



BANK OF PAPUA NEW GUINEA

MONETARY POLICY STATEMENT
BY THE GOVERNOR OF
THE BANK OF PAPUA NEW GUINEA,
MR. LOI M. BAKANI CMG

PORT MORESBY

31st March 2019

Queries on the contents of the Monetary Policy Statement (MPS) should be directed to the Manager, Economics Department on telephone number (675) 3227430 or Manager, Monetary Policy Unit on telephone number (675) 3227278, or both on fax number (675) 3200757. Copies of the Statement can be obtained from the Economics Department and are also available on the Bank's website: <http://www.bankpng.gov.pg>. It will be reproduced in the March 2019 issue of the Quarterly Economic Bulletin (QEB).

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 is expected to lead to:

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

Executive Summary

The external sector improved further in 2018 with a higher surplus in the overall balance of payments, compared to 2017, mainly driven by higher commodity prices of some major mineral and non-mineral export commodities. This more than offset the effect of lower volumes of other major export commodities, especially oil, gas and some mineral commodities, which resulted in increased export receipts. The volume effect of oil and gas, due to the earthquake in February 2018, had a direct bearing on real GDP growth as it has a large share of 35.0 percent of total GDP. Real GDP growth for 2018 is estimated by the Bank to be lower than its projections made in the September 2018 Monetary Policy Statement (MPS) and the Government's November 2018 projection of 0.3 percent stated in the 2019 National Budget.

There was an improvement in foreign exchange inflows in 2018, reflecting higher export receipts from the mineral and Agriculture/Fishery/Forestry (AFF) sectors and tax and dividend payments associated with increased earnings of mining, oil, and gas companies. The proceeds of the inaugural sovereign bond and external budget loans also contributed to these inflows. These, combined with Central Bank's interventions assisted in clearing a large portion of the outstanding orders for foreign currency. Consequently, the outstanding backlog declined significantly from K1,739.3 million in December 2017 to K445.4 million at the end of 2018, and to K320.1 million in February 2019. The average time taken for the orders to be served has declined from 5 months to less than 3 months over the same period.

The higher export receipts that contributed to the large current account surplus in 2018 did not translate into sufficient increase in inflows to the foreign exchange market, as was the case in previous years. If a significant portion or all of the export receipts were brought into the country, it would more than adequately cater for all the demand for foreign currency in the foreign exchange market. This is not happening because most of the export earnings in foreign currency are held in offshore foreign currency accounts, as allowed under various Project Development Agreements (PDAs).

This raises the crucial issue of commercial interests of natural resource developers versus national interests in the PDAs for extractive industry projects. The State Negotiation Team (SNT) should push for the country's national interest in their negotiations with project

developers, specified under the National Constitution as guiding principles in their negotiations.

The final budget outcome (FBO) of the National Government's fiscal operations for 2018 showed a budget deficit of K2,048.4 million or 2.5 percent of nominal GDP. Over the last seven years, the budget deficits under the Government's expansionary fiscal policy have been financed by increased borrowing, as revenue did not grow sufficiently to meet increased expenditures. As a result, total public debt continued to increase in 2018 to K25,606.6 million or 31.1 percent of GDP, and is planned to increase further in 2019. The continued high budget deficits and debt level are a cause of concern for fiscal sustainability and its impact on macroeconomic stability.

The conduct of monetary policy will include refinements to the Repo facility from uncollateralized to collateralized Repo and the introduction of Intraday Liquidity Facility, with the commercial banks. The Bank will use Open Market Operations (OMO) to sterilize excess liquidity, aimed at attaining a level of liquidity in the banking system that will trigger the transmission of policy rate to market interest rates.

Considering that annual headline inflation has declined from an average of 5.4 percent in 2017 to an average of 4.5 percent in 2018, and the Bank's forecasts of 4.0 percent for headline inflation, lower underlying inflation of 3.5 percent to 4.0 percent and other macroeconomic indicators for 2019, the Bank will maintain its stance of monetary policy for the next six months. The Bank will closely monitor the developments in inflation and other macroeconomic indicators, and adjust its stance as necessary to ensure that price stability is maintained.

Macroeconomic and Monetary Policy Developments and Outlook

1. Developments

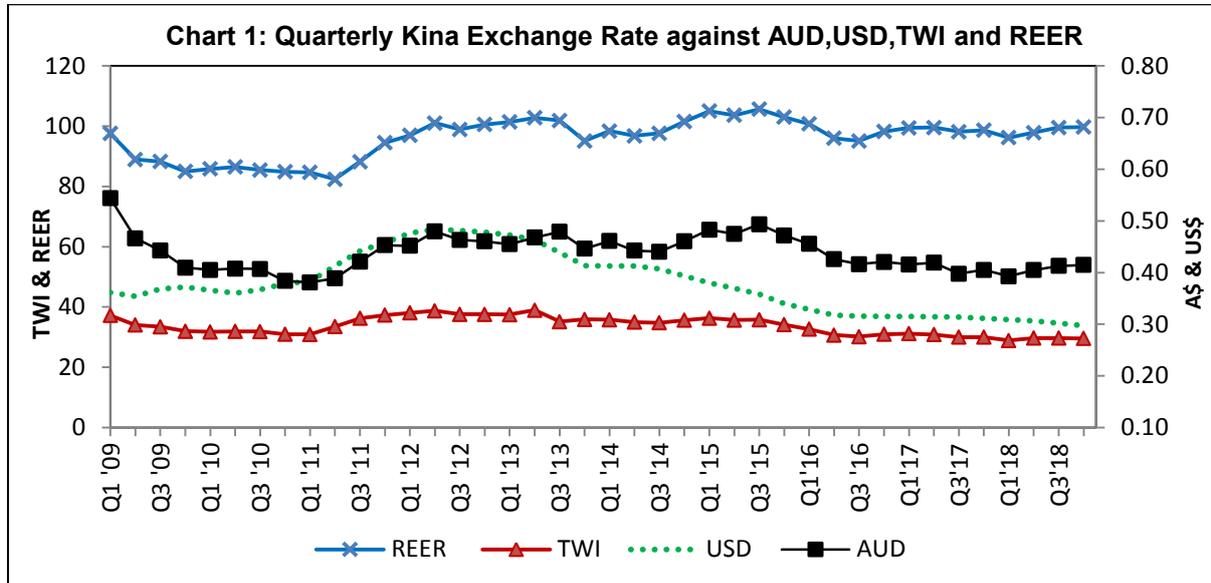
The external sector continued to improve in the second half of 2018, with increased production in the AFF sector, attributed to favourable prices of some of the major commodities and higher production for some of the agricultural export commodities, which more than offset a decline in mineral export volume, and resulted in a higher surplus in the overall balance of payments for 2018, as foreshadowed in the September 2018 MPS. Higher export receipts in the second quarter to fourth quarter of 2018 more than offset the fall in export earnings in the first quarter associated with the temporary shutdown of LNG and crude oil facilities and Porgera gold mine following the earthquake in February 2018. However, the disruption to mining, crude oil and gas production yielded an overall decline in the export volume of some major mineral commodities for 2018 and economic growth is estimated to be lower than earlier forecasted in the September 2018 MPS.

The increased production in the AFF sector, together with increased international prices of most of PNG's export commodities resulted in the balance of payments recording an overall surplus of K1,850.0 million in 2018, with a surplus in current account more than offsetting a deficit in the capital and financial account. It also resulted in the stable movement in the kina exchange rate in 2018.

The kina depreciated against the US dollar from US\$0.3095 at the end of December 2017 to US\$0.2970 at the end of December 2018. Over the March quarter of 2019, it depreciated further to US\$0.2965. The depreciation against the US dollar reflects the continued high import orders in the market. Against the Australian dollar, the kina appreciated from A\$0.3967 at the end of December 2017 to A\$0.4208 at the end of December 2018, and over the first quarter of 2019 it depreciated to A\$0.4195 (See Chart 1). The movement in the kina against the Australian dollar mainly reflected the strength of US dollar against the Australian dollar.

The Trade Weighted Index (TWI) increased by 0.4 percent in 2018, compared to a decline of 7.8 percent in 2017. Over the March quarter of 2019, it fell by 0.1 percent. The annual Real Effective Exchange Rate (REER) appreciated by 1.1 percent in the December quarter of 2018, compared to 0.4 percent in the December quarter of 2017, mainly due to the appreciation of the kina against the Australian dollar and higher domestic inflation relative to

inflation in PNG’s major trading partner economies, whilst it depreciated against the US dollar and other currencies.



Source: Bank of PNG

The projected real GDP growth for 2018 was revised downward to 0.3 percent by the Government in the 2019 National Budget passed by the National Parliament in November 2018, with the non-mineral sector growth projected at 3.1 percent. The Bank estimates real GDP growth to be lower than the Government’s forecast in 2018 due to the lower production of LNG, crude oil and gold as a result of the earthquake and lower production at Ramu Nickel and Cobalt mine. The non-mineral GDP growth is estimated by the Bank to be around the same rate as projected by the Government, mainly driven by the AFF and Asia-Pacific Economic Cooperation (APEC) related activities.

On the whole, the price effect of higher export prices more than offset lower export volume and resulted in increased export earnings. Combined with the inaugural sovereign bond proceeds, other external financing such as the World Bank and Asian Development Bank budget loans, and mineral tax and dividend payments to the National Government, these resulted in improved foreign exchange inflows and Government revenue. The Government’s ability to issue the inaugural sovereign bond in the international market is a reflection of investors’ confidence in the economy and its prospects.

These led to an improvement in the foreign exchange inflows and an increase in international reserves of the Central Bank. Subsequently, the market was able to clear a large part of the outstanding import orders as well from the interventions by the Central Bank. The

outstanding backlog was reduced from K1,739.3 million in December 2017 to K445.4 million at the end of 2018, and further declined to K320.1 million in February 2019. As a result, the average time taken for the orders to be served has lessened to less than 3 months over the same period. The Bank expects further improvement in the foreign exchange market in 2019, partly supported by intervention from the Central Bank. In the March quarter, the Bank intervened with a total of K724.3 (US\$214.9) million.

The final budget outcome of the National Government's fiscal operations for 2018 showed increased revenue and grants of K2,560.7 million to K14,085.8 million and expenditure of K2,814.5 million to K16,134.2 million, compared to 2017. This resulted in a deficit of K2,048.4 million which is 2.5 percent of nominal GDP, compared to the deficit of K1,794.7 million in 2017, which was 2.4 percent of nominal GDP. The deficit in 2018 is higher by K253.7 million, compared to 2017.

The increase in revenue came from tax and non-tax revenue, mainly mining and petroleum tax and dividends, respectively. The increase in expenditure was mainly for the recurrent expenditure constituting 70.0 percent while capital expenditure remained around 30.0 percent. The increase in revenue and drawdowns of external financing assisted the Government to maintain expenditures in priority areas such as health, education, infrastructure and APEC related activities.

Annual headline inflation for the December quarter of 2018 was 4.3 percent compared to 4.7 percent in the December quarter of 2017. The lower outcome was due to higher production and lower prices of seasonal produce mainly fruits and vegetables and betelnut, which more than offset the impact of the depreciation in kina and imported inflation on other consumer items in the CPI basket. Cheaper sources of imports and high competition in the retail and wholesale sector also contributed to relatively stable prices.

In consideration of the downward trend in annual headline inflation from an average of 5.4 percent in 2017 to an average of 4.5 percent in 2018, higher underlying inflation in 2018 and a downward revision of the Bank's headline inflation projections, the Bank maintained a neutral monetary policy stance by keeping the monthly policy signalling rate, the Kina Facility Rate (KFR), at 6.25 percent throughout 2018.

2. Issues

The increase in export earnings and the continued current account surplus has not translated into a significant increase in foreign exchange inflows into the foreign exchange market. In total, PNG's export earnings should more than adequately cover all the demand for foreign currency. This is not happening because various PDAs allow developers of the various extractive industry projects to have foreign currency accounts offshore. Most of the export earnings in foreign currency are held in offshore accounts and do not enter the foreign exchange market.

While there has been an improvement in the foreign exchange market especially in the second half of 2018, the imbalance in the supply of and demand for foreign exchange, although reduced, continues to persist in the first quarter of 2019. From the Bank's Business Liaison Survey (BLS), the private sector indicated that their orders are not met quickly or adequately served, and that AFEDs continue to ration foreign exchange to their clients. In addition, the inter-bank market continues to remain inactive as the AFEDs continue to meet their clients' import orders and not bring any surplus to the inter-bank market to assist those who are short of foreign exchange. This behaviour has affected the setting of the kina exchange rate in the inter-bank market.

The current policies in relation to the extractive industries give a lot of tax concessions to the project partners for the development of major projects in PNG. These tax concessions have resulted in lower foreign exchange and tax revenue to the Government. The Bank supports the Government's medium-term revenue strategy from 2018-2022 to review tax concessions. It is the Bank's firm view that the Papua LNG and Wafi-Golpu projects be included in this review so that much needed revenue for the Government can be raised. Other national interests must also be considered for inclusive growth (See Box 1).

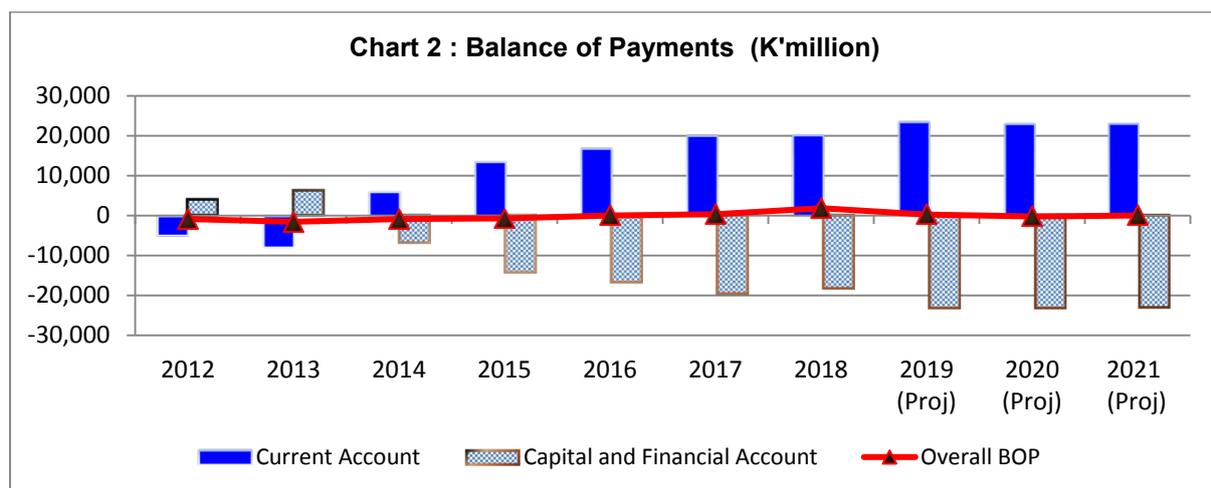
The Government's expansionary fiscal policies over the last seven years have been financed by increasing debt as lower growth in revenue was not able to meet the increase in expenditures. The high expenditure and increasing debt are causes of concern to fiscal sustainability and its impact on macroeconomic stability. Whilst the country's debt level has increased, its impact on growth and revenue generation remains very limited, with significant amount of expenditure going to recurrent expenditures over capital expenditures. This also raises the issue of debt sustainability given the lower rate of return on investments as indicated by lower growth in Government revenue. High investment in expanding the

productive capacity of the economy, including the export sector, to increase revenue raising activities combined with targeted expenditure to support related activities is critical for the Government to ensure sustainability of its fiscal operations in the medium term. These together with further reforms and adjustments in recurrent expenditure including the rationalizing of the public service will free up resources for productive use to stimulate economic activities, drive growth and therefore generate revenue for the Government to meet its future debt obligations.

The high Government expenditure in 2018 and planned increase in 2019, can lead to a further increase in the already high level of liquidity in the banking system. This increase in liquidity will continue to affect the transmission process as the link from the monetary policy rate to market interest rates remains weak. The way commercial banks set interest rates are also influenced by factors such as risks and perceptions which contribute to the weak transmission. Therefore, there continues to be wide disparity between the policy rate and market interest rates. In 2018, the Central Bank's intervention in supplying US dollar into the foreign exchange market diffused total kina liquidity of K2,314 (US\$695) million. There were also diffusions of K159.6 million through the Tap Facility for Government securities and K475.0 million transfers of Government funds from the commercial banks to the Central Bank under the Public Monies Management Regularization Act 2018. However, the absorption is not sufficiently large to reduce the high level of liquidity. Therefore, there needs to be better coordination between fiscal and monetary policies to manage excess liquidity in the banking system and improve the transmission of monetary policy.

3. Forecasts and Expectations

For 2019, it is projected that the overall balance of payments will be in a surplus of K246 million, with a surplus of K23,265 million in the current account attributed to higher commodity prices and production of most export commodities, more than offsetting a deficit of K23,019 million in the capital and financial account, associated with debt servicing by the Government and the partners of the PNG LNG project. Over the medium term, the overall balance of payments is projected to record a deficit in 2020 and a surplus in 2021. The projected deficit in the overall balance of payments in 2020 will be driven by a deficit in the capital and financial account, mainly relating to Government's external debt service payments, while the surplus in 2021 is associated with higher prices and production of mineral and non-mineral commodities (See Chart 2). This outlook would improve if the development of Papua LNG, Pasca A, P'nyang, Frieda River and Wafi-Golpu projects take place and if prices of oil and mineral commodities increase further.

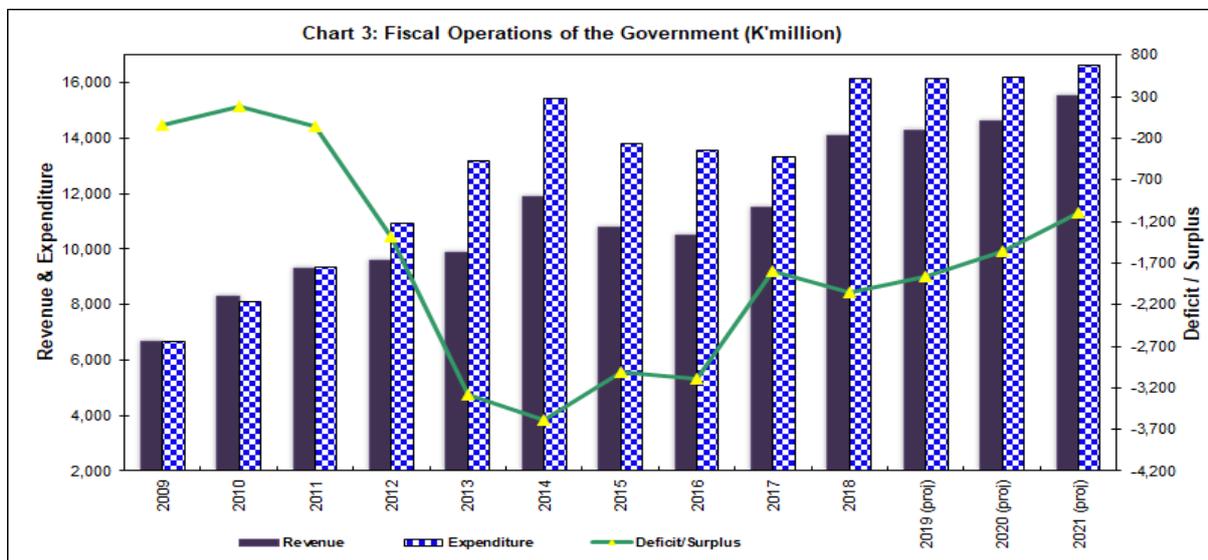


Source: Bank of PNG

As at 31st December 2018, the level of gross foreign exchange reserves was US\$2,214.8 (K7,457.1) million, sufficient for 6.7 months of total and 14.9 months of non-mineral import covers. It is projected that the level of foreign exchange reserves will be US\$2,287.8 (K7,703.0) million at the end of 2019 (See Appendix Table 2). The increase is expected mainly from improvement in inflows from mining and petroleum tax (MPT), dividends from the State's share in the mining and petroleum projects, royalty and development levy from the PNG LNG Project and drawdown of external budget financing.

In the 2019 National Budget, the planned expenditure is K16,133.5 million and revenue is K14,266.8 million, giving a deficit of K1,866.7 million, equal to 2.1 percent of nominal GDP

(See Chart 3). To finance the deficit, the Government intends to raise funds entirely from external sources. External financing comprises budget loans from the World Bank of US\$50.0 million and the ADB of US\$100.0 million, concessional project loans of US\$250.0 million, and other bilateral loans of US\$300.0 million. Net external borrowing of K2,496.1 million will cover the total budget deficit of K1,866.7 million, and the balance of K629.4 million will be used to retire domestic debt. The financing also includes a planned carry-over balance of K640.0 million from the sovereign bond proceeds in 2018. In addition, if the Government is not able to raise sufficient revenue and external budget financing requirements for 2019, this may lead to increase in domestic debt financing. With concerns of increasing public debt, the Government will have to be more prudent in managing its expenditure in 2019, according to its medium-term fiscal strategy.



Source: 2019 Budget and 2018 FBO

Total public debt for 2019 is projected to be K27,322.2 million or 30.8 percent of GDP, compared to K25,606.6 million (31.1 percent of GDP), in the 2018 final budget outcome. The total debt stock comprises K15,940.3 million in domestic debt and K11,381.8 million in external debt.

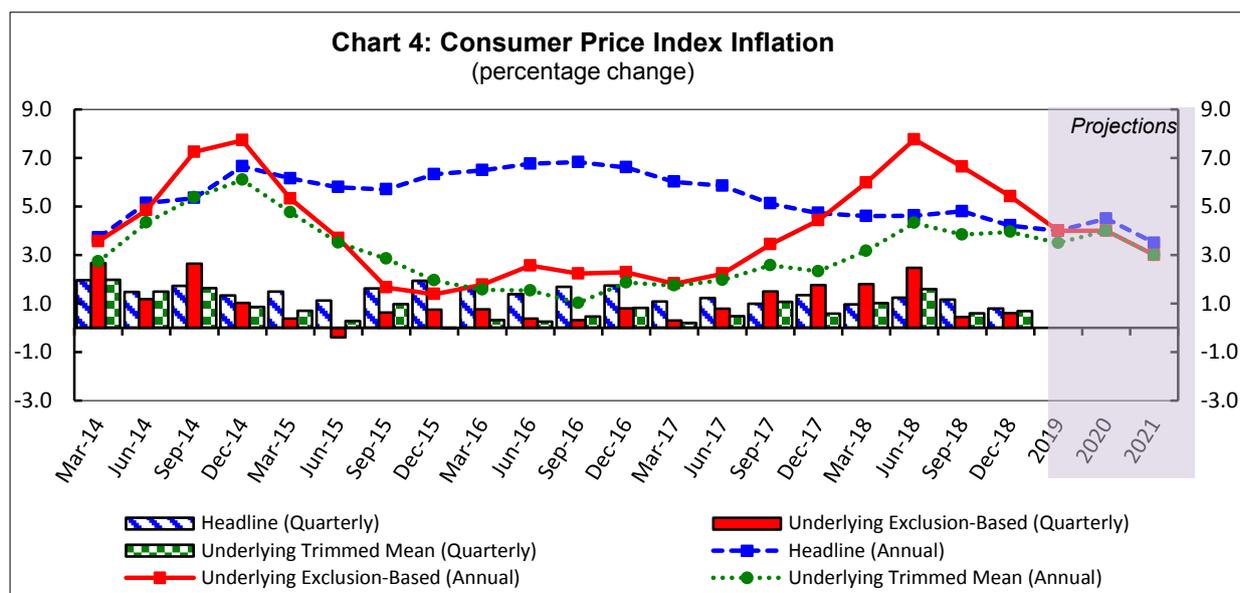
Real GDP growth in 2019 is projected by the Bank to be higher than Government's 2019 Budget forecast of 4.0 percent. This growth is expected to be driven by full-year production of LNG and crude oil, after the disruption to production in 2018 from the earthquake. Mineral production is also expected to contribute to this growth with higher production of nickel, cobalt, gold and copper. Non-mineral GDP growth is expected to be around 2.0 percent, mainly driven by increasing activity in the AFF sector, with higher production of cocoa, palm

oil and log exports; and manufacturing, public utilities and the communications sectors. The commerce, construction and service sectors are expected to grow at a lower pace following the completion of APEC meetings in 2018. Projected growth in private sector credit of 7.2 percent will support this growth in the non-mineral sectors. Over the medium term, growth is expected to be driven by the non-mineral sectors whilst LNG production is expected to be around levels prior to the earthquake in 2018. The overall growth can be higher if Papua LNG, Pasca A, P’nyang, Frieda River and Wafi-Golpu projects reach construction stage.

Annual headline inflation for 2019 is projected by the Bank to be around 4.0 percent and the trimmed and exclusion-based measures of inflation to be around 3.5 percent and 4.0 percent, respectively. This projection takes into account some depreciation of the kina, lower imported inflation and domestic demand, cheaper imports from alternative sources and increased competition. Over the medium term, the Bank projects annual headline inflation to be around 4.5 percent in 2020 and 3.5 percent in 2021 (See Chart 4).

The risks to these projections include the following:

- Higher than expected imported inflation;
- Government spending over and above the budget and its impact on import demand;
- Faster pace of kina depreciation; and
- Unforeseen domestic supply and demand shocks.



Source: National Statistics Office (NSO) & Bank of PNG

The Bank forecasts an increase of 4.2 percent in broad money supply for 2019, compared to a decline of 4.0 percent in 2018. This is due to a projected increase in net foreign assets of the banking system of 4.8 percent and 4.2 percent increase in net domestic assets. The increase in net foreign assets is expected from higher export receipts stemming from higher prices and production of export commodities, increased mining and petroleum taxes and dividends, and inflows from external financing sources. The projected increase in net domestic assets will come from higher net claims on the Central Government of 0.6 percent, and private sector credit growth of 7.2 percent. The growth in the private sector credit is associated with the pick-up in economic activity and an improvement in the foreign exchange market in 2019. The monetary base is projected to increase by 4.1 percent compared to a decline of 1.6 percent in 2018, influenced by the expected increase in net foreign assets and net claims on Government. The Bank considers these growths in the monetary aggregates to be sufficient to support economic activity in the non-mineral private sector. Considering that there is excess capacity in the economy as indicated by the actual output being below the potential level, there is still scope for more increase in domestic activity and economic growth without being inflationary.

4. Monetary Policy Stance and Conduct

The Central Bank maintained a neutral monetary policy stance over the six months to March 2019 by keeping the policy signalling rate, the monthly Kina Facility Rate (KFR), at 6.25 percent. In deciding the stance of policy, the Bank took into consideration the downward trend in headline inflation outcomes, stable outlook for headline inflation, and the relative stability of the kina exchange rate over the six months to March 2019. While these factors point to easing of the policy rate, the increase in underlying inflation outcomes indicate increasing inflationary pressures and therefore the Bank maintained a neutral stance. Annual headline inflation is projected to remain relatively stable at 4.0 percent in 2019, and the underlying inflation to slightly ease to 3.5 percent for trimmed mean and 4.0 percent for exclusion-based.

Considering the easing in headline and underlying inflation and the forecasts of other macroeconomic indicators, the Bank will continue to maintain its stance of monetary policy for the next six months. The Bank will closely monitor these developments and their impact on inflation and other macroeconomic indicators, and adjust its stance as necessary to ensure that price stability is maintained.

Monetary policy will still be managed within the reserve money framework but with a focus on influencing market interest rates to better align with the policy rate. This involves managing liquidity through Open Market Operations (OMO) to influence short-term interest rates that would in turn affect reserve and broad money towards achieving the Bank's mandated goal of price stability to support economic growth. The conduct of monetary policy will now include refinements to the Repo facility from uncollateralized to collateralized Repo with the commercial banks as well as a new overdraft facility, the Intraday Liquidity Facility (ILF).

The conduct of monetary policy will also involve better linking OMO to the reserve money framework, as part of the Bank's effort to improve the transmission of monetary policy. With the expected increase in Government's spending and its contribution to a build-up in liquidity in the banking system, the Bank will continue to use its OMO to sterilize excess liquidity. Careful sterilization of excess liquidity would aim at attaining a level of liquidity in the banking system that will trigger the transmission of policy rate to market interest rates through the use of the inter-bank market and the Repo. The absorption of excess liquidity can be costly for the Bank and therefore a close coordination between fiscal and monetary

policies is important to ensure that the Bank achieves its objective of price stability whilst ensuring overall macroeconomic stability.

The MPS provides the overall policy stance for the next six months, while the monthly policy rate signals this stance or any changes through an announcement by the Bank. Following the announcement, OMO are conducted to implement the policy stance. This involves the auction of Central Bank Bills (CBB), Treasury bills and Treasury bonds to Other Depository Corporations and the general public and Repo transactions with commercial banks.

The Central Bank will continue to use CBBs and Government securities as instruments to manage liquidity in the banking system, and may make changes to the direct instrument of Cash Reserve Requirement (CRR), if necessary.

Box 1: Extractive Industry Project Development Agreements

The development of major mineral projects in PNG involves Project Development Agreements (PDAs) between the State and developers. Starting with the Bougainville Copper mine in 1967 up to the first LNG project in 2010, the mining/oil/gas has become the biggest sector and the major contributor to export revenue and GDP.

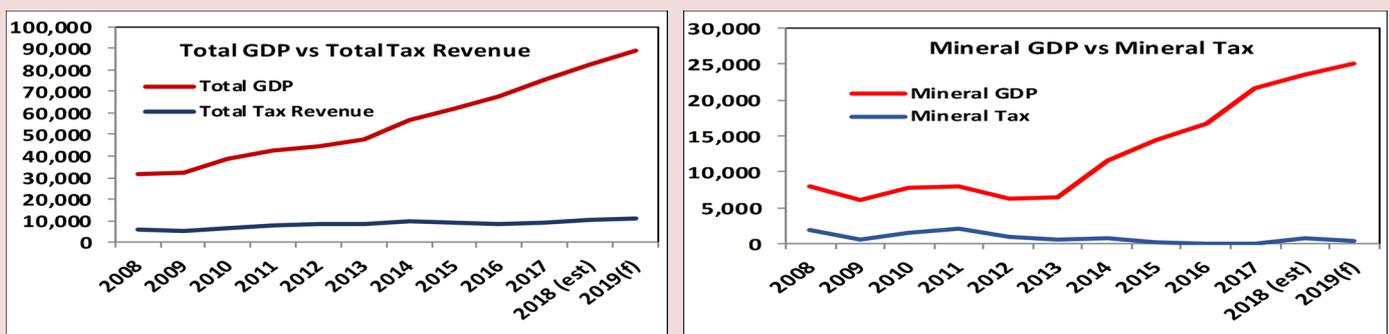
The existing legislations and policies regarding development of the extractive industry do not clearly provide for national interest that is anchored in the National Goals and Directive Principles under Section 25 of the National Constitution, to guide the Government in negotiating better terms of the PDAs. Over the years, the State Negotiating Team (SNT) have not fully pursued the national interest for all PDAs. The SNT with the support of technical expertise should effectively negotiate for national interest with the developers, after wider public consultation and input.

With the proposed development of the Papua LNG and others in the near future, the Government is obligated to negotiate mutually beneficial tax concessions and other benefits. The Central Bank encourages the Government to improve its capacity and governance framework, and financial benefits as per the Medium Term Revenue Strategy (2018-2022). This includes the following:

- a. Introduce Capital Gains Tax on real property including mining and petroleum licenses
- b. Reform of the current Extractive industries fiscal regime
- c. Review of tax incentives
- d. Domestic Market Obligation (DMO) to secure gas for domestic use
- e. Third Party Access to allow development of other resources

From the experience of PNG LNG Project, the Central Bank has serious concerns about the broad exemptions and concessions given to that project, pertaining to taxes, exchange control and foreign currency provisions as well as the confidentiality clause. These provisions under the PNG LNG Gas Agreement rendered the Central Bank ineffective in the enforcement of certain provisions of the Exchange Control Regulation, and consequently the PNG economy has missed out on foreign exchange inflows, tax receipts, and other matters of national interest. The Government must not repeat these for the Papua LNG Project and other future projects.

Chart: Tax receipt and nominal GDP in Kina Million



Source: Department of Treasury & Bank of PNG forecast

The charts depict the divergence between GDP and tax revenue. They show the stagnation in both mineral tax and total tax revenue.

Going forward, the Central Bank supports Government’s initiative to standardize the fiscal regime that is internationally competitive and applies to PDAs as well to ensure that national interest is fully accommodated. As part of the process to ensure transparency and accountability, PDA documents must be made accessible to the public. It should also introduce an effective audit regime for all mineral projects, as well as legislate the state negotiating process to ensure the process is not circumvented.

Appendix

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

INDICATORS	2015 (actual)	2016 (actual)	2017 (actual)	Sep 2018 (MPS)	Actual to Dec 2018	2019 (proj)	2020 (proj)	2021 (proj)
Broad Money Supply	8.0	10.9	-0.7	5.0	-4.0	4.2	3.5	5.7
Monetary Base	-2.2	24.4	-16.6	5.3	-1.6	4.1	5.8	5.6
Claims on Private Sector	3.4	6.9	-3.4	7.5	7.0	7.2	5.7	6.0
Net Claims on Government	40.1	49.6	9.5	-28.4	-33.8	0.6	-13.3	1.0
Net Foreign Assets	-8.4	-18.1	8.2	30.9	26.7	4.8	-2.6	0.8

Table 2: Summary of Other Macroeconomic Indicators

CONSUMER PRICE INDEX (CPI) (annual % changes)								
Headline	6.4	6.6	4.7	4.5	4.3	4.0	4.5	3.5
Trimmed mean	2.3	1.9	2.3	4.0	4.0	3.5	4.0	3.0
Exclusion-based	1.5	2.2	4.3	4.0	5.5	4.0	4.0	3.0
BALANCE OF PAYMENTS (kina millions)								
Current Account	13,392.0	16,650.0	19,665.4	23,840.0	20,047.0	23,265.0	22,859.0	22,904.0
Capital & Financial Account	-14,188.0	-16,632.0	-19,436.0	-21,345.0	-18,196.0	-23,019.0	-23,096.0	-22,870.0
Overall Balance	-753.0	31.0	350.3	2,495.0	1,850.0	246.0	-236.0	34.0
Gross International Reserves	5,227.0	5,257.0	5,607.7	8,201.0	7,457.0	7,703.0	7,467.0	7,501.0
IMPORT COVER (months)								
Total	10	7.2	5.5	7.7	6.7	6.2	5.7	5.6
Non-mineral	15.8	12.6	9.7	13.8	14.9	12.1	10.6	10.1
EXPORT PRICE								
Crude Oil (US\$/barrel)*	51.6	42.1	54.1	69.0	69.0	69.1	69.1	69.2
Gold (US\$/ounce)	1,147.6	1,199.2	1,227.6	1,251.3	1,227.4	1,228.7	1,229.9	1,231.1
Copper (US\$/pound)	262.4	227.4	274.7	309.7	291.5	292.9	294.1	295.0
Nickel (US\$/tonne)	11,568.9	9,521.9	10,192.8	13,497.8	12,650.0	12,663.5	12,676.2	12,688.8
Cobalt (US\$/tonne)	28,178.0	25,725.8	55,901.2	82,174.7	58,937.8	58,996.8	59,586.7	60,182.6
LNG (US\$/mmbtu)	9.7	6.8	7.9	9.2	10.4	10.5	10.6	10.7
Condensate (US\$/barrel)	51.0	50.7	54.8	72.7	70.4	71.1	71.8	72.5
FISCAL OPERATIONS OF THE GOVERNMENT**								
Surplus/Deficit (K'million)	-2,785.7	-3,086.9	-1,794.7	1,987.2	-2,048.4	-1,866.7	-1,558.9	-1,389.4
% of GDP	-4.5	-4.6	-2.4	-2.4	-2.5	-2.1	-1.6	-1.3
REAL GROSS DOMESTIC PRODUCT (annual % growth)***								
Total GDP	10.5	2.0	3.0	1.0	0.3	4.0	3.2	4.5
Non-mineral GDP	0.7	0.7	0.2	2.8	3.1	3.1	5.4	4.9

Source: Bank of PNG, NSO and Department of Treasury

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

** 2018 figures are from the 2018 Final Budget Outcome, while 2019 to 2021 projections are from the 2019 National Budget.

*** GDP figures for 2015 to 2021 are from the 2019 National Budget.