

### FY2022/23 QUARTER IV

### TWELVE MONTH REPORT ON BUDGETARY PERFORMANCE FY2022/23 JULY - JUNE

**NOVEMBER 2023** 

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### O ABOUT THIS REPORT

### **GENERAL STATEMENT**

In keeping with its commitment to transparency in the public finances and align with global fiscal disclosure standards and best practices, the Ministry of Finance provides in-year reporting on the performance of the central Government's revenue, expenditure and financing operations vis-à-vis the approved budget.

- » Periodicity: Quarterly (Qtr. I: July September; Qtr. II: July December; Qtr. III: July March; and Qtr. IV: July June)..
- » **Timeliness:** Within four (4) weeks after the end of the referenced quarter, except for Qtr. IV report which will be released two months after the end of the quarter given year-end closing activities.
- » Publication: To be released on the Ministry of Finance's Budget website (www.bahamasbudget.gov.bs).

### BASIS OF PREPARATION

The budgetary data are prepared using a modified cash basis of accounting and guided by International Public Sector Accounting Standards (IPSAS) cash basis. As such, revenue is recognized when received and not when earned, expenditure is recorded in the period it is incurred and paid, and purchases of fixed assets, including immovable property, plant and equipment, are fully expensed in the year of purchase.

The fiscal data tables compiled in the quarterly reports are presented using the new modified chart of accounts introduced on July 1, 2018, which accomplishes two (2) important objectives, namely:

- »prepares for the eventual conversion of the accounting presentation to the IPSAS accrual basis,
- »facilitates the aggregation and presentation of the fiscal data to meet the International Monetary Fund's

Government Finance Statistics (GFS) 2014 reporting standards. The primary purpose of the GFS is to provide a comprehensive conceptual and reporting framework for analyzing and evaluating the performance of the Government's finances.

### **UNAUDITED DATA**

As reconciliation is ongoing, the fiscal data presented in these quarterly reports are subject to change and, therefore, their status is provisional (denoted as "p") until audited by the Auditor General.

### **ROUNDING**

Because of rounding, some totals may not agree with the sum of their component parts.

# O EXECUTIVE SUMMARY

During fiscal year 2022/23, the Bahamian economy continued to record a strong tourism-led expansion, despite the persistence of global inflationary pressures arising from ongoing geopolitical tensions which invoked a bias towards stricter monetary policies among the advanced nations. Tourist arrivals for the twelve months through June 2023 reached 9.0 million, with a significant shift towards sea arrivals, resulting in a 113.9 percent overall increase compared to the prior year. The short-term home stay market also thrived with a 10.5 percent occupancy rate improvement. Strong

tourism activity led to better employment conditions, with a notable 7.4 percent decrease in unemployment since May 2019 and increased consumer spending, which resulted in a 0.1 percent increase in consumer prices in June 2023 compared to the prior month.

- » Revenue collection for the year totalled \$2,855.8 million, surpassing the prior year by \$246.5 million (9.4 percent), and equating to 99.9 percent of the budget.
  - Tax revenue receipts grew \$312.0 million (14.4 percent) to

- \$2,474.1 million, accounting for 97.5 percent of the budget. Strengthened collections were noted in Value Added Tax, departure tax, excise duties and stamp taxes on financial and realty transactions.
- Conversely, non-tax revenue declined by \$66.4 million (14.9 percent) to \$380.4 million but exceeded the budget target by 19.8 percent. The yearover-year decrease is partly explained by the impact of extraordinary payments in the prior year.

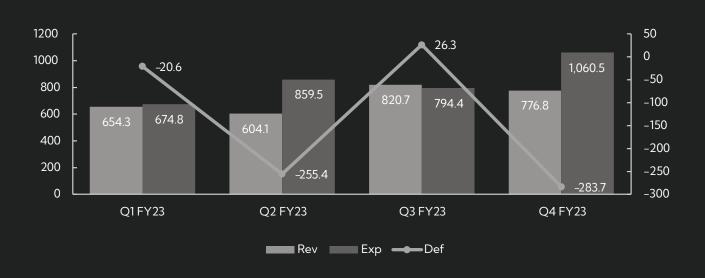
TABLE 1: FISCAL SUMMARY (STATEMENT OF SOURCES & USES OF CASH) (B\$M)

	Revised Budget		July – Ju	une	
	FY2022/23	FY2022/23p	FY2021/22p	Variance	% of Budget
		Actual	Actual		
Revenue	2,857.3	2,855.8	2,609.3	246.5	99.9%
Tax	2,537.2	2,474.1	2,162.1	312.0	97.5%
Non-tax	317.4	380.4	446.8	(66.4)	119.8%
Grants	2.8	1.2	0.4	0.9	44.2%
Expenditure	3,432.8	3,389.2	3,326.7	62.5	98.7%
Recurrent	3,073.7	3,061.8	3,042.9	18.9	99.6%
Capital	359.1	327.4	283.8	43.6	91.2%
Surplus/(Deficit)	(575.5)	(533.4)	(717.4)	184.0	92.7%
Financing Activities	575.5	533.4	717.4	(184.0)	92.7%
Net Acquisition of financial assets (-)	46.5	226.7	66.3	160.4	487.7%
Sinking Funds	46.5	116.5	66.3	50.2	250.6%
Equity	0.0	0.0	0.0	0.0	0.0%
Other	0.0	110.2	0.0	110.2	0.0%
Net Incurrence of Liabilities (+)	688.8	451.9	891.9	(439.9)	65.6%
Borrowings	1,965.5	2,989.0	3,036.9	(47.9)	152.1%
Debt Repayment	1,276.7	2,537.1	2,145.0	392.0	198.7%
Change in Cash Balance [()= increase]	(66.8)	308.2	(108.1)	416.3	-461.3%

- » Total expenditure at \$3,389.2 million represented a year-over-year increase of \$62.5 million (1.9 percent) and 98.7 percent of the budget target.
  - Recurrent spending grew by \$18.9 million (0.6 percent) to \$3,061.8 million, to account for
- 99.6 percent of the budget target. This outcome reflected a reduction in special financial transactions, and pandemic related subsidy and social assistance program spending.
- · Capital expenditure increased by \$43.6 million (15.4 percent) to

\$327.4 million, for 91.2 percent of the budget target. Spending was driven by approximately \$57.0 million (25.3 percent) in outlays for the acquisition of non-financial assets. TWELVE MONTH REPORT ON BUDGETARY PERFORMANCE FY2022/23 JULY - JUNE

### FIGURE 1: BUDGETARY PERFORMANCE (B\$M)



- » For the review year, the government experienced an overall deficit of \$533.4 million, which represented a decrease of \$184.0 million (25.6 percent) from the prior fiscal year. This fiscal deficit accounted for 92.7 percent of the annual budget target. The net financing during the period totaled \$451.9 million, a \$439.9 million (49.3 percent) decrease in the net liability as compared to the \$891.9 million experienced in the prior fiscal year.
- » Contributions to the sinking funds established to retire future debt obligations totaled \$87.9 million for the quarter. At end June 2023 the cumulative value of the four

- (4) arrangements earmarked for scheduled retirement of external bonds totaled USD378.6 million. As a result of the February 2022 agreement, \$141.3 million is subject to repurchase.
- » Government's gross borrowing of \$2,989.0 million was 1.6 percent below the year earlier level and was primarily used to settle maturing debt which aggregated \$2,537.1 million—an annual increase of \$392.0 million (18.3 percent). In the domestic space, debt operations featured a net increase in securities issuances (\$186.4 million) and Central Bank advances (\$118.1 million), alongside a net re-
- payment of bank loans (\$55.2 million). On the foreign currency side, there was a net inflow of \$272.2 million from the international development agencies in contrast to a \$301.9 million net repayment to foreign banks.
- » As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$451.9 million. When exchange rate adjustments are applied, the total Direct Charge at end-June 2023 totaled \$11,260.0 million or 82.0 percent of GDP, as compared to 87.3 percent of GDP at end-June 2022.

### TABLE 2: SUMMARY OF COVID-19 RELATED EXPENSES (B\$M)

### **BOX A: SUMMARY OF COVID-19 EXPENDITURE**

During FY2022/23, Government continued the process of unwinding COVID-19 related health containment, mitigation and support programs for impacted families and businesses. These outlays are estimated at \$12.3 million for the fiscal year and, together with past outlays, bring the aggregate COVID-19 spend to approximately \$467.3 million.

	FY2019/20	FY2020/21p	FY2021/22p	FY2022/23	- T.4.1
	Mar - June	July - June	July - June	July - June	Total
Recurrent Expenditure	39.2	268.5	96.6	7.6	411.9
Public Health Safety	1.9	36.6	14.8	3.6	56.9
Unemployment Assistance	10	164.7	62.3	0.0	237.0
Goods & Services Acquisition	1.8	2.2	2.7	1.6	8.3
Job Retention Programs	21.4	23	6.4	0.0	50.8
Food Assistance	2	40.4	7.8	0.0	50.2
Other	2.1	1.5	2.6	2.4	8.6
Capital Expenditure	40.3	4.7	5.7	4.7	55.4
Public Health Safety	0.4	0	0	0	0.4
Goods & Services Acquisition	0.6	0.1	0	0	0.7
COVID-19 Unit	0.3	0.5	0	0	0.8
Small Business Loans	39	4.1	5.7	4.7	53.5
Total	79.5	273.3	102.3	12.3	467.3

# O ECONOMIC OVERVIEW

The performance of the Bahamian economy evolved within the context of continued risks in the global economy caused by ongoing geopolitical tensions and elevated inflation levels which solicited a tightening of monetary policy conditions.

Developments in the United States, The Bahamas' major trading partner, featured a firming in the inflation rate in the twelve months to June 2023, which resulted in the Federal Reserve tightening its key interest rate by 0.25 percentage points to 5.25 at end-June 2023. Employment conditions were relatively stable, with the end-June 2023 rate of 3.6 percent changing very little over the past four quarters. Real gross domestic product increased at an annual rate of 2.1 percent at the quarter end, growing from the 2.0 percent recorded in the prior com-

parative period. Compared to the first quarter, the acceleration in GDP in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in nonresidential fixed investment.

Despite the persistence of risks in the external environment, the domestic economy continued to benefit from the resilience of tourism activity and a broadening of the domestic demand recovery. Travel demand from major source markets remained strong, with arrivals totaling 9.0 million for the twelve months to June 2023—representing a 91.3 percent gain over the corresponding period a year earlier and surpassing the 2019 comparison by 26.8 percent. Alongside these results, the local short term home rental market had occupancy of 64 percent at end June 2023, a 10.5 percent improvement when compared to the prior year. These favorable outturn in economic activity translated into improvement in employment conditions, with the jobless rate lower at 8.8 percent in May 2023 after surging to 25.9 percent in 2021 and below the 9.5 percent recorded in May 2019.

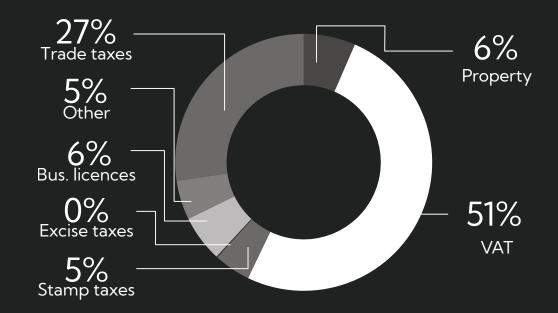
Price developments reported an increase in average consumer prices of 3.1 percent in the twelve months to June 2023, although subsiding from the 4.0 percent recorded in the prior comparative period.



## O REVENUE PERFORMANCE

In the context of strengthened economic activity and discrete policy initiatives, revenue receipts for FY2022/23 totaled \$2,855.8 million, representing a \$246.5 million (9.4 percent) increase compared to the prior year and 99.9 percent of the budget target (see Table 3).

### FIGURE 2: PERCENTAGE COMPOSITION OF TAX REVENUE (TWELVE MONTHS FY2022/23)

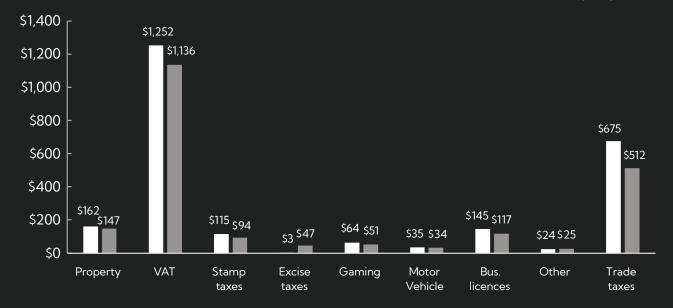


Tax revenue collections during the FY2022/23 totaled \$2,474.1 million, an improvement of \$312.0 million (14.4 percent) compared to the prior year. Key developments explaining the revenue performance are outlined below.

- » Taxes on Property grew by an estimated \$14.5 million to \$161.5 million, and represented 95.3 percent of the annual budget.
- » Taxes on Goods & Services, increased by \$137.2 million (9.2 percent), equating to 93.6 percent of the budget.

- VAT receipts improved by \$116.2 million (10.2 percent) to \$1,252.0 million, for 88.7 percent of the budget target.
- Stamp taxes on financial and real estate transactions grew by \$24.0 million (28.9 percent) to \$107.0 million, and surpassed the budget target by 54.4 percent.
- Excise Tax collections at \$2.7 million equated to 73.6 percent of the budget. Differences in excise tax collections period over period is due to the reclas-
- sification between Excise Tax and Excise Duty between fiscal periods. For FY22/23, excise tax is charged on taxable goods imported or manufactured in The Bahamas (alcohol and tobacco).
- Taxes on Specific Services (Gaming Taxes), which totaled \$63.9 million, were \$12.6 million (24.5 percent) above the prior year and an elevated 121.2 percent of the budget.





- » Reflecting the strong gains in tourism activity and domestic demand, taxes on International Trade & Transactions improved by \$163.7 million (32.0 percent) to \$675.4 million compared to the prior year, and exceeded the budget projections by 9.6 percent.
  - Excise & Export Duties increased by \$75.9 million (42.8 percent) to \$253.5 million or 94.1 percent of the budget target.
- Departure Taxes doubled to \$172.2 million—an increase of \$87.3 million (102.8 percent) and eclipsed the budget target by 77.6 percent.

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During the year, non-tax revenue declined by \$66.4 million (14.9 percent) when compared to the prior year.

- » Property income (mainly interest and dividend collections and revenue on government property) tapered by \$18.2 million (22.0 percent) to total \$64.6 million—although equivalent to 171.5 percent of the budget target.
- » Revenue from the sale of goods & services declined by \$14.0 million (6.2 percent) to \$211.0 million for 99.2 percent of the budget, as collections of immigration fees normalized following the interruptions arising from COVID-19.
- » Receipts from miscellaneous and unidentified collections of \$54.8 million represented a decrease of

\$35.8 million, with the prior years' collections elevated by receipts of dividends and extinguished dormant funds.

**TABLE 3: REVENUE SUMMARY (B\$M)** 

	Revised Budget		July - Ju	une	
	FY2022/23	FY2022/23p	FY2021/22p	Variance	% of Budget
	F 1 2022/23	Actual	Actual	variance	% of Budget
TAX REVENUE (a+b+c+d)	2,537.2	2,474.1	2,162.1	312.0	97.5%
a. Taxes on Property	169.4	161.5	147.0	14.5	95.3%
b. Taxes on Goods & Services (i+ii+iii)	1,741.0	1,629.5	1,492.3	137.2	93.6%
i. General	1,484.7	1,361.7	1,265.3	96.4	91.7%
VAT	1,411.8	1,252.0	1,135.8	116.2	88.7%
Stamp taxes (Financial & Realty)	69.3	107.0	83.0	24.0	154.4%
Excise Tax	3.6	2.7	46.5	(43.8)	73.6%
ii. Specific (Gaming taxes)	52.7	63.9	51.3	12.6	121.2%
iii. Taxes on Use of Goods/Permission to Use	203.6	204.0	175.7	28.3	100.2%
Motor Vehicle Taxes	46.0	34.7	33.7	1.0	75.5%
Company Taxes	22.5	20.1	19.8	0.3	89.3%
Licence to Conduct Special Bus. Activity	130.6	145.3	116.8	28.5	111.3%
Marine License Activities	4.5	3.8	5.3	(1.5)	85.9%
c. Taxes on Int'l Trade & Transactions	616.3	675.4	511.8	163.7	109.6%
Customs & other import duties	249.7	248.9	248.6	0.3	99.7%
Excise Duties	269.5	253.5	177.5	75.9	94.1%
Departure Taxes	97.0	172.2	84.9	87.3	177.6%
Other	0.1	0.9	0.7	0.2	701.9%
d. General Stamp Taxes	10.4	7.7	11.1	(3.4)	73.7%
NON-TAX REVENUE (e+f+g+h+i+j)	317.4	380.4	446.8	(66.4)	119.8%
e. Property Income	37.7	64.6	82.8	(18.2)	171.5%
Interest & Dividends	19.4	45.7	56.6	(10.9)	236.2%

TABLE 3: REVENUE SUMMARY (B\$M) CONT'D

	Revised Budget		July - J	une	
	FY2022/23	FY2022/23p	FY2021/22p	Variance	% of Budget
	F 1 2022/ 23	Actual	Actual	Variance	% or budget
Revenue_Gov't Property	18.3	18.9	26.2	(7.3)	103.0%
f. Sales of goods & services	212.8	211.0	225.0	(14.0)	99.2%
i. Fees & Service Charges	193.2	193.8	208.7	(14.9)	100.3%
General Registration	4.1	4.6	4.5	0.2	111.9%
General Service	18.0	15.4	14.0	1.5	85.7%
Immigration	106.2	108.2	127.0	(18.9)	101.8%
Land & Building	2.3	2.7	2.4	0.3	118.2%
Legal	1.3	1.1	1.1	(0.1)	86.5%
Customs	52.7	52.7	50.2	2.5	100.1%
Port & Harbour	7.7	7.9	5.9	2.0	102.4%
Health	1.0	1.3	1.2	0.0	130.0%
Other Fees	0.0	0.0	2.4	(2.4)	62.8%
ii. Other	19.6	17.2	16.3	0.9	87.8%
g. Fines, Penalties & Forfeits	5.7	5.3	5.4	(0.1)	93.0%
h. Reimbursements & Repayments	49.2	44.2	42.6	1.6	89.7%
i. Misc. & Unidentified Revenue	11.9	54.8	90.6	(35.8)	460.7%
j. Sales of other Non-Financial Assets	0.1	0.5	0.4	0.1	520.8%
TOTAL TAX & NON-TAX REVENUE	2,854.6	2,854.6	2,609.0	245.6	100.0%
GRANTS	2.8	1.1	0.2	0.9	39.3%
CAPITAL REVENUE	0.0	0.1	0.2	(0.0)	1186.7%
GRAND TOTAL	2,857.3	2,855.8	2,609.3	246.5	99.9%

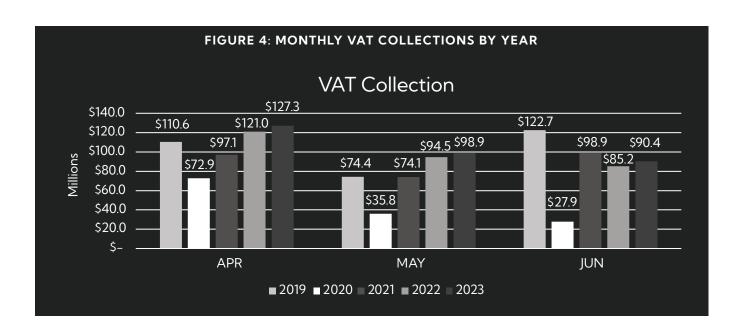
### **BOX B: TRENDS IN GOVERNMENT REVENUE PERFORMANCE & POLICY INITIATIVES**

Preliminary revenue performance data for FY2022/23 indicate a continued strengthening of government revenue collections. Fourth quarter tax revenue collections improved 8.6 percent (51.7 million) when compared to the same period of the prior year, and were largely explained by increases of 25.4 million (51.5 percent) in collections of taxes on use of goods and permission to use.

**TABLE 4: REVENUE SUMMARY** 

	FY2021/22 FY2022/23			3			
	QIV	Total	QI	QII	QIII	QIV	Total
TAX REVENUE (a+b+c+d)	603.2	2,161.8	574.7	521.8	722.7	654.9	2,474.1
a. Taxes on Property	40.5	147.0	20.9	38.6	67.7	34.3	161.5
b. Taxes on Goods & Services (i+ii+iii)	395.5	1,492.0	387.8	329.2	477.5	435.1	1,629.5
i. General	332.3	1,265.3	359.9	293.4	363.3	345.0	1,361.7
VAT	300.8	1,135.8	331.0	267.8	336.6	316.6	1,252.0
Stamp taxes (Financial & Realty)	31.3	83.0	28.5	24.9	26.2	27.3	107.0
Excise Tax	0.3	46.5	0.4	0.7	0.5	1.1	2.7
ii. Specific (Gaming taxes)	13.8	51.3	12.8	13.4	22.4	15.4	63.9
iii. Taxes on Use of Goods/Permission to Use	49.3	175.4	15.1	22.4	91.8	74.7	204.0
Motor Vehicle Taxes	9.0	33.7	7.0	7.2	11.5	9.0	34.7
Company Taxes	2.6	19.5	2.0	3.2	12.3	2.6	20.1
Licence to Conduct Special Bus. Activity	35.9	116.8	5.4	11.2	66.7	62.0	145.3
Marine License Activities	1.8	5.3	0.7	0.9	1.2	1.0	3.8
c. Taxes on Int'l Trade & Transactions	165.2	511.8	164.3	150.0	176.9	184.2	675.4
Customs & other import duties	67.6	248.6	61.2	62.2	62.7	62.7	248.9
Taxes on Exports	60.9	177.5	65.4	53.6	58.7	75.7	253.5
Departure Taxes	36.3	84.9	37.5	34.0	55.3	45.4	172.2
Other	0.4	0.7	0.2	0.1	0.2	0.4	0.9
d. General Stamp Taxes	2.0	11.1	1.8	4.0	0.6	1.3	7.7

With effect from 1 January 2022, the Government reduced the nominal rate of VAT from 12 percent to 10 and eliminated many zero rating categories to improve equitability in the domestic tax structure. This new policy was implemented. Despite the reduction in the nominal VAT rate, revenue outturn from Q4 FY2022/2023 VAT receipts grew by 5.3 percent (\$15.9 million) when compared to the prior year and by 2.9 percent (8.9 million) relative to Q4 FY2018/2019 pre-pandemic levels.



## O EXPENDITURE DEVELOPMENTS

### A. RECURRENT EXPENDITURE – ECONOMIC CLASSIFICATION

During the twelve months end-June for the FY2022/23, total recurrent expenditure increased by \$18.9 million (0.6 percent) to \$3,061.8 million compared to the same period in the prior year—representing 99.6 percent of the targeted spend (see Table 5).

- » Compensation of employees increased by \$68.0 million (9.2 percent) to \$805.2 million and represented 97.3 percent of the budget target. The increase in the public-sector wage bill reflects staff promotions, salary adjustments,
- and additional hires for staffing needs in new and existing government Ministries and agencies.
- » Spending on the use of goods and services was higher by \$32.7 million (5.1 percent) at \$671.7 million, which corresponded to 99.6 percent of the annual budget.
  - Rental costs increased by \$22.4 million (26.7 percent) to \$105.9 million, mostly comprising payments for office lease and rent, vehicle leases and living accommodations.
- Rental costs during the period surpassed the budget target by 2.5 percent.
- Expenditure on supplies and materials increased by \$11.9 million (37.2 percent) to \$43.9 million; accounting for 94.6 percent of the budget target.
- Outlays for travel and subsistence were up by \$6.8 million (57.1 percent) to \$18.6 million, for 98.8 percent of the budget.
- Spending on services was higher by \$90.0 million (45.4



percent) to \$288.3 million, paced by higher outlays for consultancy services and operation of facilities. This surpassed the budget target by 3.2 percent.

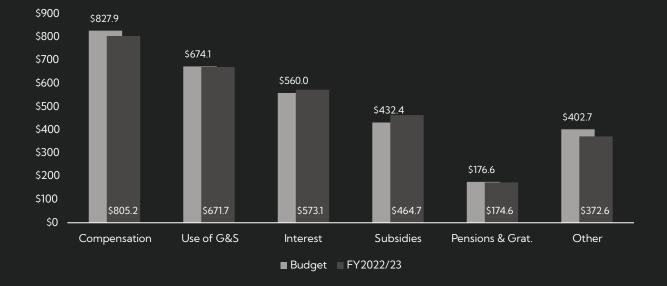
- Utilities and telecommunications payments decreased by
- » Public debt interest payments expanded by \$21.3 million (3.9 percent) to \$573.1 million, which surpassed the budget target by 2.3 percent. By currency, payments on foreign currency ob-

- \$18.6 million (20.9 percent) to \$70.5 million, for 70.1 percent of the budget.
- Finance charges decreased by \$9.8 million (40.2 percent) to \$14.5 million (50.1 percent of the budget) primarily owing to lower foreign exchange hedging activities.

ligations totaled \$316.5 million (56.1 percent) while payments on domestic debt obligations totaled \$256.6 million (45.5 percent).

 Special financial transactions, which include payment of arrears, decreased by \$74.0 million (44.2 percent) to \$93.6 million, and surpassed the budget target by 58.7 percent.

### FIGURE 5: 12-MONTH COMPARISON OF RECURRENT EXPENDITURE VS BUDGET FOR FY2022/23 (B\$M)



- » Subsidies, which include transfers to government-owned and/or controlled enterprises that provide commercial goods and services to the public, receded by \$31.2 million (6.3 percent) to \$464.7 million, which surpassed the budget target by 7.5 percent.
  - Subsidies to public non-financial corporations declined by \$34.4 million (7.3 percent) to \$439.2 million, paced primarily by the \$26.9 million contraction in COVID-19 support to the Public Hospital Authority following the end of Emergency Orders.
- Subsidies to private enterprises and other sectors rose by \$3.2 million (14.6 percent) to \$25.5 million, owing to higher equity contribution payment to Bahamar (\$2.8 million).
- » Social benefit payments declined by \$58.4 million (20.4 percent) to \$227.4 million, which corresponded to 98.0 percent of the annual budget.
  - Social assistance benefits contracted by \$67.6 million (56.2 percent) to \$52.8 million, primarily explained by the cessation of the COVID-19 Emer-

- gency Orders and the need for related assistance.
- Pension and gratuity payments increased by \$9.2 million (5.6 percent) to \$174.6 million, largely attributed to the recent cost of living increase granted to pensioners.
- » Other Payments decreased by \$11.9 million (3.7 percent) to \$312.7 million, which corresponded to 92.3 percent of the annual budget.
  - Current transfers not elsewhere classified increased by \$43.2 million (22.9 percent) to

\$232.0 million, and accounted for 90.8 percent of the annual budget target.

 Payment of insurance premiums decreased by \$55.0 million (40.5 percent) to \$80.7 million (96.8 percent of budget) as compared to the prior year.

TABLE 5: RECURRENT EXPENDITURE BY ECONOMIC CLASSIFICATION (B\$M)

	Revised Budget	July - June			
	FY2022/23	FY2022/23p	FY2021/22p	Variance	% of Budget
		Actual	Actual		
RECURRENT EXPENDITURE					
Compensation of Employees	827.9	805.2	737.2	68.0	97.3%
Use of Goods & Services	674.1	671.7	639.0	32.7	99.6%
Travel & Subsistence	18.8	18.6	11.8	6.8	98.8%
Rent	103.3	105.9	83.6	22.4	102.5%
Utilities & Telecommunications	100.5	70.5	89.1	(18.6)	70.1%
Supplies & Materials	46.4	43.9	32.0	11.9	94.6%
Services	279.3	288.3	198.2	90.0	103.2%
Minor capital repairs	5.5	5.1	4.1	1.0	93.6%
Finance charges	29.0	14.5	24.3	(9.8)	50.1%
Special Financial Transactions	58.9	93.6	167.5	(74.0)	158.7%
Tourism Related	3.0	2.0	1.9	0.1	66.1%
Local Gov't Districts	13.3	13.3	13.3	0.0	99.9%
School Boards	0.1	0.1	0.1	0.0	0.0%
Other	15.9	15.9	13.1	2.9	100.4%
Public Debt Interest	560.0	573.1	551.8	21.3	102.3%
Subsidies	432.4	464.7	495.9	(31.2)	107.5%
Grants	8.4	7.1	8.7	(1.6)	83.7%
Social Assistance Benefits	55.5	52.8	120.4	(67.6)	95.2%
Pensions & Gratuities	176.6	174.6	165.4	9.2	98.8%
Other Payments	338.8	312.7	324.6	(11.9)	92.3%
Current Transfers n.e.c.	255.4	232.0	188.8	43.2	90.8%
Insurance Premiums	83.4	80.7	135.8	(55.0)	96.8%
TOTAL	3,073.7	3,061.8	3,042.9	18.9	99.6%

### **B. RECURRENT EXPENDITURE – FUNCTIONAL CLASSIFICATION**

On a functional basis, preliminary data for recurrent expenditure for the FY2022/23 (see *Table 6*) reflect increased expenditure of \$18.9 million (0.6 percent) to \$3,061.8 million, which accounted for 99.6 percent of the budget. Year over year variations were primarily explained by the following movements.

» Spending on education grew

by \$34.3 million (11.7 percent) to \$327.6 million relative to the prior year. Period-over-period, further investments were made towards tertiary level and other levels of education, and subsidiary services to education.

» Conversely, disbursements for health expenditure contracted by \$51.0 million (11.6 percent) to \$390.0 million, primarily explained by the normalization in spending levels post-COVID 19.

» Expenditure on social protection, elevated due to the COVID-19 pandemic, declined by \$28.8 million (11.2 percent) to \$228.7 million.

TABLE 6: RECURRENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION (B\$M)

	Revised Budget	July - June			
	FY2022/23	FY2022/23p	FY2021/22p	Variance	% of
		Actual	Actual	variance	Budget
General Public Service	1,313.0	1,276.4	1259.8	16.5	97.2%
Defense	66.1	64.5	63.9	0.6	97.7%
Public Order & Safety	259.5	262.1	252.7	9.4	101.0%
Economic Affairs	280.2	272.0	269.4	2.6	97.1%
Environmental Protection	157.0	173.1	168.9	4.2	110.2%
Housing & Community Amenities	20.6	20.3	8.7	11.6	98.6%
Health	384.8	390.0	441.0	(51.0)	101.4%
Recreation, Culture & Religion	40.9	47.1	27.6	19.5	115.2%
Education	324.5	327.6	293.3	34.3	101.0%
Social Protection	227.2	228.7	257.6	(28.8)	100.7%
GRAND TOTAL	3,073.7	3,061.8	3,042.9	18.9	99.6%

### C. CAPITAL EXPENDITURE - ECONOMIC CLASSIFICATION

Capital outlays increased by \$43.6 million (15.4 percent) to \$327.4 million – representing 91.2 percent of the budget (see **Table 7**).

- » Capital transfers declined by \$13.4 million (22.7 percent) to \$45.5 million, representing 47.9 percent of the budget target. Major declines reflected the falling away of provisions for COVID-19 and hurricane Dorian support, and resulted in period-over-period reductions for small and medium size businesses (\$2.5 million) and national disaster recovery (\$7.7 million).
- » Expenditure on the acquisition of non-financial assets increased by \$57.0 million (25.3 percent) to \$282.0 million and surpassed the budget target by 6.8 percent.
  - · Investments in buildings other than dwellings increased by \$38.9 million (48.1 percent) to \$119.7 million. This mainly reflected higher expenditure on upgrades and maintenance of Government buildings (\$13.6 million), construction of schools (\$7.3 million), and hospital and medical facilities (\$9.1 million).
- Investment on other fixed assets increased by \$10.4 million (58.3 percent) to \$28.2 million, owing mainly to further acquisition of government assets (\$10.6 million).
- Outlays for other structures decreased by \$14.8 million (14.9 percent) to \$84.6 million, primarily explained by completion of construction and expansion of buildings and structures started in the prior year.

TABLE 7: CAPITAL EXPENDITURE BY ECONOMIC CLASSIFICATION (B\$M)

	Revised Budget	July – June			
	FY2022/23	FY2022/23p	FY2021/22p	Variance	% of Budget
_		Actual	Actual		
Capital Transfers	95.0	45.5	58.8	(13.4)	47.9%
Acquisition of Non-financial assets	264.1	282.0	225.0	57.0	106.8%
Fixed Assets	262.1	271.2	223.6	47.7	103.5%
Buildings other than dwellings	122.4	119.7	80.8	38.9	97.8%
Other structures	89.5	84.6	99.3	(14.8)	94.5%
Transport equipment	11.5	10.7	5.1	5.6	92.5%
Other Machinery & equipment	23.6	20.1	15.3	4.8	85.1%
Land Improvements	6.0	8.0	5.2	2.8	133.1%
Other Fixed Assets	9.0	28.2	17.8	10.4	314.2%
Land	2.0	10.8	1.4	9.4	537.5%
TOTAL	359.1	327.4	283.8	43.6	91.2%

### D. CAPITAL EXPENDITURE - FUNCTIONAL CLASSIFICATION

During the FY2023/2023, capital expenditure by function (see Table 8) increased by \$43.6 million (15.4 percent) to \$327.4 million relative to the same period in the prior fiscal year and accounted for 91.2 percent of the budget target. Year over year variations were primarily explained by the following movements.

- » Outlays towards education in-
- creased by \$21.5 million (42.2 percent) to \$72.3 million, resulting from building maintenance of educational institutions and school construction during the period.
- » Health disbursements increased by \$20.5 million (100.0 percent) to \$41.0 million owing to additional spending on general hospital services (\$17.5 million).
- » Spending on economic affairs decreased by \$19.8 million (12.1 percent) to \$143.5 million. During the period, outlays were lower for construction (\$26.6 million) while higher for road and water transport (\$2.5 million).

TABLE 8: CAPITAL EXPENDITURE BY FUNCTIONAL CLASSIFICATION (B\$M)

	Revised	July - June			
	Budget				
	FY2022/23	FY2022/23p	FY2021/22p	Variance	% of
		Actual	Actual		Budget
General Public Service	48.3	44.4	24.0	20.4	91.9%
Defense	13.0	11.4	5.1	6.2	87.3%
Public Order & Safety	13.9	10.7	12.1	(1.4)	77.4%
Economic Affairs	151.0	143.5	163.3	(19.8)	95.0%
Environmental Protection	4.5	2.3	4.1	(1.7)	52.7%
Health	47.0	41.0	20.5	20.5	87.2%
Recreation, Culture & Religion	0.0	0.0	0.8	(0.8)	0.0%
Education	79.4	72.3	50.8	21.5	91.0%
Social Protection	2.0	1.9	3.2	(1.3)	92.7%
GRAND TOTAL	359.1	327.4	283.8	43.6	91.2%



# O FINANCING ACTIVITIES

### **NET INCREASE IN LIABILITIES**

For the twelve months of FY2022/23, the government's financing activities comprised \$226.7 million in net acquisition of financial assets—a more than threefold increase over the previous year, and the \$451.9 million increase in liabilities was approximately halved.

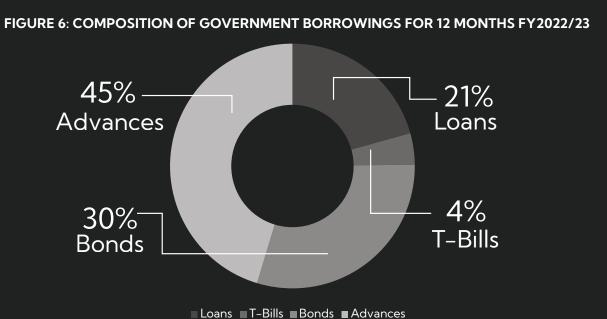
- » Movements in the liabilities included gross borrowings of \$2,989.0 million as compared to \$3,036.9 million in the prior fiscal year to satisfy budgetary financing requirements and to settle maturing debt instruments. Of this total, 77.0 percent was in Bahamian Dollars and 23.0 percent in foreign currency.
  - Issuances of domestic securities represented 31.4 percent of the total, with a net increase in securities issuances (\$186.4 million).
  - · A net borrowing of \$118.1 million

- in advances were received from the Central Bank.
- Total Drawings of U\$\$232.3 million were made via the International Monetary Fund's special drawing rights.
- Drawings also included amounts from existing facilities from the International Development Bank (\$46.0 million) and a new IDB facility (US\$160.0 million), along with a new facility from the Caribbean Development Bank (US\$100.0 million).
- » Repayments of Government debt increased to \$2,537.1 million compared to \$2,145.0 million in the same period of the prior year, and included:
  - A net repayment of \$301.9 million was made for foreign currency bank loans.
- Repayments to international development agencies were mainly made to the International Development Bank (\$16.0 million), Caribbean Development Bank (\$9.4 million), and the Chinese Export-Import Bank (\$6.3 million).
- A net repayment of domestic bank loans totaled 55.2 million.

As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$451.9 million. When exchange rate adjustments are applied, the total Direct Charge at end-June 2023 totaled \$11,260.1 million or 82.0 percent of GDP, as compared to 87.3 percent of GDP at end-June 2022.

TABLE 9. CHANGE IN LIABILITIES BY CURRENCY AND INSTRUMENT (B\$M)

-	FY2022/23 July - June					
	Borrowings	Repayment	Net Change			
Bahamian Dollars	2,301.7	2,052.3	249.4			
Bonds	822.9	709.0	113.9			
Treasury Bills/Notes	114.3	41.8	72.5			
Bank Loans	115.0	170.2	(55.2)			
Central Bank Advances	1,249.5	1,131.4	118.1			
Foreign Currency	687.3	484.7	202.6			
Bank Loans	148.9	450.7	(301.9)			
International Bonds	-	-	_			
Loans from Int'l Dev. Agencies	306.2	34.0	272.2			
Central Bank	232.3	-	232.3			
TOTAL	2,989.0	2,537.1	451.9			



### **CHANGE IN FINANCIAL ASSET POSITION**

During the quarter, contributions made to the sinking funds established to retire future debt obligations totaled \$87.9 million. Such contributions are inclusive of those made to a fourth sinking fund recently established with proceeds from the collection of tax arrears. At end-June 2023, the four (4)

arrangements earmarked for scheduled retirement of external bonds held a cumulative value of USD 378.6 million, of this, \$141.3 million is subject to the February 2022 repurchase agreement in which external bonds were sold for repurchase in two (2) years.



### TWELVE MONTH REPORT ON BUDGETARY PERFORMANCE FY2022/23 JULY - JUNE

### THE MINISTRY OF FINANCE

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