



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

OCTOBER 2007

October 2007 Fiscal Report

1. Summary of Fiscal Performance

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

Table 1.1 Summary of GoPNG¹ Revenue and Expenditure

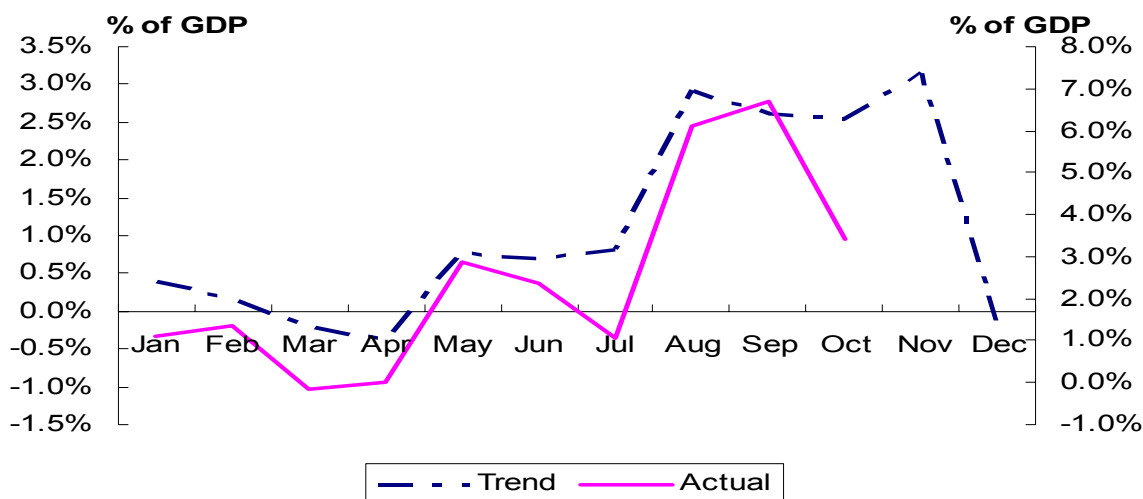
	Budget	Aug	Sept	Oct	Oct Trend	% of Trend	% of Budget
Total Revenue	4457.1	4064.3	4930.8	5387.0	3960.6	136%	74.8%
Total Expenditure	4492.1	2960.5	3732.3	4776.0	3506.8	136.2%	69.4%
Budget Balance	-35.0	1103.8	1198.5	611.0	453.8	134.6%	190.3%
% of GDP	-0.2%	6.2%	6.7%	3.4%	2.5%		

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

Collections for total GoPNG revenue was 36.0 per cent above the trend and expenditure was also 36.2 per cent above trend, as required to meet the 2007 Budget estimates.

Overall, the Government's Budget position was a surplus of K611.0 million or 3.4 per cent of GDP, compared with the expected (trend) surplus of K453.8 million or 2.5 per cent of GDP if we were on target to meet the 2007 Budget target of a K35.0 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. The October Outturn showed a surplus as revenue inflows were higher than the trend.

Graph 1.1: Evolution of the GoPNG Budget Balance – Actual vs Trend (updated to October)



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

2. Revenue and Grants

Total Revenue (GoPNG)

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

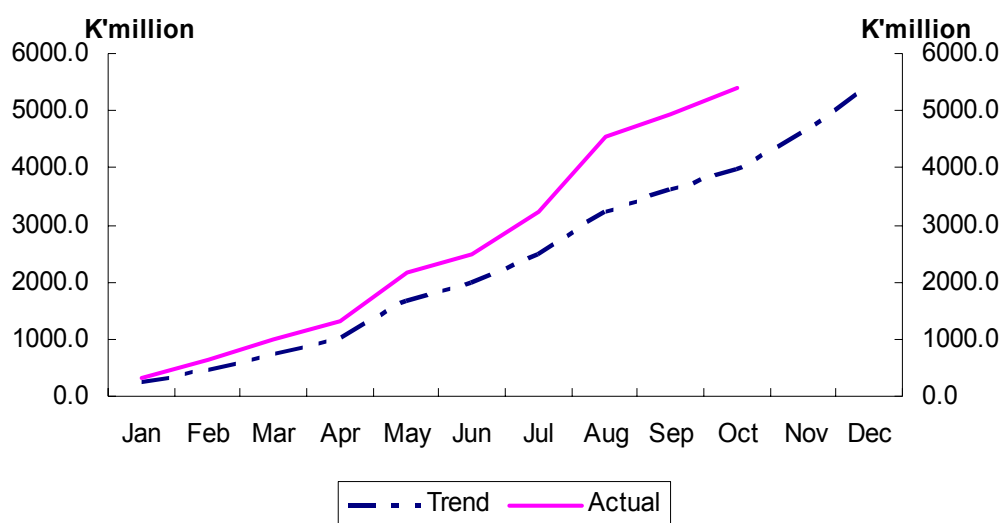
Tax receipts in the October 2007 Outturn were K4686.5 million, which is 46 per cent above trend. This is primarily attributable to the receipt of the larger than expected instalments of mining and petroleum taxes which is 86 per cent above trend. Other direct tax heads were also above trend with the exception to interest withholding tax which is 23 per cent below trend due to lower debt levels as well as lower interest rates. All domestic tax heads as well as all taxes on international trade are performing above trend. The better performance in tax revenue reflects continued strong economic conditions and continued good performance by the Internal Revenue Commission in ensuring compliance.

Non-tax revenue receipts for the October Outturn were K234.0 million, which is 5.0 per cent below trend. This is primarily attributable to lower mining dividend receipts, as well as lower departmental revenue.

Grants and Tax Credits

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 (updated to October)



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 K15.6 million are recorded as being utilized in the October Outturn, which is 47 per cent of trend and project support grants from donors totalled K450.9 million which is 4.0 per cent below trend. All project support grants are from the first and second quarter AusAID Expenditure Reports.

Total revenue and grants were K5387.0 million at the end of October 2007. This is higher than the trend expected at K3960.6 million by 36 per cent.

3. Expenditure and Net Lending

Total Expenditure (GoPNG)

National Departments' recurrent expenditure totalled K1926.0 million as at October 2007. This is 41.8 per cent above trend, and represents 94.8 per cent of the 2007 Budget appropriation.

National Departments' personnel emoluments expenditure was K657.2 million in October Outturn, compared to the K620.9 million anticipated in trend expenditure. This is 5.8 per cent above trend and represents 77.5 per cent of the Budget appropriation.

National Departments' general goods and services expenditure was K1128.4 million in the October Outturn. This is 70 per cent above trend and represents 22.0 per cent of the 2007 Budget appropriation.

Grants to Provincial Governments totalled K571.2 million as at October compared to K530.9 million in trend expenditure. This is 7.6 per cent above trend and is 82 per cent of the Budget.

Provincial Government personnel emoluments expenditure (including teachers) was K476.8 million in the October Outturn compared to K431.2 million anticipated in trend (higher than trend by 10.6 per cent), and represents 82.8 per cent of the Budget.

Provincial Government goods and services grant expenditure totalled K51.2million in the October Outturn compared to K56.0 million in trend expenditure. This is 8.6 per cent below trend and represents 80.8 per cent of the Budget.

Conditional grants totalled K43.2 million compared to K43.8 million in trend expenditure. This is 1.4 per cent below trend and represents 75.5 per cent of the Budget.

Autonomous Bougainville Government totalled K42.1 million compared to K41.1 million on a prorated basis, representing 82.6 per cent of its 2007 total budget appropriation.

Transfers to Statutory Authorities totalled K191.6 million in the October 2007 Outturn. This is 3.7 per cent above trend and is 86.5 per cent of the 2007 Budget appropriation

Interest payments and fees totalled K275.8 million in the October Outturn or is 21 per cent below trend representing 54 per cent of its total 2007 budget appropriation.

Domestic development expenditure in the October Outturn turned out to be K726.5 million, which is twice that, anticipated in trend expenditure, and is running well above the 2007 appropriation. This is due to the additional priority expenditure which automatically dissolves into this category once transfers are made and transactions takes place.

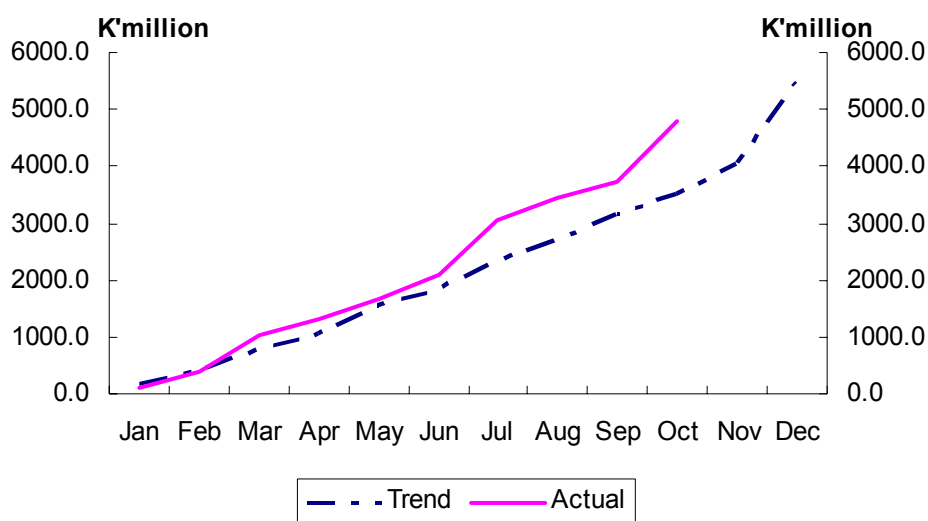
Draw downs on concessional project loans in the October Outturn were K73.9 million, which is 18.1 per cent below trend, however only 45.3 per cent of the 2007 Budget appropriation.

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 (updated to October)



Infrastructure tax credits of K15.6 million are recorded as being utilized in the October Outturn, which is 39.6 per cent of trend and project support grants from donors totalled K450.9 million which is 7.0 per cent above trend. All project support grants are from the first and second quarter AusAID Expenditure Reports.

Additional priority expenditure (APE) for the October Outturn is K448.0 million. This includes all the infrastructure and maintenance projects in the 2007 APE items.

The October Outturn for 2007 Supplementary only K58.6 million has been drawn down. This includes K48.4 million for Court Orders, K5.1 million for Attorney Generals Court Circuit and Utility bills, K2.6 million for Governor General's shortfall in appropriation and K2.5 million for PSC Outstanding power bill.

Overall total expenditure and net lending for the October Outturn were K4776.0 million compared to the trend estimate of K3506.8 million. This is 36.2 per cent higher than the trend, representing 66.6 per cent of the 2007 Budget appropriation.

4. Financing

A Budget surplus of K611.0 million (or 3.4 per cent of GDP) was recorded in the October 2007 Outturn, compared to the expected (trend) surplus of K453.8 million (or 2.5 per cent of GDP).

Net external outflows totalled K116.4 million and net domestic market borrowing totalled an outflow of K509.6 million.

Based on TMS rundate: 30/11/07

Last Updated: 05/12/07

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2007	2007	Sept	Oct	Oct	Oct	% of	% of
	Budget	Budget revised	Outturn	Actuals	Outturn	Trend	Trend	Budget
A. TAX REVENUE	4,129.9	5,693.4	4,272.3	414.2	4,686.5	3212.2	145.9%	82.3%
A1. TAX ON INCOME AND PROFITS	3,071.6	4,386.9	3,253.0	306.4	3559.4	2334.3	152.5%	81.1%
Personal Income Tax	890.3	994.1	764.3	90.4	854.7	737.1	115.9%	86.0%
Company Tax	511.7	633.2	565.9	131.5	697.4	410.6	169.9%	110.1%
Dividend Withholding Tax	168.1	183.3	167.3	17.5	184.8	136.5	135.4%	100.8%
Interest Withholding Tax	21.9	2,362.0	13.9	0.6	14.5	19.0	76.5%	0.6%
Mining and Petroleum Taxes	1,292.8	19.4	1,586.4	48.3	1634.7	875.9	186.6%	8426.4%
Gaming Tax	106.0	95.2	77.6	6.2	83.8	87.3	96.1%	88.1%
Other: Direct	80.8	99.6	77.5	11.9	89.4	68.0	131.6%	89.8%
A2. DOM. TAXES ON GOODS AND SERVICES	758.0	940.3	718.5	71.8	790.3	629.5	125.5%	84.0%
Excise	309.8	335.8	256.5	30.4	286.9	254.7	112.6%	85.5%
GST	420.0	554.3	416.5	35.0	451.5	352.3	128.1%	81.4%
Mining Levy	25.6	48.0	43.7	6.2	49.9	21.2	235.8%	103.9%
Other: Indirect	2.6	2.2	1.8	0.1	1.9	1.3	149.5%	89.1%
A3. TAXES ON INTERNATIONAL TRADE	300.3	366.3	300.8	36.1	336.8	248.4	135.6%	92.0%
Import Duty	96.9	124.2	99.3	12.8	112.1	82.0	136.7%	90.3%
Export Duty	118.0	152.6	123.6	13.4	136.9	93.5	146.4%	89.7%
Excise duties on Imports	85.4	89.4	77.9	9.9	87.8	72.9	120.5%	98.1%
B. NON-TAX REVENUE	327.2	459.8	192.7	6.5	234.0	246.9	94.8%	50.9%
B1. PROPERTY INCOME	242.8	375.2	141.0	0.0	175.8	180.0	97.7%	46.9%
Dividends	73.5	73.5	43.0	0.0	43.0	48.9	87.9%	58.5%
Mining and Petroleum Dividends	169.3	301.7	98.0	0.0	132.8	131.1	101.3%	44.0%
B2. INTEREST AND FEES FROM LENDING	2.6	2.6	0.5	0.0	0.5	1.6	30.1%	18.2%
B3. OTHER NON TAX REVENUE	81.8	82.0	51.2	6.5	57.7	65.3	88.4%	70.4%
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. TOTAL REVENUE	4,457.1	6,153.2	4,465.0	420.7	4,920.5	3459.1	142.2%	80.0%
% of GDP	24.9%	34.4%	25.0%	2.4%	27.5%	19.3%	0.8%	0.4%
D. INFRASTRUCTURE TAX CREDIT	85.4	33.0	14.9	0.8	15.6	32.1	48.8%	47.4%
E. GRANTS	879.1	1013.4	450.9	0.0	450.9	469.4	96.1%	44.5%
Budgetary Support	0.0	0.0	0.0	0.0	0.0	0.0		
Project Grants	879.1	1013.4	450.9	0.0	450.9	469.4	96.1%	44.5%
F. TOTAL REVENUE AND GRANTS	5,421.6	7,199.6	4,930.8	421.4	5,387.0	3960.6	136.0%	74.8%
As % of GDP	30.3%	40.3%	27.6%	2.4%	30.1%	22.1%	0.8%	0.4%
G. PRINCIPAL RECEIPTS FROM LENDING	6.0	6.0	3.9	0.2	4.1	3.6	114.2%	68.3%
H. GROSS BORROWING	2277.7	1620.0	30.1	54.6	741.0	1114.1	66.5%	45.7%
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%
J. TOTAL RECEIPTS	7,705.3	8,825.6	4,964.8	476.3	6,132.2	5078.2	120.8%	69.5%
As % of GDP	43.1%	49.3%	27.8%	2.7%	34.3%	28.4%	0.7%	0.4%

Source: Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2007 Budget	2007 Budget revised	Sept Outturn	Oct Actuals	Oct Outturn	Oct Trend	% of Trend	% of Budget
1 RECURRENT BUDGET								
A. NATIONAL DEPARTMENTS	1,929.2	2,032.1	1,467.5	468.1	1926.0	1357.9	141.8%	94.8%
Personnel Emoluments	816.2	848.2	587.6	72.3	657.2	620.9	105.8%	77.5%
Total Goods & Services	1,112.9	1,183.9	879.9	395.9	1269	737.0	172.2%	107.2%
General Goods & Services	948.4	919.3	761.6	371.9	1128.4	665.6	169.5%	122.7%
Education Subsidies	43.0	143.0	70.2	14.7	85.0	41.2	206.2%	59.4%
Arrears Payments	0.0	0.0	0.1	1.1	1.2	0.0	0.0%	0.0%
SAP Payments	69.6	69.6	5.7	0.2	5.9	26.6	22.3%	8.5%
Court Orders	52.0	52.0	42.3	7.9	48.4	3.6	1340.3%	93.1%
B. PROVINCIAL GOVERNMENTS	696.6	696.6	504.6	69.2	571.2	530.9	107.6%	82.0%
Personnel Emoluments	576.0	576.0	428.2	51.6	476.8	431.2	110.6%	82.8%
Staffing Grants	156.4	156.4	134.3	14.0	145.3	122.4	118.7%	92.9%
Teachers Salaries	419.6	419.6	293.9	37.6	331.5	308.7	107.4%	79.0%
Goods & Other Services	63.4	63.4	43.3	7.9	51.2	56.0	91.4%	80.8%
Administration Grants	14.2	14.2	10.5	1.9	12.4	11.3	109.4%	87.1%
Health Function Grant	13.4	13.4	8.9	1.8	10.7	11.6	92.2%	80.1%
Education Subsidies	21.6	21.6	13.5	3.1	16.5	20.8	79.3%	76.5%
Derivation Grants	14.2	14.2	10.4	1.2	11.6	12.2	94.7%	81.6%
Conditional Grants	57.2	57.2	33.1	9.6	43.2	43.8	98.6%	75.5%
Trans/Infra/Maint. Grants	15.3	15.3	9.7	2.0	12.2	12.4	98.2%	79.6%
Local & Village Services Grants	32.5	36.7	19.6	7.0	26.6	23.3	114.2%	72.4%
Town & Urban Services Grants	7.2	3.0	2.3	0.3	2.6	6.3	42.4%	88.3%
Village Courts	2.2	2.2	1.5	0.3	1.8	1.8	96.3%	80.3%
Autonomous Bougainville Govt	50.7	50.9	39.5	2.6	42.1	41.1	102.2%	82.6%
Police Grant	2.5	2.1	1.8	0.3	2.1	2.5	82.5%	100.0%
Recurrent Grant	48.0	48.6	37.7	2.3	40.0	38.6	103.6%	82.2%
Conditional Grants	0.2	0.2	0.0	0.0	0.0	0.0	0.0%	0.0%
C. TRANSFERS & LOANS TO C.S.A	221.6	221.6	170.9	20.7	191.6	184.7	103.7%	86.5%
D. INTEREST PAYMENT & FEES	475.9	372.8	261.8	13.9	275.8	388.2	71.0%	74.0%
Domestic	358.8	252.9	180.1	6.7	186.9	289.6	64.5%	73.9%
External	117.1	119.9	81.7	7.2	88.9	98.6	90.2%	74.1%
E. NET LENDING TO C.S.A	-4.0	-4.0	-3.9	-0.2	-4.1	-3.6	114.3%	102.5%
Gross Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%
Less : Loan Repayments	4.0	4.0	3.9	0.2	4.1	3.6	114.3%	102.5%
F. RECURRENT EXPENDITURE & NET LENDING	3,370.0	3,370.0	2,440.4	574.2	3,002.5	2499.3	120.1%	89.1%
As % of GDP	18.8%	18.8%	13.6%	3.2%	16.8%	14.0%	0.7%	0.5%
2 DEVELOPMENT BUDGET								
Domestic Funds	509.1	509.1	698.9	27.6	726.5	456.3	159.2%	142.7%
Project Grants	879.1	1,013.4	450.9	0.0	450.9	421.3	107.0%	44.5%
Infrastructure Tax Credits	85.4	33.0	14.9	0.8	15.6	39.5	39.6%	47.4%
Concessional loans	163.0	163.0	63.3	10.6	73.9	90.3	81.9%	45.3%
Commercial loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%
G. TOTAL DEVELOPMENT BUDGET (PIP)	1,636.6	1,718.5	1,227.9	39.0	1,266.9	1007.4	125.8%	73.7%
As % of GDP	9.2%	9.6%	6.9%	0.2%	7.1%	5.6%	125.8%	73.7%
ADDITIONAL PRIORITY EXPENDITURE SUPPLEMENTARY BUDGET	450.0	450.0	63.9	384.1	448.0	0.0	0.0%	99.6%
		1637.0	0.0	58.6	58.6	0.0	0.0%	3.6%
H. TOTAL EXPENDITURE & NET LENDING	5,456.7	7,175.6	3,732.3	1,055.9	4,776.0	3506.8	136.2%	66.6%
As % of GDP	30.5%	40.1%	20.9%	5.9%	26.7%	19.6%	136.2%	66.6%
I. AMORTISATION	2242.7	1941.0	1,228.6	138.5	1,367.1	1756.2	77.8%	70.4%
Domestic	1996.0	1423.0	1,059.1	117.7	1176.8	1551.9	75.8%	82.7%
External	246.7	518.0	169.5	20.8	190.3	204.3	93.2%	36.7%
J. LOAN REPAYMENTS	4.0	4.0	3.9	0.2	4.1	3.6	114.4%	102.5%
K. TOTAL PAYMENTS	7,703.4	9,120.6	4,964.8	1,194.6	6,147.2	5266.5	116.7%	67.4%
As % of GDP	43.1%	51.0%	27.8%	6.7%	34.4%	29.4%	0.7%	0.4%

TABLE 3: CENTRAL GOVERNMENT FINANCING
(Kina, million)

	2007 Budget	2007 Budget revised	Sept Outturn	Oct Actuals	Oct Outturn	Oct Trend	% of Trend	% of Budget
A. TOTAL REVENUE AND GRANTS	5,421.6	7,199.6	4,930.8	421.4	5387.0	3960.6	136.0%	74.8%
B. TOTAL EXPENDITURE AND NET LENDING	5,456.6	6,878.6	3,732.3	1055.9	4776.0	3506.8	136.2%	69.4%
C. DEFICIT (-) / SURPLUS (+)	-35.0	321.0	1,198.5	-634.5	611.0	453.8	134.6%	190.3%
% of GDP	-0.2%	1.8%	6.7%	-3.5%	3.4%	2.5%	0.8%	1.1%
D. EXTERNAL FINANCING	-83.7	-355.0	-106.3	-10.1	-116.4	-113.2	102.8%	32.8%
D1. CONCESSIONAL FINANCING	-4.3	-287.0	-6.1	10.4	4.3	-54.0	-8.0%	-1.5%
New Borrowing	163.0	163.0	63.3	10.6	73.9	90.3	81.9%	45.3%
Less Amortisation	-167.3	-450.0	-69.4	-0.2	-69.6	-144.3	48.2%	15.5%
D2. COMMERCIAL FINANCING	-18.2	-15.0	-7.8	0.0	-7.8	-13.6	57.7%	52.2%
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0		
Less Amortisation	-18.2	-15.0	-7.8	0.0	-7.8	-13.6	57.7%	52.2%
D3. EXCEPTIONAL FINANCING	-61.2	-53.0	-92.3	-20.6	-112.9	-45.7	247.2%	213.0%
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%
Less Amortisation	-61.2	-53.0	-92.3	-20.6	-112.9	-45.7	247.2%	213.0%
E. DOMESTIC FINANCING	118.7	34.0	-1,092.2	644.6	-494.6	-340.6	145.2%	1454.6%
E1. DOMESTIC MARKET BORROWING (NET)	118.7	34.0	-435.9	-73.7	-509.6	79.8	-638.8%	1498.9%
New Domestic Borrowing	2114.7	1457.0	623.2	44.0	667.2	1563.2	42.7%	45.8%
Less Amortisation	-1996.0	-1423.0	-1,059.1	-117.7	-1176.8	-1483.4	79.3%	82.7%
E2. OTHER DOMESTIC FINANCING (b)	0.0	0.0	-656.3	718.3	15.1	-420.4	-3.6%	0.0%
E3. ASSETS SALES FINANCING	0.0	0.0	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	0.0%	0.0%
F. TOTAL FINANCING	35.0	-321.0	-1,198.5	634.5	-611.0	-453.8	134.6%	190.3%
G. GROSS BORROWING	2277.7	1620.0	30.1	54.6	741.0	1114.1	66.5%	45.7%
Concessional	163.0	1457.0	63.3	10.6	73.9	102.3	72.2%	5.1%
Commercial	0.0	163.0	0.0	0.0	0.0	0.0	0.0%	0.0%
Exceptional	0.0	163.0	0.0	0.0	0.0	0.0	0.0%	0.0%
Domestic	2114.7	0.0	-33.2	44.0	667.2	980.0	68.1%	0.0%
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%

Source: Treasury

na: this analysis is not applicable.