**CONTENTS**





**PORT MORESBY**

22nd April, 2024

## 1. GENERAL OVERVIEW

Economic indicators available to the Bank of Papua New Guinea (the Bank) point to a slowdown in economic activity in the June quarter of 2023. The low export performance by both the mineral and the non-mineral sectors resulted in a balance of payments deficit and a slowdown in domestic activity. The slowdown was also attributed to a decline in employment and lower sales by the private sector, combined with a decline in lending to the private sector. The kina exchange rate remained relatively stable reflecting the appreciation of the trade weighted index as the kina strengthened against other trading partner currencies. Inflation continued to trend lower mainly driven by domestic sources, while imported inflation remained high although abating. Although annual headline inflation continued to trend downwards, the Bank maintained the Kina Facility rate at 3.50 percent in June, due to inflationary concerns.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector increased by 1.9 percent in the June quarter of 2023, compared to a decline of 16.2 percent in the March quarter of 2023. Sales increases were reflected in the mineral, manufacturing and the financial/business/other services sectors. By region, sales increased in all regions except the Morobe and the Islands regions. Over the year to June 2023, total sales declined by 11.4 percent, compared to an increase of 23.6 percent over the year to June 2022.

The Bank's Employment Index shows that the level of employment in the formal private sector declined by 0.9 percent in the June quarter of 2023, compared to an increase of 1.2 percent in the previous quarter. By sector, the level of employment declined in all sectors except in the transport and wholesale sectors. By region, the level of employment declined in all regions except Momase (excluding Morobe) and the Highlands regions. Over the year to June 2023, the total level of employment increased by 2.0 percent, compared to an increase of 3.3 percent in the corresponding period of 2022.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.7 percent in the June quarter of 2023, compared to a decline of 0.9 percent in the March quarter of 2023. There were increases in the Clothing and Footwear, Alcoholic Beverages, Tobacco and Betelnut, Restaurants and Hotels, Recreation, Health, Miscellaneous, Food and Non-Alcoholic Beverages, and Household Equipment expenditure groups, which more than offset decreases in the Communication, Transport and Housing expenditure groups. The Education expenditure group recorded no price change in the quarter. By urban center, prices increased in all the surveyed centers. Annual headline inflation was 1.4 percent in the June quarter of 2023, compared to 1.7 percent in the March quarter of 2023.

The weighted average kina price of PNG's exports, excluding LNG, declined by 11.5 percent in the June quarter of 2023, compared to the corresponding quarter of 2022. Lower international prices accounted for the decline. There was a decline of 11.4 percent in the weighted average kina price of mineral exports, reflecting lower kina prices of all mineral commodities, except gold. For agricultural, logs and marine product exports, the weighted average kina price declined by 11.6 percent, due to lower kina prices for all non-mineral commodities, except for cocoa, coffee, tea and marine. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 10.3 percent in the June quarter of 2023, compared to the corresponding quarter of 2022.

The balance of payments recorded an overall deficit of K1,154.5 million for the first six months of 2023, compared to a deficit of K944.5 million in the corresponding period of 2022. This was an outcome of a deficit in the financial account, which more than offset a surplus in the current and capital account.

The level of gross foreign exchange reserves at the end of June 2023 was K13,083.8 (US$3,760.7) million, sufficient for 10.4 months of total and 19.6 months of non-mineral import cover.

The Central Bank maintained a neutral stance of monetary policy in the June quarter of 2023. Although annual headline inflation continued to trend downwards, inflationary pressures remained. The stance was also intended to encourage lending growth in the non-mineral private sector. As a result, the Kina Facility Rate (KFR) was kept unchanged at 3.50 percent and the dealing margins for the Repurchase Agreement (Repo) Facility and term Repos remained at 100 and 175 basis points respectively, from the KFR.

The average level of broad money supply (M3*) increased by 2.1 percent in the June quarter of 2023, compared to an increase of 5.6 percent in the previous quarter. This was due to an increase of 2.2 percent in average net domestic claims of the banking system including average net claims on the Central Government, offsetting a decline of 2.9 percent in average net foreign assets (NFA). The average net domestic claims, excluding average net claims on Central Government, increased by 2.0 percent in the June quarter of 2023, compared to an increase of 3.2 percent in the previous quarter. This reflected an increase in average net claims on the private sector, which more than offset the decreases in average claims on public non-financial corporations, other financial corporations and 'Provincial and Local Level Governments'.

The NFA of Financial Corporations (FCs), comprising ODCs and other financial corporations (OFCs), increased by 10.4 percent to K16,073.1 million during the June quarter of 2023, following a decrease of 3.6 percent in the previous quarter. This resulted from an increase in the NFA of OFCs and ODCs, which more than offset a decrease in NFA of the Central Bank. The increase in OFCs' NFA was mainly due to higher claims on non-residents, while the increase in ODCs' NFA was due to higher claims on non-residents and declines in foreign liabilities. The decrease in Central Bank's NFA reflected lower international reserves due to outflows from foreign exchange intervention and Government debt repayments.

Net claims on the Central Government by FCs increased by 1.3 percent to K18,600.7 million in the June quarter of 2023, compared to an increase of 4.7 percent in the previous quarter. The increase reflected net issuance of Government securities, combined with an increase in Government deposits at the Central Bank.

The fiscal operations of the National Government over the six months to June 2023 recorded a deficit of K2,858.3 million, compared to a deficit of K2,078.1 million in the corresponding period of 2022. This reflected lower revenue collections.

Total revenue and grants over the six months to June was K7,294.5 million, 8.7 percent lower than in the same period of

2022, and represents 37.3 percent of the 2023 budgeted amount. The decrease reflected lower than projected non-tax receipts and non-reporting of grants.

Total expenditure was K10,152.8 million over the six months to June 2023, 0.9 percent higher than in the corresponding period of 2022 and represents 41.3 percent of the total appropriation. This was due to higher development expenditure.

Total public (Government) debt outstanding as at end of June 2023 was K55,802.6 million, an increase of K1,375.6 million from the previous quarter, and represents 49.7 percent of GDP. The total debt outstanding comprises of K29,460.3 million from domestic sources and K26,342.3 million in external debt. Total Government deposits at depository corporations increased by K589.6 million to K7,665.5 million in the June quarter of 2023.

## 2. INTERNATIONAL DEVELOPMENTS

Global growth slowed in the second quarter of 2023 impacted by the slowdown in advanced economies and tighter financial conditions. In advanced economies, growth was lower, affected by tighter financial conditions, lower demand, and a fall in global manufacturing output, which more than offset growth in the services sector. In emerging economies, growth remained mixed, with India's growth driven by strong domestic demand, while China's slowed down reflecting an underperforming real estate market and a sluggish external demand. The International Monetary Fund (IMF) in its July 2023 World Economic Outlook projected global growth at 3.0 percent from 3.5 percent in its earlier forecast.

In April, the IMF and World Bank Group held its annual joint spring meetings in Washington DC, United States. The leaders discussed issues relating to the international debt crisis, persistent high level of inflation, climate change, poverty eradication, and slowing economic growth. On the debt crisis, leaders discussed debt sustainability and ways to address debt restructuring challenges for developing countries reflecting the aftermath of the impact of the COVID-19 pandemic, the on-going Russia Ukraine war, and the high-level inflation and interest rates. On climate change, they discussed the need to transition to a global financial system that can finance positive climate actions for the most vulnerable. The IMF also reiterated its role in providing financial support to low-income countries, backing the Poverty Reduction and Growth Trust, aimed to support low-income countries.

Also in April, the 48th Meeting of the Joint Ministerial Monitoring Committee of the Organization of Petroleum Exporting Countries (OPEC) took place via videoconference in Vienna, Austria. The Committee reviewed the crude oil production data, and conformity to the Declaration of Cooperation (DoC) by the participating OPEC and non-OPEC countries. The members reaffirmed their commitment to the DoC and urged all participating countries to achieve full conformity and adhere to the compensation mechanism. They also agreed for a voluntary oil production of 1.66 million barrels per day as a precautionary measure to support crude oil market stability.

In May, leaders of the Group of seven (G7), met in Hiroshima, Japan, along with leaders from the European Union (EU). The leaders aimed to address current global challenges as they commit to revitalize international cooperation and strengthen multilateralism to achieve the Sustainable Development Goals (SDGs). To achieve this, the leaders stressed the importance of holistically addressing global development, humanitarian, peace, and security issues together. While on climate change and the environment, the leaders maintained their commitment to keep the 1.5 Celsius temperature goal within reach by scaling up actions during this decade. These include halting and reversing biodiversity loss, and ensuring energy security, whilst leveraging collaboration and recognizing the interdependent nature of these challenges. In the concluding remarks, the leaders stressed the urgent need and opportunity to accelerate clean energy transitions to enhance energy security.

In June, France hosted the summit of a "New Global Financing Pact" in Paris, which was attended by many world leaders from governments and private sector. The objective is to set the foundations for a new global financing architecture beyond the Bretton Woods system to address climate change, biodiversity crisis and development challenges. The leaders discussed increasing investment in education, alleviating debt burden through innovative strategies, recognizing the importance of carbon pricing in reducing greenhouse gas emissions, and supporting the role of multilateral development banks to finance SDGs aligned projects.

Also in June, China hosted the 14th annual BRICS summit in Beijing, under the theme "Fostering High-Quality BRICS Partnership, Introducing in a New Era of Global Development". Leaders discussed issues relating to the COVID-19 pandemic, counterterrorism activities, commerce and trade, healthcare, science and technology, technical and vocational education, traditional medicine, and environment. They also stressed the importance of developing micro, small, and medium business enterprises (MSMEs) to support growth. In addition, they discussed the operation of the New Development Bank and proposed improvements to the Contingent Reserve Arrangement to provide greater financial security to BRICS members. The meeting concluded with the signing of the Beijing Declaration that aims to address the challenges faced by members.

In June, the 25th SEACEN-FSI Conference of Asia-Pacific Supervision Directors was held in Mumbai, India. Experts from the banking and financial sector in the region discussed challenges and best practices relating to prudential supervision and regulation that support the financial system stability. They discussed key issues relating to macro prudential policies, risk management, technology-driven innovation, and regulatory frameworks. In addition, research papers and studies that were presented provided valuable insights into emerging risks, evolving market dynamics, and the impact of innovative technologies on banking supervision.

In the US, real GDP growth was 2.4 percent over the year to June 2023, compared to a decline of 0.6 percent over the same period in 2022. This reflected increased consumer demand, and a pickup in household and government spending. The latest IMF forecast is for real GDP to grow by 1.8 percent in 2023.

Industrial production declined by 0.2 percent over the year to June 2023, compared to an increase of 3.8 percent over the corresponding period in 2022. The decline reflected lower production in manufacturing, utilities, and mining output. The Purchasing Managers Index (PMI) decreased to 46.0 in June 2023, compared to 50.2 in June 2022, reflecting a contraction in new orders and factory output as increase in interest rates weighed on businesses. Retail sales grew by 1.6 percent over the year to June 2023, compared to 9.0 percent over the corresponding period in 2022, with consumer spending affected by increased interest rates. The unemployment rate increased by 3.6 percent in June 2023, the same as in June 2022.

Consumer prices increased by 3.1 percent over the year to June 2023, compared to 9.1 percent over the corresponding period in 2022. This was attributed to lower prices of food, energy, and shelter. Broad money supply declined by 3.7 percent over the year to June 2023, compared to an increase of 5.6 percent in the same period of 2022. This reflected the tightening stance of monetary policy through interest rate hikes by the Federal Reserve Bank to counter high inflation. Over the year to June 2023, the Federal Reserve increased its policy rate nine consecutive times from 0.25 percent to 5.25 percent.

The trade deficit narrowed to US$63.7 billion over the year to June 2023, compared to a deficit of US$80.85 billion over the corresponding period of 2022. The deficit reflected lower imports relative to exports.

In Japan, real GDP increased by 1.6 percent over the year to June 2023, compared to an increase of 1.7 percent over the corresponding period of 2022. There was strong growth in exports and consumption, driven by a rebound in the tourism sector. The latest IMF forecast is for real GDP to grow by 1.4 percent in 2023.

Industrial production remained unchanged over the year to June 2023, compared to a decline of 3.0 percent over the same period in 2022. Retail sales increased by 5.6 percent over the year to June 2023, compared to an increase of 1.5 percent over the same period in 2022, reflecting a recovery in consumer demand from the COVID-19 pandemic induced slump. The unemployment rate was 2.6 percent over the year to June 2023, compared to 2.7 percent over the same period in 2022, reflecting a pickup in hospitality services.

Consumer prices increased by 2.6 percent over the year to June 2023, compared to an increase of 2.4 percent over the same period in 2022, attributed to high fuel and raw food prices. Broad money supply increased by 3.1 percent over the year to June 2023, compared to an increase of 2.9 percent in the corresponding period of 2022. The Bank of Japan (BoJ) continued its easing monetary policy stance by keeping the short-term interest rate at negative 0.1 percent and maintaining the 10-year Japanese government bond yield around zero percent in the June quarter of 2023. This was aimed to support growth amid high uncertainties in the economy and financial markets at home and abroad.

The trade account recorded a surplus of US$300.0 million for the first time over the year to June 2023, compared to a deficit of US$198.8 billion over the corresponding period in 2022. This reflected a significant improvement in exports and a decline in imports due to a drop in energy prices.

In the euro area, real GDP increased by 0.5 percent over the year to June 2023, compared to an increase of 4.2 percent over the same period in 2022. High inflation and interest rates have increased borrowing costs that affected activity and lowered aggregate demand. The latest IMF forecast is for real GDP to grow by 0.9 percent in 2023.

Industrial production declined by 1.1 percent over the year to June 2023, compared to an increase of 4.0 percent in the same period of 2022. There was a decline in the production of energy, intermediate goods and durable consumer products. Retail sales declined by 1.0 percent over the year to June 2023, compared to a decline of 2.6 percent over the same period in 2022, reflecting a decline in the sales for both food and non-food products. The unemployment rate was 6.4 percent over the year to June 2023, compared to 6.7 percent over the same period in 2022.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, increased by 5.5 percent over the year to June 2023, compared to an increase of 8.6 percent over the same period of 2022. Inflation was lower with a fall in prices of energy, food, alcohol and tobacco, non-energy industrial goods, and service costs. Broad money supply declined by 0.5 percent over the year to June 2023, compared to an increase of 6.0 percent over the same period in 2022. The European Central Bank raised its refinancing rate by 25 basis points to 4.0 percent in June to counter high inflation.

The trade account recorded a surplus of US$24.9 billion over the year to June 2023, compared to a deficit of US$28.6 billion over the same period in 2022.

In the UK, real GDP grew by 0.6 percent over the year to June 2023, compared to an increase of 3.9 percent in the same period in 2022. This reflected lower business investment, government spending, exports, and household consumption. The latest IMF forecast is for real GDP to decline to 0.4 percent in 2023.

Industrial production increased by 1.4 percent over the year to June 2023, compared to a decline of 2.9 percent in the same period of 2022. Retail sales declined by 2.0 percent over the year to June 2023, compared to a decline in 6.8 percent over the same period in 2022. The decline reflected the impact of inflation on consumer spending and lower economic activity. The unemployment rate was 4.2 percent over the year to June 2023, compared to 3.8 percent over the same period in 2022.

Consumer prices increased by 7.9 percent over the year to June 2023, compared to an increase of 9.4 percent in the corresponding period in 2022. The increase was driven by increased prices for wheat and other imported goods, combined with higher wages. Broad money supply increased by 0.5 percent over the year to June 2023, compared to a decline of 0.2 percent over the same period in 2022. The Bank of England (BoE) further increased its bank rate by 0.25 percentage points to 5.25 percent in June, and indicated a further increase to reduce inflation to its long run target of 2.0 percent.

The trade account recorded a deficit of US$6.0 billion over the year to June 2023, compared to a deficit of US$13.3 billion over the same period of 2022. The deficit reflected lower imports relative to exports.

In China, real GDP grew by 6.3 percent over the year to June 2023, compared to an increase of 0.4 percent over the same period in 2022. This reflected higher exports, industrial production, wholesale and retail trade, construction and financial services activity after the COVID-19 restriction measures were lifted. The latest IMF forecast is for real GDP to grow by 5.2 percent in 2023.

Industrial production increased by 4.4 percent over the year to June 2023, compared to an increase of 3.9 percent over the same period in 2022. The increase was driven by higher production in mining, manufacturing and energy sectors. Retail sales increased by 3.1 percent over the year to June 2023, the same as in the corresponding period of 2022. This reflected a rebound in the sales of food, automobiles, and services for recreational activities after the COVID-19 pandemic. The unemployment rate was 5.2 percent over the year to June 2023, compared to 5.5 percent over the same period in 2022.

Consumer prices recorded no change over the year to June 2023, compared to an increase of 2.5 percent over the corresponding period in 2022. The increase reflected higher prices of food, clothing, health, and education. Broad money supply increased by 11.3 percent over the year to June 2023, compared to an increase of 11.4 percent over the same period in 2022. The People's Bank of China (PBoC) cut its one-year loan prime rate to 3.5 percent from 3.6 percent to support the country's post-pandemic recovery.

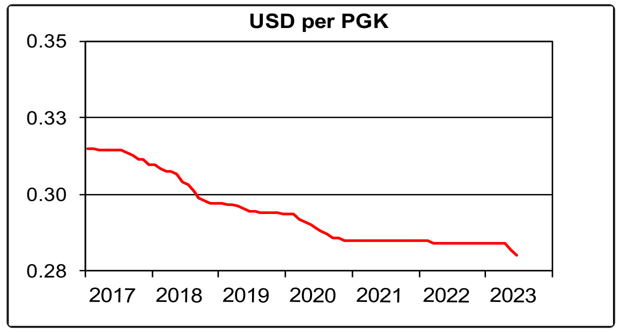
The trade account recorded a surplus of US$69.8 billion over the year to June 2023, compared to a surplus of US$97.4 billion over the same period in 2022. The lower surplus reflected a decline in exports due to lower global growth.

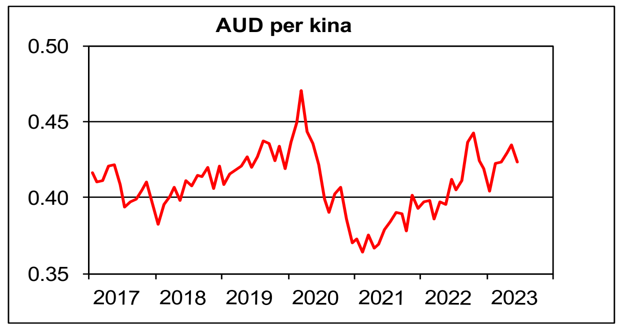
In Australia, real GDP increased by 2.1 percent over the year to June 2023, compared to an increase of 3.5 percent over the same period in 2022, driven by growth in exports and investment. This reflects higher interest rates which affected imports and lowered domestic demand. The latest IMF forecast is for real GDP to grow by 1.6 percent in 2023.

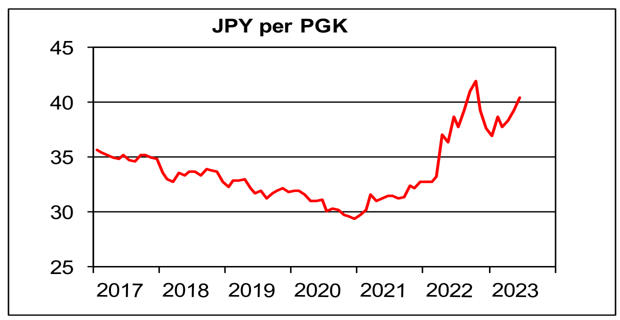
Industrial production increased by 1.8 percent over the year to June 2023, compared to a decline of 1.2 percent over the same period in 2022. Retail sales increased by 2.3 percent over the year to June 2023, compared to an increase of 0.2 percent over the same period in 2022. The unemployment rate was 3.5 percent over the year to June 2023, compared to 3.6 percent over the same period in 2022.

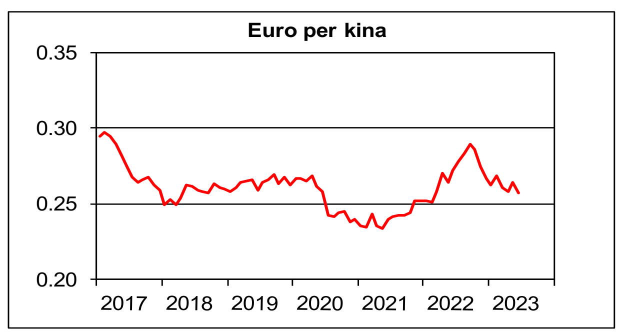
Consumer prices increased by 6.0 percent over the year to June 2023, compared to an increase of 6.1 percent over the same period in 2022. Broad money supply increased by 4.1 percent over the year to June 2023, compared to an increase of 9.9 percent over the same period in 2022. The Reserve Bank of Australia maintained its cash rate for the third consecutive month to June 2023 at 4.1 percent, as inflation peaked, and economy slowed.

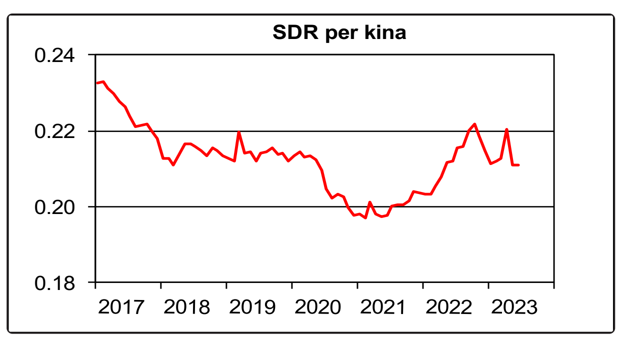
## EXCHANGE RATES



The trade account recorded a surplus of US$6.9 billion over the year to June 2023, compared to a surplus of US$12.5 billion over the same period in 2022.

In the June quarter of 2023, the US dollar depreciated against all major currencies except the Australian dollar. It depreciated against the Japanese yen by 3.6 percent, the pound sterling by 3.0 percent and the euro by 1.3 percent, while it appreciated against the Australian dollar by 0.4 percent. Over the year to June 2023, the US dollar depreciated against the euro by 10.6 percent, pound sterling by 7.4 percent and the yen by 4.5 percent, while it appreciated against the Australian dollar by 4.3 percent.

In the June quarter of 2023, the average daily kina exchange rate depreciated against all the major currencies except the Japanese yen and the Australian dollar. It depreciated against the pound sterling by 3.3 percent to £0.2261, the euro by 1.9 percent to €0.2598 and the USD by 0.4 percent to US$0.2828. It appreciated against the Japanese yen by 3.2 percent to ¥38.7776 and the Australian dollar by 2.0 percent to A$0.4233. These currency movements resulted in the TWI increasing by 1.9 percent to 29.91. Over the year to June 2023, the average daily kina exchange rate appreciated against all the major currencies, except the USD and the Euro. It appreciated against the Australian dollar by 6.7 percent, the Japanese yen by 5.5 percent and the pound sterling by 0.2 percent, while it depreciated against the Euro by 2.4 percent and the USD by 0.4 percent.

## 3. DOMESTIC ECONOMIC CONDITIONS

### DOMESTIC ECONOMIC ACTIVITY

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector increased by 1.9 percent in the June quarter of 2023, compared to a decline of 16.2 percent in the March quarter of 2023. Excluding the mineral sector, sales declined by 4.0 percent in the June quarter of 2023, compared to a decline of 4.4 percent in the previous quarter. Sales increased in the mineral, manufacturing and the financial/business/other services sectors, which more than offset the declines in the other sectors. By region, sales increased in all regions except the Morobe and the Islands regions. Over the year to June 2023, total sales declined by 11.4 percent, compared to an increase of 23.6 percent over the year to June 2022. Excluding the mineral sector, sales declined by 11.1 percent over the year to June 2023, compared to an increase of 17.6 percent over the year to June 2022.

In the mineral sector, sales increased by 11.9 percent in the June quarter of 2023, compared to a decline of 31.8 percent in the previous quarter. The increase was driven by higher crude oil and LNG production, combined with increased exports by Ramu nickel, Ok Tedi and K92 gold mine. Over the year to June 2023, sales declined by 6.4 percent, compared to an increase of 34.8 percent in the corresponding period of 2022.

In the manufacturing sector, sales increased by 7.4 percent in the June quarter of 2023, compared to a decline of 11.8 percent in the previous quarter. The increase mainly reflected higher production of refined petroleum products, and increased production of tobacco, sugar and tuna products. Over the year to June 2023, sales declined by 17.9 percent, compared to an increase of 10.6 percent in the corresponding period of 2022.

In the financial/business/other services sector, sales increased by 4.6 percent in the June quarter of 2023, compared to an increase of 1.4 percent in the previous quarter. The increase reflected higher earnings by banks from investments and fees, and improved activity in the hotel sub-sector. Over the year to June 2023, sales increased by 6.5 percent, compared to an increase of 7.2 percent in the corresponding period of 2022.

In the construction sector, sales declined by 24.4 percent in the June quarter of 2023, compared to a decline of 30.5 percent in the previous quarter. The decline generally reflected lower activity in building construction and civil works, mainly in Port Moresby and the Morobe Province. Over the year to June 2023, sales declined by 11.2 percent, compared to an increase of 11.3 percent in the corresponding period of 2022.

In the wholesale sector, sales declined by 15.6 percent in the June quarter of 2023, compared to a decline of 14.5 percent in the previous quarter. The decline mainly reflected lower sales of refined petroleum products by three major suppliers, and a decline in sales of general merchandise in Lae. Over the year to June 2023, sales declined by 24.9 percent, compared to an increase of 29.3 percent in the corresponding period of 2022.

In the retail sector, sales declined by 9.1 percent in the June quarter of 2023, compared to a decline of 2.8 percent in the previous quarter. The decline reflected lower sales of motor vehicles, general merchandise and stationary products. Over the year to June 2023, sales declined by 12.5 percent, compared to an increase of 9.9 percent in the corresponding period of 2022.

In the transportation sector, sales declined by 6.8 percent in the June quarter of 2023, compared to a decline of 7.5 percent in the previous quarter. The decline mainly reflected lower air passenger travel and cargo haulage. Over the year to June 2023, sales fell by 10.6 percent, compared to an increase of 40.8 percent in the corresponding period of 2022.

In the agriculture/forestry/fishing sector, sales declined by 4.1 percent in the June quarter of 2023, compared to an increase of 37.7 percent in the previous quarter. The decline mainly reflected lower production of palm oil and logs. Over the year to June 2023, sales increased by 32.6 percent, compared to an increase of 34.8 percent in the corresponding period of 2022.

By region, sales increased in all regions except the Morobe and the Islands regions. In the Southern region, sales increased by 28.6 percent in the June quarter of 2023, compared to a decline of 37.6 percent in the previous quarter. The increase was mainly attributed to increased copper production from the Ok Tedi mine, and higher sales by a major rice supplier. Over the year to June 2023, sales increased by 29.6 percent, compared to a decline of 10.3 percent in the corresponding period of 2022.

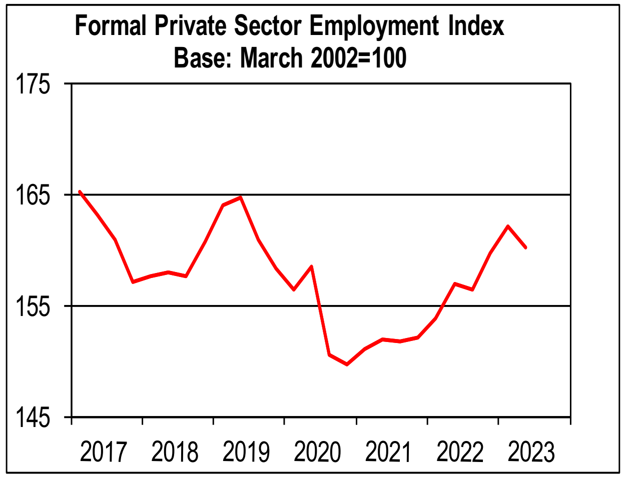
In the Highlands region, sales increased by 6.7 percent in the June quarter of 2023, compared to a decline of 34.3 percent in the previous quarter. The increase reflected higher production of crude oil, LNG and gold. Over the year to June 2023, sales declined by 9.5 percent, compared to 63.3 percent in the corresponding period of 2022.

In the Momase region, sales increased by 5.9 percent in the June quarter of 2023, compared to a decline of 25.9 percent in the previous quarter. The increase mainly reflected higher production of nickel, tobacco and sugar, as well as higher sales of rice. Over the year to June 2023, sales declined by 13.0 percent, compared to a decline of 1.7 percent in the corresponding period of 2022.

In NCD, sales increased marginally by 0.4 percent in the June quarter of 2023, compared to a decline of 9.8 percent in the previous quarter. The increase was mainly driven by higher production of refined petroleum products and increased activity in hotels. Over the year to June 2023, sales declined by 15.6 percent, compared to an increase of 1.6 percent in the corresponding period of 2022.

In Morobe, sales declined by 12.8 percent in the June quarter of 2023, compared to a decline of 9.6 percent in the previous quarter. The decline was due to lower sales of refined petroleum and food products. Over the year to June 2023, sales declined by 5.3 percent, compared to an increase of 21.6 percent in the corresponding period of 2022.

In the Islands region, sales declined by 3.2 percent in the June quarter of 2023, compared to an increase of 30.7 percent in the previous quarter. The decline was due to lower production of palm oil in West New Britain Province and lower sale of fuel throughout the region. Over the year to June 2023, sales declined by 11.2 percent, compared to an increase of 64.3 percent in the corresponding period of 2022.




**EMPLOYMENT**

The Bank's Employment Index shows that the level of employment in the formal private sector declined by 0.9 percent in the June quarter of 2023, compared to an increase of 1.2 percent in the previous quarter. Excluding the mineral sector, the level of employment declined by 1.0 percent. By sector, the level of employment declined in all sectors except in the transportation and wholesale sectors. By region, the level of employment declined in all regions, except the Momase (excluding Morobe) and the Highlands regions. Over the year to June 2023, the total level of employment increased by 2.0 percent, compared to an increase of 3.3 percent in the corresponding period of 2022. Excluding the mineral sector, the level of employment increased by 2.0 percent over the year to June 2023, compared to an increase of 2.8 percent in the corresponding period of 2022.

In the construction sector, the level of employment declined by 12.6 percent in the June quarter of 2023, compared to a decline of 8.8 percent in the previous quarter. The decline was attributed to lower building and construction activity due to funding issues and near completion of a building project in Port Moresby. Over the year to June

2023, the level of employment declined by 29.6 percent, compared to an increase of 36.9 percent in the corresponding period of 2022.

In the finance, business and other services sector, the level of employment declined by 1.9 percent in the June quarter of 2023, compared to a decline of 0.2 percent in the previous quarter. The decline was attributed to laying off of security guards engaged by a major security firm in Lae. Over the year to June 2023, the level of employment declined by 0.1 percent, compared to an increase of 2.4 percent in the corresponding period of 2022.

In the manufacturing sector, the level of employment declined by 1.7 percent in the June quarter of 2023, the same as in the previous quarter. The decline was attributed to lower activity by a tuna canning company in Wewak reflecting high cost of fishing and lower catchment. The scaling down of activity by an alcoholic beverage company in Port Moresby due to low supply and high cost of raw material imports also contributed to the decline. Over the year to June 2023, the level of employment declined by 5.1 percent, compared to an increase of 2.1 percent in the corresponding period of 2022.

In the agriculture/forestry/fishing sector, the level of employment declined by 0.8 percent in the June quarter of 2023, compared to an increase of 5.8 percent in the previous quarter. A major palm oil company recorded a significant decline due to high staff turnover, while the other company based in the Islands region, laid off workers due to lower production affected by the fall in international prices and continuous bad weather conditions. Fishing and poultry farming in Momase region recorded marginal declines in employment due to normal staff turnover. Over the year to June 2023, the level of employment increased by 11.9 percent, compared to a decline of 0.4 percent in the corresponding period of 2022.

In the mineral sector, the level of employment declined by 0.5 percent in the June quarter of 2023, compared to an increase of 5.4 percent in the previous quarter. There was a significant decline in employment experienced by Ok Tedi mine as it streamlined its operations to manage costs. Over the year to June 2023, the level of employment increased by 14.2 percent, compared to an increase of 7.4 percent in the corresponding period of 2022.

In the retail sector, the level of employment declined by 0.4 percent in the June quarter of 2023, compared to a decline of 4.0 percent in the previous quarter. The decline was due to casual employees being laid off by a major frozen meat supplier, and two major food and general merchandise companies in Port Moresby. Over the year to June 2023, the level of employment declined by 1.9 percent, compared to a decline of 1.3 percent in the corresponding period of 2022.

In the transportation sector, the level of employment increased by 6.5 percent in the June quarter of 2023, compared to an increase of 3.3 percent in the previous quarter. The increase was due to an expansion of a logistics depo and four eatery outlets by a shipping and freight management company in Port Moresby. A staff recruitment by a major airline due to higher demand for travel also contributed to the increase. Over the year to June 2023, the level of employment increased by 14.2 percent, compared to an increase of 6.3 percent in the corresponding period of 2022.

In the wholesale sector, the level of employment increased by 4.2 percent in the June quarter of 2023, compared to an increase of 0.2 percent in the previous quarter. The increase was attributed to a recruitment drive by three wholesale companies due to expansion of operations to meet higher demand in Port Moresby and the Highlands region. Over the year to June 2023, the level of employment declined by 1.5 percent, compared to a decline of 4.4 percent in the corresponding period of 2022.

By region, the level of employment declined in all regions except the Momase and the Highlands regions. In the Southern region, the level of employment declined by 5.8 percent in the June quarter of 2023, compared to an increase of 1.7 percent in the previous quarter. The decline was attributed to lower activity in civil construction and laying off of workers at the Ok Tedi mine. Over the year to June 2023, the level of employment declined by 7.3 percent, compared to an increase of 9.2 percent in the corresponding period of 2022.

In the Morobe region, the level of employment declined by 2.2 percent in the June quarter of 2023, compared to an increase of 1.4 percent in the previous quarter. This was attributed to security guards being laid off by a major security firm, while a fishing and poultry company laid off staff due to lower activity. Over the year to June 2023, the level of employment increased by 4.5 percent, compared to an increase of 9.7 percent in the corresponding period of 2022.

In the Islands region, the level of employment declined by 0.9 percent in the June quarter of 2023, compared to an increase of 7.7 percent in the previous quarter. The decline was due to higher staff turnover by two major palm oil companies. Over the year to June 2023, the level of employment increased by 15.5 percent, compared to an increase of 9.2 percent in the corresponding period of 2022.

In NCD, the level of employment declined by 0.2 percent in the June quarter of 2023, compared to a decline of 3.0 percent in the previous quarter. The decline was due to a slowdown in construction as a number of projects reached their final stages of work, while an alcoholic beverage company reduced employment as it scaled back on production. Over the year to June 2023, the level of employment increased by 0.8 percent, compared to a decline of 7.1 percent in the corresponding period of 2022.

In the Momase region, the level of employment increased by 1.2 percent in the June quarter of 2023, compared to a decline of 4.8 percent in the previous quarter. This was due to a mining company hiring additional workers for the expansion in operations. Over the year to June 2023, the level of employment declined by 15.6 percent, compared to an increase of 18.2 percent in the corresponding period of 2022.

In the Highlands region, the level of employment increased by 0.9 percent in the June quarter of 2023, compared to an increase of 1.1 percent in the previous quarter. The slight increase in the construction sector was attributed to civil road works and hiring of seasonal workers for the coffee season. Over the year to June 2023, the level of employment increased by 5.1 percent, compared to an increase of 8.1 percent in the corresponding period of 2022.

## CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.7 percent in the June quarter of 2023, compared to a decline of 0.9 percent in the March quarter of 2023. There were increases in the 'Clothing and Footwear', 'Alcoholic Beverages, Tobacco and Betelnut', 'Restaurants and Hotels', 'Recreation', 'Health', 'Miscellaneous', 'Food and Non-Alcoholic Beverages', and 'Household Equipment' expenditure groups, which more than offset decreases in the 'Communication', 'Transport' and 'Housing' expenditure groups. The 'Education' expenditure group recorded no price change in the quarter. By urban center, prices increased in all the surveyed centers. Annual headline inflation was 1.4 percent in the June quarter of 2023, compared to an increase of 1.7 percent in the March quarter of 2023.

Prices in the 'Clothing and Footwear' expenditure group increased by 5.9 percent in the June quarter of 2023, compared to an increase of 0.3 percent in the previous quarter. There were increases in the 'footwear', 'women and girl wear', 'boys wear', 'men's wear', 'sewing items', 'clothing' and 'headwear' sub-groups of 6.8 percent, 6.5 percent, 6.3 percent, 6.0 percent, 4.2 percent, 0.9 percent, and 0.1 percent, respectively This expenditure group contributed 0.3 percentage points and 0.4 percentage points to the overall quarterly and annual CPI inflation outcome, respectively.

The CPI for the 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group increased by 5.0 percent in the June quarter of 2023, compared to a decline of 2.5 percent in the previous quarter. This reflected increases in the 'betelnut and mustard', 'tobacco' and 'alcoholic beverages' sub-groups of 6.9 percent, 2.6 percent and 0.6 percent, respectively. This expenditure group contributed 0.8 percentage points and 0.6 percentage points to the overall quarterly and annual CPI inflation outcome, respectively.

The CPI for the 'Restaurants and Hotels' expenditure group increased by 3.8 percent in the June quarter of 2023, compared to an increase of 1.2 percent in the previous quarter. This reflected increases in the 'takeaway foods' and 'accommodation' sub-groups of 3.8 percent and 3.6 percent, respectively. This expenditure group contributed 0.1 percentage points and 0.2 percentage points to the overall quarterly and annual CPI inflation outcome, respectively.

The CPI for the 'Recreation' expenditure group increased by 2.3 percent in the June quarter of 2023, compared to no change in the previous quarter. There were increases in the prices of sports and movie gates, DVD player, television, digital camera, flash drives, bicycle, newspaper, and biros of 28.0 percent, 11.5 percent, 1.6 percent, 1.0 percent, 0.4 percent, 0.3 percent, 0.2 percent, and 0.1 percent, respectively. The price of batteries, magazine and photography remained unchanged. This expenditure groups contributed 0.1 percentage points to both the quarterly and annual overall CPI inflation outcome.

The CPI for the 'Health' expenditure group increased by 2.2 percent in the June quarter of 2023, compared to an increase of 0.6 percent in the previous quarter. This was attributed to a price increase in the 'medical supplies' sub-group of 4.6 percent, whilst 'medical services' sub-group remained unchanged. This expenditure group contributed 0.1 percentage points to both the quarterly and annual overall CPI inflation.

Prices in the 'Miscellaneous' expenditure group increased by 2.1 percent in the June quarter of 2023, compared to a decline of 0.2 percent in the previous quarter. There were increases in the children's toys, insect repellant, toiletries and personal care products, baby oil and powder, and barber fees of 6.9 percent, 3.2 percent, 3.0 percent, 1.7 percent and 0.4 percent, respectively. The price of court fees remained unchanged. This expenditure group's contribution to both the quarterly and annual overall CPI inflation outcomes was negligible.

Prices in the 'Food and Non-Alcoholic Beverages' expenditure group increased by 1.8 percent in the June quarter of 2023, compared to an increase of 1.2 percent in the previous quarter. There were increases in the 'fruits and vegetables' sub-group of 3.5 percent, 'fish' sub-group of 2.0 percent, 'meat' sub-group of 1.8 percent, 'dairy products, eggs, cheese' sub-group of 1.7 percent, 'cereals' sub-group of 1.5 percent, both 'other food products and 'sugars and confectionary' sub-groups of 1.2 percent each, and 'non-alcoholic beverages' sub-group of 1.0 percent, respectively. These price increases more than offset a decline in the 'oil and fats', sub-group of 1.7 percent. This expenditure group contributed 0.6 percentage points and 2.2 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for the 'Household Equipment' expenditure group increased by 1.7 percent in the June quarter of 2023, compared to an increase of 3.4 percent in the previous quarter. This reflected increases in the 'household maintenance goods', 'household furniture and furnishings', and 'household appliances' sub-groups of 2.4 percent, 2.3 percent and 1.0 percent, respectively. This expenditure group contributed 0.1 percentage points and 0.5 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for the 'Communication' expenditure group declined by 1.9 percent in the June quarter of 2023, compared to a decline of 3.8 percent in the previous quarter. This reflected a decline in the 'telephone services' sub-group of 2.8 percent, which more than offset an increase in the 'telephone equipment' sub-group of 1.7 percent, while the 'other services' and 'postal services' sub-groups recorded no price change. This expenditure group contributed 0.1 percentage points to the overall quarterly CPI inflation, whilst its contribution to the overall annual CPI inflation was negligible.

The CPI for the 'Transport' expenditure group declined by 0.3 percent in the June quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. This was due to a decline in prices of 'fuel and lubricants' sub-group of 6.2 percent, which more than offset increases in the 'operations of transport' and 'motor vehicle purchases' of 1.6 percent and 0.1 percent, respectively. The 'fares' and 'other services' sub-groups remained unchanged. This expenditure group contributed 0.1 percentage points each to the overall quarterly and annual CPI inflation outcome, respectively.

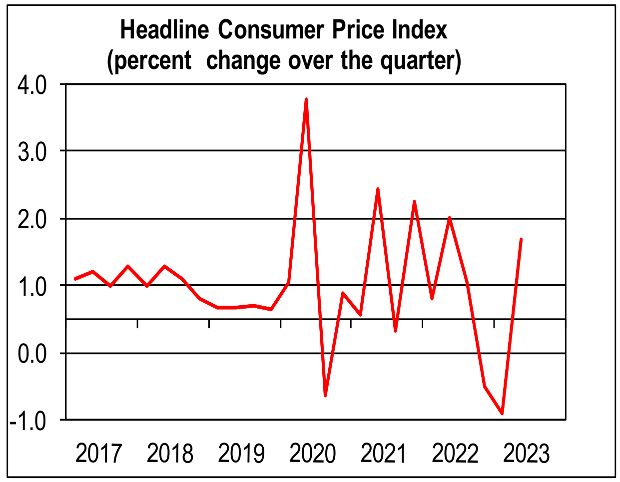
The CPI for the 'Housing' expenditure group declined by 0.2 percent in the June quarter of 2023, compared to an increase of 0.7 percent in the previous quarter. This was due to a decline in the 'cooking' sub-group of 6.9 percent, which more than offset increases in the 'housing maintenance' and 'rent' sub-groups of 5.4 percent and 1.2 percent, respectively. The 'electricity' and 'water' sub-groups recorded no price change. This expenditure group's contribution to the quarterly CPI inflation was negligible whilst, it contributed 0.1 percentage points annual overall CPI inflation.

The CPI for the 'Education' expenditure

group recorded no price change in the June quarter of 2023, compared to a decline of 22.9 percent in the previous quarter. This reflected no price change in the 'education fees' and 'other expenses' subgroups. This expenditure group's contribution to the quarterly CPI inflation was negligible whilst it contributed 1.2 percentage points to the annual overall CPI inflation.

Prices in Lae increased by 3.3 percent in the June quarter of 2023, compared to a decline of 3.5 percent in the previous quarter. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest increase of 8.0 percent, followed by 'Restaurants and Hotels' with 5.5 percent, 'Clothing and Footwear' with 4.9 percent, 'Housing' with 3.5 percent, 'Health' with 3.3 percent, 'Miscellaneous' with 2.0 percent, both 'Food and Non-Alcoholic Beverages' and 'Recreation' with 1.8 percent each, and 'Household Equipment' with 1.1 percent. These more than offset declines in the 'Communication' and 'Transport' of 2.8 percent and 0.5 percent, respectively. The 'Education' expenditure group recorded no price change in the quarter. Lae contributed 0.5 percentage points and 0.4 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

Prices in Port Moresby increased by 1.6 percent in the June quarter of 2023, compared to a decline of 0.7 percent in the previous quarter. The 'Clothing and Footwear' expenditure group recorded the largest increase of 6.4 percent, followed by 'Restaurants and Hotels' with 4.6 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 4.4 percent, 'Miscellaneous' with 2.3 percent, 'Food and Non-Alcoholic Beverages' with 2.2 percent, 'Health' with 2.1 percent, 'Recreation' with 2.0 percent, and 'Household Equipment' with 1.1 percent.




These more than offset declines in the 'Communication', 'Transport' and 'Housing of 1.8 percent, 0.4 percent, and 0.2 percent, respectively. The 'Education' expenditure group recorded no price change in the quarter. Port Moresby contributed 1.1 percentage points and 1.3 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

In Alotau/Kimbe/Kokopo/Rabaul, prices increased by 1.3 percent in the June quarter of 2023, compared to an increase of 2.5 percent in the previous quarter. The 'Recreation' expenditure group recorded the largest increase of 3.7 percent, followed by 'Clothing and Footwear' with 2.8 percent, 'Alcoholic Beverages, Tobacco, and Betelnut' with 2.7 percent, 'Miscellaneous' with 2.6 percent, 'Household Equipment' with 2.5 percent, 'Health' with 1.9 percent, 'Food and Non-Alcoholic Beverages' with 1.5 percent, and 'Restaurants and Hotels' with 0.3 percent. These more than offset declines in the 'Housing' and 'Transport' of 3.7 percent and 0.8 percent, respectively. The 'Education' and 'Communication' expenditure groups remain unchanged. Alotau/Kimbe-Kokopo/Rabaul contributed 0.1 percentage points and 0.4 percentage points to the overall quarterly and annual CPI inflation outcome, respectively.

In Goroka/Mt. Hagen/Madang, prices increased by 1.3 percent in the June quarter of 2023, compared to a decline of 1.8 percent in the previous quarter. The 'Clothing and Footwear' expenditure group recorded the largest increase of 6.5 percent, followed by 'Household equipment' with 4.9 percent, 'Recreation' with 3.1 percent, 'Alcoholic Beverages, Tobacco, and Betelnut' with 3.0 percent, 'Health' with 1.3 percent, 'Food and Non-Alcoholic Beverages' with 0.8 percent, 'Miscellaneous' with 0.7 percent, and 'Transport' with 0.2 percent. These more than offset declines in 'Communication', 'Housing' and 'Restaurants and Hotels' of 2.4 percent, 1.4 percent, and 0.1 percent, respectively. The 'Education' expenditure group recorded no price change in the quarter. Goroka/Mt.Hagen/Madang contributed 0.1 percentage points to the overall quarterly CPI inflation, while its contribution to the overall annual CPI inflation was negligible.

The annual headline inflation was 1.4 percent in the June quarter of 2023, compared to 1.7 percent in the previous quarter. All expenditure groups recorded increases except the 'Education', 'Alcoholic Beverages, Tobacco and Betelnut', and 'Communication' expenditure groups, which declined. The largest increase was in the 'Household Equipment' expenditure group with 10.5 percent, followed by 'Restaurants and Hotels' with 9.5 percent, 'Clothing and Footwear' with 7.7 percent, 'Food and Non-Alcoholic Beverages' with 7.4 percent, 'Recreation' with 2.7 percent, 'Miscellaneous' with 2.4 percent, 'Health' with 1.6 percent, 'Transport' with 0.7 percent, and 'Housing with 0.4 percent. These more than offset declines in the 'Education', 'Alcoholic Beverages, Tobacco and Betelnut' and 'Communication' expenditure groups of 22.9 percent, 3.4 percent and 0.7 percent, respectively.

The NSO's quarterly exclusion-based inflation measure (which is the overall CPI excluding seasonal, customs excise and price regulated items) increased by 1.3 percent in the June quarter of 2023, higher than 0.7 percent in the previous quarter. Annual exclusion-based inflation was 4.5 percent in the June quarter of 2023, compared to 5.1 percent in the March quarter of 2023.

The quarterly trimmed mean inflation measure published by the Bank of PNG increased by 1.5 percent in the June quarter of 2023, compared to an increase of 0.9 percent in the previous quarter. The annual trimmed mean inflation was 4.8 percent in the June quarter, compared to 5.7 percent in the corresponding period of 2022.

## 4. EXPORT COMMODITIES REVIEW

The total value of merchandise exports was K10,429.3 million in the June quarter of 2023, compared to K13,423.5 million in the corresponding quarter of 2022. There were lower export receipts for most of PNG's major export commodities, which more than offset increases for copper, nickel, cocoa, coffee and tea.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, was K1,109.2 million, accounting for 10.6 percent of total merchandise exports in the June quarter of 2023, compared to K1,393.0 million or 10.4 percent of total merchandise exports in the corresponding quarter of 2022. Forestry product exports were K155.3 million, which accounted for 1.5 percent of total merchandise exports in the June quarter, compared to K302.5 million or 2.3 percent in the corresponding quarter of 2022. Refined petroleum product exports were K98.6 million and accounted for 0.9 percent of total merchandise exports in the June quarter, compared to K583.3 million or 4.3 percent in the corresponding quarter of 2022. Mineral export receipts, including LNG and condensate were K9,066.1 million and accounted for 86.9 percent of total merchandise exports in the June quarter, compared to K11,144.7 million or 83.0 percent in the June quarter of 2022.

The weighted average kina price of PNG's exports, excluding LNG, declined by 11.5 percent in the June quarter of 2023, compared to the corresponding quarter of 2022. Lower international prices accounted for this decline. There was a decline of 11.4 percent in the weighted average kina price of mineral exports, reflecting lower kina prices of all mineral commodities, except gold. For agricultural, logs and marine product exports, the weighted average kina price declined by 11.6 percent, due to lower kina prices for all non-mineral commodities, except for cocoa, coffee, tea and marine. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 10.3 percent in the June quarter of 2023, compared to the corresponding quarter of 2022.

**MINERAL EXPORTS**

Total mineral export receipts were K9,066.1 million in the June quarter of 2023, compared to K11,144.7 million in the corresponding quarter of 2022. The decline was due to the lower value of all mineral export commodities, except for gold.

The value of LNG export was K4,849.2 million in the June quarter of 2023, compared to K5,825.0 million in the corresponding quarter of 2022. The decline was due to lower LNG prices, attributed to weak demand and high inventories in the three major consumer markets of Europe, Asia and North America.

The volume of condensate exported was 1,322.0 thousand barrels in the June quarter of 2023, compared to 2,231.9 thousand barrels in the corresponding quarter of 2022. There were lower shipments by the PNG LNG project. The average free on board (f.o.b) price for condensate export was K265 per barrel in the quarter, compared to K403 per barrel in the June quarter of 2022, reflecting lower international prices. The combined decline in export price and volume resulted in lower export receipts of K350.3 million in the June quarter of 2023, compared to K898.7 million in the corresponding quarter of 2022.

The volume of gold exported was 9.0 tonnes in the June quarter of 2023, compared to 11.0 tonnes in the corresponding quarter of 2022. The decline reflected lower production and shipment from the Lihir and K92 mines, and other small alluvial exporters. The average f.o.b price received for PNG's gold exports was K221.5 million per tonne in the June quarter, compared to K201.1 million per tonne in the corresponding quarter of 2022. This reflected higher international prices, combined with the depreciation of the kina against the US dollar. The average gold price at the London Metal Exchange increased by 5.5 percent to US$1,976.3 per fine ounce in the June quarter, compared to the corresponding quarter of 2022. The increase was mainly due to strong demand for gold as a safe-haven investment following the recent geo-political uncertainty attributed to the Russia-Ukraine war and impacts of high global inflation. The decline in export volume more than offset the increase in export price resulting in lower export receipts of K1,993.9 million in the June quarter, compared to K2,212.6 million in the corresponding quarter of 2022.

The volume of copper exported was 20.2

thousand tonnes in the June quarter of 2023, compared to 13.4 thousand tonnes in the June quarter of 2022. The increase was due to higher production of metal ore grades and shipment by the Ok Tedi mine. The average f.o.b. price of PNG's copper exports was K30,594 per tonne in the quarter, compared to K35,328 per tonne in the June quarter of 2022. The lower price was mainly due to lower global demand, mainly from China. The increase in export volume more than offset the decline in export price, resulting in higher export receipts of K618.0 million in the quarter, compared to K473.4 million in the June quarter of 2022.

The volume of nickel exported was 9.1 thousand tonnes in the June quarter of 2023, compared to 6.6 thousand tonnes in the corresponding quarter of 2022. The increase was due to higher production and shipment by the Ramu Nickel/Cobalt mine. The average f.o.b. price of PNG's nickel exports was K78,462 per tonne in the quarter, compared to K97,955 per tonne in the June quarter of 2022. The outcome reflected lower international prices. The increase in export volume more than offset the decline in export price, resulting in higher export receipts of K714.0 million in the June quarter, compared to K646.5 million in the corresponding quarter of 2022.

The volume of cobalt exports was 0.8 thousand tonnes in the June quarter of 2023, compared to 0.6 thousand tonnes in the corresponding quarter of 2022. The increase was due to higher production and shipment by the Ramu Nickel/ Cobalt mine. The average f.o.b. price of PNG's cobalt exports was K115,250 per tonne in the quarter, compared to K274,333 per tonne in the June quarter of 2022. The outcome reflected lower international prices. The decline in export price more than offset the increase in export volume, resulting in lower export receipts of K92.2 million in the June quarter, compared to K164.6 million in the corresponding quarter of 2022.

The volume of crude oil exported was 1,114.7 thousand barrels in the June quarter of 2023, compared to 1,836.1 thousand barrels in the June quarter of 2022. This was due to lower production from the Kutubu oil fields. The average export price of crude oil was K282 per barrel in the quarter, compared to K397 per barrel in the June quarter of 2022. This decline was reflective of lower international prices due to weaker demand as global growth slowed down, combined with higher production by non-OPEC members, led by the US and Russia. The combined decline in export volume and price resulted in lower export receipts of K314.4 million in June, compared to K729.0 million in the corresponding quarter of 2022.

Export receipts of refined petroleum products, which include Naphtha from the PNG LNG project, were K98.6 million in the June quarter, compared to K583.3 million in the corresponding quarter of 2022.

## AGRICULTURE, LOGS AND FISHERIES EXPORTS

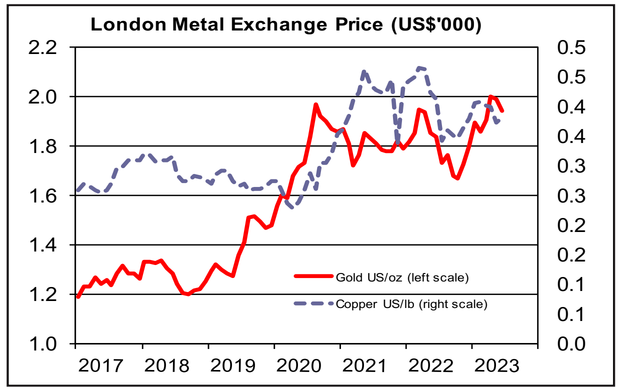
Export prices of all non-mineral commodities declined in the June quarter of 2023, except for cocoa, coffee, tea and marine product, compared to the corresponding quarter of 2022. Palm oil prices declined by 24.6 percent, copra by 16.7 percent, copra oil by 46.2 percent, rubber by 14.3 percent and logs by 18.7 percent, while the price for cocoa, coffee, tea and marine product increased by 18.8 percent, 26.1 percent, 23.0 percent and 50.1 percent, respectively. The net effect was a 11.5 percent decline in the weighted average kina price of agricultural, logs and marine product exports. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 11.2 percent in the June quarter, compared to the corresponding quarter of 2022.

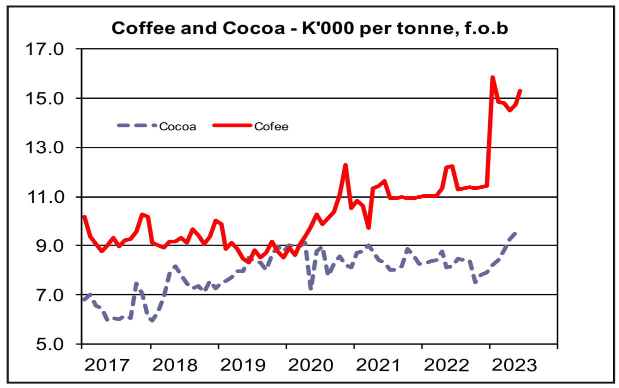
The export volume of coffee was 9.5 thousand tonnes in the June quarter, compared to 3.6 thousand tonnes in the corresponding quarter of 2022. The increase was due to higher production and shipment, reflecting favorable weather conditions. The average export price of coffee was K14,884 per tonne, an increase of 26.1 percent from the corresponding quarter of 2022. The outcome reflected higher international prices due to lower production from Brazil, attributed to unfavorable dry weather conditions. The combined increase in export volume and price resulted in export receipts of K141.4 million in the June quarter, an increase of 232.7 percent from the corresponding quarter of 2022.

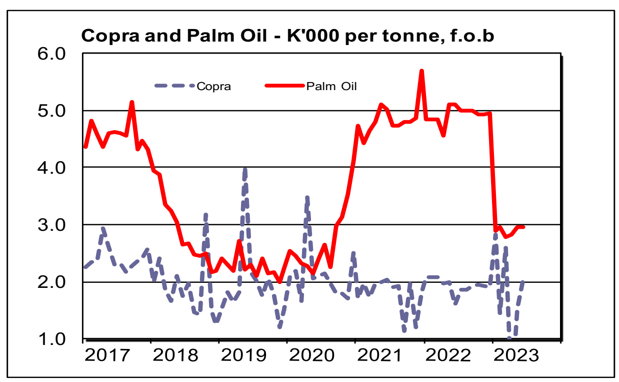
The export volume of cocoa was 11.2 thousand tonnes in the June quarter, compared to 9.9 thousand tonnes in the corresponding quarter of 2022. The increase was due to higher production and shipments from the main producing regions. The average export price of cocoa was K9,473 per tonne in the quarter, an increase of 18.9 percent from the corresponding quarter of 2022. The outcome mainly reflected higher global prices as a result of lower production from Ghana and Ivory Coast, attributed to unfavorable wet weather conditions. The combined increase in export volume and price resulted in export receipts of K106.1 million in the June quarter, an increase of 34.5 percent from the corresponding quarter of 2022.

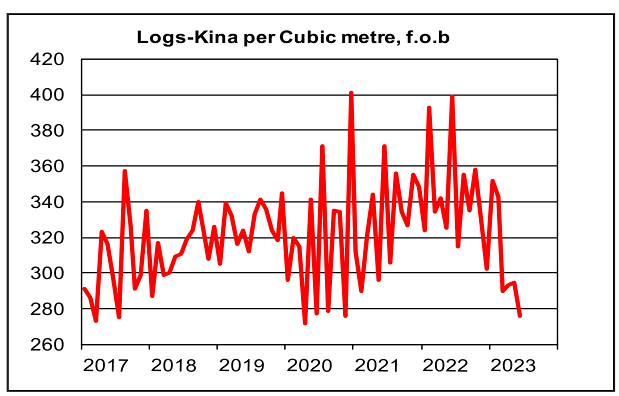
The export volume of copra was 2.9 thousand tonnes in the June quarter, compared to 6.7 thousand tonnes in the corresponding quarter of 2022. The decline reflected lower shipments from the major producing regions. The average export price of copra was K1,828 per tonne in the June quarter, a decline of 16.7 percent

## EXPORT COMMODITY PRICES



from the corresponding quarter of 2022. This outcome reflected higher production from the Philippines, combined with a weak global demand. The combined decline in export volume and price resulted in export receipts of K5.3 million in the June quarter, a decline of 63.9 percent from the corresponding quarter of 2022.

The export volume of copra oil was 1.6 thousand tonnes in the June quarter of 2023, compared to 8.1 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production and shipments. The average export price of copra oil was K3,000 per tonne in the quarter, a decline of 46.2 percent from the June quarter of 2022. This was due to lower international prices, reflecting the abundant supply of coconut oil in North America, coupled with ample supply. The combined decline in export volume and price resulted in export receipts of K4.8 million in the June quarter, a decline of 89.4 percent from the corresponding quarter of 2022.

The export volume of palm oil was 172.4 thousand tonnes in the June quarter of 2023, compared to 181.8 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production and shipment. The average export price of palm oil was K3,305 per tonne in the quarter, a decline of 24.6 percent from the June quarter of 2022. This was due to higher production from Malaysia and Indonesia, attributed to favorable weather conditions. The combined decline of export price and volume resulted in export receipts of K569.8 million in the June quarter, a decline of 28.5 percent from the corresponding quarter of 2022.

The export volume of tea was 50 tonnes in the June quarter, compared to 30 tonnes in the corresponding quarter of 2022. This was due to lower production and shipment. The average export price of tea was K4,100 per tonne in the quarter, compared to K3,333 per tonne in the June quarter of 2022. The combined increase in export volume and price, resulted in export receipts of K0.2 million in the quarter.

The export volume of rubber was 0.4 thousand tonnes in the June quarter, compared to 0.6 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production and shipment from major producers. The average export price of rubber was K4,000 per tonne in the June quarter, a decline of 14.3 percent from the corresponding quarter of 2022. This reflected lower international prices driven by higher production from Thailand. The combined decline in export volume and price resulted in export receipts of K1.6 million in the June quarter, a decline of 42.9 percent from the corresponding quarter of 2022.

The export volume of logs was 513.0 thousand cubic meters in the June quarter, compared to 783.0 thousand cubic meters in the corresponding quarter of 2022. There was lower production and shipment from major producing regions. The average export price of logs was K287 per cubic meter in the June quarter, a decline of 18.7 percent from the corresponding quarter of 2022. This outcome reflected weak demand from China, the world's largest consumer of tropical logs. The combined decline in export volume and price resulted in export receipts of K147.0 million in the June quarter, a decline of 46.8 percent from the corresponding quarter of 2022.

The value of marine products exported was K111.3 million in the June quarter, compared to K225.3 million in the corresponding quarter of 2022. This resulted from a decline in export volumes more than offsetting an increase in export price.

## 5. BALANCE OF PAYMENTS

### SIX MONTHS TO JUNE 2023 ON SIX MONTHS TO JUNE 2022

The balance of payments recorded an overall deficit of K1,154.5 million for the first six months of 2023, compared to a deficit of K944.5 million in the corresponding period of 2022. A deficit in the financial account more than offset a surplus in the current and capital account.

The surplus in the current and capital account was due to a trade surplus and net secondary income receipts, which more than offset net service and primary income payments.

The deficit in the financial account was due to net outflows from direct and other investments reflecting outflow of funds from offshore foreign currency accounts, for investments and debt service payments on external loans, largely by mineral companies, including LNG project partners.

The trade account recorded a surplus of K17,718.1 million for the first six months of 2023, compared to the surplus of K13,200.9 million in the corresponding period of 2022. The surplus was due to lower imports as a result of persistent foreign exchange shortfalls.

The value of merchandise exports was K22,262.3 million in the first six months of 2023, compared to K24,046.2 million in the corresponding period of 2022. The decline was attributed to lower export values of all export commodities, except for gold, copper, nickel, cocoa and coffee exports.

The value of merchandise imports was K4,544.2 million in the first six months of 2023, compared to K10,845.2 million in the corresponding period of 2022. There were lower general and petroleum imports, which more than offset higher imports from the mining sector. The value of general imports was K2,072.1 million in the first six months, compared to K8,016.9 million in the corresponding period of 2022, mainly attributed to foreign exchange shortfall combined with lower consumer demand due to high domestic prices. Mining sector imports was K2,127.4 million in the first six months of 2023, compared to K2,091.2 million in the corresponding period of 2022. The increase was due to higher capital expenditure undertaken by the Ok Tedi, Lihir and Hidden Valley mines and alluvial production. The value of petroleum sector imports was K344.8 million in the six months, compared to K737.1 million in the corresponding period of 2022. This reflected lower expenditure on exploration and drilling activities by a resident petroleum company. Resident companies in the mining and petroleum sectors used funds held in their offshore foreign currency accounts to pay for imports allowed for under their respective Project Development Agreements.

The services account recorded a deficit of K2,677.1 million in the first six months of 2023, compared to a deficit of K4,187.7 million in the corresponding period of 2022. The decline was due to lower payments for all services, except for manufacturing services.

The primary income account recorded a deficit of K3,966.0 million in the first six months of 2023, compared to a deficit of K2,710.4 million in the corresponding period of 2022. This outcome was mainly due to higher payments for interest and dividends.

The secondary income account had a surplus of K731.7 million in the first six months of 2023, compared to a surplus of K353.9 million in the corresponding period of 2022. The outcome was mainly due to higher receipts in general government, reflecting licensing fees and taxes, and gifts and grants.

The capital account recorded a net inflow of K12.5 million in the first six months of 2023, compared to a net inflow of K16.8 million in the corresponding period of 2022, reflecting lower transfers by donor agencies for project financing.

As a result of the developments in the trade, services, capital, primary and secondary income accounts, the current and capital account recorded a surplus of K11,819.2 million in the first six months of 2023, compared to a surplus of K6,673.5 million in the corresponding period of 2022.

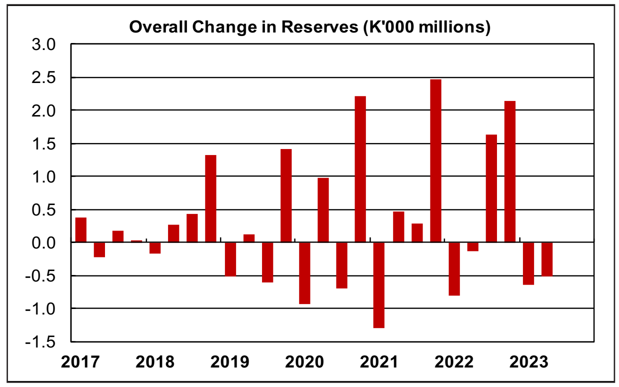
The financial account recorded a deficit of K11,399.1 million in the first six months of 2023, compared to a deficit of K12,556.2 million in the corresponding period of 2022. The outcome was due to net outflows from direct and other investments, reflecting net outflow of funds from offshore foreign currency accounts for investments and external loan repayments by mineral companies, including LNG project partners.

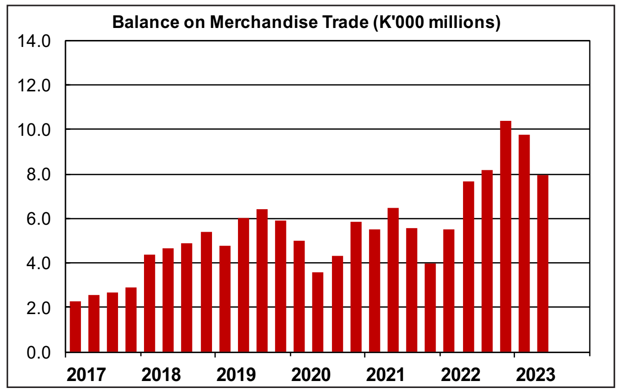
**JUNE QUARTER 2023 ON JUNE QUARTER 2022**

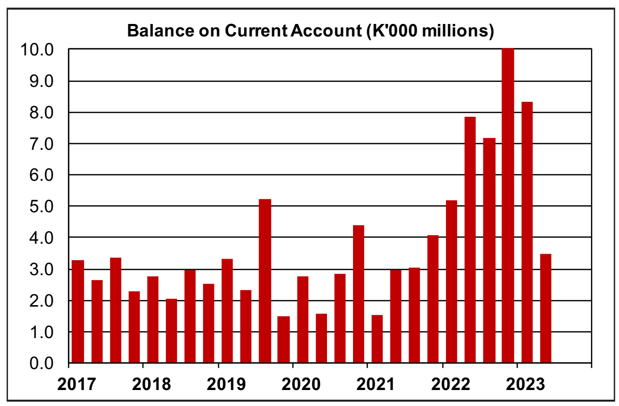
The overall balance of payments surplus was K2,144.1 million in the December quarter of 2022, compared to a surplus of K2,465.9 million in the December quarter of 2021. This was due to a surplus in the current and capital account, which more than offset a deficit in the financial account.

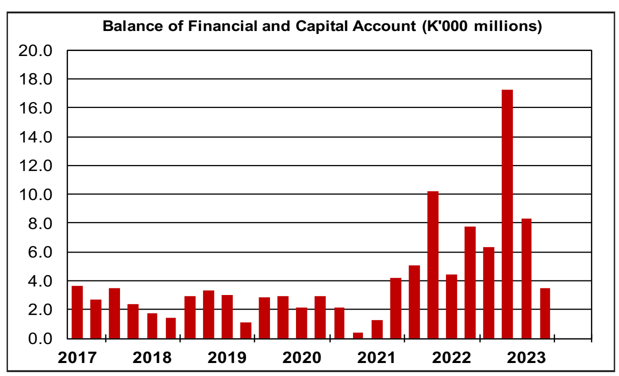
The current account recorded a surplus of K10,711.9 million in the December quarter of 2022, compared to a surplus of K4,093.4 million in the corresponding period of 2021. This was due to higher surpluses in the trade and secondary income accounts, combined with lower deficits in the services and primary accounts.

## BALANCE OF PAYMENTS



The value of merchandise exports was K12,858.8 million in the December quarter of 2022, compared to K8,735.7 million in the corresponding quarter of 2021. There were higher values for all major export commodities, with the exception of gold, cocoa, coffee, copra oil, tea, rubber, and other non-mineral and refined petroleum products.

The value of merchandise imports was K2,128.0 million in the December quarter, compared to K4,937.2 million in the corresponding quarter of 2021. There were lower general, mining and petroleum sector imports. The value of general imports was K914.1 million in the quarter, compared to K1,567.5 million in the December quarter of 2021, reflecting lower domestic economic activity. Mining sector imports were K955.0 million in the December quarter, compared to K980.5 million in the corresponding quarter of 2021. The decline reflected lower capital investments with Lihir, Ok Tedi, Hidden Valley, Simberi and the Ramu Nickle/ Cobalt mines. The value of petroleum sector imports was K258.9 million in the quarter, compared to K2,389.2 million in the corresponding quarter of 2021. This mainly reflected inclusion of revised import data for exploration and drilling activity by a major resident petroleum company in 2021.

The service account had a deficit of K757.2 million in the December quarter, compared to a deficit of K1,679.4 million corresponding quarter of 2021. There were lower service payments, except for personal, cultural & recreational services and other business services.

The primary income account recorded a deficit of K708.8 million in the December quarter, compared to a deficit of K854.1 million in the corresponding quarter of 2021. The outcome was mainly attributed to lower payments for dividend and compensation of employees.

The secondary income account had a surplus of K241.1 million in the December quarter, compared to a surplus of K215.3 million in the corresponding quarter of 2021. The outcome was due to higher transfer receipts, combined with lower transfer payments.

The capital account recorded a net even flow of K7.2 million in the December quarter of 2022, the same as in the corresponding quarter of 2021, reflecting transfers by donor agencies for project financing.

As a result of the developments in the trade, service, primary and secondary income and capital accounts, the current and capital account recorded a surplus of K10,719.1 million in the December quarter of 2022, compared to a surplus of K4,100.6 million in the corresponding period of 2021.

The financial account had a deficit of K17,247.5 million in the December quarter, compared to a deficit of K10,182.1 million in the corresponding quarter of 2021. The outcome was due to net outflows from direct and other investments reflecting related party transactions and build-up in offshore foreign currency account balances of mineral companies, including those allowed for under the various Project Development Agreements (PDAs).

As a result of these developments in the current, capital and financial accounts, the overall balance of payments recorded a surplus of K2,144.1 million in the December quarter, compared to a surplus of K2,465.9 million in the corresponding quarter of 2021.

The level of gross foreign exchange reserves at the end of December 2022 was K14,298.23 (US$ 4,132.2) million, sufficient for 11.8 months of total and 21.5 months of non-mineral import cover.

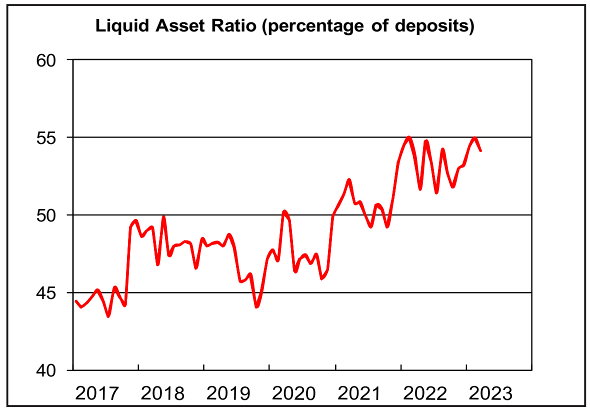
## 6. MONETARY DEVELOPMENTS

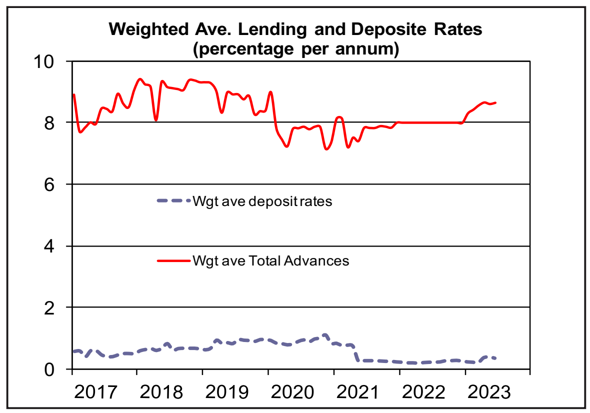
### INTEREST RATES AND LIQUIDITY

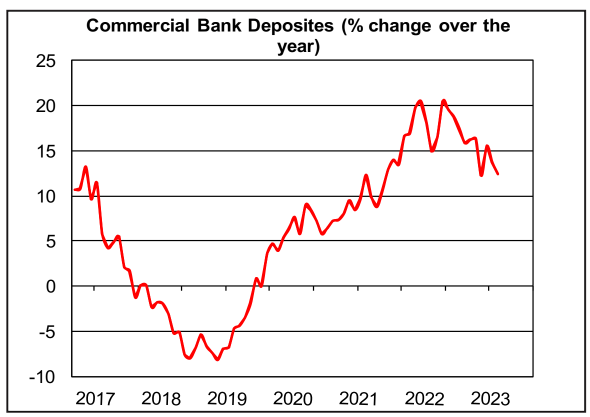
The Central Bank maintained a neutral stance of monetary policy in the June quarter of 2023. Although annual headline inflation continued to trend downwards, inflationary pressures remained. The stance was also consistent with the objective of encouraging lending to the non-mineral private sector. As a result, the Kina Facility Rate (KFR) was kept unchanged at 3.50 percent and the dealing margins for the Repurchase Agreement (Repo) Facility and term Repos remained at 100 and 175 basis points on both sides of the KFR respectively, during the second quarter.

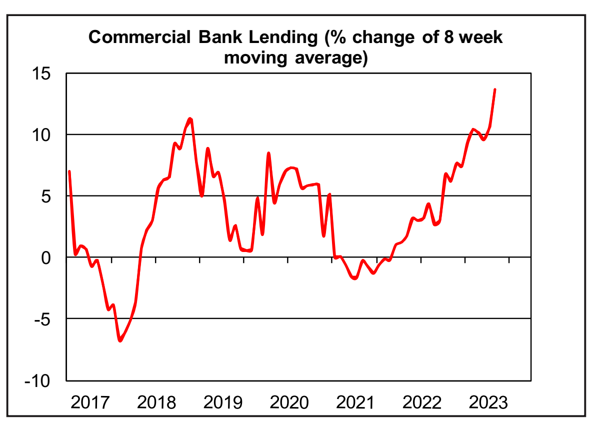
Domestic weighted average interest rates for short-term securities increased for most maturities between the end of June and March 2023. At the Central Bank Bill (CBB) market, the Bank started issuing new CBBs under the 7-day and 14-day terms in May 2023 at 2.17 percent and 2.20 percent, respectively that increased to 2.23 percent and 2.25 percent by end of June 2023. This was aimed at diffusing liquidity and align market rates to the policy rate (KFR) to improve the transmission of monetary policy. The 28-day, 63-day and 91-day CBB rates increased by 0.24 percentage points, 0.20 percentage points and 0.29 percentage points to 2.38 percent, 2.66 percent and 2.81 percent, respectively. The Government's Treasury bill rates for the 182-day, 273-day and 364-day terms increased by 0.10 percentage points, 0.25 percentage points and 0.04 percentage points to 2.09 percent, 2.39 percent and 2.99 percent, respectively.

The weighted average interest rates on commercial banks' large term deposits (K500,000 and above) increased for most terms over the June quarter. The 60-day, 90-day, 180-day and 270-day deposit rates



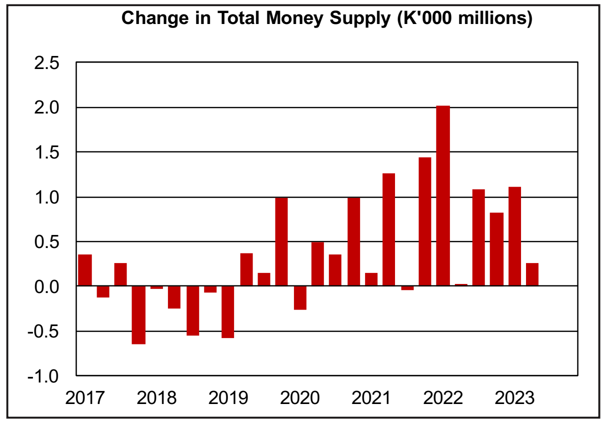



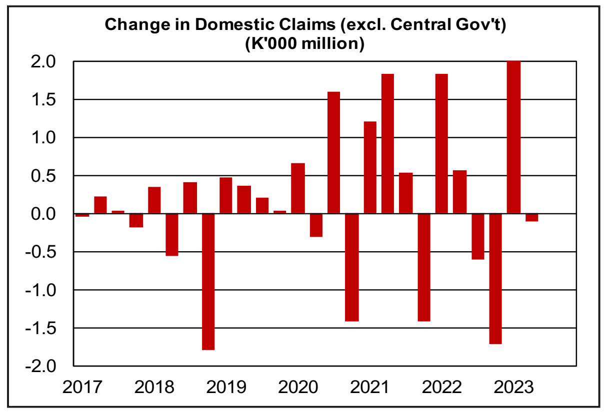
increased by 0.40 percentage points, 0.14 percentage points, 0.77 percentage points and 0.69 percentage points to 0.75 percent, 0.54 percent, 1.61 percent and 1.55 percent, respectively. The 30-day and 360-day deposit rates declined by 0.17 percentage points and 0.08 percentage points to 0.59 percent and 1.59 percent, respectively. The monthly weighted average interest rate on total deposits increased to 0.37 percent from 0.23 percent during the June quarter of 2023, while the monthly rate for total loans increased to 8.45 percent from 8.42 percent. The Indicator Lending Rates (ILR) for commercial banks increased to 6.95 percent and 11.70 percent in the June quarter of 2023, after one commercial bank increased its ILR to 6.95 percent from 6.50 percent.

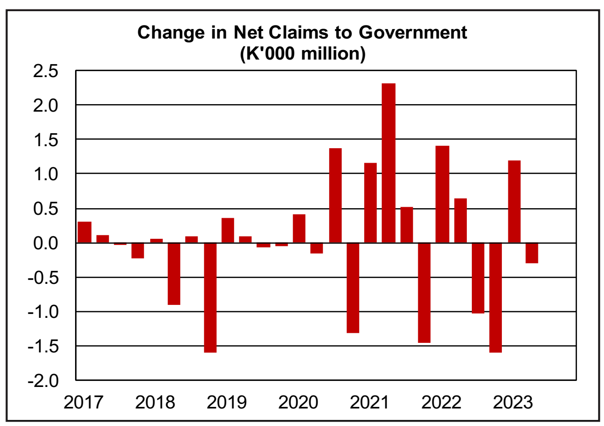
The Bank utilized its Open Market Operation (OMO) instruments in the conduct of monetary policy. The Central Bank made a net retirement of K764.2 million in CBBs in the June quarter of 2023, while the Government made a net issuance of securities totaling K1,422.4 million, comprising K1,412.5 million in Treasury bonds (Inscribed Stock) and K9.9 million in Treasury bills. This reflects the switch in Government budget deficit financing from external to domestic borrowing totaling K1,000.0 million in additional Treasury Bonds. There was only one interbank borrowing and one repo transaction in the quarter. The interbank borrowing rate was at 5.25 percent, and overnight repo deal at 5.00 percent. The Cash Reserve Requirement (CRR) on commercial banks' deposits was maintained at 10.0 percent over the June quarter of 2023.

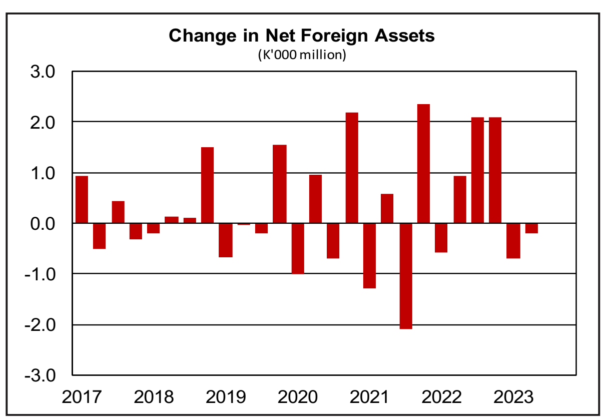
## MONEY SUPPLY

The average level of broad money supply (M3*) increased by 2.1 percent in the June quarter of 2023, compared to an increase of 5.6 percent in the previous quarter. This was due to an increase of 2.2 percent in



average net domestic claims of the banking system including average net claims on the Central Government, offsetting a decline of 2.9 percent in average net foreign assets (NFA). The average net domestic claims, excluding average net claims on Central Government, increased by 2.0 percent in the June quarter of 2023, compared to an increase of 3.2 percent in the previous quarter. This reflected an increase in average net claims on the private sector, which more than offset the decreases in average claims on public non-financial corporations, other financial corporations and 'Provincial and Local Level Governments'.

The average level of monetary base (reserve money) declined by 6.2 percent in the June quarter of 2023, following an increase of 5.6 percent in the previous quarter. This reflected a decline in average liabilities of other depository corporations (ODCs) held at the Central Bank, mainly ESA and CRR deposits of commercial banks, which more than offset an increase in average currency in circulation, issued by the Central Bank to the public including commercial banks.

The average level of narrow money supply (M1*) increased by 4.4 percent in the June quarter of 2023, compared to an increase of 5.8 percent in the previous quarter. This was due to increases in the average level of transferable deposits and currency outside the depository corporations (DCs). The average level of quasi money declined by 11.3 percent in the June quarter of 2023, compared to an increase of 3.9 percent in the previous quarter.

The average level of deposits at other depository corporations (ODCs) increased by 2.2 percent to K34,343.0 million in the June quarter of 2023, from K33,609.4 million in the previous quarter. This reflected an increase in deposits by public non-financial corporations, Government and financial corporations.

The NFA of Financial Corporations (FCs), comprising DCs and other financial corporations (OFCs), increased by 10.4 percent to K16,073.1 million during the June quarter of 2023, following a decrease of 3.6 percent in the previous quarter. This resulted from an increase in the NFA of OFCs and ODCs, which more than offset a decrease in NFA of the Central Bank. The increase in OFCs' NFA was mainly due to higher claims on non-residents, while at ODCs it was due to higher claims and a decline in foreign liabilities. The decrease in Central Bank's NFA reflected lower international reserves due to outflows from monthly intervention and Government debt repayments.

Net claims on the Central Government by FCs increased by 1.3 percent to K18,600.7 million in the June quarter of 2023, compared to an increase of 4.7 percent in the previous quarter. The increase reflected a net issuance of Government securities, combined with increase in Government deposits at the Central Bank.

**LENDING**

In the June quarter of 2023, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' decreased by 2.7 percent to K18,648.2 million, following an increase of 5.0 percent in the previous quarter. This reflected repayments of K320.6 million, K191.4 million and K3.4 million by the private sector, public non-financial corporations and 'Provincial and Local Level Governments', respectively. Credit to the private sector declined mainly due to repayments at OFCs, including commerce, building and construction, finance, and hotels and restaurant sectors.

## 7. PUBLIC FINANCE

The fiscal operations of the National Government over the six months to June 2023 recorded a deficit of K2,858.3 million, compared to a deficit of K2,078.1 million in the corresponding period of 2022. This reflected lower revenue collections.

Total revenue and grants over the six months to June was K7,294.5 million, 8.7 percent lower than in the same period of 2022, and represents 37.3 percent of the 2023 budgeted amount. The decrease reflected lower than projected non-tax receipts and non-reporting of grants.

Total tax revenue was K7,253.7 million over the six months to June, 6.0 percent higher than in the corresponding period of 2022, and represents 48.7 percent of the Budget. Direct tax receipts totaled K4,739.9 million, 16.9 percent higher than in the same period of 2022, and represents 50.9 percent of the budgeted amount. The increase was mainly due to higher collections in company and other direct taxes. The increase in other direct taxes include increases in dividend withholding taxes from non-resident companies and individuals. The increase in interest withholding taxes are due to higher interest payments on Treasury Bills (T-Bills) and Treasury Bonds (T-Bonds), including other interest payments.

Indirect tax revenue totaled K2,513.8 million over the six months to June 2023, 9.7 percent lower than in the same period of 2022 and represents 44.9 percent of the budgeted amount. The decline was driven by lower GST, import and excise duties and export tax.

Total non-tax revenue for the period was K40.8 million, significantly lower than in the corresponding period of 2022, and represents 1.5 percent of the budgeted amount. The lower outcome reflects no dividend payments from the mining & petroleum sector and State-owned Enterprises. State agencies continue to withhold retained earnings as the Non-Tax Revenue Act, is yet to be implemented resulting in foregone revenue. Foreign grants for the six months to June were not reported.

Total expenditure was K10,152.8 million over the six months to June 2023, 0.9 percent higher than in the corresponding period of 2022 and represents 41.3 percent of the total appropriation. This was due to higher development expenditure.

Recurrent expenditure was K6,916.9 million over the six months to June, 8.7 percent lower than in the corresponding period of 2022, and represents 46.8 percent of the Budget appropriation. The lower outcome was mainly due to late warrant release for the national government departments.

Total development expenditure was K3,235.9 million over the six months to June 2023, 30.6 percent higher than in the corresponding period in 2022, and represents 33.0 percent of the total appropriation.

This was due to higher capital investment on national and provincial projects.

The developments in revenue and expenditure over the six months to June, resulted in a budget deficit of K2,858.3 million. The deficit was financed from both domestic and external sources of K2,661.7 million and K196.6 million, respectively. Net domestic financing comprised of K1,273.2 million, K811.8 million, and K594.6 million from ODCs, OFCs, and other resident sectors, respectively, which more than offset a net retirement of government securities totaling K17.9 million by the Bank of PNG. External financing comprised K223.1 million from extraordinary sources, which more than offset net retirement of concessional and commercial loans of K17.4 million and K9.1 million, respectively.

Total public (Government) debt outstanding as at end of June 2023 was K55,802.6 million, an increase of K1,375.6 million from the previous quarter, and represents 49.7 percent of GDP. The total debt outstanding is comprised of K29,460.3 million from domestic sources and K26,342.3 million in external debt. Total Government deposits at depository corporations increased by K589.6 million to K7,665.5 million in the June quarter of 2023.

## FINANCIAL SOUNDNESS INDICATORS (FSI) DEVELOPMENTS - JUNE 2023

### OVERVIEW

In response to higher inflation, major central banks around the world tightened policy rates, hence weakened growth and demand.

Amidst high policy rates, global financial conditions have moderately eased, while slowly narrowing banking risk to financial stability. However, given the heightened market risk and uncertainty, the trend does not give much guarantee, as policy rates are likely to be further tightened which could make the banking sector's balance sheets highly vulnerable and exposed to credit associated risks.

These evolving challenges on the resilience of the financial system pose challenges on how well the monetary authorities can adjust their macro prudential policy and monetary policy to find the right policy mix to curb high inflation while ensuring financial stability.

Geographically, the risks of spillovers to the global financial system remain elevated. Risk exposures remain high in the advanced economies such as the US as well as in the emerging and other advanced economies.

Domestically, with the aid of prudential policy measures combined with onsite supervision and offsite surveillance activities on individual financial institutions, the financial system continues to grow and remain sound, despite the external shocks. Macro prudential supervision on overall health of the financial system through the monitoring, assessment and mitigation of potential risks have ensured a sound and a stable financial system.

The overall financial system assessment as at the June quarter of 2023 showed that the banks remained sound and well capitalized. Asset quality has improved while large exposure has increased. Foreign currency denominated assets decreased while foreign currency denominated liabilities grew moderately. The profitability ratios (Return on Assets & Return on Equity) for banks showed improvements compared to previous quarters. For liquidity, the ratios showed a steady growth. Given the excess liquidity levels in the financial system, the banks were able to settle immediate liquidity mismatches and fund their operations.

Furthermore, the net open position to capital ratio deteriorated in the reporting quarter due to the depreciating kina against major currencies. For the real estate indicators, commercial real estate loans increased, whilst residential loans decreased slightly.

For the Other Financial Corporations (OFCs) sector, the Authorized Superannuation Funds (ASFs) performed well compared to the March 2023 quarter. This reflected growth on return on assets and the ability of the ASF's to meet retirees' payment obligations. For the life insurance sector, weak growth in net income continued to exert downward pressure on the profitability ratios (ROE & ROA). In the reporting quarter, the ROE slightly increased after it subsided in the previous quarters. The investment assets in the sector did not perform

[1] Although the Basel III requirements introduced in the aftermath of the 2008 global financial crisis called for higher capital requirements, the high BPNG capital requirements of 12 percent of total capital to risk weighted assets, 8 percent of Tier-1 capital to risk-weighted assets and 6 percent of leverage ratio, was adequate capital buffer for the ODCs.

well over the recent years and into the reporting quarter, as such, the shareholder's equity was used to finance those assets. Despite this, shareholder's equity is still sufficient to fund the growth of the industry.

The Bank of PNG continues to deploy micro prudential tools through onsite and offsite supervision for individual financial institutions under the banking and financial sector to monitor and assess systemic risk. At the macro prudential supervisory level, the FSIs have been used to assess the overall financial soundness and monitor systematic risk in the financial system. This report presents an analysis of the consolidated indicators of Banks including the OFCs (Superannuation & Life Insurance Industries) in line with the IMF 2019 FSI Compilation Guide.

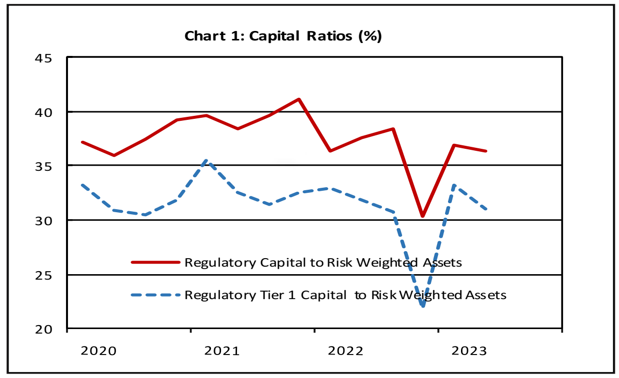
## SOUNDESS OF THE FINANCIAL SYSTEM

## BANKS

### Capital Adequacy

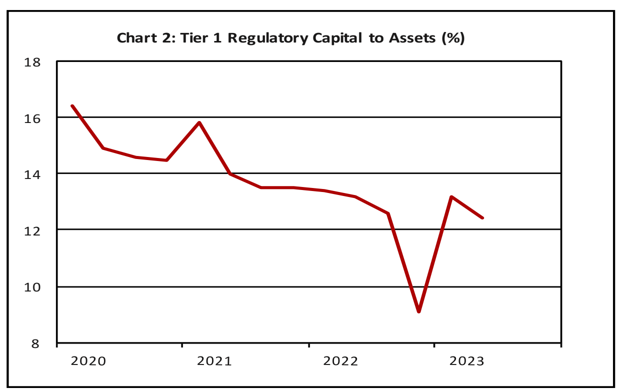
### Regulatory Capital to Risk Weighted Assets and Regulatory Tier 1 Capital to Risk Weighted Assets.

Regulatory capital to Risk Weighted Assets (RWA) slightly decreased to 36.4 percent in the June quarter of 2023, compared to 36.9 percent in the previous quarter. This was driven by a fall in the RWA, although the total regulatory capital increased. Tier-1 capital to RWA also decreased to 31.1 percent in the June 2023 quarter, compared to 33.2 percent in the March 2023 quarter. The decrease in the ratio is attributed to a fall in both the Tier 1 Capital and RWA. Although both ratios declined, they remained well above the regulatory requirement, hence, indicating strong Banks' asset quality.




### Tier 1 Capital to Total Assets

The Banks continue to maintain strong capital levels. In the June quarter of 2023, Tier 1 Capital to total assets ratio decreased to 12.4 percent, compared to 13.2 percent in the March quarter of 2023 (Chart 2). The decrease was attributed to a slight fall in Tier 1 capital despite an increase in the total assets.

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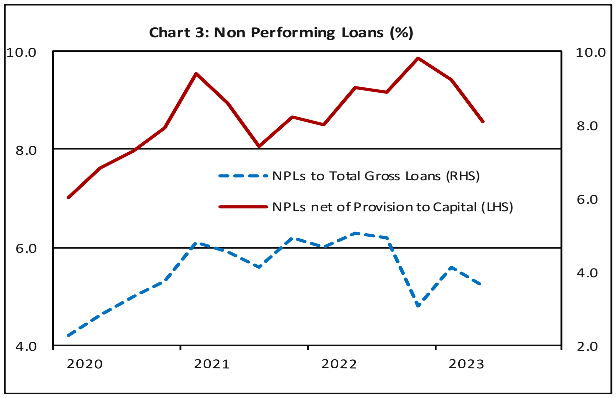
[2] Emphasis is mainly on commercial banks as it constitutes a larger share of the ODCs thus movements in the indicators will mainly reflect banking activities.

[3] Tier-1 Capital refers to commercial banks' core equity capital and comprised of common stocks and disclosed reserves or retained earnings.

[4] The spikes in the first quartrer of each year, indicates ODCs build-up in capital which is gradually disposed in subsequent quarters.

## Asset Quality

### Non-Performing Loans (NPLs) to Capital.



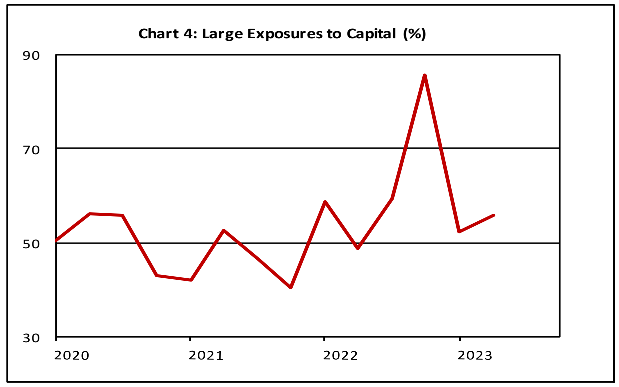

In the June quarter of 2023, NPLs net of provisions to capital decreased to 8.1 percent, compared to 9.2 percent in the March quarter of 2023. NPLs to total gross loans also decreased to 5.2 percent in the quarter, compared to 5.6 percent in the March quarter of 2023. The decrease in these asset quality ratios were mainly driven by fall in NPLs net of provision.

### Provision to Non-Performing Loans (NPLs)

In the June quarter of 2023, provision to NPLs ratio increased to 46.0 percent, compared to 40.4 percent in the previous quarter.

### Large Exposures to Capital

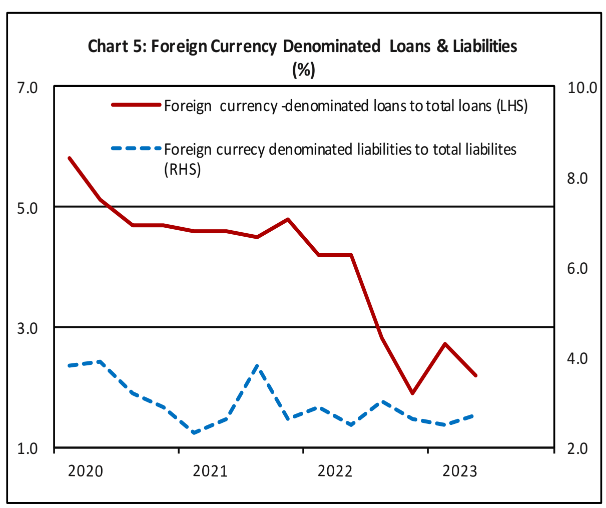
In the June quarter of 2023, Large Exposures to Capital increased to 55.7 percent, compared to 52.4 percent in the previous quarter (Chart 4) . This movement reflected an increase in lending especially to big clients like the Government SOEs.




### Foreign Currency (FC) Loans to Total Loans & Foreign Currency (FC) Liabilities to Total Liabilities

FC loan accounts are mostly used for trade financing in PNG (Chart 5).

The FC Loans to Total Loans ratio deceased to 2.2 percent in the June quarter of 2023, compared to 2.7 percent in the previous quarter. This reflected a decrease in import demand. The FC Liabilities to Total Liabilities ratio increased slightly to 2.7 percent in the June quarter of 2023, compared to 2.5 percent in the previous quarter. This was due to slight improvements in export proceeds and other inflow generating activities.

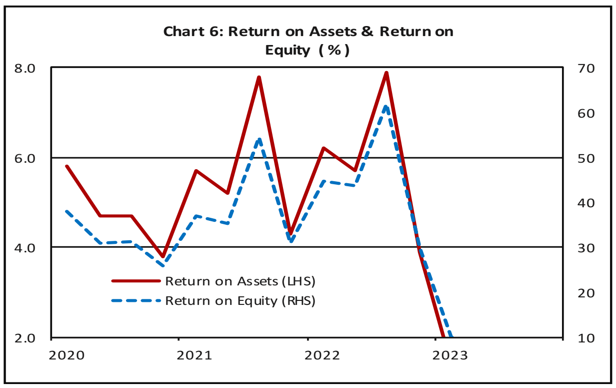


## Earnings and Profitability

### Return on Assets (ROA) and Return on Equity (ROE)

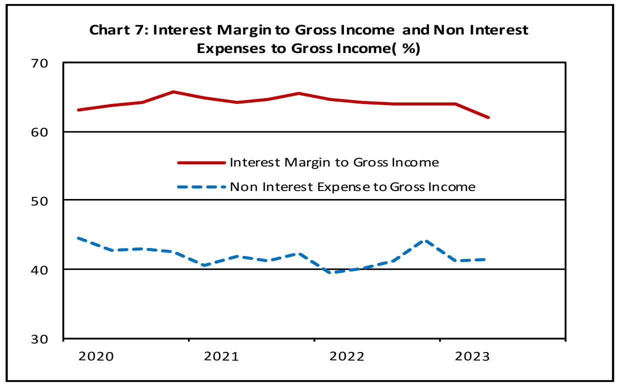
Prior to 2022, banks made normal profits (Chart 6). In the June quarter of 2023, the ROA and ROE were at 1.8 percent and 8.6 percent, respectively compared to 1.4 percent and 10.2 percent in the March quarter of 2023.

The drop in both profitability ratios reflected a decrease in interest income, especially interests generated from loans and leases and securities and investments.




### Interest Margin and Non-Interest Expenses

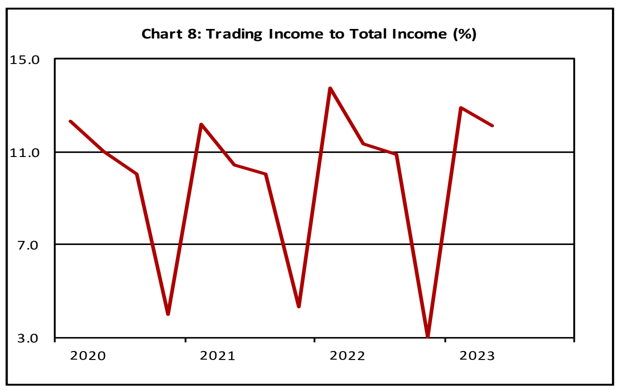
Interest Margin to Gross Income decreased to 62.0 percent in the June quarter of 2023, compared to 64.0 percent in the previous quarter. This reflected a decline in the banks' profits. The Non Interest expenses to Gross Income slightly increased to 41.4 percent in the June quarter of 2023, compared to 41.1 percent in the previous quarter. The decrease was due to the banks improved control of their operational expenses.




### Trading Income to Total Income

In the June quarter of 2023, the ratio of Trading Income to Total Income decreased to 12.1 percent, compared to 12.9 percent in the March quarter of 2023. While both increased, the increase in the trading income was higher than in gross income resulting in a slight decrease to the ratio.

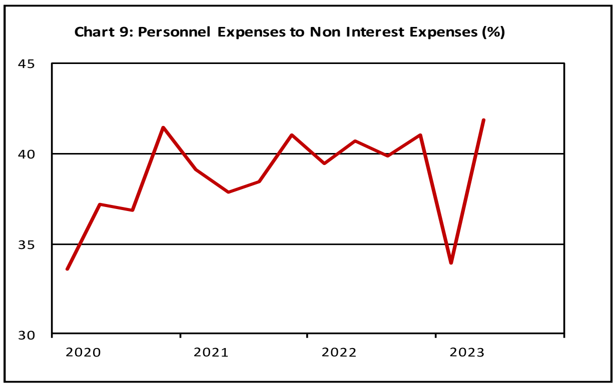
The growth in income reflected increased activity in foreign exchange market, combined with a depreciation in the kina exchange rate.




[5]Also BPNG prudential standards requires that large exposures must not exceed 800 percent of an authorised institutions capital base.

### Personnel Expenses to Non-Interest Expenses

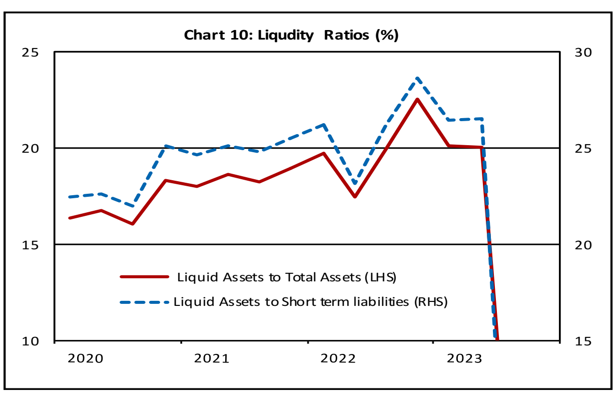
Personnel Expenses to Non-Interest Expenses increased to 41.9 percent in the June quarter of 2023, compared to 33.9 percent in the previous quarter. This was mainly driven by the increase in personnel expenses. (Chart 9).




## Liquidity Risk

### Liquid Assets to Total Assets and Liquid Assets to Short- term Liabilities

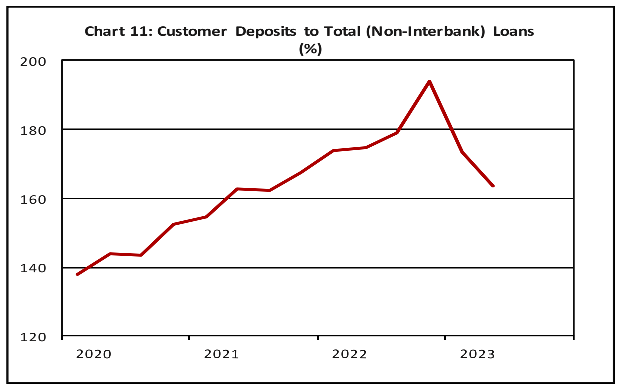
In the June quarter of 2023, the Liquid as sets (bank's core liquidity) to total assets ratio decreased slightly to 20.0 percent, compared to 20.1 percent in the previous quarter. The liquid assets to short term liabilities ratio also remained relatively unchanged at 26.5 percent in the June quarter of 2023, compared to 26.4 percent in the previous quarter. This was attributed to slight improvements in most of the liquid asset class of the banks (Chart 10).




### Customer Deposits to Total (Non-Interbank) Loans

The ratio of Customer Deposits to Total (non-interbank) deposit increased to 184.7 percent in the June quarter of 2023, compared to 183.6 percent in the previous quarter.

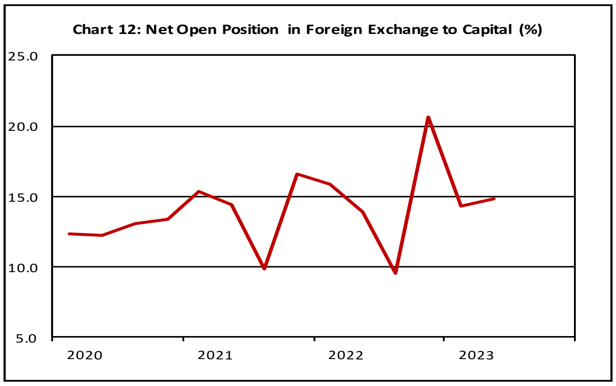
### Sensitivity to Market Risk




### Net Open Position in Foreign Exchange to Capital

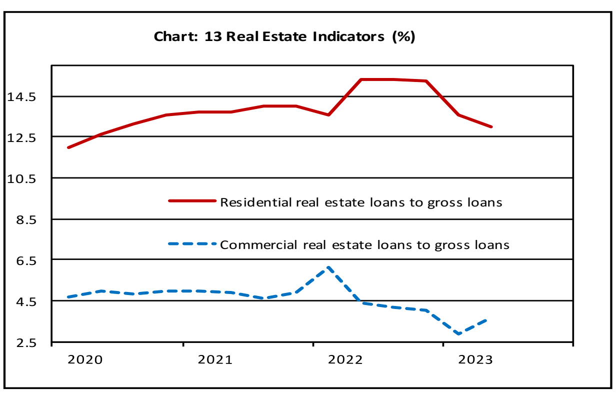
The net open position in foreign exchange to capital ratio increased slightly to 14.9 percent in the June quarter of 2023, compared to 14.3 percent in the previous quarter, indicating high exposure of banks to foreign exchange transactions. (Chart 12).

6 Annualized ROA and ROE.




## Real Estate Loans

The Residential Real Estate Loans to Gross Loans decreased to 13.0 percent in the June quarter of 2023, compared to an increase of 13.6 percent in the previous quarter. This was mainly driven by a notable increase in total gross loans, more than the residential real estate loan value which remained steady. The Commercial Real Estate Loans to Total Gross loans ratio increased to 3.7 percent in the June quarter of 2023, compared to 2.9 percent in the previous quarter (Chart 13).




## OTHER FINANCIAL CORPORATIONS (OFCs)

OFCs comprises of Authorized Superannuation Funds (ASFs) and the Insurance industry. The Insurance industry is further divided into life insurance and general insurance sectors. Due to the unavailability of general insurance data, the analysis provided under this section only reflects developments in the life insurance sector. Once the data coverage is extended to the non-life sector, an analysis of the aggregate OFCs will be reported.

The soundness of the OFCs is assessed and measured by Profitability, Liquidity and Total Assets as the main indicators under ASFs and Life insurance sector.

## Authorized Superannuation Funds (ASFs)

The ASFs is the second largest sector in PNG's financial system after the banking sector. This sector is dominated by two major ASFs, Nambawan Super Limited and Nasfund Limited who have market shares of 54.0 percent and 38.0 percent, respectively, totaling well over 90.0 percent of total superannuation sector assets.

This sector is regulated under the Superannuation (General Provisions) Act 2000 (SGP Act). The SGP Act provides for an ASF to have a licensed trustee to manage the affairs and operations of the ASF. In addition, the licensed trustee is required to appoint a licensed investment manager to provide investment advice and a licensed fund administrator to manage member bio-data.

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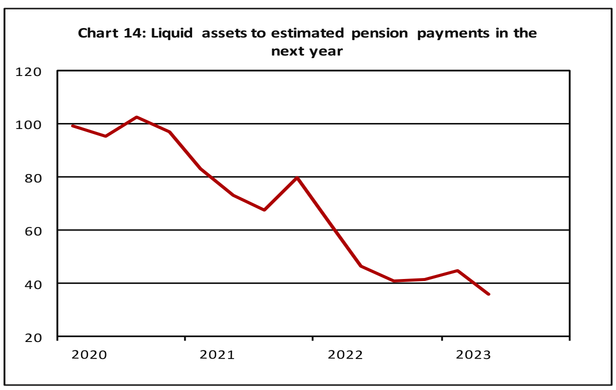
7 Liquid Assets in FSI definition refers to cash and money balances whereas in economics definition it includes all, cash and balances, money market instruments (Short term Gov't securities-less than 1 year and repo) and marketable securities (stocks and bonds).

In terms of the performance of the sector, the licensed trustees have performed relatively well with continued growth in asset size and profitability since the financial sector reforms in 2000, while meeting obligations to the members'. The following is an analysis on the constructed FSIs for the ASFs.

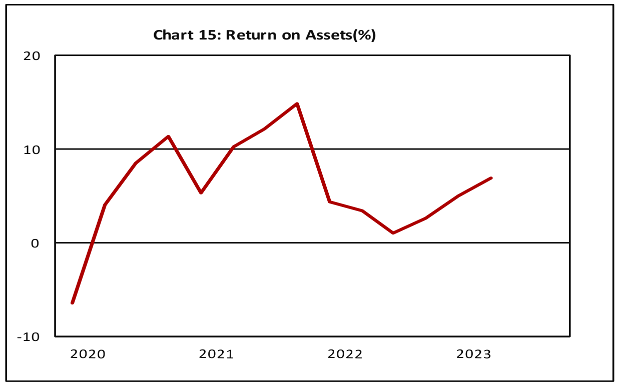
**Liquid Assets to Estimated Pension Payment for the Next Year**

In the June quarter of 2023, the liquid assets to estimated pension payments ratio decreased to 36.1 percent, compared to 44.9 percent in the previous quarter. This was mainly attributed to a decrease in the cash and net receivables component of the liquid assets and fall in the value of the estimated pension payments (Chart 14), indicating that ASFs ability to meet payment obligations to members in the following year (short term) has decreased in response to the decrease in the liquid assets value.




**Return on Assets (ROA)**

ROA was at 6.9 percent in the June quarter of 2023, compared to 4.9 percent in the previous quarter (Chart 15). This was mainly driven by a strong growth in the total asset and the net before tax income.



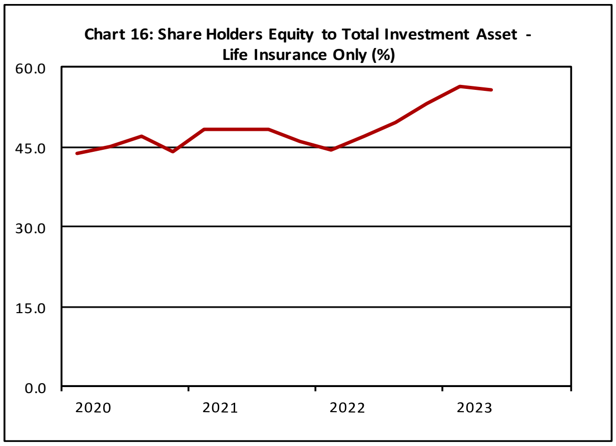

## LIFE INSURANCE

The life insurance sector asset size is only 2.0 percent of total financial sector assets. It is an evolving sector with notable operational challenges. It is tasked with the responsibility of maintaining sufficient liquid assets to cover liabilities. Hence, life insurance companies need to maintain adequate liquidity for payments while also ensuring that investment returns are sufficient to maintain profitability and solvency.

**Shareholder equity to total invested assets**

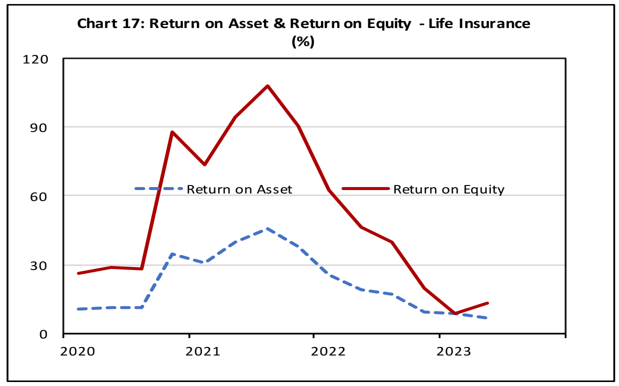
The ratio of shareholder equity to total invested assets decreased to 55.7 percent in the June quarter of 2023, compared to 56.4 percent in the previous quarter (Chart 16). This was due to an increase in the total investment assets and the capital during the period.

[8] Stable deposits are term deposits with insurance cover, only withdrawn when mature, while volatile deposits have high probability of being withdrawn




## Return on Assets (ROA) & Return on Equity (ROE)

ROA and ROE were at 6.4 and 12.9, respectively in the June quarter of 2023, compared to 8.6 and 8.9 in the March quarter of 2023. The decline in both the ROA and ROE ratios were attributed to a significant drop in net income given the weak yield return mainly from the investment assets.



## FOR THE RECORD

### MONTHLY KINA FACILITY RATE ANNOUNCEMENTS

The Central Bank introduced the Kina Facility Rate (KFR) in February 2001 as the official rate to indicate its stance of monetary policy. The KFR is a monthly rate and any changes to it should translate to changes in market interest rates. Changes to the KFR is based on assessment of economic fundamentals consistent with the overall objective of monetary policy of price stability in the economy. From January 2019, the KFR announcements by the Bank were;

| | | |
|---|---|---|
| 2020 | 02 March | Maintained at 5.00% |
| | 07 April | Lowered to 3.00% |
| | 05 May | Maintained at 3.00% |
| | 02 June | Maintained at 3.00% |
| | 07 July | Maintained at 3.00% |
| | 04 August | Maintained at 3.00% |
| | 08 September | Maintained at 3.00% |
| | 05 October | Maintained at 3.00% |
| | 02 November | Maintained at 3.00% |
| | 07 December | Maintained at 3.00% |
| 2021 | 04 January | Maintained at 3.00% |
| | 01 February | Maintained at 3.00% |
| | 02 March | Maintained at 3.00% |
| | 05 April | Maintained at 3.00% |
| | 03 May | Maintained at 3.00% |
| | 07 June | Maintained at 3.00% |
| | 05 July | Maintained at 3.00% |
| | 02 August | Maintained at 3.00% |
| | 06 September | Maintained at 3.00% |
| | 06 October | Maintained at 3.00% |
| | 01 November | Maintained at 3.00% |
| | 06 December | Maintained at 3.00% |
| 2022 | 03 January | Maintained at 3.00% |
| | 07 February | Maintained at 3.00% |
| | 07 March | Maintained at 3.00% |
| | 04 April | Maintained at 3.00% |
| | 02 May | Maintained at 3.00% |
| | 06 June | Maintained at 3.00% |
| | 04 July | Increased to 3.25% |
| | 01 August | Maintained at 3.25% |
| | 05 September | Maintained at 3.25% |
| | 03 October | Maintained at 3.25% |
| | 07 November | Maintained at 3.25% |
| | 05 December | Maintained at 3.25% |
| 2023 | 03 January | Increased to 3.50% |
| | 06 February | Maintained to 3.50% |
| | 06 March | Maintained at 3.50% |

For details of the KFR, see Table 6.3 (S34) of the QEB. KFR announcements prior to January 2019 are reported in various bulletins starting with the March 2001 QEB.

## GLOSSARY OF TERMS AND ACRONYMS

**Balance of Payments**

A statistical statement that systematically summaries a country's economic transactions with the rest of the world, over a specific time period. It comprises the Current and Capital and Financial Accounts.

**Broad Money Supply (M3*)**

Total volume of money comprising narrow money (M1*) and quasi money in the economy at a point in time. See 'narrow' and 'quasi' money.

**Cash Reserve Requirement (CRR)**

A requirement imposed on commercial banks to hold cash as a percentage of total deposits and other prescribed liabilities at all times.

**Capital Account**

Records all transactions that involves the receipts or transfers of capital and acquisitions/disposal of non-produced, non-financial assets such as purchase of production facilities, i.e. plants and machinery, etc.

**Capital to assets**

Reflects that the sum of share equity and other funding sources fund assets. Also reflects the ability of the domestic money banks' ability to secure funds in the event of a drain on capital

**Central Bank (CB)**

The Bank of Papua New Guinea (BPNG) is the monetary authority in Papua New Guinea (PNG) that has legislative power over the financial system and is responsible for issuing currency, managing international reserves, undertakes transactions with the IMF and providing credit to the commercial banks.

**Central Bank Bill (CBB)**

A monetary policy instrument of the Bank of PNG used to manage liquidity in the banking system by either injecting or defusing it in order to achieve a desired level of interest rate.

**Central Bank Survey (CBS)**

The CBS is the balance sheet of the Central Bank,which contains data on all components of the monetary base, comprising of currency in circulation an central bank liabilities to ODCs and other sectors. This measures banks' exposure to the commercial real estate market relative to total loans outstanding.

**Current Transfers Account**
Records all foreign transactions that are not transfers of capital and cannot be repaid. This includes donations, gifts and grants, superannuation funds and licensing fees.

**Commercial real estate loans to total gross loans**
This measures banks' exposure to the commercial real estate market relative to total loans outstanding.

**Customer deposits to total (non-interbank) loans**
Is a measure of funds available for new loans.

**Depository Corporations Survey (DCS)**
The survey is a consolidation of the CBS and the ODCS, which contains data on all depository corporations' liabilities in the national definition of broad money and data on depository corporations, assets that are claims on (i.e credit) other sectors of the economy, including the external sector.

**Deposits**
Deposits include all claims on the Bank of PNG and ODCs. These are further classified into transferable and other deposits.(I). Transferable deposits comprises all deposits that are: a). Exchangeable on demand at par and without penalty or restrictions; b). Directly usable for making payments by cheque, draft direct debit/credit or other direct payment facilities. (ii) Other deposits comprise all claims, other than transferable deposits. These include savings and term deposits and non transferable deposits in foreign currency.

**Exchange Settlement Account (ESA)**
Accounts of the commercial banks with the Bank of PNG for settlement transactions with each other.

**Exclusion-based CPI measure**
An underlying inflation measure which involves zero weighting of volatile sub-groups or items such as fruit & vegetables, betelnut and prices that are largely determined by non-market (seasonal) forces, as well as alcoholic drinks, cigarettes & tobacco, etc. See 'Underlying CPI'. Records all transactions associated with changes of ownership of foreign financial assets such as holdings of monetary gold, special drawing rights (SDR), claims on non-residents and foreign liabilities.

**Financial Account**
Records all transactions associated with changes of ownership of foreign financial assets such as holdings

of monetary gold, special drawing rights (SDR), claims on non-residents and foreign liabilities.

**Financial Corporation Survey (FCS)**

The FCS is the broadest set of monetary and financial statistics in terms of institutional coverage. The survey contains consolidated balance sheet data for all institutional units within the financial corporations sector, thereby providing the stock and flow data for analyzing claims on and liabilities to all other sectors of the economy, including the external sector.

**Financial Derivatives**

A financial instrument linked to a specific financial instrument, indicator or commodity and through which specific financial risks (such as interest rates, currency equity and commodity price risk, credit risk, etc.) can be traded in their own right in financial markets.

**Foreign-currency-denominated liabilities to total liabilities**

This measures the relative importance of foreign currency funding within total liabilities. The magnitude of this ratio should be considered together with the value of the foreign-currency denominated loans to total loans.

**Foreign-currency-denominated loans to total loans**

This measures the relative size of the foreign currency loans relative to total loans. Particularly where domestic lending in foreign currencies is permitted, it is important to monitor this ratio because of the increased credit risk associated with the ability of the local borrowers to service their foreign currency denominated liabilities, predominantly in the context of large devaluations.

**Gross asset position in financial derivatives to capital**

Is intended to gauge the exposure of deposit money banks asset positions in financial derivatives relative to capital.

**Gross liability position in financial derivatives to capital**

Is intended to provide an indication of the exposure of deposit money banks financial derivative liability positions relative to capital.

**Headline Consumer Price Index (CPI)**

A measure of inflation as calculated and published quarterly by the National Statistical Office (NSO), which measures the total price movements in goods and services in the basket.

**Income Account**

Records transactions such as compensation of employees, which cover wages, salaries, and other benefits in cash and kind, dividends and interest earned on investments

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| | between PNG and the other countries. |
| **Inscribed Stock (bond)** | A Government debt instrument sold to the public for a maturity term of one year or longer for Budget financing. |
| **Insurance Technical Reserves** | Comprises of (i) net equity of households in life insurance corporations reserves,(ii) net equity of households in superannuation (pension) funds and (iii) prepayment of premiums. This is the major liability item of the superannuation funds and insurance corporations. On the assets side, this category records prepaid insurance premiums, which are relatively small amounts. |
| **Interest margin to gross income** | A measure of the share of net interest income earned relative to gross income |
| **Kina Facility Rate (KFR)** | Official benchmark rate used by the Bank of PNG to signal its monetary policy stance. The KFR is announced monthly by the Governor and published in the newspapers and on the Bank's website. |
| **Large exposures to capital** | Identifies vulnerabilities arising from the concentration of credit risk. Large exposure refers to one or more credit exposures to the same individual or group that exceed a certain percentage of regulatory capital, such as 10 percent. |
| **Liquid Assets** | Assets of the commercial banks,which are in near liquid form, comprising cash, ESA balances, CBBs,Treasury bills and Inscribed stocks less than 3 years to maturity. |
| **Liquid assets to short-term liabilities** | Measures liquidity mismatch between assets and liabilities, and indicates the deposit money banks' ability to meet short-term withdrawal of funds and their ability to replenish without facing liquidity problems. |
| **Liquid assets to total assets** | Is an indicator of the liquidity available to meet expected and unexpected demands for cash by the deposit money banks. |
| **Minimum Liquid Asset Ratio (MLAR)** | A prudential requirement imposed by the Bank of PNG on commercial banks to hold liquid assets as a percentage of total depos- |

its and other prescribed liabilities at all times.

**Monetary Base (or Reserve Money)**
Comprised of currency held by the public and liquid assets of the commercial banks, including deposits held with the Bank of PNG under the Repurchase Agreement Facility (RAF) or Repos.

**Narrow Money**
A component of total money supply that is considered liquid or can be converted easily to cash on demand, and comprises of currency in circulation (held outside the banking system) and demand deposits.

**Net Equity of Households in Life Insurance Reserves**
Comprises of policyholders claims on the reserves of insurance corporations. These reserves must be ultimately used to provide benefits to policyholders, upon the occurrence of other specified events, or to compensate heirs upon the death of the policyholder. These claims constitute assets of the household sector rather than of insurance corporations.

**Net Equity of Households in Pension Funds**
Comprises policyholders' claims on pension funds. These reserves must be ultimately used to provide benefits to policyholders upon their retirement or to compensate heirs upon death of the policyholder. Pension funds are considered assets of the household sector rather than assets of the institutional units that manage the funds. Pension funds do not include social security funds, which are considered part of the general government sector.

**Net open position in foreign exchange to capital**
This ratio measures deposit money banks foreign exchange risk exposure compared to the capital base.

**Net open position in foreign exchange to capital**
Identifies deposit money banks' exposure to exchange rate risk from mismatch (open position) of foreign currency asset and liability positions.

**Non-interest expenses to gross income**
Measures the size of administration expenses relative to gross income.

**Non-performing loans net of provisions to capital**
Measures the net impact on the capital base of the deposit money banks after all non-performing loans have been appropriately provisioned.

**Non-performing loans to total gross**
The portion of bad loans in relation to total loans

**loans** — by deposit money banks. Is the measure of asset quality relative to its total loan book.

**Open Market Operations (OMO)** — Operations of liquidity management conducted by the Bank of PNG with commercial banks and other financial intermediaries involving Government securities, CBB, Repos and foreign exchange trading to influence short-term interest rates.

**Other Depository Corporations (ODCs)** — The ODC sub-sector in PNG comprises of the commercial banks, finance companies, merchant banks, savings and loans societies and microfinance companies. These financial corporations are mainly engaged in financial intermediation and issue liabilities included in the definition of broad.

**Other Depository Corporations Survey (ODCS)** — The ODCS shows the consolidated stock and flow balance sheet data for the institutional units covered under the ODC sub-sector.

**Other Financial Corporations (OFCs)** — The OFC sub-sector is made up of the insurance corporations, superannuation (pension) funds, other financial intermediaries and financial auxiliaries such as insurance brokers, investment managers and fund administrators.

**Other Financial Corporations Survey (OFCS)** — The OFCS contains consolidated stock and flow balance sheet data for insurance corporations, superannuation funds, other financial intermediaries and financial auxiliaries.

**Over the year CPI** — Percentage change in the CPI of a quarter compared to the corresponding quarter of the previous year (Also called ‘annual’ CPI).

**Personnel expenses to non-interest expenses** — Measures the incidence of personnel costs in total administrative costs.

**Portfolio Investment** — Investments, mainly in equity and debt securities such as bonds and notes, money market debt instruments and financial derivatives, as well as long-term debt, equity and securities.

**Prepayment of Premiums and Re-** — These are current claims of policyholders rather

**serves against Outstanding Claims**

than net equity of insurance corporations. Prepayments of premiums, which are made by customers at the beginning of the periods covered by their policies, generate reserves for insurance corporations. Such prepayments are considered to be earned by an insurance corporation on a prorated basis during the policy period. These reserves are assets of policyholders. Reserves against outstanding claims are funds set aside by insurance corporations to cover the amounts that are not settled or claims that may be disputed. Reserves against such outstanding claims are considered to be assets of the beneficiaries and liabilities of the insurance corporation. Policy benefits due to claimants are considered assets of the claimants. Until actually paid, these assets are held by insurance corporations as reserves.

**Public non-financial corporations**

Public non-financial corporations are resident non-financial corporations and quasi–corporations controlled by government units. Control may be exercised through ownership of more than half the voting shares, legislation, decree, or regulation that establish specific corporate policy or all the government to appoint the directors. In PNG this would include those institutions that are controlled by the Independent Public Business Corporation (IPBC).

**Quasi Money**

A component of total money supply that is not easily convertible to cash on demand and comprises of savings and term deposits. Synonymous to Capital Adequacy Ratio (CAR). A regulatory requirement for banks to maintain certain amount of capital against their risk exposures. The required capital will cushion out any operational losses incurred by banks. Reflects vulnerability of the capital base of deposit money banks relative to the assets which are discounted by risk weights. For instance,Government securities have zero percent risk while private sector borrowing ha100 percent risk.

**Regulatory capital to risk-weighted assets**

Also known as Tier 1 Capital Ratio. It reflects the vulnerability of core Tier 1 capital

| | |
|---|---|
| | -that is its equity and disclosed reserves to total risk-weighted assets. It is a key measure of a bank's financial strength that has been adopted as part of the Basel III Accord on bank regulation. |
| **Repurchase Agreement Facility (RAF)** | A money market instrument used by Bank of PNG to lend to or borrow from the commercial banks, for liquidity management, and is unwound on maturity. The terms range from overnight to 14 days and can be collateralised, for instance, using Treasury bills. |
| **Residential real estate loans to total gross loans** | This is intended to identify deposit money banks' exposure to the residential real estate sector, with the focus on household borrowers. |
| **Return on assets** | Measures deposit money banks efficiency in using their assets in optimizing or maximizing its income. |
| **Return on equity** | Measures shareholders value of its investment or the deposit money banks performance in comparison to shareholder liabilities. |
| **Sectoral distribution of loans to total loans** | Measures the distribution of loans to resident sectors and non-residents by economic sectors classified by standard industrial trade classification |
| **Securities other than Shares** | These are negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other items of economic value. Common securities in PNG include treasury bills and inscribed stocks issued by the Government and Central Bank Bills (CBBs) issued by the Bank of PNG. |
| **Shares and Other equity** | Shares and other equity comprises all instruments and records acknowledging, after claims of all creditors have been met, claims on the residual value of a corporation. The components of shares and other equity include:(a).Funds contributed by owners; (b).Retained earnings; (c). Current year profit and loss; (d).General and special reserve; and (e).Valuation adjustments. |
| **Tap Facility** | A facility conducted by the Bank of PNG for sale of Treasury bills and Inscribed stocks to the public. |

| | |
|---|---|
| **Temporary Advance Facility** | A statutory mechanism stipulated under Section 54 of the Central Banking Act 2000, that provides the National Government with access to short-term financing to meet mismatches in revenue. |
| **Trading income to total income** | Is the share of deposit money banks income from financial market activities, including currency trading, relative to total income. |
| **Trade Account** | Records all economic transactions associated with merchandise exports and imports of physical goods. |
| **Trade Weighted Index** | The Trade Weighted Index (TWI) measures the value of the kina against a basket of currencies of PNG's major trading partners. |
| **Treasury Bill** | Government security or debt instrument sold at a discount value, but redeemed at face value on maturity or purposes of Budget financing. In PNG, Treasury bills are issued for 28, 61, 91, 182 and 364 day maturities. |
| **Trimmed-mean CPI measure** | A fixed proportion of prices at each end of the distribution of price changes are zero weighted and the mean of the remaining price changes recomputed. See also 'Underlying CPI'. |
| **Underlying CPI (exclusion-based and Trimmed-mean CPI measures)** | A measure of inflation that excludes short-term volatile movements in prices, such as seasonal factors,Government policy decisions and price controlled items. |

**REFERENCE "FOR THE RECORD"**

Some issues of the Quarterly Economic Bulletin contains a review of economic conditions of past quarters and a comprehensive set of updated statistical tables. Articles of special interest to current economic policy are also prepared by Bank Staff for inclusion in the bulletin. The following articles have appeared in the Quarterly Economic Bulletin since December 2000.

| Issue | | For the Record |
|---|---|---|
| Jun 2007 | - | Debt Ratios |
| Sep 2007 | - | Revisions to the Consumer Price Indices in June Quarter 2007 back to September Quarter 2005. |
| Mar 2008 | - | Updated Weights for the Trade Weighted Index (TWI) |
| Mar 2009 | - | Changed Monetary Policy Statement release month from January to March |
| Mar 2009 | - | Updated Weights for the Trade Weighted Index (TWI) |
| Dec 2009 | - | New Tables; 8.7, 8.8, 8.9 and 8.10 were included in the December Quarterly Economic Bulletin, resulting in subsequent renumbering of all other tables that follow. |
| Dec 2009 | - | Revisions to Monetary and Financial Statistics tables in the December 2009 Quarterly Economic Bulletin. |
| Jun 2010 | - | Expansion of Monetary and Financial Data Coverage. |
| Sep 2010 | - | Recalculation of months of import cover |
| Mar 2011 | - | Updated Weights of the Trade Weighted Index (TWI) |
| Mar 2013 | - | Updated Weights of the Trade Weighted Index (TWI) |
| Mar 2013 | - | Inclusion of Tables 4.16 and 4.17 for General Insurance Companies |
| Mar 2014 | - | Revised PNG Consumer Price Index Basket |
| Dec 2014 | - | Update to tables 8.1, 8.2, 8.3 & 8.5 to include Ramu Nickel/Cobalt |
| Dec 2014 | - | Inclusion of LNG & Condensate in tables 8.1, 8.2, 8.3 and 8.5 |
| Dec 2014 | - | Commencement of Nickel and Cobalt production in December quarter of 2012. |
| | - | PNG LNG Project commenced production and shipment in June quarter of 2014. |
| | - | Updated Table 8.2: Exports Classified by Commodity Group |
| | - | Updated Table 8.5: Non-Agricultural Exports – Quantities Exported of Major Commodities |
| Dec 2016 | - | Recalculation of import cover taking account of the service payments. |
| Dec 2019 | - | New GDP Tables; 9.11 and 9.12 were included in the December 2019 Publication. |
| Jun 2021 | - | Updated Weights for the Trade Weighted Index (TWI) |
| Sep 2021 | - | Inclusion of FSI Tables 5.1(Financial Soundness Indicators (%) and Table 5.2 (Financial Soundness Indicators (%) - Additional FSI) |
| Sep 2022 | - | PNG migrates from BPM5 To BPM6. BOP Tables with changes to Tables 9.1 (a) is in Standard presentation from which the QEB Text is derived. Table 9.1 (b) is the Analytical presentation. |
| Dec 2022 | - | Inclusion of FSI Table 5.3 (Financial Soundness Indicators (%) - OFCs |

**REFERENCE**

Each issue of the Quarterly Economic Bulletin contains a review of economic conditions for the past quarter and a comprehensive set of updated statistical tables. Articles of special interest to current economic policy are also prepared by Bank staff for inclusion in the Bulletin. The following articles have appeared in the Quarterly Economic Bulletin since December 2005.

| Issue | Title |
|---|---|
| Dec 2009 | The 2010 National Budget Article |
| Dec 2009 | Monetary Policy Statement, March 2010 |
| Mar 2010 | Papua New Guinea's Total External Exposure |
| Sep 2010 | Monetary Policy Statement, September 2010 |
| Dec 2010 | The 2011National Budget Article |
| Dec 2010 | Monetary Policy Statement, March 2011 |
| Jun 2011 | Papua New Guinea's Total External Exposure |
| Sep 2011 | Monetary Policy Statement, September 2011 |
| Dec 2011 | The 2012 National Budget Article |
| Dec 2011 | Monetary Policy Statement, March 2012 |
| Mar 2012 | Papua New Guinea's Total External Exposure |
| Sep 2012 | Monetary Policy Statement, September 2012 |
| Dec 2012 | The 2013 National Budget Article |
| Mar 2013 | Papua New Guinea's Total External Exposure |
| Sep 2013 | Monetary Policy Statement, September 2013 |
| Mar 2014 | Papua New Guinea's Total External Exposure |
| Mar 2014 | Monetary Policy Statement, March 2014 |
| Jun 2014 | Monetary Policy Statement, September 2014 |
| Dec 2014 | The 2015 National Budget Article |
| Mar 2015 | Papua New Guinea's Total External Exposure |
| Dec 2015 | The 2016 National Budget Article |
| Mar 2016 | Papua New Guinea's Total External Exposure |
| Jun 2016 | Monetary Policy Statement, September 2016 |
| Dec 2016 | The 2017 National Budget Article |
| | Monetary Policy Statement, March 2017 |
| Mar 2017 | Papua New Guinea's Total External Exposure |
| Sep 2017 | Monetary Policy Statement, September 2017 |
| Dec 2017 | Monetary Policy Statement, March 2018 |
| Mar 2018 | Papua New Guinea's Total External Exposure |
| | The 2018 National Budget Article |
| Mar 2019 | Papua New Guinea's Total External Exposure |
| Sep 2019 | Monetary Policy Statement - March 2019 |
| Mar 2020 | Papua New Guinea's Total External Exposure |
| Sep 2020 | Monetary Policy Statement - September 2020 |
| Mar 2021 | Papua New Guinea's Total External Exposure |
| Mar 2021 | The 2021 National Budget Article |
| Sep 2021 | The Financial Soundness Indicators (FSI) |
| Dec 2021 | 2022 National Budget |

# STATISTICAL SECTION

**Sources**

Statistics for the commercial banks have been derived from returns submitted to the Bank. Statistics on Savings and Loan Societies and Papua New Guinea Government securities are derived from sources within the Bank.

Government financial statistics are supplied by the Department of Finance and Treasury. Information on prices of Papua New Guinea exports are gathered from marketing boards or export producers; world indicator prices are reproduced from the Public Ledger published in London. Tea prices are from the Tea Market Report, London. The general indices of commodity prices are constructed from data published in The Economist, London.

Most other statistics are published initially by the National Statistical Office.

**Symbols used**

| | |
|---|---|
| n.a | not available |
| .. | figure less than half the digit shown |
| - | nil |
| e | estimate |
| f | forecast |
| p | provisional |
| r | revised |
| n.i.e | not included elsewhere |

## LIST OF TABLES