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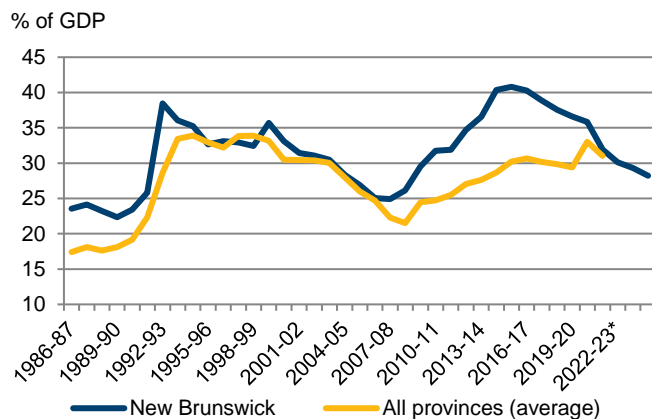
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New Brunswick Budget – Population Growth, Quick Debt Reduction and Small Surpluses

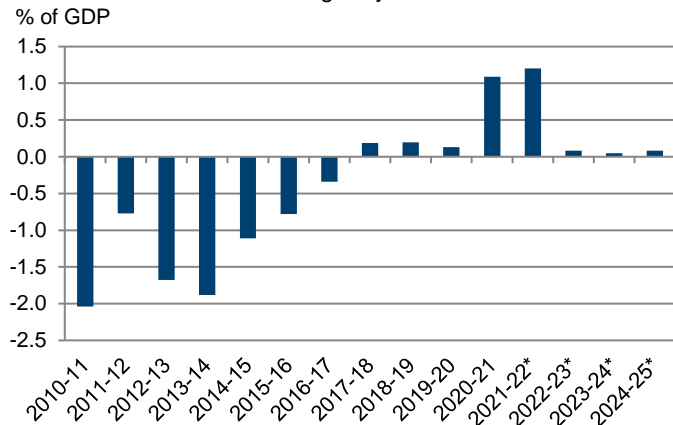
New Brunswick positively stands out from the pack when it comes to public finance. The public debt burden has been consistently and significantly declining since FY 2017-18 (chart 1). FY 2021-22 is particularly striking: the solid economic rebound, one-time funding from Ottawa for pandemic relief, and federal transfers tied to NB's improving share of the Canadian population led to a large \$500M surplus (1.2% of GDP). The debt level (\$13.4B) and net debt-to-GDP ratio (32%) both plunged in that year.

Chart 1: New Brunswick Net Debt



Source: Government of Canada Fiscal Reference Tables, New Brunswick Government and LBS Econ. Res. and Strategy.

Chart 2: New Brunswick Budgetary Balance



Source: New Brunswick Government and LBS Econ. Res and Strategy calculations.

Budget 2022 shows further improvements. For instance, the net debt-to-GDP ratio is projected to edge down to 28% three years from now, bringing NB closer to BC than Ontario or Quebec on that basis. Small surpluses are projected. In FY 2022-23, total expenses are poised to increase briskly by 5.5%, to \$11.3B, reflecting funding efforts to accommodate the positive turnaround in population growth. Higher immigration targets set at the federal level since 2016 contributed to the improving demographic picture. Also, the interprovincial net migration flows have been extremely solid since late-2020. This partly reflects the deterioration in housing affordability across Canadian municipalities and the growing popularity of teleworking triggered by the pandemic. Accordingly, NB recorded last year its fastest labour force growth since 2008 (+1.3%). In 2021, the level of housing starts reached a decade-high, while the rental vacancy rate sits at a record-low of 1.7%. Resale home prices jumped by 10% in 2020 and 26% in 2021, averaging \$246K last year. However, that is less than half the nationwide average price tag for a home on the resale market (\$690K). Exports in nominal terms thrive, supported notably by higher agri-food prices. Also, the U.S. hinted last February at possibly lowering lumber duties later this year. NB's participation in the Atlantic Immigration Pilot Program starting this April will facilitate the economic integration of international students, also supportive for labour force growth going forward. The Ministry of Finance forecasts real GDP growth



at 2.2% in 2022, significantly above what the Province experienced in the previous decade (0.8% annual average between 2010 and 2019).

Revenues are projected to increase at a slower pace than economic growth (+1.2%) in FY 2022-23 due to \$40M in tax relief offered to more than 400K individuals. Finance Minister Ernie Steeves proposes an 8% increase in the provincial basic personal amount and a 5% increase in the low-income tax credit threshold in order to offset the upcoming federal government's carbon tax increase. Meanwhile, the provincial property tax rate on targeted residential buildings will be reduced over three years. The government also caps rent increases in 2022 at the 2021 CPI inflation rate of 3.8%.

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