

#### Contributors

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#### Updated Fiscal Forecast \$ millions except where noted

	FY22		FY23	
	Bud.'23	Final	Bud.'23	Mid-Year
Own Source Revenue	7,256	7,173	7,261	8,115
Federal Transfers	3,957	4,218	4,085	4,149
<b>Total Revenue</b>	<b>11,213</b>	<b>11,391</b>	<b>11,346</b>	<b>12,264</b>
Program Spending	10,086	9,979	10,677	10,881
Debt Service	639	635	634	609
% of Revenue	5.7	5.6	5.6	5.0
<b>Total Expenditure</b>	<b>10,725</b>	<b>10,614</b>	<b>11,311</b>	<b>11,490</b>
<b>Budget Balance</b>	<b>487.8</b>	<b>777.3</b>	<b>35.0</b>	<b>774.4</b>
% of GDP	1.2	1.8	0.1	1.7
<b>Net Debt</b>	<b>12,981</b>	<b>12,363</b>	<b>12,997</b>	<b>11,701</b>
% of GDP	31.9	29.0	30.1	25.3

Sources: Scotiabank Economics, New Brunswick Finance.

## New Brunswick: 2022–23 Mid-Year Update

### THE BLACK INK GROWS ON OPTIMISTIC REVENUE OUTLOOK

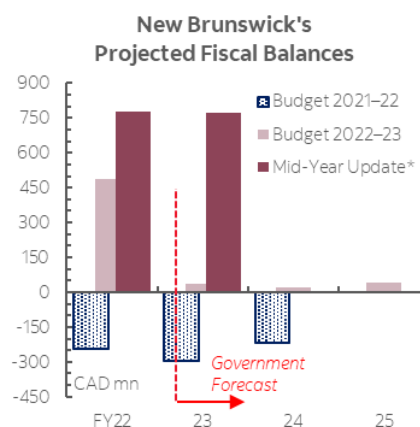
- **Budget balances: +\$774.4 mn (+1.7% of nominal GDP) in FY23 (+\$35 mn, +0.1% in 2022 Budget), which builds on a final surplus of +\$777.3 mn (+1.8% of GDP) reported in the FY22 Public Accounts (chart 1).**
- **Net debt: lowered by \$1.3 bn versus Budget to \$11.7 bn (25.3% of GDP) for FY22 (chart 2), which builds on the \$619 mn reduction already reported for FY22.**
- **Economic assumptions: nominal GDP growth forecast increased to 8.7% in calendar year 2022, up from the 6.2% assumed in the March 2022 Budget. Population growth revised up from 0.9% in the Budget to 2.7%.**
- **The Update underlines the province's optimistic economic outlook and its associated impact on the province's fiscal path. Efforts to mitigate the near-term effects of high inflation on cost of living through broad-based tax cuts could have limited but lasting fiscal impact.**

### OUR TAKE

**On pace to hit a six-year surplus streak, New Brunswick projects a sizable increase of the FY23 surplus from the previous estimate in the 2022 Budget, driven by higher-than-anticipated nominal growth and strong population gain.** The province's own-source revenue was lifted by 11.8% from the projections in the Budget, whereas expenditure remained in line with previously estimated with a slight increase of 2% in program spending. The Update maintained real growth assumption of 2.2% and raised nominal growth forecast by 2.5 ppts from assumed in the 2022 Budget to 8.7%. The improvement in the province's revenue outlook is also anchored by its tax base expansion—the population is projected to grow at a record speed of 2.7% this year, a major revision from the 0.9% at Budget time. Although the province's own sources accounts for virtually all the revenue improvements versus Budget, federal transfers to New Brunswick still makes up a substantial share of total revenue (34%).

**Optimistic about its revenue outlook, the province added more tax relief measures to mitigate the effects of high inflation on cost of living.** Following the rollouts of measures announced in the 2022 Budget (which mainly include property tax cuts, increased basic personal amount and higher low-income tax threshold), the government announced reductions of personal income tax rate on all income brackets, effective in 2023 with an estimated \$70 mn price tag (about 0.9% of own-source revenue). The government also

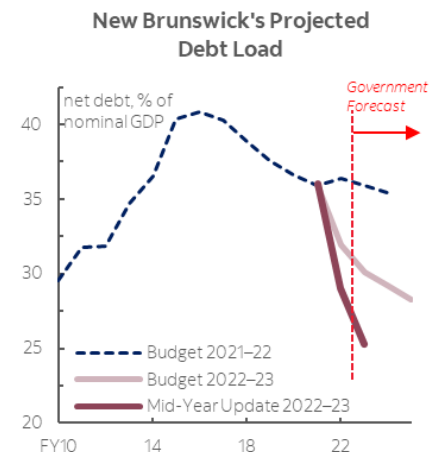
Chart 1



\* FY22 figure is final result.

Sources: Scotiabank Economics, New Brunswick Finance.

Chart 2



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

November 10, 2022

provided a one-time payment through the Emergency Fuel and Food Benefit, targeting low-income households. Overall, these tax support measures are broad-based and should have limited but lasting fiscal impact.

**Program expenses were revised slightly higher, but largely in line with what was budgeted for.** With higher expenses penciled in for health, education and infrastructure spending, the province expects program expenditure to grow by 9.0% from last fiscal year. Despite rising interest rates, the Update noted a 3.9% reduction in the province's debt servicing costs, attributable to higher investment earnings and projected lower borrowing requirements.

**Consequently, net debt is forecasted to decline sharply in FY23 as a share of nominal output to 25.3%, a major improvement from the 29.0% in FY22.** The province's FY23 long-term borrowing requirements were reduced to \$1.3 bn, with \$303 mn remaining for completion as of November 10. New Brunswick continues to enjoy favourable credit ratings—Moody's upgraded the province's credit outlook from stable to positive and reaffirmed its Aa2 rating, and DBRS and S&P maintained their stable outlooks on the province.

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