



Better 21, better 22? No contest, however...

By Warren Lovely

On April 26th, a couple days ahead of Ontario's 2022 budget, we presented a selection of charts over a two-page *Market View* meant to highlight some key provincial budgetary developments/takeaways. Our original note is available [here](#).

With Ontario's budget having been presented (detailed analysis [here](#)), we're taking this opportunity to update select images from that earlier report. The story line and general conclusions remain much the same, even if the odd chart line or bar has been tweaked to incorporate the latest official estimates from Ontario. As such, you can think of this as merely an Update, presented for the sake of completeness.

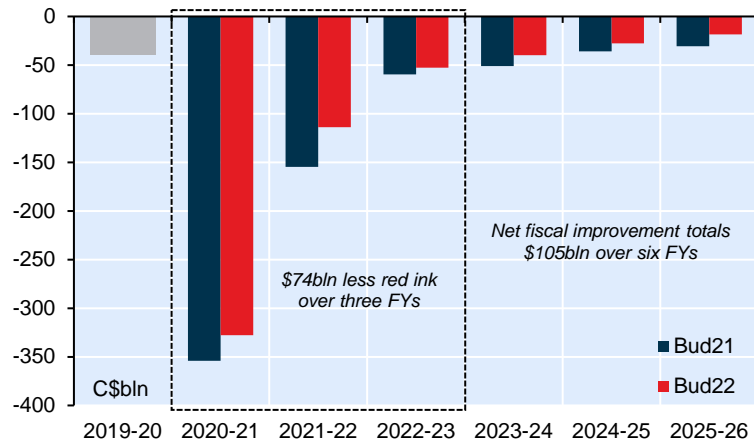
In the interest of maximum disclosure, we have added a Table on page 3 that details the change in budget balance from Budget 2021 to Budget 2022 for all provinces.

Leveraging the now-complete suite of 2022 budgets, we'll follow on with plenty of additional commentary, including key budgetary snapshots, a detailed accounting of 2022-23 borrowing requirements and a fresh set of *Canadian Government Fact Sheets*. Stay tuned.

Updated charts for **Market View Vol. VI, No. 35** following presentation of Ontario's 2022 budget

Chart 1: Ottawa's fiscal improvement nothing to sneeze at...

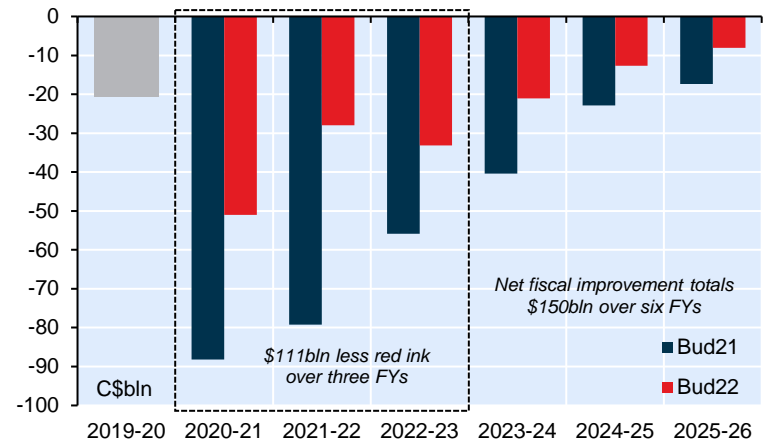
Federal budget balance: Budget 2022 vs. Budget 2021



Source: NBF, GoC

Chart 2: ... but more striking revisions at provincial level

Combined provincial budget balance: Latest vs. Budget 2021

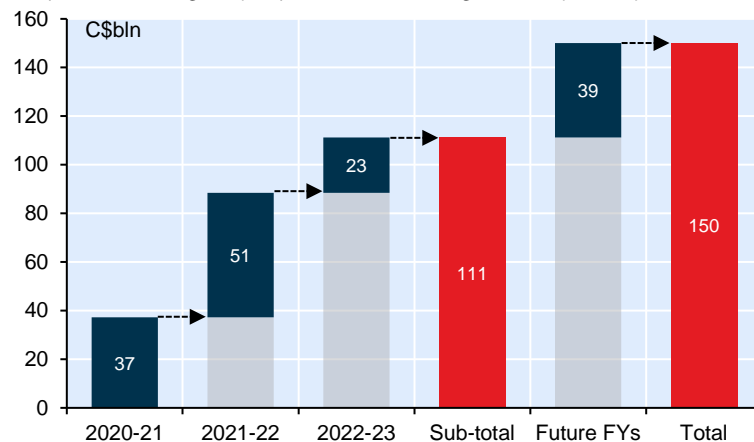


Source: NBF, prov gov'ts

Canadian budget balances are everywhere improved. Federally, the recent Liberal budget (supported by the opposition NDP) marked down deficits. But the net fiscal improvement is relatively more striking at the provincial level, some \$111 billion (and counting) of red ink erased from accumulated deficits through 2022-23. Note: Ontario's April 28th budget won't be passed before a June 2nd vote.

Chart 3: Dissecting provincial fiscal improvement by year...

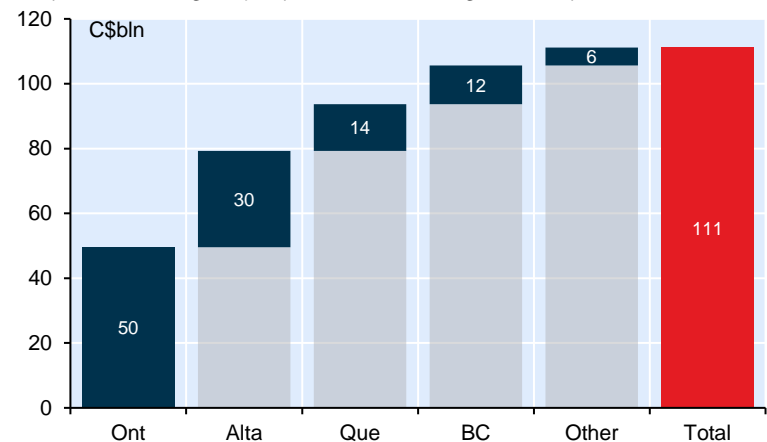
Net provincial budgetary improvement vs. Budget 2021 by fiscal year(s)



Source: NBF, prov gov'ts

Chart 4: ... and jurisdiction (with Ontario budget coming Thursday)

Net provincial budgetary improvement vs. Budget 2021: Up to 2022-23

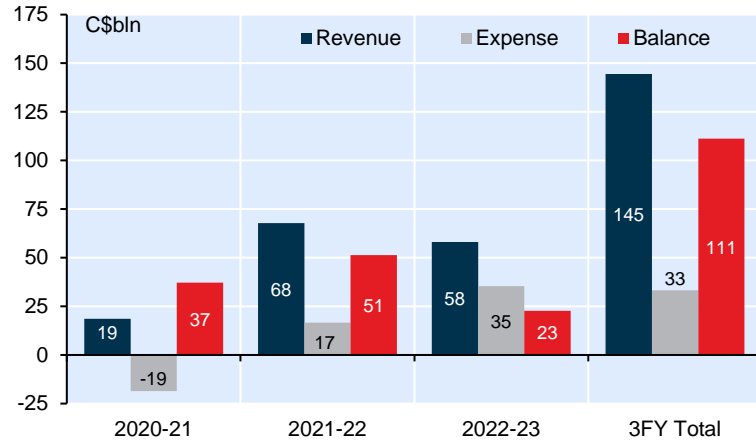


Source: NBF, prov gov'ts, FAO | Note: Ontario subject to change in Bud22

Last fiscal year (2021-22), the combined provincial deficit was \$51 billion lighter than planned (with residual improvements possible). Some momentum carries over to 2022-23, where the combined shortfall is presently \$23 billion lighter than what was thought possible last year. Plenty of prudence/padding exists. Most provinces have confirmed net fiscal improvements... some of them huge.

Chart 5: Provincial revenue topped expectations handily

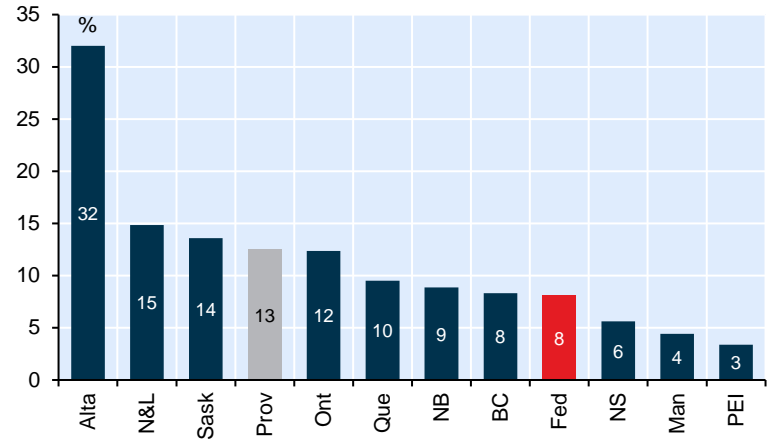
Total provincial revenue & spending: Latest vs. Budget 2021



Source: NBF, prov gov'ts

Chart 6: Energy leverage = larger relative revenue windfall

Change in 2022-23 federal-provincial revenue vs. Budget 2021

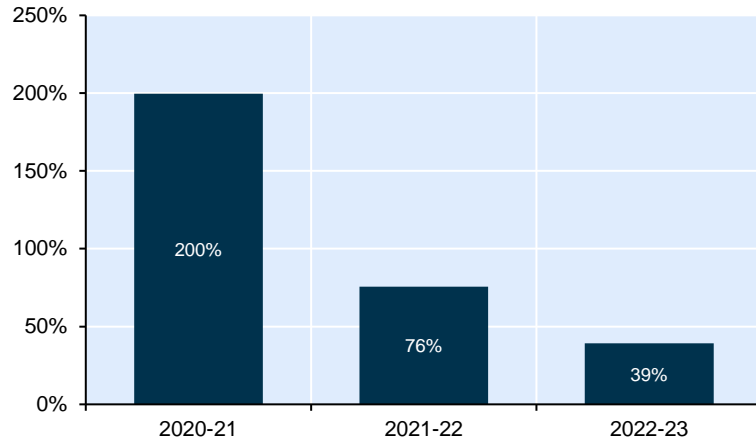


Source: NBF, GoC, prov gov'ts

Resilient/robust economies have keyed the fiscal improvement, with revenues having vaulted above plan. To little surprise, those jurisdictions with greater direct and indirect exposure to commodities (particularly energy) have tended to see revenues better the budget by a larger margin. But the revenue pictured has brightened in all cases. Maintaining spending discipline is the challenge from here.

Chart 7: Progressively less bonus revenue applied to balance

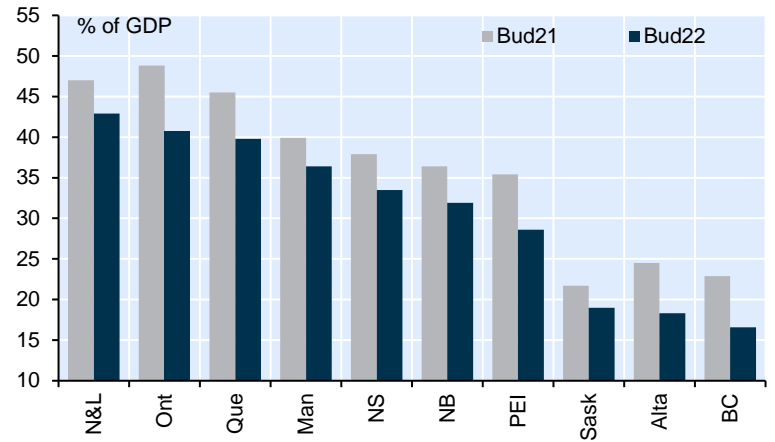
Share of above-plan revenue directed to budget balance: 10 province total



Source: NBF, prov gov'ts

Chart 8: Debt burdens are everywhere improved

2021-22 provincial net debt-to-GDP ratio: Latest vs. Budget 2021

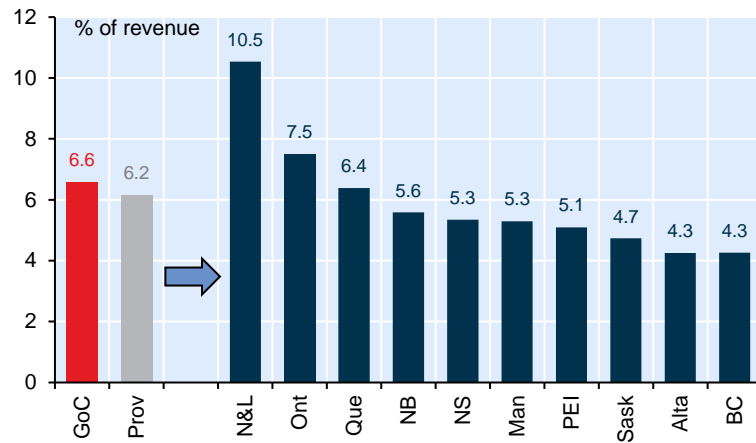


Source: NBF, prov gov'ts

Much/all of the bonus revenues related to prior fiscal years got applied to budget balances. Some governments have allocated above-plan revenue to new spending in 2022-23, including most recently in Ontario. Still, the cumulative budgetary improvement + buoyant nominal GDP growth means debt burdens have moved down vs. earlier forecasts and relative to the prior FY.

Chart 9: Provincial interest bite lower (refi risk long managed down)

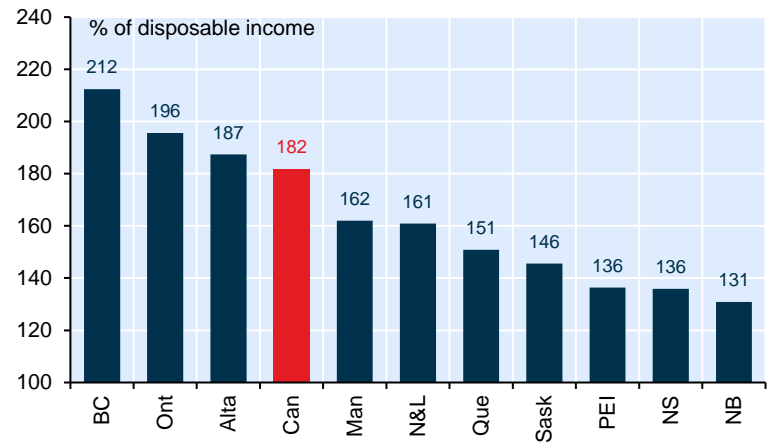
Federal-provincial consolidated interest bite for 2022-23: Latest projection



Source: NBF, prov gov'ts

Chart 10: Rate hikes put highly levered households at risk

Household debt-to-disposable income: 2021:Q4



Source: NBF, StatCan

Interest rates are moving up. While provincial borrowing rates are less attractive and additional interest charges will accrue, provinces generally face less immediate/significant interest rate reset risk vs. the feds. That said, higher interest rates can be expected to bind, particularly in the more highly levered jurisdictions. Meanwhile, a tightening of financial conditions could weigh on all credit spreads.

Table: Anatomy of a \$150 billion budget vs. budget provincial fiscal improvement

Provincial government budget balances for select years: Budget 2022 vs. Budget 2021, including cumulative change for select periods

	C\$mIn	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Sum	
								3Y to 22-23	6Y 25-26
Ont	Bud21	-38,468	-33,108	-27,700	-20,200	-17,200	-14,200		
	Bud22	-16,404	-13,496	-19,850	-12,300	-7,600	-5,000		
	Chg	22,064	19,612	7,850	7,900	9,600	9,200	49,526	76,226
Que	Bud21	-15,000	-12,250	-8,500	-5,700	-4,400	-3,100		
	Bud22	-7,539	-7,354	-6,450	-3,900	-3,750	-3,000		
	Chg	7,461	4,896	2,050	1,800	650	100	14,407	16,957
BC	Bud21	-8,144	-9,698	-5,484	-4,323				
	Bud22	-5,468	-483	-5,461	-4,182	-3,181			
	Chg	2,676	9,215	23	141	NA		11,914	12,055
Alta	Bud21	-20,192	-18,221	-10,982	-7,987				
	Bud22	-16,962	-3,207	511	932	700			
	Chg	3,230	15,014	11,493	8,919	NA		29,737	38,656
Man	Bud21	-2,080	-1,597	-374	-254	-209			
	Bud22	-2,117	-1,393	-548	-440	-347	-260		
	Chg	-37	204	-174	-186	-138	NA	-7	-331
Sask	Bud21	-1,865	-2,611	-1,685	-1,160	-770			
	Bud22	-1,127	-2,185	-463	-384	-321	-165		
	Chg	738	426	1,222	776	449	NA	2,386	3,611
NS	Bud21	-706	-585	-218	-176	11			
	Bud22	-342	108	-506	-419	-377	-294		
	Chg	364	693	-289	-243	-388	NA	768	137
NB	Bud21	-13	-245	-296	-220				
	Bud22	409	488	35	21	39			
	Chg	421	733	331	241	NA		1,485	1,726
N&L	Bud21	-1,644	-826	-587	-377	-314	-88		
	Bud22	-1,492	-400	-351	-309	-270	-74		
	Chg	152	426	236	68	44	14	814	940
PEI	Bud21	-120	-112	-46	-28				
	Bud22	-6	-27	-93	-52	-32			
	Chg	114	86	-47	-24	NA		153	129
Total	Bud21	-88,231	-79,253	-55,871	-40,425				
	Bud22	-51,047	-27,949	-33,176	-21,033				
	Chg	37,183	51,304	22,695	19,392	10,217	9,314	111,183	150,106

Source: NBF, prov gov'ts

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