
CONTENTS

1. General Overview	2
2. International Developments	5
3. Domestic Economic Conditions	8
Domestic Economic Activity	
Employment	
Consumer Price Index	
4. Export Commodities Review	14
Mineral Exports	
Agriculture, Logs and Fisheries Exports	
5. Balance of Payments	18
6. Monetary Developments	20
Interest rates and Liquidity	
Money Supply	
Lending	
7. Public Finance	22
For the Record	24
Glossary of Terms and Acronyms	25
Reference 'For the Record'	31
Reference	32
Statistical Section	33
List of Tables	S1

The contents of this publication may be reproduced provided the source is acknowledged.

PORT MORESBY
20th September 2019

1. GENERAL OVERVIEW

Economic indicators available to the Bank of Papua New Guinea (the Bank) point to a higher annual economic activity in the June quarter of 2019, reflecting the post-earthquake rebound in the production of gas and petroleum, combined with higher production in the mining sector, which more than offset declines in international commodity prices. Activity in the non-mineral private sector was supported by increase in credit to private sector and higher government expenditure. The annual increase in employment in the June quarter and high annual sales by the private sector in the March quarter of 2019 were indicative of the growth. During the quarter, the kina appreciated against most trading currencies except the US dollar and the Japanese yen. These movements resulted in the Trade Weighted Index (TWI) appreciating slightly by 0.62 percent to 29.577 in the quarter. With the relative stability in the exchange rate, and lower annual headline inflation outcome and inflationary expectations, the Bank maintained its monthly Kina Facility Rate (KFR) at 6.25 percent in the June quarter of 2019.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector declined by 13.6 percent in the March quarter of 2019, compared to an increase of 15.6 percent in the December quarter of 2018. Excluding the mineral sector, sales declined by 16.9 percent in the March quarter, compared to an increase of 22.3 percent in the previous quarter. By sector, sales declined in all sectors except in the construction and agriculture/forestry/fishing sectors. By region, sales declined in all the regions except the Southern (excluding NCD) region. Over the year to March 2019, total sales increased by 7.9 percent, compared to a decline of 18.2 percent in the corresponding period of 2018. Excluding the mineral sector, sales increased by 9.5 percent, compared to a decline of 12.8 percent in the corresponding period of 2018.

The Bank's Employment Index show that the total level of employment in the formal private sector increased by 0.4 percent in the June quarter of 2019, compared to an increase of 2.0 percent in the March quarter of 2019. Excluding the mineral sector, the level of employment also increased by 0.4 percent. By sector, the level of employment increased in the retail, transportation, wholesale, mineral and the financial/business and other services sectors, while it declined

in the construction, agriculture/forestry/fishing and manufacturing sectors. By region, the level of employment increased in the NCD, Highlands and Morobe regions while it fell in the Islands, Momase and Southern regions. Over the year to June 2019, the total level of employment increased by 4.2 percent, compared to a decline of 3.2 percent in the corresponding period of 2018. Excluding the mineral sector, employment increased by 2.1 percent over the year to June 2019, compared to a decline of 4.1 percent in the corresponding period of 2018.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 0.8 percent in the June quarter of 2019, compared to an increase of 0.7 percent in the March quarter. By expenditure group, consumer prices increased in the 'Transport', 'Recreation', 'Restaurants and Hotels', 'Alcoholic Beverages, Tobacco and Betelnut', 'Household Equipment', 'Miscellaneous', 'Food and Non-alcoholic Beverages' and 'Housing' expenditure groups. The 'Communication', 'Health' and 'Clothing and Footwear' expenditure groups recorded declines. The 'Education' expenditure group recorded no price change during the quarter. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 4.0 percent in the June quarter of 2019, compared to an increase of 4.5 percent in the previous quarter.

In the June quarter of 2019, the average daily kina exchange rate appreciated against the Australian dollar by 1.3 percent to 0.4226, the pound sterling by 0.9 percent to 0.2301 and the euro by 0.7 percent to 0.2633, while it depreciated against the US dollar by 0.3 percent to 0.2958 and the Japanese yen by 0.5 percent to 32.5192. These currency movements resulted in the appreciation of the TWI by 0.62 percent to 29.5771 in the June quarter of 2019.

The weighted average kina price of Papua New Guinea's exports, excluding LNG, decreased by 7.8 percent in the June quarter of 2019, compared to the corresponding quarter of 2018. The weighted average kina price of mineral exports was 6.7 percent lower, 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 13.7 percent, due to lower kina prices for coffee, tea, copra oil and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports decreased by 18.5 percent in the June quarter of 2019, compared to the corresponding quarter of

2018. Lower international prices accounted for the decline.

The balance of payments recorded an overall deficit of K388 million for the first six months of 2019, compared to a surplus of K98 million in the corresponding period of 2018. A deficit in the capital and financial account more than offset a surplus in the current account.

The surplus in the current account was due to higher trade surplus and net income receipts, combined with lower net service payments. This more than offset lower net transfer receipts.

The deficit in the capital and financial account was contributed by net outflows from direct investment and other investments reflecting intercompany equity withdrawal and build up in offshore foreign currency accounts of mineral companies including the LNG companies covered under the Project Development Agreements, respectively. These combined with net outflows in Government loan repayments.

The level of gross foreign exchange reserves was K6,830.3 (US\$2,045.7) million at the end of June 2019, equivalent to 5.3 months of total and 11.3 months of non-mineral import covers.

Taking into consideration the low inflationary expectations and general stability in other key macroeconomic indicators, the Bank maintained the monthly Kina Facility Rate (KFR) at 6.25 percent in the second quarter of 2019. The dealing margins for the Repurchase Agreement (Repos) were reduced to 75 basis points from 100 basis points following the securitization of the Repo Facility in April 2019.

The Bank utilised its Open Market Operation (OMO) instruments in the conduct of monetary policy to manage liquidity. Central Bank intervention in the foreign exchange market also continues to play a major role in diffusing kina liquidity during the period. Nevertheless, system liquidity remained high and unevenly distributed among the banks, resulting in the on-going borrowing in the inter-bank market and under the Repo Facility during the quarter. There was a net issuance in Central Bank Bill (CBB) of K43.2 million, and a net retirement in Treasury bills of K116.5 million in the June quarter of 2019, while there was a net issuance in Treasury bonds of K169.0 million. The Cash Reserve Requirement (CRR) for the commercial

banks was maintained at 10.0 percent during the quarter.

The average level of broad money supply (M3*) decreased by 0.9 percent in the June quarter, following a decrease of 0.4 percent in the March quarter of 2019. This outcome was due to a decline in the average net foreign assets (NFA), which more than offset an increase in average net domestic assets of the banking system. Average net domestic claims outstanding, excluding net claims on the Central Government, increased by 1.8 percent in the June quarter, following a decline of 0.6 percent in the March quarter of 2019. This reflected increases in average net claims of private sector, public non-financial corporations and other financial corporations (OFCs).

The average level of monetary base (reserve money) decreased by 5.6 percent during the June quarter of 2019, compared to an increase of 2.2 percent in the previous quarter. This reflected decreases in the average level of both the deposits of commercial banks held at the Central Bank and currency in circulation.

The NFA of the FCs, comprising DCs and OFCs, increased by 2.4 percent to K8,363.1 million in the June quarter of 2019, compared to a decrease of 6.0 percent in the previous quarter. This reflected an increase in NFA of the OFCs stemming mainly from an increase in holdings of foreign assets, which more than offset decreases in NFA of the Central Bank and ODCs.

Net claims on the Central Government by FCs increased by K152.7 million to K12,576.3 million in the June quarter of 2019, following an increase of K845.3 million in the previous quarter. The decline in Government deposits held at depository corporations, more than offset a decline in claims on Government reflecting net retirement of government securities.

In the June 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 K130.8 million to K17,673.5 million, following an increase of K107.0 million in the previous quarter. This was attributed to increases of K107.2 million and K23.6 million in lending to the public non-financial corporation and private sector, respectively. The increase in private sector credit was broad based across sectors, with notable increase in advances to the manufacturing, wholesale/retail,

finance, construction, real estate, service and the household sectors. The increase in lending to the public non-financial corporation reflect advances to the state-owned enterprises.

The fiscal operations of the National Government over the six months to June 2019 show a higher deficit of K1,667.4 million, compared to a deficit of K324.9 million in the corresponding period of 2018. The deficit represents 1.9 percent of nominal GDP.

Total revenue and grants, over the six months to June was K5,810.6 million, 4.6 percent higher than in the same period of 2018 and represents 40.7 percent of the 2019 Budget. This reflected increases in taxes and project grants, which more than offset the decline in non-tax revenues.

Total expenditure for the six months was K7,478.0

million, 27.2 percent higher than in the corresponding period of 2018 and represents 46.7 percent of the 2019 Budget. Both the development and recurrent expenditures increased.

The developments in revenue and expenditure resulted in the Government recording a budget deficit of K1,667.4 million in the first half of 2019. Of the deficit, K1,464.1 million was financed domestically while K203.3 million was from external financing, mainly concessional loans. Net domestic financing comprised of K3,161.0 million (of which K1,276.1 million was from trust account balances), K132.6 million and K50.5 million from the other resident sectors, OFCs and public non-financial corporations, respectively. There were net retirements of K1,045.4 million and K834.6 million in government securities at BPNG and ODCs, respectively.

2. INTERNATIONAL DEVELOPMENTS

Global growth remained sluggish in the second quarter of 2019, attributed to the escalation of the trade war between the United States (US) and China, uncertainties surrounding Brexit and geopolitical tensions in the Middle East. Growth in the US slowed as business spending and exports fell amidst continued tight labour market conditions. In the United Kingdom (UK), growth weakened as production in the manufacturing sector fell considerably in light of the uncertainties surrounding Brexit. Growth in Japan picked up as a result of strong consumer and government spending. In the euro area, growth weakened as industrial output across the region was affected by the slowdown in global growth. According to the International Monetary Fund (IMF) World Economic Update (WEO) for July 2019, the global economy is estimated to grow by 3.2 percent in 2019.

In April, the World Bank Group (WBG) and the IMF held their annual Spring Meetings in Washington D.C, US. Leaders discussed the importance of international trade and investment as engines for growth, productivity, innovation, job creation and sustainable development. They pledged their continued support to the WBG and the IMF and stressed the importance of adopting growth enhancing policies whilst containing country specific risks and protecting the most vulnerable. Leaders agreed that joint collaboration between the two organisations and policy makers is essential in identifying the right balance between supporting demand and, rebuilding and strengthening fiscal frameworks to help countries improve debt management capacity, sustainability and transparency as well as strengthening domestic resource mobilisation. The leaders also gave their support for the Bank Group's twin goals of ending extreme poverty and boosting shared prosperity.

In June, the Group of Twenty (G20) Finance Ministers and Central Bank met in Fukuoka, Japan. Key topics discussed included fostering robust global economic growth, global finance, anti - corruption, and promoting an inclusive and sustainable world. The leaders reaffirmed their support to reform the World Trade Organisation's (WTO) dispute settlement system consistent with the rules negotiated by WTO members. They also reasserted their commitment to the global financial safety net and pledged to adequately resource the IMF. On anti-corruption, leaders remained committed to lead global efforts to prevent and fight against corruption as well as promote integrity by implementing

the G20 Anti-Corruption Action Plan 2019-2021. Finally, leaders also discussed the importance of sustainable financing for health and called for greater collaboration between health and finance authorities.

Also in June, the Group of Twenty (G20) Energy and Environment Ministerial Meetings were held in Karuizawa, Japan. Some of the key topics discussed include energy efficiency, renewable energy, hydrogen and other synthetic fuels, digitalization and value chain of energy resources and nuclear energy. The leaders pledged their support for less wastage of energy and energy transitions through the G20 Energy Efficiency Leading Program (EELP). They also urged the International Renewable Energy Agency (IRENA), the International Energy Agency (IEA) and Clean Energy Ministerial (CEM) to continue analysis on key technologies for energy transitions to further utilize renewable energy. In that regard, leaders pledged their support of best practice exchanges, international joint research and evaluation of hydrogen's potential. The leaders also pledged support to explore and expand potential digitalization of the energy sector, including developing robust and comprehensive energy datasets to support energy transitions.

In the US, real GDP grew by 2.0 percent over the year to June 2019, compared to a growth of 4.1 percent over the same period in 2018. The lower growth outcome reflected the adverse impact of the US-China trade war, with higher government and consumer spending supporting the growth. The IMF forecasts real GDP growth at 2.6 percent in 2019.

Industrial production increased by 1.1 percent over the year to June 2019, compared to 3.8 percent over the same period in 2018. The lower growth reflected declines in utilities output which was offset by growth in the mining and manufacturing sectors. The Purchasing Managers Index (PMI) increased to 51.7 in June 2019, compared to 60.2 in June 2018. This outcome reflected lower new orders for chemical products, transportation equipment, computers and electronic equipment due to the US-China and US-Mexico trade wars. Retail sales grew by 3.3 percent over the year to June 2019, compared to 6.6 percent over the corresponding period in 2018. The outcome reflected lower spending on tradable items that were affected by the trade wars with US consumers having to pay higher prices due to higher tariffs. The unemployment rate fell down to 3.7 percent in June 2019, compared to 4.0 percent in June 2018.

Consumer prices increased by 2.1 percent over the year to the June quarter of 2019, compared to an increase of 2.9 percent over the corresponding period in 2018. Broad money supply increased by 4.6 percent over the year to June 2019, compared to 4.4 percent over the corresponding period in 2018. The Federal Reserve Bank maintained the federal funds rate between the target range of 2.25 percent and 2.50 percent in the June quarter of 2019, with indications of further reductions in the coming months in light of improving labour market conditions and lower inflation.

The trade deficit narrowed to US\$163.3 billion over the year to June 2019, compared to US\$571.9 billion over the corresponding period in June 2018. The lower outcome reflected lower exports relative to imports.

In Japan, real GDP grew by 1.2 percent over the year to June 2019, compared to a growth of 1.0 percent over the same period in 2018. The growth reflected public investment in utilities, transport and communication. The IMF forecasts real GDP growth at 0.9 percent in 2019.

Industrial production fell by 3.8 percent over the year to June 2019, compared to an increase of 2.4 percent over the same period in 2018. The decline was due to a drop in manufacturing output attributed to slowdown in the Chinese economy and the trade war between the US and China. Retail sales increased by 0.5 percent over the year to June 2019, compared to an increase of 1.0 percent over the same period in 2018. The unemployment rate increased by 2.3 percent in June 2019, compared to 2.4 percent in June 2018.

Consumer prices increased by 1.1 percent over the year to the June quarter of 2019, compared to an increase of 0.7 percent over the corresponding period in 2018. The higher prices for food, medical care and transportation contributed to the increase. Broad money supply (M3) increased by 4.0 percent over the year to June 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 June quarter as it continued to purchase government bonds worth about 80 trillion yen annually in order to keep inflation low.

The trade deficit was US\$69.1 billion over the year to June 2019, compared to a trade surplus of US\$42.7 billion over the corresponding period in 2018. The growing deficit was attributed to the impact of the US-

China trade war which resulted in lower exports relative to imports.

In the euro area, real GDP grew by 1.1 percent over the year to June 2019, compared to 2.2 percent over the same period in 2018. The slower growth reflected fall in domestic demand and gross fixed capital formation, and a slowdown in exports. The IMF forecasts real GDP growth at 1.3 percent in 2019.

Industrial production fell by 2.6 percent over the year to June 2019, compared to an increase of 2.5 percent over the same period in 2018. The fall reflected a slowdown in the production of intermediate and capital goods, mining and quarrying and manufacturing of food products. Retail sales increased by 2.8 percent in June 2019, compared to an increase of 1.2 percent in 2018. The unemployment rate fell to 7.5 percent in June 2019, compared to 8.3 percent in June 2018.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, increased by 1.3 percent over the year to June 2019, compared to an increase of 2.0 percent over the same period in 2018. The outcome was mainly influenced by lower oil prices. Broad money supply increased by 5.0 percent over the year to June 2019, compared to an increase of 4.0 percent over the corresponding period in 2018. The European Central Bank maintained its refinancing rate at zero percent in the June quarters.

The trade deficit narrowed to US\$3.9 billion over the year to June 2019, compared to US\$274.4 billion over the year to June 2018, reflecting a significant drop in imports.

In the United Kingdom (UK), real GDP growth increased by 1.2 percent over the year to June 2019, compared to 1.3 percent in the corresponding period of 2018. The lower growth reflected slowing down in the manufacturing and service sectors as output fell in light of the uncertainties associated with Brexit and US-China trade war. The IMF forecasts real GDP to grow at 1.3 percent in 2019.

Industrial production declined by 0.6 percent over the year to June 2019, compared to an increase of 1.1 percent over the corresponding period of 2018. Lower production was largely in the manufacturing sector. Retail sales increased by 3.6 percent over the year to June 2019, compared to 2.9 percent over the corresponding period in 2018, mainly driven by higher

demand for food. The unemployment rate fell slightly to 3.9 percent in June 2019, from 4.0 percent in June 2018.

Consumer prices increased by 2.0 percent over the year to June 2019, compared to 2.4 percent over the same period in 2018. Broad money supply increased by 2.3 percent over the year to June 2019, compared to 3.4 percent over the corresponding period of 2018. The Bank of England maintained its policy rate at 0.75 percent in June 2019.

The trade account deficit narrowed to US\$39.1 billion over the year to June 2019, compared to a deficit of US\$184.2 billion over the corresponding period in 2018. The deficit reflected a notable decline in imports.

In China, real GDP grew by 6.2 percent over the year to June 2019, compared to 6.7 percent over the same period in 2018. The lower growth reflected the impact of the on-going trade war between the US. The IMF forecasts real GDP to grow at 6.2 percent in 2019.

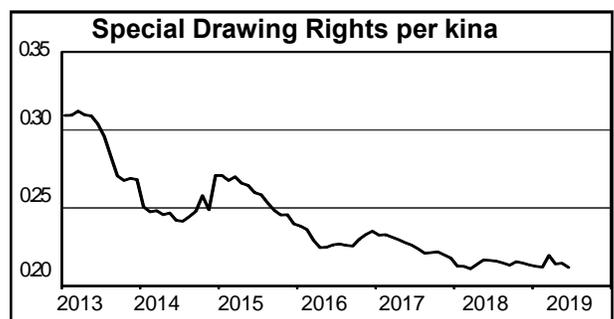
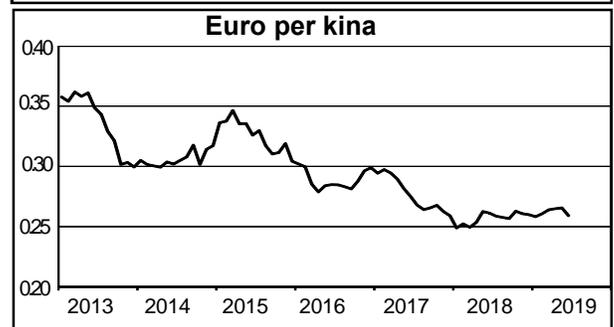
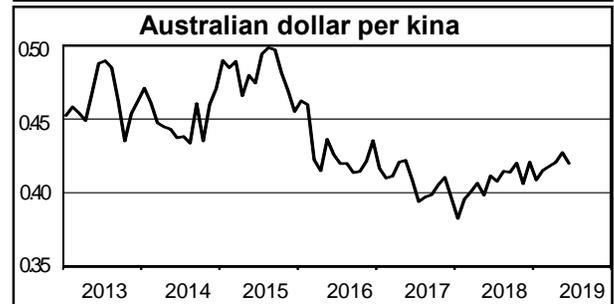
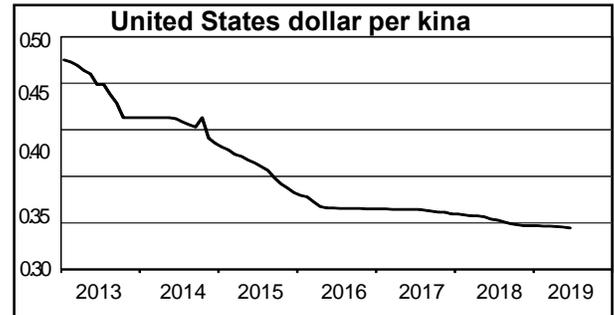
Industrial production increased by 6.3 percent over the year to June 2019, compared to an increase of 6.0 percent over the same period in 2018. Retail sales grew by 9.8 percent over the year to June 2019, compared to 10.1 percent over the same period in 2018. The unemployment rate was 3.6 percent in June 2019, compared to 3.8 percent in June 2018.

Consumer prices rose by 2.8 percent over the year to June 2019, compared to an increase of 1.9 percent over the same period in 2018. Broad money supply increased by 8.5 percent over the year to June 2019, compared to an increase of 8.5 percent over the corresponding period in 2018. The People's Bank of China maintained its policy rate at 4.85 percent in the June quarter of 2019, and lowered the reserve requirement ratio for the commercial banks to 13.5 percent from 14.5 percent.

The trade account surplus was significantly lower at US\$50.9 billion over the year to June 2019, compared to a surplus of US\$383 from the corresponding period in 2018. The lower surplus was attributed to a drop in exports to a number of countries including the US, EU, Australia and Japan.

In Australia, real GDP increased by 1.4 percent over the year to June 2019, compared to an increase of 3.4 percent over the same period in 2018. This outcome

EXCHANGE RATES



was mainly driven by the external sector reflecting strong production and export of coal and liquefied natural gas. Government expenditure especially in the health care supported this growth while the household sector remained relatively subdued. The IMF forecasts real GDP growth at 2.1 percent in 2019.

Industrial production increased by 1.9 percent over the year to June 2019, compared to an increase of 3.4 percent over the same period in 2018. The lower growth reflected a fall in the manufacturing sector reflecting lower production of machinery, equipment, coal, and petroleum products. Retail sales increased by 2.4 percent over the year to June 2019, compared to an increase of 3.1 percent over the corresponding period in 2018. The unemployment rate was 5.2 percent in the June quarter of 2019, compared to 5.4 percent in the June quarter of 2018.

Consumer prices increased by 1.6 percent over the year to June 2019, compared to an increase of 2.1 percent over the corresponding period in 2018. The lower outcome was due to a fall in a number of administered prices especially utilities and child care. Broad money supply increased by 4.1 percent over the year to June 2019, compared to an increase of 1.9 percent over the corresponding period in 2018. The Reserve Bank of Australia (RBA) maintained its official cash rate at 1.0 percent in June 2019.

The trade account recorded a surplus of US\$5.6 billion over the year to June 2019, compared to a surplus of US\$10.1 billion over the same period in 2018. The lower surplus was due to higher imports relative to exports.

In the June quarter of 2019, the US dollar depreciated against all the major currencies except the Japanese yen. The US dollar depreciated against the Australian dollar by 1.6 percent, pound sterling by 1.3 percent and the euro by 1.1 percent, whilst it appreciated against the Japanese yen by 0.2 percent.

In the June quarter of 2019, the average daily kina exchange rate appreciated against the Australian dollar by 1.3 percent to 0.4226, the pound sterling by 0.9 percent to 0.2301 and the euro by 0.7 percent to 0.2633, while it depreciated against the US dollar by 0.3 percent to 0.2958 and the Japanese yen by 0.5 percent to 32.5192. These currency movements resulted in the appreciation of the TWI by 0.62 percent to 29.5771 in the June 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 formal private sector declined by 13.6 percent in the March quarter of 2019, compared to an increase of 15.6 percent in the December quarter of 2018. Excluding the mineral sector, sales declined by 16.9 percent in the March quarter, compared to an increase of 22.3 percent in the previous quarter. By sector, sales declined in all sectors except in the construction and agriculture/forestry/fishing sectors. By region, sales declined in all the regions except the Southern (excluding NCD) region. Over the year to March 2019, total sales increased by 7.9 percent, compared to a decline of 18.2 percent in the corresponding period of 2018. Excluding the mineral sector, sales increased by 9.5 percent, compared to a decline of 12.8 percent in the corresponding period of 2018.

In the manufacturing sector, sales declined by 35.1 percent in the March quarter of 2019, compared to an increase of 10.2 percent in the previous quarter. The decline was attributed to lower production of processed fuel products, canned tuna and general food items. Over the year to March 2019, sales declined by 21.0 percent, compared to a decline of 0.6 percent in the corresponding period of 2018.

In the wholesale sector, sales decreased by 14.7 percent in the quarter, compared to an increase of 67.0 percent in the December quarter of 2018. The decline reflected lower prices and volume of fuel sold by a major distributor, and declines in sale of pharmaceutical products and general merchandise. Lower sales by several major wholesale companies in Morobe also contributed to the decline. Over the year to March 2019, sales increased by 64.8 percent, compared to a decline of 0.8 percent in the corresponding period of 2018.

In the transportation sector, sales fell by 13.1 percent in the March quarter of 2019, compared to an increase of 26.6 percent in the December quarter of 2018. This outcome was mainly due to lower air passenger travel. Over the year to March 2019, sales increased by 25.6 percent, compared to a decline of 26.6 percent in the corresponding period of 2018.

In the financial/business/other services sector, sales declined by 10.8 percent in the March quarter of 2019, compared to an increase of 3.8 percent in the previous quarter. The decline was due to lower activity by several major hotels, drop in commercial bank earnings from investments and lower fees and charges, and a fall in rentals from the real estate sub-sector. Over the year to March 2019, sales declined by 2.7 percent, compared to a decline of 32.1 percent in the corresponding period of 2018.

In the mineral sector, sales declined by 9.0 percent in the March quarter of 2019, compared to an increase of 6.9 percent in the previous quarter. The decline was mainly attributed to lower production and export of liquefied natural gas, crude oil and gold. Over the year to March 2019, sales increased by 5.0 percent, compared to a decline of 25.9 percent in the corresponding period of 2018.

In the retail sector, sales fell by 1.0 percent in the quarter, compared to an increase of 7.2 percent in the December quarter of 2018. The fall in sales was associated with lower demand for food and general merchandise. Over the year to March 2019, sales declined by 0.6 percent, compared to a decline of 13.6 percent in the corresponding period of 2018.

In the construction sector, sales increased by 8.2 percent in the March quarter of 2019, compared to an increase of 30.2 percent in the previous quarter. This outcome reflected the ongoing construction of the Sir Hubert Murray Stadium, building of the Gordons market in NCD, road maintenance while Highlands regions, rehabilitation of the Department of Home Affairs building, road works in Manus and the maintenance work at the Angau General Hospital in Lae, Morobe province. Over the year to March 2019, sales fell by 65.7 percent, compared to a decline of 61.8 percent in the corresponding period of 2018.

In the agriculture/forestry/fishing sector, sales increased by 6.8 percent in the quarter, compared to a decline of 46.4 percent in the December quarter of 2018. Higher production and export of palm oil by two major palm oil producers and production of tuna accounted for the increase. Over the year to March 2019, sales increased by 5.8 percent, compared to a decline of 40.4 percent in the corresponding period of 2018.

By region, sales declined in all the regions except the Southern (excluding NCD) region. In NCD, sales

declined by 20.4 percent in the March quarter of 2019, compared to an increase of 8.0 percent in the previous quarter. Lower activity in the manufacturing, transportation, wholesale, retail and financial/business/other sectors, reflecting lower production of crude oil, demand for pharmaceutical products, air passenger travel, and general merchandise and a fall in earnings by commercial banks, respectively. Over the year to March 2019, sales declined by 11.0 percent, compared to an increase of 4.1 percent in the corresponding period of 2018.

In the Highlands region, sales declined by 17.4 percent in the March quarter of 2019, compared to an increase of 9.7 percent in the December quarter of 2018. This was due to lower activity in the mineral, agriculture/forestry/fishing, wholesale, retail and transportation sectors, reflecting a fall in production and export of gold, crude oil, coffee, demand for food and general merchandise, and air passenger travel. Over the year to March 2019, sales increased by 14.7 percent, compared to a decline of 57.2 percent in the corresponding period of 2018.

In the Momase region, sales declined by 12.8 percent in the quarter, compared to a decline of 25.3 percent in the December quarter of 2018. The outcome reflected a slowdown in the manufacturing, transportation, wholesale and retail sectors, due to lower production of canned tuna and lower demand for air passenger travel, food and general merchandise. Over the year to March 2019, sales declined by 63.1 percent, compared to an increase of 21.5 percent in the corresponding period of 2018.

In Morobe, sales declined by 5.7 percent in the March quarter of 2018, compared to an increase of 19.1 percent in the previous quarter. Lower activity in the wholesale, manufacturing, transportation and agriculture/forestry/fishing sectors, resulted in a drop in demand for plastic products, food and general merchandise, air passenger travel and production of tea. Over the year to March 2019, sales increased by 9.8 percent, compared to a decline of 23.0 percent in the corresponding period of 2018.

In the Islands region, sales declined by 0.6 percent in the March quarter of 2019, compared to an increase of 59.7 percent in the previous quarter. The decline was mainly in the wholesale, transportation and agriculture/forestry/fishing sectors, reflecting lower demand for food and general merchandise, air passenger travel

and production of logs. Over the year to March 2019, sales increased by 44.4 percent, compared to a decline of 4.9 percent in the corresponding period of 2018.

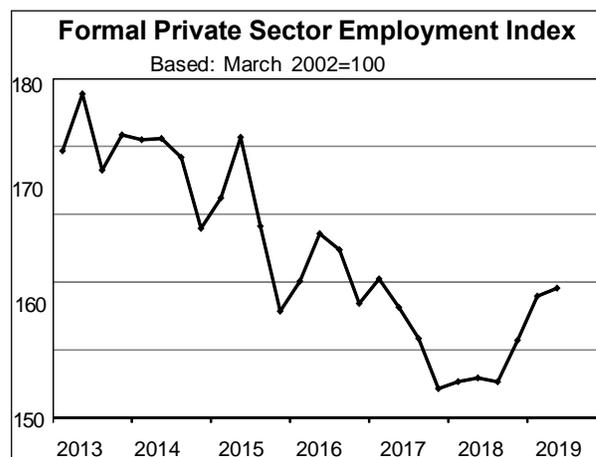
In the Southern region, sales increased by 10.9 percent in the March quarter of 2019, following an increase of 6.5 percent in the December quarter of 2018. The increase in activity in the mineral, agriculture/forestry/fishing, retail and wholesale sectors, reflected higher production and export of copper ore and palm oil, and increased sales of heavy equipment and machinery, and food and general merchandise. Over the year to March 2019, sales increased by 33.5 percent, compared to a decline of 20.8 percent in the corresponding period of 2018.

EMPLOYMENT

The Bank's Employment Index show that the total level of employment in the formal private sector increased by 0.4 percent in the June quarter of 2019, compared to an increase of 2.0 percent in the March quarter of 2019. Excluding the mineral sector, the level of employment also increased by 0.4 percent. By sector, the level of employment increased in the retail, transportation, wholesale, mineral and the financial/business and other services sectors, while it declined in the construction, agriculture/forestry/fishing and manufacturing sectors. By region, the level of employment increased in the NCD, Highlands and Morobe regions, while it fell in the Islands, Momase and Southern regions. Over the year to June 2019, the total level of employment increased by 4.2 percent, compared to a decline of 3.2 percent in the corresponding period of 2018. Excluding the mineral sector, employment increased by 2.1 percent over the year to June 2019, compared to a decline of 4.1 percent in the corresponding period of 2018.

In the retail sector, the level of employment increased by 4.7 percent in the June quarter of 2019, compared to a decline of 2.5 percent in the March quarter of 2019. The pick-up reflected the recruitment of additional workers by several general merchandise stores and an automobile company to meet higher demand. Over the year to June 2019, the level of employment increased by 4.2 percent, compared to a decline of 6.3 percent over the year to June 2018.

In the transportation sector, the level of employment increased by 2.7 percent in the June quarter of 2019,



compared to a decline of 6.0 percent in the previous quarter. This was mainly attributed to recruitment of additional workers by a major airline company, a helicopter company and a shipping company reflecting increased passenger travel hire services and haulage of cargo respectively. Over the year to June 2019, the level of employment fell by 11.3 percent, compared to a decline of 8.9 percent over the corresponding period in 2018.

In the wholesale sector, the level of employment increased by 1.1 percent in the June quarter of 2019, compared to an increase of 3.5 percent in the March quarter of 2019. The increase reflected the engagement of casuals by coffee and cocoa processing companies. Over the year to June 2019, the level of employment declined by 1.5 percent, compared to an increase of 1.5 percent in the corresponding period of 2018.

In the mineral sector, the level of employment increased by 0.3 percent in the quarter, compared to an increase of 0.6 percent in the March quarter of 2019. The increase was attributed to higher activity by an oil and gas company. Over the year to June 2019, the level of employment increased by 21.0 percent, compared to an increase of 4.4 percent over the corresponding period in 2018.

In the financial/business and other services sector, the level of employment increased by 0.3 percent in the June quarter of 2019, compared to an increase of 1.9 percent in the March quarter of 2019. Higher activity in the hotel and catering sub-sector as well as additional recruitment by a security firm accounted for this increase. Over the year to June 2019, the level of employment increased by 8.5 percent, compared to

an increase of 0.5 percent over the corresponding period in 2018.

In the construction sector, the level of employment decreased by 2.9 percent in the June quarter of 2019, compared to a decline of 4.5 percent in the March quarter of 2019. The decline reflected laying-off of casual workers after the completion of road clearance work in the Southern region and, repairs and drainage work at various sections of the Highlands Highway. Over the year to June 2019, the level of employment fell by 6.4 percent, compared to a decline of 15.8 percent over the year to June 2018.

In the agriculture/forestry/fishing sector, the level of employment fell by 1.1 percent in the June quarter of 2019, compared to an increase of 6.8 percent in the previous quarter. The decline reflected the laying-off of seasonal workers following the end of the harvest season by major palm oil producers. Over the year to June 2019, the level of employment increased by 2.0 percent, compared to a decline of 3.8 percent in the same period of 2018.

In the manufacturing sector, the level of employment fell by 0.1 percent in the June quarter of 2019, compared to an increase of 5.0 percent in the March quarter of 2019. The decline was mainly due to mass resignation and staff termination by a tuna loining company, which more than offset recruitment by two major biscuit companies following the introduction of a new production line for noodles processing. Over the year to June 2019, the level of employment increased by 4.6 percent, compared to a decline of 2.2 percent over the year to June 2018.

By region, employment increased in NCD, Highlands and Morobe while it declined in the Islands, Momase and Southern regions. In NCD, the level of employment increased by 2.0 percent in the June quarter of 2019, compared to a decline of 0.1 percent in the March quarter of 2019. There were increases in the retail, transportation and the services sub-sector. The increase reflected higher demand for food and general merchandise, air passenger travel, security services and higher mineral activity. Over the year to June 2019, the level of employment increased by 4.8 percent, compared to a decline of 5.4 percent over the year to June 2018.

In the Highlands region, the level of employment increased by 1.2 percent in the June quarter of 2019,

compared to an increase of 2.5 percent in the March quarter of 2019. The increase was in the retail and transportation sector and the agricultural sub-sector, reflecting increase in business activity. Over the year to June 2019, the level of employment increased by 16.8 percent, compared to an increase of 5.4 percent over the year to June 2018.

In Morobe, the level of employment increased by 0.9 percent in the June quarter of 2019, compared to an increase of 6.6 percent in the March quarter of 2019. The marginal increase reflected a pick-up in activity in the manufacturing sector following the introduction of a new production line for noodle processing. Over the year to June 2019, the level of employment increased by 5.3 percent, compared to a decline of 7.4 percent in the corresponding period of 2018.

In the Islands region, the level of employment declined by 1.5 percent in the June quarter of 2019, compared to an increase of 0.2 percent in the March quarter of 2019. The decline primarily reflects the laying-off of seasonal workers after the end of the harvest season by a major palm oil producer. Over the year to June 2019, the level of employment fell by 4.6 percent, compared to an increase of 1.8 percent in the corresponding period of 2018.

In the Momase region, the level of employment declined by 1.2 percent in the quarter, compared to a decline of 0.8 percent in the March quarter of 2019. The decline was in the manufacturing sector attributed to mass resignation and staff termination by a tuna loining company. Over the year to June 2019, the level of employment declined by 0.9 percent, compared to a decline of 5.9 percent in the corresponding period of 2018.

In the Southern region, the level of employment declined by 0.3 percent in the June quarter of 2019, compared to an increase of 7.4 percent in the March quarter of 2019. There were declines in the construction and agricultural sub-sector associated the completion of road clearance by a construction company and the end of the harvesting season by two major palm oil producers. Over the year to June 2019, the level of employment increased by 16.7 percent, compared to a decline of 11.1 percent over the year to June 2018.

CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the

Consumer Price Index (CPI), increased by 0.8 percent in the June quarter of 2019, compared to an increase of 0.7 percent in the March quarter. By expenditure group, consumer prices increased in the 'Transport', 'Recreation', 'Restaurants and Hotels', 'Alcoholic Beverages, Tobacco and Betelnut', 'Household Equipment', 'Miscellaneous', 'Food and Non-alcoholic Beverages' and 'Housing' expenditure groups. The 'Communication', 'Health' and 'Clothing and Footwear' expenditure groups recorded declines. The 'Education' expenditure group recorded no price change during the quarter. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 4.0 percent in the June quarter of 2019, compared to an increase of 4.5 percent in the previous quarter.

The CPI for the 'Transport' expenditure group increased by 2.5 percent in the June quarter of 2019, compared to an increase of 1.6 percent in the previous quarter. There were increases in the 'other services', 'fuel and lubricants', 'fares' and 'operations of transport' sub-groups of 32.9 percent, 11.0 percent, 4.5 percent and 1.5 percent, respectively, which more than offset a decline of 5.7 percent in the 'motor vehicle purchases' sub-group. This expenditure group contributed 0.3 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 1.9 percent in the June quarter of 2019, following an increase of 0.7 percent in the previous quarter. This reflected price increases for batteries, digital camera, bios, flash drives and photography of 11.9 percent, 8.9 percent, 8.4 percent, 5.3 percent and 1.1 percent, respectively. These more than offset declines in the prices of DVD player, bicycle, sports gate and movie fees, television, magazine and newspaper of 10.0 percent, 8.6 percent, 5.7 percent, 2.7 percent, 2.1 percent and 0.1 percent, 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 movement in the overall CPI.

The CPI for the 'Restaurants and Hotels' expenditure group increased by 1.7 percent in the June quarter of 2019, compared to a decrease of 3.5 percent in the previous quarter. Prices increased in the 'accommodation' and 'takeaway foods' sub-groups by 3.7 percent and 1.4 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 movement in the overall CPI.

The CPI for the 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group increased by 1.5 percent in the June quarter of 2019, compared to a decline of 0.2 percent in the previous quarter. The increase reflected price increases in the 'betelnut and mustard', 'tobacco' and 'alcoholic beverages' sub-groups of 1.6 percent, 1.5 percent and 1.4 percent, respectively. This expenditure group contributed 0.2 percentage points and 0.6 percentage points to quarterly and annual movements in the overall CPI, respectively.

The CPI for the 'Household Equipment' expenditure group increased by 1.4 percent in the June quarter of 2019, compared to a decline of 0.2 percent in the previous quarter. The price increases was in the 'household appliances' and 'household maintenance goods' sub-groups of 2.7 percent and 1.7 percent, respectively, which more than offset a decline of 1.5 percent in the 'household appliances' sub-group. This expenditure group contributed 0.1 percentage points each to both quarterly and annual movements in the overall CPI.

Prices in the 'Miscellaneous' expenditure group increased by 0.9 percent in the June quarter of 2019, compared to a decline of 0.5 percent in the previous quarter. This reflected price increases for baby oil and powder, toiletries and personal care products and barber fees of 2.1 percent, 1.8 percent and 1.0 percent, respectively. The price declines were in insect repellent and children's toys of 0.7 percent and 0.4 percent, respectively. This expenditure group's contribution to the overall movement in the CPI was negligible.

The CPI for the 'Food and Non-alcoholic Beverages' expenditure group increased by 0.7 percent in the June quarter of 2019, compared to an increase of 0.8 percent in the previous quarter. The price increases were in the 'meat', 'dairy products, eggs, cheese', 'sugars and confectionary', 'cereals' and 'other food products' sub-groups of 2.7 percent, 1.1 percent, 0.9 percent and 0.6 percent, respectively. These more than offset declines in the 'fish' and 'oil and fats', sub-groups of 1.6 percent and 0.7 percent, respectively, while 'fruits and vegetables' sub-group remained constant. This expenditure group contributed 0.2 percentage points and 1.1 percentage points to the quarterly and annual movements in the overall CPI, respectively.

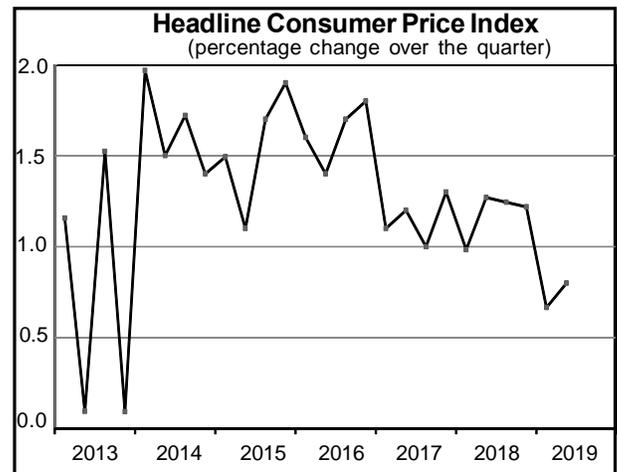
The CPI for the 'Housing' expenditure group increased by 0.5 percent in the June quarter of 2019, compared to an increase of 0.7 percent in the previous quarter. The increases were in the 'cooking' and 'rent' sub-groups of 4.5 percent and 1.8 percent, respectively. These more than offset a decline of 10.0 percent in the 'housing maintenance' sub-group, while the 'electricity' and 'water' sub-groups recorded no price change. This expenditure group contributed 0.1 percentage points and 0.7 percentage points to quarterly and annual movements in the overall CPI, respectively.

The CPI for the 'Communication' expenditure group decreased by 3.0 percent in the June quarter of 2019, compared to an increase of 3.7 percent in the previous quarter. The decrease was due to price declines in the 'other services' and 'telephone services' sub-groups by 40.0 percent and 1.3 percent respectively, which more than offset an increase of 8.4 percent in the 'postal services' sub-group. The 'telephone equipment' sub-group recorded no price change. This expenditure group contributed 0.1 percentage points to both quarterly and annual movements in the overall CPI.

The CPI for the 'Health' expenditure group declined by 1.4 percent in the June quarter of 2019, following a decline of 0.9 percent in the previous quarter. The decline was due to a decline of 6.5 in the 'medical supplies' sub-group, which more than offset an increase of 6.9 percent in the 'medical services' sub-group. 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 'Clothing and Footwear' expenditure group decreased by 1.0 percent in the June quarter of 2019, compared to a decline of 0.9 percent in the previous quarter. There were declines in the 'boys wear', 'footwear', 'men's wear' and 'headwear' sub-groups of 4.3 percent, 3.1 percent, 2.7 percent and 0.2 percent respectively. These more than offset increases in the 'sewing items', 'clothing' and 'women and girl wear' sub-groups of 7.0 percent, 1.7 percent and 0.7 percent, respectively. This expenditure group contributed 0.1 percentage points each to both quarterly and annual movements in the overall CPI.

Prices in the 'Education' expenditure group showed no changes in the June quarter of 2019, compared to an increase of 2.2 percent in the previous quarter. This expenditure group's contribution to the quarterly CPI



movements was negligible, whilst it contributed 0.1 percentage points to the annual movements in the overall CPI.

In Port Moresby, prices increased by 1.0 percent in the June quarter of 2019, compared to an increase of 0.6 percent in the previous quarter. The 'Health' expenditure group recorded an increase of 6.2 percent, followed by 'Recreation' with 5.1 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 2.8 percent, 'Communication' with 2.1 percent, 'Food and Non-alcoholic Beverages' with 1.9 percent, and 'Household Equipment' with 1.7 percent. The 'Transport' with, 'Miscellaneous', and 'Housing' expenditure groups recorded marginal increases. These more than offset the declines in the 'Restaurants and Hotels', 'Clothing and Footwear' and 'Education' expenditure groups of 6.7 percent, 6.4 percent and 0.2 percent, respectively. Port Moresby contributed 0.3 percentage points and 1.3 percentage points to the quarterly and annual movements in the overall CPI, respectively.

In Lae, prices increased by 0.8 percent in the June quarter of 2019, compared to an increase of 0.9 percent in the previous quarter. The 'Restaurants and Hotels' expenditure group recorded an increase of 6.6 percent, followed by 'Food and Non-alcoholic Beverages' with 4.0 percent, and 'Transport' with 3.0 percent. The 'Household Equipment' and 'Alcoholic Beverages, Tobacco and Betelnut' and 'Education' also recorded marginal increases. These more than offset price decreases of 12.2 percent in 'Health', 2.4 percent in both 'Housing' and 'Recreation', 1.1 percent in 'Miscellaneous' and a marginal decline in 'Clothing and Footwear' expenditure group. The 'Communication' expenditure group recorded no price change. Lae

contributed 0.1 percentage points and 1.0 percentage points to the quarterly and annual movements in the overall CPI, respectively.

In Goroka/Mt Hagen/Madang, prices increased by 0.9 percent in the June quarter of 2019, compared to an increase of 0.5 percent in the previous quarter. There were increases in the 'Housing' expenditure group with 5.2 percent, 'Transport' with 3.4 percent, 'Clothing and Footwear' with 3.2 percent, 'Miscellaneous' with 1.6 percent and the 'Alcoholic Beverages, Tobacco and Betelnut' with 1.5 percent. The 'Household Equipment', 'Health' and 'Restaurants and Hotels' also recorded marginal increases. These more than offset declines in the 'Communications', 'Recreation' and 'Food and Non-alcoholic Beverages' of 11.4 percent, 3.2 percent and 0.1 percent, respectively. The 'Education' expenditure group recorded no price changes. Goroka/Mt Hagen/Madang contributed 0.2 percentage points and 0.9 percentage points to the quarterly and annual movements in the overall CPI, respectively.

In Alotau/Kimbe/Rabaul, prices increased by 0.4 percent in the June quarter of 2019, compared to an increase of 0.7 percent in the previous quarter. The 'Recreation' expenditure group recorded an increase of 6.7 percent, followed by 'Housing' with 3.8 percent, both 'Miscellaneous' and 'Transport' with 3.4 percent, 'Household Equipment' with 2.0 percent, 'Restaurants and Hotels' with 1.9 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 1.6 percent, 'Communication' with 1.5 percent and 'Health' with 0.1 percent. These more than offset decreases of 1.7 percent in both 'Clothing and Footwear' and 'Food and Non-alcoholic Beverages', while the 'Education' expenditure group showed no price change. These centres contributed 0.1 percentage points and 0.6 percentage points to the quarterly and annual movements in the overall CPI, respectively.

The annual headline inflation was 4.0 percent in the June quarter of 2019, compared to an increase of 4.5 percent in the March quarter. All expenditure groups recorded price increases except the 'Communication' expenditure group which declined by 3.0 percent. The 'Transport' expenditure group recorded an increase of 8.4 percent, followed by 'Restaurants and Hotels' with 7.0 percent, 'Recreation' with 5.1 percent, 'Housing' with 4.9 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 3.9 percent, 'Food and Non-alcoholic Beverages' with 3.6 percent, 'Miscellaneous' with 2.8 percent, 'Household Equipment' with 2.3 percent,

'Education' with 2.2 percent, 'Health' with 2.0 percent and 'Clothing and Footwear' with 1.0 percent.

The National Statistical Offices' (NSO) quarterly exclusion-based inflation measure (which is the overall CPI excluding seasonal, customs excise and price regulated items) declined by 0.3 percent in the June quarter of 2019, compared to an increase of 0.4 percent in the previous quarter. The annual exclusion-based inflation measure was 1.4 percent in the quarter, compared to an increase of 4.2 percent in the March quarter of 2019.

The quarterly trimmed-mean inflation measure published by the Bank of PNG increased by 0.9 percent in June quarter of 2019, compared to an increase of 0.2 percent in the previous quarter. The annual trimmed mean inflation was 2.5 percent in the quarter, compared to an increase of 3.2 percent in the same period in 2018.

4. EXPORT COMMODITIES REVIEW

The total value of merchandise exports was K9,463.6 million in the June quarter of 2019, compared to K7,288.3 million in the corresponding quarter of 2018. There were higher export receipts for Liquefied Natural Gas (LNG), gold, copper, condensate, marine and refined petroleum products.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, was K663.5 million, accounting for 7.0 percent of total merchandise exports in the June quarter of 2019, compared to K899.9 million or 12.4 percent of total merchandise exports in the corresponding quarter of 2018. Forestry product exports were K236.4 million, which accounted for 2.5 percent of total merchandise exports in the quarter, compared to K278.7 million or 3.8 percent in the corresponding quarter of 2018. Refined petroleum product exports were K390.4 million and accounted for 4.1 percent of total merchandise exports in the quarter, compared to K246.7 million or 3.4 percent in the corresponding quarter of 2018. Mineral export receipts, including LNG and condensate were K8,168.3 million and accounted for 86.4 percent of total merchandise exports in the quarter, compared to K5,817.9 million or 80.3 percent in the June quarter of 2018.

The weighted average kina price of Papua New Guinea's exports, excluding LNG, decreased by 7.8 percent in the June quarter of 2019, compared to the corresponding quarter of 2018. The weighted average kina price of mineral exports was 6.7 percent lower, 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 13.7 percent, due to lower kina prices for coffee, tea, copra oil and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports decreased by 18.5 percent in the June quarter of 2019, compared to the corresponding quarter of 2018. Lower international prices accounted for the decline.

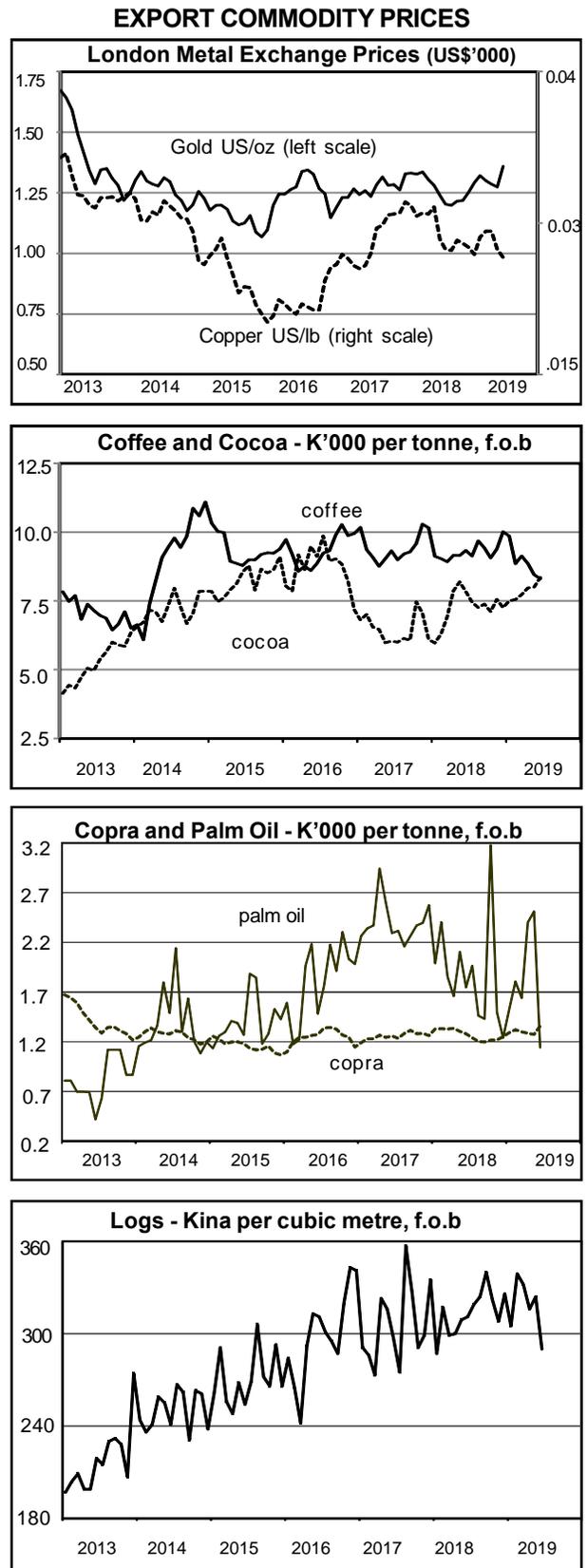
MINERAL EXPORTS

Total mineral export receipts were K8,168.3 million in the June quarter of 2019, compared to K5,817.9 million in the corresponding quarter of 2018. The increase was due to higher value of LNG and export volumes of gold, copper, crude oil, nickel, cobalt and condensate.

The value of LNG export was K3,500.0 million in the June quarter of 2019, compared to K2,024.8 million in the corresponding quarter of 2018. The increase was due to higher production, combined with higher LNG prices.

The volume of condensate exported was 2,376.0 thousand barrels in the June quarter of 2019, compared to 1,762.9 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 K229 per barrel in the quarter, compared to K243 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 higher export receipts of K544.8 million in the quarter, compared to K428.6 million in the corresponding quarter of 2018.

The volume of gold exported was 20.0 tonnes in the quarter, compared to 16.5 tonnes in the June quarter of 2018. The increase reflected higher production and export from the Ok Tedi, Porgera, Hidden Valley, Simberi, Kainantu mines and alluvial gold exports. The average free on board (f.o.b.) price received for Papua New Guinea's gold exports was K137.7 million per tonne in the quarter, compared to K133.7 million per tonne in the June quarter of 2018. This reflected higher international prices as well as the depreciation



of the kina against the US dollar. The average gold price at the London Metal Exchange increased by 0.1 percent to US\$1,307.5 per fine ounce in the quarter, compared to the corresponding quarter of 2018. The increase was due to strong demand for gold as a safe-haven investment, attributed to global uncertainty, combined with the expectations of the Federal Reserve lowering interest rates. The increase in export volume more than offset the decline in export price, resulting in higher export receipts of K2,754.7 million in the quarter, compared to K2,206.0 million in the corresponding quarter of 2018.

The volume of copper exported was 32.9 thousand tonnes in the quarter, compared to 22.6 thousand tonnes in the June 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 PNG's copper exports was K20,316 per tonne in the quarter, compared to K22,168 per tonne in the corresponding quarter of 2018. The lower price was mainly due to weak demand from China, reflecting a slowdown in economic activity. The increase in export volume more than offset the decline in export price, resulting in higher export receipts of K668.4 million in the quarter, compared to K501.0 million in the June quarter of 2018.

The volume of nickel exported was 9.5 thousand tonnes in the quarter, compared to 6.6 thousand tonnes in the corresponding quarter of 2018. The increase was due to higher production and shipment by the Ramu Nickel/Cobalt mine. The average f.o.b. price of PNG's nickel exports was K34,084 per tonne in the quarter, compared to K46,879 per tonne in the corresponding quarter of 2018. The decline was due to lower demand, mainly from China, attributed to the slowdown in global manufacturing activity largely from the stainless steel sector, combined with higher production of nickel pig iron (NPI) in Indonesia. The increase in export volume more than offset the decline in export price, resulting in higher export receipts of K323.8 million in the quarter, compared to K309.4 million in the corresponding quarter of 2018.

The volume of cobalt exports was 0.9 thousand tonnes in the quarter, compared to 0.6 thousand tonnes in the corresponding quarter of 2018. The increase was due to higher production and shipment by the Ramu Nickel/Cobalt mine. The average f.o.b. price of PNG's cobalt exports was K76,111 per tonne in the quarter, compared to K291,500 per tonne in the June quarter of 2018. The

significant decline reflected weak demand mainly from China, attributed to government subsidies towards certain electric vehicles, combined with higher supply from the Democratic Republic of Congo, partly due to rising artisanal mines. The decline in export price more than offset the increase in export volume, resulting in lower export receipts of K68.5 million in the quarter, compared to K174.9 million in the corresponding quarter of 2018.

The volume of crude oil exported was 1,103.2 thousand barrels in the quarter, compared to 350.1 thousand barrels in the June quarter of 2018. This was due to higher production from the Kutubu, Moran and Gobe oil fields, reflecting post-earthquake recovery, following the damage on the processing facilities by the earthquake in February, 2018. The average export price of crude oil was K226 per barrel in the quarter, compared to K228 per barrel in the June quarter of 2018. The lower price was due to the U.S. increasing crude oil supply amidst concern over global economy slowdown. The increase in export volume more than offset the decline in export price, resulting in export receipts of K249 million in the quarter, compared to K79.7 million in the corresponding quarter of 2018.

Export receipts of refined petroleum products, which include Naphtha from the PNG LNG project, were K390.4 million in the quarter, compared to K246.7 million in the corresponding quarter of 2018. The outcome was due to higher export volumes for various refined petroleum products from the Napa Napa oil refinery.

AGRICULTURE, LOGS AND FISHERIES EXPORTS

Export prices of all non-mineral commodities declined, except for cocoa, copra, rubber and logs increased in the June quarter of 2019, compared to the corresponding quarter of 2018. Coffee prices declined by 8.6 percent, tea by 27.7 percent, copra oil by 31.7 percent, palm oil by 17.6 percent, and marine products by 28.8 percent. Prices for cocoa, copra, rubber and logs increased by 1.9 percent, 27.5 percent, 10.2 percent and 1.3 percent, respectively. The net effect was a 4.4 percent decline in the weighted average kina price of agricultural, logs and marine product exports. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 11.4 percent in the quarter, compared to the corresponding quarter of 2018.

The volume of coffee exported was 11.0 thousand

tonnes in the quarter, compared to 10.9 thousand tonnes in the corresponding quarter of 2018. The increase was due to higher yields from coffee trees, reflecting higher shipments from stocks carried over in last year's biennial harvest season. The average export price of coffee was K8,473 per tonne, a decline of 8.6 percent from the corresponding quarter of 2018. The decline stemmed from lower international prices as a result of higher production from the top producer, Brazil, combined with lower global demand. The decline in export price more than offset the increase in export volume, resulting in export receipts of K93.2 million in the quarter, a decline of 7.8 percent from the corresponding quarter of 2018.

The volume of cocoa exported was 6.5 thousand tonnes in the quarter, compared to 11.5 thousand tonnes in the corresponding quarter of 2018. The decline was attributed to lower shipment from the major growing regions. The average export price of cocoa was K8,108 per tonne in the quarter, an increase of 1.9 percent from the corresponding quarter of 2018. The outcome reflected higher demand, mainly from Europe and Asia, combined with lower production from the top producers, Ivory Coast and Ghana, attributed to unfavourable dry weather conditions. The decline in export volume more than offset the increase in export price, resulting in export receipts of K52.7 million in the quarter, a decline of 42.4 percent from the corresponding quarter of 2018.

The volume of copra exported was 4.2 thousand tonnes in the quarter, compared to 16.5 thousand tonnes in the corresponding quarter of 2018. The decline was attributed to lower production and shipment from the major producing regions. The average export price of copra was K2,310 per tonne in the quarter, an increase of 27.5 percent from the corresponding quarter of 2018. This was due to lower production from Indonesia, the world's major producer, attributed to unfavourable dry weather conditions. The increase in export volume more than offset the decline in export price and resulted in export receipts of K9.7 million in the quarter, a decline of 67.6 percent from the corresponding quarter of 2018.

The volume of copra oil exported was 2.0 thousand tonnes in the quarter, compared to 4.0 thousand tonnes in the corresponding quarter of 2018. The decline was attributed to lower production from the major producing regions. The average export price of copra oil was K2,100 per tonne in the quarter, a decline

of 31.7 percent from the corresponding quarter of 2018. The outcome reflected higher supply from one of the largest producers, India, combined with lower global demand arising from the oversupply of vegetable oil in the market. The combined decline in export price and volume resulted in lower export receipts of K4.2 million in the quarter, a decline of 65.9 percent from the corresponding quarter of 2018.

The volume of palm oil exported was 145.0 thousand tonnes in the quarter, compared to 182.7 thousand tonnes in the corresponding quarter of 2018. The decline was due to lower production and shipment from the major producing regions due to unfavourable wet-weather conditions and volcanic eruptions experienced in the quarter. The average export price of palm oil was K1,666 per tonne in the quarter, a decline of 17.6 percent from the June quarter of 2018. This was due to higher production from Malaysia, which more than offset higher global demand mainly from China, following a recent ban imposed by the Chinese government on Canadian imported canola. The combined decline in export price and volume resulted in export receipts of K241.5 million in the quarter, a decline of 34.6 percent from the corresponding quarter of 2018.

The volume of tea exported was 820 tonnes in the quarter, compared to 0.1 thousand tonnes in the June quarter of 2018. This was due to lower production and shipment from the major producing region attributed to lower international demand as buyers resort to more cheaper tea from top producers. The average export price of tea was K3,614 per tonne in the quarter, a decline of 27.7 percent from the corresponding quarter of 2018. This was due to higher production from the major producer, Kenya, attributed to favourable dry weather conditions. The combined effect in the export price and the export volume resulted in export receipts of K0.3 million in the quarter, a decline of 40.0 percent from the corresponding quarter of 2018.

The volume of rubber exported was 0.9 thousand tonnes in the quarter, compared to 1.5 thousand tonnes in the corresponding quarter of 2018. The decline was attributed to lower production and shipment from the rubber producing provinces, due to unfavourable dry-weather conditions. The average export price of rubber was K4,333 per tonne in the quarter, an increase of 10.2 percent from the corresponding quarter of 2018. This outcome reflected higher international prices attributed to lower production from major producers, Malaysia and Indonesia. The decline in export volume

more than offset the increase in export price, resulting in export receipts of K3.9 million in the quarter, a decline of 33.9 percent from the corresponding quarter of 2018.

The volume of logs exported was 746.0 thousand cubic meters in the quarter, compared to 888.0 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. The average export price of logs was K311 per cubic meter in the quarter, an increase of 1.3 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, attributed to increased production costs, combined with lower global demand mainly from China. The decline in export volume more than offset the increase in export price, resulting in export receipts of K232.3 million in the quarter, a decline of 14.8 percent from the corresponding quarter of 2018.

The value of marine products exported was K185.5 million in the quarter, compared to K155.5 million in the corresponding quarter of 2018. This resulted from an increase in export volumes more than offsetting a decline in export price.

5. BALANCE OF PAYMENTS

SIX MONTHS TO JUNE 2019 ON SIX MONTHS TO JUNE 2018

The balance of payments recorded an overall deficit of K388 million for the first six months of 2019, compared to a surplus of K98 million in the corresponding period of 2018. A deficit in the capital and financial account more than offset a surplus in the current account,

The surplus in the current account was due to higher trade surplus and net income receipts, combined with lower net service payments. This more than offset lower net transfer receipts.

The deficit in the capital and financial account was contributed to net outflows from direct investment and other investments reflecting intercompany equity withdrawal and build up in offshore foreign currency accounts of mineral companies including the LNG

companies covered under the Project Development Agreements, respectively. These combined with net outflows in Government loan repayments.

In the trade account, there was a surplus of K12,875.1 million in the first six months of 2019, compared to a surplus of K9,982.1 million in the corresponding period of 2018. The higher surplus was due to an increase in the value of merchandise exports, more than offsetting the increase in value of merchandise imports.

The value of merchandise exports was K18,206.5 million in the first six months of 2019, compared to K14,604.8 million in the corresponding period of 2018. The increase was attributed to higher export values of Liquefied Natural Gas (LNG), gold, copper, condensate, marine and refined petroleum products. These more than offset lower export values of crude oil, nickel, cobalt, cocoa, copra, copra oil, palm oil, rubber, logs and other non-mineral products.

The value of merchandise imports was K5,331.5 million in the first six months of 2019, compared to K4,622.7 million in the corresponding period of 2018. The value of general imports was K3,136.5 million in the first six months, compared to K2,912.8 million in the corresponding period of 2018, reflecting pickup in economic activities. The value of petroleum sector imports was K1,070.1 million in the same period, compared to K432.9 million in the corresponding period of 2018. This reflected higher capital expenditure by a resident petroleum company. Mining sector imports was K2,112.9 million in the period, compared to K 1,718.5 million in the corresponding period of 2018. The increase was due to higher capital expenditure undertaken by the Lihir, Porgera, Ok Tedi, Simberi, Kainantu and Ramu Nickel/Cobalt mines.

The services account had a deficit of K1,748.0 million in the first six months of 2019, compared to a deficit of K1,829.2 million in the corresponding period of 2018. The decline was due to lower payments for all services, except for communication, refining and smelting, cultural and reconciliation and other business services.

The income account had a deficit of K1,287.8 million in the first half of 2019, compared to a deficit of K944.9 million in the corresponding period of 2018. The outcome was due to higher compensation of employees, interest and dividends payments, which more than offset higher interest receipts.

was K531.7 million in the quarter, compared to K112.5 million in the corresponding quarter of 2018. This mainly reflected higher exploration and drilling activities by a major resident petroleum company.

The services account had a deficit of K755 million in the quarter, compared to a deficit of K965 million in the June quarter of 2018. This was due to lower net payments for all services, except for refining and smelting and other business services.

The income account recorded a deficit of K994 million in the quarter, compared to a deficit of K727 million in the corresponding quarter of 2018. The outcome was mainly due to higher interest and dividend payments, which more than offset higher income receipts.

The transfers account had a surplus of K274 million in the quarter, compared to a surplus of K852 million in the corresponding quarter of 2018. The outcome was mainly due to lower transfer receipts, which more than offset lower transfer payments.

As a result of the developments in the trade, services, income and transfers accounts, the current account recorded a surplus of K5,873 million in the June quarter, compared to a surplus of K4,352 million in the corresponding quarter of 2018.

The capital account recorded a net inflow of K3.0 million in the June quarter of 2019, compared to a net inflow of K16.0 million in the corresponding quarter of 2018, reflecting lower transfers by donor agencies for project financing.

The financial account had a deficit of K5,757 million in the quarter, compared to a deficit of K4,090 million in the June quarter of 2018. The outcome was due to net outflows in direct and other investments reflecting, equity withdrawals and a build-up in offshore foreign currency account balances of mineral companies including the LNG project, respectively. These combined with net outflows in Government loan repayments.

As a result of these developments, the capital and financial account recorded a deficit of K5,754 million in the quarter, compared to a deficit of K4,074 million in the corresponding quarter of 2018.

The level of gross foreign exchange reserves was K6,830.3 (US\$2,045.7) million at the end of June 2019, equivalent to 5.3 months of total and 11.3 months of non-mineral import covers.

6. MONETARY DEVELOPMENTS

INTEREST RATES AND LIQUIDITY

With the relative stability in the exchange rate, and lower annual headline inflation outcome and inflationary expectations, the Bank maintained its monthly Kina Facility Rate (KFR) at 6.25 percent in the June quarter of 2019. The dealing margins for the Repurchase Agreement (Repos) were reduced to 75 basis points from 100 basis points following the securitization of the Repo Facility in April 2019.

The Bank utilised its Open Market Operation (OMO) instruments in the conduct of monetary policy to manage liquidity. Central Bank intervention in the foreign exchange market also continues to play a major role in diffusing kina liquidity during the period. Nevertheless, system liquidity remained high and unevenly distributed among the banks, resulting in the on-going borrowing in the inter-bank market and under the Repo Facility during the quarter. There was a net issuance in Central Bank Bill (CBB) of K43.2 million, and a net retirement in Treasury bills of K116.5 million in the June quarter of 2019, while there was a net issuance in Treasury bonds of K169.0 million. The Cash Reserve Requirement (CRR) for the commercial banks was maintained at 10.0 percent during the quarter.

Movements in domestic interest rates were mixed over the June quarter of 2019. The CBB weighted average rate for the 28-day and 91-day terms were unchanged at 1.39 percent and 2.51 percent, respectively, while the rate for the 63-day term decreased to 2.32 percent from 2.33 percent. The Central Bank did not offer CBBs under other terms during the quarter. The Government issued Treasury bills at the upper end of the maturity structure following the increase in appetite for longer term securities. There were no Treasury bills issued at the lower end of the maturity structure. Between the end of March and June quarter of 2019, the weighted average rates for the 182-day and 364-day terms increased to 4.70 percent and 6.87 percent, respectively, from 4.64 percent and 6.60 percent.

Movements in the weighted average interest rates on wholesale deposits (K500,000 and above) offered by commercial banks were also mixed during the quarter. Over the June quarter, the rates for the 30-day, 60-day and 364-day terms decreased to 2.18 percent, 0.27

percent and 2.33 percent respectively, from 3.23 percent, 0.41 percent and 2.89 percent. Over the same period, the rates for the 90-day, 180-day and 273-day terms increased to 1.62 percent, 2.95 percent and 1.25 percent, respectively, from 0.90 percent, 1.13 percent and 1.09 percent. The weighted average interest rate on total deposits decreased to 0.84 percent in June quarter from 0.95 percent in the March quarter, 2019, and the weighted average interest rate on total loans decreased to 8.79 percent from 9.02 percent, in the same period. The commercial banks' Indicator Lending Rates (ILR) remained between 11.20 - 11.70 percent.

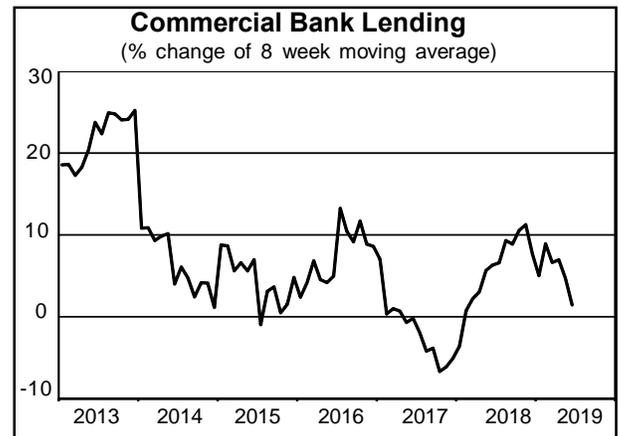
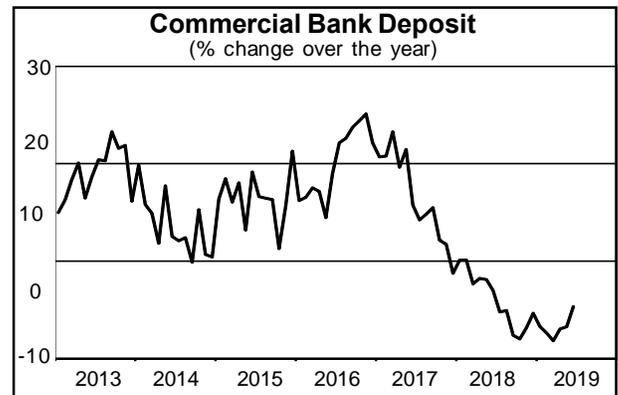
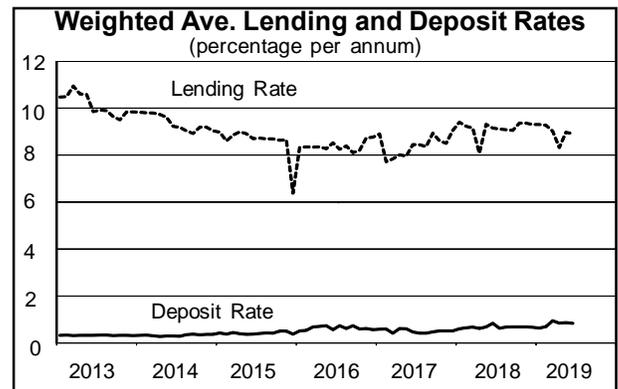
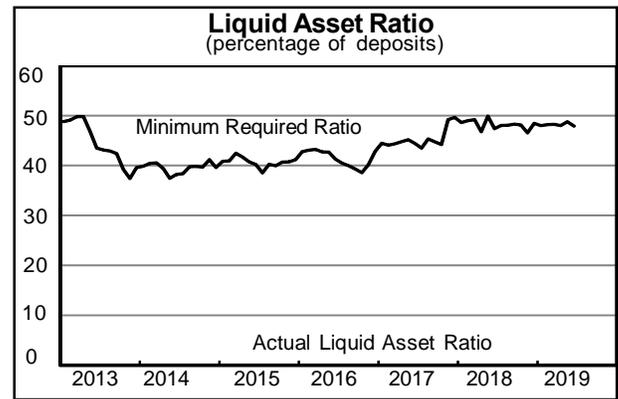
MONEY SUPPLY

The average level of broad money supply (M3*) decreased by 0.9 percent in the June quarter, following a decrease of 0.4 percent in the March quarter of 2019. This outcome was due to a decline in the average net foreign assets (NFA), which more than offset an increase in average net domestic assets of the banking system. Average net domestic claims outstanding, excluding net claims on the Central Government, increased by 1.8 percent in the June quarter, following a decline of 0.6 percent in the March quarter of 2019. This reflected increases in average net claims of private sector, public non-financial corporations and other financial corporations (OFCs).

The average level of monetary base (reserve money) decreased by 5.6 percent during the June quarter of 2019, compared to an increase of 2.2 percent in the previous quarter. This reflected decreases in the average level of both the deposits of commercial banks held at the Central Bank and currency in circulation.

The average level of narrow money supply (M1*) decreased by 1.9 percent in the June quarter, compared to an increase of 1.7 percent in the March quarter of 2019. This was due to decreases in the average level of transferable deposits of the depository corporations (DCs) and currency outside deposit corporations. The average level of quasi money increased by 2.7 percent in the June quarter of 2019, compared to a decrease of 6.3 percent in the previous quarter.

The average level of deposits in other depository corporations (ODCs) increased by 1.2 percent to K22,853.8 million in the June quarter of 2019, from the previous quarter. The increase was driven by higher average deposits by the other resident sectors and the



non-tax revenues.

Total tax revenue was K4,561.1 million, 7.2 percent higher than in the corresponding period of 2018 and represents 42.3 percent of the 2019 Budget. Direct tax receipts totalled K2,594.9 million, 1.1 percent higher than in the same period of 2018 and represents 39.4 percent of the 2019 Budget. The increase reflected higher other direct taxes. These more than offset a decline in personnel income and company taxes.

Indirect tax revenue over the six months to June 2019 totalled K1,966.2 million, 16.5 percent higher than in the same period of 2018 and represents 46.8 percent of the 2019 budget. This was due to higher excise duties, goods & services tax (GST) and export tax.

Total non-tax revenue for the same period totalled K1,249.5 million, lower than in the corresponding period of 2018, and is 35.9 percent of the 2019 Budget. This was due to lower revenue collection from fees and charges. Foreign grants recorded K831.4 million, 2.2 percent higher than in 2018 and represents 88.2 percent of the 2019 Budget.

Total expenditure for the first six months was K7,478.0 million, 27.2 percent higher than in the corresponding period of 2018 and represents 46.7 percent of the 2019 Budget. Both the development and recurrent expenditures increased.

Recurrent expenditure was K5,262.3 million, 9.7 percent higher than in the corresponding period of 2018 and represents 49.5 percent of the 2019 Budget. There were declines in provincial governments and other grants (Statutory Authority) payments, while interest payments mainly on external debt increased by 11.5 percent compared to the same period in 2018. There

was higher spending in compensation of employees, reflecting the back-dated 3.0 percent pay increment for public servants and other personal emolument liabilities and an increase in payment for goods and services. The increase in interest costs was mainly high external debt.

Total development expenditure in the first half of the year was K2,215.7 million, 104.9 percent higher than the corresponding period in 2018, and represents 40.3 percent of the 2019 appropriation. The higher development spending was due to higher capital investment expenditure on projects including Government's counterpart funding.

The developments in revenue and expenditure resulted in the Government recording a budget deficit of K1,667.4 million in the first half of 2019. Of the deficit, K1,464.1 million was financed domestically while K203.3 million was from external financing, mainly concessional loans. Net domestic financing comprised of K3,161.0 million (of which K1,276.1 million was from trust account balances), K132.6 million and K50.5 million from the other resident sectors, OFCs and public non-financial corporations, respectively. There were net retirements of K1,045.4 million and K834.6 million in government securities at BPNG and ODCs, respectively.

Total public (Government) debt outstanding as at the end of June 2019 was K27,522.4 million; a decline of K43.9 million from the March quarter, reflecting net repayment of domestic debt during the quarter.

Total Government deposits at depository corporations declined by K317.1 million to K2,932.0 million at the end of June compared to the March quarter of 2019. The decline in Government deposits reflected funding of expenditure in line with its expansionary fiscal policy.

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;

2017	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 %.
2018	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 %.
2019	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%.
	02 September	Maintained at 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.

GLOSSARY OF TERMS AND ACRONYMS

Balance of Payments	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.
Broad Money Supply (M3*)	Total volume of money comprising narrow money (M1*) and quasi money in the economy at a point in time. See narrow and quasi money.
Cash Reserve Requirement (CRR)	A requirement imposed on commercial banks to hold cash as a percentage of total deposits and other prescribed liabilities at all times.
Capital Account	Records all transactions that involves the receipts or transfers of capital and acquisitions/disposal of non-produced, non-financial assets such as purchase of production facilities, i.e. plants and machinery, etc.
Central Bank (CB)	The Bank of Papua New Guinea (BPNG) is the monetary authority in Papua New Guinea (PNG) that has legislative power over the financial system and is responsible for issuing currency, managing international reserves, undertakes transactions with the IMF and providing credit to the commercial banks.
Central Bank Bill (CBB)⁶	A monetary policy instrument of the Bank of PNG used to manage liquidity in the banking system by either injecting or defusing it in order to achieve a desired level of interest rate.
Central Bank Survey (CBS)	The CBS is the balance sheet of the Central Bank, which contains data on all components of the monetary base, comprising of currency in circulation and central bank liabilities to ODCs and other sectors.
Current Transfers Account	Records all foreign transactions that are not transfers of capital and cannot be repaid. This includes donations, gifts and grants, superannuation funds and licensing fees.
Depository Corporations Survey (DCS)	The survey is a consolidation of the CBS and the ODCS, which contains data on all depository 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.

⁶See For the Record on page 34 in the 2004 September QEB.

Deposits	Deposits include all claims on the Bank of PNG and ODCs. These are further classified into transferable and other deposits. (i). Transferable deposits comprises all deposits that are: a). Exchangeable on demand at par and without penalty or restrictions; b). Directly usable for making payments by cheque, draft direct debit/credit or other direct payment facilities. ii.) Other deposits comprise all claims, other than transferable deposits. These include savings and term deposits and non transferable deposits in foreign currency.
Exchange Settlement Account (ESA)	Accounts of the commercial banks with the Bank of PNG for settlement transactions with each other.
Exclusion-based CPI measure	An underlying inflation measure which involves zero weighting of volatile sub-groups or items such as fruit & vegetables, betelnut and prices that are largely determined by non-market (seasonal) forces, as well as alcoholic drinks, cigarettes & tobacco, etc. See \downarrow UnderlyingCPIq
Financial Account	Records all transactions associated with changes of ownership of foreign financial assets such as holdings of monetary gold, special drawing rights (SDR), claims on non-residents and foreign liabilities.
Financial Corporations Survey (FCS)	The FCS is the broadest set of monetary and financial statistics in terms of institutional coverage. The survey contains consolidated balance sheet data for all institutional units within the financial corporations sector, thereby providing the stock and flow data for analyzing claims on and liabilities to all other sectors of the economy, including the external sector.
Financial derivatives	A financial instrument linked to a specific financial instrument, indicator or commodity and through which specific financial risks (such as interest rates, currency equity and commodity price risk, credit risk, etc.) can be traded in their own right in financial markets.
Headline Consumer Price Index (CPI)	A measure of inflation as calculated and published quarterly by the National Statistical Office (NSO), which measures the total price movements in goods and services in the basket.
Income Account	Records transactions such as compensation of employees, which cover wages, salaries, and other benefits in cash and kind, dividends and interest earned on investments between PNG and the other countries.
Inscribed Stock (bond)	A Government debt instrument sold to the public for

	a maturity term of one year or longer for Budget financing.
Insurance Technical Reserves	Comprises of (i) net equity of households in life insurance corporations reserves, (ii) net equity of households in superannuation (pension) funds and (iii) prepayment of premiums. This is the major liability item of the superannuation funds and insurance corporations. On the assets side, this category records prepaid insurance premiums, which are relatively small amounts.
Kina Facility Rate (KFR)	Official benchmark rate used by the Bank of PNG to signal its monetary policy stance. The KFR is announced monthly by the Governor and published in the newspapers and on the Bank's website.
Liquid Assets	Assets of the commercial banks, which are in near liquid form, comprising cash, ESA balances, CBBs, Treasury bills and Inscribed stocks less than 3 years to maturity.
Minimum Liquid Asset Ratio (MLAR)	A prudential requirement imposed by the Bank of PNG on commercial banks to hold liquid assets as a percentage of total deposits and other prescribed liabilities at all times.
Monetary Base (or Reserve Money)	Comprised of currency held by the public and liquid assets of the commercial banks, including deposits held with the Bank of PNG under the Repurchase Agreement Facility (RAF) or Repos.
Narrow Money	A component of total money supply that is considered liquid or can be converted easily to cash on demand, and comprises of currency in circulation (held outside the banking system) and demand deposits.
Net Equity of Households in Life Insurance Reserves	Comprises of policyholders claims on the reserves of insurance corporations. These reserves must be ultimately used to provide benefits to policyholders, upon the occurrence of other specified events, or to compensate heirs upon the death of the policyholder. These claims constitute assets of the household sector rather than of insurance corporations.
Net Equity of Households in Pension Funds	Comprises 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

	government sector.
Open Market Operations (OMO)	Operations of liquidity management conducted by the Bank of PNG with commercial banks and other financial intermediaries involving Government securities, CBB, Repos and foreign exchange trading to influence short-term interest rates.
Other Depository Corporations (ODCs)	The ODC sub-sector in PNG comprises of the commercial banks, finance companies, merchant banks, savings and loans societies and microfinance companies. These financial corporations are mainly engaged in financial intermediation and issue liabilities included in the definition of broad.
Other Depository Corporations Survey (ODCS)	The ODSCS shows the consolidated stock and flow balance sheet data for the institutional units covered under the ODC sub-sector.
Other Financial Corporations (OFCs)	The OFC sub-sector is made up of the insurance corporations, superannuation (pension) funds, other financial intermediaries and financial auxiliaries such as insurance brokers, investment managers and fund administrators.
Other Financial Corporations Survey (OFCS)	The OFCS contains consolidated stock and flow balance sheet data for insurance corporations, superannuation funds, other financial intermediaries and financial auxiliaries.
Over the year CPI	Percentage change in the CPI of a quarter compared to the corresponding quarter of the previous year (Also called an annual CPI).
Portfolio Investment	Investments, mainly in equity and debt securities such as bonds and notes, money market debt instruments and financial derivatives, as well as long-term debt, equity and securities.
Prepayment of Premiums and Reserves against Outstanding Claims	These are current claims of policyholders rather than net equity of insurance corporations. Prepayments of premiums, which are made by customers at the beginning of the periods covered by their policies, generate reserves for insurance corporations. Such prepayments are considered to be earned by an insurance corporation on a prorated basis during the policy period. These reserves are assets of policyholders. Reserves against outstanding claims are funds set aside by insurance corporations to cover the amounts that are not settled or claims that may be disputed. Reserves against such outstanding claims are considered to be assets of the beneficiaries and liabilities

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

Trade Weighted Index⁷

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.

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

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.

<u>Issue</u>	<u>For the Record</u>
Jun 2003	- Changes to Open Market Operations Instruments
	- Directions of Merchandise Trade
Sep 2003	- Changes to the Treasury Bills Auction Allocation Process
Dec 2003	- Further Change to the Treasury Bills Auction Allocation Process
	- Bank of PNG Employment Survey
Sep 2004	- Introduction of Central Bank Bill (CBB)
Mar 2005	- Changes to Table 9.5 to include Exports from Napanapa Oil Refinery
	- Changes to Tables 1.2 and 1.3 Other Items (Net)
June 2005	- Changes to Tables 8.2 and 8.5 External Public Debt
Sep 2005	- Trade Weighted Exchange Rate Index
	- Employment Index - Changes to Tables 10.4 and 10.5
	- Central Bank Bill (CBB) Auction - Changes to Tables 3.8 and 7.2
Mar 2006	- Updated Weights for the Trade Weighted Index (TWI)
June 2006	- Expansion of Monetary and Financial Data Coverage
	- Upgrade of PNG Private Debt and Equity Recording System
Dec 2006	- Changes to Table 8.1 - Capital Transfers
Jun 2007	- Revisions to the March Quarter 2007 and December Quarter 2006 Consumer Price Index
Jun 2007	- Debt Ratios
Sep 2007	- Revisions to the Consumer Price Indices in June Quarter 2007 back to September Quarter 2005.
Mar 2008	- Updated Weights for the Trade Weighted Index (TWI)
Mar 2009	- Changed Monetary Policy Statement release month from January to March
Mar 2009	- Updated Weights for the Trade Weighted Index (TWI)
Dec 2009	- New Tables; 8.7, 8.8, 8.9 and 8.10 were included in the December Quarterly Economic Bulletin, resulting in subsequent renumbering of all other tables that follow.
Dec 2009	- Revisions to Monetary and Financial Statistics tables in the December 2009 Quarterly Economic Bulletin.
Jun 2010	- Expansion of Monetary and Financial Data Coverage.
Sep 2010	- Recalculation of months of import cover
Mar 2011	- Updated Weights of the Trade Weighted Trade (TWI)
Mar 2013	- Updated Weights of the Trade Weighted Trade (TWI)
Mar 2013	- Inclusion of Tables 4.16 and 4.17 for General Insurance Companies
Mar 2014	- Revised PNG Consumer Price Index Basket
Dec 2014	- Updated to tables 8.1, 8.2, 8.3 & 8.5 to include Ramu Nickel/Cobalt
Dec 2014	- Inclusion of LNG & Condensate in tables 8.1, 8.2, 8.3 and 8.5
Dec 2014	- Commencement of Nickel and Cobalt production in December quarter of 2012.
	- PNG LNG Project commenced production and shipment in June quarter of 2014.
	- Updated Table 8.2: Exports Classified by Commodity Group
	- Updated Table 8.5: Non-Agricultural 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

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.

<u>Issue</u>	<u>Title</u>
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

STATISTICAL SECTION

Sources

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

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

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

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

Symbols used

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

LIST OF TABLES

1.0	MONETARY AND CREDIT AGGREGATES	
1.1	Financial Corporations Survey	S3
1.2	Monetary and Credit Aggregates: Movements	S4
1.3	Depository Corporations Survey	S5
1.4	Volume of Money: Determinants	S6
1.5	Volume of Money: Components	S7
2.0	BANK OF PAPUA NEW GUINEA	
2.1	Central Bank Survey	S8
2.2	Liabilities	S9
2.3	Assets	S10
3.0	OTHER DEPOSITORY CORPORATIONS (ODCs)	
3.1	Other Depository Corporations Survey	S11
3.2	Liabilities	S12
3.3	Assets	S13
3.4	Liquid Asset Holdings	S14
3.5	Deposits Classified by Sector	S15
	COMMERCIAL BANKS	
3.6	Liabilities	S16
3.7	Assets	S17
3.8	Deposits Classified by Depositor	S18
3.9	Deposits Classified by Industry	S19
3.10	Advances Outstanding Classified by Borrower	S20
3.11	Selected Deposits and Advances Classified by Interest Rate	S21
3.12	Movements in Lending Commitments	S22
3.13	Liquid Assets	S23
	FINANCE COMPANIES	
3.14	Liabilities	S24
3.15	Assets	S25
	MERCHANT BANKS	
3.16	Liabilities	S26
3.17	Assets	S27
	SAVINGS AND LOANS SOCIETIES	
3.18	Liabilities	S28
3.19	Assets	S29
	MICROFINANCE COMPANIES	
3.20	Liabilities	S30
3.21	Assets	S31
4.0	OTHER FINANCIAL CORPORATIONS	
4.1	Other Financial Corporations Survey	S32
4.2	Liabilities	S33
4.3	Assets	S33
	SUPERANNUATION FUNDS	
4.4	Liabilities	S34
4.5	Assets	S34
	LIFE INSURANCE COMPANIES	
4.6	Liabilities	S35
4.7	Assets	S35
	INVESTMENT MANAGERS	
4.8	Liabilities	S36
4.9	Assets	S36
	FUND ADMINISTRATORS	
4.10	Liabilities	S37
4.11	Assets	S37

	NATIONAL DEVELOPMENT BANK	
4.12	Liabilities	S38
4.13	Assets	S38
	LIFE INSURANCE BROKERS	
4.14	Liabilities	S39
4.15	Assets	S39
	GENERAL INSURANCE COMPANIES	
4.16	Liabilities	S40
4.17	Assets	S40
5.0	COMMODITY INDUSTRY BOARDS AND STABILISATION FUNDS	
5.1	Deposits	S41
5.2	Investments	S41
6.0	INTEREST RATES AND SECURITY YIELDS	
6.1	Commercial Bank Interest Rates	S42
6.2	ODCs Average Interest Rates (excl. commercial banks)	S43
6.3	Other Domestic Interest Rates	S44
6.4	Overseas Interest Rates	S45
7.0	GOVERNMENT OPERATIONS	
7.1	Fiscal Operations of the Government	S46
7.2	Mineral Resource Stabilisation Fund: Analysis of Movements	S47
7.3	Public Debt Outstanding: Classified by Source	S47
7.4	Domestic Debt Outstanding: Classified by Holder	S48
7.5	Overseas Public Debt Outstanding: Analysis of Movements	S48
8.0	BALANCE OF PAYMENTS AND INTERNATIONAL RESERVES	
8.1	Balance of Payments	S49
8.2	Exports: Classified by Commodity Group	S50
8.3	Agricultural and Other Exports: Classified by Commodity	S50
8.4	Agricultural Exports: Quantities Exported of Commodities	S51
8.5	Non-agricultural Exports: Quantities Exported of Major Commodities	S51
8.6	Imports	S52
8.7	Services Account	S52
8.8	Income Account	S53
8.9	Current Account Transfers Account	S53
8.10	Net Foreign Assets of Depository Corporation	S54
8.11	Exchange Rates	S55
8.12	Export Prices: Non-mineral Commodities	S56
8.13	International Commodity Prices: Major Exports	S57
8.14	International Commodity Prices: Economists Price Indices	S58
8.15	Export Price Indices	S59
8.16	Export Volume Indices	S60
8.17	Direction of Trade: Origins of Imports	S61
8.18	Direction of Trade: Destinations of Exports	S61
9.0	ECONOMIC ACTIVITY AND PRICES	
9.1	Prices and Wages	S62
9.2	Consumer Price Index: Classified by Expenditure (<i>New CPI Basket</i>)	S63
9.3	Consumer Price Index: Classified by Expenditure (<i>New CPI Basket</i>)	S63
9.4	Employment Classified by Region	S64
9.5	Employment Classified by Industry	S65
9.6	Gross Domestic Product: 2006-2013 Current Prices	S66
9.7	Gross Domestic Product: 2006-2013 Constant Prices	S67
