

# Provincial Budget Season 2022 – A Recap

---

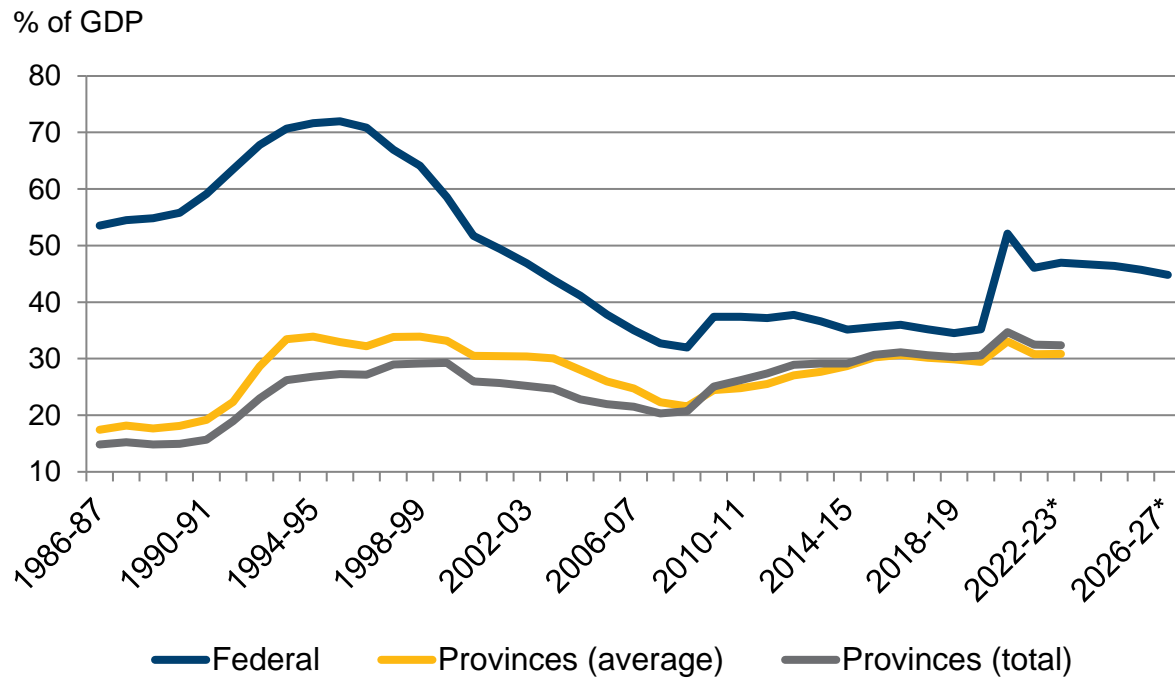
Dominique Lapointe, CFA  
Senior Economist  
Laurentian Bank Securities



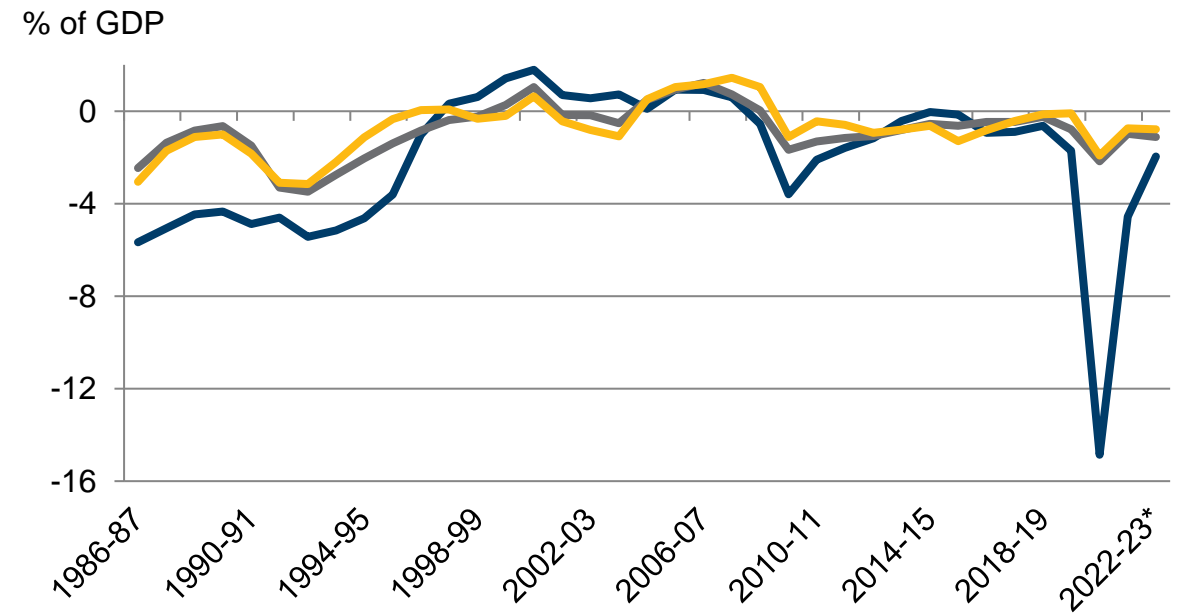
# General remarks

- Federal government, not provinces, took a fiscal hit
- Provincial Debt ratios mostly unfazed by COVID-19
- “Average” province was closer to balance in FY 2019-20 than 2022-23

### Net Debt Comparison



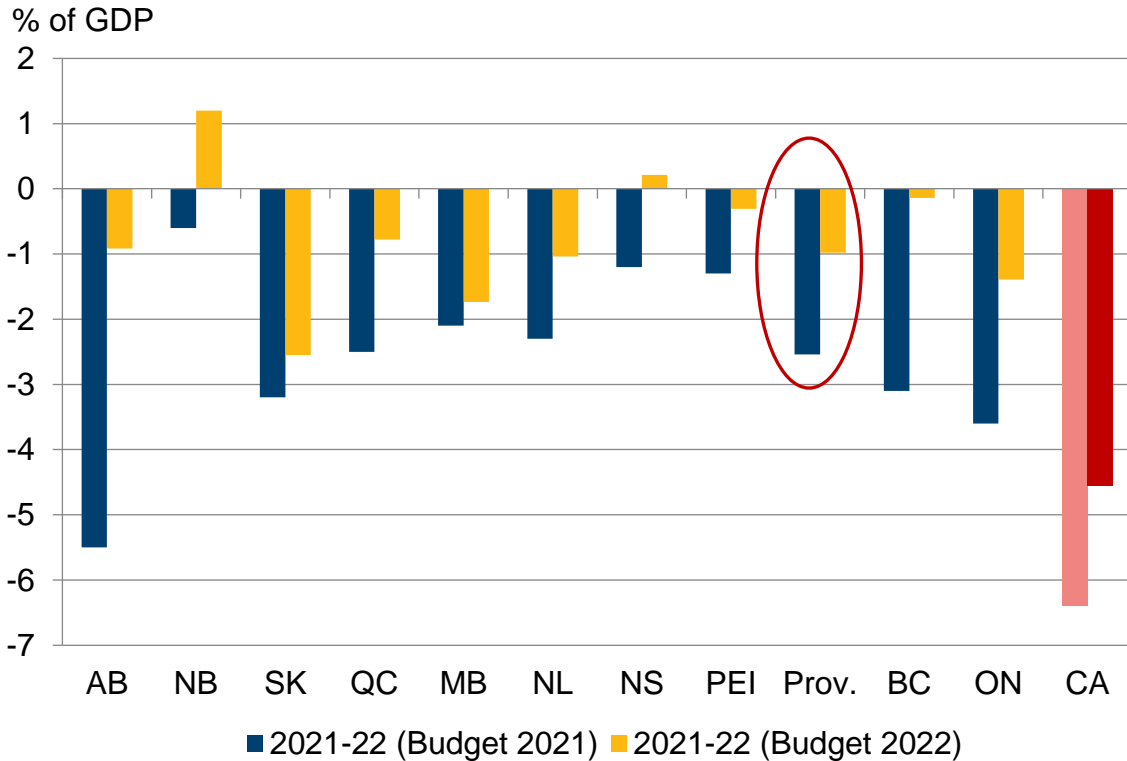
### Budgetary Balance



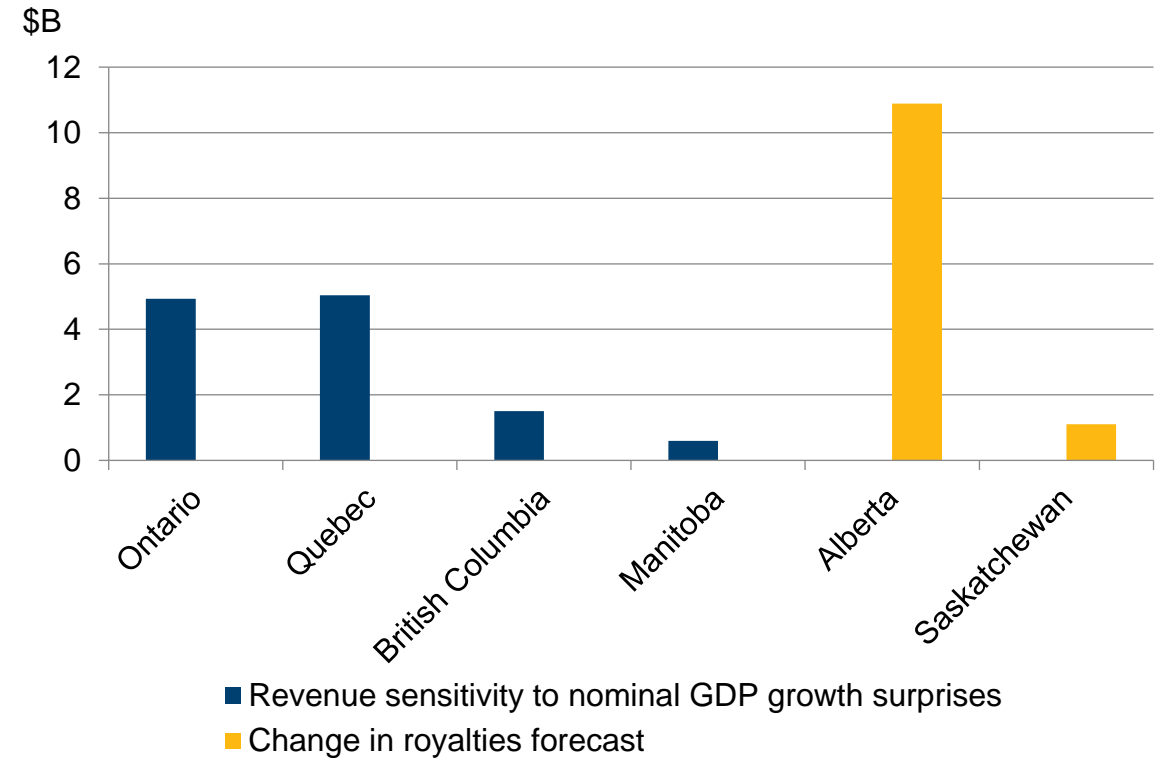
# Better Results for FY 2021-22

- Positive revisions to budgetary balances
- Deficits “averaging” 1% of GDP
- Revenue boost from nominal GDP (inflation and real growth), higher commodity prices and... revenue calculations

Budgetary Balance Forecasts



Elements of Revenue Boost for FY 2021-22

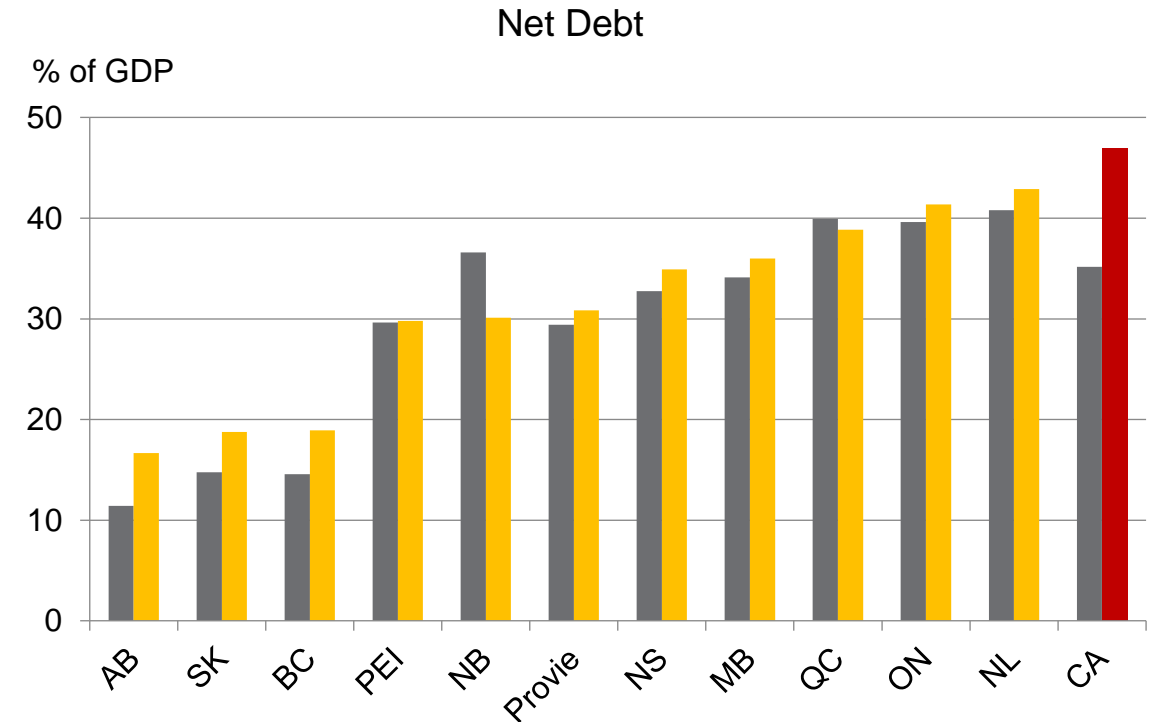
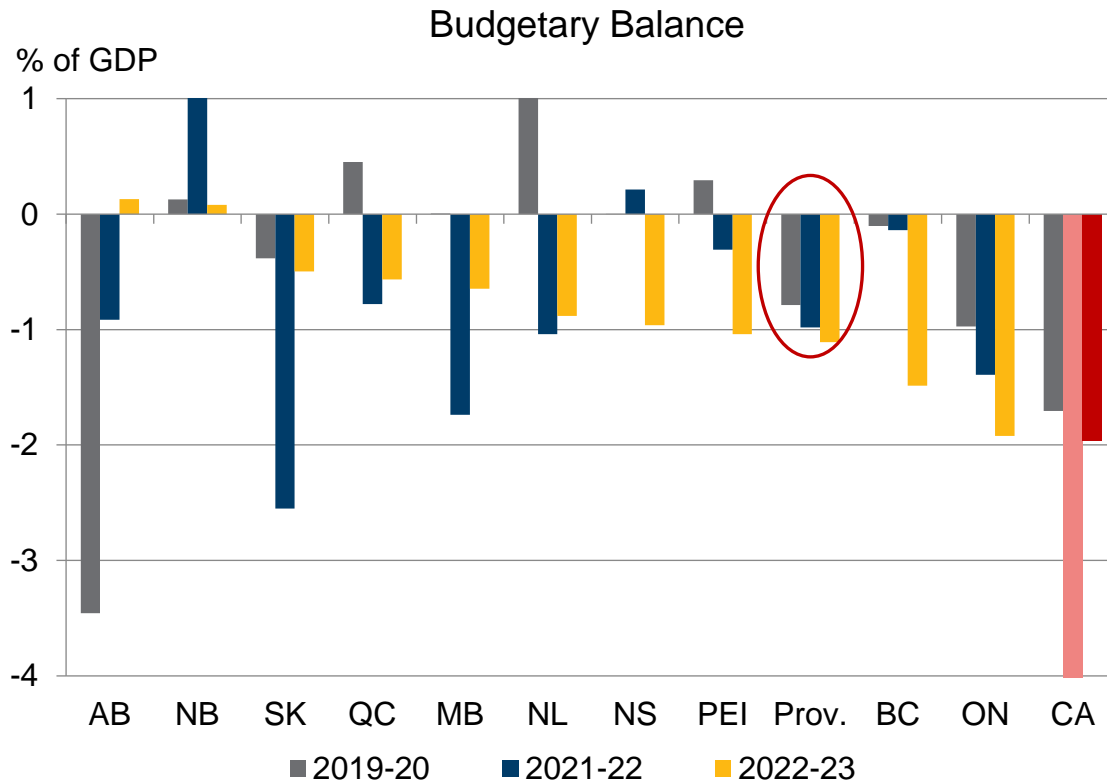


Note: Quebec balance presented before transfers to the Generations Fund. PEI Budget 2021 ratio is an estimate.

Source: Government of Canada Fiscal Reference Tables, Provincial and Federal Budget, LBS Econ. Res. and Strategy calculations.

# Nevertheless, some deterioration vs 2019-20

- “Average” province closer to balance in FY 2019-20 than 2022-23
- Debt ratios on “average” only 2ppts higher

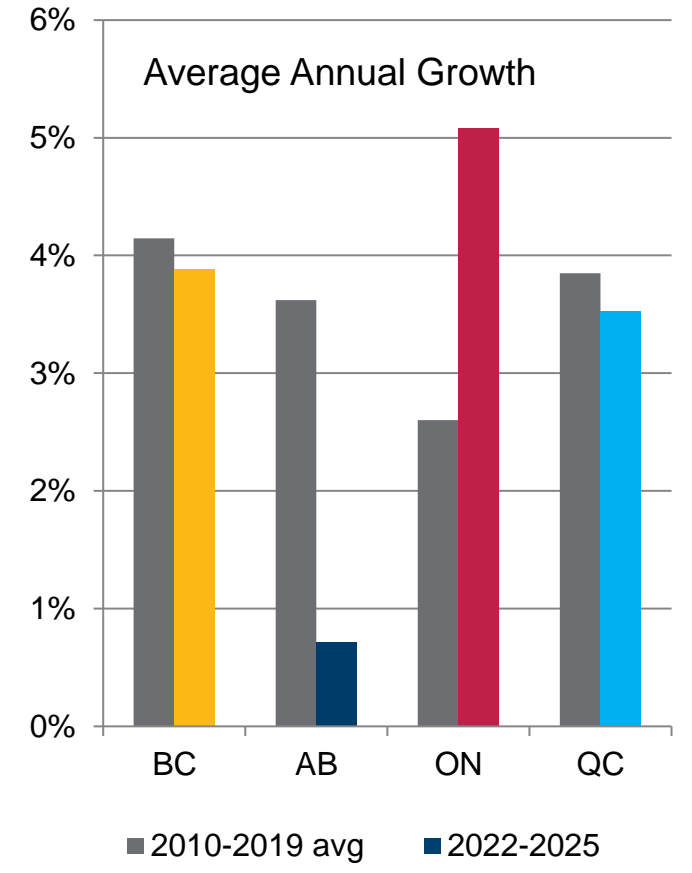
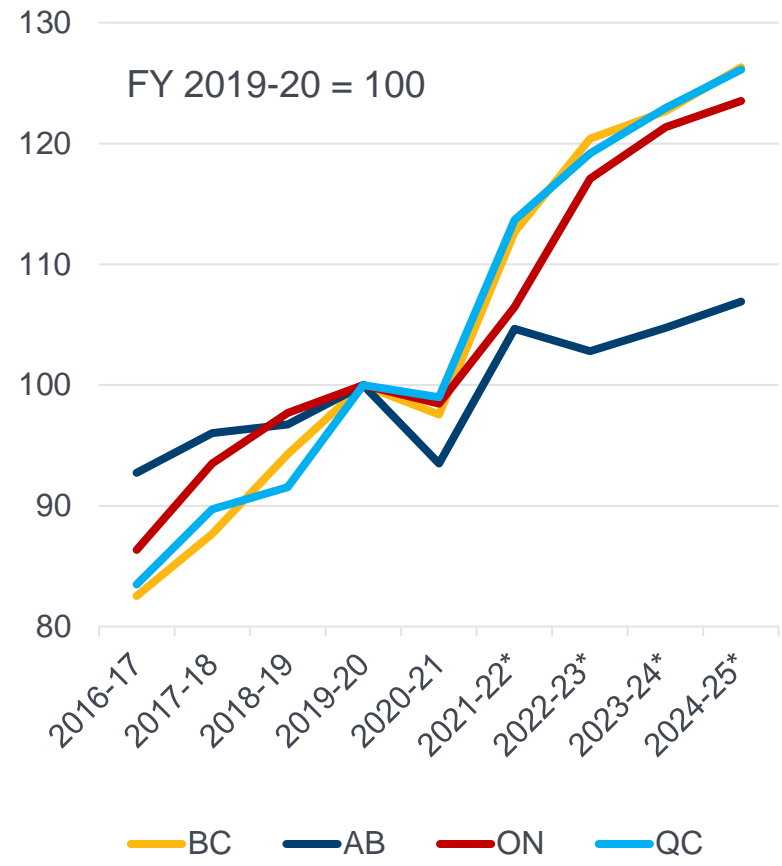


Note: Left panel truncated at -4% and +1%. Quebec balance presented before transfers to the Generations Fund. PEI Budget 2021 ratios are estimated.  
 Source: Government of Canada Fiscal Reference Tables, Provincial and Federal Budget, LBS Econ. Res. and Strategy calculations.

# Fiscal consolidation can wait

- Comparing provinces is tricky
- **2020-21:** ex-COVID spending edges down
- **2021-22:** program spending ramps up
- **2022-25:** spending continues
- Not unique to Canada

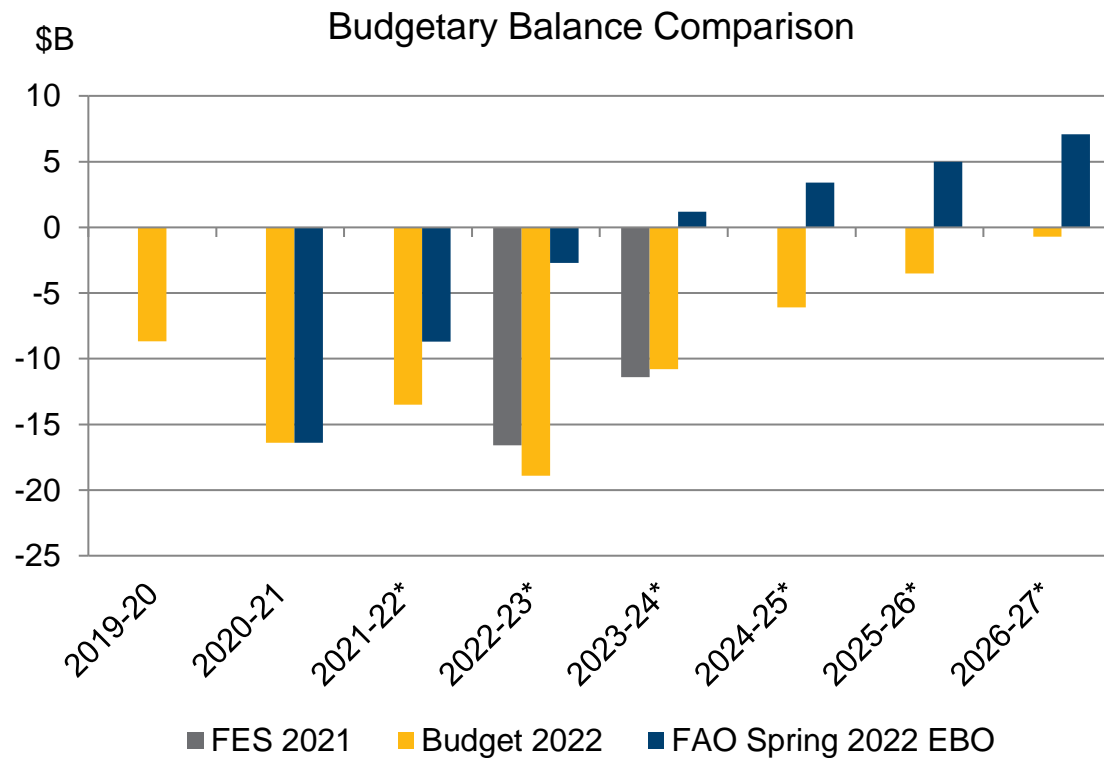
Program Spending (ex. COVID-19)



Note: Includes contingencies, except for COVID-19 contingencies, excludes reserve (provisions for risk).  
 Source: Government of Canada Fiscal Reference Tables, Provincial and Federal Budgets, LBS Econ. Res. and Strategy calculations.

# Ontario: beginning of a new fiscal cycle

- Rel. to FES 2021: Budget 2022 spends more than the revenue boost
- Rel. to FAO EBO: Policy actions temporarily take over fiscal consolidation
- Like Budget 2019, Budget 2022 is the beginning of new fiscal cycle



*A lot going on (fiscal impact):*

- COVID-19 spending: \$3.5B (1-year)
- Tax measures: \$1.0B (1-year)
- Health and long-term care: \$5B (3-year)
- Canada-Wide Childcare Agreement: \$6.8B (3-year)
- High-speed internet: \$3B (3-year)
- Contingencies: \$4.6B (1-year)



Note: Budget 2022 balances presented without the reserve for risk (\$1.5B).  
Source: FAO, Ontario Budget 2022.

# Ontario: Significant Contingencies and provisions

- Material buffer and/or potential upside surprises to financial results

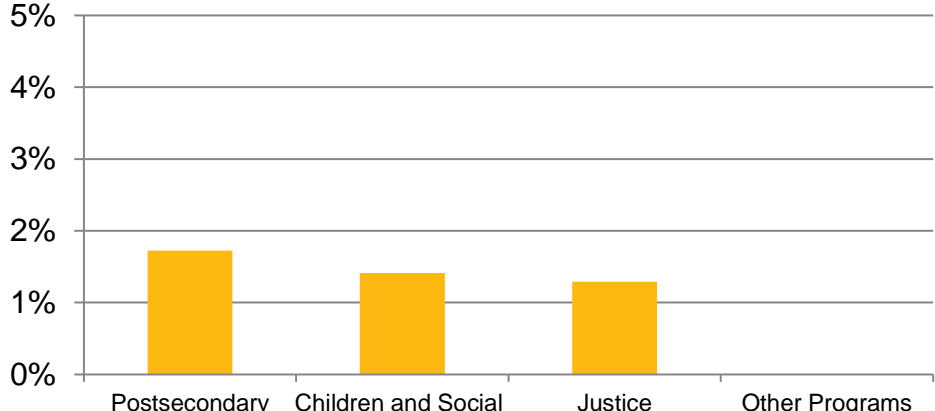
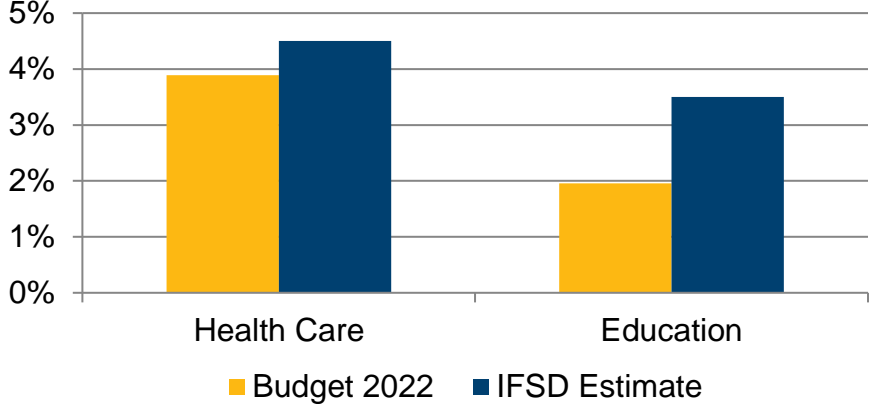
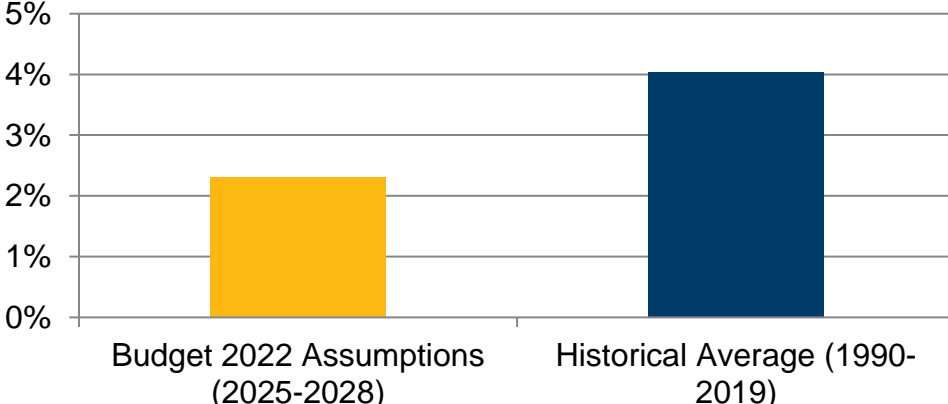
\$M		ON	QC	BC
2022-23	COVID-19 Spending Allowance	6,900	2,355	
	Standard Contingency Fund	4,600	200	
	Reserve	1,000	2,500	
	<b>Total</b>	<b>12,500</b>	<b>5,100</b>	<b>5,800</b>
	Revenue	179,800	138,500	68,600
	<b>Share of revenue</b>	<b>7.0%</b>	<b>3,7%</b>	<b>8,5%</b>



# Ontario: Ambitious Recovery Plan Assumptions (2025-2028)

- Government tables on efficiencies and improvements to delivery (not spending cuts)
- Higher inflation and upward revisions to immigration target could push up notional growth

Total Program Spending (average annual growth)



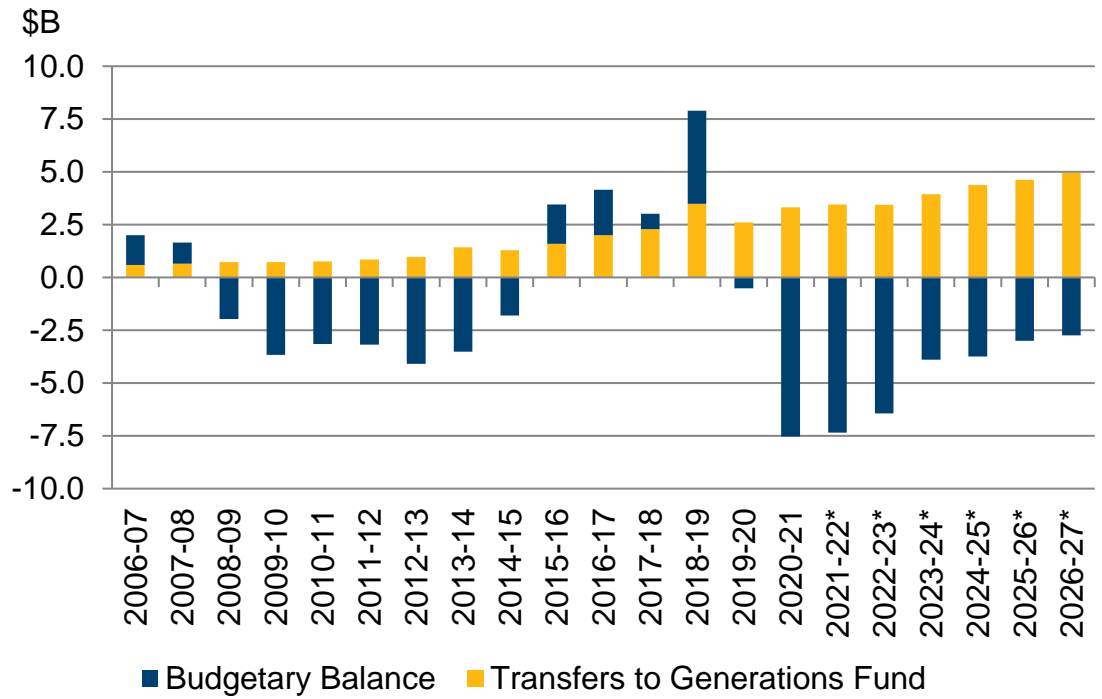
Sources: Ontario Budget 2022, Institute of Fiscal Studies and Democracy: *CHT and the Federation (2017)*, *Education Spending in Ontario: From the Classroom to the Cabinet Table (2018)*.



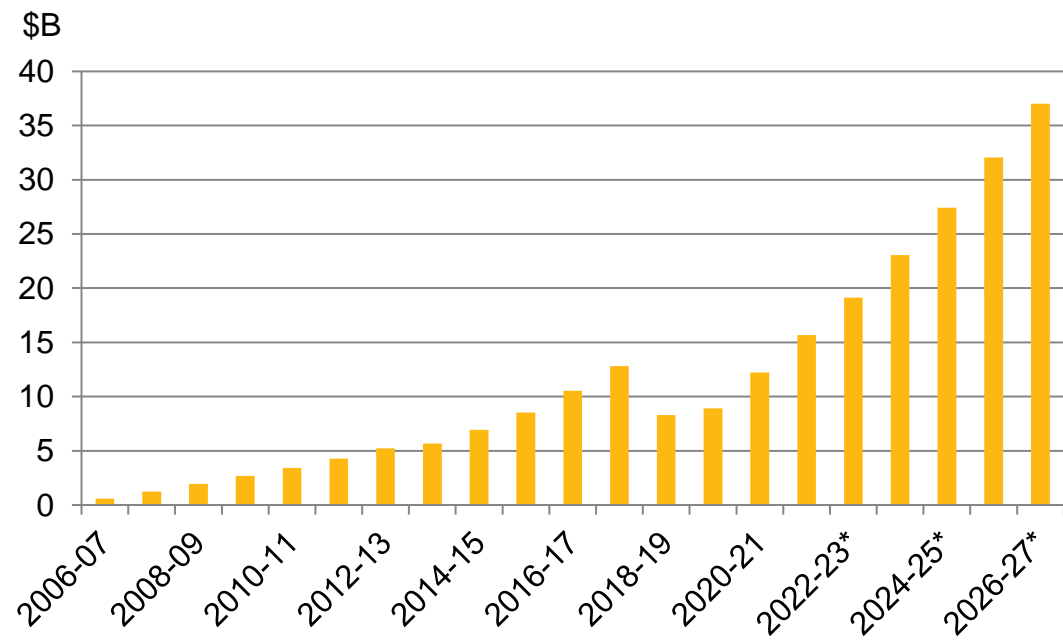
# Quebec: Recurring debate about the Generations Fund

- Balanced budget as soon as FY 2023-24, if excluding Gen. Funds transfers
- Fund will grow to 24% of revenue in FY 2026-27
- This year's possible negative returns on the Funds highlights Quebec's exposure to risk assets

Quebec Fiscal Framework



Generations Fund - Book Value

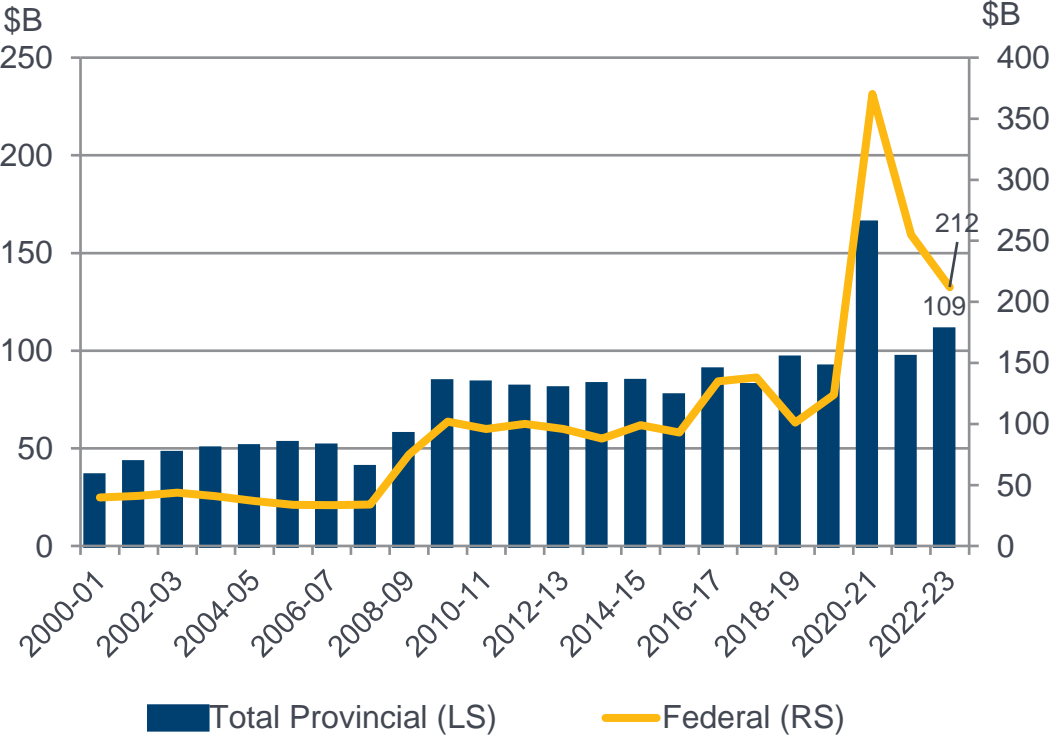


Source: Gouvernement du Québec.


# Borrowing Programs and Debt

- Second-highest year on record for government financing
- All provinces except Alberta, Saskatchewan increased their program (deficit, infrastructure and refinancing)
- Ontario, Manitoba stable

Canada and Provincial Financing Program



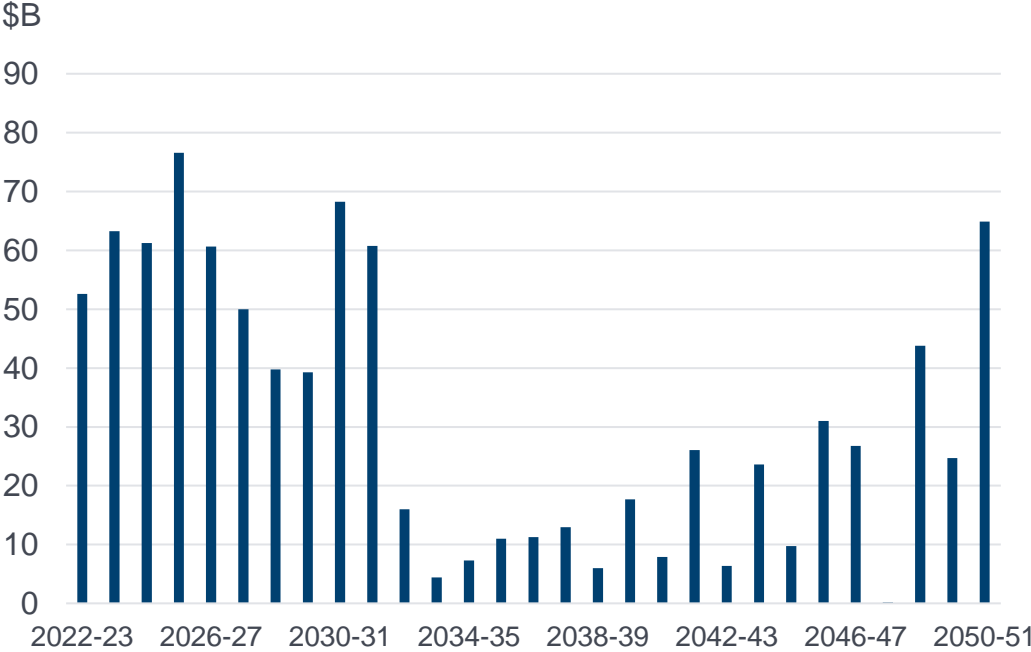
\$B	2021-22	2022-23
AB	4.5	2.6
BC	9.9	19.0
MB	4.6	4.7
NB	1.1	1.8
NL	1.6	2.7
NS	1.1	1.6
ON	41.1	41.5
PE	0.2	0.3
HQ	3.4	5.0
SA	3.5	3.3
<b>Total</b>	<b>95.0</b>	<b>109.1</b>

 Note: Excludes short-term financing. Provincial programs include Hydro-Québec.  
Source : Laurentian Bank Securities calculations.

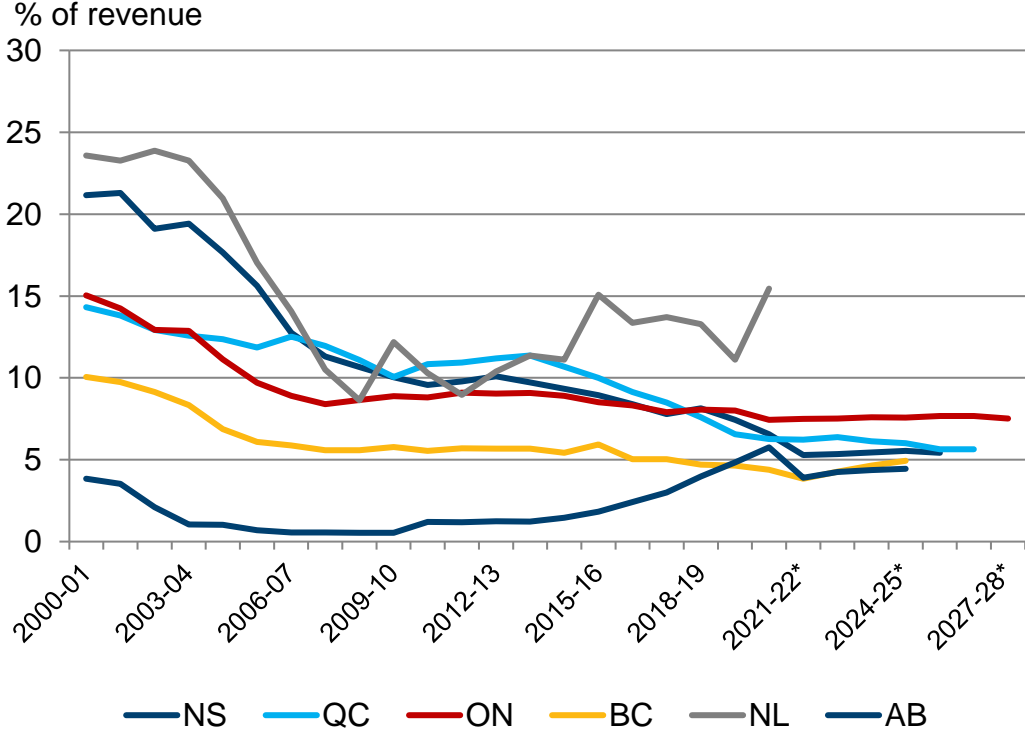
# Borrowing Programs and Debt

- Elevated refinancing at higher interest rates, through QT, will pressure interest-on-debt (IOD)
- IOD generally not an issue... for now

Provincial Bonds Maturity Schedule



Interest-on-debt



Note: Excludes short-term financing. Provincial programs include Hydro-Québec.  
 Source : Bloomberg, Laurentian Bank Securities calculations.