



GOVERNMENT OF NIUE

DEPARTMENT OF FINANCE AND PLANNING

FINANCIAL SNAPSHOT: 1 JULY 2020 – 31 JANUARY 2021

Issued on: 1 April 2021

INTRODUCTION

This document provides a brief snapshot of the Government's Budget Fiscal Policy performance and evaluation for the past 7 months to year ending January 2021.

It was noted at the outset of the recurrent financial year, Niue's economic performance will experience a significant overall downturn due to the impact of the Covid-19 global pandemic. This impact was experienced across all sectors in the economy and in particular the Government's overall revenue streams required to fund budget expenditures.

Running a deficit budget from 1 July 2020 presented significant challenges for Treasury to manage the budget in a sustainable and equitable manner in response to the budget expenditure policies.

Treasury has and will continue to work closely with Government departments by prudently controlling expenditure and ensuring all revenue due is collected in the most cost-effective and disciplined way at the same time maintaining the level of services available to the public by departments.

The document also highlights the impact of the Covid-19 quarantine border measures on other central sectors in the economy that contributed in some form to the overall performance of the economy.

As the uncertainty of the pandemic crises continues to involve, this brief will be expected to change as facts and circumstances also change.

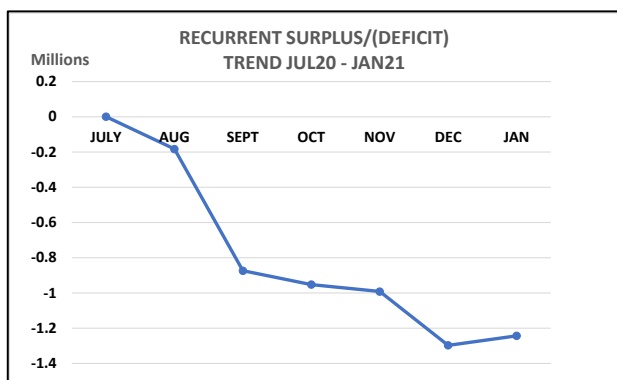
FINANCIAL POSITION

The Annual (Appropriation) Act 2020 was passed with a \$5.7 million deficit.

As at December 2020, the financial position is critical with the recurrent actual deficit being at \$1.297 million. At the beginning of the financial year, the deficit was \$21k and continues to increase as projected.

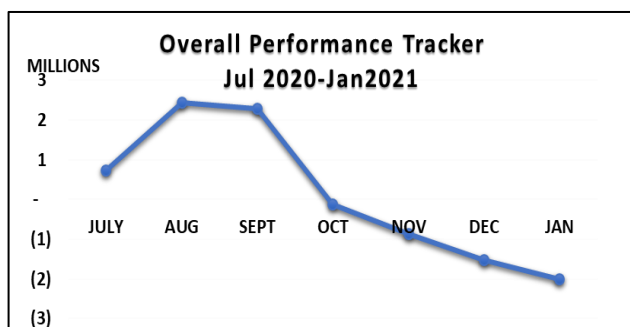
It should be highlighted that this deficit excludes any creditors and has accumulated to a significant level due to the budget deficit and in turn creating cash flow issues.

Financial Position



The financial position is critical with the recurrent deficit up to December 2020 being \$1.297 million. At the commencement of the financial year July 2020 the deficit was \$21,000 and continues to increase.

It is important to highlight that the deficit omits any creditors and have accumulated significantly due to the budget deficit of \$5.4 million creating cashflow issues. However the budgeted deficit as of the 31st December is approximately \$2.46 million, actual deficit is tracking below the expected deficit.



The overall financial position inclusive of donor projects, recurrent projects, COVID-19 support and Capital Expenditure is \$1.53 million deficit compared to the beginning of the financial year (31 July 2020), where it was \$716,000 surplus. The deficit begins showing at the beginning of Quarter 2 (October 2020) and has now accumulated to \$1.53 million.

This indicates a serious cash-flow position that requires immediate addressing.

CASHFLOW POSITION

The cash flow forecast to 26 March 2021 predicts a cash deficit of \$1.9 million. This indicates a very challenging position for government to meet its current obligations.

EXPENDITURE

Recurrent expenditure for the year to date is \$1.16 million below projected budget estimates.

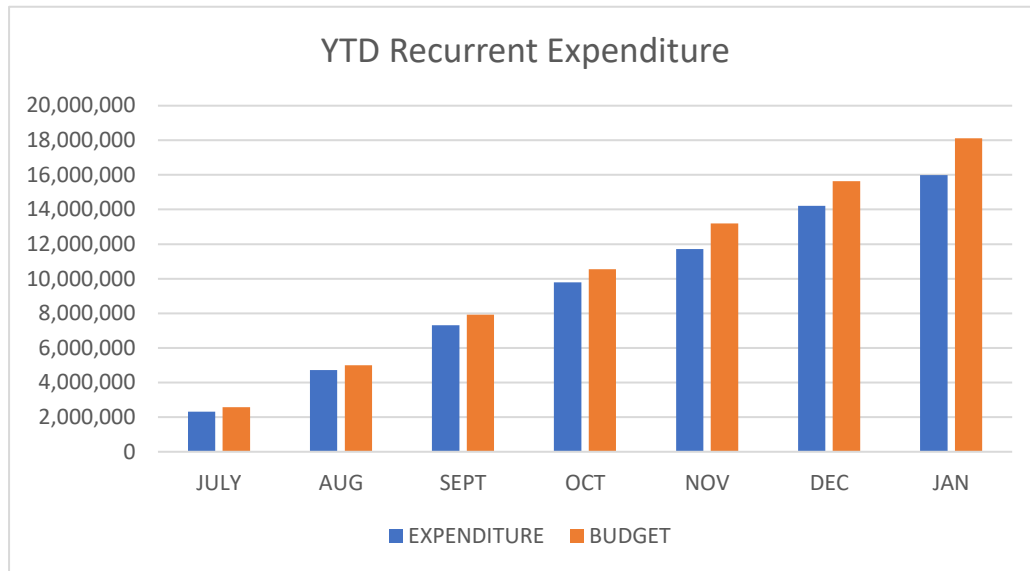
Recurrent YTD actual expenditure of \$14.2 million tracking below YTD budgeted expenditure of \$15.6 million, but overall, actual expenditure exceeded actual revenue resulting in deficit position of \$1.297 million.

Various factors contributed to the actual deficit were:

- High maintenance costs of heavy machineries,

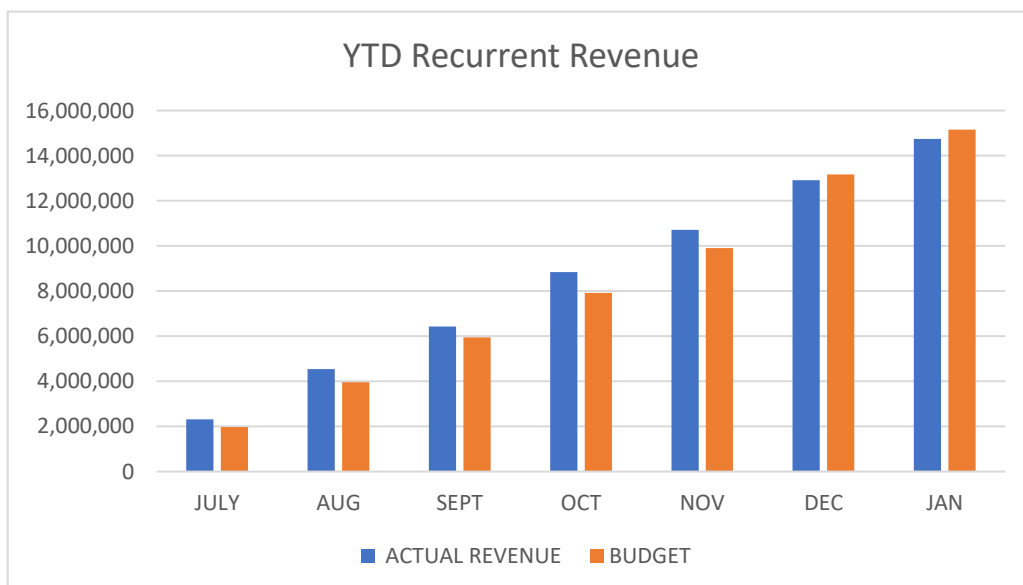
- Unbudgeted spending such as medivacs and
- Expenditures incurred in the last financial year that was paid for this financial year affecting the appropriations this year.

As with expenditure, further information and detail is contained in the Financial Statement Variance Report.



REVENUE

The overall actual revenue is tracking below the targeted revenue budget by \$263k as expected. The internal tax revenue continues its favourable trend and this may have due to the Government direct financial assistance to the private sector which further filtered in to the economy. Revenue streams from trading operations are unfavourable is also as expected certainly due to rate of consumption.



Government of Niue		31 January 2021			
SUMMARY INCOME STATEMENT for the period ending		31 January 2021			
		31 January 2021			Annual
		Actual YTD	Budget YTD	Variance	Budget
Taxes, Duties & Fines		4,871,698	4,011,500	860,198	7,020,000
Trading Revenue		4,312,522	5,354,412	(1,041,890)	9,179,000
Donors (Recurrent)		4,375,000	4,375,000	0	7,500,000
Other Revenue		900,620	570,581	330,039	1,771,000
Interest Revenue		282,616	641,669	(359,053)	1,100,000
Dividends Received		0	200,000	(200,000)	200,000
Revenue		14,742,456	15,153,162	(410,706)	26,770,000
Cost of Sales		2,111,077	3,356,500	1,245,423	5,754,000
Personnel Expenses		7,883,187	8,229,671	346,484	14,207,000
Subsidies & Welfare Payments		2,439,106	2,858,658	419,552	5,084,510
Depreciation & Amortisation		500	0	(500)	0
Maintenance & Materials		1,095,869	1,241,317	145,448	2,133,700
Travel & Transport		835,399	866,243	30,844	1,488,500
Other Expenses		1,620,511	1,560,168	(60,343)	2,414,600
Expenses		15,985,649	18,112,557	2,126,908	31,082,310
RECURRENT SURPLUS/(DEFICIT)		(1,243,193)	(2,959,395)	1,716,202	(4,312,310)
Income from Donors & Projects incl. Capitalised Expenses		13,553,575	0	13,553,575	0
Cost of Sales		0	0	0	0
Personnel Expenses		8,486,107	0	(8,486,107)	0
Subsidies & Welfare Payments		2,342,638	0	(2,342,638)	0
Depreciation & Amortisation		0	0	0	0
Maintenance & Materials		1,628,918	0	(1,628,918)	0
Travel & Transport		222,140	0	(222,140)	0
Other Expenses		1,640,644	0	(1,640,644)	0
Project Expenses		14,320,447	0	(14,320,447)	0
DONORS & PROJECTS - NET		(766,872)	0	(766,872)	0
GOVERNMENT OF NIUE: SURPLUS/(DEFICIT)		(2,010,065)	(2,959,395)	949,330	(4,312,310)

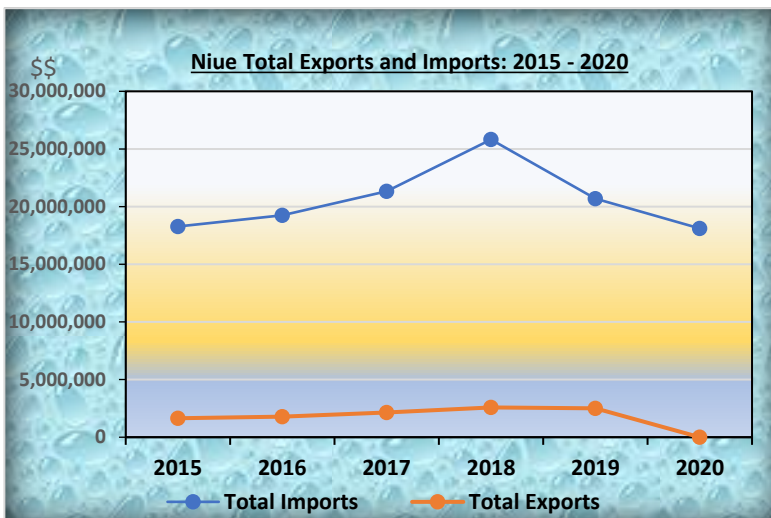
Niue Total Visitors: 2014 - 2020



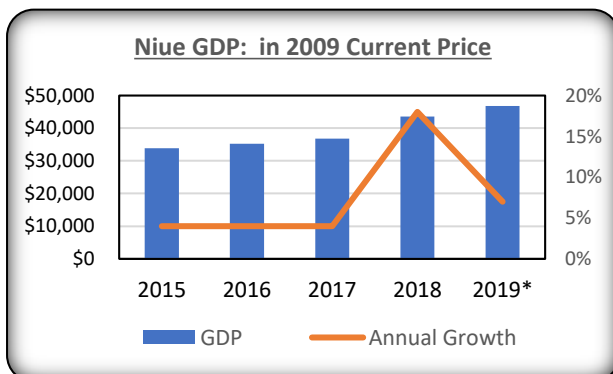
Niue Total Exports and Imports (IMTS): 2015 - 2020

Years (NZ\$000)	2015	2016	2017	2018	2019	2020
Total Exports	1,643.9	1,791.2	2,158.1	2,583.1	2,505.3	Na
Growth	-5.1%	9.0%	20.5%	19.7%	-3.0%	Na
Total Imports	18,267.0	19,254.9	21,336.5	25,820.9	20,698.8	18,105.4
Growth	0.6%	5.4%	10.8%	21.0%	-19.8%	-12.5%
Balance of Trade	-16,623.0	-17,463.8	-19,178.4	-23,237.7	-18,193.5	Na
Growth	1.20%	5.1%	9.8%	21.2%	-21.7%	Na

Years	2014	2015	2016	2017	2018	2019	2020
Total Visitors	7,661	8,234	8,926	11,556	12,369	11,061	1,925
Annual Growth	4%	7%	8%	29%	7%	-11%	-83%



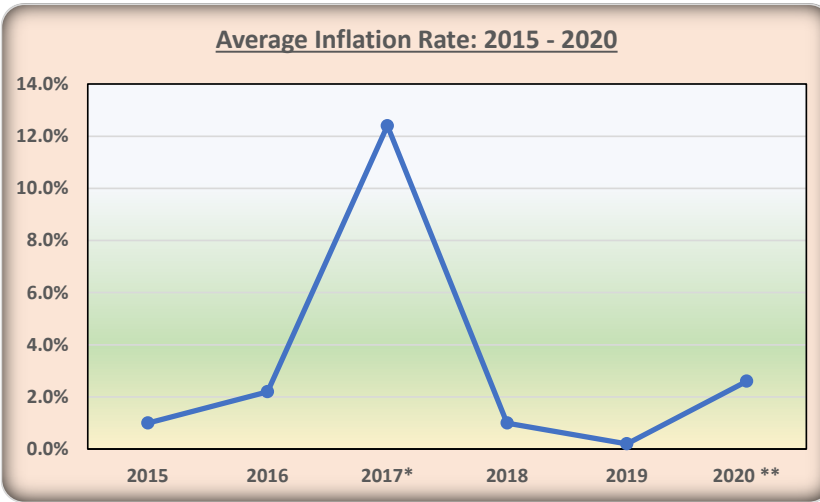
Niue Gross Domestic Product (GDP) : 2015 - 2019



Years	2015	2016	2017	2018	2019*
GDP	\$33,903	\$35,241	\$36,767	\$43,536	46,768
Annual Growth	4%	4%	4%	18%	7%

* Estimated

Niue Consumer Price Index Inflation Rate: 2015 - 2020

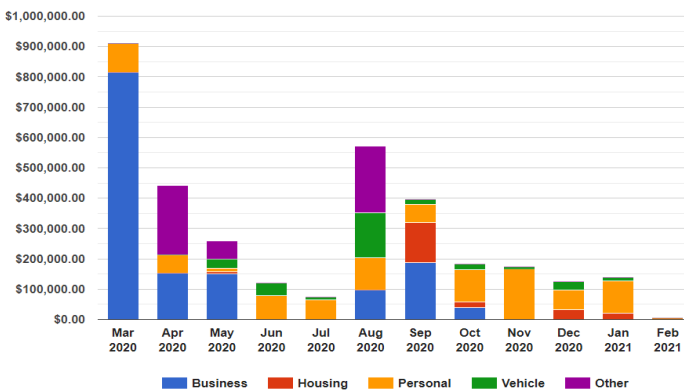


Years	2015	2016	2017*	2018	2019	2020**
Average Inflation Rate	1.0%	2.2%	12.4%	1.0%	0.2%	2.6%

NIUE DEVELOPMENT BANK

The level of lending undertaken by Niue Development Bank (NDB) has dropped significantly (especially when excluding the "Other Lending" category that relates to Food Security \$650,000 under the Covid-19 economic package from April 2020 to date).

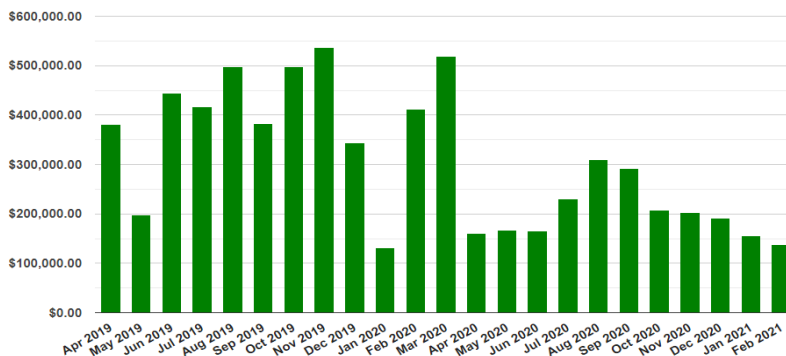
Monthly Loan Approvals by type



Business loans dropped or no longer in existence due to situation with COVID-19.

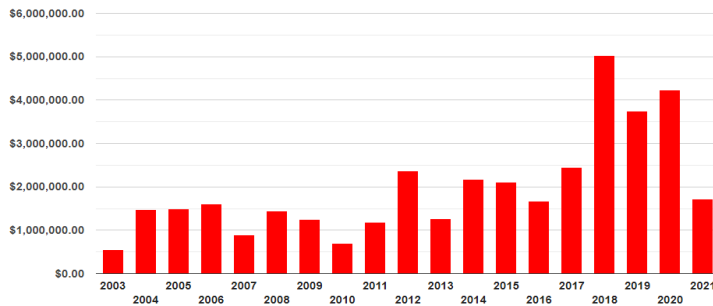
Personal loans increased due to increased cost of living for families (rising cost in food, freight, sole income earners etc)

Monthly Loan Advances (GAF)



Annual Lending has also dropped. From the chart below, as the economy grew from 2012, in response to the tourism strategy being implemented, the level of lending grew. However, the annual lending of lending has dropped by over 50% with border closure.

Annual Loan Advances (GAF)
Financial Years



Cash is still often used by tourists to purchase goods and services in addition to the use of EFTPOS. As a consequence, excess cash builds up in Niue. Since February 2020 **no** cash has been repatriated from Niue to New Zealand. This is another indicator of the drop in economic activity following border closure. The strong recovery in December was due to the monthly boat being some three weeks late and arriving a week before Christmas so significant pent up demand along with Christmas rush.

