

Treasury Monthly Budget Report – January 2016

Summary

In January 2016, the total Government (including donors) had a net operating surplus of VT 638.5 million, equivalent to 0.8 per cent of GDP.

The net operating balance for the Government operations excluding donors financing was also a surplus of VT 667.7 million at end of January, equal to 0.8 per cent of GDP.

Government Revenue

During the month of January, the Government has collected VT 1,732.8 million worth of revenue. This Represents 11.0 per cent of the 2016 budget target (VT 16,451.1 million) and a 12.7 per cent increase from the revenue collected in January 2015 (VT 1,537.3 million). This signifies the continuous improvement in major source of revenue such as VAT, Import Duty and Excise. However, fees and charges collected under other revenue also contributed to the increase in collection from January last year.

VAT collection for January totalled up to VT 577.3 million, representing 10.0 per cent of the budget target (VT 6,035.3 million). The VAT collection is 0.4 per cent increase from the 2015 collection (VT 575.2 million). The second stream of Government revenue is the Import Duties, collecting VT 239.5 million, a 9.0 per cent of the budget target (VT 2,758.3 million) and a 11.8 per cent above the Import Duties collected a year ago (VT 214.3 million). The other main revenue stream is excise, recording a total of VT 168.5 million in January. This represents 8.0 per cent of the budget target VT 2,062.4 million and 1.1 less than excise collected an year ago (VT 170.4 million).

Government Expenses

In January, , the Government has spent VT 1,064.7 million, representing 6.0 per cent of the budget target (VT 16,394.4 million) and a 16.1 per cent decline from the Government spending in January 2015 (VT 1,271.3 million). The huge decline came partially as the result of controlling Government expense so that government spending for January to March 2016 will not exceed the level of Government spending in January to March 2015 as stated in the PFEM Act since budget is yet to be appropriated in the parliament.

So far the major spending for the month includes:

- *International Travel (VT 22.9 million against a budget target of VT 133.2 million=17.2%)*
- *Allowance-Scholarships (VT 70.9 million against a budget target of VT 462.3 million=15.3%)*
- *Vehicle-Additional Vehicle (VT 9.3 million against a budget target of VT 9.6 million=95.8%)*
- *Building Repairs and Maintenance (VT 19.0 million against a budget target of VT 86.3 million=22.0%)*
- *Acting Allowance (VT 6.9 million against a zero budget)*

Government Acquisition of Non-Financial Assets

The Government has purchased fixed assets of VT 14.1 million and made no sale of fixed capital assets.

Government Acquisition of Financial Assets

This month, the Government has issued VT 315.1 million and paid out VT 200.0 million worth of Government bonds.

Development Budget Highlights

Funds received from Donors in January totalled up to VT 109.2 million, representing 0.4 per cent of the budget target (VT 16,134.0 million) and a 76.4 per cent increase from the fund received in January 2015. (VT 41.6 million). The Major contributing donors during the first month of the year are Australia (VT 52.7 million), New Zealand (VT 19.5 million) and World Bank (VT 19.2 million).

The expense from the Donor finance recorded an amount of VT 137.8 million representing 1 per cent of the 2016 Budget target (VT 16,134.0 million).

Key Terminology

- **Net operating balance** is equal to revenue minus expenses and indicates whether the government is able to sustain its current level of operations. The Government must aim for a surplus.
- **Net lending/borrowing** is often referred to as the fiscal surplus/deficit and indicates whether the Government is taking out or giving resources from or to the economy.
- **Expense** is a decrease in net worth resulting from a transaction.
- **Revenue** is an increase in net worth resulting from a transaction.
- **VAT (Value Added Taxes)** is the tax on goods or services collected in stages by enterprises but ultimately charged in full to the final purchasers.
- **Interest payments** and **Grants** are paid on fixed dates as they are payments to external Government entities.
- **Taxes on international trade and transactions** are almost all import duties based on Cost, Insurance, and Freight (CIF) values.
- **Excise** is charged on goods sold in the country regardless of whether they were produced domestically or overseas.
- In terms of **revenue**, **grants** refer to funds for donor assisted projects provided by donors and also general budget support from donors.
- The **Government operations funded by donors'** numbers represent only revenue and expenses to and from the Government's central development fund account. Some donors continue to operate outside the Government system so these numbers understate the total value of donor support to Vanuatu.
- **Net acquisition of domestic financial assets** is positive when the Government accumulates cash reserves and negative when it draws down on its overdraft.
- **Net incurrence of domestic financial liabilities** is positive when Government bonds are raised through auction and negative when they are retired (paid out).
- **Net incurrence of external liabilities** is positive when the Government draws down external loans and negative when principal on these loans is repaid.
- **Compensation of employees** figures follow the pay days. Vanuatu runs a fortnightly pay system.

Annex 1: Statement Of Total Government Operations*

STATEMENT OF TOTAL GOVERNMENT OPERATIONS					
GFS Code	GFS Description	Budget 2016	Total (VT mn)	%	January
	TRANSACTIONS AFFECTING NET WORTH:				
A1	Revenue	32,585.0	1,842.0	6%	1,842.0
A11	Taxes	13,522.4	1,565.5	12%	1,565.5
A111	Taxes on income, profits, and capital gains	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-
A113	Taxes on property	452.6	30.3	7%	30.3
A114	Taxes on goods & services	10,309.5	1,295.8	13%	1,295.8
	of which				
	Value-Added Tax	6,035.3	577.3	10%	577.3
	Excise	2,062.4	168.5	8%	168.5
A115	Taxes on international trade & transactions	2,760.3	239.5	9%	239.5
A116	Other taxes	-	-	-	-
A12	Social contributions	-	-	-	-
A13	Grants	16,134.0	109.2	0.0	109.2
A14	Other revenue	2,928.7	167.3	6%	167.3
A2	Expense	32,528.4	1,203.4	4%	1,203.4
A21	Compensation of employees	10,355.5	623.3	6%	623.3
A22	Use of goods and services	14,848.8	338.6	2%	338.6
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	719.9	14.1	2%	14.1
A25	Subsidies	-	-	0%	-
A26	Grants	4,591.5	152.2	3%	152.2
A27	Social benefits	730.9	-	0%	(0.5)
A28	Other expense	1,281.8	-	0%	75.8
GOB	Gross operating balance (1-2+23+NOBz)	56.6	638.5	1127%	638.5
NOB	Net operating balance (1-2+NOBz) ^{c/}	56.6	638.5	1127%	638.5
		% of GDP	0.8%		0.8%
	TRANSACTIONS IN NONFINANCIAL ASSETS:				
A31	Net Acquisition of Nonfinancial Assets	14,012.9	26.6	0%	26.6
A311	Fixed assets	14,012.9	26.6	0%	26.6
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(13,956.2)	612.0		612.0
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):				
		-17.6%	0.8%		
A32	Net acquisition of financial assets	0.0	727.0	0%	727.0
A321	Domestic	0.0	727.0	0%	727.0
A322	Foreign	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-
A33	Net incurrence of liabilities	13,956.2	115.1	1%	115.1
A331	Domestic	832.8	115.1		115.1
A332	Foreign	13,123.4	-	-	-

Annex 2: Statement of Government Operations Which Are Funded By Donors through the Central Treasury Account

STATEMENT OF GOVERNMENT OPERATIONS WHICH ARE FUNDED BY DONORS THROUGH THE CENTRAL TREASURY ACCOUNT					
GFS Code	GFS Description	Budget 2016	Total (VT mn)	%	January
	TRANSACTIONS AFFECTING NET WORTH:				
A1	Revenue	16,134.0	109.2	1%	109.2
A11	Taxes	-	-	0%	-
A111	Taxes on income, profits, and capital gains	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-
A113	Taxes on property	-	-	0%	-
A114	Taxes on goods & services	-	-	0%	-
	of which				
	Value-Added Tax	-	-	0%	-
	Excise	-	-	0%	-
A115	Taxes on international trade & transactions	-	-	0%	-
A116	Other taxes	-	-	-	-
A12	Social contributions	-	-	-	-
A13	Grants	16,134.0	109.2	1%	109.2
A14	Other revenue	-	-	0%	-
A2	Expense	16,134.0	137.8	1%	137.8
A21	Compensation of employees	1,466.3	10.5	1%	10.5
A22	Use of goods and services	10,958.1	116.9	1%	116.9
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	-	-	0%	-
A25	Subsidies	-	-	0%	-
A26	Grants	3,156.3	12.4	0%	12.4
A27	Social benefits	241.6	-	0%	-
A28	Other expense	311.7	(1.9)	-1%	(1.9)
GOB	Gross operating balance (1-2+23+NOBz)	-	(28.6)		(28.6)
NOB	Net operating balance (1-2+NOBz) ^{c/}	-	(28.6)		(28.6)
		-	0.0%		0.0%
	TRANSACTIONS IN NONFINANCIAL ASSETS:				
A31	Net Acquisition of Nonfinancial Assets	13,641.9	12.1	0%	12.1
A311	Fixed assets	13,641.9	12.1	0%	12.1
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(13,641.9)	(40.7)	0%	(40.7)
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):				
A32	Net acquisition of financial assets	-	(40.7)		(40.7)
A321	Domestic	-	(40.7)		(40.7)
A322	Foreign	-	-		-
A323	Monetary gold and SDRs	-	-		-
A33	Net incurrence of liabilities	13,641.9	-	0%	-
A331	Domestic	-	-	0%	-
A332	Foreign	13,641.9	-	0%	-

Annex 3: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS					
GFS Code	GFS Description	Budget 2016	Total (VT mn)	%	January
	TRANSACTIONS AFFECTING NET WORTH:				
A1	Revenue	16,451.1	1,732.3	11%	1,732.3
A11	Taxes	13,522.4	1,565.4	12%	1,565.4
A111	Taxes on income, profits, and capital gains	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-
A113	Taxes on property	452.6	30.3	7%	30.3
A114	Taxes on goods & services	10,309.5	1,295.6	13%	1,295.6
	of which				
	Value-Added Tax	6,035.3	577.1	10%	577.1
	Excise	2,062.4	168.5	8%	168.5
A115	Taxes on international trade & transactions	2,760.3	239.5	9%	239.5
A116	Other taxes	-	-	-	-
A12	Social contributions	-	-	-	-
A13	Grants	-	-	-	-
A14	Other revenue	2,928.7	166.9	6%	166.9
A2	Expense	16,394.4	1,064.7	6%	1,064.7
A21	Compensation of employees	8,889.2	612.8	7%	612.8
A22	Use of goods and services	3,890.7	220.7	6%	220.7
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	719.9	14.1	2%	14.1
A25	Subsidies	-	-	0%	-
A26	Grants	1,435.3	139.8	10%	139.8
A27	Social benefits	489.2	(0.5)	0%	(0.5)
A28	Other expense	970.1	77.7	8%	77.7
GOB	Gross operating balance (1-2+23+NOBz)	56.6	667.7		667.7
NOB	Net operating balance (1-2+NOBz) ^{cf}	56.6	667.7		667.7
	% of GDP		0.8%		0.8%
	TRANSACTIONS IN NONFINANCIAL ASSETS:				
A31	Net Acquisition of Nonfinancial Assets	370.9	14.5	4%	14.5
A311	Fixed assets	370.9	14.5	4%	14.5
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(314.3)	653.1		653.1
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):				
A32	Net acquisition of financial assets	0.0	768.2	0%	768.2
A321	Domestic	0.0	768.2	0%	768.2
A322	Foreign	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-
A33	Net incurrence of liabilities	314.3	115.1	37%	115.1
A331	Domestic	832.8	115.1		115.1
A332	Foreign	(518.5)	-	-	-

* These are data as of 23rd February 2016