

Treasury Monthly Budget Report – January 2019

Summary

In January, the total net operating balance for the Government, including donor funds, was a surplus of VT 1,832.0 million. This is equivalent to 1.7 per cent of GDP.

The net operating balance for Government operations, excluding donor funds, in January was a surplus of VT 1,729.3 million. This is equivalent to 1.6 per cent of GDP.

Government operations excluding donor funds (VT million)			
	January forecast	January actual	Year to date
Revenue	2,614.7	3,364.7	3,364.7
Expenditure	2,397.3	1,635.4	1,635.4
Net operating balance (Revenue minus expenditure)	217.5	1,729.3	1,729.3
Net acquisition of nonfinancial assets	43.5	34.0	34.0
Net lending/borrowing (Net operating balance minus net acquisition of nonfinancial assets)	174.0	1,695.3	1,695.3

Government Revenue

During January, Government revenue was VT 3,364.7 million which is 28.7 per cent higher than forecast (VT 2,614.7 million). This is mainly due to greater income from the turnover tax and citizenship programs this month. Government revenue in January thus made up 12.9 percent of the annual revenue target (VT 26,001.3 million) and is 15.7 per cent more than VT 2,907.5 million collected during the equivalent period last year.

VAT continues to be the main source of the Government's taxation revenue, recording VT 842.9 million in January, 1.3 per cent higher than forecast (VT 831.9 million). This represents 9.6 per cent of the annual budget target (VT 8,738.8 million) and 6.1 per cent more than what was collected (VT 794.6 million) a year ago.

Taxes on international trade and transactions constituting import and export duties are the second main source of Government tax revenue, collecting VT 228.8 million in January, which is 25.5 per cent less than forecast (VT 307.1 million). The amount collected so far represents 5.7 per cent of the budget target (VT 3,990.8 million) and 28.9 per cent lower than what was collected (VT 320.9 million) in January 2018. Excise tax collection was VT 171.2 million in January, 23.8 per cent less than forecast (VT 224.7 million), which comprises 5.9 per cent of the annual budget target (VT 2,889.8 million).

Among other revenue constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP), together collected VT 1,098.4 million in January. This is 254.1 per cent more than the forecast figure of VT 241.9 million, and makes up 24.4 per cent of the annual budget target of VT 4,504.6 million and is 31.8 per cent more than VT 833.1 million collected during the same period last year

Government Expenses

Government expenditure was VT 1,635.4 million in January, which is 31.8 per cent less than forecast (VT 2,397.3 million) and represents 6.8 per cent of the budget target (VT 24,138.9 million). Spending was much less than forecast in the following areas: permanent wages, operating grants and government scholarships (fees and allowances).

Government expenditure is controlled and in line with the budget target. However, there are some major spending items which include:

- Acting Allowance (VT 10.5 million in January against no budget)

- Responsibility allowance (VT 2.0 million in January, against an annual budget of VT 0.1 million)
- Other medical treatment (VT 0.1million in January, against an annual budget of VT 0.0 million)
- Vehicle hire (VT 8.4 million in January, against an annual budget of VT 6.8 million)

Government Acquisition of Non-Financial Assets

During January, the Government spent a net amount of VT 34.0 million on acquiring fixed assets. This is 21.8 per cent less than forecast (VT 43.5 million), and represents 5.1 per cent of the annual budget target (VT 666.5 million).

Government Acquisition of Financial Assets

In January, the Government paid off VT 7.6 million worth of external loans (all with ADB) and no domestic debt.

Development Budget Highlights

During January, VT 672.2 million worth of grants were received from donors, which is 9.4 per cent of the annual budget target (VT 7,122.7 million). Major donors include ADB (VT 417.7 million), the World Bank (VT 187.0 million) and Australia (VT 58.5 million). Other contributing donors are gratefully acknowledged.

Donor-funded expenditure totalled VT 569.6 million in January which is 8.0 per cent of the budget target (VT 7,122.7 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 equal to the net operating balance minus net acquisition of nonfinancial assets and is often referred to as the fiscal surplus/deficit. It indicates whether the Government is taking out resources from or giving resources 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: Government Revenue Trend

Government Revenue collected in January 2019 is higher than the budget target figure predicted through cash flow analysis of previous fiscal years (Figure 1). This is mainly due to greater income from the turnover tax and citizenship programs this month.

Cumulative revenue flow (Figure 2) indicates robust revenue collections relative to the budget target.

Figure 1

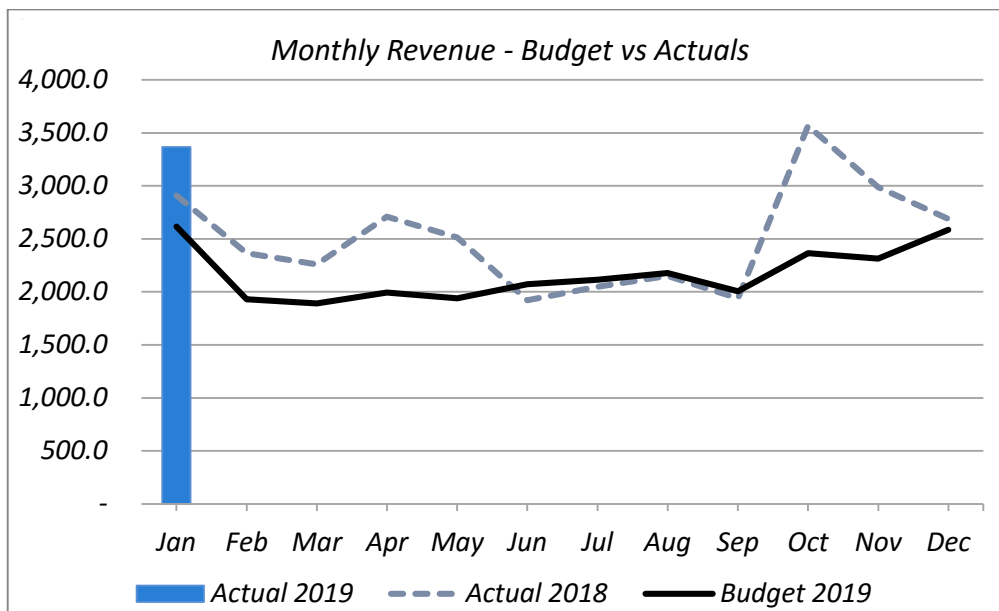
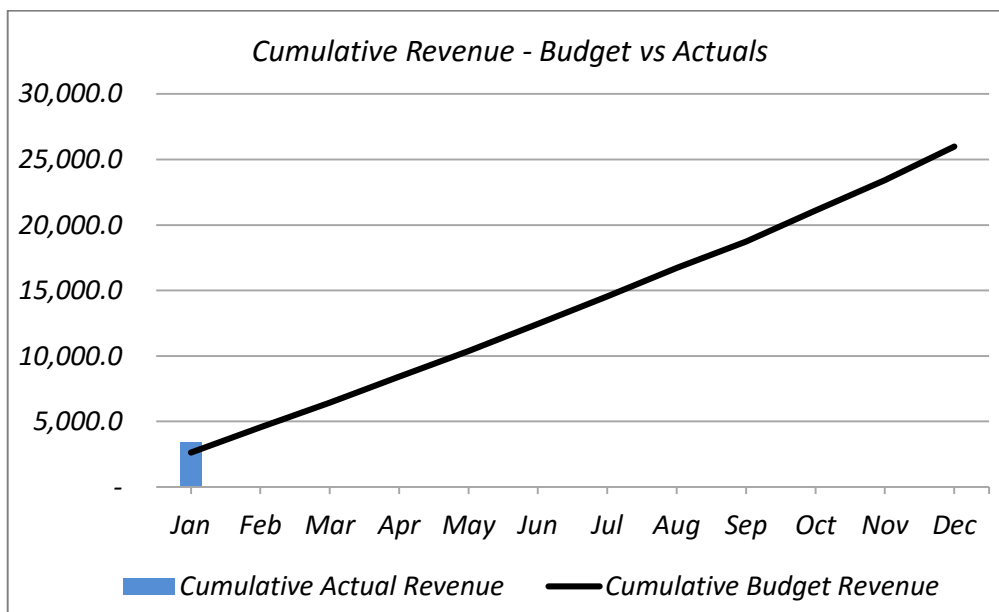


Figure 2



Annex 2: Expenditure Trend

Government Expenditure (excluding donor funds) for January 2019 is under the budget target predicted through cash flow analysis of previous fiscal years, as shown by Figure 3.

The cumulative expenditure trend (Figure 4) shows that overall expenses are controlled and in line with the budget target.

Figure 3

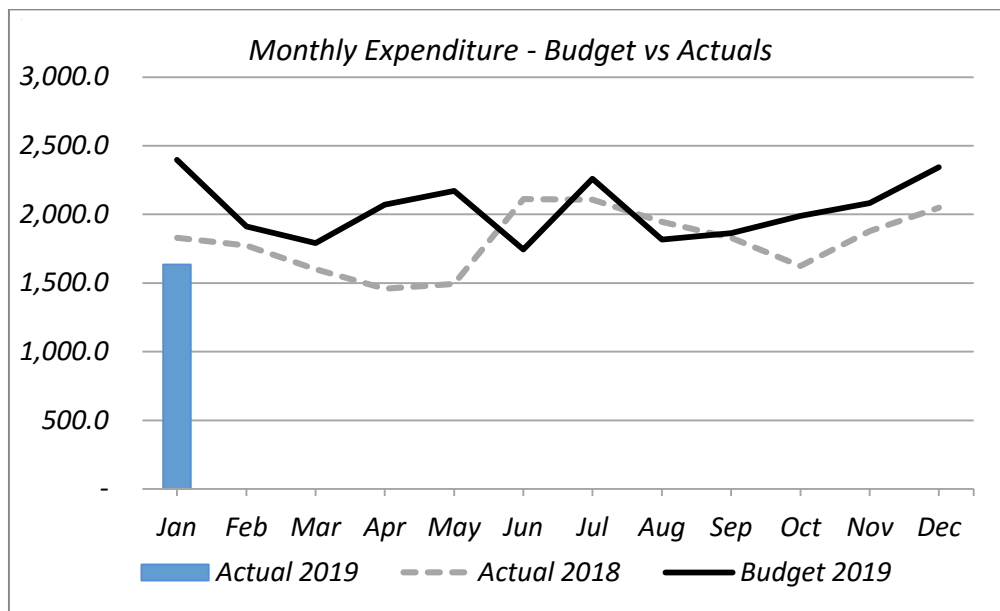
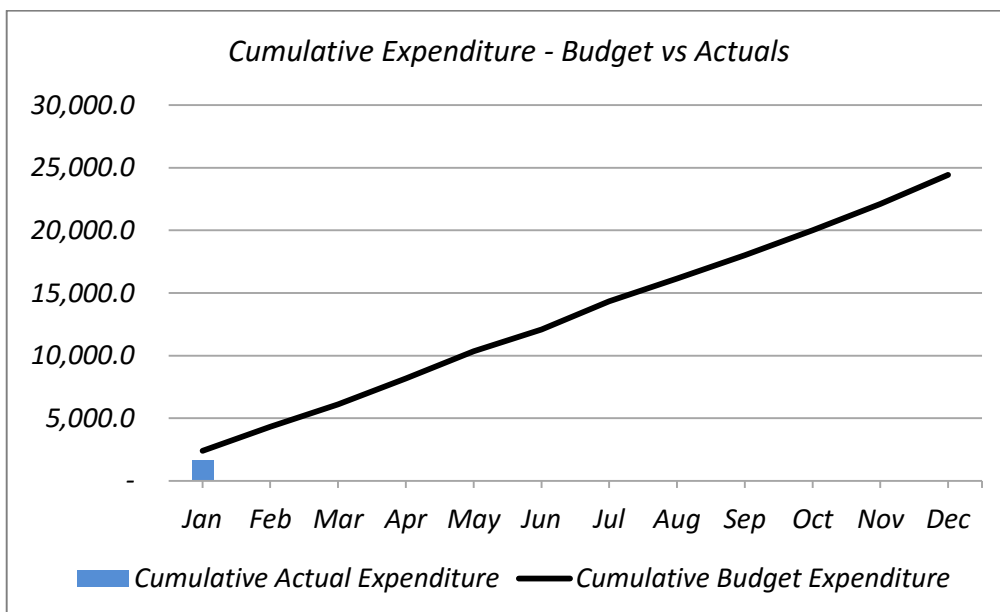


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS					
GFS Code	GFS Description	Budget 2019	Total (VT mn)	%	January
TRANSACTIONS AFFECTING NET WORTH:					
A1	Revenue	33,124.0	4,036.9	12%	4,036.9
A11	Taxes	19,187.5	2,059.7	11%	2,059.7
A111	Taxes on income, profits, and capital gains	-	-	0%	-
A112	Taxes on payroll & workforce	-	-	0%	-
A113	Taxes on property	714.4	28.6	4%	28.6
A114	Taxes on goods & services	14,482.4	1,802.4	12%	1,802.4
	of which				
	Value-Added Tax	8,738.8	842.9	10%	842.9
	Excise	2,889.8	171.2	6%	171.2
A115	Taxes on international trade & transactions	3,990.8	228.8	6%	228.8
A116	Other taxes	-	-	0%	-
A12	Social contributions	-	-	0%	-
A13	Grants	7,122.7	672.2	9%	672.2
A14	Other revenue	6,813.8	1,305.0	19%	1,305.0
A2	Expense	31,261.6	2,205.0	7%	2,205.0
A21	Compensation of employees	14,406.8	880.0	6%	880.0
A22	Use of goods and services	9,259.1	931.7	10%	931.7
A23	Consumption of fixed capital	-	-	0%	-
A24	Interest	749.7	24.2	3%	24.2
A25	Subsidies	187.8	-	0%	-
A26	Grants	4,223.5	103.9	2%	103.9
A27	Social benefits	808.8	199.4	25%	199.4
A28	Other expense	1,625.7	65.8	4%	65.8
GOB	Gross operating balance (1-2+23+NOBz)	1,862.4	1,832.0	98%	1,832.0
NOB	Net operating balance (1-2+NOBz) ^{c/}	1,862.4	1,832.0	98%	1,832.0
	% of GDP		1.7%		1.7%
TRANSACTIONS IN NONFINANCIAL ASSETS:					
A31	Net Acquisition of Nonfinancial Assets	8,512.0	50.8	0.0	50.8
A311	Fixed assets	8,512.0	50.8	1%	50.8
A312	Change in inventories	-	-	0%	-
A313	Valuables	-	-	0%	-
A314	Nonproduced assets	-	-	0%	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(6,649.6)	1,781.1		1,781.1
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
A32	Net acquisition of financial assets	-	1,773.5	0%	1,773.5
A321	Domestic	-	1,773.5	0%	1,773.5
A322	Foreign	-	-	0%	-
A323	Monetary gold and SDRs	-	-	0%	-
A33	Net incurrence of liabilities	6,649.6	(7.6)	0%	(7.6)
A331	Domestic	-	-	0%	-
A332	Foreign	6,649.6	(7.6)	(0.0)	(7.6)

Annex 4: 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 2019	Total (VT mn)	%	January
TRANSACTIONS AFFECTING NET WORTH:					
A1	Revenue	7,122.7	672.2	9%	672.2
A11	Taxes	-	-	0%	-
A111	Taxes on income, profits, and capital gains	-	-	0%	-
A112	Taxes on payroll & workforce	-	-	0%	-
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	-	-	0%	-
A12	Social contributions	-	-	0%	-
A13	Grants	7,122.7	672.2	9%	672.2
A14	Other revenue	-	-	0%	-
A2	Expense	7,122.7	569.6	8%	569.6
A21	Compensation of employees	482.7	10.6	2%	10.6
A22	Use of goods and services	4,438.3	559.0	13%	559.0
A23	Consumption of fixed capital	-	-	0%	-
A24	Interest	13.3	-	0%	-
A25	Subsidies	-	-	0%	-
A26	Grants	1,652.2	0.0	0%	0.0
A27	Social benefits	490.7	(0.0)	0%	(0.0)
A28	Other expense	45.5	-	0%	-
GOB	Gross operating balance (1-2+23+NOBz)	-	102.6		102.6
NOB	Net operating balance (1-2+NOBz) ^{o/}	-	102.6		102.6
	% of GDP		0.1%		0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:					
A31	Net Acquisition of Nonfinancial Assets	7,845.5	16.8	0%	16.8
A311	Fixed assets	7,845.5	16.8	0%	16.8
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(7,845.5)	85.8	-1%	85.8
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
A32	Net acquisition of financial assets	-	85.8		85.8
A321	Domestic	-	85.8		85.8
A322	Foreign	-	-		-
A323	Monetary gold and SDRs	-	-		-
A33	Net incurrence of liabilities	7,845.5	-	0%	-
A331	Domestic	-	-	0%	-
A332	Foreign	7,845.5	-	0%	-

Annex 5: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS					
GFS Code	Account	GFS Description	Budget 2019	Total (VT mn)	% Actual
TRANSACTIONS AFFECTING NET WORTH:					
A1		Revenue	26,001.3	3,364.7	13%
A11		Taxes	19,187.5	2,059.7	11%
A111		Taxes on income, profits, and capital gains	-	-	-
A112		Taxes on payroll & workforce	-	-	-
A113		Taxes on property	714.4	28.6	4%
A114		Taxes on goods & services	14,482.4	1,802.4	12%
A115		Taxes on international trade & transactions	3,990.8	228.8	6%
A116		Other taxes	-	-	-
A12		Social contributions	-	-	-
A13		Grants	-	-	-
A14		Other revenue	6,813.8	1,305.0	19%
A2		Expense	24,138.9	1,635.4	7%
A21		Compensation of employees	13,924.1	869.4	6%
A22		Use of goods and services	4,820.8	372.7	8%
A23		Consumption of fixed capital	-	-	-
A24		Interest	736.4	24.2	3%
A25		Subsidies	187.8	-	0%
A26		Grants	2,571.4	103.9	4%
A27		Social benefits	318.1	199.4	63%
A28		Other expense	1,580.2	65.8	4%
GOB		Gross operating balance (1-2+23+NOBz)	1,862.4	1,729.3	1,729.3
NOB		Net operating balance (1-2+NOBz) ^{e/}	1,862.4	1,729.3	1,729.3
		% of GDP	1.7%	1.6%	1.6%
TRANSACTIONS IN NONFINANCIAL ASSETS:					
A31		Net Acquisition of Nonfinancial Assets	666.5	34.0	5%
A311		Fixed assets	666.5	34.0	5%
A312		Change in inventories	-	-	-
A313		Valuables	-	-	-
A314		Nonproduced assets	-	-	-
NLB		Net lending / borrowing (1-2+NOBz-31)	1,195.9	1,695.3	1,695.3
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
A32		Net acquisition of financial assets	0.0	1,687.6	0%
A321		Domestic	0.0	1,687.6	0%
A322		Foreign	-	-	-
A323		Monetary gold and SDRs	-	-	-
A33		Net incurrence of liabilities	(1,195.9)	(7.6)	1%
A331		Domestic	-	-	-
A332		Foreign	(1,195.9)	(7.6)	1%