

## FISCAL PULSE

March 18, 2025

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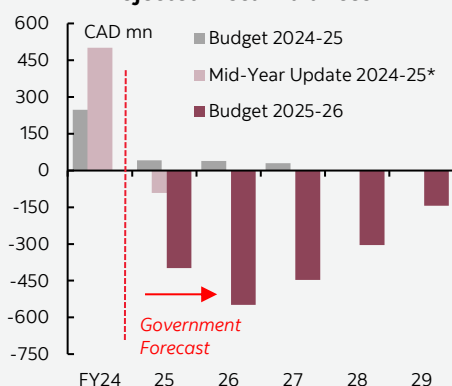
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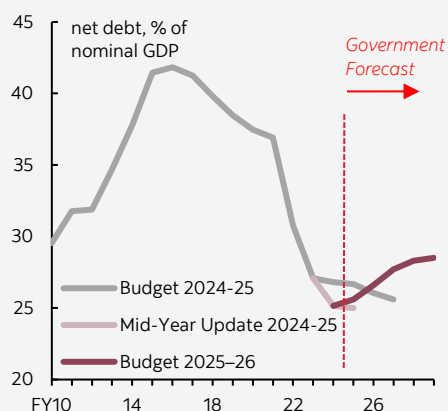
Chart 1

New Brunswick's  
Projected Fiscal Balances


\* FY24 figure is final result.

Sources: Scotiabank Economics, New Brunswick Finance.

Chart 2

New Brunswick's Projected  
Debt Load


Sources: Scotiabank Economics, New Brunswick Finance, Statistics Canada, Finance Canada.

## New Brunswick: 2025–26 Budget

## CHALLENGING OUTLOOK DRIVES INCREASED BUT MANAGEABLE DEFICITS

- In its first budget, the Holt government makes a strong downpayment on key electoral promises—notably health care increases—that puts the province on a path of deficits, albeit declining over the period. This outlook faces downside risks from the impacts of the tariff war, as well as pressures to continue higher spending growth going forward—with the Finance Minister noting tough choices ahead. However, New Brunswick rebuilt considerable fiscal room over the past decade through strong fiscal discipline, which positions it well to navigate through a period of economic turbulence.
- Real GDP growth: 1.5% in 2024, slowing to 1.1% in 2025, before picking up to 1.3% next year and 1.5% thereafter.
- Budget deficit: \$399 mn (0.8% of nominal GDP) for the fiscal year just ending, rising to \$549 mn (1.1%) in FY26—or \$599 mn (1.2%) after taking into account \$50 mn in contingency—then gradually declining to \$144 mn (0.3%) by FY29.
- Net debt: Gradually rising from 25.6% of GDP in FY25 to 28.5% by FY29.
- Borrowing: Increasing from \$1.8 bn in FY25 to \$3.5 bn in FY26, of which \$900 mn is on behalf of NB Power.

## OUR TAKE

The New Brunswick government projects a further increase in its budget deficit, followed by steady declines (chart 1). Last month, in its Q3 economic and fiscal update, the province increased its estimate of the deficit for the current fiscal year from \$92 mn to \$399 mn. Today, the government downgrades its budget balance outlook for future years. It projects an increase in the deficit to \$549 mn (1.1% of GDP) next year, as a roughly 5% increase in expenditures outweighs 4% growth in revenues. Limiting expenditure growth to 2.5% or lower in future years underpins a plan to gradually reduce the deficit to \$144 mn (0.3% of GDP) by FY29.

Revenues are projected to increase by 4% in FY26, led by 6% growth in transfers from the federal government. More modest revenue growth of 3.3%–3.5% is forecast going forward, as nominal GDP growth decelerates from 3.9% in 2024 to 3.2% this year and 2.7% next year. This includes a slowdown in real GDP growth from 1.5% in 2024 to 1.1% this year, before recovering to 1.5% by 2027.

## Updated Fiscal Forecast

\$ millions except where noted

	FY25			FY26
	Bud.'24	Mid-Year	Q3 Update	Bud.'25
Own Source Revenue	8,400	8,506	8,354	8,585
Federal Transfers	4,896	4,909	4,912	5,207
<b>Total Revenue</b>	<b>13,296</b>	<b>13,415</b>	<b>13,266</b>	<b>13,792</b>
Program Spending	12,647	12,924	13,082	13,668
Debt Service	608	583	583	673
% of Revenue	4.6	4.3	4.4	4.9
<b>Total Expenditure</b>	<b>13,255</b>	<b>13,507</b>	<b>13,665</b>	<b>14,341</b>
<b>Budget Balance</b>	<b>40.9</b>	<b>-92.1</b>	<b>-398.8</b>	<b>-549.0</b>
% of GDP	0.1	-0.2	-0.8	-1.1
<b>Net Debt</b>	<b>12,678</b>	<b>12,206</b>	<b>12,500</b>	<b>13,430</b>
% of GDP	26.7	25.0	25.6	26.6

Sources: Scotiabank Economics, New Brunswick Finance.

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**Total expenditure is expected to increase from \$13.7 bn in FY25 to \$14.3 bn in FY26, including a \$0.6 bn increase in program spending—notably in the areas of health care, education, housing, and economic resilience.** Roughly half of the new program spending is going to the health department, including to fund the establishment of 10 new community health care clinics. This puts the government on track for its electoral commitment to open at least 30 new such clinics in its first three years in office. The province's multi-pronged tariff response plan is estimated at \$112 mn, including \$25 mn in new FY26 funding to support large, export-intensive companies—with the balance sourced from existing programs and budgets. The government has also indicated that it will build an extra \$50 mn contingency into the fiscal plan to reflect the uncertainty of tariffs, but this amount was not integrated into all elements of the fiscal outlook. Debt servicing costs are expected to increase 15% y/y to \$673 mn in FY26, but remain manageable at 4.9% of total revenue. Looking ahead, the government's fiscal plan outlines an intention to limit increases in expenditures to 2.5% or less in future years. To support this goal, the government has instructed departments to identify potential areas of savings, as part of a broader transformation initiative.

**Net debt is projected to rise gradually, but remain manageable (chart 2).** Thanks to heavy lifting a decade ago to balance the budget, and strong fiscal discipline thereafter, New Brunswick was able to reduce its debt burden from 40.8% of GDP in FY16 to 25.1% in FY24. The budgetary and capital plans set out by the government would see New Brunswick's debt burden gradually increase to 28.5% by FY29, but remain significantly below its level of a decade ago.

**New Brunswick's borrowing program has completed \$1.8 bn of long-term borrowing in FY25, slightly more than the \$1.7 bn projected in last year's budget plan and in the Q3 estimate.** Total long-term borrowing is estimated to increase in FY26 to \$3.5 bn, including \$900 mn on behalf of NB Power (up from \$150 mn) and \$150 mn by the Municipal Finance Corporation (up from \$84 mn). \$60 mn of the province's requirements for next year have already been prefunded.

Multi-Year Fiscal Projections (\$ millions)								
	FY25		FY26		FY27		FY28	FY29
	Bud.'24	Bud.'25	Bud.'24	Bud.'25	Bud.'24	Bud.'25	Bud.'25	Bud.'25
Total Revenue	13,296	13,266	13,628	13,792	14,024	14,247	14,749	15,260
Total Expenditure	13,255	13,665	13,589	14,341	13,994	14,694	15,053	15,404
<b>Budget Balance</b>	<b>41</b>	<b>-399</b>	<b>39</b>	<b>-549</b>	<b>30</b>	<b>-447</b>	<b>-304</b>	<b>-144</b>
% of GDP	0.1	-0.8	0.1	-1.1	0.1	-0.9	-0.6	-0.3
<b>Net Debt</b>	12,678	12,500	12,919	13,430	13,189	14,347	15,022	15,508
% of GDP	26.7	25.6	26.0	26.6	25.6	27.7	28.3	28.5

Sources: Scotiabank Economics, New Brunswick Finance.

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