



Declining purchasing power of minimum wages in Papua New Guinea

Analysis of economic access to healthy diets

Kristi Mahrt, Emily Schmidt and Glen Hayoge

Key Messages

- ▶ To address rising living costs which reduce the purchasing power of the minimum wage, the Government of PNG recently launched a review of the country's minimum wage.
- ▶ The minimum wage has been PGK 3.50 per hour or PGK 28 per 8-hour day since July 2016.
- ▶ At the beginning of 2025, the minimum wage could purchase about three-quarters as much food and other goods and services compared to July 2016.
- ▶ The cost of a healthy diet per adult per day in urban areas increased by 35 percent from PGK 7.70 in 2021 to PGK 10.37 in 2025.
- ▶ The cost of the healthy diet was the most expensive in Port Moresby—PGK 11.15 per adult per day in 2025 and increased the most in Kokopo (54 percent) from PGK 5.81 to PGK 8.92 between 2021 and 2025.
- ▶ One and a half *full-time* urban minimum wage earners earn just enough to feed a healthy diet to a family of five in 2025, with no money remaining for essential non-food expenses such as clothing, shelter, transportation, health, and education.
- ▶ The government recently published a public notice of Goods and Services Tax (GST) zero-rating of essential goods effective 1st June 2025 to 30th June 2026. We re-evaluate the purchasing power of a minimum wage by decreasing the price of tinned tuna and rice by 10% (reflective of the GST zero-rating) on Q1 2025 recorded prices.
- ▶ Assuming prices remain constant (with no shifts in demand due to decreased tax), the cost of the average urban healthy diet in the first quarter of 2025 is 4.7 percent lower without the GST (PGK 9.87) compared to the cost of a healthy diet with the GST (PGK 10.35) — slightly improving the purchasing power of minimum wage earners.

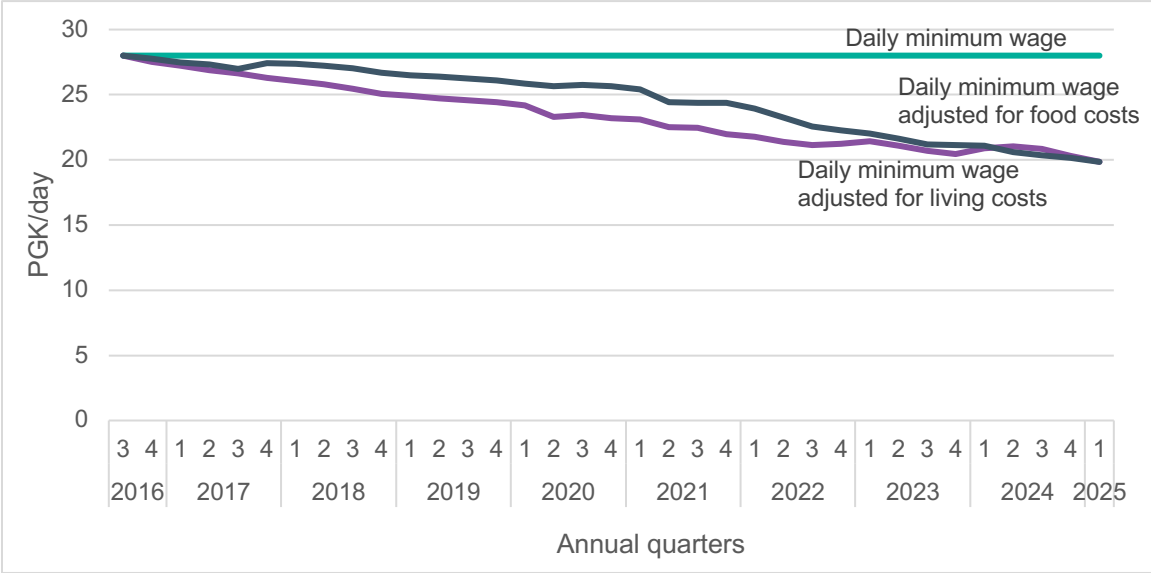
Introduction

To address rising living costs which reduce the purchasing power of the minimum wage, the Government of Papua New Guinea (PNG) recently launched a review of the country’s minimum wage. In this research brief, we explore how the ability of a minimum wage earner to purchase healthy diets has changed over time. In doing so, we evaluate the cost of a healthy diet using recent and ongoing food price data collected by the Fresh Produce Development Agency (FPDA). We compare the cost of a food basket (defined by a nutritious reference diet) with the PNG minimum wage over time to evaluate individual and household economic access to healthy diets that meet food security parameters. Data reveals that over time, food prices in PNG have increased while the minimum wage has remained fixed, indicating a deterioration in the purchasing power of the minimum wage in terms of a healthy balance of nutritious foods. In other words, in 2025, minimum wage earners may not be able to afford balanced and nutritious foods for themselves or for their families.

Minimum wages

Minimum wages set by governments aim to protect low wage workers and are commonly established considering the cost of attaining a basic living standard together with economic factors. In PNG, the last update to the minimum wage was in July 2016, which set a PGK 3.50 per hour. From July 2016 to March 2025, the cost of living increased by 41 percent. As a result, at the beginning of 2025 the minimum wage could purchase about three-quarters as much food and other goods and services compared to July 2016 (Figure 1) (NSO, 2025).

Figure 1 Daily minimum wage (PGK), 2016-2025



Note: Daily wages assume an 8-hour workday. **Source:** The minimum wage is adjusted using the consumer price index and the food and non-alcoholic beverages index reported in the National Statistics Office’s March 2025 Consumer Price Index data tables (NSO, 2025)

Measuring the cost of a healthy diet in PNG

Food prices have varying impacts on overall diet costs because different foods are consumed in different proportions and price trends for individual foods often follow distinct patterns. Therefore, understanding the evolution of food costs involves tracking the cost of a basket of foods over time. The most common approach to monitoring food costs utilizes the food component of consumer price indices (CPI) which are designed to measure food inflation. The food basket underlying PNG's food CPI is essential for understanding the evolution of the food costs faced by typical households in PNG (NSO, 2025). However, in most countries (including PNG), the CPI food basket is derived from an average diet. Thus, it is often not consistent with a diversified and balanced diet needed for good health—too much weight is given to starchy staples, and too little weight is given to nutrient rich foods such as animal source foods, vegetables, and fruits. Yet, the most widely accepted definition of food security stipulates economic access to “sufficient, safe, and nutritious, food to meet dietary needs and food preferences for an active and healthy life” (FAO, 1996).

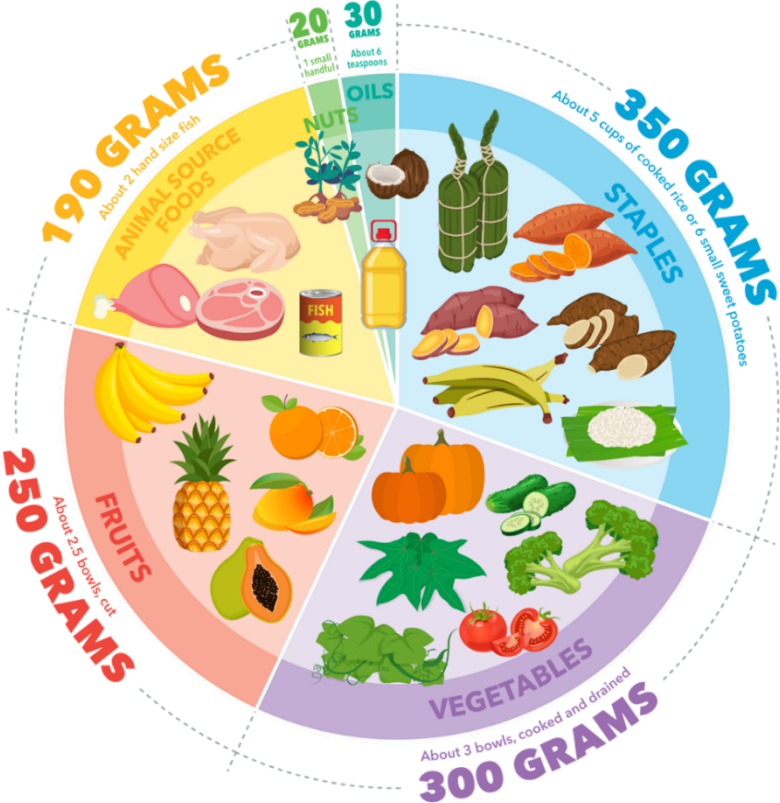
Balanced, nutrient adequate diets are essential for healthy, active, and productive populations. PNG's National Nutrition Policy (2016–2026) elevates good nutrition to a core development issue and identifies policy objectives aimed to reduce undernutrition, micronutrient deficiencies, and the incidence of overweight and obesity (National Department of Health, 2016). At the same time, the PNG National Nutrition Policy recognizes that key challenges for both urban and rural households in meeting dietary needs include the overconsumption of staple foods and the inability to afford relatively expensive, nutrient dense food groups such as animal source foods. Previous PNG policy documents (UNDP, 2014; National Department of Health, 2014) have noted the need to assess barriers to ensuring healthy diets.

The Food and Agriculture Organization (FAO) Cost of a Healthy Diet (CoHD) provides a nutrition-sensitive alternative to the food CPI and is reported annually as a food security indicator in the UN's *The State of Food Security and Nutrition in the World* (SOFI) reports (FAO, et al. 2020, 2021, 2022, 2023). The CoHD measures economic access to healthy diets and is defined as the minimum cost of purchasing a diet that is consistent with food-based dietary guidelines (FBDG) (FAO, 2024; Herforth et al., 2020, 2022).¹ The CoHD indicator requires only three sets of information: (1) food prices; (2) a reference diet; and (3) the caloric content of foods.

We adapt the CoHD methodology to monitor the cost of a nutritious basket of foods in PNG. We employ staple, vegetable, and fruit prices collected by the FPDA across six urban markets (Port Moresby, Lae, Kokopo, Mount Hagen, Goroka, and Banz) (IFPRI, 2021). Fresh produce prices are supplemented with estimations of quarterly prices of tinned fish and coconut since 2021.²

FBDGs provide recommendations for consuming food groups in proportions that are nutritious, promote health, and reduce the risk of disease. Given that PNG has yet to develop country-specific FBDGs, Mahrt et al. (2025) developed a PNG specific reference diet by evaluating a variety of FBDGs across Asia, and adapting the diet recommended in the Indonesia FBDG given common foods consumed in both countries (Ministry of Health of the Republic of Indonesia 2014). We apply the adapted PNG reference diet (depicted in Figure 2) to the COHD calculation.

Figure 2 Reference healthy diet for Papua New Guinea, per adult per day



Note: The graphic is limited to healthy foods, while the underlying reference diet described in Mahrt et al. (2025) includes discretionary foods, such as sweets. **Source:** Adapted from the Indonesia food-based dietary guidelines (Ministry of Health of the Republic of Indonesia 2014) and authors’ calculations (Mahrt et al., 2025).

Table 1 The CoHD healthy basket, per adult per day

Food group	Food	Quantity	Calories per average adult	Calories for a representative family of five
Starchy staples	Sweet potato Rice	about 3 small about 2½ cups	1,362	5,488
Vegetables	Least expensive 2 vegetables in the market	300 grams total	110	443
Fruits	Ripe banana	about 1½ large	220	887
Animal sourced foods	Tinned fish	about 1⅔ tins	465	1,874
Fats	Coconut	about ¼ coconut	275	1,108
Total			2,432	9,800

Note: The reference diet depicted in Figure 2 is modified to accommodate foods consistently available in the FPDA price data, plus coconut and tinned fish.⁴ **Source:** Authors’ calculations following Mahrt et al. (2025) and the Indonesia food-based dietary guidelines (Ministry of Health of the Republic of Indonesia 2014).

To ensure that we monitor a consistent set of foods over time and across markets, we calculate the cost of a healthy food basket by market in the first quarter of each calendar year between 2021 and 2025 using the set of foods described in Table 1. Because prices are not consistently available for a variety of fruits, we monitor ripe bananas which has price data in nearly all quarters and markets.³ Calories per food group presented in Table 1 are calculated from the reference diet described in Mahrt et al. (2025)⁴ and sum to the calorie needs of (1) an average moderately active adult man and woman (Mahrt et al. 2025) and (2) a representative family of five (Table 2).⁵

Table 2 Representative family of five

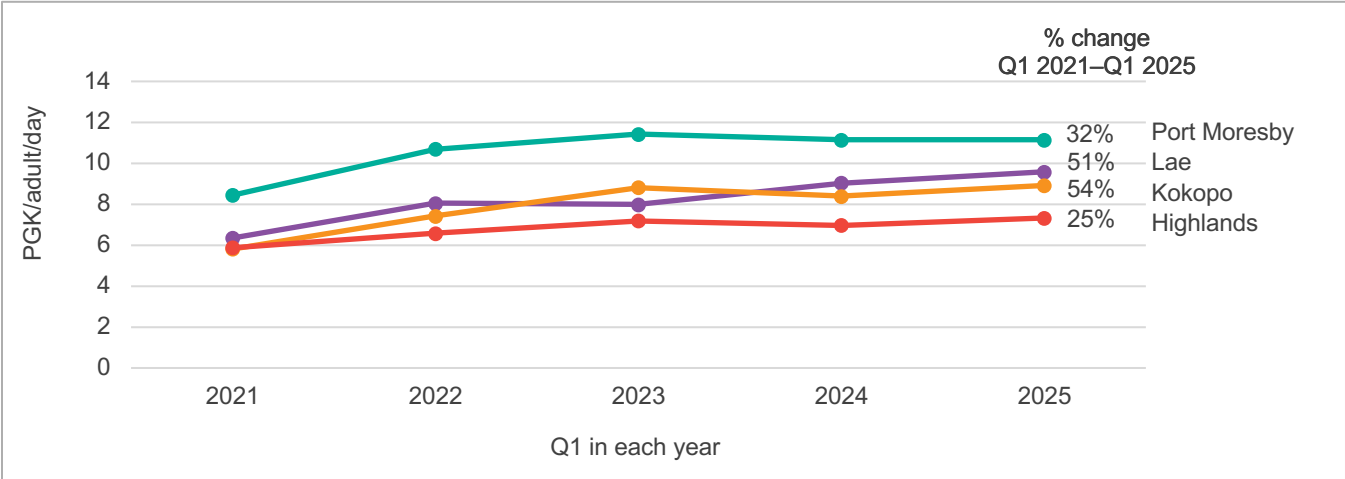
Family member	Calories per day
Child 12-23 months	876
School-age child 7 years	1,639
Adolescent girl 15 years	2,330
Adult woman (lactating)	2,287
Adult man	2,669
Total	9,800

Source: Authors’ calculations following Mahrt et al. (2025)

A healthy diet is unaffordable for urban minimum wage earners

Figure 3 shows the daily cost of the healthy reference diet in six urban areas (Port Moresby, Lae, Kokopo, Mount Hagen, Goroka, and Banz) for an average adult per day between the first quarters (January to March) of 2021 and 2025. The cost of the healthy diet, averaged across the six urban markets, was PGK 7.70 in the first quarter of 2021 and PGK 10.37 in the first quarter of 2025.⁶ Prices vary by market; in the first quarter of 2025, the healthy diet cost PGK 11.15 in Port Moresby, PGK 9.59 in Lae, PGK 8.92 in Kokopo, and PGK 7.33 in the highlands. Between 2021 and 2025, the cost of the healthy diet increased by an average of 35 percent (ranging from 25 percent in the highlands markets to 54 percent in Kokopo). In comparison, between 2021 and 2025 the CPI increased by 16 percent and the food component of the CPI increased by 28 percent.

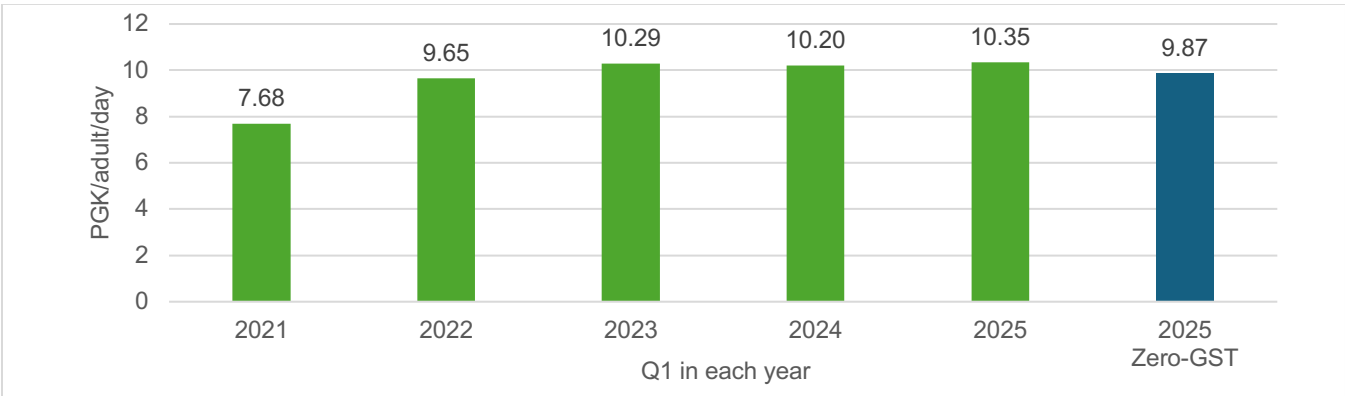
Figure 3 Cost of the healthy diet in urban areas (PGK/adult/day), 2021–2025



Note: Highlands includes Banz, Goroka, and Mount Hagen. Q1 refers to the first annual quarter (January to March). **Source:** Authors’ calculations using IFPRI (2025), NSO (2025), and Mahrt et al. (2025).

Beginning in June 2025, PNG’s Internal Revenue Commission eliminated the 10 percent Goods and Services Tax (GST) on some essential goods with the aim of reducing the cost of living (see Appendix 1) (IRC, 2025). These essential goods included tinned tuna and rice — components of the healthy diet food basket. To explore the impacts of this policy on healthy diet costs, Figure 4 presents a hypothetical estimation where no GST is imposed on tinned fish or rice in the first quarter of 2025. It is important to note, however, that this scenario is a rough estimation because it does not consider other potential factors such as shifts in consumer demand of diverse foods due to price decreases (from no GST). Removing the GST from tinned fish and rice prices, reduces the average urban healthy diet cost in the first quarter of 2025 by 4.7 percent from PGK 10.35 to PGK 9.87.

Figure 4 Cost of the average urban healthy basket (PGK/adult/day), 2021–2025

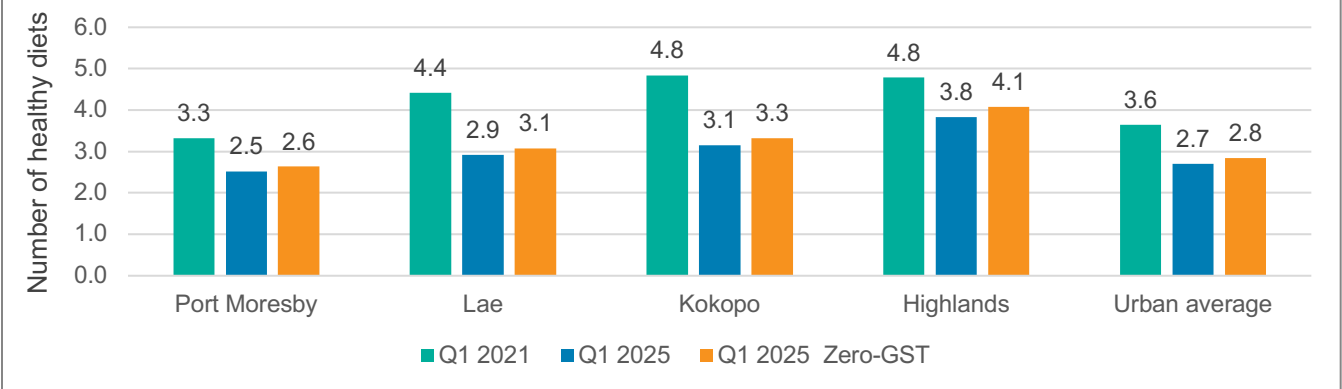


Note: Q1 refers to the first annual quarter (January to March). “2025 Zero-GST” refers to a hypothetical scenario where the GST is removed from Q1 2025 tinned fish and rice prices. Average urban values are population weighted based on LLG populations from the 2011 census (NSO, 2014). **Source:** Authors’ calculations using IFPRI (2025), NSO (2025), and Mahrt et al. (2025).

As the cost of food rises, the amount of food that can be purchased with the fixed minimum wage declines.⁷ Figure 5 shows the number of healthy diets (a full day of a healthy balance of nutritious foods for one adult) that can be purchased with a single daily minimum wage. If a full-time urban minimum wage earner spent an entire day’s wage on balanced and nutritious food, allocating no money to non-food expenses, the worker could feed one fewer adults in 2025 (2.7 adults) compared to 2021 (3.6

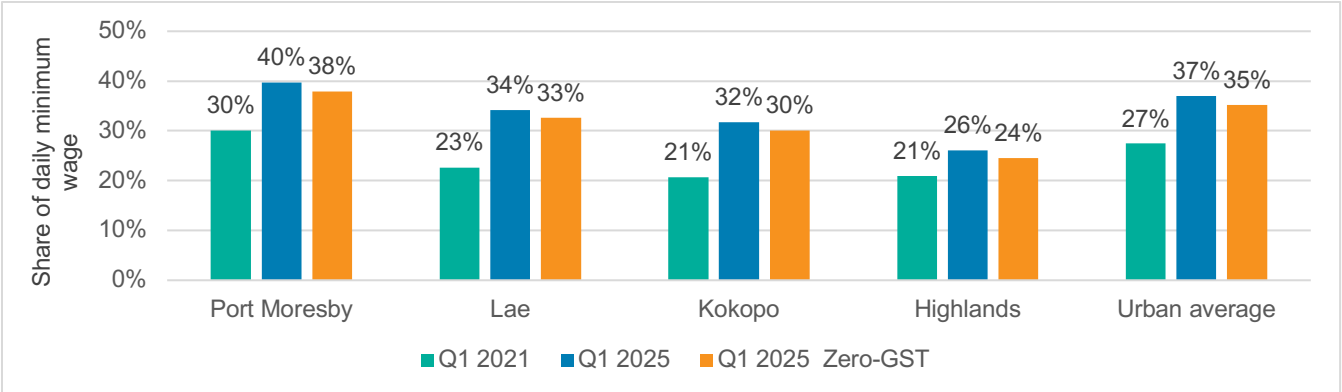
adults). Put another way, in 2025 a minimum wage earner would need to spend 37 percent of their day’s wage to ensure their own (one adult) daily balanced and nutritious diet compared to 27 percent of a day’s wage in 2021 (Figure 6).

Figure 5 Number of healthy diets that can be purchased in urban areas with the daily minimum wage



Note: Highlands includes Banz, Goroka, and Mount Hagen. Q1 refers to the first annual quarter (January to March). “Q1 2025-Zero GST” refers to a hypothetical scenario where the GST is removed from Q1 2025 tinned fish and rice prices. Average urban values are population weighted based on LLG populations from the 2011 census (NSO, 2014). **Source:** Authors’ calculations using IFPRI (2025), NSO (2025), and Mahrt et al. (2025).

Figure 6 Share of daily minimum wage required to purchase a healthy diet for one adult in urban areas



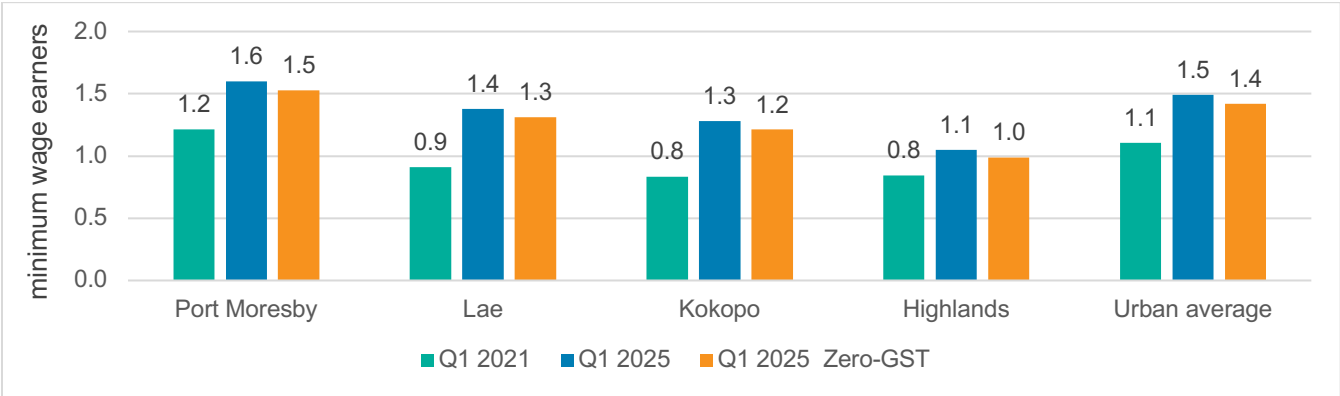
Notes and source: See Figure 5.

Figure 7 illustrates the number of urban minimum wage earners that would be needed to provide a healthy diet to a representative family with two adults and three children (Table 2) if the entire wage was spent on food alone. In 2021, it would require the wages of about one full-time minimum wage earner to feed a representative family a healthy diet. In 2025, it would require one and a half full-time minimum wage earners to be able to feed a family of five the healthy reference diet, however they would need to spend their total earnings on food, with no wages remaining for essential non-food expenses such as clothing, shelter, transportation, health, and education.

In the first quarter of 2025, the purchasing power of minimum wage earners slightly improves in the hypothetical scenario with zero-GST on tinned fish and rice relative to the purchasing power with the GST on these items (Figure 5, Figure 6, and Figure 7). However, tinned tuna and rice are the only zero-GST products in the healthy diet considered in this study. Thus, we find that while no tax on these items slightly decreases the cost to consumers, it would still require 1.4 full-time minimum wage earners to

feed a family of five in Q1 of 2025, with no money remaining for essential non-food expenses (Figure 7).

Figure 7 Number of full-time urban minimum wage earners required to purchase a healthy diet for a representative family of five



Notes and source: See Figure 5.

Conclusions

The Government of PNG recently launched a review of the country’s minimum wage, which has been fixed at PGK 3.5 per hour (PGK 28 per 8-hour day) since July 2016. In this research brief, we assess food security among urban minimum wage earners in terms of the cost and affordability of a reference healthy diet of nutritious foods in proportions that promote health and reduce the risk of disease.

Between the first quarters of 2021 and 2025, the average cost of a healthy diet per adult per day in urban areas increased by 35 percent from PGK 7.70 and PGK 10.37. In 2025, 37 percent of an individual’s full-time minimum wage was needed to feed a healthy diet to *one* adult. One and a half *full-time* urban minimum wage workers earn just enough to feed a healthy diet to a representative family of five in 2025, with no money remaining for essential non-food expenses such as clothing, shelter, transportation, health, and education.

To explore the impact of the Internal Revenue Commission’s elimination of the GST on some essential goods, including tinned tuna and rice, we consider a scenario without the GST. In this hypothetical scenario, the cost of the average urban healthy diet in the first quarter of 2025 falls by 4.7 percent from PGK 10.35 with the GST to PGK 9.87 without the GST— slightly improving the purchasing power of minimum wage earners.

This deterioration of economic access to a healthy balance of nutritious foods among urban minimum wage earners is particularly concerning as 40 percent of full-time urban wage workers surveyed in 2024 reported earning less than PGK 25 per day, according to the Papua New Guinea Labour Market Survey conducted by the Business Coalition for Women.⁸ Given the Government of PNG’s commitment to reducing undernutrition, micronutrient deficiencies, and the incidence of overweight and obesity, particularly in vulnerable populations (National Department of Health, 2016), ensuring the affordability of healthy diets is an important consideration in the current re-assessment of minimum wages.

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Appendix 1: PNG's Internal Revenue Commission's public notice of GST zero-rating of essential goods



PUBLIC NOTICE



GST ZERO-RATING OF ESSENTIAL GOODS

Effective 1st June 2025 – 30th June 2026

The Internal Revenue Commission (IRC) hereby informs the general public and the business community that, as part of the Government's response to ongoing cost-of-living pressures, the following essential goods will be zero-rated for Goods and Services Tax (GST) effective 1st June 2025 to 30th June 2026.

This means no GST shall be charged on the sale of the following items:

No.	Item	Description
1	Baby Diapers	All types of baby diapers
2	Tinned Fish	Includes mackerel, tuna, sardines, salmon, anchovies, etc.
3	Cooking Oil	All edible vegetable oils (soya bean, canola, olive, coconut, mustard oil, etc.)
4	Biscuits	All varieties including cream and salted biscuits
5	Wheat Flour	Plain, self-raising, and wholemeal (wheat-based only)
6	Chicken	Fresh, sliced, frozen, processed, and packed
7	Instant Noodles	All types packaged with seasoning (excluding pasta)
8	Coffee	Ground, powdered, or beans (excluding iced/hot coffee drinks)
9	Tinned Meat	All varieties including beef (Ox & Palm), chicken, pork (Tulip), etc.
10	Rice	Common rice types (including basmati, jasmine, long grain, brown rice, etc.)
11	Sanitary Pads & Tampons	All types
12	Soap	All solid bar soaps (excluding liquid hand wash and dishwashing liquids)
13	Tea	All types and packaging (excluding iced/hot tea drinks)

NOTICE TO BUSINESSES, RETAILERS AND SUPPLIERS:

The Government's intention is to provide direct relief to consumers. All registered suppliers, retailers, and traders are legally required to adjust their pricing to reflect the zero-rating of GST on the listed goods.

You must not charge GST on these items during the zero-rating period.

Any failure to pass on the tax relief to consumers—whether by continuing to apply GST or by retaining prices at pre-zero-rating levels—will be treated as non-compliance with tax laws. Offenders will be subject to penalties under the Goods and Services Tax Act 2003 and other relevant laws.



1. For the avoidance of doubt, goods in this Notice that were imported or supplied and held in stock prior to 1 January 2025, shall not qualify for the zero-rating.
2. Subject to condition (3), expenses directly incurred by the importer or manufacturer in respect of goods listed in this Notice during the relief period, shall be allowed as an input tax credit for purposes of the Goods and Services Tax Act 2003 (the Act) as amended.
3. No input tax credit shall be allowed to the importer or manufacturer for expenses incurred directly on the importation and supply of the goods in this Notice during the relief period, where:
 - a. The price of the goods when sold to the final consumer was not reduced by an amount equal to zero-rating envisaged under the Act and this Notice; or
 - b. The goods are stockpiled and resold at an inflated price after the relief period.
4. The onus shall be on the taxpayer to substantiate to the satisfaction of the Commissioner General that conditions in condition (3)(a) and (b) did not occur.

These may include:

- Financial penalties
- Recovery of amounts wrongly collected
- Suspension or cancellation of GST registration
- Prosecution for tax offences

JOINT ENFORCEMENT

Compliance enforcement will be conducted by the IRC, in close partnership with the Independent Consumer and Competition Commission (ICCC) and PNG Customs Service. These agencies will monitor pricing behaviour, investigate complaints, and take appropriate enforcement actions.

We call on all members of the business community to cooperate in good faith and support this important policy by ensuring that consumers fully benefit from the GST exemptions.

Let us work together to deliver real savings for Papua New Guinean families.

For further information or to report suspected non-compliance, please contact:

Email: Joseph Evari evarij@irc.gov.pg, Akosita Moi moiga@irc.gov.pg, James Napi napij@irc.gov.pg, and Desmond Yako yakod@irc.gov.pg

Authorised by:

Sam Koim, OBE
Commissioner General
Internal Revenue Commission

Date: 19th May 2025

ENDNOTES

¹ Specifically, the CoHD measures the cost of attaining the cheapest foods (in terms of price per calorie) in each food group—typically, starchy staples, vegetables, fruits, animal source foods, nuts and pulses, and fats—in proportion to quantities outlined by a reference healthy diet (Herforth et al., 2024).

² Tinned fish prices are estimated using current prices deflated quarterly with the tinned fish component of the consumer price index. Coconut prices are estimated using current coconut prices deflated with the food component of the consumer price index (NSO, 2025).

³ The aim of this effort is to collect fortnightly prices for approximately 30 fresh foods, however logistical disruptions result in less frequent data collection or fewer items.

⁴ Due to a lack of price data for nuts, the calories allocated to the ‘nuts’ food group are added to ‘animal source foods’ food group. Animal source foods are limited to tinned fish, while fruits are limited to bananas; recommended calories for these food groups are adjusted accordingly. The reference diet described in Mahrt et al. (2025) includes discretionary foods, such as sweets. As we do not have data to monitor discretionary foods, discretionary calories are added to the staple food group.

⁵ The median household size in urban areas was 5 in 2022 according to the 2022 Socio-Demographic and Economic Survey (NSO, 2023). The representative family captures a family with children in a number of age groups as well as a lactating woman.

⁶ Average urban values are population weighted based on LLG populations from the 2011 census (NSO, 2014).

⁷ This analysis assumes that no deductions such as taxes are taken from the minimum wage.

⁸ Authors’ calculations using the national Papua New Guinea Labour Market Survey conducted by Business Coalition for Women (2024). The calculations are limited to 140 full-time urban wage-earning workers (i.e., excluding managers, executives, and independent contractors). The survey sample consists of 668 urban and 1,369 rural individuals. Wage earnings are collected using income bands that do not directly correspond to the minimum wage of PGK 3.50.

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