



April

PNG ECONOMIC UPDATE

Monthly update on the PNG economy



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Non-resources keeps the economy running

A resilient outlook amid global uncertainty

Papua New Guinea entered 2026 with a comparatively resilient macro position despite heightened global volatility driven by Middle East conflict, energy market disruption and rising geopolitical fragmentation. Real GDP growth in 2025 was estimated at 5.3% by the Bank of Papua New Guinea (Westpac estimate 5.5%) and is expected to moderate in 2026 as activity normalises, with official and institutional forecasts clustering around 3–4%. Inflation remained contained at around 4%yr in the December quarter, supported by GST exemptions and easing non-fuel price pressures, although rising global fuel prices increased upside risks into mid-2026 and through the second half of the year.

Underlying economic momentum improved through February and March, supported by firm commodity prices, easing foreign exchange constraints and improving business sentiment, despite delays in major resource project decisions.

Resource Projects

Papua LNG, valued at around US\$14 billion, remains in the Final Investment Decision window, although the time line has slipped beyond earlier expectations for early 2026. Developers are reported to be seeking an additional US\$3 billion in concessions amid cost escalation, while the Government has maintained a target of 55% total state benefit under existing fiscal laws. A more optimistic outlook around the P'nyang gas project provides some confidence in the resources sector.

Macroeconomic tone strengthens

The World Bank, ADB and IMF alongside Westpac Pacific all upgraded PNG's outlook relative to earlier expectations, citing stronger mineral output, supportive gold and copper prices and improving macro-financial stability.

The World Bank's Public Finance Review noted that resource revenues averaged only 1.9% of GDP between 2013 and 2024, despite a doubling in production, while estimating that PNG requires additional public investment of around 4.5% of GDP annually in health,

education and social protection to meet development goals.

Business confidence lifts

Business sentiment improved sharply. Results from the 2026 PNG CEO100 Survey showed:

- 72% of CEOs expect higher profits in 2026,
- Over 50% plan substantial increases in capital investment, and
- Foreign exchange availability fell from the top business constraint to 12th place.

Utilities reliability and infrastructure quality were among the few impediments reported to have worsened, underscoring capacity stress despite improving demand conditions.

Foreign exchange liquidity normalising

Foreign exchange conditions improved significantly. The Bank of PNG reported a reduction in the backlog of FX orders from around K1.8 billion to roughly K200 million, with outstanding orders now met on a daily or weekly basis, compared with a multi-month delay previously. Weekly FX auctions averaged around US\$30 million, with oversubscription

signalling still-strong demand but improved allocation efficiency.

The Kina depreciation continues. BPNG reaffirmed its crawling-peg approach, with further gradual depreciation expected through 2026 in the absence of major project inflows. Westpac projects a trough of USD 0.2150 by end-2026, before stabilisation as LNG-related capital inflows begin in 2027.

FATF grey listing

Papua New Guinea was formally placed on the FATF grey list in February 2026 following assessments identifying effectiveness gaps in AML/CTF supervision. The Government has committed to an 18-point action plan, including six legislative amendments, with a National Risk Assessment due by September 2026.

Authorities allocated K10 million to strengthen AML/CTF systems, while the US Treasury and other partners confirmed technical cooperation to accelerate removal. Commercial banks reported increased compliance costs and scrutiny but no systemic disruption to trade finance or domestic liquidity.

Key themes

Cyclone and humanitarian crisis

Severe Tropical Cyclone Maila dominated April, causing widespread destruction across Bougainville and parts of the New Guinea Islands. Fatalities were confirmed, over 100,000 people were affected, and major damage occurred to housing, roads, power and coastal communities. Emergency responses were mobilised, with Australia providing humanitarian assistance.

Fuel price shock

Fuel prices surged due to Middle East conflict-driven global oil disruptions. The government introduced a K1 billion stabilisation package, directed the ICCG to freeze prices at March levels, and warned suppliers against increases. Despite this, transport operators and businesses reported rising operating costs and ongoing logistics strain. Authorities highlighted exposure through transport, electricity generation and household living costs, reinforcing macro downside risks for the second half of 2026.

Law and order, elections and government reset

Law and order dominated the policy agenda. Parliament passed the

Vagrancy Act 2025/26 with an 80–1 vote, granting courts powers to issue exclusion orders and reinforcing urban security ahead of major events including NRL matches from 2028 and APEC 2033. The Government allocated early funding for 2027 election preparations, with election costs projected to exceed K1 billion. Firearms amnesty and forced recovery operations are scheduled to run until August 2026.

Public-sector reform and delivery

Under the Reset@50 agenda, all departments were directed to submit Delivery & Outcomes Reports by 31 March 2026, tied to the MTDP IV. The Prime Minister ordered reviews of underperforming SOEs following repeated blackouts, water failures and infrastructure delays. A public-service census was initiated to address payroll integrity ahead of a 3% public-sector base salary increase implemented under the 2026 Budget. Prime Ministers (Amendment) Bill 2026 looking into improving Government efficiency was tabled in the Parliament recently.

Energy security and domestic fuel vulnerability

Treasury warned PNG would feel the full effect of Middle East energy disruptions by early April, with domestic fuel prices already rising in March. The Government invoked emergency powers under the Essential Services Act and signalled willingness to intervene via subsidies or structural market changes if global prices spike further. Five new energy regulations were launched in March to modernise electricity licensing, off-grid systems and appliance standards.

Infrastructure stress

Severe weather events caused repeated transport disruption. Floods destroyed the Aumea Bridge, landslides cut the Madang–Lae–Highlands Highway, and wet-season damage isolated multiple districts. While Connect PNG allocations exceed K1.7 billion for works in 2026, parliamentary inquiries revealed deficiencies in trust-fund compliance and project governance, amplifying execution risk.

Digitalisation prospects

PNG accelerated digital infrastructure reforms. LEO satellite permits, including Starlink testing, expanded broadband access. Digital national ID (SevisPass) progressed as a mandatory

KYC tool, while financial sector innovation continued through digital superannuation platforms, green finance pilots and capital-market reforms aimed at reducing PNGX concentration risk.

Rising strategic relevance

PNG's geopolitical profile strengthened through deeper engagement with the US, Australia, Japan and the EU, spanning security cooperation, critical minerals, digital infrastructure and governance reform. PNG's selection as APEC 2033 host reinforced its long-term strategic positioning, raising both opportunity and accountability expectations.

Labour markets, migration and human capital constraints

Skills mismatches are becoming more binding as non-resource growth of about 4% lifts labour demand, while public-sector capacity came under scrutiny through a national workforce census targeting payroll integrity and performance ahead of July 2026 pay adjustments. Migration frictions increased after PNG was added to the US visa bond list, requiring a US\$15,000 bond from April.

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Interest Rates

- The Bank of Papua New Guinea maintained a neutral monetary policy stance at its March 2026 meeting, keeping the Kina Facility Rate at 5.0% and the Cash Reserve Requirement at 9.0%. Headline inflation remained contained at around 4%, with core inflation trending lower, supported by GST exemptions and easing non-fuel price pressures.
- The MPC reaffirmed the exchange rate as the key nominal anchor, continuing the crawl-like adjustment of the kina to address remaining foreign-exchange imbalances. FX backlog has reduced sharply, from around K1.8 billion at its peak to roughly K200 million, according to the Bank of Papua New Guinea. Outstanding import and dividend orders are now being met daily or weekly, rather than over several months previously.
- The Bank flagged upside inflation risks from global fuel prices and ongoing Middle Eastern crisis, while judging current policy settings as appropriate to balance price stability and growth amid heightened global uncertainty.
- Fixed Rate Full Allotment 7-day C-Bill remains pegged to the KFR at 5.00%
- March 2026 saw a rebound in the 365-day Treasury bill yield, 5.56% in 20th February 2026 to 5.63% by 20th March 2026.
- March 2026 saw yield increases as market participants had bid the rates higher.
- The last Government Bond Auction was held on the 17th March 2026. Auctions were undertaken in the 3–15 year buckets - were comfortably oversubscribed.
- Total bids reached K280.5 million, exceeding the offer by K80.5 million (40%), with successful allotments totaling K200.45 million across five maturities.
- Demand was strongest in the 5-year, 7-year and 10-year tenors, reflecting investor preference for medium- to long-dated paper.
- Weighted average yields rose steadily along the curve:
 - 3-year: 6.48%
 - 5-year: 6.80%
 - 7-year: 6.95%
 - 10-year: 7.14%
 - 15-year: 7.48%

Foreign Exchange

- The gradual, crawling peg depreciation of the PGK continues, with February and March 2026 seeing PGKUSD fall from 0.2337 to 0.2317 on the 26th March 2026.
- Total FX Market turnover increased by PGK474.7m to PGK 6.1bn in February 2026, from PGK 5.625bn in January 2026 reflecting more FX liquidity in the PNG Market.
- There is still no guidance on the target rate of the depreciation or on where BPNG views the rate aligned to fundamentals.
- PGK/AUD remained rangebound throughout February to March 15th 2026. Breaking previous highs, AUD/USD peaked at 0.7151 during the month of February to March 15th 2026.
- The PGK/AUD dropped significantly, reflecting a high of 0.3249 and a low of 0.3127.
- PGK/AUD had a range of 122 basis points reflecting a volatile AUD/USD exchange rate. This reflects a weakening US Dollar amid global tension and market uncertainty.
- Weekly FX auctions continue, typically around US\$30 million per auction, with consistent oversubscription. This indicates strong demand, but improved allocation efficiency compared with 2023–24.

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Government Bond Auction

Series	Amount on offer	Bid received	Successful bids	Successful yields	Weighted average rate	Coupon Rate	Overall Auction
	K'million	K'million	K'million				
Issue ID 2026/5256 (3 Years)	30.00	33.35	23.45	5.75% - 6.57%	6.48%	5.75%	3.45
Issue ID 2026/5257 (5 Years)	40.00	65.00	55.00	6.58% - 6.89%	6.80%	6.00%	25.00
Issue ID 2026/5258 (7 Years)	50.00	68.00	68.00	6.25% - 7.11%	6.95%	6.25%	18.00
Issue ID 2026/5259 (10 Years)	50.00	72.00	42.00	7.05% - 7.23%	7.14%	6.50%	22.00
Issue ID 2026/5260 (15 Years)	30.00	42.00	12.00	7.46% - 7.55%	7.48%	6.75%	12.00
TOTAL	200.000	280.450	200.450				80.450

Auction Number:17-MAR-26 /GOB/ Government Bond; Settlement Date: 20-MAR-26; Amount on Offer: K200,000 million

Government Treasury Auctions

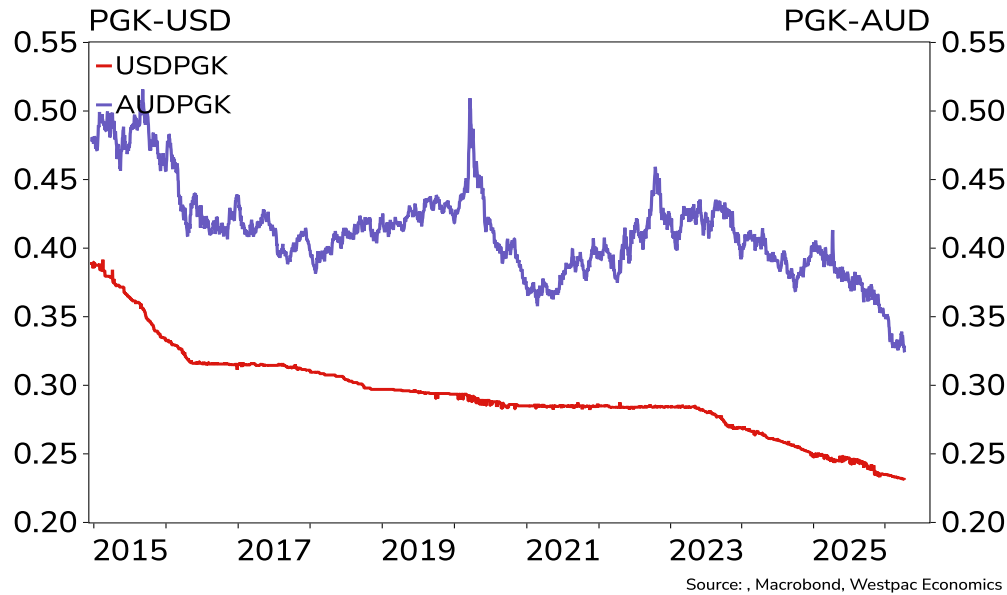
Terms	Issue ID 2025	Issue ID 2025	Issue ID 2025/4516	Issue ID 2025/4517	Issue ID 2025/4518	Total
	63	91	182	273	364	
Weighted Average Yield	0.000	0.00%	5.41%	5.58%	5.59%	
Amount on offer Kina Million	0.000	0.000	10.000	60.000	217.000	K287.000
Bids Received Kina Million	0.00	0.000	37.530	177.100	493.780	K708.410
Successful Bids Kina Million	0.00	0.000	20.530	50.000	312.780	K383.310
Overall Auction OVER- SUBSCRIBED	0.00	0.000	27.530	117.100	276.780	K421.410

Auction Number: 08-APR-26 / GOI/ Government Treasury Bill; Settlement Date: 10-APR-26; Amount on Offer: K287 million

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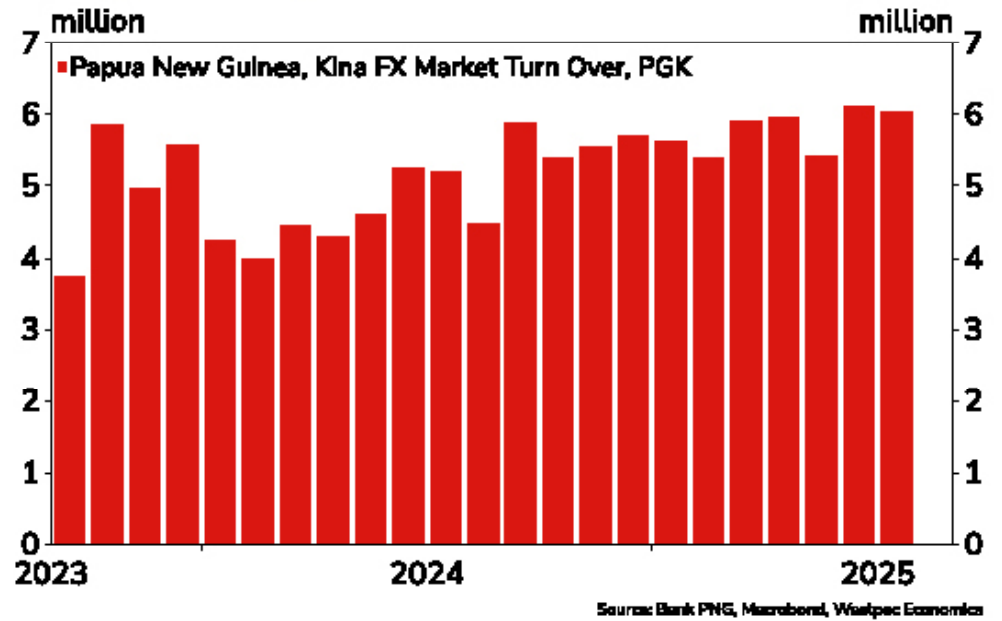
Gradual kina depreciation continues

Kina Foreign Exchange Rate



“PNG/AUD weakened through December to find some stability through March as AUD softened.”

Foreign Exchange Market Turnover



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PNG and Middle Eastern Conflict

The escalation of the Middle Eastern conflict since late February 2026 triggered a severe global energy shock. While PNG is a major LNG exporter, the domestic economy remains highly exposed to global fuel price volatility due to its continued reliance on imported refined petroleum products, limited domestic fuel storage capacity and weak, short term shock absorption buffers.

Westpac assumes that the Strait of Hormuz remains closed until the end of April, a total of eight weeks, and takes longer to reopen fully. This compares with our earlier assumption of a one-month disruption followed by a relatively rapid normalisation.

The slower recovery reflects limited shipping traffic through the Strait, insurance premiums remain elevated given the risk of further attacks by regional factions while shipping companies require time to re-establish vessel rotations and contractual arrangements.

We now assume traffic through the Strait reaches only 20% of normal levels in May. Traffic is expected to continue to improve thereafter,

although capacity is not expected to return to normal until end 2026.

A longer Middle East disruption lifts peak prices for oil and gas, lengthens recovery. Infrastructure damage exacerbates the shock. Brent oil is expected to peak at an average of US\$120/bbl in Q2 and Japanese LNG prices at US\$26mmbtu.

A prolonged three month disruption would see oil average closer to US\$130/bbl, LNG remain above US\$20/mmbtu, and global growth reduced by about 0.5 percentage points.

Despite being a net exporter of energy, PNG imports most of its refined fuels, mainly from Singapore, which relies heavily on Middle Eastern crude. Refined petroleum imports totalled about US\$886 million in 2024, equivalent to roughly 16% of total merchandise imports.

Westpac's baseline implies significant spillovers. A 10% increase in fuel prices would add roughly US\$90 million to annual import costs, widening the trade deficit and intensifying foreign exchange pressures.

PNG's fuel insecurity magnifies these risks. The Napa Napa refinery, with a capacity of around 32,000bbl/day, has been largely non operational due to cost, margin and operational constraints, leaving PNG reliant on imported fuels. Inventories are thin, covering around just 2–3 weeks of demand. In early March, some regions reported 2–5 days of cover forcing emergency imports and state of emergency style measures prioritising fuel for essential services. PNG is among the most fuel vulnerable economies in the Pacific.

Headline inflation was 4.1% in Q4 but under the baseline scenario, higher fuel, freight and electricity costs will push inflation higher from April 2026, even if global prices ease later in the year. Transport intensive sectors such as food distribution, construction, manufacturing and mining will bear the brunt.

For mining, particularly open pit gold and copper mines, rising diesel costs are partially offset by gains in robust commodity prices. While gold may have surged through US\$5,00/oz, it has since eased with operators flagging margin pressure from fuel driven cost inflation.

In 2025 PNG growth was a robust 5.5% supported by LNG, mining and agriculture. For 2026, growth is set to moderate to 4.6% as higher energy costs, global uncertainty and delayed investment decisions weigh on activity. Large projects remain sensitive to elevated construction costs and tighter global financial conditions. Further delays weaken medium term growth prospects and foreign exchange inflows.

The K30.9 billion 2026 Budget targets a near balance but is exposed to downside risks. Resource revenues averaged only about 1.9% of GDP between 2013 and 2024, limiting their value as shock absorbers. The World Bank's estimate that PNG requires an additional 4.5% of GDP annually in social and human capital spending underscores the limited scope to absorb external shocks.

While three new fuel storage projects are planned, including a US funded 264ml facility near Port Moresby, they are unlikely to be operational until around 2030. PNG remains reliant on emergency shipments and ad-hoc policy responses, leaving the economy highly exposed even under our current scenario.

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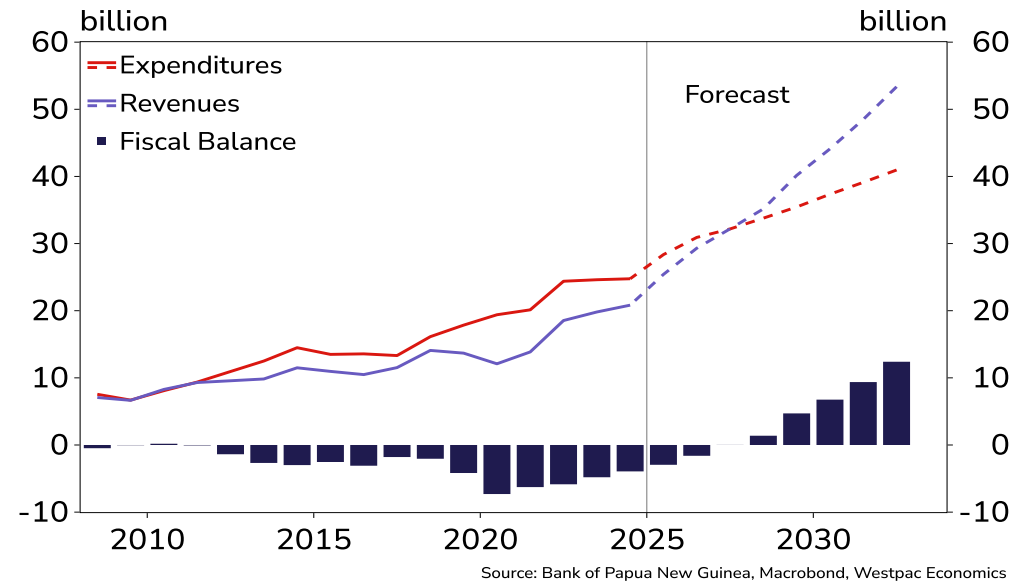
Fiscal Consolidation Path Intact

- The 2026 Papua New Guinea National Budget, themed “Security with Growth”, puts forward a record expenditure number and aims to further consolidate fiscal repair plan while heavily directing funding towards key economic and social sectors. The total expenditure for fiscal year 2026 is projected at K30.9 billion with the estimated revenues at K29.3 billion.
- The central focus of the budget remains the continuation of the 13-Year Budget Repair Plan, with the government aiming to achieve a small budget surplus by 2027. PNG Government claims it is 88% of the way down the path toward achieving the surplus.
- The budget deficit is projected to fall substantially to just 1.1% of GDP in 2026, down sharply from 8.9% in 2020, demonstrating significant progress toward fiscal recovery. Revenues are projected to increase by 15.3%, outstripping the estimated 9.0% growth in expenditure, aligning with responsible budget repair efforts. Total domestic revenues are expected to reach 18.8% of GDP.
- Due to strong fiscal discipline, debt growth is slower than economic growth, leading the debt to GDP ratio to fall from estimated 48.4% in 2025 to the projected 45.5% in

2026 fiscal year.

- To mitigate temporary fiscal imbalances and reinforce the consolidation drive, PNG Government is also amending the Papua New Guinea Fiscal Responsibility Act 2006 to reduce the interim debt ceiling from 55% down to 52.5% of GDP for a period of five years.
- The National Budget also introduces Bill that details mechanisms allowing the Minister for Treasury to direct the reallocation of unspent funds or funds from the “Contingency Fund” to cover shortfalls in other activities.
- In order improve cash flow management, the budget proposed amendments to the Central Banking Act which details mechanism for the Bank of PNG to provide Treasury and Finance with weekly data on the closing balances of all Government accounts.
- The Budget further tries to strengthen tax administration by establishing at the Internal Revenue Commission the formal IRC Board that will be responsible to oversee revenue performance, strategic directions and budget approvals.

Budget Surplus target from 2027



“...PNG Government targets budget surplus from 2027...debt ceiling lowered to 52.5% from 55%...”

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Key sectoral allocation

The 2026 National Budget, themed “Security with Growth”, allocates K30.3 billion in total expenditure, with K19.4 billion (64.1%) for operational costs and K10.9 billion (35.9%) for capital investment. The budget prioritizes education, health, law and justice, infrastructure, and provincial development.

Education Sector – K4,935.2 million (16.3%)

Education receives the largest share, reflecting the Government’s commitment to universal access and quality learning. Operational spending of K4,325.7m includes K2,532.1m for teacher salaries, K904.5m for Tuition Fee Subsidy, and K103.9m for TESAS scholarships. Capital investment of K609.5m supports higher education programs, TVET, and infrastructure upgrades.

Provinces – K4,720.9 million (15.6%)

Funding for subnational service delivery through District Support Improvement Program (DSIP) and Provincial Support Improvement Program (PSIP). Includes K1,854m for GoPNG capital projects.

Administration – K4,609.5 million (15.2%)

Covers revenue collection agencies (IRC, Customs), governance reforms, and flagship programs like District Infrastructure Program (K480m) and Kina-for-Kina Project (K400m). Capital allocation of K3,011.1m supports

digital governance and infrastructure.

Health Sector – K3,204.9 million (10.6%)

Operational allocation of K2,346.8m funds medical supplies (K264.6m), public health commodities (K84.9m), and Provincial Health Authorities. Capital allocation of K858.1m supports hospital development, cancer treatment facilities, and the new Medical University.

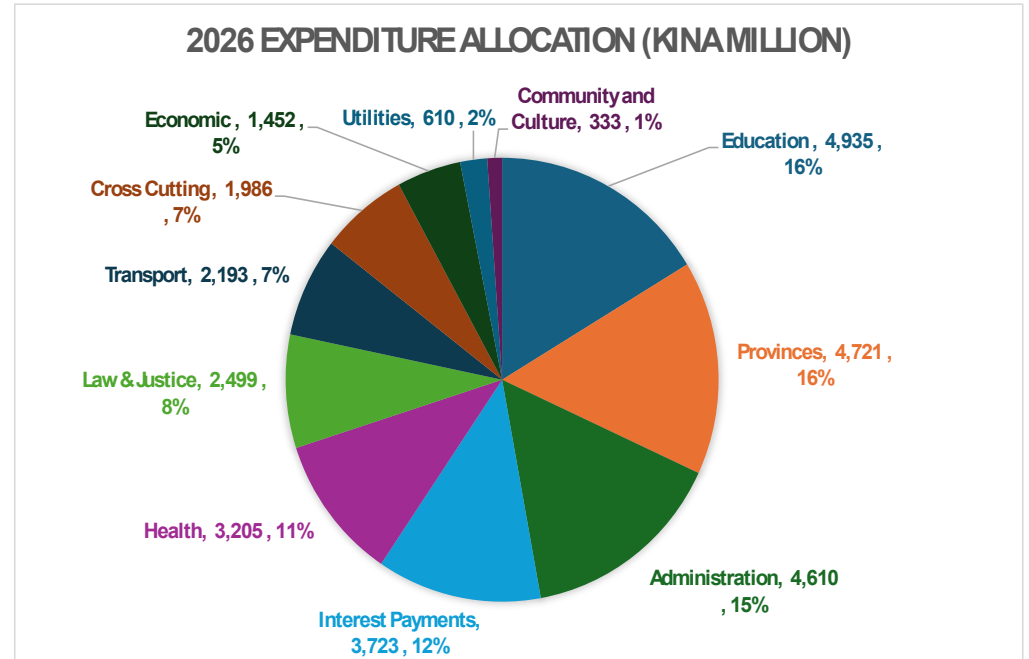
Law & Justice – K2,498.6 million (8.3%)

Increased funding for police recruitment, judicial reforms, and correctional services. Capital allocation of K468m targets infrastructure upgrades for courts, prisons, and security facilities.

Transport – K2,193.1 million (7.2%)

Focused on Connect PNG infrastructure projects, including roads, bridges, and aviation facilities. Includes K1,191m GoPNG funding and K842m from grants and loans.

Other sectors include Economic (K1,452.1m), Utilities (K609.5m), Community & Culture (K332.9m), and Cross-Cutting programs (K1,985.5m) for rentals, utilities, and arrears clearance.



“...education receives the highest budget allocation at K5 billion”

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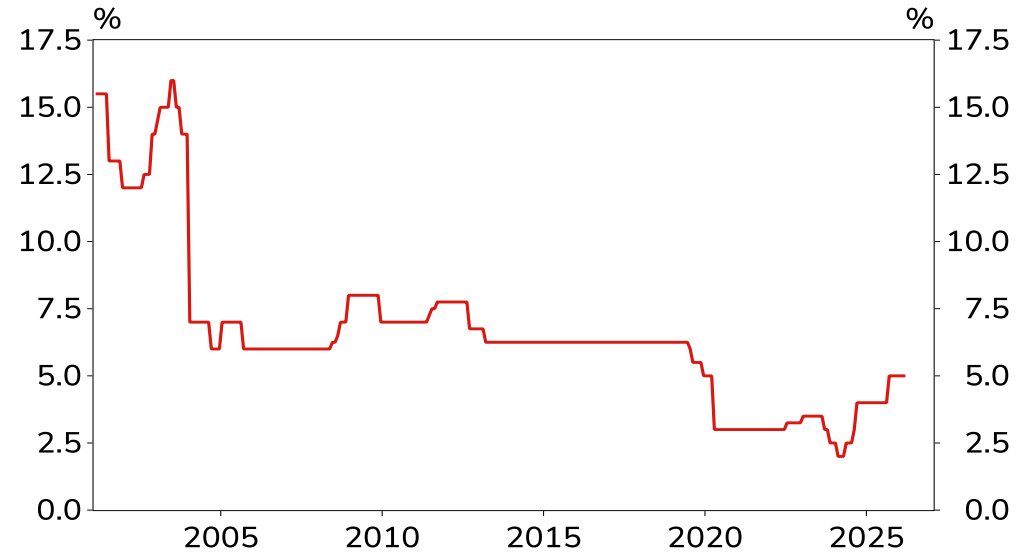
March BPNG rate unchanged

- The Bank of Papua New Guinea’s Monetary Policy Committee at its March 2026 meeting decided to maintain a broadly neutral policy stance, keeping the Kina Facility Rate at 5.0% and the Cash Reserve Requirement at 9.0%. The Committee judged current settings as appropriate to support non-mineral sector activity while preserving macroeconomic stability amid ongoing foreign exchange constraints and global uncertainty.
- Global growth remains resilient and inflation pressures have eased, but escalation of the Middle East conflict has heightened risks through higher energy prices, shipping costs and imported inflation. Domestically, growth remains moderate, supported by mineral output with the Porgera mine operating close to full capacity, while non-mineral sector growth remains subdued. GDP growth is expected to moderate to around 3.0% in 2026.
- The Committee noted that GST relief is temporary and cautioned that further Kina depreciation could lift inflation pressures through 2026.
- The exchange rate remains the primary nominal anchor for monetary policy given weak interest rate transmission and high

import dependence. The MPC reaffirmed continuation of the crawl-like exchange rate arrangement, noting that despite recent adjustments, the Kina remains overvalued relative to its estimated equilibrium, with a continued backlog of foreign exchange orders. Further gradual adjustment is considered necessary to restore market clearing, reduce intervention reliance and progress toward full convertibility, while safeguarding reserves.

- All members supported maintaining central bank liquidity operations, including continued issuance of 7-day and 28-day central bank bills, FX auctions, and repo and reverse repo margins at 2.0 percentage points around the policy rate.
- Voting decisions showed one dissent. Four members voted to maintain the KFR at 5.0% and CRR at 9.0%. Professor David Kavanamur dissented, voting for a rate cut to 3.0%, a reduction in the CRR to 8.0% and a slower pace of exchange rate depreciation, citing low core inflation, fiscal consolidation’s deflationary impact and delayed supply-side responses. Mr Dairi Vele supported holding rates but argued that further Kina depreciation should be paused, emphasising improved balance of payments prospects and increased FX interventions.

Kina Facility Rate



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

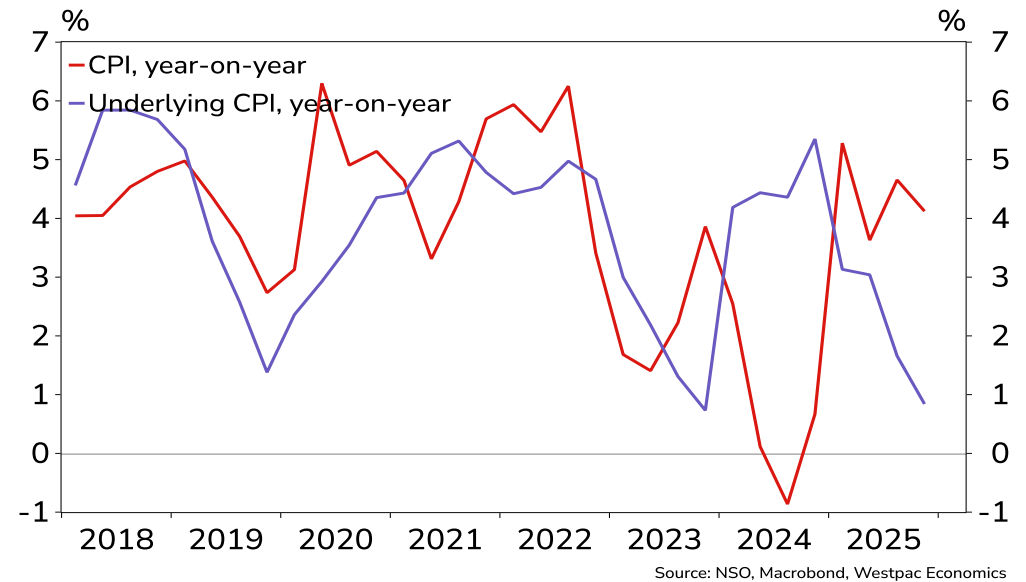
“...The Committee also discussed medium-term reforms, including a potential shift to a trade-weighted currency basket”

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2025 inflation update

- PNG's headline CPI rose 4.1%yr in the December 2025 quarter, easing from 4.7%yr in the September quarter, 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.
 - 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.
- 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%qtr in Q4 and continue to heavily influence headline inflation.
- 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.

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

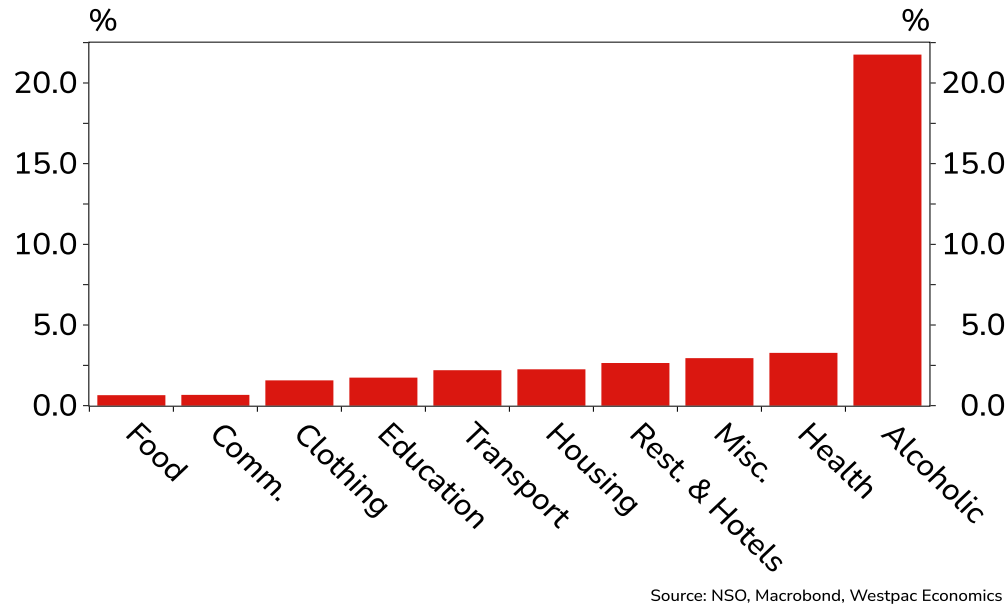


“...Betel Nut a key driver for surge in headline inflation as underlying inflation register lower”

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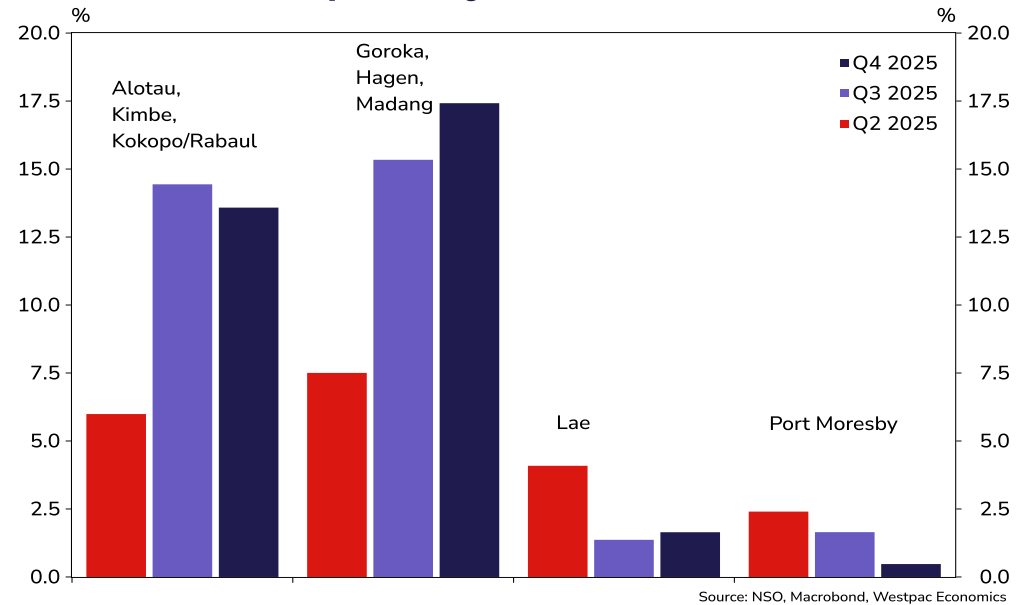
Highlands and Islands inflation up

PNG's inflation categories in Q4 2025



“... Betel nut prices remain the largest single source of volatility, pushing up the Alcoholic, Beverages and Narcotics component”

Headline inflation in respective regions



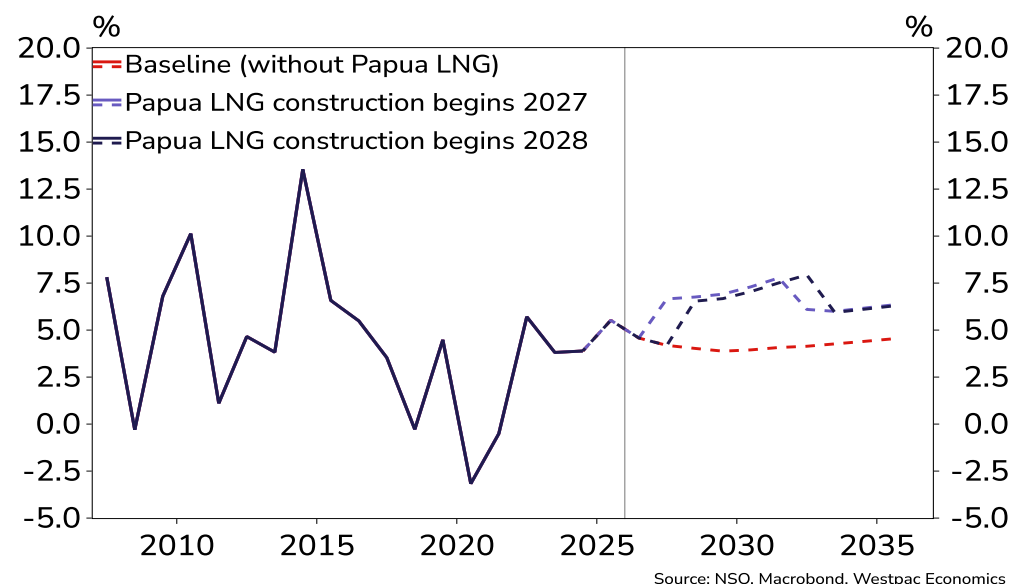
“...double digit inflation in Alotau, Kimbe, Kikipo/Rabaul, Goroka, Hagen and Madang”

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PNG's growth holds despite project delays

- Papua New Guinea's moved through last year with a sense of cautious steadiness rather than any dramatic turning point. 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.
- PNG's medium-term outlook is characterised by a stable baseline growth profile, with the prospect of a significant uplift once the Papua LNG project enters construction and production. However, repeated delays to the Final Investment Decision, initially expected in 2018 and now anticipated in the second half of 2026, continue to complicate near-term forecasts.
- Under our baseline scenario, assuming no Papua LNG FID within the forecast horizon, real GDP growth remains solid but moderates gradually. We forecast growth of 4.6% in 2026, easing to 4.2% in 2027 and 4.0% in 2028, before stabilising around 3.9–4.1% in the longer term. Sectoral dynamics are steady: primary sector growth slows as agriculture plateaus and mining stabilises near 1.4–1.6%, industry expands by 4.2–4.6%, with services the strongest driver, lifting from 5.6% in 2026 to around 6.5% by 2035. This trajectory assumes continued normalisation following earlier shocks and no major new projects altering aggregate growth.
- Papua LNG is modelled as a two-phase overlay on this baseline. The construction phase assumes US\$14 billion in capital expenditure spread evenly over five years, equivalent to an effective ~10% demand uplift relative to PNG's 2024 nominal GDP. Construction generates a substantial growth surge, lifting real GDP growth by +2.5 to +3.4 percentage points, with growth peaking at around 7.3% during peak construction years.
- The production phase, assumed to commence around 2032, delivers a smaller but persistent uplift. With output of 5.6 Mtpa and estimated revenues of US\$2.7 billion per year, mining growth lifts by around +6–7 percentage points, raising economy-wide growth by +1.6 to +2.0 percentage points on a sustained basis.

PNG Growth Outlook

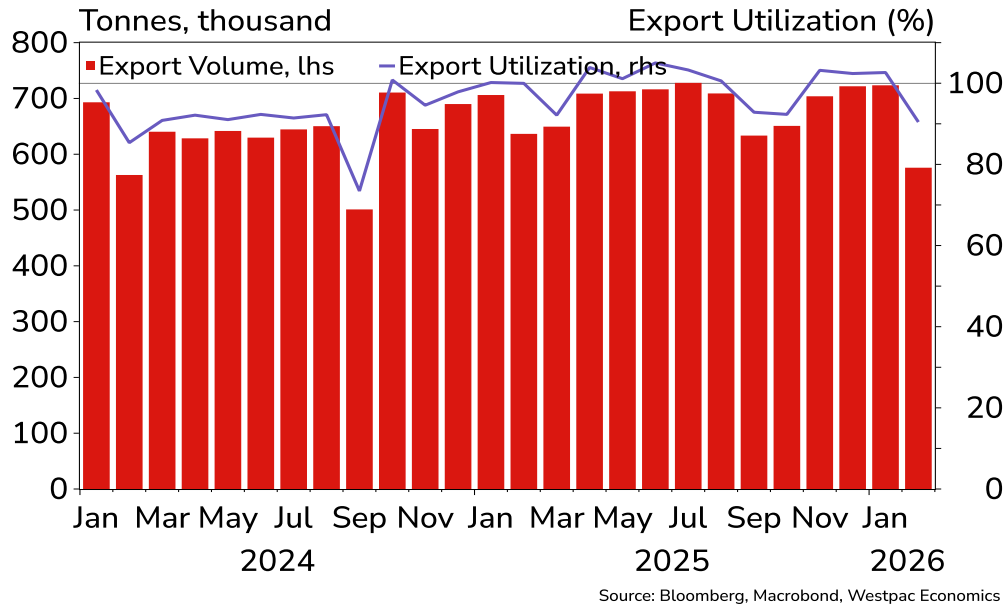


“Even allowing for further delays, Papua LNG remains the single most consequential driver of PNG’s growth outlook over the coming decade.”

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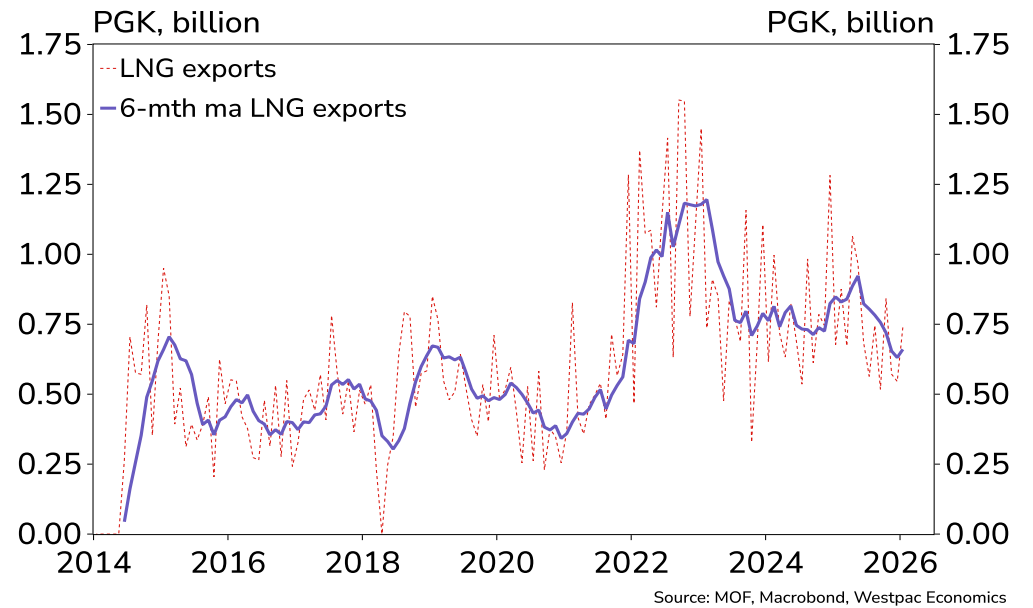
PNG LNG export to rise

PNG LNG Export



“...PNG LNG export utilization at 114% in March 2026, as output ramps up amidst Middle Eastern Crisis”

PNG's LNG export to Japan



“...LNG exports to Japan rose 9% in January 2026 with more uplift in revenue expected”

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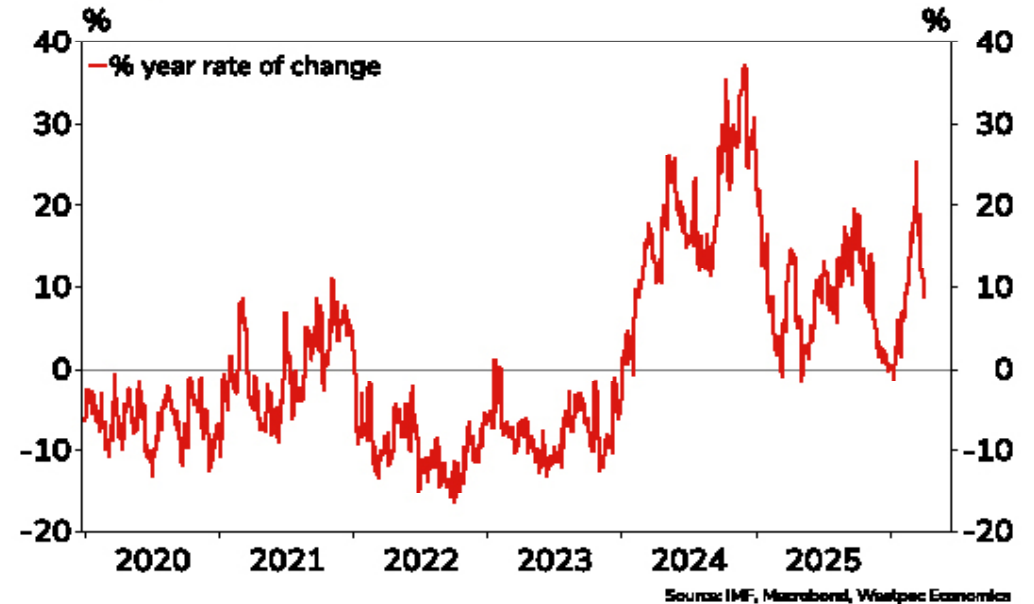
Signs of strength in import activity

- Westpac has developed a proprietary index tracking import activity at PNG ports, known as the PNG Ports Imports Indicator.
- While the data can be volatile and subject to revision as updates are received, when used judiciously, it provides a timely signal of import momentum and, by extension, domestic economic activity.
- The latest update from the Indicator suggests the strength in import activity has strengthened through early 2026 up to mid March since when we have seen a moderation which could be related to shipping disruptions associated with the conflict in the Middle East.
- Annual growth in the Port Imports Indicator peaked at 2% around mid July before easing back to just under 10% in September. As we moved through 2026 the annual pace pick up again peaking at around 25%yr in mid March before easing back to just under 10%yr in early April.
- We are always cautious about drawing firm conclusions from a single indicator such as this. Nevertheless, the consistent gains throughout 2025 and into 2026 until the recent Middle East crisis pointed to a positive underlying momentum in the

PNG economy.

- **Why do we track imports?** The PNG domestic economy continues to grow at just under 5%, a sound pace but less than what is needed to lift more out of poverty.
- The anticipated Final Investment Decisions (FID) for several large resource projects will provide a significant boost. While these projects can deliver multi-decade benefits, they do not drive permanent positive change on their own. Additional measures are required to ensure inclusive and sustained growth. These include:
 - Improving domestic physical infrastructure.
 - Building human capital through better health, education, and training.
 - Reforming State Owned Enterprises to enhance service delivery.
 - Strengthening government services.

PNG Imports Indicator



“...strength in imports continued as 2026 started...”

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Cocoa at its lowest since early 2023

Cocoa

Cocoa prices have been under pressure as markets focus on improving supply conditions and frequent rain in West Africa supporting pod development and rising stockpiles, with ICE-monitored certified stocks lifting to around a 7.5-month high (2.34m bags) by late March.

Demand has also softened with Barry Callebaut, a Swiss-based global cocoa and chocolate company reported a 22% decline in cocoa division sales volumes (quarter to Nov 30), while grindings fell 8.3% y/y in Europe in Q4, with weaker outcomes also reported in Asia. This indicates that consumers have become quite resist to high chocolate prices.

Cocoa remains economically important, particularly in Bougainville, which reported K750m in cocoa revenue and assumed full control over its cocoa export system. Supply resilience efforts are also emerging, including the launch of a cocoa seed bank in Madang.

Softer cocoa prices are a downside risk for rural incomes and export receipts.

Coffee

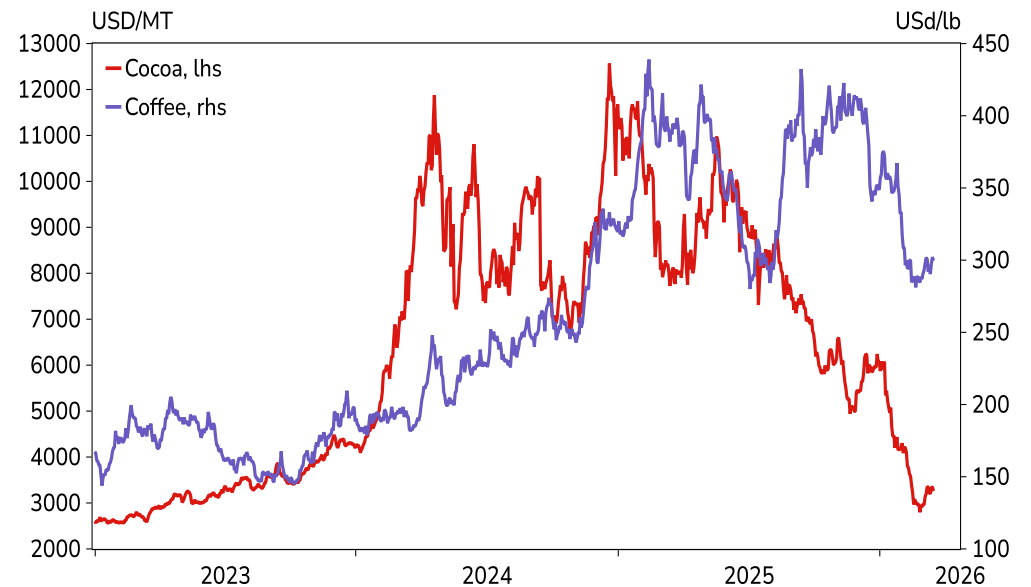
Global coffee prices have been choppy but recently firmer due to near-term supply tightness in Brazil and logistics risk, even as the medium-term supply outlook looks more comfortable.

Brazil's Cooxupé expects exports to fall 10% in 2026 to around 4.4m bags (from 4.9m in 2025) because the smaller 2025 harvest is constraining export availability early in 2026, while some growers are holding back sales.

Offsetting this, expectations of a large Brazil crop and rising inventories have been a recurring bearish force, and Vietnam's export performance is also adding to supply availability. Demand risks remain tied to higher delivered costs from shipping, fuel and insurance when global logistics are disrupted.

PNG recorded a record 1.5 million coffee bags exported in 2025 (highest since the 1980s), improving rural cashflow and FX inflows

Cocoa and Coffee



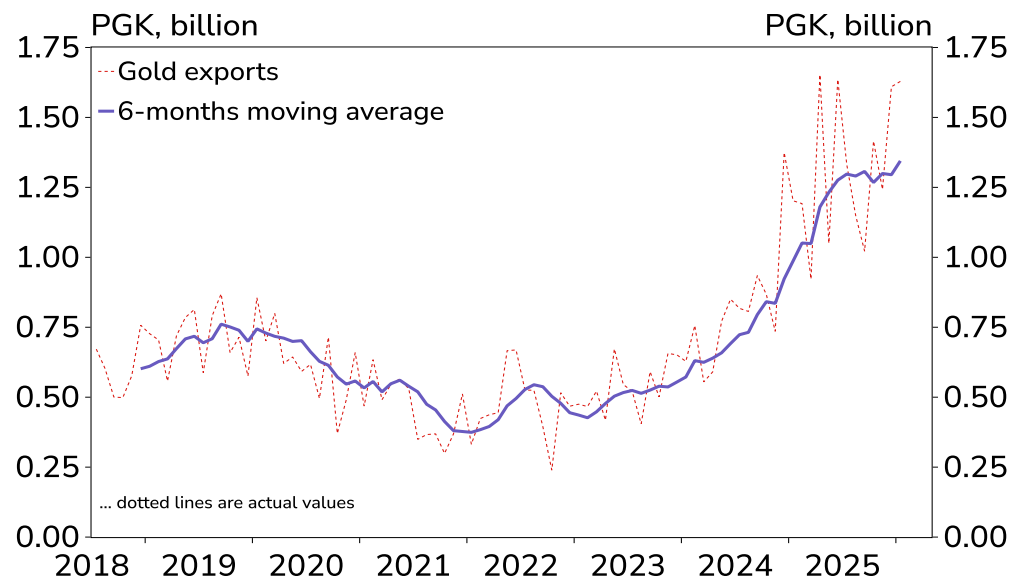
Source: Bloomberg, Macrobond, Westpac Economics

“...subdued global prices threatens PNG’s cocoa sector which thrived in 2024-25 period...”

Gold export rally supports PNG economy

- Gold production momentum strengthened across several key operations. K92 Mining’s Kainantu mine continues to stand out as a top-tier performer. The company reported 174,134 ounces of gold-equivalent production in 2025, exceeding guidance, and issued 2026 guidance of up to 225,000 ounces as the Stage 3 expansion ramps up. Over calendar 2025, K92 contributed approximately K423 million in corporate taxes, alongside significant royalties, levies and local procurement, cementing its importance to both fiscal and FX inflows.
- At Porgera, New Porgera Limited exceeded expectations in 2025, producing 376,057 ounces of gold and paying K985.8 million in taxes, while declaring around US\$400 million (≈K1.7 billion) in dividends, with 51% accruing to PNG interests. Porgera is on track to move back toward Tier-1 status, with production capacity expected to rise further by 2027.
- Elsewhere, Simberi (St Barbara) reported a return to profitability, supported by expanded resources of nearly 7.9 million ounces, while Adyton Resources and Great Pacific Gold reported encouraging exploration outcomes, pointing to a strengthening pipeline of future output.
- Gold export values to Australia surged into early 2026. In January 2026, PNG’s gold exports to Australia totaled approximately PGK 1.63 billion, up from PGK 1.61 billion in December 2025 and significantly higher than the PGK 0.63–0.94 billion range seen through much of early 2024.
- Over 2025, monthly gold exports to Australia were consistently above PGK 1.0 billion, peaking near PGK 1.65 billion, reflecting higher prices rather than large volume swings.
- This export strength has materially supported foreign exchange liquidity, helping reduce the FX backlog from around K1.8 billion to near K200 million, according to Bank of PNG assessments. Gold receipts have also cushioned the kina under the crawling-peg regime and partially offset higher fuel import costs.

Gold exports to Australia K1.6bn in January



Source: DFAT, Macrobond, Westpac Economics

“...the rally in 2025 is largely attributed to elevated global gold prices driven by economic uncertainty and inflationary pressures ...”

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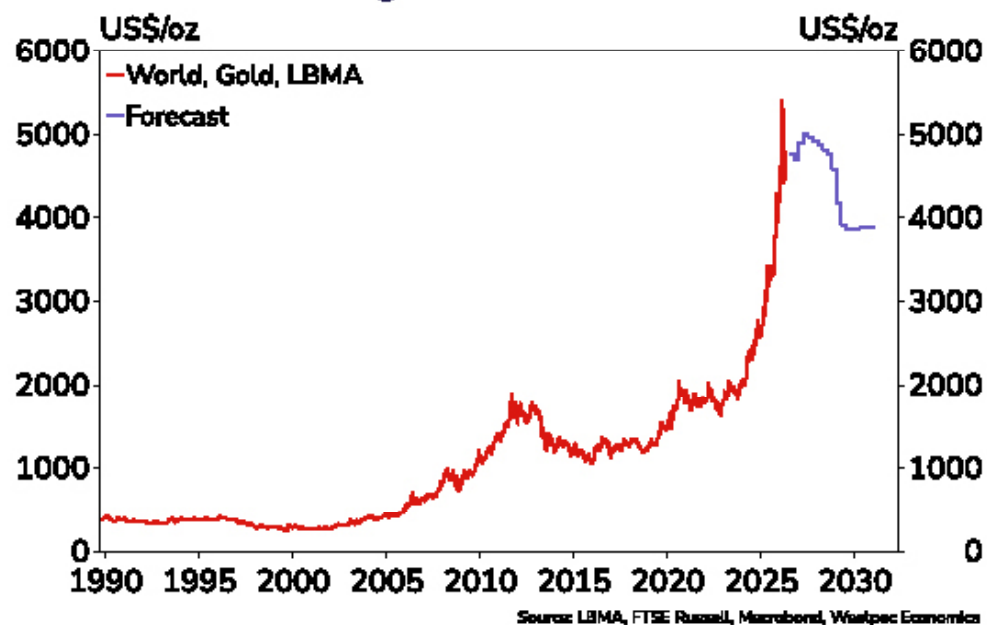
Gold consolidation before retesting \$5,000

- Gold has been under pressure over recent weeks as markets focused on the inflationary implications of higher oil prices and the prospect that central banks may need to keep policy tighter for longer. A rapid rise in US real yields alongside renewed USD strength weighed on bullion, prompting a notable retracement from the all-time high reached in late January.
- Consolidation to persist over coming weeks, but recent pullbacks may be seen as opportunities to re-engage. Gold has already corrected and speculative positioning has been flushed out. We are looking for a period of range-trading in which volatility subsiding should allow a base to form. This environment is likely to encourage longer-term investors to rebuild positions.
- Geopolitical risks tend to have an uneven and often short-lived impact on gold with near-term safe-haven rallies typically fading as markets adjust. More durable support for gold usually comes via second-round effects: shifts in the growth-inflation mix, policy responses and a strengthening of strategic demand as investors look to diversify. If geopolitical disruptions persist and energy prices remain elevated, the combination of

higher inflation and weaker growth, with the associated risk of renewed fiscal and monetary stimulus, would present upside risks for gold. Persistent geopolitical uncertainty also continues to underpin strategic demand from institutional, official-sector and retail investors.

- Concerns about central-bank gold selling have resurfaced, particularly following recent price weakness and headlines around Turkey. While some central banks may sell modest amounts of gold at times, we see little evidence of a structural shift away from gold accumulation. We continue to expect official-sector net purchases to slow only gradually, broadly in line with recent trends. Temporary monthly selling episodes are not uncommon and often reflect idiosyncratic factors rather than a change in strategic intent.
- Headline risks remain as markets continuously re-price geopolitical and macro developments. Nevertheless, speculative positioning is cleaner, long-term investors remain under-invested, and diversification demand is rising. We continue to expect new highs in gold over time.

Gold is consolidating



“Geopolitical and market risks remain elevated.... against this backdrop, we expect gold to retest US\$5,000/oz in early 2027...”

Financial forecasts

Interest rate forecasts

	Latest (10 Apr)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Australia											
Cash	4.10	4.60	4.85	4.85	4.85	4.85	4.85	4.85	4.60	4.35	4.35
10 Year Bond	4.97	5.05	5.05	5.05	5.05	5.05	5.00	4.95	4.90	4.90	4.90
US											
Fed Funds	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625
US 10 Year Bond	4.30	4.40	4.40	4.45	4.50	4.55	4.60	4.65	4.70	4.75	4.75
New Zealand											
Cash	2.25	2.25	2.50	3.00	3.50	3.75	4.00	4.25	4.25	4.25	3.75
10 Year Bond	4.69	4.85	4.95	5.00	5.05	5.10	5.10	5.10	5.10	5.10	4.95

Exchange rate forecasts

	Latest (14 Apr)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
PGK/USD	0.2311	0.2250	0.2200	0.2150	0.2150	0.2170	0.2220	0.2270	0.2320
PGK/AUD	0.3262	0.3125	0.3056	0.2945	0.2945	0.2932	0.3000	0.3068	0.3178
PGK/NZD	0.3934	0.3814	0.3618	0.3468	0.3370	0.3288	0.3323	0.3388	0.3483
PGK/EUR	0.1964	0.1907	0.1864	0.1807	0.1792	0.1793	0.1820	0.1861	0.1909
PGK/GBP	0.1709	0.1661	0.1618	0.1569	0.1558	0.1561	0.1586	0.1610	0.1651
PGK/JPY	36.78	35.55	34.32	33.11	32.68	32.55	32.86	33.14	33.41
PGK/SGD	0.2943	0.2846	0.2772	0.2709	0.2709	0.2723	0.2786	0.2847	0.2909

Sources: Bloomberg, Westpac Economics.

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Economic and financial forecasts

Major trading partner growth forecasts (year average)

Real GDP %ann	2020	2021	2022	2023	2024f	2025f	2026f	2027f
World Economy	-2.7	6.6	3.6	3.5	3.3	3.2	3.1	3.2
US	-2.2	6.1	2.5	2.9	2.8	1.9	1.3	1.6
Eurozone	-6.0	6.3	3.5	0.4	0.9	1.4	1.1	1.4
Australia	-2.0	5.4	4.1	2.1	1.0	1.8	2.4	2.5
New Zealand	-1.3	5.7	2.9	1.8	-0.6	0.3	2.1	3.4
Japan	-4.2	2.7	0.9	1.5	0.1	1.1	0.8	0.8
China	2.3	8.4	3.1	5.4	5.0	4.8	4.6	4.5
India	-5.8	9.7	7.6	9.2	6.5	6.6	6.4	6.3

Sources Macrobond, Westpac Economics

Economic indicators		2023	2024 (est)	2025 (est)
Inflation	ADB	2.3%	0.7%	3.8%
	BPNG	3.9%	0.7%	3.0%
	IMF	2.3%	0.6%	5.5%
	Westpac	3.9%	0.7%	4.7%
GDP growth	ADB	3.8%	4.3%	4.2%
	BPNG	3.0%	3.0%	4.0%
	IMF	3.8%	3.7%	4.6%
	Westpac	3.8%	4.3%	4.7%

Sources Macrobond, Westpac Economics

PNG Economic Statistics

	2019	2020	2021	2022	2023	2024	2025
Money supply (% year)	4.4	7.0	13.4	14.8	11.5	-6.4	6.9
Private Sector Credit (% year)	4.0	4.2	2.5	6.9	19.0	3.0	4.0
Current Account (K millions)	18,522	17,281	12,222	11,543	9,220	13,201	13,649
Total Imports Cover (months)	5.0	7.4	5.4	7.4	6.3	5.7	4.3
Non-mineral imports cover (mth)	8.2	11.8	8.4	15.1	11.6	12.2	9.3
Headline inflation (% year)	2.7	5.1	5.7	3.4	3.9	0.4	3.0
Fiscal Surplus/Deficit (K millions)	-4,172	-6,501	-6,270	-5,852	-4,935	-4,935	-3,984
Defecit as % of GDP	-5.0	-8.0	-6.7	-5.4	-4.4	-4.4	-3.3

Sources Macrobond, Westpac Economics

Financial Markets

Indicators	2022	2023	2024	2025f	2026f
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	3.99	-6.0	-4.3	4.2
Fiscal Surplus/Deficit (K millions)	-5,852	-4,935	-3,984	-2,654	-1,314
Defecit as % of GDP	-5.4	-4.4	-3.3	-2.0	-0.9

Source: BPNG forecasts

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Commodity Forecasts April 2026

End of period	Latest (14 April)	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
LNG in Japan US\$mmbtu	19.09	25.6	25.3	20.3	16.0	13.5	11.3	10.0	9.7	9.2
gold (US\$/oz)	4,819	4,770	4,700	4,900	5,000	4,970	4,920	4,870	4,820	4,770
copper (US\$/t)	13,013	12,460	12,470	12,670	12,920	13,100	13,050	12,480	11,680	12,390
aluminium (US\$/t)	3,560	3,490	3,500	3,460	3,460	3,440	3,410	3,380	3,160	3,260
nickel (US\$/t)	17,586	17,100	17,200	17,400	17,500	17,300	16,800	15,400	13,700	13,900
zinc (US\$/t)	3,333	3,200	3,300	3,330	3,280	3,180	3,050	2,840	2,590	2,640
lead (US\$/t)	1,907	1,900	1,910	1,930	1,930	1,840	1,770	1,630	1,450	1,470

Source: Bloomberg, Westpac Economics

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