

BUDGET ANALYSIS

New Brunswick: Budget 2025

From Black to Blush

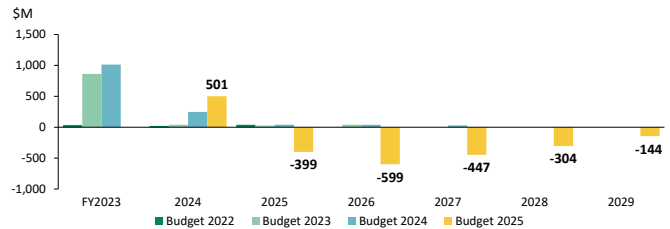
By Laura Gu, Senior Economist, and Kari Norman, Economist

HIGHLIGHTS

- ▶ New Brunswick’s fiscal year 2025–26 (FY2026) budget projects a string of shrinking deficits through FY2029 (graph 1), marking the end of the province’s eight-year streak of surpluses. Table 1 on page 2 summarizes the province’s updated fiscal forecasts.
- ▶ New spending initiatives, particularly on health care and tariff relief measures, drove the deterioration of the province’s bottom line.
- ▶ The net debt-to-GDP ratio is projected to edge up to 28.5% over the planning horizon, above the flat trajectory in the previous long-term plan despite a lower starting point. Notwithstanding this gradual increase, New Brunswick’s net debt remains below most of its peers, maintaining a manageable debt burden.
- ▶ New Brunswick expects to borrow \$3.3B in FY2026, up from the \$1.7B completed in FY2025.

Graph 1
New Brunswick’s Surpluses Turned to Deficits

New Brunswick budget balance projections



New Brunswick Ministry of Finance and Desjardins Economic Studies

Our Takeaways

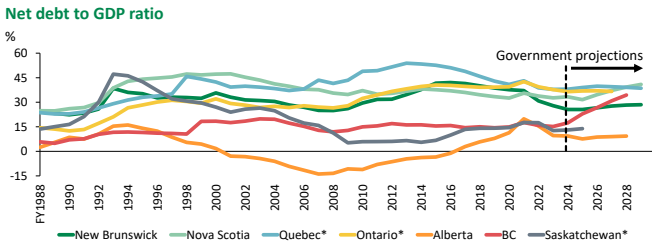
Amid economic uncertainty from US tariffs, New Brunswick’s Liberal Party tabled its first budget, including new spending initiatives for the near term. With limited revenue upside to offset this additional spending, the province is now projecting a series of shrinking deficits over the next four years, ending its eight-year streak of surpluses.

The province’s heightened spending needs have led the return to deficits. In fiscal year 2024–25 (FY2025), the province experienced a larger-than-anticipated deficit of \$399M (0.8% of nominal GDP) instead of the balanced budget expected in last year’s budget, largely due to the increased costs of travel nurses, demand for social services, nurse retention payments and the electricity rebate. Additional strategic investments in

critical services such as health care, combined with tariff relief and contingency measures announced earlier this month, are expected to widen the deficit to \$599M (1.2% of GDP) in FY2026. The province aims to keep spending growth well below revenue growth in outer years, rapidly reducing the deficit to \$144M (0.3% of GDP) by FY2029.

A return to deficits sends the province’s net debt forecast as a share of nominal output on a higher trajectory, despite a lower starting point of 25.6% of GDP in FY25 compared to 26.7% projected in last year’s budget. While net debt is projected to rise to 28.5% of GDP by FY2029, it’s expected to remain among the lowest of the provinces (graph 2 on page 2). With British Columbia’s net debt-to-GDP ratio expected to surpass New Brunswick’s by FY2026, New Brunswick is on track to

Graph 2
New Brunswick's Debt Sustainability Still Compares Favourably



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

have the third-lowest net debt burden, trailing only Alberta and Saskatchewan.

Nevertheless, despite a return to deficits, New Brunswick continues to shine in the provincial fiscal landscape with a manageable debt burden. The province boasts one of the highest credit ratings among Canadian provinces, with Moody's upgrading it to Aa1 with a stable outlook in May 2024, and Standard and Poor's (S&P) maintaining a positive outlook for the province.

Windfalls No Longer

The economic outlook underpinning the updated plan appears reasonable; however, it does not fully reflect the potential impact of tariffs and countermeasures. The government anticipates real growth to slow from 1.5% in 2024 to 1.1% in 2025, below the private sector average forecast of 1.4%. The government's updated growth forecast is also slightly below [our latest outlook](#) which considered a fraction of tariffs threatened by the US administration, but highly consistent with our full tariff

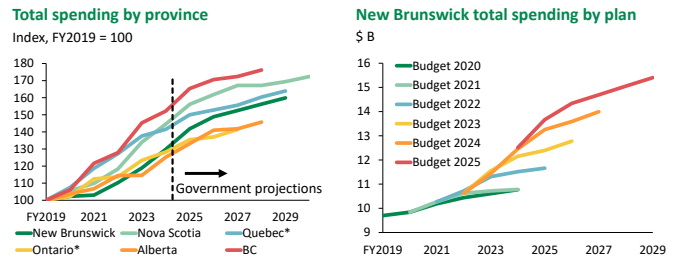
implementation scenario. That said, significant risks to output and tax revenues remain due to heightened uncertainty around tariff implementation.

Despite a downward revision in 2025 growth, New Brunswick's forecasts for government receipts were lifted slightly by \$387M combined for FY2026 and FY2027.

Lifted Near-Term Spending with Targeted New Measures

Relative to Budget 2024, expenditure forecasts were lifted by \$1.5B—significantly outpacing the increases in revenues—roughly evenly split over FY2026 and FY2027 (graph 3). New policies announced in the budget look targeted with a focus on healthcare as promised in the party's election campaign. They include additional funding support for healthcare (+\$293M in FY2026), education (+\$32M) and housing (+\$37M).

Graph 3
New Brunswick's Spending Plan Boosted Yet Still Middle of the Pack



* Based on mid-year FY2024 projections
Statistics Canada, provincial budget documents and Desjardins Economic Studies

TABLE 1
Summary of Fiscal Forecasts

IN \$M (EXCEPT IF INDICATED)	2023–2024		2024–2025		2025–2026		2026–2027		2027–2028	2028–2029
	Final	Bud. 2024	Bud. 2025	Bud. 2024	Bud. 2025	Bud. 2024	Bud. 2025	Bud. 2024	Bud. 2025	Bud. 2025
Total revenues	13,010	13,296	13,266	13,628	13,792	14,024	14,247	14,749	15,260	
% change	4.5	4.7	2.0	2.5	4.0	2.9	3.3	3.5	3.5	
Total expense	12,510	13,255	13,665	13,589	14,341	13,994	14,694	15,053	15,404	
% change	9.4	6.4	9.2	2.5	5.0	3.0	2.5	2.4	2.3	
Contingency					50					
Budget balance	501	41	-399	39	-599	30	-447	-304	-144	
% of GDP	1.1	0.1	-0.8	0.1	-1.2	—	-0.9	-0.6	-0.3	
Net Debt, % of GDP	25.6	26.7	25.6	26.0	26.6	25.6	27.7	28.3	28.5	
Real GDP, % change*	1.6	0.7	1.5	1.7	1.1	—	1.3	1.5	1.5	
Nominal GDP, % change*	3.2	3.2	3.9	4.4	3.2	—	2.7	2.6	2.6	

* Calendar year: 2023–24 corresponds to calendar year 2023 and so on

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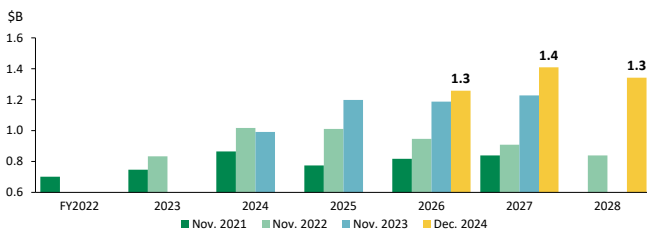
The budget set aside \$162M to address tariffs, including a \$25M investment in a business support program through Opportunities New Brunswick and a \$50M contingency to account for tariff-related uncertainties and their potential economic impact.

The government is launching a “transformation plan” aimed at eliminating ineffective spending and ensuring more efficient use of funds.

Per the FY2025 capital budget, released in December 2024, New Brunswick expects infrastructure spending to reach \$1.3B in each of the next three fiscal years, an 11% increase over the last multi-year plan (graph 4). Elevated infrastructure spending is expected to support the province’s growth and stimulate the economy amid the threat of US tariffs, but will also contribute to the anticipated rise in the net debt burden.

Graph 4
Infrastructure Plans Boosted Again

New Brunswick infrastructure spending projections



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Borrowing and Bond Market Commentary

New Brunswick expects to borrow \$3.3B in FY2026, up from the \$1.7B completed in FY2025 and does not include the \$150M in financing need associated with the Municipal Finance Corporation. Of the total, \$1.5B is linked to new long-term borrowing from the budget, while refinancing requirements amount to \$1.0B, partially offset by \$60M in prefinancing conducted in FY2025.

New Brunswick’s long bond spreads rose after the budget release. Risk sentiment will likely keep driving provincial spreads, especially for those with smaller borrowing programs, with tariff uncertainty adding further pressure on long-term spreads. However, New Brunswick’s still-favourable fiscal stance compared to other provinces should help keep its borrowing costs manageable over time.