

Contributors

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Current-Year Fiscal Forecast
\$ millions except where noted

	FY22		FY23
	Mid-Year	Bud.'23	Bud.'23
Own Source Revenue	6,945	7,256	7,261
Federal Transfers	3,923	3,957	4,085
Total Revenue	10,868	11,213	11,346
Program Spending	10,137	10,086	10,677
Debt Service	642	639	634
% of Revenue	5.9	5.7	5.6
Total Expenditure	10,779	10,725	11,311
Budget Balance	89.1	487.8	35.0
% of GDP	0.2	1.2	0.1
Net Debt	13,389	12,981	12,997
% of GDP	33.5	31.9	30.1

Sources: Scotiabank Economics, New Brunswick Finance.

New Brunswick: 2022–23 Budget

MORE SURPLUSES AHEAD

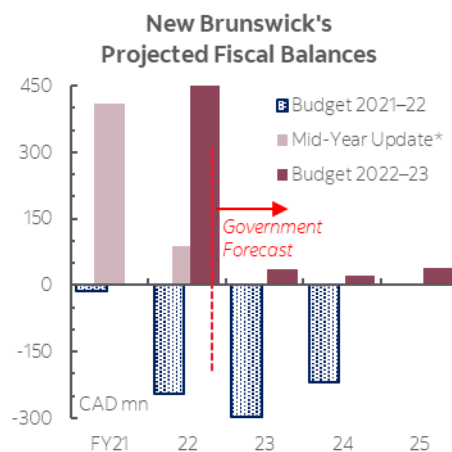
- **Budget balance forecasts: +\$488 mn (1.2% of nominal GDP) in FY22, +\$35 mn (0.1%) in FY23, +\$21 mn (0.05%) in FY24, and +\$39 mn (0.1%) in FY25 (chart 1).**
- **Net debt: expected to decline steadily from 31.9% of GDP in FY22 to 28.2% by end-FY25 (chart 2).**
- **Real GDP growth forecast: +3.4% in 2021, +2.2% in 2022 and +1.6% in 2023—slightly lower than Scotiabank’s projections for the outer years.**
- **Borrowing program: \$1.9 bn in FY23, of which \$1.6 bn is allotted to long-term borrowing, and \$150 mn is associated with the New Brunswick Municipal Finance Corporation.**
- **After projecting sizable surpluses at the height of the pandemic, New Brunswick’s government shifts to focus on long-run economic growth. The budget outlines a concrete plan to cautiously boost key spending coming out of the pandemic era while maintaining a balanced budget.**

OUR TAKE

New Brunswick is set to continue its streak of black ink, pencilling in stable surpluses of under 0.1% of GDP from FY23 to FY25. This builds on the sizable surplus anticipated in FY22 (\$488 mn, 1.2% of nominal GDP)—underpinned by the province’s strong own-source revenue gains—providing a solid starting point for the new multi-year plan. Total revenue growth is expected to moderate in the medium-term at an annual average of 1.6% from FY23 to FY25, reflecting easing economic growth as activities normalize. Federal transfers will continue to play an important role and are projected to grow by 3.2% in FY23, contributing to almost all of the revenue gains that year. Debt levels are expected to be on a steady downward trend as a share of output throughout the planned horizon.

In addition, the tax relief measures confirmed in this budget will weigh on revenue growth, but also provide some offset to near-term inflationary pressures. These mainly include the increased basic personal amount and the low-income tax reduction threshold, as well as a come-back of the property tax cuts proposed in their last budget before the pandemic (-50% for rental properties and -15% for other).

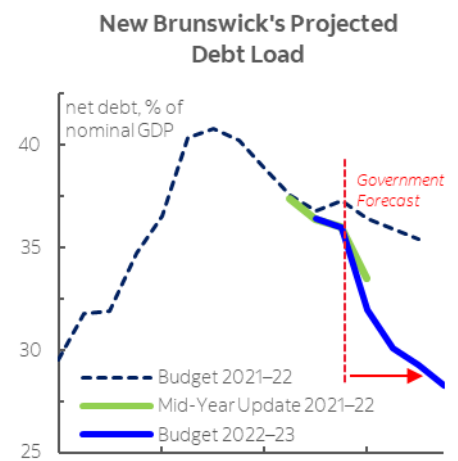
Chart 1



* FY21 figure is final result.

Sources: Scotiabank Economics, New Brunswick Finance.

Chart 2



Sources: Scotiabank Economics, NB Finance, Statistics Canada, Finance Canada.

The multi-year spending plan is also lifted since last year’s budget. Total spending is expected to rise by 5.5% in FY23, before growing at an average of 1.5% from FY23 to FY25. This is in contrast to the spending restraint planned through FY24 in the last fiscal blueprint. Big-ticket spending measures include education (10.3% increase in FY23), long-term care (10.3%) and health (6.4%)—all key areas of spending in light of Brunswick’s aging demographics and stronger population growth projections supported by recent migration trends. The province also tabled a capital plan in December last year, which raised its FY23–FY24 infrastructure spending by \$250 mn (19% increase) versus the last plan to address priorities in transportation and infrastructure. This level of investment could boost GDP by an estimated \$550 mn (1.5% of 2020 nominal GDP).

New Brunswick’s FY23 borrowing program is estimated at \$1.9 bn, up from the \$1.25 bn funding requirements projected for FY22. The FY23 figure includes \$1.6 bn related to long-term borrowings, and \$150 mn for the New Brunswick Municipal Finance Corporation.

Overall, while risks to economic prospects continue to linger, the province outlined a plan that largely contains new spending to revenue windfalls and gradually reduces debt burden.

Outer-Year Fiscal Projections				
\$ millions except where noted				
	FY22	FY23	FY24	FY25
Total Revenue	11,213	11,346	11,537	11,699
% change	9.3	1.2	1.7	1.4
Total Expenditure	10,725	11,311	11,516	11,660
% change	4.4	5.5	1.8	1.3
<u>Budget Balance</u>	<u>488</u>	<u>35</u>	<u>21</u>	<u>39</u>
% of GDP	1.2	0.1	0.0	0.1
<u>Net Debt</u>	<u>12,981</u>	<u>12,997</u>	<u>13,106</u>	<u>13,070</u>
% of GDP	31.9	30.1	29.3	28.2

Sources: Scotiabank Economics, New Brunswick Finance.

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