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ECONOMIC AND FISCAL OUTLOOK – MARCH 2022



**OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET**

The Parliamentary Budget Officer (PBO) 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.

Lead Analysts:

Nora Nahornick, Senior Analyst

Caroline Nicol, Senior Analyst

Jason Stanton, Senior Analyst

Contributors:

Nasreddine Ammar, Senior Analyst

Robert Behrend, Advisor-Analyst

Régine Cléophat, Analyst

Mark Creighton, Analyst

Krista Duncan, Analyst

Jamie Forsyth, Analyst

Jill Giswold, Analyst

Sarah MacPhee, Analyst

Katarina Michalyshyn, Analyst

Ben Segel-Brown, Senior Analyst

Diarra Sourang, Advisor-Analyst

Kaitlyn Vanderwees, Analyst

This report was prepared under the direction of:

Kristina Grinshpoon, Acting Director

Chris Matier, Director General

Louis Perrault, Acting Director

Nancy Beauchamp, Marie-Eve Hamel Laberge and Rémy Vanherweghem assisted with the preparation of the report for publication.

For further information, please contact pbo-dpb@parl.gc.ca.

Yves Giroux

Parliamentary Budget Officer

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Summary

This report provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings. Our outlook incorporates data up to and including 18 February 2022. It also includes measures announced by the Government in its December 2021 Economic and Fiscal Update (EFU).

The following provides a condensed overview of PBO's outlook. Projection details are provided in Appendices A to I.

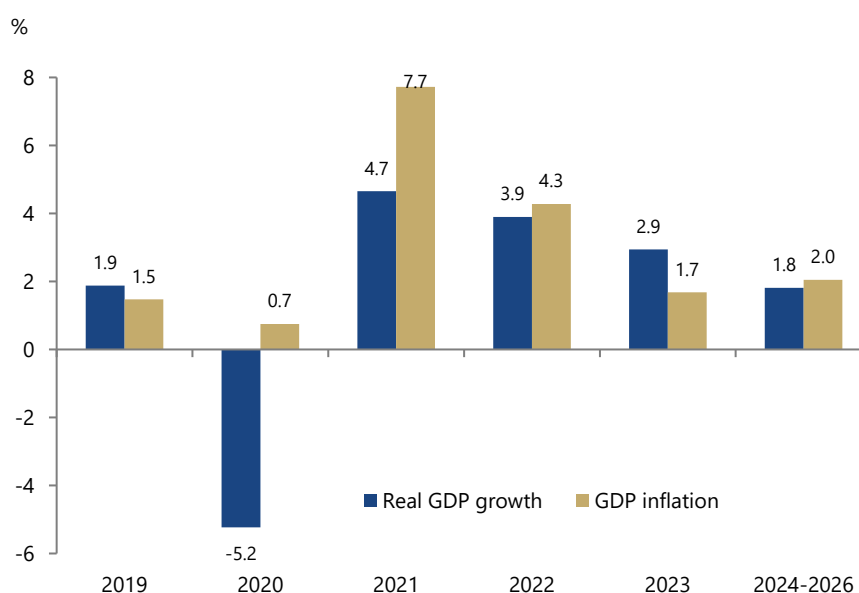
Economic outlook

Following a weak start to 2022, PBO projects growth in the Canadian economy to rebound sharply in the second quarter and remain robust in the second half of the year as the reopening of the economy continues (Figure 1). We project consumer spending and exports to drive real GDP growth in 2022 and 2023, while a pullback in residential investment and government spending acts as a moderate drag on growth.

We project that robust growth will rapidly close the output gap (that is, real GDP relative to potential GDP) by the end of 2022. Given strong demand, persistent supply constraints and elevated commodity prices, economy-wide (GDP) inflation should continue to outpace real GDP growth in 2022.

Figure 1

Real GDP growth and GDP inflation



Sources: Statistics Canada and Office of the Parliamentary Budget Officer.

Note: The projection period covers 2021 to 2026.

Based on short-term forecasts¹ we expect crude oil prices to fall from their current highs but remain elevated. West Texas Intermediate (WTI) and Western Canadian Select (WCS) prices are projected to average US\$72 and US\$58 per barrel over the medium term (Table 1). Non-energy commodity prices are also projected to pull back from their record highs but remain well above historical levels over the medium term.

Given the trend increase in commodity prices, higher consumer prices and the strong economic recovery, we project growth in nominal GDP to average 6.5 per cent annually over 2022 to 2023 and then moderate to 3.9 per cent, on average over the medium term.

Table 1 Summary of the economic outlook

% unless otherwise indicated	Projection					
	2019	2020	2021	2022	2023	2024-2026
Real GDP growth	1.9	-5.2	4.7	3.9	2.9	1.8
Employment (thousands)	19,049	18,493	19,272	19,703	19,908	20,390
Unemployment rate	5.7	9.5	7.4	5.9	5.4	5.4
WTI oil price (\$US)	57	39	68	79	70	72
CPI inflation	2.0	0.7	3.4	4.0	2.0	2.1
Bank of Canada policy rate	1.75	0.25	0.25	1.00	2.00	2.25

Sources: Statistics Canada and Office of the Parliamentary Budget Officer.

Note: Employment and the Bank of Canada policy rate are end of period values.

Inflation as measured by year-over-year changes in the Consumer Price Index (CPI), is projected to remain above its 2 per cent target through 2022. That said, as supply constraints ease² and as energy prices recede from elevated levels, we project CPI inflation to return to target in early 2023.

Based on our outlook for inflation and the output gap, we project that the Bank of Canada will increase its policy interest rate by a cumulative 75 basis points, lifting its rate to 1.00 per cent by the end of 2022. The policy rate then gradually increases until it reaches the (nominal) neutral rate of 2.25 per cent in early 2024. Long-term government bond yields are projected to reach their neutral or steady-state levels by mid-2024.³

With the reopening of the economy and lifting of remaining public health measures, we project solid employment gains through 2023. We project the unemployment rate to continue its decline, falling below its pre-pandemic level of 5.8 per cent in the third quarter of 2022 and settling at 5.4 per cent thereafter.

Given upward revisions to our outlook for commodity and consumer prices, we have revised up our projection of nominal GDP—the broadest measure of the Government's tax base—by \$43 billion (1.5 per cent) annually, on average, over 2022 to 2026 compared to our August 2021 Electoral Proposal Costing (EPC) baseline.⁴

Fiscal outlook

The budgetary deficit in 2020-21 was impacted by large extraordinary, but temporary factors, as economic activity declined, and large-scale support measures were provided. The final results for fiscal year 2020-21 recorded a budgetary deficit of \$327.7 billion (or 14.9 per cent of GDP), of which \$261.8 billion relates to the Government's COVID-19 Recovery Plan.⁵

PBO projects budgetary deficits of \$139.8 billion and \$47.9 billion in 2021-22 and 2022-23, respectively (Table 2). Relative to the size of the economy, the deficit in 2021-22 amounts to 5.6 per cent of GDP—a sharp decrease compared to the previous year, which saw the largest budgetary deficit since the beginning of the series in 1966-67.

The deficit is projected to continue to decline thereafter, reaching \$17.5 billion in 2026-27 (0.6 per cent of GDP), as growth in tax revenue tracks the gains in economic activity and growth in program spending remains constrained, averaging 3.0 per cent annually over 2023-24 to 2026-27.

We project public debt charges to more than double from their 2020-21 level, reaching \$46.0 billion in 2026-27 due to record debt accumulation and higher interest rates.⁶

Our outlook includes new measures announced in the Government's December 2021 Economic and Fiscal Update and Bill C-10, which amount to \$52.9 billion over 2021-22 to 2025-26.⁷ We have not provisioned for remaining measures included in the Liberal Party of Canada's 2021 election platform.

Table 2 Summary of the fiscal outlook

\$ billions	2020-2021	Projection					
		2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Revenues	316.4	373.3	397.0	422.0	445.0	466.8	488.5
Program expenses	608.5	478.1	410.2	421.2	428.8	444.6	460.9
Public debt charges	20.4	24.4	26.6	32.5	39.2	43.5	46.0
Actuarial losses	15.3	10.5	8.1	6.5	2.7	1.2	-0.9
Expenses*	644.2	513.0	444.9	460.2	470.7	489.3	506.0
Budgetary balance	-327.7	-139.8	-47.9	-38.3	-25.7	-22.5	-17.5
Federal debt	1,048.7	1,186.7	1,234.6	1,272.9	1,298.6	1,321.1	1,338.6
% of GDP							
Budgetary balance	-14.9	-5.6	-1.8	-1.4	-0.9	-0.7	-0.6
Federal debt	47.5	47.7	45.8	45.1	44.3	43.4	42.3

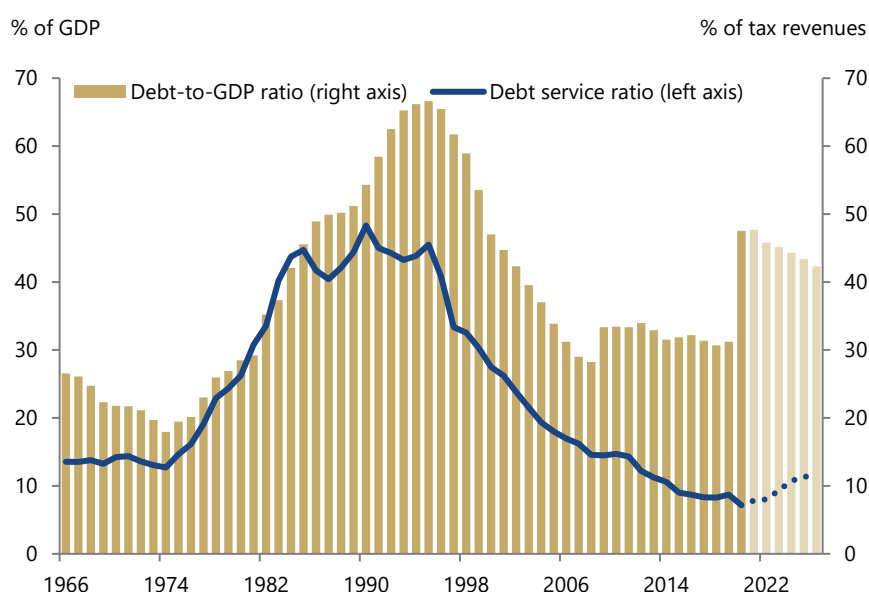
Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: * Expenses shown here include actuarial losses.
Totals may not add due to rounding.

We project the Government's debt-to-GDP ratio to peak at 47.7 per cent in 2021-22 and then gradually decline over the medium term to 42.3 per cent (Figure 2).

Due to low interest rates, the cost of servicing federal debt reached its lowest recorded level in 2020-21 of 7.2 per cent of tax revenues—despite a record increase in federal debt. While interest rates are projected to rise, the debt service ratio (that is, public debt charges relative to tax revenues) will remain low, reaching 11.5 per cent in 2026-27. This is well below its peak of 48.3 per cent in 1990-91, and in line with the debt service ratio observed in 2013-14.⁸

Figure 2 Federal debt and debt service ratios



Sources: Finance Canada, Statistics Canada and Office of the Parliamentary Budget Officer.

Note: Data are in fiscal years (2021 corresponds to fiscal year 2021-22). The projection period covers 2021-22 to 2026-27.

Compared to our August 2021 EPC baseline, we are projecting budgetary deficits that are only \$1.7 billion higher, on average, over 2021-22 to 2025-26, owing to additional fiscal measures announced in the EFU and Bill C-10 that are largely offset by economic and fiscal developments (Table 3).⁹

Due to stronger-than-expected results in 2020-21 and strong in-year data for 2021-22, tax yields over the projection horizon have been revised up. Combined with upward revisions to incomes and consumer spending, our revenue outlook has been revised up by \$8.2 billion, on average, over 2021-22 to 2025-26.

Excluding additional fiscal measures, program expenses were revised lower largely owing to lower-than-anticipated other transfer payments administered by departments.¹⁰

Table 3 Evolution of the budgetary balance since August 2021

\$ billions	2020- 2021	Projection				
		2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026
Budgetary balance – August 2021	-334.7	-138.2	-42.7	-35.6	-24.8	-24.6
Additional fiscal measures	-9.6	-25.1	-12.3	-7.1	-4.2	-4.2
Economic and other fiscal developments	16.6	23.5	7.2	4.4	3.3	6.3
Budgetary balance – March 2022	-327.7	-139.8	-47.9	-38.3	-25.7	-22.5

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Additional fiscal measures include measures from the Government's December 2021 Economic and Fiscal Update and Bill C-10. Totals may not add due to rounding.

Key assumptions and risks

Our outlook provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings. PBO's outlook is not a prediction of future economic and budgetary outcomes. Key assumptions and risks are identified below.

Uncertainty surrounding the outlook remains high. That said, setting aside remaining electoral platform measures and the Government's upcoming budget, we judge that risks to our economic and fiscal projection are roughly balanced.

COVID-19 pandemic

PBO's economic and fiscal outlook is conditional on the future course of the pandemic, which itself is uncertain. We have assumed that there will not be another significant wave of infections and hospitalizations from new variants, and that public health restrictions will be eliminated over the course of the year.

Our projection is based on the assumption that a high level of community immunity, derived from both recent infections and booster take up, results in relatively steady levels of hospitalizations as public health measures are relaxed.¹¹

Scenarios in which the level of community immunity is lower may result in increasing levels of infections and hospitalizations as public health measures are relaxed. In such scenarios, full reopening may be delayed, and public health measures reinstated.

Inflation

Informed by external short-term forecasts and futures prices, we project that commodity prices will pull back from current highs as disruptions to production and geopolitical concerns are resolved. Commodity prices, in particular prices for crude oil, could remain at current highs, or increase

further, should production disruptions and geopolitical concerns persist for longer than expected, putting upward pressure on producer and consumer prices.

We assume that disruptions from global supply chains and supply shortages will be resolved over the course of 2022, helping to moderate quarter-over-quarter CPI inflation rates. However, supply constraints could persist longer than expected, putting upward pressure on CPI inflation.¹²

Additional spending related to natural disasters

Extreme and large-scale weather-related natural disasters pose both economic and fiscal risks. If such events do occur, the federal government would provide financial assistance to provincial and territorial governments through the Disaster Financial Assistance Arrangements (DFAA) program.

In the 2021 EFU, the Government provisioned \$5 billion in 2021-22 for its share of recovery costs under the DFAA, as well as other costs related to the recent natural disasters in British Columbia.

As the frequency of extreme weather events increases¹³ additional financial assistance to provincial and territorial governments would be required under the DFAA, resulting in larger budgetary deficits and higher federal debt over the medium and long term.

Remaining platform measures and Budget 2022

Our outlook does not provision for additional spending related to remaining platform commitments or to Budget 2022 initiatives.

We estimated that remaining platform measures would amount to \$48.5 billion in new spending over 2021-22 to 2025-26.¹⁴ These measures pose an upside risk to our deficit and debt projection over the medium term.

Should Budget 2022 contain significantly more permanent spending than currently anticipated, there is a risk that the declining debt-to-GDP trajectory we project over the medium term would be reversed.

Appendix A: Detailed economic outlook

% unless otherwise indicated	2019	2020	Projection						
			2021	2022	2023	2024	2025	2026	
Real GDP growth									
March 2022	1.9	-5.2	4.7	3.9	2.9	1.8	1.8	1.8	
August 2021	1.9	-5.3	6.1	4.2	1.9	1.6	1.6	1.6	
Potential GDP growth									
March 2022	1.9	1.4	1.0	1.5	1.8	2.0	1.9	2.0	
August 2021	1.9	1.5	1.0	1.5	1.7	1.8	1.9	1.8	
GDP inflation									
March 2022	1.5	0.7	7.7	4.3	1.7	2.0	2.1	2.1	
August 2021	1.7	0.8	6.9	2.7	2.0	2.1	2.1	2.1	
Nominal GDP growth									
March 2022	3.4	-4.5	12.7	8.3	4.7	3.9	3.9	3.9	
August 2021	3.6	-4.6	13.4	7.1	3.9	3.7	3.8	3.7	
Nominal GDP (\$ billions)									
March 2022	2,311	2,207	2,488	2,695	2,821	2,930	3,045	3,164	
August 2021*	2,311	2,207	2,502	2,678	2,782	2,885	2,994	3,104	
3-month treasury rate									
March 2022	1.7	0.4	0.1	0.6	1.6	2.2	2.2	2.2	
August 2021	1.7	0.4	0.1	0.4	1.0	1.5	2.0	2.2	
10-year government bond rate									
March 2022	1.6	0.7	1.4	2.0	2.5	3.0	3.0	3.0	
August 2021	1.6	0.7	1.3	1.4	1.8	2.3	2.8	3.0	
Exchange rate (US¢/C\$)									
March 2022	75.4	74.6	79.8	81.7	84.7	85.9	86.3	86.4	
August 2021	75.4	74.6	80.0	81.5	83.3	84.1	84.4	84.4	
Unemployment rate									
March 2022	5.7	9.5	7.4	5.9	5.4	5.4	5.4	5.4	
August 2021	5.7	9.5	7.6	5.8	5.4	5.4	5.4	5.4	
CPI inflation									
March 2022	2.0	0.7	3.4	4.0	2.0	2.1	2.1	2.1	
August 2021	2.0	0.7	2.9	2.6	2.1	2.1	2.2	2.1	
U.S. real GDP growth									
March 2022	2.3	-3.4	5.7	3.9	2.6	1.9	1.8	1.8	
August 2021	2.3	-3.4	6.5	4.9	2.0	1.9	1.8	1.8	
WTI oil price (\$US)									
March 2022	57	39	68	79	70	71	72	73	
August 2021	57	39	67	66	65	66	67	69	

Sources: Statistics Canada and Office of the Parliamentary Budget Officer.

Note: * Nominal GDP levels from the August 2021 projection have been adjusted for historical revisions.

Appendix B: Composition of nominal GDP

% of GDP			Projection					
	2019	2020	2021	2022	2023	2024	2025	2026
Expenditure shares								
Final household consumption	56.2	55.6	53.3	54.4	55.5	56.0	56.0	56.0
Nonprofit serving households expenditures	1.6	1.7	1.5	1.5	1.5	1.4	1.4	1.4
Government consumption expenditure	20.7	22.7	21.9	20.6	19.6	19.3	19.2	19.2
Government investment	3.7	4.1	4.0	3.9	3.7	3.7	3.6	3.6
Residential investment	7.3	8.4	9.7	9.1	8.7	8.3	8.2	8.2
Business investment	11.3	10.7	9.8	10.1	10.7	10.9	10.9	11.1
Inventory investment	0.7	-1.0	-0.5	-0.6	0.1	0.3	0.5	0.4
Exports of goods and services	32.2	29.4	30.7	32.0	31.8	32.0	32.2	32.2
Imports of goods and services	33.8	31.4	30.4	30.9	31.5	31.9	32.0	32.0
Income shares								
Compensation of employees	50.8	52.5	51.0	50.7	50.9	50.7	50.7	50.7
Net mixed income	9.0	9.5	8.8	8.6	8.6	8.6	8.7	8.7
Corporate profits before tax	10.0	10.3	12.0	11.2	10.8	10.7	10.5	10.3
Investment income	2.6	2.6	2.8	2.6	2.6	2.6	2.6	2.6
Consumption of fixed capital	16.6	17.7	16.5	16.2	15.7	15.7	15.6	15.7
Taxes less subsidies on production	4.4	1.2	2.5	3.9	4.2	4.2	4.2	4.2
Taxes less subsidies on products and imports	6.6	6.1	6.3	6.8	7.2	7.4	7.6	7.8

Sources: Statistics Canada and Office of the Parliamentary Budget Officer.

Appendix C: Detailed revenue outlook

\$ billions	2020- 2021	Projection					
		2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027
Income taxes							
Personal income tax	174.8	185.7	198.0	208.4	217.7	228.1	238.4
Corporate income tax	54.1	58.1	59.3	62.0	66.8	70.4	73.5
Non-resident income tax	8.1	9.5	10.1	10.5	10.8	11.3	11.7
Total income tax	237.0	253.3	267.4	280.8	295.3	309.8	323.6
Excise taxes/duties							
Goods and Services Tax	32.4	41.7	45.5	47.8	50.1	52.1	54.2
Custom import duties	4.3	5.2	6.1	6.6	6.9	7.2	7.5
Other excise taxes/duties	10.3	11.8	12.5	12.6	12.7	12.8	12.9
Total excise taxes/duties	47.0	58.8	64.1	67.0	69.7	72.1	74.6
Other taxes	0.0	0.0	0.1	0.9	0.9	1.0	1.0
Fuel charge proceeds	4.4	6.8	8.4	10.8	13.0	15.1	17.1
El premium revenues	22.4	24.3	26.7	28.5	30.2	32.2	34.5
Other revenues							
Enterprise Crown corporations	-10.5	9.9	8.2	9.1	9.4	9.3	9.4
Other programs	14.1	18.9	20.3	22.6	23.9	24.6	25.5
Net foreign exchange	2.2	1.3	1.8	2.3	2.6	2.7	2.8
Total other revenues	5.7	30.1	30.3	34.0	35.9	36.6	37.7
Total budgetary revenues	316.4	373.3	397.0	422.0	445.0	466.8	488.5
Per cent of GDP							
Total tax revenues	12.9	12.5	12.3	12.3	12.5	12.5	12.6
Proceeds from the pollution pricing framework	0.2	0.3	0.3	0.4	0.4	0.5	0.5
Employment Insurance premium revenues	1.0	1.0	1.0	1.0	1.0	1.1	1.1
Other revenues	0.3	1.2	1.1	1.2	1.2	1.2	1.2
Total budgetary revenues	14.3	15.0	14.7	14.9	15.2	15.3	15.4

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Totals may not add due to rounding.

Appendix D: Detailed expense outlook

\$ billions	2020- 2021	Projection					
		2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027
Major transfers to persons							
Elderly benefits	58.5	61.6	68.6	73.3	77.5	81.8	86.3
Employment Insurance	58.4	39.8	27.0	24.5	24.8	25.4	26.4
COVID-19 income support for workers	55.8	16.4	0.2	0.0	0.0	0.0	0.0
Children's benefits	27.4	26.4	25.5	26.6	27.3	28.0	28.6
Total	200.1	144.3	121.3	124.4	129.6	135.2	141.3
Major transfers to other levels of government							
Canada Health Transfer	45.9	43.1	45.2	49.1	51.9	54.0	56.1
Canada Social Transfer	15.0	15.5	15.9	16.4	16.9	17.4	17.9
Equalization	20.6	20.9	21.9	23.8	25.1	26.2	27.2
Territorial Formula Financing	4.2	4.4	4.6	4.7	5.0	5.2	5.4
Canada Community-Building Fund	4.3	2.3	2.3	2.4	2.4	2.5	2.5
Home care and mental health	1.3	1.5	1.2	1.2	1.2	1.2	1.2
Canada-Wide Early Learning and Child Care	0.0	3.0	4.5	5.5	6.5	7.7	7.7
Other transfers to government	15.4	-5.3	-5.5	-6.0	-6.3	-6.6	-6.9
Total	106.7	85.3	90.1	97.2	102.7	107.6	111.2
Direct program expenses							
Transfer payments	182.7	122.8	86.8	88.9	87.0	89.0	91.9
Operating and capital expenses	119.1	125.6	112.1	110.7	109.6	112.7	116.5
Total direct program expenses	301.8	248.4	198.9	199.6	196.5	201.7	208.4
Total program expenses	608.5	478.1	410.2	421.2	428.8	444.6	460.9
Public debt charges	20.4	24.4	26.6	32.5	39.2	43.5	46.0
Total expenses, excluding net actuarial losses	628.9	502.5	436.8	453.7	468.0	488.1	506.9
Net actuarial losses	15.3	10.5	8.1	6.5	2.7	1.2	-0.9
Per cent of GDP							
Major transfers to persons	9.1	5.8	4.5	4.4	4.4	4.4	4.5
Major transfers to other levels of government	4.8	3.4	3.3	3.4	3.5	3.5	3.5
Direct program expenses	13.7	10.0	7.4	7.1	6.7	6.6	6.6
Total program expenses	27.6	19.2	15.2	14.9	14.6	14.6	14.6

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Totals may not add due to rounding.

Appendix E: Employment Insurance Operating Account

\$ billions	2020- 2021	Projection						
		2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	
Revenues								
Premium revenues	22.4	24.3	26.7	28.5	30.2	32.2	34.5	
Contributions for federal employees	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Total revenues	22.9	24.8	27.2	29.0	30.7	32.7	35.0	
Expenses								
Benefits	33.7	39.8	27.0	24.5	24.8	25.4	26.4	
Administration expenses	2.5	3.0	2.1	2.1	2.2	2.3	2.4	
Total expenses	36.3	42.8	29.1	26.6	27.0	27.7	28.8	
	2020	2021	2022	2023	2024	2025	(...)	2028
Annual balance	-6.4	-24.6	-4.0	1.5	3.3	4.5		7.6
Cumulative balance	-1.3	-25.8	-29.8	-28.3	-25.0	-20.4		0.3
Premium rate (per \$100 of insurable earnings)	1.58	1.58	1.58	1.63	1.68	1.73		1.83

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Totals may not add due to rounding.
The projection period covers 2021 to 2028.

Appendix F: Direct program expenses

\$ billions	2020- 2021	Projection					
		2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027
Other transfer payments							
Fuel charge proceeds returned	4.6	5.0	8.3	11.6	13.0	15.2	17.1
Canada Emergency Wage Subsidy	80.2	20.1	0.0	0.0	0.0	0.0	0.0
Other payments	98.0	97.6	78.5	77.3	74.0	73.8	74.8
Total other transfer payments	182.7	122.8	86.8	88.9	87.0	89.0	91.9
Operating expenses							
Personnel expenses	57.8	56.3	56.0	56.0	57.4	59.2	61.1
Consolidated Crown corporations	7.0	7.9	8.1	8.5	8.9	9.2	9.6
Other operating expenses	48.3	32.0	32.7	33.6	34.7	35.7	37.0
Policy actions	0.0	22.5	7.9	5.2	1.6	1.4	1.3
Total operating expenses	113.1	118.7	104.8	103.4	102.6	105.6	109.0
Capital amortization expenses	6.0	6.9	7.3	7.3	7.0	7.2	7.5
Operating and capital expenses	119.1	125.6	112.1	110.7	109.6	112.7	116.5
Total direct program expenses	301.8	248.4	198.9	199.6	196.5	201.7	208.4

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Totals may not add due to rounding.

Appendix G:

Federal debt outlook

\$ billions	Projection						
	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027
Accounts payable and accrued liabilities	207.4	202.6	220.3	231.4	241.5	253.5	266.1
<i>Market debt*</i>	1,109.8	1,247.3	1,289.3	1,296.2	1,319.5	1,340.9	1,358.4
<i>Pensions and other future benefits</i>	319.7	360.7	345.2	331.4	329.0	345.4	359.3
<i>Other liabilities</i>	15.4	17.3	17.9	18.0	18.3	18.6	18.8
Total interest-bearing debt	1,444.8	1,625.3	1,652.3	1,645.5	1,666.8	1,704.8	1,736.5
Total liabilities	1,652.2	1,827.9	1,872.6	1,876.9	1,908.2	1,958.3	2,002.6
Financial assets	502.4	536.5	529.6	491.8	493.4	517.0	539.4
Non-financial assets	101.1	104.7	108.4	112.2	116.2	120.3	124.6
Total assets	603.5	641.2	638.0	604.0	609.6	637.3	663.9
Federal debt (liabilities less assets)	1,048.7	1,186.7	1,234.6	1,272.9	1,298.6	1,321.1	1,338.6
Federal debt (% of GDP)	47.5	47.7	45.8	45.1	44.3	43.4	42.3
Market debt: agent Crown corporations*	314.7	319.2	314.6	320.4	314.1	316.9	319.8
Borrowing requirements, as per the <i>Borrowing Authority Act</i>	1,424.5	1,566.5	1,603.9	1,616.6	1,633.6	1,657.8	1,678.3

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: * Borrowing requirements under the *Borrowing Authority Act* pertain to the sum of Government of Canada and agent Crown corporation market debt. Totals may not add due to rounding.

Appendix H: Comparison to August 2021 outlook

\$ billions	2020- 2021	Projection				
		2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026
Income taxes						
Personal income tax	6.8	1.9	1.5	3.1	4.1	5.1
Corporate income tax	3.4	0.8	1.1	1.2	3.3	4.6
Non-resident income tax	-0.7	-0.9	-1.1	-1.3	-1.3	-1.4
Total income tax	9.4	1.8	1.4	3.0	6.1	8.2
Excise taxes/duties						
Goods and Services Tax	2.7	1.7	1.1	1.0	0.5	0.2
Custom import duties	0.1	-0.2	0.1	0.2	0.3	0.3
Other excise taxes/duties	-0.2	0.2	-0.2	-0.2	-0.2	-0.2
Total excise taxes/duties	2.6	1.7	1.0	1.1	0.6	0.3
Other taxes	0.0	0.0	0.1	0.9	0.9	1.0
Fuel charge proceeds	-0.6	-0.0	-0.2	-0.3	-0.4	-0.5
El premium revenues	-0.0	1.0	1.1	1.1	1.4	2.2
Other revenues	2.4	1.5	-1.0	1.0	2.6	3.5
Total budgetary revenues	13.9	6.0	2.4	6.7	11.2	14.8
Major transfers to persons						
Elderly benefits	-0.3	-0.4	0.9	1.0	1.0	0.9
Employment Insurance	-3.4	-1.3	-0.0	1.4	2.6	2.8
COVID-19 income support for workers	-1.8	0.7	0.2	0.0	0.0	0.0
Children's benefits	0.0	-1.5	-1.4	-0.9	-0.6	-0.5
Total	-5.5	-2.5	-0.3	1.5	3.0	3.2
Major transfers to other levels of government						
Canada Health Transfer	0.0	0.0	-0.2	-0.0	0.4	0.6
Canada Social Transfer	0.0	0.0	-0.0	-0.0	-0.0	-0.0
Equalization	0.0	0.0	-0.1	-0.0	0.2	0.3
Territorial Formula Financing	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Other transfers to government	0.6	-3.2	1.7	1.6	1.6	1.6
Total	0.6	-3.2	1.3	1.5	2.1	2.4
Direct program expenses						
Transfer payments	-3.1	3.2	-0.4	-0.9	-1.9	-1.6
Operating and capital expenses	15.2	7.5	5.9	4.4	2.6	2.5
Total direct program expenses	12.1	10.7	5.5	3.5	0.6	0.9
Total program expenses	7.2	5.0	6.5	6.5	5.7	6.6
Public debt charges	-0.5	2.8	3.1	5.1	6.8	5.9
Total expenses	6.7	7.8	9.6	11.6	12.5	12.4
Budgetary balance before net actuarial losses	7.2	-1.8	-7.1	-4.9	-1.3	2.3
Net actuarial losses	0.2	-0.2	-1.9	-2.2	-0.4	0.2
Budgetary balance	7.0	-1.6	-5.2	-2.7	-0.9	2.1
Federal debt	-7.2	-7.4	-2.2	0.5	1.4	-0.8

Source: Office of the Parliamentary Budget Officer.

Note: Totals may not add due to rounding.

Appendix I: Comparison to Economic and Fiscal Update

\$ billions	Projection					
	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027
Income taxes						
Personal income tax	0.1	3.4	4.4	4.7	5.4	5.6
Corporate income tax	0.8	0.9	1.1	1.3	0.4	-0.2
Non-resident income tax	-1.1	-0.3	-0.2	-0.3	-0.2	-0.3
Total income tax	-0.2	4.0	5.2	5.7	5.6	5.1
Excise taxes/duties						
Goods and Services Tax	-0.3	-0.1	0.5	1.3	1.8	2.3
Custom import duties	0.2	0.7	0.9	0.9	0.8	0.7
Other excise taxes/duties	0.2	0.1	-0.1	-0.1	0.0	0.1
Total excise taxes/duties	0.2	0.7	1.3	2.1	2.6	3.1
Other taxes	0.0	-0.1	0.0	0.0	0.0	0.0
Fuel charge proceeds	0.3	0.4	0.6	0.7	0.9	0.9
El premium revenues	0.1	0.4	0.3	0.1	0.1	0.2
Other revenues	2.4	-0.2	0.7	0.7	-1.1	-1.8
Total budgetary revenues	2.8	5.2	8.1	9.3	8.1	7.5
Major transfers to persons						
Elderly benefits	0.0	0.3	0.3	0.1	-0.1	-0.2
Employment Insurance	0.3	-4.7	-0.2	-0.3	-0.2	-0.1
COVID-19 income support for workers	-4.0	-0.2	0.0	0.0	0.0	0.0
Children's benefits	0.0	0.0	0.8	0.8	0.7	0.4
Total	-3.6	-4.7	0.9	0.7	0.4	0.1
Major transfers to other levels of government						
Canada Health Transfer	0.0	0.0	0.4	0.8	0.8	0.9
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.0	0.2	0.3	0.4	0.4
Territorial Formula Financing	0.0	0.0	-0.2	-0.1	0.0	0.0
Other transfers to government	0.3	0.5	0.5	0.5	0.6	0.6
Total	0.3	0.5	1.0	1.6	1.8	2.0
Direct program expenses						
Other transfer payments	-0.9	-0.5	0.7	1.1	-0.8	0.2
Operating and capital expenses	1.9	-1.3	-1.8	-1.4	0.7	3.3
Total direct program expenses	1.1	-1.8	-1.1	-0.4	-0.1	3.5
Total program expenses	-2.1	-6.1	0.8	1.8	2.1	5.7
Public debt charges	-0.1	0.6	1.1	3.6	4.9	5.1
Total expenses	-2.2	-5.5	1.9	5.4	7.0	10.8
Budgetary balance before net actuarial losses	5.0	10.7	6.3	3.8	1.0	-3.2
Net actuarial losses	0.2	0.2	0.6	0.4	0.7	1.1
Budgetary balance	4.7	10.5	5.6	3.4	0.2	-4.4
Federal debt	-4.6	-15.0	-20.9	-24.0	-24.7	-19.9

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Totals may not add due to rounding.

Notes

1. See the February 2022 *Short-Term Energy Outlook* from the U.S. Energy Information Administration. Available at: <https://www.eia.gov/outlooks/steo/archives/feb22.pdf>.
2. For a discussion of global supply disruptions and bottlenecks, see the February 2022 IMF Working Paper, *Supply Bottlenecks: Where, Why, How Much, and What Next?* available at: <https://www.imf.org/en/Publications/WP/Issues/2022/02/15/Supply-Bottlenecks-Where-Why-How-Much-and-What-Next-513188> and the November 2021 BIS Bulletin No. 48, *Bottlenecks: causes and macroeconomic implications*, available at: <https://www.bis.org/publ/bisbull48.pdf>.
3. The (nominal) steady-state levels of the 10-year government benchmark bond and long-term benchmark bond (30-year maximum) are 3.00 and 3.25 per cent respectively. The steady-state 3-month treasury bill rate is 2.20 per cent.
4. PBO's August 2021 EPC baseline is available at: <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-016-S--2021-election-proposal-costing-baseline--cout-mesures-proposees-pendant-campagne-electorale-2021-prevision-reference>.
5. Compared to our 2021 EPC baseline, the budgetary balance is \$7.0 billion higher in 2020-21, owing to higher-than-anticipated tax revenues that were partially offset by higher-than-anticipated program expenses. Program expenses were higher primarily due to compensation to First Nation children and their families.
6. Compared to pre-pandemic fiscal outlooks, public debt charges are more sensitive (in absolute terms) to a permanent increase in interest rates. This is mainly because the Government must now service a higher stock of interest-bearing debt.
7. These amounts include PBO costings for measures announced in the 2021 EFU pursuant to Bill C-8 and Bill C-2.
8. In our current outlook, we project both short- and long-term interest rates to reach their long-term levels in mid-2024 compared to late 2025 projected in our August 2021 EPC baseline.
9. Other economic and fiscal developments also include revisions to previously costed COVID-19 Response Plan measures.
10. Other transfer payments administered by departments were revised down over 2021-22 to 2026-27 due to lower-than-anticipated tax expenditures and higher departmental lapses compared to our August 2021 EPC baseline.
11. For example, see the Update on COVID-19 Projections from Ontario's Science Table at: <https://covid19-sciencetable.ca/wp-content/uploads/2022/02/Update-on-COVID-19-Projections-Additional-Modelling-2022.02.08-English-1.pdf>.

12. Recent research at the Federal Reserve Bank of St. Louis examines global supply chain disruptions and inflation during the pandemic. Available at: <https://files.stlouisfed.org/files/htdocs/publications/review/2022/02/07/global-supply-chain-disruptions-and-inflation-during-the-covid-19-pandemic.pdf>.
13. The United Nations Office for Disaster Risk Reduction found that globally over the last 20 years, major disaster events have sharply increased from 4,212 disaster events between 1980 and 1999 to 7,348 disaster events in the period 2000 to 2019. For additional detail see: <https://www.undrr.org/publication/human-cost-disasters-overview-last-20-years-2000-2019>.
14. New measures announced in the EFU (over 2021-22 to 2025-26) were largely incremental to the measures included in the Liberal Party of Canada's 2021 election platform. For additional information see: <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-027-S--economic-fiscal-update-2021-issues-parliamentarians--mise-jour-economique-budgetaire-2021-enjeux-parlementaires>.