

WESTPAC WAILIS

PNG ECONOMIC UPDATE AND OUTLOOK

February 2025



PERSISTENT UNDERLYING INFLATION, BANK KEEPS KINA FACILITY RATE UNCHANGED AND RESOURCE DRIVEN GROWTH

Economy: Papua New Guinea experienced better than expected growth in 2024 supported by robust exports for gold, copper, crude oil, and agricultural products. Although LNG and nickel exports declined through the first three quarters of the year, they rebounded in the last quarter setting a positive tone for 2025. Furthermore, the National Statistical Office revised economic growth in 2023 from 3.0% to 3.8%, with a lift in the momentum of services and domestic industries supported by better-than-expected outcomes from resources and agricultural.

Inflation: The December Consumer Price Index revealed headline inflation gaining just 0.7% in the year and 2.7% in the quarter. Betel nut & mustard was a significant seasonal factor driving this outcome declining 25.2% in the year. After accounting for volatile items, underlying inflation in the December quarter rose to 5.4% in the year, from 4.4% in the prior quarter, indicative of persistent inflationary pressures.

Monetary Policy: The Bank of PNG kept the Kina Facility Rate (KFR) unchanged at 4.00% at its February decision due to elevated underlying inflation. The rate was raised by a full percentage point in September 2024 as the Bank assessed a sound economic outlook and ongoing underlying inflationary pressure. The KFR had previously remained at 2.00%, during the first quarter of 2024 but has since moved higher as the Bank assessed economic growth to be robust and that inflationary risk were building. The Bank will publish its next Monetary Policy Statement in March, following the most recent update in September, and we will be looking for further insights on the potential KFR path as well as the current crawling peg depreciation for the Kina. We expect the kina to continue to depreciate to the middle of this year finding a base around 0.2405.

Trade: Merchandise exports increased 10% while imports declined 20% during the first three quarters of 2024, resulting in an unprecedented trade surplus. The trade surplus grew 33% during the first nine months of 2024. These additional receipts should help mitigate some of the current shortfall in the foreign exchange market.

Commodity: Cocoa and coffee prices reached record levels due to weather-related supply constraints among major suppliers. This is an extremely good opportunity for the cocoa and coffee producers to capitalize from current price hike. Despite a strong dollar, gold prices rallied, with PNG achieving good returns on its gold exports supported by increased output from the Porgera mine.

Outlook: We have revised our 2024 growth estimate upwards to 4.3% from 3.7%, driven by the exceptional performance of key resource sectors. We anticipate PNG's economy will grow by 4.7% in 2025, propelled by strong economic momentum from the previous year. This year, we will focus on the United States' protectionist policy agenda, which could significantly impact global growth and inflation. While we don't expect significant direct impacts from these tariffs on PNG due to minimal direct trade exposure to the US, we remain vigilant about their effects on key trading partners and potential indirect impacts on PNG's economy. Additionally, we are monitoring the broader impacts of revised US foreign, financial, and aid policies on global activity and confidence.

For enquiries: Shamal Chand, Senior Economist

Email: shamal.chand@westpac.com.au

Phone: +679 998 3024

Revised outlook points to broad economic expansion

The National Statistical Office (NSO) revised PNG's 2023 growth to 3.8%, up from the November estimate of 3.0%, due to an underestimation of crude petroleum and natural gas production. Initially reported as declining by 3.0%, this sector grew by 1.2% in 2023.

These revisions impact not just 2023 growth but also Westpac's outlook for PNG, leading to updated projections for 2024 and 2025. The higher base for 2023, better-than-expected performance in key sectors and data for the first three quarters in the year suggest PNG's economy grew by 4.3% in 2024, up from our previous estimate of 3.7%. However, the 2025 growth forecast was revised down from 5.1% to 4.7% due to the base effect.

The 2025 Budget presented a 5.4% increase in government expenditure which is expected to continue to drive consumption. The resource sector remains crucial, but robust growth in the services sector is also vital as growth in primary and industrial sectors increases demand for many services. The information and communication sector grew by 15.5% in 2023 with increased competition with Vodaphone and Starlink entering the market and competing with established providers on price with double-digit growth expected to continue at least for the medium-term. Transport and storage are set to benefit from the commencement of new resource projects and further expansions of existing projects while the construction sector, which grew

by 3.7% in 2023, is expected to maintain its momentum on the back of the resources sector.

There are several major projects in the pipeline, with final investment decisions still to be made. However, uncertainty persists in regard to the start of these projects. Santos has completed its Angore project, adding to gas reserves and maintaining momentum in this important export sector.

Overall, gold production and exports increased significantly in 2024, boosting the resource extraction sector and enhancing growth performance. Given gold prices continue to hit record highs, we expect this momentum to persist through 2025. Further details on Westpac's outlook for gold is provided in later sections of this report.

The PNG Government remained committed to its fiscal consolidation and budget repair plans, with no surprises on the 2025 Budget. The budget focused on reprioritization with increasing funding for education, health, social services, and law and justice, while it cut expenditure on administration, infrastructure development, transport, and utilities. Revenue is expected to rise by 10.8% in 2025, with strong economic growth of 4.7% projected for this year. While this is down from our November forecast of 5.1% as this revision is mostly due to base effects and accounting factors, we hold an optimistic view of upside risks to this forecast. Detailed coverage of the 2025 budget is provided in our [December Monthly Update](#).

Medium-term economic growth forecast

% growth	2021	2022	2023e	2024f	2025f	2026f	2027f
Primary	-7.1	4.3	1.2	3.4	3.4	3.3	3.1
of which mining	-11.6	5.1	1.3	3.7	3.6	3.6	3.5
Industry	6.1	11.2	2.5	4.0	4.3	4.3	4.3
Service	4.5	6.3	5.0	5.0	5.0	5.1	5.0
Net taxes	10.5	2.7	20.4	6.0	13.0	4.3	4.1
Real GDP	-0.5	5.7	3.8	4.3	4.7	4.3	4.1

Source: Westpac PNG forecast

Growth outlook by sectors

Sectors	2019	2020	2021	2022	2023e	2024f	2025f	2026f
Agriculture, Forestry and Fishing	2.3%	1.9%	1.1%	3.1%	1.0%	3.0%	2.9%	2.9%
Mining and Quarrying	11.3%	-9.2%	-11.6%	5.1%	1.3%	3.7%	3.6%	3.6%
Manufacturing	-0.6%	-6.4%	7.3%	10.4%	-0.9%	2.0%	2.0%	2.0%
Electricity, Gas, Steam and Airconditioning Supply	4.0%	4.6%	-2.5%	0.5%	1.1%	3.0%	2.9%	2.8%
Water Supply, Sewage, Waste Management	4.1%	6.3%	6.7%	7.3%	0.0%	4.9%	5.0%	4.8%
Construction	-8.6%	-0.2%	7.2%	13.4%	3.7%	4.7%	5.0%	5.0%
Wholesale and Retail Trade	1.5%	-0.1%	5.9%	6.8%	2.8%	3.4%	3.8%	4.5%
Transport and Storage	3.6%	-20.2%	3.0%	12.2%	5.8%	5.0%	4.8%	4.5%
Accommodation and Food Service Activity	-1.3%	-8.4%	4.7%	6.2%	3.2%	3.0%	3.0%	3.0%
Information and Communication	15.9%	6.5%	18.8%	12.6%	15.5%	13.9%	13.5%	13.0%
Financial and Insurance Activities	-4.6%	-10.9%	-0.4%	3.5%	4.7%	4.5%	4.5%	4.5%
Real Estate Activities	2.7%	2.6%	0.3%	2.8%	3.0%	3.0%	3.0%	3.0%
Professional, Scientific and Technical Activities	11.6%	0.2%	-1.8%	4.6%	3.8%	5.0%	4.5%	4.5%
Administrative and Support Service Activities	4.1%	-0.8%	0.7%	9.1%	2.7%	5.7%	5.5%	5.5%
Public Administration and Defence, Compulsory Social Security	0.5%	8.9%	7.5%	3.8%	9.7%	5.0%	4.8%	4.5%
Education	0.7%	1.4%	6.0%	3.4%	5.5%	5.0%	4.8%	4.5%
Human Health and Social Work Activities	0.7%	9.8%	8.3%	3.3%	2.5%	3.3%	3.3%	3.3%
Arts, Entertainment and Recreation	0.3%	-4.2%	7.2%	5.9%	2.3%	5.0%	4.5%	4.0%
Other Service Activities	3.6%	-15.6%	-2.3%	13.9%	8.0%	7.0%	6.5%	6.0%
Activities of Households as Employers	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
GVA at Basic Prices	4.5%	-2.9%	-1.0%	5.8%	3.1%	4.2%	4.2%	4.3%
Taxes Less Subsidies on Products	5.0%	-9.9%	10.5%	2.7%	20.4%	6.0%	13.0%	4.3%
Gross Domestic Product (GDP)	4.5%	-3.2%	-0.5%	5.7%	3.8%	4.3%	4.7%	4.3%

Source: Westpac PNG estimates

Glimpse on global outlook as tariff threat intensifies

The global outlook has been clouded due to tariff threats, shifting international policy frameworks, and rumoured potential changes in the international financial infrastructure by the Trump administration. Since our November update, several significant developments have occurred: a ceasefire between Israel and Hamas (under threat), expectations that the Fed will deliver fewer rate cuts, volatility in commodity markets due to emerging trade wars, and intensified competition in artificial intelligence as China's energy-efficient models take centre stage.

As the new year began, the news centred around the incoming Trump administration's policies, particularly regarding tariffs and protectionism, leading to an increase in economic uncertainty. While universal tariffs were promised, at first the primary targets were Mexico, Canada, and China. Meanwhile, many other countries did not remain passive with many stating their intention to retaliate against any tariffs imposed. In February, President Trump signed executive orders imposing 25% tariffs on Mexico and Canada, prompting retaliatory measures. This caused the US dollar to rally. However, following negotiations addressing US concerns about illegal immigration and drug trafficking, the orders were put on hold for a month. When the news broke that the tariffs were put on hold, the US dollar lost its gains, demonstrating how quickly markets react to such developments.

In retaliation, China introduced a 15% tariff on US coal and liquefied natural gas, and a 10% tariff on American crude oil, agricultural machinery, and large-engine cars on February 10th. There is a consensus that China prefers to avoid a trade war, as its struggling domestic economy continues to rely on exports and a substantial trade balance to drive growth. China's property market slump and subdued domestic consumption have been challenging for the Chinese government, but they have been able to diversify their export markets across the rest of developing Asia providing something of a buffer against a trade war with the US.

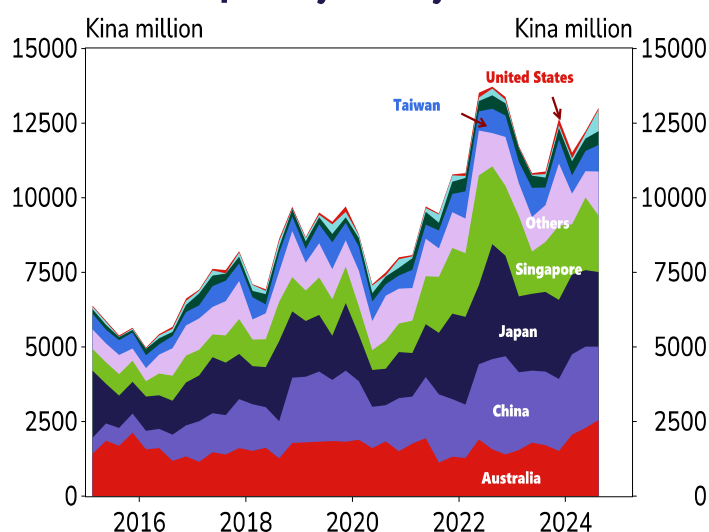
Westpac Economics projects the global economy to expand by 3.3% in 2025, driven by robust US growth. Positive growth is also expected to return to Japan and New Zealand after a downturn last year. Strong growth and the risk of elevated inflation suggest that the US Federal Reserve is unlikely to implement any rate cuts before March 2026. In Australia, recent positive inflation data led the Reserve Bank of Australia to cut its cash rate by 25bps to 4.10% in February.

Do US tariffs pose a risk to PNG's exports?

The US tariff threats have introduced significant increased uncertainty into the global economy. There was the originally proposed universal tariff of 10%, in addition to a 25% tariff on Mexico and Canada which was expanded to a 25% tariff on all steel and aluminum imports. Then we have retaliatory tariffs for any barriers to US exports, including local GST/VAT taxes, being considered. We are yet to get confirmation on the implementation of these tariffs but major economies have stated they are prepared to respond if they are introduced.

PNG's top four export destinations are Australia, China, Japan, and Singapore. In 2023, PNG exported K394 million worth of merchandise to the United States, accounting less than 1% of total exports that year. During the first nine months of 2024, PNG's merchandise exports to the United States amounted to K319 million showing just how small the direct exposure is to the US market. For PNG, the risk lies with the impact the tariffs on global growth, commodity prices and inflation.

Merchandise exports by country



Source: , Macrobond, Westpac Economics

Underlying inflation stubbornly high

Being a small open economy, Papua New Guinea's (PNG) remains susceptible to global inflation pressure, commodity price volatility, currency fluctuations, and domestic economic conditions. In the December quarter, both the headline and underlying inflation accelerated.

In the year to the December, PNG's Consumer Price Index (CPI) gained 0.7% on the back of a 2.7% lift in the quarter. Underlying inflation stood at 5.4% in the year, rising from 4.4%yr in the previous quarter indicative of persistent inflationary pressure. It has been this persistent underlying inflation that has forced the Bank of PNG to maintain the Kina Facility Rate (KFR) at relatively restrictive levels. Headline inflation, excluding seasonal items — an alternative core measure — rose by 5.3%yr to December. Meanwhile, inflation excluding seasonal items, customs excise, and price-controlled goods increased by 6.4%yr, a further sign of significant underlying inflationary pressures.

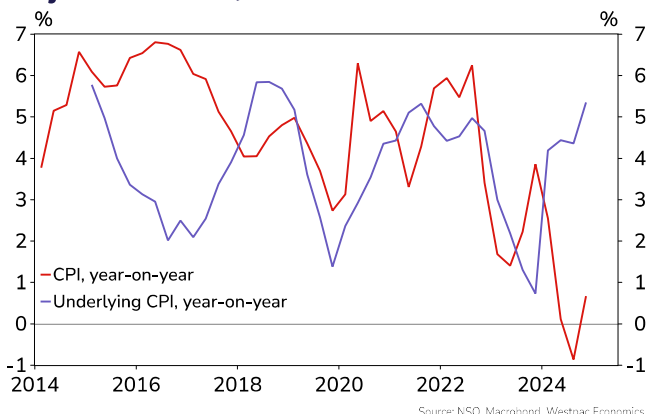
Consistent with global trends, services have been a key driver of elevated core inflation rising by 2.4% in the year to December. In contrast, and again consistent with global trends, core goods prices fell by 0.1%yr.

In the December quarter alcoholic beverages, tobacco & betel nut fell by 9.5% in the year due to a significant 25.2% fall in betel nut & mustard prices. Conversely, alcoholic beverages and tobacco rose by 6.4% and 21.5% respectively. It was also significant that communications also declined by 1.8% in the year to December due in increasing competition in the sector. Although the pace of decline in communications prices have slowed of late, we expect the entry of Starlink into the PNG market will see communication prices fall further.

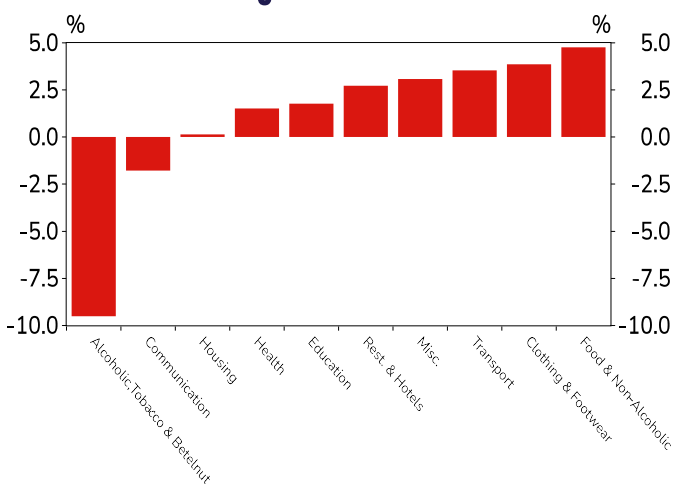
However, inflationary pressures are not equal across the country. Headline inflation dropped to 0.5% year in the Alotau-Kimbe-Kokopo/Rabaul area, down from 1.4% year in September and 4.4% year in the June. Contrast that with headline inflation up sharply to 7.2% year in the Goroka-Hagen-Madang area in December, an acceleration from 3.3%yr in September and 3.9%yr in June. We also note consistent deflationary pressures persisted in Lae with prices falling 4.3%yr in the December, following a 6.3%yr decline in September.

Headline inflation rebounded into the positive zone in Port Moresby, up by 0.5%yr in December following a price reduction of 0.8%yr in the previous quarter. Among all major areas/regions, Port Moresby experiences smaller and relatively more stable price movements.

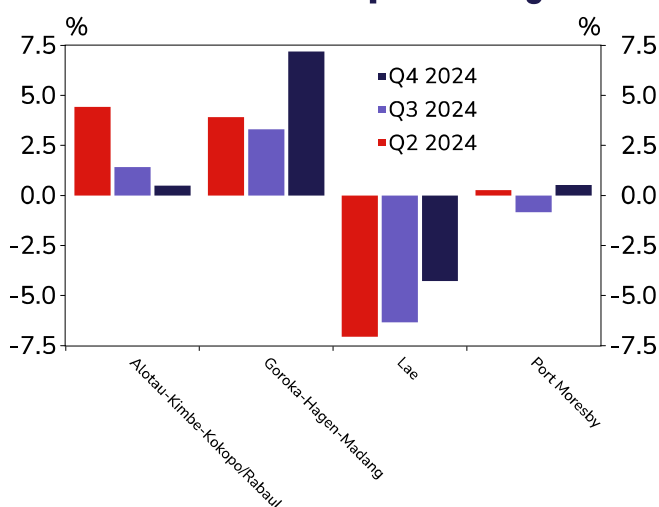
CPI just above zero, trimmed mean far more robust



PNG's inflation categories December 2024



Headline inflation in respective regions



Betel Nut and Mustard, the seasonal factor

Consumer Price Index breakdown

Categories	% yr Jun-23	% yr Sep-23	% yr Dec-23	% yr Mar-24	% yr Jun-24	% yr Sep-24	% yr Dec-24
Food and Non-Alcoholic Beverages	7.4	6.4	5.5	4.4	4.9	4.2	4.8
of which, Cereals	8.7	7.5	7.1	7.8	8.2	6.1	6.8
of which, Meat	6.4	4.7	2.9	3.6	2.0	1.8	3.0
of which, Fish	8.5	5.6	3.3	4.9	3.9	4.0	5.1
of which, Fruits & Vegetables	6.3	9.3	9.0	0.8	5.2	4.1	3.2
of which, Dairy Products, Eggs, Cheese	8.1	5.6	3.0	1.6	0.5	3.5	5.0
Alcoholic Beverages, Tobacco and Betel Nut	-3.4	1.8	13.2	-0.6	-14.9	-16.8	-9.5
of which, Alcoholic Beverages	8.1	4.7	4.3	1.3	1.6	5.7	6.4
of which, Tobacco	-15.5	-15.0	-4.9	8.4	8.5	7.6	21.5
of which, Betel Nut and Mustard	0.3	10.6	26.2	-5.6	-28.5	-32.8	-25.2
Clothing and Footwear	7.7	9.8	9.3	10.7	5.1	3.3	3.9
of which, Clothing	6.2	11.9	10.6	10.5	14.4	6.9	6.9
of which, Footwear	9.8	9.1	6.6	5.1	-0.4	-1.5	0.3
Housing	0.4	0.3	1.9	1.2	1.8	1.1	0.1
of which, Rent	1.6	1.8	1.8	1.7	0.8	0.9	1.2
of which, Housing maintenance	16.2	11.3	1.4	8.1	2.1	-6.0	-0.4
Household Equipment	10.5	7.8	5.9	3.6	0.7	0.0	0.4
Transport	0.7	2.3	3.0	2.4	3.2	2.0	3.5
of which, Motor Vehicle Purchases	2.0	2.3	-2.9	-1.9	-1.5	-1.9	3.0
of which, Fares	1.6	1.6	1.4	2.7	2.7	2.0	5.1
of which, Fuels and Lubricants	-13.6	2.1	20.3	8.9	20.3	3.6	-7.1
Communication	-0.7	-7.4	-14.8	-13.5	-12.8	-9.6	-1.8
Health	1.6	5.8	8.6	6.9	5.0	3.6	1.5
Recreation	2.7	1.3	1.3	1.8	-0.6	1.1	2.1
Education	-22.9	-22.9	-22.8	1.8	1.8	1.8	1.8
Restaurants and Hotels	9.5	11.1	5.2	6.0	2.5	1.3	2.7
Headline inflation	1.4	2.2	3.9	2.5	0.1	-0.9	0.7
Underlying inflation	2.2	1.3	0.7	4.2	4.4	4.4	5.4
Headline inflation excl. seasonal, customers excise and price controls	4.5	3.2	2.2	5.3	5.5	5.5	6.4

Sources: NSO, BPNG and Westpac PNG

Bank keeps Kina Facility Rate unchanged

At the February meeting, the Monetary Policy Committee decided to keep the Kina Facility Rate (KFR) unchanged at 4.0%. The KFR was last increased by 1 percentage point to 4.0% in September 2024, due to a robust economic outlook and rising inflation risks. Back in early 2024 the KFR was at its historic low of 2.0% and it is possible we could see further KFR hikes given that underlying inflation remains stubbornly high.

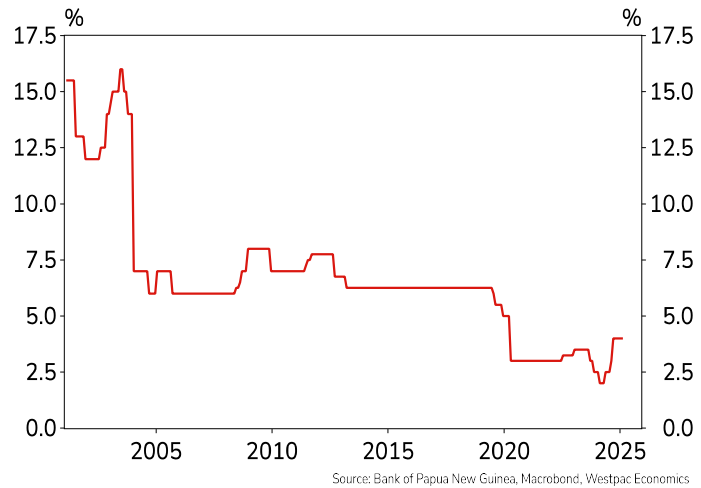
The next Monetary Policy Statement is due the 31st of March and will update the Bank's assessment of economic conditions, the likely rate path for interest rates, the currency and the expected landing point for the PNG economy.

The managed gradual depreciation of the Kina, commonly known as a "crawling peg exchange rate", has continued so far in 2025. In December, the Kina eased from 0.2516 to 0.2500 then in mid-January it stabilized at 0.2494 before weakening to 0.2492 through the first week of February. Since Trump's election victory, the greenback has strengthened, meaning the Kina has appreciated against its major trading partners, putting greater pressure on it to devalue against the US dollar.

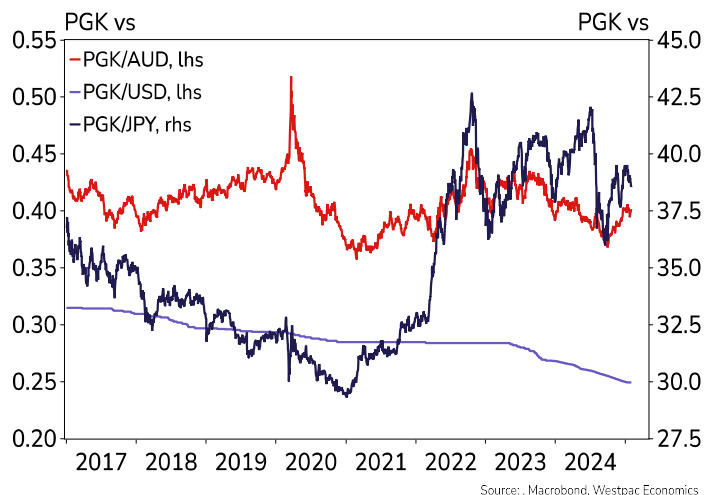
January saw foreign exchange auction volumes transacted by Bank PNG rise to K400 million, after muted auction of K259 million in December. As noted earlier, since November the Kina has appreciated gained against the Aussie dollar and the Japanese Yen as the US dollar strengthened.

It remains Westpac's view that the Bank will continue a gradual depreciation of the Kina to a low of 0.2402 around mid-year, then the start of a possible appreciation in 2025 as significant FX inflows with the commencement of significant resources projects.

Kina Facility Rate unchanged at 4.0%



Kina depreciation against the USD continues



Currency forecast

PGK vs	Latest	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
USD	0.2488	0.2450	0.2405	0.2405	0.2405	0.2450	0.2500	0.2550	0.2600
AUD	0.3908	0.4056	0.4008	0.3943	0.3879	0.3889	0.3906	0.3864	0.3824
NZD	0.4337	0.4520	0.4454	0.4487	0.4454	0.4455	0.4480	0.4458	0.4407
EUR	0.2372	0.2431	0.2405	0.2405	0.2381	0.2402	0.2427	0.2452	0.2453
GBP	0.1977	0.1992	0.1955	0.1955	0.1940	0.1960	0.1984	0.2008	0.2031
JPY	37.72	37.98	37.04	36.80	36.56	36.75	37.00	37.23	37.44
SGD	0.3332	0.3357	0.3271	0.3271	0.3247	0.3308	0.3350	0.3392	0.3432

Sources: BPNG, Westpac PNG Estimates

Trade surplus grows to record high as imports fall

Robust growth in merchandise exports and declining imports over the first nine months of 2024 resulted in an unprecedented trade surplus. In the September quarter alone, PNG recorded a trade surplus of K9.1 billion, with exports rising 20%yr and imports dropping 14%yr. This increase in trade receipts, should they be exchanged in the domestic financial markets, will help address the country's ongoing foreign exchange shortfalls.

During the first three quarters of 2024, total exports grew by 10%yr, driven by an increase in the value of agricultural exports (up 13%yr), gold (up 47%yr), copper (up 57%yr), crude oil (up 9%yr), and marine products (up 13%yr).

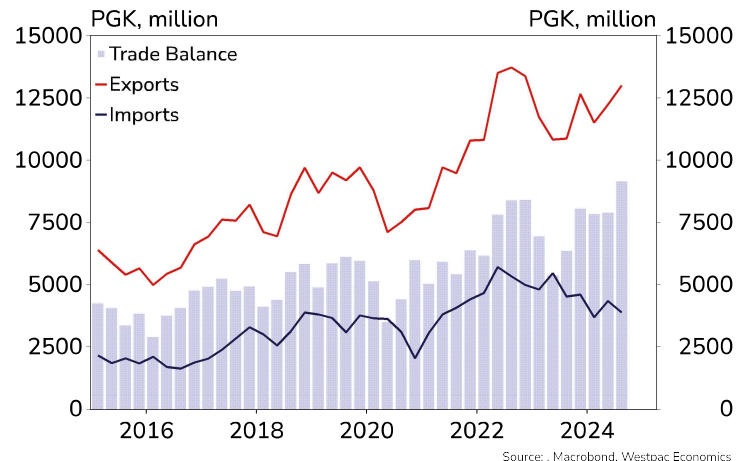
Not all export outcomes were favourable last year, as liquefied natural gas (LNG) exports fell 6%yr in the first three quarters, alongside declines in nickel (down 21%yr), cobalt (down 17%yr), and condensate (down 13%yr). LNG exports did start 2024 at a slower pace, resulting in an initial year-to-date decline but exports picked up significantly in the September quarter. As per the Project Development Agreement with the State, LNG export volume data is not provided by the company, limiting our ability to monitor volume trends.

Nevertheless, PNG's LNG exports ended 2024 on a positive note. Japan's import of mineral fuel and LNG from PNG rebounded in December to levels seen at the beginning of 2023, after being subdued for most of the year. Japan remains one of the key LNG export markets.

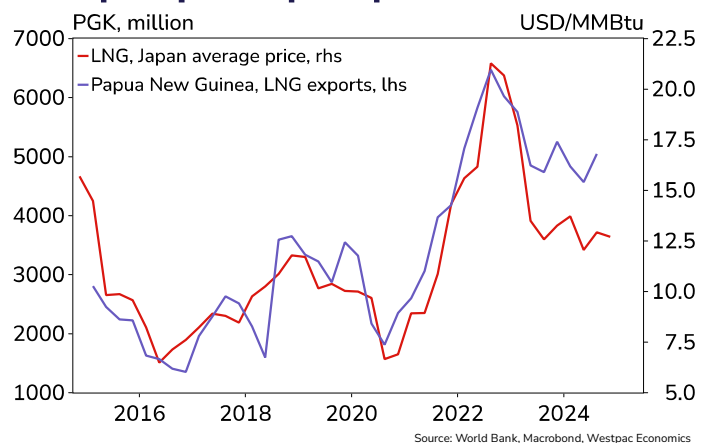
The decline in nickel and cobalt exports, which fell by 7.9% for nickel and 15.6% for cobalt, was primarily due to the decline in commodity prices.

As noted earlier, imports have been trending down since early 2023 due to lack of foreign exchange shortfalls limiting the ability of PNG firms finance imports. In the September quarter, imports fell by 14.5%yr to K3.9 billion from K4.5 billion in the corresponding quarter. During the first three quarters of 2024, total imports decreased by 20%, led by declines in imports of food & live animals (down 30%), mineral fuel & lubricants (down 37%), manufactured goods (down 25%), machinery & transport equipment (down 5%), and other commodities (down 27%). Overall, we expect imports to remain constrained in the medium term until we see the return of open, liquid foreign exchange market.

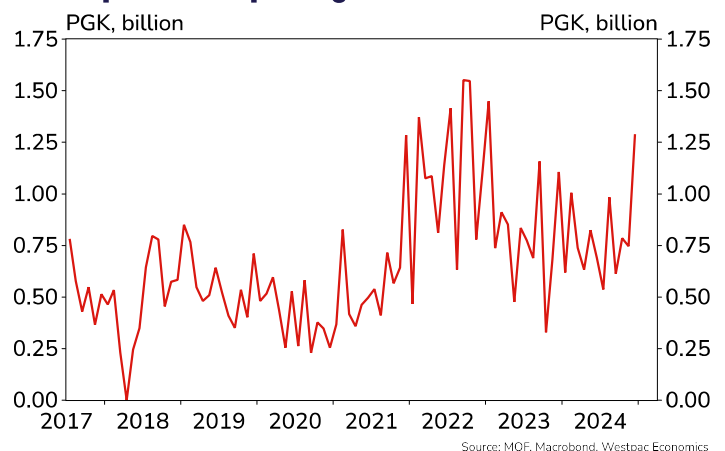
Trade surplus a record high in September



LNG exports picked up in September



LNG exports to Japan highest since 2023



Good year for gold

2024 was an outstanding year for gold production in Papua New Guinea. During the first three quarters of the year, PNG exported 34,200 tonnes of gold, an increase of 14.8% compared to the corresponding period the previous year. The gold export value during those three quarters similarly rose by 47% to K9.2 billion, bolstered by a rebound in mining activity and favourable global gold price. The rebound in gold mining has been facilitated by the Porgera mine restarting production last year.

Gold exported Australia for refining rose to around K1.4 billion in December 2024 alone. For the full year, gold exports to Australia increased by 50.8% to K9.7 billion, compared to K6.4 billion in 2023.

Gold prices reached a record high in 2024 and so far in 2025, there are no signs of this stopping anytime soon. Westpac Economics expects this to continue, possibly reaching fresh highs in the first half of this year. Gold is overvalued on a fundamental basis as it becomes increasingly difficult to justify current pricing compared to longer-term drivers such as bond yields. Growing uncertainty around US tariffs and further erratic policy measures by the Trump administration will increase the appeal of gold as a safe-haven asset.

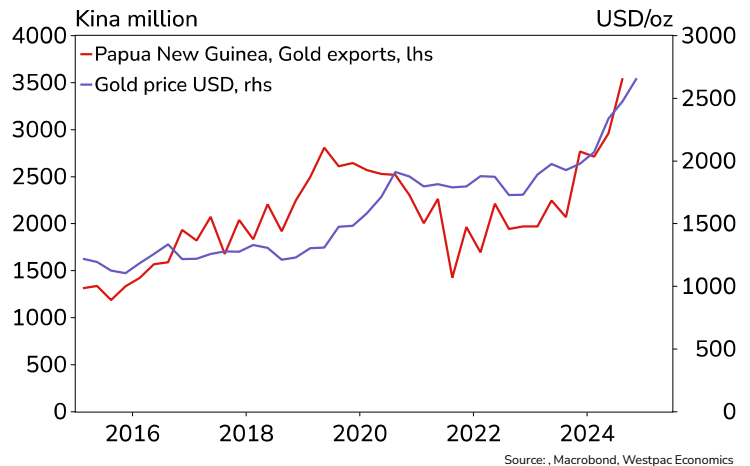
Westpac Economics expect gold price to hold around \$2,870/oz (with short-run upside risks) in first quarter the year then ease to around \$2,850/oz by December on the back of an improvement in global risk appetite before picking up again in 2026.

The World Gold Council reports that global demand for gold (excluding OTC) rose by 1.4% in 2024 to 4,553.7 tonnes; including OTC, gold demand rose by 0.6% to 4,975 tonnes. Most of this growth was led by investment and technology-related gold demand.

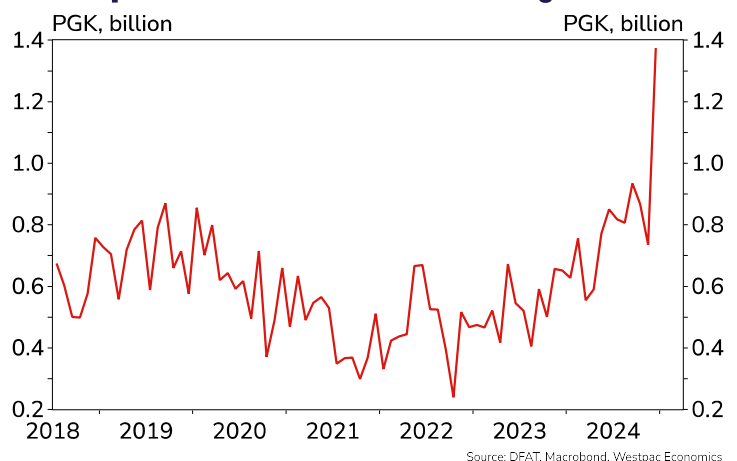
Gold demand for jewellery fabrication fell by 8.6% to 2,004 tonnes in 2024, primarily due to subdued gold consumption from China amid internal economic uncertainty. However, India's gold demand for jewellery remained resilient. Investment-related demand for gold rose by 24.7% in 2024 to 1,179.5 tonnes, mostly due to increased bar fabrication.

More gold went toward electronics last year, rising by 8.8% to 270.6 tonnes, resulting in total technology-related gold demand increasing by 6.9% to 326.1 tonnes. Central banks continued to be significant buyer with purchases rising to 1,044.6 tonnes in 2024.

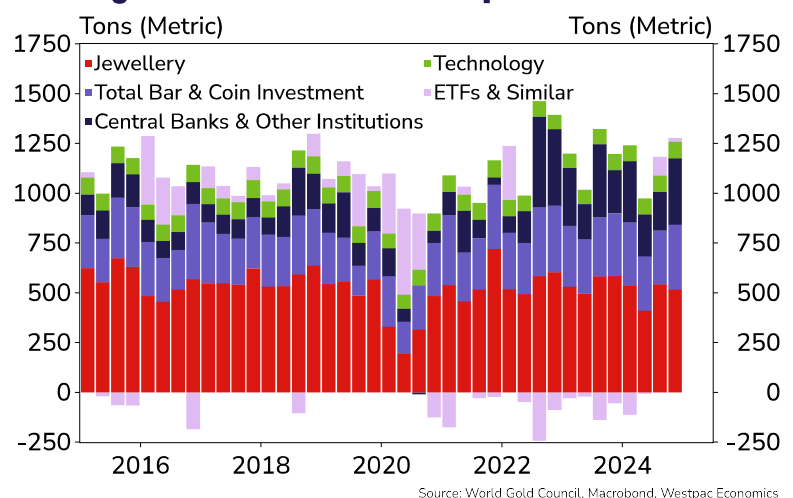
Gold exports rebound strongly in 2024



Gold exports to Australia ended on a high note



Global gold demand and consumption



Cocoa and coffee price rise to record levels

Do coffee drinkers need to pay more?

Disruptions to supply led to a spike in global coffee bean prices. Since last year, coffee prices soared by 94% and jumped 13.6% in the last month. What is driving up prices? Poor conditions in key regions are to blame. Arabica coffee futures climbed to around \$3.45 per pound and could climb even further in the medium-term.

Due to below-average rainfall, production has declined in Brazil, the world's top coffee producer, presenting challenges in key coffee markets. Traders are already factoring in lower supply this year, as last year's drought continues to impact on production. The strengthening of the Brazilian real against the greenback, up by 4.5% over the month, is also adding pressure making Brazilian coffee more expensive increasing the demand for alternatives.

Coffee is one of Papua New Guinea's key exports and so the current rally should help support industry incomes. However, this has not been the case with the value of coffee exports declining in September.

Despite favourable prices, there as a 47% drop in the volume of coffee exported, it was down to 9,300 tonnes in September, while the value of exports declined by 42% in the year and 31% in the September quarter.

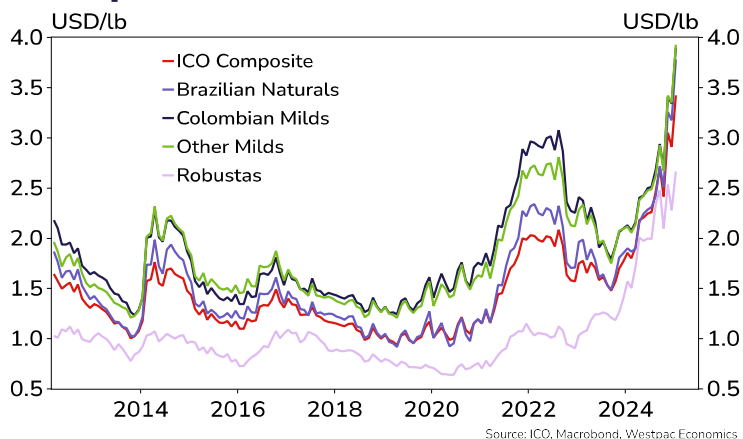
Supply issue pushes Cocoa prices up

Cocoa prices are 133% higher compared to the same period last year due to significant supply disruptions. The International Cocoa Organization reports that global cocoa stockpiles dropped to 1.04 million metric tons in the 2023/2024 season, down by 36%yr.

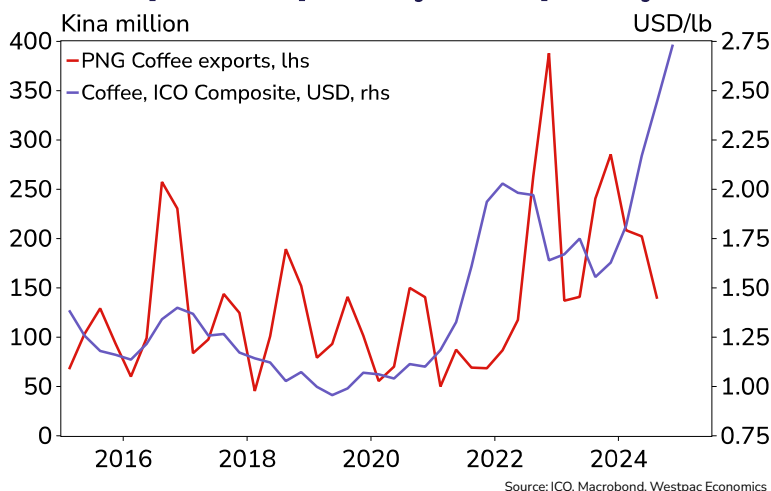
Strong demand, coupled with supply concerns arising from poor weather conditions and droughts in West Africa, is driving up prices. This is particularly due to lower output from Côte d'Ivoire and Ghana, which together supply around 60% of global cocoa needs.

PNG cocoa export receipts grew into 2024, due to higher price per unit, benefiting cocoa farmers and exporters. Overall, we expect supply issues to be somewhat resolved this year, as favourable weather conditions in cocoa-producing regions are likely to lead to an increase in production and thus lower prices.

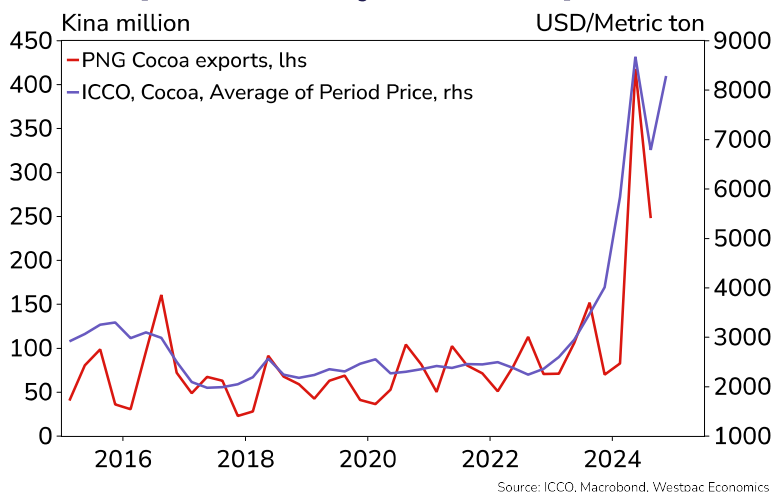
Coffee prices rise across varieties



Coffee exports dampened by lower quantity



Cocoa exports to the sky with record price levels





ECONOMIC & FINANCIAL STATISTICS AND OUTLOOK

Global and trading partner growth forecast

Economies	2020	2021	2022	2023	2024	2025	2026
World Economy	-2.7	6.5	3.5	3.2	3.3	3.3	3.2
US	-2.2	5.8	1.9	2.5	2.8	2.6	2.0
Eurozone	-6.1	5.9	3.4	0.4	0.7	0.9	1.0
Australia	-2.1	5.5	3.9	2.1	1.1	2.0	2.2
New Zealand	-1.4	5.6	2.4	1.8	-0.5	0.8	2.8
Japan	-4.1	2.6	1.0	1.9	-0.1	1.2	1.0
China	2.2	8.4	3.0	5.2	5.0	4.8	4.5
India	-5.8	9.7	7.0	7.8	6.6	6.6	6.5

Source: Westpac Economics February Market Outlook

Interest rate forecast

Economies	Latest	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Australia									
Cash	4.35	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35
10 Year Bond	4.33	4.45	4.60	4.75	4.70	4.70	4.65	4.65	4.65
United States									
Fed Funds	4.375	4.375	4.375	4.375	4.375	4.125	3.875	3.875	3.875
10 Year Bond	4.43	4.60	4.80	5.00	4.95	4.90	4.85	4.80	4.80
New Zealand									
Cash	4.25	3.75	3.25	3.25	3.25	3.25	3.50	3.75	3.75
10 Year Bond	4.44	4.60	4.70	4.85	4.90	5.00	5.00	5.00	4.95

Source: Westpac Economics February Market Outlook

Commodity price forecast

End of period	Latest	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
Bulk commodities											
Crude oil (US\$/bbl) Brent	75	77	75	72	70	72	74	76	77	77	78
LNG in Japan US\$mmbtu	13.00	12.2	12.5	11.9	11.4	10.5	10.1	10.1	10.0	10.1	10.1
Gold (US\$/oz)	2,878	2,870	2,860	2,860	2,850	2,850	2,860	2,860	2,870	2,880	2,880
Copper (US\$/t)	9,146	9,100	8,900	9,100	9,500	9,770	10,040	10,310	10,380	10,450	10,520
Iron ore fines TSI @ 62% US\$/t	105	99	95	88	86	84	83	83	84	85	85
Nickel (US\$/t)	15,413	15,400	15,200	15,000	15,100	15,540	15,970	16,410	16,520	16,640	16,750

Source: Westpac Economics February Market Outlook, End of period

Financial markets

Indicators	2022	2023	2024	2025(f)	2026(f)
Broad money supply	14.8	11.5	9.9	7.3	7.5
Monetary base	29.5	-8.7	-2.3	7.8	7.0
Claims on private sector	6.9	19.0	11.5	12.3	13.6
Net claims on government	-5.4	33.1	19.9	0.9	4.4
Net foreign assets	52.4	3.9	-6.0	-4.3	4.2

Source: BPNG forecasts

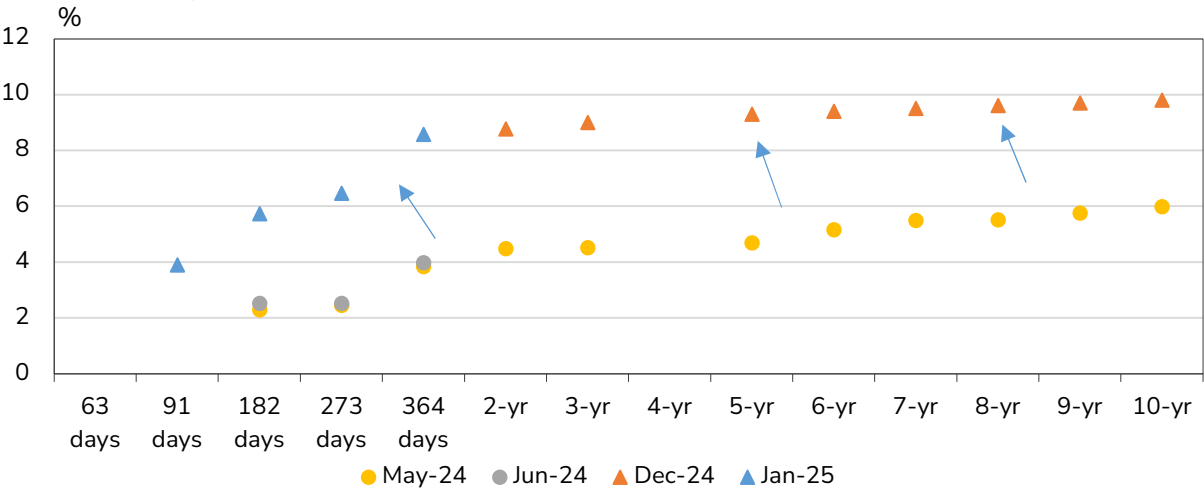
Government bond yields

Auction Number: 10-Dec-24/GOB/Government Bond; Settlement Date: 13-Dec-24; Amt Offer: K100mn

Series	Amount on Offer (K'million)	Bids Received (K'million)	Successful Bids (K'million)	Successful Bids Yield	Weighted Average Rate (WAR)	Coupon Rate	Overall Auction Net Subscription
Issue ID 2024 / 3687 (2 Years)	20.000	4.500	4.500	8.50%-8.90%	8.77%	8.90%	-K15.500
Issue ID 2024 / 3688 (3 Years)	20.000	4.000	4.000	9.00%-9.00%	9.00%	9.00%	-K16.000
Issue ID 2024 / 3689 (5 Years)	10.000	10.000	0.000	0%-0%	0%	9.30%	K0.000
Issue ID 2024 / 3690 (6 Years)	10.000	14.000	4.000	9.40%-9.40%	9.40%	9.40%	K4.000
Issue ID 2024 / 3691 (7 Years)	10.000	14.000	4.000	9.50%-9.50%	9.50%	9.50%	K4.000
Issue ID 2024 / 3692 (8 Years)	10.000	5.000	5.000	9.60%-9.60%	9.60%	9.60%	-K5.000
Issue ID 2024 / 3693 (9 Years)	10.000	7.500	7.500	9.70%-9.70%	9.70%	9.70%	-K2.500
Issue ID 2024 / 3694 (10 Years)	10.000	7.500	7.500	9.80%-9.80%	9.80%	9.80%	-K2.500
TOTAL	100.000	66.500	36.500				-33.500

Source: BPNG

Short and long term yeilds uplift



Source: BPNG



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, Westpac Chief Economist 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.

US: 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.



