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MEDIA RELEASE

Governor of the Bank of Papua New Guinea presents the BPNG September 2025 Outlook on the Economy, Inflation and Monetary Policy.

Port Moresby, Thursday 11 September 2025

The Bank of Papua New Guinea ('BPNG' or 'the Bank') Governor, Ms. Elizabeth Genia, today presented the BPNG September 2025 Outlook on the Economy, Inflation and Monetary Policy to the business community at a Port Moresby Chamber of Commerce breakfast event.

Governor Genia outlined key monetary policy adjustments made by the Monetary Policy Committee (MPC) in its September 2025 Monetary Policy Statement, released on 2 September 2025. The adjustments included increasing the Kina Facility Rate (KFR) from 4.0% to 5.0% and lowering the Cash Reserve Requirement (CRR) from 10.0% to 9.0%. The MPC agreed to maintain the crawl-like arrangement in the Kina and to widen the margin between the KFR and BPNG's overnight repo and reverse repo facilities to 2.0% from 1.5%. These measures are intended to reinforce the exchange rate's role as the nominal anchor for monetary policy while addressing the uneven distribution of liquidity in the banking system through further adjustments to the CRR.

Governor Genia stated that progress had been made in addressing the overvaluation of the Kina, though FX orders are again starting to increase. She further stated that weekly interventions through the FX auction process should continue along with the crawl-like arrangement in the Kina.

Ms. Genia said: "The Monetary Policy Committee is also mindful of strengthening monetary policy transmission and welcomes the increased competition to the banking sector with the arrival of new entrants, TISA, Credit Bank and NBC. With seven commercial banks now operating in PNG, the MPC is keen to promote the development of a deeper and more liquid interbank market"

An effective monetary policy transmission mechanism contributes towards controlling inflation and promoting economic growth. When the KFR changes, it aims to influence lending and deposit rates; however, it has shown limited influence in the market. Strengthening transmission through a deeper interbank market and increased competition from new entrants will be important for ensuring policy signals transmit more effectively across the financial system and ultimately through into the wider economy.

Authorised by:

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