**Remarks by Ms. Sonia L'Heureux**
**Parliamentary Budget Officer (interim)**
**to the House of Commons Standing Committee on Finance**
**April 30, 2013**

Mr. Chair and Committee members, I am here in my capacity as Parliamentary Budget Officer on an interim basis. Your interest in the work of the PBO is important to us and we are pleased to appear before you today to discuss our report on the economic and fiscal outlook, which was recently published. Joining me today are PBO officials: Mostafa Askari, Sahir Khan and Chris Matier. I would like to begin with a brief opening statement and then we would be pleased to respond to your questions.

As you may recall, our report was prepared in response to this Committee's September 2011 motion that, consistent with my mandate, the PBO provide an economic and fiscal outlook to the Committee twice a year – in April and October.

Since our previous report in October 2012, the outlook for global growth in 2013 has been revised down (from 3.6% to 3.3%), based on IMF projections. The IMF currently expects global growth to improve to 4.0% in 2014 but cautions that the road to recovery in advanced economies will remain "bumpy".

PBO's outlook for the U.S. economy is broadly in line with its October projection, which showed a gradual but steady improvement over the medium term. PBO's outlook for commodity prices is little changed from October and – consistent with futures prices over the near term – shows moderate increases going forward.

PBO's current outlook for the Canadian economy also reflects the impacts of the Government's 2013 Economic Action Plan. Measures in the action plan were targeted at "supporting jobs and growth" and at returning the budget to balance. In addition, the action plan included downward revisions to direct program expense levels.

All told, over the period 2013-14 to 2017-18, the measures and revisions in the action plan result in projected savings of $10.8 billion. Our report also provides estimates of the impacts of these changes on real GDP and employment based on Finance Canada's multipliers.

Combined with the sluggish recovery in the global economy, government spending restraint will act as an additional drag on growth and job creation in Canada.

- PBO projects Canadian real GDP growth to slow to 1.5% in 2013 and remain below its potential growth rate until 2015.
- With the economy continuing to operate well below its potential, the unemployment rate is projected to remain relatively stable at around 7.4% over the next two years.

- As the recovery takes hold, PBO projects real GDP growth to average 2.6% over the period 2015 to 2017 and the unemployment rate is projected to decline gradually, averaging 6.3% in 2017.

Despite the sluggish economic recovery, given projected increases in Employment Insurance premium rates, and assuming that the Government achieves its planned spending levels and savings from revenue increases, PBO projects that the budgetary balance will improve from a deficit of $25 billion (1.4% of GDP) in 2012-13 to a surplus of $8.5 billion (0.4% of GDP) in 2016-17.

Assuming that the Government does not increase its spending above planned levels and achieves its savings from revenue increases, PBO estimates that given the economic uncertainty surrounding the outlook, the likelihood of realizing a budgetary balance or better is approximately 60% in 2015-16, 70% in 2016-17 and 65% in 2017-18.

PBO's projected improvement in the budgetary balance over the medium term is largely the result of a structural improvement in the Government's financial position. PBO projects that the Government's structural deficit will be eliminated by 2014-15, giving rise to structural surpluses of $8.4 billion, on average, over 2015-16 to 2017-18.

Estimates and projections of structural balances provide useful information about a government's underlying financial position and can be used to help guide policy actions. As such, our report also provides a comparison of PBO and Finance Canada estimates. Finance Canada's structural balance is estimated by PBO to be $3.6 billion higher, on average, than PBO's structural balance.

As most of you know, I was appointed to the PBO role only a few weeks ago on an interim basis. I must confess that my comfort level with the subject matter is still a work in progress. Nevertheless, I am joined today by officials from the PBO team with in-depth expertise in these matters and they will assist me in responding to questions you may have with respect to our Economic and Fiscal Outlook.

Thank you for your attention.