Market View
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Fiscal inference (what Alberta & BC budgets tell us about broader provincial sector)

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Not all provinces are created equal, in terms of economic make-up, exposures, demographics, fiscal performance, debt, etc. Still, many of the high-level themes emanating from the first two budgets of the 2023 season—from Alberta and British Columbia—are likely to be replayed (time and again). For reference, we've identified a host of stylized budget facts, show what each means in Alberta and British Columbia, and highlight the extent to which a narrative might apply elsewhere. Think of this as a budgetary crib sheet as we wait for the next fiscal blueprint to drop.

	Stylized fact or narrative	BC experience/outlook	Alberta experience/outlook	Applicability to others
Economy: GDP, jobs, inflation	Two years of extraordinary growth…	Real GDP growth ('21,'22): 6.1%, 2.8%	Real GDP growth ('21,'22): 4.8%, 4.8%	Notwithstanding underlying economic differences, expect the broad 'economic narrative' presented at left to play out in most other provinces. Nationally, real growth is near stall speed, while nominal GDP growth is coming down sharply. (Alberta likely won't be the only province where nominal GDP recedes in 2023, as lower commodity prices dent the terms of trade in resource-intensive regions.) The good news? Labour markets have proven exceptionally resilient, with hearty population gains (an immigration story) limiting the extent of the correction in housing. Best of all, inflation will come down (perhaps even faster than some think) allowing the BoC to breathe easier.
	… giving way to 2023 slowdown	Real GDP growth ('23,'24): 0.4%, 1.5% Real growth near stall in '23	Real GDP growth ('23,'24): 2.8%, 3.0% Slowdown in real growth less profound	
	Nominal GDP sees bigger come down	2.8% nominal growth in '23 after annual avg of 12½% in prior 2 yrs	-2.2% nominal growth in '23 (contraction) after annual avg of ~25% growth in prior 2 yrs	
	Corporate profitability hurt	Net operating surplus -14.5% in '23	Net operating surplus -13.9% in '23	
	Housing markets correcting	Starts down 22% over 3 yrs ('21 to '24) Resales down 44% over 2 yrs ('21 to '23)	Starts up in both '22 & '23 Renovation spending & resales 'muted'	
	Labour markets surprisingly resilient	3.2% emp growth & 4.6% u-rate in '22; Hiring to slow in '23, u-rate avg 5.7% before reverting to downward trend (5.1% by '27)	5.2% emp growth & 5.8% u-rate in '22 Still solid hiring in '23, u-rate avg 6.4% before reverting to downward trend (5.7% by '26)	
	Population growth/migration strong	Population growth ('22,'23): 2.2%, 2.4% Net migration ('22,'23): 150K, 109K	Population growth ('22,'23): 2.2%, 2.9% Net migration ('22,'23): 82K, 112K	
	Inflation will be reined in	CPI ('22,'23,'24): 6.9%, 3.9%, 2.5%	CPI ('22,'23,'24): 6.4%, 3.3%, 2.2%	
Fiscal: 2022-23 (latest est)	2022-23 blew away budget plan…	Net budget beat of $9.1B in '22/23: $3.6B surplus (est) vs $5.5B deficit ('22 plan)	Net budget beat of $9.9B in '22/23: $10.4B surplus (est) vs $0.5B surplus ('22 plan)	It's hard to overstate how much fiscal progress the provinces have secured in the past two fiscal years. Consider: One year ago, via 2022 budgets, the provinces telegraphed an aggregate deficit of $33B for 2022-23. Based on the latest info in hand (including the freshest estimates from Alta/BC) the combined provincial budget balance has morphed into a $4B surplus. (More tweaks will come and public accounts are still a ways off.) Remember, that's on top of the $85B net enhancement to 2021-22. This is historical fiscal repair where the majority of 'windfall' revenue has been allocated to the bottom line. Give 'em credit…
	… 2nd year of major outperformance	Net budget beat of $11.0B in '21/22: $1.3B surplus (act) vs $9.7B deficit ('21 plan)	Net budget beat of $22.2B in '21/22: $3.9B surplus (act) vs $18.2B deficit ('21 plan)	
	Bonus revenue was largely 'saved'	Budgetary improvement equivalent to 64% of '22/23 surprise/unplanned revenue	Budgetary improvement equivalent to 74% of '22/23 surprise/unplanned revenue	
	Debt burden notably lighter than plan	Tax-supported debt ratio ends '22/23 at 16.4% vs 20.0% plan	Net debt ratio ends '22/23 at 10.2% vs 16.7% plan	
	Extra cash reduced borrowing	New borrowing of $8.7B in '22/23 (of which $4.4B bonds) vs $19.0B plan	New LT debt of $2.4B only a bit below plan but more financial assets accumulated	
	Fiscal traction supported ratings	No change to LT ratings since Budget '22: S&P: AA+ | Moody's: Aaa DBRS: AA (High) | Fitch: AA+	2 U/G & 1 'positive' outlook since Budget '22: S&P: A+ (from A) | Moody's: Aa2 (from Aa3) DBRS: AA (Low), +ve outlook | Fitch: AA-	
Fiscal: 2023-24 (budget forecast)	Slowdown will crimp 2023-24 revenue	Total revenue down $5.0B or -6.1%	Total revenue down $5.4B or -7.1%	… because things get tougher (less ebullient) in 2023-24. Consistent with a downshift in nominal GDP growth, own-source revenue will be pressured, in many cases tipping negative after a couple of heady years. Spending pressures are apparent, citizens clamouring for affordability protection (which might be counterproductive from the BoC's vantage point). Health care needs are ever-present, although the feds are thankfully stepping up. Labour negotiations bear watching as unions press for cost-of-living adjustments. The result, as demonstrated out West, is budgetary deterioration on a year-over-year basis and vs. more recent guidance. Thus, the broader provincial sector is due to slip back into the red, stalling (or even temporarily reversing) what had been rapid progress on debt burdens. It implies a larger underlying borrowing requirement. Give Ontario (for one) credit for getting a jump start on 2023-24 issuance via material pre-funding. In all, it's not the cheeriest environment, nor one particularly conducive to credit ratings uplift. And oh yeah, there's the BoC's liquidity draining QT programme operating/stepping up in the background.
	Key commodity prices will be lower	FY assumptions ('22/23 to '23/24): Lumber/stumpage (C$/$m^3$): 36.2 to 18.1 Natural gas (C$/GJ): 3.81 to 3.04 Coal (US$/tonne): 318 to 252	FY assumptions ('22/23 to '23/24): WTI (US$/bbl): 90.5 to 79.0 Light-heavy oil diff (US$/bbl): 20.0 to 19.5 Natural gas (C$/GJ): 5.10 to 4.10	
	Revenue can be quite 'sensitive'	Nom GDP: 1%-pt = $200-300M Lumber: US$50/K bd ft = $100-150M Natural gas: C$0.25/GJ = $130-150M	WTI: US$1/bbl = $630M Light-heavy oil diff: US$1/bbl = $600M Natural gas: C$0.10/GJ = $15M	
	Spending will rise, incl. 'affordability'	Total expense up $2.1B or 2.7%	Total expense up $2.6B or 4.0%	
	Weaker budget balance vs. prior FY…	Swing from $3.6B surplus to $4.2B deficit	Surplus shrinks from $10.4B to $2.4B	
	… and vs. most recent guidance	Net erosion of $4.3B over 3 yrs to '24/25	Net erosion of $8.4B over 3 yrs to '24/25	
	Non-trivial prudence built in	Forecast allowance of $700M Various contingencies of $5.5B Sub-consensus growth forecast (-0.1%-pt)	Contingency (incl disaster/emerg) of $1.5B Some key fcsts more cautious than consensus, incl WTI, C$, int rate, nom GDP, u-rate	
	Progress on debt burden will slow	Tax-supported debt ratio to 18.9% in '23/24, rising further to 23.0% by '25/26	Net debt ratio unch'd at 10.2% in '23/24 before resuming downward trend (9.1% by '24/25)	
	Underlying borrowing costs are up…	3M GoC T-bill ('22,'23): 2.30%, 4.16% 10Y GoC bond ('22,'23): 2.77%, 3.01%	3M GoC T-bill ('22/23,'23/24): 3.2%, 4.2% 10Y GoC bond ('22/23,'23/24): 3.1%, 3.6%	
	… but debt burden remains affordable	Tax-supported 'interest bite' 2.9% of revenue	Tax-supported 'interest bite' 3.0% of revenue	
	Gross borrowing needs are rising	New borrowing fcst at $18.2B in '23/24 (incl prudence, not necessarily all bonds)	New LT borrowing fcst at $6.6B in '23/24 (~80% of total borrowing tax-supported)	
	Refinancing needs pop in 2025-26	Refinancing requirement ('23/24 to '25/26): $3.6B, $4.0B, $6.2B	LT maturities ('23/24 to '25/26): $7.5B, $6.0B, $13.2B	

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