



BANK OF PAPUA NEW GUINEA

MONTHLY ECONOMIC REVIEW

Vol: 12

No: 05

Month End

May 2025

Economic Activity

Global economic growth moderated due to trade barriers particularly tariffs and geopolitical tensions, tight financial conditions, low consumer confidence and heightened policy uncertainty. In the United States (US), overall economic activity improved due to strong growth in the services sector, despite a decline in manufacturing activity. New business continued to increase, accompanied by a modest rise in the overall employment level. However, newly imposed tariffs have contributed to a marked acceleration of input cost and output price inflation. In the United Kingdom(UK), economic growth shows modest recovery due to a rise in service activity, which offset a marked contraction in manufacturing activity. Thus, total new business fell, leading to a decrease in employment level. In the euro area, economic indicators showed a weak expansion in economic activities attributed to a decline in new orders, reflecting a contraction in service activities. The Japanese economy shows moderate expansion in economic activity due to a slight increase in new orders, however this was offset by a fall in service sector sales and a sustained decline in manufacturing sector. Business confidence increased despite significant price pressures. Among the emerging markets and developing economies, economic activity in China contracted on the back of a sharper decline in the manufacturing sector and a slow expansion in service sector. The reduction in activity was underpinned by reduced inflows of new business, including a decrease in new orders. The overall employment levels declined, attributed to job reductions across the manufacturing sector. In India, overall economic activity improved due to an increase in new orders, reflecting an uninterrupted growth in both the service and manufacturing sectors. Consequently, the employment level and price pressures picked up.

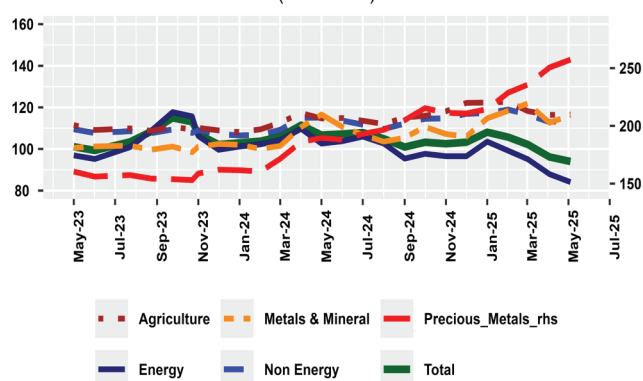
Commodity Prices

International commodity price data published by the World Bank showed an overall decline of 2.26 percent

in the commodity price index in May 2025, reflecting decline in the energy price index, which more than offset an increase in the non-energy price index. The energy price index decreased by 4.36 percent as a result of declines in crude oil and natural gas prices. The non-energy price index increased by 1.05 percent, reflecting increases of 0.19 percent and 3.15 percent in the agriculture price index and metals and minerals price index, respectively. The precious metals price index increased by 2.70 percent, mainly driven by an increase in the price of gold, silver, nickel and copper by 2.85 percent, 1.67 percent, 1.54 percent and 3.88 percent, respectively. Overall, the data as of the end of May 2025 showed that the international prices for most of Papua New Guinea (PNG)'s major export commodities decreased, except for cocoa, gold, silver, nickel and copper, compared to April 2025 (Chart1).

Chart 1: Commodity Price Indices

(2010=100)

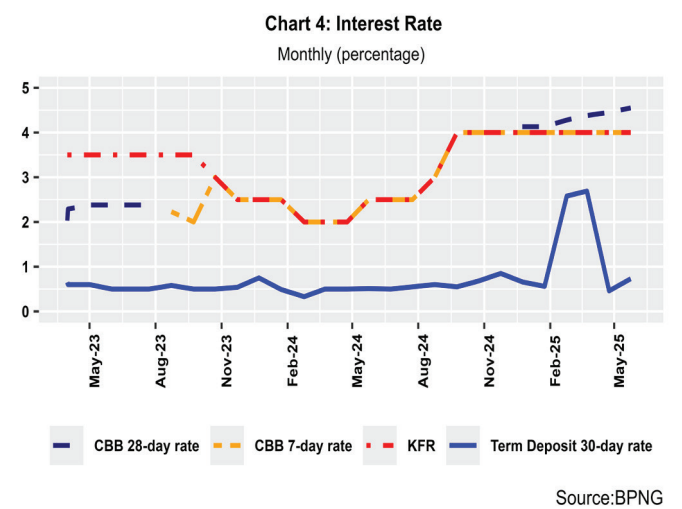


Source: World Bank

Balance of Payments

Preliminary BOP data for the four months to April 2025 showed a deficit of K1,660.1 million, compared to a deficit of K2,445.0 million in the corresponding period of 2024. The outcome was due to a deficit of K11,057.7 million in the financial account, which more than offset a surplus of K10,889.5 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

million, resulting in a net injection of K78.0 million. For the T-bill auction, the rates increased for most terms, except for the 91-day term. The 182-day, 273-day and 364-day term rates increased by 111 basis points (bps), 2 bps and, 3bps to 7.50 percent, 8.25 percent, and 8.26 percent, respectively. The 91-day term was unchanged at 4.55 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 180-day increased by 27 bps, 102 bps, and 84 bps to 0.73 percent, 2.79 percent, and 0.84 percent, respectively. Conversely, the 60-day, 270-day and 360-day term rates declined by 10 bps, 60 bps, and 95 bps to 0.39 percent, 0.40 percent and 2.12 percent, respectively (Chart 4).



Broad money supply declined by 6.4 percent over the 12 months to April 2025, compared to an increase of 3.9 percent in the corresponding period of 2024. This was due to a decrease in net domestic assets (NDA) of depository corporations, which more than offset an increase in net foreign assets (NFA). Monetary base decreased by 6.0 percent in the twelve months to April 2025, following a decline of 7.4 percent in the corresponding period of 2024. This outcome was driven by a decline in the deposits of commercial banks at the Central Bank. 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 30th May 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 a neutral stance on monetary policy by keeping the policy rate, the KFR, unchanged at 4.0 percent in May 2025.

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

Papua New Guinea Key Economic Indicators														
		May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
1. Consumer Price Index (CPI)	Headline	-	0.1	-	-	-0.9	-	-	0.7	-	-	5.3	-	-
	Food	-	4.9	-	-	4.2	-	-	4.8	-	-	6.30	-	-
	Underlying	-	4.4	-	-	4.4	-	-	5.4	-	-	3.10	-	-
2. Retail Price Index (RPI) (YOY% Change)	Headline	2.9	3.2	1.1	1.0	0.5	0.6	-0.9	-0.87	-0.05	1.00	1.4	1.3	0.5
	Ex-seasonal	2.6	2.6	2.3	2.0	1.2	0.4	-0.1	-0.02	0.4	0.9	0.8	0.7	0.2
3. Exchange Rates (mid-rate, eop*)	USD	0.2615	0.2604	0.2593	0.2567	0.2552	0.2534	0.2525	0.2500	0.2494	0.2487	0.2475	0.2452	0.2445
	AUD	0.3953	0.3918	0.3883	0.3773	0.3681	0.3855	0.3865	0.4022	0.4007	0.4002	0.3934	0.3825	0.3798
	GBP	0.2073	0.2048	0.2017	0.1949	0.1906	0.1956	0.1980	0.1992	0.2008	0.1977	0.1921	0.1833	0.1830
	JPY	40.7452	41.1062	40.9484	37.2100	36.1900	38.7300	38.8150	39.0550	38.6100	37.2750	36.9206	35.0000	35.3645
	NZD	0.4318	0.4242	0.4298	0.4101	0.4007	0.4240	0.4270	0.4442	0.4418	0.4442	0.4331	0.4128	0.4109
4. Trade Weighted Index (TWI)	TWI	28.6616	28.6084	28.4225	27.6401	27.0139	27.2200	27.64985	27.8247	28.020	27.640	27.190	26.740	26.170
5. Balance of Payments	Current & Capital Account (a) (PGK mill)	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	2,543.9 p	2,211.0 p		
	Financial Account (b) (PGK mill)	-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	-2,436.7 p	-2,938.8 p		
	Overall Balance (PGK mill)	-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	--126.2 p	-960.5 p		
	Foreign Exchange Reserve (eop) (US\$ mill)	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	3,325.4	
6. Liquidity (eop)	Liquid Assets Margin to Deposit Ratio (%)	46.4	45.4	44.7	46.3	44.6	47.1	43.1	43.3	45.1	43.9	44.05	42.3	42.1
	Bank's Demand Deposits (K'bn)	30.6	30.2	29.1	29.9	29.3	28.2	28.7	28.2	28.9	28.5	28.5	28.4	28.2
7. Money and Credit (YOY % Change)	Broad Money	5.6	3.5	0.6	3.2	1.0	1.2	5.2	-6.4	-5.9	-6.5	-6.6	-6.4	-
	Monetary Base	-0.3	1.5	0.7	9.2	8.2	9.4	1.8	4.0	-1.3	-3.6	1.4	-0.6	-
	Private Sector Credit	13.0	9.4	8.5	9.5	5.8	6.4	9.0	3.2	0.1	0.2	0.4	0.1	-
8. Interest Rates (% pa) (monthly weighted average)	Kina Facility Rate (KFR)	2.5	2.5	2.5	3.0	4.0	4.0	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	4.45	4.55
	Central Bank Bill (7 days)(c)	2.5	2.5	2.5	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	Commercial Bank Term Deposit (30 days)	0.5	0.5	0.6	0.6	0.6	0.7	0.9	0.7	0.5	2.6	2.7	0.46	0.73
	Government Treasury Bill (364 days)	3.9	4.4	6.0	6.9	7.3	8.0	8.6	8.7	8.5	8.3	6.2	8.23	8.26
9. Commodity Prices (monthly average)	Oil (\$/bbl)	81.5	81.2	83.3	78.1	72.4	74.0	72.3	72.3	78.2	73.8	70.7	65.9	62.7
	LNG (\$/mmbtu)	12.2	12.1	12.5	13.3	13.2	12.9	12.5	12.8	13.2	12.8	12.7	12.4	12.6
	Gold (\$/troy oz)	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	3,218.0	3,309.5
	Copper (\$/mt)	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	9,212.5	9,533.0
	Nickel (\$/tonne)	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	15,250.9	15,345.8
	Cobalt (\$/tonne)	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	33,079.5	33,282.8
	Coffee (\$/tonne)	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	8,667.6	8,770.9
	Cocoa (\$/tonne)	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	8,169.2	8,989.8
	Palm Oil (\$/tonne)	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	994.0	907.6

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