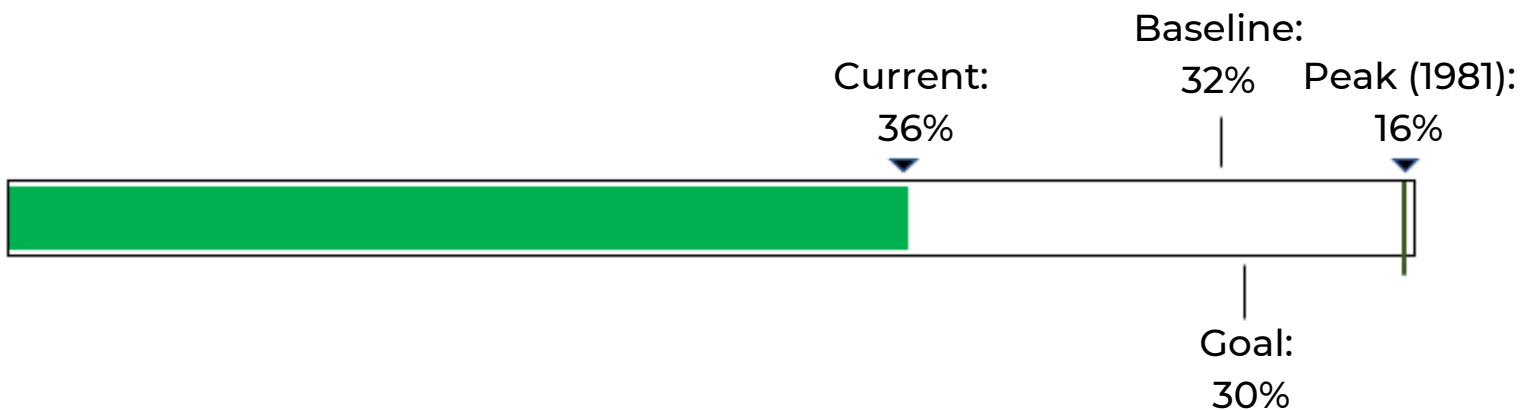




NET DEBT-TO-GDP RATIO

STATUS:  PROGRESSING AND ON TRACK



New Brunswick should boost the provincial economy by lowering its net debt-to-GDP ratio below 30%.

OVERVIEW

Importance

Net debt-to-GDP refers to the metric comparing New Brunswick's debt to its gross domestic product. A lower debt-to-GDP ratio indicates that the province is more able to pay back its debts. A decreasing net debt-to-GDP ratio means that the economy is growing faster than debt is accumulating. If New Brunswick can continue to maintain a rate decrease of around 1% per year, it could be able to reach the proposed goal of a net debt-to-GDP ratio below 30% by 2028.

Problem

New Brunswick's net debt-to-GDP ratio increased from 15.9% in 1981 to a high of 40.9% in 2016. An increasing ratio indicates that the province's net debt is growing faster than the economy, which reduces the financial sustainability of the provincial government.

Cause

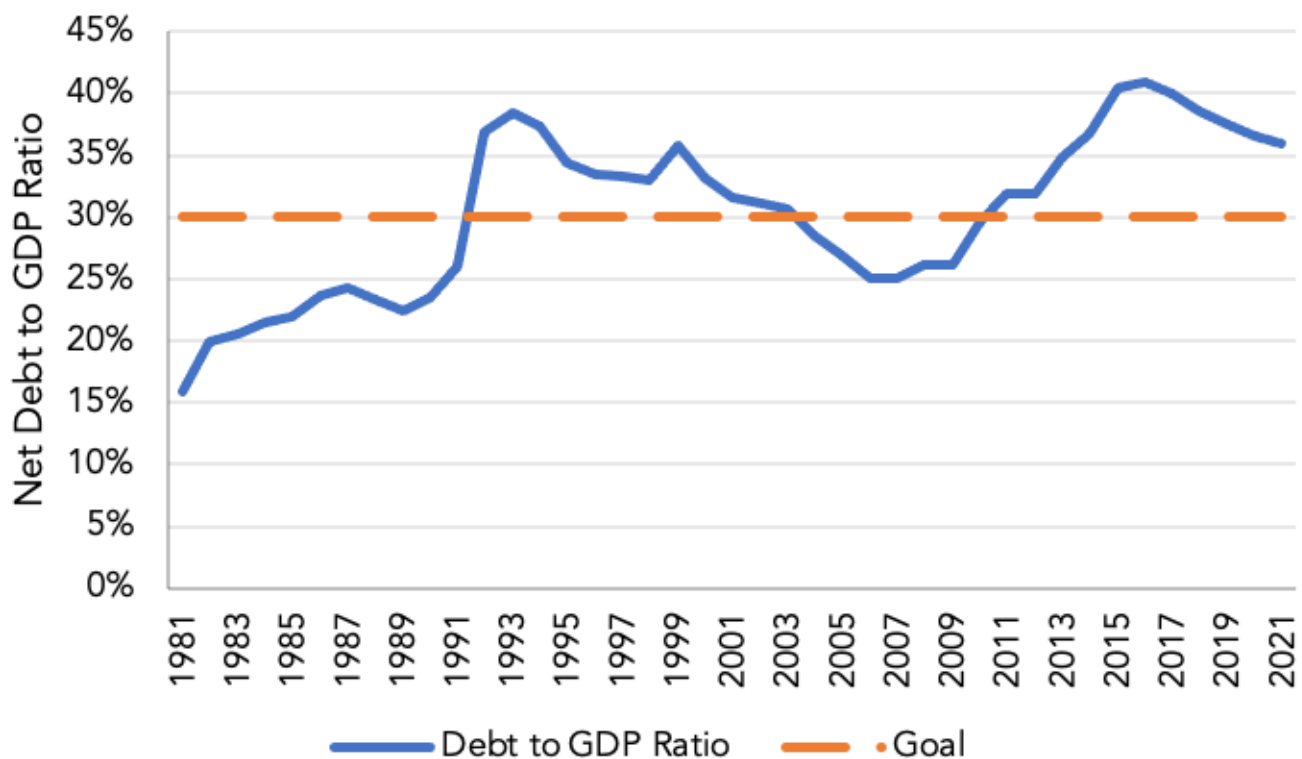
This increase is not due to an actual increase in post-secondary attendees. It is due to a decrease in the total population of New Brunswick since 2010 (a 2.5% decrease in the total population aged 25-64 and a 9% decrease in the population aged 18-24).

IN THE NUMBERS

New Brunswick's Net Debt-to-GDP

While New Brunswick's net debt-to-GDP ratio has seen an overall upward trend since 1981, it has experienced periods of fluctuation, decreasing enough to meet the standards of the suggested goal (30% or less) between 2004 and 2009. If the ratio undergoes a similar period of fluctuation, it is possible that New Brunswick could achieve a ratio of 30% or less by 2028. The net debt-to-GDP ratio showed a significant decrease in 2017 and 2018, and New Brunswick is still currently making progress toward reaching this target. The numbers showed a debt-to-GDP ratio of 36% in 2021 was a decrease of 1.4% from 2019, despite the COVID-19 pandemic in 2020.

Figure 1: New Brunswick's Net Debt-to-GDP Ratio



(See full data in Appendix A)

SUMMARY

- While the net debt-to-GDP ratio remains above the initial goal of 30%, it has been decreasing even with the pandemic around. Therefore, this goal is progressing on track.
- Reducing the net debt-to-GDP ratio is important in all jurisdictions, especially for New Brunswick, as its ratio peaked over 40% from 2015 to 2017 (and that is only including by-the-books debt).

APPENDIX A

New Brunswick's Net Debt-to-GDP Ratio

Year	Debt to GDP Ratio
1981	15.9%
1982	19.9%
1983	20.6%
1984	21.4%
1985	22.0%
1986	23.6%
1987	24.3%
1988	23.3%
1989	22.4%
1990	23.5%
1991	25.9%
1992	36.8%
1993	38.5%
1994	37.3%
1995	34.4%
1996	33.5%
1997	33.3%
1998	33.0%
1999	35.8%
2000	33.2%
2001	31.5%
2002	31.2%
2003	30.6%
2004	28.4%
2005	27.0%
2006	25.1%
2007	25.0%
2008	26.2%
2009	26.2%
2010	29.6%
2011	31.8%
2012	31.9%
2013	34.8%
2014	36.6%
2015	40.5%
2016	40.9%
2017	40.0%
2018	38.6%
2019	37.4%
2020	36.6%
2021	36.0%

Source: Statistics Canada, CANSIM Table 17-10-0005-01 and CANSIM Table 37-10-0130-01