

### Assessing provincial fiscal updates (thus far)

By Warren Lovely

Most provinces have offered a fiscal update. Here's a quick summary, acknowledging that the economic/fiscal/borrowing picture is fluid...

**Budgets take a hit (in the aggregate)** → The aggregate provincial budget balance has been marked weaker vs. budget. The net hit to 2023-24 is ~\$7 billion, which isn't outrageous vs. national GDP (0.25%). With prior-fiscal year damage and a weaker trajectory for future years, the total four-year erosion through 2025-26 tops \$22 billion;

**Stark contrast vs. last two years** → This budgetary downgrade contrasts mightily with both 2021-22 and 2022-23, where recurring tidal waves of bonus revenue (vs. budget) enabled dramatic and welcome fiscal consolidation. Today, governments face slower growth alongside lingering/widespread spending pressures;

**Not everyone is missing budget** → Ontario's current planning assumptions mark a deterioration vs. budget, with BC likewise flagging a larger shortfall for 2023-24. Both had telegraphed a weak(er) hand-off via public accounts. (Note on public accounts: Despite downward adjustments in some corners, a majority of

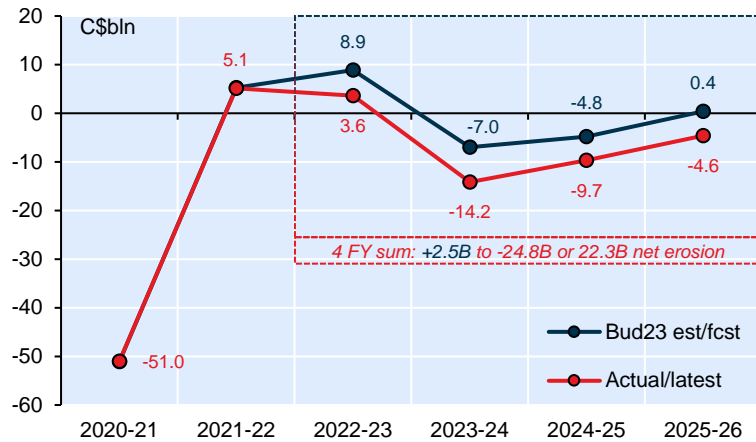
provinces saw the final budget tally for 2022-23 improve vs. latest estimates.) Quebec's fiscal path is largely intact vs. budget. New Brunswick is doing better, one of three provinces currently eyeing a surplus for 2023-24. Stay tuned for additional updates this fall;

**Nuance to budget-borrowing link** → In Ontario, budget-borrowing adjustments are straightforward: more red ink = more borrowing. In Quebec, 2023-24 net financing needs stepped down appreciably (for a few reasons). BC's Q1 allowed for a fine-tuning of bond supply. Newfoundland may borrow more to build up liquidity. Believe it or not: **The \$93 billion in gross bond issuance telegraphed for 2023-24 is no higher, in fact lighter, than where things stood at budget time;**

**Funding to do** → 62% of the \$93 billion aggregate bond program has been funded, leaving more than \$35 billion to come before fiscal year-end... plus any pre-financing that Quebec, Ontario and perhaps some others wish to do. Expect some supply to be diverted to foreign currency markets. Notwithstanding seasonal cash as December approaches, we wouldn't necessarily be chasing spreads here.

**Chart 1: In aggregate, fiscal path hits economic pothole**

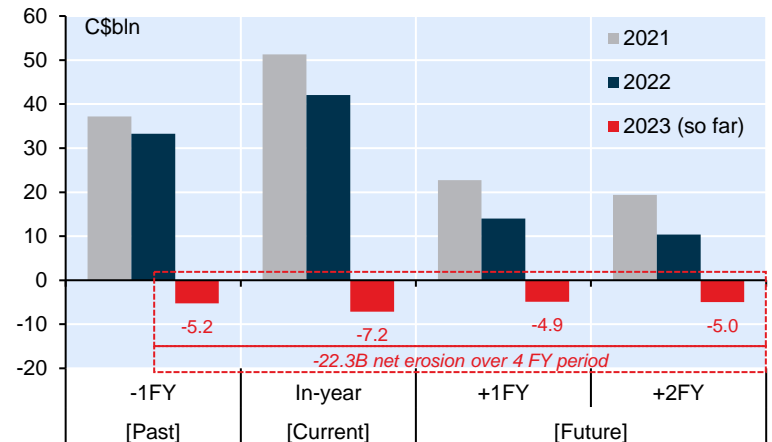
Provincial budget balance: Budget 2023 projections vs. actual/latest



Source: NBF, prov gov'ts | Note: Figures represent 10-province sum; Bud23 refers to official planning assumptions; actual/latest includes public accounts & fiscal updates to 8-Nov

**Chart 2: Big difference vs. massive upgrades in prior year(s)**

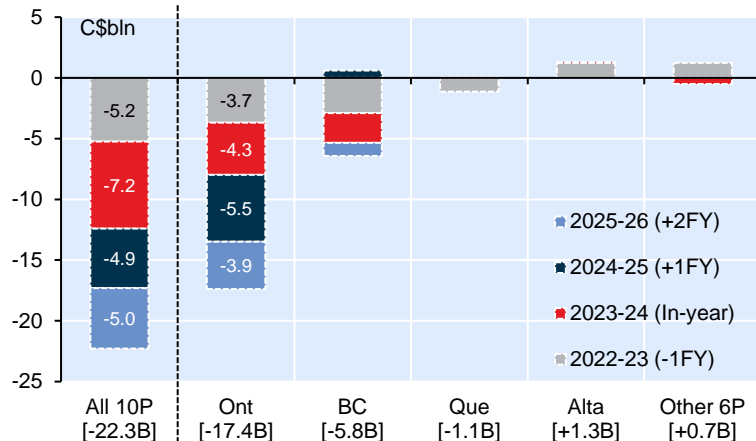
Evolution in net change in provincial budget balance vs. budget: Last 3 years



Source: NBF, prov gov'ts | Note: Dynamic/rolling dates; for 2021, in-year (T=0) is 2021-22; for 2022, in-year (T=0) is 2022-23; for 2023, in-year/current (T=0) is 2023-24

**Chart 3: Ontario's extra red ink means more borrowing...**

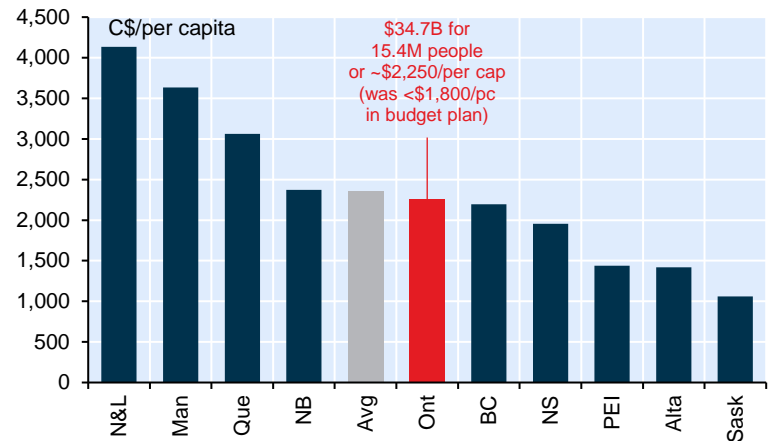
Net change in provincial budget balance vs. Budget 2023 projections



Source: NBF, prov gov'ts | Note: Net fiscal change vs. Bud23 est/fcst; figures in [ ] are total change over 4 FY period to 2025-26; levels have not been scaled to GDP, rev or pop

**Chart 4: ... but Ontario not exactly out of line (in per capita terms)**

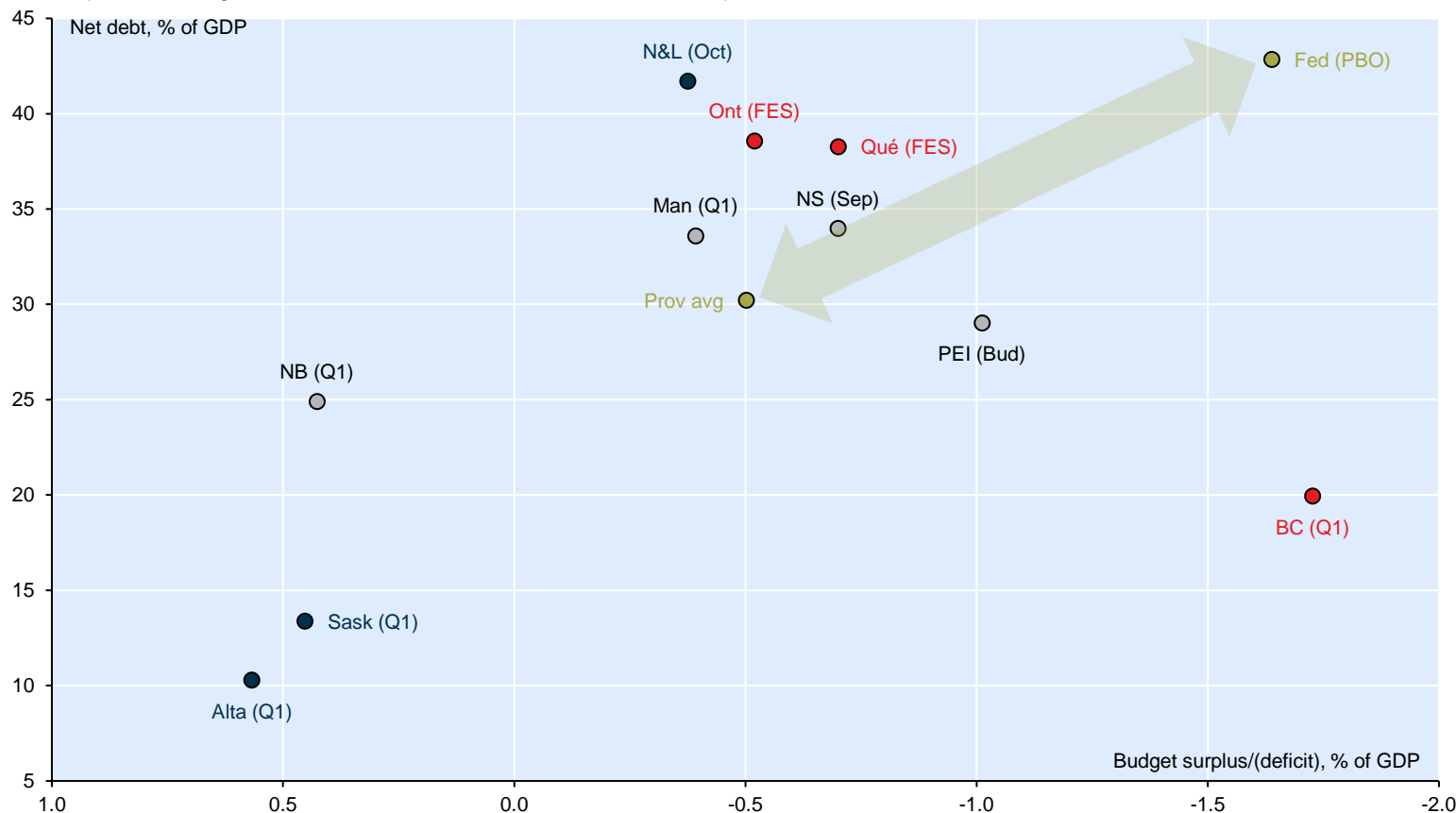
Per capita gross long-term borrowing requirement: 2023-24 (latest guidance)



Source: NBF, prov gov'ts, StatCan | Note: Converts latest official long-term requirement to per capita level by dividing by population at start of FY; see Ont comment for example

**Chart 5: The evolving fiscal snapshot across all 10 provinces (& relative to estimated federal position)**

Federal-provincial budget balance (horizontal) & net debt (vertical): 2023-24 | Based on latest estimates (see note)



Source: NBF, prov gov'ts, PBO | Note: Based on latest official provincial budget balance & net debt estimates for 2023-24; 9 of 10 provinces have updated figures vs. Budget 2023; only PEI yet to issue fiscal update; federal gov't is based on PBO Economic & Fiscal Outlook (Oct-23) as official FES still to come; in all cases, budget balance/debt scaled to latest NBF forecast for 2023 nominal GDP; large green arrow used to highlight divergence btw federal-provincial levels of gov't; we note that official budget balance projections for 2023-24 can include reserves/forecast allowances/contingencies and other forms of prudence, with the fiscal outlook subject to change

**Table: How far along are provincial borrowing programs? Depends where you look, with caveats aplenty**

NBF provincial borrowing program update: 2023-24 fiscal year (Apr-23 to Mar-24) | As at 9-Nov-23

Province / Agency	Ticker	Required <sup>a</sup> C\$bln	Required <sup>a</sup> C\$/per capita <sup>b</sup>	Completed <sup>c</sup> C\$bln	Domestic %	Foreign %	Remaining C\$bln	Funded Status %
British Columbia <sup>d</sup>	BRCOL	11.86	2,197	10.01	35%	65%	1.85	84%
Alberta	ALTA	6.60	1,421	0.89	84%	16%	5.71	14%
Saskatchewan	SCDA	1.29	1,060	1.05	100%	0%	0.24	82%
Manitoba	MP	5.20	3,632	2.52	48%	52%	2.69	48%
Ontario <sup>e</sup>	ONT	34.70	2,255	16.80	100%	0%	17.90	48%
Québec <sup>f</sup>	Q	21.92	3,063	19.59	66%	34%	2.33	89%
Hydro-Québec <sup>g,h</sup>	QHEL	5.00		3.80	100%	0%	1.20	76%
New Brunswick <sup>i</sup>	NBRNS	1.96	2,374	0.90	100%	0%	1.06	46%
Nova Scotia	NS	2.03	1,956	0.90	100%	0%	1.13	44%
Prince Edward Island	PRINCE	0.25	1,437	0.00	--	--	0.25	0%
Newfoundland & Labrador <sup>j</sup>	NF	2.20	4,136	0.90	100%	0%	1.30	41%
<b>TOTAL</b>		<b>93.0</b>	<b>2,359</b>	<b>57.4</b>	<b>74%</b>	<b>26%</b>	<b>35.7</b>	<b>62%</b>

% FY elapsed: 61%

Source: NBF, prov gov'ts, BBG, StatCan

Detailed notes: (a) Long-term gross funding requirement based on latest available estimates; includes refinancing requirements; excludes prospective pre-funding for coming fiscal year; (b) Per capita needs based on 2023:Q1 population estimates from StatCan (i.e., population at start of 2023-24 fiscal year); (c) Funds borrowed to date (up to 9-Nov-23); (d) Budget requirement of \$19bln referred to gross borrowing from all sources, of which bonds one component; Q1 Fiscal & Debt Summary provided guidance on long-term borrowing; (e) Includes certain hydro-related financing under province's banner; increase in long-term requirement vs. budget largely reflects erosion in budget balance (incl. prior year impact); (f) Includes financing for Financement-Québec; 2023-24 net financial requirement lowered vs. budget, capturing disposal of short-term investments acquired in 2022-23 & various other adjustments to asset/liability items; (g) Funds in own name with explicit provincial guarantee; (h) Fiscal year is January – December; (i) Includes requirements for NB Municipal Finance Corp.; (j) Includes funding for N&L Hydro; 2023-24 requirement increased vs. budget, largely to build up incremental liquidity/cash reserves



## Economics and Strategy

### Montreal Office

514-879-2529

**Stéfane Marion**

*Chief Economist and Strategist*  
stefane.marion@nbc.ca

**Kyle Dahms**

*Economist*  
kyle.dahms@nbc.ca

**Alexandra Ducharme**

*Economist*  
alexandra.ducharme@nbc.ca

**Matthieu Arseneau**

*Deputy Chief Economist*  
matthieu.arseneau@nbc.ca

**Daren King, CFA**

*Economist*  
daren.king@nbc.ca

**Angelo Katsoras**

*Geopolitical Analyst*  
angelo.katsoras@nbc.ca

**Jocelyn Paquet**

*Economist*  
jocelyn.paquet@nbc.ca

### Toronto Office

416-869-8598

**Warren Lovely**

*Chief Rates and Public Sector Strategist*  
warren.lovely@nbc.ca

**Taylor Schleich**

*Rates Strategist*  
taylor.schleich@nbc.ca

### General

This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of IIROC), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

### Canadian Residents

NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.

### UK Residents

This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

### US Residents

With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major US Institutional Investors only.

This report is not subject to US independence and disclosure standards applicable to research reports.

### HK Residents

With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

### Copyright

This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.