

ECONOMIC RESEARCH AND STRATEGY



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New Brunswick Budget — The Era of Surpluses Continues

The Province of NB has seen a significant improvement in public finances over an extended period. The last time we heard the word “deficit” from New Brunswick was in FY 2016-17, coinciding with the election of the PC government in 2016. Following three balanced budgets, the Province recorded four consecutive annual surpluses. The most recent one occurred in FY 2023-24. Over the last three years, expenses have increased at an annual pace exceeding 7% on average, and revenue growth was even stronger. Consequently, the public net debt-to-NGDP ratio has sharply declined from nearly 40% in the late 2010s to 26% in FY 2023-24, marking the lowest ratio east of Saskatchewan and the lowest figure for NB since the global financial crisis of 2008. As a result, the S&P credit agency revised the outlook of the long-term Province’s A+ rating from stable to positive in May 2023.

The Province is on track to achieve a \$248M surplus for FY 2023-24, according to today’s update. This figure remains unchanged from the second quarter update and surpasses the original 2023 budget expectation of a \$40M surplus. During his budget address, Finance Minister Ernie Steeves notably refers to the growing population and high inflation as key drivers of pressure on health care spending, resulting in a \$200M upside surprise relative to what was originally budgeted in FY 2023-24.

The PC government is nearing the end of its second four-year term. With the general election scheduled to take place on or before October 21st, the 2024 budget proposes a faster increase in spending (+6.4%) relative to revenues (+4.7%). Levels of spending and revenues are almost the same, near \$13.3B, resulting in a small surplus of \$41M surplus for FY 2024-25. Unsurprisingly, the revenue outlook is based on a soft-landing recession, including a modest 0.7% real GDP gain for the province in 2024 (private sector average forecast at 0.8%). Population growth is expected to soften to 2% this year after reaching a record 3.1% in 2023. Both own-source revenues and federal transfers are expected to increase by approximately the same amount in \$ terms in FY 2024-25 versus FY 2023-24. Meanwhile, the 6.4% additional funding in expenses is broad-based across several ministries, led by education.

The \$0.2B boost to the capital spending budget to \$1.2B, driven by transportation and infrastructure, will contribute to a modest increase in the debt level (+\$315M, to \$12.7B), even with an operational surplus planned. The net debt-to-NGDP figure is poised to return to the upside from 24.9% to 26.7%, a level BC proposed recently in FY 2026-27 in its budget. Borrowing requirements are projected to be \$1.6B in FY 2024-25, compared to \$1.5B for FY 2023-24.

In summary, NB’s public finances are in their best shape in more than a decade. This long era of surpluses contrasts with the pack.

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