The Conference Board of Canada
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CANADIAN ECONOMIC AND FEDERAL FISCAL OUTLOOK

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Study Purpose

In June 2005, the House of Commons as represented by the Committee Chair of the Standing Committee on Finance asked the Conference Board of Canada (CBoC) to project the federal Public Accounts over the next two years. The objective of this study is to provide an updated Canadian economic forecast for 2005 and 2006 as well as an updated federal government fiscal outlook for fiscal years 2004-2005, 2005-2006 and 2006-2007. This report discusses the research findings while detailed results are presented in table format.

Great care was taken in choosing the underlying assumptions required for this research. We believe that the simulation results presented in this study are the most probable under our assumptions in light of the information available at the time the study was prepared. Our forecast of the federal Public Accounts is based on a “status quo” outlook for fiscal policy in the sense that it only includes spending or tax initiatives that have already been announced.

The report is divided into six sections. Section 2 presents the overall research methodology and assumptions adopted for the forecasting exercise. Section 3 presents an overview of the medium-term economic outlook for Canada. The fiscal outlook for the federal government is presented in Section 4. A comparison between CBoC’s forecasts and the Budget Plan 2005, is presented in Section 5 and a comparison of our June Forecast with our March Forecast is presented in Section 6. A complete set of forecast tables is included as an appendix at the end of the report.

1 METHODOLOGY AND ASSUMPTIONS

The main objective of this study is to project the federal Public Accounts for 3 fiscal years beginning in fiscal year 2004-2005. This study has the specific objective of evaluating the federal government surplus available for new spending or tax reduction initiatives, after accounting for the annual $3 billion Contingency Reserve and normal economic prudence, as established in the last federal budget. Economic prudence is assumed to be $1 billion in fiscal year 2005–2006 and $2 billion in fiscal year 2006–2007. When assessing future interest payments on the debt, any surplus above the $3 billion annual Contingency Reserve is assumed to be applied to new spending or tax reduction initiatives and not to debt repayment.

This study models federal government budgetary revenues and expenditures as a function of a number of key determinants. For example, direct taxes are a function of personal income and corporate profits. Revenues generated by indirect taxes are mainly based on consumer spending. Detailed tax rates and tax bases are explicitly taken into account in the CBoC’s macroeconomic model. Using equations from the CBoC’s macroeconomic model, we also forecast the components of government program spending. Finally, the model’s fiscal block determines debt levels and corresponding debt-servicing costs for the federal government.

The economic outlook for Canada used in this study was generated by the CBoC's national forecasting model. The updated economic outlook is based on historical National Income Accounts (NIA) data up to the first quarter of 2005. The economic forecast is also based on a status quo outlook for fiscal and budgetary policy. In this respect, the forecast differs slightly from the Board's base-case, medium-term outlook, which was released in June 2005

2 Short-Term Economic Outlook: 2005 to 2006

2.1.1 Overview

Led by a surge in consumer spending and continued strength in business investment, the domestic economy is outperforming expectations early in 2005. But the increase in consumption and investment is also providing stimulus to imports, while exporters are still contending with the strong value of the Canadian currency. As such, Canada's trade performance continued to erode economic growth such that real gross domestic product (GDP) managed to eke out annualized growth of only 2.3 per cent in the first quarter of 2005. On average in 2005, domestic demand is expected to advance at a stellar 3.8 per cent clip but the decline in the real trade balance will be sharp, removing nearly $16 billion from the economy. Overall, real GDP is forecast to advance by 2.5 per cent in 2005, an upward revision of 0.2 percentage points from that forecast in the last Fiscal Outlook in March 2005 (see Table 1).

Looking ahead to 2006, a more balanced performance is expected. Interest rate increases scheduled to begin late this year will hold back domestic demand. In particular growth in consumer spending is forecast to ease from its vigorous yet unsustainable pace. Moreover, while the Canadian dollar should stay strong, it is expected to trade in a tighter and more stable band than the movements that saw its value climb roughly 25 percent over the past two-and-a-half years. This will help the business sector complete its adjustment to the high-flying loonie. As such export growth is forecast to rebound while import growth will slow, both having to occur to allow the trace sector to contribute positively, albeit modestly, to overall economic growth in 2006. The more balanced performance will lift real GDP growth to 2.9 per cent next year, a pace slightly above growth in economic potential.

Consumer spending forged ahead at an annualized pace of 6.3 per cent in the first quarter of 2005 and while shoppers did open the purse strings, they often pulled out their credit cards rather than cash, to pay. Strong consumer confidence coupled with low financing rates have escalated spending in recent months, especially on home furnishings, electronic equipment and, more recently, autos. Unfortunately personal income has not kept pace. The strong consumer spending coupled with lackluster employment and wage gains plunged the savings rate by 1.6 percentage points in the first quarter of 2005. Over the rest of 2005, favourable conditions continue to support growth in consumer spending while stronger labour income and the resumption of Quebec's child tax credit will give a boost to disposable income and help correct the recent drop in the savings rate.

TABLE 1
Key Economic Indicators for 2004, 2005 and 2006— Canada (annual averages)

	2004	2005	2006
Real GDP growth	2.9	2.5	2.9
GDP inflation	3.1	2.4	1.4
Nominal GDP growth	6.1	5.0	4.3
3-month Treasury bill rate	2.22	2.52	3.59
10-year government bond rate	5.08	4.49	4.74
Unemployment rate	7.2	6.8	6.9
Employment growth	1.8	1.5	1.8
U.S. real GDP growth	4.4	3.5	3.2

Sources: The Conference Board of Canada; Statistics Canada.

2.1.2 US Economy

As consumer spending jumped up in Canada, it continued to forge relentlessly ahead in the United States. Despite the steady rise in U.S. short-term rates, the Federal Reserve Board (Fed) has been frustrated by global market conditions that are keeping long-term rates tenaciously low. As such, consumer credit financing rates and especially mortgage rates are still very stimulative to U.S. consumers. Real consumer spending in the United States is forecast to increase by 3.7 per cent this year, in line with the 2004 performance. Easing new home construction, continued interest rate hikes and higher gasoline prices are expected to soften the pace of U.S. consumption to 3.2 per cent in 2006. While consumer spending looks to remain strong, real GDP growth will fall off sharply from 2004's blistering pace of 4.4 per cent, to 3.5 per cent this year. The overall pace of investment spending will ease in 2005 while government spending will also be reigned in. Moreover, despite the Greenback's depreciation on a trade weighted basis, the real trade balance will erode further in 2005. Including unfavourable price effects, this suggests the current account deficit will deteriorate further, peaking at US$ 766 billion in 2005.

2.1.3 Monetary Policy

While the Fed continues on its path of monetary tightening, the Bank of Canada is staying on the sidelines, vigilant for signs of inflation. Although, strong consumer spending and fervent demand for many raw materials is pushing up capacity constraints in some sectors, more labour- intensive export-oriented manufacturing is suffering. With the pace of real GDP growth averaging under 2.5 per cent over the past six months, capacity constraints are likely opening up economy-wide. Moreover, high raw material prices have had little or no impact in feeding price inflation up the processing chain and the strength of the Canadian currency is leading to disinflation for imported goods. As such, core inflation remains muted and the positive Canada-U.S. short term interest rate spread will widen into the third quarter. In the fall, the Bank of Canada is expected to resume monetary tightening in an effort to thwart the effect of stronger economic growth forecast for 2006.

In many sectors of the Canadian economy business conditions couldn't be better. Domestic demand is buoyant while foreign demand (and prices) for a wide range of raw and semi-processed materials is at peak levels. This has left business balance sheets with a lot of cash on hand and, for those requiring a bit more liquidity for a major investment project, financing rates could hardly be more favourable. Of course, investment in Alberta's oilpatch immediately comes to mind; especially with oil prices recently flirting US$60 per barrel, but the boom in machinery and equipment investment is happening across most sectors of the economy. The appreciated loonie has had a substantial impact on reducing the price of imported machinery and, while the currency has also negatively affected the competitive position of many export-oriented manufacturers, it is also bolstering productivity-enhancing investment as struggling manufacturers choosing to stay in Canada need to improve their competitive position.

2.1.4 Other Assumptions and Forecast Risks

The recent strength in consumer spending has removed some of our previous concern associated with the economy's strong build in inventories. With a $13 billion build in the first quarter of 2005, cumulative gains in real non-farm business inventories now total $46 billion over the past nine months. However, surging domestic sales have kept the stock-to-sales ratio at reasonable levels and the momentum in domestic sales is expected to continue throughout the year. This should enable inventory levels to ease to more sustainable levels, without cause for a halt to production.

Despite steadfast gains in real GDP, posting an annualized growth of 3.5 per cent in the latest quarter, imbalances on many fronts continue to plague the U.S. economy. The large current account deficit, now running at an annualized rate of US$ 780 billion, has many economists concerned that the greenback remains highly overvalued. This deficit is being supported by willing purchasers of U.S. securities, mostly Asian central banks, confident that the value of the greenback will hold or at least, enticed to continue purchasing securities for fear that it will fall. Of course, the support is self-interest since a depreciation in the U.S. dollar would also reduce the value of their own sizeable U.S. denominated assets. While the current account deficit presents one imbalance, another occurs domestically. Strong U.S. consumer spending is being buttressed by increased credit and the sizeable wealth effect of skyrocketing home prices rather than gains in income. With consumer indebtedness at peak levels, interest rates and oil prices rising and warnings of a housing price bubble starting to surface, the U.S. economy does seem perched in a precarious position. One stabilizing factor is the recent improvement in the federal fiscal position, as fiscal restraint measures have reduced the still-large federal deficit.

The baseline forecast assumes that oil prices will re-stabilize at around US$50 per barrel in the near term. Although, record oil prices may be positive for Canada, boosting exploration and profits in the energy sector, they are starting to attain levels that could cripple the U.S. consumer. Be it high oil prices or another factor, destabilizing forces on the U.S. economy need to be carefully considered since they could send the shaky U.S. soft landing into a bumpier scenario of recession.

3 FEDERAL FISCAL OUTLOOK

The underlying detailed assumptions used to generate the forecast of federal government revenue components are summarized in Exhibit 1, while those underlying the expenditure scenario are presented in Exhibit 2; both exhibits are presented at the end of this report.

Simulation results show that the federal government's overall financial position will stay in good shape over the next three years. Federal surpluses are forecast to reach $7.7 billion in fiscal year 2004-2005, $10.5 billion in 2005-2006 and finally $8.0 billion in 2006-2007 (See Table 3). For fiscal year 2004-05, debt numbers have been estimated using data supplied by *The Fiscal Monitor*. The assumption that only contingency reserves will be used to pay down debt is utilized for forecast debt levels in 2005-06 and 2006-07. Therefore, the level of federal interest bearing debt will fall by $3 billion in each of fiscal year 2005–2006 and fiscal year 2006-07. Nonetheless, federal public debt charges are expected to grow marginally—from $34.2 billion in fiscal year 2004-05 to $34.9 in fiscal year 2006–2007—because of higher interest rates.

As shown in Table 3, budgetary revenues are forecast to increase by a strong 7.1 per cent in fiscal year 2004-05. This strength in part reflects the one-time revenue gain of $2.6 billion for the sale of the government's remaining shares in Petro-Canada. However, excluding the Petro-Canada sale, revenue growth would still come in at a healthy 5.7 per cent. The main reason for this strength is robust growth in personal and corporate income taxes and the good and services tax—the three largest components of revenue growth. Personal income taxes are forecast to grow by 6.6 per cent in fiscal year 2004-05. While this is slightly weaker then that suggested by the National Income and Expenditure accounts, it is in line with growth in personal income and recent data from *The Fiscal Monitor*. Corporate profits as a share of the economy are now at their highest annual level in history driving up corporate income tax collections. Bolstered by corporate profit growth of 21.4 per cent in fiscal year 2004-05, but offset by non-recurring payments in 2003-04, corporate income taxes are forecast to grow by 10.8 per cent in fiscal year 2004-05. Consumer spending jumped ahead in fiscal year 2004-05 which is expected to boost goods and services tax collections by 6.5 per cent. Total revenue growth was restrained somewhat by declines in employment insurance revenues and foreign exchange revenues. The decline in employment insurance revenues is in line with the Employment Insurance Act's intent to set the contribution rate at levels that cover program costs while keeping rates relatively stable over the business cycle. As a result, the contribution rate is assumed to decrease from $1.98 per $100 of insurable earnings in 2004 to $1.95 in 2005 (set by Budget 2005) and to $1.90 in 2006 (CBoC assumption). Foreign exchange revenues, a component of non-fiscal revenues are expected to decline by 22.4 per cent due to the recent appreciation of the Canadian dollar.

With the sale of Petro Canada coming off the books in fiscal year 2005-06, revenue growth is forecast to be significantly weaker, coming in at 3.8 per cent. Moreover, weaker growth in corporate profits, as commodity prices retreat from recent peak levels, will also undermine revenue growth in both 2005-06 and 2006-07. Rising interest rates will also begin to take their toll on the consumer, reducing growth in the goods and services tax to 4.9 per cent and 3.7 per cent in fiscal year 2005-06 and 2006-07 respectively. Finally, personal income tax cuts starting in fiscal year 2005-06 will dampen growth in tax collections, especially affecting fiscal year 2006-07. As a result, total revenue growth of 3.4 per cent is expected for fiscal year 2006-07.

Total budgetary expenditures are expected to increase by 8.2 per cent in 2004–2005, caused largely by a 32.8 per cent growth in transfers to other governments. (See Table 3.) The strength in transfers to other levels of government in 2004-2005 comes from the new Plan to Strengthen Health Care, the new framework for the Equalization and Territorial Formula Financing (TFF) programs and the new deals with Nova Scotia and Newfoundland and Labrador. In particular, $4.25 billion in funding for the health care Wait Times Reduction Transfer to be allocated to the provinces and territories over the next five years (2004-2005 up to the end of 2008-2009) was paid to a third-party trust and accounted for by the Government of Canada entirely in fiscal year 2004-2005.

Similarly, $700 million for a national Early Learning and Child Care initiative was allotted through a third-party trust and accounted for entirely in 2004-2005. Total fiscal arrangements (transfers to other levels of government, equalization and TFF, the Atlantic Offshore agreements and the gas tax transfer to communities) are expected to sum to $13.3 billion in 2004-2005, an increase of about $4 billion or 42.3 per cent over 2003-2004. This is a result of increased expenses related to Equalization and TFF under the new framework. Excluding debt-servicing charges, total federal program spending is expected to increase by 11.4 per cent in 2004-2005.

In 2005-2006, transfers to other governments are forecast to fall by 3.9 per cent reflecting the end of the one-time payment for wait times reduction in 2004-2005. As a result, total budgetary expenditures in fiscal year 2005-06 are expected to increase by only 2.5 per cent on a “status quo” basis. Consequently, with budgetary revenues anticipated to grow by 3.8 per cent, the federal surplus will increase by $2.9 billion to $10.5 billion, leaving $6.5 billion available for new initiatives. In fiscal year 2006-07, total federal government expenditures are forecast to grow by 4.9 per cent, driven mainly by strong increases in federal transfers to other levels of government. The fiscal surplus for planning purposes in 2006-07, over and above the $5 billion in contingency reserve and economic prudence, is forecast to be $3.0 billion.

TABLE 2
The Revenue Outlook

	Actual	Projection		
($ millions)	**2003-2004**	**2004-2005**	**2005-2006**	**2006-2007**
Tax revenues				
Income tax				
Personal income tax	84,895	90,519	96,432	100,932
Corporate income tax	27,431	30,381	32,164	32,802
Other income tax	3,142	3,564	3,804	3,881
Total income tax	115,468	124,463	132,400	137,615
Excise taxes / duties				
Goods and services tax	28,286	30,132	31,613	32,791
Customs import duties	2,887	2,980	3,045	3,166
Energy taxes	4,952	4,643	4,761	4,842
Other excise taxes / duties	4,830	5,313	5,558	5,750
Air Travelers Security Charge	410	370	340	355
Total excise taxes / duties	41,365	43,438	45,317	46,904
Total tax revenues	156,833	167,901	177,717	184,518
Employment insurance revenues	17,546	17,243	17,385	17,326
Other revenues	11,830	14,226	11,843	12,169
Total budgetary revenues	186,209	199,370	206,945	214,014
Per cent of GDP				
Personal income tax	6.9	6.9	7.0	7.1
Corporate income tax	2.2	2.3	2.3	2.3
Other income tax	0.3	0.3	0.3	0.3
Goods and services tax	2.3	2.3	2.3	2.3
Excise taxes / duties (excluding GST)	1.1	1.0	1.0	1.0
Total tax revenues	12.8	12.8	13.0	12.9
Employment insurance revenues	1.4	1.3	1.3	1.2
Other revenues	1.0	1.1	0.9	0.9
Total budgetary revenues	15.2	15.2	15.1	15.0

Note : Numbers may not add due to rounding
Sources: The Conference Board of Canada; Finance Canada.

TABLE 3
Federal Fiscal Prospects
Summary Statement of Transactions

	Actual	Projection		
($ billions)	**2003-2004**	**2004-2005**	**2005-2006**	**2006-2007**
Budgetary transactions				
Budgetary revenues	186.2	199.4	206.9	214.0
Total expenses				
Program expenses	141.4	157.5	162.6	171.0
Public debt charges	35.8	34.2	33.8	35.0
Total expenses	177.1	191.7	196.4	206.0
Underlying budgetary surplus	9.1	7.7	10.5	8.0
Prudence				
Contingency reserve	0.0	3.0	3.0	3.0
Economic prudence	0.0	0.0	1.0	2.0
Total	0.0	3.0	4.0	5.0
Budgetary balance	9.1	4.7	6.5	3.0
Federal debt (accumulated deficit)				
Balanced budget (no debt reduction)	501.5	501.5	501.5	501.5
Apply Contingency Reserve to debt	501.5	498.5	495.5	493.5
Per cent of GDP				
Budgetary revenues	15.2	15.2	15.1	15.0
Program expenses	11.5	12.0	11.9	12.0
Public debt charges	2.9	2.6	2.5	2.4
Federal debt (accumulated deficit)	40.9	38.1	36.2	34.6
Other				
Public debt charges as a share of revenues	19.2	17.2	16.3	16.3
Annual per cent change				
Budgetary revenues	4.7	7.1	3.8	3.4
Program expenses	5.8	11.4	3.2	5.2
Total expenses	3.7	8.2	2.5	4.9
Nominal GDP	5.3	6.1	4.6	4.3

Note : Numbers may not add due to rounding
Sources: The Conference Board of Canada; Finance Canada.

4 COMPARISON BETWEEN CBOC'S FORECASTS AND THE BUDGET PLAN 2005

The main difference between the CBoC's federal fiscal outlook and the Budget Plan 2005 is on the revenue side. In particular, revenue differences are mainly concentrated in corporate and personal income tax collections. As shown in Table 4, the CBoC's forecast of corporate income tax collections is $3.5 billion higher in 2006-2007 than in the Budget Plan 2005. Even in 2004-2005, the difference is $2.0 billion, growing to $3.0 billion in 2005-2006. According to the latest national income accounts published by Statistics Canada, corporate profits before taxes increased by 21.4 per cent in fiscal year 2004-05. Based on this growth the CBoC is predicting growth in corporate income taxes of 10.8 per cent in fiscal year 2004-2005 compared with only a 3.6 per cent increase reported in the Budget Plan 2005. Growth in collections in fiscal year 2004-05 is being restrained by the inclusion of unusually large one time gains recorded by the financial sector in fiscal year 2003-04. This is consistent with the latest data from *The Fiscal Monitor*. In addition, the growth in corporate income tax collections forecast by the CBoC is higher throughout the forecast period. Since the Department of Finance has not published their forecast of corporate profits it is difficult to rationalize this difference.

The CBoC's forecast of personal income taxes is higher than the Budget Plan 2005 in each year of the forecast. In the CBoC's national economic model, personal income tax collections are modeled as a function of personal income, current tax rates, income brackets and credits and deductions. As such, our forecast of federal personal income tax collections is in line with the CBoC's outlook for personal income growth on a fiscal year basis mitigated by the impact of tax reduction measures proposed in the Budget Plan 2005. For fiscal year 2004-2005, personal income tax data from Statistics Canada on a National Accounts basis is up 7.7 per cent over last year. Partly on that basis, we are expecting a conservative 6.6 per cent growth for personal income taxes in 2004-2005. This is comparable to the latest data from *The Fiscal Monitor* and compares to growth of only 5.5 per cent in the Budget Plan 2005.

For 2005-2006 and 2006-2007, personal income is expected to grow by 4.3 per cent and 4.7 per cent respectively. Despite this modest growth, according to the national income and expenditure accounts data, personal income tax collections grew by 8.4 per cent (at annual rates) in the first quarter of 2005. This strength has boosted growth for fiscal year 2005-06. Taking into account the announced income tax reductions, the CBoC expects personal income taxes to grow by 6.5 per cent and 4.7 per cent in 2005-2006 and 2006-2007 respectively. Similarly to corporate profits, in the absence of personal income forecasts from the Department of Finance, it is not possible to explain the differences in the outlooks for personal income taxes. Total excise taxes and duties revenues are almost the same in the CBoC fiscal outlook as in the Budget Plan 2005.

The Conference Board's outlook for employment insurance revenues is in line with the Employment Insurance Act's intent to set the contribution rate at levels that cover program costs while keeping rates relatively stable over the business cycle. As a result, the contribution rate is set to decrease from $1.98 per $100 of insurable earnings in 2004 to $1.95 in 2005 and to $1.90 in 2006. For 2004-2005, our forecast is based on Statistics Canada historical data on a National Accounts basis. For 2006-2007, our contribution rate decreases by 5 cents while the Budget Plan keeps the rate at the same level. This explains why our employment insurance revenue forecast is lower by $277 million compared to the Department of Finance forecast.

The Conference Board's outlook for other revenues (also defined as non-fiscal revenues) is $475 million higher than the 2005 budget plan in fiscal year 2004-05. This difference is maintained in fiscal year 2005-06 before narrowing to $150 million in fiscal year 2006-07. Non-fiscal revenues include profits of Crown Corporations, investment revenues, earnings from foreign exchange transactions and revenues from the sales of goods and services. In the Budget Plan 2005, other revenues are forecast to increase by only $1.9 billion in 2004-05. This suggests that given the expected Petro-Canada revenues, the Budget Plan 2005 is forecasting a decline in other non-fiscal revenues of $680 million in 2004-2005. In the Budget Plan 2005 there is no break down of fiscal revenues so it is impossible to determine what precise components are leading to significant differences between the two forecasts. Although in our outlook for non-fiscal revenues the net proceeds from the sale of Petro-Canada are somewhat offset by the CBoC's forecast of foreign exchange revenues. Since nearly 44 per cent of the foreign exchange account is held in US dollars, the recent appreciation of the Canadian dollar against the US dollar suggests these assets will be worth considerably less. Consequently, the CBoC's forecast of foreign exchange revenues is expected to decline by 22.4 per cent or $500 million in 2004-05.

On the expenditure side, the main difference comes from public debt charges. Based on recent data from *The Fiscal Monitor,* interest payments on the public debt have declined more than expected in fiscal year 2004-05. This is due to a lower than expected implicit interest rate. It is important to remember that the CBoC fiscal outlook for direct program spending and transfers excluding the alternative payments for standing programs is identical to the outlook in the Budget Plan 2005 plus recent new spending announcements. This totals $6.4 billion over the next three years.

Overall, the net impact of these differences is a CBoC estimate of the surplus which is $4.7 billion, $6.5 billion and $3.0 billion higher than the Budget Plan 2005 over the three fiscal years beginning in fiscal year 2004-2005.

TABLE 4
Federal Fiscal Prospects
Differences between the CBoC's forecast and the Budget Plan 2005

($ millions)	2004-2005	2005-2006	2006-2007
	CBoC's Forecasts LESS Budget Plan 2005		
Tax revenues			
Income tax			
Personal income tax	925	2,180	479
Corporate income tax	1,959	2,994	3,479
Other income tax	12	281	162
Total income tax	2,895	5,455	4,120
Excise taxes / duties			
Goods and services tax	-105	69	-473
Customs import duties	-37	-16	-101
Energy taxes	152	82	55
Other excise taxes / duties	19	278	439
Air Travelers Security Charge	0	0	0
Total excise taxes / duties	29	413	-80
Total tax revenues	2,924	5,868	4,039
Employment insurance revenues	142	167	-277
Other revenues	475	492	150
Total budgetary revenues	3,541	6,527	3,913
Total expenses			
Program expenses	-625	1,256	1,489
Public debt charges	-499	-1,270	-614
Total expenses	-1,123	-15	875
Underlying budgetary surplus	4,664	6,542	3,037
Prudence			
Contingency reserve	0	0	0
Economic prudence	0	0	0
Total	0	0	0
Budgetary balance	4,664	6,542	3,037

6 COMPARISON BETWEEN CBOC'S FORECASTS AND THE MARCH 2005 FEDERAL FISCAL OUTLOOK

The economic outlook remains quite similar to that forecast in March 2005. That being said, there has been a slight improvement in our forecast of nominal GDP growth for 2005-06. This will have a positive impact on the surplus in both 2005-06 and 2006-07.

The main difference between the Conference Board's March 2005 fiscal outlook and the current forecast is in our estimates of personal and corporate income taxes. According to the most recent data provided by Statistics Canada's National Income and Expenditure Accounts, personal income tax collections have continued to soar in 2005. In fact personal income tax collections grew by 8.4 per cent (at annual rates) in the first quarter of 2005. Even though growth is expected to slow, the first-quarter strength will lift personal income tax collections at 6.5 per cent in fiscal year 2005-06. In the following year, growth in personal income taxes is expected to move more in line with growth in personal income, after accounting for tax cuts. Personal income taxes are expected to post growth of 4.7 per cent 2006-07.

In addition to higher personal income taxes, corporate income taxes have also continued to soar. Corporate profits have been boosted by rising oil prices and have continued to post record highs. As a result, corporate income tax collections are now forecast to be higher than previously expected.

On the expenditure side recently announced spending measures have boosted program spending by a total of $5.2 billion over fiscal years 2005-06 and 2006-07. This has been partly offset by lower than expected interest payments on the public debt. According to *The Fiscal Monitor,* interest payments on the federal debt fell by 4.2 per cent in fiscal year 2004-05, this compares with a forecast decline of 2.8 per cent our March 2005 forecast.

Taking into account changes in both revenues and expenditures, the CBOC's forecast of the surplus has improved by $900 million in fiscal year 2004-05, $2.5 billion in 2005-06 and $800 million in 2006-07.

Exhibit 1

Assumptions Used to Generate Federal Government Revenues

1. Personal Income Taxes

These revenues are derived from the Conference Board's forecasting model. Personal income tax collections are modeled as a function of personal income, current tax rates, brackets, credits and deductions.

2. Corporate Income Taxes

Corporate income tax collections are derived from the Conference Board's forecasting model. They are modeled as a function of current tax rates and corporate profits.

3. Employment Insurance Contributions

The contribution rate is set to decrease from $1.98 per $100 of insurable earnings in 2004 to $1.95 in 2005 and to $1.90 in 2006. This is consistent with program objectives stated in the Employment Insurance Act to set premium rates at levels that cover program costs while keeping rates relatively stable over the business cycle. The ceiling on eligible revenues has been raised to be in line with growth in average wages, once the latter have reached $39,000.

4. Excise Taxes and Duties

Excise taxes and duties are derived from the Conference Board's forecasting model. GST collections are modeled as a function of nominal taxable consumption. Customs and Import duties are modeled as a function of imports and their respective tariff rates. Other excise taxes and duties are mainly comprised of tobacco and motive fuel taxes. These are modeled as a function of their respective tax bases and current tax rates.

5. Non-fiscal Revenues

Non-Fiscal revenues are forecasted as three separate components, crown corporation revenues, foreign exchange revenues, and other non-fiscal revenues. The improvement in crown corporation revenues in fiscal year 2004-2005 reflects the inclusion of the net proceeds of $2.562 billion from the sale of the Government's remaining shares in Petro-Canada in September 2004. Foreign exchange revenues are forecasted based on changes in exchange rates. Other non-fiscal revenues include mainly sale of goods and services. This series is forecasted as part of the CBoC's national forecast model based on recent trends.

Exhibit 2

Assumptions Used to Generate Federal Government Expenditures

1. Elderly Benefits

These comprise two components generated from the Board's macroeconomic model. First, Old Age Security benefits are aligned with demographic movements and inflation. Second, total Guaranteed Income Supplement benefits increase in line with inflation throughout the forecast period.

2. Employment Insurance Benefits

Employment insurance benefits come from the Board's macroeconomic model and are modeled mainly as a function of the unemployment rate. The general rules of the Employment Insurance plan have been maintained, including recent increases in plan benefits. Starting in 2005–2006, growth in benefits reflects the increase in the ceiling on pensionable earnings.

3. Canada Health and Social Transfer

Federal transfers to the provinces and territories under the Canada Health Transfer (CHT) program and under the Canada Social Transfer (CST) program are those stated in the Budget Plan 2005. The Early Learning and Child Care funds are included in the CST transfers.

4. Equalization and Territorial Formula Financing

Starting in 2004–2005, this category of payments are those stated in the new framework of the Equalization and TFF programs and reported in the Budget Plan 2005. The transfers coming from the new deals with Nova Scotia and Newfoundland and Labrador are included in our forecast.

5. Alternative Payments for Standing Programs

Payments are aligned with increases in federal personal income tax collections in Quebec.

6. Direct Program Spending

This includes expenditures related to Crown corporations, Defence, Indian and Northern Affairs Canada, and all other program spending. The most recent estimates from The Budget Plan 2005 plus have been used for the fiscal year 2004–2005, 2005-2006 and 2006-2007.

7. Public Debt Charges

These are based on the federal government's interest-bearing debt, which includes Canada Savings Bonds, Treasury bills, marketable bonds, and pension and retirement plan liabilities. The implicit debt interest rate calculated for 2003–2004 is forecast to move in line with the CBoC's interest rate outlook.

APPENDIX TABLE 1
Key Economic Indicators - Canada

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
GDP at market prices	892,948	929,481	983,336	1,028,295	1,044,062	1,079,070	1,096,650	1,133,435	1,160,698	1,195,138	1,228,894	1,265,030
($ millions 1997)	4.5	4.1	5.8	4.6	1.5	3.4	1.6	3.4	2.4	3.0	2.8	2.9
GDP	892,502	925,531	1,005,682	1,094,855	1,108,940	1,177,711	1,226,084	1,309,915	1,369,148	1,427,526	1,489,765	1,558,285
	5.1	3.7	8.7	8.9	1.3	6.2	4.1	6.8	4.5	4.3	4.4	4.6
Implicit price deflator	0.999	0.996	1.023	1.065	1.062	1.091	1.118	1.156	1.180	1.194	1.212	1.232
	0.6	-0.4	2.7	4.1	-0.2	2.7	2.4	3.4	2.1	1.3	1.5	1.6
Consumer price index	1.078	1.089	1.112	1.143	1.169	1.203	1.226	1.252	1.274	1.298	1.325	1.351
(1997 = 1.000)	1.4	0.9	2.2	2.8	2.2	3.0	1.9	2.1	1.7	1.9	2.0	2.0
Real per capita GDP ($)	29,826	30,794	32,308	33,467	33,611	34,366	34,604	35,441	36,007	36,778	37,519	38,321
	3.5	3.2	4.9	3.6	0.4	2.2	0.7	2.4	1.6	2.1	2.0	2.1
US - GDP at market prices	8,804	9,162	9,565	9,862	9,920	10,123	10,510	10,940	11,310	11,674	12,036	12,445
(billions of 1997 dollars)	4.5	4.1	4.4	3.1	0.6	2.0	3.8	4.1	3.4	3.2	3.1	3.4
Personal income ($ millions)	724,219	755,671	796,559	853,051	880,600	907,448	937,907	980,087	1,021,695	1,069,769	1,119,309	1,169,888
	4.5	4.3	5.4	7.1	3.2	3.0	3.4	4.5	4.2	4.7	4.6	4.5
Personal disposable income	551,791	574,216	606,147	650,532	673,392	700,832	724,724	754,084	783,333	821,022	859,494	898,848
($ millions)	3.8	4.1	5.6	7.3	3.5	4.1	3.4	4.1	3.9	4.8	4.7	4.6
Population (000s)	29,938	30,184	30,436	30,725	31,063	31,400	31,691	31,981	32,236	32,496	32,754	33,011
	1.0	0.8	0.8	1.0	1.1	1.1	0.9	0.9	0.8	0.8	0.8	0.8
Total employment (000s)	13,768	14,110	14,500	14,817	14,992	15,436	15,725	16,011	16,260	16,547	16,826	17,101
	2.5	2.5	2.8	2.2	1.2	3.0	1.9	1.8	1.6	1.8	1.7	1.6
Unemployment rate (per cent)	8.9	8.2	7.3	6.9	7.5	7.5	7.6	7.1	6.8	6.9	7.0	6.9
Prime rate	5.35	6.71	6.44	7.35	4.98	4.42	4.58	4.02	4.41	5.46	6.36	6.43
Implicit Interest Rate Total Debt	6.8%	6.9%	6.9%	6.9%	6.3%	6.0%	5.8%	5.5%	5.5%	5.7%	5.7%	5.7%
3 - Month Treasury Bill	3.63	4.81	4.82	5.42	3.09	2.79	2.67	2.31	2.68	3.98	4.87	4.86
10 - year government bond rate	6.09	5.37	5.91	5.78	5.81	5.58	5.17	5.00	4.45	4.92	5.54	5.76
Exchange rate US/Canada	0.713	0.665	0.680	0.665	0.639	0.646	0.740	0.784	0.796	0.790	0.801	0.814
Corporate Profits	87,576	88,871	118,677	139,925	121,672	144,171	149,419	181,413	192,521	194,025	199,965	209,370
	5.1	1.5	33.5	17.9	-13.0	18.5	3.6	21.4	6.1	0.8	3.1	4.7

Unless indicated otherwise, for each indicator the first line represents the level and the second, the annual percentage change.

Shaded areas represent forecast data.

Sources: The Conference Board of Canada; Statistics Canada.

APPENDIX TABLE 1A
Gross Domestic Product, Expenditure Based - Canada
($ millions 1997)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
GDP at market prices	892,948	929,481	983,336	1,028,295	1,044,062	1,079,070	1,096,650	1,133,435	1,160,698	1,195,138	1,228,894	1,265,030
	4.5	4.1	5.8	4.6	1.5	3.4	1.6	3.4	2.4	3.0	2.8	2.9
Consumer expenditures	514,453	529,385	550,363	571,172	583,451	605,440	624,942	646,878	667,613	686,231	705,222	724,858
	4.4	2.9	4.0	3.8	2.1	3.8	3.2	3.5	3.2	2.8	2.8	2.8
Net government spending (goods and services)	172,877	177,834	182,187	188,442	195,230	200,361	205,944	211,408	216,752	222,178	227,470	232,856
	-0.1	2.9	2.4	3.4	3.6	2.6	2.8	2.7	2.5	2.5	2.4	2.4
Gross fixed capital formation	177,627	180,746	195,966	202,904	209,537	214,921	229,697	243,554	256,601	266,547	273,136	281,351
	13.2	1.8	8.4	3.5	3.3	2.6	6.9	6.0	5.4	3.9	2.5	3.0
Government	19,967	20,538	23,561	24,424	27,380	29,224	30,761	31,853	33,348	34,868	36,460	38,126
	-2.4	2.9	14.7	3.7	12.1	6.7	5.3	3.6	4.7	4.6	4.6	4.6
Business	157,660	160,218	172,439	178,515	182,225	185,792	199,020	211,761	223,310	231,749	236,784	243,366
	15.6	1.6	7.6	3.5	2.1	2.0	7.1	6.4	5.5	3.8	2.2	2.8
Residential construction	43,505	41,769	44,182	46,694	52,643	58,610	62,770	67,234	67,009	66,349	65,805	65,821
	4.4	-4.0	5.8	5.7	12.7	11.3	7.1	7.1	-0.3	-1.0	-0.8	0.0
Non-residential construction	44,535	43,861	45,789	46,309	47,936	45,110	47,902	48,241	51,022	53,443	54,247	54,646
	14.6	-1.5	4.4	1.1	3.5	-5.9	6.2	0.7	5.8	4.7	1.5	0.7
Machinery and equipment	69,608	74,585	82,534	85,612	81,146	81,378	87,762	96,322	107,014	115,137	121,202	129,063
	24.5	7.2	10.7	3.7	-5.2	0.3	7.8	9.8	11.1	7.6	5.3	6.5
Final domestic demand	864,945	887,946	928,429	962,458	988,155	1,020,671	1,060,120	1,101,012	1,139,807	1,173,586	1,204,397	1,237,480
	5.2	2.7	4.6	3.7	2.7	3.3	3.9	3.9	3.5	3.0	2.6	2.7
Exports	356,191	390,519	431,397	459,051	443,431	448,185	441,335	466,611	476,969	496,868	516,588	537,331
	8.3	9.6	10.5	6.4	-3.4	1.1	-1.5	5.7	2.2	4.2	4.0	4.0
Imports	338,645	351,569	385,842	403,082	380,123	397,422	412,108	450,938	468,968	487,066	504,338	522,843
	13.5	3.8	9.7	4.5	-5.7	4.6	3.7	9.4	4.0	3.9	3.5	3.7
Net exports	17,546	38,950	45,555	55,969	63,308	50,763	29,228	15,673	8,002	9,802	12,250	14,487
	-42.1	122.0	17.0	22.9	13.1	-19.8	-42.4	-46.4	-48.9	22.5	25.0	18.3
Final demand	877,896	921,981	968,141	1,011,870	1,044,258	1,063,782	1,082,238	1,111,360	1,143,136	1,178,786	1,212,067	1,247,453
	3.5	5.0	5.0	4.5	3.2	1.9	1.7	2.7	2.9	3.1	2.8	2.9
Value of physical change in inventories	10,567	2,941	9,717	10,182	-5,942	9,154	7,924	14,500	8,197	7,654	8,028	8,628
Residual error	-93	-110	245	497	-481	-458	-828	383	1,081	79	0	0

Unless indicated otherwise, for each indicator the first line represents the level and the second, the annual percentage change.
Shaded areas represent forecast data.
Sources: The Conference Board of Canada; Statistics Canada.

APPENDIX TABLE 2
Federal Government Revenues
($ millions)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Budgetary revenues	152,116	156,146	166,112	182,748	171,688	177,832	186,209	199,370	206,945	214,014	221,700	229,825
	8.0	2.6	6.4	10.0	-6.1	3.6	4.7	7.1	3.8	3.4	3.6	3.7
Income tax	92,775	95,600	103,831	117,154	106,668	107,220	115,468	124,463	132,400	137,615	143,166	148,685
	13.9	3.0	8.6	12.8	-9.0	0.5	7.7	7.8	6.4	3.9	4.0	3.9
Personal income taxes	69,597	72,179	79,070	85,879	79,501	81,707	84,895	90,519	96,432	100,932	105,399	109,499
	11.3	3.7	9.5	8.6	-7.4	2.8	3.9	6.6	6.5	4.7	4.4	3.9
Corporate income taxes	21,179	21,213	22,115	28,293	24,242	22,222	27,431	30,381	32,164	32,802	33,826	35,186
	30.5	0.2	4.3	27.9	-14.3	-8.3	23.4	10.8	5.9	2.0	3.1	4.0
Other	1,999	2,208	2,646	2,982	2,925	3,291	3,142	3,564	3,804	3,881	3,942	4,001
	-25.2	10.5	19.8	12.7	-1.9	12.5	-4.5	13.4	6.7	2.0	1.6	1.5
Employment insurance revenues	19,242	19,064	18,628	18,655	17,637	17,870	17,546	17,243	17,385	17,326	17,642	18,316
	-3.5	-0.9	-2.3	0.1	-5.5	1.3	-1.8	-1.7	0.8	-0.3	1.8	3.8
Excise taxes and duties	31,146	31,717	33,298	35,769	37,133	41,357	41,365	43,438	45,317	46,904	48,477	50,172
	6.6	1.8	5.0	7.4	3.8	11.4	0.0	5.0	4.3	3.5	3.4	3.5
Goods and services tax	19,717	20,936	23,121	24,759	25,292	28,248	28,286	30,132	31,613	32,791	33,991	35,312
	8.6	6.2	10.4	7.1	2.2	11.7	0.1	6.5	4.9	3.7	3.7	3.9
Excise taxes and duties	11,429	10,781	10,177	11,010	11,841	13,109	13,079	13,306	13,704	14,113	14,486	14,860
	3.5	-5.7	-5.6	8.2	7.5	10.7	-0.2	1.7	3.0	3.0	2.6	2.6
Custom import duties	2,766	2,359	2,105	2,784	3,040	3,278	2,887	2,980	3,045	3,166	3,232	3,295
	3.4	-14.7	-10.8	32.3	9.2	7.8	-11.9	3.2	2.2	4.0	2.1	2.0
Energy Taxes	4638	4716	4757	4792	4848	4935	4952	4643	4761	4842	4918	4994
	3.8	1.7	0.9	0.7	1.2	1.8	0.3	-6.2	2.5	1.7	1.6	1.5
Other excise taxes and duties	4025	3706	3315	3434	3953	4475	4830	5313	5558	5750	5967	6186
	3.2	-7.9	-10.6	3.6	15.1	13.2	7.9	10.0	4.6	3.4	3.8	3.7
Air Travelers Security Charge						421.0	410.0	370.0	340.0	355.0	370.0	385.0
Non-fiscal revenues	8,953	9,765	10,355	11,170	10,250	11,385	11,830	14,226	11,843	12,169	12,414	12,651
	-12.5	9.1	6.0	7.9	-8.2	11.1	3.9	20.3	-16.8	2.8	2.0	1.9
Crown Corporation Revenues						3,748	4,719	7,352	4,771	4,925	5,084	5,248
							25.9%	55.8%	-35.1%	3.2%	3.2%	3.2%
Foreign Exchange Revenues	1,542	1,851	2085	2,679	2,453	3,379	2,090	1,621	1,582	1,641	1,611	1,566
		20.0%	12.6%	28.5%	-8.4%	37.7%	-38.1%	-22.4%	-2.4%	3.7%	-1.8%	-2.8%
Other Revenues						4258.0	5020.0	5252.9	5489.3	5602.9	5718.9	5837.3
							17.9%	4.6%	4.5%	2.1%	2.1%	2.1%

Unless indicated otherwise, for each indicator the first line represents the level and the second, the annual percentage change.
Shaded areas represent forecast data.
Sources: The Conference Board of Canada; Department of Finance Canada.

APPENDIX TABLE 2A
Federal Government Expenditures
($ millions)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Budgetary expenditures	149,984	153,298	152,967	162,586	164,669	170,863	177,124	191,706	196,404	205,976	212,801	220,431
	0.3	2.2	-0.2	6.3	1.3	3.8	3.7	8.2	2.5	4.9	3.3	3.6
Program spending	106,864	109,995	109,583	118,694	125,018	133,593	141,355	157,509	162,585	171,006	178,049	185,922
	4.5	2.9	-0.4	8.3	5.3	6.9	5.8	11.4	3.2	5.2	4.1	4.4
Transfers to individuals	33,600	34,169	34,157	36,571	38,409	40,188	41,960	42,658	43,662	45,441	47,498	49,334
	0.0	1.7	0.0	7.1	5.0	4.6	4.4	1.7	2.4	4.1	4.5	3.9
Elderly benefits	21,758	22,285	22,856	23,668	24,641	25,692	26,902	27,905	29,043	30,222	31,544	32,994
	2.6	2.4	2.6	3.6	4.1	4.3	4.7	3.7	4.1	4.1	4.4	4.6
Employment insurance benefits	11,842	11,884	11,301	11,444	13,726	14,496	15,058	14,753	14,618	15,219	15,953	16,341
	-4.3	0.4	-4.9	1.3	19.9	5.6	3.9	-2.0	-0.9	4.1	4.8	2.4
Transfers to other governments	20,504	25,523	23,243	24,724	26,616	30,645	29,392	39,028	37,515	40,083	42,991	44,893
	-7.5	24.5	-8.9	6.4	7.7	15.1	-4.1	32.8	-3.9	6.8	7.3	4.4
CHST	12,421	16,018	14,891	13,500	17,300	21,100	22,341	28,500	27,225	29,340	31,348	32,879
	-16.7	29.0	-7.0	-9.3	28.1	22.0	5.9	27.6	-4.5	7.8	6.8	4.9
CHT								19900	19000	20140	21348	22629
									-4.5	6.0	6.0	6.0
CST								8600	8225	9200	10000	10250
									-4.4	11.9	8.7	2.5
Fiscal arrangements	10,000	11,645	10,721	12,684	11,978	10,366	9,351	13,310	12,546	13,108	13,926	14,217
	6.2	16.5	-7.9	18.3	-5.6	-13.5	-9.8	42.3	-5.7	4.5	6.2	2.1
Alternative payments for standing programs	-2,108	-2,150	-2,425	-2,460	-2,662	-2,321	-2,700	-2,782	-2,856	-2,965	-3,083	-3,203
	4.7	2.0	12.8	1.4	8.2	-12.8	16.3	3.0	2.7	3.8	4.0	3.9
Other transfers to other governments	191	10	56	1,000		1,500	400					
Direct program spending	52,760	50,303	52,183	57,399	59,993	62,760	70,003	75,822	81,408	85,482	87,560	91,695
	13.4	-4.7	3.7	10.0	4.5	4.6	11.5	8.3	7.4	5.0	2.4	4.7
Public debt charges	43,120	43,303	43,384	43,892	39,651	37,270	35,769	34,197	33,819	34,970	34,752	34,509
	-8.8	0.4	0.2	1.2	-9.7	-6.0	-4.0	-4.4	-1.1	3.4	-0.6	-0.7

Unless indicated otherwise, for each indicator the first line represents the level and the second, the annual percentage change.
Shaded areas represent forecast data.
Sources: The Conference Board of Canada; Department of Finance Canada.

APPENDIX TABLE 2B
Budgetary Balance and Debt of the Federal Government
($ millions)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Budgetary revenues	152,116	156,146	166,112	182,748	171,688	177,832	186,209	199,370	206,945	214,014	221,700	229,825
	8.0	2.6	6.4	10.0	-6.1	3.6	4.7	7.1	3.8	3.4	3.6	3.7
Program spending	106,864	109,995	109,583	118,694	125,018	133,593	141,355	157,509	162,585	171,006	178,049	185,922
	4.5	2.9	-0.4	8.3	5.3	6.9	5.8	11.4	3.2	5.2	4.1	4.4
Operating balance	45,252	46,151	56,529	64,054	46,670	44,239	44,854	41,862	44,360	43,007	43,651	43,903
	17.3	2.0	22.5	13.3	-27.1	-5.2	1.4	-6.7	6.0	-3.0	1.5	0.6
Public debt charges	43,120	43,303	43,384	43,892	39,651	37,270	35,769	34,197	33,819	34,970	34,752	34,509
	-8.8	0.4	0.2	1.2	-9.7	-6.0	-4.0	-4.4	-1.1	3.4	-0.6	-0.7
Total Budgetary balance	2,132	2,847	13,145	20,162	7,019	6,969	9,083	7,664	10,541	8,037	8,899	9,394
Budgetary balance as a percentage of GDP	0.2	0.3	1.3	1.8	0.6	0.6	0.7	0.6	0.8	0.6	0.6	0.6
Accumulated deficit	560,718	557,871	544,726	524,564	517,545	510,576	501,493	491,728	486,660	481,273	475,703	470,124
	-0.4	-0.5	-2.4	-3.7	-1.3	-1.3	-1.8	-1.9	-1.0	-1.1	-1.2	-1.2
Net Debt	607,953	606,593	594,955	576,305	570,907	564,816	556,311	545,491	541,339	537,009	532,577	528,141
	-0.2	-0.2	-1.9	-3.1	-0.9	-1.1	-1.5	-1.9	-0.8	-0.8	-0.8	-0.8
Total interest bearing debt	630,089	631,232	634,758	627,967	622,832	620,703	621,129	613,111	610,111	607,111	604,111	601,111
	-0.8	0.2	0.6	-1.1	-0.8	-0.3	0.1	-1.3	-0.5	-0.5	-0.5	-0.5
Accounts payable and accrued liabilities	81,211	83,681	81,062	87,182	81,510	79,437	79,964	75,909	77,202	78,695	80,302	81,915
	9.2	3.0	-3.1	7.5	-6.5	-2.5	0.7	-5.1	1.7	1.9	2.0	2.0
Net recorded assets	103,347	108,320	120,865	138,844	133,435	135,324	144,782	143,529	145,975	148,797	151,836	154,885
	2.9	4.8	11.6	14.9	-3.9	1.4	7.0	-0.9	1.7	1.9	2.0	2.0
Non-financial assets	47,235	48,722	50,229	51,741	53,362	54,240	54,818	53,763	54,679	55,736	56,875	58,017
	2.4	3.1	3.1	3.0	3.1	1.6	1.1	-1.9	1.7	1.9	2.0	2.0
Per capita net debt ($)	20,307	20,097	19,548	18,757	18,379	17,988	17,554.1	17,057	16,793	16,526	16,260	15,999
	-1.1	-1.0	-2.7	-4.0	-2.0	-2.1	-2.4	-2.8	-1.5	-1.6	-1.6	-1.6
Net debt as a percentage of GDP	68.1	65.5	59.2	52.6	51.5	48.0	45.4	41.6	39.5	37.6	35.7	33.9

Unless indicated otherwise, for each indicator the first line represents the level and the second, the annual percentage change.
Shaded areas represent forecast data.
Sources: The Conference Board of Canada; Department of Finance Canada.