



24 April 2018

UK - PNG
TRADE & INVESTMENT FORUM

Mark Baker
Managing Director, ANZ (PNG) Ltd

mark.baker@anz.com

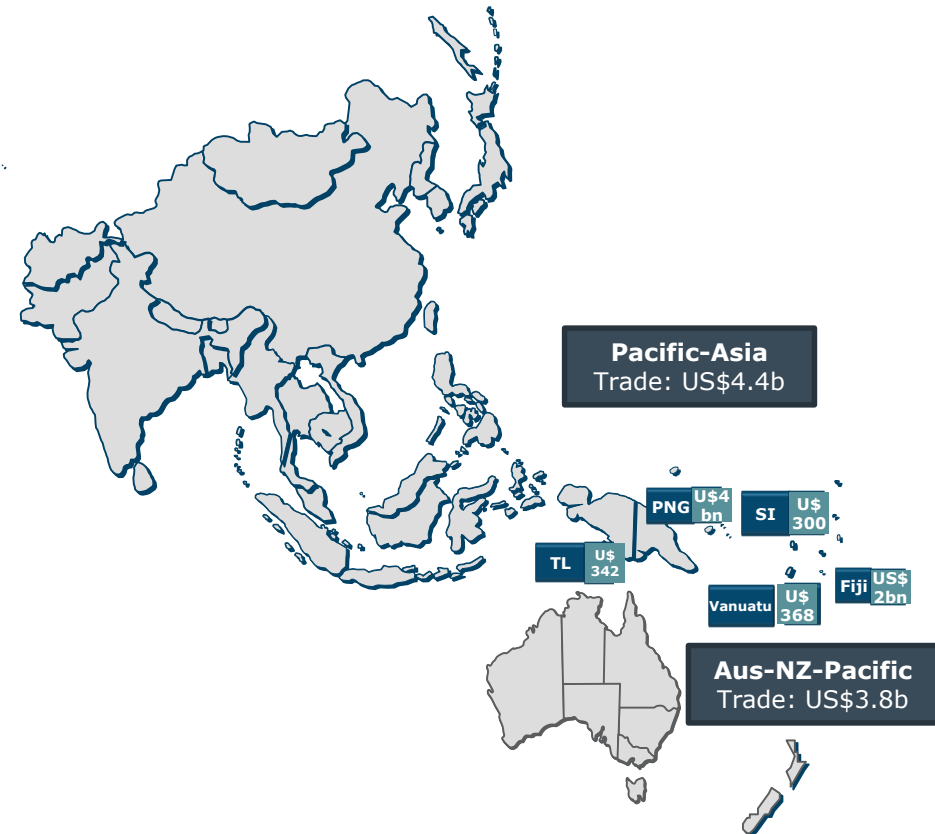
'AA-' RATED, ANZ IS A MAJOR INTERNATIONAL BANK ACROSS ASIA-PACIFIC

A presence in 12 markets across the Pacific for over 130 years



- Established in London in 1835 as The Bank of Australasia
- 46,000 staff across 34 countries
- Institutional strategy focused on Trade and Capital flows

Regional connectivity is playing to our unique position in Asia-Pacific





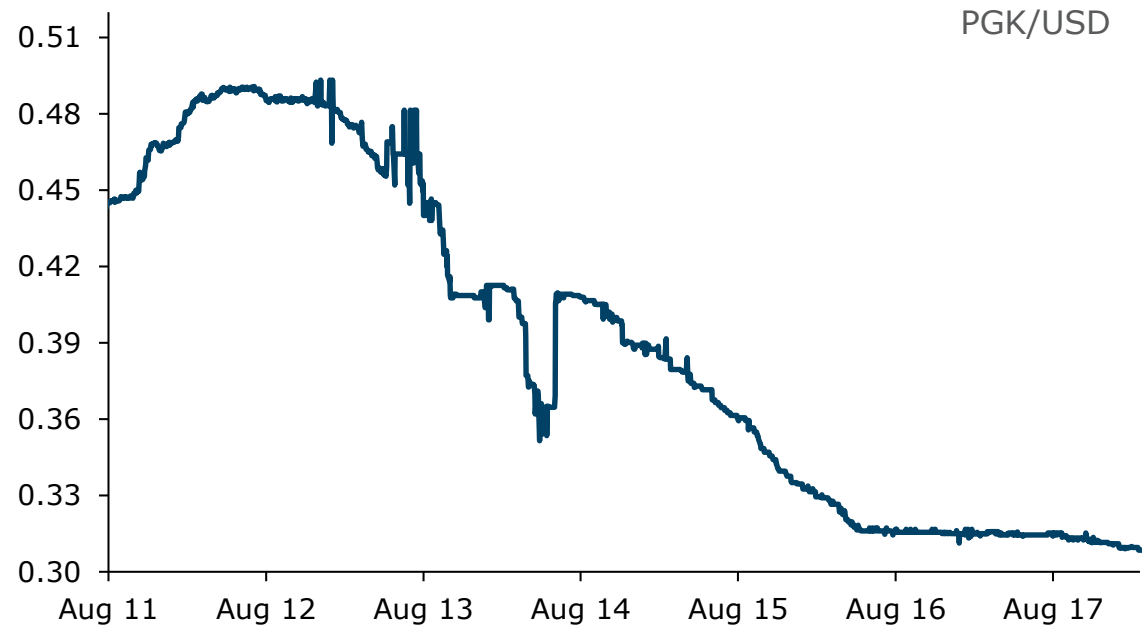
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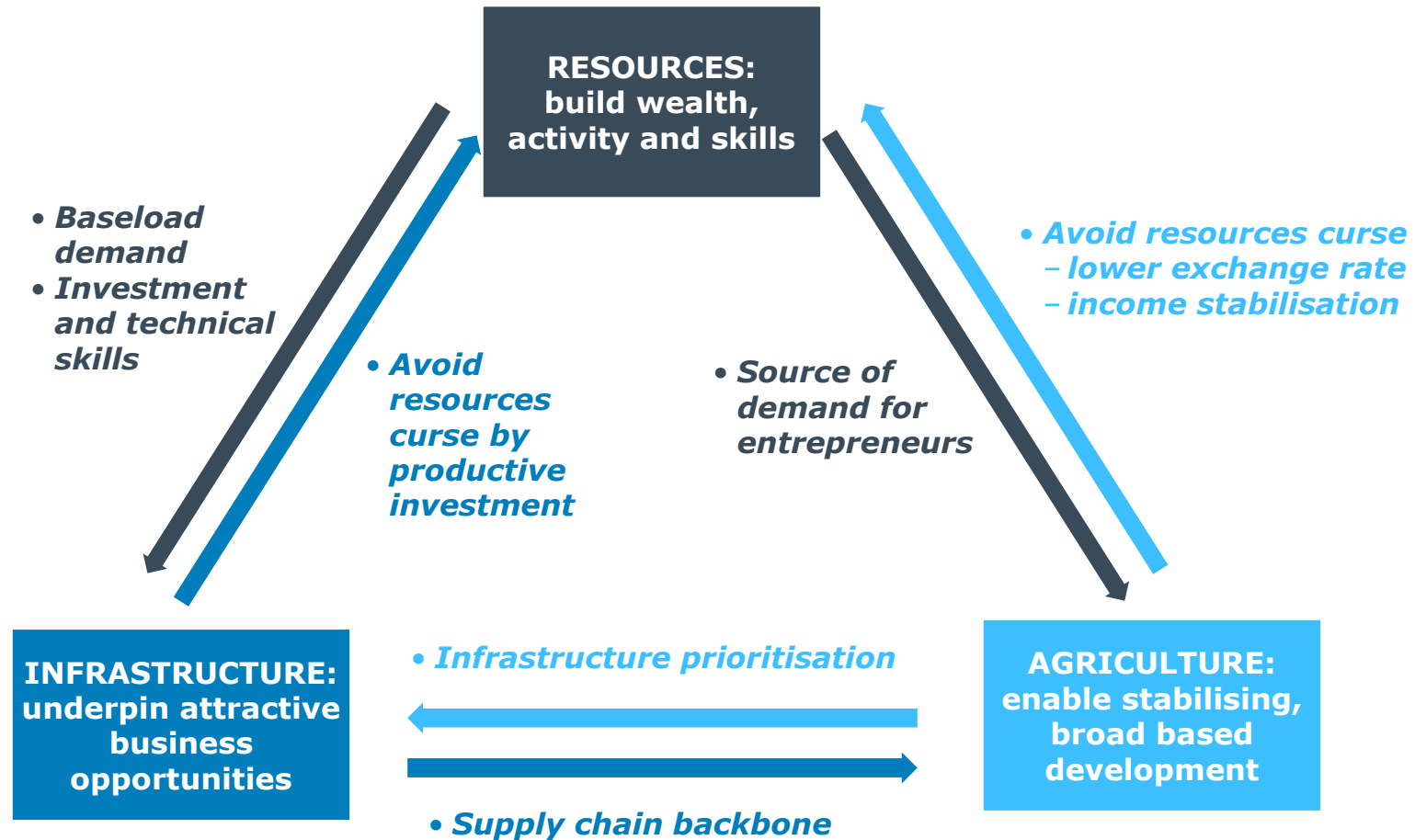
KINA / USD PEAKED IN MID 2012 – PNG LNG PROJECT BUILD



- From 2003 – 2007 PGK/USD ranged in high .20s to low .30s
- Final Investment Decision for PNG LNG was in 2009
- Construction 2010-2013

BALANCED DEVELOPMENT WILL ALLOW HIGH-QUALITY GROWTH

Links between sectors



SOFT COMMODITY PRICES HAVE ADVERSELY IMPACTED PNG

GDP driven by external factors:

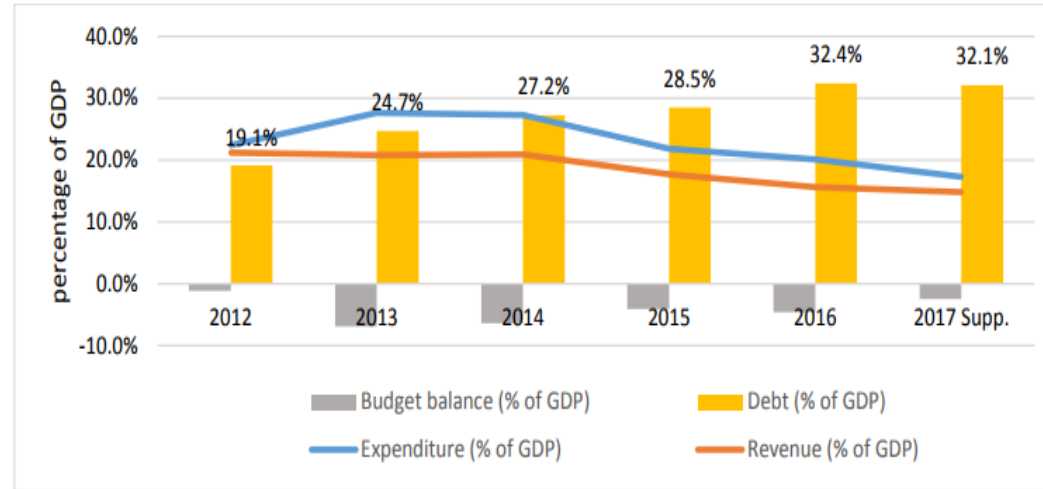
- Commodity prices
- Foreign Direct Investment

Forecasted to grow by 2.4% in 2018.

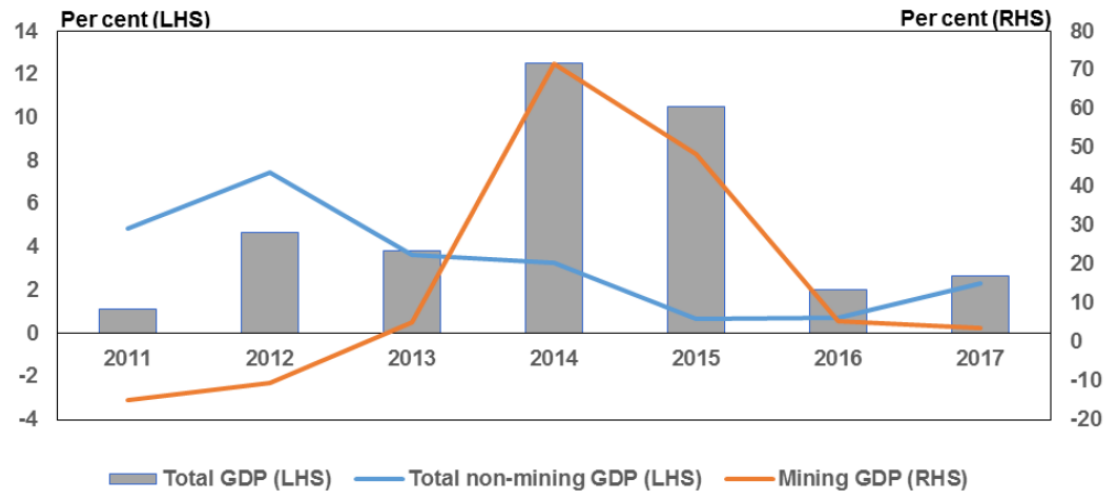
Fiscal: According to the 2018 Budget report the government expects a deficit of PGK1.987 bn or 2.5% of GDP with the debt to GDP ratio moving to 32%.

Inflation: Increasing by 1.0% to 6.9% with upside risks if PGK depreciation accelerates

FX Reserves : US\$1.71Billion with some reductions possible as reserves are used for FX intervention.



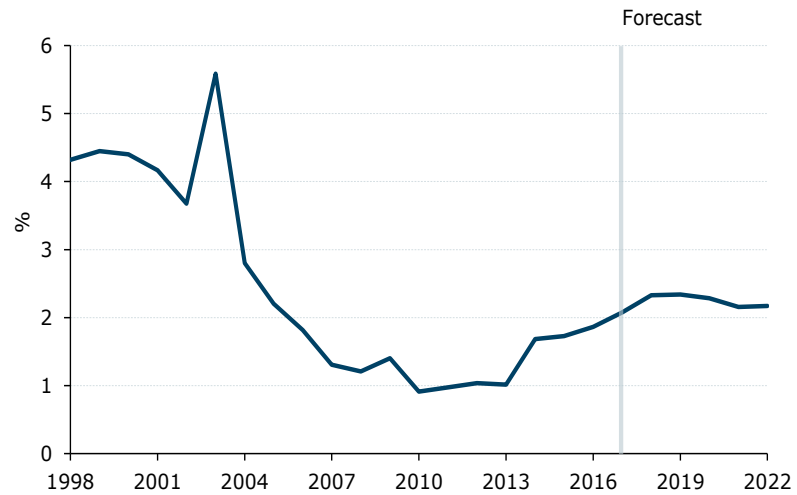
Source: Department of Treasury



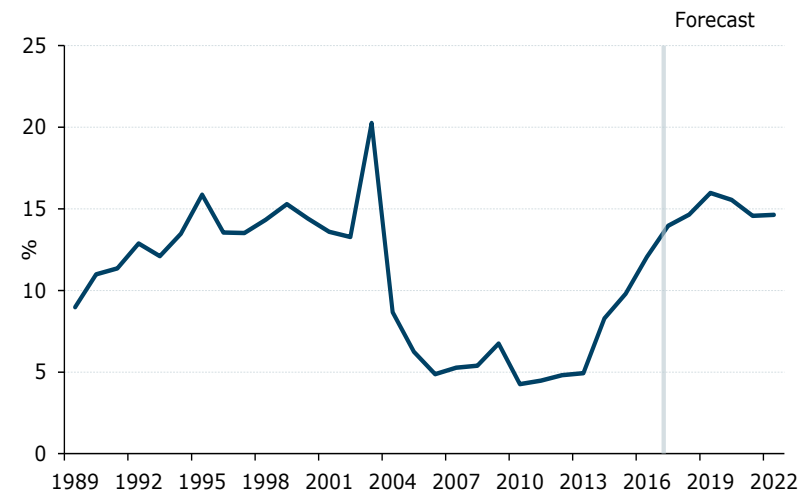
Source: Department of Treasury

SERVICING OF GOVERNMENT DEBT

Interest payments as % of GDP



Interest payments as % of Revenue





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FOREIGN EXCHANGE ISSUES WILL NORMALISE OVER THE MEDIUM TERM

- PNG Kina is a thinly traded currency and subject to supply/demand pressures
- Onshore USD liquidity currently limited due to fall in commodity prices and volumes, against strong import demand.
- Situation will 'normalise' once USD inflows from new resource projects materialise.
- In the longer term (post 2020) the market will be better balanced.
- Sovereign Wealth Fund legislation provides the mechanism to manage currency issues



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PNG - THE MEDIUM TO LONG TERM FUTURE

- PNG's long term potential is undoubted.
- The PNG LNG project shows that a world scale project can be completed successfully, with leading project economics
- ANZ's medium term view (2 years +) is positive, driven by LNG and other resource investments
- Infrastructure to be the key enabler to drive growth higher and broader over the medium term.



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