

Chapter 2

Annual Surplus

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Annual Surplus

Third Consecutive Surplus

Province recorded an annual surplus of \$49 million

2.1 For the third consecutive year, the Province of New Brunswick recorded an annual surplus. The Province's March 31, 2020 audited consolidated financial statements reported a surplus of \$49 million.

2.2 The annual surplus improved by \$26 million from the budgeted surplus of \$23 million. This was mostly due to increased tax revenue and transfers from the Federal Government, and under expenditures in Central Government and Service of the Public Debt. Under expenditures were offset by increases in expenses for Labour and Employment and Social Development.

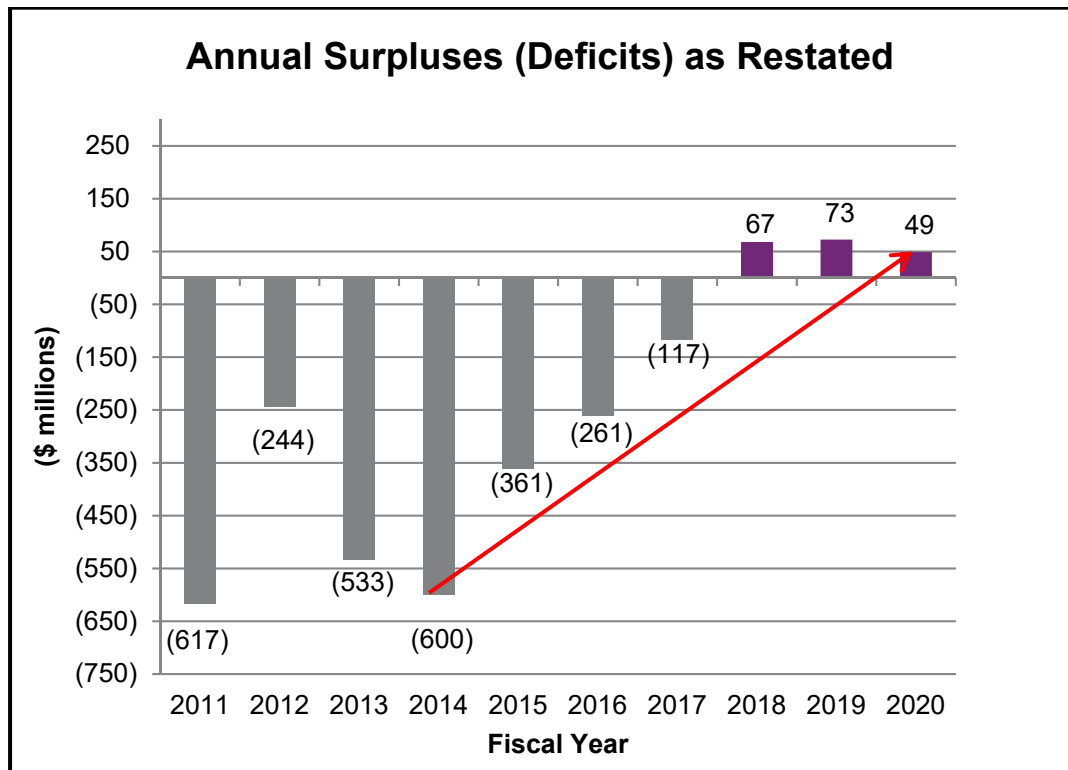
Financial impact of Covid-19 global pandemic unknown

2.3 Financial information presented in this chapter is up to March 31, 2020. Many government assistance programs and economic impacts resulting from the Covid-19 global pandemic did not occur until after this date, and the impact on the Province's financial results going forward is not yet known. Please see Chapter 7 of this report for further discussion and analysis regarding the financial impacts of the Covid-19 global pandemic.

Trend of surpluses continue

2.4 In the past two years, we reported the Province recorded small surpluses. We are pleased to see the trend of surpluses continue for a third year. The ten-year annual surplus/deficit history is presented in Exhibit 2.1.

Exhibit 2.1 - Annual Surpluses (Deficits) as Restated

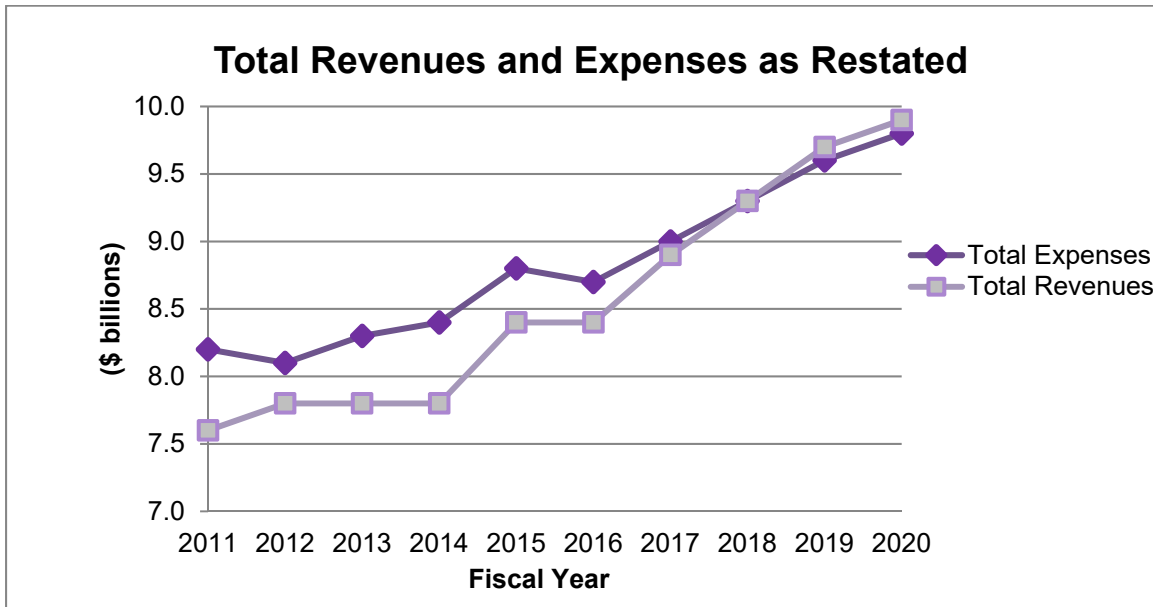


Source: Prepared by AGNB. As restated – refer to Appendix I for supporting information

Results encouraging, but small compared to expenses of \$9.8 billion

2.5 While these results are encouraging, the annual surplus is very small when compared to expenses of \$9.8 billion. As shown in Exhibit 2.2, revenues and expenses continued to grow in 2020.

Exhibit 2.2 - Total Revenues and Expenses as Restated



Source: Prepared by AGNB. As restated – refer to Appendix I for supporting information

2.6 During fiscal 2020, revenues grew \$195 million, slightly less than expense growth of \$219 million. Each has grown by approximately 2% since 2019.

The Province’s fiscal situation has become more complex

2.7 While we are encouraged by a third consecutive surplus, expenses continued to increase. The Province is now facing an economic and fiscal situation unlike anything it has experienced before due to the Covid-19 global pandemic. Balancing the need for economic recovery to pre-pandemic conditions while also improving its fiscal situation is even more complex.

Why Did the Surplus Change from Last Year?

2.8 Exhibit 2.3 shows at a summary level, the reasons for the change in revenues and expenses from March 31, 2019 to March 31, 2020.

Exhibit 2.3 - Breakdown of 2020 Annual Surplus

Breakdown of 2020 Annual Surplus (\$ millions)

What Happened Since Last Year?		Significant Reasons
Fiscal 2019 Surplus	\$73	
Decrease in provincial revenue	-\$11	Revenue increased in: Personal Income Tax (+101); Harmonized Sales Tax (+33); Gasoline and Motive Fuels Tax (+28); and Provincial Real Property Tax (+18). Offset by decreases in: Corporate Income Tax (-111); Government Business Enterprises (-37); and Tobacco Tax (-18).
Increase in transfers from federal government	+\$206	Increases in: Fiscal Equalization Payments (+149); Unconditional Grants (+35); and Conditional Grants (+22).
Increase in expense	-\$219	Expenses increased in: Education and Training (+76); Health (+109); Social Development (+58); and Labour and Employment (+31). Offset by decreases in: Protection Services (-24); and Transportation and Infrastructure (-27).
Fiscal 2020 Surplus	\$49	

Source: Prepared by AGNB from New Brunswick Public Accounts Volume I for year ended March 31, 2020.