

Canada's provinces giving 110%

By Warren Lovely

As far as sports clichés go, 'giving 110%' is something of a classic. Never mind that giving more than 100% is a physiological impossibility, such grandiose language continues to be uttered in/on ice rinks, basketball arenas, football stadiums, tennis courts and soccer pitches the world over. Few will confuse a provincial finance minister with an elite athlete, but when it comes to today's proverbial budget olympics, regional treasurers really are giving 110%! What ever do we mean?

Well, as we've been [regularly reporting on](#), provincial governments have acknowledged an historic improvement in fiscal fortunes since 2021 budgets were set down earlier in the year. The combined budgetary upgrade (vs. 2021 budget guidance) for the two-year period covering 2020-21 and 2021-22 currently stands at ~C\$76 billion... a stunning budgetary delta almost evenly split between the two fiscal years (Chart 1).

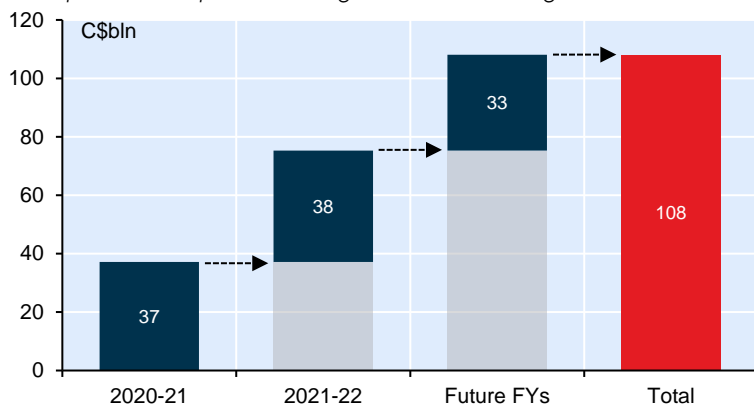
Now for a little attribution analysis. As per Chart 2, the cumulative revenue windfall over the two-year period is C\$69 billion, aggregate provincial revenue today standing some 11½% higher than what was thought possible in the spring. Even allowing for some extra spending of late, combined expense over the two fiscal years is *down* vs. budget estimates, by roughly C\$7 billion. It's simple division at this point:

C\$76 billion 2Y budgetary improvement + C\$69 billion 2Y revenue improvement = 110% ratio of budget beat-to-revenue beat!

Technically, the budget beat-to-revenue beat ratio is 200% for 2020-21 and more like 76% for 2021-22. In other words, not every single bit of this year's revenue 'surprise' has gone to the bottom line. But saving 76 cents of the marginal revenue dollar is still pretty constructive from a provincial credit perspective. As everyone should appreciate, there's still uncertainty attached to fiscal 2021-22, and budgetary figures will evolve. But the materially enhanced picture for 2020-21 is a fait au complet. That fiscal year is done and dusted, with the reduced red ink and commensurate erasure of government debt locked in. The challenge, of course, could be maintaining fiscal discipline even as the democratic process intervenes in the form of general elections. Quebec's recent mid-year offered significant new measures ahead of a 2022 vote, stimulus that will hit a local economy that may already be overheating. Ontario could presumably offer its own collection of goodies in Budget 2022, before Ontarians are asked to mark their ballots in June. Stay tuned. In the meantime, give provincial finance ministers credit for doing their best impression of Connor McDavid, Tom Brady and Lionel Messi... giving it 110% and leaving it all on the legislative floor.

Chart 1: 2Y fiscal improvement of ~C\$76bln (for 2020-21 + 2021-22)

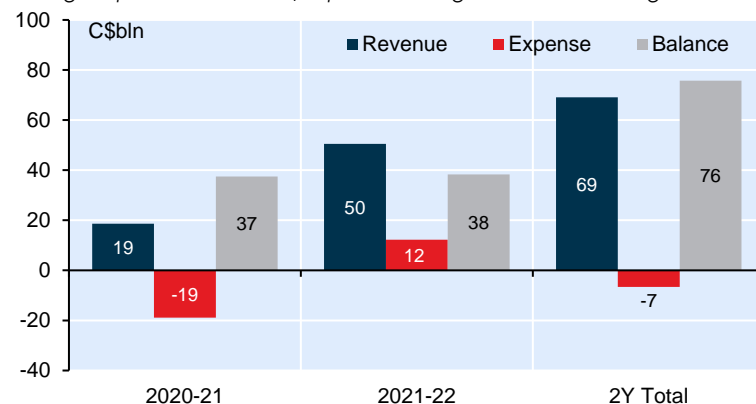
Net improvement in provincial budget balances vs. Budget 2021



Source: NBF, prov'l gov'ts | Note: Future FYs refers only to Ont, Que, Alta

Chart 2: Budgetary attribution analysis

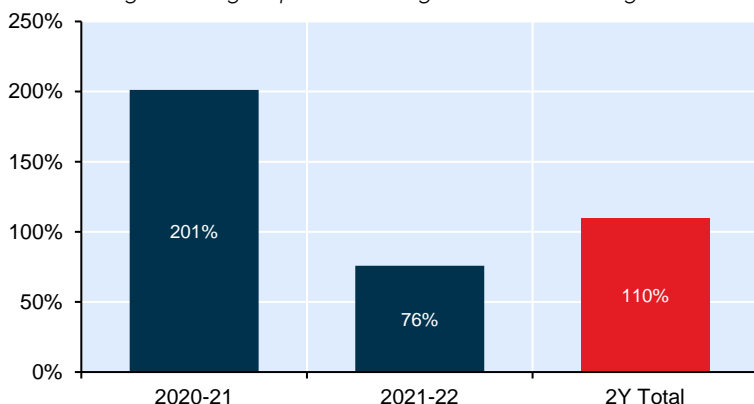
Change in provincial revenue, expense & budget balance vs. Budget 2021



Source: NBF, prov'l gov'ts | Note: Reflects total fiscal changes vs. Budget 2021 estimates

Chart 3: Giving 110% to the bottom line

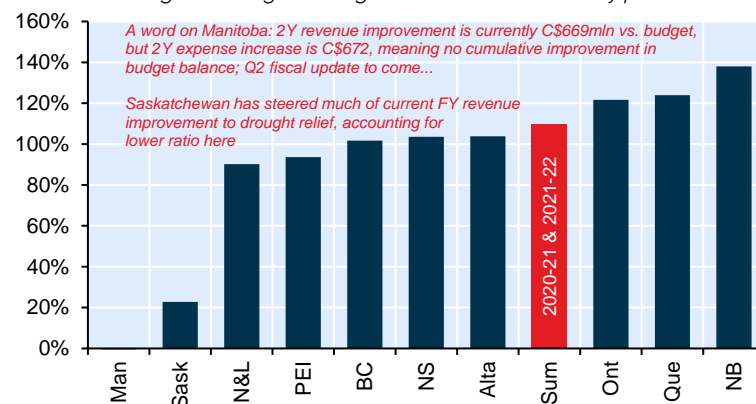
Ratio of marginal change in provincial budget balance vs. change in revenue



Source: NBF, prov'l gov'ts | Note: Based on total fiscal changes vs. Budget 2021 estimates

Chart 4: The 2Y budget beat vs. revenue beat by province

Ratio of 2Y marginal change in budget balance vs. revenue by province



Source: NBF, prov'l gov'ts | Note: Based on fiscal changes vs. Budget 2021 estimates



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