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0401

EBD/90/21

January 12, 1990

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

Attached for the information of the Executive Directors is a paper on a recent change in the exchange rate of the Papua New Guinea kina.

Mr. Browne (ext. 7329) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

PAPUA NEW GUINEA

Exchange Arrangements

Prepared by the Asian Department and
the Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by Kunio Saito and A. Basu

January 12, 1990

In the attached communication dated January 9, 1990, the Bank of Papua New Guinea has notified the Fund of a 10 percent devaluation of the kina in foreign currency terms. With effect from January 9, 1990, the new exchange rate of the kina vis-a-vis the U.S. dollar is K1= US\$1.0443.

This exchange rate action is part of a package of measures, including cuts in government expenditure, controls in credit growth and wage restraint, that are being taken to restrain demand and protect the external position in view of the continued closure of the Bougainville copper mine. The measures are consistent with the staff appraisal contained in Papua New Guinea--1989 Staff Report on the Interim Article IV consultation discussions (SM/89/269, December 18, 1989).

Attachment

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JANUARY 9, 1990

INTERNATIONAL MONETARY FUND
WASHINGTON

THE OFFICIAL VALUE OF THE PAPUA NEW GUINEA CURRENCY, THE KINA, EXPRESSED
IN TERMS OF UNITED STATES DOLLARS WAS TODAY DEVALUED BY 10.00 PERCENT.
TODAY'S NEW MIDRATE IS 1.0443.

GOVERNOR OF THE BANK OF PAPUA NEW GUINEA
BANK OF PAPUA NEW GUINEA
PORT MORESBY, PAPUA NEW GUINEA

Received in Cable Room: January 9, 1990