Mr Speaker,

today I introduce the 2026 Supplementary Budget for Parliament's consideration, the thirteenth budget or supplementary budget, that I have had the honour to present to this House.

This is a Supplementary Budget, based on supporting our families, from the global shocks all around us.

Supporting our families, from the initial shocks of the Middle East crisis, by protecting fuel prices for the last six months.

Supporting our families, from the potentially, largest weather impacts in our history, due to El Nino.

A Supplementary Budget, that allocates, an additional K1,330 million in forecast revenue collections, lifting the 2026 Budget, to a record level of 32,245 million in expenditure.

All, in the context of on-going budget repair and delivering a budget deficit, of K1,608 million in 2026, representing a fall to just 1.0% of GDP, and a drive to surplus by 2027.

And all in the context of PNG's economy, lifting to over K160 billion, given strong on-going growth and high commodity prices.

Supporting our families from the Global Shock of a Middle East War

Mr Speaker, the Marape-Rosso Government, has demonstrated that it is a caring and responsive Government.

The largest expenditure item, in the 2026 Supplementary Budget, is our fuel assistance package.

This is the package, that has kept fuel prices frozen at March levels, while fuel costs jumped dramatically, in countries around us. This decision, was made to support our families, from such a large fuel price jump, with all the risks, this has for the economy.

This fuel assistance package, will cost a minimum of K1 billion in direct subsidy assistance, as well as K110 million in lower GST revenues. Current expenditure, totals K853 million, which has been funded by using transfer provisions, to take moneys from other votes. The cost is shown in the Supplementary Budget Bills, as only being K539 million. This is because K461 million of the fuel subsidy cost, is being funded, through reductions made in earlier in appropriations, under transfer provisions, and the K110 million GST component, is shown by reduced revenues.

I will shortly, be introducing amendments, to our GST legislation, to remove GST from fuel. When I do this, I will outline, some of our history, of providing relief from global shocks and cost of living pressures, on our families, as well as future plans, for the fuel subsidies.

This fuel relief assistance, will build on our earlier Household Assistance Packages. Altogether, our combined household assistance packages, now total K4,442 million.

The Marape-Rosso Government is a caring, responsive and responsible Government, adjusting the budget, through savings elsewhere, to meet the priority needs of our families, and help support them from global shocks.

El Nino

Mr Speaker, the second largest expenditure component, of this 2026 Supplementary Budget, is setting aside, funding to support our families, with the emerging El Nino crisis.

We have all seen, the images of frost damage in the highlands, devastated crops on cracked soils, falling water levels and islands water tanks running dry. There is an economic impact from such weather, and this is a reason, that the MYEFO economic forecasts, include slower growth and higher prices due to El Nino. However, the greatest impacts, are on our families, especially our farmers relying on subsistence cash crops. Their potential suffering, is not properly measured, in our measures of the economy, but we understand the pain being faced, and we are acting.

The Supplementary Budget, sets aside K500 million, for a national response to El Nino. This has meant, finding offsetting cuts. Good cheap financing, of a significant portion of this, can be obtained from the World Bank (up to K300 million), but this will require, the declaration of a national emergency, and reducing financing, from other more expensive sources.

This K500 million in national funding, will build on the local allocation of funds, now estimated to be K665 million (89 Districts allocating K5 million each – so K445 million, and 22 Provinces allocating K10 million each – so K220 million). These funds are already built into the budget. For many areas, this would involve drawing down funds, already in trust accounts.

The total National El Nino Support Package, would therefore, total K1,165 million.

Once again, a caring and responsive Marape-Rosso Government, working hard, to find savings, to help deal, with the global shock of El Nino.

Economy

Mr Speaker, as set out in our Mid-Year Economic and Fiscal Outlook, the MYEFO, now released on the Treasury website, the PNG economy, continues to perform, so much better than many countries around us.

The headline number, from the mid-year economic update, is memorable. PNG's economy, is expected to reach K160 billion, in 2026.

This is K15 billion more, than we expected, at the time of the 2026 budget.

The PNG economy, has now more than doubled in size, during the

Marape Government, increasing from K79 billion in 2018, to K160 billion now.

Can all of us in this chamber, be more positive. Do acknowledge the hard work, that has been done. Yes, part of this record number, is due to high oil and gold prices.

But it is also, due to the hard work of on-going economic reform, that has started to lift living standards, for our people. The roads that are opening up remote locations and allowing our farmers to bring their produce to markets. The bridge upgrades, the airport upgrades.

And beyond these physical infrastructure upgrades, let us acknowledge the investments that are being made into human capital, with the massive increases, in support for our teachers and health workers. For example, our expenditure on teachers' wages, is more than a billion Kina higher, than in 2019.

And on fiscal reform, let us all in this Haus, acknowledge, that reducing the budget deficit, by a billion Kina a year, is making more space for businesses to grow, it is reducing inflationary pressures, and it is lowering the government's pressures, on the exchange rate. And with this Supplementary Budget, we stay on track, to reach a budget surplus in 2027, and start paying down our debt.

Let us acknowledge the gains, from monetary policy reform, with a dramatically, different culture, now in our central bank. They finally listened and with the old guard replaced, recognised, that foreign exchange shortages, were the greatest barrier to doing business in our country. This year, the CEO 100 business survey, saw foreign exchange drop, from being the number one issue, all the way down to the number twelve issue. What a massive drop!

Of course, we still have major challenges. This is one key reason, we are starting a National Coordinating Committee for Economic Reform, based on the work we are doing, to coordinate actions, to get off the FATF grey-list. We are setting up the structures, to coordinate, what is known as structural economic reform. A key focus of this, will be on lowering red tape, facing our businesses, including in our taxation system. We will look to see, if we can make it easier, to make investments in our country. We will see, how we can lift, the productivity of our agriculture sector. The first meeting, will be next week.

Budget reform, monetary policy reform, and now structural economic reform. This, is, the hard work, that supports a K160 billion economy. This, is, the hard work, that sees PNG continue, with its sixth year in a row, of real non-resource growth of over 4.5 per cent.

And all of this, achieved, even before the likely announcement, of FID or Final Investment Decision, for Papua LNG later, in December this year.

2025 Final Budget Outcome and 2026 Mid Year Economic and Fiscal Outlook

Mr Speaker, both of these documents have been put up on the Treasury website.

The key takeaway, from the 2025 FBO, is that the budget repair plan is on track. For the first time since 2011, the budget returned to a surplus, using the well respected, “primary balance” measure. Revenues were up by 11%, but did not match the ambitions, at the time of the 2025 budget, so matching expenditure adjustments, were made.

The 2026 MYEFO, demonstrated, the highest rate of budget execution, in PNG’s history. 50.1% of the 2026 budget was spent by 30 June. From 2012 to 2018, the average rate of budget implementation was 36 per cent by 30 June. From 2019 to 2026, the average rate of budget implementation has climbed to 43 per cent. Better underlying cash management, has reduced the cheque float, at the start of the year, allowing a faster rate of budget execution.

This good budget implementation performance, combined with few dividends being paid by 30 June, meant that the mid-year deficit reached K2.4 billion, significantly higher than the K1.6 billion deficit for the whole year. The MYEFO indicated that policy actions of some K2.9 billion were required.

The 2026 Supplementary Budget, is a reset to ensure, we get back on target. The Kumuls, especially Kumul Petroleum, is being asked to contribute, much more than their offer of just K650 million. The Government, is expecting payments, of at least K1,666.7 million in dividends. With higher oil prices, this can be achieved, without putting at risk, the equity financing plans, for Papua LNG. Their administration costs of K220 million, also exceed the combined administration costs of PM&NEC, Treasury and Finance. There is scope for paying more to the budget.

While dividends have not been performing well, some areas of taxation, have been performing particularly strongly. The stand-out, is the Minerals and Petroleum Tax or MPT, which is now expected, to exceed its budget estimate, by over K3 billion. However, overall, other taxes are slightly underperforming, although some of this, is a result, of a very welcome faster pace of GST refunds.

Combined with revenue actions, agreed over the last month, primarily on dividends, a range of other revenue measures, lift the total level of revenues, to an expected K1,330 million higher, than budget. This will also lift, the level of 2026 expenditure, by the same amount, so reaching K32,245 million.

The 2026 Supplementary Budget, includes major reallocations and cuts. The extra K1,330 million in revenues, is not enough to fund, the key government priorities, such as K1,110 million for fuel relief, K500 million for El Nino, and K150 million additional, for preparations, for the national elections, for the Electoral Commission, and over K50 million extra, for police and defence.

As stated by our Prime Minister, it is necessary for us, to develop more of a savings culture, in the public service. Strict controls, will be introduced on travel and allowances for all departments and agencies, projects will be deferred until 2027 for implementation. Overall, there is an expenditure reduction, of unspent goods and services of 10% for all core agencies, and just over 50% for all non-core agencies. This is part, of the hard work of budgeting.

Mr Speaker, as both revenues and expenditures go up by the same K1,330 million amount, the 2026 budget deficit, stays at K1,608 million. However, given the large increase, in nominal GDP mentioned earlier, the deficit will fall to 1.0% of GDP, and the debt to GDP ratio is expected to fall, to under 45%.

In Conclusion

Mr Speaker, this Supplementary Budget, represents major investments, to help support our families, from global shocks. K1,110 million, is allocated, to soften the shock, of the rapid increase in fuel prices, from the Middle East war. Our total Household Assistance packages, since 2022, have now climbed to K4,442 million.

K500 million, is provided for a national program, to help deal with the global weather shock of El Nino, building on the K665 million, expected, to be delivered at the local levels. An overall El Nino package available, totalling K1,165 million.

K150 million extra, for our new Electoral Commissioner, to prepare for a free and fair 2027 election, backed, by a total of over K50 million in support, for our police and defence forces.

These high level decisions, exceeded the budget funds available, so action is being taken, to sweep more revenues, into our national accounts, and collect more dividends. Cuts are required, but at such times, it is appropriate, to tighten the belt, on non-essential activities, such as overseas travels.

This type of good, caring, responsive economic management, has helped, pave the path to the highest, sustained, real economic growth rates, in our non-resource economy, and lift PNG, to a

K160 billion economy, more than double the level, back in 2018. Budget repair, and economic reform, will continue, as we focus on lifting, the living standards of our people.

Mr Speaker, I commend, the 2026 Supplementary Budget, to the Parliament.

Thank you.

The Hon.Ian Ling-Stuckey, CMG.MP
Treasurer

1 September 2026