



GOVERNMENT OF BERMUDA

## **The Ministry of Finance**

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### **Ministry of Finance Headquarters**

#### **Ministerial Statement**

To the Senate

By

**Senator Vance Campbell**

Junior Minister of Finance

#### **2018/19 First Quarter Fiscal Performance**

Date: August, 2018

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Madam President, the management of public finances has taken on greater significance with the shift in the global economy since 2008. Bermuda is no different and successive governments have wrestled with deficits and the responsibility to deliver services on behalf of the people of Bermuda.

Madam President, governing is about setting priorities and committing revenue raised to support areas of priority based on the mandate provided from the people.

Madam President, to hear the Opposition tell it, this Government has no handle on the public purse and every new initiative is cast as overspending or not thought through.

In fact, Madam President, in regrettably under-informed comments reported on July 27th, the Chairman of the One Bermuda Alliance said: “It seems Government is desperate for revenue as it is not meeting its own revenue expectations.”

This was closely followed by the Leader of the Opposition who termed this Government as: “quickly becoming a *tax and spend* Government”.

And not to be outdone, the Honourable Member for Constituency 10, the former premier, referring to economic statistics said they were: “showing the potential slowdown or even retraction of the economy”.

Madam President, I can advise Senators and the public that the **facts** totally disprove this tired narrative from the Opposition.

Therefore Madam President, I am pleased to advise this Honourable Senate and the public that the headlines for the first quarter of this fiscal year are as follows:

- Government Revenues are up!
- Government spending is down!
- The deficit is down by 24%!
- Visitor air arrivals are up!
- Employment in the economy is up!

These are the **facts**, Madam President, so I want all Honourable Senators and the people of Bermuda to understand that in the first quarter of this fiscal year the state of government finances are improving – why Madam President – because the numbers say so.

Madam President, I will now turn my attention to the fiscal performance for the first quarter of 2018/19 which will demonstrate that revenues are up, spending is down, and the budget deficit has contracted.

Madam President, the headline numbers for the 2018/19 National Budget were: a revenue target of \$1.09 billion; current expenditure, including debt service, of \$1.12 billion; capital expenditure of \$62 million; and a projected deficit of \$90 million.

Madam President, revenues collected for the first quarter ending June 2018 are \$260.1 million; this is \$5.7 million (2.2%) higher than in the quarter ending June 2017.

The primary reasons for the mentioned increase in revenue are due to an increase in Payroll Tax collections of approximately \$9.2 million above 2017 collections, higher collections in Passenger Tax of \$2.2 million above 2017 collections and higher Land Tax collections of \$2.1 million above 2017 collections. These increases were offset by lower collections in Other Receipts of \$6.3 million and Customs Duty of \$2.9 million.

In general total revenues are tracking in line with budget estimates.

Madam President, current account expenditures, excluding debt service, for the first three months ending June 2018 are \$231.1 million; this is \$851,000 (0.37%) lower than was spent during the same period last fiscal year. This was despite the Government awarding a 2.5% salary increase to most public officers in 2017/18 which was not reflected in the quarter ending June 2017 expenditure total of \$231.9 million.

Yes Madam President, despite giving public sector workers a well-deserved pay increase, and lifting the hiring freeze which saw many government departments being dangerously short of staff, spending is down this year when compared to last year; and expenditures are presently tracking slightly below budget estimates.

Capital expenditures for the period ending June 2018 are \$11.9 million which is \$3.2 million below the 2017/18 spend for the same period.

Debt service costs for the first three months ending June 2018 are \$47.1 million. This represents \$31 million in interest payments and a \$16.1 million contribution to the Government Borrowing Sinking Fund, representing approximately one quarter of the \$64.2 million annual contribution. Debt service to date is on par with last year's spend.

Madam President, overall, total Government spending for the first quarter of fiscal 2018/19 was \$3.8 million, or 1.3%, lower than the corresponding period in 2017/18.

For the first three months of 2018/19 Government incurred a deficit of \$29.9 million. This compares to a \$39.4 million deficit in 2017/18 meaning that our deficit has narrowed by 24% in the first quarter.

Madam President, the figures show that this government's approach of targeted investment in growth, while maintaining fiscal discipline is working. One quarter does not a year make, but these figures are concrete **facts** that indicate that this PLP government is on the right track.

Madam President, in my highlights I spoke about the fact that tourism numbers were up. When we were in opposition, we pledged to invest more in tourism and we have done that. Bermuda is reaping the results of that investment and that is positive progress for our island. From April – June 2018, with figures compared to the America's Cup in 2017, visitor air arrivals, which is the most important measure of tourism health, are up by 5.4%. Just as important, hotel occupancy for the same quarter was up by 4.8%.

Madam President, the last highlight that I gave when I started this statement is probably the most important – "employment in the economy is up".

Madam President, this Government promised economic diversification and investment to provide additional jobs. We pledged to put Bermudians first, and to make investments that stimulate entrepreneurship and create economic growth. Are we where we want to be? The answer is no, but this PLP government has made progress.

Madam President, one way of gauging the current state of the job market is through the number of persons paying into the Contributory Pension Fund (Social Insurance). These statistics provide a decent snapshot into the number of persons that are working in the economy. Again Madam President, the **facts** are positive.

Madam President, I can report that the total number of persons contributing to Social Insurance as at June 2018 was 33,909. This is 322 more than were contributing in June 2017. Yes Madam President the **facts** show that there are 322 more people working this year than there were last year. Madam President, the best news is that out of the increase of 322 jobs, 83% of those jobs were held by Bermudians, and only 17% of those jobs were held by non-Bermudians. This is proof that not only has this government supervised a growth in jobs, but we are holding true to our election promise of putting Bermudians First.

In Closing Madam President, let me end where I began:

Government revenues are up, Government spending is down, our deficit is down by 24%, air arrivals are up, and there are 322 more jobs in the Bermuda economy than last year.

Madam President, this Government has demonstrated that you can do more for seniors, you can do more for students who want to further their education and that you can do more to reduce the burden on hardworking Bermudian families AND do so while properly managing a national budget.

Madam President, this First Quarter performance shows the people of Bermuda that this Government is determined to work for them, maintain control of public finances and lift them up in the process. We are on course for increased economic activity and growth that targets Bermudians who, thanks to this Government, now have a chance to benefit directly from Bermuda's economic success.

**Thank you, Madam President**