

Managing the downside of PNG's natural resource dependency

Jonathan Pryke

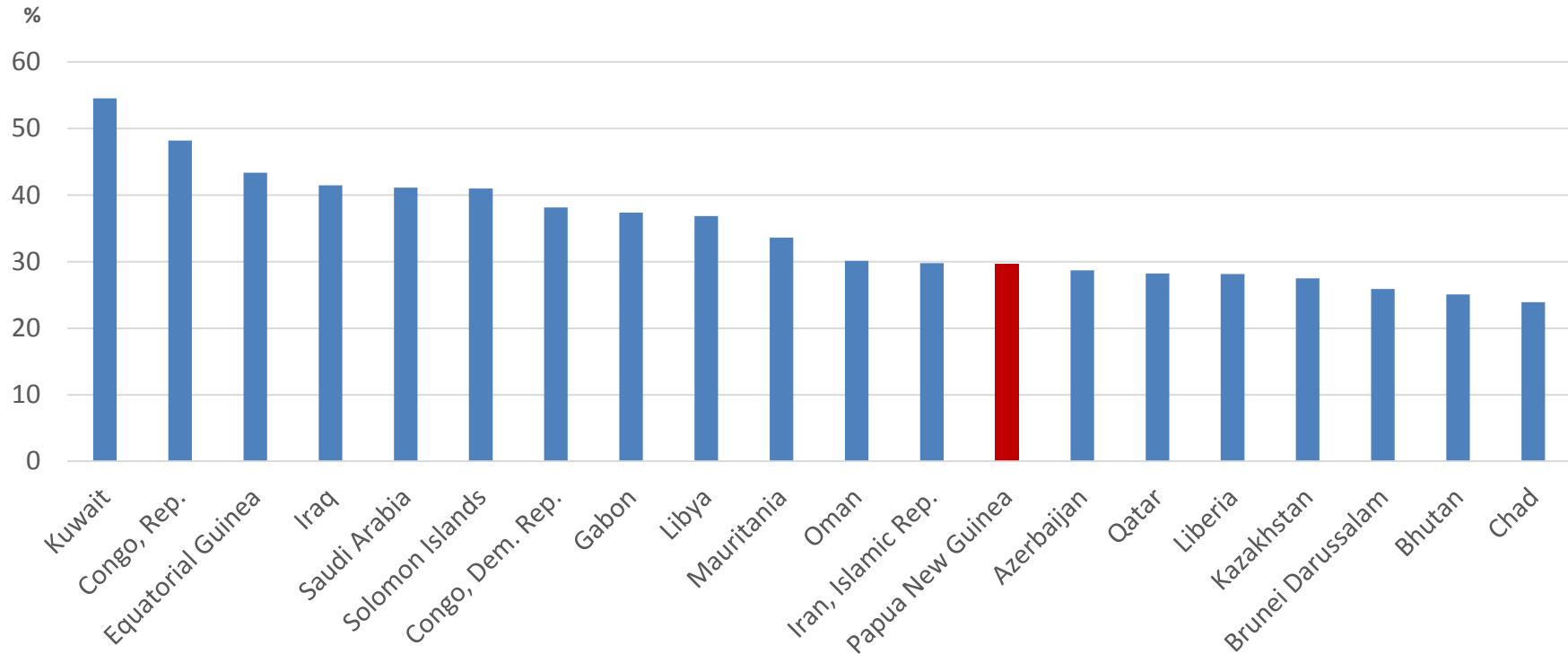
Research Fellow, Melanesia Program

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?

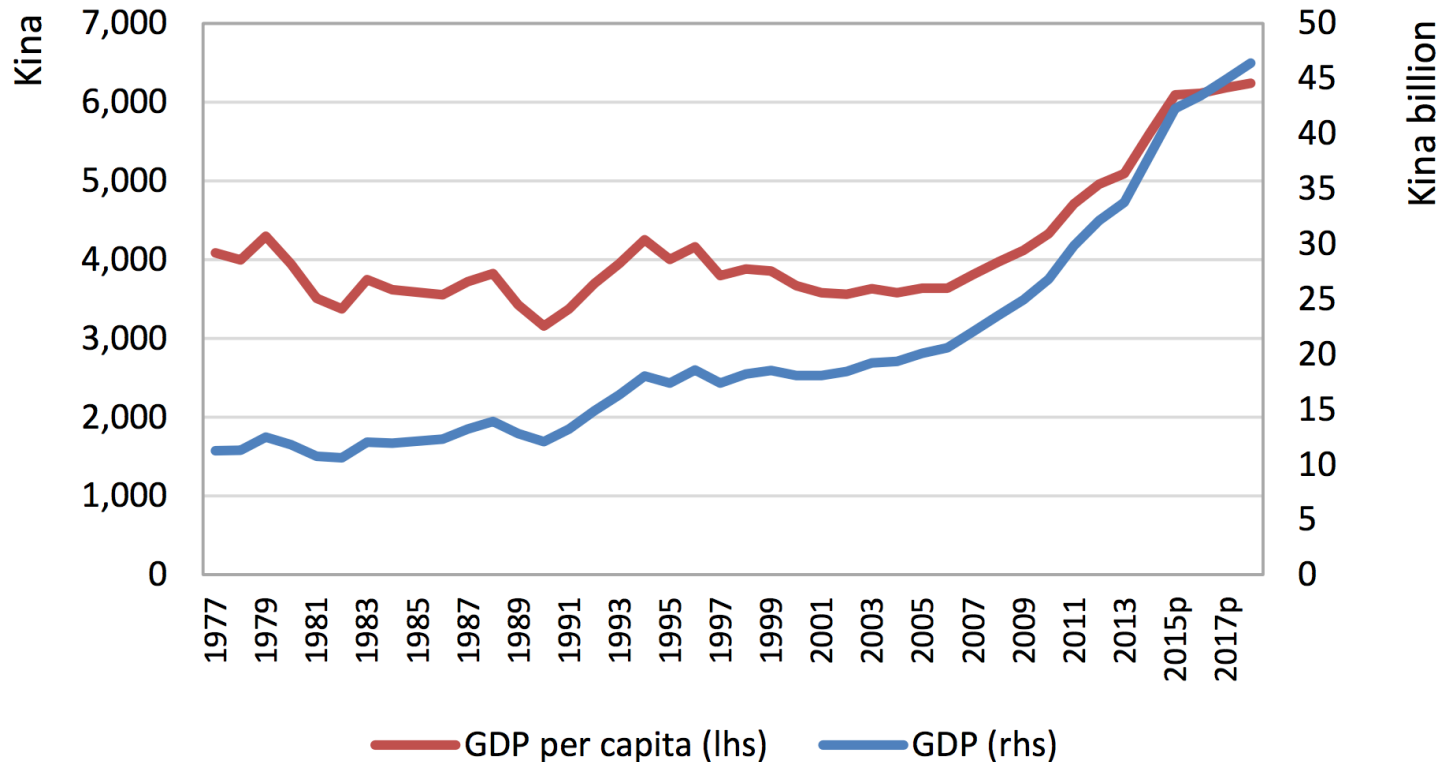
How dependent is PNG on natural resources?

Total natural resource rents (% GDP), 2014



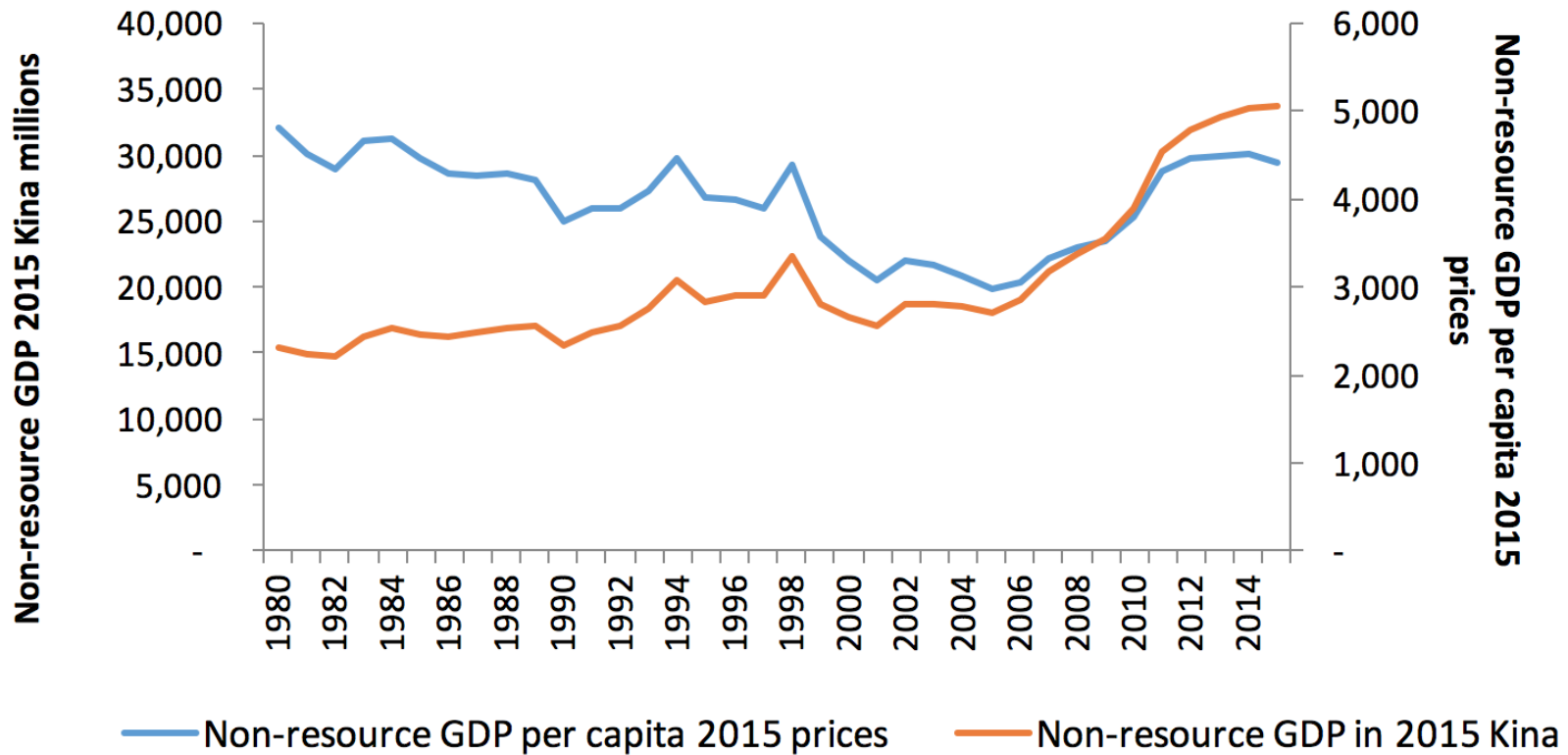
High natural resource prices have led to strong economic growth in PNG

GDP and GDP per capita, 2012 prices



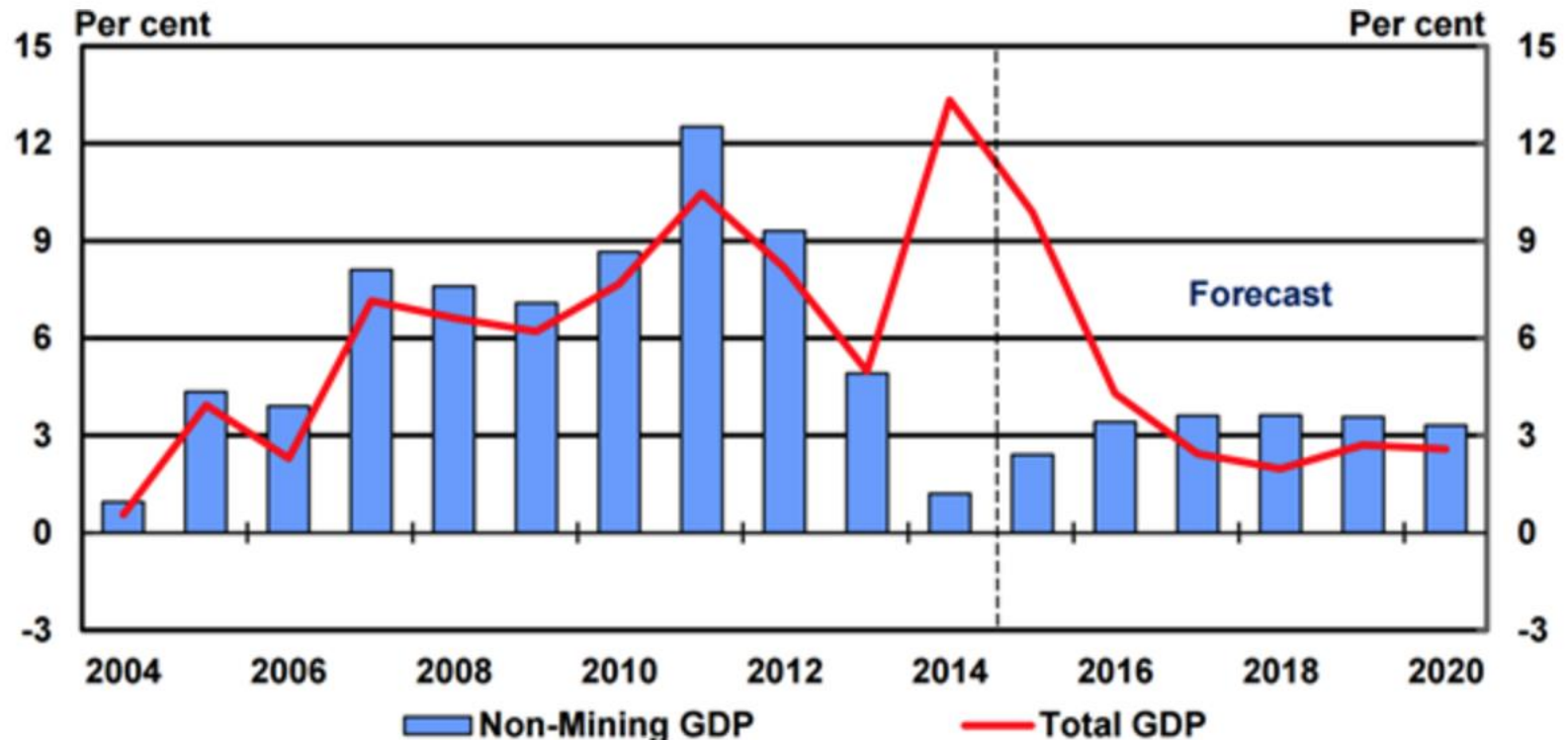
But this has not been inclusive

Non-resource GDP and GDP per capita in 2015 Kina



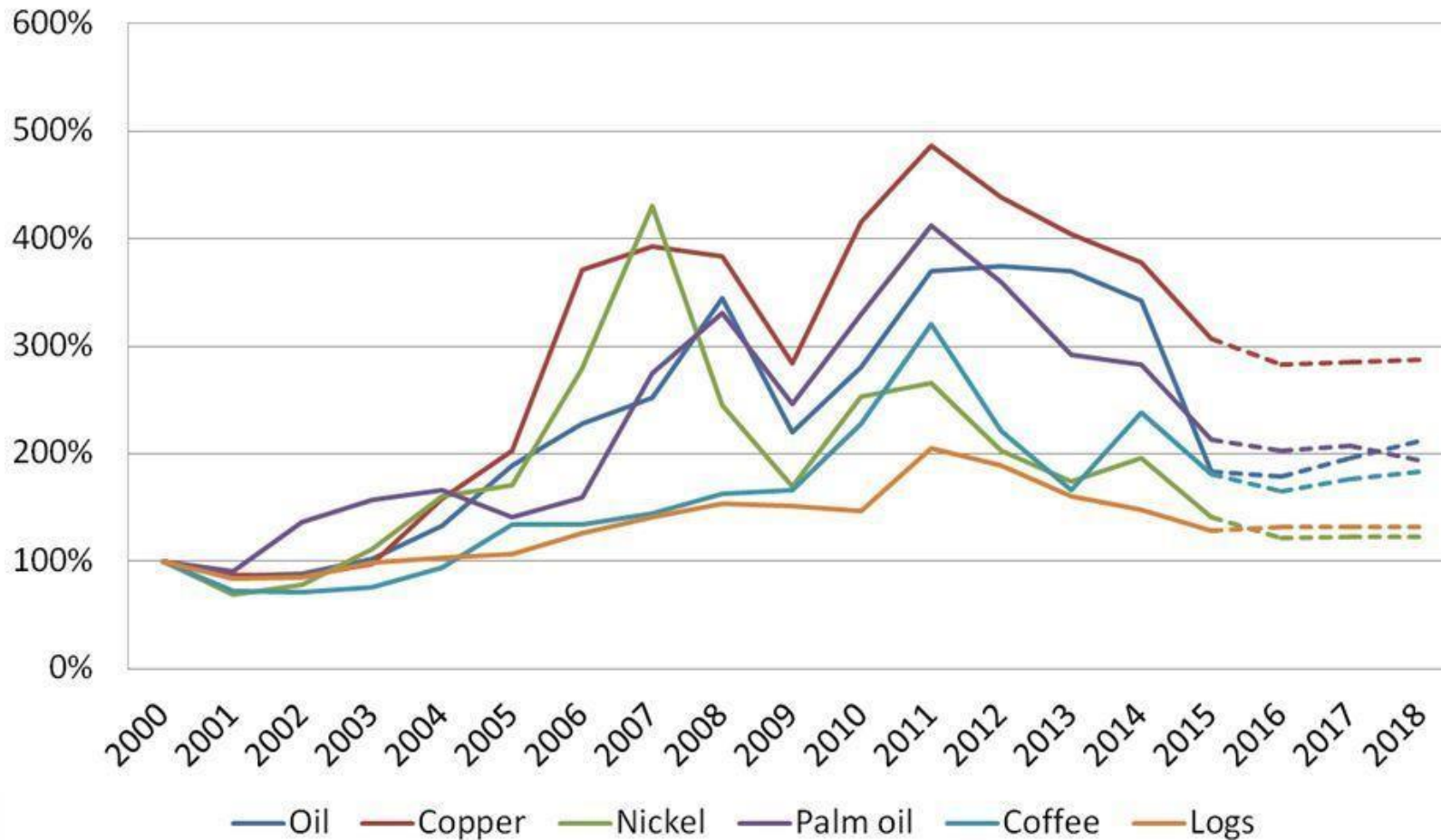
How is the economy currently faring?

PNG treasury economic growth forecasts



Collapse in commodity prices is a major factor

Growth in PNG primary commodity prices



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).