



# NEWS RELEASE

## Federal deficits could total almost \$200 billion over next five years

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For immediate release

**TORONTO**—The federal government’s plan to run \$113.2 billion in deficits over the next five years is premised on unrealistic assumptions regarding future spending restraint, which will likely result in much larger deficits and debt accumulation, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The federal government’s five-year deficit could reach nearly \$200 billion when more realistic assumptions about future growth in federal spending are included,” said Niels Veldhuis, president of the Fraser Institute and co-author of [\*Moving Targets: Re-estimating Federal Deficits and Debt-to-GDP through 2020/21\*](#).

In the first two years of the government’s five-year plan, the federal government intends to increase program spending (spending minus interest payments) by nearly \$34 billion or 12.4 per cent.

But after the first two years, the federal government proposes a marked slowdown in spending growth. Specifically, they plan to increase spending, on average, by 2.0 per cent per year, which is below the average rate of expected economic growth (4.3 per cent) and average population and inflation growth (3.0 per cent).

This means the federal government plans to reduce per person spending and shrink the size of the federal government relative to the economy over the last three years of its five-year plan.

“The government has provided no details with regard to how they will reduce the growth in spending after such significant increases in the first two years,” commented Charles Lammam, study co-author and director of fiscal studies at the Fraser Institute.

The study calculates deficits based on three alternative spending scenarios that incorporate more realistic assumptions about future spending. Specifically, spending is assumed to increase by:

- a) the rate of population growth plus inflation, which would stabilize per-person federal spending from 2017/18 onwards;
- b) the rate of economic growth which would stabilize spending as a share of the economy from 2017/18 onwards, and
- c) 6.0 per cent annually (the average growth rate in spending during the first two years of the five-year budget plan) from 2017/18.

If the government simply maintains per capita program spending levels, the five-year deficit will reach \$136.5 billion, \$23.3 billion more than currently budgeted. If, on the other hand, program spending in the future increases at 6 per cent (rather than the budgeted 2 per cent) the deficit for the five-year period will reach \$196.0 billion.


“Under every reasonable scenario, the cumulative federal deficit over the next five years will be substantially higher than the \$113.2 billion currently planned,” concluded Veldhuis.

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