PACIFIC ECONOMIC & MARKET
INSIGHTS

BSP

DECEMBER QUARTER 2017

Contents

Strengthened global growth

Global Growth Forecasts (% change)	2015	2016	2017	2018F	2019F
World	*2.8*	*2.4*	*3.0*	*3.1*	*3.0*
Advanced economies	*2.2*	*1.6*	*2.3*	*2.2*	*1.9*
US	2.9	1.5	2.3	2.5	2.2
Euro Area	2.1	1.8	2.4	2.1	1.7
Japan	1.4	0.9	1.7	1.3	0.8
Emerging market & developing economies	*3.6*	*3.7*	*4.3*	*4.5*	*4.7*
China	6.9	6.7	6.8	6.4	6.3
India	8.0	7.1	6.7	7.3	7.5
Australia	2.4	2.5	2.2	2.9	2.7
New Zealand	3.2	3.6	3.5	3.0	2.4

Source: World Bank GEP, January 2018

Highlights

- Global growth has strengthened in 2017 due to stronger than expected growth in advanced economies and recovery in emerging and developing economies. Global output is estimated to have grown by 3.0% in 2017. The World Bank recently (January 2018) upgraded its growth projections for 2018 to 3.1%, from 2.9% in June 2017.

- The US economy grew by 2.3% in 2017, despite policy uncertainty around the Trump Administration. The Euro Area surprised economists by posting growth of 2.5% in 2017, spurred by policy stimulus and strengthening global demand. Japan's economy grew by 1.7% in 2017, compared to 0.9% in 2016. Growth in China and other emerging and developing economies was stronger, supported by the recovery in commodity prices.

- Commodity prices improved in 2017, as indicated by a 24% increase in World Bank's *Energy Price Index* and 5% increase in *Non-Energy Price Index*. Brent crude oil price rose to $53.0/bbl, as a consequence of strong demand and agreed production cuts by oil exporters. Agriculture prices rose slightly and are expected to stabilise in 2018.

- The Pacific subregion is estimated to have grown by 2.9% in 2017 and is projected to grow by 3.2% in 2018. The moderate economic growth in PNG will continue to weigh on regional growth. Most countries experienced a winding-down in construction and recovery projects after some natural disasters in prior years.

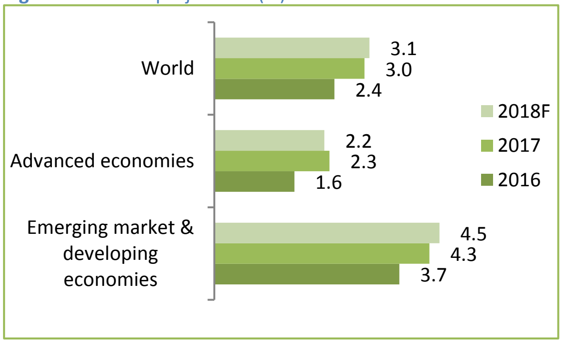
- In PNG, economic growth increased slightly to 2.2% in 2017, compared to 2.0% in 2016. The O'Neil-Abel Government announced a PGK14.7bn budget for 2018 that is focussed on stimulating economic growth. The government is committed to hosting the APEC Summit in November 2018. There is market sentiment of 'cautious optimism,' amid foreign exchange and fiscal challenges.

Global Economy

The world economy grew by 3.0% in 2017, according to the World Bank *Global Economic Prospects (GEP)*. The higher than expected growth was driven by stronger than anticipated growth in advanced economies and a recovery in emerging and developing economies. The Bank upgraded its growth projections for 2018 to 3.1% in January 2018, from 2.9% in June 2017.

Growth in advanced economies strengthened in 2017, reaching an estimated 2.3% (0.4% above the previous forecast). This was supported by a recovery in capital spending and exports. Emerging and developing economies grew at 4.3% in 2017, and are projected to grow by 4.5% in 2018. Global trade and manufacturing activities are expected to improve on the back of financial conditions and firming commodity prices.

Figure 1: Growth projections (%)



Source: World Bank GEP, January 2018

The US economy grew by 2.3% in 2017, supported by strong private investment. Diminished drag from capacity adjustments in the energy sector, rising profits, weakening dollar, and robust external demand also supported growth. Normalized monetary policy and additional policy changes should increase growth to 2.5% in 2018.

Growth in the Euro Area was higher than expected at 2.4% in 2017, spurred by policy stimulus and strengthening global demand.

Japan's economy grew by 1.7% in 2017, driven primarily by strong domestic demand, supported by the fiscal stimulus. Growth is expected to slow to 1.3% in 2018, as fiscal stimulus is withdrawn and export growth moderates.

The Chinese economy grew by 6.8%, reflecting continued fiscal support and effects of reforms. Domestic rebalancing continued, with drivers of activity shifting away from state-led investment. Growth is expected to slow down to 6.4% in 2018 as policies are tightened.

The main short-term downside risks to global economic growth include the possibility of financial stress, increased protectionism, and rising geopolitical tensions. Global growth is expected to be sustained in 2018 with strong support from emerging and developing economies, driven by a recovery in commodity prices.

Commodities

Commodity prices increased slightly in 2017 and are expected to strengthen in 2018. The World Bank, *Energy Price Index* and *Non-Energy Index* rose by 24% and 5% respectively during 2017. The IMF expects prices of energy commodities to climb by 4% in 2018, after a 24% leap in 2017. The recovery in energy prices was in response to steady demand, falling stocks, and agreement in November to extend production cuts to the end of 2018.

Table 1: Commodity prices (US$)

Commodities	Units	2016	2017	2018F	% Change ('18 vs '17)
Crude Oil, ave.	$/bbl	42.8	53.0	56.0	5.7%
Gold	$/toz	1,249	1,250	1,238	-1.0%
Copper	$/mt	4,868	6,050	6,118	1.1%
Nickel	$/mt	9,595	10,100	10,559	4.5%
Zinc	$/mt	2,090	2,891	3,000	3.8%
Natural Gas (LNG)	$/mm	6.9	8.0	8.3	3.8%
Palm Oil	$/mt	700	720	732	1.7%
Coffee, Arabica	$/kg	3.6	3.4	3.4	0.0%
Sugar	$/kg	0.4	0.4	0.4	0.0%
Cocoa	$/kg	2.9	2.1	2.1	2.9%

Source: World Bank

Brent crude oil price rose 24% to $53/bbl in 2017, compared to $42.8/bbl in 2016. Growing demand, agreed production cuts and stabilizing U.S. shale oil production are expected to exert an upward pressure on price to $56/bbl in 2018. Downside risks for oil prices arise mainly from the resilience of the U.S. shale industry and from weak compliance to the agreed production cuts.

The non-energy commodities (especially agriculture) are expected to rise slightly in 2018, compared to a 5% increase in 2017. Palm oil price rose by 3% to $720/mt in 2017, however 2018 is anticipated to be a challenging year. Production is expected to increase in 2018, which will impact inventory/supply, resulting in downward pressure on palm oil prices in 2018. Prices for most of PNG's export commodities are expected to rise in 2018, which will be positive for the economy.

Pacific Overview

While global growth has strengthened in 2017, business conditions were subdued in most of the Pacific Island Countries. The Pacific subregion is estimated to have grown by 2.9% in 2017, reflecting slow growth in PNG and the flow-on impact of natural disasters.

Most countries experienced a winding-down of rehabilitation and maintenance projects after experiencing natural disasters in the prior years. As we know, the region is vulnerable to weather related disasters and the impacts of climate change. An ADB report (December 2017) examined a range of financing options such as; disaster-contingent lines of credit, sovereign or regional insurance schemes, and post-disaster budget provisions.

Fiji is the first country in the Pacific to issue a sovereign green bond to raise FJD100m to build resilience to climate change and support a shift to renewable energy. Green bonds are a mechanism to raise funds for climate-friendly projects, offering a kind of low-risk package that appeal to institutional investors.

PNG's economy grew by 2.2% in 2017, due to the impact of low commodity prices on government revenue and continued fiscal challenges. In the Pacific, growth has been mixed with Vanuatu and Tonga experienced relatively strong levels of growth, while Solomon Islands and Fiji experienced moderate growth in 2017. Samoa and Cook Islands experienced minimal growth in 2017. The expected rise in commodities prices will be positive for the region. With demand fundamentals and activity indicators remaining positive, BSP is optimistic about growth prospects in the region.

Papua New Guinea

Economic growth increased slightly to 2.2% in 2017, compared to 2.0% in 2016. Despite the annual increase, growth remains low compared to historical levels and the global average. 2018 is expected to be a challenging year, given foreign exchange shortages and other idiosyncratic factors.

The 2018 National Budget was passed in November this year. Total revenue and expenditure is projected at K12.7bn and K14.7bn respectively, resulting in a net deficit of K2.0bn. Tax revenue is expected to increase by 9% to K9.6bn (12.0% of GDP), while non-tax revenue will increase to K3.1bn (4.9% of GDP). Debt to GDP is projected to increase to 32.2% in 2018, with the government delaying its plan to return to a balanced budget until 2022.

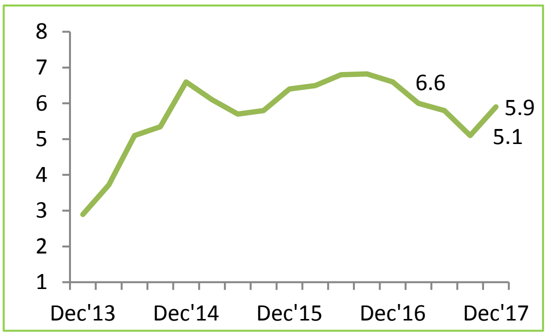
APEC preparations are going well, with an allocation of K300m in the 2018 National Budget. The APEC event will raise PNG's profile and is anticipated to be a catalyst for future foreign investment.

Inflation remains high, with potential upward pressure exerted by the increase in exercise tax on petrol, and its flow-on effect on the prices of other goods and services. Foreign exchange shortage was a challenge for businesses in 2017, and will likely persist in 2018. It is important that the government and BPNG continue working in collaboration to find a long-term solution.

Consumer Price Index

PNG's inflation rate is estimated to have risen to 5.9% at the end of 2017, compared to 5.1% in September quarter. In the September quarter, all expenditure groups experienced increases with the 'alcoholic beverages, tobacco and betelnut' basket recording the biggest increase of 13.1%, followed by 'housing' with a 6.6% increase. Underlying inflation remains around 2.0%, while seasonal items such as alcohol and betel nut prices continued to influence headline inflation.

Figure 2: Inflation (%, quarterly)



Source: Bank of PNG, BSP

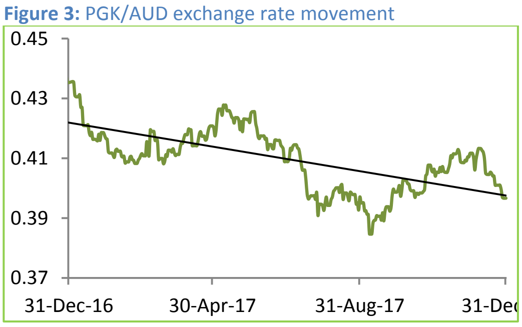
Inflation is expected to be rise to 6.9% in 2018. This reflects the anticipated increase in import tariffs and excise rates in the 2018 Budget, higher global commodity prices and the higher spending and consumption of goods and services during the APEC meetings.

The increase of excise tariff on petrol from K0.10 to K0.23 per Litre will impact on consumer spending and inflation. According to *Independent Consumer & Competition Commission (ICCC)* fuel prices will increase by around 15.7% in 2018, exerting a flow-on effect on the prices of other goods and services. In fact, reports in January 2018 already show that general prices of goods and services are increasing.

PNG Exchange Rate

The foreign exchange shortage continues to be a challenge for businesses. Over the year to 31 December 2017, PGK fell by 8.9% (from 0.4354 to 0.3967) against AUD and by 1.7% against USD (from 0.3150 to 0.3095). The decline was mainly due to commodity prices remaining at historically lows (despite recent improvements) and cross-currency movements. The Aussie dollar appreciated by 7.8% to 0.7800 cents against the USD from 0.7236 in the beginning of the year. As illustrated in Figure 3, the PGK/AUD trend maintained a downward trajectory.

Figure 3: PGK/AUD exchange rate movement



Source: Bank of PNG, BSP

Foreign exchange turnover picked up by 15.5% to ~~a~~ record total of K7.841bn in the December quarter, compared to K6.79bn in the previous quarter. Turnover for the year was K28.899bn compared with K29.633bn in 2016 (-2.58%). Some factors contributing to the lower turnover include lower yields and prices in the agricultural sector, particularly cocoa and coffee as well as an arrangement with Puma Energy to allow them to pay for crude oil supplies from Oil Search in PNG Kina. BPNG provided strong support to the market during the December quarter by injecting the foreign currency equivalent of K464.6m, bringing total intervention for the year to K726.66 million.

Despite BPNG's intervention, average unfilled orders continue to remain above K700m. This reflected the underlying high demand for USD and less foreign exchange inflows, both of which have exerted further downward pressure on the exchange rate. These interventions temporary alleviate foreign exchange problems, with the need for the government and BPNG to continue working together to formulate a long-term solution.

The continued depreciation of the local currency has placed high demands on foreign reserves, which continue to be depleted. Gross foreign reserves were US$1.7bn in mid-October 2017, sufficient for around 5 months of imports.

Fiscal Position

Government revenue is estimated to be 4.3% lower at K10.98bn in 2017, due to low commodity prices and the slowdown in domestic activities. In 2018, total revenue and grants is projected to increase by 16% to K12.7bn. Table 2, presents a summary of the 2018 National Budget.

Table 2: Budget summary

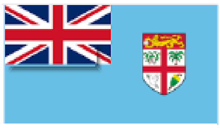
2018 National Budget Summary	2016 Actual	2017 Budget	2017 Revised	2018 Budget	2019 Projection
Revenue (K'm)	10,486	11,473	10,979	12,731	12,583
Expenditure (K'm)	13,572	13,350	12,856	14,718	14,180
Net Deficit (K'm)	**3,087**	**1,877**	**1,877**	**1,987**	**1,898**
Deficit as % of GDP	4.6	2.5	2.5	2.5	2.2
Debt (K'm)	21,944	21,623	23,808	25,808	27,705
Debt as a % of GDP	32.4	28.8	32.1	32.2	31.9
Real GDP growth rate (%)	2.0	2.8	2.2	2.4	2.2
Inflation (%)	6.7	7.0	5.9	6.9	5.8

Source: 2017 and 2018 National Budget

The government has announced plans to increase revenue collection, especially from *State-Owned Enterprises (SOE)*. More attention is also placed on *Internal Revenue Commission (IRC)* and *PNG Customs* to improve tax collections and compliance. Studies show that some SOE's are unprofitable, hence it may be challenging for the government to increase revenue from this source.

Expenditure is estimated to increase by 14% to K14.7bn in 2018, compared to K12.9bn in 2017. Despite the revenue challenges, the government continues to spend on its priority areas, with capital expenditure increasing by 51% to K4.6bn in 2018. The major allocations were towards, APEC (K300m), State Equity Fund for Agriculture and SME (K200m), POM Sewerage Upgrade (K60m) and District Hospitals (K50m). In terms of economic sector funding, education, economic and debt servicing saw increases, while other sectors declined from 2017 levels.

Financing of the K2.0bn budget deficit will be challenging with most domestic financiers reaching their sovereign exposure limits. BSP notes that, Foreign Bonds (i.e. sovereign bonds) have been included in the budget for the last three (3) years; however the government was unable to attract interest from international investors. The Secretary of Treasury mentioned that, documents are 90% complete and international investors/market demand will be assessed prior to the issue of sovereign bonds. Seeking longer term maturity at a low cost will be challenging for the government. The government's net debt is expected to remain at 2.5%, with PNG's debt to GDP ratio increasing to 32.2% in 2018.



Fiji

Fiji's resilience following the impact of tropical cyclone in 2016 has resulted in a rebound in economic activity in 2017. According to Reserve Bank of Fiji's December M*onetary Policy Statement (MPS),* economic growth for 2017 was revised up to 4.2%, compared to earlier projection of 3.8%. Growth was supported by the expansionary monetary and fiscal policies. In 2018, all economic sectors are expected to be positive, led by manufacturing, public administration & defense and transport & storage.

The financial system remains sound as indicated by stable capital to risk weighted assets in the September quarter of 2017. Commercial bank's deposit volume picked up by 12% surpassing the commercial banks' credit growth rate of 8% during the September quarter. Return on assets and return on equity remains around trend as shown in table 3.

Table 3: Financial Stability Review Summary

Financial Soundness Indicators (%)	2013	2014	2015	2016	2017 Q2
Regulatory capital/Risk weighted	14.90	15.32	15.56	16.43	16.14
Interest margin to gross income	54.30	53.35	52.73	50.16	49.98
NPL/Loans	3.00	1.65	1.45	2.24	2.53
Return on assets	2.40	2.65	2.62	2.54	2.55
Return on equity	25.2	25.5	24.4	23.5	23.0

Source: Reserve Bank of Fiji, October 2017

The tourism industry remains robust, as visitor arrivals increased by 5.4% over the 12-months to October 2017, led by higher visitor numbers from New Zealand and the USA. Visitors arriving for holidays accounted for 77.1% of total arrivals, while 7.2% came to visit their friends/relatives and 4.0% came for business purposes.

Inflation remained stable at 2.6% in November 2017, compared to 4.3% in November 2016. Higher prices of alcohol, tobacco & yaqona and fuel contributed positively to the inflation outcome although partly offset by lower prices of food & non-alcoholic beverages.

On the external front, foreign reserves continued to strengthen due to gains from lower import payments and higher tourism receipts. Foreign reserves stood at FJD2.31bn at the end of November 2017. This is sufficient to cover 5.5 months of retained imports of goods and non-factor services.

Solomon Islands

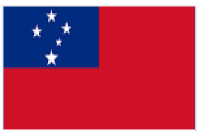
The Solomon Islands economy grew by 3.2% in 2017, according to *IMF Article IV Mission* report for September 2017. Economic growth is expected to moderate to 3.0% in 2018. This will be supported by infrastructure spending, fisheries and agriculture, although logging production is slowing down.

Annual headline inflation increased to 1.6% in November 2017, after been stable at 1.5% for the previous two months. This reflected price increases in food, housing and utilities, transport and communication, household operations, clothing and footwear and miscellaneous categories. Domestic and imported inflation both increased. Inflation is expected to increase to 1.0% in 2018, from an estimated rate of 0.5% in 2017.

Fiscal deficit of SBD57m was recorded in November 2017, compared to a deficit of SBD84m in the previous month. The deficit in November 2017 was due to a 13% fall in revenue to SBD265m and a 17% fall in expenditure to SBD322m. The decline in revenue was due to a fall in fishing and premium estate fees.

The Central Bank of Solomon Islands presented the *"World's First Ever Gold Coin Note."* It has a face value of 10 dollars and weighs 0.5 grams. The coin/note has an authorized printing/mintage of 20,000 pieces, and was produced in cooperation with *Worldwide Coin Association* and MDM, a German numismatic company.

Gross foreign reserves fell marginally by 1% to SBD4.32bn in November 2017, due to high inflows exceeding outflows. This level of reserves is sufficient to cover 10.8 months of import of goods and services.

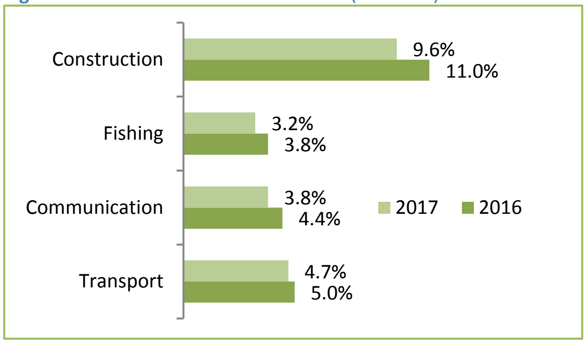


Samoa

The Samoa Central Bank (CBS) released its *Monetary Policy Statement (MPS)* at the end of September 2017. According to the report, economic growth is expected to decline to 2.4% in 2017, following strong growth of 7.1% in the previous year. The decrease in growth reflects a decline in construction, fishing and communications sectors, which more than offset improvements in commerce and agriculture.

The construction sector is the second largest contributor (11% contribution to GDP), after commerce (33%) in 2017. The fall in construction in 2017 had the largest impact on Samoa's GDP. Similarly, fishing, communication and transport sectors fell in 2017, compared to 2016. Figure 4 shows the main economic sectors as a composition of real GDP.

Figure 4: Economic sectors as % of GDP (16 vs. 17)



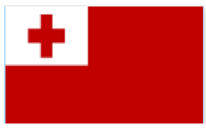
Source: Central Bank of Samoa, MPS, September 2017

The finance industry continued to growth strongly with total commercial loans outstanding increasing by 11.7% to WST1.6bn at the end of June 2017. During the same period, the commercial banks' credit to the private sector and public institutions increased by 6.6% to WST1.05bn. The increase reflected higher demand for credit; stimulated by the decline in commercial banks average lending rates to 8.7% at the end of June 2017. The lending rate was 9.01% in June 2016.

Tourism and remittances continued to remain strong. According to the MPS, visitor earnings grew slightly by 0.1% to WST389.5m in 2017, despite a 0.3% fall in visitor arrivals. Private remittance rebounded by 3.6% to WST405.2m, due to a sharp pick-up in carried cash and funds for individuals and households. Remittances are expected to grow by 3.7% to WST414.0m in 2018, as transfers for households and individuals from the Samoan's in Australia and New Zealand increase.

On the external front gross foreign reserves were WST313m in 2017, compared to WST283m in 2016. This was due to a large surplus (WST28.36m) in the balance of payments, reflecting government inflows in the latter half of the year. International reserves are equivalent to 4.8 months of imports in 2017, compared to 4.3 months in the previous year.

The replacement of job loss and economic contribution resulting from the closure of Yazaki will be challenging. On the positive side, preparations on the hosting of the 2019 Pacific Games will support construction and economic activities in 2018.



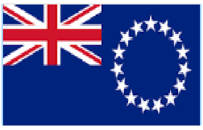
Tonga

Economic growth in Tonga improved in 2017, with GDP increasing by 3.7% in real terms. Construction, utilities, fisheries and mining & quarry industries supported the strong growth. Similarly, tourist arrivals increased in 2017. However, in 2018 GDP growth is projected to decline to 2.6%, as a consequence of lower construction activities and tourism inflows. This follows the decision not to host the 2019 Pacific Games.

Remittance inflows also remained strong despite challenges in the market following the closures of some correspondent banks. According to *National Reserve Bank of Tonga (NRBT)*, total remittance rose by around 12% to TOP294.2m for the 12-months to September 2017. Private transfers, particularly family support, drove the overall increase. The Christmas festivities and holiday season will likely support this trend.

Headline inflation rose by 5.8% over the year to September 2017, slightly above the NRBT's reference rate of 5.0%. The revised excise duties on certain products that were introduced in July contributed to the rise in the price of imported goods. The bank expects inflation to fall below the reference rate of 5% in 2018.

Official foreign reserves rose by TOP11.2m to TOP424.8m over the month of November 2017, equivalent to 7.6 months of import cover. The level of foreign reserves is expected to remain at comfortable levels, supported by expected higher receipts of remittances and foreign aid.



Cook Islands

Cook Islands economic growth more than halved to 3.2% in 2017, compared to 8.4% in 2016. The lower than anticipated growth was primarily due to low investment in the economy, which more than offset the positive impact from tourism growth. Economic growth is expected to decline to 1.6% in 2018. However, Cook Islands tourism sector continues to remain strong with 155,800 tourists visiting in 2017. This is expected to increase by 3.3% to 161,000 in 2018.

Table 4: 2018 HYEFU summary

All amounts in NZ$'millions	2016/17 Actual	2017/18 Budget	2017/18 Estimate	2018/19 Projection	2019/2020 Projection
Operating revenue	166.4	153.9	159.4	150.0	151.6
Operating expenditure	132.0	149.7	152.4	140.4	139.6
Fiscal balance	**31.2**	**- 27.9**	**- 40.4**	**- 18.2**	**0.4**
% of GDP	*7.4*	*- 6.2*	*- 9.3*	*- 4.1*	*0.1*
Gross Debt	**95.5**	**150.2**	**143.5**	**135.5**	**128.7**
% of GDP	*22.6*	*33.6*	*33.1*	*30.7*	*28.6*
Net Debt servicing	7.0	9.1	8.4	11.1	10.7
% of operating revenue	*4.2*	*5.9*	*5.3*	*7.4*	*7.1*
Grants	25.4	69.4	69.4	32.0	15.3
% of GDP	6.0	15.5	16.0	7.2	3.4
Nominal GDP (NZ$'000)	422	447	433	441	450

Source: Minister of Finance, September 2018

According to official reports, operating revenue has increased by 3.6% to NZ$159.4m, compared to NZ$153.9m projected in the 2017 Budget. The increase in expenditure is comparative lower (+1.8% to NZ$152.4m) than revenue, which resulted in a fiscal deficit of NZ$40.4m or 9.3% of GDP in 2017. Gross debt is projected to decrease to NZ$33.1m in 2017 from NZ$33.6m in the previous year. The government stated that, the surpluses from 2016/17 will be required to fund capital projects such as Te Mato Vai, Mei Ti Vai Ki Te Vai and Manatua Cable.

The graduation of Cook Islands from a 'developing' to a 'developed' nation status by the *Organisation for Economic Co-operation and Development (OECD)* in July 2017 was argued by the government with support from NZ. The government stated that, the GDP data being used is inadequate; hence the need to rectify and use the *Gross National Income (GNI*) data. In July 2017, the OECD agreed and allowed the nation to develop GNI data. Graduation to the 'developed nation' status in 2018 may present challenges due to a likely reduction in Overseas Development Assistance (ODA) grants.

Vanuatu

Economic growth in Vanuatu improved in 2017, with GDP increasing by 4.3% in real terms, compared to 3.8% in 2016. This was driven by ongoing recovery in tourism and agriculture, cyclone reconstruction and new infrastructure projects. A new strategic plan, 'Vanuatu 2030' launched this year will guide the development aspirations of the country going forward. GDP growth is projected to decline to 3.8% in 2018, as construction, recovery in agriculture and tourism balances out.

Vanuatu has been included in the European Union's (EU) new grey list along with Fiji, Cook Islands, Guam, Samoa, American Samoa, Marshall Islands and Palau. The EU grey list identifies country's that are perceived to be vulnerable to tax evasion and avoidance. The Vanuatu Government is looking at options to raise revenue to fund its debt liabilities. Value Added Tax (VAT) has been increased to 15.0% (up from 12.5%) from January 2018.

The RBV clarified its position on the recent news on bitcoin. The Governor stated that, "bitcoins in their present forms are not compatible with normal central banking currency business, and are therefore considered illegal in Vanuatu under the RBV Act." The Reserve Bank advised businesses and citizens to refrain from involving themselves in Bitcoins trading with bitcoins or other forms of cryptocurrency. This clarifies recent news that Vanuatu accepted bitcoin as payment for its citizenship.

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MACRO-DATA

Real GDP Growth (%, annual)				
	2016	2017	2018f	2019f
PNG	2.0	2.2	2.4	2.2
Fiji	0.4	4.2	3.6	3.2
Solomon Islands	3.2	3.0	3.0	2.8
Samoa	7.1	2.5	1.7	2.1
Tonga	3.1	3.1	3.2	1.4
Cook Islands	8.4	3.2	1.6	0.5
Vanuatu	4.0	4.5	4.0	3.0

Inflation (%)				
	2016	2017	2018f	2019f
PNG	6.7	5.7	5.5	5.0
Fiji	3.9	3.8	3.5	3.0
Solomon Islands	0.5	-0.5	1.7	4.0
Samoa	0.1	1.8	1.9	3.0
Tonga	2.6	7.5	2.7	2.5
Cook Islands	1.6	1.6	1.1	1.3
Vanuatu	0.9	2.6	2.8	3.0

Fiscal Balance (% of GDP)				
	2016	2017	2018f	2019f
PNG	-4.6	-2.5	-2.5	-2.2
Fiji	-4.0	-2.0	-3.4	-3.3
Solomon Islands	-1.2	-0.5	1.7	1.6
Samoa	7.4	-9.3	-4.1	0.1
Tonga	-3.1	-1.2	-2.2	-2.2
Cook Islands	3.7	1.4	-6.0	-6.0
Vanuatu	0.1	-7.6	-10.0	-10.0

Foreign Exchange Reserves (USD m)				
	2016	2017	2018f	2019f
PNG	1,678	1,700	1,900	na
Fiji	972	960	1,156	na
Solomon Islands	514	520	542	561
Samoa	113	125	132	na
Tonga	140	na	na	na
Cook Islands	na	na	na	na
Vanuatu	na	na	na	na

FX DEVELOPMENTS

FOREIGN EXCHANGE			
	OCT	NOV	DEC
PGK/USD	0.3115	0.3115	0.3095
FJD/USD	0.4820	0.4804	0.4874
SBD/USD	0.1300	0.1263	0.1268
WST/USD	0.3962	0.3962	0.3962
TOP/USD	0.4501	0.4493	0.4536
NZD/USD	0.6873	0.6885	0.7089
VUV/USD	108.80	109.30	107.51

COMMODITIES			
	OCT	NOV	DEC
Oil (US$ per barrel WTI)	52.27	56.84	58.19
Gold (US$ per troy ounce)	1,282	1,294	1,275
Copper (US$ per metric ton)	6,867	6,762	7,247
Nickel (US$ per metric ton)	12,295	11,110	12,760
Palm Oil (MYR per metric ton)	2,737	2,690	2,480
Coffee (US$ per LB)	128.6	132.2	126.2
Cocoa (US$ per metric ton)	2,089	2,106	1,892
Sugar (US$ per LB)	14.74	15.08	15.16
Lumber (US$ per 1,000 feet)	434.0	417.9	441.9

Sources:

Commodities & FX: Bloomberg, WB
PNG: 2017 Supplementary 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, ABD, IMF, BSP
Cook Islands: Financial Supervisory Commission, ADB, IMF, BSP
Tonga: Tonga Department of Statistics, IMF, ADB, BSP
Vanuatu: ADB, IMF, Reserve Bank of Vanuatu, BSP