

Budget 2019

Technical Briefing
April 16, 2019

Working Towards a Brighter Future

- Health and Healthy Living
- Infrastructure
- Seniors, Children and Inclusive Communities
- Jobs and Industry Development
- Education, Skills and Childhood Development
- Safe and Sustainable Communities

Working Towards a Brighter Future

- Health and Healthy Living Initiatives, such as:
 - Mental Health Facility in St. John's- \$8.9M to start construction in 2019
 - Mental Health Unit in Happy Valley Goose Bay - \$1.0M to start construction in 2019
 - Autism Action Plan - \$2.5M (annualized to \$5.0M)
 - 15 New Drug Therapies - \$4.9M
 - Free Eye Exams to children starting kindergarten this Fall - \$0.25M

Working Towards a Brighter Future

- Infrastructure Initiatives, such as:
 - Total infrastructure strategy \$594.3M in 2019/20 including replacement of Her Majesty's Penitentiary
 - \$3 billion - 5 year rolling plan from 2019/20 to 2023/24
 - Average \$580M in economic activity and 5,100 person years of employment
 - Maximizing federal cost shared arrangements for various infrastructure projects, reducing provincial requirement

Working Towards a Brighter Future

- Seniors, Children and Inclusive Communities Initiatives, such as:
 - Reducing passenger vehicle licensing fees for seniors & military veterans
- Jobs and Industry Development Initiatives, such as
 - Digital Ocean Innovation Centre of Excellence - \$3.0M
 - Ocean Technology Competition Launch - \$0.25M
 - Eliminating the remaining 13% retail sales tax on automobile insurance premiums
 - \$1M increase to the ArtsNL grant program

Working Towards a Brighter Future

- Education, Skills and Childhood Development Initiatives, such as:
 - Maintain Post Secondary Tuition Freeze
 - \$350K for Social and Emotional Learning curriculum in schools
 - \$300K to increase Student Assistant hours
 - New Aquaculture Training Program at Burin Campus
 - New Non-Destructive Testing Program for Aerospace Sector at Gander Campus
 - New Geological Technician Program at Grand Falls Windsor

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- Safe and Sustainable Communities Initiatives, such as:
 - Electronic Monitoring Program - \$254K
 - Bail Supervision Program - \$100K
 - New Women's Centre on Northern Peninsula - \$142K
 - Fire Protection Vehicles and Firefighting Equipment Programs – \$2.9M
 - Heat Pumps Rebate Program - \$1.0M
 - Provincial Solid Waste Management Strategy - \$347K

Our Fiscal Performance

- ✓ Deficit Target for 2018/19 surpassed
- ✓ 2019/20 reflects one-time \$2.5 billion from Atlantic Accord Review
- ✓ Still on Track for Return to Surplus in 2022/23
- ✓ Still on Track for Total Expenses under \$8 billion by 2022/23

Our Fiscal Performance (continued)

- ✓ Maintaining the commitment of \$200M annually for energy rate management at a consumer rate of 13.5 cents per kWh (2021)
- ✓ Maintaining the scheduled expiry of the deficit reduction levy effective December 31, 2019
- ✓ Maintaining the approach regarding workforce reduction via attrition
- ✓ Maintaining the focus on efficiency and expense reductions

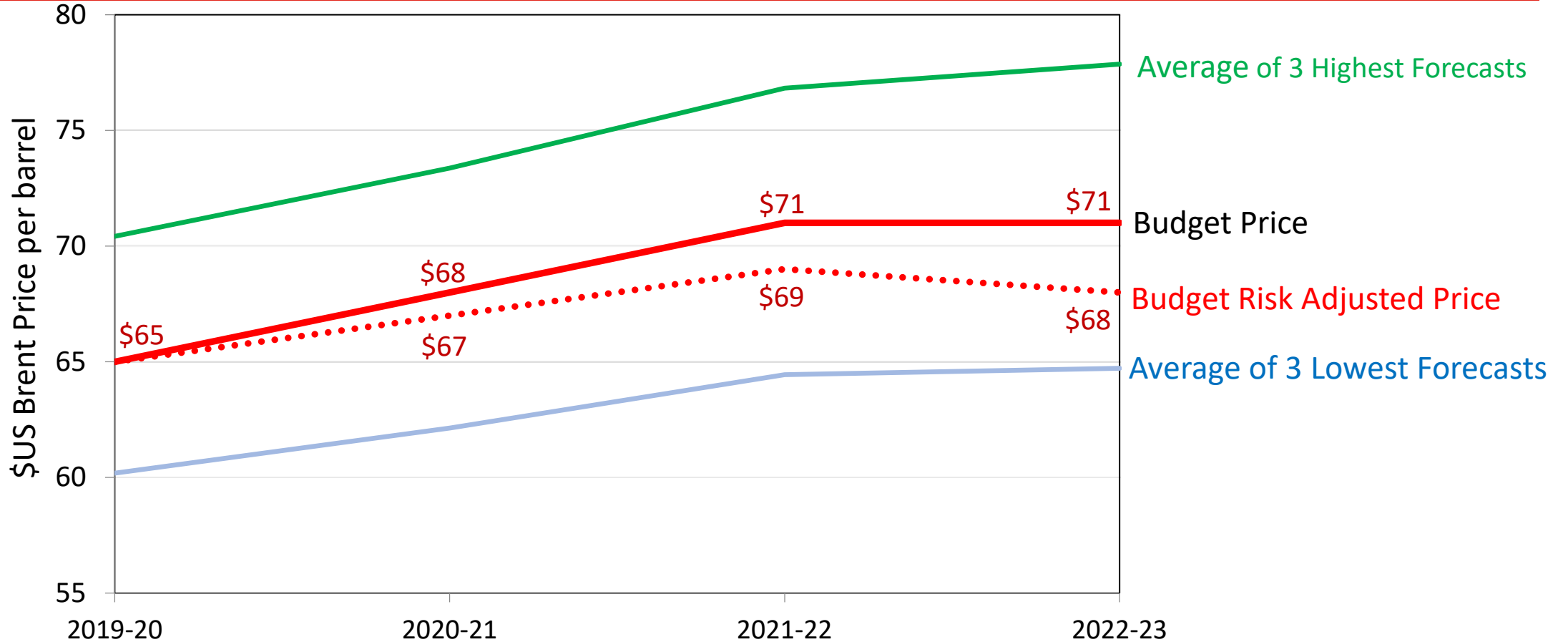
Economic Forecast

	2018	2019	2020	2021	2022
Nominal GDP (\$ Millions)	34,362	35,242	35,802	37,203	37,636
Real GDP (\$ Millions)	32,838	34,184	34,260	35,075	35,024
Household Income (\$ Millions)	25,957	26,802	26,944	27,459	28,075
Retail Sales (\$ Millions)	9,006	9,090	9,221	9,358	9,514
Consumer Price Index (2002=100)	137.9	140.0	142.8	145.6	148.6
Housing Starts	1,096	1,117	1,060	1,140	1,200
Employment (Thousands)	225.3	228.1	225.2	225.4	224.9
Unemployment Rate (%)	13.8	13.1	13.5	13.4	13.4
Capital Investment (\$ Millions)	9,684	11,313	9,250	9,161	9,956

Economic Indicators - % Change

	2018	2019	2020	2021	2022
Nominal GDP (% Change)	3.9	2.6	1.6	3.9	1.2
Real GDP (% Change)	-2.9	4.1	0.2	2.4	-0.1
Household Income (% Change)	0.8	3.3	0.5	1.9	2.2
Retail Sales (% Change)	-2.4	0.9	1.4	1.5	1.7
Consumer Price Index (% Change)	1.6	1.5	2.0	2.0	2.1
Housing Starts (% Change)	-21.7	1.9	-5.1	7.6	5.3
Employment (% Change)	0.5	1.2	-1.3	0.1	-0.2
Capital Investment (% Change)	-11.8	16.8	-18.2	-1.0	8.7

Oil Price and Exchange Rate Forecast



	2019-20	2020-21	2021-22	2022-23
Canada to US Exchange Rate	0.765	0.772	0.778	0.786

Statement of Operations 2018/19 (\$M)

	Budget	Revised	Variance
Revenue	7,673	7,751	78
Expenses	8,356	8,273	83
Deficit	(683)	(522)	161

- Increase in revenue due to higher oil price and lower exchange rate partially offset by deferred royalties from the November storm shutdown (total variance is 1%)
- Decrease in expenses due to infrastructure and cost shared cash flow adjustments (total variance is 1%)

Projected 2018/19 to Budget 2019/20 (\$M)

	Projected Revised 2018/19	Budget 2019/20	Variance
Revenue	7,751	10,350	2,599
Expenses	8,273	8,425	(152)
Surplus (Deficit)	(522)	1,925	2,447

Revenue Variance (\$M)

	Projected Revised 2018/19	Budget 2019/20	Variance
Total Revenue	7,751	10,350	2,599

- Government of Canada transfers increased
 - Atlantic Accord review \$2.5B
 - 100% cost shared \$125M
- Offset by all other revenue adjustments

Expense Variance (\$M)

	Projected Revised 2018/19	Budget 2019/20	Variance
Total Gross Expenses	8,273	8,425	(152)

- 100% federal cost shared \$125M
100% cost recoverable \$5M
- One-time expenses: Election costs (\$6.3M); Inquiries (\$11.1M); Little Bay Island Relocation costs (\$10M)
- Offset by other expense changes (including any new spending) - \$5.7M savings

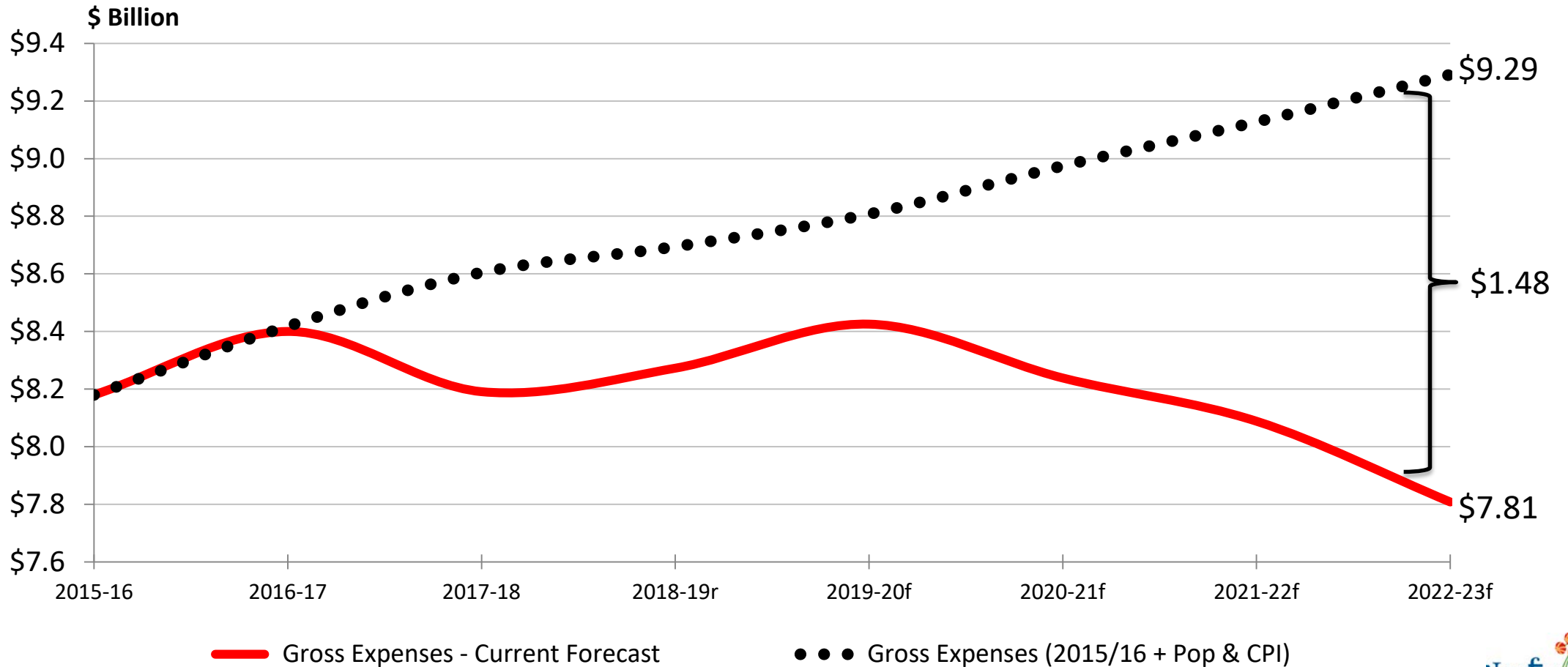
Statement of Operations 2019/20 (\$M)

	Projection at Budget 2018/19 for 2019/20	Budget 2019/20	Variance
Revenue	7,760	10,350	2,590
Less: Oil Risk Adjustment	(25)	-	25
Net Revenue	7,735	10,350	2,615
Expenses	8,242	8,425	(183)
Surplus (Deficit)	(507)	1,925	2,432

Fiscal Forecast – Return to Surplus (\$M)

	2019/20	2020/21	2021/22	2022/23
Revenue	10,350	7,462	7,838	7,901
Less: Oil Risk Adjustments	-	20	50	70
Net Revenue	10,350	7,442	7,788	7,831
Expenses	8,425	8,238	8,088	7,808
Surplus (Deficit)	1,925	(796)	(300)	23

Expenditure Growth and Control (\$B)

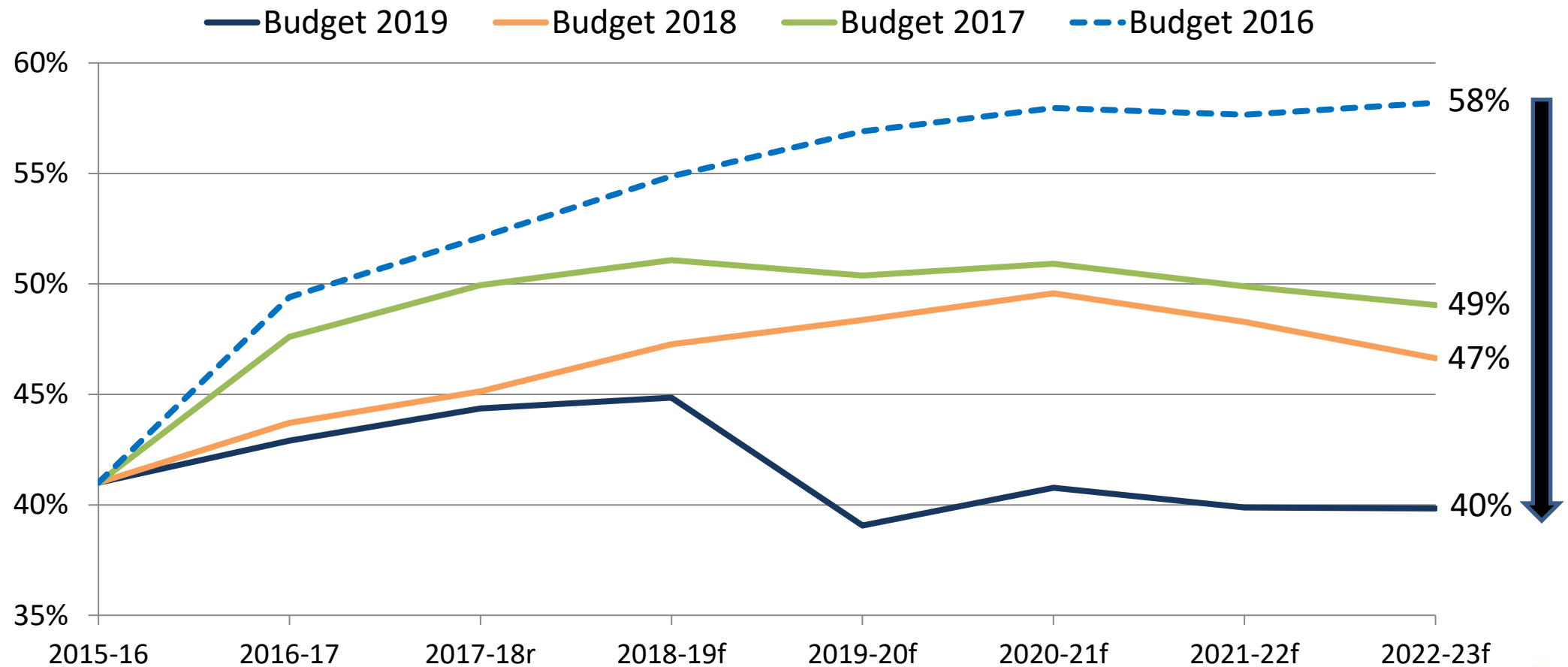


Borrowing and Net Debt Forecast (\$B)

	2019/20	2020/21	2021/22	2022/23	Total
Gross Borrowing	1.20	1.20	0.70	1.70	4.8
Net New Borrowing	1.16	0.43	0.35	0.14	2.1

- Borrowing over this period is down \$400 million when compared to Budget 2018 due to Atlantic Accord cash proceeds
- Net Debt 2019/20 is \$13.8 billion

Net Debt as % of GDP



Source: Department of Finance, Public Accounts and Economic & Project Analysis Division; and Statistics Canada.

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THANK YOU