

PNG Chamber of Resource and Energy Conference

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**Beginning of a long overdue upswing:
Rapid growth in sight**

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Agonisingly long wait for strong growth to resume

PNG's difficult last 10 years:

- Four-year construction boom, driven by PNG LNG...
- ...then production capacity drove growth
- Structural shift away to kina-sensitive industries didn't occur, even though competitiveness improved
- Key rural commodity volumes went backwards
- Very challenging business environment, masked by lift-off in gas exports which has now run its course.

Punctuated by APEC stimulus, earthquake, political uncertainty (threat of vote of no confidence), foreign exchange rationing, global pandemic, Ukraine conflict, higher import prices and cost of living crisis

- Government stimulus helped and is ongoing

Net outcome: PNG economy stuck in low gear since 2014, waiting for the next set of business investments to come through and strong growth to resume.

2024 looking like the year when it all begins

Mind you, the weakness of the private investment over the last 10 years ensures the strength of the next upswing.

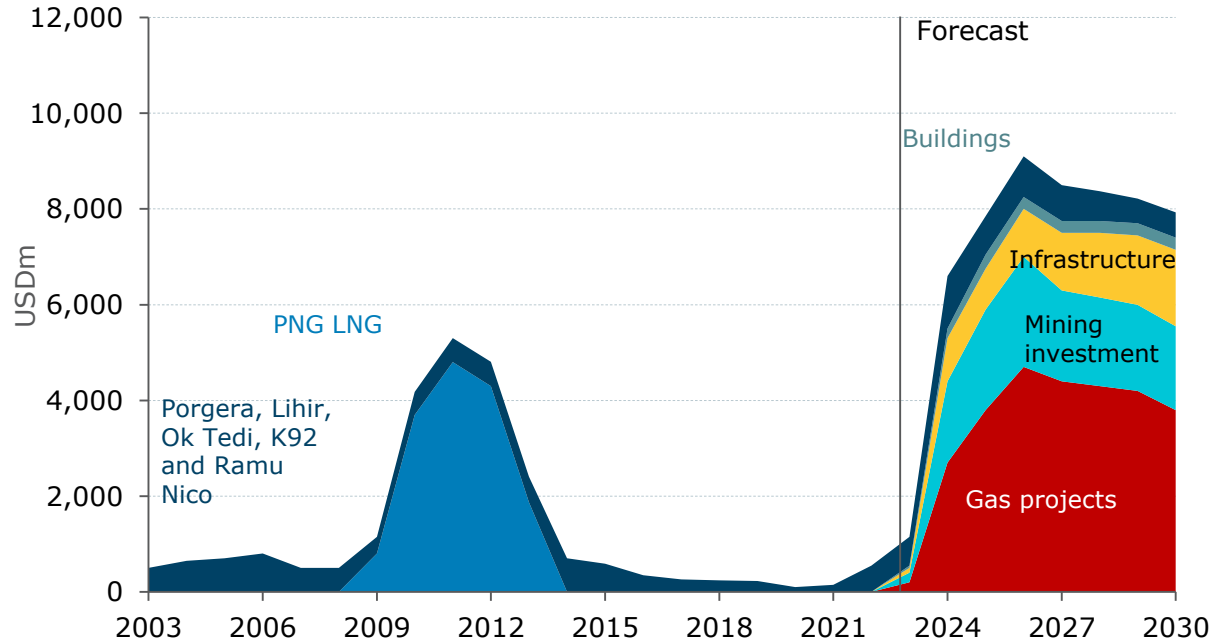


No magic wand.

Major project negotiations take time.

Stage 1: major business investment-led boom coming

PNG's next construction wave will be a super cycle



Source: ANZ Research

Gas and minerals investment to lead the way.

Infrastructure and buildings investment to be the 'cherry on top'.

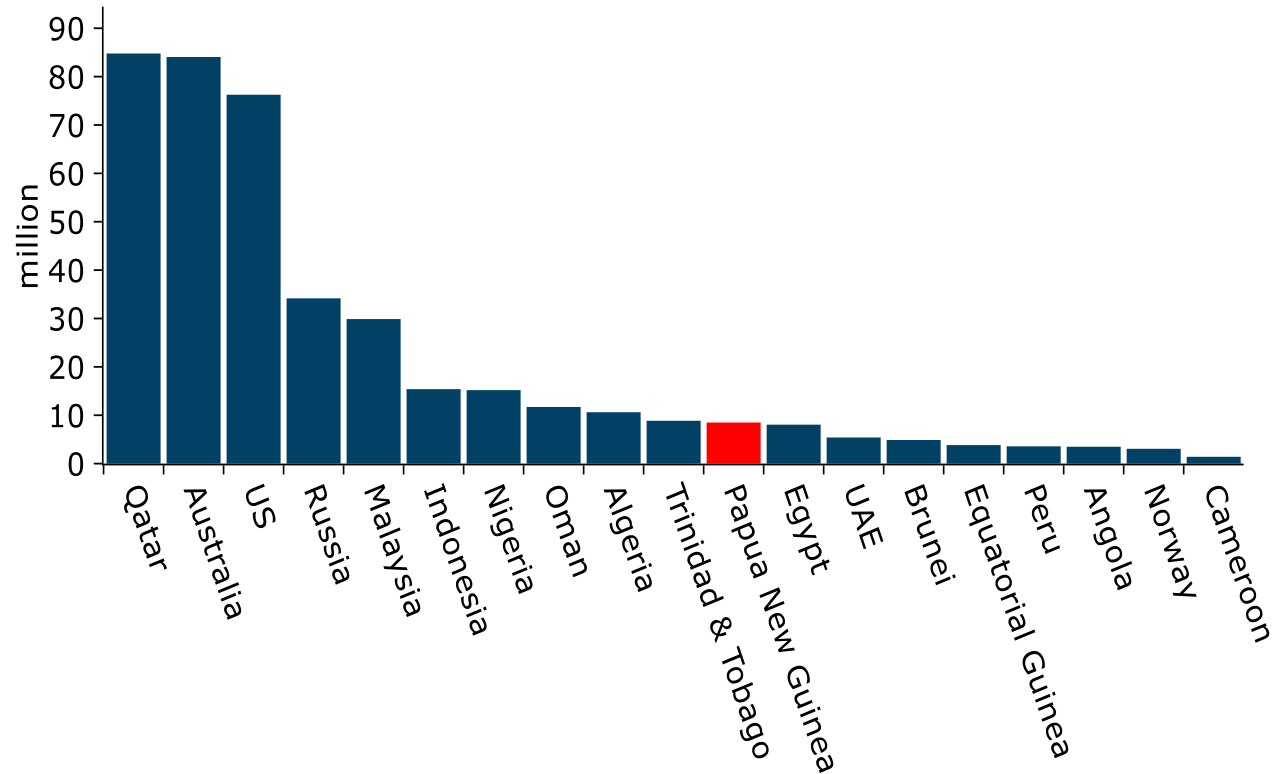


Stage 2: New production capacity to keep growth elevated

In 2028, the first gas from Papua LNG is expected to come online, nearly doubling PNG's LNG exports to 15m tonnes.



LNG exports by country, 2022

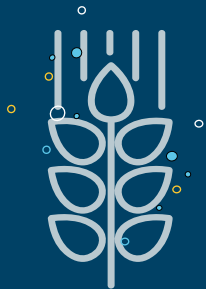


Source: Macrobond, ANZ Research

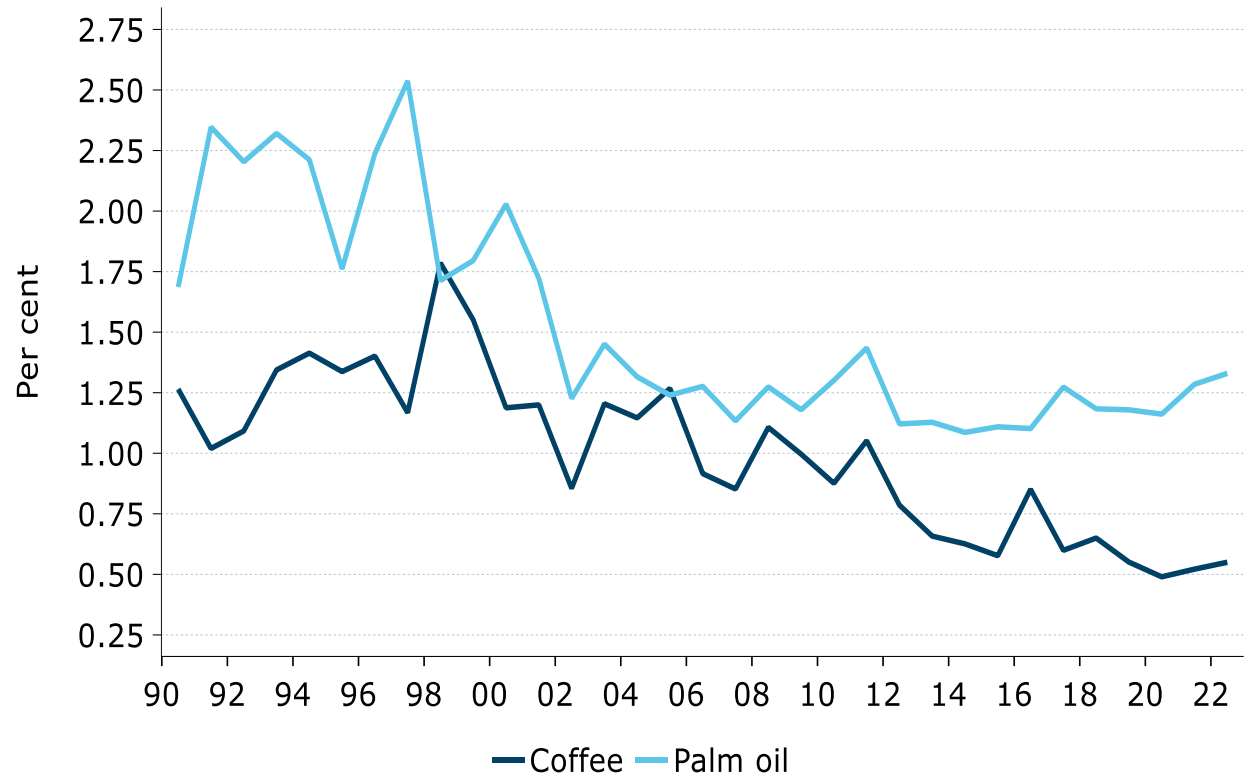
Stage 3: Non-resource economy stepping up

Government finances will be in a much better shape after the PNG LNG debt is retired around 2025-26.

The state could use the extra tax and dividends from PNG LNG plus flows from Papua LNG exports to roll out critical infrastructure and open opportunities in other sectors, such as commercial agriculture.



Agriculture can recover its global market share



Source: USDA, Macrobond, ANZ Research

Other industries that can soften the boom bust cycles associated with resource investment



- Manufacturing (adding value to raw commodities)
- Renewable energy
- Health
- Education
- Maintenance services
- Business services
- Information, communications and telecommunications



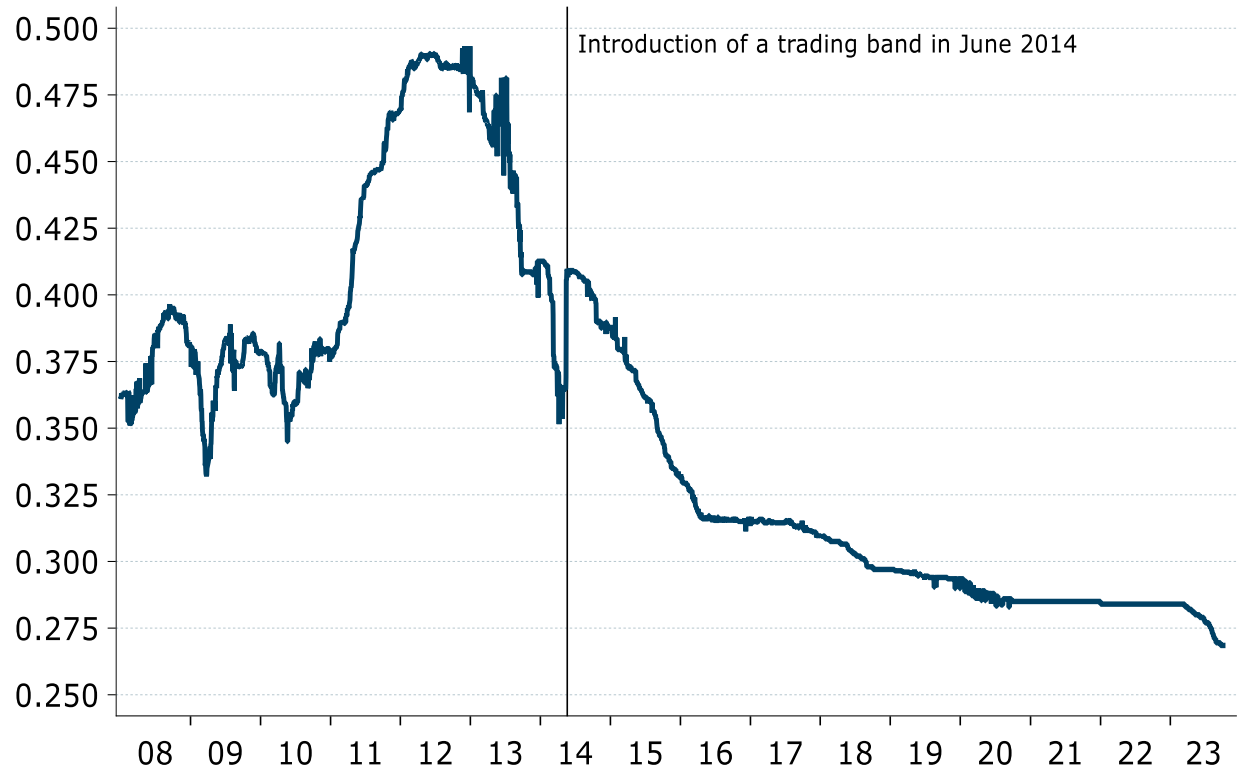
BPNG doing all it can within constraints.

The risk of PNG running out of foreign reserves is almost zero.

Expect foreign currency rationing to end by late 2024.

Kina drifting down, but we don't think depreciation is a fix for the currency shortage

PGK/USD exchange rate



Source: Bloomberg, Macrobond, ANZ Research

Takeaways

PNG has done it tough in recent years but is on the cusp of an extraordinary upswing in its resource sector.

Unbalanced economy, a lack of major resource projects, external shocks and FX constraints meant the economy has had weak domestic demand since the completion of the PNG LNG project.

The last leg of investment doubled the size of the economy.

Now a second round of gas and minerals projects has largely been confirmed and that will underpin strong growth over the next eight years.

The recovery in construction will not be narrowly focused on gas projects. Mining and infrastructure projects up and down the country will consolidate the upturn.

Young and eager population willing and engaged in PNG's economic development.

With stronger growth, government finances will improve allowing the state to fund public infrastructure, lift standards of living and recycle some of the dividends from a stronger economy into tax cuts.

PNG's best years lie ahead. Saddle in for the ride!

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