

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 30 June 2023 is now available.

EXECUTIVE SUMMARY

1. Fiscal Balance of General Government

June 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	167,652	166,481	-1,171
<i>Operating Expenditure (includes Depreciation)</i>	180,368	169,044	11,324
Net Operating Balance	-12,716	-2,563	10,152
<i>Add Depreciation</i>	13,722	13,722	0
<i>Less Capital Expenditure</i>	29,901	22,537	7,364
Fiscal Balance	-28,895	-11,378	17,516

Fiscal Balance

General Government's net fiscal balance for the quarter ended 30 June 2023 was \$11.37 million deficit. This was an improvement by \$17.51 million compared to the budget estimate of \$28.85 million deficit. Higher collections in Other Crown Revenue of \$8.97 million contributed to the improvement in Government's net fiscal balance, in addition to cost savings in Personnel (of \$5.16 million) and Capital Expenditure (of \$7.36 million).

Operating Statement

The total Operating Revenue collected was \$1.17 million lower than anticipated for the quarter ended 30 June 2023. Although taxation revenue collection was significantly lower than estimated, this was offset by increases in Other Revenue of \$8.97 million (from FSC Vested Assets of \$2.3 million, General Budget Support of \$4.16 million and EU Agreement of \$1.29 million), followed by Trading Revenue of \$0.59 million.

The total Operating Expenses are 7% below budget at \$11.32 million. There was a YTD overspend of \$2.09 million in Operating due to an increase in day-to-day operational expenditure across the whole of Government due to rising commodity prices ie. utilities, fuel and oil, freight etc. However, this was counteracted by major underspends in Personnel caused by vacant positions within Government as well as savings in Administered Payments equal to \$11.35 million, mainly contributed by the re-appropriation of Airline Underwrite (of \$7.45 million) and Economic Recovery Roadmap (of \$2.16 million)

Spending on ERR

Spending on ERR & ERR/ODA				
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Support Measure	Original Budget 2022/23	Actual Total YTD	Actual Vs Original Budget 2022/23	Actual Vs Original Budget 2022/23 %
For Economic Recovery Roadmap (ERR) Budget.				
Reduced borrowing cost	22,000	-	22,000	0%
Managing public debt	-	-	-	0%
Infrastructre investment	-	-	-	0%
Barriers to Business	20,000	7,188	12,812	36%
Productivity growth	200,000	200,000	-	100%
Public sector efficiency	640,000	372,000	268,000	58%
Labour force and population	143,000	36,686	106,314	26%
Foreign investment	20,000	11,528	8,472	58%
Fees Free	400,000	192,783	207,217	48%
Isolation payments	500,000	52,480	447,520	10%
Programme management and operations	1,255,000	514,065	740,935	41%
Airline underwrite reserve	2,000,000	-	2,000,000	0%
Savings identified through HYEFU 2022/23	-			

ERR spending was 73% under budget for the quarter.

Majority of the ERR budget was spent on Productivity Growth followed by Public sector efficiency. Unspent budgets were re-appropriated to the 2024FY.

Capital Expenditure

June 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Capital Expenditure	29,901	22,537	7,364
Total Capital Expenditure	29,901	22,537	7,364

Capital expenditure was lower than budgeted by \$7.36 million for the quarter ended 30 June 2023. Significant underspends in Revenue Management System Upgrade, To Tatou Vai Capital and Road Asset Management and Improvement Programme. Agencies are encouraged to appropriately plan and manage their Capital Budgets to ensure budgets are spent in the allotted periods, however given the unpredictable nature of the operating environment, delays have occurred.

Financial Position

General Cash Reserves

Cash Reserves General Government	30 June 2023 YTD ('000)	31 March 2023 YTD ('000)	Variance ('000)
Operational Bank Accounts	25,153	22,915	2,238
Term Deposits and Trust Accounts	125,726	121,452	4,274
Foreign Exchange Reserves	22,848	21,147	1,701
Total Cash Reserve Balance	173,727	165,514	8,213
<i>Less Total Claims on Cash Reserve</i>	96,906	93,637	3,269
<i>Less Other General Funds</i>	6,152	9,707	-3,555
Total Estimated Cash Reserve	70,669	62,170	8,499

The general cash reserves were \$70.66 million at the end of June, an increase of \$8.49 million from March 2023 quarter. This was mainly due to an increase in Term Deposits and Trust Accounts.

Crown Debt

	Jun 23 YTD (‘000)	Mar 23 YTD (‘000)
Total Gross Borrowings	228,660	228,171
Less Loan Repayment Fund	-5,047	-10,513
Net Borrowing by the Crown	223,613	217,659
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	-41,383	-40,205
Net Borrowing by the General Government	182,230	176,684

The total gross debt by the Crown for June 2023 period was \$228.66 million, a decrease of \$0.48 million from the March 2023 quarter. The decrease in debt level was mainly due to loan repayments.

The general government's 'Net Debt' is equivalent to total gross debt, net of the Loan Repayment Funds (LRF) and SOE debts. General Government Net Debt for the final quarter ending 30 June 2023 was \$223.61 million, an increase of \$5.95 million from the March 2023 quarter mainly due to drawdown of \$2.73 million from the LRF account, Loan repayment of \$15.53 million and an unfavourable NZD to USD exchange rate.

Net Debt to GDP

Net Debt to GDP	Jun 23 YTD (‘000)	Mar 23 YTD (‘000)
Net Borrowing by the Crown	182,230	176,684
Total GDP*	484	484
Net Debt to GDP	37.6%	36.5%
<i>*GDP source</i>	<i>2022/23 Budget</i>	<i>2022/23 Budget</i>

Net Debt as a percentage of GDP reported on 30 June 2023 was 37.6%, a minor increase of 1.1% from the March quarter due to movement in foreign exchange rates against the NZD. Net debt to GDP threshold was revised in the latest Medium-Term Fiscal Strategy from 35% to 65% to allow Government debt headroom to access the financing needed to support and stimulate the economy due to the pandemic.

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