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YEAR 2020

# GOAL 19: NET-DEBT-TO-GDP RATIO

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



STATUS: PROGRESSING



# Overview

## 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.

## Importance

A decreasing net debt-to-GDP ratio means that the economy is growing faster than debt is accumulating.

## Recommendation

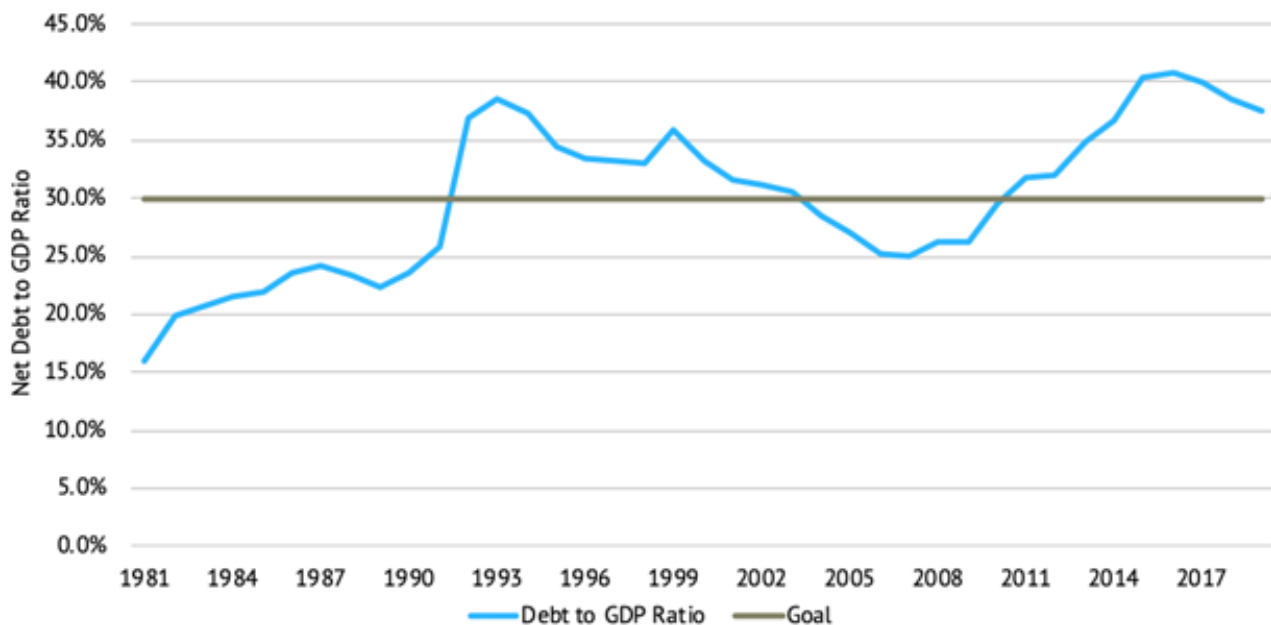
Considering the net debt-to-GDP ratio has been decreasing since 2016, the goal is for it to continue decreasing. If New Brunswick maintains the same rate of decrease (~1.17% per year for the past 3 years), it could be able to reach the goal of below 30% by 2028.

# In the Numbers

## New Brunswick 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. As the net debt-to-GDP ratio in 2017 and 2018 was showing significant decrease, New Brunswick is currently making progress towards reaching this target.

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



(See full data set in Appendix A)

## Summary

The net debt-to-GDP ratio has been decreasing most recently but still holds above the initial goal of 30%. Therefore, this goal is progressing. Reducing the net debt-to-GDP ratio is important in all jurisdictions, and especially for New Brunswick, as its ratio peaked over 40% recently (and that is only including by-the-books debt).

\*Note: The COVID-19 pandemic occurred in 2020. Due to our use of open source data it is unclear what the concluding result of this goal is as our dataset only reached 2019.

# Appendix A

## Population and Immigration Share

<b>Year</b>	<b>Net debt-to-GDP ratio</b>	<b>Goal</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	26.2%	30%
2010	29.6%	30%
2011	31.8%	30%
2012	31.9%	30%
2013	34.8%	30%
2014	36.6%	30%
2015	40.5%	30%
2016	40.9%	30%
2017	40.0%	30%
2018	38.6%	30%
2019	37.4%	30%

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)