

ECONOMIC & MARKET INSIGHT



SEPTEMBER QUARTER 2016

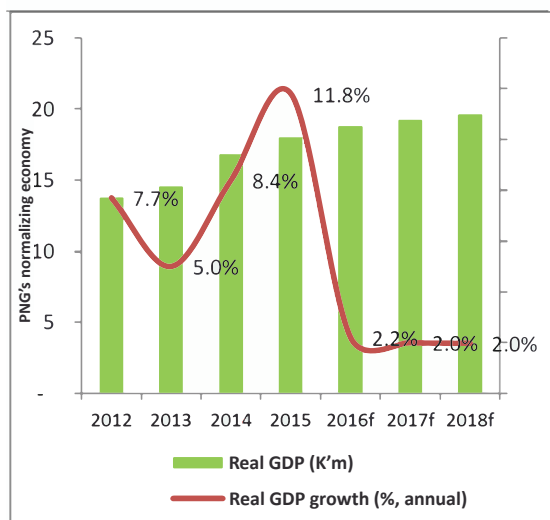
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Highlights

- The International Monetary Fund (IMF) projects global growth to reach 3.1% this year, before recovering to 3.4% in 2017. IMF stated that global growth will remain subdued in 2016 following a slowdown in United States and persistent stagnation in advanced economies, though emerging market and developing economies are expected to grow (unevenly) higher than in 2015.
- IMF downgraded its projected growth rate of advanced economies to 1.6% in 2016, less than last year's 2.1% pace and down from the July forecast of 1.8%. Growth in emerging market and developing economies will accelerate to 4.2%, slightly higher than the July forecast of 4.1%.
- Commodity prices fell by 3.0% over the September quarter reflecting decreases in energy and non-energy prices. Agriculture prices performed better than energy, with Brent Crude oil down by 4.7% to \$46.19 ending September from \$48.48 in June. Commodity prices are expected to remain 'low for long.'
- Asian Development Bank (ADB) released its strategic Pacific Approach 2016–2020 which focuses on reducing the high costs of business and services; better managing economic, financial, and climate change risks; and creating conditions to enable the private sector to grow in 11 smaller Pacific Island Countries (PIC). ADB also launched its paper on state-owned enterprises (SOE) performance in the Pacific.
- The Central Banks in PNG, Solomon Islands and Samoa released their Monetary Policy Statements (MPS) for September 2016. All policy statements cited slow global economic growth and the low commodity prices and the mixed impact on economic activity.
- Besides the MPS, PNG also released its Mid-Year-Economic & Fiscal Outlook (MYEFO) which points to a 'normalising' economy. Economic growth is projected to average 2.8% in 2016-2018, after the 2016 projection was downgraded to 2.2% in MYEFO from 4.3% in the 2016 Budget. The Government faces challenges in its fiscal policy management in light of the subdued commodity prices and the 2017 National Elections.

PNG's normalizing economy



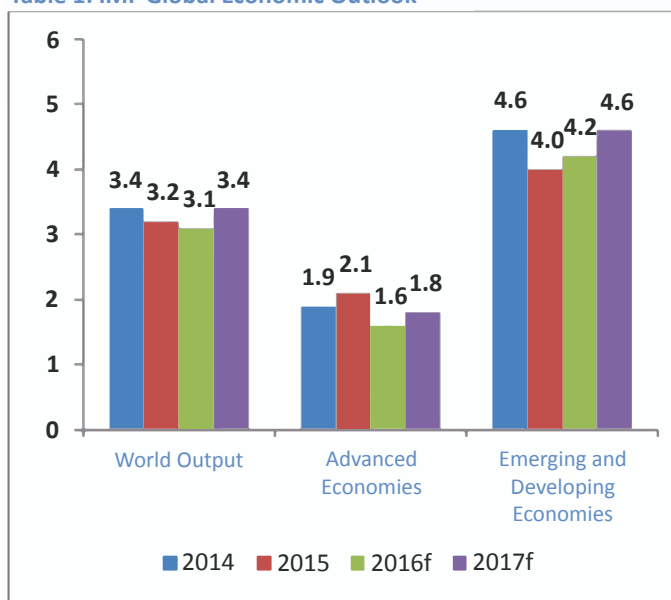
Source: 2016 MYEFO & National Budget, ADB, BSP

Global Economy

The global economy is continuing to grow, albeit at a lower than average pace. IMF stated that global growth will remain subdued in 2016 following a slowdown in United States and persistent stagnation in advanced economies, though emerging market and developing economies are expected to grow (unevenly) higher than in 2015. Global GDP growth is expected at 3.1% this year before recovering to 3.4% in 2017.

IMF downgraded its projected growth rate of advanced economies to 1.6% in 2016, less than last year's 2.1% pace and down from the July forecast of 1.8%. This was due to its downgrade of US growth forecast of 2016 to 1.6% in October, from 2.2% in July. US growth was disappointing in the 2Q'16, reflecting weak business investment and diminishing stockpiles of goods. Although financial market reaction to the result of Brexit has been contained, the increase in economic, political, and institutional uncertainty and the likely reduction in trade and financial flows between the UK and the rest of the EU was the main reason for the downgrade.

Table 1: IMF Global Economic Outlook



Source: International Monetary Fund, BSP

The euro area will expand 1.7% this year and 1.5% next year, compared with 2% growth in 2015. Turning to Japan, growth is expected to remain subdued at 0.5% this year and increase marginally to 0.6% in 2017. Japan grew at an annualized rate of 0.7% in the 2H'16 reflecting weaker external demand and corporate investment.

Turning to China being the power house of emerging market and developing economies, policymakers continue to shift the economy away from its reliance on investment and industry toward consumption and services which may slow growth in the medium term. Chinese growth in 2016 is projected to expand by 6.6%, down from 6.9% last year. India's growth continues to be resilient, with IMF forecast GDP to expand 7.6% in 2016 and 2017, the fastest pace among the world's major economies. Overall, growth in emerging market and developing economies will accelerate to 4.2%, slightly higher than the July forecast of 4.1%.

In Australia, growth is at a moderate pace with large decline in mining investments been offset by growth in other sectors, including residential construction, public demand and exports. Australia and NZ growth is projected to be 2.7% and 2.8% in 2016 and 3.0% and 2.7% in 2017 respectively. This will likely have impact on the Pacific economies that depend on tourism and trade with Australia and NZ.

On global currencies, the A\$ was one of the better performing currencies within the G10 currency basket despite the RBA cutting the cash rate to a record low 1.5% in May 2016. The U.S. dollar was largely unchanged reflecting continued uncertainty around the timing of U.S. interest rate rises. The Fed's desire to normalize monetary policy continues to be challenged by weaker than expected economic data. The pound was the weakest G10 performer following the U.K.'s decision to exit the European Union.

Commodities

IMF Commodity Price Index fell 3.0% over the September quarter reflecting decreases in energy and non-energy prices. Similarly, Bloomberg Commodity Index lost over 4%, driven by weakness in agricultural products. According to the World Bank, most commodity prices will decline between 2015 and 2017 (see table below). Most of PNG's export commodity prices are projected to be lower than 2015, having rippling impact on the economy.

Table 1: Commodity Price Expectations

| Agriculture Units | 2014 | 2015 | 2016F | 2017F | CAGR 15-17 |
|-------------------------------|--------|--------|-------|-------|------------|
| Palm Oil \$/MT | 739 | 565 | 626 | 623 | 3.3% |
| Coffee cts/lb | 106 | 94 | 77 | 78 | -6.0% |
| Sugar cts/lb | 17 | 13 | 17 | 17 | 9.4% |
| Cocoa \$/MT | 3,063 | 3,135 | 3,098 | 3,008 | -1.4% |
| Resources and Minerals | | | | | |
| Crude Oil \$/bbl | 96 | 51 | 43 | 53 | 1.6% |
| Gold \$/toz | 1,265 | 1,161 | 1,250 | 1,219 | 1.6% |
| Copper \$/MT | 6,863 | 5,511 | 4,707 | 4,694 | -5.2% |
| Nickle \$/MT | 16,893 | 11,863 | 8,506 | 8,532 | -10.4% |
| Zinc \$/MT | 2,161 | 1,932 | 1,839 | 1,899 | -6% |
| Natural Gas (LNG) \$/MMBTU | 16 | 10 | 7 | 7 | -11.1% |

Source: World Bank, Pink Sheet, and BSP.

Oil displayed extreme volatility, at one point trading below \$40 a barrel before recovering to \$48. The recovery inspired by talks of an OPEC production cap was not able to hold by the end of the quarter. Brent Crude oil prices declined by 4.7% to \$46.19 ending September from \$48.48 in June 2016. Gold and copper both finished the quarter flat.

According to IEA Oil Market Report for September, global oil demand growth is slowing at a faster pace than initially predicted. The consensus is for LNG market to remain oversupplied until 2020. The report stated that supply will continue to outpace demand at least through the 1H'17. Global inventories will continue to grow: OECD stockpiles in July extended through the 3.1bn barrel wall. This supports our view that commodity prices will likely remain low for long.

Pacific Overview

The ADB released its strategy in the Pacific region titled the Pacific Approach 2016–2020 and its studies into SOE performance in the Pacific region. The Pacific Approach 2016-2020 focuses on reducing the high costs of business and services; better managing economic, financial, and climate change risks; and creating conditions to enable the private sector to grow. This will serve as the overall country partnership strategy for the Cook Islands, Kiribati, and the Republic of the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu. PNG and Fiji will each have separate strategic plans. PNG will benefit from an increase in ADB financing from \$US743.7m (K2.415b) for 2016 – 2018 to \$US1, 668.4m (K5.417b) between 2017 and 2019.

Table 2: SEO Performance Indicators (%)

| Country | Average ROA | Average ROE | Contributing to GDP |
|------------------|-------------|-------------|---------------------|
| | 2010-2014 | 2010-2014 | 2014 |
| PNG | 1.3 | 2.4 | 1.8 |
| Solomon Islands | 6.7 | 10.0 | 3.6 |
| Fiji | 1.5 | 3.3 | 4.3 |
| Tonga | 2.5 | 3.9 | 7.1 |
| Samoa | (0.3) | (0.6) | 3.0 |
| Vanuatu | 0.8 | 3.7 | 1.8 |
| Marshall Islands | (3.7) | (8.1) | 5.3 |
| Mauritius | 3.4 | 7.4 | 1.9 |
| NZ | (0.4) | (1.3) | 1.2 |
| Singapore | 5.1 | 10.4 | 3.9 |

Source: Asia Development Bank

BSP attended the launching of the ADB report on 'Finding the Balance 2016' which assesses the financial performance of SOE's in the Pacific region compared to Singapore and NZ. Based on the report (summarised in Table 2), Solomon Islands SOE's were the best performing since their restructure in 2010. The report highlighted weakening political commitment to protect and enforce the commercial imperative, with political interference being a notable risk.

PNG and Fiji has rejected the negotiation on the PACER-plus agreement. According to sources, Fiji trade minister, Faiyaz Koya citing lack of flexibility by Australia and NZ on concerns raised. These concerns include the fact that the agreement, did not provide long term improved market access; preserving policy space and binding commitments on labour mobility and development cooperation. Vanuatu is reluctant to sign the agreement which is expected to be signed by the end of the year.

Papua New Guinea

PNG's economic growth is normalising after experiencing its longest period of real GDP growth since 2002, with growth averaging 8.0% in the last decade. Economic growth is projected to average 2.8% in 2016-2018, after the 2016 projections was downgraded to 2.2% in July from 4.3% projected in the 2016 Budget. The downward revision reflected low export commodity prices and its impact on government revenue. Though it is lower than its historical average, PNG's growth is 'not far off' from regional and global growth levels.

Nonetheless, businesses will likely make difficult decisions to maintain previous trend in this normalising economy. In

testament, some publicly listed companies reported decreases in their half-year performance. For example, City Pharmacy Group announced a net loss before tax of K16k compared to a profit of K3.04m in 2015. The company stated that domestic consumption dropped, with the company focusing on tight cost controls and inventory management. Steamships Trading Company Ltd also expressed similar sentiment in its half-year report.

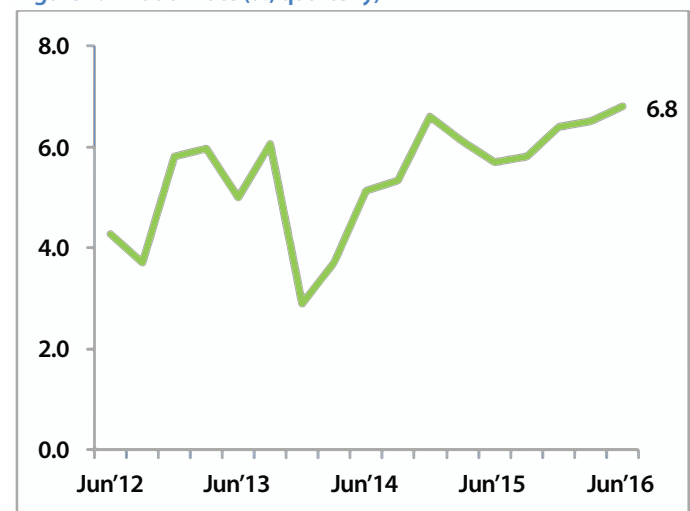
The non-mineral sectors are expected to grow by 2.6% in 2016 and 3.6% in 2017. This will be led by strong growth in the agriculture sector as an aftermath of the El-Nino impact. In addition, manufacturing and construction are expected to strengthen in 2017 and 2018. The 2018 APEC meeting will see the Government and businesses spending in preparation of the event. In fact, the Government announced the construction of the K120m APEC Haus project (The National, 3rd Oct 2016).

The government passed a supplementary budget in August to realign spending to revenue to maintain the deficit level. With commodity prices expected to remain subdued and major expenditure items coming up, it is critically important that the government manage its cash-flow prudentially.

Consumer Price Index

Inflation continued its gradual increase, rising by 40 basis points to 6.8% in the June quarter of 2016 from 6.4% at the end of 2015. Alcoholic beverages, tobacco and betelnut, Health and Transport groups showed the biggest increase in the March quarter 2016. According to Bank of PNG report, annual headline Retail Price Index (RPI) increased by 0.5% to June. This reflects continued increases in prices.

Figure 2: Inflation rate (% quarterly)



Source: Bank of PNG, BSP

Inflation is considered 'manageable' by the Bank of PNG which will likely see the continuation of the Bank's neutral stance. Bank of PNG revised its inflation projection for 2016 to 7.0% from 6.5% in March 2016. This reflects the volatile movement in prices of seasonal items and the impact of further depreciation.

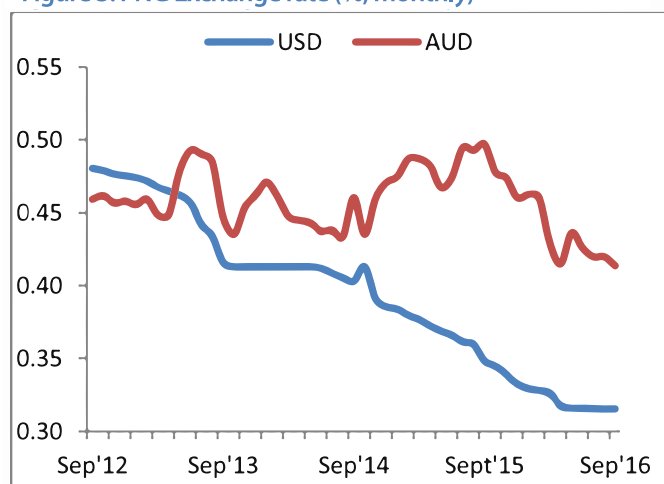
Inflation affects all aspects of the economy, from consumer spending, business investment and employment rates and interest rates. Most businesses will likely see an increase in their costs which will impact their bottom-line. The normalising

economy does not provide much comfort, hence tough business decisions will have to be made.

PNG Exchange Rate

The PNG kina showed some stability in the September quarter, with the Bank of PNG reference rate dropping 5 bps from 0.3160 to 0.3155. This reflects improved supply and demand dynamics. Market turnover continued at the levels seen in the second quarter when the Ok Tedi mine resumed production. Agricultural inflows were also robust, particularly for coffee and cocoa. Strong inflows helped the market address some of the imbalances caused by the foreign currency shortage.

Figure 3: PNG Exchange rate (% monthly)



Source: Bank of PNG, BSP

Bank of PNG intervention was less than seen in the previous quarter. The Central Bank has been able to improve its foreign currency reserves by virtue of a US\$200m loan from Credit Suisse. Efforts continue to access further funding by a syndicated commercial loan and/or a sovereign bond issue. Against the A\$ the kina fared less well, weakening by 2.5% from 0.4109 to 0.4004. Since the FX band, the PGK has depreciated by 12.7% and 13.8% against the A\$ and US\$ respectively.

Fiscal Position

The preliminary outcome of the government's fiscal operations show an overall deficit of K624.8m (0.9% of GDP) for the six months to June, compared to a deficit of K942.0m in the corresponding period of 2015. According to September MPS, the government has obtained an external commercial loan of US\$200m to assist finance the budget deficit and as a temporary alleviation to the foreign exchange challenges. The supplementary budget entails expenditure cuts of K928m and additional revenue of K958m, smoothing out the projected shortfall of K1,886m reported in the 2016 MYEFO.

Table 3: 2016 Supplementary Budget

| | 2015 FBO | 2016 FBO | 2016 MYEFO | Supp Bud | Movement |
|-------------------|----------|----------|------------|----------|----------|
| Revenue (K'm) | 10,964 | 12,179 | 10,764 | 11,722 | +958 |
| Expenditure (K'm) | 13,496 | 14,209 | 14,763 | 13,835 | -928 |
| Deficit (K'm) | 2,533 | 2,030 | 3,999 | 2,113 | +958 |
| Deficit % of GDP | 3.9 | 3.7 | 5.9 | 3.1 | |

Source: 2016 Supplementary Budget

The National Executive Council (NEC) has extended the deadline for impacted landowners and LNG provinces to pay for Kroton

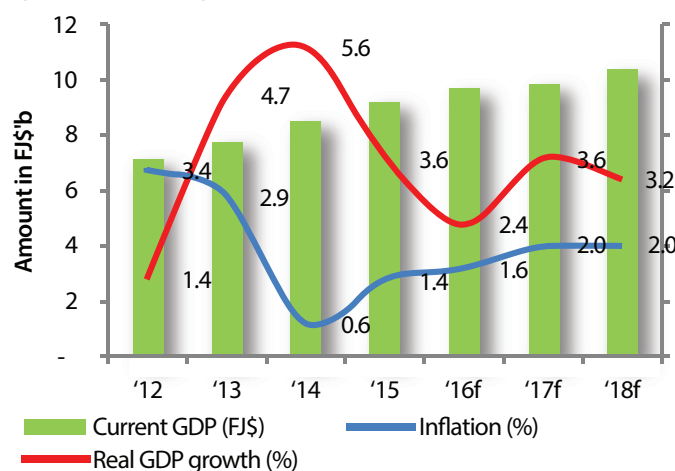
shares in the LNG Project held by the National Government. Prime Minister Peter O'Neill said under the Umbrella Benefit Sharing Agreement (UBSA), the LNG provinces and landowners have the option to acquire 4.27% in Kroton for US\$1.1bn, and as such NEC has approved the deadline to be extended to December 31, 2016, which should be sufficient to raise capital for the acquisition. Meanwhile, PNG Power has announced a dividend of K63m to the State, which will assist in the supplementary budget of 2016.

BSP expects 2017 National Election to be a priority for the government with writs to be issued in April next year. PNG Government has sought US\$300m funding from ADB to support the budget. The Treasurer, Mr. Patrick Pruaich stated that the assistance will enable the restructure of the domestic debt portfolio to keep it under prudent levels. Spending within plans is critical given the fiscal difficulties faced, though history shows excessive spending during the election period.

Fiji

As reported in our last publication, 2016 GDP growth forecast has been revised downward to 2.4% in 2016, from the earlier forecast of 3.5%. This reflected the impact of tropical cyclone Winston in February and flooding in April this year. Agriculture sector was mostly hit, while transport & storage; wholesale & retail trade; and construction amongst others are expected to drive growth.

Figure 4: Economic growth vs. Inflation



Source: Reserve Bank of Fiji, BSP

Consumer confidence indicators were favourable over 1H'16 with RBF Business Expectations Survey showing business optimism. Both new and second hand vehicle registrations rose, RBF Retail Sales Survey indicate firm growth in retail sales (+8.5% y-o-y) this year. Consumption activity was largely supported by improving labour market, higher household disposable incomes, the Fiji National Provident Fund (FNPF) pay-out and increase in personal remittance.

RBF also released its Insurance Report 2015, which shows that the insurance industry maintained positive earnings levels and sound solvency positions, with gross premium income down marginally to \$290.2m. The Governor stated that 2016 is a year of possibilities and they look forward to launching a bundled inclusive insurance product with the industry this year.

Inflation rose for the fourth consecutive month in July to 5.5%,

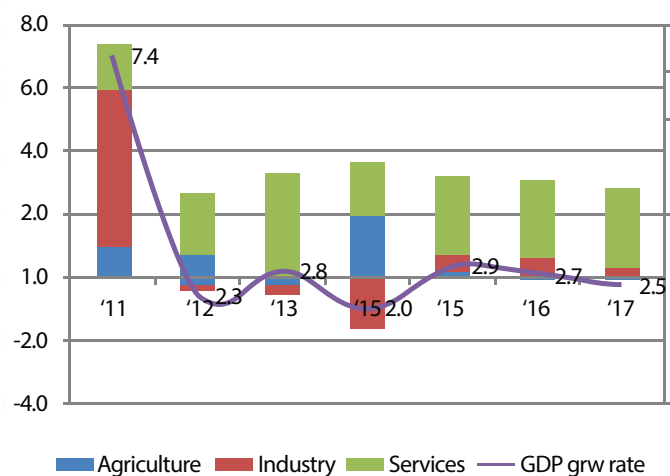
led by shortages in market related items following the natural disasters earlier this year, higher excise duty on alcoholic beverages and tobacco and the increase in fuel prices. Annual inflation in 2016 is expected to be 3.5%.

The Brexit referendum is expected to have minimal impact on the Fiji economy. Sugar production which contributes around 1.4% of GDP will not be materially impacted. Fiji has a trade quota under the African, Caribbean and the Pacific trade agreement with the EU. In addition, export price is negotiated with the buyer before the beginning of each season. However, the expiration of the preferential quota agreement on 1st October 2017 is expected to have an adverse impact on the sugar industry.

Solomon Islands

Domestic economic growth was upgraded to 3.2% (+30 bps) in the September MPS, compared to 2.9% projected in March. The upgrade reflects growth in major categories, with production, construction, tourism and employment expected to support growth. In summary, primary sectors is expected to rise by 1.5%, industry sectors up by 4.5% and services sector up by 3.9% (illustrated below). CBSI commented that, while the growth in primary and services sectors is lower than the previous year, industry sectors bounced back from the negative growth in 2015.

Figure 5: Economic growth vs Inflation



Source: Central Bank of Solomon Islands, BSP

Investments were reported to have moderated June YTD, as suggested by credit to private sector lower growth of 4% to \$2,070m and decline in FDI applications. External conditions improved somewhat, owing to improvements in the capital and financial account that outweighed the widening current account deficit.

Headline inflation eased further to 2.9% in June from 4.1% in May. The fall was underpinned by the declines in both imported and domestic inflation rates. The reduction in imported inflation mainly reflected price decreases in the food, housing & utilities, transport and communications and the recreation categories whilst the easing in domestic inflation came from price falls in domestic food and drinks & tobacco. CBSI noted that, price pressures are projected to ease further in the second half of 2016, pushing inflation rate below the initial March 2016

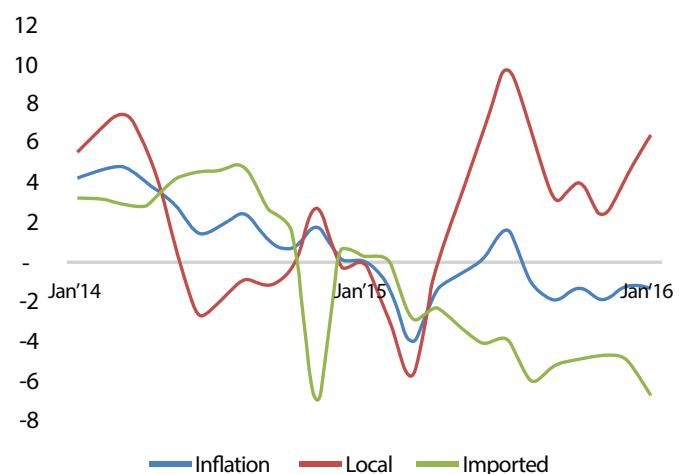
projected range of 3%-5% for 2016.

The fiscal sector was reported to have performed weakly against budget. Shortfalls in revenue collection had affected spending plans in 2016. The government recorded a deficit of \$139m in July compared to \$51m deficit in June. Both revenue and expenditure fell 43% and 14% short of their respective budgets. The fall in revenue was attributed mainly to a 30% decline in tax revenue to \$172m and a drop in non-tax revenue to \$6m from \$12m.

Samoa

According to MPS September, the Samoan economy is expected to grow by 3.3% in 2016, driven mainly by strong performance in fishing, construction, commerce and transport sectors. Low oil prices helped boost activity in the transport and energy sectors, and as implementation of public infrastructure projects improved. Real GDP is projected to be down to 1.8%, due to the closure of Yazaki Samoa in 2017. The closure of the manufacturing plant will have an impact on employment and export processing services, amongst other economic activities.

Figure 6: Inflation



Source: Central Bank of Samoa, BSP

Annual average headline inflation rate increased to 5.0% in 2016 from 4.0% in 2015. Imported inflation has trended downwards, however domestic prices rose steadily during the year led by taro prices.

On the fiscal front, the government continuous to consolidate its spending and improving its revenue collection efforts to meet its fiscal budget target of 3.5% of GDP. Recurrent spending has been reduced to be in line with its recurrent revenue in order to achieve long term budget sustainability and rebuilding of fiscal buffers. On the monetary policy side, liquidity conditions in the financial system continued to improve with average commercial banks' excess reserves rising for the third year in row to \$36.5m in 2016 from \$129.7m last year.

Visitor earnings grew by 12.1% to \$389.3m in 2016, compared to the average growth rates of 2.8% in the past 5 years. The number of visitors rose by 9.4% due to higher number of tourists from New Zealand, USA, other countries and Europe.

Tonga

Agricultural exports, construction activities and lending activities rose over the month of June. The trade sector advanced, coinciding with a rise in container registrations by 65 registrations (7.5%) over the month of August. International arrivals also increased by 3,189 passengers (36.6%) indicating an active tourism sector. Sector performance continues to support the real GDP projection of 3.3% growth in 2016.

The National Reserve Bank of Tonga won the Maya Declaration Award for 2016 in the Alliance for Financial Inclusions' (AFI) 8th Global Policy Forum (GPF) held in Nadi (Fiji). This award recognizes NRBT as the institution with clear and measurable targets, and the most dedicated progress reporting via the AFI Data Portal, which is the AFI's integrated global database on financial inclusion policies, regulations, and outcomes, that allows members to track and view progress made against their Maya Declaration Commitments as well as key financial inclusion indicators.

Headline inflation was at its highest for this year at 1.6% in August, driven by increases in the prices of imported food component. The high prices were due to the imposed customs and excise tax in July on certain cuts of meat, including lamb flaps and chicken pieces to name a few. In year ended terms, inflation stood at a record 5.1%.

Total bank lending increased by \$3.6m or 1.0% to \$352.3m over the month of June 2016. This was driven by household loans attributed mainly to continued increase in both housing and vehicle loans. Business loans slightly rose over the month, driven by an increase in loans to the agricultural sector and public enterprises.

Cook Islands

The Pacific Private Sector Development Initiative's technical support continues to progress well. The reforms consist of drafting of a new modernized Companies Act and a Personal Property Securities Act (PPSA) tailored to meet local conditions. The bills, having been drafted, were presented to stakeholders in a visit in August and are now being finalized and will require final endorsement by cabinet later this year.

According to Ministry of Finance & Economic Management (MFEM) annual headline inflation fell by 0.1%, while underlying inflation increased by 2.0% in March quarter 2016.

The review of the Los Angeles and Sydney underwritten flights by Air New Zealand are estimated to have a positive effect for the Cook Islands economy, with the additional spending by overseas visitors outweighing the cost to the taxpayer, particularly for the direct to Los Angeles service. The reviewers concluded that the underwriters are delivering positive benefits to the country but there is room for improvement.

Vanuatu

According to the recently concluded IMF Mission, growth is projected to reach 4.0% in 2016 and 4.5% in 2017 driven by the recovery in tourism and agricultural production, and further ramping-up of infrastructure projects. In April 2016, the Macroeconomic Committee (MEC) revised the 2015 real GDP growth forecast to 1.3% (from its previous forecast of 2.5% in its February 2016 meeting) a gradual growth from 2.3% in 2014. Merchandise trade provisional figures for June 2016 recorded a deficit balance of VT2,493m, a decline of 62% or VT4,137m from the previous corresponding period. This was due to the higher imports (VT3,020) which exceeded total exports of VT527m.

Consumer Price Index (CPI) for March 2016 indicated a slight increase of 0.8%, according to Vanuatu National Statistics Office (VNSO). The main contributors include; School fees for both private and public schools in Port Vila and Luganville, fruits and vegetables in Port Vila, international airline fares from Port Vila to other destination, and mobile phones in both regions. Given the lower commodity prices inflation is projected to remain below 3% although expanding domestic demand may put some pressure on supply.

SOE's continue to be a drain on both economic growth and the budget. ADB identified unfunded community service obligations as a particular problem. Reforms under a planned SOE bill would help strengthen SOE performance.

MARKET RATES

| FOREIGN EXCHANGE | | | |
|------------------|--------|--------|-----------|
| | JULY | AUGUST | SEPTEMBER |
| PGK/USD | 0.3155 | 0.3155 | 0.3155 |
| FJD/USD | 0.4816 | 0.4837 | 0.4875 |
| SBD/USD | 0.1263 | 0.1268 | 0.1278 |
| WST/USD | 0.3927 | 0.3954 | 0.3976 |
| TOP/USD | 0.4524 | 0.4524 | 0.4599 |
| NZD/USD | 0.6959 | 0.6695 | 0.7114 |
| VUV/USD | 0.0290 | 0.0292 | 0.0297 |

| COMMODITIES | | | |
|-------------------------------|--------|--------|-----------|
| | JULY | AUGUST | SEPTEMBER |
| Oil (US\$ per barrel WTI) | 48 | 40 | 40 |
| Gold (US\$ per ounce) | 1,339 | 1,359 | 1,317 |
| Copper (US\$ per metric ton) | 4,911 | 4,607 | 4,865 |
| Nickel (US\$ per metric ton) | 10,587 | 9,775 | 10,528 |
| Palm Oil (MYR per metric ton) | 2,349 | 2,789 | 2,775 |
| Coffee (US\$ per LB) | 146 | 143 | 151 |
| Cocoa (US\$ per metric ton) | 2,995 | 2,926 | 2,897 |
| Sugar (US\$ per LB) | 20.78 | 18.81 | 19.59 |
| Lumber (US\$ per 1,000 feet) | 314 | 314 | 311 |

MACRO DATA

| Real GDP Growth (% annual) | | | | |
|----------------------------|------|------|-------|-------|
| | 2014 | 2015 | 2016f | 2017f |
| PNG | 13.3 | 9.9 | 2.2* | 2.0* |
| Fiji | 5.3 | 4.5 | 2.4 | 3.6 |
| Solomon Islands | 1.0 | 2.9 | 3.2 | 2.5 |
| Samoa | 1.2 | 1.7 | 2.0 | 0.5 |
| Tonga | 2.0 | 3.4 | 2.8 | 2.7 |
| Cook Islands | -1.2 | -0.5 | 0.0 | 0.2 |
| Vanuatu | 2.3 | -1.0 | 4.0 | 4.5 |

| Fiscal Balance (% of GDP) | | | | |
|---------------------------|------|------|--------|-------|
| | 2014 | 2015 | 2016f | 2017f |
| PNG | -6.9 | -5.0 | -3.1** | -2.3 |
| Fiji | -4.1 | -2.5 | -2.9 | -2.5 |
| Solomon Islands | -1.3 | -3.5 | 3.0 | na |
| Samoa | -4.8 | -4.2 | -3.9 | na |
| Tonga | -0.2 | -0.1 | -0.2 | na |
| Cook Islands | -5.4 | -7.4 | -6.1 | na |
| Vanuatu | 1.0 | -1.5 | -9.8 | -10.8 |

| Inflation (%) | | | | |
|-----------------|------|------|-------|-------|
| | 2014 | 2015 | 2016f | 2017f |
| PNG | 5.2 | 6.4 | 7.0** | 7.5 |
| Fiji | 0.6 | 1.4 | 3.5^ | 3.0 |
| Solomon Islands | 5.2 | -0.3 | 4.4 | 5.7 |
| Samoa | -1.2 | 1.9 | 2.0 | 2.0 |
| Tonga | 2.1 | -0.7 | -0.3 | 0.5 |
| Cook Islands | 1.6 | 3.0 | 1.8 | 2.0 |
| Vanuatu | 1.1 | 1.4 | 1.9 | 2.4 |

| Foreign Exchange Reserves (USD m) | | | | |
|-----------------------------------|-------|-------|---------|---------|
| | 2014 | 2015 | 2016f | 2017f |
| PNG | 2,296 | 1,920 | 1,725** | 1,620** |
| Fiji | 913 | 872 | 780 | na |
| Solomon Islands | 530 | 550 | 550 | na |
| Samoa | 155 | 156 | 160 | na |
| Tonga | 138 | 140 | 140 | na |
| Cook Islands | na | na | na | na |
| Vanuatu | na | na | na | na |

Economic Data Sources:

Commodities & FX: Bloomberg
 PNG: 2016 Budget, Department of Treasury, Bank of PNG, ADB, BSP
 Fiji: Reserve Bank of Fiji, ADB, IMF, BSP
 Solomon Islands: Central Bank of Solomon Islands, ADB, IMF, BSP
 Samoa: Samoa Bureau of Statistics, ADB, IMF, BSP
 Cook Islands: Financial Supervisory Commission, ADB, IMF, BSP
 Tonga: Tonga Department of Statistics, IMF, ADB, BSP
 Vanuatu: ADB, Reserve Bank of Vanuatu, BSP

*Revised in the MYEFO'16, ** MPS Sept'16, ^ Recent RBF projections

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