

Economic Development Winnipeg

WEEKLY ECONOMIC DIGEST



WESTERN AND CENTRAL CANADA 2021 BUDGET ROUNDUP

FEATURING MANITOBA'S LOW DEFICIT/GDP RATIO

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Bottom Line

Every province is confronting reduced revenues and higher expenditures due to COVID-19. Federal transfers helped to offset some of the resulting increase in deficit vs the previous fiscal year. A budget comparison between Manitoba's 2021/22 budget and Western and Central Canadian provinces gives us the Manitoba forecast in context.

For 2021/22 Manitoba has forecasted:

- the second highest ratio of (total revenue)/GDP,
- the highest ratio of (federal transfers)/GDP,
- the second highest ratio of (total expenditures)/GDP,
- the lowest ratio of (Surplus or Deficit)/GDP, and
- the third highest ratio of debt/GDP.

ANALYSIS

Province	date	Nominal GDP (\$Millions)	Federal Transfers	Total Revenues (\$Millions)	Total Expenditures /1 (\$Millions)	Surplus (Deficit) (\$Millions)
AB	2020	\$307,800	\$11,381	\$42,296	\$62,488	-\$20,192
	2021	\$335,000	\$10,181	\$43,697	\$61,918	-\$18,221
BC	2020	\$295,300	\$13,360	\$60,967	\$69,111	-\$8,144
	2021	\$314,300	\$10,530	\$58,929	\$67,727	-\$9,698
MB	2020	\$71,195	\$5,867	\$17,477	\$19,557	-\$2,080
	2021	\$75,111	\$5,640	\$17,838	\$19,435	-\$1,597
ON	2020	\$849,004	\$33,700	\$151,800	\$190,300	-\$38,500
	2021	\$882,964	\$27,400	\$154,000	\$187,100	-\$33,100
QC	2020	\$441,943	\$30,274	\$120,302	\$126,542	-\$6,240
	2021	\$468,459	\$26,899	\$122,567	\$134,817	-\$12,250
SK	2020	\$76,449	\$3,219	\$14,096	\$15,961	-\$1,865
	2021	\$80,960	\$2,909	\$14,478	\$17,089	-\$2,611

Selected Provincial Budget Statistics (\$millions)

This review compares the 2021/22 budget documents for Canada's provinces and territories. The budgets of the Maritimes and territories are excluded from this review for a variety of reasons, including that Newfoundland and Labrador's budget delay due to the provincial election.

Due to difference in the presentation of their budgets, the table above shows nominal GDP, federal transfers, total revenue, total expenditure, surplus (deficit), and net debt for 2020/21, and 2021/22.

The sources used are the 2021/22 budgets:

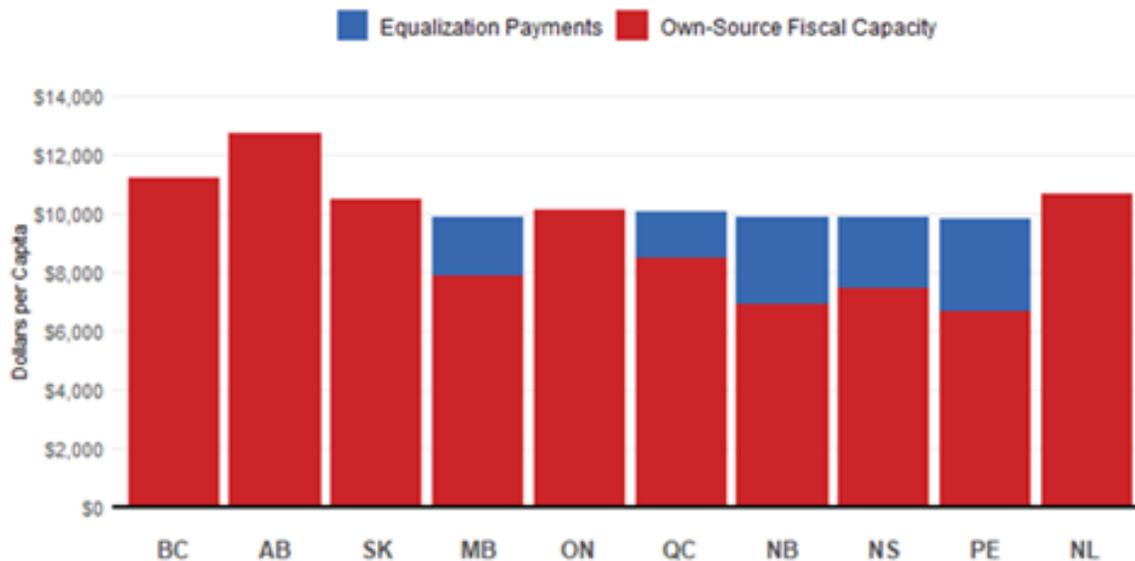
- BC <https://www.bcbudget.gov.bc.ca/2021/default.htm>
- AB <https://www.alberta.ca/budget.aspx>
- SK <https://www.saskatchewan.ca/government/budget-planning-and-reporting/budget-2021-22>
- MB <https://www.manitoba.ca/budget2021/>
- ON <https://budget.ontario.ca/2021/index.html>
- QC http://www.budget.finances.gouv.qc.ca/budget/2021-2022/index_en.asp.

/1 This view includes all adjustments/contingencies and special COVID-19 expenditures. Quebec's budget balance in 2020/21 was partially offset by a draw from their stabilization reserve of nearly \$9 billion, otherwise it would be higher in 2020/21 than 2021/22. Ontario's budget figures are reported in billions and were converted to millions for this table.

ANALYSIS

Fiscal Capacity of Canada's Provinces

Displays the per capita fiscal capacity of each province, including 100% of resource revenues and equalization.



Fiscal Capacity of Canada's Provinces

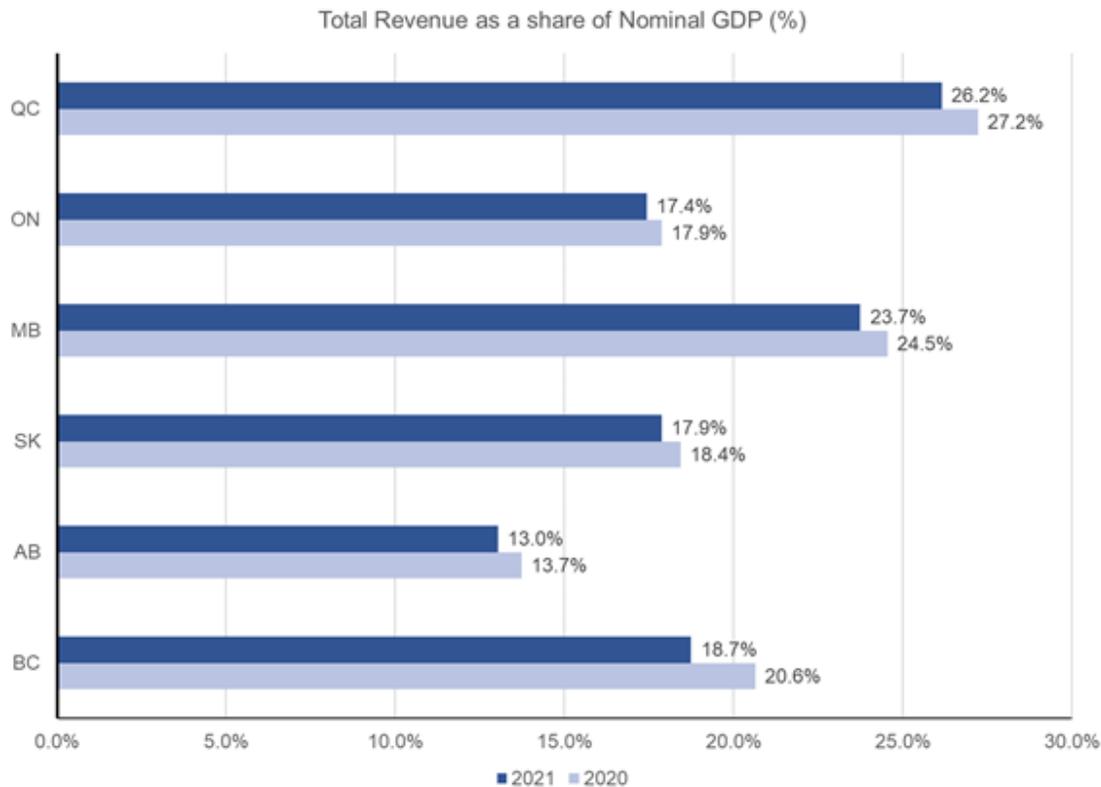
Manitoba is one of the provinces that receives **equalization payments** from the federal government (along with Quebec, New Brunswick, Nova Scotia and Prince Edward Island).

These federal transfer payments are made to provinces with lower own-source **fiscal capacity** on a per capita basis. Because of the equalization payments, this increases the

- (Total Revenue)/GDP,
- (Federal transfers)/GDP, and
- (Total Expenditures)/GDP ratios.

Sources: Finances of the Nation, New Equalization Tool, <https://financesofthenation.ca/2021/02/23/new-equalization-tool/>

ANALYSIS



Ratio of Total Revenue to Nominal GDP

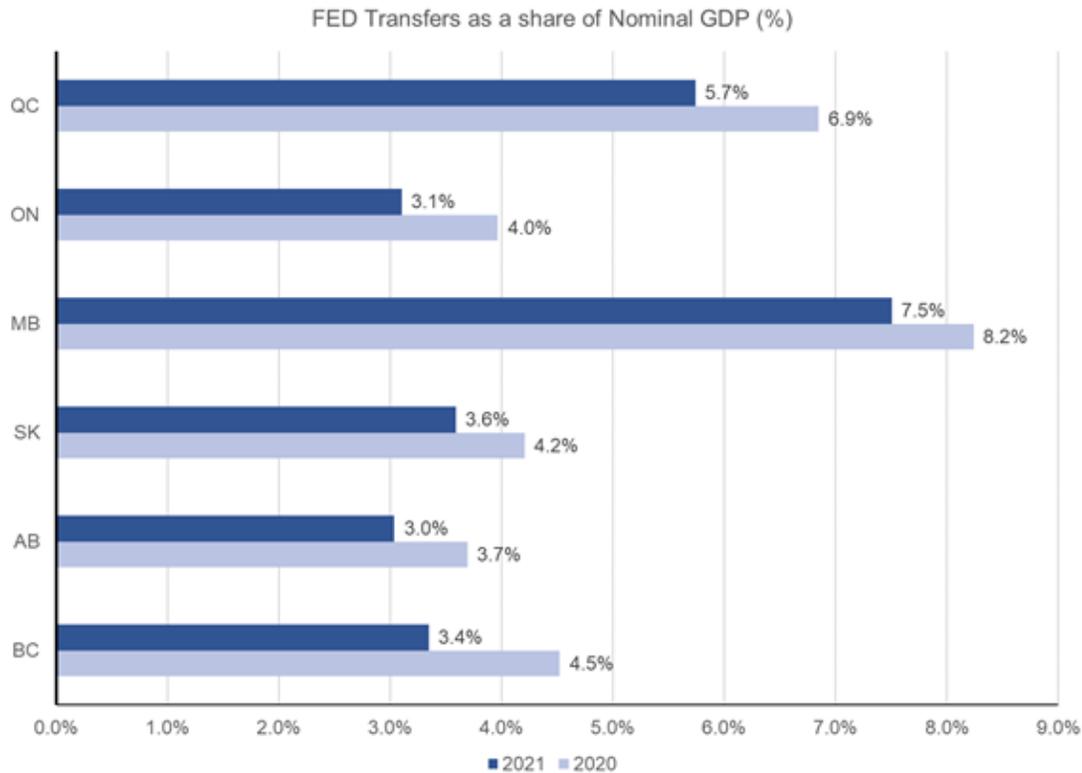
Total Revenue (TR) and nominal Gross Domestic Product (GDP) are both forecast to rise in 2021, and 2022. GDP is expected to rise faster than TR, reducing total revenues as a share of GDP. In 2021/22:

- Quebec is forecasts to have the highest TR/GDP (26.2%), and
- Alberta the lowest (13.0%).
- Manitoba is forecast to have the second highest TR/GDP ratio (23.7%).

Manitoba and Quebec have elevated ratios of Total Revenue to Nominal GDP due to the equalization payments that they receive.

Sources: Provincial budgets.

ANALYSIS



Ratio of Federal Transfers to Nominal GDP

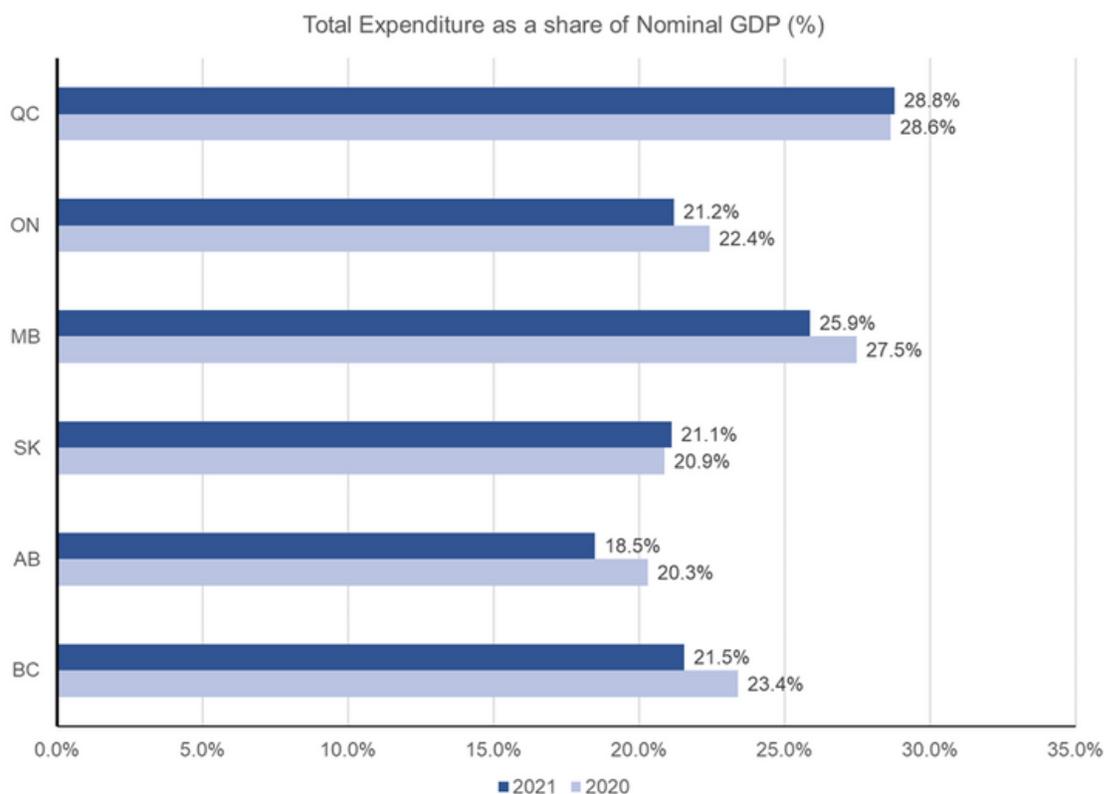
Federal transfers were sharply increased to help offset provincial revenue shortfalls and expenditure increases due to COVID-19 in 2020/21. In 2021/22:

- Manitoba is forecast to have the highest federal transfers as a share of nominal GDP (7.5%), and
- Ontario the lowest (3.0%).

Manitoba and Quebec have elevated ratios of Federal Transfers to Nominal GDP due to the equalization payments that they receive.

Sources: Provincial budgets.

ANALYSIS



Ratio of Total Expenditures to Nominal GDP

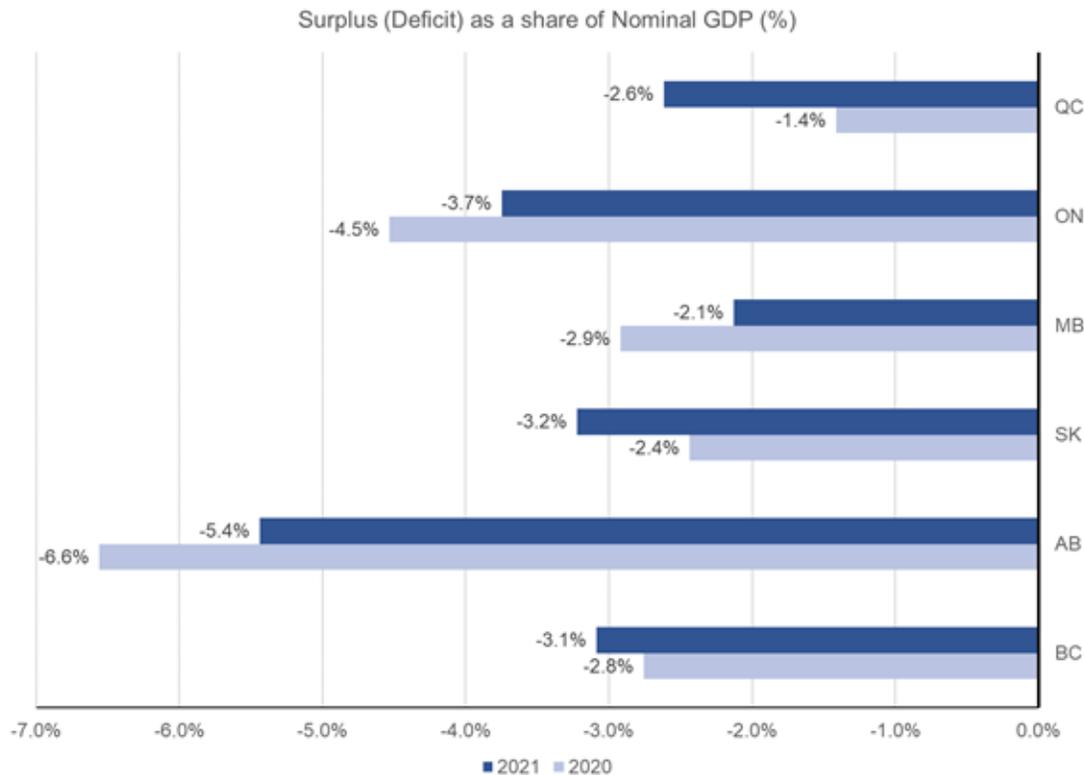
Total Expenditure - including contingencies and special COVID-19 expenditures (TE), and nominal Gross Domestic Product (GDP) are both forecast to rise in 2021, and 2022. In some cases, TE is expected to rise faster than GDP, and in others slower. In 2021/22:

- Quebec (28.8%) is forecasts to have the highest TE/GDP, and
- Alberta the lowest (18.5%).
- Manitoba is forecast to have the second highest TE/GDP ratio (25.9%).

Manitoba and Quebec have elevated ratios of Total Expenditures to Nominal GDP due to the equalization payments that they receive.

Sources: Provincial budgets.

ANALYSIS



Ratio of Deficit to Nominal GDP

There is different pacing of the growth or decline of both the Surplus or Deficit (SD) and nominal Gross Domestic Product (GDP).

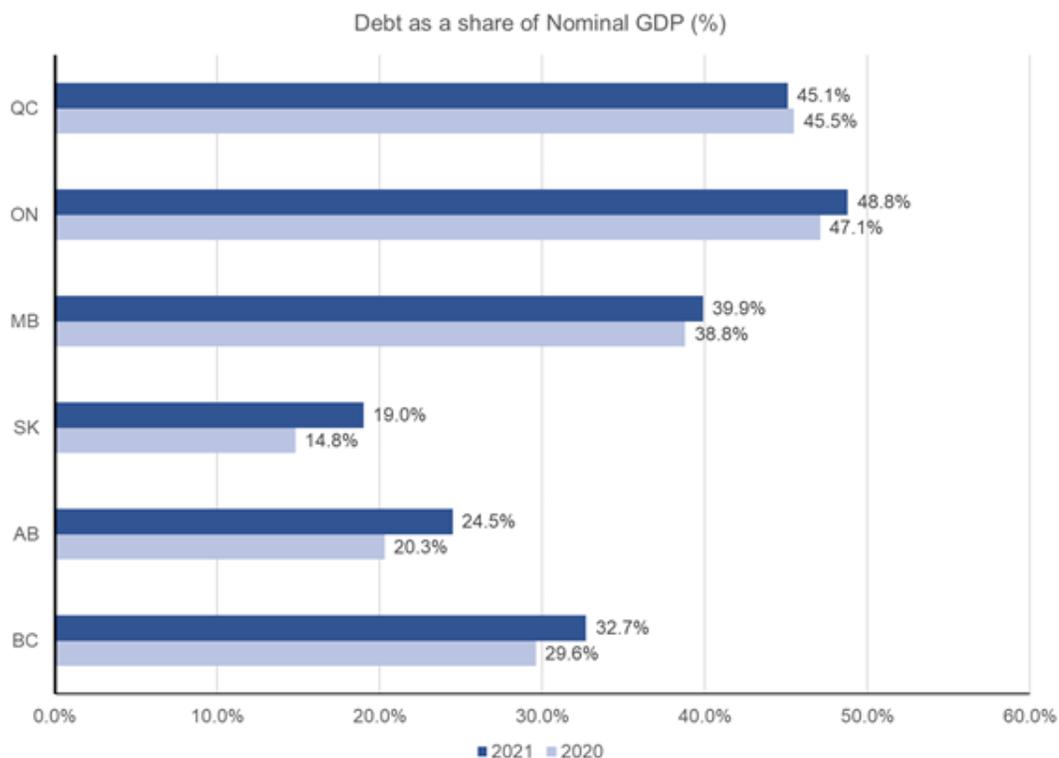
- Alberta (5.4%) is forecast to have the highest SD/GDP ratio, and
- Manitoba is forecast to have the lowest SD/GDP ratio (2.1%).

Manitoba has been working to reduce its deficit since 2016, so it is not surprising that it has a low deficit/GDP ratio even considering the COVID-19 pandemic effect.

Alberta's deficit is particularly elevated due to the decline in resource revenue. Resource revenue can be quite volatile, which is why economists like Trevor Tombe, Ph.D. have been suggesting shifting Alberta's taxes and fees so that they are less dependent on resource revenues, regardless of the governing party ([2016](#)), and ([2021](#)). [A number of years ago](#), the Saskatchewan government had shifted their revenues to be less dependent on resource revenues.

Sources: Provincial budgets.

ANALYSIS



Ratio of Net Debt to Nominal GDP

Net Debt (D) and nominal Gross Domestic Product (GDP) are both forecast to rise in 2021, and 2022. In some cases, D is expected to rise faster than GDP, and in others slower. In 2021/22:

- Ontario (48.8%) is forecast to have the highest D/GDP ratio, and
- Saskatchewan the lowest (19.0%).
- Manitoba is forecast to have the third highest D/GDP ratio (39.9%).

The large hydro projects over the previous decade accounts for much of Manitoba's higher than average debt level as a share of nominal GDP.

INQUIRIES AND CONTACTS

If you require help accessing government programs, contact our YES! Winnipeg team through the [Help us help you form](#).

General inquires: wpginfo@edwinnipeg.com

Marketing & communications inquiries:

marketingandbranding@edwinnipeg.com