Ottawa anticipates $23-billion year-end deficit

By Bill Curry

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The Liberal government ran a deficit of about $23-billion during its first full fiscal year in office, according to a preliminary estimate.

Finance Canada released its final tracking report of the 2016-17 fiscal year Friday, showing a $21.8-billion deficit. The department notes that when year-end adjustments are made, the final figure is likely to be "broadly in line" with the $23-billion deficit that was projected in the March budget. The official year-end deficit figures will not be released until the fall.

Monthly deficit figures had been trending toward a smaller deficit than what had been projected in the budget. However, Friday's report revealed that Ottawa ran a $10.4-billion deficit in March, the last month of the fiscal year.

At $23-billion, the 2016-17 deficit would be smaller than the $29.4-billion deficit projected more than a year ago by the Liberals in the 2016 budget. However, it is more than twice the size of the maximum $10-billion deficits the Liberals promised during the 2015 federal election campaign. The final deficit for the previous fiscal year, 2015-16, was $987-million.

After taking office, the Liberals said the government would be running larger-than-promised deficits because of weaker-than-expected economic growth.

Early indications for 2017 suggest the Liberals may have underestimated the strength of the economy. Finance Minister Bill Morneau's 2017 budget is based on an average of private-sector forecasts from December, 2016. The budget assumes the economy will grow by 1.9 per cent in 2017 and 2 per cent in 2018.

However, a May survey of private-sector forecasts conducted by Consensus Economics found the average forecast has increased to 2.4 per cent for 2017. The forecast remains at 1.9 per cent for 2018.

Friday's report provides a breakdown of the areas where spending has increased.

Overall revenues are largely unchanged from the previous year at $290-billion. The deficit is almost entirely due to a 7-per-cent increase in expenses, which grew from $291.5-billion to $312.1-billion.

Some of the biggest specific increases included a $4.2-billion boost to children's benefits through the new Canada Child Benefit, a $2.7-billion increase in elderly benefits due to growth in the elderly population, and higher consumer prices, which affect indexed benefits and increased transfers for infrastructure spending.

Lower-than-expected interest rates allowed the government to save $1.2-billion, which represents a 4.7-per-cent reduction in public debt charges.