



MEDIA RELEASE

For immediate release

Tuesday, April 19, 2011

Board concerned with debt added in Budget

Overall debt is increasing in Newfoundland and Labrador when capital spending is taken into account, even as the provincial budget for 2011-12 projects a surplus of \$59 million. The St. John's Board of Trade will continue to strongly advocate for future budgets that will pay down our large public debt.

Some key economic and financial indicators that suggest challenges in the province's fiscal situation include:

- Real GDP forecast growth of 3%, down from 5.6% in 2010;
- Growth in net program expenses of 4.9%; and,
- Net debt increase of 5.6% (\$459 million).

"What we are seeing is a continual increase in spending at rates above inflation," said Board Chair Jo Mark Zurel. "This is happening at a time when our revenues from oil are peaking. The St. John's Board of Trade has advocated for debt reduction during these strong economic times to give us the flexibility to invest in valued programs well into the future."

For 2012-13 and 2013-14, the provincial government is forecasting a decline in revenues. Additionally, an increase in expenditures is forecast, putting government back into a deficit position. In combination, these factors suggest that we will see continued growth in our provincial debt levels. Although debt-to-GDP ratios have been dropping over the past number of years, the Board is still concerned with the value of the debt, currently at \$8.2 billion. Debt expenses are 10.2% of revenues, which represents a significant amount of money that is not available for other priorities.

"Having surpluses in the middle part of the last decade paid off when the global recession affected Canada and, to a lesser extent, Newfoundland and Labrador," said Mr. Zurel. "We had money to help stave off the recession here. Recent debt payments gave the province flexibility to invest in infrastructure and other initiatives to keep the economy strong here and insulate Newfoundland and Labrador against what was happening in the rest of Canada."

Still, government did take incremental steps for the business community, including:

- An increase in the threshold at which payroll taxes are collected, from \$1 million to \$1.2 million, an area of improvement the Board has long advocated for to generate new job creation and better wages for employees;

- Investments, including some new money, for innovation initiatives which can help diversify the economy and reduce our reliance on oil revenues; and,
- Grants and subsidies to support immigration initiatives, which will help address the pressing demographic challenges this province faces.

“Business has to be recognized for what it is – the generator of economic wealth – jobs, profits, opportunities and much more,” said Mr. Zurel. “Those aren’t bad things. They pay the bills. The investments that governments make in the private sector, or the incentives they offer to share risk or support growth, are incentives that end up supporting employees and communities and social programs and many other things. Governments need to be active in supporting a strong private sector because a strong private sector will support all other aspects of society.”

The St. John’s Board of Trade is a non-partisan, business advocacy organization that is the principal voice of business for over 800 members and their 30,000+ employees in the St. John’s area. Its mission is to improve the local business climate, enhancing its members’ ability to do business through advocacy and member services.

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