



PNG RESOURCES WEEK, 28 TO 31 JULY 2025

**THEME: PNG RESOURCE SECTOR AND PNG
ECONOMIC UPDATE**

**TOPIC: Importance of BPNG's Sovereign Role as
Manager of Gold Exports, Currency Issuance,
Monetary Policy and Management of Gold
Reserves**

JULY 2025



BPNG's Sovereign Role as Manager of Gold Exports

1. Central Bank is empowered under the Central Banking Act to carry out certain important functions:

- implementation of the monetary policy to achieve and maintain price stability as its primary objective and promote growth and employment as the secondary objective
- promoting financial stability, issuance of national currency and providing banking services to the Government
- implement the exchange rate policy in a way that would maintain convertibility, while maintain sufficient international reserves to support the exchange
- Foreign Exchange and Gold Regulation (FEGR) to administer this important sector
 - meets international standards so that it can be sold at international markets. This is important for PNG's credibility and reputation as an international gold exporter



EXPORTS BY COMMODITY GROUP

S53

TABLE 9.2 - EXPORTS CLASSIFIED BY COMMODITY GROUP (a), (b)
(K' million, f.o.b)

End of Period	Agricultural and other exports	Forest Products		Marine Products	Mineral						Total Domestic Export	Re-exports	Total Exports			
		Logs	Total		Mining				Hydrocarbons							
					Gold	Copper	Nickel	Cobalt	Crude Oil	LNG	Condensate					
2015	2,368.4	1,020.1	1,029.7	397.1	5,173.5	646.5	682.4	154.6	913.4	9,734.9	2,202.6	19,507.9	23,303.1	-	23,303.1	
2016	3,340.0	1,063.7	1,043.1	946.6	6,512.4	1,114.9	668.2	195.2	1,333.8	5,963.9	1,592.3	17,380.7	22,710.4	-	22,710.4	
2017	4,012.1	999.8	1,029.2	1,316.6	7,612.2	1,962.2	1,179.0	614.1	1,255.9	9,403.5	1,935.1	23,962.0	30,319.9	-	30,319.9	
2018	3,798.8	1,266.5	1,294.0	1,485.6	8,207.2	1,889.7	1,087.0	575.5	942.6	10,972.7	2,111.3	25,786.0	32,364.4	-	32,364.4	
2019	3,409.6	1,209.5	1,242.0	1,464.7	10,560.5	2,242.0	1,953.8	392.5	769.3	12,983.4	2,065.1	30,966.6	37,082.9	-	37,082.9	
2020	3,783.1	911.6	1,088.1	1,496.1	9,924.1	1,900.2	1,363.8	269.1	647.4	9,658.8	1,260.4	25,023.8	31,391.1	-	31,391.1	
2021	(m)	5,607.9	821.0	849.6	889.1	7,657.3	2,185.5	2,100.1	531.7	1,556.4	13,817.8	2,078.3	30,697.0	38,043.6	-	38,043.6
2022	(m)	6,206.6	1,038.1	1,103.2	903.0	7,820.8	2,272.2	3,271.8	671.2	2,553.5	23,459.1	2,465.5	43,221.9	51,434.7	-	51,434.7
2023	4,782.4	682.6	737.2	704.7	9,054.3	2,884.9	2,501.2	406.4	2,041.9	20,594.4	1,718.3	39,858.8	46,083.1	-	46,083.1	
2024	(p)	5,555.0	683.8	721.7	1,527.4	13,619.7	4,044.0	1,964.9	280.8	2,191.0	19,626.5	1,464.3	43,859.3	51,663.4	-	51,663.4

- Mineral sector as a share of GDP is around 26.5 percent
- Of the total exports of K51.6 billion in 2024, around 85% (K43.9 billion) was driven by the mineral sector exports and 15% (K7.8 billion) by the non-mineral sector
- Indicates the potential inflows from the mineral sector without exemptions
- Exemptions were given under various Project Developments Agreements
- These exemptions had an impact in FX inflows that affected the domestic FX market.



Chart 1: Total and Gold Export Value (K'Million)

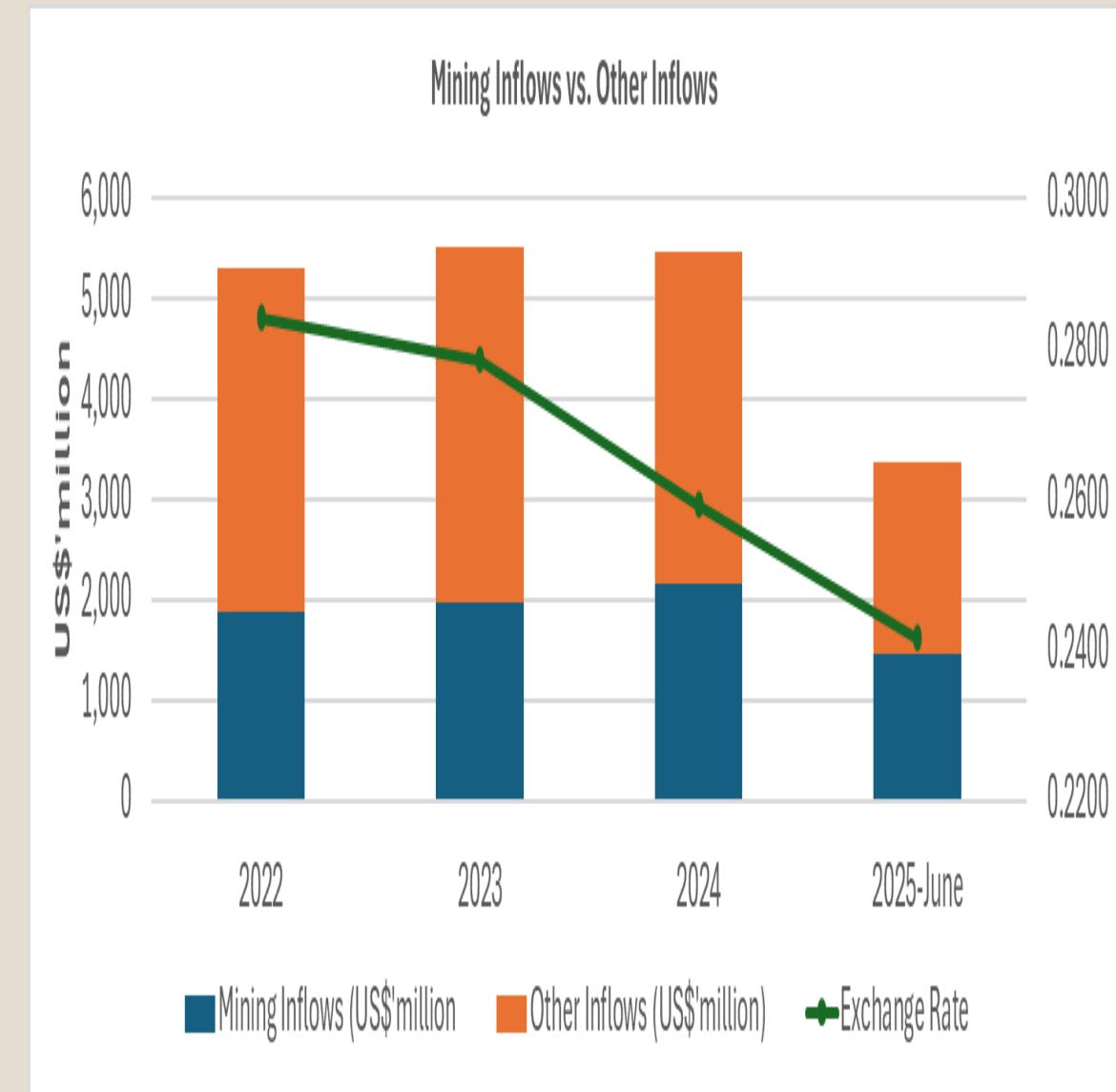
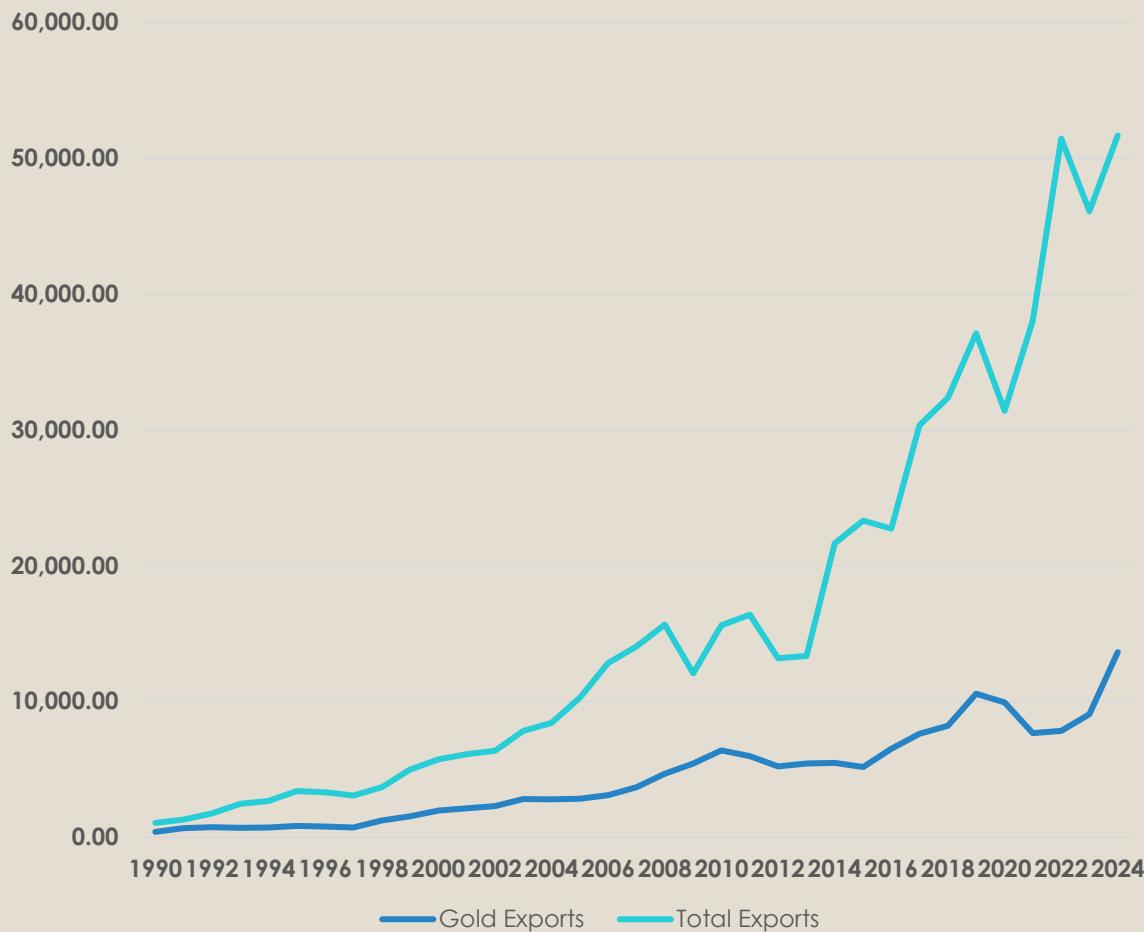
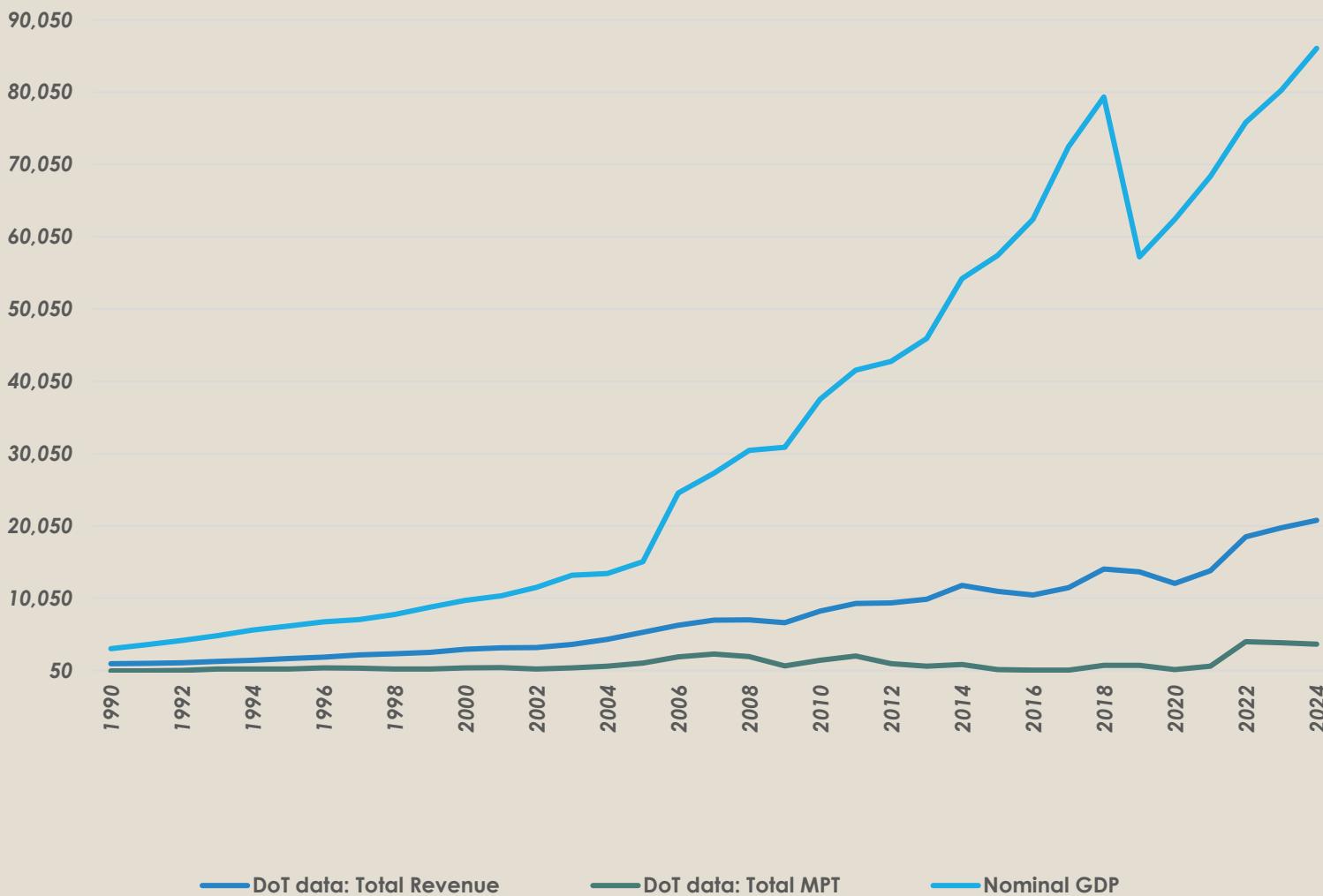




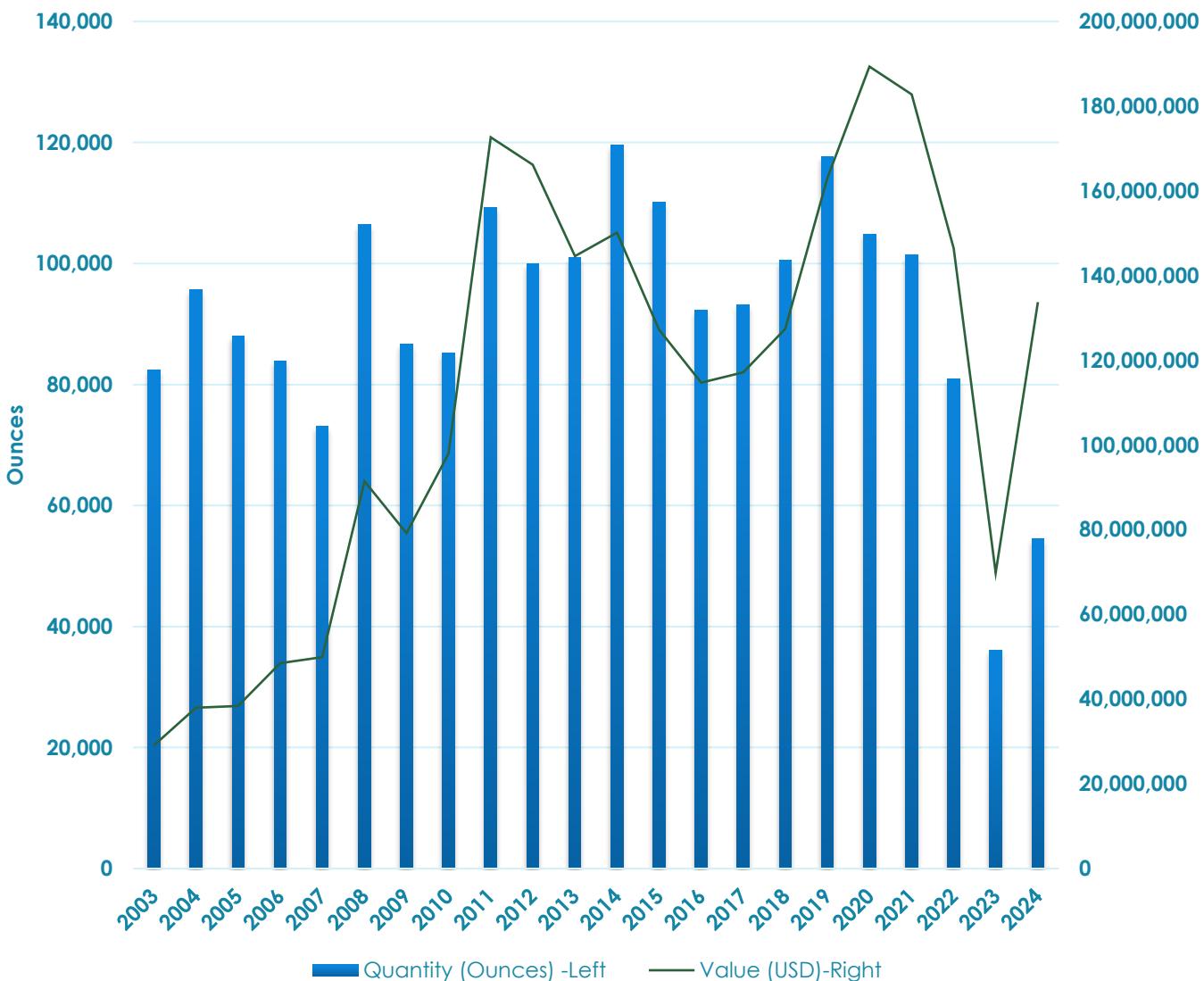
Chart 2: Nominal GDP, Total Revenue, and MPT (K'Million)



- The mineral sector and its contribution to Government Tax revenue has been very disappointing over the years
- Government revenue against the growth of the economy as reflected by the nominal gross domestic product (GDP)
- The growth is mainly driven by the non-mineral sector and the mineral sector
- Mineral sector is enclaved and its spillover effect to the non-mineral sector is limited



Chart 3: Quantity and Value of Alluvial Gold Exports



- In the alluvial gold sector, between 2003 to 2021 there has been a general increase in the export quantity and value of alluvial gold exports
- Years from 2021 to 2023 the quantity and values were lower than in the years prior to 2021 due to alluvial gold smuggling
- Export have declined from USD 180 (K650) million in 2021 to USD 70 (K270) million in 2023.
- Increase in 2024 reflected work by Customs that confiscated some of the gold at the airports and tightening of security checks.



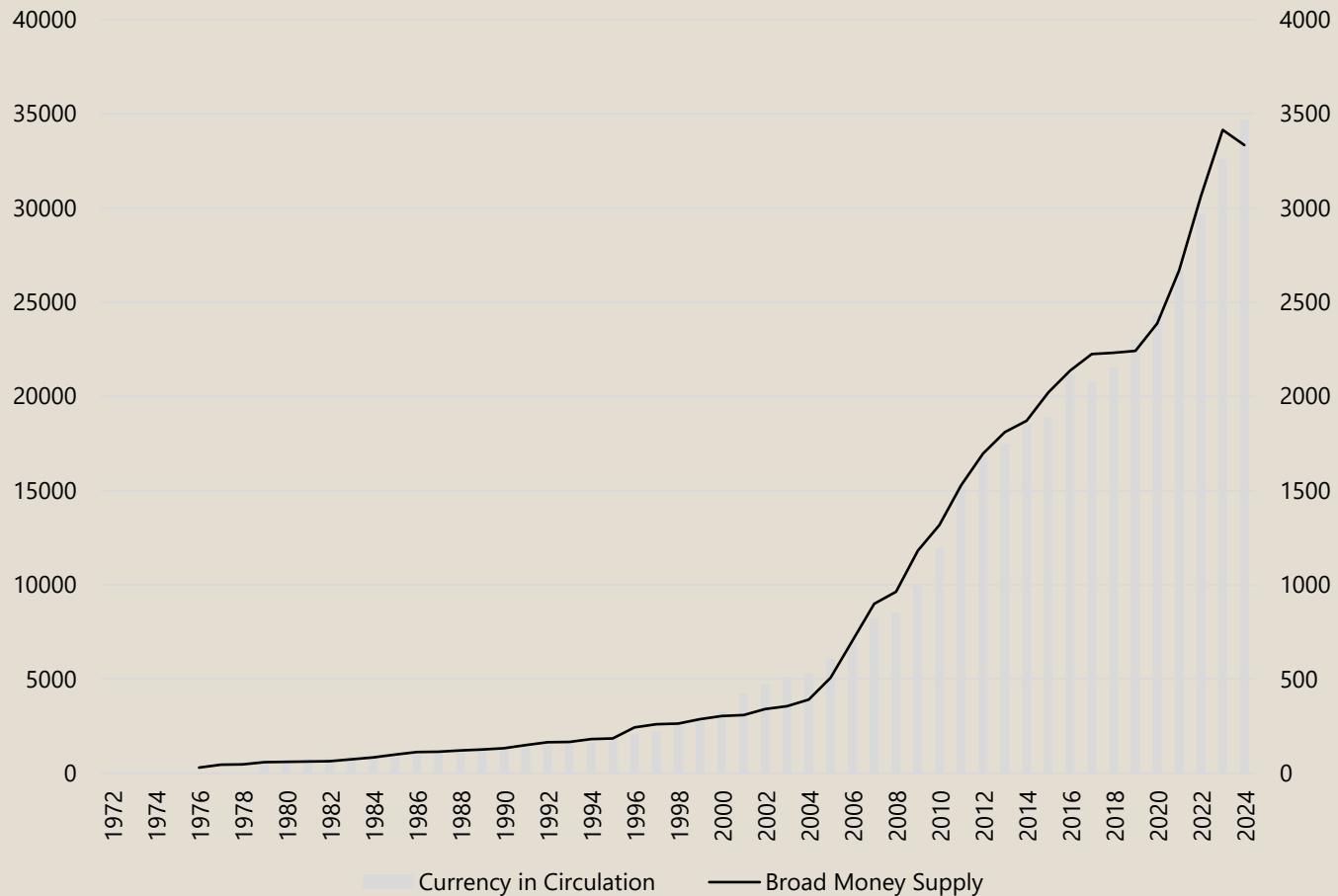
Management of Gold Reserves

- The CBA allows the Central Bank to hold gold bullion as a component of its international reserves, serving as a store of value, a hedge against economic instability, and a tool for maintaining currency value and confidence.
- Holding gold as part of a diversified portfolio helps to mitigate the risk, especially when other assets, like Government bonds may be vulnerable during crises.
- BPNG hold around K370 million in its vault at the Bank of England.
- The down side of holding gold as reserves is that it cannot be easily traded or invested as a source of revenue for the central bank unlike the fiat currencies



Currency Issuance

Chart 4: Broad Money Supply and Currency in Circulation (K'million)



Between 2000 and 2024, Papua New Guinea's broad money supply and currency in circulation grew by approximately 900%, driven by four key factors:

- country's continued reliance on cash in a growing economy;
- successive commodity price booms that generated windfall revenues and increased demand for money;
- large capital inflows from major resource projects like the PNG LNG;
- fiscal expansionary budgets since 2011 that resulted in increased borrowing and credit to government.



Monetary & Exchange rate Policies

- In 2023, the Bank undertook a major policy reform under the IMF Program to modernize monetary policy framework and reset the exchange rate policy to address the convertibility issue and the FX market situation.
- Policy coordination is critical in terms of maintaining exchange rate stability, while managing reserves to counter large exchange rate volatility
- A stable money supply, interest rates, CPI, and exchange rate are important in maintaining price stability
- Exchange is the the nominal anchor to monetary policy
- The current reforms on monetary policy framework is to improve policy transmission to influence domestic interest rates.
- Adjustment in the exchange rate is to correct the exchange rate misalignment and restore kina convertibility.
- Policies ensure that inflation is contained as the kina adjusts to its market clearing rate to support the clearance of outstanding orders in the FX market.
- All outstanding import orders have been cleared and the FX market has generally normalized over the last three months.



Issues/Risks and Recommendations

- Improve institutional capacity to enhance monitoring and compliance to ensure full disclosure of value and quantity of gold exports
- Improve collaboration among and enforcement by Government agencies to effectively address smuggling of alluvial gold.
- A comprehensive assessment to establish whether or not the existing licensing regime has served the best interest of PNG.
- The economy faces a major concentration risk reflecting its reliance on the extractive resource sector (mineral, oil and gas). We need to diversify the economy.
- Climate-change issue has become a global threat and impacting investments in PNG. The mineral sector must address and reduce any carbon foot print to remain carbon negative.



Thank you!

End of Presentation