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PNG BUSINESS AT A GLANCE

BY STAFF WRITERS

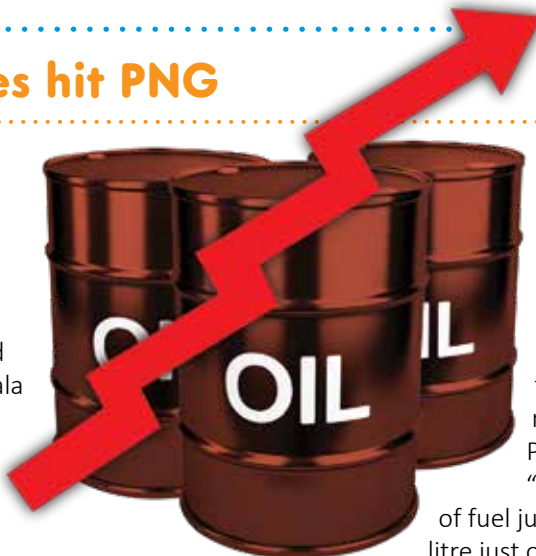


Oil price rises hit PNG

The rising price of oil will have a significant impact on Papua New Guinea this year, according to an industry expert.

"The movement up in oil prices is being felt around the world," observes Hulala Tokome, PNG Country Manager and Director at **Puma Energy**, PNG's largest oil importer and refiner.

There are several reasons behind the price rise, he says. The most obvious is the increased global uncertainty caused by Russia's



invasion of Ukraine.

But, he says, there were already pre-existing upward pressures on the oil price before the current conflict.

Tokome says Puma expects the oil price to continue its rise this year, driving up the price not only of petrol and diesel in PNG, but also aviation fuel.

"Locally, we've seen the price of fuel jump up by nearly 50 toea per litre just over the last couple of months,"

he says. "It is most likely it will jump up by another 15 to 20 toea per litre," he predicted in early March.

Gas impact

With Russia supplying 38% of the European Union's gas market, the invasion of Ukraine may also have consequences for liquefied natural gas, PNG's largest commodity export.

Analysts **Wood Mackenzie** are predicting "the invasion ... will push the EU to question its dependency on Russian gas. New supply will take time to materialise and will see higher prices in the medium term. But LNG players in the US, Qatar and beyond are starting to gear up; as are pipe suppliers from Azerbaijan, the East Med (Mediterranean) and Norway."

Given its distance from the



EU and the fact that most of its current gas is pre-sold to Asian markets, it is unlikely that PNG will suddenly find itself shipping gas to Europe. However, as David Lennox, Resources Analyst with **Fat Prophets**, says, the impact of

an extended conflict in Ukraine could indirectly affect PNG's gas sector.

A higher gas price, if sustained, would inevitably "bring about the faster development of not-so-commercially-viable fields and trains", he says. At the same time, if the EU switches from Russia to other large gas exporters such as Qatar, "this opens up other markets (such as PNG) to increase capacity".

GDP growth

The **World Bank** has published *The PNG Economic Update: Navigating a Fragile Recovery* and suggests the PNG gross domestic product (GDP) growth is estimated at 4% for 2022.

The growth is, in part, driven by the resources sector, in particular the much-expected reopening of the Porgera mine.

But whereas GDP growth looks better than in 2021, the report also says PNG's economy medium-term will be "impacted by higher global uncertainty".

"The biggest challenge for the PNG economy this year will be navigating a fragile recovery; this is particularly challenging while uncertainty remains high," says World Bank Country Economist for PNG, Ruslan Piontkovsky.

Credit Corp banks on the future

After over 42 years as a finance company in PNG, **Credit Corporation** (PNG) is planning to apply for a banking licence this year.

CEO Danny Robinson is focusing on taking Credit Corporation into new territory. "Our board have signed off on us becoming a licensed bank," he reveals.

Currently, PNG only has four licensed banks – **BSP, Kina Bank, Westpac** and **ANZ**. That number almost became three last year, when Kina Bank unsuccessfully tried to acquire Westpac's Pacific assets, in a deal ultimately rejected by PNG's **Independent Consumer and Competition Commission** (ICCC).

Credit Corporation was a bidder for the Westpac business itself. It was also one of several organisations that opposed the buyout in its submission to the ICCC on the grounds that it would create a duopoly.

Now, it has decided to add to the competition in the banking sector by joining the fray itself.

"What we've done well in the past is we've banked the unbankable customer who is starting up a business but has been unable to get finance. We've been able to support those people with equipment finance-type transactions and we've seen those businesses succeed."

Typically, however, that is when those customers move on to a relationship with a bank.

"The natural progression for us is to continue to support start-ups through our typical finance products. But then, when they're in a position to borrow larger amounts, or for longer terms, and can provide security, we can offer them a more holistic financial services package that would be similar to what the banks are providing."

Robinson is hoping to have a banking licence in place by the end of the year.



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BUSINESS LEADERS HAVE THEIR SAY ON THE YEAR AHEAD

Is this year going to be a good year for business in PNG? Are there going to be more jobs on offer, or less? Justin Smirk, Senior Economist at Westpac, has analysed the results of the PNG 100 CEO Survey, an annual survey that reveals how positive (or negative) PNG's business leaders are feeling about the year ahead. He reveals his discoveries to *PNG Now*.



What is the PNG 100 CEO Survey?

Every year since 2012, Business Advantage International (publisher of this magazine) has asked the heads of PNG's top companies about their expectations for the year ahead, and the major challenges they face.

I then analyse the survey's results for Westpac.

The results give us an idea of how confident business leaders are about making profits, employing more people and investing more money in PNG's economy.

The results also tell us which challenges are preventing businesses from doing better.

What do the results of this year's survey tell us?

They tell us that PNG's largest companies are more confident about business in 2022 than they have been for two years, which is encouraging.

Just over half expect to make more profits in 2022 than they did last year. Nearly half are expecting to invest more money in PNG this year than they did last year and employ more people. Hardly any of them are planning to cut jobs.



PNG's largest companies are more confident about business in 2022 than they have been for two years, which is encouraging. Just over half expect to make more profits in 2022 than last year.

What challenges are business leaders telling us they are facing?

There are some challenges that always appear high up in the survey, such as the law-and-order situation and unreliable utilities (power and water).

The top challenges mentioned in this year's survey were 'regulatory uncertainty' (concerns about changes to the laws and regulations that affect business), law and order, and 'lack of government capacity' (concerns about the government's ability to perform the roles business needs it to do).

All these challenges were rated as more important right now than

COVID-19 restrictions, which came fifth in this year's survey.

Are the top challenges the same every year, or do they change?

The top challenges do change and sometimes because things are improving in PNG. For example, unreliable telecommunications were named the top challenge in 2019 but this year were only eighth.

The shortage of foreign currency (US dollars) was the top issue in 2020, but this year was only sixth.

On the other hand, regulatory uncertainty wasn't even mentioned in the survey four years ago and now it's the top concern for PNG's largest businesses.



Justin Smirk,
Senior
Economist
for Westpac.

A BUZZ IN THE AIR

BY GABRIELLA MUNOZ

Helping Hand Honey Producers (HHHP), Papua New Guinea's second-largest honey producer, has long-term goals to increase honey production to meet rising local demand and to also export.

The business model of HHHP, based in Goroka in the Eastern Highlands Province, involves empowering rural families to produce 'liquid gold' for its Mountain Honey brand.

According to Managing Director Kelly Inae, this involves the company providing quality beekeeping training to farmers in the Highlands and Momase

regions, who can then derive a steady income from apiculture.

So far, HHHP has trained over 3000 bee and honey farmers in PNG, Inae says.

For its innovative business model, HHHP has won numerous awards, including the 2021 Sustainable Development Goals

Enterprise Award presented by the Junior Chamber International in Hong Kong.

According to Inae, Papua New Guineans consume about 200 tonnes of honey per year. "Local honey producers can only supply about 150 tonnes of honey per year," he explains.



Kelly Inae with some 'liquid gold' in hand.

He says imported honey remains a competitor, but he explains that the ongoing campaign 'Support Local SMEs' is helping local honey.

PNG honey has the potential to earn a presence in the international market, too, but Inae says the industry requires additional financial and technical

assistance.

Inae is positive about the future. "Despite the challenges posed by COVID-19, the awards have helped to put our business in the spotlight. We're getting a lot of interest from locals who want to be a part of our next beekeeping training."



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CUSTOMER SERVICE MANAGER GERTRUDE KAUTU

BY AMY JONES | PHOTOGRAPH: GODFREEMAN KAPTIGAU

Gertrude Kautu, Dulux Group PNG's Customer Service Manager, has just celebrated her 20-year anniversary with the company. She is responsible for overseeing customer service teams in Port Moresby and Lae.

Dulux is PNG's leading paint manufacturer and supplier. Globally, the Dulux Group has around 4000 employees and is responsible for some of the world's most recognised brands.

Gertrude Kautu on ...

Daily tasks On a day-to-day basis my work tends to involve managing our customer service teams and directly assisting our customers. I help them with their inquiries and solve any problems that they encounter. Generally, this takes place in Port Moresby, where I am based. However, I also regularly travel to our head office in Lae.

Dulux's Sales and Marketing Manager, Andrew Nyberg, adds: "Because of her experience, Gertrude's product knowledge is second to none. We literally have thousands of products in the system and often rely on her to find the right one promptly."

Technological advancement

When I first started at the company, communications could be pretty unreliable. There were only a few select staff members

who had access to the internet. We are now able to utilise a range of technological services to better the way that we conduct business. This is the biggest change I have witnessed in my 20 years with Dulux.

Early-career advice When you are starting out in your career, you must be prepared to work your way up the ranks. There is only so much that you can expect when you are new at a company. By taking the time to prove yourself, you can become a valued member of the team. However, this does not happen overnight.

Memorable experiences During my time at Dulux, I have had the opportunity to travel. I attended a training course that ran at our regional head office in Melbourne. It was a great experience, although I was

shocked by the cold weather.

Another notable memory that comes to mind is the time when I came across a sleeping partygoer on our office premises one morning. It was a very unexpected way to start the workday. There used to be a nightclub near our Port Moresby office and this man must have climbed our fence after a night out. Thankfully that nightclub has closed down now.

“

By taking the time to prove yourself, you can become a valued member of the team. However, this does not happen overnight.



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