
Pre-Budget Consultation

2023-2024

Department of Finance and
Treasury Board



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Think Recycling!

Pre-Budget Consultation 2023–2024



Despite facing a series of challenges not seen in generations, New Brunswick has entered a period with the momentum needed to face the challenges yet to come.

We are seeing record population growth and employment reached new heights in 2022.

Despite these achievements, the challenges before us are many. We continue to operate in a volatile economic environment as rapidly rising prices are putting pressure on household budgets and increasing costs on businesses.

Rising interest rates are now part of the global economic environment as central banks take steps to bring inflation under control. This will lead to slower economic growth in 2023 at home and abroad.

In addition to preparing for an economic slowdown, we are also dealing with the challenges that come from the growth we have seen in recent years.

Fortunately, we have built the momentum to put us in a position to face the challenges that lie ahead.

Through our economic success and as responsible stewards of the finances of the province we have now built the financial flexibility to build a stronger, more prosperous province for future generations of New Brunswickers.

We have made progress in improving our key financial metrics, allowing us to reduce the tax burden on New Brunswickers and increase spending in priority areas.

Budget 2023–2024 will continue the important work necessary to build on the growth we have seen in recent years and take advantage of the opportunities before us.

The decisions we take must consider how we maintain the momentum we have built in recent years. We must consider the needs of a growing population and the communities they live in. We must build on the opportunities before us to create the conditions for stronger economic growth, while also supporting the most vulnerable members of our population. And we must do this for the benefit of New Brunswickers today and into the future.

We all have a role to play in building on the opportunities before us and I look forward to engaging New Brunswickers as we develop Budget 2023–2024.

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

New Brunswick is being impacted by a level of price inflation not seen in 40 years. Measures to reign in this price growth will lead to slower economic growth in the year ahead. However, New Brunswick is relatively well positioned to withstand what is expected to be a modest, short-lived downturn in 2023.

The province set a record for population growth in 2022 with nearly all communities showing gains. Strong positive net interprovincial migration and a rebound in net international migration drove growth in New Brunswick in 2022.

Employment set a record in 2022 supported by a strong increase in full-time jobs. In addition, growth in average weekly earnings has led the country.

While these positive developments position New Brunswick to weather an economic downturn, inflation is expected to remain elevated in 2023.

Expectations are that the full impact of the interest rate increases seen over the last year

will take up to two years and will lead to slower economic growth in the near-term. The Bank of Canada has also clearly indicated that it will not hesitate to continue to increase rates further should elevated price inflation persist.

As interest rates rise, businesses and consumers will adjust their budgets to reflect higher debt servicing costs and will limit their spending to focus on essentials.

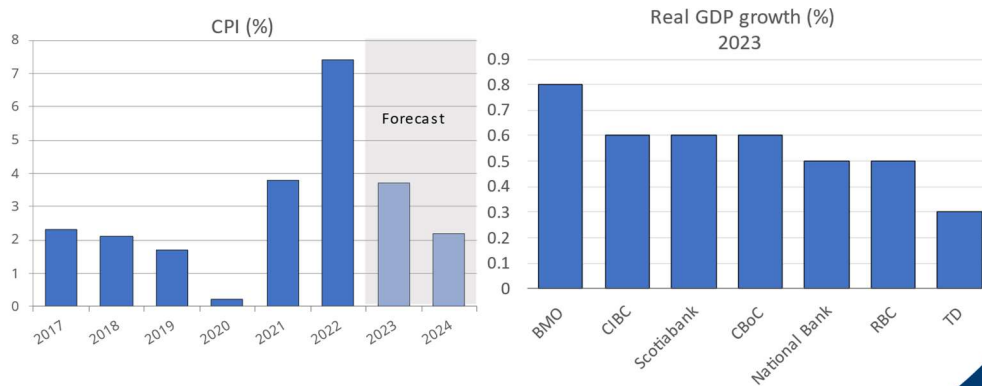
A slower pace of economic activity is also likely to help repair strained supply chains and ease some of the labour shortages that have been in clear evidence in recent years.

"...households in New Brunswick are carrying the lowest debt burdens (by far) of any province in the country. This should help insulate them from higher interest rates to a degree."

TD Economics – December 2022

Forecasters are projecting a shallow, short-lived downturn that will be followed by a quick recovery as the rate of inflation moderates towards the later stages of the year. The strong pace of activity the province experienced following the pandemic-induced economic shutdown has prepared New Brunswick to face the added challenge that comes from fighting inflation.

Inflationary pressures to ease as economy slows



Source: Statistics Canada Table 180-0005-01, Survey of Private Sector Forecasters



Affordable, responsive and high-performing government

A key focus of government has consistently been to act as responsible managers of the public purse. Decisions would be made to address not only today's priorities, but also with a view towards building financial flexibility for future generations of New Brunswickers.

Despite the impacts of the pandemic, government has delivered annual surpluses to the provincial budget. The province is now on track to reduce net debt by more than \$2 billion, and the net debt-to-GDP ratio is now expected to be below 26 per cent.

These improved financial results have created the fiscal flexibility to take a balanced approach in delivering important public services throughout the province, while also reducing the tax burden on New Brunswickers.

Government has also increased spending in priority areas such as health care, education and social services. Moreover, public sector wages have also been increased.

Taxpayers are now benefitting from lower personal income taxes and provincial property tax rates as reductions in these areas will return approximately \$250 million to provincial taxpayers.

While the fiscal progress has been notable, recent revenue gains are not expected to continue. As temporary pandemic-related factors abate and the economy slows, so too will revenue growth. Moreover, spending pressures have pivoted from the pandemic to rapidly rising prices.

While much progress has been made, it has become increasingly important to adapt to

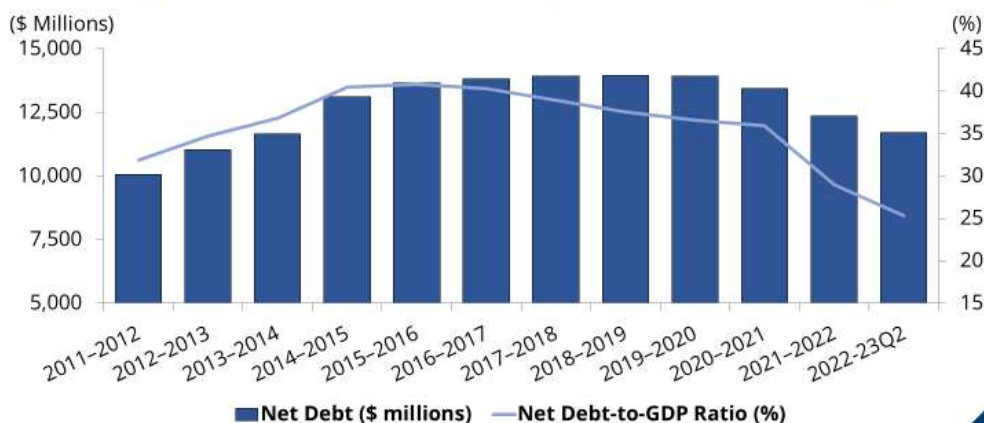
changing circumstances. However, it remains equally important to make decisions with the knowledge of how it will impact the finances of the province.

When considering that revenue growth is expected to remain volatile and spending pressures will continue to grow, maintaining fiscal discipline continues to be an important consideration.

"...the Province's fiscal situation continues to improve; however, a note of caution is required as the annual surplus this year was largely driven by fluctuations (increases) in Harmonized Sales Tax, Personal Income Tax and Corporate Income Tax revenues, which may not recur in the future."

Auditor General of NB - November 2022

Creating opportunities through financial management



Source: NB Department of Finance and Treasury Board

Where the money comes from

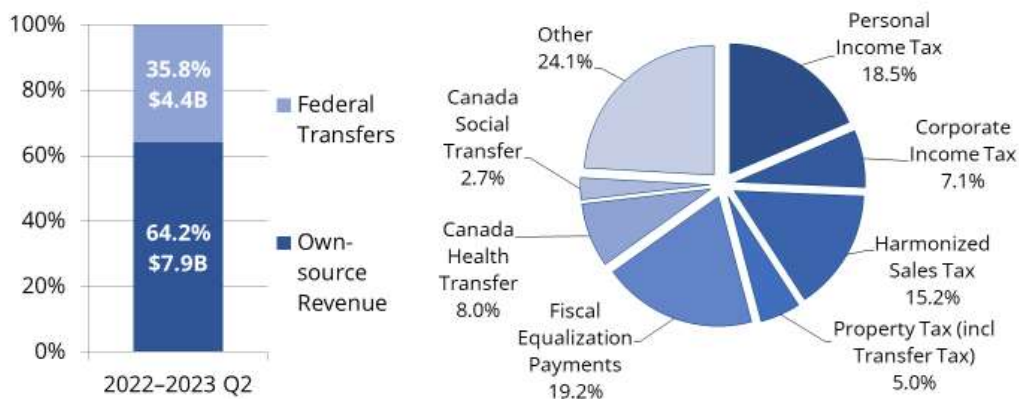
It is important to know where the revenue that finances our public services comes from.

As of the second quarter for 2022–2023, provincial revenues are projected to total an estimated \$12.3 billion.

Own-source revenue represents 64.2 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 35.8 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

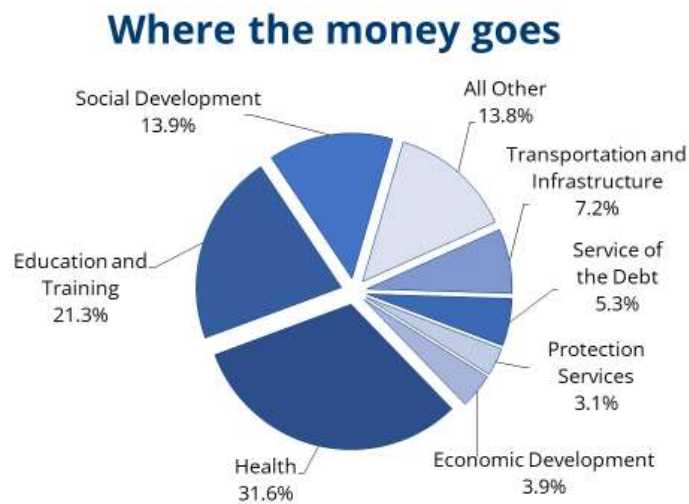
Managing our spending closely and focusing our investments on priority areas play an equally critical role in maintaining balance to our finances.

As of the second quarter for 2022–2023, provincial expenditures are projected to total an estimated \$11.5 billion.

Health, and Education and Training represent the two largest expenditure areas for the province. Combined, they represent approximately 53 per cent of our spending. Including spending on Social Development, two out of every three dollars are spent on Health, Education and Training, and Social Development.

Service of the Public Debt, at \$609 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 2023–2024 and beyond

Despite facing inflationary pressures not seen in 40 years, New Brunswick has built some momentum. Our economy is stronger, fiscal results are improved, and we are well positioned to face an expected economic downturn.

We have moved from challenges created by the pandemic to facing challenges brought on by a growing economy and rising inflation. We must now explore opportunities to address the pressures caused by growth. We must also consider how to deal with increased demand in key areas such as housing, health and education.

As we consider the 2023–2024 Budget, government wants to hear from New Brunswickers. Through this year’s pre-budget consultations, New Brunswickers are invited to share their views on the issues and opportunities facing our province and how best to address them.

- How does the province increase the supply of housing in response to strong population growth?
- What supports are needed to help our vulnerable population deal with the rising cost of living?
- What opportunities are there to modernize our health care system so that it is accessible, responsive, and meets the needs of a growing population?

- What is needed to strengthen the province’s education systems to prepare our students for success in the modern work environment?
- What investments are needed to transition to a low-carbon green economy?

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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