



GOVERNMENT OF BERMUDA

The Ministry of Finance

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**Ministerial Statement**

To the House of Assembly

By

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Junior Minister of Finance

**Update on Financial Performance**

Date: July 6, 2022

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**Madam President,** I am pleased to provide an update on the Government's financial performance for fiscal year 2021/22, which highlights continued signs of a strengthening economy, despite the considerable challenges we continue to face as a country. As highlighted in previous statements, the revised estimate produced following the onset of COVID-19 anticipated a deficit of \$ 245.5 million for the fiscal years 2020/2021. However, once the actual results were tabulated, the deficit for the 2020/2021 year stood at \$184.2 million, showing a \$61.3 million improvement from original estimates.

**Madam President,** the following fiscal year, 2021/2022, original estimates presented in the Budget Statement anticipated a budget deficit of \$125 million. When the 2022/23 Budget Statement was presented, the updated forecast indicated that revenues had increased by approximately \$31.5 million to \$1.03 billion, with expenditures estimated to increase slightly for an updated deficit of \$117 million. As additional information has now become available, estimates have been further adjusted to reflect a further \$32 million increase in revenues and a corresponding \$8 million increase in expenditure.

Therefore, compared to the original 2021/22 estimates as presented in the 21/22 Budget, the updated 2021/2022 forecast anticipates an overall \$30 million improvement in the deficit to \$95 million, with the revenues estimated to be \$63 million higher than initially forecast and overall expenditures \$32 million (of which \$21 million was unanticipated COVID related expenses).

For the current fiscal year, notwithstanding anticipated losses in revenues from the aircraft registry due to the fallout from the Russia/Ukraine war, the Government's updated revenue estimates - relating primarily to better than anticipated cruise and hotel occupancy levels - project that the government will still be able to meet our deficit target. This updated forecast is encouraging, given the war's severe impact on global economies.

**Madam President**, as the information provided above highlights, we are in a better financial position than anticipated in February when Bermuda's national budget was presented. The increases in revenues in key areas, such as stamp duty, corporate services tax and vehicle license fees, as well as immigration receipts, have been significant. In addition, the Government received approximately \$5.5 million from the BMA (part of their operating surplus) that had not been included in our revised budget estimates.

Expenditures have remained broadly in line with the revised February estimates, although up from our initial estimates in areas such as COVID expenditure, urgent capital expenditures including additional funds for urgent repairs at Tynes Bay, and \$20 Million additional dollars due to Skyport for the Minimum Revenue Guarantee that this Government inherited from the former administration.

**Madam President**, the prudent fiscal management policy this Government has committed to and followed since its election in 2017 continues to be a positive factor for this economy. We committed to reducing the budget deficit and moving towards a balanced budget.

Our 2019 projections saw us with a deficit of only \$7.4 million; however, the failed Morgan's Point project inherited by the former administration and the unexpected onset of the global COVID-19 pandemic required us to take significant measures. These measures not only protected the health and well-being of our residents but also provided relief and financial support to Bermudians, as evidenced by the Unemployment Benefit payments of up to \$500 per week to over 10,000 residents severely impacted by the fallout from this pandemic.

**Madam President**, despite the challenging period, we also took steps to mitigate somewhat the financial and economic impact of this awful scourge which affected so many people around the globe. Thus, as noted above, with a projected deficit of \$245.5 million, our ultimate position at the end of March 2021 was \$184.2 million. Throughout the 2021/22 fiscal year, the Government continued to prudently manage expenditures while taking specific actions to build the revenue base for both the short and the long term through the delivery of Bermuda's Economic Recovery Plan. The impact of those actions can be seen as our updated estimates anticipate a lower deficit than expected just four months ago. The development of the Economic Recovery Plan was a recognition that, in light of the challenges caused by COVID, we needed to take specific action to ensure financial stability and growth. The Honourable Minister of Economy and Labour will update this Honourable House on the Government's continued implementation of the initiatives contained in Bermuda's Economic Recovery Plan shortly.

**Madam President**, Bermuda has enjoyed significant benefits over the years from the work that has built a world-class insurance industry based in Bermuda. The contributions made by this sector to our economy are well documented. In fact, during the pandemic, the resilience of this sector helped to support the economy and offset the significant damage done to the tourism and hospitality sectors.

Initially, Bermuda's focus was on the captive insurance market, and then we expanded to develop a significant property and casualty market.

More recently, we have seen considerable growth in speciality insurers and the Long Term Insurance market, which has been beneficial to Bermuda. However, as part of our economic strategy, to grow our economy in a prudent and considered way, we have already started expanding into other sectors to diversify our revenue base. Bermuda, recognising the opportunities that could exist in the digital asset space, we built an infrastructure that would attract digital asset businesses that wished to be based in a jurisdiction with a robust regulatory regime and encouraged innovation. That sector has already seen significant growth, as Bermuda now has 15 licensed digital asset businesses, with more companies in the pipeline. Additionally, there are currently seven licensed innovative insurers in Bermuda who are leading the charge as we witness the beginning of convergence between traditional insurance and digital finance.

As we continue to expand our international business sector and see continued growth in existing and new industries, we are experiencing positive results in our economy. For example, jobs have grown in the international business sector by 10% over the last two years, increasing from 4,020 jobs to 4,411, with a majority of the additional positions being filled by Bermudians.

Madam President, a few of us had the opportunity to join the Premier as he visited two new companies in Bermuda who, in the previous two years, have employed 19 Bermudians with plans to expand their office staff further. These new jobs are concrete proof that our economic diversification strategy is delivering positive results for Bermudians. The results of the successful execution of this strategy are reflected in our better-than-expected revenue numbers that I share with honourable members today.

**Madam President,** Bermuda's strong performance and the decisive and prudent actions taken by the Government to manage a once-in-a-century pandemic have been evaluated by independent rating agencies. These agencies have maintained Bermuda's strong ratings at pre-COVID levels and have assessed Bermuda's outlook to be stable. These confirmed ratings are certainly a positive for our island and are an external validation of this Government's solid and effective management of the economy. It also augurs well for the future.

**Madam President**, the strength of the international business and its significant contribution to our economy must translate to relief for those Bermudians that are not in international business. Bermudians in all walks of life, whether employed by international business or otherwise, have contributed to the positive environment in Bermuda, allowing international companies to build successful businesses here. Therefore, we want to ensure that the benefits are shared in a way that will positively impact the lives of our residents while continuing to ensure that Bermuda remains an excellent place to do quality business.

**Madam President**, in the Budget Statement released in February 2022, it was promised that half of any amount better than budget targets would be directed towards relief to ease burdens related to Bermuda's high cost of living. This Government will be true to that pledge we made in February by bringing a package at the next sitting of the House that will deliver on our promise of "more relief to come."

**Madam President**, in this fiscal year, this Government has already provided relief by further reducing the payroll tax paid for persons making less than \$96,000. We have reduced vehicle licensing fees and ensured charities could receive land tax relief. Supplemental Unemployment Benefits have been extended for persons significantly disadvantaged by COVID, and land tax relief has been given to registered care homes. Hotels and restaurants, whose income was reduced considerably by the COVID restrictions, have had their payroll tax concessions extended to help rebuild the critical tourism and hospitality sector. We have also extended new hire relief to encourage the expansion of local and international business.

**Madam President**, since the budget was delivered, This Government ensured that fuel prices at the pump have been maintained at February 2022 levels, despite the significant increase in global prices, primarily due to the Russian/Ukraine war. This price freeze of gasoline saves \$23 on the average-sized car tank. If it were not for the actions of this Government, prices at the

pump would be 25% higher today than they were in February. This action is helping families, taxi operators, tour operators and local businesses.

The additional relief to be announced on July 15 will support working families by putting more money back in their pockets, support households in reducing electricity bills, and will also reduce the cost of essential food items.

**Madam President**, as I noted in a previous Statement given to this Honourable House, there are limits to the support that the Government can provide, as it is vital for Bermuda's economic future that the Government meets its budget targets. With global inflation set to continue for the foreseeable future and a growing number of economists predicting a recession in the world's largest economy - and our largest trading partner, the United States, all residents must be wise with their spending choices. These are uncertain economic times, especially as we cope with rebuilding our economy following the Coronavirus pandemic. This government will remain fiscally prudent while also delivering the relief many Bermudians need.

**Madam President**, it is up to all of us in this Honourable House and on this island we call home to work together to ensure that Bermuda's economy works for all. The continued delivery of Bermuda's Economic Recovery Plan has been beneficial to Bermuda, and this Government will work to ensure that we do everything that we can to minimise the impact of global events on our economy while providing relief to workers to ensure this economy works for all Bermudians.

Thank you Madam President.