



# 2023/24 Half-Year Economic & Fiscal Update Citizen's Guide

## Te Pū'apinga 'Āpa Mata'iti 2023/24 e te 'Akamārama'anga 'Akapapa'anga Moni Ipukarea

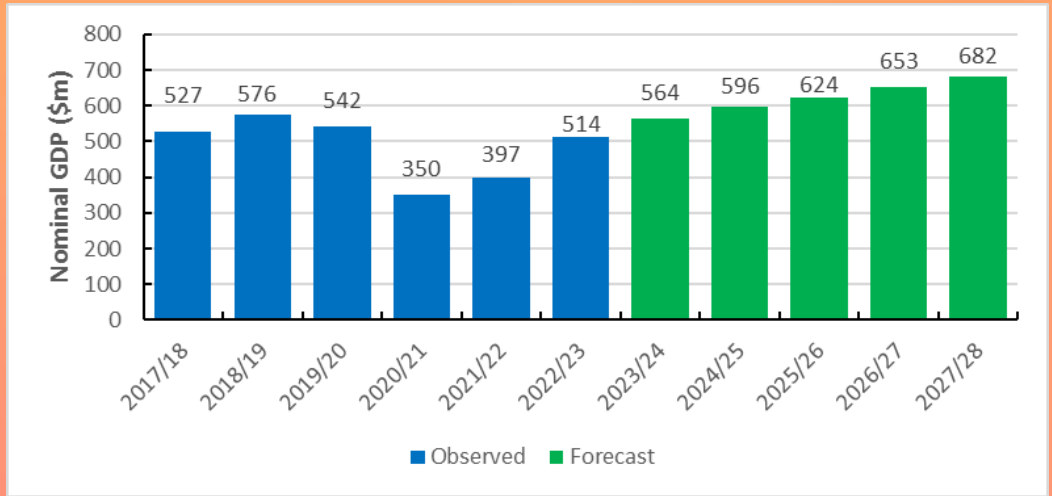
The 2023/24 Half-Year Economic and Fiscal Update (HYEFU) outlines the changes to economic and fiscal forecasts, within the context of an ongoing economic recovery from the impacts of the COVID-19 pandemic. It also provides details about the Government's performance for 2022/23.

*Ko te Pū'apinga 'Āpa Mata'iti e te 'Akamārama'anga Moni mata'iti 2023/24(HYEFU) kua 'akataka mai te reira i te tau'anga ki te tāmānako'anga o te Kimi Pū'apinga e te tu'anga moni, ki roto i te tūranga 'akamātūtū'anga mei te 'arapaki'anga a te maki Koviti – 19. Kua 'ōronga katoa mai i te 'akakitekite'anga no runga e te tūranga tei rauka i te Kavamani no te mata'iti 2022/23.*

### ECONOMIC AND FISCAL UPDATE - NŪTI NO TE KIMI PŪ'APINGA E TE MONI

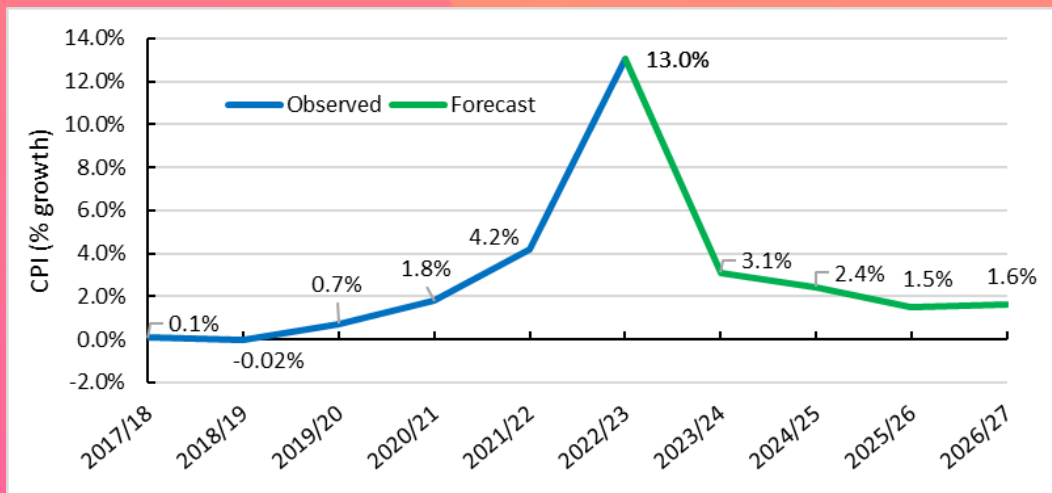
The economy has rebounded more quickly than expected in 2022/23 because of an increase in tourists visiting and spending in the Cook Islands compared to 2021/22. The nominal GDP grew by 29.4% and is expected to grow by a further 9.8% in 2023/24 due to improved access to Australia and the United States. From 2024/25 onward, more moderate growth in GDP is expected.

*Kua maranga viviki te tu'anga kimi pū'apinga mei te tāmānako'ia i te mata'iti 2022/23 no te mea kua teitei te nūmero o te au tangata tei 'aere mai ki roto nei i te Kuki Airani me 'aka'āite'ia ki to te mata'iti 2021/22. Kua maranga mai te Pū'apinga Bāsileia mei te 29.4% e kua 'irinaki'ia e ka tupu 'uātu rāi te reira mei te 9.8% i te mata'iti 2023/24 i te mea e te meitaki nei te piri'anga kia Autireria e Marike. Mei te mata'iti 2024/25 kua 'irinaki'ia e ka maranga 'uātu rāi te tūranga o te Pū'apinga Bāsileia ki runga.*



The Consumer-Price-Index (CPI) graph below shows that prices rose at a faster rate in over ten years in 2022/23, rising by an average of 13.0%. These increases are driven by external factors like global fuel and food prices as well as global shipping constraints. Although these pressures have started to ease, inflation remains persistently high. While the rate of increase is expected to slow down, the prices are not expected to return to previous levels.

*Ko te karāpu 'akapapa'anga o te moni 'oko pākau(CPI) i raro nei, te 'akaari mai nei te reira e, kua viviki te kake o te moni 'oko pākau i te nga'uru mata'iti o te tau 2022/23, tei kake mei te 13.0%. Kua 'akakeu'ia teia au tau'anga e tetai au mea e tupu nei ki va'o ake i to tātou ipukarea mei te 'oko'anga i te 'inu e te moni o te kai e pērā te tūkau i te teretere'anga pa'i. Noātu e kua marū mai teia au manamanatā, te teitei nei rāi te tūke o te 'oko'anga pākau. I te mea e ka marū mai te viviki o te 'akakake'anga, kāre ra te 'oko'anga 'apinga e 'oki 'aka'ōu ki te rēvera tei mātau'ia.*



**2022/23 results:** The operating revenue fell short by \$15.4 million due to one-off adjustments like the write-off of bad debt in tax revenues. Operating expenditure was \$3.9 million higher than expected, leading to an operating deficit of \$3.9 million. Despite minimal changes in capital expenditure at \$22.4 million, a fiscal deficit of \$12.2 million was recorded.

**2023/24 forecast:** The fiscal balance is expected to worsen in 2023/24, reaching a deficit of \$15.7 million. This is because both operating and capital expenditure are increasing by \$6.5 million each, offsetting the rise in government revenue of \$5.7 million, primarily from taxation revenue.

From 2024/25 onwards, operating revenue is expected to grow while both, operating expenditure and capital expenditure are projected to decrease, resulting in a fiscal surplus. As the fiscal balance improves, the need for external financing decreases.

*Te 'akairo o te mata'iti 2022/23: Kua topa te tārē o te moni ko'iko'i mei tetai \$15.4 mirioni na roto i te 'akatūkē'anga 'okota'i mei te kiriti kē'anga i te 'akakaio'u'anga kino ki roto i te moni ko'iko'i mei roto i te tero. Ko te 'akapou'anga moni kua teitei atu te reira ki tei tāmānako'ia e \$3.9 mirioni, tei riro i te 'akatupu i tetai tārē'anga moni iti e \$3.9 mirioni. Noatu tetai au tau'anga meangiti ki roto i te 'akapou'anga ki runga i te 'apinga 'anga'anga ki te \$22.4 mirioni, kua rekotiia e \$12.2 mirioni tara kāre i rauka i te 'aka'oki mai.*

**Tamanakoanga no te mataiti 2023/24:** Kua 'irinaki'ia e ka kino atu te pārani moni ki roto i te mataiti 2023/24 e ka taeria te moni iti ki te \$15.7 mirioni. Ko te tumu'anga o teia no te mea ko te 'akapou'anga moni tā'anga'anga e te au 'apinga 'anga'anga kua 'akama'ata'ia te reira mei te \$6.5 mirioni i te tu'anga 'okota'i, tei riro i te 'akatūke i te moni ko'iko'i a te Kavamani ki te \$5.7 mirioni, i roto tikai i te moni ko'iko'i mei roto mai i te tero.

Mei te mataiti 2024/25 e aere 'uātu ki mua, kua 'irinaki'ia e ka ma'ata atu te moni ko'iko'i tā'anga'anga, e ka topa mai te 'akapou'anga moni tā'anga'anga e te 'akapou'anga moni 'apinga 'anga'anga, te ka 'akama'ata i te moni te ka rauka mai. I te pārani moni e meitaki mai ra, ka 'akaiti te reira i te anoano o te moni tauturu mei va'o mai.

\$ Million	2022/23 Actual	2023/24 Budget Estimate	2023/24 HYEFU Estimate	2024/25 Proj.	2025/26 Proj.	2026/27 Proj.
Total Operating Revenue (\$m)	166.6	199.1	204.8	206.3	210.3	217.0
Total Operating Expenditure (\$m)	170.5	200.0	206.5	193.1	192.5	190.1
Operating Balance surplus/deficit*(\$m)	-3.9	-0.9	-1.7	13.1	17.9	26.8
Capital Expenditure	22.4	22.8	29.3	17.2	19.2	19.6
Depreciation	14.1	15.4	15.4	15.4	15.4	14.8
Overall Fiscal Balance surplus/deficit (\$m)	-12.2	-8.3	-15.7	11.3	14.1	22.0
% of GDP	-2.4	-1.5	-2.8	1.9	2.3	3.4
Net Crown Debt, end of FY (\$m)	226.0	204.8	213.7	196.5	177.0	157.0
% of GDP	44.0	37.8	37.9	33.0	28.4	24.0
Gross Domestic Product (\$m)	513.6	541.5	563.9	595.6	624.0	652.9

\*surplus: when revenue is higher than expenditure; deficit: when revenue is less than expenditure

### MEDIUM-TERM FISCAL STRATEGY – KAVEINGA MONI NO TE TAU – TUPOTO

The Medium-term Fiscal Strategy (MTFS) outlines the Government's expenditure limit for 2024/25 to 2027/28, to help guide its fiscal planning for the medium-term. The fiscal space indicates the potential increase or decrease in government spending each year.

As revenue improves, the expenditure limits for 2024/25 onwards are expected to increase to address inflationary pressures and other government priorities as needed. The table below shows a fiscal space of \$2.4 million for 2024/25, gradually growing to \$16.0 million by 2027/28.

*Kua 'akataka mai te Kaveinga Moni no te Tau-Tupoto i te kōtinga 'akapou'anga mei te mata'iti 2024/25 ki te 2027/28, ei tauturu i te arataki i te parāni'anga moni no te tau – tupoto. Ko te tu'anga o te moni, te akakite mai ra te reira i te 'akakake'anga me kāre te topa ki roto i te 'akapou'anga a te kavamani i te au mata'iti tātakita'i.*

*I te moni ko'iko'i e maranga ara ki runga ko te kōtinga 'akapou'anga o te mata'iti 2024/25 e aere 'uātu ki mua, ka 'akakake'ia te reira kia riro i te akamāmā i te teima'a o te 'akakake'anga e tetai au tu'anga pū'apinga te ka anoano'ia e te kavamani. Te 'akakite mai nei te tūtū i raro nei i te 'akapapa'anga moni te ka rauka i te tā'anga'anga me anoano'ia e \$2.4 mirioni no te mata'iti 2024/25 e ka kake mārie te reira ki te \$16.0 mirioni i te mataiti 2027/28.*



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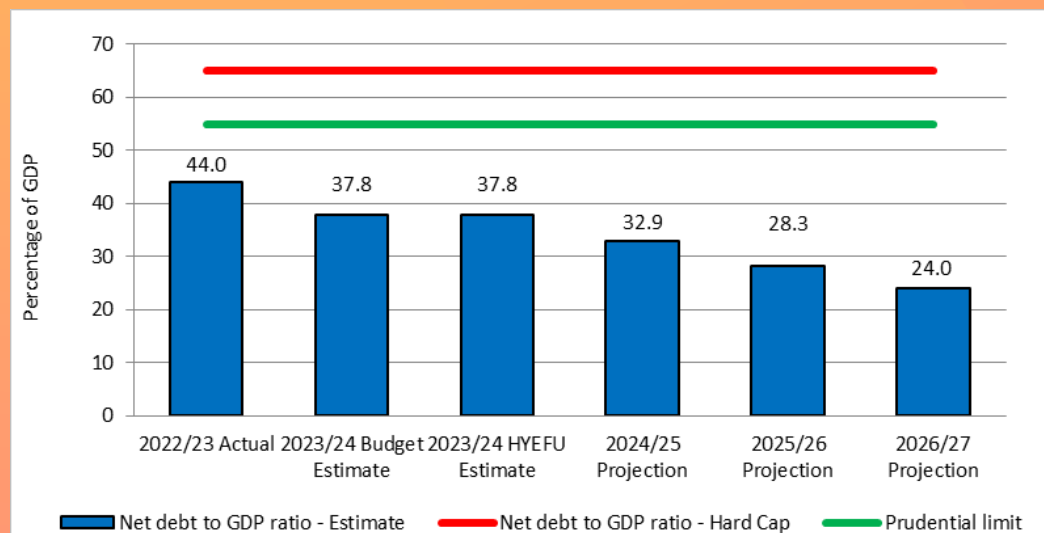
## Te Pū'apinga 'Āpa Mata'iti 2023/24 e te 'Akamārama'anga 'Akapapa'anga Moni Ipukarea

Fiscal Space, Commitments and Demands	2024/25	2025/26	2026/27	2027/28
Revised MTEC (2024/25 Budget)	215.4	218.6	225.9	225.9
Initial Fiscal Space	7.0	8.6	17.7	17.7
Legal Commitments	4.6	2.2	1.8	1.7
Residual Fiscal Space	2.4	6.4	15.9	16.0

### GOVERNMENT DEBT – KAIYOU A TE KAVAMANI

As GDP grows and debt repayment increases on a yearly basis, net debt is expected to reduce from \$226.0 million (44.0% of GDP) in 2022/23 to \$157.0 million (24.0% of GDP) in 2026/27.

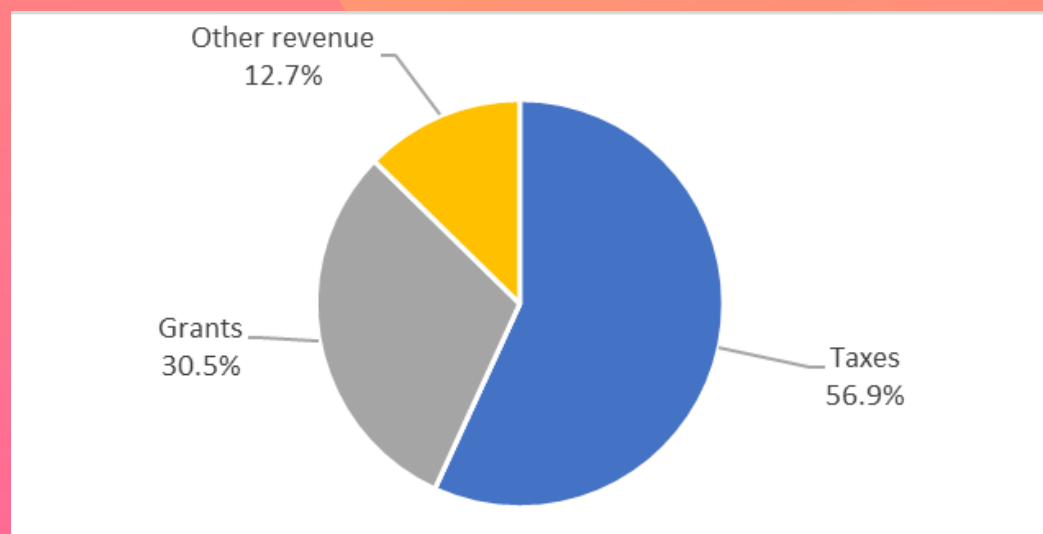
I te pū'apinga bāsileia e tupu ara e pērā te tūtaki'anga kaiou i te au mata'iti tātakita'i, kua 'irinaki'ia e ka topa mai te katoa'anga o te tūtaki'anga kaiou mei te \$226.0 mirioni (44.0% o te pū'apinga bāsileia) i te mata'iti 2022/23 ki te \$157.0 mirioni (24.0% o te pū'apinga bāsileia) i te mata'iti 2026/27.



### REVENUE – MONI KO'IKO'I

The projected revenue for 2023/24 is \$294.5 million. Taxation, including value-added tax and income tax, account for more than half of government's revenue. Grant funding and other revenue from fees, licenses, general budget, and core sector support follow as additional sources of income.

Ko te tāmānako'anga o te moni ko'iko'i no te mata'iti 2023/24 e \$294.5 mirioni te reira. Ko te tu'anga tero me i te tero paunu'anga e te tero moni 'anga'anga, tetai tu'anga ma'ata (i runga atu i te 'āpa) e rauka mai nei te moni ko'iko'i a te kavamani. Te moni tauturu mei va'o mai, e tetai au moni ko'iko'i takakē mei roto mai i te au tūtaki'anga tāmanu, raitini, 'akapapa'anga moni e te tauturu'anga i te au tu'anga pū'apinga tetai au tu'anga e rauka mai ana te moni ko'iko'i takakē.



### EXPENDITURE - AKAPOU'ANGA

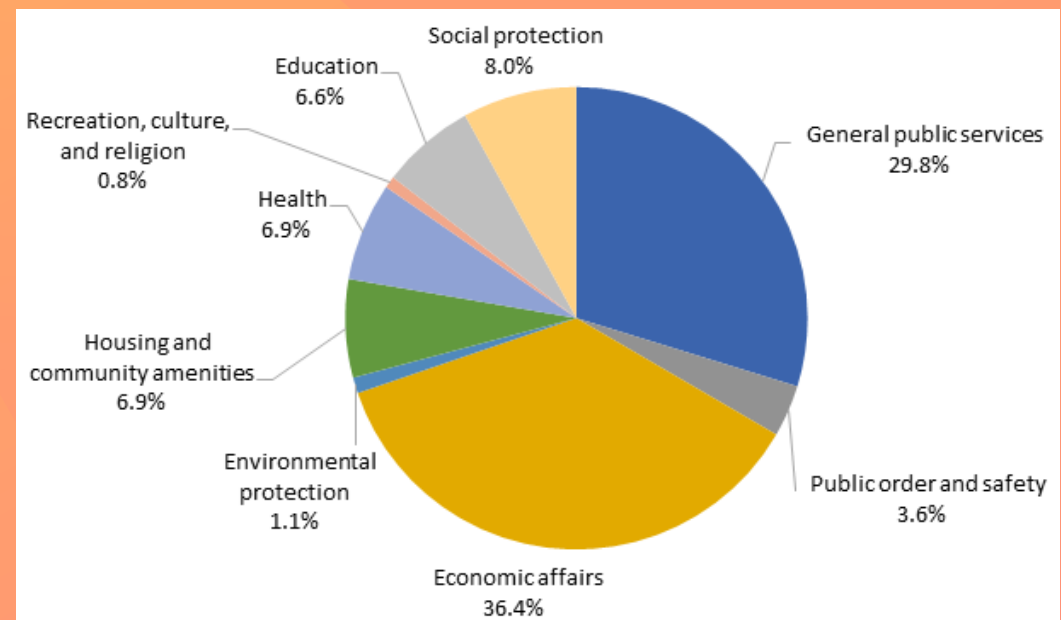
Total projected total expenditure for 2023/24, including aid-sourced expenditure, is \$325.6 million.

About 36.4% of the total spending is dedicated to developing the Cook Islands' economy, focusing on areas like agriculture, marine activities, construction, transportation, tourism, and general economic affairs.

The next big portion, at 29.8%, goes to general public services, which includes governance and administration costs. Social protection accounts for 8.0% of government spending, and Health and Education receive 6.9% and 6.6%, respectively.

Ko te katoa'anga o te 'akapou'anga tei tāmānako'ia no te mata'iti 2023/24, kāpiti'ia mai te 'akapou'anga o te au tauturu takakē tei kimi'ia, e \$325.6 mirioni te reira.

Mei te 36.4% o te katoa'anga o te 'akapou'anga kua kōreromotu'ia nō te 'akamātūtū i te tu'anga kimi pū'apinga o te Kuki Airani, te ka 'akatinamou'ia ki runga i te au tu'anga tanutānu, pae moana, 'akatū are, te au 'apinga 'aka'oro, tūroto e te au tu'anga tei 'ātui ki te au ātava o te tu'anga kimi pū'apinga. Ko te rua o te tu'anga ma'ata e 29.8% ka aere te reira ki te au tu'anga angaanga mei te tutakianga o te aronga 'akatere e te tiaki'anga. Kua 'akano'o katoa'ia e 8.0 patene o te 'akapou'anga a te kavamani ki runga i te pāroru'anga ora'anga tangata, e kua 'ōronga kāpiti'ia e 6.9% e te 6.6% ki te Maraurau o te Pae Apii e Te Marae Ora.



### ECONOMIC RECOVERY ROADMAP (ERR) - ARANUI AKAMĀTŪTŪ I TE KIMI PŪ'APINGA

The aim of the Economic Recovery Roadmap is to restore the Cook Islands' GDP to pre-COVID levels (around \$550 million) and achieve full recovery by 2025. Although the recovery has been positive, with businesses and workers experiencing increased activity, it has only reached two-thirds of the pre-COVID level, as depicted in the chart below. Forecasts suggest that nominal GDP will approach pre-COVID levels by the end of 2023/24, but fully recovering the lost ground remains challenging.

Ko te 'akakoro'anga ma'ata o te aranui 'akamātūtū i te tu'anga kimi pū'apinga koia ko te 'aka'oki 'aka'ou i te pū'apinga bāsileia o te Kuki Airani ki te tūranga i mua ake i te maki Koviti (mei te \$550 mirioni) e kia rauka te tūranga mātūtū tikāi i te mata'iti 2025. Noātu oki e te meitaki nei te 'akamātūtū'anga, mei te tu'anga kimi pū'apinga e te aronga 'anga'anga e kite nei i te ma'ata o te au 'anga'anga tei rave'ia, kua taeria 'ua'ia e toru koata o te rēvera i mua ake i te Koviti mei tei 'akaari'ia atu ki roto i te tiāti i raro nei. Te tāmānako nei te karo'anga mamao e, ko te pū'apinga bāsileia nōmina ka vaitata te reira ki te rēvera i mua ake i te Koviti i te 'openga o te mata'iti 2023/24 inara ka vai rāi te tūkai o te tūpa'u'anga i te tu'anga tei rūti.

