



December 2024

Annual Surplus, Net Debt and Funded Debt

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2024 Volume III

Chapter 2 Highlights

Annual surplus of \$501 million was the Province's seventh consecutive surplus

Provincial expenses increased by \$1 billion

Net debt is at its lowest point since 2015

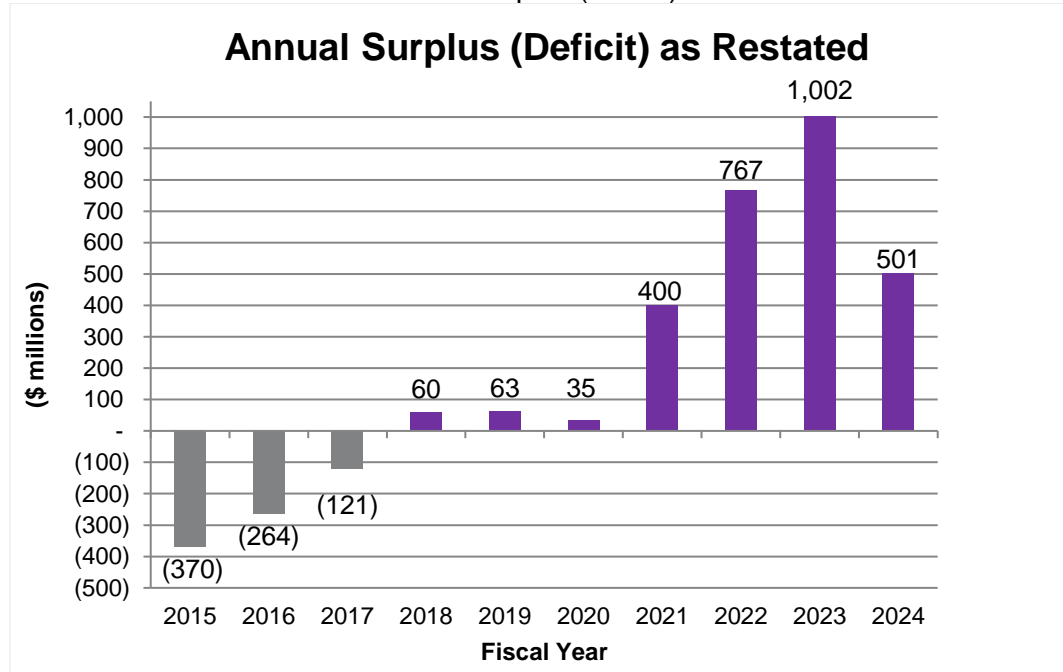
\$4.4 billion in debt is due to be repaid over the next four years

Annual Surplus

Seventh Consecutive Annual Surplus

- 2.1 For the seventh consecutive year, the Province of New Brunswick’s has recorded an annual surplus. The March 31, 2024 audited consolidated financial statements reported an annual surplus of \$501 million.
- 2.2 The ten-year history for the annual surplus (deficit) is presented in Exhibit 2.1.





Exhibit 2.1 - Annual Surplus (Deficit) as Restated



Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

2.3 Exhibit 2.2 shows, at a summary level, the contributing factors for the decrease in surplus from 2023 to 2024.

Exhibit 2.2 - Breakdown of decrease in 2024 Annual Surplus

What happened since last year?
<p>Provincial Expenses</p> <p> <i>Increased \$1B from 2023</i></p>
<p>Provincial Tax Revenue</p> <p> <i>Decreased \$133M from 2023</i></p>
<p>All Other Provincial Revenue Sources</p> <p> <i>Increased \$220M from 2023</i></p>
<p>Revenue from the Federal Government</p> <p> <i>Increased \$468M from 2023</i></p>

Source: Prepared by AGNB from New Brunswick Public Accounts Volume I for year ended March 31, 2024

Increases in Expenses Outpaced Increases in Revenues

2.4 The \$501 million decrease in the surplus from 2023 to 2024 was due to increases in provincial expenses which outpaced increases in total revenues. The most significant increases to expenses and revenues included:

- Health expenses of \$434 million (an increase of 11%)
- Social Development expenses of \$217 million (an increase of 13%)
- Education and Training expenses of \$202 million (an increase of 8%)
- Federal revenues of \$468 million (an increase of 11%)

Provincial Tax Revenues are a Significant Source of Revenue

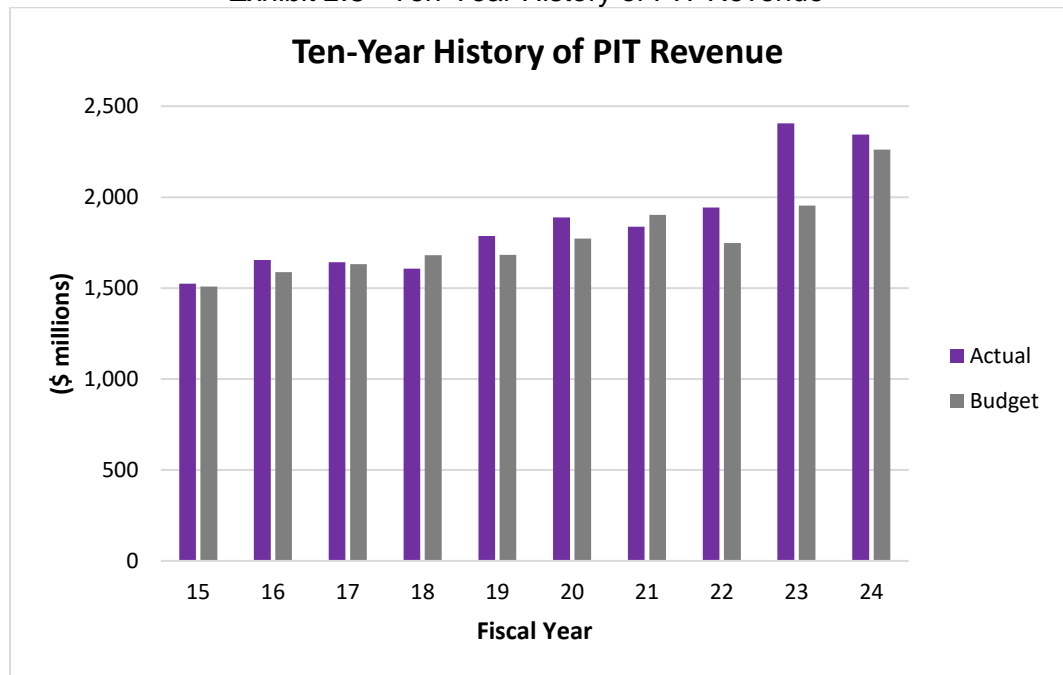
2.5 While provincial tax revenues decreased from 2023, they totaled \$6.4 billion this year and made up 77% of provincial source revenue. Significant provincial tax revenues this year included:

- personal income tax (\$2.3 billion)
- corporate income tax (\$0.6 billion)
- harmonized sales tax (\$2.4 billion)

Personal Income Tax

2.6 Personal income tax (PIT) revenue estimates are based on information provided by Finance Canada and the Department of Finance and Treasury Board. The ten-year history of actual and budgeted revenues for PIT is presented in Exhibit 2.3.

Exhibit 2.3 - Ten-Year History of PIT Revenue

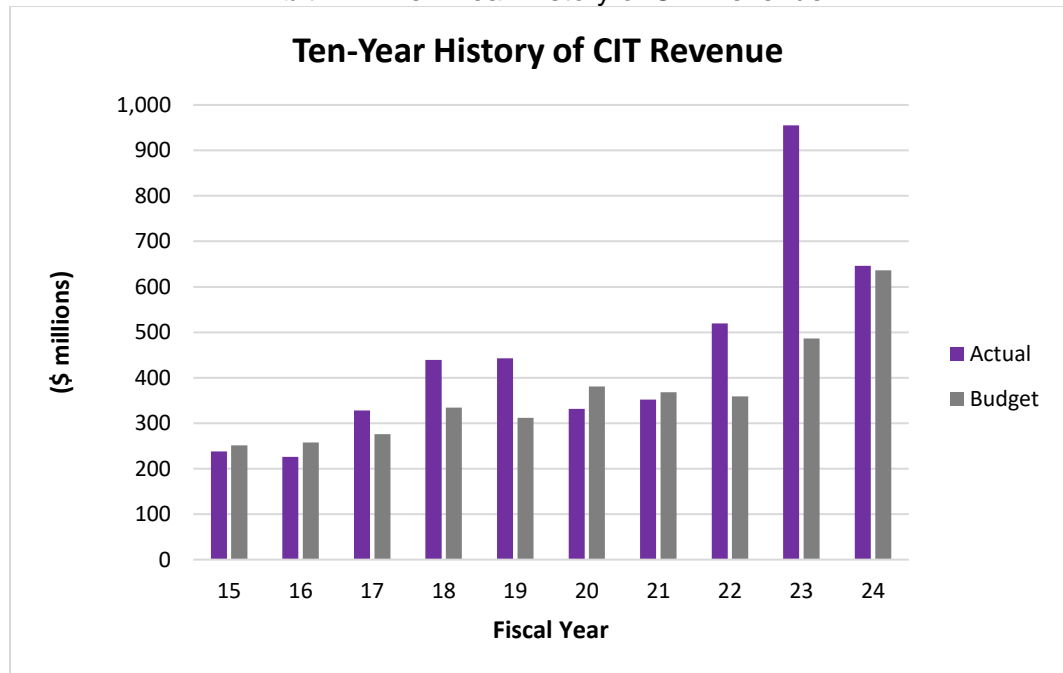


Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

Corporate Income Tax

2.7 Corporate income tax (CIT) estimates are based on information provided by Finance Canada and the Department of Finance and Treasury Board. The ten-year history of actual and budgeted revenues for CIT is presented in Exhibit 2.4.

Exhibit 2.4 - Ten-Year History of CIT Revenue

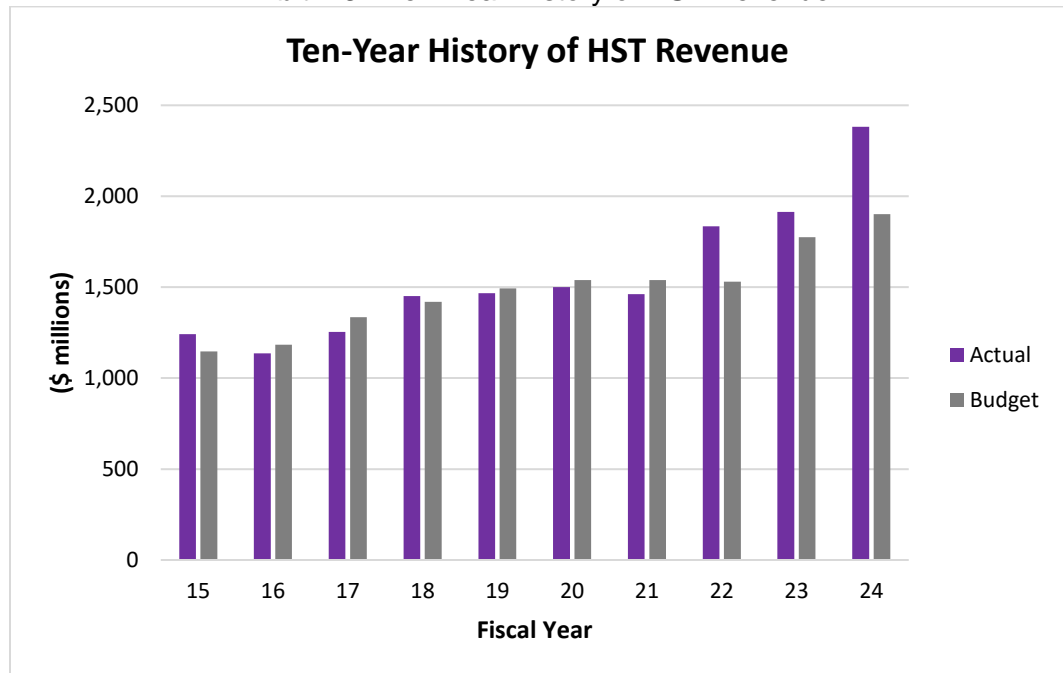


Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

Harmonized Sales Tax

2.8 Harmonized sales tax (HST) revenue estimates are based on a formula which is part of an agreement the Province has with the Federal government. Each year, the Federal government estimates the Province’s HST entitlement according to the formula. The Federal government then makes payments to the Province based on these estimates. These estimates are subsequently revised according to a formal schedule as more economic and tax data become available. The ten-year history of actual and budgeted revenues for HST is presented in Exhibit 2.5.

Exhibit 2.5 - Ten-Year History of HST Revenue



Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

2.9 The challenges associated with estimating tax revenues, including timing delays of possible adjustments may contribute to budget variances.

Net Debt

Net Debt, Funded Debt and Interest Costs

- 2.10** Net debt and funded debt are two forms of debt presented in the Province’s consolidated financial statements. The Province also records an expense to service its funded debt annually, primarily consisting of interest costs. See Exhibit 2.6 below for definitions for net debt, funded debt, and service of the public debt.

Exhibit 2.6 - Net Debt, Funded Debt and Service of the Public Debt Defined

Term	2024 Amount	Definition
Net Debt	\$11.8 billion	An accounting calculation presented as total liabilities <i>minus</i> financial assets.
Funded Debt	\$17.6 billion*	Total long-term debenture debt the Province has borrowed and is legally bound to repay. The Province’s outstanding funded debt balance consists mostly of bonds issued in the financial market.
Service of the Public Debt	\$537 million	Annual cost of servicing funded debt**, consisting mostly of interest costs.

Source: Prepared by AGNB using 2024 Public Accounts

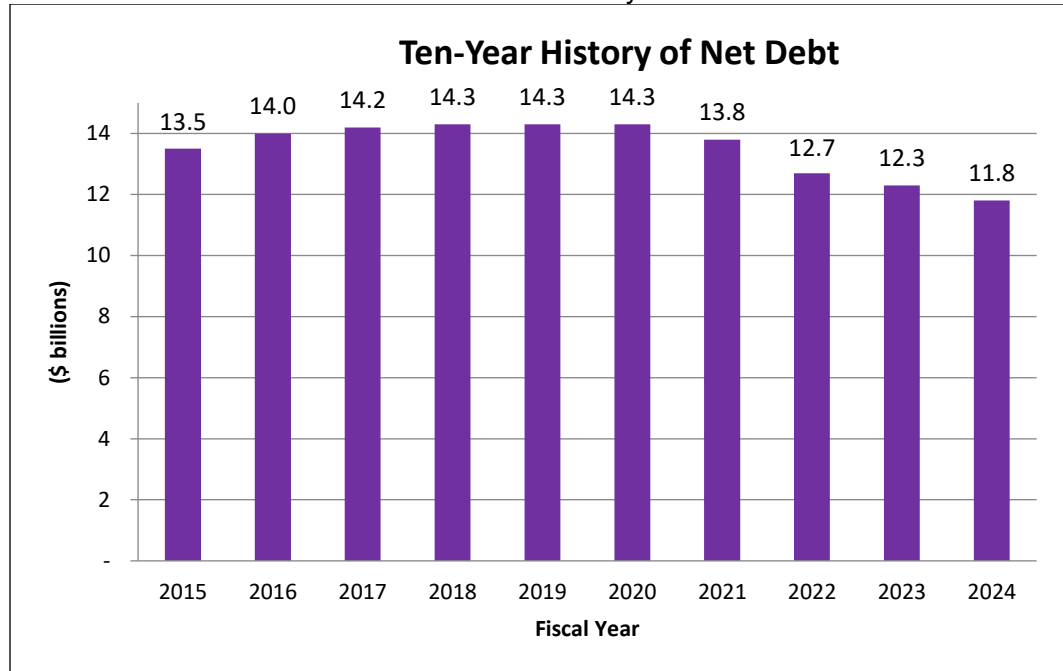
* *Funded debt excludes \$5.3 billion borrowed on behalf of NB Power*

***Service of the funded debt consists mostly of interest, interest on capital leases and public private partnerships, and interest on short-term borrowing offset by short-term investment income, amortization of discounts and premiums, and interest recovery for debt incurred for NB Power*

Fourth Consecutive Year Net Debt has Decreased

2.11 Net debt offers valuable insight into the financial health of the Province as it provides information about future revenues which will be needed to meet past spending. Net debt has consistently decreased for the past four years and is \$11.8 billion at March 31, 2024. See Exhibit 2.7 below for the ten-year history of net debt.

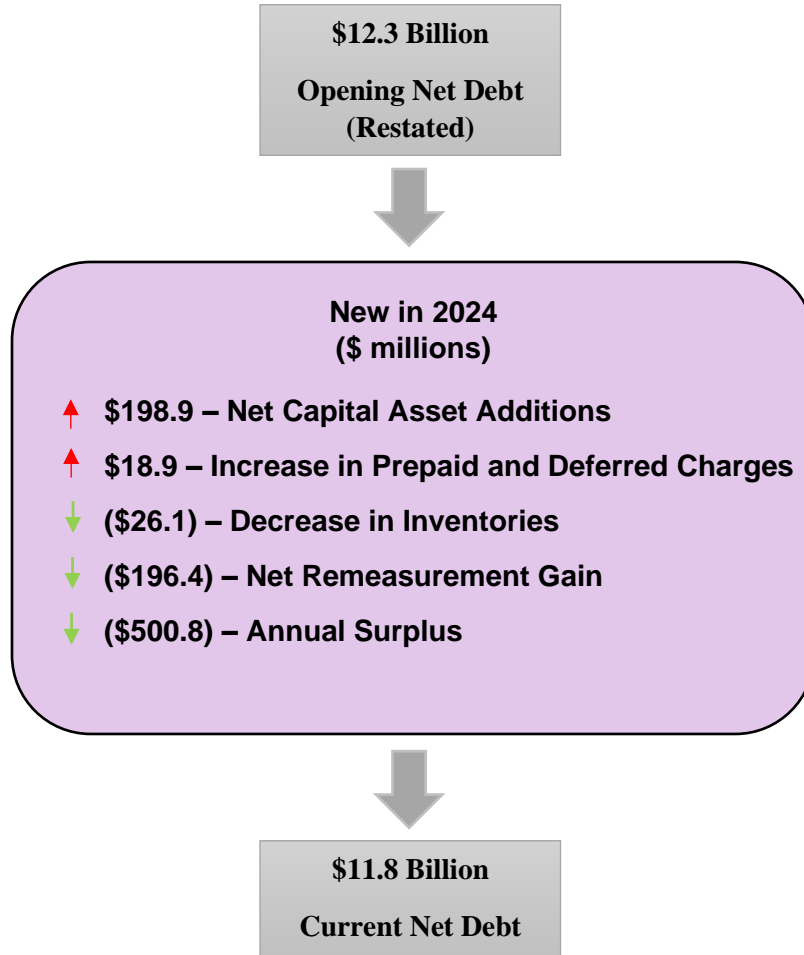
Exhibit 2.7 - Ten-Year History of Net Debt



Source: Prepared by AGNB based on applicable year's Public Accounts with restatements where identified in Public Accounts

2.12 Factors contributing to the change in net debt from prior year are noted in Exhibit 2.8.

Exhibit 2.8 - Year-Over-Year Change in Net Debt

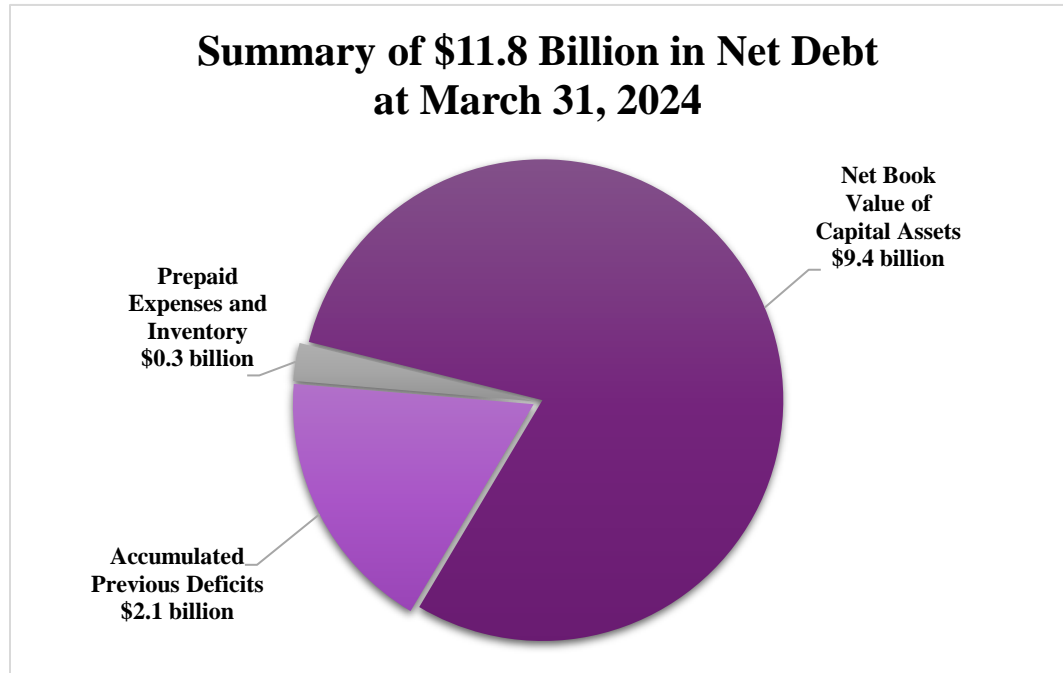


Source: Prepared by AGNB using 2024 Public Accounts

What Makes Up the \$11.8 Billion in Net Debt?

2.13 See Exhibit 2.9 for the net debt composition for fiscal year ended 2024.

Exhibit 2.9 - Summary of \$11.8 Billion in Net Debt at March 31, 2024



Source: Prepared by AGNB using 2024 Public Accounts

2.14 Tangible capital assets (capital assets) account for 80% of the net debt. Each year, the capital asset balance changes due to additions, disposals and amortization. The most significant capital assets are:

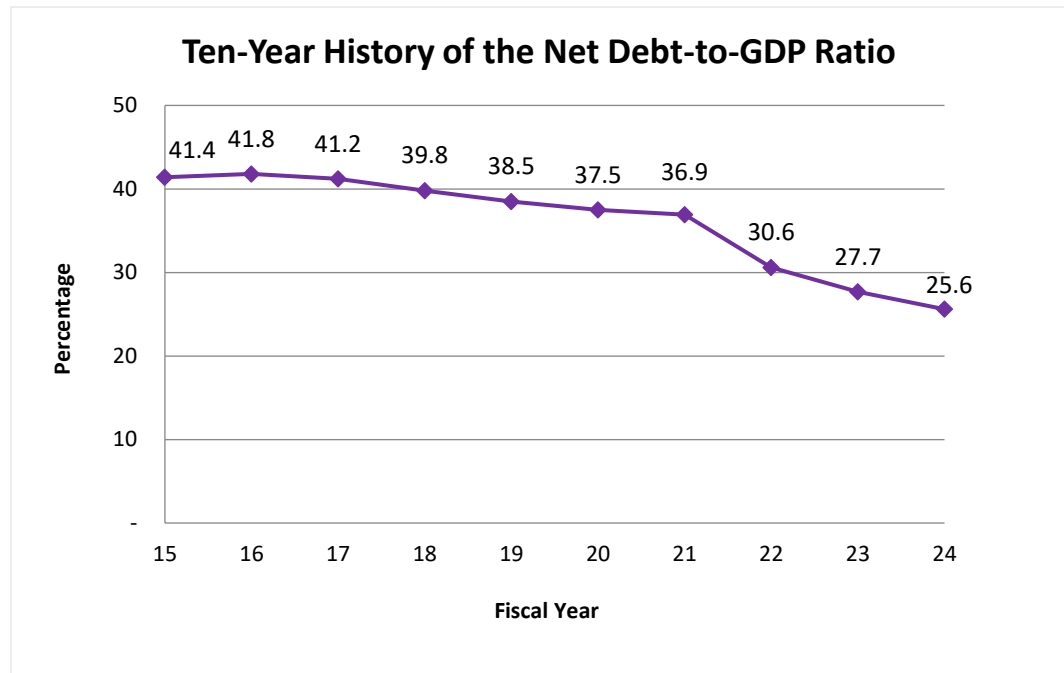
- roads, bridges and highways
- schools
- hospitals
- nursing homes
- other buildings owned by the Province

New Brunswick’s Net Debt-to-GDP Ratio

2.15 The net debt-to-gross domestic product (GDP)¹ ratio has become an important sustainability indicator for governments as it shows the relationship between net debt and the activity in the economy. The Province includes an analysis of this ratio in its annual Financial Statement Discussion and Analysis.

2.16 Exhibit 2.10 shows the ten-year history of the Net Debt-to-GDP ratio.

Exhibit 2.10 - Ten-Year History of the Net Debt-to-GDP Ratio



Source: Prepared by AGNB based on applicable year’s Public Accounts with restatements where identified in Public Accounts

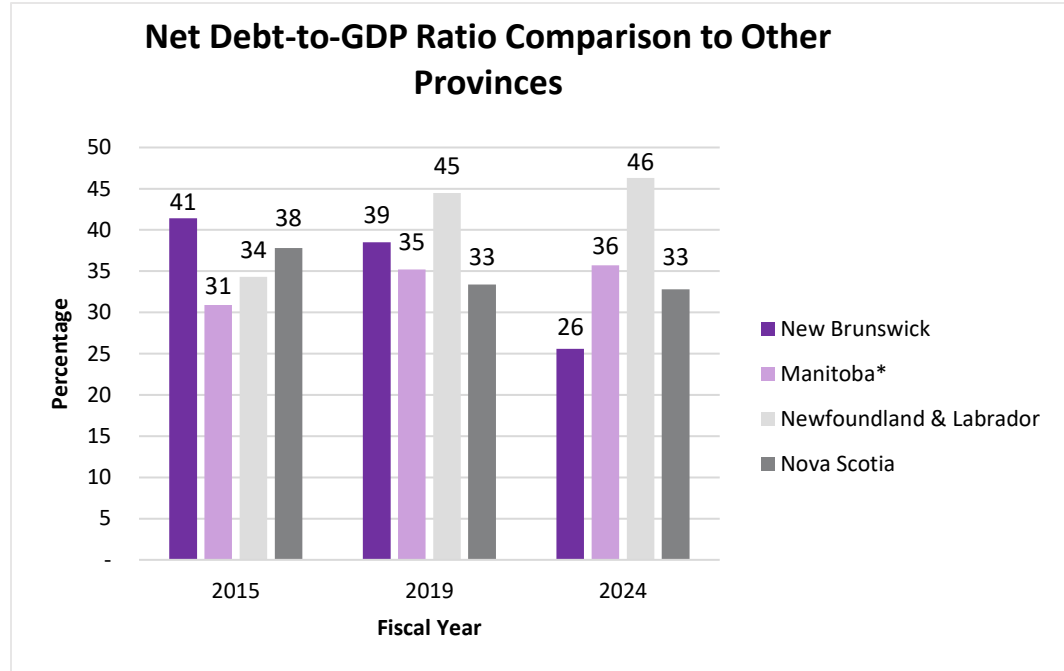
2.17 Net debt-to-GDP has consistently decreased since 2016 and is the lowest it has been in the past ten years. This indicates the growth of GDP continues to exceed the growth in net debt.

¹ Gross Domestic Product (GDP) measures the value of all final goods and services produced in an economy in a given period of time.

How Does New Brunswick’s Net Debt-to-GDP Ratio Compare to Other Provinces?

2.18 Exhibit 2.11 below shows New Brunswick’s net debt-to-GDP ratio relative to other comparable provinces. For fiscal year ended 2024, New Brunswick had the lowest net debt-to-GDP ratio.

Exhibit 2.11 - Net Debt-to-GDP Ratio Comparison to Other Provinces



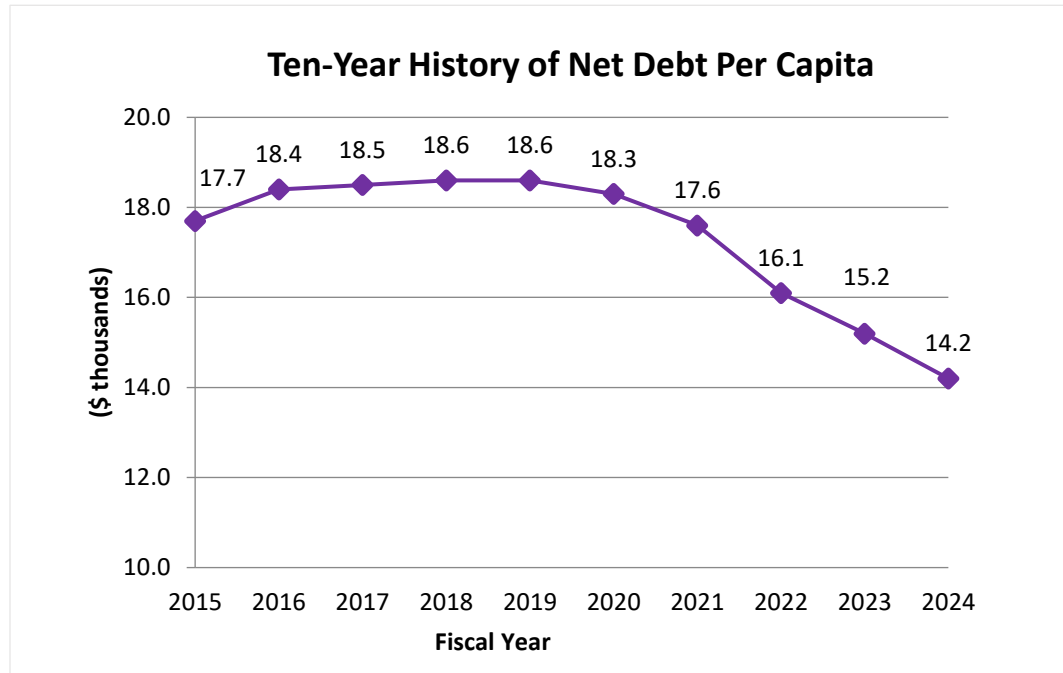
Source: Prepared by AGNB as restated where available

*2024 Public Accounts information used for Manitoba contained a qualified Independent Auditor’s Report

New Brunswick’s Net Debt per Capita

- 2.19** Another way to assess the significance of the size of New Brunswick’s net debt is to compare it to population size, also known as net debt per capita.
- 2.20** New Brunswick’s net debt per capita hit a high of \$18,600 in 2018 and 2019 but has since decreased to \$14,200 in 2024. Exhibit 2.12 shows the ten-year history of net debt per capita, showing a continual improvement since 2019.

Exhibit 2.12 - Ten-Year History of Net Debt Per Capita

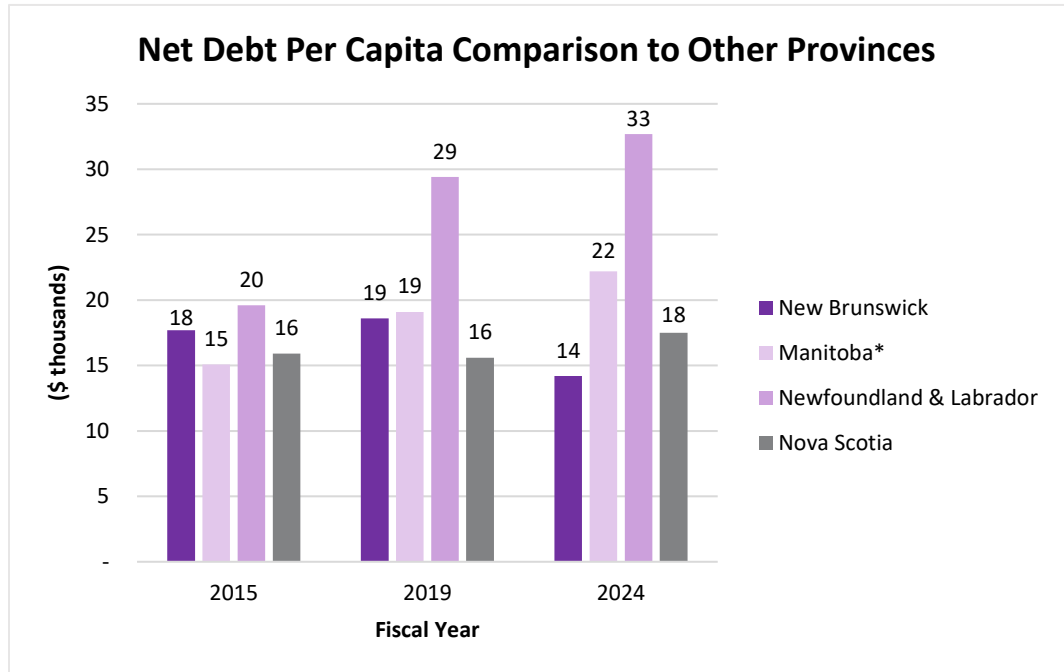


Source: Prepared by AGNB based on applicable year’s Public Accounts with restatements where applicable

How Does New Brunswick’s Net Debt per Capita Compare to Other Provinces?

2.21 Exhibit 2.13 below shows New Brunswick’s net debt per capita relative to other comparative provinces. For fiscal year ended 2024, New Brunswick had the lowest ratio.

Exhibit 2.13 - Net Debt Per Capita Comparison to Other Provinces



Source: Prepared by AGNB as restated where available

*2024 Public Accounts information used for Manitoba contained a qualified Independent Auditor’s Report

Is New Brunswick Meeting its Targets?

Debt reduction targets

2.22 Exhibit 2.14 details the provincial established net debt reduction targets for the past five years. New Brunswick has met or exceeded its established targets for four of the past five years.

Exhibit 2.14 - Five-Year History of Net Debt Reduction Targets Compared to Actual (as restated where applicable)

(\$ millions)

Fiscal Year					
	2020	2021	2022	2023	2024
Target (Increase) Decrease	49	129	(241)	(15)	(183)
Actual (Increase) Decrease	33	475	1,091	363	505
Difference	(16) (Actual Decrease Lower than Projected)	346 (Actual Decrease Higher than Projected)	1,332 (Actual Decrease when an Increase was Projected)	378 (Actual Decrease when an Increase was Projected)	688 (Actual Decrease when an Increase was Projected)
Target Met or Exceeded?	No	Yes	Yes	Yes	Yes

Source: Prepared by AGNB based on applicable year's Budgets and Public Accounts with restatements where applicable

Net debt-to-GDP targets

2.23 Exhibit 2.15 details the provincial established net debt-to-GDP targets for the past five years. New Brunswick has met or exceeded its established targets for two of the past five years.

Exhibit 2.15 - Five-Year History of Net Debt-to-GDP Targets Compared to Actual (as originally recorded)

Fiscal Year					
	2020	2021	2022	2023	2024
Target	37.0%	34.7%	36.4%	30.1%	24.9%
Actual*	37.5%	36.9%	30.6%	27.7%	25.6%
Difference	0.5% (Actual Ratio Higher than Projected)	2.2% (Actual Ratio Higher than Projected)	(5.8)% (Actual Ratio Lower than Projected)	(2.4)% (Actual Ratio Lower than Projected)	0.7% (Actual Ratio Higher than Projected)
Target Met or Exceeded?	No	No	Yes	Yes	No

Source: Prepared by AGNB based on applicable year's Budgets and Public Accounts with restatements where applicable

* A Net Debt-to-GDP percentage that is decreasing indicates a positive trend as the growth in GDP exceeds the growth of net debt

Multi-year targets

2.24 We are pleased to see the Province continues to set multi-year net debt targets and net debt-to-GDP targets. The multi-year targets announced in the Province's 2024-2025 Main Estimates are presented in Exhibit 2.16.

Exhibit 2.16 - Province's Net Debt Reduction Targets

	2025 Budget	2026 Plan	2027 Plan
Annual (Increase) Decrease in Net Debt (\$ millions)	(315)	(241)	(270)
Net Debt-to-GDP Ratio	26.7%	26.0%	25.6%

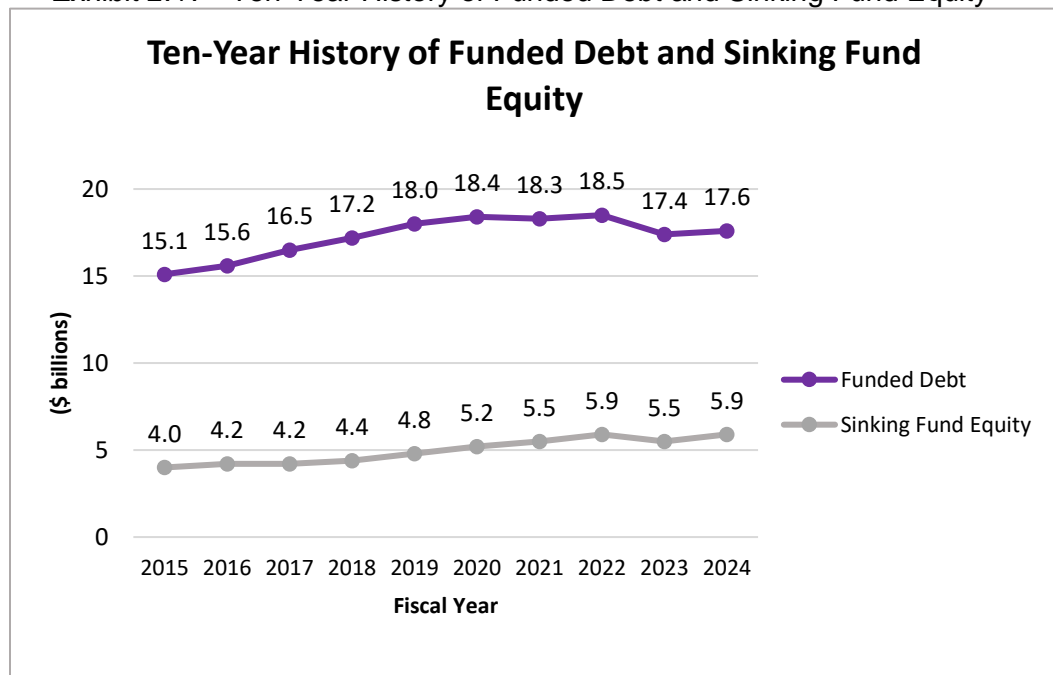
Source: <https://www2.gnb.ca/content/dam/gnb/Departments/fin/pdf/Budget2024-2025/speech-2024-2025.pdf>

Funded Debt

\$17.6 Billion in Funded Debt

- 2.25** This year, funded debt was \$17.6 billion which is a slight increase from the \$17.4 billion in 2023.
- 2.26** To assist with future repayments of provincial debt, the Province maintains a sinking fund. The *Provincial Loans Act* mandates that on or before the anniversary date of each issue of funded debt, not less than 1% of the outstanding principal amount of the issue shall be paid into the sinking fund. At March 31, 2024, the market value of the Province’s sinking fund equity was approximately \$5.9 billion.
- 2.27** Exhibit 2.17 shows the ten-year history of the Province’s funded debt and sinking fund equity.

Exhibit 2.17 - Ten-Year History of Funded Debt and Sinking Fund Equity



Source: Prepared by AGNB based on applicable year’s Public Accounts with restatements where identified in Public Accounts

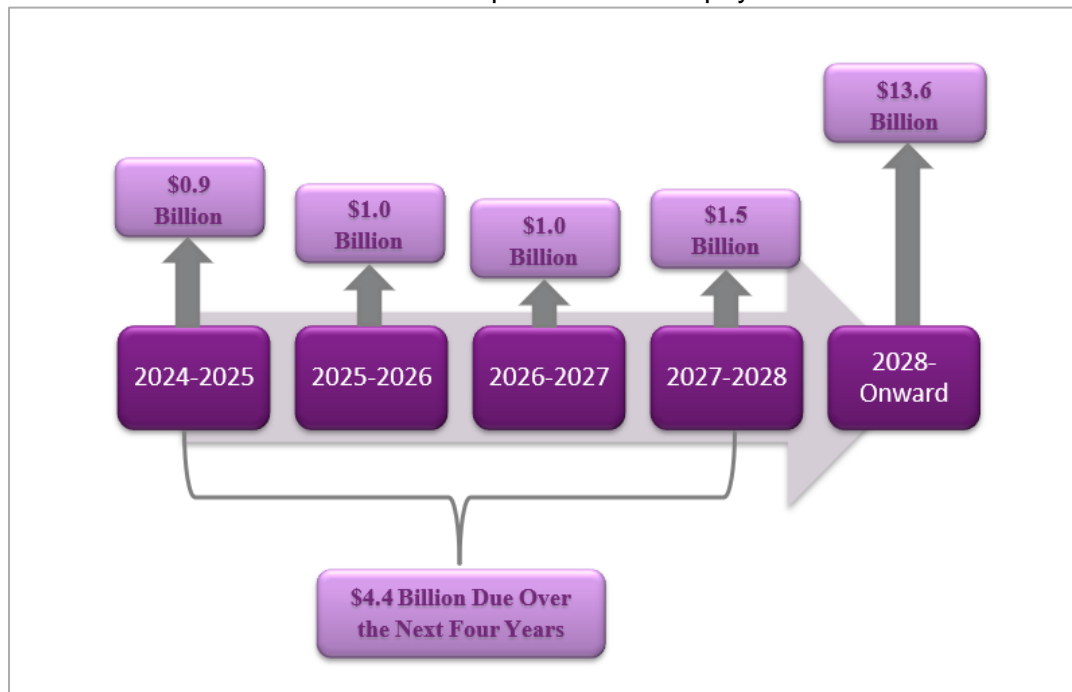
- 2.28** As noted above, funded debt is significantly more than the equity in the sinking fund. Additional cash outlays of approximately \$12 billion will be needed in the future to repay the total funded debt.

2.29 Over the next four years, approximately \$4.4 billion in funded debt is due to be repaid. The Province may either use monies in the consolidated fund or re-finance it. Some examples of debt activity in 2024 include:

- \$1.4 billion (CAD) was repaid
- \$1.8 billion (CAD) of new debt was issued

2.30 Future cash requirements to repay debt in the next four years and beyond are outlined in Exhibit 2.18.

Exhibit 2.18 - Future Cash Requirements to Repay Funded Debt



Source: Prepared by AGNB based on 2024 Public Accounts

Interest Costs

2.31 In the fiscal year ended 2024, the service cost of this debt (excluding NB Power), was \$537 million. This is an annual cost and does not reduce the principal amount outstanding.

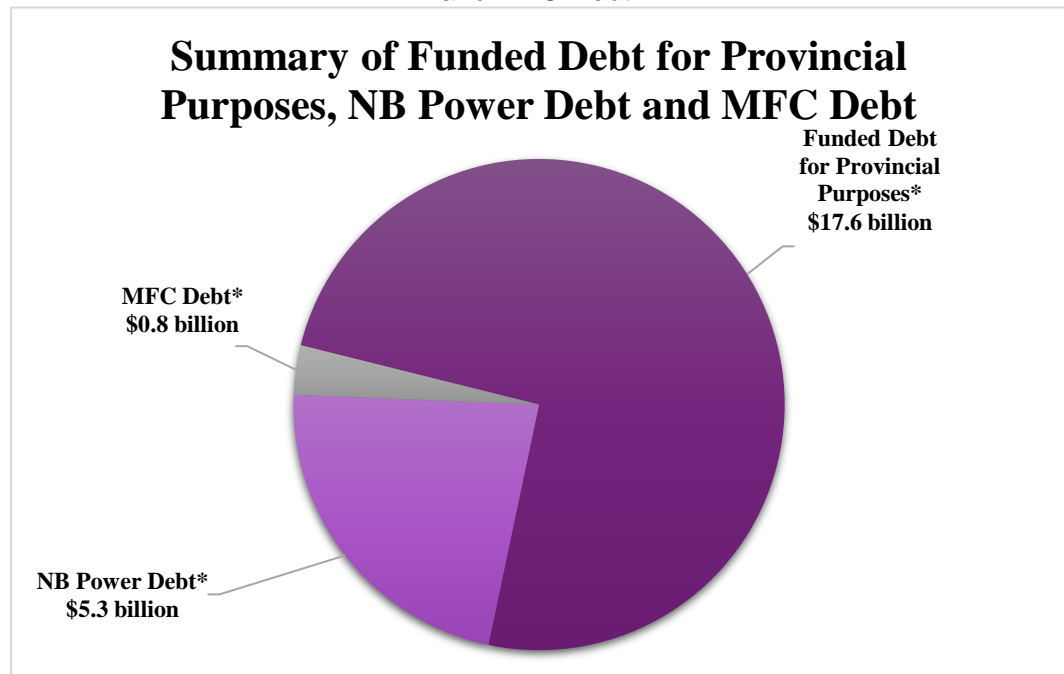
Provincial Debt

2.32 The amount recorded as provincial debt (\$17.6 billion) does not include:

- \$5.3 billion in NB Power debt
- \$773.4 million in New Brunswick Municipal Finance Corporation (MFC) guaranteed debt

2.33 Exhibit 2.19 below details nearly \$24 billion in debt owed ultimately by the Province.

Exhibit 2.19 - Summary of Funded Debt for Provincial Purposes, NB Power Debt and MFC Debt



Source: Prepared by AGNB

*Funded Debt for Provincial Purposes and NB Power debt are as at March 31, 2024

** MFC Debt as at December 31, 2023