



2020/21 HYEFU CITIZEN GUIDE

The 2020/21 Half Year Economic and Fiscal Update (HYEFU) has been developed to provide an update to the fiscal forecasts for the 2020/21 Budget based on the latest economic data, actual expenditure in 2019/20 and unanticipated expenditures and revenues in 2020/21, amidst the substantial economic impacts of the COVID-19 pandemic.

Kua atuitui'ia te turanga kimi pu'apinga, pera te turanga 'aka'kitekite'anga no runga I te au 'akapou'anga moni no nga mataiti 2020/21, e kua 'akatinamou'ia tei reira ki runga I te 'akapapa'anga o te turanga kimi puapinga, te 'akapou'anga moni o nga mataiti 2019/20, pera tetai atu au 'akapou'anga moni takake, pera te au moni tere me kore ra, te au moni oki mai ki roto I te Basileia, noatu e kua ta'ii tatou I te turanga o teia maki Koviti – 19.

MEDIUM-TERM FISCAL STRATEGY AND PERFORMANCE AGAINST THE FISCAL RULES TE AU TAKAI'ANGA E TE AU RAVENGA NO RUNGA I TE AU TURE KIA KAURARO'IA

The HYEFU also contains the Government's Medium-term Fiscal Strategy for 2021/22 – 2024/25 (MTFS), providing details on Government's fiscal planning and anticipated expenditure profile over this period.

The Government is committed to the expenditure profile set out in the table below over the medium-term, with the fiscal space providing an indication of additional or reduction in expenditure that Government can undertake in each year.

Tei roto katoa I teia tumu manako maata te au 'akateretere'anga pera te au 'akapapa'anga no nga mataiti 2021/22 – 2024(MTFS), e ma te akaari'anga mai I te au parani e te au tamanako'anga akapou'anga moni a te Kavamani no teia tuatau.

Kua 'akaatinga te Kavamani no runga I au 'akapou'anga moni tei ta'iku'ia ki raro nei e, ma te 'akataka mai I te au moni tapiri me kore ra, te au moni 'akaiti'ia no runga I te au 'akapou'anga moni tate Kavamani rave I te au mataiti tatak'i'tai

\$ Million	2021/22	2022/23	2023/24	2024/25
Current Expenditure Planned	205.4	199.4	195.2	196.2
Fiscal Space	0	0	-2.5	-4.0
Total Expenditure - 2021/22 Budget	205.4	199.4	192.7	192.2

In 2021/22 and 2022/23, total expenditure is expected to remain at the level planned in the 2020/21 Budget, with small reductions in planned expenditure in the outer years as the need for economic stimulus lessens, and debt repayments increase.

\$ Million	Unit	Threshold	2019/20 Actual	2020/21 HYEFU Estimate	2021/22 Projection	2022/23 Projection	2023/24 Projection	2024/25 Projection
Total Expenditure Growth	%	4	19.6	25.3	-25.0	-2.8	-4.2	-0.8
Net Debt to GDP	%	30/35	16.3	40.9	45.7	41.4	37.8	33.6
Fiscal Balance to GDP	%	-1.9	-2.8	-30.4	-10.8	-1.3	1.3	2.6
Cash Reserves	Months	3	4	0.6	0	0	0	1.9

COVID-19 has had a significant impact on the tourism industry since March 2020. The resulting economic shock has severely impacted the Cook Islands economy, and is expected to reduce Gross Domestic Product (GDP) by 19.9% with flow on effects to Government revenues.

Kua riro oki teia maki Koviti-19 I te akakite mai I te turanga o te tu'anga Turoto mei roto mai I te marama Mati 2020. Kua riro katoa oki tei reira I te akaari mai I tetai turanga poitirere no runga tikai I te turanga kimi puapinga o te Kuki Airani.

The size of the economic shock prompted Government to respond to the crisis with all resources available to it, including the allocation of funds from the \$56.7 million Stabilisation Account, to pay for the Economic Response Plan Phase II (ERP).

Kua riro katoa teia poitirere'anga ki te Kavamani I te kimikimi mata-tio'anga I tetai au ravenga, pera te no runga I te au 'akatu'anga'anga o te moni mei roto mai I te tu'anga moni \$56.7 mirioni tara, ei ravenga tutaki'anga I te turanga kimi pu'apinga tu'anga rua.

The impact to Government revenues relative to expenditure means that Government will have to draw on debt to strengthen its resources in 2020/21. Gross debt is forecast at \$185.2 million, or 40.9 per cent of GDP, by the end of 2020/21 with further debt expected to be drawn

on until 2023/24 where modest fiscal surpluses are forecast.

Ko te aite'anga I reira, ka 'akakaiou mai te Kavamani I tetai tu'anga moni ei 'akamatutu atu I te turanga ora'anga no nga mataiti 2020/21. Ko te katoa'anga o te moni 'akakaiou'anga, tei runga tei reira \$185.2 mirioni tara, me kore ra, 40.9 patene GDP, e, I te openga o nga mataiti 2020/21, ka tere katoa atu te turanga 'akakaiou'anga moni e tae uatu I nga mataiti 2023/24, e mate 'akaari katoa'anga mai I tetai au tu'anga moni tere.

The economic impacts of COVID-19, triggered an exit clause from the fiscal rules which underpin the MTFS to allow the Government to respond effectively and reduce potential economic scarring. Despite this, Government is committed to an expenditure profile which sees a return to adherence to the rules by 2024/25, when net debt is expected to fall below the hard debt cap.

Kua riro katoa oki teia maki Koviti – 19, I te oronga'anga mai I tetai mataara na vao mai I te au ture, tei riro katoa I te topiri atu I te MTFS, inara, te rave maroiroi nei te Kavamani I te kimi atu I tetai au taka'i'anga na roto I te akaiti'anga mai I te au tamataku'anga no runga I te turanga moni. Noatu ra tei au mea e tupu nei, kua akaatinga te Kavamani no runga I tetai au 'akapou'anga moni te ka akaari mai I tetai au turanga o te au ture no nga mataiti 2024/25, e ka akaari katoa mai I tetai turanga akaiti'anga mai o te au moni 'akakaiou'anga.



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ECONOMIC AND FISCAL UPDATE

	2019/20 Actual	2020/21 Budget Estimate	2020/21 HYEUFU Estimate	2021/22 Projection	2022/23 Projection	2024/25 Projection
Nominal Gross Domestic Product (GDP) (\$m)	528.1	472.5	429.2	464.8	526.0	552.1
Total Operating Revenue (\$m)	195.8	125.2	131.8	143.4	180.8	186.1
Total Operating Expenditure (\$m)	180.6	232.0	232.5	173.6	173.0	170.6
Operating Balance	15.3	-106.8	-100.7	-30.1	7.8	15.5
Capital Expenditure	39.1	42.4	42.8	33.0	27.6	21.6
Fiscal Balance surplus/ deficit (\$m)	-14.6	-136.1	-130.4	-50.0	-6.7	7.0
Percentage of GDP	-2.8	-28.8	-30.4	-10.8	-1.3	1.3

- In 2019/20, higher than anticipated tax revenue and savings in operating expenditure resulted in a net operating surplus of \$15.3 million and a fiscal deficit of \$14.6 million.
- I roto I nga mataiti 2019/20, ko te au tamanako'anga o te au moni tero tere, e pera, te au moni 'akaputupu, kua akaari mai tei reira i te au moni tere tei ta'anga'anga'ia ki te \$15.3 mirioni tara, e pera, te au moni 'akakaiou'ia kite \$14.6 mirioni tara.
- Revenue estimates are relatively higher in the 2020/21 HYEUFU than the 2020/21 Budget due to an increase in donor support offsetting the significant decrease in taxation and fishery estimates. In contrast, upward revisions to operating and capital expenditure have been relatively small. A fiscal deficit of \$130.4 million is forecast for the year and will be financed through debt and existing cash reserves until the fiscal situation improves.
- Ko te au moni 'akakaiou'anga, \$130.4 mirioni tara, kua akapapa'ia teira no teia mataiti e ka ta'anga'anga'ia tei reira na roto I te au 'akakaiou'anga pera te au moni akaputupu'ia e tae uatu I te tuatau e maranga akaou mai ei to tatou turanga ki runga.

ECONOMIC RESPONSE PLAN – TE PARANI NO TE TE TURANGA KIMI PUAPINGA

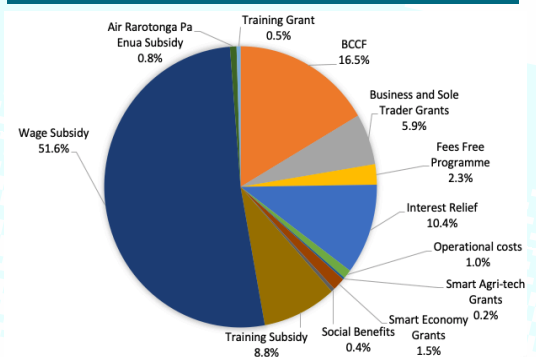
The ERP Phase II provides for a multi-faceted economic response that includes social initiatives such as unemployment support and the wage subsidy, and economic stimulus measures such as the low interest lending facilities and interest relief program through the domestic banks, as well as business support grants.

Ko te rua takainga o teia ERP, ka oronga mai tei reira I tetai au turanga kimi puapinga na roto I te akapiri'anga mai te tu'anga ora'an-

ga mei te aronga kare a ratou kimi'anga puapinga, pera te moni tauturu, e ka riro katoa te au pangika I te tauturu mai no runga I te au 'akakaiou'anga, akaiti mai I te au tutaki'anga no runga I tetai au apinga ka patii'ia, e pera tetai au tauturu mei roto mai I te au pitinini kimi puapinga.

A breakdown of total expenditure to date for the Economic Response Plan is provided in the chart.

EXPENDITURE TO DATE ON COVID-19 ECONOMIC RESPONSE PLAN



REVENUE AND GRANTS - TE AU MONI 'AKAPU'APINGA BASILEIA PERA TE MONI TURUTURU

Tax revenue is estimated to be \$81.3 million in 2020/21, representing a significant decrease since the 2020/21 budget of \$12.5 million due to the further delay in border reopening. This is largely made up of Value Added Tax (\$36.1 million), Income Tax (\$18.5 million) and Company Tax (\$12.8 million). Offsetting this is the \$15.0 million received from the New Zealand Government through General Budget Support. Government has also received one-off

revenue of \$8.3 million from the Financial Services Commission through Vested Asset receipts.

Ko te tamanako'anga o te au moni tero, ka tae tei reira ki te \$81.3 mirioni tara no nga mataiti 2020/21, e ka topa mai tei reira mei te 'akapou'anga moni o nga mataiti 2020/21 ki te \$12.5 mirioni tara e kua tupu tei reira no runga I te marie I te 'akatu'era 'akaou'anga o to tatou pae tomo'anga Ba-

sileia. Kapiti katoatoa'ia mai teia au tu'anga nei, Moni Tero Tapiri(\$36.1 mirioni tara), Moni Tero(\$18.5 mirioni tara), Moni Tero Kamupani(\$12.8 mirioni tara). Kua rauka katoa mai mei te Kavamani Nu Tireni e, \$15.0 mirioni mei roto mai te tu'anga moni Turuturu. Kua rauka katoa I te Kavamani tetai moni tauturu e \$8.mirioni tara, moni takake,mei roto mai I te putupu'anga Financial Service Commission.

GOVERNMENT EXPENDITURE – TE AU MONI 'AKAPOU'ANGA A TE KAVAMANI

Economic affairs is the primary expenditure category for Government in 2020/21, at just over \$73.3 million. This mainly consist of payments from the Economic Response Plan, followed by Transport at \$24.2 million and Tourism at \$8.5 million. General public services comprises of expenditure relating to the executive and legislative functions of Government, financial and fiscal affairs, and external affairs which totals \$36.8 million.

Ko te 'akapou'anga moni, ko te au taka'i'anga teia ta te Kavamani ka aru no nga mataiti 2020/21, runga uake I te \$73.3 mirioni tara. Ka o mai te au tutaki'anga moni no runga I te ERP, aru atu te tu'anga o te au apinga 'akaoro mei te \$24.2 mirioni tara, e pera te tu'anga Turoto, e \$8.5 mirioni tara. E kote kotoa'anga o te au 'akapou'anga, ka 'akairi tei reira ki runga I te au 'akapou'anga moni a te Kavamani e, \$36.8 mirioni tara.

CLASSIFICATION OF FUNCTIONS OF COOK ISLANDS GOVERNMENT 2020/21

