Managing the downside of PNG’s natural resource dependency

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What are some of the downside risks of natural resource dependency?

- Natural resource endowments = worse development outcomes
- Dutch disease
- Natural resource curse
- Is PNG exposed to the natural resource curse? How is it faring? How can it be doing better?
How dependent is PNG on natural resources?

Total natural resource rents (% GDP), 2014

Source: World Bank databank
High natural resource prices have led to strong economic growth in PNG

GDP and GDP per capita, 2012 prices

Source: PNG Survey of recent economic developments 2014-15
But this has not been inclusive

Non-resource GDP and GDP per capita in 2015 Kina

Source: Flanagan (forthcoming)
How is the economy currently faring?

PNG treasury economic growth forecasts

Source: PNG Budget 2016
Collapse in commodity prices is a major factor

Three areas the government could have done better

• Fiscal restraint
• Quicker response to declining global conditions
• Exchange rate management
Three longer term reforms the government can look to

• Sovereign wealth fund
• Investing in human capital and diversifying tax base
• Transparency
The other side of the story

• Life expectancy at birth has increased from 49 in 1975 to 62 in 2013
• The under 5 mortality rate dropped from 124 per 1,000 in 1975 to 59 in 2014.
• The primary school completion rate increased from 42% in 1987 to 78% in 2013.
• PNG is feeding a population 2.6 times greater than 40 years ago.
• GDP growth has broadly matched Australia’s (3.3 times larger relative to 3.5 times larger in Australia).