ECONOMICS
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Canada's Fiscal Fitness

Report on the financial health of the federal and provincial governments

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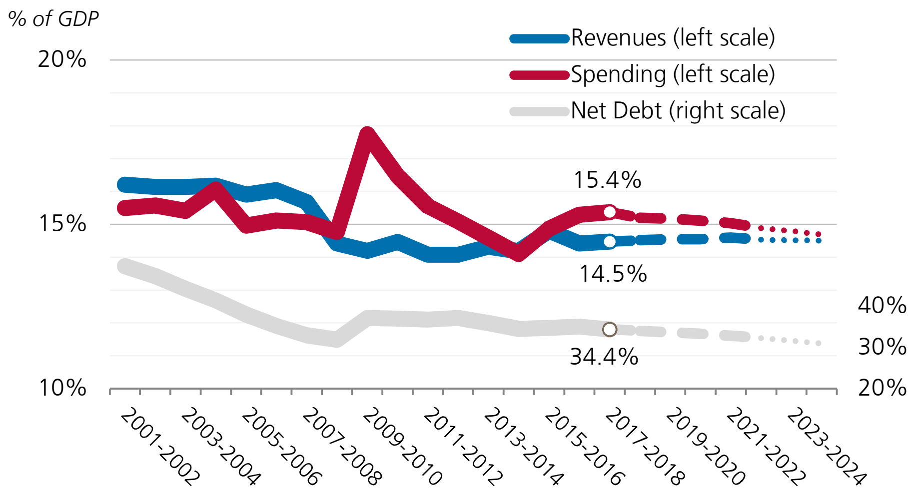
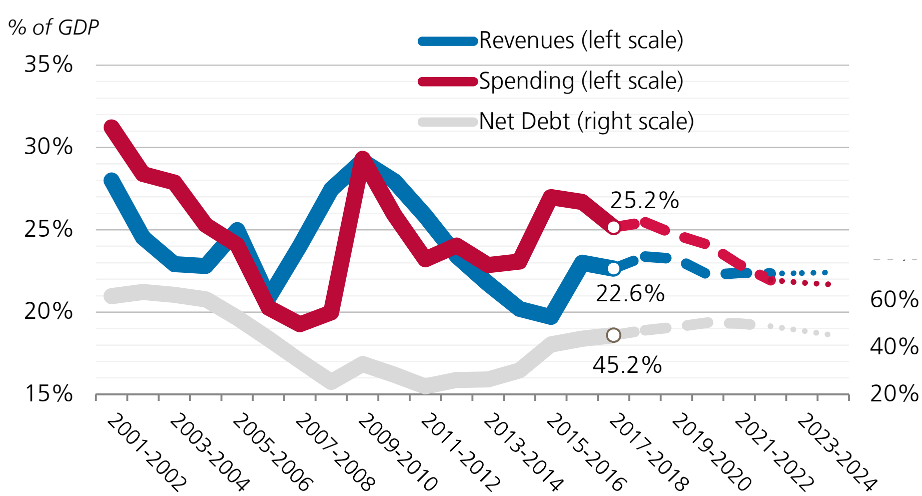
The economy has settled into a rate of growth consistent with only modest productivity growth and weak business investment. Balanced budgets are becoming more common among the provinces, with some notable exceptions in the resource regions and in Ontario, but overall debt levels are still climbing rapidly. The following charts show total revenues, expenditures and net debt levels for each government, expressed as a percentage of total economic output (GDP). Projections are based on current economic forecasts, government budgets and mid-year updates. We extend projections to 2024-25 based on steady-state assumptions on tax and program spending policy.

Figure 1: **Federal government**



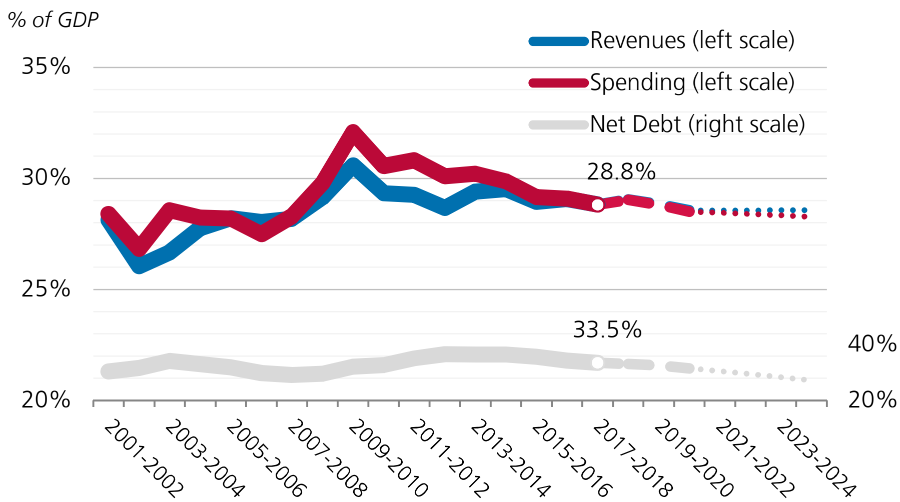
Despite the federal government ramping up spending beginning in 2015, the economy is expected to slow in coming years. As a result, deficits have been baked into the long-term fiscal plan. Debt/GDP will remain above 30 per cent until midway through next decade.

Figure 2: **Newfoundland & Labrador**



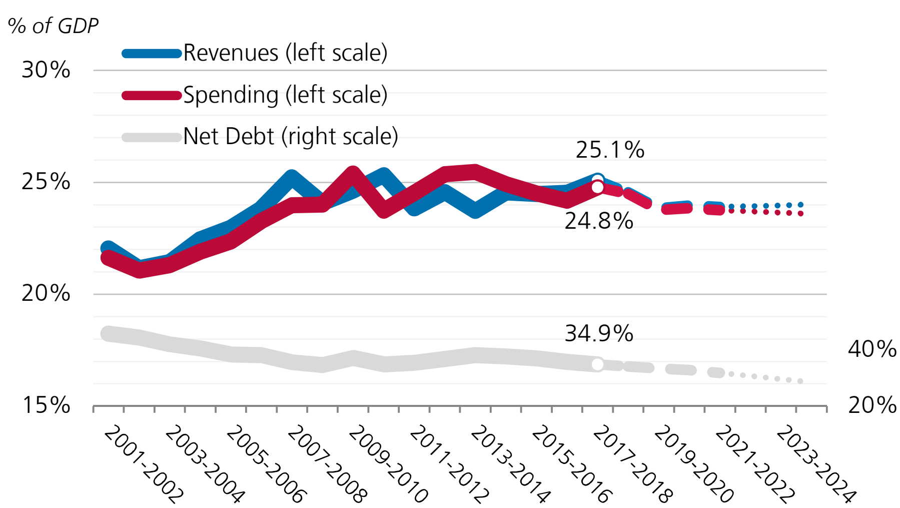
Both revenues and GDP in Newfoundland and Labrador are highly influenced by world oil prices. Improvements on that front will help with royalty revenues and close the deficit as long as the plan to reduce spending in nominal terms actually takes place. Tax loads, however will remain high and debt/GDP will rise past 50 per cent by the early 2020s.

Figure 3: **Prince Edward Island**



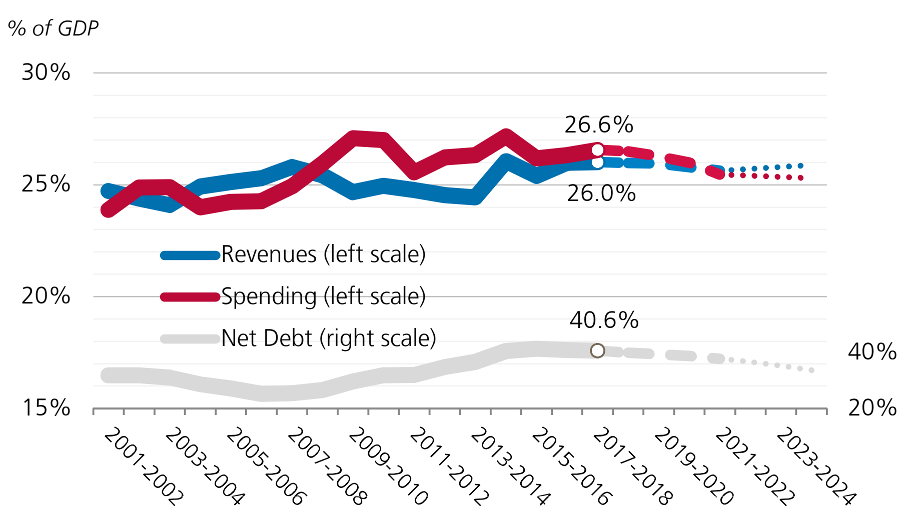
PEI achieved its first balanced budget this year since 2006-07. Balance is also forecast for the rest of their forecast horizon, with spending growth assumed to be only a half-point above the rate of inflation. Government spending and revenues as a proportion of GDP are now closer to pre-recession norms while debt/GDP is also easing off gradually.

Figure 4: **Nova Scotia**



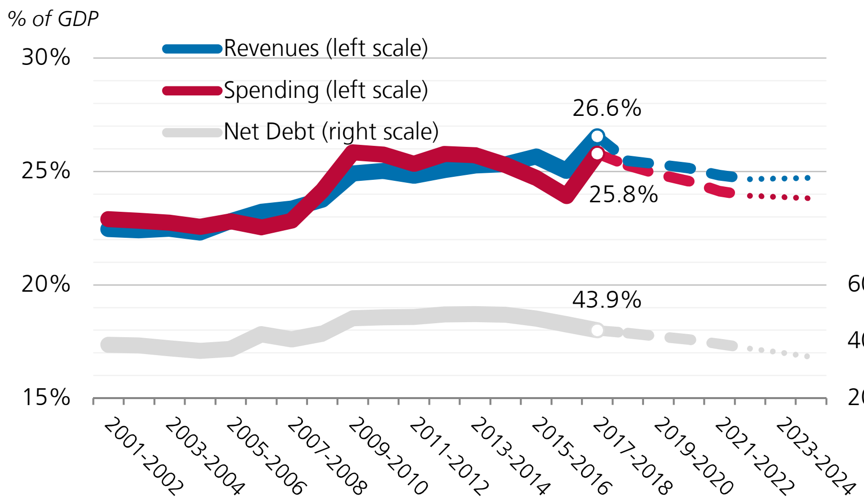
The Nova Scotia government posted its second-consecutive surplus last year and is projecting balanced budgets through the next three fiscal years. Both revenue and expenditure growth are assumed to be modest by historical standards. If assumptions hold, debt/GDP will finally drop below the 30 per cent mark by 2023.

Figure 5: **New Brunswick**



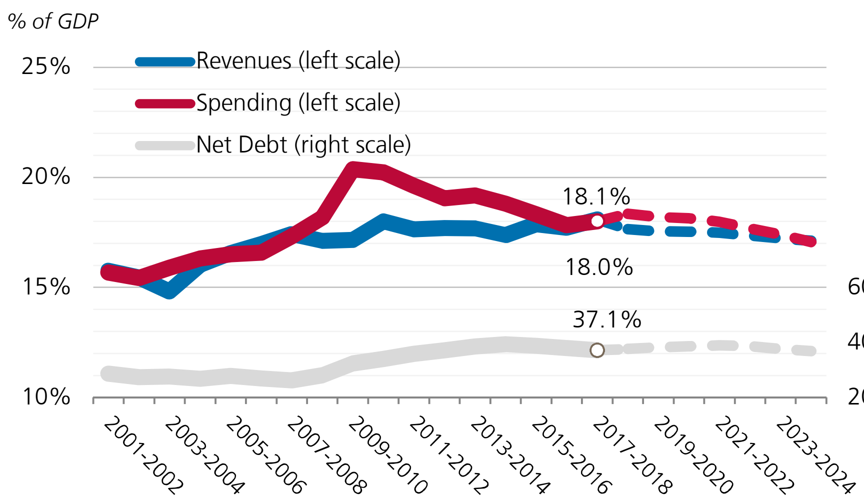
New Brunswick is having trouble closing its fiscal gap. The 2018 Budget projected higher deficits for this year and next, while extending the timeline for balance one year to 2021-22. Planned spending and net debt levels as a share of GDP remain high by pre-recession standards.

Figure 6: **Quebec**



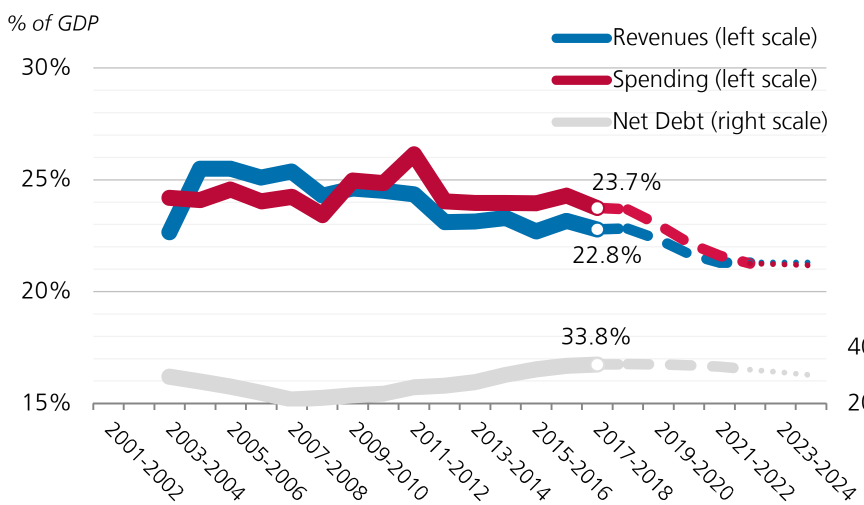
With a strong economy, the Quebec government is planning budget surpluses thoughout its forecast horizon. As a result, debt levels will start becoming far less burdensome--dropping below 40 per cent of GDP for the first time since the mid-2000s.

Figure 7: **Ontario**



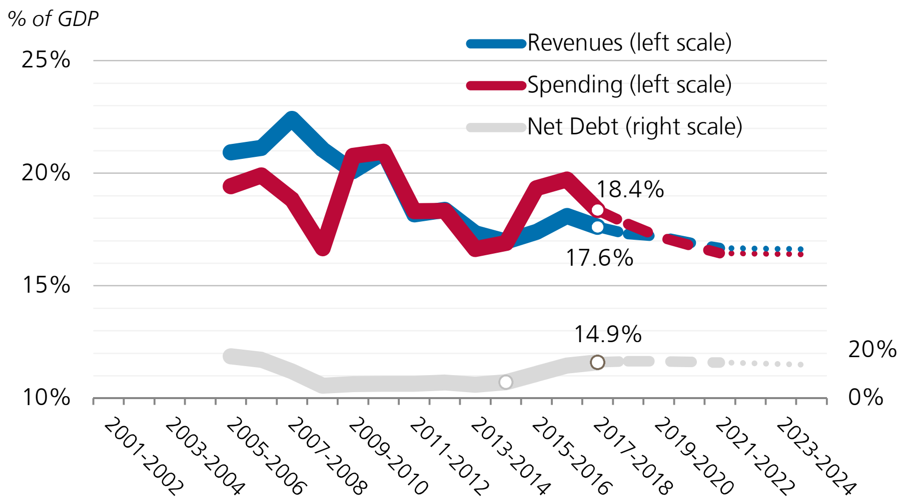
Ontario took eight years to close its fiscal gap caused by the 2008-09 recession. The province once again will be in a deficit position this year because of pre-election spending measures. More than $29 billion in deficits are planned through 2025-26, but net debt will increase $94 billion over the same timeframe. As a result there will be no meaningful reduction in the province's debt/GDP ratio.

Figure 8: **Manitoba**



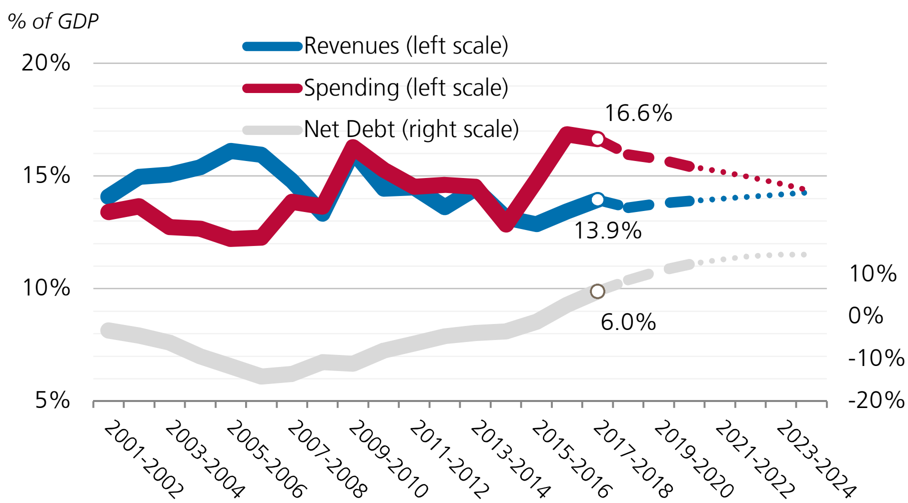
The government of Manitoba has been running substantial deficits for nine consecutive years. And, although shrinking in size, four more years of deficits are projected through 2021-22. Net debt, therefore, will remain stubbornly high--pushing the province's annual interest costs above the billion dollar mark.

Figure 9: **Saskatchewan**



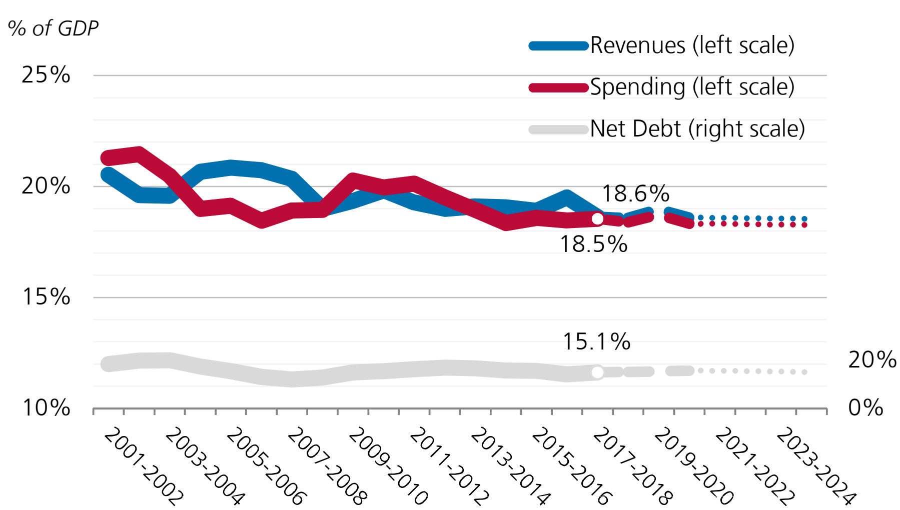
Saskatchewan had been hit hard from the resource price crunch and is still hampered by a slow economy, although revenue growth was sluggish, the provincial deficit was reduced substantially to $595 million due to lower spending. The province plans for its budget to be back in balance by 2019-20.

Figure 10: **Alberta**



Alberta's budget deficit will remain stubbornly high this fiscal year and next--$9.7 and $7.2 billion respectively. The government's fiscal planning horizon is also extremely short, providing no details on how it plans to get back to a balanced budget. It can be expected, though, that net debt/GDP will continue to rise through the middle of the next decade.

Figure 11: **British Columbia**



BC's fiscal profile has been stable and balanced for much of the past decade. However, spending growth accelerated this year, reducing planned surpluses. The government's latest estimates predict balanced budgets for the next three years, but with generally higher taxation, spending as well as $8 billion in added debt.

Table 1: **2018-19 Estimates**

	Revenues				Spending			
	Own source	Fed transfers	Total		Program	Debt service	Total	
	$M	*$M*	*$M*	*%GDP*	*$M*	*$M*	*$M*	*%GDP*
Federal			323,400	*14.5*	312,320	26,300	338,620	*15.2*
Newfoundland & Lab.	6,365	1,308	7,673	*23.4*	7,349	1,007	8,356	*25.5*
Prince Edward Is.	1,215	770	1,985	*29.1*	1,740	127	1,867	*29.0*
Nova Scotia	7,318	3,574	10,892	*24.6*	9,969	894	10,863	*24.5*
New Brunswick	6,203	3,225	9,427	*26.0*	8,941	675	9,616	*26.5*
Quebec	85,923	23,674	109,597	*25.5*	99,313	9,380	108,693	*25.3*
Ontario	126,455	26,006	152,461	*17.6*	145,922	12,543	158,465	*18.3*
Manitoba	12,291	4,496	16,787	*22.8*	16,389	1,034	17,423	*23.7*
Saskatchewan	11,782	2,462	14,244	*17.3*	13,954	655	14,609	*17.7*
Alberta	39,661	8,218	47,879	*13.6*	54,260	1,921	56,181	*15.9*
British Columbia	45,263	8,930	54,193	*18.6*	50,885	2,739	53,624	*18.4*
Total prov.	342,475	82,663	425,138	*19.2*	398,073	29,355	427,428	*19.3*

	Annual surplus (deficit)		Net debt		Revenues	Spending	Net debt
	$M	*%GDP*	*$M*	*%GDP*		*per capita*	
Federal	-18,220	*-0.7*	758,507	*34.4*	8,717	9,127	20,445
Newfoundland & Lab.	-683	*-2.1*	15,528	*45.2*	14,598	15,897	29,541
Prince Edward Is.	1	*0.0*	2,264	*33.5*	12,937	12,166	14,753
Nova Scotia	29	*0.1*	15,171	*34.9*	11,375	11,345	15,845
New Brunswick	-189	*-0.5*	14,472	*40.6*	12,374	12,622	18,995
Quebec*	0	*0.0*	183,433	*43.9*	12,958	12,851	21,688
Ontario	-6,704	*-0.7*	325,041	*37.1*	10,616	11,035	22,634
Manitoba	-521	*-0.9*	25,044	*33.8*	12,397	12,866	18,494
Saskatchewan	-365	*-0.4*	12,648	*14.9*	12,084	12,393	10,730
Alberta	-8,802	*-2.4*	30,510	*6.0*	11,015	12,925	7,019
British Columbia	219	*0.2*	44,743	*15.1*	11,106	10,990	9,170
Total prov.	-17,014	*-0.1*	668,853	*30.3*			
Total			1,427,360	*64.7*			

*after fund adjustments

