

March 5, 2024



# Economic and Fiscal Outlook

March 2024



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

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The Parliamentary Budget Officer (PBO) projects growth in the Canadian economy to remain sluggish through 2024. Restrictive monetary policy is expected to restrain growth in consumer spending in the first half of the year and to dampen residential investment over the course of this year. Inventory investment is projected to subtract from growth as businesses pullback on their stock building.

As excess supply in the economy increases and commodity prices continue to weaken, PBO projects that Consumer price index (CPI) inflation will return to its 2 per cent target by the end of 2024. With CPI inflation on track to return to target later this year, we continue to expect the Bank of Canada to start lowering its policy rate in April.

PBO projects the budgetary deficit to rise to \$46.8 billion (1.6 per cent of the Gross domestic product (GDP)) in 2023-24 from the \$35.3 billion (1.3 per cent of GDP) deficit recorded in 2022-23. Assuming no new measures are introduced, and existing temporary measures sunset as scheduled, the deficit is projected to resume its downward trajectory, falling to \$16.9 billion (0.5 per cent of GDP) in 2028-29.

PBO projects the federal debt-to-GDP ratio to increase from its 2022-23 level of 41.7 per cent, reaching 42.4 per cent in 2023-24 and 42.5 per cent in 2024-25. Assuming no new measures and existing temporary measures sunset as scheduled, the federal debt ratio is projected to fall to 39.2 per cent in 2028-29 but remain well 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 total revenues) to rise from 7.8 per cent in 2022-23 to 10.2 per cent in 2023-24. As the effective interest rate on debt edges higher in 2024-25, we project the debt service ratio to increase further and average 10.7 per cent through 2028-29—well above its pre-pandemic record low of 7.0 per cent in 2018-19.

# Summary

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This report provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings. Our outlook incorporates economic data up to and including February 20. It also includes new measures announced by the Government in the 2023 Fall Economic Statement and through February 1. 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

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Recent data<sup>1</sup> suggest that the Canadian economy stagnated in the second half of last year, leaving real GDP in the fourth quarter essentially unchanged from its level in the second quarter. In terms of annual growth, we estimate that real GDP advanced by 1.1 per cent in 2023.

We project growth in the Canadian economy to remain sluggish through 2024, with quarterly real GDP growth hovering around 1 per cent (at annual rates). Restrictive monetary policy is expected to restrain growth in consumer spending in the first half of the year and to dampen residential investment over the course of the year. We project export growth to moderate in response to a slowing U.S. economy and inventory investment to subtract from growth as businesses pullback on their stock building.

We project annual real GDP growth in 2025 to rebound to 2.4 per cent as consumer spending surges and the drag from inventory investment dissipates (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)

Fiscal year	2022	2023	2024	2025	2026-2028
Real GDP growth	3.8	1.1	0.8	2.4	2.1
Unemployment rate	5.0	5.8	5.9	5.7	5.5
WTI oil price, \$US	95	78	74	70	71
CPI inflation	6.8	3.9	2.4	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 further declines in the labour force participation rate, the unemployment rate remains elevated, reaching 5.7 per cent in January as moderate job gains have continued to fall short of robust population growth.

Consistent with sluggish economic growth, we project the unemployment rate to edge higher, rising to 5.9 per cent in the second half of this year. We project the unemployment rate to average 5.9 per cent through the first half of 2025 before gradually declining to 5.5 per cent as growth in real GDP outpaces growth in potential output over the medium term.

As excess supply in the economy increases and commodity prices continue to weaken, we project consumer price inflation<sup>2</sup> to return to its 2 per cent target by the end of 2024 (on a quarterly basis), and then to average 1.9 per cent over 2025 to 2027 as the economy gradually returns to its potential output and excess supply diminishes.

With CPI inflation on track to return to its 2 per cent target, we expect the Bank of Canada to start lowering its policy rate in April of this year.<sup>3</sup> 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, our outlook for nominal GDP—the broadest measure of the government’s tax base—is lower compared to our [October EFO](#) largely due to downward revisions to GDP inflation.<sup>4</sup> Adjusted for historical revisions<sup>5</sup> the level of nominal GDP is projected to be \$23.4 billion lower annually, on average, over 2023 to 2028 compared to our October outlook.

## Fiscal outlook

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Recall that PBO prepared its October outlook prior to the tabling of the 2022-23 Public Accounts.<sup>6</sup> The results for fiscal year 2022-23 recorded a budgetary deficit of \$35.3 billion (1.3 per cent of GDP)—slightly lower than our estimate of \$38.7 billion (1.4 per cent of GDP) in October.

Our status quo outlook includes new measures announced in the 2023 Fall Economic Statement and through February 1. Combined, new measures amount to \$8.1 billion in (net) new spending over 2023-24 to 2028-29.<sup>7</sup>

For the current fiscal year, 2023-24, we expect the deficit to rise to \$46.8 billion (1.6 per cent of GDP) due to slower revenue growth and higher expenses (Table 2).

In 2024-25, assuming no new measures are introduced, and existing temporary measures sunset as scheduled, the budgetary deficit is projected to resume its downward trajectory, reaching \$16.9 billion (0.5 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)

Fiscal year	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Revenues	447.8	457.4	483.2	503.9	527.3	550.6	576.5
Program expenses	438.6	450.0	469.1	483.5	495.8	514.5	533.3
Public debt charges	35.0	46.7	52.1	52.9	56.5	59.5	62.0
Actuarial losses	9.6	7.6	2.8	3.1	0.1	0.9	-1.8
Expenses	483.1	504.2	524.0	539.5	552.5	575.0	593.4
Budgetary balance	-35.3	-46.8	-40.8	-35.5	-25.1	-24.4	-16.9
Federal debt	1,173.0	1,220.7	1,261.5	1,297.1	1,322.2	1,346.6	1,363.6
Budgetary balance, % of GDP	-1.3	-1.6	-1.4	-1.2	-0.8	-0.7	-0.5
Federal debt, % of GDP	41.7	42.4	42.5	42.0	41.2	40.3	39.2

Source:

Office of the Parliamentary Budget Officer.

Note:

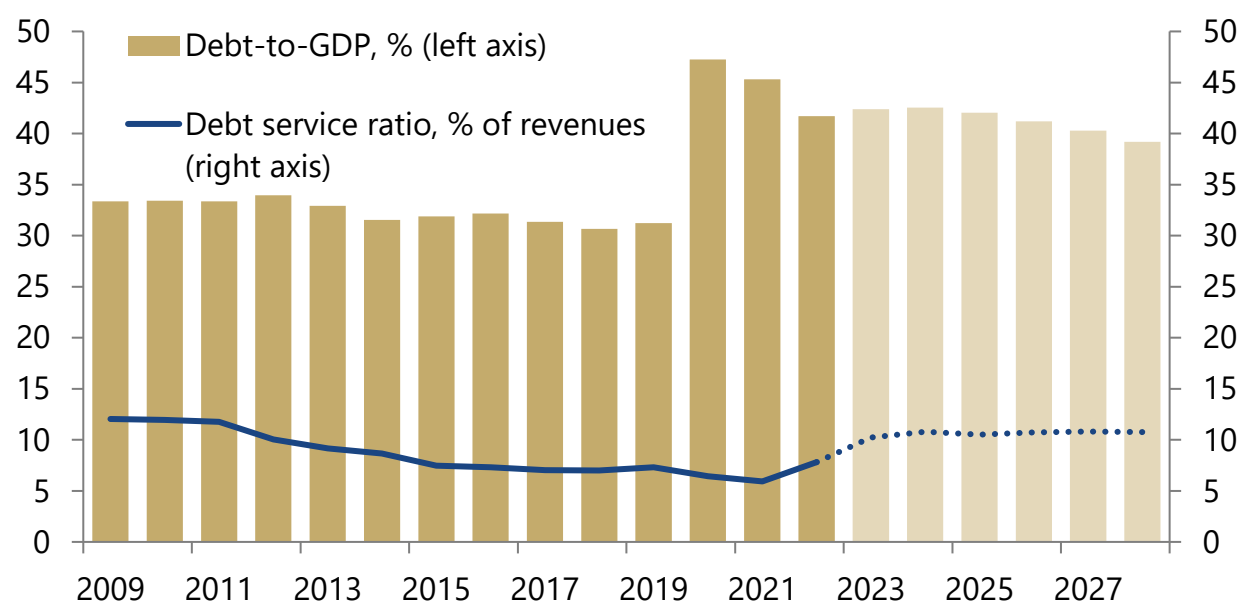
The projected level of federal debt for 2023-24 includes \$0.9 billion of other comprehensive losses and net remeasurement losses on financial instruments from the [December 2023 Fiscal Monitor](#).<sup>8</sup> The projection period covers fiscal years 2023-24 to 2028-29. Totals may not add up due to rounding.

With the increase in interest rates, we project the debt service ratio (that is, public debt charges relative to total revenues) to rise from 7.8 per cent in 2022-23 to 10.2 cent in 2023-24 (Figure 1). As the effective interest rate on debt edges higher in 2024-25, we project the debt service ratio to increase further and average 10.7 per cent through 2028-29—well above its pre-pandemic record low of 7.0 per cent in 2018-19.

In 2023-24, due to slower nominal GDP growth and an increase in the deficit, we expect the federal debt-to-GDP ratio to rise to 42.4 per cent. We then project the federal debt ratio to tick higher to 42.5 per cent in 2024-25 before gradually declining to 39.2 per cent by 2028-29, remaining well above its pre-pandemic level of 31.2 per cent of GDP in 2019-20. The federal debt ratio is projected to be 0.7 percentage points higher, on average, over 2023-24 to 2028-29 compared to our October 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 (2023 corresponds to fiscal year 2023-24). The projection period covers fiscal years 2023-2024 to 2028-2029.

Compared to our October outlook, we are projecting budgetary deficits that are \$7.9 billion higher, on average, over 2023-24 to 2028-29. This increase is largely due to upward revisions to our projection of direct program expenses (including new measures) and major transfers to persons (Table 3).

We have revised up our outlook for other revenues by \$7.0 billion per year, on average, to reflect larger projected interest revenues and net profits (from loans, investments, and advances to enterprise Crown corporations), as well as higher interest and penalty revenues on tax debt. That said, most of this upward revision is offset by higher public debt charges related to increased borrowing requirements for non-budgetary transactions.<sup>9</sup>

**Table 3**

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

Fiscal year	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Budgetary balance – October 2023 EFO	-38.7	-46.5	-33.2	-24.9	-15.1	-14.1	-8.2
Additional measures		-2.4	-2.6	-1.0	-0.7	-0.6	-0.7
Economic and other fiscal developments	3.4	2.1	-4.9	-9.6	-9.3	-9.7	-8.0
Budgetary balance – March 2024 EFO	-35.3	-46.8	-40.8	-35.5	-25.1	-24.4	-16.9

Source:

Office of the Parliamentary Budget Officer.

Note:

Additional measures include those announced in Fall Economic Statement 2023 and through to February 1. The projection period covers fiscal years 2023-24 to 2028-29. Totals may not add up due to rounding.

Excluding new measures and the upward revision to other revenues, our revenue outlook is \$1.0 billion lower per year, on average, over 2023-24 to 2028-29 compared to our October projection. This is due to downward revisions to corporate income tax revenues, as well as to custom imports and duties, that are partially offset by upward revisions to personal income tax revenues.

Excluding new measures and the upward revision to public debt charges, our outlook for expenses is \$6.1 billion higher per year, on average, over 2023-24 to 2028-29 compared to our October projection due to increases in direct program expenses and major transfers to persons.<sup>10</sup>

## Risks and uncertainty

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Our outlook provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings (that is, a “status quo” baseline). Setting aside new measures that are likely to be announced in the Government’s 2024 budget, we judge that the risks to our baseline economic and fiscal projection are roughly balanced.<sup>11</sup>

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

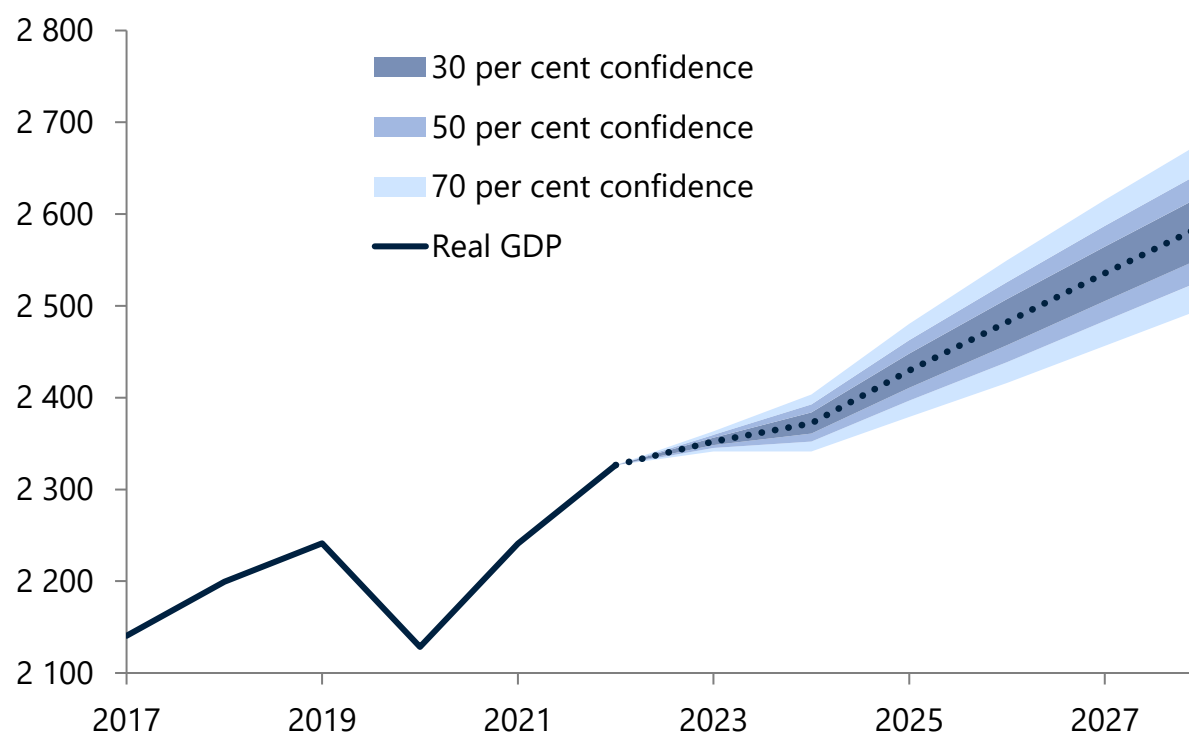
In terms of upside risks, we judge that the most important risk is higher-than-projected export growth. Robust U.S. real GDP growth may not slow as quickly as anticipated. With weakness in commodity prices putting downward pressure on the Canadian dollar, stronger U.S. growth could drive Canadian exports to outperform our projection.

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.<sup>12</sup>

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  $\pm 0.2$ ,  $\pm 0.4$  and  $\pm 0.6$  percentage points respectively. The lower bound of the 70 per cent confidence interval in 2024 is consistent with a 0.5 per cent decline in real GDP from its 2023 baseline level.

**Figure 2**

Uncertainty surrounding the outlook for real GDP, billions chained (2017) 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.

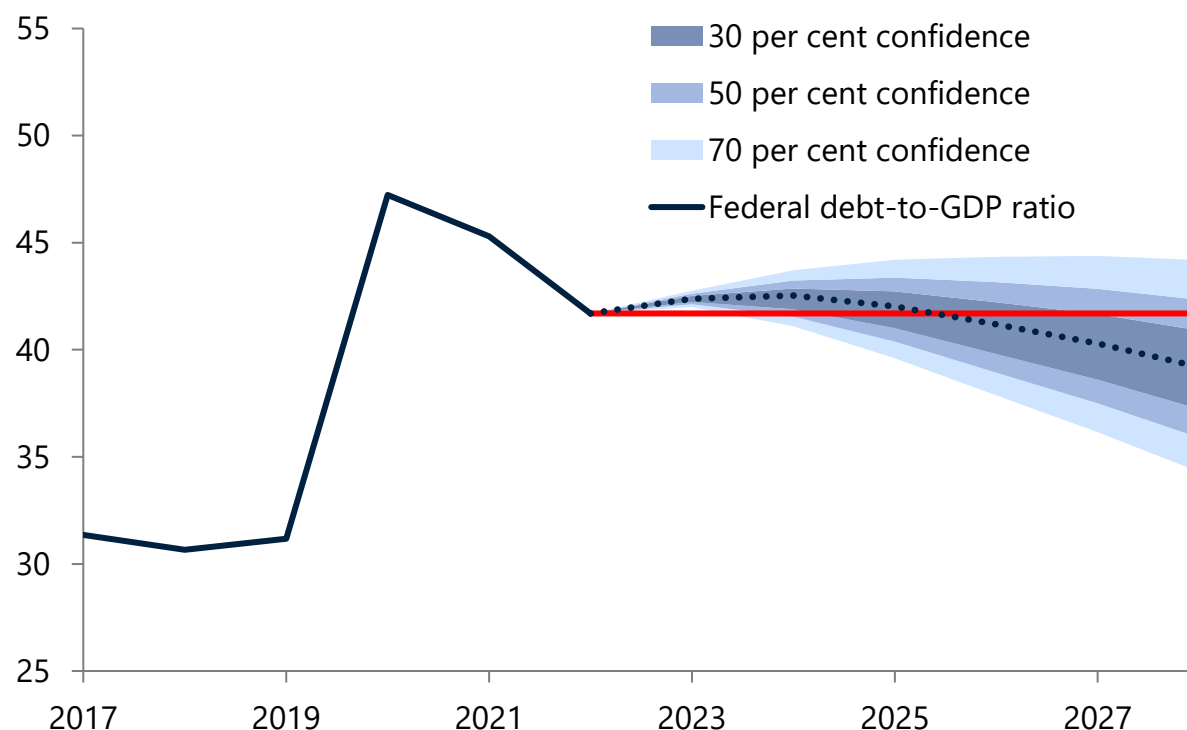
Note:

The 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 34.3 per cent to 44.2 per cent (Figure 3). We estimate there is a 69 per cent chance that the federal debt-to-GDP ratio in 2028-29 would be below its 2022-23 baseline level of 41.7 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). The projection period covers 2023-24 to 2028-29. The red line corresponds to the level of the federal debt-to-GDP ratio in 2022-23.

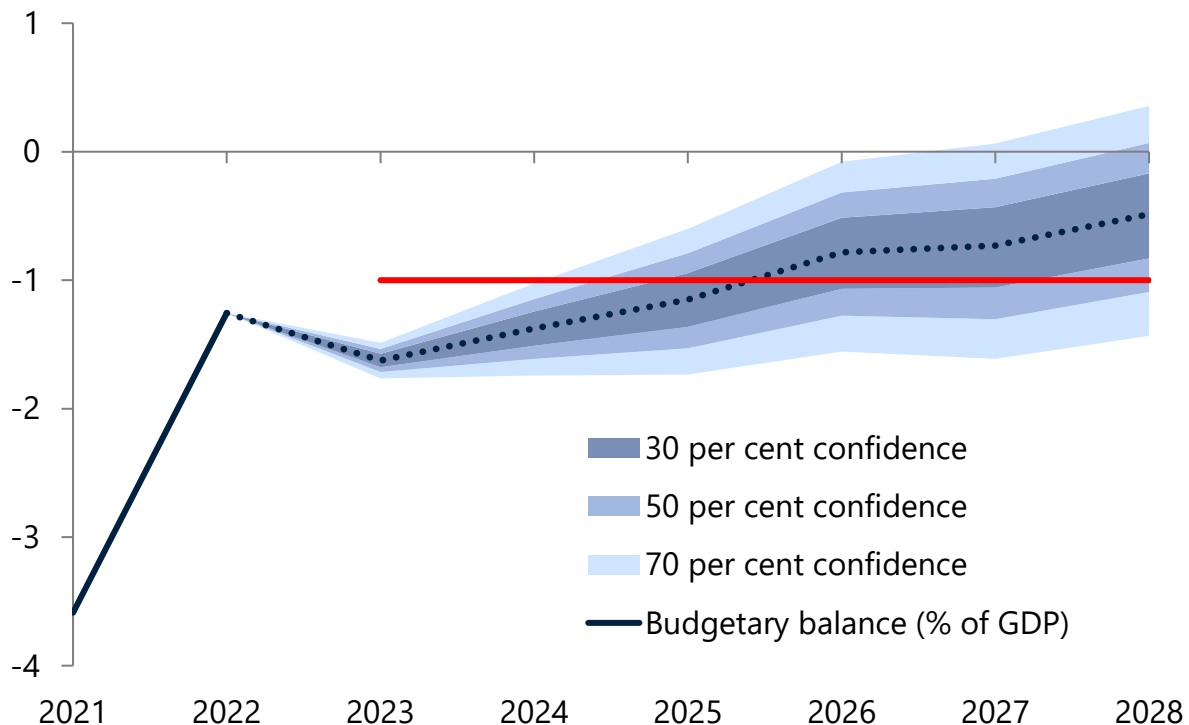
On a status quo basis, we estimate that a 70 per cent confidence interval for the budgetary balance relative to GDP in 2026-27—the first year of the Government's 1 per cent of GDP deficit threshold—would range from a deficit of 1.6 per cent to 0.1 per cent (Figure 4). We estimate there is a 38 per cent chance that the deficit would exceed its 1 per cent threshold in 2026-27.



In 2028-29, we estimate that a 70 per cent confidence interval for the budgetary balance would range from a deficit of 1.4 per cent of GDP to a surplus of 0.4 per cent of GDP. We estimate there is a 28 per cent chance that the deficit would exceed its 1 per cent threshold in 2028-29.

**Figure 4**

Uncertainty surrounding the outlook for the budgetary balance, per cent of GDP



Textual description:

Data for this figure are available in tab "Figure 4" 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). The projection period covers 2023-24 to 2028-29. The red line corresponds to the Government's 1 per cent of GDP deficit threshold (effective in 2026-27 and future years).

# Appendix A: Detailed economic outlook

% unless otherwise indicated	Actual	Projection					
	2022	2023	2024	2025	2026	2027	2028
<b>Real GDP growth</b>							
March 2024	3.8	1.1	0.8	2.4	2.2	2.1	2.0
October 2023	3.4	1.2	0.7	2.4	2.3	2.1	1.9
<b>Potential GDP growth</b>							
March 2024	1.4	2.1	2.5	2.0	1.9	1.9	1.9
October 2023	1.3	2.2	2.2	1.9	1.9	1.9	1.9
<b>GDP inflation</b>							
March 2024	7.7	1.3	2.1	1.6	1.8	2.0	2.0
October 2023	7.2	1.3	2.9	1.5	1.9	1.9	1.9
<b>Nominal GDP growth</b>							
March 2024	11.8	2.4	3.0	4.0	4.0	4.1	4.1
October 2023	10.9	2.5	3.6	4.0	4.2	4.1	3.9
<b>Nominal GDP (\$ billions)</b>							
March 2024	2,813	2,880	2,966	3,086	3,210	3,343	3,479
October 2023	2,813	2,885	2,990	3,109	3,241	3,373	3,506
<b>3-month treasury rate</b>							
March 2024	2.4	4.8	4.2	2.6	2.5	2.5	2.5
October 2023	2.4	4.8	4.2	2.6	2.5	2.5	2.5
<b>10-year government bond rate</b>							
March 2024	2.8	3.3	3.3	3.3	3.3	3.3	3.3
October 2023	2.8	3.4	3.4	3.3	3.3	3.3	3.3
<b>Exchange rate (US\$/C\$)</b>							
March 2024	76.9	74.1	75.3	76.1	76.8	77.4	77.7
October 2023	76.9	74.6	76.4	77.7	79.1	79.9	80.3
<b>Unemployment rate</b>							
March 2024	5.3	5.4	5.9	5.8	5.7	5.6	5.5
October 2023	5.3	5.4	5.9	5.9	5.7	5.6	5.6
<b>CPI inflation</b>							
March 2024	6.8	3.9	2.4	1.9	1.9	1.9	2.0
October 2023	6.8	4.0	2.8	1.9	1.9	1.9	1.9
<b>U.S. real GDP growth</b>							
March 2024	1.9	2.5	2.1	1.7	1.8	1.8	1.8
October 2023	2.1	2.2	1.1	1.7	1.8	1.8	1.8
<b>WTI oil price (\$US)</b>							
March 2024	95	78	74	70	70	71	72
October 2023	95	82	83	77	78	80	82

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

Note: October 2023 nominal GDP levels have been restated to reflect historical revisions.

## Appendix B: Composition of nominal GDP

% of GDP	Actual	Projection					
	2022	2023	2024	2025	2026	2027	2028
<b>Expenditure share</b>							
Final household consumption	52.4	54.1	54.3	54.8	55.3	55.6	55.9
Non-profit institutions serving households	1.5	1.6	1.6	1.6	1.7	1.7	1.7
Government consumption expenditure	20.7	21.2	21.0	20.7	20.6	20.5	20.4
Government investment	3.7	3.9	3.8	3.8	3.8	3.7	3.7
Residential investment	8.6	7.7	7.3	7.0	7.2	7.5	7.7
Business investment	10.9	11.2	11.3	11.3	11.4	11.5	11.6
Inventory investment	2.1	0.8	0.3	0.6	0.6	0.5	0.3
Exports of goods and services	33.8	33.4	33.0	32.5	32.3	32.1	31.9
Imports of goods and services	33.7	33.9	32.7	32.2	32.7	33.0	33.3
<b>Income share</b>							
Compensation of employees	49.3	51.2	51.1	50.7	51.0	51.2	51.2
Net mixed income	8.4	8.9	8.9	8.8	8.8	8.8	8.9
Corporate profits before tax	13.0	10.3	9.6	10.5	9.9	9.6	9.4
Investment income	3.0	2.2	2.6	2.6	2.6	2.6	2.6
Consumption of fixed capital	16.3	16.8	16.5	16.1	16.3	16.2	16.2
Taxes less subsidies on production	3.7	3.9	4.1	4.0	4.0	4.0	4.0
Taxes less subsidies on products and imports	6.5	6.8	7.1	7.3	7.4	7.6	7.7

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

## Appendix C: Detailed revenue outlook

\$ billions	Actual	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Income taxes</b>							
Personal income tax	207.9	216.5	227.2	237.8	249.5	261.7	273.2
Corporate income tax	93.9	79.2	82.1	85.3	85.2	86.5	91.6
Non-resident income tax	13.2	12.8	13.0	13.5	13.9	14.4	14.9
<b>Total income tax</b>	<b>315.0</b>	<b>308.5</b>	<b>322.3</b>	<b>336.6</b>	<b>348.5</b>	<b>362.6</b>	<b>379.7</b>
<b>Excise taxes/duties</b>							
Goods and Services Tax	46.0	51.5	52.7	54.4	56.6	58.9	61.2
Custom import duties	6.1	5.3	6.1	6.6	7.2	7.5	7.9
Other excise taxes/duties	12.2	12.8	13.2	13.5	13.7	14.0	14.2
<b>Total excise taxes/duties</b>	<b>64.2</b>	<b>69.6</b>	<b>72.0</b>	<b>74.4</b>	<b>77.5</b>	<b>80.4</b>	<b>83.3</b>
Other taxes	0.0	2.6	1.4	1.3	4.1	3.7	3.7
Fuel charge proceeds	8.0	10.8	13.3	15.1	16.9	18.7	20.1
EI premium revenues	26.9	28.9	30.3	30.3	31.2	32.4	33.6
<b>Other revenues</b>							
Enterprise Crown corporations	6.5	4.5	10.5	14.2	16.4	17.8	19.6
Other programs	25.9	28.9	30.4	29.7	30.0	30.7	31.8
Net foreign exchange	1.3	3.7	3.0	2.3	2.9	4.2	4.7
<b>Total other revenues</b>	<b>33.6</b>	<b>37.0</b>	<b>43.9</b>	<b>46.2</b>	<b>49.2</b>	<b>52.7</b>	<b>56.1</b>
<b>Total budgetary revenues</b>	<b>447.8</b>	<b>457.4</b>	<b>483.2</b>	<b>503.9</b>	<b>527.3</b>	<b>550.6</b>	<b>576.5</b>
<b>Per cent of GDP</b>							
Total tax revenues	13.5	13.2	13.3	13.4	13.4	13.4	13.4
Proceeds from the pollution pricing framework	0.3	0.4	0.4	0.5	0.5	0.6	0.6
Employment Insurance premium revenues	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other revenues	1.2	1.3	1.5	1.5	1.5	1.6	1.6
<b>Total budgetary revenues</b>	<b>15.9</b>	<b>15.9</b>	<b>16.3</b>	<b>16.3</b>	<b>16.4</b>	<b>16.5</b>	<b>16.6</b>

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

Note: Totals may not add due to rounding.

## Appendix D: Detailed expense outlook

\$ billions	Actual	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Major transfers to persons</b>							
Elderly benefits	69.4	76.2	80.9	85.6	90.4	95.1	99.7
Employment Insurance	21.8	22.6	26.0	26.2	26.9	27.7	28.4
COVID-19 income support for workers	-3.5	-3.5	0.0	0.0	0.0	0.0	0.0
Children's benefits	24.6	26.1	27.4	29.0	29.6	30.2	30.9
<b>Total</b>	<b>112.2</b>	<b>121.4</b>	<b>134.4</b>	<b>140.8</b>	<b>146.9</b>	<b>153.0</b>	<b>159.0</b>
<b>Major transfers to other levels of government</b>							
Canada Health Transfer	47.1	49.4	52.1	54.7	57.4	60.3	62.7
Canada Social Transfer	15.9	16.4	16.9	17.4	17.9	18.5	19.0
Equalization	21.9	24.0	25.3	26.0	27.0	28.1	29.2
Territorial Formula Financing	4.6	4.8	5.2	5.5	5.8	6.0	6.3
Health agreements with provinces and territories	1.2	4.3	4.3	4.3	4.3	3.1	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	-6.8	-6.8	-7.2	-7.6	-8.0	-8.4	-8.8
<b>Total</b>	<b>90.8</b>	<b>100.1</b>	<b>105.5</b>	<b>110.8</b>	<b>114.8</b>	<b>117.9</b>	<b>121.3</b>
Fuel charge proceeds returned	7.0	11.7	13.7	15.7	17.5	19.1	20.3
<b>Direct program expenses</b>							
Transfer payments	98.9	89.9	91.1	92.9	95.0	98.8	102.4
Operating and capital expenses	129.6	126.9	124.4	123.4	121.6	125.8	130.1
<b>Total direct program expenses</b>	<b>228.5</b>	<b>216.8</b>	<b>215.5</b>	<b>216.2</b>	<b>216.6</b>	<b>224.6</b>	<b>232.6</b>
<b>Total program expenses</b>	<b>438.6</b>	<b>450.0</b>	<b>469.1</b>	<b>483.5</b>	<b>495.8</b>	<b>514.5</b>	<b>533.3</b>
Public debt charges	35.0	46.7	52.1	52.9	56.5	59.5	62.0
<b>Total expenses, excluding net actuarial losses</b>	<b>473.5</b>	<b>496.7</b>	<b>521.2</b>	<b>536.4</b>	<b>552.4</b>	<b>574.1</b>	<b>595.2</b>
Net actuarial losses	9.6	7.6	2.8	3.1	0.1	0.9	-1.8
<b>Per cent of GDP</b>							
Major transfers to persons	4.0	4.2	4.5	4.6	4.6	4.6	4.6
Major transfers to other levels of government	3.2	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	0.6	0.6
Direct program expenses	8.1	7.5	7.3	7.0	6.7	6.7	6.7
<b>Total program expenses</b>	<b>15.6</b>	<b>15.6</b>	<b>15.8</b>	<b>15.7</b>	<b>15.4</b>	<b>15.4</b>	<b>15.3</b>

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	Actual	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Revenues</b>							
Premium revenues	26.9	28.9	30.3	30.3	31.2	32.4	33.6
Contributions for federal employees	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>Total revenues</b>	<b>27.4</b>	<b>29.4</b>	<b>30.8</b>	<b>30.9</b>	<b>31.7</b>	<b>32.9</b>	<b>34.2</b>
<b>Expenses</b>							
Benefits	21.8	22.6	26	26.2	26.9	27.7	28.4
Administration expenses	2.7	2.8	2.8	2.9	3.0	3.1	3.2
<b>Total expenses</b>	<b>24.5</b>	<b>25.4</b>	<b>28.9</b>	<b>29.2</b>	<b>29.9</b>	<b>30.8</b>	<b>31.7</b>

	2022	2023	2024	2025	2026	(...)	2030	2031
Annual balance	1.2	4.2	2.8	1.6	1.7		3.3	3.7
Cumulative balance	-24.7	-20.4	-17.6	-16.0	-14.2		-3.5	0.2
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	Actual	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Other transfer payments</b>							
Canada Emergency Wage Subsidy	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Other payments	99.2	89.9	91.1	92.9	95.0	98.8	102.4
<b>Total other transfer payments</b>	<b>98.9</b>	<b>89.9</b>	<b>91.1</b>	<b>92.9</b>	<b>95.0</b>	<b>98.8</b>	<b>102.4</b>
<b>Operating expenses</b>							
Personnel expenses	65.2	66.3	66.9	67.5	66.6	69.1	70.9
Consolidated Crown corporations	8.0	8.5	9.0	8.9	8.1	8.3	8.6
Other operating expenses	50.7	45.8	41.7	39.5	38.9	39.4	41.1
<b>Total operating expenses</b>	<b>124.0</b>	<b>120.7</b>	<b>117.5</b>	<b>115.8</b>	<b>113.6</b>	<b>116.8</b>	<b>120.7</b>
<b>Capital amortization expenses</b>	<b>5.6</b>	<b>6.2</b>	<b>6.8</b>	<b>7.5</b>	<b>8.0</b>	<b>9.0</b>	<b>9.4</b>
Operating and capital expenses	129.6	126.9	124.4	123.4	121.6	125.8	130.1
<b>Total direct program expenses</b>	<b>228.5</b>	<b>216.8</b>	<b>215.5</b>	<b>216.2</b>	<b>216.6</b>	<b>224.6</b>	<b>232.6</b>

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	Actual	Projection					
	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Interest-bearing debt</b>							
Market debt*	1,259.9	1,349.5	1,462.8	1,568.1	1,658.4	1,750.3	1,829.1
Pensions and other future benefits	351.7	358.8	355.7	359.6	364.7	371.2	378.8
Other liabilities	5.1	5.5	5.9	6.4	6.7	7.1	7.4
<b>Total interest-bearing debt</b>	<b>1,616.8</b>	<b>1,713.8</b>	<b>1,824.4</b>	<b>1,934.0</b>	<b>2,029.9</b>	<b>2,128.6</b>	<b>2,215.3</b>
Accounts payable and accrued liabilities	259.4	269.3	280.8	293.7	307.9	325.5	344.3
Foreign exchange accounts liabilities	44.2	44.0	43.3	43.6	43.6	43.6	43.6
Derivatives	4.7	3.1	3.5	3.4	3.4	3.4	3.4
<b>Total liabilities</b>	<b>1,925.0</b>	<b>2,030.1</b>	<b>2,152.0</b>	<b>2,274.7</b>	<b>2,384.7</b>	<b>2,501.0</b>	<b>2,606.6</b>
Financial assets	642.3	695.8	772.8	855.8	936.4	1,023.8	1,107.7
Non-financial assets	109.7	113.6	117.7	121.8	126.1	130.6	135.2
<b>Total assets</b>	<b>752.0</b>	<b>809.4</b>	<b>890.4</b>	<b>977.6</b>	<b>1,062.5</b>	<b>1,154.4</b>	<b>1,243.0</b>
<b>Federal debt (liabilities less assets)</b>	<b>1,173.0</b>	<b>1,220.7</b>	<b>1,261.5</b>	<b>1,297.1</b>	<b>1,322.2</b>	<b>1,346.6</b>	<b>1,363.6</b>
Federal debt (% of GDP)	41.7	42.4	42.5	42.0	41.2	40.3	39.2
Market debt: agent Crown corporations*	317.8	310.8	311.9	323.4	335.6	341.2	346.9
<b>Borrowing requirements, as per the <i>Borrowing Authority Act</i></b>	<b>1,577.8</b>	<b>1,660.4</b>	<b>1,774.7</b>	<b>1,891.5</b>	<b>1,994.0</b>	<b>2,091.4</b>	<b>2,176.0</b>

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 October 2023 outlook

\$ billions	Projection					
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Income taxes</b>						
Personal income tax	0.7	0.5	0.3	0.6	0.9	1.2
Corporate income tax	-3.3	-2.1	-0.4	-0.6	-1.5	0.2
Non-resident income tax	-0.7	-0.3	0.2	0.1	0.1	0.2
<b>Total income tax</b>	<b>-3.3</b>	<b>-1.9</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.5</b>	<b>1.5</b>
<b>Excise taxes/duties</b>						
Goods and Services Tax	-0.3	-0.4	-0.4	-0.1	0.0	0.1
Custom import duties	-1.4	-1.1	-0.8	-0.6	-0.6	-0.5
Other excise taxes/duties	0.1	0.1	0.1	0.1	0.2	0.2
<b>Total excise taxes/duties</b>	<b>-1.7</b>	<b>-1.4</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-0.4</b>	<b>-0.3</b>
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0
Fuel charge proceeds	0.1	0.2	0.2	0.2	0.6	0.5
El premium revenues	-0.1	0.0	0.0	0.1	0.1	0.2
<b>Other revenues</b>	<b>4.0</b>	<b>4.6</b>	<b>6.0</b>	<b>6.8</b>	<b>9.6</b>	<b>11.1</b>
<b>Total budgetary revenues</b>	<b>-1.0</b>	<b>1.6</b>	<b>5.2</b>	<b>6.6</b>	<b>9.5</b>	<b>13.1</b>
<b>Major transfers to persons</b>						
Elderly benefits	0.0	-0.2	0.2	0.7	0.9	1.0
Employment Insurance	-0.7	0.5	0.6	0.7	0.8	0.7
COVID-19 income support for workers	-0.9	0.0	0.0	0.0	0.0	0.0
Children's benefits	-0.2	0.1	0.7	0.5	0.6	0.7
<b>Total</b>	<b>-1.7</b>	<b>0.4</b>	<b>1.5</b>	<b>2.0</b>	<b>2.2</b>	<b>2.5</b>
<b>Major transfers to other levels of government</b>						
Canada Health Transfer	0.0	-0.1	-0.1	-0.1	-0.2	-0.2
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	-0.1	-0.1	-0.2	-0.2	-0.2
Territorial Formula Financing	0.0	0.0	0.1	0.1	0.1	0.1
Other transfers to government	0.7	0.7	0.6	0.6	0.7	0.1
<b>Total</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>-0.1</b>
Fuel charge proceeds returned	-0.2	-0.7	0.8	0.7	1.0	0.7
<b>Direct program expenses</b>						
Other transfer payments	-0.4	2.7	2.7	4.9	5.6	6.7
Operating and capital expenses	-0.1	1.7	3.3	0.4	0.8	0.6
<b>Total direct program expenses</b>	<b>-0.5</b>	<b>4.3</b>	<b>6.0</b>	<b>5.3</b>	<b>6.5</b>	<b>7.3</b>
<b>Total program expenses</b>	<b>-1.8</b>	<b>4.6</b>	<b>8.7</b>	<b>8.4</b>	<b>10.2</b>	<b>10.3</b>
Public debt charges	0.3	5.1	5.5	7.0	9.1	10.8
<b>Total expenses</b>	<b>-1.4</b>	<b>9.7</b>	<b>14.2</b>	<b>15.4</b>	<b>19.3</b>	<b>21.2</b>
Budgetary balance before net actuarial losses	0.4	-8.1	-9.0	-8.8	-9.8	-8.1
Net actuarial losses	0.7	-0.6	1.6	1.2	0.6	0.6
<b>Budgetary balance</b>	<b>-0.3</b>	<b>-7.6</b>	<b>-10.6</b>	<b>-10.0</b>	<b>-10.3</b>	<b>-8.7</b>
<b>Federal debt</b>	<b>5.4</b>	<b>13.0</b>	<b>23.6</b>	<b>33.6</b>	<b>44.0</b>	<b>52.6</b>

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

Note: Totals may not add due to rounding.

# Appendix I: Comparison to FES 2023

\$ billions	Projection					
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Income taxes</b>						
Personal income tax	-1.5	3.0	3.5	3.8	3.9	3.6
Corporate income tax	-0.6	-3.0	-1.6	-4.1	-6.1	-3.4
Non-resident income tax	-0.6	-0.5	0.1	0.4	0.5	0.6
<b>Total income tax</b>	<b>-2.7</b>	<b>-0.5</b>	<b>2.0</b>	<b>0.1</b>	<b>-1.7</b>	<b>0.8</b>
<b>Excise taxes/duties</b>						
Goods and Services Tax	-0.6	-0.9	-0.5	0.0	0.2	0.2
Custom import duties	-0.9	-0.4	-0.2	0.0	0.0	0.2
Other excise taxes/duties	0.3	0.4	0.6	0.7	0.8	0.9
<b>Total excise taxes/duties</b>	<b>-1.2</b>	<b>-0.9</b>	<b>-0.3</b>	<b>0.7</b>	<b>1.1</b>	<b>1.3</b>
Other taxes	2.5	-0.3	0.3	0.3	0.3	0.6
Fuel charge proceeds	0.4	0.4	0.0	-0.2	-0.7	-1.2
El premium revenues	0.0	0.6	0.3	0.3	0.5	0.4
<b>Other revenues</b>	<b>2.2</b>	<b>0.5</b>	<b>-0.8</b>	<b>-1.2</b>	<b>-0.1</b>	<b>0.7</b>
<b>Total budgetary revenues</b>	<b>1.2</b>	<b>-0.2</b>	<b>1.5</b>	<b>-0.1</b>	<b>-0.4</b>	<b>2.7</b>
<b>Major transfers to persons</b>						
Elderly benefits	0.7	-0.2	-0.6	-1.0	-1.2	-1.6
Employment Insurance	0.4	-0.5	-0.9	-0.5	-0.3	-0.7
COVID-19 income support for workers	-0.9	0.0	0.0	0.0	0.0	0.0
Children's benefits	0.5	0.1	0.1	-0.6	-1.1	-1.3
<b>Total</b>	<b>0.8</b>	<b>-0.5</b>	<b>-1.4</b>	<b>-2.1</b>	<b>-2.6</b>	<b>-3.5</b>
<b>Major transfers to other levels of government</b>						
Canada Health Transfer	0.0	0.0	0.0	0.0	0.0	-0.2
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.0	0.0	0.0	0.0	-0.2
Territorial Formula Financing	0.0	0.0	0.1	0.3	0.3	0.5
Other transfers to government	-0.2	-0.1	-0.2	-0.2	-0.2	-0.3
<b>Total</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
Fuel charge proceeds returned	0.5	0.4	0.0	-0.2	-0.7	-1.2
<b>Direct program expenses</b>						
Other transfer payments	5.7	0.1	-1.6	-1.1	-0.8	-0.2
Operating and capital expenses	1.0	2.5	1.7	-0.2	3.1	4.0
<b>Total direct program expenses</b>	<b>6.7</b>	<b>2.5</b>	<b>0.0</b>	<b>-1.4</b>	<b>2.4</b>	<b>3.9</b>
<b>Total program expenses</b>	<b>7.8</b>	<b>2.3</b>	<b>-1.3</b>	<b>-3.6</b>	<b>-1.0</b>	<b>-0.8</b>
Public debt charges	0.2	-0.3	-0.4	1.4	1.1	1.3
<b>Total expenses</b>	<b>8.0</b>	<b>2.0</b>	<b>-1.7</b>	<b>-2.1</b>	<b>0.2</b>	<b>0.4</b>
Budgetary balance before net actuarial losses	-6.8	-2.3	3.2	2.1	-0.6	2.3
Net actuarial losses	0.0	0.2	0.5	0.1	0.0	0.7
<b>Budgetary balance</b>	<b>-6.8</b>	<b>-2.4</b>	<b>2.8</b>	<b>2.0</b>	<b>-0.6</b>	<b>1.5</b>
<b>Federal debt</b>	<b>4.5</b>	<b>6.9</b>	<b>4.2</b>	<b>2.2</b>	<b>2.8</b>	<b>1.4</b>

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

Note: Totals may not add due to rounding.

# Notes

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<sup>1</sup> Following a 1.1 per cent (annualized) decline in real GDP by expenditure in the third quarter, Statistics Canada's December advance estimate for real GDP by industry suggests that the economy expanded by 1.2 per cent (annualized) in the fourth quarter of 2023.

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

<sup>3</sup> Based on financial market expectations as of February 21, the likelihood that the Bank of Canada will lower its policy rate by 25 basis points in April was 31 per cent.

Our view that the Bank will start to lower its policy rate at its April announcement is unchanged from our October outlook. Our view at the time of our October projection reflected our model's monetary policy reaction function and our judgement.

Over the past five months, CPI inflation has been lower than we anticipated in our October outlook and quarterly real GDP growth in 2023 has been marginally higher (on average).

Our preferred measure of core inflation, "CPIX", which removes eight of the most volatile components of the CPI—including mortgage interest costs—and the effect of indirect tax changes, has averaged 1.6 per cent (month over month, seasonally adjusted at annual rates) over the past five months, lower than the 2.5 per cent we anticipated in our October outlook.

While our current view is consistent with our model and previous judgement, there is a risk that the Bank of Canada will delay lowering its policy rate. All else equal, a delay of 2-3 months (that is, starting to lower

the policy rate at the June or July announcement date) would not have a material impact on our outlook.

<sup>4</sup> The revision to GDP inflation reflects a downward revision to our outlook for commodity prices and lower-than-expected CPI inflation.

<sup>5</sup> With the November 2023 release of the Provincial and Territorial Economic Accounts, the level of nominal GDP in 2022 was revised up by 1.1 per cent (\$30.6 billion) relative to Statistics Canada's estimate at the time of our October 2023 EFO.

<sup>6</sup> The 2022-23 Public Accounts were tabled on October 24—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.

<sup>7</sup> These amounts include PBO cost estimates of measures detailed in the 2023 Fall Economic Statement. These measures are broadly in line with the Government's estimates.

<sup>8</sup> This is in accordance with new accounting standards for financial instruments that came into effect in 2022-23. See Note 3 of the [2022-23 Annual Financial Report of the Government of Canada](#) for further details.

<sup>9</sup> Projected borrowing requirements for the Government in each year reflect both the projected budgetary deficit, as well as non-budgetary transactions, such as loans, investments, and advances to enterprise Crown corporations. In the 2023 Fall Economic Statement, loans, investments, and advances to enterprise Crown corporations represented approximately 65 per cent of total non-budgetary borrowing requirements, on average, most of which related to the Government's purchase of Canada Mortgage Bonds.



<sup>10</sup> Excluding new measures, we revised up direct program expenses by \$3.3 billion per year, on average, to reflect larger refundable tax credits, as well as higher operating spending (both increased personnel and other operating expenses). Our upward revision to personnel expenses is due to changes in actuarial assumptions that increase projected public service pension and benefit service costs. Other operating expenses are projected to be higher based on the 2022-23 Public Accounts results.

Major transfers to persons are projected to be \$1.1 billion higher per year, on average, to reflect increased payments for elderly benefits, the Canada Child Benefit, and Employment Insurance benefits.

<sup>11</sup> Expenses related to previously announced measures whose cost has not been publicly disclosed by the Government, such as the Canada Disability Benefit, could pose a material risk to our status quo outlook.

However, given the lack of detail and the range of potential fiscal impacts, the magnitude of this risk is unknown and, to some extent, could be partially reflected in our outlook through provisions made in past budgets and updates as non-announced measures for “anticipated Cabinet decisions not yet made (including the use of such provisions from previous budgets and updates) and funding decisions related to national security, commercial sensitivity, contract negotiations and litigation issues”.

<sup>12</sup> 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 fiscal indicators 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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