



# BANK OF PAPUA NEW GUINEA

## MONTHLY ECONOMIC REVIEW

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Month End

April 2025

### Economic Activity

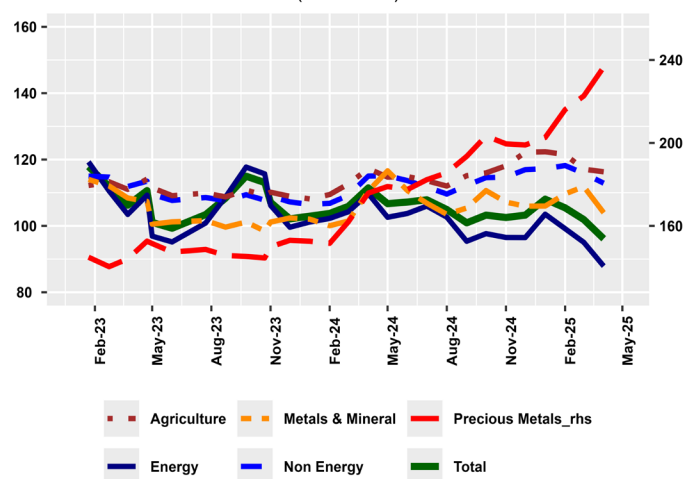
Global economic growth weakened due to easing demand amid increasing price pressures arising from tough United States (US)'s tariff measures, which fueled uncertainties and loss of business confidence. In the US, overall economic activity slowed down as price pressures intensified. Manufacturing output declined, owing to a decrease in new export orders, increased input costs, and supply chain disruptions emanating from the increase in tariffs. This development more than offset a pick-up in the service sector, as reflected by moderate increases in employment and new orders. In the United Kingdom (UK), economic activity weakened as the service sector activity dropped, coupled with ongoing stagnation in the manufacturing sector. With increased input costs and easing global demand, firms resorted to cost-cutting measures to remain competitive. Economic activity in the Euro area also slowed down, driven by lackluster performance of the dominant service sector, despite a slight improvement in the manufacturing sector. In Japan, economic activity improved, indicated by increases in employment level and private sector sales, driven by growth in consumer spending, especially in the service sector. Among the emerging markets and developing economies, China's overall economic activity weakened, mainly attributed to the impacts of the US-imposed tariffs. Consequently, manufacturing output and overall employment declined, outstripping the gains of the service sector driven by increased domestic consumer spending. In India, economic activity remain robust, reflecting strong growth in both the manufacturing and service sectors due to decreased input costs and strong demand.

### Commodity Prices

International commodity price data published by the World Bank showed an overall decline of 5.68 percent in the commodity price index in April 2025, reflecting declines in both the energy and non-energy price indices. The energy price index decreased by 7.56 percent on the back of significant declines in crude

oil and natural gas prices. The non-energy price index declined by 2.56 percent, reflecting decreases of 0.65 percent and 7.04 percent in the agriculture price index and metals and minerals price index, respectively. The precious metals price index increased by 6.26 percent, mainly driven by an increase in the price of gold by 7.86 percent, which more than offset a 2.90 percent decline in the price of silver. Overall, the data as at end of April 2025 showed that the international prices for most of Papua New Guinea's (PNG) major export commodities decreased, except for cocoa, logs and gold, compared to March 2025 (Chart 1).

Chart 1: Commodity Price Indices  
(2010=100)



Source: World Bank

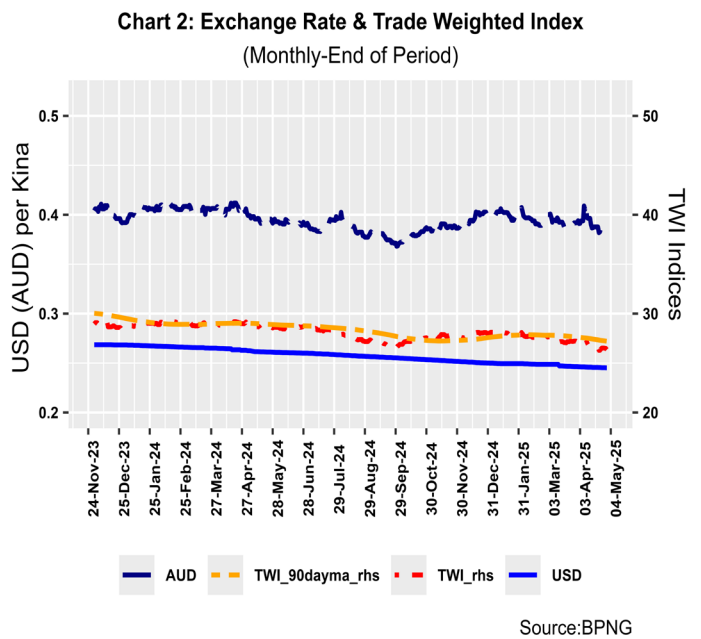
### Balance of Payments

Preliminary balance of payments data for the three months to March 2025 showed a deficit of K1,512.2 million, compared to a deficit of K1,992.9 million in the corresponding period of 2024. The outcome was due to a deficit of K8,078.7 million in the financial account, which more than offset a surplus of K7,721.3 million in the current and capital account. The deficit in the financial account was contributed by a net outflow of funds to offshore foreign currency accounts by mineral companies and Government external debt repayments. The surplus in the current and capital account was mainly due to a higher surplus in the trade account.

The gross foreign exchange reserves at the end of March 2025 was K12,814.60 (US\$ 3,221.6) million, sufficient for 6.0 months of total and 9.8 months of non-mineral import covers, respectively. As of 30<sup>th</sup> April 2025, the level of gross foreign reserves was K13,291.01 (US\$ 3,325.41) million.

Exchange Rate

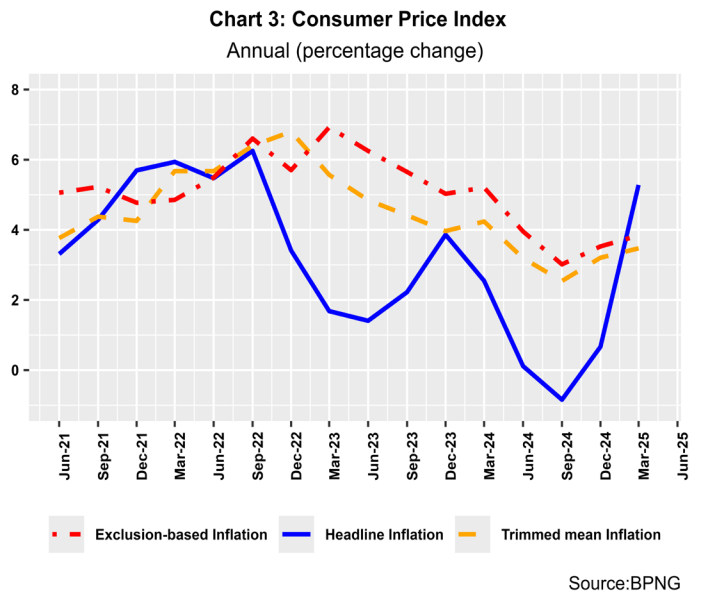
The monthly average Kina exchange rate against the US dollar (USD) depreciated by 0.72 percent to USD \$0.2457 and against the Australian dollar (AUD) by 0.68 percent to AUD \$0.3907 over the month to 30<sup>th</sup> April 2025. For the other major trading partner currencies, the Kina exchange rate also depreciated against the Chinese Yuan (CNY), Japanese Yen (JPY) and Singaporean Dollar (SGD) by 0.05 percent, 4.0 percent and 1.80 percent to CNY 1.7943, JPY 35.4497 and SGD 0.3254, respectively. The depreciation of the kina against the USD reflects the downward adjustment under the 'crawl' exchange rate arrangement to address kina overvaluation. Against the other major trading partner currencies, the depreciation of the kina reflected cross-currency dynamics, with the U.S. dollar weakening amid growing economic uncertainty stemming from recent tariff policies. The monthly average Trade Weighted Index (TWI) decreased by 1.92 percent to 26.74 as of 30<sup>th</sup> April 2025. This outcome mainly reflects the depreciation of the kina against the trading partner currencies (Chart 2).



Inflation - Consumer Price Index

The annual headline inflation, as measured by the Consumer Price Index (CPI) and published by the National Statistical Office (NSO), increased by 5.3

percent in the March quarter of 2025, compared to an increase of 0.7 percent in the previous quarter. All expenditure groups recorded price increases, except for the “household equipment” expenditure group, which recorded a decline. The largest increase was in the “Alcoholic beverages, tobacco & betel-nut” (ABTB) expenditure group of 14.5 percent, followed by “Food and non-alcoholic beverages” with 6.3 percent, “Clothing & footwear” with 5.1 percent, “Miscellaneous” with 3.7 percent, “Transport” with 3.4 percent, “Health” with 2.9 percent, “Restaurants and hotels” with 2.2 percent, both “Education” and “Recreation” with 1.7 percent each, “Communication” with 1.3 percent and “Housing” with 1.1 percent. These more than offset a decline in the “Household equipment” expenditure group of 0.8 percent. The NSO’s annual exclusion-based inflation measure (overall CPI excluding seasonal, customs excise, and price-regulated items) increased by 3.3 percent in the March quarter. The Bank’s annual trimmed mean inflation was 3.5 percent in March 2025, compared to 3.2 percent in the December 2024 quarter. Quarterly headline inflation increased by 2.4 percent, mainly due to an increase in betel-nut prices. Trimmed mean inflation increased by 1.5 percent in the March quarter of 2025, compared to an increase of 1.0 percent in the previous quarter (Chart 3).

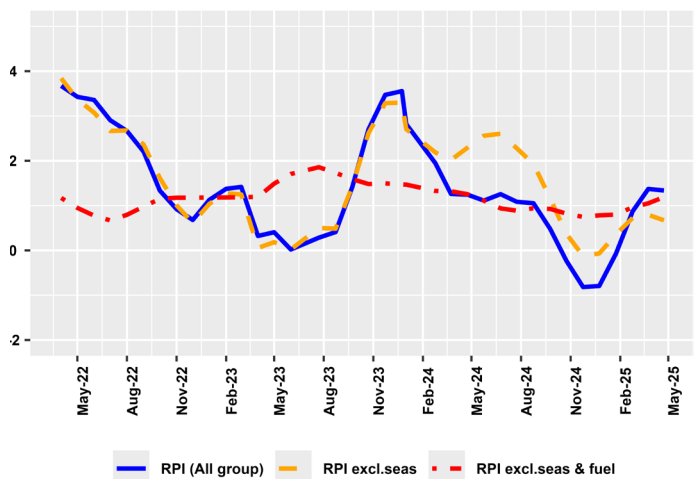


Inflation - Retail Price Index

Annual headline Retail Price Index (RPI) inflation to April 2025 increased by 1.3 percent, compared to an increase of 1.2 percent in the previous year. This was due to price increases in the “Alcoholic beverages, tobacco and betel-nut”, “Food and non-alcoholic beverages”, “Miscellaneous” and “Household equipment” expenditure groups of 6.2 percent, 3.6 percent, 1.4 percent and 0.5 percent, respectively. This more than

offset price declines in the “Transport” and “Housing” expenditure groups of 1.1 percent and 0.4 percent, respectively. The increase in the “Alcoholic beverages, tobacco and betel-nut” expenditure group was driven by price increases in the “Alcoholic beverages, tobacco and betel-nut” sub-groups, especially betel-nut. The increase in the “Food and non-alcoholic beverages” expenditure group reflected increases in all the sub-groups. These include fruits and vegetables, other food products, fish, oils and fats, cereals, dairy products, eggs and cheese, meat, non-alcoholic beverages and sugars and confectionary sub-groups. The RPI excluding seasonal items and the RPI excluding-seasonal items and fuel increased by 0.7 percent and 1.2 percent, respectively. Quarterly headline RPI inflation increased by 0.7 percent in the three months to April 2025, compared to an increase of 0.4 percent in the previous quarter (Chart 4).

**Chart 4: Retail Price Index**  
Annual (percentage change)



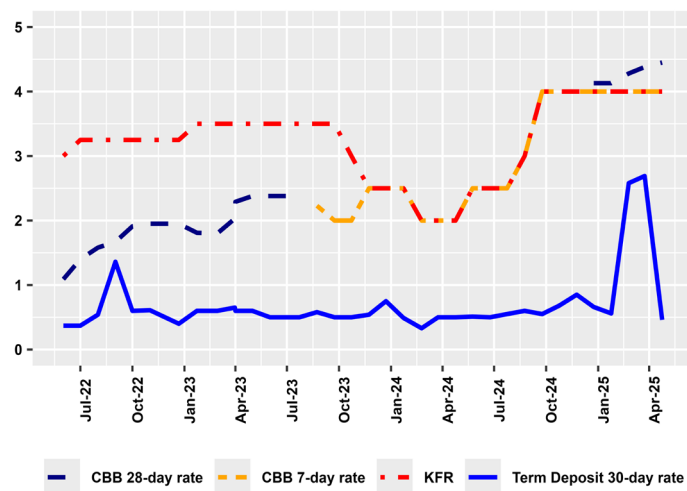
Source:BPNG

## Domestic Interest Rates and Monetary Aggregates

To manage liquidity in the banking system, the bank continued to utilize the short-term 7-day and 28-day Central Bank Bills (CBB). The 7-day CBB was issued under the Fixed Rate Full Allotment (FRFA) auction at 4.0 percent, while the 28-day CBB was competitively issued at 4.45 percent. The overnight Repurchase Agreement (Repo) and reverse repo dealing margins remained at 150 basis points on both sides of the KFR. Over the month to 25<sup>th</sup> April 2025, total CBB maturity was K5,105.0 million, while the issuance was K4,776.0 million, resulting in a net injection of K349.0 million. For the T-bill auction, the rates increased for most terms, except for the 364-day term. The 91-day, 182-day and 273-day term rates increased by 58 basis points (bps), 54 bps and 2 bps to 4.55 percent, 6.39

percent and 8.24 percent, respectively. The 364-day term rate decreased by 2 bps to 8.21 percent. During the same period, the weighted average interest rates on wholesale deposits (K500,000 and above) showed mixed movements. The rates for the 30-day, 90-day and 270-day terms decreased by 186 bps, 179 bps and 14 bps to 0.83 percent, 0.64 percent and 0.58 percent, respectively. Conversely, the 60-day, 180-day and 360-day term rates increased by 22 bps, 45 bps and 123 bps to 5.57 percent, 2.93 percent and 6.00 percent, respectively (Chart 5).

**Chart 5: Interest Rate**  
Monthly (percentage)



Source:BPNG

Broad money supply declined by 6.6 percent over the 12 months to March 2025, compared to an increase of 7.2 percent in the corresponding period of 2024. This was due to a decrease in the net domestic assets (NDA) of other depository corporations (ODC), which more than offset an increase in net foreign assets (NFA) of the Central Bank. The increase in the Central Bank's net foreign assets (NFA) reflected net foreign exchange inflows into the reserves during the period to March 2025. Meanwhile, the decline in the net domestic assets (NDA) of other depository corporations, mainly commercial banks, was driven by the net retirement of their Treasury bill holdings over the same period. Commercial banks' lending to public non-financial corporations, other financial corporations, and other resident sectors increased by K165.3 million to K17,029.1 million between December 2024 and the week ending 25<sup>th</sup> April 2025. The increase was driven by advances to the retail, manufacturing, finance, wholesale, mining, and petroleum sectors. During the same period, the deposit level increased by K347.6 million to K31,630.5 million. The increase was mainly due to placements of funds by the government, retail, construction, agriculture, and forestry sectors.

## Monetary Policy

The Bank maintained its neutral stance on monetary policy by keeping the policy rate, the Kina Facility Rate (KFR) unchanged at 4.00 percent in April 2025.

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

Papua New Guinea Key Economic Indicators														
		Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb -25	Mar-25	Apr -25
1. Consumer Price Index (CPI)	Headline	-	-	0.1	-	-	-0.9	-	-	0.7	-	-	5.30	-
	Food	-	-	4.9	-	-	4.2	-	-	4.8	-	-	6.30	-
	Underlying	-	-	4.4	-	-	4.4	-	-	3.3	-	-	3.10	-
2. Retail Price Index (RPI) (YOY% Change)	Headline	2.8	2.9	3.2	1.1	1.0	0.5	0.6	0.3	-0.87	-0.05	1.00	1.4	1.3
	Ex-seasonal	2.3	2.6	2.6	2.3	2.0	1.2	0.4	0.4	-0.02	0.4	0.90	0.8	0.7
3. Exchange Rates (mid-rate, eop*)	USD	0.2640	0.2615	0.2604	0.2593	0.2567	0.2552	0.2534	0.2525	0.2500	0.2494	0.2487	0.2475	0.2452
	AUD	0.4058	0.3953	0.3918	0.3883	0.3773	0.3681	0.3855	0.3865	0.4022	0.4007	0.4002	0.3934	0.3825
	GBP	0.2109	0.2073	0.2048	0.2017	0.1949	0.1906	0.1956	0.1980	0.1992	0.2008	0.1977	0.1921	0.1833
	JPY	40.5700	40.7452	41.1062	40.9484	37.2100	36.1900	38.7300	38.8150	39.0550	38.6100	37.2800	36.9206	35.0000
	NZD	0.4429	0.4318	0.4242	0.4298	0.4101	0.4007	0.4240	0.4270	0.4442	0.4418	0.4442	0.4331	0.4128
4. Trade Weighted Index (TWI)	TWI	29.3118	28.6616	28.6084	28.4225	27.6401	27.0139	27.2200	27.6485	27.8247	28.020	27.64	27.190	26.740
5. Balance of Payments	Current & Capital Account (a) (PGK mill)	1,259.1 p	1,217.8 p	752.5 p	274.9 p	2,029.6 p	1,977.3 p	2,073.0 p	2,119.8 p	2,028.3 p	2,966.5 p	2,543.9 p	2,211.0 p	-
	Financial Account (b) (PGK mill)	-477.3 p	-1,987.2 p	-2,721.0 p	-473.8 p	-1,113.4 p	-313.8 p	-1,281.7 p	-2,228.3 p	-3,469.3 p	-2,703.2 p	-2,436.7 p	-2,938.8 p	-
	Overall Balance (PGK mill)	-452.1 p	782.7 p	-548.8 p	971.4 p	259.1 p	-829.4 p	-42.0 p	206.3 p	1,884.2 p	- 425.5 p	-126.2 p	-960.5 p	-
	Foreign Exchange Reserve (eop) (US\$ mill)	3,555.4	3,548.5	3,242.1	3,535.9	3,433.0	3,237.2	3,419.6	3,195.3	3,615.7	3,532.9	3,419.7	3,221.6	3,325.4
6. Liquidity (eop)	Liquid Assets Margin to Deposit Ratio (%)	46.3	46.4	45.4	44.7	46.3	44.6	47.1	43.1	43.3	45.1	43.9	44.05	42.3
	Bank's Demand Deposits (K'bn)	29.3	30.6	30.2	29.1	29.9	29.3	28.2	28.7	28.2	28.9	28.5	28.5	28.4
7. Money and Credit (YOY % Change)	Broad Money	3.9	5.6	3.5	0.6	3.2	1.0	1.2	5.2	-6.4	-5.9	-6.5	-6.6	-
	Monetary Base	-7.4	-0.3	1.5	0.7	9.2	8.2	9.4	1.8	4.0	-1.3	-3.6	1.4	-
	Private Sector Credit	13.8	13.0	9.4	8.5	9.5	5.8	6.4	3.3	3.2	0.1	-0.8	0.4	-
8. Interest Rates (% pa) (monthly weighted average)	Kina Facility Rate (KFR)	2.0	2.5	2.5	2.5	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	Central Bank Bill (7 days)(c)	2.0	2.5	2.5	2.5	3.0	4.0	4.0	4.0	4.1	4.1	4.28	4.38	4.45
	Central Bank Bill (28 days)(d)	-	-	-	-	-	-	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	Commercial Bank Term Deposit (30 days)	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.9	0.7	0.6	2.58	2.69	0.46
	Government Treasury Bill (364 days)	3.7	3.9	4.4	6.0	6.9	7.3	8.0	8.6	8.7	8.5	8.26	6.2	8.21
9. Commodity Prices (monthly average)	Oil (\$/bbl)	88.0	81.5	81.2	83.3	78.1	72.4	74.0	72.3	72.3	78.2	73.8	70.7	65.9
	LNG (\$/mmbtu)	11.9	12.2	12.1	12.5	13.3	13.2	12.9	12.5	12.8	13.2	12.8	12.6	12.4
	Gold (\$/troy oz)	2,331.0	2,351.0	2,326.0	2,398.0	2,470.2	2,571.0	2,690.0	2,651.1	2,648.0	2,710.0	2,895.0	2,983.0	3,218.0
	Copper (\$/mt)	9,521.9	10,084.9	9,640.7	9,354.5	8,971.6	9,228.2	9,543.7	9,075.7	8,916.3	8,943.1	9,328.7	9,727.7	9,212.5
	Nickel (\$/tonne)	18,231.0	19,425.7	17,502.3	16,347.8	16,295.0	16,068.9	16,788.6	15,723.1	15,444.9	15,315.3	15,269.1	16,066.1	15,250.9
	Cobalt (\$/tonne)	27,742.9	27,240.7	26,575.3	26,153.6	24,877.4	23,826.0	23,978.2	24,318.2	24,300.0	23,681.2	21,349.3	30,682.5	33,079.5
	Coffee (\$/tonne)	5,234.4	5,108.6	5,348.2	5,663.0	5,788.9	6,124.7	6,099.5	6,723.7	7,569.3	7,814.7	9,027.4	8,907.1	8,667.6
	Cocoa (\$/tonne)	9,052.0	7,807.6	8,067.7	7,158.8	6,797.5	6,418.4	6,576.0	7,894.8	10,320.5	10,709.3	9,783.4	8,079.5	8,169.2
	Palm Oil (\$/tonne)	1,024.2	998.0	1,036.3	1,054.5	1,066.8	1,139.0	1,077.0	1,168.6	1,189.7	1,070.0	1,067.0	1,068.0	994.0

**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 until October 2024

(d) BPNG reintroduced the CBB 28-day term in October 2024