

PNG Economic Update

Prepared by Justin Smirk (Director/Senior Economist).

30 April 2025



“Liberation Day”, shaking up the world order

The year started on a positive note. In March, I presented the results of the 2025 PNG 100 CEO Survey to the Port Moresby Chamber of Commerce. The survey had business confidence above average while the country's ongoing foreign exchange shortages were becoming less of a headwind. Additionally, with 2024 profits exceeding expectations, firms were optimistic about the 2025 outlook for profits, investment, and recruitment. We also observed a reduction in clearing times for outstanding orders, which was confirmed in the latest BPNG Monetary Policy Committee (MPC) meeting minutes, noting that clearing times had decreased from one-to-three months to less than a week in some cases. The MPC left the KFR unchanged, but the vote was 50/50 for an increase or remaining on hold with some concern about the inflationary impact of a weaker kina.

In early April, IMF PNG mission chief Nir Klien noted that “despite a challenging environment, Papua New Guinea’s performance under the IMF-supported program over the past two years has been strong,” a positive sign for the release of a fourth round of funding in support of FX and other reforms. Everything seemed promising, and we believed domestic fundamentals provided a solid backdrop for trend growth until the expected boost from larger resource projects kicked in.

Then came April 2, dubbed ‘Liberation Day’ by US President Donald Trump, who announced a series of ‘reciprocal’ tariffs, escalating the chaos around global trade policy and roiling financial markets. The situation remains uncertain, with tit-for-tat increases between the US and China, a 90-day pause for US tariffs over 10% for other countries, and a confusing partial backtrack on US tariffs on a range of electronic goods. This has been interspersed with mixed messaging from the US, vowing tariffs would be a permanent measure to rebuild US manufacturing while also expressing a willingness to negotiate. Nevertheless, Westpac believes that trade pattern reconfiguration is underway, even if Trump continues to blink (as we expect). We also expect to see a continuation of US revulsion, where US exceptionalism continues to fade, and the US dollar weakens. As our Chief Economist Luci Ellis noted, the US dollar and interest rates are in the grip of [TINA McRAE](#): There Is No Alternative to US Treasuries as a risk-free asset, but Markets Can Reallocate Assets Easily. This tension between alternative flows is driving pricing.

More importantly, Westpac believes that the tariff war is primarily an act of self-harm leaving the US teetering on the edge of recession with inflation constraining the ability of the US Federal Reserve to provide support via cutting interest rates. Global growth will be weaker but not to the same extent, with more scope for countervailing policy support. Most importantly, a forceful policy response from China will ensure it achieves its 5% growth target.

PNG did not escape ‘Liberation Day’ unscathed, with a 10% tax applied to all other countries not hit with a ‘reciprocal’ tariff. However, we should temper our concern as at 2023, the US was PNG's 12th largest export market taking just 1% of PNG exports. Prime Minister James Marape has confirmed PNG will not be reciprocating, so there is no direct impact on the supply or price of imports from the US.

Indeed, the threat of tariffs has boosted gold and copper prices well above our earlier expectations, likely maintaining higher-than-expected prices well into 2026. PNG’s four largest export markets have all been hit with tariffs, with China the main focus at 134%, Japan at 24% (paused until early July, so 10% in the meantime), and Singapore and Australia at the default rate of 10%. We have trimmed our Australian growth forecasts in response to the tariff shock and a weaker external environment, now expecting growth of 1.9% in 2025 vs. 2.2% previously. We continue to expect three more 25bp rate cuts from the RBA this year, but risks have tilted to the downside.

As such, we are maintaining our forecast for PNG to grow 4.7% in 2025. In contrast, the IMF is forecasting 4.6%, the ADB 4.2%, and the BPNG 4.0%. While these forecasts may be comforting, we should not be complacent: the external situation could become more troubling and challenging as the chaos is far from over. We will be closely monitoring the situation in the months ahead.

Bank of Papua New Guinea's Economic Outlook

- The Bank of Papua New Guinea (BPNG) is looking for the economy to improve in 2025, driven by sound growth in both the mineral and non-mineral sectors with a boost from increased government spending.
- BPNG forecasts real GDP growth of 4.0% in 2025, up from 3.0% in 2024. Growth is being supported by higher production in the mineral sector with improvements at the Porgera gold mine and increased LNG production. The agriculture, fisheries and forestry sector will also make a solid contribution with increased output from coffee, palm oil, cocoa, and other soft commodities.
- Despite an expected moderation in commodity prices, the depreciation of the Kina will enhance export earnings. In regard to the non-primary sectors, robust growth in finance, insurance, construction and other non-mineral sectors further support broader economic growth, aided by higher government spending and stable energy supplies.
- Over the medium term, the economy is projected to grow at 5.0–6.0%, driven by near-full production at Porgera, growth in the non-mineral sector, and the start of the Papua LNG project in 2026. The agricultural sector is expected to benefit from favorable commodity prices and improving infrastructure.
- The BPNG highlights the key risks to the outlook as:
 - ❑ A global economic slowdown,
 - ❑ Falling commodity prices,
 - ❑ Natural disasters, and
 - ❑ Geopolitical tensions.
- Inflation is expected to lift in 2025 due to the depreciation of the kina, but foreign investment is expected to help stabilize the exchange rate and moderate inflation in the medium term. BPNG says it will continue to monitor the prevailing risks and adjust policies as needed to maintain price stability.

Local Economic Conditions

- The United States has awarded a K1.6 billion contract for the construction of 1.6 million barrels (264 million litres) fuel storage facility in Port Moresby. US Ambassador, Ann Marie Yastichock said the project would support fuel storage needs and had the potential to increase the diversity of PNG fuel supplies. The contract was awarded to American company DGC Corporation. The investment was to celebrate PNG's 50th anniversary of independence and the 50th anniversary of US-PNG diplomatic relations.
- Rugby League is hugely popular in Papua New Guinea (PNG). The introduction of an NRL team in 2028 is expected to boost the economy and strengthen ties with Australia. This was highlighted at the CEO100 business summit in Port Moresby. PNG's economic growth, supported by strong commodities prices, saw a 4.3% GDP increase in 2024, with more growth expected in 2025. The NRL team will create jobs, attract investment, and promote tourism, enhancing PNG's profile in Australia. However, challenges like inflation and global trade uncertainties remain. ["PNG NRL push to bolster growth"](#)
[PNG Business News](#)
- Mobil Oil New Guinea, a subsidiary of ExxonMobil, commissioned a state-of-the-art facility at Lae as part of a K40 million investment to meet growing fuel demand. The upgrade includes a new bottom-loading system alongside the existing top-loading rack, improving fuel-loading efficiency and reducing turnaround times. This initiative follows a similar investment in the Idubada terminal in Port Moresby, reinforcing Mobil's commitment to strengthening its supply chain. [Mobil Oil PNG Reinforces Supply Chain – Pacific Mining Watch](#)
- Prime Minister James Marape described his recent visit to New Zealand as highly successful focusing on enhancing State-Owned Enterprises through NZ's technical expertise, particularly for power, water, telecommunications, and airlines. During the visit Marape and New Zealand Prime Minister Christopher Luxon signed a Statement of Partnership for 2025–2029 strengthening economic, political, and cultural ties. Marape also advocated for increasing PNG's participation in NZ's seasonal work programs, improving agricultural export standards, and collaboration in agriculture and livestock. He also highlighted NZ's humanitarian efforts in healthcare. [PM Marape Seeks NZ Expertise for PNG's SOEs – PNG Facts](#)

Local Economic Conditions

- Prime Minister James Marape acknowledged the United States' decision to impose a 10% tariff on PMG's exports emphasizing PNG's respect for the U.S. government's right to make trade policies and reaffirmed PNG's commitment to free and fair trade without retaliatory measures. Highlighting strong bilateral ties with the U.S. and shared democratic principles, Marape noted the country's diverse trade relationships, particularly in Asia and the Pacific, where markets remain welcoming. PNG would continue to strengthen those partnerships and redirect exports as necessary while maintaining openness to all trade partners. ["PM Marape Responds to United States Tariffs " PNG Business News](#)
- Mineral Resources Authority (MRA) Managing Director, Jerry Garry, announced that Papua New Guinea's mineral export revenue reached K19 billion in 2024 and is projected to rise to K30 billion in 2025, contingent on gold prices, exchange rates, and the Porgera Mine reaching full production. Speaking during a Mining Ministry handover ceremony between Minister Hon. Wake Goi and the new Minister Hon. Rainbo Paita, Mr. Garry emphasized the importance of mineral exploration supporting revenue growth for the PNG economy. He noted challenges such as dwindling exploration expenditures and no significant discoveries in the last decade along with projections for operating mines to close by 2060 and the need for advanced technologies to overcome geographic and operational challenges. Mr. Garry stated that the MRA is deploying seismic and magnetotelluric surveys to identify deep copper–gold bodies as the MRA aims to replenish the country's mineral inventory and ensuring the industry's viability. ["Mining Exploration Crucial for Industry Sustainability – PNG Business News](#)
- Petroleum Minister Jimmy Maladina invited China State Construction Engineering Corporation to explore opportunities in PNG. Meeting the company's President, Mr. Wen Bing, and his delegation in Port Moresby Minister Maladina highlighted potential collaboration in contract and civil works and petroleum engineering. Vice Minister for Petroleum Alexander Orme, Secretary Mr. David Manau, and Deputy Secretary Mr. George Imanui also emphasized PNG's promising prospects in petroleum exploration. Mr. Bing expressed gratitude for the opportunity. The meeting underlined PNG's strategic efforts to attract international expertise and investment to its burgeoning petroleum industry. ["Petroleum Minister invites China State Construction to invest in PNG's petroleum industry" — News — PNG Business News](#)

Interest Rates and Government Bonds

Interest Rates

- KFR held steady at 4% throughout March, reflecting a strong economic outlook and inflation risks,
- At the recent Treasury Bills (T-Bills) auction, weighted average rates (WARs) for 91–, 182–, and 273–day tenors increased by 13 basis points (bps), 15 bps, and 18 bps respectively, while the 364–day tenor was stable at 8.23%. All tenors achieved a 100% successful bid rate, with strong investor interest in the 273– and 364–day tenors resulting in oversubscriptions of K 2.5 million and K 93.95 million. In total, the auction was oversubscribed by K 96.450 million, with 71% of the oversubscriptions attributed to the 364–day tenor, marking its second consecutive oversubscription in April. WARs are expected to exhibit minimal changes in future auctions, depending on market forces. T-Bills offered year-to-date stand at K 4,358.21 billion while total successful bids awarded are K 4,558.23 billion, a difference of K 564.07 million.
- Last week's GIS issuance offered K 50,000 million but faced an undersubscription of K 40,000 million, marking the fifth undersubscription this year. Coupon rates remained stable across all tenors for the fourth consecutive auction, with WARs also steady except for the 4–year tenor, which rose by 3 basis points to 9.03%. The 2025 National Budget, presented last year on November 29th, outlines PGK 28.4 billion in total expenditure against PGK 25.4 billion in revenue, creating a fiscal deficit of PGK 2.9 billion. The government plans to finance this deficit through PGK 861 million in net domestic borrowing and PGK 2.1 billion in net external borrowing.
- The BPNG is enhancing its monetary policy framework by addressing excess liquidity through short-term instruments like the 7–day FRFA Central Bank Bill, exclusive to authorized deposit takers. As inflationary pressures persist, the Bank maintained interest rates at the start of the month earning a positive reception from market participants. The most recent auction saw the 7–day CBB weighted average rate remain stable at 4%, with K 1,352 billion in total bids fully allocated, while the 7–day FRFA rate was unchanged at 4% for the eighth consecutive week.

Government Bond Auction

- 01-Apr-25/GOB/Government Bond. Settlement date 04-APR-25. Amount on Offer: K50.00million

Series	Amount on Offer (K'million)	Bids Received (K'million)	Successful Bids (K'million)	Successful Yields (K'million)	Weighted Average Rate (WAR)	Coupon Rate	Overall Auction Net Subscription (K'million)
Issue ID 2025 / 4073 (2 Years)	5.000	0.00%	0.00%	0.00% – 0.00%	0.00%	8.50%	–5.000
Issue ID 2025 / 4074 (4 Years)	5.000	10.000	10.000	9.00%– 9.05%	9.03%	8.90%	5.000
Issue ID 2025 / 4075 (5 Years)	5.000	0.000	0.000	0.00%–0.00%	0.00%	9.00%	–5.000
Issue ID 2025 / 4076 (6 Years)	5.000	0.000	0.000	0.00% – 0.00%	0.00%	9.10%	–5.000
Issue ID 2025 / 4077 (7 Years)	5.000	0.000	0.000	0.00%– 0.00%	0.00%	9.20%	–5.000
Issue ID 2025 / 4078 (8 Years)	5.000	0.00%	0.00%	0.00%–0.00%	0.00%	9.30%	–5.000
Issue ID 2025 / 4079 (9 Years)	10.000	0.000	0.000	0.00%–0.00%	0.00%	9.40%	–10.000
Issue ID 2025 / 4080 (10 Years)	10.000	0.000	0.000	0.00% – 0.00%	0.00%	9.50%	–10.000
TOTAL	10.000	0.000	0.000	0.00% – 0.00%	0.00%		–40.000

Overall Auction was **UNDER-SUBSCRIBED** by K40.000 million

Government Treasury Auction

- 02-APR-25/GOI/Government Treasury Bill. Settlement date 4th-APR-25. Amount on Offer: K266.900million

Terms	ISSUE ID 2025/ 63	ISSUE ID 2025/3946 91	ISSUE ID 2025/3947 182	ISSUE ID 2025/3948 273	ISSUE ID 2025/3949 364	Total
Weighted Average Yield	0.000	4.10%	6.00%	8.18%	8.23%	
Amount on offer Kina Million	0.000	10.000	10.000	20.000	226.900	266.900
Bids Received Kina Million	0.000	10.000	10.000	22.500	320.850	363.350
Successful Bids Kina Million	0.000	10.000	10.000	22.500	320.850	363.350
Overall Auction OVER-SUBSCRIBE by	0.000	0.000	0.000	2500	93.950	96.450

Foreign Exchange and the Kina

- In March & April, the PGK continued its crawling-peg depreciation with the PGK/USD exchange rate moving from 0.2487 to 0.2452. Market turnover increased significantly to K5.898 bn in March from K5.405bn in February.
- The PGK/AUD opened at 0.4001 in March, reaching a high of 0.4024 on the early trading days, before moving to a low of 0.3942 mid month. April traded between these ranges for an average of 0.3924 across the two months. The AUD/USD exhibited significant volatility due to global economic uncertainty, trade tensions, and monetary policy decisions ranging from 0.6216 to 0.6346.
- The RBA maintained its cash rate at 4.1%, reflecting a measured approach to slowing inflation. The USD weakened following disappointing ISM Services PMI data. China's economic recovery, marked by an increase in its Caixin Services PMI providing some support for the AUD. However, heightened trade tensions, particularly Trump's newly imposed tariffs, fueled recession fears, adversely affecting global risk sentiment while fluctuating commodity prices and speculation regarding a potential RBA rate cut in May exerted further pressure on the AUD.
- The kina is down 1% so far this year compared to the USD; it is down 4% compared to the AUD but it has been a volatile ride peaking at 0.4153 and a low of 0.3771.
- In March, BPNG conducted FX auctions across four sessions, offering a total of K509.868 million (US\$125 million).

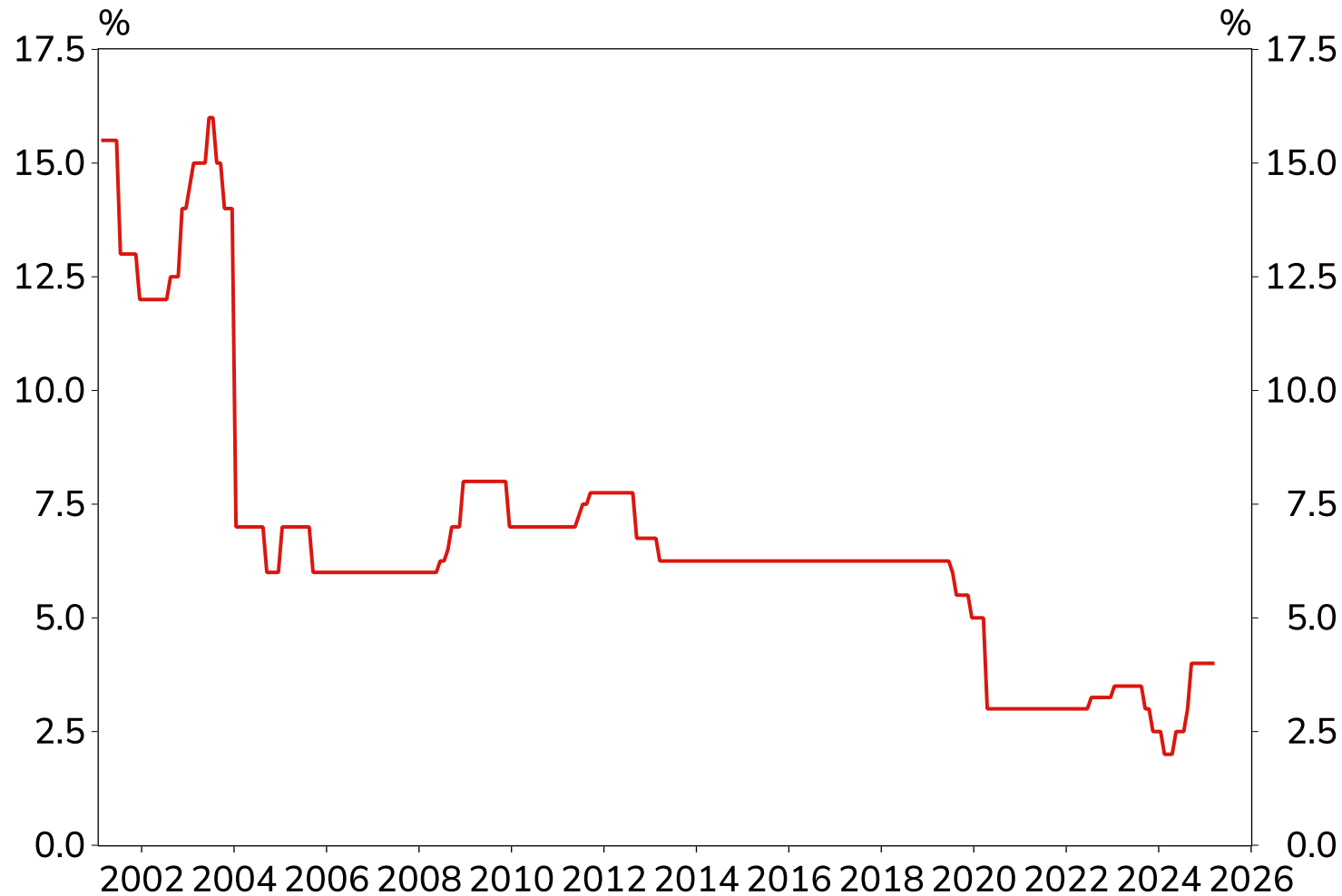
Foreign Exchange Forecasts

Kina	Current	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
PGK/USD	0.2452	0.2405	0.2405	0.2405	0.2450	0.2500	0.2550	0.2600	0.2650
PGK/AUD	0.3845	0.3879	0.3817	0.3700	0.3712	0.3731	0.3750	0.3768	0.3786
PGK/NZD	0.4135	0.4326	0.4272	0.4242	0.4283	0.4303	0.4307	0.4348	0.4366
PGK/EUR	0.2155	0.2186	0.2186	0.2161	0.2188	0.2212	0.2237	0.2261	0.2304
PGK/GBP	0.1830	0.1879	0.1864	0.1850	0.1870	0.1894	0.1917	0.1940	0.1963
PGK/JPY	34.92	34.87	34.39	33.91	34.06	34.25	34.68	35.10	35.51
PGK/SGD	0.3208	0.3223	0.3223	0.3199	0.3234	0.3275	0.3341	0.3380	0.3445



Bank keeps Kina Facility Rate unchanged

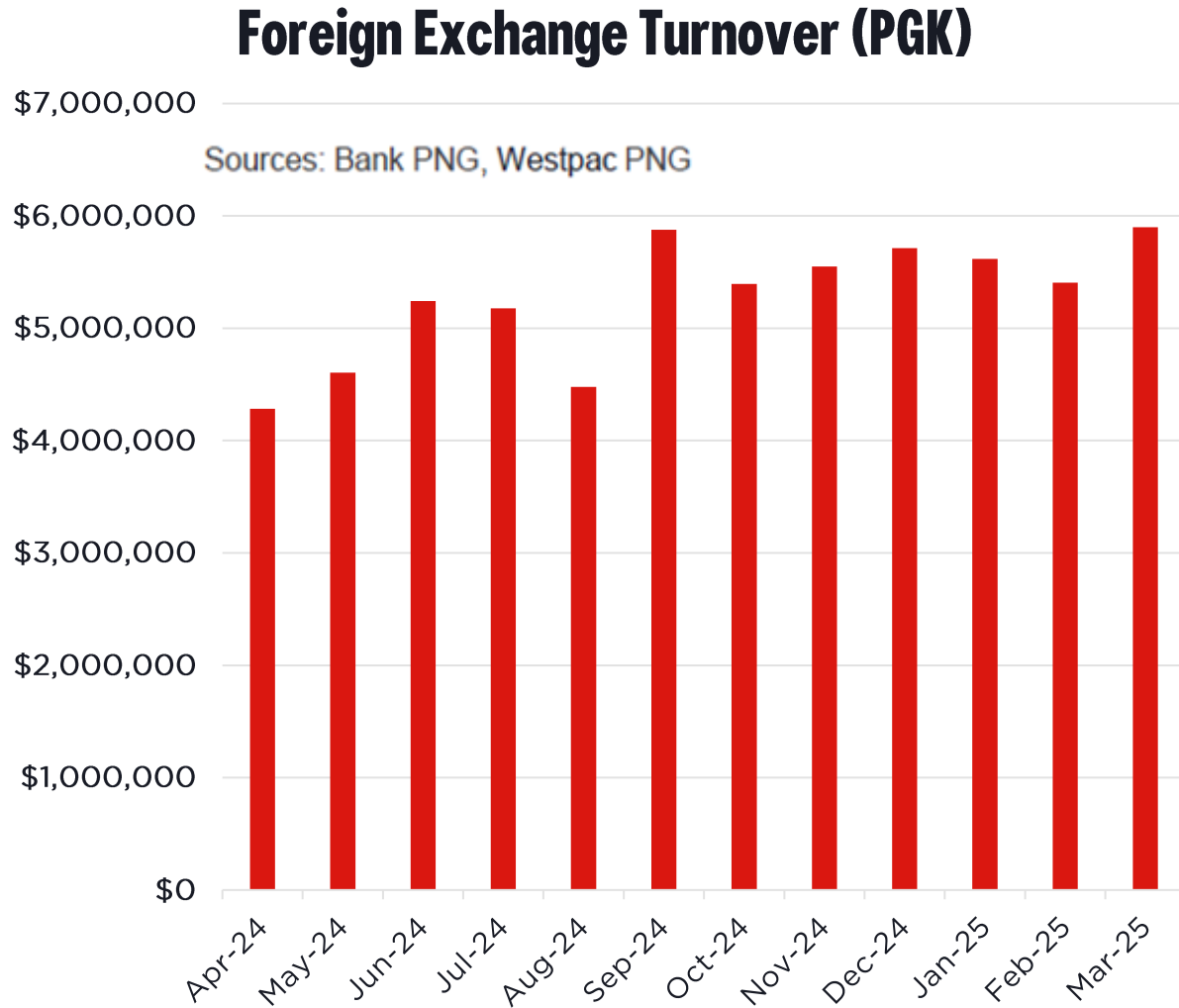
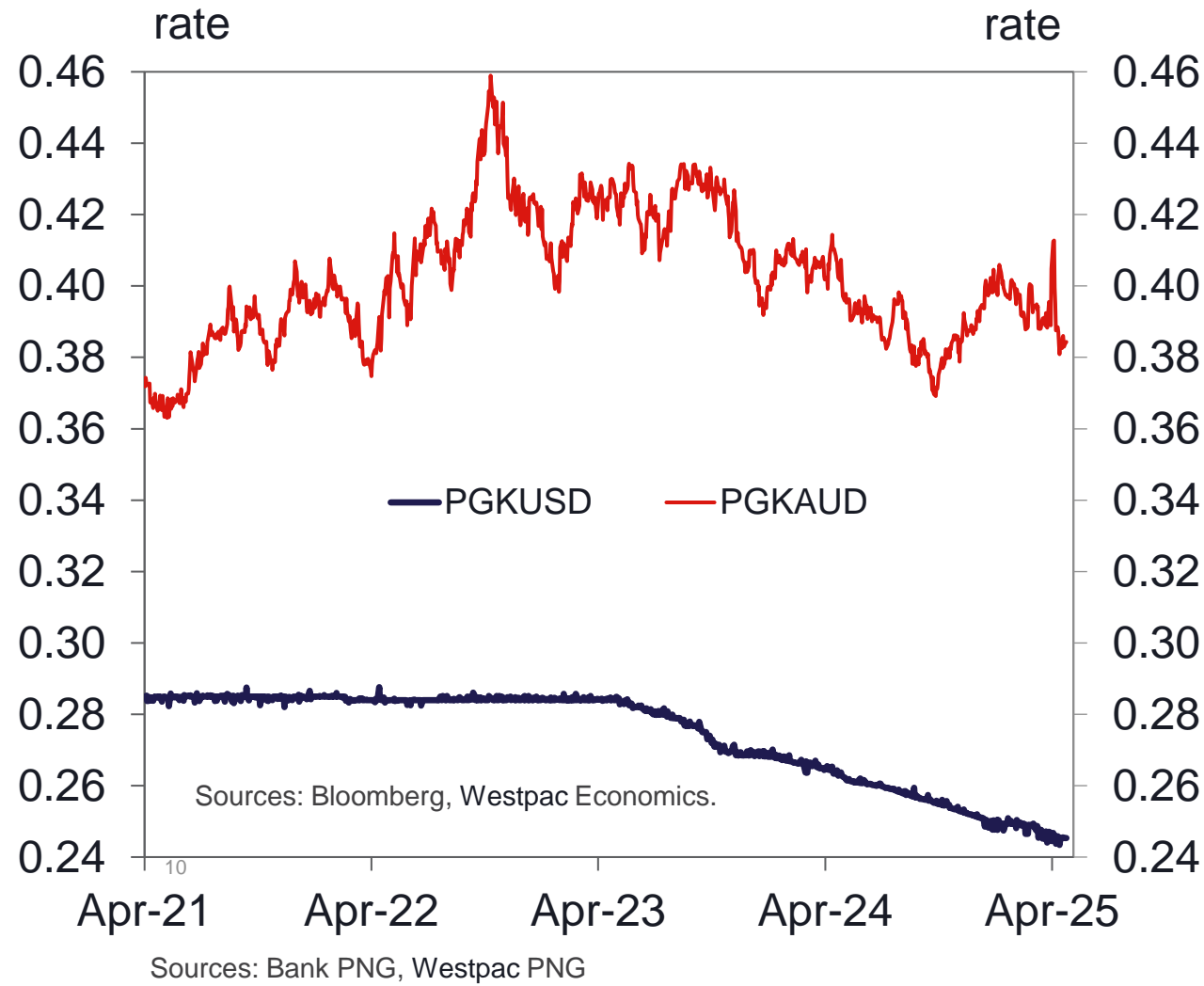
Kina Facility Rate unchanged at 4.0%



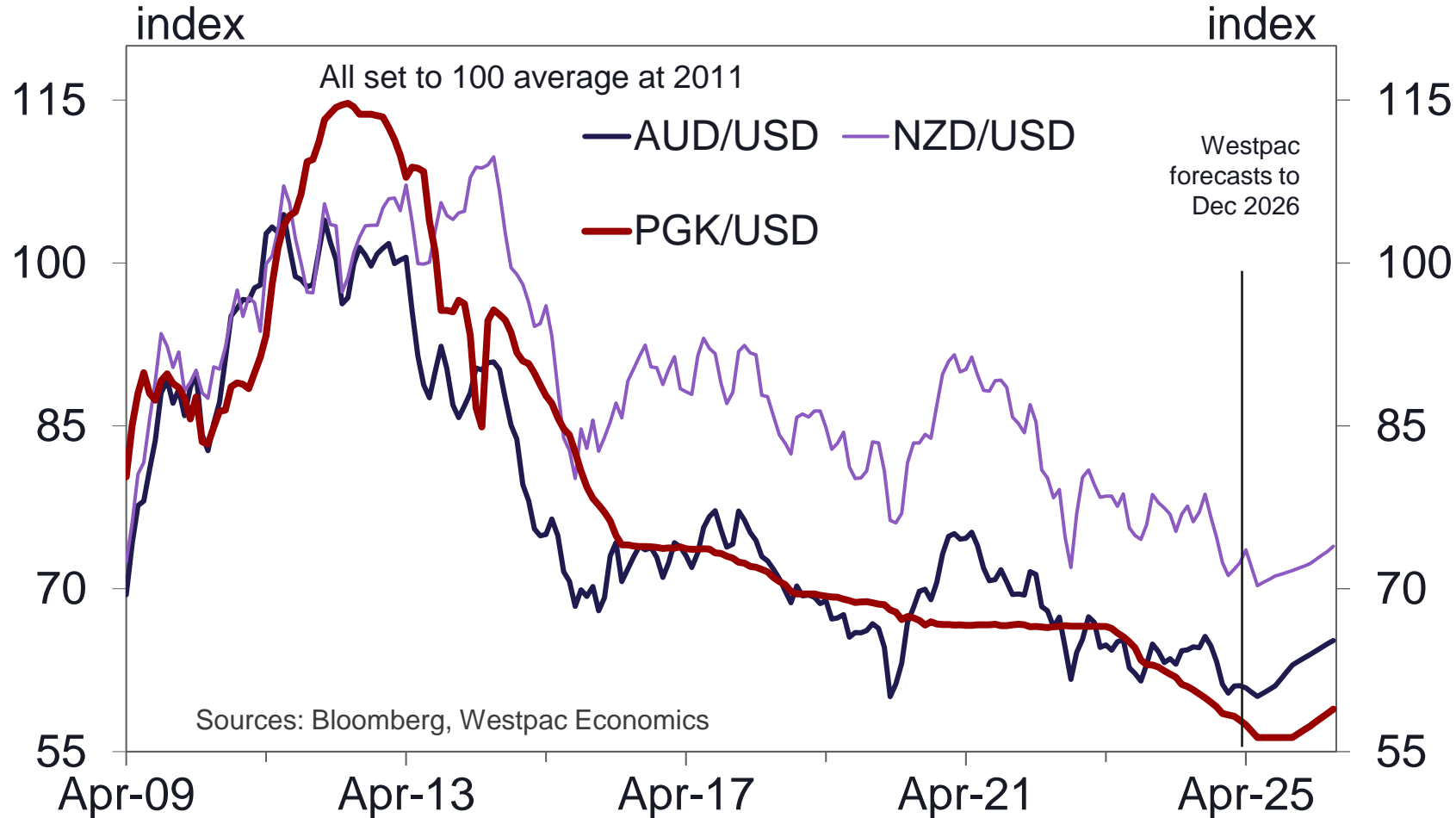
Source: Bank of Papua New Guinea, Macrobond, Westpac Economics

- At the March Monetary Policy Committee (MPC) meeting the Kina Facility Rate (KFR) was left unchanged at 4.0%. The KFR was last increased by 1 percentage point to 4.0% in September 2024.
- The Committee noted that inflation pressures have moderated but current trends don't justify a change in the policy rate.
- The MPC also reduced the Cash Reserve Requirement rate from 12% to 11%.
- The MPC agreed to continue the managed gradual depreciation of the Kina towards a mark-clearing level.
- The MPC agreed to maintain the Repo and Reverse Repo Margins at 1.5%.
- The Committee agreed to increase 28-day CBILL issuance.

Foreign Exchange; the kina depreciation remains gradual



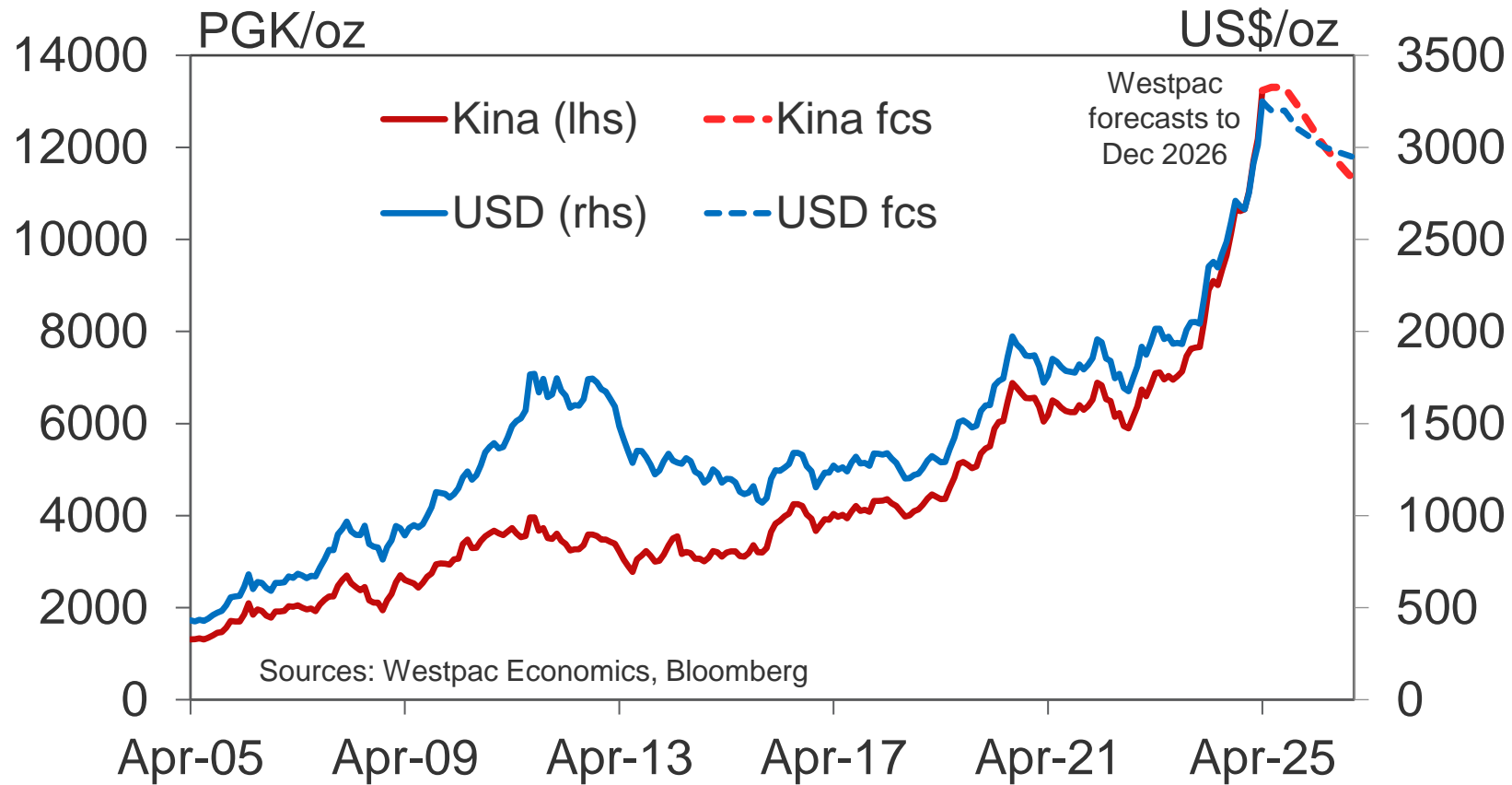
The managed depreciation to end soon.



- BPNG has managed a gradual depreciation of the kina via an increase in intervention while minimising currency volatility.
- There has also been an increase inflow from PNG exporters looking to convert exports sales receipts.
- Since the first quarter of 2023, the kina depreciated 14% against the US dollar. However, against the AUD it is down 8% as the AUD also weakened as the USD strengthened.
- Westpac is forecasting a further 2% depreciation to 0.2402 at June 2025 with any recovery, or appreciation, delayed until 2026.

Gold likely to extend recent gains.

Even a correction will leave gold prices historically high

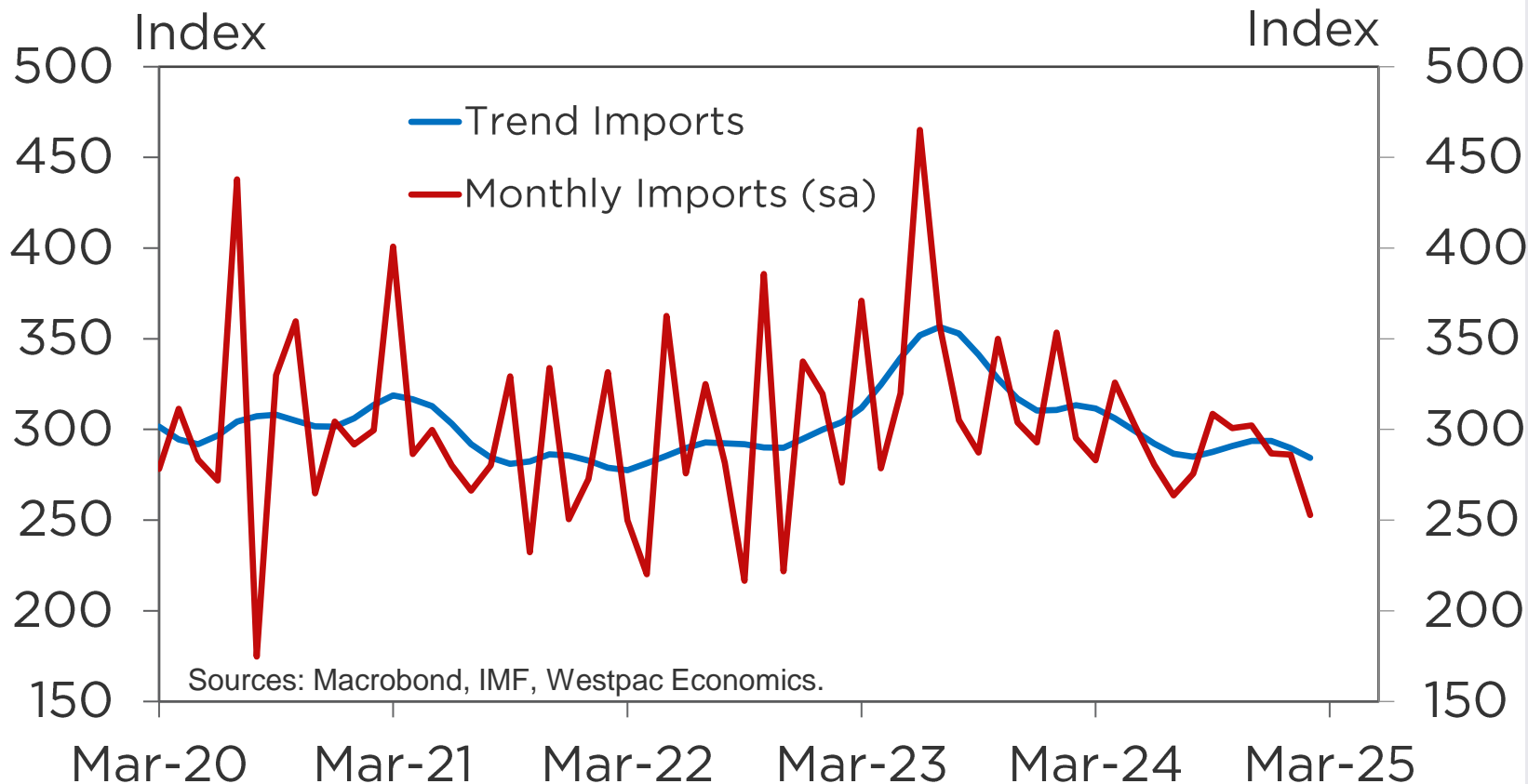


Gold to maintain a structural safe haven bid due to the ongoing, and expanding, conflict in the Middle East.

- We revised up our forecast to US\$2750/oz as we head into 2025.
- Central bank, Chinese and Indian consumer demand might fade a bit as gold hits new record highs.
- Inflation-hedging demand could ease as inflation stabilises.
- Our forecast for a weaker US dollar remains a support for gold.

Westpac PNG Imports Indicator

PNG imports recovered through 2nd half of 2024 only to fade in 2025



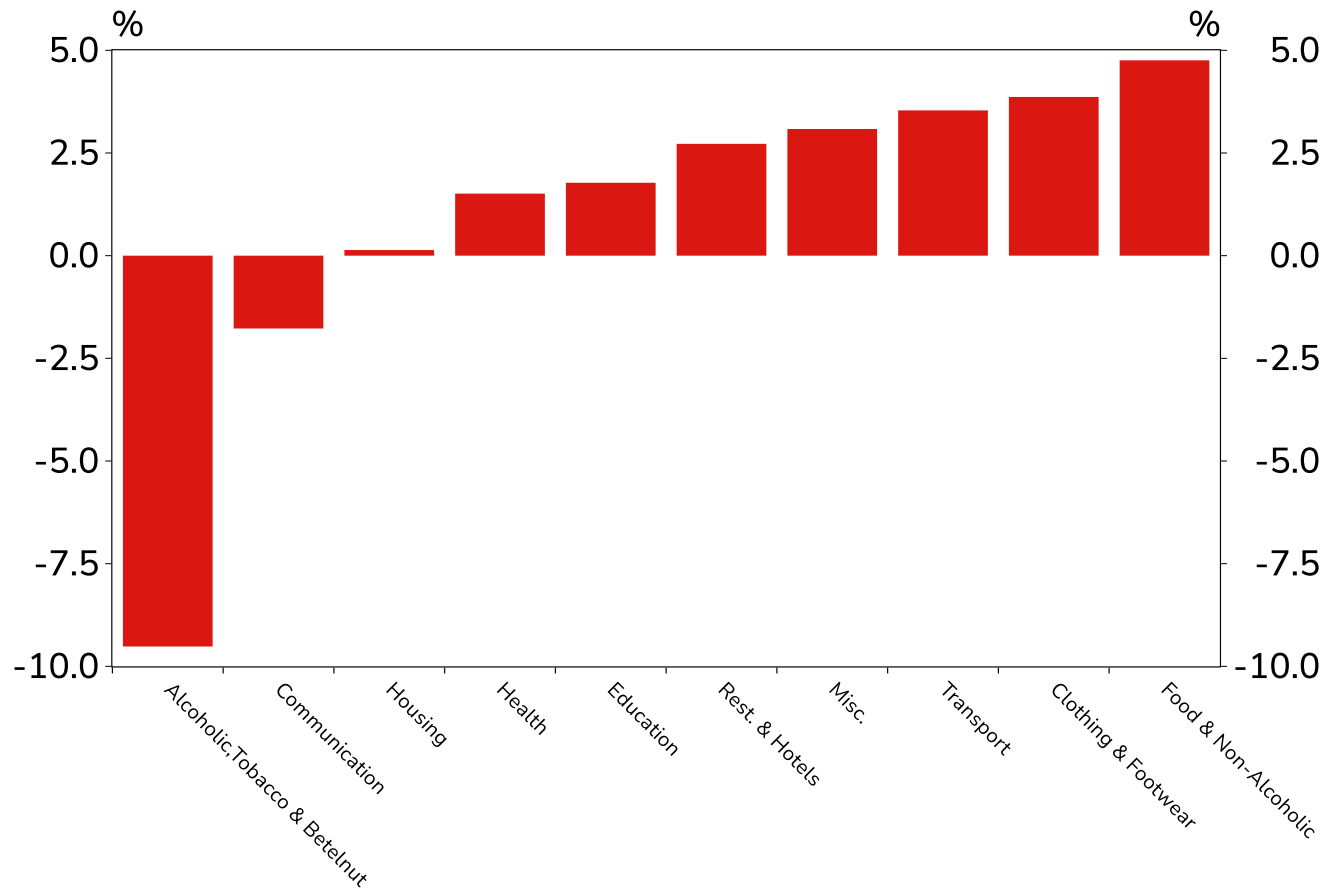
Imports Indicator for PNG based on IMG Port Data.

- Imports declined through 2020 and 2021 due to COVID lockdowns.
- Activity bounced as COVID restrictions were lifted resulting in a surge in imports which peaked in the first half of 2023.
- Since then, there was a trend decline in imports until they found a base around mid 2024.
- FX shortages, limiting importers' ability to fund imports, as well as soft domestic demand are likely to be key factors in the trend decline.
- However, the recovery was short lived peaking September last year and have declined since which is starting to drag the trend down as well.

Inflation moderated but can it be sustained?

Falling alcoholic beverages, tobacco & betel plus communications are driving down the pace of inflation

PNG's inflation categories December 2024



Source: NSO, Macrobond, Westpac Economics

CPI inflation stood at 0.7% in Dec-2024

1. PNG Consumer Price Index

- Rose by 2.7%/mth in the Dec-2024 quarter.
- Annual pace rose from -0.9% to 0.7%.

2. Betel Nut Prices

- Known for extreme swings due to supply variations.
- Fell by 25.2%/yr in Dec quarter, rose 23.8%/mth.

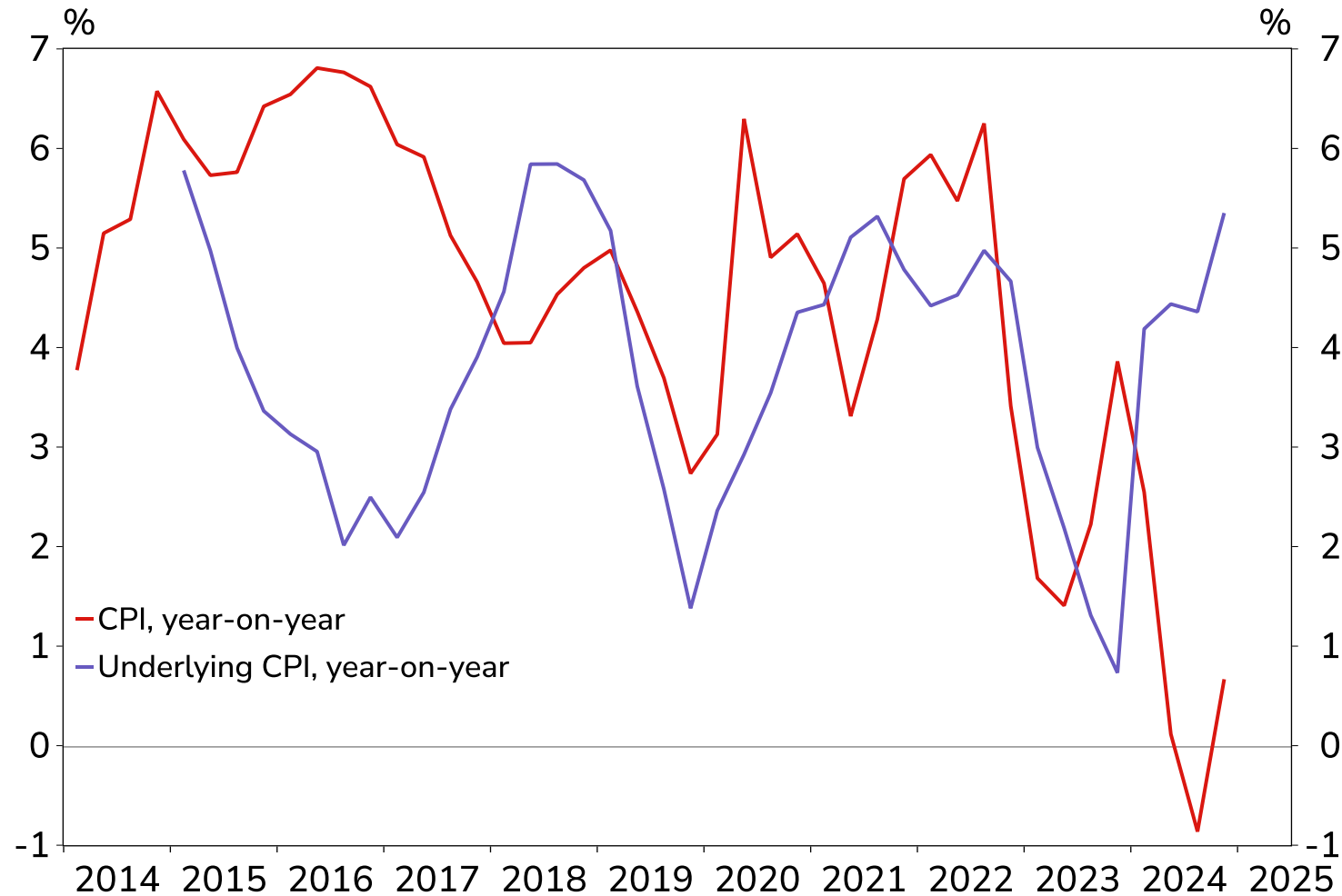
3. Communications

- Fallen consistently for the last seven quarters.
- Down 13.0% since late 2022.
- Fell by 1.8%/yr in Dec 2024 but rose 1.6%/mth



Underlying inflation remain elevated

CPI just above zero, trimmed mean far more robust



Source: NSO, Macrobond, Westpac Economics

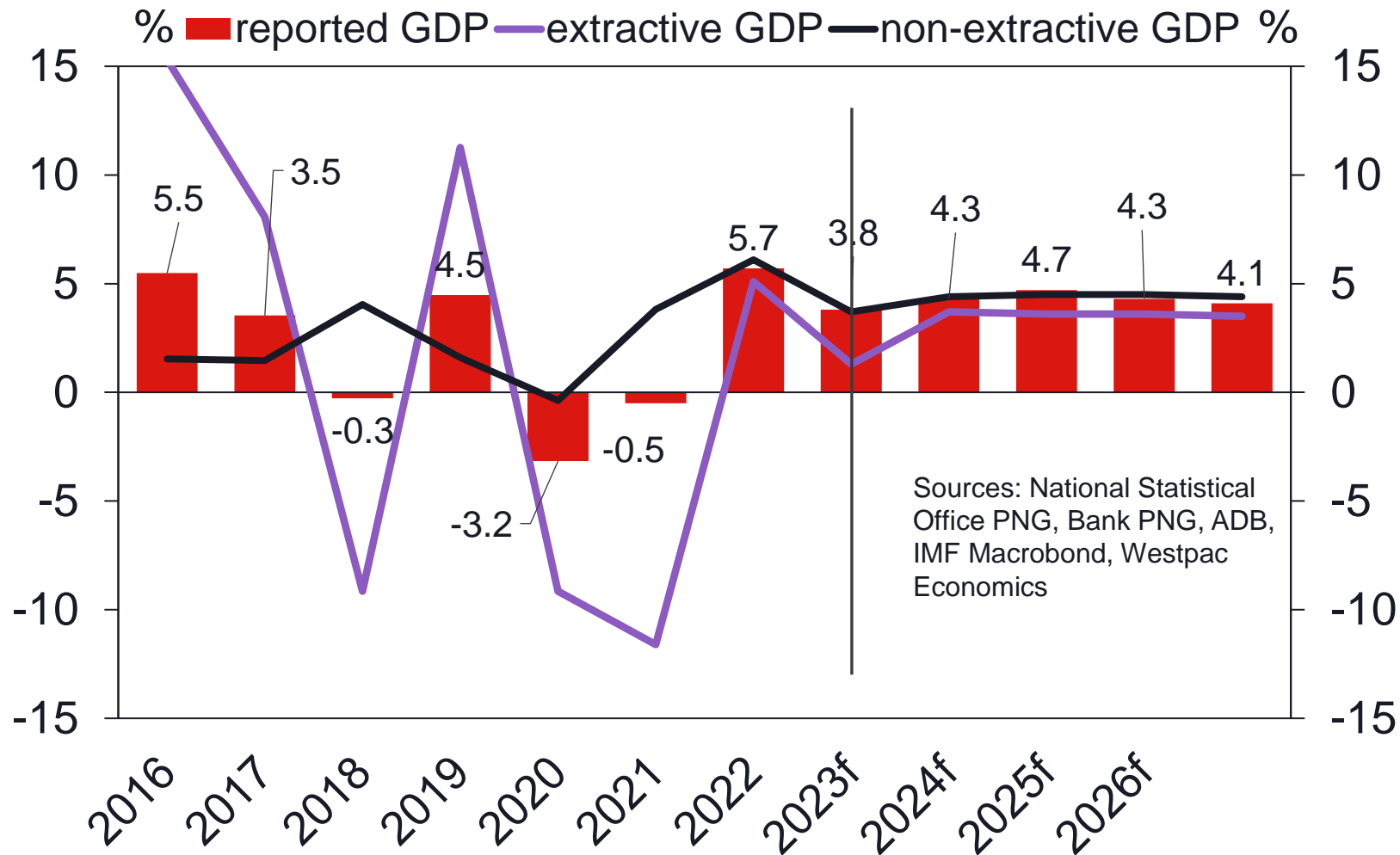
Underlying inflation stood at 4.4%/yr in Dec 2024 quarter.

1. PNG's headline CPI rose 0.7%/yr in Dec 2024, led by 4.8%/yr rise in Food and Non-Alcoholic Beverages Category and lower decline in Alcoholic Beverages, Tobacco and Betel Nut Category of -9.5%/yr, compared to prior -16.8%/yr decline.
2. Underlying inflation remains above the Bank of PNG's target range.
3. Headline CPI excluding seasonal items rose 5.3%/yr in Dec-2024, while excluding seasonal, customs excise and price controls rose 6.4%/yr.



PNG real economic growth

Resources a swing factor but domestic demand matters



- The National Statistical Office (NSO) revised PNG's 2023 growth to 3.8%, up from the November estimate of 3.0%, due to an underestimation of crude petroleum and natural gas production. Initially reported as declining by 3.0%, this sector grew by 1.2% in 2023.
- The higher base for 2023, better-than-expected performance in key sectors and data for the first three quarters in the year suggest PNG's economy grew by 4.3% in 2024, up from our previous estimate of 3.7%.
- The 2025 growth forecast was revised down from 5.1% to 4.7% due to the base effect.
- Santos has completed its Angore project, adding to gas reserves and maintaining momentum in this important export sector.
- Gold production and exports

PNG Economic Indicators and Forecast

Economic indicators		2023 (est)	2024 (forecast)	2025 (forecast)
Inflation	ADB	2.3%	0.7%	3.8%
	BPNG	3.9%	0.7%	3.0%
	IMF	3.9%	0.7%	5.0%
	Westpac	3.9%	0.7%	4.7%
GDP growth	ADB	3.8%	4.3%	4.2%
	BPNG	3.0%	3.0%	4.0%
	IMF	3.9%	3.7%	4.6%
	Westpac	3.8%	4.3%	4.7%

ADB forecasts as at April 2025; BPNG as at March 2025; IMF as at April 2025; Westpac as at February 2025



Global outlook remains constructive for PNG

Global & Trading Partner Growth Forecasts

	2022	2023	2024	2025 (f)	2026 (f)	2027 (f)
World Economy	6.5	3.5	3.2	3.3	2.9	3.0
US	5.8	1.9	2.5	2.8	1.1	0.9
Eurozone	5.9	3.4	0.4	0.7	0.7	1.2
Australia	5.5	3.9	2.1	1.0	1.8	2.2
New Zealand	5.6	2.4	1.8	-0.5	1.0	3.2
Japan	2.6	1.0	1.9	-0.1	1.0	0.8
China	8.4	3.0	5.2	5.0	5.0	4.7
India	9.7	7.0	7.8	6.6	6.2	6.2
Sources: Macrobond, Westpac Economics.						

PNG Economic Forecasts

PNG Economic Statistics

	2019	2020	2021	2022	2023f	2024f	2025f
Money supply (% year)	4.4	7.0	13.4	14.8	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	11,542.7	9,219.9	13,200.5	13,648.7
Gross International Reserves (K millions)	7,880	9,437	11,369	11,368.7	14,424.8	14,663.2	14,587.2
Total Imports Cover (months)	5.0	7.4	5.4	7.4	6.3	5.7	4.3
Non–mineral imports cover (months)	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	−5,851.8	−4,934.9	−4,934.9	−3,983.7
Deficit as % of GDP	−5.0	−8.0	−6.7	−5.4	−4.4	−4.4	−3.3

Sources: Macrobond, Bank PNG, International Monetary Fund, National Statistics Office, Westpac Economics.



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