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New Brunswick: 2024–25 Mid-Year Update

HEALTHCARE COSTS TIP NEW BRUNSWICK INTO THE RED

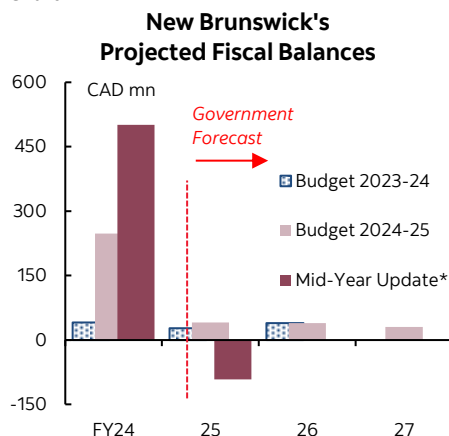
- **Budget balances:** **-\$92.1 mn (-0.2% of nominal GDP) in FY25**, down from **+\$40.9 mn (+0.1% of GDP) in Budget 2024-25**, and **+\$500.8 mn (+1.1% of GDP) in FY24** reported in the Public Accounts (chart 1).
- **Net debt-to-GDP:** revised down by 1.7 pts to **25.0% in FY25** relative to the forecast in Budget 2024–25, but largely unchanged from the final figure for FY24 (chart 2).
- **Economic assumptions:** real GDP growth forecast for 2024 is now **1.3%**, up from **0.7%** in the Spring Budget. Population growth revised up to **2.7%** from **2%** in Budget 2024–25.
- **While expenditure overruns pushed the province modestly into the red, it is refreshing to see a fiscal update that holds the line on adding new spending measures mid-year.** There is considerable uncertainty on the horizon—much exogenous to the province—including a faster-than-assumed population profile as well as commodity and trade exposure for New Brunswick.

OUR TAKE

New Brunswick’s fall fiscal update under the newly elected provincial Liberal government forecasts a small budget deficit for the current fiscal year. The second-quarter fiscal update now projects a budget balance of **-\$92.1 mn, -0.2% of nominal GDP**, for FY25, versus a surplus of **\$40.9 mn (0.1% of GDP)** in the Spring Budget, which would be the province’s first deficit since fiscal year 2016–17. This comes on the tailwinds of a greater than expected budget surplus where the final figure for FY24 came in at **\$500.8 mn**, owing to higher than expected revenues that more than offset the marginally higher program spending.

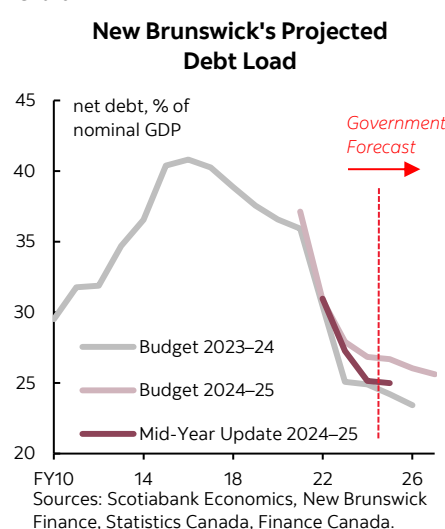
Incremental improvements in the economic outlook and still strong population growth for 2024 are contributing factors to the \$119 mn upwards revisions to projected total revenue in FY25. The fall update now projects real GDP growth of **1.3%**, up from **0.7%** previously, for the province. Meanwhile, population growth is now expected to increase by **2.7%**, up from **2.0%**, and employment levels to increase by **3%**, versus **1.2%** previously. Own source revenues from personal and corporate income taxes in FY25 were increased by **\$24.0 mn** and **\$20.9 mn** respectively.

Chart 1



* FY24 figure is final result.
Sources: Scotiabank Economics, New Brunswick Finance.

Chart 2



Sources: Scotiabank Economics, New Brunswick Finance, Statistics Canada, Finance Canada.

While total expenditure was revised up by \$252 mn in FY25, program spending across most departments largely held the line. The majority of new spending relative to the Spring budget is towards healthcare, which is the largest departmental expense, now expected to be \$192.9 mn (+5.1%) above the previous estimate primarily due to higher operating and personnel costs. The increase in other program spending is expected to be partially offset by lower debt servicing costs that are now projected to be \$583 mn in FY25, -\$25 mn relative to the previous forecast, owing to higher projections of short-term interest earnings.

Net debt as a percent of nominal GDP has been revised to 25% in FY25, versus 26.7% in the Budget owing to an improved hand off. The net debt-to-GDP ratio is expected to be mostly unchanged from lower starting point of 25.1% in the final FY24 estimates, where net debt levels ended the fiscal year at \$11.8 bn, down from the Budget 2024–25 estimate of \$12.4 bn. Total provincial borrowing requirements for FY25 are kept unchanged at \$1.7 bn, with \$1.1 bn having been completed and \$574 mn remaining for the fiscal year as of June 21, 2024.

Updated Fiscal Forecast				
\$ millions except where noted				
	FY24		FY25	
	Bud.'24	Final	Bud.'24	Mid-Year
Own Source Revenue	8,055	8,234	8,400	8,506
Federal Transfers	4,648	4,776	4,896	4,909
Total Revenue	12,703	13,010	13,296	13,415
Program Spending	11,913	11,973	12,647	12,924
Debt Service	542	537	608	583
<i>% of Revenue</i>	4.3	4.1	4.6	4.3
Total Expenditure	12,456	12,510	13,255	13,507
Budget Balance	247.4	500.8	40.9	-92.1
<i>% of GDP</i>	0.5	1.1	0.1	-0.2
Net Debt	12,362	11,829	12,678	12,206
<i>% of GDP</i>	26.8	25.1	26.7	25.0

Sources: Scotiabank Economics, New Brunswick Finance.

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