

N°99— July 2020

Public finances are managed through the State Budget and the Constitutional Reserve Fund (CRF). As in the previous seven financial years, a surplus was achieved in 2019. The value of CRF assets increased.

2019 : a surplus year

For the eighth consecutive year, the State Budget was in surplus (€3.8 million) compared with 2018. However, in light of a significant rise in investment expenditure (+50.4%), primarily linked to the National Housing Plan, expenditure increased (+21.2%) by more than revenue (+17.9%), resulting in a much reduced budget surplus compared to the previous year.

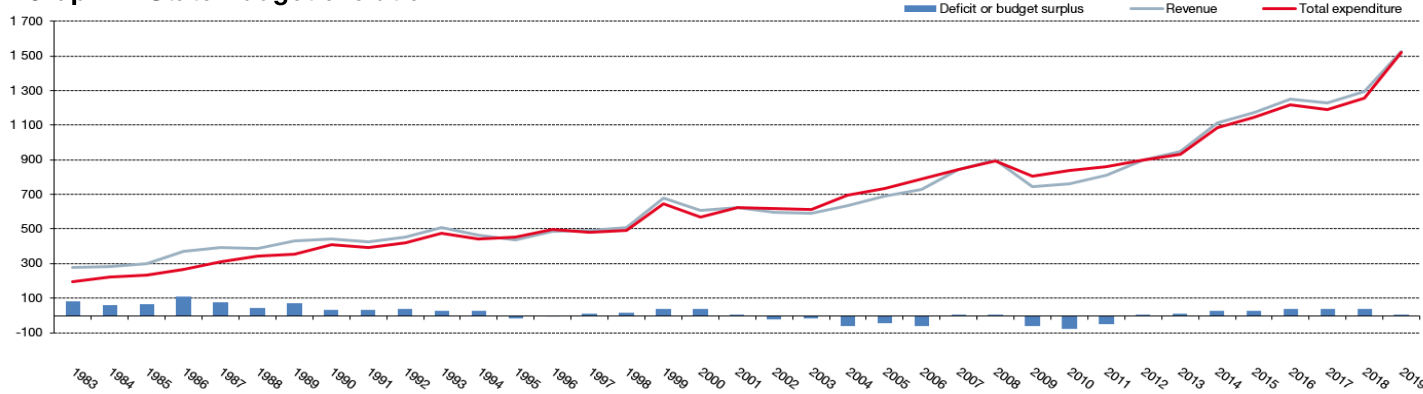
Table 1 : Evolution of the State Budget composition

	2015	2016	2017	2018	2019	Variation
Revenue	1,173.0	1,251.2	1,225.6	1,292.1	1,523.7	17.9%
Ordinary spending	1,144.0	1,215.3	1,189.0	1,253.7	1,519.9	21.2%
Investment costs	733.2	747.1	798.9	842.2	901.3	7.0%
Total expenditure	410.7	468.3	390.1	411.4	618.7	50.4%
Deficit or surplus	29.0	35.9	36.6	38.4	3.8	-90.1%

Unit : million euros

Source : Department of Budget and Treasury

Graph 1 : State Budget evolution



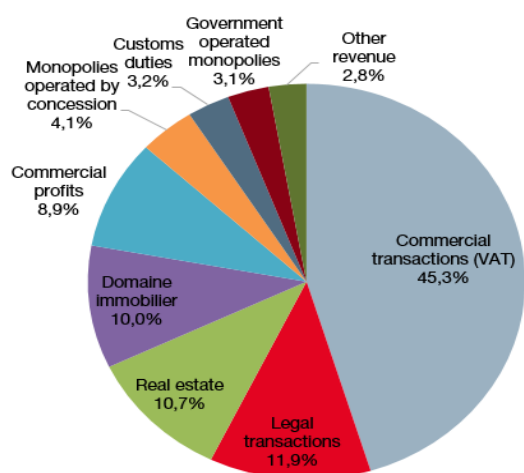
Unit : million euros

Source : Department of Budget and Treasury

Increasing revenue

Revenue amounted to €1.52 billion, compared with €1.29 billion in 2018, an increase of €231.7 million or 17.9%. This was due principally to the large jump in proceeds and income generated by the State (a windfall from the transfer of a portion of S.B.M. shares to the Constitutional Reserve Fund), a rise in real estate revenue, and increased dividends from monopolies operated by concession holders and tax revenue.

Graph 2 : Composition of budget revenue in 2019



Source : Department of Budget and Treasury

Table 2 : Changes in revenue composition of the State

	2015	2016	2017	2018	2019	Variation
Commercial transactions (VAT)	575.7	579.8	590.8	640.9	689.7	7.6%
Legal transactions	172.1	195.9	168.5	173.6	181.9	4.8%
Finance	27.8	34.0	42.6	28.5	163.3	472.6%
Real estate	107.9	139.7	116.6	111.1	152.6	37.4%
Commercial profits	124.3	124.9	129.2	150.6	136.3	-9.5%
Monopolies operated by concession	65.3	60.0	58.2	56.0	63.1	12.5%
Customs duties	29.6	33.8	43.0	46.1	48.0	4.1%
Government operated monopolies	37.5	39.5	41.0	47.4	46.6	-1.6%
Other revenue	33.0	43.7	35.8	37.8	42.3	12.0%
	1,173.0	1,251.2	1,225.6	1,292.1	1,523.7	17.9%

Unit : million euros

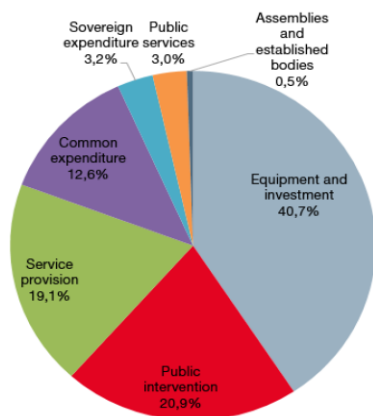
Source : Department of Budget and Treasury

Commercial transactions: value-added tax
 Legal transactions: transfer duties, duties on other civil and administrative acts, insurance taxes
 Finance: income from securities, bank interest
 Real estate: all income from state-owned rental properties and revenue from public car parks
 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

Expenditure also increasing

The State's total expenditure also rose sharply (by €266.2 million or 21.2%), with increases in every line item. This was primarily due to an increase in expenditure on equipment and investment (+€207.2 million or +50.4% due to implementation of the National Housing Plan for Monegasques).

Graph 3 : Distribution of Budget expenditure in 2019



Source : Department of Budget and Treasury

Expansion of 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 2019, the assets of the Constitutional Reserve Fund stood at approximately €5.7 billion. This includes:

- gold reserves totalling €250 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 €2.9 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 fell slightly over the period (-1.4%), as a result of acquisitions, sales and transactions carried out.

Table 4 : Evolution of composition of the CRF

	2015	2016	2017	2018	2019	Variation
Liquid portion	2.278	2.366	2.316	2.294	2.525	10.1%
Gold	179	202	199	206	250	21.4%
Illiquid portion	2.219	2.233	2.651	2.673	2.933	9.7%
Total	4.676	4.801	5.166	5.173	5.708	10.3%

Unit : million euros

Source : Department of Budget and Treasury

Table 3 : Changes in expenditure mix

	2015	2016	2017	2018	2019	Variation
Equipment and investment	410.7	468.3	390.1	411.4	618.7	50.4%
Public intervention	231.0	241.6	272.9	287.7	317.5	10.4%
Service provision	252.	257.8	267.4	275.7	290.1	5.2%
Common expenditure	157.1	163.2	169.6	181.3	191.4	5.6%
Sovereign expenditure	43.5	42.8	45.7	47.3	48.3	2.1%
Public services	43.2	35.4	36.6	42.4	45.7	7.7%
Assemblies and established bodies	6.5	6.4	6.8	7.8	8.2	6.0%
Total	1,144.0	1,215.3	1,189.0	1,253.7	1,519.9	21.2%

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

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

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

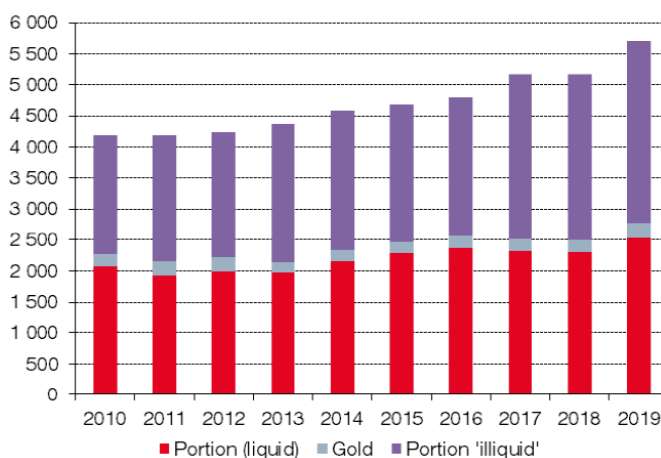
Common expenditure: expenditure managed communally by certain offices on behalf of all offices: social security contributions, cleaning premises, expenditure on water, gas, electricity and insurance for state-owned properties, IT equipment for administrative offices

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 Fund generate a rental income, since the properties are occupied by businesses, shops or individuals. 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, etc. This portion is in the region of €745.7 million. 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.

