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**PORT MORESBY**  
30<sup>th</sup> March, 2021

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## 1. GENERAL OVERVIEW

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Economic indicators available to the Bank of Papua New Guinea (the Bank) indicate that domestic economic activity contracted significantly and remained depressed over the year to the September quarter of 2020, mainly reflecting the adverse impact of the global COVID-19 pandemic. The domestic COVID-19 containment measures continued to affect business activity, although some were gradually eased. The significant fall mainly in the production of mineral export, as well as the agricultural, forestry, marine export commodities, combined with a sharp fall in the prices of the agricultural and marine product exports resulted in the contraction. Consequently, total export receipts and imports declined significantly resulting in an overall balance of payments deficit. The formal private sector employment declined in the September quarter of 2020 reflecting the depressed economic conditions. During the quarter, the kina depreciated against all major currencies which resulted in the Trade Weighted Index (TWI) falling by 5.1 percent. The annual headline inflation in the September quarter was 4.9 percent, with prices mainly driven domestically by the impact of the COVID-19 measures. With the contraction in economic activity, the Bank maintained a neutral monetary policy stance by keeping the Kina Facility Rate (KFR) unchanged at 3.00 percent since April, 2020.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector decreased by 18.3 percent in the June quarter of 2020, compared to a decline of 11.9 percent in the March quarter of 2020. Excluding the mineral sector, sales decreased by 9.4 percent in the June quarter, compared to a decline of 17.3 percent in the previous quarter. By sector, sales decreased in all sectors, except in the construction sector which increased. By region, sales declined in all regions except in the Momase region, which recorded an increase. Over the year to June

2020, total sales declined by 23.1 percent, compared to an increase of 8.2 percent over the corresponding period of 2019. Excluding the mineral sector, sales decreased by 24.3 percent over the year to June 2020, compared to an increase of 15.9 percent over the corresponding period of 2019. The reduction in overall sales mainly reflected the adverse impact of the global COVID-19 pandemic and its containment measures on domestic business activity.

The Bank's Employment Index shows that the level of employment in the formal private sector declined by 5.5 percent in the September quarter of 2020, compared to an increase of 1.3 percent in the June quarter of 2020. Excluding the mineral sector, the level of employment fell by 1.4 percent. By sector, the level of employment dropped in all the sectors except the financial/business and other services, and the wholesale sectors. By region, the level of employment fell in the Highlands, Momase (excluding Morobe) and Southern excluding National Capital District (NCD) and NCD, while it increased in Morobe. The level of employment remained unchanged in the Islands region. Over the year to September 2020, the total level of employment fell by 7.0 percent, compared to an increase of 2.1 percent in the corresponding period of 2019. Excluding the mineral sector, the level of employment fell by 2.7 percent over the year to September 2020, compared to a decline of 0.4 percent in the corresponding period of 2019.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), declined by 0.6 percent in the September quarter of 2020, compared to an increase of 3.4 percent in the June quarter of 2020. There were declines in the 'Alcoholic Beverages, Tobacco and Betelnut', 'Transport', 'Miscellaneous', 'Food and Non-Alcoholic Beverages', 'Household Equipment' and 'Housing' expenditure groups, which more than offset increases in the 'Health', 'Restaurants and Hotels', 'Clothing and Footwear', and 'Recreation' expenditure groups. The 'Education' and 'Communication' expenditure groups

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recorded no price change. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 4.9 percent in the September quarter of 2020, compared to 6.3 percent in the June quarter of 2020.

In the September quarter of 2020, the US dollar depreciated against all major currencies. The US dollar depreciated against the Australian dollar by 9.0 percent, the euro by 6.2 percent, the pound sterling by 4.0 percent, and the Japanese yen by 1.6 percent.

In the September quarter of 2020, the average daily kina exchange rate depreciated against all major currencies. It depreciated against the Australian dollar by 9.2 percent to A\$0.4021, the euro by 6.7 percent to €0.2460, the sterling by 4.8 percent to £0.2227, the yen by 2.2 percent to ¥30.5051, and against the US dollar by 0.9 percent to US\$0.2874. These currency movements resulted in the decline of the TWI by 5.1 percent to 28.27 in the September quarter of 2020.

The weighted average kina price of PNG's export commodities, excluding LNG, increased by 2.5 percent in the September quarter of 2020, compared to an increase of 3.3 percent in the corresponding quarter of 2019. There was an increase of 8.2 percent in the weighted average price of mineral exports, compared to a decline in the corresponding quarter of 2019, reflecting higher kina prices for gold, copper and cobalt. For agricultural, logs and marine product exports, the weighted average kina price declined by 18.7 percent, compared to a decline of 4.6 percent in the corresponding quarter of 2019. There were lower prices of all non-mineral export commodities, except for coffee, tea, copra and palm oil. Excluding log exports, the weighted average kina price of agricultural and marine product exports declined by 22.5 percent in the quarter, compared to a decline of 6.3 percent in the corresponding quarter of 2019. The overall increase in kina export price stemmed from higher international prices for some of PNG's export commodities.

There was an overall balance of payments deficit of K650 million for the nine months to September 2020, compared to a deficit of K999 million in the corresponding period of 2019. This was due to a deficit in the capital and financial account, which more than offset a surplus in the current account.

The current account recorded a surplus of K12,728 million for the nine months to September 2020, compared to a surplus of K14,932 million in the corresponding period of 2019. This was due to a lower trade account surplus and net transfer receipts, which more than offset lower net service and income payments. The surplus in the current account was due to a lower trade account surplus and net transfer receipts, which more than offset lower net service and income payments.

The deficit in the capital and financial account was due to outflows of direct and other investments reflecting a build-up in foreign currency account balances of mining, oil and LNG companies, combined with Government loan repayments.

The level of gross foreign exchange reserves at the end of September 2020 was K7,135.6 (US\$2,076.5) million, sufficient for 5.3 months of total and 8.6 months of non-mineral import cover.

The Central Bank maintained a neutral monetary policy stance during the September quarter of 2020, by keeping the KFR unchanged at 3.00 percent. The Bank did not undertake any additional change to its policy or instruments, following the measures it undertook in the first two quarters to support the economy from the adverse effects of the COVID-19 pandemic. The Repurchase Agreement (Repo) Facility's dealing margin remained at 100 basis points on both sides of the KFR.

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, given the additional

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liquidity injected under the Bank's quantitative easing (QE) program implemented in the March quarter. During the September quarter, there was a net retirement in Central Bank Bills (CBBs) of K197.2 million to support the easing stance. On the other hand, Government's domestic debt increased by K732.2 million, resulting from net issuance of K850.9 million in Treasury bills, which more than offset a net retirement of K90.9 million in Treasury bonds. The Central Bank's intervention in the foreign exchange market also assisted in diffusing some of the kina liquidity. The Cash Reserve Requirement (CRR) for the commercial banks remained at 7.00 percent during the quarter.

The average level of broad money supply (M3\*) increased by 2.5 percent in the September quarter of 2020, compared to an increase of 0.8 percent in the June quarter of 2020. This was due to increases in the average net foreign assets (NFA) and net domestic assets of the banking system. Average net domestic claims outstanding, excluding net claims on the Central Government, declined by 0.1 percent in the September quarter of 2020, following an increase of 0.7 percent in the June quarter of 2020. This reflected decreases in average net claims on the private sector and public non-financial corporations, which more than offset an increase in other financial corporations (OFCs).

The average level of monetary base (reserve money) increased by 1.9 percent during the September quarter of 2020, compared to an increase of 0.3 percent in the previous quarter. This reflected an increase in the average level of currency in circulation, which more than offset a decline in commercial bank deposits held at the Central Bank.

The NFA of the Financial Corporations (FCs), comprising Depository Corporations (DCs) and OFCs, declined by 7.3 percent to K8,663.0 million in the September quarter of 2020, compared to an increase of 13.1 percent in the previous quarter. This reflected a decline in NFA of the

Central Bank, which more than offset an increase in NFA of the Other Depository Corporations (ODCs) and OFCs. The decline in NFA of the Central Bank was mainly due to foreign currency intervention and repayment of Government external loans. The increase in NFA of both the ODCs and OFCs was due to an increase in investments abroad.

Net claims on the Central Government by FCs increased by 12.8 percent to K15,361.1 million in the September quarter of 2020, compared to a decline of 1.5 percent in the previous quarter. This resulted from a net issuance of Government securities and a decline in Government deposits held with the Central Bank.

In the September quarter of 2020, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' increased by 0.3 percent to K18,116.8 million, compared to the previous quarter. This reflected an increase of K89.1 million in credit to the private sector, which more than offset a decline of K29.5 million in claims by the public non-financial corporations. The marginal increase in credit to the private sector was due to advances by ODCs (mainly commercial banks) to the 'Mining & Quarrying', 'Household (housing loans)', 'Manufacturing' and 'Electricity Gas and Water Supply' sectors, while the decline in the public non-financial corporations reflected repayments by the state-owned enterprises.

The fiscal operations of the National Government over the nine months to September 2020 recorded a deficit of K3,259.2 million, compared to a deficit of K1,613.1 million in the corresponding period of 2019. The significantly higher deficit was mainly due to lower revenue collections.

Total revenue and grants over the nine months to September was K7,568.8 million, 17.9 percent lower than in the same period of 2019, and represents 66.6 percent of the amount in the Supplementary Budget. Both the tax and non-tax

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receipts underperformed due to the effect of the COVID-19 pandemic on economic activity, while foreign grants were also low.

Total expenditure for the period was K10,828.0 million, marginally lower than in the corresponding period of 2019, and represents 60.2 percent of the Supplementary Budget.

As a result of these developments in revenue and expenditure, the Government recorded a budget deficit of K3,259.2 million. The deficit was financed from domestic and external sources totalling K2,252.2 million and K1,007.0

million, respectively. Net domestic financing comprised K388.4 million, K2,035.8 million, and K629.7 million from the Bank of PNG, ODC's and OFCs, respectively. These more than offset a net retirement of Government securities of K752.0 million by other resident sectors and K49.7 million from the public non-financial corporations. The net external financing was mainly from the draw down of the IMF's Rapid Credit Facility (RCF) of K1,240.6 million and K650.6 million from concessional sources, which more than offset a repayment of K884.2 million to commercial sources.

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## 2. INTERNATIONAL DEVELOPMENTS

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The global economy showed signs of slow recovery in the third quarter of 2020, although it still remained depressed as countries cautiously lifted their COVID-19 restrictions. However, the second wave of COVID-19 infections in some countries such as the United States (US), United Kingdom (UK), Italy and Spain seem to derail this recovery as they returned to partial or total lockdowns in efforts to contain the spread of COVID-19 to a wider population, especially to those who were vulnerable. Whilst most advanced and developing economies struggled to recover, China recovered faster than expected. According to the International Monetary Fund's (IMF) World Economic (WEO) Outlook for October 2020, global activity is expected to decline by 4.4 percent in 2020, higher than the decline of 3.0 percent made in April 2020.

In July, the Transport Ministers of the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China, convened the ASEAN-China Transport Ministers' Special Meeting on COVID-19 through video conference. To mitigate the impact and challenges caused by COVID-19, member countries agreed to implement various measures including: restricting travel, closing borders, and limiting the frequency of flights and sea vessels. Members noted that these measures will adversely impact on travel and tourism, manufacturing, retail, transport, and other services sectors as well as disruptions to supply chains and financial markets. All reaffirmed their commitment to further strengthen cooperation with ASEAN's partners, and other regional and global entities.

Also in July, the World Health Organization (WHO) announced that two of their experts have been sent to China to coordinate research with Chinese Authorities on the COVID-19 pandemic. The Chinese officials advised that their scientists and medical experts will cooperate with the WHO scientists to uncover the origins of the virus, and

to trace its spread across countries and regions. A similar exercise would be carried out in other countries by WHO scientists. At the end of July, WHO reported that there have been 17 million COVID-19 infections worldwide, with 668,910 deaths.

In August, the Asia-Pacific Economic Cooperation (APEC) member countries met via video conference to review the final report for the next structural reform agenda beyond 2020. They agreed to press ahead with the structural reform efforts to accelerate post-pandemic economic recovery and improve resilience in the member economies. Part of the reform will focus on advancing the digital economy across the region to empower businesses and communities during these challenging times.

In September, the Organization of the Petroleum Exporting Countries (OPEC) Secretariat held its second video conference on Energy and Information Technology. The discussions covered the latest developments in blue hydrogen, digitalization, robotics, cyber security, artificial intelligence and block chain technology. They noted the technological advancements and the transformative role of innovation and technology on future energy demand and robotics, and other innovations. These could improve productivity, maximize efficiency and safety, and drive efficiencies across the value chain.

Also in September, the World Trade Organisation (WTO) advised that additional tariffs imposed in 2018 by the US on Chinese goods violated international trading rules. The US had imposed tariffs to more than \$200 billion worth of Chinese goods, followed by additional tariffs on \$400 billion worth of Chinese imports. The US claims that these goods were produced from unfair trade practices, including theft of intellectual property rights, misappropriation and unfair competition. While China welcomed the decision, the US noted that the WTO does not provide a remedy for such misconduct, adding that the ruling would not have any effect on the US-China

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Phase I trade deal that was reached earlier in the year.

In the US, real GDP fell by 2.9 percent over the year to September 2020, compared to a growth of 2.1 percent over the same period in 2019. The outcome reflected subdued business and government consumption, and low employment due to the impact of COVID-19 pandemic. The latest IMF forecast is for real GDP to decline by 4.3 percent in 2020.

Industrial production fell by 7.3 percent over the year to September 2020, compared to a fall of 0.1 percent over the same period in 2019. The decline in the manufacturing and utilities sectors more than offset the increase in oil and gas production. The Purchasing Managers Index (PMI) was 55.4 in September 2020, compared to 47.8 in September 2019, mainly attributed to an increase in new orders due to more robust demand. Retail sales grew by 5.9 percent over the year to September 2020, compared to 4.1 percent over the corresponding period in 2019. This outcome was driven by a higher demand for electronics. The unemployment rate was 7.9 percent in September 2020, compared to 3.5 percent in September 2019, due to the impact of COVID-19 pandemic.

Consumer prices increased by 1.4 percent over the year to September 2020, compared to an increase of 1.7 percent over the corresponding period in 2019. The lower increase reflected lower prices for food, shelter, medical care, clothing and transportation services. Broad money supply increased by 17.1 percent over the year to September 2020, compared to an increase of 5.6 percent over the corresponding period in 2019. The Federal Reserve Bank maintained the Federal Funds rate between the target range of zero percent and 0.25 percent in September 2020, to help the economy recover from the COVID-19 pandemic.

The trade deficit increased to US\$651.2 billion over the year to September 2020, compared to a

deficit of US\$657.0 billion over the corresponding period in 2019. The lower deficit reflected lower imports relative to exports.

In Japan, real GDP declined by 5.8 percent over the year to September 2020, compared to a growth of 1.3 percent over the same period in 2019. The COVID-19 imposed restrictions continued to slow household, business and government consumption. The latest IMF forecast is for real GDP to decline by 5.3 percent in 2020.

Industrial production declined by 9.0 percent over the year to September 2020, compared to an increase of 1.3 percent over the same period in 2019. The decline was due to lower output in the manufacturing sector, reflecting lower production of machinery, electrical and communication equipment. Retail sales declined by 8.7 percent over the year to September 2020, compared to a growth of 9.2 percent over the corresponding period in 2019, attributed to a fall in retail activity, amid the impact of the COVID-19 crisis. The unemployment rate was 3.0 percent in September 2020, compared to 2.4 percent in September 2019.

Consumer prices increased by 0.1 percent over the year to September 2020, compared to an increase of 0.4 percent over the corresponding period in 2019. Broad money supply (M3) increased by 7.4 percent over the year to September 2020, compared to an increase of 2.4 percent over the same period in 2019. The Bank of Japan maintained its monetary policy rate at negative 0.1 percent in September 2020, and kept the interest rate for Government bond at zero percent. This was to increase lending and growth and help mitigate the adverse impact of COVID-19.

The trade account recorded a surplus of US\$7.6 billion over the year to September 2020, compared to a deficit of US\$5.8 billion over the corresponding period in 2019. This outcome reflected higher exports relative to imports.

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In the euro area, real GDP fell by 4.4 percent over the year to September 2020, compared to 1.2 percent over the same period in 2019. The decline reflected COVID-19 restrictions which pushed the economy into recession. There were declines in household consumption, investment and government spending, combined with a fall in exports. The latest IMF forecast is for real GDP to decline by 8.3 percent in 2020.

Industrial production declined by 6.8 percent over the year to September 2020, compared to a decline of 1.7 percent over the same period in 2019. Retail sales dropped by 2.0 percent in September 2020, compared to an increase of 2.7 percent over the same period in 2019. This followed a large slump in sales for non-food products. The unemployment rate was 8.3 percent in September 2020, compared to 7.6 percent in September 2019.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, declined by 0.3 percent over the year to September 2020, compared to an increase of 0.8 percent over the same period in 2019, attributed to a fall in energy prices. Broad money supply increased by 10.4 percent over the year to September 2020, compared to an increase of 5.6 percent over the corresponding period in 2019. The European Central Bank maintained its refinancing rate at zero percent in September 2020, aiming to curb the threat of rising consumer prices.

The trade surplus was US\$341.6 billion over the year to September 2020, compared to a surplus of US\$398.7 billion over the year to September 2019, which reflected higher export relative to imports.

In the UK, real GDP declined by 9.6 percent over the year to September 2020, compared to a growth of 1.2 percent in the corresponding period of 2019. The large decline was due to the lockdown and restrictions to contain COVID-19, slowing household, business and government

consumption. The latest IMF forecast is for real GDP to decline by 9.8 percent in 2020.

Industrial production declined by 6.3 percent over the year to September 2020, compared to a decline of 1.4 percent over the corresponding period in 2019, due to lower production in the manufacturing and mining and quarrying sectors. Retail sales increased by 4.7 percent over the year to September 2020, compared to 2.9 percent over the corresponding period in 2019. The increase was driven by demand for both food and non-food items, especially household products. The unemployment rate was 4.8 percent in September 2020, compared to 3.8 percent in September 2019.

Consumer prices increased by 0.7 percent over the year to September 2020, compared to an increase of 1.7 percent over the corresponding period in 2019. Broad money supply increased by 12.4 percent over the year to September 2020, compared to an increase of 4.0 percent over the corresponding period in 2019. The Bank of England (BoE) maintained its official rate at a record low of 0.1 percent and the size of its bond-buying program at £745 billion during its September meeting. BoE has no intention to tighten monetary policy unless inflation reaches 2.0 percent.

The trade deficit was US\$48.7 billion over the year to September 2020, compared to a deficit of US\$41.8 billion over the corresponding period in 2019. The deficit was attributed to higher imports relative to exports.

In China, real GDP grew by 4.9 percent over the year to September 2020, compared to an increase of 6.0 percent over the same period in 2019. The outcome was driven by state-backed industry consumption. The latest IMF forecast is for real GDP to grow by 1.9 percent in 2020.

Industrial production increased by 6.9 percent over the year to September 2020, compared to 5.8 percent in the corresponding period in 2019.

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The unemployment rate was 4.2 percent in September 2020, compared to 3.6 percent in September 2019.

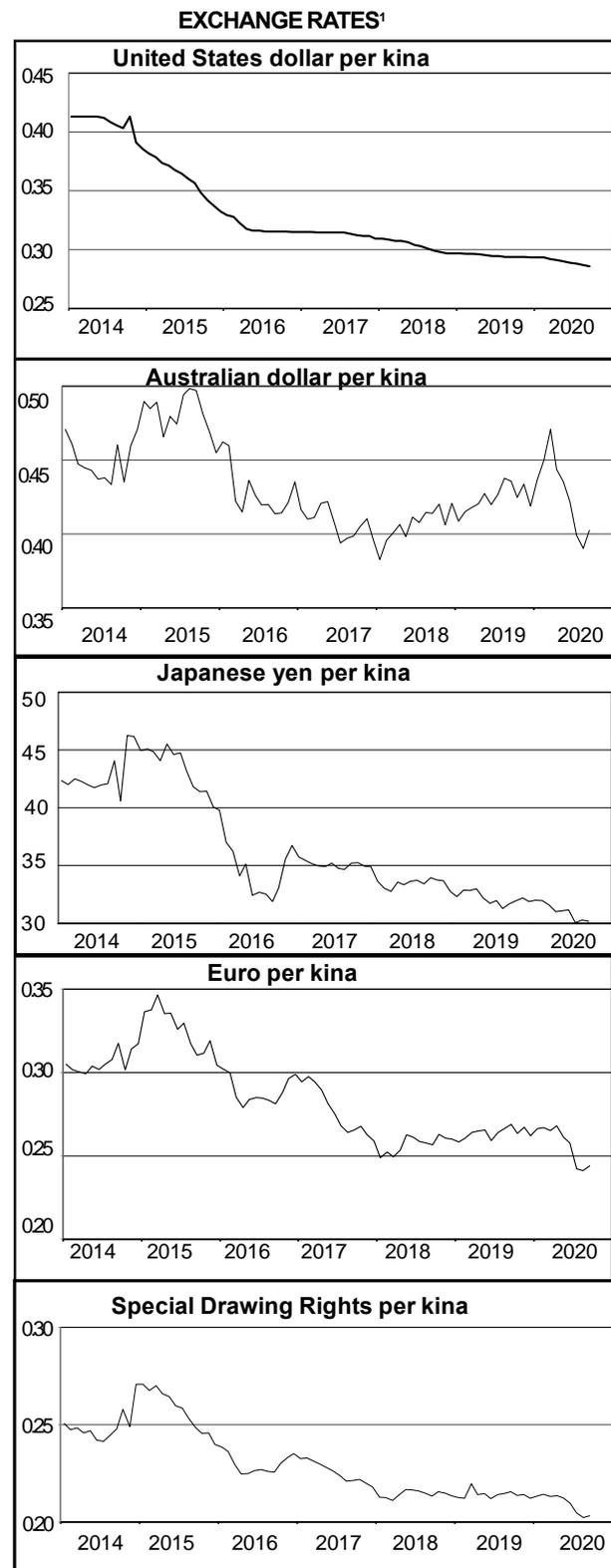
Consumer prices increased by 1.7 percent over the year to September 2020, compared to an increase of 2.8 percent over the corresponding period in 2019. Broad money supply increased by 4.0 percent over the year to September 2020, compared to an increase of 4.0 percent over the corresponding period in 2019. The People's Bank of China left its benchmark interest rates at 2.95 percent for the fifth straight month to September 2020, and maintained borrowing costs on medium-term loans, to sustain stable growth over the next few years.

The trade account surplus was US\$445.6 billion over the year to September 2020, compared to a surplus of US\$462.1 billion over the same period in 2019. The surplus was attributed to higher exports relative to imports, as global demand improved slightly.

In Australia, real GDP declined by 3.8 percent over the year to September 2020, compared to an increase of 1.7 percent over the same period in 2019. This was due to lower household consumption and business spending. The latest IMF forecast is for real GDP to decline by 4.2 percent in 2020.

Industrial production declined by 2.0 percent over the year to September 2020, compared to an increase of 2.8 percent over the corresponding period in 2019. The decline was due to a fall in manufacturing and utility output. Retail sales increased by 2.5 percent over the year to September 2020, the same increase over the corresponding period in 2019. The unemployment rate was 7.0 percent in September 2020, compared to 5.2 percent in September 2019.

Consumer prices grew by 0.7 percent over the year to September 2020, compared to an increase of 1.7 percent over the corresponding period in 2019. Broad money supply increased



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

by 12.0 percent over the year to September 2020, the same as in the corresponding period in 2019. The Reserve Bank of Australia (RBA) kept its official cash rate at 0.25 percent in September 2020. It also expanded the Term Funding Facility to around A\$200 billion at a fixed rate of 25 basis points for three years. This was to keep funding costs low and assist with the supply of credit to commercial banks.

The trade account recorded a surplus of US\$48.2 billion over the year to September 2020, compared to a deficit of US\$43.6 billion over the same period in 2019. The surplus was attributed to higher exports relative to imports.

In the September quarter of 2020, the US dollar depreciated against all major currencies. It depreciated against the Australian dollar by 9.0 percent, the euro by 6.2 percent, the pound sterling by 4.0 percent and the Japanese yen by 1.3 percent.

In the September quarter of 2020, the average daily kina exchange rate depreciated against the Australian dollar by 9.2 percent to A\$0.4021, the euro by 6.7 percent to 0.2647, the pound sterling by 4.8 percent to £0.2227, the Japanese yen by 2.2 percent to ¥30.5051 and US dollar by 0.9 percent to US\$0.2874. These currency movements resulted in the depreciation of the TWI by 4.9 percent to 28.16.

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### **3. DOMESTIC ECONOMIC CONDITIONS**

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#### **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 decreased by 18.3 percent in the June quarter of 2020, compared to a decline of 11.9 percent in the March quarter of 2020. Excluding the mineral sector, sales decreased by 9.4 percent in the June quarter, compared to a decline of 17.3 percent in the

previous quarter. By sector, sales decreased in all sectors, except the construction sector which increased. By region, sales declined in all regions except the Momase region, which recorded an increase. Over the year to June 2020, total sales declined by 23.1 percent, compared to an increase of 8.2 percent over the corresponding period of 2019. Excluding the mineral sector, sales decreased by 24.3 percent over the year to June 2020, compared to an increase of 15.9 percent over the corresponding period of 2019. The reduction partly reflected the adverse impact of the COVID-19 restrictions on business activity.

In the transportation sector, sales declined by 42.4 percent in the June quarter of 2020, compared to a decline of 12.9 percent in the previous quarter. This outcome was due to lower air passenger travel and lower activity in the shipping sub-sector. This is largely due to the travel restrictions imposed as part of the COVID-19 pandemic containment measures. Over the year to June 2020, sales declined by 47.5 percent, compared to an increase of 22.5 percent over the corresponding period of 2019.

In the wholesale sector, sales decreased by 32.2 percent in the June quarter of 2020, compared to a decline of 2.6 percent in the previous quarter. The decline was due to lower sales by two major fuel distributors and lower demand for food and general merchandise. Over the year to June 2020, sales decreased by 30.6 percent, compared to an increase of 42.3 percent in the corresponding period of 2019.

In the mineral sector, sales decreased by 19.8 percent in the June quarter of 2020, compared to a decline of 15.4 percent in the previous quarter. The decline was mainly attributed to lower production of crude oil and natural gas. The significant decline in gold production at the Porgera mine after its closure following the expiry of its lease and the subsequent non-renewal of the contract, also contributed to the decline. Over the year to June 2020, sales fell by 22.0 percent, compared to a decline of 1.9 percent

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over the same period in 2019.

In the retail sector, sales declined by 13.8 percent in the June quarter of 2020, following a decline of 9.4 percent in the previous quarter. This decline reflected lower sales of heavy equipment and machinery, food and general merchandise and durable household goods. Over the year to June 2020, sales declined by 20.1 percent, compared to an increase of 8.3 percent in the corresponding period of 2019.

In the manufacturing sector, sales declined by 9.6 percent in the June quarter of 2020, compared to a decline of 18.0 percent in the previous quarter. The decline was associated with lower production and sale of processed crude oil, wood, steel and food. Over the year to June 2020, sales declined by 31.7 percent, compared to an increase of 26.3 percent over the same period in 2019.

In the agriculture/forestry/fishing (AFF) sector, sales declined by 6.7 percent in the June quarter of 2020, compared to an increase of 11.5 percent in the previous quarter. The decline reflected lower production and export of coffee and tea. A drop in sales of poultry products also contributed to the decline. Over the twelve months to June 2020, sales increased by 9.9 percent, compared to a decline of 40.7 percent in the corresponding period in 2019.

In the financial/business/other services sector, sales declined by 4.1 percent in the June quarter of 2020, compared to a decline of 8.2 percent in the previous quarter. This outcome was due to lower interest earnings on loans, other interest earnings and fees of commercial banks, which more than offset earnings on investments. Over the year to June 2020, sales declined by 9.6 percent, compared to a decline of 4.5 percent over the same period in 2019.

In the construction sector, sales increased by 13.3 percent in the June quarter of 2020, compared to a decline of 27.5 percent in the

previous quarter. The increase was attributed to ongoing construction projects including the Rangeview Apartments and Badili Hardware as well as several other building and road projects in NCD. Over the twelve months to June 2020, sales increased by 32.5 percent, compared to a decline of 43.7 percent over the corresponding period in 2019.

By region, sales declined in all regions, except the Momase region which increased. In the Highlands region, sales declined by 35.2 percent in the June quarter of 2020, compared to a decline of 4.6 percent in the previous quarter. The decline was due to lower production and export of gold, crude oil and tea. Lower activity in the trucking and air transportation subsectors and lower sales by several major wholesalers also contributed to the decline. Over the year to June 2020, sales fell by 23.1 percent, compared to an increase of 48.7 percent in the corresponding period of 2019.

In NCD, sales decreased by 23.6 percent in the June quarter of 2020, compared to a decline of 8.8 percent in the previous quarter. The decline was due to lower sales of processed crude oil products, food and general merchandise, as well as lower air passenger travels. The fall in the earnings of the commercial banks also contributed to the decline. Over the year to June 2020, sales declined by 33.6 percent, compared to an increase of 4.9 percent over the same period in 2019.

In the Southern region (excluding NCD), sales declined by 20.6 percent in the June quarter of 2020, compared to a decline of 47.9 percent in the previous quarter. The decline was due to lower sale of fuel, machinery and heavy equipment, food and general merchandise and lower air travel. Over the year to June 2020, sales decreased by 42.8 percent, compared to a decline of 7.2 percent in the corresponding period of 2019.

In Morobe, sales declined by 9.1 percent in the

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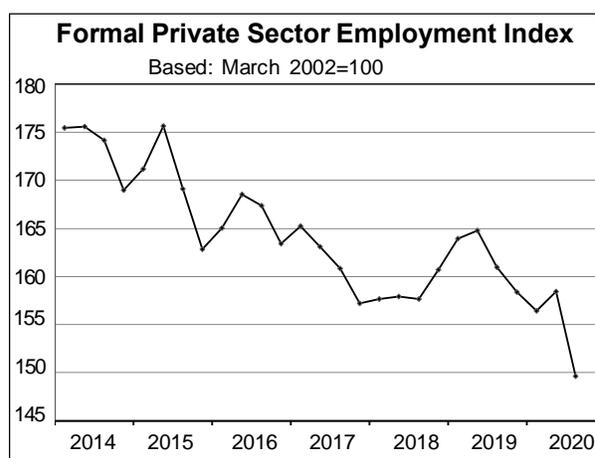
June quarter of 2020, compared to a decline of 3.7 percent in the previous quarter. This outcome was due to lower production and sale of fuel, wood, poultry products as well as reduced shipping services. A drop in the air passenger travel also contributed to the decline. Over the year to June 2020, sales decreased by 10.4 percent, compared to a decline of 5.4 percent in the corresponding period of 2019.

In the Islands region, sales decreased by 2.2 percent in the June quarter of 2020, compared to an increase of 19.6 percent in the previous quarter. The decline was due to lower sale of fuel, food and general merchandise, and a drop in air passenger travel. Over the year to June 2020, sales declined by 10.7 percent, compared to an increase of 2.4 percent in the corresponding period of 2019.

In the Momase region, sales increased by 8.9 percent in the June quarter of 2020, compared to a decline of 38.9 percent in the previous quarter. The increase reflected higher production and export of nickel and an increase in the production of canned tuna and tobacco products. Over the year to June 2020, sales declined by 9.8 percent, compared to a decline of 50.4 percent in the corresponding period of 2019.

## EMPLOYMENT

The Bank's Employment Index shows that the level of employment in the formal private sector declined by 5.5 percent in the September quarter of 2020, compared to an increase of 1.3 percent in the June quarter of 2020. Excluding the mineral sector, the level of employment fell by 1.4 percent. By sector, the level of employment dropped in all the sectors except the financial/business and other services and wholesale sectors. By region, the level of employment fell in the Highlands, Momase (excluding Morobe) and Southern (excluding NCD) regions, and NCD, while it increased in Morobe. There were no changes in the Islands region. Over the year to September 2020, the total level of employment fell by 7.0



percent, compared to an increase of 2.1 percent in the corresponding period of 2019. Excluding the mineral sector, the level of employment fell by 2.7 percent over the year to September 2020, compared to a decline of 0.4 percent in the corresponding period of 2019.

In the mineral sector, the level of employment fell significantly by 28.9 percent in the September quarter of 2020, compared to a decline of 3.1 percent in the June quarter. The decline reflects an on-going redundancy exercise carried out at a mine site and laying-off of staff by an oil company due to its organizational restructuring exercise. Over the year to September 2020, the level of employment declined by 30.1 percent, compared to a significant increase of 23.7 percent over the corresponding period in 2019.

In the transportation sector, the level of employment fell by 5.7 percent in the September quarter of 2020, compared to a decline of 2.5 percent in the previous quarter. This outcome was due to the laying-off of staff by an airline and shipping companies due to the impact of COVID-19 on their business operations. Over the year to September 2020, the level of employment fell by 7.7 percent, compared to a decline of 15.4 percent over the year to September 2019.

In the retail sector, the level of employment declined by 3.4 percent in the September quarter of 2020, compared to a growth of 7.8 percent in

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the previous quarter. The decline was attributed to lower demand for general retail items and heavy equipment and parts for construction and mining companies reflecting the downturn in the economy. Over the year to September 2020, the level of employment fell by 2.5 percent, compared to an increase of 6.4 percent in the same period of 2019.

In the AFF sector, the level of employment dropped by 2.3 percent in the September quarter of 2020, compared to an increase of 8.0 percent in the previous quarter. The decline reflects the laying-off of casual employees after the palm oil, sugar and tea harvesting seasons and retirement and redundancy exercises carried out by a few companies, partly due to the COVID-19 pandemic. Over the year to September 2020, the level of employment increased by 5.0 percent, compared to a decline of 0.8 percent over the corresponding period in 2019.

In the manufacturing sector, the level of employment declined by 0.7 percent in the September quarter of 2020, compared to a decline of 0.5 percent in the previous quarter. This outcome was mainly attributed to lower harvesting of balsa wood in the Islands region and mass resignation of casual workers at a tuna loining company in the Momase region. Over the year to September 2020, the level of employment increased by 0.1 percent, compared to an increase of 8.7 percent in the corresponding period of 2019.

In the construction sector, the level of employment declined by 0.1 percent in the September quarter of 2020, compared a drop of 4.4 percent in the June quarter of 2020. The decline mainly reflected the laying-off of workers after completion of several building construction projects. Over the year to June 2020, the level of employment fell dramatically by 20.0 percent, compared to decline of 9.1 percent over the year to September 2019.

In the financial/business and other services

sector, the level of employment increased by 4.1 percent in the September quarter of 2020, compared to a fall of 4.7 percent in the June quarter of 2020. The turn-around mainly reflects the easing of some of the COVID-19 containment measures which resulted in hiring of workers by major hotels in NCD to cater for a pick-up in demand. The increase was further supported by a finance company recruiting to fill vacancies as a result of its restructuring exercise. Over the year to September 2020, the level of employment fell by 8.9 percent, compared to a decline of 0.4 percent in the corresponding period in 2019.

In the wholesale sector, the level of employment increased by 0.2 percent in the September quarter of 2020, compared to a decline of 12.2 percent in the previous quarter. The increase was attributed to the recruitment of casual employees in response to the coffee harvesting season, and for a major wholesaler experiencing higher demand for its grocery products. Over the year to September 2020, the level of employment declined by 20.7 percent, compared to an increase of 2.4 percent in the corresponding period in 2019.

By region, the level of employment fell in the Highlands, Momase, and Southern regions, and NCD, while it increased in Morobe and remain unchanged in the Islands region. In the Highlands region, the level of employment fell significantly by 35.0 percent in the September quarter of 2020, compared to an increase of 2.8 percent in the previous quarter. The decline was primarily driven by an on-going redundancy exercise carried out at a mine site and laying-off of staff by an oil company due to its organizational restructuring exercise. The decline was also supported by the laying-off of workers due to the end of the tea harvesting season. Over the year to September 2020, the level of employment declined by 36.5 percent, compared to an increase of 15.8 percent in the corresponding period of 2019.

In the Momase region, the level of employment

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declined by 3.7 percent in the September quarter of 2020, compared to an increase of 9.0 percent in the previous quarter. This outcome was due to the mass resignation of employees at a tuna loining company and the laying-off of employees by an airliner and an agricultural company due to lower demand for its services and the end of the sugar harvesting season, respectively. Over the year to September 2020, the level of employment increased by 4.2 percent, compared to a decline of 3.4 percent in the corresponding period of 2019.

In the Southern region, the level of employment fell by 2.1 percent in the September quarter of 2020, compared to an increase of 6.0 percent in the previous quarter. The decline reflects the laying-off of casual employees and retirement and redundancy exercises carried out by a palm oil company and lower demand for heavy equipment and parts for construction and mining companies. The decline was also due to a mining and a shipping company reducing their workforce due to the impact of the COVID-19 restrictions. Over the year to September 2020 the level of employment remain unchanged, compared to an increase of 13.5 percent over the year to September 2019.

In NCD, the level of employment declined by 0.9 percent in the September quarter of 2020, compared to a fall of 1.8 percent in the June quarter of 2020. The decline mainly reflected the laying-off of construction workers after the completion of projects and lower demand due to the impact of COVID-19 experienced by a retailer and an airline company. The decline was also due to an oil company laying-off a few of its staff as part of its organisational restructuring exercise. Over the year to September 2020, the level of employment fell by 7.1 percent, compared to an increase of 1.2 percent in the corresponding period of 2019.

In Morobe, the level of employment increased by 2.2 percent in the September quarter of 2020, compared to a decline of 5.8 percent in the

previous quarter. The increase was attributed to a pick-up in demand for manufactured goods including cement, canned fish, rice and wheat-based products, as well as a major wholesaler experiencing higher demand for its grocery products. Over the year to September 2020, the level of employment fell by 6.5 percent, compared to an increase of 5.5 percent in the corresponding period of 2019.

In the Islands region, the level of employment remain unchanged in the September quarter of 2020, compared to an increase of 3.3 percent in the June quarter. Over the year to September 2020, the level of employment rose by 2.5 percent, compared to a decline of 5.9 percent in the corresponding period of 2019.

## **CONSUMER PRICE INDEX**

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), declined by 0.6 percent in the September quarter of 2020, compared to an increase of 3.4 percent in the June quarter of 2020. There were declines in the 'Alcoholic Beverages, Tobacco and Betelnut', 'Transport', 'Miscellaneous', 'Food and Non-Alcoholic Beverages', 'Household Equipment' and 'Housing' expenditure groups, which more than offset increases in the 'Health', 'Restaurants and Hotels', 'Clothing and Footwear', and 'Recreation' expenditure groups. The 'Education' and 'Communication' expenditure groups recorded no price changes. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 4.9 percent in the September quarter of 2020, compared to 6.3 percent in the June quarter of 2020.

The CPI for the 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group decreased by 5.5 percent in the September quarter of 2020, compared an increase of 15.5 percent in the previous quarter. The decline in the 'betelnut and mustard' sub-group of 8.2 percent more than offset increases in the 'tobacco' and 'alcoholic beverages' sub-groups of 1.1 percent and 1.0

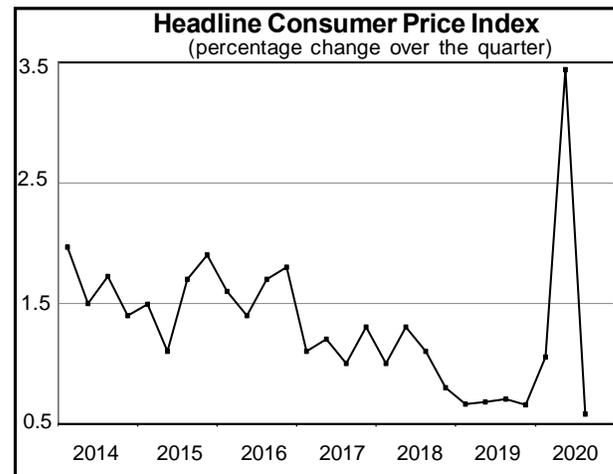
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percent, respectively. This expenditure group contributed 0.2 and 1.9 percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the 'Transport' expenditure group decreased by 1.2 percent in the September quarter of 2020, compared to an increase of 4.1 percent in the previous quarter. The declines in the 'fares' and 'fuel and lubricants' sub-groups of 4.2 percent and 4.0 percent respectively, more than offset increases in the 'operations of transport', 'other services' and 'motor vehicle purchases' sub-groups of 3.8 percent, 0.8 percent and 0.4 percent, respectively. This expenditure group contributed 0.2 and 0.9 percentage points to the overall quarterly and annual CPI inflation, respectively.

Prices in the 'Miscellaneous' expenditure group fell by 0.9 percent in the September quarter of 2020, compared to a decline of 1.2 percent in the previous quarter. The declines in the prices of 'children's toys' and, 'toiletries and personal care products' of 5.9 percent and 2.2 percent, respectively, more than offset increases in the prices of 'insect repellents' and, 'baby oil and powder' of 3.1 percent and 2.3 percent, respectively. This expenditure group's contribution to the overall quarterly and annual CPI inflation was negligible.

The CPI for the 'Food and Non-Alcoholic Beverages' expenditure group declined by 0.4 percent in the September quarter of 2020, compared to an increase of 0.8 percent in the previous quarter. There were increases in the 'dairy products, eggs, cheese', 'other food products', and 'fish' sub-groups of 2.5 percent, 2.2 percent, and 1.3 percent, respectively. The 'meat', and 'sugars and confectionery' sub-groups also recorded marginal increases. These more than offset declines in the 'fruits & vegetables' sub-group of 3.5 percent and the 'non-alcoholic beverages', 'cereals' and 'oils and fats' sub-groups which recorded marginal declines. This expenditure group contributed 0.2 and 0.6



percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the 'Household Equipment' expenditure group declined by 0.4 percent in the September quarter of 2020, compared to a decline of 1.2 percent in the previous quarter. The decline in the 'household maintenance goods' sub-group of 1.7 percent more than offset marginal increases in the 'household appliances' and 'household furniture and furnishings' sub-groups. This expenditure group's contribution to the overall quarterly inflation was negligible, whilst it contributed 0.1 percentage points to the overall annual CPI inflation.

The CPI for the 'Housing' expenditure group decreased by 0.1 percent in the September quarter of 2020, compared to an increase of 1.5 percent in the previous quarter. The decline in the 'cooking' sub-group of 2.0 percent more than offset a marginal increase in the 'housing maintenance' sub-group. The 'rent', 'electricity' and 'water' sub-groups showed no price changes. This expenditure group's contribution to the overall quarterly inflation was negligible, whilst it contributed 0.2 percentage points to the overall annual CPI inflation.

The CPI for the 'Education' expenditure group recorded no price change in the September quarter of 2020, compared to a marginal increase

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in the previous quarter. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.3 percentage points to the overall annual CPI inflation.

The CPI for the 'Communication' expenditure group declined by 1.3 percent in the September quarter of 2020, compared to a decline of 1.2 percent in the previous quarter. The decline in the 'telephone services' sub-group of 2.3 percent more than offset a marginal increase in the 'postal services' sub-group. The 'telephone equipment' and 'other services' sub-groups showed no price changes. This expenditure group's contribution to the overall quarterly and annual CPI inflation was negligible.

The CPI for the 'Health' expenditure group increased by 12.3 percent in the September quarter of 2020, compared to an increase of 6.1 percent in the June quarter of 2020. There was a significant increase in the 'medical services' sub-group of 25.2 percent, while the 'medical supplies' sub-group recorded an increase of 1.7 percent. This expenditure group contributed 0.4 and 0.6 percentage points to the overall quarterly and annual CPI inflation, respectively.

Prices in the 'Restaurants and Hotels' expenditure group increased by 6.1 percent in the September quarter of 2020, compared to an increase of 3.2 percent in the previous quarter. There were increases in the 'takeaway foods' and 'accommodation' sub-groups of 6.3 percent and 5.4 percent, respectively. This expenditure group contributed 0.2 and 0.3 percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the 'Clothing and Footwear' expenditure group increased by 2.0 percent in the September quarter of 2020, compared to an increase of 0.2 percent in the previous quarter. There were price increases in the 'headwear', 'men's wear', 'women and girl wear', 'footwear' and 'baby clothes' sub-groups of 4.1 percent, 3.4

percent, 2.3 percent, 1.6 percent, and 1.1 percent, respectively. The 'clothing' and 'sewing items' sub-groups increased marginally. These, more than offset a marginal decline in the 'boys wear' sub-group. This expenditure group contributed 0.1 and 0.2 percentage points to the overall quarterly and annual CPI inflation, respectively.

Prices in the 'Recreation' expenditure group rose by 1.2 percent in the September quarter of 2020, compared to an increase of 0.6 percent in the previous quarter. The price increases for 'batteries', 'sports gate and movie fees', 'DVD player', 'television' and 'digital camera' of 7.5 percent, 4.8 percent, 3.9 percent, 0.9 percent and 0.1 percent, respectively, more than offset declines in the prices of 'flash drives', 'newspaper' and 'bicycle' of 4.5 percent, 0.7 percent and 0.3 percent, respectively. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.1 percentage points to the overall annual CPI inflation.

Prices in Port Moresby declined by 3.3 percent in the September quarter of 2020, compared to an increase of 8.8 percent in the previous quarter. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest decline of 5.5 percent, followed by 'Household Equipment' group with 3.1 percent, and the 'Transport', 'Communication', 'Miscellaneous', and 'Housing' expenditure groups of 1.9 percent, 1.2 percent, 1.0 percent and 0.4 percent, respectively. These more than offset increases in the 'Health', 'Restaurants and Hotels' and 'Recreation' groups of 31.3 percent, 11.2 percent, and 3.7 percent, respectively. The 'Food and Non-Alcoholic Beverages' and 'Clothing and Footwear' expenditure groups recorded marginal declines, whilst the 'Education' group had no price change. Port Moresby contributed 1.2 and 2.3 percentage points to the overall quarterly and annual CPI inflation, respectively.

In Lae, prices increased by 0.5 percent in the September quarter of 2020, compared to an

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increase of 3.2 percent in the previous quarter. The 'Restaurants and Hotels' expenditure group recorded the largest increase with 10.6 percent, followed by 'Household Equipment' with 2.9 percent, and 'Transport' with 2.3 percent. The 'Health', 'Alcoholic Beverages, Tobacco and Betelnut', 'Miscellaneous' and 'Clothing and Footwear' expenditure groups increased marginally. These more than offset declines in the 'Food and Non-Alcoholic Beverages', 'Communication', and 'Recreation' expenditure groups of 2.0 percent, 1.7 percent, and 1.0 percent, respectively. The 'Education' expenditure group recorded no price change. Lae contributed 0.1 and 1.0 percentage points to the overall quarterly and annual CPI inflation, respectively.

In Goroka/Mt. Hagen/Madang, prices increased by 0.4 percent in the September quarter of 2020, compared to an increase of 1.4 percent in the previous quarter. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest increase with 5.8 percent, followed by 'Health' with 5.0 percent, 'Clothing and Footwear' with 2.1 percent, 'Household Equipment' with 1.0 percent and 'Housing' with 0.6 percent. These more than offset declines in the 'Restaurants and Hotels', 'Recreation', 'Transport', 'Communication', 'Food and Non-Alcoholic Beverages' and 'Miscellaneous' groups of 4.6 percent, 3.4 percent, 2.5 percent, 1.9 percent, 1.1 percent and 0.7 percent, respectively. The 'Education' expenditure group recorded no price change. Goroka/Mt. Hagen/Madang contributed 0.1 and 1.1 percentage points to the overall quarterly and annual CPI inflation, respectively.

In Alotau/Kimbe-Kokopo/Rabaul, prices increased by 0.1 percent in the September quarter of 2020, compared to an increase of 1.0 percent in the previous quarter. The 'Recreation' expenditure group recorded the highest increase with 3.6 percent, followed by 'Restaurants and Hotels' with 3.5 percent, 'Clothing and Footwear' with 2.1 percent, 'Health' with 2.0 percent, 'Alcoholic Beverages, Tobacco and Betelnut'

with 1.8 percent, and 'Food and Non-Alcoholic Beverages' with 0.5 percent. These more than offset declines in the 'Transport' and 'Housing' 'Household Equipment' and 'Miscellaneous' expenditure groups of 5.1 percent, 4.2 percent, 1.2 percent and 1.2 percent, respectively. The 'Communication' and 'Education' expenditure groups showed no price change. This centre's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.6 percentage points to the overall annual CPI inflation.

The annual headline inflation was 4.9 percent in the September quarter of 2020, compared to 6.3 percent in the June quarter of 2020. Most expenditure groups recorded increases except the 'Household Equipment', 'Miscellaneous' and 'Communication' expenditure groups. The largest increase was in the 'Health' expenditure group with 19.1 percent, followed by 'Restaurants and Hotel' with 12.7 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 11.5 percent, 'Transport' with 7.1 percent, 'Education' with 5.0 percent, 'Clothing and Footwear' with 3.3 percent, 'Recreation' with 2.6 percent, 'Food and Non-alcoholic Beverages' with 2.0 percent, and 'Housing' with 1.5 percent. These more than offset declines in the 'Household Equipment', 'Miscellaneous' and 'Communication' expenditure groups of 2.0 percent, 1.8 percent and 1.2 percent, respectively.

The NSO's quarterly exclusion-based inflation measure (which is the overall CPI excluding seasonal, customs excise and price regulated items) increased by 0.9 percent in the September quarter of 2020, compared to a decline of 0.1 percent in the previous quarter. Annual exclusion-based inflation was 2.7 percent in the quarter, compared to 2.1 percent in the June quarter of 2020.

The quarterly trimmed mean inflation measure published by the Bank of PNG increased by 0.3 percent in the September quarter of 2020, compared to an increase of 0.8 percent in the

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previous quarter. The annual trimmed mean inflation was 2.4 percent in the quarter, compared to an increase of 2.5 percent in the same period in 2019.

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

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The total value of merchandise exports in the September quarter of 2020 was K7,034.6 million, compared to K9,738.1 million in the corresponding quarter of 2019. There were lower values for all of PNG's export commodities, except for cocoa, palm oil, rubber, other non-mineral exports, refined petroleum products and copper.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports was K748.9 million and accounted for 10.6 percent of total merchandise exports in the September quarter of 2020, compared to K1,039 million or 10.7 percent of total merchandise exports in the corresponding quarter of 2019. Forestry product exports were K185.2 million, and accounted for 2.6 percent of total merchandise exports in the quarter, compared to K311.7 million or 3.2 percent in the corresponding quarter of 2019. Refined petroleum product exports were K284.9 million and accounted for 4.1 percent of total merchandise exports in the quarter, compared to K218.5 million or 2.2 percent in the corresponding quarter of 2019. Mineral export receipts, including LNG and condensate was K5,815.5 million and accounted for 82.7 percent of total merchandise exports in the quarter, compared to K8,182.6 million or 84.0 percent in the September quarter of 2019.

The weighted average kina price of PNG's export commodities, excluding LNG, increased by 2.5 percent in the September quarter of 2020, compared to an increase of 3.3 percent in the corresponding quarter of 2019. There was an increase of 8.2 percent in the weighted average

price of mineral exports, compared to the corresponding quarter of 2019, reflecting higher kina prices for gold, copper and cobalt. For agricultural, logs and marine product exports, the weighted average kina price declined by 18.7 percent, compared to a decline of 4.6 percent in the corresponding quarter of 2019. There were lower prices of all non-mineral export commodities, except for coffee, tea, copra and palm oil. Excluding log exports, the weighted average kina price of agricultural and marine product exports declined by 22.5 percent in the quarter, compared to a decline of 6.3 percent in the corresponding quarter of 2019. The overall increase in kina export price stemmed from higher international prices for some of PNG's export commodities.

#### **MINERAL EXPORTS**

Total mineral export receipts were K5,815.5 million in the September quarter of 2020, compared to K8,182.6 million in the corresponding quarter of 2019. The decline was due to lower export values of all mineral commodities, except for copper.

The value of LNG exports was K1,804.9 million in the September quarter of 2020, compared to K3,273.9 million in the September quarter of 2019. The decline was due mainly to lower global demand associated with the COVID-19 pandemic and lower realized contract prices.

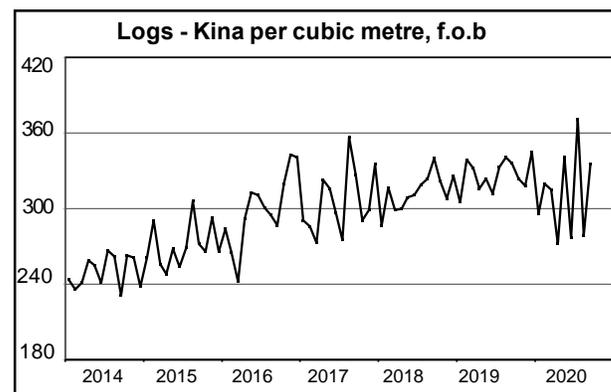
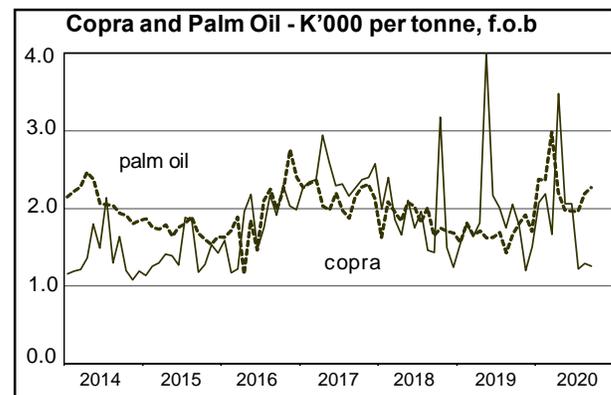
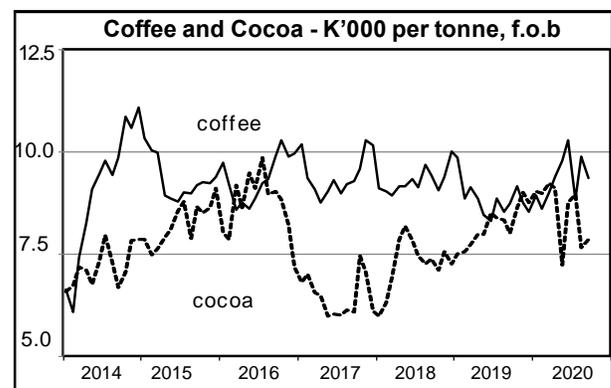
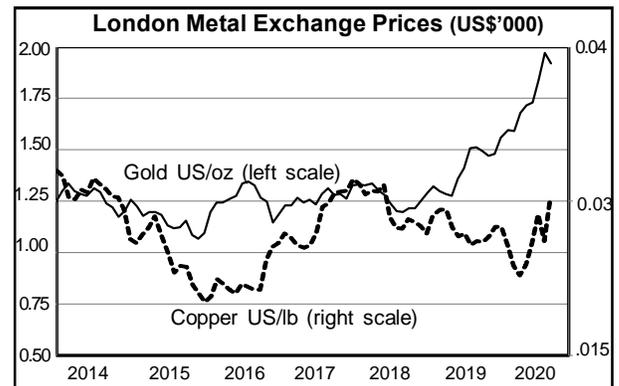
The volume of condensate exported was 2,440.0 thousand barrels in the September quarter of 2020, compared to 2,594.0 thousand barrels in the corresponding quarter of 2019. The decline was mainly due to lower production by the PNG LNG project. The average free on board (f.o.b) price for condensate export was K135 per barrel in the quarter, compared to K196 per barrel in the September quarter of 2019, reflecting lower international prices. The combined decline in export price and volume resulted in export receipts of K328.2 million in the quarter, compared to K508.7 million in the corresponding quarter of

2019.

The volume of gold exported was 12.1 tonnes in the September quarter of 2020, compared to 17.6 tonnes in the corresponding quarter of 2019. This outcome was due to the shut-down of the Porgera mine since April 2020, combined with lower production from the Hidden Valley mine and other licensed alluvial gold exporters, which more than offset increased production by the Ok Tedi, Lihir, Simberi and Kainantu mines. The average f.o.b price for gold exports was K193.1 million per tonne in the quarter, compared to K148.3 million per tonne in the corresponding quarter of 2019. Higher international gold prices and the price effect of the depreciation of the kina against the US dollar accounted for the increase. The average gold price at the London Metal Exchange increased by 29.0 percent to US\$1,909 per ounce in the quarter, compared to the corresponding quarter of 2019. The increase was mainly due to strong demand for gold as a safe-haven investment amid uncertainties with rising government debt levels and low interest rates during the COVID-19 pandemic. The decline in export volume more than offset the increase in export price, resulting in export receipts of K2,336.7 million in the quarter, compared to K2,609.8 million in the September quarter of 2019.

The volume of copper exported was 26.8 thousand tonnes in the September quarter of 2020, compared to 25.5 thousand tonnes in the corresponding quarter of 2019. The increase was attributed to higher production and shipment by the Ok Tedi mine. The average f.o.b. price of copper exports was K21,142 per tonne in the quarter, compared to K19,718 per tonne in the September quarter of 2019. The higher price was due to a strong demand mainly from China, reflecting a rebound in economic activity in some sectors of its economy, coupled with lower supply following COVID-19 pandemic disruptions at mines in Peru. The combined increase in export price and volume resulted in export receipts of K566.6 million in the quarter, compared to K502.8

## EXPORT COMMODITY PRICES



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million in the corresponding quarter of 2019.

The volume of nickel exported was 6.6 thousand tonnes in the September quarter of 2020, compared to 14.5 thousand tonnes in the corresponding quarter of 2019. The decline was due to lower shipment by the Ramu Nickel/Cobalt mine, attributed to a weak demand. The average f.o.b. price of nickel exports was K50,015 per tonne in the quarter, compared to K52,710 per tonne in the corresponding quarter of 2019. The decline reflected a weaker global demand attributed to the impact of the COVID-19 pandemic. The combined decline in export volume and price resulted in export receipts of K330.1 million in the quarter, compared to K764.3 million in the September quarter of 2019.

The volume of cobalt exported was 0.6 thousand tonnes in the September quarter, compared to 1.3 thousand tonnes in the corresponding quarter of 2019, due to lower shipment by the Ramu Nickel/Cobalt mine. The average f.o.b. price of cobalt exports was K108,833 per tonne in the quarter, compared to K106,308 per tonne in the corresponding quarter of 2019. The increase was due to strong demand from Europe and China, coupled with the COVID-19 pandemic related supply disruptions from the Democratic Republic of Congo, the world's top producer. The decline in export volume more than offset the increase in export price, resulting in export receipts of K65.3 million in the quarter, compared to K138.2 million in the September quarter of 2019.

The volume of crude oil exported was 1,384.2 thousand barrels in the September quarter of 2020, compared to 1,096.2 thousand barrels in the corresponding quarter of 2019. This was due to higher production from the Kutubu, Gobe and Moran oil fields. The average export price of crude oil was K121 per barrel in the quarter, compared to K212 per barrel in the corresponding quarter of 2019. This was attributed to weak global demand reflecting the rise in the second wave of COVID-19 cases and higher production by Libya, a party outside of the OPEC+

agreements. The decline in the export price more than offset the increase in export volume, resulting in export receipts of K167.1 million in the quarter, compared to K232.8 million in the corresponding quarter of 2019.

Export receipts of refined petroleum products were K284.9 million in the September quarter of 2020, compared to K218.5 million in the corresponding quarter of 2019. There were higher export prices of the various refined petroleum products.

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

Export prices of all non-mineral commodities increased, except for cocoa, copra oil, rubber, logs and marine products in the September quarter of 2020, compared to the corresponding quarter of 2019.

The volume of coffee exported was 5.9 thousand tonnes in the September quarter of 2020, compared to 16.2 thousand tonnes in the September quarter of 2019. The decline was due to lower shipments, reflecting the impact of the COVID-19 pandemic on global supply chains. The average export price of coffee increased by 1.3 percent to K8,814 per tonne in the September quarter of 2020, compared to the corresponding quarter of 2019. The increase stemmed from higher international prices as a result of lower production and inventories mainly from Brazil, the world's largest producer. The decline in export volume more than offset the increase in export price, resulting in export receipts of K52.0 million in the quarter, compared to K140.9 million in the September quarter of 2019.

The volume of cocoa exported was 10.4 thousand tonnes in the September quarter of 2020, compared to 8.3 thousand tonnes in the corresponding quarter of 2019. The increase was due mainly to higher shipments reflecting exports of stock piles from the shut-down during the outbreak of the COVID-19 pandemic in the

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earlier part of the year. The average export price of cocoa declined by 0.3 percent to K8,250 per tonne in the quarter, compared to the corresponding quarter of 2019. The decline reflected lower production from major producers, Ivory Coast and Ghana, attributed to unfavourable wet weather conditions, combined with lower demand mainly from Europe. The increase in export volume more than offset the decline in export price, resulting in export receipts of K85.8 million in the quarter, compared to K68.7 million in the September quarter of 2019.

The volume of copra exported was 3.0 thousand tonnes in the September quarter of 2020, compared to 6.1 thousand tonnes in the corresponding quarter of 2019. The decline was attributed to lower shipments, reflecting the impact of the COVID-19 pandemic on the global supply chains. The average export price of copra increased by 3.4 percent to K2,067 per tonne in the quarter, compared to the corresponding quarter of 2019. The increase reflected higher international prices due to lower production from the Philippines and India, attributed to unfavourable wet weather and effect of the COVID-19 pandemic on global supply chains, combined with weak demand mainly from Europe. The decline in export volume more than offset the increase in export price, resulting in export receipts of K6.2 million in the quarter, compared to K12.2 million in the corresponding quarter of 2019.

The volume of copra oil exported was 2.4 thousand tonnes in the September quarter of 2020, compared to 4.3 thousand tonnes in the corresponding quarter of 2019. The decline was attributed to lower shipment from the existing mills, reflecting the impact of the COVID-19 pandemic on global supply chains. The average export price of copra oil declined by 19.7 percent to K1,792 per tonne in the quarter, compared to the corresponding quarter of 2019. The decline reflected lower global demand amid the COVID-19 pandemic. The combined decline in export price and volume resulted in export receipts of

K4.3 million in the quarter, compared to K9.6 million in the corresponding quarter of 2019.

The volume of palm oil exported was 162.8 thousand tonnes in the September quarter of 2020, compared to 174.5 thousand tonnes in the corresponding quarter of 2019. The decline was attributed to lower production and shipments, reflecting the impact of the COVID-19 pandemic on the global supply chains. The average export price of palm oil increased by 26.0 percent to K2,087 per tonne in the quarter, compared to the September quarter of 2019. The increase in price was mainly due to lower production from the top producer, Indonesia, combined with higher demand. The increase in export price more than offset the decline in export volume, resulting in export receipts of K339.8 million in the quarter, compared to K289.2 million in the September quarter of 2019.

The volume of tea exported was 0.02 thousand tonnes in the September quarter of 2020, compared to 0.1 thousand tonnes in the corresponding quarter of 2019. The average export price of tea increased by 40.0 percent to K7,000 per tonne in the quarter, compared to the corresponding quarter of 2019. The increase mainly reflected lower production and inventories from India, due to supply disruptions attributed to the COVID-19 pandemic, combined with high demand, mainly from China and India. The decline in export volume more than offset the increase in export price, resulting in export receipts of K0.1 million in the quarter, compared to K0.5 million in the corresponding quarter of 2019.

The volume of rubber exported was 1.0 thousand tonnes in the September quarter of 2020, compared to 0.8 thousand tonnes in the corresponding quarter of 2019, accounted for by higher shipments due to export of stock piles amidst the outbreak of COVID-19 pandemic. The average export price of rubber declined by 6.7 percent to K3,500 per tonne in the quarter, compared to the corresponding quarter of 2019. This outcome reflected higher production from

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Thailand and Malaysia, more than offsetting higher global demand for natural rubber in the latex industry. The increase in export volume more than offset the decline in export price, resulting in export receipts of K3.5 million in the quarter, compared to K3.0 million in the corresponding quarter of 2019.

The volume of logs exported was 547.0 thousand cubic meters in the September quarter of 2020, compared to 896.0 thousand cubic meters in the corresponding quarter of 2019. There was lower production from the major producing provinces, mainly attributed to an increase in log export tax rates imposed in February 2020. The average export price of logs declined by 2.4 percent to K329 per cubic meter in the quarter, compared to the corresponding quarter of 2019. The decline in price reflected lower demand of tropical logs by China, combined with its imports of huge amounts of softwood logs from Europe. The combined decline in export volume and price resulted in export receipts of K179.7 million in the quarter, compared to K302.2 million in the corresponding quarter of 2019.

The value of marine products exported was K101.9 million in the September quarter of 2020, compared to K376.8 million in the corresponding quarter of 2019. There were declines in both export volume and price.

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## 5. BALANCE OF PAYMENTS

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There was an overall balance of payments deficit of K650 million for the nine months to September 2020, compared to a deficit of K999 million in the corresponding period of 2019. This was due to a deficit in the capital and financial account, which more than offset a surplus in the current account.

The current account recorded a surplus of K12,728 million for the nine months to September 2020, compared to a surplus of K14,932 million in the corresponding period of 2019. This was

due to a lower trade account surplus and net transfer receipts, which more than offset lower net service and income payments.

In the trade account, there was a surplus of K15,689 million for the nine months to September 2020, compared to a surplus of K18,954 million in the corresponding period of 2019. The lower surplus was due to a decline in the value of merchandise exports.

The value of merchandise exports was K23,033 million for the nine months to September 2020, compared to K28,601 million in the corresponding period of 2019. The decline was attributed to lower export receipts for all of PNG's export commodities, except for palm oil, rubber and other non-mineral products.

The value of merchandise imports was K7,344 million for the nine months to September 2020, compared to K9,647 million in the corresponding period of 2019. There were lower general, petroleum and mining imports. The value of general imports was K4,442.9 million for the nine months, compared to K5,772.9 million in the corresponding period of 2019, reflecting compressed imports due to the COVID-19 pandemic. The value of petroleum sector imports was K335.9 million in the period, compared to K685.9 million in the corresponding period of 2019. This reflected lower capital expenditure undertaken for exploration and production by various oil projects. Mining sector imports was K2,564.9 million in the period, compared to K3,188.5 million in the corresponding period of 2019. The decline mainly reflected lower capital expenditure undertaken by the Ok Tedi, Lihir, Simberi, Hidden Valley, Kainantu and Ramu Nickel/Cobalt mines, and the closure of the Porgera mine. Resident companies in the mining and petroleum sectors used funds held in their offshore foreign currency accounts allowed for under their Project Development Agreements to pay for imports.

The service account had a deficit of K2,834

million for the nine months to September 2020, compared to a deficit of K2,950 million in the corresponding period of 2019. The decline was due to lower payments for all services, except for insurance, cultural and recreational services.

The income account recorded a deficit of K902 million for the nine months to September 2020, compared to K1,886 million in the corresponding period of 2019. This was due to lower payments for compensation of employees, interest and dividends.

The transfers account had a surplus of K775 million for the nine months to September 2020, compared to a surplus of K842 million in the corresponding period of 2019. This was accounted for by lower gifts and grants, and family maintenance receipts, which more than offset higher tax receipts.

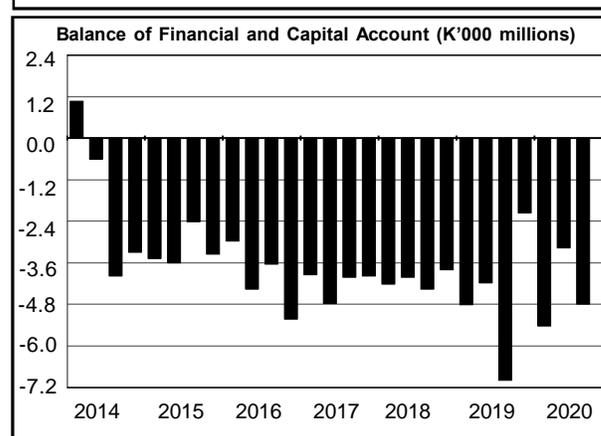
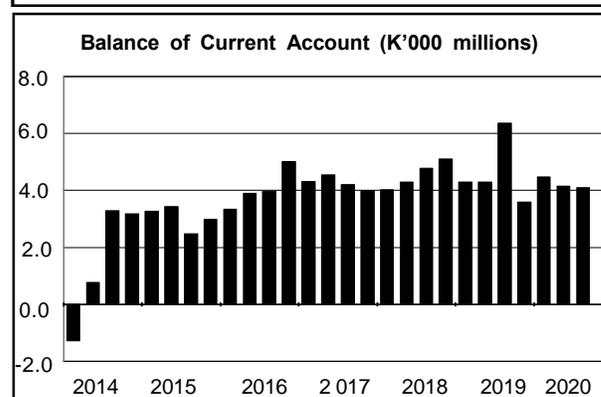
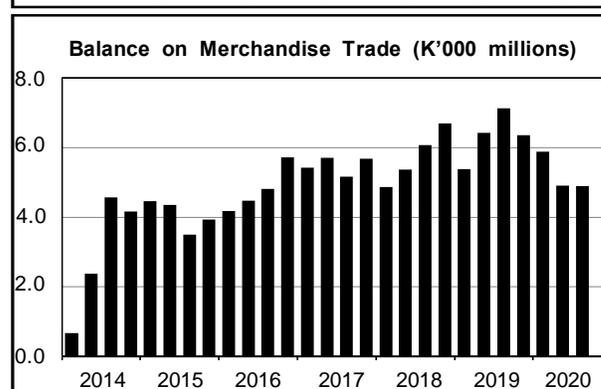
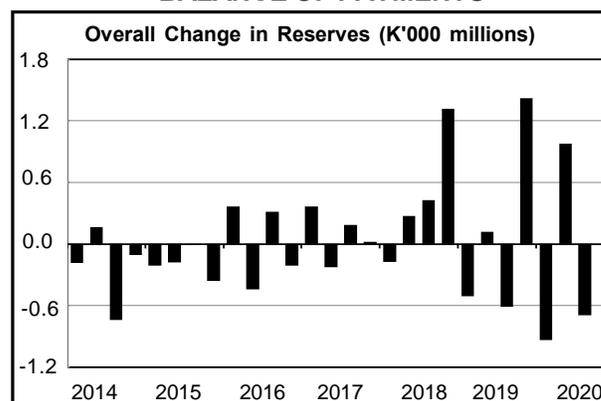
As a result of the developments in the trade, service, income and transfers accounts, the current account recorded a surplus of K12,728 million in the nine months to September 2020, compared to a surplus of K14,932 million in the corresponding period of 2019.

The capital account recorded a net inflow of K12 million for the nine months to September 2020, compared to a net inflow of K13 million for the corresponding period of 2019, due to lower transfers by donor agencies for project financing.

The financial account recorded a deficit of K13,395 million in the nine months to September 2020, compared to a deficit of K15,967 million in the corresponding period of 2019. The lower deficit was due to outflows from direct and other investments reflecting a build-up in foreign currency account balances of mining, oil and LNG companies, combined with the Government loan repayments.

As a result of these developments, the capital and financial account recorded a deficit of K13,384 million in the nine months to September 2020,

## BALANCE OF PAYMENTS



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compared to K15,954 million in the corresponding period of 2019.

### **SEPTEMBER QUARTER 2020 ON SEPTEMBER QUARTER 2019**

There was an overall balance of payments deficit of K693 million in the September quarter of 2020, compared to a deficit of K611 million in the September quarter of 2019. This was due to a higher deficit in the capital and financial account, which more than offset a surplus in the current account.

The value of merchandise exports was K7,035 million in the September quarter of 2020, compared to K9,752 million in the corresponding quarter of 2019. There were lower values for all of PNG's export commodities, with the exception of copper, cocoa, palm oil, rubber, other non-mineral and refined petroleum products.

The value of merchandise imports was K2,136.5 million in the September quarter of 2020, compared to K2,607.4 million in the corresponding quarter of 2019. There were lower general, mining and petroleum sector imports. The value of general imports was K1,284.1 million in the quarter, compared to K1,374.0 million in the September quarter of 2019, reflecting slow recovery of economic activities from the COVID-19 pandemic. Mining sector imports was K753.0 million in the quarter, compared to K1,075.6 million in the corresponding quarter of 2019. The decline reflected lower capital expenditure undertaken by the Ok Tedi, Lihir, Simberi, Hidden Valley, Kainantu and Ramu Nickel/Cobalt mines and alluvial gold producers, combined with the closure of the Porgera mine. The value of petroleum sector imports was K99.4 million in the quarter, compared to K157.9 million in the corresponding quarter of 2019. This mainly reflected lower exploration and drilling activities by a major resident petroleum company.

The services account had a deficit of K886 million in the September quarter, compared to a

deficit of K891 million in the September quarter of 2019. There were lower net payments for all services, except for insurance payments.

The income account recorded a deficit of K153 million in the September quarter, compared to K202 million in the corresponding quarter of 2019. The outcome was due to lower payments for interest and compensation of employees.

The transfers account had a surplus of K231 million in the September quarter, compared to a surplus of K317 million in the corresponding quarter of 2019. The outcome was accounted for by lower transfer receipts.

As a result of these developments in the trade, service, income and transfers accounts, the current account recorded a surplus of K4,090 million in the September quarter, compared to a surplus of K6,342 million in the corresponding quarter of 2019.

The capital account recorded a net inflow of K5 million in the September quarter of 2020, same as in the corresponding quarter of 2019, reflecting transfers by donor agencies for project financing. The financial account had a deficit of K4,796 million in the quarter, compared to a deficit of K6,975 million in the September quarter of 2019. There were net outflows from direct and other investments reflecting a build-up in offshore foreign currency account balances of mineral companies, including those allowed for under the various Project Development Agreements (PDAs), respectively. These combined with net outflows in Government and private sector loan repayments.

As a result of these developments, the capital and financial account recorded a deficit of K4,791 million in the quarter, compared to a deficit of K6,970 million in the corresponding quarter of 2019.

The level of gross foreign exchange reserves at the end of September 2020 was K7,135.6

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(US\$2,076.5) million, sufficient for 5.3 months of total and 8.6 months of non-mineral import cover.

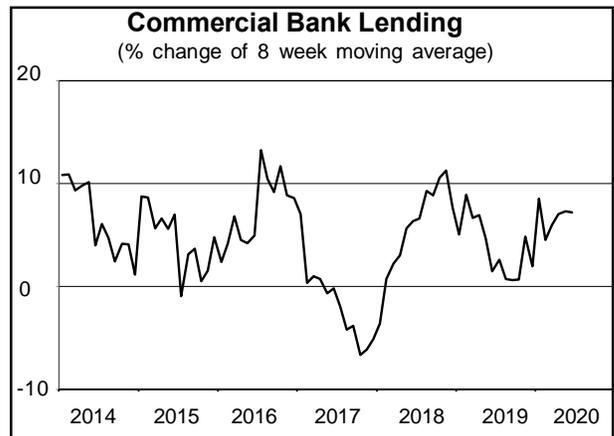
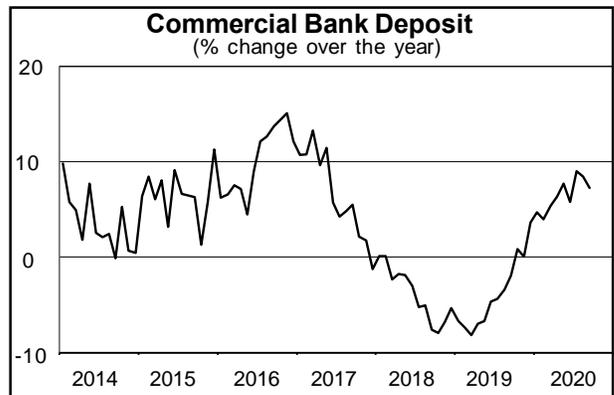
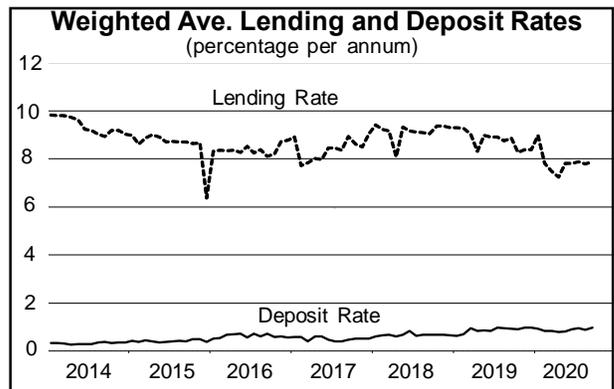
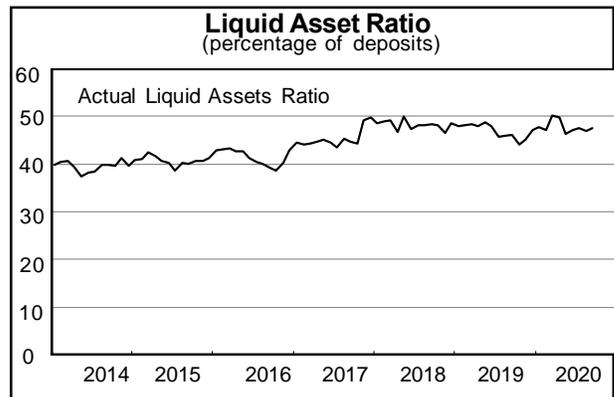
**6. MONETARY DEVELOPMENTS**

**INTEREST RATES AND LIQUIDITY**

The Central Bank maintained a neutral monetary policy stance during the September quarter of 2020, by keeping the KFR unchanged at 3.00 percent. The Bank did not undertake any additional change to its policy or instruments, following the measures it undertook in the first two quarters to support the economy from the adverse effects of the COVID-19 pandemic. The Repo Facility's dealing margin remained at 100 basis points on both sides of the KFR.

Interest rates on domestic securities generally declined at the shorter-end of the maturity structure, while remaining stable at the longer-end, over the September quarter of 2020. The CBBs weighted average interest rates for the 28-day, 63-day and 91-day terms decreased by 0.01 percent, 0.16 percent and 0.03 percent, to 1.37 percent, 2.07 percent and 2.41 percent, respectively. The decline in CBB rates reflected bidders competing for smaller amounts of CBBs on offer. The Government continued to issue Treasury bills at the longer-end of the maturity structure. Between the end of June and September 2020, the weighted average rates for the 273-day and 364-day terms were at the same levels as at the end of June at 6.04 percent and 7.20 percent, respectively, while the 182-day rate decreased by 0.02 percent to 4.64 percent. The other terms for both CBBs and Treasury bills were not offered.

The weighted average interest rates on wholesale deposits (K500,000 and above) offered by commercial banks generally decreased between June and September, 2020. The rates for the 30-day, 60-day, 90-day, 180-day and 360-day terms decreased to 2.21 percent, 0.56 percent, 0.35



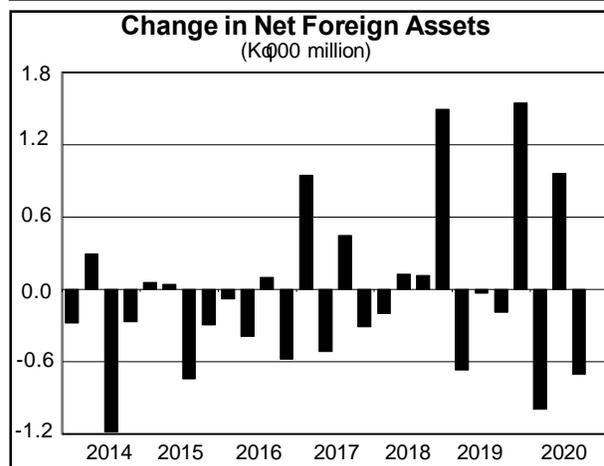
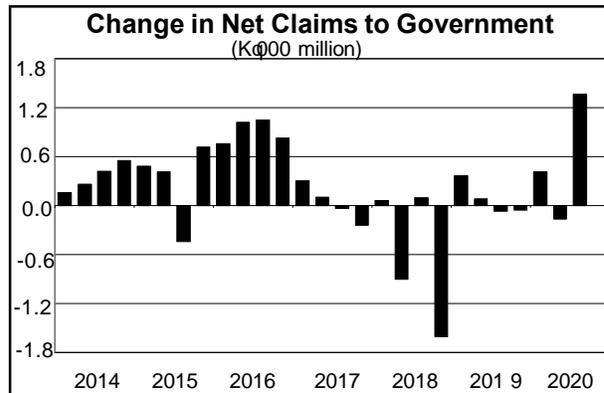
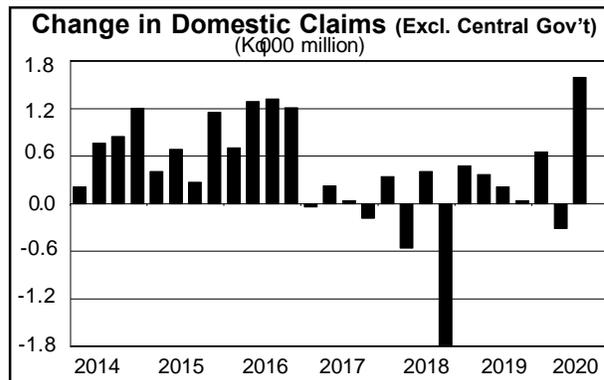
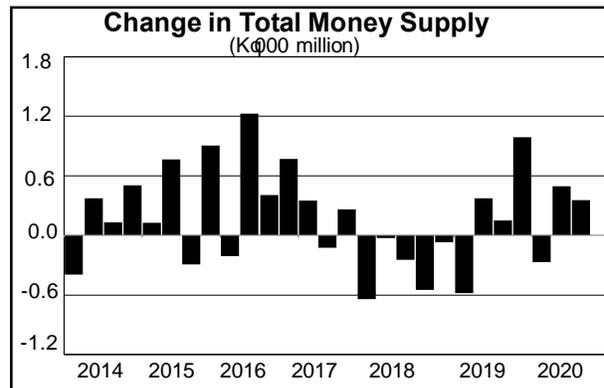
percent, 1.10 percent, and 1.00 percent, respectively, from 2.35 percent, 0.66 percent, 0.82 percent, 1.19 percent and 1.25 percent, while the 270-day term increased to 2.10 percent from 1.39 percent. The decline in wholesale deposit rates is attributed to high liquidity in the banking system. The weighted average interest rate on both total deposits and loans increased in September 2020, compared to June 2020.

The weighted average interest rate on total deposits increased to 0.99 percent from 0.91 percent and the weighted average interest rate on total loans increased to 7.87 percent from 7.82 percent. The commercial banks' Indicator Lending Rate (ILR) was unchanged at 10.10 percent - 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, given the additional liquidity injected from the Bank's policy measures implemented in the March quarter. There was a net retirement in CBBs of K197.2 million to support the easing stance. On the other hand, Government's domestic debt increased by K732.2 million during the September quarter, resulting from net issuance of K850.9 million in Treasury bills, which more than offset a net retirement of K90.9 million in Treasury bonds. The Central Bank's intervention in the foreign exchange market also assisted in diffusing some kina liquidity during the period. The CRR for the commercial banks remained at 7.00 percent during the quarter.

## MONEY SUPPLY

The average level of broad money supply (M3\*) increased by 2.5 percent in the September quarter of 2020, compared to an increase of 0.8 percent in the June quarter of 2020. This was due to increases in the average net foreign assets (NFA) and net domestic assets of the banking system. Average net domestic claims outstanding, excluding net claims on the Central



Government, declined by 0.1 percent in the September quarter of 2020, following an increase of 0.7 percent in the June quarter of 2020. This reflected decreases in average net claims on the private sector and public non-financial corporations, which more than offset an increase in OFCs.

The average level of monetary base (reserve money) increased by 1.9 percent during the September quarter of 2020, compared to an increase of 0.3 percent in the previous quarter. This reflected an increase in the average level of currency in circulation, which more than offset a decline in commercial banks' deposits held at the Central Bank.

The average level of narrow money supply (M1\*) increased by 4.3 percent in the September quarter of 2020, compared to a marginal increase in the June quarter of 2020. This was due to increases in the average level of transferable deposits and currency outside of the DCs. The average level of quasi money declined by 3.3 percent in the September quarter of 2020, compared to an increase of 3.3 percent in the previous quarter.

The average level of deposits in the ODCs increased to K24,052.4 million in the September quarter of 2020, from K23,685.5 million in the previous quarter. The increase was due to higher average deposits of other resident sectors, public non-financial corporations (SOEs) and the Government.

The NFA of the FCs, comprising DCs and OFCs, declined by 7.3 percent to K8,663.0 million in the September quarter of 2020, compared to an increase of 13.1 percent in the previous quarter. This reflected a decline in NFA of the Central Bank, which more than offset increases in NFA of the ODCs and OFCs. The decline in NFA of the Central Bank was mainly due to the monthly foreign currency intervention and repayment of Government external loans. The increase in NFA of both the ODCs and OFCs was due to an

increase in investments abroad.

Net claims on the Central Government by FCs increased by 12.8 percent to K15,361.1 million in the September quarter of 2020, compared to a decline of 1.5 percent in the previous quarter. This resulted from net issuance of Government securities and a decline in Government deposits held with the Central Bank.

## LENDING

In the September quarter of 2020, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' increased by 0.3 percent to K18,116.8 million, compared to a decline of 0.8 percent in the previous quarter. This reflected an increase of K89.1 million in credit to the private sector, which more than offset a decline of K29.5 million in claims by public non-financial corporations. The marginal increase in credit to the private sector was due to advances by ODCs (mainly commercial banks) to the 'Mining & Quarrying', 'Household (housing loans)', 'Manufacturing' and 'Electricity Gas and Water Supply' sectors, while the decline in the public non-financial corporations reflected repayments by the state-owned enterprises.

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## 7. PUBLIC FINANCE

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The fiscal operations of the National Government over the nine months to September 2020 showed a deficit of K3,259.2 million, compared to a deficit of K1,613.1 million in the corresponding period of 2019. The significantly higher deficit reflected lower revenue.

Total revenue and grants over the nine months to September was K7,568.8 million, 17.9 percent lower than in the same period of 2019, and represents 66.6 percent of the amount in the Supplementary Budget. Both the tax and non-tax receipts underperformed due to effect of the

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COVID-19 pandemic on economic and business activity, while foreign grants were also low.

Total tax revenue was K6,992.6 million, 9.4 percent lower than in the corresponding period of 2019 and represents 72.5 percent of the amount in the Supplementary Budget. Direct tax receipts totalled K4,177.5 million, 5.6 percent lower than in the same period of 2019 and represents 74.2 percent of the revised Budget. This was due to lower revenue collections in company and other direct taxes. The mining and petroleum, gaming, and departure taxes were affected by the containment measures for the COVID-19 pandemic, with the closure of gambling sites and travel restrictions. There was also lower collection in other taxes including stamp duties and licencing fees.

Indirect tax revenue over the nine months to September 2020 totalled K2,815.1 million, 14.3 percent lower than in the same period of 2019 and represents 70.1 percent of the Supplementary Budget. This decline was due to lower trade taxes, mainly excise and import duties and export tax.

Total non-tax revenue for the period was K576.2 million, 14.3 percent lower than in the corresponding period of 2019, and represents 73.9 percent of the Supplementary Budget. This decline was due to lower internal revenue in fees and charges since the Public Monies Management Regularization (PMMR) Act was ruled unlawful resulting in lower receipts in 2020. There were no foreign grants reported up to September 2020, compared to K831.4 million reported in the same period in 2019. Due to the COVID-19 pandemic, reporting institutions (development partners) did not submit their annual reports.

Total expenditure for the period was K10,828.0 million, marginally lower than in the corresponding

period of 2019 and represents 60.2 percent of the Supplementary Budget.

Recurrent expenditure was K8,948.5 million, 11.6 percent higher than in the corresponding period of 2019 and represents 76.4 percent of the revised appropriations. There was an increase in national government and statutory agencies expenditures. Provincial governments expenditures and interest payments, showed slight declines, compared to the same period in 2019.

Total development expenditure for the period was K1,879.5 million, 33.1 percent lower than in the corresponding period in 2019, and represents 29.9 percent of the revised appropriations. The lower development spending was due to lower capital investment on projects combined with reduced Government counterpart funding on projects. Given the impact of the COVID-19 pandemic on the Government's cash flow, most capital projects and programs were deferred to the following year.

As a result of these developments in revenue and expenditure, the Government recorded a budget deficit of K3,259.2 million. The deficit was financed from domestic and external sources totalling K2,252.2 million and K1,007.0 million, respectively. Net domestic financing comprised K388.4 million, K2,035.8 million, and K629.7 million from the Bank of PNG, ODC's and OFCs, respectively. These more than offset a net retirement of Government securities of K752.0 million by other resident sectors and K49.7 million from public non-financial corporations. The net external financing was mainly from the drawn down of the IMF's Rapid Credit Facility (RCF) of K1,240.6 million and K650.6 million from concessional sources, which more than offset a repayment of K884.2 million to commercial sources.

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