



BANK OF PAPUA NEW GUINEA

MONTHLY ECONOMIC REVIEW

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Economic Activity

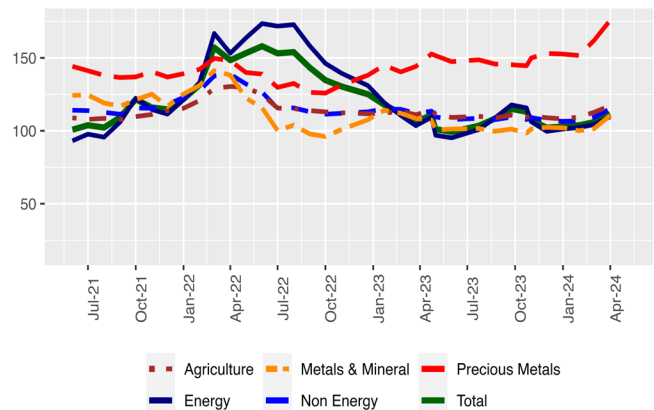
Global economic growth improved modestly despite ongoing inflationary pressure and a slight slowdown in demand. Economic activity in the United States (US) decelerated due to output contractions in the manufacturing and services sectors. Rising production costs from increased crude oil and metal prices, along with high interest rates, and a drop in new orders contributed to the slowdown in business activity. In the United Kingdom, economic activity gained momentum on the back of an increased business and consumer spending, especially in the services sector. The Euro area displayed consecutive improvement, underpinned by a robust increase in activity in the services sector, especially in Germany and France. However, persistent high inflationary pressures continue to impact production costs and output charges. In Japan, economic recovery was supported by a pick-up in business activity in the service sector, while manufacturing activity shrunk due to a drop in export orders, notably from China and the US. Among the emerging markets and developing economies, China struggled to recover due to weak domestic demand and prolonged weakness in the property sector. Its manufacturing output and retail sales plummeted, leading to a decline in employment. On the other hand, India's economy remained resilient, with significant growth in output, new orders, and employment. The strong global demand for India's exports propelled rapid expansions in the manufacturing and services sectors.

Commodity Prices

International commodity price data published by the World Bank indicated increases across major commodity prices in April 2024. The overall world commodity price index increased by 5.25 percent, compared to an increase of 2.07 percent in March 2024. This mainly reflected increases in both the energy and non-energy price indices. The energy price index increased by 5.24 percent, reflecting a 5.35 percent increase in average crude oil prices to

US\$88.01 per barrel. The average natural gas price index also increased by 5.53 percent. The non-energy price index increased by 5.28 percent, reflecting an increase in both agriculture prices and the metals and mineral price index. The precious metals price index rose by 8.57 percent, mainly driven by increases in the prices of gold and silver by 8.04 percent and 12.14 percent, respectively. Overall, the data shows that the international prices for most of Papua New Guinea's major export commodities increased, except for logs, palm oil, and rubber in April 2024, compared to March 2024 (Chart 1).

Chart 1: Commodity Price Indices
(2010=100)



Source: World Bank

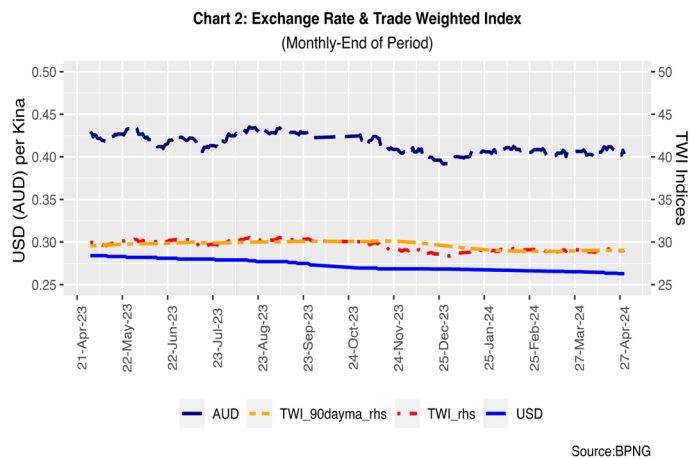
Balance of Payments

Preliminary balance of payments data for the two months to February 2024 showed a deficit of K1,066.8 million, a significant deterioration from K502.2 million in the same period of 2023. This outcome was primarily driven by a deficit of K4,916.4 in the financial account, which partially offset a surplus of K2,550.4 million in the current and capital accounts. The surplus in the current and capital accounts was mainly attributed to a trade surplus, driven by LNG exports and higher net secondary income receipts. On the other hand, the deficit in the financial account reflected an increase in offshore foreign currency accounts and net outflows of funds for external investments and debt service payments. The gross foreign exchange reserves level at the end of February 2024, stood at K13,429.7 (US\$3,639.5) million, providing

7.6 months of total import cover and 12.3 months of non-mineral import cover. As of the 30th of April 2024, the level of gross foreign exchange reserves declined to K13,271.30 (US\$3,555.4) million.

Exchange Rate

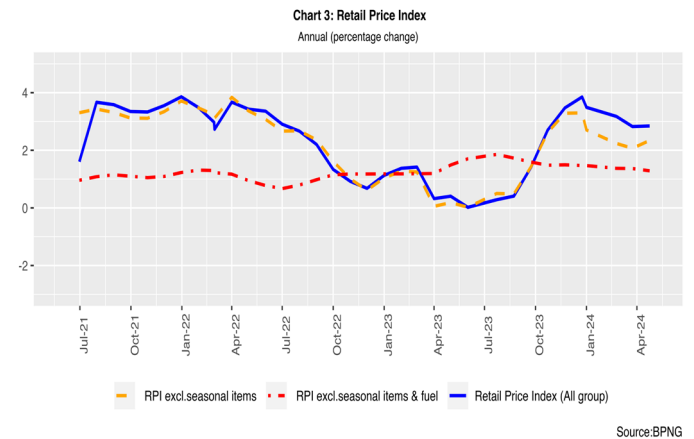
Over the month to 30th April 2024, the monthly average kina exchange rate against the US dollar (USD) depreciated by 0.58 percent to US\$0.2640, while it appreciated against the Australian dollar (AUD) by 0.18 percent to A\$0.4058. The depreciation of kina against the USD reflected the persistent demand for foreign exchange (FX) relative to supply in the market. However, the appreciation of kina against the AUD was a result of cross-currency movements as the AUD weakened against the USD due to lower export growth. Over the month to 30th April 2024, the Trade Weighted Index (TWI) increased to 29.04 from 28.93 in March 2024. The monthly average TWI increased by 0.08 percent to 29.0 mainly reflecting the appreciation of kina against the currencies of PNG's major trading partners (Chart 2).



Inflation - Retail Price Index

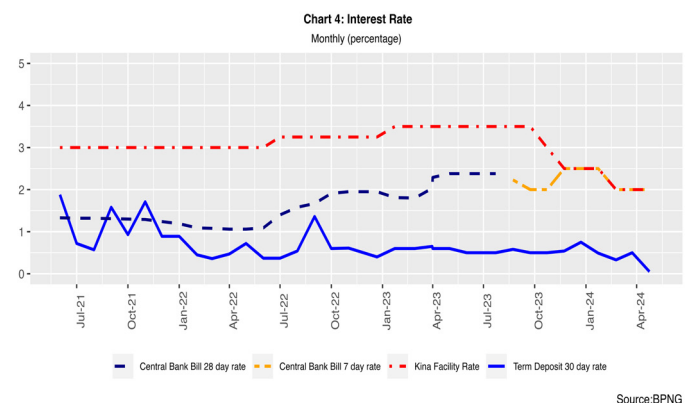
The annual headline Retail Price Index (RPI) to April 2024 increased by 2.8 percent, higher than the 0.4 percent increase in the previous year. This outcome was due to price increases in Health, Alcoholic beverages, tobacco and betelnut, Household Equipment, Transport, Miscellaneous and Food, and Non-alcoholic beverages, expenditure groups of 11.8 percent, 8.0 percent, 6.7 percent, 4.0 percent, 2.0 percent, and 1.7 percent, respectively. In particular, the increase in the Health expenditure group was driven by an increase in the Medical supplies sub-group, while the increase in the Alcoholic beverages, tobacco, and betelnut expenditure group reflected an increase in the Betelnut and Tobacco sub-group. The increase in the Household equipment expenditure group mainly reflected an increase in the Maintenance sub-group.

The increase in the Transport expenditure group was due to a price increase in the Fuel and Lubricants sub-group, while the increase in the Food and Non-alcoholic beverages expenditure group was due to increases in all the sub-groups except the Fruits and Vegetables sub-group. The RPI excluding seasonal items and RPI excluding seasonal and fuel increased by 2.3 percent and 1.3 percent, respectively. Quarterly headline RPI inflation increased by 0.2 percent in the three months to April 2024, compared to an increase of 0.8 percent in the previous quarter (Chart 3).



Domestic Interest Rates and Monetary Aggregates

Over the month to 19th April 2024, a total of K7,839.6 million in 7-day Central Bank Bills were issued under the Fixed Rate Full Allotment (FRFA) auction at 2.0 percent, which resulted in a net diffusion of K68.0 million. At the Treasury Bill auction, the rates depicted mixed trends. The 182-day and 273-day rates each remained at 2.45 percent. However, the 364-day rate increased by 31 basis points (bps) to 3.6 percent. During the same period, the weighted average interest rates on wholesale deposits (K500,000 and above) also showed mixed trends. The interest rates for the 30-day decreased by 1 basis point (bp) to 0.51 percent, the 270-day remained steady at 1.05 percent, while the rates for the 60-day, 90-day, 180-day, and 360-day increased by 1 bp, 21 bps, 117 bps, and 46 bps, respectively to 0.49 percent, 1.64 percent, 1.17 percent, and 2.45 percent (Chart 4).



Broad money supply increased by 7.2 percent over the 12 months to March 2024, compared to an increase of 10.5 percent in the corresponding period of 2023. This was due to an increase in net domestic assets (NDA) of the depository corporations, which more than offset a decline in net foreign assets (NFA). The increase in NDA resulted from an increased lending by commercial banks to the private sector, while the decline in the NFA reflected a reduction in the NFA of the Central Bank attributed to increased monthly interventions in the FX market and the Government's external debt repayments. The monetary base declined by 7.9 percent in the twelve months to March 2024, compared to an increase of 17.9 percent in the corresponding period of 2023. This outcome reflected a decline in the deposits of commercial banks at the Central Bank due to increased interventions in the FX market by the Central Bank.

Commercial banks' lending to public non-financial corporations, other financial corporations, and other

resident sectors increased by K399.8 million to K16,575.5 million between December 2023 and the week ending 19th April 2024. The increase is attributed to lending to the finance, mining, retail, manufacturing, and transport sectors. The deposit level as of 19th April 2024 increased by K254.2 million to K33,360.4 million, compared to the end of 2023. The increase was mainly due to the deposit of funds by the government, construction, household, real estate, and forestry sectors.

Monetary Policy

The Bank maintained its monetary policy stance by keeping the policy rate, the Kina Facility Rate unchanged at 2.0 percent in April 2024.

Authorised for release by **Ms. Elizabeth Genia**, AAICD, **Governor**

Papua New Guinea Key Economic Indicators														
		Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
1. Consumer Price Index (CPI)	Headline	-	-	1.49	-	-	2.20	-	-	3.90	-	-	-	-
	Food	-	-	7.45	-	-	6.40	-	-	5.50	-	-	-	-
	Underlying	-	-	2.15	-	-	1.30	-	-	0.70	-	-	-	-
2. Retail Price Index (RPI) (YOY% Change)	Headline	0.4	0.6	0.5	0.8	0.7	1.5	2.0	3.2	3.6	3.4	3.2	2.7	2.8
	Ex-seasonal	0.1	0.1	0.0	0.5	0.5	1.4	1.9	3.3	3.3	2.7	2.2	2.0	2.3
3. Exchange Rates (mid-rate, eop*)	USD	0.2840	0.2820	0.2800	0.2790	0.2770	0.2730	0.2695	0.2685	0.2683	0.2677	0.2666	0.2655	0.2640
	AUD	0.4296	0.4233	0.4229	0.4174	0.4271	0.4225	0.4245	0.4041	0.3920	0.4025	0.4080	0.4051	0.4058
	GBP	0.2278	0.2265	0.2223	0.2171	0.2179	0.2233	0.2219	0.2114	0.2102	0.2107	0.2110	0.2090	0.2109
	JPY	38.3500	39.4400	40.5050	39.5700	40.4200	40.7200	40.4900	39.4800	37.9100	39.1100	39.8228	38.7890	40.5700
	NZD	0.4624	0.4695	0.4605	0.4502	0.4652	0.4546	0.4623	0.4350	0.4222	0.4330	0.4348	0.4368	0.4429
4. Trade Weighted Index (TWI)		-	29.9641	30.3362	29.6610	30.2667	30.3260	30.0342	29.5043	28.7774	28.8835	29.2559	28.9785	29.3118
5. Balance of Payments	Current & Capital Account (a) (PGK mill)	2,563.2	3,100.7	279.3	2,019.1	2,357.4 p	1,984.1 p	2,120.2 p	2,153.9 p	28,762.9 p	2,916.3 p	2,550.4 p	-	-
	Financial Account (b) (PGK mill)	-2,855.5	-3,036.1	-395.3	-1,925.5	-2,831.0 p	-2,277.0 p	-1,698.3 p	-3,753.9 p	-31,991.6 p	-2,034.3 p	-4,916.4 p	-	-
	Overall Balance (PGK mill)	-361.7	166.4	-310.6	-371.4	733.3 p	-390.8 p	-699.2 p	1,240.4 p	-199.4 p	558.4 p	-1,066.8 p	-	-
	Foreign Exchange Reserve (eop) (US\$ mill)	3,859.5	3,882.8	3,760.7	3,647.3	3,833.1	3,677.0	3,425.5	3,647.1	3,956.7	3,795.2	3,639.5	3,372.9	3,555.4
6. Liquidity (eop)	Liquid Assets Margin to Deposit Ratio (%)	51.9	51.9	49.1	49.3	48.8	48.2	47.1	48.5	47.7	48.4	49.6	47.37	46.34
	Bank's Demand Deposits (K'bn)	28.5	28.4	28.2	28.2	28.4	28.5	28.1	29.0	29.2	29.8	29.7	29.6	-
7. Money and Credit (YOY % Change)	Broad Money	11.7	9.9	11.4	-3.8	9.6	8.6	9.4	12.3	10.4	7.6	7.0	7.2	-
	Monetary Base	29.4	7.3	20.3	12.6	8.7	3.4	2.2	2.2	-8.7	-5.6	-6.0	-7.9	-
	Private Sector Credit	7.3	7.8	12.7	-5.9	13.8	13.8	16.0	13.3	19.3	14.7	13.7	14	-
8. Interest Rates (% pa) (monthly weighted average)	Kina Facility Rate (KFR)	3.5	3.5	3.5	3.5	3.5	3.5	3.0	2.5	2.5	2.0	2.0	2.0	2.0
	Central Bank Bill (7 days)	-	-	-	-	2.2	2.0	2.0	2.5	2.5	2.5	2.0	2.0	2.0
	Central Bank Bill (28 days)	2.4	2.4	2.4	2.4	2.4	-	-	-	-	-	-	-	-
	Commercial Bank Term Deposit (30 days)	0.6	0.6	0.5	0.6	0.6	0.5	0.5	0.5	0.8	0.5	0.5	0.5	0.5
	Government Treasury Bill (364 days)	3.1	3.0	2.8	3.0	2.8	2.0	3.6	3.6	3.5	3.5	3.1	3.3	3.7
9. Commodity Prices (monthly average) (c)	Oil (\$/bbl)	82.5	74.1	73.3	79.0	84.7	92.2	89.1	81.4	75.7	77.7	80.5	83.5	88.01
	LNG (\$/mmbtu)	14.4	13.4	12.7	13.0	12.5	12.2	12.6	12.7	14.4	14.3	14.2	13.5	13.26
	Gold (\$/troy oz)	2,001.7	1,987.0	1,940.3	1,947.8	1,922.5	1,915.8	1,904.6	1,987.3	2,026.0	2,034.0	2,023.0	2,158.0	2,331.45
	Copper (\$/mt)	8,822.4	8,231.5	8,396.8	8,435.1	8,361.0	8,258.0	7,925.8	8,170.1	8,401.7	8,354.8	8,302.5	8,692.1	9,464.43
	Nickel (\$/tonne)	23,683.2	22,167.1	21,187.5	20,853.8	20,510.6	19,578.5	18,274.6	17,012.6	16,364.3	16,092.5	16,371.3	17,397.6	18,163.95
	Cobalt (\$/tonne)	34,248.0	32,780.6	28,932.3	32,732.5	32,729.9	32,732.0	32,732.0	32,752.8	29,840.9	28,439.5	28,003.5	28,035.5	28,282.36
	Coffee (\$/tonne)	5,060.8	4,839.1	4,553.0	4,261.0	4,122.6	4,045.4	4,044.3	4,345.0	4,659.4	4,434.0	4,585.6	4,630.0	5,274.3
	Cocoa (\$/tonne)	2,809.6	2,908.8	3,140.8	3,341.1	3,454.0	3,625.9	3,667.3	3,672.3	4,290.8	4,249.4	5,650.0	7,752.5	9,740.0
	Palm Oil (\$/tonne)	1,037.3	948.4	921.5	995.5	960.5	951.5	909.1	971.5	949.8	940.1	980.3	1,074.8	935.7

Notes:

p provisional
r revised
* end of period

(a) It use to be Current Account under BPM5 version
(b) It use to be Capital and Financial Account under BPM5 version
(c) BPNG introduced the CBB 7-day term and withheld the CBB 28-day term