



Public Debt

Report of the Auditor General – December 2015

Volume IV, Chapter 2

Why Is This Important?

- The public debt (net direct and indirect debt) reached \$12.7 billion in fiscal year 2015
- Effective public debt management is the cornerstone of financial stability and sustainable fiscal policy

What We Found

Overall Conclusions:

- No immediate risk of default on New Brunswick public debt
- Province must be diligent in monitoring the level of the public debt and take appropriate action to control its rate of growth
- Province likely facing higher debt level in the future, given:
 - Sluggish economic growth
 - Potential for stagnant or declining revenue
 - Aging population

Gross Domestic Product (GDP):

- New Brunswick's debt-to-GDP ratio consistently higher than all other provinces' average since 2012
- In recent years, the real GDP growth rate in New Brunswick constantly below national average

Debt and Interest Costs:

- New Brunswick debt burden rising but debt servicing costs stable
- Increasing interest rates by just 1% over budgeted rates would increase interest costs in three years' time by \$49 million
- Province does not have ability to handle a debt burden as high as some other provinces

Public Debt Management Practices

The Department of Finance:

- Adopts a low-risk and non-complex debt management practice
- Has no comprehensive debt management strategy
- Does not publicly report debt management objectives and targets