

Government Finances and the Economy

By Laurel Theresa Bain

Fiscal policy, which is the main instrument for economic management, is implemented through the execution of the annual national budget; and hence the importance of monitoring its implementation. To facilitate the monitoring of the National Budget, the Government publishes monthly data on the fiscal performance on the Ministry of Finance website www.finance.gd/index.php/fiscal-reports; and the monthly fiscal summary reports for the months of January, February and March 2024 have been published. This analysis of government finances focuses on the performance during the first quarter of 2024 relative to the targeted performance. The fiscal performance during the first quarter is also compared with the corresponding period in 2023.

The fiscal surpluses for the first quarter of 2024 were higher than targeted. This was influenced by higher domestic revenue while both current and capital expenditures were lower than targeted. Specifically, the Government recorded (i) a current account surplus of \$147.1M; (ii) a primary surplus, after grants, of \$115.6M; (iii) an overall surplus, before grants, of \$96.6M; and (iv) an overall surplus, after grants, of \$104.7M.

The current or operational revenue of \$363.8M in the first quarter of 2024 was \$41.9M more than the government projected to collect for that period. The higher than targeted revenues were derived from both tax and non-tax revenue. Tax revenue amounted to \$228.4M compared to the targeted amount of \$216.7M.

The higher than targeted tax revenue was influenced by the revenue intake from property tax and taxes on goods and services. Specifically, revenue from property tax of \$15.4M was significantly higher than the \$6.9M the Government intended to collect, influenced by the revenue collected from the property transfer tax. Meanwhile revenue from taxes on goods and services of \$58.4M was higher than the \$52.6M that the Government targeted to collect. Taxes on income and profits

of \$48.1M fell short of the targeted \$50.6M, while the Government collected \$116.5M, against the targeted \$116.6M, from taxes on international transactions.

Meanwhile, non-tax revenue of \$135.4M surpassed the \$105.2M that the Government targeted, influenced by the realisation of \$34.6M above the targeted amount from the Investment Migration Authority (IMA). In contrast to this higher than targeted domestic revenue performance, inflows from grants of \$8.1M were less than the targeted \$20.4M, and this is reflected in the lower than targeted capital expenditure. Due to the higher domestic revenue, total revenue and grants of \$371.8M were higher than the \$342.2M Government targeted to realise for the period.

The comparison of revenue performance between 2024 and 2023 showed that the current revenue of \$363.8M collected in the first quarter of 2024 was \$84.6M or 32.3 per cent more than that collected in the first quarter of 2023. The comparatively higher revenue during the first quarter was influenced by the revenue intake from both tax and non-tax sources. Total tax revenue increased by \$32.1M (16.3 per cent) in the first quarter of 2024 compared with the same quarter in 2023.

Among the tax categories, revenue from taxes on income and profits of \$48.1M was less than the \$49.3M collected in 2023. All the other tax categories recorded higher revenue compared to 2023. Revenue from taxes on property increased by \$5.1M (50 per cent), taxes on goods and services by \$20.0M (52 Per cent), and taxes on international transactions by \$8.2M (8.3per cent). A number of factors could have contributed to the increased tax revenue during the first quarter, including economic growth which is normally associated with increased revenue from the taxes on goods and services and on international transactions.

The growth in non-tax revenue of \$52.5M (63.3 Per cent) was attributed to higher inflows from the Investment Migration programme, which increased by \$60.9M and more than doubled the receipt of \$56.4M for the first quarter in 2023. Along with the higher revenue, the grants of \$8.1M in the first quarter of 2024 were higher than the \$4.7M recorded in the same period in 2023.

During the first quarter of 2024, total expenditure of \$267.1M was less than the targeted amount of \$316.6M as both current and capital expenditures were less than targeted. The current or operational expenditure of \$216.7M for the first quarter of 2024 was \$18M less than what the

Government planned to spend for that quarter. This was due to lower than targeted expenditure for employees' compensation and goods and services, as transfers and subsidies were higher than planned. Outlays for compensation to employees of \$78.9M were \$14.3M less than the \$93.2M the Government planned to spend. Expenditure on goods and services of \$40.5M was lower than the planned \$58.3M, falling short of the target by \$17.8M. The projections for Government expenditure for compensation to employees and for goods and services are generally more precise, and therefore expenditure in these categories could accelerate during the year. In contrast, expenditure on transfers and subsidies of \$64.4M Was higher than the targeted \$59M. Interest payment was in line with the targeted amount.

Reflecting the higher budgeted expenditure for 2024, the current or operational expenditure of \$216.7M in the first quarter of 2024 was \$45.7M more than the expenditure incurred in the first quarter of 2023. All categories of expenditure were higher than in 2023. Expenditure on compensation to employees rose by \$8.6M and goods and services by \$7.6M; while transfers and subsidies were higher by \$6.8M. Interest payment was marginally higher by \$0.7M.

On the capital account, capital expenditure of \$50.5M, during the first quarter of 2024, was less than the planned expenditure of \$82.0M and of the \$60.9M spent for the same period in 2023.

At the end of March, the Government spent 12 per cent of the budgeted capital expenditure of \$419.5M. The rate of capital spending was below the targeted 19.5 per cent that the Government planned to spend during the first quarter. The implementation of the capital programmes will need to be accelerated to fully implement the planned capital programme for 2024.

With the combined effects of the higher than targeted current revenue and less than planned expenditure, the fiscal surpluses for the first quarter were higher than targeted. The Government recorded a primary surplus of \$115.6M, compared with the targeted \$36.7M; and an overall surplus of \$104.7M, compared with the targeted \$25.6M.

The assessment of the disposal of the surplus requires detailed data on the financing component of the fiscal accounts. However, principal debt repayment amounted to \$39.6M and, with the inclusion of loan disbursements, there will be a surplus on the fiscal accounts for the first quarter of 2024.

The following table is a summary of the Government’s finances for the first quarter of 2024 as derived from the monthly Fiscal Reports:

Table 1: Summary of the Government’s Finances for the First Quarter of 2024

Central Government Finances in EC\$M			
Government Finances	Targeted 2024	Actual 2024	Actual 2023
Total Revenue and Grants	342.2	371.8	297.0
Total Grants	20.4	8.1	4.7
Capital Grants	20.4	8.1	4.7
Current Grants	0	0	0
Current Revenue	321.8	363.7	292.3
Total Expenditure	316.6	267.1	231.9
Current Expenditure	234.6	216.6	171.0
Capital Expenditure	82.0	50.5	60.9
Current Account Balance (Before Grants)	87.2	147.1	121.3
Current Account Balance (After Grants)	87.2	147.1	121.3
Primary Balance (After Grants)	36.7	115.6	75.3

Overall Balance (After Grants)	25.6	104.7	65.1
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Source: Derived from the monthly fiscal report of the Ministry of Finance for January, February, and March 2024.

Knowledge is power and experience is the greatest teacher.

Disclaimer: This article is written in my personal capacity and not in my capacity as Chairwoman of the Fiscal Resilience Oversight Committee.

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