

PNG Economic Update

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Local Economic Conditions

- Tolu Minerals is set to rejuvenate the Tolukuma gold mine unlocking significant gold resources from a historically high-grade site. Acquired in October 2022 for 20 million kina, the mine had previously produced gold at impressive grades but faced closure in 2015 due to high operational costs and infrastructure issues. Tolu Minerals plans to address these challenges by constructing a road to replace costly helicopter logistics and refurbishing the mine's hydropower station. The mine is expected to generate hundreds of jobs, boost local economic activity, and enhance regional infrastructure. The company's strategic investments and partnerships includes local entities and the Allan Guo Group underscoring its commitment to sustainable development and economic growth. ["Tolu Minerals Resurrects Tolukuma Gold Mine" PNG Business News](#)
- Prime Minister James Marape announced the Government's Position Paper on the Wafi-Golpu Mine to joint venture partners Newmont and Harmony, and awaiting their response before issuing the Mine Development Contract (MDC) and Special Mining Lease (SML). Marape stressed the importance of the project nearing the final stages before the MDC can be signed. The government aims to secure 55% of the project's economic benefits through such action as a 30% state equity, a 3% royalty, and additional social and community investments. The terms are outlined in a Framework MoU signed in April 2023, which also sets provisions for local content and tax arrangements. The SML will initially be issued for 30 months, during which necessary engineering and investment decisions must be finalised to qualify for an extension. ["Government Submits Wafi-Golpu Position Paper" PNG Business News](#)

Local Economic Conditions

- Santos signed LNG supply contract with Glencore Singapore Pty Ltd to deliver 19 LNG cargoes, or about 0.5 million tonnes annually, over three years plus an additional quarter. Santos CEO Kevin Gallagher emphasized that this contract highlights Santos' strong position in the Asian LNG market. The deal, along with a long-term agreement with Hokkaido Gas in Japan, underscores the high demand for LNG from projects like Barossa and PNG LNG and reflects Santos' commitment to energy security for its Asian customers. ["Santos Signs Mid-Term LNG Supply Contract" PNG Business News](#)
- Minister for International Trade and Investment, Hon. Richard Maru, announced Papua New Guinea's renewed focus on attracting Indonesian investments following recent high-level engagements between the two nations, including state visits and a signed Joint Declaration. Highlighting Indonesia's successful economic transformation through downstream processing and industrial development, Maru emphasized the need for PNG to adopt similar strategies to enhance job creation and value addition. He noted Indonesia's experience in creating economic zones and processing industries and called for PNG to shift from raw material exports to value-added processing. He also invited Indonesian companies to invest in various sectors within PNG, marking a pivotal shift in PNG's trade and investment strategy. ["Indonesia is Our New Focus: Minister Maru" PNG Business News](#).
- TISA Savings & Loans Society (TISA) and Credit Corporation (PNG) were granted commercial bank licences on the 5th August. The two new commercial banks will be known as Tisa Bank Limited and Credit Bank PNG.

Local Economic Conditions

- Prime Minister James Marape and Prime Minister Charlot Salwai of Vanuatu held bilateral talks at Sir Manasupe Haus in Port Moresby during the Papal Visit. They discussed enhancing cooperation in trade, infrastructure—especially the Kumul Highway project in Port Vila—and other areas such as fisheries, education, health, and tourism. Marape proposed establishing a PNG diplomatic mission in Vanuatu to strengthen ties, while Salwai expressed Vanuatu’s eagerness to collaborate further. Both leaders reaffirmed their commitment to their close, historic relationship within the Melanesian Spearhead Group and explored opportunities for future official visits and deeper bilateral engagement. ["Vanuatu and PNG Prime Ministers Hold Bilateral Talks PNG Business News"](#)
- Prime Minister Marape announced a positive shift in Papua New Guinea’s economic outlook, highlighting stronger growth, stable inflation below historical and global averages, and significant improvements in foreign exchange (FX) availability. He argued that the International Monetary Fund’s projection of a 4.6 percent GDP growth for 2024 positions PNG as a leading regional economy. Marape noted that FX shortages have eased considerably, with reduced wait times for essential imports and increased FX injections by the Bank of Papua New Guinea. ["Papua New Guinea’s Economic Outlook Brightens:" PNG Business News](#)
- At the [2024 PNG Update held at the University of PNG](#) in Port Moresby from 21-22 August, Dr Martin Davies, Professor, Washington and Lee University/ANU argued that the backlog of demand for FX continues to affect investment into PNG. “Foreign direct investment has fallen. Investors don’t want to come in because they know that there is a queue to get their money out. There is a restriction there, and also reducing it increases the cost structure in buying and exporting goods from overseas”.

Interest Rates and Government Bonds

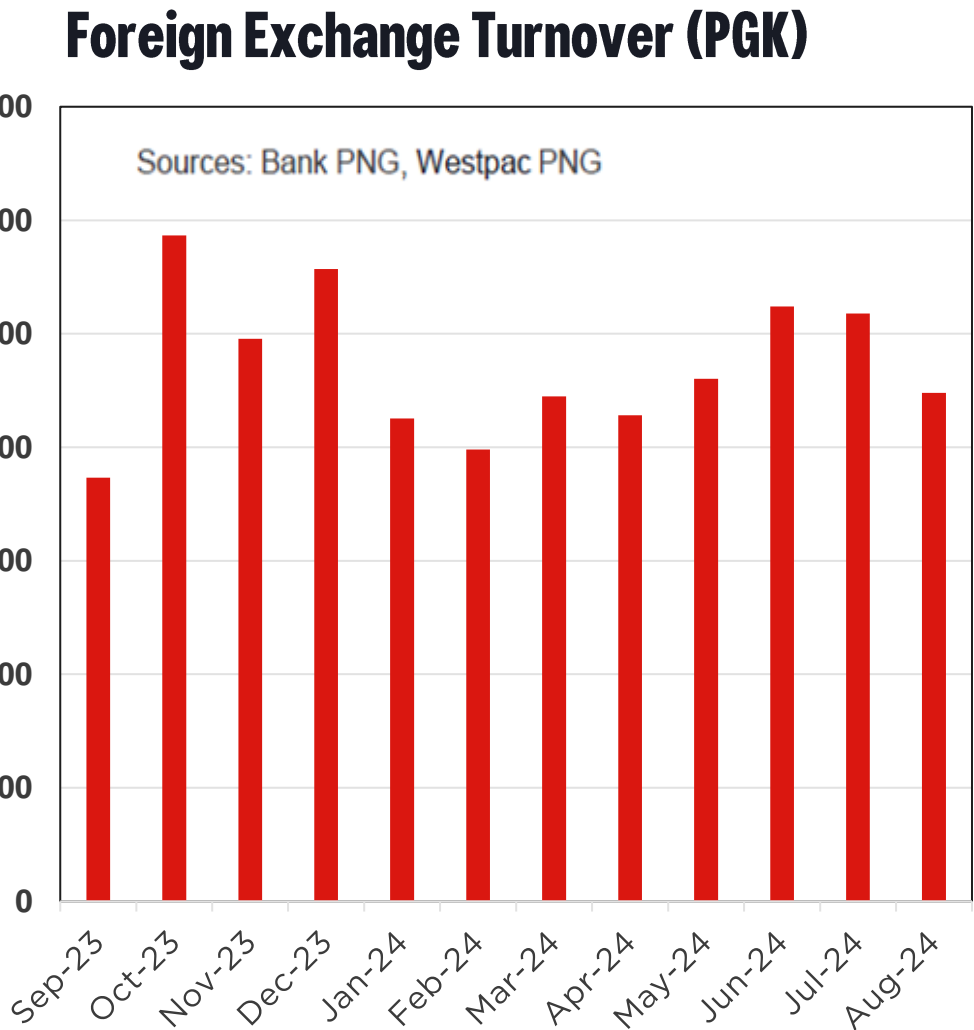
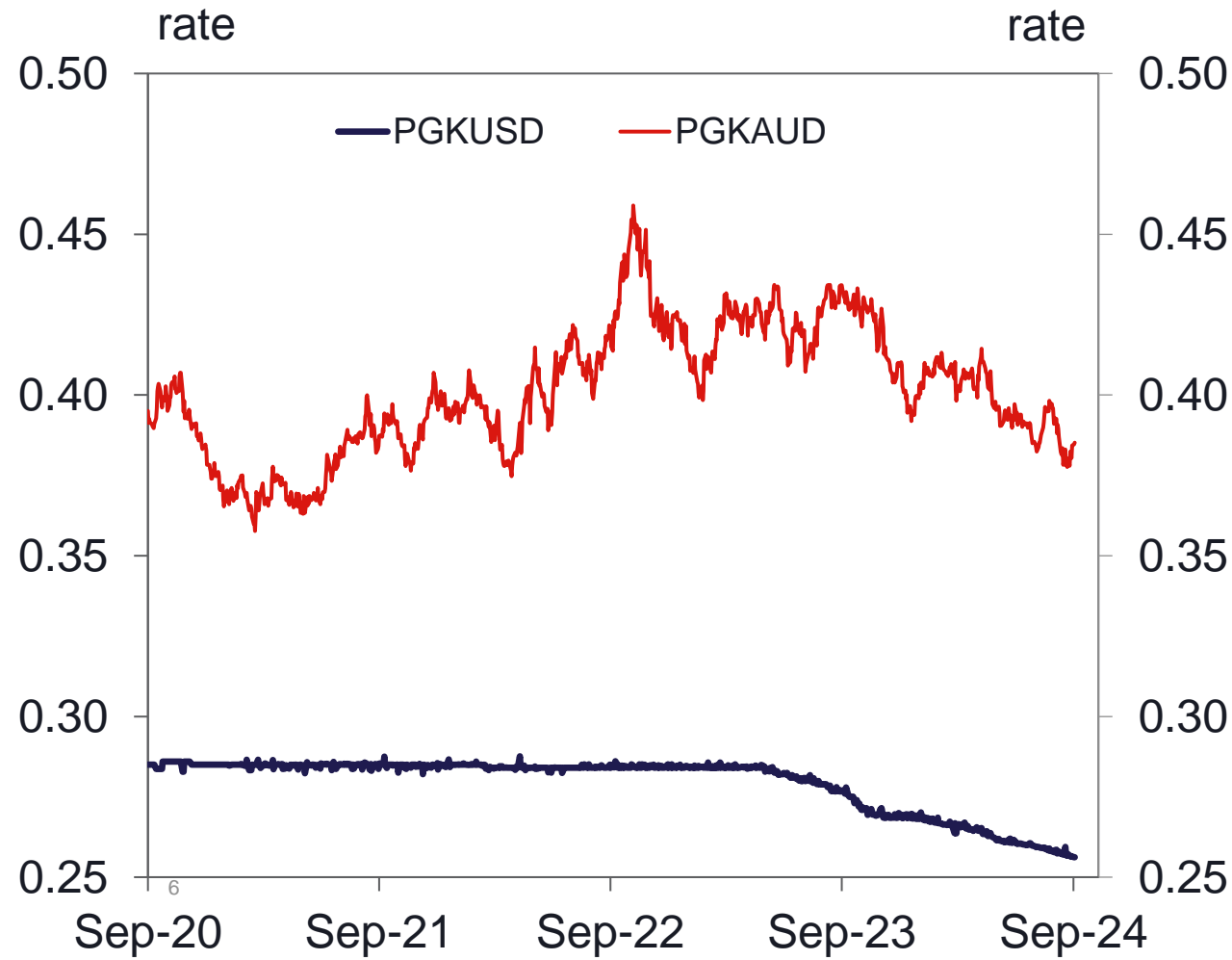
Interest Rates

- Kina Facility Rate – at the August Monetary Policy Meeting, BPNG increased the KFR from 2.5% to 3%. The BPNG alluded to the increase being *‘consistent with the tightening monetary policy stance announced in the March 2024 Monetary Policy Statement due to expectations of inflationary pressure arising from the adjustment of the Kina exchange rate to allow for more exchange rate flexibility.’*
- Consequently, the interest rate on the 7-day FRFA C-Bill was also raised to 3% to align to the KFR.
- Government Treasury Bills saw another month of increasing yield, with the 1-year T-Bill moving from 6.37% at the start of August, to last trading at 7.10% in mid-September.
- The planned GIS Treasury Bond Auction for August was cancelled, with no further commentary given.
- As part of the next round of monetary policy reform, under the guidance of the IMF, BPNG implemented an Interest Rate Corridor policy framework, to help further manage excess system liquidity. The implementation of this policy update will involve:
 1. Extending the cash reserve requirement (CRR) maintenance period to one month, as opposed to the current one-week period. This allows commercial banks to utilize the CRR as a liquidity management tool, accessing up to 50 percent of their CRR deposits during the maintenance period. At end of each maintenance period banks are required to meet the total limit set by BPNG with any shortfall attracting penalties.
 2. The new BPNG Overnight Repo Facility will serve as the ‘Ceiling’, while the new BPNG Overnight Reverse-Repo Facility will absorb excess funds from the market and serve as the ‘Floor’. The ‘Floor’ and ‘Ceiling’ rates (interest rate corridor) will be ± 150 bps around the KFR, or any margin deemed necessary by BPNG.

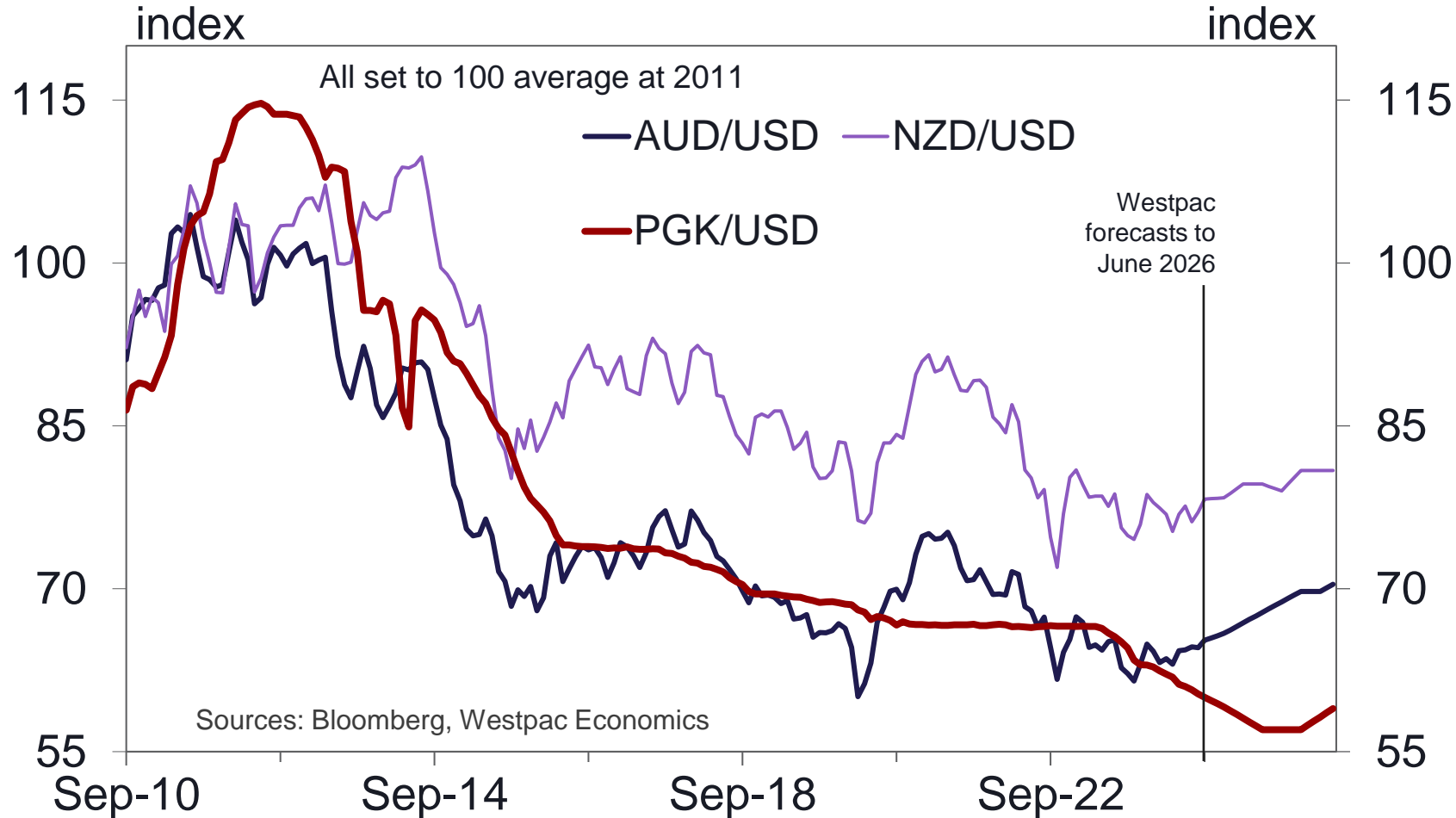
Kina Foreign Exchange Market

- The Bank Papua New Guinea has a crawling-peg like exchange rate regime and manages the currency by controlling the volume of foreign exchange in the market. Through August there was a continuation of the Kina's gradual depreciation, trading from 0.2583 down to 0.2567. Most recently, the currency was 0.2559.
- Market turnover declined in August to K4.479 billion from K5.178 billion in July.
- PGK/AUD was more volatile in the month on the back of greater price action in the AUD. Trading to a low of 0.6350 on the 5th August as global equities plummeted, the AUD rebounded strongly to a high of 0.6824 by month-end.
- Consequently, PGK/AUD had a broader range, reaching a high of 0.4037, before trading to a low of 0.3757 on the back of the AUD rally.
- In August, the BPNG conducted FX auctions across three sessions, for a total of K490 million (US\$125 million).

Foreign Exchange; the kina depreciation remains gradual



A gradual managed depreciation to continue



- BPNG has managed a gradual depreciation of the kina via an increase in intervention while minimising currency volatility.
- There has also been an increase inflow from PNG exporters looking to convert exports sales receipts into kina.
- Since April 2023, the kina has depreciated 10% against the US dollar.
- Westpac is forecasting a further 5% depreciation to 0.2436 at June 2025 with any recovery or appreciation delayed until 2026.

Kina Outlook

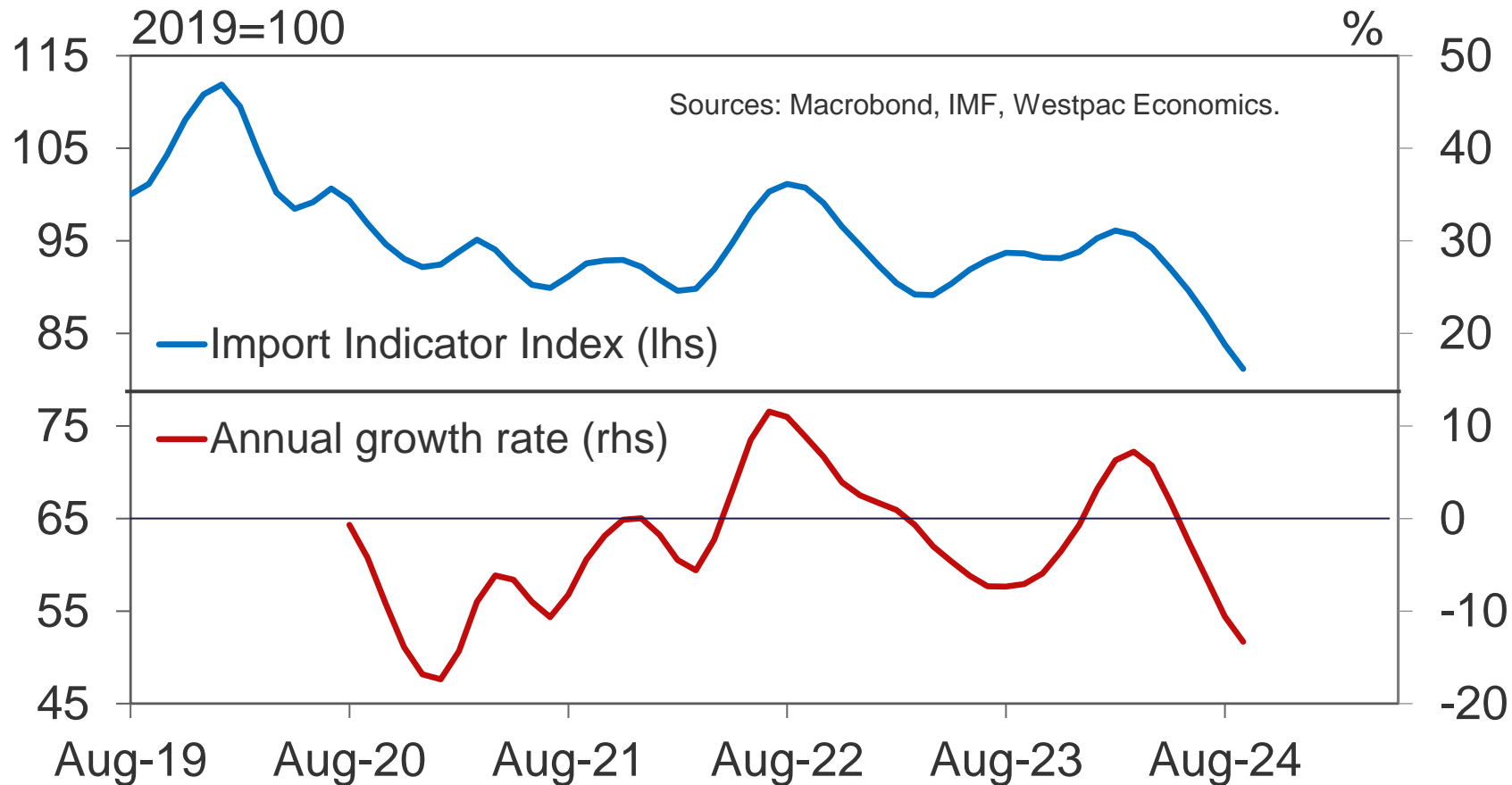
- From late 2023 Westpac forecast a continued depreciation of the Kina until there was significant enough inflows of foreign exchange (FX) due to the commencement of the investment phase of a significant resources projects. We also hoped that the repayment of the debt associated with the PNG Government investment into the earlier LNG projects would result in an additional inflow of FX.
- Our forecast low of the Kina was 0.2560 at end 2024 then holding around this level until September 2025 from where we a gradual appreciation associated with significant Foreign Direct Investment Inflows.
- The Final Investment Decision (FID) for Papua LNG is now not expected until late 2025. This will see the Kina continue to depreciate until September 2025 (to 0.2436) with any appreciation delayed until 2026.

Foreign Exchange Forecasts

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
PGK/USD	0.2563	0.2526	0.2481	0.2436	0.2436	0.2436	0.2486	0.2536
PGK/AUD	0.3774	0.3714	0.3595	0.3480	0.3431	0.3383	0.3452	0.3474
PGK/NZD	0.4122	0.2275	0.3938	0.3866	0.3897	0.3806	0.3884	0.3962
PGK/EUR	0.2298	0.2275	0.2235	0.2175	0.2152	0.2137	0.2180	0.2205
PGK/GBP	0.1930	0.1928	0.1879	0.1845	0.1831	0.1831	0.1855	0.1892
PGK/JPY	36.93	35.87	34.98	34.10	33.86	33.61	34.05	34.49
PGK/SGD	0.3313	0.3309	0.3225	0.3166	0.3142	0.3142	0.3182	0.3246

Westpac PNG Import Indicator

Imports into PNG have been trending down since February



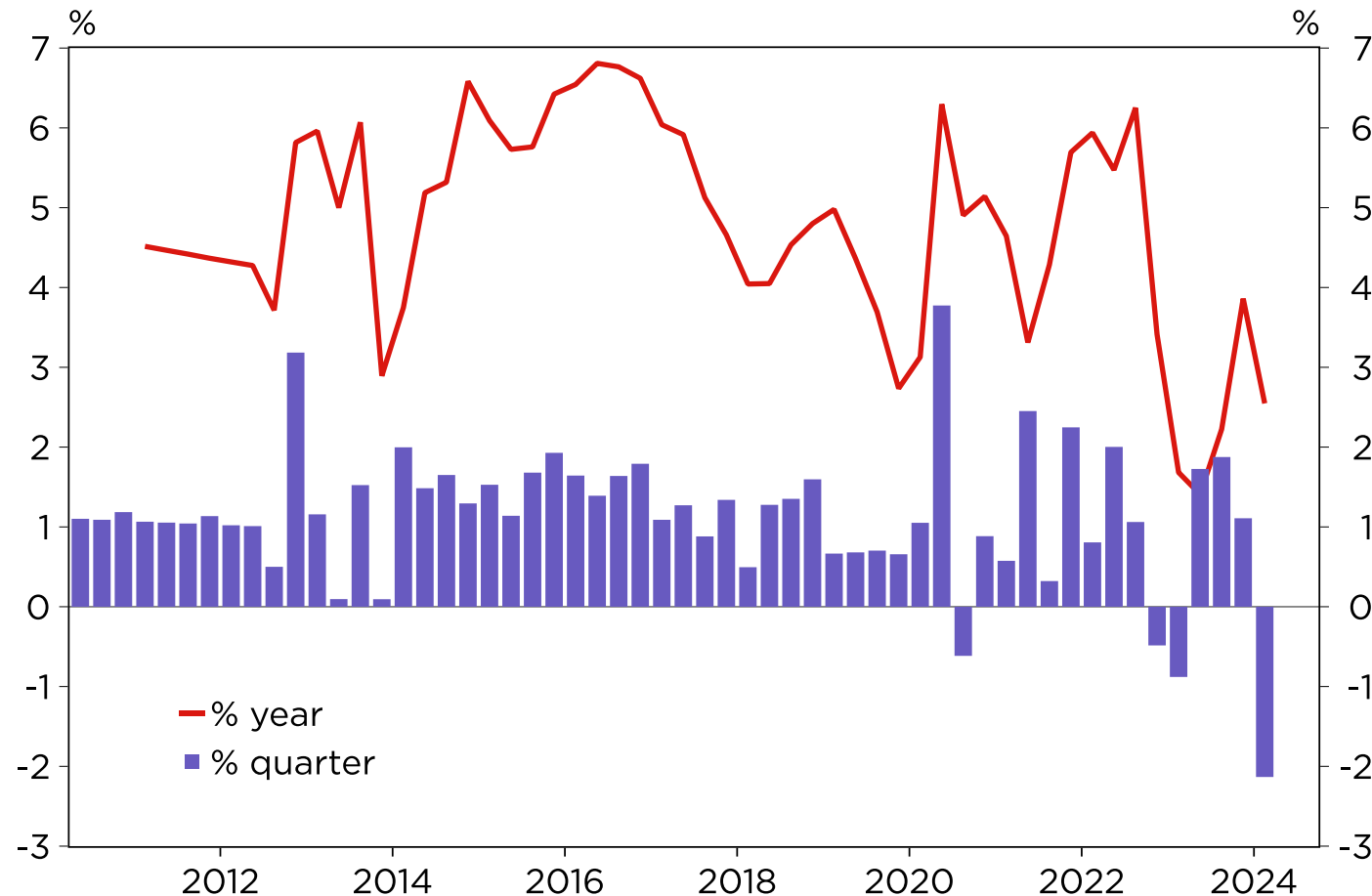
Using IMF Port Activity Data Westpac has generated Import Indicator for PNG.

- The Indicator highlighted the downturn in imports associated with the hit to economic activity associated due to the Covid pandemic through 2020 and 2021.
- It then followed the bounce in activity that occurred as the Covid restriction were lifted resulting in a surge in imports.
- From 2022 imports were trending higher till they peaked in early 2024.
- So far this year imports have been trending down, quite possible due to slower demand but FX shortages limiting importers ability to fund imports would also be a factor.

Inflation moderated but can it be sustained?

Falling tobacco & betel nut driving down the pace of inflation

Consumer Price Index, Index



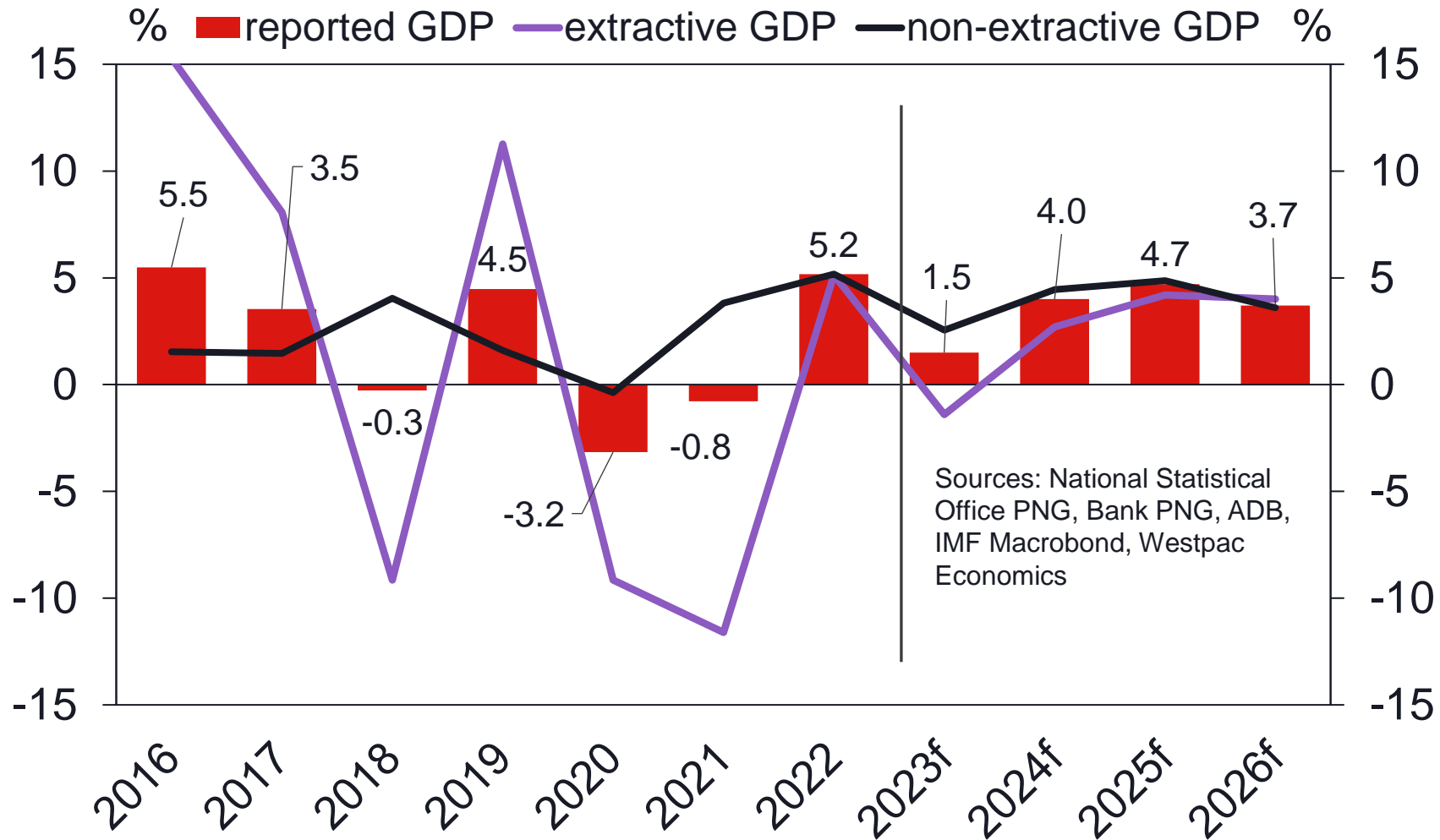
Source: Bank of Papua New Guinea, Macrobond, Westpac Economics

CPI inflation is back eased to 2.5%yr in March 2024.

- In the March quarter the CPI declined 2.1% in the quarter taking the annual pace down from 3.9%yr to 2.5%yr.
- Betel nut has a history of extreme swings due to large variations in supply so a bounce in the June quarter is very possible.
- Communication prices have fallen consistently for the last five quarters to be down 17% since prices peaked in the December quarter 2022.
- Increased competition in the telecommunication space has seen price fall 13.5% in the last year.

PNG real economic growth

Resources a swing factor but domestic demand matters



- COVID hit PNG hard leading to a contraction in 2020 and 2021.
- In 2022 domestic activity bounced back but could not fully offset resources contraction.
- In 2023 non-resources settled back to around 2½% while resources disappointed with delays in both Papua LNG and Porgera with growth slowing to just 1.5%.
- In 2024 the resources recovery is delayed while non-resources are being hindered by political unrest, lack of FX and tight liquidity.
- We are expecting a modest recovery and stronger growth in 2025.

PNG Trading Partner Growth Forecasts

Global & Trading Partner Growth Forecasts

	2020	2021	2022	2023	2024	2025	2026	2027
World Economy	-2.7	6.5	3.5	3.2	3.3	3.2	3.2	3.1
US	-2.2	5.8	1.9	2.5	2.6	1.7	1.7	1.6
Eurozone	-6.1	5.9	3.4	0.4	0.6	1.5	1.3	1.3
Australia	-2.1	5.5	3.9	2.0	1.3	2.2	2.4	3.2
New Zealand	-1.4	5.6	2.4	0.6	-0.3	1.3	2.3	3.1
Japan	-4.1	2.6	1.0	1.9	0.2	1.1	0.9	0.8
China	2.2	8.4	3.0	5.2	4.8	4.5	4.5	4.4
India	-5.8	9.7	7.0	7.8	7.0	6.8	6.5	6.3

Sources: Macrobond, Westpac Economics.



PNG Economic Indicators and Forecasts

Economic indicators		2023 (est)	2024 (forecast)	2025 (forecast)
Inflation	ADB	2.3%	4.5%	4.8%
	BPNG	3.9%	5.0%	5.5%
	IMF	3.5%	5.0%	4.8%
	Westpac	3.9%	5.0%	4.7%
GDP growth	ADB	2.0%	3.3%	4.6%
	BPNG	1.4%	3.0%	4.4%
	IMF	2.7%	4.5%	3.7%
	Westpac	1.5%	4.0%	4.7%

ADB forecasts as at August 2024; BPNG as at March 2024; IMF as at May 2024; Westpac as at May 2024

PNG Economic Forecasts

PNG Economic Statistics

	2019	2020	2021	2022	2023f	2024f	2025f
Money supply (% year)	4.4	7.0	13.4	14.7	9.9	-0.2	6.0
Private Sector Credit (% year)	4.0	4.2	2.5	6.9	14.9	9.8	9.0
Current Account (K millions)	18,522	17,281	12,222	23,797	22,855	25,601	29,210
Gross International Reserves (K millions)	7,880	9,437	11,369	14,266	14,425	14,587	13,999
Total Imports Cover (months)	5.0	7.4	5.4	7.4	12.8	7.3	6.7
Non-mineral imports cover (months)	8.2	11.8	8.4	15.1	30.2	13.3	12.0
Headline inflation (% year)	2.7	5.1	5.7	6.3	4.0	5.0	4.5
Fiscal Surplus/Deficit (K millions)	-4,172	-6,501	-6,270	-5,852	-4,935	-3,984	-2,654
Deficit as % of GDP	-5.0	-8.0	-6.7	-5.4	-4.4	-3.3	-2.0

Sources: Macrobond, Bank PNG, International Monetary Fund, National Statistics Office, Westpac Economics.



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