

Public finances are managed through the State Budget and the Constitutional Reserve Fund (CRF). Due to the COVID-19 health crisis and despite an increase in revenue, the final 2020 budget included excess expenditure and showed a deficit of €103.2 million. This follows eight consecutive years of budget surpluses (from 2012 to 2019).

2020: a deficit year

The deficit of €103.2 million is the result of a sharp rise in spending on public interventions (+€368.4 million). In the first Amended Budget, €358 million were earmarked for “COVID measures” with a further €40 million earmarked as part of the second Amended Budget, to fund the various schemes put in place to deal with the health crisis. This increase in expenditure was, however, partially offset by the rise in revenue, notably tax revenue, particularly from VAT on property.

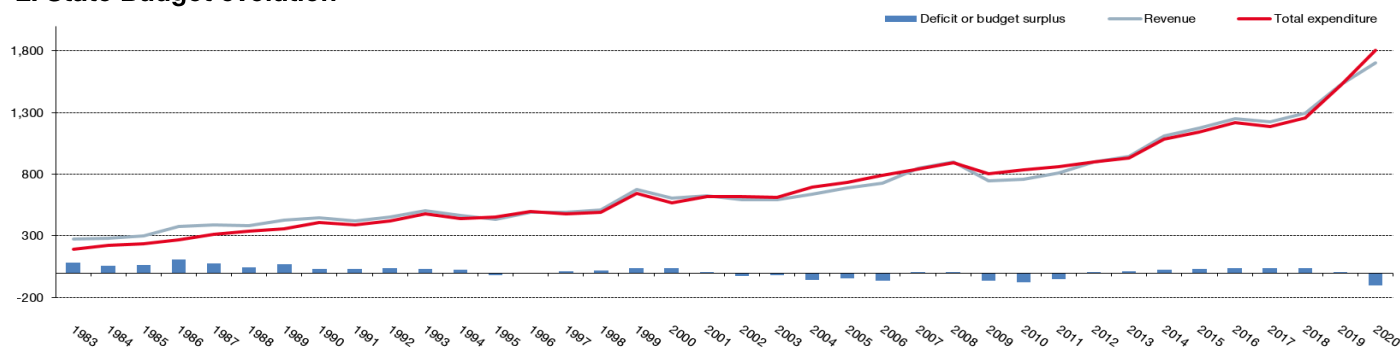
1. Evolution of the State budget composition

	2016	2017	2018	2019	2020
Revenue	1,251.2	1,225.6	1,292.1	1,523.7	1,703.0
Ordinary spending	1,215.3	1,189.0	1,253.7	1,519.9	1,806.2
Investment costs	747.1	798.9	842.2	901.3	1,258.9
Total expenditure	468.3	390.1	411.4	618.7	547.3
Deficit or surplus	35.9	36.6	38.4	3.8	-103.2

Unit: million euros

Source: Department of Budget and Treasury

2. State Budget evolution



Unit: million euros

Source: Department of Budget and Treasury

Increase in revenue despite health crisis

At the end of 2020, revenue amounted to €1.7 billion, an increase of €179.3 million compared with 2019 (+11.8%). This rise came primarily from tax revenue (+€135.7 million or +12.8%), especially VAT on property, but also from proceeds and income generated by State property.

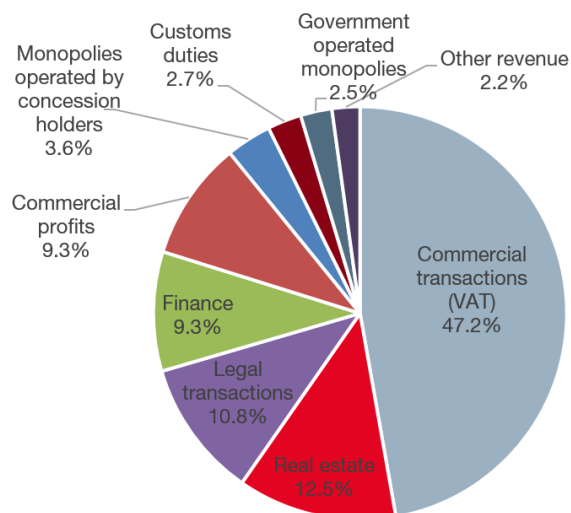
3. Changes in revenue composition of the State

	2016	2017	2018	2019	2020
Commercial transactions (VAT)	579.8	590.8	640.9	689.7	804.2
Real estate	139.7	116.6	111.1	152.6	212.3
Legal transactions	195.9	168.5	173.6	181.9	183.8
Finance	34.0	42.6	28.5	163.3	159.1
Commercial profits	124.9	129.2	150.6	136.3	158.7
Monopolies operated by concession holders	60.0	58.2	56.0	63.1	60.7
Customs duties	33.8	43.0	46.1	48.0	45.2
Government operated monopolies	39.5	41.0	47.4	46.6	41.9
Other revenue	43.7	35.8	37.8	42.3	37.2
	1,251.2	1,225.6	1,292.1	1,523.7	1,703.0

Unit: million euros

Source: Department of Budget and Treasury

4. Composition of budget revenue in 2020



Source: Department of Budget and Treasury

Commercial transactions: value-added tax

Real estate: all income from state-owned rental properties and revenue from public car parks

Legal transactions: transfer duties, duties on other civil and administrative acts, insurance taxes

Finance: income from securities, bank interest

Commercial profits: corporate income tax

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

Customs duties: customs duties

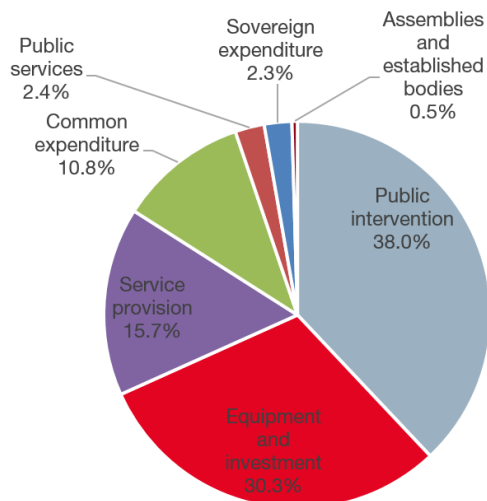
Government-operated monopolies: revenue relating to the Tobacco Board and the Stamp Issuing Office

Other revenue: proceeds and income from administrative services, consumption taxes

Sharp rise in expenditure

The growth in spending on public interventions (+116%) to deal with the impact of the health crisis led to a rise in overall expenditure which, at the end of 2020, amounted to €1.8 billion, a rise of €286.3 million (+18.8%) compared with 2019. The decline in expenditure on public works and investment (-11.5%) was largely due to the fact that there were considerably fewer property acquisitions in 2020 than in 2019.

6. Distribution of Budget expenditure in 2020



Source: Department of Budget and Treasury

5. Change in expenditure mix

	2016	2017	2018	2019	2020
Public intervention	241.6	272.9	287.7	317.5	685.9
Equipment and investment	468.3	390.1	411.4	618.7	547.3
Service provision	257.8	267.4	275.7	290.1	284.4
Common expenditure	163.2	169.6	181.3	191.4	194.7
Public services	35.4	36.6	42.4	45.7	44.0
Sovereign expenditure	42.8	45.7	47.3	48.3	41.6
Assemblies and established bodies	6.4	6.8	7.8	8.2	8.3
Total	1,215.3	1,189.0	1,253.7	1,519.9	1,806.2

Unit: million euros

Source: Department of Budget and Treasury

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

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

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

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

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

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

Constitutional Reserve Fund continues to grow

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 2020, the assets of the Constitutional Reserve Fund stood at approximately €6,1 billion. This includes :

- Gold reserves totalling €283 million ;
- a €2.5 billion 'available' (liquid) portion, comprising marketable financial securities (mutual investment trust made up of shares, bonds, etc.) and bank balances ;
- a €3.2 billion 'illiquid' portion This is primarily made up of real estate (€1.72 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 increase over the period (+0.2%), as a result of acquisitions, sales and transactions carried out.

8. Change in composition of CRF

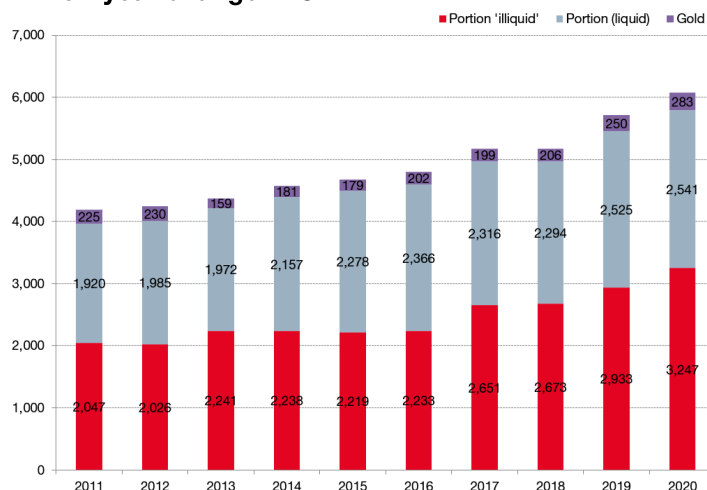
	2016	2017	2018	2019	2020	Variation
Illiquid portion	2,233	2,651	2,673	2,933	3,247	10.7%
Liquid portion	2,366	2,316	2,294	2,525	2,541	0.6%
Gold	202	199	206	250	283	13.2%
Total	4,801	5,166	5,173	5,708	6,071	6.4%

Unit: million euros

Source: Department of Budget and Treasury

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7. Ten-year change in CRF



Unit: million euros

Source: Department of Budget and Treasury

The vast majority of the real estate assets held by the Fund generate a rental income. The 'illiquid' portion also includes the stakes held by the State in companies, including a portion of S.B.M. shares or shares in 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 (SEPM), etc. This portion is in the region of €1 billion. The State's share in Monaco Telecom (50%) and another portion of shares in S.B.M., however, fall under the remit of the Budget accounts.

