

Economics

PROVINCIAL BUDGET BRIEFS

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New Brunswick budget 2026

New Brunswick is projecting larger deficits than a year ago, primarily because of increased health care spending as well as some recent softness in revenues relative to previous expectations. The outgoing 2025/26 fiscal year is now expected to see a \$1.38bn deficit, which would be roughly 2.7% of nominal GDP, and the province expects a similar shortfall for the upcoming 2026/27 fiscal year. While revenues are forecast to improve, further increases in health spending combined with higher debt service costs are expected to offset that improvement. The projection for another large deficit, combined with further capital spending and debt maturities, adds up to a total long-term borrowing requirement of \$4.2bn for fiscal 2026/27.

Table 1: Summary of fiscal position: (C\$millions)

Fiscal measure	2024/25 Actual	2025/26 25 Budget	2025/26 26 Budget	2025/26 Change	2026/27 26 Budget	2027/28 26 Budget	2028/29 26 Budget
Revenue	13,647	13,860	13,488	-372	14,244	14,857	15,175
• % change	3.9	1.6	-1.2	-2.7	5.6	4.3	2.1
Own source	8,588	8,652	8,262	-390	8,638	-	-
• % change	2.8	0.8	-3.8	-4.5	4.6	-	-
Federal transfers	5,059	5,207	5,225	18	5,606	-	-
Expenditures	13,751	14,409	14,816	407	15,638	16,162	16,442
• % change	8.9	4.8	7.7	3.0	5.5	3.4	1.7
Program spending	13,061	13,668	14,076	407	14,778	-	-
• % change	9.1	4.7	7.8	3.1	5.0	-	-
Public debt charges	690	740	740	0	860	-	-
Contingency reserve	-	50	50	50	-	-	-
Budget balance	-104	-599	-1378	-779	-1394	-1305	-1267

Economic growth to slow further

Growth within the New Brunswick economy is expected to slow further in 2026, with the impact of US lumber tariffs and slower population growth weighing on the overall pace of expansion. Real GDP is projected to rise by only 1.0% this year, which would be a further slowdown when compared with the 1.3% estimated for 2025. Both of those figures are, however, slightly conservative relative to the private sector average.

Nominal GDP growth, which is generally more closely related to provincial revenues, is expected to ease to 3.1% in 2026 and remain close to that level for the next four years. Population growth within the province, which has helped to grow the workforce but also added to cost pressures, is expected to ease from 1.3% in 2025 to only 0.3% over the next two years, before picking up again.

Table 2: Key assumptions (Y/Y % chg)

Economic assumptions	2025	2026	2027	2028-30
Real GDP	1.3	1.0	1.1	1.3
• Private sector average	1.5	1.2		
Nominal GDP	3.6	3.1	3.0	3.2
Employment	1.3	0.6	0.6	0.8
Unemployment rate (%)	7.1	6.9	6.7	6.8
Housing starts	23.0	-15.4	-11.8	-0.9
Primary household income	5.7	3.7	3.4	3.3
CPI	1.7	2.2	2.0	1.9
Population	1.3	0.3	0.3	0.8

Note: 2028-30 is a three-year average

Inflated deficits expected to continue

For the outgoing 2025/26 fiscal year, the deficit is now projected to be \$1.38bn, which is more than double the Budget 2025 forecast and equivalent to roughly 2.7% of nominal GDP. The third quarter update released last month showed that revenues are running lower than initially expected, particularly for personal, corporation and sales taxes. On the other side of the ledger, expenditures are expected to be just over \$400mn higher than budgeted, with that largely being driven by health spending.

For the upcoming fiscal year, the deficit is expected to remain largely unchanged at just under \$1.4bn. While revenues are rebounding following the current year's disappointment, that will be offset by higher spending. Program spending will rise by another 5%, largely reflecting further investments in health as well as education. Higher debt service costs will also contribute to the increase in overall expenditures. Tempering the increase somewhat, government departments are being asked to find savings of 12% over the next three years. The province also announced a plan to toll non-New Brunswick vehicles to raise around \$10mn in revenue by 2028.

The medium-term forecasts see the deficit narrowing slightly, but at \$1.27bn by 2028/29. The shortfall would still represent roughly 2.5% of nominal GDP. Spending growth is expected to slow, in part due to the savings being sought among government departments, but revenue growth is also expected to moderate.

Borrowing jumping on higher deficit and capital spending

For this outgoing fiscal year ending in two weeks, the province has borrowed \$3.5bn in long-term funding across nine transactions. That compares to the previous fiscal year's five transactions raising a total of \$1.7bn in term debt. All the deals were completed in the domestic markets as the province's last international deal was in 2019.

Overall, this outgoing year's program requirements included \$2.2bn for the province, \$1.0bn for refinancing and \$0.9bn on behalf of NB Power. Due to some pre-funding from the prior year, an additional \$239mn was applied to this current year. All that combined places the new target at \$3.9bn, which still leaves \$400mn to be funded by the end of the fiscal year. That remaining amount is split between \$175mn for the province and \$225mn for NB power. The latter will be funded via private placement before the end of the fiscal year.

As for the upcoming year, new long-term borrowing requirements for the province are \$2.6bn, while refinancing needs are \$1.0bn. That latter requirement is due to the \$1.0bn bond maturing this August that needs to be refinanced. Meanwhile, borrowing on behalf of NB Power is planned at \$450mn. Overall, total long-term borrowing requirements are \$4.2bn when incorporating that \$175mn of funding still to be completed from this outgoing year, which appears to be pushed into the new fiscal year's requirements (displayed as underfunding from 2025/26).

Although they do not provide future borrowing estimates (i.e. 2027/28), the projected deficit of \$1.3bn, capital spending plans of \$1.6bn, and another \$1.0bn in bond maturities should keep borrowing elevated. The unknown component at this time is funding requirements for NB Power, as that component has had large fluctuations over the past few years (2024/25 was \$150mn, 2025/26 was \$900mn, and 2026/27 now at \$450mn).

Table 3: Borrowing requirements (C\$millions)

Borrowing requirements	2025/26F Budget	2025/26E Update	2026/27F Budget
New long term borrowing	1,476	2,220	2,569
Refinancing requirements	1,019	1,019	1,000
(Prefinancing)/Underfunding	-60	-239	175
Total province	2,435	3,000	3,744
Borrowing on behalf of NB Power	900	900	450
Total borrowing	3,335	3,900	4,194

Net debt-to-GDP ratio rising over the horizon

Despite a slightly improved starting position than estimated as well as lower investments in tangible capital assets, the larger deficit sees net debt increasing by some \$500mn from Budget 2025 to \$13.9bn as at March 31, 2026. That sees the net debt-to-GDP ratio increasing by 1.3% to 27.9% for the outgoing year.

Looking ahead, the deficit of \$1.4bn, investments in tangible capital assets of \$1.2bn, less some amortization, sees net debt increase by almost \$2.0bn to \$15.9bn as at March 31, 2027. That growth places the ratio at 30.8% by the end of this upcoming fiscal year.

Over the multi-year horizon, continued deficits as well as capital spending sees the ratio increasing further and reaching 36.0% by 2028/29. That compares to last year's budget which projected the ratio reaching 28.5% by that same date.

Five-year capital plan set at \$7.7bn

Tabled in December, the province's capital budget calls for a record \$1.47bn of spending, an increase of \$211mn compared to the budget tabled last year. Starting this year, the province now has a five-year capital plan as opposed to a three-year plan previously. Over that horizon, cumulative spending plans reach \$7.7bn by 2030/31, averaging around \$1.5bn per year. That compares to the three-year plan tabled last year which called for \$4.0bn over three years, averaging \$1.3bn per year. Overall, the larger plan put forth hopes to combat trade and tariff headwinds, as investments in capital assets act as a stabilizer during economic slowdowns.

The largest investment which accounts for about half of the capital budget is within the Department of Transportation and Infrastructure, estimated at \$681mn. Approximately \$540mn is for improvements to roads, bridges, ferries, and other transportation assets. While an additional \$20mn is being invested in maintenance and improvements for tourism infrastructure as well as heritage sites.

The province is investing \$247mn in health-care infrastructure, with \$205mn going towards renovations, additions and other improvements at hospitals, while another \$42mn will help replace aging capital equipment in the health-care system. As a result of amplified pressure on the education system due to increased enrolment, the plan calls for investment of \$242mn in the province's schools. That amount includes about \$193mn to continue work that has already begun, and an additional \$36mn for improvements, equipment and ventilation upgrades.

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