



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

JUNE 2007

June 2007 Fiscal Report

1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the June 2007 Fiscal Outturn.

Table 1.1 Summary of GoPNG¹ Revenue and Expenditure

	Budget	Apr	May	Jun	Jun Trend ²	% of Trend	% of Budget
Total Revenue	5421.6	1120.8	1956.6	2286.1	1820.7	126%	42%
Total Expenditure	5454.6	1120.7	1442.6	1865.5	1752.1	106%	34%
Budget Balance	-33.0	0.1	514.0	420.6	68.6		
% of GDP	-0.2%	0.0%	2.9%	2.4%	0.4%		

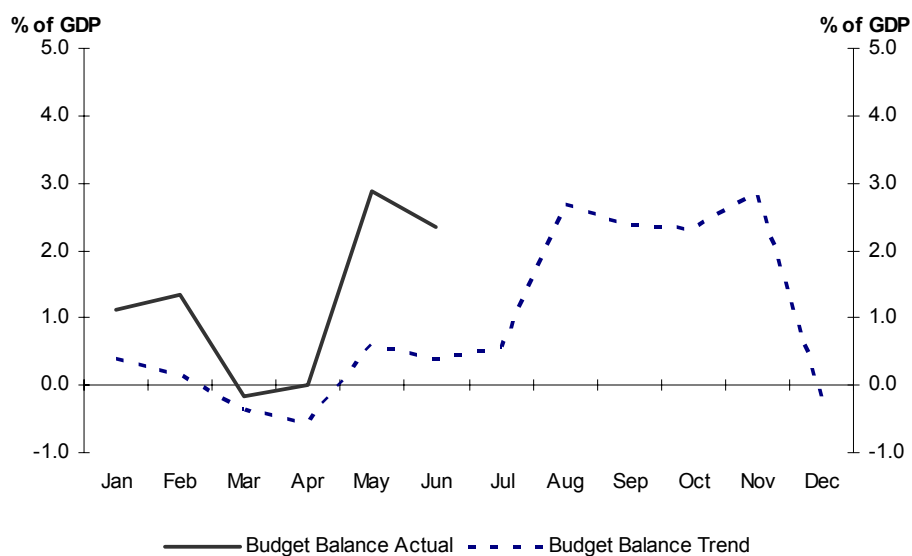
Source: Department of Treasury (based on Treasury Management System reports)

Total GoPNG revenue was well above trend to June 2007, with collections 26 per cent above the trend required to meet 2007 Budget estimates.

Total GoPNG expenditure is on trend to the June 2007 outturn and represents only 42 per cent of the 2007 Budget.

Overall, the Government's Budget position was a surplus of K420.6 million or 2.4 per cent of GDP, compared with the expected (trend) surplus of K68.6 million or 0.4 per cent of GDP if we were on target to meet the 2007 Budget target of a K33.0 million (or 0.2 percent of GDP) deficit. The evolution of the Budget Balance as depicted in Graph 1.1 below reflects the actual budget balance incurred against the anticipated monthly trend base on the 2007 Original Budget.

Graph 1.1: Evolution of the GoPNG Budget Balance – Actual vs Trend



¹ GoPNG Revenue and Expenditure excludes Infrastructure Tax Credits and Project Support Grants in both Revenue and Expenditure.

² Trend is the average Revenue and Expenditure pattern over the last 7 years (2000-06) and applied to the 2007 Budget.

2. Revenue and Grants

Total Revenue (GoPNG)

Total GoPNG revenue was well above trend in the June Fiscal Outturn of 2007.

Tax receipts in the June 2007 Outturn were K2253.9 million, which is 32 per cent above trend. This is primarily attributable to the receipt of a larger than expected instalments of mining and petroleum taxes, company taxes, and personal income taxes. All domestic tax heads as well as all taxes on international trade performed better than trend.

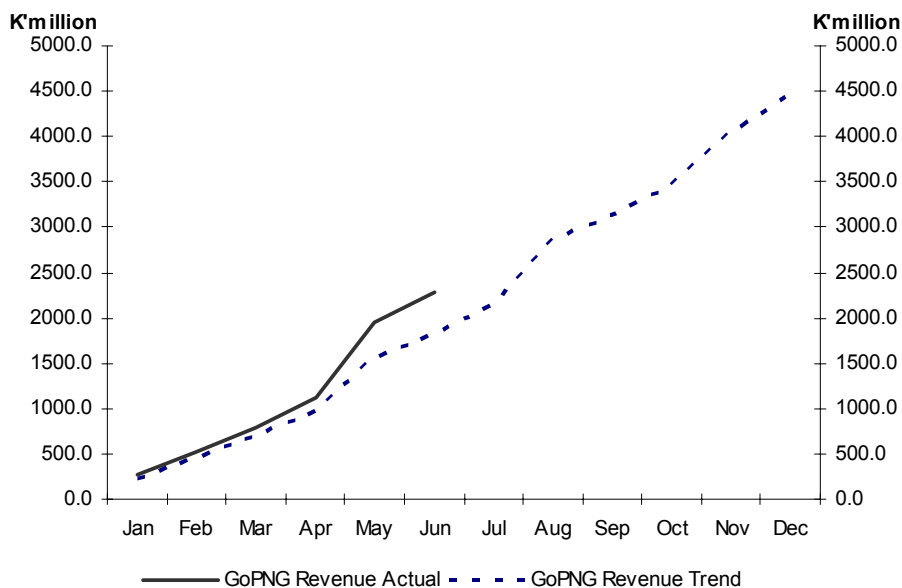
More generally, most tax revenue items recorded collections at or above trend to June, reflecting continued strong economic conditions and continued good performance by the Internal Revenue Commission in ensuring compliance. Notably exceptions were interest withholding tax (reflecting lower interest rates), dividend withholding tax (reflecting lower payments of dividends in the first half of 2007).

Non-tax revenue receipts for the June Outturn were K32.2 million, which is 29 per cent of trend. This is primarily attributable to lower mining and petroleum dividends and to a lesser extent, lower departmental revenues.

Tax Credits and Grants

While not technically PNG Government revenue, project support grants from donors and infrastructure tax credits are included in Budget estimates of revenue and expenditure in order to give a better picture of the total resources applied to development in Papua New Guinea.

Graph 2.1: Actual Revenue against the Trend



Unfortunately, tax credits utilized are only partially recorded on the Government's accounting system, making it difficult to assess progress in the implementation of this program, and the only grants report received from donors are recorded on a quarterly basis making it difficult to assess its implementation on a monthly basis.

Infrastructure tax credits of K7.3 million are recorded as being utilized in the June Outturn, which is 17 per cent of trend and Project support grants from donors totalled K208.2 million (AusAID first quarter report) which is 50 per cent above trend.

Total revenue and grants were K2501.6 million at the end of June 2007. This is higher than the trend expected at K2001.8 million by 25 per cent.

3. Expenditure and Net Lending

Total Expenditure (GoPNG)

National Departments' recurrent expenditure totalled K845.9 million as at June 2007. This is 2 per cent above trend, and represents 44 per cent of the 2007 Budget appropriation.

National Departments' personnel emoluments expenditure was K359.2 million in June Outturn, compared to the K358.9 million anticipated in trend expenditure. This expenditure head is on trend.

National Departments' general goods and services expenditure was K432.1 million in the June Outturn. This is 12 per cent above trend and represents 46 per cent of the 2007 Budget appropriation.

Grants to Provincial Governments totalled K309.7 million in June compared to K291.2 million in trend expenditure.

Provincial Government personnel emoluments expenditure (including teachers) was K258.5 million in the June Outturn compared to K 233.5 million anticipated in trend.

Provincial Government goods and services grant expenditure totalled K33.2 million in the June Outturn compared to K34.5 million in trend expenditure.

Autonomous Bougainville Government totalled K28.2 million compared to K11.9 million on a prorated basis, being 56 per cent of its 2007 total budget appropriation.

Transfers to Statutory Authorities totalled K113.6 million in the June 2007 Outturn. This is 7 per cent above trend and is 51 per cent of the 2007 Budget appropriation

Interest payments and fees totalled K197.0 million in the June Outturn or is 20 per cent below trend representing 41 per cent of its total 2007 budget appropriation.

Domestic development expenditure in the June Outturn turned out to be K237.5 million, which is 38 per cent above trend, representing 65 per cent of the budget.

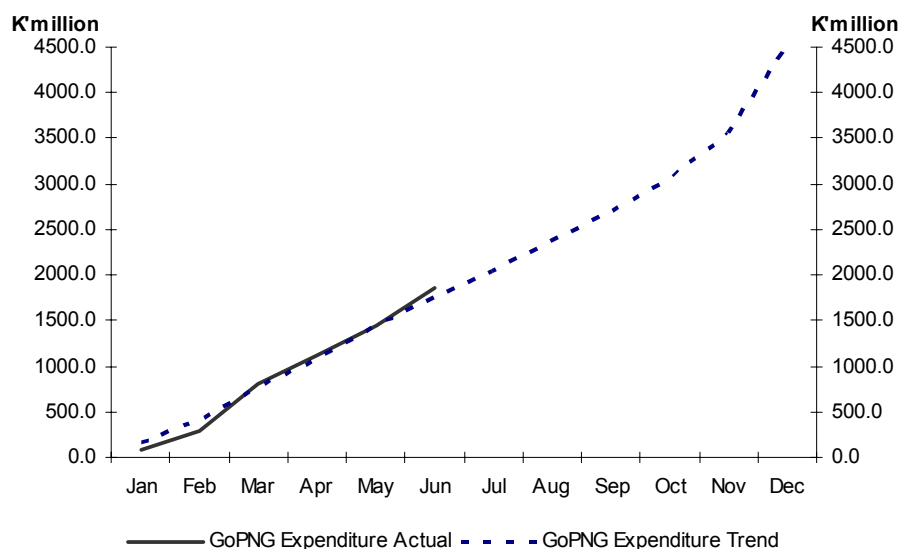
Draw downs on concessional project loans in the June Outturn were K44.4 million, which is 53 per cent above trend, and 27 per cent of the 2007 Budget appropriation.

Tax Credits and Grants

As noted above, while not technically PNG Government expenditure, project support grants from donors and infrastructure tax credits are included in Budget estimates of revenue and expenditure in order to give a better picture of the total resources applied to development in Papua New Guinea.

Unfortunately, tax credits utilized are only partially recorded on the Government's accounting system, making it difficult to assess progress in the implementation of this program, and the only grants report received from donors are recorded on a quarterly basis making it difficult to assess its implementation on a monthly basis.

Graph 3.1: Actual Expenditure and Net Lending against the Trend



Infrastructure tax credits of K7.3 million are recorded as being utilized in the June Outturn, which is 17 per cent of trend and Project support grants from donors totalled K208.2 million (AusAID first quarter report) which is 50 per cent above trend.

Expenditure of funds totalling K450.0 million appropriated under the Additional Priority Expenditure in Department 207 will be provided in a separate report. Note that funds have been transferred out of Department 207 to its various ear-marked programs. As at June 2007, K15.0 million remains in Department 207.

Overall total expenditure and net lending for the June Outturn were K2081.0 million compared to the trend estimate of K1933.1 million. This is 8 per cent higher than the trend, representing 38 per cent of the 2007 Budget appropriation.

4. Financing

A Budget surplus of K420.6 million (or 2.4 per cent of GDP) was recorded in the June 2007 Outturn, compared to the expected (trend) surplus of K68.6 million (or 0.4 per cent of GDP).

Net external outflows totalled K72.2 million and net domestic market borrowing totalled an outflow of K348.4 million.

Based on TMS Rundate:19/07/07

Last Updated: 02/08/07

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2007 Budget	Mar Outturn	May Outturn	June Actual	June Outturn	June Trend	% of Trend	% of Budget
A. TAX REVENUE	4,129.9	757.5	1,925.2	328.7	2,253.9	1,708.9	132%	55%
A1. TAX ON INCOME AND PROFITS	3,071.6	435.2	1,370.4	209.4	1,579.8	1,196.0	132%	51%
Personal Income Tax	890.3	286.9	435.8	71.7	507.5	440.2	115%	57%
Company Tax	511.7	74.1	264.9	18.9	283.8	178.9	159%	55%
Dividend Withholding Tax	168.1	22.7	36.7	7.1	43.8	76.3	57%	26%
Interest Withholding Tax	21.9	4.3	7.1	2.4	9.5	12.9	73%	43%
Mining and Petroleum Taxes	1,292.8	0.0	541.9	98.7	640.5	392.6	163%	50%
Gaming Tax	106.0	30.1	50.4	3.7	54.1	52.0	104%	51%
Other: Direct	80.8	17.1	33.6	7.0	40.6	43.1	94%	50%
A2. DOM. TAXES ON GOODS AND SERVICES	758.0	233.7	399.1	77.7	476.8	362.7	131%	63%
Excise	309.8	84.0	137.7	34.3	172.0	147.2	117%	56%
GST	420.0	127.0	230.7	40.0	270.7	202.0	134%	64%
Mining Levy	25.6	22.2	29.6	3.3	32.9	11.8	278%	128%
Other: Indirect	2.6	0.4	1.2	0.1	1.3	1.7	75%	49%
A3. TAXES ON INTERNATIONAL TRADE	300.3	88.6	155.7	41.6	197.3	150.2	131%	66%
Import Duty	96.9	27.0	51.7	12.6	64.3	47.9	134%	66%
Export Duty	118.0	42.4	67.4	19.7	87.1	57.7	151%	74%
Excise duties on Imports	85.4	19.2	36.6	9.3	45.9	44.5	103%	54%
B. NON-TAX REVENUE	327.2	20.6	31.4	0.8	32.2	111.8	29%	10%
B1. PROPERTY INCOME	242.8	10.0	10.0	0.0	10.0	75.2	13%	4%
Dividends	73.5	10.0	10.0	0.0	10.0	7.8	128%	14%
Mining and Petroleum Dividends	169.3	0.0	0.0	0.0	0.0	67.4	0%	0%
B2. INTEREST AND FEES FROM LENDING	2.6	0.2	0.2	0.0	0.2	1.1	21%	9%
B3. OTHER NON TAX REVENUE	81.8	10.4	21.1	0.8	21.9	35.5	62%	27%
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0	0.0	...	...
C. TOTAL REVENUE	4,457.1	778.1	1,956.6	329.5	2,286.1	1,820.7	126%	51%
% of GDP	24.9%	4.4%	10.9%	1.8%	12.8%	10.2%	126%	51%
D. INFRASTRUCTURE TAX CREDIT	85.4	2.9	4.8	2.5	7.3	42.7	17%	9%
E. GRANTS	879.1	208.2	208.2	0.0	208.2	138.3	150%	24%
Budgetary Support	0.0	0.0	0.0	0.0	0.0	0.0	...	...
Project Grants	879.1	208.2	208.2	0.0	208.2	138.3	150%	24%
F. TOTAL REVENUE AND GRANTS	5,421.6	989.1	2,169.6	332.0	2,501.6	2,001.8	125%	46%
As % of GDP	30.3%	5.5%	12.1%	1.9%	14.0%	11.2%	125%	46%
G. PRINCIPAL RECEIPTS FROM LENDING	6.0	1.4	1.9	0.0	1.9	1.9	100%	31%
H. GROSS BORROWING	2275.7	160.0	121.2	101.8	223.0	555.9	40%	10%
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0	0.0	...	...
J. TOTAL RECEIPTS	7,703.3	1,150.4	2,292.6	433.8	2,726.4	2,559.6	107%	35%
As % of GDP	43.1%	6.4%	12.8%	2.4%	15.2%	14.3%	107%	35%

Source: Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2007 Budget	Mar Outturn	May Outturn	June Actual	June Outturn	June Trend	% of Trend	% of Budget
1 RECURRENT BUDGET								
A. NATIONAL DEPARTMENTS	1,929.2	380.4	586.6	259.3	845.9	830.5	102%	44%
Personnel Emoluments	816.2	171.1	262.3	96.9	359.2	358.8	100%	44%
Total Goods & Services	1,112.9	209.3	324.3	162.3	486.7	471.7	103%	44%
General Goods & Services	948.4	189.8	276.2	155.8	432.1	385.6	112%	46%
Education Subsidies	43.0	10.4	24.7	0.6	25.3	25.3	100%	59%
Arrears Payments	0.0	0.0	0.0	0.1	0.1	0.0	...	...
SAP Payments	69.6	0.3	2.3	2.2	4.5	34.8	13%	7%
Court Orders	52.0	8.8	21.1	3.6	24.7	26.0	95%	47%
B. PROVINCIAL GOVERNMENTS	696.6	149.3	264.0	45.6	309.7	291.2	106%	44%
Personnel Emoluments	576.0	128.8	214.5	44.0	258.5	233.5	111%	45%
Staffing Grants	156.4	47.3	72.4	11.1	83.5	73.6	113%	53%
Teachers Salaries	419.6	81.5	142.1	32.9	175.1	159.9	109%	42%
Goods & Other Services	63.4	12.5	32.4	0.8	33.2	34.5	96%	52%
Administration Grants	14.2	4.0	6.6	0.7	7.2	7.1	101%	51%
Health Function Grant	13.4	3.2	6.0	0.1	6.1	6.6	92%	46%
Education Subsidies	21.6	1.9	13.2	0.0	13.2	12.9	102%	61%
Derivation Grants	14.2	3.4	6.6	0.0	6.6	7.8	85%	47%
Conditional Grants	57.2	7.9	17.1	0.9	17.9	23.2	77%	31%
Trans/Infra/Maint. Grants	15.3	4.0	7.2	-0.4	6.8	7.3	93%	44%
Local & Village Services Grants	32.5	3.1	8.5	0.1	8.6	11.4	76%	27%
Town & Urban Services Grants	7.2	0.3	0.4	1.1	1.5	3.4	43%	20%
Village Courts	2.2	0.6	1.0	0.0	1.0	1.1	94%	47%
AUTONOMOUS BOUGAINVILLE GOVT	50.6	9.2	25.4	2.8	28.2	11.9	237%	56%
Police Grant	2.5	0.6	0.6	0.0	0.6	1.3	47%	24%
Recurrent Grant	48.0	8.6	24.8	2.8	27.6	10.6	260%	57%
Conditional Grants	0.2	0.0	0.0	0.0	0.0	0.1	0%	0%
C. TRANSFERS & LOANS TO C.S.A	221.6	63.8	101.1	12.5	113.6	106.4	107%	51%
D. INTEREST PAYMENT & FEES	475.9	99.4	130.8	66.2	197.0	247.5	80%	41%
Domestic	358.8	71.6	77.0	63.5	140.5	188.7	74%	39%
External	117.1	27.8	53.8	2.7	56.5	58.8	96%	48%
E NET LENDING TO C.S.A	-6.0	-1.4	-1.9	0.0	-1.9	-1.9	100%	31%
Gross Lending	0.0	0.0	0.0	0.0	0.0	0.0	...	...
Less : Loan Repayments	6.0	1.4	1.9	0.0	1.9	1.9	100%	31%
F. RECURRENT EXPENDITURE & NET LENDING	3,367.9	700.7	1,106.1	386.4	1,492.5	1,485.6	100%	44%
As % of GDP	18.8%	3.9%	6.2%	2.2%	8.3%	8.3%	100%	44%
2 DEVELOPMENT BUDGET								
Domestic Funds	509.1	89.3	299.7	28.9	328.6	237.5	138%	65%
Project Grants	879.1	208.2	208.2	0.0	208.2	138.3	150%	24%
Infrastructure Tax Credits	85.4	2.9	4.8	2.5	7.3	42.7	17%	9%
Concessional loans	163.0	19.4	36.8	7.6	44.4	29.0	153%	27%
Commercial loans	0.0	0.0	0.0	0.0	0.0	0.0	...	...
G. TOTAL DEVELOPMENT BUDGET (PIP)	1,636.6	319.7	549.5	39.0	588.5	447.5	132%	36%
As % of GDP	9.2%	1.8%	3.1%	0.2%	3.3%	2.5%	132%	36%
fs								
ADDITIONAL PRIORITY EXPENDITURE	450.0	0.0	13.1		13.1			
H. TOTAL EXPENDITURE & NET LENDING	5,454.6	1,020.5	1,655.6	425.4	2,081.0	1,933.1	108%	38%
As % of GDP	30.5%	5.7%	9.3%	2.4%	11.6%	10.8%	108%	38%
I. AMORTISATION	2242.7	128.6	635.2	8.3	643.5	696.7	92%	29%
Domestic	1996.0	74.0	526.9	0.0	526.9	566.6	93%	26%
External	246.7	54.6	108.3	8.3	116.6	130.1	90%	47%
J. LOAN REPAYMENTS	6.0	1.4	1.9	0.0	1.9	1.9	100%	31%
K. TOTAL PAYMENTS	7,703.3	1,150.4	2,292.6	433.8	2,726.4	2,631.7	104%	35%
As % of GDP	43.1%	6.4%	12.8%	2.4%	15.2%	14.7%	104%	35%

Source: Treasury

TABLE 3: CENTRAL GOVERNMENT FINANCING
(Kina, million)

	2007 Budget	Mar Outturn	May Outturn	June Actual	June Outturn	June Trend	% of Trend	% of Budget
A. TOTAL REVENUE AND GRANTS	5,421.6	989.1	2,169.6	332.0	2,501.6	2,001.8	125%	46%
B. TOTAL EXPENDITURE AND NET LENDING	5,454.6	1,020.5	1,655.6	425.4	2,081.0	1,933.1	108%	38%
C. DEFICIT (-) / SURPLUS (+)	-33.0	-31.4	514.0	-93.4	420.6	68.6	na	na
% of GDP	-0.2%	-0.2%	2.9%	-0.5%	2.4%	0.4%		
D. EXTERNAL FINANCING	-83.7	-35.1	-71.4	-0.8	-72.2	-87.5	na	na
D1. CONCESSIONAL FINANCING	-4.3	-11.1	-2.1	5.2	3.1	-59.7	na	na
New Borrowing	163.0	19.4	36.8	7.6	44.4	29.0	153%	27%
Less Amortisation	-167.3	-30.5	-38.9	-2.4	-41.3	-88.7	47%	25%
D2. COMMERCIAL FINANCING	-18.2	0.0	-7.8	0.0	-7.8	-9.3	na	na
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	...	...
Less Amortisation	-18.2	0.0	-7.8	0.0	-7.8	-9.3	84%	43%
D3. EXCEPTIONAL FINANCING	-61.2	-24.0	-61.5	-6.0	-67.5	-18.6	na	na
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	...	...
Less Amortisation	-61.2	-24.0	-61.5	-6.0	-67.5	-18.6	363%	110%
E. DOMESTIC FINANCING	116.7	66.5	-442.5	94.2	-348.4	18.9	na	na
E1. DOMESTIC MARKET BORROWING (NET)	118.7	203.0	-72.5	48.0	-24.5	229.3	na	na
New Domestic Borrowing	2114.7	277.0	454.4	48.0	502.4	737.4	68%	24%
Less Amortisation	-1996.0	-74.0	-526.9	0.0	-526.9	-508.0	104%	26%
E2. OTHER DOMESTIC FINANCING (b)	-2.0	-136.5	-370.0	46.2	-323.9	-210.4	na	na
E3. ASSETS SALES FINANCING	0.0	0.0	0.0	0.0	0.0	0.0	...	...
E4. NET FINANCING	0.0	0.0	0.0	0.0	0.0	0.0	...	...
F. TOTAL FINANCING	33.0	31.4	-514.0	93.4	-420.6	-68.6	na	na
G. GROSS BORROWING	2275.7	160.0	121.2	101.8	223.0	555.9	40%	10%
Concessional	163.0	19.4	36.8	7.6	44.4	29.0	153%	27%
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	...	...
Exceptional	0.0	0.0	0.0	0.0	0.0	0.0	...	...
Domestic	2112.7	140.5	84.4	94.2	178.5	526.9	34%	8%
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	...	...

Source: Treasury