by NEIL HARTNELL

#Tribune Business Editor
#nhartnell@tribunemedia.net

#The Government's 2013-2014 Budget "hit a lot of the right notes" for one Wall Street analyst, who yesterday told Tribune Business the plans should prevent the Bahamas' debt metrics "spiralling out of control".

#Edward Al-Hussainy, the Moody's analyst who covers the Bahamas and its sovereign rating, said the Christie administration had "put a brake" on the national debt's growth by beating its projected 6.5 per cent GFS fiscal deficit target for the 2012-2013 Budget year.

#He added that this, coupled with the announced revenue reform package, had gone a long way to calming Moody's "fears" that the Bahamas would lose control of its public finances.

#"In a nutshell, I think they're making a lot of the right moves, particularly on the revenue side," Mr Al-Hussainy told Tribune Business. "I think the Bahamas is assuming a pretty steady recovery in revenues based on the reform package they have."

#He described the Government's revenue enhancement proposals, Value-Added Tax (VAT) being the centrepiece, as "a mixed bag" in terms of the targets being set.

#"They're being conservative on certain parts," Mr Al-Hussainy explained.

#"They've made some pretty conservative assumptions on VAT, but balance it out by assuming pretty strong growth in Business Licence revenues, Excise Tax reforms and tax administration, which they think is going to yield a substantial amount of revenue.

#"I think it's realistic... do I think it's possible? A lot depends on continued economic growth."

#The Government is projecting that the GFS fiscal deficit (a measurement that strips out debt principal redemption) will drop from 6.1 per cent of GDP this fiscal year to 5.1 per cent next year.

#In raw terms, that means the GFS deficit will fall from $508 million for the year set to end on June 30 to $443 million.

#That is still awfully far from the Government's target of eliminating the GFS deficit completely by the 2015-2016 fiscal year, and then generating an $80 million surplus come 2016-2017.

#"In terms of the fiscal numbers, I think we're going to see a slow turnaround. It might not be happen as quickly as predicted," Mr Al-Hussainy, seeming to suggest the Government might not hit its fiscal targets so soon.

#Yet giving credit where he deemed due, the Moody's analyst added: "Last year we flagged a lot of the revenue side weaknesses, and they've tried to address them in this Budget. I think it's a really good first step."

#As for the Government seemingly beating its 2012-2013 GFS deficit target by 40 basis points, Mr Al-Hussainy told Tribune Business: "It goes a long way to addressing some of the fears we had that the debt growth would spiral out of control.

#"They've put a brake on that. It lays the groundwork for stabilisation of the debt numbers in three to four years down the line, which is a good thing. You're never going to see a turnaround right away."

#But, in a warning to the Christie administration that words must be backed up with deeds, Mr Al-Hussainy added: “The tough bit is in terms of execution. Across the board there are a lot of challenges in the revenue items.

#“It’s a very ambitious agenda and very ambitious timeframe.”

#The Moody’s analyst reiterated that it would take several years for the full benefits of VAT, which the Government increasingly views as the bedrock, if not the panacea, for its revenue reforms, to come through.

#“From where I stand, VAT is going to come in very slowly,” he explained. “It will be very narrow, and take a number of years for that to grow. That’s when you’re going to see the impact on revenues.

#“Initially, you’re going to have a lot of exemptions. Once people are more used to the idea of paying the VAT, and sorted out the kinks in terms of VAT administration, you’re going to see that revenue growth.

#“The future is very good. The Government has the potential to net a substantial amount of revenue from VAT.”

#Providing his overall assessment of the Budget, Mr Al-Hussainy told Tribune Business: “We’ll see how it shakes out, but in terms of the messaging in the Budget, at least from our very narrow perspective, they hit a lot of the right notes.”