



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

July 2008

July 2008 Fiscal Report

1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the July 2008 Fiscal Outturn. The trend numbers in this report are now based on the MYEFO 2008 Report.

Table 1.1 Summary (Kina Millions)

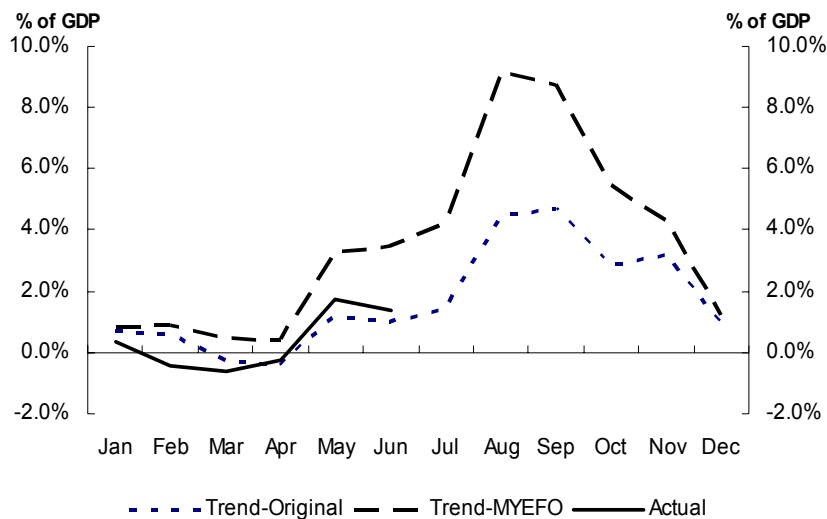
GoPNG ONLY	Budget	MYEFO	May	June	July	July Trend	% of Trend	% of MYEFO
Total Revenue	6004.2	7401.7	2119.3	2485.9	2829.9	3139.1	90%	38%
Total Expenditure	5801.8	7139.2	1775.4	2181.5	2598.0	2200.3	118%	36%
Budget Balance	202.4	262.5	344.0	304.4	231.8	938.8		
% of GDP	1.0%	1.2%	1.7%	1.4%	1.0%	4.2%		

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

Total GoPNG revenue was slightly higher to July 2008, with collections 10 per cent above the trend required to meet 2008 Budget estimates. Total GoPNG expenditure for the June 2008 outturn turned out to be above trend by 13 per cent.

Overall, the Government's Budget position was a surplus of K304.4 million or 1.4 per cent of GDP compared to the expected (trend) surplus of K332.8 million or 1.5 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 slightly above trend in the June Fiscal Outturn of 2008.

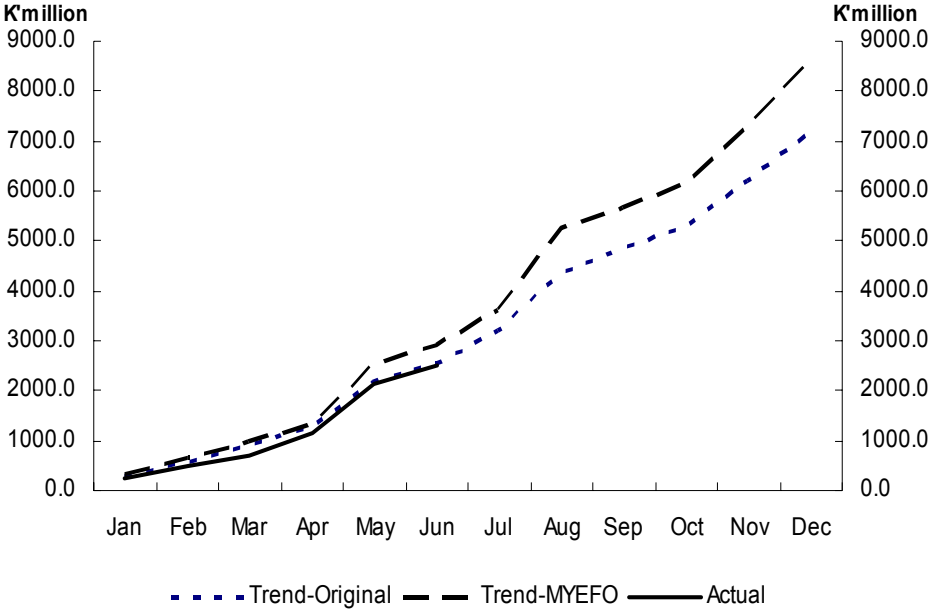
Tax receipts in the June 2008 Outturn were K2381.4 million, which is 9 per cent higher than the trend. Taxes on income and profits were higher than trend by 16 per cent, primarily attributable to the higher recording of all direct tax heads with the exception to gaming taxes; domestic taxes on goods and services were lower than trend by 13 per cent due to the lower GST collection and domestic excise; and taxes on international trade performed better than trend by 19 per cent.

Non-tax revenue receipts for the June Outturn were K104.4 million, which is 20 per cent above trend. This is due mainly to the higher than anticipated receipt of the mining dividends and departmental revenues. Non mining dividends have yet to be recorded as dividend proceeds from these companies are managed by the IPBC who then decides on transferring these proceeds 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 K16.6 million are recorded as being utilized in the June Outturn, which is 21 per cent below trend. Project support grants from donors have yet to be recorded. Treasury is yet to receive expenditure reports from donors and therefore.

Total revenue and grants were K2502.4 million at the end of June 2008. This is more or less on the trend expected at K2512.5 million.

3. Expenditure and Net Lending

Total Expenditure (GoPNG)

National Departments' recurrent expenditure totalled K1113.4 million as at June 2008. This is 20 per cent above trend, and represents 49 per cent of the 2008 Budget appropriation.

National Departments' personnel emoluments expenditure were K413.5 million in June Outturn, compared to the K416.3 million anticipated in trend expenditure, which is 1 per cent below trend and represents 44 per cent of the 2008 Budget.

National Departments' general goods and services expenditure was K699.9 million in the June Outturn. This is 37 per cent above trend and represents 53 per cent of the 2008 Budget appropriation.

Grants to Provincial Governments totalled K388.0 million in June compared to K314.6 million in trend expenditure. This is 23 per cent above trend and represents 54 per cent of the 2008 Budget appropriation.

Provincial Government personnel emoluments expenditure (including teachers) was K283.0 million in the June Outturn compared to K247.5 million anticipated in trend, This is 14 per cent above trend and represents 47 per cent of the 2008 Budget appropriation.

Provincial Government goods and services grant expenditure totalled K59.1 million in the June Outturn compared to K40.1 million in trend expenditure. This reflects a quite higher recording during the first half of the year. It is 47 per cent above trend and represents 90 per cent of the 2008 Budget appropriation. The higher recording reflects transfers from the national government accounts into the provincial governments' operating accounts and not necessarily expenditure incurred by the provincial governments.

Autonomous Bougainville Government incurred total expenditure of K34.3 million compared to trend expected at K19.0 million. This is 80 per cent above trend and 63 per cent of the total 2008 Budget appropriation.

Transfers to Statutory Authorities totalled K133.0 million in the June 2008 Outturn. This is 26 per cent above trend and is 59 per cent of the 2008 Budget appropriation

Interest payments and fees totalled K99.0 million in the June Outturn and is 47 per cent below trend. This represents 27 per cent of the 2008 Budget appropriation.

Domestic development expenditure in the June Outturn turned out to be K378.3 million, which is 22 per cent above trend and represents 72 per cent of the 2008 Budget appropriation.

Draw downs on concessional project loans turned out to be K0.7 million which is 1 per cent of trend.

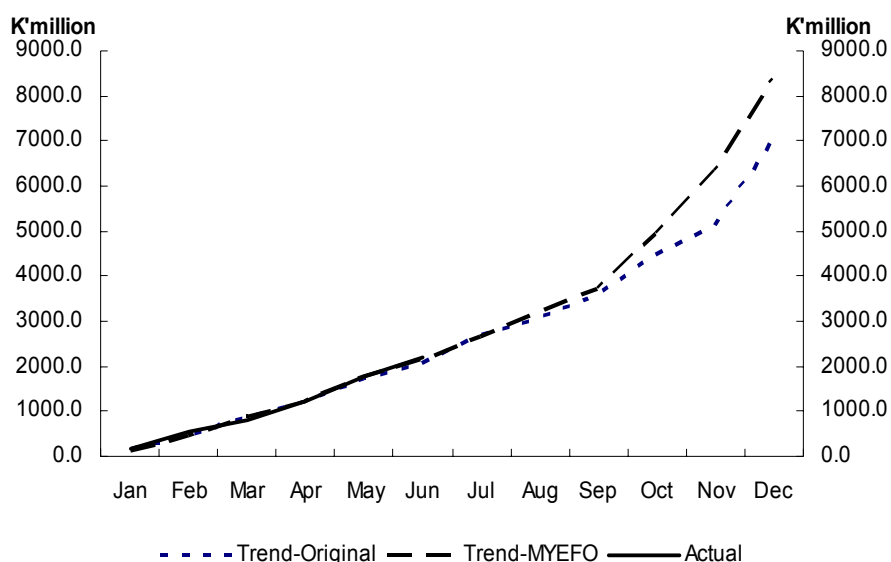
Tax Credits and Grants

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 K16.6 million are recorded as being utilized in the June Outturn. This is 21 per cent above trend. 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 June 2008 were K37.0 million of which K27.0 million was ear-marked for the public servants housing project, and K10.0 million for the border development project.

Overall total expenditure and net lending for the June Outturn were K2198.1 million compared to the trend estimate of K2179.7 million. This is 1 per cent above trend, however represents only 31 per cent of the 2008 Budget appropriation.

4. Financing

A Budget surplus of K304.4 million (or 1.4 per cent of GDP) was recorded in the June 2008 Outturn, compared to the trend surplus of K355.0 million (or 1.5 per cent of GDP).

Net external outflows totalled K108.0 million and net domestic outflow turned out to be K196.4 million. Both outflows were financed through the surplus generated.

Based on TMS Rundate: 03/09/08

Last Updated: 08/09/08

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

	2008 Budget	2008 MYEFO	June Outturn	July Actuals	July Outturn	July Trend	% of Trend	% of MYEFO
A. TAX REVENUE	5,516.7	6,805.6	2,381.4	339.2	2,720.6	2,567.9	106%	40%
A1. TAX ON INCOME AND PROFITS	4,142.0	5,372.8	1,738.2	194.0	1,932.2	1,867.5	103%	36%
Personal Income Tax	1,053.7	1,086.2	545.0	78.4	623.3	640.1	97%	57%
Company Tax	699.7	777.9	271.6	79.4	351.0	365.5	96%	45%
Dividend Withholding Tax	195.5	260.0	156.7	12.2	168.9	122.8	138%	65%
Interest Withholding Tax	21.4	21.9	11.1	1.3	12.4	13.4	93%	57%
Mining and Petroleum Taxes	2,011.8	3,049.3	668.4	0.0	668.4	935.9	71%	22%
Gaming Tax	86.5	93.8	41.6	6.8	48.4	56.8	85%	52%
Other: Direct	73.4	83.7	43.8	15.9	59.7	49.3	121%	71%
A2. DOM. TAXES ON GOODS & SERVICES	987.3	1,009.6	423.3	115.6	539.0	578.4	93%	53%
Excise	368.3	346.0	171.0	31.5	202.5	202.9	100%	59%
GST	600.8	648.2	239.0	84.0	323.0	365.4	88%	50%
Mining Levy	15.0	12.0	11.4	0.0	11.4	7.8	145%	95%
Other: Indirect	3.2	3.4	2.0	0.1	2.1	2.3	90%	62%
A3. TAXES ON INTERNATIONAL TRADE	387.4	423.2	219.9	29.6	249.5	235.4	106%	59%
Import Duty	132.7	149.8	77.3	13.3	90.6	83.9	108%	61%
Export Duty	155.2	150.0	77.7	5.4	83.2	85.2	98%	55%
Excise duties on Imports	99.5	123.5	64.9	10.8	75.7	66.3	114%	61%
B. NON-TAX REVENUE	487.5	596.1	104.4	4.8	109.2	141.4	77%	18%
B1. PROPERTY INCOME	388.3	493.0	65.7	0.0	65.7	102.5	64%	13%
Dividends	128.5	153.5	0.0	0.0	0.0	16.8	0%	0%
Mining and Petroleum Dividends	259.8	339.5	65.7	0.0	65.7	85.7	77%	19%
B2. INTEREST AND FEES FROM LENDING	5.0	9.0	0.1	0.0	0.1	5.1	2%	1%
B3. OTHER NON TAX REVENUE	94.2	94.1	38.6	4.8	43.4	33.8	128%	46%
B4. ASSETS SALES	0.0	0.0	0.0	0.0	0.0	0.0	0%	0%
C. TOTAL REVENUE	6,004.2	7,401.7	2,485.9	344.0	2,829.9	3,139.1	90%	38%
% of GDP	30.4%	37.5%	11.2%	1.5%	12.7%	14.1%	90%	34%
D. INFRASTRUCTURE TAX CREDIT	73.7	73.7	16.6	1.9	18.4	33.1	56%	25%
E. GRANTS	1123.7	1173.3	0.0	93.2	93.2	448.5	21%	8%
Budgetary Support	0.0	0.0	0.0	0.0	0.0	0.0		
Project Grants	1123.7	1173.3	0.0	93.2	93.2	448.5	21%	8%
F. TOTAL REVENUE AND GRANTS	7,201.6	8,648.7	2,502.4	439.1	2,941.5	3,620.7	81%	34%
As % of GDP	36.5%	43.8%	11.2%	2.2%	14.9%	16.3%	92%	34%
G. PRINCIPAL RECEIPTS FROM LENDING	4.0	4.0	2.2	0.0	2.2	2.3	92%	54%
H. GROSS BORROWING	1793.9	2761.6	-88.1	461.2	373.1	-257.7	-145%	14%
I. ASSET SALES	0.0	0.0	0.0	0.0	0.0	0.0		
J. TOTAL RECEIPTS	8,999.5	11,414.3	2,416.5	900.3	3,316.8	3,365.3	99%	29%
As % of GDP	45.6%	57.9%	10.8%	4.6%	16.8%	15.1%	111%	29%

Source: Treasury

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2008 Budget	2008 MYEFO	June Outturn	July Actuals	July Outturn	July Trend	% of Trend	% of MYEFO
1 RECURRENT BUDGET								
A. NATIONAL DEPARTMENTS	2,262.3	2,262.3	1,113.4	177.7	1,291.1	1,108.5	116%	57%
Personnel Emoluments	932.1	932.1	413.5	86.8	500.2	483.6	103%	54%
Total Goods & Services	1,330.2	1,330.2	699.9	91.0	790.9	625.0	127%	59%
General Goods & Services	1,079.3	1,079.3	523.3	79.9	603.2	554.6	109%	56%
Education Subsidies	143.0	143.0	132.8	1.3	134.1	40.3	333%	94%
Arrears Payments	0.0	0.0	0.0	0.0	0.0	0.0	0%	0%
SAP Payments	55.9	55.9	4.1	0.4	4.6	10.0	46%	8%
Court Orders	52.0	52.0	39.6	9.4	49.0	20.1	244%	94%
B1. PROVINCIAL GOVERNMENTS	723.5	723.7	388.0	88.1	476.1	369.4	129%	66%
Personnel Emoluments	596.8	596.8	283.0	70.4	353.4	294.2	120%	59%
Staffing Grants	166.3	166.3	100.8	20.9	121.7	89.8	135%	73%
Teachers Salaries	430.5	430.5	182.2	49.5	231.7	204.4	113%	54%
Goods & Other Services	65.8	65.9	59.1	6.7	65.8	44.6	147%	100%
Administration Grants	15.5	15.5	13.9	1.9	15.8	10.0	158%	102%
Health Function Grant	14.5	14.5	13.2	1.3	14.5	8.9	163%	100%
Education Subsidies	21.7	21.7	19.4	2.2	21.6	15.8	137%	100%
Derivation Grants	14.1	14.1	12.6	1.3	13.8	9.9	139%	98%
Conditional Grants	60.9	60.9	46.0	11.0	57.0	30.6	186%	94%
Trans/Infra/Maint. Grants	16.7	16.7	14.9	1.5	16.3	10.8	151%	98%
Local & Village Services Grants	30.9	30.9	26.4	9.2	35.6	11.5	310%	115%
Town & Urban Services Grants	11.1	11.1	2.9	0.0	2.9	7.0	42%	26%
Village Courts	2.2	2.2	1.9	0.3	2.1	1.3	165%	96%
B2. AUTONOMOUS BOUGAINVILLE GOVT	54.0	54.0	34.3	3.3	37.6	21.9	172%	70%
Police Grant	2.2	2.2	2.2	0.0	2.2	0.9	255%	100%
Recurrent Grant	51.5	51.5	32.1	3.3	35.4	20.8	170%	69%
Conditional Grant	0.3	0.3	0.0	0.0	0.0	0.2	0%	0%
C. TRANSFERS & LOANS TO C.S.A	226.8	226.8	133.0	20.0	153.0	124.1	123%	67%
D. INTEREST PAYMENT & FEES	373.5	310.7	99.0	79.4	178.4	163.2	109%	57%
Domestic	275.3	272.6	56.9	70.8	127.7	141.2	90%	47%
External	98.2	38.1	42.2	8.5	50.7	22.0	231%	133%
E. NET LENDING TO C.S.A	-4.0	-4.0	-2.2	0.0	-2.2	-2.3	92%	54%
Gross Lending	0.0	0.0	0.0	0.0	0.0	0.0		
Less : Loan Repayments	4.0	4.0	2.2	0.0	2.2	2.3	92%	54%
F. RECURRENT EXPENDITURE & NET LEND.	3,636.1	3,573.5	1,765.6	368.5	2,134.1	1,784.7	120%	60%
As % of GDP	18.4%	18.1%	7.9%	1.7%	9.6%	8.0%	120%	53%
2 DEVELOPMENT BUDGET								
Domestic Funds	526.7	526.7	378.3	35.9	414.1	330.4	125%	79%
Project Grants	1,123.7	1,173.3	0.0	93.2	93.2	448.5	21%	8%
Infrastructure Tax Credits	73.7	73.7	16.6	1.9	18.4	33.1	56%	25%
Concessional loans	163.0	163.0	0.7	12.2	12.9	66.4	19%	8%
Commercial loans	0.0	0.0	0.0	0.0	0.0	0.0		
G. TOTAL DEVELOPMENT BUDGET (PIP)	1,887.1	1,936.7	395.5	143.2	538.6	878.4	61%	28%
As % of GDP	9.6%	9.8%	1.8%	0.6%	2.4%	3.9%	61%	25%
ADDITIONAL PRIORITY EXPENDITURE SUPPLEMENTARY BUDGET	1476.0	1476.0	37.0	0.0	37.0	18.8	197%	3%
H. TOTAL EXPENDITURE & NET LENDING	6,999.2	8,386.1	2,198.1	511.6	2,709.7	2,681.9	101%	32%
As % of GDP	35.5%	42.5%	9.9%	2.3%	12.2%	12.0%	101%	29%
I. AMORTISATION	1996.3	3024.2	216.3	388.7	605.0	681.0	89%	20%
Domestic	1553.0	1553.0	107.6	372.0	479.6	243.4	197%	31%
External	443.3	1471.2	108.7	16.7	125.4	437.7	29%	9%
J. LOAN REPAYMENTS	4.0	4.0	2.2	0.0	2.2	2.3	92%	54%
K. TOTAL PAYMENTS	8,999.5	11,414.3	2,416.5	900.3	3,316.8	3,365.3	99%	29%
As % of GDP	45.6%	57.9%	10.8%	4.6%	16.8%	15.1%	111%	29%

Source: Treasury

TABLE 3: CENTRAL GOVERNMENT FINANCING
(Kina, million)

	2008 Budget	2008 MYEFO	June Outturn	July Actuals	July Outturn	July Trend	% of Trend	% of MYEFO
A. TOTAL REVENUE AND GRANTS	7,201.6	8,648.7	2,502.4	439.1	2,941.5	3,620.7	81%	34%
B. TOTAL EXPENDITURE AND NET LENDING	6,999.2	8,386.1	2,198.1	511.6	2,709.7	2,681.9	101%	32%
C. DEFICIT (-) / SURPLUS (+)	202.4	262.5	304.4	-72.5	231.8	938.8		
% of GDP	1.0%	1.2%	1.4%	-0.3%	1.0%	4.2%		
D. EXTERNAL FINANCING	-279.3	-1307.2	-108.0	-4.5	-112.5	-368.8		
D1. CONCESSIONAL FINANCING	-210.3	-1238.4	-61.0	3.7	-57.3	-332.5		
New Borrowing	163.0	163.0	0.7	12.2	12.9	68.4	19%	8%
Less Amortisation	-373.3	-1401.4	-61.7	-8.5	-70.2	-400.9	18%	5%
D2. COMMERCIAL FINANCING	-15.0	-14.7	-8.3	0.0	-8.3	-23.6		
New Borrowing	1.0	0.9	0.0	0.0	0.0	0.5	0%	0%
Less Amortisation	-16.0	-15.6	-8.3	0.0	-8.3	-24.1	34%	53%
D3. EXCEPTIONAL FINANCING	-54.0	-54.1	-38.7	-8.2	-46.9	-12.7		
New Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0%	0%
Less Amortisation	-54.0	-54.1	-38.7	-8.2	-46.9	-12.7	369%	87%
E. DOMESTIC FINANCING	76.9	1044.7	-196.4	77.0	-119.3	-570.0		
E1. DOMESTIC MARKET BORROWING (NET)	77.0	76.8	274.4	-300.8	-26.4	9.2		
New Domestic Borrowing	1630.0	1629.8	382.0	71.2	453.2	252.6	179%	28%
Less Amortisation	-1553.0	-1553.0	-107.6	-372.0	-479.6	-243.4	197%	31%
E2. OTHER DOMESTIC FINANCING (b)	-0.1	967.9	-470.8	377.8	-92.9	-579.2	16%	-10%
E3. ASSETS SALES FINANCING	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		
F. TOTAL FINANCING	-202.4	-262.5	-304.4	72.5	-231.8	-938.8		
G. GROSS BORROWING	1793.9	2761.6	-88.1	461.2	373.1	-257.7		
Concessional	163.0	163.0	0.7	12.2	12.9	68.4	19%	8%
Commercial	1.0	0.9	0.0	0.0	0.0	0.5	0%	0%
Exceptional	0.0	0.0	0.0	0.0	0.0	0.0		
Domestic Financing Gap	1629.9 0.0	2597.7 0.0	-88.8 0.0	449.0 0.0	360.3 0.0	-326.6 0.0	- 110%	14%

Source: Treasury