



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement

To the House of Assembly

By

The Hon. Curtis L. Dickinson, JP, MP

Minister of Finance

Half Year Fiscal Performance for the Financial Year 2021/22

Date: 12th November, 2021

Mr. Speaker, I rise this morning to provide this Honourable House with a half-year report on the Government fiscal performance.

2021/22 Half-Year Fiscal Performance:

Mr. Speaker, the COVID-19 pandemic continues to have a material impact on the Bermuda economy and the Government's fiscal position. However, significant work has been done by Government and the community to combat this virus and adapt to the "new normal". As the half year results highlight, the ongoing work and actions taken to date, have had some positive results,

The headline numbers for the 2021/22 National Budget are a revenue target of \$998.9 million; current expenditure of \$1.03 billion, including debt service; capital expenditure of \$92.9 million; and a projected deficit of \$124.7 million.

Mr. Speaker, total revenues for the first half of fiscal 2021/22 are \$503.5, \$40.7 million or 8.8% above September 2020 and broadly in line with the budget. This is mainly due to higher Custom Duty receipts, along with minor increases in Payroll Tax collections and Stamp Duties.

Of significance, Mr. Speaker, is the following:

Customs Duty was up by \$25.9 million (versus the first half of the 2020/2021 fiscal year) and 7% above budget.

Payroll taxes were up by \$6 million when compared to the same period last year and were on budget.

Stamp Duties were up by \$7.3 million and 27% above budget.

All Other Receipts were 15% below budget, with Passenger Taxes and Transportation Infrastructure Tax receipts for the period reduced to almost negligible levels.

Overall, due to the steady improvements in areas of the economy, the revenue collections in the second quarter of this year are generally tracking on budget.

Mr. Speaker, current expenditures, excluding debt service, for the period ending September 30, 2021, are \$50 million or 11% lower than when compared to the six months ending September 2020. Key factors included lower expenditures for the Covid-19 pandemic and Unemployment Benefits for this fiscal year, when compared to 2020/21. In addition, there was positive impact from the austerity measures put in place last year, to mitigate, to some extent, the devastating effect that the pandemic was having on the economy,

Mr. Speaker, the highlights in relation to expenditures are as follows:

Salaries and Wages were down by \$17.1 million and 4% below budget and Employer Overhead was down by \$7.4 million or 11% below budget. These reductions reflect the critical cost- control measures put in place in the summer of 2020, which concluded in August 2021. Salary related spend was also reduced by existing vacancies in the public sector.

During this period, the Government spent \$20.7 million in COVID-19 related expenditures, of which \$9.2 million was for Unemployment and Supplemental Benefits. We have also spent just over \$11.5 million for other COVID-19 related matters to keep Bermuda safe and secure. The overall spend in this regard, although lower than the corresponding period in the 2020/21 year, has already exceeded the total estimated funding for the whole of this fiscal year. Costs incurred included the following:

- COVID-19 testing, Contact tracing, Vaccine administration, Call Centre operations and Travel Authorization management - \$7.8 million;
- Molecular Diagnostic Lab operations - \$2.0 million; and
- Spend related to the Quarantine mandate of \$1.7 million.

Also, during this period the Government has incurred additional expenditures of \$8.6 million, which relate to significant Government guarantee commitments made under the previous administration. This includes \$7.6 million expenditure for the first quarter of the Airport Revenue Guarantee and \$1 million in consultancy costs for Morgan's Point/Caroline Bay. These expenditures are anticipated to increase during the remainder of the 2021/22 fiscal year, and to have a further negative impact on the Government's fiscal position.

Overall, notwithstanding the COVID-19 impact and the additional guarantee related expenditures, current expenditures, excluding debt service, are presently in line with the original annual estimate of \$903 million at \$456.7 million for the half year. This highlights that the prudent and considered measures put in place in 2020, which have been continually monitored for effectiveness, have played a positive role in protecting the economy from further devastating damage. It is recognized that, in certain instances expenditures are not made evenly over the year, and therefore may distort actuals when compared to budget. Further with the expectation of continuing increases in COVID related expenditure and certain other necessary costs, we continue to carefully evaluate the fiscal position and will, as necessary, take steps to limit expenditures where possible.

Interest expenses and related facility fees are tracking in line with 2020 performance, notwithstanding the fact that the Government undertook additional borrowing last summer. Additional capital of \$1.35 billion, which was raised in August 2020, was able to be financed at historically lower rates than the existing debt. Mr. Speaker, I would also like to highlight that all of the Government's capital raise of \$1.35 billion, was to provide funding of the Government and its anticipated economic recovery over the next two to three years.

Mr. Speaker, excluding debt service, the Government recorded a \$21.1 million current account surplus for the first 6 months of the year, compared to a \$71.4 million deficit in 2020.

The all-inclusive deficit was \$43.3 million, compared to a projected deficit of \$135.8 million in 2020. This deficit was financed by the above-mentioned capital raise.

Mr. Speaker, gross debt at the end of September 2021 remains at \$3.35 billion. Net of the Sinking Fund balance, the debt was \$3.05 billion.

Mr. Speaker, I would like to advise that the Ministry of Finance is currently finalizing its detailed assessment of the 2021/22 Mid-Year Performance. This Mid-Year review will provide the Revised Estimates of revenue and expenditures for fiscal 2021/22, along with economic data and actions required to remain within the 2021/22 budget deficit of \$124.7 million. I

intend to report back to the House later in this session, the updated 2021/22 Revised Estimates of revenues and expenditure.

Mr. Speaker, It is imperative that the budget deficit target for fiscal 2021/22 is not exceeded, given the current high level of public debt. The Ministry of Finance regards any breach of the deficit target to be a serious issue, as continuous increases in the deficit and debt levels will likely negatively impact Bermuda's credit rating and the cost of refinancing government debt in the future. In this regard, we would again note that over the next twenty-four months nearly \$ 1 billion of debt will have to be refinanced. Therefore, it is important that we continue to ensure that fiscal matters are managed in a prudent and considered way, and that we adhere to our commitment to balancing the budget by 2023/24.

Mr. Speaker, in closing, I must remind all that we should continue to work together to successfully progress our lives beyond this pandemic, and to ensure that there is a sustained and shared economic recovery of our country.

Thank you, Mr. Speaker,