

Budget 2022

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Budget 2022


Newfoundland
&
Labrador

Overview



- Introduction
- Financial Information
- Fiscal and Debt Management
- Transformations and Modernization
- Investment Highlights

Introduction



- **Budget 2022 - Change is in the air:**

- Elimination of 15% tax on home insurance for one year
- 50% off registration fees for passenger vehicles, light duty trucks and taxis for one year
- No fee increases
- Tax credits to support businesses
- Lower cost child care
- \$567 million for approved infrastructure projects, creating 3,200 jobs and \$390 million in economic activity
- On track to a balanced budget by 2026-27



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Financial Information

Financial Information Overview



- Strong fiscal management and increased revenues continue to counter the effects of a volatile oil industry and the Covid-19 pandemic
- The projected deficit for 2021-22 was \$826 million, and now sits at \$400 million – an improvement of \$426 million
- The projected deficit for 2022-23 is \$351 million
- The multi-year forecast puts the province on track to a balanced budget in 2026-27

Statement of Operations 2021-22 (\$M)



	Original Budget 2021-22	Revised 2021-22	Variance
Revenue	8,518	8,663	145
Expenses	9,344	9,063	(281)
Surplus (Deficit) \$M	(826)	(400)	426

Statement of Operations 2021-22 to 2022-23 (\$M)



	Original Budget 2021-22	Revised 2021-22	Budget 2022-23
Revenue	8,518	8,663	9,070
Expenses	9,344	9,063	9,421*
Surplus (Deficit) \$M	(826)	(400)	(351)

*2022-23 includes \$774 million in 100% funded expenses – no deficit impact

Multi-Year Forecast



	2022-23	2023-24	2024-25	2025-26	2026-27
Revenue	9,070	8,969	8,998	9,076	9,238
Less: Oil Risk Adjustment	-	10	25	35	50
Expenses					
Base Expenses	8,647	8,779	8,799	8,626	8,671
100% Funded	774	489	444	489	435
Surplus (Deficit) \$M	(351)	(309)	(270)	(74)	82



Economy

Economic Forecast

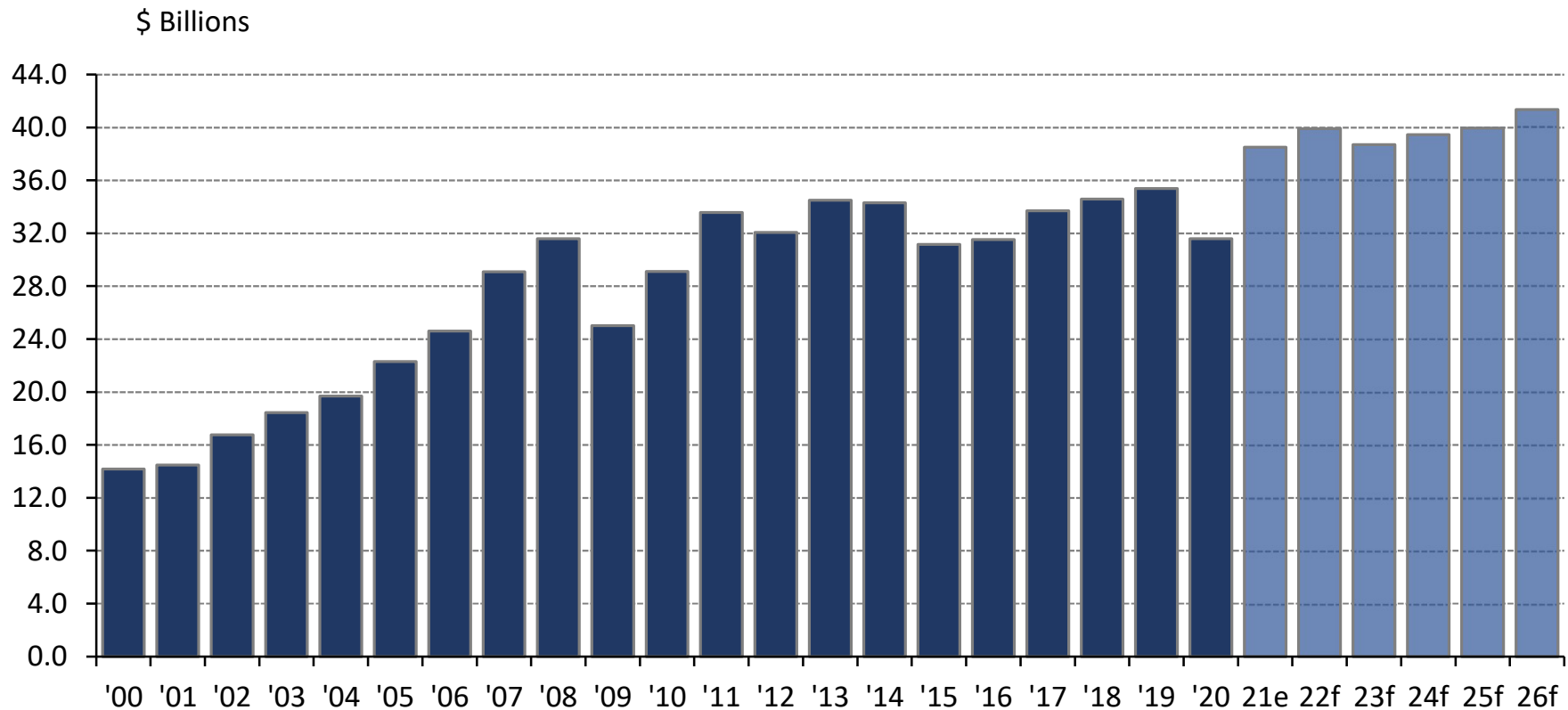


Economic Forecast - NL	2021 Levels	% Change					
		2021	2022	2023	2024	2025	2026
Nominal GDP (\$M)	38,509*	21.9	3.6	-3.0	1.9	1.3	3.5
Real GDP (\$2012 millions)	33,461*	3.5	0.5	3.4	2.6	1.1	2.3
Household Income (\$M)	27,662*	3.6	3.2	1.7	2.9	2.8	2.3
Retail Sales (\$M)	10,094	10.6	3.5	0.5	1.3	2.2	1.9
Consumer Price Index (2002=100)	144.7	3.7	3.9	1.7	1.7	2.1	1.6
Housing Starts (units)	1,022	33.9	6.7	-4.6	6.1	4.7	3.6
Capital Investment (\$M)	7,537*	4.2	4.8	8.1	0.4	7.4	1.1
Population (thousands)	520.6	-0.2	0.4	0.0	0.1	0.1	0.1
Employment (thousands of PYs)	220.1	2.9	2.6	0.3	1.5	0.7	0.0
Unemployment Rate (%)	12.9	12.9	11.7	11.5	10.8	10.5	10.3
Oil Production (Millions of bbls)	94.0	94.0	82.3	94.1	94.5	89.3	95.1

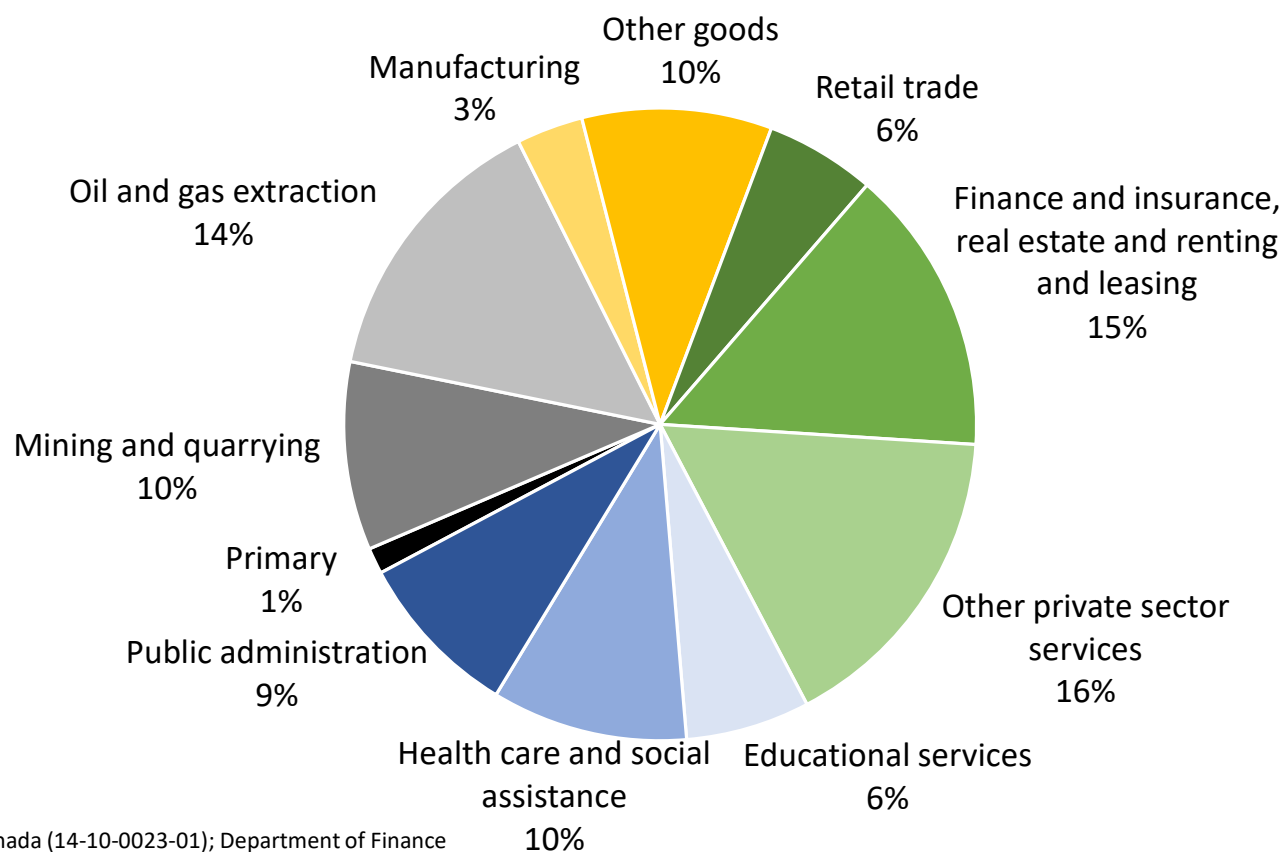
* indicates Department of Finance estimates for 2021

Shaded values represent the unemployment rate and oil production levels, not growth rates

Nominal GDP, NL, 2000-2026

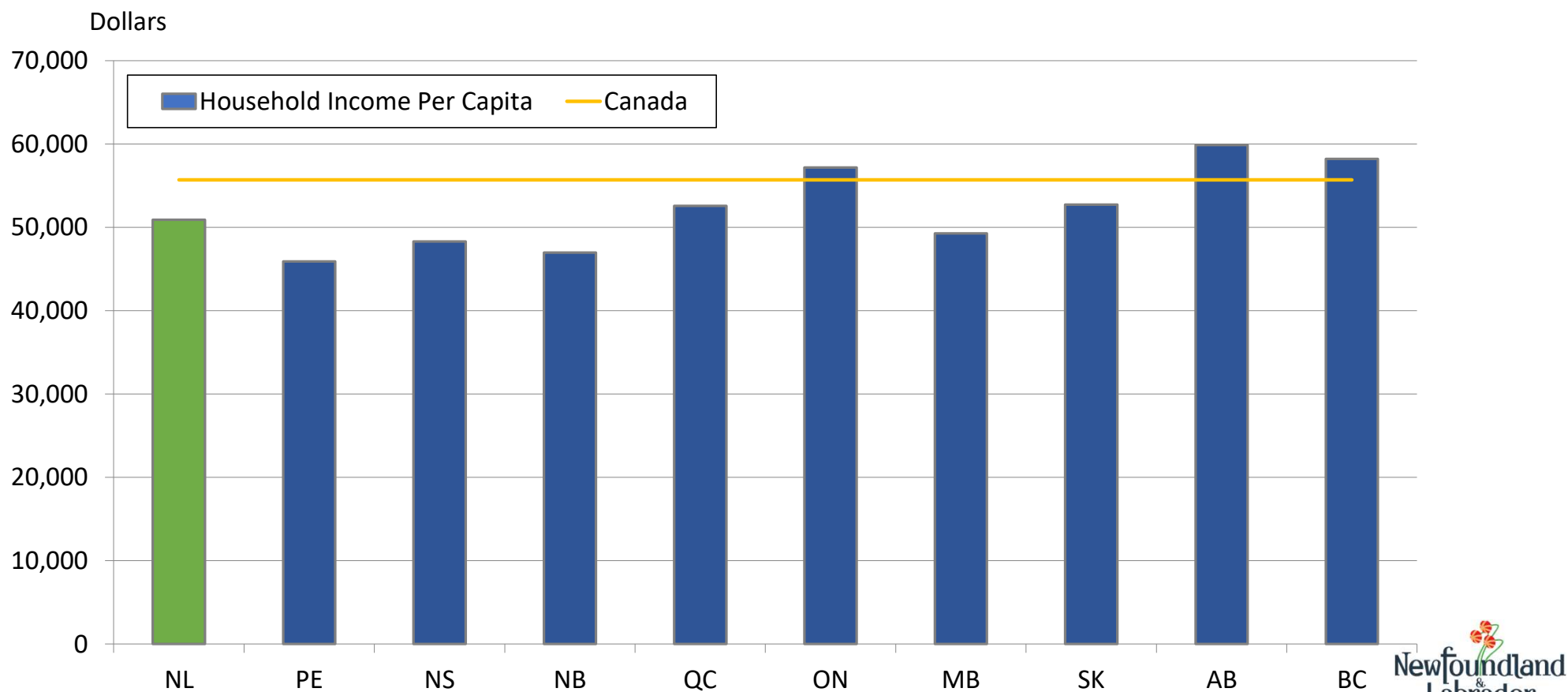


GDP by Industry (Detail), NL, 2020



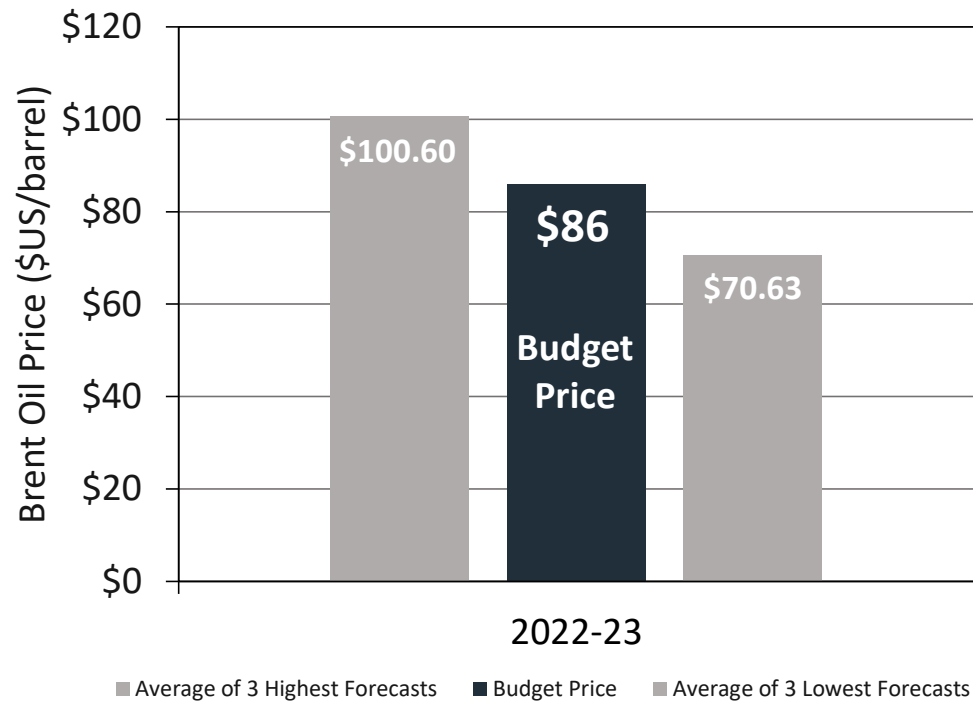
Source: Statistics Canada (14-10-0023-01); Department of Finance

Nominal Household Income Per Capita, 2021



Source: Statistics Canada (36-10-0588-01, 17-10-0005-01); Department of Finance

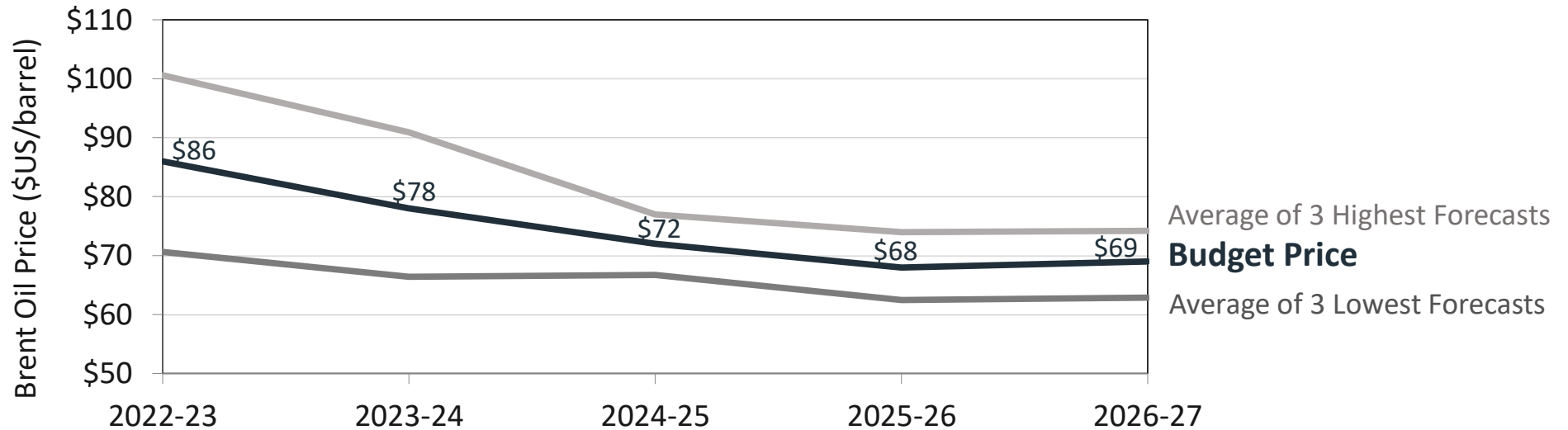
Oil Royalties Forecast and Assumptions



Budget 2022	2022-23
Oil Royalties	\$865.7 million
Oil Price (\$US/barrel)	\$86
Exchange Rate (CAD to USD)	0.793

Sensitivities	Change in Royalties (\$M)
Oil Price (\$US/barrel)	
- 1 \$US/barrel	-13.0
+ 1 \$US/barrel	+13.0
Exchange Rate (CAD to USD)	
- 1 US cent	+14.0
+ 1 US cent	-14.0

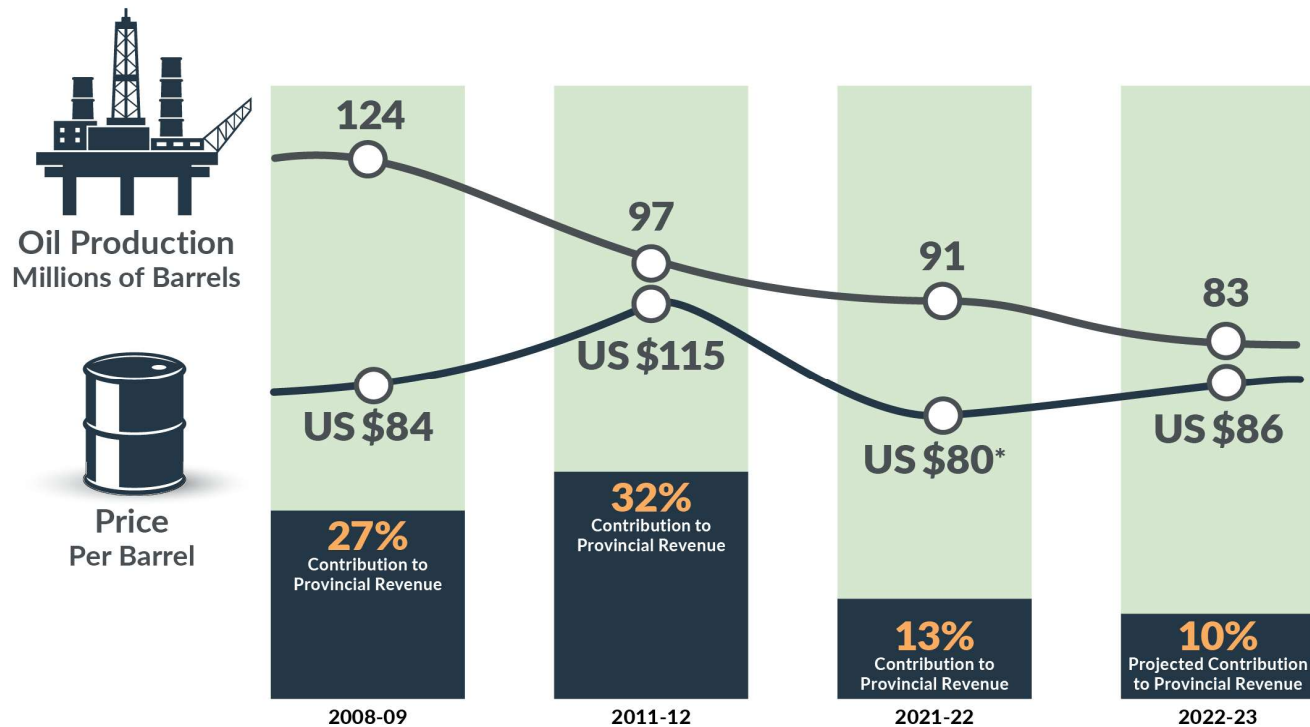
Oil Price and Exchange Rate Forecasts



Exchange Rate	2022-23	2023-24	2024-25	2025-26	2026-27
CAD to USD Exchange Rate	0.793	0.785	0.780	0.774	0.774

Note: The oil price and exchange rate forecasts are developed based on a composite of 11 individual oil price forecasts and 8 individual exchange rate forecasts (available as of March 9, 2022)

Yearly Offshore Oil Revenues



*Based on average price over the 2021-22 fiscal year. Information as of March 9.

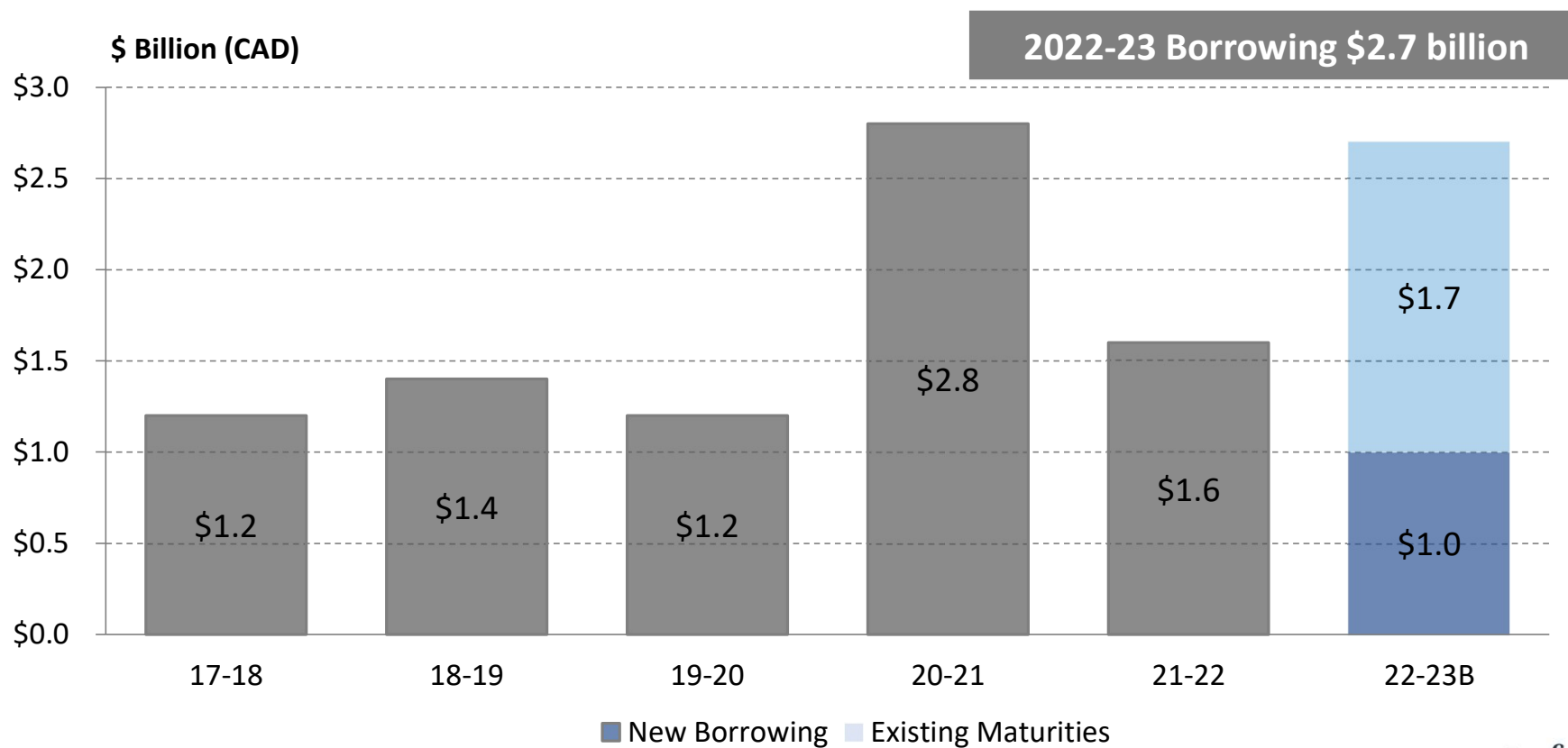
Borrowing Requirements



	Revised 2021-22	Budget 2022-23
Gross Borrowing	\$1.6	\$2.7*
Net New Borrowing	\$1.3	\$1.0
Net Debt	\$16.5	\$17.1

*2022-23 gross borrowing includes \$1.7 billion in debt maturities

Borrowing



Fiscal and Debt Management



Fixing Muskrat Falls

- \$2B Federal Loan Guarantee and Investment in Labrador Island Link
- \$3.2B Net Profit Interest/Incidental Net Profit Interest
- Convert \$2B in GNL equity to preferred shares

Prudent Fiscal Governance

- Balanced Budget Legislation
- Returning to Balance
- Transformation
- Auditor General Act
- Strategic Asset Review

Responsible Debt Management

- Effective Treasury Management
- Enhancing Liquidity Position
- Sinking Fund Performance
- Future Fund

Transformations and Modernization



- Government will use the Health Accord NL's work to reimagine the health system
- One Provincial Health Authority to ensure consistency and collaboration across the province
- One health faculty will integrate medicine, nursing, pharmacy and others to provide cross functional knowledge and support
- Modernize and integrate the air and road ambulance system
- A new application and assessment process will be implemented for core funding for community groups



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Investment Highlights

Cost of Living



- Elimination of the 15% Retail Sales Tax on home insurance for one year
- Reduction of 50% of registration fees for passenger vehicles, light duty trucks and taxis for one year
- Lower child care costs (to \$10/day by January 2023)
- Metrobus/GoBus pass program for income support clients will be expanded to include seniors receiving the Guaranteed Income Supplement, as well as youth-in-care and receiving youth services programming

Cost of Living continued



- Previously announced 5 Point Plan - \$22.2M:
 - 10% Increase to Seniors Benefit;
 - 10% Increase NL Income Supplement;
 - One-time benefit for those receiving income support;
 - Funding for electric vehicle rebates and charging infrastructure; and
 - Funding to help homes transition from oil to electricity

Cost of Living continued



- Post Budget:

- Temporarily lowering the provincial gas and diesel tax by 7 cents per litre (8.05 cents per litre including HST);
- One-time payment to supplement the cost of furnace oil used for home heating for households with family net income under \$150,000
- Increase to minimum wage

New Tax Credits



- Tax credits to encourage investment and growth in our economy:
 - 10% Manufacturing and Processing Investment Tax Credit
 - 20% Green Technology Tax Credit
 - All Spend Film and Video Production Tax Credit – maximum of \$10 million per project

Other Investment Highlights



- Health and Education:
 - \$3.6B for health care (38% of the budget)
 - Approximately \$14M to improve access to primary health care
 - \$11.6M increase for teaching services and to help meet rising student enrollment
 - 25% increase in the number of nursing seats at Memorial
- Safe Communities:
 - \$21M for province-wide radio system
 - \$1M in additional funding for NL Search and Rescue

Other Investment Highlights continued



- Other:

- \$25M over four years, for connectivity initiatives, including broadband and cellular
- \$2.6M for a new film production program for College of North Atlantic
- \$250K to begin planning for a new heritage centre to commemorate the Beothuk people
- \$20M to support tourism, hospitality and cultural industries
- \$5M in additional core funding for community groups



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Thank You