



# CITIZENS BUDGET GUIDE

## SUPPLEMENTARY BUDGET 2019/20

### ECONOMIC AND FISCAL UPDATE

The Cook Islands economy performed strongly in the first 8 months of 2019/20, however due to the significant reduction in tourism volumes projected through to the end of the current fiscal year the GDP has been revised downward for 2019/20. GDP is similarly expected to be reduced in 2020/21 before a projected recovery commencing in the second half of 2020/21.

The timing of recovery is heavily dependent on external factors, and in particular the reopening of borders and tourist arrivals. The reduction in business activity and revenue has flow-on effects to Government revenues due to the reduction in taxation.

In parallel to the reduction in revenue, Government expenditure will rise through the costs

of the Economic Response Plan, resulting in a projected deficit Operating Balance in both 2019/20 and 2020/21. The fiscal deficit also increases to 11.8 per cent of GDP before improving to a surplus by 2022/23.

Government will draw upon the Stabilisation Account created in the 2019/20 Budget to manage the increased costs and reduced revenues.

	2018/19 Actual	2019/20 Amended Estimate	2020/21 Projection	2021/22 Projection	2022/23 Projection
<b>Nominal Gross Domestic Product (GDP) (\$m)</b>	538.8	518.2	490.6	567.6	604.3
<b>Total Operating Revenue (\$m)</b>	212.4	180.0	173.5	188.6	196.5
<b>Total Operating Expenditure (\$m)</b>	157.5	204.6	177.3	178.1	176.1
<b>Operating Balance (\$m)</b>	54.9	-24.7	-3.8	10.5	20.4
<b>Capital Expenditure</b>	36.1	50.2	35.5	26.1	25.5
<b>Fiscal Balance surplus/deficit (\$m)</b>	27.1	-61.1	-25.6	-1.8	8.6
<b>Percentage of GDP</b>	5.0	-11.8	-5.2	-0.3	1.4

### SUPPLEMENTARY BUDGET

This Supplementary Budget contains spending measures specifically targeting the response to COVID-19 through to June 2020.

# \$28M

Economic Response Plan for personal income support, business support, and additional temporary welfare benefits;

# \$5M

Medical response to COVID-19 (includes \$0.5 million for Capital needs) to cover increased operating expenses through preparation for and management of the virus, and

# \$1.93M

for small capital projects to engage local businesses



#### WAGE SUBSIDIES

To support employers to retain their staff



#### UNEMPLOYMENT BENEFITS

To support individuals affected by retrenchment or contract termination



#### SCHOOL CLOSURE SUPPORT

\$100 per child per fortnight whilst schools remain closed



#### BUSINESS GRANTS

One-off cash grants for small and large businesses



#### SELF-ISOLATION SUPPORT

Wage support staff who may be required to self-isolate



#### UPSKILLING SUBSIDIES

Additional 3 month wage support for employers to encourage staff to train and upskill



#### WELFARE SUPPORT

For our most vulnerable in the communities

These measures are intended to facilitate our immediate response to the medical requirements of the pandemic, to support our people as we deal with the economic impact, and to stimulate the economy to lessen the long-term impact, and allow businesses to prepare for the return of tourists.

### KEY EXPENDITURE CHANGES

CAPITAL	OPERATING EXPENSES	PERSONNEL EXPENSES
<p><b>INCREASES</b></p> <ul style="list-style-type: none"> <li>• <b>CIIC</b> – FM and TV Telecommunications upgrades for the Pa Enea (+\$200k)</li> <li>• <b>CIIC</b> – Corrective Services Remand Centre at Arorangi Prison (+\$300k)</li> <li>• <b>MFEM</b> - Te Mato Vai for infrastructure development work (+\$5,700k)</li> <li>• <b>MFEM</b> - Capital Distribution Fund for equipment purchases for the Pa Enea and Rarotonga (+\$380k)</li> <li>• <b>Te Marae Ora</b> – replacement of ICT Servers (+\$220k)</li> </ul> <p><b>DECREASES</b></p> <ul style="list-style-type: none"> <li>• <b>ICI</b> – Drainage Improvement Programme works on Avatiu stream (+\$800k)</li> <li>• <b>ICI</b> – Rutaki Foreshore Revetment Programme expansion (+\$650k)</li> <li>• <b>ICI</b> - Pa Enea Cyclone Centres funding deferred (-\$2,700k)</li> <li>• <b>MFEM</b> – Shipping Vessel (-\$2,200k)</li> </ul>	<p><b>INCREASES</b></p> <ul style="list-style-type: none"> <li>• <b>Inter-Island Shipping Fund</b> to charter voyages to the Pa Enea (+\$200k)</li> <li>• <b>Seabed Minerals Authority</b> for start-up costs (+\$95k)</li> <li>• <b>Parliamentary</b> Sitting Expenses for March and June sittings (+\$115k)</li> <li>• <b>MP's Social Responsibility Fund</b> for further community works (+\$240k)</li> </ul> <p><b>DECREASES</b></p> <ul style="list-style-type: none"> <li>• <b>Air New Zealand</b> Subsidies due to reduced flights (-\$2,500k)</li> <li>• <b>Provision for Land Rentals</b> (-\$1,000k)</li> </ul>	<p><b>INCREASES</b></p> <ul style="list-style-type: none"> <li>• <b>Police Service</b> for pay increases in 2019/20 (\$280k)</li> <li>• <b>Corrective Services</b> for pay increases in 2019/20 (\$220k)</li> <li>• <b>Seabed Minerals Authority</b> start-up operating costs (\$35k)</li> </ul> <p><b>NO DECREASES</b></p>