

YEAR 2021

# GOAL 19: NET DEBT-TO-GDP RATIO

NEW BRUNSWICK SHOULD BOOST THE PROVINCIAL ECONOMY BY LOWERING ITS NET DEBT-TO-GDP RATIO BELOW 30%.



STATUS: PROGRESSING

# 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

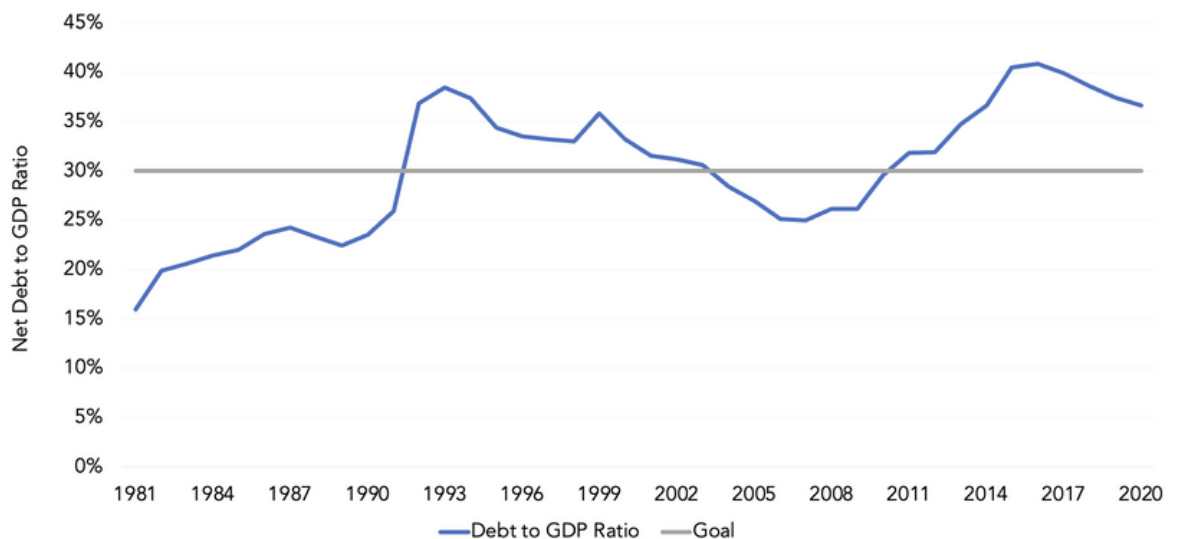
The most recent cause for an increase in the net debt-to-GDP ratio was the 2008 recession. The ratio was on a downward trend before and was actually below the goal of 30% or less, but after the recession hit, it began increasing steadily up to the 40.9% peak in 2016.

# 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 towards reaching this target. The numbers showed a debt-to-GDP ratio of 36.6% in 2020, which was a decrease of 0.8% from the previous year, despite the COVID-19 pandemic in 2020.

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



(See full data set in Appendix A)

## Summary

While the net debt-to-GDP ratio still remains above the initial goal of 30%, it has been decreasing recently. Therefore, this goal is progressing. Reducing the net debt-to-GDP ratio is important in all jurisdictions, especially for New Brunswick, as its ratio peaked over 40% recently (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%

Source: Public Accounts of New Brunswick (For 2004-05: 2005 Budget). Contribution to/from Fiscal Stabilization Fund; Public Accounts of New Brunswick (for 2017-18: 2018 Budget)