
Pre-Budget Consultation

2022-2023

Department of Finance and
Treasury Board



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Think Recycling!

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Since taking office, our government has been focused on balancing the budget, reducing our net debt and building financial flexibility to take on future challenges.

Little did we know at the time, the emergence of the COVID-19 pandemic early in 2020 represented a challenge that no one could have foreseen.

Over the last two years, our government focused on managing the pandemic and keeping the economy open to the extent possible. We provided supports by identifying gaps and filling them while also remaining disciplined in our approach to managing public finances.

Even during these challenging times, we set our priorities to build a stronger and more resilient New Brunswick.

Our approach has remained consistent and it is working.

Many of our economic indicators are at, or above, their pre-pandemic levels and we are seeing stronger-than-expected financial results.

The progress we have made has allowed us to move forward on other important priorities such as local governance reform, developing a path forward for our health-care system, increasing our infrastructure spending and providing enhanced wage settlements to our workers.

While we would all rather find ourselves in different circumstances as we enter 2022, I am encouraged by the continued resilience and commitment New Brunswickers have shown.

Budget 2022-2023 will continue the important work we have started in building a stronger New Brunswick.

The decisions we take must consider how we move forward on the issues that are important to New Brunswickers. We must consider how to live in a world where COVID-19 is part of our everyday lives. We must build resilience, particularly in our health-care system, to ensure that New Brunswickers can continue to access services in the face of future waves of the pandemic. We must continue to grow a stronger, more resilient economy while managing ongoing public health risks.

We all have a role to play in building a lasting, sustainable and resilient recovery and I look forward to engaging New Brunswickers as we develop the 2022-2023 Budget.

A handwritten signature in blue ink that reads "Ernie L. Steeves". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

Energizing the private sector

Just like all other economies across the globe, New Brunswick experienced a significant downturn due to the COVID-19 pandemic. Unlike other jurisdictions, however, New Brunswick fared relatively well, and signs are pointing to an economy that is well along in its recovery.

Rising commodity prices and strong demand have also pushed exports to a level not seen in a decade, and residential construction continues to show strength.

A particular bright spot has been the population growth the province has seen over the last year. Growth has hit a 45-year high with strong positive interprovincial migration supporting growth as international migration recovers from border restrictions that were in place in 2020.

Employment hit an all-time high in October 2021 and remains around this record level.

While these developments are good news and show positive momentum for New Brunswick, the emergence of variants will weigh on

business and consumer confidence and represent a significant degree of uncertainty in the outlook.

Our population growth and jobs recovery are positive, however, our population is still one of the oldest in the country and is contributing to labour shortages.

“We believe New Brunswick is now entering the expansion phase of its economic cycle. Like other Maritime Provinces, all signs point to its achieving full recovery in 2021.”

RBC - December 2021

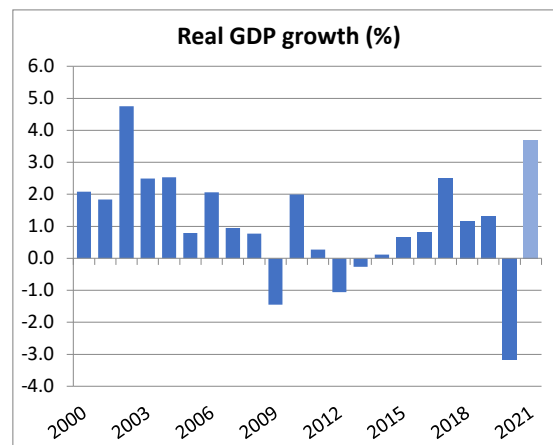
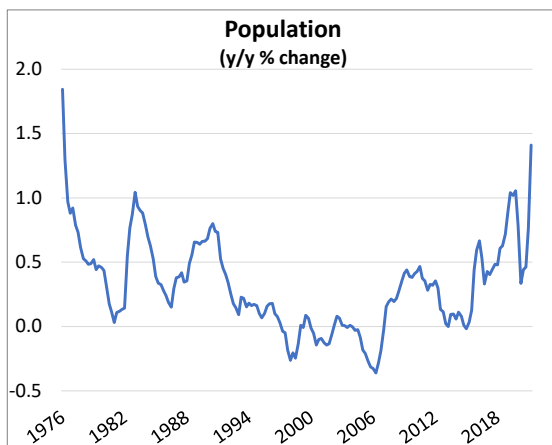
New Brunswickers are also seeing the impacts of supply shortages pushing up prices for everyday goods. While price growth is expected to slow to more sustainable levels, inflation will have an impact on household budget decisions and influence

economic growth.

Over the coming year, businesses will need to adjust to the withdrawal of COVID-related supports and rising cost pressures and we must be ready for future waves of COVID-19.

While 2021 was a year of recovery, the pandemic continues to heavily influence New Brunswick’s economic direction. Momentum is building, but we must be prepared to quickly adapt to changing conditions as needed.

Economic recovery well underway



Affordable, responsive and high-performing government

Since taking office, government has been focused on improving the financial health of the province. Despite the pandemic, government maintained fiscal discipline while also identifying and filling in gaps created by the pandemic. Moreover, spending related to COVID-19 is estimated to be more than \$470 million.

New Brunswick is one of only two provinces that are projecting a surplus for 2021-2022. In addition, net debt is projected to decline for the third year in a row.

These improved financial results provided the flexibility needed to improve wage offers through the collective bargaining process and to increase infrastructure spending. However, provincial revenues were supported by a significant increase in federal transfers. Federal supports to households and businesses also helped maintain provincial revenues. As these pandemic-related measures are removed, we can expect to see volatility in our revenue.

We know that the pandemic will continue to be a strong consideration in 2022 and will influence our spending pressures. The current high inflation environment will also require continued diligence in the management of spending.

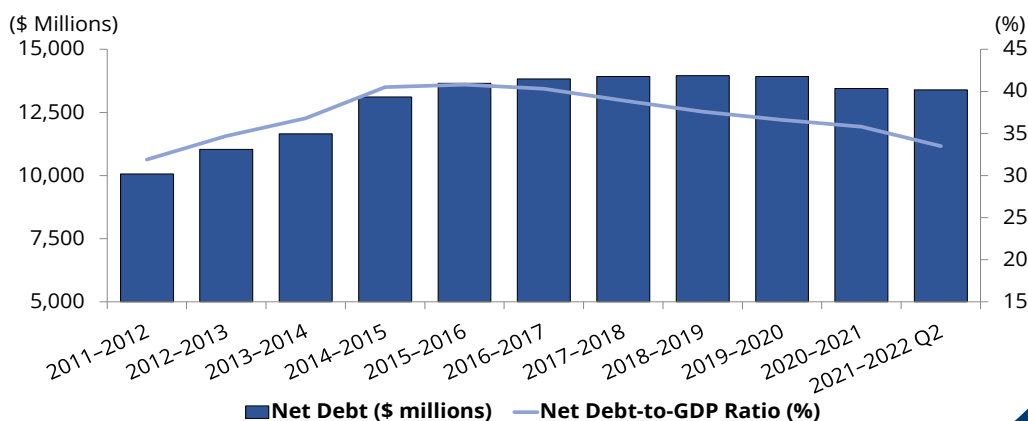
The ongoing challenges our province faces were there before the pandemic. They underscore the importance of changing the status quo and looking for opportunities to change how services are delivered so that New Brunswickers have ready access to high quality public services, even under the trying conditions we currently find ourselves in.

“As a result of past efforts to address fiscal imbalances and slow debt growth, DBRS Morningstar expects the impact of the Coronavirus Disease (COVID-19) pandemic on the Province’s finances to be very manageable, with debt-to-GDP remaining below prior peaks. This is an enviable position in comparison with most provincial peers.”

DBRS – May 2021

While much progress has been made in restoring balance to New Brunswick’s finances, it takes focus when managing taxpayers’ dollars. When we consider the expected volatility in our revenues and the ongoing spending pressures we face, maintaining fiscal discipline during this period of unprecedented uncertainty remains an important consideration.

Financial management showing results



Source: NB Department of Finance and Treasury Board

Where the money comes from

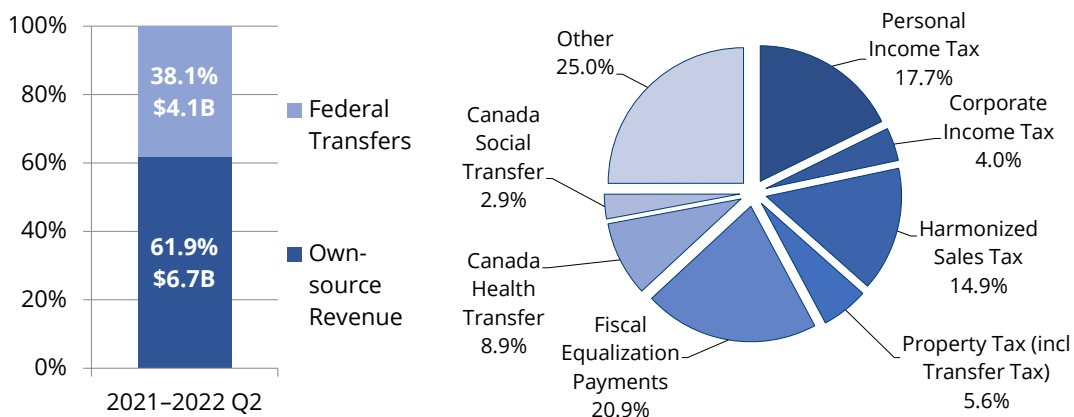
It is important to know where the revenue that finances our public services comes from.

As of the second quarter for 2021–2022, provincial revenues are projected to total an estimated \$10.9 billion.

Own-source revenue represents 62 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 38 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

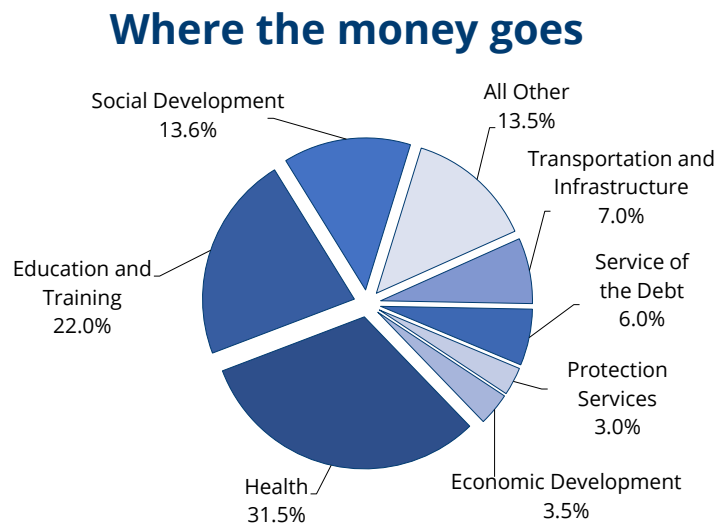
Managing our spending closely and focusing our investments on priority areas play an equally critical role in returning balance to our finances.

As of the second quarter for 2021–2022, provincial expenditures are projected to total an estimated \$10.8 billion.

Health, and Education and Training represent the two largest expenditure areas for the province. Combined, they represent approximately 53.5 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 \$647 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 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.



Source: NB Department of Finance and Treasury Board

Considerations for 2022–2023 and beyond

Despite the emergence of COVID-19 and its subsequent variants, New Brunswick has momentum and it is building. We have seen resilience in our economy and improved fiscal results.

This does not mean that the job is done. COVID-19 is still with us and we must adapt.

Given the progress we have made in recent years and the challenges the pandemic continues to place on us, we must now move forward on evolving how key government services such as health and education are delivered. We must also keep the climate crisis at the forefront of our thinking. We must build further resilience in our economy.

As we consider the 2022–2023 Budget, government wants to hear from New Brunswickers. 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 resiliency be built into government systems so that New Brunswickers can continue to access important services even during periods of significant disruption like we have experienced since the onset of the pandemic?
- What supports need to be put in place to help businesses minimize the economic disruption the pandemic continues to cause?

- What steps need to be taken to build a resilient health-care and senior-care system that is resident-focused, accessible and adaptable to pandemic-related disruptions?
- What is needed to support and strengthen the province’s education systems to support a healthy and adaptable learning environment?

Feedback and suggestions

Online at:

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

By mail:

*The Hon. Ernie L. Steeves
Minister of Finance and Treasury Board
P.O. Box 6000
Fredericton, NB E3B 5H1*

By fax: 506-453-7195

By e-mail: wwwfin@gnb.ca

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