

October 20, 2026



Economic and Fiscal Outlook

October 2026



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DE LA DIRECTRICE PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer 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.

Lead analysts:

Jill Giswold, Advisor-Analyst
Rolande Kpekou Tossou, Senior Analyst
Jason Stanton, Advisor-Analyst

Contributors:

Mark Creighton, Senior Analyst
Matt Dong, Senior Analyst
Marianne Laurin, Senior Analyst
Matthew McGoey, Analyst
Ulysse Robert-Lacroix, Analyst
Tim Scholz, Advisor-Analyst
Zachary Vrhovsek, Analyst

Prepared under the direction of:

Kristina Grinshpoon, Director
Diarra Sourang, Director

Prepared for publication by Carol Faucher, Jean-Simon Robert-Ouimet and Rémy Vanherweghem

For further information, please [contact the Parliamentary Budget Office \(PBO\)](#).

Annette Ryan
Parliamentary Budget Officer

Table of Contents

Highlights.....	1
Summary	2
Economic outlook	4
Fiscal outlook.....	11
Fiscal Anchors.....	22
Risks and uncertainty.....	25
Appendix A: Detailed economic outlook.....	30
Appendix B: Composition of nominal GDP.....	32
Appendix C: Detailed revenue outlook	33
Appendix D: Detailed expense outlook	34
Appendix E: Employment Insurance Operating Account	36
Appendix F: Direct program expenses	37
Appendix G: Federal debt outlook.....	38
Appendix H: Comparison to June 2026 outlook.....	39
Appendix I: Comparison to SEU 2026.....	41
Note	43

Highlights

The PBO has updated its economic and fiscal outlook from June 2026.

Real GDP growth is projected lower than June, at 0.9 per cent in 2026 and 1.5 per cent in 2027, reflecting revised tariffs and trade conditions. Nominal GDP growth is projected higher, at 5.6 and 3.4 per cent, reflecting price increases, for oil and commodities.

Higher nominal GDP improved revenues from June. Incremental fiscal room is front-end loaded - highest in 2026-27 at \$15.5 billion, declining to \$3.4 billion in 2030-31. New spending and taxation measures since then are estimated to cost an additional \$52.6 billion over those five years, rising over the period to \$12.9 billion in 2030-31. As such, PBO projects an improvement in the projected deficit in 2026-27 to \$63.3 billion, but a deterioration of \$9.5 billion in 2030-31 to \$67.8 billion compared to our June outlook.

PBO currently projects that the Government will meet its operating budget fiscal anchor in 2028-29, with a surplus of \$6.2 billion, following a small projected deficit in 2027-28. PBO projects the Government will not meet its second fiscal anchor of a declining deficit-to-GDP ratio, with this ratio projected to rise in 2027-28 and, marginally, in 2029-30. New measures to be announced in Budget 2026 could change the timing and profile of either anchor. On balance, the two fiscal anchors have imposed limited fiscal discipline on government spending and borrowing.

PBO anticipates that federal borrowing will grow significantly faster than deficits, which are measured on an accrual basis. Over the next five years, cumulative deficits are projected to total \$333.3 billion, whereas federal borrowing is projected to rise by \$732.9 billion, as the Government borrows to finance loans, capital investments, defence procurement and other financial assets, which add to national debt on a cash basis.

The federal debt-to-GDP ratio, the traditional measure of fiscal sustainability, is projected to rise each year, from 40.8 per cent in 2026-27 to 42.6 per cent in 2030-31. PBO anticipates that per capita federal debt will rise from \$29,811 in 2021-22 to \$33,436 in 2026-27 and \$39,191 in 2030-31.

Summary

This report provides updated baseline projections to help parliamentarians assess economic context and fiscal choices under current policy settings. Our outlook incorporates economic data up to October 6 and new measures announced by the Government since the Spring Economic Update 2026 (SEU).¹ Recent announcements include [\\$36 billion for the Productivity Mega Deduction](#), [\\$7.5 billion in tariff support](#), and [up to \\$5.4 billion for the Canada-wide early learning and childcare agreements](#).

Economic outlook

Relative to our June 2026 outlook, real GDP growth is now projected at 0.9 per cent in 2026 and 1.5 per cent in 2027, down from 1.1 per cent and 1.6 per cent, respectively. Revised economic projections incorporate U.S. tariff measures and Canadian countermeasures in place as of October 1, 2026. PBO's outlook is informed by our assessment that the combined bilateral trade measures introduced since early 2025, if they remain permanent, could reduce the level of real GDP by approximately 1.4 per cent over the medium term, relative to a scenario without these measures, compared with an estimated impact of 0.9 per cent in the June 2026 outlook.

Despite weaker real economic activity, nominal GDP—the broadest measure of the Government's tax base—is now projected higher than in June, to increase by 5.6 per cent in 2026 and 3.4 per cent in 2027. On average, this corresponds to an increase of \$26.9 billion in nominal output per year over the 2026 to 2030 period, after accounting for historical revisions. The upward revision reflects a higher GDP deflator rather than stronger real output. Prices for Canada's exports rose more than expected in the first half of 2026, and higher energy prices (most notably oil) add to nominal GDP in 2026 and 2027. The contribution from higher energy prices is anticipated to recede after 2027 as the energy price premium unwinds.

Fiscal outlook

We project the budgetary deficit to be \$63.3 billion (1.8 per cent of GDP) in 2026-27 and peak at \$70.2 billion (2.0 per cent of GDP) in 2027-28 and remain above \$63 billion through 2030-31. Relative to our June outlook, deficits are \$3.0 billion higher per year on average over 2026-27 to 2030-31, as new measures more than offset stronger

revenues. Economic and other fiscal developments improve the budgetary balance by \$7.5 billion a year on average, reflecting stronger tax revenues, partly offset by higher public debt charges. Measures introduced since the SEU 2026 add \$10.5 billion a year on average in net costs and more than offset this additional fiscal room from 2027-28 onward. By 2030-31, we project the deficit at \$67.8 billion (1.7 per cent of GDP), \$9.5 billion higher than in our June outlook.

Public debt charges are the fastest-growing expense. They are projected to more than double from \$24.5 billion in 2021-22 to \$59.3 billion in 2026-27 and are projected to reach \$83.0 billion by 2030-31. This reflects the pace of federal borrowing, which is roughly twice the pace of federal deficit accumulation over the period, as well as an anticipated increase in the cost of federal borrowing, in the short term, with pressure on interest rates and bond yields.

On a per capita basis, public debt charges are projected to climb from \$640 in 2021-22 to \$1,419 in 2026-27 and are projected to reach \$1,952 in 2030-31, reflecting low population growth and a rising debt stock.

PBO projects that federal debt per capita will rise from \$29,811 in 2021-22 to \$33,436 in 2026-27 and \$39,191 in 2030-31.

This report provides a condensed overview of PBO's Economic and Fiscal Outlook (EFO). Key projection assumptions and results are provided in Appendices A to I.

Economic outlook

The Canadian economy stalled around the turn of the calendar year. Real GDP contracted by 1.0 per cent at an annualized rate in the fourth quarter of 2025 and grew by only 0.3 per cent in the first quarter of 2026, as exports and business investment absorbed the trade measures imposed through 2025. Activity rebounded in the second quarter, with real GDP growing by 3.3 per cent on the strength of household spending and a recovery in exports. The economy enters the second half of the year facing a new round of U.S. tariffs and Canadian countermeasures, higher energy prices and limited population growth.

The new U.S. tariffs and Canadian countermeasures weaken the outlook further than we expected in June. The economic outlook has weakened further compared to our June 2026 projection due to the additional trade measures introduced in August and September. Our projection incorporates all tariff measures in effect as of October 1, 2026, and assumes that U.S. measures remain in place over the projection horizon. This is a status quo assumption rather than a forecast of the outcome of negotiations. We expect growth to remain subdued through the first half of 2027, before gradually recovering as firms adapt to the new trade environment and exports rebound.

PBO's outlook is informed by our assessment that current trade measures, if they remain permanent, could reduce the level of real GDP by approximately 1.4 per cent over the medium term, compared with an estimated impact of 0.9 per cent in June. However, actual outcomes will depend on a range of factors beyond tariff policies, including developments in commodity markets, global economic growth and the pace of business adjustment. Please see [Economic and Fiscal Outlook Assessment Note – Economic Impact of Recent Canada-U.S. Trade Measures](#). Incorporating these impacts, we project real GDP growth of 0.9 per cent in 2026 and 1.5 per cent in 2027 (Table 1), down from 1.1 per cent and 1.6 per cent, respectively, in our June outlook. Monthly data report modest growth to start the second half of 2026: real GDP was essentially unchanged in July, and Statistics Canada's advance estimate shows an increase of 0.2 per cent in August.² We project exports and business investment to weaken through the rest of the year as the new trade measures take effect.

Table 1

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

Years	2025	2026	2027	2028-2031
Real GDP growth	1.9	0.9	1.5	1.8
Nominal GDP growth	4.4	5.6	3.4	3.5
Unemployment rate	6.8	6.6	6.6	6.1
WTI oil price, \$US	65	86	80	70
CPI inflation	2.1	2.8	2.4	1.9
Bank of Canada policy rate	2.25	2.25	2.75	2.75

Source:

Parliamentary Budget Office and Statistics Canada.

Note:

The projection period covers 2026 to 2031. The Bank of Canada policy rate is end of period values.

Our revised projection for 2026 is below the most recent forecasts reported by Finance Canada and the International Monetary Fund (IMF), in line with that of the Organisation for Economic Co-operation and Development (OECD), and slightly above the Bank of Canada's (Table 2). For 2027, our projection is lower than all those shown except the OECD's. The OECD and IMF projections were published after the trade measures introduced in August and September, when negotiations were suspended, while those of Finance Canada and the Bank of Canada were prepared before. The IMF's October projection for Canada is unchanged from its July update.

Table 2

Comparison of real GDP growth projections, per cent

Years	2026	2027	2028	2029-2031
PBO	0.9	1.5	1.7	1.8
Finance Canada (2026 Spring Economic Update)	1.1	1.9	1.9	-
Bank of Canada (July 2026 Monetary Policy Report)	0.7	1.8	1.8	-
IMF (October 2026 World Economic Outlook)	1.1	1.7	1.7	1.7
OECD (September 2026 Economic Outlook)	0.9	1.3	-	-

Source:

Parliamentary Budget Office, Department of Finance Canada, Bank of Canada, IMF, and OECD.

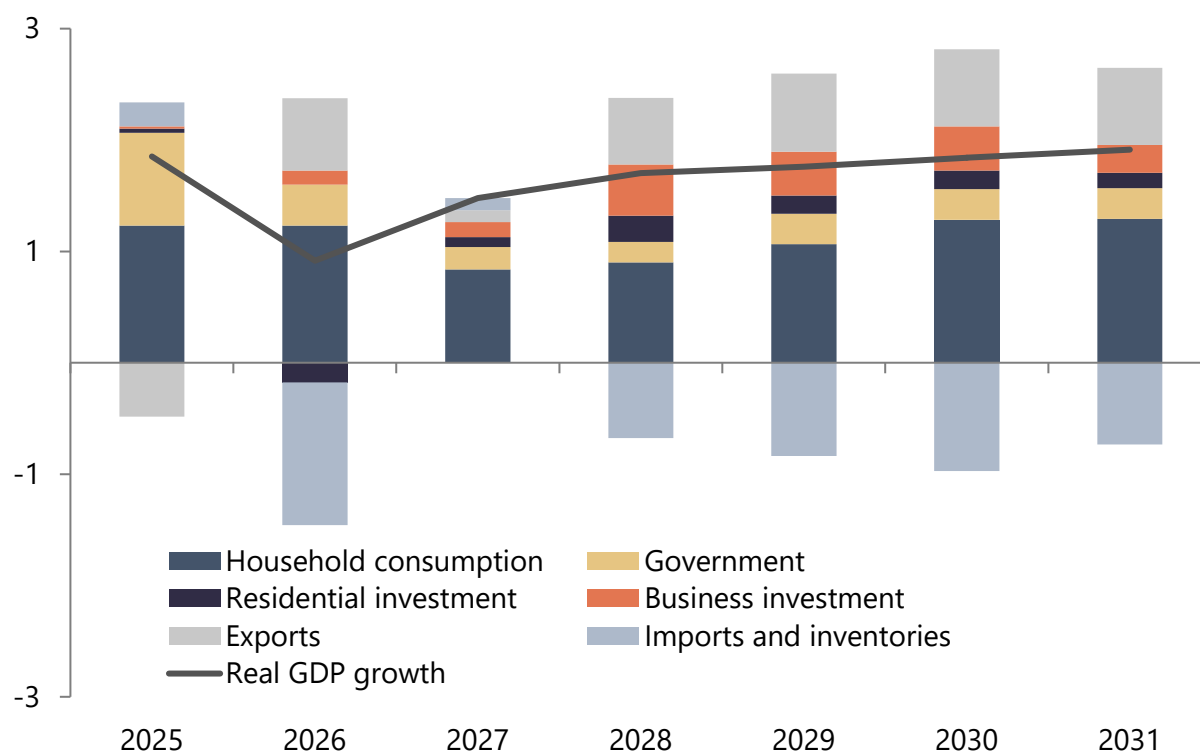
Note:

The projection period covers 2026 to 2031.

Household spending carries expected growth in 2027, while exports and business investment remain subdued. In 2027, real GDP growth is driven by household consumption (Figure 1), as wage growth outpaces inflation. Business investment recovers only gradually with firms expected to defer expansion plans amid tariff uncertainty. Exports edge up only slightly on an annual basis as the August tariff measures take full effect. Residential investment is also expected to recover from its 2026 decline, supported by new federal housing measures and borrowing costs that remain well below their 2023-24 peak.

Figure 1

Contributions to real GDP growth, by expenditure component, percentage points



Source:

Parliamentary Budget Office and Statistics Canada.

Note:

The projection period covers 2026 to 2031.

Growth picks up from 2028, and the economy returns to its productive capacity by 2030. Beyond the near term, growth is expected to strengthen, with real GDP growing by 1.7 per cent in 2028, driven by a rebound in business investment as tariff-related deferrals unwind, and exports recover. Under our status quo assumption, although the U.S. tariffs remain in place, the uncertainty surrounding them fades over time. As business confidence recovers and demand strengthens with the economy moving back toward its productive capacity, firms proceed with projects they had put on hold, and business investment growth picks up to about 4 per cent in 2028, bringing its share of real GDP back to its 2023 level by 2029.

With growth above our estimate of potential output growth, the economy returns to its productive capacity by 2030. Over 2029 to 2031, growth averages 1.8 per cent, in line with potential output growth, as population growth resumes at about 0.8 per cent per year.

The unemployment rate rises modestly through the end of 2026, then declines gradually as the economy recovers. The unemployment rate has eased since the Spring, falling from 6.9 per cent in April to 6.4 per cent in July, where it held in August. In August, both employment and the labour force declined, and the participation rate edged down. We expect the unemployment rate to rise to 6.7 per cent by the end of 2026, as employment falls faster than the labour force following the new trade measures.

In 2027, slower population growth constrains the unemployment rate: with fewer people entering the labour market, lower employment shows up mainly as a smaller labour force. It then gradually declines to 5.9 per cent by the end of the projection horizon, consistent with our estimate of its trend. Population ageing gradually lowers the projected participation rate over the period, from about 65 per cent in 2025 to 63.5 per cent by 2031.

With the working-age population constrained in the near term, forward income growth will need to depend more on higher output per hour than on employment growth. Over the next few years, changes in measured productivity will reflect several factors at once, including slower population growth, the tariff measures, and federal measures to support business investment.

Higher energy prices keep inflation elevated in 2026. Inflation is projected to average 2.8 per cent in 2026. On balance, higher energy prices related to the disruption of shipping through the Strait of Hormuz, as well as price pressures related to Canadian trade countermeasures are expected to more than offset the downward price pressures from an economy operating below its productive capacity and a stronger Canadian dollar. As higher energy costs pass through to the prices of other goods and services, core inflation³ is expected to rise above 2.5 per cent at an annualized rate late in 2026.

Interest rates rise modestly in 2027, and inflation returns to around the 2 per cent target. Based on our estimated path of inflation into the medium term, we assume the Bank of Canada begins raising its policy rate early in 2027, to keep inflation expectations anchored, withdrawing the remaining monetary stimulus and reaching its estimated neutral level of 2.75 per cent by mid-2027, when the economy is still operating below its productive capacity. Under these assumptions, the policy rate reaches its neutral level

two quarters earlier than in our June outlook. The rate path is a projection assumption that allows us to estimate economic and fiscal conditions over the medium term; it should not be read as analysis of, or advice on, monetary policy.

Under this path, core inflation eases back to around 2 per cent and remains there over the remainder of the projection. Headline inflation eases to 2.4 per cent in 2027 and 1.7 per cent in 2028 as energy prices recede, before returning to the 2 per cent target once energy prices stabilize and the economy is back at its productive capacity.

Nominal GDP, and therefore the tax base, is higher than in our June projection because prices are higher, not because the economy is producing more. After accounting for historical revisions, nominal GDP, the broadest measure of the Government's tax base, is projected to be, on average, \$26.9 billion higher per year over the 2026 to 2030 period compared to our June outlook. This higher projected track reflects higher prices, driven by elevated commodity prices, which raise Canada's terms of trade and the GDP deflator, rather than stronger real activity. The box below sets out the sources of these revisions and what they mean for federal revenues.

GDP: Lower volumes, higher prices

Real GDP measures the volume of goods and services produced in the economy. Nominal GDP values that same output at current prices and so reflects changes in both volumes and prices. The two can therefore move in different directions - if prices rise by more than volumes fall, nominal GDP increases even as real GDP declines. Nominal GDP is also the broadest measure of the government's tax base.

Compared with our June outlook, we have revised down real GDP as new U.S. tariffs and Canadian countermeasures weigh on business investment and productivity. A larger working-age population than we assumed in June partly offsets this dynamic, as more workers add to the economy's productive capacity and to household spending.

We have revised nominal GDP up, however, to reflect higher prices. Prices for Canada's exports rose more than we expected in the first half of 2026, and this higher level carries through our projection. The revision is largest in 2027, when higher oil and other commodity prices boost the value of exports, then declining as energy prices ease. Since corporate profits and personal income are taxed on a nominal basis, their effect on federal revenues is likely to be less lasting than gains from stronger real growth.

Fiscal outlook

Since our June outlook, economic and other fiscal developments have increased fiscal room by \$37.4 billion over 2026-27 to 2030-31. The additional room is largest in the current fiscal year, at \$15.5 billion, and declines to \$2 billion and \$3 billion a year by the end of the projection period (Table 4).

Measures announced since the Spring Economic Update 2026 have a combined net cost of \$52.6 billion over the same period, more than offsetting the additional fiscal room.⁴ Unlike the new fiscal room, which is front-loaded, the cost of new measures does not diminish over time, remaining between \$8.4 billion and \$13.9 billion a year from 2027-28 onward and exceeding the additional fiscal room in each of those years. Notably, the [Productivity Mega Deduction](#), which was announced outside the normal budget cycle, accounts for \$36 billion of this total on its own, making it the largest single driver of the change.

As such, we project budgetary deficits to remain above \$63 billion throughout the projection horizon. In 2026-27, we project the deficit to be \$63.3 billion (1.8 per cent of GDP). The deficit is then projected to peak at \$70.2 billion (2.0 per cent of GDP) in 2027-28, edging down to \$67.8 billion (1.7 per cent of GDP) by 2030-31 (Table 3).

As PBO projects that the deficit-to-GDP ratio will increase in both 2027-28 and, marginally, in 2029-30, the Government would not meet its fiscal anchor of maintaining declining deficits-to-GDP throughout the projection period based on current spending plans.⁵ Absent new measures since June, the ratio would have declined in each year. In our June 2026 EFO, we estimated the likelihood of achieving a declining deficit-to-GDP ratio on an annual basis at less than 1 per cent.

PBO also projects that federal borrowing will significantly exceed cumulative budgetary deficits over the projection period. The largest source of this gap is loans to Crown corporations and other financial assets, which are financed through borrowing but, under accrual accounting, are recorded as assets rather than expenses, and therefore do not add to the deficit. Capital purchases, such as military equipment, similarly add to the gap because they are paid for at the time of purchase but expensed gradually as they are amortized. PBO explains this dynamic in greater depth in the recent publication [Canada's Defence Spending Commitments: A Primer](#). Most simply, cash outlays drive borrowing, which in turn increase market debt and public debt charges, independent of how they are recorded on an accrual basis. **In practice, the two**

fiscal anchors have imposed limited discipline on this borrowing, as the deficit-to-GDP ratio is projected to rise in 2027-28 and 2029-30, and capital spending falls outside the operating anchor.

Table 3

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

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Revenues	511.1	538.7	554.0	570.9	587.9	610.1
Program expenses	513.5	543.1	559.7	567.5	583.9	600.2
Public debt charges	53.6	59.3	65.0	71.1	76.6	83.0
Actuarial losses	11.6	-0.4	-0.5	-3.6	-4.7	-5.4
Expenses	578.7	602.0	624.2	635.0	655.9	677.9
Budgetary balance	-67.6	-63.3	-70.2	-64.2	-67.9	-67.8
Federal debt	1,334.3	1,397.6	1,467.7	1,531.9	1,599.8	1,667.6
Budgetary balance, % of GDP	-2.1	-1.8	-2.0	-1.8	-1.8	-1.7
Federal debt, % of GDP	41.1	40.8	41.4	41.9	42.4	42.6

Source:

Parliamentary Budget Office.

Note:

The projected level of federal debt for 2025-26 includes the \$0.2 billion in net remeasurement losses reported in the [March 2026 Fiscal Monitor](#). The 2025-26 figure is an estimate, as the Public Accounts of Canada for that year have not yet been released. The projection period covers fiscal years 2026-27 to 2030-31. Totals may not add due to rounding.

Despite program expenses growing more slowly than revenues, the deficit is broadly unchanged over 2025-26 to 2030-31. From 2026-27 to 2030-31, revenues grow at an average annual rate of 3.6 per cent, largely in line with nominal GDP, compared with 3.2

per cent for program expenses. However, as noted above, public debt charges grow more quickly, at 9.1 per cent annually, offsetting this improvement.

Relative to SEU 2026, and excluding measures announced since, we project budgetary deficits to be \$4.6 billion lower on average over 2026-27 to 2030-31. The difference is largely due to higher projected budgetary revenues (\$9.2 billion annually on average), partly offset by higher operating and capital expenses (Appendix I).

Table 4
Evolution of the budgetary balance, billions of dollars

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Budgetary balance – June 2026 EFO	-72.0	-71.8	-68.0	-60.4	-59.7	-58.2
Total additional measures	0.0	-6.9	-13.9	-8.4	-10.5	-12.9
Economic and other fiscal developments	4.4	15.5	11.7	4.6	2.3	3.4
Budgetary balance – October 2026 EFO	-67.6	-63.3	-70.2	-64.2	-67.9	-67.8
Budgetary balance – SEU 2026	-66.9	-65.3	-63.1	-57.7	-56.2	-53.2

Source:

Parliamentary Budget Office and Finance Canada.

Note:

Totals may not add due to rounding.

We project the day-to-day operating balance to reach a surplus of \$6.2 billion in 2028-29, following a small deficit of \$0.3 billion in 2027-28, meeting the Government's first fiscal anchor. That said, the anchor imposes limited discipline on government spending. Most new measures announced since June fall outside of it, as \$43.8 billion (or more than 80 per cent) relates to capital investment and is excluded from the day-to-day operating balance. The remaining \$8.8 billion in operating measures is more than offset by higher operating revenues from economic and other fiscal developments, which improve the operating balance by \$37.2 billion over 2026-27 to 2030-31 (Table 5).

Excluding new operating measures announced since our June outlook, the day-to-day operating balance would reach a surplus of \$3.6 billion in 2027-28, one year earlier than the Government's target. New operating measures defer the balance to 2028-29. Our projection does not include measures to be announced in Budget 2026, which will determine the year in which the Government meets its operating balance anchor.

Further analysis of the operating balance for calculating the Government's first fiscal anchor is provided in the Fiscal Anchors section below.

Table 5

Evolution of the operating balance on the Capital Budgeting Framework basis, billions of dollars

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Operating balance – June 2026 EFO	-31.0	-15.8	-8.3	-0.5	1.7	2.6
Total additional operating measures	0.0	-4.7	-3.8	2.0	-0.9	-1.3
Economic and other fiscal developments	4.4	15.6	11.9	4.7	2.2	2.8
Operating balance – October 2026 EFO	-26.6	-4.9	-0.3	6.2	3.0	4.2
Operating balance – SEU 2026	-26.3	-10.5	-5.2	0.9	4.4	6.2

Source:

Parliamentary Budget Office and Finance Canada.

Note:

Totals may not add due to rounding.

Revenues

Revenue growth is strong, but front-end loaded and driven more by price changes than output changes. After new measures since June, total budgetary revenues are projected to rise from \$511.1 billion in 2025-26 to \$610.1 billion in 2030-31, averaging 3.6 per cent growth a year, slightly below average nominal GDP growth of 3.8 per cent

(Appendix C; Table 6). Excluding new measures, revenue growth would average roughly 3.9 per cent a year.

Relative to our June 2026 outlook, total revenues are \$4.1 billion higher per year on average over 2026-27 to 2030-31. A stronger nominal GDP outlook, driven by higher prices, and other fiscal developments raise revenues by \$10.2 billion a year on average, with the largest increase in 2027-28 (\$13.4 billion), narrowing to about \$7 billion a year by the end of the projection. New measures offset about 60 per cent of this increase, reducing revenues by a net \$6.0 billion a year on average. The Productivity Mega Deduction (\$7.1 billion a year, on average) is the largest source of lower revenues, partly offset by higher revenues from Canadian countermeasures to U.S. tariffs, as described below. The federal fuel excise tax relief is estimated to decrease revenues by \$2.7 billion in 2026-27. PBO's estimate is detailed in [PBO Update – Temporarily Suspending the Federal Fuel Excise Tax](#).

Higher energy prices account for nearly a third of the upward revision to revenues from economic developments. Over 2026-27 to 2028-29, we estimate energy prices increase revenues by \$3.8 billion a year on average, with the largest impact in 2027-28 (\$6.2 billion). After 2028-29, this temporary boost to revenues largely dissipates as energy prices return to earlier levels.

Excluding new announcements, total revenues are \$9.2 billion higher on average over 2026-27 to 2030-31 compared with the SEU 2026. Higher projected corporate income taxes account for more than half of this difference, partly reflecting stronger corporate profits from higher-than-expected oil prices (Appendix I).

Table 6
Budgetary revenues, billions of dollars

	2025- 2026	2026- 2027	2027- 2028	2028- 2029	2029- 2030	2030- 2031
October 2026 EFO	511.1	538.7	554.0	570.9	587.9	610.1
June 2026 EFO	508.1	528.3	546.2	566.1	588.4	612.0
SEU 2026	511.5	529.6	546.8	565.9	589.8	613.7

Source:

Parliamentary Budget Office and Finance Canada.

Corporate income tax

Corporate income tax revenues, the second-largest source of federal revenue, have nearly doubled since the pandemic and account for much of the revision to our outlook. Corporate income taxes rose from \$50.1 billion in 2019-20 to \$97.0 billion in 2024-25 and are projected to reach \$101.4 billion by 2030-31. Excluding new measures, corporate income tax revenues were revised up by \$4.6 billion a year on average over 2026-27 to 2030-31 relative to the June 2026 EFO.

Statistics Canada reported that corporate profits in the first quarter of 2026-27 were 11.3 per cent higher than the prior year, largely driven by oil and gas extraction and petroleum manufacturing, which informs the current PBO revenue projection.⁶ This follows a period of broad-based growth in corporate income taxes from 2020-21 to 2025-26, with non-financial industries accounting for roughly three-quarters of the increase (Table 7).

Table 7

Corporate income taxes, by industry
(\$ billions, unless otherwise stated)

	2025-26 October EFO	Increase 2020-21 to 2025-26	Share of total increase (per cent)
Non-financial industries	79.9	35.4	75.8
Oil and gas extraction and support services	7.8	12.1	25.8
Petroleum and coal product manufacturing	3.6	4.2	9.1
Construction	6.1	1.6	3.4
Education, health care and social assistance	5.4	1.8	3.8
All other non-financial industries	57.0	15.8	33.8
Financial industries	21.0	11.3	24.2
Banking and other depository credit intermediation	15.3	6.0	12.8
Property and casualty insurance carriers	4.3	2.5	5.3
All other financial industries	1.4	2.9	6.2
Total	100.9	46.8	100.0

Source:

Parliamentary Budget Office and Statistics Canada's [Quarterly Survey of Financial Statements](#).

Note:

Total corporate income taxes by industry are based on shares from the Quarterly Survey of Financial Statements. Total corporate income taxes in 2025-26 are an estimate consistent with the 2026 October Economic and Fiscal Outlook.

Customs import duties

Customs import duties are projected to remain elevated through 2028-29. We project duties to average \$11.8 billion a year over 2025-26 to 2028-29, compared with \$5.6 billion in 2023-24, before Canadian countermeasures on imports from the United States took effect. In this report, customs import duty figures are reported net of remissions of duties made to businesses by the Canada Border Services Agency. For projection purposes, we assume that Canadian countermeasures remain in place until the end of 2028-29, generating \$18.1 billion in revenues over 2025-26 to 2028-29. Over the same period, support measures announced for affected workers and businesses total \$19.9 billion, exceeding revenues from countermeasures by \$1.8 billion. Beyond 2028-29, we assume countermeasures are removed, so that customs import duties return to their previous growth path.

Expenses

Total expenses are projected to rise from \$578.7 billion in 2025-26 to \$677.9 billion in 2030-31, averaging 3.2 per cent growth a year (Appendix D; Table 8). Total expenses are \$7.2 billion higher than in the June 2026 EFO on average over 2026-27 to 2030-31.

New measures accounted for most of this revision, adding \$4.5 billion a year on average (Appendix H). The largest measures relate to support for workers and businesses affected by U.S. tariffs (\$7.5 billion over 2026-27 to 2030-31) and funding to maintain affordable early learning and childcare (\$5.4 billion). Excluding new announcements since the SEU 2026, total expenses are \$4.6 billion higher on average compared with the SEU, largely due to higher projected operating and capital expenses (Appendix I).

Table 8
Expenses, billions of dollars

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
October 2026 EFO	578.7	602.0	624.2	635.0	655.9	677.9
June 2026 EFO	580.1	600.1	614.2	626.4	648.1	670.2
SEU 2026	578.4	594.9	610.0	623.6	645.9	666.9

Source:

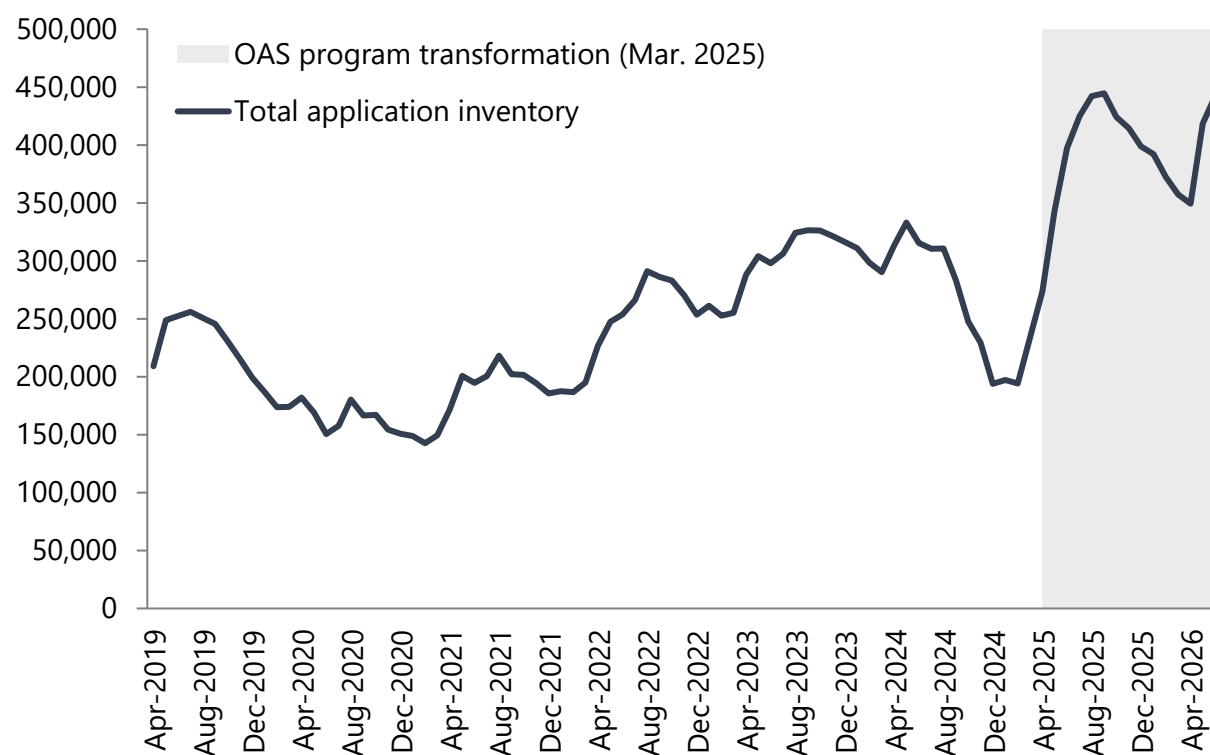
Parliamentary Budget Office and Finance Canada.

OAS program

Higher application inventories following the transformation of the Old Age Security (OAS) program shift benefit expenses to later years. PBO has revised down its outlook for OAS benefits by \$1.1 billion in 2025-26 and \$0.8 billion in 2026-27, to \$84.0 billion (4.6 per cent growth) and \$89.4 billion (6.4 per cent growth). The revision reflects results reported in the Fiscal Monitor and when expenses are recorded.

OAS benefits are recorded as expenses only once an application has been approved. Applications still awaiting a decision therefore shift expenses to the year in which they are approved. Since the transformation of the OAS program in March 2025, the inventory of OAS, Guaranteed Income Supplement (GIS) and Allowance applications awaiting a decision has been higher than in previous years. In March 2026, the inventory stood at 357,000 applications, compared with 290,000 in March 2024, and rose to 442,000 by June 2026 (Figure 2).⁷ In September 2026, the inventory stood at 414,000. The inventory includes all applications in process, most of them received recently and within normal processing times. It is not a measure of delayed payments.

Figure 2
OAS Application Inventory



Source:

Employment and Social Development Canada.

Note:

Inventory is OAS Basic, GIS and Allowance. No data was published for March 2025. Inventory excludes requests to recalculate GIS and Allowance benefits based on estimated current-year income ("options").

Direct program expenses

Despite restraint measures, such as the Comprehensive Expenditure Review (CER) exercise, overall departmental spending continues to rise. Direct program expenses are projected to rise from \$254.7 billion in 2025-26 to \$291.5 billion in 2030-31, growing 2.8 per cent a year on average.

The PBO outlook reflects both planned savings from the CER and higher defence spending announced in Budget 2025, adjusted by in-year spending and employment figures. Total federal employment - including civilian public servants, the Canadian Armed Forces and the RCMP - averaged about 429,700 full-time equivalents in the first quarter of 2026-27, down about 6,400 from a year earlier. Despite this decline in total

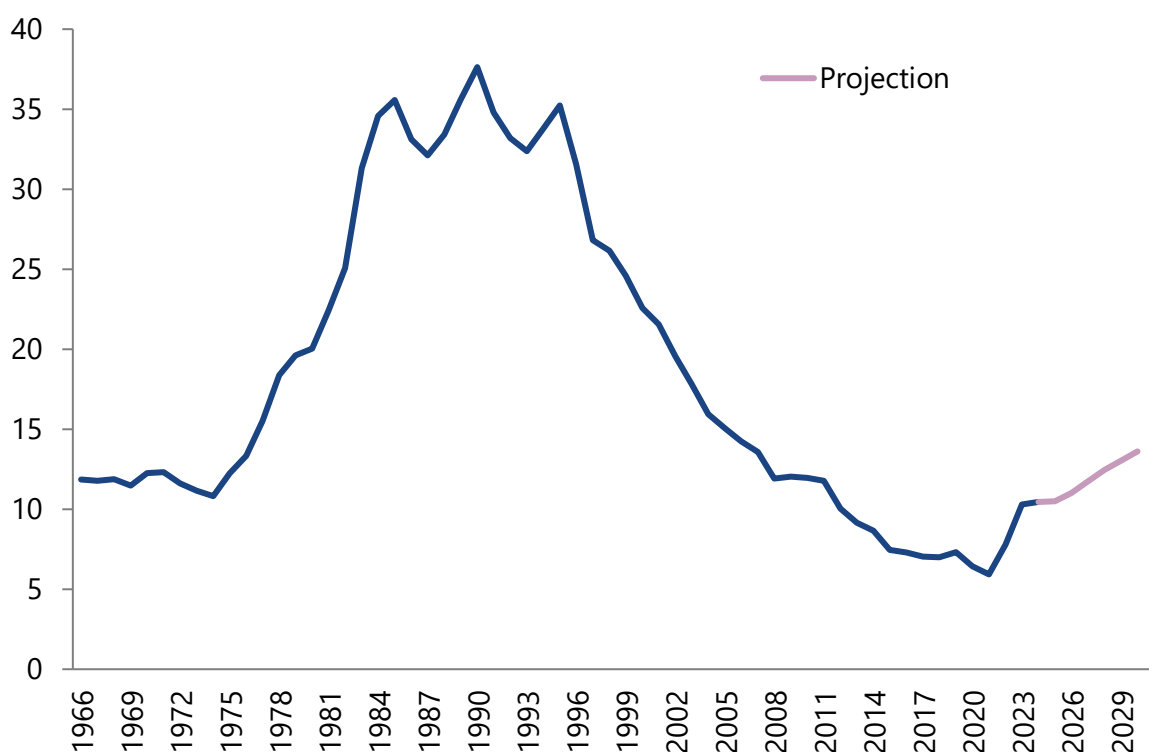
federal employment, operating expenses grew by 11.4 per cent year-over-year in the July Fiscal Monitor, largely reflecting higher defence spending.

Debt and public debt charges

Public debt charges are the fastest-growing expense. Debt charges more than doubled from \$24.5 billion in 2021-22 to \$59.3 billion in 2026-27 and are projected to reach \$83.0 billion by 2030-31. On a per capita basis, public debt charges climbed from \$640 in 2021-22 to \$1,419 in 2026-27 and are projected to reach \$1,952 in 2030-31, reflecting low population growth and a rising debt stock.

For perspective, the debt service ratio - public debt charges relative to total revenues - is projected to rise from 10.5 per cent in 2025-26 to 13.6 per cent in 2030-31. This increase mainly reflects growth in interest-bearing debt rather than higher interest rates. The debt service ratio has returned to its 2007 level and exceeds its pre-pandemic level, although it remains well below its peak in the 1990s when it reached a high of 37.6 per cent. A rising interest burden means a growing share of federal revenue goes toward servicing debt rather than other possible fiscal priorities, such as reducing debt, increasing spending or providing tax relief (Figure 3).

Figure 3
Debt service ratio, per cent



Source:

Finance Canada, Statistics Canada and Parliamentary Budget Office.

Note:

Data are in fiscal years (2025 corresponds to fiscal year 2025-26). The projection period covers fiscal years 2025-26 to 2030-31.

The federal debt-to-GDP ratio is projected to increase from 40.8 per cent in 2026-27 to 42.6 per cent by 2030-31. Over the projection horizon, per capita debt increases from \$33,436 in 2026-27 to \$39,191 in 2030-31, growing faster than nominal GDP per capita.

Fiscal Anchors

In the Spring Economic Update 2026, the Government reaffirmed its commitment to two fiscal anchors:

1. Balancing operating spending with revenues by 2028-29; and
2. Maintaining a declining deficit-to-GDP ratio.

Based on our projections, these two anchors have imposed limited fiscal discipline on government spending and borrowing.

1. Balancing the operating budget by 2028-29

PBO published a detailed assessment of this anchor in [The Government's Operating Budget Fiscal Anchor](#) and *Detailed Capital Classifications*. Based on June outlook data, PBO assessed the Government to slightly miss its fiscal anchor target by \$500 million, balancing instead in 2029-30.

Based on current economic data and fiscal measures announced since June, PBO projects that the Government will achieve its fiscal anchor of balancing operating spending with revenues by 2028-29, following a modest operating deficit in 2027-28. The timing of balance will depend on additional actions to be taken in Budget 2026.

To provide context on fiscal discipline related to this anchor, had the Government not introduced new tax or spending measures since June 2026, PBO estimates that the day-to-day operating balance would have reached a surplus of \$3.6 billion in 2027-28, one year ahead of the Government's target. This improvement reflects \$13.4 billion in higher operating revenues, driven by stronger nominal GDP from higher prices, partly offset by \$1.5 billion in higher operating expenses. New operating measures of \$7.1 billion offset this improvement in 2027-28. Of the \$52.6 billion in measures announced since June over five years, \$43.8 billion is classified as capital and so are not constrained by the operating budget anchor.

The Government has indicated that it expects to balance operating revenues and expenses in 2027-28, which will reflect new tax and spending measures announced in Budget 2026. PBO projects that the operating budget will be nearly balanced in 2027-28, with a deficit of \$0.3 billion. This result depends on revenues from tariff countermeasures, which PBO assumes will bring in \$5.3 billion in 2027-28. Without that

revenue, the day-to-day operating deficit would be \$5.6 billion. The projection also includes \$4.6 billion in operating measures in 2027-28 announced since Budget 2025.

Table 9

Operating balance consistent with the Capital Budgeting Framework, billions of dollars

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
A. Total expenses, including net actuarial losses	578.7	602.0	624.2	635.0	655.9	677.9
B. Capital investments (expenses)	34.5	48.9	54.3	54.5	57.1	57.5
C. Operating expenses (A - B)	544.2	553.1	569.9	580.5	598.8	620.4
D. Budgetary revenues	511.1	538.7	554.0	570.9	587.9	610.1
E. Capital investments (revenues)	6.5	9.5	15.5	15.8	13.8	14.4
F. Counterfactual budgetary revenues (D + E)	517.5	548.1	569.6	586.7	601.8	624.5
Day-to-day operating balance (F - C)	-26.6	-4.9	-0.3	6.2	3.0	4.2

Source:

Finance Canada and Parliamentary Budget Office.

2. Declining deficit-to-GDP ratio

Based on announced fiscal plans, PBO projects the Government will not meet its second anchor of maintaining a declining deficit-to-GDP ratio, with this ratio projected to rise in 2027-28 and again, marginally, in 2029-30.

As outlined above in Table 3, we project the deficit-to-GDP ratio at 1.8 per cent in 2026-27. The ratio rises to 2.0 per cent in 2027-28 and then trends down to reach 1.7 per cent in 2030-31. Absent new measures since June, the ratio would have declined in each year.

In our June 2026 outlook, PBO stress tested the Government's fiscal plan to evaluate a range of outcomes for the deficit-to-GDP ratio. Drawing on decades of Canadian economic and fiscal history - including recessions, financial crises and oil price crashes - the exercise assessed the likelihood that the deficit-to-GDP ratio would decline in every

year through 2030-31. Reflecting the inherent volatility of the Canadian economy and federal revenues, we estimated this likelihood at less than 1 per cent.

Debt-to-GDP ratio

The PBO continues to regard the debt-to-GDP ratio as the key metric to assess the Government's overall fiscal stance.

The IMF recommends that the federal government reinstate the debt-to-GDP ratio as the primary fiscal anchor for Canada, noting that it would "strengthen discipline, transparency, and credibility while preserving fiscal space for high-return investment."

The Government has instead set forth a medium-term fiscal plan that allows for an increase in the debt-to-GDP ratio to use existing fiscal room for new measures, including investments, that it expects will generate high returns for future Canadian prosperity and resilience.

Scrutiny and oversight of public spending is a core responsibility of Parliament. Accordingly, PBO will continue to monitor how the Government is expanding federal deficits and debt in relation to GDP and whether spending and investments are achieving their intended returns.

The federal debt-to-GDP ratio is projected to continue rising from 40.8 per cent in 2026-27 to 42.6 per cent in 2030-31.

Risks and uncertainty

Our outlook provides a baseline projection to help parliamentarians assess potential economic and fiscal outcomes under current policy settings. We judge that the risks to our outlook are roughly balanced.

This section describes potential key risk factors at a high level.

Economic risks and uncertainties

Trade policy remains the dominant source of uncertainty surrounding our outlook.

Our baseline assumes that the U.S. tariff measures in effect as of October 1, 2026, remain in force over the projection horizon. Should the United States raise tariffs and Canada respond, exports and business investment would be materially weaker than projected and budgetary deficits would be significantly larger.

Conversely, an agreement to reverse the August measures and restore trade provisions set forth in the Canada-United States-Mexico Agreement would spur recovery in exports and business investment. We assess that real GDP would not fully return to the path it would have followed without the trade dispute, as some repricing of bilateral trade risk is already embedded in firms' behaviour.

Canada's finances reflect our status as a net exporter of energy. At a high level, our models translate a sustained US\$10 per barrel increase in oil prices over four quarters into an increase in annual revenues of \$2.9 billion (Table 10). This relationship is sensitive to a range of wider factors; e.g. the Canadian dollar has historically appreciated during periods of high energy prices, helping offset upward pressure on import prices, which may not hold in all future scenarios.

Table 10

Sensitivity of the outlook to a US\$10 per barrel increase in oil prices, deviations from baseline

	Year 1 (2027)
Nominal GDP (per cent)	0.6
Nominal GDP (\$ billions)	22
Real GDP (per cent)	0.0
Total revenues (\$ billions)	2.9

Source:

Parliamentary Budget Office.

Note:

Brent, West Texas Intermediate and Western Canadian Select each plus US\$10 per barrel over 2027Q1 to 2027Q4, which raises the Bank of Canada energy commodity price index in 2027. Estimates reflect the price effect only and therefore overstate the net benefit of an oil price increase driven by supply disruptions. They are approximately linear and symmetric for moderate price changes and should not be extrapolated to large shocks.

Higher interest rates pose significant risk to public debt charges. Based on our current outlook, we assess that a permanent 100-basis point increase in interest rates would raise public debt charges by \$5.1 billion in the first year and by \$15.8 billion by the fourth year, relative to our baseline projection. Public debt charges are now more than twice as sensitive to higher interest rates as in pre-pandemic outlooks, mainly because the Government carries a larger stock of interest-bearing debt.

Two factors partly offset this increase. Higher interest rates raise returns on the Government's financial assets, increasing revenues. They also raise the discount rates used to value federal pension and other future benefit obligations, reducing net actuarial losses.

On a net basis, we have assessed that the budgetary balance would deteriorate by \$3.2 billion in the first year and by \$5.9 billion by the fourth year. By 2030-31, the debt service ratio would rise to 14.9 per cent, 1.2 percentage points above the baseline projection, and the federal debt-to-GDP ratio would reach 42.9 per cent, 0.4 percentage points above the baseline.

Other economic risks include the following:

Heightened trade and geopolitical uncertainty could delay the recovery in business investment, even under our permanent tariff assumption. Firms could postpone or cancel investment plans, reducing labour productivity and potential output growth. This would result in higher-than-projected budgetary deficits and federal debt.

Elevated construction costs, compounded by Canadian countermeasures on building materials, could also delay the recovery in residential investment and slow progress in closing the national housing gap.

Household consumption could also be weaker than projected, as households renewing mortgages taken out when interest rates were lower face higher payments, leaving less income for other spending.

Population growth could be stronger than projected, which would support household consumption and residential investment and raise potential output.

Fiscal pressures and uncertainties

The revised PBO outlook does not estimate the Government's NATO commitment to raise total defence spending from 4 per cent in 2030 to 5 per cent of GDP by 2035. PBO estimates that meeting this commitment could require core defence spending of \$163.6 billion by 2035-36 (on a cash basis). The impact on deficits and debt will depend on the timing of increases and how they are financed.⁸

On a cash basis, the outlook includes core defence spending of 2.0 per cent of GDP in 2025-26, rising to 2.5 per cent by 2030-31. On an accrual basis, NATO core defence spending is projected to increase from \$48.7 billion in 2025-26 to \$68.2 billion in 2030-31, rising from 9.5 to 11.4 per cent of program expenses over the projection horizon. Including net actuarial losses, they rise from \$56.8 billion to \$70.4 billion (Table 11). The accrual profile is a PBO estimate, derived from projected cash spending adjusted for assumptions about capital amortization and pension valuations.

Table 11
Canada's NATO Core Defence Spending

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Cash profile (\$billions)	65.7	75.8	83.9	88.4	94.3	98.3
Accrual profile (\$billions)	48.7	57.4	60.3	64.0	65.9	68.2
Accrual profile, including net actuarial losses (\$billions)	56.8	61.1	65.0	67.3	68.7	70.4
Cash profile, % of GDP	2.0%	2.2%	2.4%	2.4%	2.5%	2.5%
Accrual profile, % of program expenses	9.5%	10.6%	10.8%	11.3%	11.3%	11.4%

Source:

Department of National Defence and Parliamentary Budget Office.

Other fiscal risks include the following:

Canada Health Transfer – Extending the current 5 per cent CHT escalator beyond 2027-28, when the transfer reverts to growth in line with a three-year moving average of nominal GDP growth (with a minimum of 3 per cent), would raise federal expenses by an average of \$1.7 billion a year over 2028-29 to 2030-31 relative to our baseline.

Early learning and childcare – In June 2026, the Government announced an additional \$5.4 billion of temporary funding concentrated in 2026-27 and 2027-28. Potential future increases beyond the current agreements, including maintaining this funding once it expires, are not included in the outlook. As a result, annual funding declines by about \$2.8 billion in 2028-29.

Contingent liabilities – Expenses for contingent liabilities are volatile, ranging from about \$26 billion for Indigenous claims in 2022-23 to about \$8 billion in 2024-25. Our projection assumes they remain in line with their 10-year historical average of about \$8 billion per year. For additional information on contingent liabilities please read our [Overview of Contingent Liabilities](#).

Loan losses – Loans and advances to enterprise Crown corporations reached \$141.5 billion in 2025, nearly triple their 2016 level, exposing the federal balance sheet to credit, market and operational risk.⁹

Capital project cost overruns – Projects identified by the Major Projects Office, and other federal priorities, are expected to attract public investment, for which the federal share has yet to be determined. As with other large capital projects, final costs may exceed initial estimates. The Trans Mountain Expansion Pipeline, for example, ultimately cost over \$34 billion, more than six times the initial private sector estimate.

Appendix A: Detailed economic outlook

% unless otherwise indicated	Actual	Projection					
	2025	2026	2027	2028	2029	2030	2031
Real GDP growth							
October 2026	1.9	0.9	1.5	1.7	1.8	1.8	1.9
June 2026	1.7	1.1	1.6	1.8	1.8	1.9	
Potential GDP growth							
October 2026	2.4	1.1	0.9	1.1	1.5	1.8	1.9
June 2026	2.4	1.0	0.8	1.3	1.7	1.9	
GDP inflation							
October 2026	2.5	4.6	1.9	1.4	1.4	1.9	2.0
June 2026	2.6	3.5	1.2	1.9	2.0	2.0	
Nominal GDP growth							
October 2026	4.4	5.6	3.4	3.2	3.2	3.8	4.0
June 2026	4.3	4.6	2.8	3.7	3.8	3.9	
Nominal GDP (\$ billions)							
October 2026	3,245	3,426	3,544	3,656	3,774	3,917	4,072
June 2026	3,245	3,399	3,492	3,623	3,762	3,908	
3-month treasury rate							
October 2026	2.2	2.2	2.7	2.7	2.7	2.7	2.7
June 2026	2.2	2.2	2.7	2.7	2.7	2.7	
10-year government bond rate							
October 2026	3.2	3.6	3.5	3.5	3.5	3.5	3.5
June 2026	3.2	3.5	3.5	3.5	3.5	3.5	
Exchange rate (US\$/C\$)							
October 2026	71.6	72.3	73.3	73.9	74.6	75.3	75.7
June 2026	71.6	73.1	73.8	75.2	75.9	76.2	
Unemployment rate							
October 2026	6.8	6.6	6.6	6.3	6.2	6.0	5.9
June 2026	6.8	6.8	6.6	6.3	6.1	6.0	
CPI inflation							
October 2026	2.1	2.8	2.4	1.7	1.8	2.0	2.0
June 2026	2.1	2.6	1.8	1.9	1.9	2.0	
U.S. real GDP growth							
October 2026	2.3	2.2	2.0	1.8	1.8	1.8	1.8
June 2026	2.1	2.0	1.8	1.8	1.8	1.8	
WTI oil price (\$US)							
October 2026	65	86	80	72	68	69	71
June 2026	65	80	66	67	68	69	

Source:

Statistics Canada and Parliamentary Budget Office.

Note:

Interest rates (3-month treasury rate and 10-year government bond rate) are end-of-period values.

Nominal GDP levels from the June EFO have been restated to reflect historical revisions.

Appendix B: Composition of nominal GDP

% of GDP	Actual	Projection					
	2025	2026	2027	2028	2029	2030	2031
Expenditure share							
Final household consumption	54.3	54.0	54.2	54.4	54.7	55.0	55.3
Non-profit institutions serving households	1.6	1.6	1.6	1.7	1.7	1.7	1.7
Government consumption expenditure	21.9	21.7	21.6	21.4	21.3	21.1	20.9
Government investment	4.2	4.2	4.2	4.1	4.1	4.1	4.0
Residential investment	7.4	6.9	6.9	7.0	7.2	7.3	7.5
Business investment	11.2	11.0	11.0	11.2	11.4	11.6	11.6
Inventory investment	0.3	0.1	0.4	0.6	0.7	0.6	0.4
Exports of goods and services	31.3	33.2	32.1	31.4	31.2	31.3	31.3
Imports of goods and services	32.2	32.7	31.8	31.8	32.2	32.7	32.7
Income share							
Compensation of employees	50.2	49.5	49.8	50.0	50.4	50.4	50.5
Net mixed income	9.5	9.3	9.0	9.0	8.9	8.8	8.8
Corporate profits before tax	11.0	12.4	12.5	12.5	12.1	11.8	11.5
Investment income	3.2	3.1	2.6	2.5	2.5	2.5	2.6
Consumption of fixed capital	16.4	16.4	16.6	16.6	16.7	16.8	16.9
Taxes less subsidies on production	3.5	3.5	3.4	3.4	3.5	3.6	3.6
Taxes less subsidies on products and imports	6.2	5.8	6.1	6.1	6.0	6.0	6.2

Source:

Statistics Canada and Parliamentary Budget Office.

Appendix C: Detailed revenue outlook

\$ billions	Estimate	Projection				
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Income taxes						
Personal income tax	238.5	251.6	263.1	273.6	284.8	295.9
Corporate income tax	100.9	103.8	95.7	95.8	99.1	101.4
Non-resident income tax	14.1	15.2	15.2	15.5	15.6	15.8
Total	353.4	370.6	373.9	384.9	399.5	413.1
Excise taxes/duties						
Goods and Services Tax	50.8	54.8	56.2	57.2	59.6	62.5
Customs import duties	10.2	11.2	12.8	13.1	8.1	8.5
Other excise taxes/duties	13.2	8.3	13.3	13.4	13.5	13.7
Total	74.3	74.3	82.3	83.7	81.2	84.6
Other taxes	0.0	2.7	1.9	2.1	2.1	2.1
El premium revenues	32.6	34.4	35.4	36.7	38.2	39.7
Other revenues						
Enterprise Crown corporations	12.0	14.2	17.2	19.4	21.4	23.6
Other programs*	32.2	35.3	35.9	36.3	37.6	39.1
Net foreign exchange revenues and return on investments	6.6	7.2	7.4	7.7	7.9	7.9
Total	50.7	56.7	60.5	63.5	66.9	70.6
Total budgetary revenues	511.1	538.7	554.0	570.9	587.9	610.1
Per cent of GDP						
Total tax revenues	13.2	13.1	12.9	12.9	12.8	12.8
Employment Insurance premium revenues	1.0	1.0	1.0	1.0	1.0	1.0
Other revenues	1.6	1.7	1.7	1.7	1.8	1.8
Total budgetary revenues	15.7	15.7	15.6	15.6	15.6	15.6

Source:

Parliamentary Budget Office.

Note:

*Other programs include Pollution pricing proceeds to be returned to Canadians. Totals may not add due to rounding.

Appendix D: Detailed expense outlook

\$ billions	Estimate	Projection				
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Major transfers to persons						
OAS benefits	84.0	89.4	95.6	100.3	104.9	109.7
Employment Insurance benefits	28.8	32.6	34.9	34.3	35.0	35.7
Canada Child Benefit	30.1	31.2	32.0	32.4	32.7	33.1
COVID-19 income support for workers	0.1	0.0	0.0	0.0	0.0	0.0
Total	143.1	153.1	162.5	167.0	172.7	178.5
Major transfers to provinces, territories, and municipalities						
Canada Health Transfer	54.7	57.4	60.3	62.7	64.8	67.0
Canada Social Transfer	17.4	17.9	18.5	19.0	19.6	20.2
Equalization	26.2	27.2	28.4	29.5	30.5	31.5
Territorial Formula Financing	5.5	5.8	6.2	6.4	6.7	6.9
Health agreements with provinces and territories	4.3	4.3	3.1	2.5	2.5	2.5
Canada-wide early learning and childcare	7.9	10.3	11.0	8.2	8.5	8.8
Build Communities Strong Fund Community Stream	2.5	2.5	2.6	2.6	2.7	2.7
Other fiscal arrangements	-7.6	-8.0	-8.4	-8.7	-9.1	-9.5
Total	110.9	117.4	121.6	122.3	126.1	130.1
Pollution pricing proceeds returned to Canadians	4.7	0.2	0.1	0.0	0.0	0.0
Direct program expenses						
Other transfer payments	113.4	122.5	124.2	122.6	126.3	128.5
Other direct program expenses	141.3	149.8	151.2	155.6	158.8	163.0
Total	254.7	272.3	275.4	278.2	285.1	291.5
Total program expenses	513.5	543.1	559.7	567.5	583.9	600.2
Public debt charges	53.6	59.3	65.0	71.1	76.6	83.0
Total expenses, excluding net actuarial losses	567.1	602.4	624.7	638.7	660.6	683.2
Net actuarial losses	11.6	-0.4	-0.5	-3.6	-4.7	-5.4
Per cent of GDP						
Major transfers to persons	4.4	4.5	4.6	4.6	4.6	4.6
Major transfers to provinces, territories, and municipalities	3.4	3.4	3.4	3.3	3.3	3.3
Pollution pricing proceeds returned to Canadians	0.1	0.0	0.0	0.0	0.0	0.0
Direct program expenses	7.8	7.9	7.8	7.6	7.6	7.4
Total program expenses	15.8	15.9	15.8	15.5	15.5	15.3

Source:

Parliamentary Budget Office.

Note:

Totals may not add due to rounding.

Appendix E: Employment Insurance Operating Account

Employment Insurance Operating Account, fiscal year

\$ billions	Estimate	Projection				
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Revenues						
Premium revenues	32.6	34.4	35.4	36.7	38.2	39.7
Contributions for federal employees	0.5	0.6	0.6	0.6	0.6	0.6
Total	33.2	35.0	36.0	37.3	38.8	40.3
Expenses						
Benefits	28.8	32.6	34.9	34.3	35.0	35.7
Administration expenses	3.1	3.4	3.5	3.3	2.9	2.8
Total	31.9	36.0	38.4	37.6	37.9	38.5

Employment Insurance Operating Account, annual year

	2024	2025	2026	2027	2028	(...)	2032	2033	2034
Annual balance	4.0	1.8	-0.2	-2.1	-0.7		3.3	4.5	4.5
Cumulative balance	-16.9	-15.1	-15.3	-17.4	-18.1		-9.6	-5.0	-0.6
Premium rate (per \$100 of insurable earnings)	1.66	1.64	1.63	1.64	1.64		1.64	1.64	1.64

Source:

Office of the Chief Actuary and Parliamentary Budget Office.

Note:

Totals may not add due to rounding. The projection period covers 2025 to 2034.

Appendix F: Direct program expenses

\$ billions	Estimate	Projection				
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Other transfer payments	113.4	122.5	124.2	122.6	126.3	128.5
Operating expenses						
Personnel expenses	69.2	79.4	81.0	83.3	84.2	86.1
Consolidated Crown corporations	11.4	10.1	9.6	9.4	9.8	10.2
Other operating expenses	54.0	52.8	51.9	52.5	52.5	53.1
Total	134.6	142.3	142.6	145.2	146.5	149.4
Capital amortization expenses	6.8	7.5	8.6	10.4	12.3	13.6
Operating and capital expenses	141.3	149.8	151.2	155.6	158.8	163.0
Total direct program expenses	254.7	272.3	275.4	278.2	285.1	291.5

Source:

Parliamentary Budget Office.

Note:

Totals may not add due to rounding.

Appendix G: Federal debt outlook

\$ billions, unless otherwise indicated	Estimate	Projection				
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Interest-bearing debt						
Market debt*	1,584.2	1,723.2	1,881.5	2,041.1	2,180.3	2,317.1
Pensions and other future benefits	373.9	382.8	395.0	405.8	415.0	422.5
Other liabilities	4.9	5.3	5.8	6.3	6.7	7.1
Total	1,962.9	2,111.3	2,282.3	2,453.2	2,602.0	2,746.7
Accounts payable and accrued liabilities	277.1	290.2	300.5	313.1	325.6	339.6
Foreign exchange accounts liabilities	46.3	47.2	47.1	47.1	47.1	47.1
Derivatives	5.3	5.2	5.3	5.2	5.3	5.2
Total liabilities	2,291.6	2,453.8	2,635.2	2,818.6	2,979.9	3,138.7
Financial assets	815.5	890.0	967.0	1,048.4	1,103.3	1,154.1
Non-financial assets	141.8	166.3	200.5	238.2	276.7	317.0
Total assets	957.3	1,056.3	1,167.5	1,286.7	1,380.1	1,471.1
Federal debt (liabilities less assets)	1,334.3	1,397.6	1,467.7	1,531.9	1,599.8	1,667.6
Federal debt (% of GDP)	41.1	40.8	41.4	41.9	42.4	42.6
Market debt: agent Crown corporations (net of CMBs purchased by the GOC)*	313.3	344.9	369.6	386.9	401.3	411.2
Borrowing requirements, as per the Borrowing Authority Act	1,897.5	2,068.1	2,251.1	2,428.0	2,581.6	2,728.3

Source:

Enterprise Crown Corporations Corporate Plans and Parliamentary Budget Office.

Note:

* Borrowing requirements under the *Borrowing Authority Act* pertain to the sum of Government of Canada and agent Crown corporation market debt. This amount may differ slightly from what is reported in the Public Accounts, which incorporates an adjustment for amortized cost. Totals may not add due to rounding.

Appendix H: Comparison to June 2026 outlook

\$ billions	Projection					
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Income taxes						
Personal income tax	0.0	3.3	3.0	2.5	2.1	1.3
Corporate income tax	1.4	2.7	-3.4	-4.3	-3.4	-3.8
Non-resident income tax	0.0	0.9	0.7	0.7	0.6	0.6
Total	1.4	6.8	0.3	-1.2	-0.7	-1.9
Excise taxes/duties						
Goods and Services Tax	1.1	2.0	1.4	0.5	0.1	0.1
Customs import duties	0.1	2.8	5.4	5.2	-0.1	-0.1
Other excise taxes/duties	0.1	-2.8	0.0	0.0	-0.1	-0.1
Total	1.3	2.0	6.8	5.7	-0.1	0.0
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0
EI premium revenues	-0.2	0.5	-0.1	-0.2	-0.3	-0.5
Other revenues	0.6	1.1	0.8	0.6	0.6	0.6
Total budgetary revenues	3.0	10.4	7.8	4.8	-0.5	-1.9
Major transfers to persons						
OAS benefits	-1.1	-0.8	0.9	0.8	0.7	0.8
Employment Insurance benefits	-0.3	-1.4	1.4	0.8	0.8	0.5
Canada Child Benefit	0.0	0.2	0.4	0.5	0.4	0.4
COVID-19 income support for workers	0.0	0.0	0.0	0.0	0.0	0.0
Total	-1.4	-1.9	2.7	2.1	1.9	1.6
Major transfers to provinces, territories, and municipalities						
Canada Health Transfer	0.0	0.0	0.0	0.2	0.1	-0.2
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	-0.5	-0.3	-0.2	-0.3	-0.4
Territorial Formula Financing	0.0	0.0	0.0	0.0	0.0	-0.1
Other transfers to government	0.0	1.6	2.9	-0.1	-0.1	0.7
Total	0.0	1.1	2.6	-0.1	-0.3	0.0
Pollution pricing proceeds returned to Canadians	0.0	0.0	0.0	0.0	0.0	0.0
Direct program expenses						
Other transfer payments	0.0	1.5	3.4	2.7	3.7	3.3
Other direct program expenses	0.0	0.7	0.5	2.6	0.3	-0.2
Total	0.0	2.3	3.9	5.3	4.0	3.1
Total program expenses	-1.4	1.4	9.3	7.3	5.7	4.8

Public debt charges	0.0	0.4	1.4	1.3	2.1	2.9
Total expenses	-1.4	1.9	10.8	8.6	7.7	7.6
Budgetary balance before net actuarial losses	4.4	8.5	-2.9	-3.7	-8.2	-9.5
Net actuarial losses	0.0	0.0	-0.7	0.0	0.0	0.0
Budgetary balance	4.4	8.5	-2.2	-3.8	-8.3	-9.5
Federal debt	-4.3	-12.9	-10.7	-6.9	1.4	10.9

Source:

Parliamentary Budget Office.

Note:

Totals may not add due to rounding.

Appendix I: Comparison to SEU 2026

\$ billions	Projection					
	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Income taxes						
Personal income tax	-1.5	0.1	1.1	0.1	-0.2	-0.9
Corporate income tax	-0.6	6.0	5.3	5.5	2.9	3.9
Non-resident income tax	0.0	0.9	0.6	0.6	0.5	0.5
Total	-2.2	6.8	7.0	6.2	3.2	3.5
Excise taxes/duties						
Goods and Services Tax	0.8	1.3	1.6	1.0	1.0	1.3
Customs import duties	0.1	0.8	2.0	2.1	0.4	0.5
Other excise taxes/duties	0.0	0.1	-0.1	-0.1	-0.1	0.0
Total	1.0	2.3	3.5	3.1	1.3	1.7
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0
EI premium revenues	0.0	0.5	0.0	-0.1	-0.1	-0.1
Other revenues	0.7	2.2	2.2	1.3	0.6	0.6
Total budgetary revenues	-0.4	11.9	12.8	10.6	5.1	5.7
Major transfers to persons						
OAS benefits	1.0	0.1	1.3	1.3	1.1	1.2
Employment Insurance benefits	-0.2	-1.2	0.7	1.1	0.8	0.6
Canada Child Benefit	-0.1	0.0	-0.1	-0.4	-0.8	-1.1
COVID-19 income support for workers	0.1	0.0	0.0	0.0	0.0	0.0
Total	0.9	-1.2	1.8	2.0	1.2	0.7
Major transfers to provinces, territories, and municipalities						
Canada Health Transfer	0.0	0.0	0.0	0.1	-0.2	-0.5
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.0	0.2	0.2	0.1	-0.1
Territorial Formula Financing	0.0	0.0	-0.1	-0.2	-0.1	-0.1
Other transfers to government	0.0	0.2	0.1	0.2	0.2	0.1
Total	0.1	0.2	0.2	0.3	-0.1	-0.6
Pollution pricing proceeds returned to Canadians	-0.2	0.0	0.0	0.0	0.0	0.0
Direct program expenses						
Other transfer payments	-0.3	-0.4	-1.4	0.0	-2.1	-1.0
Other direct program expenses	0.2	4.2	7.0	6.5	5.9	5.7
Total	0.0	3.8	5.5	6.5	3.8	4.8
Total program expenses	0.7	2.9	7.5	8.8	5.0	5.0
Public debt charges	-0.4	0.5	-2.1	-2.5	-1.2	-0.4
Total expenses	0.3	3.3	5.4	6.3	3.8	4.6

Budgetary balance before net actuarial losses	-0.7	8.5	7.4	4.2	1.3	1.0
Net actuarial losses	0.0	-0.5	-0.9	0.3	0.5	0.2
Budgetary balance	-0.7	9.1	8.3	3.9	1.0	0.8
Federal debt	0.4	-8.8	-17.0	-21.0	-21.9	-22.6

Source:

Finance Canada and Parliamentary Budget Office.

Note:

This comparison excludes measures announced since the SEU 2026. Totals may not add due to rounding.

Note

¹ New measures since the SEU 2026 were provided through two information requests: [IR0956](#) and [IR0959](#).

Statistics Canada released the September 2026 Labour Force Survey on October 9, after the cutoff date for this outlook. Employment fell by 68,000 (0.3 per cent) and the unemployment rate rose to 6.5 per cent, while the participation rate edged down to 64.8 per cent. These results are consistent with our outlook, which projects employment to decline in the second half of 2026 and the unemployment rate to reach 6.7 per cent by the end of the year. Averaged over the third quarter, the survey matches the values used in our projection.

² See [Gross domestic product by industry, July 2026, Statistics Canada](#) (accessed September 2026).

³ PBO measures core inflation using CPIX, the consumer price index excluding eight of its most volatile components (fruit, vegetables, mortgage interest cost, natural gas, fuel oil, gasoline, inter-city transportation and tobacco products) and the effect of changes in indirect taxes.

⁴ On a cash basis, net new spending measures add \$74.2 billion to new borrowing requirements.

⁵ The increase in 2027-28 reflects higher measures, notably the first full year of the Productivity Mega Deduction and temporary funding for tariff support and early learning and childcare. The ratio declines in 2028-29 as this temporary funding winds down, then rises again in 2029-30 as customs import duties fall by \$4.9 billion following the assumed end of Canadian countermeasures.

⁶ Income or loss before income taxes, seasonally adjusted, Statistics Canada [Table 33-10-0226-01](#) (accessed October 2026).

⁷ Under the *Old Age Security Act*, benefits are paid only once an application is approved, and that is also when they are recorded as an expense. When approval comes after a client becomes eligible, the months already owed are paid retroactively and recorded in the year of approval. A larger inventory of pending applications therefore shifts expenses into later years.

⁸ [Canada's Defence Spending Commitments: A Primer](#). We assume that the additional 1.5 per cent of GDP spending commitment toward critical defence and security-related expenditures will be met through existing planned spending.

⁹ [Debt Management Report 2024-2025 - Canada.ca](#).

