



BANK OF PAPUA NEW GUINEA

BANK OF PNG TIGHTENS ITS MONETARY POLICY

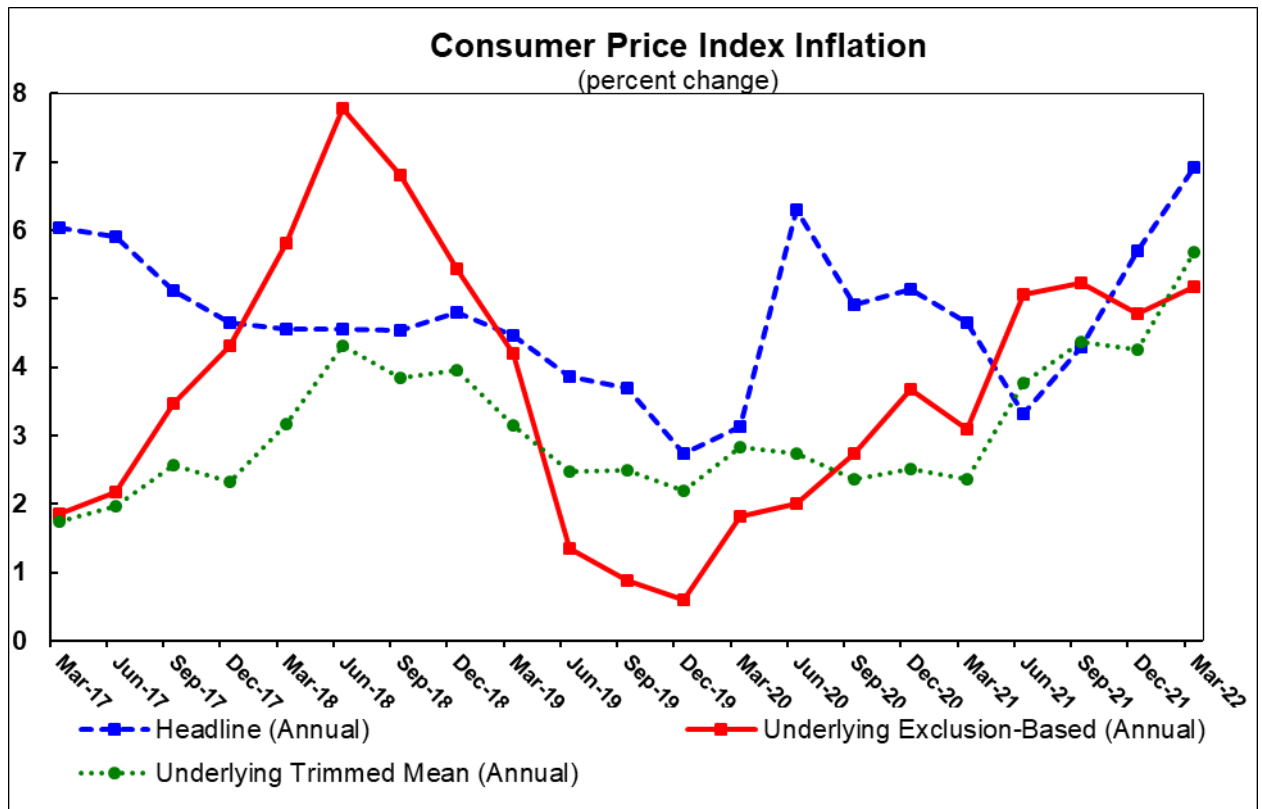
The Central Bank announces a tightening of monetary policy stance by increasing its signaling rate, the Kina Facility Rate (KFR), to counter the increase in inflation. The timing is appropriate to make the necessary policy adjustment due to developments in the domestic and global economy.

Domestic prices continue to increase since June quarter of 2021 and the Bank expects these to remain elevated for the rest of the year. This is reflected by a significant increase in headline Consumer Price Index (Inflation) of 6.9 percent in March quarter of 2022 (see Chart below) since the peak of 7.2 percent in December quarter of 2010. This was driven mainly by high imported inflation caused by the increase in international prices of crude oil and food, from the ongoing supply constraints attributed to the impact of the COVID-19 pandemic and the Russia-Ukraine war.

In view of these developments, the Central Bank will increase the KFR for the month of July 2022 by 25 basis points to 3.25 percent.

To support this stance of monetary policy, the Cash Reserve Requirement will increase to 8.0 percent from 7.0 percent to diffuse some of the excess liquidity. There is still high liquidity in the banking

system to support the projected economic recovery for 2022 and lending to the private sector.



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Acting Governor