



Chart vs course: How closely do provinces follow their budgets in Atlantic Canada?

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CFIB

**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

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Highlights

- Most provincial governments in Atlantic Canada spent less than budgeted during the COVID-19 pandemic and recovery period. In NL and PEI, this was partly due to unspent contingency funds. Nova Scotia was the only outlier and spent over budget.
- **Newfoundland and Labrador** stuck closest to its budget during and after the pandemic but has overestimated federal transfers 12 of the past 15 budgets.
- **Prince Edward Island's** actual revenues were the closest to budget estimates among the Atlantic provinces, before the pandemic.
- **Nova Scotia** overran budgets the most during the pandemic and has continued overspending since. Additionally, it has the least transparent system for approving over-budget spending among the Atlantic provinces.
- **New Brunswick** did not exceed its budget during the pandemic but has spent over budget in the last three financial years.
- **New Brunswick and Prince Edward Island** had the most accurate expenditure estimates before the pandemic, averaging a 1.0% difference each year.

Introduction

Provincial budgets outline the government's priorities by attaching money to policies. They affect policy certainty, and drive confidence in government. While recent economic turbulence has made provincial revenues harder to forecast, governments have been spending beyond their budgets. This spending was essential during the pandemic, but governments must ensure over-budget spending today provides good value.

This report shows how closely the provincial governments in Atlantic Canada followed their budgets around the COVID-19 pandemic. We show deviations from 10 years before the pandemic, during the pandemic, and during the period of high inflation during pandemic recovery. We compare these deviations to those observed during and immediately after the 2008/2009 recession, also known as the Great Recession. This allows us to compare how governments reacted during crises, and how quickly budgeted spending and revenue accuracy variance stabilized afterwards.

Deviations from budget are presented using two measures in this report. First, absolute deviations from budget show how closely governments stick to budget whether they over- or undershoot estimates to show overall accuracy. Second, nominal deviations from budget show cost overruns and revenue windfalls. Nominal deviations have policy implications, detailed throughout this report.

Budget transparency

Transparency in provincial budgets and spending reduces policy uncertainty. Budgets attach money to policies and set tax rates that affect small and medium-sized enterprises (SMEs). For business owners to know if policymakers are spending their tax dollars responsibly, they need access to transparent budgets. More than 8 in 10 (85%) Atlantic Canadian SMEs do not feel they receive a fair share of support from governments.¹ Transparent budgets are essential for knowing how governments are supporting SMEs.

Provincial budgets in Atlantic Canada have gotten less transparent, according to grades from the C.D. Howe Institute. Transparency grades fell between 2021 and 2024, most significantly for Nova Scotia (A- to C) and New Brunswick (A- to C+). Grades fell less for Newfoundland and Labrador (C+ to C-) and Prince Edward Island (C to C-).² This means small businesses are less able to judge how their tax dollars are spent and hold policymakers accountable.

Terminology

Budget years: Budgets cover a financial year which crosses two calendar years. This snapshot refers to budgets by the calendar year in which the budget ends, consistent with provincial public accounts. For example, budget 2024/25 would be referred to as budget 2025.

Special warrants: Special warrants are required to authorize new out-of-budget spending in all provinces except Nova Scotia. They must then be tabled in the legislature.

¹ Your Voice Survey, November 2023.

² "Fiscal Accountability by the Letters," C.D. Howe Institute, 2024.

Budget adherence and fiscal responsibility

Budgets show how responsible or irresponsible governments are at managing money. Cost overruns and new spending can happen throughout the year, but when budgets are announced, deficits and surpluses get more attention. Whether the government forecasts a deficit is important, but out-of-budget spending can turn a surplus into a deficit or distort the actual financial position of the province. Nearly all (93%) Atlantic Canadian SMEs want government to prioritize balancing budgets and paying down debts.³ Sticking to budget is essential to achieving these goals.

Governments should stick to their budget, but unforeseen events can necessitate spending. Policies such as pandemic relief can provide needed support during unexpected downturns. However, these out-of-budget expenses should provide good value. In New Brunswick, Newfoundland and Labrador, and Prince Edward Island, out-of-budget spending requires special warrants that must be tabled in the legislature. The one province without this system, while the legislature is sitting, is Nova Scotia.⁴ In Nova Scotia, additional spending can be approved by cabinet and does not need to be scrutinized or debated with the opposition in the legislature. This makes spending far less transparent.

In optimal fiscal policy, governments keep tax rates stable. To do this, governments run deficits in difficult times. Debt accumulated from deficits is then paid off by controlling

³ Your Voice Survey, December 2023.

⁴ *Value for Money of Over-Budget Spending*. Office of the Auditor General of Nova Scotia. 2024.

spending and higher revenues in good economic times.⁵ This macroeconomic guidance still applies to provincial governments, but provinces face unique challenges like more rigid spending and volatile tax bases. These pressures mean provinces may take longer to become fiscally stable.⁶ However, fiscal stabilization is still important. Governments should chart a path to fiscal balance with measurable indicators of progress, as recommended in CFIB's recent blog post on public sector growth.⁷ As out-of-budget spending creates bumps in the road on the path to fiscal stabilization, it should be limited.

Forecasting is difficult

Uncertainty and economic turbulence make forecasting difficult. Unforeseen events can shift economic indicators and affect their determinants. These unexpected shocks can make forecasts less accurate (Figure 1). Provincial GDP forecasts showcase the difficulties of forecasting. After the pandemic, there was a period of elevated inflation and unexpected economic growth in the Atlantic provinces. In 2024, inflation and uncertainty began to fall. However, with recent geopolitical conditions continuing to create uncertainty, forecasts could remain less accurate.

Even in more certain times, budget forecasts have tended to undershoot real revenues and expenses. The C.D. Howe Institute estimates the provinces and federal government

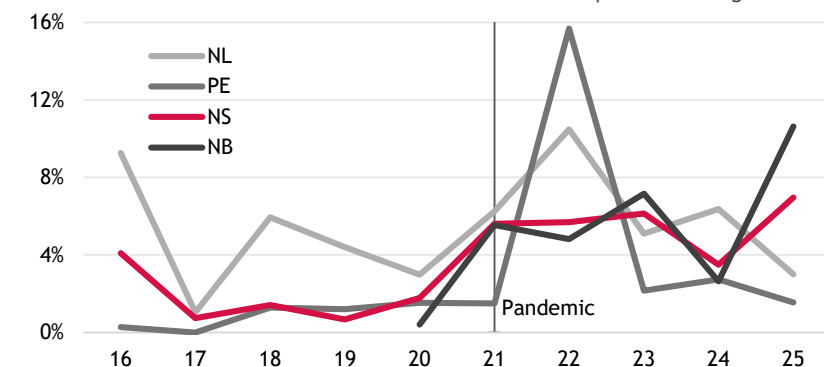
spent \$119 billion and received \$143 billion more than budgeted between 2000 and 2021, and calls into question the accuracy of budget forecasts.⁸ Provincial revenue forecasts are particularly sensitive to shocks, since provinces have a more volatile tax base than the federal government.⁴ Although revenues can be unpredictable, provinces have tighter control over how they spend money and should stick to budget unless spending is necessary.

Some provincial revenues such as HST, income taxes, and transfers come from the federal government. For these incomes, Ottawa gives provinces forecasted revenues. These can be revised throughout the year, adding to budget variance. During the pandemic, provinces received onetime federal transfers that further impacted their bottom lines.

Figure 1

Uncertain times make forecasting revenues more difficult

Absolute value of deviations of nominal GDP forecasts from provincial budget



Source: Author calculations from provincial budget documents.

⁵ Cooper, Russel & John, Andrew. *Theory and Application of Macroeconomics*, FlatWorld, 2011.

⁶ Hanniman, Kyle. *Strengthening Canada's Fiscal Resilience*, IRPP, 2020.

⁷ Alegbeh, Alchad; Santini, Christina. *The federal public service growth - How big is too big?*, CFIB InsightBiz blog, 2025.

⁸ Robson, William; Wu, Miles. *Trouble on the Bottom Line*, C.D. Howe Institute, 2021.

Newfoundland and Labrador (NL)

Newfoundland and Labrador's provincial revenue has always been more volatile than others because income from oil and gas is a large part of revenue. Oil royalties were 32% of revenues in 2012 but have fallen to 15% in recent years.⁹ Because oil production and prices are volatile, the province's revenues can be far from forecasts (Figure 2).

While revenue forecasts have had large revisions, Newfoundland and Labrador's expenditures have tracked budgets closely. The province has avoided systematically overspending when unexpected revenues appear. Expenditures only deviated an average of 1.4% above forecasted amounts in the 2021-2025 public accounts (Figure 2). The largest deviation from budget was 5.1%, came from underspending (Figure 3), and was below other Atlantic provinces' highest deviations.

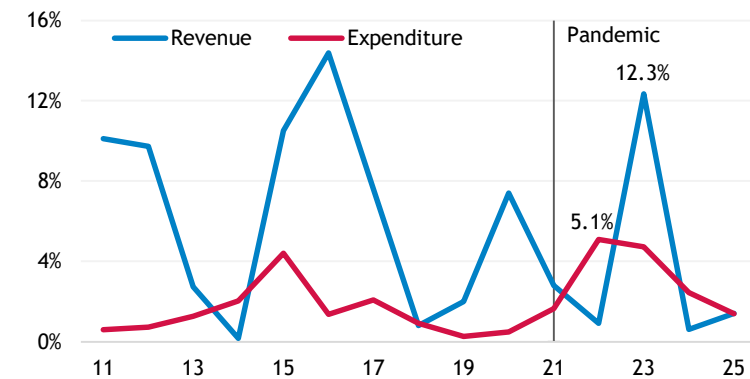
The province's budgets were more accurate than during the Great Recession of 2008-09 (Figure 3). This is mostly from large deviations in revenue estimates, partly because of volatility in global oil markets.¹⁰ Underspending in 2021 and 2022 is partly due to unused pandemic contingency funds.¹¹

Federal transfers have been difficult to forecast in Newfoundland and Labrador. The province has received less than it budgeted in 12 of the past 15 budgets, contributing to lower-than-expected revenues in 2024 and 2025 (Table 3).

Figure 2

NL has always had trouble forecasting revenue

Absolute deviations from provincial budget forecasts by year (20XX)

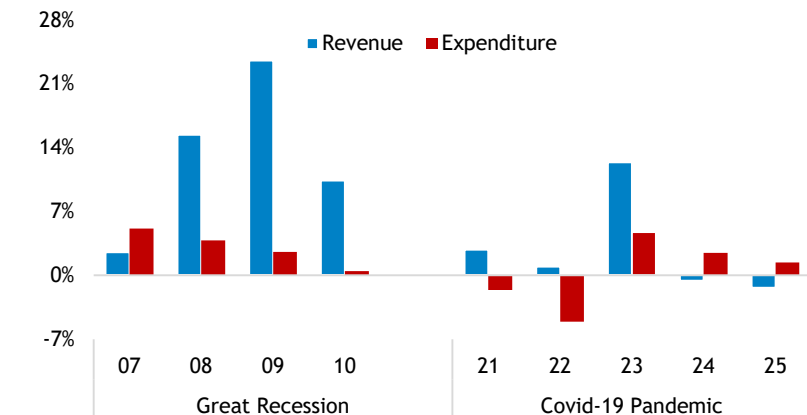


Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

Figure 3

NL's budget was less accurate during the Great Recession

Nominal deviations from provincial budget forecasts by year (20XX)



Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

⁹ Atlantic Economic Council, *How does offshore oil development align with the Net-Zero objective?*, 2024.

¹⁰ Canada Energy Regulator, *Canadian Energy Pricing Trends 2000-2010*, 2011.

¹¹ Government of Newfoundland and Labrador, *Public Accounts*, 2021 and 2022.

Prince Edward Island (PEI)

Prince Edward Island's actual expenditures and revenues closely tracked budget forecasts from 2011-2019. Over that time, average deviations were low for spending (1.0%) and revenue (1.5%). While deviations grew during the pandemic, small deviations resumed in budgets 2024 and 2025 (Figure 4).

Prince Edward Island's spending and revenue deviated more from its budget during the pandemic fallout than during the Great Recession. This includes underspending in 2021 (Figure 5), some of which is the result of unspent contingency funds.¹²

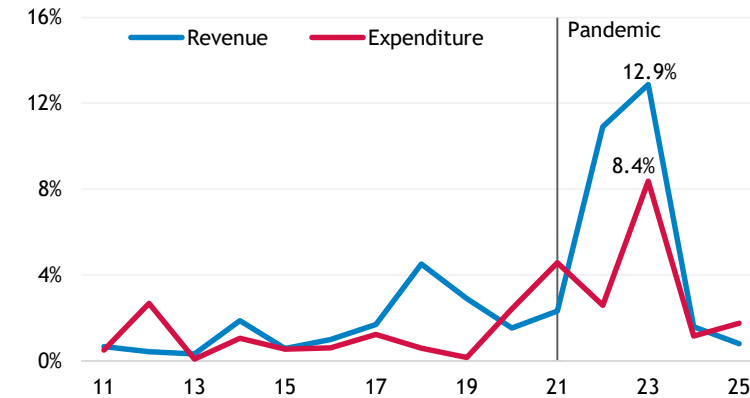
Transparency in out-of-budget spending has been a problem, according to the Auditor General of Prince Edward Island. The Auditor General called attention to \$300 million spent through special warrants in 2023, reporting that this was a large sum to spend with reduced transparency.¹³ This spending coincided with unexpected revenues (Figure 5). The province should not take advantage of windfall revenues for major non-transparent spending decisions.

Differences in federal transfers explain some of the variation in PEI's recent forecasts. In 2024, federal transfers explained 98% of the out-of-budget revenue (Table 3). This was not the sole source of variation, but it did contribute to it.

Figure 4

Spending variation has returned to normal levels in PEI

Absolute deviations from provincial budget forecasts by year (20XX)

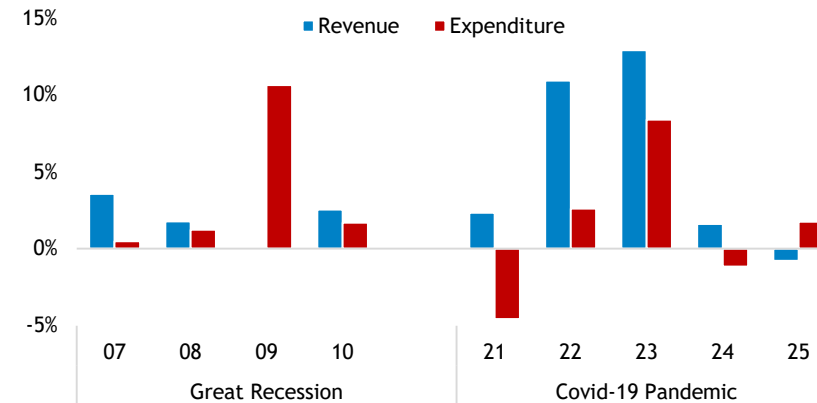


Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

Figure 5

PEI spent more out of budget during the Great Recession

Nominal deviations from provincial budget forecasts by year (20XX)



Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

¹² Auditor General of Prince Edward Island, *COVID-19 Financial Support Programs*, 2023.

¹³ Auditor General of Prince Edward Island, *Report to the legislative assembly*, 2024.

Nova Scotia (NS)

Nova Scotia persistently spent over budget since the pandemic (Figure 7) and had the highest deviation from out-of-budget spending, overshooting its 2023 budget by 9.5% (\$1.3 billion). Budget variance has not returned to the pre-pandemic average variance of 1.6% (Figure 6). Nova Scotia is the only province not to have any year with under-budget spending during or after the pandemic. This is a fiscally irresponsible trend to continue.

Revenue projections have deviated far from forecasts since the pandemic and have not returned to pre-pandemic accuracy (average of 2.3% deviation annually). The province asserts this is largely due to population and economic growth.¹⁴ The province's forecasts of nominal GDP have similar accuracy to those of other Atlantic governments (Figure 1). This suggests the issue could be more complex.

The Auditor General of Nova Scotia examined \$400 million of out-of-budget spending in 2023 and found that it had little value.¹⁵ In response, the Auditor General recommended, for a third time since 2020, that the Finance Act be updated to require extra spending be tabled in the legislature.¹⁶ Nova Scotia is the only province where out-of-budget spending does not need to be tabled in the legislature. Additional spending is approved by cabinet with little transparency. CFIB calls on the provincial government to amend the Finance Act so spending must pass through the legislature.

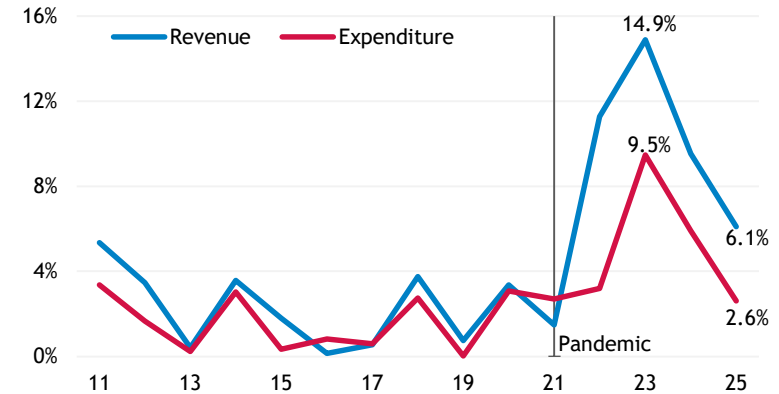
¹⁴ Government of Nova Scotia, *Budget 2025-26*, 2025.

¹⁵ Office of the Auditor General of Nova Scotia, *Value for Money of Over-Budget Spending*, 2024.

Figure 6

NS budget variance remains elevated

Absolute deviations from provincial budget forecasts by year (20XX)

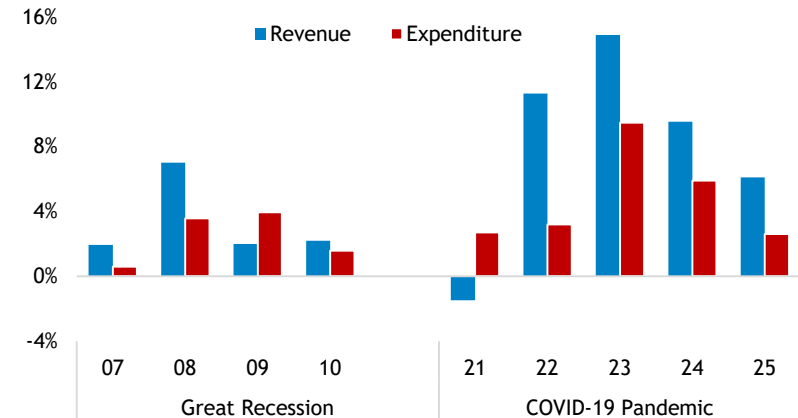


Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

Figure 7

NS has been less accurate than during the Great Recession

Nominal deviations from provincial budget forecasts by year (20XX)



Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

¹⁶ Office of the Auditor General of Nova Scotia, *Value for Money of Over-Budget Spending*, 2024; *Financial Report*, 2023; *Financial Report*, 2022.

New Brunswick (NB)

The Government of New Brunswick dramatically increased out-of-budget spending during the pandemic, unlike the other Atlantic provinces. The province spent less than budgeted in budget year 2021, but has consistently spent over budget since 2023. The past three financial years (2023-2025) have included a total of \$883 million in spending beyond what was initially budgeted (Table 2).

Revenues have been far less accurate than spending, varying more than 4% from budgets 2021-2023. In total, this is more than \$2.9 billion in unexpected revenue. Revenue forecasts seem to be more accurate for budget year 2025. Federal transfers were a relatively small share of unexpected revenues in 2022 (18%), 2023 (2%), and 2024 (5%).¹⁷ Budget 2025 appears to have returned to accurate revenue forecasting.

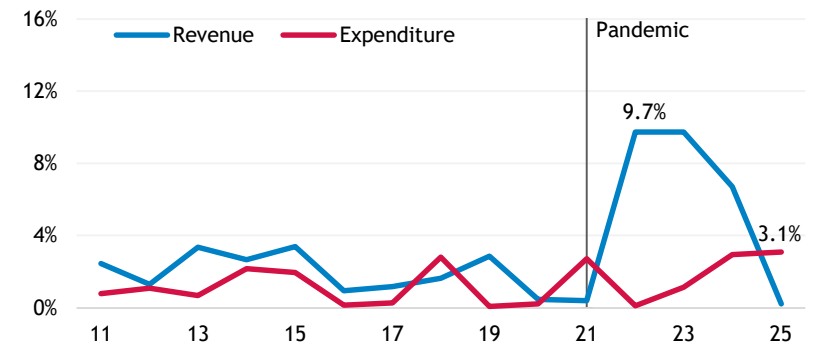
Provincial spending during the pandemic was closer to budget than during the Great Recession. However, revenue forecasts have been less accurate (Figure 8).

While the province received far more than expected from the federal government in budget year 2021, deviations from expected transfers were a relatively small share of revenue deviations from 2022-2024.

Figure 8

Budget variance has returned to pre-COVID levels

Absolute deviations from provincial budget forecasts by year (20XX)

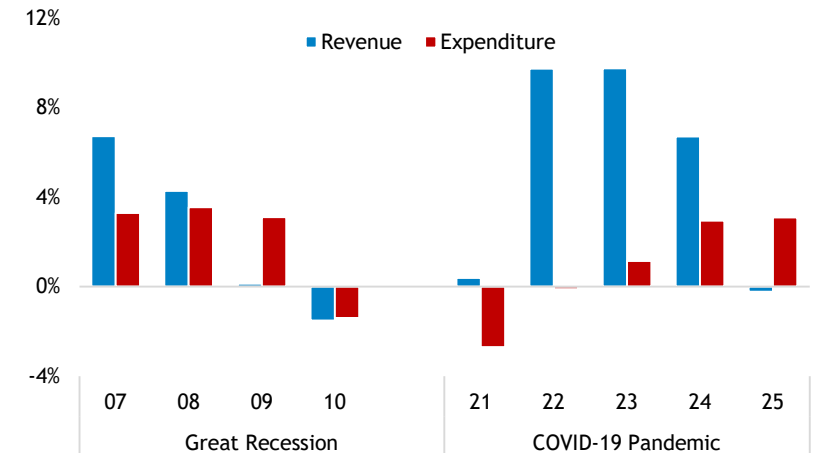


Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

Figure 9

COVID had a far larger impact on revenue forecasts

Nominal deviations from provincial budget forecasts by year (20XX)



Source: Author calculations from provincial public accounts. Values for 2025 were calculated from provincial budget estimates.

¹⁷ Table 3.

Conclusion

The COVID-19 pandemic caused uncertainty and impacted provincial budgets. In the recovery period, unexpected growth and inflation created windfall revenues for provincial governments. The impact on revenues and expenditures was larger than the Great Recession's for most Atlantic provinces.

Business owners are currently experiencing another period of uncertainty, with SMEs' long- and short-term confidence at record lows.¹⁸ Forecasts will be less accurate as geopolitical shifts create uncertainty. Banks, such as RBC, have already made large revisions to growth expectations from months ago.¹⁹ As conditions change, government revenue forecasts are likely to be less accurate. Many provinces released their budgets before a number of tariffs were added or dropped. While the provinces have established contingency funds to fuel economic responses, budgets do not include spending forecasts with the effects of potential economic slowdown which could result from tariffs, according to CIBC.²⁰ If an economic slowdown does occur, provinces should focus on out-of-budget spending that provides good value to taxpayers and small businesses. Unexpected revenue should be used only on essential spending and paying down debt.

In this uncertain time, accurate budgets should remain a priority for the Atlantic provinces. Opaque budgets, and budgets that will not be followed, will only add to the uncertain conditions businesses face.

Recommendations

- **All provinces** should ensure out-of-budget spending is truly required, transparent, and provides good value for money.
- **All provinces** must commit to using unexpected revenue to pay down debt.
- **All provinces** should commit to a path to fiscal stability once crises have ended. This should include a timeframe and measurable indicators of progress.
- **Nova Scotia** should amend the Finance Act to require out-of-budget spending be tabled in the legislature.
- **New Brunswick** should restrain out-of-budget spending, which has increased since the pandemic.

¹⁸ Monthly Business Barometer, June 2025.

¹⁹ Lindzon, Jared, *Plot-Twists & Cliffhangers: The Unexpected Resilience of Canada's Economy*, RBC, 2025.

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²⁰ Grantham, Andrew; Bogнар, Tom. *Provincial Finances: Is there even more borrowing to come?*, CIBC. 2025.

Sources

The Canadian Federation of Independent Business (CFIB) is a non-partisan organization that represents the interests of more than 100,000 small and medium-sized enterprises (SMEs) across Canada. Entirely funded by its members, CFIB relies on regular surveys to gather their perspectives on various issues, ensuring its direction is member-driven. CFIB advocates vigorously on behalf of SME owners, recognizing their critical role as entrepreneurs.

CFIB's research capabilities are unparalleled, as it can swiftly collect concrete information from its members regarding issues that impact their daily operations.

In this capacity, CFIB serves as a valuable resource for governments to consult when formulating policies for Canada's SME community. A significant portion of the data presented in this report has been sourced from the respective websites of various municipalities.

- The *Monthly Business Barometer* survey period was from June 3 to June 9, 2025. The number of respondents was 412. For comparison purposes, the margin of error for a probability sample of the same size is +/-4.8 percentage points, 19 times out of 20.
- The *Your Voice Survey* period was from December 7 to December 19, 2023. The number of respondents was 3,148. For comparison purposes, the margin of error for a probability sample of the same size is +/-1.7 percentage points, 19 times out of 20.
- The *Your Voice Survey* period was from November 2 to November 20, 2023. The number of respondents was 3,265. For comparison purposes, the margin of error for a probability sample of the same size is +/-1.7 percentage points, 19 times out of 20.

This report is also based on data collected from provincial public accounts and budget documents. These were collected for the years 2006-2025 from provincial government websites.

- *Public accounts* are the updated financial statements of governments. These were collected for the years 2006-2024 from provincial government websites.
- *Budget documents* are the documents government tables to decide on spending. They provide forecasted revenues, expenditures, and economic conditions. These were collected for the years 2006-2025 from provincial government websites. Calculations of budget deviation used estimates from the 2025/26 budgets since public accounts were not published at time of writing.

Appendix: Tables

Table 1

Deviations from budgeted revenue

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Newfoundland and Labrador																
\$ millions	684.8	747.0	767.6	-210.9	12.1	-812.5	-1,004	0.5	-0.1	0.2	-0.8	0.2	0.1	1.1	-0.1	-135.4
% budget	10.4	10.1	9.7	-2.7	0.2	-10.5	-14.4	7.6	-0.8	2.0	-7.4	2.8	0.9	12.3	-0.6	-1.4
Prince Edward Island																
\$ millions	37.2	10.2	6.7	-5.3	31.0	9.9	17.3	30.5	85.7	58.5	-33.8	0.1	0.3	0.3	0.0	-24.9
% budget	2.5	0.7	0.4	-0.3	1.9	0.6	1.0	1.7	4.5	2.9	-1.5	2.3	10.9	12.9	1.6	-0.8
Nova Scotia																
\$ millions	198.4	449.0	-307.4	-38.3	-338.1	172.5	14.2	-56.2	397.1	80.2	369.9	-172.4	1,327	1,885	1,349	967.3
% budget	2.2	5.4	-3.5	-0.4	-3.6	1.8	0.1	-0.5	3.8	0.7	3.4	-1.5	11.3	14.9	9.5	6.1
New Brunswick																
\$ millions	-107.4	178.8	100.2	-269.5	-212.2	-272.7	78.3	103.5	150.3	269.8	46.3	40.1	1,010	1,106	817.8	-30.3
% budget	-1.5	2.4	1.3	-3.3	-2.7	-3.4	0.9	1.2	1.6	2.9	0.5	0.4	9.7	9.7	6.7	-0.2

Source: Author calculation from provincial public accounts.

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Table 2

Deviations from budgeted expenditure

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Newfoundland and Labrador																
\$ millions	-32.1	-45.1	-56.1	-100.8	-163.1	-364.1	110.0	-0.2	0.1	0.0	0.0	-0.1	-0.5	0.4	0.2	137.6
% budget	0.4	-0.6	-0.7	-1.3	-2.0	-4.4	1.4	-2.1	0.9	0.3	0.5	-1.6	-5.1	4.7	2.4	1.4
Prince Edward Island																
\$ millions	26.2	7.8	43.1	-1.6	18.1	-9.5	10.5	22.2	11.1	3.0	-48.7	-0.1	0.1	0.2	0.0	56.4
% budget	1.7	0.5	2.7	-0.1	1.1	-0.5	0.6	1.2	0.6	0.2	-2.4	-4.6	2.6	8.4	-1.2	1.7
Nova Scotia																
\$ millions	-151.8	-304.3	-155.0	21.6	288.1	-33.8	-82.6	-59.3	288.0	-3.1	342.0	313.2	398.2	1,258	874.4	430.8
% budget	1.6	-3.4	-1.7	0.2	3.0	-0.3	-0.8	-0.6	2.7	0.0	3.1	2.7	3.2	9.5	5.9	2.6
New Brunswick																
\$ millions	-110.4	63.0	-88.0	55.3	-183.2	-165.1	11.9	-23.7	252.8	8.5	20.7	-276.0	-11.9	128.6	357.2	409.4
% budget	-1.4	0.8	-1.1	0.7	-2.2	-2.0	0.1	-0.3	2.8	0.1	0.2	-2.7	-0.1	1.1	2.9	3.1

Source: Author calculation from provincial public accounts.

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Table 3

Deviations of federal transfers

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Newfoundland and Labrador																
\$ millions	-185.9	-185.9	1,373	531.4	-106.7	-163.7	-89.1	-0.1	-0.1	-0.1	-0.2	0.1	-0.5	-0.2	-0.4	-237.6
% revenue deviation	25	179	252	884	20	9	16	122	82	29	57	647	21	677	175	25
Prince Edward Island																
\$ millions	22.2	4.0	-0.2	-26.4	27.9	16.2	-4.8	18.2	-3.5	-8.8	-31.1	-0.1	0.0	0.1	0.0	-24.3
% revenue deviation	39	4	502	90	164	27	60	4	15	92	-104	13	23	-101	98	39
Nova Scotia																
\$ millions	-45.0	155.9	49.2	57.8	114.7	112.9	125.0	140.7	145.3	145.3	111.3	132.1	360.8	64.7	155.5	-152.1
% revenue deviation	-23	35	-16	-151	-34	65	882	-250	37	181	30	-77	27	3	12	16
New Brunswick																
\$ millions	13.3	-50.0	28.2	-26.2	-26.2	16.9	0.8	70.5	11.9	37.5	48.3	292.8	178.0	-21.3	-40.1	15.3
% revenue deviation	12	28	28	10	12	6	1	68	8	14	104	730	18	2	5	50

Source: Author calculation from provincial public accounts.

Note on interpretation: Federal transfers are based on a set formula, so unexpected revenue in one area could decrease federal transfers. When unexpected federal transfers are several times larger/smaller than unexpected revenue, it is likely that non-federal revenues were smaller/larger than expected.

