 2017, is mainly due to an improvement in some international commodity prices, LNG exports and higher production of some commodities.

The capital and financial account is projected to be in deficit of K18,803 million, mainly reflecting outflows for debt servicing of the PNG LNG Project loan (See Chart 2).

In the medium-term, the current account is projected to record higher surpluses from mineral and non-mineral export receipts as commodity prices and production increase. The capital and financial account is expected to record deficits, mainly reflecting debt service payments by PNG LNG project partners and a build-up in offshore foreign currency account balances of mining, oil and gas companies. As a result, the overall balance of payments position is projected to record surpluses in 2018 and 2019. If any of the planned major resource projects including the Papua LNG, Frieda River or Wafi-Golpu advance to development stage over the coming two years, there will be positive contributions to the balance of payments.



Source: Bank of PNG

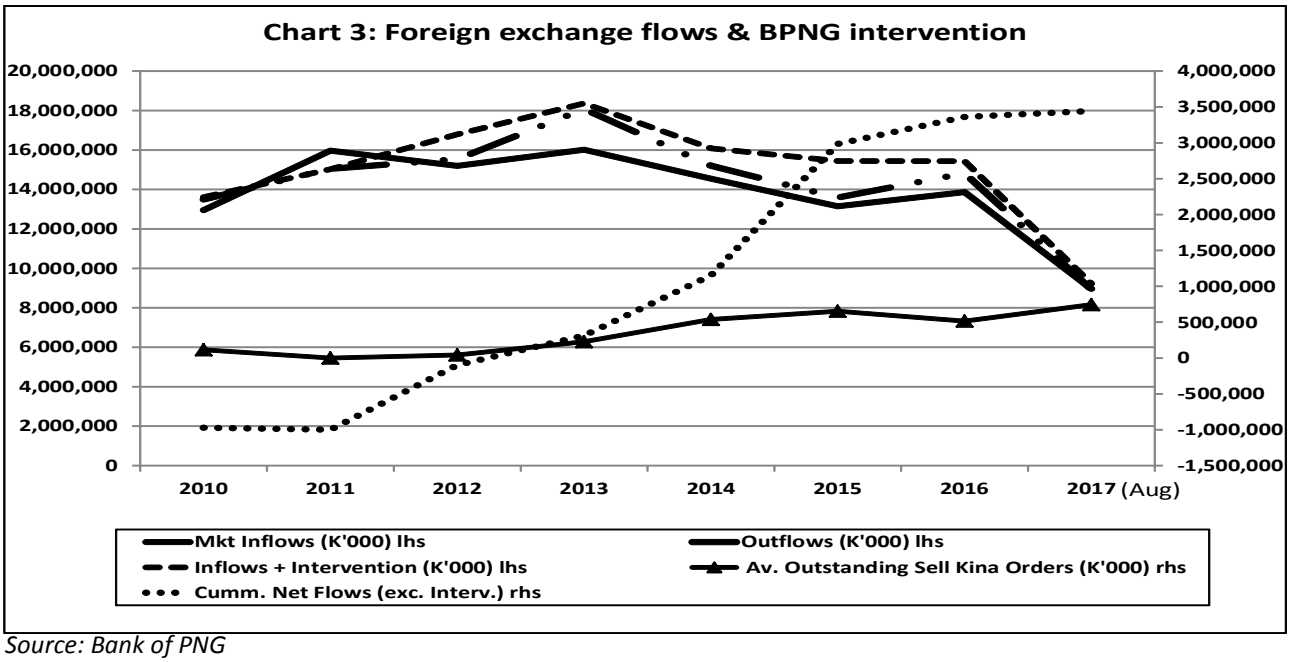
As at 30th June 2017, the level of gross foreign exchange reserves was US$1,697.8 (K5,398.4) million, sufficient for 6.2 months of total and 9.9 months of non-mineral import covers. The level of reserves was US$1,769.3 (K5,572.4) million as at 27th September, 2017 and is projected to end the year at US$1,714.1 (K5,450.2) million. The lower level of reserves mainly reflects Central Bank's intervention to assist the spot market and the repayment of external loans (See Appendix - Table 2).

Implementation of the foreign exchange market Directives issued since September 2016, including closure of some of the onshore foreign currency accounts and cessation of trade finance loan arrangements, contributed to an increase in the availability of foreign currency in the spot market. As a result, the Central Bank reduced its intervention in the foreign exchange market, totaling US$81.7 million so far this year to September.

To further improve the functioning of the foreign exchange market, a Foreign Exchange Market Directive was issued in April 2017 to the AFEDs to cease providing trade finance loans in all currencies, including kina, to be settled in foreign currency. By the end of April, all trade finance loans have matured. In addition, the trading margin was extended to other currencies and transactions except over-the-counter cash exchange transactions.

The Bank's assessment of foreign exchange market data shows that the total supply of foreign currency, including

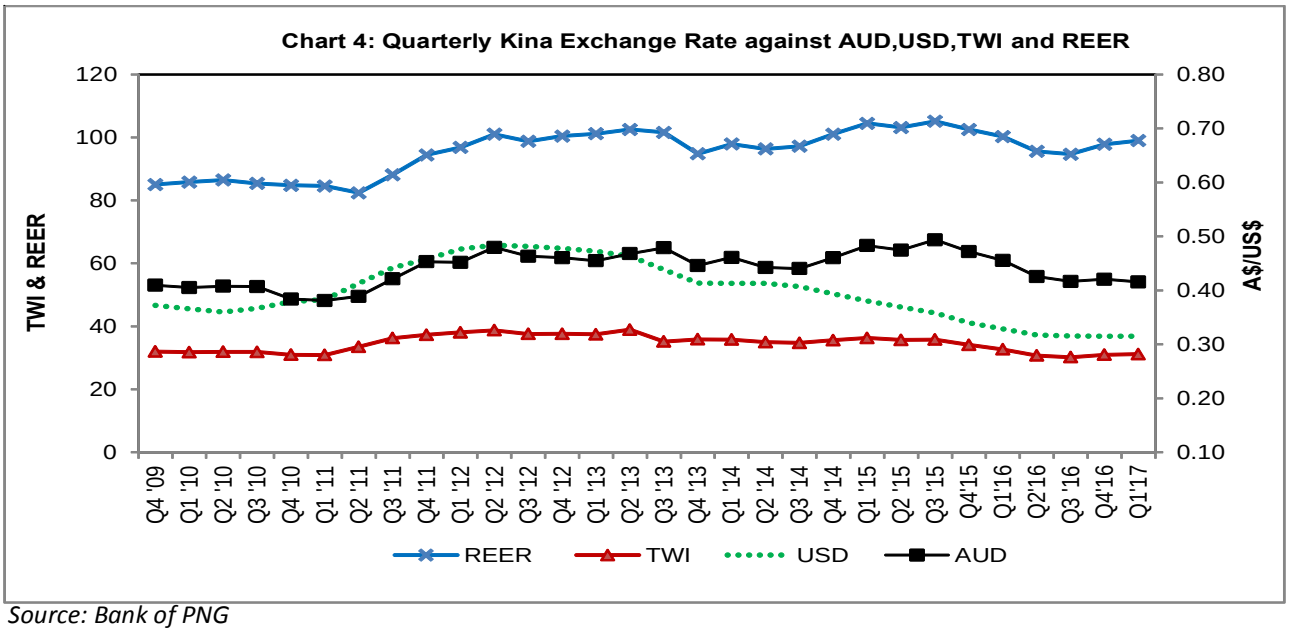
the Central Bank's intervention, was sufficient to clear the outstanding import orders in the spot market (See Chart 3). However, AFEDs are still reporting outstanding orders. This reflects frontloading of some import orders, preference for serving small orders and others not backed by the required kina funds.



Source: Bank of PNG

The kina exchange rate against the USD was stable at US$0.3145 from 23rd March to 27th August 2017, then depreciated by 20 basis points in September 2017, to US$0.3125. The stability against the USD was supported by an increase in foreign exchange inflows mainly from mineral and agriculture sectors. Against the AUD, the kina exchange rate depreciated from A$0.4411 at end of March 2017 to A$0.3893 as at 18th September 2017, as the AUD appreciated against the USD following increases in international commodity prices.

The Trade Weighted Index (TWI) declined by 7.3 percent between end December 2016 and 18th September 2017.



Source: Bank of PNG

The Real Effective Exchange Rate (REER) appreciated by 1.2 percent in the March quarter of 2017, compared to the December quarter of 2016, reflecting the appreciation of kina against most major currencies (See Chart 4).

For 2017, the Bank projects real GDP growth to be around 2.7 percent as forecasted in the 2017 Supplementary Budget. The growth reflects full-year production at Ok Tedi mine, and increased production at Ramu Nickel and Cobalt, Lihir and Porgera mines, and in the 'Agriculture, Fishing and Forestry' (AFF) sector, supported by improvements in the prices of some of the export commodities. The rest of the non-mineral sector is expected to grow marginally.

In the medium-term, real GDP growth is projected to be around 2.7 percent for 2018 and 2019 as shown in the 2017 Budget. The growth is expected to be broad-based across almost all sectors, mainly driven by the AFF, mineral, manufacturing, construction, commerce, and transport sectors. One of the major factors that would impact on growth especially in 2018 is the hosting of the Asia-Pacific Economic Cooperation (APEC) meetings and other related activities.

Annual headline inflation was 5.8 percent in the June quarter of 2017, down from 6.0 percent recorded in the March quarter of 2017 and 6.6 percent in the December quarter of 2016. This lower outcome was mainly driven by seasonal items, as prices of fruits, vegetables and betelnut have come down as the effect of El Nino drought ended and the pass-through of low imported inflation, slowing domestic economic activity, high competition and sourcing of cheaper imports. The annual trimmed-mean and exclusion-based measures for underlying inflation were 2.0 and 2.2 percent, respectively (See Chart 5).

For 2017, the Bank revised downwards its projection for annual headline inflation to 6.0 percent from 6.5 percent in the March MPS. The Bank also revised downwards its trimmed-mean and exclusion-based inflation projections to 3.0 and 2.5 percent, respectively. The revised projections are based on the general downward trend in inflation since June 2016 and the relative stability in the kina exchange rate.

In the medium-term, the Bank projects annual headline inflation to be around 5.5 percent in 2018 and 4.5 percent in 2019. The trimmed mean and exclusion-based inflation measures are projected to be around 3.5 percent and 2.0 percent, respectively, in 2018 and 2.5 percent and 1.5 percent in 2019.

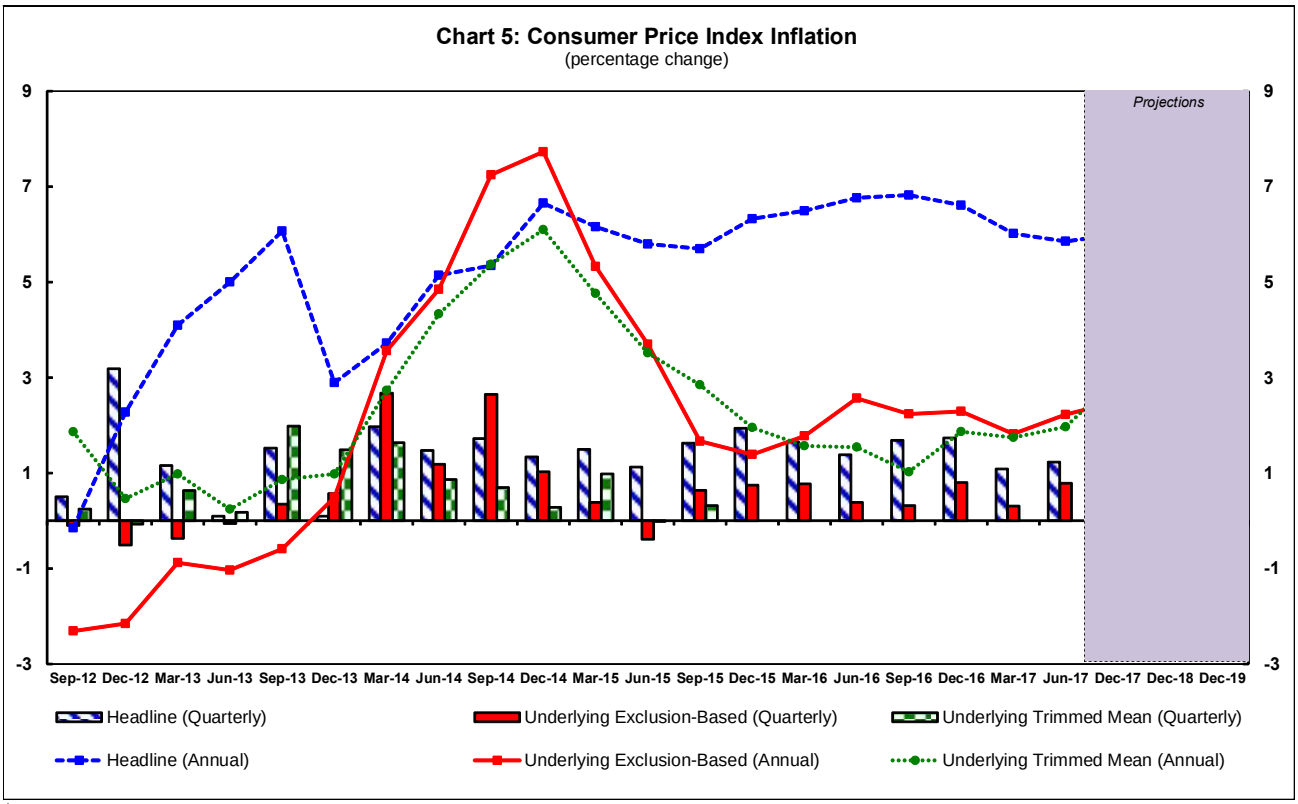
The upside-risks to these projections include:

- significant increase in import demand;
- further depreciation in the kina exchange rate;
- increase in prices of seasonal items;
- stronger global economic recovery and pick-up in foreign inflation; and
- any unforeseen supply and demand side shocks to the economy.

In light of the Government's tight cash-flow and domestic financiers reaching their limit on sovereign exposure, the Central Bank had to assist the Government by buying Government Securities (Treasury bills and bonds) when the auctions were undersubscribed. The formal arrangement, referred to as the Slack Arrangement, was entered into by the Treasury Department and the Bank from September 2014 to March 2015. Thereafter, this arrangement continued through exchange of letters up to 2016.

The Bank has actively sterilised this liquidity generated by the Slack Arrangement through on-selling of the Government securities and CBBs to the market. As at the end of August, the Bank's holding of securities (Treasury bills and bonds) under the Slack Arrangement was K1.600 billion. It has issued CBB and Tap totalling K1.588 billion.

The Bank is now offering these Government Securities to the public under a new Tap Facility. The minimum amount for purchase is K5,000.00 to provide retail investors an alternative investment avenue and diversification of investment



Source: National Statistical Office (NSO) and Bank of PNG

portfolios. The returns on these securities are attractive and provide investors with another investment avenue. The Tap Facility is another instrument in which the Bank is diffusing liquidity from the banking system as part of its monetary policy operations.

The Bank forecasts a growth in broad money supply of 8.0 percent in 2017, compared to an increase of 10.9 percent in 2016, due to an increase in net domestic assets and a small increase in net foreign assets of the banking system. The increase in net domestic assets is expected from growth in net credit to the Government of 15.1 percent and private sector credit of 2.5 percent. The monetary base is projected to increase by 7.3 percent, influenced by an increase in net domestic assets. The Bank considers the projected growth in monetary aggregates sufficient to support the growth in the non-mineral private sector (See Appendix Table 1).

PNG will continue to be exposed to external and domestic shocks and therefore will need to develop the non-mineral sector to broaden the economic base, thereby minimizing the impact of these shocks. Expanding the export sector including services, encouraging import substitution industries, and developing downstream processing activities would help address the challenges faced in sustaining revenue and the foreign exchange market.

2. Monetary Policy Stance

Inflation is on a downward trend reflecting the slowing down of the economy as well as lower imported inflation and relative stability in the kina exchange rate. As a result, the Central Bank revised downwards its inflation projections for 2017 made in the March MPS. The annual headline inflation is revised to 6.0 percent from 6.5 percent while the underlying inflation is revised to between 2.5 and 3.0 percent, from between 3.0 and 3.5 percent. Considering these projections, the Central Bank will maintain a neutral monetary policy stance over the next six months but will continue to closely monitor developments in inflation and other macroeconomic indicators and may adjust its monetary policy stance as necessary.

3. Conduct of Monetary Policy

Monetary policy is managed within the reserve money framework to achieve the Central Bank's objective of maintaining price stability. This involves managing liquidity to impact interest rates which would in turn affect economic activity and inflation. The MPS provides the overall policy stance, while the monthly policy rate signals this stance or any changes through an announcement by the Governor. Following the announcement, Open Market Operations (OMOs) are conducted to implement the policy stance. The OMOs involve the auction of Central Bank Bills (CBB), Treasury bills and bonds to Other Depository Corporations and the general public, and Repo transactions with commercial banks.

The Central Bank has relied on issuance of CBBs and Government securities as instruments to manage liquidity in the banking system, and did not make any change to the direct instrument of Cash Reserve Requirement (CRR).

Appendix

Table 1: Monetary and Credit Aggregates (annual % changes)

INDICATOR	2014 (actual)	2015 (actual)	2016 (actual)	Mar 2017 (MPS)	Actual to Jun 2017	2017 (proj)	2018 (proj)	2019 (proj)
Broad Money Supply	3.4	8.0	10.9	10.3	6.6	8.0	8.9	7.3
Monetary Base	37.1	-2.2	24.4	2.5	14.3	7.3	7.1	6.9
Claims on the Private Sector	3.6	3.4	7.2	6.9	1.2	2.5	3.0	2.1
Net Claims on Govô	51.1	28.4	48.3	16.6	19.6	15.1	12.9	8.9
Net Foreign Assets	-17.4	-13.8	-18.1	30.9	0.6	3.9	7.8	1.9

Source: Bank of PNG

Table 2: Summary of Other Macroeconomic Indicators

INDICATOR	2014 (actual)	2015 (actual)	2016 (actual)	Mar 2017 (MPS)	Actual to Jun 2017	2017 (proj)	2018 (proj)	2019 (proj)
CONSUMER PRICE INDEX (annual % changes)								
Headline	6.6	6.4	6.6	6.5	5.8	6.0	5.5	4.5
Trimmed-mean	6.1	2.3	1.9	3.5	2.0	3.0	3.5	2.5
Exclusion- based	7.7	1.4	2.2	3.0	2.2	2.5	2.0	1.5
BALANCE OF PAYMENTS (kina millions)[1]								
Current account	5,964	13,392	16,650	13,029	9,545	18,917	20,228	20,035
Capital & Financial account	-6,819	-14,188	-16,623	-11,669	-9,425	-18,803	-20,167	-19,981
Overall balance	-861	-753	31	1,360	141	114	61	54
Gross Int. Reserves	5,980	5,227	5,257	6,617	5,398	5,450	5,511	5,665
IMPORT COVER (months)[2]								
Total	7.5	10	7.2	5.6	6.2	6.2	6.0	5.8
Non-mineral	10.5	15.8	12.6	9.6	9.9	9.8	9.0	8.4
EXPORT PRICE								
Crude oil (US$/barrel)*	98.6	51.6	42.1	50.2	53.9	54.0	54.5	55.1
Gold (US$/ounce)	1,133.0	1,147.6	1,199.2	1,040.7	1,239.1	1,239.1	1,227.8	1,216.6
Copper (USc/pound)	296.4	262.4	227.4	259.6	258.1	258.1	260.7	263.3
Nickel (US$/tonne)	18,885.3	11,568.9	9,521.9	10,000.0	9,655.9	9,920.8	10,265.8	10,622.8
Cobalt (US$/tonne)	23,855.0	28,178.0	25,725.1	25,000.0	45,552.8	46,038.5	50,284.2	54,921.6
LNG (US$/ mmbtu)	14.0	9.7	6.8	8.7	8.0	8.5	8.6	8.9
Condensate (US$/barrel)	86.8	51.0	50.7	53.2	53.8	53.8	53.7	54.9
FISCAL OPERATIONS OF THE GOVERNMENT**								
Surplus/Deficit (Kâm)	-2,815.2	-2,532.6	-3,086.9	-1,876.6	-941.8	-1,876.6	-1,839.1	-1,570.3
% of GDP	-6.9	-4.1	-4.6	-2.5	-1.3	-2.5	-2.3	-1.8
REAL GROSS DOMESTIC PRODUCT (annual % growth) * **								
Total GDP	12.5	11.8	2.0	2.8	-	2.7	2.7	2.7
Non-mineral GDP	3.3	2.0	2.5	3.0	-	3.0	3.5	3.5

Source: Bank of PNG, NSO and Department of Treasury

* Prices take into account, company hedging and differ from market prices.

** Actuals for 2017 is up to July. 2017 projections from the Supplementary Budget. 2018 - 2019 projections are from the 2017 National Budget.

[1] PNG LNG exports are included in 2014. Full year annual production occurred from 2015 onwards.

[2] The calculation of the import covers includes import of both goods and services as of 2016.

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 2015, the KFR announcements by the Bank were;

2016	04 January	Maintained at 6.25%
	01 Febrary	Maintained at 6.25%
	07 March	Maintained at 6.25%
	04 April	Maintained at 6.25%
	02 May	Maintained at 6.25%
	06 June	Maintained at 6.25%
	04 July	Maintained at 6.25%
	01 August	Maintained at 6.25%.
	05 September	Maintained at 6.25%.
	03 October	Maintained at 6.25%.
	07 November	Maintained at 6.25%.
	05 December	Maintained at 6.25%.
2017	02 January	Maintained at 6.25%.
	06 Febrary	Maintained at 6.25%
	06 March	Maintained at 6.25%
	03 April	Maintained at 6.25%
	01 May	Maintained at 6.25%
	05 June	Maintained at 6.25%
	03 July	Maintained at 6.25%
	06 August	Maintained at 6.25%
	04 September	Maintained at 6.25%.
	02 October	Maintained at 6.25%.
	06 November	Maintained at 6.25%.
	04 December	Maintained at 6.25 %.
2018	01 January	Maintained at 6.25%

For details of the KFR, see Table 6.3 (S34) of the QEB.
KFR announcements prior to January 2012 are reported in various bulletins starting with the March 2001 QEB.

GLOSSARY OF TERMS AND ACRONYMS

Balance of Payments	A statistical statement that systematically summarises a countryôs economic transactions with the rest of the world, over a specific time period. It comprises the Current and Capital and Financial Accounts.
Broad Money Supply (M3*)	Total volume of money comprising narrow money (M1*) and quasi money in the economy at a point in time. See ónarrowôand óquasiô money.
Cash Reserve Requirement (CRR)	A requirement imposed on commercial banks to hold cash as a percentage of total deposits and other prescribed liabilities at all times.
Capital Account	Records all transactions that involves the receipts or transfers of capital and acquisitions/disposal of non-produced, non-financial assets such as purchase of production facilities, i.e. plants and machinery, etc.
Central Bank (CB)	The Bank of Papua New Guinea (BPNG) is the monetary authority in Papua New Guinea (PNG) that has legislative power over the financial system and is responsible for issuing currency, managing international reserves, undertakes transactions with the IMF and providing credit to the commercial banks.
Central Bank Bill (CBB)[6]	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.
Central Bank Survey (CBS)	The CBS is the balance sheet of the Central Bank, which contains data on all components of the monetary base, comprising of currency in circulation and central bank liabilities to ODCs and other sectors.
Current Transfers Account	Records all foreign transactions that are not transfers of capital and cannot be repaid. This includes donations, gifts and grants, superannuation funds and licensing fees.
Depository Corporations Survey (DCS)	The survey is a consolidation of the CBS and the ODCS, which contains data on all depository corporationsô liabilities in the national definition of broad money and data on depository corporations, assts that are claims on (i.e credit) other sectors of the economy, including the external sector.

[6]See óFor the Recordôon page 34 in the 2004 September QEB.

Deposits

Deposits include all claims on the Bank of PNG and ODCs. These are further classified into transferable and other deposits. (I). Transferable deposits comprises all deposits that are: a). Exchangeable on demand at par and without penalty or restrictions; b). Directly usable for making payments by cheque, draft direct debit/credit or other direct payment facilities. ii.) Other deposits comprise all claims, other than transferable deposits. These include savings and term deposits and non transferable deposits in foreign currency.

Exchange Settlement Account (ESA)

Accounts of the commercial banks with the Bank of PNG for settlement transactions with each other.

Exclusion-based CPI measure

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

Financial Account

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

Financial Corporations Survey (FCS)

The FCS is the broadest set of monetary and financial statistics in terms of institutional coverage. The survey contains consolidated balance sheet data for all institutional units within the financial corporations sector, thereby providing the stock and flow data for analyzing claims on and liabilities to all other sectors of theeconomy, including the external sector.

Financial derivatives

A financial instrument linked to a specific financial instrument, indicator or commodity and through which specific financial risks (such as interest rates, currency equity and commodity price risk, credit risk, etc.) can be traded in their own right in financial markets.

Headline Consumer Price Index (CPI)

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

Income Account

Records transactions such as compensation of employees, which cover wages, salaries, and other benefits in cash and kind, dividends and interest earned on investments between PNG and the other countries.

Inscribed Stock (bond)

A Government debt instrument sold to the public for

	a maturity term of one year or longer for Budget financing.
Insurance Technical Reserves	Comprises of (i) net equity of households in life insurance corporations reserves, (ii) net equity of households in superannuation (pension) funds and (iii) prepayment of premiums. This is the major liability item of the superannuation funds and insurance corporations. On the assets side, this category records prepaid insurance premiums, which are relatively small amounts.
Kina Facility Rate (KFR)	Official benchmark rate used by the Bank of PNG to signal its monetary policy stance. The KFR is announced monthly by the Governor and published in the newspapers and on the Bankôs website.
Liquid Assets	Assets of the commercial banks, which are in near liquid form, comprising cash, ESA balances, CBBs, Treasury bills and Inscribed stocks less than 3 years to maturity.
Minimum Liquid Asset Ratio (MLAR)	A prudential requirement imposed by the Bank of PNG on commercial banks to hold liquid assets as a percentage of total deposits and other prescribed liabilities at all times.
Monetary Base (or Reserve Money)	Comprised of currency held by the public and liquid assets of the commercial banks, including deposits held with the Bank of PNG under the Repurchase Agreement Facility (RAF) or Repos.
Narrow Money	A component of total money supply that is considered liquid or can be converted easily to cash on demand, and comprises of currency in circulation (held outside the banking system) and demand deposits.
Net Equity of Households in Life Insurance Reserves	Comprises of policyholders claims on the reserves of insurance corporations. These reserves must be ultimately used to provide benefits to policyholders, upon the occurrence of other specified events, or to compensate heirs upon the death of the policyholder. These claims constitute assets of the household sector rather than of insurance corporations.
Net Equity of Households in Pension Funds	Comprises policyholdersôclaims on pension funds. These reserves must be ultimately used to provide benefits to policyholders upon their retirement or to compensate heirs upon death of the policyholder. Pension funds are considered assets of the household sector rather than assets of the institutional units that manage the funds. Pension funds do not include social security funds, which are considered part of the general

government sector.

Open Market Operations (OMO)

Operations of liquidity management conducted by the Bank of PNG with commercial banks and other financial intermediaries involving Government securities, CBB, Repos and foreign exchange trading to influence short-term interest rates.

Other Depository Corporations (ODCs)

The ODC sub-sector in PNG comprises of the commercial banks, finance companies, merchant banks, savings and loans societies and microfinance companies. These financial corporations are mainly engaged in financial intermediation and issue liabilities included in the definition of broad.

Other Depository Corporations Survey (ODCS)

The ODCS shows the consolidated stock and flow balance sheet data for the institutional units covered under the ODC sub-sector.

Other Financial Corporations (OFCs)

The OFC sub-sector is made up of the insurancec orporations, superannuation (pension) funds, other financial intermediaries and financial auxiliaries such as insurance brokers, investment managers and fund administrators.

Other Financial Corporations Survey (OFCS)

The OFCS contains consolidated stock and flow balance sheet data for insurance corporations, superannuation funds, other financial intermediaries and financial auxiliaries.

Over the year CPI

Percentage change in the CPI of a quarter compared to the corresponding quarter of the previous year (Also called óannualô CPI).

Portfolio Investment

Investments, mainly in equity and debt securities such as bonds and notes, money market debt instruments and financial derivatives, as well as long-term debt, equity and securities.

Prepayment of Premiums and Reserves against Outstanding Claims

These are current claims of policyholders rather than net equity of insurance corporations. Prepayments of premiums, which are made by customers at the beginning of the periods covered by their policies, generate reserves for insurance corporations. Such prepayments are considered to be earned by an insurance corporation on a prorated basis during the policy period. These reserves are assets of policyholders. Reserves against outstanding claims are funds set aside by insurance corporations to cover the amounts that are not settled or claims that may be disputed. Reserves against such outstanding claims are considered to be assets of the beneficiaries and liabilities

of the insurance corporation. Policy benefits due to claimants are considered assets of the claimants. Until actually paid, these assets are held by insurance corporations as reserves.

Public non-financial corporations

Public non-financial corporations are resident non-financial corporations and quasiï corporations controlled by government units. Control may be exercised through ownership of more than half the voting shares, legislation, decree, or regulation that establish specific corporate policy or all the government to appoint the directors. In PNG this would include those institutions that are controlled by the Independent Public Business Corporation (IPBC).

Quasi Money

A component of total money supply that is not easily convertible to cash on demand and comprises of savings and term deposits.

Repurchase Agreement Facility (RAF)

A money market instrument used by Bank of PNG to lend to or borrow from the commercial banks, for liquidity management, and is unwound on maturity. The terms range from overnight to 14 days and can be collateralised, for instance, using Treasury bills.

Securities other than Shares

These are negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other items of economic value. Common securities in PNG include treasury bills and inscribed stocks issued by the Government and Central Bank Bills (CBBs) issued by the Bank of PNG.

Shares and Other equity

Shares and other equity comprises all instruments and records acknowledging, after claims of all creditors have been met, claims on the residual value of a corporation. The components of shares and other equity include: (a). Funds contributed by owners; (b). Retained earnings; (c). Current year profit and loss; (d). General and special reserve; and (e). Valuation adjustments.

Tap Facility

A facility conducted by the Bank of PNG for sale of Treasury bills and Inscribed stocks to the public.

Temporary Advance Facility

A statutory mechanism stipulated under Section 54 of the Central Banking Act 2000, that provides the National Government with access to short-term financing to meet mismatches in revenue.

Trade Account

Records all economic transactions associated with merchandise exports and imports of physical goods.

Trade Weighted Index[7]

The Trade Weighted Index (TWI) measures the value of the kina against a basket of currencies of PNGôs major trading partners.

Treasury Bill

Government security or debt instrument sold at a discount value, but redeemed at face value on maturity or purposes of Budget financing. In PNG, Treasury bills are issued for 28, 61, 91, 182 and 364 day maturities.

Trimmed-mean CPI measure

A fixed proportion of prices at each end of the distribution of price changes are zero weighted and the mean of the remaining price changes recomputed. See also ôUnderlying CPIô

Underlying CPI (exclusion-based and Trimmed-mean CPI measures)

A measure of inflation that excludes short-term volatile movements in prices, such as seasonal factors, Government policy decisions and price controlled items.

[7]See ôFor the Recordô p.24 in the 2005 September QEB.

REFERENCE "FOR THE RECORD"

Some issues of the Quarterly Economic Bulletin (QEB) have ïFor the Recordô as additional information relating to changes introduced to various statistical tables. The following ïFor the Recordô have appeared in the QEB since June 2003.

Issue		For the Record
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 ïOther Items (Net)ô
June 2005	-	Changes to Tables 8.2 and 8.5 ïExternal Public Debtô
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 PNGôs Private Debt and Equity Recording System
Dec 2006	-	Changes to Table 8.1 - Capital Transfers
Jun 2007	-	Revisions to the March Quarter 2007 and December Quarter 2006 Consumer Price Index
Jun 2007	-	Debt Ratios
Sep 2007	-	Revisions to the Consumer Price Indices in June Quarter 2007 back to September Quarter 2005.
Mar 2008	-	Updated Weights for the Trade Weighted Index (TWI)
Mar 2009	-	Changed Monetary Policy Statement release month from January to March
Mar 2009	-	Updated Weights for the Trade Weighted Index (TWI)
Dec 2009	-	New Tables; 8.7, 8.8, 8.9 and 8.10 were included in the December Quarterly Economic Bulletin, resulting in subsequent renumbering of all other tables that follow.
Dec 2009	-	Revisions to Monetary and Financial Statistics tables in the December 2009 Quarterly Economic Bulletin.
Jun 2010	-	Expansion of Monetary and Financial Data Coverage.
Sep 2010	-	Recalculation of months of import cover
Mar 2011	-	Updated Weights of the Trade Weighted Trade (TWI)
Mar 2013	-	Updated Weights of the Trade Weighted Trade (TWI)
Mar 2013	-	Inclusion of Tables 4.16 and 4.17 for General Insurance Companies
Mar 2014	-	Revised PNG Consumer Price Index Basket
Dec 2014	-	Updated to tables 8.1, 8.2, 8.3 & 8.5 to include Ramu Nickel/Cobalt
Dec 2014	-	Inclusion of LNG & Condensate in tables 8.1, 8.2, 8.3 and 8.5
Dec 2014	-	Commencement of Nickel and Cobalt production in December quarter of 2012.
	-	PNG LNG Project commenced production and shipment in June quarter of 2014.
	-	Updated Table 8.2: Exports Classified by Commodity Group
	-	Updated Table 8.5: Non-Agricultural Exportsï Quantities Exported of Major Commodities
Dec 2016	-	Recalculation of import cover taking account of the service payments.
	-	Inclusion of new GDP Actuals 2006-2013 tables 9.6 and 9.7

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 2005.

Issue	Title
Jun 2006	Semi-annual Monetary Policy Statement, July 2006
Dec 2006	The 2007 National Budget
Dec 2006	Semi-annual Monetary Policy Statement, January 2007
Jun 2007	Papua New Guinea's Total External Exposure
Jun 2007	Semi-annual Monetary Policy Statement, July 2007
Jun 2007	Supplement to the July 2007 Monetary Policy Statement
Dec 2007	The 2008 National Budget
Dec 2007	Semi-annual Monetary Policy Statement, January 2008
Jun 2008	Papua New Guinea's Total External Exposure
Jun 2008	Semi-annual Monetary Policy Statement, July 2008
Dec 2008	The 2009 National Budget
Dec 2008	Monetary Policy Statement, January 2009 Update
Mar 2009	Monetary Policy Statement, March 2009
Jun 2009	Papua New Guinea's Total External Exposure
Sep 2009	Monetary Policy Statement, September 2009
Dec 2009	The 2010 National Budget
Dec 2009	Monetary Policy Statement, March 2010
Mar 2010	Papua New Guinea's Total External Exposure
Sep 2010	Monetary Policy Statement, September 2010
Dec 2010	The 2011National Budget
Dec 2010	Monetary Policy Statement, March 2011
Jun 2011	Papua New Guinea's Total External Exposure
Sep 2011	Monetary Policy Statement, September 2011
Dec 2011	The 2012 National Budget
Dec 2011	Monetary Policy Statement, March 2012
Mar 2012	Papua New Guinea's Total External Exposure
Sep 2012	Monetary Policy Statement, September 2012
Dec 2012	The 2013 National Budget
Mar 2013	Papua New Guinea's Total External Exposure
Sep 2013	Monetary Policy Statement, September 2013
Mar 2014	Papua New Guinea's Total External Exposure
Mar 2014	Monetary Policy Statement, March 2014
Jun 2014	Monetary Policy Statement, September 2014
Dec 2014	The 2015 National Budget
Mar 2015	Papua New Guinea's Total External Exposure
Dec 2015	The 2016 National Budget
Mar 2016	Papua New Guinea's Total External Exposure
Jun 2016	Monetary Policy Statement, September 2016
Dec 2016	The 2017 National Budget
	Monetary Policy Statement, March 2017
Mar 2017	Papua New Guinea's Total External Exposure
Sep 2017	Monetary Policy Statement, September 2017

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

LIST OF TABLES