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Tax Alert – Canada

Federal government delivers its 2020 Economic and Fiscal Snapshot

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“Today, our government is presenting an Economic and Fiscal Snapshot. This document provides Canadians, and Parliamentarians, with a picture of where our economy is right now.

Forecasts are always uncertain. So with this Snapshot, we are providing our best prediction of the economic situation in Canada to the end of the current fiscal year, to March 31st, 2021. Trying to predict further would be potentially misleading...

Some will criticize us on the cost of action. They will point to the size of our deficit for 2020-21. It is a testament of the shock that COVID-19 had on our economy.”

Federal Finance Minister Bill Morneau
Economic and Fiscal Snapshot 2020 - House Speech

On 8 July 2020, federal Finance Minister Bill Morneau delivered a *2020 Economic and Fiscal Snapshot*, taking into account the more than \$230 billion in economic measures introduced to support individuals and businesses impacted by the COVID-19 crisis. The snapshot, which outlines Canada’s current economic situation, does not include any new tax measures affecting individuals or corporations.

The snapshot forecasts a budgetary deficit of \$343.2b for 2020-21, up from a deficit of \$34.4b reported for the 2019-20 fiscal year. In addition, the government anticipates that the federal debt to GDP ratio will increase from 31.1% in fiscal 2019-20 to 49.1% for fiscal 2020-21, with the debt expected to reach \$1.2t by March 2021. As stated in the snapshot, “The toll on the broader economy in 2020 is expected to be the largest and most sudden economic contraction since the Great Depression.”

The following table summarizes the fiscal projections included in the *2020 Economic and Fiscal Snapshot*.

Table A

Changes to the Fiscal Outlook since the 2019 Economic and Fiscal Update (EFU 2019)

	2019-20	2020-21
	\$b	\$b
EFU 2019 budgetary balance	(26.6)	(28.1)
Adjustment for risk	1.5	3.0
EFU 2019 budgetary balance (without risk adjustment)	(25.1)	(25.1)
Economic and fiscal developments since EFU 2019	0.1	(81.3)
Revised budgetary balance before policy actions and investments	(25.0)	(106.4)
COVID-19 Economic Response Plan	(8.1)	(227.9)
Policy actions since EFU 2019	(1.3)	(9.0)
Final budgetary balance (i.e., deficit)	(34.4)	(343.2)
Federal debt (percent of GDP)	31.1%	49.1%

Note: Totals may not add due to rounding.

Although the *2020 Economic and Fiscal Snapshot* sets out next steps in terms of planned support to the provinces and territories (currently estimated at \$14b), there are no details on the government’s plan to pay down the debt or reduce the deficit in the future or on how to further spur economic recovery.

Learn more

For more information, please contact your EY advisor.

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