

A balanced path forward

Highlights

- The surplus for 2017-18 came in at \$1.2 million (0.02% of GDP, or 0.06% of revenue), \$0.6 million above budget.
- A \$1.5 million surplus is budgeted for 2018-19. Revenue is expected to grow 4.6% from the 2017-18 forecast, mostly due to increased tax revenue (+2.5% or \$23.6 million) and federal transfers (+8.8% or \$62.2 million of which \$11.1 million for infrastructure programs and \$28.6 million for equalization). Program expenditures are expected to grow 4.8%. Growing surpluses are projected up until 2020-21, with revenue and program expenditures both growing at an average annual rate of 2.6%.
- The tax bite of debt servicing is expected to decline from 6.6% in 2017-18 to 6.4% in both 2018-19 and 2019-20. It is forecast to slide to 6.3% in 2020-21.
- Real GDP growth is expected at 2.2% in 2017; GDP growth is estimated at 3.0% in 2018-19, 3.5% in 2019-20, and of 2.6% in 2020-21.
- A \$32.5 million increase (+4.8%) in the health care system will be implemented across the province.
- An additional \$17 million investment in frontline children services and supports for families as well as a \$1.2 million investment in child care subsidies will also be deployed.
- Increase in the Basic Personal Amount of \$1,000 over two years, representing the “largest announced increase in history”.
- A small business tax cut of 0.5%-pts will be implemented this year, equivalent to an 11.1% reduction in provincial taxes payable by small business.
- The provincial portion of the HST on the first block of residential electricity will be rebated directly on electricity bills, representing an average of \$120 a year in savings per household.
- The government is committed, alongside both federal and community partners, for a total investment of \$17 million over 2 years to build and sustain affordable housing supply, provide rent support and reduce homelessness.
- Despite budget surpluses, net debt is expected to increase this year up until 2020-21 due to acquisition of tangible capital assets in 2018-19. More precisely, it is expected to grow \$56.5 million this year to \$2.264 billion, steadily increasing to \$2.294 billion in 2019-20 and to \$2.309 billion in 2020-21. As a % of GDP, however, net debt is expected to slightly decline this year from 33.1% in 2017-18 to 33% in 2018-19, down to 31.6% by the end of fiscal 2020-2021.
- Financing requirement for 2018-19 are of \$81 million, all funded with short term debt.

Catherine Maltais

Prince Edward Island • 2018 Budget

Prince Edward Island

\$ Millions	Budget	Forecast	Budget	Plan	
	2017-18	2017-18	2018-19	2019-20	2020-21
Gross Consolidated Revenue	1,812.3	1,898.7	1,985.4	2,036.1	2,089.3
Taxes, licenses, fees, permits and sales	1,014.2	1,063.1	1,086.2		
Federal sources	705.5	707.9	770.1	785.5	801.2
Investment/Sinking fund	14.3	15.1	15.2		
Net consolidated surplus of Crown corporations	70.5	112.6	113.9		
Revenue for capital assets	7.7	-	-		
Gross Consolidated Expenditure	1,811.7	1,897.5	1,983.9	2,033.0	2,085.1
Program expenditures	1,613.8	1,698.9	1,780.8	1,827.5	1,876.8
<i>as of: Employee benefits</i>	62.4	57.9	61.0		
Debt Servicing	126.0	124.4	127.3	129.6	132.4
Amortization	71.9	74.1	75.9	75.9	75.9
Consolidated Surplus (Deficit)	0.6	1.2	1.5	3.1	4.2
As a % of GDP	0.01%	0.02%	0.02%	0.04%	0.06%
As a % of revenue	0.03%	0.06%	0.07%	0.15%	0.20%
Cash Requirements	59.0	(20.0)	80.9		
Consolidated Surplus (Deficit)	(0.6)	(1.2)	(1.5)		
Net acquisition of tangible capital assets	96.6	111.0	133.9		
Amortization of tangible capital assets	(71.9)	(74.1)	(75.9)		
Net borrowings on behalf of Crown Corporations	9.0	(1.2)	10.0		
Sinking Fund Earnings	9.6	9.9	10.2		
Sinking Fund Provisions and Transfers	11.1	11.1	11.1		
Change in Short-Term Payables/Receivables	-	(46.6)	-		
Change in pension accrual	(28.0)	(47.0)	(40.0)		
Transfer to Pension Fund	23.1	23.1	23.1		
Change in Cash Balance		(15.0)	-		
Maturing debt not financed by Sinking Fund	-	-	-		
Due to Federal Government re HST Adjustment	10.0	10.0	10.0		
Financing sources					
Short-term Financing	59.0	(20.0)	80.9		
Long-term Financing	-	-	-		
Net debt - Beginning of Year	2,196.3	2,171.9	2,207.6	2,264.1	2,293.9
Deficit (surplus)	(0.6)	(1.2)	(1.5)	(3.1)	(4.2)
Acquisition of Tangible Capital Assets	96.6	111.0	133.9	104.8	90.8
Amortization	(71.9)	(74.1)	(75.9)	(71.9)	(71.9)
Net Debt - End of Year	2,220.4	2,207.6	2,264.1	2,293.9	2,308.6
as a % of GDP	33.7%	33.1%	33.0%	32.3%	31.6%
Debt Servicing / Gross Consolidated Revenue	7.0%	6.6%	6.4%	6.4%	6.3%
Federal transfers / Gross Consolidated Revenue	38.9%	37.3%	38.8%	38.6%	38.3%

Source: Prince Edward Island Budget documents.

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Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Paul-André Pinsonnault

Senior Fixed Income Economist
paulandre.pinsonnault@nbc.ca

Krishen Rangasamy

Senior Economist
krishen.rangasamy@nbc.ca

Marc Pinsonneault

Senior Economist
marc.pinsonneault@nbc.ca

Matthieu Arseneau

Senior Economist
matthieu.arseneau@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Jocelyn Paquet

Economist
jocelyn.paquet@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

MD & Head of Public Sector Strategy
warren.lovely@nbc.ca

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