

Tracking transfers: CHT top-up insulates against GDP weakness

By Warren Lovely & Ethan Currie

For provincial bondholders, direct revenue support from the federal government is no small consideration. After all, we're hardly talking chump change, federal cash transfers accounting for ~20% of total provincial revenue (on average). Every year in December, just before the holidays set in, the feds confirm the precise amount of major federal transfer dollars due to flow to each province and territory in the coming fiscal year. If you missed the December 23rd announcement (related to fiscal 2025-26), this *Market View* aims to cover key elements:

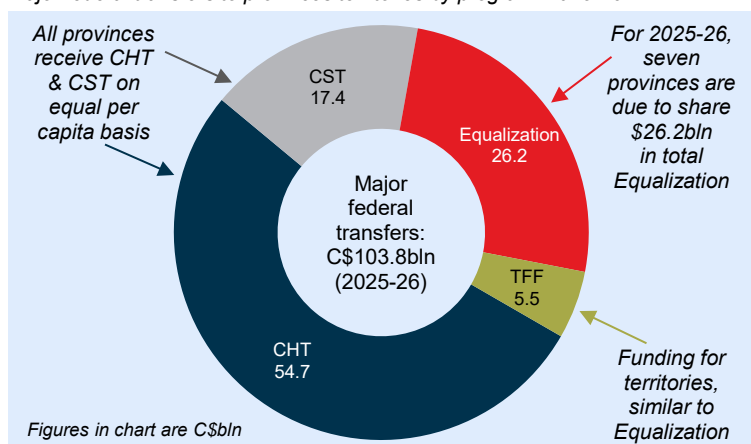
- As per Ottawa's annual holiday communiqué (available [here](#)), major federal transfers to the provinces and territories will amount to \$103.8 billion in 2025-26. Note that the feds provide the provinces with assorted other fiscal supports;
- Major transfer dollars have doubled since the Global Financial Crisis. However, at 4.4%, year-over-year growth in total transfer cash will moderate for a second straight year in 2025-26 as the lagged impact of a softer economic backdrop is captured;
- Moreover, while 4.4% total transfer growth is largely in line with the longer-term trend, it's not overly generous on a per capita basis. At just 1.4%, the average per capita allocation is set to grow at its slowest pace in the post-GFC era in 2025-26. Even if population growth is meant to moderate from here, the earlier surge in total headcounts has placed a heavy burden on local and regional governments across the country, straining public services/infrastructure and contributing to affordability pressures;
- In certain cases, legislated transfer formulas are linked to the three-year moving average for Canadian nominal GDP growth. After a couple of blowout years in 2021 and 2022, nominal growth has since cooled. The three-year average growth rate through 2025 is currently estimated at 3.6%. That's based on the following annual growth rates: 2023 = 2.9%(A) | 2024 = 4.3%(E) | 2025 = 3.7%(F);
- The anticipated comedown in nominal GDP growth is particularly relevant for the Canada Health Transfer (CHT) and Equalization programs. On the former, CHT, note that the feds had earlier

committed (in February 2023) to a 5% annual growth guarantee through 2027-28 ([link](#)). A CHT top-up payment, amounting to \$713 million, kicks in for the first time in 2025-26. That staves off a sharper slowdown in the single largest federal transfer program;

- The recently slower nominal GDP growth pace is more directly reflected in Equalization, where total dollars will grow by 3.6% in 2025-26. As per the existing formula, that matches the average nominal GDP growth rate estimated for 2023 to 2025 (inclusive);
- By design, not all provinces receive equal transfer treatment. Seven of the ten provinces are to record above-average growth in major transfer dollars in 2025-26, led by Prince Edward Island at 7.6%, New Brunswick at 6.6% and Manitoba at 6.5%;
- In absolute terms, Quebec will receive the most transfer dollars (\$29.3 billion), but total transfer growth is too slow to a below-average 2.9% in 2025-26. Population growth has been relatively slower here, while Quebec's share of a still-growing Equalization envelop will decline for a sixth straight year;
- On the always controversial subject of Equalization, seven provinces again qualify in 2025-26. These seven provinces will share \$26.2 billion. Over one-half of available Equalization is claimed by Quebec. Equalization is to account for 46% of Quebec's major transfer entitlement, but this province's share of the Equalization pie remains in structural decline;
- Ontario technically qualifies for Equalization again in 2025-26, but the \$546 million this province will receive comprises less than 2% of Ontario's major transfer envelop. Particularly notable is the change in Newfoundland and Labrador's Equalization entitlement. While N&L again qualifies in 2025-26, the province's entitlement is barely half that of the prior fiscal year (\$113 million vs. \$218 million). This decline in Equalization helps explain the 7.1% drop in major transfers for N&L in 2025-26 – the only province where total transfers are down in both absolute and per capita terms.

Chart 1: Nearly \$104bln in major federal transfers next FY

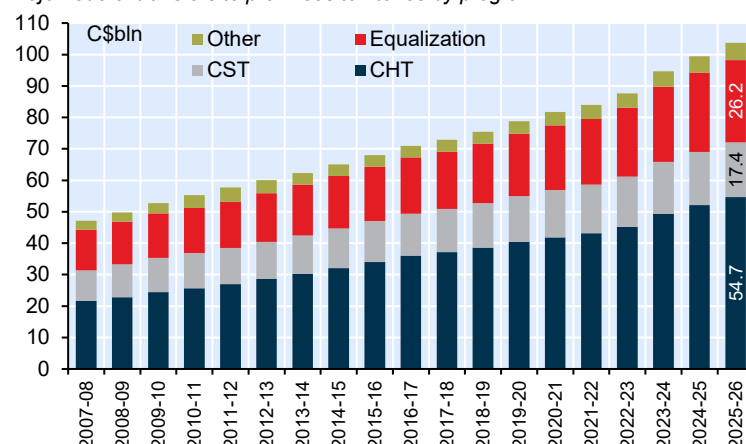
Major federal transfers to provinces/territories by program: 2025-26



Source: NBC, GoC | Note: Preliminary estimates

Chart 2: Dollar value of major federal transfers expanding

Major federal transfers to provinces/territories by program



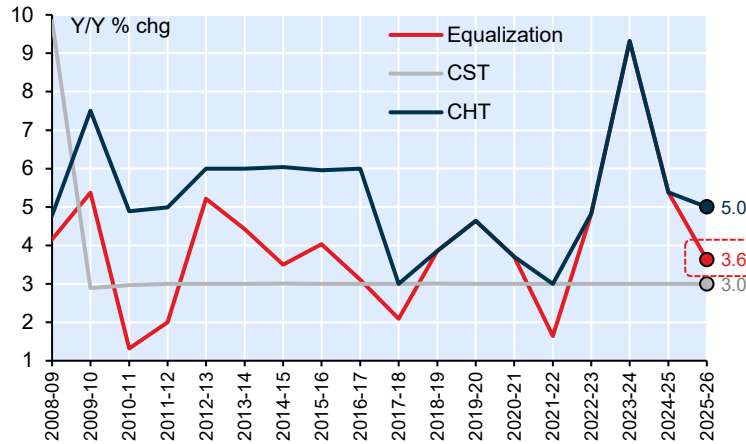
Source: NBC, GoC | Note: 2024-25 & 2025-26 preliminary; excl. certain top-ups & FSP

Nearly \$104bln in major federal transfer dollars will flow in 2025-26. Health and social transfers go to all provinces on equal per capita basis, while seven provinces again qualify for Equalization in 2025-26. While major transfer dollars have doubled since the GFC, major transfer growth (to all regions) decelerates for a second year in a row as the impact of slower GDP growth is captured.



Chart 3: CHT topped up, while Equalization tied to GDP...

Growth in major federal transfers to provinces/territories by key program

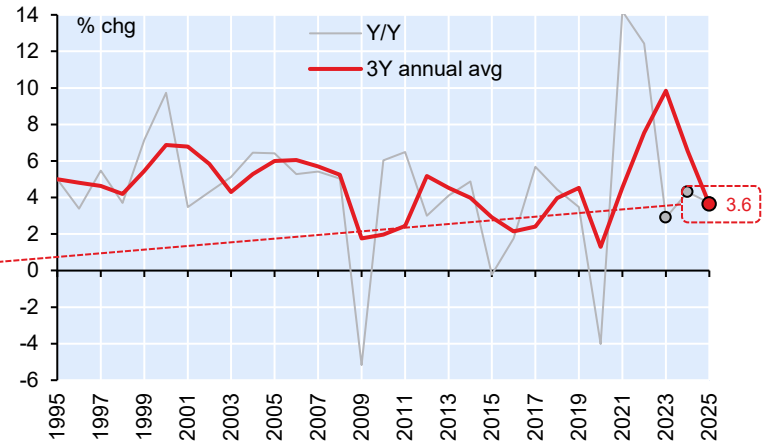


Source: NBC, GoC | Note: 2024-25 & 2025-26 preliminary; excl. certain top-ups & FSP

CHT and Equalization are linked to the three-year moving average of nominal GDP. Note, however, that a Feb-23 announcement guaranteed at least 5% CHT growth for five years, with that floor/top-up kicking in for 2025-26. Slower GDP growth is more clearly reflected in Equalization, where growth in the total envelop (now \$26.2bln) slows to 3.6%. Total CST funding grows by 3%/year.

Chart 4: ... where nominal growth trend has slumped

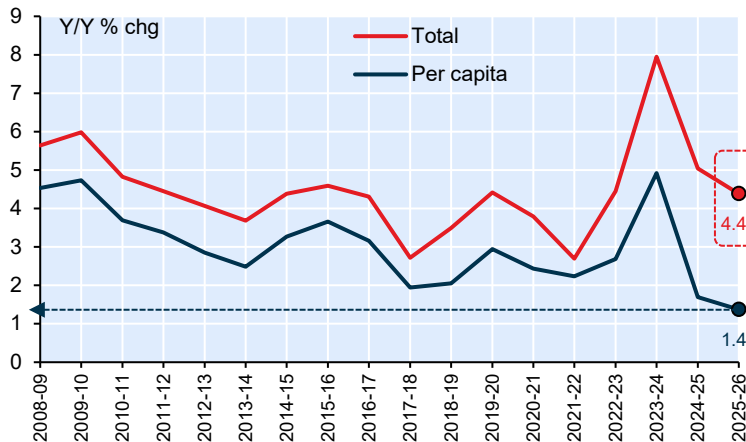
Canada nominal GDP growth: Annual & 3Y moving average



Source: NBC, StatCan, GoC | Note: Actuals to 2023; 2024 & 2025 based on FES (Dec-24)

Chart 5: Not much growth in per capita terms (on average)

Growth in major federal transfers to provinces/territories: Total & per capita

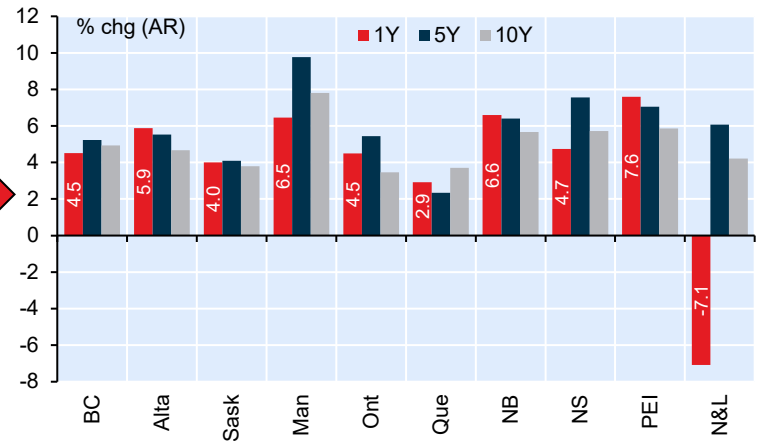


Source: NBC, GoC | Note: 2024-25 & 2025-26 preliminary; excl. certain top-ups & FSP

On a blended basis, the 'average' province sees 4.4% growth in major transfers for 2025-26, a slowdown vs. the prior two fiscal years. After controlling for outsized population growth, the average per capita allocation edges up just 1.4% – the smallest advance in the post-GFC era. Nine provinces will see gains in major transfer dollars, a reduced Equalization entitlement behind N&L's drop.

Chart 6: Some nuance to individual provincial growth rates

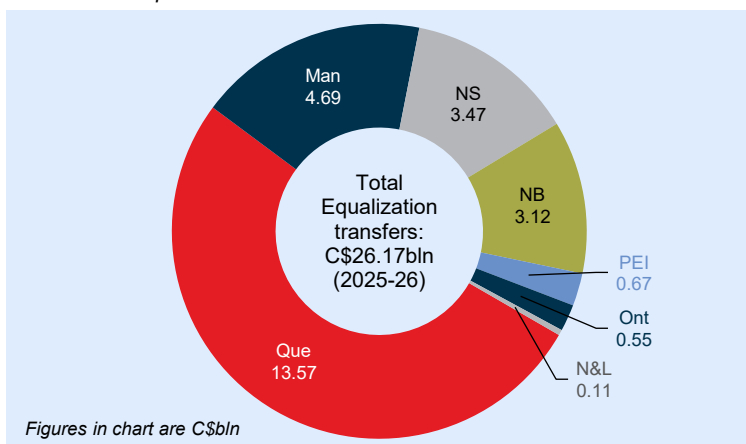
Growth in major federal transfers by province (total): 2025-26



Source: NBC, GoC | Note: Preliminary estimates; N&L total transfers grew 27.3% in 2024-25

Chart 7: Carving up the \$26.2bln Equalization pie

Share of total Equalization entitlement: 2025-26

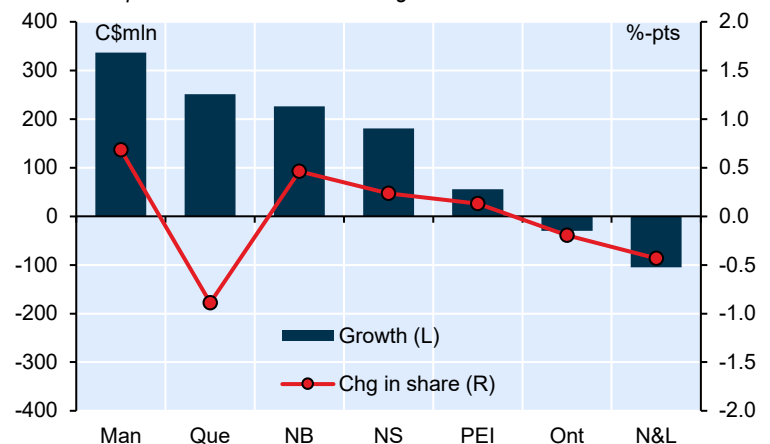


Figures in chart are C\$bln

Source: NBC, GoC

Chart 8: Quebec's share of Equalization down again

Growth in Equalization entitlement & change in share of total dollars: 2025-26

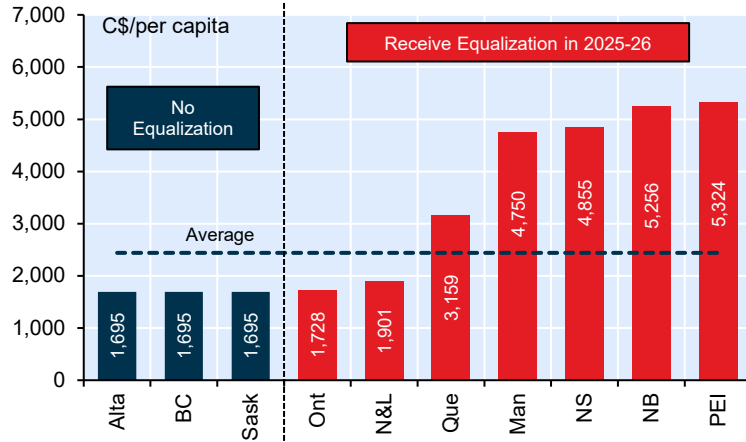


Source: NBC, GoC | Note: Growth refers to Y/Y change in total Equalization dollars

A province's population impulse can influence transfer dollars, while Equalization remains a noted driver of divergent growth rates across the provinces. For 2025-26, seven provinces share \$26.2bln in Equalization. While N&L qualifies, the entitlement is roughly half that of 2024-25. Despite a larger entitlement, Quebec's share of total Equalization declines for a sixth straight year (to 51.8%).

Chart 9: Seven provinces to receive Equalization in 2025-26

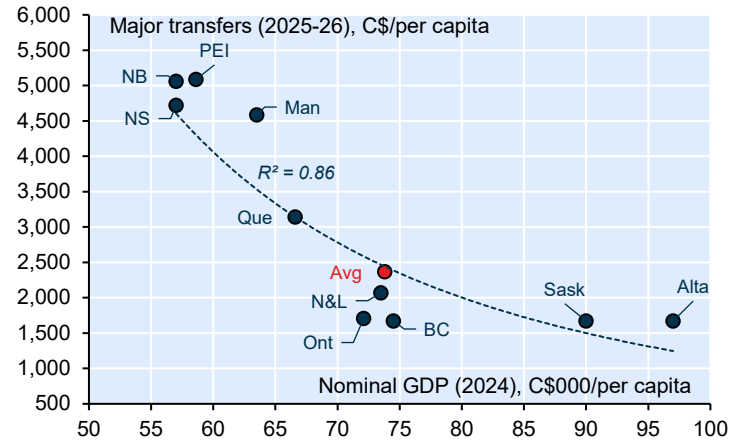
Major federal transfers by province in per capita terms: 2025-26



Source: NBC, GoC | Note: Preliminary estimates

Chart 10: 'Richer' provinces get less support (& vice versa)

Major federal transfers per capita vs. nominal GDP per capita



Source: NBC, StatCan, GoC | Note: Transfers preliminary; GDP reflects NBF estimates

Notwithstanding a smaller share of total Equalization dollars, Quebec will still receive above-average federal transfer support in 2025-26. That is generally consistent with Quebec's below-average 'fiscal capacity', which we loosely proxy via nominal GDP per capita. In Manitoba and the three Maritime provinces, a growing Equalization entitlement contributes to a higher level of per capita transfers, compensating (to a degree) for disparities in tax-raising ability. Note that Newfoundland & Labrador qualifies for less Equalization in 2025-26 (\$113m vs. \$218m in the prior fiscal year). Thus, after growing by ~27% in 2024-25, N&L's major transfer dollars are to decline 7.1% in 2025-26. Elsewhere, Ontario again receives a modest Equalization entitlement, equivalent to <2% of the province's major transfers in 2025-26. As officially calculated, 'fiscal capacity' far exceeds the national average in Alberta & Saskatchewan (meaning no Equalization). Adding in British Columbia, that makes three of the ten provinces that do not qualify for Equalization in 2025-26, the per capita entitlement for each of the three set at \$1,695 (fully 30% below the weighted provincial average).

Table 1: Major federal transfer cash estimated at a record \$103.8bln in 2025-26, up ~\$4.4bln or 4.4% vs. prior fiscal year

Major federal transfers to provinces/territories by fiscal year & program

	Total	Y/Y: \$mIn	Y/Y: %	Canada Health Transfer	Canada Social Transfer	Equalization	Offshore Offset Payments	Territorial Formula Financing	Total Transfer Protection	Additional Payment	Per Capita Allocation
Federal support to provinces & territories via Major Transfers (C\$millions)											C\$
2007-08	47,102			21,729	9,607	12,925	563	2,279	-	-	1,434
2008-09	49,758	2,656	5.6	22,768	10,552	13,462	663	2,313	-	-	1,499
2009-10	52,736	2,978	6.0	24,476	10,857	14,185	645	2,498	-	74	1,570
2010-11	55,281	2,545	4.8	25,672	11,179	14,372	869	2,664	525	-	1,628
2011-12	57,739	2,458	4.4	26,952	11,514	14,659	787	2,876	952	-	1,683
2012-13	60,085	2,346	4.1	28,569	11,859	15,423	443	3,111	680	-	1,731
2013-14	62,297	2,212	3.7	30,283	12,215	16,105	350	3,288	56	-	1,774
2014-15	65,029	2,732	4.4	32,113	12,582	16,669	196	3,469	-	-	1,832
2015-16	68,013	2,984	4.6	34,026	12,959	17,341	125	3,561	-	-	1,899
2016-17	70,943	2,930	4.3	36,068	13,348	17,880	44	3,603	-	-	1,959
2017-18	72,870	1,927	2.7	37,150	13,748	18,254	36	3,682	-	-	1,997
2018-19	75,416	2,546	3.5	38,584	14,161	18,958	-72	3,785	-	-	2,038
2019-20	78,746	3,330	4.4	40,373	14,586	19,837	2	3,948	-	-	2,098
2020-21	81,732	2,986	3.8	41,870	15,023	20,573	86	4,180	-	-	2,149
2021-22	83,935	2,203	2.7	43,126	15,474	20,911	44	4,380	-	-	2,197
2022-23	87,667	3,732	4.4	45,208	15,938	21,920	48	4,553	-	-	2,256
2023-24	94,634	6,967	7.9	49,421	16,416	23,963	-	4,834	-	-	2,367
2024-25	99,401	4,767	5.0	52,081	16,909	25,253	-	5,159	-	-	2,407
2025-26	103,759	4,358	4.4	54,685	17,416	26,170	-	5,489	-	-	2,440
1Y %	4.4			5.0	3.0	3.6	NA	6.4	NA	NA	1.4
3Y % (CAGR)	5.8			6.5	3.0	6.1	NA	6.4	NA	NA	2.6
5Y % (CAGR)	4.9			5.5	3.0	4.9	NA	5.6	NA	NA	2.6
10Y % (CAGR)	4.3			4.9	3.0	4.2	NA	4.4	NA	NA	2.5

Source: NBF, GoC

Notes: Table prepared by NBF based on Department of Finance Canada information on federal support to provinces and territories; 1Y/3Y/5Y/10Y growth rates relative to 2025-26 allocation announced in Dec-24; 3Y/5Y/10Y figures represent compound annual growth rates; CHT & CST figures for 2024-25 & 2025-26 are preliminary; refer to Government of Canada for complete details and additional notes ([link](#))

**Tables 2-4: Divvying up the transfers... all provinces get CHT & CST but not everyone qualifies for Equalization**

Major federal transfers to provinces/territories by fiscal year & jurisdiction, including detailed composition/distribution of 2025-26 major federal transfers

	Total	Y/Y: \$mIn	Y/Y: %	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	N&L	Territories
Federal support to provinces & territories via Major Transfers (C\$millions)														
2007-08	47,102			4,376	2,795	1,317	2,982	12,087	14,622	2,204	2,442	429	1,465	2,384
2008-09	49,758	2,656	5.6	4,547	2,920	1,090	3,295	13,071	15,952	2,348	2,529	464	1,120	2,419
2009-10	52,736	2,978	6.0	4,789	3,143	1,178	3,359	14,274	16,673	2,488	2,648	490	1,079	2,614
2010-11	55,281	2,545	4.8	5,034	3,374	1,174	3,348	15,446	17,267	2,491	2,626	490	1,253	2,779
2011-12	57,739	2,458	4.4	5,269	3,495	1,204	3,352	17,335	17,292	2,493	2,652	493	1,157	2,997
2012-13	60,085	2,346	4.1	5,523	3,661	1,277	3,355	19,177	17,349	2,497	2,848	509	648	3,241
2013-14	62,297	2,212	3.7	5,790	3,878	1,354	3,363	19,915	17,911	2,497	2,975	519	670	3,426
2014-15	65,029	2,732	4.4	5,832	5,175	1,411	3,359	19,184	19,614	2,616	3,001	544	677	3,618
2015-16	68,013	2,984	4.6	6,152	5,475	1,484	3,436	20,445	20,348	2,658	3,052	553	694	3,716
2016-17	70,943	2,930	4.3	6,482	5,772	1,565	3,531	21,347	21,372	2,741	3,060	584	724	3,766
2017-18	72,870	1,927	2.7	6,857	5,912	1,602	3,680	21,022	22,640	2,829	3,140	600	737	3,852
2018-19	75,416	2,546	3.5	7,114	6,122	1,657	3,964	21,337	23,674	2,972	3,227	637	750	3,962
2019-20	78,746	3,330	4.4	7,442	6,377	1,714	4,257	21,260	25,554	3,160	3,435	649	767	4,131
2020-21	81,732	2,986	3.8	7,715	6,611	1,764	4,576	22,056	26,083	3,381	3,699	695	781	4,370
2021-22	83,935	2,203	2.7	7,970	6,812	1,813	4,853	22,706	26,309	3,485	3,877	736	798	4,577
2022-23	87,667	3,732	4.4	8,408	7,078	1,851	5,153	23,786	27,289	3,630	4,114	765	836	4,756
2023-24	94,634	6,967	7.9	9,081	7,688	1,986	5,900	26,087	28,572	3,999	4,539	847	887	5,049
2024-25	99,401	4,767	5.0	9,522	8,169	2,072	6,849	27,518	28,448	4,325	5,083	908	1,129	5,380
2025-26	103,759	4,358	4.4	9,952	8,649	2,155	7,291	28,757	29,280	4,610	5,324	977	1,049	5,717
1Y %	4.4			4.5	5.9	4.0	6.5	4.5	2.9	6.6	4.7	7.6	(7.1)	6.3
3Y % (CAGR)	5.8			5.8	6.9	5.2	12.3	6.5	2.4	8.3	9.0	8.5	7.9	6.3
5Y % (CAGR)	4.9			5.2	5.5	4.1	9.8	5.4	2.3	6.4	7.6	7.0	6.1	5.5
10Y % (CAGR)	4.3			4.9	4.7	3.8	7.8	3.5	3.7	5.7	5.7	5.9	4.2	4.4
Per capita allocation (C\$)														
2007-08	1,434			1,021	797	1,316	2,510	948	1,902	2,958	2,611	3,110	2,882	22,270
2008-09	1,499	65	4.5	1,047	814	1,073	2,754	1,016	2,057	3,144	2,703	3,349	2,191	22,344
2009-10	1,570	71	4.7	1,087	856	1,141	2,783	1,100	2,128	3,319	2,824	3,504	2,093	23,888
2010-11	1,628	58	3.7	1,128	905	1,118	2,746	1,178	2,180	3,308	2,788	3,459	2,404	25,056
2011-12	1,683	55	3.4	1,172	924	1,130	2,721	1,309	2,162	3,301	2,810	3,430	2,204	26,548
2012-13	1,731	48	2.9	1,216	946	1,178	2,688	1,431	2,148	3,301	3,014	3,514	1,233	28,379
2013-14	1,774	43	2.5	1,263	973	1,227	2,660	1,471	2,199	3,304	3,154	3,578	1,270	29,752
2014-15	1,832	58	3.3	1,259	1,259	1,259	2,627	1,404	2,390	3,466	3,185	3,722	1,281	30,969
2015-16	1,899	67	3.7	1,312	1,312	1,312	2,655	1,483	2,466	3,525	3,236	3,776	1,312	31,502
2016-17	1,959	60	3.2	1,364	1,364	1,364	2,684	1,530	2,571	3,621	3,228	3,912	1,364	31,448
2017-18	1,997	38	1.9	1,395	1,395	1,395	2,760	1,496	2,732	3,692	3,306	3,991	1,395	31,586
2018-19	2,038	41	2.1	1,425	1,425	1,425	2,932	1,493	2,826	3,858	3,370	4,163	1,425	32,036
2019-20	2,098	60	2.9	1,464	1,464	1,464	3,114	1,464	3,010	4,071	3,547	4,131	1,464	33,052
2020-21	2,149	51	2.4	1,496	1,496	1,496	3,314	1,496	3,041	4,321	3,770	4,316	1,496	34,520
2021-22	2,197	48	2.2	1,534	1,534	1,534	3,488	1,534	3,060	4,416	3,920	4,480	1,534	35,646
2022-23	2,256	59	2.7	1,574	1,574	1,574	3,653	1,574	3,152	4,498	4,046	4,587	1,574	36,875
2023-24	2,367	111	4.9	1,646	1,646	1,646	4,064	1,673	3,237	4,815	4,305	4,883	1,646	38,673
2024-25	2,407	40	1.7	1,671	1,671	1,671	4,583	1,707	3,141	5,062	4,722	5,085	2,071	40,579
2025-26	2,440	33	1.4	1,695	1,695	1,695	4,750	1,728	3,159	5,256	4,855	5,324	1,901	42,539
1Y %	1.4			1.4	1.4	1.4	3.6	1.2	0.6	3.8	2.8	4.7	(8.2)	4.8
3Y % (CAGR)	2.6			2.5	2.5	2.5	9.1	3.2	0.1	5.3	6.3	5.1	6.5	4.9
5Y % (CAGR)	2.6			2.5	2.5	2.5	7.5	2.9	0.8	4.0	5.2	4.3	4.9	4.3
10Y % (CAGR)	2.5			2.6	2.6	2.6	6.0	1.5	2.5	4.1	4.1	3.5	3.8	3.0
Distribution of 2025-26 Major Transfers by type (C\$millions)														
CHT	54,685	2,604	5.0	7,548	6,560	1,634	1,974	21,396	11,917	1,128	1,410	236	709	174
CST	17,416	507	3.0	2,404	2,089	521	629	6,814	3,795	359	449	75	226	55
Equalization	26,170	917	3.6	-	-	-	4,689	546	13,567	3,123	3,465	666	113	-
TFF	5,489	330	6.4	-	-	-	-	-	-	-	-	-	-	5,488
Total	103,759	4,358	4.4	9,952	8,649	2,155	7,291	28,757	29,280	4,610	5,324	977	1,049	5,717

Source: NBF, GoC

Notes: Tables prepared by NBF based on Department of Finance Canada information on federal support to provinces and territories; 'Major Transfers' include Canada Health Transfer, Canada Social Transfer, Equalization, Offshore Offset Payments, Territorial Formula Financing, Total Transfer Protection & Additional Payments; shading denotes receipt of Equalization in a given fiscal year; 1Y/3Y/5Y/10Y growth rates relative to 2025-26 allocation announced in Dec-24; 3Y/5Y/10Y figures represent compound annual growth rates; CHT & CST figures for 2024-25 & 2025-26 are preliminary; refer to Government of Canada for complete details and additional notes ([link](#))



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