UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016

PAPUA NEW GUINEA

GDP (current US$, billions):	$16.93	Population (thousands):	7,464
Share of GDP in developing Asia-Pacific:	0.07%	GDP per capita (current US$):	$2,268.16
Share of GDP in Pacific island developing economies:	53%	Average inflation (2015)	5.1%

- Output growth in Papua New Guinea decreased to 9.9% in 2015 from 13.3% in 2014, owing to temporary closure of a large copper and gold mine. The still high economic growth rate in 2015 benefited from higher production of liquefied natural gas (LNG).

- Non-resource output is likely to grow more moderately as a result of drought conditions that affected agricultural output and lower government spending that held back construction activity.

- Inflation rate was largely stable at 5.1% in 2015, as the effects of lower oil and commodity prices were offset by a currency depreciation of 14% in 2015.

- Near-term economic growth is projected to decline notably, to 4.3% in 2016 and 2.4% in 2017.

- Capital inflows relating to LNG projects have passed their peak levels, while unfavourable weather conditions are anticipated to further dampen the agricultural sector. Fiscal support would also be more modest amid an expected decrease in government spending.

- On the upside, construction activities in preparation for hosting the eighth Summit of African, Caribbean and Pacific Heads of State and Government in 2016 and the Asia-Pacific Economic Cooperation Leaders' Summit in 2018 are expected to support the economy.

- The key downside risks are lower-than-expected prices for key commodity export items, such as copper and gold, and lower external demand for minerals. Such phenomena could weaken public revenue performance, necessitating further consolidation of expenditures.

- The immediate policy challenge is to manage headwinds from severe government revenue shortfalls, which could amount to nearly 5% of GDP according to an official estimate, due to lower-than-expected revenues from the minerals sector.

- A supplementary budget for 2015 introduced budget cuts of about 2.7% of GDP, mainly for projects that were behind schedule on implementation and for idle funds that had not been disbursed. These steps would help keep the public debt level within the statutory limit of 35% of GDP.

- In the medium term, fiscal consolidation is needed to abate risks due to further declines in commodity prices. Given the smaller fiscal space, spending on necessary public services, such as health and infrastructure, has to be well targeted to support more inclusive growth.

- A revival of agriculture and a strengthening of small businesses supported by greater financial inclusion will also be vital for improving the livelihood of the majority of the population.