

Fed-prov budgets: These (updates) go to 11!

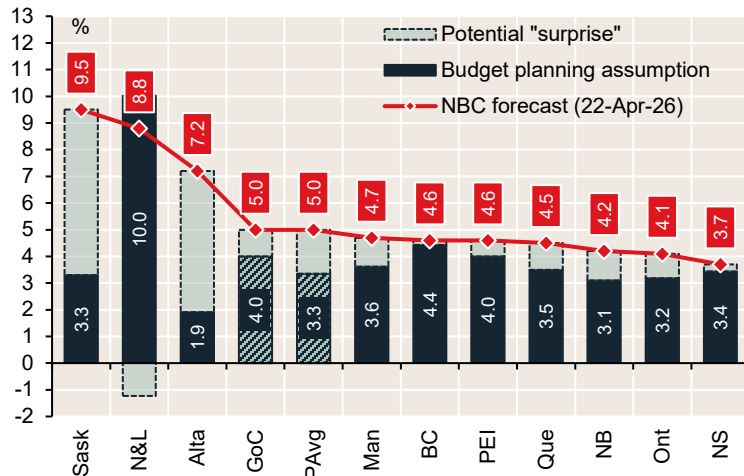
By Warren Lovely, Taylor Schleich & Ethan Currie

We've had plenty to say on Canadian public sector finances since the first budget of the 2026 season landed back in February. But with Newfoundland and Labrador officially bringing the provincial budget season to a close (April 29th) and the federal government offering its own "Spring Economic Update" (April 28th) we have a full set of 11 fiscal blueprints—10 provincial + 1 federal—to notionally compare/contrast.

For maximum completeness/inclusivity, the following charts highlight key aspects of official federal-provincial budget plans, as currently set out.

Chart 1: Economic outlook altered by oil price shock

Nominal GDP growth planning assumptions vs. latest NBC forecast: 2026

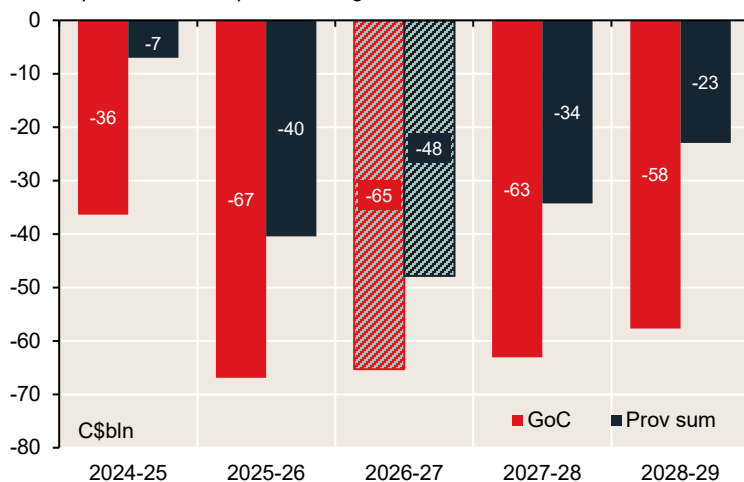


Source: NBC, fed-prov gov'ts | Note: PAVg is weighted; GoC refers to Cda growth

Nominal GDP remains the best high-level proxy for own-source revenue. And here, official planning assumptions for 2026 look increasingly conservative. On a weighted average basis, the provinces planned for 3.3% nominal GDP growth in 2026, while Ottawa's spring update assumed a 4.0% nominal advance for Canada. Take the 'over' with the most significant surprises likely coming in Alberta and Saskatchewan. Note that Newfoundland & Labrador's budget—the last to arrive—assumed 10% nominal growth in 2026, as at least a bit of Middle East-related oil price noise got factored in.

Chart 3: How much budgetary red ink is being spilled?

Federal-provincial actual-planned budget balances

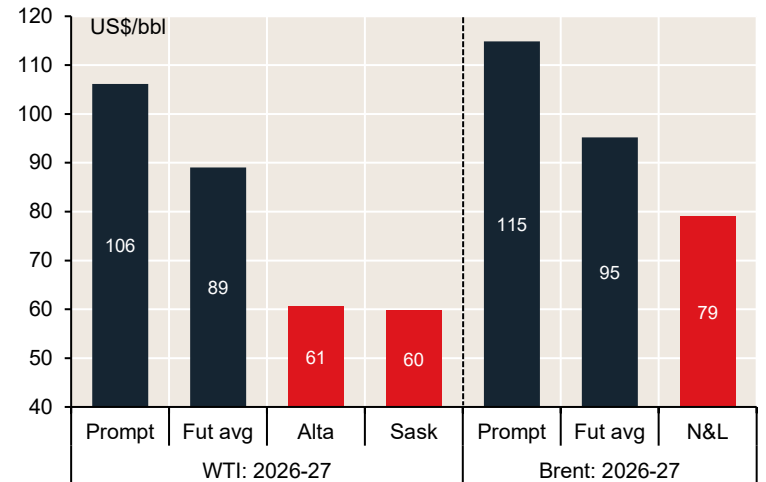


Source: NBC, fed-prov gov'ts | Note: 2025-26 is estimate; 2026-27 onwards are forecasts

One major caveat: The geopolitical playing field remains unsettled. More than anything, oil price gyrations are apt to trigger large-scale economic and fiscal revisions as the 2026-27 fiscal year unfolds. Recall that we saw something similar back in 2022-23. Then, as now, the scope for fiscal revisions to official budget plans is most pronounced in resource-intensive jurisdictions. So pay close attention to quarterly updates from Alberta and Saskatchewan, where above-plan resource revenue looks to be accumulating quickly. (For reference, Q1 updates from those two provinces have historically been released in the back half of August.)

Chart 2: Major upside on crude oil vs. budget assumptions

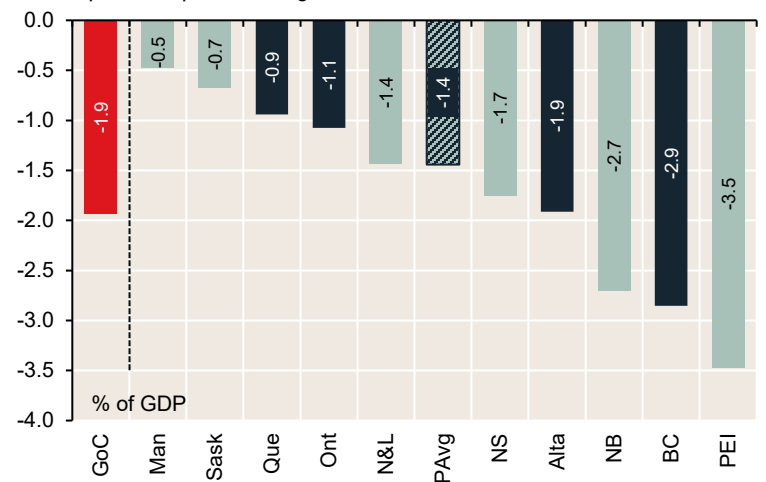
Crude oil price planning assumptions vs. current/implied levels: 2026-27



Source: NBC, prov gov'ts, BBG | Note: Prompt & FY avg of futures as of 4-May-26 (12:45ET)

Chart 4: Planned shortfalls vary (as does revision potential)

Federal-provincial planned budget balance-to-GDP ratios: 2026-27



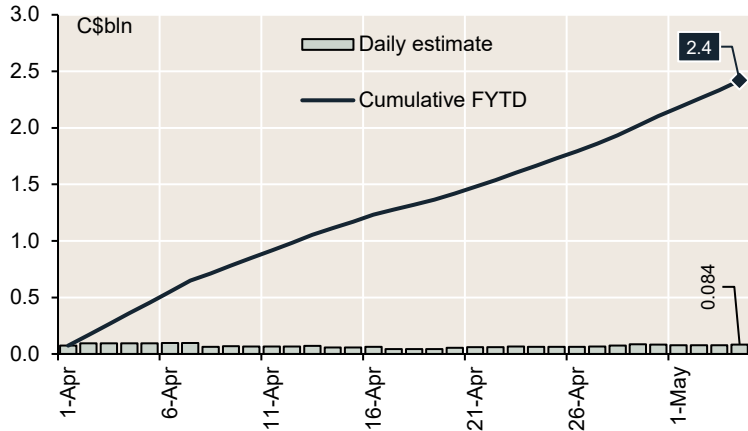
Source: NBC, fed-prov gov'ts | Note: PAVg is weighted

Collectively, Canada's provinces have projected \$48 billion in budgetary red ink in 2026-27, with that aggregate balance deteriorating ~\$19 billion vs. Budget 2025 plans. The weighted average provincial deficit is forecast at 1.4% of GDP, whereas federal shortfall was shaved to 1.9%—aided by an improved nominal GDP base. Looking at planned deficits for 2026-27, Manitoba (-0.5%) and Prince Edward Island (-3.5%) currently serve as bookends, with oil-levered names (e.g., Alberta, Saskatchewan, Newfoundland and Labrador) having non-trivial 'upside' potential (recall Chart 2).



Chart 5: Alberta oil royalties quickly bubbling up...

[Illustration A] Alberta 'bonus' crude royalties based on WTI price: 2026-27 FYTD

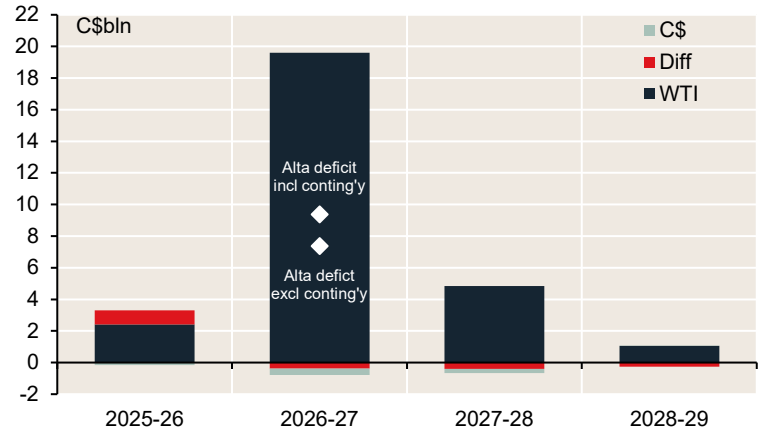


Source: NBC, Alta, BBG | Note: Based on WTI price differentials (actual vs. plan) & official sensitivities; excl. light-heavy & FX adjustments, which are captured in Chart 6

Take the following with a grain of salt, but with oil prices soaring above budget planning levels, 'bonus' or above-plan royalties are bubbling up in Alberta and other oil-producing jurisdictions. Alberta's official sensitivities hint at ~\$2½ billion in extra crude royalties barely one month into 2026-27. If futures prices prove accurate, the full fiscal year revenue 'surprise' could be genuinely enormous.

Chart 6: ... with full fiscal year 'surprise' potentially massive

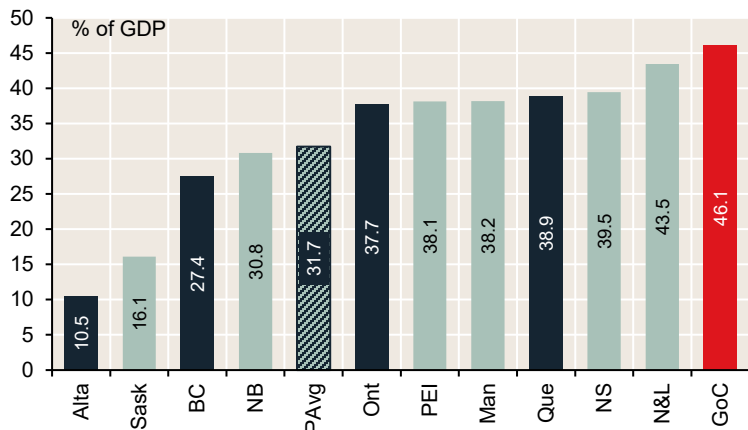
[Illustration B] Alberta 'bonus' crude oil royalties: Current monthly futures pricing



Source: NBC, Alta, BBG | Note: Based on 4-May-26 (12:45ET) futures pricing; applies price differentials (projection vs. plan) to official sensitivities; interpret with caution

Chart 7: Feds most heavily indebted gov't in federation

Federal-provincial planned net debt-to-GDP ratios: 2026-27

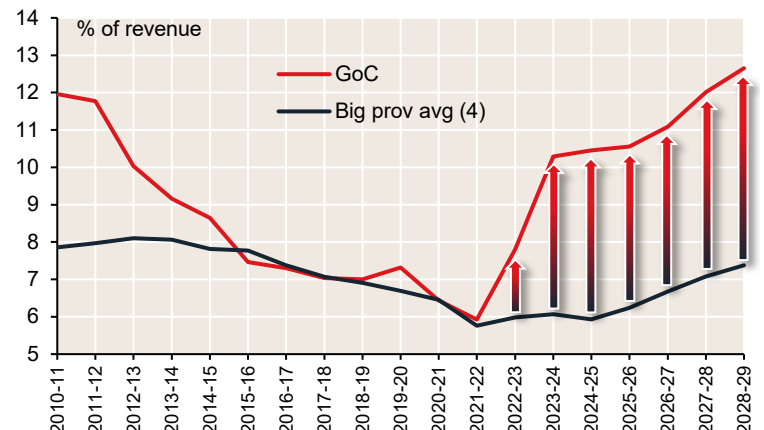


Source: NBC, fed-prov gov'ts | Note: PAVg is weighted

For Alberta and Saskatchewan, potential resource revenue windfalls (even if only partially saved) would extend an existing balance sheet edge vs. provincial peers. In the name of economic transformation the feds are adding leverage and Ottawa's net debt-to-GDP, at 46%, is higher than all provinces. Interest charges are likewise taking a bigger bite out of revenue at the federal level.

Chart 8: Ottawa's interest bill re-setting fast(er)

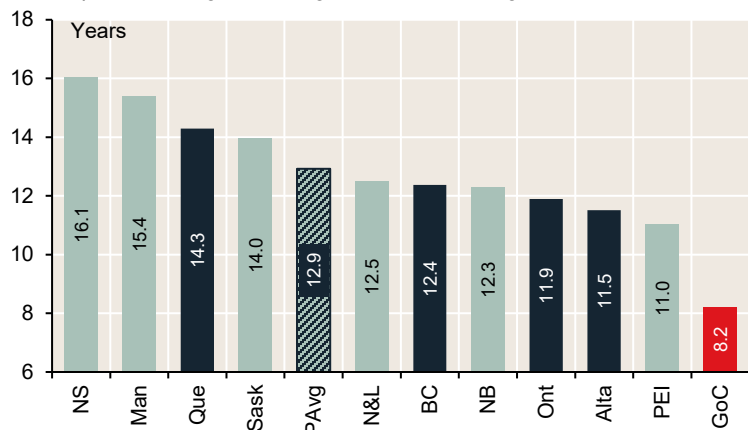
Federal-provincial actual-planned interest-to-revenue ratios



Source: NBC, fed-prov gov'ts | Note: Prov avg based on Ont, Que, BC, Alta

Chart 9: Prudent debt management pays dividends for provis

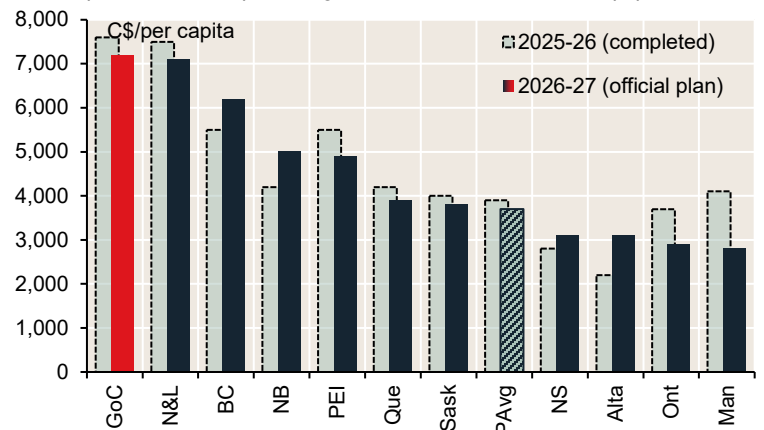
Federal-provincial weighted average term of outstanding marketable bonds: Latest



Source: NBC, BBG | Note: As of 1-May-26; PAVg is weighted; all ccys; excl. short-term o/s

Chart 10: Provincial bond req't roughly half that of feds

Federal-provincial actual-planned gross bond issuance, scaled to population



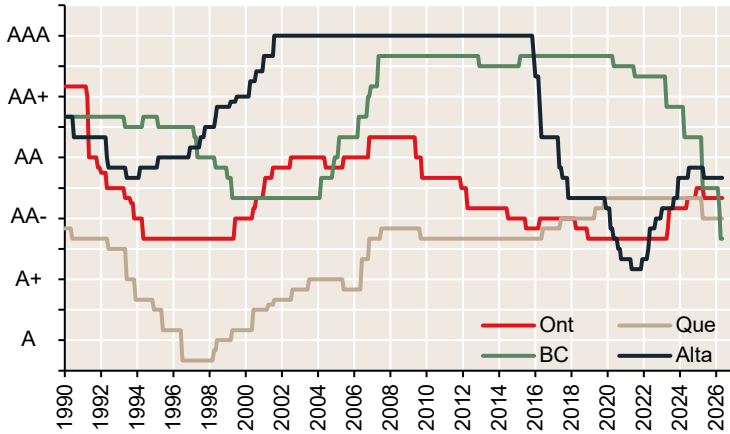
Source: NBC, fed-prov gov'ts | Note: Based on official guidance for 2026-27

Beyond the fact that the feds are accumulating net new debt at a faster clip than the provinces, Ottawa has long taken on more interest rate reset risk than the provinces. Consider: The current stock of outstanding GoC bonds 4.7-years shorter than the average marketable provincial bond (all currencies). Meanwhile, the stock of GoC T-bills was ~3X larger than all outstanding provincial money market paper at the end of 2025. Gross GoC bond issuance remains nearly twice as large than for the provinces, though (as with budget balances) relative needs vary considerably by region.



Chart 11: Ongoing adjustment in some credit ratings

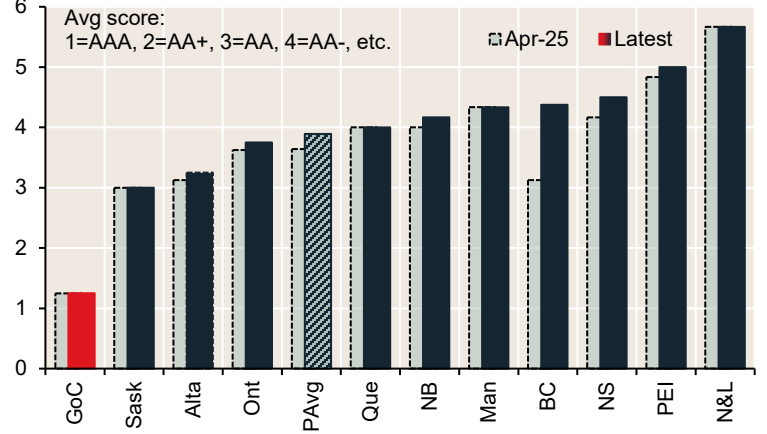
Average long-term credit rating for select provinces, controlling for outlooks



Source: NBC, S&P, Mdy, DBRS, Fitch | Note: Monthly to May-26; controls for outlooks

Chart 12: Perspective on average long-term credit rating

Average long-term credit rating score, controlling for outlooks: Latest vs. Apr-25

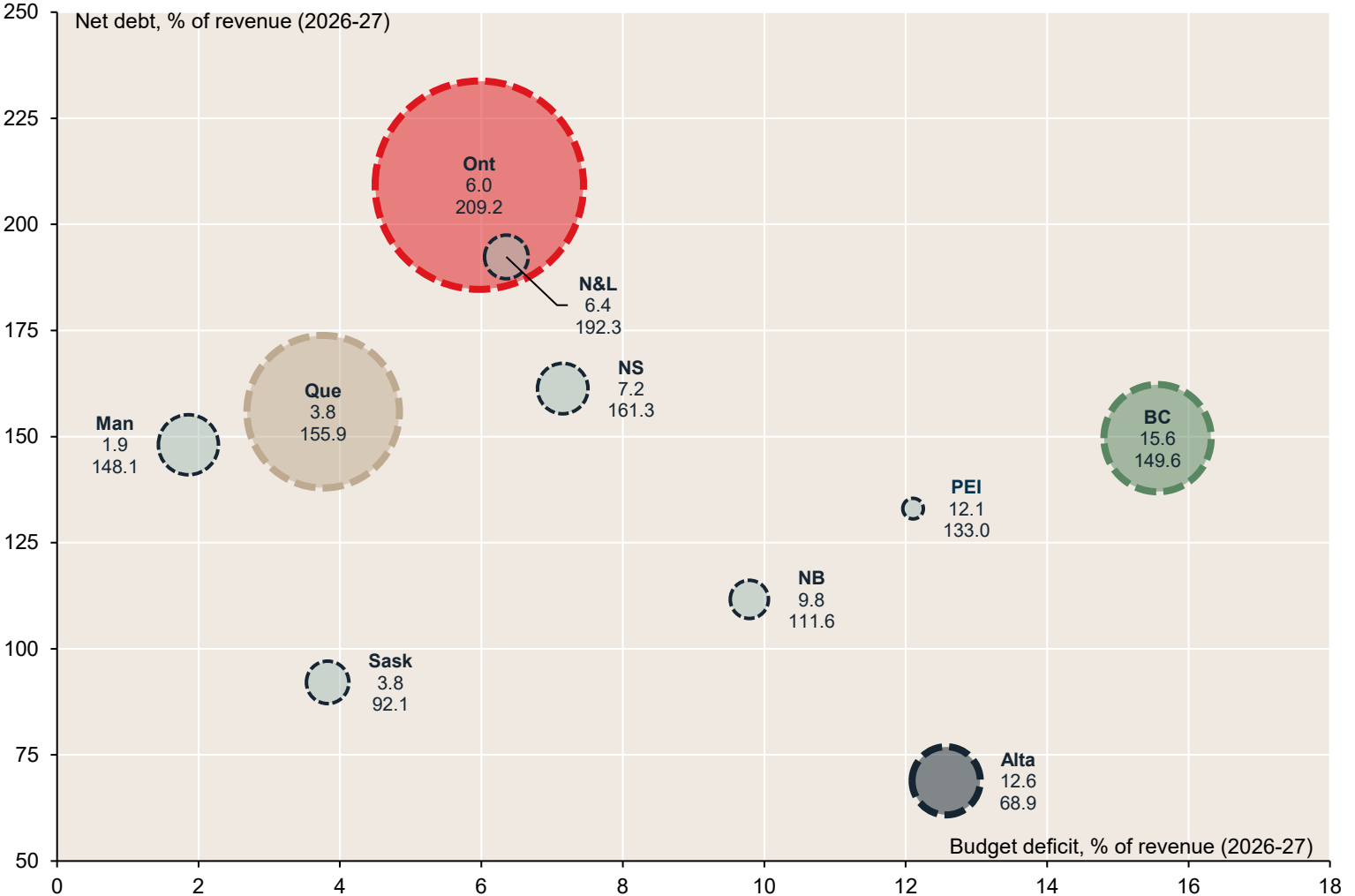


Source: NBC, S&P, Mdy, DBRS, Fitch | Note: Simple avg of all ratings; controls for outlooks

Post budget, certain provincial credit ratings have been adjusted, with B.C. under the most pressure. We routinely argue that credit ratings, together with a short list of other variables (e.g., liquidity, energy exposure, political risk), are statistically significant for provincial RV purposes. While the sovereign's ratings are stable, supply technicals have generally supported tight CAD G-spreads.

Chart 13: An official provincial fiscal snapshot (subject to potentially serious change)

Provincial planned budget deficit & net debt ratios relative to total revenue & sized by absolute level of net debt: 2026-27



Source: NBC, fed-prov gov'ts | Note: Official budget projections; Quebec based on budget deficit before deposit to Generations Fund (i.e., accounting deficit); bubble size is based on the level of net debt & could be interpreted as a loose liquidity proxy

The above chart presents a fiscal snapshot based on official budget plans for all ten provinces. As should be clear, the provinces have in some cases staked out unique fiscal ground, both in terms of income statement performance (i.e., budget deficits on horizontal axis) and balance sheet health (i.e., net debt burden on vertical axis). A final warning: Some provinces could be moving to very different fiscal area codes as the fiscal year unfolds. Of note, Alberta and Saskatchewan Q1 reports (expected in the latter half of August) could have serious economic-fiscal 'upside' potential.



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