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Economic and Fiscal Outlook – October 2023



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.

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Highlights

Following the contraction in real GDP in the second quarter, PBO projects the Canadian economy to stagnate in the second half of 2023. As the Bank of Canada maintains its restrictive monetary policy to restore price stability, we project that consumer spending will remain weak in the second half of this year and the first half of 2024.

PBO expects the Bank of Canada to hold the policy interest rate at 5 per cent through the first quarter of 2024. With CPI inflation on track to return to its 2 per cent target, we then expect the Bank to start lowering its policy rate in April 2024.

For the current fiscal year, 2023-24, PBO projects the budgetary deficit to rise to \$46.5 billion (1.6 per cent of GDP). Assuming no new measures are introduced, and existing temporary measures sunset as scheduled, the budgetary deficit is projected to resume its downward trajectory, falling to \$8.2 billion (0.2 per cent of GDP) in 2028-29.

PBO projects the federal debt-to-GDP ratio to rise to 42.6 per cent in 2023-24. Assuming no new measures and existing temporary measures sunset as scheduled, the federal debt ratio is projected to fall to 37.8 per cent in 2028-29 but remain above its pre-pandemic level of 31.2 per cent of GDP in 2019-20.

PBO projects the debt service ratio (that is, public debt charges relative to tax revenues) under status quo policy will peak at 12.0 per cent in 2023-24 and then decline gradually to 11.0 per cent in 2028-29—well above its pre-pandemic low of 8.3 per cent in 2018-19.

Summary

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 and including September 30.¹ It also includes new measures announced by the Government in Budget 2023 and through September 15. The following provides a condensed overview of PBO's Economic and Fiscal Outlook (EFO). Projection details are provided in Appendices A to I. An accessible version of the appendices is available on the [PBO website](#).

Economic outlook

Following the contraction in real GDP in the second quarter, we project the Canadian economy to stagnate in the second half of 2023 with quarterly real GDP growth averaging 0.1 per cent.

As the Bank of Canada maintains its restrictive monetary policy to restore price stability, we project that consumer spending will remain weak in the second half of this year and the first half of 2024. We project weakness in residential investment to persist through the end of next year. Inventory investment also remains a drag on growth as firms reduce their stock levels.

We project annual real GDP growth in 2025 to rebound to 2.4 per cent, as consumer spending and residential investment recover and the drag from inventory investment reverses (Table 1). Over 2026 to 2028, we project real GDP growth to average 2.1 per cent which is higher than our estimated growth in potential output (1.9 per cent) over the same period.

Table 1

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

	2022	2023	2024	2025	2026-2028
Real GDP growth	3.4	1.2	0.7	2.4	2.1
Unemployment rate	5.1	5.8	6.0	5.8	5.6
WTI oil price, \$US	95	82	83	77	80
CPI inflation	6.8	4.0	2.8	1.9	1.9
Bank of Canada policy rate	4.25	5.00	3.50	2.50	2.50

Source:

Statistics Canada and Office of the Parliamentary Budget Officer.

Note:

The projection period covers 2023 to 2028. The unemployment rate and the Bank of Canada policy rate are end of period values.

Despite a decline in the labour force participation rate, the unemployment rate has increased from 5.0 per cent in April to 5.5 per cent in August as moderate employment gains have fallen well short of robust population growth.

As the economy stagnates, we project the unemployment rate to rise to 5.8 per cent by the end of this year. With economic weakness persisting into next year, we project the unemployment rate to reach 6.0 per cent in mid-2024 and remain elevated through the first half of 2025 before gradually declining to 5.6 per cent by the end of the projection horizon.

Upward pressure from commodity prices and strong underlying inflation are projected to keep consumer price inflation² above the 3 per cent upper bound of the control range through the second quarter of 2024.

As the economy enters into material excess supply and commodity prices weaken, we project inflation to return to its 2 per cent target by the end of 2024 and then to average 1.9 per cent over 2025 to 2027 as the economy gradually returns to its potential output, or productive capacity.

We expect the Bank of Canada to hold the policy interest rate at 5 per cent through the first quarter of 2024. With CPI inflation on track to return to its 2 per cent target, we then expect the Bank to start lowering its policy rate in April 2024. We assume that the policy rate will be reduced by 25 basis points at each fixed announcement date, returning the rate to its estimated neutral level of 2.5 per cent in the second quarter of 2025.

Overall, the outlook for nominal GDP—the broadest measure of the government’s tax base—is lower compared to our March 2023 projection due to lower-than-expected GDP inflation in the fourth quarter of 2022 and weaker projected real GDP growth in 2024 owing to tighter-than-expected monetary policy. The level of nominal GDP is projected to be \$22.7 billion lower annually, on average, over 2023 to 2027 compared to our March 2023 outlook.

Fiscal outlook

Our status quo outlook includes new measures announced in Budget 2023 and through September 15. Of note, these measures include the production subsidy provided to [Stellantis-LG Energy Solutions and Volkswagen](#), and the [Enhanced GST Rental Rebate](#). Combined, new measures amount to \$28.6 billion in (net) new spending over 2022-23 to 2027-28.³

In the absence of final financial results for the past fiscal year, we estimate that there was a budgetary deficit of \$38.7 billion (1.4 per cent of GDP) in 2022-23.⁴ For the current fiscal year, 2023-24, we project the deficit to rise to \$46.5 billion (1.6 per cent of GDP) due to slower revenue growth and higher expenses (Table 2).

In 2024-25, assuming no new measure are introduced, and existing temporary measures sunset as scheduled, the budgetary deficit is projected to resume its downward trajectory, reaching \$8.2 billion (0.2 per cent of GDP) in 2028-29, as growth in tax revenue tracks gains in nominal GDP and growth in program spending remains relatively constrained.

Table 2

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

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Revenues	442.6	458.4	481.6	498.8	520.7	541.1	563.4
Program expenses	436.7	451.7	464.5	474.8	487.4	504.4	522.9
Public debt charges	34.8	46.4	47.0	47.4	49.6	50.4	51.1
Actuarial losses	9.8	6.9	3.3	1.5	-1.2	0.4	-2.4
Expenses	481.3	505.0	514.9	523.7	535.8	555.2	571.6
Budgetary balance	-38.7	-46.5	-33.2	-24.9	-15.1	-14.1	-8.2
Federal debt	1,168.8	1,215.3	1,248.6	1,273.5	1,288.6	1,302.7	1,310.9
Budgetary balance, % of GDP	-1.4	-1.6	-1.1	-0.8	-0.5	-0.4	-0.2
Federal debt, % of GDP	42.0	42.6	42.3	41.4	40.2	39.1	37.8

Source:

Office of the Parliamentary Budget Officer.

Note:

Expenses include actuarial losses. As of 2022-23, the Government adopted new Public Sector Accounting Board (PSAB) standards for both asset retirement obligations and financial instruments. These changes impact the opening balance of the accumulated deficit for 2022-23 and not the budgetary balance. Fiscal year 2022-23 is an estimate. The projection period covers fiscal years 2023-24 to 2028-29. Totals may not add up due to rounding.

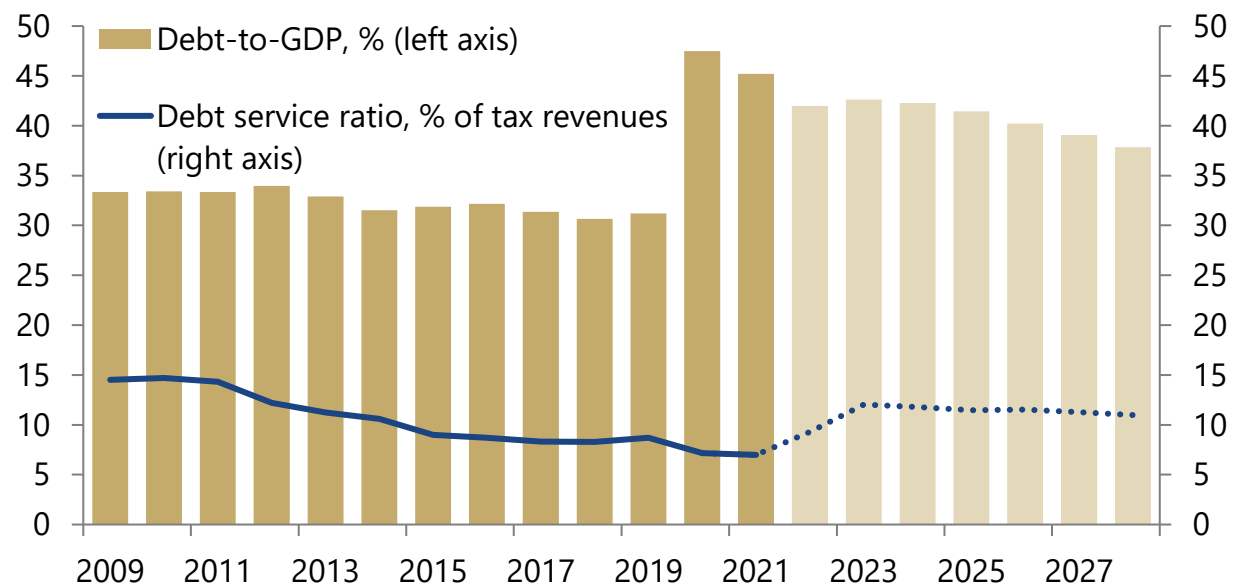
With the increase in interest rates, we project that the debt service ratio (that is, public debt charges relative to tax revenues) will peak at 12.0 per cent in 2023-24 (Figure 1). The debt service ratio is then projected to gradually decline, as growth in public debt charges moderates and interest

rates return to their neutral levels, reaching 11.0 in 2028-29—well above its pre-pandemic low of 8.3 per cent in 2018-19.

In 2023-24, due to slower nominal GDP growth and the increase in the budgetary deficit, we expect the federal debt-to-GDP ratio to increase to 42.6 per cent before gradually declining to 37.8 per cent by 2028-29, remaining above its pre-pandemic level of 31.2 per cent of GDP in 2019-20. The federal debt-to-GDP ratio is projected to be 0.7 percentage points higher, on average, over 2023-24 to 2027-28 compared to our March outlook.

Figure 1

Federal debt and debt service ratios, per cent



Textual description:

Data for this figure are available in tab "Figure 1" of the [accessibility file](#).

Source:

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

Note:

Data are in fiscal years (2021 corresponds to fiscal year 2021-22). Fiscal year 2022-23 is an estimate. The projection period covers fiscal years 2023-24 to 2028-29.

Compared to our March outlook, we are projecting budgetary deficits that are \$4.0 billion higher, on average, over 2022-23 to 2027-28. This upward revision is due to new measures and the weaker economic outlook, along with higher interest rates impacting public debt charges, which are partially offset by lower-than-anticipated program expenses (Table 3).

Table 3

Evolution of the budgetary balance since March 2023, billions of dollars

	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Budgetary balance – March 2023 EFO	-36.5	-43.1	-27.5	-20.8	-12.1	-8.7
Additional measures	-11.0	-5.5	-1.5	-6.4	-1.3	-2.9
Economic and other fiscal developments	8.8	2.1	-4.3	2.2	-1.7	-2.5
Budgetary balance – October 2023 EFO	-38.7	-46.5	-33.2	-24.9	-15.1	-14.1

Source:

Office of the Parliamentary Budget Officer.

Note:

Additional measures include those announced in Budget 2023 and through to September 15. Fiscal year 2022-23 is an estimate. The projection period covers fiscal years 2023-24 to 2028-29. Totals may not add up due to rounding.

Excluding Budget 2023 and off-cycle measures, our revenue outlook is largely unchanged. While lower personal incomes and consumer spending put downward pressure on revenues, higher corporate income tax and other revenues offset this weakness over the projection horizon.⁵

Excluding new measures, expenses were, on average, revised down by \$0.9 billion largely due to lower-than-anticipated operating expenses and major transfers to persons. However, this revision was somewhat offset by the impact of higher interest rates on public debt charges.⁶

Risks and uncertainty

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). We judge that the risks to our baseline economic and fiscal projection are roughly balanced.

In terms of downside risks, we judge that the most important risk is a larger-than-expected impact of the Bank of Canada’s restrictive monetary policy (particularly on households and the housing market), which would negatively affect the Canadian economy and federal finances.

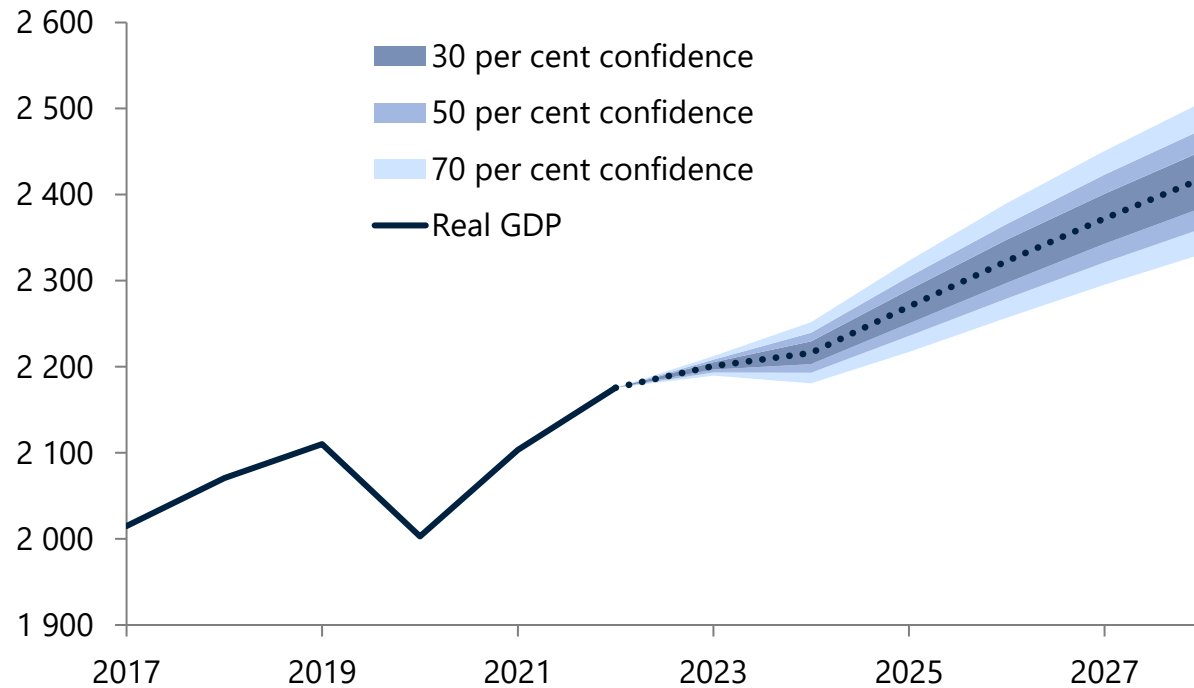
In terms of upside risks, we judge that the most important risk is higher-than-projected spending by provincial-territorial governments. Our projection of government spending is informed by recent budgets and updates that reflect restrained program expenditure growth. Higher-than-projected government spending could boost economic activity.

To illustrate uncertainty surrounding our economic and fiscal outlook, we construct distributions of possible future outcomes that are centred on our baseline projection, which are then used to calculate “confidence” intervals.⁷

Relative to our baseline real GDP growth projection (1.8 per cent annually, on average, over 2023 to 2028), the 30, 50 and 70 per cent confidence intervals shown in Figure 2 are consistent with average annual growth of ± 0.2 , ± 0.4 and ± 0.6 percentage points respectively. The lower bound of the 70 per cent confidence interval in 2024 is consistent with a 0.9 per cent decline in real GDP from its 2023 baseline level.

Figure 2

Uncertainty surrounding the outlook for real GDP, billions chained (2012) dollars



Textual description:

Data for this figure are available in tab "Figure 2" of the [accessibility file](#).

Source:

Statistics Canada and Office of the Parliamentary Budget Officer.

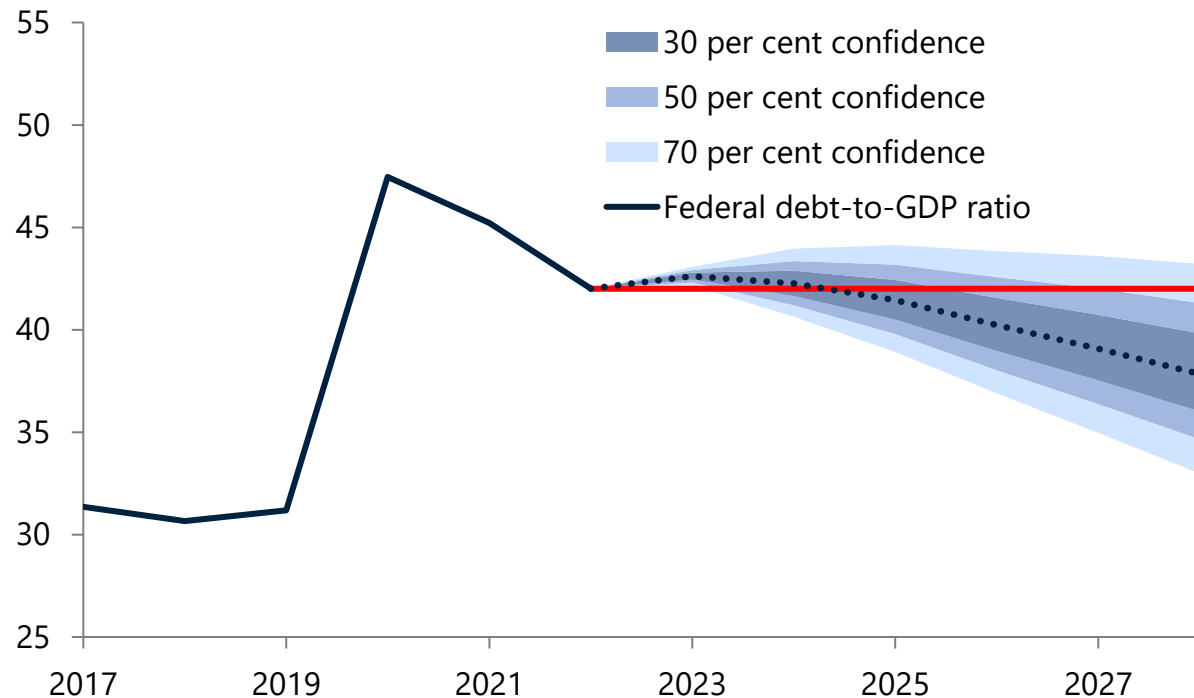
Note:

The series are presented on a calendar-year basis. The projection period covers 2023 to 2028.

Given the possible economic outcomes surrounding our baseline projection, and on a status quo basis, we estimate that a 70 per cent confidence interval for the federal debt-to-GDP ratio in 2028-29 would range from 33.0 per cent to 43.2 per cent (Figure 3). We estimate there is a 79 per cent chance that the federal debt-to-GDP ratio in 2028-29 would be below its 2022-23 baseline level of 42.0 per cent.

Figure 3

Uncertainty surrounding the outlook for the federal debt-to-GDP ratio, per cent



Textual description:

Data for this figure are available in tab "Figure 3" of the [accessibility file](#).

Source:

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

Note:

The series are presented on a fiscal-year basis (2023 corresponds to fiscal year 2023-24). Fiscal year 2022-23 is an estimate. The projection period covers 2023-24 to 2028-29. The red line corresponds to the baseline level of the federal debt-to-GDP ratio in 2022-23.

On a status quo basis, we estimate that a 70 per cent confidence interval for the budgetary balance in 2028-29 would range from a deficit of \$38.2 billion to a surplus of \$21.5 billion, with a 38 per cent chance of a balanced budget or better.

Appendix A: Detailed economic outlook

% unless otherwise indicated	Projection						
	2022	2023	2024	2025	2026	2027	2028
Real GDP growth							
October 2023	3.4	1.2	0.7	2.4	2.3	2.1	1.9
March 2023	3.6	1.0	1.6	2.2	2.1	2.0	
Potential GDP growth							
October 2023	1.3	2.2	2.2	1.9	1.9	1.9	1.9
March 2023	1.5	1.8	1.8	1.9	1.9	1.9	
GDP inflation							
October 2023	7.2	1.3	2.9	1.5	1.9	1.9	1.9
March 2023	7.5	1.5	2.1	1.8	2.1	2.1	
Nominal GDP growth							
October 2023	10.9	2.5	3.6	4.0	4.2	4.1	3.9
March 2023	11.4	2.6	3.8	4.0	4.2	4.2	
Nominal GDP (\$ billions)							
October 2023	2,783	2,852	2,954	3,073	3,203	3,333	3,465
March 2023	2,796	2,867	2,976	3,096	3,227	3,362	
3-month treasury rate							
October 2023	2.4	4.8	4.2	2.6	2.5	2.5	2.5
March 2023	2.4	4.4	3.2	2.5	2.5	2.5	
10-year government bond rate							
October 2023	2.8	3.4	3.4	3.3	3.3	3.3	3.3
March 2023	2.8	3.4	3.3	3.3	3.3	3.3	
Exchange rate (US\$/C\$)							
October 2023	76.9	74.6	76.4	77.7	79.1	79.9	80.3
March 2023	76.9	76.7	79.2	79.9	80.5	80.8	
Unemployment rate							
October 2023	5.3	5.4	5.9	5.9	5.7	5.6	5.6
March 2023	5.3	5.5	5.9	5.7	5.6	5.5	
CPI inflation							
October 2023	6.8	4.0	2.8	1.9	1.9	1.9	1.9
March 2023	6.8	3.7	2.3	2.0	2.0	2.0	
U.S. real GDP growth							
October 2023	2.1	2.2	1.1	1.7	1.8	1.8	1.8
March 2023	2.1	0.7	1.3	2	1.8	1.8	
WTI oil price (\$US)							
October 2023	95	82	83	77	78	80	82
March 2023	95	78	73	72	74	75	

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

Appendix B: Composition of nominal GDP

% of GDP		Projection					
	2022	2023	2024	2025	2026	2027	2028
Expenditure share							
Final household consumption	52.8	54.6	54.7	55.0	55.3	55.6	55.9
Non-profit institutions serving households	1.6	1.6	1.7	1.7	1.7	1.8	1.8
Government consumption expenditure	21.0	21.3	21.0	20.8	20.5	20.2	20.0
Government investment	3.8	3.9	3.9	3.8	3.8	3.7	3.7
Residential investment	8.6	7.5	7.2	7.0	7.2	7.3	7.6
Business investment	10.6	11.1	11.3	11.3	11.5	11.5	11.6
Inventory investment	1.4	0.1	-0.3	0.1	0.5	0.5	0.3
Exports of goods and services	33.8	33.4	33.4	32.7	32.4	32.2	32.1
Imports of goods and services	33.6	33.6	32.9	32.4	32.7	32.8	33.0
Income share							
Compensation of employees	49.9	51.8	51.3	50.9	51.0	51.2	51.2
Net mixed income	8.5	9.0	8.9	8.8	8.8	8.9	8.9
Corporate profits before tax	12.4	9.9	9.7	10.1	9.9	9.5	9.4
Investment income	2.9	1.8	2.5	2.6	2.6	2.6	2.6
Consumption of fixed capital	16.3	16.8	16.6	16.4	16.5	16.5	16.4
Taxes less subsidies on production	3.9	4.1	4.1	4.1	4.1	4.1	4.0
Taxes less subsidies on products and imports	6.2	6.6	6.9	7.1	7.2	7.3	7.4

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

Appendix C: Detailed revenue outlook

\$ billions	Estimate	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Income taxes							
Personal income tax	205.4	215.8	226.8	237.5	248.9	260.8	272.0
Corporate income tax	90.4	82.5	84.1	85.7	85.7	88.0	91.4
Non-resident income tax	13.4	13.5	13.3	13.3	13.8	14.3	14.7
Total income tax	309.2	311.8	324.2	336.5	348.4	363.1	378.1
Excise taxes/duties							
Goods and Services Tax	47.1	51.8	53.1	54.7	56.7	58.9	61.1
Custom import duties	6.0	6.8	7.2	7.4	7.8	8.1	8.5
Other excise taxes/duties	12.2	12.7	13.1	13.4	13.6	13.8	14.0
Total excise taxes/duties	65.3	71.3	73.3	75.5	78.1	80.8	83.6
Other taxes	0.2	2.6	1.4	1.3	4.1	3.7	3.7
Fuel charge proceeds	7.9	10.7	13.1	14.9	16.7	18.1	19.6
EI premium revenues	26.7	29.1	30.3	30.3	31.1	32.3	33.5
Other revenues							
Enterprise Crown corporations	7.8	3.7	8.0	10.8	12.4	12.4	13.0
Other programs	23.0	25.7	27.9	26.4	26.7	27.2	28.1
Net foreign exchange	2.6	3.6	3.4	3.0	3.2	3.5	3.9
Total other revenues	33.3	33.0	39.3	40.2	42.4	43.1	44.9
Total budgetary revenues	442.6	458.4	481.6	498.8	520.7	541.1	563.4
Per cent of GDP							
Total tax revenues	13.5	13.5	13.5	13.5	13.4	13.4	13.4
Proceeds from the pollution pricing framework	0.3	0.4	0.4	0.5	0.5	0.5	0.6
Employment Insurance premium revenues	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other revenues	1.2	1.2	1.3	1.3	1.3	1.3	1.3
Total budgetary revenues	15.9	16.1	16.3	16.2	16.3	16.2	16.3

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

Note: Totals may not add due to rounding.

Appendix D: Detailed expense outlook

\$ billions	Estimate	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Major transfers to persons							
Elderly benefits	69.3	76.2	81.1	85.4	89.7	94.2	98.7
Employment Insurance	21.8	23.3	25.5	25.7	26.2	26.9	27.7
COVID-19 income support for workers	-3.0	-2.6	0.0	0.0	0.0	0.0	0.0
Children's benefits	24.5	26.2	27.3	28.3	29.1	29.6	30.2
Total	112.6	123.1	134.0	139.4	144.9	150.7	156.6
Major transfers to other levels of government							
Canada Health Transfer	47.1	49.4	52.2	54.8	57.6	60.4	62.9
Canada Social Transfer	15.9	16.4	16.9	17.4	17.9	18.5	19.0
Equalization	21.9	24.0	25.3	26.2	27.2	28.3	29.5
Territorial Formula Financing	4.6	4.8	5.1	5.4	5.6	5.9	6.1
Health agreements with provinces and territories	1.2	3.7	3.7	3.7	3.7	2.5	2.5
Canada-wide early learning and childcare	4.5	5.6	6.6	7.9	7.9	7.7	7.7
Canada Community-Building Fund	2.3	2.4	2.4	2.5	2.5	2.6	2.6
Other transfers to government	-6.4	-6.9	-7.3	-7.6	-8.0	-8.5	-8.9
Total	91.1	99.4	105.0	110.3	114.4	117.4	121.5
Fuel charge proceeds returned	6.6	11.9	14.4	14.9	16.8	18.1	19.6
Direct program expenses							
Transfer payments	94.4	90.3	88.4	90.2	90.1	93.2	95.8
Operating and capital expenses	132.0	127.0	122.7	120.1	121.2	124.9	129.5
Total direct program expenses	226.3	217.2	211.1	210.3	211.2	218.1	225.3
Total program expenses	436.7	451.7	464.5	474.8	487.4	504.4	522.9
Public debt charges	34.8	46.4	47.0	47.4	49.6	50.4	51.1
Total expenses, excluding net actuarial losses	471.5	498.1	511.5	522.2	537.0	554.8	574.0
Net actuarial losses	9.8	6.9	3.3	1.5	-1.2	0.4	-2.4
Per cent of GDP							
Major transfers to persons	4.0	4.3	4.5	4.5	4.5	4.5	4.5
Major transfers to other levels of government	3.3	3.5	3.6	3.6	3.6	3.5	3.5
Fuel charge proceeds returned	0.2	0.4	0.5	0.5	0.5	0.5	0.6
Direct program expenses	8.1	7.6	7.1	6.8	6.6	6.5	6.5
Total program expenses	15.7	15.8	15.7	15.5	15.2	15.1	15.1

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

Note: Totals may not add due to rounding.

Appendix E: Employment Insurance Operating Account

\$ billions	Estimate	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Revenues							
Premium revenues	26.7	29.1	30.3	30.3	31.1	32.3	33.5
Contributions for federal employees	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total revenues	27.2	29.5	30.7	30.7	31.5	32.7	33.9
Expenses							
Benefits	21.8	23.3	25.5	25.7	26.2	26.9	27.7
Administration expenses	2.7	2.8	2.9	2.9	3.0	3.1	3.2
Total expenses	24.5	26.1	28.4	28.6	29.2	30.1	30.9

	2022	2023	2024	2025	2026	(...)	2030	2031
Annual balance	1.2	2.8	2.7	2.0	2.2		3.3	3.6
Cumulative balance	-24.7	-21.9	-19.2	-17.2	-15.0		-3.2	0.4
Premium rate (per \$100 of insurable earnings)	1.58	1.63	1.66	1.61	1.58		1.58	1.58

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

Note: Totals may not add due to rounding. The projection period covers 2023 to 2031.

Appendix F: Direct program expenses

\$ billions	Estimate	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Other transfer payments							
Canada Emergency Wage Subsidy	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Other payments	94.6	90.3	88.4	90.2	90.1	93.2	95.8
Total other transfer payments	94.4	90.3	88.4	90.2	90.1	93.2	95.8
Operating expenses							
Personnel expenses	66.4	64.6	63.9	63.0	64.5	66.5	68.9
Consolidated Crown corporations	9.3	9.2	9.5	9.4	9.4	9.8	10.2
Other operating expenses	50.1	46.4	41.9	39.7	38.9	39.3	40.7
Total operating expenses	125.8	120.3	115.4	112.2	112.8	115.6	119.8
Capital amortization expenses	6.2	6.7	7.3	7.9	8.4	9.3	9.7
Operating and capital expenses	132.0	127.0	122.7	120.1	121.2	124.9	129.5
Total direct program expenses	226.3	217.2	211.1	210.3	211.2	218.1	225.3

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

Note: Totals may not add due to rounding.

Appendix G: Federal debt outlook

\$billions unless otherwise indicated	Estimate	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Interest-bearing debt							
Market debt*	1,256.2	1,302.7	1,335.9	1,360.9	1,375.9	1,390.1	1,398.3
Pensions and other future benefits	319.5	313.6	310.2	308.6	310.9	318.0	329.5
Other liabilities	10.8	11.2	11.4	11.7	11.8	11.9	12.0
Total interest-bearing debt	1,586.4	1,627.4	1,657.6	1,681.2	1,698.6	1,719.9	1,739.8
Accounts payable and accrued liabilities	242.2	247.2	253.3	261.9	273.7	287.4	302.5
Total liabilities	1,828.7	1,874.6	1,910.8	1,943.1	1,972.3	2,007.3	2,042.3
Financial assets	552.3	547.9	547.0	550.2	560.1	576.6	598.8
Non-financial assets	107.6	111.4	115.3	119.4	123.6	128.0	132.5
Total assets	659.9	659.3	662.3	669.6	683.7	704.6	731.3
Federal debt (liabilities less assets)	1,168.8	1,215.3	1,248.6	1,273.5	1,288.6	1,302.7	1,310.9
Federal debt (% of GDP)	42.0	42.6	42.3	41.4	40.2	39.1	37.8
Market debt: agent Crown corporations*	311.6	317.3	318.2	327.9	333.3	338.3	343.4
Borrowing requirements, as per the <i>Borrowing Authority Act</i>	1,567.7	1,620.0	1,654.1	1,688.8	1,709.3	1,728.3	1,741.7

Source: 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 March 2023 outlook

\$ billions	Estimate	Projection				
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Income taxes						
Personal income tax	-4.8	-1.5	-1.0	-1.9	-2.3	-2.4
Corporate income tax	2.3	4.4	3.8	4.5	3.0	2.6
Non-resident income tax	-0.5	0.1	0.1	-0.2	-0.2	-0.2
Total income tax	-3.0	3.0	2.9	2.4	0.6	0.1
Excise taxes/duties						
Goods and Services Tax	-1.3	0.4	0.2	-0.2	-0.5	-0.7
Custom import duties	-0.3	0.1	0.2	0.0	0.0	0.1
Other excise taxes/duties	0.0	0.0	0.3	0.4	0.4	0.6
Total excise taxes/duties	-1.6	0.5	0.7	0.2	0.0	-0.1
Other taxes	0.0	2.2	-0.2	-0.3	2.2	1.6
Fuel charge proceeds	-0.6	-0.8	-0.9	-1.2	-1.4	-1.8
El premium revenues	0.0	0.5	0.5	-0.5	-1.1	-1.0
Other revenues	1.2	-0.2	2.2	2.9	3.4	3.1
Total budgetary revenues	-4.1	5.2	5.2	3.5	3.6	1.9
Major transfers to persons						
Elderly benefits	-0.6	0.0	0.5	0.5	0.4	0.3
Employment Insurance	-0.4	-0.5	0.4	0.0	-0.3	-0.3
COVID-19 income support for workers	-3.2	-2.6	0.0	0.0	0.0	0.0
Children's benefits	-0.5	-0.4	-0.7	-0.5	-0.2	-0.1
Total	-4.7	-3.5	0.2	0.0	-0.1	-0.1
Major transfers to other levels of government						
Canada Health Transfer	-0.1	0.0	-0.1	-0.1	-0.1	-0.2
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Territorial Formula Financing	0.0	0.0	0.0	0.0	0.0	0.0
Other transfers to government	-0.1	-0.6	-0.6	-0.6	-0.6	-0.6
Total	-0.1	-0.6	-0.8	-0.8	-0.8	-0.9
Fuel charge proceeds returned	-1.8	-1.2	0.2	-1.3	-1.3	-1.8
Direct program expenses						
Other transfer payments	1.1	6.6	6.0	7.6	7.6	8.3
Operating and capital expenses	3.4	3.2	1.7	-0.5	-1.8	-1.8
Total direct program expenses	4.5	9.8	7.7	7.1	5.8	6.5
Total program expenses	-2.0	4.6	7.4	5.0	3.5	3.7
Public debt charges	0.1	2.8	3.3	2.7	3.9	4.5
Total expenses	-1.9	7.4	10.7	7.6	7.5	8.1
Budgetary balance before net actuarial losses	-2.2	-2.2	-5.5	-4.1	-3.8	-6.3
Net actuarial losses	0.0	1.2	0.3	0.0	-0.8	-0.8
Budgetary balance	-2.2	-3.4	-5.8	-4.1	-3.0	-5.4
Federal debt	0.6	4.0	9.8	13.9	16.9	22.3

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

Note: Totals may not add due to rounding.

Appendix I: Comparison to Budget 2023

\$ billions	Estimate	Projection				
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Income taxes						
Personal income tax	-1.4	2.1	2.3	1.8	2.4	2.9
Corporate income tax	2.4	-3.0	-2.2	-2.1	-4.4	-5.1
Non-resident income tax	-0.2	-0.2	0.2	0.6	0.8	0.7
Total income tax	0.9	-1.1	0.3	0.2	-1.2	-1.5
Excise taxes/duties						
Goods and Services Tax	1.7	0.4	-0.4	-0.8	-0.7	-0.5
Custom import duties	-0.2	0.3	0.3	0.3	0.4	0.4
Other excise taxes/duties	0.8	0.8	0.7	0.9	1.0	1.1
Total excise taxes/duties	2.3	1.4	0.5	0.4	0.7	1.0
Other taxes	0.0	1.7	0.5	0.3	0.3	0.3
Fuel charge proceeds	0.2	0.6	0.8	0.9	1.0	1.0
El premium revenues	-0.1	0.9	1.3	0.4	0.1	0.2
Other revenues	2.0	-1.7	-0.4	-1.9	-1.9	-2.7
Total budgetary revenues	5.3	1.6	3.1	0.4	-1.1	-1.7
Major transfers to persons						
Elderly benefits	0.2	0.3	-0.1	-0.9	-1.7	-2.1
Employment Insurance	-0.8	-0.9	0.0	-0.5	-0.4	-0.4
COVID-19 income support for workers	0.0	-2.6	0.0	0.0	0.0	0.0
Children's benefits	0.0	0.6	-0.1	-0.2	-0.2	-0.4
Total	-0.7	-2.6	-0.1	-1.7	-2.4	-2.9
Major transfers to other levels of government						
Canada Health Transfer	0.0	0.0	0.2	0.2	0.3	0.2
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.0	0.1	0.3	0.2	0.2
Territorial Formula Financing	0.0	0.0	0.0	0.1	0.2	0.2
Other transfers to government	0.1	-0.1	-0.1	-0.1	-0.2	-0.3
Total	0.1	-0.1	0.3	0.5	0.5	0.4
Fuel charge proceeds returned	-0.3	0.7	0.9	0.9	1.0	1.0
Direct program expenses						
Other transfer payments	1.0	3.9	-2.4	-0.9	-1.1	-0.8
Operating and capital expenses	0.6	3.3	2.5	0.2	0.1	1.2
Total direct program expenses	1.5	7.0	0.1	-0.7	-1.1	0.4
Total program expenses	0.8	5.1	1.2	-1.1	-1.8	-1.0
Public debt charges	0.3	2.5	1.0	0.8	1.3	0.1
Total expenses	1.1	7.6	2.2	-0.3	-0.6	-0.9
Budgetary balance before net actuarial losses	4.3	-6.0	0.9	0.7	-0.5	-0.8
Net actuarial losses	0.0	0.5	-0.9	-1.3	-1.2	-0.7
Budgetary balance	4.3	-6.4	1.8	1.9	0.7	-0.1
Federal debt	-11.9	-5.5	-7.2	-9.2	-9.8	-9.8

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

Note: Totals may not add due to rounding.

Notes

¹ Our projection does not include the third estimate of GDP or the comprehensive update of the United States National Economic Accounts published by the Bureau of Economic Analysis on September 28.

² As measured by year-over-year changes in the Consumer Price Index (CPI).

³ These amounts include PBO cost estimates of measures detailed in Budget 2023. These measures are \$3.6 billion lower than the Government's estimates, largely due to differences in costing of the new Canadian Dental Care Plan.

⁴ As the 2023 Public Accounts have not yet been published, the estimate for 2022-23 relies on data from Finance Canada's [March 2023 Fiscal Monitor](#) along with PBO assumptions and estimates.

On average, over the past decade, the Public Accounts were tabled seven months after the close of the fiscal year. [As noted in our previous reports](#), the Government continues to fall short of the standard for advanced practice in the International Monetary Fund's financial reporting guidelines, which recommends that governments publish their annual financial statements within six months of the close of the fiscal year.

⁵ The upward revision to our outlook for tax revenues largely reflects stronger-than-expected corporate profits in 2022-23 and their continued strength in most sectors into the second quarter of 2023.

Other revenues were revised higher largely due to larger projected profits by enterprise Crown corporations and interest revenues by Crown corporations. These higher revenues were somewhat offset by lower projected profits by the Bank of Canada as a result of higher interest rates.

⁶ Based on the 2023-24 Departmental Plans we have revised down our projection of operating expenses. This revision was somewhat offset by higher compensation growth from recently signed collective agreements.

⁷ For additional details on the approach used to construct confidence intervals for our economic and fiscal projections, see PBO's [Impact Assessment of Budget 2021 Measures](#).

As noted in our previous reports, a key limitation of the distributions of the budgetary components is that they reflect only “economic” uncertainty. They do not reflect uncertainty related to the translation of economic projections into fiscal projections; discretionary fiscal policy responses to different economic outcomes; or non-economic risks.

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