

Canada preserves fiscal edge despite move to protect economy

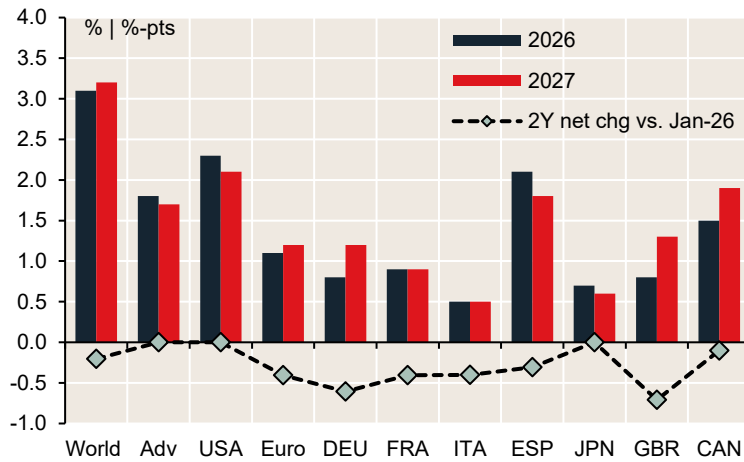
By Ethan Currie & Warren Lovely

The IMF's latest World Economic Outlook (**WEO**) arrives in a period when a rapidly-changing geopolitical backdrop makes economic and fiscal projecting—already difficult in the most 'normal' of times—even more challenging. Dubbed, 'Global Economy in the Shadow of War', the April 2026 WEO concedes this uncertainty with the presentation of a scenario-based forecast that hinges on developments in the Middle East. In the base case outlook, however, global growth is only on a modestly lower path compared to prior guidance. While Canada's growth outlook is largely unchanged, governments have moved to protect / defend a trade-sensitive economy. That extra budgetary red ink is captured in this latest

IMF forecast. Net borrowing is seen as more substantive yet again, which is directionally *inconsistent* with other G7 countries, who saw improvements relative to the Oct-26 IMF report. That's not to say Canada doesn't remain in favourable fiscal standing. The budget deficit—while loftier following the pandemic—remains contained relative to other jurisdictions, particularly the U.S., which isn't expected to see the same level of consolidation in years to come. Meantime, Canada's serious net debt edge—brought on by plentiful financial assets at the government / public pension level—is only set to build from here.

Chart 1: Global growth prospects *slightly* downgraded

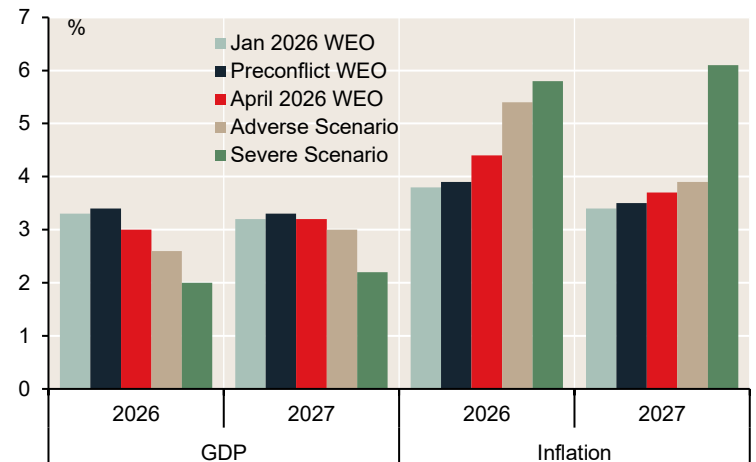
Real GDP growth projections: Latest WEO and 2Y change vs Jan-26 update



Source: NBC, IMF

Chart 2: The picture understandably hinges on M.E. war

IMF global real growth and all-items inflation projections under varying scenarios

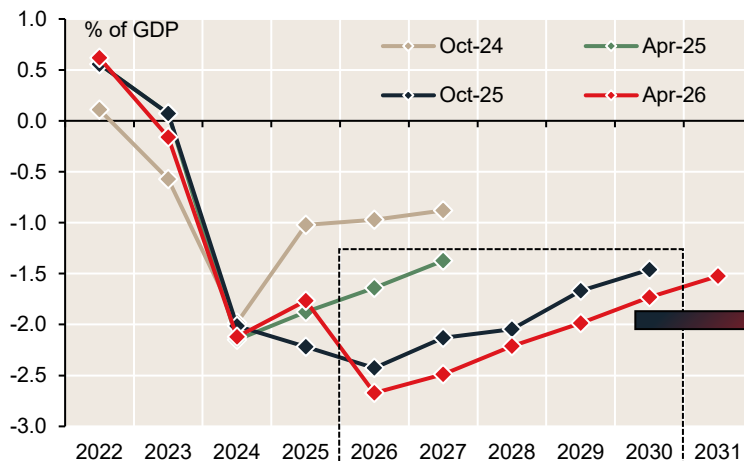


Source: NBC, IMF | Note: IMF-classified scenarios outlined in detail in the Apr-26 WEO report

Relative to prior IMF guidance, the global growth picture seems to have received only a modest downgrade on the surface—which is even more contained in advanced economies. However, global GDP was on a slightly better track before the onset of the Middle East conflict. Hits to the growth outlook are then of course more concentrated in countries with adverse exposures to energy costs.

Chart 3: Some fiscal slippage in Canada (again)...

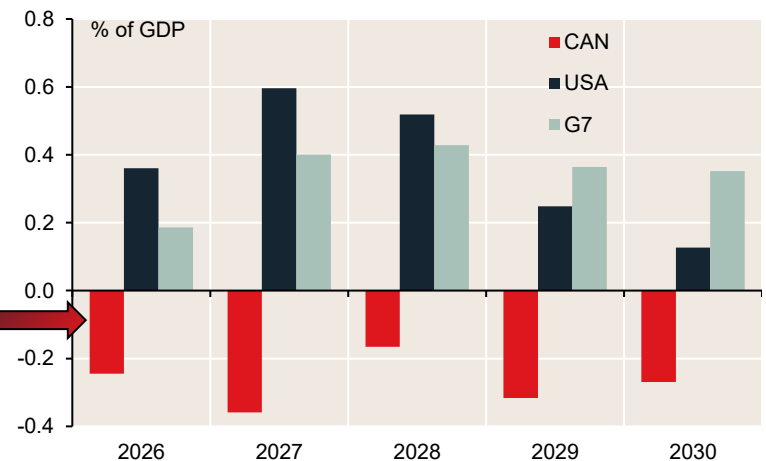
Canadian general government projected net lending / (borrowing)



Source: NBC, IMF

Chart 4: ... while some others see outlook improve

Change in projected net lending / (borrowing): Latest WEO vs Oct-26

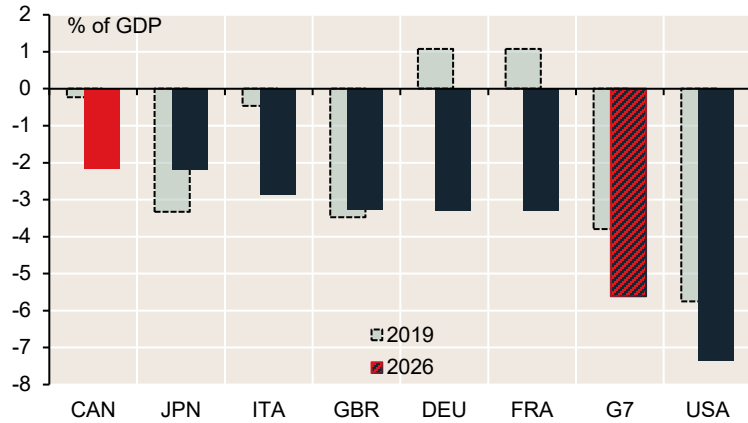


Source: NBC, IMF | Note: Represents net change each year vs prior IMF forecast (Oct-26)

Though Canada didn't receive material changes to the growth outlook, the IMF continues to see slippage on the fiscal trajectory. Canadian net borrowing figures have been steadily revised up across recent WEO's, with some consolidation still expected, but later. This contrasts with other G7 jurisdictions, who have seen improvements to their outlooks relative to the prior IMF report.

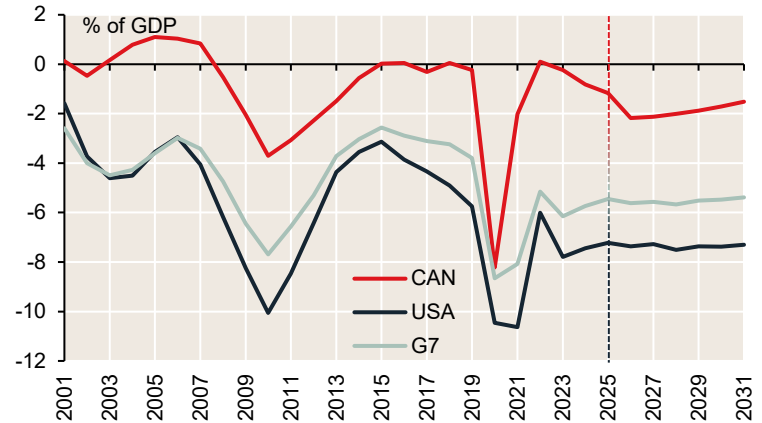


Chart 5: Still, Canada's income statement remains healthy...
General government structural balance, 2026 vs pre-COVID (2019)



Source: NBC, IMF

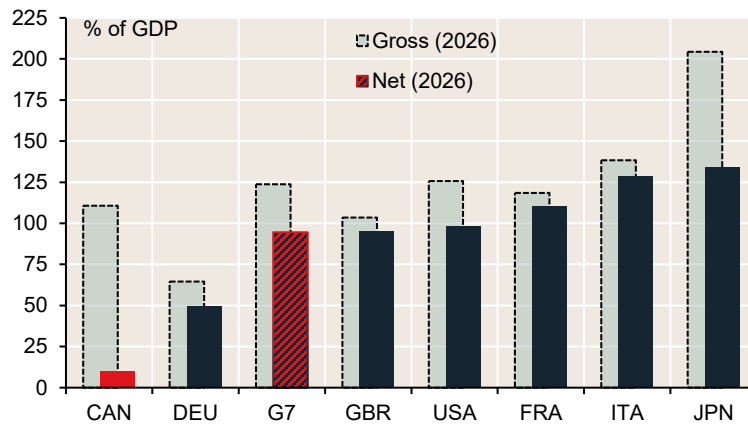
Chart 6: ... with a relative advantage expected to maintain
General government structural balance



Source: NBC, IMF | Note: Dotted line separates actuals / projections

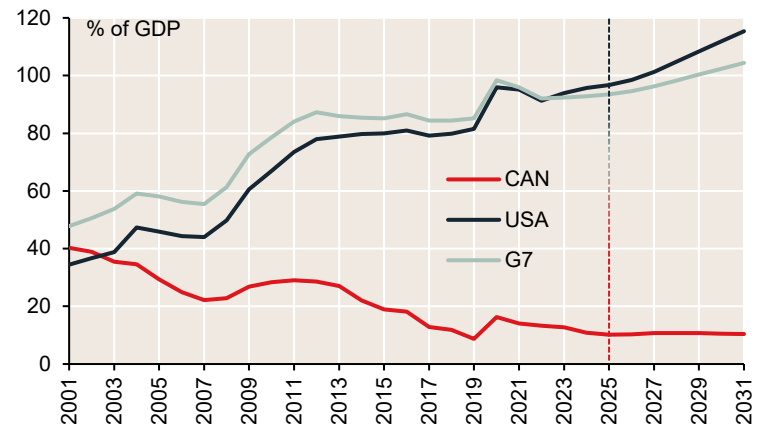
Despite some of the fiscal erosion mentioned above, Canada still maintains a relatively strong income statement. Budgetary shortfalls, while larger post-COVID, have stayed contained relative to others in the G7. Canada's structural balance advantage compared to the U.S. is expected to improve modestly over the next half decade, with some fiscal consolidation north of the border.

Chart 7: A pronounced advantage on the balance sheet...
General government gross and net debt-to-GDP, 2026



Source: NBC, IMF

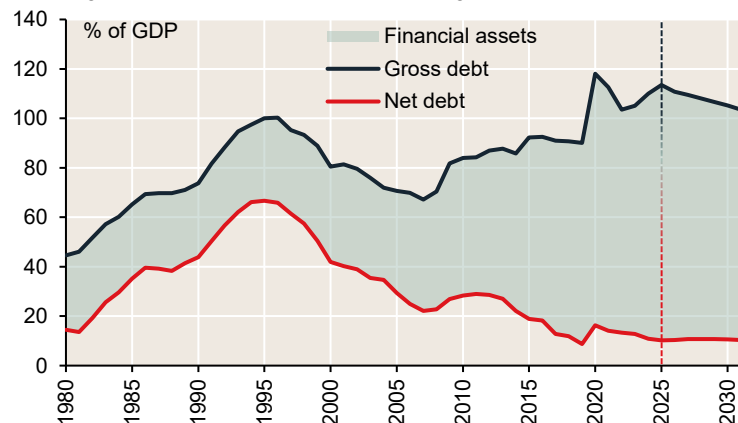
Chart 8: ... which is also set to continue (and build)
General government net debt-to-GDP



Source: NBC, IMF | Note: Dotted line separates actuals / projections

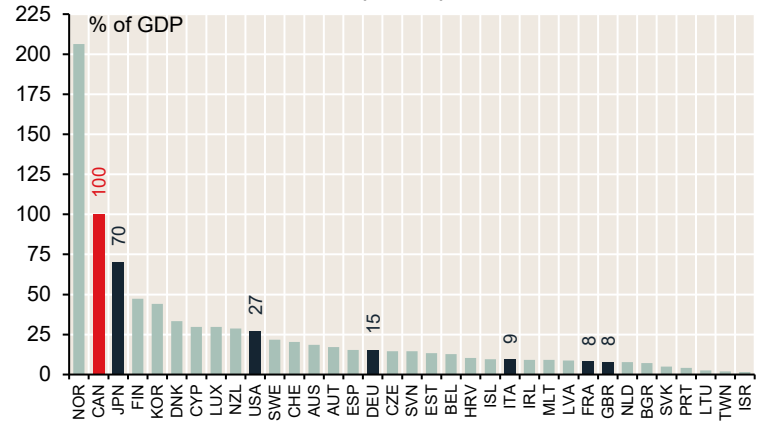
Even more pronounced is Canada's balance sheet advantage. While the gross debt load is comparable to the G7 average, net debt remains the lowest of the bunch. The IMF generally sees net debt burdens on the rise in other advanced economies throughout the projection horizon (with the U.S. curve pointed particularly steeper), meaning Canada's relative advantage is expected to grow.

Chart 9: Net debt edge is thanks to ample financial assets...
Canada gross debt, financial assets, and resulting net debt as a share of GDP



Source: NBC, IMF | Note: Dotted line separates actuals / projections

Chart 10: ... which are plentiful on the global scale, too
Financial assets as a share of GDP by country, 2026



Source: NBC, IMF | Note: G7 countries are highlighted in darker colours

If you're wondering where Canada's net debt edge stems from, this can be traced to plentiful financial assets (more details found [here](#)). A well-managed social security system (CPP/QPP) is one part of the story, contributing to what is a globally impressive financial asset base. Across Canada's general government sector, financial assets are second only to Norway as a share of GDP.



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