

# Freeland hands provinces their end-of-year transfer envelopes

By Warren Lovely

As far as end-of-year bonuses are concerned, C\$87,667,000,000 would be a pretty fat stack by most any standard. If you're wondering, that's the amount being allocated to Canada's provinces and territories for 2022-23 via major federal transfers. As per a time-honoured tradition, individual transfer entitlements were communicated by the federal finance minister (who is also deputy PM) just prior to the holiday break.

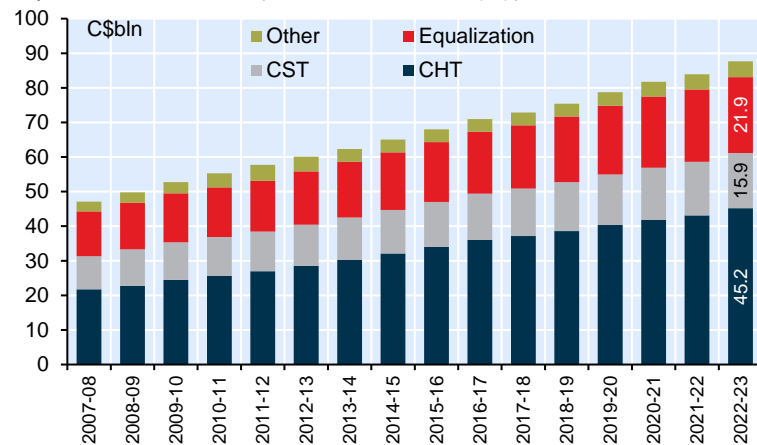
C\$87.7 billion sounds like a lot of Benjamins (or Sir Robert Bordens in this case) and really is nothing to sneeze at. Major transfers represent 3.3% of national GDP and more than 22% of estimated federal revenue. Moreover, the total transfer envelop is poised to grow at the fastest year-over-year rate since 2015-16, as surging nominal GDP starts to be reflected in certain transfer streams. Witness the pick-up in the Canada Health Transfer, which at C\$45.2 billion, remains the single largest program and (unlike Equalization) is one that *every* province is entitled to (on an equal per capita cash basis). If you're seeking to understand the ins-and-outs of specific transfer programs, we'd refer you [here](#).

All provinces will see their transfer entitlement grow in 2022-23. On a per capita basis, Manitoba will enjoy the fastest growth (+6.0%), followed by Nova Scotia (+4.7%). Meanwhile, Prince Edward Island's per capita allocation grows the slowest (+2.7%), reflecting a relatively smaller claim on Equalization. On Equalization, there's C\$21.9 billion to be divvied up across five provinces where so-called 'fiscal capacity' is deemed below average. This Equalization effect is plain as day when looking at per capita transfer levels, which range from roughly C\$1,600 to C\$4,600.

Overall, federal transfers are part of an 'institutional framework' earning high marks at credit rating agencies. Transfer support may be uneven but lends stability/predictability to provincial revenue all the same. Moreover, federal support extends beyond major transfers. Consider Ottawa's C\$512 billion 'investment' since the pandemic hit, representing >80% of the total federal-provincial response. That's partly why Ottawa is spilling more red ink than the provinces... and why GoC debt issuance has been disproportionate vs. other governments/sectors. Thank you notes may not be forthcoming, but Ottawa's large/growing transfer envelop is a non-trivial consideration for provincial bondholders.

**Chart 1: \$87.7B in major federal transfer dollars for 2022-23**

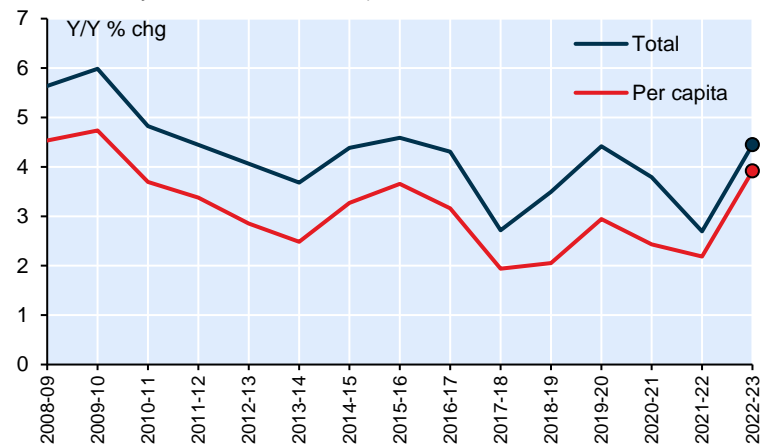
Major federal transfers to provinces/territories by type



Source: NBF, GoC | Note: For 2022-23, 'other' includes \$48M in Offshore Offsets & \$4.55B in Territorial Formula Financing; excludes stabilization payments & COVID CHT top-ups

**Chart 2: Transfer growth starts to reflect nominal GDP surge**

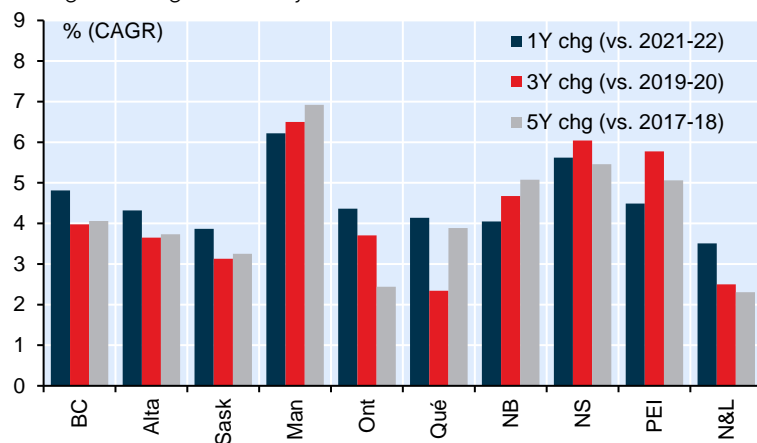
Growth in major federal transfers to provinces/territories



Source: NBF, GoC | Note: Based on major federal transfers; excludes stabilization payments & COVID CHT top-ups

**Chart 3: Transfer growth can/does vary across provinces**

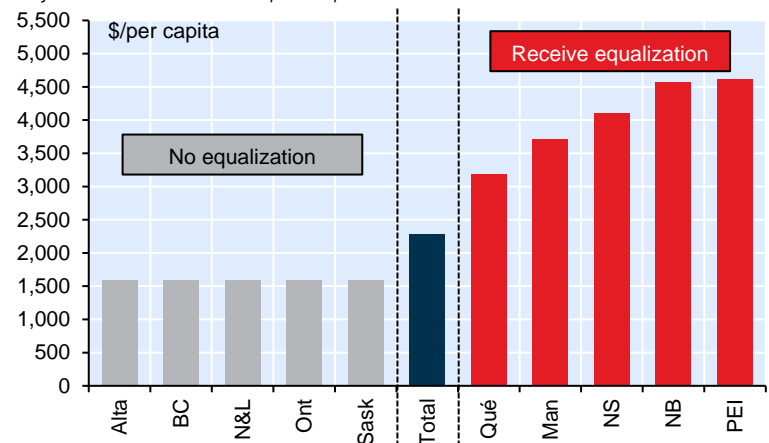
Average annual growth in major federal transfers to 2022-23



Source: NBF, GoC

**Chart 4: Per capita allocation highlights Equalization effect**

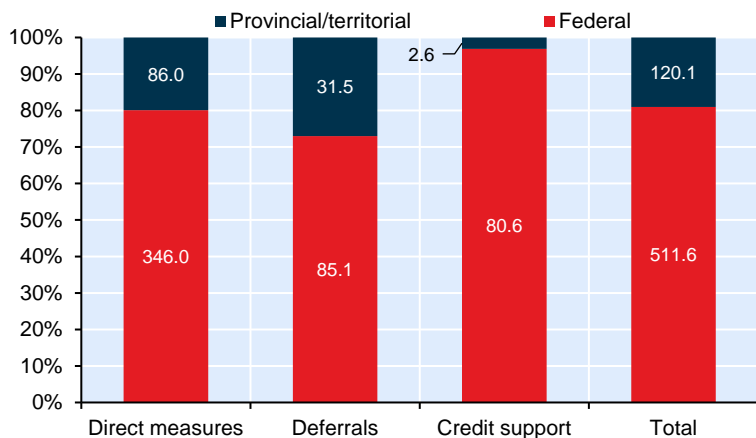
Major federal transfers on per capita basis: 2022-23



Source: NBF, GoC | Note: For 2022-23, \$21.9B of Equalization shared among 5 provinces

**Chart 5: Ottawa has covered bulk of COVID response**

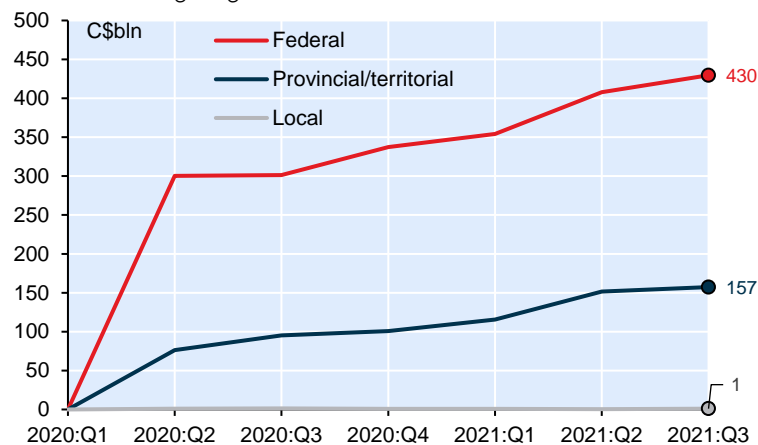
Distribution/share of federal & provincial/territorial COVID supports



Source: NBF, GoC | Note: Based on federal calculations; data labels on each bar refer to level of support in C\$bn

**Chart 6: Net debt accumulation clearly reinforces the story**

Cumulative change in government debt securities since 2020:Q1



Source: NBF, StatCan | Note: Based on total o/s debt securities (book value), as per quarterly National Balance Sheet Accounts

**Table 1: Evolution & details of major federal transfer support over the years**

Major federal transfers to provinces & territories by fiscal year & transfer type

	Total	Y/Y: \$mln	Y/Y: %	Canada Health Transfer	Canada Social Transfer	Equalization	Offshore Offset Payments	Territorial Formula Financing	Total Transfer Protection	Additional Payment	Per Capita Allocation
<b>Federal support to provinces &amp; territories via Major Transfers (C\$millions)</b>											<b>C\$</b>
2007-08	47,102			21,729	9,607	12,925	563	2,279	-	-	1,434
2008-09	49,758	2,656	5.6	22,768	10,552	13,462	663	2,313	-	-	1,499
2009-10	52,736	2,978	6.0	24,476	10,857	14,185	645	2,498	-	74	1,570
2010-11	55,281	2,545	4.8	25,672	11,179	14,372	869	2,664	525	-	1,628
2011-12	57,739	2,458	4.4	26,952	11,514	14,659	787	2,876	952	-	1,683
2012-13	60,085	2,346	4.1	28,569	11,859	15,423	443	3,111	680	-	1,731
2013-14	62,297	2,212	3.7	30,283	12,215	16,105	350	3,288	56	-	1,774
2014-15	65,029	2,732	4.4	32,113	12,582	16,669	196	3,469	-	-	1,832
2015-16	68,013	2,984	4.6	34,026	12,959	17,341	125	3,561	-	-	1,899
2016-17	70,943	2,930	4.3	36,068	13,348	17,880	44	3,603	-	-	1,959
2017-18	72,870	1,927	2.7	37,150	13,748	18,254	36	3,682	-	-	1,997
2018-19	75,416	2,546	3.5	38,584	14,161	18,958	-72	3,785	-	-	2,038
2019-20	78,746	3,330	4.4	40,373	14,586	19,837	2	3,948	-	-	2,098
2020-21	81,732	2,986	3.8	41,870	15,023	20,573	86	4,180	-	-	2,149
2021-22	83,935	2,203	2.7	43,126	15,474	20,911	44	4,380	-	-	2,196
<b>2022-23</b>	<b>87,667</b>	<b>3,732</b>	<b>4.4</b>	<b>45,208</b>	<b>15,938</b>	<b>21,920</b>	<b>48</b>	<b>4,553</b>	-	-	<b>2,282</b>
1Y %	4.4			4.8	3.0	4.8	NA	3.9	NA	NA	3.9
3Y % (CAGR)	3.6			3.8	3.0	3.4	NA	4.9	NA	NA	2.8
5Y % (CAGR)	3.8			4.0	3.0	3.7	NA	4.3	NA	NA	2.7
10Y % (CAGR)	3.9			4.7	3.0	3.6	NA	3.9	NA	NA	2.8

Notes: Table prepared by NBF based on Department of Finance Canada information on federal support to provinces and territories;

1Y/3Y/5Y/10Y growth rates are in reference to 2022-23 allocation announced in December 2021; 3Y/5Y/10Y figures represent compound annual growth rates;

Refer to Government of Canada for complete details and additional notes: <https://www.canada.ca/en/departement-finance/programmes/federal-transfers.html>

**Tables 2-3: Equalization entitlements (or lack thereof) exert significant influence on province-by-province allocations**

Major federal transfers to provinces & territories by fiscal year & jurisdiction: Total amount (top) & per capita allocation (bottom)

	Total	Y/Y: \$mln	Y/Y: %	BC	Alta	Sask	Man	Ont	Qué	NB	NS	PEI	N&L	Territories
<b>Federal support to provinces &amp; territories via Major Transfers (C\$millions)</b>														
2007-08	47,102			4,376	2,795	1,317	2,982	12,087	14,622	2,204	2,442	429	1,465	2,384
2008-09	49,758	2,656	5.6	4,547	2,920	1,090	3,295	13,071	15,952	2,348	2,529	464	1,120	2,419
2009-10	52,736	2,978	6.0	4,789	3,143	1,178	3,359	14,274	16,673	2,488	2,648	490	1,079	2,614
2010-11	55,281	2,545	4.8	5,034	3,374	1,174	3,348	15,446	17,267	2,491	2,626	490	1,253	2,779
2011-12	57,739	2,458	4.4	5,269	3,495	1,204	3,352	17,335	17,292	2,493	2,652	493	1,157	2,997
2012-13	60,085	2,346	4.1	5,523	3,661	1,277	3,355	19,177	17,349	2,497	2,848	509	648	3,241
2013-14	62,297	2,212	3.7	5,790	3,878	1,354	3,363	19,915	17,911	2,497	2,975	519	670	3,426
2014-15	65,029	2,732	4.4	5,832	5,175	1,411	3,359	19,184	19,614	2,616	3,001	544	677	3,618
2015-16	68,013	2,984	4.6	6,152	5,475	1,484	3,436	20,445	20,348	2,658	3,052	553	694	3,716
2016-17	70,943	2,930	4.3	6,482	5,772	1,565	3,531	21,347	21,372	2,741	3,060	584	724	3,766
2017-18	72,870	1,927	2.7	6,857	5,912	1,602	3,680	21,022	22,640	2,829	3,140	600	737	3,852
2018-19	75,416	2,546	3.5	7,114	6,122	1,657	3,964	21,337	23,674	2,972	3,227	637	750	3,962
2019-20	78,746	3,330	4.4	7,442	6,377	1,714	4,257	21,260	25,554	3,160	3,435	649	767	4,131
2020-21	81,732	2,986	3.8	7,715	6,611	1,764	4,576	22,056	26,083	3,381	3,699	695	781	4,370
2021-22	83,935	2,203	2.7	7,982	6,807	1,810	4,841	22,722	26,304	3,483	3,878	735	798	4,576
<b>2022-23</b>	<b>87,667</b>	<b>3,732</b>	<b>4.4</b>	<b>8,366</b>	<b>7,101</b>	<b>1,880</b>	<b>5,142</b>	<b>23,713</b>	<b>27,393</b>	<b>3,624</b>	<b>4,096</b>	<b>768</b>	<b>826</b>	<b>4,759</b>
1Y %	4.4			4.8	4.3	3.9	6.2	4.4	4.1	4.0	5.6	4.5	3.5	4.0
3Y % (CAGR)	3.6			4.0	3.6	3.1	6.5	3.7	2.3	4.7	6.0	5.8	2.5	4.8
5Y % (CAGR)	3.8			4.1	3.7	3.3	6.9	2.4	3.9	5.1	5.5	5.1	2.3	4.3
10Y % (CAGR)	3.9			4.2	6.8	3.9	4.4	2.1	4.7	3.8	3.7	4.2	2.5	3.9
<b>Per capita allocation (C\$)</b>														
2007-08	1,434			1,021	797	1,316	2,510	948	1,902	2,958	2,611	3,110	2,882	22,270
2008-09	1,499	65	4.5	1,047	814	1,073	2,754	1,016	2,057	3,144	2,703	3,349	2,191	22,344
2009-10	1,570	71	4.7	1,087	856	1,141	2,783	1,100	2,128	3,319	2,824	3,504	2,093	23,888
2010-11	1,628	58	3.7	1,128	905	1,118	2,746	1,178	2,180	3,308	2,788	3,459	2,404	25,056
2011-12	1,683	55	3.4	1,172	924	1,130	2,721	1,309	2,162	3,301	2,810	3,430	2,204	26,548
2012-13	1,731	48	2.9	1,216	946	1,178	2,688	1,431	2,148	3,301	3,014	3,514	1,233	28,379
2013-14	1,774	43	2.5	1,263	973	1,227	2,660	1,471	2,199	3,304	3,154	3,578	1,270	29,752
2014-15	1,832	58	3.3	1,259	1,259	1,259	2,627	1,404	2,390	3,466	3,185	3,722	1,281	30,969
2015-16	1,899	67	3.7	1,312	1,312	1,312	2,655	1,483	2,466	3,525	3,236	3,776	1,312	31,502
2016-17	1,959	60	3.2	1,364	1,364	1,364	2,684	1,530	2,571	3,621	3,228	3,912	1,364	31,448
2017-18	1,997	38	1.9	1,395	1,395	1,395	2,760	1,496	2,732	3,692	3,306	3,991	1,395	31,586
2018-19	2,038	41	2.1	1,425	1,425	1,425	2,932	1,493	2,826	3,858	3,370	4,163	1,425	32,036
2019-20	2,098	60	2.9	1,464	1,464	1,464	3,114	1,464	3,010	4,071	3,547	4,131	1,464	33,052
2020-21	2,149	51	2.4	1,496	1,496	1,496	3,314	1,496	3,041	4,321	3,770	4,316	1,496	34,520
2021-22	2,196	47	2.2	1,533	1,533	1,533	3,497	1,533	3,059	4,419	3,917	4,487	1,533	35,775
<b>2022-23</b>	<b>2,282</b>	<b>86</b>	<b>3.9</b>	<b>1,592</b>	<b>1,592</b>	<b>1,592</b>	<b>3,706</b>	<b>1,592</b>	<b>3,177</b>	<b>4,565</b>	<b>4,101</b>	<b>4,607</b>	<b>1,592</b>	<b>36,811</b>
1Y %	3.9			3.8	3.8	3.8	6.0	3.8	3.9	3.3	4.7	2.7	3.8	2.9
3Y % (CAGR)	2.8			2.8	2.8	2.8	6.0	2.8	1.8	3.9	5.0	3.7	2.8	3.7
5Y % (CAGR)	2.7			2.7	2.7	2.7	6.1	1.3	3.1	4.3	4.4	2.9	2.7	3.1
10Y % (CAGR)	2.8			2.7	5.3	3.1	3.3	1.1	4.0	3.3	3.1	2.7	2.6	2.6

Notes: Tables prepared by NBF based on Department of Finance Canada information on federal support to provinces and territories;

'Major Transfers' include Canada Health Transfer, Canada Social Transfer, Equalization, Offshore Offset Payments, Territorial Formula Financing, Total Transfer Protection & Additional Payments; shading denotes receipt of Equalization in a given fiscal year;

1Y/3Y/5Y/10Y growth rates are in reference to 2022-23 allocation announced in December 2021; 3Y/5Y/10Y figures represent compound annual growth rates;

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