



**ECONOMIC AND FISCAL UPDATE
2005-2006**

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Minister of Finance

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HIGHLIGHTS

Economic Update

- The New Brunswick economy remains on track with the 2.1% real GDP growth projection for 2005 in the 2005-2006 Budget.
- The average of private sector forecasters is currently 2.5% real GDP growth for New Brunswick in 2005.
- Better-than-anticipated results in the housing sector and increased personal consumption have offset weaknesses related to the manufacturing sector.
- Consumer spending is showing its strongest performance since 1999.
- Non-residential building construction, residential investment and government capital spending are all contributing to increased capital spending activity.
- The loss of jobs in the manufacturing sector - including the pulp and paper industry - will contribute to minimal employment growth for 2005.
- As a result, personal income gains will be modest this year.
- Despite this, the unemployment rate is expected to remain below 10%.

MAJOR ECONOMIC INDICATORS - 2005 (Percent Change, Except Unemployment Rate) *(as of third quarter)*

	2005-2006 Budget	December Fiscal Update
Real GDP	2.1	2.1
Nominal GDP	3.3	4.9
Personal Income	3.3	2.8
Employment	0.7	0.2
Unemployment Rate	10.0	9.8
Consumer Price Index	1.2	2.4
Consumer Spending	3.4	3.8

Fiscal Update

- The 2005-2006 Budget projected a surplus of \$98.9 million, with a reduction in net debt of \$4.0 million.
- Based on current information, a balanced budget is still anticipated.
- **Revenue** is projected to be on target with budget. Anticipated revenue improvements since budget offset anticipated shortfalls in other revenue sources.
- Personal income tax revenue is anticipated to increase based on preliminary information in regards to the 2004 taxation year, which will affect both in-year and prior-year entitlements. This will offset anticipated reductions in corporate income tax revenue related to prior-year adjustments.
- In regards to **spending** we are on target overall when compared to budget. Spending pressures in a number of departments as outlined in this update are being offset by savings in General Government, Service of the Debt and Capital Expenditures.

BUDGET PLAN

2005-2006

Thousands

\$

BUDGETARY ACCOUNTS	Budget Plan	December Fiscal Update	Variance
Ordinary Account:			
Revenues.....	5,738,395	5,752,288	13,893
Expenditures.....	<u>5,588,880</u>	<u>5,609,206</u>	<u>20,326</u>
Surplus (Deficit).....	149,515	143,082	(6,433)
Capital Account:			
Revenues.....	41,284	33,221	(8,063)
Expenditures.....	<u>423,827</u>	<u>410,553</u>	<u>(13,274)</u>
Surplus (Deficit).....	(382,543)	(377,332)	5,211
Special Purpose Account:			
Revenues.....	45,375	46,322	948
Expenditures.....	<u>46,080</u>	<u>47,381</u>	<u>1,301</u>
Surplus (Deficit).....	(706)	(1,058)	(353)
Special Operating Agency (net):			
Revenues.....	57,260	50,552	(6,708)
Expenditures.....	<u>46,538</u>	<u>37,998</u>	<u>(8,540)</u>
Surplus (Deficit).....	10,722	12,555	1,833
Sinking Fund Earnings	227,000	227,000	0
Gross Consolidated Revenue	6,109,314	6,109,384	70
Gross Consolidated Expenditure	<u>6,105,325</u>	<u>6,105,137</u>	<u>(188)</u>
(Increase) Decrease in Net Debt	<u>3,989</u>	<u>4,246</u>	<u>258</u>

STATEMENT OF SURPLUS OR DEFICIT			
Gross Consolidated Revenue	6,109,314	6,109,384	70
Less: Capital Revenues Related to Tangible Capital Assets.....	<u>(37,983)</u>	<u>(29,377)</u>	<u>8,606</u>
Operating Revenue	6,071,331	6,080,007	8,675
Gross Consolidated Expenditure	6,105,325	6,105,137	(188)
Add: Amortization Expense.....	211,564	201,242	(10,322)
Less: Investment in Tangible Capital Assets.....	<u>(344,438)</u>	<u>(329,499)</u>	<u>14,939</u>
Operating Expense	5,972,451	5,976,880	4,429
Surplus (Deficit)	<u>98,880</u>	<u>103,126</u>	<u>4,246</u>

Note: Columns may not add due to rounding.

GROSS CONSOLIDATED REVENUE 2005-2006

Thousands

\$

	2005-2006 Budget Estimate	December Fiscal Update	Variance
Taxes			
Personal Income Tax.....	1,021,000	1,054,000	33,000
Corporate Income Tax.....	154,200	134,200	(20,000)
Metallic Minerals Tax.....	2,200	5,800	3,600
Provincial Real Property Tax.....	337,000	342,000	5,000
Harmonized Sales Tax.....	827,600	837,000	9,400
Gasoline and Motive Fuel Tax.....	236,000	232,000	(4,000)
Tobacco Tax.....	99,000	94,000	(5,000)
Pari-Mutuel Tax.....	80	80	0
Insurance Premium Tax.....	38,350	40,300	1,950
Real Property Transfer Tax.....	5,200	5,800	600
Large Corporation Capital Tax.....	41,300	35,200	(6,100)
Financial Corporation Capital Tax.....	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Sub-Total: Taxes.....	<u>2,771,930</u>	<u>2,790,380</u>	<u>18,450</u>
Return on Investment.....	155,528	154,648	(880)
Licenses and Permits.....	102,664	102,338	(326)
Sale of Goods and Services.....	215,181	208,300	(6,881)
Royalties.....	67,961	68,576	615
Lottery Revenues.....	122,925	117,925	(5,000)
Fines and Penalties.....	1,737	1,461	(277)
Miscellaneous.....	<u>15,521</u>	<u>16,285</u>	<u>765</u>
TOTAL: OWN SOURCE REVENUE.....	<u>3,453,446</u>	<u>3,459,912</u>	<u>6,466</u>
Unconditional Grants - Canada			
Fiscal Equalization Payments.....	1,348,000	1,348,000	0
Canada Health Transfer.....	483,400	483,400	0
Canada Social Transfer.....	204,300	204,300	0
Other.....	<u>1,900</u>	<u>1,900</u>	<u>0</u>
Sub-Total: Unconditional Grants.....	<u>2,037,600</u>	<u>2,037,600</u>	<u>0</u>
Conditional Grants - Canada.....	247,349	254,776	7,427
TOTAL: GRANTS FROM CANADA.....	<u>2,284,949</u>	<u>2,292,376</u>	<u>7,427</u>
GROSS ORDINARY REVENUE.....	<u>5,738,395</u>	<u>5,752,288</u>	<u>13,893</u>
Capital Revenue.....	41,284	33,221	(8,063)
Special Purpose Account.....	45,375	46,322	948
Special Operating Agency (net).....	57,260	50,552	(6,708)
Sinking Fund Earnings.....	227,000	227,000	0
GROSS CONSOLIDATED REVENUE.....	<u>6,109,314</u>	<u>6,109,384</u>	<u>70</u>

Note: Totals may not add due to rounding.

GROSS CONSOLIDATED EXPENDITURE 2005-2006

Thousands

\$

Department	2005-2006 Budget Estimate	December Fiscal Update	Variance
Agriculture, Fisheries and Aquaculture.....	35,051	35,051	0
Business New Brunswick.....	35,131	40,131	5,000
Education.....	810,241	814,241	4,000
Energy.....	1,912	1,812	(100)
Environment and Local Government.....	56,534	56,534	0
Executive Council Office.....	3,254	3,214	(41)
Family and Community Services.....	737,748	738,673	925
Finance.....	77,545	77,015	(530)
General Government.....	482,003	469,003	(13,000)
Health and Wellness.....	1,774,996	1,793,456	18,460
Intergovernmental and International Relations.....	3,169	3,164	(5)
Justice.....	45,033	46,633	1,600
Legislative Assembly.....	16,254	17,194	940
Maritime Provinces Higher Education Commission.....	197,666	197,666	0
Natural Resources.....	95,037	96,537	1,500
New Brunswick Energy Efficiency and Conservation Agency.....	---	877	877
Office of the Comptroller.....	4,771	4,771	0
Office of Human Resources.....	5,427	5,427	0
Office of the Premier.....	1,122	1,120	(2)
Public Safety.....	94,966	100,431	5,465
Regional Development Corporation.....	39,956	39,956	0
Service of the Public Debt.....	601,000	594,000	(7,000)
Supply and Services.....	94,223	94,223	0
Tourism and Parks.....	25,764	25,939	175
Training and Employment Development.....	196,427	196,427	0
Transportation.....	<u>153,650</u>	<u>155,712</u>	<u>2,062</u>
GROSS ORDINARY EXPENDITURE.....	<u>5,588,880</u>	<u>5,609,206</u>	<u>20,326</u>
Capital Expenditure.....	423,827	410,553	(13,274)
Special Purpose Account.....	46,080	47,381	1,301
Special Operating Agency (net).....	46,538	37,998	(8,540)
GROSS CONSOLIDATED EXPENDITURE.....	<u>6,105,325</u>	<u>6,105,137</u>	<u>(188)</u>

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