



**2018-2019  
Pre-Budget Consultation  
Department of Finance**

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Think Recycling!

## Pre-Budget Consultation 2018-2019



With the engagement of New Brunswickers, your government has developed a balanced and comprehensive plan to address our fiscal challenges. We remain focused on delivering results that New Brunswickers support.

From the beginning, we have maintained an ongoing dialogue on the best approach to restoring balance to our finances. With the active involvement of New Brunswickers from all walks of life, we are restoring balance to our finances in a thoughtful and structured way.

Recently, your government released its audited 2016-2017 year-end results. As well, we delivered an update on the progress related to 2017-2018. These updates show that the plan we have developed together is working.

Many of the initiatives have been implemented and we are seeing results. Since 2014, your government has cut the province's deficit by 67 per cent while investing responsibly in jobs, education and health care. We remain on track to balance the budget by 2020-2021 without making deep cuts to the services New Brunswickers use on a daily basis.

While it is clear that we are making progress on achieving our fiscal goals, your government recognizes that we must

continue to be disciplined in our approach to restoring balance to our finances.

We also recognize the importance of maintaining an ongoing dialogue with New Brunswickers on the issues facing our province today and into the future.

This year's consultations provide New Brunswickers with a timely update on the progress we have made together. It is also an opportunity to continue the conversation on the issues that New Brunswickers face daily.

We have a well thought out plan that is working. It shows that we can achieve our fiscal objectives while continuing to invest strategically in priority areas such as jobs, education and health care.

This is a balanced approach. Some may argue we should cut deeper to reach balance faster, but there has been consensus from New Brunswickers to protect health care, education and to invest strategically in economic growth. However, it will take continued diligence, hard work and the support of New Brunswickers if we are to be successful in meeting the targets we have set for ourselves.

A handwritten signature in black ink, appearing to read 'Cathy Rogers'. The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cathy Rogers, PhD  
Minister of Finance

## A strengthening economy

In recent years, the New Brunswick economy has shown improvement not seen in a decade.

Over the last two years, economic growth has considerably surpassed the total growth the province saw between 2008 and 2014. Statistics Canada reported widespread growth in 2016 with gains observed in 16 of 20 industries, led by wholesale trade, construction, and finance and insurance.

New Brunswick also saw more than \$1.2 billion in wood product manufacturing sales in 2016, as activity in the province increased for the fifth consecutive year and approached a level not seen since 2006.

*“New Brunswick home sales remain near record levels in July.”*

*New Brunswick Real Estate Association – August 2017*

These trends have continued into 2017 as many of our key economic indicators have shown continued improvement. Employment has shown sustained growth over the last year. More importantly, this growth is a result of an increase in full-time jobs.

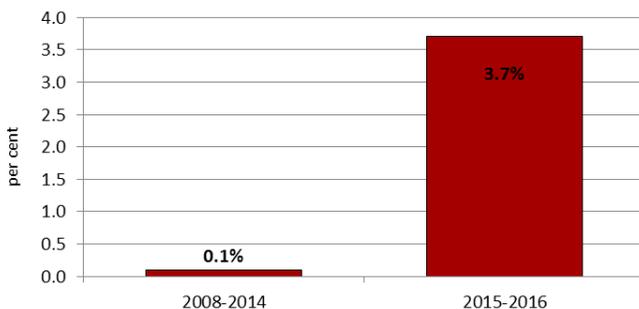
We have also seen existing home sales and new home construction increase this year. Furthermore, non-residential building permits are on the rise, while manufacturing and exports have shown significant improvement.

These positive developments have led to increased economic growth forecasts for New Brunswick. All of the major banks as well as the Conference Board of Canada have revised their forecasts upwards. The consensus among private sector forecasters now has real GDP growth for 2017 at 1.3 per cent compared to 0.8 per cent at the time of budget. Given these developments, the Department of Finance has also increased its real GDP growth and employment forecast for 2017.

Your government’s investments in infrastructure have played an important role in supporting the momentum seen in our economy in recent years. This has contributed to New Brunswick moving away from the period of economic weakness seen over much of the last decade.

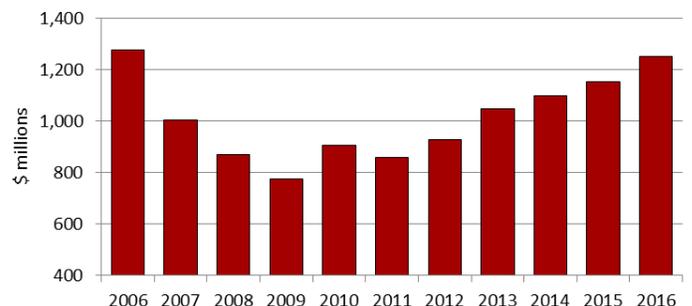
Our investment in infrastructure continues through 2020 and is not only making our roads safer and improving our schools and hospitals, it is also contributing to sustained economic growth.

**Cumulative Real GDP Growth**



Source: Statistics Canada

**Wood Product Manufacturing Sales**



Source: Statistics Canada

## A balanced plan towards fiscal sustainability

Our plan to restore balance to our finances was developed with the active engagement of New Brunswickers. It is realistic, achievable and recognizes the importance of investing in the areas that are important to New Brunswickers.

The multi-year targets we have set for ourselves reflect the values we hold as New Brunswickers and strikes a balance between expenditure reductions, revenue measures, and restoring balance in a way that would have positive impacts on the economy and social programs.

Introduced as part of the 2016-2017 Budget, we have implemented measures that were recommended through the Strategic Program Review (SPR) including:

- Introducing administrative efficiencies;
- Reshaping the civil service;
- Centralizing of services;
- Increasing the HST;
- Raising the Corporate Income Tax rate; and
- Raising tobacco taxes.

Since we introduced these measures, your government continues to report on the progress we are making towards achieving our fiscal goals, and we remain on track to reach our SPR savings targets by 2020-2021.

Your government achieved these results by engaging New Brunswickers, maintaining fiscal discipline, and investing strategically in priority areas.

We have been successful in surpassing our targets to date. Our multi-year plan, as outlined below, will be updated as part of

the 2018-2019 Budget and this starts with hearing from New Brunswickers.

*“The Province of New Brunswick’s cautious approach to deficit reduction is gaining traction with modest improvements to budgetary performance expected in the next two years.”*

*Standard and Poor’s – June 2017*

Multi-Year Plan						
\$ millions	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Revenue	8,308	8,719	9,189	9,365	9,519	9,729
Expense	8,635	8,966	9,381	9,482	9,543	9,708
Surplus (Deficit) - Plan	(327)	(247)	(192)	(117)	(24)	21
Surplus (Deficit) - Actual	(261)	(119)	TBD	TBD	TBD	TBD

Sources: Department of Finance and Treasury Board

TBD = To be determined

## Meeting and exceeding our fiscal objectives

Just as we have seen improvement in our economy, we have also seen significant progress towards achieving our fiscal goals.

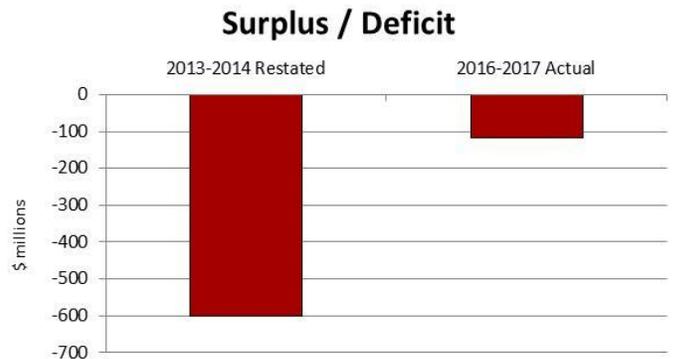
We have engaged New Brunswickers in the development of our fiscal plan and we are managing prudently, investing responsibly and providing regular updates on our progress.

With the recent release of the 2016-2017 Consolidated Financial Statements, our deficit fell to \$118.9 million. **This represents an improvement of \$127.2 million compared to the restated budget and represents a drop of more than \$480 million in the deficit since 2013-2014.**

Our most recent quarterly update for 2017-2018 also shows that we are ahead of the target set out in our multi-year plan. While this is encouraging, your government continues to work diligently towards improving on the results seen in 2016-2017.

Over the past decade, many of the province's key financial indicators have trended in the wrong direction. However, recent trends are encouraging. We are now seeing a declining deficit, smaller increases to our net debt, and most recently, a modest decrease in our net debt-to-GDP ratio.

The track record we have developed since taking office shows that your government is disciplined in achieving and exceeding our fiscal objectives. We have also shown that we can invest strategically in New Brunswickers' priorities of jobs, education and health care while achieving our fiscal goals.



Source: Department of Finance

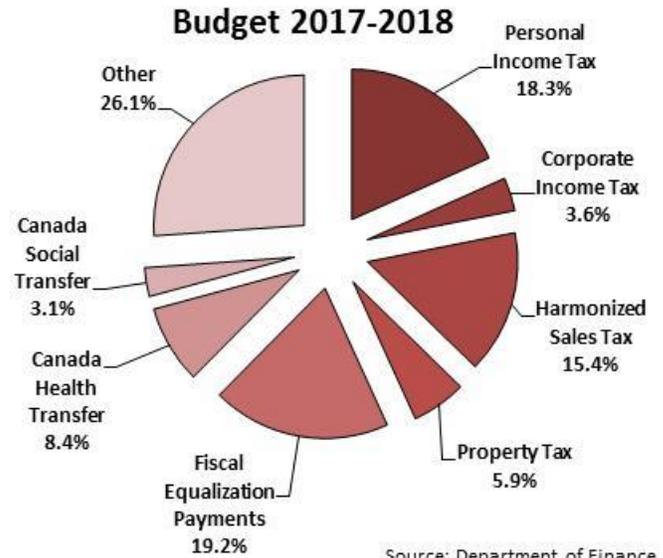
## Where the money comes from

It is important to know where the revenue that finances our public services comes from.

For 2017-2018, provincial revenues will total an estimated \$9.2 billion.

Own-source revenue represents almost 65 per cent of government revenues. This includes revenues from taxation, natural resources, fees, return on investment, lotteries, and fines and penalties.

Federal transfers are another important source of revenue for the province, comprising the remaining 35 per cent. By comparison, federal transfers historically represent 37 to 39 per cent of our revenues. The federal equalization program is the largest revenue source. Other major federal transfers include the Canada Health Transfer and the Canada Social Transfer.



## Where the money goes

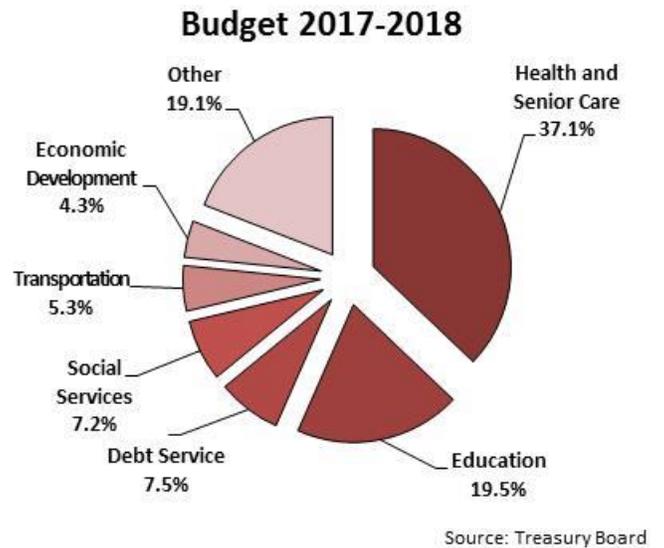
Managing our spending closely and focusing our investments on priority areas play an equally critical role in returning balance to our finances.

For 2017-2018, provincial expenditures will total an estimated \$9.4 billion.

Health and Senior Care, and Education represent the two largest expenditure areas for the province. Combined, they represent approximately 57 per cent of our spending. Including spending on Social Services, two out of every three dollars are spent on Health and Senior Care, Education and Social Services.

Our public debt servicing costs, at almost \$691 million for 2017-2018, is also one of our larger expenditure items. These costs can be influenced by variables such as credit ratings, interest rates, financial markets and currency fluctuations, and are outside of the direct control of government. By eliminating the deficit and restoring balance to our finances, we can mitigate the influence these outside factors can have on our public debt servicing costs.

Lowering the cost of servicing the public debt also opens the potential to generate improvements to our bottom line without unnecessary cuts to public services and can lead to opportunities to invest further in our future.



## Considerations for 2018-2019 and beyond

With the engagement of New Brunswickers, your government has developed a balanced and comprehensive plan to address our fiscal challenges. We have taken a thoughtful and structured approach to eliminating the deficit and we thank New Brunswickers for playing an important role in the development of this plan.

It is through such continuous conversations that we can achieve our fiscal goals. However, we recognize that priorities may change and issues or opportunities may arise that need to be addressed in a timely fashion. This is why it is important to hear from New Brunswickers.

As we consider the 2018-2019 Budget, your government wants to engage with you. This is your opportunity to share your views on the issues and opportunities facing our province.

- What are your thoughts on the fiscal progress made to-date?
- What do you see as next steps on our path toward fiscal sustainability?
- Are there opportunities that will complement our efforts in supporting jobs, education and health care?
- What economic and fiscal challenges and opportunities are there on the horizon that we need to start preparing for today?

## Feedback and suggestions

Online at:

<http://www.gnb.ca/finance>

Written submissions by mail:

*The Hon. Cathy Rogers*

*Minister of Finance*

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*Fredericton, NB E3B 5H1*

By fax: 506-457-4989

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**Deadline is November 17, 2017**