

And they're off! Provincial borrowers skating hard and fast

By Warren Lovely

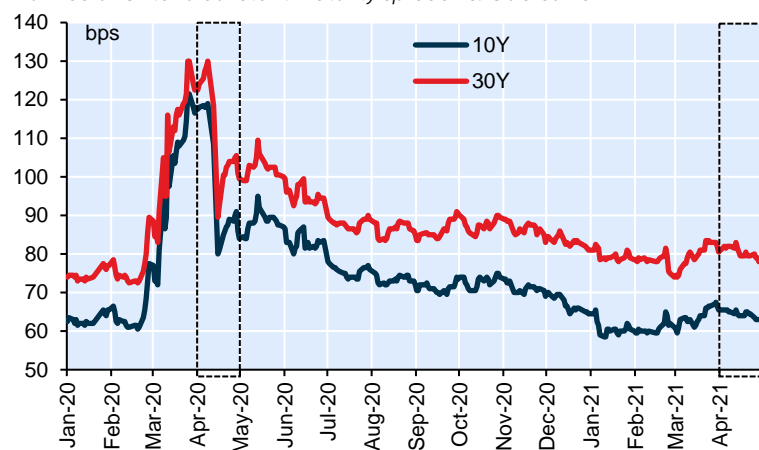
One month into 2021-22 and already C\$20 billion of an aggregate C\$144 billion provincial bond requirement has been completed. That's some nice early progress against a large overall requirement. April supply came without the virus- and policy-induced valuation fireworks that characterized last spring, spreads grinding tighter of late (Chart 1). Give an early assist to foreign investors, who welcomed large offerings.

A couple of individual borrowers have been particularly quick off the mark. After converting proceeds from a sizeable 10-year euro trade, Quebec has brought C\$7.7 billion or 27% of its full-year requirement in the door in just one month. Quebec has a history of getting off to a fast start; in remarking on this tendency last year, we dubbed Quebec the Ferrari of provincial bond issuers. To keep the analogies fresh, you might alternatively think of Quebec as a gifted short-track speed skater—a sport for which the province has a demonstrated knack. I'm no expert myself, but I've watched enough Winter Games to know that the speed skating, like financial markets, can be unpredictable. One proven strategy is to get off the line fast, keep your speed up through open ice, be careful on the twists and turns, and avoid getting tangled up with your competitors. Do that and you could well be smiling when you hit the finish line. For its part, Ontario also looks to be skating hard and fast, having secured C\$8.3 billion or 15% of its 2021-22 program in April (with technically one day to go).

At this point, seven provinces have tested markets. New Brunswick is also off to a good start, so too is Newfoundland and Labrador (which in the absence of a 2021 budget is operating with special legislative borrowing authority). Officially, the provinces have C\$124 billion to go against their combined fiscal year requirement, which is padded by prudence but does not include pre-funding. With eleven months to get there, the implied monthly pace is ~C\$11 billion—slower than last year but clearly well above the pre-COVID trend (Chart 2). Keep skating everyone!

Chart 1: C\$20 billion in door, minus spread fireworks

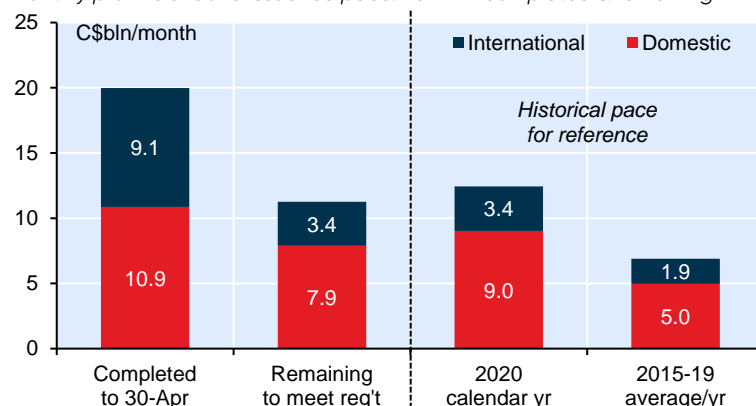
Province of Ontario constant maturity spread vs. GoC curve



Source: NBF

Chart 2: Quick start, although still plenty to do

Monthly provincial bond issuance pace: 2021-22 completed & remaining



Source: NBF, Bloomberg | Note: 'Completed' includes funding by HQ, which operates on a calendar year basis; 'remaining' is pace needed over remainder of fiscal year (11 months) to achieve requirement, which includes prudence but excludes pre-funding

Table: Assessing program size & status, with foreign markets helping to advance borrowing early in fiscal year

NBF provincial borrowing program update: 2021-22 fiscal year (with borrowing completed to 29-Apr-2021)

Province / Agency	Ticker	Required ^a		Completed ^b		Remaining		Funded Status	
		C\$bn	C\$/per capita	C\$bn	%	C\$bn	%	C\$bn	%
British Columbia	BRCOL	19.25	3,735	0.50	100%	18.75	0%	18.75	3%
Alberta	ALTA	22.49	5,069	0.60	100%	21.89	0%	21.89	3%
Saskatchewan	SCDA	4.10	3,478	0.46	100%	3.64	0%	3.64	11%
Manitoba	MP	4.90	3,549	0.00	--	4.90	--	4.90	0%
Ontario ^c	ONT	53.90	3,653	8.30	50%	45.60	50%	45.60	15%
Québec ^d	Q	28.46	3,727	7.72	35%	20.75	65%	20.75	27%
Hydro-Québec ^{e,f}	QHEL	3.50		1.50	100%	0%	2.00	0%	2.00
New Brunswick ^g	NBRNS	1.85	2,365	0.40	100%	1.45	0%	1.45	22%
Nova Scotia	NS	2.21	2,256	0.00	--	2.21	--	2.21	0%
Prince Edward Island	PRINCE	0.20	1,251	0.00	--	0.20	--	0.20	0%
Newfoundland & Labrador ^h	NF	3.00	5,764	0.50	100%	2.50	0%	2.50	17%
TOTAL		143.9	3,794	20.0	54%	123.9	46%	123.9	14%

% FY elapsed: 8%

Source: NBF, prov gov'ts, StatCan | Notes: (a) Long-term gross funding requirement; where available, funding requirement based on official sources; excludes pre-funding for coming fiscal year; (b) funds borrowed to date; (c) includes certain hydro-related financing under province's banner; (d) includes financing for Financement-Québec; (e) funds in own name with explicit provincial guarantee; (f) fiscal year is Jan-Dec; (g) includes requirements for NB Municipal Finance Corp; (h) NBF estimate as 2021 budget not yet presented, includes funding for N&L Hydro; per capita requirements are based on 2021:Q1 population projections



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