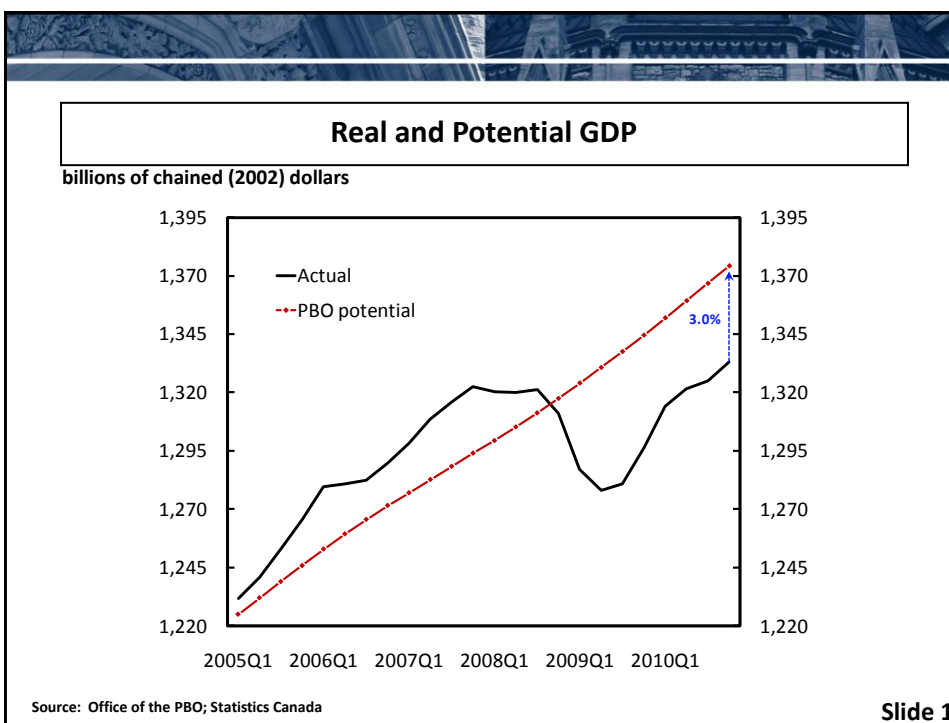


Economic and Fiscal Assessment *Update*

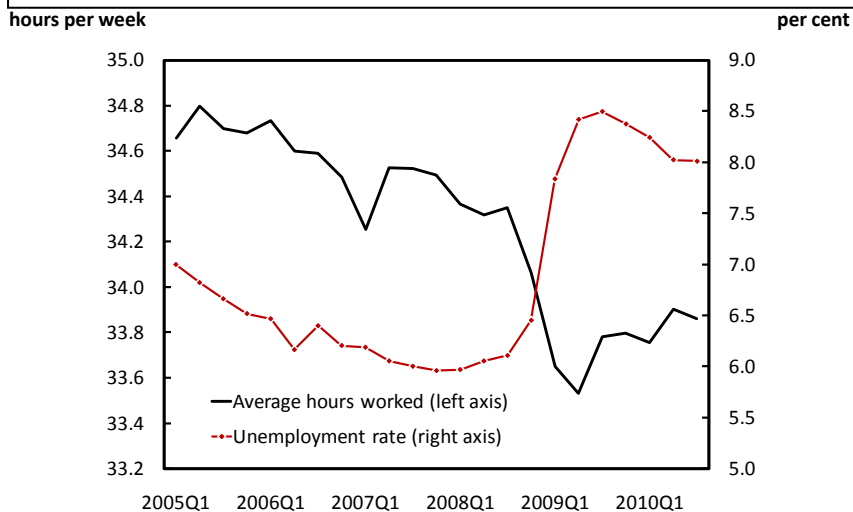
Standing Committee on Finance (FINA)

15 February 2011

Kevin Page
Parliamentary Budget Officer



Unemployment Rate and Average Hours Worked

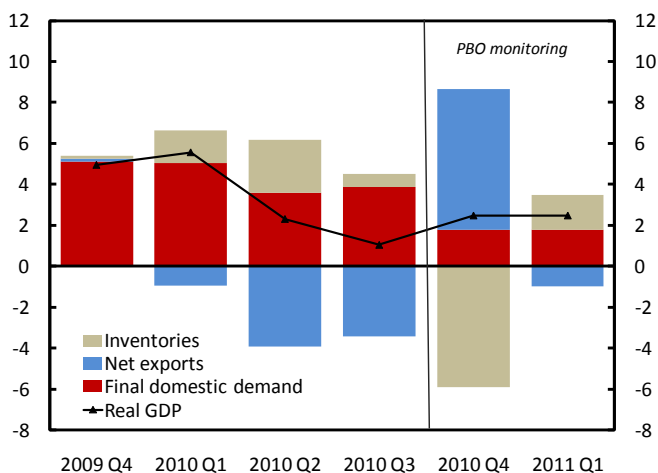


Source: Office of the PBO; Statistics Canada

Slide 2

Contributions to Real GDP Growth

percentage points, annual rates



Source: Office of the PBO; Statistics Canada

Slide 3

Private Sector Economic Forecasts – Finance Canada

	2010	2011	2012	2013	2014	2015
Real GDP growth (%)						
September 2010 survey	3.0	2.5	2.8	2.9	2.6	2.5
December 2010 survey	2.9	2.4	2.8	2.9	2.6	2.5
GDP inflation (%)						
September 2010 survey	2.8	2.0	2.3	2.0	2.0	1.9
December 2010 survey	2.9	2.2	2.3	2.1	2.1	2.1
Nominal GDP level (\$ billions)						
September 2010 survey	1,618	1,692	1,780	1,868	1,954	2,039
December 2010 survey	1,618	1,693	1,780	1,870	1,959	2,050
Nominal GDP level -- fiscal planning (\$ billions)						
<i>Update 2010 adjustment for risk</i>	-2.0	-10.0	-10.0	-7.5	-5.0	-5.0
Fiscal planning assumption (PBO)	1,616	1,683	1,770	1,863	1,954	2,045

Source: Office of the PBO; Finance Canada

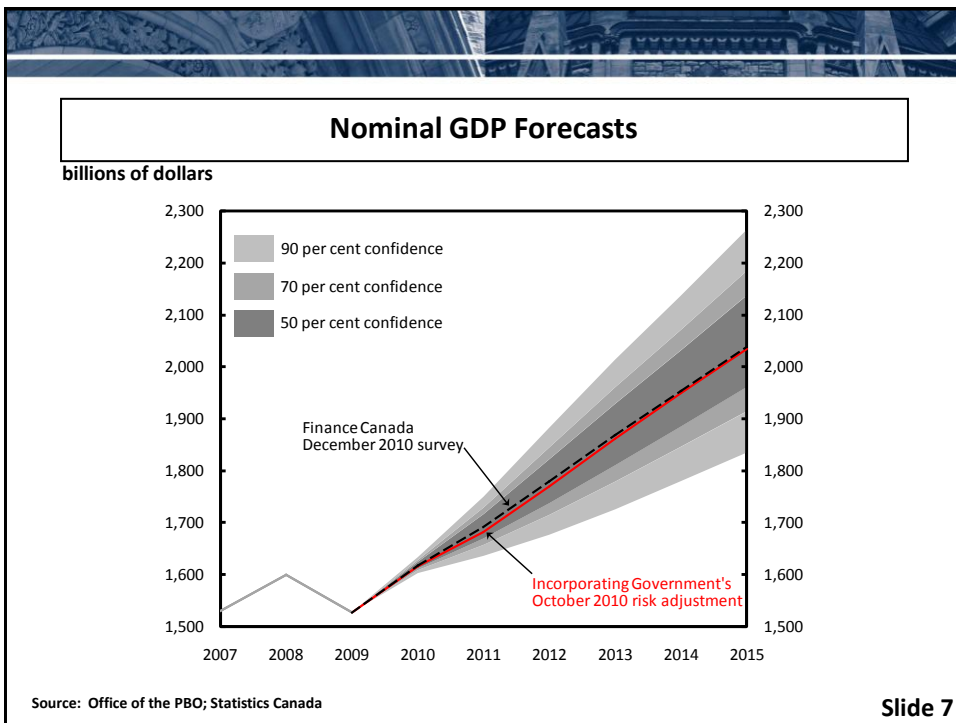
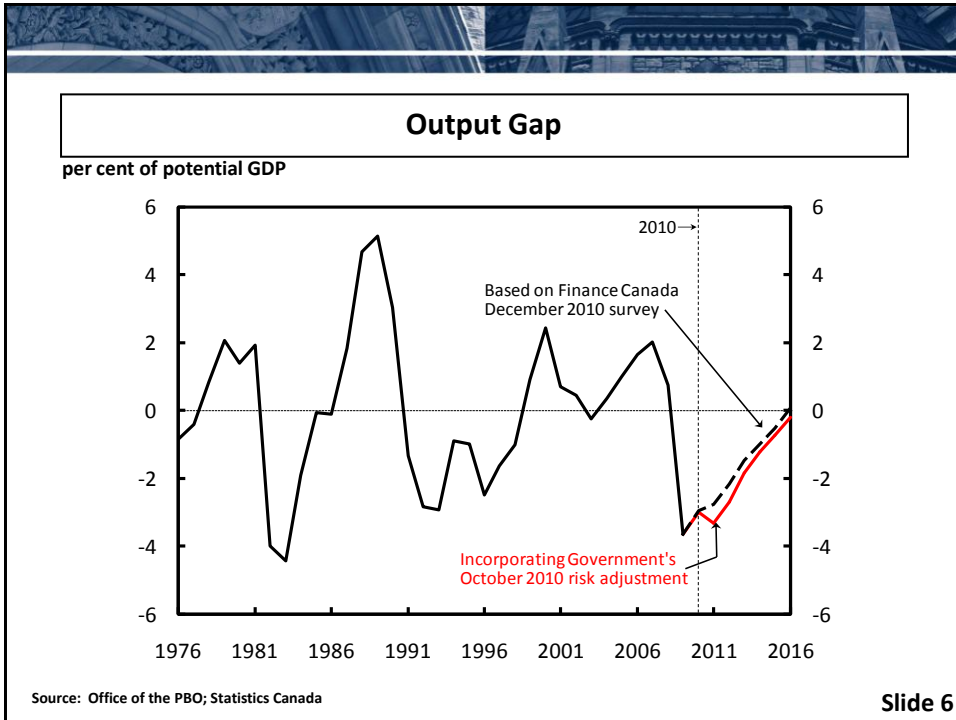
Slide 4

Private Sector Economic Forecasts – Finance Canada

	2010	2011	2012	2013	2014	2015
3-month treasury bill rate (%)						
September 2010 survey	0.6	1.6	2.7	3.5	4.0	4.0
December 2010 survey	0.6	1.4	2.6	3.6	4.0	4.0
10-year government bond rate (%)						
September 2010 survey	3.2	3.3	4.0	4.6	4.8	4.9
December 2010 survey	3.2	3.4	4.0	4.7	4.9	5.1
Unemployment rate (%)						
September 2010 survey	8.0	7.7	7.4	7.0	6.8	6.6
December 2010 survey	8.0	7.7	7.3	7.0	6.8	6.6
Total CPI inflation (%)						
September 2010 survey	1.7	2.2	2.1	2.1	2.0	2.0
December 2010 survey	1.8	2.3	2.1	2.0	2.1	2.0

Source: Finance Canada

Slide 5



Risks to the Private Sector Forecast

External

- Weaker global growth, particularly in the U.S.

Currency

- Recent appreciation of the Canadian dollar has outpaced commodity prices
- Currency tensions around the world

Sovereign Debt

- Potential impact on global interest rates

Domestic

- High level of household debt

Slide 8

Summary of Fiscal Projections

billions of dollars

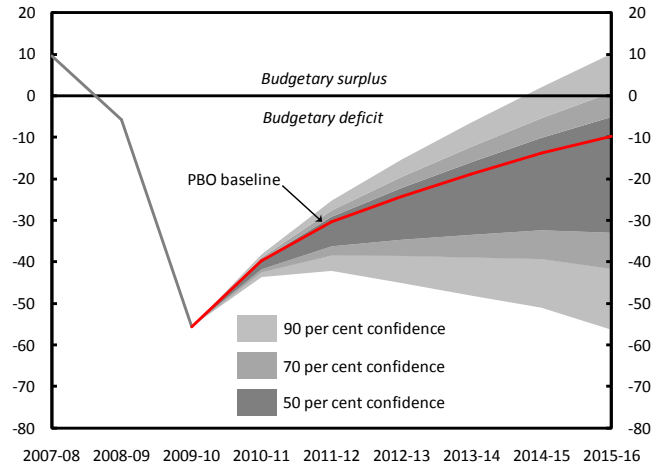
	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016
Budgetary revenues	236.3	249.3	262.6	277.7	290.9	305.4
Program expenses	245.2	246.0	250.7	257.8	264.0	273.1
Public debt charges	30.9	33.6	36.2	38.8	40.7	42.0
Total expenses	276.1	279.6	286.9	296.6	304.7	315.1
Budgetary balance	-39.8	-30.3	-24.2	-18.8	-13.8	-9.7
Federal debt	555.5	585.8	610.0	628.9	642.6	652.3
Per cent of GDP						
Budgetary revenues	14.6	14.8	14.8	14.9	14.9	14.9
Program expenses	15.2	14.6	14.2	13.8	13.5	13.4
Public debt charges	1.9	2.0	2.0	2.1	2.1	2.1
Budgetary balance	-2.5	-1.8	-1.4	-1.0	-0.7	-0.5
Federal debt	34.4	34.8	34.5	33.8	32.9	31.9

Source: Office of the PBO

Slide 9

Budgetary Balance Outcomes Given Economic Uncertainty and Downside Risks

billions of dollars



Source: Office of the PBO; Finance Canada

Slide 10

Probabilities of Budgetary Balance and Deficit

per cent

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Probability of balance or better (assuming balanced risks)	0 (0)	0 (0)	0 (0)	1 (7)	7 (20)	16 (32)
Probability of deficit (assuming balanced risks)	100 (100)	100 (100)	100 (100)	99 (93)	93 (80)	84 (68)

Source: Office of the PBO

Slide 11

Structural and Cyclical Balance Estimates

billions of dollars

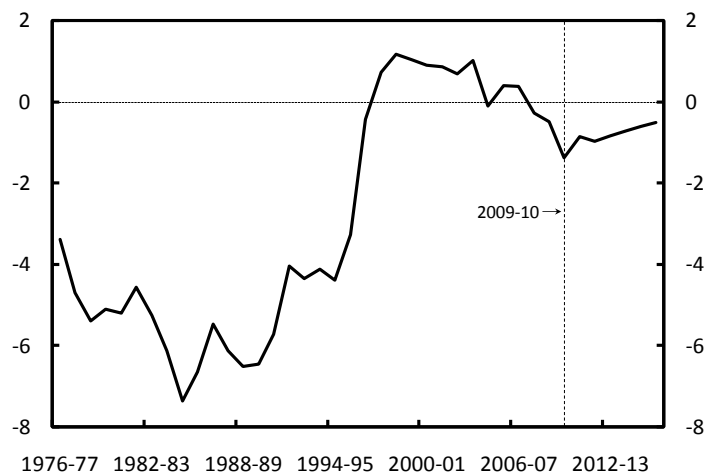
	2009- 2010	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016
Budgetary balance	-55.6	-39.8	-30.3	-24.2	-18.9	-13.8	-9.7
Structural balance	-22.2	-14.3	-17.1	-15.1	-13.8	-11.8	-10.4
Cyclical balance	-33.4	-25.5	-13.2	-9.1	-5.1	-1.9	0.8

Source: Office of the PBO

Slide 12

Structural Balance

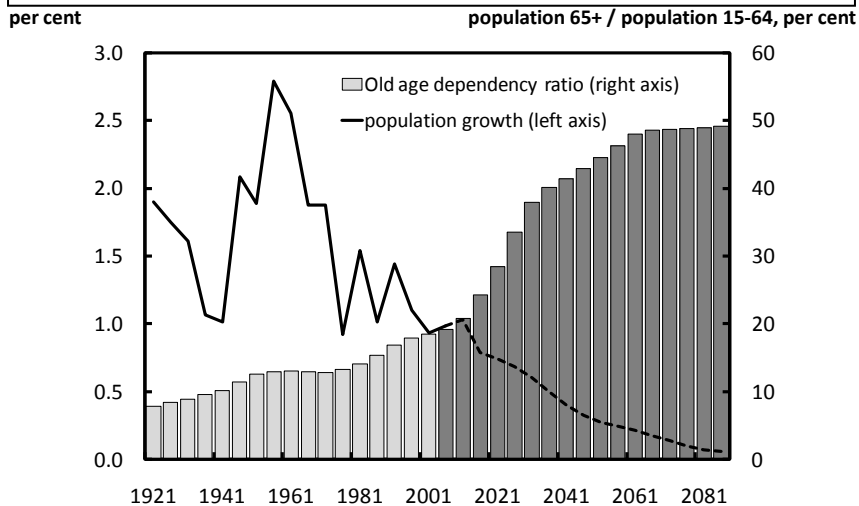
per cent of potential income



Source: Office of the PBO

Slide 13

Population Growth and Old Age Dependency Ratio

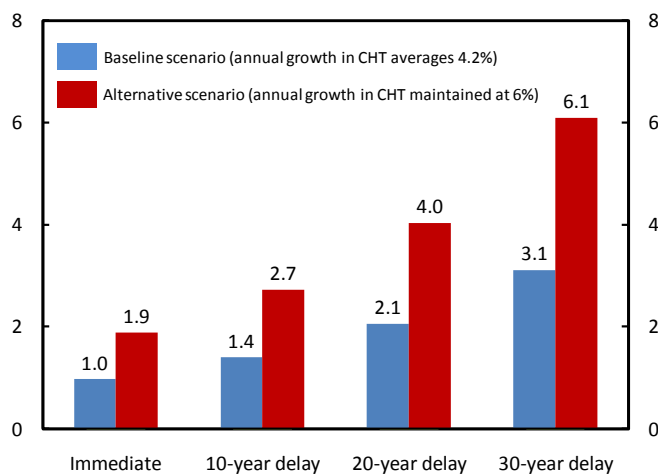


Source: PBO (2010) Fiscal Sustainability Report; Statistics Canada

Slide 14

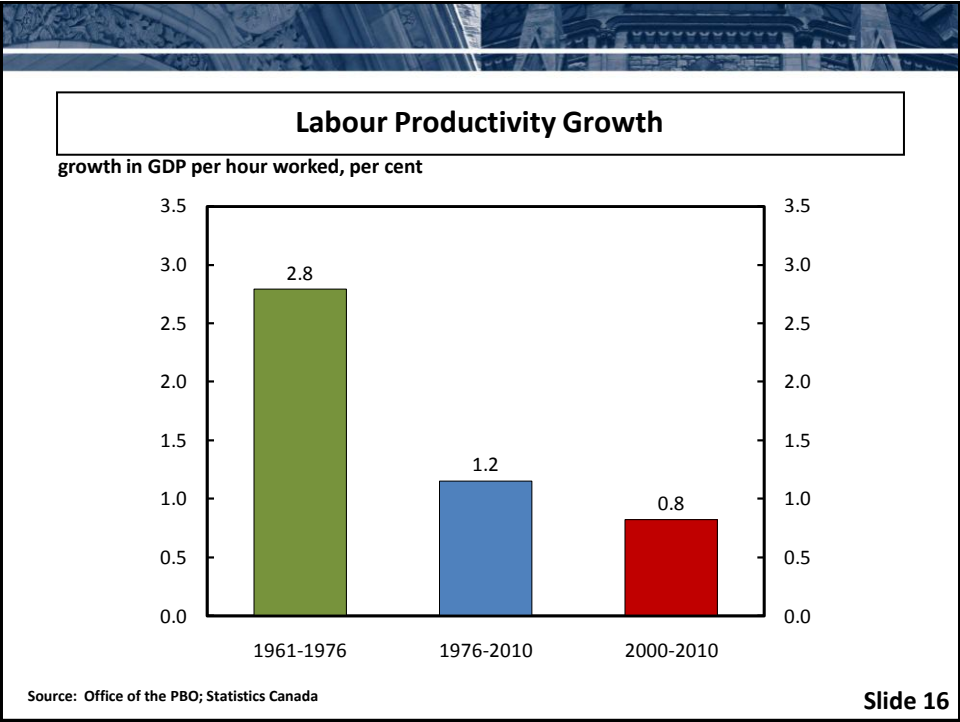
Fiscal Action Required to Achieve Fiscal Sustainability

permanent increase in taxes/reduction in spending, per cent of GDP



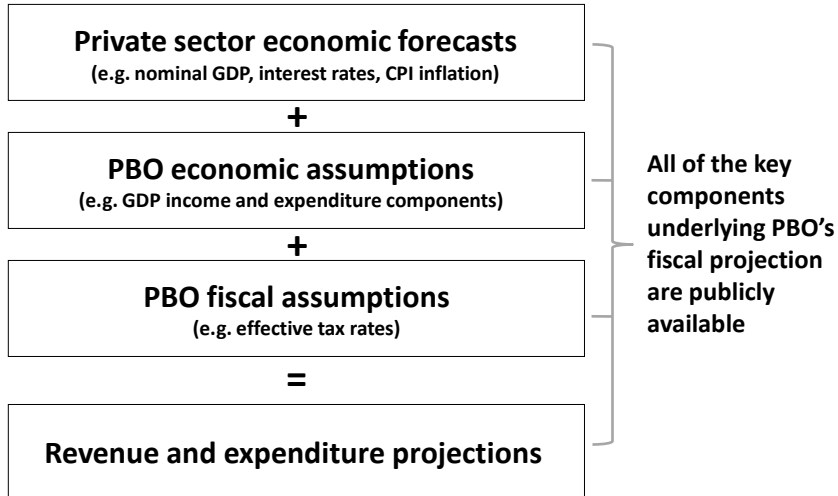
Source: PBO (2010) Fiscal Sustainability Report

Slide 15



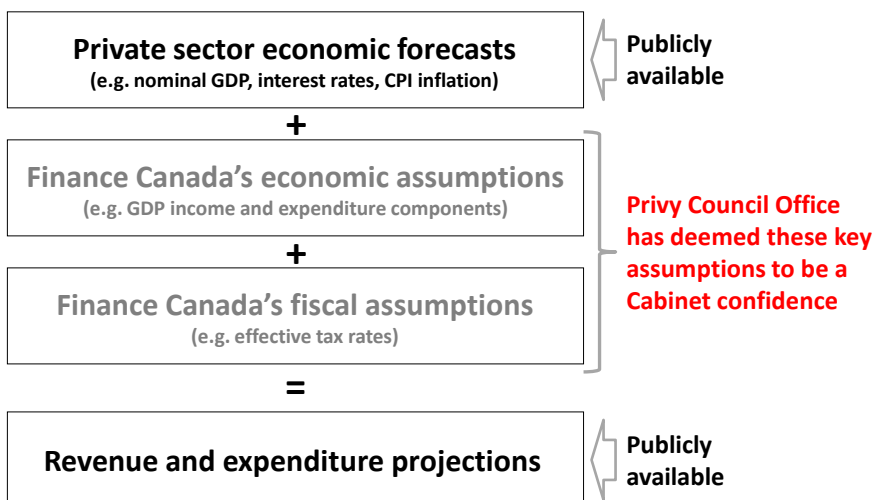
Additional Material

Fiscal Projection Process – PBO



Slide 17

Fiscal Projection Process – Finance Canada



Slide 18

Table 1 – Nominal GDP Income Shares**PBO February 2011 Assumptions**

(Per cent of nominal GDP)

	2010	2011	2012	2013	2014	2015
Wages, salaries and supplementary labour income	52.6	52.5	52.4	52.3	52.2	52.2
Corporation profits before taxes	10.6	11.4	11.5	11.6	11.6	11.7
Government business enterprise profits before taxes	1.0	1.0	1.0	1.0	1.0	1.0
Interest and miscellaneous investment income	4.3	4.5	4.7	4.9	4.9	5.0
Accrued net income of farm operators from farm production	0.0	0.1	0.1	0.1	0.1	0.1
Net income of non-farm unincorporated business, including rent	6.5	6.3	6.3	6.2	6.2	6.2
Inventory valuation adjustment	0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Taxes less subsidies on factors of production and products	10.7	10.7	10.6	10.6	10.6	10.6
Capital consumption allowances	14.1	13.6	13.5	13.4	13.3	13.3
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Office of the Parliamentary Budget Officer; Statistics Canada

Table 2 – Fiscal Outlook**PBO February 2011**

(\$ billions)

	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016
Income taxes						
Personal income tax	114.5	125.2	133.3	141.4	149.5	157.8
Corporate income tax	29.8	27.7	27.2	29.1	30.6	32.1
Non-resident income tax	5.3	6.2	6.5	7.0	7.4	7.9
Total income tax	149.7	159.1	167.0	177.5	187.6	197.8
Excise taxes/duties						
Goods and Services Tax	27.8	28.9	30.5	31.9	33.3	34.8
Custom import duties	3.5	3.6	3.8	4.0	4.1	4.3
Other excise taxes/duties	10.5	10.7	10.8	10.7	10.4	10.4
Total excise taxes/duties	41.8	43.3	45.1	46.6	47.8	49.5
El premium revenues	17.8	19.2	21.2	23.5	25.8	27.2
Other revenues	27.0	27.7	29.3	30.2	29.8	30.9
Total budgetary revenues	236.3	249.3	262.6	277.7	290.9	305.4
Major transfers to persons						
Elderly benefits	35.4	37.1	39.4	41.5	43.8	46.2
Employment Insurance benefits	20.9	19.4	19.5	19.8	19.8	20.2
Children's benefits	13.0	13.4	13.7	13.8	13.9	13.9
Total	69.3	69.9	72.6	75.2	77.5	80.3
Major transfers to OLG	53.0	55.5	57.0	59.7	62.3	65.4
Direct program expenses	122.8	120.6	121.2	123.0	124.2	127.4
Public debt charges	30.9	33.6	36.2	38.8	40.7	42.0
Total expenses	276.1	279.6	286.9	296.6	304.7	315.1
Budgetary balance	-39.8	-30.3	-24.2	-18.8	-13.8	-9.7
Other comprehensive income	3.4	0.0	0.0	0.0	0.0	0.0
Federal debt	555.5	585.8	610.0	628.9	642.6	652.3

Source: Office of the Parliamentary Budget Officer