



# 2024 PRAIVET GAVAMANI KONEKT - 1

***“PNG Economy for the  
Next 12 months”***

Tuesday 13<sup>th</sup> February, 2024

Department of Treasury



# OUTLINE



## Outlook for the next 12 months

- Key macroeconomic parameters
  - GDP
  - Commodity prices
  - Inflation
  - Foreign Exchange

## Fundamental challenges underpinning the outlook

- External shocks
- Internal/Self induced shocks

## Outlook upside

- Increased global commodity prices
- Early production from Porgera mine
- Early construction of Papua LNG

## Budget Update

- Revenue
- Expenditure
- Deficit

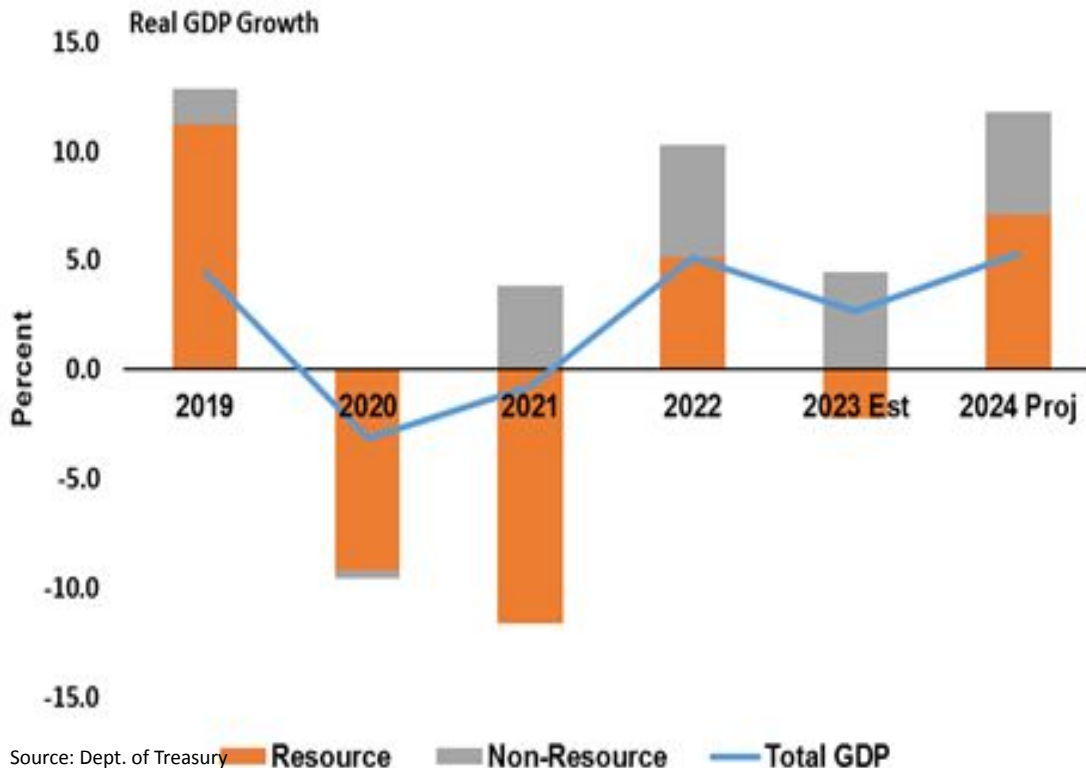
## Conclusion



# ECONOMIC GROWTH

## Domestic economy to grow by 5.3% in 2024 underpinned by;

1. Resumption of Porgera mine production in Q2 of 2024 (9 months production)
2. The spill-over effects of Porgera mine resumption to other sectors of the economy, eg. Transport and logistics
3. Increased production from Ok Tedi and Lihir mines as a result of better access to high grade ores.
4. Increased LNG and Condensate production with the onset of production from two (2) new wells being drilled at Angore.
5. Record Budget – increased government spending. Connect PNG Program
6. High commodity prices and its impact on other sectors esp. Agriculture, Retail, Manufacturing etc.





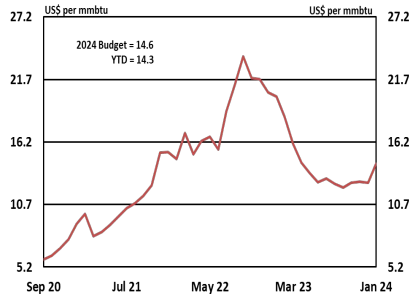
# KEY COMMODITY PRICES



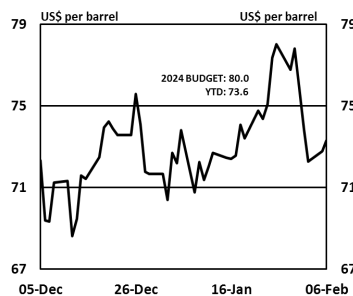
## Commodity prices are tracking well inline with the 2024 Budget price assumptions

2024 YTD prices for most commodities are tracking well inline with the Budget except a few with huge price variations esp. coffee, cocoa and cobalt

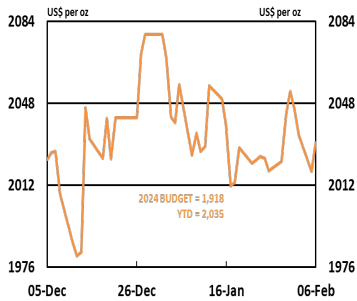
### LNG



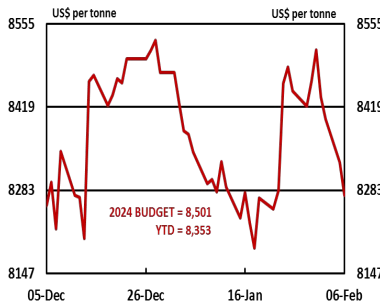
### Crude Oil



### Gold



### Copper



	2023 Outcome	2024 Budget	YTD (1 Jan- 6 Feb)	Variance (% change)
<b>Agriculture Prices</b>				
Coffee (US\$ per tonne)	4453	4090	<b>4623</b>	<b>13.0</b>
Cocoa (US\$ per tonne)	3099	3354	<b>4232</b>	<b>26.2</b>
Copra oil (US\$ per tonne)	1080	1080	<b>1109</b>	2.7
Palm Oil (US\$ per tonne)	853	825	<b>818</b>	<b>-0.9</b>
<b>Mineral Prices</b>				
Gold (US\$/oz)	1918	1973	<b>2035</b>	<b>3.1</b>
Copper (US\$/ton)	8501	8285	<b>8353</b>	0.8
Oil (Kutubu Crude: US\$/barrel)	79.1	80.0	<b>73.6</b>	<b>-8.0</b>
LNG (US\$ per thousand cubic feet)	14.9	14.6	<b>14.3</b>	<b>-2.2</b>
Condensate (US\$/barrel)	79.1	80.0	<b>73.6</b>	<b>-8.0</b>
Nickel (US\$/tonne)	19028	17745	<b>16054</b>	<b>-9.5</b>
Cobalt (US\$/tonne)	25953	24632	<b>28189</b>	<b>14.4</b>
USD per PGK	0.2798	0.2789	<b>0.2676</b>	<b>-4.0</b>
AUD per PGK	0.4228	0.4222	<b>0.4028</b>	<b>-4.6</b>

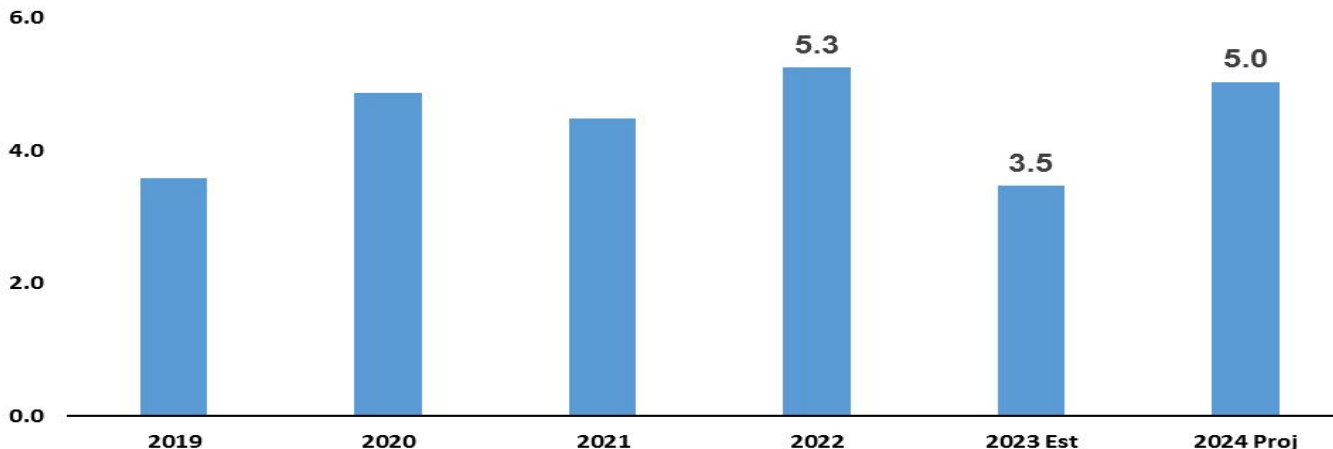


# Inflation



## Inflation is projected to moderate to 3.5% in 2023 and increase to 5.0% in 2024

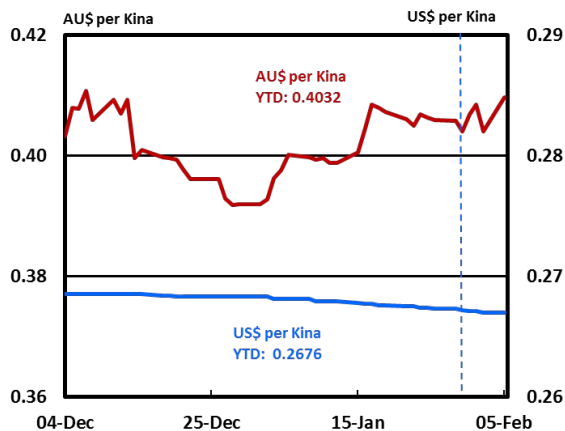
Headline inflation (Year Average %)



Source: Actuals from NSO. Projections from Treasury

### Exchange Rates Assumption

Kina to depreciate by 4% against USD & Appreciate by 0.8% against AUD in 2024.



### Inflation projection of 5% is underpinned by;

- High oil prices (US\$80 per barrel)
- Exchange rate depreciation:
  - USD/PGK: 0.2798
  - AUD/PGK: 0.4222
- Increased Gov't spending
- High economic growth (5.3%)
- Porgera mine reopening
- Early construction of Papua LNG



# Fundamental challenges underpinning outlook



## External Shocks:

- **Commodity Price Movements**
- **Persisting global inflationary pressures**
- **Impact of COVID-19 or similar infectious diseases**
- **Natural disasters (earthquake, drought etc.)**
- **Tighter global financial conditions**
- **Exchange rate depreciating faster than expected**

## Internal and Self induced shocks:

- **Domestic Challenges**
  - Difficulties in accessing Foreign exchange – continues to affect businesses and is still a concern;
  - Unreliable utilities and telecommunications;
  - Delayed and low productivity in the extractive sector;
  - Shortfalls in revenue and unbudgeted expenditures/commitments;
  - Security and law & order concerns;
- **Civil Unrest**
  - The devastating impact of the “Black Wednesday” event on 10<sup>th</sup> January 2024
    - Unemployment increase - 2000 + jobs directly affected
    - GDP will be negatively impacted
    - Inflation will likely increase
    - Tax Revenue will fall. Preliminary estimates have indicated total tax revenue losses of around K300m + (esp. CIT, PIT, GST). IRC reports that not all affected businesses are tax compliant. It estimates 71 businesses affected and 35 of this are tax compliant while 36 are non compliant
    - Acerbated FX backlogs for affect businesses
    - Loss of investor confidence and loss of appetite for new investments

Department of Treasury is still assessing the economic impact of the “Black Wednesday” events.



# Upside to Outlook



While the “Black Wednesday” events have already tainted the economic outlook with negativity, there are some positive developments which could potentially support the economy in the next 12 months...

- **GDP**

- The early resumption of Porgera mine (and its spill-over effects), continued government spending esp. in key economic enablers, and the prevailing high commodity prices are expected to support growth.
- Early construction of Papua LNG will also further support growth, should it happen.
- The Government is working on a “Relief Package” to assist the affected business to rebuild and recover quickly.

- **Employment**

- The resumption of Porgera mine and the commencement of the new resource projects, particularly Papua LNG will increase employment.
- Targeted government spending in critical areas will also support growth and employment. Expenditure on Connect PNG Program should create market accessibility for remote and underserved communities. This will promote economic diversification and job creation in non-resources sectors (agriculture, construction and tourism).

- **Revenue**

- Tax Revenue should also pick up with the resumption of Porgera mine, Papua LNG early construction, and the increased targeted government spending in key critical area.



# Fiscal Parameters



The 2024 Budget continues on the fiscal consolidation path since the 2020 Budget.

	2022 Actual	2023 Supp. Budget	2024 Budget
<b>GDP</b>	<b>111,241.2</b>	<b>111,350.8</b>	<b>122,519.1</b>
GDP Nominal Growth (%)	21.4%	0.1%	10.0%
GDP Real Growth	5.2%	2.7%	5.3%
<b>Total Revenue</b>	<b>18,538.2</b>	<b>20,403.0</b>	<b>23,393.8</b>
<b>Tax Revenue</b>	<b>16,453.6</b>	<b>16,320.7</b>	<b>18,694.8</b>
<b>Other Revenue (Non-Tax)</b>	<b>612.5</b>	<b>2,057.4</b>	<b>2,494.0</b>
<b>Grants</b>	<b>1,472.1</b>	<b>2,024.9</b>	<b>2,205.0</b>
<b>Total Expenditure &amp; Net lending</b>	<b>24,390.0</b>	<b>25,337.0</b>	<b>27,377.5</b>
<b>Operational Component (PE and G&amp;S)</b>	<b>11,939.4</b>	<b>12,742.2</b>	<b>13,626.9</b>
Compensation of Employees	6,490.3	6,942.0	7,034.2
Goods and Services	4,326.5	4,342.2	5,057.1
Provincial Functional Grants	445.2	642.0	638.0
GST & BTT Transfers	677.4	816.0	897.6
<b>Interest Payment (Debt Service)</b>	<b>2,578.7</b>	<b>2,783.8</b>	<b>3,050.8</b>
<b>Capital Investment Component</b>	<b>9,871.9</b>	<b>9,810.9</b>	<b>10,699.8</b>
GoPNG PIP	6,952.3	6,630.0	7,281.0
GoPNG PIP as share of Total Expenditure	28.5%	26.2%	26.6%
Concessional Loans	1,447.5	1,156.0	1,213.8
Donor Support Grants	1,472.1	2,024.9	2,205.0
<b>Deficit (-)/ Surplus (+)</b>	<b>-5,851.8</b>	<b>-4,934.1</b>	<b>-3,983.8</b>
as % of GDP	-5.3%	-4.4%	-3.3%
<b>TOTAL GOVERNMENT DEBT</b>	<b>53,679.9</b>	<b>58,613.9</b>	<b>62,597.7</b>
Debt to GDP (%)	48.3%	52.6%	51.1%

- **Total Revenue : K23,393.8m**
- **Total Expenditure : K27,377.5m**
- **Deficit: K3,983.8m**
- **BUDGET DEFICIT** at -3.3% of GDP (2024) vs -4.4% (2023 Supp. Budget);
- **DEBT TARGET** at 51.1% of GDP (2024) vs 52.6% (2023 Supp. Budget).





# Conclusion



**Treasury will continue to support our Government's effort for sustainable and inclusive growth through:**

**1. Expansionary fiscal/budgetary inventions**

**Increasing expenditure in key critical areas to support growth and employment.**

**2. Monetary policy interventions - management of inflation and foreign exchange backlog, through BPNG.**

**3. Structural adjustment programs with support from our Trusted Development Partners like IMF, ADB, and the WB.**

**THANK YOU**