



A quick budgetary hat-trick

By Warren Lovely

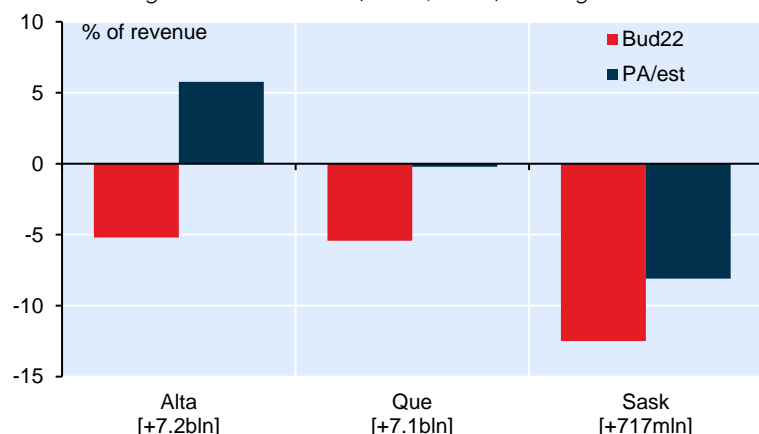
Three provincial financial reports, over three days, detailing three major budgetary beats. We're talking about audited (and unqualified) public accounts for Alberta and Saskatchewan, alongside preliminary findings from Quebec, all for the 2021-22 fiscal year. Officially, these updates arrived last week and between them, the three provinces in question (comprising <40% of national population) boosted last fiscal year's budgetary balance to the tune of \$15 billion. Just so we're clear, this rather material upgrade *isn't* arrived at by comparing to original plans established way back in spring 2021. Rather, it's the net improvement versus 2022 budget projections from only a handful of months ago.

[We detailed Alberta's 2021-22 results when they landed](#), as the fiscal restatement was quite something. Few provinces are likely to top Alberta on a relative basis but give Saskatchewan and Quebec credit all the same (Chart 1). Saskatchewan marked its 2021-22 deficit down again. And while this province technically ended 2021-22 in the red, it wasn't for a lack of revenue growth. Note: Last year's severe drought meant extraordinary agricultural payments, which consumed over 60% of the bonus revenue registered vs. Budget 2021's plan (Chart 2). For low-debt Sasky, the more vibrant revenue picture is encouraging and [we see some serious fiscal upside in 2022-23](#). As for Quebec, unofficial results for 2021-22 suggest a \$7½ billion deficit (a la Budget 2022) has been all-but-erased. Credit decidedly buoyant and broad-based revenue gains linked to a sturdy domestic expansion (Chart 3). Here again, there's evidence of positive base effects that should carry over to 2022-23.

Even if you're skeptical on the degree of fiscal follow-through—and/or getting nervous on growth—it's hard not to be impressed by the fiscal transformation registered at the provincial level. StatCan's fresh government finance statistics (out Monday for 2022:Q1) detail a rapid and complete recovery in the net debt burden for Canada's sub-national governments (Chart 4). It's a consolidation effort that means less debt outstanding and fewer bonds to roll in a higher interest rate environment. Provincial borrowing needs are appreciably lighter than once envisaged, a theme reinforced by the extra cash on hand in Alberta, Saskatchewan, Quebec (and one presumes elsewhere) as 2021-22 wrapped up. (Looked at another way, the stronger fiscal footing creates scope for marginal investments that could help shore up growth as monetary policy tightens.) So while the NHL playoffs are over—congrats Colorado, we never doubted you—Canada's provincial governments continue to find the back of the budgetary net. Despite economic anxiety, these likely won't be the last fiscal goals scored by the provinces.

Chart 1: Serious beat vs. estimates that really aren't that old

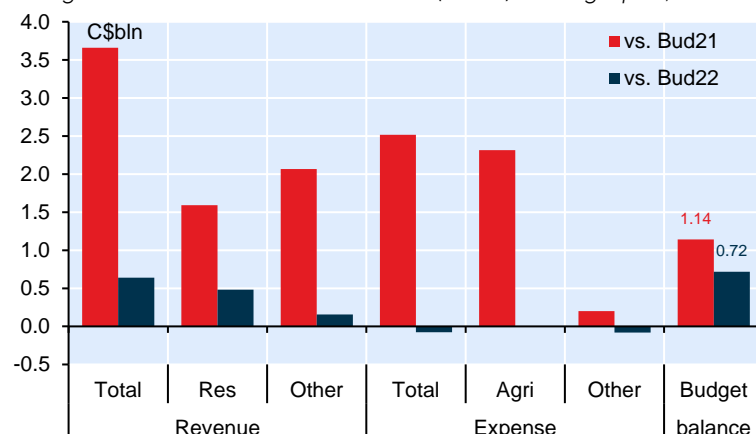
Provincial budget balance: 2021-22 (actual/latest) vs. Budget 2022 estimate



Source: NBF, prov gov'ts | Note: Actual results for Alta/Sask; preliminary results for Que

Chart 2: Saskatchewan works 2021-22 deficit down further

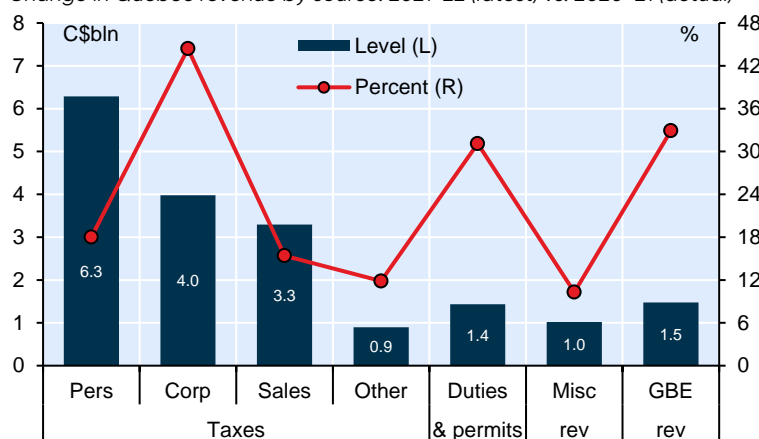
Change in Saskatchewan finances: 2021-22 (actual) vs. budget plan/estimate



Source: NBF, Saskatchewan | Note: +ve figures for balance indicate smaller deficit

Chart 3: Everywhere you look, Quebec revenue up big time

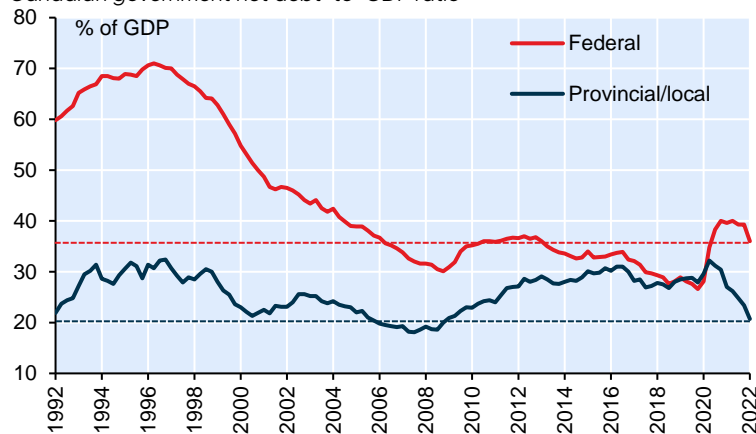
Change in Quebec revenue by source: 2021-22 (latest) vs. 2020-21 (actual)



Source: NBF, Quebec | Note: Own-source revenue; 2021-22 results are preliminary

Chart 4: Regional government debt load lightens up quick!

Canadian government net debt-to-GDP ratio



Source: NBF, StatCan | Note: Quarterly government finance statistics to 2022:Q1



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