

# Did PNG and Timor-Leste just experience a massive economic contraction?

by Stephen Howes and Huiyuan Liu

24 June 2024



G20 Independent Expert Group on Implementing MDB Reforms

A recent chart from a [G20 independent expert panel report on multilateral reform](#), reproduced by the well-known commentator [Adam Tooze](#), caught our eye. Of all the countries that qualify for concessional support from the World Bank (basically the 70 or so poorest), PNG was shown to have had the second largest economic contraction over the pandemic. The figure showed that PNG had suffered a massive 27% reduction measured in terms of GDP per person (at constant prices and in international dollars) between 2019 and 2023. This was second only to Sudan, which suffered a 30% contraction.

Moreover, Timor-Leste was in third place with a contraction of 19% between 2019 and 2023, worse than Yemen at 16%.

We knew that things had been tough in both PNG and Timor-Leste, but surely not that bad? And, actually, no, the distinguished expert panel had got things wrong. Don't blame the panel though; blame the IMF, its data source.

Let's take PNG first. The IMF shows PNG's population increasing from 8.8 million in 2020 to 11.8 million in 2021. That's a 35% increase in a single year, and clearly that sort of increase in population is going to make your per-person growth crash.

It is true that PNG has recently increased [its own estimate of its population size](#), but obviously no-one is saying that the extra three million people were added in a single year. The IMF says it [addresses structural breaks by splicing](#), but not yet in this case.

What about Timor-Leste? Again investigations suggest problems with the IMF's figures. First, it is worth noting that the IMF's own estimate of per-person growth in Timor-Leste between 2019 and 2023 has changed from the -18.7% in its [October 2023 World Economic Outlook \(WEO\)](#) to -10.2% in its [April 2024 WEO](#).

But neither the October nor the April numbers add up. Calculated and reported GDP per person bear no relationship to each other over the pandemic period, with the latter being always larger than the former, by varying amounts. You can't find this out from the source itself, but the WEO's current GDP series is consistent with what [Timor-Leste reports](#) as "non-oil" GDP, whereas the current GDP-per-person series, if multiplied by population, is consistent with what the country reports as GDP including petroleum production. (That something is wrong with the IMF's Timor-Leste numbers is shown by the fact that its GDP current-price national currency and USD figures diverge between 2019 and 2023, even though the country's currency *is* the USD. In fact the former is non-oil GDP, and the latter, which is used for the per-person calculations, GDP including oil.)

Since oil production has been in decline (and in fact has now actually halted), it is not surprising that a GDP-derived measure including oil shows a sharp contraction. But Timor-Leste's GDP-including-oil series is extremely unreliable. Petroleum production wasn't even counted in Timor-Leste's GDP before 2019, and was only fully counted in 2020. Moreover, petroleum production is offshore, and only impacts the economy through the government revenue it generates. [In its own reports](#), the IMF sensibly focuses exclusively on non-oil GDP, recognising the impact of oil revenue only when it is expended from the country's sovereign wealth fund. Non-oil GDP per person contracts between 2019 and 2023, but by less than GDP-including-oil (6.4% vs 10.2%).

All this is not to deny that Timor-Leste and PNG, and indeed other Pacific economies, have been hit hard by the pandemic. Here is a list of all the countries from the region for which we could get data, along with their annual average growth between 2019 and 2023, from the April 2024 WEO, and their ranking among all the world's economies, with 1 being the slowest growing country in the world, and 192 the fastest. We take all our data from the WEO, except for PNG, where we replace a 35% population growth rate in 2021 by a 3% one, and for Timor-Leste, where we use non-oil GDP per person figures.

**Table 1: Pacific countries and TL: per person growth over the pandemic**

	2019-2023 annual average growth	Ranking
Palau	-5.4%	3
Vanuatu	-3.9%	12
Samoa	-2.6%	16
Timor-Leste	-1.7%	21
Solomon Islands	-1.4%	23
Papua New Guinea	-1.4%	24
RMI	-0.4%	49
Tonga	-0.2%	59
Fiji	0.0%	67
Tuvalu	0.1%	71
Nauru	1.2%	120
FSM	1.2%	124
Kiribati	2.3%	159

*Note: Variable is GDP per person measured in constant (2017) international prices (PPP), except for TL which is in national constant prices. The ranking is of 191 countries for which data is available, with 1 indicating the lowest growth rate.*

Source: IMF 2024 April WEO, except for PNG and TL, see notes. • Created with Datawrapper

Palau is actually the hardest-hit Pacific economy, and the fourth hardest hit in the world. Vanuatu comes next and then Samoa. These are all tourism-dependent economies. Timor-Leste comes 21st and PNG 24th — not great, but not disastrous. Solomon Islands is bracketed with these two. The Republic of the Marshall Islands (RMI), Tonga, Fiji and Tuvalu did better than one-third of the world's economies over the pandemic, but worse than the other two-thirds. Nauru, the Federated States of Micronesia (FSM) and Kiribati all do better than the typical economy.

Not all these rankings are easy to explain. Fiji has clearly bounced back well from its tourism shut-down. Aid- and fisheries-revenue-dependent economies like Kiribati and FSM were relatively unaffected by COVID, but why FSM did much better than RMI requires more digging.

That said, this table would have made much less sense if Timor-Leste or PNG, neither a tourism destination, were at the top of it. Of course, the IMF has a big job managing data for some 200 countries. But a few basic checks would have

identified the errors pointed out in this blog.

## Disclosures:

*This research was supported by the [Pacific Research Program](#), with funding from the Department of Foreign Affairs and Trade. The views are those of the authors only.*

## Author/s:

### Stephen Howes

Stephen Howes is Director of the Development Policy Centre and Professor of Economics at the Crawford School of Public Policy at The Australian National University.

### Huiyuan Liu

Huiyuan (Sharon) Liu is a research officer at the Development Policy Centre, working in the area of labour mobility.

Link: <https://devpolicy.org/png-timor-leste-economic-contraction-20240624/>