



MINISTRY OF ECONOMY

GOVERNMENT'S THIRD QUARTER FISCAL PERFORMANCE FY2019-2020

At the end of third quarter of the Fiscal Year (FY) 2018-2019, Government fiscal balance registered a net deficit of \$337.7 million, equivalent to 2.9 percent of GDP.

Table 1 below gives a summary of Government's fiscal performance for the period against the revised annual forecast that incorporated the impact of COVID-19. Tax forecast for the COVID-19 Response Budget was remodeled to reflect the likely impact of the virus for the remaining months of the FY2019-2020 (March to July) by discounting monthly collections based on estimated sector declines such as tourism and business activities, disruptions on trade, general economic contraction, and fiscal measures imposed to curb the spread.

Table 1: Summary of Quarter 3 FY2019-2020 Fiscal Position

Description	Annual Revised Budget (\$m)	Actual (\$m)	% of Annual Revised Budget
Tax Revenue	2,022.0	1,803.5	89.2
Non - Tax revenue	485.6	420.7	86.6
Total Revenue	2,507.6	2,224.2	88.7
Operating Expenditure	2,392.7	1,792.9	74.9
Capital Expenditure	1,097.9	746.7	68.0
VAT (SEG 13)	45.7	22.4	49.1
Total Expenditure	3,536.4	2,561.9	72.4
Net Deficit	(1,028.7)	-337.7	
as % of GDP	-9.0%	-2.9%	
Nominal GDP	11,479.9	11,479.9	

Source: Ministry of Economy

A sum of \$1,803.5 million tax was received during the period, around 89.2 percent of the revised annual Budget. Tax receipts for the month of April stood at \$114.1 million, higher than the April month forecast by around \$46.3 million or 68.0 percent. Non-tax revenue for the third quarter accumulated to \$420.7 million, or around 86.6 percent of the revised annual Budget. Above forecast collections is largely attributed to substantial EFL share divestment proceeds of \$206.1 million, more than the \$126.1 million by \$80.0 million.

Total Government expenditure at the end of the third quarter stood at \$2,561.9 million. It represents 72.4 percent to the annual revised Budget and on par considering general expenditure utilisation rate ought to be around 75.0 percent by end of Quarter 3.

Operating expenditure of \$1,792.9 million and capital spending of \$746.7 million incurred during the period made up 74.9 percent and 68.0 percent of total annual revised expenditure Budget, respectively. The operating to capital mix for the period was 71:29.

Fiscal balance is largely contingent on a combination of sustainable revenue inflow, prudent and targeted spending, and operating within our financing capacity. Expenditure trend has been contained in line with our financing strength. The sound way forward is maintaining status quo.

Tax receipts are anticipated to remain above the COVID-19 Response forecast in the remaining months of FY2019-2020, however, the trajectory is highly susceptible to the outbreak and swift recovery moving forward.

It is clear the longer the duration of the global COVID-19 recovery, the deeper the impact on tourist arrivals, which will further restrain fiscal performance.

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Annex 1: Government's Quarter 3 FY2019-2020 Cashflow Statement

(\$m)	Quarter 3 2019-2020 Forecast	Quarter 3 2019-2020 Actuals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Direct Taxes	566.9	473.7
Indirect Taxes (excluding Government VAT)	1,632.2	1,307.4
Fees, Fines & Charges	115.0	103.7
Grants in aid	10.4	30.7
Dividends from Investments	55.6	31.3
Reimbursement & Recoveries	10.8	12.6
Other Revenue & Surpluses	26.1	29.5
Total operating receipts	2,416.9	1,988.9
Payments		
Personnel	800.1	760.4
Transfer payments	611.3	528.4
Supplies and consumables	260.6	202.9
Purchase of outputs	51.8	38.2
Interest paid	267.7	259.1
Other operating payments	6.5	3.8
Total operating payments	1,998.0	1,792.9
Net cash flows from operating activities	418.9	196.0
<i>As % of GDP</i>	3.6%	1.7%
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Sale of Government Assets	80.0	206.4
Interest from Bank Balance	0.9	1.4
Interest on Term Loans	5.7	0.4
Return of Surplus Capital from Investment	4.8	4.3
Foreign Exchange Rate Gain	0.0	0.4
Total investing receipts	91.4	212.9
Payments		
Loans	133.4	115.7
Transfer Payments	605.5	530.5
Purchase of physical non-current assets	126.4	100.5
Total investing payments	865.3	746.7
Net cash flows from investing activities	-773.9	-533.8
<i>As a % of GDP</i>	-6.7%	-4.6%
Net (Deficit)/Surplus	-355.0	-337.7
% of GDP	-3.1%	-2.9%
GDP at Market Prices	11,479.9	11,479.9