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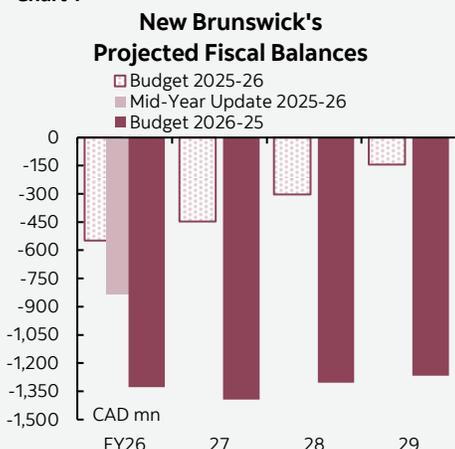
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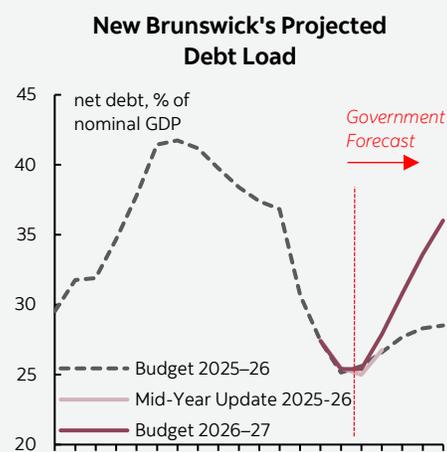
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Chart 1



Sources: Scotiabank Economics, New Brunswick Finance.

Chart 2



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

# New Brunswick: 2026–27 Budget

## LARGER DEFICITS FROM HIGHER SPENDING GROWTH AND WEAKER ECONOMIC OUTLOOK

- **Bottom line:** New Brunswick is projecting elevated deficits throughout the forecast horizon, with revenues only barely keeping pace with rising health care and other costs, even after spending restraint measures—mostly notably a 12% cut in the public service. The government has committed to continue to look for savings opportunities, which could help reduce the deficit going forward—but the lack of a contingency budget in the fiscal outlook also leaves some exposure to further economic downgrades or spending overruns.
- **Budget balance:** the deficit in FY26 is estimated to be \$1.3 bn (2.7% of nominal GDP), more than double what was planned in last year’s budget, and increase to \$1.4 bn in FY27 before marginally declining to \$1.27 bn by FY29 (chart 1).
- **Economic assumptions:** real GDP growth is projected to slow from an estimated 1.3% in 2025 to 1% in 2026 and 1.1% in 2027.
- **Net debt:** projected to increase from 27.9% of nominal GDP in FY26 to 36% in FY29 (chart 2).
- **Borrowing requirements:** increasing from \$4.0 bn in FY26 to \$4.3 bn in FY27, of which \$0.45 bn is on behalf of NB Power.

### OUR TAKE

**New Brunswick’s 2026–2027 Budget projects an extended period of higher deficits over the outlook as the province looks to address spending pressures.** The latest budget estimates the deficit for fiscal year 2025–26 (FY26) ending March 31<sup>st</sup> increasing to \$1.33 bn (2.7% of nominal GDP), more than double the deficit that was planned in last year’s budget (\$0.55 bn, 1.1% of GDP), and could be higher if the \$50 mn in contingency is used. The deficit is expected to increase to \$1.39 bn (2.7% of GDP) in FY27, before gradually declining to \$1.27 bn (2.3%) by the end of FY29, and does not contain any allocations for contingencies in FY27. The deficit over the outlook is deeper in the red for longer compared to last year’s budget in which the deficit was planned to shrink to \$0.14 bn (0.3%) by FY29.

**Most of the deterioration in the bottom line comes from greater spending over the outlook.** Total expenses are planned to increase 5.5% to \$15.6 bn in FY27, before rising 3.4% in FY28 and 1.7% in FY29 as the province looks to slow spending growth. Total expenditure was revised up roughly 6% in FY27 through FY29 relative to last year’s budget as the province faces higher spending costs, primarily towards health, education, and social development initiatives. Operational spending by the Department of Health is projected to increase 6.1% in FY27, in part due to a new compensation agreement with doctors. Operational spending growth in FY27 by the departments of Education and Early Childhood Development as well as Social Development is set to be even higher at 7.6%. Debt servicing costs are projected to rise 16% to \$0.9 bn in FY27. The province is planning a 12% reduction in the civil service workforce which has grown 13.9% from 2020 to the end of 2024, that is projected to save \$100 mn over the next three years. The government is also closing or transferring the least-visited provincially-owned heritage properties and has committed to continue to review “underutilized assets”—including schools with fewer than 100 students.

**Meanwhile, projections for the level of revenue were largely unchanged over the forecast horizon relative to last year’s budget.** Total revenue is projected to be \$14.2 bn in FY27, up 5.6% from FY26, before increasing 4.3% and 2.1% in FY28 and FY29 respectively. The budget announced a toll on non-New Brunswick vehicles near the border

with Nova Scotia beginning in 2028, which is estimated to add \$10.4 mn in annual revenue. Economic growth is projected to be soft over the near term, posing headwinds to revenue growth. Real GDP is estimated to have increased 1.3% in 2025, with growth slowing to 1% in 2026 and 1.1% in 2027 before rising 1.3% thereafter. This is a bit lower than our latest forecast but is a good planning assumption in the context of ongoing economic uncertainty and headwinds. Likewise, nominal GDP is projected to increase 3.1% in 2026 and 3% in 2027, down from an estimated 3.6% in 2025.

**The province’s debt burden is set to rise.** Net debt is projected to increase from \$13.9 bn in FY26 to \$19.7 bn by the end of FY29, which combined with a softer economic outlook will drive the net debt burden up from 27.9% of nominal GDP in FY26 to 36% by the end of FY29. This would move New Brunswick from having a below-average provincial debt burden to above-average, though remain below the 40% threshold that the province exceeded a decade ago.

**Total borrowing for FY27 is planned to be \$4.3 bn, up from \$4.0 bn in FY26** (of which \$3.6 bn has already been raised), reflecting the higher deficit and an increase in capital spending from \$1.2 bn to \$1.5 bn—mainly driven by higher infrastructure and public housing. The \$4.3 bn includes \$0.6 bn for NB Power and the Municipal Finance Corporation, down from \$1.1 bn in FY26.

Updated Fiscal Forecast					
\$ millions except where noted					
	FY26		FY27	FY28	FY29
	Bud.'25	Bud.'26	Bud.'26	Bud.'26	Bud.'26
<b>Total Revenue</b>	<b>13,860</b>	<b>13,488</b>	<b>14,244</b>	<b>14,857</b>	<b>15,175</b>
<b>Total Expenses</b>	<b>14,409</b>	<b>14,816</b>	<b>15,638</b>	<b>16,162</b>	<b>16,442</b>
<b>Budget Balance</b>	<b>(549)</b>	<b>(1,328)</b>	<b>(1,394)</b>	<b>(1,305)</b>	<b>(1,267)</b>
<i>% of GDP</i>	(1.1)	(2.7)	(2.7)	(2.5)	(2.3)
Net Debt	13,430	13,947	15,902	17,874	19,739
<i>% of GDP</i>	26.6	27.9	30.8	33.6	36.0
Debt Service	673	740	860		
<i>% of Revenue</i>	4.9	5.5	6.0		

Sources: Scotiabank Economics, New Brunswick Finance.

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