

Economic and Fiscal Update
Hon. Greg Byrne, Q.C., Minister of Finance
March 26, 2010

Mr. Speaker, this government committed in December to provide an update on the status of the 2009-2010 Budget to the Legislature in advance of the end of the fiscal year. This morning, I tabled in the House an update on the performance of the New Brunswick economy in the past year and a third quarter update of the 2009-2010 fiscal situation.

Since the latter half of 2008, we have faced the worst global economic and financial crisis in the last 60 years. The collapse of international financial institutions started a global recession from which no country was immune. This environment had a significant impact on the economies and fiscal situations in all jurisdictions of Canada. As well, many New Brunswick communities, businesses and workers have been affected by the economic and financial uncertainty.

Mr. Speaker, strong action was undertaken by this government to stabilize the economy and lessen the impacts of the recession. In December 2008, this government was one of the first jurisdictions to announce a responsible, pro-active stimulus and infrastructure investment plan to position the economy to recover and prosper. The federal government and other provinces have since followed suit and implemented similar plans. The early indications are that this was the right approach at the right time.

All jurisdictions in Canada faced a challenging fiscal situation in 2009-2010. Revenues have been constrained by the economic downturn while continually rising demands and costs for public services and stimulus spending required to grow the economy have led to significant deficits and increases in net debt across the country. Many provincial jurisdictions and the federal government have announced multi-year plans to return to fiscal balance. This is the environment we continue to work within.

Mr. Speaker, I would now like to provide an update on New Brunswick's economic performance in 2009. My officials regularly monitor the opinions of economic forecasters, financial institutions, rating agencies and the business community on the outlook for the US, Canadian and New Brunswick economies. Based on current projections, the New Brunswick economy in 2009 has performed much as expected when we tabled our 2009-2010 Budget one year ago.

Statistics Canada recently reported the Canadian economy declined by 2.6% in 2009. Most private sector forecasters currently expect all provincial economies to decline in 2009. Our December projection of a 0.5% decline in real GDP for New Brunswick is comparable to the latest consensus of private sector forecasters and is in line with our original budget projection last March.

Most New Brunswick economic indicators have posted a modestly better performance than for Canada. New Brunswick was one of only three provinces to report increased employment levels in 2009. The first year of our \$1.6 billion two-year capital expenditure program stimulated construction activity and employment across the province. Average weekly earnings growth outpaced the national average for the fourth consecutive year. While a drag on the economy in 2009, manufacturing sales

and exports reported much stronger performances in the latter part of the year. Retail sales posted strong September-to-December growth. And, Mr. Speaker, I am proud to say that the latest available information indicates that our population has now increased for 12 consecutive quarters.

These are solid indications that our economic stimulus and recovery plan is working, and that the province has strong economic fundamentals on which to build.

For 2010, the economic growth projection of 1.7% for the New Brunswick economy contained in our December budget is still valid, and it remains in line with private sector forecasters.

Mr. Speaker, I would now like to comment on the current fiscal situation for the 2009-2010 fiscal year. The first economic and fiscal update on the current fiscal year was provided in December with the tabling of our 2010-2011 Budget. At that time, we estimated a modestly larger deficit than originally projected in March 2009. I wish to make it clear that, as of today, the fiscal situation has improved moderately, but overall remains much as laid out in December.

Economic projections for 2009 remain largely on track compared to our December update; so, too, do our revenues. In total, revenues are now estimated to be \$19.1 million higher than in December, based on new information obtained since that time. A significant increase in world zinc prices in the latter half of 2009 has led to higher Metallic Minerals Tax revenues. Corporate Income Tax revenue is now projected to be higher than in December due to changes to the province's payment schedule. These revenue increases have offset downward pressures since December in other accounts impacted by the recession, including lower federal estimates of harmonized sales tax and natural resource royalties.

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.

In total, we now anticipate the 2009-2010 deficit to be \$742.8 million, an improvement of \$10.9 million since December. Net debt is projected to increase \$947.5 million year-over-year, an improvement of \$18.8 million from December. By putting in place a solid plan for a stronger economy, these results are comparable to the original budget projections for 2009-2010 despite the economic challenges during the year.

Mr. Speaker, we are confident that the budget we tabled in March 2009 was the right budget and has helped position New Brunswick for an economic recovery that will improve our long-term competitiveness and secure our economic future. Our 2010-2011 Budget tabled this past December built on this momentum. Together, these build on the initiatives undertaken by this government since October 2006 to position all areas of the province to grow and diversify on our path to self-sufficiency.

Regarding the 2010-2011 budget year commencing April 1, the fiscal plan contained in the December budget continues to be relevant.

While some would argue that there should have been deeper cuts to balance the books more quickly, we heard loudly and clearly from New Brunswickers that they preferred extending the period over which the budget is balanced instead of using significantly stronger restraint measures. Mr. Speaker, this government has listened to New Brunswickers and has made the decision to return to balanced budgets in a sustainable manner, rather than commit to sweeping reductions to programs and services. We believe that this plan is the responsible way to stimulate the New Brunswick economy and position it for a sustainable recovery.

If the cost of providing the essential services that New Brunswickers depend upon is a slightly larger deficit or a year longer to return to balanced budgets, then that is a price we are more than willing to pay.

Rest assured, this government will never balance the books on the backs of those New Brunswickers who need our help the most.

Thank you, Mr. Speaker.