



**JULY FY23/24**

## **Monthly Fiscal Performance**

**Monthly Bulletin Published by:**

Department of Macroeconomic Policy

### **Addendum**

Additional information about the amount of revenues that are generated from government operations during the months of April, May, and June 2023 have come forth for revision of Statement of Government Operations (SGO)

Revenue reported in April 2023 was M3,342.1 million with recurrent expenditure of M1,087.6 million which resulted into an operating surplus of M2,254.4 million. Total expenditure including interest payment and capital totalled M1,087.6 million and this has resulted into overall fiscal surplus of M2,254.4 million. With additional information, recurrent expenditure for April was revised to M1,023.0 million from M1,087.6 million initially reported, while total expenditure was revised upwards to M1,148.2 million from M1,087.6 consequent upon capital grants of M85.5 million which were initially omitted due to lack of information when April bulleting was published. The above adjustments have resulted into an overall fiscal surplus of M2287.6 million.

May 2023 total revenue was reported at M983.1 million (Table A1) resulting from under reported income tax revenue, grants, sale of goods and services, sale by market establishments and Lesotho Highlands Development Authority (LHDA) water royalties. This has translated into gross operating deficit of M474.8 million. As a result, overall fiscal deficit for May has been revised down from M448.3 million to M441.2 million.

In June, the following changes were made (a) total revenue revised upwards from M949.0 million to M1,050.0 million. (b) with no changes on expenditure, gross operating balance initially recorded as a deficit of M18.7 million has been revised to a surplus of M82.2 million. While overall fiscal

deficit was revised down from M406.1 million to M390.7 million. Additionally, revenue target was recorded as M25,093.0 million whereas the actual target was M25, 116.6 million and the typo has been corrected.

Table A1: Differences in revenue as previously reported.

	April		May		June	
	Roprted	Updated	Roprted	Updated	Roprted	Updated
Total Revenue	3 347.1	<b>3 435.7</b>	983.0	<b>1 075.7</b>	949.0	<b>1 050.0</b>
Taxes on income	**	<b>**</b>	372.1	<b>370.1</b>	**	<b>**</b>
Grants	9.7	<b>95.1</b>	**	<b>85.5</b>	**	<b>85.5</b>
Sale of goods & services	117.4	<b>120.6</b>	118.1	<b>127.3</b>	118.8	<b>134.2</b>
Sale by market establishment	116.9	<b>120.1</b>	117.3	<b>126.5</b>	117.0	<b>132.4</b>
Water royalties	112.2	<b>115.4</b>	112.2	<b>121.3</b>	112.0	<b>127.5</b>

Source: MoF&DP – Department of Economic Policy

## Executive Summary

This bulletin is prepared on monthly basis, and it contains information on Government revenues and expenditure for the month of July 2023 in relation to the previous month and the corresponding month of the previous fiscal year. It is set based on data generated from Integrated Financial Management System (IFMIS) of the Ministry of Finance and Development Planning. In this report, fiscal year refers to the period from April 01 to March 31 the following year.

**General Government fiscal account recorded a surplus of M1,940.70 million in July. This compares with a fiscal surplus of M138.5 million in the same period of previous year** (Table 2). Notwithstanding rigid expenditure, better SACU revenue supported surplus fiscal outturn. Meanwhile, the non-SACU fiscal deficit - *another measure of the fiscal stance* - widened to M596.4 million (1.5% of GDP)<sup>i</sup>, from M390.7 million (4.1% of Q1:2023-GDP).

## Government Revenues

**Government revenues expanded by 237 percent in July to M3,538.8 million, due primarily to SACU transfer of M2,537.13 million which is received by Member States at the beginning of each quarter of the fiscal year.** During the reference period, tax revenue narrowed by M43.6 million from M777.8 million in June to M734.2 million. Taxes on income (*which include Income Tax payable by individuals and cooperations*), representing 10 percent of total and 47 percent of total tax revenue, were responsible for a 5.6 percent drop to tax revenue. On the other hand, taxes on goods and services increased by M16.04 million (month to month) to M392.7 million bolstered by growth in value added tax which expanded by 6.9 percent (20.7 million) reflecting easing of month-to-month consumer price inflation in July to 4.5 percent from 5.6 percent in June<sup>ii</sup>. Additionally, alcohol and tobacco levy (*Profits on fiscal monopolies*) continue to be collected for month of July and to

date M71.2 million has been collected but collections have been declining from M33.20 million in May to M18.2 million in June. Meanwhile, non-tax revenue fell by 2.5 percent following slowdown in mining royalties and water royalties which both contracted by 12.5 percent and 2.5 percent respectively relative to June performance.

The state of the economy, administrative effectiveness, taxpayer compliance, tax morality, and public confidence all influence how much money the government collects.

The following table shows revenue collection position up to June 2023 in relation to the same month of last fiscal year.

Table1: Statement of Revenue (as of end July - 23) In Million LSL

	Jul-22 Act.	Apr-23 Act.	May-23 Act.	Jun-23 Act.	Jul-23 Act.
<b>Revenue</b>	<b>2 366.3</b>	<b>3 435.7</b>	<b>1 075.7</b>	<b>1 050.0</b>	<b>3 538.8</b>
<b>Tax revenue</b>	<b>708.0</b>	<b>563.9</b>	<b>781.8</b>	<b>777.8</b>	<b>734.2</b>
Taxes on income, profits, and capital gains	388.9	267.4	370.1	401.2	341.5
Taxes on goods and services	319.1	296.5	411.7	376.7	392.7
Value-added tax	275.9	256.8	309.3	299.5	320.2
Excise taxes	41.3	38.3	67.4	55.3	52.7
Motor Vehicle Assurance	0.8	0.0	0.9	1.0	0.9
Oil Levy	24.7	14.1	27.5	31.4	28.9
Petroleum Levy	2.0	14.9	15.5	3.1	3.9
Road Maintenance Levy	13.8	9.3	23.4	19.9	19.1
Profits on fiscal monopolies	0.0	0.0	33.2	19.8	18.2
Taxes on specific services	2.0	1.3	1.9	2.0	1.7
<b>Grants</b>	<b>176.3</b>	<b>95.1</b>	<b>85.5</b>	<b>85.5</b>	<b>85.5</b>
<b>Other revenue</b>	<b>132.0</b>	<b>239.6</b>	<b>208.4</b>	<b>186.7</b>	<b>182.0</b>
Property income	15.5	118.9	18.1	52.4	52.2
Dividends	11.6	59.9	0.0	0.5	6.6
Rent	0.2	54.1	18.1	51.9	45.4
Royalties (Mining)	0.0	54.0	18.1	51.9	45.4
Surface Rent	0.2	0.1	0.0	0.0	0.0
Ground Rent	0.0	0.0	0.0		
Sales of goods and services	116.6	120.6	127.3	134.2	129.7
Electricity 'Muela	5.0	4.8	5.2	5.0	4.8
Water Royalties - LHDA	110.5	115.4	121.3	127.5	124.3
Administrative fees	0.0	0.0	0.0		
Incidental sales by nonmarket establishments	1.0	0.5	0.8	1.8	0.7
<b>SACU receipts</b>	<b>1 349.9</b>	<b>2 537.1</b>	<b>0.0</b>	<b>0.0</b>	<b>2 537.1</b>

Source: MoF&DP – Department of Economic Policy

Figure 1: Revenue Monthly Performance by category

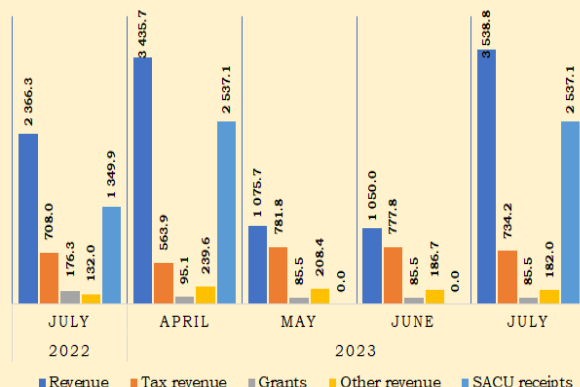
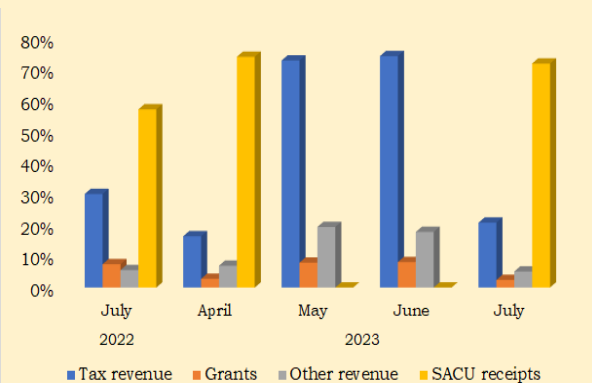


Figure 2: Revenue components to total



Source: MoF&DP – Department of Economic Policy

## Public Spending

**General Government expenditure grew by M157.5 million measured against June spending but M629.7 million less compared with the July 2022.** Reflecting implementation of some expenditure cutting measures which were raised and flagged several times by the IMF in its various Article IV consultations with the country authorities. While increases were noted on key sub-categories of recurrent spending during the review month against the previous month of the same year, growth in expenditure was primarily driven by an additional M129.1 million in grants to other general government units, subsidies to non-financial public corporations as well as social assistance benefits – of which old age pension contributed 50 percent. However, use of goods and services fell by 5 percent relative to the previous month and by a staggering 62 percent measured against M254.2 million recorded before the pandemic in July 2019. Additionally, interest payment slowed benefiting from better ZAR/USD exchange rate which supported moderate growth of foreign denominated debt.

M175.1 million of capital spending was achieved in July relative to M472.8 million in the previous month which is half of July 2022 capital spending of M350.6 million. It is worth noting that both recurrent and capital spending were lower matched with the corresponding month of the last fiscal year. However, capital spending for June was higher compared with July 2023 outlays.

Table 3: Statement of Expenditure (as of end May 2023) In Million LSL

	Jul-22 Act.	Apr-23 Act.	May-23 Act.	Jun-23 Act.	Jul-23 Act.
<b>Expense</b>	<b>1 877.2</b>	<b>1 023.0</b>	<b>1 425.8</b>	<b>967.8</b>	<b>1 423.0</b>
Compensation of Employees	628.6	477.8	607.1	502.9	617.2
Wages and salaries	580.4	477.8	508.3	502.8	561.6
Use of goods and services	530.9	3.6	259.7	101.7	96.9
Interest Payments	23.5	44.8	35.4	58.5	35.9
To nonresidents	21.6	3.8	28.8	22.4	19.2
To residents other than general government	1.9	41.0	6.6	36.1	16.7
Subsidies	74.8	53.9	119.2	3.4	42.7
Grants	193.5	86.7	451.9	79.6	100.4
To foreign governments	0.0	0.0	0.0	0.0	0.0
To international organizations	0.0	0.0	0.0	0.0	0.0
To other general government units	193.5	86.7	451.9	79.6	100.4
Social benefits	185.6	56.1	247.0	160.0	229.0
Other expense	240.3	300.0	-294.6	61.8	300.9
<b>Gross Operating Balance</b>	<b>489.1</b>	<b>2 412.7</b>	<b>-350.0</b>	<b>82.2</b>	<b>2 115.8</b>
Nonfinancial Assets	350.6	125.2	91.1	472.8	175.1
<b>Expenditure</b>	<b>2 227.8</b>	<b>1 148.2</b>	<b>1 516.9</b>	<b>1 440.6</b>	<b>1 598.1</b>
<b>Net lending (+) / Net borrowing (-)</b>	<b>138.5</b>	<b>2 287.6</b>	<b>-441.2</b>	<b>-390.7</b>	<b>1 940.7</b>
<b>Financing</b>	<b>881.3</b>	<b>2 469.0</b>	<b>-888.9</b>	<b>186.4</b>	<b>1 046.9</b>
Transactions in Financial assets	992.5	2 451.1	-789.6	-133.0	1 336.5
Domestic	992.5	2 451.1	-789.6	-133.0	1 336.5
Currency and Deposits	990.8	2 443.5	-789.6	-133.0	1 334.8
Central Bank	901.5	2 214.0	-704.6	-482.2	1 759.9
Commercial Banks	89.3	229.5	-85.1	349.1	-425.1
Debt securities					
Loans - onlending	1.7	7.5	0.0	0.0	1.7
Disbursements (policy lending)	0.0	0.0	0.0	0.0	0.0
Amortization (policy lending)	-1.7	7.5	0.0	0.0	1.7

Source: MoF&amp;DP – Department of Economic Policy

## Operating Surplus/Deficit

Revenue including grants expanded by 237 percent measured against last month, supported predominantly by SACU revenue. Similarly, recurrent expenditure expanded by 47 percent, whilst interest payment was lower by 5 percent compared. As a result, the Government recorded a gross operating surplus of M2,155.8 million against M82.2 million realised in June. To the recorded primary surplus, capital spending of M175.1 million was incurred, resulting into an overall fiscal surplus of M1,940.7 million an equivalent of 5 percent of GDP and is M1,550.0 million higher than June deficit of M390.7 million. Due to huge fiscal account surplus, net foreign assets have expanded by M897.48 million to M20, 406.04 from M19508.6 million in June.

Table 4: Totals for July 2023

	2022				2023			
	April	May	June	July	April	May	June	July
<b>Revenue</b>	<b>2 318.6</b>	<b>960.8</b>	<b>1 123.7</b>	<b>2 366.3</b>	<b>3 435.7</b>	<b>1 075.7</b>	<b>1 050.0</b>	<b>3 538.8</b>
Less: Current Expenses	1 352.4	1 452.9	1 050.1	1 877.2	1 023.0	1 425.8	967.8	1 423.0
<b>Gross Operating Balance</b>	<b>966.1</b>	<b>-492.1</b>	<b>73.6</b>	<b>489.1</b>	<b>2 412.7</b>	<b>-350.0</b>	<b>82.2</b>	<b>2 115.8</b>
Less: Transactions in Non Financial Assets	235.4	393.3	449.0	350.6	125.2	91.1	472.8	175.1
<b>Total Expenditure</b>	<b>1 587.9</b>	<b>1 846.3</b>	<b>1 499.1</b>	<b>2 227.8</b>	<b>1 148.2</b>	<b>1 516.9</b>	<b>1 440.6</b>	<b>1 598.1</b>
<b>Overall Fiscal Deficit/Surplus</b>	<b>730.7</b>	<b>-885.4</b>	<b>-375.4</b>	<b>138.5</b>	<b>2 287.6</b>	<b>-441.2</b>	<b>-390.7</b>	<b>1 940.7</b>

Source: MoF&DP – Department of Economic Policy

<sup>i</sup> Measured against 2023/24 Budget Speech;

<http://www.finance.gov.ls/documents/Budget%20Formulation/budget%20speeches/Budget%20Speech%20Fiscal%202023-24.pdf>

<sup>ii</sup> Bureau of Statistic, Statistical Report No.24:2023; [www.bos.gov.ls/publication.html](http://www.bos.gov.ls/publication.html)