

# PNG CEO 100

**THE POTENTIAL IS THERE, CAN IT  
BE REALISED?**

**Prepared by: Senior Economist, Justin Smirk**

Westpac Institutional Bank

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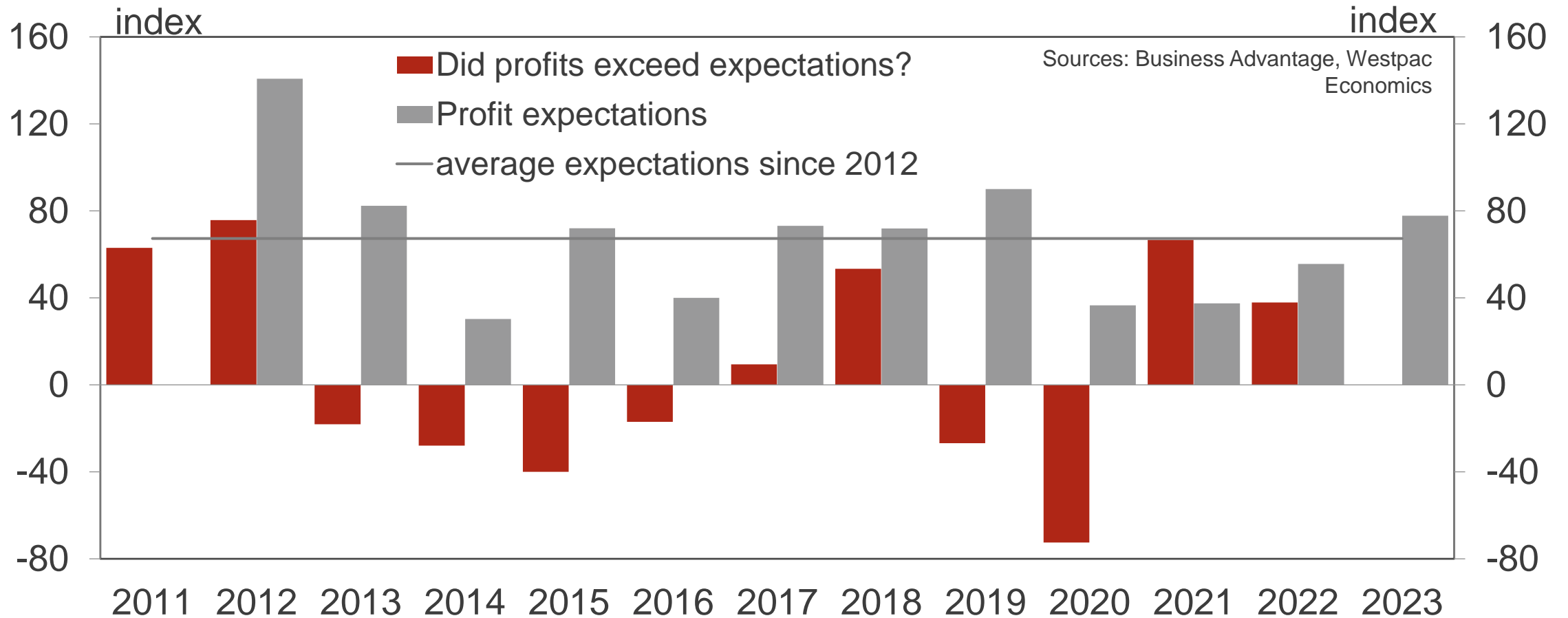
# Key highlights from the 2023 CEO 100 survey

- **Business conditions bounce back to levels not seen since 2019 setting the scene for a positive year.**
- **Profit, investment and recruitment expectations improved in early 2023 with recruitment sentiment at a record high.**
- **The lack of foreign exchange returns as the most critical impediment PNG businesses are facing.**
- **Inflation has become a greater concern but still less of a constraint than foreign exchange, security, skill shortages, unreliable telecoms and utilities, lack of government capacity and regulation uncertainty.**



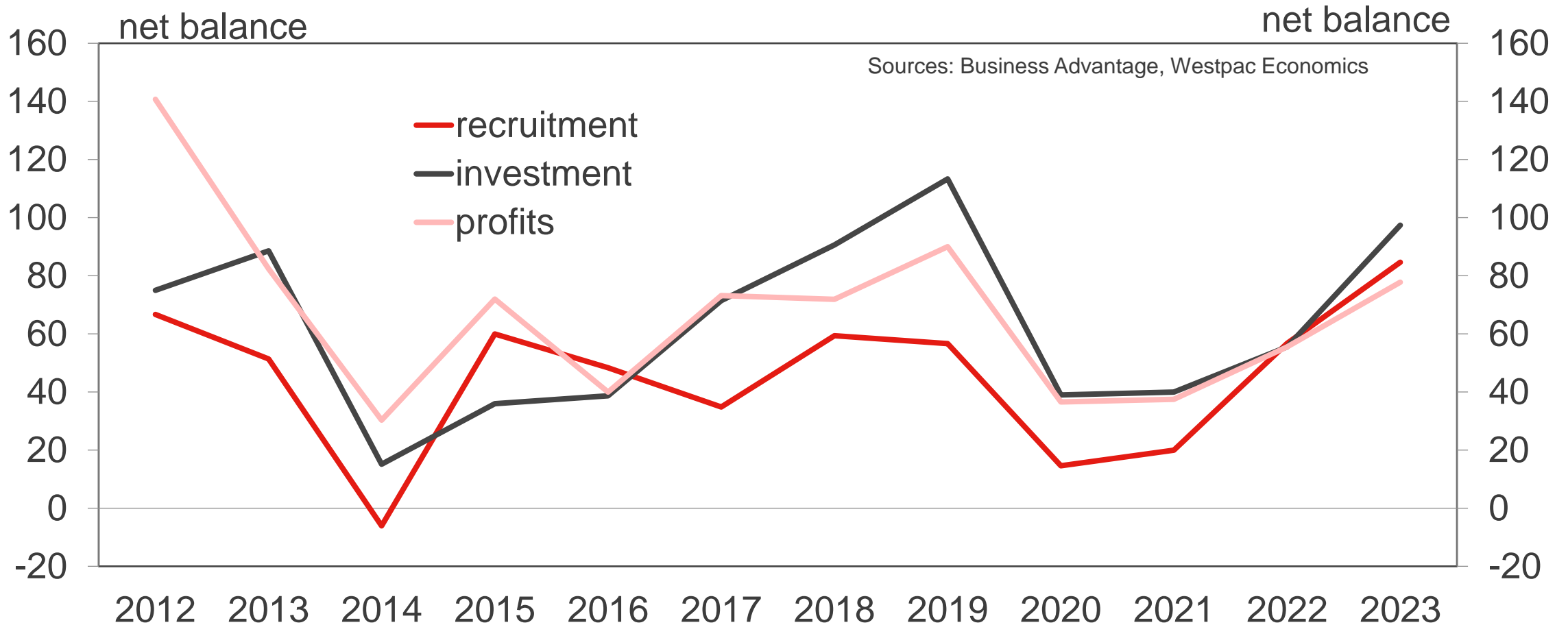
# Business Advantage – PNG profits

Expectations lift further following a better than expected year



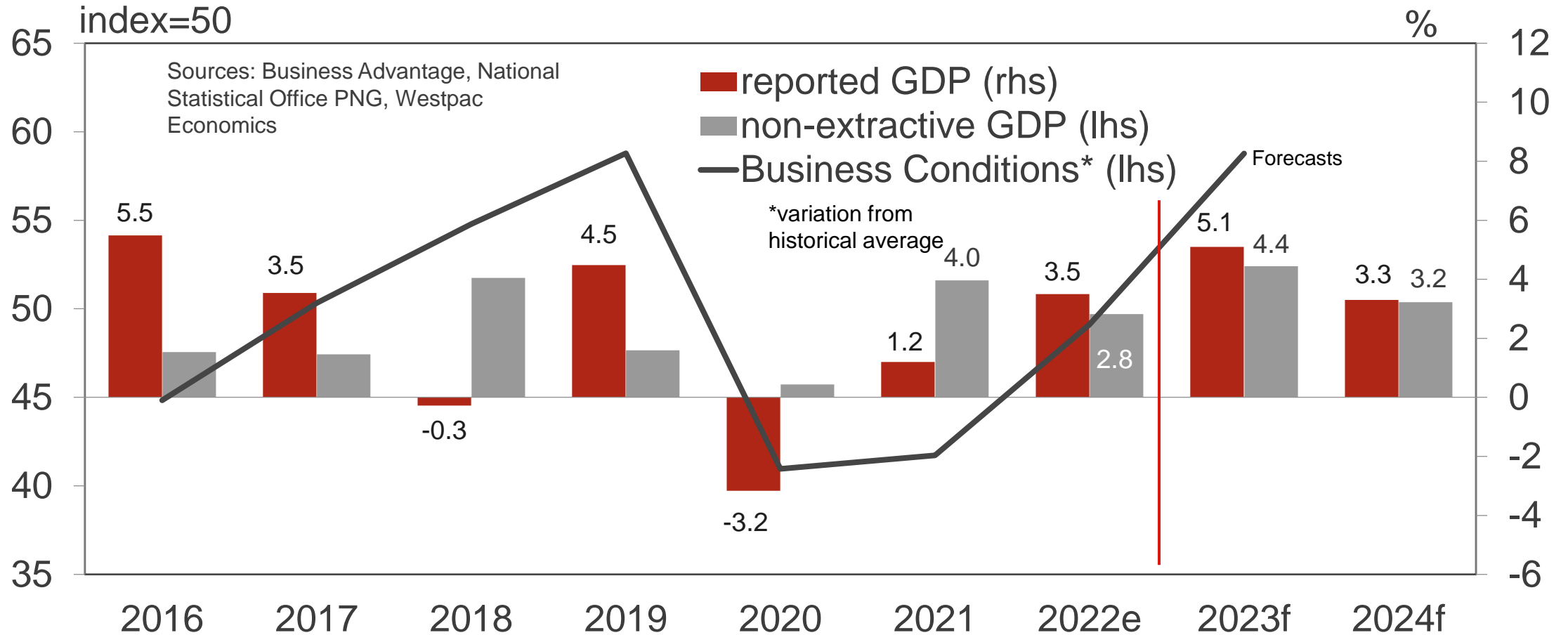
# Expectations are modest following two soft years

Weighted percentage expecting a better outcome less those expecting worse



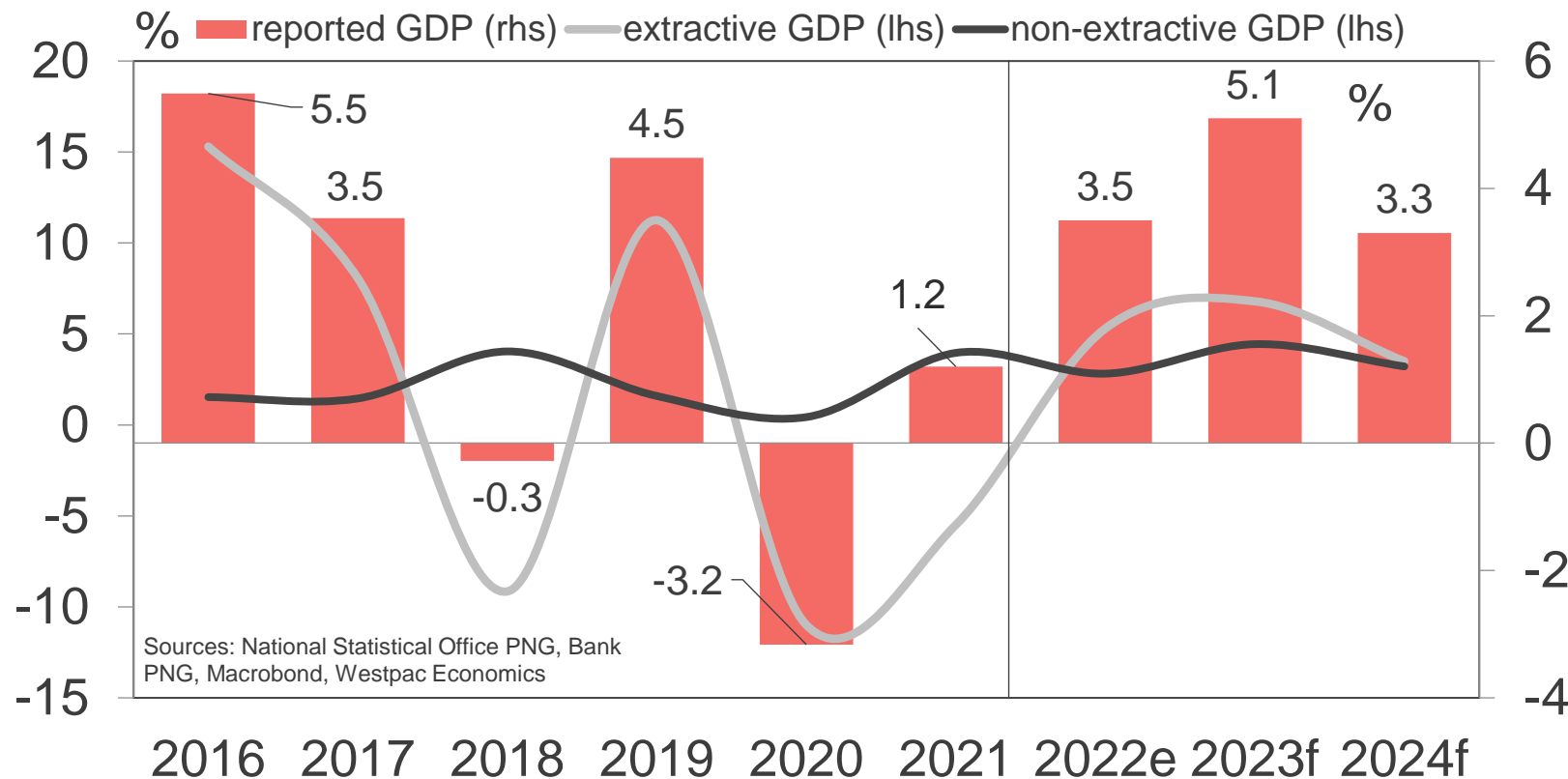
# CEO 100 expectations vs GDP

Wild swings in minerals sector increases volatility of headline growth



# PNG real economic growth

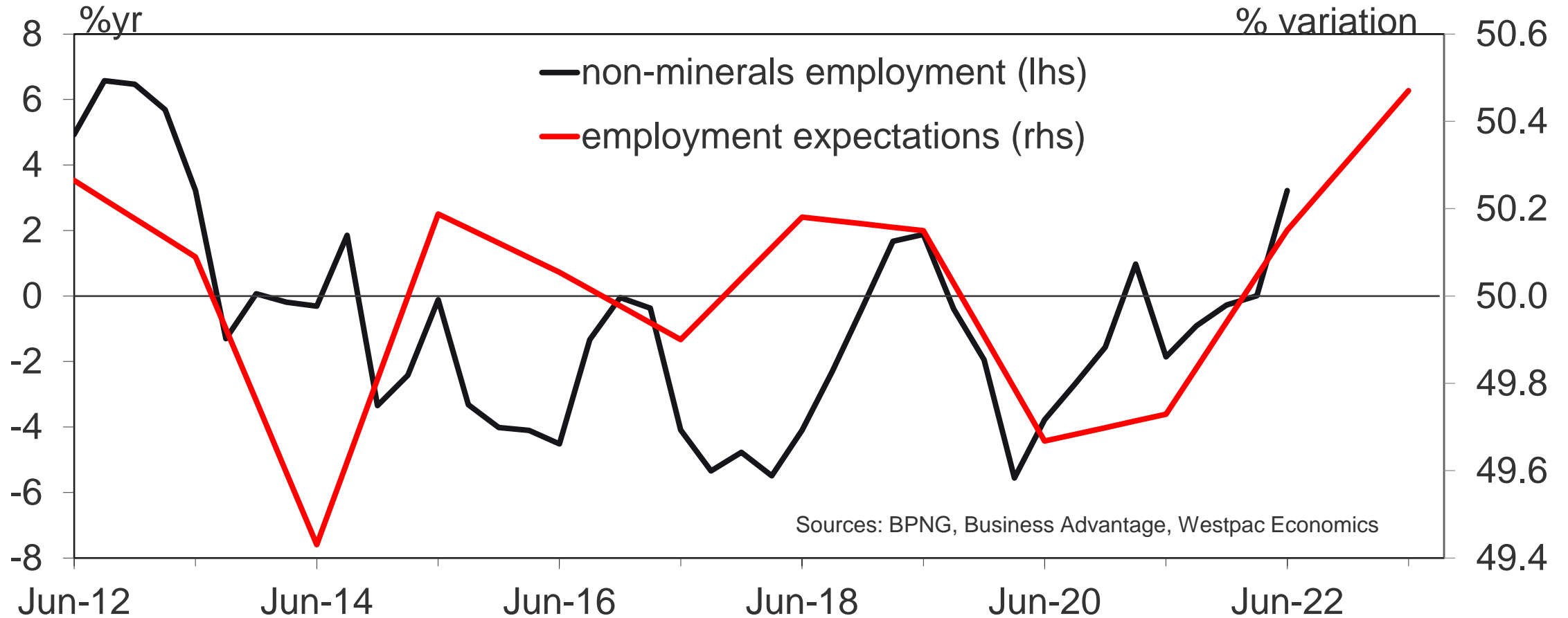
The resources sector is the big swing factor



- PNG's performance in 2021 was constrained by falling gold and LNG production resulting in a decline in extractive output for a 2<sup>nd</sup> consecutive year.
- The shifted in 2022 with the reopening of the extractive sector boosting overall economic activity.
- The progressive dynamics in 2012 and 2022 set the scene for strong growth in 2023.
- However, there are many headwinds that are holding back the release of this economic activity.

# Expectations vs. growth in non-minerals employment

2023 survey reported record recruitment expectations

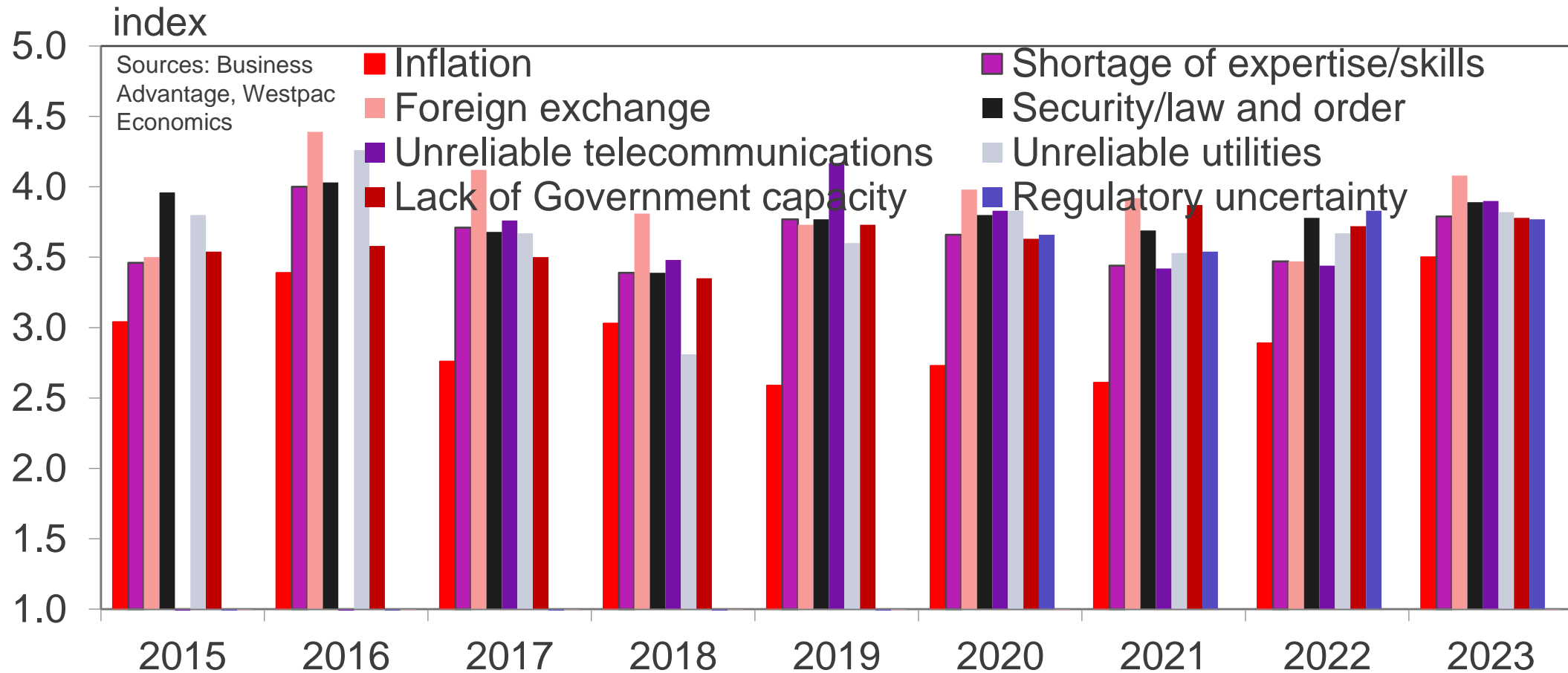


Sources: BPNG, Business Advantage, Westpac Economics



# Top business constraints in 2023

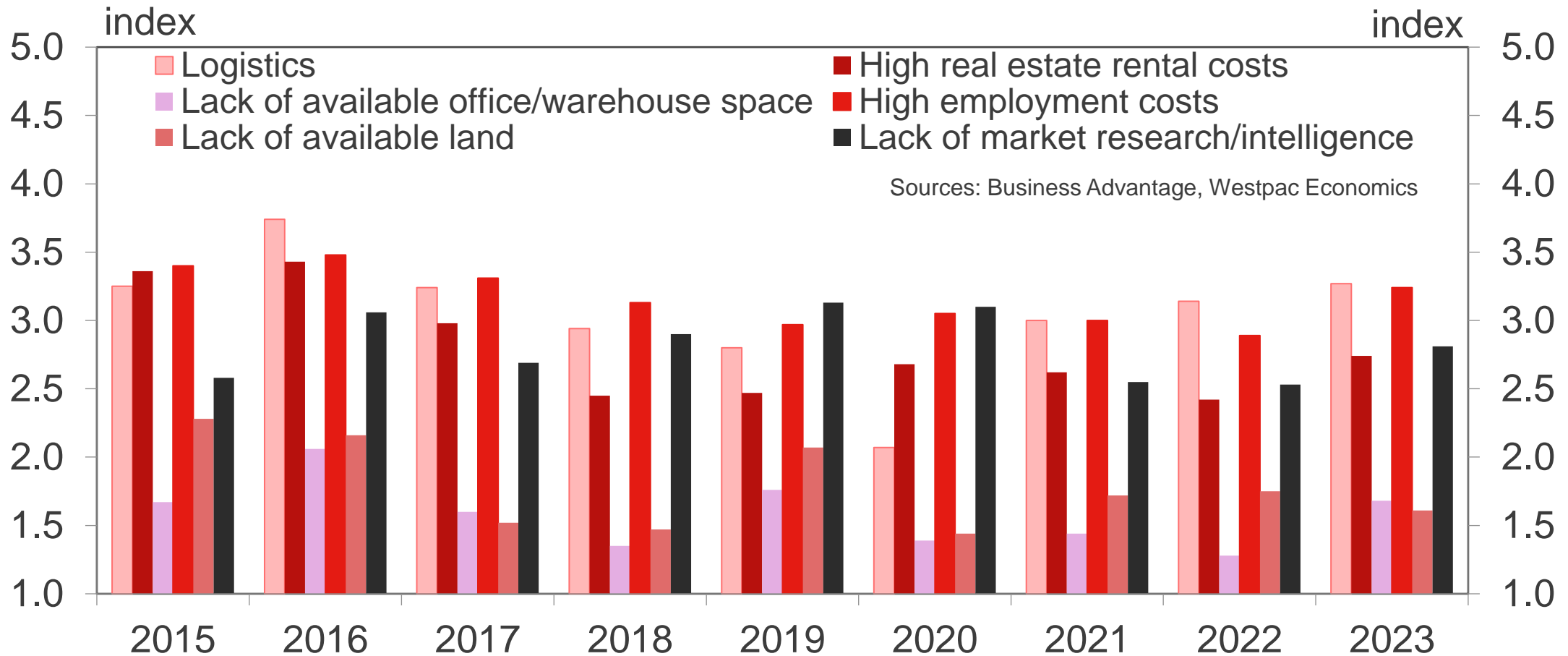
Foreign exchange tops the list but inflation has come from nowhere to be a concern





# Factors of the less concern

**Logistics are less of an issue but along with employment cost are not immaterial**



# Sound

Global & domestic outlook for growth & inflation involve considerable uncertainties stemming from various supply-side factors.

## Economic & Financial Statistics/Forecasts

	2019	2020	2021	2022	2023	2024
Private Sector Credit	4.0	4.3	0.4	3.0	2.5	3.0
Current A/C (K bn)	18.5	17.3	21.7	38.5	32.8	33.9
Total Import Cover mths	5.0	7.4	9.1	11.2	10.9	10.9
Inflation %yr	2.7	5.1	5.7	6.0	5.0	4.0
Fiscal Surplus/Deficit (K bn)	-4.17	-7.30	-6.61	-5.98	-4.78	-3.80
GDP %yr	4.5	-3.2	1.2	3.5	5.3	3.3
Non-extractive GDP %yr	1.6	0.4	4.0	2.8	4.4	3.2

# Despite many challenges PNG has done OK but can this continue

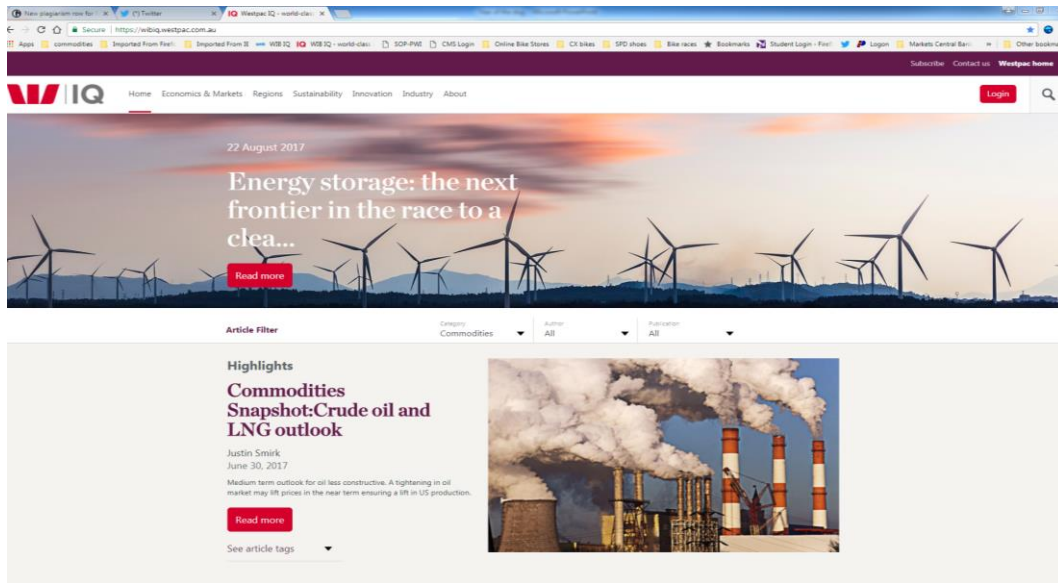
- Global inflation was a significant factor through 2021 and 2022 so it is hardly surprising that the concern for inflation is back to a level not seen since 2013. However, global inflation already showing signs of moderating, and with the Kina holding firm, it is likely that PNG inflation is also close to a peak and should moderate through 2023.
- Foreign exchange, or the lack of it, is the number one hinderance to PNG businesses. For the last two years it was replaced by Covid restrictions (2021) and regulatory uncertainty (2022). At a weighted average of 4.1 this is strongest print for foreign exchange being a critical impediment since 2017 (also 4.1).
- Only a few sectors appear to have been affected by supply disruptions so it did not rank as highly as other impediments. However, for those that it did affect it was seen as significant.
- Uncertainty in regards to FX liquidity tax arrangements, tariffs, utilities and security/law and order have shaken business confidence since the survey.

*Risk to the growth outlook remains. LNG investment delay till next year means the lack of FX will remain an issue this year putting a break on growth. Lack of investment mean less employment, rising unemployment and further risks to social unrest.*

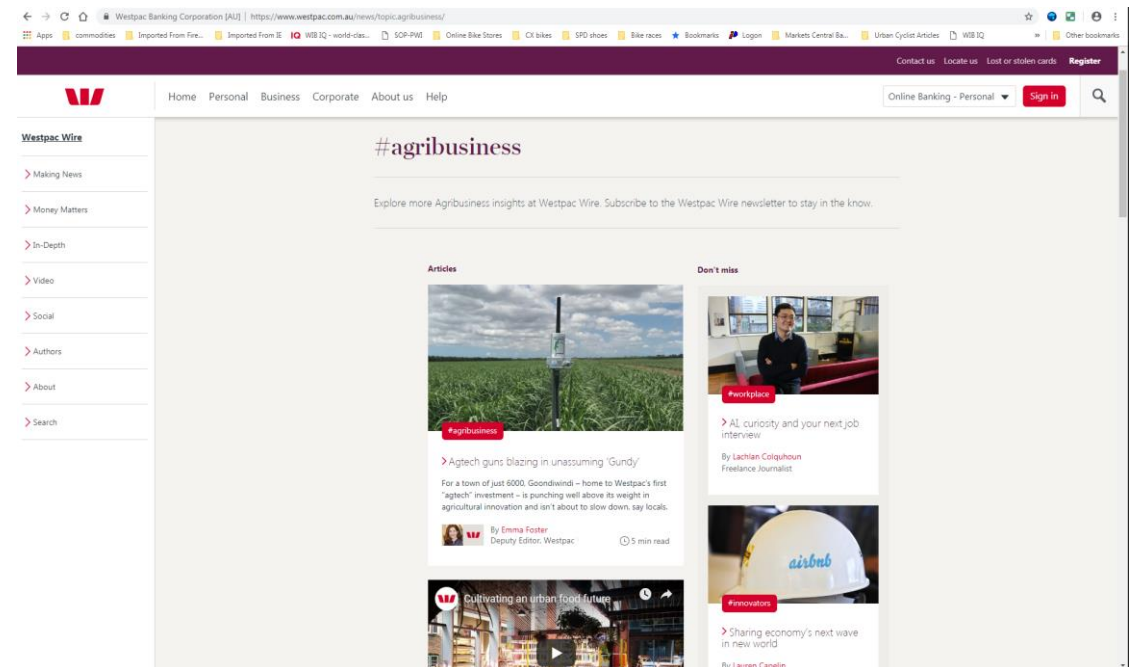


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