
Pre-Budget Consultation

2024-2025

Department of Finance and
Treasury Board



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Think Recycling!

Pre-Budget Consultation 2024-2025



Since taking office, our government has remained steadfast in maintaining strong financial management principles when considering the long-term financial health of the province. Through these efforts, we have seen our credit rating move to a positive outlook and the Parliamentary Budget Officer has indicated that New Brunswick's current fiscal policy is now sustainable over the long-term.

While getting our fiscal house in order is a significant accomplishment, we recognize the many challenges before us.

Interest rates have risen significantly over the last two years. This is helping bring inflation under control and the Bank of Canada has paused its interest rate hikes. Some economic commentators are anticipating a decline in interest rates in 2024. However, these conditions are also contributing to an overall slowdown in the economy.

In addition to dealing with a high interest rate environment, we are also dealing with the challenges that come from the growth we have seen in recent years.

Strong population growth has contributed to record levels of employment in New Brunswick and has also supported to healthy income growth. However, it has also led to increased demand for housing, health care and education.

We now have added financial flexibility to address the challenges associated with a growing province.

We have improved our key financial metrics, reduced the tax burden on New Brunswickers and increased spending in priority areas.

Budget 2024-2025 must consider how we continue to transform New Brunswick as we consider the needs of a growing population.

We must continue to create the conditions for stronger economic growth, while also supporting all segments of our society.

Through the active input and engagement of our residents we can keep building a stronger, more prosperous province.

I look forward to hearing from New Brunswickers on the issues that are important to them as we develop Budget 2024-2025.

A handwritten signature in blue ink that reads "Ernie L. Steeves". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Hon. Ernie L. Steeves
Minister of Finance and Treasury Board

Energizing the private sector

While the New Brunswick economy has shown resilience through much of 2023, efforts to bring inflation under control through higher interest rates are beginning to have an impact on the provincial economy.

Since 2017, New Brunswick has seen its population increase by nearly 68,000. By comparison, it took the previous 40 years to achieve a similar increase in population. Growth over the last year was largely led by strong net international migration. While still positive, net interprovincial has begun to moderate.

Supported by population gains, employment hit an all-time high in 2023 with gains in health care and social assistance, public administration, professional, scientific and technical services and construction all contributing to job growth.

While these positive developments contributed to a healthy economic performance in 2023, the effects of elevated

interest rates are now being felt and will contribute to slower economic growth in 2024.

Expectations are that the interest rate increases seen over the last two years are having their desired effect on inflation. However, this will also mean slower economic growth in the near-term.

“Though New Brunswick households hold the lowest debt servicing ratio in the country, consumer spending won’t be enough to buoy the province from moderating further in 2024. With limited private investment, we see economic growth remaining quite muted in New Brunswick.”

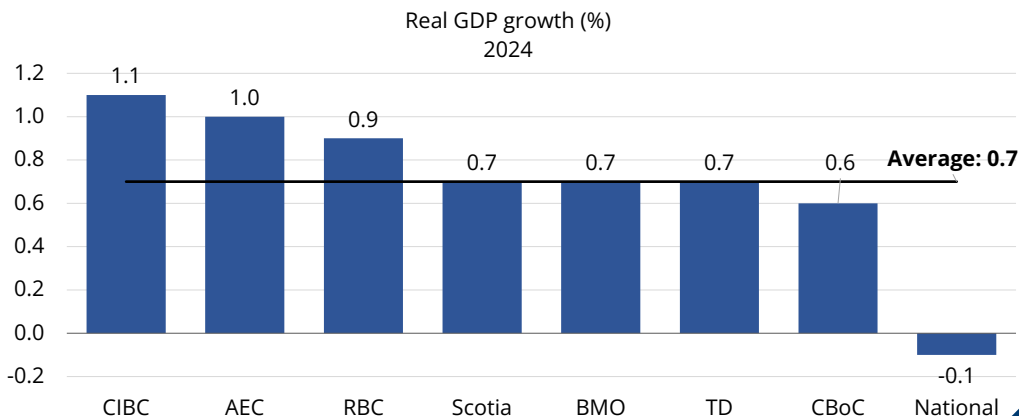
RBC Economics, December 2023

The Bank of Canada has paused its interest rate increases and some market observers are now predicting that interest rate declines are likely to materialize in 2024.

Forecasters are projecting a slower growth in 2024 with a modest downturn expected in the early stages of the year. Expectations are for a

quick recovery as the rate of inflation continues to moderate and interest rates begin to fall. While these global conditions will influence the direction of the New Brunswick economy this year, population-fuelled gains seen in recent years will help the province weather an expected economic slowdown.

Forecasters expect slower growth



Source: Survey of Private Sector Forecasters

Affordable, responsive and high-performing government

Since taking office, government has consistently acted responsibly in its management of public finances. Decisions are balanced between our fiscal capacity and addressing the challenges many New Brunswickers are facing. Consideration is also given to preserving financial capacity that future generations of New Brunswickers will inevitably face.

Despite the volatility seen in recent years, government has consistently delivered annual surpluses to the provincial budget. Net debt has fallen by nearly \$2 billion, and the net debt-to-GDP ratio is estimated to be the lowest in the country east of Saskatchewan.

These improved financial results have led to the province moving from the threat of a downgrade to its credit rating to a positive outlook in the credit rating. Moreover, the Parliamentary Budget Officer has deemed

New Brunswick's current fiscal policy to be sustainable over the long-term.

These efforts have created the fiscal flexibility to lower personal income tax and provincial property tax rates.

In addition, significant investments have been made in key public services such as health care, education, social services and housing. Supports have also been targeted towards some of the more vulnerable members of our society.

Despite living in a period with a high degree of volatility, much progress has been made. However, decisions

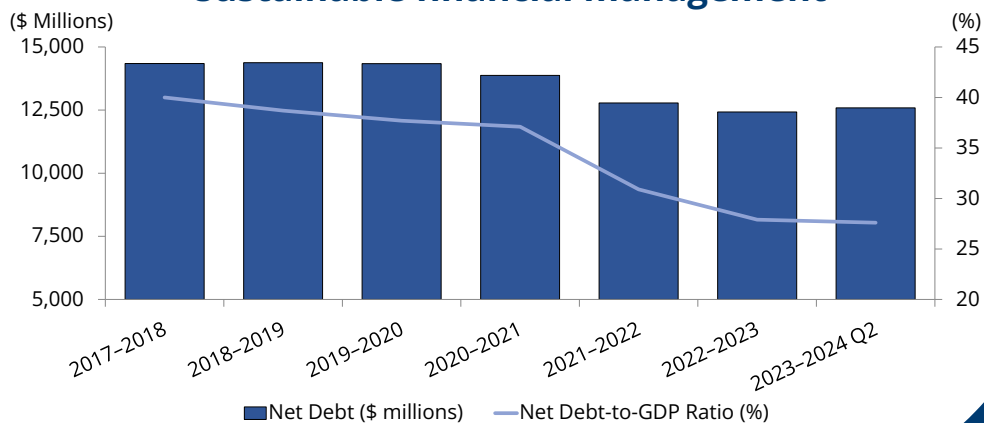
must continue to be made with an understanding of the impact on the finances of the province in both the near-term and long-term.

Considering that strong population growth has supported revenue gains and has also added to spending pressures, making sound financial decisions in support of a growing province will continue to be an important consideration.

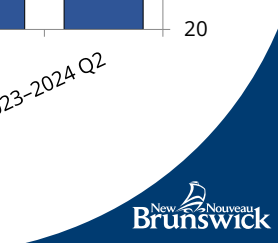
The positive outlook reflects our expectation that New Brunswick's economic growth will be stable in the next two years and the province will maintain healthy operating surpluses as fiscal sustainability remains a key government priority."

S&P Global Ratings – May 2023

Increasing flexibility through sustainable financial management



Source: NB Department of Finance and Treasury Board



Where the money comes from

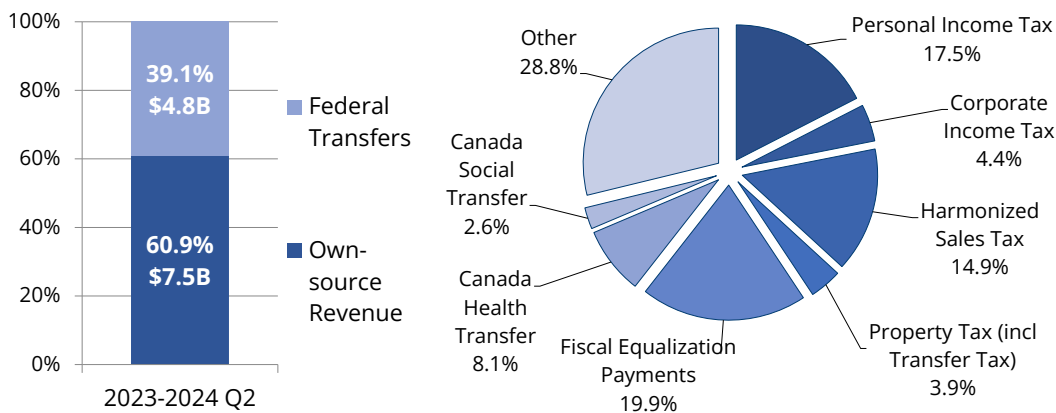
It is important to know where the revenue that finances our public services comes from.

As of the second quarter for 2023–2024, provincial revenues are projected to total an estimated \$12.3 billion.

Own-source revenue represents 60.9 per cent of government revenues. This includes revenues from taxation, natural resources, fees, return on investment, lotteries, and fines and penalties.

Federal transfers comprise the remaining 39.1 per cent. 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 comes from



Source: NB Department of Finance and Treasury Board

Where the money goes

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

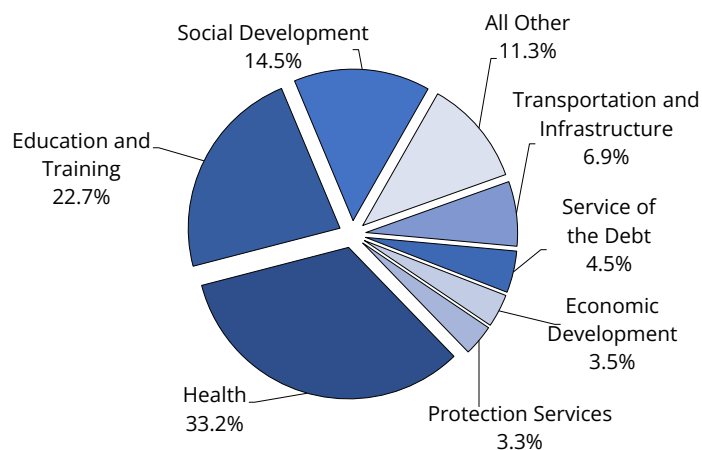
As of the second quarter for 2023–2024, provincial expenditures are projected to total an estimated \$12.3 billion, and represent an increase of 7.6% over the level of spending seen in 2022–2023.

Health, and Education and Training represent the two largest expenditure areas for the province. Combined, they represent approximately 56 per cent of our spending. Including spending on Social Development, just over 70 per cent of government spending is on Health, Education and Training, and Social Development.

Service of the Public Debt, at \$548 million, is also one of our larger expenditure items. This cost can be influenced not only by borrowing requirements but also by variables such as credit ratings, interest rates, financial markets and currency fluctuations, which are outside of the direct control of government. By being responsible with provincial finances, we can mitigate the influence these outside factors can have on the public debt servicing cost.

Longer-term, lowering the cost of servicing the public debt also opens the potential to generate improvements to help fund and maintain public services.

Where the money goes



Source: NB Department of Finance and Treasury Board

Considerations for 2024–2025 and beyond

Despite the elevated level of volatility seen around the world in recent years, New Brunswick has developed a strong foundation upon which to build. Economic and fiscal results have been strong, and we are now dealing with the challenges that come with growth.

While inflation is beginning to ease, we are still dealing with its impacts along with the effects of higher interest rates and the potential of an economic slowdown.

To build on the growth we have seen in recent years, we must address the pressures that have emerged. We must consider how to build additional capacity to keep up with increased demand in priority areas.

As we consider the 2024–2025 Budget, government wants to hear from New Brunswickers. Through this year's pre-budget consultations, New Brunswickers are invited to share their views on the issues and opportunities facing our province and how best to address them.

- What opportunities are there to improve access to health care?
- What supports are needed to help our vulnerable population?
- What supports are needed to create an inclusive and innovative education system to empower our students to reach their full potential?
- What steps can be taken to increase the supply of housing?

Feedback and suggestions

Online at:

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

By mail:

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