



INDEPENDENT STATE OF PAPUA NEW GUINEA

LEADER OF THE OPPOSITION

MEDIA RELEASE

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GOVERNMENT RECOVERY PLAN IN TATTERS, SAYS OPPOSITION LEADER HON. PATRICK PRUAITCH

- BPNG CONFIRMS DEBT BLOWOUT PREDICTED BY OPPOSITION AND JOB LOSSES ACCELERATED IN PAST YEAR

The Central Bank quarterly economic bulletin this week confirms the O'Neill Government's Economic Recovery Plan was based on mythical figures to support outcomes that cannot be achieved, The Opposition Leader, Hon. Patrick Pruaitch, said today.

BPNG's bulletin showed total public-sector debt blew out to K23,856.7 million at the end of the September quarter, surpassing the projection for the end of 2017 in Treasurer Charles Abel's 100 Day Economic Recovery Plan and 2018 National Budget.

"This has two major implications," Mr. Pruaitch said. "First, total debt outstanding at the end of 2017 is likely to come close to, or exceed, the K25.8 billion debt level forecasts for the end of 2018.

"Second, the debt to GDP ratio will increase beyond the 32.2% projected for this year and, indeed, both the World Bank (32.6%) and International Monetary Fund (33.3%) have declared that PNG debt to GDP had surpassed this level by the end of 2016.

Mr. Pruaitch said the reality is that PNG's debt to GDP ratio this year could exceed the higher levels recently approved under the Fiscal Responsibility Act by breaking through the new 35% ceiling with the IMF warning that without proper fiscal consolidation the 40% level would eventually be breached.

He said "worsening economic conditions and the accelerating pace of job losses that is hurting tens of thousands of families throughout PNG are additional proof of the economic mismanagement I have been warning about since early last year.

"The BPNG Governor, Mr. Loi Bakani, has confirmed that total PNG employment fell sharply by 3.2% in the year to September, compared with a 1% decline in the same period in 2016.

“Employment levels are falling across the board, except for the mining and wholesale sectors. Jobs have been lost in construction, manufacturing, agriculture, forestry, fisheries, transportation, retail, financial, business and other service sectors.

“The economic stagnation caused by mismanagement is shown up especially by BPNG’s confirmation that if the mineral sector were excluded, the employment decline had hit 4.5% for one of the worst setbacks in many years.”

Although Mr. Abel was able to suggest that the IMF Article IV report was supportive of Government strategies, the IMF report in fact warned: *“On unchanged fiscal and exchange rate policies, PNG faces several more years of economic stagnation with a growing risk of fiscal and financial crisis.”*

Even the 2018 Government budget contains a stark warning that Prime Minister O’Neill and Treasurer Abel appear to be ignoring.

It said the total interest cost for Government debt, which I earlier predicted would surpass K2 billion this year, already makes up 15.9% of total Government revenue, excluding grants and is “double the average of low middle-income countries, Mr. Pruaitch said.

The Opposition Leader said the O’Neill-Abel Government it is taking this nation down a similar debt fuelled path that led to the 2002 crisis when some analysts were calling PNG a failed state.

“At that time some 20% of total revenue was needed to service debt and this Government has been pushing the economy in that direction since 2012 even though we now have a much larger economy,” he added.

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