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# The path to kina convertibility: study of the foreign exchange market of Papua New Guinea

Friday 25 June 12:30–1:30pm (AEST)

Papua New Guinea (PNG) has faced a chronic shortage of foreign exchange for the past seven years, despite a current account surplus of around 20% of GDP, leading to a large backlog of Forex orders. The objective of this study is to provide an in-depth analysis of the foreign exchange market in PNG, and to recommend adjustments to policy and foreign exchange market arrangements to facilitate the return to full kina convertibility. We outline reasons for the persistent structural shortage of foreign exchange, provide a historical analysis of monetary and exchange policy in PNG over the past 20 years and provide an in-depth analysis of various options circulating in PNG policy circles. The heart of our analysis is a new theoretical model of internal and external balance incorporating key features of resource rich developing countries and an associated empirical analysis which finds that the real exchange rate is overvalued by between 20% and 30%. Based on this, we outline a number of policy recommendations to return the kina to full convertibility.

*The ANU-UPNG seminar series is part of the partnership between the ANU Crawford School of Public Policy and the UPNG School of Business and Public Policy, supported by the PNG-Aus Partnership.*

## Speaker

### Martin Davies

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## Registration at

<https://events.devpolicy.org/20210625>

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*This seminar is free and open to the public. Registration is required to attend the seminar. You can attend at the Acton Theatre (Crawford School of Public Policy, ANU), at the MBA Suite (SBPP building, UPNG), or online via Zoom.*



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