

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/83/58

CONFIDENTIAL

March 11, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: Papua New Guinea - Exchange Rate

The attached paper on recent modifications in the exchange arrangements of Papua New Guinea is circulated for the information of the Executive Directors.

Att: (1)

INTERNATIONAL MONETARY FUND

Papua New Guinea--Exchange Rate

Prepared by the Asian and Exchange and Trade
Relations Departments

(In consultation with the Legal Department)

Approved by P.R. Narvekar and Donald K. Palmer

March 11, 1983

The Executive Director for Papua New Guinea has notified the Fund of recent modifications in Papua New Guinea's exchange arrangements, as described in the attached communication to the Secretary.

On March 8, 1983, in line with the devaluation of the Australian dollar of the previous day, the kina was devalued by 10 per cent against the U.S. dollar bringing the value of the kina to 1.1831 U.S. dollars. In terms of the Australian dollar, the value of the kina was unchanged from the previous day, equal to 1.3839 Australian dollars. This represented a downward adjustment of 5.5 per cent against the basket of currencies of Papua New Guinea's major trading partners to which the kina has been pegged.

The depreciation of the kina is in line with the staff's recommendations on exchange rate policy, made during the 1982 Article IV consultations (SM/82/123). At that time, the staff encouraged the authorities to follow an exchange rate policy supporting the objectives of widening the economic base, diversifying exports and providing incentive for import substitution, as well as ensuring the envisaged growth in the traditional export sector. The present adjustment will prevent a deterioration in Papua New Guinea's competitive position vis-a-vis its most important trading partner, Australia, and will help restore the overall competitiveness of the export and import-substituting sectors which had deteriorated due to the appreciation of the kina during recent years. Following the adjustment, the real effective exchange rate was restored to the level prevailing at the end of 1979.

A mission will be visiting Port Moresby shortly to conduct the 1983 Article IV Consultation with Papua New Guinea. An analysis of exchange rate developments and policies will be included in the consultation reports.

ATTACHMENT

OFFICE MEMORANDUM

To: The Secretary

Date: March 8, 1983

From: K.G. Morrell

Subject: Papua New Guinea--Devaluation of the Kina

Would you please inform the members of the Executive Board of the following communication which the Fund received today from the Secretary for Finance, Papua New Guinea:

"The Minister of Finance announced that the value of the Kina will be lowered in line with the Australian Dollar devaluation of 10 per cent. The exchange rate today 8 March will be 1 Kina equals \$US1.1831 and \$A1.3839. This represents a downward adjustment of 5.5 per cent against the basket."

cc: Mr. Prowse (o.r.)
Mr. Lee
Mr. Kooymans
Mr. Bernardo