Statistical News Release

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Government’s financial deficit amounted to Afl. 71.2 million in the second quarter of 2014

The government’s financial deficit on a cash basis contracted by Afl. 15.0 million to Afl. 71.2 million in the second quarter of 2014, when compared to the same period in 2013 (Chart 1). Likewise, the cash-adjusted financial deficit declined by Afl. 4.4 million to Afl. 135.0 million in the second quarter of 2014, down from Afl. 139.4 million in the corresponding quarter of 2013. At the end of June 2014, the government’s outstanding debt amounted to Afl. 3,532.6 million, which is Afl. 368.9 million or 11.7 percent higher than the level recorded at the end of June 2013.

Financial operations

In the second quarter of 2014, total government revenue fell by Afl. 2.0 million (-0.7 percent) to Afl. 276.6 million, compared to the corresponding quarter of 2013 (Chart 2). This decrease resulted from an Afl. 23.3 million drop in nontax revenue, which was counterbalanced by an Afl. 21.3 million increase in tax revenue. The contraction in nontax revenue was largely brought about by an incidental receipt of Afl. 25.0 million in May 2013 related to the transfer of long-lease land for the hospital’s renovation and expansion project. The increase in tax revenue resulted mainly from upturns in income from profit tax (+Afl. 10.5 million) and land tax (+Afl. 7.3 million). Other categories noted growth of above Afl. 1 million, including revenue from wage tax (+Afl. 2.8 million), taxes on other services (+Afl. 2.7 million), foreign exchange tax (+Afl. 1.9 million), taxes on income (+Afl. 1.5 million), and excises on tobacco (+Afl. 1.2 million). In addition, income from turnover tax registered a mere Afl. 0.1 million increase.
During the first six months of 2014, total government revenue noted a decline of Afl. 33.0 million, reflecting the Afl. 57.3 million drop in nontax revenue. This contraction was partly mitigated by an Afl. 24.3 million growth in tax revenue.

![Chart 2: Revenue vs expenditure](image)

Source: Department of Finance; Tax Collector’s Office; CBA.

Total government expenditures declined by Afl. 22.1 million to Afl. 341.9 million in the second quarter of 2014, brought about mainly by drops in goods and services (-Afl. 18.1 million), investment (-Afl. 9.9 million), and interest (-Afl. 3.1 million). These drops were partly offset by growths in wage-related spending (+Afl. 5.3 million), transfers to General Health Insurance (+Afl. 2.9 million), and “items not included elsewhere” (+Afl. 0.9 million). The upturns in wage-related spending was caused by increases in employer’s contribution (+Afl. 6.7 million) and wages (+Afl. 4.0 million), which were partly mitigated by a reduction in wage subsidies (-Afl. 5.4 million). Notwithstanding, the wage-related spending to total-tax-revenue ratio fell by 4.4 percentage points to 71.3 percent in the quarter under review, as the heightened tax level absorbed the surge in wage-related spending (Chart 3).

During the first six months of 2014, total government expenditure dropped by Afl. 7.4 million to Afl. 682.1 million, compared to the same period of 2013. Major changes in the composition of expenditure were noted in the categories of investment (-Afl. 17.8 million), “items not included elsewhere” (+Afl. 13.7 million), wage-related spending (+Afl. 10.4 million), and goods and services (-Afl. 11.8 million).

![Chart 3: Wage-related spending to total tax revenue ratio](image)

Source: Department of Finance; Tax Collector’s Office; CBA.
**Outstanding debt**

At the end of June 2014, total outstanding government debt climbed to Afl. 3,532.6 million, i.e., Afl. 65.0 million or 1.9 percent higher than the level recorded at the end of March 2014 (Chart 4).

Domestic debt rose by Afl. 68.5 million, due to ascents in other short-term non-negotiable loans, claims of the civil service pension fund (APFA), and suppliers credit of, respectively, Afl. 38.4 million, Afl. 23.4 million, and Afl. 4.8 million. Conversely, foreign debt tipped down by Afl. 3.6 million, brought about mainly by an Afl. 2.9 million drop in other foreign debt, caused mainly by a fall in foreign suppliers credit. Foreign exchange rate differences caused a marginal fall of Afl. 0.7 million in the outstanding foreign debt issued in Euro, as the exchange rate dropped to Afl. 2.46 in the second quarter of 2014, down from Afl. 2.48 in the first quarter of 2014.

Source: Department of Finance; APFA; CBA.