Budget 2022

Technical Briefing

April 7, 2022

CHANGE is in the air
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 provincial tax or 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
Financial Information
• 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
# Economic Forecast

## Economic Forecast - NL

<table>
<thead>
<tr>
<th>Economic Forecast - NL</th>
<th>2021 Levels</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2022</td>
</tr>
<tr>
<td>Nominal GDP ($M)</td>
<td>38,509*</td>
<td>21.9</td>
</tr>
<tr>
<td>Real GDP ($2012 millions)</td>
<td>33,461*</td>
<td>3.5</td>
</tr>
<tr>
<td>Household Income ($M)</td>
<td>27,662*</td>
<td>3.6</td>
</tr>
<tr>
<td>Retail Sales ($M)</td>
<td>10,094</td>
<td>10.6</td>
</tr>
<tr>
<td>Consumer Price Index (2002=100)</td>
<td>144.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Housing Starts (units)</td>
<td>1,022</td>
<td>33.9</td>
</tr>
<tr>
<td>Capital Investment ($M)</td>
<td>7,537*</td>
<td>4.2</td>
</tr>
<tr>
<td>Population (thousands)</td>
<td>520.6</td>
<td>-0.2</td>
</tr>
<tr>
<td>Employment (thousands of PYs)</td>
<td>220.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Oil Production (Millions of bbls)</td>
<td>94.0</td>
<td>94.0</td>
</tr>
</tbody>
</table>

* indicates Department of Finance estimates for 2021

Shaded values represent the unemployment rate and oil production levels, not growth rates.
Oil Royalties Forecast and Assumptions

<table>
<thead>
<tr>
<th>Sensitivities</th>
<th>Change in Royalties ($)M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Price ($US/barrel)</td>
<td></td>
</tr>
<tr>
<td>- 1 $US/barrel</td>
<td>-13.0</td>
</tr>
<tr>
<td>+ 1 $US/barrel</td>
<td>+13.0</td>
</tr>
<tr>
<td>Exchange Rate (CAD to USD)</td>
<td></td>
</tr>
<tr>
<td>- 1 US cent</td>
<td>+14.0</td>
</tr>
<tr>
<td>+ 1 US cent</td>
<td>-14.0</td>
</tr>
</tbody>
</table>

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

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**Graph:**
- **Brent Oil Price ($US/barrel):**
  - Budget Price: $86
  - Average of 3 Highest Forecasts: $100.60
  - Average of 3 Lowest Forecasts: $70.63

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Budget 2022 is in the air.
Oil Price and Exchange Rate Forecasts

<table>
<thead>
<tr>
<th>Exchange Rate</th>
<th>2022-23</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
<th>2026-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAD to USD Exchange Rate</td>
<td>0.793</td>
<td>0.785</td>
<td>0.780</td>
<td>0.774</td>
<td>0.774</td>
</tr>
</tbody>
</table>

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

Oil Production
Millions of Barrels

Price
Per Barrel

2008-09
27% Contribution to Provincial Revenue
US $84

2011-12
32% Contribution to Provincial Revenue
US $115

2021-22
13% Contribution to Provincial Revenue
US $80*

2022-23
10% Projected Contribution to Provincial Revenue
US $86

*Based on average price over the 2021-22 fiscal year. Information as of March 9.
## Statement of Operations 2021-22 ($M)

<table>
<thead>
<tr>
<th></th>
<th>Original Budget 2021-22</th>
<th>Revised 2021-22</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>8,518</td>
<td>8,663</td>
<td>145</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>9,344</td>
<td>9,063</td>
<td>(281)</td>
</tr>
<tr>
<td><strong>Surplus (Deficit) $M</strong></td>
<td>(826)</td>
<td>(400)</td>
<td>426</td>
</tr>
</tbody>
</table>
### Statement of Operations 2021-22 to 2022-23 ($M)

<table>
<thead>
<tr>
<th></th>
<th>Original Budget 2021-22</th>
<th>Revised 2021-22</th>
<th>Budget 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>8,518</td>
<td>8,663</td>
<td>9,070</td>
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<tr>
<td>Expenses</td>
<td>9,344</td>
<td>9,063</td>
<td>9,421*</td>
</tr>
<tr>
<td>Surplus (Deficit) $M</td>
<td>(826)</td>
<td>(400)</td>
<td>(351)</td>
</tr>
</tbody>
</table>

*2022-23 includes $774 million in 100% funded expenses – no deficit impact*
## Multi-Year Forecast

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

<table>
<thead>
<tr>
<th></th>
<th>Revised 2021-22</th>
<th>Budget 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Borrowing</td>
<td>$1.6</td>
<td>$2.7*</td>
</tr>
<tr>
<td>Net New Borrowing</td>
<td>$1.3</td>
<td>$1.0</td>
</tr>
<tr>
<td>Net Debt</td>
<td>$16.5</td>
<td>$17.1</td>
</tr>
</tbody>
</table>

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