

A large, decorative blue arc that spans across the middle of the page, starting from the left edge and ending at the right edge, with a slight curve.

**2021–2022**

**Pre-Budget Consultation**

**Department of Finance and  
Treasury Board**

## **2021–2022 Pre-Budget Consultation**

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Think Recycling!

## Pre-Budget Consultation 2021–2022



Over the last year, the COVID-19 pandemic has had deep impacts worldwide and New Brunswick was no exception. Our growth outlook was significantly altered, and we saw unprecedented economic and fiscal impacts.

While the outbreak of COVID-19 significantly changed our plans, it demonstrated the importance of being responsible and building fiscal flexibility to better provide the resources needed during times of crisis.

Despite the challenges we faced in 2020, we know that better days lie ahead of us. New Brunswickers are now being vaccinated and optimism is building.

We are seeing signs of an economy that is recovering, but until the pandemic is over and public health restrictions are lifted, we can expect to see continued ups and downs in the weeks and months ahead.

We can all be proud of tremendous resilience that New Brunswickers have shown during these difficult times. Our province is seen as a global leader in managing the pandemic. We did this by coming together for the greater good.

Budget 2021–2022 will need to reflect the times we live in, as the decisions we take must consider not only the well-being of New Brunswickers, but also the impacts of the pandemic, the economic recovery, and fiscal responsibility.

We all have a role to play in building a lasting and sustainable recovery and I look forward to engaging New Brunswickers as we develop the 2021–2022 Budget.

Our challenges are many, but as has been demonstrated over the last year, we can accomplish much when we work together.

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

With the onset of the COVID-19 pandemic, New Brunswick's economic prospects were dramatically altered. Just as was experienced around the world, the province saw unprecedented job losses and economic forecasts were revised downwards.

A record decline in real GDP growth was projected by many forecasters. At its peak, nearly 50,000 New Brunswickers lost their jobs.

Notwithstanding the deep decline in economic activity, low case counts and effective management of the pandemic has supported the early stages of an economic recovery.

Employment in New Brunswick is approaching the pre-pandemic level, while building permits suggest there is room for optimism in the months to come. However, there remains a great deal of uncertainty in the economic outlook. There will be ups and downs in the months to come.

**"... with a projected GDP decline of 4.2%—the biggest drop in at least 40 years—there isn't much to cheer about. The outlook for 2021 is definitely more encouraging with activity expected to bounce back as restrictions ease and confidence returns. In fact, signs that the recovery process is in motion have already emerged."**

*RBC – December 2020*

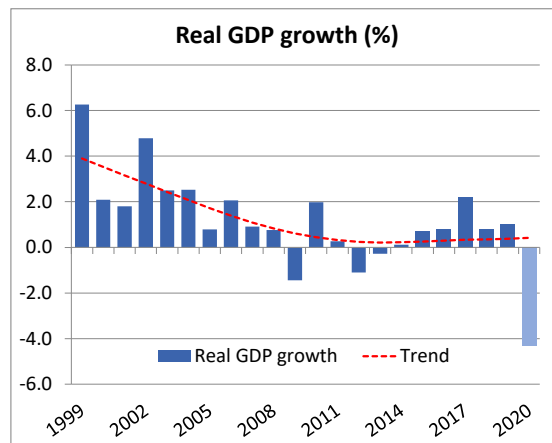
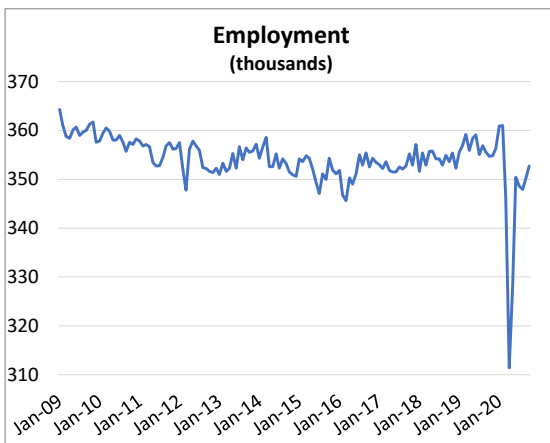
While the duration and economic damage resulting from the COVID-19 pandemic remain unknown, past economic downturns suggest that a quick return to 2019 levels is unlikely.

As with past recoveries, consumer activity is more likely to bounce back. However, behaviours and spending patterns may change and could alter the recovery path consumers take.

Non-residential investment is likely to continue to struggle. The absence of major projects will continue to limit growth opportunities as the economy recovers from the damage inflicted by COVID-19.

This all said, the COVID-19 pandemic is unique. It entailed a widespread shutdown of the economy and the longer-term implications on consumers and businesses will continue to unfold. The impacts on businesses and employment will continue to evolve over the next number of months, and the ongoing effects of the pandemic will continue to weigh on the economy going forward.

## Deep downturn in economic activity



Source: Statistics Canada, NB Department of Finance and Treasury Board

## Affordable, responsive and high-performing government

Before the pandemic struck, many actions were taken to restore the province to financial health. This approach has not changed.

The impact of the pandemic on our finances has been significant. Second quarter projections for the 2020–2021 fiscal year show a deficit of \$183.3 million compared to the budgeted surplus of \$92.4 million. In addition, net debt is projected to reach \$14.1 billion, an increase of \$386.9 million over budget.

Despite the significant change in our fiscal outlook, the COVID-19 pandemic does not preclude us from being disciplined in our approach. There are likely to be challenges to come and we must maintain and build our fiscal flexibility.

Government remains committed to managing finances responsibly, and will continue to do so during these unprecedented times. We have maintained existing spending obligations as foreseen prior to COVID-19, while also dealing with the impacts of the crisis.

Additional spending in 2020–2021 related to COVID-19 is estimated to be in the order of \$400 million. As the pandemic will continue to be a consideration for much of 2021, government remains committed to maintaining spending at a level necessary until the public

health restrictions that have protected New Brunswickers can be safely removed.

We have been successful in managing our finances in the past and we will continue to be prudent with taxpayers' money.

Government continues to focus on providing responsible and good government by tackling

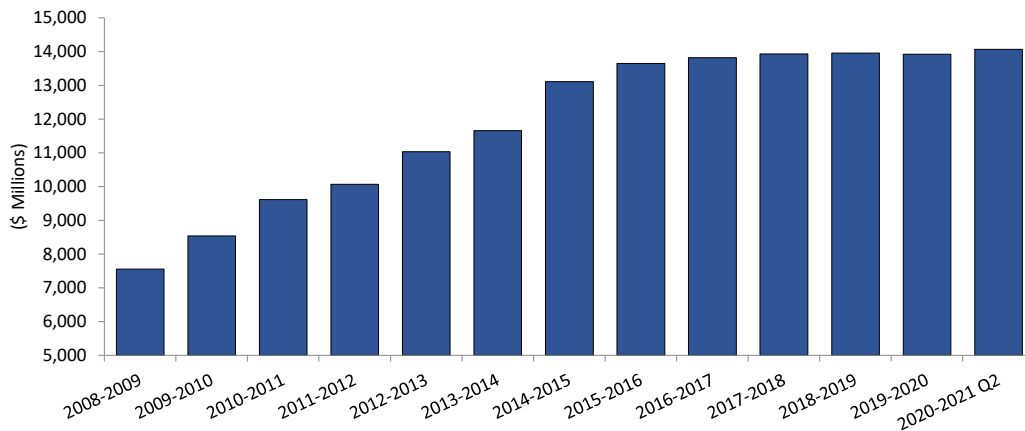
financial challenges head-on and continually improving service delivery.

The realities of the pandemic have substantially altered the province's fiscal outlook. We can anticipate revenue volatility over the next number of years. These circumstances underscore the importance of continually looking for improvement opportunities that drive efficiencies, optimizing resources, and providing important services to New Brunswickers.

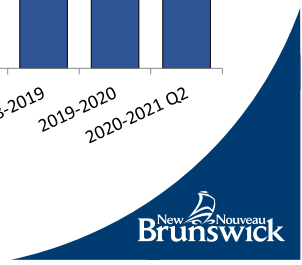
**“Despite the anticipated deterioration in the outlook, the Province's credit profile remains consistent with the A (high) ratings. This reflects New Brunswick's progress in recent years to restore fiscal balance and reduce debt, leaving the Province in a much better position entering the pandemic.”**

*DBRS – May 2020*

### Net Debt



Source: NB Department of Finance and Treasury Board



## Where the money comes from: 2020–2021

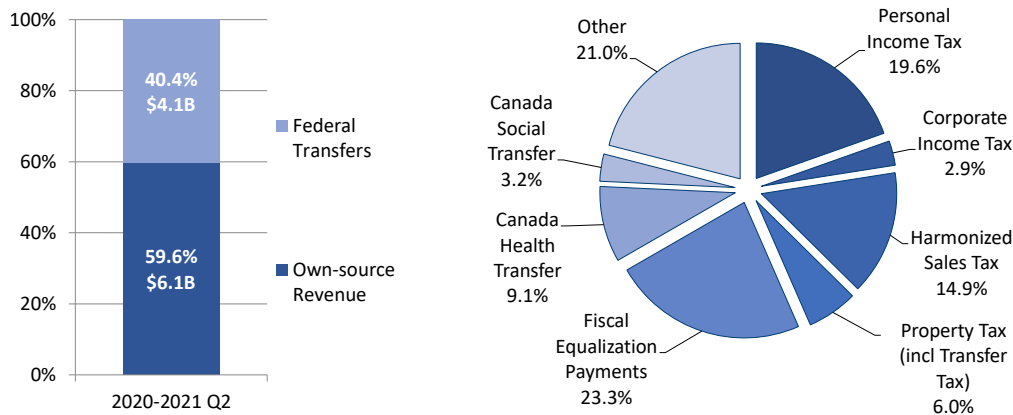
It is important to know where the revenue that finances our public services comes from.

For 2020–2021, provincial revenues total an estimated \$10.2 billion.

Own-source revenue represents 59.6 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 40.4 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: 2020–2021

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

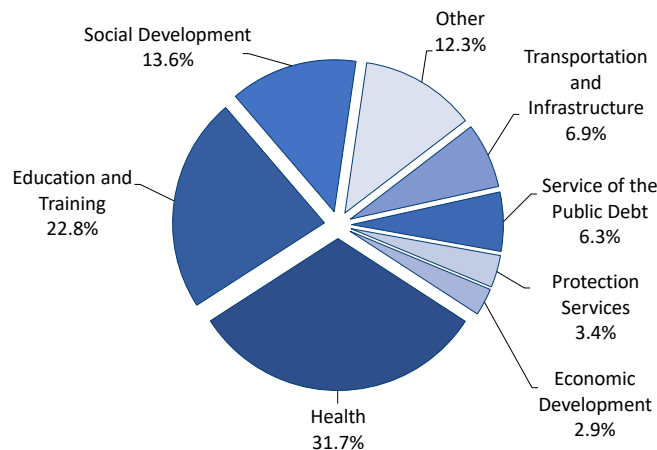
For 2020–2021, provincial expenditures total an estimated \$10.4 billion.

Health, and Education and Training represent the two largest expenditure areas for the province. Combined, they represent approximately 54.5 per cent of our spending. Including spending on Social Services, more than two out of every three dollars are spent on Health, Education and Training, and Social Services.

Service of the Public Debt, at almost \$655 million for 2020–2021, 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 eliminating the deficit and restoring balance to our 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 2021–2022 and beyond

We have made strides in recent years to improve our fiscal standing, and COVID-19 has upended this progress. This does not mean that we should no longer be fiscally disciplined. Rather, the pandemic has highlighted the need to always be diligent with the public finances of the province.

As we recover from the COVID-19 pandemic, we must now turn our attention to how we can support a lasting and sustainable economic and fiscal recovery. While there have been positive signs that a recovery is underway, there remains a great deal of uncertainty in the economic outlook. Furthermore, the economic and demographic challenges facing our province prior to the pandemic remain.

As we consider the 2021–2022 Budget, government wants to hear from New Brunswickers on how best to achieve this goal of balancing our finances, addressing today's needs, and building a better future. Through this year's pre-budget consultation, New Brunswickers are invited to share their views on the issues and opportunities facing our province and how best to address them.

- How can private sector investment be stimulated such that it will support a stronger, more resilient economy?
- What have we learned from the pandemic and how can we optimize the use of our resources in delivering dependable public health care?
- What tools and resources are needed to support blended learning in our education system?
- Where should government focus its attention in building vibrant and sustainable communities?

- What services can be moved online to reduce costs and increase flexibility for New Brunswickers?
- Where should government prioritize its efforts in protecting the environment and addressing the impacts of climate change?

## Feedback and suggestions

Online at:

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

By mail:

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**Deadline is February 11, 2021**