

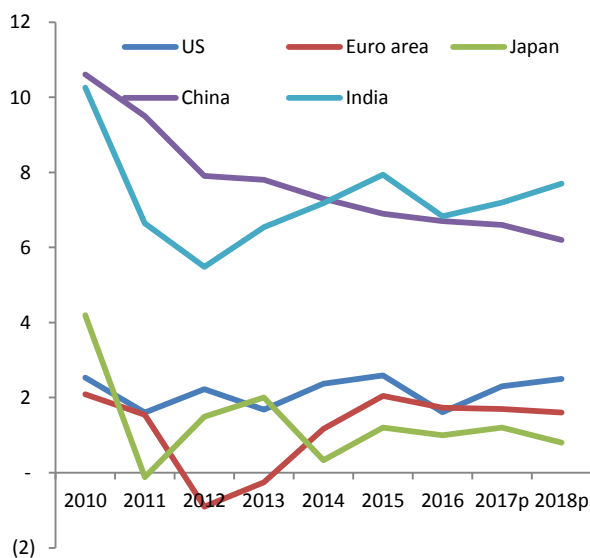
## Contents

Global Economy.....	2
Commodities .....	2
Pacific Overview .....	2
Papua New Guinea .....	3
<i>Consumer Price Index</i> .....	3
<i>PNG Exchange Rate</i> .....	3
<i>Fiscal Position</i> .....	4
Fiji.....	4
Solomon Islands .....	5
Samoa .....	5
Tonga .....	5
Cook Islands.....	5
Vanuatu .....	6

## Highlights

- Global growth has gained some momentum, especially in advanced economies, with the World Bank projecting a 2.7% gain in 2017. There is marked improvement in industry activity and a pick-up in global trade, though the latter appears to be challenged by the US's protectionist approach.
- Advanced economies are projected to grow by 1.9% in 2017 from 1.7% in the prior year. The US economy continued to firm, while the Euro Area and Japan have seen some improvements in domestic demand and exports. Growth in emerging and developing economies is expected to surge to 4.1% in 2017, compared to 3.5% in the prior year.
- Commodity prices showed some moderation over the quarter, however they were positive over the 12-months to June 2017. The Brent crude oil price closed lower at \$46.89/bbl compared to \$51.97/bbl ending March 2017. The oil price is expected to rise to \$53/bbl in 2017. Supply and demand rebalancing continued to drive the short-term volatility.
- In the Pacific region, PACER PLUS was signed, PNG went to the polls, RAMSI left Solomon Islands, while Fiji and Tonga passed their 2017/2018 National Budgets. PACER Plus is a pact between smaller Pacific Island Countries (PIC's) and Australia and NZ. Growth is expected to improve to 2.9% in 2017, from 2.6% in 2016. A mild recovery in commodity prices will be positive for most economies.
- Anecdotal indicators have been mixed over the last 6-months. The National Election in PNG was held over June and July with the formation of the 9<sup>th</sup> Parliament expected in August 2017. Election related spending is likely to boost expenditure and consumption, placing upward pressure on inflation. Foreign exchange shortages continue to be on businesses' worry list, while fiscal challenges remain.

## Growth in the largest economies



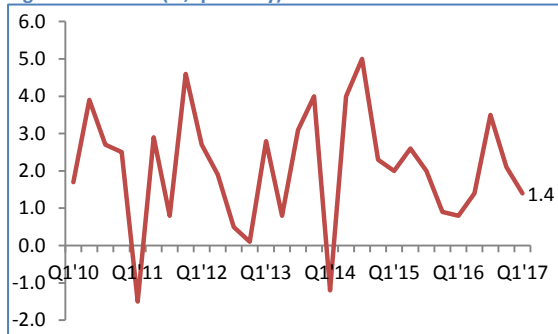
Source: International Monetary Fund (IMF), BSP

## Global Economy

Global growth is expected to strengthen to 2.7% in 2017, compared to 2.4% in 2016, according to the World Bank's (WB) Global Economic Prospects (June 2017). There is a marked pickup in manufacturing and trade, rising confidence, favorable global financing conditions, and stabilizing commodity prices over the six months. This will likely be a fragile recovery, as the world is still facing trade policy uncertainties.

The US economy continues to remain patchy. Sectoral activity indicators are firming, though factory orders and the employment report were disappointing in May. Headline factory orders and durable goods orders were down by 0.8% in May, due to the volatile transportation sector. On the positive side, real personal consumption got off to a solid start and is expected to rise by 3.3% in Q2'17. Business fixed investment also appears to be growing modestly, aided in part by the continuing revival in energy production. Figure 1, illustrates the US GDP growth since 2010.

Figure 1: US GDP (% , quarterly)



Source: US Bureau of Economic Analysis (BEA), BSP

The US economy is expected to support growth of 1.9% in advanced economies. In the Euro Area and Japan, growth forecasts have been upgraded reflecting strengthening domestic demand and exports. Turning to the emerging market and developing economies (EMDE), economic growth is predicted to recover to 4.1% in 2017, from 3.5% in the previous year. According to WB, "obstacles to growth in commodity exporters diminish, while activity in commodity importers continues to be robust."

The Chinese economy appears to have strengthened as infrastructure spending by state-owned companies and public sector accelerated, more than offsetting a sharp slowdown in private sector investment. Growth is expected to be around 6.7% in 2017, the same as last year.

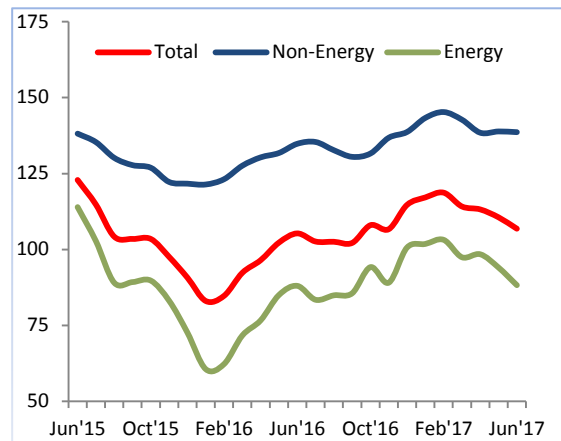
Activity in India was driven by agriculture and rural consumption, an increase in infrastructure spending, and robust government consumption. Growth is expected to rise to 7.2% and 7.7% in 2017 and 2018 respectively.

Downside risks to global growth include policy uncertainty and the potential increase in volatility in financial markets. A weaker-than-expected recovery in commodity prices will also impact growth, especially in the emerging and developing economies.

## Commodities

The IMF Commodity Prices Index declined by 6.4% to 106.84 points over the June quarter. The decrease was due to a decline in energy (9.4%) and non-energy (2.4%) indices. The agricultural raw material index declined as well, while food and beverage index increased slightly by 3.0% over the June quarter. Over the quarter and six months, commodity prices have fallen as indicated by the IMF commodities data. However, over the 12-months to June 2017, the IMF Commodity Price Index increased by 1.5%, showing that commodity prices are higher than the previous corresponding period, notwithstanding short-term volatility (see Figure 2).

Figure 2: IMF Commodity Index movement



Source: International Monetary Fund, BSP.

The IMF energy price index fell by 9.4% over the quarter, primarily due to the decline in crude oil prices. The Brent crude oil price closed lower at \$46.89 at the end of June 2017, compared to \$51.97 ending March 2017, and \$54.07 ending 2016. Oil prices fell amid continued US supply growth and strong exports from Organisation of Petroleum Exporting Countries (OPEC) and non-OPEC countries. Over the course of the year, the oil market is expected to rebalance on steady growth in demand and lower production from OPEC and some non-OPEC countries. The IMF expects oil price to rise to \$53/bbl in 2017.

Crude oil inventories have remained high mainly in the US. The International Energy Agency (IEA) forecast global oil demand to rise by 1.3 mb/d in 2017 to 97.9 mb/d. The expected increase in demand will more than offset the expected increase in supply, especially from the US shale oil, implying a slight increase in prices in 2017. However, commodity prices will remain below pre-2014 levels.

## Pacific Overview

Over the quarter, the Pacific region saw the signing of the Pacific Agreement on Closer Economic Relations (PACER) PLUS deal, while PNG went to the National Elections. The PACER PLUS agreement was signed on 14 June 2017 in Nuku'alofa, Tonga. Australia, Cook Islands, Kiribati, Nauru, New Zealand, Niue, Samoa, Solomon Islands, Tonga and Tuvalu have signed the agreement, after a decade of negotiations. PNG, Fiji and Vanuatu did not agree to the pact citing vulnerability of

manufacturing and infant industries and loss of government revenue. The comprehensive agreement will cover trade in goods and services, development co-operation and trade-related issues like food health and safety issues. It will also cover removal of the technical barriers to trade, agriculture, sustainable development and competition.

Tourism continued to grow with foreign arrivals to the Pacific up to 2.0 million at the end of 2016 from 1.8 million in 2012. Arrivals have grown at an average rate of 4.3% over the last 5-years to 2016, with UN World Tourism Organisation (UNWTO) projecting a 5% to 6% growth in 2017. Table 1 presents visitor arrivals to selected countries.

Table 1: Tourism arrivals in selected countries

Destination	2012	2016	CAGR
Fiji	660,590	792,320	4.7%
PNG	175,203	155,789	-2.9%
Samoa	134,687	144,883	1.8%
Cook Is.	122,384	146,341	4.6%
Vanuatu	108,161	92,815	-3.8%
Tonga	48,926	59,130	4.8%
Solomon Is.	23,925	21,976	-2.1%

Source: South Pacific Tourism Organisation, BSP

All countries have shown growth in tourism arrivals, except for PNG, Vanuatu and Solomon Islands. Studies have shown that visitors normally switch to other destinations when disaster hits a particular country. According to Asian Development Bank (ADB, 2015), growth in tourism has been slowing in Vanuatu after Cyclone Evan (2012) and Cyclone Pam (2015) with most tourists shifting to Fiji. ADB findings show that visitor flows are exogenous to the Pacific region, however specific countries need to improve transport connectivity and lower travel costs to attract tourists.

ADB expects economic growth of 2.9% in 2017 from 2.6% in 2016. Regional inflation is projected to be 5.2% in 2017 and 5.4% in 2018. Recovery in oil and food prices and election related spending in PNG and Fiji will likely push inflation higher this year.

## Papua New Guinea

Politics has been this quarter’s highlight, with the 2017 National General Election held over June and July. Businesses are looking forward to the formation of the 9<sup>th</sup> Parliament which is expected in August. The election period normally sees increased spending, however at the expense of low production of coffee and other agricultural products.

Activity has been mixed over the last six months. The Bank of PNG stated in its monthly economic review (May) that “economic activity in the formal private sector was subdued in the March quarter of 2017, with a marginal decline in the total level of employment in the formal private sector.” The agriculture sector which

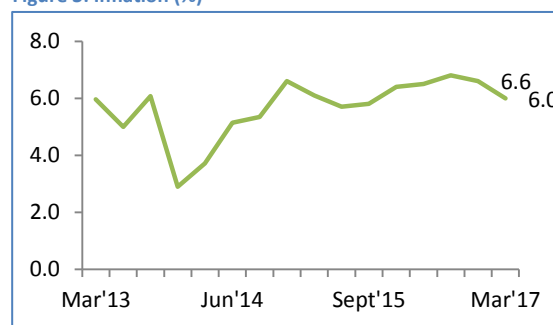
includes the informal segment saw some increase in the production of some export commodities as reflected in an increase in the current account surplus for the first quarter. BSP expects coffee and agriculture production to be lower this year due to the impact of coffee berry borer and the election.

Inflation has moderated to 6.0% in the March quarter and is expected to increase, as a consequence of election spending and an increase in the prices of betelnut and alcohol. PNG’s Kina continues to depreciate, with foreign exchange being the foremost challenge for businesses, though it has forced some companies to substitute for local content. The government’s fiscal policy remains challenging as election related spending and 2018 APEC preparations take precedence over other spending priorities.

## Consumer Price Index

Inflation has slowed in the March quarter to 6.0%, compared to 6.6% in December 2016. Despite the increase in all expenditure groups, communication, education and miscellaneous expenditure groups declined. Alcoholic beverages, tobacco and betelnut expenditure group recorded the highest price increase of 24.1% reflecting a significant increase in betelnut prices.

Figure 3: Inflation (%)



Source: Bank of PNG, BSP

Inflation has been on an upward trend as illustrated above in Figure 3. Inflation is expected to hover around 6% to 7%, due to the election related spending and the continued depreciation of the PGK among major trading partners. In light of these developments, the Bank of PNG has maintained the Kina Facility Rate (KFR) at 6.25% over the year.

## PNG Exchange Rate

Over the June quarter, PNG’s Kina depreciated against the AUD by 0.6% to 0.4089 and remained stable against the USD. The depreciation of PGK/AUD was due to cross-currency movements, as the AUD strengthened against USD over the second quarter.

PNG continues to have an imbalance of foreign currency inflows and outflows, giving rise to a shortage in the foreign exchange market. As illustrated in Figure 4 overleaf, the PGK/AUD trend has been on a downward trajectory.

## PACIFIC ECONOMIC & MARKET INSIGHT

Figure 4: PGK/AUD exchange rate movement



Source: Bank of PNG, BSP

In the June quarter, market turnover was 6% lower at K6.883 billion, compared to the turnover of K7.297 billion in 1Q'17. Foreign currency inflows from the agricultural sector are lower, due to a combination of lower prices, yields and the election. In particular, the coffee borer beetle is impacting volumes and quality. These will likely impact on export earnings and eventually the economic indicators at the end of the year. Foreign exchange still remains the foremost challenge for businesses.

Gross foreign exchange reserves were US\$1,701.1 (K5,324.2) million as at 11 July 2017. This is sufficient for 7.4 months of total import cover and 11.5 months of non-mineral import covers.

### Fiscal Position

The fiscal operations of the government continued to be challenging in light of the 2017 National Election and the mild recovery in commodity prices. For the first three months of 2017, total revenue of K2,029.6 million and total expenditure of K2,069.5 million was reported, resulting in a deficit of K39.9 million. Expenditure increased by 21.6%, compared to the corresponding period of 2016, driven by higher recurrent expenditure. This reflected higher spending by provincial governments on personnel emoluments and goods and services expenditure. Development expenditure decreased by 17.1% to K11.9 million over the three months. Table 2 shows the actual and projected revenue and expenditure of the government.

Table 2: Total Revenue and Expenditure

	2015 Act	2016 Suppl.	2016 Act	2017 Bud
<b>Total Revenue</b>	10,964	11,722	10,486	11,473
<b>Expenditure</b>	13,496	13,835	13,572	13,350
<b>Balance</b>	-2,534	-2,112	-3,087	-1,876
<b>(% of GDP)</b>	4.1%	-3.1	-4.6	-2.5

Source: FBO 2016, 2017 National Budget, BSP

Based on the 2017 Budget, the government has spent 16% of its projected expenditure for the year, while earning 18% of its planned revenue. The Final Budget Outcome (FBO) 2016 indicates that the government has applied some restraint on spending, with underspending in goods and services at the national level. However, more is needed to improve efficiency on provincial/district government capital expenditures.

### Fiji

According to the 2017/2018 Budget, the Fijian economy is anticipated to grow by 3.8% in 2017, compared to 2.0% in 2016. Growth is expected to be broad based, and driven mainly by manufacturing, construction, finance and insurance sectors. The Budget forecasts growth rates of 3.0% and 2.9% for 2018 and 2019 respectively.

Over the past six months, growth has been positive. The Acting Governor and Chairman of the Board, Mr Ariff Ali stated in Reserve Bank of Fiji's (RBF) March meeting that "the Fijian economy is on target to achieve a broad-based growth forecast of 3.8% this year, on account of higher aggregate demand coupled with strong performances so far in the tourism and electricity sectors, as well as anticipated increases in manufacturing, construction and cane and sugar output. In addition, business confidence remains strong as indicated by the acceleration in private sector credit, which rose by 14.1% in the year to May 2017."

Based on the 2017/2018 National Budget, total revenue is projected to increase by 33% to \$3.9 billion, mainly from indirect taxes. Expenditure is set at \$4.4 billion with focus on education and social services. The increase in expenditure is to cater for the government's decision to increase its social protection programs. The budget deficit is projected at \$499.5 million or 4.5% of GDP in 2017/2018 compared to 2.0% in 2016/2017. Main budget items and projections are presented below in Table 3.

Table 3: National Budget, Fiji

	2016 Budget (\$m)	2016/2017 Revised(\$m)	2017/2018 Budget (\$m)	2018/2019 Target (\$m)
Revenue	3,175.3	2,896.3	3,857.3	3,542.3
Expenditure	3,643.3	3,105.1	4,356.8	3,890.7
Net Deficit	(468.0)	(208.8)	(499.5)	(348.4)
GDP (current price)	9,866.8	10,980.3	10,980.1	11,614.4
Debt	4,969.3	4,688.6	5,216.1	5,564.5
Debt as a % of GDP	50.4%	42.7%	47.5%	47.9%
Growth rate	2.8%	2.0%	3.8%	3.0%
Inflation	1.6%	1.6%	3.9%	3.0%

Source: PwC Budget Report, 2017/2018

The tourism industry remains robust as visitor arrivals increased by 7.7% over the 12-months to May, led by higher visitor numbers from New Zealand and the USA. The mining and quarrying sector performed weakly, due to the unfavourable weather conditions and breakdown in the processing plants. The cane crushing season commenced on 1 June, with expectations of higher cane and sugar production in 2017, as the industry recovers from the impact of Tropical Cyclone (TC) Winston last year. All other sectors are expected to register positive growth given the uptick in demand.

Inflation fell to 2.5% in May 2017 compared to 3.9% in December 2016. The lower inflation was underpinned by declines in the food & non-alcoholic beverages category and also reflected the fall in prices for fresh fruit and vegetables from the high levels prevalent immediately after TC Winston. Year-end inflation is projected to be around 3.9% in 2017.

As at 3 July 2017, foreign reserves stood at \$2,290.9 million. This is sufficient to cover 5.7 months of retained imports of goods and non-factor services, and is expected to remain comfortable until the end of the year.

## Solomon Islands

Preliminary estimates of log and commodities production increased, suggesting an improvement in economic activity. According to the Central Bank of Solomon Island's (CBSI) monthly economic bulletin (May), monthly production index rebounded by 1% in May to 89 points from 88 points in the previous month. The CBSI expects domestic economy to grow at an average annual rate of 3.4% over 2017 – 2019.

The Regional Assistance Mission to Solomon Islands (RAMSI) was completed on 30 June after 14 years of restoring peace and stability following the ethnic violence from 1998 to 2003. The success of RAMSI will be judged by whether this stability and security can be maintained. The Central Bank expects the exit of RAMSI to have minimal impact on the economy because of its external operations.

Governor Denton Rarawa as the chairman of the Pacific Islands Regional Initiative (PIRI) mentioned that financial technology is moving ahead very fast and is driving digital financial services, a major characteristic of the digital economy. The 3<sup>rd</sup> PIRI meeting was held in Kokopo from 31 May to 1 June 2017, where the theme of "Digital Financial Services in the face of De-Risking" was discussed.

Headline inflation remained below zero for the ninth consecutive month, standing at -1.1% in April 2017. This reflected the increase in both domestic and imported inflation during the month. ADB estimates inflation of 1.1% in 2016 and expects it to rise to 1.8% in 2017.

Gross foreign reserves fell marginally to \$4,269 million due to higher donor receipts and fishing licensing inflows in May 2017. This level of reserves is sufficient to cover 10.7 months of imports of goods and services.

## Samoa

The Samoan economy continued to do well, according to IMF Staff Mission (May). GDP is expected to grow at around 2% annually, driven by construction activity, infrastructure development and improvements in the business environment. Tourism arrivals increased; a new processing plant helped boost fishing revenues; and agriculture benefitted from government initiatives and new export markets.

Samoa's largest private employer, Japanese auto parts maker Yazaki, has announced its Apia factory will close with the loss of 740 jobs and export processing services. It will close towards the end of this year, due to winding down of Australia's car manufacturing industry.

Financial stability indicators point to a generally sound banking system, though there are potential risks stemming from high loan concentration, the number of

borrowers with a high loan-to-capital ratio, and the potential for a sharp deterioration in asset quality in the event of a natural disaster.

Other downside risks include, vulnerability to natural disasters, elevated contingent liabilities, and challenged correspondent banking relationships. Given Samoa's reliance on workers' remittances, the closure of bank accounts of money transfer operators (MTOs) must be closely monitored to ensure the risk of a disruption to remittance payments is minimised.

## Tonga

Sectoral activities were mixed over the last three months to June. According to National Reserve Bank of Tonga (NRBT), primary sector activities improved on the back of increased export of root crops (Yam and Cassava), which rose by 41.5% to 136.5 tonnes. Activities in the secondary sector reflected consistent growth as construction went ahead. The tertiary sector indicated slow growth, reflected in a slight decline in total number of container registrations.

The Tongan government has decided not to host the 2019 Pacific Games. The Prime Minister stated that, "the cabinet's decision was final and their government wishes to focus its resources on other areas of economic development." The Pacific Games Council is seeking interest from other countries who wish to host the Pacific Games in 2019.

The banking sector remained robust with total bank lending reaching a new record of \$391.2 million at the end of March. NRBT expects credit growth of 15%, compared to IMF's forecast of 9.8% for 2016/2017. The optimistic projection is supported by improving economic conditions, business confidence, and annual (one-off) events taking place throughout the financial year.

Total deposits fell by 1.2% to \$517.9 million at the end of March, due to a decline in demand deposits. The fall in demand deposits was primarily driven by the private sector businesses demand deposits, which were used for import payments. In annual terms, total bank deposits rose significantly due to increases in all categories.

The weighted average interest rate spread narrowed to 5.66% as at the end of March 2017. It has fallen by 4.2 basis points (bps) and 8.4 bps over the month and year respectively. Annual decline in the weighted average interest rate spread was mainly due to a lower weighted average lending rate coupled with the higher weighted average deposit rate.

## Cook Islands

The ADB estimates an economic growth of 4.2% in 2016, supported by public investment and an increase in visitor arrivals. The higher visitor numbers boosted performance in tourism-related retail trade, which grew by 9.8%, and in hotels and restaurants, which expanded by 14.2%. Growth is projected at 4.0% in 2017

According to Minister of Finance & Economic Management (MF&EM), total lending rose marginally to



NZ\$292.3 million. This was due an increase in hotels and motels borrowing.

The Green Climate Fund approved US\$700,000 for the Cook Islands Government to carry out readiness activities for a period of 24 months. The Green Climate Fund provides early support for readiness and preparatory activities to enhance country ownership and access to the fund. Cooks Islands is the first country in the Pacific to receive such funding.

Inflation was 0.4% higher than the March Quarter 2017 (Jun'17 qtr data unavailable), however 0.3% lower when compared to June Quarter 2016. Transport groups were the main contributor to the overall increase in the CPI, up by 1.7%. Tobacco and alcohol, housing and miscellaneous groups also contributed to the increase. The underlying CPI, which excludes those items whose prices are considered to be highly volatile, experienced a decrease of 0.1% over March Quarter 2017.

### Vanuatu

Vanuatu's economy is recovering from the impacts of natural disasters that occurred over the past 2 years, with growth expected to reach 4.3% in 2017. Growth is expected to be driven by ongoing recovery in tourism and agriculture, cyclone reconstruction, and new infrastructure investment.

According to the Reserve Bank of Vanuatu's (RBV) monthly economic review (May), total visitor arrivals into Vanuatu during the month of February 2017 were 24,238. The Governor of the Reserve Bank of Vanuatu stated in a World Investment News interview that;

- Tourism and tourist attractions will be the focus of investment, with continued growth in the sector,
- The Vanuatu government and the international development partners are working on legislative changes to improve its financial system. One of the challenges highlighted was getting legislation through Parliament, and
- The main foreign exchange sources include tourism and the RSE Workers (recognized seasonal employers). Latest estimates indicated that around 150,000,000 Vatu (USD1.5 million) is remitted back to the country each month.

Total exports earnings declined by 45% to VT319 million in March 2017, while total imports declined by 20% to VT3, 066 million during the same period.

Vanuatu's foreign reserves increased marginally from VT32.5 billion in March to VT32.6 billion in April 2017. This is sufficient to cover an estimated 8.6 months of imports.

## KEY CONTACTS

**Robin Fleming** - Group CEO  
[rfleming@bsp.com.pg](mailto:rfleming@bsp.com.pg)

**Aho Baliki** - GM Paramount  
[abaliki@bsp.com.pg](mailto:abaliki@bsp.com.pg)

**Peter Beswick** - Group GM Corporate  
[pbeswick@bsp.com.pg](mailto:pbeswick@bsp.com.pg)

**Christophe Michaud** – GM BSP Finance  
[cmichaud@bsp.com.pg](mailto:cmichaud@bsp.com.pg)

**Paul Thornton** - Group GM Retail  
[pthornton@bsp.com.pg](mailto:pthornton@bsp.com.pg)

**Malakai Naiyaga** - MD, BSP Life, Fiji  
[mnaiyaga@bsp.com.fj](mailto:mnaiyaga@bsp.com.fj)

**Rohan George** - GM Treasury  
[rgeorge@bsp.com.pg](mailto:rgeorge@bsp.com.pg)

**Mathew Hasu** - Snr Manager Corporate Strategy  
[mhasu@bsp.com.pg](mailto:mhasu@bsp.com.pg)

**Richard Borysiewicz** - GM BSP Capital  
[rborysiewicz@bsp.com.pg](mailto:rborysiewicz@bsp.com.pg)

**Jotam Sinopane** - Analyst  
[jsinopane@bsp.com.pg](mailto:jsinopane@bsp.com.pg)

## COUNTRY MANAGERS

**Kevin McCarthy** - Fiji  
[kmcCarthy@bsp.com.fj](mailto:kmcCarthy@bsp.com.fj)

**Daniel Henson** - Tonga  
[dhenson@bsp.com.pg](mailto:dhenson@bsp.com.pg)

**David Anderson** - Solomon Islands  
[danderson@bsp.com.sb](mailto:danderson@bsp.com.sb)

**David Street** - Cooks Island  
[dstreet@bsp.com.pg](mailto:dstreet@bsp.com.pg)

**Maryann Lameko Vaai** - Samoa  
[mlameko-vaai@bsp.com.pg](mailto:mlameko-vaai@bsp.com.pg)

**Stuart Beren** - Vanuatu  
[sberen@bsp.com.pg](mailto:sberen@bsp.com.pg)

## MACRO-DATA

Real GDP Growth (% annual)				
	2015	2016	2017f	2018f
PNG	11.8	2.0	2.8	2.7
Fiji	3.6	2.0	3.8	3.0
Solomon Islands	2.9	3.5	2.5	3.0
Samoa	1.6	7.1	2.0	2.0
Tonga	3.4	2.7	2.6	2.8
Cook Islands	0.7	4.2	4.0	1.3
Vanuatu	1.3	3.8	4.3	3.8

Inflation (%)				
	2015	2016	2017f	2018f
PNG	6.4	6.6	6.5	6.0
Fiji	1.4	1.6	3.9	3.0
Solomon Islands	-0.3	1.1	1.8	2.2
Samoa	1.9	0.1	2.0	2.0
Tonga	-0.7	2.0	1.9	3.6
Cook Islands	3.0	1.8	2.0	3.1
Vanuatu	1.4	1.9	2.4	2.4

Fiscal Balance (% of GDP)				
	2015	2016	2017f	2018f
PNG	-4.1	-4.6	-2.5	-2.3
Fiji	-2.5	-1.9	-4.5	-3.0
Solomon Islands	-2.2	-3.6	-3.9	1.5
Samoa	-3.9	-0.4	-3.5	0.6
Tonga	-0.2	-2.3	-2.5	-1.5
Cook Islands	-4.4	2.3	-3.5	-3.4
Vanuatu	7.2	-10.6	-17.3	-9.2

Foreign Exchange Reserves (USD m)				
	2015	2016	2017f	2018f
PNG	1,920	1,678	2,107	na
Fiji	872	780	na	na
Solomon Islands	550	550	na	na
Samoa	156	160	na	na
Tonga	140	140	na	na
Cook Islands	na	na	na	na
Vanuatu	na	na	na	na

## FX DEVELOPMENTS

FOREIGN EXCHANGE			
	APR	MAY	JUN
PGK/USD	0.3145	0.3145	0.3145
FJD/USD	0.4760	0.4798	0.4846
SBD/USD	0.1264	0.1258	0.1264
WST/USD	0.3962	0.3962	0.3962
TOP/USD	0.4536	0.4536	0.4569
NZD/USD	0.6878	0.7089	0.7300
VUV/USD	109.52	110.40	108.40

COMMODITIES			
	APR	MAY	JUN
Oil (US\$ per barrel WTI)	48.84	48.36	46.04
Gold (US\$ per ounce)	1,255.5	1,270.1	1,242.3
Copper (US\$ per metric ton)	5,735.5	5,682.0	5,937.0
Nickel (US\$ per metric ton)	9,450	8,970	9,390
Palm Oil (MYR per metric ton)	2,430	2,431	1,940
Coffee (US\$ per LB)	135.85	127.70	125.70
Cocoa (US\$ per metric ton)	1,812	2,024	1,940
Sugar (US\$ per LB)	16.18	14.23	13.81
Lumber (US\$ per 1,000 feet)	384.9	349.9	368.7

## Sources:

**Commodities & FX:** Bloomberg  
**PNG:** 2017 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, Reserve Bank of Vanuatu, BSP

**DISCLAIMER:** This research is general advice and does not take account of your objectives, financial situation or needs. Before acting on this general advice, you should consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision. This research has been prepared for the use of the clients of the BSP and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient, you must not use or disclose this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. This research is based on information obtained from sources believed to be reliable, but BSP does not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. The BSP accepts no liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.