

2024 New Brunswick Budget

Healthy Fiscal Position to be Maintained

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March 20, 2024

Highlights

- New Brunswick continues to record a solid fiscal situation, with a FY 2023/24 surplus amounting to about 0.5% of GDP, and a debt-to-GDP ratio below that of several other provinces.
- The surplus is seen narrowing this year, as trend-like revenue gains are met with robust program spending growth.
- New Brunswick expects to run small surpluses over the next few years, although this relies on reasonably strong economic growth being maintained. There could be some downside to these projections, especially in 2025.

New Brunswick’s pre-election budget is generally devoid of major new spending or tax initiatives. However, what’s notable is that New Brunswick is one of the only provinces that foresees running surpluses (albeit small ones) through the medium term. For this fiscal year, New Brunswick’s surplus is seen as dropping from about \$250 million in FY 2023/24 to \$40 million (0.1% of GDP), as robust expense growth outpaces a decent gain in revenues.

If their medium-term projections are realized, the province will have run a surplus for over a decade, which is an impressive feat considering the injurious effects on government finances across the country wrought by the pandemic.

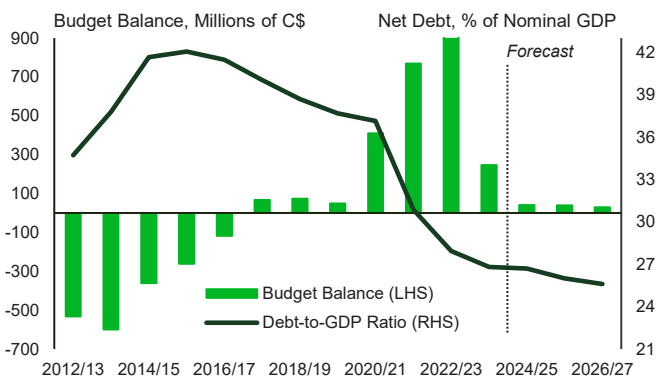
Economic Growth to Lose Some Steam This Year

The province is forecasting real GDP growth to slow this year from an estimated gain of 1.1% in 2023, before some acceleration takes place in 2025. The government’s nominal GDP growth projections follow this same pattern. When comparing our forecasts to the government’s, we’re below in terms of nominal GDP growth from 2023 through 2025, particularly next year. Note our below-consensus call for Canadian GDP growth in 2025, as elevated interest rates continue to weigh on consumption.

The projected gain in 2024 nominal GDP is nearly in line with the province’s long-term average. In turn, this supports a trend-like anticipated gain in FY 2024/25 revenues of about 5%, boosted by personal and corporate income taxes as well as the HST. Federal transfers are also seen as advancing 5% this fiscal year.

On the opposite end of the ledger, expense growth is projected to expand at a healthy 6.4% rate, supported by a 12% bump in spending on Education and Early Childhood Development. Within this space, funding will be allotted for the federal-pro-

Chart 1: Debt-to-GDP on a Downward Trek



Source: NB Budget 2024, TD Economics.

New Brunswick Economic Assumptions [Percent Change Unless Otherwise Noted]				
Budget 2024				
Calendar Year	2023	2024	2025	2026-28
Nominal GDP	3.5	3.2	4.4	3.8
Real GDP	1.1	0.7	1.7	1.3
Employment	3.5	1.2	1.2	0.8
Unemployment Rate (%)	6.6	6.8	7.1	6.9
Population	3.1	2.0	1.5	1.0
Retail Trade	4.5	3.5	3.0	3.1
CPI	3.6	2.7	2.1	2.1

Source: NB Budget 2024, TD Economics.

vincial daycare agreement, to support children with autism disorders, and to help keep up with enrolment growth and rising operating costs. “Social Development” is another portfolio which is expected to receive a solid boost this year. The other big-ticket item – healthcare – is seen as edging marginally higher in FY 2024/25, weighed down by spending on general health services. The budget builds in \$30 million to account for wage increases within the health/long term care sector.

Debt-to-GDP to Push Lower

New Brunswick’s net debt-to-GDP ratio is seen as holding roughly flat this fiscal year, at 26.7%, as a decent gain in nominal GDP offsets an increase in the level of debt. The latter is supported by capital spending, particularly in transportation and healthcare. The province’s low debt burden places it in a relatively good stead when compared to other parts of the country.

After this fiscal year, the province’s debt ratio is seen as dropping to 25.6% by FY 2026/27. Borrowing requirements are seen as totaling \$1.7 billion this year, essentially unchanged from last year’s \$1.8 figure.

Bottom Line

New Brunswick’s fiscal situation continues to remain healthy compared to its peers and even its own historical track record. That said, the province is counting on reasonably strong economic growth to main its modest surpluses over the next few years, and there could be some downside, especially in 2025, if our forecasts are more on the mark.

New Brunswick Government Fiscal Position				
[Millions of C\$ Unless Otherwise Noted]				
Fiscal Year	2023-24 Revised	2024-25 Budget	2025-26 Plan	2026-27 Plan
Revenues	12,703	13,296	13,628	14,024
% Change	2.0	4.7	2.5	2.9
Expenditures	12,456	13,255	13,589	13,994
% Change	8.9	6.4	2.5	3.0
Surplus (+)/Deficit (-)	247	41	39	30
% of GDP	0.5	0.1	0.1	0.1
Net Debt	12,362	12,677	12,918	13,188
% of GDP	26.8	26.7	26.0	25.6

Source: NB Budget 2024, TD Economics.

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