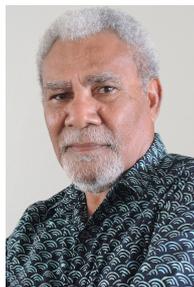


**Public Statement by
Rt Hon Sir Mekere Morauta
Port Moresby, 19 July 2016**

The Prime Minister's GDP growth claims are wrong and misleading



Prime Minister Peter O'Neill's misleading claims about GDP growth are a smoke-screen to hide the true state of the economy and public finances and his mismanagement of them.

When he boasts about 9 percent annual GDP growth, he is both wrong and misleading.

Papua New Guinea's annual GDP growth is not 9 percent per annum, as he says. Nor is GDP growth alone the answer to our problems, as he imagines.

People do not eat GDP. We consume the goods and services that we have converted from GDP, and this is what we are lacking.

Mr O'Neill inherited strong GDP growth but has failed to convert it into any meaningful level of new goods and services. Instead he has wasted and mismanaged the national development potential that he has been presented with.

"Mr O'Neill inherited a strong economy, growing by 11.1 percent in 2011, 8.0 percent in 2012 and 5.0 percent in 2013. But since then his short-sighted and reckless fiscal practices have wasted that advantage," Sir Mekere said.

"Papua New Guinea has got nothing to show from that strong growth and the riches flowing from the start of production of PNG LNG, apart from a few unproductive showpiece projects in Port Moresby, and lavish hosting of international conferences attracting people like the dictator Robert Mugabe."

The nation is deeper in debt than ever, service delivery continues to decline and public institutions – including all SOEs - are struggling. Public servants are not being paid their full entitlements on time. Businesses are not being paid debts owed by the Government, and are laying off staff. Businesses are crippled by the lack of foreign exchange – there are still reports of a backlog for foreign exchange orders by businesses amounting to billions of kina. Businesses are operating on the goodwill of their overseas suppliers who are owed months and months in arrears.

Taken together with savage Budget cuts to essential services such as health, education and transport, it is no wonder the people are suffering like never before.

Sir Mekere said prominent economic analyst Paul Flanagan has concluded from official data that growth in economic activity is much lower than being claimed. He says, in fact, that PNG has been in recession for the past two years under Mr O'Neill.

"Based on National Statistical Office and Bank of PNG official figures, Flanagan estimates declines in employment of 7 percent, business sales of 16 percent, private sector lending of 4 percent and non-resource GDP of 1.3 percent.

"These numbers mean Papua New Guineans' standard of living has fallen by more than 5 percent over the last two years."

The non-resource (non-mining) sector – agriculture, fisheries, manufacturing, services, transport, etc – are the very activities that most Papua New Guineans depend on for their welfare and employment. This sector is in recession. The revenue and wealth generated by the mining sector in the last four years should have been used to grow the non-mining sector on a sustainable basis. Mr O'Neill has failed to do that.

Sir Mekere said Mr O'Neill's claim that GDP growth is 9.2 percent is simply a smokescreen. Turning on the LNG tap has meant nothing for the vast majority of people.

Why is O'Neill showing off and boasting about GDP? Papua New Guinea is poorer now, under Mr O'Neill, despite all the revenue from and borrowings against planned revenue from oil and gas.

"Port Moresby is not Papua New Guinea. Fancy buildings, aerial highways, expensive conferences and destruction of Paga Hill for so-called development, do nothing for people in towns outside Port Moresby or in rural areas," he said.

Mr O'Neill is the only Prime Minister in PNG's history who has experienced high growth rates yet has put the economy into recession. That is quite a record, and an important reason why he is no longer an acceptable Prime Minister.

Mr O'Neill has shown no intention or capability to repair the damage that he has single-handedly caused.

Papua New Guinea needs a well-planned economic and financial rescue plan that is properly funded, has the support of the people and is backed by Papua New Guinea's international friends and multilateral partners.

The country also urgently needs another mini-budget to correct the Prime Minister's mistakes in the original 2016 Budget, mistakes he should have learned from the 2015 Budget.

The nation cannot be kept alive by more raids on state-owned enterprises or by random, high-cost borrowings. Mr O'Neill is the problem, not the solution.