



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

March 2009

March 2009 Fiscal Report

This report provides a summary of Government revenue and expenditure for the March quarter of 2009. The 'actual' figures refer to revenue and expenditure outcomes in a month, while the 'outturn' figures refer to year-to-date outcomes.

The trend calculation provides estimates of year-to-date revenue and expenditure in 2009 based on the average pattern over the past 3 years, if the projections in the 2009 Budget are to be achieved.

The global financial crisis and the collapse in commodity prices have substantially reduced the share of revenue derived from mining and petroleum taxes and dividends. This significantly alters the timing of revenue receipts relative to previous years and, in turn, when funding is available for budget expenditures. These changes are implicitly captured in the revenue trend, which is decomposed by head of revenue, but not in the expenditure trend. As a result, the expenditure trend is not always a useful predictor of expenditure patterns in 2009.

For this reason, the trend budget balance in 2009 is not a useful predictor of the likely budget balance through the rest of 2009. Treasury is considering how to alter the calculation of the expenditure trend in future fiscal reports to address this issue.

1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of Kina) for March 2009.

Table 1.1 Summary (Kina Millions)

GoPNG ONLY	2009 Budget	Feb Outturn	Mar Actuals	Mar Outturn
Total Revenue (GoPNG)	5652.1	525.3	335.5	860.8
Total Expenditure (GoPNG)	5290.1	359.5	553.2	912.7
Budget Balance	362.0	165.8	-217.7	-51.9
% of GDP	1.7%	0.8%	-1.0%	-0.2%

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

Total Government of PNG (GoPNG) revenue was 3.3 per cent above the trend to March 2009. Total GoPNG expenditure to March 2009 was below trend by 14.5 per cent. GoPNG revenue comprises of the tax and non tax revenue, while GoPNG expenditure comprises recurrent expenditure and GoPNG funded projects which are comprised of domestic funds, Infrastructure Tax Credits, Concessional and Commercial loans that are included in the Development Budget.

Table 1.2 Totals (Kina Millions)

TOTAL	2009 Budget	Feb Outturn	Mar Actuals	Mar Outturn
Revenue and Grants	6666.4	552.4	371.2	1010.5
Expenditure and Net Lending	6676.7	375.9	588.8	1062.4
Budget Balance	-10.3	176.5	-217.7	-51.9
% of GDP	-0.05%	0.83%	0.83%	-0.25%

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

The overall Budget Balance to March 2009 was a deficit of K51.9 million or 0.25 per cent of GDP.

2. Revenue and Grants

Total Revenue and Grants was slightly above trend to March 2009.

Table 2.1 Tax Revenue (Kina Millions)

	2009 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar trend	% of Trend	% of Budget 2009
Tax on Incomes & Profits	3043.9	294.3	189.2	483.5	439.3	110.1%	15.9%
Domestic taxes on Goods & Services	1114.2	169.7	105.8	275.4	253.3	108.8%	24.7%
Taxes on International Trade	456.2	52.1	36.2	88.3	104.9	84.2%	19.4%
Total Tax Revenue	4614.3	516.1	331.2	847.3	797.4		

Source: Department of Treasury

Tax receipts to March 2009 were K847.3 million, 6.3 per cent higher than the trend. Taxes on income and profits were higher than trend by 10.1 per cent, primarily attributable to the higher recording of company tax, Dividend Withholding Tax and Other direct taxes. Domestic taxes on goods and services were higher than trend by 8.8 per cent due to the higher GST collections and domestic excise. Taxes on international trade were below trend by 15.8 per cent due to lower export values.

Table 2.2 Non – Tax Revenue (Kina Millions)

	2009 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar trend	% of Trend	% of Budget 2009
Property Income	322.9	0.0	0.0	0.0	17.3	0.0%	5.3%
<i>Dividends</i>	195	0.0	0.0	0.0	12.8	0.0%	6.6%
<i>Mining and Petroleum Dividends</i>	127.9	0.0	0.0	0.0	4.4	0.0%	3.5%
Interest and Fees from Lending	24	0.0	0.0	0.0	6.5	0.0%	26.9%
Other Nontax Revenue	90.9	9.2	4.3	13.6	12.1	112.1%	13.3%
Total Non-tax Revenue	437.8	9.2	4.3	13.6	35.8	37.9%	8.2%

Source: Department of Treasury

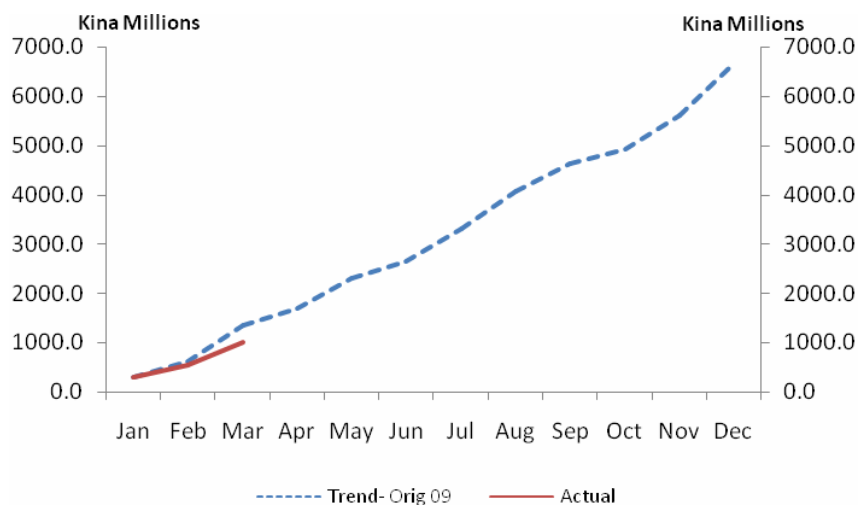
Non-tax revenue receipts to March 2009 was K13.6 million, 66.7 per cent below trend. This is due to Property Income which has yet to be received and recorded as dividend proceeds from State owned enterprises and Statutory Authorities.

Tax Credits and Grants

Infrastructure tax credits (ITC) of K62.8 million are recorded as being utilized to March 2009. 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. Project grants recorded K86.9 million in the first quarter, which is 13.0 per cent above trend.

Note: ITC is counted as GoPNG expenditure in the Fiscal table, it is also considered as PNG Government revenue because it is tax payable to the State but claimed as a credit by tax payers because it is allowed in legislation.

Graph 2.1: Actual Revenue against the Trend



Source: Department of Treasury

Total revenue and grants were K1010.5 million at the end of March 2009. This is above trend by 10.1 per cent.

3. Expenditure and Net Lending

Total Expenditure and Net Lending to March 2009 was K1,062.4 million, which was 10.0 per cent below the estimated trend expenditure.

Table 3.1 Total Expenditure & Net Lending (Kina Millions)

	2009 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar trend	% of Trend	% of Budget 2009
Recurrent Budget	3,904.2	337.8	479.7	817.5	791.5	103.3%	20.9%
Development Budget	2,595.2	48.9	109.1	244.9	388.3	63.1%	9.4%
Total Expenditure & Net Lending	6,499.4	386.7	588.8	1,062.4	1,179.8	90.0%	16.3%

Total Recurrent Expenditure & Net Lending.

Total Recurrent Expenditure and Net Lending was K817.5 million as at March 2009. This was 3.3 per cent above trend and represents 20.9 per cent of the 2009 Budget appropriation.

Table 3.2 Total Expenditure & Net Lending (Kina Millions)

	2009 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar trend	% of Trend	% of Budget 2009
National Depts	2,364.5	168.9	289.5	458.4	455.6	100.6%	19.4%
Provincial Govts	840.0	41.4	139.9	181.4	170.7	106.2%	21.6%
ABG	57.0	10.9	9.0	20.0	12.2	163.1%	35.0%
Transfers & Loans to CSA's	253.9	47.5	38.8	86.3	61.5	95.4%	18.5%
Interest Payments & Fees	392.8	0.0	2.4	71.4	92.8	77.0%	18.2%
Net Lending to CSA's	-4.0	0.0	0.0	0.0	-1.4	0.0%	0.0%
Recurrent Exp & Net Lending	3,904.2	268.8	479.7	817.5	791.5	103.3%	20.9%

Source: Department of Treasury

National Departments recurrent expenditure totalled K458.4 million which is 6.0 per cent above trend and represents 19.4 per cent of the 2009 Budget Appropriation.

National Departments' personnel emoluments expenditure was K219.4 million in March Outturn, compared to the K199.5 million in trend expenditure, which is 10.0 per cent above trend and represents 23.2 per cent of the 2009 Budget.

The higher expenditure is due to the nurses backdated salary payments to mid 2006 and Superannuation payments.

National Departments' general goods and services expenditure was K239.0 million in the March Outturn. This is 4.6 per cent below trend and represents 18.5 per cent of the 2009 Budget appropriation.

Grants to Provincial Governments which include both Personnel Emoluments and Goods and Services for Provincial Governments totalled K181.4 million to March 2009 compared to K148.6 million in trend expenditure. This is 6.2 per cent above trend and represents around 21.6 per cent of the 2009 Budget appropriation.

Provincial Government personnel emoluments expenditure (including teachers) was K143.9 million in the March Outturn compared to K129.9 million in trend expenditure. This is 10.8 per cent above trend and represents about 21.8 per cent of the 2009 Original Budget appropriation. The higher expenditure in Personnel Emoluments is due to the Nurses backdated salary payments.

Provincial Government goods and services grant expenditure was K37.5 million to March 2009 compared to K40.9 million in trend expenditure. It is 8.3 per cent below trend and represents 20.8 per cent of the 2009 Original Budget appropriation. The higher expenditure in Goods & Services is due to higher cash transfers in the first quarter to allow the provinces to undertake planned programs.

Autonomous Bougainville Government (ABG) incurred total expenditure of K20.0 million compared to trend expenditure of K12.2 million. This is above trend by 63.1 per cent and represents 35.0 per cent of the 2009 Budget appropriation. The reason for the higher expenditure is due to higher cash transfers in the first quarter to allow for ABG to undertake planned programs.

Transfers to Statutory Authorities totalled K86.3 million as at the end of March 2009. This is 40.3 per cent above trend and is 34.0 per cent of the 2009 Budget appropriation. The higher expenditure is due to cash transfers made to Civil Aviation Authority (CAA) for their outstanding liabilities and restructure.

*Cash transfers include: Provincial Goods and other services, conditional grants, ABG and Transfers & Loans to Statutory Authorities. A cash transfer is recorded as expenditure from the National Government to the relevant province or Statutory Authority; however, it is **not actual** expenditure. The cash transfer made is deposited into their account (provinces, or statutory authority), and it is for them to utilize as and when they have planned programs and projects to undertake.*

Interest payments and fees totalled K71.4 million to March 2009 and is 23.0 per cent below trend. This represents 17.6 per cent of the 2009 Original Budget appropriation.

Total Development Expenditure

Total Development expenditure to March 2009 totalled K244.9 million. Development expenditure comprises of Domestic development expenditure, Project Grants, Infrastructure Tax Credits (ITC) and Concessional loans.

Table 3.3 Total Development Expenditure (Kina Millions)

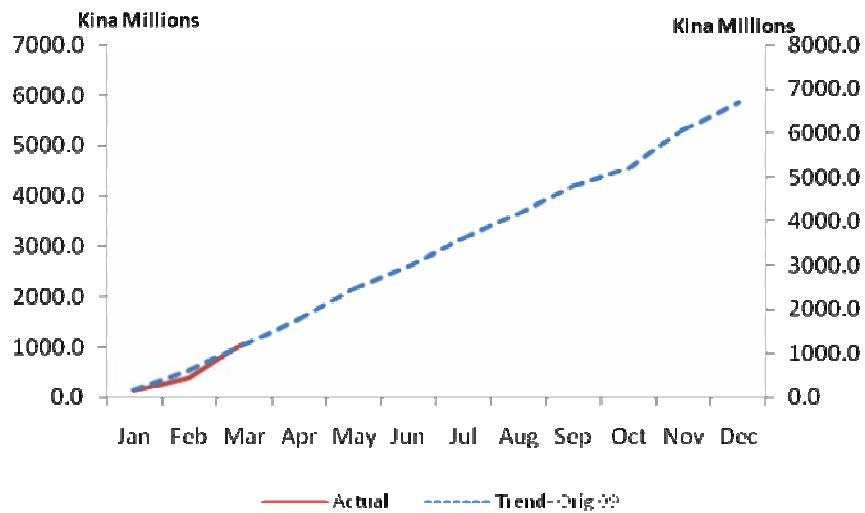
	2009 Budget	Feb Outturn	Mar Actuals	Mar Outturn	Mar trend	% of Trend	% of Budget 2009
Domestic Funds	1385.9	21.7	73.5	95.2	288.2	33.0%	6.9%
Project Grants	974.3	0.0	0.0	86.9	76.9	113.0%	8.9%
Infrastructure Tax Credits	40	35.6	35.6	62.8	7.3	0.0%	157.0%
Concessional loans	195	0.0	0.0	0.0	15.9	0.0%	0.0%
Commercial loans	0	0.0	0.0	0.0	0.0	0.0%	0.0%
Total Development Exp	2595.2	57.3	109.1	244.9	388.3	63.1%	9.4%

Domestic development expenditure to March 2009 turned out to be K95.1 million, which is below the expected trend of K288.2 million.

Infrastructure tax credits of K62.8 million are recorded as being utilized in the March Outturn. Project support grants are 86.9 million. This is 32.4 per cent above trend.

Overall total expenditure and net lending for the March Outturn was K1,062.4 million compared to the trend estimate of K1,179.8 million. This is 10.0 per cent below trend, and represents 15.9 per cent of the 2009 Budget appropriation.

Graph 3.1: Actual Expenditure and Net Lending against the Trend



Source: Department of Treasury

4. Financing

A Budget deficit of K51.9 million (or 0.25 per cent of GDP) was recorded in the March 2009 outturn.

Net external outflows totalled K48.7 million and net domestic inflow turned out to be K100.6 million.

Based on TMS Rundate:
27/04/09

Last Updated: 18/05/09

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2009 Original	Feb Outturn	March Actual	March Outturn	March Trend	% of Trend	% Of Budget
A. TAX REVENUE	4614.3	516.1	331.2	847.3	797.4	106.3%	18.4%
A1. TAX ON INCOME AND PROFITS	3043.9	294.3	189.2	483.5	439.3	110.1%	15.9%
Personal Income Tax	1195.1	181.2	102.1	283.3	297.7	95.2%	23.7%
Company Tax	877.3	47.9	40.3	88.2	64.0	137.9%	10.1%
Dividend Withholding Tax	144.2	29.4	11.2	40.6	23.4	173.3%	28.2%
Interest Withholding Tax	19.1	0.0	0.0	0.0	4.3	0.0%	0.0%
Mining and Petroleum Taxes	626.5	8.4	0.0	8.4	2.1	405.4%	1.3%
Gaming Tax	85.8	0.2	0.0	0.2	25.6	0.7%	0.2%
Other: Direct	95.9	27.2	35.6	62.8	22.2	282.8%	65.5%
A2. DOM. TAXES ON GOODS AND SERVICES	1114.2	169.7	105.8	275.4	253.3	108.8%	24.7%
Excise	407.5	54.4	40.0	94.4	103.0	91.7%	23.2%
GST	703	115.0	65.0	180.0	149.0	120.8%	25.6%
Other: Indirect	3.7	0.2	0.8	1.1	1.3	80.5%	28.5%
A3. TAXES ON INTERNATIONAL TRADE	456.2	52.1	36.2	88.3	104.9	84.2%	19.4%
Import Duty	166.3	22.5	14.0	36.6	34.8	105.0%	22.0%
Export Duty	152.9	13.8	8.0	21.9	40.3	54.3%	14.3%
Excise duties on Imports	137	15.8	14.1	29.9	29.7	100.5%	21.8%
B. NON-TAX REVENUE	1037.8	9.2	4.3	13.6	35.8	37.9%	1.3%
B1. PROPERTY INCOME	322.9	0.0	0.0	0.0	17.3	0.0%	0.0%
Dividends	195	0.0	0.0	0.0	12.8	0.0%	0.0%
Mining and Petroleum Dividends	127.9	0.0	0.0	0.0	4.4	0.0%	0.0%
INTEREST AND FEES FROM LENDING	24	0.0	0.0	0.0	6.5	0.0%	0.0%
B2. LENDING	24	0.0	0.0	0.0	6.5	0.0%	0.0%
B3. OTHER NON TAX REVENUE	90.9	9.2	4.3	13.6	12.1	112.1%	14.9%
INJECTIONS FROM TRUST ASSETS SALES	600	0.0	0.0	0	0		0.0%
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0		
C. TOTAL REVENUE	5652.1	525.3	335.5	860.8	833.2	103.3%	15.2%
% of GDP	26.7%	2.5%	1.6%	4.1%	3.9%		
D. INFRASTRUCTURE TAX CREDIT	40	27.2	35.6	62.8	7.3		157.0%
E. GRANTS	974.3	0.0	0.0	86.9	76.9	113.0%	8.9%
Budgetary Support	0.0	0.0	0.0	0.0	0.0		
Project Grants	974.3	0.0	0.0	86.9	76.9	113.0%	8.9%
F. TOTAL REVENUE AND GRANTS	6666.4	552.4	371.2	1010.5	917.4	110.1%	15.2%
As % of GDP	31.5%	2.6%	1.8%	4.8%	4.3%		
G. PRINCIPAL RECEIPTS FROM LENDING	4.0	0.0	0.0	0.0	1.1	0.0%	0.0%
H. GROSS BORROWING	1691.8	239.6	40.0	279.6	228.5	122.4%	16.5%
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0		
J. TOTAL RECEIPTS	8362.2	792.0	411.2	1290.1	1147.0	112.5%	15.4%
As % of GDP	39.5%	3.7%	1.9%	6.1%	5.4%		

TABLE 2: C. Govt Expenditure
(Kina, Million)

	2009 Original	Feb Outturn	March Actual	March Outturn	March Trend	% of Trend	% Of Budget
1 RECURRENT BUDGET							
A. NATIONAL DEPARTMENTS	2364.5	168.9	289.5	458.4	455.6	100.6%	19.4%
Personnel Emoluments	943.7	84.1	135.3	219.4	199.5	110.0%	23.2%
Total Goods & Services	1420.8	84.8	154.2	239.0	256.1	93.3%	16.8%
General Goods & Services	1207.4	84.7	138.4	223.1	233.7	95.4%	18.5%
Education Subsidies	143	0.0	0.0	0.0	12.4	0.0%	0.0%
Arrears Payments	0	0.0	0.0	0.0	0.0		
SAP Payments	18.4	0.1	0.3	0.4	2.4	15.7%	2.0%
Court Orders	52	0	15.6	15.6	8.6	180.5%	30.0%
B. PROVINCIAL GOVERNMENTS	840	41.4	139.9	181.4	170.7	106.2%	21.6%
Personnel Emoluments	659.8	31.8	112.1	143.9	129.9	110.8%	21.8%
Staffing Grants	198.7	14.4	39.4	53.8	48.4	111.2%	27.1%
Teachers Salaries	461.1	17.4	72.7	90.1	81.5	110.5%	19.5%
Goods & Other Services	98.4	7.3	19.7	27.0	23.8	113.5%	27.4%
Administration Grants	24.3	0.9	6.2	7.1	4.1	172.1%	29.2%
Health Function Grant	28.4	2.0	5.7	7.7	8.6	90.0%	27.3%
Education Subsidies	31.6	2.5	6.2	8.8	6.7	131.0%	27.8%
Derivation Grants	14.1	1.8	1.6	3.4	4.3	77.5%	23.9%
Conditional Grants	81.8	2.3	8.2	10.5	17.1	61.5%	12.8%
Trans/Infra/Maint. Grants	34.0	2.1	6.6	8.7	12.5	69.9%	25.7%
Local & Village Services Grants	33.7	0.1	1.2	1.3	3.5	36.4%	3.7%
Town & Urban Services Grants	11.9	0.0	0.0	0.0	0.4	0.0%	0.0%
Village Courts	2.2	0.2	0.4	0.5	0.8	68.0%	24.0%
AUTONOMOUS BOUGAINVILLE GOVT	57	10.9	9.0	20.0	12.2	163.1%	35.0%
Police Grant	2.3	1.2	0.0	1.2	0.6	188.4%	51.0%
Recurrent Grant	54.4	9.8	9.0	18.8	11.6	161.8%	34.5%
Conditional Grant	0.3	0.0	0.0	0.0	0.0	0.0	0.0
C. TRANSFERS & LOANS TO C.S.A	253.9	47.5	38.8	86.3	61.5	140.3%	34.0%
D. INTEREST PAYMENT & FEES	392.8	69.0	2.4	71.4	92.8	77.0%	18.2%
Domestic	304	57.7	0.0	57.8	72.0	80.3%	19.0%
External	88.8	11.3	2.4	13.6	20.8	65.5%	15.3%
E. NET LENDING TO C.S.A	-4	0.0	0.0	0.0	-1.4	0.0%	0.0%
Gross Lending	0	0.0	0.0	0.0	0		
Less : Loan Repayments	-4	0.0	0.0	0.0	-1.4	0.0%	0.0%
F. RECURRENT EXPENDITURE & NET LENDING	3904.2	337.8	479.7	817.5	791.5	103.3%	20.9%
As % of GDP	18.4%	1.6%	2.3%	3.9%	3.7%		
2 DEVELOPMENT BUDGET							
Domestic Funds	1385.9	21.7	73.5	95.1	288.2	33.0%	6.9%
Project Grants	974.3	0.0	0.0	86.9	76.9	113.0%	8.9%
Infrastructure Tax Credits	40	27.2	35.6	62.8	7.3		157.0%
Concessional loans	195	0.0	0.0	0.0	15.9	0.0%	0.0%
Commercial loans	0	0.0	0.0	0.0	0.0		
G. TOTAL DEVELOPMENT BUDGET (PIP)	2595.2	48.9	109.1	244.9	388.3	63.1%	9.4%
As % of GDP	12.3%	0.2%	0.5%	1.2%	1.8%		
H. TOTAL EXPENDITURE & NET LENDING	6676.4	386.7	588.8	1062.4	1179.8	90.0%	15.9%
As % of GDP	31.6%	1.8%	2.8%	4.6%	5.6%		
I. AMORTISATION	1681.5	189.1	247.2	436.3	101.6	429.4%	25.9%
Domestic	1425.9	164.9	240.7	405.6	67.0	605.8%	28.4%
External	255.6	24.2	6.5	30.7	34.7	88.6%	12.0%
J. LOAN REPAYMENTS	4	0.0	0.0	0.0	0.7	0.0%	0.0%
K. TOTAL PAYMENTS	8361.9	575.7	836.0	1498.7	1282.1	116.9%	17.9%
As % of GDP	39.5%	2.7%	4.0%	7.1%	6.1%		

Table 3: Central Govt Financing

(Kina, million)

	2009 Original	Feb Outturn	March Actual	March Outturn
A. TOTAL REVENUE AND GRANTS	6666.4	552.4	371.2	1010.5
B. TOTAL EXPENDITURE AND NET LENDING	6676.4	386.7	588.8	1062.4
C. DEFICIT (-) / SURPLUS (+)	-10.0	165.8	-217.7	-51.9
% of GDP	0.0%	0.8%	-1.0%	-0.2%
D. EXTERNAL FINANCING	-60.6	-42.1	-6.6	-48.7
D1. CONCESSIONAL FINANCING	-14.2	-24.2	-6.5	-30.7
New Borrowing	195	0.0	0.0	0.0
Less Amortisation	-209.2	-24.2	-6.5	-30.7
D2. COMMERCIAL FINANCING	-15.4	0.0	0.0	0.0
New Borrowing	0	0.0	0.0	0.0
Less Amortisation	-15.4	0.0	0.0	0.0
D3. EXCEPTIONAL FINANCING	-31	-18.0	0.0	-18.0
New Borrowing	0	0.0	0.0	0.0
Less Amortisation	-31	-18.0	0.0	-18.0
E. DOMESTIC FINANCING	60.9	-123.6	224.2	100.6
E1. DOMESTIC MARKET BORROWING (NET)	70.9	74.7	-200.7	-126.0
New Domestic Borrowing	1496.8	239.6	40.0	279.6
Less Amortisation	-1426	-164.9	-240.7	-405.6
E2. OTHER DOMESTIC FINANCING (b)	0.0	-198.4	424.9	226.6
E3. ASSETS SALES FINANCING	0.0	0.0	0.0	0.0
E4. NET FINANCING	0.0	0.0	0.0	0.0
F. TOTAL FINANCING	-10.0	-165.8	217.7	51.9
G. GROSS BORROWING	1692.0	239.6	40.0	279.6
Concessional	195	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0
Exceptional	0.0	0.0	0.0	0.0
Domestic	1497	239.6	40.0	279.6
Financing Gap	0.0	0.0	0.0	0.0

Source: Treasury