



BANK OF PAPUA NEW GUINEA

MONTHLY ECONOMIC REVIEW

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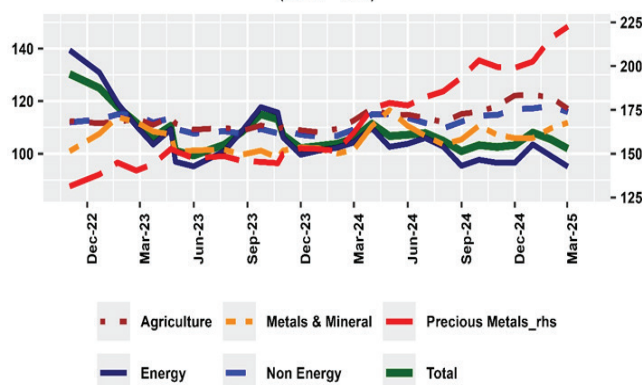
Economic Activity

Global economic growth showed resilience, mainly driven by strong demand and supply in advance economies despite, elevated inflationary pressures. However, high level of geopolitical and trade policy uncertainty continues to pose significant challenges. In the United States (US), overall economic activity improved due to strong growth in the service sector, despite a decrease in manufacturing activity. New business continued to increase, accompanied by a modest rise in the overall employment level. Price pressures increased, resulting from high input costs, especially in the manufacturing sector. In the United Kingdom(UK), economic growth eased due to a decline in new orders, resulting in decreases in both the service and manufacturing activities as cost pressures remain high. In the euro area, economic indicators showed an overall improvement in activity, mainly attributed to strong performances by the manufacturing and service sectors. Employment levels increased while price pressures subsided. The Japanese economy saw a weak expansion in economic activity due to a decline in new orders, reflecting slower sales growth in the service sector, and a further contraction in manufacturing orders. Employment continued to rise modestly across both sectors despite significant price pressures. Among the emerging markets and developing economies, economic activity in China expanded on the back of resilient growth in the service sector and a strong expansion in manufacturing output. The increase in activity was underpinned by higher inflows of new businesses, including a solid rise in export orders. However, overall employment levels declined, mainly due to job reductions across the manufacturing and non-manufacturing sectors. In India, overall economic activity improved, mainly driven by an increase in the manufacturing sector and a continuous expansion in the service sector, where employment levels and price pressures moderated.

Commodity Prices

International commodity price data published by the World Bank show a decline in most commodity prices in March 2025. The overall commodity price index declined by 3.36 percent, reflecting declines in both the energy and non- energy price indices. The energy price index fell by 4.1 percent on the back of a significant decline in crude oil and natural gas prices, while the non-energy price index decreased by 2.07 percent, reflecting a decrease of 3.76 percent in the agriculture price index which offsets an increase of 3.05 percent in the metals and minerals price index. The precious metals price index increased by 3.05 percent, mainly driven by an increase in the price of gold, silver and nickel by 3.06 percent, 3.22 percent and 5.09 percent, respectively. Overall, the data as of March 2025 showed that the international prices for most of Papua New Guinea's major export commodities decreased, except for gold, silver, nickel, tea and palm oil, compared to February 2025 (Chart 1).

Chart 1: Commodity Price Indices
(2010=100)



Source: World Bank

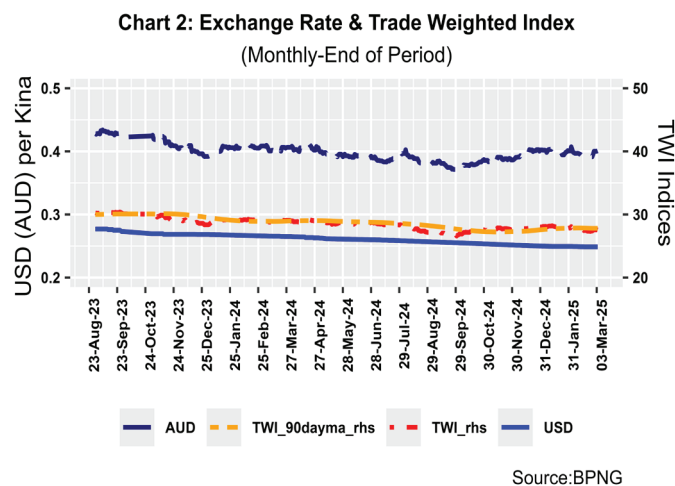
Balance of Payments

Preliminary balance of payments data for the two months to 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.

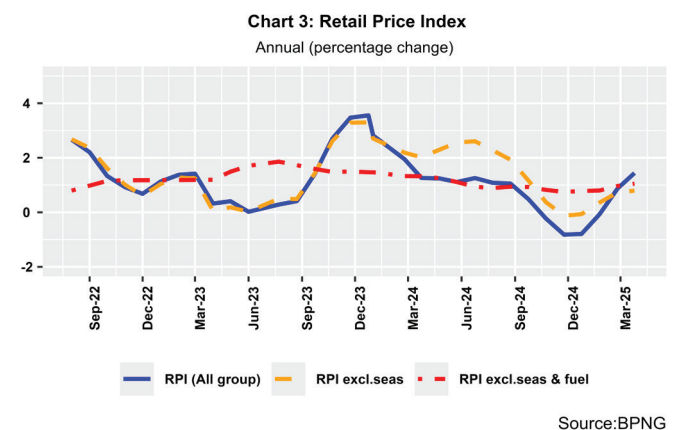
The surplus in the current and capital account was due mainly to a higher surplus in the trade account and net inflow in the secondary income account. The deficit in the financial account was contributed by a net outflow of funds to offshore foreign currency accounts for investments and debt service payments on external loans, largely by mineral companies. Government external debt repayments also contributed to the net outflow of funds. The level of gross foreign exchange reserves at the end of March 2025 was K12,814.6 (US\$ 3,221.6) million, sufficient for 6.0 months of total and 9.8 months of non-mineral import covers, respectively.

Exchange Rate

The monthly average kina exchange rate against the US dollar (USD) depreciated by 0.59 percent to US\$0.2475 and against the Australian dollar (AUD) by 0.45 percent to A\$0.3934 over the month to 31st March 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 0.84 percent, 2.43 percent and 1.31 percent to CNY 1.7953, JPY 36.9206 and SGD 0.3310, respectively. The depreciation of the kina against the USD through the crawling exchange rate arrangement reflected the FX market conditions with demand continuing to outweigh the supply of FX. Against the other major trading partner currencies, the depreciation of the kina reflects cross-currency movements as these currencies strengthened against the USD. The monthly average Trade Weighted Index (TWI) decreased by 1.50 percent to 27.19 as of 31st March 2025. This outcome mainly reflects the depreciation of the kina against the trading partner currencies (Chart 2).



March 2025 increased by 1.4 percent, compared to an increase of 1.3 percent in the previous year. This was due to price increases in the "Food and non-alcoholic beverages", "Alcoholic beverages, tobacco, and betelnut", "Miscellaneous" and "Household equipment" expenditure groups of 3.5 percent, 4.8 percent, 1.5 percent and 1.0 percent, respectively. This more than offset price declines in the "Transport" and "Housing" expenditure groups of 0.3 percent and 0.4 percent, respectively. The increase in the "Food and non-alcoholic beverages" expenditure group was driven by price increases in all of the sub-groups, which includes other food products, fish, fruits and vegetables, cereals, dairy products, eggs and cheese, sugars and confectionery, meat and non-alcoholic beverages. The increase in the "Alcoholic beverages, Tobacco and Betelnut" expenditure group reflected price increases in the alcoholic beverages and tobacco sub-groups, while "Miscellaneous" expenditure group reflected an increase in the price of hygiene products. The increase in "Household equipment" expenditure group was due to an increase in the maintenance goods sub-group. The RPI excluding-seasonal items and the RPI excluding-seasonal items and fuel increased by 0.8 percent and 1.1 percent, respectively. Quarterly headline RPI inflation increased by 1.1 percent in the three months to March 2025, compared to an increase of 1.1 percent in the previous quarter (Chart 3).



Domestic Interest Rates and Monetary Aggregates

The 7-day Central Bank Bill (CBB) Fixed Rate Full Allotment (FRFA) interest rate continued to remain at 4.00 percent, in alignment with the Kina Facility Rate (KFR). Furthermore, the Bank also issued the 28-day term CBB and kept the rate at 4.38 percent. The overnight Repurchase Agreement (REPO) and reverse repo dealing margins were also unchanged at 150 basis points on both sides of the KFR. Over the month to 28th March 2025, total CBB maturity during the period was K5,081.0 million, while,

Inflation - Retail Price Index

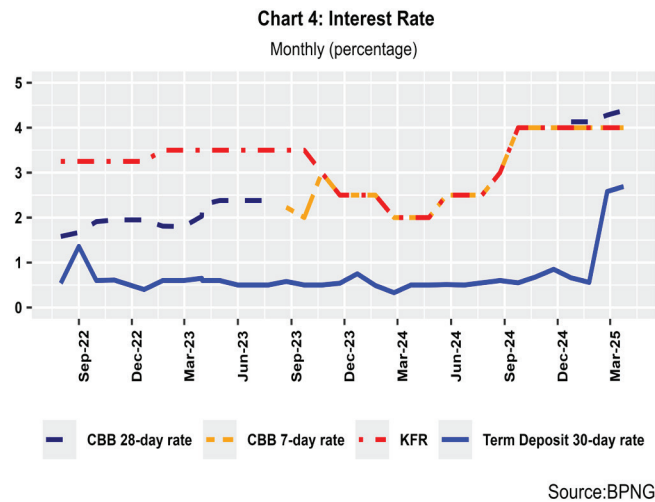
Annual headline Retail Price Index (RPI) inflation to

total issuance of 7-day CBB under the FRFA auction and the 28-day term CBB was K5,105.0 million and K20.0 million, respectively, resulting in a net diffusion of K44.0 million. For the T-bill auction, the rates showed decreasing movements. The rates for the 182-day, 273-day and 364-day terms decreased by 17.0 basis points (bps), 83.0 bps and 203.0 basis points (bps) to 5.65 percent, 6.0 percent and 6.23 percent, respectively. The 91-day term rate remain unchanged at 3.97 percent. During the same period, the weighted average interest rates on wholesale deposits (K500,000 and above) showed increasing movements. The rates for the 30-day, 60-day, 180-day, 360-day terms increased by 0.11 bps, 5.10 bps, 0.35 bps and 4.40 bps to 2.69 percent, 5.35 percent, 2.48 percent and 4.77 percent, respectively. The 90-day term decreased by 0.16 bps to 2.43 percent (Chart 4)

Broad money supply declined by 6.5 percent over the 12 months to February 2025, compared to an increase of 7.1 percent in the corresponding period of 2024. This was due to decreases in net domestic assets (NDA) of depository corporations, which more than offset an increase in net foreign assets (NFA) of the Central Bank. Commercial banks’ lending to public non-financial corporations, other financial corporations and other resident sectors declined by 0.6 percent to K16,762.0 million between December 2024 and week ending 28th March 2025. The decrease was driven by repayments from the agriculture, transport, construction, government and household sectors. During the same period, the deposit level increased by 1.1 percent to K31,686.0 million. The increase was mainly due to placements of funds by the government, retail, construction, forestry and agriculture sectors.

Monetary Policy

The Bank maintained its neutral stance of monetary policy by keeping the policy rate, the Kina Facility Rate, unchanged at 4.00 percent in March 2025.



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

Papua New Guinea Key Economic Indicators

		Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
1. Consumer Price Index (CPI)	Headline	2.5	-	-	0.1	-	-	-0.9	-	-	0.7	-	-	5.3
	Food	4.4	-	-	4.9	-	-	4.2	-	-	4.8	-	-	6.30
	Underlying	4.2	-	-	4.4	-	-	4.4	-	-	5.4	-	-	3.10
2. Retail Price Index (RPI) (YOY% Change)	Headline	2.7	2.8	2.9	3.2	1.1	1.0	0.5	0.6	-0.9	-0.87	-0.05	1.00	1.4
	Ex-seasonal	2.0	2.3	2.6	2.6	2.3	2.0	1.2	0.4	-0.1	-0.02	0.4	0.9	0.8
3. Exchange Rates (mid-rate, eop*)	USD	0.2655	0.2640	0.2615	0.2604	0.2593	0.2567	0.2552	0.2534	0.2525	0.2500	0.2494	0.2487	0.2475
	AUD	0.4051	0.4058	0.3953	0.3918	0.3883	0.3773	0.3681	0.3855	0.3865	0.4022	0.4007	0.4002	0.3934
	GBP	0.2090	0.2109	0.2073	0.2048	0.2017	0.1949	0.1906	0.1956	0.1980	0.1992	0.2008	0.1977	0.1921
	JPY	38.7890	40.5700	40.7452	41.1062	40.9484	37.2100	36.1900	38.7300	38.8150	39.0550	38.6100	37.2750	36.9206
	NZD	0.4368	0.4429	0.4318	0.4242	0.4298	0.4101	0.4007	0.4240	0.4270	0.4442	0.4418	0.4442	0.4331
4. Trade Weighted Index (TWI)	TWI	28.9785	29.3118	28.6616	28.6084	28.4225	27.6401	27.0139	27.2200	27.64985	27.8247	28.020	27.640	27.190
5. Balance of Payments	Current & Capital Account (a) (PGK mill)	1,697.4 p	1,462.2 p	1,428.2 p	865.8 p	1,509.1 p	3,198.3 p	2,845.0 p	2303.1 p	2730.0 p	2,028.3 p	3,679.6 p	-	-
	Financial Account (b) (PGK mill)	-3,609.2 p	-1,455.9 p	-1,315.5 p	-4,066.4 p	-1,349.2 p	-2,898.9 p	-2,319.8 p	-942.7 p	-1263.6 p	-3,469.3 p	-1,802.0 p	-	-
	Overall Balance (PGK mill)	-946.1 p	-452.1 p	-782.7 p	-548.8 p	994.2 p	259.0 p	-829.4 p	-42.0 p	207.8 p	1,884.2 p	9.9 p	-	-
	Foreign Exchange Reserve (eop) (US\$ mill)	3,572.9	3,555.4	3,548.5	3,242.1	3,535.9	3,433.0	3,237.2	3,419.6	3157.1	3,615.7	3,532.9	3,419.7	3,221.6
6. Liquidity (eop)	Liquid Assets Margin to Deposit Ratio (%)	47.4	46.3	46.4	45.4	44.7	46.3	44.6	47.1	43.1	43.3	45.1	43.9	44.05
	Bank's Demand Deposits (K'bn)	29.6	29.3	30.6	30.2	29.1	29.9	29.3	28.2	28.7	28.2	28.9	28.5	28.5
7. Money and Credit (YOY % Change)	Broad Money	7.2	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	-7.9	-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	14	13.8	13.0	9.4	8.5	9.5	5.8	6.4	9.0	3.2	0.1	0.2	0.4
8. Interest Rates (% pa) (monthly weighted average)	Kina Facility Rate (KFR)	2.0	2.0	2.5	2.5	2.5	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	Central Bank Bill (28 day)	-	-	-	-	-	-	-	4.0	4.0	4.1	4.1	4.3	4.4
	Central Bank Bill (7 days)(c)	2.0	2.0	2.5	2.5	2.5	3.0	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	0.5	0.6	0.6	0.6	0.7	0.9	0.7	0.5	2.6	2.7
	Government Treasury Bill (364 days)	3.3	3.7	3.9	4.4	6.0	6.9	7.3	8.0	8.6	8.7	8.5	8.3	6.2
9. Commodity Prices (monthly average)	Oil (\$/bbl)	83.6	88.0	81.5	81.2	83.3	78.1	72.4	74.0	72.3	72.3	78.2	73.8	70.7
	LNG (\$/mmbtu)	13.2	11.9	12.2	12.1	12.5	13.3	13.2	12.9	12.5	12.8	13.2	12.8	12.7
	Gold (\$/troy oz)	2,158.0	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	2,709.7	2,894.7	2,983.3
	Copper (\$/mt)	8,692.1	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	8,991.4	9,330.6	9,739.7
	Nickel (\$/tonne)	17,397.6	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	15,394.1	15,288.1	16,065.7
	Cobalt (\$/tonne)	28,035.5	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	22,626.3	24,242.4	33,700.0
	Coffee (\$/tonne)	4,630.0	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	9,049.3	8,919.5
	Cocoa (\$/tonne)	7,752.5	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	10,745.1	9,855.9	8,083.9
	Palm Oil (\$/tonne)	1,074.8	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	1,070.3	1,067.3	1,069.0

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