

Fiscally, 2021-22 revisions as remarkable as they come

By Warren Lovely

This analyst has seen his share of budgets. But even those with more years under their belt would be hard pressed to find a more remarkable set of fiscal revisions than what's been observed since spring. With every province having finalized 2020-21 results and presented at least one update for the current fiscal year (some adding future-year guidance), the net budgetary improvement amounts to C\$109 billion vs. Budget 2021 estimates (Table, Chart 1). That includes the latest upgrade from Nova Scotia, quite impressive in its own right, as this province joins New Brunswick in the black despite the pandemic. Scaled to revenue, the biggest relative swings are in Alberta, Ontario and British Columbia, but every province finds itself on a firmer footing vs. budget. Credit the provinces for steering much (all!) of their bonus revenue to the bottom line (Chart 2). That's been a prudent strategy, particularly in light of Omicron's rapid spread. Indeed, renewed restrictions could negatively impact growth/revenue, while added strain on health care systems could mean extra expense. Meanwhile, some jurisdictions head to the polls in 2022, which will likely see new fiscal promises made. As for the feds, a recent update notionally erased C\$60 billion of red ink over six years. But that's *before* factoring in Liberal campaign promises, which if fully implemented might see Ottawa's fiscal position deteriorate vs. Budget 2021 (Chart 3). Two levels of government and two distinct models for dealing with unplanned revenue. It is clear which approach bondholders would favour.

Table: Nova Scotia & Manitoba add more good news to fiscal heat map (with recent federal update added for good measure)

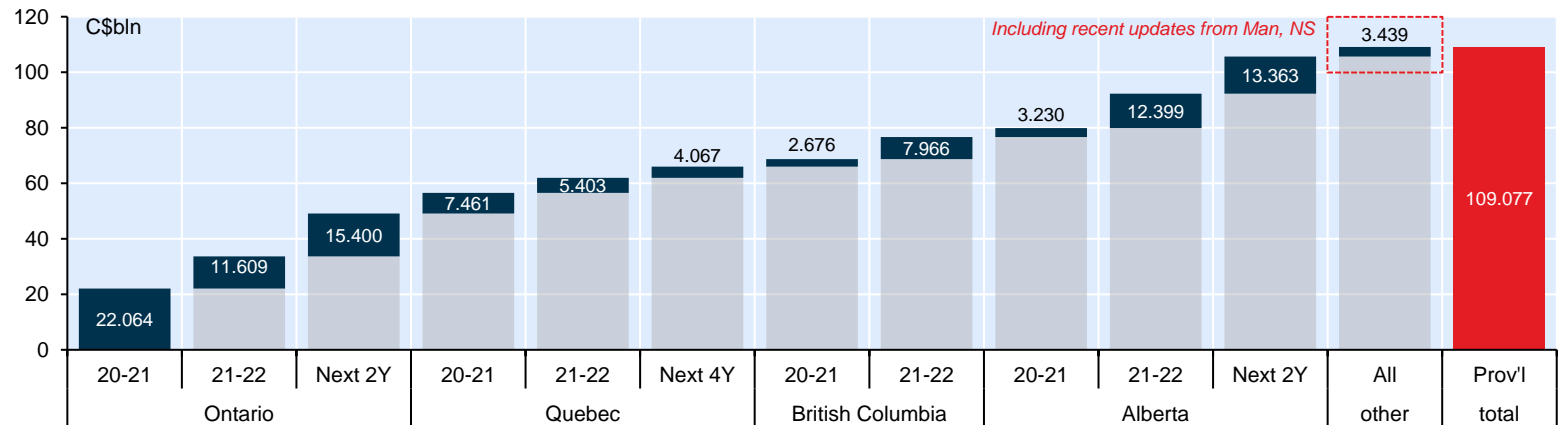
Marginal change in budget balances vs. Budget 2021 estimates by government, fiscal year & financial report

All figures C\$mn		Provincial governments										Federal gov't	Fed + prov	
Fiscal Year	Report	Ont	Que	BC	Alta	Man	Sask	NS	NB	N&L	PEI	Prov sum		
2020-21	PA	22,064	7,461	2,676	3,230	-37	738	364	421	152	114	37,183	26,471	63,654
2021-22	Update 1	677	5,403	4,864	10,462	34	-127	140	283	231	52	39,063	10,200	49,263
	Update 2	10,932		3,102	1,937	440	29	553	51					
2Y total (2020-21 + 2021-22)		33,673	12,864	10,642	15,629	437	641	1,057	755	383	166	76,247	36,671	112,918
Future FYs		15,400	4,067		13,363							32,830	23,100	55,930
Up to 6Y total adjustment		49,073	16,931	10,642	28,992	437	641	1,057	755	383	166	109,077	59,771	168,848

Source: NBF, fed-prov'l gov'ts | Note: Figures refer to marginal change in budgetary position for a given government relative to prior estimate, not to be confused with actual/estimated budget balances; based on latest official figures/guidance; Ont, Que, Alta & GoC have offered future fiscal year guidance relative to Budget 2021

Chart 1: Combined provincial fiscal improvement amounts to C\$109bn vs. Budget 2021

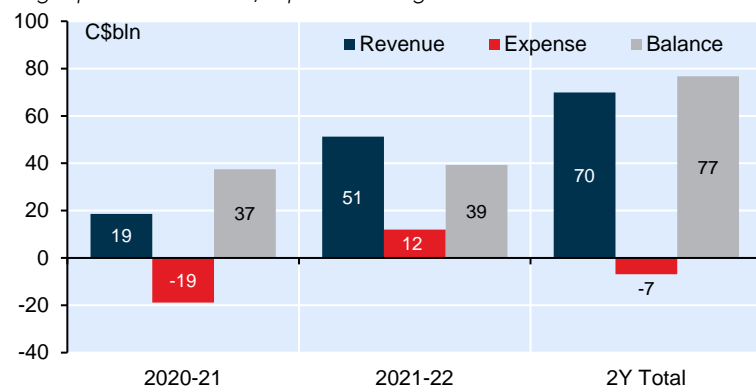
Accumulated change to provincial budget balances by fiscal year, relative to Budget 2021 | Positive numbers indicate net budgetary improvement



Source: NBF, prov gov'ts | Note: Figures reflect improvement to individual budget balances relative to Budget 2021; C\$109bn figure is 10-province, multi-year total

Chart 2: Provinces steer 110% of revenue to bottom line

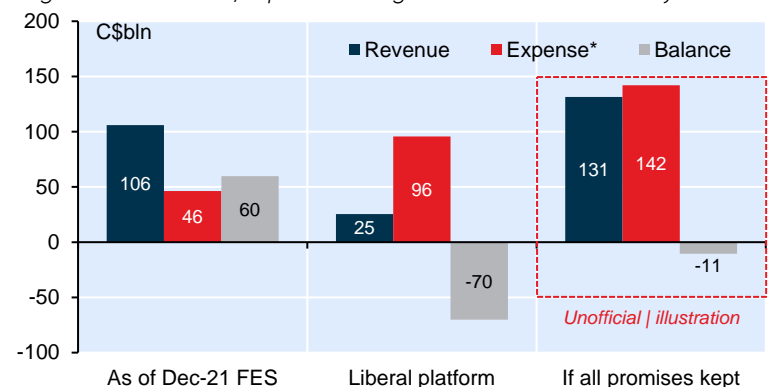
Chg in provincial revenue, expense & budget balance vs. Bud2021



Source: NBF, prov gov'ts | Note: Reflects 2Y fiscal changes vs. Budget 2021 estimates

Chart 3: Federal Liberal gov't may favour a different path

Chg in federal revenue, expense & budget balance vs. Bud2021: 6-year total



Source: NBF, GoC, Liberal Party of Canada | Note: Covers 2020-21 to 2025-26; platform expense incl. prudence; platform not yet official gov't policy; stay tuned for Budget 2022!



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