

## ECONOMIC AND FISCAL UPDATE

### Deteriorating economic conditions trigger deficits

#### HIGHLIGHTS

- New Minister of Finance, Bill Morneau, unveiled the fall update to the Canadian government's budget.
- The update only incorporates the negative impact deteriorating economic conditions have on public finances. We will have to wait for the next budget to learn the impact of the Trudeau government's new measures.
- The combination of lower-than-expected budget revenue and a larger increase in program expenditures led to deterioration of the budget balance expected for the coming fiscal years.
- Instead of the slight budgetary surpluses projected by the previous government, the new Minister of Finance now anticipates deficits of around \$3B on average for the next four fiscal years.

**Implications:** Today's update is clearly an intermediate process whose objective is to set a new starting point and reference for Canadian public finances. As such, we will have to wait for the 2016 budget to truly know the financial impact of the Trudeau government's new measures. However, in light of information currently available, the deficits revealed today are expected to be amplified in the next budget.

**Table 1**  
**Summary statement of transactions**

In \$B	Actual		Projections				
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
<b>Budgetary revenues</b>	<b>282.3</b>	<b>288.4</b>	<b>298.2</b>	<b>309.0</b>	<b>322.6</b>	<b>336.8</b>	<b>351.8</b>
- Change (%)	3.9	2.2	3.4	3.6	4.4	4.4	4.5
<b>Program spending</b>	<b>-253.8</b>	<b>-265.5</b>	<b>-276.3</b>	<b>-284.3</b>	<b>-294.4</b>	<b>-303.4</b>	<b>-311.8</b>
- Change (%)	2.1	4.6	4.1	2.9	3.6	3.1	2.8
<b>Debt charges</b>	<b>-26.6</b>	<b>-25.9</b>	<b>-25.9</b>	<b>-27.2</b>	<b>-29.6</b>	<b>-31.7</b>	<b>-33.3</b>
- Change (%)	-5.7	-2.6	0.0	5.0	8.8	7.1	5.0
<b>Adjustment based on risk<sup>1</sup></b>	<b>0.0</b>	<b>-1.5</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>
<b>Budgetary balance</b>	<b>1.9</b>	<b>-3.0</b>	<b>-3.9</b>	<b>-2.4</b>	<b>-1.4</b>	<b>1.7</b>	<b>6.6</b>
<b>Federal debt<sup>2</sup></b>	<b>612.3</b>	<b>616.5</b>	<b>620.4</b>	<b>622.8</b>	<b>624.2</b>	<b>622.5</b>	<b>615.9</b>
- Change (%)	0.1	0.7	0.6	0.4	0.2	-0.3	-1.1
<b>In % of GDP</b>							
Budgetary revenues	14.3	14.5	14.5	14.4	14.4	14.4	14.4
Program spending	12.9	13.4	13.4	13.2	13.1	13.0	12.8
Public debt charges	1.3	1.3	1.3	1.3	1.3	1.4	1.4
Budgetary balance	0.1	-0.2	-0.2	-0.1	-0.1	0.1	0.3
Federal debt	31.0	31.1	30.2	29.0	27.8	26.6	25.2

<sup>1</sup> Reserve contained in budget revenues; <sup>2</sup> Debt representing the accumulated deficits including other comprehensive income.

Sources: Department of Finance of Canada and Desjardins, Economic Studies

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