

Depreciating kina to raise cost of living in PNG

Author : Ashlee Betteridge

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A sharp fall in the value of the kina is causing concern in PNG.

The kina has [gone](#) from being worth to AUD\$0.4855 at the start of July to just AUD\$0.4076 at the beginning of October.

According to Bloomberg, the kina was the [second-worst performing exotic currency](#) behind Mongolia's tugrik in the last quarter, dropping 7.2 per cent.

Foreign exchange reserves have fallen from their 2012 [high](#) of over \$US 4.5 billion to just over \$US 3 billion in August this year.

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The latest [monetary policy statement](#) [pdf] from the governor of the country's central bank, released at the end of September, says the depreciation of the kina is largely due to higher import demand and lower export receipts.

Daniel Wilson, ANZ's economist for Asia-Pacific, told [Business Advantage PNG](#) that the current account deficit, recently revised up from 2.7 billion kina to just under 7 billion kina for this calendar year, was 'the fundamental driving force behind the depreciation'.

The slowing of capital inflows as the construction of the LNG project nears completion is another cause. The current account deficit should improve once production commences in 2014.

World Bank PNG country economist Timothy Bulman [said](#) that the prices of store goods may increase as a result. Fuel prices have also [increased this month](#), with the country's Independent Consumer and Competition Commission citing the lower kina and increases in freight costs as the cause.