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 particularly 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.

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.
Niue Total Visitors: 2014 - 2020

Total Visitors and Annual Growth: 2014 - 2020
Niue Total Exports and Imports (IMTS): 2015 - 2020

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

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Visitors</td>
<td>7,661</td>
<td>8,234</td>
<td>8,926</td>
<td>11,556</td>
<td>12,369</td>
<td>11,061</td>
<td>1,925</td>
</tr>
<tr>
<td>Annual Growth</td>
<td>4%</td>
<td>7%</td>
<td>8%</td>
<td>29%</td>
<td>7%</td>
<td>-11%</td>
<td>-83%</td>
</tr>
</tbody>
</table>

Niue Gross Domestic Product (GDP) : 2015 - 2019

<table>
<thead>
<tr>
<th>Years</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong></td>
<td>$33,903</td>
<td>$35,241</td>
<td>$36,767</td>
<td>$43,536</td>
<td>$46,768</td>
<td></td>
</tr>
<tr>
<td><strong>Annual Growth</strong></td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>18%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

* Estimated
Niue Consumer Price Index Inflation Rate: 2015 - 2020

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)

<table>
<thead>
<tr>
<th>Years</th>
<th>2015</th>
<th>2016</th>
<th>2017*</th>
<th>2018</th>
<th>2019</th>
<th>2020 **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Inflation Rate</td>
<td>1.0%</td>
<td>2.2%</td>
<td>12.4%</td>
<td>1.0%</td>
<td>0.2%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>
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.

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.