

Papua New Guinea

Business Conditions Snapshot

- COVID-19 case numbers have remained low in Papua New Guinea (PNG) (though there has not been widespread testing). However, the pandemic caused a significant dent to government revenues in 2020 and an associated increase in the fiscal deficit.
- Unemployment and poverty rates also increased.
- In September 2020, the Bank of PNG forecast GDP would decline by 4 per cent in 2020¹ reflecting the impact of negative growth in major trading partners, lower LNG and oil prices, and containment measures imposed by the government earlier in the year.
- The World Bank predicts PNG's economy will bounce back in 2021 and grow by 3.2 per cent² (baseline case).
- To ensure continuity of public services and to finance its COVID-19 response, the government borrowed money from international organisations and bilateral partners, including from Australia.
- Even before the pandemic, the economy was impeded by foreign exchange shortages and rising public debt, which limited the government's ability to invest in physical infrastructure.
- Electricity access in Papua New Guinea remains amongst the lowest in the world.
- Information and communications technology service delivery is improving, though market penetration rates are low.
- PNG's economy is dominated by the resources, agriculture, forestry and fisheries sectors.

Key facts and figures

- Population: 8.4 million (2018)
- GDP growth: 5 per cent (2019)
- GDP per capita: US\$2742.30 (2019)
- Political system: Constitutional monarchy
- Two-way trade: A\$7.5 billion (2018–19)
- In 2018–19 Australia imported gold worth A\$3.3 billion from PNG
- Australian investment in PNG (A\$16.9 billion in 2018) is focused on the resource sector, particularly gold mining, and oil and gas.
- Aid relationship: 2019–20 total Australian ODA [budget estimate] A\$607.5 million.

¹ Bakani, L., 2020, Monetary Policy Statement by the Governor of the Bank of Papua New Guinea (September 2020), BPNG, Port Moresby, PNG.

² World Bank. 2020. 'From Containment to Recovery', East Asia and Pacific Economic Update (October 2020), World Bank, Washington, DC.



- While most of PNG's labour force is employed in the agricultural sector (largely informally), the vast majority of its export earnings are through the resources sector.
- In the near term, the government's SOE sector reform program—which Australia is supporting—should strengthen performance in industries such as power generation and telecommunications. This will support the growth of the non-resource sector.
- In the medium term, economic growth will be boosted by foreign investment in several major new resource projects, including the Papua LNG (liquefied natural gas) project, the Wafi-Golpu gold and copper mine, the P'nyang gas field, and the Pasca A gas condensate field.
- Finalising negotiations to reopen the Porgera gold and silver mine after its closure in April would also contribute to the impending investment boom.
- PNG's burgeoning young population has the potential to drive significant economic gains.
- To realise this opportunity the government must create an environment conducive to young people's participation in the formal economy, including appropriate education and training.
- In 2019 PNG joined Australia's Pacific Labour Scheme. In addition to participating in the seasonal workers program, PNG workers can now undertake non-seasonal work in rural and regional Australia for up to three years.
- Australia and PNG share a significant trade and investment relationship
- PNG is Australia's 21st largest trading partner, with two-way trade worth A\$7.1 billion in 2010–20.
- Two-way investment was worth A\$17.3 billion in 2019. Total Australian investment in PNG was worth A\$16 billion in 2019, making PNG Australia's 20th largest investment destination.
- PNG enjoys a A\$1.5 billion trade surplus with Australia, meaning Australia buys more products and services from PNG than PNG buys from Australia.
- PNG is a recipient of Australian development assistance, with estimated Australian Official Development Assistance (ODA) spending in PNG valued at A\$607.5 million in 2019–20.

Trade and Investment Opportunities

- Australian companies invest in PNG in a range of sectors.
 - Sectors include mining, oil and gas, banking, insurance, legal and consulting services, construction and light manufacturing.



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- Future training and education opportunities exist across most sectors as the country diversifies its economy and develops new industries.
 - The Papua and P'nyang LNG projects, as well as the Wafi Golpu gold/copper mine, are major prospective resource projects in Papua New Guinea.
- Once commenced, these world-class resource projects will offer a range of opportunities to support construction and development of major economic infrastructure that will drive growth in PNG for the decades.
- The new Coral Sea Cable will allow businesses and the PNG Government to adopt e-commerce solutions that Australian companies can support.
 - This is evidenced by the PNG Government's online visa applications system which uses electronic settlement.
 - Further e-commerce solutions are being trialled in agriculture, payment systems and distribution for PNG products to the global consumer.
- The Australian Government has made available A\$2 billion of concessional finance for Pacific infrastructure through the Australian Infrastructure Financing Facility for the Pacific (AIFFP) initiative.
 - This will support construction of key economic infrastructure in PNG.
- Australia, the US, New Zealand and Japan have also pledged to help PNG meet its target of connecting 70 per cent of the country to electricity by 2030.
 - There may be opportunities for Australian businesses to win contracts for digital and communications infrastructure, energy infrastructure, ports, roads, airports and other projects.
- PNG's enhanced Nationally Determined Contribution (launched in December 2020) lists a series of renewable energy and climate change adaptation projects that Australian businesses may have an opportunity to bid for.
- Post COVID-19, there will be increasing opportunities for Australian businesses to extend their interests in PNG.
 - This includes in resources, infrastructure, energy and water projects.
 - Building sound relationships with dedicated training and knowledge transfer mechanisms will be essential to business success.

Trade Policy Focus

Pillar three of the Comprehensive Strategic and Economic Partnership—signed in 2020—provides an enduring and overarching framework for deepening bilateral cooperation across trade and investment.



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Australia and PNG have a bilateral investment treaty, which entered into force in 1991. Goods trade is covered by SPARTECA and the PNG–Australia Trade and Commercial Relations Agreement (PACTRA II).

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Insight current as at December 2020.



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