



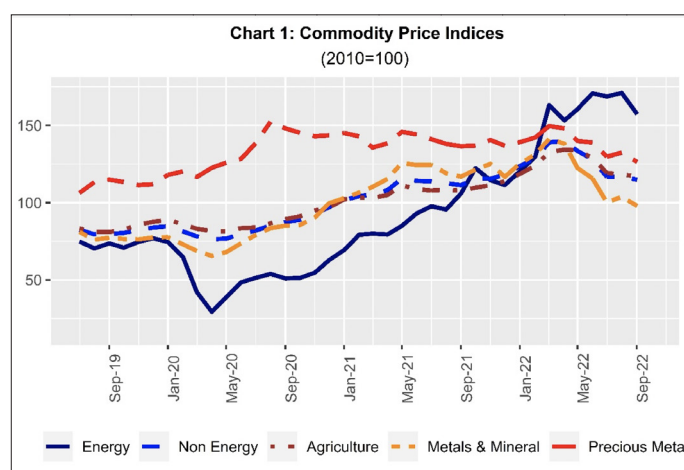
### Economic Activity

The global economy continues to slow down with persistent higher inflation that prompted monetary authorities to tighten financial conditions in most regions around the world. The ongoing Russia-Ukraine war, China's zero-COVID policy imposed strict restrictions on supply and demand, and increasing food and energy prices. These have triggered rise in cost of living and impeded global growth prospects. The developing and emerging market economies were also affected by high external borrowing costs and large capital outflows. In the US, activities in the services and manufacturing sectors fell due to a slowdown in consumer spending. To mitigate the inflationary pressures, the Federal Reserve System further raised its Federal Fund's rate to 3.78 percent in November 2022. In the Euro area, declines in the manufacturing and service sectors attributed to weak external demand restrained the growth momentum. In the UK, economic activity remained depressed as output and employment in the manufacturing and service sectors declined. In Japan, growth moderated as expansion in the service sector, driven by the recovery in the tourism industry, which more than offset the decline in the manufacturing sector. Among the emerging market economies, China's growth declined due to its zero-COVID-tolerance policy and related restrictions to combat the new wave of COVID-19 pandemic. In India, growth was supported by improvements in the manufacturing and service activities, underpinned by increases in new orders, exports and employment.

### Commodity Prices

International commodity price data published by the World Bank indicated broad mixed movements across major commodity price indices in November 2022. The energy price index declined by 4.50 percent, mainly reflecting decreases in the average crude oil price of 3.27 percent to US\$87.38 per barrel and the natural gas price index of 7.41 percent. The natural gas prices declined by 6.10 percent, 8.45 percent and 0.47 percent in the US, Europe and Japan respectively<sup>1</sup>. The non-energy price index rose by 0.71 percent

due to an increase of 5.03 percent in the metals and mineral price index, which offset a slight decline of 0.37 percent in the agriculture price index. The precious metal price index comprises gold, silver and platinum prices which increased by 4.37 percent. The global commodity prices for all of PNG's major export commodities increased during November, except for crude oil, LNG, coffee, tea and rubber (Chart 1).



Source: World Bank

### Balance of Payment

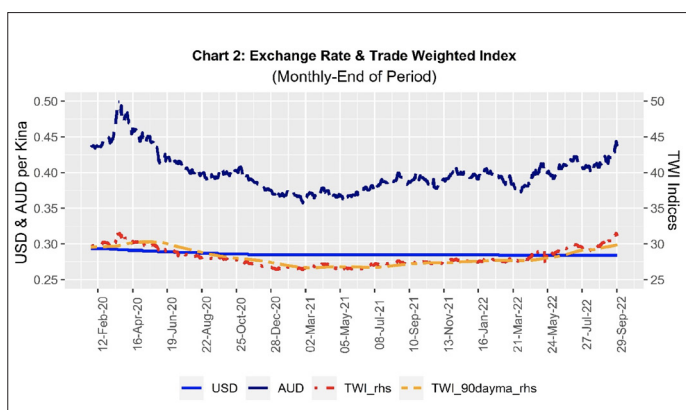
Preliminary balance of payments data for the nine months to September 2022 show a surplus of K2,944.0 million, compared to a deficit of K535.2 million in the corresponding period of 2021. This outcome was due to a surplus of K24,402.4 million in the current account, which more than offset a deficit of K21,459.2 million in the capital and financial account. The outcome in the current account was due to a higher 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 and other investments reflecting inter-company related transactions and build-up in offshore foreign currency account balances, respectively, combined with net loan repayments by the Government and PNG resident companies.

<sup>1</sup>The overall natural gas price index is a weighted index comprising of natural gas prices (weighted 10.6) in the US, and Europe and the liquefied natural gas price (weighted 84.6) in Japan.

The level of gross foreign exchange reserves at the end of September 2022 was K11,428.9 (US\$3,303.0) million, sufficient for 11.1 months of total and 22.4 months of non-mineral import covers. As of 30<sup>th</sup> November 2022, the level of gross foreign exchange reserves was K11,974.5 (US\$3,460.6) million.

## Exchange Rate

The monthly average kina exchange rate against the US dollar (USD) was stable at US\$0.2840, while it depreciated against the Australian dollar (AUD) by 3.4 percent to A\$0.4305 as of 30<sup>th</sup> November 2022, compared to the previous month. In the foreign exchange market, favourable foreign currency inflows from mineral tax receipts, concessional Government budget financing, and continued BPNG's monthly foreign exchange (FX) interventions supported the FX market. In November 2022, BPNG increased its monthly FX intervention to US\$100.0 million. This measure will assist in reducing the outstanding import orders in the market. The depreciation of the kina against the AUD reflected cross-currency movements as the AUD strengthened against the USD amid further interest rate hikes by the Reserve Bank of Australia and growing expectations that the US Federal Bank will slow the pace of interest rate hikes as inflation was lower than expected in November. The monthly average Trade Weighted Index (TWI) declined by 2.5 percent to 30.68 as of 30<sup>th</sup> November 2022. This outcome was mainly influenced by the depreciation of the kina against AUD, as AUD is the largest trade weighting currency among the major currencies of trade (Chart 2).

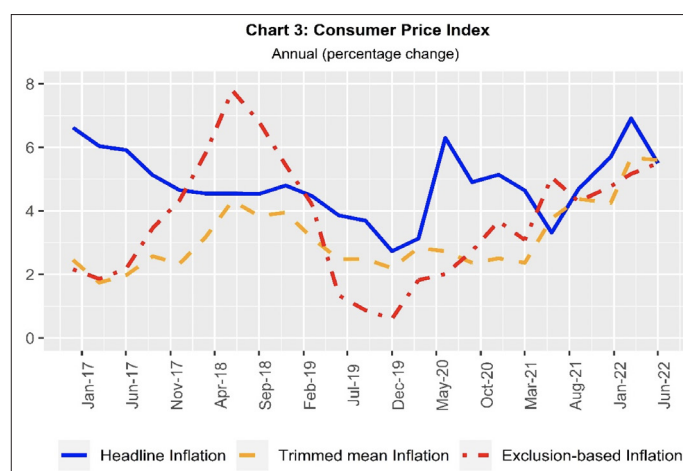


Source: BPNG

## Inflation

The annual headline Retail Price Index (RPI) in November 2022 increased by 0.9 percent, compared to an increase of 3.6 percent in the corresponding period of 2021. This outcome was due to price increases in the 'Household equipment', 'Food and non-alcoholic beverages', 'Housing' and 'Miscellaneous' expenditure

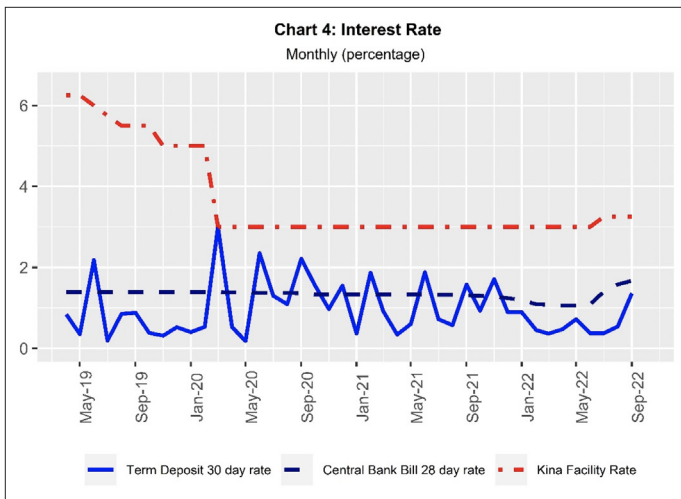
groups of 4.0 percent, 3.1 percent, 2.3 percent and 0.8 percent, respectively. These increases more than offset price declines in the 'Transport' and 'Alcoholic beverages, tobacco and betelnut' expenditure groups. The increase in the 'Household equipment' group reflected an increase in the 'Maintenance' sub-group, while the increase in the 'Housing' group reflected an increase in the 'Cooking' sub-group. The increase in the 'Food and non-alcoholic beverages' expenditure group reflected price increases in the 'Oil and fats', 'Cereals', 'Non-alcoholic beverages', 'Fruits & vegetables', 'Fish', 'Meat', 'Other food products', 'Dairy products, eggs and cheese' and 'Sugars and confectionary' sub-groups. The RPI excluding seasonal items increased by 1.0 percent, while the RPI ex-seasonal and fuel increased by 1.2 percent (Chart 3).



Source: BPNG

## Domestic Interest Rates and Monetary Aggregates

Over the month to the week ending 25<sup>th</sup> November 2022, the Central Bank Bill (CBB) and Treasury Bill (T-bill) rates for all terms showed increasing trends. The CBB rates for the 28-day, 63-day and 91-day terms increased by 4 basis points (bps), 10 bps and 6 bps, to 1.95 percent, 2.44 percent and 2.69 percent, respectively. Overall, the CBB auctions were undersubscribed during the reporting period. The T-bill rates for the 182-day, 273-day and 364-day terms increased by 139 bps, 21 bps and 11 bps to 2.60 percent, 2.85 percent and 4.30 percent, respectively. The T-bill auctions during the period were oversubscribed but were not taken up by the Government. The weighted average interest rates on wholesale deposits (K500,000 and above) showed increasing movements. The rates for the 30-day, 60-day, 90-day, 180-day, 270-day and 360-day terms increased by 19 bps, 132 bps, 37 bps, 190 bps, 15 bps and 265 bps, to 0.79 percent, 1.58 percent, 1.64 percent, 2.34 percent, 1.10 percent and 3.65 percent, respectively (Chart 4).



Source: BPNG

The broad money supply increased by 15.3 percent over the 12 months to October 2022, compared to an increase of 12.2 percent in the corresponding period of 2021. This is driven by an increase in the net foreign assets (NFA) of the depository corporations, which more than offset the decline in the net domestic

assets (NDA). The increase in NFA reflected higher international reserves of the Central Bank.

Commercial bank lending to public non-financial corporations, other financial corporations and other resident sectors increased by K561.8 million to K14,027.1 million between December 2021 and the week-ending 25<sup>th</sup> November 2022. The increase was driven by loans (mainly overdrafts and some term loans) to the mining, retail, real estate and service sectors. The deposit level as of 25<sup>th</sup> November 2022 increased by K3,057.9 million to K28,750.7 million, compared to the end of 2021. The increase mainly reflected placements by the Government, household, retail, construction and manufacturing sectors.

### Monetary Policy

The Bank maintained the policy signalling rate, the Kina Facility Rate at 3.25 percent in the month of November 2022.

Authorised for release by: **Elizabeth Genia**  
**Acting Governor**

Papua New Guinea Key Economic Indicators													
	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sept-22	Oct-22	Nov-22
1. Consumer Price Index (CPI).	Headline	-	5.7	-	-	5.9	-	5.5	-	-	6.3	-	-
	Food	-	5.2	-	-	6.2	-	5.2	-	-	8.1	-	-
	Underlying	-	4.8	-	-	4.9	-	5.5	-	-	5.0	-	-
2. Retail Price Index (RPI) (YOY % Change)	Headline	3.5	3.9	3.4	3.0	2.8	2.7	3.2	2.9	2.3	2.3	2.1	1.3
	Ex-seasonal	3.3	3.7	3.5	3.2	3.2	3.1	3.4	2.7	2.7	2.7	2.4	1.6
3. Exchange Rates (mid-rate, eop*)	USD	0.2850	0.2850	0.2850	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840
	AUD	0.4014	0.3928	0.4058	0.3947	0.3796	0.3975	0.3951	0.4121	0.4116	0.4368	0.4424	0.4255
	GBP	0.2141	0.2112	0.2124	0.2115	0.2163	0.2269	0.2252	0.2338	0.2329	0.2431	0.2553	0.2357
	JPY	32.23	32.23	32.91	32.73	34.59	37.05	36.3300	38.7300	37.7700	39.3200	41.0400	41.9900
4. Balance of Payments	NZD	0.4196	0.4174	0.4337	0.4227	0.4085	0.4361	0.4346	0.4498	0.4618	0.4959	0.4873	0.4581
	Current Account	3005.2 p	2511.6 p	1659.9 p	2289.8 p	2545.7 p	3081.5 p	2296.9 p	2208.1 p	3367.5 p	3454.7 p	2699.4 p	-
Foreign Exchange Reserve (eop, US\$ mill)	Capital & Financial Account	-3095.1 p	-139.0 p	-2003.4 p	-2352.0 p	-2945.4 p	-3459.7 p	-159.0 p	-420.4 p	-2997.4 p	-4075.1 p	-2502.1 p	-
	Overall Balance	-91.1 p	2372.6 p	-343.4 p	-61.2 p	-399.7 p	-379.2 p	2138.2 p	180.8 p	1261.7 p	146.5 p	203.2 p	-
		2,603.90	3,290.30	3,233.24	3,183.62	3,080.88	3,304.53	3,241.83	3,052.79	3,091.46	3,482.15	3,312.20	3,551.40
5. Liquidity (eop)	Liquid Assets Margin to Deposit Ratio (%)	52.4	54.8	55.8	56.2	55.1	72.8	55.9	54.3	52.5	55.2	53.4	53.6
	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
6. Money and Credit (YOY % Change)	Broad Money	11.9	11.8	13.7	11.9	17.6	18.0	16.6	13.6	14.5	18.0	16.3	15.3
	Monetary Base	23.3	10.8	31.2	18.4	18.7	16.8	22.8	7.1	13.0	17.4	23.5	28.9
7. Interest Rates (% pa) (monthly weighted average)	Private Sector Credit	-0.6	0.4	1.0	-4.2	-1.5	1.6	1.2	2.2	0.7	0.7	4.0	3.3
	Kina Facility Rate	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.3	3.3	3.3	3.3
8. Commodity Prices (monthly average)(c)	Central Bank Bill (28 day)	1.29	1.24	1.19	1.09	1.08	1.05	1.06	1.09	1.40	1.58	1.67	1.91
	Commercial bank Term Deposit (30 day)	1.71	0.89	0.89	0.45	0.35	0.40	0.72	0.37	0.37	1.38	1.36	0.60
	Government Treasury Bill (364 day)	7.20	7.04	6.10	5.17	5.05	4.60	3.37	2.46	4.40	4.27	3.99	4.30
	Oil (\$/bbl)	79.9	72.9	83.9	93.5	112.4	103.4	110.1	116.8	105.1	96.0	88.2	90.3
	LNG (\$/mmbtu)	15.3	15.3	14.7	17.0	15.1	16.3	16.7	15.5	18.9	21.2	23.7	21.8
	Gold (\$/troy oz)	1,822.7	1,787.7	1,817.2	1,850.8	1,946.6	1,936.4	1,849.9	1,835.0	1,733.3	1,760.5	1,679.9	1,665.7
	Copper (\$/mt)	9,773.4	9,558.8	9,776.3	9,931.7	10,242.4	10,187.1	9,353.6	9,073.4	7,506.8	7,942.8	7,742.8	7,625.1
	Nickel (\$/tonne)	19,927.6	20,129.1	22,214.6	24,077.8	31,735.3	33,317.3	27,921.8	26,041.2	21,463.3	21,907.1	22,904.6	21,934.3
	Cobalt (\$/tonne)	59,563.8	68,766.9	70,175.4	71,137.4	80,224.1	81,536.9	77,929.1	72,021.8	55,248.8	49,354.5	51,264.3	51,260.3
	Coffee (\$/tonne)	5,709.9	5,912.4	5,980.5	6,213.3	5,555.6	5,858.7	5,714.1	6,037.5	5,623.4	5,942.6	5,875.3	5,324.1
Cocoa (\$/tonne)	2,403.7	2,385.4	2,476.6	2,557.2	2,471.8	2,456.2	2,365.3	2,324.2	2,242.0	2,271.3	2,220.5	2,244.1	
Palm Oil (\$/tonne)	1,399.0	1,327.4	1,359.8	1,505.9	1,750.0	1,744.9	1,737.3	1,597.7	1,234.4	1,110.2	1,063.0	1,025.5	

**Notes:** BOP figures are monthly flows and not cumulative  
p provisional.  
r revised.  
\* end of period