



Isle of Man
Government

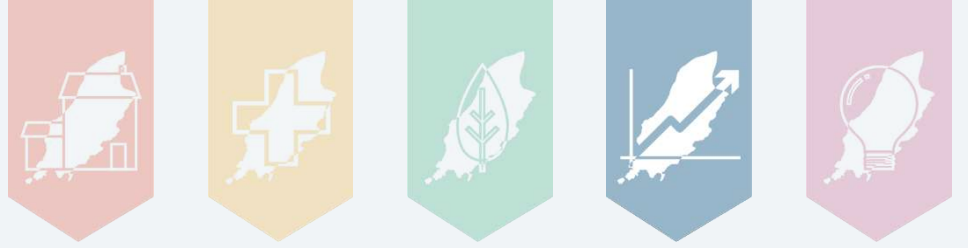
Reiltys Ellan Vannin



Welcome to the

Isle of Man Government Conference

➤ Building a better future together



Finance and Government Budgets: Funding our Island Plan

➤ Dr Alex Allinson MHK, Treasury Minister



Role of Treasury

Vision:

- Support the economy, local businesses and residents of the Island by being the best possible custodian of our financial resources

Responsibilities:

- Oversee public finances
- Allocate resources
- Ensure policies are aligned with Island Plan and Economic Strategy

Objectives:

- A stable economic environment
- A balanced economy with growth providing support and opportunity
- Sustainable public finances
- To ensure Treasury is a high performing professional organisation

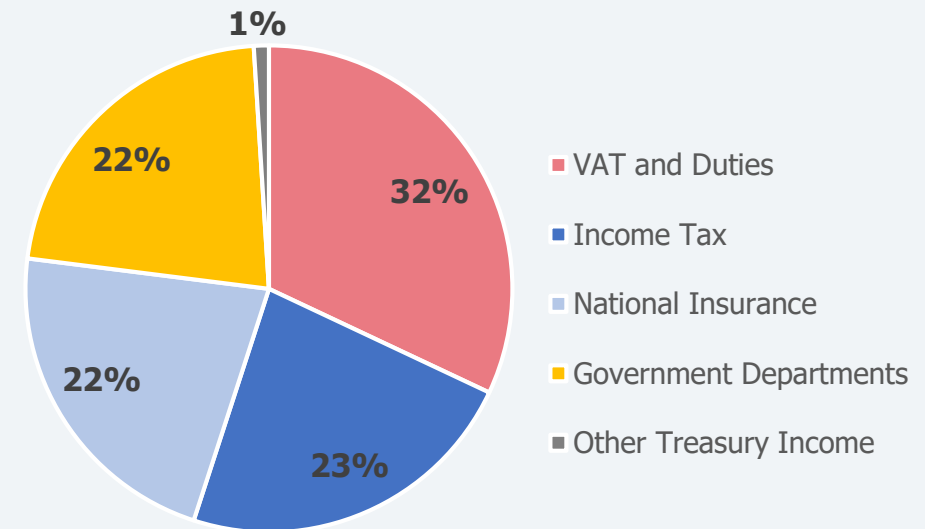




Sustainable Finances

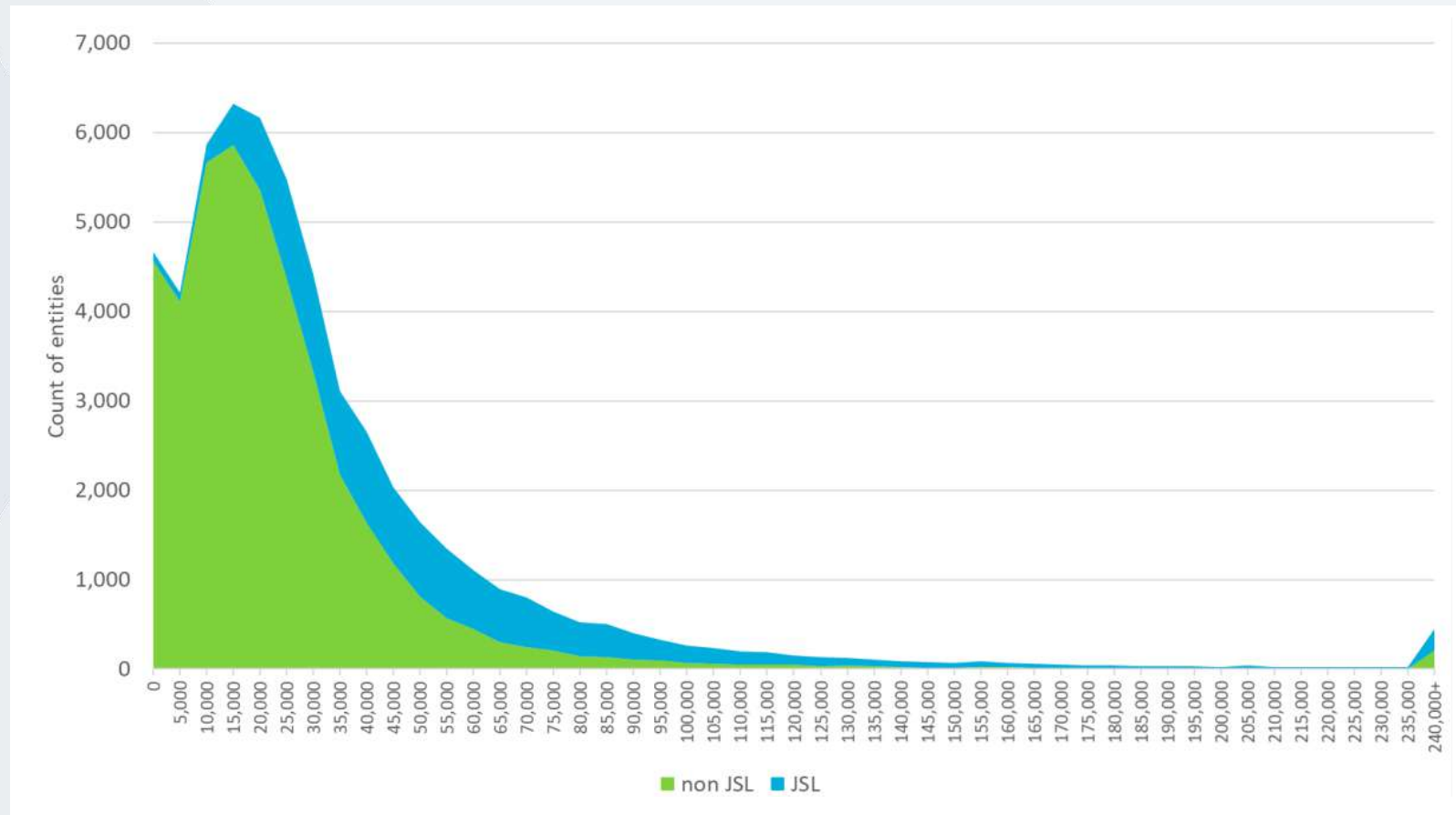
- Treasury income largely from people, vulnerable to:
 - Demographics
 - Consumer confidence
 - Indirect taxation changes
- Aims of the Economic Strategy is to invest in our people and our Island

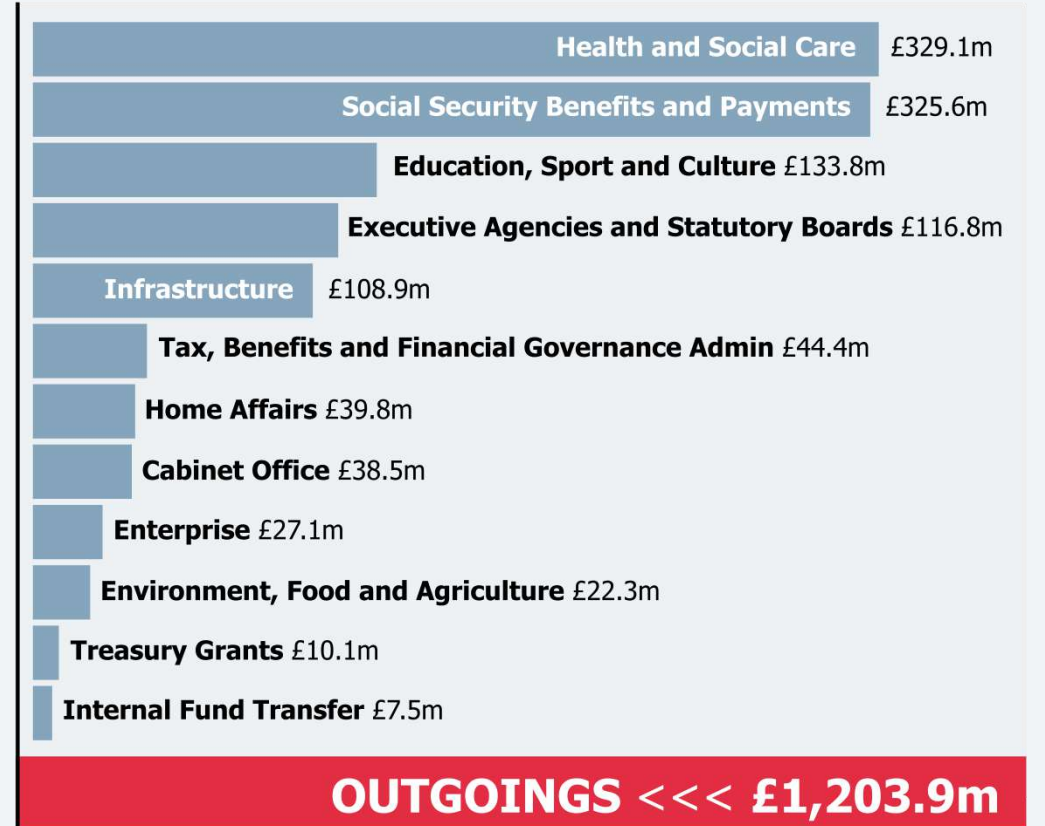
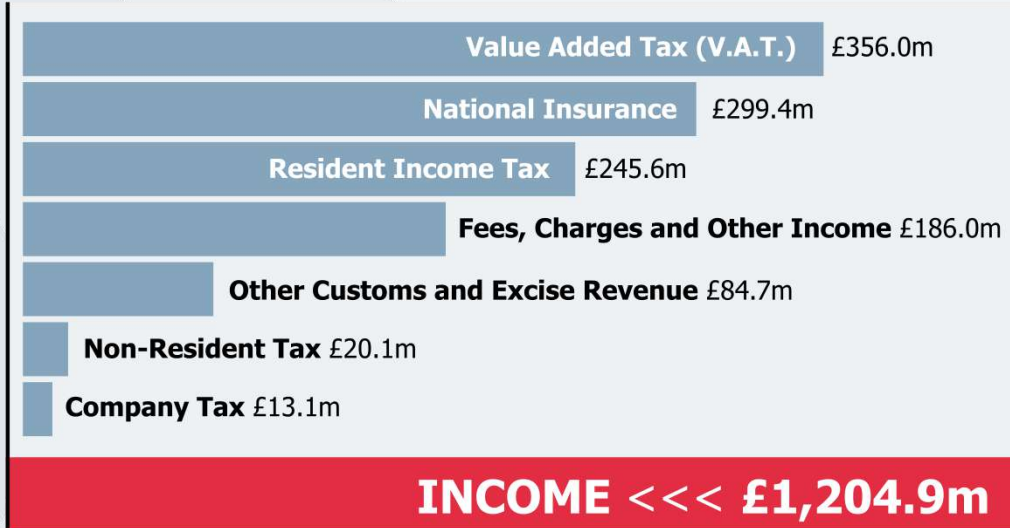
Gross Income Analysed by Source





Distribution of Taxable Individuals by Income Band (2020)







Changes in the Capital Budget 2023/24

- Review of the full capital programme
- Only 'active' projects included in the main programme
- Other projects classified at feasibility and design stage, completed or removed from the programme
- Rolling maintenance projects have spend allocated in line with SINA review – spend is directed to the assets in need
- Proposing four opportunities for budget approval in the year (not only in Pink Book)





Inflation

July
6.86%
UK CPI

July
5.77%
IOM CPI

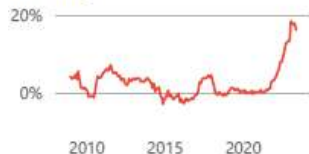
IOM CPI

● IOM Annual Growth ● UK Annual Growth CPI

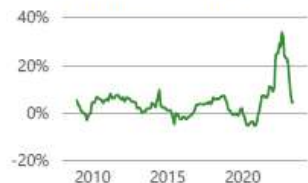


Major Categories - IOM CPI

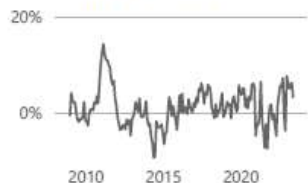
Food and Non-Alc beverages



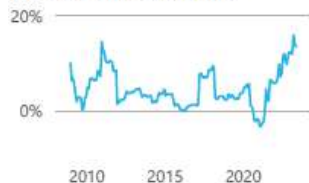
Housing, utilities, fuels



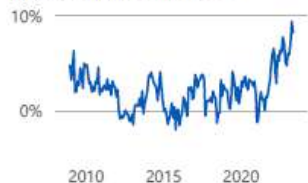
Misc Goods & Services



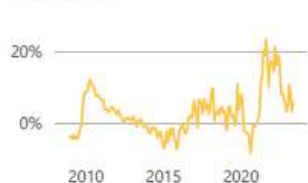
Restaurants & Hotels



Recreation & Culture



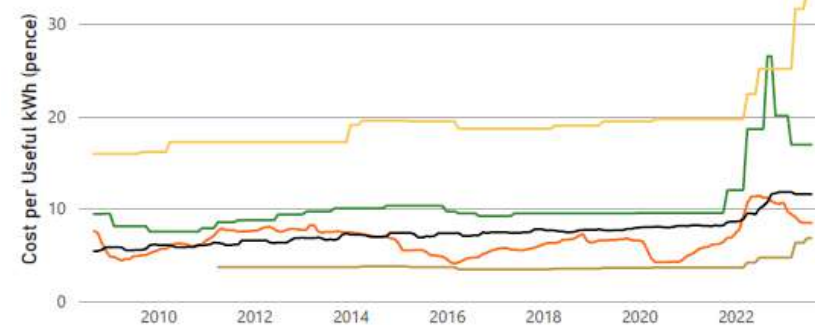
Transport



Energy

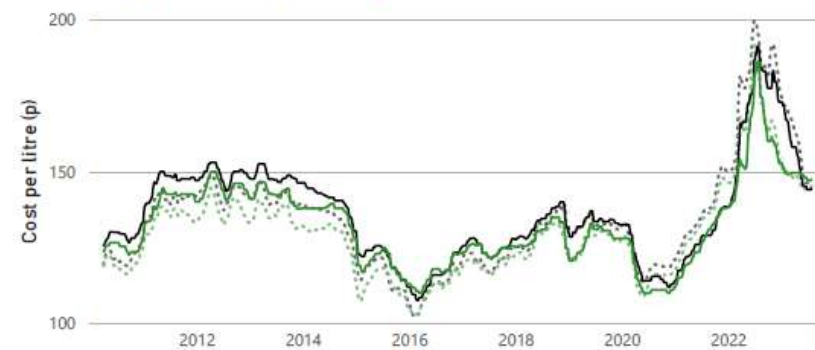
Home Heating costs

● Gas ● Oil ● Heat Pump ● Direct Electric ● Coal / Anthracite



Road Fuel costs

● UK Diesel ● UK Unleaded ● IOM Diesel ● IOM Unleaded

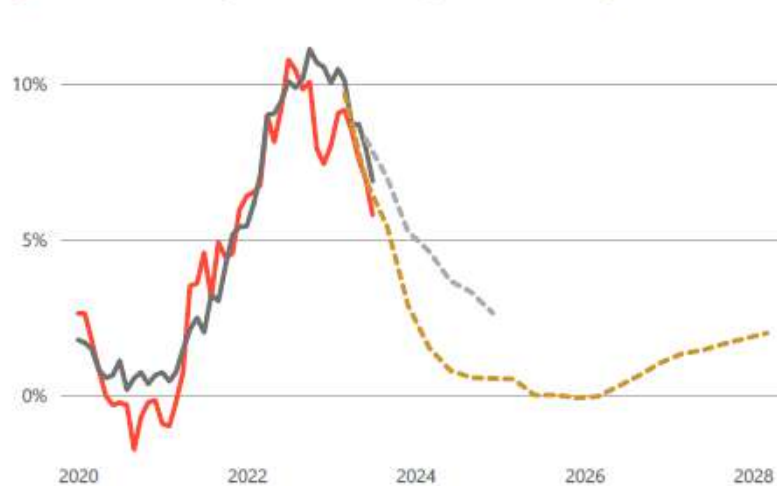




Economic Forecasts

IOM CPI

● IOM Annual Growth ● UK Annual Growth... ● UK Forecast BoE ● UK Forecast OBR



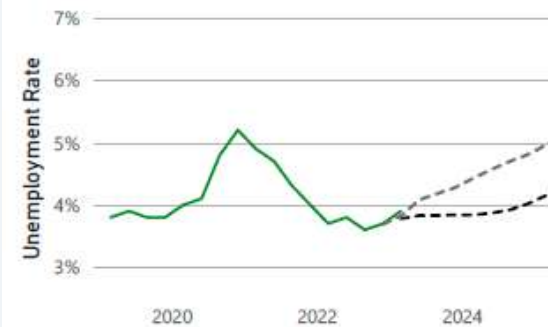
Forecasts updated to May 2023 Bank of England Monetary Policy Report.

For GDP and Unemployment charts, a comparison is shown with the February 2023 Monetary Policy Report forecast position.

OBR Forecasts sourced from March 2023 Economic and Fiscal Outlook Report with comparison to the November position.

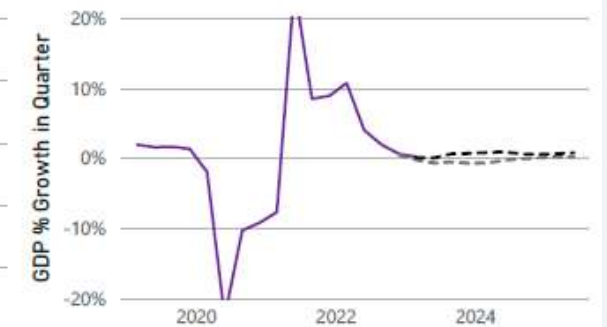
Bank of England Unemployment Forecasts

● Unemployment O... ● May 23 Forec... ● Feb 23 Forec...



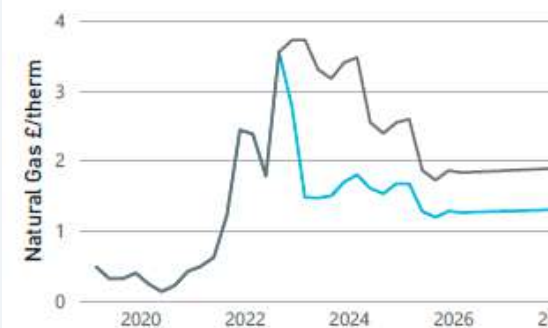
Bank of England GDP Forecasts

● GDP Outturn ● Feb 23 Forecast ● May 23 Forecast



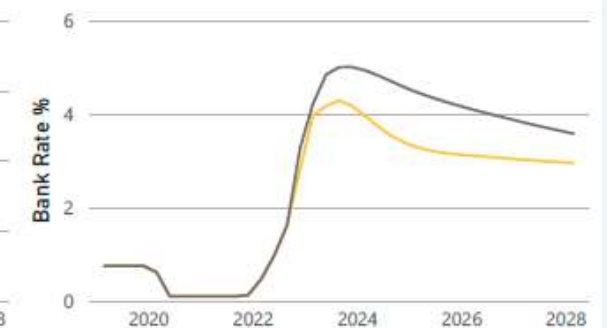
OBR Gas price Forecast

● March 2023 forecast ● November 2022 forecast



OBR Bank Rate Forecast

● March 2023 forecast ● November 2022 forecast





Finances and Budget 2023/24

- Reserves £1.7bn of which £1bn is in the National Insurance Fund
- Balanced budget, but:
 - £152m of general reserves required to balance 2023/24
 - Total of £324m of general reserves required during the five year plan
 - Capital spend estimated at £70m per annum/£350m over five year plan





Challenges

- **Inflationary cost pressures**
 - Pay awards
 - Some contracts linked to inflation
 - General cost increases
- **Interest rate increases**
 - Increase in mortgages and borrowing
 - Public spending in IOM economy
- **Cost of health and social care - funding gap**
- **Funding for Island Plan initiatives**
 - Limited sources of funding
 - Existing cost pressures
 - Reserve drawdowns maintaining existing services

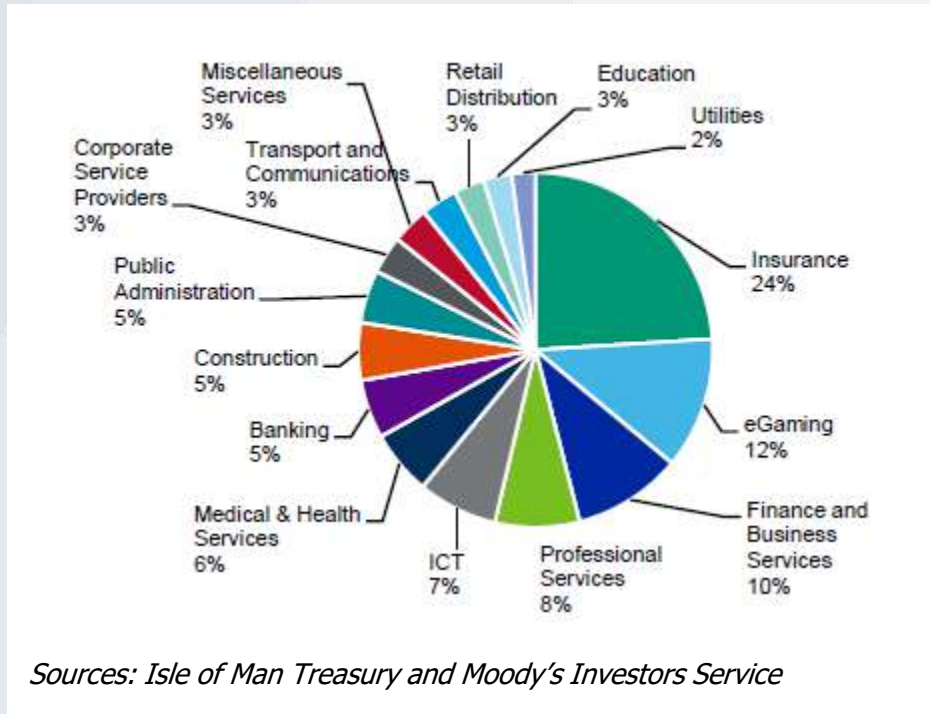




Moody's Credit Opinion May 2023 Aa3 -

Isle of Man's economy is relatively diversified...

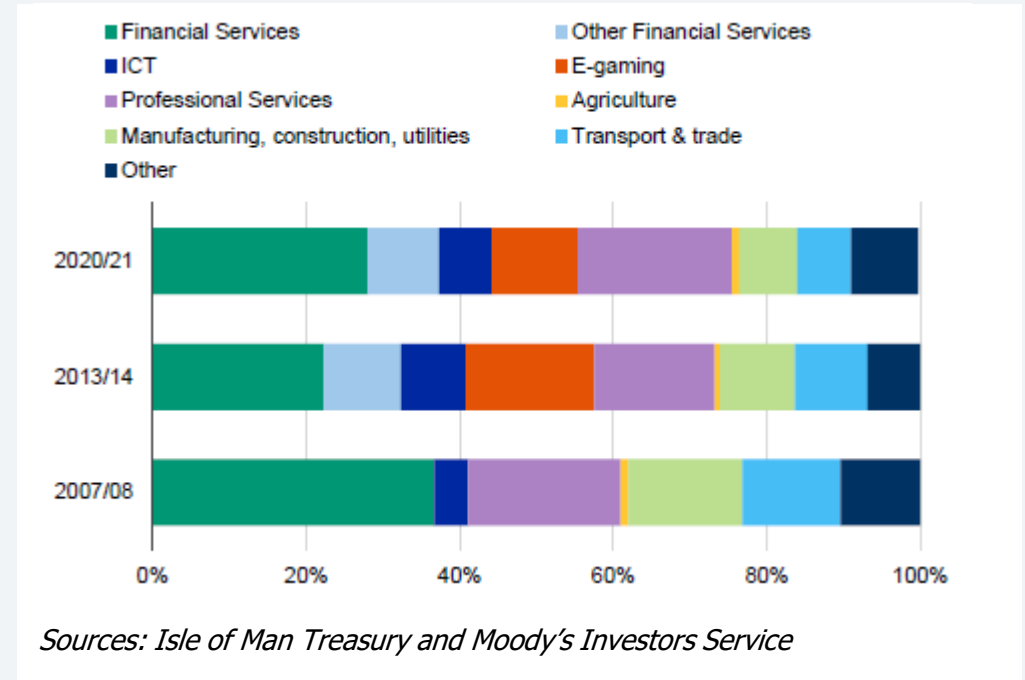
National income by economic activity, percentage share of total (2020-21)



Sources: Isle of Man Treasury and Moody's Investors Service

...and has moved away from banking activities since the global financial crisis

Sectoral composition of GVA, percentage of total



Sources: Isle of Man Treasury and Moody's Investors Service

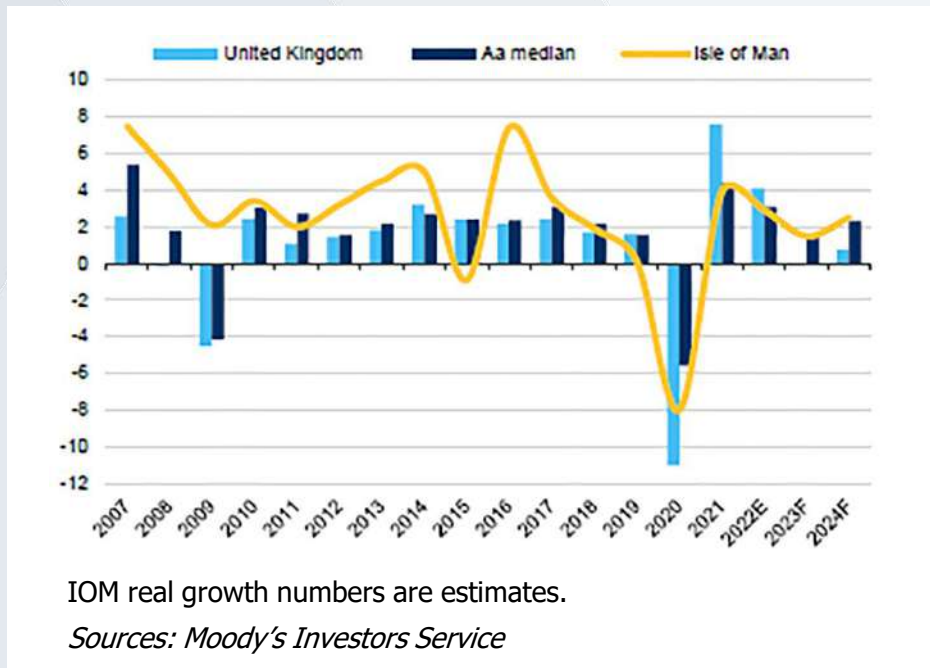




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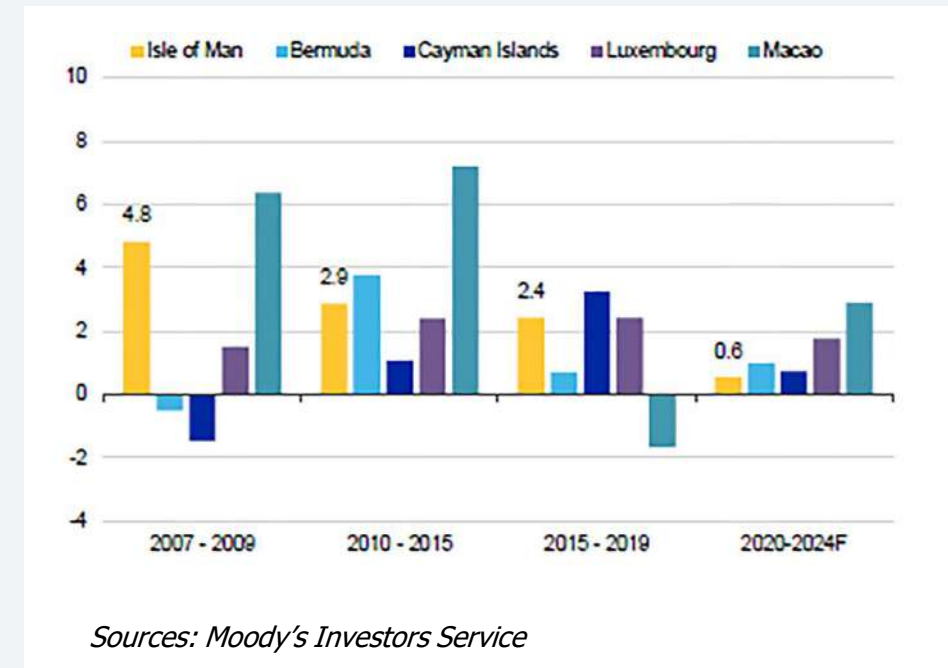
The Island's growth has historically been very resilient...

Real GDP growth, in percentage terms



...particularly compared with many other offshore centres and small economies before the pandemic

Real GDP growth, in percentage terms





Island Plan Objectives

In progress:

- Final taxation strategy to be published by December 2023
- Reform of Investment Strategy to maximise returns and reduce volatility risk

Completed:

- Targeted cost of living support by January 2023
- NI review presented to Tynwald by Budget 2023 with recommendations and delivery plan





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