

New Brunswick's 2017–18 Q1 Update

Budget Balances

FY17 Q3: -\$231mn (-0.7% of GDP)

FY18 Budget: -\$192mn (-0.6% of GDP) Q1: -\$156mn (-0.4% of GDP)

FY19 Budget: -\$117mn (-0.3% of GDP)

New Brunswick after Q1 is narrowing its forecast deficit for fiscal 2017–18 (FY18) by \$36 million, reflecting an \$11 million rise in projected revenues and a \$25 million drop in expenses. NB reasonably cautions that it is early in FY18, but as it monitors its revenue and economic growth, it is committed to expenditure management, with its *Strategic Program Review* progress regularly reported (p.2).

The Q1 revenue revisions are mixed. The net increase is driven by miscellaneous receipts, notably higher Harmonized Sales Tax recoveries and increased revenues from the Regional Health Authorities. Total tax receipts, however, are lowered by \$1½ million for FY18 with the Corporate Income Tax higher but Tobacco and Real Property Taxes reduced.

Assisting New Brunswick's fiscal performance are the positive employment and output gains expected in calendar 2017 and 2018 (side chart). The Province has raised its 2017 estimate for real GDP growth from 0.6% to 0.8%. Scotiabank Economics expects a 1.1% output gain for this year and NB reports that private-sector forecasts average 1.2%.

The expenditure saving is split between a \$10 million reduction in the debt service due to lower-than-forecast short-term interest expense and a \$15 million decrease in program spending.

Lower FY18 program spending is driven by a smaller expense for retirement allowances. Upward spending pressures are still noted in several areas such as Health. In Post-Secondary Education, Training and Labour, the \$6.0 million upward revision in outlays is in anticipation of a federal funding increase.

For Net debt, as measured by NB, the FY18 increase is trimmed by 36½ million. As of March 2018, forecast net debt outstanding of \$14.3 billion is expected to edge lower as a share of GDP to 41.0%.

New Brunswick's FY18 Q1 Revisions		
\$ millions except where noted		
	FY18	
	Budget	Q1
Tax Receipts		
Total Revenue	9,189	9,199
Program Spending	8,680	8,664
Debt Service	701	691
Total Expenditures	9,381	9,355
Surplus (Deficit)	-192	-156
Increase in Net Debt	362	326
% change: Revenues	4.1	4.2
Program Spending	3.6	3.3

Source: New Brunswick Finance.

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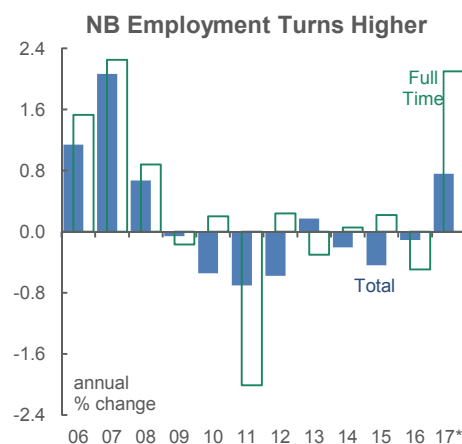
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An Update for New Brunswick's Strategic Program Review

New Brunswick reports that its *Strategic Program Review* is on track to achieve the targeted expenditure savings of \$296 million by the end of FY21. Combined with \$293 million of revenue measures, the *Review* is still expected to total \$589 million. After Q1 FY18, the Province expects that expenditure savings of \$222 million can be achieved by March 2018, 94.5% of the specified target. One shortfall will be in Education due to the change in the student population with Syrian students. Examples of projects for this fiscal year include standardizing budget processes, continuing to centralize common services in Service New Brunswick, consolidation of its Lab Services and centralization of its Land Registry.

New Brunswick's Strategic Program Review, Q1 Projections

\$ millions

	Achieved	FY18		Target
	To Date			
	<u>FY18</u>	<u>Target</u>	<u>Forecast</u>	<u>FY21</u>
<i>Budget 2015-16</i>	115.2	115.2	115.2	115.2
Administrative Efficiencies	40.7	79.8	72.8	102.1
Reshaping the Civil Service	10.1	17.2	18.6	25.0
Centralization of Services	9.1	22.1	14.9	52.1
Other	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>	<u>1.3</u>
Total	175.9	235.0	222.1	295.7

Source: New Brunswick Finance.

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