



Economic Activity

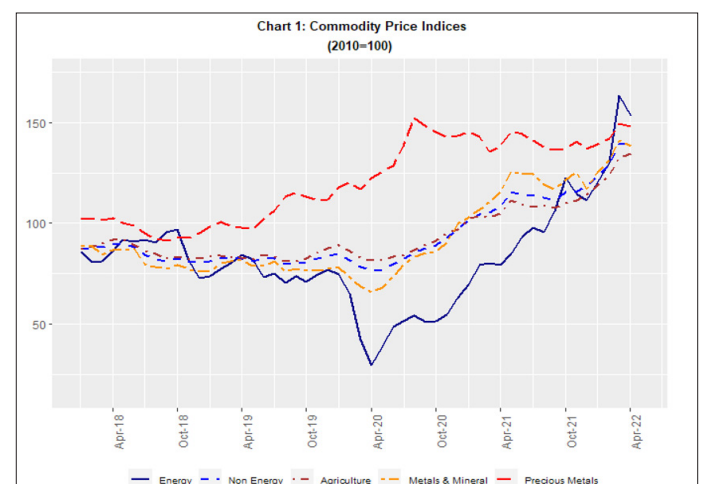
Global economic activity remained subdued in the March quarter of 2022 amidst higher inflationary pressures, driven by the surge in food and energy prices as the Russia-Ukraine war impacted on global trade and supply for crude oil and grain food. Two major central banks have cautiously begun tightening monetary policy to curb inflationary pressures, whilst being mindful of the potential impact of their policy actions that could derail the fragile global economic recovery. In the US, gross domestic product (GDP) contracted in the March quarter of 2022 by 0.4 percent reflecting tight labor market conditions and a record high annual inflation of 8.5 percent. Given the high inflationary pressures, the Federal Reserve Bank increased the Fed Fund rate by 25 basis points to 0.5 percent in March. In the Euro area, GDP increased by 0.3 percent in the first quarter, driven mainly by the pick-up in consumer demand reflecting the recovery from the pandemic. The low growth was reflective of the adverse effects of the war. Inflation was high at 7.4 percent in the March quarter reflecting the impact of the war on international prices of crude oil, gas and food grains. In UK, GDP grew by 0.9 percent in the first quarter of 2022, reflecting a slight improvement in the labor market and domestic demand. Inflation was high at 7.0 percent in the March quarter. The increased inflationary pressures during the quarter prompted the Bank of England to raise its official interest rate by 25 basis points to 0.75 percent. In Japan, economic activity contracted by 1.8 percent, attributed to lower consumption and exports. Among the emerging economies, China's GDP improved markedly by 4.8 percent in the March quarter, mainly due to pick-up in industrial production and investments underpinned by front-loading of infrastructure spending by the Government. In India, economic growth eased in the first quarter of 2022, due to slowdown in domestic demand amidst spike in COVID-19 cases and higher inflationary pressure.

In the domestic economic, economic recovery from the Covid-19 pandemic show signs of slowdown in the first quarter of 2022 mainly due to the impact of

the Russia-Ukraine War. Increased domestic prices and costs, driven mainly by higher imported inflation, have adversely affected economic activity, business confidence and real income.

Commodity Prices

The global commodity price data available from the World Bank show mixed trends in the major commodity price indices in April 2022, after consecutive increases in the last three months (Chart 1). The energy price index declined by 6.1 percent, mainly attributed to a fall in the price of crude oil by 8.0 percent to US\$103.4 per barrel, which more than offset 13.0 percent increase in LNG price. The non-energy price index increased marginally by 0.6 percent, mainly reflecting increases in the price indices for agriculture by 1.3 percent and fertilizer by 9.7 percent, which more than offset the decline in the metals and minerals price index by 2.4 percent. The precious metals price index decreased by 1.1 percent, mainly reflecting falls in the prices of silver and gold. The global commodity prices for all of PNG's major export commodities dropped during the month, except for natural gas, coffee and tea.



Source: World Bank

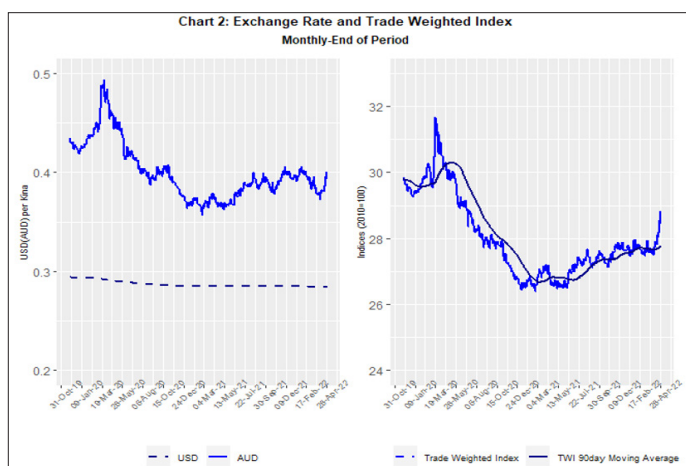
Balance of Payment

Preliminary balance of payments data for the two months to February 2022 showed a deficit of K61.2 million, compared to a deficit of K1,088.8 million in the corresponding period of 2021. This outcome was

due to a deficit of K1,317.3 million in the capital and financial account, which more than offset a surplus of K1,261.1 million in the current account. The outcome in the current account was due to a trade surplus and net transfer receipts, which more than offset net service and income payments. The deficit in the capital and financial account was attributed to net outflows from direct investments and other investments reflecting inter-company related transactions and build-up in offshore foreign currency account balances, respectively, combined with a net Government loan repayment. The level of gross foreign exchange reserves as at the end of February 2022 was K11,016.0 (US\$3,183.6) million, sufficient for 10.0 months of total and 18.7 months of non-mineral import cover. As of 29th April 2022, the level of gross foreign exchange reserves was US\$3,304.53 (K11,434.35) million.

Exchange Rate

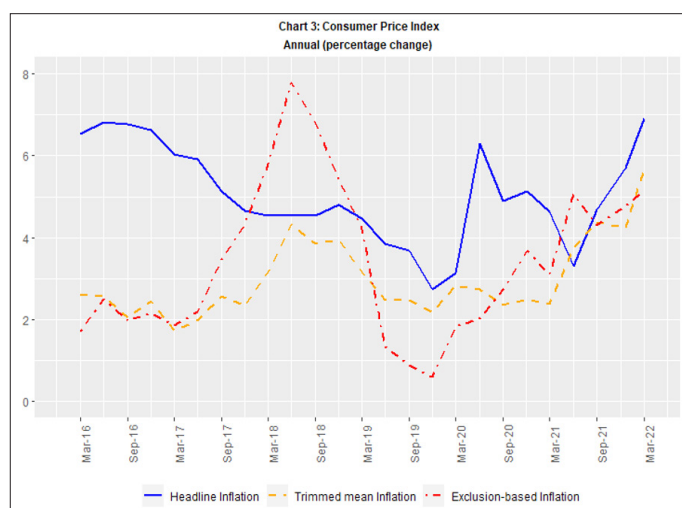
The monthly average kina exchange rate was stable against the USD at US\$0.2840, while it depreciated against the AUD by 22 basis points to A\$0.3975 as at 29th April 2022, compared to the previous month. The Bank of PNG continue to support the foreign exchange market through its monthly intervention, combined with improved inflows in foreign exchange. Import demand, however, remained high. The depreciation of the kina against the AUD reflected cross-currency movements as the AUD strengthened against the USD, reflecting indications by the US Fed to further tighten monetary policy to deal with the ongoing inflationary concerns. The Trade Weighted Index (TWI) increased by 0.5 percent in the March quarter of 2022, compared to an increase of 0.9 percent in the previous quarter. Over the month to 29th April 2022, the TWI increased to 28.8 compared to 27.6 in the previous month. The monthly average TWI increased by 1.4 percent to 28.0 in April 2022.



Source: BPNG

Inflation_Consumer Price Index (CPI)

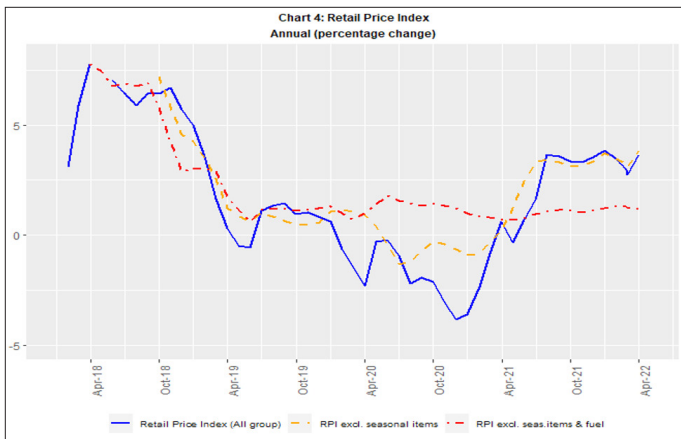
The annual headline CPI increased by 6.9 percent in the March quarter of 2022, compared to an increase of 5.7 percent in the previous quarter. All expenditure groups recorded price increases except the ‘Restaurants and Hotels’ which declined by 4.3 percent. The following expenditure group recorded increases, ‘Alcoholic Beverages, Tobacco and Betelnut’, by 13.2 percent, ‘Transport’ by 11.7 percent, ‘Household Equipment’ by 9.9 percent, ‘Education’ by 8.7 percent, ‘Food and Non-Alcoholic Beverages’ by 6.2 percent, ‘Housing’ by 2.9 percent, ‘Recreation’ by 2.4 percent, ‘Health’ by 1.8 percent, ‘Clothing and Footwear’ by 0.9 percent, and ‘Communication’ by 0.1 percent. The annual core inflation measures, exclusion-based and trimmed mean inflation, show increases of 5.7 percent and 4.5 percent, respectively, in the March quarter of 2022 (Chart 3).



Source: NSO

Inflation_Retail Price Index (RPI)

The annual headline RPI to April 2022 increased by 3.6 percent. The outcome was influenced by increases in the ‘Transport’, ‘Alcoholic beverages, tobacco and betelnut’, ‘Housing’, ‘Food and non-alcoholic beverages’ and ‘Miscellaneous’ expenditure groups. The RPI excluding seasonal items increased by 3.7 percent, while RPI excluding seasonal items and fuel increased by 1.0 percent. The quarterly headline RPI increased by 1.5 percent in the three months to April 2022 due to price increases in the ‘Transport’, ‘Alcoholic beverages, tobacco and betelnut’, ‘Housing’, ‘Miscellaneous’ and ‘Food and non-alcoholic beverages’ expenditure groups. The monthly headline RPI inflation was 1.7 percent in April 2022, attributed to price increases in the ‘Transport’, ‘Alcoholic beverages, tobacco and betelnut’, ‘Housing’, ‘Food and non-alcoholic beverages’, and ‘Household equipment’ groups (Chart 4).



Source: BPNG

The broad money supply increased by 18 percent over the 12 months to April 2022, compared to an increase of 8.7 percent in the corresponding period in 2021. This outcome was driven by increases in both the net foreign assets (NFA) and net domestic assets (NDA). The increase in the NFA's reflected an increase in international reserves due to external inflows, while the higher NDA's was mainly from the increase in net claims on Central Government.

Commercial banks' lending to public non-financial corporations, other financial corporations and other resident sectors increased by K216.9 million to K13,026.2million between December 2021 and the week-ending 29th of April 2022. The increase was driven by loans (overdrafts and term loans) to the mining, retail, household, manufacturing and construction sectors. Over the year, the weekly average lending by banks increased by 0.9 percent to K13,642.1 million. The deposit level as of 29th April 2022 increased by K1,495.7 million to K26,011.9 million, compared to the end of 2021. The increase mainly reflected placements by the Government, household, agriculture, service, construction and mining sectors. Over the year, the weekly average deposits increased by 17.8 percent to K23,912.9 million.

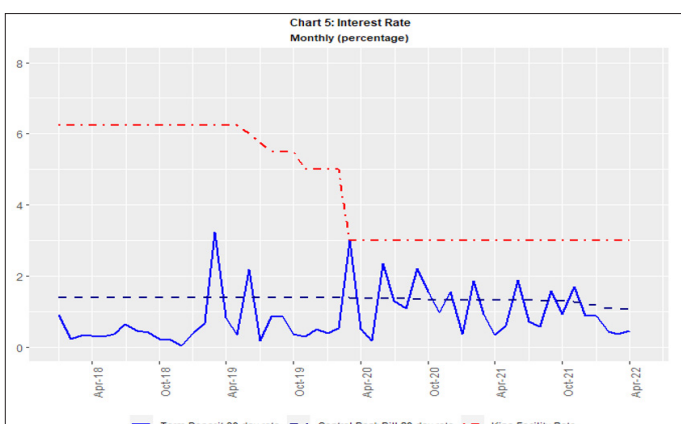
Monetary Policy

The Bank maintained the policy-signaling rate, the Kina Facility Rate, at 3.0 percent in the month of April 2022.

Source: BPNG

Domestic Interest Rates and Monetary Aggregates

Over the month to week ending 29th April 2022, the CBB rates for the 28-day and 63-day terms remain unchanged at 1.05 percent and 1.8 percent respectively, while the 91-day term increased by 1 basis point (bp) to 1.83 percent. The CBB auctions over the period were oversubscribed and partly taken up by the Bank. The T-bill rates for the 273-day and 364-day terms declined by 2 bps, and 18 bps to 3.75 percent and 4.6 percent, respectively. T-bill auctions over the period were oversubscribed. The Government took up part of the oversubscribed amounts. The weighted average interest rates on wholesale deposits (K500,000 and above) generally showed mixed movements. The rates for the 30-day, 60-day and 90-day terms declined by 100 bps, 125 bps and 200 bps to 0.75 percent, 0.75 percent and 1.0 percent, respectively. The rates for the 180-day, and 360-day terms increased by 50 bps and 300 bps to 1.75 percent and 4.50 percent, respectively, while the rate for the 270-day term remain the same at 0.6 percent (Chart 5).



Authorised for release by: **Benny B M Popoitai, MBE**
Acting Governor

Papua New Guinea Key Economic Indicators												
	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
1. Consumer Price Index (CPI).												
Headline	-	3.3	-	-	4.3	-	-	5.7	-	-	6.9	-
Food	-	4.9	-	-	5.6	-	-	5.2	-	-	6.2	-
Underlying	-	5.1	-	-	5.2	-	-	4.8	-	-	5.2	-
2. Retail Price Index (RPI) (YOY % Change)												
Headline	0.5	1.6	3.7	3.6	3.3	3.2	3.5	3.9	3.4	3.0	2.8	2.7
Ex-seasonal	2.4	3.3	3.4	3.3	3.1	3.1	3.3	3.7	3.5	3.2	3.2	3.1
3. Exchange Rates (mid-rate, eop*)												
USD	0.2850	0.2850	0.2850	0.2850	0.2850	0.2850	0.2850	0.2850	0.2850	0.2840	0.2840	0.2840
AUD	0.3690	0.3792	0.3860	0.3886	0.3957	0.3779	0.4014	0.3928	0.4058	0.3947	0.3796	0.3975
GBP	0.2009	0.2059	0.2044	0.2066	0.2121	0.2067	0.2141	0.2112	0.2124	0.2115	0.2163	0.2269
JPY	31.28	31.50	31.23	31.30	31.89	32.38	32.23	32.23	32.91	32.73	34.59	37.05
NZD	0.3929	0.4073	0.4075	0.4038	0.4147	0.3969	0.4196	0.4174	0.4337	0.4227	0.4085	0.4361
4. Balance of Payments												
Current Account	1490.5 p	2848.8 p	2532.8 p	2677.1 p	2585.7 p	1777.2 p	3005.2 p	2511.6 p	863.8 p	1261.1 p	-	-
Capital & Financial Account	-1628.9 p	-2979.9 p	-3220.7 p	-2589.3 p	-1708.3 p	-1592.8 p	-3095.1 p	-139.0 p	-1206.5 p	-1317.3 p	-	-
Overall Balance	-138.3 p	-130.8 p	-687.9 p	87.8 p	877.9 p	184.4 p	-91.1 p	2372.6 p	-343.4 p	-61.2 p	-	-
Foreign Exchange Reserve (eop, US\$ mill)	2,529.01	2,491.82	2,337.74	2,682.32	2,578.16	2,711.11	2,603.90	3,290.30	3,233.24	3,183.62	3,080.88	3,304.53
5. Liquidity (eop)												
Liquid Assets Margin to Deposit Ratio (%)	51.8	50.7	50.1	51.7	51.5	50.3	52.4	54.8	55.8	56.2	55.1	72.8
Banks' Demand Deposits (K'bn)	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
Broad Money	9.2	12.2	9.1	8.5	10.1	11.3	11.9	11.8	13.7	11.9	17.6	18.0
Monetary Base	13.7	14.5	10.4	13.7	13.9	5.1	23.3	10.8	31.2	18.4	18.7	16.8
Private Sector Credit	-0.6	0.4	-1.4	0.4	1.4	-0.1	-0.6	0.4	1.0	-4.2	-1.5	1.6
6. Money and Credit (YOY % Change)												
Kina Facility Rate	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Central Bank Bill (28 day)	1.33	1.33	1.32	1.32	1.31	1.30	1.29	1.24	1.19	1.09	1.08	1.05
Commercial bank Term Deposit (30 day)	0.60	1.88	0.72	0.57	1.58	0.93	1.71	0.89	0.89	0.45	0.35	0.40
Government Treasury Bill (364 day)	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.04	6.10	5.17	5.05	4.60
8. Commodity Prices (monthly average)(c)												
Oil (\$/bbl)	66.4	71.8	73.3	68.9	72.8	82.1	79.9	72.9	83.9	93.5	112.4	103.4
LNG (\$/mmbtu)	8.9	9.6	10.4	10.8	11.4	12.4	15.3	15.3	14.7	17.0	18.0	17.2
Gold (\$/troy oz)	1,850.9	1,831.3	1,809.4	1,782.3	1,778.1	1,777.8	1,822.7	1,787.7	1,817.2	1,850.8	1,946.6	1,936.6
Copper (\$/mt)	10,179.0	9,605.6	9,445.0	9,351.9	9,320.7	9,810.7	9,773.4	9,558.8	9,776.3	9,931.7	10,242.4	10,198.9
Nickel (\$/tonne)	17,623.1	17,978.7	18,887.6	19,142.8	19,345.5	19,480.9	19,927.6	20,129.1	22,214.6	24,077.8	31,735.3	33,208.8
Cobalt (\$/tonne)	44,295.3	44,364.9	51,661.30	51,811.5	51,466.3	54,723.30	59,563.8	68,766.9	70,175.4	71,137.4	80,224.1	81,547.5
Coffee (\$/tonne)	4,097.2	4,308.7	4,534.9	4,759.7	4,982.4	5,312.0	5,709.9	5,912.4	5,980.5	6,213.3	5,555.6	5,865.4
Cocoa (\$/tonne)	2,412.9	2,366.5	2,327.0	2,483.1	2,549.0	2,497.1	2,403.7	2,385.4	2,476.6	2,557.2	2,471.8	2,460.0
Palm Oil (\$/tonne)	1,204.6	1,075.2	1,165.7	1,233.9	1,262.5	1,394.6	1,399.0	1,327.4	1,359.8	1,505.9	1,750.0	1,683.0

Notes: BOP figures are monthly flows and not cumulative

p provisional.

r revised.

* end of period