

N°89— September 2019

Public finances are managed through the State Budget and the Constitutional Reserve Fund (CRF). As in 2017, a surplus was achieved in 2018. The value of CRF assets remains stable.

1. Budget surplus increases

The State Budget was in surplus for the seventh consecutive year (+€38.4 million), showing 5 % growth compared with 2017. This was achieved due to a more significant increase in the value of revenue (+€66.5 million) than in the value of expenditure (+€64.6 million). Budget revenue totalled almost €1.3 billion, an increase of 5.4 %, while public expenditure reached €1.25 billion, showing a similar rate of growth.

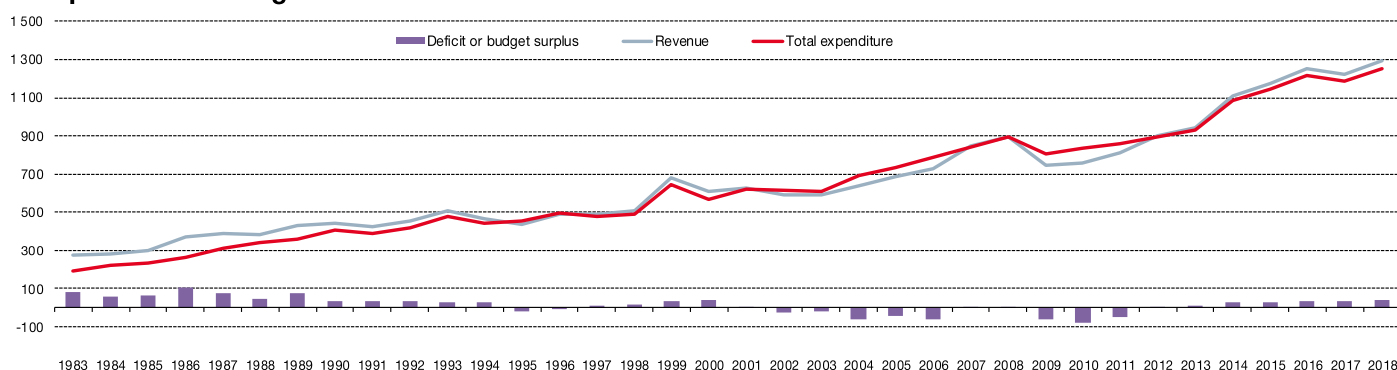
Table 1 : Evolution of the State Budget composition

	2014	2015	2016	2017	2018	Variation
Revenue	1 111,4	1 173,0	1 251,2	1 225,6	1 292,1	5,4%
Ordinary spending	697,2	733,2	747,1	798,9	842,2	5,4%
Investment costs	388,5	410,7	468,3	390,1	411,4	5,5%
Total expenditure	1 085,7	1 144,0	1 215,3	1 189,0	1 253,7	5,4%
Deficit or surplus	25,7	29,0	35,9	36,6	38,4	5,0%

Unit : million euros

Source : Department of Budget and Treasury

Graph 1 : State Budget evolution



Unit : million euros

Source : Department of Budget and Treasury

2. Increasing revenue

Revenue stood at €1.29 billion, compared with €1.23 billion in 2017 (up €66.5 million, or 5.4%). Tax receipts exceeded €1 billion for the first time thanks to a significant rise in VAT revenue (+8.5 %), which alone accounted for almost half of the State's total revenue, and in revenue from commercial profits (+16.6 %). Revenue from finance fell following the sharp rises seen in 2016 and 2017.

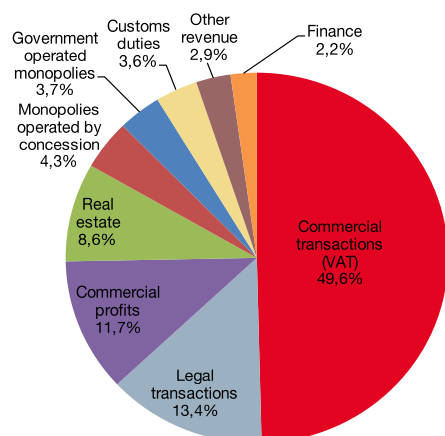
Table 2 : Changes in revenue composition of the State Budget

	2014	2015	2016	2017	2018	Variation
Commercial transactions (VAT)	521,9	575,7	579,8	590,8	640,9	8,5%
Legal transactions	171,1	172,1	195,9	168,5	173,6	3,1%
Commercial profits	126,3	124,3	124,9	129,2	150,6	16,6%
Real estate	97,1	107,9	139,7	116,6	111,1	-4,7%
Monopolies operated by concession	68,6	65,3	60,0	58,2	56,0	-3,7%
Government operated monopolies	39,4	37,5	39,5	41,0	47,4	15,4%
Customs duties	28,9	29,6	33,8	43,0	46,1	7,2%
Other revenue	30,7	33,0	43,7	35,8	37,8	5,5%
Finance	27,4	27,8	34,0	42,6	28,5	-33,1%
Total	1 111,4	1 173,0	1 251,2	1 225,6	1 292,1	5,4%

Unit : million euros

Source : Department of Budget and Treasury

Graph 2 : Composition of budget revenue in 2018



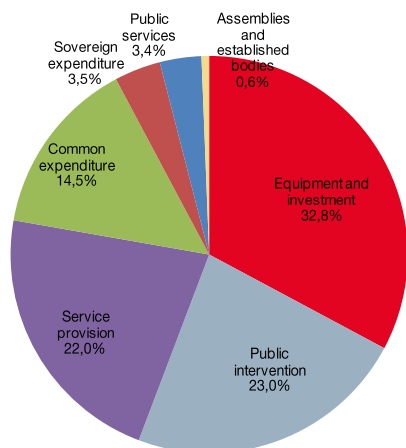
Source : Department of Budget and Treasury

Commercial transactions: value-added tax
 Legal transactions: transfer duties, duties on other civil and administrative acts, insurance taxes
 Commercial profits: corporate income tax
 Real estate: all income from state-owned rental properties and revenue from public car parks
 Monopolies operated by concession holders: fees relating to monopolies, the main ones being the Société des Bains de Mer, Monaco Telecom, Société Monégasque d'Électricité et du Gaz, and the Société d'Exploitation des Ports de Monaco
 Government operated monopolies: revenue relating to the Tobacco Board and the Stamp Issuing Office
 Other revenue: proceeds and income from administrative services, consumption taxes
 Customs duties: customs duties
 Finance: income from securities, bank interest

3. Expenditure also increasing

The State's total expenditure also went up (+5.4 %), with increases in every line item. The three major categories (operating costs, public intervention, and equipment and investment) saw similar rises (up 5.5 % on average). Expenditure on equipment and investment rose by more than €20 million. This was the largest item of expenditure, accounting for nearly a third of the total.

Graph 3 : Distribution of Budget expenditure in 2018



Source : Department of Budget and Treasury

4. Stable Constitutional Reserve Fund

Created by the 1962 Constitution, the Constitutional Reserve Fund is Monaco's 'nest egg'. It is an autonomous accounting entity, with its own assets, and enjoys a special status.

At the end of December 2018, the assets of the Constitutional Reserve Fund stood at approximately €5.2 billion, as in 2017. This includes:

- gold reserves totalling €206 million
- €2.3 billion 'available' (liquid) portion, comprising marketable financial securities (mutual investment trust made up of shares, bonds, etc.) and bank balances
- €2.7 billion 'illiquid' portion. This is primarily made up of real estate (€1.74 billion). Real estate assets are revalued in line with the growth of the BT01 construction index. These real estate assets are located in Monaco or neighbouring communes, with the exception of Embassies. The value of real estate increased during the period (+4.3 %), as a result of revaluation and taking into account the acquisitions, sales and transactions carried out.

Table 4 : Evolution of composition of the CRF

	2014	2015	2016	2017	2018	Variation
Liquid portion	2 157	2 278	2 366	2 316	2 294	-0,9%
Gold	181	179	202	199	206	3,5%
Illiquid portion	2 238	2 219	2 233	2 651	2 673	0,8%
Total	4 576	4 676	4 801	5 166	5 173	0,1%

Unit : million euros

Source : Department of Budget and Treasury

Table 3 : Changes in expenditure mix

	2014	2015	2016	2017	2018	Variation
Equipment and investment	388,5	410,7	468,3	390,1	411,4	5,5%
Public intervention	224,1	231,0	241,6	272,9	287,7	5,4%
Service provision	243,2	252,0	257,8	267,4	275,7	3,1%
Common expenditure	149,2	157,1	163,2	169,6	181,3	6,9%
Sovereign expenditure	39,5	43,5	42,8	45,7	47,3	3,4%
Public services	35,4	43,2	35,4	36,6	42,4	16,1%
Assemblies and established bodies	5,9	6,5	6,4	6,8	7,8	14,6%
Total	1 085,7	1 144,0	1 215,3	1 189,0	1 253,7	5,4%

Unit : million euros

Source : Department of Budget and Treasury

Equipment and investment: expenditure on major works and equipment, and on acquiring buildings. Includes equipment for road, cultural, port, urban development, public health, social, administrative and sports projects

Service provision: operating costs directly incurred by the ministries and administrative offices

Public intervention: assistance, subsidies paid out and public policies implemented by the Government. This includes communal contributions, subsidies to public institutions, assistance provided to international, educational and cultural, social and humanitarian, sporting, and economic causes and to events

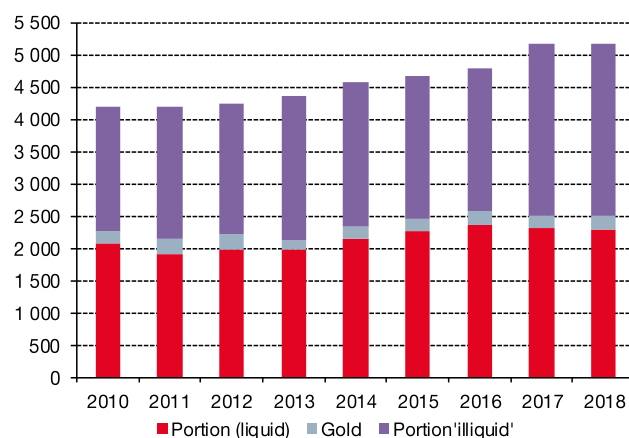
Common expenditure: expenditure managed communally by certain offices on behalf of all offices: social security contributions, cleaning premises, expenditure on water, gas, electricity, insurance for state-owned properties, IT equipment for administrative offices

Sovereign expenditure: expenditure relating to the Prince's Palace and Sovereign House

Public services: expenditure on street cleaning, collection and incineration of waste, public lighting, water consumption, public transport, etc.

Assemblies and established bodies: expenditure relating to the National Council, the Economic and Social Council, the Council of State, the Board of Auditors, etc.

Graph 4 : CRF since 2010



Unit : million euros

Source : Department of Budget and Treasury

The vast majority of the real estate assets held by the CRF generate a rental income, since the properties are occupied by businesses, shops or individuals. The 'illiquid' portion also includes the State's shares in companies, including a portion of the shares in S.B.M. (39.74 % of the capital) or other companies with direct links to the State, such as the concession operators SMEG, SMEAUX, Société d'Exploitation du Grimaldi Forum, Société d'Exploitation des Ports de Monaco, etc. This portion is in the region of €500 million.

