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PORT MORESBY

21st November 2024

1. GENERAL OVERVIEW

Economic indicators available to the Bank of Papua New Guinea (the Bank) point to a lower growth in 2023, mainly due to lower international prices and production of Liquefied Natural Gas (LNG), crude oil, minerals, and most of the other major export commodities. As a result, there was lower export receipts and a significant fall in the overall balance of payments surplus. A fall in the annual non-mineral sector sales and employment also contributed to the lower growth. The domestic inflation trended downward in 2023 from last year although price pressures remained elevated. The depreciation of the kina against all the other major currencies also contributed to price pressures domestically. With inflation trending downward, the KFR was reduced by 50 basis points to 2.50 percent in November 2023. The introduction of a new monetary policy instrument, the 7-day term Central Bank Bills (CBB) implemented under the Fixed Rate Full Allotment (FRFA) Auction in August 2023 at 2.0 percent was aligned with the KFR at 2.50 percent in November 2023, making the connection with the policy rate to influence domestic market rates.

Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector increased by 12.3 percent in the December quarter of 2023, compared to an increase of 1.2 percent in the September quarter. Excluding the mineral sector, sales increased by 4.7 percent in the December quarter, compared to an increase of 5.6 percent in the previous quarter. By sector, sales increased in all sectors, except the agriculture/forestry/fishing sector which declined. By region, sales increased in all regions, except the Momase region. In 2023, total sales declined by 4.2 percent, compared to an increase of 3.1 percent in 2022. Excluding the mineral sector, sales increased by 2.6 percent, compared to an increase of 3.9 percent in 2022.

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 0.6 percent in the December quarter of 2023, compared to an increase of 0.9 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 0.8 percent. By sector, the level of employment increased in the transportation, agriculture/forestry/fishing, manufacturing, and financial/business and other services, while it declined in the wholesale, manufacturing, retail and construction sectors. By region, the level of employment increased in the NCD, Morobe and the Highlands regions, while it declined in the Southern (excluding NCD), Islands and the Momase (excluding Morobe) regions. In 2023, the total level of employment increased by 2.5 percent, compared to an increase of 5.0 percent in 2022. Excluding the mineral sector, the level of employment increased by 1.7 percent in 2023, compared to an increase of 5.4 percent in 2022.

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.1 percent in the December quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. There were increases in the Alcoholic Beverages, Tobacco and Betelnut, Miscellaneous, Health, Housing, Food and Non-Alcoholic Beverages, Clothing and Footwear, Transport, Household Equipment and Education expenditure groups, which more than offset declines in the Communication, Restaurants and Hotels, and Recreation expenditure groups. By urban centre, prices increased in Alotau/Kimbe/Kokopo/Rabaul and Port Moresby, while it declined in

Goroka/Hagen/Madang and Lae. Annual headline inflation was 3.9 percent in the December quarter of 2023, compared to an increase of 2.2 percent in the previous quarter.

In the December quarter of 2023, the average daily kina exchange rate depreciated against the USD by 3.1 percent to US$0.2694, AUD by 2.5 percent to A$0.4140, euro by 1.9 percent to €0.2505, pound sterling by 1.0 percent to £0.2172 and yen by 0.8 percent to ¥39.8107. These currency movements resulted in the TWI decreasing by 2.4 percent to 29.44. Over the year, the average daily kina exchange rate depreciated against all the major currencies. It depreciated against the pound sterling by 10.4 percent, euro by 10.1 percent, USD by 5.2 percent, AUD by 4.3 percent and yen by 0.9 percent.

The weighted average kina price of Papua New Guinea's export commodities, excluding LNG, declined by 5.9 percent in 2023, from 2022. There was a decline of 3.8 percent in the weighted average price of mineral exports, reflecting lower kina prices for all mineral exports, except for gold. For agricultural, logs and marine product exports, the weighted average kina price declined by 13.4 percent due to lower prices of palm oil, coffee, tea, copra oil, and logs. Excluding log exports, the weighted average kina price of agricultural and marine product exports declined by 13.7 percent in 2023, from 2022. The lower kina export price reflected a decline in international prices for all of PNG's non-mineral export commodities, except for cocoa, copra, rubber and marine products.

The balance of payments recorded a surplus of K199.3 million in 2023, compared to a surplus of K2,856.8 million in 2022. A surplus in the current and capital account, more than offset a deficit in the financial account.

The current account recorded a surplus of K15,108.3 million in 2023, compared to a surplus of K16,073.8 million in 2022. This was due to a higher surplus in the trade and secondary income accounts, which more than offset deficits in services and primary income accounts.

The capital account recorded a net inflow of K15.8 million in 2023, compared to a net inflow of K23.7 million in 2022, reflecting lower transfers by donor agencies for project financing.

The financial account recorded a deficit of K10,056.1 million in 2023, compared to a deficit of K19,489.5 million in 2022. The outcome was due to outflows from direct and other investments, reflecting related party transactions and build-up in foreign currency account balances of mining, oil and LNG companies, combined with net Government and LNG loan repayments.

The level of gross foreign exchange reserves at the end of December 2023 was K14,424.8 (US$ 3,870.2) million, sufficient for 6.5 months of total and 12.2 months of non-mineral import covers.

The relatively low inflation outcomes in first half of 2023, led to the reduction in KFR by 50 basis points to 2.50 percent in November 2023. The dealing margins for the Repurchase Agreement (Repo) Facility and term Repo remained at 150 basis points on both sides of the KFR.

The average level of broad money supply (M3*) increased by 1.0 percent in the December quarter of 2023, compared to an increase of 1.3 percent in the previous quarter. This was due to increases of 3.7 percent and 1.6 percent in the average net foreign assets (NFA) and net domestic assets (NDA) of the banking system, respectively. The average net domestic claims, excluding average net claims on Central Government increased by 2.0 percent in the December quarter of 2023, compared to an increase of 4.1 percent in the previous quarter. This reflected increases in average claims on the private sector, public non-financial corporations and other financial corporations, which more than offset a decline in average claims on 'Provincial and Local Level Governments'.

The average level of monetary base (reserve money) increased by 1.1 percent in the December quarter of 2023, compared to a decline of 2.6 percent in the previous quarter. This reflected an increase in average currency in circulation issued by the Central Bank, which more than offset a decline in deposits of other depository corporations (ODCs) held at the Central Bank, mainly exchange settlement account (ESA) balances of commercial banks.

The NFA of FCs, comprising DCs and other financial corporations (OFCs), increased by 12.6 percent to K17,872.4 million during the December quarter of 2023, following a decline of 1.3 percent in the previous quarter. This resulted from an increase in the NFA of the DCs and OFCs. The increase in the NFA of DCs was mainly driven by increase in Central Bank's foreign exchange inflows attributed to external inflows from LNG tax receipts and loan from Australian Government for budget support, while NFA increases at ODCs and OFCs were due to higher claims on non-residents.

Net claims on the Central Government by FCs increased by 0.5 percent to K20,147.3 million in the December quarter of 2023, compared to an increase of 6.4 percent in the previous quarter. The increase reflected net issuance of Government securities, which more than offset an increase in Government deposits at the Central Bank.

In the December quarter of 2023, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' increased by 4.8 percent to K20,229.4 million, following an increase of 1.9 percent in the previous quarter. This reflected advances of K410.2 million, K337.2 million and K185.0 million to the public non-financial corporations, private sector and 'Provincial and Local Level Governments', respectively. Credit to the private sector increased mainly due to advances to manufacturing, household, agriculture (mainly coffee industry), finance, and real estate sectors.

Fiscal operations of the National Government in 2023 showed a deficit of K4,804.6 million, compared to a deficit of K5,851.8 million in 2021.

Total revenue and grants in 2023 was K19,809.9 million, 6.9 percent higher than in 2022, and 2.9 percent lower than the amount in the 2023 Supplementary Budget. This outcome reflected higher than projected tax and non-tax receipts.

Total expenditure in 2023 was K24,614.5 million, 0.9 percent higher than the 2022 outcome, and is 2.9 percent lower than the Supplementary Budget appropriation.

As a result of these developments in revenue and expenditure, the budget deficit of K4,804.6 million was financed from both external and domestic sources of K2,087.1 million and K2,716.9 million, respectively.

Total public (Government) debt outstanding as at the end of 2023 fiscal year was K57,943.7 million, and is 52.0 percent of the GDP. The current outstanding debt comprised K29,710.4 million from domestic sources and K28,233.3 million in external sources.

Total Government deposits at depository corporations declined by K894.5 million to K6,040.3 million in the March quarter of 2024. This reflected a drawdown of Government deposits to fund expenditures given the low revenue.

2. INTERNATIONAL DEVELOPMENTS

Global economic activity picked up in 2023 supported by stronger than expected recovery in the United States (US) and China as well as several major emerging market and developing economies. This was attributed to higher government and private sector spending, and supported by improvement in real income and consumption, as well as in supply conditions. Inflation fell faster from its 2022 peak due to favourable supply-side developments, monetary tightening, and a decline in energy prices and its pass-through to core inflation. According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) Update for April 2024, the global economy is estimated to have grown by 3.1 percent in 2023, and projects a 3.1 percent growth in 2024.

In October, the European Union (EU) leaders met with the US President and Secretary of State in Washington DC, for the EU-US summit. The leaders discussed among others, the issues related to the Middle East, Russia's war against Ukraine, trade and economy, climate change, and energy and sustainable development financing. On the Middle East issue, the leaders called for immediate release of all hostages, pledged to work closely with partners to protect civilians, and provide support to those who are trying to access food, water, medical care and shelter. On Russia's war against Ukraine, the leaders reaffirmed their long-term commitment to Ukraine, including through diplomatic, financial, and military support, and resolved to hold Russia fully accountable for the war. They reaffirmed their commitment to working with the global community to address the energy, economic and food security challenges brought about by the war. On trade and economy, the leaders determined to increase their economic resilience and security by addressing distortive non-market economic practices, reducing supply chain vulnerabilities and strengthening transatlantic supply chains. On climate change and energy, the leaders urged economies to increase global renewable energy capacity and encouraged countries to work together to collectively reduce methane emissions. On sustainable development financing, the leaders pledged to step up efforts to provide strong support for the poor, low and middle-income countries to help unlock private capital investment, scale up the partnership for global infrastructure and investments, promote digital inclusion and communication technology and improve service supply chains around the world.

Also in October, influential leaders of global healthcare, policymakers and researchers of over 106 countries gathered in Berlin, Germany to attend "The World Health Summit". The annual event provided a platform for discussions, collaborations, and innovative solutions to address global health issues, future pandemic spillover and avian influenza. On global health, the discussions encouraged collaboration between diverse stakeholders to holistically address global health issues and proposed a socio-ecological model as a framework to protect health and Earth's biodiversity for the benefit of all species and generations. On future pandemic spillovers, the participants called for governments to identify threats early and reduce risk of spillovers to future pandemic prevention, preparedness, and response.

In November, Asia Pacific Economic Cooperation (APEC) leaders met in San Francisco, US, under the theme of 'Creating a Resilient and Sustainable Future for All'. The leaders acknowledged that the world was now facing' dynamic economic and environmental challenges, and urged all countries to work together to address these challenges. The leaders reaffirmed their commitment to implement the APEC Connectivity Blueprint (2015-2025) by strengthening physical, institutional and people-to-people connectivity by intensifying efforts to promote regional, sub-regional and remote area connectivity. They also pledged to fully implement the "Food Security Roadmap Towards 2030" as a pathway to make agri-food systems more resilient, productive, innovative, and sustainable, through sustainable resource management of agriculture, forestry and marine resources and fisheries. The leaders further reaffirmed the importance of agricultural productivity, international trade, and prevention and reduction of food loss and waste, in achieving food security. The leaders also welcomed the US efforts to implement the APEC Internet and Digital Economy Roadmap (AIDER), which would foster an inclusive digital economy for all and encouraged all economies to accelerate efforts to implement AIDER. These included the areas of data privacy, cloud computing, telecommunications networks, promoting interoperability, ICT security, and digital trade and e-commerce, emerging technologies, and promoting innovation and adoption of enabling technologies and services.

Also in November, North Atlantic Treaty Organization (NATO) foreign ministers met in Brussels, Belgium for a two-day meeting where they discussed pressing security issues, including NATO's support for Ukraine and China's security threat to the Euro- Atlantic. The foreign ministers reiterated their support for Ukraine. They also discussed Ukraine's path to membership of the NATO Alliance and provided recommendations on Ukraine's priority reforms, including the fight against corruption, strengthening the rule of law, and supporting human and minority rights.

In December, government officials, leading tech experts, industry leaders, entrepreneurs and scholars met in India for the eighth annual Global Technology Summit (GTS), on a theme "Geopolitics of Technology". The summit focused on the Artificial Intelligence (AI) and Digital Public infrastructure (DPI). On AI, the discussions delved into the current state of AI, its impact on the job market, and encouraged governments to collaborate with the private sector and academia for upskilling to create an AI-ready workforce. While on DPI, discussions were around the design choices and adoption strategies, and how DPIs can foster innovation across sectors, and private sector participation in the DPI ecosystem. The summit also focused on emerging technologies, innovation and collaboration, building semiconductor ecosystems, advancements in biotechnology, export control measures on technology products, and the geopolitical implications of critical minerals.

Also in December, Heads of State, ministers and business leaders gathered for the World Climate Action Summit (WCAS) in Dubai. The WCAS provided an opportunity for the international community to assess the Paris Agreement, which outlined new shared commitments to keep global warming below 1.5° degree Celsius. The leaders noted that the progress was too slow across all areas of climate action including reducing greenhouse gas emissions, strengthening resilience to a changing climate, getting the financial and technological support to vulnerable nations. All countries were encouraged to accelerate actions across all areas by 2030 and transit away from fossil fuels to renewable energy sources, while making funding accessible and available for energy transition.

In the US, real GDP increased by 3.1 percent in 2023, compared to an increase of 0.7 percent in 2022. This reflected increases in consumer and government spending, investments and exports. The latest IMF forecast is for real GDP to grow by 2.1 percent in 2024.

Industrial production increased by 1.2 percent in 2023, compared to an increase of 0.6 percent in 2022. The increase reflected higher production in manufacturing and mining industries. The Purchasing Managers Index (PMI) decreased to 47.4 in 2023, compared to 48.4 in 2022. Retail sales grew by 5.0 percent in 2023, compared to 5.5 percent in 2022, due to higher consumer spending on food, health and personal care products. The unemployment rate was 3.7 percent in 2023, compared to 3.5 percent in 2022.

Consumer prices increased by 3.4 percent in 2023, compared to 5.7 percent in 2022. This was attributed to higher prices of energy, food and shelter. Broad money supply declined by 3.3 percent in December 2023, compared to a decline of 0.9 percent in 2022. This reflected the tightening monetary policy stance by the Federal Reserve (the Fed) to curb inflation. The Fed maintained the federal funds rate at 5.5 percent in December 2023 to fight inflation, which remained above the 2.0 percent target rate.

The trade account recorded a deficit of US$773.4 billion in 2023, compared to a deficit of US$948.1 billion in 2022, reflecting higher imports relative to exports.

In Japan, real GDP increased by 1.9 percent in 2023, compared to an increase of 1.0 percent in 2022. The growth reflected higher capital expenditure. The latest IMF forecast is for real GDP to grow by 1.9 percent in 2024.

Industrial production declined by 1.1 percent in 2023, compared to a decline of 2.2 percent in 2022, as factory output fell reflecting weak global demand, mainly driven by China and the US. Retail sales increased by 2.4 percent in 2023, compared to an increase of 3.8 percent in 2022, driven by higher sales of machinery and equipment, and consumer goods. The unemployment rate was 2.5 percent in 2023, the same as in 2022.

Consumer prices increased by 2.6 percent in 2023, compared to an increase of 4.0 percent in 2022, attributed to lower prices of food and energy commodities. Broad money supply increased by 2.5 percent in 2023, compared to an increase of 3.3 percent in 2022. The Bank of Japan (BoJ) kept its policy rate unchanged at negative 0.1 percent, and its 10-year bond yield at 0.0 percent, with the aim to support growth despite inflation reaching above its target rate of 2.0 percent. The BoJ, however, indicated to raise interest rates if inflation continues to persist above its target rate of 2.0 percent.

The trade account recorded a deficit of US$409.0 billion in 2023, compared to a deficit of US$150.4 billion in 2022. This reflected a surge in imports and the weak yen.

In the euro area, real GDP increased by 0.1 percent in 2023, compared to an increase of 1.9 percent in 2022. The lower increase reflected high inflation, rising interest rates, and weak external demand. The latest IMF forecast is for real GDP to grow by 0.9 percent in 2024.

Industrial production increased by 0.2 percent in 2023, compared to a decline of 2.4

percent in 2022. The marginal increase reflected higher production of capital, intermediate inputs and durable consumer goods. Retail sales declined by 0.6 percent in 2023, compared to a decline of 3.0 percent in 2022. The fall was due to lower sales by retail outlets for food, fuel, drinks and tobacco. The unemployment rate was 6.5 percent in 2023, compared to 6.7 percent in 2022.

Consumer prices in the euro area, as measured by the Harmonized Index of Consumer Prices, increased by 2.9 percent in 2023, compared to an increase of 9.2 percent in 2022. The lower increase reflected declines in the prices for energy, food, alcohol and tobacco. Broad money supply declined by 4.1 percent in 2023, compared to an increase of 4.8 percent in 2022. The European Central Bank (ECB) kept the main refinancing operations, marginal lending facility and deposit facility rates unchanged at 4.50 percent, 4.75 percent and 4.00 percent, respectively. The ECB reduced the Pandemic Emergency Purchase Program (PEPP) by EUR 7.5 billion per month on average during the second half of 2023, and discontinue reinvestments under the PEPP at end-2023, reflecting the on-going downward trend in inflation and concerns about sustained weak economic activity in the Eurozone.

The trade account recorded a surplus of US$18.6 billion in 2023, compared to a deficit of US$8.9 billion in 2022.

In the UK, real GDP grew by 0.2 percent in 2023, compared to an increase of 0.6 percent in 2022. The lower growth reflected higher inflation, rising borrowing costs and lower external demand. The latest IMF forecast is for real GDP to increase by 0.6 percent in 2024.

Industrial production increased by 0.5 percent in 2023, compared to a decline of 2.8 percent in 2022, attributed to higher production and activity in the manufacturing, and mining and quarrying sectors. Retail sales declined by 2.8 percent in 2023, compared to a decline of 7.1 percent in 2022, reflecting a slowing economy, as high inflation and rising borrowing costs impacted on consumer spending. The unemployment rate was 3.8 percent in 2023, compared to 3.9 percent in 2022.

Consumer prices increased by 4.0 percent in 2023, compared to an increase of 10.5 percent in 2022. The increase was driven by higher prices of food and non-alcoholic beverages, tobacco, clothing and footwear, and durable household goods. Broad money supply declined by 0.9 percent in 2023, compared to an increase of 1.2 percent in 2022. The Bank of England (BoE) maintained its policy rate at 5.25 percent in December, from 5.25 percent in September 2023. The BoE noted that easing was premature as inflation was still above the 2.0 percent inflation target despite a decline in growth in the quarter.

The trade account recorded a deficit of US$41.2 billion in 2023, compared to a deficit of US$133.6 billion in 2022, reflecting higher imports relative to exports.

In China, real GDP grew by 5.2 percent in 2023, compared to an increase of 2.9 percent in 2022. The growth reflected a year of strong growth in the manufacturing and services sectors, supported by increased consumption, following the lifting of COVID-19 restrictions at the beginning of the year. The latest IMF forecast is for real GDP to grow by 4.6 percent in 2024.

Industrial production increased by 6.8 percent in 2023, compared to an increase of

1.3 percent in 2022. The increase was driven by strong activity in mining and manufacturing sectors as well as in the utilities. Retail sales increased by 7.4 percent in 2023, compared to a decline of 1.8 percent in 2022, reflecting higher sales of clothes, communication equipment and automobiles. The unemployment rate was 5.1 percent in 2023, compared to 5.5 percent in 2022.

Consumer prices decreased by 0.3 percent in 2023, compared to an increase of 1.8 percent in 2022. The decline mainly reflected a fall in prices for food and transport. Broad money supply increased by 9.7 percent in 2023, compared to an increase of 11.8 percent in 2022. The People's Bank of China (PBoC) left its benchmark interest rate unchanged at 3.45 percent. PBoC maintained the rate for the fifth straight month in December 2023, to drive growth amid the new COVID-19 outbreak.

The trade account recorded a surplus of US$823 billion in 2023, compared to a surplus of US$877.7 billion in 2022, reflecting a drop in export performance.

In Australia, real GDP increased by 1.5 percent in 2023, compared to an increase of 2.4 percent in 2022. The growth reflected higher public spending, which offset a fall in private household consumption. The latest IMF forecast is for real GDP to grow by 1.4 percent in 2024.

Industrial production increased by 0.2 percent in 2023, compared to no change in 2022. Retail sales increased by 0.9 percent in 2023, compared to an increase of 7.7 percent in 2022. The lower increase reflected a slowing economy, with rising interest rates. The unemployment rate was 3.9 percent in 2023, compared to 3.5 percent in 2022, as less people were employed in formal jobs due to a slowdown in business activities.

Consumer prices increased by 4.1 percent in 2023, compared to an increase of 7.8 percent in 2022. The increase was driven by higher prices for housing accommodation, food and non-alcoholic beverages, and insurance and financial services. Broad money supply increased by 4.8 percent in 2023, compared to an increase of 6.4 percent in 2022. The Reserve Bank of Australia further increased its cash rate by 25 basis points to 4.35 percent during the December quarter to ensure inflation is contained.

The trade account recorded a surplus of US$83.4 billion in 2023, compared to a surplus of US$108.6 billion in 2022.

In the December quarter of 2023, the US dollar appreciated against the Japanese yen by 2.4 percent, while it depreciated against the pound sterling by 2.0 percent, the euro by 1.7 percent and Australian dollar by 0.6 percent. Over the year, the US dollar appreciated against all the major currencies except the Australian dollar. It appreciated against the euro by 6.4 percent, the pound sterling by 5.8 percent and the yen by 4.5 percent, while it depreciated against the AUD by 1.0 percent.

In the December quarter of 2023, the average daily kina exchange rate depreciated against the USD by 3.1 percent to US$0.2694, the AUD by 2.5 percent to A$0.4140, the euro by 1.9 percent to €0.2505, the pound sterling by 1.0 percent to £0.2172 and the yen by 0.8 percent to ¥39.8107. These currency movements resulted in the TWI decreasing by 2.4 percent to 29.44. Over the year, the average daily kina exchange rate depreciated against all the major currencies. It depreciated against the pound sterling by 10.4 percent, euro by 10.1 percent, USD by 5.2 percent, AUD by

4.3 percent and yen by 0.9 percent.

3. DOMESTIC ECONOMIC CONDITIONS

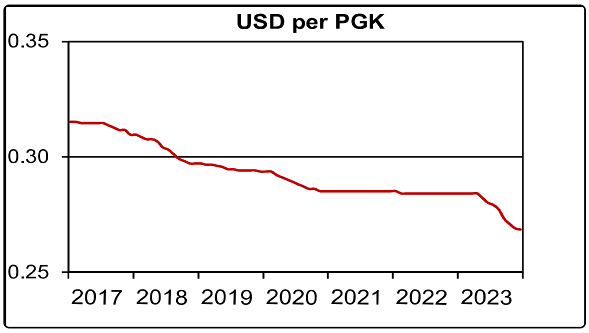
DOMESTIC ECONOMIC ACTIVITY

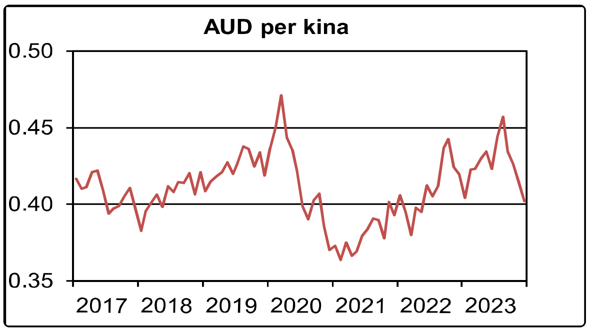
Data from the Bank's Business Liaison Survey (BLS) show that the total nominal value of sales in the formal private sector increased by 12.3 percent in the December quarter of 2023, compared to an increase of 1.2 percent in the September quarter. Excluding the mineral sector, sales increased by 4.7 percent in the December quarter, compared to an increase of 5.6 percent in the previous quarter. By sector, sales increased in all sectors, except the agriculture/forestry/fishing sector which declined. By region, sales increased in all regions, except in the Momase region which declined. In 2023, total sales declined by 4.2 percent, compared to an increase of 3.1 percent in 2022. Excluding the mineral sector, sales increased by 2.6 percent, compared to an increase of 3.9 percent in 2022.

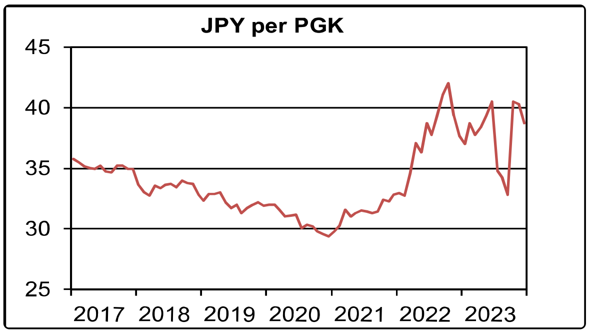
In the mineral sector, sales increased by 22.3 percent in the December quarter of 2023, compared to a decline of 4.7 percent in the previous quarter. The large increase reflected higher production and export of copper and gold by the Ok Tedi and Lihir mines. Higher production and sale of liquefied natural gas and crude oil also contributed to the increase. In 2023, sales fell by 16.2 percent, compared to an increase of 14.3 percent in 2022.

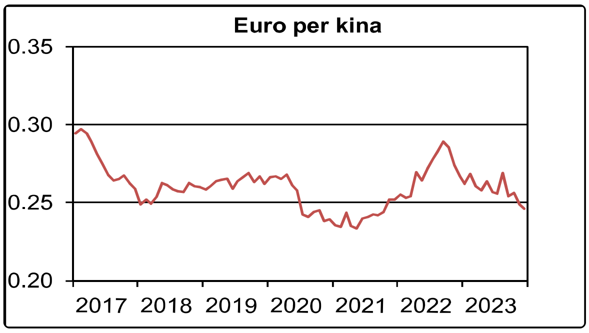
In the transportation sector, sales increased by 11.6 percent in the December quarter of 2023, compared to an increase of 5.5 percent in the previous quarter. The increase reflected higher demand for air passenger travel over the Christmas festive season, and higher demand and sales by land transportation and shipping services.

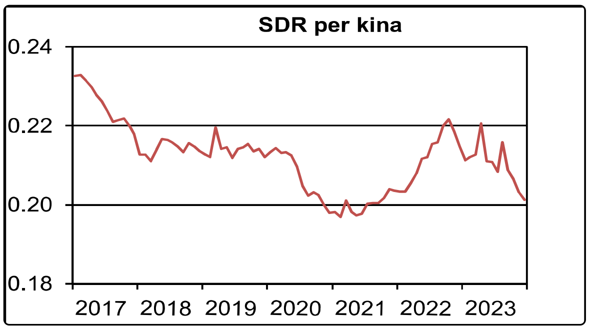
EXCHANGE RATES











In December 2023, sales increased by 1.6 percent, compared to an increase of 13.3 percent in 2022.

In the retail sector, sales increased by 11.4 percent in the December quarter of 2023, compared to an increase of 9.0 percent in the previous quarter. The increase reflected higher sales of food and general merchandise over the Christmas festive season, and higher sales of medical supplies and building materials. In 2023, sales increased by 16.4 percent, compared to an increase of 3.7 percent in 2022.

In the wholesale sector, sales increased by 9.9 percent in the December quarter of 2023, compared to an increase of 14.5 percent in the previous quarter. The increase reflected higher sales of refined fuel products, hardware materials, and electrical appliances. In 2023, sales declined by 3.9 percent, compared to an increase of 22.9 percent in 2022.

In the construction sector, sales increased by 7.1 percent in the December quarter of 2023, compared to a decline of 4.7 percent in the previous quarter. The increase was attributed to the construction of a high storey building in Waigani, the Motukea to Lealea road maintenance, and other ongoing building and construction activities in the NCD, Islands, and Highlands regions. In 2023, sales declined by 38.4 percent, compared to an increase of 80.4 percent in 2022.

In the financial/business/other services sector, sales increased by 5.0 percent in the December quarter of 2023, compared to an increase of 2.5 percent in the previous quarter. The increase reflected higher earnings and income from investments by commercial banks, as well as fees and charges. Higher revenue earned by waste management and accounting firms also contributed the increase. In 2023, sales increased by 9.6 percent, compared to an increase of 1.1 percent in 2022.

In the manufacturing sector, sales increased by 0.2 percent in the December quarter of 2023, compared to a decline of 3.7 percent in the previous quarter. The increase was driven by higher sales of refined fuel products and non-alcoholic beverages during the Christmas festive season, which offset lower sales recorded by a sugar and a tobacco manufacturing company. In 2023, sales fell by 10.9 percent, compared to a decline of 11.1 percent in 2022.

In the agriculture/forestry/fishing sector, sales declined by 7.2 percent in the December quarter of 2023, compared to an increase of 12.8 percent in the previous quarter. The decline reflected lower production and export of cocoa, coffee and palm oil. In 2023, sales increased by 38.2 percent, compared to an increase of 11.0 percent in 2022.

By region, sales increased in all regions except the Momase region. In the Southern region (excluding NCD), sales increased by 72.8 percent in the December quarter of 2023, compared to a decline of 18.8 percent in the previous quarter. The increase was mainly driven by higher copper production and export by Ok Tedi mine. In 2023, sales increased by 12.1 percent, compared to an increase of 5.2 percent in 2022.

In the Islands region, sales increased by 17.4 percent in the December quarter of 2023, compared to a decline of 3.1 percent in the previous quarter. The increase was due to higher production and export of gold and palm oil by the Lihir mine and palm oil producers, respectively. Higher sales of non-alcoholic beverages also contributed to the increase. In 2023, sales increased by 43.9 percent, compared to a decline of

34.1 percent in 2022.

In NCD, sales increased by 9.4 percent in the December quarter of 2023, compared to an increase of 2.8 percent in the previous quarter. The increase was driven by higher sale of refined petroleum products, and building and construction materials. Higher earnings by a waste management company also supported the increase. In 2023, sales increased by 6.3 percent, compared to a decline of 11.9 percent in 2022.

In the Highlands region, sales increased by 7.1 percent in the December quarter of 2023, compared to an increase of 2.2 percent in the previous quarter. The increase was attributed to higher production of crude oil, LNG, and increased demand for pharmaceutical products. In 2023, sales declined by 28.5 percent, compared to an increase of 65.6 percent in 2022.

In the Morobe region, sales increased by 4.8 percent in the December quarter of 2023, compared to an increase of 11.3 percent in the previous quarter. The increase was due to higher sales of refined fuel products, food and non-alcoholic beverages, and general merchandise goods. In 2023, sales decline by 7.9 percent, compared to an increase of 33.8 percent in 2022.

In the Momase region, sales declined by 8.9 percent in the December quarter of 2023, compared to an increase of 4.1 percent in the previous quarter. The decline reflected lower sales by a sugar and tobacco producing company. A fall in exports by Ramu Nickel mine, and lower sales of canned tuna also contributed to the decline. In 2023, sales declined by 29.1 percent, compared to an increase of 35.8 percent in 2022.

EMPLOYMENT

The Bank's Employment Index shows that the level of employment in the formal private sector increased by 0.6 percent in the December quarter of 2023, compared to an increase of 0.9 percent in the previous quarter. Excluding the mineral sector, the level of employment increased by 0.8 percent. By sector, the level of employment increased in the transportation, agriculture/forestry/fishing, manufacturing, and financial/business and other services, while it declined in the wholesale, manufacturing, retail and construction sectors. By region, the level of employment increased in the NCD, Morobe and the Highlands regions, while it declined in the Southern (excluding NCD), Islands and the Momase (excluding Morobe) regions. In 2023, the total level of employment increased by 2.5 percent, compared to an increase of 5.0 percent in 2022. Excluding the mineral sector, the level of employment increased by 1.7 percent in 2023, compared to an increase of 5.4 percent in 2022.

In the transportation sector, the level of employment increased by 4.7 percent in the December quarter of 2023, compared to an increase of 2.0 percent in the previous quarter. The increase reflected the hiring of new staff by a transport and storage firm as its operations expanded, while the increase by a major airline company reflected higher demand for travel during the Christmas holiday season. In 2023, the level of employment increased by 9.6 percent, compared to a marginal increase of 0.5 percent in 2022.

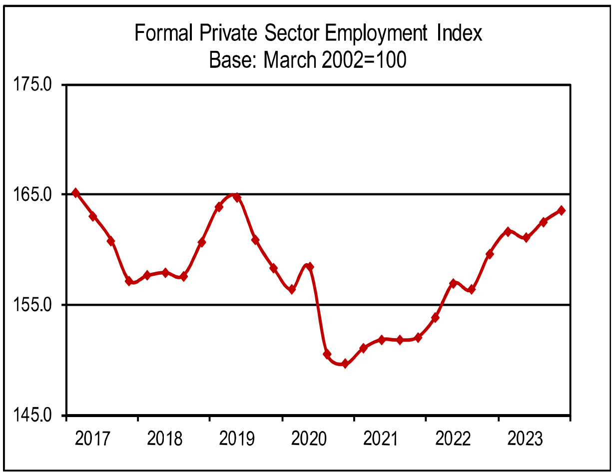
In the agriculture/forestry/fishing sector, the level of employment increased by 1.4 percent in the December quarter of 2023, compared to an increase of 1.0 percent in the previous quarter. The increase reflected the hiring of new employees to cater for the expansion of production facilities for coffee and tea plantations in the Highlands. In 2023, the level of employment increased by 7.1 percent, compared to an increase of 11.9 percent in 2022.

In the manufacturing sector, the level of employment increased by 0.7 percent in the December quarter of 2023, compared to a decline of 1.9 percent in the previous quarter. This reflected increased fish production by a tuna fishing company in Momase and increased chicken meat and egg production by a poultry company in Morobe. In 2023, the level of employment declined by 2.8 percent, compared to an increase of 0.7 percent in 2022.

In the financial/business and other services sector, the level of employment marginally increased by 0.1 percent in the December quarter of 2023, compared to an increase of 2.3 percent in the previous quarter. This reflected the hiring of security guards by two major security firms in NCD and Lae, following the award of new security contracts. In 2023, the level of employment increased by 1.9 percent, compared to an increase of 5.7 percent in 2022.

In the wholesale sector, the level of employment declined by 1.1 percent in the December quarter of 2023, compared to a decline of 1.9 percent in the previous quarter. This was due to cost cutting measures by a major wholesale company in the Highlands and high staff turnover by a agrochemicals distributor in Morobe. In 2023, the level of employment increased by 4.1 percent, compared to a decline of 3.0 percent in 2022.

In the mineral sector, the level of employment declined by 1.0 percent in the December quarter of 2023, compared to an



increase of 2.6 percent in the previous quarter. The decrease reflected a mineral company's strategy of counting only its employees and not including consultants, contractors and service providers in the headcount. In 2023, the level of employment increased by 10.2 percent, compared to an increase of 11.8 percent in 2022.

In the retail sector, the level of employment declined by 0.6 percent in the December quarter of 2023, compared to an increase of 4.6 percent in the previous quarter. This reflected a cost reduction strategy involving a restructuring of a leading retail company in NCD. In 2023, the level of employment declined by 2.8 percent, compared to a decline of 4.3 percent in 2022.

In the construction sector, the level of employment declined by 0.2 percent in the December quarter of 2023, compared to a decline of 6.8 percent in the previous quarter. This reflected the laying off of workers by a construction firm in NCD as a major construction project nears completion. Lack of new projects has compelled a firm in NCD to lay off workers also contributed to the decline. In 2023, the level of employment declined by 20.0 percent, compared to an increase of 23.2 percent in 2022.

By region, the level of employment increased in the NCD, Morobe and Highlands regions, while it declined in the Southern (excluding NCD), Islands and Momase (excluding Morobe) regions. In NCD, the level of employment increased by 2.6 percent in the December quarter of 2023, compared to a decline of 0.6 percent in the previous quarter. The increase in employment was a result of higher demand for services by a transport and storage company, a major airline company and a security firm. In 2023, the level of employment declined by 0.4 percent, compared to an increase of 6.2 percent in 2022.

In Morobe, the level of employment increased by 1.4 percent in the December quarter of 2023, compared to no change in the previous quarter. This indicated higher production of chicken meat and eggs. Increased demand for security services during the festive season also contributed to the increase. In 2023, the level of employment increased by 2.7 percent, compared to an increase of 9.8 percent in 2022.

In the Highlands region, the level of employment increased by 1.0 percent in the December quarter of 2023, compared to an increase of 10.3 percent in the previous quarter. The increase in the hiring of employees for the coffee and tea harvesting season contributed to the increase. In 2023, the level of employment increased by 12.9 percent, compared to an increase of 5.0 percent in 2022.

In the Southern region, the level of employment declined by 1.7 percent in the December quarter of 2023, compared to an increase of 3.2 percent in the previous quarter. The decline was due to a slowdown in activity in every sector. In 2023, the level of employment declined by 0.1 percent, compared to an increase of 5.2 percent in 2022.

In the Islands region, the level of employment declined by 0.8 percent in the December quarter of 2023, compared to a decline of 1.7 percent in the previous quarter. The decline was due to the cessation of seasonal work operations by a major palm oil company in West New Britain. The staff turnover from another palm oil company, a cocoa and coffee exporter and a security firm in East New Britain also contributed to the decline. In 2023, the level of employment increased by 3.6 percent, compared to an increase of 11.7 percent in 2022.

In the Momase region, the level of employment declined by 0.3 percent in the December quarter of 2023, compared to a decline of 0.2 percent in the previous quarter. The decline was a result of a slowdown in operations by a tuna exporting company due to a drop in tuna catchment. The laying off of workers by a sugar manufacturing firm after the harvesting season also contributed to the decline. In 2023, the level of employment declined by 4.2 percent, compared to a decline of 8.0 percent in 2022.

CONSUMER PRICE INDEX

Quarterly headline inflation, as measured by the Consumer Price Index (CPI), increased by 1.1 percent in the December quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. There were increases in the Alcoholic Beverages, Tobacco and Betelnut, Miscellaneous, Health, Housing, Food and Non-Alcoholic Beverages, Clothing and Footwear, Transport, Household Equipment and Education expenditure groups, which more than offset declines in the Communication, Restaurants and Hotels, and Recreation expenditure groups. By urban centre, prices increased in Alotau/Kimbe/Kokopo/Rabaul and Port Moresby, while it declined in Goroka/Hagen/Madang and Lae. Annual headline inflation was 3.9 percent in the December quarter of 2023, compared to an increase of 2.2 percent in the previous quarter.

The CPI for the Alcoholic Beverages, Tobacco and Betelnut expenditure group increased by 4.8 percent in the December quarter of 2023, compared to an increase of 5.5 percent in the previous quarter. There were increases in the betelnut and mustard, and alcoholic beverages sub-groups of 11.3 percent and 0.5 percent, respectively, which more than offset a decline of 2.9 percent in the tobacco sub-group. This expenditure group contributed 0.8 percentage points and 2.2 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

Prices in the Miscellaneous expenditure group increased by 3.7 percent in the December quarter of 2023, compared to an increase of 0.8 percent in the previous quarter. This reflected price increases in the toiletries and personal care products, baby oil and powder, insect repellant, and childrens' toys of 6.9 percent, 4.6 percent, 2.3 percent and 0.2 percent, respectively, which more than offset a price decline of 1.6 percent in barber fees. The court fees remained unchanged. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.1 percentage point to the overall annual CPI inflation outcome.

The CPI for the Health expenditure group increased by 2.4 percent in the December quarter of 2023, compared to an increase of 3.1 percent in the previous quarter. This was attributed to price increases in the medical supplies and medical services sub-groups of 4.8 percent and 0.1 percent, respectively. This expenditure group contributed 0.1 and 0.3 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for the Housing expenditure group increased by 0.8 percent in the December quarter of 2023, compared to an increase of 0.6 percent in the previous quarter. This was attributed to an increase of 9.4 percent in the cooking sub-group, which more than offset a decline of 5.8 percent in the housing maintenance sub-group. The electricity, rent and water sub-groups recorded no price changes in the quarter. This expenditure group contributed 0.1 percentage point and 0.2 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

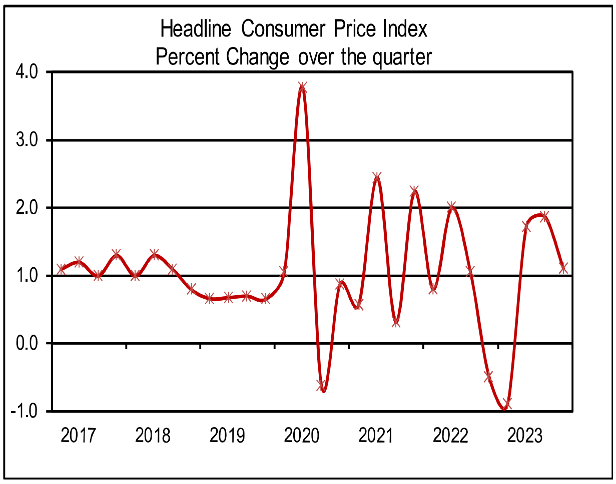
The CPI for the Food and Non-Alcoholic Beverages expenditure group increased by 0.3 percent in the December quarter of 2023, compared to an increase of 2.0 percent in the previous quarter. There were increases in the sugars and confectionary, cereals, non-alcoholic beverages, and other food products sub-groups of 2.2 percent, 1.5 percent, 0.9 percent and 0.2 percent, respectively. These more than offset the declines in the fruits and vegetables, meat, oil and fats, and fish sub-groups of 1.3 percent, 0.3 percent, 0.2 percent, and 0.1 percent, respectively. The dairy products, eggs, cheese sub-group recorded no price change in the quarter. This expenditure group contributed 0.1 percentage point and 1.6 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for the Clothing and Footwear expenditure group increased by 0.2 percent in the December quarter of 2023, compared to an increase of 2.6 percent in the previous quarter. There were increases in the boys wear, women and girls wear, headwear, clothing, and sewing items sub-groups of 6.7 percent, 2.8 percent, 2.0 percent, 1.5 percent and 0.1 percent, respectively. These more than offset declines in the men's wear and footwear sub-groups of 2.5 percent and 1.9 percent, respectively. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.4 percentage points to the overall annual CPI inflation outcome.

The CPI for the Transport expenditure group increased by 0.2 percent in the December quarter of 2023, compared to an increase of 1.2 percent in the previous quarter. This reflected price increases in the operations of transport, fuel and lubricants, and fares' sub-groups of 7.6 percent, 6.0 percent, and 0.3 percent, respectively, which more than offset a price decline of 4.7 percent in the motor vehicle purchases sub-group. The other transport services sub-group remained unchanged. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.4 percentage points to the overall annual CPI inflation outcome.

The CPI for the Household Equipment expenditure group increased by 0.1 percent in the December quarter of 2023, compared to an increase of 0.5 percent in the previous quarter. This reflected a price increase of 2.2 percent in the household appliances sub-group, which more than offset price declines in the household furniture and furnishings, and household maintenance goods sub-groups of 3.3 percent and 1.3 percent, respectively. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.3 percentage points to the overall annual CPI inflation outcome.

The CPI for the Education expenditure group increased by 0.1 percent in the December quarter of 2023, compared to no change in the previous quarter. This reflected an increase in the other expenses



sub-group of 0.1 percent, whilst the education fees sub-group recorded no price change in the quarter. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 1.1 percentage points to the overall annual CPI inflation outcome.

The CPI for the Communication expenditure group declined by 6.5 percent in the December quarter of 2023, compared to a decline of 3.5 percent in the previous quarter. There was a decline of 9.5 percent in the price of the telephone services sub-group, which more than offset an increase in the other services and telephone equipment sub-groups of 0.7 percent and 0.5 percent, respectively. The postal services sub-group recorded no price change in the quarter. This expenditure group contributed 0.2 percentage points and 0.4 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

The CPI for the Restaurants and Hotels expenditure group declined by 1.5 percent in the December quarter of 2023, compared to an increase of 1.7 percent in the previous quarter. This was due to price declines in the takeaway food and accommodation sub-groups of 1.8 percent and 0.3 percent, respectively. This expenditure group's contribution to the overall quarterly CPI inflation was negligible, whilst it contributed 0.1 percentage point to the overall annual CPI outcome.

The CPI for Recreation expenditure group declined by 0.5 percent in the December quarter of 2023, the same as in the previous quarter. There were declines in the prices of television, batteries, photography, bicycle, sports gate and movie fees, magazine and biros of 8.4 percent, 1.8 percent, 1.0 percent, 0.6 percent, 0.4 percent, 0.2 percent, and 0.1 percent, respectively. These more than offset increases in the prices of newspaper, flash drives, DVD player, and digital camera of 1.6 percent, 0.9 percent, 0.2 percent, and 0.1 percent, respectively. This expenditure group's contribution to both the quarterly and annual CPI inflation outcomes was negligible.

In Alotau/Kimbe-Kokopo/Rabaul, prices increased by 3.9 percent in the December quarter of 2023, compared to an increase of 3.7 percent in the previous quarter. The Alcoholic Beverages, Tobacco and Betelnut expenditure group recorded the largest increase of 24.1 percent, followed by Housing with 4.0 percent, and both Health and Recreation with 0.3 percent. These more than offset decreases in the Clothing and Footwear, Transport, Household Equipment, Restaurants and Hotels, and Miscellaneous expenditure groups of 0.9 percent, 0.8 percent, 0.3 percent, 0.2 percent, and 0.1 percent, respectively. The Education, Food and Non-Alcoholic Beverages, and Communication expenditure groups recorded no price changes. Alotau/Kimbe-Kokopo/Rabaul contributed 0.3 percentage points and 1.0 percentage point to the overall quarterly and annual CPI inflation outcomes, respectively.

Prices in Port Moresby increased by 1.5 percent in the December quarter of 2023, compared to an increase of 1.7 percent in the previous quarter. Alcoholic Beverages, Tobacco and Betelnut expenditure group recorded the largest increase of 7.6 percent, followed by Miscellaneous with 6.1 percent, Health with 2.7 percent, Household Equipment with 1.2 percent, Clothing and Footwear with 1.0 percent, Housing with 0.8 percent, Transport with 0.6 percent, and both Food and Non-Alcoholic Beverages, and Education with 0.1 percent each. These more than offset declines in the Communication, Restaurants and Hotels, and Recreation expenditure groups of 5.9 percent, 3.7 percent, and 1.3 percent, respectively. Port Moresby contributed 1.0 percentage point and 2.8 percentage points to the overall quarterly and annual CPI inflation outcomes, respectively.

Prices in Lae declined by 1.5 percent in the December quarter of 2023, compared to an increase of 1.9 percent in the previous quarter. The Communication expenditure group recorded the largest decline of 9.7 percent, followed by Alcoholic Beverages, Tobacco and Betelnut with 5.4 percent, Household Equipment with 3.8 percent, Housing with 1.0 percent, Transport with 0.5 percent, and both Clothing and Footwear, and Miscellaneous with 0.4 percent each. These more than offset increases in the Restaurants and Hotels, Recreation, Health, and Food and Non-Alcoholic Beverages expenditure groups of 3.6 percent, 3.4 percent, 3.2 percent, and 0.1 percent, respectively. The Education expenditure group recorded no price change in the quarter. Lae contributed 0.2 percentage points to the overall quarterly CPI inflation outcome, whilst its contribution to the overall annual CPI inflation was negligible.

In Goroka/Mt. Hagen/Madang, prices declined by 0.4 percent in the December quarter of 2023, compared to an increase of 1.3 percent in the previous quarter. The Communication expenditure group recorded the largest decline of 10.9 percent, followed by Alcoholic Beverages, Tobacco and Betelnut with 3.4 percent, Clothing and Footwear with 1.8 percent, Household Equipment with 1.5 percent, Recreation with 1.1 percent, Transport with 0.5 percent, and Miscellaneous with 0.1 percent. These more than offset increases in the Restaurants and Hotels, Food and Non-Alcoholic Beverages, Health, and Housing of 4.4 percent, 1.7 percent, 0.8 percent, and 0.6 percent, respectively. The Education expenditure group recorded no price change in the quarter. The contribution by Goroka/Mt. Hagen/ Madang to both the overall quarterly and annual CPI inflation outcomes was negligible.

The annual headline inflation increased by 3.9 percent in the December quarter of 2023, compared to an increase of 2.2 percent in the previous quarter. All expenditure groups recorded increases except the Education and Communication expenditure groups, which declined. The largest increase was in the Alcoholic Beverages, Tobacco and Betelnut with 13.2 percent, followed by Clothing and footwear with 9.3 percent, Health with 8.6 percent, Miscellaneous with 6.6 percent, Household Equipment with 5.9 percent, Food and Non-Alcoholic Beverages with 5.5 percent, Restaurants and Hotels with 5.2 percent, Transport with 3.0 percent, Housing with 1.9 percent and Recreation with 1.3 percent. These more than offset declines in the Education and Communication expenditure groups of 22.8 percent and 14.8 percent, respectively.

The NSO's quarterly exclusion-based inflation measure (which is the overall CPI excluding seasonal, customs excise and price regulated items) declined by 0.4 percent in the December quarter of 2023, compared to an increase of 0.6 percent in the previous quarter. Annual exclusion-based inflation was 2.2 percent in the December quarter of 2023, compared to 3.2 percent in previous quarter.

The quarterly trimmed mean inflation measure published by the Bank of PNG increased by 0.3 percent in the December quarter of 2023, compared to an increase of 1.2 percent in the previous quarter. The annual trimmed mean inflation was 4.0 percent in the December quarter, compared to 6.8 percent in the same period of 2022.

4. EXPORT COMMODITIES REVIEW

The total value of merchandise exports was K45,332.2 million in 2023, compared to K51,434.7 million in 2022. There were lower export receipts for Liquefied Natural Gas (LNG), crude oil, condensate, nickel, cobalt, palm oil, coffee, copra, copra oil, logs and marine products. These more than offset higher export values for gold, copper, cocoa, tea and rubber.

The value of agricultural, marine products and other non-mineral exports, excluding forestry and refined petroleum product exports, was K4,633.4 million and accounted for 10.2 percent of total merchandise exports in 2023, compared to K5,886.7 million or 11.4 percent of total merchandise exports in 2022. Forestry product exports were K713.0 million and accounted for 1.6 percent of total merchandise exports in 2023, compared to K1,103.2 million or 2.1 percent in 2022. Refined petroleum product exports were K356.8 million and accounted for 0.8 percent of total merchandise exports in 2023, compared to K1,222.9 million or 2.4 percent in 2022. Mineral export receipts, including LNG and condensate was K39,629.1 million and accounted for 87.4 percent of total merchandise exports in 2023, compared to K43,221.9 million or 84.0 percent in 2022.

The weighted average kina price of Papua New Guinea's export commodities, excluding LNG, declined by 5.9 percent in 2023, from 2022. There was a decline of 3.8 percent in the weighted average price of mineral exports, reflecting lower kina prices for all mineral exports, except for gold. For agricultural, logs and marine product exports, the weighted average kina price declined by 13.4 percent due to lower prices of palm oil, coffee, tea, copra oil, and logs. Excluding log exports, the weighted average kina price of agricultural and marine product exports declined by 13.7 percent in 2023, from 2022. The lower kina export price reflected a decline in international prices for all of PNG's non-mineral export commodities, except for cocoa, copra, rubber and marine products.

MINERAL EXPORTS

Total mineral export receipts were K39,629.1 million in 2023, compared to K43,221.9 million in 2022. The decline was due to lower kina prices of all mineral commodities except for gold, and lower export volumes of all mineral commodities except for gold and copper.

The value of LNG exports was K20,614.7 million in 2023, compared to K23,459.1 million in 2022. The decline was due to lower production and international prices reflecting higher inventory supplies, combined with lower global demand.

The volume of condensate exported was 6,092.5 thousand barrels in 2023, compared to 7,055.3 thousand barrels in 2022. The decline was mainly due to lower production by the PNG LNG project. The average free on board (f.o.b) price for condensate export was K282 per barrel in 2023, compared to K349 per barrel in 2022, reflecting lower international prices. The combined decline in export price and volume, resulted in export receipts of K1,718.3 million in 2023, compared to K2,465.5 million in 2022.

The volume of gold exported was 40.0 tonnes in 2023, compared to 39.6 tonnes in 2022. This increase was due to higher production from the Hidden Valley, K92, Simberi and the Ok Tedi mines. The average f.o.b price received for Papua New Guinea's gold exports was K219.7 million per tonne in 2023, compared to K197.5 million per tonne in 2022. The increase reflected higher international prices. The average gold price at the London Metal Exchange increased by 7.8 percent to US$1,941.1 per fine ounce in 2023, compared to 2022. The increase was mainly due to stronger demand for gold as a safe haven investment amid ongoing war in the Middle East between Israel and Hamas, weaker US dollar and news of possible interest rate cuts. The combined increase in export volume and price resulted in export receipts of K8,789.4 million in 2023, compared to K7,820.8 million in 2022.

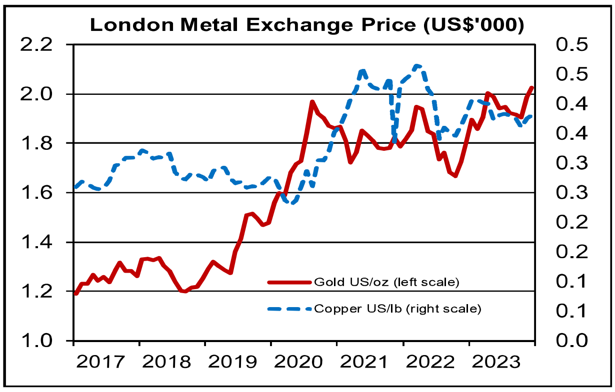
The volume of copper exported was 94.2 thousand tonnes in 2023, compared to 73.9 thousand tonnes in 2022. The increase resulted from higher production of metal ore grades and shipment by the Ok Tedi and K92 mines. The average f.o.b. price of Papua New Guinea's copper exports was K30,485 per tonne in 2023, compared to K30,747 per tonne in 2022. The outcome was mainly due to a weaker demand from China, combined with higher production from Peru, the world's second largest producer. The increase in export volume more than offset the decline in export price, resulting in export receipts of K2,871.7 million in 2023, compared to K2,272.2 million in 2022.

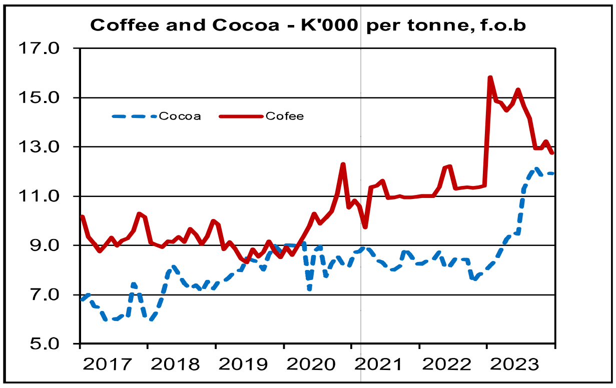
The volume of nickel exported was 34.1 thousand tonnes in 2023, compared to 37.2 thousand tonnes in 2022. The decline was due to lower production and shipment by the Ramu Nickel/ Cobalt mine. The average f.o.b. price of nickel exports was K73,349 per tonne in 2023, compared to K87,952 per tonne in 2022. The decline reflected a weaker demand from China, combined with higher supply from Indonesia, the world's largest producer. The combined decline in export volume and price resulted in export receipts of K2,501.2 million in 2023, compared to K3,271.8 million in 2022.

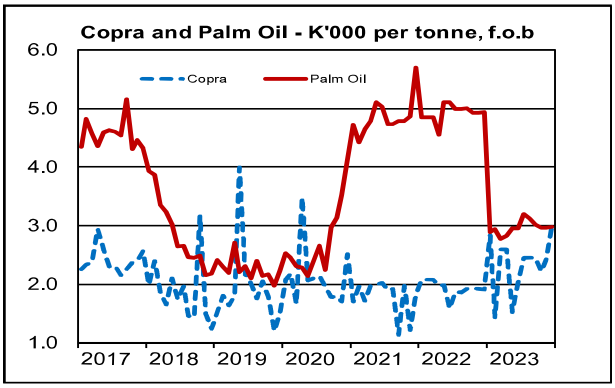
The volume of cobalt exported was 3.1 thousand tonnes in 2023, compared to 3.3 thousand tonnes in 2022, accounted for by lower production and shipment by the Ramu Nickel/Cobalt mine. The average f.o.b. price of cobalt exports was K131,097 per tonne in 2023, compared to K203,394 per tonne in 2022. The outcome reflected lower international prices attributed to a weaker demand from China, amid the growing lithium-iron-phosphate (LFP) share of the battery market as a cheaper substitute for nickel-cobalt-manganese (NCM) batteries in the electric vehicle sector. The combined decline in export volume and price resulted in export receipts of K406.4 million in 2023, compared to K671.2 million in 2022.

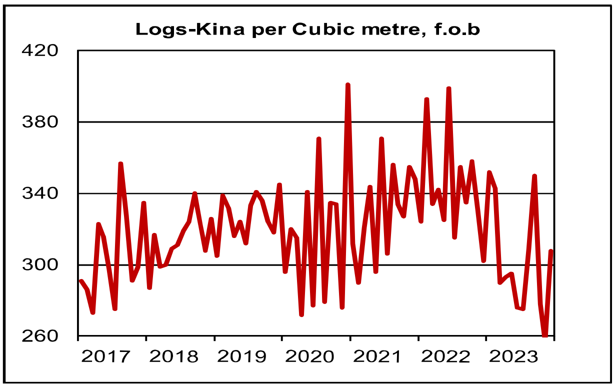
The volume of crude oil exported was 7,223.4 thousand barrels in 2023, compared to 7,214.1 thousand barrels in 2022. This was due to lower production from the Kutubu oil fields. The average export price of crude oil was K288 per barrel in 2023,

EXPORT COMMODITY PRICES









compared to K354 per barrel in 2022, reflecting lower international prices due to a weak global demand and high production levels by the Organization of Petroleum Exporting Countries and allies (OPEC+). The combined decline in export volume and price resulted in export receipts of K2,077.0 million in 2023, compared to K2,553.5 million in 2022.

The total export receipt of refined petroleum products, which includes Naphtha from the PNG LNG project, was K356.8 million in 2023, compared to K1,222.9 million in 2022. There were lower export volumes of the various refined petroleum products.

AGRICULTURE, LOGS AND FISHERIES EXPORTS

Export prices of all agricultural commodities declined in 2023, compared to 2022, with the exception of cocoa, copra, rubber and marine products. Export price of palm oil declined by 24.4 percent, coffee by 17.4 percent, tea by 21.1 and copra oil by 39.2 percent. Cocoa prices increased by 32.1 percent, copra by 9.9 percent and rubber by 6.9 percent in 2023, compared to 2022. The average export price of marine products increased by 19.1 percent and logs declined by 10.9 percent to K302 per cubic meter in 2023, compared to 2022. The net effect was a decline of 13.4 percent in the weighted average kina price of agricultural, logs and marine product exports. Excluding logs, the weighted average kina price of agricultural and marine product exports declined by 13.7 percent in 2023, compared to 2022.

The volume of coffee exported was 57.9 thousand tonnes in 2023, compared to 50.9 thousand tonnes in 2022. The increase was due to higher production and export from the major producing regions. The average export price of coffee declined by 17.4 percent to K13,877 per tonne in 2023, compared to 2022. This outcome was due to higher production from Brazil, attributed to a biennial effect in harvest yields. The decline in export price more than offset the increase in export volume, resulting in export receipts of K803.5 million in 2023, compared to K854.8 million in 2022.

The volume of cocoa exported was 38.5 thousand tonnes in 2023, compared to 40.0 thousand tonnes in 2022, due to lower production and shipment from the major growing regions. The average export price of cocoa increased by 32.1 percent to K10,353 per tonne in 2023, compared to 2022. The outcome reflected higher international prices due to lower production from the Ivory Coast, the major producer. The increase in export price more than offset the decline in export volume, resulting in export receipts of K398.6 million in 2023, compared to K313.6 million in 2022.

The volume of palm oil exported was 630.9 thousand tonnes in 2023, compared to 676.0 thousand tonnes in 2022. The decline in export volumes resulted from lower production and shipments, reflecting a supply response to lower prices coupled with natural disasters in a major growing area. The average export price of palm oil declined by 24.4 percent to K3,190 per tonne in 2023, compared to 2022. The decline reflected lower international prices following higher production from Malaysia and Indonesia, largely attributed to favourable dry and wet weather conditions. The combined decline in export price and volume resulted in export receipts of K2,012.3 million in 2023, compared to K2,851.2 million in 2022.

The volume of copra exported was 13.3 thousand tonnes in 2023, compared to 23.8 thousand tonnes in 2022. There was a lower production and shipment from the major producing regions reflecting the industry's replanting program combined with the increased demand for downstream processing of coconuts for high end-value products. The average export price of copra increased by 9.9 percent to K2,180 per tonne in 2023, compared to 2022. The outcome reflected higher global demand combined with the depreciation of the kina. The decline in export volume more than offset the increase in export price resulted in export receipts of K29.0 million in 2023, compared to K47.2 million in 2022.

The export volume of copra oil was 17.1 thousand tonnes in 2023, compared to 30.1 thousand tonnes in 2022. The decline was due to lower production and shipment from the existing mills as the industry sought for other high end-value of coconut products. The average export price of copra oil was K3,000 per tonne in 2023, a decline of 39.2 percent from 2022. The outcome mainly reflected lower international prices attributed to higher production by the Philippines and Indonesia, the major producers. The combined decline in export volume and price resulted in export receipts of K51.3 million in 2023, compared to K148.6 million in 2022.

The volume of tea exported was 0.4 thousand tonnes in 2023, compared to 0.2 thousand tonnes in 2022, attributed to higher production and shipment. The average export price of tea declined by 7.1 percent to K3,250 per tonne in 2023, compared to 2022. The outcome reflected higher production from India and Sri Lanka, major producers, attributed to favourable wet and dry weather conditions. The increase in export volume more than offset the decline in export price, resulting in export receipts of K1.3 million in 2023, compared to K0.7 million in 2022.

The volume of rubber exported was 2.7 thousand tonnes in 2023, compared to 2.6 thousand tonnes in 2022, accounted for by higher production from the rubber producing provinces. The average export price of rubber increased by 6.9 percent to K4,852 per tonne in 2023, compared to 2022. This reflected lower production from Thailand and Vietnam, major producers, coupled with strong global demand mainly from China's tire industry. The combined increase in export price and volume resulted in export receipts of K13.1 million in 2023, compared to K11.8 million in 2022.

The volume of logs exported was 2,261.0 thousand cubic meters in 2023, compared to 3,059.7 thousand cubic meters in 2022. The outcome was due to lower production from the major producing provinces. The average export price of logs declined by 10.9 percent to K302 per cubic meter in 2023, compared to 2022. The decline in price mainly reflected a prolonged weaker demand from international markets, coupled with a higher production from Malaysia. The combined decline in export volume and price resulted in export receipts of K682.6 million in 2023, compared to K1,038.1 million in 2022.

The value of marine products exported was K704.7 million in 2023, compared to K903.0 million in 2022. The outcome was due to a decline in export volume which more than offset an increase in export price.

5. BALANCE OF PAYMENTS

The overall balance of payments recorded a surplus of K199.3 million in 2023, compared to a surplus of K2,856.8 million in 2022. This was due to a surplus in the current and capital account, which more than offset a deficit in the financial account.

The current account recorded a surplus of K15,108.3 million in 2023, compared to a surplus of K16,073.8 million in 2022. This was due to a higher surplus in the trade and secondary income accounts, which more than offset deficits in services and primary income accounts.

In the trade account, there was a surplus of K27,352.1 million in 2023, compared to a surplus of K30,743.1 million in 2022. The lower surplus was due to a decline in both the value of merchandise exports and imports.

The value of merchandise exports was K45,332.2 million in 2023, compared to K51,434.6 million in 2022. The decline was attributed to lower export receipts for all PNG's major export commodities, with the exception of gold, copper, cocoa, tea and rubber.

The value of merchandise imports was K17,980.2 million in 2023, compared to K20,691.5 million in 2022. This was due to lower general imports, which more than offset higher mining and petroleum sector imports. The value of general imports was K10,423.3 million in 2023, compared to K13,577.6 million in 2022, reflecting lower imports by wholesale, retail, restaurant and hotel, and construction sectors, which more than offset higher imports by other non-mineral sectors. Mining sector imports was K4,997.5 million in 2023, compared to K4,660.6 million in 2022. The increase reflected higher capital expenditure by the Kainantu, Lihir, Ok Tedi, Hidden Valley, Porgera, Simberi and alluvial mines. The petroleum sector imports were K2,559.4 million in 2023, compared to K2,453.3 million in 2022. The outcome was mainly due to higher expenditure on exploration and drilling activities by a petroleum company.

The service account had a deficit of K6,692.0 million in 2023, compared to a deficit of K8,591.8 million in 2022. This was mainly attributed to lower payments by other business and transportation, which more than offset higher payments in other services.

The primary income account recorded a deficit of K6,422.0 million in 2023, compared to K6,557.9 million in 2022. This was mainly due to lower payments for compensation of employees and dividends.

The secondary income account had a surplus of K870.2 million in 2023, compared to a surplus of K480.4 million in 2022. This was accounted for by higher transfer receipts.

The capital account recorded a net inflow of K15.8 million in 2023, compared to a net inflow of K23.7 million in 2022, reflecting lower transfers by donor agencies for project financing.

As a result of the developments in the trade, services, primary and secondary income and capital accounts, the current and capital account recorded a surplus of K15,124.1 million in 2023, compared to a surplus of K16,097.5 million in 2022.

The financial account recorded a deficit of K10,056.1 million in 2023, compared to a deficit of K19,489.5 million in 2022. The outcome was due to outflows from direct and other investments, reflecting related party transactions and build-up in foreign currency account balances of mining, oil and LNG companies, combined with net Government and LNG loan repayments, respectively.

As a result of these developments in the current and capital account and financial accounts, the overall balance of payments recorded a surplus of K199.3 million in 2023, compared to a surplus of K2,856.8 million in 2022.

DECEMBER QUARTER 2023 ON DECEMBER QUARTER 2022

The overall balance of payments surplus was K1,382.8 million in the December quarter of 2023, compared to a surplus of K2,144.8 million in the December quarter of 2022. This was due to a surplus in the current and capital account, which more than offset a deficit in the financial account.

The current account recorded a surplus of K5,848.1 million in the December quarter of 2023, compared to a surplus of K2,709.2 million in the corresponding quarter of 2022. This was due to higher surpluses in trade and secondary income accounts, combined with lower deficits in services and primary income accounts.

The value of merchandise exports was K12,393.2 million in the December quarter of 2023, compared to K13,379.5 million in the corresponding quarter of 2022. There were higher values for all major export commodities, with the exception of gold, copper, crude oil, condensate, tea, copra, copra oil and refined petroleum products.

The value of merchandise imports was K3,575.6 million in the December quarter of 2023, compared to K4,988.3 million in the corresponding quarter of 2022. There were lower general and petroleum sector imports, which more than offset higher mining imports. The value of general imports was K1,584.3 million in the quarter, compared to K3,210.9 million in the December quarter of 2022, reflecting lower domestic economic activity mainly in the wholesale, retail, restaurants and hotels, manufacturing, construction, and agriculture and livestock sectors. The value of petroleum sector imports was K408.2 million in the quarter, compared to K584.0 million in the corresponding quarter of 2022. This mainly reflected lower exploration and drilling activities by a major petroleum company. Mining sector imports was K1,583.1 million in the quarter, compared to K1,193.4 million in the corresponding quarter of 2022. The increase reflected higher imports by Kainantu, Lihir, Ok Tedi, Porgera and Simberi mines.

The service account had a deficit of K1,836.4 million in the quarter, compared to a deficit of K2,178.4 million in the December quarter of 2022. There were lower payments for all services, except manufacturing, construction and other business services.

The primary income account recorded a deficit of K1,327.4 million in the December-quarter, compared to a deficit of K3,572.2 million in the corresponding quarter of 2022. There were lower payments for compensation of employees, dividend and interest payments.

The secondary income account had a surplus of K194.2 million in the December quarter, compared to a surplus of K68.5 million in the corresponding quarter of 2022. The outcome was due to higher transfer receipts, combined with lower transfer payments.

The capital account recorded a net flow of K2.4 million in the December quarter of 2023, compared to K6.0 million in the corresponding quarter of 2022, reflecting lower transfers by donor agencies for project financing.

As a result of the developments in the trade, services, primary and secondary income and capital accounts, the current and capital account recorded a surplus of K5,850.5 million in the December quarter of 2023, compared to a surplus of K2,715.2 million in the corresponding quarter of 2022.

The financial account had a deficit of K3,974.6 million in the quarter, compared to a deficit of K2,367.1 million in the December quarter of 2022. The outcome was due to net outflows from direct and other investments reflecting related party transactions and build-up in offshore foreign currency account balances of mineral companies, including those allowed for under the various Project Development Agreements (PDAs), respectively.

As a result of these development in the current, capital and financial accounts, the overall balance of payments recorded a surplus of K1,382.8 million in the December quarter, compared to a surplus of K2,144.8 million in the corresponding quarter of 2022.

The level of gross foreign exchange reserves at the end of December 2023 was K14,424.8 (US$ 3,870.2) million, sufficient for 6.5 months of total and 12.2 months of non-mineral import covers.

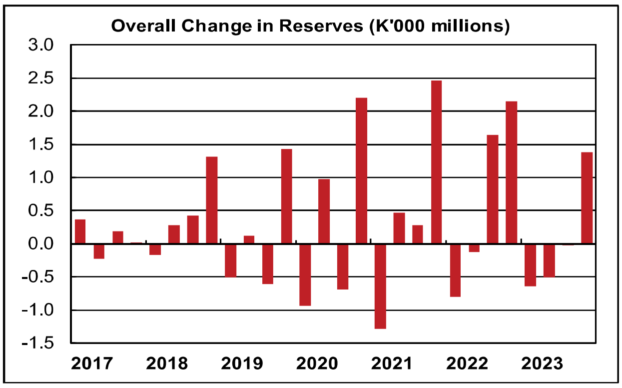
6. MONETARY DEVELOPMENTS

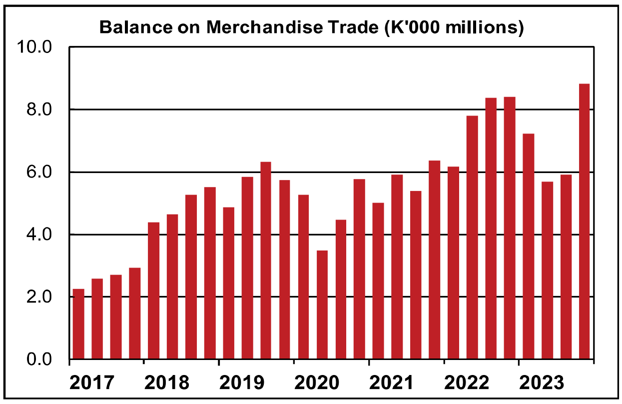
INTEREST RATES AND LIQUIDITY

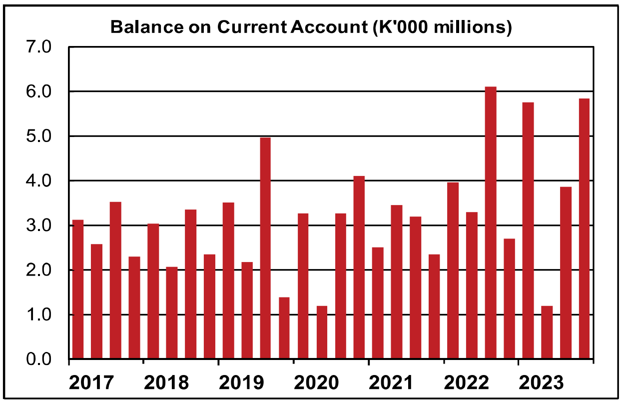
The relatively low inflation outcomes in first half of 2023, led to the reduction in KFR by 50 basis points to 2.50 percent in November 2023. The dealing margins for the Repurchase Agreement (Repo) Facility and term Repo remained at 150 basis points on both sides of the KFR.

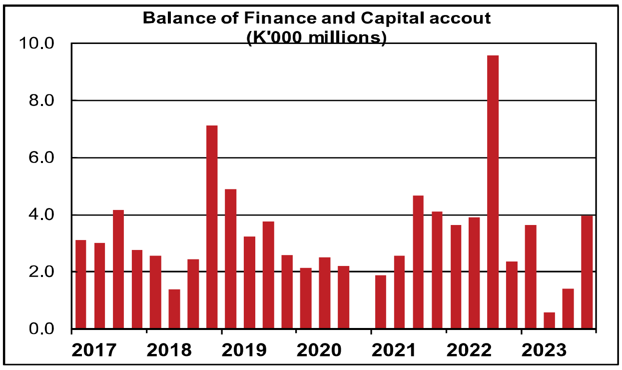
The rate for new monetary policy instrument, the 7-day term Central Bank Bills (CBB) under the Fixed Rate Full Allotment

BALANCE OF PAYMENTS

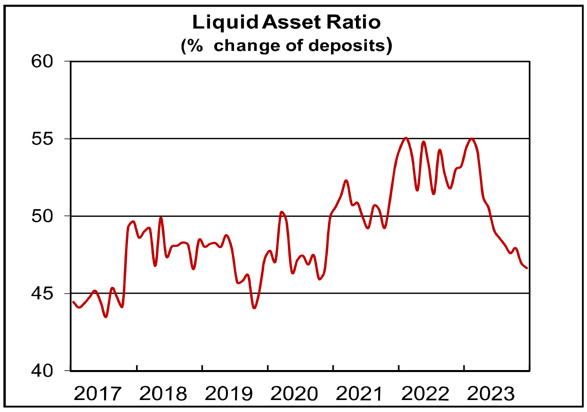




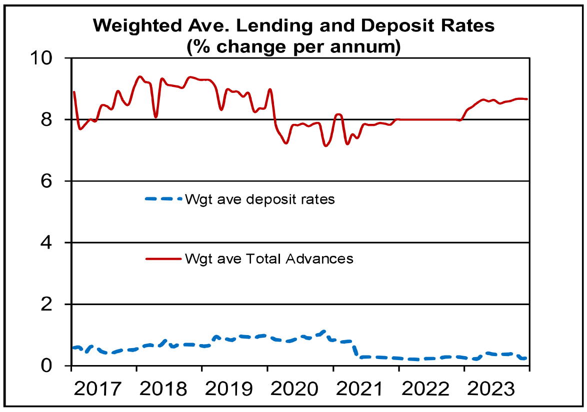


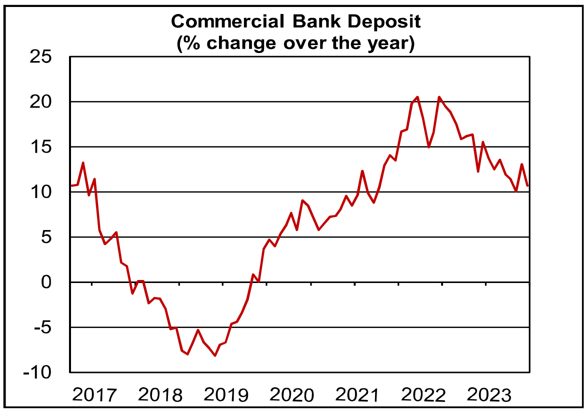


(FRFA) Auction, was aligned with the KFR at 2.50 percent in November 2023. Other CBB terms under the competitive auction were not offered during the December quarter of 2023. The Government's Treasury bill rates for the 182-day, 273-day and 364-day terms increased by 0.39 percentage points, 0.28 percentage points and 0.48 percentage points to 2.00 percent, 2.54 percent and 3.57 percent, respectively.

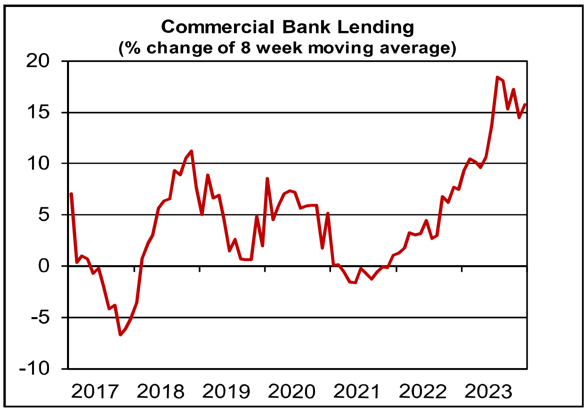


The weighted average interest rates on commercial banks' large term deposits (K500,000 and above) showed mixed movements over the December quarter of 2023. The 30-day, 60-day, 180-day and 270-day deposit rates increased by 0.04 percentage points, 0.06 percentage points 0.65 percentage points and 0.08 percentage points to 0.54 percent, 0.52 percent, 1.25 percent and 1.13 percent, respectively. The 90-day and 360-day deposit rates decreased by 0.18 percentage points and 1.04 percentage points to 2.32 percent and 1.56 percent, respectively. The monthly weighted average interest rate on total deposits decreased to 0.26 percent from 0.39 percent in December 2023, while for total loans increased to 8.48 percent from 8.43 percent, over the same period. The Indicator Lending Rates (ILR) for commercial banks remained unchanged between 6.95 percent and 11.70 percent in the December quarter of 2023.





The Central Bank continue to utilize its Open Market Operation (OMO) instruments in the conduct of monetary policy. In December quarter 2023, it defused liquidity through a net issuance of K205.8 million in CBBs under the 7-day CBB FRFA auction with the aim to influence market interest rates. There was a net retirement of Government securities totaling K384.3 million reflecting a retirement of K507.4 million in



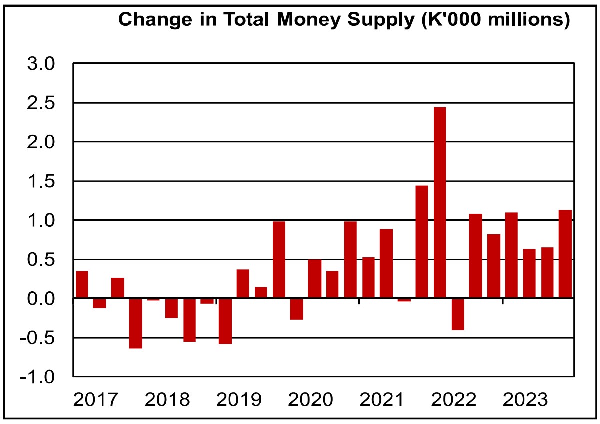
Treasury bonds (Inscribed Stock), which more than offset an issuance of K123.1 million in Treasury bills.

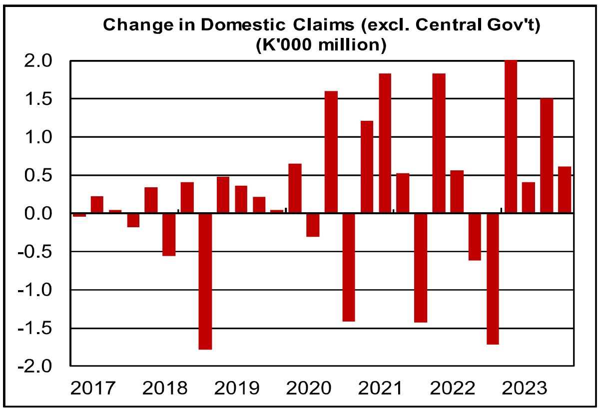
There were two interbank deals and thirty-nine repo transactions during the December quarter of 2023. The interbank borrowings were done at 4.50 percent, and the overnight repo deals were between 4.0 percent and 5.0 percent. Over the same period, the Cash Reserve Requirement (CRR) on commercial banks' deposits was maintained at 10.0 percent.

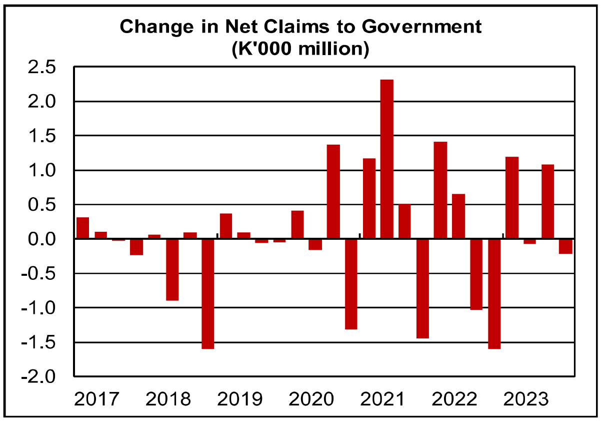
MONEY SUPPLY

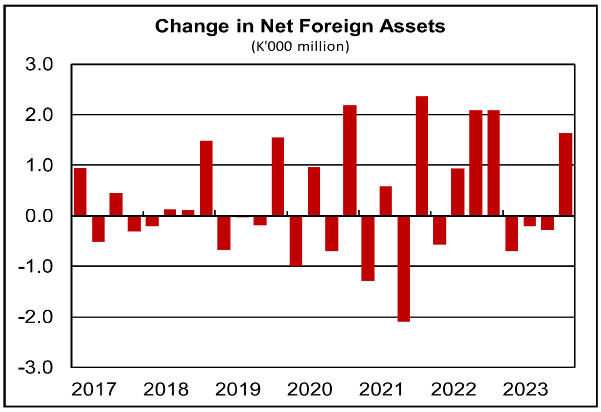
The average level of broad money supply (M3*) increased by 1.0 percent in the December quarter of 2023, compared to an increase of 1.3 percent in the previous quarter. This was due to increases of 3.7 percent and 1.6 percent in the average net foreign assets (NFA) and net domestic assets (NDA) of the banking system, respectively. The average net domestic claims, excluding average net claims on Central Government increased by 2.0 percent in the December quarter of 2023, compared to an increase of 4.1 percent in the previous quarter. This reflected increases in average claims on the private sector, public non-financial corporations and other financial corporations, which more than offset a decline in average claims on 'Provincial and Local Level Governments'.

The average level of monetary base (reserve money) increased by 1.1 percent in the December quarter of 2023, compared to a decline of 2.6 percent in the previous quarter. This reflected an increase in average currency in circulation issued by the Central Bank, which more than offset a decline in deposits of other depository corporations (ODCs) held at the Central Bank, mainly exchange settlement account (ESA)









balances of commercial banks.

The average level of narrow money supply (M1*) increased by 2.3 percent in the December quarter of 2023, compared to an increase of 1.4 percent in the previous quarter. This was due to increases in the average level of currency outside the depository corporations (DCs) and transferable deposits. The average level of quasi money declined by 7.1 percent in the December quarter of 2023, compared to an increase of 0.9 percent in the previous quarter.

The average level of deposits at other depository corporations (ODCs) increased by 0.3 percent to K35,555.1 million in the December quarter of 2023, from K35,447.7 million in the previous quarter. This reflected an increase in deposits by the financial corporations, other resident sectors and public non-financial corporations, more than offsetting a decline from the Government.

The NFA of Financial Corporations (FCs), comprising DCs and other financial corporations (OFCs), increased by 12.6 percent to K17,872.4 million during the December quarter of 2023, following a decline of 1.3 percent in the previous quarter. This resulted from an increase in the NFA of the DCs and OFCs. The increase in the NFA of DCs was mainly driven by increase in Central Bank's foreign exchange inflows attributed to external inflows from LNG tax receipts and loan from Australian Government for budget support, while NFA increases at ODCs and OFCs were due to higher claims on non-residents.

Net claims on the Central Government by FCs increased by 0.5 percent to K20,147.3 million in the December quarter of 2023, compared to an increase of 6.4 percent in the previous quarter. The increase reflected net issuance of Government securities, which more than offset an increase in Government deposits at the Central Bank.

LENDING

In the December quarter of 2023, total domestic credit extended by FCs to the private sector, public non-financial corporations and 'Provincial and Local Level Governments' increased by 4.8 percent to K20,229.4 million, following an increase of 1.9 percent in the previous quarter. This reflected advances of K410.2 million, K337.2 million and K185.0 million to the public non-financial corporations, private sector and 'Provincial and Local Level Governments', respectively. Credit to the private sector increased mainly due to advances to manufacturing, household, agriculture (mainly coffee), finance, and real estate sectors.

7. PUBLIC FINANCE

Fiscal operations of the National Government in 2023 showed a deficit of K4,804.6 million, compared to a deficit of K5,851.8 million in the corresponding period of 2022.

Total revenue and grants in 2023 was K19,809.9 million, 6.9 percent higher than in 2022 and is 2.9 percent lower than the budgeted amount in the 2023 Supplementary Budget. The higher outcome compared to 2022 reflected higher than projected tax and non-tax receipts. Total tax revenue was K17,626.9 million, 7.1 percent higher than the 2022 outcome and 8.0 percent higher than the 2023 Supplementary Budget estimate. The higher outcome for Non-tax (Other revenue) was significantly higher by 67.2 percent than in 2022, and 50.2 percent higher than the revised revenue.

Direct tax receipts totaled K12,115.8 million, 4.2 percent higher than in the 2022 outcome and 9.3 percent higher than the Supplementary Budget estimate. Compared to the 2022 outcome, the increase reflected higher collections in personal income tax (PIT) and company income tax (CIT), which more than offset lower collections in mining and petroleum tax (MPT). The higher-than-expected performance in PIT reflected increase in employment and nominal wage, as well as improved compliance efforts from the revenue authority. The increase in CIT is due to higher corporate profits in 2023, combined with the one-off dominant tax imposed on the commercial banking sector. The MPT was lower by 3.2 percent compared to the 2022, due to the moderation in oil prices in 2023 and reimbursement of tax credit arising from the over-assessment of MPT in 2022.

Indirect tax revenue totaled K5,511.1 million, 14.2 percent higher than the 2022 outcome, and 5.3 percent higher than the Supplementary Budget estimate. Compared to 2022, the increase was driven by higher collections in goods & services tax (GST) which stemmed mainly from increases in GST and import excise tax, which contributed 22.6 percent and 1.9 percent to total GST growth, respectively.

Total non-tax revenue was K1,024.4 million, 67.2percent higher than the 2022 outcome and 50.2 percent lower than the revised estimate. Compared to the 2022 outcome, this increase was due to collections from statutory authority transfers as per the Non-Tax Revenue Administration (NTRA).

The lower donor support reflects some donors not having provided information on 2023 funding. Majority (68.0 percent) of the grants was from the Australia Government (DFAT).

Total expenditure in 2023 was K24,614.5 million, 0.9 percent higher than the 2022 outcome, and is 2.9 percent lower than the Supplementary Budget appropriation.

Total recurrent expenditure was K15,085.4 million, 3.9 percent higher than the 2022 outcome, and 1.2 percent lower than the revised appropriation. Compared to the 2022 outcome, the higher recurrent expenditure was driven by increases in Compensation of Employees (COE's) reflecting increase in employment of teachers and health workers, and payments of goods and services such as utilities, rentals (mainly clearing of arrears and exit retirement payments), education subsidies and debt service obligations. Total development expenditure was K9,529.1 million, 3.5 percent lower than the 2022 outcome, and was 5.3 percent lower than the 2023 revised Budget estimate of K10,066.3 million. Of the total capital expenditure, K7,336.5 million is funded by the Government with the remainder from donors and development partners through grants and concessional loans.

The deficit of K4,804.6 million was financed from external and domestic sources of K2,087.1 million and K2,716.9 million, respectively. Net domestic financing constituted K2,636.1 million and K358.0 million by ODCs and OFCs, respectively. These more than offset net retirements of Government securities of K37.0 million and K240.0 million by BPNG and other resident sectors. Net external financing comprised K212.3 million and K1,915.7 million from concessional and extraordinary sources, respectively, which more than offset external loan repayments of K40.3 million to commercial sources.

Total public (Government) debt outstanding as at the end of 2023 fiscal year was K57,943.7 million, and is 52.0 percent of the GDP. The current outstanding debt comprised K29,710.4 million from domestic sources and K28,233.3 million in external sources. Total Government deposits at depository corporations declined by K894.5 million to K6,040.3 million between December 2023 and March of 2024. This reflected a drawdown of Government deposits to fund expenditures given the low revenue.

FINANCIAL SOUNDNESS INDICATORS (FSI) DEVELOPMENTS

OVERVIEW

During the December quarter of 2023, the global economy rebounded from the sustained effects of weak growth posed by recent global shocks and the cost of living crisis. The recovery resulted from improvements in supply chain efficiencies, and the slowdown in inflation given the decline in energy prices and high policy rates.

On the other hand, risks to financial systems remained elevated as high policy rates resulted in high mortgage cost, tight credit availability and weak investments in most countries. This increased the potential of default by borrowers.

To minimize banking stress risk, Monetary Authorities have encouraged banks to beef up their capital buffers to accommodate for future loses and also to have adequate levels of liquidity to maintain operations and meet unexpected liquidity mismatches, while ensuring provision of loan products offered is not affected.

The Bank of PNG (BPNG) continues to remain vigilant in its vital role in ensuring that the financial system remains resilient to systemic risk, while maintaining its objective of price stability and supporting economic growth. Over recent periods the financial system has continued to remain sound and stable. Profits and assets continue to grow, while liquidity and capital levels remain sound and above their respective regulatory thresholds.

In the current reporting quarter, the banks continued to maintain adequate capital and growth in liquidity, despite a fall in ROA and ROE, and the asset quality.

For the Other Financial Corporations (OFCs), the profitability and liquidity FSIs for Life Insurance and Authorised Superfunds have trended upward, reflecting improvements for these sectors.

The Bank continues to deploy micro-prudential tools through onsite and offsite supervision for individual financial institutions including banks to monitor, assess and prevent the build-up of systemic risk. At the macro supervisory level, the FSIs have been used to asses how sound the overall financial system is, in terms of risk.

This report presents an analysis of the consolidated indicators of ODCs mostly Banks and the OFCs (Superannuation & Life Insurance Industries) in line with the *IMF 2019 FSI Compilation Guide.*

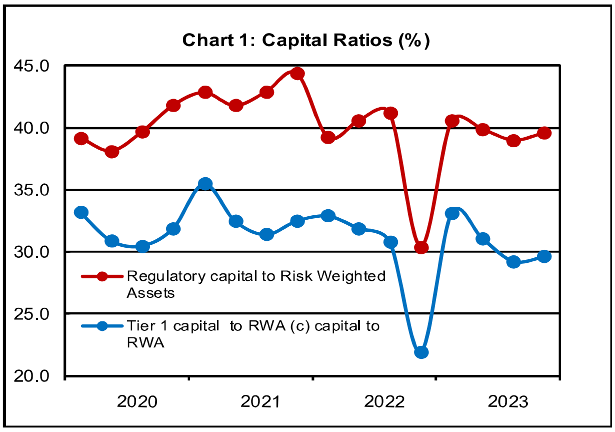
SOUNDNESS OF THE FINANCIAL SYSTEM

BANKS

Capital Adequacy Measures

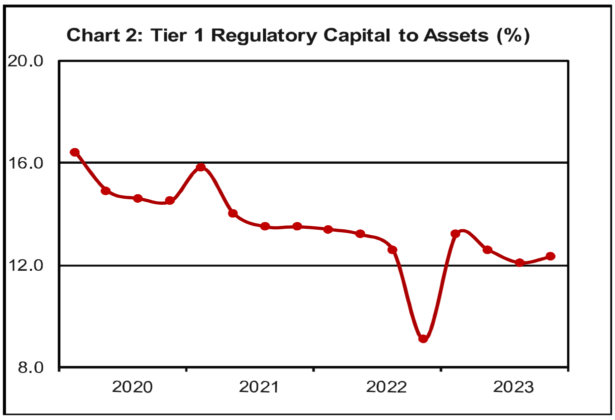
Regulatory Capital to Risk Weighted Assets and Regulatory Tier 1 Capital to Risk Weighted Assets.

In the December 2023 quarter, all capital ratios trended positively and were well above their respective regulatory thresholds. Regulatory capital to Risk Weighted Assets (RWA) increased to 39.6 percent, compared to 39.0 percent in the September 2023 quarter. Tier-1 capital to RWA, also increased to 29.6 percent compared to 29.2 percent in the September quarter (Chart 1). The growth shows build-up of capital after retained earnings were added on at the end of the financial year. Overall the banking system has adequate capital and is able to adequately withstand unexpected losses.



Tier 1 Capital to Total Assets

The Tier 1 Capital to total assets also showed slight build up, increasing to 12.3 percent in the December 2023 quarter, compared to 12.1 percent in the September 2023 quarter, reflecting a build of capital from retained earnings at the end of the financial year (Chart 2).

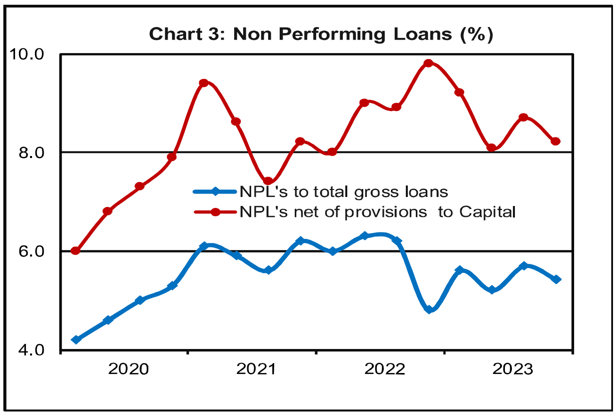


Asset Quality Measures

Non-Performing Loans (NPLS) to Capital

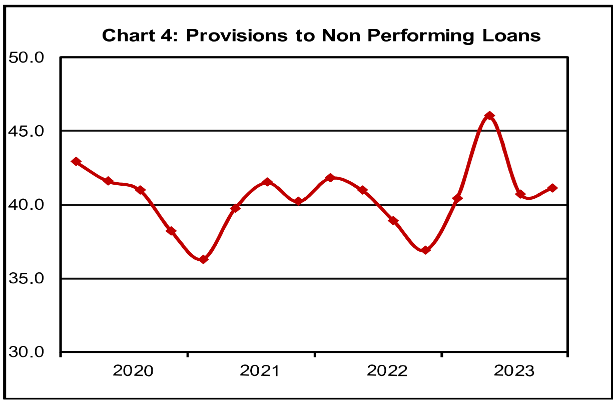
In the December 2023 quarter, asset quality ratios declined. The NPLs Net of Provisions to Capital declined to 8.2 percent compared to 8.7 percent in the September 2023 quarter. NPLs to total gross loans also decreased to 5.4 percent, compared to 5.7 percent in the September 2023 quarter (Chart 3).

Given the excess availability of capital buffer. Both the decreasing ratios shows that outstanding loans still poses an immaterial risk to the financial system.



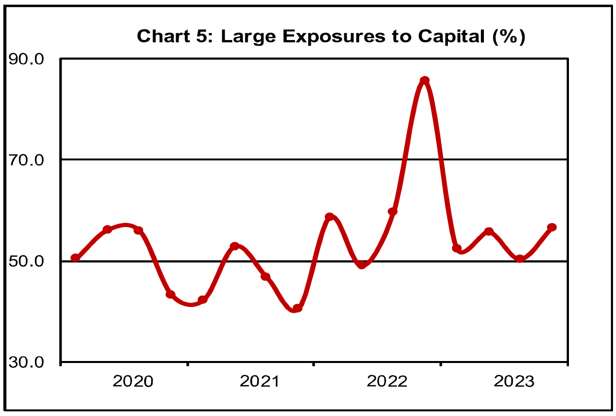
Provision to Non-Performing Loans (NPLs)

In the December quarter of 2023, the Provision to NPLs ratio increased to 41.1 percent compared to 40.7 percent in the September quarter (Chart 4).



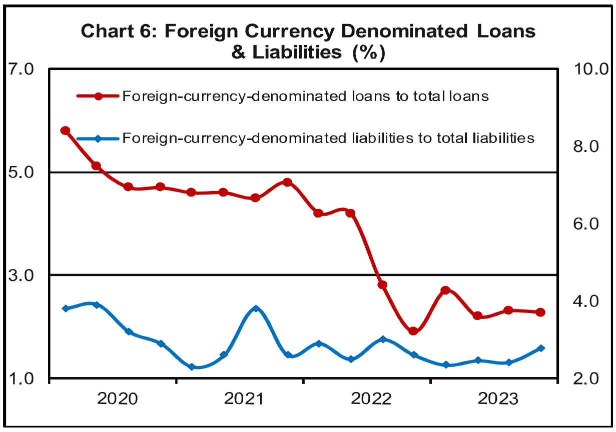
Large Exposures to Capital

In the same reporting quarter, Large Exposures to Capital increased to 56.4 percent compared to 50.3 percent in the September quarter of 2023 (Chart 5). The growth shows that based on the existing loan balances, the big clients have done additional borrowings and have also delayed some of their repayments.



Foreign Currency (FC) Loans to Total Loans & FC Liabilities to Total Liabilities

FC Loans to Total Loans remained unchanged at 2.3 percent in December quarter of 2023 as it was in the September quarter of 2023. FC Liabilities to Total Liabilities increased slightly to 2.8 percent in the December quarter of 2023 compared to 2.4 percent in the previous quarter, as a result of an increase in FC inflows from export activities (Chart 6).

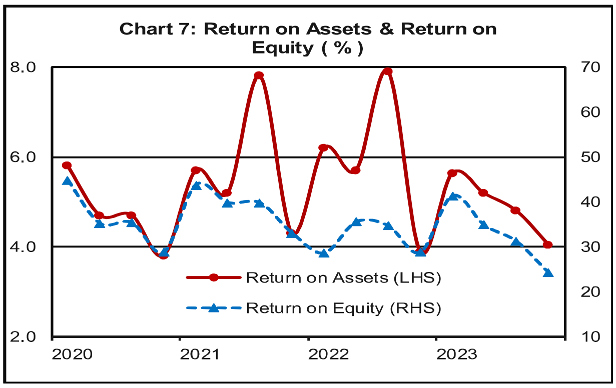


Earnings and Profitability Measures

Return on Assets (ROA) & Return on Equity (ROE)

In the December 2023 quarter, both the ROA and ROE decreased to 4.0 and 24.3 percent, respectively, compared to 4.8 percent and 31.2 percent in the September quarter of 2023 (Chart 7). Comparing annually, the asset size showed some growth in the reporting period. However, the ROE (net income after tax) declined as a result of an introduction of one off dominant industry player tax imposed by government on dominant market players in the banking and telecommunication industries.

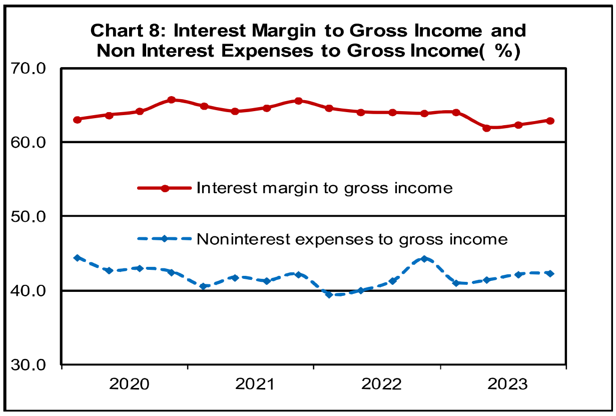
If the ROE trend continues in the coming periods, this would potentially contract capital growth, dividends payout, and investment plans for the banking sector.



Interest Margin & Non-Interest Expenses

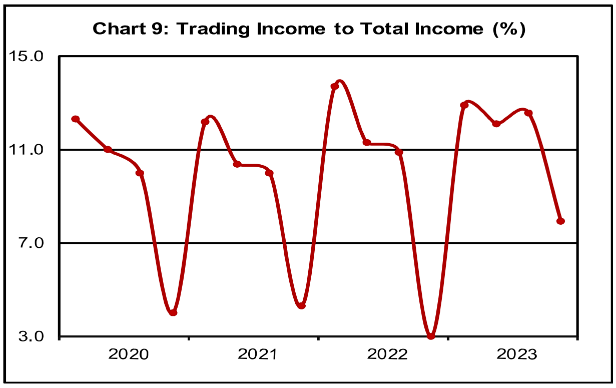
In the December 2023 quarter, Interest Margin to Gross Income increased to 63.3 percent, compared to 62.3 percent in the September quarter of 2023.

Non-Interest Expenses to Gross Income increased to 42.4 percent in the December quarter of 2023 compared to 42.2 percent in the September quarter of 2023, as banks increased their operational expenses and salaries and benefits for the staff (Chart 8).



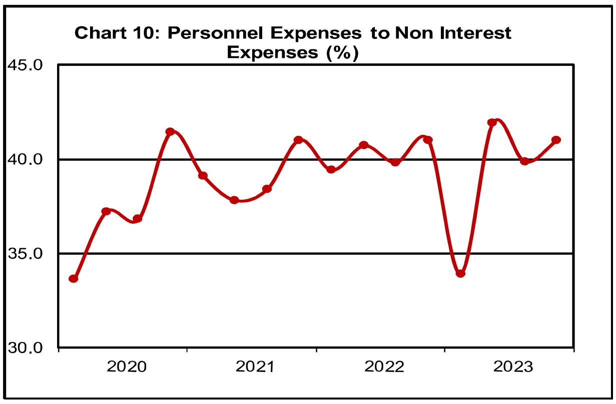
Trading Income to Total Income

In the December 2023 quarter, Trading Income to Total Income decreased to 7.9 percent compared to 12.6 percent in the September quarter of 2023 (Chart 9), mainly driven by FX revaluations and unrealised losses on financial assets during the reporting quarter.



Personnel Expenses to Non-Interest Expenses

Personnel Expenses to Non-Interest Expenses increased to 41.0 percent in the December quarter of 2023, compared to 39.8 percent in the September quarter of 2023 (Chart 10).

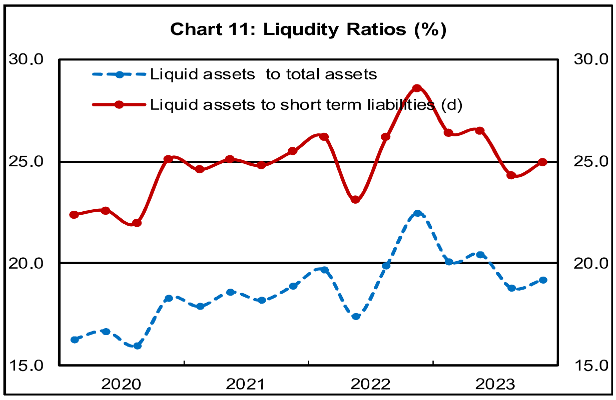


Liquidity Measures

Liquid Assets to Total Assets and Liquid Assets to Short- term Liabilities

In the December 2023 quarter, Liquid assets to total assets ratio increased to 19.2 percent compared to 18.8 percent in September quarter of 2023. The banks were able to meet any expected and unexpected demand for cash.

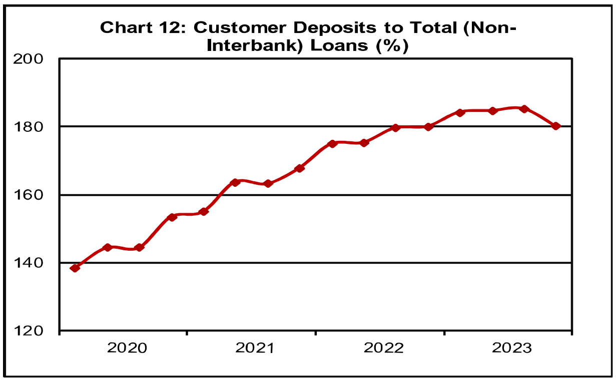
The liquid assets to short term liabilities ratio also increased to 25.0 percent compared to 24.3 percent (Chart 11). This shows that increase in bank's liquidity has strenghtened- their ability to continue to meet short-term liquidity obligations.



Customer Deposits to Total (Non Interbank) Loans

In the December quarter of 2023, Customer Deposits to Total (non-interbank) Loans ratio dropped to 180.2 percent compared to 185.3 percent in the September quarter of 2023 (Chart 12).

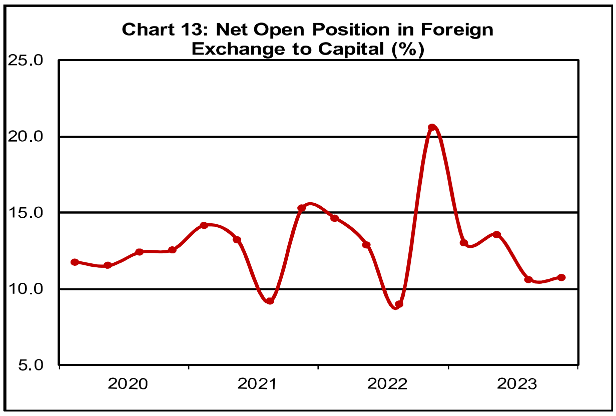
Given the high level of deposits held by banks, any slight decline would have no material impact on the provision of loan.



Sensitivity to Market Risk Measures

Net Open Position in Foreign Exchange to Capital

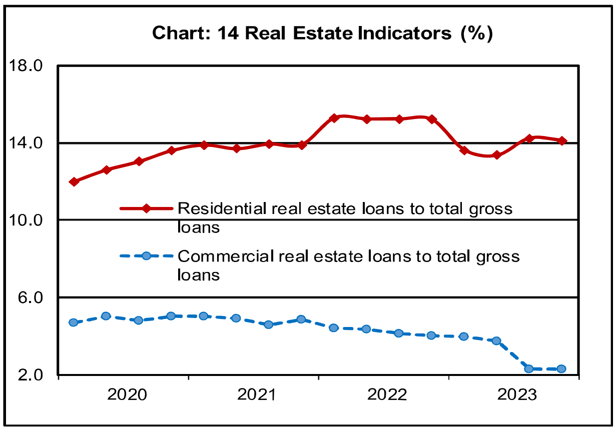
The Net Open Position in Foreign Exchange to Capital ratio increased slightly to 10.8 percent in December quarter of 2023 compared to 10.6 percent in the September quarter of 2023. Mainly attributed to an increase in FX assets (Chart 13). Hence, reflecting that banking system is sound and is able to absorb foreign exchange shocks such as exchange rate movements.



FSI Measures for Real Estate Market

Real Estate Loans to Total Loans

In the December quarter of 2023, Residential Real Estate Loans to Gross Loans slightly decreased to 14.1 percent, compared to 14.2 percent in the September quarter of 2023, as a result of a drop in demand for residential loans. For Commercial Real Estate Loans to Total Gross loans, the ratio remained unchanged at 2.3 percent in the December quarter of 2023, given the stable demand for commercial real estate loans during the quarter (Chart 14).



OTHER FINANCIAL CORPORATIONS (OFCs)

The soundness of the OFCs is assessed and measured by Profitability, Liquidity and Total Assets as the main indicators under Superannuation and Life Insurance sectors.

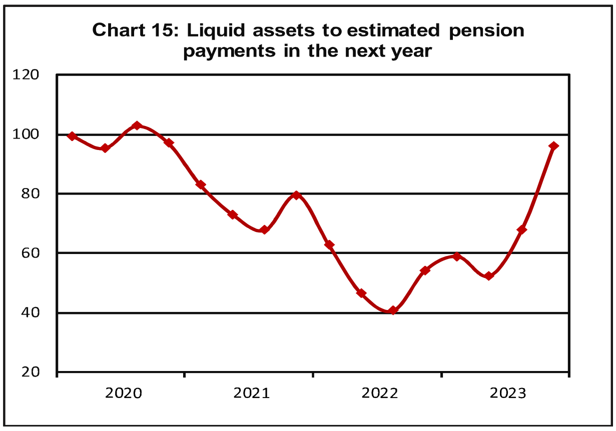
Authorised Superannuation Funds (ASFs)

Superannuation industry has been performing well in its asset size over the recent years. To maintain the growth and their operation while minimising risk, the superfunds need to maintain adequate liquidity to meet both their short and long term obligations as and when required by their members, while also ensuring that investment returns are sufficient to maintain profitability and solvency.

Liquid Assets to Estimated Pension Payment for the Next Year

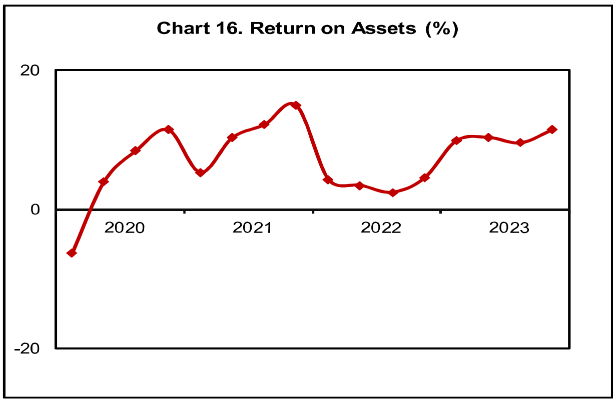
In the December quarter of 2023, Liquid Assets to Estimated Pension Payments ratio increased significantly to 96.2 percent compared to 68.0 percent in the September quarter of 2023, as a result of strong growth in cash and net receivable (Chart 15).

This shows that the ASFs have the ability to meet their payment obligations of their members and are also able to maintain their operations with minimum liquidity risk.



Return on Assets (ROA)

ROA for the December quarter of 2023 increased to 11.4 percent, compared to 9.5 percent in the September quarter of 2023 (Chart 16), reflecting higher returns from their key asset classes during the period.



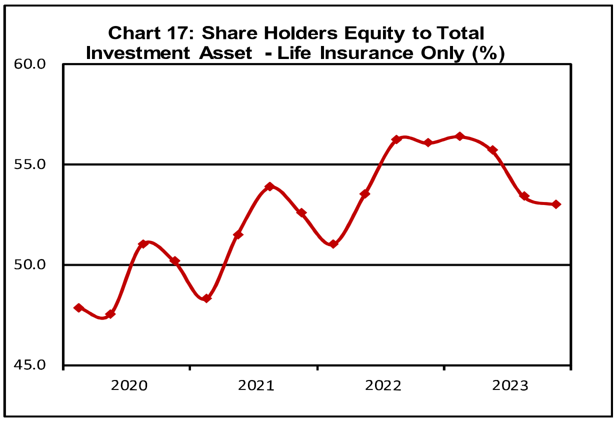
LIFE INSURANCE

Life insurance companies need to maintain adequate liquidity for payments while also ensuring that investment returns are sufficient to maintain profitability and solvency.

The following is an analysis on the FSIs for the Life Insurance for the current quarter.

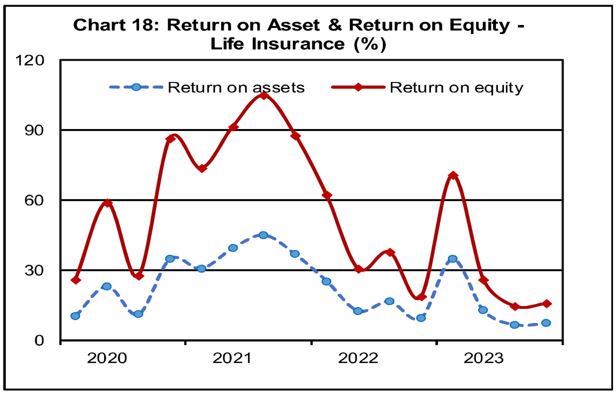
Shareholder equity to Total Invested Assets

In the December quarter of 2023, Shareholder Equity (Capital) to Total Invested Assets ratio slightly decreased to 53.0 percent, compared to 53.4 percent in the September quarter of 2023. Despite the decrease in ratio, it is still high and implies that the industry is capable of reinvesting and also able to adequately absorb any potential loss from its existing investment assets (Chart 17).



Return on Assets (ROA) & Return on Equity (ROE)

In the December quarter of 2023, both ROA and ROE increased slightly to 7.4 percent and 15.8 percent, respectively, compared to 6.7 percent and 14.6 percent in the September of 2023 (Chart 18). The growth in ROA has showed how efficient the industry has allocated its key asset classes to generate higher growth in income. The growth also kept liquidity and capital risk at minimal and also increases the ability of the industry to reinvest and expand in its asset size.



FOR THE RECORD

MONTHLY KINA FACILITY RATE ANNOUNCEMENTS

The Central Bank introduced the Kina Facility Rate (KFR) in February 2001 as the official rate to indicate its stance of monetary policy. The KFR is a monthly rate and any changes to it should translate to changes in market interest rates. Changes to the KFR is based on assessment of economic fundamentals consistent with the overall objective of monetary policy of price stability in the economy. From January 2019, the KFR announcements by the Bank were;

2021	06 September	Maintained at 3.00%
	06 October	Maintained at 3.00%
	01 November	Maintained at 3.00%
	06 December	Maintained at 3.00%
2022	03 January	Maintained at 3.00%
	07 February	Maintained at 3.00%
	07 March	Maintained at 3.00%
	04 April	Maintained at 3.00%
	02 May	Maintained at 3.00%
	06 June	Maintained at 3.00%
	04 July	Increased to 3.25%
	01 August	Maintained at 3.25%
	05 September	Maintained at 3.25%
	03 October	Maintained at 3.25%
	07 November	Maintained at 3.25%
	05 December	Maintained at 3.25%
2023	03 January	Increased to 3.50%
	06 February	Maintained at 3.50%
	06 March	Maintained at 3.50%
	05 April	Maintained at 3.50%
	03 May	Maintained at 3.50%
	07 June	Maintained at 3.50%
	05 July	Maintained at 3.50%
	02 August	Maintained at 3.50%
	06 September	Lowered to 3.00%
	02 October	Lowered to 2.50%
	06 Noember	Maintained at 2.50%
	04 December	Maintained at 2.50%
2024	08 January	Maintained at 2.50%
	05 February	Lowered to 2.00%
	04 March	Maintained at 2.00%
	01 April	Maintained at 2.00%
	06 May	Increased to 2.50%
	03 June	Maintained at 2.50%
	01 July	Maintained at 2.50%
	05 August	Increased to 3.00%

For details of the KFR, see Table 7.3 (S47) of the QEB. KFR announcements prior to January 2019 are reported in various bulletins starting with the March 2001 QEB.

GLOSSARY OF TERMS AND ACRONYMS

Balance of Payments

A statistical statement that systematically summaries a country's economic transactions with the rest of the world, over a specific time period. It comprises the Current and Capital and Financial Accounts.

Broad Money Supply (M3*)

Total volume of money comprising narrow money (M1*) and quasi money in the economy at a point in time. See 'narrow' and 'quasi' money.

Cash Reserve Requirement (CRR)

A requirement imposed on commercial banks to hold cash as a percentage of total deposits and other prescribed liabilities at all times.

Capital Account

Records all transactions that involves the receipts or transfers of capital and acquisitions/disposal of non-produced, non-financial assets such as purchase of production facilities, i.e. plants and machinery, etc.

Capital to assets

Reflects that the sum of share equity and other funding sources fund assets. Also reflects the ability of the domestic money banks' ability to secure funds in the event of a drain on capital

Central Bank (CB)

The Bank of Papua New Guinea (BPNG) is the monetary authority in Papua New Guinea (PNG) that has legislative power over the financial system and is responsible for issuing currency, managing international reserves, undertakes transactions with the IMF and providing credit to the commercial banks.

Central Bank Bill (CBB)

A monetary policy instrument of the Bank of PNG used to manage liquidity in the banking system by either injecting or defusing it in order to achieve a desired level of interest rate.

Central Bank Survey (CBS)

The CBS is the balance sheet of the Central Bank,which contains data on all components of the monetary base, comprising of currency in circulation an central bank liabilities to ODCs and other sectors. This measures banks' exposure to the commercial real estate market relative to total loans outstanding.

Current Transfers Account

Records all foreign transactions that are not transfers of capital and cannot be repaid. This includes donations, gifts and grants, superannuation funds and licensing fees.

Commercial real estate loans to total gross loans

This measures banks' exposure to the commercial real estate market relative to total loans outstanding.

Customer deposits to total (non-interbank) loans

Is a measure of funds available for new loans.

Depository Corporations Survey (DCS)

The survey is a consolidation of the CBS and the ODCS, which contains data on all depository corporations' liabilities in the national definition of broad money and data on depository corporations, assets that are claims on (i.e credit) other sectors of the economy, including the external sector.

Deposits

Deposits include all claims on the Bank of PNG and ODCs. These are further classified into transferable and other deposits.(I). Transferable deposits comprises all deposits that are: a). Exchangeable on demand at par and without penalty or restrictions; b). Directly usable for making payments by cheque, draft direct debit/credit or other direct payment facilities. (ii) Other deposits comprise all claims, other than transferable deposits. These include savings and term deposits and non transferable deposits in foreign currency.

Exchange Settlement Account (ESA)

Accounts of the commercial banks with the Bank of PNG for settlement transactions with each other.

Exclusion-based CPI measure

An underlying inflation measure which involves zero weighting of volatile sub-groups or items such as fruit & vegetables, betelnut and prices that are largely determined by non-market (seasonal) forces, as well as alcoholic drinks, cigarettes & tobacco, etc. See 'Underlying CPI'. Records all transactions associated with changes of ownership of foreign financial assets such as holdings of monetary gold, special drawing rights (SDR), claims on non-residents and foreign liabilities.

Financial Account

Records all transactions associated with changes of ownership of foreign financial assets such as holdings of monetary gold, special drawing rights (SDR), claims on non-residents and foreign liabilities.

Financial Corporation Survey (FCS)

The FCS is the broadest set of monetary and financial statistics in terms of institutional coverage. The survey contains consolidated balance sheet data for all institutional units within the financial corporations sector, thereby providing the stock and flow data for analyzing claims on and liabilities to all other sectors of the economy, including the external sector.

Financial Derivatives

A financial instrument linked to a specific financial instrument, indicator or commodity and through which specific financial risks (such as interest rates, currency equity and commodity price risk, credit risk, etc.) can be traded in their own right in financial markets.

Foreign-currency-denominated liabilities to total liabilities

This measures the relative importance of foreign currency funding within total liabilities. The magnitude of this ratio should be considered together with the value of the foreign-currency denominated loans to total loans.

Foreign-currency-denominated loans to total loans

This measures the relative size of the foreign currency loans relative to total loans. Particularly where domestic lending in foreign currencies is permitted, it is important to monitor this ratio because of the increased credit risk associated with the ability of the local borrowers to service their foreign currency denominated liabilities, predominantly in the context of large devaluations.

Gross asset position in financial derivatives to capital

Is intended to gauge the exposure of deposit money banks asset positions in financial derivatives relative to capital.

Gross liability position in financial derivatives to capital

Is intended to provide an indication of the exposure of deposit money banks financial derivative liability positions relative to capital.

Headline Consumer Price Index (CPI)

A measure of inflation as calculated and published quarterly by the National Statistical Office (NSO), which measures the total price movements in goods and services in the basket.

Income Account

Records transactions such as compensation of employees, which cover wages, salaries, and other benefits in cash and kind, dividends and interest earned on investments between PNG and the other countries.

Inscribed Stock (bond)

A Government debt instrument sold to the public for a maturity term of one year or longer for Budget financing.

Insurance Technical Reserves

Comprises of (i) net equity of households in life insurance corporations reserves,(ii) net equity of households in superannuation (pension) funds and (iii) prepayment of premiums. This is the major liability item of the superannuation funds and insurance corporations. On the assets side, this category records prepaid insurance premiums, which are relatively small amounts.

Interest margin to gross income

A measure of the share of net interest income earned relative to gross income

Kina Facility Rate (KFR)

Official benchmark rate used by the Bank of PNG to signal its monetary policy stance. The KFR is announced monthly by the Governor and published in the newspapers and on the Bank's website.

Large exposures to capital

Identifies vulnerabilities arising from the concentration of credit risk. Large exposure refers to one or more credit exposures to the same individual or group that exceed a certain percentage of regulatory capital, such as 10 percent.

Liquid Assets

Assets of the commercial banks,which are in near liquid form, comprising cash, ESA balances, CBBs,Treasury bills and Inscribed stocks less than 3 years to maturity.

Liquid assets to short-term liabilities

Measures liquidity mismatch between assets and liabilities, and indicates the deposit money banks' ability to meet short-term withdrawal of funds and their ability to replenish without facing liquidity problems.

Liquid assets to total assets

Is an indicator of the liquidity available to meet expected and unexpected demands for cash by the deposit money banks.

Minimum Liquid Asset Ratio (MLAR)

A prudential requirement imposed by the Bank of PNG on commercial banks to hold liquid assets as a percentage of total deposits and other prescribed liabilities at all times.

Monetary Base (or Reserve Money) Comprised of currency held by the public and liquid assets of the commercial banks, including deposits held with the Bank of PNG under the Repurchase Agreement Facility (RAF) or Repos.

Narrow Money A component of total money supply that is considered liquid or can be converted easily to cash on demand, and comprises of currency in circulation (held outside the banking system) and demand deposits.

Net Equity of Households in Life Insurance Reserves Comprises of policyholders claims on the reserves of insurance corporations. These reserves must be ultimately used to provide benefits to policyholders, upon the occurrence of other specified events, or to compensate heirs upon the death of the policyholder. These claims constitute assets of the household sector rather than of insurance corporations.

Net Equity of Households in Pension Funds Comprises policyholders' claims on pension funds. These reserves must be ultimately used to provide benefits to policyholders upon their retirement or to compensate heirs upon death of the policyholder. Pension funds are considered assets of the household sector rather than assets of the institutional units that manage the funds. Pension funds do not include social security funds, which are considered part of the general government sector.

Net open position in foreign exchange to capital This ratio measures deposit money banks foreign exchange risk exposure compared to the capital base.

Net open position in foreign exchange to capital Identifies deposit money banks' exposure to exchange rate risk from mismatch (open position) of foreign currency asset and liability positions.

Non-interest expenses to gross income Measures the size of administration expenses relative to gross income.

Non-performing loans net of provisions to capital Measures the net impact on the capital base of the deposit money banks after all non-performing loans have been appropriately provisioned.

Non-performing loans to total gross The portion of bad loans in relation to total loans

loans	by deposit money banks. Is the measure of asset quality relative to its total loan book.
Open Market Operations (OMO)	Operations of liquidity management conducted by the Bank of PNG with commercial banks and other financial intermediaries involving Government securities, CBB, Repos and foreign exchange trading to influence short-term interest rates.
Other Depository Corporations (ODCs)	The ODC sub-sector in PNG comprises of the commercial banks, finance companies, merchant banks, savings and loans societies and microfinance companies. These financial corporations are mainly engaged in financial intermediation and issue liabilities included in the definition of broad.
Other Depository Corporations Survey (ODCS)	The ODCS shows the consolidated stock and flow balance sheet data for the institutional units covered under the ODC sub-sector.
Other Financial Corporations (OFCs)	The OFC sub-sector is made up of the insurance corporations, superannuation (pension) funds, other financial intermediaries and financial auxiliaries such as insurance brokers, investment managers and fund administrators.
Other Financial Corporations Survey (OFCS)	The OFCS contains consolidated stock and flow balance sheet data for insurance corporations, superannuation funds, other financial intermediaries and financial auxiliaries.
Over the year CPI	Percentage change in the CPI of a quarter compared to the corresponding quarter of the previous year (Also called 'annual' CPI).
Personnel expenses to non-interest expenses	Measures the incidence of personnel costs in total administrative costs.
Portfolio Investment	Investments, mainly in equity and debt securities such as bonds and notes, money market debt instruments and financial derivatives, as well as long-term debt, equity and securities.
Prepayment of Premiums and Re-	These are current claims of policyholders rather

serves against Outstanding Claims

than net equity of insurance corporations. Prepayments of premiums, which are made by customers at the beginning of the periods covered by their policies, generate reserves for insurance corporations. Such prepayments are considered to be earned by an insurance corporation on a prorated basis during the policy period. These reserves are assets of policyholders. Reserves against outstanding claims are funds set aside by insurance corporations to cover the amounts that are not settled or claims that may be disputed. Reserves against such outstanding claims are considered to be assets of the beneficiaries and liabilities of the insurance corporation. Policy benefits due to claimants are considered assets of the claimants. Until actually paid, these assets are held by insurance corporations as reserves.

Public non-financial corporations

Public non-financial corporations are resident non-financial corporations and quasi–corporations controlled by government units. Control may be exercised through ownership of more than half the voting shares, legislation, decree, or regulation that establish specific corporate policy or all the government to appoint the directors. In PNG this would include those institutions that are controlled by the Independent Public Business Corporation (IPBC).

Quasi Money

A component of total money supply that is not easily convertible to cash on demand and comprises of savings and term deposits. Synonymous to Capital Adequacy Ratio (CAR). A regulatory requirement for banks to maintain certain amount of capital against their risk exposures. The required capital will cushion out any operational losses incurred by banks. Reflects vulnerability of the capital base of deposit money banks relative to the assets which are discounted by risk weights. For instance,Government securities have zero percent risk while private sector borrowing ha100 percent risk.

Regulatory capital to risk-weighted assets

Also known as Tier 1 Capital Ratio. It reflects the vulnerability of core Tier 1 capital

	-that is its equity and disclosed reserves to total risk-weighted assets. It is a key measure of a bank's financial strength that has been adopted as part of the Basel III Accord on bank regulation.
Repurchase Agreement Facility (RAF)	A money market instrument used by Bank of PNG to lend to or borrow from the commercial banks, for liquidity management, and is unwound on maturity. The terms range from overnight to 14 days and can be collateralised, for instance, using Treasury bills.
Residential real estate loans to total gross loans	This is intended to identify deposit money banks' exposure to the residential real estate sector, with the focus on household borrowers.
Return on assets	Measures deposit money banks efficiency in using their assets in optimizing or maximizing its income.
Return on equity	Measures shareholders value of its investment or the deposit money banks performance in comparison to shareholder liabilities.
Sectoral distribution of loans to total loans	Measures the distribution of loans to resident sectors and non-residents by economic sectors classified by standard industrial trade classification
Securities other than Shares	These are negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other items of economic value. Common securities in PNG include treasury bills and inscribed stocks issued by the Government and Central Bank Bills (CBBs) issued by the Bank of PNG.
Shares and Other equity	Shares and other equity comprises all instruments and records acknowledging, after claims of all creditors have been met, claims on the residual value of a corporation. The components of shares and other equity include:(a).Funds contributed by owners; (b).Retained earnings; (c). Current year profit and loss; (d).General and special reserve; and (e).Valuation adjustments.
Tap Facility	A facility conducted by the Bank of PNG for sale of Treasury bills and Inscribed stocks to the public.

Temporary Advance Facility	A statutory mechanism stipulated under Section 54 of the Central Banking Act 2000, that provides the National Government with access to short-term financing to meet mismatches in revenue.
Trading income to total income	Is the share of deposit money banks income from financial market activities, including currency trading, relative to total income.
Trade Account	Records all economic transactions associated with merchandise exports and imports of physical goods.
Trade Weighted Index	The Trade Weighted Index (TWI) measures the value of the kina against a basket of currencies of PNG's major trading partners.
Treasury Bill	Government security or debt instrument sold at a discount value, but redeemed at face value on maturity or purposes of Budget financing. In PNG, Treasury bills are issued for 28, 61, 91, 182 and 364 day maturities.
Trimmed-mean CPI measure	A fixed proportion of prices at each end of the distribution of price changes are zero weighted and the mean of the remaining price changes recomputed. See also 'Underlying CPI'.
Underlying CPI (exclusion-based and Trimmed-mean CPI measures)	A measure of inflation that excludes short-term volatile movements in prices, such as seasonal factors, Government policy decisions and price controlled items.

REFERENCE "FOR THE RECORD"

Some issues of the Quarterly Economic Bulletin contains a review of economic conditions of past quarters and a comprehensive set of updated statistical tables. Articles of special interest to current economic policy are also prepared by Bank Staff for inclusion in the bulletin. The following articles have appeared in the Quarterly Economic Bulletin since December 2000.

Issue		For the Record
Jun 2007	-	Debt Ratios
Sep 2007	-	Revisions to the Consumer Price Indices in June Quarter 2007 back to September Quarter 2005.
Mar 2008	-	Updated Weights for the Trade Weighted Index (TWI)
Mar 2009	-	Changed Monetary Policy Statement release month from January to March
Mar 2009	-	Updated Weights for the Trade Weighted Index (TWI)
Dec 2009	-	New Tables; 8.7, 8.8, 8.9 and 8.10 were included in the December Quarterly Economic Bulletin, resulting in subsequent renumbering of all other tables that follow.
Dec 2009	-	Revisions to Monetary and Financial Statistics tables in the December 2009 Quarterly Economic Bulletin.
Jun 2010	-	Expansion of Monetary and Financial Data Coverage.
Sep 2010	-	Recalculation of months of import cover
Mar 2011	-	Updated Weights of the Trade Weighted Index (TWI)
Mar 2013	-	Updated Weights of the Trade Weighted Index (TWI)
Mar 2013	-	Inclusion of Tables 4.16 and 4.17 for General Insurance Companies
Mar 2014	-	Revised PNG Consumer Price Index Basket
Dec 2014	-	Update to tables 8.1, 8.2, 8.3 & 8.5 to include Ramu Nickel/Cobalt
Dec 2014	-	Inclusion of LNG & Condensate in tables 8.1, 8.2, 8.3 and 8.5
Dec 2014	-	Commencement of Nickel and Cobalt production in December quarter of 2012.
	-	PNG LNG Project commenced production and shipment in June quarter of 2014.
	-	Updated Table 8.2: Exports Classified by Commodity Group
	-	Updated Table 8.5: Non-Agricultural Exports – Quantities Exported of Major Commodities
Dec 2016	-	Recalculation of import cover taking account of the service payments.
Dec 2019	-	New GDP Tables; 9.11 and 9.12 were included in the December 2019 Publication.
Jun 2021	-	Updated Weights for the Trade Weighted Index (TWI)
Sep 2021	-	Inclusion of FSI Tables 5.1(Financial Soundness Indicators (%) and Table 5.2 (Financial Soundness Indicators (%) - Additional FSI)
Sep 2022	-	PNG migrates from BPM5 To BPM6. BOP Tables with changes to Tables 9.1 (a) is in Standard presentation from which the QEB Text is derived. Table 9.1 (b) is the Analytical presentation.
Dec 2022	-	Inclusion of FSI Table 5.3 (Financial Soundness Indicators (%) - OFCs

REFERENCE

Each issue of the Quarterly Economic Bulletin contains a review of economic conditions for the past quarter and a comprehensive set of updated statistical tables. Articles of special interest to current economic policy are also prepared by Bank staff for inclusion in the Bulletin. The following articles have appeared in the Quarterly Economic Bulletin since December 2005.

Issue	Title
Dec 2009	The 2010 National Budget Article
Dec 2009	Monetary Policy Statement, March 2010
Mar 2010	Papua New Guinea's Total External Exposure
Sep 2010	Monetary Policy Statement, September 2010
Dec 2010	The 2011National Budget Article
Dec 2010	Monetary Policy Statement, March 2011
Jun 2011	Papua New Guinea's Total External Exposure
Sep 2011	Monetary Policy Statement, September 2011
Dec 2011	The 2012 National Budget Article
Dec 2011	Monetary Policy Statement, March 2012
Mar 2012	Papua New Guinea's Total External Exposure
Sep 2012	Monetary Policy Statement, September 2012
Dec 2012	The 2013 National Budget Article
Mar 2013	Papua New Guinea's Total External Exposure
Sep 2013	Monetary Policy Statement, September 2013
Mar 2014	Papua New Guinea's Total External Exposure
Mar 2014	Monetary Policy Statement, March 2014
Jun 2014	Monetary Policy Statement, September 2014
Dec 2014	The 2015 National Budget Article
Mar 2015	Papua New Guinea's Total External Exposure
Dec 2015	The 2016 National Budget Article
Mar 2016	Papua New Guinea's Total External Exposure
Jun 2016	Monetary Policy Statement, September 2016
Dec 2016	The 2017 National Budget Article
	Monetary Policy Statement, March 2017
Mar 2017	Papua New Guinea's Total External Exposure
Sep 2017	Monetary Policy Statement, September 2017
Dec 2017	Monetary Policy Statement, March 2018
Mar 2018	Papua New Guinea's Total External Exposure
	The 2018 National Budget Article
Mar 2019	Papua New Guinea's Total External Exposure
Sep 2019	Monetary Policy Statement - March 2019
Mar 2020	Papua New Guinea's Total External Exposure
Sep 2020	Monetary Policy Statement - September 2020
Mar 2021	Papua New Guinea's Total External Exposure
Mar 2021	The 2021 National Budget Article
Sep 2021	The Financial Soundness Indicators (FSI)
Dec 2021	2022 National Budget

FOR THE RECORD NOTE:

FINANCIAL SOUNDNESS INDICATORS: QEB

DECEMBER 2023

For the December 2023 FSI report, the following are some of the changes implemented in the analysis and the data table.

1. Those FSIs reported in the FSI report were only included in the FSI data table.

2. The data for NPLs net of provision and large exposure to capital were revised/adjusted on their calculations.

3. FSIs are categorized by measures to indicate what (liquidity, capital, credit quality, profitability, etc..) they are intended to measure in terms of risk.

4. All the footnotes were excluded. Explanations for big movements and definitions can be referred to previous FSI reports and the glossary, respectively.

STATISTICAL SECTION

Sources

Statistics for the commercial banks have been derived from returns submitted to the Bank. Statistics on Savings and Loan Societies and Papua New Guinea Government securities are derived from sources within the Bank.

Government financial statistics are supplied by the Department of Finance and Treasury. Information on prices of Papua New Guinea exports are gathered from marketing boards or export producers; world indicator prices are reproduced from the Public Ledger published in London. Tea prices are from the Tea Market Report, London. The general indices of commodity prices are constructed from data published in The Economist, London.

Most other statistics are published initially by the National Statistical Office.

Symbols used

n.a	not available
..	figure less than half the digit shown
-	nil
e	estimate
f	forecast
p	provisional
r	revised
n.i.e	not included elsewhere

LIST OF TABLES