

Economic and Fiscal Update 2009-2010

Hon. Greg Byrne, Q.C.,

Minister of Finance

March 26, 2010

Economic and Fiscal Update 2009-2010

Published by:

Department of Finance
Province of New Brunswick
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1
Canada

Internet: www.gnb.ca/0024/index-e.asp

March 26, 2010

Translation:

Translation Bureau, Supply and Services

Printed in New Brunswick



Think Recycling!

2009 Economic Update

2009 Statistical Summary		
Growth Rates¹		
	N.B.	Canada
	(2008 to 2009)	
Output		
Gross Domestic Product (GDP)	1.0	-4.5
GDP (real)	-0.5	-2.6
Population and Labour Force		
Total Population (July 1)	0.3	1.2
Employment	0.1	-1.6
Unemployment Rate (%)	8.9	8.3
Indicators		
Foreign Exports	-22.5	-26.7
Retail Trade	-0.1	-3.0
Average Weekly Earnings	2.5	1.6
Housing Starts	-17.6	-29.4
Manufacturing Sales	-20.5	-17.3
Consumer Price Index	0.3	0.3

¹ Per cent change unless otherwise indicated.

- The New Brunswick economy is projected to contract by 0.5% in 2009, in line with the initial 2009-2010 budget estimate and consistent with the updated estimate contained in the 2010-2011 Budget in December.
- This estimate is comparable to the latest private sector forecasts.
- As is the case for Canada, the global recession has severely impacted the manufacturing and export sectors of our economy.
- As of January 2010, New Brunswick's population increased for the 12th consecutive quarter.
- The provincial unemployment rate reported the smallest increase of any province in 2009.
- New Brunswick was one of only three provinces to report increased employment last year.
- Average weekly earnings growth outpaced the national rate for the fourth consecutive year.
- Retail sales posted a small decline (-0.1 per cent) in 2009, compared to the 3.0 per cent decline for Canada.
- Consumer inflation, as measured by the consumer price index, matched the national increase in 2009, at 0.3%.
- For 2010, the economic growth projection of 1.7% for the New Brunswick economy contained in the December budget is still valid and it remains in line with private forecasters.

2009-2010 Fiscal Update

- A deficit of \$742.8 million is now projected, an improvement of \$10.9 million compared to the revised December deficit of \$753.7 million.
- Net debt is now projected to increase \$947.5 million year-over-year, an improvement of \$18.8 million from December.
- Based on new information since December, revenue has increased by \$19.1 million mainly due to:
 - Corporate Income Tax has increased by \$19.1 million due to changes in the province's payment schedule from the federal government;
 - Metallic Minerals Tax has increased by \$19.0 million due to a significant rebound in world zinc prices in the latter part of 2009;
 - Personal Income Tax has increased by \$8.0 million due to prior year adjustments;
 - Financial Corporation Capital Tax has increased by \$6.0 million based on new information received from financial corporations in December;
 - Harmonized Sales Tax has decreased by \$22.8 million due to federal estimates received in December;
 - Forest Royalties have decreased by \$9.3 million due to less harvesting in the province.
- Expenses are now estimated to be \$8.3 million higher than projected in December, with cost pressures in several departments largely offset by lower spending in others.
- The updated deficit is comparable to the original budget projection for 2009-2010 despite the economic challenges during the year. The increase in net debt is less than originally projected at budget.
- Since the 2009-2010 Budget in March 2009, revenue has increased by \$40.3 million and expenses have increased by \$42.3 million.
- The 2010-2011 Budget provided an initial fiscal update of 2009-2010 including major variances from budget.

COMPARATIVE STATEMENT OF SURPLUS OR DEFICIT

Thousands

\$

	<u>Year Ending March 31</u>		
	2010 Estimate	2010 Revised	2010 Update
Revenue			
Ordinary Account.....	6,612,293	6,630,857	6,650,144
Capital Account.....	215	3,288	2,038
Special Purpose Account.....	60,047	61,765	61,443
Special Operating Agency Account (net).....	160,127	166,086	168,970
Sinking Fund Earnings.....	234,100	223,900	222,300
Amortization of Deferred Capital Contributions.....	30,553	32,616	32,762
Total Revenue	<u>7,097,335</u>	<u>7,118,512</u>	<u>7,137,657</u>
Expense			
Ordinary Account.....	7,219,773	7,240,372	7,245,884
Capital Account.....	123,894	119,051	121,440
Special Purpose Account.....	63,681	65,619	64,611
Special Operating Agency Account (net).....	147,887	158,145	159,360
Amortization of Tangible Capital Assets.....	282,979	289,028	289,181
Total Expense	<u>7,838,214</u>	<u>7,872,215</u>	<u>7,880,476</u>
Surplus (Deficit)	<u>(740,879)</u>	<u>(753,703)</u>	<u>(742,819)</u>

COMPARATIVE STATEMENT OF ESTIMATED GROSS REVENUE BY SOURCE

Thousands

\$

	Year Ending March 31		
	2010 Estimate	2010 Revised	2010 Update
Taxes			
Personal Income Tax.....	1,224,000	1,283,000	1,291,000
Corporate Income Tax.....	171,600	181,200	200,300
Metallic Minerals Tax.....	19,000	10,000	29,000
Provincial Real Property Tax.....	404,000	404,000	404,000
Harmonized Sales Tax.....	999,000	955,000	932,200
Gasoline and Motive Fuels Tax.....	199,000	201,000	201,000
Tobacco Tax.....	90,000	94,000	97,000
Pari-Mutuel Tax.....	65	65	65
Insurance Premium Tax.....	41,492	41,492	41,492
Real Property Transfer Tax.....	6,800	6,800	6,000
Large Corporation Capital Tax.....	0	5,000	9,200
Financial Corporation Capital Tax.....	7,000	6,000	12,000
Sub-total: Taxes.....	3,161,957	3,187,557	3,223,257
Return on Investment.....	261,835	256,810	256,687
Licences and Permits.....	114,762	114,952	115,011
Sale of Goods and Services.....	248,831	237,466	238,340
Royalties.....	73,095	50,095	36,795
Fines and Penalties.....	8,395	8,668	8,661
Miscellaneous.....	26,236	28,887	30,463
 TOTAL: OWN SOURCE REVENUE.....	 3,895,111	 3,884,435	 3,909,214
 Unconditional Grants – Canada			
Fiscal Equalization Payments.....	1,689,000	1,689,000	1,689,000
Canada Health Transfer.....	557,000	554,800	554,800
Canada Social Transfer.....	242,100	241,200	241,200
Wait Times Reduction Transfer.....	5,575	5,560	5,560
Other.....	1,938	1,938	1,938
Sub-total: Unconditional Grants – Canada.....	2,495,613	2,492,498	2,492,498
 Conditional Grants – Canada.....	 221,569	 253,924	 248,432
 TOTAL: GRANTS FROM CANADA.....	 2,717,182	 2,746,422	 2,740,930
 TOTAL: GROSS ORDINARY REVENUE.....	 6,612,293	 6,630,857	 6,650,144

COMPARATIVE STATEMENT OF ORDINARY ACCOUNT EXPENSE

Thousands

\$

<u>DEPARTMENT</u>	Year Ending March 31		
	2010 Estimate	2010 Revised	2010 Update
Agriculture and Aquaculture.....	36,786	36,778	36,286
Business New Brunswick.....	56,828	40,728	38,878
Education.....	963,177	963,177	966,877
Energy.....	3,680	3,680	3,680
Energy Efficiency and Conservation Agency of New Brunswick.....	14,592	14,592	14,592
Environment.....	13,314	13,914	13,914
Executive Council Office.....	5,521	5,471	5,471
Finance.....	12,364	12,324	12,324
Fisheries.....	4,836	4,802	4,802
General Government.....	869,633	770,900	778,060
Health.....	2,302,671	2,373,671	2,373,671
Intergovernmental Affairs.....	3,465	3,455	3,455
Justice and Consumer Affairs.....	40,135	42,698	45,035
Legislative Assembly.....	20,533	22,070	22,070
Local Government.....	116,686	116,686	116,686
Maritime Provinces Higher Education Commission.....	258,938	259,683	259,683
Natural Resources.....	88,085	90,060	89,708
Office of the Attorney General.....	16,707	16,244	15,994
Office of the Comptroller.....	4,478	4,378	4,478
Office of Human Resources.....	5,403	5,393	5,393
Office of the Premier.....	1,717	1,712	1,712
Post-Secondary Education, Training and Labour.....	298,189	308,501	303,435
Public Safety.....	123,608	127,841	129,341
Regional Development Corporation.....	73,524	88,724	88,724
Service of the Public Debt.....	623,927	623,800	621,400
Social Development.....	924,791	951,185	951,185
Supply and Services.....	113,912	114,557	114,557
Tourism and Parks.....	30,404	30,279	30,404
Transportation.....	173,067	174,267	175,267
Wellness, Culture and Sport.....	18,802	18,802	18,802
TOTAL	<u>7,219,773</u>	<u>7,240,372</u>	<u>7,245,884</u>

COMPARATIVE STATEMENT OF CHANGE IN NET DEBT

Thousands

\$

	<u>Year Ending March 31</u>		
	2010 Estimate	2010 Revised	2010 Update
Surplus (Deficit).....	(740,879)	(753,703)	(742,819)
Acquisition of Tangible Capital Assets.....	(537,466)	(551,895)	(545,688)
Amortization of Tangible Capital Assets.....	282,979	289,028	289,181
Revenue Received to Acquire Tangible Capital Assets.....	57,206	82,812	84,558
Amortization of Deferred Capital Contributions.....	<u>(30,553)</u>	<u>(32,616)</u>	<u>(32,762)</u>
(Increase) Decrease in Net Debt.....	<u>(968,713)</u>	<u>(966,374)</u>	<u>(947,530)</u>