



2017 PNG UPDATE PNG AFTER THE ELECTIONS

Theme: "PNG ECONOMIC OUTLOOK"

Thursday, 10th August 2017

**Mr. Dairi Vele
Secretary
Department of Treasury**



Outline

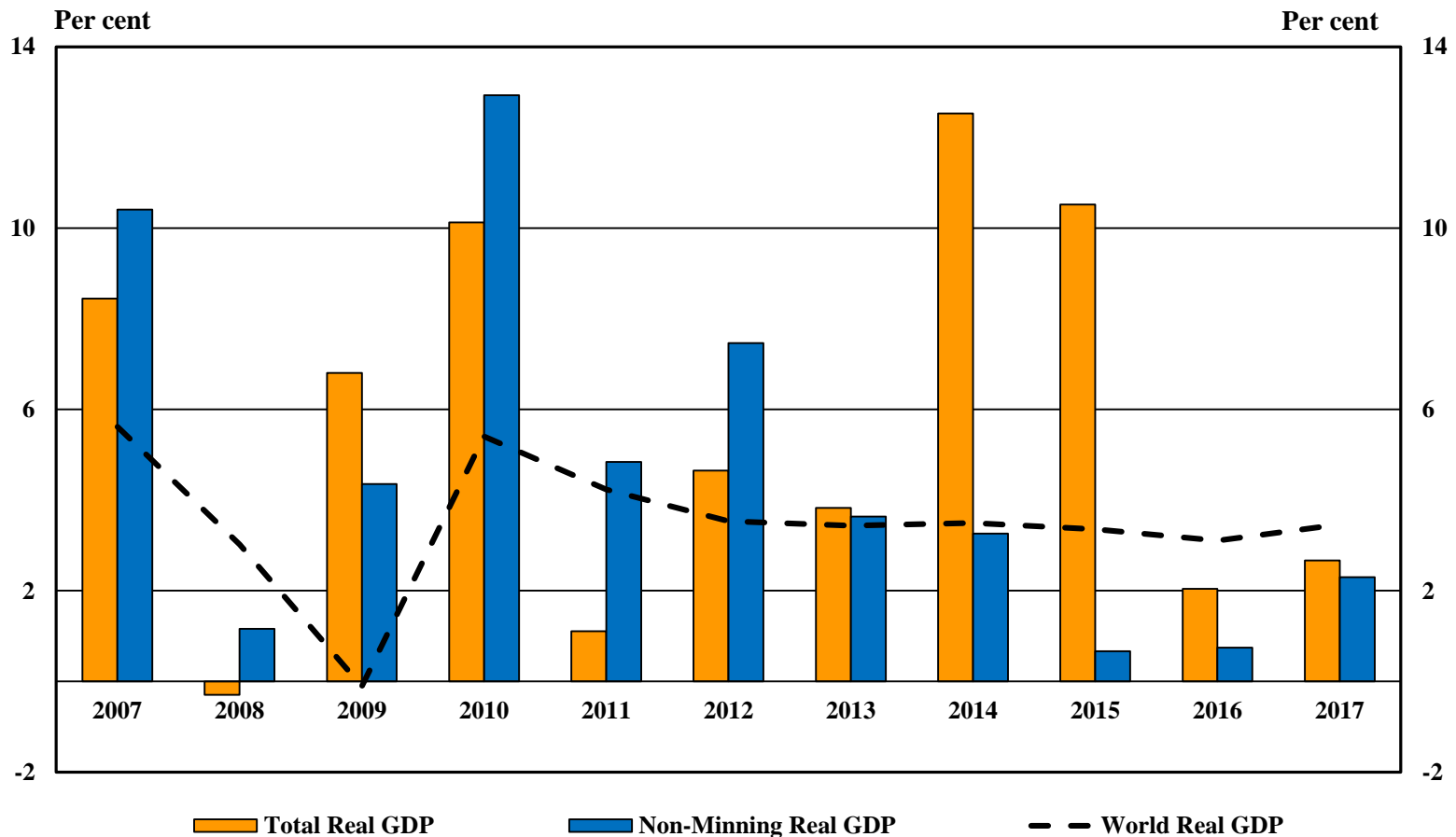


- ❑ **Economic Update**
- ❑ **Fiscal Update**
- ❑ **Going Forward**
- ❑ **Prudent Macroeconomic Measures**



State of the Economy

- Global economy gaining momentum driven by advanced economies
- Domestic economy gradually recovering from external shocks
- Inflation moderating below 7.0%



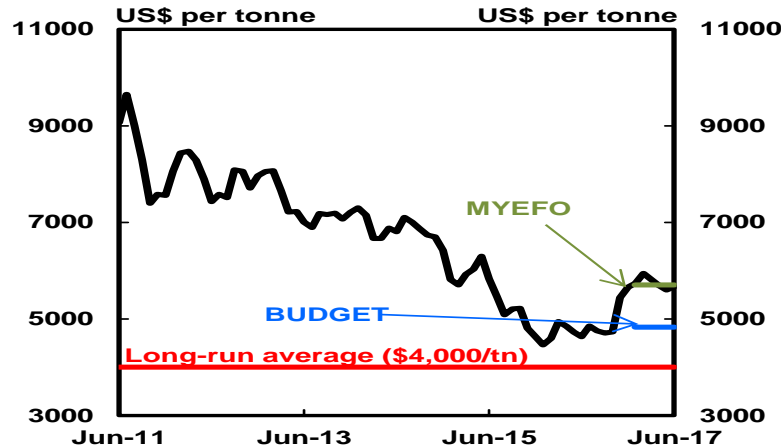


Commodity Price Developments

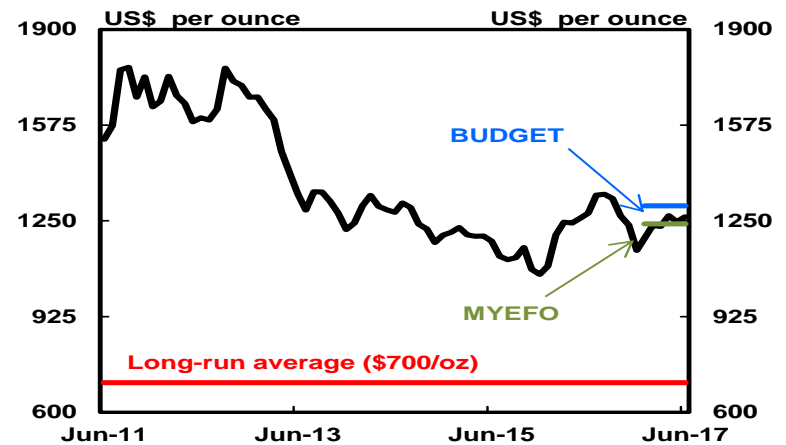


Commodity prices trend mixed compared to Budget estimates

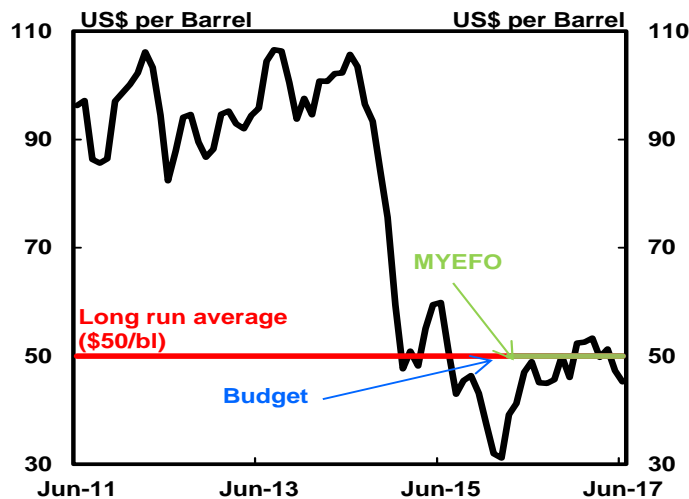
Copper Prices



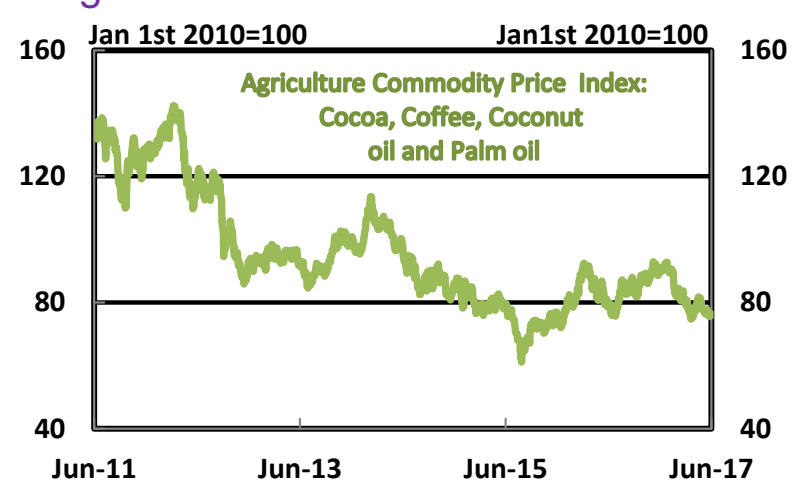
Gold Prices



Oil Prices



Agricultural commodities Price Index



Source: Department of Treasury, Macroeconomic Policy Division



Fiscal Update



- ❑ Total Revenue projected to be lower by K514 million from 2017 Budget estimate
- ❑ Total Expenditure projected to increase by K430.1 million

Budget Balance 2016-2017 (Kina, million)

Details	2016 Actual	2017 Budget	2017 MYEFO	Budget Variation
Total Revenue and Grants	10,485.5	11,473.1	10,959.2	-514.0
Total Expenditure and Net Lending	13,572.4	13,349.5	13,779.6	430.1
Net Lending (+)/Net Borrowing (-)	-3,086.9	-1,876.5	-2,820.4	-944.0
% of GDP	4.6%	2.5%	3.8%	1.3%
Debt as % of GDP	32.4%	29.0%	34.9%	5.9%



Going Forward



□ 2017 Supplementary Budget

- To mitigate these risks and ensure macroeconomic stability, Government will continue to carefully monitor economic development affecting revenue streams.
- Hence, the Supplementary Budget to ease the financing pressures; while ensuring the delivery of essential services

□ Focus on achieving sustainable economic growth and fiscal path:

- Reform and Broad-based Growth agenda
- Revenue Raising to support PNG's economic and social development objectives.
- Focus on Improving quality of Government Expenditure
- Return debt to sustainable levels



2017 – Prudent Macro Economic Management



- **Revenue**

- Broaden Economic Base
- Tax Compliance
- New Tax Measures
- All State Revenue to revert to Consolidate Revenue
- Improve Financial Management, Execution and Reporting
- Coordination of Donor and Aid Funding

- **Expenditure**

- Maintain Discipline
- Focus on Essential Items and Core Business
- Eradicate wastage
- Focus on implementation

- **Reforms**

- Public Sector
- Institutional
- Structural
- Financial Sector

- **Non-Resource Sector**

- Agriculture
- Tourism
- SME

- **Debt Management**

- Minimise new Borrowings

- **Strengthen partnership with Private Sector**



Efficiency Measures



- **Public Sector Efficiency**

- Manpower;
- Amalgamation, no new agencies, changing status from Departments to Authorities.
- Utilities;
- Vehicle purchase;
- Overseas travel;

- **Non-Compliance**

- More than 50% of agencies are not complying with quarterly budget reporting requirement.
- Revenue information - most Authorities are not disclosing revenue information.

- **Review and restructure debt.**



Opportunities



- **Risks**
 - Revenue Outlook
 - Financing of Budget
 - Cash Management
 - Debt Management
 - Need Private Sector participation

- **Opportunities**
 - Commodity Price Turn Around
 - Stable Weather
 - Resource Projects
 - Non-Resource Projects
 - Technology & Innovation

- **Unique Opportunity**
 - APEC
 - 21 economies representing
 - 2.8 billion people
 - 47% of global trade
 - 57% of global GDP



End of presentation

Thank you