

The state of trade in PNG: A cross-sectional analysis

Questions:

- How have various import and export sectors performed since 2012 – which areas have been prioritized
- Particularly, how have agricultural/food imports and exports changed since the introduction of exchange rate trading bands and associated rationing
- How have the source countries of agricultural imports changed since 2012
- How have the agricultural exports of similar resource exporting countries shifted since 2012, in comparison with PNG

Background:

- PNG LNG project led to a boom in construction peaking in 2012
- LNG production began in 2014
- World has gone through period of commodity price falls since 2014
- PNG Foreign exchange rationing since 2014 – to bolster the exchange rate

Dataset:

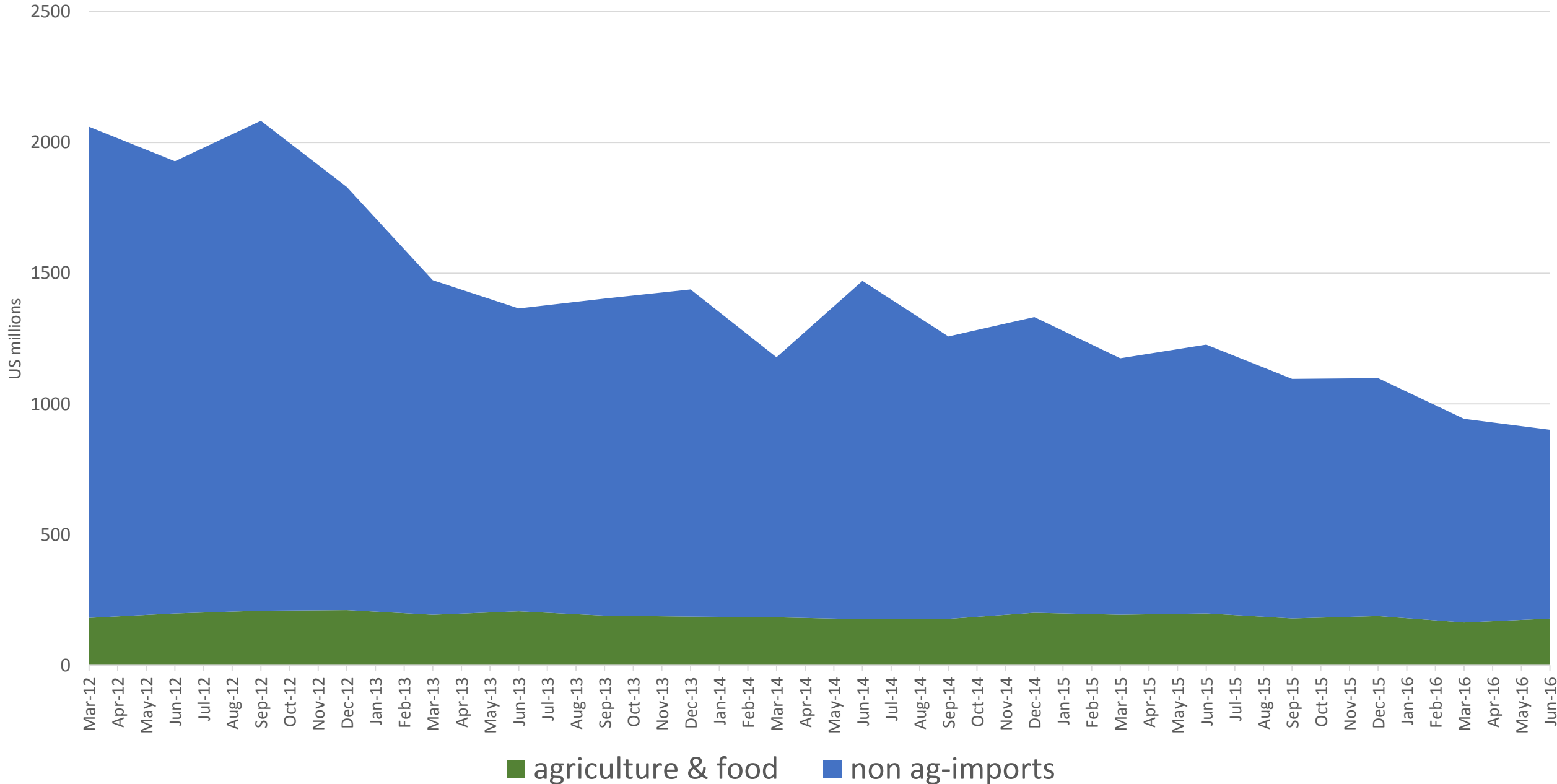
- UN Comtrade commodity data
 - Mirrored data
 - Rich dataset
 - Limitations
 - Jan 2012 - Jun 2016
 - At least 90% of total imports & exports included
 - Monthly and annual data inputs - quarterly output

PNG's top trading partners

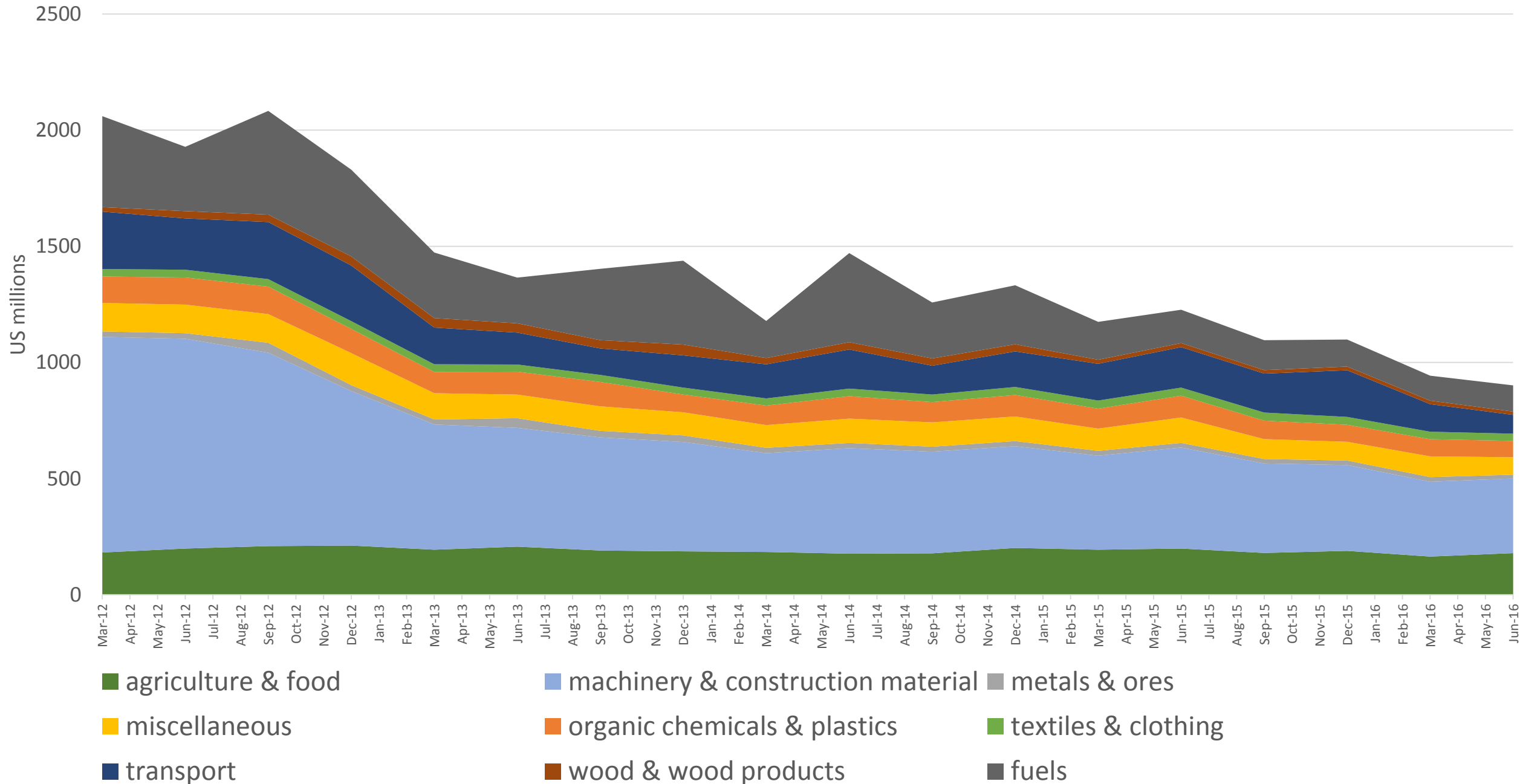
1. Australia
2. China
3. Japan
4. EU-27
5. Singapore
6. Thailand (3-4% of total)
7. Malaysia
8. South Korea
9. USA
10. Indonesia
11. India
12. New Zealand
13. Philippines
14. Fiji
15. Canada
16. Solomon Islands
17. South Africa
18. UAE
19. Russia
20. Brazil

IMPORTS

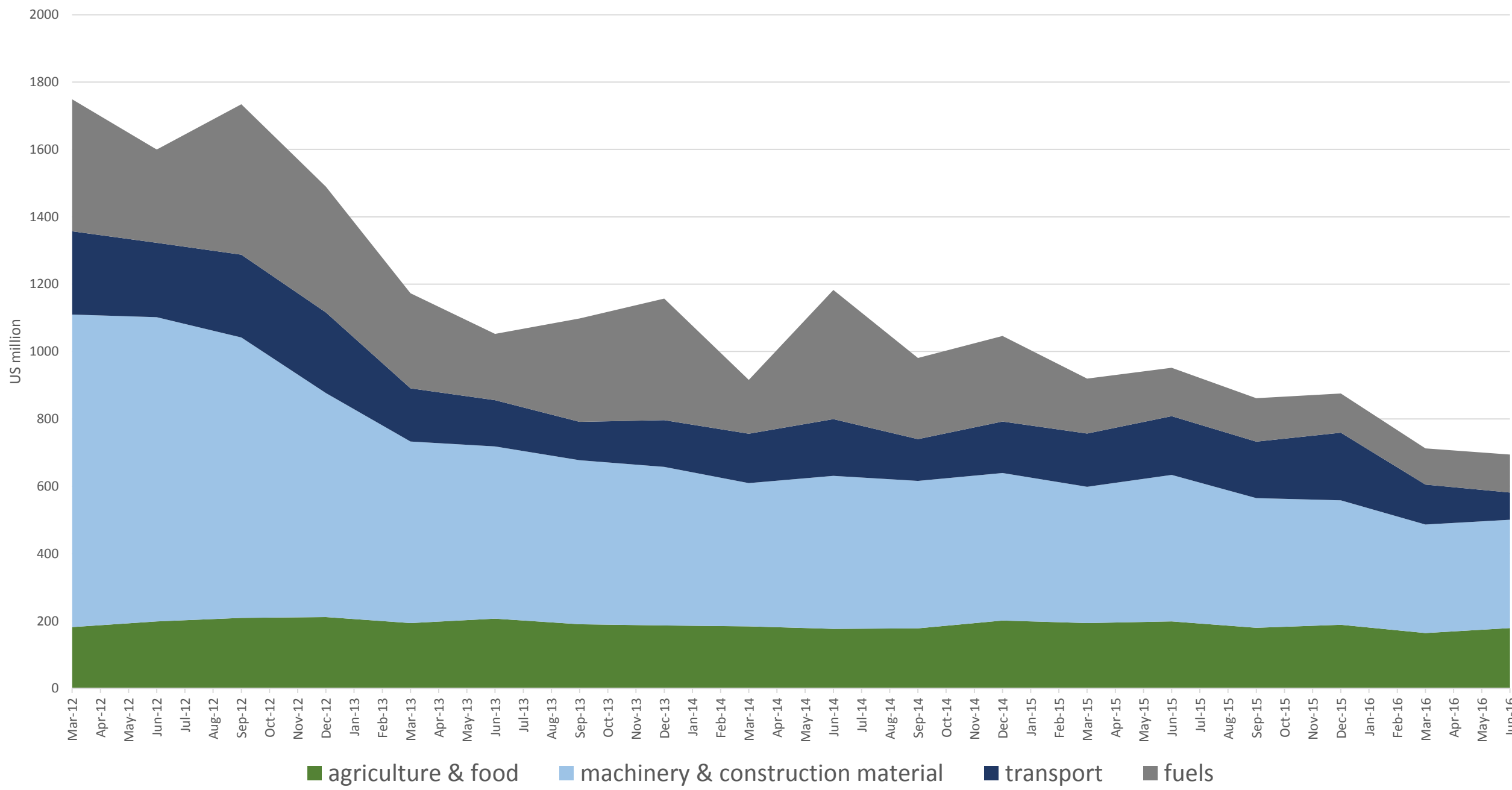
PNG agricultural versus non-agricultural imports



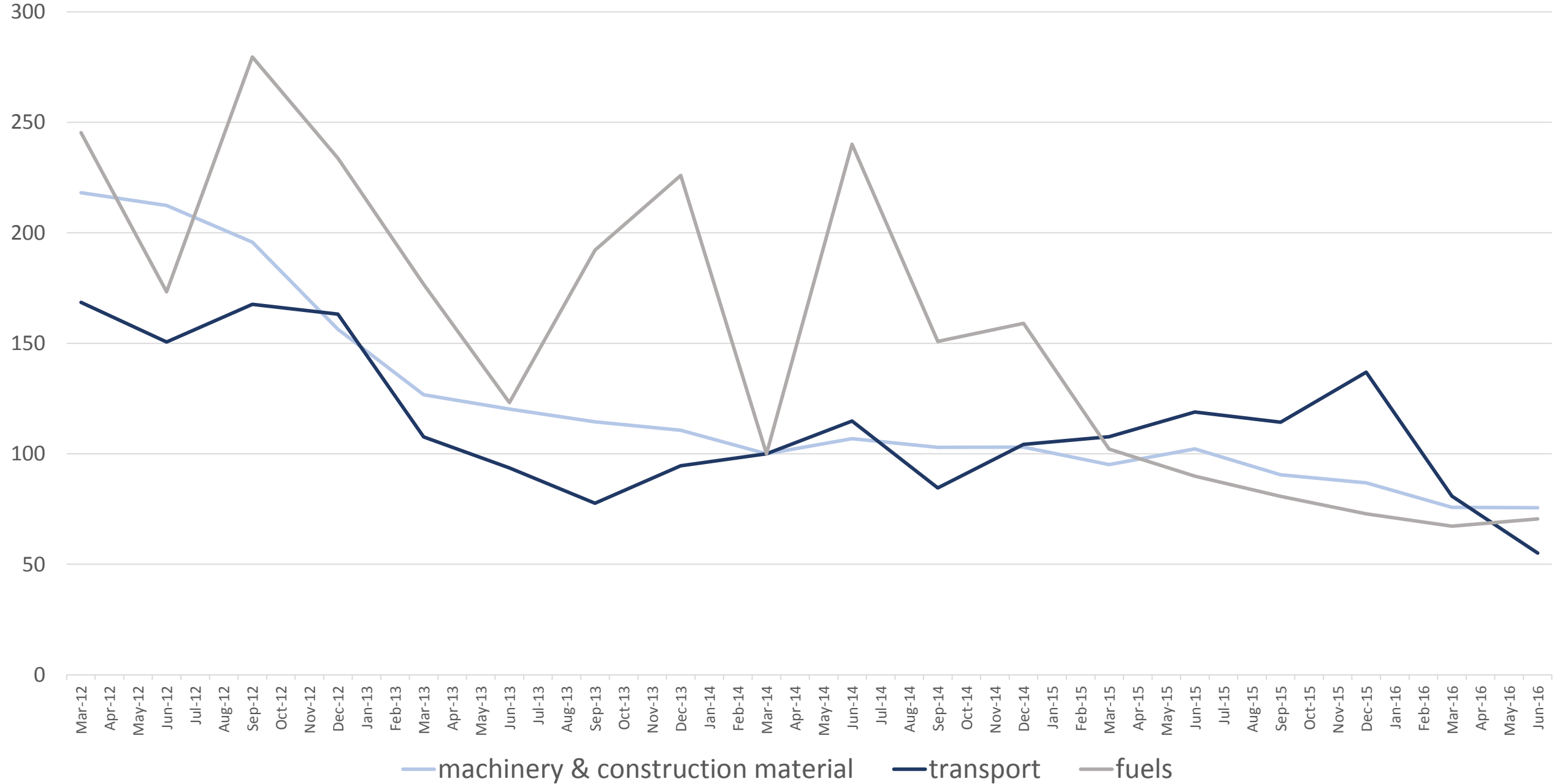
PNG imports by sector



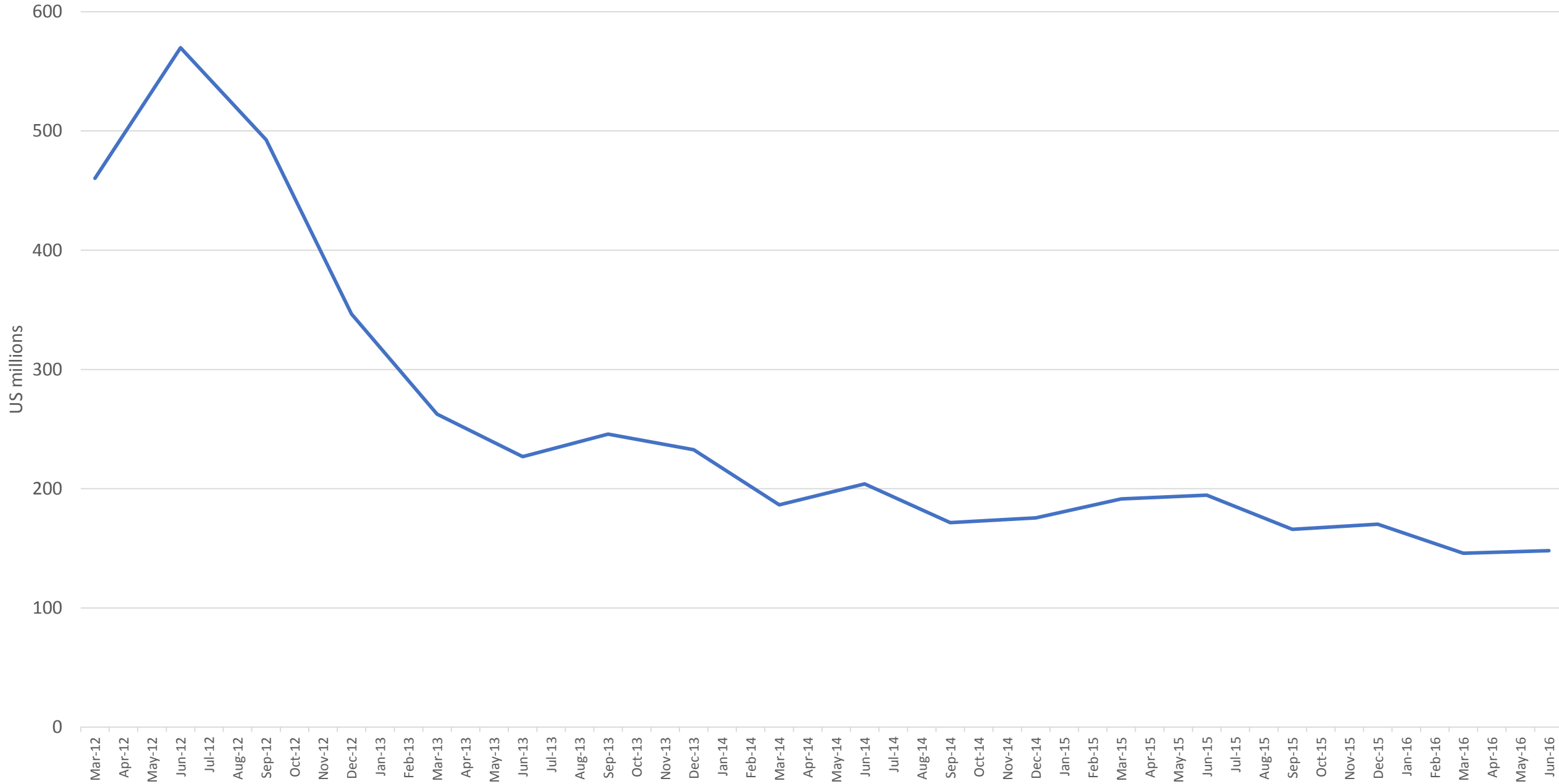
PNG major imports by sector



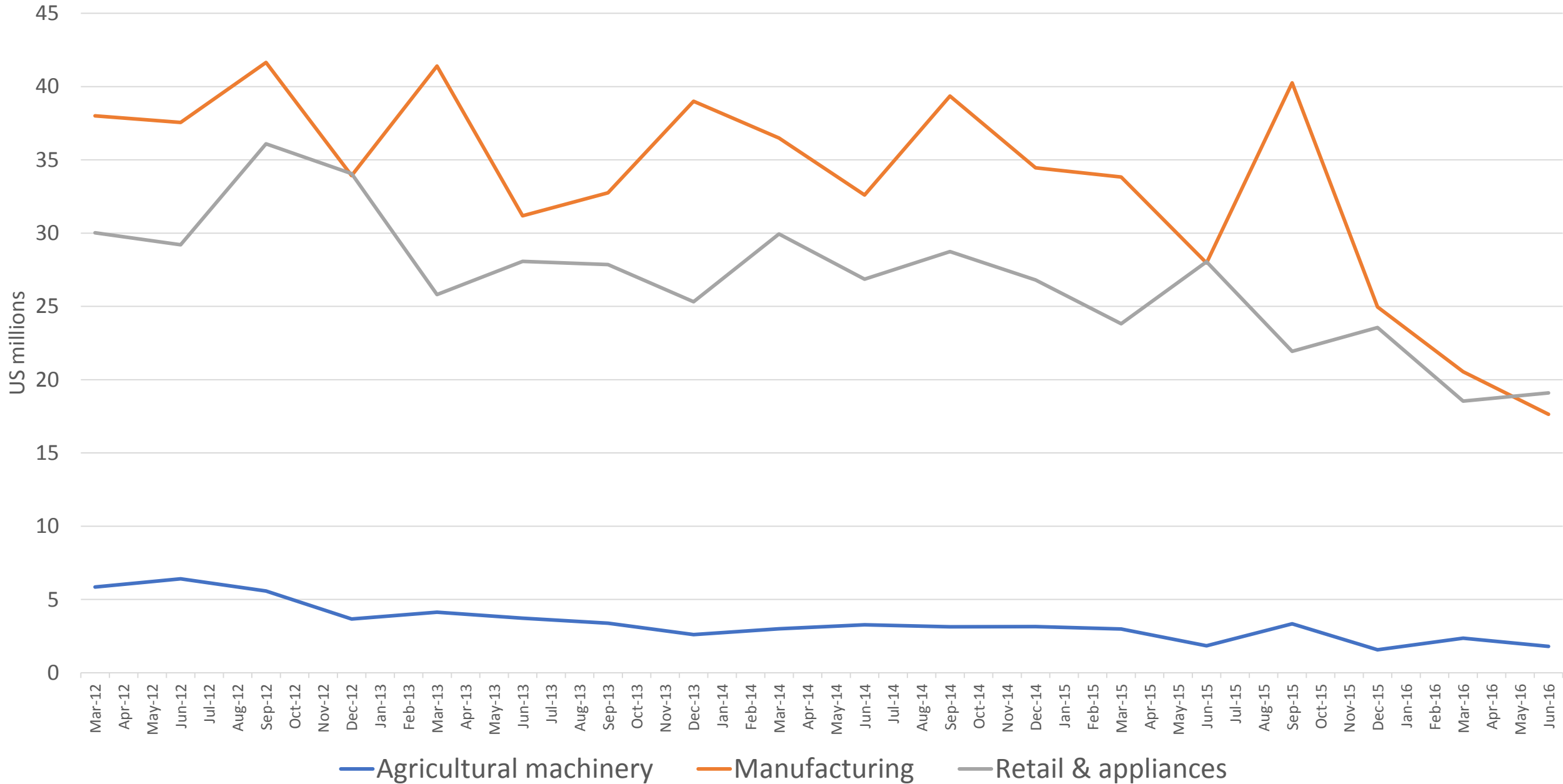
Import index by sector (base – 2014 quarter 1)



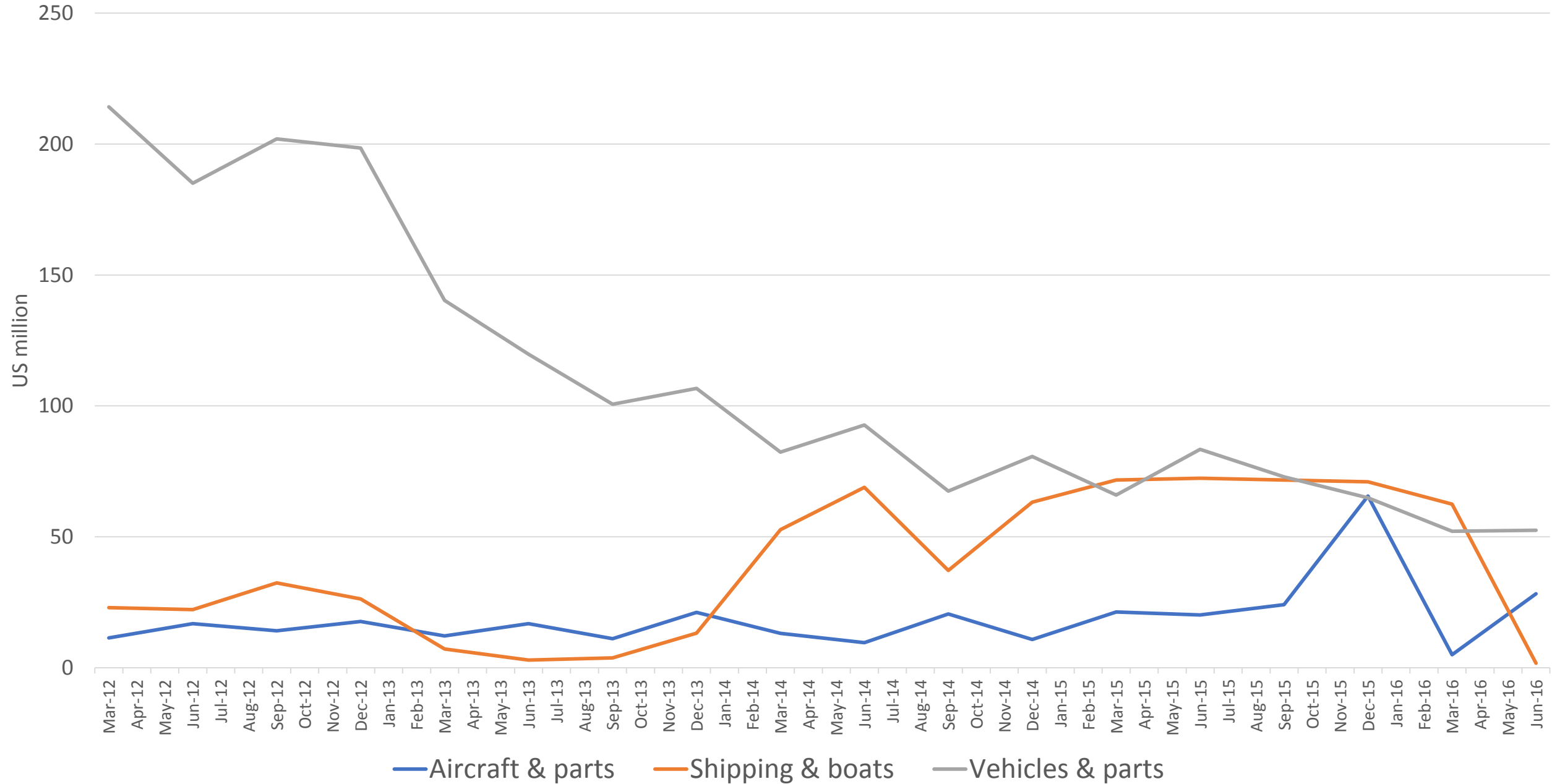
Construction material imports



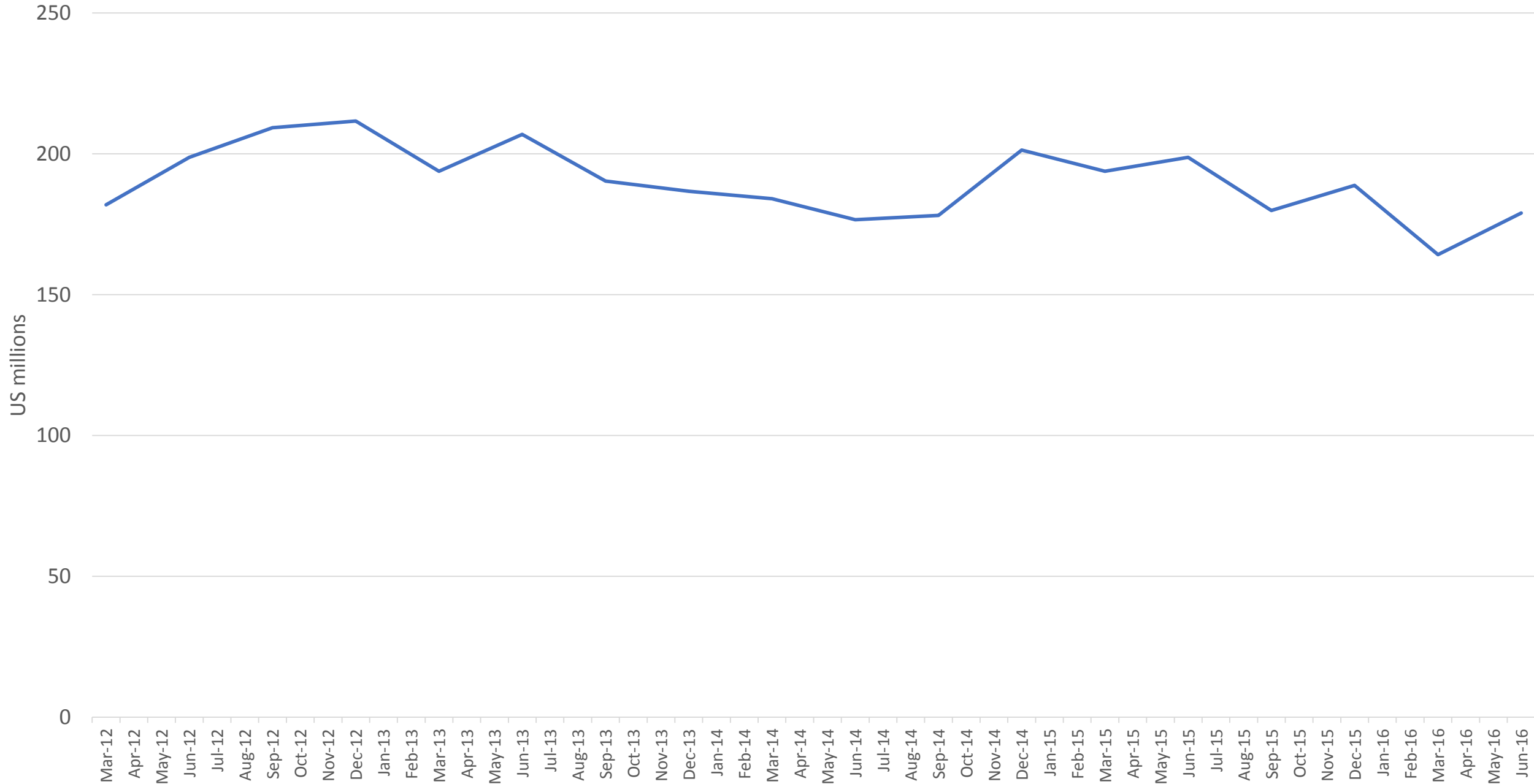
Other machinery imports



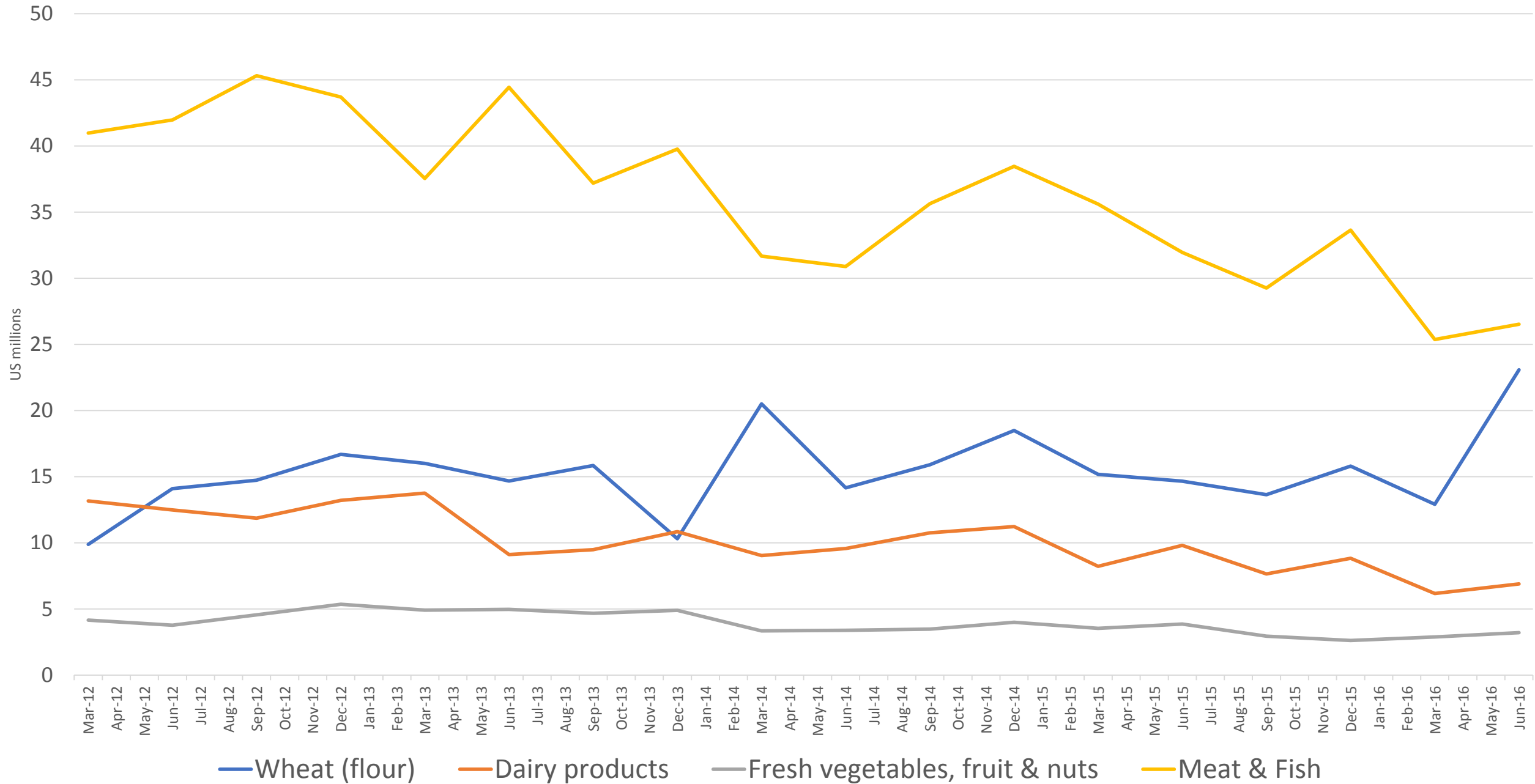
Transport imports



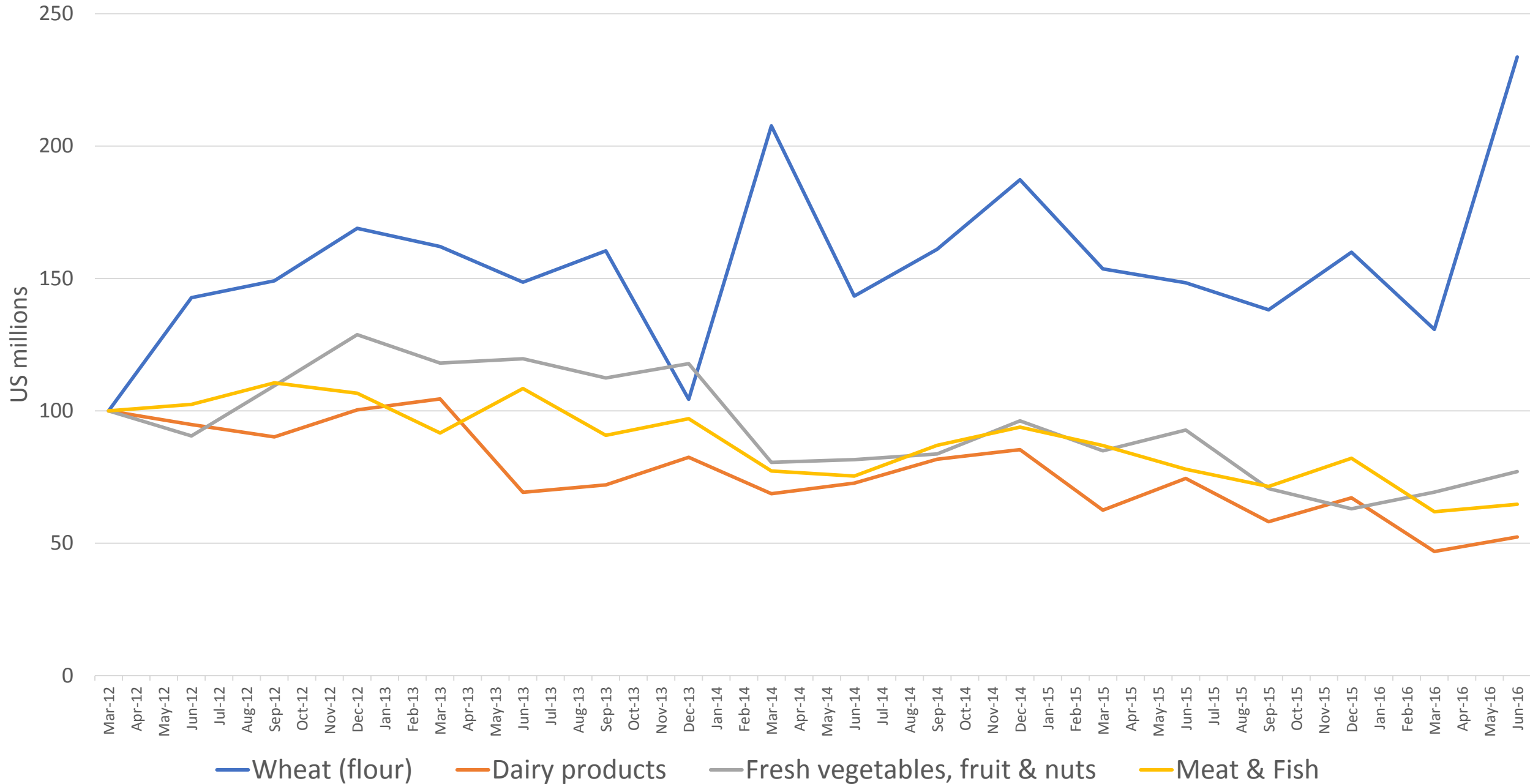
Agriculture & food imports



Imports by food item/sector



Food import index



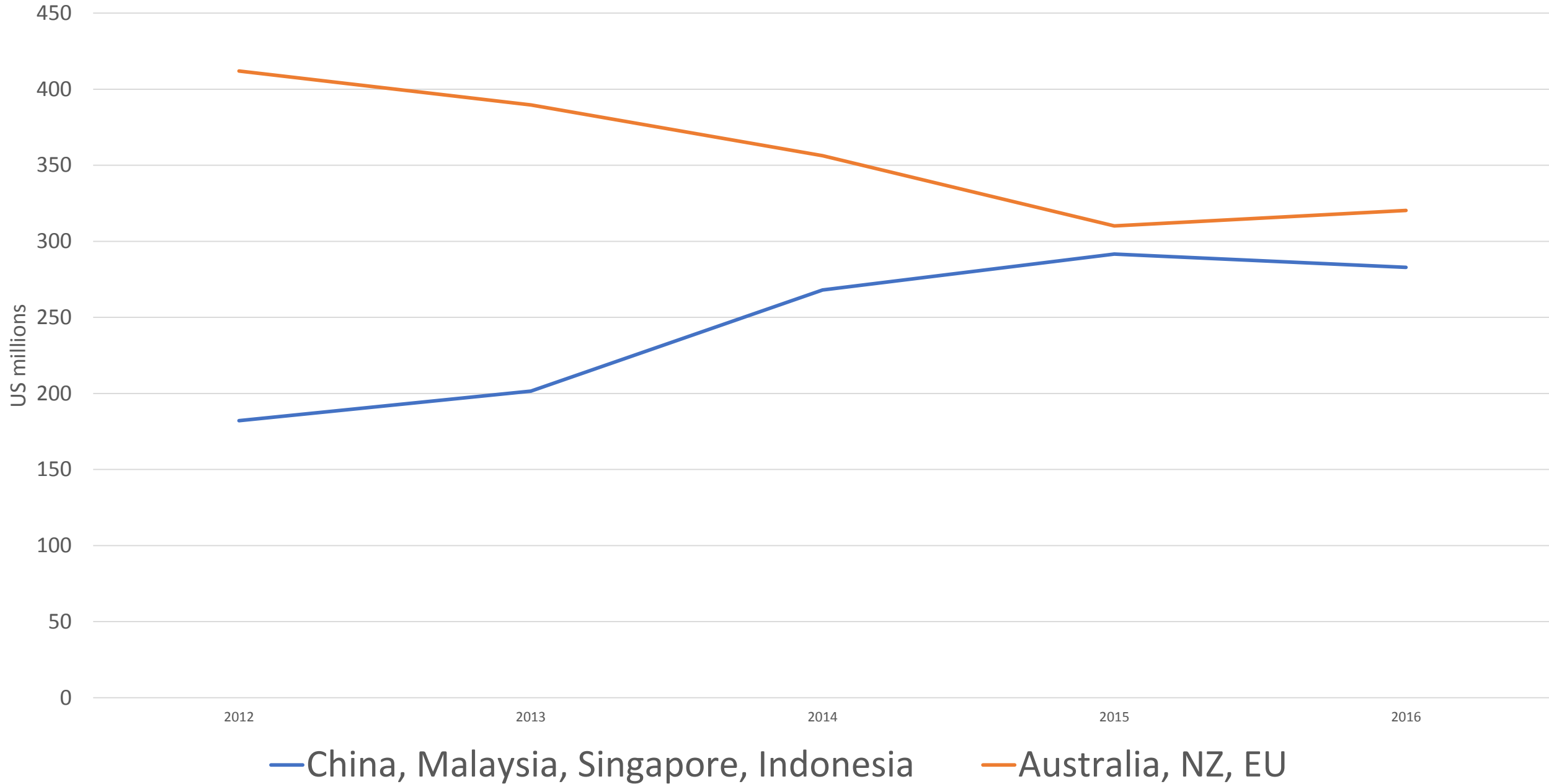
Other (cheap) food items

- Wheat (flour) (9.9 US million in 2012 to 23.1 US million in 2016)
- Raw sugar (0.9 US million in 2012 to 2.1 US million in 2016)
- Bran (0 in 2012 to 2 US million in 2016)

PNG agricultural and food imports by source country 2012-2016 (preliminary)

| | 2012 | 2013 | 2014 | 2015 | 2016 | % change 2012-2016 |
|-------------|------|------|------|------|------|-----------------------|
| Australia | 319 | 301 | 286 | 244 | 256 | -20% |
| Malaysia | 65 | 71 | 82 | 98 | 86 | 34% |
| Singapore | 45 | 57 | 81 | 78 | 77 | 69% |
| Indonesia | 46 | 47 | 67 | 71 | 76 | 64% |
| New Zealand | 76 | 71 | 54 | 52 | 52 | -32% |
| China | * | 26 | 38 | 44 | 44 | 68%* |
| EU-27 | 17 | 18 | 17 | 14 | 13 | -23% |

PNG agricultural imports source country

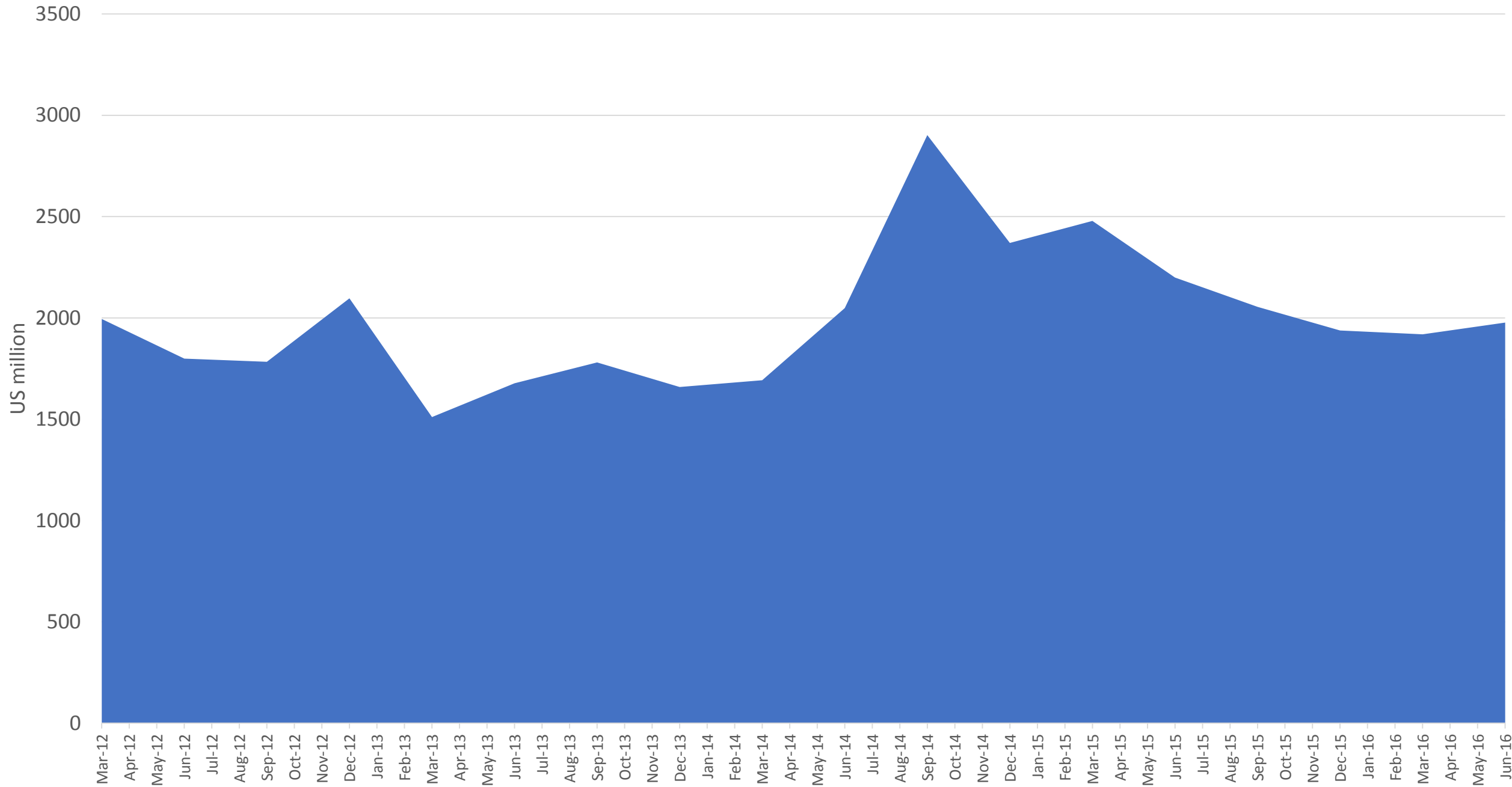


Imports - findings

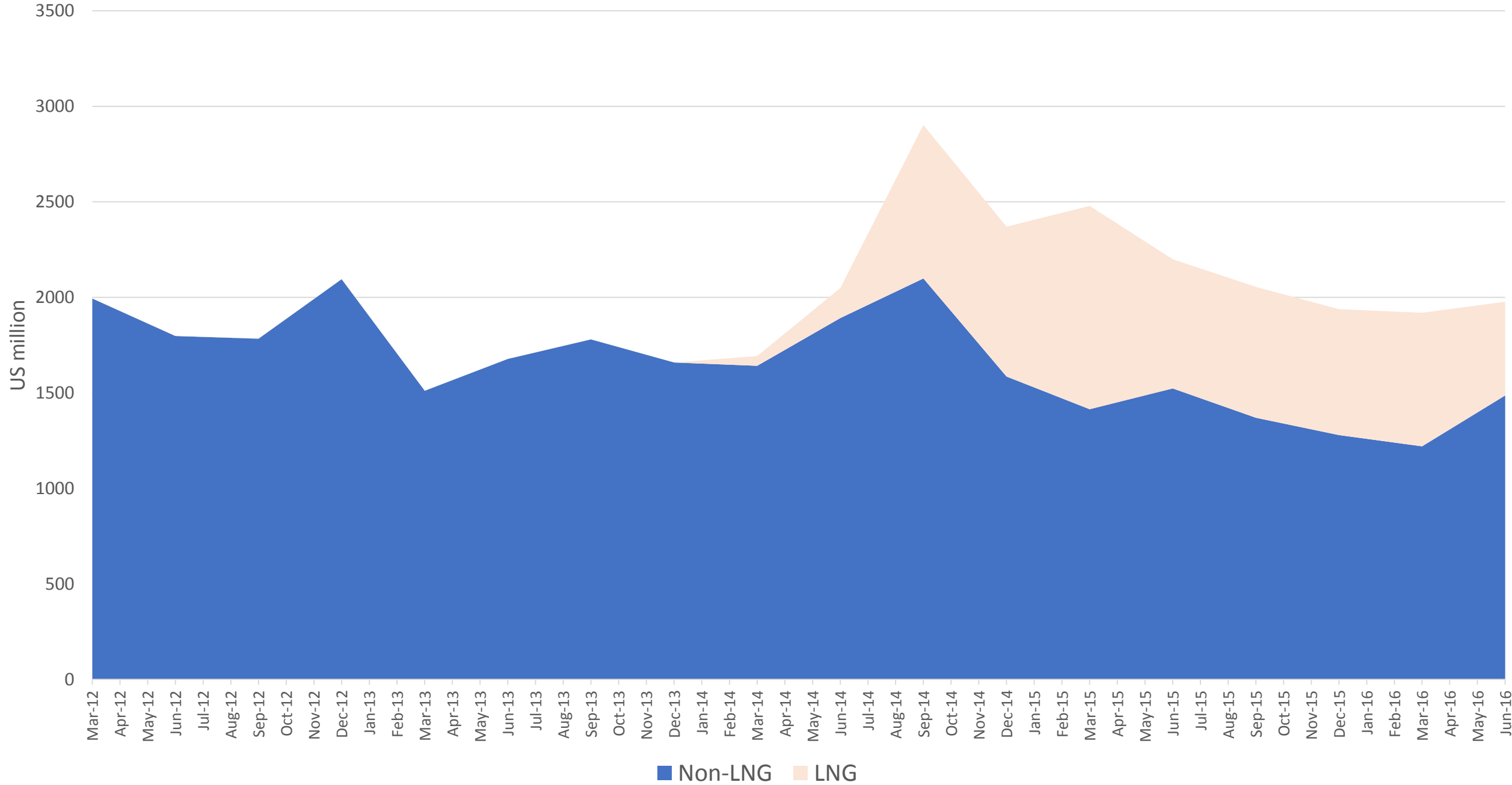
- Transport, construction materials, fuel have dropped
- Spike in 2014 likely due to the introduction of the trading band
- Agriculture imports have stayed relatively constant
- There has been a shift towards sourcing agricultural and food imports from Asia

EXPORTS

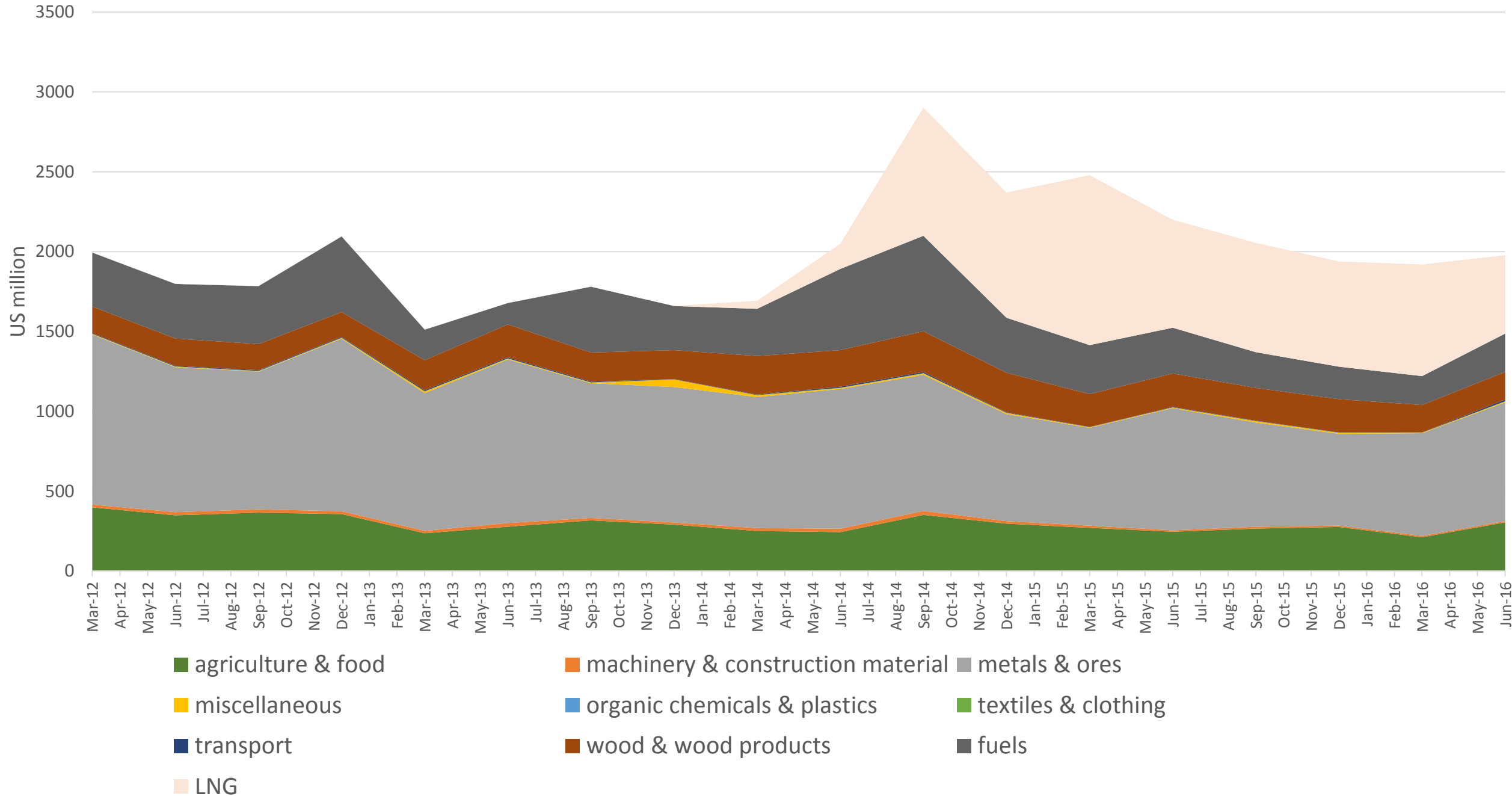
PNG Aggregate Exports



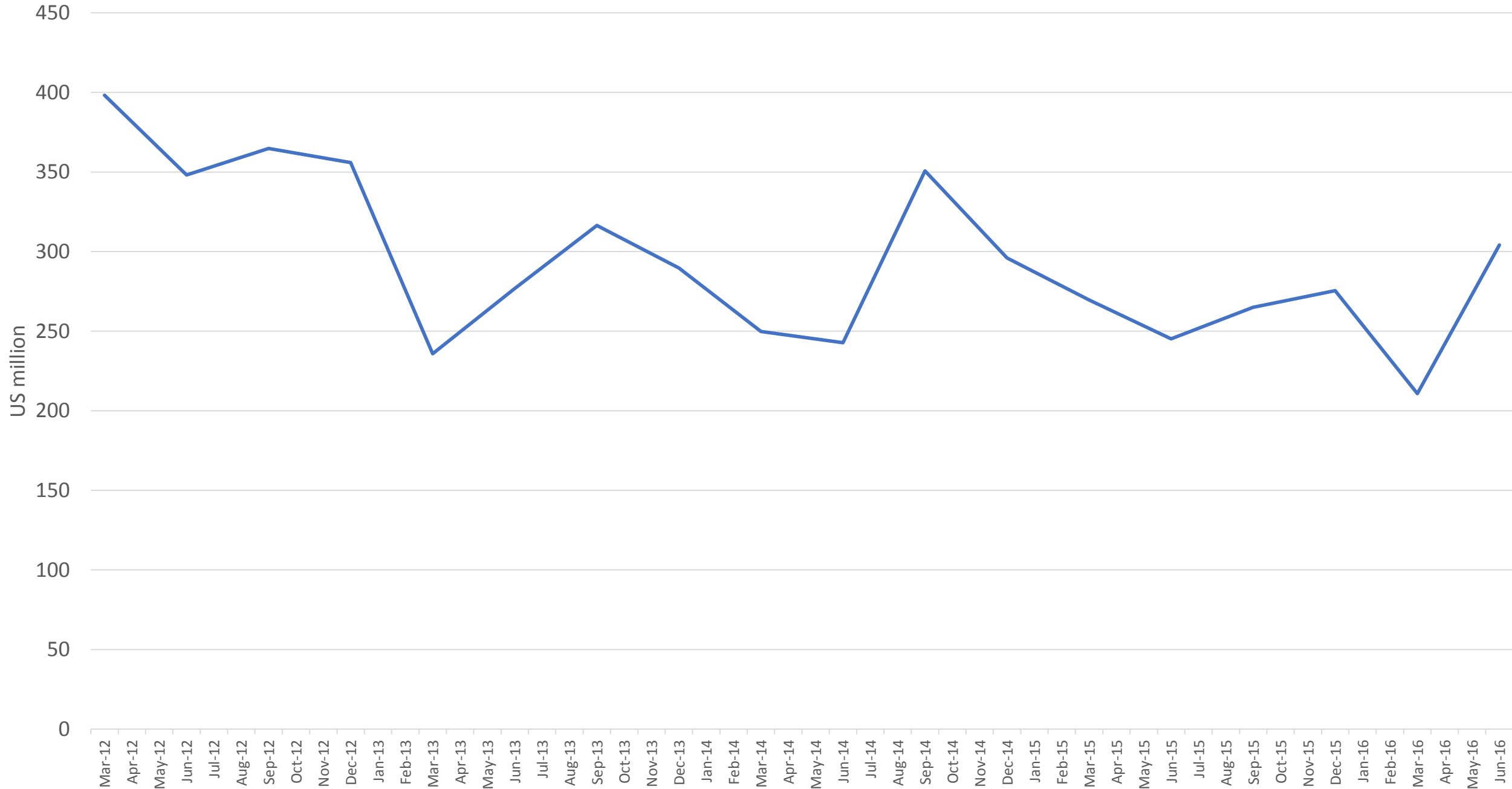
LNG v Non-LNG exports



PNG exports by sector



PNG Agricultural exports



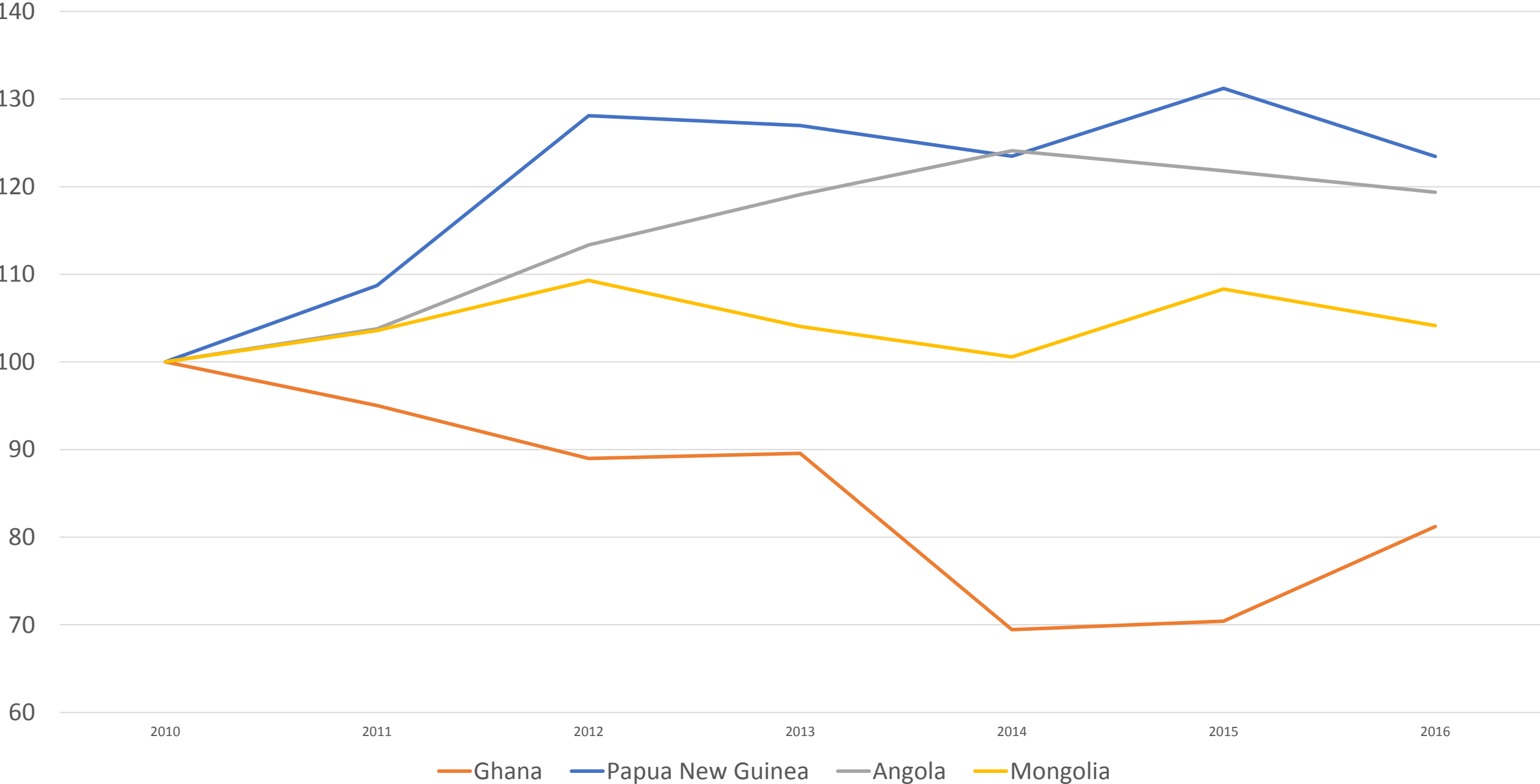
Comparison countries

- Mongolia
- Ghana
- Angola

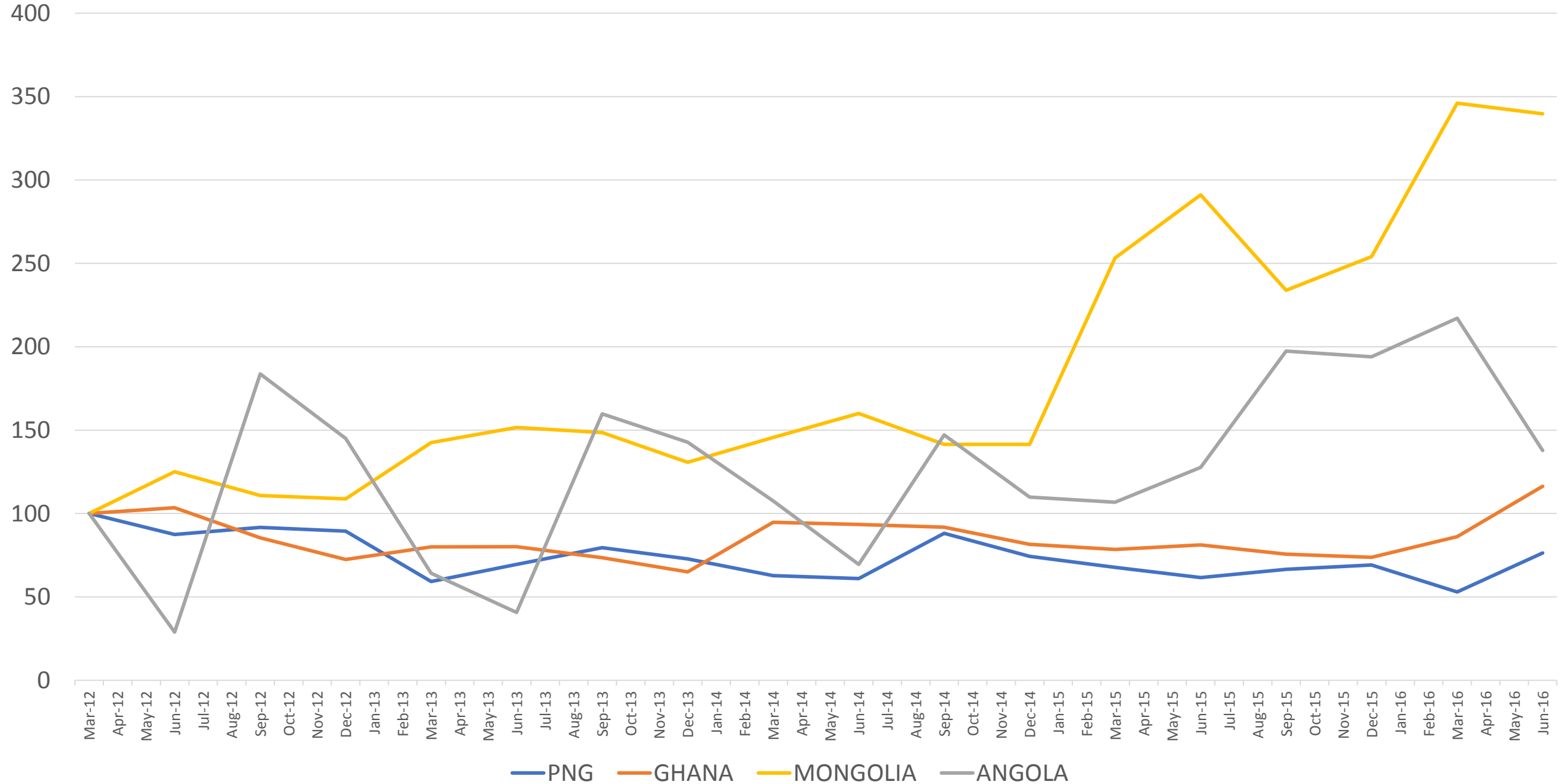
- Chosen based on
 - % resource rents to GDP
 - Population
 - GDP
 - GDP per capita

- Further analysis to include more countries

Real effective exchange rate index (base year – 2010)



Agricultural export value index



Conclusions

- Agricultural imports have stayed relatively constant since 2012
- Some evidence that consumers are switching from more expensive imported food items to less expensive imported food items
- LNG has masked a general fall in other exports
- Comparison between PNG and similar resource exporting countries shows a reduction in agricultural export value since 2012 with larger agricultural export value growth for Mongolia, Angola and Ghana