

PAPUA NEW GUINEA

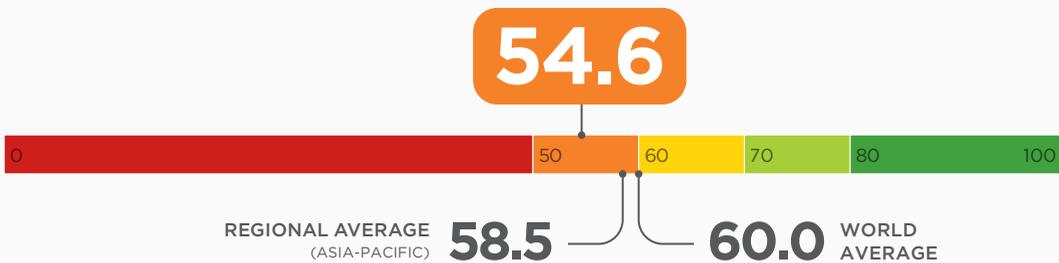
Papua New Guinea's economic freedom score is 54.6, making its economy the 123rd freest in the 2022 *Index*. Papua New Guinea is ranked 26th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

In the past half-decade, economic growth in Papua New Guinea has vacillated: slowing in 2017, negative in 2018, rebounding in 2019, contracting in 2020, and recovering again in 2021. A slow improvement of economic freedom over the past five years has faltered. Nevertheless, with a spike in its **fiscal health** score outpacing losses in **government integrity**, **judicial effectiveness**, and **business freedom**, Papua New Guinea has recorded a 3.7-point overall gain of economic freedom since 2017 and remains near the middle of the "Mostly Unfree" category. Trade freedom is strong, but **investment freedom** and **financial freedom** are exceptionally weak.

IMPACT OF COVID-19: As of December 1, 2021, 546 deaths had been attributed to the pandemic in Papua New Guinea, and the government's response to the crisis ranked 20th among the countries included in this *Index* in terms of its stringency. The economy contracted by 3.9 percent in 2020.

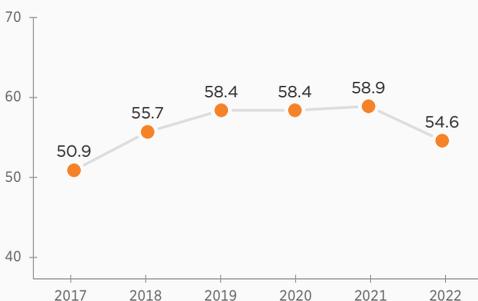
WORLD RANK: **123** REGIONAL RANK: **26**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): -4.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
8.9 million

GDP (PPP):
\$33.7 billion
-3.9% growth in 2020
5-year compound annual growth 2.1%
\$3,833 per capita

UNEMPLOYMENT:
2.7%

INFLATION (CPI):
5.0%

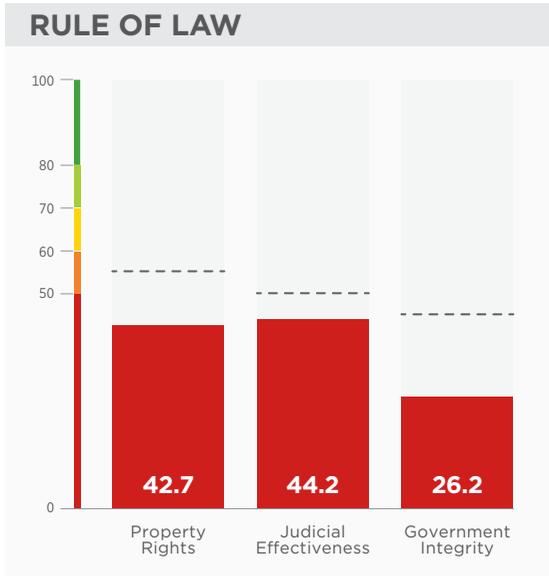
FDI INFLOW:
-\$935.0 million

PUBLIC DEBT:
49.2% of GDP

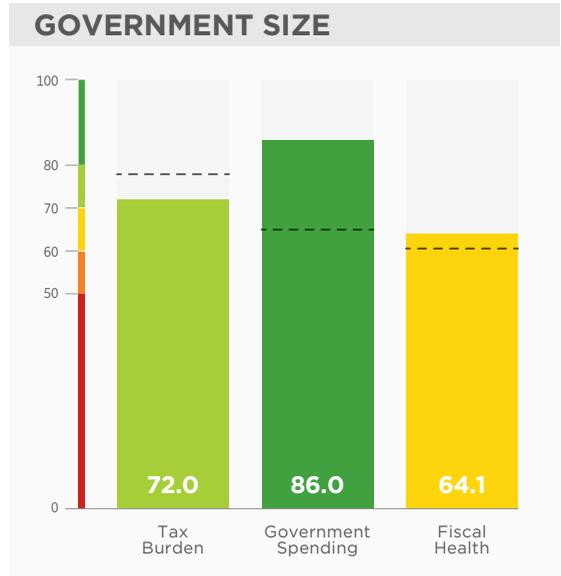
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Formerly administered by Australia, Papua New Guinea became an independent parliamentary democracy in 1975. All told, its more than 8 million people speak more than 840 different languages. After a vote of no confidence, Prime Minister Peter O'Neill was replaced by James Marape of the Pangu party in 2019. Papua New Guinea is richly endowed with natural resources, and its economy's small formal sector is focused on exports of such commodities as gold, copper, oil, and natural gas. The vast majority of its people live below the poverty line and work informally in subsistence agriculture. In 2019, the Autonomous Region of Bougainville voted for independence from Papua New Guinea in a non-binding referendum.

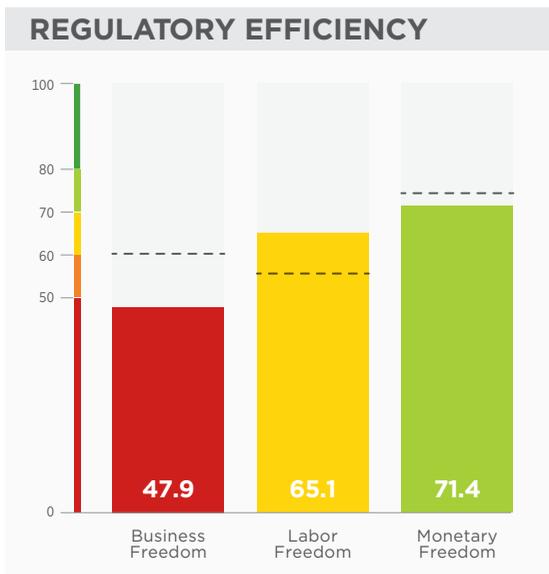
12 ECONOMIC FREEDOMS | PAPUA NEW GUINEA



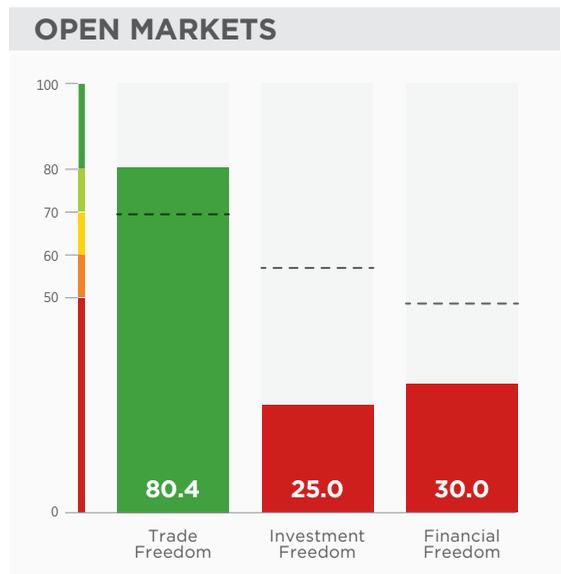
Formal property rights are recognized and enforced in some areas, but acquisition and disposition of property are subject to substantial delays. More than 80 percent of the land is “customarily owned” and lacks title. The judiciary is independent but very slow. Courts are underfunded and short-staffed. Because of bureaucracy, limited financial and human capacity, and the lack of political will, pervasive corruption and nepotism often go unpunished.



The top individual income tax rate is 42 percent, and the top corporate tax rate is 30 percent. The overall tax burden equals 11.8 percent of total domestic income. Government spending has amounted to 21.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.4 percent of GDP. Public debt is equivalent to 49.2 percent of GDP.



Wasteful state-owned enterprises, underdeveloped infrastructure, expensive logistical services, unpredictable law and order, and an overweight public sector traditionally have stacked the deck against private enterprise. There are few restrictions on labor. Heavily subsidized state-owned enterprises provide substandard services for power, water, banking, telecommunications, air travel, and seaports.



Papua New Guinea has six preferential trade agreements in force. The trade-weighted average tariff rate is 2.3 percent, but numerous nontariff barriers undercut trade flows. Foreign investors may not own land, and investment in several other sectors is restricted. Financial intermediation varies across the country, and a large portion of the population remains unconnected to the banking system.