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Economic and Fiscal Outlook

September 2025



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

PBO has revised down its economic outlook. Reflecting increased trade uncertainty and the implementation of tariffs, real GDP growth is projected to average 1.2 per cent annually over 2025 and 2026. While economic growth is projected to rebound to 1.8 per cent in 2027, structurally weaker trade conditions are expected to lower the level of real GDP by 0.5 per cent by 2030.

Nominal GDP—the broadest measure of the Government's tax base—is projected to be $12.9 billion lower annually, on average, over 2025 to 2029 primarily due to the lasting impact of tariffs and less favourable trading conditions with the United States.

PBO's status quo fiscal outlook includes new measures announced since the 2024 Fall Economic Statement amounting to $115.1 billion in (net) new spending over 2024-25 to 2029-30.

PBO projects the budgetary deficit to increase sharply from $51.7 billion (1.7 per cent of GDP) in 2024-25 to $68.5 billion (2.2 per cent of GDP) in 2025-26 reflecting weaker economic growth and additional measures impacting both revenues and expenses.

Assuming no new measures are introduced and existing temporary measures sunset as scheduled, the budgetary deficit is projected to decline slightly but remain close to $60 billion through the medium term as growth in revenues only slightly outpaces growth in expenses.

Due to persistent budgetary deficits of over 1 per cent of GDP, the federal debt-to-GDP ratio is projected to increase from 41.7 per cent in 2024-25, rising above 43 per cent over the medium term. Compared to our March outlook, the federal debt-to-GDP ratio is 4.5 percentage points higher in 2029-30 and is no longer projected to be on a declining path over the medium term.

Summary

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 September 11 and new measures announced by the Government since the 2024 Fall Economic Statement. These include measures announced up to and including August 11 as well as the Government's September 5 announcement.

The outlook does not include incremental measures to achieve the North Atlantic Treaty Organization (NATO) Defence Investment Pledge of investing 5 per cent of annual gross domestic product (GDP) by 2035.[1]

Similarly, the outlook excludes the Government's Comprehensive Expenditure Review (CER)[2] as well as any unannounced commitments from the Liberal Party of Canada's Platform.

Our baseline projection assumes that the tariffs and countermeasures in effect on September 5 will remain in place throughout the 2025-26 fiscal year. Further, we assume that Canadian tariffs on goods from the United States will be gradually phased out, with full elimination achieved by December 31, 2026.[3]

The following provides a condensed overview of PBO's Economic and Fiscal Outlook (EFO). Projection details are provided in Appendices A to I.

Economic outlook

The Canadian economy posted stronger-than-expected gains in the first quarter of 2025 as some trade activity was pulled forward in anticipation of U.S. tariffs. These gains were more than unwound in the second quarter, with real GDP contracting by 1.6 per cent at an annualized rate, as tariffs were imposed and trade frictions intensified.

We expect growth to remain subdued through the second half of 2025 with a gradual recovery extending into 2026 as firms adapt to the evolving trade environment and exports begin to recover from depressed levels. To help offset the contractionary effects of trade disruptions and support domestic demand, we assume the Bank of Canada maintains its policy rate at 2.5 per cent before returning it to its neutral level of 2.75 per cent in late 2026.

Overall, we project real GDP growth of 1.2 per cent in 2025 and 1.3 per cent in 2026 (Table 1), down from 1.7 per cent and 1.5 per cent, respectively, in our March outlook.

Table 1
Summary of the economic outlook, per cent (unless otherwise stated)

	2024	2025	2026	2027	2028-2030
Real GDP growth	1.6	1.2	1.3	1.8	1.7
Unemployment rate	6.7	7.2	6.4	6.0	5.7
WTI oil price ($US)	77	66	61	62	64
CPI inflation	2.4	1.9	1.6	1.8	1.9
Bank of Canada policy rate	3.25	2.50	2.75	2.75	2.75

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

Note:
The projection period covers 2025 to 2030. The unemployment rate and the Bank of Canada policy rate are end-of-period values.

Beyond the short term, growth is expected to strengthen with real GDP rebounding to 1.8 per cent in 2027, driven by robust household spending and a recovery in exports and business investment. Over 2028 to 2030, we project growth will average 1.7 per cent, which is slightly higher than our estimate of potential output growth (1.6 per cent) over the same period. However, we estimate that trade policies and uncertainty will reduce the level of real GDP by 0.5 per cent by 2030.[4]

The labour market has also softened in line with the broader slowdown in economic activity. The unemployment rate increased to 7.1 per cent in August 2025, as employment declined more sharply than the labour force. We expect the unemployment rate to remain close to its current level over the remainder of the year before gradually declining to 5.6 per cent by the end of the projection horizon.[5]

Inflation[6] is projected to average 1.9 per cent in 2025, as upward pressure from tariffs is offset by excess supply and a stronger Canadian dollar, as well as the removal of the federal fuel charge. Consumer price inflation is expected to fall to 1.6 per cent in 2026, reflecting the impact of lower energy prices and easing shelter price inflation. As tariff-related price effects are absorbed and the output gap narrows, inflation is projected to

stabilize near the Bank of Canada's 2 per cent target over the remainder of the projection horizon.

Reflecting weaker real activity and lower prices, our outlook for nominal GDP—the broadest measure of the Government's tax base—has been revised down compared to our March outlook. We project the level of nominal GDP to be $12.9 billion lower annually, on average, over 2025 to 2029 primarily due to the impact of tariffs and less favourable trading conditions with the United States.

Fiscal outlook

Our status quo fiscal outlook includes new measures announced since the 2024 Fall Economic Statement up to and including August 11, as well as the Government's September 5 announcement. Combined, these measures amount to $115.1 billion in (net) new spending over 2024-25 to 2029-30.[7]

Our outlook includes $8.3 billion in increased funding to the Department of National Defence in 2025-26 announced on June 9 and provisions $6.6 billion annually, on average, on an ongoing basis.[8] Due to limited information provided, the outlook does not fully reflect the Government's North Atlantic Treaty Organization (NATO) commitment to increase defence expenditures to 3.5 per cent of GDP by 2035 and the additional 1.5 per cent of GDP spending commitment toward critical defence and security-related expenditures.

In absence of final financial results for the past fiscal year, we estimate that there was a budgetary deficit of $51.7 billion (1.7 per cent of GDP) in 2024-25 (Table 2).[9] For the current fiscal year, 2025-26, we project the deficit to increase sharply to $68.5 billion (2.2 per cent of GDP), reflecting weaker economic growth and additional measures impacting both revenues and expenses.

Assuming no new measures are introduced and existing temporary measures sunset as scheduled, the budgetary deficit is expected to decline slightly but remain close to $60 billion through the medium term as growth in revenues only slightly outpaces growth in expenses.

In total, we expect the Government to collect $8.0 billion in countermeasure tariff revenues over 2024-25 to 2026-27, all of which are assumed to be returned to affected sectors.[10]

Table 2

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

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Revenues	**502.0**	**504.2**	**515.2**	**535.5**	**555.6**	**577.9**	**602.3**
Program expenses	496.1	513.0	517.0	528.1	544.5	564.1	582.3
Public debt charges	53.6	55.3	61.2	66.8	71.9	76.6	82.4
Actuarial losses	4.0	4.4	1.3	2.8	-0.8	-3.1	-3.3
Expenses	**553.7**	**572.7**	**579.5**	**597.6**	**615.7**	**637.5**	**661.5**
Budgetary balance	**-51.7**	**-68.5**	**-64.2**	**-62.1**	**-60.1**	**-59.6**	**-59.2**
Federal debt	**1,281.7**	**1,350.2**	**1,414.4**	**1,476.5**	**1,536.6**	**1,596.2**	**1,655.4**
Budgetary balance, % of GDP	**-1.7**	**-2.2**	**-2.0**	**-1.8**	**-1.7**	**-1.6**	**-1.6**
Federal debt, % of GDP	**41.7**	**42.5**	**43.3**	**43.6**	**43.7**	**43.7**	**43.7**

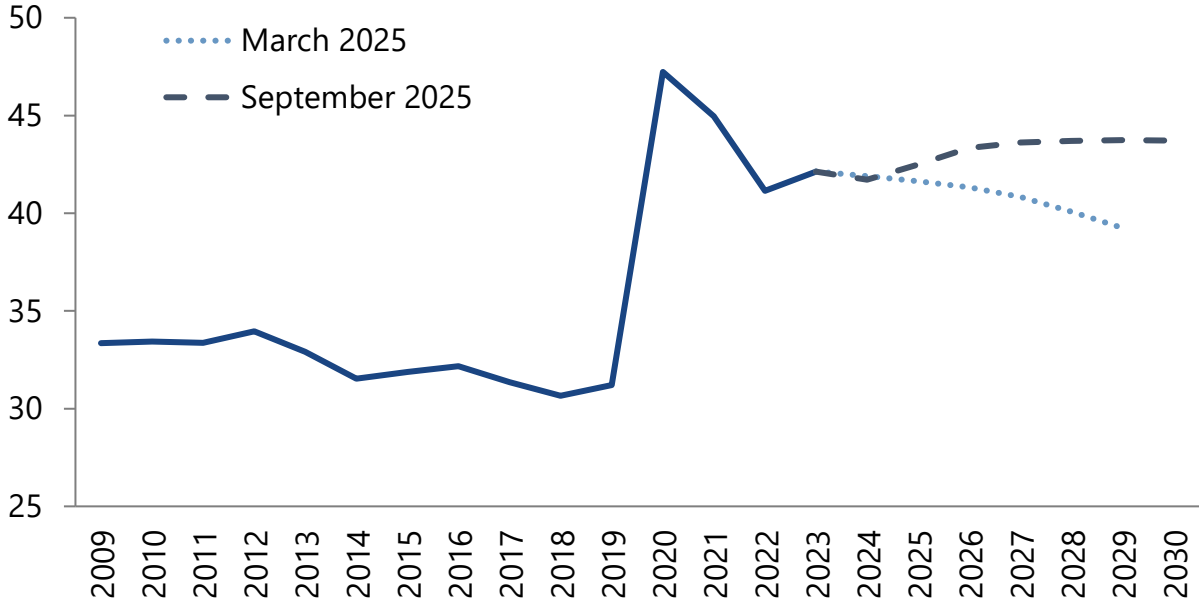
Source:
Finance Canada and Office of the Parliamentary Budget Officer.

Note:
The projected level of federal debt for 2024-25 includes the $6.2 billion in net remeasurement gains reported in the March 2025 Fiscal Monitor.[11] Fiscal year 2024-25 is an estimate. The projection period covers fiscal years 2025-26 to 2030-31. Totals may not add due to rounding.

We project the debt service ratio (that is, public debt charges relative to total revenues) to increase to 10.7 per cent in 2024-25 from 10.3 per cent in 2023-24. As federal debt grows faster than revenues, the debt service ratio is projected to increase further, reaching 13.7 per cent in 2030-31, well above its pre-pandemic record low of 7.0 per cent in 2018-19.

In 2024-25, we expect the federal debt-to-GDP ratio to fall (temporarily) to 41.7 per cent (Figure 1). Due to persistent budgetary deficits of over 1 per cent of GDP, the federal debt-to-GDP ratio is projected to increase from 41.7 per cent in 2024-25, rising above 43 per cent over the medium term. Compared to our March outlook, the federal debt-to-GDP ratio is 4.5 percentage points higher in 2029-30 and is no longer projected to be on a declining path over the medium term.

Figure 1
Federal debt-to-GDP ratio, per cent



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

Note:
Data are in fiscal years (2024 corresponds to fiscal year 2024-25). Fiscal year 2024-25 is an estimate. The projection period covers fiscal years 2025-26 to 2030-31.

Compared to our March outlook, we project budgetary deficits that are $26.6 billion higher, on average, over 2024-25 to 2029-30. This upward revision is largely due to new measures announced by the Government that reduce projected revenues and increase program expenses (Table 3).[12]

Table 3
Evolution of the budgetary balance, billions of dollars

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Budgetary balance – March 2025 EFO	**-50.1**	**-42.0**	**-31.8**	**-31.4**	**-27.0**	**-24.6**
Additional measures	-2.8	-26.9	-20.6	-21.3	-21.6	-21.9
Economic and other fiscal developments	1.2	0.4	-11.8	-9.4	-11.5	-13.1
Budgetary balance – September 2025 EFO	**-51.7**	**-68.5**	**-64.2**	**-62.1**	**-60.1**	**-59.6**

Source:
Office of the Parliamentary Budget Officer.

Note:
Additional measures include those announced since the 2024 Fall Economic Statement. Fiscal year 2024-25 is an estimate. The projection period covers fiscal years 2025-26 to 2029-30. Totals may not add due to rounding.

Risks and uncertainty

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 upcoming budget and excluding risks related to the imposition of threatened U.S. tariffs and retaliatory measures, we judge that the risks to our economic and fiscal outlook are roughly balanced.

Key downside risk: Prolonged trade uncertainty

Heightened trade uncertainty could delay the recovery in business investment and exports. If trade conditions fail to improve, economic activity could slow more than anticipated, leading to weaker employment growth, lower overall demand and higher-than-projected budgetary deficits and federal debt.

Key upside risk: Stronger domestic demand

If interest rates are reduced further or population growth is higher than projected, household consumption and residential investment could be stronger than expected, resulting in lower-than-projected budgetary deficits and federal debt.

Appendix A: Detailed economic outlook

% unless otherwise indicated	Actual	Projection					
	2024	2025	2026	2027	2028	2029	2030
Real GDP growth							
September 2025	1.6	1.2	1.3	1.8	1.8	1.7	1.7
March 2025	1.3	1.7	1.5	1.7	1.9	1.9	
Potential GDP growth							
September 2025	3.0	1.9	0.8	0.8	1.4	1.7	1.8
March 2025	3.0	1.8	0.9	1.0	1.6	1.8	
GDP inflation							
September 2025	3.1	2.2	1.4	1.9	2.1	2.0	2.0
March 2025	3.0	2.2	1.7	1.9	1.9	2.0	
Nominal GDP growth							
September 2025	4.7	3.4	2.7	3.7	3.9	3.8	3.8
March 2025	4.3	3.9	3.2	3.5	3.8	3.9	
Nominal GDP ($ billions)							
September 2025	3,072	3,178	3,263	3,385	3,516	3,649	3,787
March 2025	3,061	3,181	3,282	3,398	3,529	3,667	
3-month treasury rate							
September 2025	3.4	2.5	2.7	2.7	2.7	2.7	2.7
March 2025	3.4	2.7	2.7	2.7	2.7	2.7	
10-year government bond rate							
September 2025	3.3	3.5	3.5	3.5	3.5	3.5	3.5
March 2025	3.3	3.5	3.5	3.5	3.5	3.5	
Exchange rate (US¢/C$)							
September 2025	73.0	71.9	73.6	75.4	76.7	77.4	77.8
March 2025	73.0	71.4	74.3	77.2	79.1	80.0	
Unemployment rate							
September 2025	6.7	7.2	6.4	6.0	5.8	5.7	5.6
March 2025	6.7	6.3	5.9	5.7	5.6	5.5	
CPI inflation							
September 2025	2.4	1.9	1.6	1.8	1.9	1.9	2.0
March 2025	2.4	2.3	1.9	1.8	1.8	1.9	
U.S. real GDP growth							
September 2025	2.8	1.7	1.6	2.0	1.9	1.8	1.8
March 2025	2.8	2.4	2.0	1.9	1.8	1.8	
WTI oil price ($US)							
September 2025	77	66	61	62	63	64	66
March 2025	77	71	69	70	72	73	

Source:

Statistics Canada and Office of the Parliamentary Budget Officer.

Note:

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

Appendix B: Composition of nominal GDP

% of GDP	Actual	Projection					
	2024	2025	2026	2027	2028	2029	2030
Expenditure share							
Final household consumption	53.9	54.6	54.7	55.0	55.2	55.5	55.7
Non-profit institutions serving households	1.6	1.6	1.7	1.7	1.7	1.7	1.8
Government consumption expenditure	21.7	22.2	22.1	21.8	21.6	21.5	21.3
Government investment	4.0	4.0	4.0	4.0	4.0	3.9	3.9
Residential investment	7.6	7.7	7.8	7.6	7.7	7.9	8.0
Business investment	10.9	10.8	10.7	11.1	11.4	11.7	12.0
Inventory investment	0.6	0.7	0.3	0.4	0.5	0.4	0.2
Exports of goods and services	32.4	31.1	30.8	31.1	31.2	31.2	31.1
Imports of goods and services	32.7	32.8	32.1	32.6	33.3	33.8	33.9
Income share							
Compensation of employees	50.9	50.9	50.6	50.7	51.1	51.2	51.3
Net mixed income	9.2	9.4	9.2	9.0	8.9	8.9	8.9
Corporate profits before tax	10.3	10.2	11.1	11.3	11.0	10.7	10.3
Investment income	2.8	2.8	2.5	2.5	2.5	2.6	2.6
Consumption of fixed capital	16.6	16.6	16.4	16.2	16.2	16.3	16.5
Taxes less subsidies on production	3.5	3.7	3.9	3.9	3.9	3.9	4.0
Taxes less subsidies on products and imports	6.7	6.5	6.3	6.3	6.4	6.4	6.5

Source:

Statistics Canada and Office of the Parliamentary Budget Officer.

Appendix C: Detailed revenue outlook

$ billions	Estimate	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Income taxes							
Personal income tax	231.0	234.3	241.5	253.9	264.3	276.5	288.7
Corporate income tax	93.7	89.9	90.0	93.1	95.1	97.1	100.1
Non-resident income tax	14.2	14.2	14.4	14.5	14.8	15.0	15.2
Total	**338.9**	**338.4**	**345.8**	**361.5**	**374.3**	**388.6**	**404.0**
Excise taxes/duties							
Goods and Services Tax	53.7	56.5	56.8	58.7	60.5	62.7	65.3
Custom import duties	6.2	12.5	8.2	6.7	7.2	7.6	7.9
Other excise taxes/duties	12.7	13.3	13.4	13.4	13.4	13.4	13.5
Total	**72.6**	**82.3**	**78.3**	**78.8**	**81.1**	**83.7**	**86.7**
Other taxes	0.0	0.0	2.7	1.9	2.1	2.1	2.1
Pollution pricing proceeds to be returned to Canadians	13.0	0.0	0.0	0.0	0.0	0.0	0.0
EI premium revenues	31.0	31.7	32.5	33.4	34.9	36.4	37.8
Other revenues							
Enterprise Crown corporations	7.0	14.9	17.9	20.7	23.3	25.5	28.2
Other programs	33.4	30.4	32.1	33.4	34.2	35.6	37.3
Net foreign exchange revenues and return on investments	6.0	6.5	5.9	5.8	5.8	6.0	6.2
Total	**46.5**	**51.8**	**55.8**	**59.9**	**63.2**	**67.1**	**71.8**
Total budgetary revenues	**502.0**	**504.2**	**515.2**	**535.5**	**555.6**	**577.9**	**602.3**
Per cent of GDP							
Total tax revenues	13.4	13.2	13.1	13.1	13.0	13.0	13.0
Pollution pricing proceeds to be returned to Canadians	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Employment Insurance premium revenues	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other revenues	1.5	1.6	1.7	1.8	1.8	1.8	1.9
Total budgetary revenues	**16.3**	**15.9**	**15.8**	**15.8**	**15.8**	**15.8**	**15.9**

Source:

Finance Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

Appendix D: Detailed expense outlook

$ billions	Estimate	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Major transfers to persons							
Elderly benefits	80.7	85.1	89.3	93.7	98.4	103.2	107.9
Employment Insurance	25.3	31.3	31.7	30.2	30.6	31.4	32.3
COVID-19 income support for workers	-2.1	0.1	0.0	0.0	0.0	0.0	0.0
Canada Child Benefit	28.6	30.2	30.5	30.6	30.9	31.2	31.6
Total	**132.5**	**146.7**	**151.5**	**154.6**	**159.8**	**165.8**	**171.8**
Major transfers to provinces, territories, and municipalities							
Canada Health Transfer	52.1	54.7	57.4	60.3	62.4	64.7	67.2
Canada Social Transfer	16.9	17.4	17.9	18.5	19.0	19.6	20.2
Equalization	25.3	26.2	27.1	28.0	29.0	30.1	31.2
Territorial Formula Financing	5.2	5.5	5.7	6.0	6.3	6.6	6.9
Health agreements with provinces and territories	4.3	4.3	4.3	3.1	2.5	2.5	2.5
Canada-wide early learning and childcare	6.6	7.9	7.9	8.0	8.2	8.4	8.7
Canada Community-Building Fund	2.4	2.5	2.5	2.6	2.6	2.7	2.7
Other fiscal arrangements	-7.2	-6.8	-7.0	-7.4	-7.7	-8.1	-8.5
Total	**105.5**	**111.7**	**115.9**	**119.0**	**122.2**	**126.5**	**130.9**
Pollution pricing proceeds returned to Canadians	14.9	3.8	0.0	0.0	0.0	0.0	0.0
Direct program expenses							
Other transfer payments	107.4	107.7	107.9	111.2	115.8	120.0	121.4
Operating and capital expenses	135.8	143.2	141.6	143.2	146.7	151.8	158.3
Total	**243.2**	**250.8**	**249.6**	**254.5**	**262.5**	**271.8**	**279.6**
Total program expenses	**496.1**	**513.0**	**517.0**	**528.1**	**544.5**	**564.1**	**582.3**
Public debt charges	53.6	55.3	61.2	66.8	71.9	76.6	82.4
Total expenses, excluding net actuarial losses	**549.7**	**568.3**	**578.2**	**594.9**	**616.4**	**640.6**	**664.7**
Net actuarial losses	4.0	4.4	1.3	2.8	-0.8	-3.1	-3.3
Per cent of GDP							
Major transfers to persons	4.3	4.6	4.6	4.6	4.5	4.5	4.5
Major transfers to provinces, territories, and municipalities	3.4	3.5	3.6	3.5	3.5	3.5	3.5
Pollution pricing proceeds returned to Canadians	0.5	0.1	0.0	0.0	0.0	0.0	0.0
Direct program expenses	7.9	7.9	7.6	7.5	7.5	7.4	7.4
Total program expenses	**16.1**	**16.1**	**15.8**	**15.6**	**15.5**	**15.5**	**15.4**

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	Estimate	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Revenues							
Premium revenues	31.0	31.7	32.5	33.4	34.9	36.4	37.8
Contributions for federal employees	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Total	**31.6**	**32.4**	**33.2**	**34.1**	**35.6**	**37.1**	**38.5**
Expenses							
Benefits	25.3	31.3	31.7	30.2	30.6	31.4	32.3
Administration expenses	3.0	3.4	3.4	3.3	2.8	2.8	2.8
Total	**28.2**	**34.7**	**35.1**	**33.5**	**33.4**	**34.1**	**35.1**

	2024	2025	2026	2027	2028	(...)	2032	2033
Annual balance	4.0	-0.6	-2.3	0.0	2.0		4.1	4.3
Cumulative balance	-16.9	-17.5	-19.8	-19.7	-17.7		-3.4	0.9
Premium rate (per $100 of insurable earnings)	1.66	1.64	1.63	1.60	1.60		1.60	1.60

Source:

Finance Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding. The projection period covers 2025 to 2033.

Appendix F: Direct program expenses

$ billions	Estimate	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Other transfer payments	**107.4**	**107.7**	**107.9**	**111.2**	**115.8**	**120.0**	**121.4**
Operating expenses							
Personnel expenses	71.4	74.0	74.0	75.0	76.9	79.4	82.8
Consolidated Crown corporations	8.8	9.2	8.2	8.2	8.4	8.7	9.0
Other operating expenses	48.9	52.9	51.6	51.0	51.3	52.7	54.2
Total	**129.2**	**136.1**	**133.8**	**134.2**	**136.6**	**140.8**	**146.0**
Capital amortization expenses	6.6	7.1	7.8	9.0	10.1	11.1	12.3
Operating and capital expenses	**135.8**	**143.2**	**141.6**	**143.2**	**146.7**	**151.8**	**158.3**
Total direct program expenses	**243.2**	**250.8**	**249.6**	**254.5**	**262.5**	**271.8**	**279.6**

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	Estimate	Projection					
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Interest-bearing debt							
Market debt*	1,478.0	1,631.2	1,776.7	1,923.3	2,069.3	2,209.2	2,347.0
Pensions and other future benefits	350.0	367.1	371.1	375.3	378.6	380.4	381.8
Other liabilities	5.3	5.8	6.4	6.9	7.4	7.9	8.4
Total	**1,833.3**	**2,004.2**	**2,154.2**	**2,305.5**	**2,455.3**	**2,597.5**	**2,737.2**
Accounts payable and accrued liabilities	265.5	270.8	270.3	272.6	276.3	281.2	286.0
Foreign exchange accounts liabilities	47.4	46.9	46.5	46.7	46.7	46.6	46.7
Derivatives	5.6	5.0	5.2	5.1	5.1	5.1	5.1
Total liabilities	**2,151.8**	**2,327.0**	**2,476.2**	**2,629.8**	**2,783.4**	**2,930.5**	**3,074.9**
Financial assets	742.5	834.6	902.5	976.0	1,052.8	1,120.1	1,185.8
Non-financial assets	127.6	142.2	159.3	177.3	194.0	214.2	233.8
Total assets	**870.1**	**976.8**	**1,061.8**	**1,153.3**	**1,246.8**	**1,334.3**	**1,419.5**
Federal debt (liabilities less assets)	**1,281.7**	**1,350.2**	**1,414.4**	**1,476.5**	**1,536.6**	**1,596.2**	**1,655.4**
Federal debt (% of GDP)	41.7	42.5	43.3	43.6	43.7	43.7	43.7
Market debt: agent Crown corporations*	366.7	398.0	428.9	447.6	472.0	502.3	534.6
Borrowing requirements, as per the *Borrowing Authority Act*	**1,844.7**	**2,029.3**	**2,205.7**	**2,370.9**	**2,541.3**	**2,711.5**	**2,881.6**

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. At present, the maximum amount that the Minister of Finance is approved to borrow is $2,126 billion. Based on our current outlook we project that the Government's borrowing requirements will begin to exceed the maximum amount in 2026-27, which will likely require amending the maximum borrowing amount and providing an assessment to Parliament in accordance with the *Borrowing Authority Act*.

Projected borrowing requirements for agent Crown corporations are unchanged from our March outlook as Crown corporations have not yet published new corporate plans. 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 March 2025 outlook

$ billions	Estimate	Projection				
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Income taxes						
Personal income tax	-1.2	-8.7	-9.3	-9.0	-10.1	-9.8
Corporate income tax	4.9	1.8	-1.4	-3.1	-1.6	-1.6
Non-resident income tax	0.7	0.4	0.5	0.4	0.4	0.2
Total	**4.4**	**-6.5**	**-10.3**	**-11.7**	**-11.3**	**-11.3**
Excise taxes/duties						
Goods and Services Tax	1.6	0.9	-0.2	-0.3	-0.8	-1.2
Custom import duties	0.1	5.6	0.9	-0.8	-0.8	-0.8
Other excise taxes/duties	-0.2	0.1	0.1	0.0	0.0	0.0
Total	**1.4**	**6.5**	**0.7**	**-1.1**	**-1.5**	**-1.9**
Other taxes	-2.6	-1.4	-1.3	-1.3	-1.3	-1.3
Pollution pricing proceeds to be returned to Canadians	0.0	-15.2	-17.2	-19.3	-21.1	-22.9
EI premium revenues	-0.3	0.1	0.9	1.0	1.1	1.2
Other revenues	-0.1	-0.1	0.1	0.4	0.7	0.2
Total budgetary revenues	**2.9**	**-16.6**	**-27.1**	**-32.1**	**-33.5**	**-36.0**
Major transfers to persons						
Elderly benefits	0.0	-0.2	-0.5	-0.6	-0.6	-0.6
Employment Insurance	-0.7	3.0	2.2	0.6	0.6	0.6
COVID-19 income support for workers	-1.2	0.1	0.0	0.0	0.0	0.0
Canada Child Benefit	0.1	0.6	0.3	0.2	0.1	0.0
Total	**-1.8**	**3.6**	**2.0**	**0.3**	**0.1**	**0.0**
Major transfers to provinces, territories, and municipalities						
Canada Health Transfer	0.0	0.0	0.0	0.0	-0.1	0.0
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.0	0.0	-0.1	-0.1	-0.1
Territorial Formula Financing	0.0	0.0	0.0	0.0	0.0	0.0
Other transfers to government	0.0	0.9	1.1	1.2	1.5	1.8
Total	**0.0**	**0.9**	**1.0**	**1.1**	**1.3**	**1.6**
Pollution pricing proceeds returned to Canadians	0.0	-11.5	-17.7	-19.7	-21.4	-23.2
Direct program expenses						
Other transfer payments	6.0	6.9	6.8	2.5	1.8	1.9
Operating and capital expenses	0.5	9.2	11.0	9.6	10.9	11.6

Total	**6.5**	**16.1**	**17.7**	**12.0**	**12.6**	**13.5**
Total program expenses	**4.8**	**9.0**	**3.1**	**-6.3**	**-7.4**	**-8.0**
Public debt charges	-0.2	0.8	1.9	4.0	5.6	7.0
Total expenses	**4.5**	**9.8**	**5.0**	**-2.3**	**-1.8**	**-1.0**
Budgetary balance before net actuarial losses	**-1.6**	**-26.3**	**-32.1**	**-29.8**	**-31.7**	**-35.0**
Net actuarial losses	0.0	0.2	0.4	0.9	1.4	0.0
Budgetary balance	**-1.6**	**-26.5**	**-32.5**	**-30.7**	**-33.1**	**-35.0**
Federal debt	**-0.7**	**25.8**	**58.3**	**89.0**	**122.0**	**157.0**

Source:

Finance Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding.

Appendix I: Comparison to Fall Economic Statement 2024

$ billions	Estimate	Projection				
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Income taxes						
Personal income tax	-1.5	-4.0	-3.4	-3.2	-4.6	-2.9
Corporate income tax	6.9	4.3	4.4	2.5	4.4	2.1
Non-resident income tax	0.7	0.4	0.5	0.5	0.6	0.7
Total	**6.1**	**0.8**	**1.4**	**-0.2**	**0.3**	**-0.1**
Excise taxes/duties						
Goods and Services Tax	1.8	1.4	-0.2	-0.3	-0.5	-0.7
Custom import duties	0.0	0.7	0.3	0.1	0.2	0.2
Other excise taxes/duties	-0.2	0.1	0.1	0.1	0.0	-0.1
Total	**1.6**	**2.1**	**0.1**	**-0.1**	**-0.4**	**-0.6**
Other taxes	0.2	0.3	0.3	0.3	0.3	0.2
Pollution pricing proceeds to be returned to Canadians	0.2	0.4	0.7	1.0	1.1	1.2
EI premium revenues	0.1	0.1	-0.1	-0.2	0.0	-0.3
Other revenues	0.7	1.6	1.6	2.2	1.1	0.2
Total budgetary revenues	**8.8**	**5.2**	**4.1**	**3.1**	**2.5**	**0.5**
Major transfers to persons						
Elderly benefits	-0.2	-0.4	-0.8	-0.9	-1.1	-1.2
Employment Insurance	-2.5	-0.2	1.4	0.0	-0.6	-0.8
COVID-19 income support for workers	-1.8	0.1	0.0	0.0	0.0	0.0
Canada Child Benefit	0.4	0.6	-0.1	-1.1	-1.8	-2.6
Total	**-4.1**	**0.1**	**0.5**	**-2.0**	**-3.5**	**-4.6**
Major transfers to provinces, territories, and municipalities						
Canada Health Transfer	0.0	0.0	0.0	0.0	-0.4	-0.6
Canada Social Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Equalization	0.0	0.0	-0.1	-0.3	-0.5	-0.6
Territorial Formula Financing	0.0	0.0	0.0	0.1	0.2	0.4
Other transfers to government	0.3	0.9	1.0	1.0	1.0	1.0
Total	**0.3**	**1.0**	**1.0**	**0.8**	**0.3**	**0.3**
Pollution pricing proceeds returned to Canadians	0.2	0.4	0.7	1.0	1.1	1.5
Direct program expenses						
Other transfer payments	7.5	1.9	5.2	0.4	0.0	-0.1
Operating and capital expenses	6.2	5.6	7.2	7.4	8.6	10.2

Total	**13.7**	**7.5**	**12.4**	**7.8**	**8.5**	**10.1**
Total program expenses	**10.2**	**8.9**	**14.6**	**7.7**	**6.4**	**7.2**
Public debt charges	-0.8	-0.2	1.6	2.1	2.2	3.0
Total expenses	**9.3**	**8.7**	**16.1**	**9.8**	**8.7**	**10.2**
Budgetary balance before net actuarial losses	**-0.5**	**-3.5**	**-12.0**	**-6.7**	**-6.2**	**-9.8**
Net actuarial losses	0.0	0.6	0.2	1.0	1.1	0.9
Budgetary balance	**-0.4**	**-4.0**	**-12.2**	**-7.7**	**-7.3**	**-10.5**
Federal debt	**0.2**	**2.6**	**16.2**	**25.9**	**36.0**	**50.0**

Source:

Finance Canada and Office of the Parliamentary Budget Officer.

Note:

Totals may not add due to rounding. The comparison excludes new announcements since our March 2025 outlook and countermeasure tariff revenues.

Notes

[1] On an accrual basis, the fiscal impact of the Government's 3.5 per cent NATO commitment would depend on the type of expenditures. For example, cash expenditures on acquisition or betterment of defence capital assets would be gradually expensed over their useful life once the assets come into service. Consequently, their fiscal impact (on an accrual basis) would depend on the cash expenditures required to develop, construct, acquire or better the assets, their useful life, and when the assets would come into service.

Additionally, it is not known how much of the Government's 1.5 per cent NATO spending commitment toward critical defence and security-related expenditures would be incremental, if at all.

PBO is preparing a separate report (to be released at a later date) that projects defence and other security-related spending sufficient to meet the Government's NATO commitment by 2035.

[2] Under the CER most departments were required to develop savings proposals equivalent to 7.5 per cent in 2026-27, 10 per cent in 2027-28, and 15 per cent in 2028-29 (ongoing) from their 2025-26 spending base in the Main Estimates. The Department of National Defence, Royal Canadian Mounted Police, and Canada Border Services Agency received reduced savings targets of 2 per cent per year. Some organizations were exempted, specifically Agents of Parliament, the Courts Administration Service, the Office of the Registrar of the Supreme Court of Canada and cost-recovered organizations.

[3] This assumption is based on the expectation that Canada and the United States will likely secure a new trade agreement in 2026. Even if an agreement is secured, our projection assumes that trading conditions between Canada and the United States (as well as globally) will remain less favourable than in the past, lowering Canada's net exports over the projection period.

[4] Our projection also includes the removal of the federal fuel charge based on estimates of the economic impacts provided by Environment and Climate Change Canada.

[5] Our outlook for the unemployment rate reflects both the anticipated recovery in labour demand and a slower expansion of labour supply, with the participation rate

easing as population ageing and the Government's immigration policies restrain population growth.

[6] As measured by year-over-year changes in the Consumer Price Index (CPI).

[7] Measures announced since the 2024 Fall Economic Statement and up to and including August 11 mostly relate to tax revenues (such as reducing the lowest federal personal income tax rate to 14 per cent), as well as the Government's announcement on June 9 to increase defence spending in 2025-26. In total we estimate that these announcements will add $105.9 billion to projected budgetary deficits over 2024-25 to 2029-30.

The September 5 announcement adds another $9.2 billion over 2025-26 to 2029-30. That said, the exact profile of the announced spending is not known. In the absence of additional information simplified assumptions were made regarding its annual profile.

[8] On June 9 the Government announced $8.3 billion in defence spending for 2025-26, with $6.2 billion in operating and capital expenses, and the remainder as transfer payments for military aid to Ukraine and for expanding defence partnerships. We assumed that the announced operating and capital expenses increase in line with inflation, adding $26.0 billion to the budgetary deficit over 2026-27 to 2029-30.

[9] Our estimate of the budgetary deficit in 2024-25 is $5.7 billion lower compared to our June Economic and Fiscal Monitor. This revision reflects the cancellation of the Digital Services Tax announced on June 29 and higher than anticipated contingent liabilities following the publication of Crown-Indigenous Relations and Northern Affairs' Future-Oriented Statement of Operations on June 17.

[10] Since March of this year the Government has announced various measures to support affected industries.

[11] 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.

[12] Revisions due to other economic and fiscal developments increase projected budgetary deficits by $7.4 billion annually, on average. These revisions largely reflect higher capital amortization and personnel expenses, as well as higher other transfer payments based on the 2025-26 Departmental Plans. Conversely, due to strength in corporate income tax (CIT) revenues reported in Finance Canada's March 2025 Fiscal Monitor, CIT yields have been revised up, offsetting some of the impacts from lower projected nominal GDP.

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