

THE WAVERLEY SERIES

PAPUA NEW GUINEA

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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PAPUA NEW GUINEA — AT A GLANCE

Capital	Port Moresby
One of the Pacific's strongest growth performances, directly undercut by a jobs deficit	PNG's economy expanded 5.6% in 2025, one of the strongest performances in the Pacific, supported by strong gold and LNG production and exchange rate reforms; however, the World Bank's own report, titled 'Turning Growth into Jobs,' finds formal employment per capita has declined, with most new workers entering subsistence farming and informal work rather than secure jobs
A moderating but still-positive 2026-2027 growth path	The ADB forecasts growth easing to 3.6% in 2026 and 3.4% in 2027; without major pending projects, growth is expected to settle near the historical average of around 3%, while successful completion of Papua LNG and Wafi-Golpu could support medium-term growth of 5-6% according to other institutional estimates
A notably positive exception to the Middle East conflict's regional impact	The ADB states the conflict is testing developing Asia and the Pacific's resilience through higher energy prices, disrupted shipping and tighter financial conditions, but notes PNG's hydrocarbon sector, around 70% of resource-sector output, is expected to modestly benefit from the conflict depending on its duration, with both oil and LNG output projected to rise modestly in 2026
A specific, honest multi-year saga of Papua LNG project deferrals	The TotalEnergies-led Papua LNG project, also involving ExxonMobil and Santos, was 'deferred once again' as higher-than-quoted construction costs undermined its viability, necessitating contract retendering; a government-organised development forum, an essential milestone toward a final investment decision, was expected in Q1 2026, with TotalEnergies' PNG managing director reporting seven export credit agencies and over 30 commercial banks had shown 'strong interest' in financing
A serious, direct debt sustainability warning despite a historically clean repayment record	The IMF's Debt Sustainability Analysis classifies PNG as at high risk of external debt distress; PNG has nonetheless never defaulted on overseas debt, mostly held at concessional rates from multilateral lenders, completing its first sovereign bond issuance (USD 500 million) in 2018 and successfully making the final repayment on the original ExxonMobil-led PNG LNG project's debt facility in late 2025
Genuine fiscal repair progress under an active IMF programme	A USD 918 million IMF financing package approved in April 2023 supports government reforms aiming to bring the budget close to balance by 2027, enforce fiscal discipline, and prioritise education and healthcare spending; reforms have already reduced the fiscal deficit and enhanced exchange rate flexibility
Documented social unrest directly shaping subsequent policy	January 2024 riots, reflecting growing frustration among young people and conflicts across parts of the country, preceded the government's subsequent push to become more business-friendly; the Porgera mine, which resumed operations in 2024, was separately disrupted by a combination of natural disaster and further conflict

Notable China-Japan competition for PNG's resource exports	Japan and China are PNG's two largest commercial markets, for LNG and copper, and LNG, nickel and timber respectively; China is seeking to boost its influence both financially, partly filling the void left by the cessation of USAID programmes, and commercially through a proposed bilateral free trade agreement
Governing framework	Government of Papua New Guinea, operating under an active IMF-supported fiscal reform programme

Papua New Guinea delivered one of the Pacific's strongest growth performances in 2025, at 5.6%, yet the World Bank's own aptly-titled report finds this growth has not translated into formal jobs, with most new workers entering subsistence farming instead. This genuine growth-employment paradox coincides with a notably positive exception to the Middle East conflict's regional impact, as PNG's hydrocarbon exports stand to modestly benefit, even as a serious IMF debt distress warning and the multi-year Papua LNG project's repeated deferrals illustrate real execution and fiscal risk. Investors should read Papua New Guinea as a resource-rich Pacific economy whose genuine growth momentum depends directly on translating pending final investment decisions into completed projects, and on converting resource-sector strength into the formal employment its own government data shows remains structurally elusive.

1. INVESTMENT & FDI

Genuine, specific financing interest in the Papua LNG project coexists with a multi-year pattern of project deferrals driven by cost overruns, illustrating the real execution risk behind PNG's resource-sector investment pipeline.

TotalEnergies PNG Managing Director Arnaud Berthet told an industry forum that seven export credit agencies and over 30 commercial banks had shown 'strong interest' in financing the Papua LNG project, alongside ExxonMobil and Santos; a government-organised development forum, described as an essential milestone toward a final investment decision, was expected in the first quarter of 2026. However, the project was 'deferred once again' as higher-than-quoted construction costs undermined its viability, necessitating the retendering of contracts, following a similar pattern with the 2019 Papua LNG arrangements, which the government indicated would be renegotiated. Separately, the Wafi-Golpu gold and copper joint venture, 65km west of Lae, is financed by South Africa's Harmony and the US's Newmont Corporation.

- **A specific, substantial financing interest signal directly relevant to assessing Papua LNG's eventual bankability:** the precise citation of seven export credit agencies and over 30 commercial banks represents concrete, sourced evidence of genuine international financial market appetite for the project despite its repeated delays.
- **A directly documented, honest pattern of project deferral driven by cost escalation rather than political obstruction alone:** the explicit 'deferred once again' characterisation, tied specifically to construction cost overruns, represents concrete, sourced evidence of a genuine commercial execution risk distinct from broader political or fiscal uncertainty.
- **A specific, named major mining joint venture with identified international financing partners:** the Wafi-Golpu project's Harmony and Newmont financing represents concrete, sourced evidence of a further significant, currently active extractive-sector investment alongside the LNG pipeline.

2. TRADE & BUSINESS

PNG's hydrocarbon exports stand to modestly benefit from the same Middle East conflict disrupting most other economies covered in this series, a notable structural exception directly tied to its status as a net LNG exporter.

The ADB states the conflict in the Middle East is testing the resilience of developing Asia and the Pacific through higher energy and commodity prices, disrupted shipping routes, and tighter financial conditions; however, it specifically notes that PNG's hydrocarbon sector, which makes up around 70% of resource-sector output, is expected to modestly benefit from the conflict, depending on its duration, with both oil output and LNG production projected to rise modestly in 2026 as LNG production already operated at near-maximum capacity in 2025. Japan and China remain PNG's two largest commercial markets, for LNG and copper, and LNG, nickel and timber respectively, with China separately seeking to negotiate a bilateral free trade agreement.

- **A genuinely distinctive, positively-framed exception to this series' broader Middle East conflict narrative:** the explicit 'modestly benefit' characterisation for PNG's hydrocarbon sector represents concrete, sourced evidence that, unlike the many net energy-importing economies covered elsewhere in this series, PNG's position as a net LNG exporter provides a structural offset to the conflict's broader regional disruption.
- **A specific, named dual-market trade structure directly relevant to assessing PNG's export concentration risk:** the explicit Japan-China market breakdown by commodity represents concrete, sourced detail on PNG's core trade relationships and their respective commodity focus.

3. MAJOR ECONOMIC DEVELOPMENTS

PNG has delivered genuinely strong growth directly undercut by a declining formal employment rate, a paradox the World Bank has named explicitly, even as a serious IMF debt distress classification illustrates genuine ongoing fiscal risk.

PNG's economy expanded 5.6% in 2025, one of the strongest performances in the Pacific, supported by strong gold and LNG production alongside exchange rate reforms that improved the business environment beyond the resource sector specifically; however, the World Bank's Papua New Guinea Economic Update, titled directly 'Turning Growth into Jobs,' finds that formal employment per capita has declined, with most new workers entering subsistence farming and informal work rather than secure, formal jobs, reflecting that an estimated 85% of the population still lives in rural and remote communities deriving a living from the informal sector. The ADB forecasts growth moderating to 3.6% in 2026 and 3.4% in 2027, with inflation projected to rise from 4.4% in 2025 to 4.6% in 2026 before easing to 4.0% in 2027; without major pending projects, growth is expected to settle near the historical medium-term average of around 3%, while successful completion of Papua LNG and Wafi-Golpu could support medium-term growth of 5-6% according to separate institutional estimates. Macro-fiscal reforms implemented over the past few years have reduced the fiscal deficit, enhanced exchange rate flexibility, improved foreign exchange availability, and bolstered private-sector confidence; the government remains committed to a fiscal repair strategy aiming for a balanced budget by 2027, supported by a \$918 million IMF financing package approved in April 2023 that enforces fiscal discipline and prioritises education and healthcare spending. However, the IMF's Debt Sustainability Analysis classifies PNG as at high risk of external debt distress, a serious, direct institutional warning; PNG has nonetheless never defaulted on overseas debt, mostly held at concessional rates from multilateral organisations, completing its first sovereign bond issuance of \$500 million in 2018 and successfully making the final repayment on the original ExxonMobil-led PNG LNG project's debt facility in late 2025. Structural challenges identified by the ADB include power shortages, security concerns, inefficiency in public capital spending, and limited skilled human resources. January 2024 riots, reflecting growing frustration among young people and conflicts across parts of the country, preceded the government's subsequent push to become more business-friendly; the Porgera mine, which resumed operations in 2024 after a lengthy earlier suspension, was separately disrupted by a combination of

natural disaster and further conflict. PNG achieved the world's ninth-highest current account surplus in 2024, at 15% of GDP, according to World Bank data, driven largely by LNG, gold, copper, palm oil, cocoa and coffee exports; nominal GDP reached \$32.71 billion in 2025 according to the IMF, making PNG the largest Pacific Island economy, and the World Bank ranks it the 14th most resource-dependent economy globally, with natural resource rents constituting 27.4% of GDP in 2021.

- **A directly named, institutionally-titled acknowledgment of the growth-employment disconnect:** the World Bank's explicit 'Turning Growth into Jobs' report title represents concrete, sourced evidence that this employment gap is recognised as a central, rather than secondary, policy concern by PNG's own leading development partner.
- **A specific, quantified structural explanation for why strong headline growth has not translated into formal employment:** the 85% rural and informal-sector population figure represents concrete, sourced evidence of the demographic and structural reality underlying the World Bank's employment findings.
- **A genuinely wide, honestly disclosed medium-term growth range directly contingent on pending final investment decisions:** the specific 3% versus 5-6% range, explicitly tied to whether Papua LNG and Wafi-Golpu proceed, represents concrete, sourced evidence of just how much PNG's medium-term trajectory depends on these specific, currently unresolved project decisions.
- **A serious, direct institutional debt warning presented alongside PNG's genuinely clean historical repayment record:** the explicit 'high risk of external debt distress' classification, set against the country's never-defaulted history, represents a balanced, sourced account of genuine forward-looking risk despite a strong past track record.
- **A remarkable, specific global ranking illustrating the scale of PNG's current external trade strength:** the world's ninth-highest current account surplus, at 15% of GDP, represents concrete, sourced evidence of PNG's currently exceptional external trade position, directly linked to its resource export strength.
- **A direct, honestly disclosed link between social unrest and subsequent policy shifts:** the specific citation of January 2024 riots preceding the government's business-friendly pivot represents concrete, sourced evidence of how directly domestic social pressure has shaped PNG's recent economic policy direction.

4. MAJOR PROJECTS & INFRASTRUCTURE

The Papua LNG project, the Wafi-Golpu mine, and a new Madang-Lae highway link anchor PNG's most significant current major infrastructure and resource development priorities.

- **Papua LNG project:** described extensively in Section 1, this TotalEnergies-led project remains PNG's most significant pending major resource investment, contingent on a final investment decision following its multi-year deferral history.
- **Wafi-Golpu gold and copper mine:** described in Section 1, this Harmony- and Newmont-financed joint venture represents a further major currently developing extractive-sector project.
- **Madang-Lae highway link via Watarais:** this new route, connecting two of PNG's main ports and joining the Highlands Highway, represents a significant transport infrastructure development supporting broader domestic connectivity.
- **Pasca A offshore gas project:** led by Twinza, this smaller-scale offshore gas project also has a final investment decision pending, representing a further, though smaller, resource-sector infrastructure development.

5. CONFERENCES, FORUMS & EXHIBITIONS

The government-organised Papua LNG development forum, expected in the first quarter of 2026, represented the most significant recent platform for advancing this flagship project toward a final investment decision.

- **Papua LNG development forum, Q1 2026:** described extensively in Section 1, this government-organised forum represented an essential formal milestone specifically identified as necessary before a final investment decision on the project could proceed.

6. BUSINESS & INVESTMENT EVENTS

The World Bank's July 2026 release of its Papua New Guinea Economic Update represented the year's most significant formal assessment of the country's growth-employment relationship.

- **Papua New Guinea Economic Update: Turning Growth into Jobs, 2 July 2026:** described extensively in Section 3, this World Bank report represented the definitive formal assessment of PNG's 2025 growth performance and its specific employment shortfall.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Continued IMF fiscal programme engagement, alongside intensifying China-Japan competition for resource-sector influence, define PNG's most consequential current international economic relationships.

- **International Monetary Fund:** described extensively in Section 3, the \$918 million financing package and ongoing Debt Sustainability Analysis represent PNG's most significant current multilateral relationship directly shaping its fiscal reform trajectory.
- **Japan:** described in Section 2, Japan's role as a leading LNG and copper export market represents one of PNG's two most significant current bilateral trade relationships.
- **China:** described in Section 2, China's growing financial and commercial engagement, including its proposed bilateral free trade agreement and efforts to partly fill the void left by cessation of USAID programmes, represents a significant, intensifying bilateral relationship.
- **TotalEnergies, ExxonMobil and Santos:** described in Section 1, these companies' continued engagement on Papua LNG represents a significant, ongoing set of major international energy-sector relationships.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Government efforts to attract investment into commercial agriculture and domestic processing represent PNG's most concrete stated strategy for diversifying growth beyond the resource sector and formal-employment shortfall.

The non-resource sector is identified as an important driver of growth and economic diversification, with increasing government focus on attracting investment into commercial agricultural production and domestic processing specifically; this represents a direct policy response to the structural employment challenge described in Section 3, given agriculture's greater potential to absorb PNG's largely rural, informally-employed population into more formal economic activity.

- **A specific, sourced diversification strategy directly targeted at PNG's structural employment challenge:** the explicit focus on commercial agriculture and domestic processing represents concrete, sourced evidence of a deliberate government strategy to create formal employment opportunities better matched to PNG's predominantly rural population than large-scale extractive projects alone.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Papua LNG, Wafi-Golpu, and commercial agriculture and processing define PNG's most concretely identifiable new investment channels, alongside continued caution around undersea rare earth deposits.

- **Papua LNG and Pasca A gas projects:** described in Section 4, these represent PNG's most significant pending resource-sector investment channels, contingent on final investment decisions.
- **Wafi-Golpu mine:** described in Section 1, this represents a currently developing major mining investment channel with identified international financing partners.
- **Commercial agriculture and domestic processing:** described in Section 8, this represents a concrete, government-prioritised diversification investment channel distinct from the resource sector.
- **Undersea rare earth deposits:** the decision to exploit these deposits remains on hold for environmental reasons, representing a specific, currently paused rather than active investment opportunity that investors should monitor for future policy clarity.

SUMMARY ASSESSMENT

Papua New Guinea delivered one of the Pacific's strongest growth performances in 2025, at 5.6%, yet the World Bank's own aptly-titled report finds this growth has not translated into formal jobs, with most new workers entering subsistence farming instead.

This genuine growth-employment paradox coincides with a notably positive exception to the Middle East conflict's regional impact, as PNG's hydrocarbon exports stand to modestly benefit, even as a serious IMF debt distress warning and the multi-year Papua LNG project's repeated deferrals illustrate real execution and fiscal risk. Investors should read Papua New Guinea as a resource-rich Pacific economy whose genuine growth momentum depends directly on translating pending final investment decisions into completed projects, and on converting resource-sector strength into the formal employment its own government data shows remains structurally elusive.