BUDGET ANALYSIS

New Brunswick: Budget 2026

A Sea Change in Fiscal Fortunes

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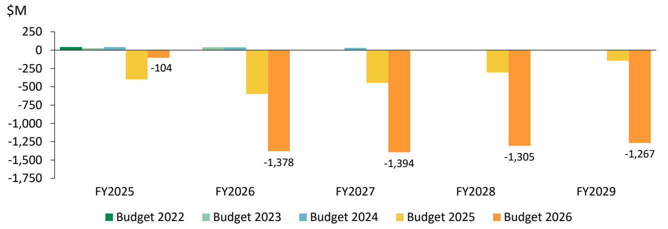
HIGHLIGHTS

- New Brunswick's fiscal year 2026–27 (FY2027) budget projects a string of large deficits through FY2029, all of which are anticipated to be much deeper than in last year's budget (graph 1). Table 1 summarizes the province's updated fiscal forecasts.
- New spending initiatives, particularly on health care, drove the further deterioration of the province's bottom line.
- The net debt-to-GDP ratio is projected to edge up to 36.0% over the planning horizon, from an outlook of 28.5% in the prior budget plan. This puts New Brunswick's net debt on a steadily rising path over the outlook as a share of the economy.
- New Brunswick expects to borrow $4.2B in FY2027, up from the $3.5B completed in FY2026.

Graph 1

New Brunswick's Deficits Are Projected to Be Larger than Previously Planned

New Brunswick budget balance projections



New Brunswick Ministry of Finance and Desjardins Economic Studies

Table 1

New Brunswick Fiscal Forecasts

$M	2024–25	2025–26		2026–27		2027–28		2028–29	
(unless otherwise indicated)	Actual	Bud 2025	Bud 2026	Bud 2025	Bud 2026	Bud 2025	Bud 2026	Bud 2025	Bud 2026
Total revenues	13,647	13,792	13,488	14,247	14,244	14,749	14,857	15,260	15,175
% change	*3.9*	*1.1*	*-1.2*	*3.3*	*5.6*	*3.5*	*4.3*	*3.5*	*2.1*
Total expenses	13,751	14,341	14,816	14,694	15,638	15,053	16,162	15,404	16,442
% change	*8.9*	*4.3*	*7.7*	*2.5*	*5.5*	*2.4*	*3.4*	*2.3*	*1.7*
Contingency	0	50	50	0	0	0	0	0	0
Budget balance	**-104**	**-599**	**-1,378**	**-447**	**-1,394**	**-304**	**-1,305**	**-144**	**-1,267**
% of GDP	*-0.2*	*-1.2*	*-2.8*	*-0.9*	*-2.7*	*-0.6*	*-2.5*	*-0.3*	*-2.3*
Net debt (% of GDP)	*25.4*	*26.6*	*27.9*	*27.7*	*30.8*	*28.3*	*33.6*	*28.5*	*36.0*
*Real GDP (% change)**	*2.7*	*1.1*	*1.3*	*1.3*	*1.0*	*1.5*	*1.1*	*1.5*	*1.3*
*Nominal GDP (% change)**	*4.0*	*3.2*	*3.6*	*2.7*	*3.1*	*2.6*	*3.0*	*2.6*	*3.2*

Bud: Budget; * Calendar year: 2024–25 corresponds to calendar year 2024 and so on.
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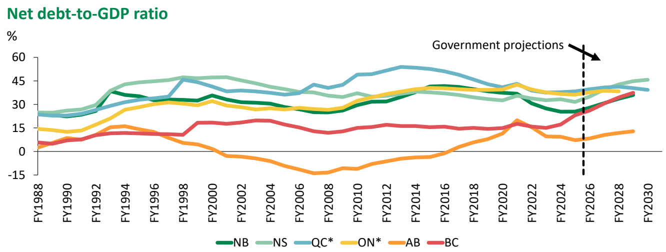
Despite an uncertain 2025 that is likely to have ended with a better-than-expected economic performance, New Brunswick's fiscal situation has slipped markedly since Budget 2025 because of higher spending. The deficit for fiscal year 2025–26 (FY2026) went from a projected \$0.6B a year ago to an anticipated \$1.4B shortfall now (2.8% of nominal GDP). And the outlook isn't calling for much in the way of improvement. Higher spending is largely to blame, mostly related to health care, which is expected to increase by 7.7% this year, significantly higher than the 4.3% forecasted at this time last year. As a result, the net debt-to-GDP ratio is anticipated to climb from 25.4% last year to 36.0% in FY2029 (graph 2). Given these higher expenditure projections, along with greater planned infrastructure investments, New Brunswick's borrowing program has increased.

Graph 2
New Brunswick's Net Debt Is on the Rise

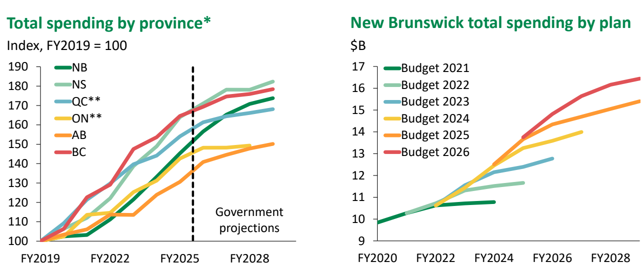


* Based on mid-year FY2024 projections.
Provincial budget documents and Desjardins Economic Studies

New Brunswick Loosens the Purse Strings

New Brunswick's fiscal deterioration rests squarely on the shoulders of higher-than-expected spending. Total spending is not only projected to grow faster in the current fiscal year than previously projected (7.7% versus 4.3%, respectively), but also for the next three fiscal years (averaging 3.5% versus 2.4%). Indeed, New Brunswick's spending profile has increased with each successive budget in recent years (graph 3). The province has seen faster growth in expenditures than Alberta or Ontario in the period since FY2019, and may eventually outpace Quebec.

Graph 3
New Brunswick's Planned Spending Is Climbing

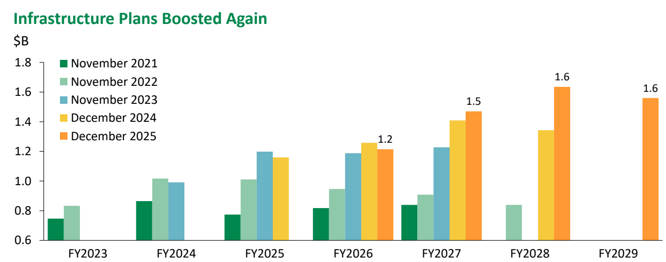


* Includes contingencies; ** Based on mid-year FY2026 projections.
Statistics Canada, provincial budget documents and Desjardins Economic Studies

Health care is the largest contributor to spending, up over \$430M this year compared to the prior estimate and projected to climb by another nearly \$280M next year, for a combined 17% increase from FY2025 to FY2027. Notable investments in health care include \$170M as part of the Physician Services Agreement, \$30M to expand the collaborative care clinic model and \$50M to support the ongoing implementation of a clinical information system. Investments in affordability, housing and social supports (nearly \$160M) as well as education and children (over \$140M) saw notable planned increases in funding for next year.

Per the FY2026 capital budget, released in December 2025, New Brunswick expects infrastructure spending to reach \$1.5B in each of the next three fiscal years, a 16% increase over the last multi-year plan (graph 4). Greater planned infrastructure investment is concentrated in transportation and other related infrastructure, followed by post-secondary education, training and labour as well as health. In contrast, planned infrastructure investment for education and early childhood development was scaled back relative to the FY2025 capital budget. Elevated infrastructure spending is likely to support the province's growth and stimulate the economy but will also contribute to the anticipated rise in the net debt burden.

Graph 4
Infrastructure Plans Boosted Again



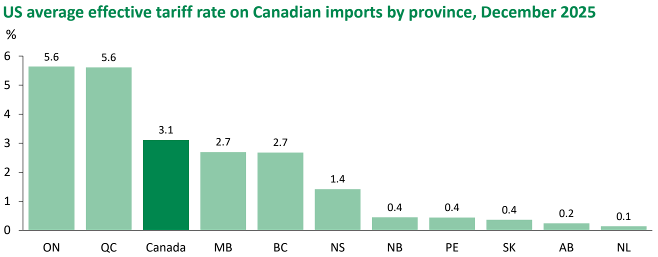
New Brunswick Ministry of Finance and Desjardins Economic Studies

Revenues Never Quite Catch Up with Spending

While spending is on a meaningful track higher, revenues aren't expected to catch up. In contrast to the 7.7% increase in expenses (to \$14.8B) slated for this fiscal year, revenues are anticipated to fall by 1.2% (to \$13.5B) relative to FY2025. And while revenue growth is projected to be higher on average than spending growth over the next three fiscal years (4.0% versus 3.5%), it's unlikely to meaningfully rein in the deficit.

The near-term challenge of lower revenues comes even as New Brunswick's economy is now estimated to have outperformed last year's budget projections. When last year's budget was released, real GDP growth for 2025 was projected to be 1.1%, and nominal GDP was expected to advance by an equally modest 3.2%. Estimates now are somewhat stronger, with 2025 growth now projected to be 1.3% in real terms and 3.6% in nominal terms. That's in part because the impact of US import tariffs was relatively minimal, with New Brunswick facing one of the lowest average effective US tariff rates on its exports across the Canadian Federation (graph 5). Indeed, growth in nominal GDP—the broadest measure of the tax base—has been revised up throughout the forecast period. Hence, revenues could return to roughly the level anticipated in Budget 2025 as early as FY2027.

Graph 5
New Brunswick Has Been Spared Some of the Worst of US Tariffs



* Average effective tariff rate based on calculated duties at the HS6 level, scaled by provincial exports to the US.
Statistics Canada, United States International Trade Commission and Desjardins Economic Studies

Deeper Deficits Are Here to Stay

The province has acknowledged the need to "curb an upward expense trend while revenues are returning to more traditional levels of growth." To boost revenues, the province is introducing tolls on non-New Brunswick vehicles. It is also targeting contraband tobacco. But as the provincial government prefers to look for savings before asking New Brunswickers to pay more, it has "committed to reducing the size of Part 1 of the civil service—government departments—by approximately 12% over three years … This initiative will lead to savings of up to $100M."

Unfortunately, the identified new revenue sources and savings appear insufficient to offset the increase in planned spending. With the deficit expected to fall just shy of $1.4B next year and shrink modestly to a still-lofty $1.3B by FY2029, each of these deficits will be larger than any that came before FY2026. The same can be said for the deficit as a share of nominal GDP as well, at least outside of the odd recession year.

Borrowing and Bond Markets

New Brunswick expects to borrow $4.2B in FY2027, up from the $3.5B completed in FY2026 and not including the $150M in financing need associated with the Municipal Finance Corporation. Of the total, $2.6B is linked to new long-term borrowing from the budget, while refinancing requirements amount to $1.0B, further increased by an additional $175M due to underfunding in FY2026.

New Brunswick's long bond spreads were unchanged after the budget release. That follows a steady rise since early February 2026, when the yield on 30-year New Brunswick bonds reached its lowest level relative to the comparable Government of Canada bond yield in at least 15 years. Since then, the anticipated and realized deteriorations in New Brunswick's fiscal metrics have been compounded by the broad increase in interest rates due to uncertainty emanating from south of the border.