

The Cook Islands Government (CIG) preliminary financial outcome for the quarter ended 31 March 2023 is now available.

EXECUTIVE SUMMARY

1. Fiscal Balance of General Government

March 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Operating Revenue	123,277	124,646	1,369
<i>Operating Expenditure (includes Depreciation)</i>	139,934	120,557	19,377
Net Operating Balance	-16,657	4,089	20,746
<i>Add Depreciation</i>	10,325	10,325	0
<i>Less Capital Expenditure</i>	29,556	14,287	15,269
Fiscal Balance	-35,888	127	-36,015

Fiscal Balance

General Government's net fiscal balance for the quarter ended 31 March 2023 was \$0.12 million surplus. This was an improvement by \$36.0 million compared to the budget estimate of \$35.8 million deficit. Higher revenue collections of \$1.36 million contributed to the improvement in Government's net fiscal balance, in addition to cost savings in Personnel (of \$6.1 million) and Capital Expenditure (of \$15.26 million).

Operating Statement

The total Operating Revenue collected was \$1.36 million higher than anticipated for the quarter ended 31 March 2023. Although taxation revenue collection was significantly lower than estimated, this was offset by increases in Other Revenue of \$8.82 million (from FSC Vested Assets of \$2.3 million, General Budget Support of \$4.16 million and EU Agreement of \$1.42 million), followed by Trading Revenue of \$0.42 million.

The total Operating Expenses are 68% below budget at \$19.3 million. There was a slight YTD overspend of \$0.42 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 \$12.3 million, mainly contributed by YTD underspends in Airline Underwrite (of \$2.76 million) and COVID-19 Medical Response Funds (of \$3.27 million).

Spending on ERR

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%
Barriers to Business	20,000	-	20,000	0%
Productivity growth	200,000	200,000	-	100%
Public sector efficiency	640,000	372,000	268,000	58%
Labour force and population	143,000	19,416	123,584	14%
Foreign investment	20,000	2,882	17,118	14%
Fees Free	400,000	192,783	207,217	48%
Isolation payments	500,000	46,080	453,920	9%
Programme management and operations	1,255,000	203,770	1,051,230	16%
Airline underwrite reserve	2,000,000	-	2,000,000	0%
	5,200,000	1,036,931	4,163,069	20%

ERR spending were 20% against budget for the quarter.

Majority of the ERR budget was spent on Productivity Growth followed by Public sector efficiency (58%). The significant underspend is due to contingencies which have not yet taken place. Unspent budgets are expected to be utilised in the coming months.

Capital Expenditure

March 2023 Quarter	Budget ('000)	Actual ('000)	Variance ('000)
Capital Expenditure	29,556	14,287	15,269
Total Capital Expenditure	29,556	14,287	15,269

Capital expenditure was lower than budgeted by \$15.2 million for the quarter ended 31 March 2023. Significant underspends in Pa Enea Marine Infrastructure, Bridges, Structures and Road Asset Management have contributed to this. 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	31 March 2023 YTD ('000)	31 December 2022 YTD ('000)	Variance ('000)
Operational Bank Accounts	22,915	26,164	3,249
Term Deposits and Trust Accounts	121,452	126,233	4,781
Foreign Exchange Reserves	21,147	18,087	3,060
Total Cash Reserve Balance	165,514	170,484	4,970
<i>Less Total Claims on Cash Reserve</i>	93,637	100,388	6,751
<i>Less Other General Funds</i>	9,707	9,108	599
Total Estimated Cash Reserve	62,170	60,988	1,182

The general cash reserves were \$62.17 million at the end of March, a increase of \$1.18 million from December 2022 quarter. This was mainly due to an increase in Term Deposits and Trust Accounts.

Crown Debt

	Mar 23 YTD (‘000)	Dec 23 YTD (‘000)
Total Gross Borrowings	228,171	229,961
Less Loan Repayment Fund	-10,513	-17,813
Net Borrowing by the Crown	217,659	212,149
<i>Less Avatiu Port Development & Avaroa Cable Ltd</i>	-40,205	-40,477
Net Borrowing by the General Government	176,684	171,671

The total gross debt by the Crown for March 2023 period was \$228.17 million, a decrease of \$1.79 million from the December 2022 quarter. The decrease in debt level was mainly due to loan repayments and increase in exchange rates for USD and RMB currencies.

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 3rd Quarter ending 31 March 2023 was \$217.65 million, an increase of \$5.51 million from the December 2022 quarter mainly due to drawdown of \$2.73 million from the LRF account, Loan repayment of \$4.59 million and an unfavourable NZD to USD exchange rate.

Net Debt to GDP

Net Debt to GDP	Mar 23 YTD (‘000)	Dec 22 YTD (‘000)
Net Borrowing by the Crown	176,684	171,671
Total GDP*	484	484
Net Debt to GDP	36.5%	35.4%
<i>*GDP source</i>	<i>2022/23 Budget</i>	<i>2022/23 Budget</i>

Net Debt as a percentage of GDP reported on 31 March 2023 was 36.5%, a minor increase of 1.1% from the December 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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