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**PORT MORESBY**  
13<sup>th</sup> August 2019

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## 1. GENERAL OVERVIEW

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Economic indicators available to the Bank of Papua New Guinea (the Bank) show that economic activity improved in the March quarter of 2019. The improvement was mainly driven by higher production and export of LNG and condensate, and other mineral export commodities as well as some of the non-mineral exports. Increase in private sector employment and credit, and higher Government expenditure are all indicative of increased economic activity. During the quarter, the average daily kina exchange rate depreciated against most major currencies, including the United States (US) dollar. The movements of these currencies resulted in a fall of the Trade Weighted Index (TWI) by 0.3 percent to 29.39. Annual headline inflation to March 2018 was 4.5 percent, compared to 4.3 percent in the previous quarter. The Bank maintained the monthly Kina Facility Rate (KFR) at 6.25 percent in the March quarter of 2019.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the private sector increased by 11.3 percent in the December quarter of 2018, compared to an increase of 3.1 percent in the September quarter of 2018. Excluding the mineral sector, sales increased by 6.7 percent, compared to an increase of 5.0 percent in the previous quarter. By sector, sales increased in all sectors except the agriculture/forestry/fishing sector. By region, sales increased in all regions except the Momase region. In 2018, total sales increased by 4.4 percent, compared to a decline of 7.7 percent in 2017. Excluding the mineral sector, sales increased by 0.7 percent, compared to an increase of 1.0 percent in 2017.

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 1.8 percent in the March quarter of 2019, compared to an increase of 1.9 percent in the December quarter of 2018. Excluding the mineral sector, the level of employment increased by 2.0 percent. By sector, the level of employment increased in the manufacturing, agriculture/forestry/fishing, financial/business and other services, wholesale and the mineral sectors, while it declined in the transportation, retail and construction sectors. By region, the level of employment increased in all regions, except the Highlands, which recorded a marginal decline. Over the year to March 2019, the total level of employment increased by 3.8 percent, compared to a decline of 4.6 percent in the corresponding

period of 2018. Excluding the mineral sector, employment increased by 1.5 percent over the year to March 2019, compared to a decline of 5.5 percent in the corresponding period of 2018.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 0.7 percent in the March quarter of 2019, compared to an increase of 1.3 percent in the December quarter. By expenditure group, price increases were recorded in the 'Restaurants and Hotels', 'Education', 'Transport' 'Food and Non-alcoholic Beverages', 'Recreation' and 'Housing' expenditure group, while 'Health', 'Miscellaneous', 'Household Equipment', 'Alcoholic Beverages, Tobacco and Betelnut' expenditure groups declined. By urban centre, prices increased in all surveyed centres. Annual headline inflation was 4.5 percent in the March quarter of 2019, compared to a revised increase of 4.8 percent in the December quarter of 2018.

During the March quarter of 2019, the average daily kina exchange rate depreciated against all the major currencies. It depreciated against the euro by 6.1 percent to " 0.2613, pound sterling by 5.3 percent to £0.2281, yen by 4.7 percent to ¥32.6844, Australian dollar by 3.0 percent to AU\$0.4170, and the US dollar by 0.8 percent to US\$0.2968.

The weighted average kina price of Papua New Guinea's exports, excluding LNG, decreased by 3.7 percent in the March quarter of 2019, compared to the corresponding quarter of 2018. The weighted average kina price of mineral exports declined by 3.6 percent, reflecting lower kina prices for all mineral commodities, except for gold. For agricultural, logs and marine product exports, the weighted average kina price decreased by 4.4 percent, due to lower prices for copra, copra oil, palm oil, rubber and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports decreased by 11.4 percent in the March quarter of 2019, compared to the corresponding quarter of 2018. Lower international prices accounted for the decline.

The balance of payments recorded a deficit of K508 million in the March quarter of 2019, compared to a deficit of K177 million in the corresponding quarter of 2018. A higher deficit in the capital and financial account more than offset a surplus in the current account.

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The current account recorded a surplus of K5,891.6 million in the March quarter of 2019, compared to a surplus of K3,954 million in the corresponding quarter of 2018. This was due to a higher trade account surplus and net transfer receipts, which more than offset net service and income payments.

The capital and financial account recorded a deficit of K6,398.7 million in the March quarter of 2019, compared to K4,132 million in the corresponding quarter of 2018. This was due to higher net outflows from direct and other investments reflecting equity withdrawals and build-up in foreign currency account balances of mining, oil and LNG companies covered under the Project Development Agreements.

The level of gross foreign exchange reserves at the end of March 2019 was K6,899.7 (US\$2,177.2) million, sufficient for 5.5 months of total and 11.8 months of non-mineral import covers.

Although, the headline inflation indicated an easing trend since the September quarter of 2018, continued high Government expenditure and pressure in the foreign exchange market and their negative impact on the exchange rate and inflation were still a concern. The Bank, therefore took a cautious stance by maintained the monthly Kina Facility Rate (KFR) at 6.25 percent throughout the first quarter of 2019. The dealing margins for the Repurchase Agreement (Repos) were maintained at 100 basis points on both sides of the KFR.

The average level of broad money supply (M3\*) decreased by 0.4 percent in the March quarter of 2019, following a decrease of 1.9 percent in the December quarter, 2018. This outcome was due to a decline in average net domestic assets (NDA), which more than offset an increase in average net foreign assets (NFA) of the banking system. Average net domestic claims outstanding, excluding net claims on the Central Government, decreased by 0.6 percent in the March quarter of 2019, following a decline of 0.1 percent in the December quarter, 2018. This was driven by decreases in average net claims of public non-financial corporations and the private sector, which more than offset an increase in average net claims of other financial corporations.

The NFA of the financial corporations, comprising DCs and Other Financial Corporations (OFCs), decreased by 6.0 percent to K8,169.1 million in the March quarter

of 2019, compared to an increase of 18.0 percent in the previous quarter. There were decreases in the NFA of the Central Bank and ODCs, which more than offset an increase at OFCs. The decrease at the Central Bank mainly reflected outflows relating to external debt service payments as well as Central Bank's intervention in the foreign exchange market, whilst the decline at ODCs reflected a decrease in holdings of foreign assets.

Net claims on the Central Government by FCs increased by K845.3 million to K12,423.6 million in the March quarter of 2019, compared to a decrease of K1,391.2 million in the previous quarter. This mainly resulted from net issuance of government securities combined with a declined in Government deposits.

In the March quarter of 2019, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local level Governments' increased by K107.0 million to K17,542.7 million, compared to a decrease of K218.0 million in the previous quarter. This was driven by an increase of K104.7 million in private sector credit. The increase in private sector credit was broad based across sectors, with notable increase in advances to the manufacturing, transport, communication, agriculture and service sectors.

Preliminary estimates of the fiscal operations of the National Government over the three months to March 2019 show a higher deficit of K1,212.6 million, compared to the deficit of K282.4 million in the corresponding period of 2018. This represents 1.4 percent of nominal GDP.

Total tax revenue was K2,060.1 million, 5.8 percent higher than in the corresponding period of 2018 and represents 19.1 percent of the 2019 Budget. Direct tax receipts totalled K1,041.9 million, 4.4 percent higher than in the same period of 2018 and represents 15.8 percent of the 2019 Budget. The increase reflected higher personal tax from increase in salaries of public servants and company taxes. Total expenditure for the period was K3,341.0 million, 24.3 percent higher than in the corresponding period of 2018 and represents 20.7 percent of the 2019 Budget.

As a result of these developments in revenue and expenditure, the Government recorded a budget deficit of K1,212.6 million. The deficit was financed mainly from domestic sources of K1,166.9 million, and K45.7

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million from external sources. The net domestic financing comprised of K1,979.8 million from other resident sectors, and K479.7 million from Other Financial Corporations, which more than offset net retirements of K1,024.7 million and K267.9 million by the Bank of PNG and Other Depository Corporations, respectively. The external financing was from concessional sources.

Total public (Government) debt outstanding as at the

end of March 2019 was K27,566.3 million, an increase of K1,959.7 million from end of 2018, reflecting increases in both domestic and external debt levels during the quarter.

Total Government deposits at depository corporations declined by K459.7 million to K3,249.1 million at the end of March 2019, compared to the deposit level at the end of December 2018.

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## 2. INTERNATIONAL DEVELOPMENTS

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Global economic activity has stabilised but remains weak in the first quarter of 2019, following a notable slowdown in the second half of 2018. Growth outcomes were mixed across economies during the quarter with advanced economies performing relatively better than emerging market and developing economies. In the United States (US), growth improved in the first quarter despite the escalating trade war with China and the US Government shutdown at the beginning of the year. In United Kingdom (UK), growth also improved due to private consumption, government spending and gross capital formation. In Japan, growth was attributed to the Government's spending on public investment. In the euro area, growth reflected strong performance from Italy, France and Spain. Growth in the emerging market and developing economies were driven mainly by China as a result of strong exports, increased retail sales and fixed asset investment. According to the International Monetary Fund (IMF) World Economic Outlook update for April 2019, the global economy is estimated to grow by 3.3 percent in 2019.

In January, the World Economic Forum held its 49<sup>th</sup> annual meeting in Davos, Switzerland on the theme 'Globalization 4.0: Shaping a Global Architecture in the Age of the Fourth Industrial Revolution'. Leaders discussed several key issues including 'Building a new economy and society', 'Environmental Stewardship', 'Public-Private Cooperation' and the 'Centre for the Fourth Industrial Revolution'. On 'Building a new economy and society', they discussed reskilling and upskilling of workers with pledges made to train 17 million people globally, while commitments were made to support public-private partnership in Argentina, India, Oman and South Africa. On the issues relating to electronic waste under the 'Environmental Stewardship', the Forum's Centre for Global Public Goods initiated an electronic waste recycling project in Nigeria and sought funding support of US\$2.0 million from Global Environment Facility with an additional pledge of US\$13.0 million from global businesses to implement the project. On 'Public-Private Cooperation', mental health issues were dedicated US\$260.0 million over the next five years to improve research and understanding on depression and anxiety. In regards to the 'Centre for the Fourth Industrial Revolution', leaders noted that its network has grown to more than 100 businesses and

governments including five G7 nations with Israel, Columbia and the United Arab Emirates to open affiliate Centres.

In February, the International Energy Agency (IEA), International Energy Forum (IEF) and the Organisation of the Petroleum Exporting Countries (OPEC) convened for the 9th Symposium on Energy Outlook in Riyadh, Saudi Arabia. The symposium discussed the changing forecasts of supply and demand for oil, different views on global energy transition and how to ensure adequate supplies of oil and gas are maintained. Going forward, the forum called for cooperation, commitment and collaboration from different agencies to ensure that risks of greater impact on the global economy is minimised.

In March, the Asia Pacific Economic Cooperation (APEC) Senior Officials Meeting (SOM) was held in Santiago, Chile. The meeting discussed prospects for further trade integration within APEC economies emphasising that this would have minimal negative impact on economic growth due to the robust domestic consumption of member economies. Recommendations include tariff reduction to boost regional growth and policies aimed to promote economic inclusion and grow the middle class by supporting small and medium-sized enterprises, women-led businesses and business' potential in the digital economy space.

In the US, real GDP increased by 3.1 percent over the year to March 2019, compared to a growth of 2.2 percent over the same period in 2018. The growth was driven by higher government and consumer spending. The IMF forecasts real GDP growth at 2.3 percent in 2019.

Industrial production grew by 2.9 percent over the year to March 2019, compared to a growth of 4.3 percent over the same period in 2018. The lower growth reflected the stagnant manufacturing sector and lower mining production due to the slowdown in global demand and the impact of the US-China trade tensions. The Purchasing Managers Index (PMI) decreased to 55.3 in March 2019, compared to 59.3 in March 2018. This outcome reflected lower manufacturing output. Retail sales rose by 3.8 percent over the year to March 2019, compared to 4.5 percent in the corresponding period of 2018 as a result of increased spending on automobile, gasoline, furniture and clothing. The unemployment rate was 3.8 percent in March 2019,

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lower than 4.1 percent in March 2018 indicating improved employment opportunities.

Consumer prices increased by 1.9 percent over the year to March 2019, compared to an increase of 2.4 percent over the corresponding period in 2018. This lower outcome reflected a fall in energy prices. Broad money supply increased by 1.9 percent over the year to March 2019, compared to 4.0 percent over the corresponding period in 2018. The Federal Reserve Bank maintained the federal funds rate at 2.5 percent in the March quarter of 2019, since the December quarter of 2018 reflecting a cautious stance in light of improving labour market conditions, stronger real GDP, increases in household and business investment spending and lower inflation outcomes in the March quarter.

The trade deficit narrowed slightly to US\$154.6 billion over the year to March 2019, compared to US\$159.6 billion over the corresponding period in March 2018.

In Japan, real GDP grew by 2.2 percent over the year to March 2019, compared to a decline of 0.8 percent over the same period in 2018. The growth reflected higher investment in water, sanitation, transport and communication, which more than offset a decline in exports. The IMF forecasts real GDP growth at 1.0 percent in 2019.

Industrial production declined by 4.3 percent over the year to March 2019, compared to an increase of 2.4 percent over the same period in 2018. The decrease was attributed to a drop in factory output. Retail sales increased by 1.0 percent over the year to March 2019, compared to an increase of 2.4 percent over the same period in 2018 reflecting weaker consumer spending. The unemployment rate increased by 2.5 percent in March 2019, the same as period in March 2018.

Consumer prices increased by 0.5 percent over the year to the March quarter 2019, compared to an increase of 1.1 percent over the corresponding period in 2018. The lower inflation outcome was due to lower prices for fuel, water, transport and communication. Broad money supply (M3) increased by 2.4 percent over the year to March 2019, compared to an increase of 2.6 percent over the same period in 2018. The Bank of Japan maintained its policy rate at negative 0.1 percent in the March quarter of 2019 as it continued to purchase government bonds worth about 80 trillion yen annually in efforts to keep inflation low and encourage investment.

The trade balance improved to a lower deficit of US\$51.8 billion over the year to March 2019, compared to a trade deficit of US\$79.5 billion over the corresponding period in 2018. The deficit was attributed to the impact of US-China trade tensions which resulted in lower imports relative to exports.

In the euro area, real GDP grew by 1.2 percent over the year to March 2019, compared to 2.5 percent over the same period in 2018. The lower growth reflected lower domestic demand and gross fixed capital formation and a slowdown in exports. The IMF forecasts real GDP growth by 1.3 percent in 2019.

Industrial production fell by 0.6 percent over the year to March 2019, compared to an increase of 3.0 percent over the same period in 2018. The fall largely reflected a reduction in the production of energy, durable consumer goods and intermediate inputs as a result of a slowdown in global growth. The unemployment rate fell to 7.7 percent in the March quarter 2019, from 8.5 percent over the corresponding quarter in 2018 due to improvements in employment opportunities in Germany, Netherlands, Greece, Cyprus and Estonia.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, increased by 1.4 percent over the year to March 2019, compared to an increase of 1.3 percent over the same period in 2018. Broad money supply increased by 5.1 percent over the year to March 2019, compared to an increase of 3.7 percent over the corresponding period in 2018. The European Central Bank maintained its refinancing rate at zero percent in the March quarter.

The trade surplus increased to US\$313.5 billion over the year to March 2019, compared to US\$283.4 billion over the corresponding period in 2018, reflecting higher exports relative to imports.

In the United Kingdom (UK), real GDP growth increased by 1.8 percent over the year to March 2019, compared to 1.2 percent in the corresponding period of 2018. The higher growth reflected increased household expenditure, government spending, and fixed investment as well as improvement in the service industry. The IMF forecasts real GDP to grow by 1.2 percent in 2019.

Industrial production increased by 1.3 percent over the year to March 2019, compared to an increase of 2.9

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percent over the corresponding period of 2018. Lower production was in the mining and quarrying and manufacturing sectors. Retail sales increased by 6.7 percent over the year to March 2019, compared to 1.1 percent over the corresponding period in 2018, mainly driven by higher demand for food. The unemployment rate fell further to 3.8 percent in March 2019, from 4.2 percent in March 2018.

Consumer prices increased by 1.9 percent over the year to March 2019, compared to 2.5 percent over the same period in 2018. The lower outcome was due to fall in prices of recreational and cultural goods, food and motor vehicle expenditure. Broad money supply increased by 2.2 percent over the year to March 2019, the same as in the corresponding period of 2018. The Bank of England maintained its policy rate at 0.75 percent in March 2019.

The trade account deficit widened to US\$26.1 billion over the year to March 2019, compared to a deficit of US\$5.3 billion over the corresponding period in 2018. The higher than expected deficit reflects the significant rise in imports of unspecified goods which included non-monetary gold.

In China, real GDP grew by 6.4 percent over the year to March 2019, from 6.8 percent over the same period in 2018. Growth was supported by higher industrial output and strong consumer demand as well as favourable credit policies that stimulated private sector lending. The IMF forecasts real GDP to grow by 6.3 percent in 2019.

Industrial production increased by 8.5 percent over the year to March 2019, compared to an increase of 6.0 percent in the same period of 2018. The increase reflected higher production of transport equipment, machinery, ferrous metals, textiles and chemicals. Retail sales grew by 8.7 percent over the year to March 2019, compared to 10.1 percent over the same period in 2018. The unemployment rate was 3.7 percent in March 2019, compared to 3.9 percent in March 2018.

Consumer prices rose by 1.8 percent over the year to March 2019, compared to an increase of 2.1 percent over the same period in 2018. Broad money supply increased by 8.0 percent over the year to March 2019, compared to an increase of 8.2 percent over the corresponding period in 2018. The People's Bank of China maintained its policy rate at 4.35 percent in the March quarter of 2019, and lowered the reserve

requirement ratio for all commercial banks to 13.5 percent from 14.5 percent.

The trade account surplus increased to US\$750.4 billion over the year to March 2019, compared to a surplus of US\$409.5 from the corresponding period in 2018. The higher surplus was attributed to the rise in exports as companies rushed export shipments to avoid higher tariffs threatened by the US administration.

In Australia, real GDP grew by 1.8 percent over the year to March 2019, compared to 3.1 percent over the same period in 2018. The lower growth reflected a slowdown in household consumption and mining investment. The IMF forecasts real GDP to grow at 2.1 percent 2019.

Industrial production increased by 1.2 percent over the year to March 2019, compared to an increase of 4.3 percent over the same period in 2018. The lower growth reflected a fall in output from the manufacturing, mining and utilities sectors. Retail sales grew by 3.0 percent over the year to March 2019, compared to an increase of 2.6 percent over the corresponding period in 2018. The unemployment rate increased to 5.1 percent in March quarter of 2019, from 5.5 percent in March 2018.

Consumer prices increased by 1.3 percent in the March quarter of 2019, compared to an increase of 1.9 percent over the corresponding period in 2018. Broad money supply increased by 3.9 percent over the year to March 2019, compared to an increase of 3.8 percent over the corresponding period in 2018. The Reserve Bank of Australia maintained its official cash rate at 1.5 percent in the March quarter of 2019 taking into account the subdued outlook for inflation and expectations of easing in monetary policy in a number of advanced economies.

The trade account recorded a surplus of US\$4.8 billion over the year to March 2019, compared to a surplus of US\$3.0 billion over the same period in 2018. The slight improvement was due to increased exports relative to imports.

In the March quarter of 2019, the US dollar appreciated against the Japanese yen and British pound sterling, while it depreciated against the Australian dollar and euro. The US dollar appreciated against the Japanese yen by 2.5 percent and the British pound by 1.2 percent whilst it depreciated by 0.5 percent and 0.7 percent against the euro and the Australian dollar, respectively. The appreciation of the US dollar was mainly due to the

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strong US economy and the recent interest rate hikes by the US Federal Reserve.

In the March quarter of 2019, the average daily kina exchange rate depreciated against all the major currencies. It depreciated against the euro by 6.1 percent to " 0.2613, pound sterling by 5.3 percent to £0.2281, yen by 4.7 percent to ¥32.6844, Australian dollar by 3.0 percent to AU\$0.4170, and the US dollar by 0.8 percent to US\$0.2968. These currency movements resulted in the depreciation of the TWI by 1.01 percent to 29.39 in the March quarter of 2019.

### 3. DOMESTIC ECONOMIC CONDITIONS

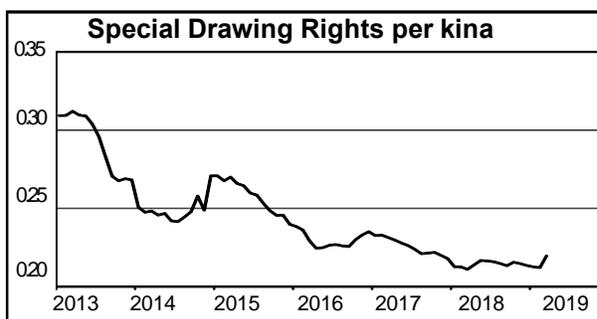
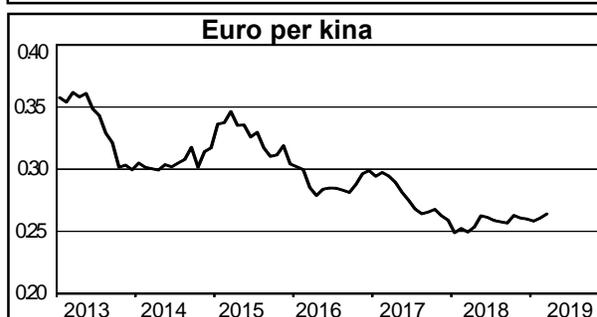
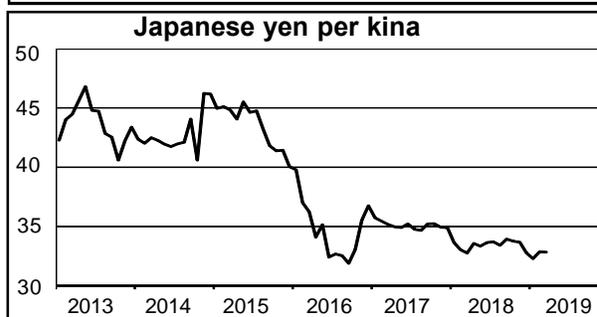
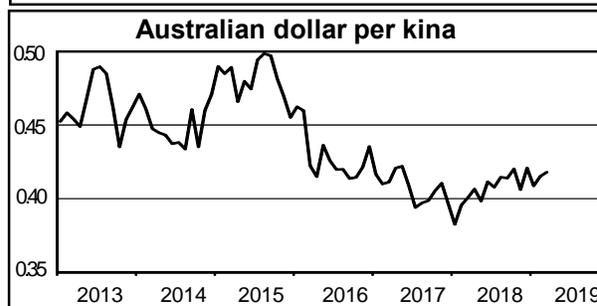
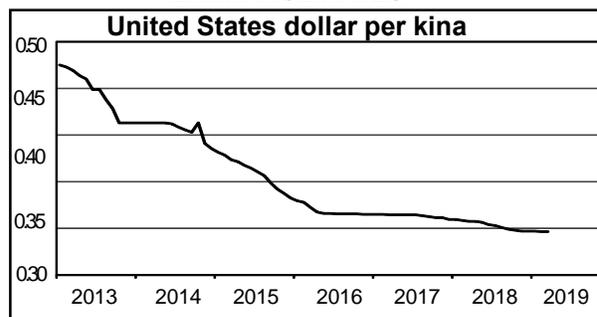
#### DOMESTIC ECONOMIC ACTIVITY

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the private sector increased by 11.3 percent in the December quarter of 2018, compared to an increase of 3.1 percent in the September quarter of 2018. Excluding the mineral sector, sales increased by 6.7 percent, compared to an increase of 5.0 percent in the previous quarter. By sector, sales increased in all sectors except the agriculture/forestry/fishing sector. By region, sales increased in all regions except the Momase region. In 2018, total sales increased by 4.4 percent, compared to a decline of 7.7 percent in 2017. Excluding the mineral sector, sales increased by 0.7 percent, compared to an increase of 1.0 percent in 2017.

In the wholesale sector, sales increased by 35.1 percent in the December quarter of 2018, compared to a decline of 0.8 percent in the September quarter of 2018. The increase was due to higher demand for food, drink, chemicals, pharmaceutical products and fuel. In 2018, sales increased by 61.6 percent, compared to an increase of 11.1 percent in 2017.

In the construction sector, sales increased by 30.2 percent in the quarter, compared to a decline of 54.7 percent in the September quarter of 2018. The increase was due to the on-going building construction activity including the rehabilitation of the Department of Home Affairs building and road maintenance work in Manus. The ongoing construction work at the Hubert Murray Stadium in NCD, the Motukea International Wharf, and other projects also supported this growth. In 2018, sales fell by 77.6 percent, compared to a decline of 64.6 percent in 2017.

#### EXCHANGE RATES



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In the transportation sector, sales increased by 26.6 percent in the December quarter 2018, compared to an increase of 14.9 percent in the previous quarter. This increase was driven by higher air passenger travel, freight and shipping services. In 2018, sales increased by 14.7 percent, compared to a decline of 22.3 percent in 2017.

In the manufacturing sector, sales increased by 10.2 percent in the quarter, compared to an increase of 27.1 percent in the September quarter of 2018. Higher production and sales of fuel, plastic, cement, woods and timber products and general food items accounted for the increase. In 2018, sales declined by 0.9 percent, compared to an increase of 32.0 percent in 2017.

In the mineral sector, sales increased by 6.9 percent in the December quarter of 2018, compared to an increase of 0.7 percent in the previous quarter. The increase was mainly attributed to higher production of gold and LNG after production facilities were restored following the earthquake in February 2018. Higher LNG and gold prices also contributed to this increase. In 2018, sales fell by 0.9 percent, compared to a decline of 18.6 percent in 2017.

In the retail sector, sales increased by 6.2 percent in the quarter, compared to a decline of 6.1 percent in the September quarter of 2018. Higher demand for food and general merchandise, agricultural chemicals and tyres accounted for the increase. In 2018, sales declined by 9.1 percent, compared to a decline of 6.1 percent in 2017.

In the financial/business/other services sector, sales increase by 4.3 percent in the December quarter of 2018, compared to an increase of 1.5 percent in the previous quarter. The increase was driven by higher earnings of commercial banks from fees and charges, and other investments in Government securities. Higher activity and earnings by several major hotels also contributed to the increase. In 2018, sales declined by 10.2 percent, compared to a decline of 17.2 percent in 2017.

In the agriculture/forestry/fishing sector, sales decreased by 35.2 percent in the quarter, compared to a decline of 0.3 percent in the September quarter of 2018. The decrease reflected lower production of processed tuna, coffee, logs and palm oil. In 2018,

sales fell by 13.2 percent, compared to a decline of 28.8 percent in 2017.

By region, sales increased in the Islands, Morobe Highlands, NCD and Southern (excluding NCD) region, while it declined in Momase (excluding Morobe). In the Islands region, sales increased by 33.5 percent in the December quarter of 2018, compared to a decline of 24.0 percent in the previous quarter. There were sales increases in the wholesale, transport, agriculture/forestry/fishing and retail sectors, reflecting higher demand for food and general merchandise, increased air passenger travel and improved shipping services and production of logs. In 2018, sales increased by 22.3 percent, compared to a decline of 5.6 percent in 2017.

In Morobe, sales increased by 20.5 percent in the quarter, compared to a decline of 10.8 percent in the September quarter of 2018. There were increased activities in the wholesale, manufacturing, transport and retail sectors, reflecting higher demand for general merchandise goods, air transportation, fuel, tyres and heavy machinery. In 2018, sales increased by 13.0 percent, compared to a decline of 19.7 in 2017.

In the Highlands region, sales increased by 9.8 percent in the quarter, compared to an increase of 69.9 percent in the September quarter of 2018. Increases in sales were in the mineral, wholesale and transport sectors, reflecting higher LNG and gold export, and demand for food and general merchandise, as well as increased air passenger travel. In 2018, sales increased by 20.6 percent, compared to a decline of 43.6 percent in 2018.

In NCD, sales increased by 7.7 percent in the December quarter of 2018, following an increase of 6.1 percent in the previous quarter. This outcome mainly reflected increased activity in the financial/business/other services, manufacturing, wholesale, construction, and retail sectors, reflecting increased earnings by commercial banks, higher production and sale of fuel products, and strong demand for food, automobiles and general merchandise, as well as the on-going expansion of the Motukea International Wharf and several other road and building projects in NCD. In 2018, sales fell by 4.2 percent, compared to a growth of 21.2 percent in 2017.

In the Southern region, sales increased by 6.6 percent in the quarter, compared to a decline of 22.2 percent in the September quarter of 2018. Increased activity in the mineral, transport, retail sectors and the agriculture

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sub-sector, reflected higher production and export of copper ore and logs, strong demand for air passenger travel, and higher sales of heavy equipment and machines, food and general merchandise. In 2018, sales decreased by 9.6 percent, compared to an increase of 5.1 percent in 2017.

In the Momase region, sales decreased by 25.3 percent in the December quarter of 2018, compared to a decline of 39.4 percent in the previous quarter. Lower activity in the manufacturing, retail and wholesale sectors and the agriculture sub-sector reflected lower production and sales of canned tuna, food and general merchandise and a decline in sales of heavy equipment and machines. In 2018, sales decreased by 47.9 percent, compared to a decline of 1.4 percent in 2017.

## EMPLOYMENT

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 1.8 percent in the March quarter of 2019, compared to an increase of 1.9 percent in the December quarter of 2018. Excluding the mineral sector, the level of employment increased by 2.0 percent. By sector, the level of employment increased in the manufacturing, agriculture/forestry/fishing, financial/business and other services, wholesale and the mineral sectors, while it declined in the transportation, retail and construction sectors. By region, the level of employment increased in all regions, except the Highlands, which recorded a marginal decline. Over the year to March 2019, the total level of employment increased by 3.8 percent, compared to a decline of 4.6 percent in the corresponding period of 2018. Excluding the mineral sector, employment increased by 1.5 percent over the year to March 2019, compared to a decline of 5.5 percent in the corresponding period of 2018.

In the manufacturing sector, the level of employment increased by 6.3 percent in the March quarter of 2019, compared to an increase of 0.2 percent in the December quarter of 2018. The increase was due to higher demand and production of food and vegetable oil, alcoholic and non-alcoholic beverages and tuna loining. Demand for construction related and wood processed products also picked up during the quarter. Over the year to March 2019, the level of employment increased by 9.0 percent, compared to a decline of 6.1 percent over the year to March 2018.

In the agriculture/forestry/fishing sector, the level of

employment grew by 4.8 percent in the March quarter of 2019, compared to a decline of 0.6 percent in the previous quarter. The increase in the agriculture sub-sector reflected recruitment of seasonal workers for oil palm and livestock rearing in East New Britain and Morobe, respectively. The increase in the forestry and fishing sub-sectors were associated with higher logging activity and tuna catchment. Over the year to March 2019, the level of employment increased by 0.7 percent, compared to a decline of 6.5 percent in the same period of 2018.

In the financial/business and other services sector, the level of employment increased by 2.0 percent in the March quarter of 2019, compared to an increase of 2.4 percent in the December quarter of 2018. The increase was attributed to higher activity in the hotel and accommodation industry and the communication sector, as well as recruitment by a commercial bank and a security firm. A recruitment agency and a logistics company also recruited additional staff due to increased activity. Over the year to March 2019, the level of employment increased by 9.2 percent, compared to an increase of 1.0 percent over the corresponding period in 2018.

In the wholesale sector, the level of employment increased by 1.8 percent in the March quarter of 2019, compared to a decline of 4.5 percent in the December quarter of 2018. The increase was due to recruitment of workers by several wholesalers to cater for higher demand for food products, household equipment and consumables and alcoholic beverages. Over the year to March 2019, the level of employment declined by 8.3 percent, compared to an increase of 7.7 percent in the corresponding period of 2018.

In the mineral sector, the level of employment increased by 0.6 percent in the quarter, compared to an increase of 19.3 percent in the December quarter of 2018. The increase reflected the hiring of apprentices by a major copper mine and recruitment of additional staff by a gold mine and a nickel/cobalt mine. Over the year to March 2019, the level of employment increased by 22.5 percent, compared to an increase of 3.4 percent over the corresponding period in 2018.

In the transportation sector, the level of employment fell by 1.4 percent in the March quarter of 2019, compared to a decline of 10.8 percent in the previous quarter. The decline was mainly influenced by downsizing of operations by a trucking company and

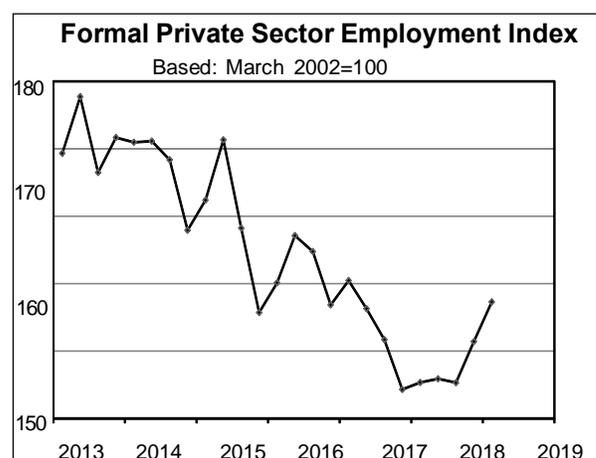
a helicopter firm, due to a slowdown in business activity. The decline in travel following the hosting of the 2018 Asia Pacific Economic Cooperation (APEC) summit in November 2018, also contributed to the fall in employment in the quarter. Over the year to March 2019, the level of employment fell by 9.8 percent, compared to a decline of 3.9 percent over the corresponding period in 2018.

In the retail sector, the level of employment declined by 2.4 percent in the March quarter of 2019, compared to an increase of 3.3 percent in the December quarter of 2018. The fall reflected the laying-off of casual workers following the end of the Christmas festive season. Over the year to March 2019, the level of employment fell by 1.8 percent, compared to a decline of 5.9 percent over the year to March 2018.

In the construction sector, the level of employment decreased by 4.5 percent in the March quarter of 2019, compared to a decline of 1.1 percent in the December quarter of 2018. The decline reflected the completion of certain phases of government funded road projects in the Highlands region and the near completion of building refurbishments, and renovations as well as the completion of a new vegetable market in NCD. Over the year to March 2019, the level of employment fell by 6.5 percent, compared to a decline of 20.5 percent over the year to March 2018.

By region, employment increased in Morobe, Southern, Momase (excluding Morobe), NCD and the Islands regions, while it declined in the Highland region. In Morobe, the level of employment increased by 6.1 percent in the March quarter of 2019, compared to a decrease of 1.1 percent in the December quarter of 2018. There were increases in the manufacturing, agriculture/forestry/fishing, financial/business and other services, and the wholesale sectors. Recruitment of staff reflected higher production and demand for food, drinks, pickup in livestock rearing and commercial production of fruits and vegetables, recruitment of more staffs by a commercial bank and increased activity in the wholesale sector. Over the year to March 2019, the level of employment increased by 2.6 percent, compared to a decline of 6.9 percent in the corresponding period of 2018.

In the Southern region, the level of employment increased by 3.7 percent in the March quarter of 2019, compared to an increase of 9.9 percent in the December quarter of 2018. The increase reflected higher activity



and demand for hotel and accommodation services, recruitment of casuals for logging and wood processing in the forestry sub-sector and hiring of apprentices by a mining company. Over the year to March 2019, the level of employment increased by 7.7 percent, compared to a decline of 6.5 percent over the year to March 2018.

In the Momase region, the level of employment increased by 3.6 percent in the quarter, compared to an increase of 0.4 percent in the December quarter of 2018. The increase was attributed to the hiring of additional employees for processing of tuna loining and commercial fishing and increased activity at the Ramu nickel/cobalt mine. Over the year to March 2019, the level of employment increased by 1.8 percent, compared to a decline of 2.6 percent in the corresponding period of 2018.

In NCD, the level of employment increased by 0.6 percent in the March quarter of 2019, compared to an increase of 1.0 percent in the December quarter of 2018. There were increases in the financial/business and other services and manufacturing sectors mainly reflecting activity in the hotel and accommodation industry and recruitment by a security firm, a major mobile company and a commercial bank. Over the year to March 2019, the level of employment increased by 3.6 percent, compared to a decline of 7.1 percent over the year to March 2018.

In the Islands region, the level of employment increased by 0.3 percent in the March quarter of 2019, compared to a decline of 1.6 percent in the December quarter of 2018. There were increases in the manufacturing and agriculture/forestry/fishing sectors. Higher production and processing of balsa wood, and recruitment of

seasonal workers by two large palm oil estates accounted for the increase. Over the year to March 2019, the level of employment fell by 0.9 percent, compared to a decline of 4.8 percent in the corresponding period of 2018.

In the Highlands region, the level of employment marginally fell by 0.02 percent in the March quarter of 2019, compared to an increase of 12.3 in the December quarter of 2018. There were declines in the retail, transportation and construction sectors reflecting a slowdown in business activity. Over the year to March 2019, the level of employment increased by 15.7 percent, compared to an increase of 3.2 percent over the year to March 2018.

### CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 0.7 percent in the March quarter of 2019, compared to an increase of 1.3 percent in the December quarter. By expenditure group, price increases were recorded in the 'Restaurants and Hotels', 'Education', 'Transport' 'Food and Non-alcoholic Beverages', 'Recreation' and 'Housing' expenditure group, while 'Health', 'Miscellaneous', 'Household Equipment', 'Alcoholic Beverages, Tobacco and Betelnut' expenditure groups decline. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 4.5 percent in the March quarter of 2019, compared to 4.8 percent in the December quarter of 2018.

The CPI for the 'Restaurants and Hotels' expenditure group increased by 3.5 percent in the March quarter of 2019, compared to an increase of 1.0 percent in the previous quarter. The increase of 4.0 percent in the 'takeaway foods' subgroup mainly contributed to the higher outcome. This expenditure group contributed 0.1 percentage points and 0.2 percentage points to the quarterly and annual movements in the overall CPI, respectively.

The CPI for the 'Education' expenditure group increased by 2.2 percent in the March quarter, compared to no price change in the previous quarter. The increase was in the 'education fees' subgroup of 3.2 percent, which more than offset a decline of 0.1 percent in the 'other expenses' subgroup. This expenditure group contributed 0.1 percentage points to both the quarterly and annual movements in the overall CPI.

The CPI for the 'Transport' expenditure group increased by 1.6 percent in the March quarter of 2019, compared to an increase of 3.4 percent in the previous quarter. There were price increases in the 'motor vehicle purchase', 'fares', 'operations of transport' and 'other services' subgroups of 3.6 percent, 3.4 percent, 2.3 percent and 1.6 percent, respectively. These more than offset a decline of 9.9 percent in the 'fuel and lubricants' subgroup. This expenditure group contributed 0.6 percentage points and 0.9 percentage points to the quarterly and annual movements in the overall CPI, respectively.

The CPI for the 'Food and Non-alcoholic Beverages' expenditure group increased by 0.8 percent in the March quarter of 2019, compared to an increase of 1.2 percent in the previous quarter. There were increases in the 'fruits and vegetables', 'other food products', 'sugars and confectionary', 'fish' and 'meat' subgroups of 4.2 percent, 1.8 percent, 0.6 percent, 0.4 percent and 0.2 percent, respectively. These more than offset declines in the 'dairy products, eggs, cheese' and 'non-alcoholic beverages' of 0.7 percent and 0.2 percent, respectively, with both the 'oils and fats' and 'cereals' subgroups decline by 0.1 percent as well. This expenditure group contributed 0.2 percentage points and 1.0 percentage points to the quarterly and annual movements in the overall CPI, respectively.

Prices in the 'Recreation' expenditure group increased by 0.7 percent in the March quarter of 2019, compared to a decline of 3.9 percent in the previous quarter. The increase mainly came from the price of newspapers by 21.7 percent, while marginal increases were also recorded in prices of batteries, digital cameras, bicycles, biros and magazines. These more than offset decreases in the prices of DVD players of 4.9 percent, and marginal declines in sports gate, movie fees, television and flash drives. This expenditure group's contribution to the quarterly movement in the overall CPI was negligible, whilst it contributed 0.1 percentage points to the annual movement in the overall CPI.

The CPI for the 'Housing' expenditure group increased by 0.7 percent in the March quarter of 2019, compared to 0.3 percent in the previous quarter. This reflected increases in the 'housing maintenance goods' and 'rent' subgroups of 3.7 percent and 1.7 percent, respectively, which more than offset a decline of 5.1 percent in 'cooking' subgroup. This expenditure group contributed 0.1 percentage points and 0.9 percentage points to the quarterly and annual movements in the

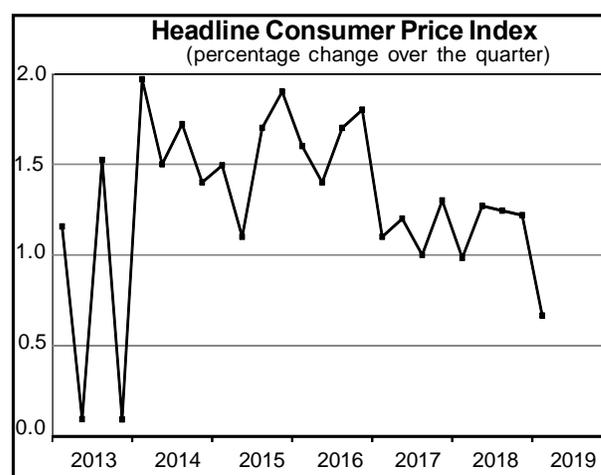
overall CPI, respectively. As in the previous quarter, there were no price movements in the 'Communication' expenditure groups in the March quarter of 2019.

The CPI for the 'Health' expenditure group declined by 0.9 percent in the March quarter of 2019, compared to an increase of 2.3 percent in the previous quarter. This reflected declines in 'medical services' and 'medical supplies' subgroups of 1.8 percent and 0.4 percent, respectively. This expenditure group's contribution to the quarterly movement in the overall CPI was negligible, whilst it contributed 0.2 percentage points to the annual movements in the overall CPI.

Prices in the 'Miscellaneous' expenditure group dropped by 0.5 percent in the March quarter of 2019, compared to an increase of 1.8 percent in the previous quarter. There were decreases of 1.7 percent in toiletries and personal care products, and baby oil and powder, as well as a decline in children's toys prices of 0.3 percent. These more than offset price increases in insect repellent and barber fees of 7.5 percent and 0.2 percent. This expenditure group's contribution to the overall CPI was negligible.

The CPI for the 'Household Equipment' expenditure group fell by 0.2 percent in the March quarter of 2019, compared to an increase of 0.5 percent in the previous quarter. This reflected a decline in the 'household maintenance goods' subgroup by 1.0 percent, which more than offset increases of 0.3 percent and 0.2 percent in the 'household furniture and furnishings' and 'household appliances' subgroups, respectively. This expenditure group's contribution to the quarterly movement in the overall CPI was negligible, whilst it contributed 0.1 percentage points to the annual movements in the overall CPI.

The CPI for the 'Clothing and Footwear' expenditure group declined by 0.2 percent in the March quarter of 2019, compared to an increase of 1.1 percent in the previous quarter. There were declines in the 'boys wear', 'men's wear', 'headwear' and 'footwear' of 2.7 percent, 2.5 percent, 1.8 percent, and 0.5 percent, respectively. These more than offset increases in the 'women and girl wear', 'clothing' and 'sewing items' subgroups of 1.9 percent, 1.3 percent and 0.3 percent, respectively. This expenditure group's contribution to the quarterly movement in the overall CPI was negligible, whilst it contributed 0.3 percentage points to the annual movement in the overall CPI.



The CPI for the 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group declined by 0.2 percent in the March quarter of 2019, compared to an increase of 1.9 percent in the previous quarter. This reflected a decline of 1.8 percent in the 'alcoholic beverages' subgroup, which more than offset an increase of 0.5 percent in the 'tobacco' subgroup. The 'betelnut and mustard' subgroup recorded no changes. This expenditure group's contribution to the quarterly movement in the overall CPI was negligible, whilst it contributed 0.5 percentage points to the annual movement in the overall CPI.

In Lae, prices increased by 0.9 percent in the March quarter of 2019, compared to an increase of 2.4 percent in the previous quarter. The increases were in the 'Restaurants and Hotels' expenditure group with 5.8 percent, 'Recreation' with 3.8 percent, 'Housing' with 2.8 percent, both 'Food and Non-alcoholic Beverages' with 1.0 percent, 'Transport' with 0.5 percent, and 'Education' with 0.3 percent. These, more than offset declines in the 'Health', 'Miscellaneous', 'Household Equipment' and 'Alcoholic Beverages Tobacco and Betelnut' expenditure groups by 2.4 percent, 1.6 percent, 0.8 percent and 0.1 percent, respectively. The 'Communication' expenditure group recorded no price change. Lae contributed 0.4 percentage points and 1.1 percentage points to the quarterly and annual movements in the overall CPI, respectively.

In Alotau/Kimbe/Rabaul, prices increased by 0.7 percent in the March quarter of 2019, compared to an increase of 1.0 percent in the previous quarter. There were increases in the 'Food and Non-Alcoholic Beverages', 'Restaurants and Hotels', 'Housing' expenditure groups of 2.5 percent, 0.9 percent, and 0.6

percent, respectively, while both the 'Household Equipment' and 'Recreation' increased by 0.3 percent. These more than offset declines in the 'Education', 'Clothing and Footwear', 'Health', and 'Miscellaneous' expenditure groups of 3.2 percent, 2.8 percent, 1.5 percent and 1.2 percent, respectively. The 'Transport' and 'Alcoholic Beverages Tobacco and Betelnut' expenditure groups also declined by 0.3 percent each. Alotau/Kimbe/Rabaul contributed 0.2 percentage points and 0.6 percentage points to the quarterly and annual movements in the overall CPI, respectively.

In Port Moresby prices increased by 0.6 percent in the March quarter of 2019, compared to 1.0 percent in the previous quarter. The increases were in the 'Education', 'Restaurants and Hotels', 'Clothing and Footwear', 'Health' and 'Household Equipment' expenditure groups of 9.0 percent, 4.3 percent, 1.6 percent, 1.2 percent and 0.5 percent, respectively. These more than offset declines in the 'Housing', 'Recreation', 'Transport' and 'Miscellaneous' expenditure of 1.0 percent, 0.9 percent, 0.3 percent and 0.1 percent, respectively. The 'Communication', 'Food and Non-alcoholic Beverages' and 'Alcoholic Beverages, Tobacco and Betelnut' expenditure groups recorded no price changes. Port Moresby contributed 0.2 percentage points and 1.6 percentage points to the quarterly and annual movements in the overall CPI, respectively.

In Goroka/Mt. Hagen/Madang, prices increased by 0.5 percent in the March quarter of 2019, compared to an increase of 0.7 percent in the previous quarter. There were increases in the 'Transport', 'Restaurants and Hotels', 'Miscellaneous', 'Housing' and 'Clothing and Footwear' expenditure groups of 6.2 percent, 3.1 percent, 2.4 percent, 1.1 percent and 0.2 percent, respectively. These, more than offset declines in the 'Education', 'Health', 'Household Equipment', 'Recreation', 'Food and Non-alcoholic Beverages' and 'Alcoholic Beverages, Tobacco and Betelnut' expenditure groups of 3.0 percent, 1.7 percent, 1.3 percent, 0.7 percent, 0.5 percent, 0.4 percent, respectively. The 'Communication' expenditure group showed no price change. These centres contributed 0.1 percentage points and 0.9 percentage points to the quarterly and annual movements in the overall CPI, respectively.

The annual headline inflation was 4.5 percent in the March quarter of 2019, compared to an increase of 4.8 percent in the December quarter of 2018. All expenditure groups recorded price increases. The 'Restaurants and Hotels' expenditure group recorded the highest increase

of 8.4 percent, followed by 'Transport' with 7.9 percent, 'Housing' with 6.2 percent, 'Health' with 5.6 percent, 'Clothing and Footwear' with 5.1 percent, 'Recreation' with 4.1 percent, 'Miscellaneous' with 3.8 percent, 'Communication' with 3.7 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 3.1 percent, 'Education' with 2.2 percent, and 'Household Equipment' with 1.6 percent.

The NSO's quarterly exclusion-based inflation measure (excludes seasonal, customs excise and price regulated items from the headline CPI) increased by 0.4 percent in the March quarter of 2019, compared to an increase of 0.6 percent in the previous quarter. The annual exclusion-based inflation measure was 4.2 percent in the quarter, compared to 5.6 percent in the December quarter of 2018.

The quarterly trimmed-mean inflation measure published by the Bank of PNG increased by 0.2 percent in the March quarter of 2019, compared to an increase of 0.7 percent in the previous quarter. The annual trimmed mean inflation was 3.2 percent in the quarter, same as in the corresponding period in 2018.

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#### 4. EXPORT COMMODITIES REVIEW

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The total value of merchandise exports was K8,468.8 million in the March quarter of 2019, compared to K7,316.5 million in the corresponding quarter of 2018. There were higher export receipts for LNG, condensate, gold, copper, coffee, cocoa and tea.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, was K490.5 million, accounting for 5.8 percent of total merchandise exports in the March quarter of 2019, compared to K768.3 million or 10.5 percent of total merchandise exports in the corresponding quarter of 2018. Forestry product exports were K272.1 million, which accounted for 3.2 percent of total merchandise exports in the quarter, compared to K318.2 million or 4.4 percent in the corresponding quarter of 2018. Refined petroleum product exports were K279.0 million and accounted for 3.3 percent of total merchandise exports in the quarter, compared to K284.7 million or 3.9 percent in the corresponding quarter of 2018. Mineral export receipts, including LNG and condensate were K7,422.3 million and accounted for 87.7 percent of total merchandise

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exports in the quarter, compared to K5,940.3 million or 81.2 percent in the March quarter of 2018.

The weighted average kina price of Papua New Guinea's exports, excluding LNG, decreased by 3.7 percent in the March quarter of 2019, compared to the corresponding quarter of 2018. The weighted average kina price of mineral exports declined by 3.6 percent, reflecting lower kina prices for all mineral commodities, except for gold. For agricultural, logs and marine product exports, the weighted average kina price decreased by 4.4 percent, due to lower kina prices for copra, copra oil, palm oil, rubber and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports decreased by 11.4 percent in the March quarter of 2019, compared to the corresponding quarter of 2018. Lower international prices accounted for the decline.

### MINERAL EXPORTS

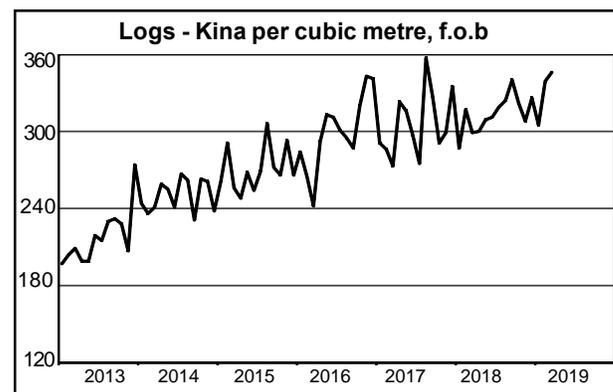
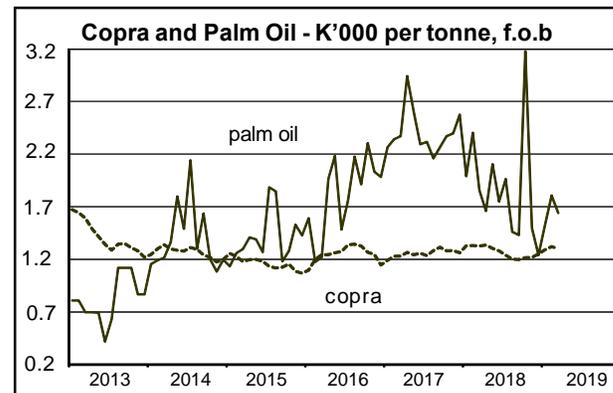
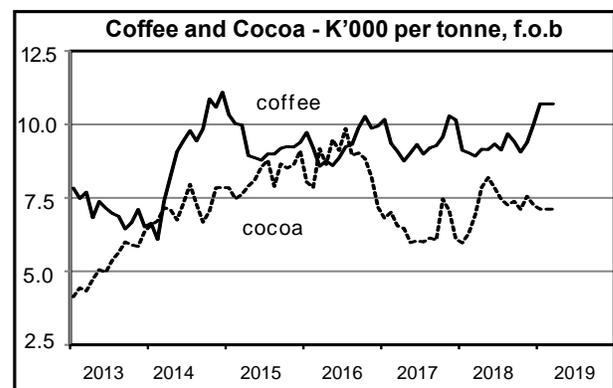
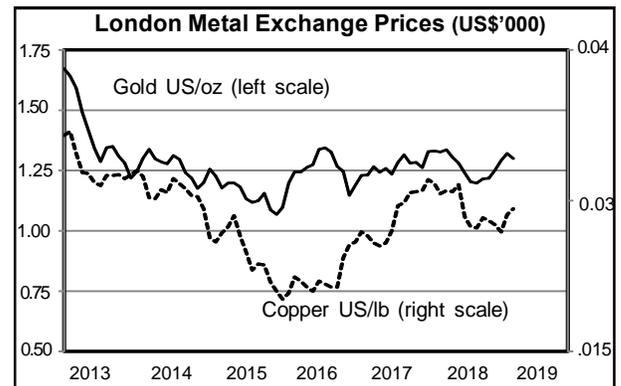
Total mineral export receipts were K7,422.3 million in the March quarter of 2019, compared to K5,940.3 million in the corresponding quarter of 2018. The increase was due to higher value of LNG and export volumes of gold, copper and condensate.

The value of LNG export was K3,621.4 million in the March quarter of 2019, compared to K2,322.2 million in the corresponding quarter of 2018. The increase was due to higher production, which more than offset lower LNG prices.

The volume of condensate exported was 1,786.0 thousand barrels in the March quarter of 2019, compared to 1,499.1 thousand barrels in the corresponding quarter of 2018. There was higher production by the PNG LNG project. The average free on board (f.o.b) price for condensate export was K207 per barrel in the quarter, compared to K228 per barrel in the corresponding quarter of 2018, reflecting lower international prices. The increase in export volume more than offset the decline in export price, resulting in a higher export receipt of K370.5 million in the quarter, compared to K342.5 million in the March quarter of 2018.

The volume of gold exported was 17.3 tonnes in the quarter, compared to 13.6 tonnes in the March quarter of 2018. The increase reflected higher production and shipment from the Ok Tedi, Lihir, Porgera, Hidden Valley, Simberi and Kainantu mines. The average free on board (f.o.b.) price received for gold exports was

### EXPORT COMMODITY PRICES



K137.9 million per tonne in the March quarter, compared to K134.8 million per tonne in the March quarter of 2018. This was due to the depreciation of the kina against the US dollar. The average gold price at the London Metal Exchange decreased by 1.9 percent to US\$1,304.3 per fine ounce in the March quarter, compared to the corresponding quarter of 2018. The decline was due to weak demand for gold as a safe-haven investment reflecting strengthening of the US economy amidst possible rise in the US Federal rate. The combined increase in kina export price and volume, resulted in a higher export receipt of K2,385.5 million in the quarter, compared to K1,833.9 million in the March quarter of 2018.

The volume of copper exported was 21.7 thousand tonnes in the March quarter, compared to 14.8 thousand tonnes in the corresponding quarter of 2018. The increase was due to higher production of metal ore grades and shipment by the Ok Tedi mine. The average f.o.b. price of copper exports was K20,765 per tonne in the quarter, compared to K22,932 per tonne in the March quarter of 2018. The lower price was due to weak demand from China, combined with higher production and shipment from Indonesia, the world's second largest producer, reflecting increased export permits. The increase in export volume more than offset the decline in export price, resulting in a higher export receipt of K450.6 million in the March quarter, compared to K339.4 million in the corresponding quarter of 2018.

The volume of nickel exported was 6.6 thousand tonnes in the March quarter, compared to 9.0 thousand tonnes in the corresponding quarter of 2018. The decline was due to lower production and shipment by the Ramu Nickel/Cobalt mine, partly in response to lower international prices. The average f.o.b. price of nickel exports was K42,561 per tonne in the quarter, compared to K42,967 per tonne in the March quarter of 2018. The decline was due to lower demand, mainly from China, combined with higher supply from major producers namely, Indonesia and the Philippines. The combined decline in export price and volume, resulted in a lower export receipt of K280.9 million in the quarter, compared to K386.7 million in the March quarter of 2018.

The volume of cobalt exports was 0.6 thousand tonnes in the March quarter, compared to 0.9 thousand tonnes in the corresponding quarter of 2018. The decline was due to a lower production and shipment by the Ramu Nickel/Cobalt mine, due to lower international prices.

The average f.o.b. price of cobalt exports was K111,333 per tonne in the quarter, compared to K254,556 per tonne in the March quarter of 2018. The significant decline reflected weak demand from electric car battery manufacturers, mainly from China combined with higher supply from the Democratic Republic of Congo, the world's major producer, due to a lift in cobalt export tariffs. The combined decline in export price and volume resulted in a lower export receipt of K66.8 million in the March quarter, compared to K229.1 million in the corresponding quarter of 2018.

The volume of crude oil exported was 742.8 thousand barrels in the March quarter, compared to 1,817.8 thousand barrels in the corresponding quarter of 2018. This was due to lower production from the Kutubu, Moran and Gobe oil fields, as the processing facilities are yet to reach full production capacity following the earthquake in February, 2018. The average export price of crude oil was K200 per barrel in the quarter, compared to K221 per barrel in the March quarter of 2018. The outcome reflected lower demand stemming from the trade war between China and the U.S., and tariff on the European auto market by the US, which more than offset the price effect of OPEC supply cuts. The combined decline in export price and volume resulted in a lower export receipt of K148.2 million in the March quarter, compared to K401.6 million in the corresponding quarter of 2018.

Export receipts of refined petroleum products, which include Naphtha from the PNG LNG project, were K279.0 million in the March quarter, compared to K284.7 million in the corresponding quarter of 2018. The outcome was due to lower export volumes for various refined petroleum products from the Napa Napa Oil Refinery.

## **AGRICULTURE, LOGS AND FISHERIES EXPORTS**

Export prices of non-mineral commodities that declined were copra, copra oil, palm oil, rubber, marine products and other non-mineral exports, while cocoa, coffee, tea and logs increased in the March quarter of 2019, compared to the corresponding quarter of 2018. Copra prices declined by 16.1 percent, copra oil by 37.8 percent, palm oil by 13.5 percent, rubber by 5.0 percent, marine products and other non-mineral exports by 22.7 percent and 63.4 percent, respectively. Prices for cocoa, coffee, tea and logs increased by 18.0 percent, 2.7 percent, 7.0 percent and 9.3 percent, respectively. These resulted in a 4.4 percent decline in

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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 declined by 11.4 percent in the March quarter, compared to the corresponding quarter of 2018.

The volume of coffee exported was 8.5 thousand tonnes in the March quarter, compared to 5.0 thousand tonnes in the corresponding quarter of 2018. The increase was due to higher production from the post biennial harvest season reflecting higher yields from coffee trees. The average export price of coffee was K9,329 per tonne, an increase of 2.7 percent from the corresponding quarter of 2018. The increase stemmed from higher international prices as a result of lower production from the top producers, Brazil and Vietnam, attributed to higher production costs due to weak currency in Brazil and unfavourable dry weather conditions in Vietnam. The combined increase in export volume and price resulted in an export receipt of K79.3 million in the March quarter, an increase of 74.7 percent from the corresponding quarter of 2018.

The volume of cocoa exported was 4.8 thousand tonnes in the March quarter, compared to 4.4 thousand tonnes in the corresponding quarter of 2018. The increase was attributed to higher production from the major growing regions. The average export price of cocoa was K7,563 per tonne in the quarter, an increase of 18.0 percent from the corresponding quarter of 2018. The outcome reflected higher demand, mainly from Europe and Asia, combined with lower production from Ivory Coast and Ghana, the world's top producers, attributed to unfavourable dry weather conditions. The combined increase in export volume and price resulted in an export receipt of K36.3 million in the quarter, an increase of 28.7 percent from the corresponding quarter of 2018.

The volume of copra exported was 12.3 thousand tonnes in the March quarter, compared to 20.7 thousand tonnes in the corresponding quarter of 2018. The decline was attributed to lower production and shipment from the major producing regions, in response to lower international prices. The average export price of copra was K1,707 per tonne in the quarter, a decline of 16.1 percent from the corresponding quarter of 2018. This was due to higher production from Indonesia and the Philippines, the world's major producers, attributed to favourable wet weather conditions. The combined decline in export price and volume resulted in export

receipts of K21.0 million in the quarter, a decline of 50.1 percent from the corresponding quarter of 2018.

The volume of copra oil exported was 1.7 thousand tonnes in the March quarter, compared to 4.1 thousand tonnes in the corresponding quarter of 2018. The decline was attributed to lower production from the major producing regions in response to lower international prices. The average export price of copra oil was K2,353 per tonne in the quarter, a decline of 37.8 percent from the corresponding quarter of 2018. The outcome reflected higher supply from India, the largest producer, combined with lower demand due to oversupply of vegetable oil. The combined decline in export price and volume resulted in a lower export receipt of K4.0 million in the quarter, a decline of 74.2 percent from the corresponding quarter of 2018.

The volume of palm oil exported was 114.9 thousand tonnes in the March quarter, compared to 124.2 thousand tonnes in the corresponding quarter of 2018. The decline was due to lower production and shipment from the major producing regions in response to lower international prices. The average export price of palm oil was K1,690 per tonne in the quarter, a decline of 13.5 percent from the March quarter of 2018. This was due to high production by Malaysia, one of the top producers, combined with lower demand attributed to shift in demand for cheaper vegetable oil and import restrictions for anti-deforestation policies by the European Commission (EC). The combined decline in export price and volume resulted in an export receipt of K194.2 million in the quarter, a decline of 20.0 percent from the corresponding quarter of 2018.

The volume of tea exported was 0.1 thousand tonnes in the March quarter, compared to 0.1 thousand tonnes in the March quarter of 2018. This was due to the same producer and exporter maintaining the same level of production. The average export price of tea was K6,000 per tonne in the quarter, an increase of 50.0 percent from the corresponding quarter of 2018. This was due to lower production from a major producer, Kenya, attributed to unfavourable dry weather conditions. The combined effect in the export price and the export volume resulted in an export receipt of K0.6 million in the quarter, an increase of 50.0 percent from the corresponding quarter of 2018.

The volume of rubber exported was 1.1 thousand tonnes in the March quarter, compared to 1.3 thousand tonnes in the corresponding quarter of 2018. The decline was due to lower production and shipment from

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the rubber producing provinces, reflecting unfavourable wet-weather conditions. The average export price of rubber was K4,091 per tonne in the quarter, a decline of 5.0 percent from the corresponding quarter of 2018. The outcome reflected lower international prices attributed to higher production from major producers, Thailand, Malaysia and Indonesia, combined with lower demand. The combined decline in export price and volume resulted in an export receipt of K4.5 million in the quarter, a decline of 19.6 percent from the corresponding quarter of 2018.

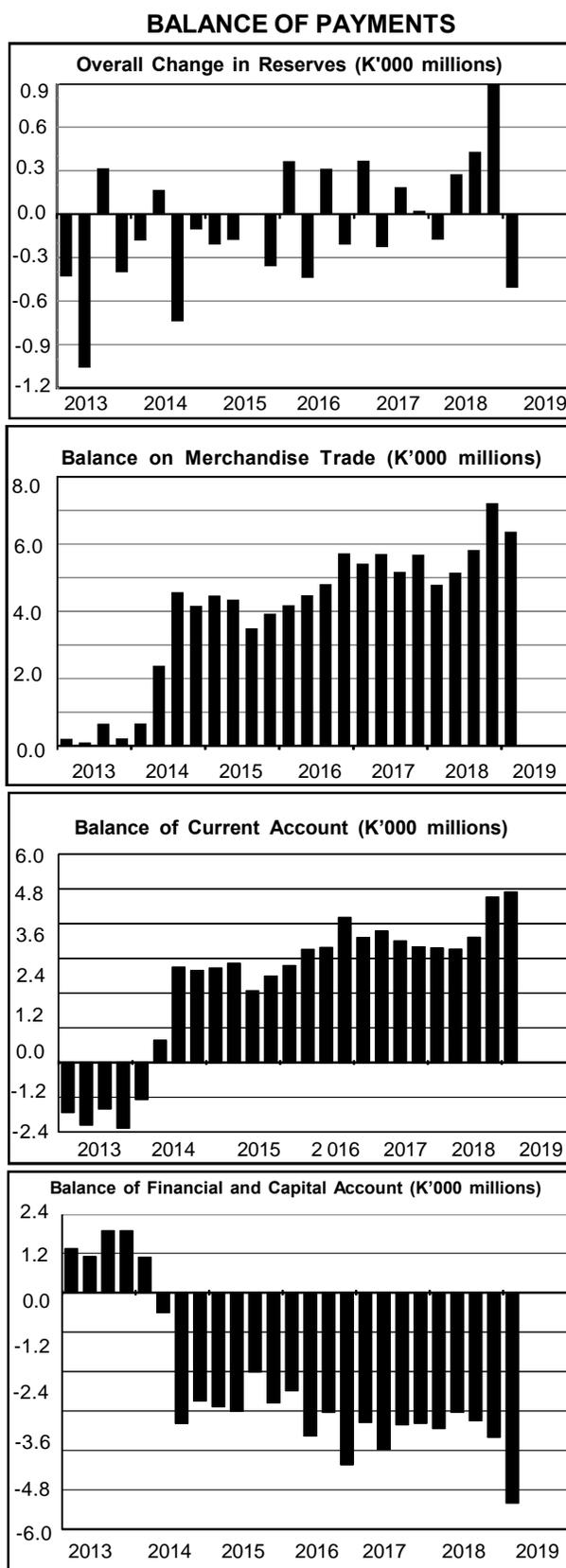
The volume of logs exported was 811.0 thousand cubic meters in the March quarter, compared to 1,031.0 thousand cubic meters in the corresponding quarter of 2018. There was lower production and shipment from the major producing regions, attributed to a stop in further issuance of new logging licences by the government, combined with wet-weather conditions. The average export price of logs was K330 per cubic meter in the quarter, an increase of 9.3 percent from the corresponding quarter of 2018. This was due to higher international prices, reflecting lower production from the world's major tropical hardwood producer, Malaysia, due to wet weather conditions combined with higher demand mainly from Europe. The decline in export volume more than offset the increase in export price, resulting in an export receipt of K267.6 million in the quarter, a decline of 14.0 percent from the corresponding quarter of 2018.

The value of marine products exported was K87.9 million in the March quarter, compared to K226.2 million in the corresponding quarter of 2018. This resulted from a decline in both export volumes and export price.

## 5. BALANCE OF PAYMENTS

The balance of payments recorded an overall deficit of K508 million in the March quarter of 2019, compared to a deficit of K177 million in the corresponding quarter of 2018. A higher deficit in the capital and financial account more than offset a surplus in the current account.

The current account recorded a surplus of K5,891.6 million in the March quarter of 2019, compared to a surplus of K3,954 million in the corresponding quarter of 2018. This was due to a higher trade account surplus



and net transfer receipts, which more than offset net service and income payments.

In the trade account, there was a surplus of K6,367.5 million in the March quarter, compared to a surplus of K4,790 million in the corresponding quarter of 2018. The higher surplus was due to an increase in the value of merchandise exports, combined with a decline in the value of merchandise imports.

The value of merchandise exports was K8,468.8 million in the March quarter, compared to K7,316.5 million in March quarter of 2018. There were higher export values of LNG, gold, condensate, copper, coffee, cocoa and tea. These more than offset lower export values of crude oil, nickel, cobalt, copra, copra oil, palm oil, rubber, logs, marine products, refined petroleum products and other non-mineral exports.

The value of merchandise imports was K2,101 million in the March quarter, compared to K2,526 million in the corresponding quarter of 2018. There were lower general imports, which more than offset higher mining and petroleum imports. The value of general imports was K569.6 million in the quarter, compared to K1,316.5 million in the corresponding quarter of 2018, partly reflecting shortage in foreign currency to pay for imports. The value of petroleum imports was K538.4 million in the quarter, compared to K311.8 million in corresponding quarter of 2018. This reflected low capital expenditure undertaken by a major resident petroleum company. Mining sector imports was K987.9 million in the quarter, compared to K870.1 million in corresponding quarter of 2018. The increase was due to capital expenditure undertaken by the Lihir and Porgera mines. Resident companies in the mining and petroleum sectors maintain offshore foreign currency accounts to pay for imports, as allowed under their Project Development Agreements.

The service account had a deficit of K646 million in the March quarter, compared to a deficit of K864 million in the March quarter of 2018. The decrease in deficit was due to lower payments in services, except for refining and smelting.

The income account recorded a deficit of K148 million in the March quarter, compared to K218 million in the corresponding quarter of 2018. This was due to lower compensation of employees and dividend payments, combined with higher interest receipts.

The transfers account had a surplus of K318 million in

the March quarter, compared to a surplus of K247 million in the corresponding quarter of 2018. The outcome was mainly due to higher receipts for gift and grants, combined with lower transfer payments.

As a result of these developments in the trade, service, income and transfers accounts, the current account recorded a surplus of K5,891.6 million in the March quarter, compared to a surplus of K3,954 million in the corresponding quarter of 2018.

The capital account recorded a net inflow of K5.0 million in the March quarter of 2019, compared to a net inflow of K5.0 million in the corresponding quarter of 2018, reflecting transfers by donor agencies for project financing.

The financial account recorded a deficit of K6,403.2 million in the March quarter, compared to a deficit of K4,132 million in the corresponding quarter of 2018. The outcome was due to higher net outflows from direct and other investments reflecting equity withdrawals and build-up in foreign currency account balances of mining, oil and LNG companies.

As a result of these developments, the capital and financial account recorded a deficit of K6,398.7 million in the March quarter, compared to a deficit of K4,132.0 million in the corresponding quarter of 2018.

The level of gross foreign exchange reserves at the end of March 2019 was (K6,899.7) US\$2,177.2 million, sufficient for 5.5 months of total and 11.8 months of non-mineral import covers.

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## 6. MONETARY DEVELOPMENTS

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### INTEREST RATES AND LIQUIDITY

With indications of inflation expectations easing in the March quarter of 2019, the Bank maintained the monthly Kina Facility Rate (KFR) at 6.25 percent in the first quarter of 2019. The dealing margins for the Repurchase Agreement (Repos) were maintained at 100 basis points on both sides of the KFR.

The Bank utilised its Open Market Operation instruments in the conduct of monetary policy to manage liquidity. Central Bank intervention in the foreign exchange market also helped to diffuse liquidity during the period.

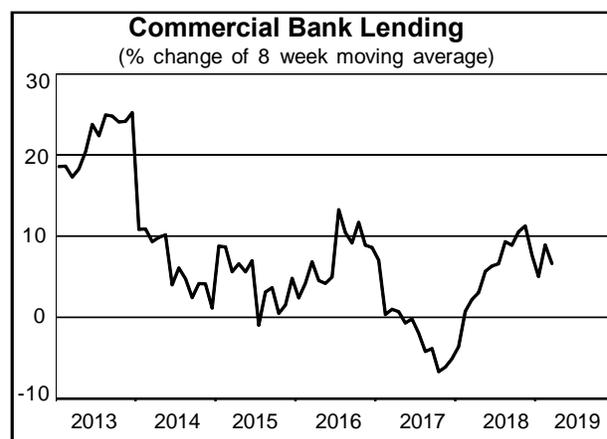
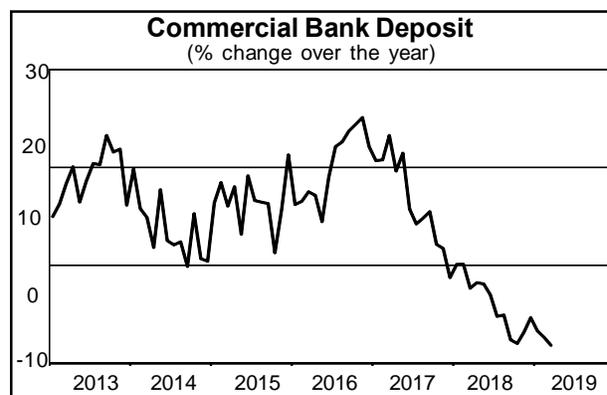
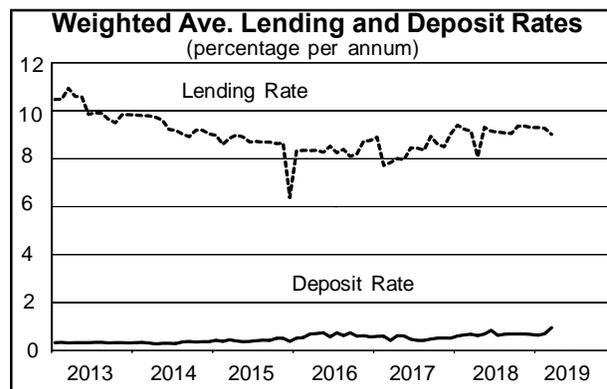
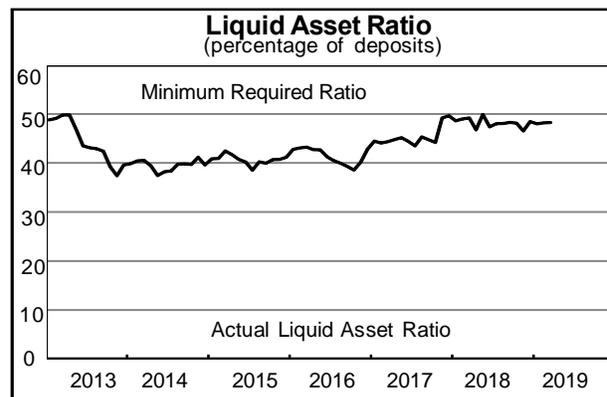
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Liquidity continued to be high but unevenly distributed among the banks, which led to increased borrowing through the interbank market and the Repo Facility. There was a net retirement in CBB of K159.1 million, and a net issuance in Treasury bills of K437.8 million in the March quarter of 2019. There was no issuance of Treasury bonds as the issuance plan was yet to be approved. The Cash Reserve Requirement for the commercial banks was maintained at 10.0 percent during the quarter.

Domestic interest rates generally declined over the March quarter of 2019. The CBB weighted average rate for the 28-day term remained at 1.39 percent, while the 63-day term decreased to 2.32 percent from 2.35 percent. The 91-day term CBB was auctioned at 2.51 percent, once in February and twice in March, 2019. During the quarter, the Central Bank did not offer CBBs for the 182-day term. The Government issued Treasury bills at the upper end of the maturity structure, following the increase in appetite for longer term securities. The Treasury bill for 91-day term was auctioned once at 2.36 percent in March 2019, lower than the rate of 2.39 percent in January. The weighted average rate for the 182-day, 273-day and 364-day terms declined to 4.64 percent, 6.05 percent and 7.60 percent, respectively, at the end of the March quarter of 2019, from 4.71 percent, 6.72 percent and 7.93 percent, at the end of the December quarter, 2018. There were no auctions for the 63-day term Treasury bills during the quarter.

Movements in the weighted average interest rates on wholesale deposits (K500,000 and above) offered by commercial banks were mixed during the quarter. The rates for the 30-day, 60-day and 180-day terms increased to 3.23 percent, 0.41 percent and 1.13 percent respectively, at the end of the March quarter of 2019, from 0.05 percent, 0.10 percent and 0.71 percent at the end of December quarter, 2018. Over the same period, the 90-day, 270-day and 365-day terms decreased to 0.90 percent, 1.09 percent and 2.89 percent, from 2.44 percent, 1.75 percent and 4.06 percent, respectively. The weighted average interest rate on total deposits increased to 0.95 percent in March quarter of 2019 from 0.67 percent in December quarter of 2018, while the weighted average interest rate on total loans decreased to 9.02 percent from 9.18 percent, over the same period. The commercial banks' Indicator Lending Rates (ILR) remained between 11.20 - 11.70 percent.

## MONEY SUPPLY



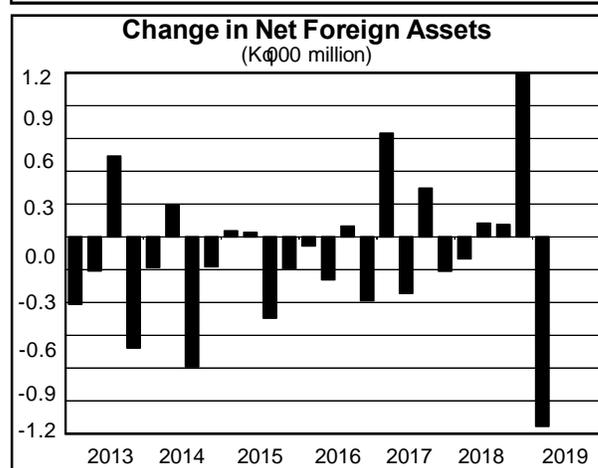
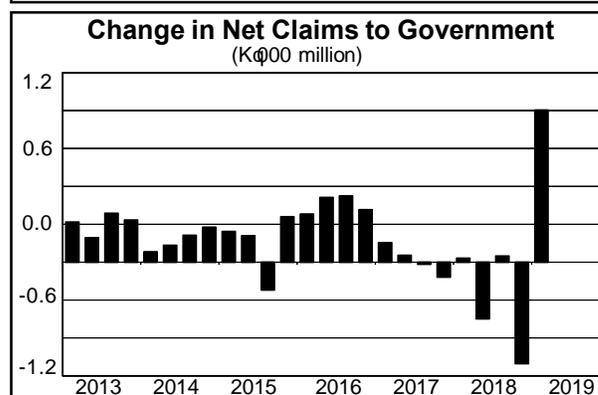
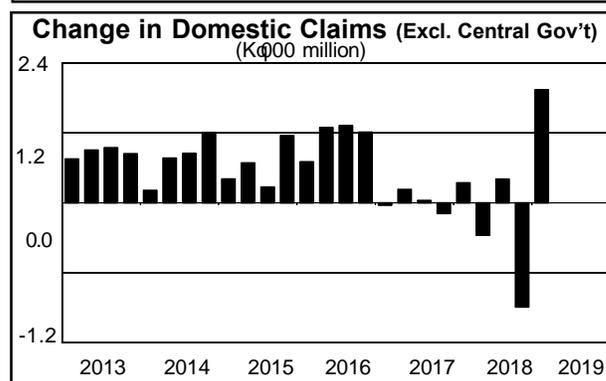
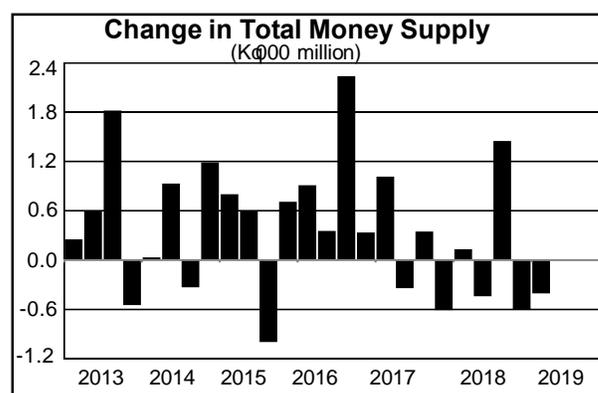
The average level of broad money supply (M3\*) decreased by 0.4 percent in the March quarter of 2019, following a decrease of 1.9 percent in the December quarter, 2018. This outcome was due to a decline in average net domestic assets (NDA), which more than offset an increase in average net foreign assets (NFA) of the banking system. Average net domestic claims outstanding, excluding net claims on the Central Government, decreased by 0.6 percent in the March quarter of 2019, following a decline of 0.1 percent in the December quarter, 2018. This was driven by decreases in average net claims of public non-financial corporations and private sector, which more than offset an increase in average net claims of other financial corporations.

The average level of monetary base (reserve money) increased by 2.2 percent during the March quarter of 2019, compared to a decline of 0.9 percent in the previous quarter. This reflected an increase in the deposits of commercial banks held at the Central Bank, which more than offset a decline in currency in circulation.

The average level of narrow money supply (M1\*) increased by 1.7 percent in the March quarter of 2019, compared to a decline of 3.1 percent in the December quarter of 2018. This was mainly due to an increase in the average level of transferable deposits of the Depository Corporations (DCs). The average level of quasi money decreased by 6.3 percent in the March quarter of 2019, compared to an increase of 1.3 percent in the previous quarter.

The average level of deposits in Other Depository Corporations (ODCs) decreased by 1.0 percent to K22,581.0 million in the March quarter of 2019, from K22,820.6 million in the previous quarter. The decline was driven by decreases in average deposits by the Government, Financial Corporations (FCs) and Public Non-financial Corporations.

The NFA of the financial corporations, comprising DCs and Other Financial Corporations (OFCs), decreased by 6.0 percent to K8,169.1 million in the March quarter of 2019, compared to an increase of 18.0 percent in the previous quarter. There were decreases in the NFA of the Central Bank and ODCs, which more than offset an increase at OFCs. The decrease at the Central Bank mainly reflected outflows for external debt servicing as well as Central Bank's intervention in the foreign exchange market, whilst the decline at ODCs reflected



a decrease in holdings of foreign assets.

Net claims on the Central Government by FCs increased by K845.3 million to K12,423.6 million in the March quarter of 2019, compared to a decrease of K1,391.2 million in the previous quarter. This mainly resulted from net issuance of government securities combined with a decline in Government deposits.

## LENDING

In the March quarter of 2019, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local level Governments' increased by K107.0 million to K17,542.7 million, compared to a decrease of K218.0 million in the previous quarter. This was driven by an increase of K104.7 million in private sector credit. The increase in private sector credit was broad based across sectors, with notable increase in advances to the manufacturing, transport, communication, agriculture and service sectors.

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## 7. PUBLIC FINANCE

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Preliminary estimates of the fiscal operations of the National Government over the three months to March 2019 show a higher deficit of K1,212.6 million, compared to the deficit of K282.4 million in the corresponding period of 2018. This represents 1.4 percent of nominal GDP.

Total revenue and grants over the three months to March was K2,128.4 million, 11.5 percent lower than in the same period of 2018 and represents 14.9 percent of the 2019 Budget. The decline reflected a fall in non-tax revenue, which more than offset an increase in tax revenue.

Total tax revenue was K2,060.1 million, 5.8 percent higher than in the corresponding period of 2018 and represents 19.1 percent of the 2019 Budget. Direct tax receipts totalled K1,041.9 million, 4.4 percent higher than in the same period of 2018 and represents 15.8 percent of the 2019 Budget. The increase reflected higher personal tax from increase in salaries of public servants and company taxes, which resulted from a pick-up in private sector activity. These more than offset a decline in other direct taxes.

Indirect tax revenue over the three months to March 2019 totalled K1,018.2 million, 7.3 percent higher than in the same period of 2018 and represents 24.2 percent of the 2019 budget. This was due to higher trade taxes.

Total non-tax revenue for the period totalled K68.3 million, substantially lower than in 2018, and is 2.7 percent of the 2019 Budget. This was due to no dividend payments, which are likely to be paid after the first quarter. There were no foreign grants recorded for the first quarter.

Total expenditure for the period was K3,341.0 million, 24.3 percent higher than in the corresponding period of 2018 and represents 20.7 percent of the 2019 Budget. This is driven mainly by increase in recurrent expenditure.

Recurrent expenditure was K3,088.4 million, 21.5 percent higher than in the corresponding period of 2018 and represents 29.0 percent of the 2019 Budget. There were increases in all the expenditure items, except for interest payments. There was higher spending on compensation of employees, as the backdated 3.0 percent salary increment for public servants for 2018 was paid in the first quarter of 2019.

Expenditure by National Departments and provincial governments was K1,729.2 million and K741.1 million respectively, in the March quarter of 2019. Both expenditure items increased by 48.2 percent and 44.6 percent respectively, compared to the same period in 2018, and represent 34.9 percent each of the 2019 Budget. Interest payments totalled K448.4 million, 44.3 lower than in 2018, and represents 22.7 percent of the 2019 Budget appropriation. Interest payments on both domestic and external debts declined.

Total development expenditure over the three months to March 2019 was K252.6 million, 73.0 percent higher than the corresponding period in 2018, and represents 4.6 percent of the 2019 appropriation. The higher development spending was due to an increase in capital investment spending.

As a result of these developments in revenue and expenditure, the Government recorded a budget deficit of K1,212.6 million. The deficit was financed mainly from domestic sources of K1,166.9 million, and K45.7 million from external sources. The net domestic financing comprised of K1,979.8 million from other resident sectors, and K479.7 million from Other

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Financial Corporations, which more than offset net retirements of K1,024.7 million and K267.9 million by BPNG and Other Depository Corporations, respectively. The external financing was from concessional sources.

Total public (Government) debt outstanding as at the end of March 2019 was K 27,566.3 million, an increase

of K1,959.7 million from end of 2018, reflecting increases in both domestic and external debt levels during the quarter.

Total Government deposits at depository corporations declined by K459.7 million to K3,249.1 million at the end of March 2019, compared to the level at the end of December 2018.

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## PAPUA NEW GUINEA'S TOTAL EXTERNAL EXPOSURE<sup>1</sup>

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

This article reviews Papua New Guinea's total external exposure for the period 2016 to 2018. Historically, inflows of loans and equity capital for public and private sector investments have financed the balance of payments gap as a result of low levels of domestic savings. Papua New Guinea's balance of payments position for the review period as presented in Table 1 indicates the current account recording a surplus in 2018, a significant improvement from a lower surplus position recorded in 2016. The surplus position of current account in 2018 reflects improvement in prices of export commodities and ongoing production and export of Liquefied Natural Gas (LNG). The capital and financial account recorded a deficit, mainly reflecting increase in deposits held in offshore banks, as covered for under the Project Development Agreement between the State and project partners, and repayment of loans relating to the PNG LNG project. Between 2016 and 2018, Papua New Guinea's total external exposure as a percent of nominal Gross Domestic Product (GDP) declined from 106.8 percent in 2016 to 86.9 percent in 2018. The outcome was attributed to an increase in the

nominal GDP, combined with a decrease in external debt outstanding. As a percentage of nominal GDP, total external debt outstanding declined from 85.9 percent in 2016 to 69.3 percent in 2018, whilst the total foreign equity holdings decreased from 20.9 percent in 2016 to 17.6 percent in 2018. At the end of 2018, 97.5 percent of the composition of Papua New Guinea's external debt was denominated in US dollars (55.5 percent), Special Drawing Rights (SDR) (25.8 percent), Chinese Yuan (12.2 percent) and Japanese Yen (4.0 percent). Between 2016 and 2018, the kina depreciated against all major currencies, namely SDR by 9.2 percent, US dollar by 5.7 percent, Japanese Yen by 10.8 percent and Australian dollar by 3.4 percent. The kina value of total external exposure decreased during this period as a result of a decrease in the total external debt, which more than offset increase in total equity holdings and the depreciation of the kina exchange rate.

Papua New Guinea's total foreign exposure was K71,568.5 million in 2018, 1.1 percent lower than in 2016. The outcome was mainly due to a decrease in total external debt, more than the increase in the foreign equity holdings. The decrease in total external debt was mainly due to a decrease in private sector external debt reflecting lower borrowings by the mineral

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

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018(p)</b>
Export of Goods and Services	17,402	14,190 r	14,294	22,161	23,727 r	26,090	32,704	34,793
Import of Goods and Services	17,083	17,709 r	20,888	15,492	10,775 r	9,863	14,874	15,884
Current Account Balance (b) (c) (d)	-407	-4,793 r	-7,746 r	5,963	12,153	16,240	17,050	17,908
Capital & Financial Account	1,599	3,971 r	6,190	-6,794	-12,831	-16,203	-16,697	-16,059
Foreign Exchange Reserve Level	9,266	8,416	6,842	5,980	5,227	5,257	5,387	7,231
Months of Total Import Cover (d)	11.5	11.0	7.2	7.3	10.0	6.4	4.8	5.5

Source: Bank of Papua New Guinea.

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

(b) Beginning in 2002, transactions in the Income Account were included, due to changes in the reporting format. Prior to 2002, all Income Account transactions were recorded under Services Account. Refer to footnote (a).

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

(d) The historical values have been revised to be consistent with the published quarterly economic bulletin (QEB) for respective years.

(e) The import cover calculation now include service payments starting with 2016 import cover. Refer to "For the Record" in December 2016 QEB.

<sup>1</sup> Does not include PNG LNG project equity contributions by project partners. Therefore, further commentary in the article on equity does not include PNG LNG project equity. Refer foot note (g) in Table

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

	2011	2012 (h)	2013	2014	2015	2016	2017	2018 (p)
<b>External Debt</b>								
<b>Official Sector (i)</b>	<b>2,284.4</b>	<b>2,378.9</b>	<b>3,032.3</b>	<b>3,513.0</b>	<b>4,251.3</b>	<b>6,069.5</b>	<b>7,364.8</b>	<b>11,446.0</b>
Commercial (b) (n)	50.8	29.9	14.0	0.0	0.0	685.0	1,125.0	3,373.0
Concessional (c)	2,233.6	2,349.0	3,018.3	3,513.0	4,251.3	5,384.5	6,239.8	8,073.0
<b>Private Sector</b>	<b>27,681.8</b>	<b>31,784.1</b>	<b>43,744.8</b>	<b>48,928.1</b>	<b>55,816.8</b>	<b>52,151.3</b>	<b>47,226.7</b>	<b>45,642.5</b>
Mineral (d)	26,339.5	30,731.2	42,553.5	47,376.6	54,045.8 r	50,596.9	45,618.5	44,197.6
Other (e)	1,342.3	1,052.9	1,191.3	1,551.5	1,771.0 r	1,554.4	1,608.2	1,444.9
Commercial Stat. Authorities.	-	-	-	-	-	-	-	-
<b>Total Debt Outstanding</b>	<b>29,966.2</b>	<b>34,163.0</b>	<b>46,777.1</b>	<b>52,441.1</b>	<b>60,068.1</b>	<b>58,220.8</b>	<b>54,591.5</b>	<b>57,088.5</b>
<b>As a % of GDP (l)</b>	<b>r 70.4 r</b>	<b>77.1 r</b>	<b>98.6 r</b>	<b>92.6</b>	<b>96.6</b>	<b>85.9</b>	<b>72.2</b>	<b>69.3</b>
<b>As a % of Export of Goods and Services (f)</b>	<b>172.2</b>	<b>240.8</b>	<b>327.2</b>	<b>236.6</b>	<b>253.2 r</b>	<b>223.2</b>	<b>166.9</b>	<b>164.1</b>
<b>Foreign Equity Holdings</b>								
<b>Private Sector</b>								
Mineral (g)	8,558.8	8,559.1	8,673.5	9,150.6	11,526.9	12,268.7	12,485.0	12,486.0
Other	1,230.9	1,233.4	1,551.7	1,588.5	1,911.4	1,896.6	1,994.0	1,994.0
<b>Total Foreign Equity holdings (g)(h)</b>	<b>9,789.7</b>	<b>9,792.5</b>	<b>10,225.2</b>	<b>10,739.1</b>	<b>13,438.3</b>	<b>14,165.3</b>	<b>14,479.0</b>	<b>14,480.0</b>
<b>As a % of GDP (Nominal terms)(l)</b>	<b>r 23.0 r</b>	<b>22.1 r</b>	<b>21.5</b>	<b>19.0</b>	<b>21.6</b>	<b>20.9</b>	<b>19.1</b>	<b>17.6</b>
<b>Total External Exposure (m)</b>	<b>r 39,755.9</b>	<b>43,955.5</b>	<b>57,002.3</b>	<b>63,180.2</b>	<b>73,506.4</b>	<b>72,386.1</b>	<b>69,070.5</b>	<b>71,568.5</b>
<b>As a % of GDP (Nominal terms)(l)</b>	<b>r 93.4 r</b>	<b>99.2 r</b>	<b>120.1</b>	<b>111.6</b>	<b>118.3</b>	<b>106.8</b>	<b>91.3</b>	<b>86.9</b>
<b>GDP (Nominal Terms) (j) (k)</b>	<b>r 42,567.0 r</b>	<b>44,315.0 r</b>	<b>47,459.0 r</b>	<b>56,621.0</b>	<b>62,157.8 r</b>	<b>67,763.8</b>	<b>75,626.0</b>	<b>82,341.1</b>

Source: Bank of Papua New Guinea, National Statistics Office & Department of Treasury (DOT).

- (a) Figures from 2007-2015 reflect the upgrade of the debt recording system, the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS).
- (b) The 2014 figure excludes the United Bank of Switzerland (UBS) loan the State borrowed to purchase shares in Oil Search Ltd. The debt was transferred to Kumul Petroleum Holdings Ltd (formerly National Petroleum Company PNG) in 2014.
- (c) Several concessional loans were cancelled in 2010 and 2011 but the update was delayed until 2013. Consequently, values have been revised ( r ) for concessional debt outstanding, total debt outstanding and percentage ratio for total outstanding debt to Gross Domestic Product (GDP) and exports of goods & services for the period concerned.
- (d) Includes petroleum and gas sectors. In 2009 and onwards includes PNG Liquefied Natural Gas (LNG) Project.
- (e) Figures from 2009 to 2013 reflect the International Petroleum Investment Company (IPIC) loan obtained by the Kumul Consolidated Holdings Ltd (former Independent Public Business Corporation) to finance the State's interest in the PNG Liquefied and Natural Gas (LNG) Project. The loan was written off with International Petroleum Investment Company (IPIC) taking up the Government shares in Oil Search Ltd pledged as security for the Bond.
- (f) See footnote (c) in Table 1.
- (g) The values in 2010 to 2013 do not reflect equity contribution of major project partners to the PNG LNG Project. The values will be updated should data become available in future.
- (h) The updated project financing data provided by Exxon Mobil (PNG) Ltd excluded equity and other loan components from the earlier reported total loan value of 19 billion US dollar. As a result, the total loan value was reduced to US\$15 billion in 2012. This resulted in a revised reduced value of private sector debt outstanding in 2012.
- (i) Any data variances for the published periods that arise against published Final Budget Outcome (FBO) reports is due to adjustments by the DOT as part of its review process.
- (j) The Nominal Gross Domestic Product (GDP) values for historical years 2007 to 2013 have been revised ( r ) following the release of updated data by the National Statistical Office. Consequently, debt and foreign equity holdings as a percentage of nominal GDP have been updated accordingly.
- (k) The Nominal Gross Domestic Product (GDP) values for years 2014 to 2017 are from National Budget Documents.
- (l) The affected percentage ratios mentioned in the foot note (j) of the published 2015 exposure article were oversighted. Thus, the revisions ( r ) in 2016 exposure article to reflect the correction.
- (m) The total exposure value for 2010 was revised ( r ) to correct the March 2016 Quarterly Economic Bulletin report.
- (n) The higher value reflects draw down of proceeds from the inaugural Sovereign Bond issuance in August 2018.

subsector (gas) and the agriculture and forestry sectors. The increase in public sector external debt resulted from higher borrowings by the Government. Between 2016 and 2018, the total foreign equity holdings increased due to higher investments in the mineral subsector (petroleum and mining), combined with non-mineral private sectors namely, agriculture, forestry, transportation and communication sectors.

### Composition of External Debt Outstanding

As presented in Table 2, Papua New Guinea's total external debt outstanding decreased by 1.9 percent to K57,089 million in 2018, from K58,221 million in 2016. Total external debt outstanding, as a percentage of

nominal GDP, declined from 85.9 percent in 2016 to 69.3 percent in 2018, as a result of an increase in nominal GDP, combined with a decline in private sector external debt. The decrease in the total stock of debt between 2016 and 2018 was mainly due to lower borrowings by the private sector, which more than offset the increase in public sector external debt.

The total private sector external debt outstanding decreased by 12.5 percent to K45,643 million in 2018, from K52,151 million in 2016. The decrease was mainly attributed to lower borrowings by the mineral subsector (gas), forestry and agriculture sectors. The private sector debt outstanding, excluding mineral and commercial statutory authorities, decreased by

**Table 3: Maturity Structure of Government External Debt Outstanding: 2010 - 2018**  
(K'million) (a)

<b>Maturity</b>	<b>2011</b>	<b>(b) %</b>	<b>2012</b>	<b>%</b>	<b>2013</b>	<b>%</b>	<b>2014(c)</b>	<b>%</b>	<b>2015 (c)</b>	<b>%</b>	<b>2016 (c)</b>	<b>%</b>	<b>2017 (c)</b>	<b>%</b>	<b>2018 (p) (c)</b>	<b>%</b>
1 to 5 years	0	0	0	0	0	0	0	0	0	0	635	10	1,002	14	1,684	15
6 to 9 years	48	2	54	2	57	2	10	r 0	6	0	2	0	124	2	123	1
Over 10 years	2,236	98	2,325	98	2,975	98	3,503	r 100	4,245	100	5,433	90	6,239	85	9,639	84
<b>Total</b>	<b>2,284</b>	<b>100</b>	<b>2,379</b>	<b>100</b>	<b>3,032</b>	<b>100</b>	<b>3,513</b>	<b>r 100</b>	<b>4,251</b>	<b>100</b>	<b>6,070</b>	<b>100</b>	<b>7,365</b>	<b>100</b>	<b>11,446</b>	<b>100</b>

Source: Financial Management Division,(DOT).

(a) The maturity intervals have changed as per the data provided by DOT following the upgrade of CS-DRMS. Refer footnote (a) Table 2.

(b) Refer to foot note (c) in Table 2.

(c) Refer to foot note (i) in Table 2.

7.0 percent to K1,445 million in 2018, from 2016.

Government's external debt outstanding increased by 88.6 percent to K11,446 million in 2018 from 2016, and comprised of 20.0 percent of total external debt in 2018, compared to 10.4 percent in 2016. The 2018 official sector debt stock constitutes 29.5 percent and 70.5 percent of commercial and concessional loans, respectively. The increasing trend in the composition of public sector external debt outstanding reflects the Government's increased drawdown on concessional and commercial loans as well as the Sovereign Bond

funds for the development projects and budget support programs.

#### **Maturity Structure of Government External Debt Outstanding**

Table 3 presents the maturity structure of the Government's external debt, classified by date of maturity from borrowing. At the end of 2018, 16 percent of debt stock had original maturities between 1 to 9 years, while the remaining 84 percent of debt had maturities over 10 years. The majority of the loans are

**Table 4: Maturity Structure of Private External Debt Outstanding: 2010 - 2018**  
(K'million) (a) (b)

<b>Maturity</b>	<b>2011 %</b>	<b>2012 (c) %</b>	<b>2013 %</b>	<b>2014 (c) %</b>	<b>2015 (d) %</b>	<b>2016 (d) %</b>	<b>2017 (d) %</b>	<b>2018 (p) (d) %</b>								
1 to 5 years	2,658	10	3,283	10	7,515	17	408	r 9	1,714	r 3	4,794	9	2,048	4	2,917	6
6 to 10 years	6,505	23	5,712	18	3,266	7	7,649	r 7	50,839	r 91	1,545	3	1,965	4	1,513	3
11 to 15 years	1,059	4	2,048	6	32,630	75	40,639	r 84	1,001	2	1,198	2	1,171	3	1,250	3
Over 15 years	17,459	63	20,742	65	334	1	232	0	2,263	r 4	44,613	86	42,042	89	39,963	88
<b>Total</b>	<b>27,681</b>	<b>100</b>	<b>31,785</b>	<b>100</b>	<b>43,745</b>	<b>100</b>	<b>48,928</b>	<b>100</b>	<b>55,817</b>	<b>r 100</b>	<b>52,150</b>	<b>100</b>	<b>47,226</b>	<b>100</b>	<b>45,643</b>	<b>100</b>

Source: Bank of Papua New Guinea.

(a) See footnote (a) in Table 2.

(b) See footnote (d) in Table 2.

(c) See footnote (h) in Table 2.

(d) See footnote (d) in Table 2.

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

	2011	2012	2013	2014	2015	2016	2017	2018 (p)
<b>Official Sector</b>	<b>232</b>	<b>201</b>	<b>210</b>	<b>299</b>	<b>254</b>	<b>305</b>	<b>421</b>	<b>542</b>
<i>Principal</i>	186	164	172	188	r 198	232	271	331
Commercial (b)	18	16	14	14	0	0	0	1
Concessional	168	148	158	174	198	232	271	330
<i>Interest (c)</i>	46	37	38	111	56	73	150	212
Commercial (d)	1	-	-	62	r	1	59	122
Concessional	45	37	38	49	r 56	72	91	90
<b>Private Sector</b>	<b>2,766</b>	<b>992</b>	<b>2,952</b>	<b>2,782</b>	<b>6,921</b>	<b>12,335</b>	<b>8,907</b>	<b>8,584</b>
<i>Principal</i>	2,351	572	2,229	1,900	r 5,264	10,391	6,811	6,396
Mineral (e) (h)	211	146	2,027	1,750	r 5,093	r 9,225	6,357	6,189
Other	2,140	426	202	150	171	r 1,166	454	207
Commercial Stat. Authorities (f)	-	-	-	-	-	-	-	-
<i>Interest (c)</i>	415	420	723	882	r 1,657	1,944	2,096	2,188
Mineral (e)	371	360	688	853	r 1,614	r 1,912	2,058	2,135
Other	44	60	35	29	r 43	r 32	38	53
Commercial Stat. Authorities (f)	-	-	-	-	0	-	-	-
<b>Total Debt Service</b>	<b>2,998</b>	<b>1,193</b>	<b>3,162</b>	<b>3,081</b>	<b>r 7,175</b>	<b>12,640</b>	<b>9,328</b>	<b>9,126</b>
<i>Principal</i>	<b>2,537</b>	<b>736</b>	<b>2,401</b>	<b>2,088</b>	<b>r 5,462</b>	<b>10,623</b>	<b>7,082</b>	<b>6,727</b>
<i>Interest</i>	<b>461</b>	<b>457</b>	<b>761</b>	<b>993</b>	<b>r 1,713</b>	<b>2,017</b>	<b>2,246</b>	<b>2,400</b>
<b>Total Debt Servicing/Export of Goods and Services (%) (g)</b>	<b>17</b>	<b>8</b>	<b>22</b>	<b>14</b>	<b>30</b>	<b>r 48</b>	<b>29</b>	<b>26</b>
<b>Interest Payments/Export of Goods and Services (%) (g)</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>r 7</b>	<b>r 8</b>	<b>7</b>	<b>7</b>

Source: Bank of Papua New Guinea & DOT.

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

(b) Refer foot note (b) in table 2.

(c) From 1999 onwards Other fees and charges are not included.

(d) External debt service interest costs incurred under the Official sector relate to the united bank of Switzerland (UBS) loan interests. Refer footnote (b) in Table 2 for additional details on the UBS loan.

(e) Includes petroleum and gas sectors.

(f) Includes Bank of Papua New Guinea's debt service.

(g) See footnote (c) in Table 1.

(h) The significant debt service in mineral sector between 2015 & 2016 is attributed to Mining & Petroleum sectors.

concessional provided by multilateral agencies to fund the development projects.

### Maturity Structure of Private External Debt Outstanding

As presented in Table 4, the maturity structure of private sector debt, classified by date of maturity from

borrowing, shows that in 2018, 9.0 percent of the total stock had original maturities between 1 to 10 years. This is mainly commercial debt owed by mineral subsectors (mining, petroleum and gas), manufacturing and communication sectors. The remaining 91.0 percent with over 10 years to maturity mainly constitutes inter-company debt, between resident companies and their foreign affiliates.

**Table 6: Foreign Equity Holdings by Country of Origin**  
(K'million) (a)

Country	2011	2012	2013	2014	2015	2016	2017	2018 (p)
Australia	5,690	5,690	5,804	6281	7,634	8,376	8,592	8,592
Japan	1,717	1,717	1,717	1717	1,717	1,717	1,723	1,723
China (d)	5	5	5	5	1,193	1,193	1,187	1,187
Malaysia	164	164	164	164	288	288	306	306
Cayman Islands	224	224	224	224	224	224	224	224
British Virgin Islands	141	141	141	219	219	219	264	264
Bahamas	189	189	189	189	189	189	189	189
Isle of Man	170	170	170	170	170	170	170	170
Singapore	165	165	165	168	168	168	168	168
United Kingdom	206	206	206	136	136	136	172	172
Hong Kong	69	69	69	69	99	99	99	99
Canada	98	98	98	98	98	98	98	98
United States	48	50	50	50	50	50	50	50
Taiwan	47	47	47	47	47	47	47	47
Mauritania	45	45	45	45	45	45	45	45
Philippines	19	19	21	45	43	43	43	43
Switzerland	29	29	29	29	29	29	29	29
South Korea	24	24	24	24	24	24	24	24
Fiji	18	18	21	21	21	11	11	11
New Zealand	14	14	14	14	14	14	14	14
Bermuda	3	3	3	5	5	5	5	5
Others	705	705	1,019	1019	1,019	1,020	1,019	1,019
<b>Total Foreign Equity</b>	<b>9,790</b>	<b>9,792</b>	<b>10,225</b>	<b>10,739</b>	<b>13,432</b>	<b>14,165</b>	<b>14,479</b>	<b>14,480</b>
As a % of GDP (nominal)	23	22	22	19	22	21	19	18
Gross Domestic Product (GDP) (b) (c)	42,567	44,315	47,459	56621	62,158	67,764	75,626	82,341

Source: Bank of Papua New Guinea.

(a) See footnote (a) in Table 2.

(b) See footnote (i) in Table 2.

(c) See footnote (k) in Table 2.

(d) The significant increase in equity stock from China is attributed to investment in the Mining Sector.

## External Debt Service

Table 5 illustrates Papua New Guinea's external debt service. Between 2016 to 2018, the total debt service payments decreased by 27.8 percent to K9,126 million in 2018, from 2016. Much of the decrease was attributed to the mineral subsector (mining) combined with the agriculture and retail sectors. The private sector external debt service, accounted for 94.1 per cent of the total external debt service payments, with public sector debt service payments making up the balance. The Government's external debt service increased between 2016 and 2018, mainly due to higher principal and interest payments for concessional and commercial loans combined with the depreciation of kina against major loan denominated currencies.

### Debt Service to Exports Ratio<sup>2,3</sup>

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

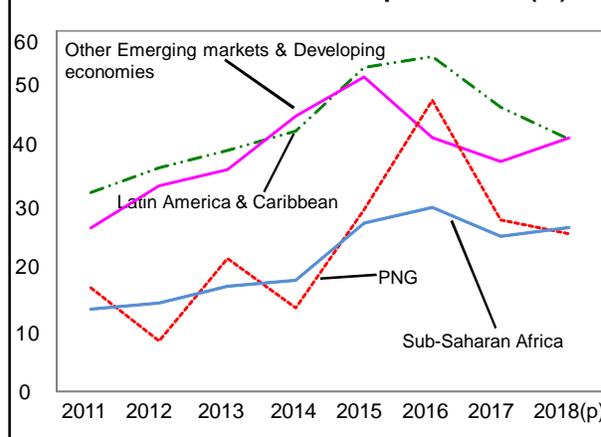
As shown in Chart 1, Papua New Guinea's debt service-to-exports ratio recorded a decrease to 26.2 percent in 2018 from 2016, lower than that of Sub-Saharan Africa, Emerging and Developing Asia and the Latin America and Caribbean economies. This outcome was due to an increase in the export of goods and services of 33.4 percent to K34,793 in 2018, combined with a decrease in debt service payments of 27.8 percent to K9,126 million in 2018. The downward trend in debt service to export ratio indicates PNG's ability to meet its external debt obligations with proceeds from the exports.

### Debt to Exports Ratio<sup>4</sup>

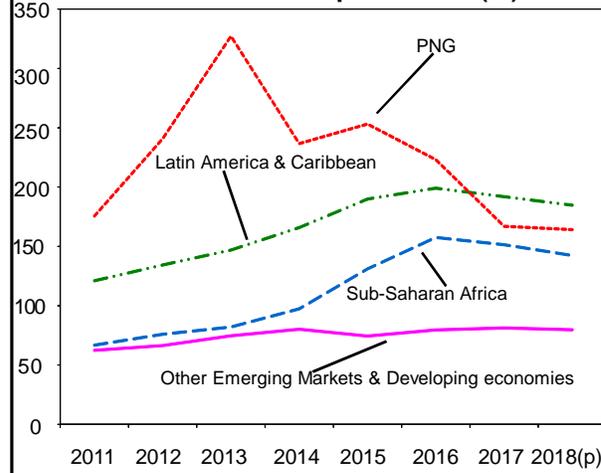
The debt to export ratio is defined as the ratio of total outstanding debt to the value of export of goods and services of an economy. This ratio is used as a measure of sustainability and as an indicator of a country's ability to meet its future external debt obligations from its export earnings.

Papua New Guinea's ratio of external debt outstanding to export of goods and services in 2018, as shown in Chart 2, was higher than that of Sub-Saharan Africa and Emerging and Developing Asia but lower than Latin

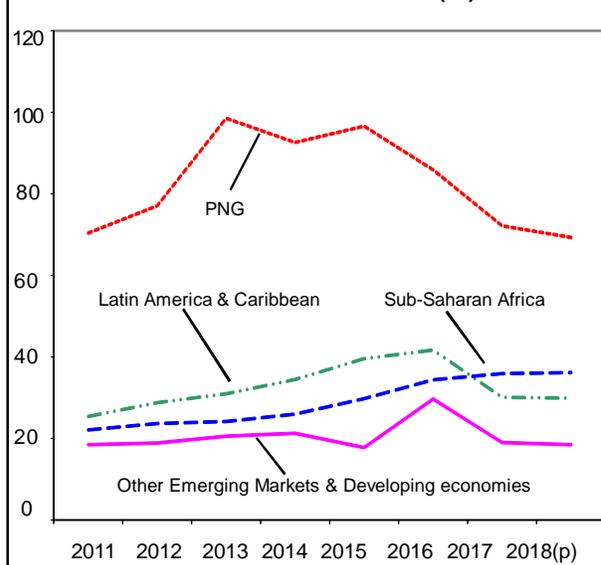
**Chart 1: Debt Service to Exports Ratio (%)**



**Chart 2: Debt to Exports Ratio (%)**



**Chart 3: Debt to GDP Ratio (%)**



**Table 7: Foreign Equity Holdings by Economic Sector**  
(K'million) (a) (b)

<b>Economic Sector</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018 (p)</b>
Agriculture	219	219	219	219	219	219	232	232
Mineral (c)	8,559	8,559	8,673	9,151	11,527	12,268	12,485	12,486
Transportation	4	4	5	5	5	5	11	11
Manufacturing	392	394	394	395	395	395	392	392
Fisheries	52	52	52	52	52	52	52	52
Bank/Insurance/Finance	137	137	451	382	545	545	545	545
Retail	44	44	44	48	48	48	48	48
Forestry	134	134	134	134	134	134	212	211
Hotel/Restaurant	10	10	10	10	10	10	10	10
Communication	123	123	123	224	224	214	224	224
Other	116	116	120	121	273	275	268	269
<b>Total Foreign Equity</b>	<b>9,790</b>	<b>9,792</b>	<b>10,225</b>	<b>10,739</b>	<b>13,432</b>	<b>14,165</b>	<b>14,479</b>	<b>14,480</b>

Source: Bank of Papua New Guinea.

(a) See footnote (a) in Table 2.

(b) See footnote (g) in Table 2.

(c) Includes gas and petroleum sectors

America and Caribbean. The outcome was mainly due to a significant increase in the export of goods and services, combined with a decline in the outstanding debt stock over the review period.

The export of goods and services increased by 33.4 percent to K34,793 million in 2018 from K26,090 million in 2016, whilst the total debt outstanding decreased by 2.0 percent to K57,089 million in 2018 from K58,221 million in 2016. The debt, as a percentage of export receipt of goods and services, was 164.1 percent in 2018, compared to 223.2 percent in 2016. The downward trend of debt to exports ratio indicates the country's ability to meet external debt obligations from its export earnings.

### Debt to GDP Ratio<sup>5</sup>

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

The ratio of Papua New Guinea's external debt

outstanding to nominal GDP, as shown in Chart 3, declined between 2016 and 2018, but remained relatively higher than the ratio of Latin America and Caribbean, Sub Sahara Africa and Emerging and Developing Asia regions. The ratio, as a percentage of nominal GDP, declined from 85.9 percent in 2016 to 69.3 percent in 2018. This outcome was mainly due to a significant increase in the nominal GDP, combined with a decrease in total debt outstanding, in spite of a depreciation of kina against the major currencies, US dollar and SDR. The decline in the debt to GDP ratio reflects a higher economic growth that indicates PNG's ability to meet its external debt obligations over the review period.

### Foreign Equity Investment in Papua New Guinea

As presented in Tables 6 and 7, foreign equity holdings in Papua New Guinea increased by 2.2 percent to K14,480 million in 2018, from K14,165 million in 2016. This outcome was mainly due to an increase in investments in the mineral sector (mining), combined with non-mineral private sectors namely, communication, transportation, agriculture and forestry sectors. The foreign equity investment, as a percentage of nominal GDP, decreased from 20.9 percent in 2016

<sup>2</sup>Refer to "For the Record" in the June 2007 Quarterly Economic Bulletin for detailed explanation.

<sup>3</sup>2004 to 2012 figures and charts have been updated following reclassification of the regional grouping of the countries according to the International Monetary Fund's World Economic Outlook publication of October 2012. It also applies to commentaries on other ratios.

<sup>4</sup>Refer to footnote 1 and 2 on page 4.

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

Country	2007	2008 (c)	2009	2010	2011	2012	2013	2014 (d)	2015 (d)	2016 (d)	2017 (d)	2018 (p)(d)
Australia	27	1,610	90	3,355	26	-	114	477	1,353	962	215	0
United Kingdom	25	-	-	-	-	-	-	-	-	-	38	-
Fiji	-	-	-	-	6	-	4	-	-	-	-	-
China	-	-	-	-	-	-	-	-	1,187	-	2	1
Japan	-	1,610	-	-	-	-	-	-	-	-	-	-
Korea, Republic	-	-	-	-	-	-	-	-	-	9	0	-
Philippines	-	-	-	-	-	-	-	24	-	-	-	-
Germany	-	-	-	-	-	-	-	-	-	-	-	-
Canada	55	-	-	-	-	-	-	-	-	-	-	-
Singapore	-	3	-	-	-	-	-	3	-	-	-	-
Hong Kong (PRC)	-	-	-	-	-	-	-	-	30	-	-	-
New Zealand	-	-	-	-	-	-	-	-	-	-	-	-
Taiwan (PRC)	-	-	-	-	-	-	-	-	-	-	-	-
Malaysia	-	-	-	-	-	-	-	-	129	-	21	-
Italy	-	-	1	-	-	-	-	-	-	-	-	-
British Virgin Islands	-	-	120	-	-	-	-	78	-	-	45	-
United States	-	-	-	-	-	3	-	-	-	-	-	-
Others	7	7	10	561	1	0	314	4	-	0	1	1
<b>Total Equity Inflows (c)</b>	<b>114</b>	<b>3,230</b>	<b>221</b>	<b>3,916</b>	<b>33</b>	<b>3</b>	<b>432</b>	<b>586</b>	<b>2,699</b>	<b>971</b>	<b>322</b>	<b>2</b>

Source: Bank of Papua New Guinea.

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

(b) See footnote (g) in Table 2.

(c) The large inflows in 2015 were from the gas, banking, finance and insurance sectors whilst in 2014, the large inflow was from the petroleum sector.

to 17.6 percent in 2018. The outcome was mainly due to a significant increase in nominal GDP, more than the increase in foreign equity investments, over the review period.

By country of origin, equity holdings was led by Australia followed by Japan, China, Malaysia, British Virgin Islands, Cayman Island, Bahamas, United Kingdom, Isle of Man and Singapore; and together accounted for 89.7 percent in 2018, compared to 89.5 percent in 2016. Investments from Cayman Islands,

Bahamas, Isle of Man, Singapore, Hong Kong, United States, Taiwan, Mauritania, Philippines, Switzerland, South Korea, Fiji, New Zealand and Bermuda remained stable over the review period from 2016 to 2018.

Table 7 shows that the mineral sector accounted for 86.2 percent of the total foreign equity in 2018, reflecting the dominance of the sector in the economy. Equity in the non-mineral private sector increased by 13.8 percent to K1,994 million in 2018 from 2016, reflecting increase in investments.

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

Country	2007	2008 (c)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (p)
Australia	2	1,610	5	3	77	-	-	-	0	220	-	-
Bermuda	-	-	-	-	66	-	-	3	1	-	-	-
Canada	1	-	-	-	-	-	-	-	-	-	-	-
Japan	-	-	-	-	-	-	-	-	-	-	-	-
Korea, Republic of	17	-	-	-	-	-	-	-	-	9	-	-
Malaysia	-	-	6	-	-	-	-	-	5	-	-	-
United Kingdom	-	-	-	-	-	-	-	69	0	-	-	-
United States	-	-	-	-	-	-	-	-	0	-	-	-
South Africa	-	-	24	-	-	-	-	-	-	-	-	-
Others	1	-	1	-	-	-	-	-	0	10	8	-
<b>Withdrawals/ Transfers</b>	<b>20</b>	<b>1,610</b>	<b>36</b>	<b>3</b>	<b>143</b>	<b>0</b>	<b>0</b>	<b>72</b>	<b>6</b>	<b>239</b>	<b>8</b>	<b>0</b>
<b>Net Flows</b>	<b>94</b>	<b>1,620</b>	<b>185</b>	<b>3,913</b>	<b>-110</b>	<b>3</b>	<b>432</b>	<b>514</b>	<b>2,693</b>	<b>732</b>	<b>314</b>	<b>2</b>

Source: Bank of Papua New Guinea.

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

(b) See footnote (g) in Table 2.

<sup>5</sup>Refer to footnote 1 and 2 on page 4.

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

<b>Country</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018 (p)</b>
Australia	414	154	334	76	166	39	80	1,335
United States	-	-	-	-	-	-	-	-
United Kingdom	16	2	2	27	-	-	-	-
Japan	5	4	-	-	-	-	-	-
France	-	-	-	-	-	-	-	-
New Zealand	5	6	8	-	7	2	32	-
Korea, Republic of	-	-	-	6	-	2	7	1
Philippines	-	-	-	-	-	-	-	-
Hong Kong (PRC)	1	-	15	26	-	-	10	2
Italy	5	2	-	5	1	-	3	4
Canada	-	-	-	-	-	-	-	-
Singapore	22	453	5	-	-	2	0	20
Malaysia	40	78	0	-	3	1	6	12
Others	-	-	14	7	36	-	46	183
<b>Total Dividend Payments</b>	<b>508</b>	<b>699</b>	<b>378</b>	<b>147</b>	<b>213</b>	<b>46</b>	<b>184</b>	<b>1,557</b>

Source: Bank of Papua New Guinea.

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

(b) Significant dividend payments in 2018 is attributed to Banking/Finance/Insurance sector.

## Net Equity Flows

The economy experienced an inflow of investments in 2018 as evidenced by net equity capital inflows. As shown in Table 8, the equity inflows in 2018 were mainly from the mineral subsector. Table 9 shows no withdrawal of equity capital in 2018, which also implies that foreign investors are reinvesting in the country given favorable long term prospects in the economy.

## Dividend Payments

Dividends reflect the cash return to shareholders and are an indicator of the profitability of an enterprise. As shown in Tables 10 and 11, dividend payments increased significantly to K1,557 million in 2018 from K46 million in 2016. The increase was mainly attributed to payments by the mineral subsector (petroleum) reflecting profitability in the existing projects.

**Table 11: Dividend Payments by Economic Sector  
(K'million) (a)**

<b>Economic Sector</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018 (p)</b>
Mineral (b)	267	458	10	1	150	0	0	1,389
Agriculture	33	63	4	-	-	-	-	-
Transportation	4	-	3	-	-	8	0	0
Manufacturing	93	98	88	50	37	2	5	2
Fisheries	-	-	-	-	-	-	-	-
Bank/Insurance/Finance	74	42	185	30	10	-	75	35
Retail	11	4	6	11	4	16	0	2
Forestry	-	-	-	-	-	-	-	-
Hotel/Restaurant	-	-	-	-	-	-	-	-
Dredging Construction	-	-	-	-	-	-	-	-
Engineering Construction	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-
Others (c)	26	34	82	55	12	19	104	129
<b>Total Dividend Payments</b>	<b>508</b>	<b>699</b>	<b>378</b>	<b>147</b>	<b>213</b>	<b>45</b>	<b>184</b>	<b>1,557</b>

Source: Bank of Papua New Guinea.

(a) See footnote (a) in Table 2.

(b) Includes petroleum and gas sectors.

(c) Includes dividends from the remaining sectors and from unspecified sectors.

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**FOR THE RECORD**
**MONTHLY KINA FACILITY RATE ANNOUNCEMENTS**

The Central Bank introduced the Kina Facility Rate (KFR) in February 2001 as the official rate to indicate its stance of monetary policy. The KFR is a monthly rate and any changes to it should translate to changes in market interest rates. Changes to the KFR is based on assessment of economic fundamentals consistent with the overall objective of monetary policy of price stability in the economy. From January 2015, the KFR announcements by the Bank were;

<b>2017</b>	02 January	Maintained at 6.25%.
	06 February	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 %.
<b>2018</b>	01 January	Maintained at 6.25%
	05 February	Maintained at 6.25%
	05 March	Maintained at 6.25%
	02 April	Maintained at 6.25%
	01 May	Maintained at 6.25%
	04 June	Maintained at 6.25%
	02 July	Maintained at 6.25%
	06 August	Maintained at 6.25%
	03 September	Maintained at 6.25%.
	01 October	Maintained at 6.25%.
	05 November	Maintained at 6.25%.
	03 December	Maintained at 6.25 %.
<b>2019</b>	07 January	Maintained at 6.25%
	04 February	Maintained at 6.25%
	04 March	Maintained at 6.25%
	01 April	Maintained at 6.25%
	06 May	Maintained at 6.25%
	03 June	Maintained at 6.25%
	02 July	Lowered to 6.00%
	03 August	Lowered to 5.50%.

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.

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**GLOSSARY OF TERMS AND ACRONYMS**


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<b>Balance of Payments</b>	A statistical statement that systematically summarises a country's economic transactions with the rest of the world, over a specific time period. It comprises the Current and Capital and Financial Accounts.
<b>Broad Money Supply (M3*)</b>	Total volume of money comprising narrow money (M1*) and quasi money in the economy at a point in time. See narrow and quasi money.
<b>Cash Reserve Requirement (CRR)</b>	A requirement imposed on commercial banks to hold cash as a percentage of total deposits and other prescribed liabilities at all times.
<b>Capital Account</b>	Records all transactions that involves the receipts or transfers of capital and acquisitions/disposal of non-produced, non-financial assets such as purchase of production facilities, i.e. plants and machinery, etc.
<b>Central Bank (CB)</b>	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.
<b>Central Bank Bill (CBB)<sup>6</sup></b>	A monetary policy instrument of the Bank of PNG used to manage liquidity in the banking system by either injecting or defusing it in order to achieve a desired level of interest rate.
<b>Central Bank Survey (CBS)</b>	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.
<b>Current Transfers Account</b>	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.
<b>Depository Corporations Survey (DCS)</b>	The survey is a consolidation of the CBS and the ODCS, which contains data on all depository corporations liabilities in the national definition of broad money and data on depository corporations, assets that are claims on (i.e credit) other sectors of the economy, including the external sector.

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<sup>6</sup>See For the Record on page 34 in the 2004 September QEB.

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<b>Deposits</b>	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.
<b>Exchange Settlement Account (ESA)</b>	Accounts of the commercial banks with the Bank of PNG for settlement transactions with each other.
<b>Exclusion-based CPI measure</b>	An underlying inflation measure which involves zero weighting of volatile sub-groups or items such as fruit & vegetables, betelnut and prices that are largely determined by non-market (seasonal) forces, as well as alcoholic drinks, cigarettes & tobacco, etc. See $\downarrow$ UnderlyingCPIq
<b>Financial Account</b>	Records all transactions associated with changes of ownership of foreign financial assets such as holdings of monetary gold, special drawing rights (SDR), claims on non-residents and foreign liabilities.
<b>Financial Corporations Survey (FCS)</b>	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 the economy, including the external sector.
<b>Financial derivatives</b>	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.
<b>Headline Consumer Price Index (CPI)</b>	A measure of inflation as calculated and published quarterly by the National Statistical Office (NSO), which measures the total price movements in goods and services in the basket.
<b>Income Account</b>	Records transactions such as compensation of employees, which cover wages, salaries, and other benefits in cash and kind, dividends and interest earned on investments between PNG and the other countries.
<b>Inscribed Stock (bond)</b>	A Government debt instrument sold to the public for

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	a maturity term of one year or longer for Budget financing.
<b>Insurance Technical Reserves</b>	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.
<b>Kina Facility Rate (KFR)</b>	Official benchmark rate used by the Bank of PNG to signal its monetary policy stance. The KFR is announced monthly by the Governor and published in the newspapers and on the Bank's website.
<b>Liquid Assets</b>	Assets of the commercial banks, which are in near liquid form, comprising cash, ESA balances, CBBs, Treasury bills and Inscribed stocks less than 3 years to maturity.
<b>Minimum Liquid Asset Ratio (MLAR)</b>	A prudential requirement imposed by the Bank of PNG on commercial banks to hold liquid assets as a percentage of total deposits and other prescribed liabilities at all times.
<b>Monetary Base (or Reserve Money)</b>	Comprised of currency held by the public and liquid assets of the commercial banks, including deposits held with the Bank of PNG under the Repurchase Agreement Facility (RAF) or Repos.
<b>Narrow Money</b>	A component of total money supply that is considered liquid or can be converted easily to cash on demand, and comprises of currency in circulation (held outside the banking system) and demand deposits.
<b>Net Equity of Households in Life Insurance Reserves</b>	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.
<b>Net Equity of Households in Pension Funds</b>	Comprises policyholders claims 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

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	government sector.
<b>Open Market Operations (OMO)</b>	Operations of liquidity management conducted by the Bank of PNG with commercial banks and other financial intermediaries involving Government securities, CBB, Repos and foreign exchange trading to influence short-term interest rates.
<b>Other Depository Corporations (ODCs)</b>	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.
<b>Other Depository Corporations Survey (ODCS)</b>	The ODSCS shows the consolidated stock and flow balance sheet data for the institutional units covered under the ODC sub-sector.
<b>Other Financial Corporations (OFCs)</b>	The OFC sub-sector is made up of the insurance corporations, superannuation (pension) funds, other financial intermediaries and financial auxiliaries such as insurance brokers, investment managers and fund administrators.
<b>Other Financial Corporations Survey (OFCS)</b>	The OFCS contains consolidated stock and flow balance sheet data for insurance corporations, superannuation funds, other financial intermediaries and financial auxiliaries.
<b>Over the year CPI</b>	Percentage change in the CPI of a quarter compared to the corresponding quarter of the previous year (Also called <del>an</del> annual CPI).
<b>Portfolio Investment</b>	Investments, mainly in equity and debt securities such as bonds and notes, money market debt instruments and financial derivatives, as well as long-term debt, equity and securities.
<b>Prepayment of Premiums and Reserves against Outstanding Claims</b>	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

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	<p>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.</p>
<b>Public non-financial corporations</b>	<p>Public non-financial corporations are resident non-financial corporations and quasi. 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).</p>
<b>Quasi Money</b>	<p>A component of total money supply that is not easily convertible to cash on demand and comprises of savings and term deposits.</p>
<b>Repurchase Agreement Facility (RAF)</b>	<p>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.</p>
<b>Securities other than Shares</b>	<p>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.</p>
<b>Shares and Other equity</b>	<p>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.</p>
<b>Tap Facility</b>	<p>A facility conducted by the Bank of PNG for sale of Treasury bills and Inscribed stocks to the public.</p>
<b>Temporary Advance Facility</b>	<p>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.</p>
<b>Trade Account</b>	<p>Records all economic transactions associated with merchandise exports and imports of physical goods.</p>

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**Trade Weighted Index<sup>7</sup>**

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

**Treasury Bill**

Government security or debt instrument sold at a discount value, but redeemed at face value on maturity 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 [Underlying CPI](#)

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

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

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<sup>7</sup>See [For the Record](#) p.24 in the 2005 September QEB.

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**REFERENCE “FOR THE RECORD”**

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

<b><u>Issue</u></b>	<b><u>For the Record</u></b>
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 <del>Other Items (Net)</del>
June 2005	- Changes to Tables 8.2 and 8.5 <del>External Public Debt</del>
Sep 2005	- Trade Weighted Exchange Rate Index
	- Employment Index - Changes to Tables 10.4 and 10.5
	- Central Bank Bill (CBB) Auction - Changes to Tables 3.8 and 7.2
Mar 2006	- Updated Weights for the Trade Weighted Index (TWI)
June 2006	- Expansion of Monetary and Financial Data Coverage
	- Upgrade of PNG <del>Private Debt and Equity Recording System</del>
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 Exports. 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

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**REFERENCE**

Each issue of the Quarterly Economic Bulletin contains a review of economic conditions for the past quarter and a comprehensive set of updated statistical tables. Articles of special interest to current economic policy are also prepared by Bank staff for inclusion in the Bulletin. The following articles have appeared in the Quarterly Economic Bulletin since December 2005.

<b><u>Issue</u></b>	<b><u>Title</u></b>
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\$ 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\$ 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\$ Total External Exposure
Sep 2010	Monetary Policy Statement, September 2010
Dec 2010	The 2011 National Budget
Dec 2010	Monetary Policy Statement, March 2011
Jun 2011	Papua New Guinea\$ 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\$ Total External Exposure
Sep 2012	Monetary Policy Statement, September 2012
Dec 2012	The 2013 National Budget
Mar 2013	Papua New Guinea\$ Total External Exposure
Sep 2013	Monetary Policy Statement, September 2013
Mar 2014	Papua New Guinea\$ 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\$ Total External Exposure
Dec 2015	The 2016 National Budget
Mar 2016	Papua New Guinea\$ 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\$ Total External Exposure
Sep 2017	Monetary Policy Statement, September 2017
Dec 2017	Monetary Policy Statement, March 2018
Mar 2018	Papua New Guinea\$ Total External Exposure
	The 2018 National Budget
Mar 2019	Papua New Guinea\$ Total External Exposure

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# **STATISTICAL SECTION**

### Sources

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

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

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

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

### Symbols used

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

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