



# **PNG's Economic & Fiscal Outlook (2013-2016)**

***What is available for funding  
development.***

**Department of Treasury**

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# Outline

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# Economic Outlook & Challenges

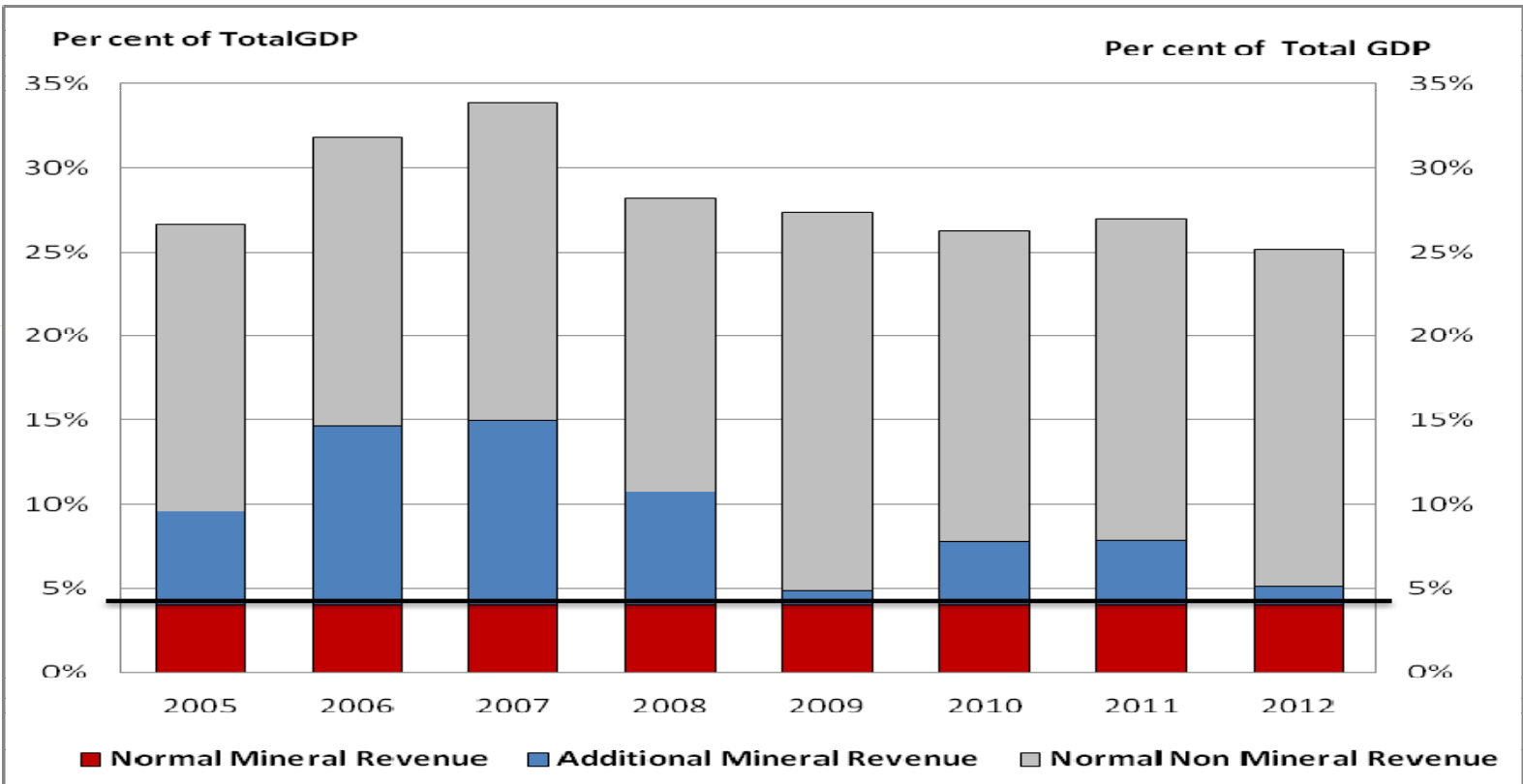
	2013 Proj	2014 Proj	2015 Proj	2016 Proj
<b>Economic Growth</b>				
GDP (%)	3.8	6.5	21.1	5.1
Non-Mining GDP(%)	3.6	3.0	6.2	5.8
<b>Inflation</b>				
Average on Average (%)	7.2	5.0	5.0	5.0
<b>Interest Rate</b>				
*Kina Facility Rate (KFR) (year average)	7.75	7.75	7.75	7.75
Inscribed Stock (3 year yield)	9.0	9.0	9.0	9.0
<b>Mineral Prices</b>				
Gold (US\$/ounce)	1,489	1,438	1,348	1,257
Copper (US\$/tonne)	7,992	7,342	7,104	6,765
Oil (Kutubu Crude: US\$/barrel)	88	92	95	96

Source: Department of Treasury

\* BPNG's updated figures. KFR at Budget time was 7.5%. Inscribed Stock maintained at 9.0%



# Medium Term Fiscal Strategy (MTFS) 2008 - 2012



The MTFS (2008-2012) was framed amid extra-ordinary surge in revenues resulting from the commodity price boom. It was aimed at maintaining macroeconomic stability and at the same time supporting economic growth as well as managing the highly volatile mineral revenue.



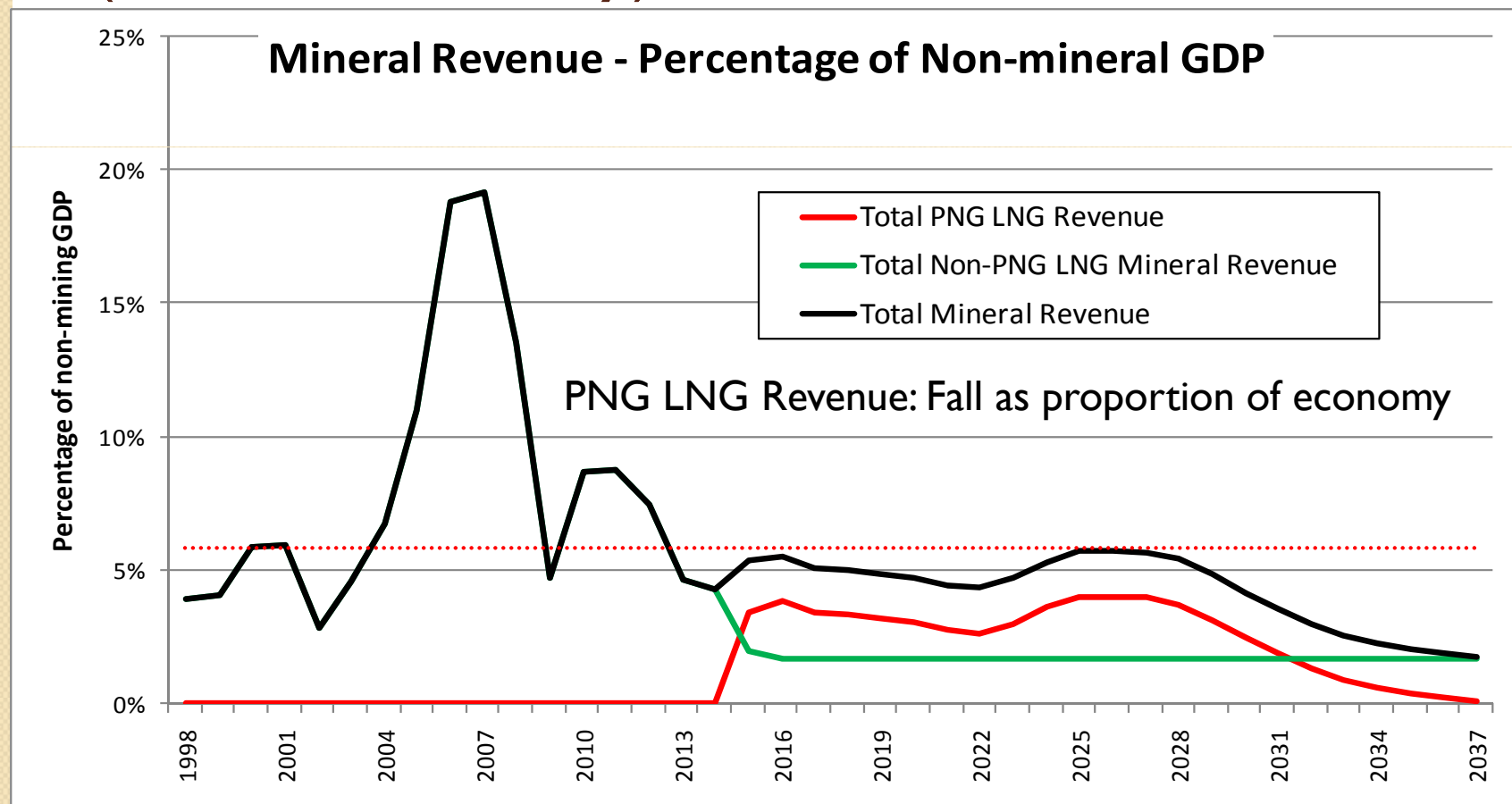
# Fiscal Outlook & Challenges (2013-2016)

	2013	2014	2015	2016
<b>Total Revenue</b>	<b>8,955.2</b>	<b>9,577.7</b>	<b>10,830.9</b>	<b>11,883.7</b>
<b>Grants</b>	<b>1,276.5</b>	<b>1,248.0</b>	<b>1,213.9</b>	<b>1,188.0</b>
<b>*Total Expenditure</b>	<b>10,361.7</b>	<b>10,955.7</b>	<b>12,174.8</b>	<b>13,201.7</b>
<b>Recurrent Expenditure</b>	<b>6,068.2</b>	<b>6,740.7</b>	<b>8,093.9</b>	<b>9,146.7</b>
<b>Development Expenditure</b>	<b>4,293.5</b>	<b>4,215.0</b>	<b>4,080.9</b>	<b>4,055.0</b>

\* Excluding Net Lending

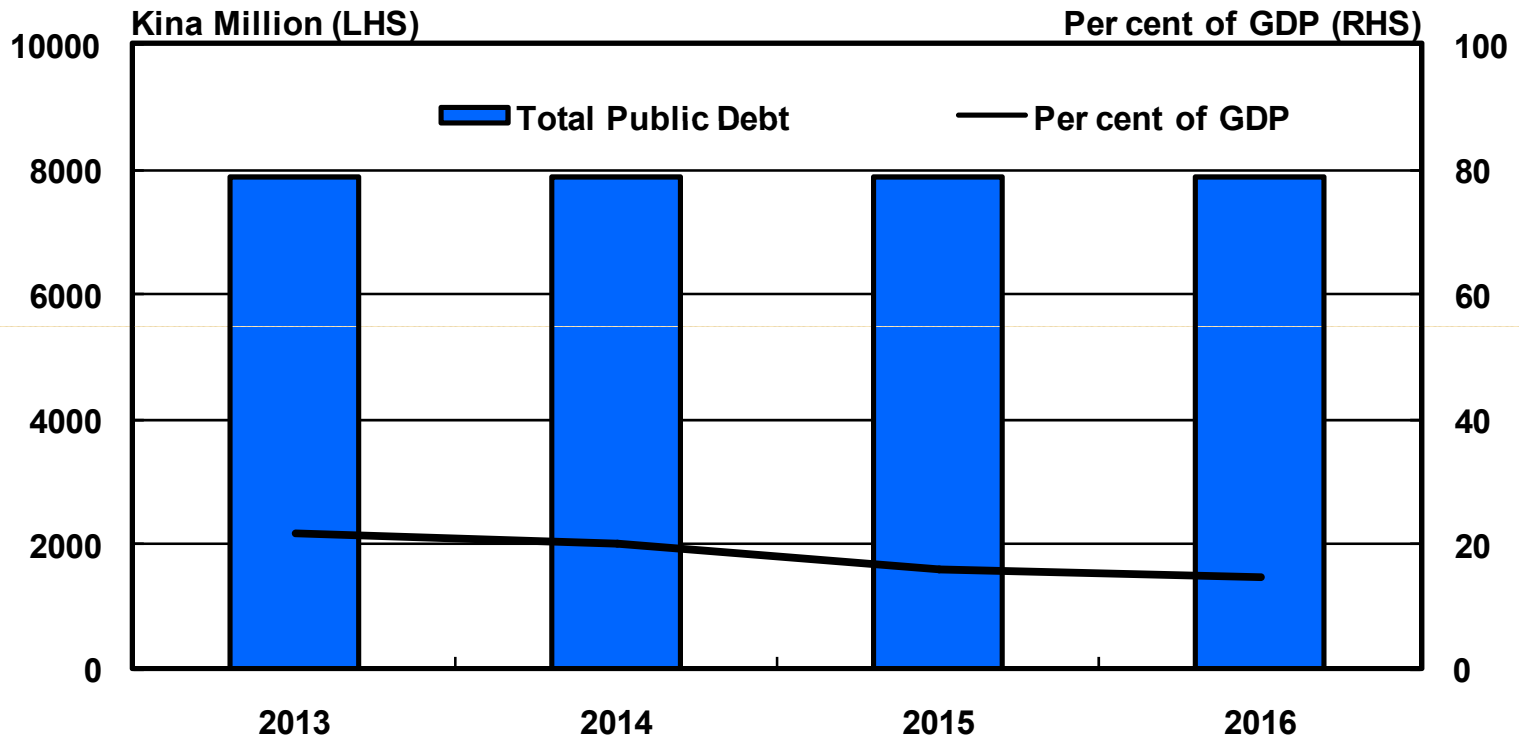
# Mineral Revenue Outlook

LNG revenue replaces, but does not increase, mineral revenues recently enjoyed in PNG (as % of economy)





# Medium Term Debt Projection



- ❑ Government to maintain prudent debt levels over the medium term consistent with its Medium Term Debt Strategy of less than 30% of GDP



# Risk to Economic & Fiscal Outlook

## International Risks

- Slow global economic recovery & rising fiscal and financial risks
- Volatility in commodity prices, revenue collections could be lower if they fall sharply

## Domestic Risks

- Supply disruptions from major mines & the PNG LNG project
- Weakening of the non mineral sectors of the PNG economy
- High expenditures pressures and loss of fiscal discipline



# 2013 Budget Calender

Tasks	Dates
Budget ceilings released to National Departments, Agencies and Provinces	02 <sup>nd</sup> July 2012
NEC approval of 2013 Budget Strategy Paper(BSP)	28 <sup>th</sup> July 2012
2012 MYEFO & 2013 BSP released	31 <sup>st</sup> July 2012
Agencies submissions received	05 August 2012
MBC guidance to BSC	25 <sup>th</sup> August 2012
BSC concludes	23 September 2012
CACC consideration of Budget concludes	14 <sup>th</sup> October 2012
MBC consideration of Budget concludes	21 <sup>st</sup> October 2012
NEC approval of Budget	28 <sup>th</sup> October 2012
Budget tabled in Parliament	November 2012



# Conclusion

- ❑ The PNG economy to continue to grow strongly over the medium term
- ❑ The outlook for Government's Total Revenue is to remain stable over the medium term.
- ❑ In contrast, mining revenues are varying over the medium term. Mining revenue likely to decline reflective of the closure of Ok Tedi mine in 2015.
- ❑ The first lot of the PNG LNG project dividends expected to receive in 2015. These are sufficient to replace the Ok Tedi mine and the depleted oil field revenues to support Government expenditure.
- ❑ Government expenditure is expected to be stable in line with projected revenue over the medium term.
- ❑ Government debt is expected to be in line with the Medium Term Debt Strategy of 30% of GDP
- ❑ The new MTFS will be framed in light of expected low mineral revenues.
- ❑ **Over the medium term, the mechanisms to be used to promote PNG's Development is through Macroeconomic policies, Industry Reviews & Reforms, Prudent Public Debt Management, and through the usual Annual Budgetary Allocations.**



# The End

Thank you & Any Questions?

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