September

PNG ECONOMIC UPDATE

Monthly update on the PNG economy

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The **PNG Economic Update** report is produced by Westpac Economics (Australia and Fiji) with support from Westpac PNG.

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Monetary policy stance unchanged

Adding onto this already quite eventful month, the Monetary Policy Committee (MPC) of the Bank of Papua New Guinea (BPNG) met for the third time this year on 7 September and, as widely expected, left monetary policy settings unchanged.

The Committee maintained the Kina Facility Rate (KFR) at 5.0%, the Cash Reserve Requirement (CRR) at 9.0%, and decided to continue with the current pace of adjustment under its crawl-like exchange rate arrangement.

In the [Monetary Policy Statement](), the MPC assessed that the current policy stance remains appropriate given the mixed domestic growth outlook and the nature of current inflationary pressures. As of 16 September 2026, Kina is valued at 0.2250 USD.

Economic activity has remained resilient, with the Bank revising its 2026 growth forecast upward to 3.5% from 3.0% previously. Westpac projects growth at 4.6% for 2026. Growth continues to be underpinned by stronger activity in the mineral sector, construction and services, while the non-mineral economy is expanding at a more moderate pace. High commodity prices continue to support export earnings and foreign exchange inflows.

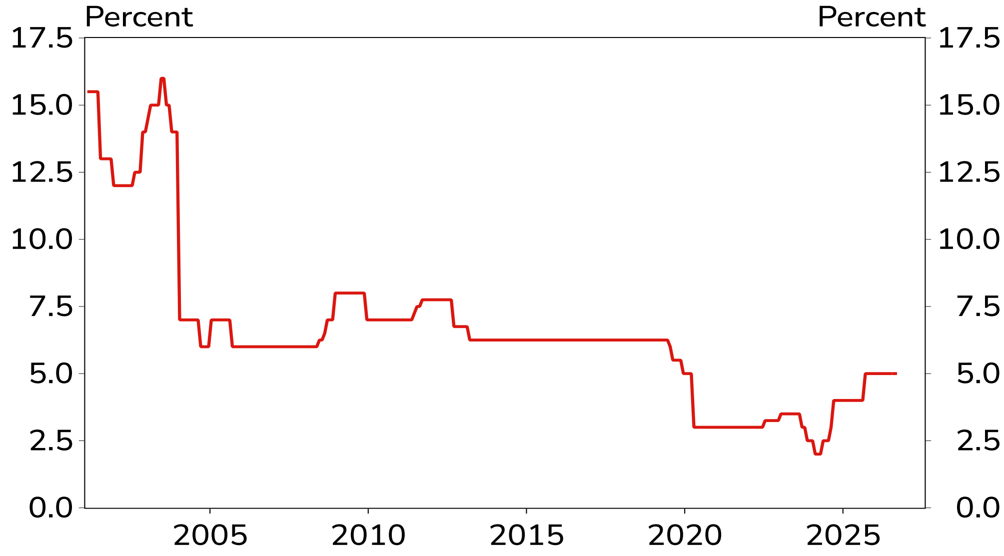
The Committee acknowledged that inflation pressures have increased, with headline inflation rising to 5.3% in the June quarter from 2.2% in March, prompting BPNG to lift its 2026 inflation forecast to 5.0% from 4.0%.

However, core inflation remained significantly lower, suggesting that recent price pressures are largely supply-driven, reflecting higher fuel and food prices, El Niño-related disruptions, exchange rate pass-through and rising production costs. The last two are important for if they persist, they can lead to an acceleration in core inflation.

Importantly, the MPC noted continued improvements in foreign exchange market conditions, including a reduction in FX backlogs and adequate international reserve levels.

The Committee reiterated that the exchange rate remains the principal anchor for inflation and judged that further policy tightening was not warranted, although it remains alert to signs of more persistent underlying inflation.

Kina Facility Rate



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

"The Committee decided to maintain the Kina Facility Rate at 5.0%..."

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Supplementary Budget

PNG Government announced a supplementary budget for fiscal year 2026, allocating an additional K1.3bn revenue above forecast. There was also a lift in total projected expenditure to K32.2bn in 2026. Based on the original 2026 Budget, the Supplementary Budget is less a change in fiscal strategy and more a reprioritization of spending to address emerging shocks, while preserving the Government's budget repair path. Fiscal deficit has remained the same at K1.6bn, or 1.0% of GDP, slightly lower than the 1.1% deficit in the original estimates due to a higher projected GDP of K160bn. The theme of the original budget remains "Security with Growth", while the mini-budget's theme emerges as "[Supporting Families from Global Shocks]".

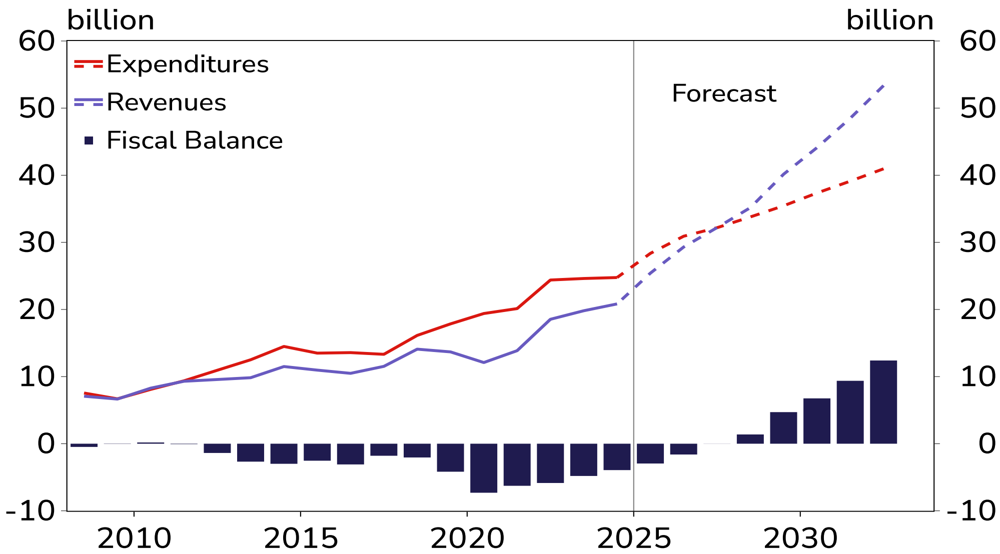
The centrepiece is a fuel assistance package valued at around K1.2bn, comprised of direct fuel subsidies and foregone GST revenue aimed at maintaining domestic fuel prices at March 2026 levels. The Government will amend GST legislation to exempt fuel products, providing immediate cost-of-living relief to households and businesses. Combined with existing support measures, total household assistance rises to K4.4bn.

The budget also responds to climate-related pressures, allocating K500m for El Niño and drought response efforts. Together with resources already committed by districts and provinces, total support reaches K1.17bn. Additional allocations include K150m for the Electoral Commission's preparations for the 2027 National Election and more than K50m for police and defence operations.

Importantly, these measures are largely financed through stronger-than-expected revenue collections and expenditure reprioritization rather than increased borrowing. Expenditure rises to K32.2bn but the fiscal deficit remains unchanged at K1.6bn.

Public debt is projected to remain below 45% of GDP, while the Government continues to target a return to budget surplus by 2027. Overall, the supplementary budget represents a targeted response to rising fuel costs and climate-related pressures, while maintaining the broader fiscal repair trajectory.

Budget Surplus target from 2027



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

"... the mini-budget's theme emerges as Supporting Families from Global Shocks..."

Papua LNG FID now set for 15 December deadline

Papua LNG project progress

Momentum behind the Papua LNG project strengthened considerably over recent weeks. In late August, the PNG Government and project partners signed a revised Papua LNG Project Agreement, which provides a pathway for the State to increase its equity participation from 22.5% to 25.0%, subject to the project reaching Final Investment Decision (FID) by 15 December 2026. The revised agreement also includes approximately K8.1 billion (around US$1.95 billion) in conditional state support measures designed to maintain project viability during periods of low LNG prices.

The most significant development occurred on 7 September when TotalEnergies announced a major restructuring of the project. Operatorship of Papua LNG will transfer to ExxonMobil, which already operates the existing PNG LNG project. The move is designed to maximise construction and operating synergies between the two LNG developments and is widely viewed as a decisive step toward FID. As part of the restructuring, TotalEnergies will reduce its stake to around 20% while ExxonMobil's interest will rise to approximately 34.1%, making it the largest shareholder and project operator. Santos will increase its stake to 21%, while Kumul Petroleum Holdings and MRDC will retain 22.5%. Private sector is confident of this move.

TotalEnergies also confirmed that the Engineering, Procurement and Construction (EPC) tendering process has been completed and contract award recommendations are ready for partner approval. Through project redesign and rebidding of major construction packages, close to US$4 billion in cost savings have reportedly been achieved since 2024, reducing estimated project capital expenditure from around US$18 billion to approximately US$14 billion. Project developers have also established a joint LNG marketing arrangement involving Kumul Petroleum to support project financing and LNG sales.

Progress continues on the regulatory and landowner engagement fronts. The Development Forum process remains underway, with consultations continuing among government, developers and affected landowners.

However, emerging disputes over benefit-sharing arrangements, particularly from Central Province, highlight that stakeholder negotiations still represent a key risk before FID. The Central Provincial Government has rejected the proposed Papua LNG benefit-sharing formula and is seeking a 55/45 split with Gulf Province

FATF Grey Listing

Papua New Guinea was formally placed on the Financial Action Task Force (FATF) list of Jurisdictions Under Increased Monitoring on 13 February 2026 following the FATF plenary in Mexico City. Authorities have since been implementing a nationally coordinated action plan involving 23 agencies responsible for anti-money laundering, counter-terrorism financing and counter-proliferation financing. The first formal progress report to FATF is scheduled for September 2026.

Recent progress has been encouraging. During early September, Parliament passed significant amendments to anti-money laundering and counter-terrorism financing legislation, strengthening PNG's compliance framework and addressing several key FATF requirements. Authorities have also highlighted increased inter-agency cooperation, enhanced enforcement activity, asset freezes and prosecutions as evidence of implementation progress.

While PNG is likely to demonstrate substantial progress during the September review cycle, completion of the entire action plan remains unlikely this year. Consequently, PNG is expected to remain on the grey list through at least 2027, although continued implementation reduces the risk of adverse impacts on correspondent banking relationships and international financial transactions.

OK Tedi

Ok Tedi Mining Limited (OTML) announced a K450 million interim dividend for H1 2026, with K300 million payable to Kumul Minerals Holdings (State) and K150 million to MRDC for Western Province landowners. OTML also reported that mining and processing operations remain uninterrupted despite low Fly River water levels, with contingency logistics measures supporting continued production and supply chains.

Key themes

Fuel prices

The Government's Fuel Relief Assistance programme remains in place, although its structure has changed. As of September 2026, the original K1 billion fuel stabilisation package announced in April has been fully utilised. Under NEC Decision No. 225/2026, the Government has retained the GST exemption on fuel until 31 December 2026 while progressively phasing out the direct subsidy component.

Consequently, retail fuel prices increased in September for the first time since the programme began, but remain well below full market levels. In Port Moresby, subsidised petrol, diesel and kerosene prices were reset to K4.90 per litre, compared with unsubsidised market prices of K5.67, K6.68 and K6.14 respectively.

The support package continues to prioritise retail consumers, drum sales, PNG Power and the aviation sector, while Treasury and ICCC continue monitoring the impact of elevated global oil prices linked to ongoing Middle East tensions.

Public utilities - Electricity

As of June, lower Sirinumu Dam level reduced hydroelectric output from the Rouna cascade. PNG Power supplemented the shortfall with diesel generation at Moitaka and managing water releases to preserve both electricity generation and Port Moresby's raw-water supply.

In terms of distribution, a June EU concept note estimated that just 20% of the population has access to electricity, for the rural population it is less than 15%. The report identified solar and battery deployments in Kavieng and Wewak, hydropower rehabilitation, solar investment and PNG Power capacity-building as elements of the emerging response.

Earlier this month, Prime Minister James Marape said PNG Power is in a "terminal" financial and operational condition after decades of underinvestment, ageing infrastructure, poor revenue collection and rising costs. The government plans structural reforms, including partial privatisation and provincial partnerships, to improve efficiency and electricity access. PNG has invested nearly K1.5 billion in power infrastructure, while proposals are being developed for provincial governments and qualified operators to manage some electricity services and improve sector sustainability.

PNG Chiefs

The PNG Chiefs continue building momentum ahead of their inaugural NRL season in 2028. The most significant recent development remains the recruitment of NRL star Jarome Luai as the franchise's first marquee player, alongside several high-profile signings including Alex Johnston, Joseph Manu, Zac Lomax, Brian To'o and Connor Watson.

The franchise confirmed that its official club logo will be unveiled on 21 October 2026 in Port Moresby, followed by the launch of its inaugural playing jersey on 22 October. The jersey has reportedly been designed by a local PNG artist and aims to reflect Papua New Guinea's cultural identity and rugby league heritage. Infrastructure planning also continues, with Santos National Football Stadium remaining the club's planned home venue. Current capacity stands at around 15,000 seats, with long-term expansion plans targeting 22,000–25,000 seats alongside associated high-performance and accommodation facilities. Government officials continue to present the club as a regional Pacific development platform extending beyond PNG to Fiji, Samoa, Tonga, Cook Islands and Niue.

Telecommunications

The National Information and Communications Technology Authority (NICTA) has made 2.6GHz and 3.5GHz spectrum available for licensing, paving the way for commercial 5G deployment. Vodafone PNG has committed to launching services in Port Moresby and at least one additional city within 18 months.

The 2026 public investment programme in this year's budget says Telikom PNG planned to expand coverage from a stated 19% of the population to 80% by 2027 and increase active subscribers from approximately 1.98 million to 7.71 million. It also set a revenue aspiration of increasing from K147.59 million to K737.94 million.

Interest Rates

- The Fixed Rate Full Allotment (FRFA) 7-day Central Bank Bill remains pegged to the Kina Facility Rate (KFR) at 5.0%, following the Bank of Papua New Guinea's decision to maintain the KFR at 5.0% and the Cash Reserve Requirement (CRR) at 9.0% at its September 2026 Monetary Policy Committee meeting.
- Liquidity across the banking system remains elevated. Improved government cash flows, supported by IMF funding and higher resource tax receipts, have reduced the need for domestic borrowing.
- As a result, government securities auctions have remained consistently oversubscribed, pushing average Treasury bill yields down to around 4.9% and government bond yields to approximately 6.6% by August 2026. Excess liquidity has increasingly shifted into BPNG facilities, with average FRFA participation rising from K1.6 billion to K2.4 billion between March and August 2026.
- Government bond markets continue to attract strong investor demand. The most recent government bond auction on 21 August 2026 was oversubscribed, receiving K563 million in bids against K480 million offered. Investor appetite remained concentrated in longer-dated securities, particularly the 10-year and 15-year maturities. Weighted average yields were 6.26% for the 3-year tenor, 6.61% for the 5-year, 6.76% for the 7-year, 6.84% for the 10-year and 7.26% for the 15-year bond.
- The latest Government Treasury Bill yields are:
    - 182-days: 4.64%
    - 273-days: 5.00%
    - 364-days: 5.03%

Foreign Exchange

- The gradual, crawling peg depreciation of the PGK continues, with August and September 2026 seeing PGK/USD fall from 0.2269 to 0.2250 on the 15 September 2026.
- Local foreign exchange market conditions improved significantly during 2026. PNG recorded K22.3 billion in foreign exchange inflows and K25.4 billion in outflows during the first eight months of the year, with the mining sector contributing more than half of total inflows. BPNG provided US$430 million (K1.9 billion) in market support while interbank trading reached US$338 million.
- There is still no guidance on the target rate of the depreciation or where BPNG views an exchange rate that would align with fundamentals.
- However, at the September meeting the MPC agreed to "maintain the current pace of exchange rate adjustment".
- Breaking previous highs, AUD/USD peaked at 0.7218 during the month of August to September 15th 2026.
- Over the same period of time the PGK/AUD dropped significantly, reflecting a high of 0.3216 and a low of 0.3114.
- The volatility in the PGK/AUD was a refection of a volatile AUD/USD exchange rate due to a weakening US Dollar amid global tensions and increasing market uncertainty.
- Weekly FX auctions continue. BPNG conducted 2 FX auctions during the month of August, totalling US$40mn. This indicates strong demand, but also highlights improved allocation efficiency compared with 2023–24.

Government Bond Auction

Series	Amount on offer	Bid recieved	Successful bids	Successful yields	Weighted average rate	Coupon Rate	Overall Auction
	K'million	K'million	K'million				
Issue ID 2026 / 5959 (3 Years)	50.00	60.00	50.00	6.10% - 6.27%	6.26%	6.30%	10.00
Issue ID 2026 / 5970 (5 Years)	100.00	118.00	100.00	6.43% - 6.70%	6.61%	6.70%	18.00
Issue ID 2026 / 5971 (7 Years)	80.00	85.00	80.00	6.73% - 6.80%	6.76%	6.80%	5.00
Issue ID 2026 / 5973 (10 Years)	150.00	180.00	150.00	6.73% - 6.90%	6.84%	6.90%	30.00
Issue ID 2026 / 5974 (15 Years)	100.00	120.00	100.00	7.13% - 7.30%	7.26%	7.30%	20.00
TOTAL	**480.000**	**563.000**	**480.000**				**83.000**

Auction Number:18-AUG-26 /GOB/ Government Bond; Settlement Date: 21-AUG-26; Amount on Offer: K480.000 million

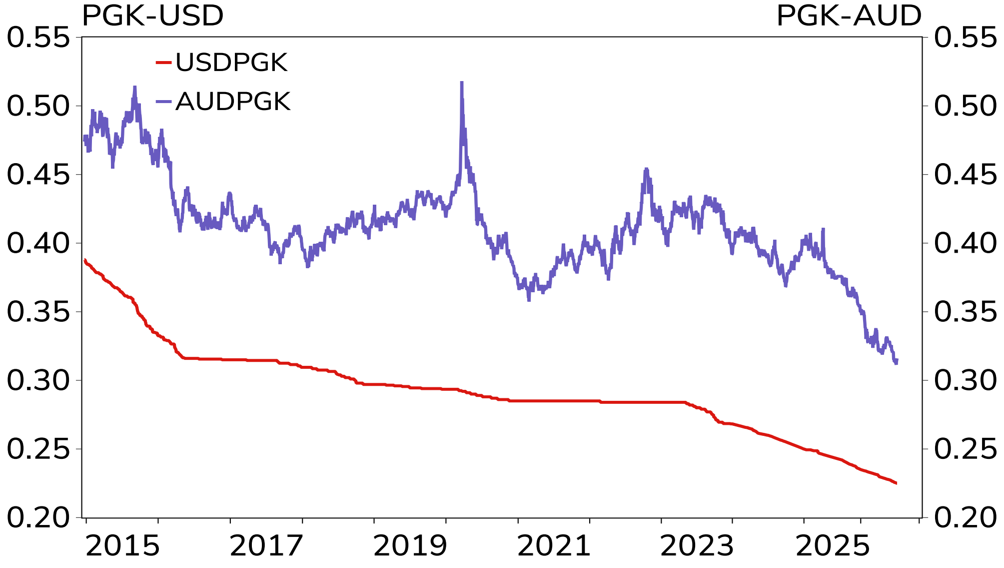
Government Treasury Auctions

Terms	Issue ID 2026	Issue ID 2026	Issue ID 2026/6093	Issue ID 2026/6094	Issue ID 2026/6095	Total
	63	91	182	273	364	
Weighted Average Yield	0.000	0.000	4.64%	5.00%	5.03%	
Amount on offer Kina Million	0.000	0.000	20.000	50.000	200.00	**270.000**
Bids Received Kina Million	0.000	0.000	15.820	32.300	275.790	**323.910**
Successful Bids Kina Million	0.000	0.000	15.820	32.300	245.790	**293.910**
Overall Auction OVER-SUBSCRIBED	0.000	0.000	-4.180	-17.700	75.790	**53.910**

Auction Number: 09-SEP-26 / GOI/ Government Treasury Bill; Settlement Date: 11-SEP-26; Amount on Offer: K270 million

Gradual kina depreciation continues

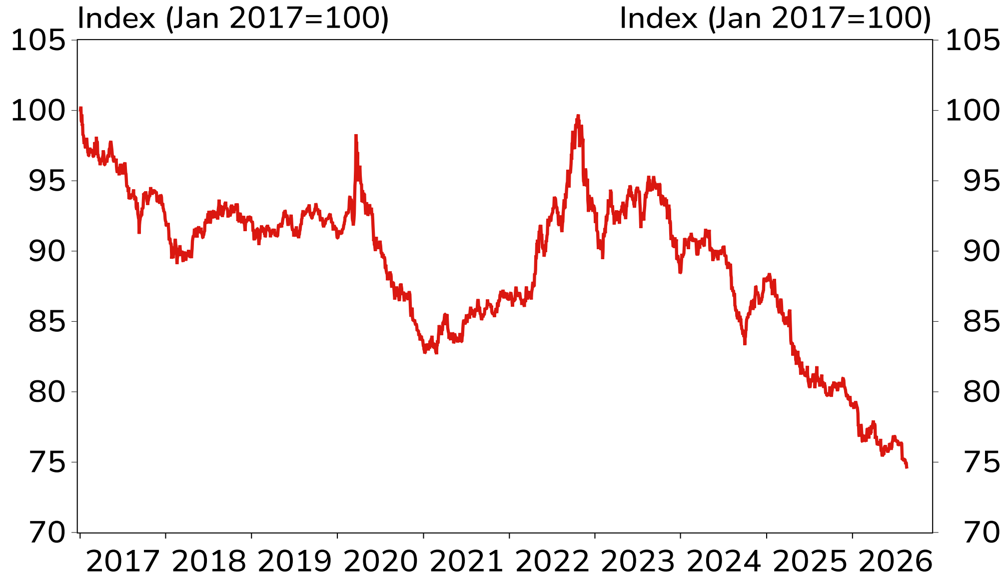
Kina Foreign Exchange Rate



Source: , Macrobond, Westpac Economics

"PGK/AUD continues the down trend as the PGK/USD depreciation continues and AUD firms against the USD "

Trade weighted exchange rate depreciation



Source: Bank PNG, Macrobond, Westpac Economics

"Trade weighted exchange rate continues to depreciate in current policy setting"

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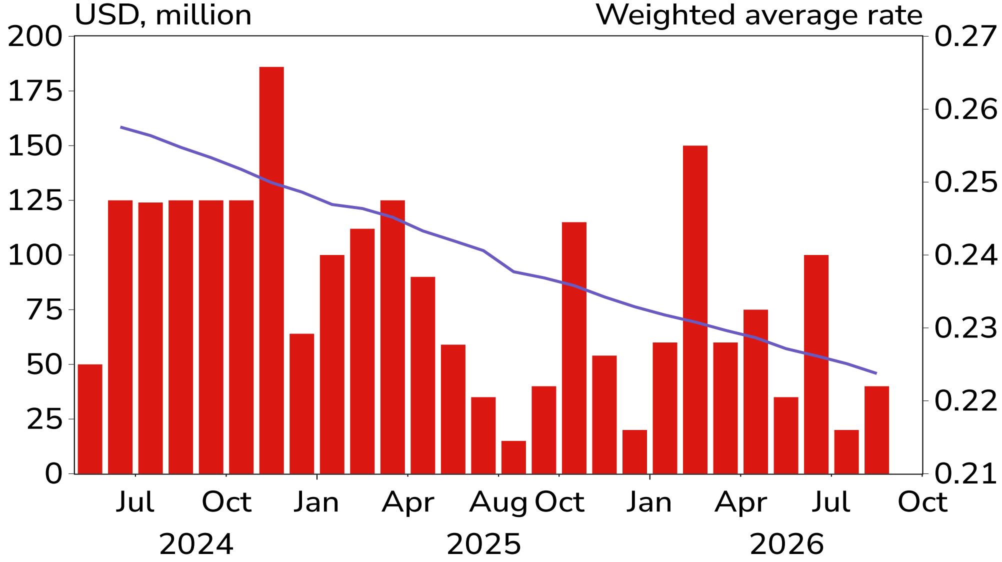
Foreign exchange market improves

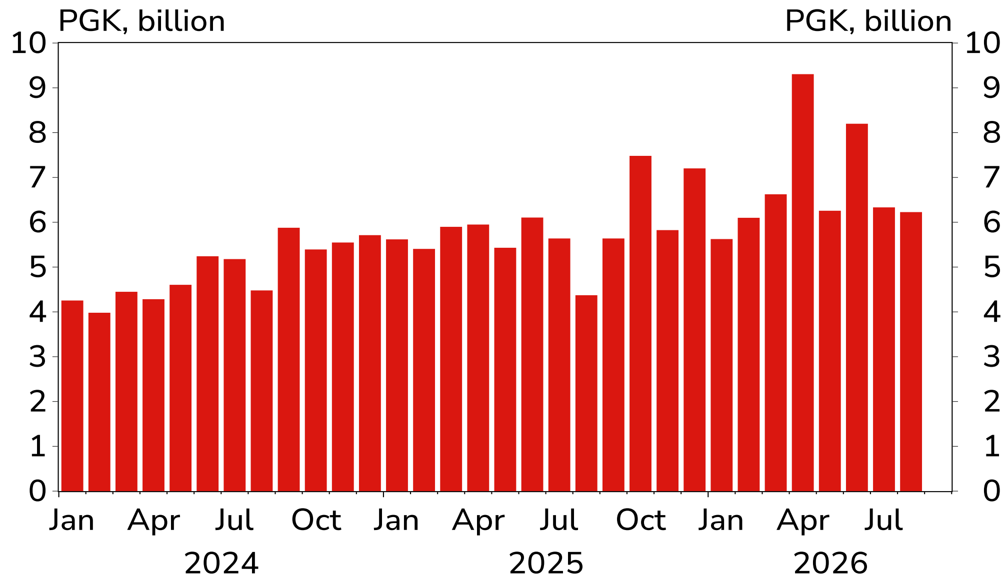
BPNG FX Auction



Source: BPNG, Macrobond, Westpac Economics

"Bank of PNG auctioned US$40mn during the month of August"

Foreign Exchange Market Turnover



Source: , Macrobond, Westpac Economics

"Foreign exchange market conditions improved significantly during 2026."

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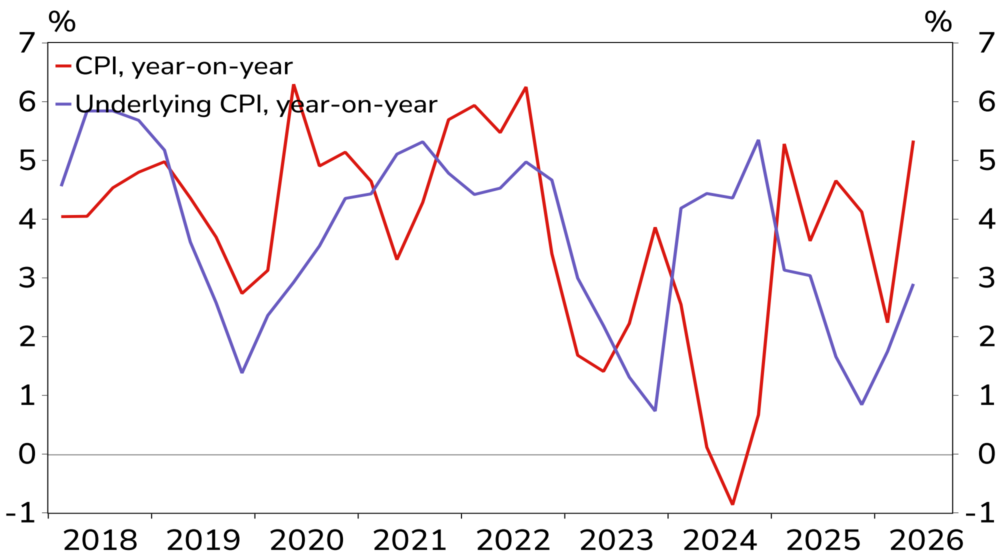
Q2 2026 inflation update

- PNG's headline CPI rose 5.3% in the year to the June 2026 quarter, accelerating from 2.2% in the March quarter. On a quarterly basis, consumer prices increased 0.7%, following a 0.5% increase in March. The pick-up in annual inflation reflected stronger price growth in Food & Non-Alcoholic Beverages (+3.6%yr), Alcoholic Beverages, Tobacco & Betel Nut (+22.6%yr) and Transport (+4.4%yr).
- Apart from these key drivers, annual inflation was recorded across all major expenditure categories:
    - Clothing & Footwear +0.5%yr
    - Housing +2.7%yr
    - Health +5.7%yr
    - Communication +0.3%yr
    - Education +3.6%yr
    - Restaurants & Hotels +3.7%yr
    - Miscellaneous +3.0%yr
- The NSO's underlying inflation measure was 2.9%yr, up from 1.7%yr in March 2026, suggesting inflation pressures are becoming more broad-based than just the volatile food and betel nut components.
- Food & Non-Alcoholic Beverages was the largest contributor to inflation in June, rising 3.4%qtr and 3.6%yr. Quarterly increases were broad-based, particularly in:
    - Fruits & vegetables +8.4%qtr
    - Dairy products, eggs and cheese +3.6%qtr
    - Other food products +5.0%qtr
    - Meat products +2.4%qtr
    - Cereals +1.6%qtr
- The key change from March to June was that betel nut prices actually declined during the quarter. The Alcoholic Beverages, Tobacco & Betel Nut category fell 3.2%qtr, largely reflecting an 11.6%qtr decline in betel nut and mustard prices. However, because prices remained well above year-earlier levels, the category still recorded a strong 22.6%yr increase and continued to be a major contributor to annual inflation.
- Transport prices increased 1.4%qtr and 4.4%yr. Fuel and lubricant costs rose 5.8%qtr, driven by:
    - Diesel +9.3%qtr
    - Petrol +4.0%qtr
    - Engine oil +3.0%qtr

Headline inflation surges to 5.3%



Source: NSO, Macrobond, Westpac Economics

"...Betel Nut a key driver for surge in headline inflation as underlying inflation remains sub 3%yr"

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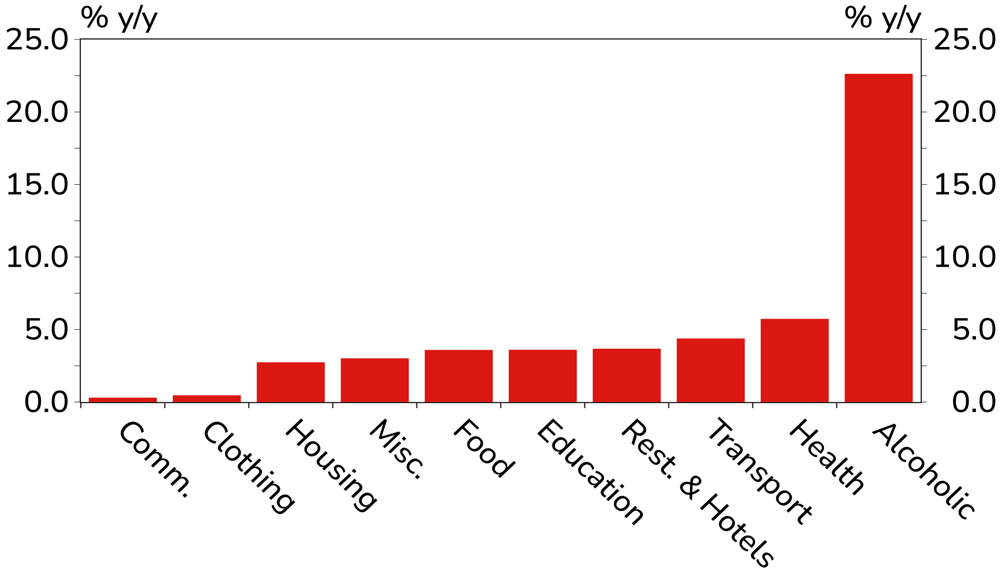
Highlands and Islands inflation up

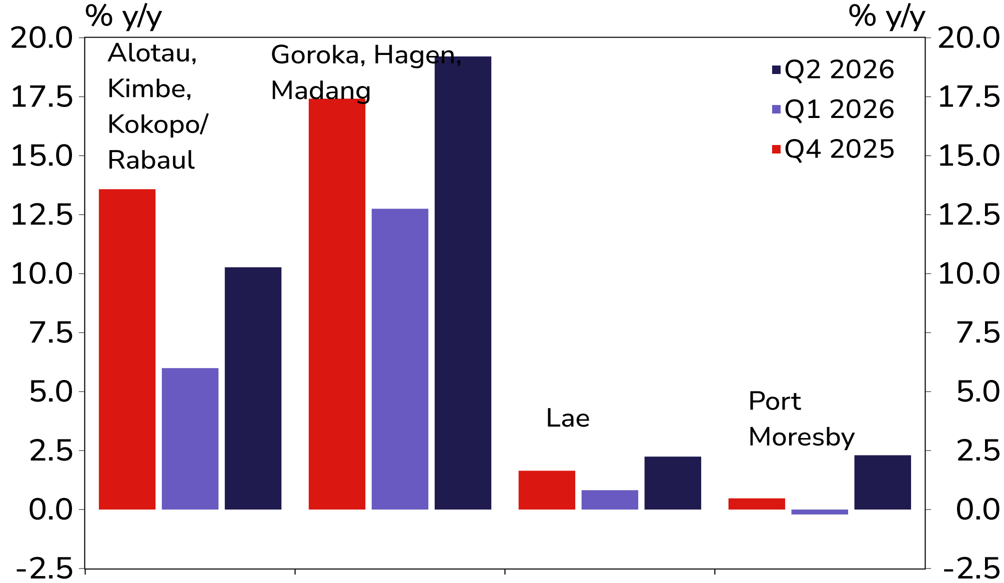
PNG's inflation categories in Q1 2026



Source: NSO, Macrobond, Westpac Economics

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

Headline inflation in respective regions



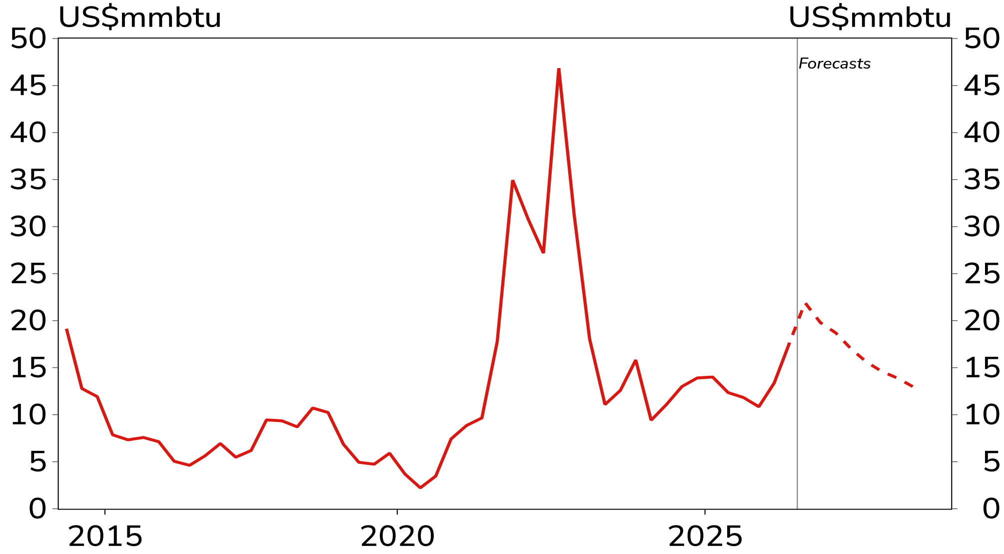
Source: NSO, Macrobond, Westpac Economics

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

LNG markets remain tight

- Westpac Economics September Commodities Update highlighted that damage to infrastructure at Qatar's LNG export complex, constrained shipping through the Strait of Hormuz, strong Asian and Atlantic Basin demand pushed Japanese LNG prices to more than double pre-conflict levels and are expected to keep them elevated until 2028.
- LNG prices continued to climb through August. Damage to the world's largest LNG export complex at Ras Laffan in Qatar and the inability to divert flows around the Strait of Hormuz continue to weigh on supply. Strong summer cooling demand across Northeast Asia has further tightened LNG markets. Competition with Europe for flexible Atlantic Basin cargoes has also increased as maintenance at Freeport LNG in the US reduced available supply. As a result, Japanese LNG prices rose 15.9%mth in August, with average prices reaching US$22.0/mmbtu, more than double pre conflict levels.
- Westpac Economics raised the expected peak in Japanese LNG prices to US$21.5/mmbtu in the September quarter. Supply recovery is expected to remain constrained, with prices unlikely to return to pre-conflict levels until 2028.
- At least for the near term, the risk remain to the upside due to further potential supply disruptions whereas any demand adjustment to higher prices is likely to be marginal.
- The Australian gas market remains relatively insulated, supported by the FY2027 Federal Budget's domestic gas reservation scheme, which requires exporters to supply the equivalent of 20% of gas exports to the Australian market.
- PNG LNG continues to fully deliver LNG to its key market. As of August 2026, PNG LNG has exported 5.5 million tonnes of LNG, while operating at 99.8% utilisation capacity for the year.

LNG market outlook



Source: Bloomberg, Macrobond, Westpac Economics

"...Westpac Economics has raised the expected peak in Japanese LNG prices to US$21.5/mmbtu in the September quarter"

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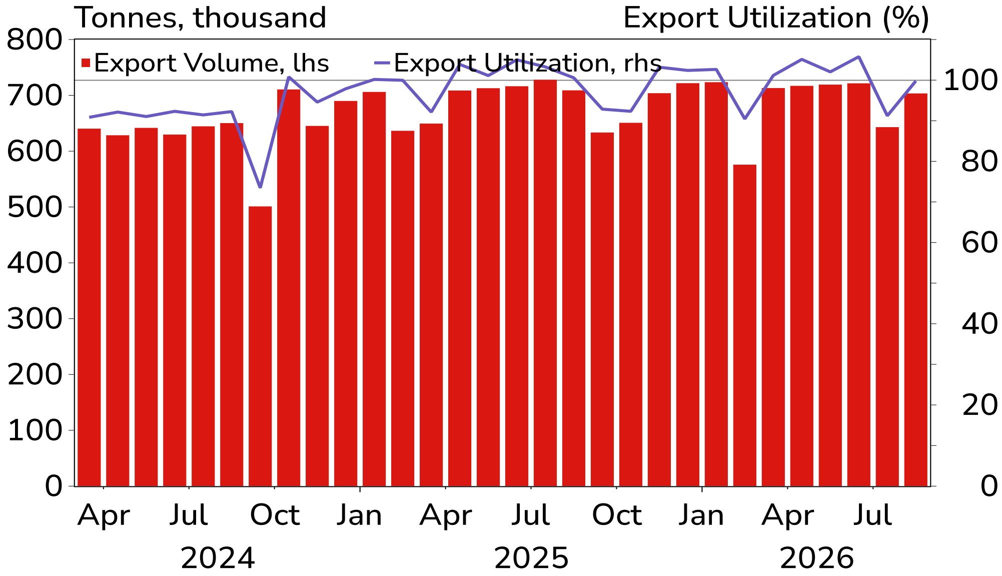
PNG LNG export to rise

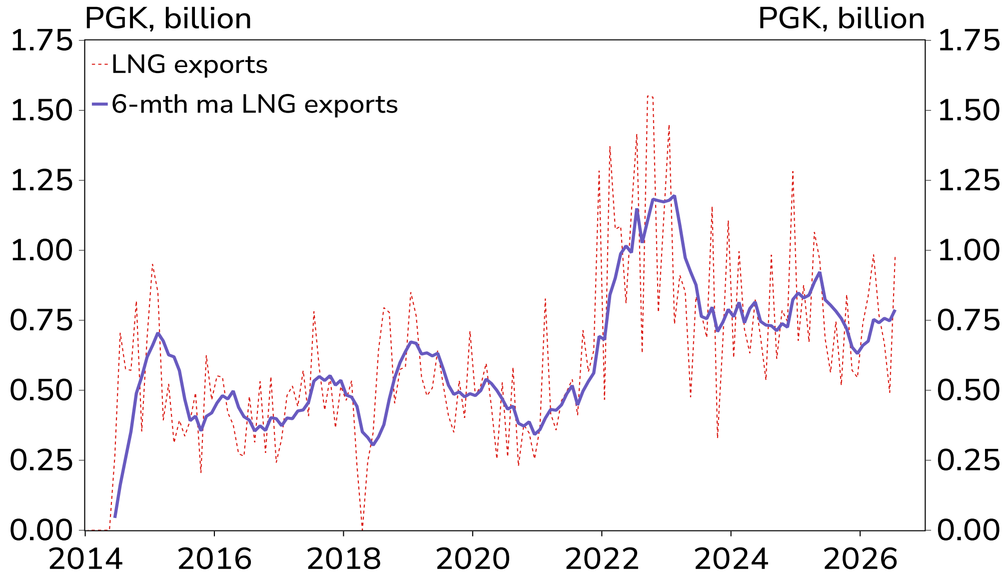
PNG LNG Export



Source: Bloomberg, Macrobond, Westpac Economics

"...PNG LNG export utilization at 99.8% in August 2026, and export volume at 5.5mn tonnes YTD"

PNG's LNG export to Japan



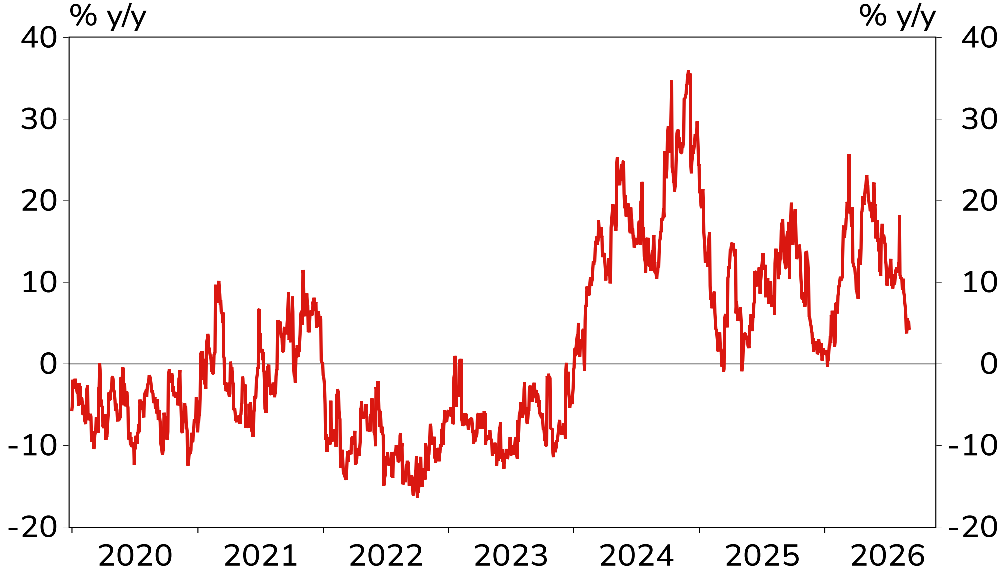
Source: MOF, Macrobond, Westpac Economics

"...YTD LNG exports to Japan has been flat..."

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 softened as of early September, after strong start into the year, which could be related to shipping disruptions associated with the conflict in the Middle East.
- As we moved through 2026 the annual pace peaked at around 25%yr in mid March before easing back to just under 4%yr in early September.
- We are always cautious about drawing firm conclusions from a single indicator such as this. Nevertheless, the consistent gains throughout 2025 and into 2026 pointed to a positive underlying momentum in the PNG economy, that is until the recent Middle East crisis.
- **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. We track imports to see if we can observe a lift in domestic activity.
- The anticipated Final Investment Decisions (FID) for several large resource projects will provide a significant boost in domestic demand. 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



Source: IMF, Macrobond, Westpac Economics

"...strength in imports continued as 2026 started, but signs of slowdown emerging..."

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Supply-side risks to support prices

Cocoa

The cocoa market has been on an eventful trajectory this year. After dropping to the low of $2,798/MT on 27 February 2028, following its previous 8 months of consecutive decline, cocoa price began rising after March, to now $5,895/MT. This price support comes from deteriorating expectations over Ghanaian and Ivorian production. Risks of further declines in production have been fuelled by concerns over swollen shoot disease, weather-related disruptions, ageing trees and weaker farm incentives.

The outlook for 2026/27 tightens considerably following the prior year's sizeable surplus, with private forecasts suggesting only a 25,000–80,000 tonne surplus. Such a low level of inventory leaves the cocoa market vulnerable to production shocks.

Ghana and Côte d'Ivoire face heightened risks to cocoa production and foreign-exchange earnings as a strengthening El Niño coincides with the crucial October-to-December crop development period.

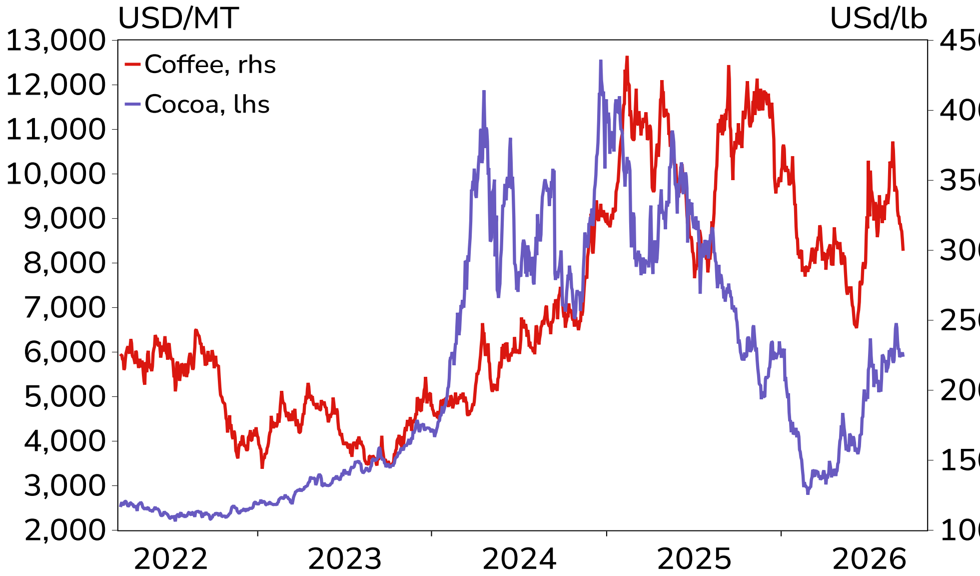
Coffee

The coffee market is shifting from acute scarcity to prospective surplus, but the transition is uneven. USDA forecasts record 2026/27 production of 189.7 million 60-kg bags, including record Arabica output of 105.9 million bags, against consumption of 179.7 million.

Prices reached a near-two-year trough in early June as Brazil's record crop output approached, before the ICO Composite rebounded 15% in July over concerns on Brazil's wet harvest conditions and a super El Niño.

The renewed September decline reflects exceptional rainfall supporting Brazil's 2027/28 flowering, improving soil moisture in Vietnam and record August Brazilian shipments. Brazil's August exports exceeded 4.1 million bags, while December Arabica fell to a 2½-month low on 14–15 September.

Cocoa and Coffee



Source: Bloomberg, Macrobond, Westpac Economics

"...rising global prices could provide boost to local cocoa and coffee production..."

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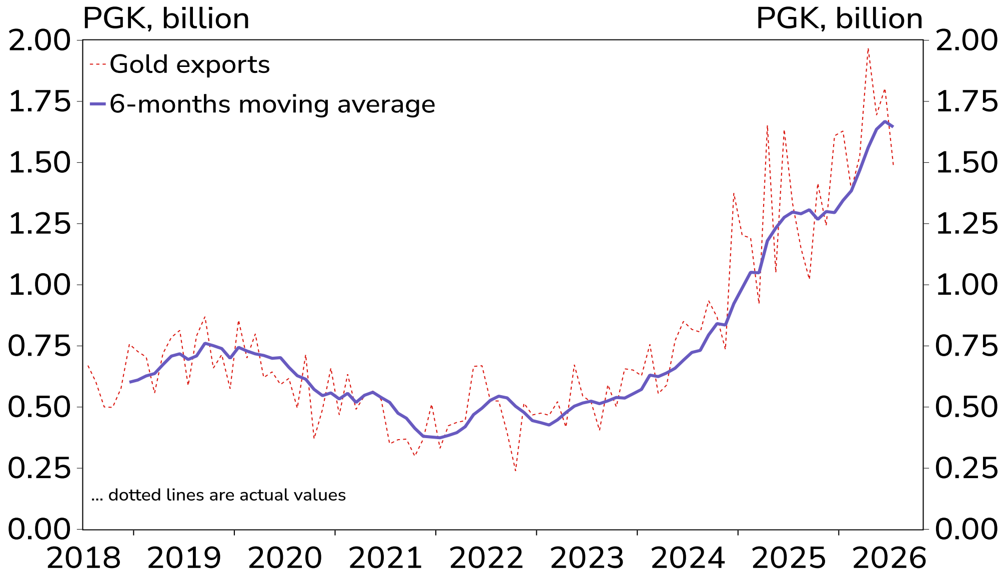
Gold export rally supports PNG economy

- Papua New Guinea's gold mining sector has been one of the stand out performers in 2026, driven by record global gold prices, strong mine production leading to a growing pipeline of development projects. Prices did briefly exceed US$5,000/oz during the year, significantly boosting profitability across the industry and improving government revenues, foreign exchange inflows and investor sentiment.
- Westpac Economics **September Commodities Update** reports that gold rallied in August as a benign US inflation outcome and US Treasury intervention in long-end bond markets helped lower bond yields. Westpac continues to expect long-term structural support from central bank buying, reserve diversification and ongoing concerns surrounding US fiscal sustainability.
- At the operational level, K92 Mining's Kainantu Gold Mine delivered another record year. The company reported strong production, commissioned its Stage 3 expansion, expanded exploration activities and paid substantial corporate taxes. K92 alone forecast 190,000–225,000 ounces of gold equivalent production in 2026, while cumulative tax payments exceeded K500 million during the year.
- The revitalised New Porgera Mine continued ramping up operations and remains on track to exceed 400,000 ounces of gold production in 2026. The mine generated almost K986 million in taxes in 2025 and continued providing significant dividends, royalties and community payments in 2026.
- Meanwhile, Newmont's Lihir operation remained one of PNG's largest taxpayers, with corporate tax payments exceeding K1.4 billion in the first half of the year and total annual fiscal contributions expected to remain above K1 billion.
- Exploration activity has also accelerated substantially. Significant discoveries and drilling programs were reported at Wild Dog, Ontenu, Kili Teke, Mt Kare and Woodlark. Geopacific continues advancing the 1.67 million-ounce Woodlark Gold Project, while the Misima Gold Project, Simberi expansion and Panguna redevelopment discussions progressed during the year.
- Gold exports to Australia has been up by 28% as of July 2026, with total export amount of K11.5 billion.

Gold exports to Australia



Source: DFAT, Macrobond, Westpac Economics

"...year-to-date (Jan-Jul) gold exports to Australia stands at K11.5bn, higher by 28% over previous year..."

Financial forecasts

Interest rate forecasts

Australia	Latest	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Cash	4.35	4.60	4.60	4.60	4.35	4.10	3.85	3.85	3.85	3.85
10 Year Bond	5.38	5.20	5.10	5.00	4.90	4.85	4.80	4.80	4.80	4.80
US										
Fed Funds	3.625	4.125	4.125	4.125	4.125	4.125	3.875	3.625	3.625	3.625
US 10 Year Bond	4.96	4.80	4.75	4.70	4.65	4.70	4.75	4.80	4.85	4.90
New Zealand										
Cash	2.75	3.00	3.50	3.75	4.00	4.00	4.00	4.00	3.75	3.75
10 Year Bond	5.02	4.75	4.90	5.00	5.05	5.05	5.05	5.05	5.05	5.05

Exchange rate forecasts

	Latest	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
PGK/USD	0.2250	0.2220	0.2150	0.2170	0.2220	0.2270	0.2320	0.2370	0.2420	0.2470
PGK/AUD	0.3164	0.3083	0.2986	0.2973	0.3041	0.3110	0.3178	0.3292	0.3361	0.3431
PGK/NZD	0.3926	0.3763	0.3525	0.3444	0.3469	0.3492	0.3569	0.3646	0.3723	0.3800
PGK/EUR	0.1962	0.1897	0.1822	0.1824	0.1850	0.1876	0.1902	0.1943	0.2000	0.2041
PGK/GBP	0.1681	0.1644	0.1581	0.1584	0.1609	0.1633	0.1657	0.1681	0.1716	0.1764
PGK/JPY	35.05	34.41	33.11	33.20	33.74	34.28	34.80	35.31	35.82	36.06
PGK/SGD	0.2871	0.2819	0.2731	0.2734	0.2797	0.2838	0.2900	0.2963	0.3025	0.3088

Sources: Bloomberg, Westpac Economics.

Economic and financial forecasts

Major trading partner growth forecasts (year average)

Real GDP %ann	2021	2022	2023	2024	2025	2026f	2027f	2028f
World Economy	**6.7**	**3.8**	**3.3**	**3.4**	**3.4**	**3.3**	**3.3**	**3.3**
US	6.2	2.5	2.9	2.8	2.1	2.1	1.8	1.9
Eurozone	6.4	3.7	0.5	0.9	1.3	0.9	1.2	1.5
Australia	5.4	4.2	2.1	1.0	2.1	2.1	1.7	2.2
New Zealand	5.5	2.6	2.2	-0.3	0.3	2.1	2.7	3.1
Japan	3.6	1.3	0.7	-0.2	1.1	0.7	0.8	0.9
China	8.4	3.1	5.4	5.0	5.0	4.7	4.6	4.4
India	9.7	7.6	7.2	7.1	7.6	7.1	7.0	6.6

Sources Macrobond, Westpac Economics

PNG Economic Statistics

	2024	2025	2026(f)	2027(f)	2028(f)
Headline CPI (%)	4.1	3.0	5.0	6.0	4.5
Trimmed mean (%)	1.8	3.5	3.0	4.0	4.0
Exclusion-based (%)	0.7	4.0	3.5	4.0	4.0
Foreign Reserves (K'mn)	14,663	17,226	19,999	16,376	9,511
Import cover (months)	6.2	7.4	8.6	6.7	3.6
Current & Capital Account K'mn	19,136	32,333	41,155	48,859	48,506
Financial Account K'mn	-17,528	-28,646	-39,481	-52,482	-55,372

Sources Macrobond, Westpac Economics

Economic indicators

		2024	2025 (est)	2026 (est)
Inflation	ADB	0.6%	4.4%	4.6%
	BPNG	0.6%	4.4%	5.0%
	IMF	0.6%	4.4%	5.0%
	Westpac	0.6%	4.4%	4.6%
GDP growth	ADB	3.9%	4.7%	3.6%
	BPNG	3.9%	5.2%	3.5%
	IMF	3.9%	5.6%	3.8%
	Westpac	3.9%	5.5%	4.6%

Sources Macrobond, Westpac Economics

Financial Markets

Indicators	2024	2025	2026(f)	2027(f)	2028(f)
Broad money supply	-6.4	12.8	6.7	5.9	3.6
Monetary base	4.0	1.9	6.8	5.4	-11.0
Claims on private sector	3.0	9.4	7.9	7.2	7.0
Net claims on government	-0.4	10.3	4.4	2.8	12.5
Net foreign assets	-1.2	34.5	18.0	-17.6	-28.6
Fiscal Surplus/Deficit (K millions)	–2,948	-2,948	-1,608	-13	1,379
Deficit as % of GDP	-2.2	-2.2	-1.1	0.0	0.8

Source: BPNG forecasts

Commodity Forecasts September 2026

End of period	Latest	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
LNG in Japan US$mmbtu	24.8	19.8	18.7	17.0	15.6	14.6	13.9	13.0
gold (US$/oz)	4,366	4,500	4,410	4,390	4,370	4,350	4,370	4,400
copper (US$/t)	14,526	14,810	13,780	13,090	12,960	12,890	12,840	12,810
aluminium (US$/t)	3,327	3,300	3,330	3,290	3,230	3,130	3,050	3,000
nickel (US$/t)	16,578	16,570	16,740	16,860	16,950	17,030	17,120	17,200
zinc (US$/t)	4,099	4,060	3,860	3,670	3,480	3,340	3,220	3,130
lead (US$/t)	1,869	1,870	1,880	1,890	1,910	1,920	1,890	1,870

Source: Bloomberg, Westpac Economics

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