December 10, 2020

FALL ECONOMIC STATEMENT 2020: ISSUES FOR PARLIAMENTARIANS

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 identifies key issues arising from the Government's Fall Economic Statement published on 30 November 2020.

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RP-2021-037-S_e

Table of Contents

Summary

To assist parliamentarians in their budgetary deliberations, this report identifies key issues arising from the Government's Fall Economic Statement (FES) published on 30 November 2020.

Economic outlook

The economic outlook presented in Fall Economic Statement 2020 is broadly in line with PBO's September projection. The outlook for nominal GDP—the broadest measure of the Government's tax base—is only $5 billion (0.2 per cent) higher per year, on average, than PBO's projection.

On balance, private sector forecasters expect slightly faster employment growth, resulting in higher employment levels than PBO projected. Given their outlook for the unemployment rate, this would suggest that private sector forecasters expect relatively higher labour force participation.

Fiscal outlook

When put on a comparable basis to FES 2020, PBO's projected budgetary deficits in the September Economic and Fiscal Outlook are $5.0 billion larger, on average, over 2020-21 to 2025-26.

PBO's larger projected deficits are primarily due to weaker economic and fiscal assumptions, partly offset by lower cost estimates of spending measures included in the Government's COVID-19 Economic Response Plan.

PBO's estimate of the overall cost of the COVID-19 Response Plan is $12.3 billion lower ($1.7 billion per year, on average) than estimated in the FES over 2019-20 to 2025-26. This is partly due to PBO's lower estimated costs for tax deferrals and liquidity measures.

Fiscal guardrails

In FES 2020, the Government set aside $70 billion to $100 billion in stimulus spending over the next three fiscal years (2021-22 to 2023-24). The Government identified three labour market indicators—referred to as fiscal guardrails—that will help determine when this stimulus would be wound down.

Based on PBO's projection for the guardrail indicators, most, if not almost all, of the ground lost in the labour market due to the pandemic will be made up by the end of 2021-22, the first year in which planned stimulus would be implemented. This would suggest that the size and timing of the planned fiscal stimulus may be mis-calibrated.

That is, if the Government's objective is to hasten the return of the labour market to pre-pandemic levels once the virus is under control, a smaller-scale stimulus plan could be frontloaded over a shorter time period than the proposed three-year window.

Fiscal anchors

The Government did not identify a fiscal anchor in its FES, although it committed to "returning to a prudent and responsible fiscal path, based on a long-term fiscal anchor" that will be outlined "when the economy is more stable". Fiscal transparency and accountability would be enhanced if the Government identified its fiscal anchor, supported with detailed economic and fiscal projections over a medium- and longer-term horizon, as well as a meaningful analysis of fiscal sustainability.

Presentation of the fiscal plan

Importantly, the Government has re-introduced a detailed 5-year fiscal outlook—essential for credible fiscal planning and scrutiny—and has included risk scenarios related to a resurgence of the virus. The Government has also enhanced transparency by separating forecasts of actuarial losses from program expenses.

Other aspects of FES 2020 detract from transparency: the unallocated and unspecified placeholder of $70-100 billion in stimulus spending over 2021-22 to 2023-24; information gaps on funding for anticipated Cabinet decisions; and, the removal of the current service cost outlook for federal employee benefit plans.

Employment Insurance

FES 2020 does not provide an outlook for the Employment Insurance Operating Account. The Government's fiscal forecasts suggest the Account is on track for a shortfall of $52 billion by the end of 2024. The Government has committed to freeze EI premiums at $1.58 per $100 of earnings until the end of 2022 but has not indicated in FES 2020 or elsewhere whether it plans to address the projected shortfall in EI revenues through higher premium rates, reduced benefits or other program changes.

Borrowing Authority Act

The *Borrowing Authority Act* sets the maximum amount that the Minister of Finance may borrow. In FES 2020, the Government proposes to increase the maximum to $1,831 billion—a $663 billion increase from the current limit. The proposed increase primarily reflects deficits accumulated since 2017-18, plus deficits forecasted in the FES through March 2024.

The proposal earmarks an additional $100 billion for planned but unallocated and unspecified stimulus spending—money not reflected in the Government's fiscal framework.

1. Economic outlook

The economic outlook presented in the Government's Fall Economic Statement (FES) 2020 was based on Finance Canada's September 2020 survey of private sector forecasters. Table 1 provides a high-level comparison of the average private sector forecast in FES 2020 and PBO's Economic and Fiscal Outlook (EFO) published on September 29.[1]

Table 1 Economic outlook comparison

	2020	2021	2022	2023	2024	2025	2020-2025
Real GDP growth (%)							
Fall Economic Statement	-5.8	4.8	3.2	2.3	2.1	1.9	1.4
PBO September EFO	-5.2	4.7	2.8	2.4	2.0	1.9	1.4
	-0.6	0.1	0.4	-0.1	0.1	0.0	0.0
Nominal GDP level ($ billions)							
Fall Economic Statement	2,183	2,333	2,458	2,565	2,675	2,781	---
PBO September EFO*	2,200	2,344	2,448	2,554	2,656	2,761	---
	-17	-11	10	11	19	20	---
Unemployment rate (%)							
Fall Economic Statement	9.7	8.1	7.0	6.3	6.0	6.0	7.2
PBO September EFO	9.7	8.1	6.5	5.7	5.5	5.4	6.8
	0.0	0.0	0.5	0.6	0.5	0.6	0.4
Employment (thousands)							
Fall Economic Statement**	18,002	18,849	19,301	19,590	19,806	19,964	19,252
PBO September EFO	17,981	18,712	19,243	19,546	19,750	19,914	19,191
	21	137	57	44	56	50	61

Sources: Finance Canada and Parliamentary Budget Officer.

Note: * Nominal GDP levels have been restated to reflect historical revisions.

** Finance Canada's September 2020 survey includes the average private sector annual forecast of employment growth over 2020 to 2025. These forecasted growth rates have been applied to the level of employment in 2019 to produce forecasted employment levels.

The outlook for real GDP growth over 2020 to 2025 presented in FES 2020 is in line with PBO's September EFO, with growth averaging 1.4 per cent annually. Private sector forecasters, however, expect a somewhat sharper decline in real GDP in 2020 followed by a stronger recovery in 2021 and 2022.

The private sector forecast of nominal GDP—the broadest measure of the Government's tax base—is also in line with PBO's September projection. Based on the average private sector forecast in FES 2020, nominal GDP is only $5 billion (0.2 per cent) higher per year, on average, than PBO projected.

While private sector forecasters' outlook for the unemployment rate in 2020 and 2021 is in line with PBO's, their forecast of the unemployment rate over 2023 to 2025 is 0.6 percentage points higher, on average, compared to PBO's September projection.

However, on balance, private sector forecasters expect slightly faster employment growth, resulting in higher employment levels than PBO projected. This would suggest that private sector forecasters expect relatively higher labour force participation.

2. Fiscal outlook

When put on a comparable basis, PBO's projected budgetary deficits in the September EFO are $5.0 billion larger, on average, over 2020-21 to 2025-26 (Table 2).[2] These larger deficits are primarily due to weaker economic and fiscal assumptions, partly offset by lower cost estimates of measures included in the Government's COVID-19 Economic Response Plan.

Table 2 Fiscal outlook comparison

$ billions	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
PBO budgetary balance in the September EFO	**-328.5**	**-73.8**	**-55.3**	**-48.0**	**-40.1**	**-34.8**
PBO re-estimation of previously costed measures	-7.4	-4.5	0.0	0.0	0.0	0.0
New measures detailed in the FES	-46.8	-40.0	-2.7	-1.1	-0.5	0.8
(A) Adjusted PBO budgetary balance	**-382.8**	**-118.2**	**-58.1**	**-49.1**	**-40.6**	**-34.0**
(B) FES 2020 budgetary balance	**-381.6**	**-121.2**	**-50.7**	**-43.3**	**-30.9**	**-24.9**
Difference in budgetary balances (A-B)	**-1.2**	**3.0**	**-7.4**	**-5.8**	**-9.7**	**-9.1**
of which: economic and fiscal assumptions	-6.6	-5.2	-10.0	-6.4	-9.4	-9.3
of which: differences in COVID-19 cost estimates	5.4	8.2	2.6	0.6	-0.3	0.2

Sources: Finance Canada and Parliamentary Budget Officer.

Note: A negative (positive) number increases (reduces) the budgetary deficit.

The re-estimation of previously costed measures mainly reflects items in Bill C-4. In our September EFO, cost estimates for the Canada Emergency Response Benefit, Canada Recovery Benefits and temporary enhancements to Employment Insurance benefits were based on an August 20 backgrounder from Finance Canada. Program parameters were subsequently changed with the introduction of Bill C-4.

New measures include off-cycle measures announced after 1 September 2020, and new policy actions announced in the 2020 Fall Economic Statement.

Economic and fiscal assumptions

Over the projection horizon, PBO's economic and fiscal assumptions account for $7.8 billion in larger budgetary deficits, on average. Since PBO's economic outlook is broadly in line with the FES, most of the differences in the fiscal outlook are owing to fiscal rather than economic assumptions.

In 2020-21, PBO forecasts higher operating expenses and other transfer payments. Over the remainder of the projection period, PBO is projecting lower revenues, most notably because of lower assumptions for income taxes on corporations and non-residents.

COVID-19 cost estimates

Since the start of the COVID-19 pandemic, the PBO has published independent cost estimates of the Government's COVID-19 Economic Response Plan, accounting for more than 70 per cent of the costs of the response plan to date in 2020-21.[3]

Over the projection horizon, PBO's estimate of the overall cost of the COVID-19 Economic Response Plan is $12.3 billion lower ($1.7 billion per year, on average) than estimated in the FES over 2019-20 to 2025-26 (Table 3).[4] This is mainly due to PBO's lower estimated costs for tax deferrals and liquidity measures, which are partly offset by higher estimates for the temporary enhancements to Employment Insurance. In our September outlook, PBO used different assumptions about the timing of expenses than were used in the FES for the Canada Emergency Response Benefit and Canada Recovery Benefit.

Table 3 Comparison of PBO and Finance Canada COVID-19 cost estimates

$ billions, Finance Canada less PBO	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Budgetary support measures						-	-
Canada Emergency Response Benefit (CERB)	-4.6	6.3	-	-	-	-	-
Temporary enhancements to Employment Insurance benefits	-	-5.5	-0.1	0.7	-	-	-
Canada Emergency Wage Subsidy (CEWS)	-	2.8	-	-	-	-	-
Canada Recovery Benefits	-	-4.4	3.9	-	-	-	-
Other	-	0.7	0.5	0.4	0.0	0.0	0.0
Tax and liquidity support measures							
Credit liquidity support programs	-	3.2	4.0	1.5	0.6	-0.3	0.2
Income tax, sales tax, and customs duty payment deferrals	-	2.3	-	-	-	-	-
Total costing differences	**-4.6**	**5.4**	**8.2**	**2.6**	**0.6**	**-0.3**	**0.2**

Sources: Finance Canada and Parliamentary Budget Officer.

Note: A positive (negative) number indicates that Finance Canada's cost estimate in FES 2020 is higher (lower) than PBO's most recent estimate for a given year.

The estimates shown reflect PBO's most recently published cost estimates and those in FES 2020.

Credit liquidity support programs include the cost of loans to the Insured Mortgage Purchase Program, Farm Credit Canada, Co-lending program for Small-and-Medium-sized Enterprise Loan Guarantee Program, and the Loan Guarantee Program for Small and Medium Sized Enterprises (SMEs).

3. Fiscal guardrails and stimulus

In FES 2020, the Government set aside $70 billion to $100 billion in stimulus spending over the next three fiscal years (2021-22 to 2023-24) to be deployed when "the virus is under control and the economy is able to effectively absorb it". Further, FES 2020 introduces selected economic indicators—referred to as fiscal guardrails—that will help determine when this stimulus would be wound down.

Specifically, the employment rate, total hours worked and the level of unemployment are identified as data triggers to mark "when the job of building back from the COVID-19 recession is accomplished" and the stimulus spending will be brought to an end. These indicators are benchmarked to their February 2020 pre-pandemic levels.

While FES 2020 does not explicitly identify thresholds for these guardrails, their benchmarking, along with references to the pre-recession peak level of employment (also in February 2020), suggest that February 2020 levels would serve as the thresholds.[5] The Government would improve transparency by clearly providing its quantitative thresholds.

FES 2020 shows the current tracking of the fiscal guardrails to October 2020. Figure 1 below updates the tracking to include data from Statistics Canada's November Labour Force Survey (released December 4) and incorporates a projection based on PBO's September 2020 Economic and Fiscal Outlook, which did not include the $70-$100 billion in planned stimulus spending.[6] The projection horizon shown covers the period over which the stimulus is planned, April 2021 to March 2024.

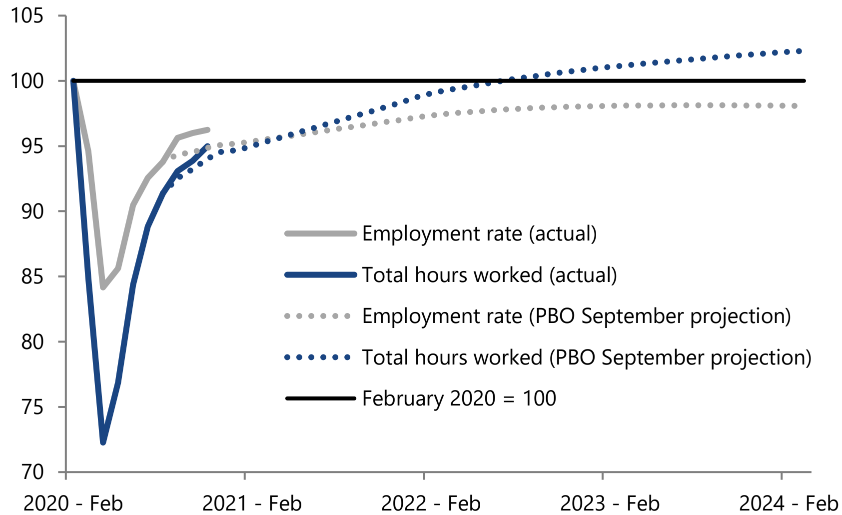
In the case of total hours worked (which combines employment and average weekly hours worked), PBO's September projection indicates that this guardrail will reach its February 2020 level in July 2022. The unemployment guardrail converges toward its February 2020 level but does not reach it by March 2024. That said, over 70 per cent of the current gap in November is projected to be eliminated by July 2022.

In the case of the employment rate (that is, the level of employment divided by the population 15 years and older), PBO's September projection shows a steady improvement, however, this guardrail falls short of ever returning to its February 2020 level.

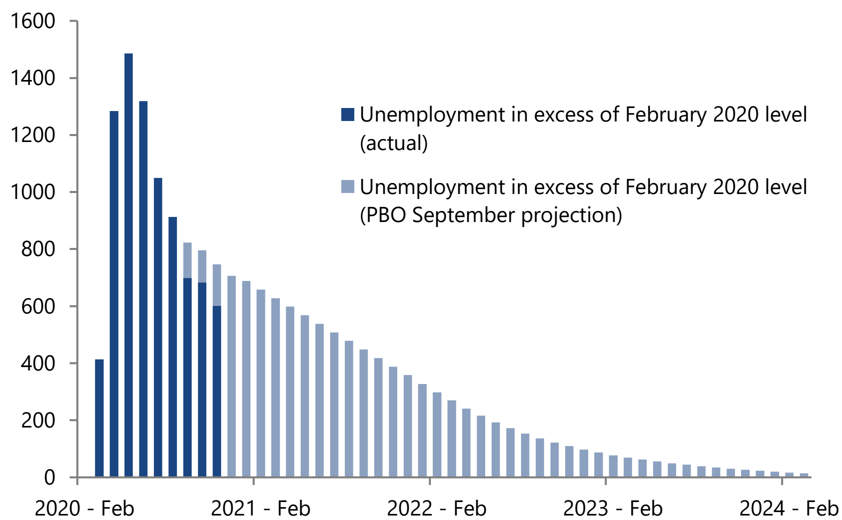
This underperformance largely reflects the projected impact of demographics on the labour market.[7] Indeed, in PBO's November 2019 Economic and Fiscal Outlook, the employment rate was projected to steadily decline over the medium term from its level at the end of 2019.

Figure 1 **Tracking FES 2020 fiscal guardrails**

Index, February 2020 = 100



Thousands



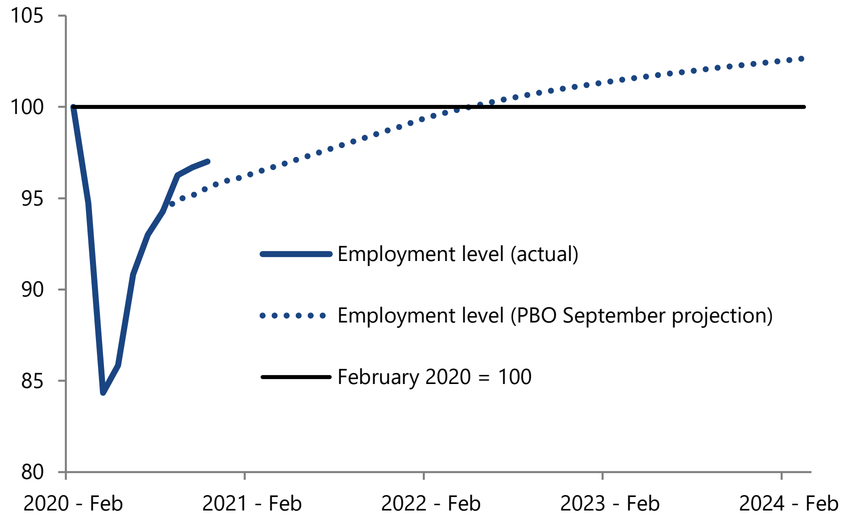
Sources: Statistics Canada and Parliamentary Budget Officer.

Note: Actual data covers the period February 2020 to November 2020. PBO's September projection covers the period from September 2020 to March 2024.

Consequently, recasting the employment rate guardrail in terms of the level of employment could provide a better measure for assessing labour market performance in the context of stimulus spending. Figure 2 presents the level of employment indexed to February 2020. Based on PBO's September outlook, this indicator is projected to reach its pre-pandemic level in May 2022, which is two months before the total hours worked guardrail.

Figure 2 Tracking employment levels

Index, February 2020 = 100



Sources: Statistics Canada and Parliamentary Budget Officer.

Note: Actual data covers the period February 2020 to November 2020. PBO's September projection covers the period from September 2020 to March 2024.

With the exception of the employment rate guardrail, and based on PBO's September outlook, the profiles of the monthly labour market indicators shown above suggest that most, if not almost all, of the ground lost in the labour market due to the pandemic will be made up by the end of 2021-22—the first year in which planned stimulus would be implemented.

In March 2022, total hours worked and employment are projected to reach 99.3 and 99.7 per cent, respectively, of their February 2020 levels, while the level of unemployment is projected to be 24 per cent above its pre-pandemic level (down from 53 per cent above level in November 2020).

In the absence of downside risks materializing, this would suggest that the size ($70-$100 billion) and timing (over the next three fiscal years) of the planned fiscal stimulus may be mis-calibrated if the objective is to hasten the return of the labour market to pre-pandemic levels once the virus is under control.[8] That is, a smaller-scale stimulus plan could be frontloaded over a shorter time period than the proposed three-year window.

If downside risks, such as the extended or escalated restrictions highlighted in FES 2020, were to materialize in the near term, additional fiscal support would be provided under existing emergency response programs. The magnitude and timing of stimulus spending could then be calibrated.

Targeted stimulus

In FES 2020, the Government committed to stimulus spending that would "act fast to jumpstart the recovery and have long-run value by creating shared prosperity".

In Budget 2016, the Government also committed to undertaking short-term targeted investments (totalling $26.5 billion over 2016-17 to 2017-18) and provided estimates of the economic and employment impacts of its proposed measures. This analysis was similar to that provided in Budget 2009 during the global financial crisis.

Parliamentarians may wish to request that the Government provide estimates and analysis of the economic impacts of its planned $70-$100 billion stimulus spending over 2021-22 to 2023-24 in Budget 2021 to ensure the spending serves its intended purpose.

4. Fiscal anchors

In its FES 2020, the Government outlined its fiscal plan. The Government committed to time-limited spending to support households and businesses until the pandemic is over. The Government also committed to stimulus spending to "jumpstart" the recovery once the virus is under control, with guardrails to help determine when the stimulus would be wound down.

Although the Government did not identify a fiscal anchor in its FES, it did commit to "returning to a prudent and responsible fiscal path, based on a long-term fiscal anchor" that will be outlined "when the economy is more stable".

Recall that just prior to the pandemic, in its December 2019 Economic and Fiscal Update, the Government detailed its fiscal plan. One of the key elements of its pre-pandemic plan was the Government's fiscal anchor—a commitment to continue to reduce federal debt relative to the size of the economy. In addition, the Government committed to preserve Canada's "triple A" credit rating.

In PBO's analytical framework, maintaining a stable or declining debt-to-GDP ratio over a longer-term horizon is necessary to ensure fiscal sustainability.[9]

Based on the FES 2020 projection—excluding the Government's planned stimulus spending—federal debt will increase to 50.7 per cent of GDP in 2020-21 from 31.2 per cent in 2019-20. Federal debt is then projected to peak at 52.6 per cent of GDP in 2021-22 before gradually declining to 49.6 per cent in 2025-26.

In addition, in its scenario analysis including the planned stimulus spending, the Government noted that the projected federal debt-to-GDP ratio between 55.5 per cent and 58.5 per cent is "well within what most economists regard to be a sustainable level".

Fiscal transparency and accountability would be enhanced if the Government identified its fiscal anchor. Further, this commitment should be supported with the Government's detailed economic and fiscal projections over a medium- and longer-term horizon, as well as a meaningful analysis of fiscal sustainability.

5. Presentation of the fiscal plan

Budget documents that provide a clear and complete presentation of economic and fiscal developments are central to parliamentary and public scrutiny of government spending and fiscal planning.

- In FES 2020, the Government returned to its practice of presenting a 5-year fiscal plan—its Economic and Fiscal Snapshot 2020 contained estimates for 2020-21 only. Medium-term plans based on realistic assumptions for revenues and detailed spending plans are essential elements for credible fiscal planning, especially in rapidly changing planning environments.
- The FES also provides an informative scenario analysis that considers downside risks related to a resurgence of the virus.
- FES 2020 includes a placeholder of $70-100 billion for stimulus spending over the next three years, entirely unsupported by policy details.
    - Parliamentarians may wish to request additional information on the Government's spending plans, especially before reflecting these amounts in financial management legislation, such as the borrowing limit under the *Borrowing Authority Act* (see section 7).
- The Government continues to quantify planned funding for non-announced decisions related to national security, commercial sensitivity, contract, negotiations and litigation issues—a gain for fiscal transparency.
    - Parliamentarians may wish to request that provisions for anticipated Cabinet decisions are presented separate from this category of non-announced measures.
- In FES 2020, the Government separates forecasts of actuarial losses from program expenses—an improvement on past budgets because actuarial losses are calculated formulaically and are non-discretionary.[10] This change provides a clearer picture of the Government's discretionary fiscal position.
    - Parliamentarians may wish to request further reporting adjustments for other non-discretionary items so fiscal plans present a *primary balance*, the clearest possible indicator of the Government's discretionary fiscal posture.[11,12]

- Unfortunately, in FES 2020, the Government suspended publishing a forecast of current service costs, another component of federal employees' pension and benefits expenses.

To allow for more focused scrutiny, parliamentarians may wish to request that the Government resume publishing more detailed direct program expense forecasts in future budgets.

6. Employment Insurance

The COVID-19 pandemic's profound impact on the labour market has strained the Employment Insurance (EI) system. In FES 2020, the Government forecasts $67.2 billion in EI expenses in 2020-21, which is a $45.4 billion increase from 2019-20.[13]

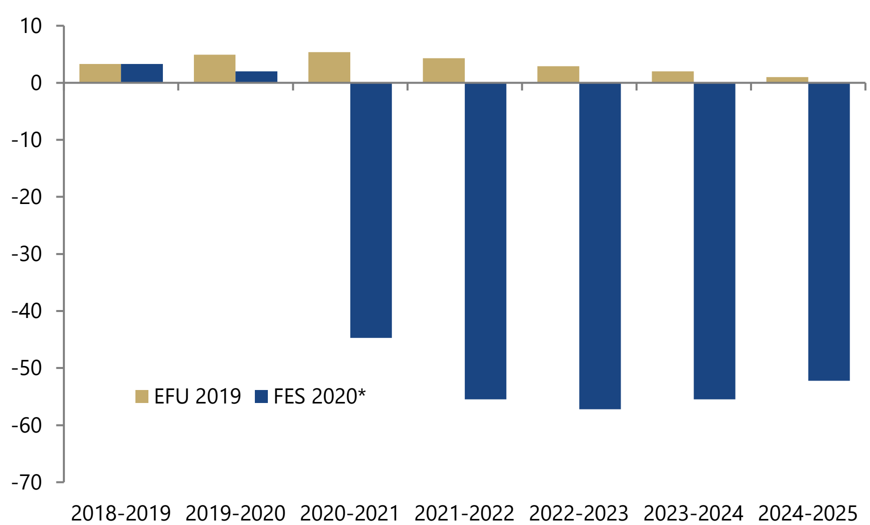
By convention, the Government provides an outlook for the EI Operating Account in its budgets and fall statements. FES 2020 does not provide an outlook for the EI Operating Account, although it does provide enough information to approximate the Government's outlook.[14,15]

Compared to the 2019 Economic and Fiscal Update (EFU), the Government is forecasting EI expenses that are $59 billion higher and EI revenues that are $5.8 billion higher, over 2019-20 to 2024-25 (Figure 3). Given that forecasted EI expenses far exceed projected program revenues, the EI Operating Account is on track for a cumulative deficit of $52 billion by the end of 2024.[16]

Figure 3

Employment Insurance Operating Account outlook

$ billions



Sources: Finance Canada and Parliamentary Budget Officer.

Note: * The FES 2020 outlook is based on PBO's estimate given the Government's EI forecasts presented in the 2020 Fall Economic Statement.

Under the *Employment Insurance Act*, the Government must set EI premium rates to generate just enough revenue to ensure that, at the end of a seven-year period, EI revenues equal EI expenses. By law, every dollar paid out of EI must be recouped through EI premiums within seven years.

The Government has committed to freeze EI premiums at $1.58 per $100 of insurable earnings until the end of 2022. The Government has not indicated in FES 2020 or elsewhere whether it plans to address the projected shortfall in EI revenues through higher premium rates, reduced benefits or through payments from the Consolidated Revenue Fund.

Parliamentarians may wish to ask the Government to furnish its plan to address the anticipated shortfall in the EI Operating Account.

7. Borrowing Authority Act

The *Borrowing Authority Act* (BAA) provides the Minister of Finance with the authority to borrow in debt markets and sets the maximum amount that may be borrowed. In FES 2020, the Government proposes to increase the maximum amount to $1,831 billion, effective until 31 March 2024 (Table 4). This is an increase of $663 billion (57 per cent) from the current limit of $1,168 billion.

The current limit was established in 2017 by accounting for the present and forecasted borrowing requirements of the federal government and agent Crown corporations, plus a 5 per cent contingency.

Table 4 Proposed changes to the limit in the Borrowing Authority Act

$ billions	Current limit	Proposed limit	Difference
Government of Canada	**794**	**1,408**	**614**
Market debt at beginning of period	691	1,088	397
Forecasted borrowing requirements	103	220	117
Unallocated stimulus spending	-	100	100
Agent Crown corporations	**319**	**335**	**16**
Market debt at beginning of period	276	333	57
Forecasted borrowing requirements	43	2	-41
Contingency amount	**56**	**87**	**31**
Total	**1,168**	**1,831**	**663**

Sources: Finance Canada and Parliamentary Budget Officer.

Note: Market debt at the beginning of the period for both current and proposed limits are estimates made at a given point in time for the Government of Canada and agent Crown corporations.

The proposed limit reflects $397 billion in market debt accumulated over April 2017 and October 2020, primarily reflecting budgetary deficits during that time (including $286 billion in extraordinary pandemic-related borrowing).[17] It also reflects $220 billion of borrowing requirements detailed in the fiscal outlook of FES 2020, from November 2020 to March 2024.

The proposal earmarks an additional $100 billion for planned but unallocated and unspecified stimulus spending—money not reflected in the Government's fiscal framework. Parliamentarians may wish to ask for details of the Government's stimulus spending or reconsider the limit under the Act.

Notes

1. PBO's September 2020 Economic and Fiscal Outlook is available at: https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/RP-2021-027-S/RP-2021-027-S_en.pdf.
2. This is an imperfect comparison. PBO's adjusted budgetary balance does not reflect a revised update of our economic and fiscal model. It is an approximation based on our September 2020 EFO new data contained in the FES 2020. PBO will provide an updated EFO in April 2021.
3. Based on PBO's cost estimates.
4. PBO's most recent COVID-19 cost estimates are available at: https://covid19.pbo-dpb.ca/#/en/costing-economic-response-plan--etablissement-des-couts-plan-intervention-economique.
5. That is, once an indicator reaches or is projected to reach its February 2020 level, this would mark the point in time when the stimulus should be brought to an end—according to that specific indicator. FES 2020 notes that no single indicator perfectly represents the health of the economy and therefore several related indicators were considered.
6. Although PBO's outlook was prepared prior to the resurgence of the virus in the fall, labour market indicators in September-November have outperformed our expectations. Moreover, the development and availability of effective vaccines are advancing ahead of expectations. PBO's outlook for employment is somewhat more pessimistic compared to the private sector outlook in Finance Canada's September survey.

   While downside risks remain, PBO's September projection for the guardrail indicators serves as a reasonable central baseline to assess the timing of the Government's planned stimulus.

   Recall that in our September outlook we assumed that monetary policy will remain highly accommodative through the medium term, with the Bank of Canada maintaining its interest rate target at the effective lower bound of 0.25 per cent through 2023 and continuing its program of quantitative easing.
7. As the baby-boom generation continues its transition into retirement, the trend employment rate is projected to decline over the medium-term projection horizon (see Figure 2-4 in PBO's September 2020 Economic and Fiscal outlook). In addition, in our September outlook, we assumed that labour market trends would not be scarred in the aftermath of the pandemic.
8. Of course, other indicators could be considered as guardrails such as the output gap (real GDP relative to its potential). The employment rate and average hours worked could also be assessed relative to estimates of their pre-crisis trends.
9. For example, see PBO's November 2020 report: Fiscal Sustainability Report 2020: Update. Available at: https://www.pbo-

dpb.gc.ca/web/default/files/Documents/Reports/RP-2021-033-S/RP-2021-033-S_en.pdf.

10. In the Economic and Fiscal Update 2019, the Government debuted a more detailed forecast of pensions and other employee future benefits expenses, including details on actuarial losses.

11. Positively, the Government has restated historical fiscal aggregates from 2008-09 to 2019-20 in the Fiscal Reference Tables. Parliamentarians may wish to request that restated data used to arrive at revised fiscal aggregates also be made publicly available.

12. See the PBO's May 2020 analysis of changes to the way that actuarial gains and losses are reported in the Government's financial results. Available at: https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/RP-2021-006-S/RP-2021-006-S_en.pdf

13. $35 billion of EI benefits in 2020-21 were paid out under the Canada Emergency Response Benefit.

14. Similarly, the Economic and Fiscal Snapshot 2020 did not contain an outlook for the EI Operating Account.

15. PBO has not provided an outlook of the EI Operating Account since its November 2019 EFO because of uncertainty related to the recording of EI-eligible Canada Emergency Response Benefits. We plan to provide an updated projection in early 2021.

16. PBO calculations based on data in Fall Economic Statement 2020 and Public Accounts of Canada 2020.

17. Amendments made to the *Borrowing Authority Act* in 2020 address contingencies where the Minister might need to borrow to respond to emergencies such as natural disasters or to promote stability or maintain efficiency of the financial system, also referred to as extraordinary borrowings. That category of debt does not reflect the entirety of pandemic-related borrowing.