



*Centre for the Study of Living Standards
Centre d'étude des niveaux de vie*

Provinces likely to face a revenue shortfall over next 24 years, according to CSLS projections

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The Centre for the Study of Living Standards (CSLS) today released a major study entitled “Long-term Fiscal and Economic Projections for Canada and the Provinces and Territories, 2014-2038”. The report presents long-term fiscal and economic projections for Canada, the provinces and the territories for the 2014-2038 period, and discusses their implications for budgetary balance at the provincial/territorial level. Since the assumptions underlying the fiscal and economic projections are subject to uncertainty, the results of various alternative economic and fiscal scenarios are also presented. The report also looks at whether provincial/territorial governments will be able to finance public spending under these scenarios. In particular, it examines whether economic growth and hence revenue growth (assuming no major changes in tax policy) will be sufficient to fund likely spending pressures.

Economic growth is generally projected to be slower over the next 24 years than since 2000. Under the realistic assumptions that non-health spending is flat in real per capita terms and health spending grows at its average pace from the past 15 years (in nominal per capita terms), then, by and large, the provinces and territories will not be able to meet the test of balancing revenue growth with growth in public spending.

According to report co-author and CSLS Board member Don Drummond, under these assumptions “all, or almost all, provinces and territories, depending upon the economic assumptions, are projected to have insufficient revenue growth to match spending increases. Hence, without tax rate increases or action to curtail spending growth, there will be pressure for progressively larger deficits.”

Boosting government revenues to maintain fiscal balance is a much more politically palatable or acceptable path than raising taxes or cutting program spending, and the easiest way for revenues to grow is through faster economic growth. And of course, in addition to raising government revenues through taxes, higher GDP raises incomes and employment which, in turn, results in a higher standard of living.

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research.