

**STATEMENT TO PARLIAMENT
SECOND SUPPLEMENTARY ESTIMATES FY 2020/21**

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MINISTER OF FINANCE AND THE PUBLIC SERVICE**

Mr. Speaker this has been a period like no other in Jamaica's history. The COVID-19 pandemic has had a severe impact on the Jamaican economy.

Six Month Revenue Performance

Despite that Mr. Speaker, the preliminary numbers for the six months ending September 30, show that overall revenues were \$8 billion or 3% higher than budgeted in the First Supplementary Estimates but 18.8% lower than for the corresponding six months last year.

The preliminary data shows that the Income and Profits sub-component was ahead of budget by 8% and behind last year by approximately 5%. Corporate Taxation and PAYE performed ahead of budget by 16% and 8% respectively. **In fact PAYE for the first six months of this financial year was ahead of PAYE returns for the corresponding period last year by 3%.**

For the six months, preliminary figures indicate that Production and Consumption Taxes were also up by 7% versus budget but 14% lower than last year. In this category SCT was up significantly vis-à-vis budget though GCT receipts on local activity were 3% lower than budgeted and 16% less than the first six months of last year.

Revenue from International Trade taxes was lower than budgeted by 3% and lower than last year by 32% over the comparable period. Consistent with the fall in trade volumes, Customs duty, Stamp Duty and GCT on imports were 7%, 28% and 1% lower than budgeted and 21%, 40% and 27% lower than last year. Consistent with the dramatic reduction in passenger flight arrivals, Travel Tax receipts were down by \$9.5 billion or 80% on last year.

SECOND SUPPLEMENTARY ESTIMATES

The Second Supplementary Estimates for FY 2020/21 have been developed within the framework of this outturn as well as taking into consideration the continued impact of the Coronavirus Disease 2019 (COVID-19) on Jamaica and globally.

The First Supplementary Estimates were formulated around an estimated decline of 5.1% in GDP for the fiscal year. However, GDP is now estimated to decline by 7.9%. This new forecast has informed development of the Second Supplementary Estimates.

Based on the operations to date, and the GDP forecast, revenue and grant inflows for the full fiscal year are now estimated to be \$5.2 billion more than indicated in the First Supplementary Estimates.

Given the prolonged and increasing impact of the pandemic, and taking the revenue forecast into consideration, the Government has found it necessary to increase expenditure to meet Covid-19 related needs in health, education and social welfare in the form of unemployment support. The Government is also increasing capital expenditure to support and catalyze economic activity.

Primary Balance Target

Proposed increases in recurrent and capital expenditure in the Second Supplementary Expenditure will be financed by the level of expected revenue over-performance as well as by further reducing the primary balance target from 3.5% of GDP to 3.1% of GDP.

With the lower GDP growth projection, and the prolonged intensity of the pandemic some downward revision of the primary balance target was unavoidable.

Increased Primary Expenditure of \$16.6 billion proposed in the Second Supplementary Estimates is therefore facilitated by the \$5.2 billion in additional revenue and \$11.4 billion arising from the downward adjustment to the primary balance target.

Parliament is asked to note that the downward revision to the primary balance target for this fiscal year will be addressed in subsequent years, consistent with our Fiscal Responsibility Law, to ensure that the 2027/28 timeline for achieving the debt/GDP of 60% is met.

In an effort to maximize the impact of the Government's increased spend, focus has been placed on continuing to address the health requirements, continuing to assist individuals who have lost jobs and on increasing public investment to assist in fast tracking the economic recovery.

New recurrent spend under the Second Supplementary is therefore focused on:

- extending the unemployment support SET Cash and the employment support BEST Cash components of the CARE Programme to December 2020 (\$5.0 billion including utilization of an existing \$2.2 billion);
- providing an additional \$1.5 billion to the Ministry of Health and Wellness to aid in the response to COVID-19 which includes a substantial increase in medical personnel.
- Providing \$1 billion to the Ministry of Education to assist in procurement of tablets for students in need.

Under the Second Supplementary, previously announced elements of the CARE Programme, such as the Back-to-School grant, are also being regularized.

Scaling up Public Investment

Even in the face of the worst pandemic, we will be scaling up public investment in the Second Supplementary Estimates. Increasing public investment at this time can help revive economic activity and maintain jobs. It is also an important signal to the private sector of the Government's confidence about the future.

It is for this reason that we are increasing the capital expenditure component of the budget by \$6 billion of which \$4.6 billion will go towards the South Coast Highway Improvement Project

As we look to scale public investments in this time, the quality of the public investment matter. We believe that the South Coast Highway Improvement Project meets the definition of the kind of public

investment that catalyzes economic activity and jobs which is precisely what is needed at this time.

COVID-19 Expenditure Bill

The COVID-19 pandemic has reduced the revenues available to the government while also increasing expenditure.

To date, COVID-19 related non-debt expenditure includes

- \$2.6 billion in the Third Supplementary Estimates of 2019/20 that was advanced to the MOHW,
- \$27.2 billion in the First Supplementary Estimates for CARE Programme, Ministry of Health, and amounts advanced to public bodies whose revenues and activities were impacted (PAJ, UDC, NWC, etc)
- \$ 7.0 billion in the Second Supplementary Estimates (Ministry of Education – tablets, Ministry of Labour – Back to School Grants, Ministry of Health, CARE Programme, PICA, COVID related expenditure for security forces and correctional services)

This is a total of \$36.8 billion on COVID-19 related non-debt expenditure. When you add increase in interest costs in the Second Supplementary Estimates vis-à-vis the 2020/21 budget the total COVID-19 GOJ expenditure impact to date is \$43.8 billion.

Concluding Remarks

The Second Supplementary Estimate also addresses the adjustment of subjects following the recent elections, such that the newly created Ministries are provided with budgetary allocations for the second half of the fiscal year by reallocating from their prior subject Heads.

The Second Supplementary Estimates proposes overall additional expenditure of \$15.7 billion to generate a total expenditure budget of \$853.7 billion. Contributing to this level of expenditure is debt service which declines by \$0.9 billion due to interest payments that are expected to be \$1.4 billion lower than forecast in the First Supplementary Estimates. (Principal payments are estimated to be \$0.5 billion higher).

