



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

May 2008

May 2008 Fiscal Report

1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the May 2008 Fiscal Outturn.

Table 1.1 Summary (Kina Millions)

	Original Budget	Mar	Apr	May	May Trend	% of Trend	% of Budget
Total Revenue (GoPNG)	6004.2	692.2	1156.7	2119.3	1992.6	106%	35%
Total Expenditure (GoPNG)	5801.8	809.0	1202.7	1802.4	1534.6	117%	31%
Budget Balance	202.4	-116.9	-46.0	317.0	458.0		
% of GDP	1.0%	-0.6%	-0.2%	1.6%	2.3%		

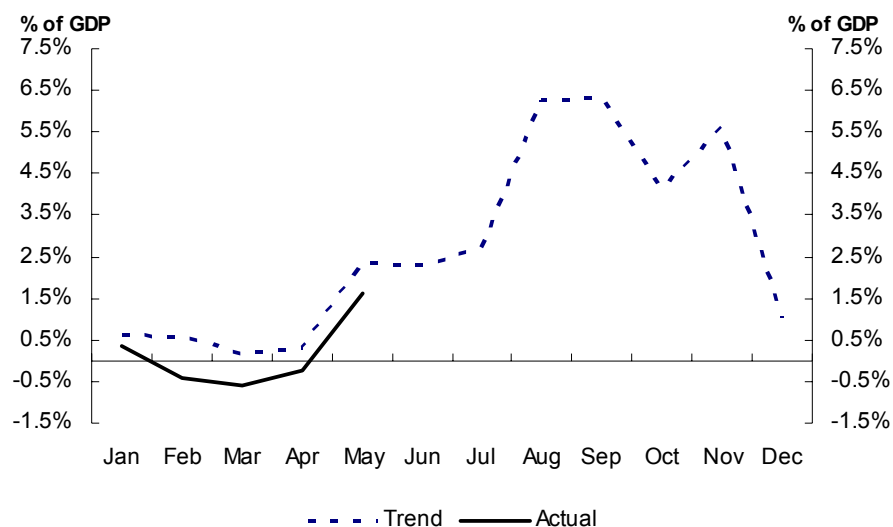
Source: Department of Treasury (based on Treasury Management System reports)

Total GoPNG revenue was slightly higher to May 2008, with collections 6 per cent above the trend required to meet 2008 Budget estimates.

Total GoPNG expenditure for the May 2008 outturn turned out to be above trend by 17 per cent.

Overall, the Government's Budget position was a surplus of K317.0 million or 1.6 per cent of GDP compared to the expected (trend) surplus of K458.0 million or 2.3 per cent of GDP. 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 2008 Original Budget. The trend also reflects the impact of the high mining and petroleum prices.

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



2. Revenue and Grants

Total Revenue (GoPNG)

Total GoPNG revenue was well above trend in the May Fiscal Outturn of 2008.

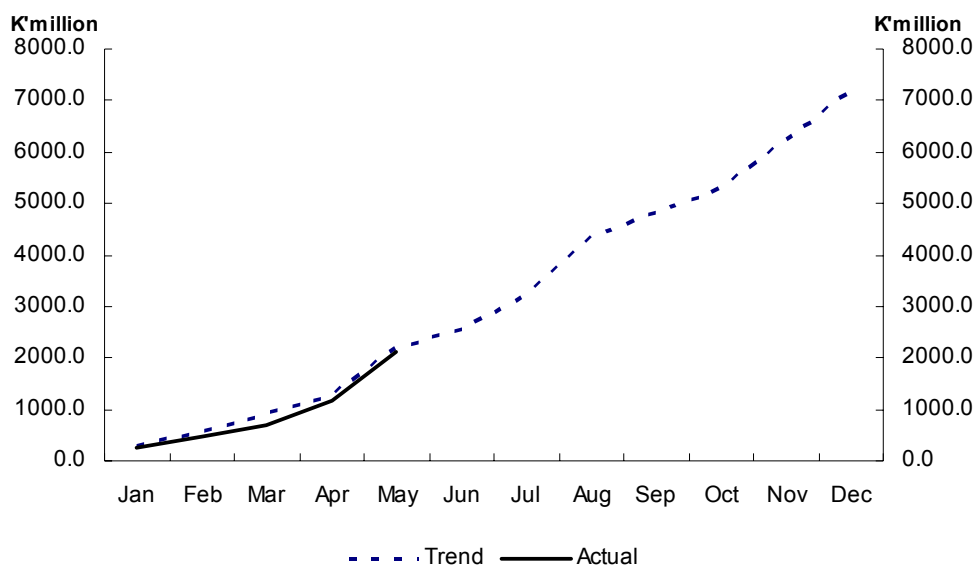
Tax receipts in the May 2008 Outturn were K2047.3 million, which is 8 per cent higher than the trend. Taxes on income and profits were higher than trend by 12 per cent, primarily attributable to the higher recording of the mining and petroleum taxes and other direct taxes; domestic taxes on goods and services were lower than trend by 11 per cent due to the lower GST collection and other indirect taxes; and taxes on international trade performed better than trend by 18 per cent. In line with the projections from the IRC, tax collections have performed better than forecast.

Non-tax revenue receipts for the May Outturn were K72.0 million, which is 19 per cent below trend. This was mainly due to the non receipt of non mining dividends which is now under the jurisdiction of the IPBC and they decide when this should be paid to the government accounts.

Tax Credits and Grants

While not technically PNG Government revenue, project support grants from donors and infrastructure tax credits (ITC) 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 K12.4 million are recorded as being utilized in the May Outturn, which is 16 per cent above trend and this is due to the improvement in recording of this item. Project support grants from donors have yet to be recorded.

Total revenue and grants were K2131.8 million at the end of May 2008. This is lower than the trend expected at K2177.5 million by 2 per cent.

3. Expenditure and Net Lending

Total Expenditure (GoPNG)

National Departments' recurrent expenditure totalled K895.6 million as at May 2008. This is 19 per cent above trend, and represents 40 per cent of the 2008 Budget appropriation.

National Departments' personnel emoluments expenditure were K362.6 million in May Outturn, compared to the K326.7 million anticipated in trend expenditure, which is 11 per cent above trend and represents 39 per cent of the 2008 Budget.

National Departments' general goods and services expenditure was K533.0 million in the May Outturn. This is 25 per cent above trend and represents 40 per cent of the 2008 Budget appropriation.

Grants to Provincial Governments totalled K324.8 million in May compared to K248.0 million in trend expenditure. This is 31 per cent above trend and represents 45 per cent of the 2008 Budget appropriation.

Provincial Government personnel emoluments expenditure (including teachers) was K230.8 million in the May Outturn compared to K195.1 million anticipated in trend, This is 18 per cent above trend and represents 39 per cent of the 2008 Budget appropriation.

Provincial Government goods and services grant expenditure totalled K53.4 million in the May Outturn compared to K32.6 million in trend expenditure. This reflects a quite higher expenditure during the five months, and is 64 per cent above trend and represents 81 per cent of the 2008 Budget appropriation.

Autonomous Bougainville Government incurred total expenditure of K28.1 million compared to trend expected at K16.9 million. This is 66 per cent above trend and 52 per cent of the total 2008 Budget appropriation. The higher expenditure is mainly from the police grants which all exhausted, by this month

Transfers to Statutory Authorities totalled K111.9 million in the May 2008 Outturn. This is 21 per cent above trend and is 49 per cent of the 2008 Budget appropriation

Interest payments and fees totalled K96.4 million in the May Outturn and is 41 per cent below trend. This represents 26 per cent of the 2008 Budget appropriation.

Domestic development expenditure in the May Outturn turned out to be K320.3 million, which is 50 per cent above trend and represents 61 per cent of the 2008 Budget appropriation.

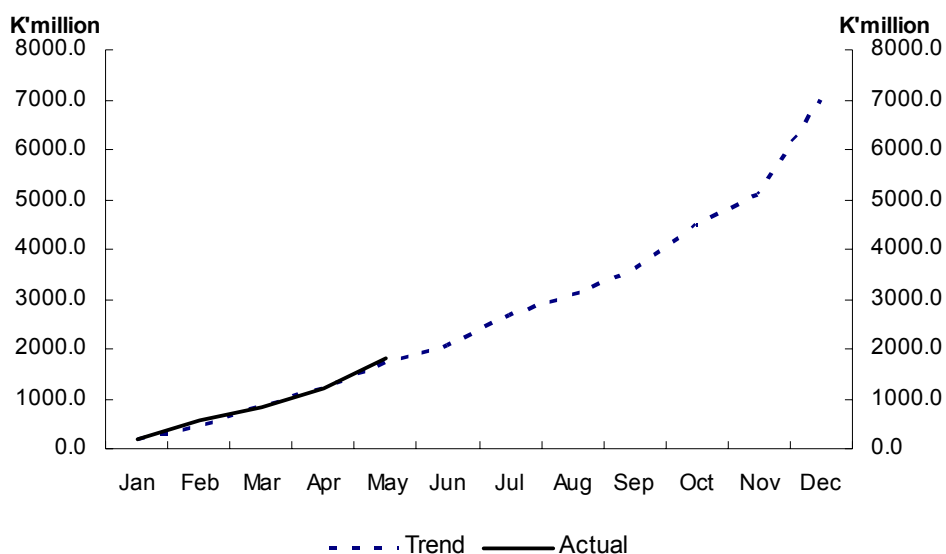
Draw downs on concessional project loans still remained at K0.2 million and this is 1 per cent of trend.

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 K12.4 million are recorded as being utilized in the May Outturn, which is 16 per cent above trend and Project support grants from donors have yet to be recorded.

Funds appropriated under the Additional Priority Expenditure, are parked under Department 207 which is managed by the Department of Finance and Treasury. Total payments from this by May 2008 were K27.0 million which was ear-marked for the public servants housing project.

Overall total expenditure and net lending for the May Outturn were K1814.8 million compared to the trend estimate of K1719.5 million. This is 6 per cent above trend, however represents only 26 per cent of the 2008 Budget appropriation.

4. Financing

A Budget surplus of K317.0 million (or 1.6 per cent of GDP) was recorded in the May 2008 Outturn, compared to the trend surplus of K458.0 million (or 2.3 per cent of GDP).

Net external outflows totalled K102.1 million and net domestic outflow turned out to be K214.9 million. Both outflows were financed through the surplus generated.

Based on TMS Rundate: 24/06/08

Last Updated: 30/06/08

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2008 Budget	Apr Outturn	May Actual	May Outturn	May Trend	% of Trend	% of Budget
A. TAX REVENUE	5,516.7	1,093.9	953.5	2,047.3	1,903.5	108%	37%
A1. TAX ON INCOME AND PROFITS	4,142.0	665.1	845.4	1,510.6	1,351.0	112%	36%
Personal Income Tax	1,053.7	348.3	108.3	456.6	443.1	103%	43%
Company Tax	699.7	129.2	115.6	244.8	224.1	109%	35%
Dividend Withholding Tax	195.5	56.2	5.8	62.0	58.1	107%	32%
Interest Withholding Tax	21.4	5.9	1.8	7.6	10.9	70%	36%
Mining and Petroleum Taxes	2,011.8	67.6	599.5	667.0	547.7	122%	33%
Gaming Tax	86.5	27.6	6.7	34.3	36.7	93%	40%
Other: Direct	73.4	30.3	7.8	38.2	30.4	125%	52%
A2. DOM. TAXES ON GOODS AND SERV.	987.3	280.9	67.4	348.3	392.8	89%	35%
Excise	368.3	117.2	28.1	145.2	145.5	100%	39%
GST	600.8	155.0	35.0	190.0	239.2	79%	32%
Mining Levy	15.0	7.3	4.0	11.4	6.2	184%	76%
Other: Indirect	3.2	1.4	0.3	1.7	1.9	90%	53%
A3. TAXES ON INTERNATIONAL TRADE	387.4	147.9	40.6	188.5	159.7	118%	49%
Import Duty	132.7	51.4	13.5	64.8	54.0	120%	49%
Export Duty	155.2	52.0	15.0	66.9	63.5	105%	43%
Excise duties on Imports	99.5	44.6	12.2	56.8	42.2	135%	57%
B. NON-TAX REVENUE	487.5	62.8	9.2	72.0	89.2	81%	15%
B1. PROPERTY INCOME	388.3	40.7	0.0	40.7	56.4	72%	10%
Dividends	128.5	0.0	0.0	0.0	13.5	0%	0%
Mining and Petroleum Dividends	259.8	40.7	0.0	40.7	42.9	95%	16%
B2. INTEREST AND FEES FROM LENDING	5.0	0.1	0.0	0.1	1.7	7%	2%
B3. OTHER NON TAX REVENUE	94.2	22.0	9.2	31.2	31.1	100%	33%
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0		
C. TOTAL REVENUE	6,004.2	1,156.7	962.7	2,119.3	1,992.6	106%	35%
% of GDP	30.4%	5.9%	4.9%	10.7%	10.1%	106%	35%
D. INFRASTRUCTURE TAX CREDIT	73.7	9.9	2.6	12.4	10.7	116%	17%
E. GRANTS	1123.7	0.0	0.0	0.0	174.1	0%	0%
Budgetary Support	0.0	0.0	0.0	0.0	0.0		
Project Grants	1123.7	0.0	0.0	0.0	174.1	0%	0%
F. TOTAL REVENUE AND GRANTS	7,201.6	1,166.5	965.2	2,131.8	2,177.5	98%	30%
As % of GDP	36.5%	5.9%	4.9%	10.8%	11.0%	98%	30%
G. PRINCIPAL RECEIPTS FROM LENDING	4.0	1.5	0.5	2.0	1.0	187%	49%
H. GROSS BORROWING	1793.9	282.4	-402.8	-108.1	-78.4	138%	-6%
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0		
J. TOTAL RECEIPTS	8,999.5	1,450.4	562.9	2,025.6	2,100.1	96%	23%
As % of GDP	45.6%	7.4%	2.9%	10.3%	10.6%	96%	23%

Source: Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2008 Budget	Apr Outturn	May Actual	May Outturn	May Trend	% of Trend	% of Budget
1 RECURRENT BUDGET							
A. NATIONAL DEPARTMENTS	2,262.3	608.1	287.5	895.6	754.3	119%	40%
Personnel Emoluments	932.1	273.5	89.1	362.6	326.7	111%	39%
Total Goods & Services	1,330.2	334.6	198.4	533.0	427.5	125%	40%
General Goods & Services	1,079.3	281.0	120.3	401.3	349.0	115%	37%
Education Subsidies	143.0	32.5	41.5	74.0	59.8	124%	52%
Arrears Payments	0.0	0.0	0.0	0.0	0.0		
SAP Payments	55.9	1.9	1.4	3.3	6.0	55%	6%
Court Orders	52.0	19.2	8.1	27.3	12.8	214%	53%
B. PROVINCIAL GOVERNMENTS	723.5	228.8	96.0	324.8	248.0	131%	45%
Personnel Emoluments	596.8	177.2	53.6	230.8	195.1	118%	39%
Staffing Grants	166.3	64.8	18.8	83.6	64.2	130%	50%
Teachers Salaries	430.5	112.5	34.8	147.3	130.9	113%	34%
Goods & Other Services	65.8	33.4	20.1	53.4	32.6	164%	81%
Administration Grants	15.5	7.8	4.8	12.5	6.5	193%	81%
Health Function Grant	14.5	7.6	4.3	11.9	6.3	187%	82%
Education Subsidies	21.7	11.1	6.5	17.7	12.9	137%	81%
Derivation Grants	14.1	6.9	4.5	11.4	6.9	165%	81%
Conditional Grants	60.9	18.3	22.3	40.6	20.3	200%	67%
Trans/Infra/Maint. Grants	16.7	8.3	4.8	13.0	6.7	194%	78%
Local & Village Services Grants	30.9	6.0	17.0	22.9	8.5	268%	74%
Town & Urban Services Grants	11.1	2.9	0.0	2.9	4.0	73%	26%
Village Courts	2.2	1.1	0.6	1.7	1.0	165%	76%
AUTONOMOUS BOUGAINVILLE GOVT	54.0	16.6	11.5	28.1	16.9	166%	52%
Police Grant	2.2	1.1	1.1	2.2	0.9	257%	100%
Recurrent Grant	51.5	15.5	10.4	25.9	16.0	162%	50%
Conditional Grant	0.3	0.0	0.0	0.0	0.0		0%
C. TRANSFERS & LOANS TO C.S.A	226.8	92.9	19.1	111.9	92.8	121%	49%
D. INTEREST PAYMENT & FEES	373.5	78.7	17.7	96.4	163.2	59%	26%
Domestic	275.3	51.5	4.2	55.7	121.4	46%	20%
External	98.2	27.3	13.5	40.7	41.8	98%	41%
E. NET LENDING TO C.S.A	-4.0	-1.5	-0.5	-2.0	-1.0	191%	49%
Gross Lending	0.0	0.0	0.0	0.0	0.0		
Less : Loan Repayments	4.0	1.5	0.5	2.0	1.0	191%	49%
F. RECURRENT EXPEND & NET LENDING	3,636.1	1,023.7	431.3	1,454.9	1,274.1	114%	40%
As % of GDP	18.4%	5.2%	2.2%	7.4%	6.5%	114%	40%
2 DEVELOPMENT BUDGET							
Domestic Funds	526.7	181.4	138.9	320.3	213.9	150%	61%
Project Grants	1,123.7	0.0	0.0	0.0	174.1	0%	0%
Infrastructure Tax Credits	73.7	9.9	2.6	12.4	10.7	116%	17%
Concessional loans	163.0	0.2	0.0	0.2	27.8	1%	0%
Commercial loans	0.0	0.0	0.0	0.0	0.0		
G. TOTAL DEVELOPMENT BUDGET (PIP)	1,887.1	191.4	129.1	332.9	426.6	78%	18%
As % of GDP	9.6%	1.0%	0.7%	1.7%	2.2%	78%	18%
ADDITIONAL PRIORITY EXPENDITURE	1476.0	0.0	27.0	27.0	18.8	143%	2%
H. TOTAL EXPENDITURE & NET LENDING	6,999.2	1,215.1	587.4	1,814.8	1,719.5	106%	26%
As % of GDP	35.5%	6.2%	3.0%	9.2%	8.7%	106%	26%
I. AMORTISATION	1996.3	233.9	-24.9	208.9	379.6	55%	10%
Domestic	1553.0	161.2	-54.6 ¹	106.6	240.3	44%	7%
External	443.3	72.7	29.6	102.3	139.3	73%	23%
J. LOAN REPAYMENTS	4.0	1.5	0.5	2.0	1.0	191%	49%
K. TOTAL PAYMENTS	8,999.5	1,450.4	562.9	2,025.7	2,100.1	96%	23%
As % of GDP	45.6%	7.4%	2.9%	10.3%	10.6%	96%	23%

¹ This number is +ve because it is a reversal entry to correct a wrong posting initially done under Treasury Bills.

Source: Treasury

TABLE 3: CENTRAL GOVERNMENT FINANCING

(Kina, million)

	2008 Budget	Apr Outturn	May Actual	May Outturn	May Trend	% of Trend	% of Budget
A. TOTAL REVENUE AND GRANTS	7,201.6	1,166.5	965.2	2,131.8	2,177.5	98%	30%
B. TOTAL EXPENDITURE AND NET LENDING	6,999.2	1,215.1	587.4	1,814.8	1,719.5	106%	26%
C. DEFICIT (-) / SURPLUS (+)	202.4	-48.5	377.9	317.0	458.0	69%	157%
% of GDP	1.0%	-0.2%	1.9%	1.6%	2.3%	0.0%	0.0%
D. EXTERNAL FINANCING	-279.3	-72.5	-29.6	-102.1	-114.7	89%	37%
D1. CONCESSIONAL FINANCING	-210.3	-43.6	-14.0	-57.6	-94.1	61%	27%
New Borrowing	163.0	0.2	0.0	0.2	24.3	1%	0%
Less Amortisation	-373.3	-43.7	-14.0	-57.8	-118.5	49%	15%
D2. COMMERCIAL FINANCING	-15.0	0.0	-8.3	-8.3	-7.2	114%	55%
New Borrowing	1.0	0.0	0.0	0.0	0.3	0%	0%
Less Amortisation	-16.0	0.0	-8.3	-8.3	-7.5	110%	52%
D3. EXCEPTIONAL FINANCING	-54.0	-28.9	-7.3	-36.2	-13.3	272%	67%
New Borrowing	0.0	0.0	0.0	0.0	0.0		
Less Amortisation	-54.0	-28.9	-7.3	-36.2	-13.3	272%	67%
E. DOMESTIC FINANCING	76.9	121.0	-348.3	-214.9	-343.3	63%	-279%
E1. DOMESTIC MARKET BORROWING (NET)	77.0	218.9	56.5	275.4	102.3	269%	358%
New Domestic Borrowing	1630.0	380.0	2.0	382.0	342.6	111%	23%
Less Amortisation	-1553.0	-161.2	54.6 ²	-106.6	-240.3	44%	7%
E2. OTHER DOMESTIC FINANCING (b)	-0.1	-97.8	-404.8	-490.2	-445.6		
E3. ASSETS SALES FINANCING	0.0	0.0	0.0	0.0	0.0		
E4. NET FINANCING	0.0	0.0	0.0	0.0	0.0		
F. TOTAL FINANCING	-202.4	48.5	-377.9	-317.0	-458.0	69%	157%
G. GROSS BORROWING	1793.9	282.4	-402.8	-108.1	-78.4	138%	-6%
Concessional	163.0	0.2	0.0	0.2	24.3	1%	0%
Commercial	1.0	0.0	0.0	0.0	0.3	0%	0%
Exceptional	0.0	0.0	0.0	0.0	0.0		
Domestic	1629.9	282.2	-402.8	-108.3	-103.0	105%	-7%
Financing Gap	0.0	0.0	0.0	0.0	0.0		

Source: Treasury

² This number is -ve because it is a reversal entry to correct a wrong posting initially done under Treasury Bills.