Canadian Federal Budget

October 24, 2017

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Fall Fiscal Update 2017

A hot economy is helping the federal finances, although some of that is being allocated to boost spending initiatives. Today’s fall update sees a deficit of $19.9bn for the current fiscal year, down from $28.5bn at the time of the budget. That’s being helped by the strength of the economy, which is now on track for real growth of 3.1% this year—more than 1%-pt higher than what was expected in the budget.

New initiatives announced since the budget account for $1.8bn of the revised deficit for this fiscal year. Those policies include the previously announced changes for small business and spending on critical services. The government announced today that it would begin the indexation of its Child Care Benefit plan in July 2018, two years earlier than previously planned, at a cost of $5.6bn over five years. There is also an expansion of its Working Income Tax Benefit, beginning in 2019.

Still even with the additional policies announced, deficits are still expected to be lower than previously projected over the forecast horizon. The 2018-19 deficit is now forecast to come in at $18.6bn, which is almost $9bn narrower than at budget time. Further out on the horizon the deficits should be tracking around $5bn lower. By 2022/23 the deficit is slated at $12.5bn. This year’s projection still includes a $1.5bn adjustment for risk, while future years have a risk adjustment of $3bn.

The debt-to-GDP ratio is now expected to be 30.5% this year, compared to 31.6% previously. By the end of the forecast horizon it’s 28.5% is around 2% below previous projections. So despite the deficits expected throughout the horizon, debt will still be falling as a percentage of GDP and be very low by the standards of most other developed countries.