



BANK OF PAPUA NEW GUINEA

MONTHLY ECONOMIC REVIEW

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Month End

June 2025

Economic Activity

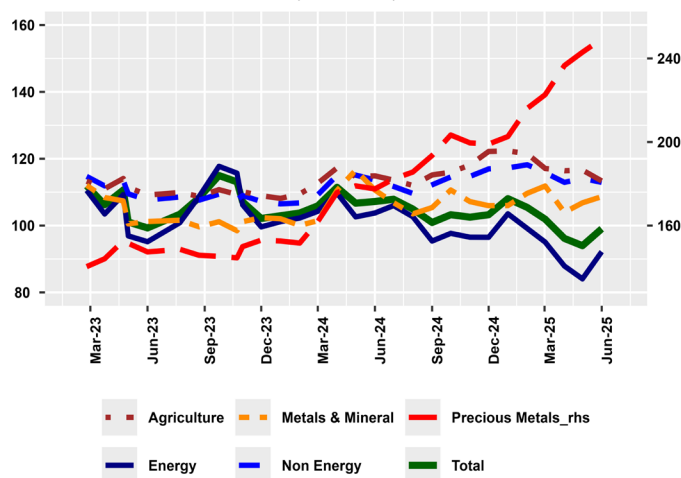
Global economic growth remained sluggish, attributed to weak demand, high US tariffs and ongoing geopolitical conflicts. In the United States (US), economic activity expanded with improvement in employment levels, driven by increased activity in both the manufacturing and service sectors. Meanwhile, input costs increased, mainly attributed to higher tariffs, fuel and financing costs, resulting in general price increases. The United Kingdom (UK) saw a modest expansion in overall economic activity, mostly supported by growth in the service sector, together with improvements in manufacturing output. Inflationary pressures moderated on the back of slower price increases from the service sector. In the euro area, economic activity continue to expand, mainly attributed to continuous expansion by the manufacturing sector, and supported by a marginal increase in service sector activity. As a result, overall employment increased and price pressures intensified. In Japan, overall activity and employment increased as both the manufacturing and service sectors recorded improvements in growth. Price pressure increased, mainly as a result of higher input costs. Among the emerging markets and developing economies, China recorded an expansion in overall activity on the back of easing price pressures, increased manufacturing output and business activity. However, employment declined as firms prioritized on cost-cutting measures in light of increased domestic competition, and subdued external demand. In India, economic growth remained robust, driven by strong demand, softening price pressures, increased employment, and continuous expansion from both the manufacturing and service sectors.

Commodity Prices

International commodity price data published by the World Bank showed an overall increase of 5.38 percent in the commodity price index in June 2025, reflecting an increase in the energy price index, which more than offset a decline in the non-energy price index. The energy price index increased by 9.70 percent as a result

of increases in crude oil prices and the average natural gas price index. The non-energy price index decreased by 1.05 percent, reflecting a decrease of 2.83 percent in the agriculture price index, which offset an increase of 2.60 percent in the metals and minerals price index. The precious metals price index increased by 2.61 percent, mainly driven by an increase in the prices of gold and silver by 1.3 percent and 9.9 percent, respectively. Overall, the data as at the end of June 2025 showed that the international prices for most of Papua New Guinea (PNG)'s major export commodities increased, except for cocoa, coffee and Liquefied Natural Gas (LNG), compared to May 2025 (Chart 1).

Chart 1: Commodity Price Indices
(2010=100)



Source: World Bank

Balance of Payments

Preliminary Balance of Payments (BOP) data for the six months to June 2025 showed a deficit of K717.1 million, compared to a deficit of K2,211.1 million in the corresponding period of 2024. The outcome was due to a deficit of K15,571.3 million in the financial account, which more than offset a surplus of K15,105.9 million in the current and capital account.

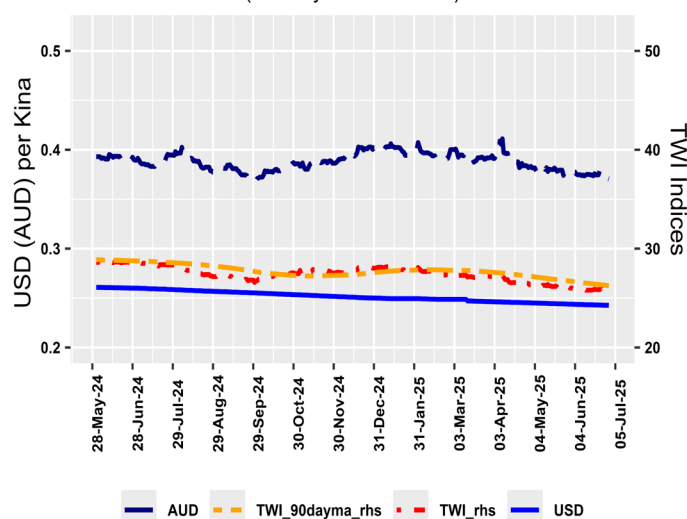
The surplus in the current and capital account was mainly due to a higher surplus in the trade account. The deficit in the financial account was influenced by a net outflow of funds to offshore foreign currency accounts,

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 June 2025 was K13,522.8 (US\$3,348.3) million, sufficient for 6.9 months of total and 13.8 months of non-mineral import cover respectively.

Exchange Rate

The monthly average Kina exchange rate against the US dollar (USD) depreciated by 0.52 percent to USD 0.2432 and against the Australian dollar (AUD) by 1.34 percent to AUD 0.3745 over the month to 30th June 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 1.04 percent, 0.70 percent, and 1.40 percent to CNY 1.7464, JPY 35.12, and SGD 0.3122, respectively. The depreciation of the kina against the USD reflects the downward adjustment under the 'crawl-like' exchange rate arrangement to address Kina overvaluation. Against the other major trading partner currencies, the depreciation of the kina reflected cross-currency movements, with the U.S. dollar weakening amid growing economic uncertainty stemming from recent tariff policies. The monthly average Trade Weighted Index (TWI) decreased by 1.26 percent to 25.84 as of 30th June 2025. This outcome mainly reflects the depreciation of the kina against the trading partner currencies (Chart 2).

Chart 2: Exchange Rate & Trade Weighted Index
(Monthly-End of Period)



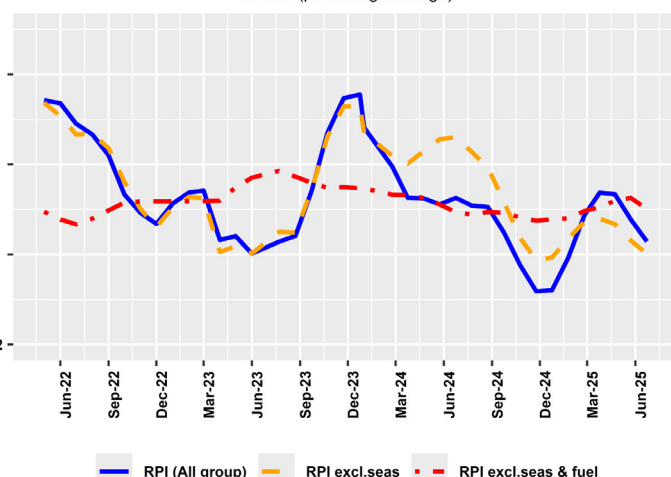
Source:BPNG

Inflation - Retail Price Index

Annual headline RPI inflation to June 2025 increased by 0.1 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” and “household equipment” expenditure groups of 2.4 percent, 1.3 percent and 0.4 percent, respectively. This more than offset price declines in the “Transport” and “Housing” expenditure groups of 2.5 percent and 0.9 percent, respectively. The increase in the “Food and non-alcoholic beverages” expenditure group reflected increases in all the sub-groups. These include Sugars and Confectionery, Other food products, Fish, Oil and Fats, Meat, Non-alcoholic beverages, Dairy products, Eggs and Cheese, Cereals and Fruits and Vegetables sub-groups. The increase in the “Alcoholic beverages, tobacco and betelnut” expenditure group was driven by increases in the Betelnut and Alcoholic beverages sub-groups.

The RPI excluding-seasonal recorded no price change while the RPI excluding-seasonal and fuel increased by 1.0 percent. Quarterly headline RPI inflation declined by 1.0 percent in the three months to June 2025, compared to an increase of 1.1 percent in the previous quarter (Chart 3).

Chart 3: Retail Price Index
Annual (percentage change)



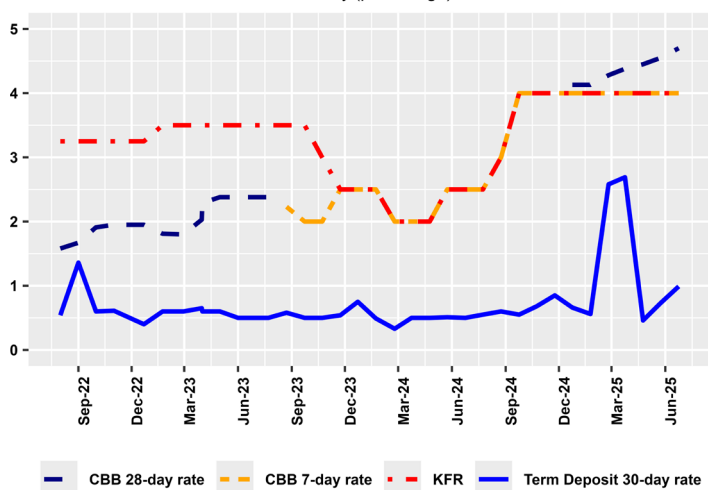
Source:BPNG

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 the rate of 4.0 percent, while the 28-day

CBB was competitively issued at an interest rate of 4.70 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 27th June 2025, total CBB maturity was K3,289.0 million, while the issuance was K3,358.0 million, resulting in a net diffusion of K69.0 million. For the T-bill auction, the rates remained unchanged, except for the 182-day term. The 28-day, 63-day, 91-day, 273-day and 364-day term rates remained at 1.26 percent, 2.36 percent, 4.55 percent, 8.25 percent and 8.26 percent, respectively. The 180-day term rate increased by 50 bps to 8.0 percent. During the same period, the weighted average interest rates on wholesale deposits (K500,000 and above) mostly increased, except for the 180-day term. The rates for the 30-day, 60-day, 90-day, 270-day and 360-day terms increased by 26 bps, 103 bps, 3 bps, 65 bps and 414 bps to 0.99 percent, 1.42 percent, 2.82 percent, 1.05 percent and 6.26 percent, respectively. Conversely, the 180-day term rate declined by 36 bps to 1.85 percent (Chart 4).

Chart 4: Interest Rate
Monthly (percentage)



Source:BPNG

Broad money supply declined by 2.0 percent over the 12 months to June 2025, compared to an increase of 3.6 percent in the corresponding period of 2024. This was due to decrease in net domestic assets (NDA) of depository corporations, which more than offset an increase in net foreign assets (NFA), driven mainly by the increase in gross reserve position at the Central Bank. Monetary base decreased by 0.7 percent in the twelve months to June 2025, following an increase of 1.5 percent in the corresponding period of 2024. This outcome was driven by a decrease in commercial bank deposits level, due to foreign exchange interventions by the central bank. Commercial banks' lending to public non-financial corporations, other financial corporations and other resident sectors increased by K512.6 million to K17,376.4 million between December 2024 and week ending 27th June 2025. The increase was driven by advances to the retail, manufacturing, real estate, mining, finance and wholesale sectors. During the same period, the deposit level increased by K722.3 million to K31,978.2 million. The increase was mainly due to placements of funds by the government, agriculture, construction, retail and forestry sectors.

Monetary Policy

The bank maintained a neutral stance on monetary policy by keeping the policy rate, the Kina Facility Rate (KFR), unchanged at 4.0 percent in June 2025.

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

Papua New Guinea Key Economic Indicators														
		Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb -25	Mar-25	Apr -25	May-25	Jun -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	3.2	1.1	1.0	0.5	0.6	0.3	-0.87	-0.05	1.00	1.4	1.3	0.5	0.1
	Ex-seasonal	2.6	2.3	2.0	1.2	0.4	0.4	-0.02	0.4	0.90	0.8	0.7	0.2	0.0
3. Exchange Rates (mid-rate, eop*)	USD	0.2604	0.2593	0.2567	0.2552	0.2534	0.2525	0.2500	0.2494	0.2487	0.2475	0.2452	0.2445	0.2426
	AUD	0.3918	0.3883	0.3773	0.3681	0.3855	0.3865	0.4022	0.4007	0.4002	0.3934	0.3825	0.3798	0.3705
	GBP	0.2048	0.2017	0.1949	0.1906	0.1956	0.1980	0.1992	0.2008	0.1977	0.1921	0.1833	0.1830	0.1768
	JPY	41.1062	40.9484	37.2100	36.1900	38.7300	38.8150	39.0550	38.6100	37.2800	36.9206	35.0000	35.3645	34.9200
	NZD	0.4242	0.4298	0.4101	0.4007	0.4240	0.4270	0.4442	0.4418	0.4442	0.4331	0.4128	0.4109	0.3990
4. Trade Weighted Index (TWI)	TWI	28.6084	28.4225	27.6401	27.0139	27.2200	27.6485	27.8247	28.020	27.64	27.190	26.740	26.170	25.840
5. Balance of Payments	Current & Capital Account (a) (PGK mill)	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	3,023.8 p	2,545.7 p	2,599.9 p	2,720.6 p	2,367.9 p	1,847.9 p
	Financial Account (b) (PGK mill)	-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	-2,675.2 p	-2,358.3 p	-3,149.1 p	-2,651.5 p	-2,611.3 p	-2,125.8 p
	Overall Balance (PGK mill)	-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	-147.9 p	295.3 p	647.7 p
	Foreign Exchange Reserve (eop) (US\$ mill)	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	3,213.10	3,348.25
6. Liquidity (eop)	Liquid Assets Margin to Deposit Ratio (%)	45.4	44.7	46.3	44.6	47.1	43.1	43.3	45.1	43.9	44.05	42.3	42.1	43.46
	Bank's Demand Deposits (K'bn)	30.2	29.1	29.9	29.3	28.2	28.7	28.2	28.9	28.5	28.5	28.4	28.2	29.2
7. Money and Credit (YOY % Change)	Broad Money	3.5	0.6	3.2	1.0	1.2	5.2	-6.4	-5.9	-6.5	-6.6	-6.4	-4.3	-2.0
	Monetary Base	1.5	0.7	9.2	8.2	9.4	1.8	4.0	-1.3	-3.6	1.4	-0.6	3.5	-0.7
	Private Sector Credit	9.4	8.5	9.5	5.8	6.4	3.3	3.2	0.1	-0.8	0.4	0.1	3.3	3.6
8. Interest Rates (% pa) (monthly weighted average)	Kina Facility Rate (KFR)	2.5	2.5	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	Central Bank Bill (7 days)(c)	2.5	2.5	3.0	4.0	4.0	4.0	4.1	4.1	4.28	4.38	4.45	4.55	4.70
	Central Bank Bill (28 days)(d)	-	-	-	-	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	0.6	0.6	0.6	0.7	0.9	0.7	0.6	2.58	2.69	0.46	0.73	0.99
	Government Treasury Bill (364 days)	4.4	6.0	6.9	7.3	8.0	8.6	8.7	8.5	8.26	6.2	8.21	8.26	8.26
9. Commodity Prices (monthly average)	Oil (\$/bbl)	81.2	83.3	78.1	72.4	74.0	72.3	72.3	78.2	73.8	70.7	65.9	62.7	69.1
	LNG (\$/mmbtu)	12.1	12.5	13.3	13.2	12.9	12.5	12.8	13.2	12.8	12.6	12.4	12.6	12.2
	Gold (\$/troy oz)	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	3,309.5	3,353.0
	Copper (\$/mt)	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	9,533.0	9,832.1
	Nickel (\$/tonne)	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	15,345.8	14,991.5
	Cobalt (\$/tonne)	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	33,282.8	32,736.3
	Coffee (\$/tonne)	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	8,770.9	8,006.2
	Cocoa (\$/tonne)	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	8,989.8	8,401.9
	Palm Oil (\$/tonne)	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	907.6	935.0

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