

Economics

# PROVINCIAL BUDGET BRIEFS

April 29, 2026

**Andrew Grantham** [andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

**Tom Bognar, CFA** [tom.bognar@cibc.com](mailto:tom.bognar@cibc.com)

## Newfoundland & Labrador budget 2026

The province of Newfoundland & Labrador is projecting a \$689mn deficit for the current fiscal year (1.4% GDP), rising to more than \$1bn (above 2% of GDP) in fiscal 2027/28, with reductions in tax rates for small businesses and extensions of some other tax cuts negatively impacting revenue projections. However, the budget is based on oil assumptions that are very conservative relative to today's prices, suggesting offshore royalty revenues could be higher. Moreover, budget projections haven't yet included any potential benefits from a new Churchill Falls deal, so there's scope for future improvement in the deficit projection. Long-term borrowing is expected to be \$3.9bn in the current fiscal year, which would be a slight step down from the prior year due to lower maturities.

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	2029/30 26 Budget	2030/31 26 Budget
<b>Revenue</b>	10,365	10,670	10,677	7	10,838	10,459	10,578	10,863	11,233
Own source	7,637	8,061	7,986	-75	8,021				
• % Change	11.8	11.6	4.6	-7.1	0.4				
Federal transfers	1,887	2,134	2,225	90	2,423				
Net income: Government business enterprises	842	475	466	-8	394				
<b>Net Expenditure</b>	10,662	11,042	11,406	364	11,526	11,554	11,680	11,975	12,068
Program spending	9,489	9,903	10,292	389	10,348				
• % change	6.1	5.7	8.5	2.7	0.5				
Public debt charges	1,173	1,139	1,114	-25	1,178				
<b>Budget balance</b>	-297	-372	-729	-357	-689	-1,095	-1,102	-1,112	-835

## Newfoundland & Labrador growth to remain strong

Growth in the Newfoundland & Labrador economy is expected to be strong in the near-term, primarily due to higher oil and mineral production. The West White Rose oil field is expected to begin production in the second half of 2026, while two gold mines also begin their first year of production. Business investment is expected to drop again this year, but that largely reflects the finishing of projects that are now ramping up production. The forecasts assume that current US tariffs remain in place throughout the projection horizon, although these have had a smaller impact on the Newfoundland & Labrador economy relative to most other provinces. The removal of Chinese tariffs on some seafood items last year should benefit exports.

Nominal GDP growth is expected to be even stronger, rising by 10% in 2026, with higher oil prices adding to the positive impact that increased production is having on the inflation-adjusted growth rates. It's also likely that nominal GDP will outperform even this forecast, as the assumptions for oil prices are conservative relative to today's level. Today's budget was based on a \$79/bbl average price for Brent oil in the current fiscal year, well below the current spot rate and the average for this fiscal year so far (\$102/bbl). Based on forecasts for oil production and it's budget impact, a \$1/bbl change in price would likely have a revenue impact of roughly \$26mn.

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

Economic assumptions	2025	2026	2026	2028-30
Real GDP	4.8	5.5	3.9	0.5
Nominal GDP	3.3	10.0	1.7	2.7
Employment	-0.1	0.2	1.6	1.0
Unemployment rate (%)	10.1	9.9	9.4	8.1
Household disposable income	2.5	2.6	3.4	3.3
Retail sales	3.6	3.1	2.5	3.2
Housing starts	-6.2	3.9	5.3	0.6
Real capital investment	-17.1	-3.8	6.4	13.0
CPI	1.4	2.7	1.9	2.2
Population	0.6	0.0	0.4	0.9

Table 3: Key financial assumptions

Financial assumptions (fiscal yr)	2026/27	2027/28	2028/29-2030/31
Brent oil (US\$/bbl)	79.0	71.0	74.3
Exchange Rate (US\$/Cdn\$)	0.74	0.75	0.74

## Deficits to continue, but room to do better

For the recently finished 2025/26 fiscal year, the province is now projecting a \$729mn deficit, which would be roughly double the \$372mn shortfall that had been anticipated at the time of last year's budget. Own source revenue was a little weaker than anticipated, but the main culprit was higher spending (+\$389mn vs budget). Increasing oil revenues towards the end of the fiscal year has, however, helped to shrink the deficit relative to what was expected in the mid-year update (\$948mn).

This year, the deficit is projected to remain broadly stable at \$689mn (1.4% of nominal GDP), with own source revenue and program spending both increasing only marginally. Offshore royalty revenues are projected to rise to just over \$2bn, from \$1.69bn in the prior year, and that number would obviously be higher if oil prices remain above their budget projections. For the moment, however, that improvement is being offset by an expected reduction in personal income tax and corporate income tax receipts.

The new provincial government is increasing the basic personal amount that is exempt from income tax to \$15K, and will also be reducing the Small Business Tax rate in three stages, to 1% by January 2028. Previous reductions to the province's gas tax and car registration fees are to be made permanent, at a cost of \$67mn and \$25mn annually. Spending increases are primarily focused on healthcare. The budget makes no withdrawals from the province's Future Fund, but will also make no new contributions either in the 2026/27 fiscal year.

Longer-term projections show the deficit worsening further to over \$1bn (more than 2% of GDP) before narrowing slightly again in fiscal 2030/31. Note, however, that these projections do not include potential benefits from a new Hydro contract with Quebec linked to Churchill Falls. A Memorandum of Understanding was signed in 2024 between Newfoundland & Labrador and Quebec, which would offer Newfoundland an extra \$1bn annually. However, the government today stated that this would not be included within budget projections until a final deal was signed.

## Borrowing requirements slightly down on smaller maturities

For the fiscal year that just ended last month, Newfoundland & Labrador accessed the term debt markets for \$4.1bn, including a EUR\$65mn and a CHF\$110mn. That is up from the \$2.8bn completed in 2024/25, which also included both a CHF and EUR transaction. We believe the province will continue to access the international markets this new fiscal year, as it has allowed them to diversify their investor base as well as provide an opportunity to lower borrowing costs.

As for the new year, an increase in capital investments, a projected deficit that needs to be funded, on-lending of \$200mn to Newfoundland and Labrador Hydro, as well as a \$1.0bn bond maturing in June, places long-term debt requirements slightly lower compared to last year at \$3.9bn. Lower maturities and requirements for hydro this year by \$300 and \$100mn, respectively, were main factors leading to the drop in borrowing year over year. Overall, net new borrowing is up \$300mn year-over-year to \$2.9bn.

The province requires all new debt issued to have an associated sinking fund attached so that when the debt comes due, the entire amount is not required to be refinanced. This year, contributions to the sinking fund amount to \$187mn vs

\$165mn last year. The current amount of sinking fund assets is estimated to be at \$1.9bn, up from \$1.7bn in 2025/26. At the same time, the Future Fund further enhances liquidity as funds are put aside to repay legacy debt that does not have associated sinking funds.

Looking ahead, the province does not provide medium-term projections for borrowing, but there are two bonds maturing in the 2027/28 fiscal year totalling \$1.9bn that will need to be partially refinanced. When adding the projected deficit, capital investment that will be made, as well as on-lending to Hydro, that should translate to a higher level of borrowing next year. However, the possible future revenue streams under the Memorandum of Understanding with Quebec regarding Churchill Falls, which still needs to be finalized, would reduce borrowing requirements.

**Table 4: Borrowing requirement (C\$millions)**

Borrowing requirements	2025/26 Budget 2025	2025/26 Latest	2026/27 Forecast
Budgetary (Surplus)/Deficit	372	729	689
Investment in Capital Assets	994	776	1,037
Net Investments	43	43	8
Debt Retirement	1,324	1,194	1,000
Other	1,367	1,355	1,166
<b>Total</b>	<b>4,100</b>	<b>4,097</b>	<b>3,900</b>

**Table 5 Sources of funding (C\$millions)**

Funding requirements	2025/26 Budget 2025	2025/26 Latest	2026/27 Forecast
T-Bills	0	0	0
Bonds & MTNs	4,100	4,097	3,900
<b>Total</b>	<b>4,100</b>	<b>4,097</b>	<b>3,900</b>

## Net debt increasing due to capital spending and deficit

The province's net debt for the fiscal year ended March 31, 2026 is forecasted to be \$19.5bn, up from the 2025 budget's estimate of \$19.4bn. That slight increase is a result of a larger deficit than originally planned being offset by lower investments in capital assets than planned. As for the upcoming year ending March 31, 2027, net debt is forecasted to increase to \$20.8bn due to both the deficit and planned capital investments. Meanwhile, nominal GDP is forecasted to be \$43.6bn for the 2025 calendar year and \$48.0bn for 2026. Using those estimates which encompasses three-quarters of each fiscal year, places the net debt-to-GDP ratio around 45.0% for 2025/26 and 43.5% for the upcoming 2026/27 fiscal year. The drop in the ratio is due to an estimated increase in nominal GDP of 10% for 2026.

Overall, net debt excludes debt of self-supporting crown corporations such as Nalcor and Newfoundland and Labrador Hydro (NLH) that are supported through electricity rates charged to customers. When these entities need long-term debt, the province will borrow on behalf of them under separate loan authority and on-lend to them. As was the case last year and again this upcoming year, the province will borrow \$200mn for them. NLH at one time used to borrow directly but stopped issuing debt in 2017. However, its outstanding directly placed debt is fully guaranteed by the province.

## Capital spending focusing on healthcare and education

The province is planning to investment \$1.1bn in infrastructure to strengthen healthcare facilities, schools, housing, roads and municipal infrastructure. These projects will increase economic activity and create new jobs for Newfoundland and Labrador tradespeople. Overall, almost \$625mn is planned for educators, teaching and learning assistants which represents 16% of all spending. At the same time, healthcare continues to take priority as the budget is investing \$5.4bn, up from \$4.4bn in last year's budget. That current plan for healthcare accounts for about 42% of total spending.

Overall, capital investments in the province for 2025 were estimated at \$7.5bn, a decline of 14.2% from 2024. As for 2026, capital investment is forecast to decline by 2.6%, mainly due to the completion of the Valentine Gold Mine and the West White Rose oil project last year. Over the medium term, employment and capital investment are forecast to strengthen as construction activity begins on wind-energy projects and the Bay du Nord oil development.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at [www.cibccm.com/fxdisclosure](http://www.cibccm.com/fxdisclosure). Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

#### Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

#### Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC