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# Economic and Fiscal Outlook

June 2026



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
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The Parliamentary Budget Officer supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings.

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# Highlights

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The Economic and Fiscal Outlook assessed that the Canadian economy grew by 1.7 per cent in 2025, with a weakened outlook thereafter.<sup>1</sup> Treating the current tariff environment as permanent, we now project real gross domestic product (GDP) growth of 1.1 per cent in 2026 and 1.6 per cent in 2027, down from 1.3 per cent and 1.8 per cent, respectively, from our September 2025 outlook.

After accounting for historical revisions, nominal GDP—the broadest measure of the Government's tax base—is projected to be, on average, \$19.5 billion higher annually over the 2026 to 2030 period compared to the outlook from September, due to stronger energy prices.

PBO's status quo fiscal outlook includes the incremental measures announced in Budget 2025 and the Spring Economic Update 2026. Combined, these measures amount to \$68.4 billion in (net) new spending over 2025-26 to 2030-31.

PBO projects the budgetary deficit to increase from \$36.3 billion (1.2 per cent of GDP) in 2024-25 to \$72.0 billion (2.2 per cent of GDP) in 2025-26 as modest revenue growth is outpaced by growth in expenses — largely reflecting the introduction of new measures.

PBO projects budgetary deficits averaging \$4.6 billion per year above the SEU 2026, reflecting lower revenues, particularly personal income tax, and higher program expenses, partially offset by lower public debt charges.

Recent trends point to atypical growth paths for elderly benefits and children's benefits. PBO will pursue further analysis regarding both expense categories.

Assuming no new measures are introduced and existing temporary measures sunset as scheduled; the budgetary deficit is projected to decline to \$58.2 billion by 2030-31, as revenue growth outpaces growth in program expenses, partially offset by rising public debt charges.

Due to persistent budgetary deficits of on average 1.8 per cent of GDP over the projection horizon, the federal debt-to-GDP ratio is anticipated to increase from 41.3 per cent in 2025-26 to 42.5 per cent in 2030-31. Similar to our September outlook, the federal debt-to-GDP ratio is projected to remain flat over the medium term.

# Summary

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This report provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings. Our outlook incorporates economic data up to May 8 and new measures announced by the Government in Budget 2025 and the Spring Economic Update 2026 (SEU).

Our baseline projection assumes that the economic effects of tariffs and countermeasures in place as of May 2026 will persist throughout the projection period. This also implies that any new trade agreement with the United States would be less favourable than CUSMA, with economic impacts roughly equivalent to the current tariffs and countermeasures.

Under status quo policies (on a cash basis), the outlook assumes core defence spending of 2.0 per cent of GDP in 2025-26, rising to 2.5 per cent by 2030-31. This represents a partial contribution toward Canada's commitment under the North Atlantic Treaty Organization (NATO) [Defence Investment Pledge of investing 5 per cent](#) of gross domestic product (GDP) by 2035, including 3.5 per cent for core defence spending and up to 1.5 per cent for ancillary defence and security-related expenditures.

The outlook also reflects planned savings from the Comprehensive Expenditure Review (CER), in line with the Government's stated profile.

The following provides a condensed overview of PBO's Economic and Fiscal Outlook (EFO). Projection details are provided in Appendices A to I.

# Economic outlook

The Canadian economy showed resilience in 2025, with real GDP growing by 1.7 per cent, supported by strong household consumption, despite disruptive trade policy actions and an uncertain geopolitical environment.<sup>1</sup> Growth was uneven in the second half of the year, expanding by 2.4 per cent in the third quarter before contracting by 0.6 per cent in the fourth. The economy entered 2026 with persistent trade uncertainty and slower population growth weighing on the near-term outlook.

The economic outlook has weakened somewhat compared to our September projection due to enduring trade frictions and higher uncertainty. We expect growth to remain subdued through 2026, before gradually recovering as net exports begin to rebound from depressed levels. Persistent uncertainty is expected to continue weighing on business investment and household spending, and slower population growth is reducing potential output growth in the short term.

The Canadian economy is projected to grow by 1.1 per cent in 2026, down from 1.3 per cent in our September outlook (Table 1).

## Table 1

Summary of the economic outlook, per cent (unless otherwise stated)

Years	2025	2026	2027	2028-2030
<b>Real GDP growth</b>	1.7	1.1	1.6	1.8
<b>Unemployment rate</b>	6.8	6.9	6.4	6.1
<b>WTI oil price, \$US</b>	65	80	66	68
<b>CPI inflation</b>	2.1	2.6	1.8	1.9
<b>Bank of Canada policy rate</b>	2.25	2.25	2.75	2.75

Source:

Parliamentary Budget Office and Statistics Canada.

Note:

The projection period covers 2026 to 2030. The unemployment rate and the Bank of Canada policy rate are end of period values.

Business investment continues to lag, as firms postpone expansion plans amid heightened uncertainty. Meanwhile, non-energy exports remain subdued, constrained by ongoing U.S. tariffs. The Middle East conflict has also pushed energy and commodity prices higher in early 2026. Inflation is projected to average 2.6 per cent in 2026, as

higher commodity prices offset downward pressure from excess supply and easing shelter costs.

With the economy operating below its productive capacity and inflation driven primarily by transitory energy and exchange rate effects rather than strong demand, the Bank of Canada is projected to hold its policy rate at 2.25 per cent through 2026. This represents an additional year of monetary stimulus compared to our September projection. As supply disruptions arising from the Middle East conflict ease and inflation returns toward the Bank of Canada's 2 per cent target, we expect the Bank will gradually raise its policy rate, reaching 2.50 per cent in mid-2027 and returning to its estimated neutral level of 2.75 per cent by the end of 2027.

In 2027, we project real GDP growth of 1.6 per cent, down from 1.8 per cent in our September outlook. Growth is driven by a rebound in business investment as firms resume spending, alongside strengthening household consumption as wage growth outpaces inflation. Residential investment remains subdued throughout the projection, with completions averaging around 222,000 annually—well below the 290,000 net completions over 10 years that PBO's [August 2025 analysis](#) estimated would be needed to close the national housing gap by 2035. Our outlook also reflects a shift in the composition of federal expenditure toward a greater share of capital formation, largely reflecting higher defence spending.

Over 2028 to 2030, we project growth to average approximately 1.8 per cent, which is slightly above our estimate of potential output growth (1.6 per cent) over that period. Household spending and business investment are projected to drive real GDP growth. Net exports are projected to remain a persistent drag throughout the horizon, as non-energy exports recover only gradually while import growth picks up with domestic demand. We now estimate that trade policies and uncertainty will reduce the level of GDP by 0.9 per cent by 2030, compared to 0.5 per cent in our September EFO.<sup>2</sup>

The labour market has softened in line with the broader slowdown. The unemployment rate ticked up to 6.9 per cent in April as employment declined while the labour force expanded as more people searched for work. We expect the unemployment rate to remain close to its current level over the remainder of the year before gradually declining to 6.0 per cent by the end of the projection horizon.<sup>3</sup>

After accounting for historical revisions, nominal GDP—the broadest measure of the Government's tax base—is projected to be, on average, \$19.5 billion higher per year over the 2026 to 2030 period compared to our September outlook.<sup>4</sup> This reflects

elevated commodity prices and their effect on the GDP deflator rather than stronger real economic activity.

# Fiscal outlook

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The current fiscal outlook includes measures announced in Budget 2025 and the Spring Economic Update 2026. Combined, this amounts to \$68.4 billion in additional (net) new spending over 2025-26 to 2030-31 to our September outlook.<sup>5</sup> The outlook also reflects planned savings from the Comprehensive Expenditure Review (CER), in line with the Government's stated profile.

On a cash basis, the outlook includes core defence spending of 2.0 per cent of GDP in 2025-26, rising to 2.5 per cent by 2030-31. Due to limited information, the outlook does not account for the Government's NATO commitment to increase defence expenditures to 3.5 per cent of GDP by 2035. We assume that the additional 1.5 per cent of GDP spending commitment toward critical defence and security-related expenditures will be met through existing planned spending.

For the previous fiscal year, 2025-26, we project the deficit to increase markedly from \$36.3 billion (1.2 per cent of GDP) in 2024-25 to \$72.0 billion (2.2 per cent of GDP), as modest revenue growth is outpaced by growth in expenses — largely reflecting the introduction of new measures (Table 2).

Assuming no new measures are introduced and existing measures sunset as scheduled; the budgetary deficit is projected to decline to \$58.2 billion (1.5 per cent of GDP) by 2030-31, as revenue growth outpaces growth in program expenses, partially offset by rising public debt charges.

**Table 2**

Summary of the fiscal outlook, billions of dollars (unless otherwise stated)

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Revenues</b>	511.0	508.1	528.3	546.2	566.1	588.4	612.0
Program expenses	489.9	514.8	541.7	550.4	560.3	578.3	595.4
Public debt charges	53.4	53.7	58.9	63.6	69.8	74.6	80.2
Actuarial losses	4.0	11.6	-0.4	0.2	-3.6	-4.7	-5.4
<b>Expenses</b>	547.3	580.1	600.1	614.2	626.4	648.1	670.2
<b>Budgetary balance</b>	-36.3	-72.0	-71.8	-68.0	-60.4	-59.7	-58.2
<b>Federal debt</b>	1,266.5	1,338.6	1,410.4	1,478.4	1,538.8	1,598.5	1,656.7
<b>Budgetary balance, % of GDP</b>	-1.2	-2.2	-2.1	-1.9	-1.7	-1.6	-1.5
<b>Federal debt, % of GDP</b>	40.7	41.3	41.6	42.4	42.6	42.6	42.5

Source:

Finance Canada and Parliamentary Budget Office.

Note:

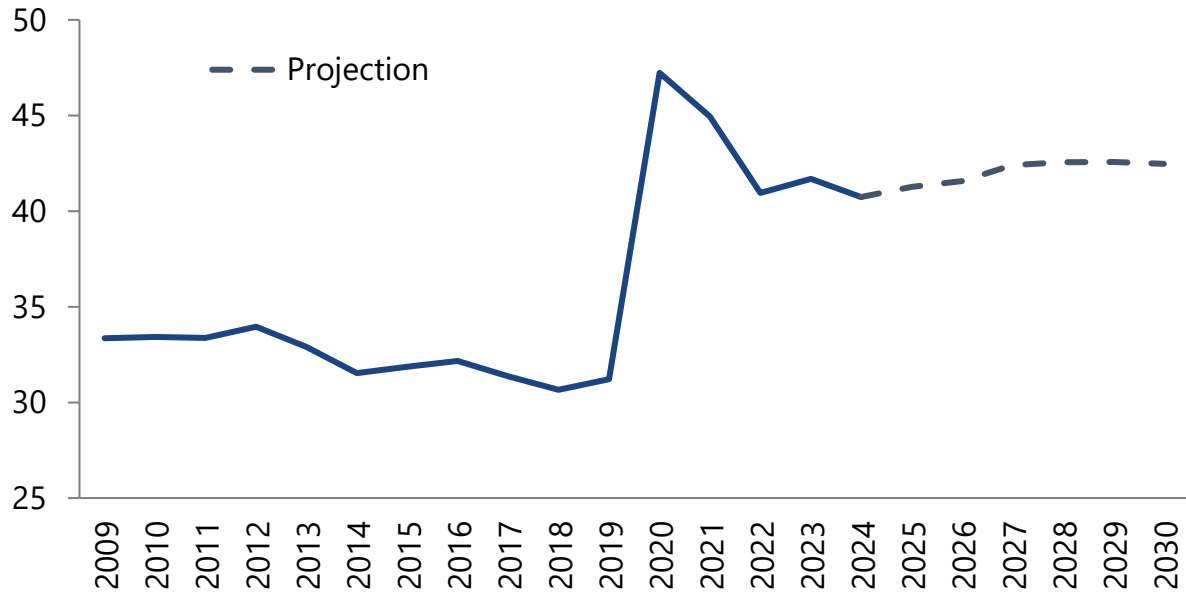
The projected level of federal debt for 2025-26 includes the \$0.1 billion in net remeasurement losses reported in the [February 2026 Fiscal Monitor](#). The projection period covers fiscal years 2025-26 to 2030-31. Totals may not add due to rounding.

The debt service ratio (that is, public debt charges relative to total revenues) is projected to increase from 10.5 per cent in 2024-25 to 10.6 per cent in 2025-26. As federal debt grows faster than revenues, the debt service ratio is projected to increase further, reaching 13.1 per cent in 2030-31. On a per capita basis, public debt charges are projected to climb from \$1,288 in 2025-26 to \$1,885 in 2030-31 reflecting low population growth and a rising debt stock.

The federal debt-to-GDP ratio is projected to increase from 40.7 per cent in 2024-25 to 41.3 per cent in 2025-26, and to reach 42.5 per cent by 2030-31, reflecting persistent budgetary deficits averaging 1.8 per cent of GDP over the projection horizon (Figure 1). Over the projection horizon, debt per capita increases from \$32,138 in 2025-26 to \$38,943 in 2030-31, rising at a rate broadly in line with nominal GDP per capita.

Similar to our September outlook, the federal debt-to-GDP ratio is projected to remain flat over the medium term.

**Figure 1**  
Federal debt-to-GDP ratio, per cent



Source:  
Finance Canada, Statistics Canada and Parliamentary Budget Office.

Note:  
Data are in fiscal years (2025 corresponds to fiscal year 2025-26). The projection period covers fiscal years 2025-26 to 2030-31.

Relative to the September outlook, budgetary deficits are projected to be \$2.7 billion higher on average, over 2025-26 to 2030-31. This upward revision is primarily attributable to new measures announced in Budget 2025 and the Spring Economic Update 2026, adding an average of \$11.4 billion per year to projected deficits over the projection horizon. These are mostly offset by stronger tax revenues, driven by improvements to personal and corporate income tax revenues, partially offset by lower GST revenues (Table 3).

**Table 3**  
Evolution of the budgetary balance, billions of dollars

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Budgetary balance – September 2025 EFO</b>	-68.5	-64.2	-62.1	-60.1	-59.6	-59.2
Total additional measures	-13.5	-24.5	-14.0	-5.4	-5.7	-5.3
Economic and other fiscal developments	10.1	16.9	8.1	5.1	5.5	6.3
<b>Budgetary balance – June 2026 EFO</b>	<b>-72.0</b>	<b>-71.8</b>	<b>-68.0</b>	<b>-60.4</b>	<b>-59.7</b>	<b>-58.2</b>

Source:

Parliamentary Budget Office.

Note:

Additional measures include the incremental measures in Budget 2025 and the Spring Economic Update 2026. Totals may not add due to rounding.

Relative to the SEU 2026, we project higher budgetary deficits, averaging \$4.6 billion per year over 2025-26 to 2030-31. On the revenue side, we project total revenues averaging \$1.4 billion per year below the SEU 2026, driven primarily by our lower nominal GDP projection. The largest divergence is in personal income tax — averaging \$2.4 billion per year below the SEU—mainly reflecting our somewhat lower wages and salaries growth assumption.<sup>6</sup>

On the expense side, higher program expenses averaging \$4.2 billion per year above the SEU 2026 are partially offset by \$1.0 billion per year in lower public debt charges, which largely reflect our somewhat lower 10-year bond yield projection.

Higher program expenses are driven by direct program expenses (\$3.2 billion per year, largely reflecting higher operating expenses) and elderly benefits (\$0.8 billion per year), partially offset by lower children's benefit spending (\$0.8 billion per year).

Within direct program expenses, [contingent liabilities](#) have contributed materially to costs in recent years, albeit with considerable year-to-year volatility. Our projection assumes that, on average, contingent liabilities over the projection horizon would be broadly in line with their 10-year historical average. The trajectory of these obligations nonetheless remains a source of uncertainty, given the wide variation in annual expenses observed over the past decade.

The difference in elderly benefits reflects our 2025–26 projection, which grows benefits in line with population and inflation. The difference in children's benefits reflects our demographic and wage growth assumptions.

Recent trends point to atypical growth paths for elderly benefits and children's benefits. For 2025-26, the SEU 2026 projects elderly benefit growth of 3.4 per cent — below what demographic and inflation trends would suggest — before rebounding sharply to 7.6 per cent in 2026-27. Between fiscal years 2022-2023 and 2024-25, expenses for children's benefits have increased by more than 15 per cent, reflecting in part, increases in recipients and higher than usual indexation of benefits. PBO will pursue further analysis regarding both expense categories.

# Risks and uncertainty

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Our outlook provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings (that is, a “status quo” baseline). Excluding risks related to the negotiation of a new trade deal with the United States, we judge that the risks to our economic and fiscal outlook are roughly balanced.

## **Key downside risk: Weaker business investment**

Heightened trade and geopolitical uncertainty could delay the recovery in business investment. If trade conditions fail to improve, businesses could delay or cancel investment plans, reducing labour productivity and potential output growth. This would result in higher-than-projected budgetary deficits and federal debt.

## **Key upside risk: Energy prices**

A sustained period of elevated energy prices would support real income growth and government revenues above the baseline projection. Household exposure is partially mitigated by Canada Groceries and Essentials Benefit and the temporary federal excise tax suspension, which expires September 7, 2026. However, if prices prove more persistent than assumed, the resulting inflationary pressure could warrant a tighter monetary policy stance than currently projected.

# Fiscal Anchors

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In the Spring Economic Update 2026, the Government reaffirmed its commitment to two fiscal anchors: maintaining a declining deficit-to-GDP ratio over the projection horizon and balancing operating spending with revenues by 2028-29.

To assess the resilience of federal finances to plausible shocks beyond the baseline projection, PBO stress tests the Government's fiscal plan. Stress testing serves as a complement to traditional scenario analysis, which systematically explores a wide range of outcomes providing risks surrounding the fiscal outlook.

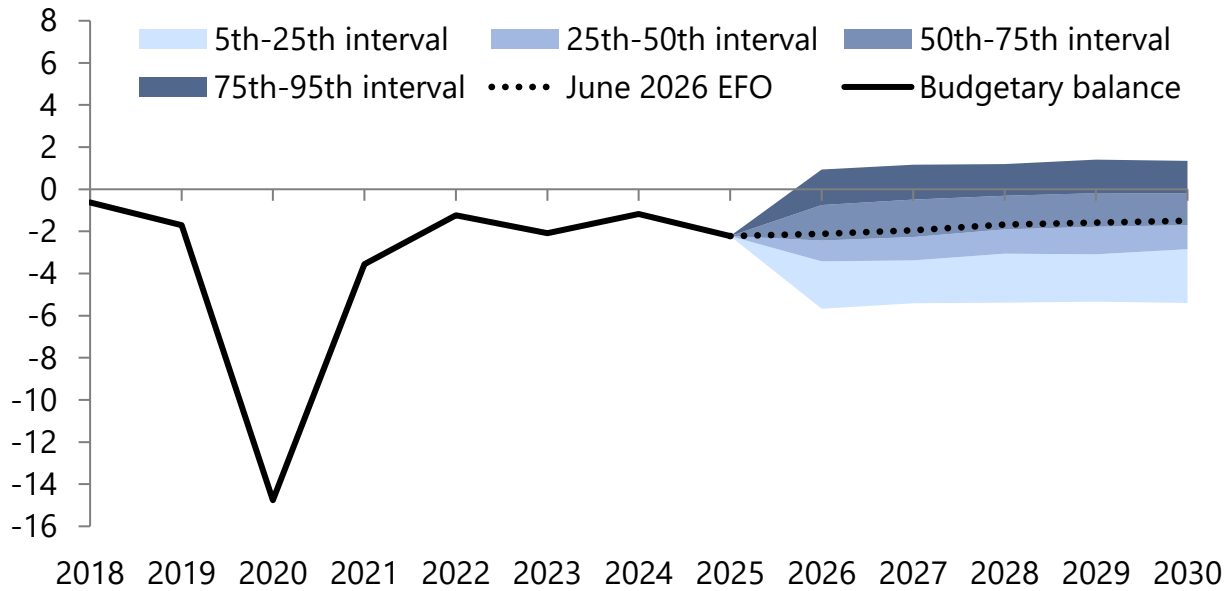
This section uses the methodology developed in PBO's January 2025 report, [Stress Testing the Government's Fiscal Anchor and Fiscal Objective](#), to evaluate a range of outcomes for the deficit-to-GDP ratio and the federal debt-to-GDP ratio. The approach draws on decades of Canadian economic and fiscal history, including, recessions, financial crises, oil price crashes, and runs thousands of combinations to show the range of possibilities.

## Declining deficit-to-GDP ratio

As outlined in Table 2, the federal deficit-to-GDP ratio is projected to increase from 1.2 per cent in 2024-25 to 2.2 per cent in 2025-26, before declining over the medium term to reach 1.5 per cent in 2030-31— consistent with the Government's first fiscal anchor.<sup>7</sup>

That said, stress testing reveals uncertainty surrounding this path. Based on historical shocks and the EFO projection, we estimate that the likelihood that the deficit-to-GDP ratio will decline in every year over 2026-27 to 2030-31 is less than 1 per cent.

**Figure 2**  
**Budgetary balance, per cent of GDP**



Source:  
 Parliamentary Budget Office.

Note:  
 The series are presented on a fiscal-year basis where 2018 refers to 2018-19. The projection period covers 2026-27 to 2030-31.

### Balancing operating spending with revenues by 2028-29

The Government's second fiscal anchor—to balance operating spending with revenues by 2028-29—is grounded in the Capital Budgeting Framework, which separates the budgetary balance into day-to-day operating and capital components. After 2028-29, borrowing will be permitted only for capital investment, while operating spending must be funded entirely by current revenues.

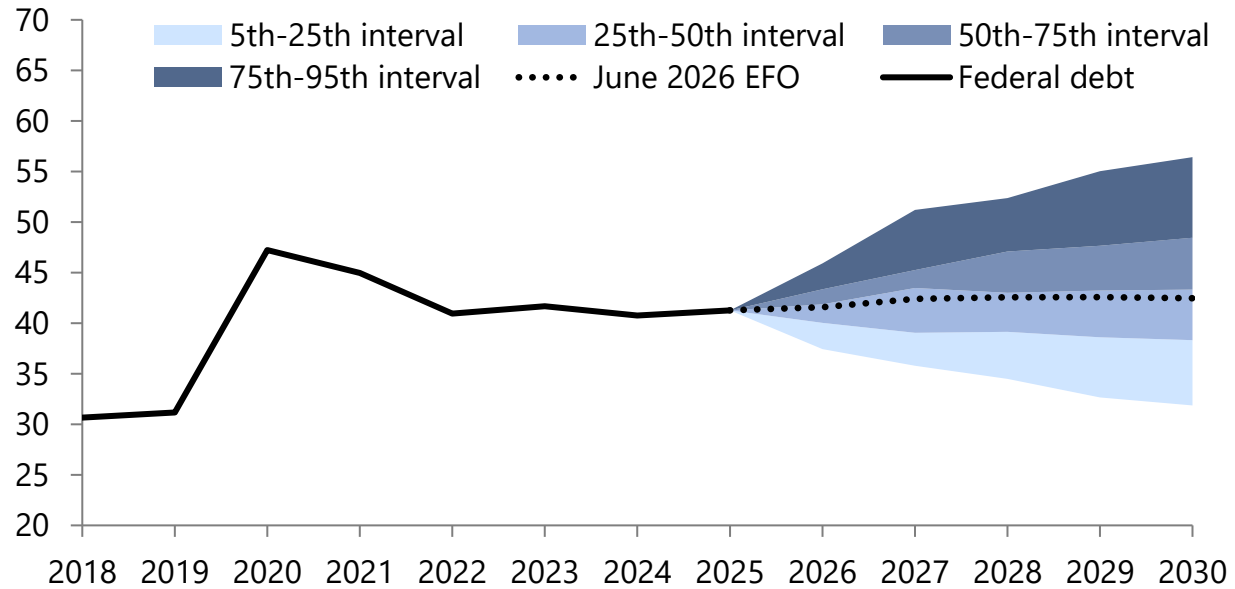
To support greater transparency, the PBO plans to provide parliamentarians with an independent assessment of the Framework in an upcoming report.

### Debt-to-GDP ratio

The IMF recently recommended reinstating the debt-to-GDP ratio as the primary fiscal anchor for Canada, noting that it would “strengthen discipline, transparency, and credibility while preserving fiscal space for high-return investment.”

The federal debt-to-GDP ratio is projected to rise from 41.3 per cent in 2025-26 to 42.5 per cent in 2030-31 (Figure 3).<sup>8</sup> Our results indicate that based on historical shocks and the EFO projection, there is a 39.6 per cent chance that the federal debt-to-GDP ratio in 2030-31 will be lower than its 2025-26 level.

**Figure 3**  
Federal debt, per cent of GDP



Source:  
Parliamentary Budget Office.

Note:  
The series are presented on a fiscal-year basis where 2018 refers to 2018-19. The projection period covers 2026-27 to 2030-31.

# Appendix A: Detailed economic outlook

% unless otherwise indicated	Actual	Projection				
	2025	2026	2027	2028	2029	2030
<b>Real GDP growth</b>						
June 2026	1.7	1.1	1.6	1.8	1.8	1.9
September 2025	1.2	1.3	1.8	1.8	1.7	1.7
<b>Potential GDP growth</b>						
June 2026	2.4	1.0	0.8	1.3	1.7	1.9
September 2025	1.9	0.8	0.8	1.4	1.7	1.8
<b>GDP inflation</b>						
June 2026	2.6	3.5	1.2	1.9	2.0	2.0
September 2025	2.2	1.4	1.9	2.1	2.0	2.0
<b>Nominal GDP growth</b>						
June 2026	4.3	4.6	2.8	3.7	3.8	3.9
September 2025	3.4	2.7	3.7	3.9	3.8	3.8
<b>Nominal GDP (\$ billions)</b>						
June 2026	3,243	3,392	3,486	3,616	3,755	3,900
September 2025	3,178	3,263	3,385	3,516	3,649	3,787
<b>3-month treasury rate</b>						
June 2026	2.2	2.2	2.7	2.7	2.7	2.7
September 2025	2.5	2.7	2.7	2.7	2.7	2.7
<b>10-year government bond rate</b>						
June 2026	3.4	3.5	3.5	3.5	3.5	3.5
September 2025	3.5	3.5	3.5	3.5	3.5	3.5
<b>Exchange rate (US\$/C\$)</b>						
June 2026	71.6	73.1	73.8	75.2	75.9	76.2
September 2025	71.9	73.6	75.4	76.7	77.4	77.8
<b>Unemployment rate</b>						
June 2026	6.8	6.9	6.4	6.2	6.1	6.0
September 2025	7.2	6.4	6.0	5.8	5.7	5.6
<b>CPI inflation</b>						
June 2026	2.1	2.6	1.8	1.9	1.9	2.0
September 2025	1.9	1.6	1.8	1.9	1.9	2.0
<b>U.S. real GDP growth</b>						
June 2026	2.1	2.0	1.8	1.8	1.8	1.8
September 2025	1.7	1.6	2.0	1.9	1.8	1.8
<b>WTI oil price (\$US)</b>						
June 2026	65	80	66	67	68	69
September 2025	66	61	62	63	64	66

Source:

Statistics Canada and Parliamentary Budget Office.

Note:

The unemployment rate and interest rates (3-month treasury rate and 10-year government bond rate) are end-of-period values.

# Appendix B: Composition of nominal GDP

% of GDP	Actual	Projection				
	2025	2026	2027	2028	2029	2030
<b>Expenditure share</b>						
Final household consumption	54.3	54.0	54.4	54.5	54.8	55.2
Non-profit institutions serving households	1.7	1.6	1.7	1.7	1.7	1.7
Government consumption expenditure	21.9	21.7	21.7	21.5	21.3	21.1
Government investment	4.2	4.4	4.3	4.1	4.1	4.1
Residential investment	7.5	7.2	7.2	7.3	7.4	7.4
Business investment	11.1	10.9	11.2	11.4	11.4	11.6
Inventory investment	0.3	0.0	0.5	0.7	0.7	0.6
Exports of goods and services	31.3	32.1	31.1	31.0	31.2	31.1
Imports of goods and services	32.2	31.8	32.0	32.2	32.5	32.7
<b>Income share</b>						
Compensation of employees	50.2	49.2	50.0	50.2	50.3	50.4
Net mixed income	9.5	9.4	9.2	8.9	8.9	8.9
Corporate profits before tax	10.9	12.0	11.8	11.9	11.7	11.3
Investment income	3.2	2.7	2.5	2.5	2.5	2.6
Consumption of fixed capital	16.4	16.7	16.7	16.6	16.6	16.7
Taxes less subsidies on production	3.5	3.9	3.9	3.9	3.9	3.9
Taxes less subsidies on products and imports	6.2	6.0	6.0	6.0	6.1	6.1

Source:

Statistics Canada and Parliamentary Budget Office.

# Appendix C: Detailed revenue outlook

\$ billions	Actual	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Income taxes</b>							
Personal income tax	234.3	238.5	248.3	260.1	271.2	282.7	294.6
Corporate income tax	97.0	99.4	101.2	99.0	100.1	102.5	105.2
Non-resident income tax	13.5	14.1	14.3	14.5	14.8	15.0	15.2
<b>Total</b>	<b>344.8</b>	<b>352.0</b>	<b>363.8</b>	<b>373.6</b>	<b>386.1</b>	<b>400.2</b>	<b>415.0</b>
<b>Excise taxes/duties</b>							
Goods and Services Tax	52.5	49.8	52.8	54.8	56.8	59.5	62.4
Custom import duties	6.3	10.1	8.4	7.4	7.8	8.2	8.5
Other excise taxes/duties	13.1	13.2	11.2	13.4	13.5	13.6	13.7
<b>Total</b>	<b>71.9</b>	<b>73.0</b>	<b>72.3</b>	<b>75.6</b>	<b>78.0</b>	<b>81.3</b>	<b>84.6</b>
Other taxes	0.0	0.0	2.7	1.9	2.1	2.1	2.1
EI premium revenues	31.5	32.9	33.9	35.5	37.0	38.5	40.2
<b>Other revenues</b>							
Enterprise Crown corporations	8.0	12.1	14.5	17.5	19.8	21.7	23.4
Other programs	47.9	32.1	34.5	35.8	36.5	37.8	39.5
Net foreign exchange revenues and return on investments	6.8	6.0	6.5	6.3	6.5	6.8	7.1
<b>Total</b>	<b>62.7</b>	<b>50.1</b>	<b>55.5</b>	<b>59.6</b>	<b>62.9</b>	<b>66.3</b>	<b>70.0</b>
<b>Total budgetary revenues</b>	<b>511.0</b>	<b>508.1</b>	<b>528.3</b>	<b>546.2</b>	<b>566.1</b>	<b>588.4</b>	<b>612.0</b>
<b>Per cent of GDP</b>							
Total tax revenues	13.4	13.1	12.9	12.9	12.9	12.9	12.9
Employment Insurance premium revenues	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other revenues	2.0	1.5	1.6	1.7	1.7	1.8	1.8
<b>Total budgetary revenues</b>	<b>16.4</b>	<b>15.7</b>	<b>15.6</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>	<b>15.7</b>

Source:

Finance Canada and Parliamentary Budget Office.

Note:

\*Other programs include Pollution pricing proceeds to be returned to Canadians. Totals may not add due to rounding.

# Appendix D: Detailed expense outlook

\$ billions	Actual	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Major transfers to persons</b>							
Elderly benefits	80.3	85.1	90.2	94.7	99.5	104.2	109.0
Employment Insurance	24.9	29.1	34.0	33.5	33.5	34.2	35.2
Canada Child Benefit	28.6	30.1	30.9	31.6	31.9	32.3	32.7
COVID-19 income support for workers	-2.2	0.1	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>131.6</b>	<b>144.5</b>	<b>155.1</b>	<b>159.8</b>	<b>164.9</b>	<b>170.8</b>	<b>176.9</b>
<b>Major transfers to provinces, territories, and municipalities</b>							
Canada Health Transfer	52.1	54.7	57.4	60.3	62.5	64.7	67.1
Canada Social Transfer	16.9	17.4	17.9	18.5	19.0	19.6	20.2
Equalization	25.3	26.2	27.6	28.7	29.7	30.8	31.9
Territorial Formula Financing	5.2	5.5	5.8	6.2	6.4	6.7	7.0
Health agreements with provinces and territories	4.4	4.3	4.3	3.1	2.5	2.5	2.5
Canada-wide early learning and childcare	6.6	7.9	8.6	8.0	8.2	8.5	8.1
Canada Community-Building Fund – Community Stream	2.4	2.5	2.5	2.6	2.6	2.7	2.7
Other fiscal arrangements	-7.7	-7.6	-7.9	-8.3	-8.7	-9.0	-9.4
<b>Total</b>	<b>105.1</b>	<b>110.9</b>	<b>116.3</b>	<b>119.0</b>	<b>122.4</b>	<b>126.4</b>	<b>130.1</b>
Pollution pricing proceeds returned to Canadians	15.6	4.7	0.2	0.1	0.0	0.0	0.0
<b>Direct program expenses</b>							
Other transfer payments	107.1	113.4	121.0	120.8	119.9	122.6	125.2
Other direct program expenses	130.5	141.3	149.1	150.7	153.0	158.5	163.2
<b>Total</b>	<b>237.6</b>	<b>254.7</b>	<b>270.0</b>	<b>271.5</b>	<b>272.9</b>	<b>281.1</b>	<b>288.4</b>
<b>Total program expenses</b>	<b>489.9</b>	<b>514.8</b>	<b>541.7</b>	<b>550.4</b>	<b>560.3</b>	<b>578.3</b>	<b>595.4</b>
Public debt charges	53.4	53.7	58.9	63.6	69.8	74.6	80.2
<b>Total expenses, excluding net actuarial losses</b>	<b>543.3</b>	<b>568.5</b>	<b>600.5</b>	<b>614.0</b>	<b>630.1</b>	<b>652.9</b>	<b>675.6</b>
Net actuarial losses	4.0	11.6	-0.4	0.2	-3.6	-4.7	-5.4
<b>Per cent of GDP</b>							
Major transfers to persons	4.2	4.5	4.6	4.6	4.6	4.5	4.5
Major transfers to provinces, territories, and municipalities	3.4	3.4	3.4	3.4	3.4	3.4	3.3
Pollution pricing proceeds returned to Canadians	0.5	0.1	0.0	0.0	0.0	0.0	0.0
Direct program expenses	7.6	7.9	8.0	7.8	7.5	7.5	7.4
<b>Total program expenses</b>	<b>15.8</b>	<b>15.9</b>	<b>16.0</b>	<b>15.8</b>	<b>15.5</b>	<b>15.4</b>	<b>15.3</b>

Source:

Finance Canada and Parliamentary Budget Office.

Note:

Totals may not add due to rounding.

# Appendix E: Employment Insurance Operating Account

\$ billions	Actual	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Revenues</b>							
Premium revenues	31.5	32.9	33.9	35.5	37.0	38.5	40.2
Contributions for federal employees	0.6	0.6	0.6	0.7	0.7	0.7	0.7
<b>Total</b>	<b>32.2</b>	<b>33.5</b>	<b>34.6</b>	<b>36.2</b>	<b>37.6</b>	<b>39.2</b>	<b>40.9</b>
<b>Expenses</b>							
Benefits	24.9	29.1	34.0	33.5	33.5	34.2	35.2
Administration expenses	3.0	3.4	3.4	3.3	2.8	2.8	2.8
<b>Total</b>	<b>27.8</b>	<b>32.5</b>	<b>37.4</b>	<b>36.7</b>	<b>36.4</b>	<b>37.0</b>	<b>38.0</b>

	2024	2025	2026	2027	2028	(...)	2032	2033
Annual balance	4.0	2.0	-1.9	-1.0	1.0		3.5	4.7
Cumulative balance	-16.9	-14.9	-16.8	-17.8	-16.8		-4.9	-0.2
Premium rate (per \$100 of insurable earnings)	1.66	1.64	1.63	1.64	1.64		1.64	1.64

Source:

Finance Canada and Parliamentary Budget Office.

Note:

Totals may not add due to rounding. The projection period covers 2025 to 2033.

## Appendix F: Direct program expenses

\$ billions	Actual	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Other transfer payments</b>	107.1	113.4	121.0	120.8	119.9	122.6	125.2
<b>Operating expenses</b>							
Personnel expenses	73.9	69.2	79.4	81.0	81.0	84.0	86.0
Consolidated Crown corporations	10.5	11.3	9.5	9.2	9.1	9.5	9.8
Other operating expenses	40.0	54.0	52.7	51.8	52.5	52.6	53.2
<b>Total</b>	<b>124.4</b>	<b>134.5</b>	<b>141.6</b>	<b>142.0</b>	<b>142.6</b>	<b>146.1</b>	<b>149.0</b>
Capital amortization expenses	6.0	6.8	7.5	8.7	10.4	12.4	14.2
<b>Operating and capital expenses</b>	<b>130.5</b>	<b>141.3</b>	<b>149.1</b>	<b>150.7</b>	<b>153.0</b>	<b>158.5</b>	<b>163.2</b>
<b>Total direct program expenses</b>	<b>237.6</b>	<b>254.7</b>	<b>270.0</b>	<b>271.5</b>	<b>272.9</b>	<b>281.1</b>	<b>288.4</b>

Source:

Finance Canada and Parliamentary Budget Office.

Note:

Totals may not add due to rounding.

# Appendix G: Federal debt outlook

\$ billions, unless otherwise indicated	Actual	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Interest-bearing debt</b>							
Market debt*	1,478.0	1,570.5	1,711.6	1,867.8	2,022.0	2,149.7	2,271.9
Pensions and other future benefits	383.4	373.9	385.0	395.3	406.1	415.3	422.7
Other liabilities	4.5	4.8	5.3	5.7	6.2	6.6	7.0
<b>Total</b>	<b>1,869.3</b>	<b>1,949.2</b>	<b>2,101.9</b>	<b>2,268.9</b>	<b>2,434.3</b>	<b>2,571.6</b>	<b>2,701.6</b>
Accounts payable and accrued liabilities	259.7	276.0	288.7	298.8	310.5	324.2	338.0
Foreign exchange accounts liabilities	47.7	47.1	46.7	46.9	46.9	46.9	46.9
Derivatives	5.6	5.0	5.2	5.0	5.1	5.1	5.1
<b>Total liabilities</b>	<b>2,182.3</b>	<b>2,277.3</b>	<b>2,442.4</b>	<b>2,619.6</b>	<b>2,796.7</b>	<b>2,947.8</b>	<b>3,091.5</b>
Financial assets	788.8	795.8	866.9	949.8	1,038.7	1,101.0	1,158.2
Non-financial assets	127.1	142.9	165.1	191.3	219.2	248.3	276.6
<b>Total assets</b>	<b>915.9</b>	<b>938.7</b>	<b>1,032.0</b>	<b>1,141.2</b>	<b>1,257.9</b>	<b>1,349.3</b>	<b>1,434.8</b>
<b>Federal debt (liabilities less assets)</b>	<b>1,266.5</b>	<b>1,338.6</b>	<b>1,410.4</b>	<b>1,478.4</b>	<b>1,538.8</b>	<b>1,598.5</b>	<b>1,656.7</b>
Federal debt (% of GDP)	40.7	41.3	41.6	42.4	42.6	42.6	42.5
Market debt: agent Crown corporations (net of CMBs purchased by the GOC)*	312.1	312.8	344.4	369.1	386.4	400.9	410.7
<b>Borrowing requirements, as per the <i>Borrowing Authority Act</i></b>	<b>1,790.1</b>	<b>1,883.3</b>	<b>2,056.0</b>	<b>2,236.9</b>	<b>2,408.4</b>	<b>2,550.6</b>	<b>2,682.6</b>

Source:

Finance Canada and Parliamentary Budget Office.

Note:

\* Borrowing requirements under the *Borrowing Authority Act* pertain to the sum of Government of Canada and agent Crown corporation market debt. This amount may differ slightly from what is reported in the Public Accounts, which incorporates an adjustment for amortized cost. Totals may not add due to rounding.

# Appendix H: Comparison to September 2025 outlook

\$ billions	Projection					
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Income taxes</b>						
Personal income tax	4.2	6.8	6.2	6.8	6.3	5.9
Corporate income tax	9.6	11.2	5.9	5.1	5.4	5.1
Non-resident income tax	-0.2	-0.1	0.0	0.0	0.0	0.1
<b>Total</b>	<b>13.6</b>	<b>18.0</b>	<b>12.1</b>	<b>11.9</b>	<b>11.6</b>	<b>11.1</b>
<b>Excise taxes/duties</b>						
Goods and Services Tax	-6.7	-4.0	-3.9	-3.8	-3.2	-2.9
Custom import duties	-2.3	0.2	0.7	0.6	0.6	0.6
Other excise taxes/duties	-0.2	-2.2	0.0	0.1	0.2	0.3
<b>Total</b>	<b>-9.2</b>	<b>-6.0</b>	<b>-3.2</b>	<b>-3.1</b>	<b>-2.5</b>	<b>-2.1</b>
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0
El premium revenues	1.2	1.4	2.1	2.0	2.1	2.3
Other revenues	-1.6	-0.3	-0.3	-0.3	-0.8	-1.8
<b>Total budgetary revenues</b>	<b>3.9</b>	<b>13.0</b>	<b>10.7</b>	<b>10.5</b>	<b>10.5</b>	<b>9.6</b>
<b>Major transfers to persons</b>						
Elderly benefits	0.1	0.8	1.0	1.1	1.1	1.0
Employment Insurance	-2.2	2.2	3.3	3.0	2.8	2.9
Canada Child Benefit	-0.1	0.5	0.9	1.0	1.1	1.1
COVID-19 income support for workers	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>-2.2</b>	<b>3.6</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>	<b>5.1</b>
<b>Major transfers to provinces, territories, and municipalities</b>						
Canada Health Transfer	0.0	0.0	0.0	0.2	-0.1	-0.1
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.5	0.7	0.8	0.7	0.7
Territorial Formula Financing	0.0	0.1	0.1	0.1	0.1	0.1
Other transfers to government	-0.7	-0.2	-0.8	-0.9	-0.9	-1.6
<b>Total</b>	<b>-0.7</b>	<b>0.4</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.1</b>	<b>-0.8</b>
Pollution pricing proceeds returned to Canadians	0.9	0.2	0.1	0.0	0.0	0.0
<b>Direct program expenses</b>						
Other transfer payments	5.7	13.0	9.6	4.2	2.6	3.8
Other direct program expenses	-1.9	7.5	7.4	6.2	6.7	4.9
<b>Total</b>	<b>3.9</b>	<b>20.5</b>	<b>17.0</b>	<b>10.4</b>	<b>9.3</b>	<b>8.8</b>
<b>Total program expenses</b>	<b>1.8</b>	<b>24.7</b>	<b>22.3</b>	<b>15.7</b>	<b>14.2</b>	<b>13.1</b>

Public debt charges	-1.6	-2.3	-3.2	-2.1	-2.0	-2.3
<b>Total expenses</b>	<b>0.2</b>	<b>22.4</b>	<b>19.1</b>	<b>13.6</b>	<b>12.2</b>	<b>10.9</b>
<b>Budgetary balance before net actuarial losses</b>	<b>3.7</b>	<b>-9.3</b>	<b>-8.4</b>	<b>-3.2</b>	<b>-1.7</b>	<b>-1.1</b>
Net actuarial losses	7.2	-1.7	-2.6	-2.9	-1.6	-2.1
<b>Budgetary balance</b>	<b>-3.5</b>	<b>-7.6</b>	<b>-5.9</b>	<b>-0.3</b>	<b>-0.1</b>	<b>1.0</b>
<b>Federal debt</b>	<b>-11.6</b>	<b>-4.0</b>	<b>1.9</b>	<b>2.2</b>	<b>2.3</b>	<b>1.3</b>

Source:

Finance Canada and Parliamentary Budget Office.

Note:

Totals may not add due to rounding.

# Appendix I: Comparison to SEU 2026

\$ billions	Projection					
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
<b>Income taxes</b>						
Personal income tax	-1.5	-3.3	-2.0	-2.5	-2.4	-2.4
Corporate income tax	-2.1	1.5	-0.1	1.0	-0.6	-1.4
Non-resident income tax	0.0	0.0	-0.1	-0.1	-0.1	-0.1
<b>Total</b>	<b>-3.6</b>	<b>-1.9</b>	<b>-2.2</b>	<b>-1.5</b>	<b>-3.1</b>	<b>-3.9</b>
<b>Excise taxes/duties</b>						
Goods and Services Tax	-0.2	-0.6	0.2	0.6	0.9	1.2
Custom import duties	0.0	0.1	0.1	0.3	0.5	0.5
Other excise taxes/duties	0.0	0.3	0.0	0.0	0.0	0.0
<b>Total</b>	<b>-0.3</b>	<b>-0.3</b>	<b>0.3</b>	<b>0.8</b>	<b>1.4</b>	<b>1.7</b>
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0
EI premium revenues	0.3	0.0	0.1	0.2	0.2	0.4
Other revenues	0.1	0.7	1.1	0.6	0.0	0.0
<b>Total budgetary revenues</b>	<b>-3.4</b>	<b>-1.3</b>	<b>-0.6</b>	<b>0.2</b>	<b>-1.4</b>	<b>-1.7</b>
<b>Major transfers to persons</b>						
Elderly benefits	2.1	0.9	0.4	0.5	0.4	0.5
Employment Insurance	0.1	1.3	1.4	0.6	0.0	0.1
Canada Child Benefit	-0.1	-0.3	-0.5	-0.9	-1.2	-1.5
COVID-19 income support for workers	0.1	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2.3</b>	<b>1.8</b>	<b>1.2</b>	<b>0.2</b>	<b>-0.7</b>	<b>-0.9</b>
<b>Major transfers to provinces, territories, and municipalities</b>						
Canada Health Transfer	0.0	0.0	0.0	-0.1	-0.3	-0.4
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.4	0.5	0.4	0.4	0.3
Territorial Formula Financing	0.0	0.0	-0.1	-0.2	-0.1	0.0
Other transfers to government	0.0	0.3	0.2	0.2	0.3	0.2
<b>Total</b>	<b>0.1</b>	<b>0.7</b>	<b>0.6</b>	<b>0.4</b>	<b>0.2</b>	<b>0.1</b>
Pollution pricing proceeds returned to Canadians	-0.2	0.0	0.0	0.0	0.0	0.0
<b>Direct program expenses</b>						
Other transfer payments	-0.3	-0.5	-1.8	-0.3	-2.3	-1.4
Other direct program expenses	0.2	3.5	6.6	4.0	5.7	6.0
<b>Total</b>	<b>0.0</b>	<b>2.9</b>	<b>4.8</b>	<b>3.7</b>	<b>3.4</b>	<b>4.6</b>
<b>Total program expenses</b>	<b>2.0</b>	<b>5.6</b>	<b>6.5</b>	<b>4.4</b>	<b>2.9</b>	<b>3.8</b>
Public debt charges	-0.3	0.2	-2.1	-1.8	-1.1	-0.7
<b>Total expenses</b>	<b>1.7</b>	<b>5.7</b>	<b>4.4</b>	<b>2.6</b>	<b>1.8</b>	<b>3.1</b>

<b>Budgetary balance before net actuarial losses</b>	-5.1	-7.1	-5.0	-2.4	-3.1	-4.8
Net actuarial losses	0.0	-0.5	-0.2	0.3	0.5	0.2
<b>Budgetary balance</b>	-5.1	-6.5	-4.9	-2.7	-3.5	-5.0
<b>Federal debt</b>	4.7	11.1	16.0	18.7	22.2	27.3

Source:

Finance Canada and Parliamentary Budget Office.

Note:

Totals may not add due to rounding.

# Note

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<sup>1</sup> This report references historical data available prior to the release of Statistics Canada's first quarter 2026 National Accounts on May 29, 2026, which revised GDP estimates for all quarters of 2025.

In its May 29 release, Statistics Canada revised annual real GDP growth for 2025 upward from 1.7 per cent to 1.9 per cent, though growth in the fourth quarter was revised down to -1.0 per cent from -0.6 per cent (annualized). Real GDP contracted at a marginal annualized rate of -0.1 per cent in Q1 2026. Statistics Canada's early estimate also points to a rebound of 0.4 per cent in April 2026.

The balance of higher GDP growth for 2025 and lower GDP growth for 2026 from Statistics Canada does not materially change the PBO economic outlook, which previously anticipated below-potential economic growth through 2026. Further, PBO's fiscal outlook bases 2025-26 revenues and expenses largely on in-year results from the Fiscal Monitor and so is less sensitive to Statistics Canada's historical GDP revisions for 2025.

<sup>2</sup> Our estimate of the impact of trade actions and uncertainty on real GDP by 2030 assumes that the policies in place as of May 2026, remain permanent. Given the importance of the Canada–U.S. trading relationship and the fluid nature of ongoing negotiations, there remains a high degree of uncertainty around this estimate.

This outlook reflects our assumption that a new trade agreement between Canada and the United States will be less favourable to Canada than previously assumed in September and includes the possibility of tariffs on some sectors or the loss of CUSMA compliance for others. This assumes that although Canada will expand trade with new export markets, these gains will not fully compensate for the decline in trade with the U.S.

<sup>3</sup> We have revised up our medium-term estimate of the unemployment rate to 6.0 per cent by 2030, compared to 5.6 per cent in our September projection. This revision reflects updated demographic projections, modelling changes, and our assumption that trade actions and elevated uncertainty will have lasting effects on the economy.

<sup>4</sup> Nominal GDP levels from the September EFO were adjusted for historical revisions as well as the Q4 national accounts.

<sup>5</sup> Excluding savings measures, Budget 2025 commitments add \$78.0 billion to projected budgetary deficits over 2025-26 to 2030-31. That said, savings measures announced in the Budget offset a significant portion of this impact, reducing deficits by \$64.4 billion over the same period and bringing the net incremental effect of Budget 2025 measures to \$13.6 billion. Moreover, SEU 2026 introduced an additional \$54.8 billion in new measures. Of this amount, the [Canada Groceries and Essentials Benefit](#) accounts for \$12.4 billion in projected deficit increases over the projection horizon.

<sup>6</sup> The SEU 2026 notes that over 2026-27 to 2030-31, growth in personal income tax revenue is projected to average 4.4 per cent per year, in-line with their outlook for growth in wages and salaries, which is 0.8 percentage points higher than our outlook over that period.

<sup>7</sup> Based on historical economic and fiscal shocks, we estimate that a 90 per cent confidence interval for the deficit-to-GDP ratio in a given year over 2026-27 to 2030-31 would be around 6.7 percentage points.

<sup>8</sup> Based on historical economic and fiscal shocks, we estimate that a 90 per cent confidence interval for the federal debt-to-GDP ratio in 2030-31 would be 24.6 percentage points. In other words, 90 per cent of plausible outcomes for the federal debt ratio in 2030-31 would fall within the range of 31.9 per cent of GDP to 56.4 per cent of GDP.

