Papua New Guinea government announces huge drop in revenue, major funding cuts in budget

By Eric Tlozek in Papua New Guinea

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Papua New Guinea's government has announced a huge drop in its revenue and major funding cuts in a 2015 supplementary budget and its 2016 budget.



PHOTO: Papua New Guinea has blamed falling commodity prices for a drop in revenue. (Wikipedia: Bim im Garten)

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The supplementary budget included a 12 per cent drop in revenue, a hit of about 1.5 billion kina ($780 million) to its 15.1 billion kina overall budget.

The PNG government blamed falling commodity prices for the slump, with its mining and petroleum tax (MPT) revenue falling from an estimate of 1.7 billion kina ($786 million) to just 300 million ($138 million).

"This has not been an easy year for us," PNG treasurer Patrick Pruaitch said.

"Ever since oil prices plunged late last year the revenue projections have been adversely affected."

Mr Pruaitch said a plunge in the oil price at the end of last year took much of the shine off Exxon-Mobil's PNG LNG project and projected revenues were much lower than forecast.

"This had a double-whammy impact on the PNG economy coming on top of the fall in copper, gold and nickel prices," he said.

The government said it had responded by cutting 1.38 billion kina off expenditure and raised additional revenue of 1.1 billion kina.

But the country's 2015 deficit still rose from 2.41 to 2.49 billion kina, 4.9 per cent of GDP.

In 2016, PNG has forecast an overall budget of 14.76 billion kina, a deficit of 2.1 billion kina (3.8 per cent of GDP). Its debt to GDP ratio will rise from 34.7 to 35.8 per cent.

Economic growth is predicted to fall from 9.9 per cent to 4.3 per cent and PNG's debt will rise by 2.02 billion kina to 19.7 billion kina ($10.3 billion).

The government has pushed back a return to surplus from 2017 to 2020 and will hold its first ever sovereign bond issue in a bid to raise 1 billion USD ($1.4 billion), mainly for debt restructuring.

PNG has announced it will work with the International Monetary Fund to review its debt management strategy in the medium term.

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