

Comparative Statistics:

Risk Indicators For Canadian Local And Regional Governments: Strong Fiscal Management Is Key To Withstand Population Pressures

September 19, 2024

This report does not constitute a rating action.

S&P Global Ratings assigns credit ratings to local and regional governments (LRGs) based on its qualitative and quantitative analysis of a range of financial, economic, managerial, and institutional factors. We articulate our analytical framework for rating LRGs around six major components resulting from our methodology: the institutional framework; economy; financial management; budgetary performance; liquidity; and debt burden.

Our assessment of the institutional framework is an important component of the rating. The institutional and legislative environment in which an LRG operates provides important context to our evaluation of the LRG's individual credit profile. Therefore, we combine our assessment of the institutional framework and the five other factors listed above to determine an indicative credit level for an individual LRG. We then adjust this level for certain overriding factors to provide the final rating for the respective LRG (see "Methodology For Rating Local And Regional Governments Outside Of The U.S.," published July 15, 2019, on RatingsDirect).

LRG Characteristics By Rating Category

We project Canadian LRGs will experience more volatility in terms of credit quality over the coming year, compared to our previous publication. This could result in more upgrades, given three provinces and three cities are on positive outlooks, while only one province and one city are on negative outlooks.

Nevertheless, it is important to note that 86% of Canadian LRGs rated by S&P Global Ratings are on a stable outlook. In our view, governments in Canada face many operating pressures and are increasing capital investment, but should maintain their overall creditworthiness despite near-term challenges.

We expect most Canadian LRGs, namely municipalities, to remain well positioned to manage elevated cost pressures because of their strong management, high liquidity, and moderate debt burdens, coupled with our expectation for a moderate rebound in the economy in the next 12-18 months. Overall, we project that revenue collection will keep pace with higher expenditure, which

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is driven by the needs of a growing population. Yet, while Canadian municipalities typically hold robust dedicated reserves for maintenance-related work, increasing growth-related infrastructure needs could also lead to higher borrowing requirements.

Table 1

Canadian provincial government risk indicators

	Rating factor assessments						
	Foreign currency ratings *	Institutional framework	Economy	Financial management	Budgetary performance	Liquidity	Debt burden
Alberta (Province of)	AA-/Stable/A-1+	2	2	2	3	1	4
British Columbia (Province of)	AA-/Negative/A-1+	2	1	2	5	3	4
Nova Scotia (Province of)	AA-/Stable/A-1+	2	3	2	3	2	4
Quebec (Province of)	AA-/Stable/A-1+	2	1	2	4	1	5
Saskatchewan (Province of)	AA/Stable/A-1+	2	1	2	3	1	3
Newfoundland and Labrador (Province of)	A/Stable/A-1	2	3	2	3	4	5
Manitoba (Province of)	A+/Stable/A-1	2	1	2	3	3	4
New Brunswick (Province of)	A+/Positive/A-1+	2	3	2	2	1	4
Ontario (Province of)	A+/Positive/A-1	2	1	2	3	1	4
Prince Edward Island (Province of)	A/Positive/A-1	2	2	2	5	3	4

*Issuer credit rating as of Sept. 19, 2024. Institutional framework assessment is based on a six-point scale where 1 is the strongest and 6 the weakest, while the other factors consider a scale from 1 to 5, being 1 the strongest score and 5 the weakest.

Table 2

Canadian provincial government financial statistics

	Local GDP (nominal) per capita (US\$) (single units)	National GDP (nominal) per capita (US\$) (single units)	Tax-supported debt (% of consolidated operating revenues)									
	2023a	2023a	Operating balance (% of operating revenues)	Balance after capital accounts (% of total revenues)	Direct debt (% of operating revenues)	Interest (% of operating revenues)	Five-year average	Five-year average	Five-year average	Five-year average	Five-year average	Five-year average
Median	49,632.1	53,431.2	0.5	1.7	-7.0	-5.7	157.6	163.2	163.6	169.1	5.8	6.3
Alberta (Province of)	69,603.2	53,431.2	12.9	12.5	4.5	4.1	121.6	124.4	125.7	128.4	4.2	4.1

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Table 2

Canadian provincial government financial statistics (cont.)

	Local GDP (nominal) per capita (US\$) (single units)	National GDP (nominal) per capita (US\$) (single units)	Operating balance (% of operating revenues)	Balance after capital accounts (% of total revenues)	Direct debt (% of operating revenues)	Tax-supported debt (% of consolidated operating revenues)	Interest (% of operating revenues)					
	2023a	2023a	Five-year average 2023*	Five-year average 2023*	Five-year average 2023*	Five-year average 2023*	Five-year average 2023*					
British Columbia (Province of)	54,841.5	53,431.2	-5.1	-3.5	-18.1	-15.3	131.3	144.6	134.6	147.5	4.4	4.9
Nova Scotia (Province of)	39,361.7	53,431.2	4.4	1.7	-4.1	-6.2	114.8	129.0	115.1	129.3	3.8	4.2
Quebec (Province of)	47,394.6	53,431.2	-1.2	-1.6	-12.2	-11.7	180.7	189.1	191.1	199.3	7.3	7.2
Saskatchewan (Province of)	69,971.6	53,431.2	-0.2	3.3	-6.9	-4.7	142.4	154.7	148.2	160.1	5.9	6.4
Newfoundland and Labrador (Province of)	52,596.1	53,431.2	2.6	5.1	-2.4	0.2	181.2	192.0	222.1	231.9	8.5	8.1
Manitoba (Province of)	45,614.8	53,431.2	-4.0	1.6	-13.2	-5.3	271.9	262.2	272.6	262.8	9.7	9.4
New Brunswick (Province of)	40,929.0	53,431.2	6.7	6.9	-0.8	-0.4	172.8	171.8	179.0	178.0	5.8	6.2
Ontario (Province of)	51,869.5	53,431.2	1.2	1.1	-7.2	-7.4	218.0	215.7	228.4	225.7	6.4	6.6
Prince Edward Island (Province of)	42,616.5	53,431.2	-1.1	-0.4	-8.6	-8.5	130.0	134.7	130.8	135.3	5.7	5.8

Five-year averages cover 2022-2026. For provinces, 2023a is for the fiscal year 2023 ended March. *Data refers to actuals whenever available, then estimates or base cases whenever available. a--Actual. The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer.

In the current budget cycle (ending March 31, 2025), most provinces have revised down their 2024 economic forecast and medium-term growth projections. The revision is in line with our expectation for more subdued growth in the national economy in 2024. Of note, more resource-dependent provinces are recording strong growth based on continued high energy prices. In addition, provinces have had to contend with higher operating demands stemming from stronger-than-expected population gains and upward pressure on wages. The downward revision in economic growth and higher operating spending have led to a moderate deterioration in fiscal performance compared to previous projections. Nevertheless, most Canadian provinces will continue posting operating surpluses or very modest operating deficits, with deficits after capital accounts, on average, over 2022-2026. We expect consolidation efforts to strengthen and the tax-supported debt burden to moderately increase because of high projected spending needs.

In our view, Canadian provinces operate under a very predictable and well-balanced institutional

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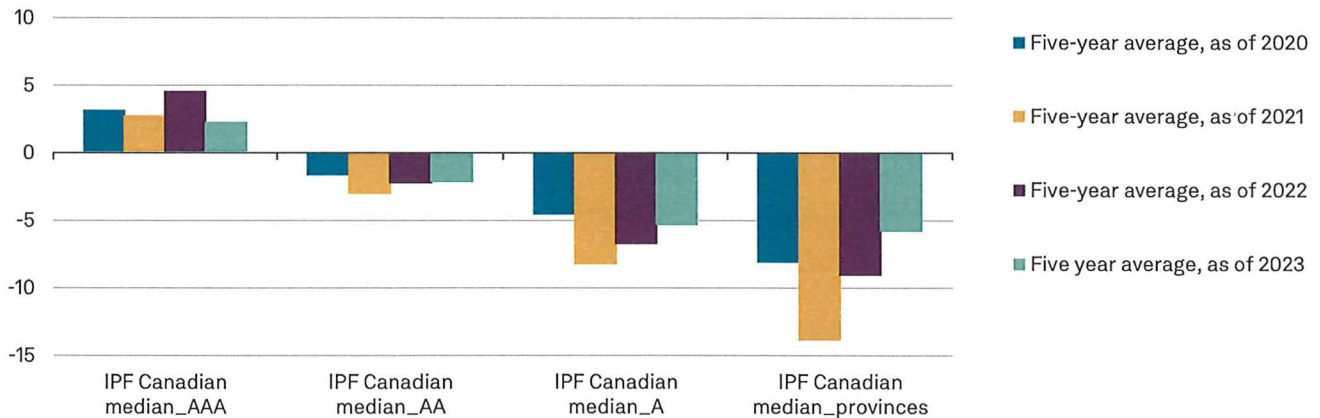
framework. Provinces have almost full revenue and expenditure autonomy for the powers and responsibilities granted to them under the constitution. Still, political considerations and tax competitiveness constrain their ability to increase revenue and key spending responsibilities, such as health care, effectively constrain expenditure autonomy. This results in relatively high budgetary deficits and debt levels compared with those of international peers.

The institutional framework for Canadian municipalities is extremely predictable and supportive due to their track record of sound fiscal performance through multiple crises, and strong intergovernmental support received during periods of severe economic stress. In our view, Canadian municipalities operate under stronger revenue and expenditure balances than provinces. They can set tax rates and some fees, and post stronger and more stable budgetary results than Canadian provinces despite some constraints.

We believe most of our ratings on Canadian LRGs remain resilient to periods of stress. For those in the 'AA' category, our updated medians on deficits after capital accounts as a percentage of total revenue and tax-supported debt as a percentage of consolidated revenue reflect an improving trend (see charts 1 and 2).

Chart 1

Median Canadian after-capital balances are generally stable; provincial medians are improving
Balance after capital accounts (% of total revenues)



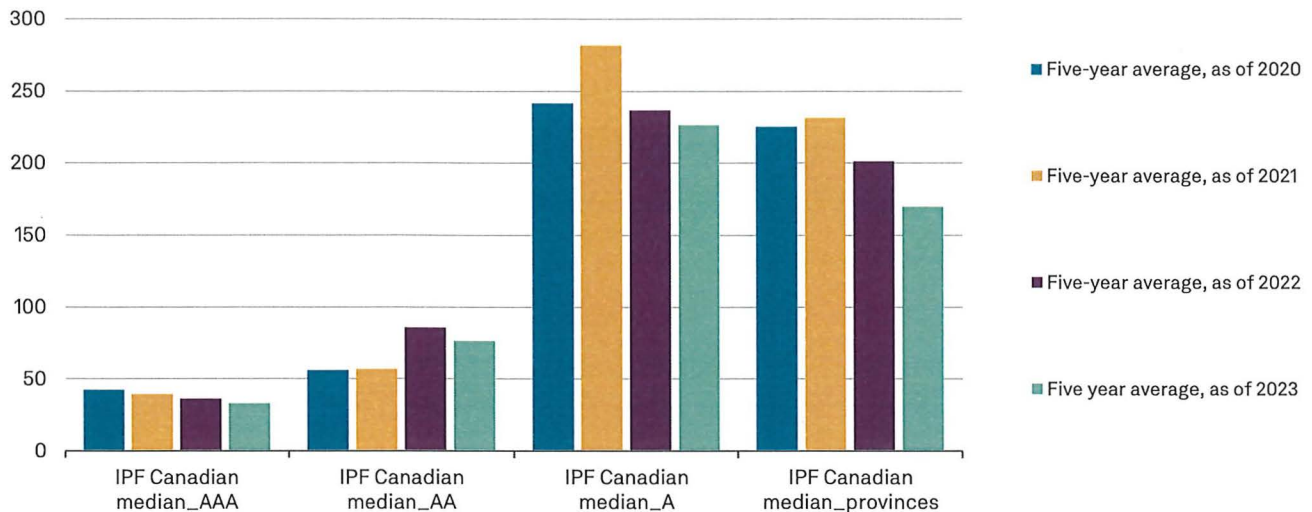
Five-year averages cover two historical years, the current year, and two future years. For example for 2023, averages cover 2022-2026. Source: S&P Global Ratings.

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Chart 2

Median tax-supported debt is modestly falling across rating categories in Canada

Tax-supported debt (% of consolidated operating revenues)



Five-year averages cover two historical years, the current year, and two future years. For example for 2023, averages cover 2022-2026.

Source: S&P Global Ratings.

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'AAA'

We rate 14 Canadian municipalities in the 'AAA' category. These LRGs operate in an extremely predictable and supportive institutional framework, and they compare favorably with international peers. They have very strong economies, reflected in high income levels; solid financial management; and well-documented medium- to long- term financial planning. They also have manageable contingent liabilities that wouldn't weaken the LRGs' financial positions if they materialize, in our view. All LRGs in this category have exceptional internal liquidity and satisfactory access to external liquidity to fund any unexpected short-term financial needs.

Other common characteristics that we observe among LRGs at this level include:

- Strong to very strong budgetary performance by international standards. Median operating surpluses as a percentage of operating revenue average 16.6% over 2022-2026. Most 'AAA' rated LRGs also show surpluses after capital accounts during the same period. We expect those surpluses to decrease between 2022 and 2026, with a median level of 2.2% of total revenue, compared to 3.7% in 2023.
- Relatively low debt burdens. We project median tax-supported debt will increase to an average of 32.1% of consolidated operating revenue over 2022-2026 from 24.1% in 2023. At the same time, all Canadian LRGs have relatively low and stable median interest expenses when compared internationally, at about 1.3% of operating revenue, with almost half at this rating level below 1.0%. They also have the lowest ratios compared to other rating categories in Canada. We note that regional municipalities tend to have higher debt burdens and interest

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expenses compared to cities and counties due to their large investment programs and the inclusion of debt borrowed on behalf of the lower-tier municipalities as part of the total.

Table 3

Canadian local and regional government risk indicators ('AAA' rated)

	Rating factor assessments						
	Foreign currency ratings *	Institutional framework	Economy	Financial management	Budgetary performance	Liquidity	Debt burden
Brampton (City of)	AAA/Stable/--	1	1	2	1	1	2
Guelph (City of)	AAA/Stable/--	1	1	2	3	1	1
Hamilton (City of)	AAA/Stable/--	1	1	2	2	1	1
Mississauga (City of)	AAA/Stable/--	1	1	1	1	1	2
Regina (City of)	AAA/Negative/--	1	1	2	2	1	3
Saskatoon (City of)	AAA/Stable/--	1	1	1	1	1	1
Vancouver (City of)	AAA/Stable/A-1+	1	1	1	1	1	2
Essex (County of)	AAA/Stable/--	1	2	2	1	1	1
Oxford (County of)	AAA/Stable/--	1	2	2	2	1	1
Wellington (County of)	AAA/Stable/--	1	1	2	1	1	1
Durham (Regional Municipality of)	AAA/Stable/--	1	1	1	1	1	1
Halton (Regional Municipality of)	AAA/Stable/--	1	1	1	1	1	1
Peel (Regional Municipality of)	AAA/Stable/--	1	1	1	1	1	3
York (Regional Municipality of)	AAA/Stable/--	1	1	1	1	1	1

*Issuer credit rating as of Sept. 19, 2024. Institutional framework assessment is based on a six-point scale where 1 is the strongest and 6 the weakest, while the other factors consider a scale from 1 to 5, being 1 the strongest score and 5 the weakest.

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Table 4

Canadian local and regional government financial statistics ('AAA' rated)

	Local GDP (nominal) per capita (US\$) (single units)	National GDP (nominal) per capita (US\$) (single units)	Operating balance (% of operating revenues)		Balance after capital accounts (% of total revenues)		Direct debt (% of operating revenues)		Tax-supported debt (% of consolidated operating revenues)		Interest (% of operating revenues)	
	2023a	2023a	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average
	Global median	87,417.3	55,592.0	10.3	10.6	0.5	0	28.9	34.4	29.4	32.3	0.9
Canadian median		53,431.2	17.3	16.6	2.2	1.4	22.2	27.8	23.8	32.1	1.1	1.3
Brampton (City of)	N.A.	53,431.2	10.3	12.7	2.2	0.9	14.3	16.7	15.1	17.5	0.9	1.0
Guelph (City of)	N.A.	53,431.2	11.9	12.2	-0.7	-4.9	21.3	23.0	21.3	23.0	0.6	0.6
Hamilton (City of)	N.A.	53,431.2	12.7	13.2	-1.7	-0.6	16.1	19.7	16.1	19.7	0.5	0.6
Mississauga (City of)	N.A.	53,431.2	11.0	11.9	-1.3	0.3	20.5	26.3	20.5	26.3	0.5	0.7
Regina (City of)	N.A.	53,431.2	14.0	13.8	-5.0	-4.6	32.2	51.6	43.1	62.5	2.0	1.8
Saskatoon (City of)	N.A.	53,431.2	22.3	22.1	3.1	2.7	7.0	15.9	24.6	32.0	1.1	1.4
Vancouver (City of)	N.A.	53,431.2	18.8	17.1	8.7	7.7	28.1	29.3	31.0	32.1	1.4	1.4
Essex (County of)	N.A.	53,431.2	22.2	23.3	10.8	13.0	23.1	22.8	23.1	22.8	1.5	1.5
Oxford (County of)	N.A.	53,431.2	18.1	18.4	-2.2	-3.8	35.1	41.5	35.1	41.5	1.2	1.3
Wellington (County of)	N.A.	53,431.2	13.7	13.3	2.2	1.9	17.6	21.4	17.6	21.4	0.6	0.8
Durham (Regional Municipality of)	N.A.	53,431.2	18.5	18.6	4.2	3.7	14.8	43.1	14.8	43.1	0.5	1.2
Halton (Regional Municipality of)	N.A.	53,431.2	20.3	21.2	10.4	10.1	34.8	37.6	34.8	37.6	1.1	1.6
Peel (Regional Municipality of)	N.A.	53,431.2	16.5	16.0	-4.3	-3.0	47.6	62.9	47.6	62.9	2.4	3.3

Table 4

Canadian local and regional government financial statistics ('AAA' rated) (cont.)

	Local	National										
	GDP	GDP										
	(nominal)	(nominal)										
	per capita (US\$) (single units)	per capita (US\$) (single units)	Operating balance (% of operating revenues)	Balance after capital accounts (% of total revenues)	Direct debt (% of operating revenues)	Tax-supported debt (% of consolidated operating revenues)	Interest (% of operating revenues)					
			Five-year average	Five-year average	Five-year average	Five-year average	Five-year average	Five-year average	Five-year average	Five-year average	Five-year average	
	2023a	2023a	2023*	2023*	2023*	2023*	2023*	2023*	2023*	2023*	2023*	
York (Regional Municipality of)	N.A.	53,431.2	26.6	27.0	16.4	13.0	77.1	70.0	77.1	70.0	3.5	3.7

Five-year averages cover 2022-2026. *Data refers to actuals whenever available, then estimates or base cases whenever available. a--Actual. N.A.--Not available. The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer.

'AA'

We rate 26 Canadian LRGs in the 'AA' category. Most LRGs in this category are municipalities, which operate under an extremely predictable and supportive institutional framework. We also have 'AA' ratings on five provinces and all--except the Province of Nova Scotia, which contends with demographic challenges from an aging population--have very strong economies. Financial management practices in this rating category are solid, although political and managerial strengths are not as robust as in the 'AAA' category.

After our previous review, we upgraded the Province of Alberta in December 2023 to 'AA-' with a stable outlook, from 'A+', on strong fiscal performance.

Key economic and financial risk indicators that we observe for the 'AA' rated LRGs are:

- High income levels but in some cases weaker economic profiles than those of 'AAA' rated peers.
- Usually sound operating surpluses. We expect the median to reach 14.3% and 15.4% of operating revenue respectively for cities and counties in 2022-2026, with deficits of 3.1% and 0.5% of total revenue each.
- Cities have higher debt levels compared to counties. We project median tax-supported debt will reach 76.0% in 2022-2026 for cities, compared to only 27.6% for counties. The same applies to median interest, which we project will reach about 3.0% of operating revenue for cities compared to 0.8% for counties during the same period.
- Provinces have weaker budgetary performance. We project the median operating margin at this rating category will reach 1.7% in 2022-2026, with some entities posting operating deficits and a median after-capital deficit of 6.2% of total revenue over the same period. Tax-supported debt as a percentage of consolidated operating revenue is higher than that of other 'AA' Canadian peers and we project it will moderately increase, with median levels at 169.1% for 2022-2026 (from 147.5% in 2023). Similarly, we expect median interest to reach 4.9% of total revenue over the same period.

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Table 5

Canadian local and regional government risk indicators ('AA' rated)

	Rating factor assessments						
	Foreign currency ratings *	Institutional framework	Economy	Financial management	Budgetary performance	Liquidity	Debt burden
Barrie (City of)	AA+/Stable/--	1	1	2	1	1	2
Calgary (City of)	AA+/Stable/A-1+	1	2	1	1	1	3
Edmonton (City of)	AA/Positive/A-1+	1	2	1	3	1	4
Greater Sudbury (City of)	AA+/Stable/--	1	2	2	2	1	3
Kingston (City of)	AA+/Stable/--	1	1	2	2	1	3
Laval (City of)	AA+/Stable/--	1	1	2	3	1	3
Montreal (City of)	AA/Stable/--	1	1	3	3	1	4
Ottawa (City of)	AA+/Stable/--	1	1	2	3	1	3
Peterborough (City of)	AA+/Stable/--	1	2	3	3	1	3
Sault Ste. Marie (City of)	AA+/Stable/--	1	3	3	2	1	1
St. John's (City of)	AA-/Positive/--	1	2	3	1	2	4
Thunder Bay (City of)	AA+/Stable/--	1	2	3	1	1	1
Toronto (City of)	AA/Positive/A-1+	1	1	2	3	1	3
Windsor (City of)	AA+/Stable/--	1	2	2	3	1	1
Winnipeg (City of)	AA+/Stable/--	1	1	2	2	1	3
Haldimand (County of)	AA/Stable/--	1	3	3	2	1	1
Lambton (County of)	AA+/Stable/--	1	3	3	1	1	1
Simcoe (County of)	AA+/Stable/--	1	2	3	2	1	1
Norfolk County	AA/Stable/--	1	3	3	2	1	1
Alberta (Province of)	AA-/Stable/A-1+	2	2	2	3	1	4
British Columbia (Province of)	AA-/Negative/A-1+	2	1	2	5	3	4
Nova Scotia (Province of)	AA-/Stable/A-1+	2	3	2	3	2	4
Quebec (Province of)	AA-/Stable/A-1+	2	1	2	4	1	5
Saskatchewan (Province of)	AA/Stable/A-1+	2	1	2	3	1	3

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Table 5

Canadian local and regional government risk indicators ('AA' rated) (cont.)

	Rating factor assessments						
	Foreign currency ratings *	Institutional framework	Economy	Financial management	Budgetary performance	Liquidity	Debt burden
Niagara (Regional Municipality of)	AA+/Stable/--	1	3	2	2	1	2
Yukon (Territory of)	AA/Stable/--	1	3	2	4	1	1

*Issuer credit rating as of Sept. 19, 2024. Institutional framework assessment is based on a six-point scale where 1 is the strongest and 6 the weakest, while the other factors consider a scale from 1 to 5, being 1 the strongest score and 5 the weakest.

Table 6

Canadian local and regional government financial statistics ('AA' rated)

	Local GDP (nominal) per capita (single units)	National GDP (nominal) per capita (single units)	Operating balance (% of operating revenues)		Balance after capital accounts (% of total revenues)		Direct debt (% of operating revenues)		Tax-supported debt (% of consolidated operating revenues)		Interest (% of operating revenues)	
	2023a	2023a	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average
	Global median	39,246.40	53,431.20	10.2	9.7	-3.7	-3.4	103.6	106.2	98.0	99.0	2.9
Canadian median	54,841.5	53,431.2	14.8	13.7	-3.1	-2.1	70.9	73.8	72.7	75.6	3.0	3.0
Barrie (City of)	N.A.	53,431.2	19.1	18.8	11.8	6.5	72.0	73.5	73.8	75.3	2.7	2.8
Calgary (City of)	N.A.	53,431.2	16.7	17.6	7.0	5.8	100.1	104.4	101.7	105.5	3.8	3.7
Edmonton (City of)	N.A.	53,431.2	16.2	16.1	-4.4	-6.1	133.7	138.5	133.7	138.5	4.9	4.9
Greater Sudbury (City of)	N.A.	53,431.2	15.2	14.1	4.3	-1.6	45.7	52.4	45.7	52.4	1.4	1.5
Kingston (City of)	N.A.	53,431.2	15.5	17.1	-4.7	-1.7	86.9	85.6	86.9	85.7	3.4	3.0
Laval (City of)	N.A.	53,431.2	10.3	10.3	-13.8	-9.8	79.7	87.8	79.7	87.8	2.8	3.0
Montreal (City of)	N.A.	53,431.2	16.5	14.3	-5.4	-6.0	153.7	154.0	158.8	159.4	6.6	7.4
Ottawa (City of)	N.A.	53,431.2	8.0	8.2	-14.0	-9.4	89.8	91.8	92.5	94.6	3.4	3.5
Peterborough (City of)	N.A.	53,431.2	14.8	14.3	-6.6	-4.7	51.7	52.0	52.1	52.0	1.0	1.4
Sault Ste. Marie (City of)	N.A.	53,431.2	14.8	14.3	0.8	-2.1	6.6	10.9	7.5	11.7	0.5	0.8
St. John's (City of)	N.A.	53,431.2	18.2	16.6	7.7	8.0	89.3	91.2	89.7	91.5	4.4	6.4

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Table 6

Canadian local and regional government financial statistics ('AA' rated) (cont.)

	Local GDP (nominal) per capita (US\$) (single units)	National GDP (nominal) per capita (US\$) (single units)	Operating balance (% of operating revenues)		Balance after capital accounts (% of total revenues)		Direct debt (% of operating revenues)		Tax-supported debt (% of consolidated operating revenues)		Interest (% of operating revenues)	
	2023a	2023a	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average	2023*	Five-year average
	Thunder Bay (City of)	N.A.	53,431.2	15.1	15.7	-2.2	1.0	31.9	31.8	31.9	31.8	1.1
Toronto (City of)	52,693.4	53,431.2	12.3	14.2	-7.5	-5.4	61.5	60.3	68.1	66.8	3.1	3.1
Windsor (City of)	N.A.	53,431.2	12.1	13.0	0.4	-3.7	13.3	11.7	13.3	11.7	0.6	0.5
Winnipeg (City of)	N.A.	53,431.2	15.2	12.8	-3.2	-3.1	69.8	74.1	71.5	76.0	3.8	3.9
Haldimand (County of)	N.A.	53,431.2	20.4	21.3	-2.4	-0.5	34.8	45.8	34.8	45.8	1.2	1.4
Lambton (County of)	N.A.	53,431.2	9.7	10.7	0.2	1.0	6.5	6.2	14.6	14.4	0.4	0.3
Simcoe (County of)	N.A.	53,431.2	9.7	9.5	2.3	-1.3	14.3	16.5	14.3	16.5	0.4	0.4
Norfolk County	N.A.	53,431.2	20.8	20.2	1.7	-0.4	37.6	38.7	37.6	38.7	1.1	1.1
Alberta (Province of)	69,603.2	53,431.2	12.9	12.5	4.5	4.1	121.6	124.4	125.7	128.4	4.2	4.1
British Columbia (Province of)	54,841.5	53,431.2	-5.1	-3.5	-18.1	-15.3	131.3	144.6	134.6	147.5	4.4	4.9
Nova Scotia (Province of)	39,361.7	53,431.2	4.4	1.7	-4.1	-6.2	114.8	129.0	115.1	129.3	3.8	4.2
Quebec (Province of)	47,394.6	53,431.2	-1.2	-1.6	-12.2	-11.7	180.7	189.1	191.1	199.3	7.3	7.2
Saskatchewan (Province of)	69,971.6	53,431.2	-0.2	3.3	-6.9	-4.7	142.4	154.7	148.2	160.1	5.9	6.4
Niagara (Regional Municipality of)	N.A.	53,431.2	14.9	13.4	-3.0	-1.7	62.0	71.7	62.0	71.7	2.2	2.6
Yukon (Territory of)	70,437.8	53,431.2	1.9	4.3	-4.6	-2.1	1.0	0.7	11.4	10.3	0.1	0.0

Five-year averages cover 2022-2026. *Data refer to actuals whenever available, then estimates or base cases whenever available. a--Actual. N.A.--Not available. The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer.

'A'

We rate the remaining five Canadian provinces in the 'A' category, but no municipalities. As with all other provinces in Canada, entities in this category operate in a very predictable and well-balanced institutional framework. Typically, financial management is satisfactory, although commitment to prudent fiscal policies has varied over the years. Most individual credit profiles are weaker than those of 'AA' rated LRGs. This is mainly because of weaker budgetary performance, lower budgetary flexibility, significantly higher debt burdens and interest payments, and notably weaker liquidity.

The 'A' rated LRGs exhibit the following common characteristics:

- Budgetary performance is notably weaker than higher-rated peers. We estimate the median operating surplus as a percentage of operating revenue will only modestly improve to 1.6% in 2022-2026, from 1.2% in 2023 (ended March 31, 2024). At the same time, we expect the median after-capital deficit as a percentage of total revenue to narrow to 5.3% in 2022-2026 from 7.2% in 2023. We note somewhat stronger performance from the Province of Newfoundland and Labrador and Province of New Brunswick, posting positive balances after capital accounts or minor deficits. This can be attributed to Newfoundland's commodity exposure and New Brunswick's sound fiscal management.
- Indebtedness is high in both an international and Canadian context. We estimate median tax-supported debt as a percentage of consolidated operating revenue will reach about 225.7% in 2022-2026. We note that the Province of Edward Island is less indebted than other 'A' rated peers, with an average tax-supported debt of 135.3% over 2022-2026.
- During the same period, we project median interest expense as a percentage of operating revenue of 6.6%, which is considerably higher than that of 'AA' and 'AAA' rated Canadian peers.

Table 7

Canadian local and regional government risk indicators ('A' rated)

	Rating factor assessments						
	Foreign currency ratings *	Institutional framework	Economy	Financial management	Budgetary performance	Liquidity	Debt burden
Newfoundland and Labrador (Province of)	A/Stable/A-1	2	3	2	3	4	5
Manitoba (Province of)	A+/Stable/A-1	2	1	2	3	3	4
New Brunswick (Province of)	A+/Positive/A-1+	2	3	2	2	1	4
Ontario (Province of)	A+/Positive/A-1	2	1	2	3	1	4
Prince Edward Island (Province of)	A/Positive/A-1	2	2	2	5	3	4

*Issuer credit rating as of Sept. 19, 2024. Institutional framework assessment is based on a six-point scale where 1 is the strongest and 6 the weakest, while the other factors consider a scale from 1 to 5, being 1 the strongest score and 5 the weakest.

Comparative Statistics: Risk Indicators For Canadian Local And Regional Governments: Strong Fiscal Management Is Key To Withstand Population Pressures

Table 8

Canadian local and regional government financial statistics ('A' rated)

	Local GDP (nominal) per capita (US\$) (single units)	National GDP (nominal) per capita (US\$) (single units)	Operating balance (% of operating revenues)	Balance after capital accounts (% of total revenues)	Direct debt (% of operating revenues)	Tax-supported debt (% of consolidated operating revenues)	Interest (% of operating revenues)					
	2023a	2023a	Five-year average 2023*	Five-year average 2023*	Five-year average 2023*	Five-year average 2023*	Five-year average 2023*					
Global median	39,877.50	34,216.30	7.6	7.5	-2.7	-1.2	146.1	137.2	156.1	151	4.0	3.8
Canadian median	45,614.8	53,431.2	1.2	1.6	-7.2	-5.3	181.2	192.0	222.1	225.7	6.4	6.6
Newfoundland and Labrador (Province of)	52,596.1	53,431.2	2.6	5.1	-2.4	0.2	181.2	192.0	222.1	231.9	8.5	8.1
Manitoba (Province of)	45,614.8	53,431.2	-4.0	1.6	-13.2	-5.3	271.9	262.2	272.6	262.8	9.7	9.4
New Brunswick (Province of)	40,929.0	53,431.2	6.7	6.9	-0.8	-0.4	172.8	171.8	179.0	178.0	5.8	6.2
Ontario (Province of)	51,869.5	53,431.2	1.2	1.1	-7.2	-7.4	218.0	215.7	228.4	225.7	6.4	6.6
Prince Edward Island (Province of)	42,616.5	53,431.2	-1.1	-0.4	-8.6	-8.5	130.0	134.7	130.8	135.3	5.7	5.8

Five-year averages cover 2022-2026. *Data refer to actuals whenever available, then estimates or base cases whenever available. a--Actual. N.A.--Not available. The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer.

Related Research

- Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S., Sept. 18, 2024
- Global LRGs Rating History List, June 17, 2024
- China Local Governments: The Slow Road To Stabilization, June 13, 2024
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