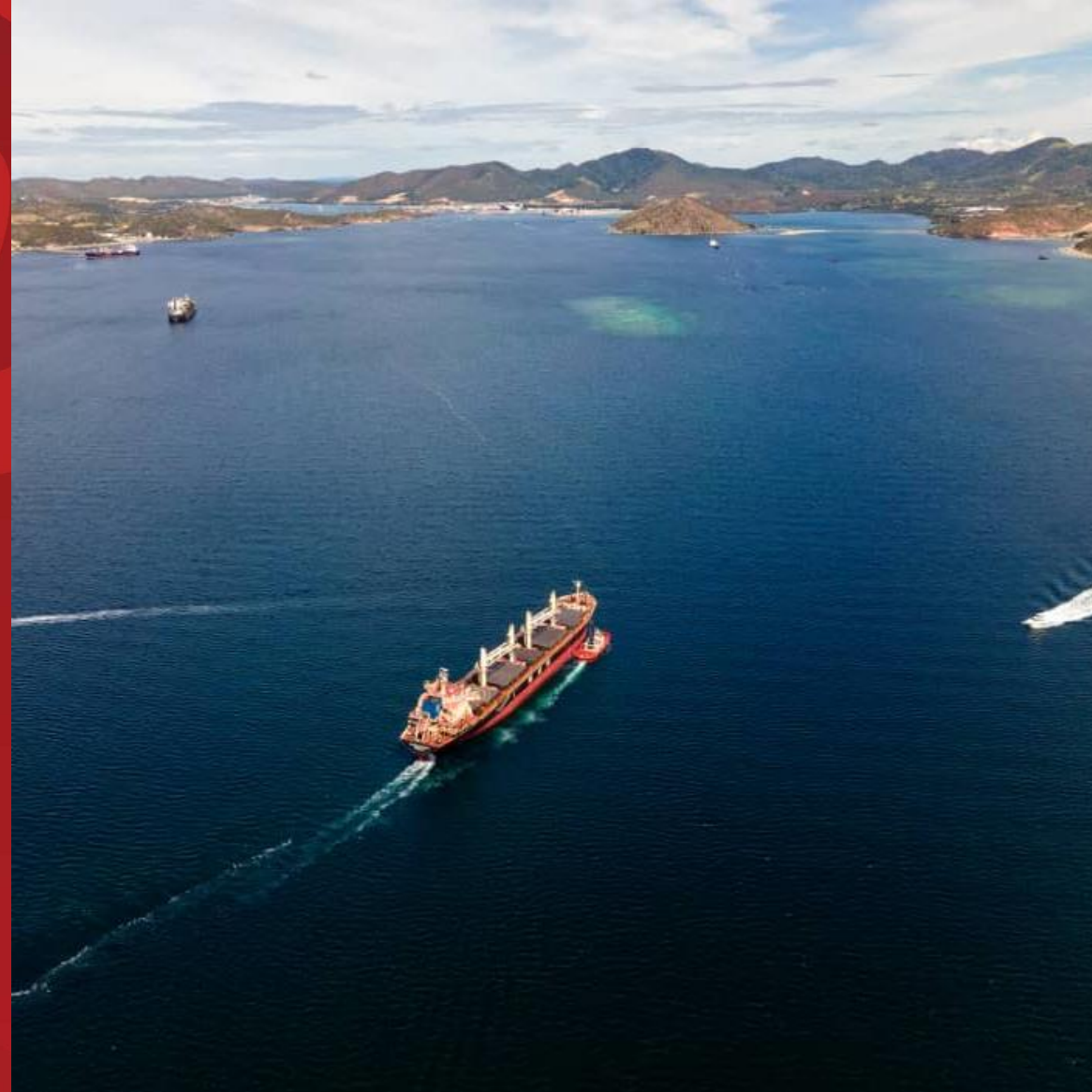


CEO100 2024 Survey

Prepared by Justin Smirk (Senior Economist).

20 March 2024

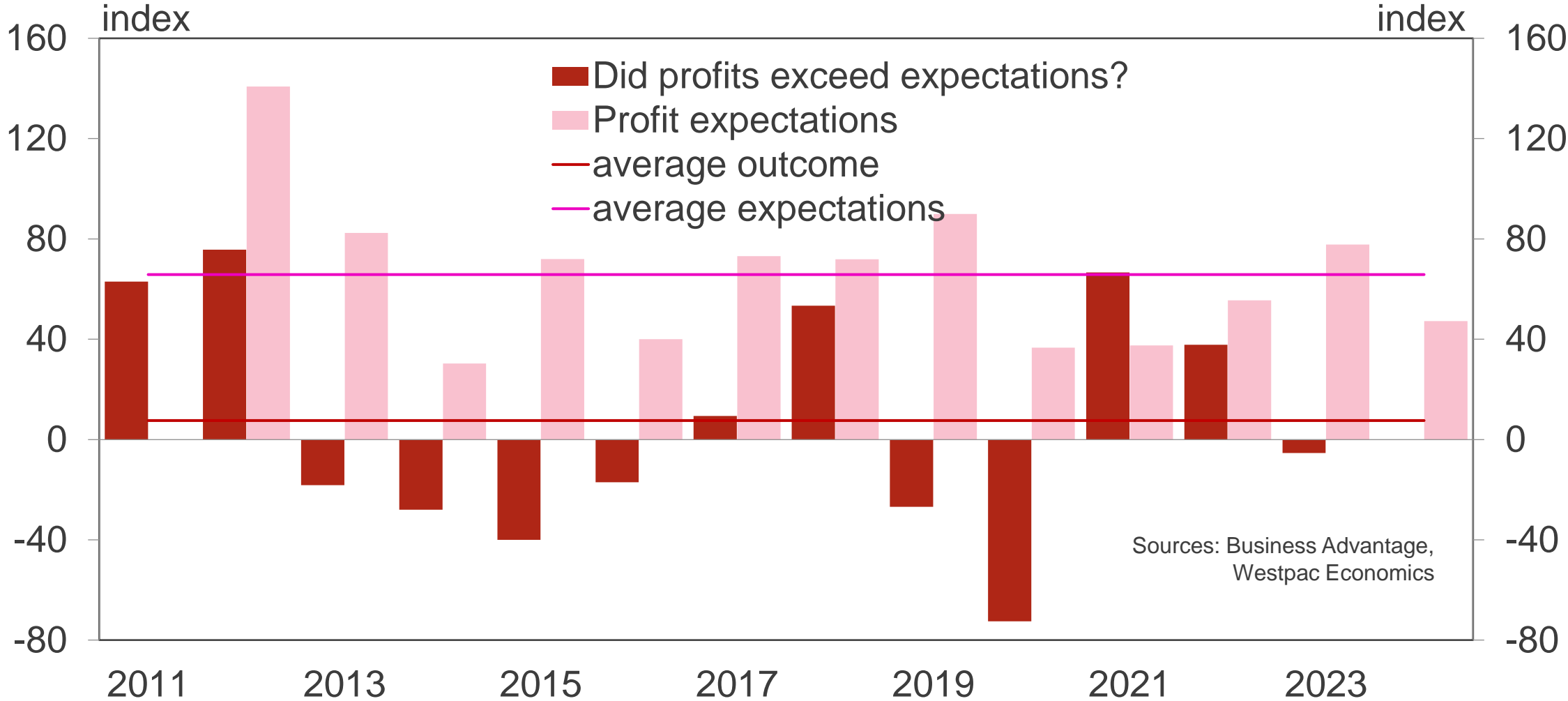


Highlights from Westpac/Business Advantage 2024 Survey

- Profits expected to grow but a disappointing 2023 saw expectations for 2024 moderate.
- Despite profits expectations below the long-run average, recruitment & investment held up.
- With investment and recruitment holding up, the 2024 Business Conditions Index remains positive even if it is not as strong as it was in 2023.
- This is positive news for the outlook for growth in 2024.
- The lack of foreign exchange returns is the most critical impediment facing PNG businesses.
- Security/law & order, unreliable utilities and the lack of government capacity are all significant hinderances to PNG businesses.
- The survey was run before the events of January 10th with 88% of firms citing security/law & order was a mission critical issue or very important concern. This is on par with the previous high in 2013, following the political unrest, including a limited military mutiny, in 2012. If the survey were re-run we believe these concerns would be even higher.
- Of very little concern: access to capital, lack of land, office and/or warehouse space.

Business Advantage PNG – expected vs. actual profits

2023 profits fell short of expectations with 2024 expectations adjusted downwards

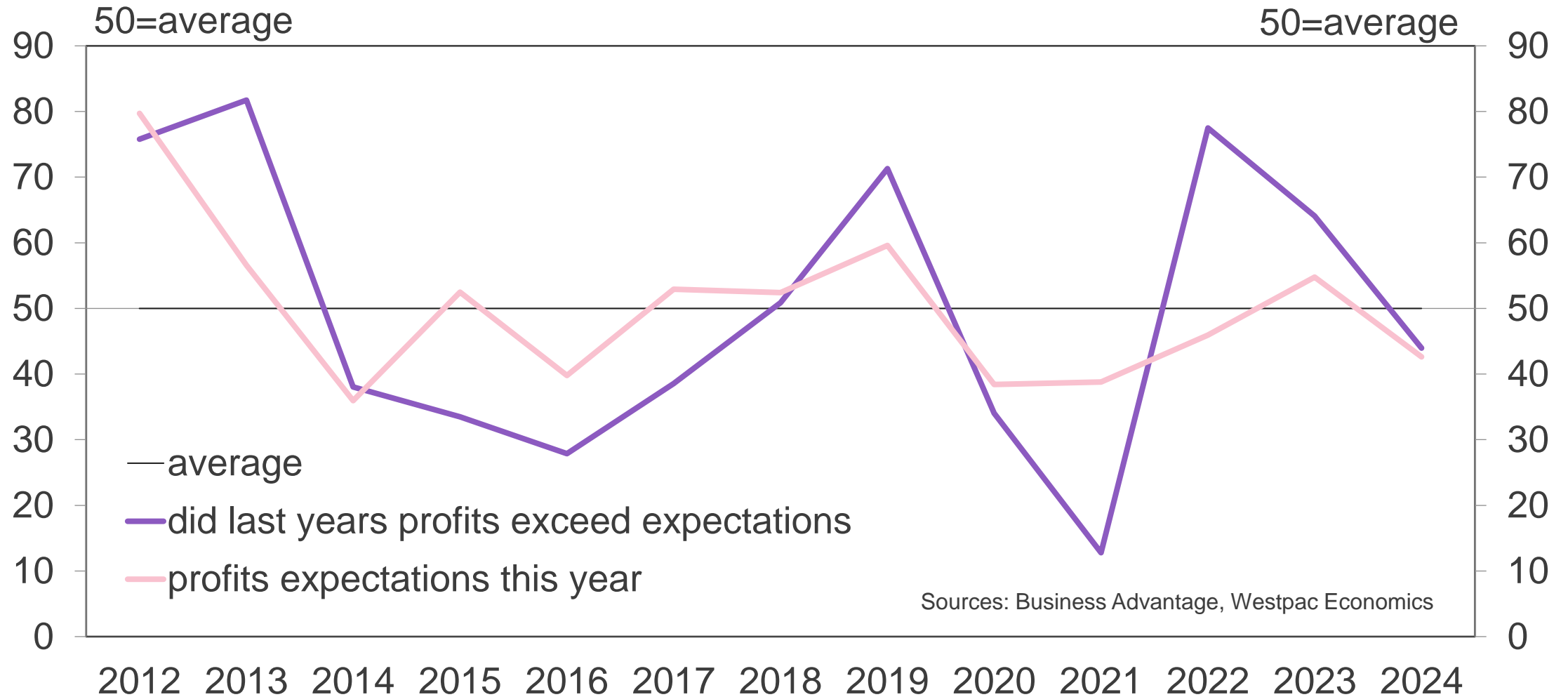


Sources: Business Advantage, Westpac Economics



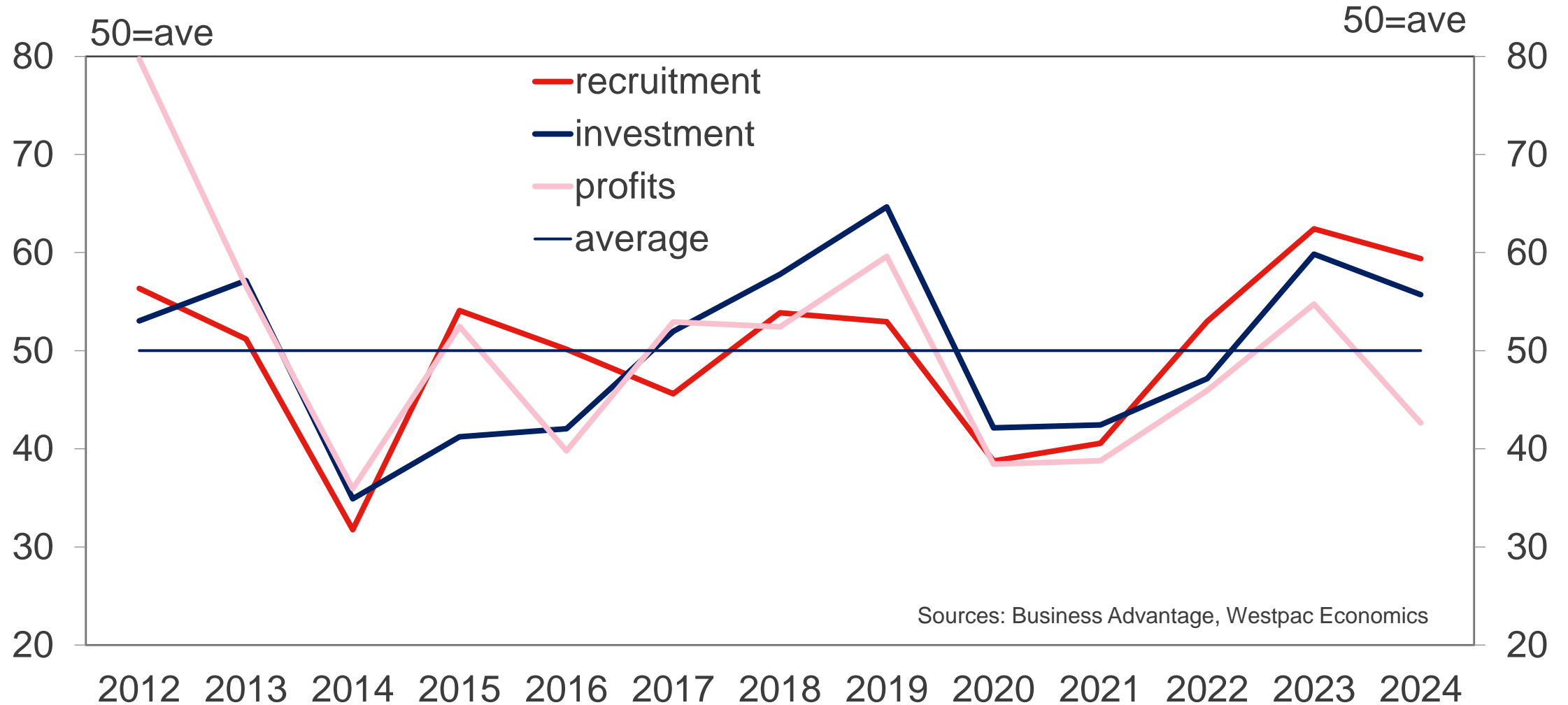
Business Advantage PNG – expected vs. actual profits

This year's expectations tend to be relative to last year's outcome



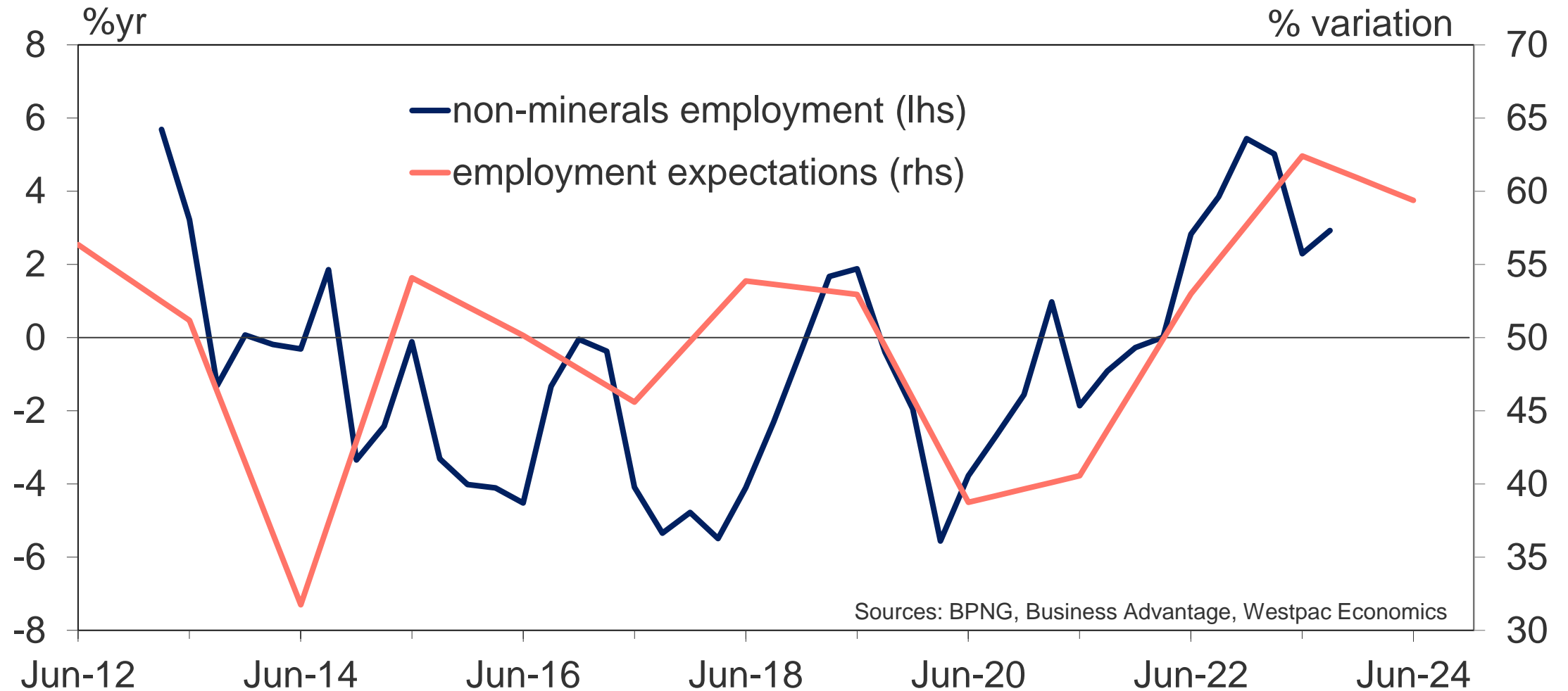
Expectations ease back from 2023 bounce

50 is the long run average for the question at hand



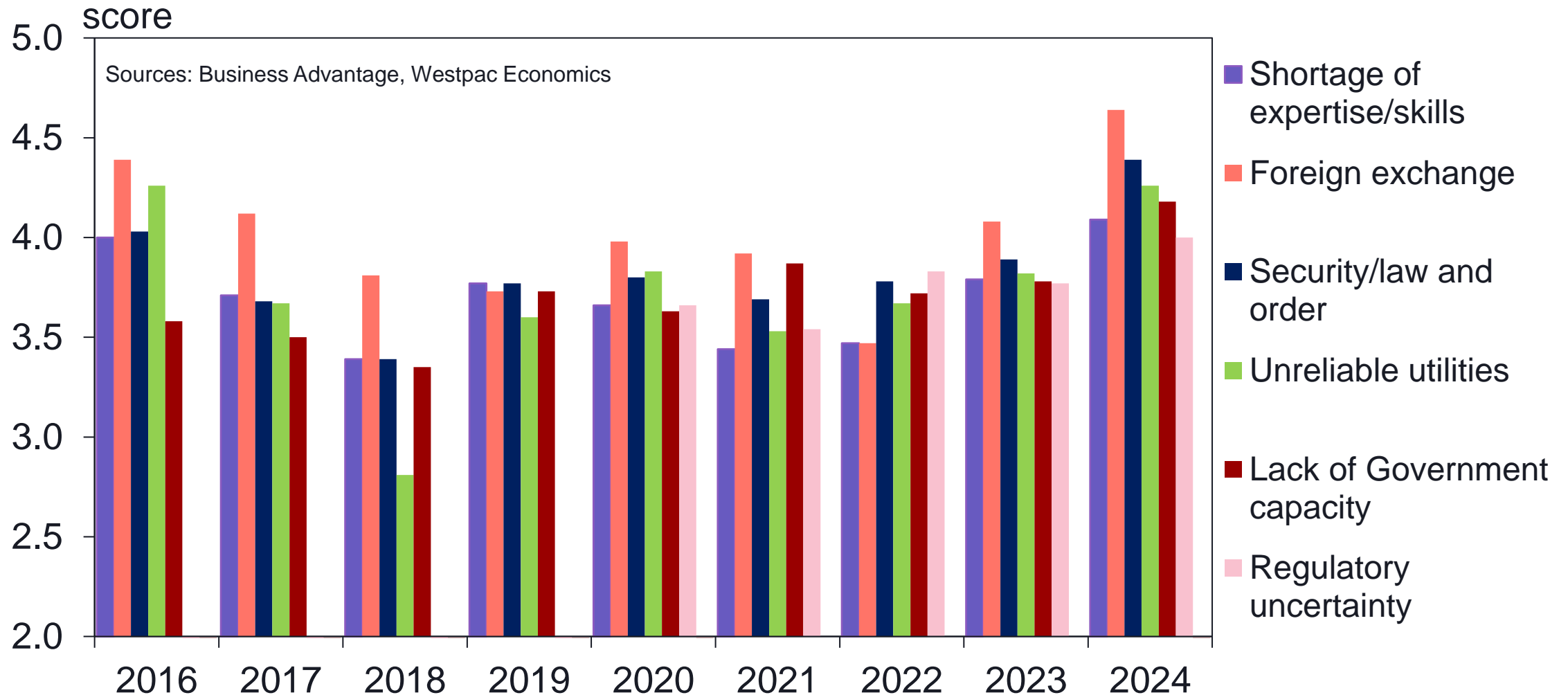
Expectations vs. growth in non-minerals employment

Employment expectations remain above average pointing to positive employment growth



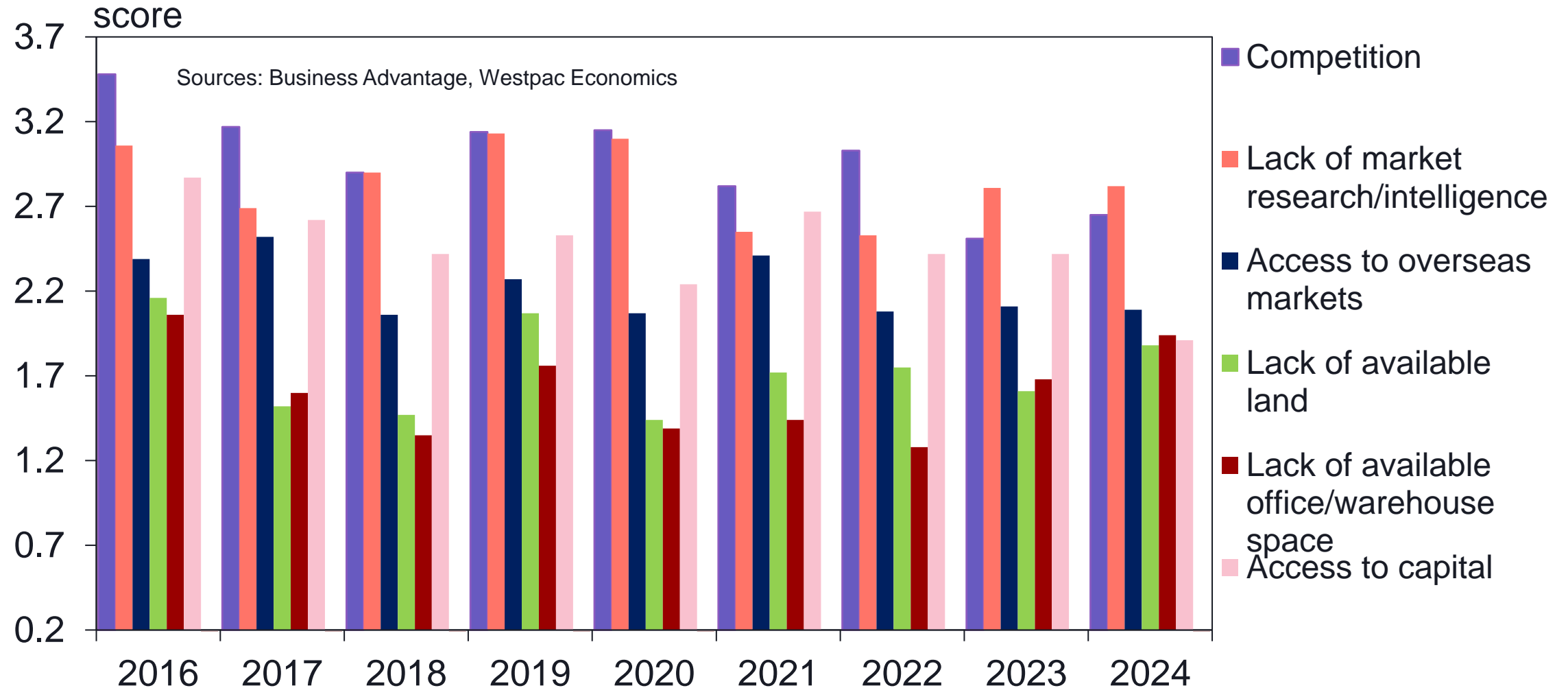
Top 6 factors holding back PNG businesses

Focusing on these issues will have a significant, positive impact on PNG economy



The six factors of least concern for PNG businesses

The decline in competition is more of a concern, than a positive, for the economy



The opportunities for PNG remain in place

- Major resources projects continues to present significant opportunities for the nation.
- However, the delay in the projects has allowed domestic constraints to growth to rise to the surface.
- This delay presents an opportunity to get the settings correct before the next major project masks over those issues.
- Global growth and geopolitics represents both opportunities as well as threats.
- The transition to a low carbon economy is underway – while it may be unfolded slower than what is needed to meet net zero by 2050 is it underway and gathering momentum.



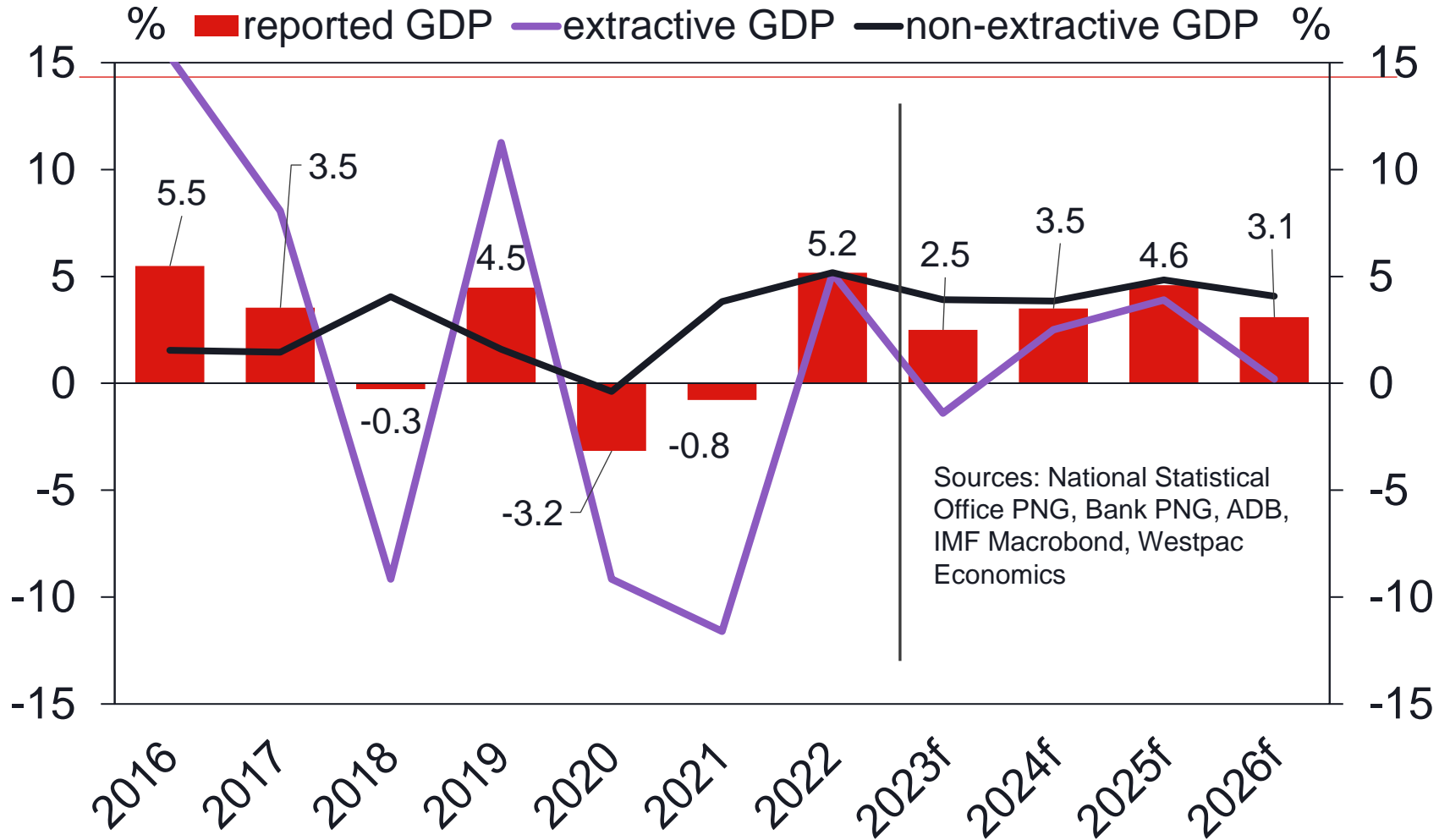
PNG Economic Indicators and Forecasts

Economic indicators		2023 (est)	2024 (forecast)	2025 (forecast)
Inflation	ADB	5.0%	5.0%	TBC
	BPNG	3.0%	4.5%	4.0%
	IMF	5.7%	4.7%	TBC
	Westpac	4.0%	5.0%	4.5%
GDP growth	ADB	2.0%	2.6%	NA
	BPNG	2.5%	5.0%	3.7%
	IMF	3.0%	5.0%	3.1%
	Westpac	2.5%	3.5%	4.6%

ADB forecasts as at Dec 2023; BPNG as at September 2023; IMF as at November 2023; Westpac as at January 2024

PNG real economic growth

Resources a swing factor but domestic demand matters



- COVID hit the economy hard leading to a significant contraction in activity.
- Coming out of COVID domestic activity bounced back while the resources sector took longer.
- In 2023 non-resources settled back to around 3½% while resources disappointed with delays in both Papua LNG and Porgera leading to a contraction in activity with total growth slowing to just 2.5%.
- Resources expected to be delayed again taking forecast growth out of 2024 & into 2025. Non-resources also likely to be hindered by political unrest in 2024. As the situation settles down this should see a recovery and stronger growth in 2025.

The Global Economy & Geopolitics

- China and the rest of Asia are well positioned to contribute strongly to global growth in 2024 and 2025 as economic development and the global green transition fuel investment. There are some fears that the correction in the Chinese housing market will drag down the broader economy but the market is adjusting and stresses are being contained.
- With consumers stretched, growth across the developed world will be sub-par and fickle. The US continues to surprise with strength and the IRA is the largest industrial policy the US has implemented in over 50 years.
- In 2024 half of the world's population faces a national election with the US Presidential and Indian National elections taking centre stage. China's continued strong growth in trade with Asia, and success in research & development, may elicit further responses from the US.
- US domestic policy is also a risk for the world: the US fiscal deficit is set to grind higher from an elevated 6% of GDP.
- Softer global demand and ample supply has recently seen the price of oil move lower. However, developments in the Middle East represent a supply risk while OPEC has continued their current quotas try to offset rising US supply.



PNG Trading Partner Growth Forecasts

Global & Trading Partner Growth Forecasts

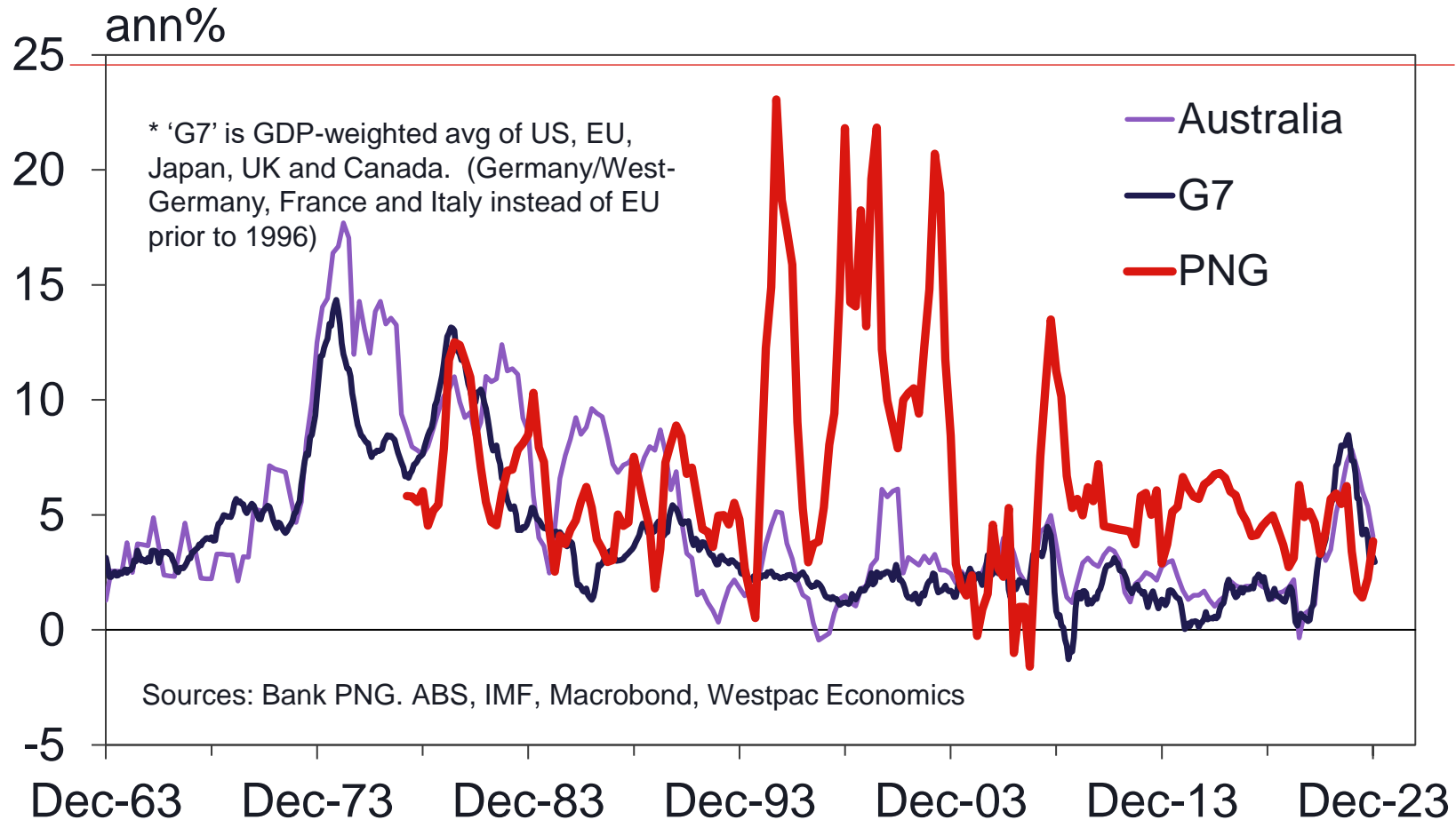
	2019	2020	2021	2022	2023	2024	2025	2026
World Economy	2.8	-2.8	6.3	3.5	3.3	3.3	3.1	3.2
US	2.3	-2.8	5.9	2.1	2.5	2.6	1.4	1.5
Eurozone	1.6	-6.1	5.6	3.3	0.4	0.5	1.5	1.5
Australia	1.8	-2.1	5.6	3.8	2.1	1.3	2.2	2.5
New Zealand	3.1	-1.5	6.1	2.4	0.7	0.5	1.6	3.3
Japan	-0.4	-4.2	2.2	1.0	2.0	0.7	1.0	0.9
China	6.0	2.2	8.4	3.0	5.2	5.2	5.0	4.8
India	3.9	-5.8	9.1	7.2	7.7	6.5	6.4	6.3

Sources: Macrobond, Westpac Economics.



PNG inflation vs. Australian & G7

PNG has its own unique price shocks



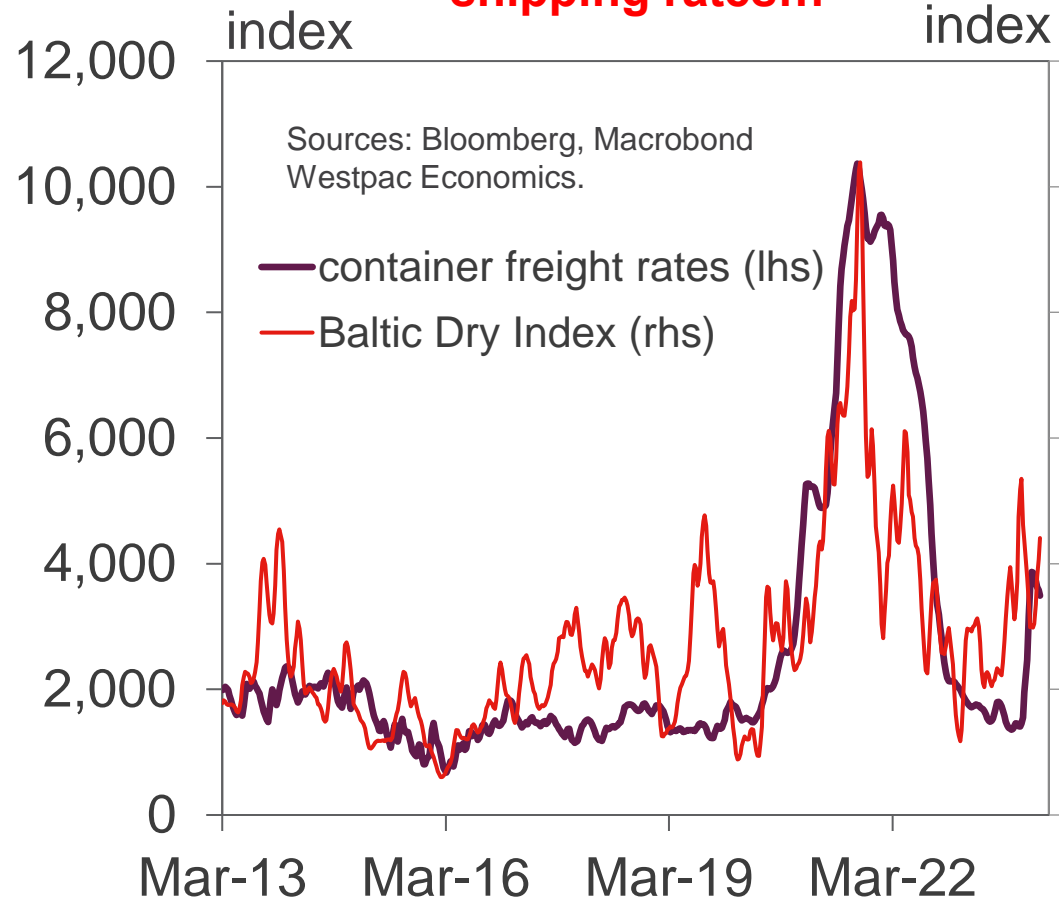
PNG inflation is back above 3%

CPI inflation was down to 1.4%yr in June, lifting slightly to 2.2% in September but then surged to 3.8%yr in December:

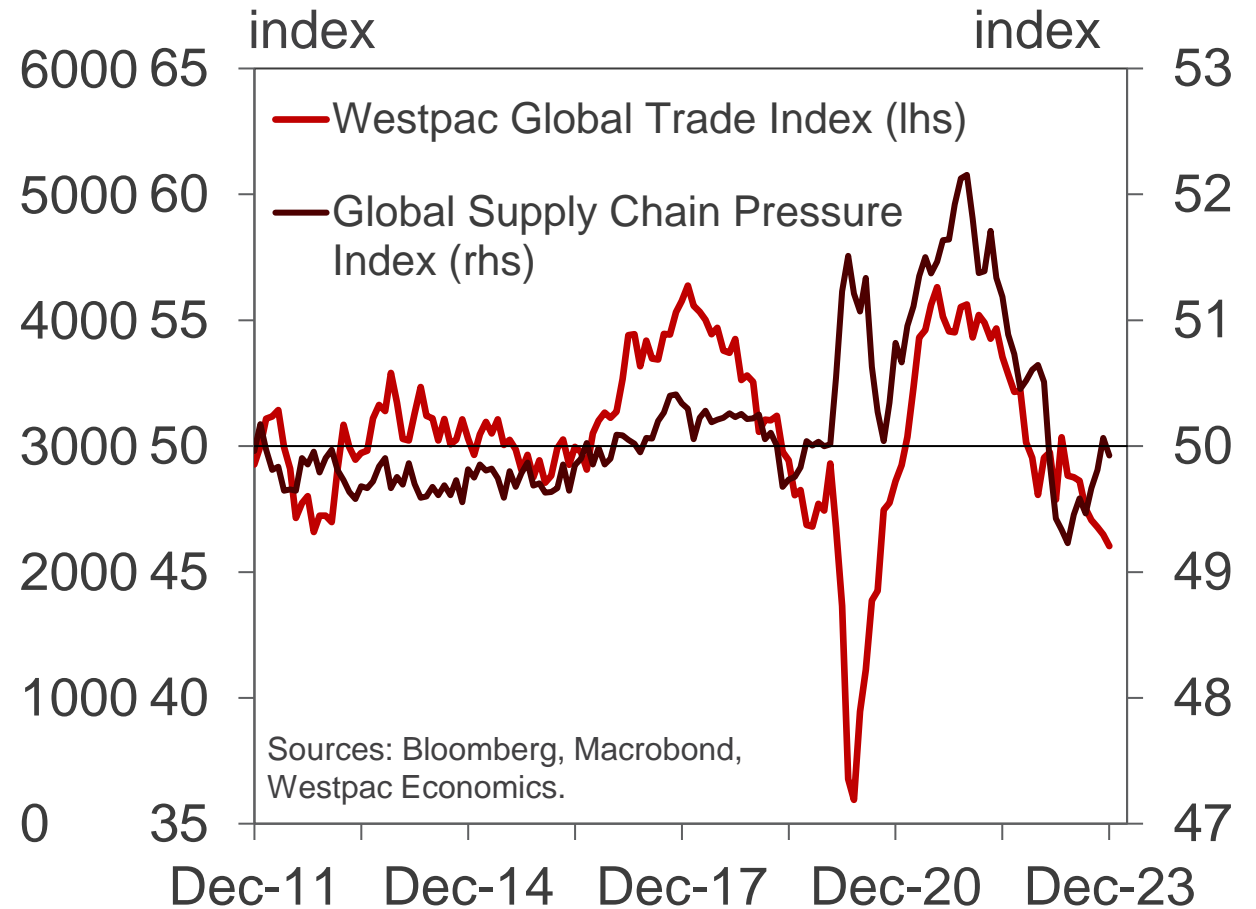
- Free education has seen education prices fall 23%yr holding down inflation.
- Communication costs are down -15%yr as prices fall with competition.
- Alcohol, tobacco & betel nut are up 13%yr.
- Food & beverages are up 5%yr, clothing & footwear lifted 9%yr while household equipment rose 6%yr.
- Health costs gained 6%yr while transport inflation was a contained at 3%yr.

Shipping rates rising again & container rates jump

Panama Canal/Red Sea has hit shipping rates...



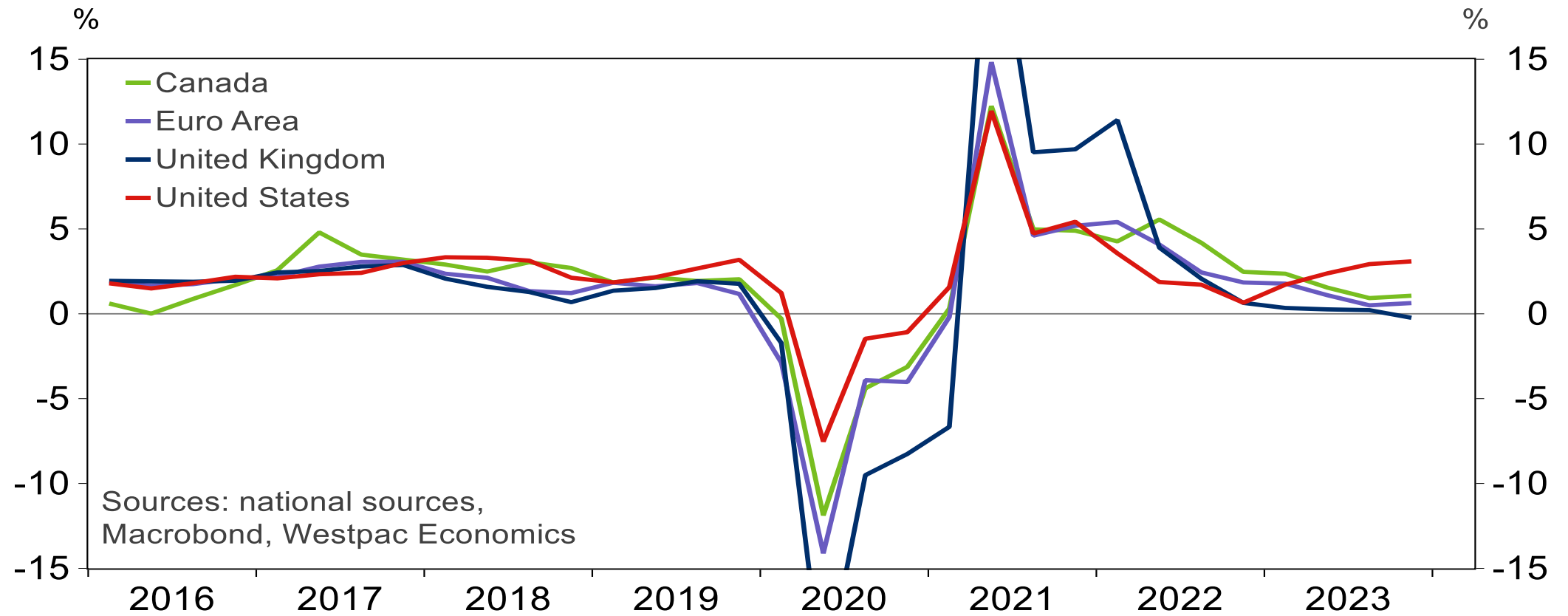
...and global trade is slowing.



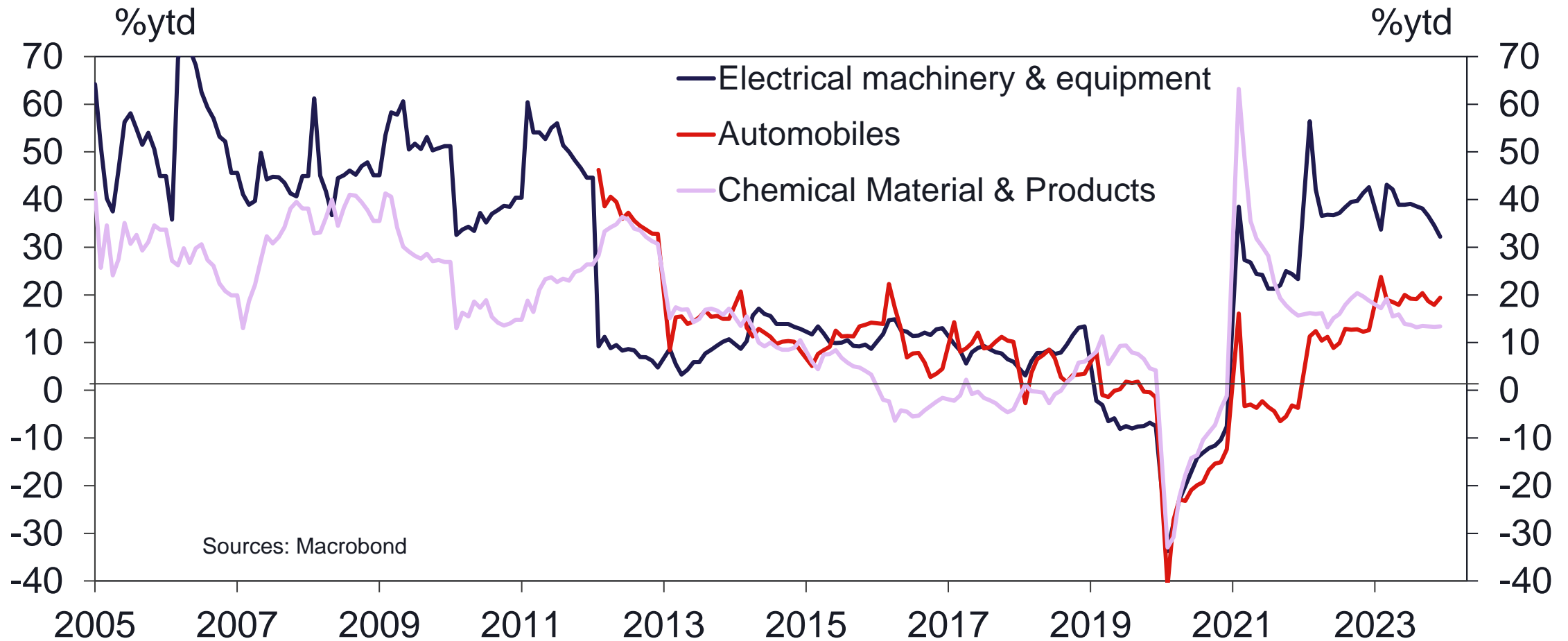
Global growth slowing but US is resilient

Real GDP Growth

Year-ended percentage change (truncated scale)



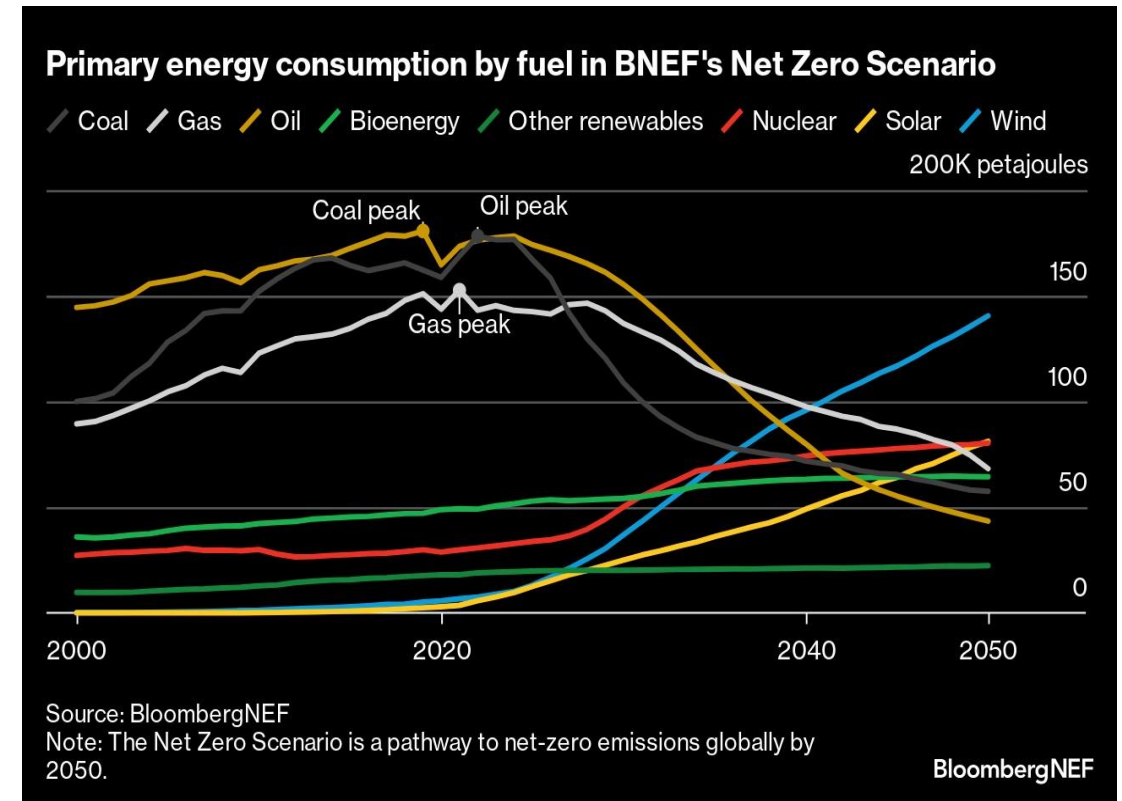
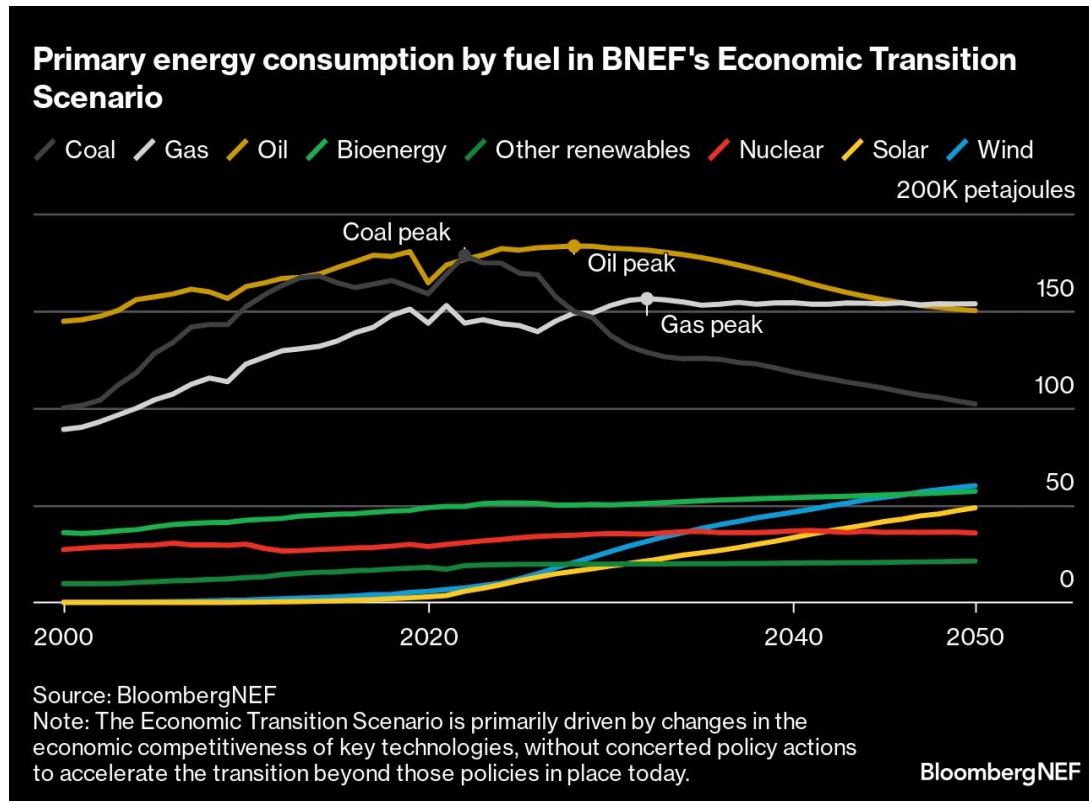
High-tech industries hold considerable promise for China



BNEF outlook for energy consumption scenarios

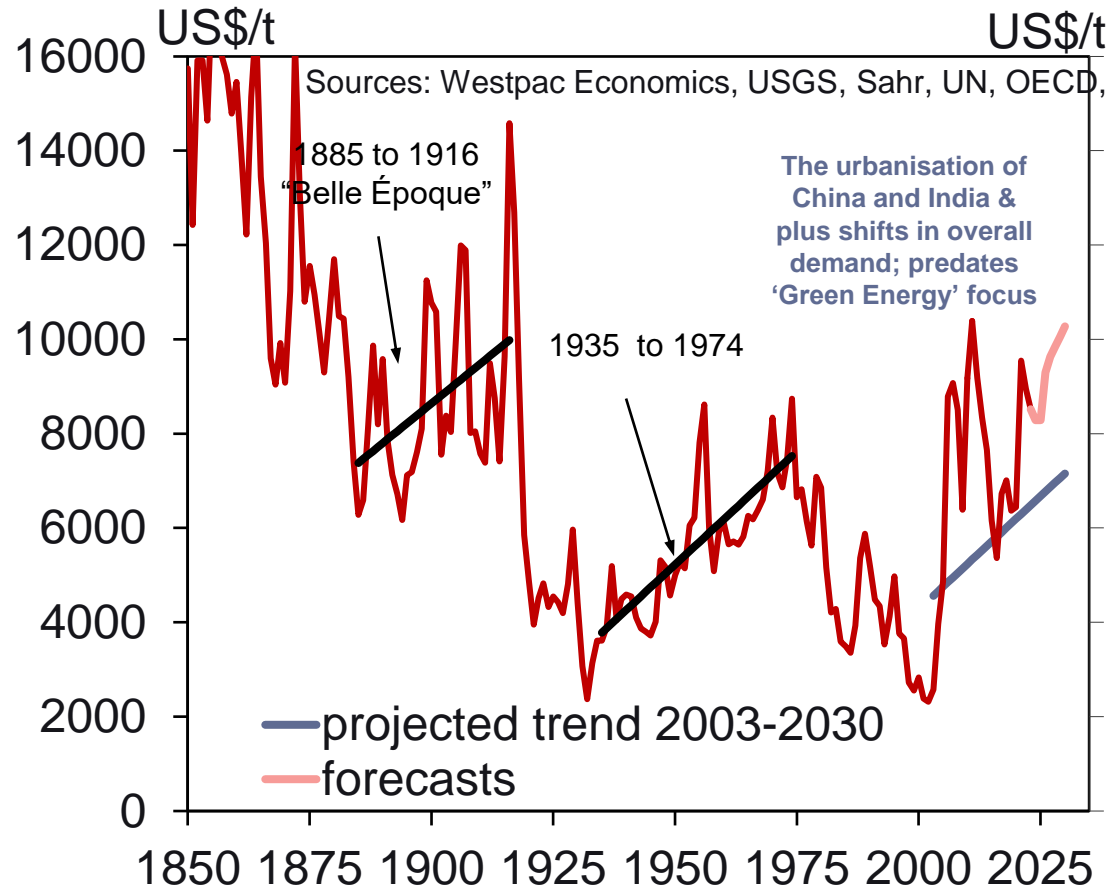
Current policies limit but don't correct

Need more aggressive policies for net zero

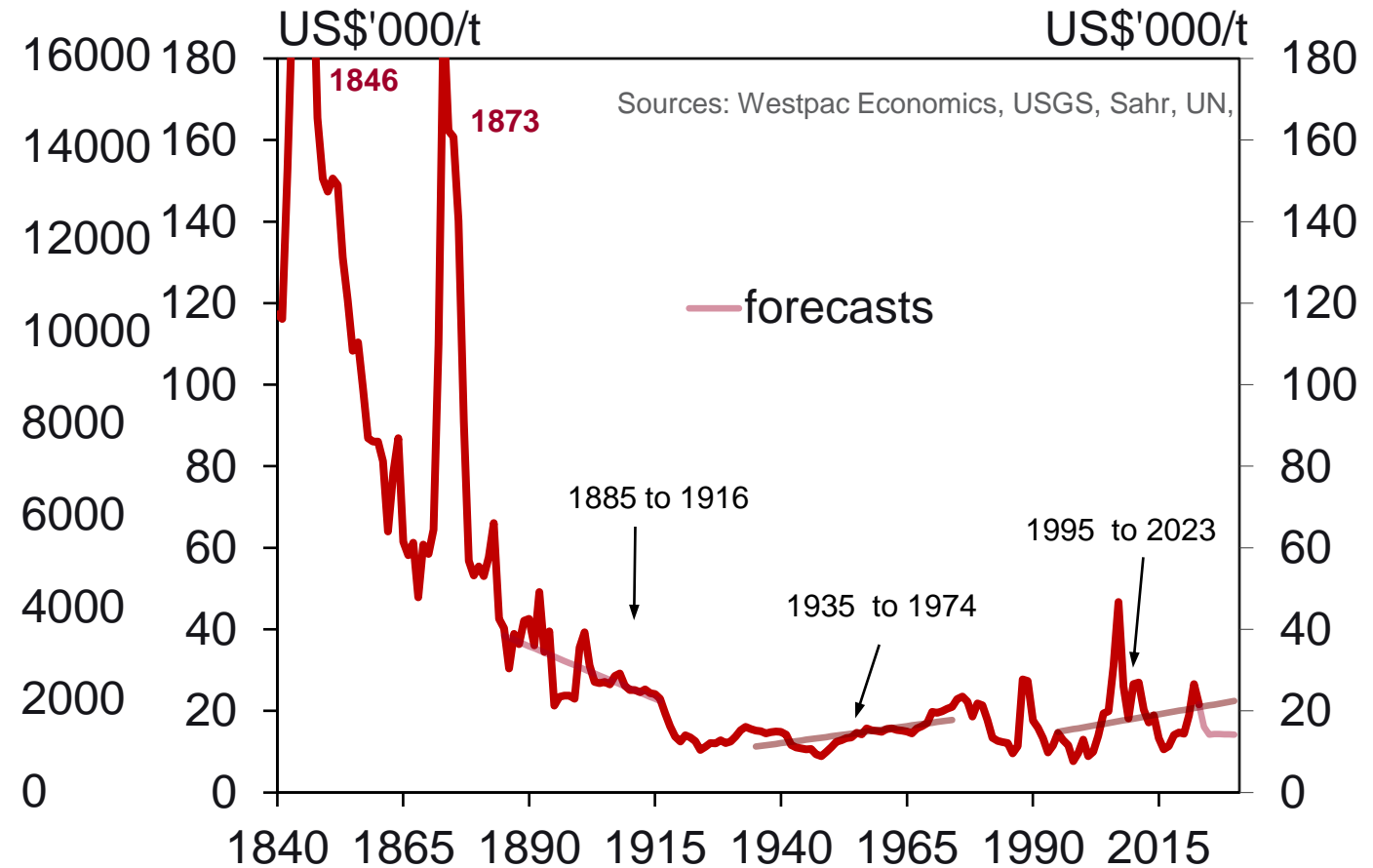


Commodities in 2023 dollars – inflation adjusted

Copper prices holding this high ground

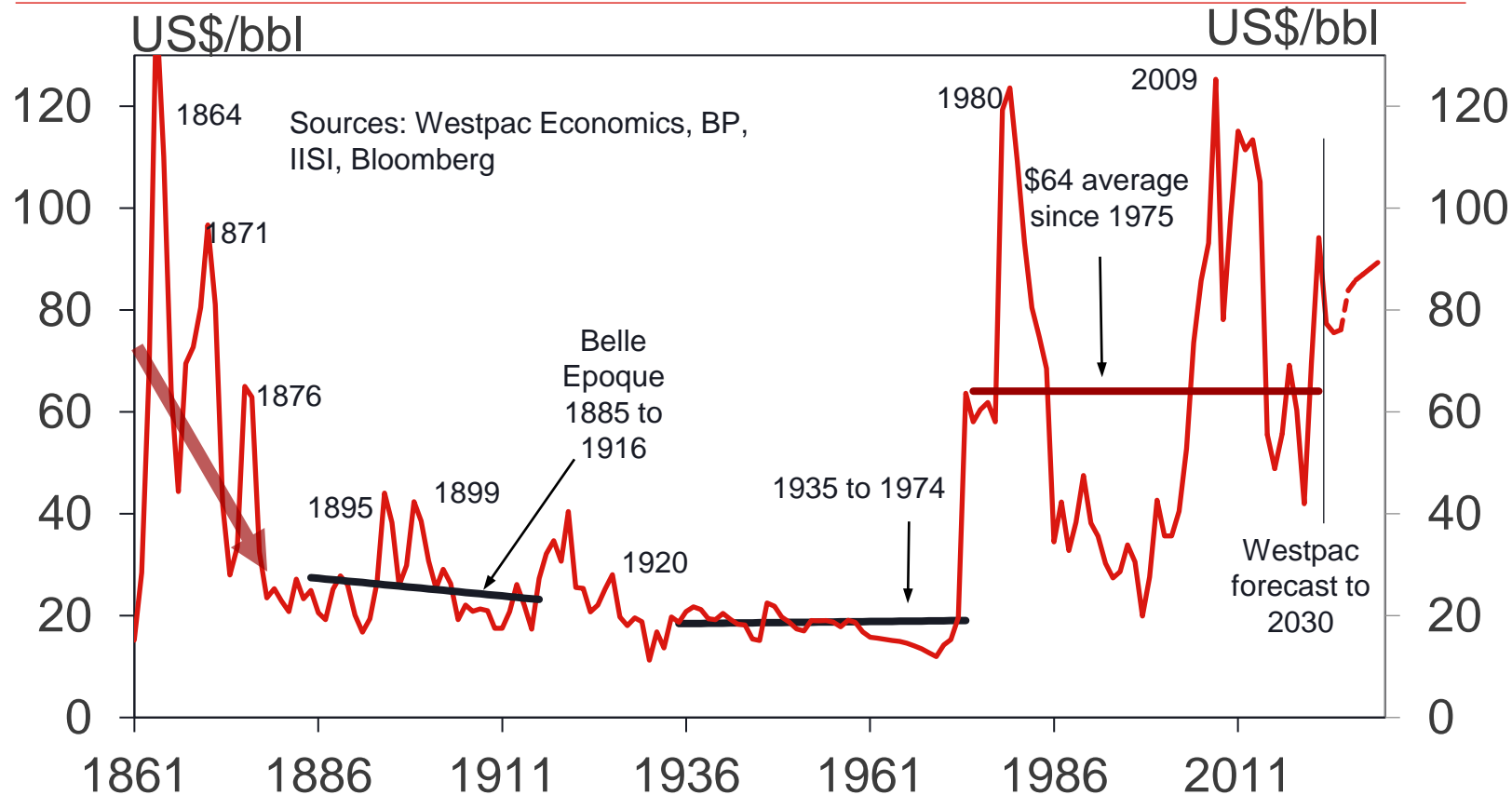


Nickel driven by cost of production



Crude finding a base around US\$80/bbl

Oil prices adjusted for inflation – in 2023 US dollars



Oil price shocks of 1980 and 2009 peaked at US\$120 barrel in year average terms (2023 dollars).

Average real price since 1975 is US\$63/bbl.

- From 1935 to 1974 crude oil prices average around US\$20/bbl with prices down to around US\$10/bbl through the 60's and into the 70's,
- The two early oil price shocks, 1975 & 1980, were a significant shift in the market with massive economic, social & political implications.
- The 2008/2009 shock was due to surging developing world demand and was resolved by US fracking.
- In 2023 and into 2024 the US returns as the marginal producer.

Commodity prices & AUD (out to mid 2026)

Forecasts qtr average	latest***	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
iron ore fines 62% fe spot US\$/t	110	108	97	85	81	82	83	83	88	88
iron ore fines contracts (US\$/dlu)	162	166	148	131	125	126	127	128	135	135
Aust. hard coking coal (USD/t)	245	263	242	237	228	218	212	207	204	203
coking premium low vol USD/t	297	299	293	280	268	255	246	240	238	236
coking coal 64 mid vol USD/t	245	245	242	237	228	218	212	207	204	203
coking coal low vol PCI USD/t	158	156	153	147	145	142	136	133	131	128
coking coal semi soft USD/t	149	148	146	140	136	128	125	121	119	118
steam coal fob Newcastle (USD/t)	138	136	125	119	117	116	115	114	115	115
coal thermal contracts (USD/t)	200	187	160	160	160	151	132	132	132	127
crude oil WTI NYMEX (USD/bbl)	78	78	77	75	75	77	79	82	85	87
crude oil Brent ICE (USD/bbl)	82	82	81	79	78	79	81	84	86	89
LNG Japan Corp (Aust) USDmmbtu	13.45	12.9	12.6	12.0	11.3	11.0	11.1	11.3	11.5	11.7
gold (USD/oz)	2,209	2,180	2,130	2,080	2,080	2,090	2,100	2,120	2,140	2,150
aluminium (USD/t)	2,228	2,180	2,080	2,020	2,000	2,030	2,090	2,170	2,240	2,320
copper (USD/t)	8,592	8,500	8,400	8,300	8,200	8,300	8,600	9,000	9,300	9,700
nickel (USD/t)	18,178	17,700	15,800	14,700	14,400	14,500	14,600	14,700	14,800	14,900
zinc (USD/t)	2,544	2,460	2,380	2,310	2,290	2,320	2,380	2,470	2,530	2,590
lead (USD/t)	2,114	2,080	2,040	1,980	1,960	1,980	2,000	2,030	2,070	2,110
AUD/USD	0.66	0.67	0.69	0.70	0.71	0.72	0.72	0.73	0.73	0.73

WestpacIQ & Westpac Wire

Home of our research and commentary.

The screenshot shows the WestpacIQ website homepage. The browser address bar displays 'westpaciq.com.au'. The navigation bar includes 'Westpac home', 'IQ', and menu items for 'Economics', 'Markets', 'Thought leadership', and 'About us'. There are 'Sign in' and 'Subscribe' buttons. Below the navigation, there are dropdown menus for 'Popular topics' and 'Authors'. The main content area is divided into three columns: 'Economics', 'Markets', and 'Thought leadership'. The 'Economics' column features an article titled 'Westpac PNG March Update' with a photo of a woman carrying a child on her back. The 'Markets' column features 'NZD FX Weekly' and 'Q4 2023 Sustainable Finance Market Update'. The 'Thought leadership' column features a photo of a forest.

www.wibiq.westpac.com.au

The screenshot shows the Westpac Wire website news page. The browser address bar displays 'westpac.com.au/news/'. The navigation bar includes 'Westpac home', 'Home', 'Personal', 'Business', 'Corporate', 'About us', and 'Help'. There are 'Sign in' and 'Subscribe' buttons. Below the navigation, there are dropdown menus for 'Jump to' and 'Trending topics', a search bar, and a 'Subscribe to our newsletter' button. The main content area is titled 'Westpac Wire' and 'Latest stories'. It features several article cards: 'More Aussies are planning moves in the property market', 'Swiftonomics: Assessing Taylor's impact on spending', 'Success comes naturally to these female business founders', and 'Meet the young economists looking to inspire their generation'. There is also a video player for 'Women in Western Sydney a powerhouse of untapped potential'.

<https://www.westpac.com.au/news/>



Disclaimer

Email & PDF disclaimer/Westpac IQ bottom of page disclaimer

© 2024 Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141, AFSL233714 ('Westpac'). References to the "Westpac Group" are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

Disclaimer

This information has been prepared by the Westpac Institutional Bank and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714).

Note: Luci Ellis is a member of the Australian Statistics Advisory Council (ASAC) which is a key advisory body to the Minister and the Australian Bureau of Statistics on statistical services. Luci does not have access to sensitive data/reports in her capacity as a member of ASAC.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.



Disclaimer

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here: <https://www.westpaciq.com.au/terms-and-conditions/investment-recommendation-disclosure>. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.



Contact

PNG



Patrick Wright, Treasurer, Westpac PNG



+675 7190 8623



patrick.wright@westpac.com.au



Contact Australia



Justin Smirk, Director/Senior Economist



+675 7190 8623



jsmirk@westpac.com.au



THANK YOU.