

---

---

## CONTENTS

<b>1. General Overview</b>	<b>2</b>
<b>2. International Developments</b>	<b>6</b>
<b>3. Domestic Economic Conditions</b>	<b>10</b>
Domestic Economic Activity	
Employment	
Consumer Price Index	
<b>4. Export Commodities Review</b>	<b>19</b>
Mineral Exports	
Agriculture, Logs and Fisheries Exports	
<b>5. Balance of Payments</b>	<b>24</b>
<b>6. Monetary Developments</b>	<b>27</b>
Interest rates and Liquidity	
Money Supply	
Lending	
<b>7. Public Finance</b>	<b>30</b>
<b>For the Record</b>	<b>32</b>
<b>Glossary of Terms and Acronyms</b>	<b>33</b>
<b>Reference 'For the Record'</b>	<b>39</b>
<b>Reference</b>	<b>40</b>
<b>Statistical Section</b>	
<b>List of Tables</b>	<b>S1</b>

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

**PORT MORESBY**  
05<sup>th</sup> January 2021

---

---

---

## 1. GENERAL OVERVIEW

---

Economic indicators available to the Bank of Papua New Guinea (the Bank) indicate that domestic economic activity declined significantly in the second quarter of 2020. This was largely due to the introduction of the nation-wide State of Emergency (SOE) in April as part of the containment measures to address the Coronavirus Disease 2019 (COVID-19) pandemic. The decline in international commodity prices and exports, lower imports as well as a fall in annual private sector employment are all indicative of the slump in economic activity. During the quarter, the kina exchange rate depreciated at a slow pace against all major currencies except the pound sterling. These currency movements resulted in a fall in the Trade Weighted Index (TWI) by 0.5 percent to 29.79. The annual headline inflation increased significantly to 6.0 percent in the June quarter of 2020 from 3.1 percent in the March quarter, mainly driven by the containment measures of COVID-19. The core measures remained relatively low due to the slow pace of kina depreciation and low imported inflation. With the significant fall in global and domestic demand, and expected low inflationary pressures, the Bank maintained its neutral monetary policy stance by keeping the monthly Kina Facility Rate (KFR) at 3.00 percent over the June quarter of 2020.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector declined by 11.5 percent in the March quarter of 2020, compared to an increase of 3.8 percent in the December quarter of 2019. Excluding the mineral sector, sales declined by 8.7 percent in the March quarter, compared to an increase of 3.4 percent in the December quarter of

2019. The decline was mainly due to the two-week lockdown in March imposed by the Government as measures were undertaken to close international borders, suspend domestic travels and scaled down business operations to ensure social distancing among workers and the general public to contain the spread of COVID-19. By sector, sales declined in all sectors except in the agriculture/forestry/fishing (AFF) and finance/business/other services sectors which increased. By region, sales declined in all the regions except the Islands region. Over the year to March 2020, total sales declined by 0.7 percent, compared to an increase of 7.9 percent in the corresponding period of 2019. Excluding the mineral sector, sales declined by 0.2 percent, compared to an increase of 10.0 percent in the corresponding period of 2019.

The Bank's Employment Index show that the level of employment in the formal private sector increased by 1.6 percent in the June quarter of 2020, compared to a decline of 1.3 percent in the March quarter. Excluding the mineral sector, the level of employment increased by 2.9 percent. The increase in employment reflected the easing of the SOE measures as businesses began to slowly revamp or increase their operations. By sector, the level of employment increased in the AFF and retail sectors, while it fell in the wholesale, financial/business and other services, construction, mineral, transportation and the manufacturing sector. By region, the level of employment increased in the Momase (excluding Morobe), Southern (excluding NCD), Islands and Highlands regions, while it declined in Morobe and NCD. Over the year to June 2020, the total level of employment declined by 3.5 percent, compared to an increase 4.3 percent in the corresponding period of 2019. Excluding the mineral sector,

---

the level of employment fell by 3.0 percent over the year to June 2020, compared to an increase of 1.9 percent over the year to June 2019.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), was 3.4 percent in the June quarter of 2020, compared to 1.1 percent in the March quarter of 2020. There were increases in the 'Alcoholic Beverages, Tobacco and Betelnut', 'Health', 'Transport', 'Restaurants and Hotels', 'Housing', 'Food and Non-Alcoholic Beverages', 'Recreation', 'Clothing and Footwear', and 'Education' expenditure groups, which more than offset declines in the 'Household Equipment', 'Communication', and 'Miscellaneous' expenditure groups. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 6.0 percent in the June quarter of 2020, compared to 3.1 percent in the March quarter of 2020.

In the June quarter of 2020, the US dollar appreciated against all major currencies except the Japanese yen. The US dollar appreciated against the pound sterling by 3.0 percent, the Australian dollar by 0.5 percent and the euro by 0.3 percent. Against the Japanese yen, it depreciated by 1.2 percent.

In the June quarter of 2020, the average daily kina exchange rate depreciated against the Japanese yen by 2.3 percent to ¥31.2046, the US dollar by 1.0 percent to US\$0.2860, the euro by 0.8 percent to " 0.2637 and the Australian dollar by 0.6 percent to A\$0.4430. Against the pound sterling, it appreciated by 2.1 percent to £0.2338. These currency movements resulted in the depreciation of the TWI by 0.5 percent to 29.79 in the June quarter of 2020.

The weighted average kina price of PNG's exports, excluding LNG, decreased by 5.0 percent in the June quarter of 2020, compared to the corresponding quarter of 2019. The weighted average kina price of mineral exports increased by 0.1 percent, reflecting higher kina prices for all mineral commodities. For agricultural, logs and marine product exports, the weighted average kina price decreased by 22.8 percent, due to lower kina prices for copra oil, rubber, logs and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports decreased by 27.7 percent in the June quarter of 2020, compared to the corresponding quarter of 2019. Lower international prices accounted for the decline.

The balance of payments recorded an overall surplus of K43 million for the first six months of 2020, compared to a deficit of K388 million in the corresponding period of 2019. A surplus in the current account more than offset a deficit in the capital and financial account.

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

The deficit in the capital and financial account was attributed to a net outflow from direct and other investments reflecting related party transactions and build-up in offshore foreign currency account balances of mineral companies, respectively. The net Government and private sector loan repayments also contributed to the outflows.

The level of gross foreign exchange reserves at the end of June 2020 was K7,854.2 (US\$ 2,309.1) million, sufficient for 5.4 months of total and 9.1 months of non-mineral import

---

covers.

The Central Bank, maintained a neutral stance of monetary policy during the June quarter of 2020. The monthly policy rate, the Kina Facility Rate (KFR) was maintained at 3.00 percent, after it was reduced from 5.00 percent in the first quarter of the year to counter the adverse effects of the COVID-19 pandemic on the economy.

The Bank utilised its Open Market Operation (OMO) instruments in the conduct of monetary policy to manage liquidity. Liquidity in the banking system remained high from the Quantitative Easing (QE) liquidity injection in the March quarter, coupled with lower demand for private sector lending. In the June quarter, there was a net retirement in CBBs of K441.5 million to support the easing stance. On the other hand, the Government made a net issuance of K51.8 million and K1,733.8 million in Treasury bills and Treasury bonds (known as COVID-Bonds), respectively. The Central Bank's intervention in the foreign exchange market also assisted in diffusing some of the kina liquidity during the period. The Cash Reserve Requirement (CRR) for the commercial banks remained at 7.00 percent in the June quarter, after being reduced from 10.0 percent in the previous quarter.

The average level of broad money supply (M3\*) slightly increased by 0.8 percent in the June quarter of 2020, compared to an increase of 2.4 percent in the March quarter. This outcome was due to increases in the average net foreign assets (NFA) and net domestic assets (NDA) of the banking system. Average net domestic claims outstanding, excluding net claims on the Central Government, increased by 0.7 percent in the June quarter of 2020, following an increase of 1.1 percent in

the previous quarter. This reflected an increase in average net claims on the private sector, which more than offset decreases in public non-financial corporations and other financial corporations (OFCs).

The average level of monetary base (reserve money) increased by 0.3 percent during the June quarter of 2020, compared to a decline of 1.1 percent in the previous quarter. This reflected an increase in the average level of commercial bank deposits held at the Central Bank, which more than offset a decline in currency in circulation.

The NFA of the Financial Corporations (FCs), comprising Deposit Corporations (DCs) and OFCs, increased by 13.1 percent to K9,349.7 million in the June quarter of 2020, compared to a decline of 13.9 percent in the previous quarter. This reflected increases in NFA of the DCs including both the Central Bank and Other Depository Corporations (ODCs), and OFCs.

Net claims on the Central Government by FCs declined by 1.5 percent to K13,620.1 million in the June quarter of 2020, following an increase of 3.7 percent in the previous quarter. This resulted from a net retirement of Government securities and an increase in Government deposits partly reflecting the draw down from the International Monetary Fund's (IMF) Rapid Credit Facility (RCF).

In the June quarter of 2020, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' declined by 0.8 percent to K18,057.2 million, compared to an increase of 1.3 percent in the previous quarter. This reflected a decline of K175.5 million in claims by public non-financial

---

---

corporations, which more than offset an increase of K23.4 million in credit to the private sector. The decline in the public non-financial corporations reflected repayments by the State Owned Enterprises (SOEs), while the increase in credit to the private sector by ODCs (mainly commercial banks) reflected advances to the 'Real estate, Renting & Business Services', 'Transport and Communication', 'Building & Construction', 'Electricity Gas & Water Supply' and 'Wholesale Trade' sectors.

The fiscal operations of the National Government over the six months to June 2020 show a deficit of K2,085.8 million, compared to a deficit of K1,667.4 million in the corresponding period of 2019. The significantly higher deficit reflected lower Government revenue receipts.

Total revenue and grants over the six months to June was K4,814.6 million, 17.1 percent lower than in the same period of 2019 and represents 42.4 percent of the revised 2020 Budget. This reflected declines in non-tax

revenues.

Total expenditure for the six months to June 2020 was K6,900.4 million, 7.7 percent lower than in the corresponding period of 2019, and represents 38.4 percent of the revised 2020 Budget.

As a result of these developments in revenue and expenditure, the Government recorded a budget deficit of K2,085.8 million. The deficit was financed from external and domestic sources of K1,183.5 million and K902.3 million, respectively. Net external financing was mainly from extraordinary financing of K1,240.6 million from the IMF's RCF and K385.4 million from concessional sources, which more than offset a net repayment of K442.5 million to commercial sources. Net domestic financing was K482.7 million, comprising of K1,371.2 million, K254.3 million and K0.3 million from BPNG, ODCs, OFCs and public non-financial corporations, respectively. These more than offset a net retirement of Government securities of K1,206.2 million by other resident sectors.

---

---

## 2. INTERNATIONAL DEVELOPMENTS

---

Global economic activity declined in the second quarter of 2020, with the continuous adverse impact of the COVID-19 pandemic. Although most countries opened up their economies in April, activity in the developed economies, including the United States (US), United Kingdom (UK) and the euro area declined in the second quarter, reflecting the enforcement of various COVID-19 pandemic containment measures. Capital and consumption spending were severely affected, as most advanced economies entered into recession. China on the other hand, showed signs of recovery in the second quarter reflecting some pickup in domestic and external demand. Other emerging market and developing economies were also negatively impacted by the pandemic. According to the IMF's World Economic Update (WEO) for June 2020, the global economy is forecasted to decline by 4.9 percent in 2020.

In April, leaders of the Group of Seven (G7) economies held a virtual Summit Meeting to discuss among other things, the global economic conditions and the impact of the COVID-19 pandemic. They discussed their economic conditions as well as the preventive measures against the spread of COVID-19. The leaders agreed to fast track the development of a vaccine through international cooperation between the public and private sectors, and provide aid to the less fortunate and worse affected countries. They also agreed on preparation to safely open up their economies and recommence economic activity under the "new normal" environment.

In June, the 179<sup>th</sup> Meeting of the Organization

of the Petroleum Exporting Countries (OPEC) was held virtually. The members discussed the developments in the oil market since March 2020 and the outlook for the remainder of the year and for 2021. They reaffirmed their support to the OPEC and Non-OPEC agreement, and agreed to maintain member country production quotas in May. They noted that the gradual relaxation of the COVID-19 lockdown measures across the globe would lead to a pick-up in global economic activity and drive demand for crude oil. They also noted that the recovery may be slow and may take time for the oil market to return to normalcy.

Also in June, the 36<sup>th</sup> Association of South-East Asian Nations (ASEAN) summit was held in Hanoi, Vietnam, under the theme 'Cohesive and Responsive ASEAN 2020'. The members discussed the COVID-19 pandemic and options to address it, amongst other things. They acknowledged the immense human and socio-economic costs of the pandemic and reaffirmed their commitment to implementing targeted policies to deal with it. They stressed the importance of strengthening their regional public health capacity and emergency response mechanisms to enhance preparedness and health security, through regional and international cooperation.

In the US, real GDP declined by 9.0 percent over the year to June 2020, compared to a growth of 2.0 percent over the same period in 2019. The significant decline was due to containment measures of the COVID-19 pandemic which decreased personal consumption spending, exports, private inventory investment, and fixed investment, as well as state and local government spending. The latest IMF forecast is for real GDP to decline by 8.0 percent in 2020.

---

---

Industrial production declined by 7.7 percent over the year to June 2020, compared to 1.1 percent over the same period in 2019. This was attributed to lower activity in the manufacturing and mining sectors. The Purchasing Managers Index (PMI) increased to 52.6 in June 2020, compared to 51.7 in June 2019. This outcome reflected a continued recovery in manufacturing sector following the easing of the COVID-19 containment measures. Retail sales grew by 2.2 percent over the year to June 2020, compared to 3.3 percent over the corresponding period in 2019. The outcome was driven by a higher demand in electronic commerce and for general merchandise as shops reopened for operations. The unemployment rate was 11.1 percent in June 2020, compared to 3.7 percent in June 2019, reflecting the scaling back or shutting down of business activity associated with the containment measures of the COVID-19 pandemic.

Consumer prices increased by 0.6 percent over the year to June 2020, compared to an increase of 2.6 percent over the corresponding period in 2019. Broad money supply increased by 22.9 percent over the year to June 2020, compared to an increase of 4.7 percent over the corresponding period in 2019. The Federal Reserve Bank maintained the federal funds rate between the target range of 0.0 - 0.25 percent in June 2020 to support lending to businesses hit hard by the pandemic.

The trade deficit narrowed to US\$170.5 billion over the year to June 2020, compared to US\$224.5 billion over the corresponding period in 2019. The lower outcome reflected a drop in both exports and imports.

In Japan, real GDP declined by 9.9 percent

over the year to June 2020, compared to a growth of 1.2 percent over the same period in 2019. The decline reflected lower exports as global demand fell, partly reflecting the disruptions in the global supply chains, and a drop in consumer and capital spending. The latest IMF forecast is for real GDP to decline by 5.8 percent in 2020.

Industrial production declined by 18.2 percent over the year to June 2020, compared to a fall of 3.8 percent over the same period in 2019. The car, machinery, and steel industries as well as other industries were hit hard by a sharp fall in both domestic and external demand due to the pandemic. Retail sales declined by 1.2 percent over the year to June 2020, compared to an increase of 0.5 percent over the same period in 2019, amid the prolonged impact of the pandemic. The unemployment rate was 2.8 percent in June 2020, compared to 2.3 percent in June 2019.

Consumer prices increased by 0.1 percent over the year to June 2020, compared to an increase of 1.1 percent over the corresponding period in 2019. Broad money supply (M3) increased by 5.9 percent over the year to June 2020, compared to an increase of 2.3 percent over the same period in 2019. The Bank of Japan (BOJ) kept its key short-term interest rate at negative 0.1 percent and maintained long-term borrowing costs around zero percent during its June meeting. At the same time, the BOJ increased lending packages for cash-strapped firms aimed at mitigating the negative impact of the pandemic.

The trade deficit was US\$5.7 billion over the year to June 2020, compared to a trade surplus of US\$4.3 billion over the corresponding period in 2019. The outcome was mainly attributed to a drop in exports due

---

to the fall in global demand.

In the euro area, real GDP declined significantly by 14.7 percent over the year to June 2020, compared to 1.1 percent over the same period in 2019. The decline was due to the containment measures of the COVID-19 pandemic reflecting lower Government spending and investment as well as the scaling back or shutting down of business operations, which reduced household consumption and private investment. The latest IMF forecast is for real GDP to decline by 10.2 percent in 2020.

Industrial production declined by 12.0 percent over the year to June 2020, compared to a decline of 2.6 percent over the same period in 2019. The fall reflected lower activity in the mining, manufacturing and utilities sectors due to the COVID-19 containment measures. Retail sales increased by 1.3 percent over the year to June 2020, compared to an increase of 2.8 percent in the same period of 2019. The unemployment rate was 7.8 percent in June 2020, compared to 7.5 percent in June 2019.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, increased by 0.3 percent over the year to June 2020, compared to an increase of 1.3 percent over the same period in 2019. The increase was mainly influenced by the lower prices of services and energy. Broad money supply increased by 9.2 percent over the year to June 2020, compared to an increase of 4.6 percent over the corresponding period in 2019. The European Central Bank (ECB) maintained its refinancing rate at zero percent in June, while it launched a new backstop facility on the 25<sup>th</sup> of June to provide precautionary euro repo lines to central banks outside the euro area in response to the

pandemic.

The trade surplus widened to US\$25.1 billion over the year to June 2020, compared to a surplus of US\$23.0 billion over the year to June 2019, reflecting a significant drop in imports, mainly fuel.

In the UK, real GDP declined by 21.5 percent over the year to June 2020, compared to a growth of 1.2 percent in the corresponding period of 2019. The significant decline was due to the widespread disruption to economic activity due to the COVID-19 pandemic, which adversely affected household consumption, fixed investment and exports. The latest IMF forecast is for real GDP to fall by 10.2 percent in 2020.

Industrial production declined by 12.1 percent over the year to June 2020, compared to a decline of 0.6 percent over the corresponding period in 2019. The decline in production was mainly in the manufacturing and mining sectors. Retail sales dropped by 1.6 percent over the year to June 2020, compared to a decline by 3.6 percent over the corresponding period in 2019, mainly due to lower spending on household items and clothes. The unemployment rate was 3.9 percent in June 2020, the same as in June 2019.

Consumer prices increased by 0.6 percent over the year to June 2020, compared to 2.0 percent over the same period in 2019. Broad money supply increased by 13.1 percent over the year to June 2020, compared to 2.3 percent over the corresponding period of 2019. The Bank of England maintained its key bank base rate at a record low of 0.1 percent in June, and increased the target stock of the UK Government bonds to support lending to the private sector, amidst the down turn in the

---

---

economy.

The trade account deficit was US\$7.2 billion over the year to June 2020, compared to a deficit of US\$10.9 billion over the corresponding period in 2019. The lower deficit reflected higher imports relative to exports.

In China, real GDP grew by 3.2 percent over the year to June 2020, compared to 6.2 percent over the same period in 2019. The growth reflected the re-opening of business operations following the shutdown due to the COVID-19 pandemic. Consumption spending from households, businesses and the Government sector remained low. The IMF maintained its forecast for real GDP to grow by 1.0 percent in 2020.

Industrial production increased by 6.9 percent over the year to June 2020, compared to an increase of 6.3 percent over the same period in 2019. Retail sales declined by 1.8 percent over the year to June 2020, compared to an increase of 9.8 percent over the same period in 2019. The household consumption remained low as the COVID-19 restrictions were slowly lifted. The unemployment rate was 3.8 percent in June 2020, compared to 3.6 percent in June 2019.

Consumer prices rose by 2.5 percent over the year to June 2020, compared to an increase of 2.8 percent over the same period in 2019. Broad money supply increased by 11.2 percent over the year to June 2020, compared to an increase of 8.5 percent over the corresponding period in 2019. The People's Bank of China (PBOC) maintained its policy rate at 3.85 percent in June, as it pledged a stronger monetary policy response to support the expansionary fiscal policy through better policy coordination and implementation to help offset

the impact of the COVID-19 pandemic on economic growth.

The trade account surplus was US\$46.4 billion over the year to June 2020, compared to a surplus of US\$51.0 billion from the corresponding period in 2019. The lower surplus was attributed to lower global demand associated with the COVID-19 pandemic.

In Australia, real GDP declined by 6.3 percent over the year to June 2020, compared to an increase of 1.4 percent over the same period in 2019. The significant contraction in economic activity was due to the containment measures of the COVID-19 pandemic. The latest IMF forecast is for real GDP to decline by 4.5 percent in 2020.

Industrial production declined by 0.1 percent over the year to June 2020, compared to an increase of 1.9 percent over the same period in 2019. Retail sales declined by 3.4 percent over the year to June 2020, compared to an increase of 2.4 percent over the corresponding period in 2019. This reflected lower demand for clothing and food, and sales in cafes and restaurants. The unemployment rate was 7.5 percent in June 2020, compared to 5.2 percent in June 2019, as the containment measures resulted in the laying off of workers.

Consumer prices declined by 0.3 percent over the year to June 2020, compared to an increase of 1.6 percent over the corresponding period in 2019. The negative inflation outcome was due to lower prices for transport, merchandise, education and recreation services. Broad money supply increased by 8.5 percent over the year to June 2020, compared to an increase of 3.9 percent over the corresponding period in 2019. The Reserve Bank of Australia maintained its

---

official cash rate at the lowest historical rate of 0.25 percent in June 2020, as the economy experienced its biggest contraction since the 1930s.

The trade account recorded a surplus of US\$17.4 billion over the year to June 2020, compared to a surplus of US\$14.5 billion over the same period in 2019. The higher surplus was due to increased exports relative to imports.

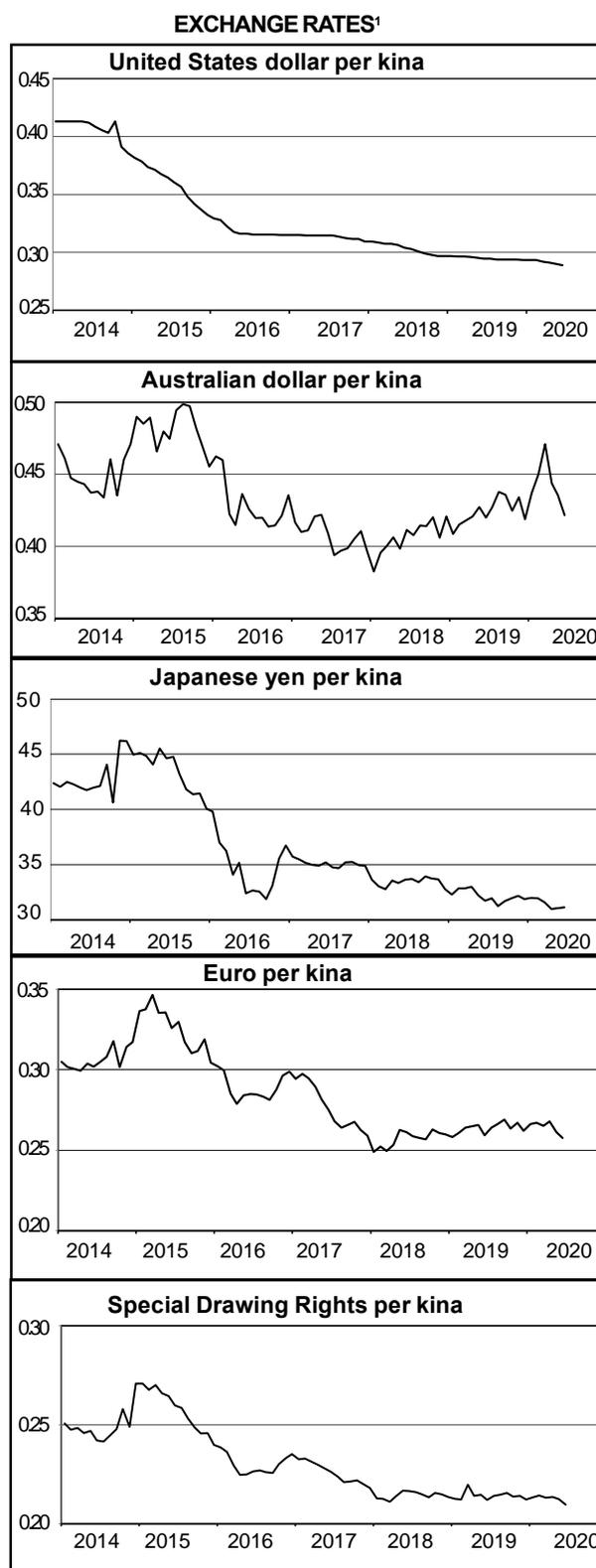
In the June quarter of 2020, the US dollar appreciated against all the major currencies except the Japanese yen. The US dollar appreciated against the pound sterling by 3.0 percent, the Australian dollar by 0.5 percent and the euro by 0.3 percent. Against the Japanese yen, it depreciated by 1.2 percent.

In the June quarter of 2020, the average daily kina exchange rate depreciated against the Japanese yen by 2.3 percent to ¥31.2046, the US dollar by 1.0 percent to US\$0.2860, the euro by 0.8 percent to €0.2637 and the Australian dollar by 0.6 percent to A\$0.4430. Against the pound sterling, it appreciated by 2.1 percent to £0.2338. These currency movements resulted in the depreciation of the TWI by 0.5 percent to 29.79 in the June quarter of 2020.

### 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 11.5 percent in the March quarter of 2020, compared to an increase of 3.8 percent in the December quarter of 2019. Excluding the



<sup>1</sup> Charts reflect end of quarter period and not quarterly averages.

---

mineral sector, sales declined by 8.7 percent in the March quarter, compared to an increase of 3.4 percent in the December quarter of 2019. This outcome mainly reflected the two-week lockdown in March and the introduction of containment measures to counter the spread of the COVID-19 pandemic. By sector, sales declined in the construction, manufacturing, mineral, transportation, retail and wholesale sectors, while it increased in the agriculture/forestry/fishing (AFF) and financial/business/other services sectors. By region, sales declined in all the regions except the Islands region. Over the year to March 2020, total sales declined by 0.7 percent, compared to an increase of 7.9 percent in the corresponding period of 2019. Excluding the mineral sector, sales declined by 0.3 percent, compared to an increase of 10.0 percent in the corresponding period of 2019.

In the construction sector, sales declined by 27.5 percent in the March quarter of 2020, compared to an increase of 22.8 percent in the previous quarter. This outcome reflected the slowdown in new road construction and maintenance work by the Government in the Highlands, Islands and Southern regions, completion of the Alotau Market in Milne Bay and reduced road maintenance activity by the Ok Tedi Mine. The two-week lockdown in March relating to the COVID-19 pandemic also affected construction activity. Over the year to March 2020, sales rose by 1.8 percent, compared to a decline of 65.3 percent in the corresponding period of 2019.

In the manufacturing sector, sales declined by 18.0 percent in the March quarter of 2020, compared to an increase of 11.9 percent in the previous quarter. This outcome reflected the two-week lockdown as companies reduced their workforce to meet the social distancing

requirement for the COVID-19 pandemic. There was lower demand for tobacco products, soft drinks, canned tuna, processed fuel products and food, and general merchandise. Over the year to March 2020, sales increased by 1.2 percent, compared to a decline of 18.1 percent in the corresponding period of 2019.

In the mineral sector, sales declined by 15.4 percent in the March quarter of 2020, compared to an increase of 4.6 percent in the previous quarter. This outcome partly reflected the impact of the COVID-19 pandemic. The decline reflected lower production of crude oil, natural gas, nickel, gold and copper by major producers including Oil Search, Ok Tedi, Ramu Nickel and Porgera mines. Over the year to March 2020, sales decreased by 2.6 percent, compared to an increase of 5.0 percent in the corresponding period of 2019.

In the transportation sector, sales fell by 12.9 percent in the March quarter of 2020, compared to an increase of 1.6 percent in the December quarter of 2019. This outcome was due to the impact of the COVID-19 pandemic with lower sales recorded for passenger air travel and a decline in the demand for sea freight services. Over the year to March 2020, sales declined by 11.5 percent, compared to an increase of 25.4 percent in the corresponding period of 2019.

In the retail sector, sales fell by 9.4 percent in the March quarter of 2020, following a decline of 0.3 percent in the December quarter of 2019. This outcome mainly reflected the impact of the COVID-19 pandemic. The fall in demand for food and general merchandise, tyres and spare parts, pesticides and agricultural tools contributed to the decline. Over the year to March 2020, sales declined by 0.6 percent,

---

compared to an increase of 0.9 percent in the corresponding period of 2019.

In the wholesale sector, sales decreased by 2.6 percent in the March quarter of 2020, compared to an increase of 3.2 percent in the December quarter of 2019. This outcome mainly reflected the impact of the COVID-19 pandemic. The decline reflected lower demand for food and general merchandise, tyres and spare parts, and pharmaceutical products. Over the year to March 2020, sales increased by 7.0 percent, compared to an increase of 58.8 percent in the corresponding period of 2019.

In the AFF sector, sales increased by 11.5 percent in the March quarter of 2020, compared to a decline of 18.4 percent in the December quarter of 2019. The increase was mainly attributed to higher production and export of palm oil as well as tuna catchment. Over the year to March 2020, sales increased by 8.6 percent, compared to an increase of 5.8 percent in the corresponding period of 2019.

In the financial/business/other services sector, sales increased by 1.7 percent in the March quarter of 2020, same as in the December quarter of 2019. The increase reflected higher sales by a major communication company and for kit homes which more than offset lower earnings of fees and charges by commercial banks. Over the year to March 2020, sales increased by 5.6 percent, compared to a decline of 2.2 percent in the corresponding period of 2019.

By region, sales declined in all the regions except the Islands region. In the Southern (excluding NCD) region, sales fell by 47.9 percent in the March quarter of 2020,

compared to an increase of 15.8 percent in the December quarter of 2019. This outcome mainly reflected the impact of the COVID-19 pandemic. The decline was due to lower production and export of copper ore, a drop in passenger air travel, a fall in activity by sea freight services and lower demand for food and general merchandise. Over the year to March 2020, sales decreased by 26.4 percent, compared to an increase of 32.2 percent in the corresponding period of 2019.

In the Momase region, sales declined by 38.9 percent in the March quarter of 2020, compared to a decline of 5.4 percent in the previous quarter. This outcome mainly reflected the impact of the COVID-19 pandemic. The decline was due to a fall in the production and export of nickel, a drop in production of canned tuna and tobacco products, as well as lower demand for food and general merchandise. Lower demand for air passenger travel also contributed to the decline. Over the year to March 2020, sales increased by 1.0 percent, compared to a decline of 62.0 percent in the corresponding period of 2019.

In NCD, sales declined by 7.1 percent in the March quarter of 2020, compared to an increase of 6.5 percent in the previous quarter. This outcome mainly reflected the impact of the COVID-19 pandemic. The decline was due to lower demand for air passenger travels, food and general merchandise, and pharmaceutical products. The fall in the earnings of the commercial banks and hotels also contributed to the decline. Over the year to March 2020, sales increased by 1.2 percent, compared to a decline of 10.5 percent in the corresponding period of 2019.

In the Highlands region, sales declined by 4.6

---

---

percent in the March quarter of 2020, compared to an increase of 14.1 percent in the December quarter of 2019. This outcome mainly reflected the impact of the COVID-19 pandemic. The decline was due to lower production and export of gold, crude oil and coffee. The fall in demand for food and general merchandise and air passenger travel, also contributed to the decline. Over the year to March 2020, sales increased by 14.0 percent, compared to an increase of 34.9 percent in the corresponding period of 2019.

In Morobe, sales declined by 3.7 percent in the March quarter of 2020, following a marginal increase in the December quarter of 2019. This outcome mainly reflected lower production and demand for beverages, food and general merchandise and a drop in air passenger travel. Over the year to March 2020, sales decreased by 4.4 percent, compared to an increase of 6.9 percent in the corresponding period of 2019.

In the Islands region, sales increased by 19.6 percent in the March quarter of 2020, compared to a decline of 14.9 percent in the previous quarter. The increase mainly reflected higher production and export of gold and palm oil. Over the year to March 2020, sales declined by 16.6 percent, compared to an increase of 34.2 percent in the corresponding period of 2019.

## **EMPLOYMENT**

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 1.2 percent in the June quarter of 2020, compared to a decline of 1.3 percent in the March quarter of 2020. Excluding the mineral sector, the level of employment increased by 2.0 percent. By sector, the level

of employment increased in the AFF and retail sectors while it fell in the wholesale, financial/business and other services, construction, mineral, transportation and manufacturing sectors. By region, the level of employment increased in the Momase (excluding Morobe), Southern (excluding NCD), Islands and Highlands regions, while it declined in Morobe and NCD. Over the year to June 2020, the total level of employment declined by 3.9 percent, compared to an increase 4.3 percent in the corresponding period of 2019. Excluding the mineral sector, the level of employment fell by 3.8 percent over the year to June 2020, compared to an increase of 1.9 percent over the year to June 2019.

In the AFF sector, the level of employment increased by 8.0 percent in the June quarter, compared to an increase of 2.6 percent in the March quarter of 2020. The increase reflected the hiring of seasonal workers for harvesting of palm oil and tea and catchment of tuna. Over the year to June 2020, the level of employment increased by 1.7 percent, compared to an increase of 1.9 percent over the year to June 2019.

In the retail sector, the level of employment increased by 4.0 percent in the June quarter of 2020, compared to a fall of 5.8 percent in the previous quarter. The increase was mainly associated with higher demand for chemical products. Over the year to June 2020, the level of employment fell by 1.1 percent, compared to an increase of 3.5 percent in the same period of 2019.

In the wholesale sector, the level of employment declined by 5.7 percent in the June quarter of 2020, compared to a drop of 4.3 percent in the previous quarter. This outcome was driven

---

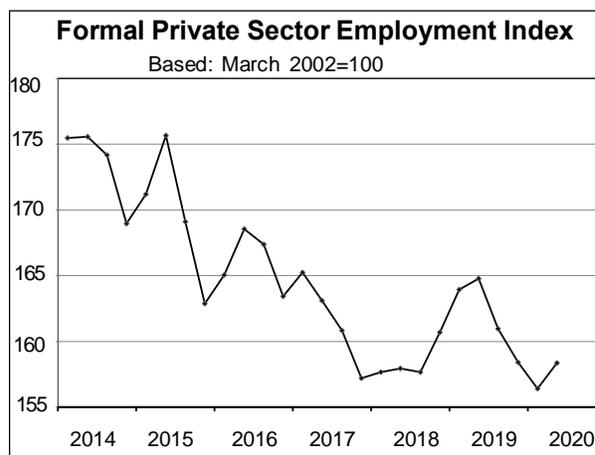
by a general decline in demand for food, drinks and chemical products due to the impact of COVID-19 containment measures. Over the year to June 2020, the level of employment declined by 12.7 percent, compared to a fall of 1.8 percent over the year to June 2019.

In the financial/business and other services sector, the level of employment declined by 4.9 percent in the June quarter of 2020, compared to a fall of 6.7 percent in the March quarter of 2020. The decline mainly reflected the laying-off of staff by hotels due to the SOE containment measures associated with the COVID-19 pandemic. Over the year to June 2020, the level of employment fell by 17.1 percent, compared to an increase of 8.8 percent over the year to June 2019.

In the construction sector, the level of employment declined by 4.4 percent in the June quarter of 2020, compared a fall of 10.2 percent in the March quarter of 2020. The decline mainly reflected the laying-off of workers after the completion of road projects in NCD and the Islands region. Over the year to June 2020, the level of employment fell by 18.9 percent, compared to a decline of 8.5 percent over the year to June 2019.

In the mineral sector, the level of employment fell by 3.1 percent in the June quarter of 2020, compared to an increase of 1.8 percent in the March quarter. The decline reflected a voluntary redundancy exercise carried out by a major oil company and the laying-off of workers by a mining company. Over the year to June 2020, the level of employment declined by 2.1 percent, compared to an increase of 24.9 percent over the year to June 2019.

In the transportation sector, the level of employment fell by 2.5 percent in the June



quarter of 2020, compared to a marginal decline of 0.3 percent in the previous quarter. This outcome was due to the laying-off of staff by airline and trucking companies due to the SOE measures. Over the year to June 2020, the level of employment fell by 1.4 percent, compared to a decline of 13.5 percent over the year to June 2019.

In the manufacturing sector, the level of employment fell by 0.5 percent in the June quarter of 2020, while there was no change in the previous quarter. In addition to a few resignations, the decline was due to lower demand for steel, cement and some food products. Over the year to June 2020, the level of employment increased by 2.6 percent, compared to an increase of 6.3 percent over the year to June 2019.

By region, the level of employment increased in the Momase, Southern, Islands and Highlands regions, while it fell in Morobe and NCD. In the Momase region, the level of employment grew by 9.0 percent in the June quarter of 2020, compared to a decline of 0.8 percent in the March quarter of 2020. The increase was attributed to higher tuna catchment and processing of tuna loining. Over the year to June 2020, the level of employment increased by 2.9 percent,

---

compared to an increase of 2.3 percent over the year to June 2019.

In the Southern region, the level of employment increased by 6.0 percent in the June quarter of 2020, compared to a marginal increase of 0.2 percent in the previous quarter of 2020. The increase was primarily attributed to the recruitment of seasonal workers for palm oil harvesting. Over the year to June 2020, the level of employment fell by 0.4 percent, compared to an increase of 15.4 percent over the year to June 2019.

In the Islands region, the level of employment increased by 3.3 percent in the June quarter of 2020, compared to an increase of 1.4 percent in the previous quarter. The increase reflected higher production and processing of balsa wood and the recruitment of casual workers for palm oil harvesting by a major palm oil company. Over the year to June 2020, the level of employment fell by 1.0 percent, compared to a fall of 4.2 percent over the year to June 2019.

In the Highlands region, the level of employment increased by 2.7 percent in the June quarter of 2020, compared to a decline of 2.1 percent in the March quarter of 2020. The increase reflected the hiring of seasonal workers for the harvesting of tea and the recruitment of casual workers by a coffee buyer to process coffee beans as the coffee season picked up. Over the year to June 2020, the level of employment fell by 2.9 percent, compared to an increase of 16.8 percent over the year to June 2019.

In Morobe, the level of employment fell by 5.9 percent in the June quarter, compared to a decline of 1.9 percent in the previous quarter. The decrease reflected the laying-off of staff

by a trucking company, a stevedoring company and an airline company. A major hotel also laid off workers as demand for its services fell due to the COVID-19 SOE containment measures. Over the year to June 2020, the level of employment fell by 8.4 percent, compared to an increase of 4.1 percent over the year to June 2019.

In NCD, the level of employment declined by 2.2 percent in the June quarter of 2020, compared to a fall of 3.6 percent in the March quarter. The decline reflected the laying-off of staff mainly by two major airline companies and hotels due to the SOE containment measures including a lockdown. Over the year to June 2020, the level of employment fell by 8.5 percent, compared to an increase of 5.3 percent over the year to June 2019.

## **CONSUMER PRICE INDEX**

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), was 3.4 percent in the June quarter of 2020, compared to 1.1 percent in the March quarter of 2020. The increase was mainly due to the impact of the COVID-19 pandemic measures on supply chains and prices. There were increases in the 'Alcoholic Beverages, Tobacco and Betelnut', 'Health', 'Transport', 'Restaurants and Hotels', 'Housing', 'Food and Non-Alcoholic Beverages', 'Recreation', 'Clothing and Footwear', and 'Education', expenditure groups which more than offset declines in the 'Household Equipment', 'Communication', and 'Miscellaneous' expenditure groups. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 6.0 percent in the June quarter of 2020, compared to 3.1 percent in the March quarter of 2020.

The CPI for the 'Alcoholic Beverages, Tobacco

---

and Betelnut' expenditure group increased by 13.6 percent in the June quarter of 2020, compared to a decline of 0.5 percent in the March quarter. This was mainly attributed to a large increase in the 'betelnut and mustard' sub-group of 18.6 percent, with lesser increases in the 'tobacco' and 'alcoholic beverages' sub-groups of 4.0 percent and 2.1 percent, respectively. This expenditure group contributed 2.3 percentage points and 3.1 percentage points to the quarterly and annual movements in overall CPI inflation, respectively.

The CPI for the 'Health' expenditure group increased by 6.1 percent in the June quarter of 2020, compared to an increase of 0.6 percent in the March quarter. The increase in the 'medical services' sub-group of 16.1 percent more than offset a decline in the 'medical supplies' sub-group of 0.9 percent. This expenditure group contributed 0.2 percentage points to both the quarterly and annual movements in overall CPI inflation.

The CPI for the 'Transport' expenditure group increased by 4.1 percent in the June quarter of 2020, from an increase of 3.9 percent in the previous quarter. This was attributed to increases in the 'operations of transport', 'fares' and 'motor vehicle purchases' sub-groups of 9.8 percent, 9.4 percent and 3.3 percent, respectively, which more than offset a decline in the 'fuel and lubricants' subgroup of 12.9 percent. This expenditure group contributed 0.5 percentage points and 1.1 percentage points to the quarterly and annual movements in the overall CPI inflation, respectively.

Prices in the 'Restaurants and Hotels' expenditure group increased by 3.2 percent in the June quarter of 2020, compared to an increase of 1.9 percent in the March quarter of

2020. There were increases in the 'hotel accommodation' and 'takeaway foods' sub-groups of 5.6 percent and 2.8 percent, respectively. This expenditure group contributed 0.1 and 0.2 percentage points to the quarterly and annual movements in the overall CPI inflation, respectively.

The CPI for the 'Housing' expenditure group increased by 1.5 percent in the June quarter of 2020, compared to a decline of 0.2 percent in the previous quarter. The price increases in the 'rent', and 'electricity' sub-groups of 7.5 percent and 0.7 percent, respectively, more than offset a decline in the 'housing maintenance' sub-group of 6.7 percent. The price in the 'water' sub-group showed no changes. This expenditure group contributed 0.2 percentage points to both the quarterly and annual movements in the overall CPI inflation.

The CPI for the 'Food and Non-Alcoholic Beverages' expenditure group increased by 0.8 percent in the June quarter of 2020, compared to an increase of 0.9 percent in the previous quarter. There were increases in the 'fruits & vegetables', 'fish', 'meat' and 'non-alcoholic beverages' sub-groups of 3.7 percent, 1.5 percent, 1.1 percent, and 0.6 percent, respectively. These more than offset declines in the 'dairy products, eggs, cheese', 'oils and fats', 'other food products', 'sugars and confectionery', and 'cereals' sub-groups of 2.0 percent, 1.7 percent, 1.1 percent, 0.6 percent and 0.4 percent, respectively. This expenditure group contributed 0.2 and 0.9 percentage points to the quarterly and annual movements in the overall CPI inflation, respectively.

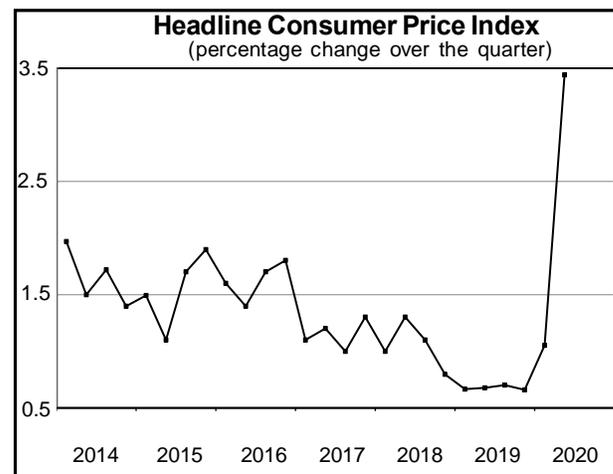
Prices in the 'Recreation' expenditure group picked up by 0.6 percent in the June quarter

---

of 2020, compared to a marginal decline of 0.1 percent in the previous quarter. This reflected price increases for batteries, DVD player, bicycle, biros and newspaper of 7.8 percent, 5.6 percent, 1.3 percent, 0.9 percent and 0.6 percent, respectively. These more than offset declines in the prices of flash drives, digital camera, photography and television of 3.8 percent, 2.8 percent, 0.2 percent and 0.1 percent, respectively. This expenditure group's contribution to the quarterly and annual overall CPI inflation was negligible.

The CPI for the 'Clothing and Footwear' expenditure group increased by 0.2 percent in the June quarter of 2020, compared to an increase of 1.1 percent in the March quarter. There were increases in the 'sewing items', 'men's wear', 'boys wear' and 'clothing' sub-groups of 3.0 percent, 1.9 percent, 0.5 percent and 0.1 percent, respectively. These more than offset declines in the 'women and girl wear' and 'footwear' sub-groups of 0.9 percent, and 0.5 percent, respectively whilst the 'headwear' sub-group recorded negligible price changes. This expenditure group's contribution to the movement in the quarterly CPI inflation was negligible, whilst it contributed 0.1 percentage points to the annual CPI inflation.

The CPI for the 'Education' expenditure group increased marginally by 0.1 percent in the June quarter of 2020, compared to an increase of 5.2 percent in the March quarter. This reflected an increase in the 'other expenses' sub-group of 0.3 percent, while the 'education fees' sub-group had no price changes. This expenditure group's contribution to the quarterly movement in the overall CPI inflation was negligible, whilst it contributed 0.3 percentage points to the annual CPI inflation.



The CPI for the 'Household Equipment' expenditure group declined by 1.2 percent in the June quarter of 2020, compared to an increase of 0.4 percent in the previous quarter. This was attributed to declines in the 'household furniture and furnishings', 'household maintenance goods', and 'household appliances' sub-groups of 2.7 percent, 1.1 percent and 0.7 percent, respectively. This expenditure group contributed 0.1 percentage points in both the quarterly and annual movements to the overall CPI inflation.

The CPI for the 'Communication' expenditure group declined by 1.2 percent in the June quarter of 2020, compared to a decline of 0.5 percent in the previous quarter. There were declines in the 'telephone services', and 'postal services' sub-groups of 2.3 percent and 0.7 percent, respectively, which more than offset an increase in the 'telephone equipment' sub-group of 0.5 percent. The 'other services' sub-group had no price changes. This expenditure group's contribution to the overall movement in quarterly CPI inflation was negligible, whilst it contributed 0.1 percentage points to the annual CPI inflation.

Prices in the 'Miscellaneous' expenditure

---

group fell by 1.2 percent in the June quarter of 2020, compared to a decline of 0.5 percent in the previous quarter. This was attributed to declines in the prices of children's toys, baby oil and powder, toiletries and personal care products, and insect repellents of 6.6 percent, 4.0 percent, 1.6 percent and 0.8 percent, respectively. These more than offset a price increase in barber fees of 1.5 percent. This expenditure group's contribution to the overall quarterly and annual CPI inflation was negligible.

Prices in Port Moresby increased by 7.6 percent in the June quarter of 2020, compared to an increase of 0.6 percent in the previous quarter. This outcome mainly reflected the impact of the COVID-19 pandemic. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest increase of 34.5 percent, followed by 'Transport' with 10.3 percent, 'Housing' with 4.6 percent, 'Health' with 3.6 percent, 'Restaurants and Hotels' with 3.1 percent, 'Household Equipment' with 2.6 percent, and the 'Clothing and Footwear' with 2.1 percent. The 'Education' and 'Food and Non-Alcoholic Beverages' expenditure groups also recorded marginal increases. These more than offset declines in the 'Miscellaneous', 'Communication' and 'Recreation' expenditure groups of 1.6 percent, 1.2 percent, and 0.1 percent, respectively. Port Moresby contributed 2.6 and 3.4 percentage points to the overall movement in the quarterly and annual CPI inflation, respectively.

In Lae, prices increased by 3.2 percent in the June quarter of 2020, from an increase of 1.1 percent in the previous quarter. The 'Alcoholic Beverages Tobacco and Betelnut' expenditure group recorded the largest increase of 8.5 percent, followed by 'Health'

with 7.6 percent, 'Clothing and Footwear' with 6.0 percent, 'Restaurants and Hotels' with 3.3 percent, both 'Transport' and 'Food and Non-Alcoholic Beverages' with 2.0 percent each and 'Housing' with 0.5 percent. These more than offset declines in the 'Communication', 'Household Equipment', 'Recreation', 'Miscellaneous', and 'Education' expenditure groups of 3.1 percent, 1.8 percent, 1.5 percent, 0.9 percent and 0.3 percent, respectively. Lae contributed 0.6 and 1.0 percentage points to the overall movement in the quarterly and annual CPI inflation, respectively.

In Goroka/Mt. Hagen/Madang, prices increased by 1.4 percent in the June quarter of 2020, compared to an increase of 1.5 percent in the previous quarter. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest increase of 7.7 percent, followed by 'Recreation' with 2.5 percent, both 'Restaurants and Hotels' and 'Transport' with 2.2 percent, 'Health' with 1.2 percent, 'Household Equipment' with 0.2 percent and 'Food and Non-Alcoholic Beverages' with 0.1 percent. These more than offset declines in the 'Communication', 'Miscellaneous', 'Housing' and 'Clothing and Footwear' expenditure groups of 2.1 percent, 1.8 percent, 1.7 percent and 1.1 percent, respectively. The 'Education' expenditure groups price change was negligible. Goroka/Mt. Hagen/Madang contributed 0.4 percentage points and 1.2 percentage points to the quarterly and annual movement in the overall CPI inflation, respectively.

In Alotau/Kimbe-Kokopo/Rabaul, prices increased by 1.0 percent in the June quarter of 2020, compared to an increase of 1.1 percent in the previous quarter. The 'Health' expenditure group recorded the largest

---

increase with 13.7 percent, followed by 'Alcoholic Beverages, Tobacco and Betelnut' with 4.9 percent, 'Restaurants and Hotels' with 3.4 percent, 'Communication' with 2.8 percent, 'Transport' with 1.8 percent, 'Recreation' with 1.5 percent and 'Food and Non-Alcoholic Beverages' with 1.0 percent. These more than offset declines in the, 'Clothing and Footwear', 'Housing', 'Household Equipment', and 'Miscellaneous', expenditure groups of 4.0 percent, 3.7 percent, 3.6 percent, and 0.6 percent, respectively. The 'Education' expenditure group showed negligible price changes. Alotau/Kimbe-Kokopo/Rabaul contributed 0.2 percentage points and 0.6 percentage points to the quarterly and annual movement in the overall CPI inflation, respectively.

The annual headline inflation was 6.0 percent in the June quarter of 2020, compared to 3.1 percent in the March quarter. All expenditure groups recorded increases except for the 'Communication', 'Household Equipment' and 'Miscellaneous' expenditure groups. The largest increase was in the 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group with 19.4 percent, followed by 'Transport' with 8.4 percent, 'Health' with 7.2 percent, 'Restaurants and Hotel' with 6.2 percent, 'Education' with 5.1 percent, 'Food and Non-alcoholic Beverages' with 2.9 percent, 'Clothing and Footwear' with 2.1 percent, 'Recreation' with 2.0 percent and 'Housing' with 1.5 percent. These more than offset declines in the 'Communication', 'Household Equipment' and 'Miscellaneous' expenditure groups of 1.8 percent, 1.5 percent and 0.8 percent, respectively.

The NSO's quarterly exclusion-based inflation measure (which is the overall CPI excluding seasonal, customs excise and price regulated

items) fell by 0.1 percent in the June quarter of 2020, compared to an increase of 1.7 percent in the previous quarter. Annual exclusion-based inflation was 2.1 percent in the June quarter of 2020, compared to 1.8 percent in the March quarter.

The quarterly trimmed mean inflation measure published by the Bank of PNG increased by 0.8 percent in the June quarter of 2020, compared to an increase of 0.9 percent in the previous quarter. The annual trimmed mean inflation was 2.8 percent in the quarter, compared to 2.5 percent in the same period in 2019.

---

#### **4. EXPORT COMMODITIES REVIEW**

---

The total value of merchandise exports was K7,427.3 million in the June quarter of 2020, compared to K9,889.6 million in the corresponding quarter of 2019. There were lower export receipts for all major export commodities, except palm oil and other export commodities.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, was K687.6 million, accounting for 9.3 percent of total merchandise exports in the June quarter of 2020, compared to K895.3 million or 9.1 percent of total merchandise exports in the corresponding quarter of 2019. Forestry product exports were K222.9 million, which accounted for 3.0 percent of total merchandise exports in the June quarter, compared to K245.7 million or 2.5 percent in the corresponding quarter of 2019. Refined petroleum product exports were K213.1 million and accounted for 2.9 percent of total

---

merchandise exports in the June quarter, compared to K390.4 million or 3.9 percent in the corresponding quarter of 2019. Mineral export receipts, including LNG and condensate were K6,303.4 million and accounted for 84.5 percent of total merchandise exports in the June quarter, compared to K8,358.1 million or 84.9 percent in the corresponding quarter of 2019.

The weighted average kina price of PNG's exports, excluding LNG, decreased by 5.0 percent in the June quarter of 2020, compared to the corresponding quarter of 2019. The weighted average kina price of mineral exports was 0.1 percent higher, reflecting higher kina prices for all mineral commodities. For agricultural, logs and marine product exports, the weighted average kina price decreased by 22.8 percent, due to lower kina prices for copra oil, rubber, logs and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports decreased by 27.7 percent in the June quarter of 2020, compared to the corresponding quarter of 2019. Lower international prices accounted for the decline.

## **MINERAL EXPORTS**

The total value of mineral exports was K6,303.4 million in the June quarter of 2020, compared to K8,358.1 million in the corresponding quarter of 2019. The decline was due to lower value and volume of all mineral export commodities except for crude oil volumes.

The value of LNG export was K2,679.8 million in the June quarter of 2020, compared to K3,432.5 million in the corresponding quarter of 2019. The decline was due to lower LNG prices, attributed to higher supply in the world market.

The volume of condensate exported was 2,082.0 thousand barrels in the June quarter of 2020, compared to 2,376.0 thousand barrels in the corresponding quarter of 2019. There was lower production by the PNG LNG project. The average free on board (f.o.b) price for condensate export was K88 per barrel in the June quarter, compared to K229 per barrel in the corresponding quarter of 2019, reflecting lower global demand due to the impact of the COVID-19 pandemic. The combined decline in export volume and price, resulted in a lower export receipt of K182.6 million in the June quarter, compared to K544.8 million in the corresponding quarter of 2019.

The volume of gold exported was 14.2 tonnes in the June quarter, compared to 20.7 tonnes in the corresponding quarter of 2019. The decline reflected lower production and export from the Ok Tedi, Porgera, Lihir, Hidden Valley, and Simberi mines. The alluvial gold exports also declined. The average free on board (f.o.b.) price received for Papua New Guinea's gold exports was K177.1 million per tonne in the June quarter, compared to K135.7 million per tonne in the corresponding quarter of 2019. 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 30.7 percent to US\$1,708.0 per fine ounce in the June quarter, compared to the corresponding quarter of 2019. The increase was due to strong demand for gold as a safe-haven investment, attributed to weak economic data, global uncertainty due to the COVID-19 pandemic, and depreciation of the US dollar against major currencies. The decline in export volume which more than offset the increase in the export price, resulted in a lower export receipt of K2,515.1 million in the June quarter,

---

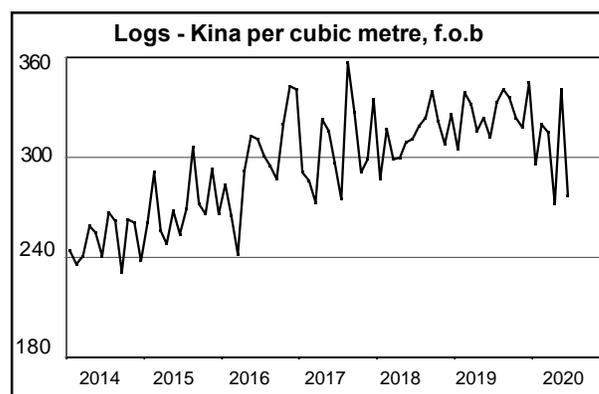
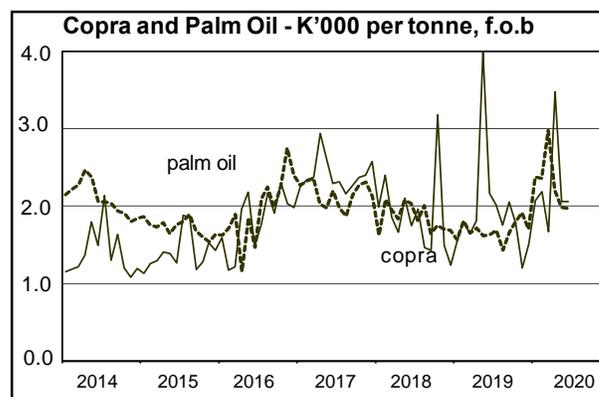
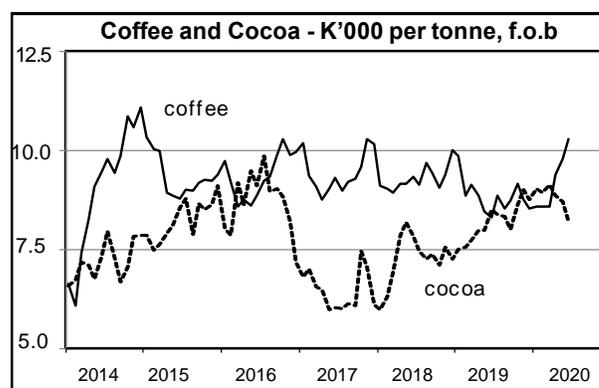
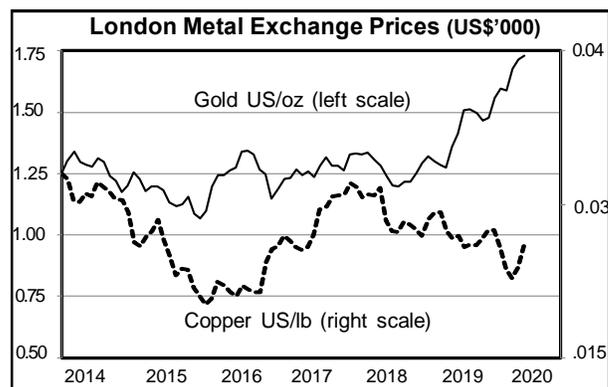
compared to K2,809.9 million in the corresponding quarter of 2019.

The volume of copper exported was 19.3 thousand tonnes in the June quarter, compared to 32.9 thousand tonnes in the same quarter of 2019. The decline was due to lower production of metal ore grades and shipment by the Ok Tedi mine. The average f.o.b. price of PNG's copper exports was K17,720 per tonne in the June quarter, compared to K20,316 per tonne in the corresponding quarter of 2019. The lower price was mainly due to a weaker demand from China, reflecting a slowdown in economic activity as the outbreak of the COVID-19 pandemic continue to affect global demand. The decline in export volume and price, resulted in a lower export receipt of K342.0 million in the June quarter, compared to K668.4 million in the same quarter of 2019.

The volume of nickel exported was 7.6 thousand tonnes in the June quarter, compared to 9.5 thousand tonnes in the corresponding quarter of 2019. The decline was due to lower production and shipment by the Ramu Nickel/Cobalt mine. The average f.o.b. price of PNG's nickel exports was K34,145 per tonne in the June quarter, compared to K41,011 per tonne in the corresponding quarter of 2019. The decline was due to lower demand, mainly from China, especially from its stainless steel sector impacted by the COVID-19 outbreak. The decline in the export volume and price, resulted in a lower export receipt of K259.5 million in the quarter, compared to K389.6 million in the corresponding quarter of 2019.

The volume of cobalt exports was 0.6 thousand tonnes in the June quarter, compared to 0.9 thousand tonnes in the corresponding quarter of 2019. The decline was due to lower

## EXPORT COMMODITY PRICES



production and shipment by the Ramu Nickel/Cobalt mine. The average f.o.b. price of PNG's cobalt exports was K79,000 per tonne in the June quarter, compared to K99,333 per tonne in the same quarter of 2019. The decline in price was due to lower global demand, mainly from China reflecting the impact of the COVID-19 outbreak, combined with excess supply from the Democratic Republic of Congo, the world's top producer. The decline in the export volume and price, resulted in a lower export receipt of K47.4 million in the June quarter, compared to K89.4 million in the corresponding quarter of 2019.

The volume of crude oil exported was 1,272.3 thousand barrels in the June quarter, compared to 1,124.9 thousand barrels in the same quarter of 2019. This was due to higher production from the Kutubu and Moran oil fields, reflecting improvement in the main processing facility affected by the 2018 earth quake. The average export price of crude oil was K88 per barrel in the quarter, compared to K225 per barrel in the June quarter of 2019. The lower price reflected higher production by both the OPEC and non-OPEC countries, coupled with weaker global demand attributed to the COVID-19 pandemic. The decline in export price more than offset the increase in export volume, resulting in an export receipt of K111.8 million in the quarter, compared to K253.2 million in the June quarter of 2019.

Export receipts of refined petroleum products, which include Naphtha from the PNG LNG project, were K213.1 million in the June quarter, compared to K390.4 million in the corresponding quarter of 2019. The decline was due to lower export volumes for various refined petroleum products from the Napa Napa oil refinery, reflecting weak global demand due to the COVID-19 pandemic which

disrupted activities in the transportation and logistics industry.

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

Export prices of copra oil, rubber, logs and marine products declined, while cocoa, coffee, copra, and palm oil increased in the June quarter of 2020, compared to the corresponding quarter of 2019. The export price of tea recorded no change. The net effect was a 5.0 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 4.9 percent in the June quarter, compared to the corresponding quarter of 2019.

The export volume of coffee was 7.1 thousand tonnes in the June quarter, compared to 11.0 thousand tonnes in the corresponding quarter of 2019. The decline was due to lower shipment, reflecting the impact of the COVID-19 pandemic on global supply chains. The average export price of coffee was K9,887 per tonne, an increase of 16.7 percent from the June quarter of 2019. The increase stemmed from higher international prices as a result of lower production from the top producers, Vietnam and Colombia. The decline in export volume more than offset the increase in export price, resulting in an export receipt of K70.2 million in the June quarter, a decline of 24.7 percent from the corresponding quarter of 2019.

The export volume of cocoa was 1.8 thousand tonnes in the June quarter, compared to 7.8 thousand tonnes in the corresponding quarter of 2019. The decline was attributed to lower

---

---

shipments from the major growing regions, reflecting the impact of the COVID-19 pandemic on global supply chains. The average export price of cocoa was K8,333 per tonne in the June quarter, an increase of 3.0 percent from the corresponding quarter of 2019. The outcome reflected lower production from the top producers, Ivory Coast and Ghana, attributed to unfavourable wet weather conditions and the COVID-19 outbreak. The decline in export volume more than offset the increase in export price, resulting in an export receipt of K15.0 million in the June quarter, a decline of 76.2 percent from the corresponding quarter of 2019.

The export volume of copra was 4.9 thousand tonnes in the June quarter, compared to 5.8 thousand tonnes in the corresponding quarter of 2019. The decline was attributed to lower shipment, reflecting the impact of the COVID-19 pandemic on the global supply chains. The average export price of copra was K2,408 per tonne in the June quarter, an increase of 2.7 percent from the corresponding quarter of 2019. This reflected higher international prices due to lower production from Indonesia, the Philippines and India, attributed to lockdowns to contain the COVID-19 pandemic. The decline in the export volume more than offset the increase in export price and resulted in an export receipt of K11.8 million in the June quarter, a decline of 13.2 percent from the corresponding quarter of 2019.

The volume of copra oil exported was 1.6 thousand tonnes in the June quarter, compared to 3.7 thousand tonnes in the corresponding quarter of 2019. The decline was attributed to lower a shipment, reflecting the impact of the COVID-19 pandemic on global supply chains. The average export price of copra oil was K2,250 per tonne in the June quarter, a decline

of 6.4 percent from the corresponding quarter of 2019. The outcome reflected lower global demand, mainly due to the downturn in economic activity in major importing countries amidst prolonged lockdowns to contain the COVID-19 pandemic. The combined decline in the export price and volume resulted in a lower export receipt of K3.6 million in the June quarter, a decline of 59.6 percent from the corresponding quarter of 2019.

The export volume of palm oil was 176.2 thousand tonnes in the June quarter, compared to 141.0 thousand tonnes in the corresponding quarter of 2019. The increase was due to a higher shipment of carry-over of stock piles by some companies, combined with the inclusion of a new exporter. The average export price of palm oil was K2,064 per tonne in the June quarter, an increase of 19.4 percent from the same quarter of 2019. This reflected lower production from Indonesia and Malaysia, combined with higher demand from the European Union. The combined increase in the export price and volume resulted in an export receipt of K363.6 million in the June quarter, an increase of 49.2 percent from the corresponding quarter of 2019.

There were no exports of tea in the June quarter, compared to 0.1 thousand tonnes in the June quarter of 2019. This was due to restriction of workers and disruptions to supply chains attributed to the COVID-19 pandemic. As a result, there was no average trading export price of tea in the quarter.

The export volume of rubber was 0.6 thousand tonnes in the June quarter, compared to 0.9 thousand tonnes in the corresponding quarter of 2019. The decline was attributed to the production and shipment from a rubber producer, reflecting supply chain disruptions

---

due to the COVID-19 pandemic. The average export price of rubber was K3,333 per tonne in the June quarter, a decline of 23.1 percent from the corresponding quarter of 2019. This outcome reflected a weaker global demand as major tyre manufacturers around the world were forced to halt production to contain the spread of the COVID-19 pandemic. The combined decline in the export volume and price resulted in an export receipt of K2.0 million in the June quarter, a decline of 48.7 percent from the corresponding quarter of 2019.

The export volume of logs was 733.0 thousand cubic meters in the June quarter, compared to 753.0 thousand cubic meters in the corresponding quarter of 2019. There was lower production and shipment of logs attributed to disruptions in the global supply chains amid the COVID-19 pandemic. The average export price of logs was K296 per cubic meter in the June quarter, a decline of 6.9 percent from the corresponding quarter of 2019. The outcome was mainly due to a weaker global demand, attributed to the COVID-19 pandemic. The decline in the export volume and price resulted in an export receipt of K217.1 million in the June quarter, a decline of 9.4 percent from the corresponding quarter of 2019.

The value of marine products exported was K86.5 million in the June quarter, compared to K385.9 million in the corresponding quarter of 2019. The significant decline in the export volume and export price resulted in a sharp fall in export receipts.

---

## 5. BALANCE OF PAYMENTS

---

### SIX MONTHS TO JUNE 2020 ON SIX MONTHS TO JUNE 2019

The balance of payments recorded an overall surplus of K43 million for the first six months of 2020, compared to a deficit of K388 million in the corresponding period of 2019. A surplus in the current account more than offset a deficit in the capital and financial account.

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

The deficit in the capital and financial account was attributed to net outflows from direct and other investments reflecting related party transactions and build-up in offshore foreign currency account balances of mineral companies, respectively, including those allowed under the various Project Development Agreements (PDAs). The net Government and private sector loan repayments also contributed to the outflows.

The trade account recorded a surplus of K10,942.7 million for the first six months of 2020, compared to the surplus of K11,821.3 million in the corresponding period of 2019. The surplus was driven by mineral exports, combined with a decline in merchandise imports as a result of the COVID-19 pandemic.

The value of merchandise exports was K16,150.5 million in the first six months of 2020, compared to K18,831.2 million in the corresponding period of 2019. The decline was attributed to lower export values of all export commodities, except for palm oil and other non-mineral exports which increased.

---

---

The value of merchandise imports was K5,207.8 million in the first six months of 2020, compared to K7,019.9 million in the corresponding period of 2019. There were decreases in general, mining and petroleum imports. The value of general imports was K3,161.2 million in the period, compared to K3,839.2 million in the corresponding period of 2019, reflecting the compression of imports due to the COVID-19 pandemic. The value of petroleum sector imports was K236.5 million in the period, compared to K1,073.9 million in the corresponding period of 2019. This reflected lower expenditure on exploration and drilling activities by a resident petroleum company. The mining sector imports was K1,810.1 million in the period, compared to K2,116.8 million in the corresponding period of 2019. The decline was due to lower capital expenditure by the Ok Tedi, Porgera, Lihir, Hidden Valley, Simberi, Ramu Nickel/Cobalt and Porgera mines.

The deficit in the services account was K1,882.0 million in the first six months of 2020, compared to a deficit of K2,167.0 million in the corresponding period of 2019. The lower outcome was due to lower payments for all services, reflecting the impact of the COVID-19 pandemic.

The deficit in the income account was K749.0 million in the first six months of 2020, compared to K1,684.6 million in the corresponding period of 2019. This outcome was mainly due to lower payments for interest, dividends and compensation of employees.

The surplus in the transfers account was K534.0 million in the first six months of 2020, compared to a surplus of K524.7 million in the corresponding period of 2019. The outcome was mainly due to higher tax receipts,

combined with lower transfer payments.

As a result of the developments in the trade, services, income and transfers accounts, the current account recorded a surplus of K8,845.6 million in the first six months of 2020, compared to a surplus of K8,494.4 million in the corresponding period of 2019.

The surplus in the capital account was K6.3 million in the first six months of 2020, compared to a surplus of K7.5 million in the corresponding period of 2019, reflecting lower transfers by donor agencies for project financing.

The deficit in the financial account was K8,811.5 million in the first six months of 2020, compared to a deficit of K8,886.6 million in the corresponding period of 2019. The outcome was due to net outflows from direct and other investments reflecting related party transactions and build-up in offshore foreign currency account balances of mineral companies, respectively. The net Government and private sector loan repayments also contributed to the outflow.

## **JUNE QUARTER 2020 ON JUNE QUARTER 2019**

The balance of payments recorded an overall surplus of K981 million in the June quarter of 2020, compared to a surplus of K120 million in the corresponding quarter of 2019. A surplus in the current account more than offset a deficit in the capital and financial account.

The value of merchandise imports was K2,361.3 million in the June quarter, compared to K3,424.8 million in the corresponding quarter of 2019. There were lower general, mining and petroleum imports. The value of

---

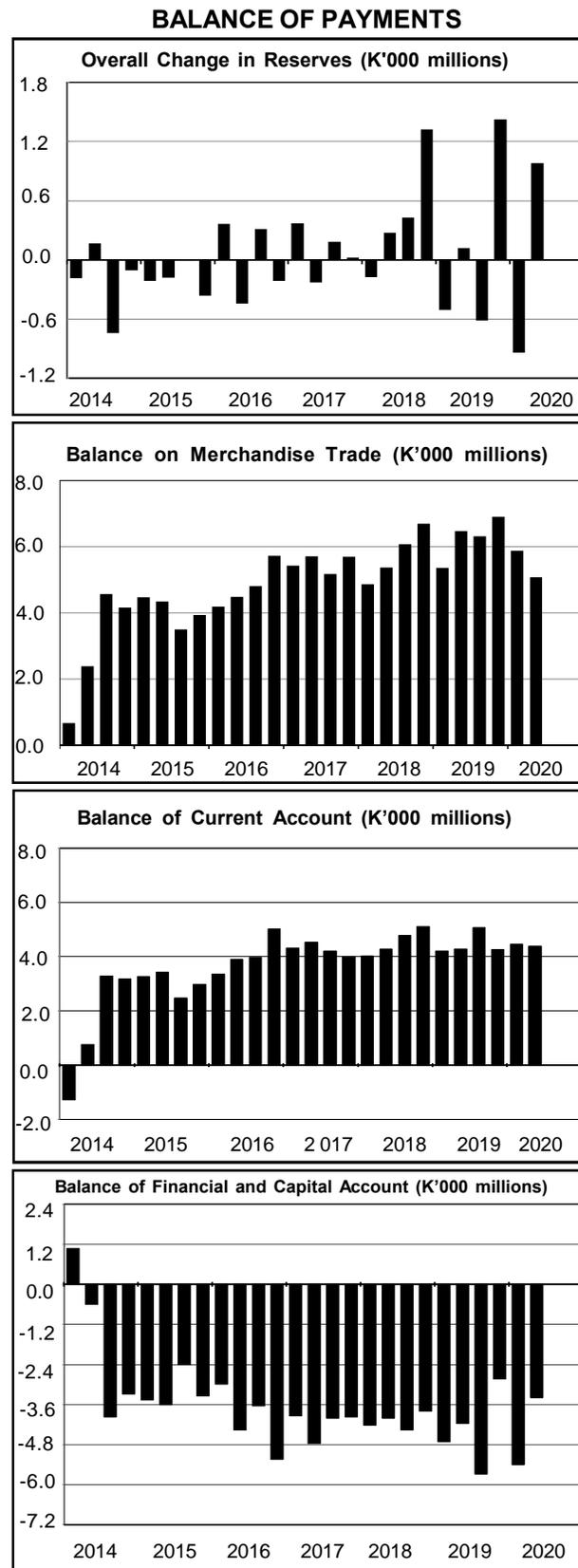
general imports was K1,399.6 million in the June quarter, compared to K2,105.8 million in the corresponding quarter of 2019, reflecting the impact of the COVID-19 pandemic on the global supply chains. The value of petroleum sector imports was K58.9 million in the June quarter, compared to K217.2 million in the corresponding quarter of 2019. This reflected lower expenditure on exploration and drilling activities by a petroleum company. Mining sector imports was K902.8 million in the quarter, compared to K1,101.8 million in the June quarter of 2019. The decline was due to lower capital expenditure by the Lihir, Ok Tedi, Simberi and Hidden Valley mines reflecting the impact of the COVID-19 pandemic. The closure of the Porgera mine due to the expiry of its special mining lease also contributed to the lower outcome.

The deficit in the services account was K808 million in the quarter, compared to a deficit of K1,155 million in the June quarter of 2019. This was due to lower payments for all services, except for cultural and reconciliation services.

The deficit in the income account was K181 million in the June quarter, compared to K1,275 million in the corresponding quarter of 2019. The outcome was mainly due to lower payments for compensation of employees, interest and dividends.

The surplus in the transfers account was K303 million in the quarter, compared to a surplus of K248 million in the June quarter of 2019. The outcome was mainly due to higher tax receipts, combined with lower transfer payments.

As a result of the developments in the trade, services, income and transfers accounts, the current account recorded a surplus of K4,380 million in the June quarter, compared to a



surplus of K4,283 million in the corresponding quarter of 2019.

The capital account recorded a net inflow of K2.0 million in the June quarter of 2020, compared to a net inflow of K3.0 million in the corresponding quarter of 2019, reflecting a lower transfer by donor agencies for project financing.

The deficit in the financial account was K3,404 million in the quarter, compared to a deficit of K4,165 million in the June quarter of 2019. The outcome was due to net outflows from direct and other investments reflecting related party transactions and build-up in offshore foreign currency account balances of mineral companies, respectively. The net repayments of Government and private sector loans also contributed to the outflows.

As a result of these developments, the capital and financial account recorded a deficit of K3,401 million in the June quarter, compared to a deficit of K4,162 million in the corresponding quarter of 2019.

The level of gross foreign exchange reserves at the end of June 2020 was K7,854.2 (US\$ 2,309.1) million, sufficient for 5.4 months of total and 9.1 months of non-mineral import covers.

---

## 6. MONETARY DEVELOPMENTS

---

### INTEREST RATES AND LIQUIDITY

The Central Bank, maintained a neutral stance of monetary policy during the June quarter of 2020. The monthly policy rate, the KFR was kept unchanged at 3.00 percent, after being reduced from 5.00 percent in the first quarter

of the year to counter the adverse effects of the COVID-19 pandemic on the economy. Although monetary and liquidity conditions remained conducive for lending, demand for loans has been low due to high cost of borrowing and down turn in the economy. The dealing margin for the Repo Facility remained at 100 basis points on both sides of the KFR.

Interest rates on domestic securities generally declined at the lower end of the maturity structure, while movement was mixed at the upper end, over the June quarter of 2020. The Central Bank Bills (CBBs) weighted average interest rates for the 28-day, 63-day and 91-day terms decreased by 0.01 percent, 0.04 percent and 0.04 percent to 1.38 percent, 2.23 percent and 2.44 percent, respectively. The Government continued to issue Treasury bills at the upper end of the maturity structure. In the June quarter of 2020, the weighted average rate for the 273-day term remained at 6.04 percent, 182-day rate decreased by 0.01 percent to 4.68 percent, and the 364-day term increased by 0.08 percent to 7.20 percent.

The weighted average interest rates on wholesale deposits (K500,000 and above) offered by commercial banks decreased during the quarter. The rates for the 30-day, 60-day, 90-day, 180-day, 270-day and 360-day terms decreased to 0.42 percent, 2.36 percent, 0.75 percent, 0.80 percent, 0.75 percent and 1.41 percent, respectively. Both the weighted average interest rate on total deposits and loans increased at the end of June 2020, compared to March 2020. The weighted average interest rate on total deposits increased to 0.91 percent in the June quarter from 0.84 percent in the March quarter, while the weighted average interest rate on total loans increased to 7.82 percent

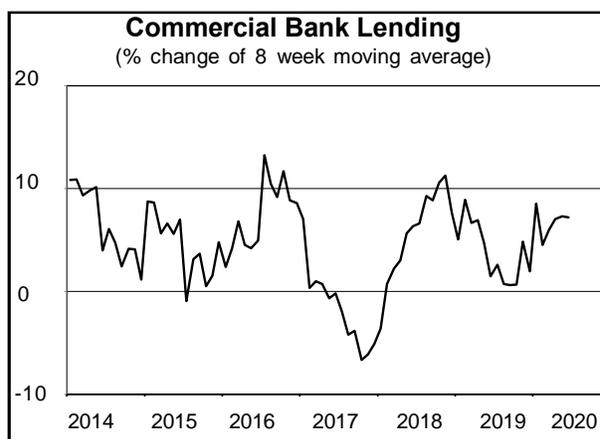
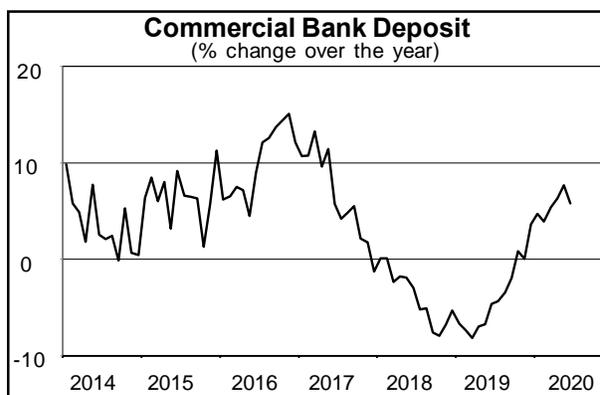
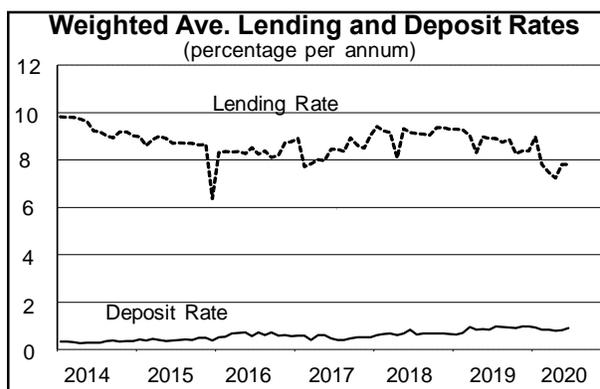
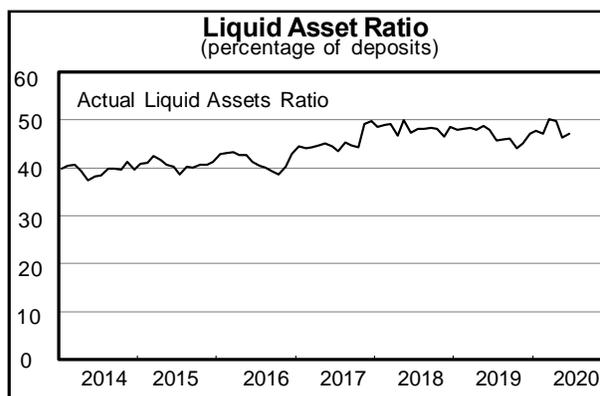
---

from 7.46 percent, causing the interest rate spread to increase by 0.29 percent to 6.91 percent, during the period. The commercial banks' Indicator Lending Rate (ILR) was between 10.10-11.70 percent during the quarter.

The Bank utilised its Open Market Operation (OMO) instruments in the conduct of monetary policy to manage liquidity. Liquidity in the banking system remained high from the Quantitative Easing (QE) liquidity injection in the March quarter, coupled with lower demand for private sector lending. In the June quarter, there was a net retirement in CBBs of K441.5 million to support the easing stance. On the other hand, the Government made a net issuance of K51.8 million and K1,733.8 million in Treasury bills and Treasury bonds known as COVID-Bonds, respectively. The Central Bank's intervention in the foreign exchange market also assisted in diffusing some of the kina liquidity during the period. The CRR for the commercial banks remained at 7.00 percent in the June quarter, after being reduced from 10.0 percent in the previous quarter.

## MONEY SUPPLY

The average level of broad money supply (M3\*) slightly increased by 0.8 percent in the June quarter of 2020, compared to an increase of 2.4 percent in the March quarter. This outcome was due to increases in the average net foreign assets (NFA) and net domestic assets (NDA) of the banking system. Average net domestic claims outstanding, excluding net claims on the Central Government, increased by 0.7 percent in the June quarter of 2020, following an increase of 1.1 percent in the previous quarter. This reflected an increase in average net claims





reflected the drawdown of US\$363.6 million (K1.2 billion) under the IMF's Rapid Credit Facility (RCF) for COVID-19 relief funding, as well as an increase in the value of BPNG's investments abroad due to revaluation gains following the depreciation of the kina. The increase in NFA of both the ODCs and OFCs was due to an increase in their foreign assets reflecting investments abroad.

Net claims on the Central Government by FCs declined by 1.5 percent to K13,620.1 million in the June quarter of 2020, following an increase of 3.7 percent in the previous quarter. This resulted from a net retirement of Government securities and an increase in Government deposits partly reflecting the drawn down from the IMF's RCF.

## LENDING

In the June quarter of 2020, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' declined by 0.8 percent to K18,057.2 million, compared to an increase of 1.3 percent in the previous quarter. This reflected a decline of K175.5 million in claims by public non-financial corporations, which more than offset an increase of K23.4 million in credit to the private sector. The decline in the public non-financial corporations reflected repayments by the SOEs, while the increase in credit to the private sector by ODCs (mainly commercial banks) reflected advances to the 'Real estate, Renting & Business Services', 'Transport and Communication', 'Building & Construction', 'Electricity Gas & Water Supply' and 'Wholesale Trade' sectors.

---

## 7. PUBLIC FINANCE

---

The fiscal operations of the National Government over the six months to June 2020 show a deficit of K2,085.8 million, compared to a deficit of K1,667.4 million in the corresponding period of 2019. The significantly higher deficit reflected lower revenue receipts.

Total revenue and grants over the six months to June was K4,814.6 million, 17.1 percent lower than in the same period of 2019 and represents 42.4 percent of the revised 2020 Budget. This reflected declines in most revenue items.

Total tax revenue was K4,550.5 million, 0.2 percent lower than in the corresponding period of 2019 and represents 47.2 percent of the revised Budget.

Direct tax receipts totalled K2,613.6 million, 0.7 percent higher than in the same period of 2019 and represents 46.4 percent of the revised budget.

Indirect tax revenue over the six months to June 2020 totalled K1,936.9 million, 1.3 percent lower than in the same period of 2019 and represents 48.3 percent of the revised Budget. This decline was due to lower excise and import duties, and export tax.

Total non-tax revenue over the six months to June 2020 was K264.1 million, significantly lower than in the corresponding period of 2019, and represents 33.9 percent of the revised Budget. The decline was due to lower dividend collection from State-owned entities

---

---

and mining and petroleum companies. Since the Public Money Management Regularization (PMMR) Act was declared illegal by the courts, there were no receipts for the second quarter of 2020. There were no foreign grants recorded over the six months to June 2020, compared to K831.4 million over the same period in 2019.

Total expenditure for the six months to June 2020 was K6,900.4 million, 7.7 percent lower than in the corresponding period of 2019, and represents 38.4 percent of the revised Budget.

Recurrent expenditure for the six months to June 2020 was K5,548.1 million, 5.4 percent higher than in the corresponding period of 2020 and represents 47.4 percent of the revised Budget. There was an increase in provincial government expenditures, which was related to transfers to provinces for COVID-19 related expenses. National

departments, interest payments, and other grants and expenditure all showed declines, compared to the same period in 2019. Given the Government's tight cash flow position in the first half of 2020, spending was mainly on priority expenditures such as personnel emoluments, goods and services and debt repayments.

Total development expenditure for the six months to June 2020 was K1,352.3 million, 39.0 percent lower than in the corresponding period in 2019, and represents 21.5 percent of the revised Budget. The lower development spending was due to lower capital investment on projects partly reflecting a decline in Government's counterpart funding on donor funded projects. Most capital projects and programs were delayed to the following year due to the adverse impact of COVID-19 on Government revenue.

---

---



---

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

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

<b>2017</b>	02 October	Maintained at 6.25%.
	06 November	Maintained at 6.25%.
	04 December	Maintained at 6.25 %.
<b>2018</b>	01 January	Maintained at 6.25%
	05 February	Maintained at 6.25%
	05 March	Maintained at 6.25%
	02 April	Maintained at 6.25%
	01 May	Maintained at 6.25%
	04 June	Maintained at 6.25%
	02 July	Maintained at 6.25%
	06 August	Maintained at 6.25%
	03 September	Maintained at 6.25%.
	01 October	Maintained at 6.25%.
	05 November	Maintained at 6.25%.
	03 December	Maintained at 6.25 %.
<b>2019</b>	07 January	Maintained at 6.25%
	04 February	Maintained at 6.25%
	04 March	Maintained at 6.25%
	01 April	Maintained at 6.25%
	06 May	Maintained at 6.25%
	03 June	Maintained at 6.25%
	02 July	Lowered to 6.00%
	03 August	Lowered to 5.50%.
	02 September	Maintained at 5.50%
	07 October	Maintained at 5.50%.
	04 November	Maintained at 5.50%.
	02 December	Lowered to 5.00%.
<b>2020</b>	06 January	Maintained at 5.00%
	03 February	Maintained at 5.00%
	02 March	Maintained at 5.00%
	07 April	Lowered to 3.00%
	05 May	Maintained at 3.00%
	02 June	Maintained at 3.00%

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**


---

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

---

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

---

---

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

---

---

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

---

---

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

---

---

	<p>of the insurance corporation. Policy benefits due to claimants are considered assets of the claimants. Until actually paid, these assets are held by insurance corporations as reserves.</p>
<b>Public non-financial corporations</b>	<p>Public non-financial corporations are resident non-financial corporations and quasi. corporations controlled by government units. Control may be exercised through ownership of more than half the voting shares, legislation, decree, or regulation that establish specific corporate policy or all the government to appoint the directors. In PNG this would include those institutions that are controlled by the Independent Public Business Corporation (IPBC).</p>
<b>Quasi Money</b>	<p>A component of total money supply that is not easily convertible to cash on demand and comprises of savings and term deposits.</p>
<b>Repurchase Agreement Facility (RAF)</b>	<p>A money market instrument used by Bank of PNG to lend to or borrow from the commercial banks, for liquidity management, and is unwound on maturity. The terms range from overnight to 14 days and can be collateralised, for instance, using Treasury bills.</p>
<b>Securities other than Shares</b>	<p>These are negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other items of economic value. Common securities in PNG include treasury bills and inscribed stocks issued by the Government and Central Bank Bills (CBBs) issued by the Bank of PNG.</p>
<b>Shares and Other equity</b>	<p>Shares and other equity comprises all instruments and records acknowledging, after claims of all creditors have been met, claims on the residual value of a corporation. The components of shares and other equity include: (a). Funds contributed by owners; (b). Retained earnings; (c). Current year profit and loss; (d). General and special reserve; and (e). Valuation adjustments.</p>
<b>Tap Facility</b>	<p>A facility conducted by the Bank of PNG for sale of Treasury bills and Inscribed stocks to the public.</p>
<b>Temporary Advance Facility</b>	<p>A statutory mechanism stipulated under Section 54 of the Central Banking Act 2000, that provides the National Government with access to short-term financing to meet mismatches in revenue.</p>
<b>Trade Account</b>	<p>Records all economic transactions associated with merchandise exports and imports of physical goods.</p>

---

---

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

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

**Treasury Bill**

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

**Trimmed-mean CPI measure**

A fixed proportion of prices at each end of the distribution of price changes are zero weighted and the mean of the remaining price changes recomputed. See also [Underlying CPI](#)

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

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

---

<sup>7</sup>See [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.

<b><u>Issue</u></b>	<b><u>For the Record</u></b>
Jun 2003	- Changes to Open Market Operations Instruments
	- Directions of Merchandise Trade
Sep 2003	- Changes to the Treasury Bills Auction Allocation Process
Dec 2003	- Further Change to the Treasury Bills Auction Allocation Process
	- Bank of PNG Employment Survey
Sep 2004	- Introduction of Central Bank Bill (CBB)
Mar 2005	- Changes to Table 9.5 to include Exports from Napanapa Oil Refinery
	- Changes to Tables 1.2 and 1.3 <del>Other Items (Net)</del>
June 2005	- Changes to Tables 8.2 and 8.5 <del>External Public Debt</del>
Sep 2005	- Trade Weighted Exchange Rate Index
	- Employment Index - Changes to Tables 10.4 and 10.5
	- Central Bank Bill (CBB) Auction - Changes to Tables 3.8 and 7.2
Mar 2006	- Updated Weights for the Trade Weighted Index (TWI)
June 2006	- Expansion of Monetary and Financial Data Coverage
	- Upgrade of PNG <del>Private Debt and Equity Recording System</del>
Dec 2006	- Changes to Table 8.1 - Capital Transfers
Jun 2007	- Revisions to the March Quarter 2007 and December Quarter 2006 Consumer Price Index
Jun 2007	- Debt Ratios
Sep 2007	- Revisions to the Consumer Price Indices in June Quarter 2007 back to September Quarter 2005.
Mar 2008	- Updated Weights for the Trade Weighted Index (TWI)
Mar 2009	- Changed Monetary Policy Statement release month from January to March
Mar 2009	- Updated Weights for the Trade Weighted Index (TWI)
Dec 2009	- New Tables; 8.7, 8.8, 8.9 and 8.10 were included in the December Quarterly Economic Bulletin, resulting in subsequent renumbering of all other tables that follow.
Dec 2009	- Revisions to Monetary and Financial Statistics tables in the December 2009 Quarterly Economic Bulletin.
Jun 2010	- Expansion of Monetary and Financial Data Coverage.
Sep 2010	- Recalculation of months of import cover
Mar 2011	- Updated Weights of the Trade Weighted Trade (TWI)
Mar 2013	- Updated Weights of the Trade Weighted Trade (TWI)
Mar 2013	- Inclusion of Tables 4.16 and 4.17 for General Insurance Companies
Mar 2014	- Revised PNG Consumer Price Index Basket
Dec 2014	- Updated to tables 8.1, 8.2, 8.3 & 8.5 to include Ramu Nickel/Cobalt
Dec 2014	- Inclusion of LNG & Condensate in tables 8.1, 8.2, 8.3 and 8.5
Dec 2014	- Commencement of Nickel and Cobalt production in December quarter of 2012.
	- PNG LNG Project commenced production and shipment in June quarter of 2014.
	- Updated Table 8.2: Exports Classified by Commodity Group
	- Updated Table 8.5: Non-Agricultural Exports. Quantities Exported of Major Commodities
Dec 2016	- Recalculation of import cover taking account of the service payments.
	- Inclusion of new GDP Actuals 2006-2013 tables 9.6 and 9.7

---



---

---



---

**REFERENCE**

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

<b><u>Issue</u></b>	<b><u>Title</u></b>
Jun 2007	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
Sep 2019	Monetary Policy Statement - March 2019

---

# **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**

<b>1.0</b>	<b>MONETARY AND CREDIT AGGREGATES</b>	
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
<b>2.0</b>	<b>BANK OF PAPUA NEW GUINEA</b>	
2.1	Central Bank Survey	S8
2.2	Liabilities	S9
2.3	Assets	S10
<b>3.0</b>	<b>OTHER DEPOSITORY CORPORATIONS (ODCs)</b>	
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
	<b>COMMERCIAL BANKS</b>	
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
	<b>FINANCE COMPANIES</b>	
3.14	Liabilities	S24
3.15	Assets	S25
	<b>MERCHANT BANKS</b>	
3.16	Liabilities	S26
3.17	Assets	S27
	<b>SAVINGS AND LOANS SOCIETIES</b>	
3.18	Liabilities	S28
3.19	Assets	S29
	<b>MICROFINANCE COMPANIES</b>	
3.20	Liabilities	S30
3.21	Assets	S31
<b>4.0</b>	<b>OTHER FINANCIAL CORPORATIONS</b>	
4.1	Other Financial Corporations Survey	S32
4.2	Liabilities	S33
4.3	Assets	S33
	<b>SUPERANNUATION FUNDS</b>	
4.4	Liabilities	S34
4.5	Assets	S34
	<b>LIFE INSURANCE COMPANIES</b>	
4.6	Liabilities	S35
4.7	Assets	S35
	<b>INVESTMENT MANAGERS</b>	
4.8	Liabilities	S36
4.9	Assets	S36
	<b>FUND ADMINISTRATORS</b>	
4.10	Liabilities	S37
4.11	Assets	S37

---



---

---

	<b>NATIONAL DEVELOPMENT BANK</b>	
4.12	Liabilities	S38
4.13	Assets	S38
	<b>LIFE INSURANCE BROKERS</b>	
4.14	Liabilities	S39
4.15	Assets	S39
	<b>GENERAL INSURANCE COMPANIES</b>	
4.16	Liabilities	S40
4.17	Assets	S40
<b>5.0</b>	<b>COMMODITY INDUSTRY BOARDS AND STABILISATION FUNDS</b>	
5.1	Deposits	S41
5.2	Investments	S41
<b>6.0</b>	<b>INTEREST RATES AND SECURITY YIELDS</b>	
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
<b>7.0</b>	<b>GOVERNMENT OPERATIONS</b>	
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
<b>8.0</b>	<b>BALANCE OF PAYMENTS AND INTERNATIONAL RESERVES</b>	
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
<b>9.0</b>	<b>ECONOMIC ACTIVITY AND PRICES</b>	
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: 2006-2017 Current Prices	S66
9.7	Gross Domestic Product: 2006-2017 Constant Prices	S67

---