

## GOAL 19: Net Debt-to-GDP Ratio

**By 2028, New Brunswick's net debt-to-GDP ratio will be 30% or lower.**

**Status: NOT PROGRESSING**

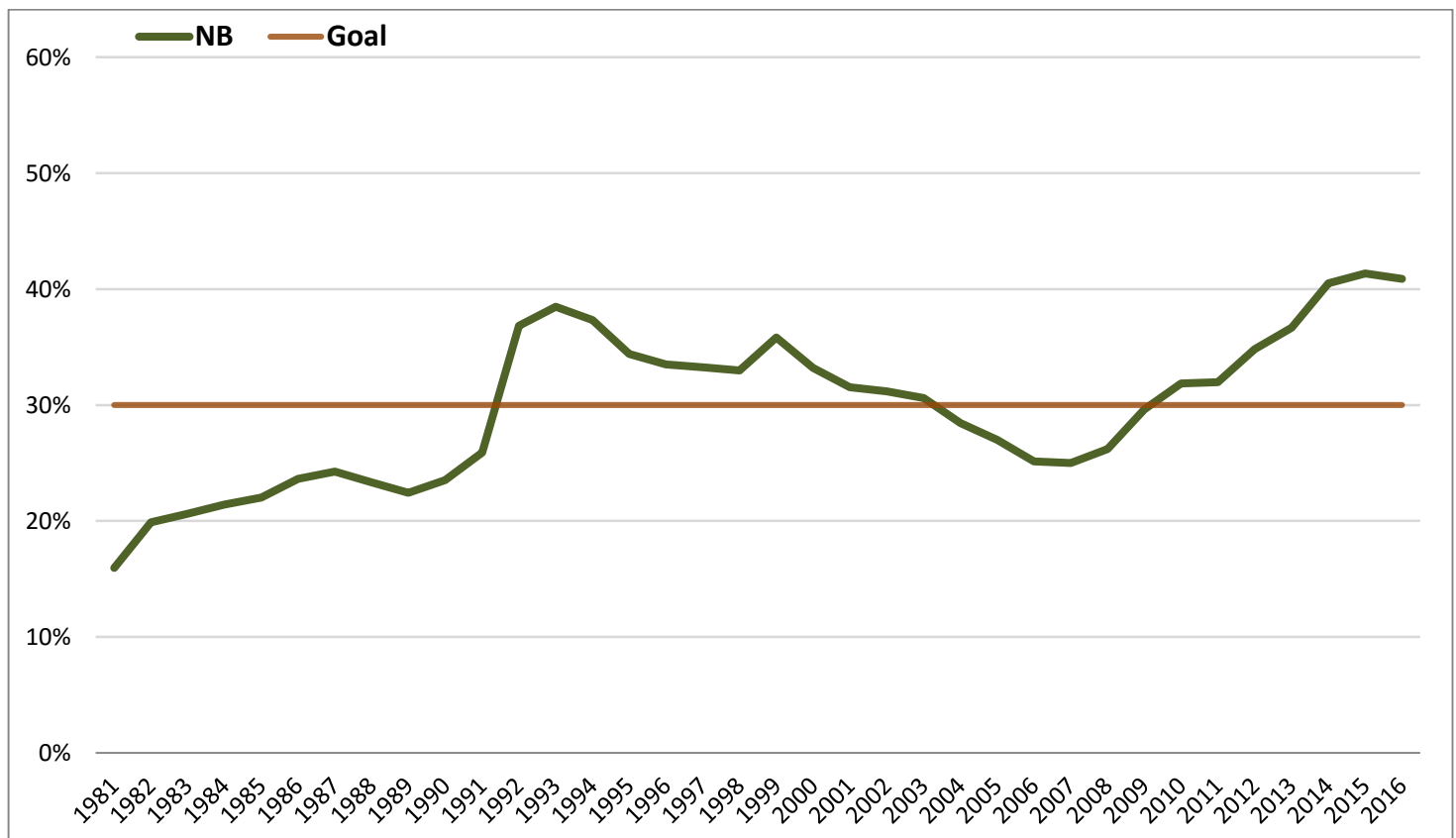
### Current Situation

*Net debt refers to the amount by which the provincial government's liabilities exceed its financial assets. The **net debt-to-GDP ratio** shows the relationship between the net debt and the economy. In other words, it measures and compares the dollar value of the provincial government's debt and the size of the province's GDP. The GDP is commonly used to measure the provincial tax base from which the government can draw revenue; therefore, it is a measure of the province's ability to pay down debt. A decreasing net debt-to-GDP ratio means that the economy is growing faster than debt is accumulating. On the other hand, 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 (Department of Finance Factsheet – Indicator of Financial Health).*

New Brunswick should aim to boost the provincial economy by lowering its net debt-to-GDP ratio. If the province chooses to follow the goal *OneNS* set for Nova Scotia (with an updated timeframe), it will aim to lower its net debt-to-GDP ratio to 30% or less by the year 2028.

Over the last three decades, New Brunswick's net debt-to-GDP ratio has shown an overall upward trend in the form of an increasing ratio. From 1981 to 2016, the provincial net debt-to-GDP ratio grew from 15.9% to 40.9%. Although the most recent ratio (40.9%) is lower than that of the previous year (41.4% in 2015), it is still above the suggested target.

**Figure 1: Net Debt-to-GDP Ratio (1981-2016)**



<b>Data: Figure 1</b>	<b>NB Net Debt to GDP Ratio</b>	<b>Target</b>
1981	15.9%	30%
1982	19.9%	30%
1983	20.6%	30%
1984	21.4%	30%
1985	22.0%	30%
1986	23.6%	30%
1987	24.3%	30%
1988	23.3%	30%
1989	22.4%	30%
1990	23.5%	30%
1991	25.9%	30%
1992	36.8%	30%
1993	38.5%	30%
1994	37.3%	30%
1995	34.4%	30%
1996	33.5%	30%
1997	33.3%	30%
1998	33.0%	30%
1999	35.8%	30%
2000	33.2%	30%
2001	31.5%	30%
2002	31.2%	30%
2003	30.6%	30%
2004	28.4%	30%
2005	27.0%	30%
2006	25.1%	30%
2007	25.0%	30%
2008	26.2%	30%
2009	29.6%	30%
2010	31.9%	30%
2011	32.0%	30%
2012	34.8%	30%
2013	36.7%	30%
2014	40.5%	30%
2015	41.4%	30%
2016	40.9%	30%

Source: Public Accounts of New Brunswick (For 2004-05: 2005 Budget).

\*Contribution to/from Fiscal Stabilization Fund; Public Accounts of New Brunswick (for 2016-17: 2017 Budget)

### What This Means

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 current trend undergoes a similar period of fluctuation, it is possible that New Brunswick could achieve a ratio of 30% or less by 2028. However, as the net debt-to-GDP ratios in 2015 and 2016 were the highest the province has seen in over 30 years, New Brunswick is currently not on track to meet this target.

## Notes

- There have been revisions to the historical nominal GDP data, which resulted in a higher ratio for the baseline period (to 36.7% in 2013-2014). The suggested goal for 2028 is based on the original 2013-2014 ratio of 30%.