

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 30 September 2022 is now available.

EXECUTIVE SUMMARY

1. Fiscal Balance of General Government

September 2022 Quarter	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance (\$'000)
Operating Revenue	35,619	39,229	3,610
Operating Expenditure	46,072	38,703	7,368
Net Operating Balance	-10,453	525	10,978
<i>Add Depreciation</i>	2,061	1,947	114
<i>Less Capital Expenditure</i>	7,851	5,275	2,576
Fiscal Balance	-16,243	-2,803	13,440

Fiscal Balance

General Government's net fiscal balance for the year ended 30 September 2022 improved by \$10.98 million compared to the budget estimate of \$10.45 million shortfall. Higher revenue collections of \$3.61 million contributed to the improvement in Government's net fiscal balance, in addition cost savings in Operating Expenses (of \$7.37 million), Depreciation (of \$0.11 million) and Capital Expenditure (of \$2.58 million).

Operating Statement

Total operating revenue collected was \$3.61 million higher than anticipated for the quarter ended 30 September 2022. This was primarily due to increase in Other Revenue of \$2.71 million (from COVID 19 ERR General Budget Support of \$4.16 million, net off by reduction in Fisheries income by \$1.81 million), followed by Trading Revenue of \$0.33 million. Income Tax collected for the quarter was in line with Budget with total of \$31 million.

Total operating expenditure adjusted for depreciation, for the quarter ended 30 September 2022 was lower than estimate by \$7.37 million. This was mainly due to underspends in Government Agencies and Island Governments operating and personnel budgets totalling \$2.92 million; as a result of unfilled vacancies and effective cost management practices. Agencies remain committed to strengthening their workforce by investing in skills and expertise. However, we are operating in a tight global labour market. Unfilled vacancies remain the cause of underspends in personnel budget due to delays in attracting suitable candidates. This tests our agility in our recruitment process. Agencies are encouraged to fully utilise this short-fall.

The expenditure through Administered Payments was also below budget by \$3.32 million primarily attributed to cost savings in COVID medical Response Fund (of \$1.00 million), Marketing Resources - Tourism Growth Strategy (of \$0.51 million), SIF-CIG Contribution (of \$0.32 million and with all other Administered Payments below their respective budgets. In addition, POBOC expenditure saw cost savings of \$0.96 million for the quarter, mostly from International Subscription. POBOC and Administrative expenses are expected to increase in the coming months.

Spending on ERP and ERR

Support Measure	Full Year Budget 2022/23 \$'000	Actual Total YTD \$'000	Actual Vs Full Year Budget 2022/23 \$'000	Actual Vs Full Year Budget 2022/23 %
For Economic Recovery Roadmap (ERR) Budget.				
Reduced borrowing cost	22	0	22	0%
Managing public debt	0	0	0	0%
Infrastructre investment	0	0	0	0%
Barriers to Business	20	0	20	0%
Productivity growth	200	0	200	0%
Public sector efficiency	640	124	516	19%
Labour force and population	143	0	143	0%
Foreign investment	20	0	20	0%
Fees Free	400	93	307	23%
Isolation payments	500	31	469	6%
Programme management and operations	1,255	24	1,231	2%
Airline underwrite reserve	2,000	0	2,000	0%
	5,200	271	4,929	5%
Total	5,200	271	4,929	5%

ERP and ERR spending were 5% against budget for the quarter.

Majority of the ERP and ERR budget was spent on Fees Free (23%), followed by Public sector efficiency (19%). Unspent budgets are expected to be utilised in the coming months.

Capital Expenditure

September 2022 Quarter	Budget YTD (\$'000)	Actual YTD (\$'000)	Variance YTD (\$'000)
Total Capital Expenditure	7,851	5,275	2,576
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Capital expenditure was lower than budgeted by \$2.58 million for the quarter ended 30 September 2022. This is 7 per cent spent of the annual budget of \$35.64 million. 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. The expectation is that the budgets will be fully utilised by the year-end.

Financial Position

General Cash Reserves

Cash Reserves General Government	30 September 2022 YTD ('000)	30 June 2022 YTD ('000)	Variance ('000)
Operational Bank Accounts	22,975	21,549	1,426
Term Deposits and Trust Accounts	136,665	125,563	11,102
Foreign Exchange Reserves	0	22,712	-22,712
Total Cash Reserve Balance	159,640	169,825	-10,185
<i>Less Total Claims on Cash Reserve</i>	100,121	102,602	-2,481
<i>Less Other General Funds</i>	9,354	6,547	2,807
Total Estimated Cash Reserve	50,165	60,676	-10,511

The general cash reserves were \$50.16 million at the end of September, a decrease of \$10.51 million from June 2022 quarter. The decrease was mainly due to reduction in Foreign Exchange Reserves.

Crown Debt

	Sept 22 YTD (‘000)	Jun 22 YTD (‘000)
Total Gross Borrowings	234,753	230,712
Less Loan Repayment Fund	-19,009	-12,935
Net Borrowing by the Crown	215,744	217,777
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	-39,061	-37,211
Net Borrowing by the General Government	176,684	180,566

The total gross debt by the Crown for the quarter ended 30 September 2022 was \$234.75 million, an increase of \$4.04 million from the June 2022 quarter. The increase in debt level was mainly due to reduction in exchange rates for USD currencies.

Net Debt to GDP

Net Debt to GDP	Sept 22 YTD (‘000)	Jun 22 YTD (‘000)
Net Borrowing by the Crown	215.74	217.78
Total GDP*	484	484
Net Debt to GDP	44.6%	45%
<i>*GDP source</i>	<i>2022/23 Budget</i>	<i>2022/23 Budget</i>

Net Debt as a percentage of GDP reported on 30 September 2022 at 44.6%, a minor reduction of 0.4% from the June 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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