

PNG Economic Update

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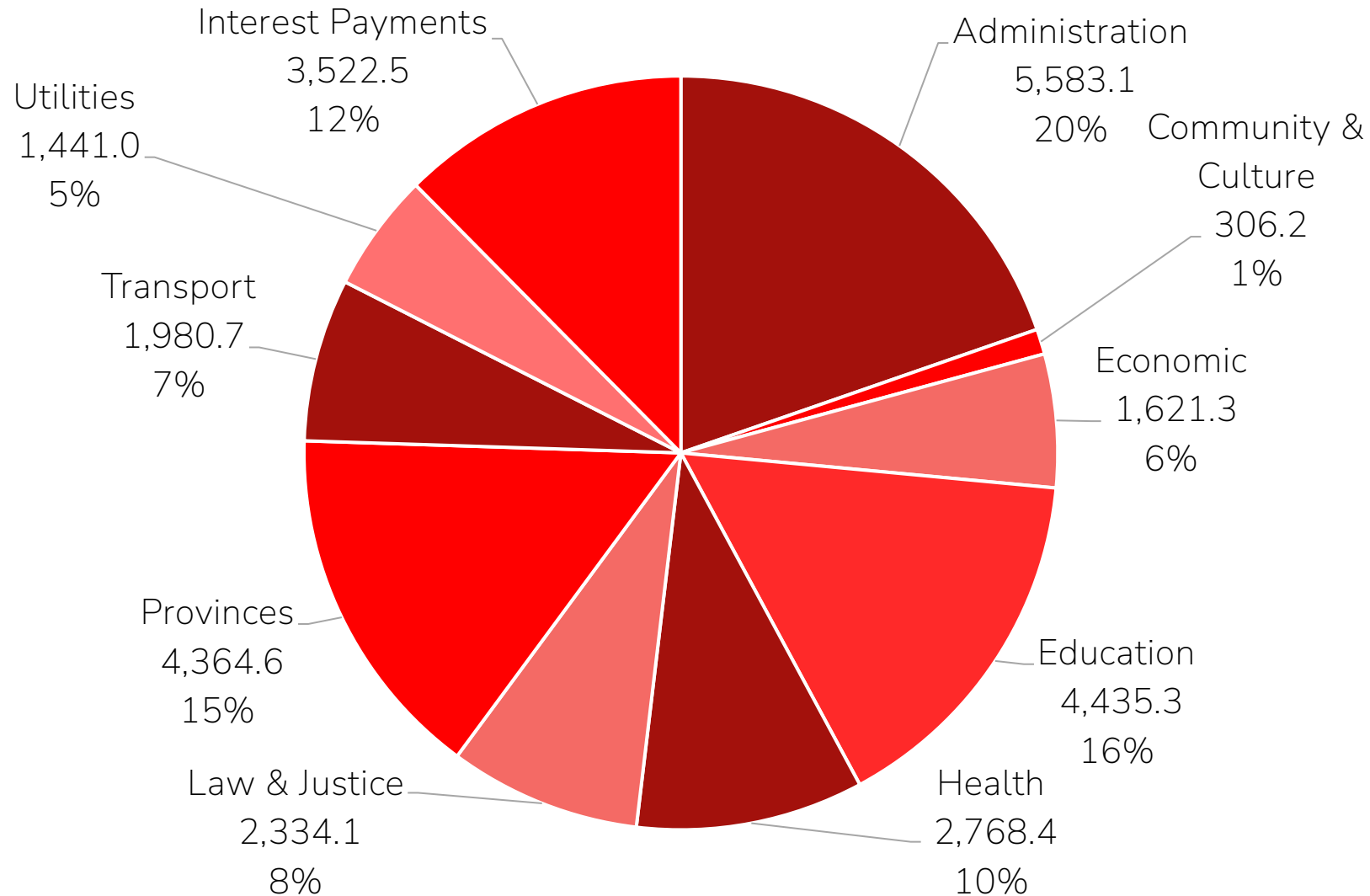
11 December 2024



2025 National Budget Update

- Government of PNG delivered the 2025 National Budget on 29 November 2024 with the theme [“Securing Papua New Guinea in 2025 and Beyond”](#).
- The overall tone was upbeat with the economy forecast to grow 4.7% in 2025 on the back of the resumption of the Porgera mine, improving liquidity in the foreign exchange market, higher commodity prices and increased government spending. Westpac is a touch more upbeat forecasting growth of 5.1% in 2025.
- The Treasurer, Hon. Ian Link-Stuckey, announced K28.36 billion in expenditure for 2025, a 5.4% lift on the 2024 Budget with revenue forecast to rise 10.8% to K25.41 billion.
- The Government appears to be implementing the promised efficiency measures with public service administration expenditure estimated to be 6% less in 2025.
- The forecast lift in revenue is driven by a 13.3% increase in tax collections to K21.2 billion with a focus on income taxes and GST. There is some offset from a 32% drop in grants to K1.50 billion while non-tax revenue is projected to rise to 34% to K2.71 billion due to implementation of the NTRA Act 2022 on fees and charges and the new dividend policy.
- The 2025 Budget projects a 2.2% decline in the deficit to K2.9 million representing 1.1% fiscal consolidation with a deficit of 2.2% of GDP compared to 3.3% in 2024. This will be the third consecutive year of fiscal consolidation and on track for the 13-year Budget Repair Plan objective to achieve a budget surplus by 2027.
- Public debt is expected to increase 7.8% to K64.9 billion. Given the relatively solid forecast rate of economic growth, debt to GDP is forecast to fall to 47.% from 49.8% in 2024 despite in the . The 13-Year Plan aims to achieve budget surplus by 2027 after which the stock of public debt is expected to decline.
- The 2025 fiscal deficit is to be financed through domestic borrowing of K861.2 million and external borrowing of K2.1 billion, with a long-term target for the domestic-to-external debt ratio of 40:60.

2025 Budget Breakdown (Kina, million)



2025 Key Expenditure Policies

- The Budget expenditure of K28.36 billion, of which K18.01 billion is for operational and K10.24 billion for capital expenditure. The budget aims to improve on challenges faced in 2024 around cash flow, while paying additional attention in increasing resources for education, health and law and order.

Sectors with increased budget allocations

- Education is allocated K4.4 billion, a K473.5 million or 12.0% increase on the 2024 Budget. The increased allocation will cover higher remuneration for teachers.
- Health allocation is K2.8 billion which is K239 million or 9.4% higher than the 2024 Budget to fund the hiring of more health workers with direct funding towards critical positions and improve the health facilities.
- The National Parliament was allocated K386.7 million, a 46.7% increase on 2024.
- Community and Culture will receive K306.2 million, a 52.9% increase compared to 2024, with K100 million allocated towards PNG's NRL bid.
- Law and Justice was allocated K2.3 billion, a 10.5% increase on 2024, for the hiring 319 more police personnel with the overall target of 10,000 additional police officers by 2030. The funding also caters for rehabilitation of offenders and recruitment of Village Court Officials and Land Mediators.
- Provincial, which is the provider of public services to rural areas, was allocated K4.4 billion, a 6.8% increase on the 2024 Budget for remuneration, maintaining developments in rural areas and grants allocations.
- Renewables were allocated K225.0 million targeting Agriculture Investment supporting increasing exports of major agricultural commodities, promoting import substitution and an overall strategic target of developing agriculture sector for self-sufficiency and income generation.

2025 Key Expenditure Policies (continued)

Sectors with increased budget allocations (continued)

- Debt servicing expenditure was estimated to be K3.5 billion, a significant 15.5% increase on 2024 due primarily to rising domestic interest rates.

Sectors with reduced budget allocations:

- Administration has been allocated K5.6 billion, which is 2.7% lower than the 2024 budget.
- Economic and Infrastructure received a reduced allocation of K1.6 billion, 4.2% less than the 2024 allocation due to the removal of some temporary items under Division 207. But do note that Renewables above are classified under Economic and Infrastructure. A total of K260.0 million has been allocated towards Infrastructure Development Grants for Statement Commitments in various mining and gas projects in operation under the non-renewable sector.
- Transport had a reduced allocation of K2.98 billion, 1.3% less than 2024. The key priorities include the Connect PNG Roads Missing Links and settling Connect PNG arrears to enhance national connectivity and infrastructure development.
- Utilities has been allocated K1.4 billion, a 20.7% decrease compared to the 2024 Budget.

2025 Household Assistance

There has been a K685.0 million allocation towards the Assistance Package to be delivered through tax relief and subsidy payments. The Package and aims to provide some relief to households from the rising cost of living brought on through uncertain geopolitical environment impacting on key commodity prices. The package includes:

- Zero GST rating on 13 basic food items from 1 July 2025 (through to 30 June 2026) with an estimated support of K210.0 million. Items that qualify for zero rating includes cooking oils, rice, tinned fish, tinned meat, noodles, chicken, flour, soap, sanitary pads and tampons, baby diapers, tea and coffee.
- Personal income tax threshold has been increased to K20,000 which will add K300.0 million towards disposable income of lower income earning individuals.
- The threshold for the first home buyers stamp duty exemption was increased to K700,000, equivalent support of K15.0 million, with an aim to encourage first home ownership.
- School Project Fees funding of K160.0 million to relieve rural parents from additional project fees burden.

Reduction in company tax rates to banking sector

- To encourage competitiveness in the banking sector, the rate of company tax on commercial banks with taxable income of less than K300 million will be reduced from 45% to 40% from 1 January 2025, and further to 35% from 1 January 2026.
- Commercial banks with taxable income of more than K300.0 million will see the rate reduced from 45% to 44% from 1 January 2025, with a further one percentage point reduction each fiscal year until the rate of 35%.

Local Economic Conditions

- On to produce the Minister for Mining, Hon. Wake Goi, inaugurated the Consultative Forum for the Central Cement & Limestone Project (CCLP). The forum aimed to further the project's Community Development Agreement (CDA). Located in Kido, Central Province, CCLP represents a major economic opportunity, boasting 382 million tonnes of high-grade mineral resources for the production of quicklime, clinker, and cement supporting national infrastructure needs and reducing dependency on imports. Construction is scheduled to commence in 2025 . [Goi Leads Mining Project Consultative Forum – PNG Business News.](#)
- Atlas Steel PNG has expanded its offerings to cater to the mining sector, offering local mines an alternative to international suppliers. Atlas Steel is responding to increased demand by introducing a variety of consumables and ground support products for both surface and underground mining operations. [Atlas Steel Expands Services for Mining Sector – PNG Business News](#)
- Great Pacific Gold Corp. issued a corporate update on its Wild Dog Project and the ongoing diamond drilling program at the Kesar Project. An extensive exploration program for 2025 has been outlined, focusing on a 3km segment of the Wild Dog corridor. This region has a history of mining operations revealing significant brecciation, alteration, and veining, indicating a substantial hydrothermal system, as evidenced by high-grade intervals from previous drilling. Great Pacific Gold Corp. plans to extend the program into 2025 to include testing the highly prospective East Vein Zone, located 2 kilometers north of current drilling at Anteruno. [Great Pacific Gold Provides Corporate Update on Wild Dog, Kesar Drilling and AGM Results – PNG Business News](#)
- Kedi Ilimit, the Managing Director and Chief Executive Officer of Ok Tedi Mining Limited (OTML), announced a final dividend payment of K250 million for 2024 making the total dividends paid in 2024 to K450 million, following an interim dividend of PGK200 million declared earlier this year. [Ok Tedi Declares Final Dividend of K250 Million – PNG Business News](#)

Local Economic Conditions

- Papua New Guinea's Minister for Mining, Hon. Wake Goi, has reiterated his dedication to transparency and efficiency within the country's mining sector. Minister Goi announced the approval of 48 tenement licenses encompassing a range of activities, including alluvial mining, exploration, and license modifications. The sanctioned licenses comprise 18 extensions, five new grants, three variation proposals, four alluvial mining leases, seven new alluvial mining leases, six dealing transfers, and one tribute agreement. [Minister Goi Champions Transparency with Mining License Approvals - PNG Business News](#)
- Bank of Papua New Guinea (BPNG), on behalf of the Green Finance Centre (GFC), signed a memorandum of understanding with the International Finance Corporation (IFC) and the Securities Commission of Papua New Guinea for establishing the foundations of a thematic bond market in PNG and developing the next version of BPNG's Inclusive Green Finance Taxonomy (Green Taxonomy). The IFC will provide technical support in developing the next version of the Green Taxonomy. The Green Taxonomy aims to define what constitutes a green and sustainable investment. PNG has targeted a 50% reduction in greenhouse gas emissions by 2030 and carbon neutrality by 2050. [BPNG signs deal to strengthen sustainable finance – PNG Business News](#)
- Tolu Minerals Limited has expanded the mineralisation of its Tolukuma gold and silver deposit from its latest drilling program at the Taula vein system. Situated 4.5 kilometers southeast of the existing mine, this exploration confirmed high-grade gold and silver intersections opening the potential for substantial resource expansion. [Tolu Minerals Expands Tolukuma to the Southeast – PNG Business News](#)

Local Economic Conditions

- Mayur Resources Limited continues to advance its Central Lime Project. Recently, the company received crucial equipment and materials which will aid the development of the wharf and other essential infrastructure as the company moves towards full-scale construction, pending a Final Investment Decision. Completing Stage Two of the wharf will enable Roll-On/Roll-Off (RO/RO) and crane-loaded barge operations, facilitating the sale of raw limestone by Mayur and the continued delivery of construction equipment and materials necessary for full-scale construction. [Early construction works ramp up at Central Lime Project – PNG Business News](#)
- The Australian government and NRL are anticipated to announce Papua New Guinea's inclusion as an NRL entity for the 2028 season. This long-awaited milestone is set to become a reality for the rugby league-loving nation, with Prime Ministers Anthony Albanese and James Marape expected to reveal the news this week. Before joining the NRL in 2028, the PNG team will have two years to establish a squad and base, supported by \$600 million from the Australian government. [Sky News](#).
- Announced in the 2025 Budget was that all Papua New Guinea NRL and NRL franchise club players (both PNG Citizens and non-citizens), staff and officials will be exempt from income tax in PNG from January 2025 to January 2036.
- Santos has successfully completed the Angore project in Hela Province. This development will deliver up to 350 million standard cubic feet (mmscf) of gas per day and unlocks access to an estimated one trillion cubic feet of natural gas resources, strengthening PNG's position as a key player in the global LNG market. [Santos Completes Angore Project in Hela Province – PNG Business News](#)

Interest Rates and Government Bonds

Interest Rates

- Kina Facility Rate –increased by 1% to 4% in September, no change in November with Fixed Rate Full Allotment 7–day rate changing to match.
- 1-year T-Bills continues to march higher, trading at 8.65% in 6-Dec auction, off an early March low of 3.11%.
- September saw a return of a Treasury Government Inscribed Stock Auction. Results were soft again as per the most recent mid-year auction, with only a total of K217m bids received from K800m on offer. K135m of those bids were successful. Notably, rates in the 2 & 3 year tenors increased by 50 and 70bps respectively.

Government Bond Auction

- 03-Dec-24/GOB/Government Bond. Settlement date 6-Dec-24. Amount on Offer: K100.00million

Series	Amount on Offer (K'million)	Bids Received (K'million)	Successful Bids (K'million)	Successful Yields (K'million)	Weighted Average Rate (WAR)	Coupon Rate	Overall Auction Net Subscription
Issue ID 2024 / 3658 (5 Years)	10.000	22.000	22.000	9.39%-9.45%	9.41%	9.40%	K12.000
Issue ID 2024 / 3659 (6 Years)	10.000	26.000	25.000	9.59% - 9.62%	9.60%	9.50%	K16.000
Issue ID 2024 /3660 (7 Years)	20.000	30.000	30.000	9.68% - 9.71%	9.70%	9.60%	K10.000
Issue ID 2024 / 3661 (8 Years)	20.000	45.000	45.000	9.88% - 9.91%	9.90%	9.70%	K25.000
Issue ID 2024 / 3662 (9 Years)	20.000	46.000	1.000	9.87% - 9.87%	9.87%	9.80%	K26.000
Issue ID 2024 / 3663(10 Years)	20.000	40.000	40.000	9.92% - 9.96%	9.94%	9.90%	K20.000
TOTAL	100.000	209.000	163.000				109.000



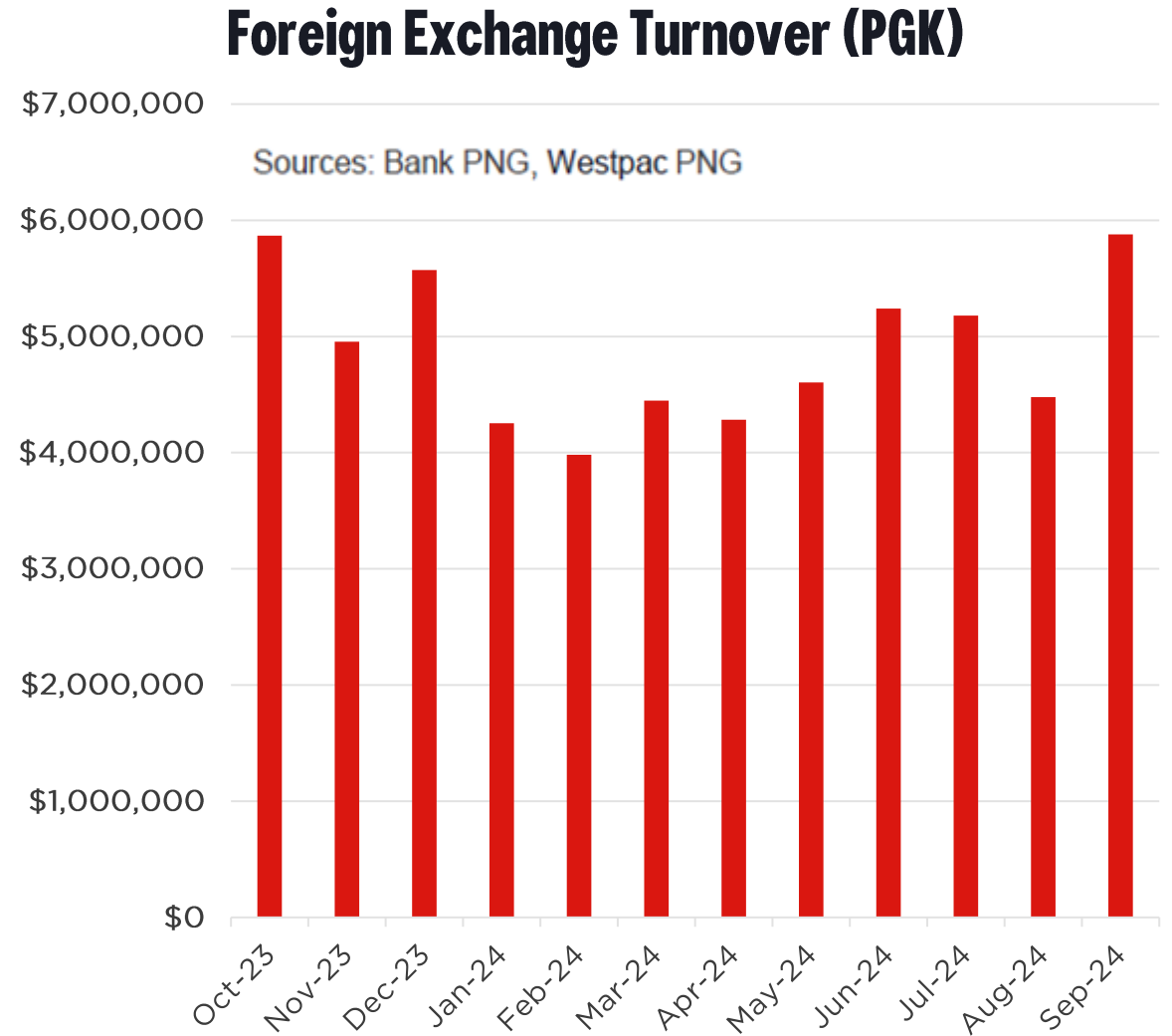
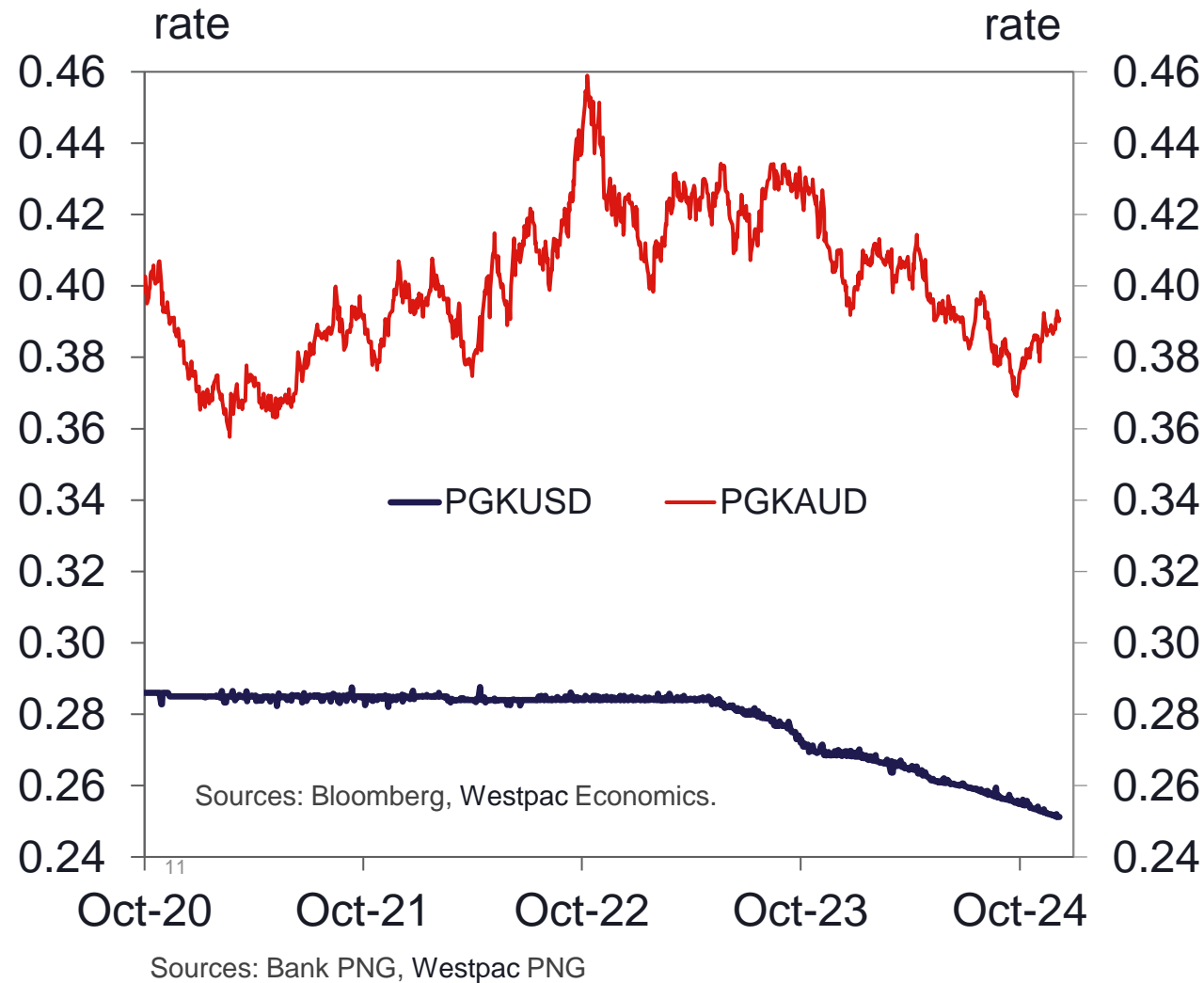
Foreign Exchange and the Kina

- The PGK continued its crawling-peg depreciation against the USD, with the PGK/USD exchange rate moving from 0.2534 at the end of October to 0.2517 at the end of November.
- It continued to move lower through December and as we went to press it was down to 0.2512.
- However, the AUD was depreciating faster against the USD than the PGK with the PGK/AUD appreciating from 0.3850 to 0.3864 through November.
- This trend continued into December with the PGK/AUD hitting 0.3908 as we were finalising the report.

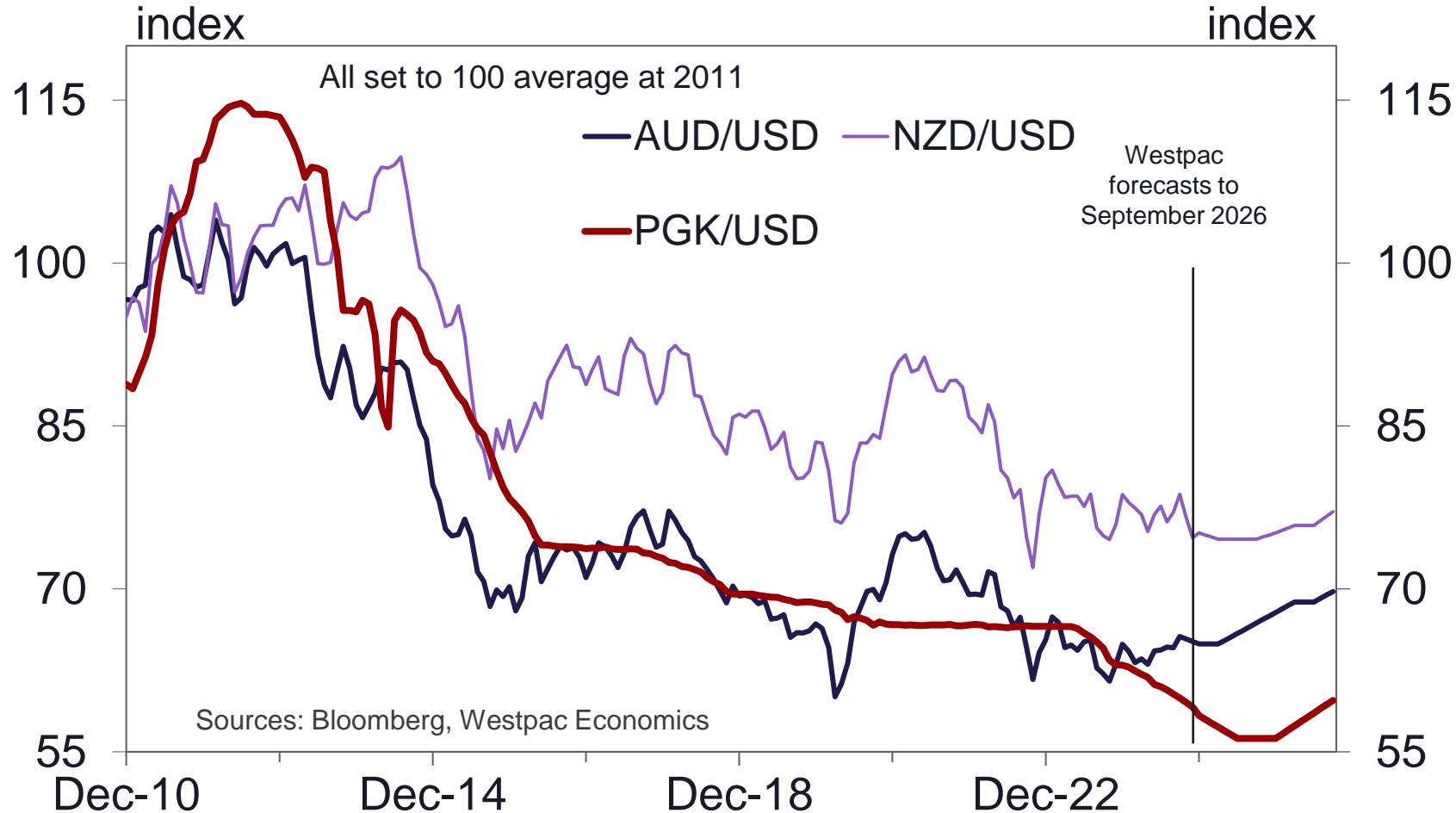
Foreign Exchange Forecasts

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
PGK/USD	0.2512	0.2492	0.2447	0.2402	0.2402	0.2402	0.2452	0.2538
PGK/AUD	0.3908	0.3612	0.3496	0.3384	0.3337	0.3291	0.3359	0.3799
PGK/NZD	0.4299	0.4020	0.3885	0.3813	0.3844	0.3754	0.3832	0.4202
PGK/EUR	0.2381	0.2245	0.2205	0.2145	0.2122	0.2107	0.2151	0.2351
PGK/GBP	0.1971	0.1874	0.1840	0.1793	0.1793	0.1793	0.1817	0.1955
PGK/JPY	38.04	35.39	34.51	33.63	33.39	33.15	33.60	38.34
PGK/SGD	0.3368	0.3215	0.3157	0.3075	0.3075	0.3075	0.3114	0.3341

Foreign Exchange; the kina depreciation remains gradual



A gradual managed depreciation to continue

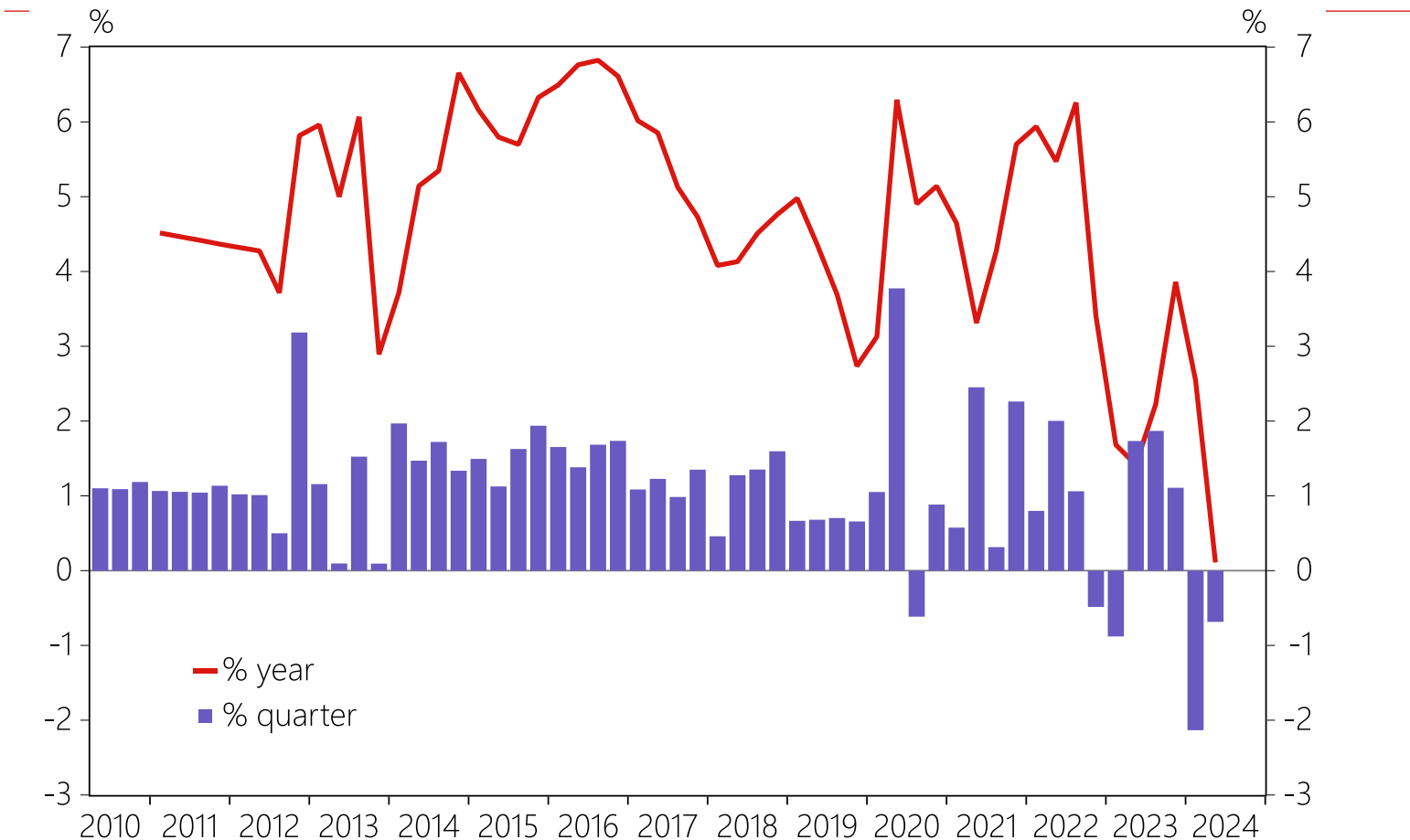


- BPNG has managed a gradual depreciation of the kina via an increase in intervention while minimising currency volatility.
- There has also been an increase inflow from PNG exporters looking to convert exports sales receipts.
- Since the first quarter of 2023, the kina has depreciated -11% against the US dollar (-12% to the AUD).
- Westpac is forecasting a further 4.4% depreciation to 0.2402 at September 2025 with any recovery or appreciation delayed until 2026.

Inflation moderated but can it be sustained?

Falling alcoholic beverages, tobacco & betel nut driving down the pace of inflation

Consumer Price Index, Index



CPI inflation is back eased to 0.1%yr in June 2024.

- In the June quarter the CPI declined 0.7% in the quarter taking the annual pace down from 2.5%yr to 0.1%yr.
- Betel nut has a history of extreme swings due to large variations in supply so a bounce in the September quarter is very possible.
- Communication prices have fallen consistently for the last six quarters now to be down 17.6% since prices peaked in the December quarter 2022. Communication prices fell by further 12.8%yr in June 2024
- Increased competition in the telecommunication space has seen prices fall and this is likely to continue with Starlink entering the market.

PNG Economic Indicators and Forecasts

Economic indicators.		2023 (est)	2024 (forecast)	2025 (forecast)
Inflation	ADB	2.3%	3.0%	4.8%
	BPNG	3.9%	5.0%	4.5%
	IMF	2.3%	4.4%	4.8%
	Westpac	3.9%	5.0%	4.7%
GDP growth	ADB	2.0%	3.2%	4.5%
	BPNG	2.7%	3.0%	4.3%
	IMF	2.9%	4.6%	3.7%
	Westpac	2.8%	3.7%	5.1%

ADB forecasts as at Sep 2024; BPNG as at Sept 2024; IMF as at Oct 2024; Westpac as at Nov 2024

PNG Trading Partner Growth Forecasts

Global & Trading Partner Growth Forecasts

	2021	2022	2023	2024	2025	2026	2027
World Economy	6.5	3.5	3.2	3.3	3.3	3.3	3.2
US	5.8	1.9	2.9	2.7	2.3	2.0	1.8
Eurozone	5.9	3.4	0.4	0.6	1.5	1.5	1.3
Australia	5.5	3.9	2.0	1.3	2.2	2.4	3.2
New Zealand	5.6	2.4	0.7	0.0	1.5	2.8	3.1
Japan	2.6	1.0	1.9	0.1	1.1	0.9	0.8
China	8.4	3.0	5.2	5.0	4.8	4.5	4.4
India	9.7	7.0	7.8	7.0	6.8	6.5	6.3
Sources: Macrobond, Westpac Economics.							

PNG Economic Forecasts

PNG Economic Statistics

	2019	2020	2021	2022	2023f	2024f	2025f
Money supply (% year)	4.4	7.0	13.4	14.8	9.9	7.3	7.5
Private Sector Credit (% year)	4.0	4.2	2.5	6.9	19.0	11.5	12.3
Current Account (K millions)	18,522	17,281	12,222	23,797	18,121	21,664	26,064
Gross International Reserves (K millions)	7,880	9,437	11,369	14,226	14,425	13,285	15,969
Total Imports Cover (months)	5.0	7.4	5.4	5.9	6.7	7.3	6.5
Non-mineral imports cover (months)	8.2	11.8	8.4	8.1	13.0	13.3	10.4
Headline inflation (% year)	2.7	5.1	5.7	3.4	3.9	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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