

2025

# Annual Deficit, Net Debt and Funded Debt

## Chapter 2

**Volume III: Financial Audit**  
AGNB Annual Report





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## Annual Deficit, Net Debt and Funded Debt

# Chapter 2 Highlights

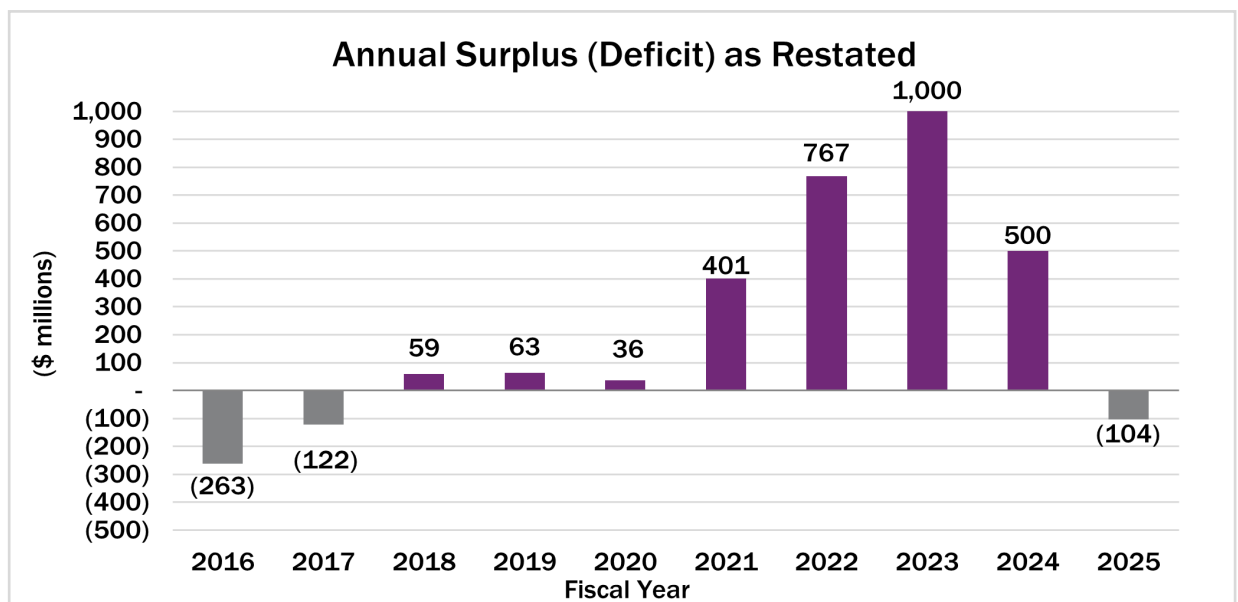
Annual deficit of \$104 million was the Province’s first recorded deficit in eight years	Provincial expenses increased by \$1.1 billion	Net debt has increased by \$500 million
\$5.2 billion in funded debt is due to be repaid over the next four years		

# Annual Deficit

## FIRST RECORDED DEFICIT IN EIGHT YEARS

- 2.1** After seven consecutive years of recording an annual surplus, the Province of New Brunswick has recorded an annual deficit. The March 31, 2025 audited consolidated financial statements reported an annual deficit of \$104 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 annual deficit in 2025 compared to the annual surplus in 2024.

Exhibit 2.2 - Breakdown of 2025 Annual Deficit

What happened since last year?	
	<b>Provincial Expenses</b> <i>Increased \$1.1B from 2024</i>
	<b>Provincial Tax Revenue</b> <i>Increased \$49M from 2024</i>
	<b>All Other Provincial Revenue Sources</b> <i>Increased \$185M from 2024</i>
	<b>Revenue from the Federal Government</b> <i>Increased \$283M from 2024</i>

Source: Prepared by AGNB using 2025 Public Accounts

INCREASES IN EXPENSES OUTPACED INCREASES IN REVENUES

2.4 The \$104 million deficit was due to increases in provincial expenses which outpaced increases in total revenues. The most significant increases to expenses included:

- Health expenses of \$337 million (an increase of 8%)
- Social Development expenses of \$297 million (an increase of 16%)
- Education and Training expenses of \$178 million (an increase of 7%)

PROVINCIAL TAX REVENUES ARE A SIGNIFICANT SOURCE OF REVENUE

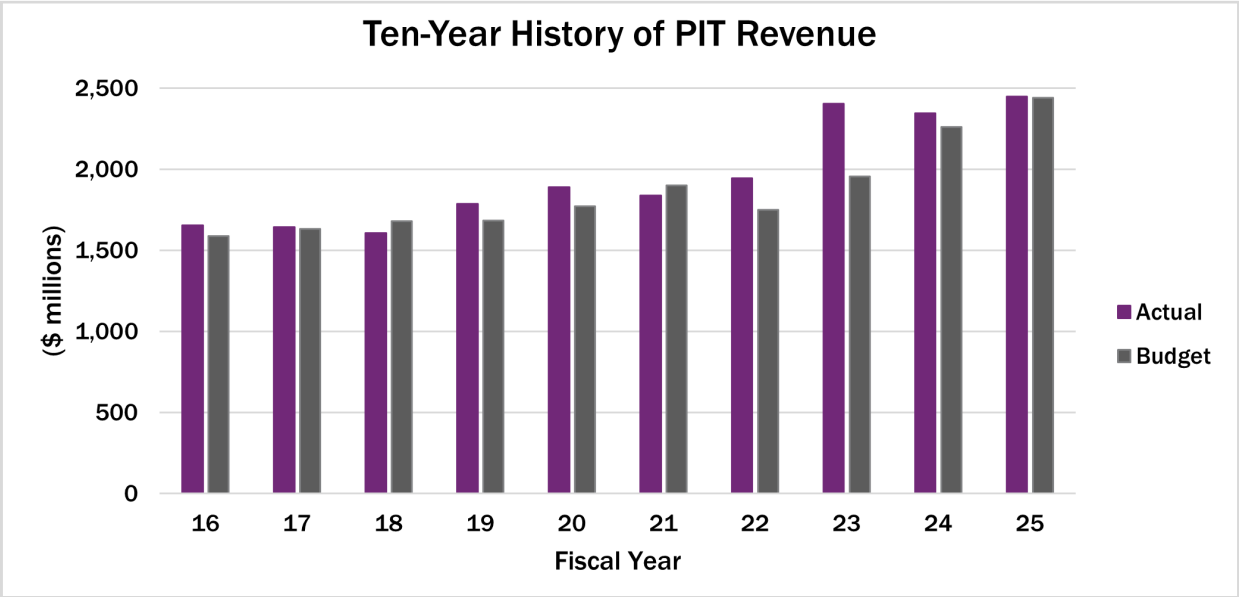
2.5 Provincial tax revenues totaled \$6.4 billion this year and made up 75% of provincial source revenue. Significant provincial tax revenues this year included:

- personal income tax of \$2.4 billion
- corporate income tax of \$0.7 billion
- harmonized sales tax of \$2.2 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

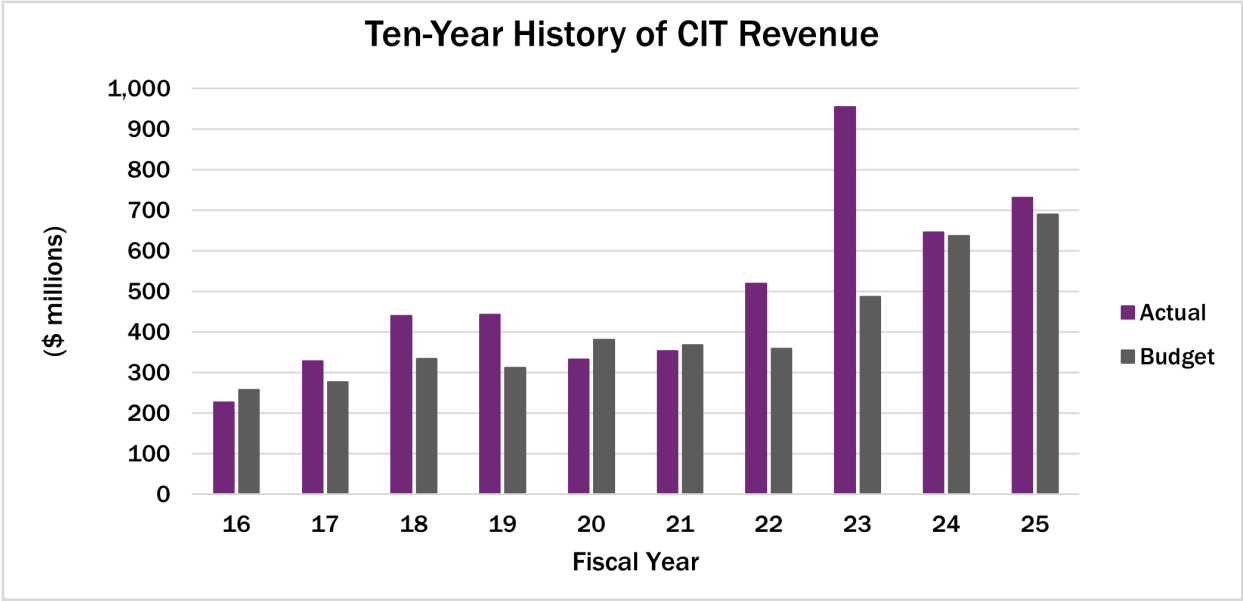


Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

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

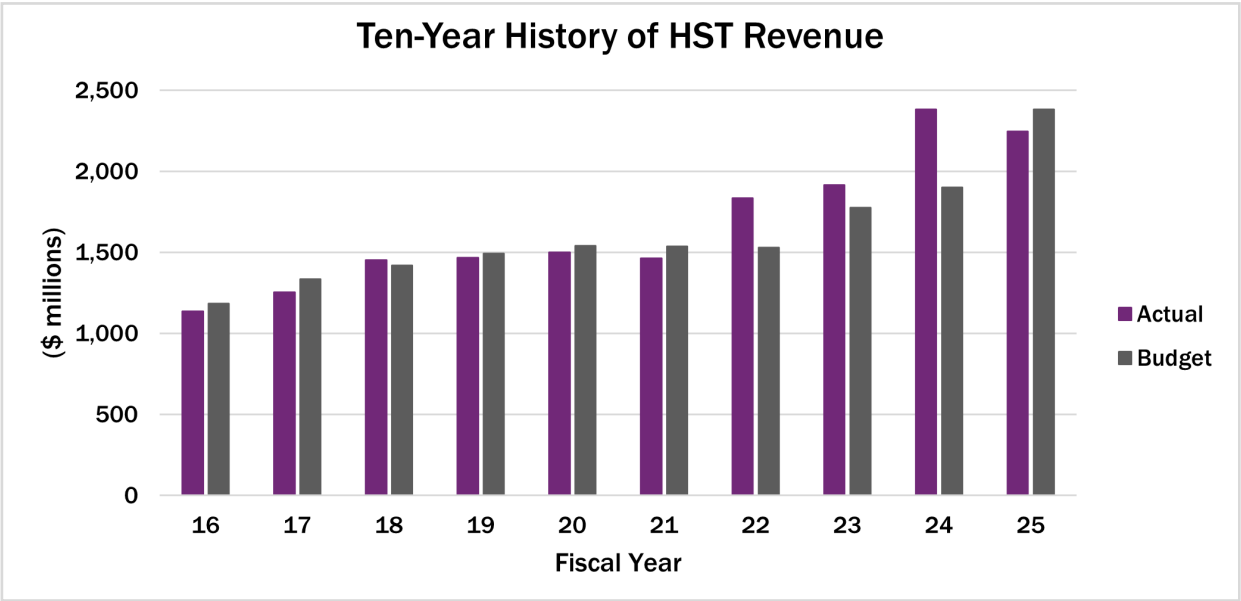


Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

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 of 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	2025 Amount	Definition
<b>Net Debt</b>	\$12.3 billion	An accounting calculation presented as total liabilities <i>minus</i> financial assets.
<b>Funded Debt</b>	\$18.4 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.
<b>Service of the Public Debt</b>	\$690 million	Annual cost of servicing funded debt**, consisting mostly of interest costs.

*Source: Prepared by AGNB using 2025 Public Accounts*

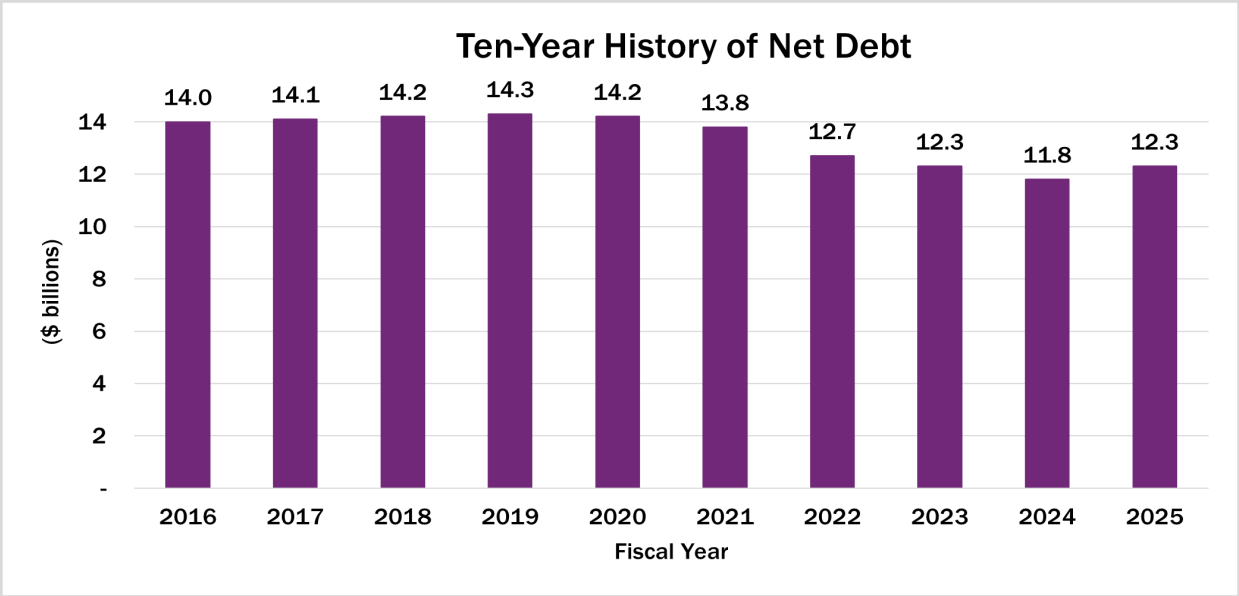
*\* Funded debt excludes \$5.4 billion borrowed on behalf of NB Power*

*\*\*Service of the funded debt consists mostly of interest, interest on capital leases and public private partnerships, interest on short-term borrowing, and interest recovery for debt incurred for NB Power*

INCREASE IN NET DEBT

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 increased by \$0.5 billion this year and is \$12.3 billion for the year ended March 31, 2025. See Exhibit 2.7 below for the ten-year history of net debt.

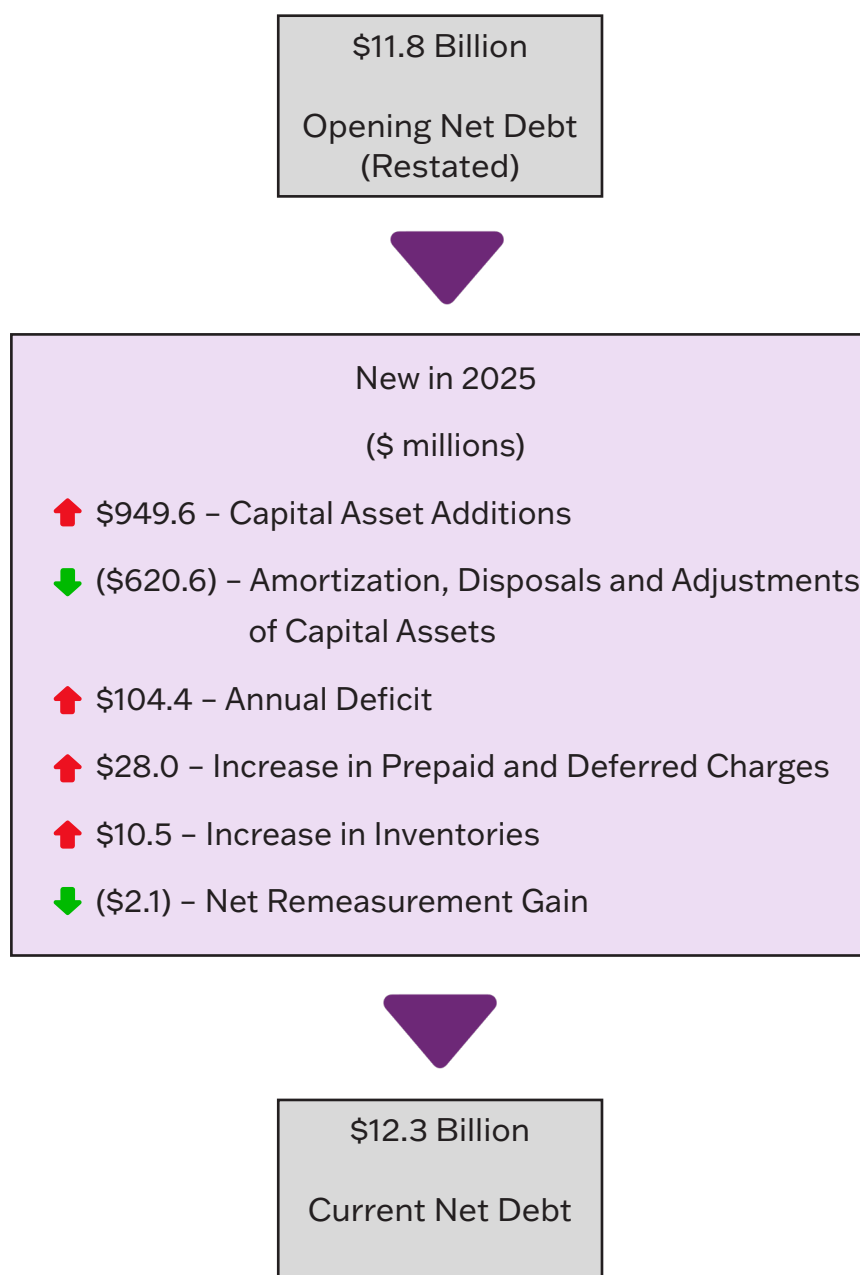
Exhibit 2.7 - Ten-Year History of Net Debt



Source: Prepared by AGNB based on applicable years Public Accounts data 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

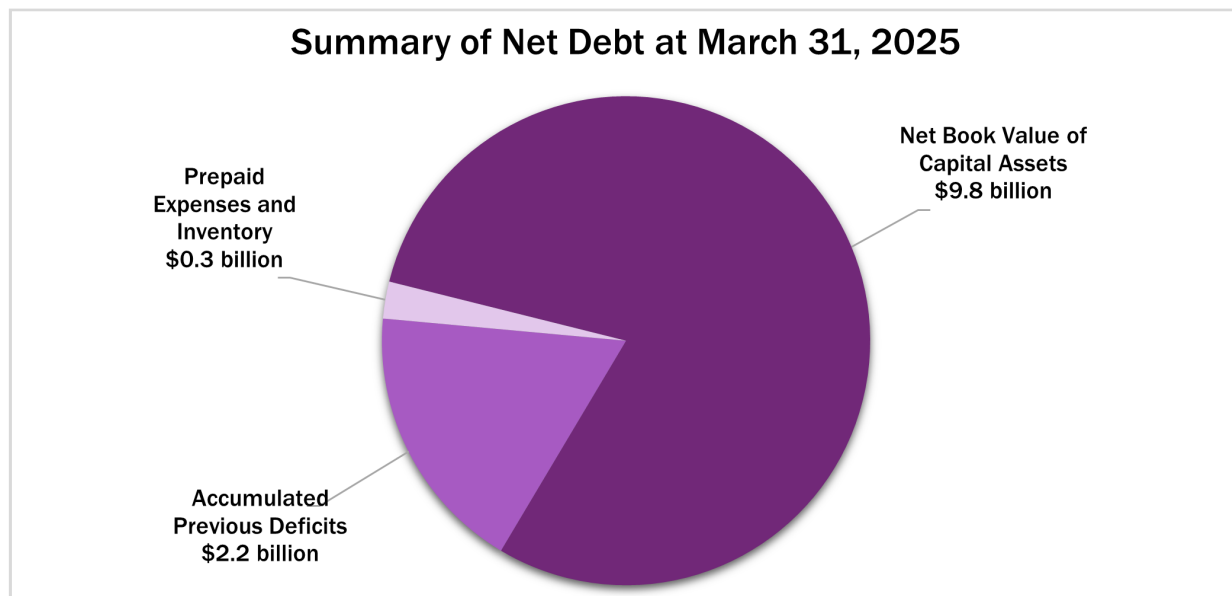


Source: Prepared by AGNB using 2025 Public Accounts

## WHAT MAKES UP THE \$12.3 BILLION IN NET DEBT?

**2.13** See Exhibit 2.9 for the net debt composition for fiscal year ended 2025.

*Exhibit 2.9 - Summary of Net Debt at March 31, 2025*



*Source: Prepared by AGNB using 2025 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

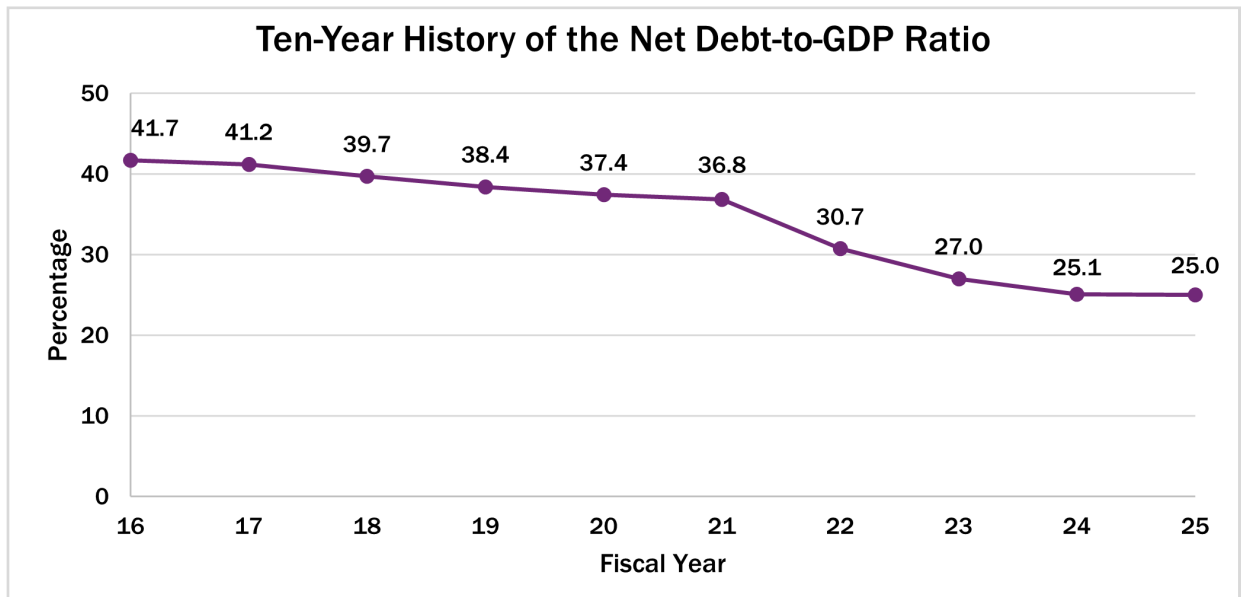
## NEW BRUNSWICK'S NET DEBT-TO-GDP RATIO

**2.15** The net debt-to-gross domestic product (GDP)<sup>1</sup> 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.

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

**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*



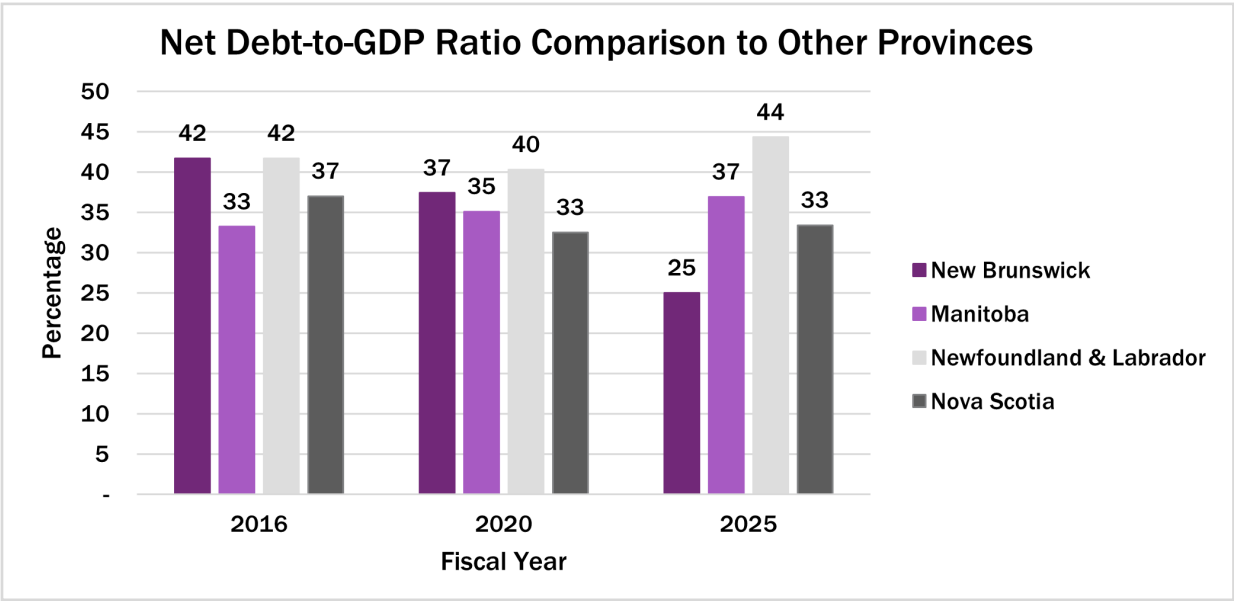
*Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts*

**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.

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 three other provinces. For fiscal year ended 2025, New Brunswick had the lowest net debt-to-GDP ratio.

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



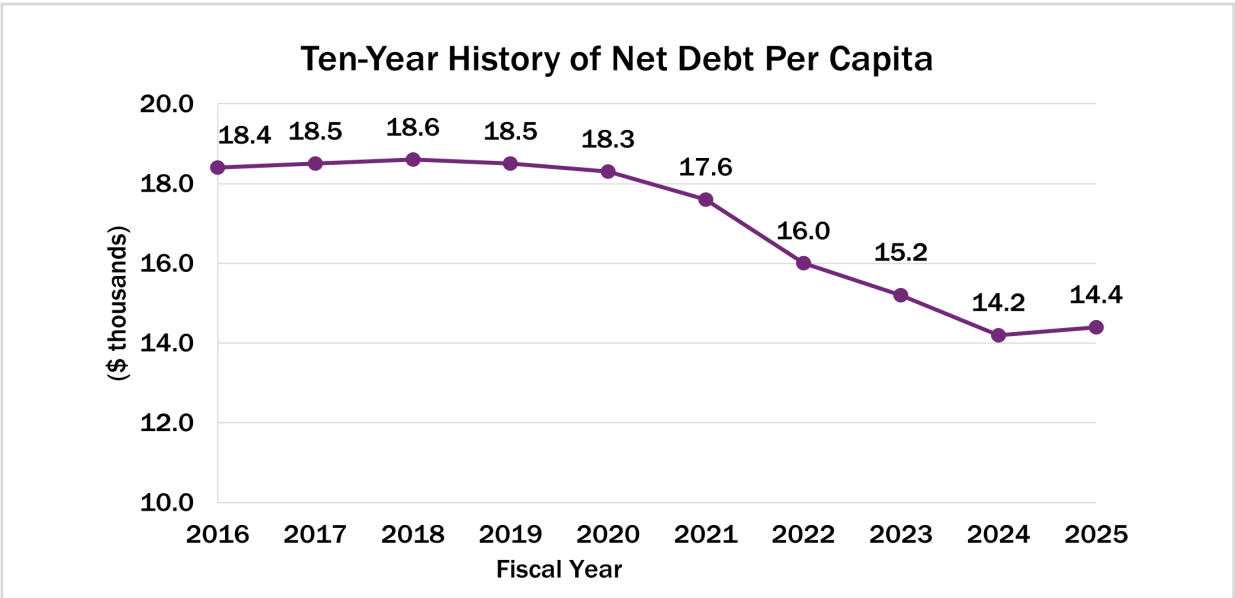
Source: Prepared by AGNB as restated where available



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 has since decreased to \$14,400 in 2025. Exhibit 2.12 shows the ten-year history of net debt per capita, highlighting a continual improvement from 2018 through 2024, followed by an increase in 2025.

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

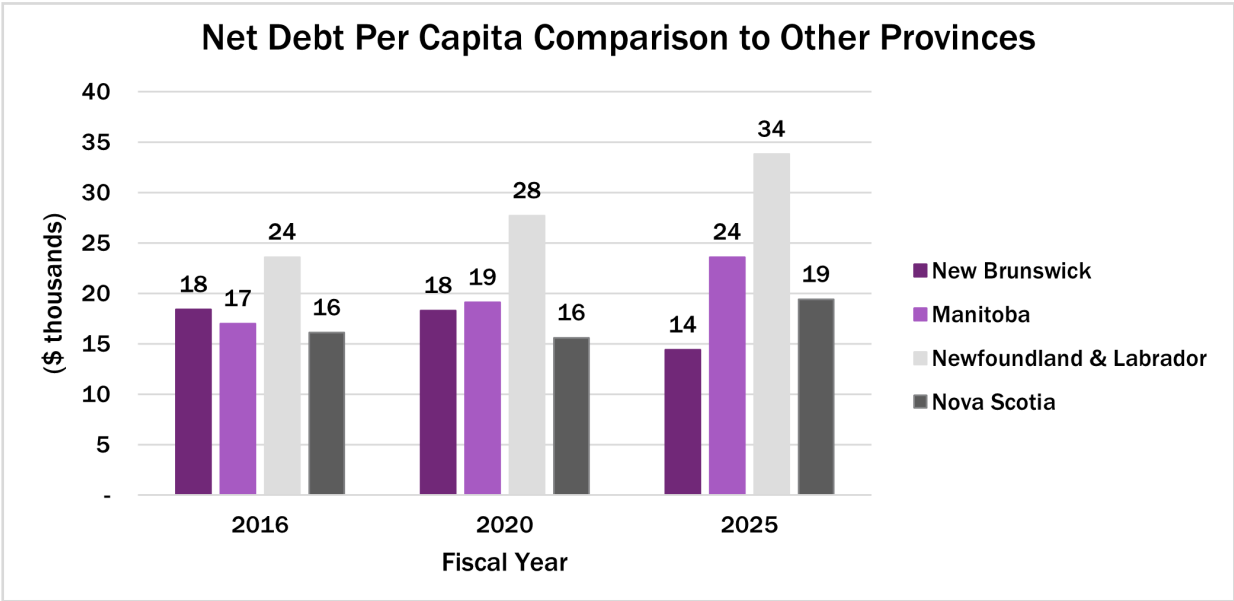


Source: Prepared by AGNB based on applicable years Public Accounts data with restatements where identified in Public Accounts

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 three other provinces. For fiscal year ended 2025, 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

## 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)

	2021	2022	2023	2024	2025
Target (Increase) Decrease	129	(241)	(15)	(183)	(315)
Actual (Increase) Decrease	477	1,091	361	505	(470)
<b>Difference</b>	348 (Actual Decrease Higher than Projected)	1,332 (Actual Decrease when an Increase was Projected)	376 (Actual Decrease when an Increase was Projected)	688 (Actual Decrease when an Increase was Projected)	(155) (Actual Increase Higher than Projected)
<b>Target Met or Exceeded?</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>

*Source: Prepared by AGNB based on applicable years 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 three of the past five years.

*Exhibit 2.15 - Five-Year History of Net Debt-to-GDP Targets Compared to Actual  
(as restated where applicable)*

	2021	2022	2023	2024	2025
Target	34.7%	36.4%	30.1%	24.9%	26.7%
Actual*	36.8%	30.7%	27.0%	25.1%	25.0%
Difference	2.1% (Actual Ratio Higher than Projected)	(5.7)% (Actual Ratio Lower than Projected)	(3.1)% (Actual Ratio Lower than Projected)	0.2% (Actual Ratio Higher than Projected)	(1.7)% (Actual Ratio Lower than Projected)
Target Met or Exceeded?	No	Yes	Yes	No	Yes

Source: Prepared by AGNB based on applicable years 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** 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 2025-2026 Main Estimates are presented in Exhibit 2.16.
- 2.25** While we are pleased to see targets being set, we are concerned by these targets increasing net debt and the net debt-to-GDP ratio each year.

*Exhibit 2.16 - Province's Net Debt Reduction Targets*

	2026 Budget	2027 Plan	2028 Plan	2029 Plan
Annual (Increase) Decrease in Net Debt (\$ millions)	(929)	(917)	(675)	(486)
Net Debt-to-GDP Ratio	26.6%	27.7%	28.3%	28.5%

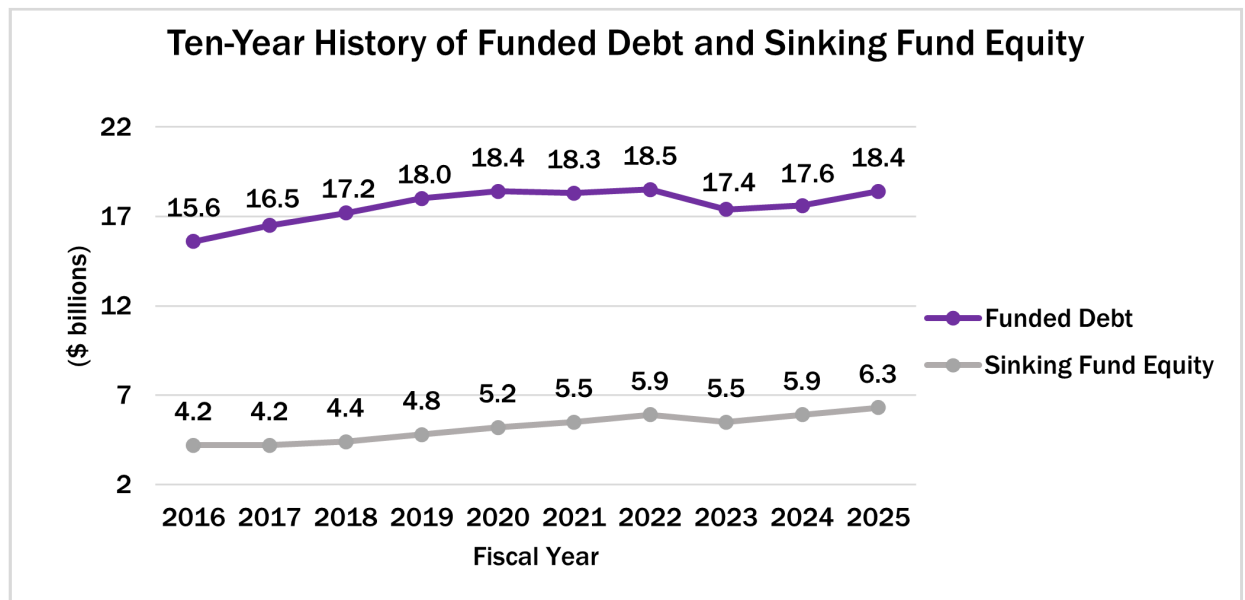
Source: <https://www.gnb.ca/en/gov/budget.html>

# Funded Debt

## \$18.4 BILLION IN FUNDED DEBT

- 2.26** This year, funded debt increased from \$17.6 billion in 2024 to \$18.4 billion.
- 2.27** 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, 2025, the value of the Province's sinking fund equity was approximately \$6.3 billion.
- 2.28** 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 years Public Accounts data with restatements where identified in Public Accounts

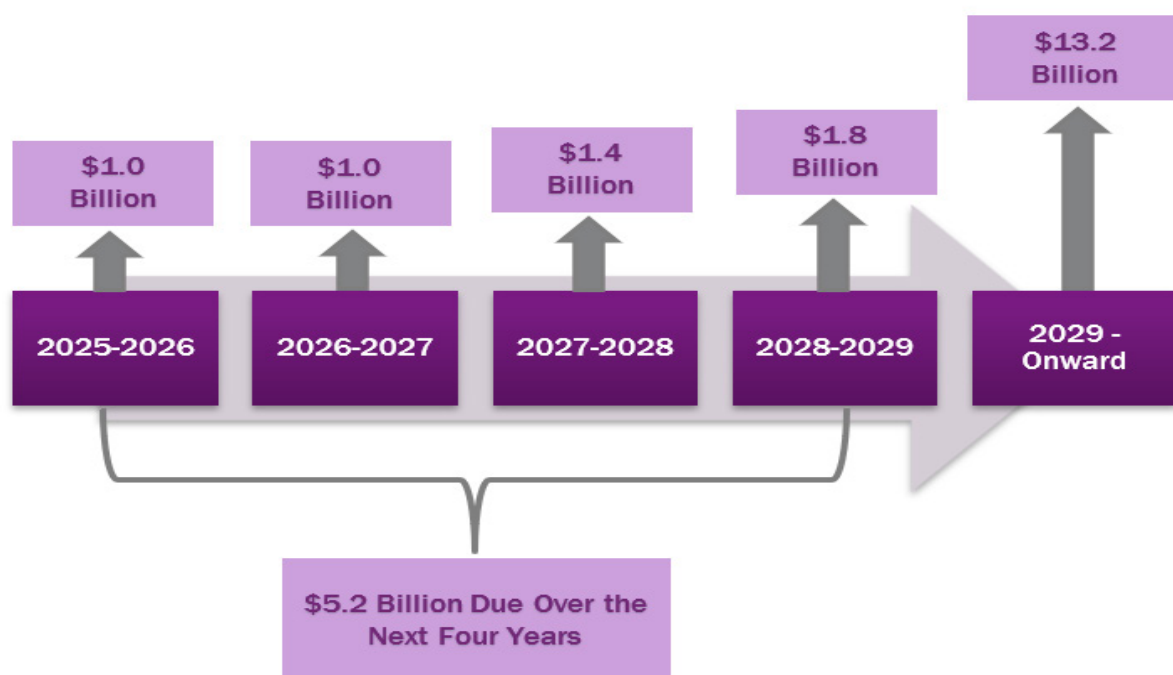
- 2.29** As noted above, funded debt is significantly more than the equity in the sinking fund. Additional cash outlays of approximately \$12 billion will be needed in the future to repay the total funded debt.

**2.30** Over the next four years, approximately \$5.2 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 2025 include:

- \$800 million (CAD) was repaid
- \$1.55 billion (CAD) of new debt was issued

**2.31** 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 2025 Public Accounts*

## INTEREST COSTS

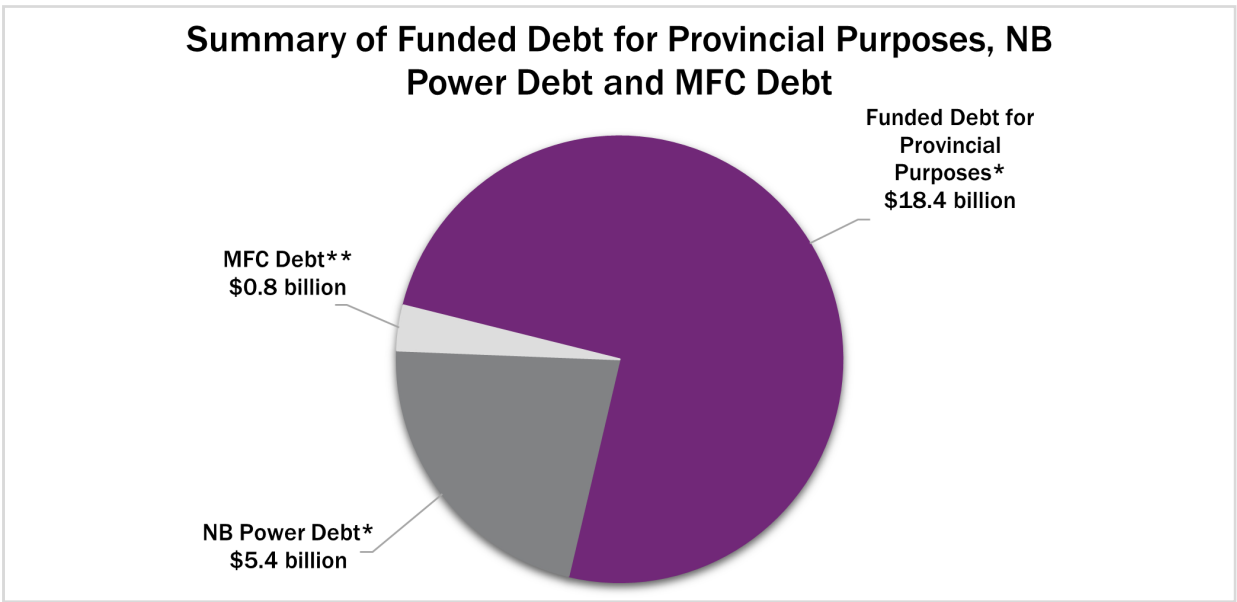
**2.32** In the fiscal year ended 2025, the service cost of this debt (excluding NB Power), was \$690 million. This is an annual cost and does not reduce the principal amount outstanding.



PROVINCIAL DEBT

- 2.33 The amount recorded as provincial debt (\$18.4 billion) does not include:
- \$5.4 billion in NB Power debt
  - \$751.9 million in New Brunswick Municipal Finance Corporation (MFC) guaranteed debt
- 2.34 Exhibit 2.19 below details over \$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 using 2025 Public Accounts  
\*Funded Debt for Provincial Purposes and NB Power debt are as at March 31, 2025  
\*\* MFC Debt as at December 31, 2024