



MONTHLY ECONOMIC REVIEW

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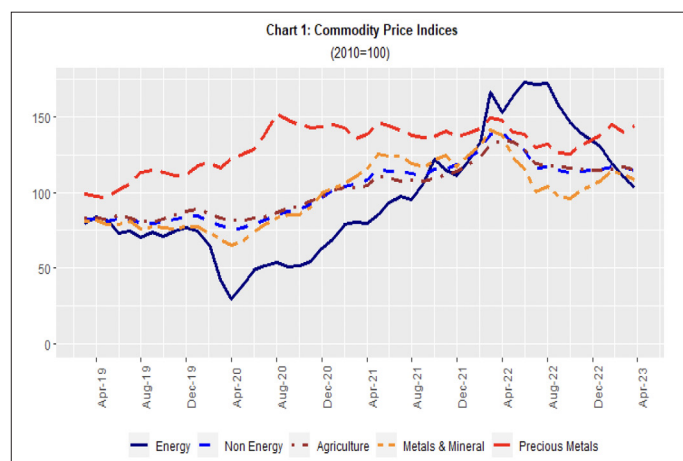
Economic Activity

Global economic growth momentum continued, albeit unevenly, across countries amid higher-than-expected inflation and weak demand. In the US, economic activities remained robust, despite another interest rate hike by the Federal Reserve to further reduce inflation, given the strong labour market performance. Notwithstanding the monetary tightening, firms raised production and increased employment in anticipation of a greater pickup in sales. In the UK, increased consumer spending on travel, leisure, and entertainment in the services sector mainly supported the economy. On the other hand, the manufacturing sector contracted due to a fall in international market demand for its exports. In Japan, growth momentum continued, reflecting increased corporate profits and fixed business investments. In the Euro area, a robust service sector improvement mainly supported economic activities. However, an unexpected uptick in inflation triggered the European Central Bank to raise interest rates further. Among the emerging market and developing economies, China's economic recovery decelerated, as indicated by declines in retail sales, credit, industrial production, and employment. This was mainly due to a sharp decline in factory activity attributed to an ongoing property downturn. In India, economic activities surged, resulting from increased manufacturing and services sectors due to improved foreign demand for its exports. Nevertheless, inflation remains elevated due to higher input costs.

Commodity Prices

International commodity price data published by the World Bank showed mixed movements across most major commodity prices in April 2023. The energy price index increased by 5.7 percent, mainly reflecting an increase in crude oil prices of 7.8 percent to US\$82.5 per barrel. The natural gas price for the US, Europe, and Japan fell by 6.24 percent, 2.11 percent, and 1.88 percent, respectively. The non-energy price index increased by 1.06 percent due to a 2.16 percent increase in the agriculture price index, which offset a decline in the metals and minerals price index by 0.94 percent. The precious metals price index increased by 5.93

percent, reflecting increases in gold and silver prices by 8.26 percent and 13.8 percent, respectively. The global commodity prices for all PNG's major export commodities increased except copper and natural gas (Chart 1).



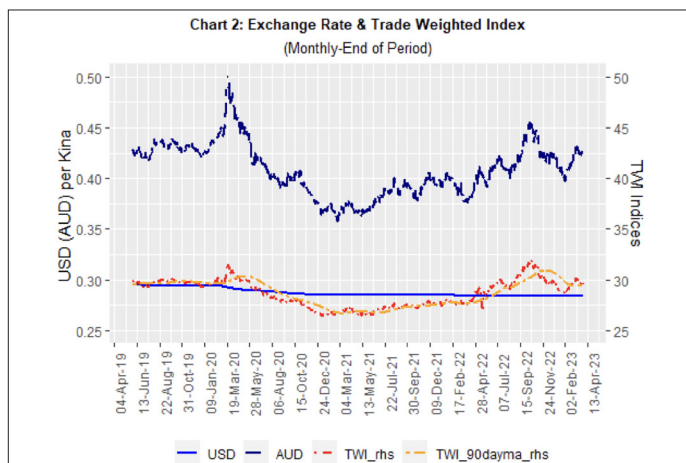
Source: World Bank

Balance of Payment

Preliminary balance of payments data for the two months to February 2023 showed a deficit of K502.2 million, compared to a deficit of K404.6 million in the corresponding period of 2022. This outcome was due to a deficit of K4,084.1 million in the financial account, which more than offset a surplus of K3,645.4 million in the capital and current accounts. The outcome in capital and current accounts was due to a trade surplus and net secondary income receipts, which more than offset net service and primary income payments. The deficit in the financial account was attributed to net outflows from direct and other investments, reflecting inter-company related transactions and build-up in offshore foreign currency account balances, respectively, combined with net Government loan repayments. The level of gross foreign exchange reserves at the end of February 2022 was K13,804.4 (US\$3,989.5) million, sufficient for 11.1 months of total and 20.1 months of non-mineral import cover. As of 20th April 2022, the level of gross foreign exchange reserves was K13,370.2 (US\$3,864.0) million.

Exchange Rate

The monthly average kina exchange rate against the US dollar (USD) remained at US\$0.2840, while it marginally depreciated against the AUD by 0.1 percent to A\$0.4244 over the month to 28th April 2023. The stability of the kina against the USD partly reflected BPNG's monthly foreign exchange intervention of US\$100.0 million. Nevertheless, the import demand remained high at around K1.0 billion. The depreciation of the kina against the AUD reflected cross-currency movements whereby the AUD slightly strengthened against the USD amid further interest rates hike by the Reserve Bank of Australia. Over the month to 28th April 2023, the Trade Weighted Index (TWI) increased to 29.90 from 29.61 in March 2023. Also, the monthly average TWI fell by 0.5 percent to 29.66 over the same period, reflecting the weakening of the USD against the AUD.

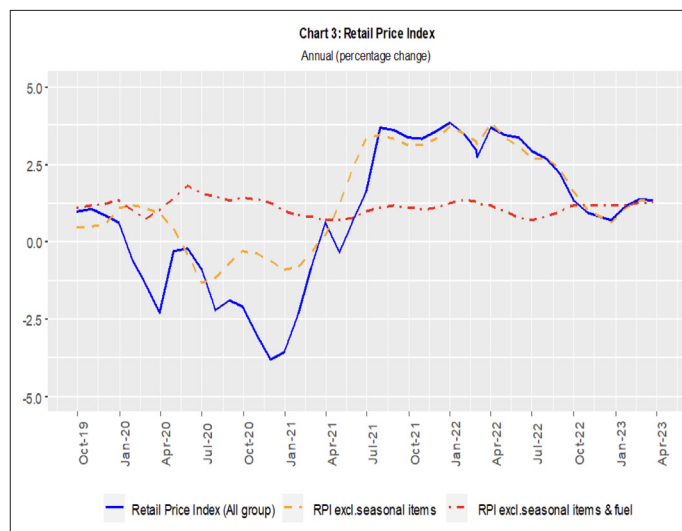


Source: BPNG

Inflation-Retail Price Index (RPI)

Annual headline RPI for April 2023 increased by 0.2 percent, compared to an increase of 3.6 percent in the previous year. This was due to price increases in the 'Household equipment', 'Food and non-alcoholic beverages', 'Communication', 'Housing', and 'Miscellaneous' expenditure groups of 8.8 percent, 3.6 percent, 2.3 percent, 0.4 percent, and 0.7 percent, respectively. These increases offset price declines in the 'Transport' and 'Alcoholic beverages, tobacco and betelnut' expenditure groups of 3.7 percent and 1.0 percent, respectively. The increase in the 'Household equipment' expenditure group reflected an increase in the 'Maintenance goods' subgroup. The increase in the 'Food and non-alcoholic beverages' group was due to price increases in all subgroups except for 'meat,' which recorded no price change. The increases were in the 'Dairy products, eggs, and cheese', 'Non-alcoholic beverages', 'Fruits & vegetables', 'Sugar and confectionary', 'Cereals', 'Other food products', 'Oil and fats' and 'Fish' subgroups. 'The increase in the

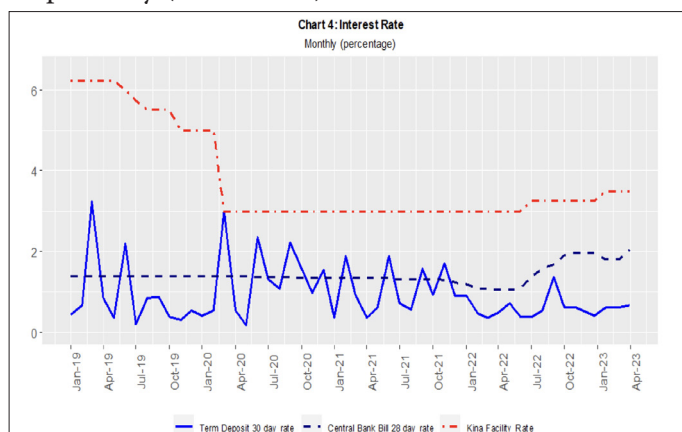
'Housing' expenditure group was due to an increase in the 'Cooking' subgroup. The RPI ex-seasonal and ex-seasonal and fuel increased by 0.3 percent and 1.5 percent, respectively (Chart 3).



Source: BPNG

Domestic Interest Rates and Monetary Aggregates

Over the month to the week ending 28th April 2023, the weighted average rates for Central Bank Bills (CBB) and Treasury Bills (T-bill) increased. The CBB rate for the 28-day, 63-day, and 91-day terms increased by 22 basis points (bps), 21 bps, and 43 bps to 2.36 percent, 2.67 percent, and 2.83 percent, respectively. The overall CBB auctions were oversubscribed over the same period. At the T-bill auction, the 182-day, 273-day, and 364-day terms' rates increased by 16 bps, 23 bps, and 11 bps to 2.07 percent, 2.37 percent, and 3.06 percent, respectively. The T-bill auctions were oversubscribed, but the Government did not take it. The weighted average interest rates on wholesale deposits (K500,000 and above) showed mixed movements. The rates for the 30-day and 60-day terms decreased by 16 bps and 17 bps to 0.60 percent and 0.18 percent, respectively, while the 90-day, 180-day, 270-day, and 364-day terms increased by 16 bps, 67 bps, 10 bps and 26 bps to 0.56 percent, 1.51 percent, 0.96 percent, and 1.93 percent, respectively (see Chart 4).



Source: BPNG

Broad money supply increased by 9.1 percent over the 12 months to March 2023, compared to an increase of 19.4 percent in the corresponding period of 2022. This is driven by an increase in the net foreign assets (NFA) of the depository corporations, which more than offset a decrease in the net domestic assets. The increase in NFA reflected improvements in international reserves due to inflows from LNG tax and external budget support funds. Moreover, the monetary base increased by 17.9 percent in the twelve months to March 2023, compared to an 18.7 percent increase in the corresponding period of 2022. This outcome was due to increases in the deposits of commercial banks at the Central Bank and currency in circulation.

Commercial banks' lending to public non-financial corporations, other financial corporations, and other

resident sectors increased by K612 million to K14,753.8 million between December 2022 and the week-ending 28th April 2023. The increase reflected loans to the mining, telecommunication, construction, household, transport, retail, and finance sectors. Over the same period, the deposit level rose by K623.8 million to K31,731.3 million, mainly reflected placements by the Government, household, construction, finance, agriculture, forestry, and real estate sectors.

Monetary Policy

Consistent with the neutral monetary policy stance announced in the March 2023 Monetary Policy Statement, the Bank maintained the monthly policy signalling rate, the Kina Facility Rate, for the month of April at 3.50 percent.

Authorised for release by: **Ms Elizabeth Genia, AAICD**
Acting Governor

Papua New Guinea Key Economic Indicators

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
1. Consumer Price Index (CPI)													
Headline	-	-	5.5	-	-	6.3	-	-	3.40	-	-	-	-
Food	-	-	5.2	-	-	8.1	-	-	9.50	-	-	-	-
Underlying	-	-	5.5	-	-	5.0	-	-	5.70	-	-	-	-
2. Retail Price Index (RPI) (YOY % Change)													
Headline	2.7	3.2	2.9	2.3	2.3	2.1	1.3	0.9	0.7	1.2	1.8	1.4	0.2
Ex-seasonal	3.1	3.4	3.1	2.7	2.7	2.4	1.6	1.0	0.6	1.0	1.4	1.4	0.3
3. Exchange Rates (mid-rate, eop*)													
USD	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840	0.2840
AUD	0.3975	0.3951	0.4121	0.4053	0.4116	0.4368	0.4424	0.4255	0.4190	0.4040	0.4224	0.4233	0.4296
GBP	0.2269	0.2252	0.2338	0.2329	0.2431	0.2553	0.2449	0.2357	0.2357	0.2302	0.2359	0.2294	0.2278
JPY	37.05	36.3500	38.7300	37.7700	39.3200	41.0400	41.9900	39.2800	37.6500	37.0000	38.7100	37.7500	38.3500
NZD	0.4361	0.4346	0.4569	0.4498	0.4618	0.4959	0.4873	0.4581	0.4489	0.4404	0.3811	0.4522	0.4624
4. Balance of Payments													
Current Account	3081.5 p	2368.3 p	3516.8 p	3221.4 p	4530.9 p	3914.7 p	3036.7 p	3036.8 p	34806.3p	3697.0 p	2541.6 p	-	-
Capital & Financial Account	-3459.7 p	-230.3 p	-4232.4 p	-3040.5 p	-3269.3 p	-2652.7 p	-2712.9 p	-2716.2 p	-31966.4p	-1841.2 p	-3880.5 p	-	-
Overall Balance	-379.2 p	2138.2 p	-714.8 p	180.8 p	1261.7 p	1261.7 p	-692.6 p	976.8 p	2839.3p	-351.5 p	-150.7 p	-	-
Foreign Exchange Reserve (eop, US\$ mill)	3,304.53	3,241.83	3,052.79	3,091.46	3,482.15	3,312.20	3,551.40	3,460.60	4,132.20	4,040.00	3,989.50	3,917.50	3,859.50
5. Liquidity (eop)													
Liquid Assets Margin to Deposit Ratio (%)	72.8	55.9	54.3	52.5	55.2	53.4	52.5	53.6	53.7	55.1	55.7	55.1	51.9
Banks' Demand Deposits (K'bn)	27.3	27.8	27.8	24.9	25.5	25.7	25.5	25.7	25.8	28.0	27.9	27.9	28.5
Broad Money	18.0	16.6	13.6	14.5	18.0	16.3	15.3	16.2	14.8	15.3	17.4	9.1	-
Monetary Base	16.8	22.8	7.1	13.0	17.4	23.5	28.9	24.3	14.8	15.5	23.9	17.9	-
Private Sector Credit	1.6	1.2	2.2	0.7	0.7	4.0	3.3	7.3	31.5	8.2	14.8	7.0	-
Kina Facility Rate	3.0	3.0	3.0	3.3	3.3	3.3	3.3	3.3	3.3	3.5	3.5	3.5	3.5
Central Bank Bill (28 day)	1.05	1.06	1.09	1.40	1.58	1.67	1.91	1.95	1.96	1.93	1.80	2.03	2.4
Commercial bank Term Deposit (30 day)	0.40	0.72	0.37	0.37	1.38	1.36	0.60	0.79	1.32	1.28	0.59	0.65	0.6
Government Treasury Bill (364 day)	4.60	3.37	2.46	4.40	4.27	3.99	4.19	4.30	4.27	3.39	2.65	2.81	3.1
8. Commodity Prices (monthly average)(c)													
Oil (\$/bbl)	103.4	110.1	116.8	105.1	96.0	88.2	90.3	87.4	78.1	80.4	80.3	76.5	82.5
LNG (\$/mmbtu)	16.3	16.7	15.5	18.9	21.2	23.7	21.8	19.6	20.6	20.2	18.4	16.0	15.7
Gold (\$/troy oz)	1,936.4	1,849.9	1,835.0	1,733.3	1,760.5	1,679.9	1,665.7	1,725.3	1,793.2	1,893.5	1,863.1	1,906.9	2,001.7
Copper (\$/mt)	10,187.1	9,353.6	9,073.4	7,506.8	7,942.8	7,742.8	7,625.1	8,019.3	8,380.0	8,951.4	8,986.2	8,845.3	8,822.4
Nickel (\$/tonne)	33,317.3	27,921.8	26,041.2	21,463.3	21,907.1	22,904.6	21,934.3	25,223.9	29,165.0	28,155.9	27,138.2	23,387.2	23,683.2
Cobalt (\$/tonne)	81,536.9	77,929.1	72,021.8	55,248.8	49,354.5	51,264.3	51,260.3	51,254.9	51,246.6	48,739.9	38,100.6	33,576.3	34,248.0
Coffee (\$/tonne)	5,858.7	5,714.1	6,037.5	5,623.4	5,942.6	5,875.3	5,324.1	4,723.4	4,644.1	4,522.5	5,042.9	4,913.2	5,060.8
Cocoa (\$/tonne)	2,456.2	2,365.3	2,324.2	2,242.0	2,271.3	2,220.5	2,244.1	2,385.2	2,458.3	2,537.8	2,571.6	2,669.6	2,809.6
Palm Oil (\$/tonne)	1,744.9	1,737.3	1,597.7	1,234.4	1,110.2	1,063.0	1,029.5	1,117.4	1,026.0	1,020.6	997.1	1,026.4	1,037.3

Notes: BOP figures are monthly flows and not cumulative

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* end of period