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Fiscal Savings Time remains in effect across the provinces

By Warren Lovely

A little over a month ago, on September 25th, we used [Market View Vol. V, No. 107](#) to tally up all the provincial fiscal revisions we'd seen to that point. We arrived at a distinctly impressive figure: C\$53.3 billion and change. That was the cumulative reduction in provincial budget deficits relative to what had been spelled out in 2021 budgets. We hastened to add to this heady tally would only improve.

Lo and behold, in the wake of [Ontario's mid-year report](#), the cumulative improvement vs. 2021 budget estimates stands at a whopping \$81,822,000,000. That's right, roughly C\$82 billion of planned red ink has evaporated in barely half a year, as surging nominal output, a helping hand from the feds and some spending relief radically transform provincial government finances.

To be clear, our new and improved figure extends the accounting horizon to 2023-24, in order to incorporate the smaller deficits Ontario has flagged over the medium term. Critically, today's stronger budget balances are fully reflected in net debt, and likewise entail considerably less provincial borrowing. Once again reflecting on Ontario's super-fresh guidance, just under C\$40 billion of this issuer's previously telegraphed borrowing has been wiped off the slate over three years.

Not for nothing, but the ~C\$82 billion net budgetary improvement notched thus far would have been a full year's worth of provincial bond issuance in pre-COVID days. So ya, what we're seeing is the very definition of 'substantive'.

We'll reiterate that the provincial fiscal situation is hardly static. Other important budget updates will roll in over the balance of the fall, including mid-year updates from a majority of provinces. But whether it's in Alberta, British Columbia, Newfoundland and Labrador, Quebec or Saskatchewan, we'll be looking for most (likely all) of the marginal budget adjustments to land on the positive side of the ledger. Note: Having studied each issue of the Vol. 1 public accounts alongside every single fiscal update out thus far, Canada's provinces have gone 18 for 20 when it comes to beating Budget 2021 levels. That's a rather sterling 90% shooting percentage that's unlikely to drop anytime soon.

Yes, Canada's provincial government sector is still collectively running a deficit. That means the provincial clock continues to run. But a firmer prior-year handoff, combined with break-neck nominal output growth, has turned the debt clock back considerably. So even as most of us go to turn our clocks back an hour this Sunday, remember that Canada's Fiscal Savings Time will remain fully in effect. At least for 2021-22, the provinces have flipped the old adage 'spring ahead, fall back' on its head.

Chart: An already enormous provincial fiscal improvement continues to build

Announced changes to provincial budget balances vs. Budget 2021 | Positive numbers indicate a net budgetary improvement vs. prior guidance



Source: NBF, provincial governments | Note: In all cases, chart captures net improvement to budget balance relative to Budget 2021 estimates/forecasts; for Quebec, 2020-21 improvement is based on June estimate, while 2021-22 Q1 improvement reflects April-June change in budget balance vs. the prior fiscal year (with full-year guidance coming 25-Nov); 'All other' includes reported adjustments (in public accounts & fiscal updates) from Manitoba, Saskatchewan, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island; C\$81.8 billion is combined figure for all provinces covering 2020-21 to 2023-24; total net improvement will change as additional fiscal updates roll in, so stay tuned!



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