2017 PNG UPDATE
PNG AFTER THE ELECTIONS

Theme: “PNG ECONOMIC OUTLOOK”

Thursday, 10th August 2017

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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%

Source: Department of Treasury, Macroeconomic Policy Division
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)

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