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FISCAL PULSE

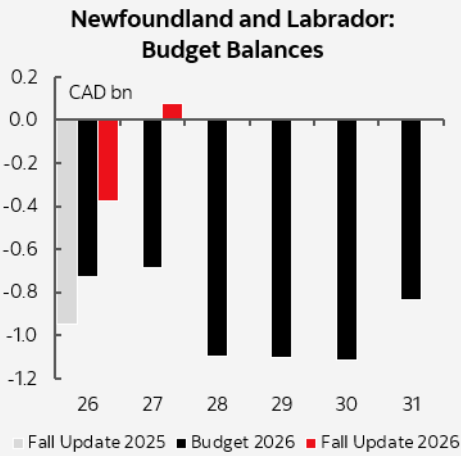
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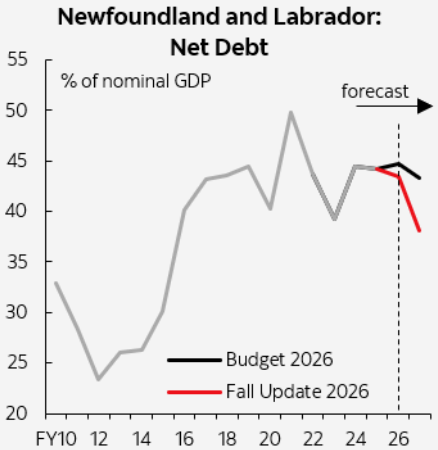
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Chart 1



FY26 figure is final as of Fall Update 2026.
Sources: Scotiabank Economics, NL Finance.

Chart 2



Sources: Scotiabank Economics, Finance Canada, NL Finance.

Newfoundland and Labrador: 2026–27 Mid-Year Update

- **Newfoundland and Labrador's mid-year fiscal update reveals a projected surplus of $78mn (0.2% of nominal GDP) in FY27, up from a previously projected $688mn deficit (-1.4%).** The swing to a surplus vs Budget 2026's deficit projection can be mainly attributed to the significant revision to the province's total revenue forecasts, which has been revised higher by approximately $1.5bn—more than compensating for a $0.7bn rise in forecasted total expenditures.

- **The economic outlook for FY27 has improved**. The province's oil industry has posted significant gains in 2026, with oil production forecast to increase by roughly 15% for the second year in a row. Strength in the mining, fisheries, and tourism sectors have also supported solid economic growth throughout the year, while consumption has remained robust and labour markets have been stable. The nature of how U.S. tariffs have been applied (with Canadian energy products exempt) has meant that Newfoundland and Labrador faces one of the lowest effective tariff rates among provinces, mitigating the impact on the economy. The update boosts anticipated real GDP growth in 2026 to 7.1% from the spring's estimate of 5.5%, substantially greater than our own real GDP forecast of 2.8% from our mid-October *Scotiabank Forecast* publication.

- **Total revenue for FY27 has been revised upward by $1.5 bn, or 13.6%.** The aforementioned greater oil production, along with higher prices, and solid export and multisectoral performances have significantly boosted revenue projections for the year—now estimated to land around $12.3bn in FY27, nearly $1.5bn greater than Budget 2026's initial projection and roughly 11% greater than total revenue reported in FY26. The higher oil production, alongside elevated oil prices, have led to the budget impact rising to approximately $3.0bn, an increase of $1 billion compared to Budget 2026's estimate (even after introducing an oil risk adjustment of $74mn). However, while the annual average price of Brent crude oil in 2026 will almost certainly be materially higher than the $79 USD/bbl previously assumed in the spring Budget, the final figure could prove to be lower than the now-estimated $98 USD/bbl, should prices continue their current downward trend, though significant upside risks still exist. Robust consumption and retail sales, along with expected year-over-year increases in employment growth and household income have also contributed to higher economic growth and revenue projections.

- **FY27 expenditures have been increased by $0.7 bn, or 6.1%.** Total spending is now anticipated to reach $12.2bn, for projected year-over-year growth of approximately 6.6%. Roughly $200mn of the additional expenditure measures derive from affordability payments (reflecting the government's commitment to use 20% of the oil windfalls to support citizens), including the Seniors Affordability Payment ($64mn), Families and Children Affordability Payment ($39mn), and the 15% Churchill Falls Electricity rebate ($45mn). In addition, healthcare expenses have reportedly been revised approximately $400mn higher than what was set out in the spring Budget.

- **The net debt-to-GDP path has improved**. An improved budget balance and strong economic performance in 2026, where nominal GDP is projected to grow by 15.7%, has culminated in today's mid-year update projecting net debt in FY27 to total approximately $19.3bn or 38.1% of GDP, a material improvement on Budget 2026's initial forecast ($20.8bn), as well as last year's actual ratio (both 43.5%). The government has committed to use 80% of the oil revenue windfall towards reducing its debt, and in particular that this year's windfall will allow the government to reduce its borrowing next year by $637mn (though the borrowing plan for this year remains at $3.9bn) and make a one-time special contribution to a sinking fund of $175mn.

- **The medium-term outlook is uncertain.** The spring Budget had forecasted fairly sizeable deficits out to 2031, and this mid-year update did not include new projections past FY27. While the improvement in the near-term fiscal outlook is undoubtedly positive, the medium-term outlook is unlikely to improve as much. Oil production, while greater than 2025, has declined over the course of 2026 and oil prices have also fallen in recent weeks (though remain volatile). As a result, revenue growth could be significantly weaker next year (especially from oil), and the province continues to face cost pressures from health and other key spending areas. As a result, the government's commitment to bank 80% of the revenue windfall is wise, and will help mitigate pressures to create new permanent costs out of temporarily higher revenues. In addition, the medium-term economic outlook is promising, especially as the Churchill Falls expansion and Bay du Nord offshore field get closer to approvals and implementation.

Table 1: Newfoundland and Labrador - Updated Fiscal Forecast

	FY26		FY27	
	Bud. '26	Final	Bud. '26	Nov. '26
Total Revenue	10,677	11,091	10,838	12,308
Total Expenses	11,406	11,469	11,526	12,230
Budget Balance	(729)	(378)	(688)	78
% of GDP	(1.7)	(0.9)	(1.4)	0.2
Net Debt	19,544	19,015	20,844	19,300
% of GDP	44.8	43.5	43.5	38.1

Sources: Scotiabank Economics, NL Finance.

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