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PORT MORESBY

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1. GENERAL OVERVIEW

Economic indicators available to the Bank of Papua New Guinea (the Bank) point to a marginal improvement in economic activity in the third quarter of 2023. This was attributed to a slight increase in annual private sector sales and employment, marginal increase in lending to the private sector and increased production in some of the export commodities. The kina exchange rate depreciated against most currencies, except the Japanese yen, and the Australian dollar. The PNG's trade weighted index appreciated, mainly reflecting the appreciation of the Australian dollar. With inflation remaining low, the Bank eased monetary policy by reducing the Kina Facility Rate by 50.0 basis points to 3.00 percent for September 2023.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector increased by 1.3 percent in the September quarter of 2023, compared to an increase of 0.6 percent in the June quarter of 2023. Excluding the mineral sector, sales increased by 6.0 percent in the September quarter of 2023, compared to a decline of 2.9 percent in the previous quarter. Sales increased in the wholesale, agriculture/forestry/fishing, retail, construction, transportation and the financial/business/other services sectors, which offset declines in the manufacturing and mineral sectors. By region, sales increased in all regions except the Southern (excluding NCD) and the Islands regions. Over the year to September 2023, total sales declined by 30.1 percent, compared to an increase of 49.9 percent over the year to September 2022. Excluding the mineral sector, sales declined by 1.3 percent over the year to September 2023, compared to an increase of 8.7 percent over the year to September 2022. The Bank's Employment Index shows that

the level of employment in the formal private sector increased by 1.3 percent in the September quarter of 2023, compared to a decline of 0.3 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 1.2 percent. By sector, the level of employment increased in the finance, business and other services, mineral, wholesale, retail, and transportation sectors, while it declined in the construction, agriculture/forestry/fishing and the manufacturing sectors. By region, the level of employment increased in the Highlands, Southern (excluding NCD), Morobe, and the Momase (excluding Morobe) regions while it declined in the Islands region and NCD. Over the year to September 2023, the total level of employment increased by 4.4 percent, compared to an increase of 3.0 percent in the corresponding quarter of 2022. Excluding the mineral sector, the level of employment increased by 2.9 percent over the year to September 2023, compared to an increase of 3.8 percent in the corresponding quarter of 2022.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.9 percent in the September quarter of 2023, compared to an increase of 1.7 percent in the previous quarter. There were increases in the 'Alcoholic Beverages, Tobacco and Betelnut', 'Health', 'Clothing and Footwear', 'Food and Non-Alcoholic Beverages', 'Restaurants and Hotels', 'Transport' 'Miscellaneous', 'Housing' and 'Household Equipment' expenditure groups, which more than offset decreases in the 'Communication' and 'Recreation' expenditure groups. The 'Education' expenditure group recorded no price change in the quarter. By urban centre, prices increased in all the surveyed centres. In the September quarter of 2023, the US dollar depreciated against all major currencies except the Australian dollar. It depreciated against the Japanese yen by 5.0 per-

cent, the pound sterling by 1.2 percent and the euro by 0.5 percent, while it appreciated against the Australian dollar by 2.0 percent.

In the September quarter of 2023, the average daily kina exchange rate depreciated against all the major currencies except the Japanese yen and the Australian dollar. It depreciated against the pound sterling by 2.9 percent to £0.2195, the euro by 1.7 percent to €0.2553 and the USD by 0.4 percent to US\$0.2779. It appreciated against the Japanese yen by 3.4 percent to ¥40.1126 and the Australian dollar by 0.3 percent to A\$0.42453. These currency movements resulted in the Trade Weighted Index increasing by 0.8 percent to 30.15 in the quarter.

The weighted average kina price of PNG's exports, excluding LNG, declined by 2.9 percent in the September quarter of 2023, compared to the corresponding quarter of 2022. Lower international prices accounted for the decline. There was a decline of 1.3 percent in the weighted average kina price of mineral exports, reflecting lower kina prices of all mineral commodities, except gold, crude oil and copper. For agricultural, logs and marine product exports, the weighted average kina price declined by 8.1 percent, due to lower kina prices for all non-mineral commodities, except for cocoa, copra, rubber and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 8.3 percent in the September quarter of 2023, compared to the corresponding quarter of 2022.

The balance of payments recorded an overall deficit of K1,183.4 million for the nine months to September 2023, compared to a surplus of K712.0 million in the corresponding period of 2022. This was due to a deficit in the financial account which more than offset a surplus in the current and capital account.

The surplus in the current and capital account was due to a surplus in the trade account and capital inflows for project financing, which more than offset a net primary income payments.

The deficit in the financial account was due to net outflows for direct investments and debt service payments on external loans, largely by mineral companies including PNG LNG project partners and the Government.

The level of gross foreign exchange reserves at the end of September 2023 was K13,226.5 (US\$3,677.0) million, sufficient for 5.9 months of total and 8.4 months of non-mineral import covers.

The Central Bank maintained a neutral monetary policy stance in the September quarter of 2023. The Bank's stance took into consideration the low inflation outcomes in the first two quarters of 2023, the impact of policy reforms undertaken under the IMF Program, and the lower projected growth in 2023. Under the low inflation environment, the Kina Facility Rate was reduced by 50.0 basis points to 3.00 percent for September 2023 from 3.50 percent in August. The dealing margins for the Repurchase Agreement (Repo) Facility and term Repos remained at 100 and 150 basis points, respectively, on both sides of the KFR.

The average level of broad money supply (M3*) increased by 1.3 percent in the September quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. This was due to an increase of 4.3 percent in average net domestic claims of the banking system including average net claims on Central Government, which more than offset a decline of 1.9 percent in average net foreign assets (NFA). The average net domestic claims, excluding average net claims on Central Government, increased by 4.1 percent in

the September quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. This reflected increases in average claims on the private sector and other financial corporations, which more than offset decreases in average claims on 'Provincial and Local Level Governments' and public non-financial corporations.

The NFA of Financial Corporations (FCs), comprising DCs and other financial corporations (OFCs), declined by 1.3 percent to K15,866.6 million during the September quarter of 2023, following an increase of 10.4 percent in the previous quarter. This resulted from a decrease in the NFA of the Central Bank and OCDs, which more than offset an increase in NFA of OFCs. The decline in Central Bank's NFA reflected lower international reserves due to monthly interventions and Government debt repayments, while in the ODCs, it was due to higher foreign liabilities. The increase in OFCs' NFA was mainly due to higher claims on non-residents.

Net claims on the Central Government by FCs increased by 6.4 percent to K20,037.1 million in the September quarter of 2023, compared to an increase of 2.5 percent in the previous quarter. The increase reflected net issuance of Government securities, combined with a decline in Government deposits at the Central Bank.

In the September quarter of 2023, total domestic credit extended by FCs to the

private sector, public non-financial corporations and 'Provincial and Local Level Governments' increased by 1.9 percent to K19,296.9 million, following a decline of 1.2 percent in the previous quarter. This reflected advances of K580.6 million and K14.8 million by the private sector and public non-financial corporations, respectively, which more than offset repayments of K234.8 million by the 'Provincial and Local Level Governments'. Credit to the private sector increased mainly due to advances to manufacturing, household, agriculture (mainly coffee), finance, government and real estate sectors, respectively.

The fiscal operations of the National Government over the nine months to September 2023 recorded a deficit of K2,381.9 million, compared to a deficit of K303.4 million in the corresponding period of 2022. This reflected lower revenue, relative to higher expenditure.

Total public (Government) debt outstanding as at end of September 2023 was K55,877.1 million, an increase of K74.5 million from the previous quarter, and represents 50.3 percent of GDP. The total debt outstanding comprised of K29,633.4 million from domestic sources and K26,243.6 million in external debt. Total Government deposits at depository corporations decreased by K446.2 million to K7,215.6 million in the September quarter of 2023.

2. INTERNATIONAL DEVELOPMENTS

Global growth continued to slow in the third quarter of 2023, and remained below pre-pandemic levels, reflecting the long-term consequences of the pandemic, the Russia Ukraine war, increasing geo-political tensions, and higher interest rates to reduce inflation. Most advanced economies reflected this slowdown, with lower demand for services and a fall in manufacturing, despite growth in the United States (US) driven by higher consumption and investment. While in emerging economies, growth remained mixed, as China's growth was impacted by its domestic real estate crisis and weak business confidence, whilst India's growth strengthened on the back of higher domestic consumption. The International Monetary Fund (IMF) projected global growth at 3.0 percent in its October 2023 World Economic Outlook (WEO), the same as in the July WEO update.

In July, leaders from the North Atlantic Treaty Organization (NATO) thirty-one member states met in Vilnius, Lithuania to discuss efforts to deter or respond to further Russian attack on Ukraine, and security threats posed by China. On defense spending, the leaders noted Russia's war in Ukraine have put pressure on members to increase defense spending up to 2.0 percent of GDP annually. The leaders called on allies to continue providing robust security assistance and work to enact the reforms necessary for NATO membership and announced commitments to provide Ukraine with long-term assistance. On addressing security threats from China, the allies noted that Chinese ambitions and tough policies challenged their interests, security and values, and called on the members to enhance cooperation with governments in the Indo-Pacific region, including Australia, Japan, New Zealand, and South Korea to address the threats.

In August, the Organization of the Petroleum Exporting Countries (OPEC) members met via videoconference for the 49th meeting of the Joint Ministerial Monitoring Committee (JMMC). The committee reviewed the crude oil production data for May and June 2023, and reaffirmed their commitment for the Declaration of Cooperation to the end of 2024 as agreed in the 35th OPEC and non-OPEC Ministerial Meeting in June 2023. The committee will assess market conditions and stand ready to take additional measures to build strong cohesion of OPEC and participating non-OPEC countries. It also expressed its support for the efforts of Saudi Arabia to stabilize the oil market and reiterated its appreciation for Saudi Arabia's additional voluntary cut of one million barrels per day, extending it for the month of September. The committee also commanded Russia for its additional voluntary reduction of exports by 300,000 barrels per day for the month of September.

In August, The World Health Organization (WHO) convened in Gujarat, India for a two-day summit on traditional medicine. Global Health ministers, scientists, practitioners of traditional medicine, health workers and members of civil society shared experiences, best practices and ideas to scale up efforts to implement global commitments to harness the potential of the evidence-based traditional medicines, that is complementary to modern medicine. The summit highlighted optimal ways to bring traditional medicine under the umbrella of primary health care and universal health coverage. This would ensure effective, safe and quality innovative methodologies for assessing and evaluating outcomes to improve progress towards all health-related Sustainable Development Goals.

In September, the Group of twenty (G20) leaders met in New Delhi, India, under the theme "One Earth, One Family, One Fu-

ture". The leaders discussed various issues including the Russia's war against Ukraine, strong and sustainable global growth, and sustainable development goals. On the Russia- Ukraine war, leaders called for all states to refrain from using force in seeking territorial acquisition, cessation of military destruction, stop attacks on food and energy infrastructure, and ensure immediate and unimpeded deliveries of essential supplies. They also agreed to increase the financing capacity of Multi Development Banks to maximise development impact. The leaders urged all to prioritize targeted fiscal measures to protect the poor and support policies that enable trade to be an engine of prosperity for all. On the Sustainable development goals (SDGs), the leaders highlighted that global progress on the SDGs was behind schedule with only 12.0 percent of the targets on track and resolved to accelerate the progress.

In September, the United Nations (UN) 2023 Sustainable Development Goals (SDG) summit was held in New York City. The UN members reaffirmed their commitment on accessing financing, eradication of poverty and ending hunger, combating climate change, and promoting foreign investment on education to tackle these challenges. On accessing finance, the summit called for the multilateral development banks to make financing more accessible to developing nations especially those most vulnerable to environmental, economic, and social crises, at affordable rates. On food security, the UN identified food security as one of the most pressing current global challenges and urged members that action was needed to combat food security and poverty. While on combating climate change, the members emphasized that the increased severity and frequency of natural disasters exert a disproportionate toll on vulnerable countries that are already under debt distress, and called upon wealthy nations to

fulfill their promises to assist the developing nations. Finally, the members emphasized that women and girls must benefit from equal access to quality education, economic resources, and political participation, as well as equal opportunities for jobs, leadership, and decision making at all levels.

In the US, real GDP increased by 2.9 percent over the year to September 2023, compared to an increase of 1.7 percent over the same period in 2022. The increase reflected higher consumer consumption, inventory and residential investment, and government spending. The latest IMF forecast is for real GDP to grow by 2.1 percent in 2023.

Industrial production declined by 0.1 percent over the year to September 2023, compared to an increase of 3.6 percent over the corresponding quarter in 2022. The decline reflected lower output of the manufacturing sector. The Purchasing Managers Index decreased to 49.0 in September 2023, compared to 50.9 in September 2022. This reflected a contraction in manufacturing output. Retail sales grew by 4.0 percent over the year to the September quarter of 2023, compared to 9.0 percent over the corresponding period in 2022. The lower increase reflected shops offering less discounts and imposing controls on inventory given higher costs of sourcing. The unemployment rate was 3.8 percent over the year to the September quarter of 2023, compared to 3.5 percent in the corresponding quarter of 2022.

Consumer prices increased by 3.7 percent over the year to September 2023, compared to 8.2 percent over the corresponding period in 2022. The outcome was attributed to lower price increases in all CPI expenditure categories, while energy prices declined. Broad money supply declined by 3.2 percent over the year to September 2023, compared to an increase of 4.9 percent

over the corresponding period of 2022. This reflected interest rate hikes by the Federal Reserve to fight inflation. The Federal Reserve maintained its policy rate at 5.50 percent in September and indicated another rate hike before the end of the year, to further reduce inflation to its long-term target.

The trade deficit narrowed to US\$184.7 billion over the year to September 2023, compared to a deficit of US\$210.7 billion in the corresponding period of 2022. The deficit reflected higher imports relative to exports.

In Japan, real GDP increased by 1.5 percent over the year to September 2023, the same as in the corresponding period of 2022. The growth mainly reflected continued strong production and export in the automotive industry. The latest IMF forecast is for real GDP to grow by 2.0 percent in 2023.

Industrial production declined by 4.3 percent over the year to September 2023, compared to an increase of 8.7 percent over the same period in 2022. Retail sales increased by 6.2 percent over the year to September 2023, compared to an increase of 4.8 percent over the same period in 2022, reflecting the continued recovery in consumption from the pandemic period with higher sale of food and beverage, automobiles, pharmaceutical and cosmetic products. The unemployment rate was 2.6 percent over the year to September 2023, the same as in the corresponding period of 2022.

Consumer prices increased by 3.0 percent over the year to September 2023, the same as in the corresponding period of 2022. Broad money supply increased by 3.1 percent over the year to June 2023, compared to an increase of 2.9 percent over the corresponding period of 2022. The Bank of Japan continued its monetary policy easing under the Yield Curve Control by maintaining the short-term interest rate at negative

0.1 percent and the 10-year Japanese government bond yield around zero percent in September. This policy stance is aimed to support growth amid uncertainties in the financial markets both at home and abroad.

The trade account recorded a surplus of US\$0.5 billion over the year to September 2023, compared to a deficit of US\$14.7 billion over the corresponding quarter in 2022. This reflected an increase in exports and a drop in imports.

In the euro area, real GDP recorded no change over the year to September 2023, compared to an increase of 2.4 percent over the same period in 2022. Growth in France and Italy was offset by a decline in Germany, attributed to higher inflation outcomes and lower domestic consumption. The latest IMF forecast is for real GDP to grow by 0.7 percent in 2023.

Industrial production declined by 6.7 percent over the year to September 2023, compared to an increase of 6.3 percent over the same period in 2022. The decline was attributed to a fall in the production of energy, intermediate and durable consumer and capital goods. Retail sales declined by 2.9 percent over the year to September 2023, compared to an increase of 0.1 percent over the same period in 2022, reflecting the weak consumer demand, persistently high inflation and elevated borrowing costs. The unemployment rate was 6.5 percent over the year to September 2023, compared to 6.7 percent over the same period in 2022.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, increased by 4.3 percent over the year to September 2023, compared to an increase of 9.9 percent over the same period in 2022. The outcome was due to lower prices of energy, food, alcohol and tobacco, non-energy industrial goods, and se

service costs. Broad money supply declined by 1.2 percent over the year to September 2023, compared to an increase of 6.3 percent over the same period in 2022. The European Central Bank raised its key interest rates by 25 basis points in September to 4.50 percent to reduce inflation back to its 2.0 percent target in a timely manner.

The trade account recorded a surplus of US\$11.0 billion over the year to September 2023, compared to a deficit of US\$36.4 billion over the same period in 2022.

In the UK, real GDP grew by 0.3 percent over the year to September 2023, compared to an increase of 2.1 percent over the same period in 2022. This marginal growth reflected lower business activity, government spending, exports and consumption spending as high interest rates weighed on consumers and businesses. The latest IMF forecast is for real GDP to grow marginally by 0.6 percent in 2023.

Industrial production increased by 1.1 percent over the year to September 2023, compared to a decline of 2.1 percent over the same period in 2022. Retail sales declined by 1.4 percent over the year to September 2023, compared to a decline of 7.1 percent over the same period in 2022. The decline reflected the impact of higher inflation, increased interest rates, and lower consumer spending. The unemployment rate was 4.2 percent over the year to September 2023, compared to 3.6 percent over the same period in 2022, as growth was relatively low.

Consumer prices increased by 6.7 percent over the year to September 2023, compared to an increase of 10.1 percent in the corresponding period of 2022. The lower increase reflected lower prices of food and energy. Broad money supply increased by 1.2 percent over the year to September 2023, compared to an increase of 6.23 percent over

the same period in 2022. The decline reflected a reduction in borrowing due to high interest rates. The Bank of England maintained its interest rates at 5.25 percent to bring down inflation to its 2.0 percent target.

The trade account recorded a deficit of US\$5.6 billion over the year to September 2023, compared to a deficit of US\$7.5 billion over the same period in 2022. The deficit reflected lower imports relative to exports.

In China, real GDP grew by 4.9 percent over the year to September 2023, compared to an increase of 3.0 percent over the same period in 2022. Strong growth in retail sales, industrial production, wholesale, financial services and Government spending on infrastructure accounted for the increase. The latest IMF forecast is for real GDP to grow by 5.0 percent in 2023.

Industrial production increased by 4.5 percent over the year to September 2023, compared to an increase of 6.3 percent over the same period of 2022. The increase was driven by higher production in mining, manufacturing and energy. Retail sales increased by 5.5 percent over the year to September 2023, compared to an increase of 2.5 percent in the corresponding period of 2022. The increase reflected a rebound in sales of food, automobiles, services for recreational activities. The unemployment rate was 5.0 percent over the year to September 2023, compared to 5.5 percent over the same period of 2022.

Consumer prices recorded no change over the year to September 2023, compared to an increase of 2.8 percent over the corresponding period of 2022. The lower prices for food offset higher prices for non-food items. Broad money supply increased by 10.3 percent over the year to September 2023, compared to an increase of 12.1 percent over the same pe

riod in 2022. The People's Bank of China maintained its one-year loan prime rate to 3.45 percent since August to support the country's post-COVID-19 recovery efforts.

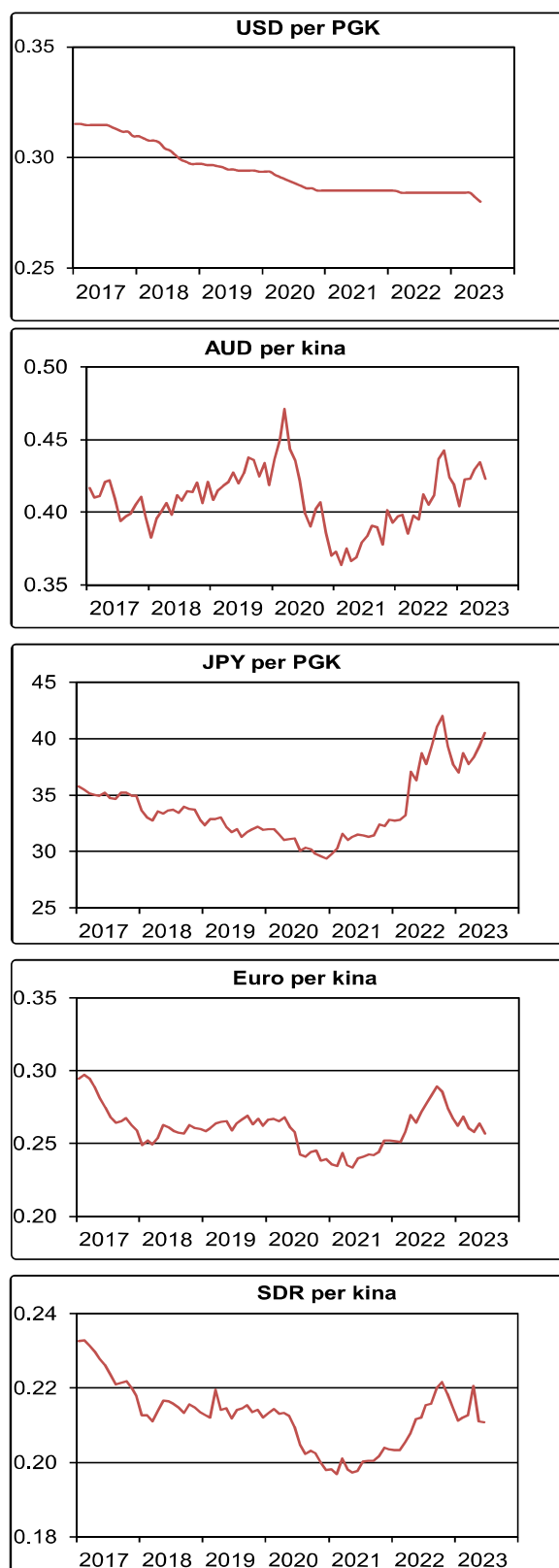
The trade account recorded a surplus of US\$77.6 billion over the year to September 2023, compared to a surplus of US\$82.2 billion in the same period of 2022. The lower surplus reflected a decline in exports due to lower global growth.

In Australia, real GDP increased by 2.1 percent over the year to September 2023, compared to an increase of 5.8 percent over the same period of 2022. The lower outcome was driven by robust private and public investment, higher net exports, and a rebound in tourism. The latest IMF forecast is for real GDP to grow by 1.8 percent in 2023.

Industrial production recorded no change over the year to September 2023, compared to a decline of 0.6 percent over the same period in 2022. Retail sales increased by 2.0 percent over the year to September 2023, compared to an increase of 17.7 percent over the same period in 2022. The increase reflected the rising cost of living that has curtailed consumer spending. The unemployment rate was 3.6 percent over the year to September 2023, the same as in the corresponding period of 2022.

Consumer prices increased by 5.4 percent over the year to September 2023, compared to an increase of 7.3 percent over the same period of 2022. The increase was driven by higher prices for housing, rents, food and non-alcoholic beverages, alcoholic beverages, furnishings, household equipment and services. Broad money supply increased by 5.0 percent over the year to September 2023, compared to an increase of 7.2 percent over the same period of 2022. The Reserve Bank of Australia maintained the cash rate at

EXCHANGE RATES



4.1 percent in September to curb inflation.

The trade account recorded a surplus of US\$4.4 billion over the year to September 2023, compared to a surplus of US\$8.4 billion over the same period in 2022.

In the September quarter of 2023, the US dollar depreciated against all major currencies except the Australian dollar. It depreciated against the Japanese yen by 5.0 percent, the pound sterling by 1.2 percent and the euro by 0.5 percent, while it appreciated against the Australian dollar by 2.0 percent. Over the year, the US dollar depreciated against the euro, pound sterling and the yen, while it appreciated against the Australian dollar. It depreciated against the euro by 9.6 percent, the pound sterling by 6.9 percent and the yen by 4.3 percent, while it appreciated against the AUD by 4.5 percent.

In the September quarter of 2023, the average daily kina exchange rate depreciated against all the major currencies except the Japanese yen and the Australian dollar. It depreciated against the pound sterling by 2.9 percent to £0.2195, the euro by 1.7 percent to €0.2553 and the USD by 0.4 percent to US\$0.2779, while it appreciated against the Japanese yen by 3.4 percent to ¥40.1126 and the Australian dollar by 0.3 percent to A\$0.42453. These currency movements resulted in the TWI increasing by 0.8 percent to 30.15 in the quarter. Over the year, the average daily kina exchange rate depreciated against all the major currencies, except the Australian dollar and the Japanese yen. It depreciated against the euro by 9.4 percent, the pound sterling by 8.9 percent and the USD by 2.1 percent, while it appreciated against the AUD by 2.3 percent and the yen by 2.3 percent.

3. DOMESTIC ECONOMIC CONDITIONS

DOMESTIC ECONOMIC ACTIVITY

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector increased by 1.3 percent in the September quarter of 2023, compared to an increase of 0.6 percent in the June quarter of 2023. Excluding the mineral sector, sales increased by 6.0 percent in the September quarter of 2023, compared to a decline of 2.9 percent in the previous quarter. Sales increased in the wholesale, agriculture/forestry/fishing, retail, construction, transportation and the financial/business/other services sectors, which more than offset declines in the manufacturing and mineral sectors. By region, sales increased in all regions except the Southern (excluding NCD) and the Islands regions. Over the year to September 2023, total sales declined by 30.1 percent, compared to an increase of 49.9 percent over the year to September 2022. Excluding the mineral sector, sales declined by 1.3 percent over the year to September 2023, compared to an increase of 8.7 percent over the year to September 2022.

In the wholesale sector, sales increased by 16.4 percent in the September quarter of 2023, compared to a decline of 10.7 percent in the previous quarter. Higher prices of refined petroleum products, higher sales of non-durable goods, and increased sales of coffee by a major coffee buyer accounted for the increase. Over the year to September 2023, sales declined by 9.3 percent, compared to an increase of 23.8 percent in the corresponding period of 2022.

In the agriculture/forestry/fishing sector, sales increased by 13.5 percent in the September quarter of 2023, compared to a de-

cline of 4.1 percent in the previous quarter. The increase mainly reflected higher production and sale of coffee and cocoa commodities attributed to higher international prices. Over the year to September 2023, sales increased by 25.5 percent, compared to an increase of 63.9 percent in the corresponding period of 2022.

In the retail sector, sales increased by 7.0 percent in the September quarter of 2023, compared to a decline of 1.3 percent in the previous quarter. The increase mainly reflected higher sales of motor vehicles and heavy machinery, food and general merchandise. Over the year to September 2023, sales increased by 5.9 percent, compared to an increase of 4.6 percent in the corresponding period of 2022.

In the financial/business/other services sector, sales increased by 2.5 percent in the September quarter of 2023, compared to an increase of 0.4 percent in the previous quarter. The increase mainly reflected higher bank earnings from interest on loans, investments, fees and charges, higher real estate earnings and increased activity in the hotel industry in Port Moresby. Over the year to September 2023, sales increased by 5.7 percent, compared to an increase of 0.7 percent in the corresponding period.

In the manufacturing sector, sales declined by 3.8 percent in the September quarter of 2023, compared to an increase of 4.6 percent in the previous quarter. The decline mainly reflected lower production of refined petroleum products, canned fish, chicken products and metal fabrication. Over the year to September 2023, sales fell by 2.2 percent, compared to a decline of 15.3 percent in the corresponding period of 2022.

In the mineral sector, sales declined by 4.7 percent in the September quarter of 2023, compared to an increase of 5.3 percent

in the previous quarter. The decline was attributed to lower production at Ok Tedi and Lihir Gold mine. Over the year to September 2023, sales fell by 54.9 percent, compared to an increase of 139.9 percent in the corresponding period of 2022.

In the construction sector, sales increased by 3.3 percent in the September quarter of 2023, compared to a decline of 13.2 percent in the previous quarter. The decline mainly reflected lower building and construction activity in Morobe Province, following the near completion of the Nazab airport redevelopment and lower construction activity around the country. Over the year to September 2023, sales declined by 63.8 percent, compared to an increase of 227.8 percent in the corresponding period of 2022.

In the transportation sector, sales increased by 5.5 percent in the September quarter of 2023, compared to a decline of 6.7 percent in the previous quarter. The decline mainly reflected a drop in land transportation and shipping activities. Over the year to September 2023, sales increased by 0.7 percent, compared to an increase of 15.1 percent in the corresponding period of 2022.

By region, sales increased in all regions except the Southern (excluding NCD) and the Islands regions. In the Morobe region, sales increased by 11.3 percent in the September quarter of 2023, compared to a decline of 12.7 percent in the previous quarter. The increase was mainly driven by higher sale in refined petroleum products, and increased production of canned fish and meat, and timber products. Over the year to September 2023, sales decline by 3.6 percent, compared to an increase of 21.3 percent in the corresponding period of 2022.

In the Highlands region, sales increased by 2.5 percent in the September quarter of 2023, compared to a decline of 0.6 per-

cent in the previous quarter. The increase reflected higher production of crude oil and LNG, and increased sales of coffee and refined petroleum products. Over the year to September 2023, sales declined by 62.6 percent, compared to an increase of 228.7 percent in the corresponding period of 2022.

In NCD, sales increased marginally by 3.1 percent in the September quarter of 2023, compared to an increase of 4.8 percent in the previous quarter. The increase was mainly driven by higher sale of refined petroleum products, non-durable and pharmaceutical goods, and increased building and construction activities. Over the year to September 2023, sales increased by 5.6 percent, compared to a decline of 14.7 percent in the corresponding period of 2022.

In the Momase region, sales increased by 4.0 percent in the September quarter of 2023, compared to an increase of 0.9 percent in the previous quarter. This mainly reflected higher production in sugar, cocoa and fish canning. Over the year to September 2023, sales declined by 27.7 percent, compared to an increase of 37.1 percent in the corresponding period of 2022.

In Southern region, sales declined by 18.8 percent in the September quarter of 2023, compared to an increase of 28.1 percent in the previous quarter. The decline was mainly due to lower production and export by Ok Tedi Mine, and lower sales of wholesale goods and transportation activity. Over the year to September 2023, sales declined by 11.5 percent, compared to an increase of 1.1 percent in 2022.

In the Islands region, sales declined by 3.1 percent in the September quarter of 2023, compared to a decline of 3.2 percent in the previous quarter. The decline was mainly due to lower production by Lihir gold mine, lower palm oil harvests,

and fall in cocoa and coffee production. Over the year to September 2023, sales increased by 3.0 percent, compared to an increase of 35.1 percent in 2022.

EMPLOYMENT

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 1.3 percent in the September quarter of 2023, compared to a decline of 0.3 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 1.2 percent. By sector, the level of employment increased in the finance, business and other services, mineral, wholesale, retail, and transportation sectors, while it declined in the construction, agriculture/forestry/fishing and the manufacturing sectors. By region, the level of employment increased in the Highlands, Southern (excluding NCD), Morobe, and the Momase (excluding Morobe) regions, while it declined in the Islands region and NCD. Over the year to September 2023, the total level of employment increased by 4.4 percent, compared to an increase of 3.0 percent in the corresponding quarter of 2022. Excluding the mineral sector, the level of employment increased by 2.9 percent over the year to September 2023, compared to an increase of 3.8 percent in the corresponding quarter of 2022.

In the finance, business and other services sector, the level of employment increased by 2.7 percent in the September quarter of 2023, compared to a decline of 0.3 percent in the previous quarter. The increase was driven by higher recruitment of security guards by a firm operating in Morobe Province. Over the year to September 2023, the level of employment increased by 4.5 percent, compared to an increase of 4.8 percent in the corresponding quarter of 2022.

In the mineral sector, the level of employ-

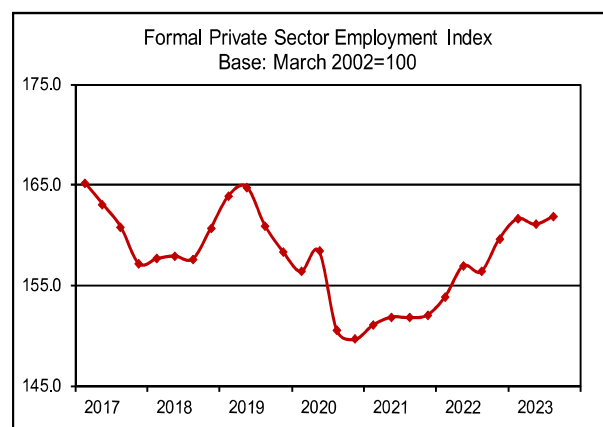
ment increased by 2.6 percent in the September quarter of 2023, compared to an increase of 2.9 percent in the previous quarter. The increase reflected higher recruitment by a major crude oil and a gas producer, and the resumption of a major gold mine. Over the year to September 2023, the level of employment increased by 19.5 percent, compared to an increase of 5.2 percent in the corresponding quarter of 2022.

In the wholesale sector, the level of employment increased by 0.4 percent in the September quarter of 2023, compared to an increase of 7.1 percent in the previous quarter. The increase in employment was due to improved activity by several major wholesalers. Over the year to September 2023, the level of employment increased by 7.2 percent, compared to a decline of 9.5 percent in the corresponding quarter of 2022.

In the retail sector, the level of employment increased by 3.5 percent in the September quarter of 2023, compared to a decline of 2.7 percent in the previous quarter. The increase was attributed to higher employment by major retail companies in NCD and Morobe. Over the year to September 2023, the level of employment increased by 2.0 percent, compared to a decline of 2.6 percent in the corresponding quarter of 2022.

In the transportation sector, the level of employment increased by 2.0 percent in the September quarter of 2023, compared to a decline of 0.6 percent in the previous quarter. The increase was attributed to an expansion of operations undertaken by an airline company and a container terminal service provider. Over the year to September 2023, the level of employment increased by 6.8 percent, compared to an increase of 6.5 percent in the corresponding quarter of 2022.

In the construction sector, the level of employment declined by 5.4 percent in the



September quarter of 2023, compared to a decline of 5.6 percent in the previous quarter. The decline reflected the demobilisation of construction workers on major road projects in the Highlands region and other major building projects in NCD. Over the year to September 2023, the level of employment declined by 18.1 percent, compared to an increase of 11.8 percent in the corresponding quarter of 2022.

In the agriculture/forestry/fishing sector, the level of employment increased by 1.0 percent in the September quarter of 2023, compared to a decline of 1.1 percent in the previous quarter. This was attributed to higher recruitment at a tea plantation in the highlands and a poultry farm in Morobe. Over the year to September 2023, the level of employment increased by 6.4 percent, the same as in the corresponding quarter of 2022.

In the manufacturing sector, the level of employment declined by 0.9 percent in the September quarter of 2023, compared to no change in the previous quarter. The decline was mainly due to scaling back of operations by a major biscuit producer in Morobe reflecting lower sales and higher inventory. Higher turnover was also recorded by a food producer in Morobe and a steel fabricator in the Islands region. Over the year to September 2023, the

level of employment declined by 3.2 percent, compared to an increase of 0.6 percent in the corresponding quarter of 2022.

By region, the level of employment increased in all the regions except the Islands regions and NCD. In the Highlands region, the level of employment increased by 10.8 percent in the September quarter of 2023, compared to an increase of 0.2 percent in the previous quarter. The increase was attributed to higher recruitment by a major crude oil producer, a security firm, and a company that owns a major tea plantation. Over the year to September 2023, the level of employment increased by 18.5 percent, compared to a decline of 3.5 percent in the corresponding quarter of 2022.

In the Southern region, the level of employment increased by 2.9 percent in the September quarter of 2023, compared to a decline of 3.1 percent in the previous quarter. This reflected higher recruitment by a camp management company and a hardware retailer. Over the year to September 2023, the level of employment increased by 5.9 percent, compared to a marginal increase of 0.2 percent in the corresponding quarter of 2022.

In the Morobe region, the level of employment increased by 1.5 percent in the September quarter of 2023, while it remained unchanged in the previous quarter. This reflected higher recruitment by a steel fabricator, a major security service firm, and a poultry farm. Over the year to September 2023, the level of employment increased by 3.5 percent, compared to an increase of 5.5 percent in the corresponding quarter of 2022.

In the Momase region, the level of employment declined by 0.1 percent in the September quarter of 2023, compared to an increase of 1.1 percent in the previous quarter. The decline reflected workers been laid off after the completion of several road and building

projects. Over the year to September 2023, the level of employment declined by 5.9 percent, compared to a decline of 5.7 percent in the corresponding quarter of 2022.

In the Islands region, the level of employment declined by 1.8 percent in the September quarter of 2023, compared to a decline of 1.4 percent in the previous quarter. The decline was due to lower production of palm oil and cocoa. Over the year to September 2023, the level of employment increased by 6.3 percent, compared to an increase of 11.3 percent in the corresponding quarter of 2022.

In NCD, the level of employment declined by 0.3 percent in the September quarter of 2023, compared to an increase of 0.6 percent in the previous quarter. The decline was due to the completion of a major building construction project. Over the year to September 2023, the level of employment increased by 0.4 percent, compared to an increase of 6.2 percent in the corresponding quarter of 2022.

CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.9 percent in the September quarter of 2023, compared to an increase of 1.7 percent in the previous quarter. There were increases in the 'Alcoholic Beverages, Tobacco and Betelnut', 'Health', 'Clothing and Footwear', 'Food and Non-Alcoholic Beverages', 'Restaurants and Hotels', 'Transport' 'Miscellaneous', 'Housing' and 'Household Equipment' expenditure groups, which more than offset decreases in the 'Communication' and 'Recreation' expenditure groups. The 'Education' expenditure group recorded no price change in the quarter. By urban centre, prices increased in all the surveyed centres. Annual headline inflation was 2.2 percent in the September

quarter of 2023, compared to an increase of 1.4 percent in the previous quarter.

The CPI for the 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group increased by 5.5 percent in the September quarter of 2023, compared to an increase of 5.0 percent in the previous quarter. There were increases in the 'betelnut and mustard' and 'tobacco' sub-groups of 9.3 percent and 1.0 percent, respectively, which more than offset a decline of 0.3 percent in the 'alcoholic beverages' sub-group. This expenditure group contributed 0.9 percentage points and 0.3 percentage points to the overall quarterly and annual CPI outcomes, respectively.

The CPI for the 'Health' expenditure group increased by 3.1 percent in the September quarter of 2023, compared to an increase of 2.2 percent in the previous quarter. This was mainly attributed to a price increase in the 'medical supplies' sub-group of 6.3 percent, whilst the 'medical services' sub-group remained unchanged. This expenditure group contributed 0.1 percentage point and 0.2 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for the 'Clothing and Footwear' expenditure group increased by 2.6 percent in the September quarter of 2023, compared to an increase of 5.9 percent in the previous quarter. There were increases in the 'women and girl wear', 'sewing items', 'footwear', 'boys wear' and 'men's wear' sub-groups of 5.5 percent, 2.5 percent, 1.3 percent, 1.2 percent and 0.6 percent, respectively. These more than offset a decline in the 'headwear' sub-group of 2.1 percent. This expenditure group contributed 0.1 percentage point and 0.5 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for the 'Food and Non-Alcoholic Beverages' expenditure group increased by 2.0 percent in the September quarter of 2023, compared to an increase of 1.8 percent in the previous quarter. There were increases in the 'fruits and vegetables' sub-group of 4.6 percent, 'cereals' of 2.6 percent, both 'fish and 'non-alcoholic beverages' of 1.0 percent each, 'meat' of 0.8 percent, 'other food products' of 0.7 percent and 'sugars and confectionary' of 0.1 percent. These more than offset price declines in the 'oils and fats' and 'dairy products, eggs, cheese' sub-groups of 3.2 percent and 0.6 percent, respectively. This expenditure group contributed 0.6 percentage points and 1.9 percentage points to the overall quarterly and annual CPI inflation, respectively.

The CPI for the 'Restaurants and Hotels' expenditure increased by 1.7 percent in the September quarter of 2023, compared to an increase of 3.8 percent in the previous quarter. An increase in the 'take-away foods' sub-group of 1.9 percent more than offset a decline of 0.2 percent in the 'accommodation' sub-group. This expenditure group's contribution to the quarterly overall CPI outcome was negligible, whilst it contributed 0.3 percentage points to the overall annual CPI outcome.

The CPI for the 'Transport' expenditure group increased by 1.2 percent in the September quarter of 2023, compared to a decline of 0.3 percent in the previous quarter. There were increases in the 'fuels and lubricants', 'operations of transport', 'motor vehicle purchases' and 'fares' sub-groups of 13.6 percent, 0.7 percent, 0.6 percent and 0.1 percent respectively. The 'other services' sub-group remained unchanged. This expenditure group contributed 0.2 percentage points to both the overall quarterly and annual CPI outcomes, respectively.

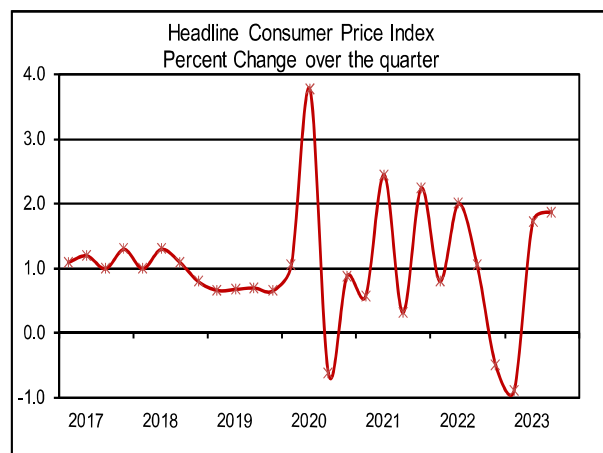
Prices in the 'Miscellaneous' expendi-

ture group increased by 0.8 percent in the September quarter of 2023, compared to an increase of 2.1 percent in the previous quarter. The increase reflected increases in the baby oil and powder, insect repellent, toiletries and personal care products and childrens toys of 2.5 percent, 2.1 percent, 0.8 percent and 0.7 percent, respectively. The court fees and barber fees remained unchanged. This expenditure group's contribution to the quarterly and annual overall CPI inflation was negligible.

The CPI for the 'Housing' expenditure group increased by 0.6 percent in the September quarter of 2023, compared to a decline of 0.2 percent in the previous quarter. The increase reflected price increases in the 'housing maintenance', 'cooking' and 'rent' sub-groups of 3.0 percent, 2.0 percent and 0.2 percent, respectively. The 'electricity' and 'water' sub-groups recorded no changes in the quarter. This expenditure group contributed 0.1 percentage points to the overall quarterly CPI inflation outcome, whilst its contribution to the overall annual CPI inflation outcome was negligible.

The CPI for the 'Household Equipment' expenditure group increased by 0.5 percent in the September quarter of 2023, compared to an increase of 1.7 percent in the previous quarter. This reflected increases in the 'household maintenance goods' and 'household furniture and furnishings' sub-groups of 2.4 percent and 1.4 percent, respectively. These increases more than offset a decline of 1.0 percent in the 'household appliances' sub-group. This expenditure group's contribution to the overall quarterly CPI inflation outcome was negligible, whilst it contributed 0.3 percentage points to the overall annual CPI inflation outcome.

The CPI for the 'Communication' expenditure group decreased by 3.5 percent in the September quarter of 2023, compared



to a decline of 1.9 percent in the previous quarter. There was a decline in the 'telephone services' of 5.0 percent, which more than offset an increase in the 'telephone equipment' sub-group of 1.1 percent. The 'postal services' and 'other services' sub-groups recorded no price change in the quarter. This expenditure group contributed 0.1 percentage points and 0.2 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for 'Recreation' expenditure group decreased by 0.5 percent in the September quarter of 2023, compared to an increase of 2.3 percent in the previous quarter. There were decreases in the prices of biros, flash drives and television of 4.4 percent, 2.1 percent and 0.4 percent, respectively. These more than offset increases in the prices of sports gate and movie fees, bicycles, magazine, batteries newspaper and DVD player of 1.7 percent, 1.2 percent, 0.5 percent, 0.3 percent and 0.2 percent, respectively. The price of digital camera and photography remained unchanged. This expenditure group's contribution to both the quarterly and annual CPI inflation outcomes was negligible.

The CPI for the 'Education' expenditure group recorded no price change in the September quarter of 2023, the same as

in the previous quarter. All expenditure sub-groups recorded no price changes during the quarter. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it accounted for 1.1 percentage points in the overall annual CPI inflation outcome.

In Alotau/Kimbe-Kokopo/Rabaul, prices increased by 3.7 percent in the September quarter of 2023, compared to an increase of 1.3 percent in the previous quarter. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest price increase of 23.0 percent, followed by 'Transport' with 3.5 percent, 'Restaurants and Hotels' with 2.3 percent, 'Household Equipment' with 1.4 percent, 'Housing' with 1.3 percent, 'Health' with 1.1 percent, 'Clothing and Footwear' with 0.4 percent and 'Food and Non-Alcoholic Beverages' with 0.3 percent. These more than offset decreases in the 'Recreation' and 'Miscellaneous' expenditure groups of 2.4 percent and 0.8 percent, respectively. The 'Education' and 'Communication' expenditure groups recorded no price changes. Alotau/Kimbe-Kokopo/Rabaul contributed 0.3 percentage points and 0.6 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

Prices in Lae increased by 1.9 percent in the September quarter of 2023, compared to an increase of 3.3 percent in the previous quarter. The 'Alcoholic Beverages, Tobacco and Betelnut' expenditure group recorded the largest increase of 3.6 percent, followed by 'Transport' with 2.4 percent, 'Food and Non-Alcoholic Beverages' with 2.3 percent, 'Household Equipment' with 1.7 percent, 'Clothing and Footwear' with 1.3 percent, 'Housing' with 1.2 percent, 'Miscellaneous' with 0.9 percent and 'Health' with 0.4 percent. These more than

offset decreases in the 'Communication', 'Recreation' and 'Restaurants and Hotels' expenditure groups of 5.1 percent, 1.0 percent and 0.1 percent, respectively. The 'Education' expenditure group recorded no price change in the quarter. Lae contributed 0.3 percentage points and 0.2 percentage points to the overall quarterly and annual CPI inflation outcome, respectively.

Prices in Port Moresby increased by 1.7 percent in the September quarter of 2023, compared to an increase of 1.6 percent in the previous quarter. 'Alcoholic Beverages, Tobacco and Betelnut' recorded the largest increase of 4.2 percent, followed by 'Health' with 3.8 percent, 'Clothing and Footwear' with 2.9 percent, 'Food and Non-Alcoholic Beverages' with 2.4 percent, 'Restaurants and Hotels' with 2.2 percent, 'Transport' with 0.7 percent, 'Miscellaneous' with 0.6 percent, 'Housing' with 0.4 percent and 'Household Equipment' with 0.1 percent. These more than offset declines in the 'Communication' and 'Recreation' expenditure groups of 3.3 percent and 0.4 percent, respectively. The 'Education' expenditure group recorded no change in the quarter. Port Moresby contributed 1.1 percentage points and 1.8 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

In Goroka/Mt. Hagen/Madang, prices increased by 1.3 percent in the September quarter of 2023, same as in the previous quarter. The 'Clothing and Footwear' expenditure group recorded the largest increase of 4.0 percent, followed by 'Miscellaneous' with 3.1 percent, 'Health' with 3.0 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 2.1 percent, 'Recreation' with 1.5 percent, 'Food and Non-Alcoholic Beverages' with 1.4 percent, 'Transport' with 1.2 percent, 'Household Equipment'

with 1.0 percent, 'Housing' with 0.8 percent and 'Restaurants and Hotels' with 0.6 percent. These more than offset a price decline of 5.2 percent in the 'Communication' expenditure group, while the 'Education' expenditure group recorded no price change in the quarter. Goroka/Mt. Hagen/Madang contributed 0.1 percentage point to the overall quarterly CPI inflation outcome, whilst its contribution to the overall annual CPI inflation was negligible.

The annual headline inflation increased by 2.2 percent in the September quarter of 2023, compared to an increase of 1.4 percent in the previous quarter. All expenditure groups recorded increases except the 'Education' and 'Communication' expenditure groups, which declined. The largest increase was in the 'Restaurants and Hotels' with 11.1 percent, followed by 'Clothing and footwear' with 9.8 percent, 'Household Equipment' with 7.8 percent, 'Food and Non-Alcoholic Beverages' with 6.4 percent, 'Health' with 5.8 percent, 'Miscellaneous' with 2.8 percent, 'Transport' with 2.3 percent, 'Recreation' with 2.3 percent, 'Alcoholic Beverages, Tobacco and Betelnut' with 1.8 percent, and 'Housing' with 0.3 percent. These more than offset declines in the 'Education' and 'Communication' expenditure groups of 22.9 percent and 7.4 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 0.6 percent in the September quarter of 2023, compared to an increase of 1.3 percent in the previous quarter. Annual exclusion-based inflation was 3.2 percent in the September quarter of 2023, compared to 4.5 percent in the previous quarter. The quarterly trimmed mean inflation measure published by the Bank of PNG increased by 1.1 percent in the September quarter of

2022, compared to an increase of 1.5 percent in the previous quarter. The annual trimmed-mean inflation was 4.4 percent in the September quarter of 2023, compared to 6.4 percent in the same period of 2022.

4. EXPORT COMMODITIES REVIEW

The total value of merchandise exports was K10,779.7 million in the September quarter of 2023, compared to K13,720.2 million in the corresponding quarter of 2022. There were lower export receipts for most of PNG's major export commodities, while there were increases for gold, copper, cocoa, tea and marine products.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, was K1,209.1 million, accounting for 11.2 percent of total merchandise exports in the September quarter of 2023, compared to K1,572.8 million or 11.5 percent of total merchandise exports in the corresponding quarter of 2022. Forestry product export value was K179.8 million, which accounted for 1.7 percent of total merchandise exports in the September quarter, compared to K259.5 million or 1.9 percent in the corresponding quarter of 2022. Refined petroleum product exports were K89.1 million and accounted for 0.8 percent of total merchandise exports in the quarter, compared to K217.0 million or 1.6 percent in the September quarter of 2022. Mineral export receipts, including LNG and condensate were K9,301.6 million and accounted for 86.3 percent of total merchandise exports in the September quarter, compared to K11,670.9 million or 85.1 percent in the corresponding quarter of 2022.

The weighted average kina price of PNG's exports, excluding LNG, declined by 2.9 percent in the September quarter of 2023,

compared to the corresponding quarter of 2022. Lower international prices accounted for the decline. There was a decline of 1.3 percent in the weighted average kina price of mineral exports, reflecting lower kina prices of all mineral commodities, except gold, crude oil and copper. For agricultural, logs and marine product exports, the weighted average kina price declined by 8.1 percent, due to lower kina prices for all non-mineral commodities, except for cocoa, copra, rubber and marine products. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 8.3 percent in the September quarter of 2023, compared to the corresponding quarter of 2022.

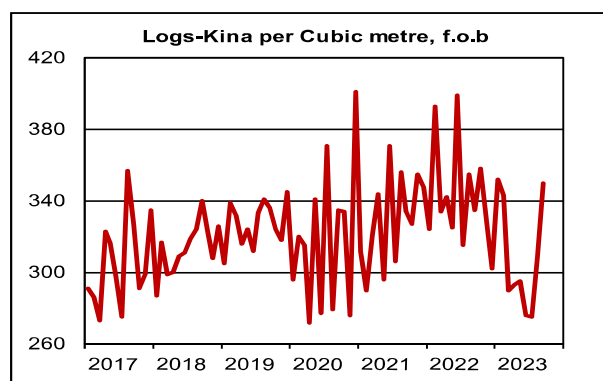
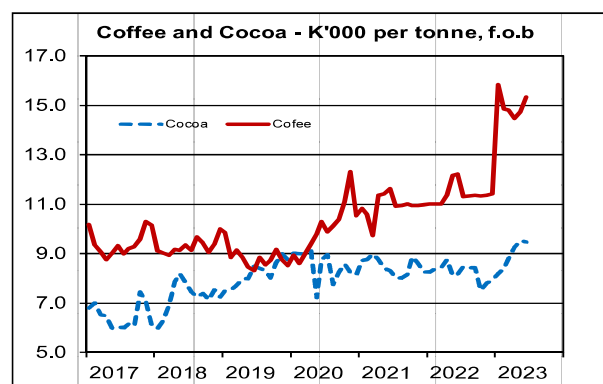
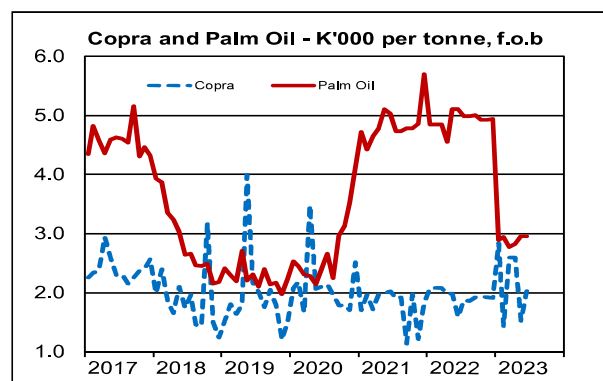
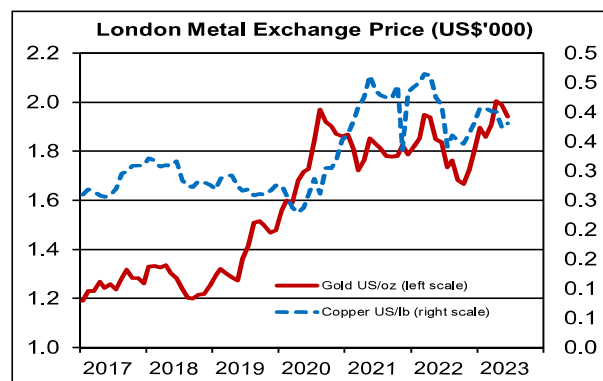
MINERAL EXPORTS

Total mineral export receipts were K9,301.6 million in the September quarter of 2023, compared to K11,670.9 million in the corresponding quarter of 2022. The decline was due to lower value of all mineral export commodities, except for gold and copper.

The value of LNG export was K4,756.5 million in the September quarter of 2023, compared to K6,470.7 million in the corresponding quarter of 2022. The decline was due to lower LNG prices, attributed to weak demand and high inventories in Europe, Asia and North America.

The volume of condensate exported was 1,659.0 thousand barrels in the September quarter of 2023, compared to 1,617.9 thousand barrels in the corresponding quarter of 2022. There were higher shipments by the PNG LNG project. The average free on board (f.o.b) price for condensate export was K283 per barrel in the quarter, compared to K324 per barrel in the corresponding quarter of 2022, reflecting lower international prices. The decline in export price more than offset the increase in export volume,

EXPORT COMMODITY PRICES



resulting in lower export receipts of K470.3 million in the quarter, compared to K525.0 million in the corresponding quarter of 2022.

The volume of gold exported was 9.4 tonnes in the September quarter of 2023, compared to 10.4 tonnes in the corresponding quarter of 2022. The decline reflected lower production at the Lihir and K92 mines, and export of alluvial gold. The average f.o.b price received for PNG's gold exports was K219.3 million per tonne in the September quarter, compared to K186.7 million per tonne in the corresponding quarter of 2022. This reflected higher international prices, combined with the depreciation of the kina against the US dollar. The average gold price at the London Metal Exchange increased by 11.8 percent to US\$1,928.7 per fine ounce in the September quarter, compared to the corresponding quarter of 2022. The increase was mainly due to strong demand for gold as a safe-haven investment following speculation of further rate cuts by the US Federal Reserve. The increase in export price more than offset the decline in export volume, resulting in higher export receipts of K2,061.8 million in the September quarter, compared to K1,941.9 million in the corresponding quarter of 2022.

The volume of copper exported was 20.3 thousand tonnes in the September quarter of 2023, compared to 18.6 thousand tonnes in the corresponding quarter of 2022. The increase was due to higher production of metal ore grades and shipment by the Ok Tedi mine. The average f.o.b. price of PNG's copper exports was K30,113 per tonne in the September quarter, compared to K27,914 per tonne in the corresponding quarter of 2022. The higher price was mainly due to higher global demand, mainly from China. The combined increase in export volume and price resulted in higher export receipts of K611.3 million in the September quarter, compared to K519.2 mil-

lion in the corresponding quarter of 2022.

The volume of nickel exported was 8.8 thousand tonnes in the September quarter of 2023, compared to 13.7 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production by the Ramu Nickel/Cobalt mine. The average f.o.b. price of PNG's nickel exports was K73,136 per tonne in the September quarter, compared to K77,839 per tonne in the corresponding quarter of 2022. The outcome reflected lower demand from China. The combined decline in export volume and price resulted in a lower export receipt of K643.6 million in the September quarter, compared to K1,066.4 million in the corresponding quarter of 2022.

The volume of cobalt exports was 0.8 thousand tonnes in the September quarter of 2023, compared to 1.2 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production by the Ramu Nickel/Cobalt mine. The average f.o.b. price of PNG's cobalt exports was K123,250 per tonne in the September quarter, compared to K181,167 per tonne in the corresponding quarter of 2022. The outcome reflected lower demand from China. The combined decline in export price and volume resulted in a lower export receipt of K98.6 million in the September quarter, compared to K217.4 million in the corresponding quarter of 2022.

The volume of crude oil exported was 1,880.0 thousand barrels in the September quarter of 2023, compared to 1,865.1 thousand barrels in the September quarter of 2022. This was due to a marginally higher production at the Kutubu oil fields. The average export price of crude oil was K273 per barrel in the September quarter, compared to K408 per barrel in the corresponding quarter of 2022. This reflected lower international prices due to weak demand

attributed to lower global growth, combined with higher production by non-OPEC members, led by the US and Russia. The decline in export price more than offset the increase in export volume, resulting in lower export receipts of K512.9 million in the September quarter, compared to K760.7 million in the corresponding quarter of 2022.

Export receipts of refined petroleum products, which include Naphtha from the PNG LNG project, were K89.1 million in the September quarter, compared to K217.0 million in the corresponding quarter of 2022.

AGRICULTURE, LOGS AND FISHERIES EXPORTS

Export prices of all non-mineral commodities declined in the September quarter of 2023, except for cocoa, copra, rubber and marine products, compared to the corresponding quarter of 2022. Palm oil prices declined by 21.4 percent, coffee by 18.1 percent, copra oil by 36.9 percent, tea by 60.0 percent and logs by 6.0 percent, while the prices for cocoa, copra, rubber and marine product increased by 54.0 percent, 54.5 percent, 32.5 percent and 13.7 percent, respectively. The net effect was an 8.1 percent decline in the weighted average kina price of agricultural, logs and marine product exports. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 8.3 percent in the September quarter, compared to the corresponding quarter of 2022.

The export volume of palm oil was 138.8 thousand tonnes in the September quarter, compared to 171.9 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production and shipment. The average export price of palm oil was K3,243 per tonne in the September quarter, a decline of 21.4 percent from

the corresponding quarter of 2022. This was due to higher production from Malaysia and Indonesia, attributed to favourable weather conditions. The combined decline of export price and volume resulted in an export receipt of K450.0 million in the September quarter, a decline of 36.5 percent from the corresponding quarter of 2022.

The export volume of coffee was 17.4 thousand tonnes in the September quarter, compared to 15.6 thousand tonnes in the corresponding quarter of 2022. The increase was due to higher production and shipment from major producing regions, reflecting favourable weather conditions. The average export price of coffee was K13,822 per tonne in the September quarter, a decline of 18.1 percent from the corresponding quarter of 2022. The outcome reflected lower international prices due to higher production from the top producer, Brazil attributed to favourable weather conditions. The decline in export price more than offset the increase in export volume, resulting in an export receipt of K240.5 million in the September quarter, a decline of 8.5 percent from the corresponding quarter of 2022.

The export volume of copra oil was 6.2 thousand tonnes in the September quarter, compared to 7.5 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production and shipments from major growing areas. The average export price of copra oil was K3,129 per tonne in the September quarter, a decline of 36.9 percent from the corresponding quarter of 2022. This reflected lower international prices, due to higher inventories of coconut oil in North America. The combined decline in export volume and price resulted in an export receipt of K19.4 million in the September quarter, a decline of 47.8 percent from the corresponding quarter of 2022.

The export volume of tea was 0.1 thou-

sand tonnes in the September quarter, compared to 0.01 thousand tonnes in the corresponding quarter of 2022. This was due to improved production and higher shipment. The average export price of tea was K4,000 per tonne in the September quarter, compared to K10,000 per tonne in the corresponding quarter of 2022. The increase in export volume more than offset the decline in export price, resulting in an export receipt of K0.4 million in the quarter.

The export volume of cocoa was 13.0 thousand tonnes in the September quarter of 2023, compared to 14.9 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production and shipments from the main producing regions. The average export price of cocoa was K11,677 per tonne in the September quarter, an increase of 54.0 percent from the corresponding quarter of 2022. The outcome mainly reflected higher international prices as a result of lower production from Ghana and the Ivory Coast, attributed to unfavourable wet weather conditions. The increase in export price more than offset the decline in export volume, resulting in an export receipt of K151.8 million in the September quarter, an increase of 34.3 percent from the corresponding quarter of 2022.

The export volume of copra was 1.1 thousand tonnes in the September quarter of 2023, compared to 5.1 thousand tonnes in the corresponding quarter of 2022. The decline reflected lower shipments from the major producing regions. The average export price of copra was K2,545 per tonne in the September quarter, an increase of 54.5 percent from the corresponding quarter of 2022. This outcome reflected lower production from the Philippines, combined with an increase in global demand. The decline in export volume more than offset the increase in export price, resulting in an

export receipt of K2.8 million in the September quarter, a decline of 66.7 percent from the corresponding quarter of 2022.

The export volume of rubber was 0.6 thousand tonnes in the September quarter of 2023, compared to 0.9 thousand tonnes in the corresponding quarter of 2022. The decline was due to lower production and shipment from the major producers. The average export price of rubber was K6,333 per tonne in the quarter, an increase of 32.5 percent from the corresponding quarter of 2022. This reflected higher international prices driven by lower production from Thailand, the major producer. The decline in export volume more than offset the increase in export price, resulting in export receipts of K3.8 million in the quarter, a decline of 11.6 percent from the corresponding quarter of 2022.

The export volume of logs was 553.0 thousand cubic meters in the September quarter, compared to 745.0 thousand cubic meters in the corresponding quarter of 2022. This was due to lower production and shipment from major producing regions. The average export price of logs was K313 per cubic meter in the quarter, a decline of 6.0 percent from the corresponding quarter of 2022. This outcome reflected weak demand from China, the world's largest consumer of tropical logs. The combined decline in export volume and price resulted in export receipts of K172.9 million in the quarter, a decline of 30.4 percent from the corresponding quarter of 2022.

The value of marine products exported was K252.5 million in the September quarter of 2023, compared to K190.3 million in the corresponding quarter of 2022. This resulted from a combined increase in export volume and price.

5. BALANCE OF PAYMENTS

NINE MONTHS TO SEPTEMBER 2023 ON NINE MONTHS TO SEPTEMBER 2022

The balance of payments recorded an overall deficit of K1,183.4 million for the nine months to September 2023, compared to a surplus of K712.0 million in the corresponding period of 2022. This was due to a deficit in the financial account which more than offset a surplus in the current and capital account.

The surplus in the current and capital account was due to a net inflow in the trade account and capital for project financing, which more than offset higher net primary income payments.

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

The trade account recorded a surplus of K18,837.8 million for the nine months to September 2023, compared to a surplus of K22,351.9 million in the corresponding period of 2022. The surplus was driven by mineral and LNG exports combined with lower general and mining sector imports.

The value of merchandise exports was K32,985.0 million in the nine months to September 2023, compared to K38,055.1 million in the corresponding period of 2022. The decline was attributed to lower export receipts of LNG and condensate, while gold, copper, nickel, cocoa, coffee and tea export receipts increased.

The value of merchandise imports was K14,147.2 million in the nine months to

September 2023, compared to K15,703.3 million in the corresponding period of 2022. This was due to lower mining and general imports. The value of general imports was K8,597.0 million in the nine months to September 2023, compared to K10,362.8 million in the corresponding period of 2022. Mining sector imports was K3,384.1 million in the nine months to September 2023, compared to K3,467.2 million in the corresponding period of 2022. The decline was due to lower capital expenditure undertaken by the Ok Tedi, Lihir and Ramu Nickel/Cobalt mine. The value of petroleum sector imports was K 2,166.1 million in the same period, compared to K1,886.2 million in the corresponding period of 2022. This reflected lower expenditure on exploration and drilling activities by a resident petroleum company. Resident companies in the mining and petroleum sectors used funds held in their offshore foreign currency accounts to pay for imports allowed for under their respective Project Development Agreements (PDAs).

The services account had a deficit of K4,485.0 million in the nine months to September 2023, compared to a deficit of K 6,413.4 million in the corresponding period of 2022. The decline was due to lower payments for all services, except for manufacturing services on physical inputs owned by others.

The primary income account recorded a deficit of K4,388.4 million in the nine months to September 2023, compared to a deficit of K2,985.7 million in the corresponding period of 2022. This outcome was mainly due to higher payments for interest and dividends.

The secondary income account had a surplus of K846.2 million in the nine months to September 2023, compared to a surplus of K411.9 million in the corresponding period of 2022. The outcome was mainly due to higher receipts in general government reflecting licensing fees, taxes, gifts and grants.

The capital account recorded a net inflow of K13.4 million in the nine months to September 2023, compared to a net inflow of K17.7 million in the corresponding period of 2022, reflecting lower transfers by donor agencies for project financing.

As a result of the developments in the trade, services, primary and secondary income accounts, and capital account, the current and capital account recorded a surplus of K10,824.0 million in the nine months to September 2023, compared to a surplus of K13,382.4 million in the corresponding period of 2022.

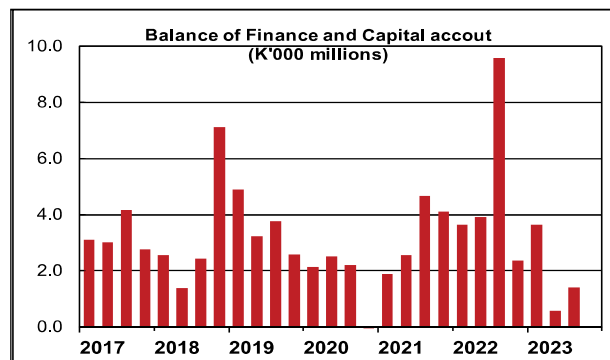
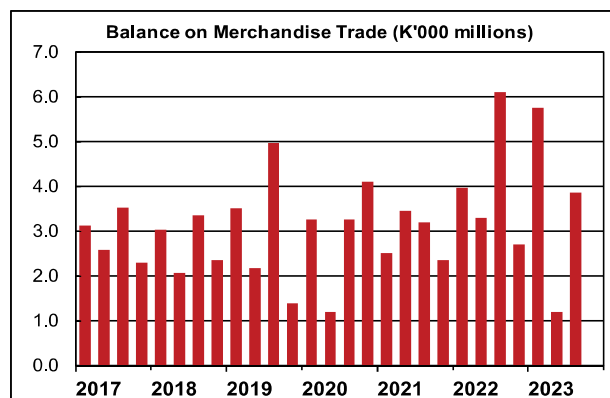
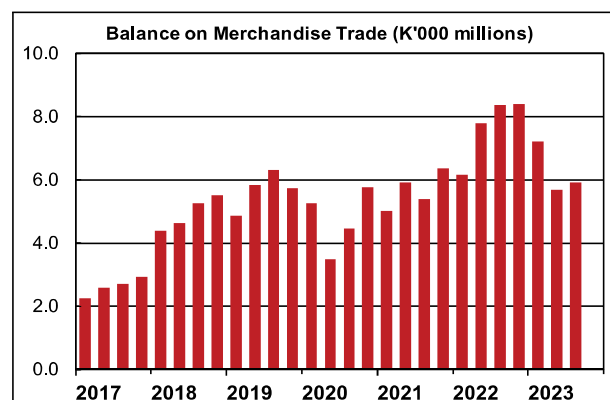
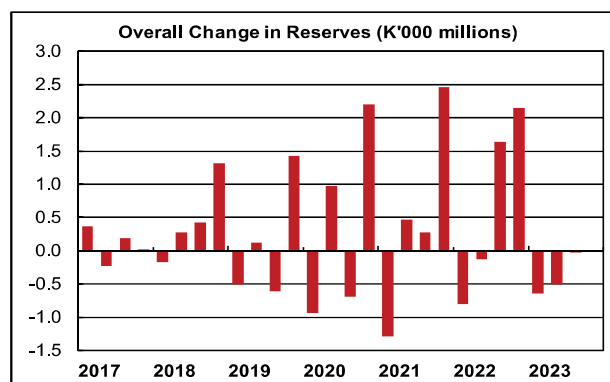
The financial account recorded a deficit of K5,609.7 million in the nine months to September 2023, compared to a deficit of K17,122.4 million in the corresponding period of 2022. The outcome was due to a lower net outflow from offshore foreign currency accounts for short term money market investments and debt service payments on external loans, largely by mineral companies, including LNG project partners and the Government.

SEPTEMBER QUARTER 2023 ON SEPTEMBER QUARTER 2022

The balance of payments recorded an overall deficit of K28.9 million in the September quarter 2023, compared to a surplus of K1,638.9 million in the corresponding quarter of 2022. This resulted from a deficit in the financial account, which more than offset a surplus in the current and capital account.

The value of merchandise imports was K4,870.1 million in the September quarter of 2023, compared to K5,334.4 million in the corresponding quarter of 2022. The outcome was due to lower general, petroleum and mining sector imports. The value of general imports was K2,973.1 million in the September quarter, compared

BALANCE OF PAYMENTS



to K3,121.0 million in the corresponding quarter of 2022, reflecting delays in payments of imports due to lower foreign exchange availability. Mining sector imports was K1,086.6 million in the September quarter, compared to K1,339.8 million in the corresponding quarter of 2022. The decline was due to lower capital expenditure undertaken by the Ok Tedi, Hidden Valley and Ramu Nickel/Cobalt mines. The value of petroleum sector imports was K810.5 million in the September quarter, compared to K877.4 million in the corresponding quarter of 2022. This reflected lower expenditure on exploration and drilling activities by a resident petroleum company. Mining and petroleum companies used their offshore foreign currency accounts to pay for imports allowed for under their respective PDAs.

The services account recorded a deficit of K1,806.4 million in the September quarter of 2023, compared to a deficit of K1,975.7 million in the corresponding quarter of 2022. This was due to lower payments for all services, except for manufacturing and other business services.

The primary income account recorded a deficit of K350.4 million in the September quarter of 2023, compared to a deficit of K367.1 million in the corresponding quarter of 2022. The outcome was mainly due to lower payments for compensation of employees.

The secondary income account had a surplus of K102.3 million in the September quarter of 2023, compared to a surplus of K57.5 million in the corresponding quarter of 2022. The outcome was mainly due to higher receipts in general government reflecting taxes, and gifts and grants.

The capital account recorded a net inflow of K0.9 million in the September quarter of 2023, the same as in the corresponding quarter of 2022, reflecting transfers

by donor agencies for project financing. As a result of these developments in the trade, services, primary and secondary income accounts and capital accounts, the current and capital account recorded a surplus of K3,856.1 million in the September quarter of 2023, compared to a surplus of K6,101.4 million in the corresponding quarter of 2022.

The financial account recorded a deficit of K1,412.8 million in the September quarter, compared to a deficit of K9,575.7 million in the September quarter of 2022. The outcome was due to net outflows from direct and other investments, reflecting net outflow of funds from offshore foreign currency accounts for investments and debt service payments on external loans, largely by mineral companies, including PNG LNG project partners, and the Government.

The level of gross foreign exchange reserves at the end of September 2023 was K13,226.5 (US\$3,677.0) million, sufficient for 5.9 months of total and 8.4 months of non-mineral import covers.

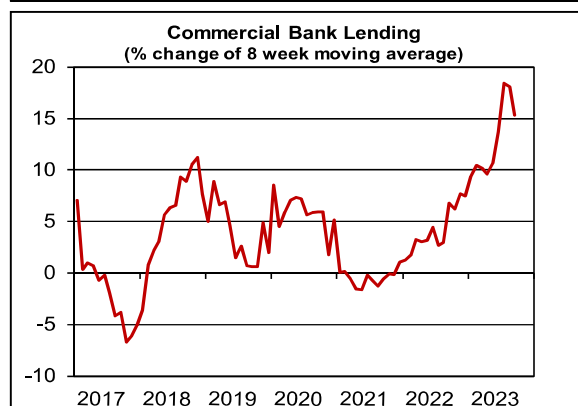
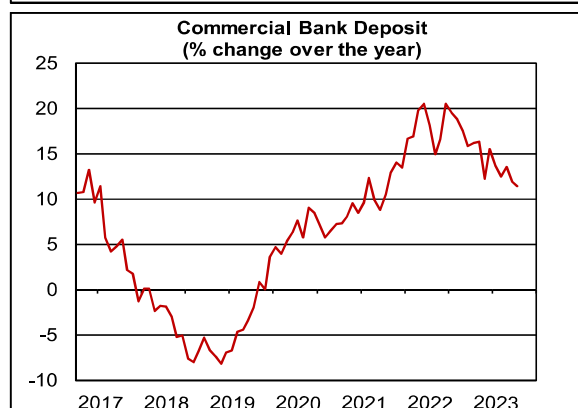
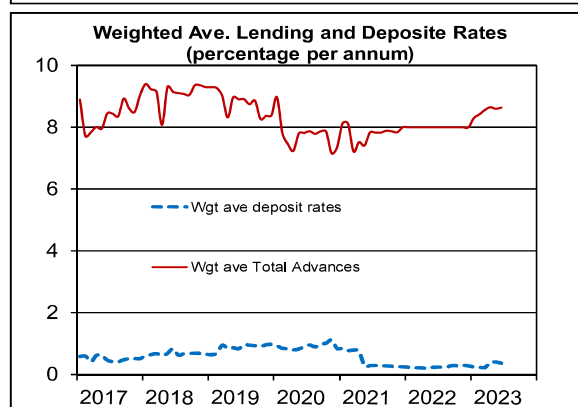
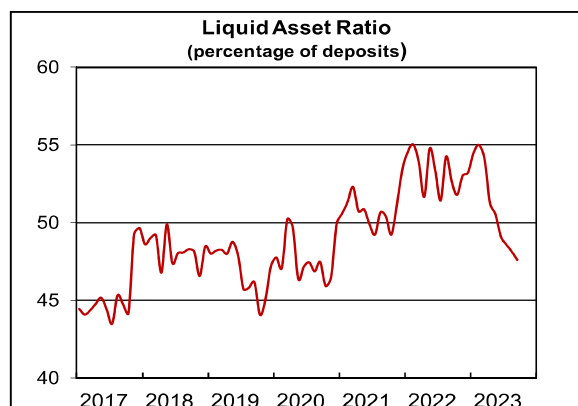
6. MONETARY DEVELOPMENTS

INTEREST RATES AND LIQUIDITY

The Central Bank maintained a neutral monetary policy stance in the September quarter of 2023. The Bank's stance took into consideration the low inflation outcomes in the past two quarters of 2023, the impact of policy reforms undertaken under the IMF Program (ECF & EFF), and the projected growth of 2.50 percent for 2023. Under the low inflation environment, the KFR was reduced by 50.0 basis points to 3.00 percent for September 2023 from 3.50 percent in August. The dealing margins for the Repurchase Agreement (Repo) Facility and term Repos remained at 100 and 150 basis points,

respectively, on both sides of the KFR. Domestic weighted average interest rates for short-term securities generally declined for most maturities between the end of September and June 2023. At the Central Bank Bill (CBB) auction, the Bank implemented the Fixed Rate Full Allotment (FRFA) auction beginning in September in which only the 7-day CBB term was offered at a fixed rate of 2.00 percent. The CBBs competitive auction for 14-day, 28-day, 63-day and 91-day CBB rates were not offered after the end of August 2023, to allow the implementation of the 7-day FRFA auction. Between end of June and August 2023, the CBB rates for the 28-day, 63-day and 91-day terms decreased by 0.03 percentage points, 0.01 percentage points and 0.07 percentage points to 2.35 percent, 2.65 percent and 2.74 percent, respectively. The 14-day CBB rate increased by 0.01 percentage points while the 7-day rate remained unchanged at 2.23 percent before decreasing to of 2.00 percent in September 2023. The Government's Treasury bill rates for the 182-day and 273-day terms decreased by 0.48 percentage points and 0.13 percentage points to 1.61 percent and 2.26 percent, respectively, while the 364-day term increased by 0.10 percentage points to 3.09 percent.

The weighted average interest rates on commercial banks' large term deposits (K500,000 and above) decreased for all terms, except the 90-day and 360-day terms over the September quarter. The 30-day, 60-day, 180-day and 270-day deposit rates decreased by 0.09 percentage points, 0.29 percentage points, 1.01 percentage points and 0.50 percentage points to 0.50 percent, 0.46 percent, 0.60 percent and 1.05 percent, respectively. The 90-day and 360-day deposit rates increased by 1.96 percentage points and 1.01 percentage points to 2.50 percent and 2.60 percent, respectively. The monthly weighted average interest rate on

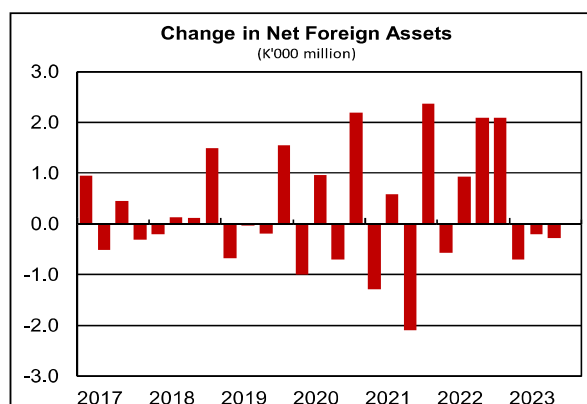
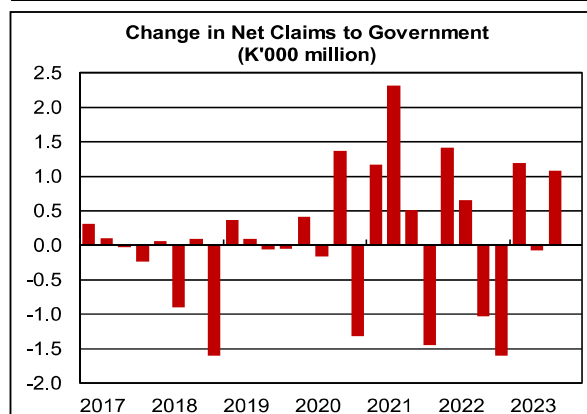
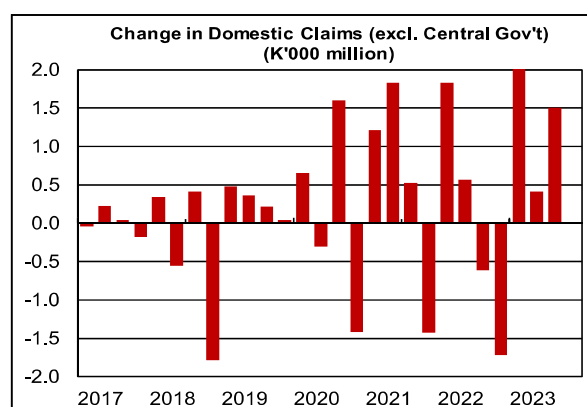
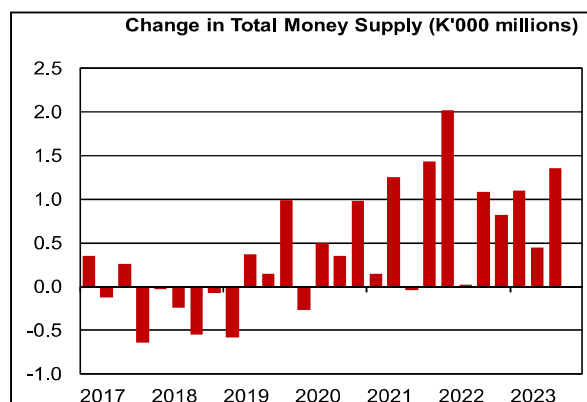


total deposits increased to 0.39 percent from 0.37 percent during the September quarter of 2023, while the monthly rate for total loans declined to 8.43 percent from 8.45 percent. The Indicator Lending Rates (ILR) for commercial banks remained unchanged between 6.95 percent and 11.70 percent in the September quarter of 2023.

The Bank utilized its Open Market Operation (OMO) instruments in the conduct of monetary policy. Total liquid asset holdings of the banking system continue to remain high. The Bank diffused some of the liquidity through the net issuance of K310.3 million in CBBs in the September quarter of 2023 following the implementation of FRFA. The Government's total net issuance totalled K548.4 million, comprising of a net issuance of K1,192.8 million in Treasury bonds (Inscribed Stock), which more than offset a net retirement of K644.3 million in Treasury bills. This reflected the switch in Government budget deficit financing from external to domestic borrowing. There were two interbank deals and five repo transactions recorded during the third quarter of 2023. The interbank borrowing was done at 5.00 percent, while the repo deals were mainly overnight deals at 4.50 percent for overnight term and 5.50 percent for the term repo deal. The Cash Reserve Requirement (CRR) on commercial banks' deposits was maintained at 10.0 percent over the September quarter of 2023.

MONEY SUPPLY

The average level of broad money supply (M3*) increased by 1.3 percent in the September quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. This was due to an increase of 4.3 percent in average net domestic claims of the banking system including average net claims on Central Government, which more than offset a decline of



1.9 percent in average net foreign assets (NFA). The average net domestic claims, excluding average net claims on Central Government increased by 4.1 percent in the September quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. This reflected increases in average claims on the private sector and other financial corporations, which more than offset decreases in average claims on 'Provincial and Local Level Governments' and public non-financial corporations.

The average level of monetary base (reserve money) declined by 2.6 percent in the September quarter of 2023, compared to a decline of 6.2 percent in the previous quarter. This reflected a decline in average liabilities to other depository corporations (ODCs) held at the Central Bank, mainly ESA and CRR deposits of commercial banks, which more than offset an increase in currency in circulation.

The average level of narrow money supply (M1*) increased by 1.4 percent in the September quarter of 2023, compared to an increase of 4.4 percent in the previous quarter. This was due to an increase in the average level of transferable deposits, more than offsetting an increase in currency outside the depository corporations (DCs). The average level of quasi money increased by 0.9 percent in the September quarter of 2023, compared to a decline of 11.3 percent in the previous quarter.

The average level of deposits at other depository corporations (ODCs) increased by 2.5 percent to K35,447.7 million in the September quarter of 2023, from K34,596.0 million in the previous quarter. This reflected an increase in deposits by the Government, other resident sectors and public non-financial corporations, more than offsetting a decline from financial corporations.

The NFA of Financial Corporations (FCs), comprising DCs and other financial corporations (OFCs), declined by 1.3 percent to K15,866.6 million during the September quarter of 2023, following an increase of 10.4 percent in the previous quarter. This resulted from a decrease in the NFA of the Central Bank and ODCs, which more than offset an increase in NFA of OFCs. The decline in Central Bank's NFA reflected lower international reserves due to its monthly intervention and Government debt repayments, while at ODCs' it was due to higher foreign liabilities. The increase in OFCs' NFA was mainly due to higher claims on non-residents.

Net claims on the Central Government by FCs increased by 6.4 percent to K20,037.1 million in the September quarter of 2023, compared to an increase of 2.5 percent in the previous quarter. The increase reflected net issuance of Government securities, combined with a decline in Government deposits at the Central Bank.

LENDING

In the September quarter of 2023, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' increased by 1.9 percent to K19,296.9 million, following a decline of 1.2 percent in the previous quarter. This reflected advances of K580.6 million and K14.8 million by the private sector and public non-financial corporations, respectively, which more than offset repayments of K234.8 million by the 'Provincial and Local Level Governments'. Credit to the private sector increased mainly due to advances to manufacturing, household, agriculture (mainly coffee), finance, government and real estate sectors, respectively.

7. PUBLIC FINANCE

The fiscal operations of the National Government over the nine months to September 2023 recorded a deficit of K2,381.9 million, compared to a deficit of K303.4 million in the corresponding period of 2022. This reflected lower revenue.

Total revenue and grants over the nine months to September was K12,857.9 million, 6.7 percent lower than in the same period of 2022, and represents 65.7 percent of the 2023 budgeted amount. The decrease reflected lower than projected taxes.

Total tax revenue was K11,482.8 million in the September quarter, 5.3 percent lower than in the corresponding period of 2022, and represents 77.1 percent of the Budget. Direct tax receipts totaled K7,011.3 million, 13.9 percent lower than in the same period of 2022, and represents 75.4 percent of the budgeted amount. This was mainly due to fall in revenue from the mining & petroleum tax.

Indirect tax revenue totaled K4,471.4 million in the September quarter of 2023, 12.4 percent higher than in the same period of 2022 and represents 79.9 percent of the budgeted amount. The increase was driven by higher GST collection.

Total non-tax revenue was K636.2 million in the September quarter of 2023, lower by 14.0 percent in the corresponding period of 2022, and represents 23.9 percent of the budgeted amount. The outcome reflected the transfer of retained earnings by State Agencies to the consolidated revenue account at BPNG as per the Non-Tax Revenue Act (NTRA). The outcome was also due to dividend receipts from the mining & petroleum sector and State owned Enterprises. Foreign grants for the September quarter was lower by 19.4 percent and represented

36.5 percent of the 2023 Budget.

Total expenditure was K15,239.8 million in the September quarter of 2023, 8.2 percent higher than in the corresponding period of 2022 and represents 62.0 percent of the total appropriation. This was due to higher development expenditure.

Recurrent expenditure was K10,709.5 million in the September quarter, 7.4 per cent lower than in the corresponding period of 2022 and represents 72.5 percent of the Budget appropriation. The slightly lower outcome was mainly due late warrant release for national government departments.

Total development expenditure for the period was K 4,530.3 million in the September quarter of 2023, significantly higher than in the corresponding period in 2022, and represents 46.2 percent of the total appropriation. This was due to higher capital investment mainly on the implementation of the Connect PNG projects.

The developments in revenue and expenditure in the September quarter, resulted in a budget deficit of K2,381.9 million. The deficit was financed from domestic and external sources of K2,284.0 million and K97.9 million, respectively. Net domestic financing comprised of K97.7 million, K1,061.1 million, K175.0 million and K1050.3 million from BPNG, ODCs, OFCs, and other resident sectors, respectively, which more than offset net retirement of government securities totaling K100.0 million from Public Non-financial corporations. External borrowing comprised K223.1 million from extraordinary sources, which more than offset net retirement of concessional and commercial loans of K106.6 million and K18.6 million, respectively.

Total public (Government) debt outstanding as at end of September 2023 was

K55,877.1 million, an increase of K74.5 million from the previous quarter, and represents 50.3 percent of GDP. The total debt outstanding comprised of K29,633.4 million from domestic sources and

K26,243.6 million in external debt. Total Government deposits at depository corporations decreased by K446.2 million to K7,215.6 in the September quarter of 2023.

FINANCIAL SOUNDNESS INDICATORS (FSI) DEVELOPMENTS

OVERVIEW

The global economy continued to slow amidst high inflation, high interest rates and the elevated financial stability risk in the third quarter of 2023. The major Central Banks and Monetary Authorities as well as emerging and developing countries are maintaining tight stance to rein high inflation. Further, the on-going wars in Ukraine and Middle-East continue to affect global growth, while geo-political tensions continued to raise uncertainties.

The risk to financial stability persisted in the third quarter of 2023. Even though rippling effect of the banking turmoil in advanced economies to Emerging Markets and Developing Economies was minimal, the main risk to the financial system emanated from borrowers increased probability of default due to high inflation and interest rates.

As banking stress continued to remain a risk to the financial stability, Central banks and banking authorities/supervisors are now encouraging the banks to beef up their capital buffer to accommodate for future losses while supporting provision of loan, and also to have sufficient level of liquidity to maintain their operations and meeting unexpected liquidity mismatches.

Domestically, the Bank of PNG (BPNG) continues to remain vigilant in its vital role in ensuring that the financial system remains resilient to systemic risks, while supporting economic growth. Prudential policy measures combined with institutional and macroprudential-based supervision have been well utilised by the BPNG to identify, mitigate and prevent risk in the financial system. Over the recent quarters the financial system continued to remain sound and stable and has been growing moderately.

Most of the FSIs for Other Depository Corporations (ODCs) as at September 2023 quarter, trended downward. These included FSI's on Asset quality, liquidity, large exposures and the Annualised Return on Assets (ROA) and Return on Equity (ROE). Over the same period, Foreign currency denominated assets

and liabilities have maintained stable growth, while trading income and deposits have increased. FSIs for Other Financial Corporations (OFCs) have also trended downwards.

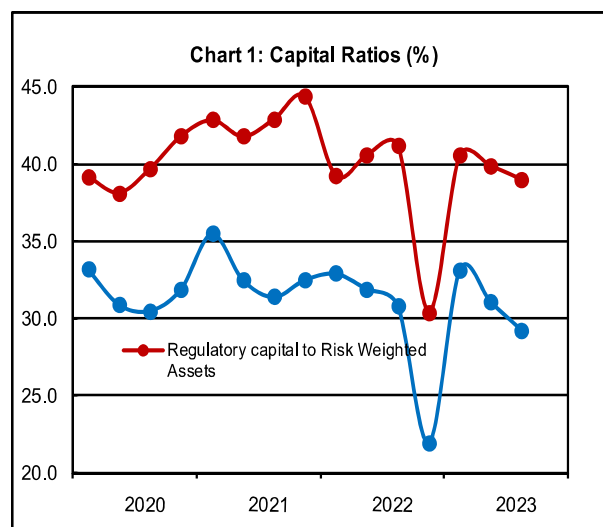
The Bank of PNG continues to deploy micro-prudential tools through on-site and off-site supervision for individual financial institutions including banks to monitor and assess systemic risk. At the macro prudential supervisory level, the FSIs have been used to assess the overall financial soundness and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

SOUNDNESS OF THE FINANCIAL SYSTEM BANKS

Capital Adequacy

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

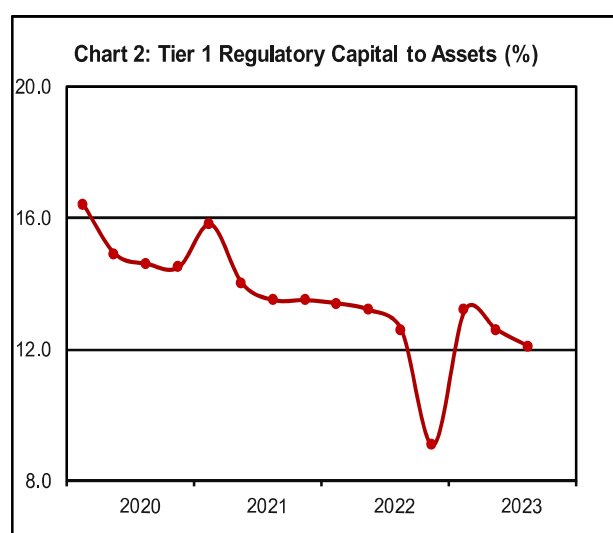
In the September 2023 quarter, the Regulatory capital to Risk Weighted Assets (RWA) decreased slightly to 39.0 percent, compared to 39.9 percent in the June 2023 quarter. However, in volume both the Total Regulatory Capital and RWA increased. The Tier-1 capital to RWA, also declined to 29.2 percent in the September quarter compared to 31.1 percent



in the June quarter, given the fall in the Tier 1 Capital. The fall in the capital ratios is minimal hence the banking system continues to remain sound and well capitalised, and is able to withstand any losses on its balance sheet.

Tier 1 Capital to Total Assets

In the September 2023 quarter, Tier 1 Capital to total assets ratio declined to 12.1 percent, compared to 12.6 percent in the June 2023 quarter (Chart 2). The decrease was attributed to a fall in both Tier 1 capital and RWA.



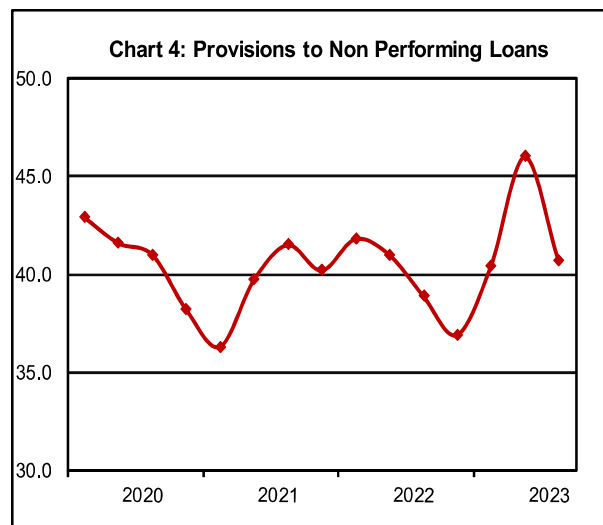
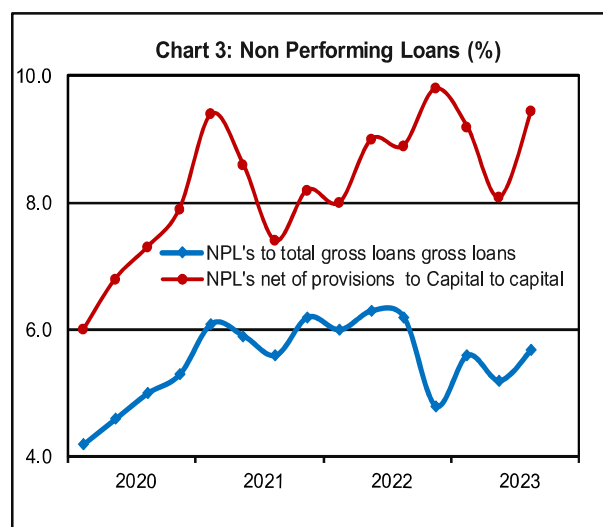
Asset Quality

Non Performing Loans (NPLs) to Capital

In the September 2023 quarter, NPLs net of provisions to capital increased to 9.4 percent compared to 8.1 percent in the June 2023 quarter, which was recovered through delayed payments and sale of collaterals. NPLs to total gross loans also increased to 5.7 percent compared to 5.2 percent in the June 2023 quarter. The adverse movements in these asset quality ratios were mainly driven by increase in NPLs, as repayments ability of the borrowers were affected by the tough economic condition.

Provision to Non Performing Loans (NPLs)

In the September quarter of 2023, provision to NPLs ratio decreased to 40.7 compared to 46.0 percent in the June quarter, following a decrease in the value of specific provisions.



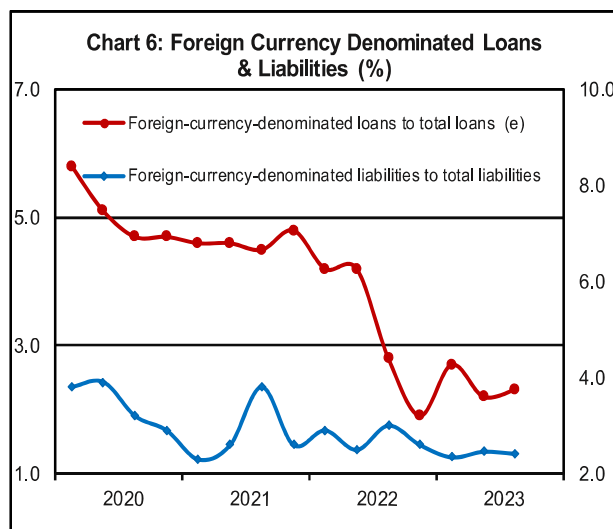
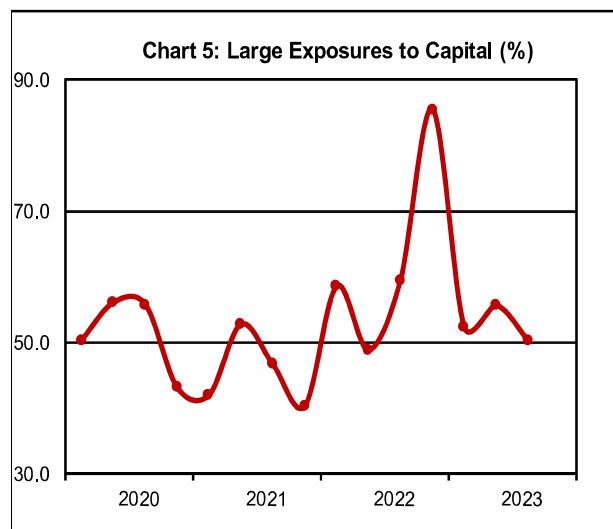
Large Exposures to Capital

In the September 2023 quarter, large exposures to capital decreased to 50.3 percent compared to 55.7 percent in the June 2023 quarter (Chart 5). This was due to the repayment of loans by big clients such as the State Owned Enterprise (SOEs).

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

In the September 2023 quarter the FC Loans ratio increased slightly to 2.3 percent compared to 2.2 percent in the June 2023 quarter reflecting increased import demand. The FC Liabilities to Total Liabilities decreased slightly to 2.4 percent in the September 2023 quarter.

ter compared to 2.5 percent in the June 2023 quarter, due to less foreign currency inflows.



Earnings and Profitability

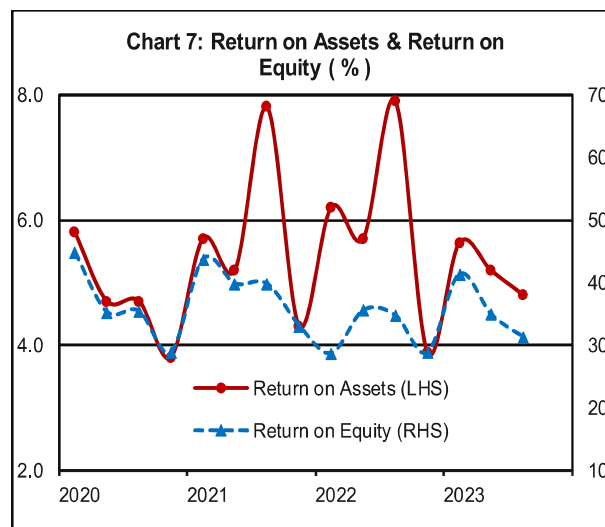
Return on Assets (ROA) and Return on Equity (ROE)

In the September 2023 quarter, both annualised ROA and ROE decreased to 4.8 and 31.2 percent, respectively, compared to 5.2 and 34.8 percent in the June 2023 quarter. The decrease in both the profitability ratios reflected the increase in the net income during the period.

Interest Margin and Non Interest Expenses

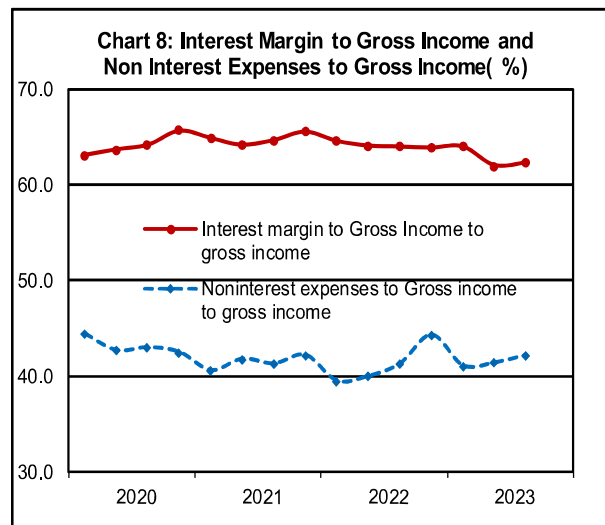
Interest Margin and Non Interest Expenses

ratios were generally stable over the previous quarters to the September 2023 quarter (Chart 8), showing a steady growth in cost of business by banks in maintaining their operations.



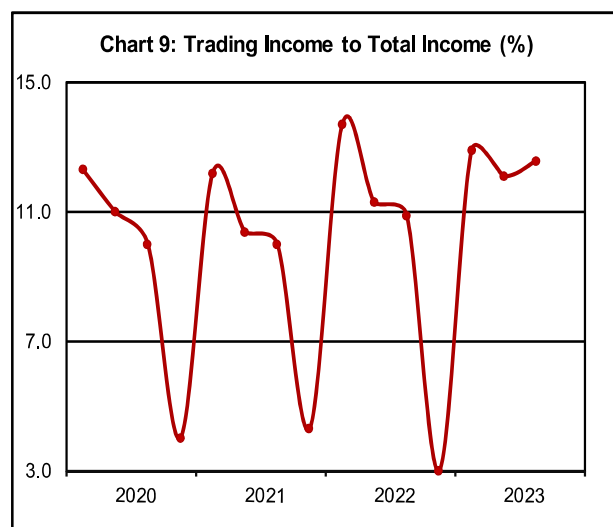
Interest Margin to Gross Income increased slightly to 62.3 percent in the September quarter of 2023, compared to 62.0 percent in the June quarter. In nominal terms, the gross interest income increased significantly during the reporting quarter as more interests were generated from key asset classes of the banks.

Similarly, the Non Interest Expenses to Gross Income slightly increased to 42.2 percent in the September 2023 quarter compared to 41.1 percent in the June 2023 quarter, reflecting increase in operational expense, especially administration, wages and utility expenses.



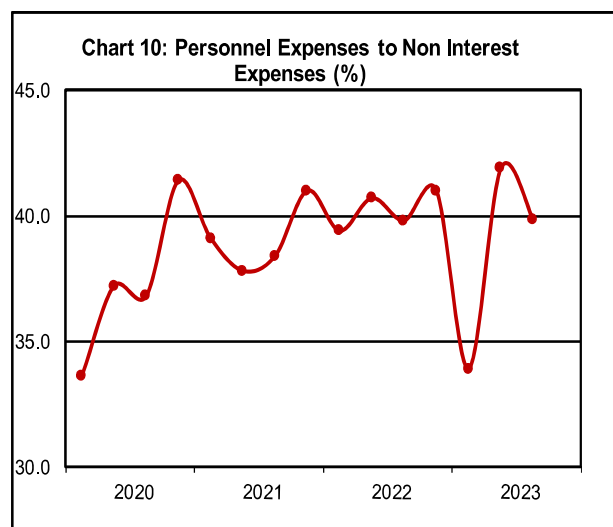
Trading Income to Total Income

In the September 2023 quarter, Trading Income to Total Income increased to 12.6 percent compared to 12.1 percent in the September 2023 quarter. Mainly driven by increase in FX revaluation and the Gross Income component of the trading income account.



Personnel Expenses to Non interest Expenses

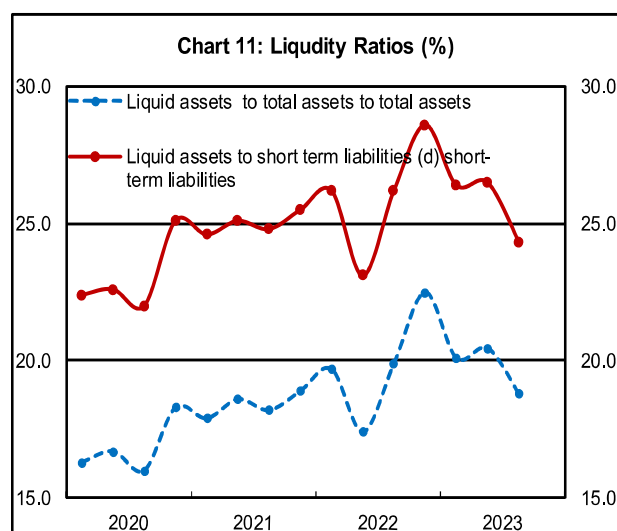
Personnel Expenses to Non Interest Expenses decreased to 39.8 percent in the September 2023 quarter compared to 41.9 percent in the June 2023 quarter. This was mainly driven by significant increase in other Non Interest Expenses during the reporting quarter (Chart 10).



Liquidity Risk

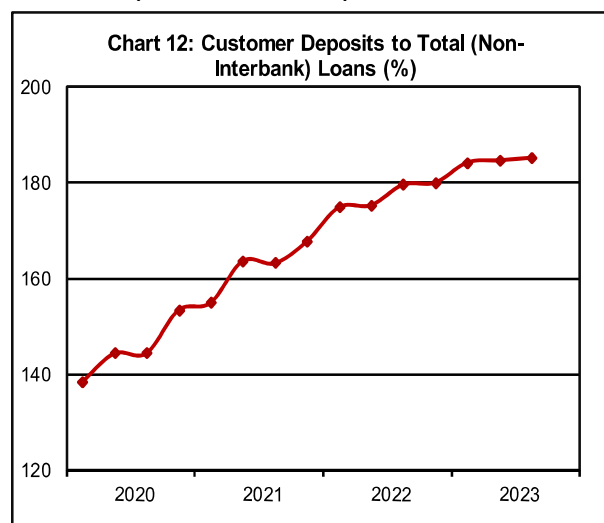
Liquid Assets to Total Assets and Liquid Assets to Short-term Liabilities

In the September 2023 quarter, liquid assets (bank's core liquidity) to total assets ratio decreased to 18.8 percent compared to 20.5 percent in the June 2023 quarter. The liquid assets to short term liabilities ratio also decreased to 24.3 percent compared to 26.4 during the same period. This is attributed to a decrease in liquid asset, mainly the cash at central bank and non affiliated bank components (Chart 11).



Customer Deposits to Total (Non-Interbank) Loans

In the September 2023 quarter, the Custom-

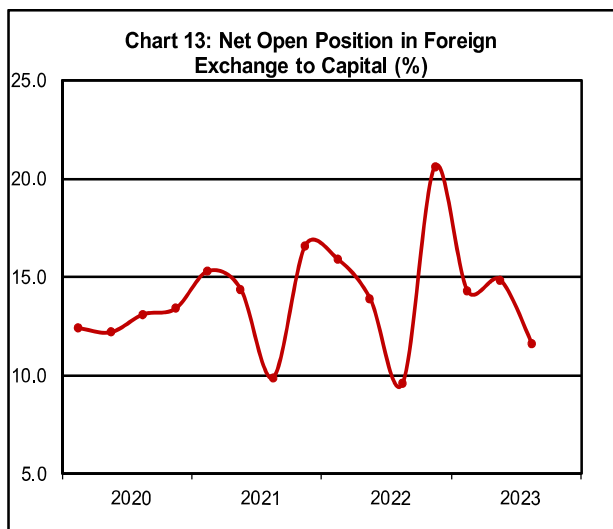


er Deposits to Total (non-interbank) Loans ratio increased to 185.3 compared to 184.7 percent in the June 2023 quarter; showing that more deposits were made during the period.

Sensitivity to Market Risk

Net Open Position in Foreign Exchange to Capital

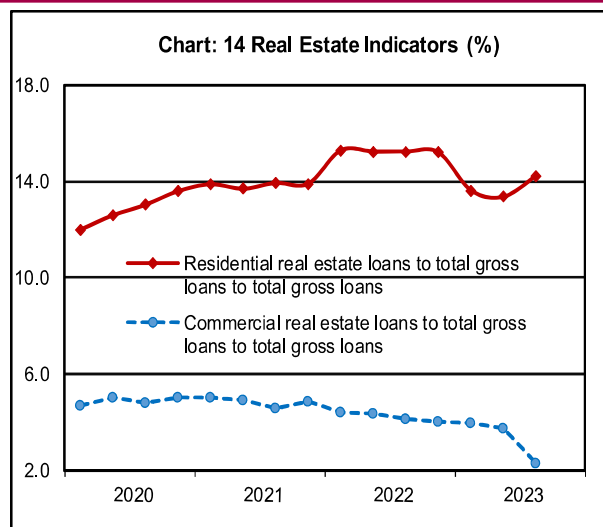
In the September 2023 quarter Net Open Position in Foreign Exchange to Capital ratio declined to 10.6 percent compared to 14.9 percent in the June 2023 quarter, mainly attributed to an increase in FC loan assets, due to higher demand for imports (Chart 13).



Real Estate Market

Real Estate Loans

Residential Real Estate Loans to Gross Loans increased to 14.2 percent in the September 2023 quarter compared to 13.4 percent in the June 2023 quarter, given the growth in the demand for residential real estate property. During the same period, the Commercial Real Estate Loans to Total Gross loans ratio decreased to 2.3 percent compared to 3.8 percent in the previous quarter due to a decrease in demand for commercial real estate loans during the quarter (Chart 14).



OTHER FINANCIAL CORPORATIONS (OFCs)

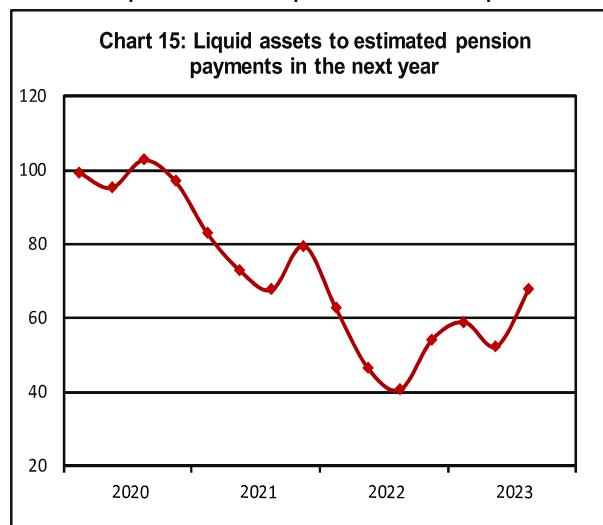
The soundness of the OFCs is assessed and measured by, Profitability, Liquidity and Total Assets as the main indicators under ASFs and Life insurance sector.

AUTHORISED SUPERANNUATION FUNDS (ASFs)

The following is an analysis on the constructed FSIs for the ASFs for the current quarter.

Liquid Assets to Estimated Pension Payment for the Next Year

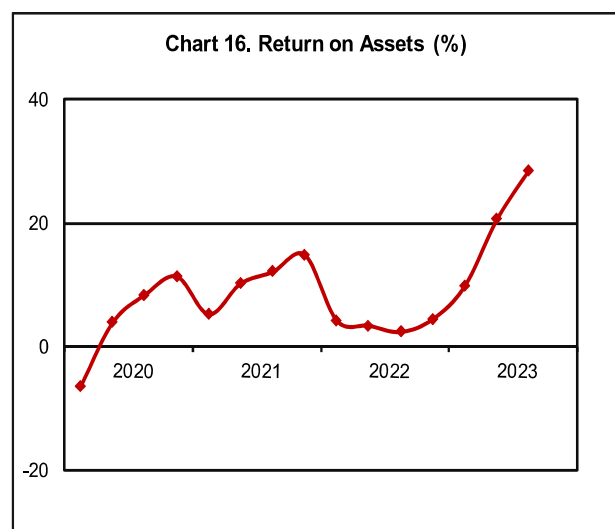
In the September 2023 quarter, the Liquid Assets to Estimated Pension Payments ratio increased to 68.0 percent compared to 52.5 percent in



the June 2023 quarter, given an increase in the estimated payments in the following year (Chart 15), reflecting that the ASFs have adequate liquid assets and funds available to meet short and mid term payment obligation for their members.

Return on Assets (ROA)

The ROA has continued to increase into the September 2023 quarter, compared to 20.6 percent in June 2023 quarter (Chart 16). This is due to increase net income, given the strong performances of asset classes in the ASFs industry during the period.



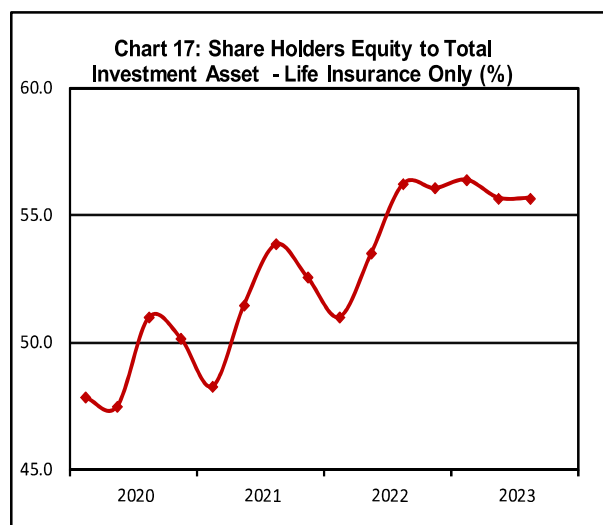
LIFE INSURANCE

The life insurance companies need to maintain adequate liquidity for payments while also ensuring that investment returns are sufficient to maintain profitability and solvency.

The following is an analysis on the constructed FSIs for the Life Insurance for the current quarter.

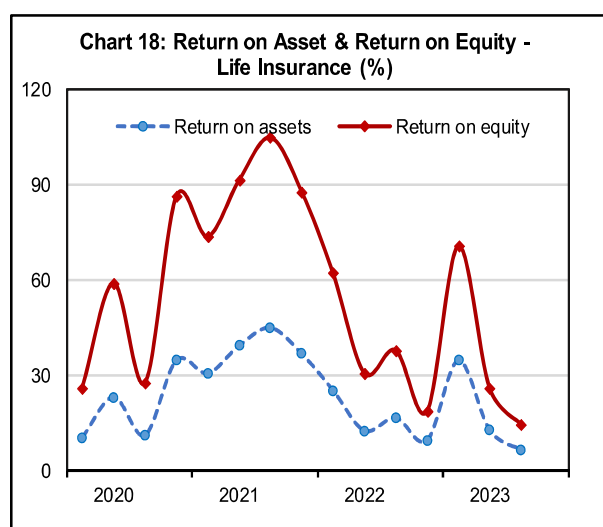
Shareholder equity to total invested assets

In the September 2023 quarter, Shareholder Equity to Total Invested Assets ratio slightly increased to 53.4 percent, compared to 52.0 percent in the June 2023 quarter, given an increase in capital (Chart 17)



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

In the September 2023 quarter, both ROA and ROE declined to 6.7 percent and 14.6 percent, respectively, compared to 12.8 percent and 25.9 percent in the June 2023 quarter. The fall in the profitability ratios were attributed to a significant decrease in net income during the reporting quarter, due to a drop in the performance of investment assets.



FOR THE RECORD
MONTHLY KINA FACILITY RATE ANNOUNCEMENTS

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

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

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	Comprised 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	Comprised 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 micro-finance 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 ODSCS 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 has 100 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 2007	- Revisions to the Consumer Price Indices in June Quarter 2007 back to September Quarter 2005.
Mar 2008	- Updated Weights for the Trade Weighted Index (TWI)
Mar 2009	- Changed Monetary Policy Statement release month from January to March
Mar 2009	- Updated Weights for the Trade Weighted Index (TWI)
Dec 2009	- New Tables; 8.7, 8.8, 8.9 and 8.10 were included in the December Quarterly Economic Bulletin, resulting in subsequent renumbering of all other tables that follow.
Dec 2009	- Revisions to Monetary and Financial Statistics tables in the December 2009 Quarterly Economic Bulletin.
Jun 2010	- Expansion of Monetary and Financial Data Coverage.
Sep 2010	- Recalculation of months of import cover
Mar 2011	- Updated Weights of the Trade Weighted Index (TWI)
Mar 2013	- Updated Weights of the Trade Weighted Index (TWI)
Mar 2013	- Inclusion of Tables 4.16 and 4.17 for General Insurance Companies
Mar 2014	- Revised PNG Consumer Price Index Basket
Dec 2014	- Update to tables 8.1, 8.2, 8.3 & 8.5 to include Ramu Nickel/Cobalt
Dec 2014	- Inclusion of LNG & Condensate in tables 8.1, 8.2, 8.3 and 8.5
Dec 2014	- Commencement of Nickel and Cobalt production in December quarter of 2012.
	- PNG LNG Project commenced production and shipment in June quarter of 2014.
	- Updated Table 8.2: Exports Classified by Commodity Group
	- Updated Table 8.5: Non-Agricultural Exports – Quantities Exported of Major Commodities
Dec 2016	- Recalculation of import cover taking account of the service payments.
Dec 2019	- New GDP Tables; 9.11 and 9.12 were included in the December 2019 Publication.
Jun 2021	- Updated Weights for the Trade Weighted Index (TWI)
Sep 2021	- Inclusion of FSI Tables 5.1(Financial Soundness Indicators (%)) and Table 5.2 (Financial Soundness Indicators (%) - Additional FSI)
Sep 2022	- PNG migrates from BPM5 To BPM6. BOP Tables with changes to Tables 9.1 (a) is in Standard presentation from which the QEB Text is derived. Table 9.1 (b) is the Analytical presentation.
Dec 2022	- Inclusion of FSI Table 5.3 (Financial Soundness Indicators (%) - OFCs

REFERENCE

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

Issue	Title
Dec 2009	The 2010 National Budget Article
Dec 2009	Monetary Policy Statement, March 2010
Mar 2010	Papua New Guinea's Total External Exposure
Sep 2010	Monetary Policy Statement, September 2010
Dec 2010	The 2011 National 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

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