WESTPAC WAILIS

PNG ECONOMIC UPDATE AND OUTLOOK

February 2026

Good prospects despite “grey-list” news

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Papua New Guinea’s (PNG) growth prospects for 2026 are shaped by two pivotal factors: the recent “grey listing” by the Financial Action Task Force (FATF) and the highly anticipated Papua LNG Final Investment Decision (FID) which is expected later this year. PNG’s economy is expected to grow by 4.6% in 2026.

Our February “Westpac Wailis” continues the deep dive into PNG’s economy, highlighting key drivers and outlining the prospects that lie ahead.

Reflecting on 2025, Papua New Guinea recorded robust mining output amid favourable global commodity prices, while cocoa and coffee producers benefited from stronger export receipts. Macroeconomic conditions were broadly stable, with no episodes of civil unrest, and government finances remained on a sustainable footing. With partial data now in hand, we have raised our 2025 GDP growth forecast to 5.5% (from 4.7%), reflecting mining out-performance and steady support from industry and services. The official 2024 growth estimate of 3.9% is below our projection.

While underlying inflation is reported to have eased, headline inflation remained elevated, reflecting the outsized influence of betel nut prices in the CPI basket. Inflationary pressures also remain uneven, with price growth in the Highlands and regional provinces continuing to outpace that observed in major urban centres such as Lae and Port Moresby.

The economic performance was underpinned by favourable commodity prices and rising output. Elevated gold and copper prices, the restart of the Porgera gold mine, and a standout year at Ok Tedi supported strong mining outcomes. In agriculture record coffee production, exports exceeded 1.5 million bags in 2025, boosted rural incomes.

At the same time, non-resource sectors gained momentum, supported by spillovers from the resources expansion.

Looking ahead to 2026, we expect the grey-listing to have a limited and contained impact. The government, businesses and banks had time to position contingency measures. Following the FATF decision, authorities moved swiftly to introduce an 18-point action plan aimed at strengthening PNG’s standing and address priority gaps.

PNG retains a resilient economic outlook, underpinned by solid growth, improved financial stability and a strong pipeline of major projects. Real GDP is forecast to expand by around 4.6% in 2026, compared to a 5.5% rise in 2025, positioning PNG among the fastest-growing economies in the region. Non-resource activity is to remain supportive, with agriculture growing by around 1.5%, the industrial sector by 4.6%, and services by a robust 5.6% in 2026.

Macroeconomic conditions continue to improve. Inflation is now in the 3–4% range, allowing Bank PNG to maintain a stable policy stance. Fiscal consolidation has been significant, with the targeted deficit of just 1.1% of GDP in 2026. International reserves are healthy, covering more than seven months of imports, while foreign exchange conditions have improved markedly, with earlier backlogs largely cleared.

Political stability and reform momentum under the “PNG Reset@50” strengthened investor confidence. Several major resource projects are approaching key milestones. Market sentiment suggests the US$13–14bn Papua LNG project is on track for a Final Investment Decision in 2026 following extensive cost and engineering work, while the Wafi-Golpu copper-gold project has cleared key technical hurdles, with the government committing to a 30% equity stake. These developments, alongside new gas prospects and ongoing infrastructure programs, underpin a robust medium-term growth pipeline.

In this report we assess the medium-term growth impact of the Papua LNG project. In summary, the construction phase, based on a US$14bn investment over five years, will lift growth by 2.5–3.4 percentage points during peak years, driven by strong spillovers to the industrial and services sectors. Once production commences, the growth impulse shifts toward the resource sector, with mining output lifting long-run GDP growth by 1.6–2.0 percentage points.

Overall, Papua LNG materially alters PNG’s growth trajectory, lifting the economy from a stable 4% baseline to 6–8% growth during peak years, and should remain the single most consequential driver of economic growth over the coming decade. These estimates are naturally uncertain, and we discuss the underlying assumptions on page 4.

Notwithstanding, structural challenges and risks remain. PNG’s FATF grey-listing highlighted gaps in anti-money-laundering controls, potentially increasing short-term compliance costs and reputational risks. As noted earlier, the government responded swiftly with a comprehensive 18-point action plan, supported by a K10m allocation. Business leaders and analysts remain cautiously optimistic, viewing the grey-listing as a catalyst for reform and noting PNG’s relatively quick removal from the list in 2014.

External headwinds remain. These include commodity price volatility and shifting geopolitical, alongside risks associated with a potential global LNG supply glut and heightened climate-finance scrutiny, which may increasingly influence investment and market access for gas exports.

Will 2025 growth momentum...

Papua New Guinea's economy moved through last year with a sense of cautious steadiness rather than any dramatic turning point with the data up to the September quarter reinforcing that story. As such, we upgraded our 2025 growth estimate to 5.5% from our earlier 4.7%, with strong performance in mining, industries and services sectors alike.

The external position remained a central pillar of stability. Net foreign assets edge higher over the year, rising from roughly K12.5 billion in 2023 to just above K12.6 billion in 2024, before lifting again to around K13.7 billion by Q3 2025. That gradual accumulation of reserves suggests a combination of resilient export earnings and measured import demand.

Domestically, monetary aggregates tell a similarly steady tale. Broad money dipped slightly in 2024 after holding at about K34.2 billion in 2023, but by the September quarter of 2025 it had recovered to just over K35 billion. The ebb and flow here look more like normal liquidity management than any structural shift in economic conditions. Credit to the private sector and broader domestic lending also expanded gradually.

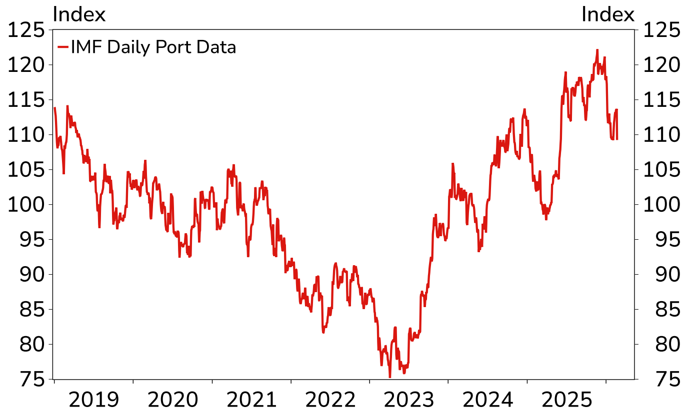
The household sector stands out as one area where the underlying story is improving. The household debt-to-GDP ratio has continued its downward trend, falling from roughly 7.5% in 2023 to below 7% by the third quarter of 2025. That combination of softer household credit and steady GDP growth points to an easing of leverage pressures and suggests that households remain cautious and are operating on a more sustainable financial footing.

Looking across the commercial banks' portfolios, the composition of lending remains reasonably balanced. Residential real estate lending sits at around 11% of the loan book while commercial property lending is around 5%. Banks continue to maintain stable lending rates, with interest rate movements in 2025 showing only minor adjustments.

Exports, spread across agricultural, mineral and marine products, continue to provide the backbone of the external account. Cocoa, palm oil and marine products all showed output levels consistent with recent years while coffee failed to fully capitalise on attractive global prices. Similarly, mineral exports such as gold and copper remain steady, reinforcing the sense that the traded sector is holding its ground.

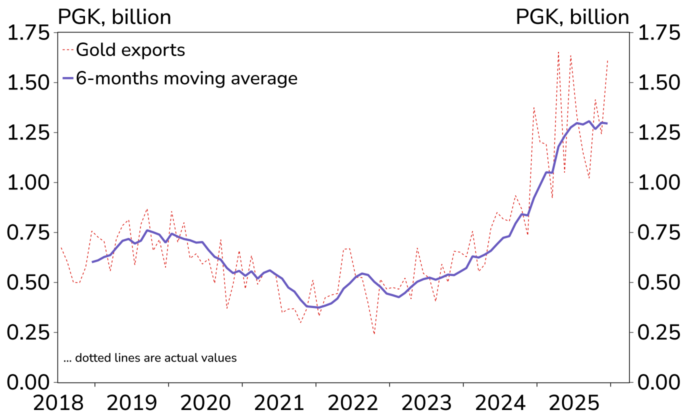
PNG didn't break out into high-momentum growth, but it also avoided the kinds of imbalances from uncertain global economic environment. External buffers grew, credit expanded gently, households strengthened their balance sheets and exports continued to turn over predictably. By Q3 2025, those patterns were still in place, giving the sense of an economy finding stability in measured progress rather than rapid acceleration.

PNG Port Imports Indicator



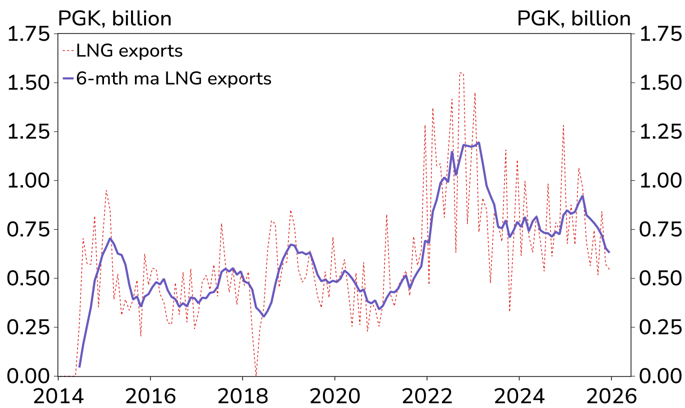
Source: IMF, Macrobond, Westpac Economics

Gold exports to Australia bolstered by higher price



Source: DFAT, Macrobond, Westpac Economics

PNG's LNG export to Japan up 0.5% in 2025



Source: MOF, Macrobond, Westpac Economics

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

... carry into 2026 and onwards with Papua LNG

PNG's medium-term outlook combines a steady baseline with the prospect of a material uplift once the Papua LNG project enters construction and production. That said, repeated delays to the FID, originally expected in 2018 and subsequently pushed back several times, mean it is now anticipated in Q3 2026. These persistent timeline slippages complicate the assessment of Papua LNG's impact. Nonetheless, we have sufficient information to construct a structured and robust estimate of the project's eventual contribution to GDP.

Baseline outlook (no Papua LNG FID)
Under our baseline scenario, assuming no Papua LNG FID within the forecast horizon, PNG's growth outlook remains solid but moderate. Real GDP is forecast to grow by 4.6% in 2026, easing to 4.2% in 2027 and 4.0% in 2028. Over the longer term, growth stabilises around 3.9–4.1%.

Sectoral trends underpinning this baseline are broadly stable. Growth in the primary sector moderates from 3.5% in 2026 to around 1.5% over the longer run, as agricultural output plateaus while mining stabilises at 1.4–1.6%. The industrial sector provides steady support, expanding by 4.2–4.6%, while services remain the strongest contributor, accelerating from 5.6% in 2026 to around 6.5% by 2035.

This baseline assumes no major new projects materially alter aggregate growth, with sectoral dynamics continuing along established trends. It also reflects ongoing normalisation in supply chains, administrative capacity and domestic demand following earlier global and domestic shocks.

Papua LNG overlay: We model Papua LNG as a structured two-phase shock layered onto the baseline.

Construction phase: The construction phase assumes a US$14bn capital investment, spread evenly over five years, benchmarked against PNG's nominal GDP of approximately US$30bn in 2024. This equates to an effective ~10% uplift, applied to sectors most exposed to construction activity—construction, transport and storage, wholesale and retail trade, accommodation and food services, information and communication, and financial services. These effects are modelled under a 2027–31 construction scenario, and a one-year-delayed 2028–32 scenario.

The resulting growth uplift during construction is substantial rising from a baseline 4.2% to 6.7% in 2027 (+2.5ppt), 4.0% to 6.8% in 2028 (+2.8ppt), and 3.9% to 6.9% in 2029 (+3.0ppt), before peaking at 7.3% in 2030 (+3.4ppt). These gains reflect strong spillovers across industry, where growth accelerates to 11.5–12.2% during peak years, and services which lift to 9.2–11.0%, roughly double the baseline. These scenarios are summarised in the tables on the following page.

Production phase: Once construction concludes, the growth impulse shifts to the production phase, assumed to commence in 2032 under the first scenario and 2033 under the delayed scenario. We expect typical mine life at 30 years. The Papua LNG project is projected to produce 5.6 million tonnes per annum (Mtpa). Assuming an average price of US$9.91/MMBtu, this equates to estimated annual revenues of approximately US$2.7 billion. In our scenario analysis, this impact is incorporated from 2032 onwards. The uplift is concentrated in the mining and quarrying sector. Mining growth increases from a baseline 1.6% to 7.6% in 2032 (+6.0ppt), rising further to 8.2% by 2035, compared with a baseline of 1.4% (+6.8ppt).

At the aggregate level, this translates into a sustained increase in real GDP growth from 4.1% to 6.1% in 2032 (+2.0ppt), and from 4.5% to 6.3% by 2035 (+1.8ppt). While the production phase delivers a smaller uplift than construction, its effects are persistent and structurally significant.

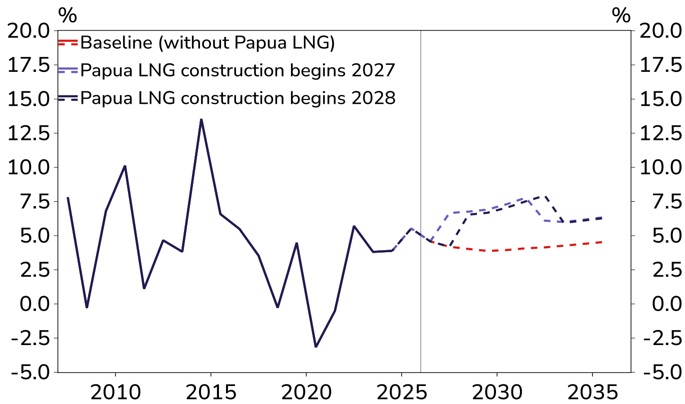
Delayed construction scenario: Under the delayed construction scenario, all impacts shift forward by one year. Real GDP growth rises from 4.0% to 6.5% in 2028 (+2.5ppt), from 3.9% to 6.7% in 2029 (+2.8ppt), and from 3.9% to 7.0% in 2030 (+3.1ppt). When LNG production begins in 2033, mining growth lifts from 1.4% to 7.6% (+6.2ppt), pushing total real GDP growth from 4.3% to 5.9% (+1.6ppt) in that year, and to 6.3% by 2035, compared with 4.5% in the baseline.

Summary: cross both timing scenarios, Papua LNG delivers two clearly defined growth impulses:

- Construction surge: a short-term uplift of +2.5 to +3.4ppt above baseline GDP growth.
- Production uplift: a long-run structural increase of +1.6 to +2.0ppt once LNG output begins.

Taken together, Papua LNG lifts the medium-term growth path from a 4% baseline to a 6–8% range during peak years, with a persistently higher growth profile thereafter. While timing uncertainty remains, the scale and direction of the impact are clear: Papua LNG remains the single most consequential driver of growth outlook over the coming decade.

PNG Growth Outlook



Source: NSO, Macrobond, Westpac Economics

Scenario Analysis - Papua LNG and Growth

Medium-term economic growth forecast (Baseline without Papua LNG)

% Growth	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Primary	2.3	6.1	3.5	2.8	2.2	1.6	1.6	1.6	1.5	1.5	1.5	1.5
of which mining	*2.4*	*8.9*	*4.7*	*3.4*	*2.4*	*1.5*	*1.5*	*1.6*	*1.4*	*1.4*	*1.4*	*1.4*
Industry	7.4	4.3	4.6	4.4	4.2	4.4	4.3	4.4	4.4	4.3	4.4	4.4
Service	5.2	5.4	5.6	5.4	5.6	5.7	5.8	5.9	6.1	6.2	6.4	6.5
Net taxes	-0.7	4.8	4.6	4.2	4.0	3.9	3.9	4.1	4.1	4.3	4.4	4.5
Real GDP	**3.9**	**5.5**	**4.6**	**4.2**	**4.0**	**3.9**	**3.9**	**4.1**	**4.1**	**4.3**	**4.4**	**4.5**

Medium-term economic growth forecast (Construction begins 2027)

% Growth	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Primary	2.3	6.1	3.5	2.8	2.2	1.6	1.6	1.6	5.6	5.8	6.0	6.1
of which mining	*2.4*	*8.9*	*4.7*	*3.4*	*2.4*	*1.5*	*1.5*	*1.6*	*7.6*	*7.8*	*8.0*	*8.2*
Industry	7.4	4.3	4.6	11.5	11.5	11.8	12.0	12.2	4.4	4.4	4.4	4.4
Service	5.2	5.4	5.6	9.2	9.7	10.1	10.5	11.0	6.8	6.5	6.7	6.8
Net taxes	-0.7	4.8	4.6	6.7	6.8	6.9	7.3	7.8	6.1	6.0	6.2	6.3
Real GDP	**3.9**	**5.5**	**4.6**	**6.7**	**6.8**	**6.9**	**7.3**	**7.8**	**6.1**	**6.0**	**6.2**	**6.3**

Medium-term economic growth forecast (Construction begins 2028)

% Growth	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Primary	2.3	6.1	3.5	2.8	2.2	1.6	1.6	1.6	1.5	5.5	5.7	5.9
of which mining	*2.4*	*8.9*	*4.7*	*3.4*	*2.4*	*1.5*	*1.5*	*1.6*	*1.4*	*7.6*	*7.8*	*8.0*
Industry	7.4	4.3	4.6	4.4	11.3	11.7	11.8	12.0	12.1	4.4	4.4	4.4
Service	5.2	5.4	5.6	5.4	9.5	9.8	10.2	10.7	11.2	6.5	6.7	6.8
Net taxes	-0.7	4.8	4.6	4.2	6.5	6.7	7.0	7.5	7.9	5.9	6.1	6.3
Real GDP	**3.9**	**5.5**	**4.6**	**4.2**	**6.5**	**6.7**	**7.0**	**7.5**	**7.9**	**5.9**	**6.1**	**6.3**

Source: Westpac Pacific Forecast

Kina and threat of declining yields

The PGK/USD's gradual depreciation through December and January remained in line with the Bank PNG's commitment to a managed crawling peg exchange rate regime with January 2026 seeing PGKUSD fall from 0.2337 to 0.2327.

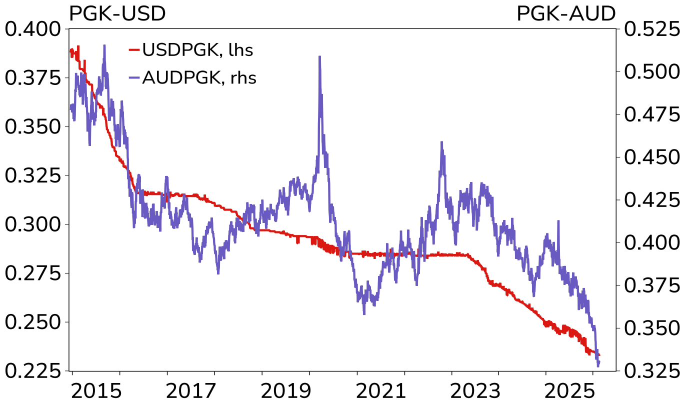
We now expect the PGK/USD midrate to hit bottom at 0.2150 late 2026 or early 2027 before the Kina starts appreciating.

FX conditions improved significantly through 2025, but liquidity is likely to remain a concern until the large-scale LNG related capital inflows commence. Total FX Market turnover fell slightly to PGK 5.625bn in January, from PGK 5.825bn in December.

The Treasury Bills auction on 18 February was oversubscribed, with bids totalling K650.48 million against the K270.00 million on offer. As such, a total of K280.08 million in bids were successful on the settlement date, 20 February. The weighted average yield stood at 5.19 percent for 182 days, 5.30% for 273 days, and 5.58% for 364 days. The Bank PNG maintained the Kina Facility Rate at 5.0% at its December meeting with the CRR reduced to 9.0%. Treasury yields have seen significant dip over the last year as demand for these instruments remains continues to strengthen. We expect further downside risks to the Treasury yields as Government consolidates its financial position and attains the targeted budget surplus from next year. This means underlying revenue would be enough to meet operational and capital needs.

The last Bank PNG Inscribed Stock Auction was held on 17 February 2026 with successful bids of K393.80 million against the offer of K380.00 million. K793.80 in bids submitted.

Kina Foreign Exchange Rate



Source: Bloomberg, Macrobond, Westpac Economics

Exchange rate forecast

Cross	Latest	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
PGK/USD	0.2327	0.2300	0.2250	0.2200	0.2150	0.2150	0.2170	0.2220	0.2270
PGK/AUD	0.3272	0.3286	0.3169	0.3056	0.2986	0.2945	0.2973	0.3000	0.3068
PGK/NZD	0.3889	0.3892	0.3750	0.3571	0.3413	0.3295	0.3263	0.3265	0.3338
PGK/EUR	0.1972	0.1933	0.1875	0.1826	0.1777	0.1770	0.1779	0.1826	0.1871
PGK/GBP	0.1721	0.1679	0.1630	0.1589	0.1547	0.1541	0.1550	0.1574	0.1610
PGK/JPY	36.20	34.73	33.53	32.34	31.18	30.96	31.03	31.52	32.01
PGK/SGD	0.2942	0.2921	0.2835	0.2772	0.2709	0.2709	0.2723	0.2786	0.2847

Source: Bloomberg, Westpac Economics Market Outlook

Government Treasury Bill Auction/18-Feb-2026/Amount of Offer K270.00million

Terms	Issue ID 2025/ 63	Issue ID 2025/ 91	Issue ID 2025/4642 182	Issue ID 2025/4643 273	Issue ID 2025/4644 364	Total
Weighted Average Yield	0.000	0.00%	5.19%	5.30%	5.58%	
Amount on offer Kina Million	0.000	0.000	20.000	50.000	200.000	270.000
Bids Received Kina Million	0.00	0.000	52.270	73.240	524.970	650.480
Successful Bids Kina Million	0.00	0.000	31.870	73.240	174.970	280.080
Overall Auction OVER- SUBSCRIBED	0.00	0.000	32.270	**23.240**	**324.970**	**380.480**

Source: Bank of PNG

Core inflation eases

PNG's headline CPI rose 4.1%yr in the December 2025 quarter, easing from 4.7%yr in the September quarter. This outcome was driven by a 0.7%yr increase in Food & Non-Alcoholic Beverages, a still elevated 21.8%yr rise in Alcoholic Beverages, Tobacco & Betel Nut, and a 2.2%yr increase in Transport.

Apart from these main drivers, consumer prices rose across all other broad items in the December quarter. Of note were:

- Clothing & Footwear +1.6%yr
- Health +3.3%yr
- Restaurant & Hotels +2.6%yr
- Education +1.7%yr
- Communication +0.7%yr
- Housing +2.3%yr

Underlying inflation eased sharply to 0.8%yr in December 2025, down from 1.7%yr in September. Underlying inflation is now noticeably below the headline rate after excluding the more volatile components in the CPI basket.

Headline inflation excluding seasonal items rose 0.8%yr in December 2025, while excluding seasonal items and customs excise rose 1.0%yr, and excluding seasonal, customs excise and price controlled items rose 0.7%yr.

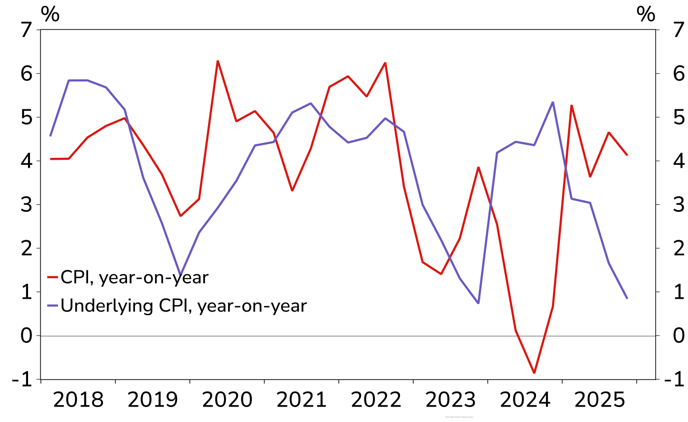
Betel nut prices remain the largest single source of volatility. Although moderating from their September spike, betel nut prices still rose 29.0%yr and 21.9%qrt in Q4 and continue to heavily influence headline inflation. The Alcoholic Beverages, Tobacco & Betel Nut component accounts for the bulk of the headline CPI increase; excluding it would leave inflation very low.

Food & Non-Alcoholic Beverages increased 0.7%yr, though the category fell modestly –0.27% in the quarter, helping moderate the broader inflation impulse. As in Q3, food sub-components remained mixed with several staples continued to ease while some dairy and fresh produce lines recorded small increases.

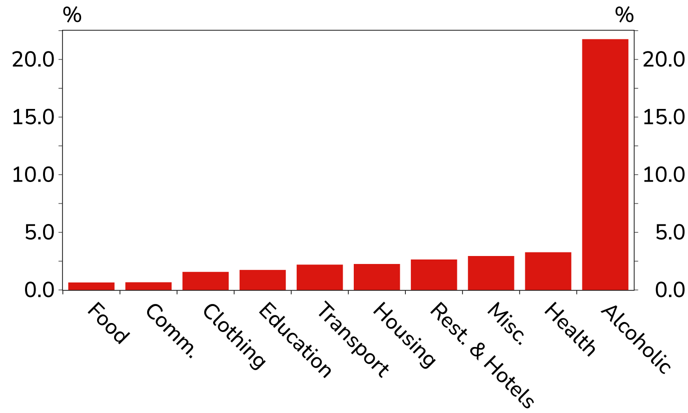
Transport rose 0.6%qtr in Q4. Fuel items remained higher (diesel, petrol and lubricants all modestly up), and motor vehicle increased slightly. Airfares also edged higher, consistent with ongoing domestic aviation disruptions. With aircraft grounding and capacity constraints persisting at Jacksons Airport and other key routes, pressure on airfares and freight costs remains a near-term inflation risk for transport and perishable food supply chains.

Inflation in Port Moresby and Lae both remained relatively subdued (0.5%yr and 1.6%yr respectively). As was the case in Q3, higher inflation pressures are likely to persist in the Highlands and Islands cluster. Prices rose in double digits by 17.4%yr in Goroka-Hagen-Madang region while 13.6%yr in Alotau-Kimbe-Kokopo/Rabaul region.

Core inflation falls to 2-year low at 2025-end

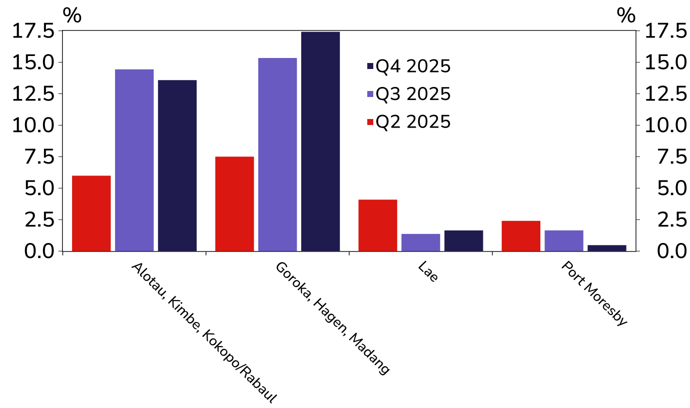


PNG's inflation categories in Q4 2025



Source: NSO, Macrobond, Westpac Economics

Headline inflation in respective regions



Source: NSO, Macrobond, Westpac Economics

Fiscal Consolidation path intact

Papua New Guinea's 2026 National Budget, themed "Security with Growth", sets a record K30.9bn in expenditure, aimed at consolidating gains under the 13-Year Budget Repair Plan while continuing to prioritise key economic and social sectors. Revenues are projected at K29.3bn, with the government reaffirming its commitment to return the budget to a small surplus by 2027. As of early 2026, PNG is reportedly 88% of the way toward surplus, with the fiscal deficit forecast to narrow sharply to 1.1% of GDP, from 8.9% in 2020—a clear indication of substantial fiscal repair.

A budget surplus implies the PNG Government will have reduced or no need to issue Treasury Bills and Bonds, which should add to downward pressure on yields, consistent with the easing trend observed over recent months.

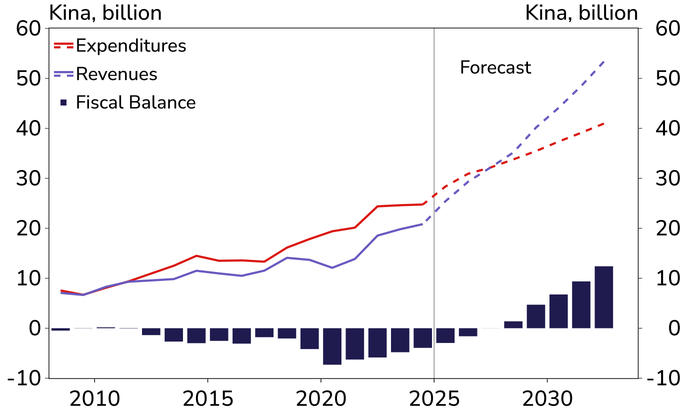
Revenue performance remains strong. Total revenues are forecast to rise by 15.3% in 2026, comfortably outpacing the 9.0% increase in expenditure. This reflects higher tax and dividend receipts from the resource sector, implementation of the modernised Income Tax Act, and improved compliance and administration. Domestic revenues are expected to reach 18.8% of GDP. Fiscal discipline is also evident in slowing debt accumulation, with the debt-to-GDP ratio projected to decline from 48.4% in 2025 to 45.5% in 2026.

Institutional reforms are reinforcing the consolidation effort. The government is amending the Fiscal Responsibility Act to lower the interim debt ceiling from 55% to 52.5% of GDP for a five-year period. Proposed legislative changes will also allow the Treasurer to reallocate unspent or contingency funds to address emerging shortfalls, improving budget flexibility. In addition, amendments to the Central Banking Act will require the Bank of PNG to provide weekly government account balances, strengthening cash-flow monitoring and execution.

Spending priorities remain focused on human capital, security and infrastructure. Education receives the largest allocation at K4.9bn, including K904m for the Free Education Policy and expanded support for second-chance learning. Health funding of K3.2bn supports medical supplies, hospital upgrades and the establishment of a new Medical University. The law and justice sector receives K2.5bn, targeting police recruitment and judicial reforms. Infrastructure spending continues to centre on the Connect PNG program and major road projects, alongside ongoing provincial development initiatives.

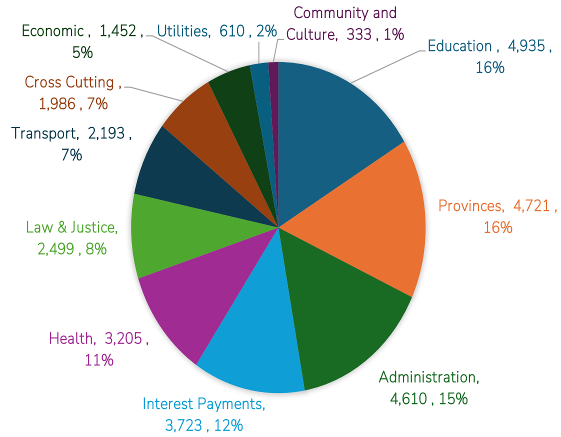
Near-term execution risks are being closely monitored.

Budget Surplus target from 2027



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

2026 EXPENDITURE ALLOCATION (KINA MILLION)



According to recent reports, National Capital District officials and Treasury representatives are expected to meet shortly to assess Q4 2025 budget performance, with particular focus on expenditure control, cash releases and potential carry-over pressures that could affect early-2026 execution.

This review comes as PNG seeks to maintain momentum in fiscal consolidation and avoid slippage as reforms transition toward the end of the IMF supported program in 2026, and as compliance costs rise following PNG's FATF grey-listing. The overarching objective is to keep the record K30.9bn 2026 budget on track and sustain investor confidence in PNG's fiscal repair trajectory.

Update on key resource projects

The mining and hydrocarbons sectors are pivotal to PNG's current upswing and future prospects, with existing operations thriving and new projects edging closer to reality.

2025 brought a resurgence in mineral production. Along with Porgera's successful restart, multiple mines report gains.

Porgera (Gold) delivered 376,000 oz in 2025. Reopened Dec 2023 under new ownership (51% PNG equity). Rapid ramp-up to full production by 2025, contributing around 1% of GDP. The mine declared K1.7 billion in dividends (51% to local/ state owners) and paid K986 million in taxes in 2025. Ongoing efforts to curb illegal mining (costing 20 Koz annually) and ensure community security.

Ok Tedi (copper/gold) saw exceptional results with copper output (106,000 tonnes) and gold production (298,000 oz) well above targets. Achieved record performance in 2025: K9.3 billion revenue, K1 billion dividends and K1.09 billion taxes to government. Using windfall profits to halve debt and invest in growth it acquired the Misima gold project and launched Ok Tedi Energy for local power supply. Mine life extended to 2084 (approved +50 years extension) with major community development commitments to sustain operations in Western Province. It also forms part of Ok Tedi's "Growth 2050" strategy to remain a 100% nationally owned.

Lihir (gold, operated by Newcrest/Newmont) and **Hidden Valley** (gold-silver, Harmony Gold) remained steady contributors. Harmony has lodged plans to extend Hidden Valley's mine life to 2040 and is expected to decide on this expansion in 2026, which, if approved, would secure continuous operation and local employment in Morobe Province for another 15+ years.

Ramu Nickel (Madang) produced strong volumes of nickel (33,007 tons) and cobalt (3,099 tons) in 2025, capitalising on the global EV battery boom. The operation's Chinese operator (MCC) is reportedly evaluating a potential capacity expansion to meet rising nickel demand. For 2026, the Ramu project is targeting: 33,100 tonnes of contained nickel & 3,100 tonnes of contained cobalt. In latest, PNG Government is intending to take 35% equity stake in the Ramu project.

K92 Mining (Kainantu gold) continued its growth trajectory, posting record quarterly output in late 2025 as it expanded underground production. It posted record production last year totalling 174 Koz gold equivalent, up by 16% over the year.

In the same vein, **Simberi (Gold - St. Barbara Ltd)**. received a 13-year extension of its mining lease at the gold mine, ensuring mine life through 2038 and allowing for further resource development in New Ireland. It had a 70,000 oz gold target for 2025 year. In partnership with China's Lingbao Gold and PNG's Kumul Minerals, St. Barbara plans a "New Simberi" Expansion to double production to 200,000 oz/year and develop a gold-copper concentrate plant. This strategic investment (A$370 M deal with Lingbao for 50% stake is expected to boost local employment and economic activity.

PNG's existing LNG project **(ExxonMobil-led PNG LNG)** remains a keystone of the economy, operating at above nameplate capacity in 2025 (102% average utilization). With over 8.3 million tonnes of LNG exported in 2025 (+8.4%yr), PNG LNG has now fully repaid its project finance debt, meaning the State's share of future profits (via dividends and taxes) will rise significantly. This windfall boosts fiscal revenues and foreign exchange inflows, providing a buffer as the country gears up for its next wave of energy investments.

Upcoming Projects - optimism around delays

Papua LNG, which will be the second largest LNG mega-project (led by TotalEnergies, with ExxonMobil and Santos) is inching toward a Final Investment Decision. Key prerequisites are being addressed with recent news on engineering design been optimized to cut costs (bids that came in around $18 billion were too high, prompting a re-bid that reportedly lowered the price tag to around $14 billion). Initially hoped for early 2026, FID is now informally expected by Q3 2026 based on the latest timeline from the Prime Minister. Once FID is reached, construction of two new LNG trains (total 6.8 MTPA capacity) is expected to commence soon. We have laid out its potential spillover effects on PNG economy earlier.

Development of the **P'nyang gas project** (by ExxonMobil) was initially slated to follow Papua LNG but has been held back due to slower negotiations. After being decoupled from Papua LNG in 2019 for separate development, P'nyang's terms are still under discussion. The government has signalled that the final agreement must align with new laws (such as the Production Sharing framework under consideration). A deal could potentially be reached by late 2026, unlocking another phase of LNG expansion in the highlands/western region.

The **Pasca A offshore gas** and condensate project (Twinza Oil) is a smaller but strategically important development. After completing Front-End Engineering and Design (FEED), Pasca A awaits a Government production license and partner alignment, with an FID possible in 2026 if these issues resolve.

The **Wafi-Golpu copper-gold mine** (jointly owned by Newmont and Harmony) is among the world's premier undeveloped gold-copper deposits. PNG Government intends on finalizing a project agreement by 2026, having committed to a higher-than-usual 30% equity stake to secure long-term national benefits. Wafi-Golpu's development would inject billions in investment and diversify PNG's mining output with copper being in high demand for the global energy transition and EV demand.

Other notable projects in the pipeline include the possible reopening of the **Panguna copper mine** in Bougainville with the regional government hoping for a June 2026 agreement to restart the mine, which has been closed since 1989.

PNG's economy vulnerable to commodity shocks

In this section, we present our general expectation around key commodity movements that significantly influence PNG's export earnings front. We present our detailed commodity forecast in next page.

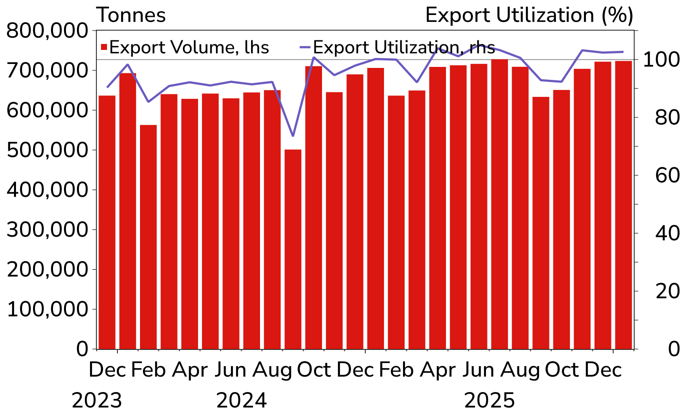
Gold prices are expected to remain high throughout 2026. In February 2026 gold was trading above US$5,200/oz, reflecting continued investor demand for safe-haven assets and diversification as global geopolitical risks remain elevated. Westpac in February Market Outlook attribute the strength of gold to increased central-bank purchases and expectations that US interest-rate cuts will support non-yielding assets. PNG benefits directly from high bullion prices because gold is one of its largest exports; the Porgera mine reopened in 2024, Lihir continues to operate at high throughput, and Ok Tedi is performing well. The proposed Wafi-Golpu project could further boost medium-term production. These developments mean high gold prices should translate into stronger export receipts and royalties.

Copper is another key earner, and its outlook is also constructive. Copper prices are hovering around US$13,000/t and are forecast to remain firm due to structural demand from the global energy transition and data-centre expansion. Electric vehicles, renewable energy infrastructure and AI-driven data centres require large quantities of copper wiring and components 'with few substitutes,' while supply growth is constrained by the lack of new projects and disruptions in major producers Peru, Chile and the DRC. The long-mooted Wafi-Golpu copper–gold project remains a key upside risk; if it receives full approvals and a final investment decision, PNG's medium-term copper output would increase significantly.

Liquefied natural gas (LNG) remains PNG's largest export. Spot LNG prices fell from the crisis peaks of 2022 but still hover around the mid-US$10/MMBtu with underlying downward pressure on global prices in medium-term. Several factors support this outlook: global LNG supply is expanding with new US and Qatari projects, but investment in the sector slowed considerably after 2014. Lack of any new LNG investment globally could likely cause supply disruptions, sending prices higher and that PNG's proximity to Asian markets gives it a shipping cost advantage. Demand from China's industrial sector is expected to remain resilient as the country substitutes gas for coal to reduce emissions. PNG's existing LNG trains continue to operate reliably, and the planned Papua LNG and Pasca A projects are moving toward final investment decisions, signalling potential increases in output from 2027.

The outlook for soft commodities is less buoyant but still positive relative to historical norms. Global **coffee and cocoa** prices spiked in 2024 on supply shocks but fell sharply in 2025–26 as Brazil and Vietnam harvested bumper crops and West African cocoa output recovered. These supply improvements, alongside slowing demand growth in Europe, suggest prices will not return to previous peaks. Nonetheless,

PNG LNG Export Activity



Source: Bloomberg, Macrobond, Westpac Economics

PNG's coffee and cocoa sectors should benefit from new reforms. The Papua New Guinea Coffee Industry Act established a National Coffee Authority to enhance market access and quality control, while EU-funded programs such as EU-STREIT and CocoaConnect aim to increase quality and traceability. With improved yields and value-chain integration, PNG can capture higher margins even if global prices ease.

Palm oil prices are expected to remain relatively steady in 2026. Futures prices are around MYR 4,000 (about US$900) per tonne. The global market is balancing; Indonesian export restrictions have tightened supply, while India's demand for edible oils is recovering. For PNG, which exports substantial volumes of crude palm oil, steady prices combined with modest production growth should keep export earnings stable. Risks include potential El Niño-driven drought, which could reduce yields, and EU sustainability regulations that may restrict market access for unsustainably sourced oil.

Outside of these core exports, global **nickel** prices have been volatile but remain higher than a year ago due to strong demand from electric vehicle batteries and stainless steel.

Although PNG is not a major nickel exporter, the general strength in metals markets reflects favourable conditions for countries rich in mineral resources. Analysis suggests that EV-driven metals demand and limited investment in new mines underpin a broader bullish narrative for metals which could really benefit PNG. However, oversupply from Indonesia could cap prices, and innovations in battery chemistry could reduce nickel intensity over time.

Commodity price forecast

End of Period	Latest	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
Bulk commodities										
Crude oil (US$bbl) Brent	68	70	67	65	62	60	57	60	62	65
LNG in Japan US$mmbtu	10.80	10.6	11.6	10.7	10.1	9.5	9.0	8.3	8.7	9.0
Gold (US$/oz)	5,035	5,100	5,300	5,500	5,600	5,500	5,400	5,300	5,200	5,000
Copper (US$/t)	12,993	13,200	13,300	13,400	13,500	13,250	13,000	12,500	12,930	13,580
Iron ore finesTSI @ 62% US$t	101	97	90	86	83	84	85	85	86	86
Nickel (US$/t)	17,382	17,900	18,150	18,300	18,10	17,500	16,500	15,500	15,850	16,370

Source: Westpac Economics Market Outlook

Agricultural exports forecast ('000s tonnes)

Commodity ('000s tons)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Cocoa	33	36.6	40	38.5	39.9	58.6	51.2	46.5	49.3	53.0
Coffee	40.7	25	50.9	57.9	49.6	49.7	50.0	50.0	50.0	50.0
Copra	36.7	35.1	23.8	13.3	23	22.4	23.0	23.7	24.0	19.5
Copra Oil	10.4	11.6	30.1	17.1	22.7	15.5	19.0	20.2	20.7	21.3
Palm Oil	557.9	657.5	676	684.4	679.5	696.8	727.3	741.1	763.1	779.5
Rubber	3.1	2.8	2.6	2.7	2.3	2.8	2.7	2.6	2.6	2.6
Tea	0.17	0.33	0.17	0.4	0.35	0.4	0.3	0.2	0.2	0.1

Source: Westpac Pacific Forecast

Metal/Mineral exports forecast

Commodity	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Cobalt ('000 tonnes)	2.6	3.6	3.3	3.1	2.8	3.0	3.4	3.0	3.3	3.3
Condensate ('000 barrels)	9,523.0	8,618.5	7,055.3	6,092.5	4,914.3	5,608.0	4,685.5	4,500.0	4,500.0	4,500.0
Copper ('000 tonnes)	82.3	66.0	73.9	94.7	115.4	105.5	111.2	115.5	119.7	123.8
Crude Oil ('000 barrels)	4,819.8	6,176.7	7,214.1	7,071.1	7,380.5	4,567.9	4,648.2	4,671.9	4,516.8	4,349.1
Gold (tonnes)	54.1	44.0	39.6	41.9	47.2	47.5	49.7	51.4	52.7	53.4
Logs ('000 cubic meters)	2,891.0	2,787.1	3,059.7	2,261.0	1,990.0	1,833.3	1,750.0	1,700.0	1,650.0	1,600.0
Marine Products ('000 tonnes)	203.4	129.6	129.1	84.6	261.2	224.1	195.4	205.4	212.9	217.9
Nickel ('000 tonnes)	29.7	39.1	37.2	34.1	30.6	32.8	38.6	35.7	41.4	39.6

Source: Westpac Pacific Forecast

Interest rate forecast

Economies	Latest	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
Australia										
Cash	3.85	3.85	4.10	4.10	4.10	4.10	4.10	4.10	3.85	3.60
10 Year Bond	4.73	4.75	4.80	4.80	4.80	4.75	4.70	4.65	4.60	4.60
United States										
Fed Funds	3.625	3.625	3.375	3.375	3.375	3.375	3.375	3.375	3.375	3.375
10 Year Bond	4.07	4.20	4.30	4.35	4.40	4.45	4.50	4.55	4.60	4.65
New Zealand										
Cash	2.25	2.25	2.25	2.25	2.50	2.75	3.25	3.75	4.00	4.25
10 Year Bond	4.34	4.70	4.75	4.80	4.85	4.95	5.00	5.00	5.00	5.00

Source: Westpac Economics Market Outlook

Economic growth forecasts (year average)

Country	2021	2022	2023	2024	2025f	2026f	2027f	2028f
World	6.6	3.8	3.5	3.3	3.4	3.4	3.3	3.3
United States	6.2	2.5	2.9	2.8	2.3	2.7	1.8	1.7
China	8.4	3.1	5.4	4.0	4.0	4.6	4.5	4.4
Japan	2.7	1.0	1.2	0.1	1.2	0.9	0.9	0.8
India	9.7	7.6	9.2	6.5	7.2	6.8	6.5	6.3
Europe	6.4	3.7	0.6	0.8	1.5	1.3	1.5	1.6
Australia	5.4	4.2	2.1	1.0	2.0	2.6	2.3	2.7
New Zealand	5.7	2.9	1.8	-0.6	0.4	2.8	3.1	2.7

Source: Westpac Economics Market Outlook

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