

Contributors

John Fanjoy
Economist
Scotiabank Economics
416.866.4735
john.fanjoy@scotiabank.com

Updated Fiscal Forecast \$ millions except where noted

	FY23		FY24
	Mid-Year	Bud.'24	Bud.'24
Own Source Revenue	8,115	8,282	7,591
Federal Transfers	4,149	4,132	4,602
Total Revenue	12,264	12,414	12,193
Program Spending	10,881	10,967	11,525
Debt Service	609	584	627
% of Revenue	5.0	4.7	5.1
Total Expenditure	11,490	11,551	12,152
Budget Balance	774.4	862.6	40.3
% of GDP	1.7	1.9	0.1
Net Debt	11,701	11,613	11,796
% of GDP	25.3	25.1	24.9

Sources: Scotiabank Economics, New Brunswick Finance.

New Brunswick: 2023–24 Budget

STRING OF SURPLUSES MAINTAINED DESPITE WEAKENING OUTLOOK

- A strong hand-off from FY23 provides momentum to New Brunswick's bottom line as it folds in new spending against uncertainty ahead.
- Budget balance forecasts: higher-than-anticipated revenues along with measured spending is expected to drive a strong surplus of \$863 mn (1.9% of nominal GDP) in FY23, with modest surpluses maintained thereafter including \$40 mn (0.1%) in FY24, \$27 mn (0.1%) in FY25, and \$39 mn (0.1%) in FY26 (chart 1).
- Net debt: the net debt-to-GDP ratio is expected to decrease from 25.1% in FY23 to 23.4% in FY26, in line with mid-year expectations and a marked improvement from last year's forecasts (chart 2).
- Real GDP growth forecasts: +1.8% in 2022, slowing down to +0.8% in 2023, before picking up again to +1.6% in 2024.

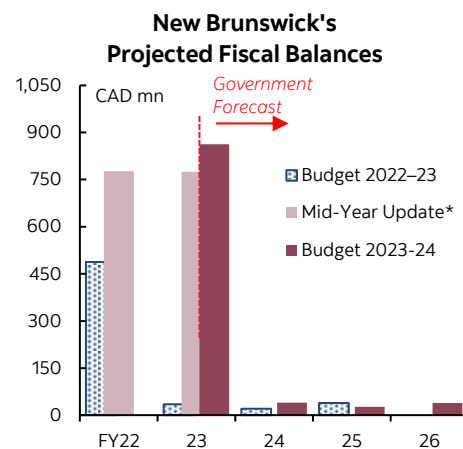
OUR TAKE

New Brunswick expects to run a small budget surplus from FY24 through FY26, with a budget balance outlook that is very similar to the one presented in last year's budget.

A \$1 bn revenue windfall relative to last year's outlook, against expenditures only modestly above plan, deliver a larger expected surplus in FY23 and provide a strong hand-off against slowing growth. Net debt levels are expected to decrease to \$11.6 bn in FY23, down from \$13 bn in FY22, bringing the net debt-to-GDP ratio sharply lower to 25.1% in FY23. The budget forecasts net debt to increase by less than nominal GDP each year over the forecast horizon, allowing the net debt-to-GDP ratio to gradually fall to 23.4% by FY26.

While this budget presents a larger spending profile than last year's outlook, this increase is moderate in the outer years. Total expenditure is expected to be \$12,152 mn in FY24, up by approximately \$600 mn (a 5.2% increase) from FY23, and then see more moderate growth of 2.0% and 3.1% in FY25 and FY26 respectively. Of this new expenditure in FY24, spending on the Dept. of Health is up \$357 mn (+10.9%), Dept. of Transportation and Infrastructure is up \$246 mn (+22.5%), Dept. of Social Development is up \$208 mn (+14.0%), and Dept. of Education and Early Childhood Development is up \$149 mn (+9.2%). The budget also introduces an increased capital expenditure plan,

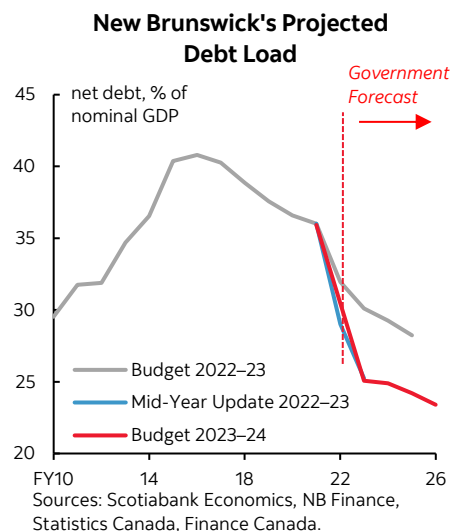
Chart 1



* FY22 figure is final result.

Sources: Scotiabank Economics, New Brunswick Finance.

Chart 2



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

totalling \$2.97 bn from FY24 through FY26. Over half of the planned capital expenditure will be going towards transportation and infrastructure, with an annual average cost slightly above \$520 mn per year through FY26.

Despite the total revenue path being higher in this budget than last year's, it takes into account the expected slowdown in growth in 2023.

Own source revenue is expected to fall in FY24, due to lower personal income tax and corporate income tax, before picking up modestly by 1.9% and 3.1% in FY25 and FY26 respectively. This lower own source revenue is expected to be partially offset by an increase of \$470 mn (+11.4%) in federal transfers in FY24, of which \$271 mn of the increase is for the fiscal equalization payments, and approximately \$95 mn of the increase is for the Canada health transfer.

Outer-Year Fiscal Projections				
\$ millions except where noted				
	FY23	FY24	FY25	FY26
Total Revenue	12,414	12,193	12,423	12,814
% change	10.7	-1.8	1.9	3.1
Total Expenditure	11,551	12,152	12,396	12,775
% change	7.7	5.2	2.0	3.1
Budget Balance	863	40	27	39
% of GDP	1.9	0.1	0.1	0.1
Net Debt	11,613	11,796	11,939	11,975
% of GDP	25.1	24.9	24.2	23.4

Sources: Scotiabank Economics, NB Finance.

The fiscal outlook is set against a slowing economy. This budget forecasts real GDP growth of 0.8% in 2023, which was exactly in line with the private sector average at the time the budget was being made. However, recent developments in the financial sector in the US and Europe introduce some downside risk to this growth forecast, and through it the expected revenue.

Prudent budget surpluses over the horizon presented in this budget, along with substantially lower debt levels put New Brunswick on good footing to weather market turbulence. While recent market turmoil has driven a broad-based widening in provincial spreads, NB presents a fiscal path that should reassure markets over the long run.

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