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New Brunswick: Deficits needed to build foundation for the future

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Highlights

Like at the national level, economic growth in New Brunswick was dampened by trade uncertainty and a decelerating population in 2025. The province concedes the importance of sustaining key investments—in healthcare, education, and industry support—while ensuring finances remain well anchored. Despite a prudent tone, New Brunswick's deficit (including contingencies) is expected to settle at \$1.38 billion (2.8% of GDP) in the outgoing fiscal year—sharply higher than the original budget plan which outlined a more modest deficit, just shy of \$600 million. Red ink is seen spilling into 2026-27, where the deficit will remain largely unchanged from 2025-26 at \$1.39 billion (2.8% of GDP). Fiscal consolidation is minimal out the forecast horizon, as the plan outlines a deficit of \$1.27 billion by 2028-29 (2.5% of GDP). Last year, the province saw the total budgetary shortfall from 2025-26 to 2028-29 totalling \$1.49 billion. In Budget 2026, that total stands at \$5.29 billion. Accumulating red ink will and the largest capital budget in the province's history will add to the province's debt burden, outright and as a share of the economy. Net debt-to-GDP is expected to stand at 27.9% at the end of 2025-26, and is then seen climbing to 36.0% at the end of the forecast horizon—adding nearly \$2 billion to the debt load each year. Still, indebtedness looks favourable on the national scale, as the province's interest bite (stepping up to 6.0% in 2026-27 vs 5.5% last year) remains less painful than the weighted provincial average. New Brunswick will have carried out \$4.0 billion in gross long-term financing in the outgoing fiscal year (inclusive of NB Power and NB MFC), and that tally will step up to just over \$4.3 billion in 2026-27.

- **Economic outlook** — As seen elsewhere in the country, New Brunswick's economy was impacted by trade uncertainty and slower population growth in 2025. As a result, it is estimated that the province's real GDP grew by 1.3% in 2025 compared to 2.7% in 2024. Considering this, growth was weaker than the 1.7% at the national level but slightly above the 1.1% expected in last year's budget. More important for public finances, nominal GDP grew by 3.6% (Canada: 4.3%) following a 4.0% increase in 2024. After experiencing record population growth of 3.3% in 2024, the province saw an increase of only 1.3% in 2025. Job creation in 2025 was less than half of what it was in 2024, falling from 2.8% to 1.3%. Nevertheless, due to slower population growth and a decline in the participation rate, the average unemployment rate in 2025 remained unchanged at 7.1% compared to the previous year. Looking ahead, the uncertainty caused by the trade and geopolitical environment, as well as the slowdown in population growth, are likely to continue to weigh on New Brunswick's economy. In this context, the budget is based on a lower real growth rate of 1.0% in 2026. That's cautious compared to the 1.2% expected by the private-sector consensus. The budget forecasts that real GDP should increase at a slightly stronger pace of 1.1% in 2027 and by 1.3% on average between 2028 and 2030. As for nominal GDP, growth of 3.1% has been forecast for 2026, followed by 3.0% in 2027, and by 3.2% on average between 2028 and 2030. As for the labour market, the average unemployment rate is expected to decline to 6.9% in 2026 and 6.7% in 2027. Job creation is expected to be cut in half again in 2026 and 2027 to only 0.6%. Population growth should continue to slow significantly, reaching just 0.3% in 2026 and 2027.
- **Latest (but not yet final) estimate of the 2025-26 budget balance** — As per the third quarter update presented in February, New Brunswick is projecting a budget deficit (including contingencies) of \$1.38 billion (2.8% of GDP) for the 2025-26 fiscal year. That's a significant swing from the original budget plan which envisioned a more modest deficit of \$599 million (including contingencies). The deterioration is driven by a two-sided budgetary hit. Revenues came in \$372 million (-2.7%) lower than planned, with budgetary misses on corporate and personal income tax, HST and royalties. On the other side of the income statement, spending was \$407 million (+2.8%) more than anticipated. This was largely a function of higher health care spending, which was more than 10% over budget.
- **Medium-term fiscal outlook (2026-27 & beyond)** — Red ink is seen spilling into 2026-27 and beyond in the province's three-year fiscal plan, with only very modest consolidation expected over the budget horizon. In the year ahead (2026-27), the deficit will remain effectively unchanged at \$1.39 billion (2.8% of GDP) with large increases on both the revenue (+5.6%) and spending fronts (+5.5%). In the following two years of the fiscal plan, revenue growth (+3.2% per year) is expected to modestly outpace new spending (+2.5% per year) which leads to the deficit moderating slightly. Specifically, the province is guiding towards a \$1.31 billion shortfall in 2027-28 (2.6% of GDP) and a \$1.27 billion deficit in 2028-29 (2.5% of GDP). Compared to last year's fiscal plan, there is significantly more red ink that is expected to accumulate. Last year, New Brunswick saw the cumulative budgetary shortfall from 2025-26 to 2028-29 totaling \$1.49 billion. Today, that four-year total stands at \$5.29 billion.
- **New initiatives** — Like other provincial budgets tabled thus far, New Brunswick has outlined an intensive investment plan. While a handful of departments received funding cuts (a 12% reduction in the civil service is presented for the upcoming fiscal horizon), most saw budget increases. That includes the Department of Health, which will see \$710MM in additional allocations, the largest year-over-year increase in the province's history (17.4%). Health care investment is concentrated in service provider compensation, the implementation of clinical information systems, and the upkeep of nursing home funding. Additional funding will also be provided in education—school lunch program extensions will see \$7MM, while over \$25MM is penciled in to support the recruitment and compensation of educational staff. The province will continue to invest in affordability and housing initiatives, maintaining the monthly residential electricity rebate, estimated at providing nearly \$100MM in relief. To ensure global competitiveness and economic resilience, NB is investing nearly \$10MM to prepare for additional nuclear development at Point Lepreau, and \$21MM to continue ONB's Competitiveness and Growth Program, aimed at assisting export-oriented corporations in the province. More broadly, over \$140MM is allocated to support local governments in critical areas such as infrastructure renewal. In other attempts to minimize the deficit, the province remains committed to reviewing underutilized assets, improving the collection process for money already owed to the government, and looks to introduce tolls on non-New



Brunswick vehicles (a booth near Aulac to be operational by 2028), as well as promote the privatization of veterinary services. All told, New Brunswick remains committed to protecting industry and key services through thoughtful investments, while ensuring the province's fiscal health is not ignored, introducing adjustments where necessary.

- **Debt outlook & interest bite** — New Brunswick's net debt is set to end March 2026 at \$13.9 billion, compared to the \$13.4 billion initially penciled in last year. The level of net debt would've been higher if it were not for a lower-than-anticipated net debt load at the end of 2024-25. On a relative basis, the province's net debt-to-GDP ratio is expected to end the 2025-26 fiscal year at 27.9%, the lowest in Canada east of Saskatchewan. With ongoing budget deficits expected and the largest capital budget in the province's history, New Brunswick's debt load will increase from here. Net debt is seen rising \$1.95 billion in 2026-27 and this pace is expected to be sustained over the horizon (increases of \$1.97 billion in 2027-28 and \$1.87 billion in 2028-29). This accumulation will push the debt burden higher. Standing at 27.9% of GDP in 2025-26, this ratio will jump to 30.8% in 2026-27 before reaching 36.0% in 2028-29. It is expected to cost \$860 million to service the public debt in 2026-27, consuming a larger share of total provincial revenue (6.0% vs. 5.5% in 2025-26). With a lower-than-average debt burden, New Brunswick's interest bite will remain less painful than the weighted provincial average.
- **Borrowing requirement** — New Brunswick carried out \$3.6 billion in gross long-term financing in the outgoing fiscal year (with two weeks and \$0.4 billion still to go, according to the Q3 update). That tally is inclusive of borrowing on behalf of NB Power and NB Municipal Finance Corporation, and assuming the remaining requirement is completed, it will be roughly \$0.53 billion over prior Budget, but in-line with Q3 guidance. In the upcoming fiscal year, the province's gross requirement (exclusive of NB Power and MFC) is penciled in at \$3.74 billion (up from \$3 billion in 2025-26). Of this, \$1 billion is refinancing and \$175 million is attributed to the underfunding of last FY. In addition, NB Power will require \$450 million (half of last year's requirement), while NB MFC will raise a further \$150 million (more than the \$116 million completed last year, but equal to the previously budgeted amount). In aggregate, gross needs of \$4.34 billion in 2026-27 represent an ~8% increase from estimated 2025-26 funding.
- **Current long-term credit ratings** — S&P: A+, Stable | Moody's: Aa1, Stable | DBRS: A(High), Stable

[Refer to our [Provincial Ratings Snapshot](#) for additional colour on specific credit rating drivers/considerations]

	MULTI-YEAR PLAN		
	2026-2027	2027-2028	2028-2029
	Budget	Plan	Plan
Revenue	14,244	14,857	15,175
Expense	15,638	16,162	16,442
Surplus (Deficit)	(1,394)	(1,305)	(1,267)
(Increase) Decrease in			
Net Debt	(1,955)	(1,972)	(1,865)
Net Debt-to-GDP ratio	30.8%	33.6%	36.0%



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