



\$111 billion provi bonds on the wall...

By Warren Lovely

... take some deals down, pass 'em around, \$104 billion provi bonds to go...

As promised, we're continuing with our post-budget provincial fiscal/financial round-up. Today's topic: Provincial bond issuance projections for 2022-23. Canada's provinces have collectively signaled \$111 billion in gross supply for the fiscal year that started April 1st (Table). That covers an aggregate deficit of \$33 billion, investment in tangible capital assets, assorted non-budgetary requirements and refinancings. Critically, this combined requirement is roughly \$40 billion lighter than what had been telegraphed just 12 months ago. Talk about supply relief.

Surprise, surprise... the three most populous provinces have the three largest programs. But Alberta's funding needs have been slashed as oil royalties and other revenues pour in. On a per capita basis, Alberta's 2022-23 requirement is less than 600 bucks or just 20% of the weighted average (Chart 1). So ya, there's a very legit technical underpinning to the rally in Alberta's basis, with fiscal upside likely greatest here too.

At \$111 billion, the implied monthly run-rate is just over \$9 billion, a pace the provinces collectively fell short of in the first month of the new fiscal year. Give a nod to Quebec Co. for getting off to a good start, while a couple others got the ball moving too. Given a later-than-usual budget, Ontario spent the past month on the sidelines but will be back in the swing of things soon enough... right up to the June 2nd election that is.

Despite the "official" label, gross funding requirements are preliminary in nature and/or subject to change. The prior year's final cash position has yet to be confirmed. Meanwhile, 2022-23 budgetary prospects are sure to evolve over the course of the year, although likely not as monumentally as in 2021-22. A final note: In most cases, official requirements do not include pre-funding towards the coming fiscal year, even though a few issuers (e.g., Quebec, Ontario) are regular pre-funders and will likely to opt to get an early start on non-trivial 2023-24 needs.

Table: Anatomy of a \$111 billion provincial gross borrowing requirement

NBF's 2022-23 provincial government borrowing program tracker: Official requirements & amount completed (as at 2-May-2022)

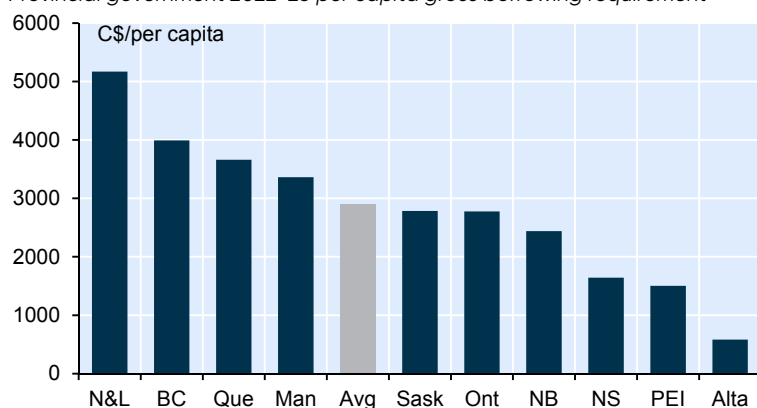
Province / Agency	Ticker	Required ^a C\$bln	Required ^a C\$/per capita ^b	Completed ^c C\$bln	Domestic %	Foreign %	Remaining C\$bln	Funded Status %
British Columbia	BRCOL	21.01	3,991	1.00	100%	0%	20.01	5%
Alberta	ALTA	2.62	584	0.00	–	–	2.62	0%
Saskatchewan	SCDA	3.30	2,785	0.00	–	–	3.30	0%
Manitoba	MP	4.68	3,363	0.30	100%	0%	4.38	6%
Ontario ^d	ONT	41.50	2,776	0.00	–	–	41.50	0%
Québec ^e	Q	26.62	3,660	3.33	62%	38%	23.29	12%
Hydro-Québec ^{f,g}	QHEL	5.00		2.20	100%	0%	2.80	44%
New Brunswick ^h	NBRNS	1.94	2,439	0.20	100%	0%	1.74	10%
Nova Scotia	NS	1.65	1,642	0.00	–	–	1.65	0%
Prince Edward Island	PRINCE	0.25	1,503	0.00	–	–	0.25	0%
Newfoundland & Labrador ⁱ	NF	2.70	5,168	0.00	–	–	2.70	0%
TOTAL		111.3	2,897	7.0	82%	18%	104.2	6%

% FY elapsed: 8%

Source: NBF, prov gov'ts, Bloomberg, StatCan | Notes: (a) Long-term gross funding requirement based on latest available estimates; includes refinancing requirements; in most cases, does not include prospective pre-funding for coming fiscal year (Manitoba is exception); (b) Per capita needs based on 2022:Q1 population estimates from StatCan; (c) Funds borrowed to date; (d) Includes certain hydro-related financing under province's banner; (e) Includes financing for Financement-Québec; (f) Funds in own name with explicit provincial guarantee; (g) Fiscal year is January – December; (h) Includes requirements for NB Municipal Finance Corp.; (i) Includes funding for N&L Hydro

Chart 1: Per capita funding needs collapse in Alberta

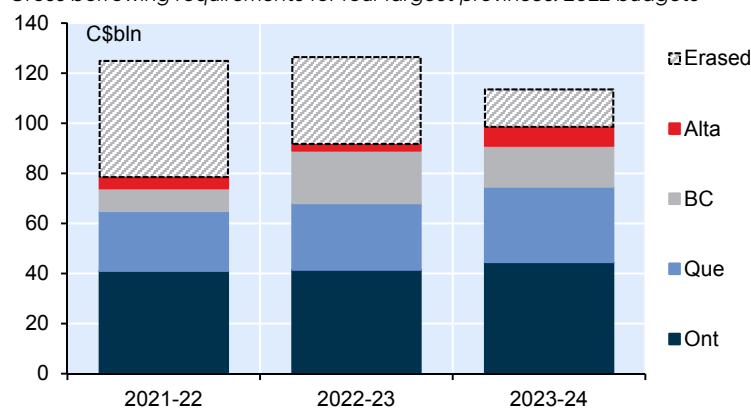
Provincial government 2022-23 per capita gross borrowing requirement



Source: NBF, prov gov'ts, StatCan | Note: Official long-term borrowing requirements scaled to 2022:Q1 population estimates; based on Budget 2022 projections

Chart 2: Evolution of funding needs at Big 4 provinces

Gross borrowing requirements for four largest provinces: 2022 budgets



Source: NBF, prov gov'ts | Note: "Erased" reflects combined reduction in gross requirements from Budget 2021 to Budget 2022



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