



Update of Economic and Fiscal Projections

November 12, 2013

Federal Finance Minister Jim Flaherty unequivocally stated in recent weeks that the government would balance its books by fiscal 2015-16 and that the size of the surplus that year would not be “tiny”.

Today, he unveiled the government’s fall *Update of Economic and Fiscal Projections* at a luncheon speech to the Edmonton Chamber of Commerce. He noted that the government remains on track to balance the budget in 2015, and highlighted smaller deficits in the short term.

Specifically, the government projects a deficit of \$17.9 billion for the current fiscal year, \$5.5 billion for fiscal 2014-15 and a surplus of \$3.7 a year later. In the March 2013 federal budget, the government projected a deficit of \$18.7 billion for fiscal 2013-14, \$6.6 billion for 2014-15 and a modest surplus of \$800 million in 2015-16.

The government’s fiscal projections are based on an average of private sector economic forecasts. Private sector economists anticipate Canada’s economy will grow by 1.6% in 2013 and 2.4% in 2014. Real GDP growth is expected to average 2.4% from 2015 to 2018. The key risks to the outlook remain external to the Canadian economy, stemming from ongoing uncertainty over U.S. fiscal policy and the potential for a flare-up in the euro area sovereign debt and banking crisis.

The government continues to incorporate prudence into the budget plan in light of global economic uncertainty, a position the Canadian Chamber fully supports. It has included a \$20 billion downward adjustment to the private sector forecast for nominal GDP – the broadest single measure of the tax base – in each year from 2014 to 2018.

The government’s success in beating its deficit targets rests largely on spending restraint. As announced in the Speech from the Throne, the government is reintroducing a freeze on operating spending. The freeze will be in effect for the 2014-15 and 2015-16 fiscal years. Additionally, the government is undertaking a systematic review of Crown assets and indicated assets will be sold when it is in the best interest of Canadians.

The *Update* did not include any new policy announcements.

The *Update* stated: “The commitment to return to balanced budgets results from the Government’s fundamental belief that the private sector is the engine of growth and wealth creation. The role of government is to provide the framework policies, programs and services for a prosperous economy and society at levels of taxation that are competitive and sustainable for the long term.”