CONTENTS

The contents of this publication may be reproduced provided the source is acknowledged

PORT MORESBY

13th January 2023

1. GENERAL OVERVIEW

Economic indicators available to the Bank of Papua New Guinea point to a continued recovery in the June quarter of 2022, especially in the non-mineral sector. The increase in non-mineral employment by 3.2 percent and private sector sales by 10.8 percent in the June quarter of 2022 are indicative of the recovery. The increase in international commodity prices and production in some of the export commodities also supported activity and resulted in a surplus in the balance of payments. While the increase in prices was mainly attributed to the Russia-Ukraine war, the consequences of war however, continued to weigh on domestic activity as crude oil and food prices remain elevated. Whilst Papua New Guinea has benefited from higher international commodity prices, the high imported inflation has increased domestic prices and affected consumer demand. The annual inflation outcome was 5.5 percent in the June quarter. With inflation lower than expected, the Bank maintained an accommodative stance of monetary policy by maintaining the Kina Facility Rate at 3.0 percent. This stance is also aimed at supporting the recovery and to encourage private sector lending and investment. The kina strengthened as the US dollar appreciated against all major currencies resulting in the trade-weighted index appreciating by 3.6 percent to 28.67 during the quarter.

Data from the Bank's Business Liaison Survey show that the total nominal value of sales in the formal private sector declined by 7.0 percent in the June quarter of 2022, compared to an increase of 6.8 percent in the March quarter of 2022. Excluding the mineral sector, sales increased by 10.8 percent in the June quarter of 2022, compared to a decline of 3.2 percent in the March quarter of 2022. By sector, sales increased in all sectors except the mineral sector, which recorded a decline. By region, sales declined in the Islands and the Southern regions while it increased in the National Capital District, Morobe, Momase (excluding Morobe), and the Highlands regions. Over the year to June 2022, total sales increased by 23.6 percent, compared to an increase of 24.8 percent over the corresponding period of 2021. Excluding the mineral sector, sales increased by 17.6 percent over the year to June 2022, compared to an increase of 29.0 percent over the corresponding period of 2021.

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 2.3 percent in the June quarter of 2022, compared to an increase of 1.2 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 2.4 percent. By sector, the level of employment increased in the construction, transport, wholesale, agriculture/forestry/fishing, manufacturing, and mineral sectors, while it declined in the retail, and financial/business and other services sectors. By region, the level of employment increased in all the surveyed regions. In June 2022, the total level of employment increased by 3.7 percent, compared to a decline of 4.1 percent in the corresponding period of 2021. Excluding the mineral sector, the level of employment increased by 3.2 percent in June 2022, compared to a decline of 1.9 percent in the corresponding period of 2021.

Quarterly headline inflation, as measured by the consumer price index, increased by 2.0 percent in the June quarter of 2022, compared to an increase of 0.8 percent in the previous quarter. There were increases in the Transport, Household Equipment, Food and Non-Alcoholic Beverages, Alcoholic Beverages, Tobacco and Betelnut, Housing, Health, Miscellaneous, Restaurants and Hotel and Recreation expenditure groups, which more than offset decreases in the Education and Clothing and Footwear expenditure groups, whilst the Communication expenditure group recorded no change in the quarter. By urban centre, prices increased in all centers. Annual headline inflation was 5.5 percent in the June quarter of 2022, compared to an increase of 5.9 percent in the March quarter of 2022.

In the June quarter of 2022, the average daily kina exchange rate appreciated against all other currencies except the US dollar. It appreciated against the Japanese yen by 11.2 percent to ¥36.7729, the pound sterling by 6.4 percent to £0.2257, the euro by 5.0 percent to €0.2663, and the Australian dollar by 0.1 percent to A$0.3969, while it depreciated against the US dollar at US$0.2840. These currency movements resulted in the appreciation of the TWI by 3.6 percent to 28.67 in the June quarter of 2022.

The weighted average kina price of PNG's exports, excluding liquefied natural gas, increased by 18.2 percent in the June quarter of 2022, compared to the corresponding quarter of 2021. Higher international prices accounted for this increase. There was an increase of 20.5 percent in the weighted average kina price of mineral exports, reflecting higher kina prices of all mineral commodities, except gold. For agricultural, logs and marine product exports, the weighted average kina price increased by 9.8 percent, due to higher kina prices for all non-mineral commodities, except for cocoa, copra and marine. Excluding logs, the weighted average kina price of agricultural and marine product exports increased by 11.6 percent in the June quarter of 2022, compared to the corresponding quarter of 2021.

The balance of payments recorded an overall surplus of K240 million for the first six months of 2022, compared to a deficit of K813 million in the corresponding period of 2021. A surplus in the current account more than offset a deficit in the capital and financial account.

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

The deficit in the capital and financial account 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, respectively. Net outflows in Government and private sector loan repayments also contributed to the deficit.

The level of gross foreign exchange reserves at the end of June 2022 was K10,563.3 (US$3,052.8) million, sufficient for 9.2 months of total and 16.3 months of non-mineral import cover.

The Central Bank maintained an accommodative stance of monetary policy in the June quarter of 2022, by maintaining the Kina Facility Rate at 3.0 percent, to support the economic recovery and to encourage private sector lending and investment. The dealing margins of the Repurchase Agreement (Repo) Facility was maintained at 100 basis points on both sides of the KFR and the Cash Reserve Requirement for the commercial banks was maintained at 7.00 percent during the quarter.

The average level of broad money supply increased by 4.7 percent in the June quarter of 2022, compared to an increase of 6.6 percent in the previous quarter. This was mainly driven by an increase in the average net foreign assets and net domestic claims of the banking system. The average net domestic claims, excluding net claims on Central Government, increased by 3.0 percent in the June quarter of 2022, compared to a decline of 0.7 percent in the previous quarter. This reflected increases in average net claims on other financial corporations, private sector and 'Provincial and Local Level Governments, which more than offset a decline from public non-financial corporations.

The net foreign assets of financial corporations, comprising depository corporations and other financial corporations, increased by 5.9 percent to K10,883.5 million in the June quarter of 2022, compared to a decline of 5.6 percent in the previous quarter. This was driven by an increase in the net foreign assets of the depository corporations, which more than offset the decline in other financial corporations. The increase in the net foreign assets of depository corporations was mainly from increase in foreign reserves at the Central Bank due to inflows from dividends, liquefied natural gas tax and royalty payments.

Net claims on the Central Government by financial corporations increased by 5.4 percent to K19,869.9 million in the June quarter of 2022, compared to an increase of 8.9 percent in the previous quarter. This reflected increase in net purchase of Government securities, more than offsetting the increase in Government deposits at the Central Bank.

In the June quarter of 2022, total domestic credit extended by financial corporations to the private sector, public non-financial corporations and Provincial and Local Level Governments declined by 1.1 percent to K17,970.7 million, from an increase of 2.5 percent in the previous quarter. This reflected repayment of K302.8 million by the public non-financial corporations, which more than offset an increase in lending of K92.7 million and K14.4 million to the private sector and provincial and local level governments, respectively.

The preliminary fiscal operations of the National Government over the six months to June 2022 show a deficit of K2,078.1 million, compared to a deficit of K2,690.5 million in the corresponding period of 2021. The lower deficit reflected improvement in revenue.

Total revenue and grants was K7,988.9 million over the six months to June, 45.1 percent higher than in the corresponding period of 2021 and represents 49.3 percent of the 2022 Budget amount. The outcome reflected higher tax revenue.

Total expenditure was K10,067.0 million over the six months to June 2022, 22.8 percent higher than in the corresponding period of 2021 and represents 45.4 percent of the 2022 Budget. This was due to higher recurrent expenditure and interest cost.

The developments in the revenue and expenditure in the June quarter resulted in a deficit of K2,078.1 million. The deficit was financed mainly from domestic sources totaling K2,264.0 million, which more than offset the net external loan repayment of K185.9 million. Net domestic financing comprised of K2.4 million, K1,139.6 million, K4.9 million, and K1117.1 million from BPNG, other depository corporations, other financial corporations and other resident sectors.

Total public (Government) debt outstanding was K50,568.2 million as at end of June 2022, an increase of K2,194.1 million from the March quarter, and represented 45.8 percent of gross domestic product. This comprised of K27,823.5 million in domestic debt and K22,744.7 million in external debt.

2. INTERNATIONAL DEVELOPMENTS

Global economic activity slowed in the second quarter of 2022, weakened by the COVID-19 pandemic, downturns in China and Russia, and lower household consumption in the United States (US). In advanced economies, growth was lower, affected by higher inflation outcomes in the US, United Kingdom (UK) and the euro area, which initiated tightening monetary conditions. Growth was also lower in emerging economies with China facing higher COVID-19 infection rates and further lockdowns, and negative growth in Russia due to international sanctions. In its July 2022 World Economic Outlook Update, the International Monetary Fund's (IMF) projected global growth of 3.2 percent, down from its earlier projection of 3.6 percent made in April 2022.

In April, the IMF and the World Bank Group held joint spring meetings in hybrid mode, both virtually and in-person in Washington, DC, US under the theme, "The Way Forward: Responding to Global Shocks and Managing Uncertainty." The Leaders stressed the need to increase debt transparency levels, which are already high, and urged advanced economies to improve access to markets especially during the current food crisis. Leaders also discussed the war in Ukraine and the support that both organisations have provided to rebuild the country.

In May, the Declaration of Cooperation Technical Committee of the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC countries, met virtually via video conference. The committee discussed current global uncertainties, geopolitical issues, and its effect on the oil market, with the Secretary General stating that members should continue to support the multilateralism approach demonstrated by the DoC to ensure stable and constant supply of oil to the world.

Also in May, the Senior Officials of Asia-Pacific Economic Cooperation (APEC) met in Bangkok, Thailand, with the theme "APEC Pursues Full and Sustained Recovery amid Complexities". They discussed wide range of topical issues including international trade, COVID-19 pandemic and climate change. On international trade, concerns were raised regarding the slowdown in the economic recovery and the impact of high inflation and climate change. In response, a number of recommendations were put forward including key reforms regarding the World Trade Organization subsidy schemes for fishing, environment, and fossil fuels. In regards to the COVID-19 pandemic, members stressed the need to ensure a measured response for inclusion of small to medium enterprises and women to have access to investment and trade services. On climate change, members pledged their full support to increase inclusiveness and work together to address climate issues, based on the bio-circular-green economy model. This involves a holistic and coordinated approach to shifting mindsets and actions to address imbalances and inequalities in and across economies.

In June, leaders of the Group of Seven (G7), met in Elmau, Germany, along with leaders of Argentina, India, Indonesia, Senegal, South Africa, and Ukraine. The leaders noted global shocks emanating from the COVID-19 pandemic and Russia-Ukraine War, and geo-political tensions, and pledged to stand united to defend universal human rights and democratic values. Among other agendas, the G7 leaders condemned Russia's invasion of Ukraine and pledges to support Ukraine through financial, humanitarian, military, and diplomatic means. They also pledged to impose coordinated sanctions on Russia to help end the war.

In the US, real GDP declined by 0.6 percent over the year to June 2022, compared to a growth of 8.7 percent over the same period in 2021. The decline was attributed to the monetary policy tightening by the Federal Reserve Bank, which resulted in the dampening of aggregate demand and a decline in business activity. The latest IMF forecast is for real GDP to grow by 2.3 percent in 2022.

Industrial production increased by 4.0 percent over the year to June 2022, compared to an increase of 9.2 percent over the same period in 2021. The increase reflected higher production in the manufacturing, mining, and the utilities industries. The Purchasing Managers Index (PMI) was 53.0 in June 2022, compared to 60.6 in June 2021. A PMI above 50 is indicative of higher output and new orders in the manufacturing sector. Retail sales grew by 8.5 percent over the year to June 2022, compared to an increase of 19.8 percent in the corresponding period of 2021. The fall in consumer demand was due to significantly high inflation as prices of goods and services skyrocketed. The unemployment rate was 3.6 percent in June 2022, compared to 5.9 percent in June 2021, as the labour market continued to improve after the COVID-19 pandemic disruptions.

Consumer prices increased significantly by 9.1 percent over the year to June 2022, compared to an increase of 5.4 percent over the corresponding period in 2021. The increase reflected higher energy prices. Broad money supply increased by 1.6 percent over the year to June 2022, compared to an increase of 20.0 percent over the corresponding period in 2021. The Federal Reserve Bank increased the federal funds rate to 1.5 percent in June 2022, from 0.25 percent since March 2021, with the aim to slow inflation.

The trade account recorded a deficit of US$318.1 billion over the year to June 2022, compared to a deficit of US$287.8 billion over the corresponding period in 2021.

In Japan, real GDP increased by 2.2 percent over the year to June 2022, compared to an increase of 1.8 percent over the same period in 2021. The increase reflected higher private sector spending. The latest IMF forecast is for real GDP to grow by 1.7 percent in 2022.

Industrial production declined by 2.8 percent over the year to June 2022, compared to an increase of 22.9 percent over the same period in 2021. The decline reflected the COVID-19 disruptions to the production of electronics, machinery and motor vehicles. Retail sales increased by 1.5 percent over the year to June 2022, compared to an increase of 0.1 percent over the same period in 2021, reflecting increase in consumer demand assisted by the removal of all COVID-19 restrictions. The unemployment rate was 2.6 percent in June 2022, compared to 2.9 percent in June 2021, reflecting improved economic conditions from COVID-19 disruptions.

Consumer prices increased by 2.4 percent over the year to the June quarter of 2022, compared to an increase of 0.2 percent over the corresponding period in 2021. Higher prices for food and fuel was drive by the supply disruptions brought about by the Russia-Ukraine war. Broad money supply (M3) increased by 3.3 percent over the year to June 2022, compared to an increase of 5.2 percent over the same period in 2021. The Bank of Japan (BoJ) maintained its easing stance with its short-term interest rate and 10-year bond yield remaining unchanged at negative 0.1 percent and zero percent respectively, with the aim to support growth.

The trade account recorded a deficit of US$35.8 billion over the year to June 2022, compared to a trade surplus of US$4.0 billion over the corresponding period in 2021.

In the euro area, real GDP increased by 3.9 percent over the year to June 2022, compared to an increase of 14.6 percent over the same period in 2021. This growth reflected increased tourism activity in Spain, Italy, and France, after the easing of COVID-19 restrictions. The latest IMF forecast is for real GDP to grow by 2.3 percent in 2022.

Industrial production grew by 2.4 percent over the year to June 2022, compared to an increase of 11.1 percent over the same period in 2021, reflecting higher production of capital goods and energy. Retail sales declined by 3.7 percent over the year to June 2022, compared to an increase of 5.7 percent over the period in 2021. The decline reflected lower consumer spending, with the biggest declines in the food, drinks, tobacco, and other non-food items. The unemployment rate was 6.6 percent in June 2022, compared to 7.9 percent in June 2021, reflecting improved economic conditions as countries lifted COVID-19 restrictions.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, increased by 8.6 percent over the year to June 2022, compared to an increase of 1.9 percent over the same period in 2021. Higher prices of energy, food and non-energy industrial goods contributed significantly to the increase. Broad money supply increased by 5.7 percent over the year to June 2022, compared to an increase of 8.4 percent over the corresponding period in 2021. The European Central Bank maintained its refinancing rate at zero percent in the June quarter of 2022, indicating an end to its asset purchase program and signalling a rate hike.

The trade account recorded a deficit of US$24.1 billion over the year to June 2022, compared to US$20.5 billion over the corresponding period in 2021.

In the UK, real GDP grew by 2.9 percent over the year to June 2022, compared to an increase of 24.5 percent in the corresponding period of 2021. Despite higher consumer prices, increased household spending and business investment drove activity. The latest IMF forecast is for real GDP to grow by 3.2 percent in 2022.

Industrial production declined by 0.9 percent over the year to June 2022, compared to an increase of 1.1 percent over the corresponding period in 2021. The decline reflected lower activity in the mining and quarrying, and manufacturing sectors. Retail sales declined by 6.1 percent over the year to June 2022, compared to an increase of 12.6 percent over the same period in 2021. The unemployment rate was 3.8 percent in June 2022, compared to 4.7 percent in June 2021, reflecting the lifting of the COVID-19 restrictions and improvement in the labour market.

Consumer prices increased significantly

by 9.4 percent over the year to June 2022, compared to an increase of 2.5 percent over the same period in 2021. There were large price increases in the housing and utilities, transport, and food and beverages. Broad money supply declined by 0.1 percent over the year to June 2022, compared to an increase of 8.0 percent in the corresponding period of 2021. The Bank of England increased its bank rate in June to 1.25 percent, its fifth consecutive rate hike, amid the escalation of inflation to record high levels.

The trade account recorded a deficit of US$75.8 billion over the year to June 2022, compared to a deficit of a deficit of US$59.1 over the corresponding period in 2021.

In China, real GDP grew by 4.8 percent over the year to June 2022, compared to an increase of 7.9 percent over the same period in 2021. The lower growth resulted from a drop in household consumption and business activity, due to continued enforcement of mobility restrictions due to the increasing COVID-19 cases across the country. The latest IMF forecast is for real GDP to grow by 3.3 percent in 2022.

Industrial production increased by 3.9 percent over the year to June 2022, compared to an increase of 8.3 percent in the same period in 2021. The slowdown was due to lower activity in the manufacturing, mining and utilities sectors. Retail sales grew by 3.1 percent over the year to June 2022, compared to an increase of 12.2 percent over the same period in 2021. The unemployment rate was 5.4 percent in June 2022, compared to 5.0 percent in June 2021.

Consumer prices rose by 2.5 percent over the year to June 2022, compared to an increase of 1.1 percent over the same period in 2021. The increase reflected higher prices for non-food items, housing and transport and communication services. Broad money supply increased by 11.4 percent over the year to June 2022, compared to an increase of 8.6 percent over the corresponding period in 2021. The People's Bank of China left its benchmark interest rates for one-year loan prime rate unchanged at 3.70 percent in June, as the economy continued to recover from the pandemic induced downturn.

The trade account recorded a surplus of US$224.9 over the year to June 2022, compared to a surplus of US$134.0 billion over the corresponding period in 2021.

In Australia, real GDP increased by 3.6 percent over the year to June 2022, compared to an increase of 9.5 percent over the same period in 2021. The growth was driven by consumer pending as the economy continue to recover following the disruptions caused by the pandemic and higher exports, in responds to the strong global demand for energy in the wake of the Russia-Ukraine war. The latest IMF forecast is for real GDP to grow by 4.2 percent in 2022.

Industrial production increased by 0.4 percent over the year to June 2022, compared to an increase of 0.3 percent over the same period in 2021. Retail sales increased by 12.0 percent over the year to June 2022, compared to an increase of 3.1 percent over the corresponding period in 2021. The unemployment rate was 3.5 percent in June 2022, compared to 4.9 percent in June 2021.

Consumer prices increased by 6.1 percent over the year to June 2022, compared to an increase of 3.8 percent over the corresponding period in 2021. This reflected higher prices for food, fuel and dwellings.

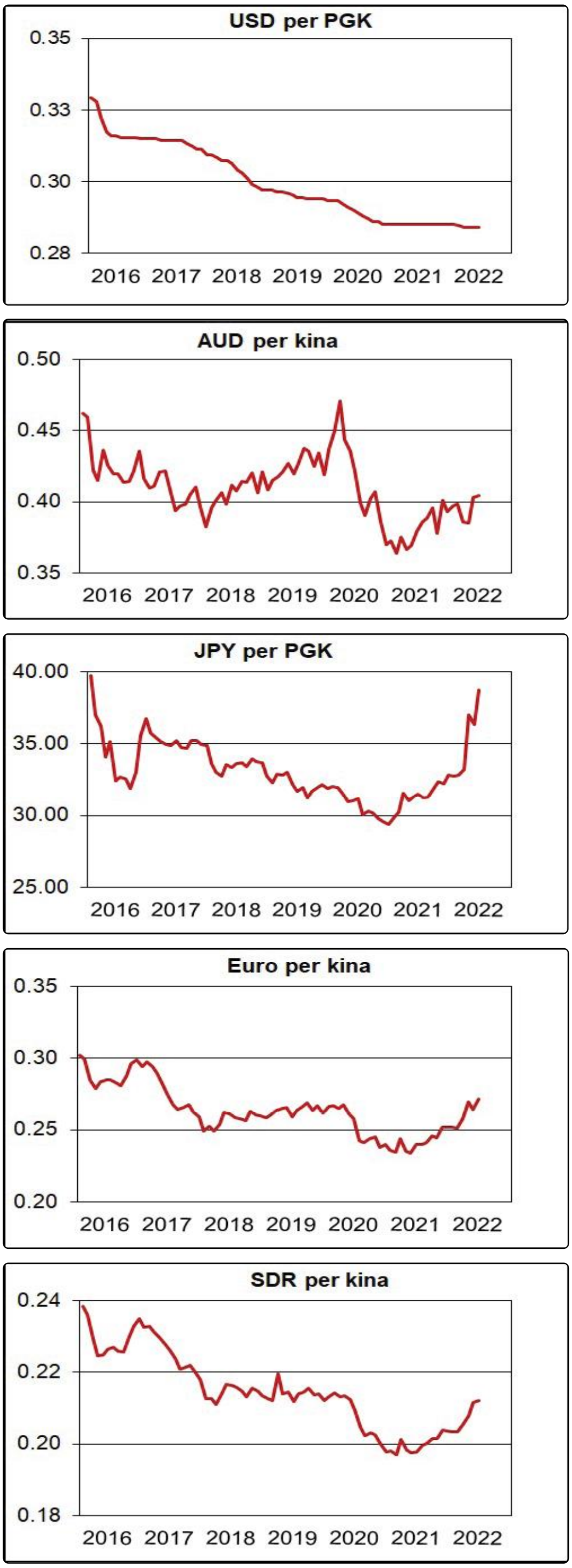
Broad money supply increased by 8.3 percent over the year to June 2022, compared to an increase of 7.7 percent over the corresponding period in 2021. The Reserve Bank of Australia continued its tightening monetary policy by increasing its cash rate by 50 basis points to 0.85 percent in the June, the first back-to-back increase in 12 years to fight inflation.

The trade account recorded a surplus of US$34.9 billion over the year to June 2022, compared to a surplus of US$24.5 over the same period in 2021.

In the June quarter of 2022, the US dollar depreciated against all the major currencies except the Japanese yen. It depreciated against the pound sterling by 6.2 percent, the euro by 5.0 percent and the Australian dollar by 1.1 percent. Against the Japanese yen it appreciated by 11.4 percent. The US dollar strengthened against other major currencies, as international investors moved from European markets to the US, citing better economic prospects, as the Federal Reserve hiked interest rates to curb high US inflation.

In the June quarter of 2022, the average daily kina exchange rate appreciated against all other currencies except the US dollar. It appreciated against the Japanese yen by 11.2 percent to ¥36.7729, the pound sterling by 6.4 percent to £0.2257, the euro by 5.0 percent to €0.2663, and the Australian dollar by 0.1 percent to A$0.3969. It remained stable against the US dollar at US$0.2840. These currency movements resulted in the appreciation of the TWI by 3.6 percent to 28.67 in the June quarter of 2022.

EXCHANGE RATES



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 declined by 7.0 percent in the June quarter of 2022, compared to an increase of 6.8 percent in the March quarter of 2022. Excluding the mineral sector, sales increased by 10.8 percent in the June quarter of 2022, compared to a decline of 3.2 percent in the March quarter of 2022. By sector, sales increased in all sectors except the mineral sector, which recorded a decline. By region, sales declined in the Islands and the Southern regions, while it increased in the National Capital District (NCD), Morobe, Momase (excluding Morobe), and the Highlands regions. Over the year to June 2022, total sales increased by 23.6 percent, compared to an increase of 24.8 percent over the corresponding period of 2021. Excluding the mineral sector, sales increased by 17.6 percent over the year to June 2022, compared to an increase of 29.0 percent over the corresponding period of 2021.

In the mineral sector, sales declined by 21.3 percent in the June quarter of 2022, following an increase of 18.3 percent in the previous quarter. The decline was driven by lower production and export of gold and copper by the Lihir and Ok Tedi mines, which more than offset an increase in the production and export of nickel. Over the year to June 2022, sales increased by 34.8 percent, compared to an increase of 12.2 percent in the corresponding period of 2021.

In the construction sector, sales increased by 30.5 percent in the June quarter of 2022, compared to a decline of 18.2 percent in the previous quarter. The increase reflected higher activity for road construction and, building and other structural works. In NCD, the increase was attributed to work carried out at the Waigani road inter-section and drainage augmentation, while the increase in Momase was due to road sealing and drainage work along the Bogia Highway in Madang. Higher construction activity in the Autonomous Region of Bougainville and Morobe province due to the upgrading of feeder roads and building construction activities at the Nadzab International Airport, respectively. Over the year to June 2022, sales increased by 11.3 percent, compared to an increase of 48.4 percent in the corresponding period of 2021.

In the agriculture/forestry/fishing sector, sales increased by 28.0 percent in the June quarter of 2022, compared to a decline of 13.6 percent in the March quarter of 2021. The higher production and export of palm oil, coffee and timber contributed to the increase. Over the year to June 2022, sales increased by 34.8 percent, compared to an increase of 73.1 percent in the corresponding period of 2021.

In the wholesale sector, sales increased by 14.8 percent in the June quarter of 2022, compared to an increase of 2.9 percent in the previous quarter. The increase was driven by higher demand for petroleum products, food and drinks and other merchandising items as businesses continue to recover from the pandemic. Over the year to June 2022, sales increased by 29.3 percent, compared to an increase of 19.8 percent in the corresponding period of 2021.

In the manufacturing sector, sales increased by 13.2 percent in the June quarter of 2022, compared to a decline of 9.4 percent in the previous quarter. The increase was broad-based and reflected higher production and demand for food and drinks, steel products, tuna loining and packaging products. Over the year to June 2022, sales increased by

10.6 percent, compared to an increase of 32.8 percent in the corresponding period of 2021.

In the retail sector, sales increased by 5.0 percent in the June quarter of 2022, compared to a decline of 0.3 percent in the previous quarter. The pick-up was associated with higher demand for general food and drinks, and household and hardware items. This was supported by higher demand for heavy equipment, and communication and information technology services. Over the year to June 2022, sales increased by 9.9 percent, compared to an increase of 15.9 percent in the corresponding period of 2021.

In the financial/business/other services sector, sales increased by 4.9 percent in the June quarter of 2022, compared to a decline of 4.0 percent in the previous quarter. The increase was due to higher investment earnings and, fees and charges by banks and demand for media advertising services. Pickup in demand for hotels and hire car services also contributed to the increase. Over the year to June 2022, sales increased by 7.2 percent, compared to an increase of 20.5 percent in the corresponding period of 2021.

In the transportation sector, sales increased by 3.1 percent in the June quarter of 2022, compared to an increase of 6.0 percent in the previous quarter. The increase reflected higher demand for passenger and cargo services across the land, air and sea transportation as business activity continued to recover from the pandemic. Over the year to June 2022, sales increased by 40.8 percent, compared to an increase of 4.2 percent in the corresponding period of 2021.

By region, sales declined in the Islands and Southern regions while it increased in the Momase (excluding Morobe), Highlands and Morobe regions, and the National Capital District (NCD). In the Islands region, sales declined by 33.7 percent in the June quarter of 2022, compared to an increase of 41.6 percent in the previous quarter. The decline reflected lower production and export of gold by the Lihir Gold mine, which more than offset increased activity in the wholesale, retail and construction sectors, and the agriculture sub-sector. Over the year to June 2022, sales increased by 64.3 percent, compared to an increase of 39.5 percent in the corresponding period of 2021.

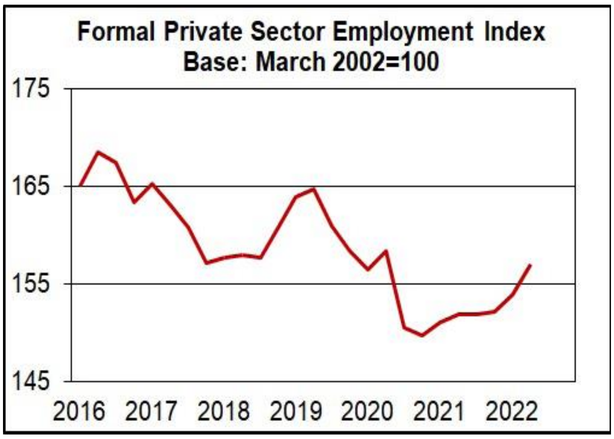
In the Southern region (excluding NCD), sales declined by 13.1 percent in the June quarter of 2022, compared to a decline of 25.1 percent in the previous quarter. The decline was mainly driven by lower production and export by the Ok Tedi mine, which more than offset increased activity in the wholesale and transport sectors, as well as the agriculture and hotel services sub-sectors. Over the year to June 2022, sales declined by 10.3 percent, compared to a decline of 10.7 percent in the corresponding period of 2021.

In the Momase region, sales increased by 48.5 percent in the June quarter of 2022, compared to a decline of 17.5 percent in the previous quarter. The increase reflected higher exports in the mining sector and higher demand in the manufacturing, retail, transportation and construction sectors. The increase in the mining sector was primarily driven by higher production and favorable international prices, which led to higher exports by the Ramu Nickel/Cobalt mine. The increase in the manufacturing sector was due to higher sugar production and sale of both tuna loining. In the retail sector, the increase reflected higher demand for petroleum products, heavy equipment and, food and drinks, while in the transportation sector, the increase was driven by higher passenger travel and sea freighting services. In the construction sector, the increase reflected the sealing of road and drainage work along the Bogia highway in the Madang province. Over the year to June 2022, sales declined by 1.7 percent, compared to an increase of 101.1 percent in the corresponding period of 2021.

In the Highlands region, sales increased by 13.0 percent in the June quarter of 2022, compared to an increase of 13.5 percent in the previous quarter. The increase was attributed to higher demand for both wholesale and retail goods, and, transportation and media advertising services. Higher production and export of coffee also supported the increase. Over the year to June 2022, sales increased by 63.3 percent, compared to an increase of 16.4 percent in the corresponding period of 2021.

In Morobe, sales increased by 3.8 percent in the June quarter of 2022, compared to an increase of 7.3 percent in the previous quarter. The increase was attributed to higher demand in the wholesale, retail, manufacturing, transportation and construction sectors. In the wholesale and retail sectors, the increase was due to higher sales of petroleum products, heavy equipment and, food and drink items. In the manufacturing sector, the increase was due to higher production and demand for steel, petroleum, food, forestry and packing products, while in the transportation sector, the increase was due to higher demand for cargo haulage services. In the construction sector, the increase was due to building and construction activities at the Nadzab International Airport. Over the year to June 2022, sales increased by 21.6 percent, compared to an increase of 16.8 percent in the corresponding period of 2021.

In NCD, sales increased by 1.7 percent in



the June quarter of 2022, compared to a decline of 7.1 percent in the previous quarter. The increase was driven by higher activity in the financial/business/other services, construction, manufacturing and transportation sectors. The increase in the financial/business/other services sector was due to higher investment earnings and, fees and charges by banks, and increased demand for media advertising, hotel services, and hire car services. The increase in the construction sector was attributed to road construction carried out at the Waigani road inter-section and the drainage system, while the pick-up in the manufacturing sector was driven by higher demand for food and beverage drinks. Increased air passenger travel and sea freighting services also contributed to the increase. Over the year to June 2022, sales increased by 1.6 percent, compared to an increase of 24.1 percent in the corresponding period of 2021.

Employment

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 2.3 percent in the June quarter of 2022, compared to an increase of 1.2 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 2.4 percent. By sector, the level of employment increased in the construction, transport, wholesale, agriculture/forestry/fishing, manufacturing, and mineral sectors, while it declined in the retail, and financial/business and other services sectors. By region, the level of employment increased in all the surveyed regions. Over the year to June 2022, the total level of employment increased by 3.7 percent, compared to a decline of 4.1 percent in the corresponding period of 2021. Excluding the mineral sector, the level of employment increased by 3.2 percent over the year to June 2022, compared to a decline of 1.9 percent in the corresponding period of 2021.

In the construction sector, the level of employment increased by 37.3 percent in the June quarter of 2022, compared to an increase of 12.5 percent in the previous quarter. The increase reflected recruitment of workers by construction firms in NCD, Southern, and the Highlands regions for new and on-going projects. Over the year to June 2022, the level of employment increased by 51.6 percent, compared to a decline of 21.1 percent in the corresponding period of 2021.

In the transportation sector, the level of employment increased by 5.6 percent in the June quarter of 2022, compared to a decline of 10.0 percent in the previous quarter. The increase reflected higher activity in the land and sea transportation, especially logistical services provided by a NCD based company. Recruitment by airline and freight management companies also contributed to the increase. Over the year to June 2022, the level of employment increased by 4.2 percent, compared to a decline of 4.5 percent in the corresponding period of 2021.

In the wholesale sector, the level of employment increased by 5.5 percent in the June quarter of 2022, compared to a decline of 3.3 percent in the previous quarter. The increase was driven by the recruitment of workers by a fuel distribution company based in the Islands region to boost workers for its on-going capital projects around the country. Higher activity and demand due to business expansion for some companies in the Morobe, Islands, and NCD regions also contributed to the increase. Over the year to June 2022, the level of employment declined by 5.2 percent, compared to an increase of 0.9 percent in the corresponding period of 2021.

In the agriculture/forestry/fishing sector, the level of employment increased by 2.4 percent in the June quarter of 2022, compared to an increase of 1.7 percent in the previous quarter. The increase reflected hiring of workers for harvesting of palm oil, sugar, coffee and fresh produce. Over the year to June 2022, the level of employment declined by 1.2 percent, compared to a decline of 3.9 percent in the corresponding period of 2021.

In the manufacturing sector, the level of employment increased by 2.4 percent in the June quarter of 2022, compared to an increase of 1.2 percent in the previous quarter. The increase was due to staff recruitment by manufacturing companies to meet higher production of wheat products, processed coffee, food, beverages, construction materials and building products. Over the year to June 2022, the level of employment increased by 3.3 percent, compared to an increase of 8.0 percent in the corresponding period of 2021.

In the mineral sector, the level of employment increased by 1.9 percent in the June quarter of 2022, compared to an increase of 0.9 percent in the previous quarter. The increase was driven by the recruitment of staff at the Ok Tedi, Kainantu, Lihir and Ramu mines reflecting increased production and activity. Over the year to June

2022, the level of employment increased by 7.4 percent, compared to a decline of 19.3 percent in the corresponding period of 2021.

In the retail sector, the level of employment declined by 5.1 percent in the June quarter of 2022, compared to a decline of 2.8 percent in the previous quarter. The decline was attributed to the high turnover of employees and laying-off of casual workers after a sales promotion ended by a major retail company in NCD. Over the year to June 2022, the level of employment declined by 2.4 percent, compared to a decline of 4.7 percent in the corresponding period of 2021.

In the financial/business and other services sector, the level of employment declined by 2.5 percent in the June quarter of 2022, compared to an increase of 6.0 percent in the previous quarter. The decline reflected lower activity and high turnover of staff in the professional, scientific and technical, finance and real estate sub-sectors. Over the year to June 2022, the level of employment increased by 2.2 percent, compared to a decline of 0.2 percent in the corresponding period of 2021.

By region, the level of employment increased in all the surveyed regions. In the Southern region, the level of employment increased by 8.1 percent in the June quarter of 2022, compared to an increase of 3.6 percent in the previous quarter. The increase was attributed to higher activity and demand in the mineral, construction, agriculture/forestry/fishing, and transportation sectors. Over the year to June 2022, the level of employment increased by 12.7 percent, compared to an increase of 20.1 percent in the corresponding period of 2021.

In the Momase region, the level of employment increased by 5.2 percent in the June quarter of 2022, compared to no change in the previous quarter. The increase was driven by recruitment of workers for sugar harvesting and production. Activity in the mineral, and accommodation and food service sectors also contributed to the increase. Over the year to June 2022, the level of employment increased by 18.6 percent, compared to a decline of 7.4 percent in the corresponding period of 2021.

In the Highlands region, the level of employment increased by 2.1 percent in the June quarter of 2022, compared to an increase of 0.2 percent in the previous quarter. The increase was driven by higher activity in the agriculture/forestry/fishing, mineral, construction and manufacturing sectors. Over the year to June 2022, the level of employment increased by 8.6 percent, compared to a decline of 30.2 percent in the corresponding period of 2021.

In Morobe, the level of employment increased by 1.7 percent in the June quarter of 2022, compared to an increase of 2.3 percent in the previous quarter. There were increases in the manufacturing, other services activities, wholesale, and accommodation and food services sectors due to higher activity and demand. Over the year to June 2022, the level of employment increased by 9.6 percent, compared to an increase of 5.2 percent in the corresponding period of 2021.

In the Islands region, the level of employment increased by 0.9 percent in the June quarter of 2022, compared to an increase of 2.4 percent in the previous quarter. The increase reflected recruitment of workers by palm oil estates, and wholesale and mineral companies to boost production and labor for new projects. Over the year to June 2022, the level of employment increased by 9.3 percent, compared to a decline of 6.0 percent in the corresponding period of

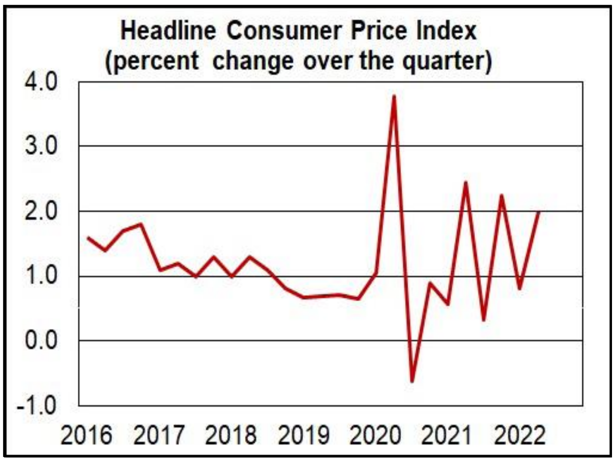
2021.

In NCD, the level of employment increased by 0.8 percent in the June quarter of 2022, compared to a decline of 0.8 percent in the previous quarter. There were increases in the construction, transportation, wholesale, manufacturing, and accommodation and food services sectors. Over the year to June 2022, the level of employment declined by 8.9 percent, compared to a decline of 3.7 percent in the corresponding period of 2021.

Consumer Price Index

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 2.0 percent in the June quarter of 2022, compared to an increase of 0.8 percent in the previous quarter. There were increases in the Transport, Household Equipment, Food and Non-Alcoholic Beverages, 'Alcoholic Beverages, Tobacco and Betelnut', Housing, Health, Miscellaneous, Restaurants and Hotel, and Recreation expenditure groups, which more than offset decreases in the Education, and Clothing and Footwear expenditure groups, whilst the Communication expenditure group recorded no change in the quarter. By urban centre, prices increased in all surveyed centres. Annual headline inflation was 5.5 percent in the June quarter of 2022, compared to an increase of 5.9 percent in the March quarter of 2022.

The CPI for the Transport expenditure group increased by 3.9 percent in the June quarter of 2022, compared to an increase of 7.1 percent in the previous quarter. There were increases in the Fuel and lubricants, Fares, Operations of transport, Motor vehicle purchases, and Other services sub-groups of 9.7 percent, 3.7 percent, 3.6 percent, 3.3 percent and 1.1 percent, respectively. This expenditure group contributed 0.5 percentage points and 1.8 percentage points to the overall quarterly and annual CPI inflation, respectively.



The CPI for the Household Equipment expenditure group increased by 3.1 percent in the June quarter of 2022, compared to an increase of 3.6 percent in the previous quarter. There were increases in the Household maintenance goods, and Household appliances sub-groups of 3.8 percent and 3.7 percent, respectively, which more than offset a decline of 0.8 percent in the Household furniture and furnishings sub-group. This expenditure group contributed 0.1 percentage points and 0.4 percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the Food and Non-Alcoholic Beverages expenditure group increased by 3.0 percent in the June quarter of 2022, compared to an increase of 1.9 percent in the previous quarter. There were price increases in the non-alcoholic beverages, other food products, fruits and vegetables, oil and fats, cereals, meat, sugars and confectionery and dairy products, eggs, cheese sub-groups of 8.4 percent, 6.8 percent, 4.3 percent, 3.5 percent, 2.5 percent, 2.2 percent, 1.3 percent and 0.9 percent, respectively, while the fish sub-group recorded a decline of 0.1 percent. This expenditure group contributed 0.9 percentage points and 1.5 percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the Alcoholic Beverages, Tobacco and Betelnut expenditure group increased by 1.9 percent in the June quarter of 2022, compared to a decline of 1.2 percent in the previous quarter. This reflected increases in the Betelnut and mustard, Alcoholic beverages, and Tobacco sub-groups of 3.2 percent, 0.9 percent and 0.6 percent, respectively. This expenditure group contributed 0.3 percentage points and 2.0 percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the 'Housing' expenditure group increased by 1.6 percent in the June quarter of 2022, compared to an increase of 0.2 percent in the previous quarter. This was due to increases in the Cooking', Housing maintenance and Rent sub-groups of 14.1 percent, 1.4 percent and 0.1 percent, respectively. The Electricity and Water sub-groups recorded no price changes during the quarter. This expenditure group contributed 0.2 percentage points and 0.5 percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the Health expenditure group increased by 1.3 percent in the June quarter of 2022, compared an increase of 3.8 percent in the previous quarter. This was attributed to an increase in the Medical supplies sub-group of 2.7 percent, while the Medical services sub-group recorded no price change. This expenditure group's contribution to the quarterly CPI inflation was negligible whilst, it contributed 0.3 percentage points to the overall annual CPI inflation.

Prices in the 'Miscellaneous' expenditure group increased by 1.3 percent in the June quarter of 2022, compared to an increase of 0.2 percent in the previous quarter. This was a result of price increases in insect repellent, and toiletries and personal care products of 5.7 percent and 1.8 percent, respectively, which more than offset declines in barber fees, baby oil and powder and children's toys of 4.4 percent, 1.5 percent and 1.0 percent, respectively, while price of court fees remained unchanged. This expenditure groups' contribution to the overall quarterly and annual CPI inflation was negligible.

The CPI for the 'Restaurants and Hotels' expenditure increased by 0.8 percent in the June quarter of 2022, compared to a decline of 0.9 percent in the March quarter. This reflected an increase in the Accommodation sub-group of 6.4 percent, which more than offset a decline of 0.3 percent in the Takeaway foods sub-group. This expenditure groups' contribution to the overall quarterly and annual CPI inflation was negligible.

Prices in the 'Recreation' expenditure group increased by 0.5 percent in the June quarter of 2022, compared to an increase of 2.4 percent in the March quarter. There were increases in the prices of magazines, bicycles, television, digital camera and newspapers of 6.0 percent, 2.9 percent, 1.1 percent, 0.9 percent and 0.6 percent, respectively. These which more than offset declines in the prices of batteries, biros and both flash drives and photography of 4.5 percent, 2.0 percent and 0.1 percent, respectively. The price of sports gate and movie fees remained unchanged. This expenditure group’s contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.1 percentage points to the annual overall CPI inflation.

The CPI for the ‘Education’ expenditure group declined by 0.3 percent in the June quarter of 2022, compared to a decline of 12.7 percent in the previous quarter. This was attributed to a decline of 1.0 percent in the Education fees sub-group. This expenditure group’s contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.8 percentage points to the annual overall CPI inflation.

The CPI for the Clothing and Footwear expenditure group declined by 0.2 percent in the June quarter, following a decline of 0.6 percent in the March quarter of 2022. There were decreases in the Boys wear, Sewing items, Men’s wear and Footwear subgroups of 4.1 percent, 3.1 percent, 2.2 percent and 0.2 percent, respectively. These more than offset increases in the Headwears, Women and girl wear and Clothing sub-groups of 3.7 percent, 1.7 percent and 0.6 percent, respectively. This expenditure group’s contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.2 percentage points to the annual overall CPI inflation.

The CPI for the Communication expenditure group recorded no change in June quarter, compared to a decline of 0.4 percent in the March quarter of 2022. There was a decline of 0.8 percent in the ‘telephone equipment’, which was offset by an increase of 0.5 percent in the Telephone services, while the ‘postal services’ and ‘other services’ subgroups recorded no price changes. This expenditure group’s contribution to both the overall quarterly and annual CPI inflation was negligible.

In Alotau/Kimbe-Kokopo/Rabaul, prices increased by 2.9 percent in the June quarter of 2022, compared to an increase of 2.7 percent in the previous quarter. The Alcoholic Beverages, Tobacco and Betelnut expenditure group recorded the largest increase with 9.8 percent, followed by Health with 5.2 percent, Transport with 4.6 percent, Restaurants and Hotels with 4.0 percent, Recreation with 2.4 percent, Housing with 1.8 percent, Food and Non-Alcoholic Beverages with 1.5 percent, ‘Household Equipment with 1.0 percent, Communication with 0.8 percent and Miscellaneous with 0.1 percent. The Clothing and Footwear, and Education expenditure groups recorded no price changes. Alotau/Kimbe-Kokopo/Rabaul contributed 0.9 percentage points and 6.7 percentage points to the overall quarterly and annual CPI inflation, respectively.

Prices in Port Moresby increased by 2.2 percent in the June quarter of 2022, compared to a decline of 2.1 percent in the previous quarter. The Transport expenditure group recorded the largest increase with 4.9 percent, followed by Household equipment with 4.5 percent, Food and Non-Alcoholic Beverages with 3.5 percent, Alcoholic Beverages, Tobacco and Betelnut with 1.9 percent, both Housing and Miscellaneous expenditure groups with 1.4 percent each, Health with 1.2 percent and Recreation with 0.2 percent. These more than offset declines in the Restaurants and Hotels, Education and Clothing and Footwear of 1.3 percent, 0.6 percent and 0.1 percent, respectively. The Communication expenditure group recorded no price change. Port Moresby contributed 2.0 percentage points and 5.5 percentage points to the overall quarterly and annual CPI inflation, respectively.

Prices in Lae increased by 1.6 percent in the June quarter of 2022, compared to an increase of 3.3 percent in the previous quarter. The Restaurants and Hotels expenditure group recorded the largest increase of 7.8 percent, followed by Food and Non-Alcoholic Beverages with 3.2 percent, Transport with 2.7 percent, Miscellaneous with 1.5 percent, Household equipment with 1.4 percent, Housing with 1.1 percent, Health with 0.5 percent, Clothing and Footwear with 0.4 percent and Education with 0.1 percent. These more than offset a decline of 0.2 percent in the Recreation expenditure group of 0.2 percent, whilst Alcoholic Beverages, Tobacco and Betelnut expenditure group recorded no price change in the quarter. Lae contributed 1.2 percentage points and 7.7 percentage points to the overall quarterly and annual CPI inflation, respectively.

In Goroka/Mt. Hagen/Madang, prices increased by 0.7 percent in the June quarter of 2022, compared to a decline of 0.6 percent in the previous quarter. The Housing expenditure group recorded the largest increase with 3.5 percent, followed by Restaurants and Hotels with 2.1 percent, Food and Non-Alcoholic Beverages with 1.6 percent, Miscellaneous with 1.5 percent, Recreation with 0.6 percent, and Alcoholic Beverages, Tobacco and Betelnut with 0.4 percent. These more than offset decreases in the Clothing and Footwear of 1.9 percent, Household Equipment of 0.6 percent, Health of 0.5 percent, and both Transport and Communication of 0.3 percent each. The 'Education' expenditure group recorded no change. Goroka/Mt. Hagen/Madang contributed 1.4 percentage points and 4.0 percentage points to the overall quarterly and annual CPI inflation, respectively.

The annual headline inflation was 5.5 percent in the June quarter, compared to 5.9 percent in the March quarter of 2022. The largest increase was recorded in the Transport with 13.8 percent, followed by Alcoholic Beverages, Tobacco and Betelnut with 11.9 percent, Household Equipment with 10.4 percent, Health with 6.7 percent, Food and Non-Alcoholic Beverages with 5.2 percent, Recreation 4.2 percent, Housing with 4.1 percent and Miscellaneous with 2.0 percent. These more than offset declines in the Education', Clothing and Footwear, Restaurants and Hotels and Communication expenditure groups of 13.0 percent, 3.0 percent, 1.5 percent and 0.9 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 1.9 percent in the June quarter of 2022, compared to an increase of 1.3 percent in the previous quarter. Annual exclusion-based inflation was 4.5 percent in the quarter, compared to 4.4 percent in the March quarter of 2022.

The quarterly trimmed mean inflation measure published by the Bank of PNG increased by 2.2 percent in the June quarter of 2022, compared to an increase of 1.8 percent in the previous quarter. The annual trimmed mean inflation was 5.4 percent in the June quarter, compared to 3.8 percent in the corresponding period in 2021.

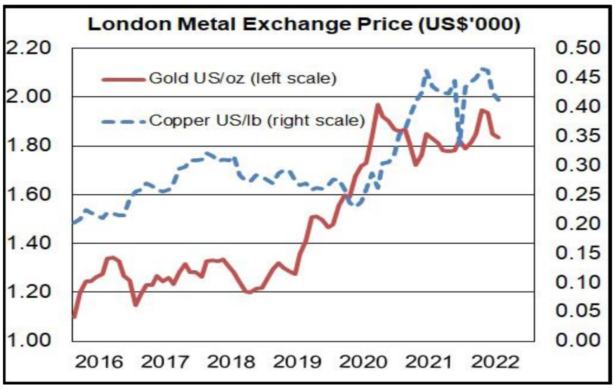
4. EXPORT COMMODITIES REVIEW

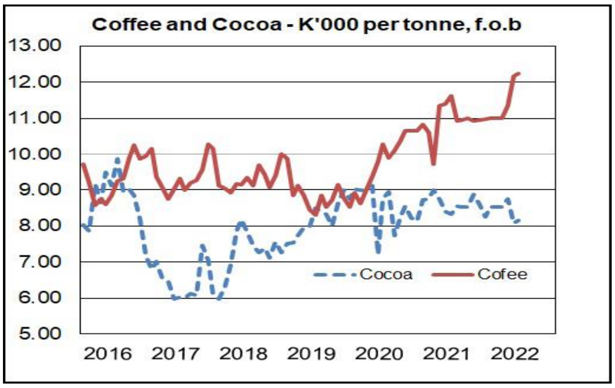
The total value of merchandise exports was K12,860.3 million in the June quarter of 2022, compared to K9,579.8 million in the corresponding quarter of 2021. The higher receipts were driven by exports from the LNG, condensate, crude oil, cobalt, palm oil, logs and refined petroleum products.

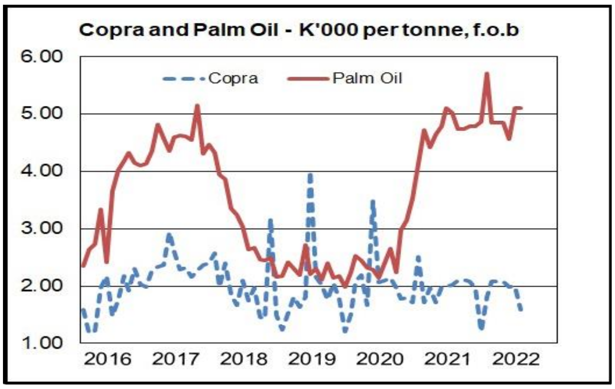
The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, was K1,059.4 million, accounting for 8.2 percent of total merchandise exports in the June quarter of 2022, compared to K1,155.2 million or 12.1 percent of total merchandise exports in the corresponding quarter of 2021. Forestry product exports were K284.0 million, which accounted for 2.2 percent of total merchandise exports in the June quarter, compared to K207.8 million or 2.2 percent in the corresponding quarter of 2021. Refined petroleum product exports were K583.3 million and accounted for 4.5 percent of total merchandise exports in the June quarter, compared to K390.1 million or 4.1 percent in the corresponding quarter of 2021. Mineral export receipts, including LNG and condensate were K10,933.8 million and accounted for 85.0 percent of total merchandise exports in the June quarter, compared to K7,826.5 million or 81.7 percent in the corresponding quarter of 2021.

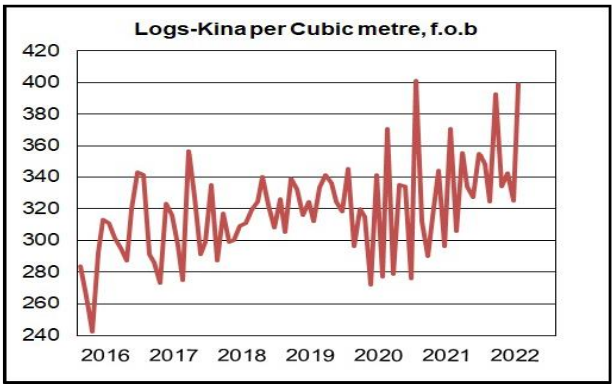
The weighted average kina price of PNG's exports, excluding LNG, increased by 18.2 percent in the June quarter of 2022, compared to the corresponding quarter of 2021. Higher international prices accounted for the increase. There was an increase of 20.5 percent in the weighted average kina price of mineral exports, reflecting higher kina prices of all mineral commodities, except gold. For agricultural, logs and marine product exports, the weighted average kina price increased by 9.8 percent, due to higher kina prices for all non-mineral commodities, except for cocoa, copra and marine products. Excluding logs, the weighted av-

EXPORT COMMODITY PRICES









erage kina price of agricultural and marine product exports increased by 11.6 percent in the June quarter of 2022, compared to the corresponding quarter of 2021.

MINERAL EXPORTS

Total mineral export receipts were K10,933.8 million in the June quarter of 2022, compared to K7,826.5 million in the corresponding quarter of 2021. The increase was due to higher value of all mineral export commodities, except for gold, copper and nickel.

The value of LNG export was K5,627.2 million in the June quarter of 2022, compared to K3,062.6 million in the corresponding quarter of 2021. The increase was due to higher LNG prices, attributed to lower supply in the world market reflecting continued impact of the Russian-Ukraine War.

The volume of condensate exported was 2,231.9 thousand barrels in the June quarter of 2022, compared to 1,908.0 thousand barrels in the corresponding quarter of 2021. This reflected higher production and shipment by the PNG-LNG project. The average free on board (f.o.b) price for condensate export was K403 per barrel in the June quarter, compared to K242 per barrel in the corresponding quarter of 2021, reflecting higher international prices. The combined increase in export price and volume resulted in higher export receipts of K898.7 million in the June quarter, compared to K462.6 million in the corresponding quarter of 2021.

The volume of gold exported was 11.0 tonnes in the June quarter of 2022, compared to 11.7 tonnes in the corresponding quarter of 2021. The decline reflected lower production and shipment from the Ok Tedi and Simberi mines, and other alluvial gold exporters. The average f.o.b price received for PNG's gold exports was K178.6 million per tonne in the June quarter, compared to K193.5 million per tonne in the corresponding quarter of 2021. This reflected lower international prices .The average gold price at the London Metal Exchange increased by 3.6 percent to US$1,872.7 per fine ounce in the June quarter, compared to the corresponding quarter of 2021. The increase was due to a higher demand for gold as a safe-haven investment at the back of geo-political uncertainty and the continued Russia-Ukraine war. The combined decline in export volume and price resulted in lower export receipts of K1,964.6 million in the June quarter, compared to K2,263.6 million in the corresponding quarter of 2021.

The volume of copper exported was 13.4 thousand tonnes in the June quarter of 2022, compared to 18.1 thousand tonnes in the corresponding quarter of 2021. The decline was due to lower production of metal ore grades and shipment by the Ok Tedi mine. The average f.o.b. price of PNG's copper exports was K35,328 per tonne in the June quarter, compared to K33,519 per tonne in the corresponding quarter of 2021. The higher price was mainly due to lower production from major producer Chile, combined with a strong demand from China. The decline in the export volume more than offset the increase in export price, resulting in lower export receipts of K473.4 million in the June quarter, compared to K606.7 million in the corresponding quarter of 2021.

The volume of nickel exported was 6.6 thousand tonnes in the June quarter of 2022, compared to 11.0 thousand tonnes in the corresponding quarter of 2021. The decline was due to lower production and shipment by the Ramu Nickel/Cobalt mine.

The average f.o.b. price of PNG's nickel exports was K97,955 per tonne in the June quarter, compared to K60,945 per tonne in the corresponding quarter of 2021. The outcome reflected higher international prices. The decline in export volume more than offset the increase in export price, resulting in lower export receipts of K646.5 million in the June quarter, compared to K670.4 million in the corresponding quarter of 2021.

The volume of cobalt exported was 0.6 thousand tonnes in the June quarter of 2022, compared to 1.0 thousand tonnes in the corresponding quarter of 2021. The decline was due to lower production and shipment by the Ramu Nickel/ Cobalt mine. The average f.o.b. price of PNG's cobalt exports was K274,333 per tonne in the June quarter, compared to K161,400 per tonne in the corresponding quarter of 2021. The outcome reflected higher international prices. The increase in export price more than offset the decline in export volume, resulting in higher export receipts of K164.6 million in the June quarter, compared to K161.4 million in the corresponding quarter of 2021.

The volume of crude oil exported was 1,794.5 thousand barrels in the June quarter of 2022, compared to 1,704.6 thousand barrels in the corresponding quarter of 2021. This was due to higher production from the Moran and Gobe oil fields. The average export price of crude oil was K397 per barrel in the June quarter, compared to K231 per barrel in the corresponding quarter of 2021. The outcome reflected higher international prices for crude oil attributed to lower production by some of the OPEC member countries and its partners (OPEC+), combined with the impact of on-going sanctions against Russia. The combined increase in export volume and price resulted in higher export receipts of K712.3 million in the June quarter, compared to K394.5 million in the corresponding quarter of 2021.

Export receipts of refined petroleum products, which include Naphtha from the PNG LNG project, were K583.3 million in the June quarter, compared to K390.1 million in the corresponding quarter of 2021.

AGRICULTURE, LOGS AND FISHERIES EXPORTS

Export prices of all non-mineral commodities increased in the June quarter of 2022, except for cocoa, copra and marine products, compared to the corresponding quarter of 2021. Coffee prices increased by 2.8 percent, tea by 11.1 percent, copra oil by 0.8 percent, palm oil by 16.6 percent, rubber by 20.4 percent and logs by 4.4 percent, while the price for cocoa, copra and marine products declined by 1.6 percent, 11.4 percent and 21.8 percent, respectively. The net effect was a 9.8 percent increase 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 increased by 11.6 percent in the June quarter, compared to the corresponding quarter of 2021.

The export volume of coffee was 3.6 thousand tonnes in the June quarter, compared to 7.6 thousand tonnes in the corresponding quarter of 2021. The decline was due to lower shipments, reflecting a slow recovery from the impact of the COVID-19 containment measures. The average export price of coffee was K11,806 per tonne in the June quarter, an increase of 2.8 percent from the corresponding quarter of 2021. The outcome reflected higher international prices due to lower production from Brazil, the world's major producer, attributed to unfavorable dry weather conditions. The decline in export volume more than offset the increase in export price, resulting in export receipts of K42.5 million in the June quarter, a decline of 51.3 percent from the corresponding quarter of 2021.

The export volume of cocoa was 8.5 thousand tonnes in the June quarter, compared to 12.2 thousand tonnes in the corresponding quarter of 2021. The decline was due to lower production and shipments from the main producing regions. The average export price of cocoa was K8,259 per tonne in the June quarter, a decline of 1.6 percent from the corresponding quarter of 2021. The outcome mainly reflected weaker global demand, particularly in Europe, more than offsetting lower production from Ivory Coast and Nigeria. The combined decline in export volume and price resulted in export receipts of K70.2 million in the June quarter, a decline of 31.4 percent from the corresponding quarter of 2021.

The export volume of copra was 10.4 thousand tonnes in the June quarter, compared to 11.4 thousand tonnes in the corresponding quarter of 2021. The decline reflected lower shipments from the major producing regions due to unfavorable wet weather conditions. The average export price of copra was K1,779 per tonne in the June quarter, a decline of 11.4 percent from the corresponding quarter of 2021. This outcome reflected higher production from the Philippines, combined with a weaker demand for value-added products in the international market. The combined decline in export volume and price resulted in export receipts of K18.5 million in the June quarter, a decline of 19.2 percent from the corresponding quarter of 2021.

The export volume of copra oil was 3.0 thousand tonnes in the June quarter, compared to 3.7 thousand tonnes in the corresponding quarter of 2021. The decline was due to lower production and shipments. The average export price of copra oil was K5,067 per tonne in the June quarter, an increase of 0.8 percent from the corresponding quarter of 2021. The outcome reflected lower international prices due to a fall in demand as demand for other substitutes increased. The decline in export volume more than offset the increase in export price resulting in export receipts of K15.2 million in the June quarter, a decline of 18.3 percent from the corresponding quarter of 2021.

The export volume of palm oil was 174.9 thousand tonnes in the June quarter, compared to 155.8 thousand tonnes in the corresponding quarter of 2021. The increase was due to higher production and shipments. The average export price of palm oil was K4,210 per tonne in the June quarter, an increase of 16.6 percent from the corresponding quarter of 2021. This was due to lower production from Malaysia, due to labour shortages. The combined increase of export price and volume resulted in export receipts of K736.4 million in the June quarter, an increase of 30.8 percent from the corresponding quarter of 2021.

The export volume of tea was 0.03 thousand tonnes in the June quarter, compared to 0.1 thousand tonnes in the corresponding quarter of 2021. This was due to lower production and shipments. The average export price of tea was K3,333 per tonne in the June quarter, compared to K3,000 per tonne in the corresponding quarter of 2021. The decline in export volumes more than offset the increase in export prices, resulting in export receipts of K0.1 million in the June quarter, a decline of 66.7 percent from the corresponding quarter of 2021.

The export volume of rubber was 0.6 thousand tonnes in the June quarter, compared to 0.8 thousand tonnes in the corresponding quarter of 2021. The decline was due to lower production and shipments from the major producers. The average export price of rubber was K4,667 per tonne in the June quarter, an increase of 20.4 percent from the corresponding quarter of 2021. The outcome reflected higher global demand for natural rubber. The decline in export volume more than offset the increase in export price, resulting in export receipts of K2.8 million in the June quarter, a decline of 9.7 percent from the corresponding quarter of 2021.

The export volume of logs was 783.0 thousand cubic meters in the June quarter, compared to 592.6 thousand cubic meters in the corresponding quarter of 2021. There was higher production and shipments from major producing regions. The average export price of logs was K353 per cubic meter in the June quarter, an increase of 4.4 percent from the corresponding quarter of 2021. This outcome reflected stronger demand from China, the world's largest consumer of tropical logs. The combined increase in export volume and price resulted in export receipts of K276.1 million in the June quarter, an increase of 37.7 percent from the corresponding quarter of 2021.

The value of marine products exported was K28.2 million in the June quarter, compared to K50.1 million in the corresponding quarter of 2021. This resulted from a decline in export volumes more than offsetting an increase in export price.

5. BALANCE OF PAYMENTS

SIX MONTHS TO JUNE 2022 ON SIX MONTHS TO JUNE 2021

The balance of payments recorded an overall surplus of K240 million for the first six months of 2022, compared to a deficit of K813 million in the corresponding period of 2021. A surplus in the current account more than offset a deficit in the capital and financial account.

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

The deficit in the capital and financial account 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, respectively. Net outflows in Government and private sector loan repayments also contributed to the deficit.

The trade account recorded a surplus of K17,909.8 million for the first six months of 2022, compared to the surplus of K11,296.6 million in the corresponding period of 2021. The surplus was due to increased exports, reflecting higher international prices of PNG's major mineral and non-mineral export commodities.

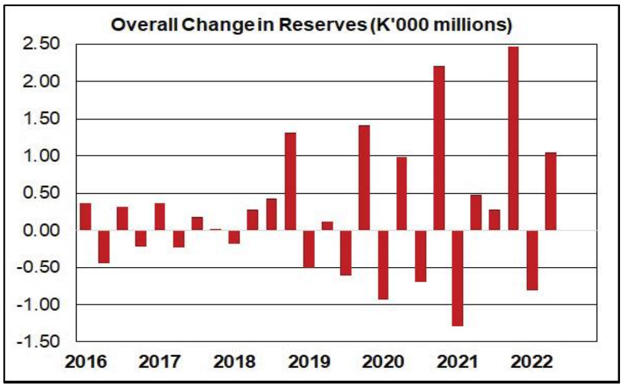
The value of merchandise exports was K23,335.0 million in the first six months of 2022, compared to K17,498.7 million in the corresponding period of 2021. The increase was attributed to higher export values of copper, crude oil, condensate, copra, palm oil, logs and refined petroleum products, mainly reflecting higher prices of all export commodities, except for cocoa and copra.

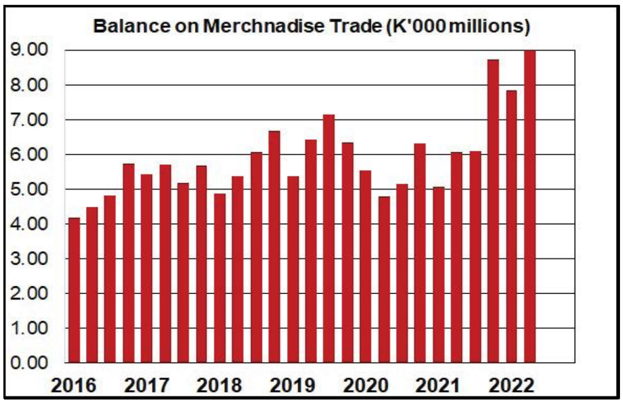
The value of merchandise imports was K5,425.2 million in the first six months of 2022, compared to K6,202.1 million in the corresponding period of 2021. There were lower general and petroleum imports, which more than offset higher mining sector imports. The value of general imports was K1,380.4 million in the period, compared to K1,859.3 million in the corresponding period of 2021. The value of petroleum sector imports was K1,181.2 million in the period, compared to K1,604.7 million in the corresponding period of 2021. This reflected lower expenditure on exploration and drilling activities by a petroleum company. Mining sector imports was K2,863.6 million in the period, compared to K2,738.1 million in the corresponding period of 2021. The increase was due to higher capital expenditure undertaken by the Lihir, Ok Tedi, Porgera and Ramu Nickle/ Cobalt mines, and increased activity in alluvial mining. Resident companies in the mining and petroleum sectors continue to use their offshore foreign currency accounts to pay for imports allowed for under their respective PDAs.

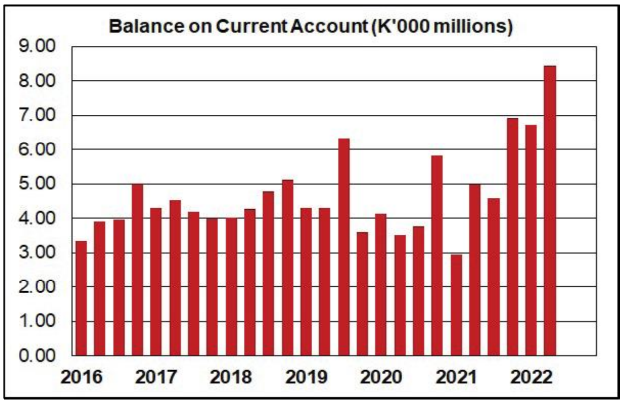
The services account had a deficit of K2,320.8 million in the first six months of 2022, compared to a deficit of K2,477.6 million in the corresponding period of 2021. The decline was due to lower payments for all services, except for insurance, cultural and reconciliation, government services, n.i.e and other services.

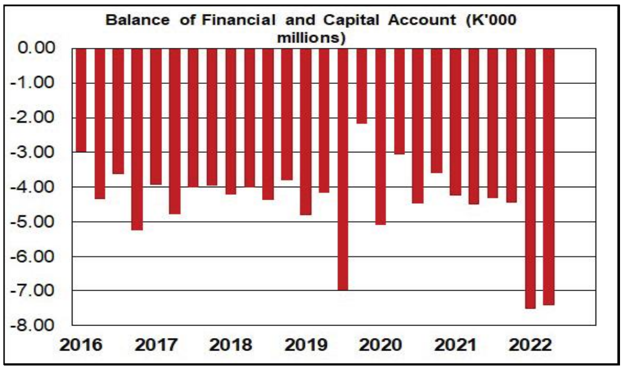
The income account recorded a lower deficit of K216.0 million in the first six months

BALANCE OF PAYMENTS









of 2022, compared to a deficit of K1,792.1 million in the corresponding period of 2021. This outcome was mainly due to lower payments for interest, dividends and compensation of employees.

The transfers account had a surplus of K800.8 million in the first six months of 2022, compared to a surplus of K893.0 million in the corresponding period of 2021. The outcome was mainly due to lower receipts in family maintenance, taxes and gifts, and grants. As a result of the developments in the trade, services, income and transfers accounts, the current account recorded a surplus of K15,173.8 million in the first six months of 2022, compared to a surplus of K7,920.0 million in the corresponding period of 2021.

The capital account recorded a net inflow of K24.6 million in the first six months of 2022, compared to a net inflow of K7.0 million in the corresponding period of 2021, reflecting higher transfers by donor agencies for project financing.

The financial account recorded a deficit of K14,958.9 million in the first six months of 2022, compared to a deficit of K8,740.1 million in the corresponding period 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 under the various PDAs, respectively. These combined with net outflows in external loan repayments by both the Government and private sector, also contributed to the deficit.

JUNE QUARTER 2022 ON JUNE QUARTER 2021

The balance of payments recorded an overall surplus of K1,044 million in the June quarter of 2022, compared to a surplus of K474 million in the corresponding quarter of 2021. A surplus in the current account more than offset a deficit in the capital and financial account. The value of merchandise imports was K2,788.9 million in the June quarter, compared to K3,363.2 million in the corresponding quarter of 2021. There were lower general, mining and petroleum imports. The value of general imports was K1,143.1 million in the June quarter, compared to K1,410.4 million in the corresponding quarter of 2021. The value of petroleum sector imports was K316.4 million in the June quarter, compared to K570.0 million in the corresponding quarter of 2021. This reflected lower expenditure on exploration and drilling activities by a petroleum company. Mining sector imports was K1,329.4 million in the June quarter, compared to K1,382.8 million in the corresponding quarter of 2021. The decline was due to lower capital expenditure undertaken by the K92, Simberi and Lihir mines with Porgera mine yet to be recommissioned. Mining and petroleum companies used their offshore foreign currency accounts to pay for imports allowed for under their PDAs.

The services account had a deficit of K1,125.7 million in the June quarter, compared to a deficit of K1,509.9 million in the corresponding quarter of 2021. This was due to lower payments for all services, except for refining and smelting, and government services n.i.e.

The income account recorded a deficit of K1,009.2 million in the June quarter, compared to K367.3 million in the corresponding quarter of 2021. The outcome was mainly due to higher payments for dividends, interest and compensation of employees.

The transfers account had a surplus of K516.5 million in the June quarter, compared to a surplus of K639.3 million in the corresponding quarter of 2021.The outcome was mainly due to lower receipts in family maintenance, tax and gifts, and grants.

As a result of these developments in the trade, services, income and transfers accounts, the current account recorded a surplus of K8,453.0 million in the June quarter, compared to a surplus of K4,978.6 million in the corresponding quarter of 2021.

The capital account recorded a net inflow of K12.6 million in the June quarter of 2022, compared to a net inflow of K4.8 million in the corresponding quarter of 2021, reflecting higher transfers by donor agencies for project financing.

The financial account recorded a deficit of K7,422.0 million in the June quarter, compared to a deficit of K4,509.6 million in the June 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 PDAs, respectively. These combined with net outflows in external loan repayments by both the Government and the private sector also contributed to the deficit.

As a result of these developments, the capital and financial account recorded a deficit of K7,409.3 million in the June quarter, compared to a deficit of K4,504.8 million in the corresponding quarter of 2021.

The level of gross foreign exchange reserves at the end of June 2022 was K10,563.3 (US$3,052.8) million, sufficient for 9.2 months of total and 16.3 months of non-mineral import cover.

6. MONETARY DEVELOPMENTS

INTEREST RATES AND LIQUIDITY

The Central Bank maintained an accommodative stance of monetary policy in the June quarter of 2022, by maintaining the Kina Facility Rate (KFR) at 3.0 percent to support the economic recovery and encourage private sector lending and investment. The dealing margins of the Repurchase Agreement (Repo) Facility was maintained at 100 basis points on both sides of the KFR and the Cash Reserve Requirement (CRR) for the commercial banks was maintained at 7.00 percent.

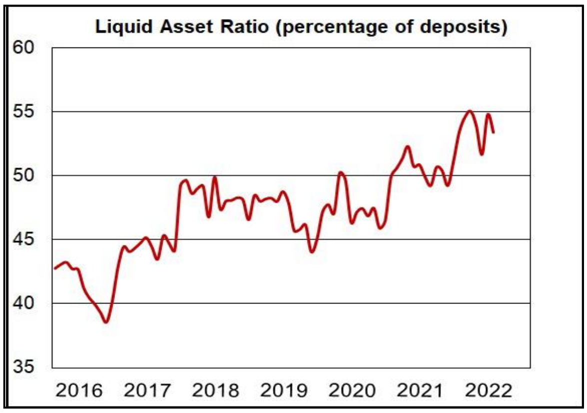
The weighted average interest rates for domestic securities generally declined in the June quarter of 2022, compared to the March quarter. The Central Bank Bills (CBBs) rates for the 63-day and 91-day terms declined by 0.17 percentage points and 0.25 percentage points to 1.65 percent and 1.59 percent, respectively, while the 28-day term rate increased by 0.05 percentage points to 1.13 percent. The Government's Treasury bill rates for the 182-day, 273-day and 364-day terms declined by 1.12 percentage points, 1.78 percentage points and 2.50 percentage points to 1.15 percent, 2.12 percent and 2.55 percent, respectively.

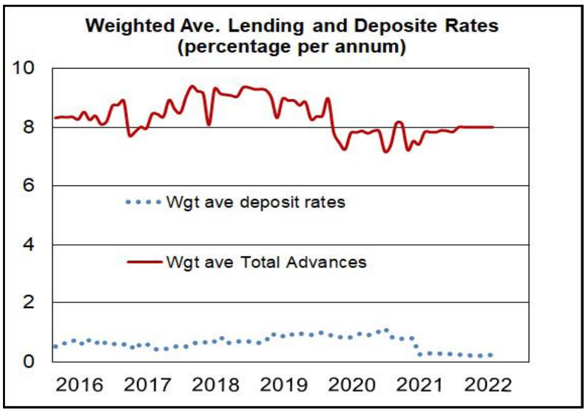
The weighted average interest rates on

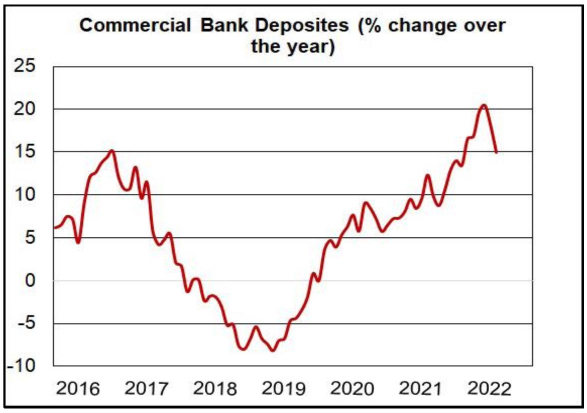
commercial banks' wholesale term deposits (K500,000 and above) increased for all the terms, except for the 180-day and 365-day term in the June quarter of 2022, compared to the March quarter. The rates for the 30-day, 60-day, and 90-day terms increased to 0.45 percent, 0.75 percent and 2.28 percent, from 0.35 percent, 0.10 percent and 2.25 percent, respectively. The interest rates for the 180-day and 365-day terms declined to 0.69 percent and 1.33 percent from 2.75 percent and 3.13 percent, respectively, while the 270-day term remained unchanged at 0.60 percent. The monthly weighted average interest rate on total deposits increased to 0.24 percent from 0.22 percent, and total loans increased to 8.06 percent from 7.90 percent in the June quarter of 2022, compared to the previous quarter.

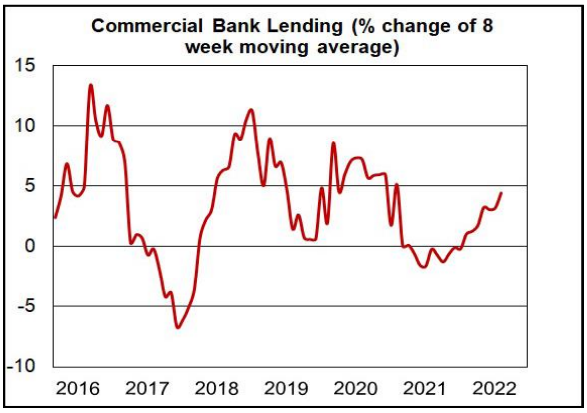
The Indicator Lending Rate (ILR) spread for commercial banks was unchanged between 6.25 percent and 11.70 percent in the June quarter of 2022.

The Bank implemented monetary policy by utilizing its Open Market Operation (OMO) instruments to manage liquidity in the banking system. Interbank activity was active during the June quarter of 2022, with five inter-bank borrowings and ten repo deals. The borrowings were done at the rate of 4.0 percent and 5.0 percent for interbank and 4.0 percent for repo deals. Liquidity in the banking system remained high over the quarter despite some diffusions through auctions and Central Bank intervention in the foreign exchange market. There was a net issuance of K261.9 million in CBBs in the June quarter of 2022. The Government made a net issuance of K1,057.4 million of Government securities, comprising Treasury Bonds (Inscribed Stock) of K953.1 million and Treasury Bills of K104.3 million during the June quarter of 2022.



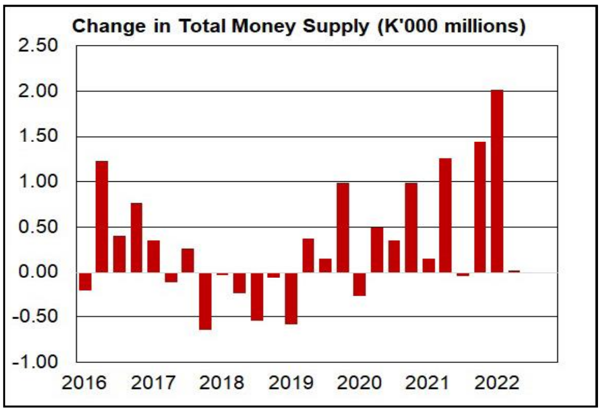


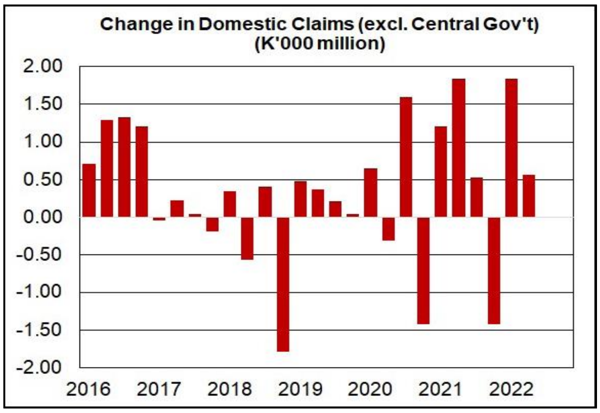




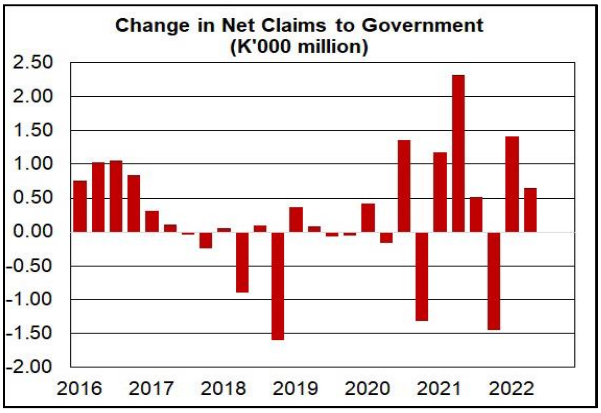
MONEY SUPPLY

The average level of broad money supply (M3*) increased by 4.7 percent in the June quarter of 2022, compared to an increase of 6.6 percent in the previous quarter. This was mainly driven by an increase in the average net foreign assets (NFA) and net domestic claims of the banking system. The average net domestic claims, excluding net claims on Central Government, increased by 3.0 percent in the June quarter of 2022, compared to a decline of 0.7 percent in the previous quarter. This reflected increases in average net claims on other financial corporations, private sector, and 'Provincial and Local Level Governments', which more than offset a decline from public non-financial corporations.

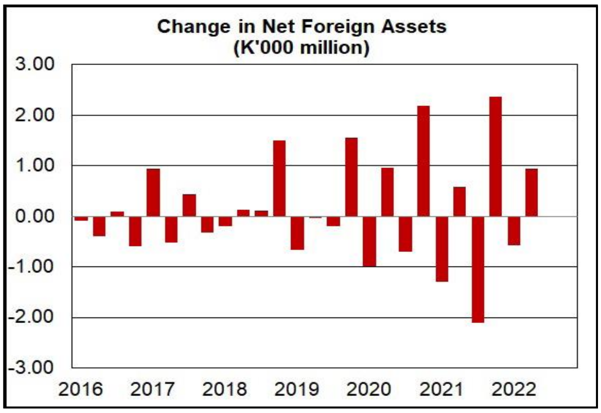




The average level of monetary base (reserve money) declined by 5.9 percent in the June quarter of 2022, following an increase of 13.2 percent in the previous quarter. This was due to a decline in the average deposits by other depository corporations (ODCs) held at the Central Bank, which more than offset the increase in the average level of currency in circulation.



The average level of narrow money supply (M1*) increased by 3.8 percent in the June quarter of 2022, compared to an increase of 9.3 percent in the previous quarter. This was due to increases in both the average levels of transferable deposits and currency outside of the depository corporations (DCs). The average level of quasi money increased by 9.8 percent in the June quarter of 2022, compared to a decline of 6.2 percent in the previous quarter.



The average level of deposits at other depository corporations (ODCs) increased by 2.8 percent to K30,202.0 million in the June quarter of 2022, from K29,387.3 million in the previous quarter. The increase reflected higher average deposits of the public non-financial corporations, financial corporations and other resident sectors.

The NFA of FCs, comprising DCs and other financial corporations (OFCs), increased by 5.9 percent to K10,883.5 million in the June quarter of 2022, compared to a decline of 5.6 percent in the previous quarter. This was driven by an increase in the NFA of the DCs, which more than offset the decline in OFCs. The increase in the NFA of DCs was mainly from increase in foreign reserves at the Central Bank due to inflows of dividends, LNG tax and royalty payments.

Net claims on the Central Government by FCs increased by 5.4 percent to K19,869.9 million in the June quarter of 2022, compared to an increase of 8.9 percent in the previous quarter. This reflected increase in net purchase of Government securities, more than offsetting the increase in Government deposits at the Central Bank.

LENDING

In the June quarter of 2022, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' declined by 1.1 percent to K17,970.7 million, from an increase of 2.5 percent in the previous quarter. This reflected repayment of K302.8 million by the public non-financial corporations, which more than offset an increase in lending of K92.7 million and K14.4 million to the private sector and 'Provincial and Local Level Governments', respectively.

7. PUBLIC FINANCE

The preliminary fiscal operations of the National Government over the six months to June 2022 showed a deficit of K2,078.1 million, compared to a deficit of K2,690.5 million in the corresponding period of 2021. The lower deficit reflected improvement in revenue.

Total revenue and grants over the six months to June was K7,988.9 million, 45.1 percent higher than in the corresponding period of 2021, and represents 49.3 percent of the 2022 Budget amount. The outcome reflected higher tax revenue, including the windfall revenue from the LNG tax receipts.

Total tax revenue was K6,840.7 million, 50.4 percent higher than in the corresponding period of 2021 and represents 54.6 percent of the 2022 Budget. Direct tax receipts totaled K4,056.0 million, 62.2 percent higher than in the same period of 2021 and is 58.4 percent of the Budget amount. The significant increase in revenue was due to higher mining & petroleum tax, driven by a significant increase in international commodity prices, higher dividend withholding tax and higher collections in the personal income and company taxes.

Indirect tax revenue over the six months to June 2022 totaled K2,784.7 million, 36.0 percent higher than in the same period of 2021 and represents 49.9 percent of the 2022 Budget amount. The increase was due to higher goods & services tax (GST) and import duties.

Total non-tax revenue for the period was K232.0 million, higher than in the corresponding period of 2021, and represents 1.8 percent of the 2022 Budget amount. The increase reflected dividend and other statutory, fees and charges receipts. Total foreign grants received was K916.2 million, 1.0 percent lower than in the corresponding period of 2021, and represents 50.7 percent of the 2022 Budget amount.

Total expenditure over the six months to June 2022 was K10,067.0 million, 22.8 percent higher than in the corresponding period of 2021 and represents 45.4 percent of the 2022 Budget. This was due to higher recurrent expenditure and interest cost.

Recurrent expenditure was K7,589.1 million, 34.7 percent higher than in the corresponding period of 2021, and represents 46.5 percent of the 2022 Budget. This was due to higher Compensation of employees (CoE) and election related expenditures. The increase in CoE included personal

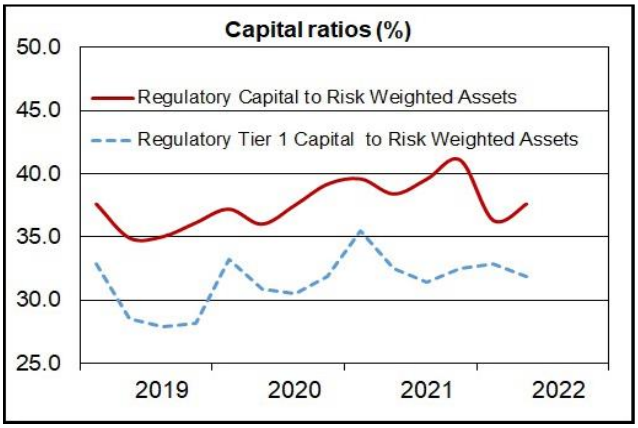
FINANCIAL SOUNDNESS INDICATORS (FSI) DEVELOPMENTS

OVERVIEW

The global economy continued to recover from the effects of the global pandemic into 2022. However, the recent Russia-Ukraine War has further heightened uncertainties for the global economic outlook. The fallout from the War, as well as post-pandemic supply-chain inefficiencies continue to affect global energy and food supplies, exerting upward pressure on inflation. In response, major central banks tightened monetary policy to dampen higher-than-expected inflation triggering tighter financial conditions. Amidst these uncertainties, the global financial system continues to remain in a precarious state with increasing systemic risk. The Bank of Papua New Guinea (The Bank) will continue to manage and contain such risks through its prudential tools and policy measures.

Papua New Guinea's (PNG) financial system remains buoyant, with prudential policy measures in placed to monitor and mitigate any potential risks. The asset classes of commercial banks that were impacted by the pandemic recovered as the economy rebounded in 2021 and continued into the first half of 2022.

The general increase in domestic costs attributed to food and energy price hikes mainly due to the Russia-Ukraine War and post-pandemic fragile conditions has affected the cost of doing business. Consequently, companies with commercial loan obligations have been affected in terms of their loan repayments.



Overall, the banking system remained sound and well capitalised[1] with levels in excess of their regulatory requirements, asset quality maintained with low non-performing loans, and sufficient profit margins with good return on earnings and assets levels in the second half of 2022.

Liquidity levels in the financial system were also high during the period as banks diligently managed their liquidity to fund their daily operations and meet customer demands. The sensitivity to market indicators showed an upward trend, reflecting the build-up in foreign currency denominated assets with declining foreign currency liabilities, which is good for deposit takers to cushion out any exchange rate risks such as the depreciation of the kina exchange rate on financial market activities.

The Bank currently uses microprudential tools to closely monitor individual banks via onsite and offsite supervision to contain banking system risks. The FSI analysis looks at the overall banking system soundness at a macro supervision level (macro prudential), in assessing financial system risks. This report presents an analysis of

[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.

consolidated indicators of deposit taking institutions (ODCs)[2].

DEVELOPMENTS

Capital Adequacy

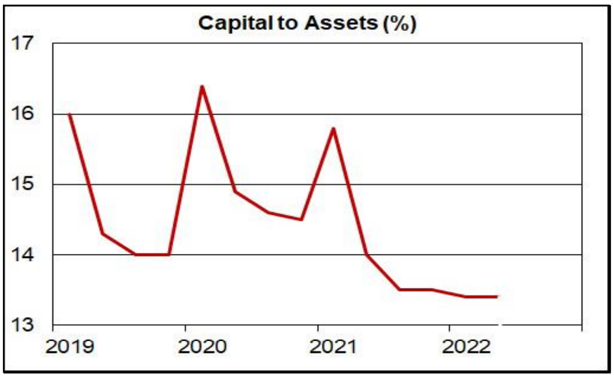
ODCs maintained high capital[3], particularly tier1 capital in 2021 and in the second quarter of 2022.

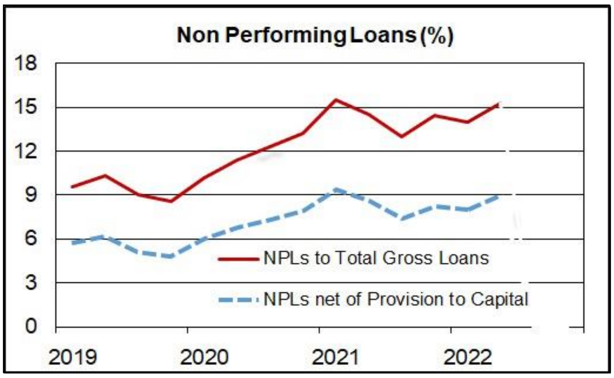
The regulatory capital to risk weighted assets (RWA) measures the minimum capital required by regulation to the discounted value of the other depository corporations asset. Tier1 capital to RWA measures the minimum core capital required by regulation to discounted value of commercial banks assets.

An increase in risk-weighted asset without a change in capital would lead to a decrease in the ratio, implying an increase in risk profile. On the other hand, an increase in capital without a change in risk-weighted assets imply that the need for additional funding is not necessary at that point in time.

The minimum requirements set by The Bank are; 12 percent for capital to RWA and 8 percent for Tier-1 capital to RWA. Between the June quarter of 2021 and the June quarter of 2022, ODCs continued to maintain capital to RWA well above the minimum requirements, which indicates that ODCs continued to have sufficient capital for their operations.

In the June quarter of 2022, ODCs remained buoyant after the recovery from the negative impact of COVID-19. The ODCs continued to maintain high capital in excess of the regulatory requirement of 12 percent. Regulatory capital to RWA was 37.6 percent an





increase from 36.3 percent in the previous quarter, while the regulatory tier-1 capital to RWA was 31.9 percent, a decrease from 32.9 percent in the previous quarter. These movements indicate that ODCs are well capitalized to absorb losses and remained liquid during the post-pandemic-period.

Capital to Total Assets

ODCs were able to manage their capital well ensuring less funds taken externally to fund their assets between the June quarter of 2021 and the June quarter of 2022. There was no significant changes in the ratios, averaging around 13.5 percent over the period.

[2] Other Depository Corporations (ODC)s; comprises commercial banks, licensed financial institutions, savings and loans societies, and micro banks. Of the ODCs, the emphasis is mainly on commercial banks as it constitutes a larger share of the ODCs, hence, any movement in the indicators will mainly reflect banking activities.

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

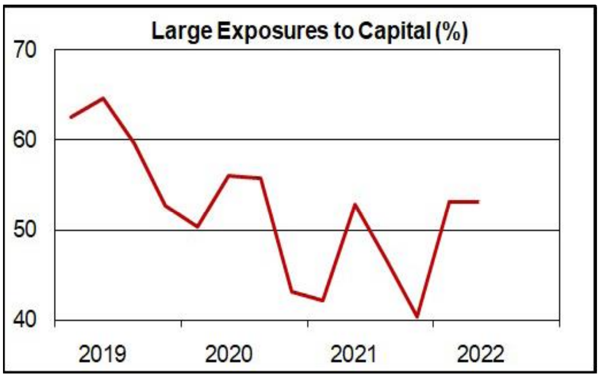
Capital to Assets ratio was 13.2 percent in June quarter 2022, a decrease from 13.4 percent in the March quarter of 2021, reflecting ODCs' cautious management of their capital to reduce external exposures.

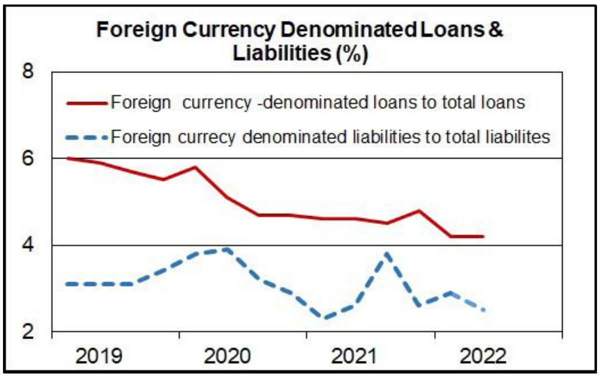
ASSET QUALITY

Non Performing Loans (NPLs)

The movements in both NPLs net of provision to capital and NPLs to total gross loans reflected the movement in the level of capital, gross loans, provisions and NPLs. In the first half of 2022, the increasing trend in the level of NPLs net of provision to capital showed that the increase in NPLs is more than the increase in specific provisioning. The specific provisions caters for the loan loss, while the net of NPL (less provision) is not accounted for using the specific provisioning as they are recouped through collaterals and other repayment arrangements like delayed payments. ODCs have maintained sufficient provisions using their high capital to cater for the level of NPLs during the period. NPLs in the June quarter of 2022 was 9.0 percent of the capital, compared to 8.6 percent in the June quarter of 2022, which will be recouped through the sales of collateral and other guaranteed repayment arrangements. The positive trend for the NPLs net of provision to capital indicate that ODCs have improved their system of recouping loan losses by providing stringent measures on collateral value for secured loans, which helps in minimizing specific provisions, while maintaining their high capital level. This indicates that ODCs are operating at comfortable levels, and cushioning out bad loans by ensuring sufficient provisioning.

The decline to 4.0 percent on average in the NPLs ratio in the first three quarters of





2021, were mainly attributable to declines in both lending and NPLs. The increase in NPLs in the recent past indicates that banks need to be cautious when lending, by ensuring that all requirements are in order instead of leveraging on expectations of economic expansions triggered by large resource developments in the mining and, oil and gas sectors, as well as large fiscal stimulus.

With capital levels well above the minimum requirement of 12.0 percent and sufficient provisioning to cater for the NPLs, commercial banks continue to cushion out any negative shocks to their balance sheets during the quarter. NPLs was 6.3 percent of total gross loans in the June quarter of 2022, which increased slightly from 6.0 percent in the March quarter of 2022. The provisions absorbed the slight increase in non-performing loans.

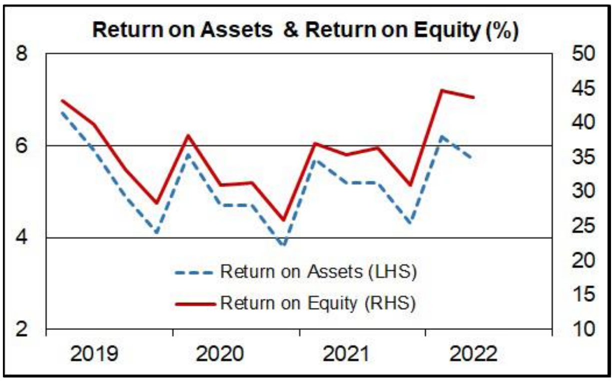
Large Exposures to Capital

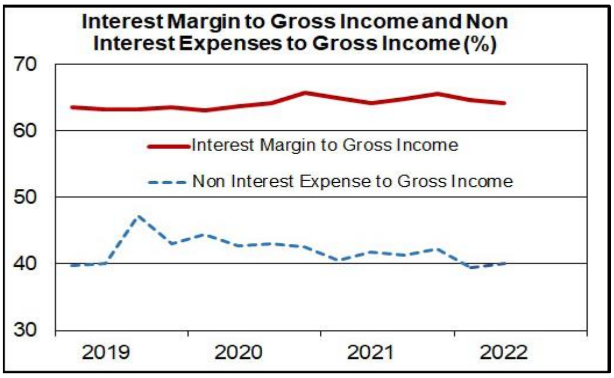
Large exposure refers to one or more credit exposures to the same individual or group that exceed a certain percentage of regulatory capital. The Bank considers borrowings above 10 percent of ODCs' capital as large exposure[4]. Between the June quarter of 2021 and June quarter of 2022, ODCs operated well below their large exposure limits, which indicates large capital base for banks to mitigate any concentration risks.

The large exposures to capital decreased to 41.1 percent in the June quarter of 2022 from 53.1 percent in the previous quarter of 2022. This was spurred on by the value of large exposures falling and capital increasing. ODCs maintained strict lending standards to their top 50 borrowers to maintain the borrowing ratio to 10 percent of total capital value

FC Loans to Total Loans & FC Liabilities to Total Liabilities

This indicator measures the relative size of the foreign currency (FC) loans within total gross loans and FC liabilities to total liabilities. It is important to monitor this ratio given the increased credit risk associated with the ability of the domestic borrowers to service their foreign-currency-denominated loans, particularly in the context of exchange rate movements and the current shortfall in the supply of foreign exchange. Between 2021 June quarter and 2022 June quarter, ODCs used part of their FC liabilities (deposits) to do FC lending as their foreign currency denominated liquidity mismatch are balanced both through maturity mismatch and using ODCs' high capital base. The ODCs used short-term liabilities to lend and used matured funds from past loans to cover for liabilities used for present lending in the event of shortages. They resorted to both readily available high capital and short-term interbank borrowing to cover for the liquidity requirements. FC loan accounts are mostly used for trade financing in PNG. FC loan increases reflected higher import payments, while declines reflected loan repayments. On the other hand, FC liabilities increase reflected inflows from exports as well as counterpart funding for projects and business operations by counterparts overseas. With high capital level, ODCs conducted their foreign exchange related business activities comfortably with enough provisions to cover for any loan losses.

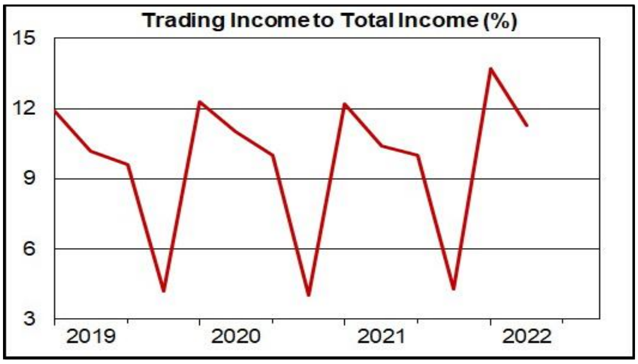


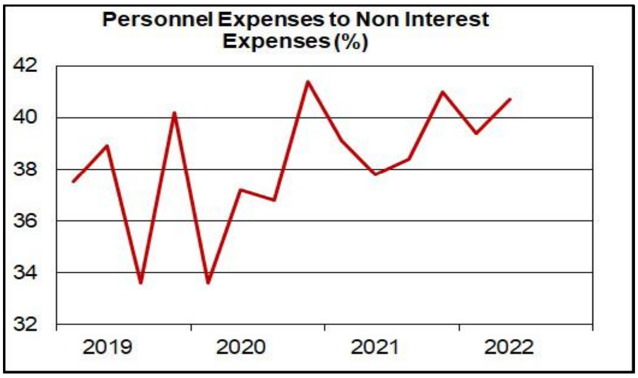


The ratio for FC loans to Total loans remained at 4.2 percent in the June quarter of 2022, the same as in the previous quarter

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

of 2022, reflecting no change in FC loans for ODCs. The FC denominated liabilities to total liabilities for deposit takers decreased to 2.5 percent in the June quarter of 2022 from 2.9 percent in the March quarter of 2022. The decrease reflected a fall in FC deposits due to low inflows and high withdrawals.





EARNINGS AND PROFITABILITY

Return On Assets and Equity (ROA and ROE)

The ROA and ROE showed that ODCs continued to make normal profits consistently between 2021 June quarter and 2022 June quarter. The ROA and ROE have grown consistently averaging 5.8 and 41.8 percent respectively, during the period. Comparing the actuals for the year-end, the outcome in December quarter of 2021 is higher than the previous years. This portrays strong performance from ODCs as the impact of COVID-19 subsided, and most economic sectors recovered strongly.

Both ROA and ROE were lower in June quarter of 2022, compared to the corresponding period in 2021, attributable to most sectors rebounding from the impact of COVID-19 pandemic. In the June quarter of 2022, return on assets was 5.7 percent, lower than 6.2 percent in the March quarter of 2022. Return on equity was 43.7 percent, compared to 44.7 percent in the March quarter of 2022.

Interest Margin and Non Interest Expenses

Between 2022 June quarter and the corresponding quarter in 2021, the Interest Margin to Gross Income ratio was relatively stable, averaging at 64.6 percent, and depicting a steady growth in the net interest income of the ODCs. Non-Interest Expenses to Gross Income also remained steady, averaging around 41.0 percent during the same period. This showed that cost to income ratio was stable, as ODCs remained vigilant to their operations.

In the June quarter of 2022, Interest Margin to Gross Income was 64.1 percent, compared to 64.6 percent earned in the March quarter of 2022. This indicates that the ODCs were consistently generating more income from interest charges than the cost incurred from interest expenses.

The Non-interest expenses to Gross Income was 40.0 percent in the June quarter of 2022 compared 39.6 percent in the March quarter of 2022. This was attributed to ODCs spending at constant levels with respect to their income for their operations.

Trading Income to Total Income

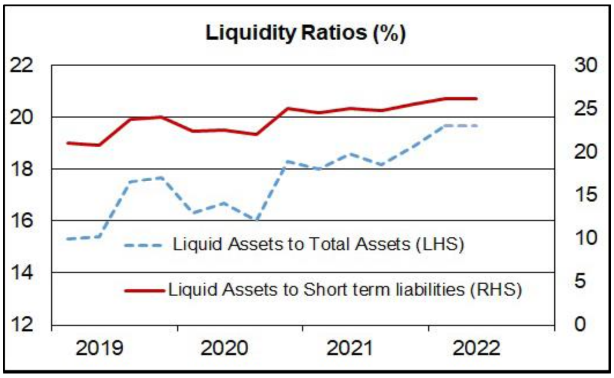
Trading Income to Total Income show revaluation gains from financial instruments. Gains are usually high in the beginning of the year and trend downward throughout the year as they diminish towards the end of the year. Revaluation gains peak around 12.0 percent and then slows down to around 4.0 percent at the end of the year. These trends are subject to exchange rate movements, hence can be relatively volatile.

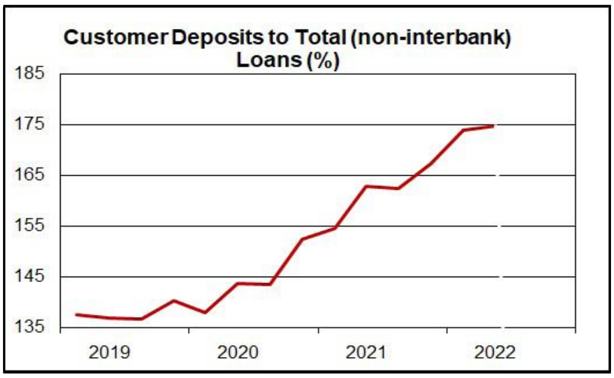
In the June quarter of 2022, the Trading Income to Total Income was at 11.3 percent, compared to 13.4 percent in the March quarter. The decrease reflected lower foreign exchange market activities, combined with movements in kina exchange rate, which impacted on their foreign currency trading income.

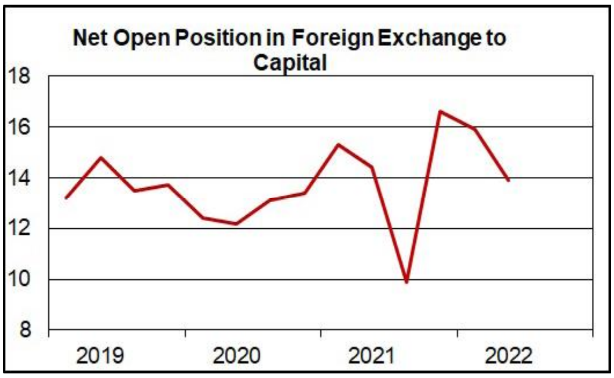
Personnel Expenses to Non interest Expenses

Personnel expenses to non-interest expenses compares personnel costs with total non-interest costs. Personnel expenses to non-interest expenses remained stable between the 31.0 and 41.0 percent range in the June quarter of 2022, compared to the corresponding quarter in 2021, as ODCs continued to manage their personnel expenses well, while ensuring not to exceed targets for other administrative costs.

Personnel expenses to non-interest expenses increased to 40.7 percent in the June quarter of 2022, from 39.4 percent in the March quarter of 2022. The increase in the ratios was largely influenced by an increase in the personal expenses (i.e, salaries, bonuses and benefits) during the June quarter and in the post-pandemic recovery period.







LIQUIDITY RISKS

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

Liquid [5] asset in this context specifically refers to cash and money balances excluding securities and investments as both are not readily convertible into cash on demand. Between June quarter of 2022 and the June

[5] Liquid Assets in FSI definition refers to cash and money balances where as in economics it includes all, cash and balances , money market instruments (short term instruments (government securities less than one (1) year and Repo) and marketable securities (stocks and bonds)

quarter of 2021, liquid assets of ODCs were maintained at constant levels, attributable to parallel movements in liquid assets to total assets, and liquid assets to short-term liabilities. The notable decreases in liquid assets to total assets and liquid assets to short-term liabilities mostly reflected decline in ODCs cash and money balances.

The liquid assets ratio (bank's core liquidity) was at 17.4 percent of the ODCs total assets in the June quarter of 2022, a decrease from 19.7 percent in the March quarter of 2022. Similarly, liquid assets to short-term liabilities ratio also decreased to 23.1 percent in the June quarter of 2022, from 26.2 percent in the previous quarter. The decline in liquid assets was due to declining money balances of commercial banks at the central bank, reflecting purchase of government securities and foreign exchange related transactions in the June quarter.

Customer Deposits to Total (Non-Interbank) Loans

This is a measure of liquidity that compares the stable deposit [6] base with total loans excluding interbank borrowing. The stable deposit refers to less volatile deposits that can be used to fund long term lending. When stable deposits are low relative to loans, there is a greater dependence on more volatile funds to cover the illiquid assets in the ODCs' portfolios.The customer deposits to total loans ratio increased to 174.9 percent in the June quarter of 2022 from 162.9 percent in the June quarter of 2021.This indicates an increase liquidity available to meet long term 'lending and investment' and withdrawals.

The ratio for Customer Deposits to Total (non-interbank) Loans in the June quarter of 2022 was at 174.9 percent, and increase from 173.9 percent from the previous quarter. The increase reflected deposits especially from Micro Small Medium size Enterprises (MSME) and Small to Medium size Enterprise (SME) businesses.

SENSITIVITY TO MARKET RISK

Net Open Position in Foreign Exchange to Capital

The net open position in foreign exchange to capital ratio was 13.9 percent in the June quarter of 2022, a decrease from 14.4 percent in June quarter of 2021.The decline in net open position reflected a decrease in foreign exchange deposits of the ODCs in the June quarter.

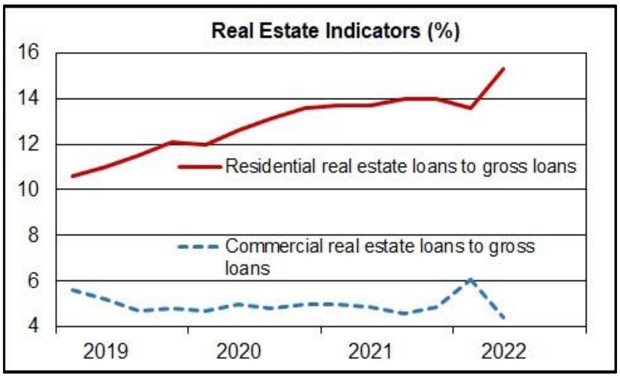
The net open position in foreign exchange to capital was 13.9 percent in the June quarter of 2022, compared to 15.9 percent in the March quarter of 2022 as foreign currency loans and balances increased, while foreign currency deposits declined. In light of currency movements against the kina exchange rate, ODCs were still able to build their foreign currency assets.

FSIs FOR REAL ESTATE MARKETS

Real Estate Loans

The trend in lending by the ODCs to the residential and commercial real estates diverged, between March quarter 2021 and March quarter 2022, depicting a shift in ODCs lending based on demand. The portion of residential real estate loan to gross loan increased at a steady rate after the December quarter of 2020, while the commercial real estate component trended downwards. The residential real estate loans to gross loans was 15.3 pecent in the March quarter of 2022, an increase from

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



13.7 percent in the March quarter of 2021. The commercial real estate loans to total gross loans ratio was 4.4 percent in March quarter of 2022, which declined from 5 percent in the March quarter of 2021. This reflected high demand for residential homes, compared to commercial real estate properties, which are usually associated with periods of economic expansions relating to large development projects. Commercial real estate activities indicate signs of recovery from the COVID-19 pandemic.

On the quarterly comparisons, ratios for the residential real estate loans to total gross loans increased to 15.3 percent in the March quarter of 2022 from 14 percent in the December quarter of 2021.This reflected a rise in lending to the residential real estate sector as more people in the urban areas, particularly in Port Moresby are buying and building new homes. While commercial real estate loans to total gross loans fell slightly to 4.4 percent from 4.9 percent during the same period, indicating repayments on existing loans.

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	03 February	Maintained at 5.00%
	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%

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 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	A prudential requirement imposed by the Bank

(MLAR)	of PNG on commercial banks to hold liquid assets as a percentage of total deposits 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 loans	The portion of bad loans in relation to total 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 Reserves against Outstanding Claims

These are current claims of policyholders rather 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
Sep 2004	-	Introduction of Central Bank Bill (CBB)
Mar 2005	-	Changes to Table 9.5 to include Exports from Napanapa Oil Refinery
	-	Changes to Tables 1.2 and 1.3 'Other Items (Net)'
June 2005	-	Changes to Tables 8.2 and 8.5 'External Public Debt'
Sep 2005	-	Trade Weighted Exchange Rate Index
	-	Employment Index - Changes to Tables 10.4 and 10.5
	-	Central Bank Bill (CBB) Auction - Changes to Tables 3.8 and 7.2
Mar 2006	-	Updated Weights for the Trade Weighted Index (TWI)
June 2006	-	Expansion of Monetary and Financial Data Coverage
	-	Upgrade of PNG's Private Debt and Equity Recording System
Dec 2006	-	Changes to Table 8.1 - Capital Transfers
Jun 2007	-	Revisions to the March Quarter 2007 and December Quarter 2006 Consumer Price Index
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)

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