



DEPARTMENT OF TREASURY

FISCAL OUTTURN REPORT

January/ February 2009

January/February 2009 Fiscal Report

This report provides a summary of Government revenue and expenditure for January to February 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 may be a less useful predictor of expenditure patterns in 2009 than in previous years.

1. Summary of Fiscal Performance

The table below summarises the fiscal outturn (in millions of kina) for the January and February 2009. The trend numbers in this report are now based on the Original 2009 Budget.

Table 1.1 Summary (Kina Millions)

GoPNG ONLY	2009 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget 2009
Total Revenue (GoPNG)	5652.1	278.2	247.1	525.3	565.6	93%	9.3%
Total Expenditure (GoPNG)	5290.1	164.1	315.4	479.5	560.2	86%	9.1%
Budget Balance	362.0	114.0	-68.2	45.8	5.3		
% of GDP	1.7%	0.5%	-0.3%	0.2%	0.0%		

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

Total Government of PNG (GoPNG) revenue was 7.0 per cent below the trend required to meet 2009 Budget estimates to end February. Total GoPNG expenditure for February 2009 outturn turned was below trend by 14.0 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	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget 2009
Revenue and Grants	6666.4	289.1	263.3	552.4	609.5	90.6%	8.3%
Expenditure and Net Lending	6676.7	175.1	331.6	506.7	608.8	83.2%	7.6%
Budget Balance	-10.3	114.0	-68.2	45.8	0.6		
% of GDP	0.0%	0.5%	-0.3%	0.2%	0.0%		

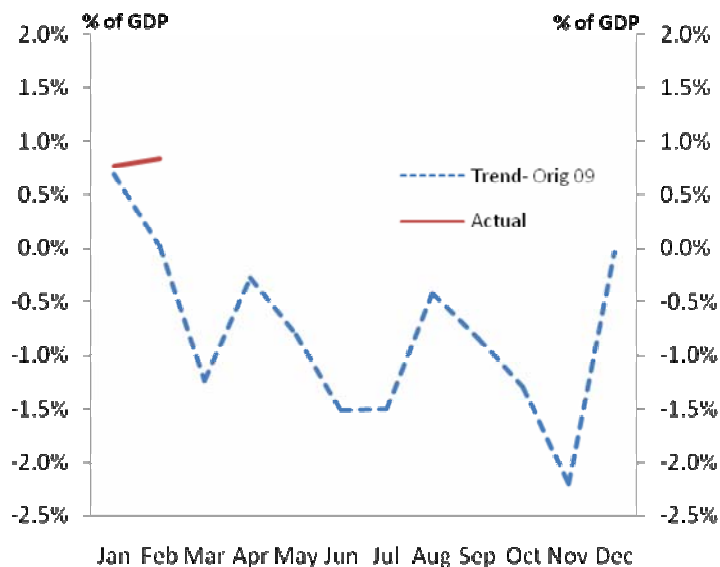
Source: Department of Treasury (based on Treasury Management System reports)

Overall, the Government's Budget position was a surplus of K45.8 million or 0.2 per cent of GDP compared to the (trend) surplus of K0.6 million or 0.01 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 2009 Original Budget.

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



Source: Department of Treasury

2. Revenue and Grants

Total Revenue and Grants was slightly below trend to February 2009.

Table 2.1 Tax Revenue (Kina Millions)

	2009 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget 2009
Tax on Incomes & Profits	3043.9	138.8	155.4	294.3	300.1	98.1%	9.7%
Domestic taxes on Goods & Services	1114.2	108.0	61.7	169.7	171.0	99.2%	15.2%
Taxes on International Trade	456.2	30.3	21.8	52.1	67.1	77.7%	11.4%
Total Tax Revenue	4614.3	277.1	238.9	516.1	538.1	95.9%	11.2%

Source: Department of Treasury

Tax receipts to February 2009 were K516.1 million, 4.1 per cent lower than the trend. Taxes on income and profits were lowerer than trend by 1.9 per cent, primarily attributable to the lower recording of personnel income tax and company tax. Domestic taxes on goods and services were slightly lower than trend by 0.8 per cent. Taxes on international trade were below trend by 23.3 per cent due to lower export values.

Table 2.2 Non – Tax Revenue (Kina Millions)

	2009 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb 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	3.7	0.0%	15.3%
Other Nontax Revenue	90.9	1.0	8.2	9.2	6.5	141.8%	7.1%
Injections from Trust	0.0	0.0	0.0	0.0	0.0		
Non-tax Revenue	437.8	1.0	8.2	9.2	27.4	33.6%	27.8%

Source: Department of Treasury

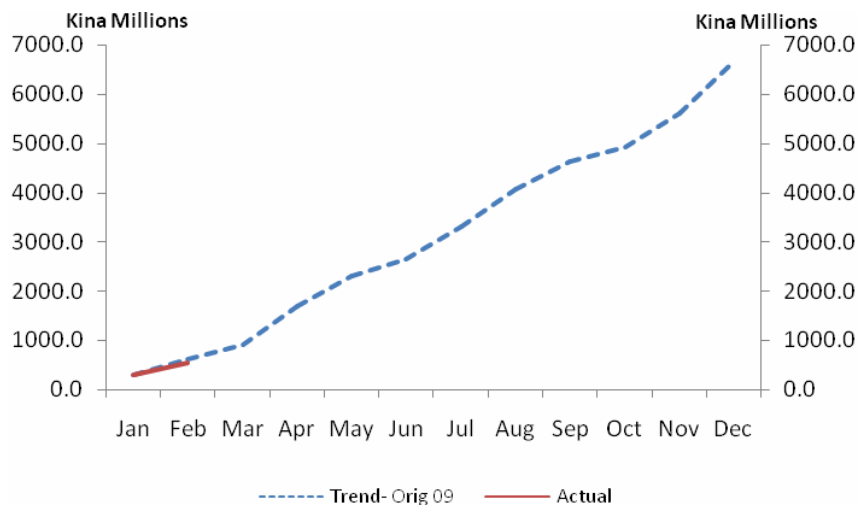
Non-tax revenue receipts to February 2009 was K9.2 million, 66.4 per cent below trend. This is because Mining and Petroleum Tax receipts have not been received yet therefore, there are no dividends from this revenue head while Property Income has yet to be received and recorded as dividend proceeds from State owned enterprises and Statutory Authorities. Other non tax revenue which comprises of revenue receipts from Government Departments was above trend by 41.8 per cent.

Tax Credits and Grants

Infrastructure tax credits (ITC) of K27.2 million are recorded as being utilized to February 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 K0.0 million in the February Outturn, below trend. Project grant reports are only received from donors and recorded on a quarterly basis.

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 K552.4 million at the end of February 2009. This is below trend by 9.4 per cent.

3. Expenditure and Net Lending

Total Expenditure and Net Lending to February 2009 was K506.7 million, which was 26.8 per cent below the estimated trend expenditure.

Table 3.1 Total Expenditure & Net Lending (Kina Millions)

	2009 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget t 2009
Recurrent Budget	3,904.2	175.1	282.8	457.8	457.5	100.1%	11.7%
Development Budget	2,595.2	0.05	48.8	48.9	151.3	32.3%	1.9%
Total Expenditure and Net Lending	6,499.4	175.1	331.6	506.7	608.8	83.2%	7.8%

Total Recurrent Expenditure & Net Lending.

Total Recurrent Expenditure and Net Lending was K457.8 million as at February 2009. This was 0.1 per cent above trend and represents 11.7 per cent of the 2009 Budget appropriation.

Table 3.2 Total Recurrent Expenditure & Net Lending (Kina Millions)

	2009 Budget	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget 2009
National Depts	2,364.5	112.2	120.4	232.6	236.4	98.4%	9.8%
Provincial Govts	840.0	29.7	65.2	94.9	75.2	126.1%	11.3%
ABG	57.0	2.5	11.4	13.8	8.0	172.2%	24.1%
Transfers & Loans to CSA's	253.9	24.0	23.5	47.5	38.6	123.0%	18.7%
Interest Payments & Fees	392.8	6.7	62.3	69.0	99.3	69.5%	17.6%
Net Lending to CSA's	-4.0	0.0	0.0	0.0	0.0		0.0%
Recurrent Exp & Net Lending	3,904.2	175.1	282.8	457.8	457.5	100.1%	11.7%

Source: Department of Treasury

National Departments recurrent expenditure totalled K232.6 million which is 1.6 per cent below trend and represents 9.8 per cent of the 2009 Budget Appropriation.

National Departments' personnel emoluments expenditure was K129.7 million in February Outturn, compared to the K89.5 million in trend expenditure, which is 45.0 per cent above trend and represents 13.7 per cent of the 2009 Budget. The higher expenditure is due to the nurses backdated salary payments to mid 2006 and inclusion of superannuation payments.

National Departments' general goods and services expenditure was K102.8 million in the February Outturn. This is 22.8 per cent below trend and represents 8.5 per cent of the 2009 Budget appropriation.

Grants to Provincial Governments which include both Personnel Emoluments and Goods and Services for Provincial Governments totalled K94.9 million to February 2009 compared to K75.2 million in trend expenditure. This is 26.1 per cent above trend and represents around 11.3 per cent of the 2009 Budget appropriation.

Provincial Government personnel emoluments expenditure (including teachers) was K85.2 million in the February Outturn compared to K48.1 million in trend expenditure. This is 77.3 per cent

above trend and represents about 12.9 per cent of the 2009 Original Budget appropriation. The higher expenditure in Personnel Emoluments is due to the Nurses backdated salary payments.¹

Provincial Government goods and services grant expenditure was K9.6 million to February 2009 compared to K27.1 million in trend expenditure. It is 64.6 per cent below trend and represents 5.2 per cent of the 2009 Original Budget appropriation. The lower expenditure in Goods & Services is due to lower expenditure undertaken by the provinces to provide goods and services.

Autonomous Bougainville Government (ABG) incurred total expenditure of K13.8 million compared to trend expenditure of K8.0 million. This is above trend by 72.2 per cent and represents 24.1 per cent of the 2009 Budget appropriation. The higher expenditure is due to cash transfers made to ABG from the National Government for them to utilize as and when they have planned programs and projects to undertake.

Transfers to Statutory Authorities totalled K136.4 million as at the end of February 2009. This is 23.0 per cent above trend and is 18.7 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 K69.0 million to February 2009 and is 30.5 per cent below trend. This represents 17.6 per cent of the 2009 Original Budget appropriation.

Total Development Expenditure

Total Development expenditure to February 2009 totalled K48.9 million, which was substantially below the trend by 67.3 per cent. 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	Jan Outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget 2009
Domestic Funds	1385.9	-11.0	32.6	21.7	102.7	21.1%	1.6%
Project Grants	974.3	0.0	0.0	0.0	38.3	0.0%	0.0%
Infrastructure Tax Credits	40	11.0	16.2	27.2	5.6	485.8%	68.0%
Concessional loans	195	0.0	0.0	0.0	4.7	0.0%	0.0%
Commercial loans	0	0.0	0.0	0.0	0.0	0.0%	0.0%
Total Development Exp	2595.2	0.0	48.8	48.9	151.3	32.3%	1.9%

Source: Department of Treasury

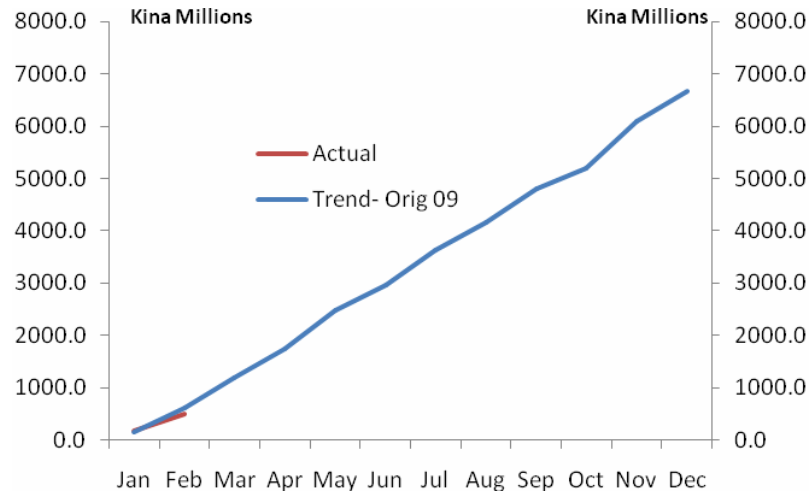
Domestic development expenditure to February 2009 was K21.7 million, which is substantially below the trend of K102.7 million.

Infrastructure tax credits of K27.2 million are recorded as being utilized in the February Outturn. Project support grants are K0.0 million. Project grant reports received from donors are only recorded on a quarterly basis.

¹ Refers to Nurses and Community Health Workers who work in the rural centers therefore, come under the Provincial Payroll.

Overall total expenditure and net lending for the February Outturn was K506.7 million compared to the trend estimate of K608.8 million. This is 26.8 per cent below trend, and represents 7.6 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 surplus of K45.8 million (or 0.2 per cent of GDP) was recorded in the February 2009 outturn.

Net external outflows totalled K42.1 million and a net domestic outflow turned out to be K3.7 million.

Based on
TMS
Rundate:
27/04/09

Last Updated: 18/05/09

TABLE 1: CENTRAL GOVERNMENT REVENUE & GRANTS

Kina, million

		2009 Original	Jan outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget
A.	TAX REVENUE	4614.3	277.1	238.9	516.1	538.1	95.9%	11.2%
A1.	TAX ON INCOME AND PROFITS	3043.9	138.8	155.4	294.3	300.1	98.1%	9.7%
	Personal Income Tax	1195.1	96.4	84.8	181.2	194.9	93.0%	15.2%
	Company Tax	877.3	22.8	25.1	47.9	49.2	97.3%	5.5%
	Dividend Withholding Tax	144.2	8.5	20.9	29.4	17.5	168.2%	20.4%
	Interest Withholding Tax	19.1	0.0	0.0	0.0	2.9	0.0%	0.0%
	Mining and Petroleum Taxes	626.5	0.0	8.4	8.4	0.9	919.9%	1.3%
	Gaming Tax	85.8	0.2	0.0	0.2	17.5	1.0%	0.2%
	Other: Direct	95.9	11.0	16.2	27.2	17.2	157.8%	28.3%
A2.	DOM. TAXES ON GOODS AND SERVICES	1114.2	108.0	61.7	169.7	171.0	99.2%	15.2%
	Excise	407.5	37.7	16.8	54.4	72.9	74.7%	13.4%
	GST	703	70.0	45.0	115.0	97.0	118.6%	16.4%
	Other: Indirect	3.7	0.3	-0.1	0.2	1.1	21.2%	6.4%
A3.	TAXES ON INTERNATIONAL TRADE	456.2	30.3	21.8	52.1	67.1	77.7%	11.4%
	Import Duty	166.3	14.8	7.7	22.5	23.2	97.2%	13.6%
	Export Duty	152.9	7.0	6.8	13.8	23.6	58.5%	9.0%
	Excise duties on Imports	137	8.5	7.3	15.8	20.3	77.8%	11.5%
B.	NON-TAX REVENUE	1037.8	1.0	8.2	9.2	27.4	33.6%	0.9%
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%
B2.	INTEREST AND FEES FROM LENDING	24	0.0	0.0	0.0	3.7	0.0%	0.0%
B3.	OTHER NON TAX REVENUE	90.9	1.0	8.2	9.2	6.5	141.8%	10.1%
	INJECTIONS FROM TRUST	600						0.0%
B4.	ASSETS SALES	0.0	0.0	0.0	0.0	0.0		
C.	TOTAL REVENUE	5652.1	278.2	247.1	525.3	565.6	92.9%	0.1
	% of GDP	26.7%	1.3%	1.2%	2.5%	2.7%		
D.	INFRASTRUCTURE TAX CREDIT	40	11.0	16.2	27.2	5.6	485.2%	67.9%
E.	GRANTS	974.3	0.0	0.0	0.0	38.3	0.0%	0.0%
	Budgetary Support	0.0	0.0	0.0	0.0	0		
	Project Grants	974.3	0.0	0.0	0.0	38.3	0.0%	0.0%
F.	TOTAL REVENUE AND GRANTS	6666.4	289.1	263.3	552.4	609.5	90.6%	8.3%
	As % of GDP	31.5%	1.4%	1.2%	2.6%	2.9%		
G.	PRINCIPAL RECEIPTS FROM LENDING	4.0	0.0	0.0	0.0	0.8	0.0%	0.0%
H.	GROSS BORROWING	1691.8	0	239.6	239.6	5.4	4436.1%	14.2%
I.	ASSET SALES	0.0	0.0	0.0	0.0	0.0		
J.	TOTAL RECEIPTS	8362.2	289.1	502.9	792.0	615.7	45.3	0.2
	As % of GDP	39.5%	1.4%	2.4%	3.7%	2.9%	0.2%	0.0%

TABLE 2: CENTRAL GOVERNMENT EXPENDITURE
(Kina, Million)

	2009	Jan	Feb	Feb	Feb	% of	% of
	Original	outturn	Actuals	Outturn	Trend	Trend	Budget
1 RECURRENT BUDGET							
A. NATIONAL DEPARTMENTS	2364.5	112.2	120.4	232.6	236.4	98.4%	9.8%
Personnel Emoluments	943.7	88.3	41.4	129.7	89.5	145.0%	13.7%
Total Goods & Services	1420.8	23.9	79.0	102.9	146.9	70.1%	7.2%
General Goods & Services	1207.4	23.9	78.9	102.8	131.5	78.2%	8.5%
Education Subsidies	143	0.0	0.0	0.0	10.3	0.0%	0.0%
Arrears Payments	0	0.0	0.0	0.0	0.0		
SAP Payments	18.4	0	0.1	0.1	0.9	12.1%	0.6%
Court Orders	52	0	0	0	4.7	0.0%	0.0%
B. PROVINCIAL GOVERNMENTS	840	29.7	65.2	94.9	75.2	126.1%	11.3%
Personnel Emoluments	659.8	29.7	55.6	85.2	48.1	177.3%	12.9%
Staffing Grants	198.7	14.0	15.2	29.2	20.7	141.0%	14.7%
Teachers Salaries	461.1	15.6	40.4	56.0	27.3	204.9%	12.1%
Goods & Other Services	98.4	0	7.3	7.3	15.8	46.3%	7.4%
Administration Grants	24.3	0	0.9	0.9	2.6	35.7%	3.8%
Health Function Grant	28.4	0	2.0	2.0	5.2	39.1%	7.2%
Education Subsidies	31.6	0	2.5	2.5	4.8	52.8%	8.0%
Derivation Grants	14.1	0	1.8	1.8	3.1	57.2%	12.8%
Conditional Grants	81.8	0.0	2.3	2.3	11.4	20.4%	2.8%
Trans/Infra/Maint. Grants	34.0	0	2.1	2.1	8.4	25.1%	6.2%
Local & Village Services Grants	33.7	0	0.1	0.1	2.2	2.7%	0.2%
Town & Urban Services Grants	11.9	0	0.0	0.0	0.3	0.0%	0.0%
Village Courts	2.2	0	0.2	0.2	0.5	31.4%	7.0%
AUTONOMOUS BOUGAINVILLE GOVT	57	2.5	11.4	13.8	8.0	172.2%	24.1%
Police Grant	2.3	1.2	0.0	1.2	0.6	188.4%	51.0%
Recurrent Grant	54.4	1.2	11.4	12.6	7.4	170.8%	23.1%
Conditional Grant	0.3	0.0	0.0	0.0	0.0		0.0%
C. TRANSFERS & LOANS TO C.S.A	253.9	24	23.5	47.5	38.6	123.0%	18.7%
D. INTEREST PAYMENT & FEES	392.8	6.7	62.3	69.0	99.3	69.5%	17.6%
Domestic	304	1.8	55.9	57.7	82.5	70.0%	19.0%
External	88.8	4.9	6.4	11.3	16.8	67.0%	12.7%
E. NET LENDING TO C.S.A	-4	0.0	0.0	0.0	0.0	0.0%	0.0%
Gross Lending	0	0.0	0.0	0.0	0.0	0.0%	0.0%
Less : Loan Repayments	-4	0.0	0.0	0.0	-1.3	0.0%	0.0%
F. RECURRENT EXPENDITURE & NET LENDING	3904.2	175.1	282.8	457.8	457.5	100.1%	11.7%
As % of GDP	18.4%	0.8%	1.3%	2.2%	2.2%		
2 DEVELOPMENT BUDGET							
Domestic Funds	1385.9	-11.0	32.6	21.7	102.7	21.1%	1.6%
Project Grants	974.3	0.0	0.0	0.0	38.3	0.0	0.0
Infrastructure Tax Credits	40	11	16.2	27.2	5.6	485.8%	68.0%
Concessional loans	195	0.0	0.0	0.0	4.7		
Commercial loans	0	0.0	0.0	0.0	0.0		
G. TOTAL DEVELOPMENT BUDGET (PIP)	2595.2	0.05	48.8	48.9	151.3	32.3%	1.9%
As % of GDP	12.3%	0.0%	0.2%	0.2%	0.7%		
REAPPROPRIATION INTO TRUST	177			0.0	0.0		0.0%
H. TOTAL EXPENDITURE & NET LENDING	6676.4	175.1	331.6	506.7	608.8	83.2%	7.6%
As % of GDP	31.6%	0.8%	1.6%	2.4%	2.9%		
I. AMORTISATION	1681.5	8.1	181.0	189.1	57.7	327.6%	11.2%
Domestic	1425.9	0	164.9	164.9	35.4	465.6%	11.6%
External	255.6	8.1	16.1	24.2	22.3	108.4%	9.5%
J. LOAN REPAYMENTS	4	0	0.0	0.0	0.3	0.0%	0.0%
K. TOTAL PAYMENTS	8361.9	183.2	512.5	695.7	666.8	104.3%	8.3%
As % of GDP	39.5%	0.9%	2.4%	3.3%	3.2%	0.0%	0.0%

TABLE 3: CENTRAL GOVERNMENT FINANCING

(Kina, million)

	2009 Original	Jan outturn	Feb Actuals	Feb Outturn	Feb Trend	% of Trend	% of Budget
A. TOTAL REVENUE AND GRANTS	6666.4	289.1	263.3	552.4	609.5	90.6%	8.3%
B. TOTAL EXPENDITURE AND NET LENDING	6676.4	175.1	331.6	506.7	608.8	83.2%	7.6%
C. DEFICIT (-) / SURPLUS (+)	-10.0	114.0	-68.2	45.8	0.6	7119%	-458%
% of GDP	0.0%	0.5%	-0.3%	0.2%	0.0%	0.3%	0.0%
D. EXTERNAL FINANCING	-60.6	-15.0	-27.1	-42.1	-12.6	5.5	0.7
D1. CONCESSIONAL FINANCING	-14.2	-8.1	-16.1	-24.2	-7.5	2.0	0.1
New Borrowing	195	0.0	0.0	0.0	4.7	0.0%	0.0%
Less Amortisation	-209.2	-8.1	-16.1	-24.2	-12.2	198.1%	11.6%
D2. COMMERCIAL FINANCING	-15.4	0.0	0.0	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	0		0.0%
D3. EXCEPTIONAL FINANCING	-31	-6.9	-11.0	-18.0	-5.1	3.6	0.6
New Borrowing	0	0.0	0.0	0.0			
Less Amortisation	-31	-6.9	-11.0	-18.0	-5.1	355.1%	58.0%
E. DOMESTIC FINANCING	60.9	-99.0	95.3	-3.7	11.9	8.8	0.3
E1. DOMESTIC MARKET BORROWING (NET)	70.9	0.0	74.7	74.7	104.2	7.9	0.3
New Domestic Borrowing	1496.8	0.0	239.6	239.6	131.1	182.7%	16.0%
Less Amortisation	-1426	0.0	-164.9	-164.9	-27.0	611.1%	11.6%
E2. OTHER DOMESTIC FINANCING (b)	0.0	-99.0	20.6	-78.4	-92.2	85.0%	
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	-10.0	-114.0	68.2	-45.8	-0.6	7119%	458%
G. GROSS BORROWING	1692.0	0.0	239.6	239.6	7.0	3441%	0.2
Concessional	195	0	0.0	0.0	4.7	0%	0.0%
Commercial	0.0	0	0.0	0.0			
Exceptional	0.0	0	0.0	0.0			
Domestic	1497	0.0	239.6	239.6	2.3	10481%	16.0%
Financing Gap	0.0	0.0	0.0	0.0			

Source: Treasury

