



OFFICE OF THE  
PARLIAMENTARY BUDGET OFFICER



BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET

## **Economic and Fiscal Outlook Comparison Tables**

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[www.parl.gc.ca/pbo-dpb](http://www.parl.gc.ca/pbo-dpb)

The *Federal Accountability Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, government estimates and trends in the national economy.

This note presents a brief comparison of PBO's July 6, 2009 Economic and Fiscal Assessment (EFA) projections and the Government's updated economic and fiscal projections that were released on September 10, 2009.

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## Overview

On July 6, 2009 in response to a request by the Standing Committee of Finance, PBO provided its assessment of the economic and fiscal outlook for the next five years.<sup>1</sup> The following provides only a brief comparison of the PBO's July 2009 economic and fiscal projections and the Government's updated projections released on September 10, 2009.<sup>2</sup> Detailed analysis of the Government's updated projections will be released in the coming weeks once PBO has completed updating its economic and fiscal outlook, risk assessment and analysis of potential output and structural budget balances.

Table 1 details the comparison of the PBO and Finance Canada economic outlooks. Both outlooks were based on surveys of private sector forecasters but were conducted in different months (June versus August) and differed in terms of sample size (10 versus 16 forecasters). That being said, the outlooks for the level of nominal gross domestic product (GDP), the broadest measure of the Government's tax base, are strikingly similar.<sup>3</sup> Notwithstanding some modest (annual) differences for interest rate and unemployment rate projections, the two outlooks are very much in line.

Based on its June 2009 survey of private sector forecasters, updated assumptions, and announced post-budget measures, on July 6, 2009 PBO projected cumulative budgetary deficits of \$159 billion over the period 2008-09 to 2013-14 (see table below). On September 10, 2009 the Department of Finance Canada presented updated economic and fiscal projections showing cumulative budgetary deficits of \$165 billion over the same period (\$170 billion over the period 2008-09 to 2014-15).

### Projected Budgetary Balances

(\$ billions)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Cumulative
PBO July 2009	-3.5	-48.6	-41.3	-27.6	-21.6	-16.7	-159.3
Finance Canada September 2009	-5.8	-55.9	-45.3	-27.4	-19.4	-11.2	-165.0
difference from PBO	-2.3	-7.3	-4.0	0.2	2.2	5.5	-5.7

Over the near term, Finance Canada is currently projecting budgetary deficits that are somewhat larger than PBO's July 2009 projection. For 2008-09, Finance Canada's larger deficit largely reflects higher direct program expenditure (Table 3), however, for 2009-10 and 2010-11, the larger deficits that Finance Canada is currently projecting result mainly from a weaker outlook for other budgetary revenues (see Table 2) as income tax and Goods and Services Tax revenues are in line with PBO projections. The projected budgetary deficits in 2011-12 are almost identical: \$27.6 billion versus \$27.4 billion. Over the medium term, Finance Canada's September 2009 projected deficit is somewhat smaller than PBO's July 2009 projection, reflecting marginally higher projected revenues and somewhat lower projected program spending.

<sup>1</sup> See [http://www2.parl.gc.ca/sites/pbo-dpb/documents/Economic\\_and\\_Fiscal\\_Assessment\\_-\\_July\\_2009.pdf](http://www2.parl.gc.ca/sites/pbo-dpb/documents/Economic_and_Fiscal_Assessment_-_July_2009.pdf) for the complete EFA report.

<sup>2</sup> See <http://www.fin.gc.ca/ec2009/pdf/bac-eng.pdf> for the complete report.

<sup>3</sup> Unfortunately, PBO is not able to provide a comparison of the projections of the underlying income components of nominal GDP. The July EFA presented PBO's assumptions for these components; however, the Government's projections of these components have been deemed a Cabinet confidence and therefore will not be provided to the PBO.

Table 1 – Economic Outlook Comparison

<b>PBO July 2009 EFA and Finance Canada September 2009 Update</b>							
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2010-2014</b>
<b>Real GDP growth (%)</b>							
PBO July 2009	-2.4	2.2	3.5	3.8	3.3	2.9	3.1
Finance Canada September 2009	-2.3	2.3	3.2	3.3	3.0	2.7	2.9
difference from PBO	0.1	0.1	-0.3	-0.5	-0.3	-0.2	-0.2
<b>GDP inflation (%)</b>							
PBO July 2009	-2.5	1.4	2.1	2.5	2.0	1.9	2.0
Finance Canada September 2009	-2.3	1.8	2.0	2.3	2.2	2.2	2.1
difference from PBO	0.2	0.4	-0.1	-0.2	0.2	0.3	0.1
<b>Nominal GDP growth (%)</b>							
PBO July 2009	-4.8	3.6	5.7	6.3	5.4	4.9	5.2
Finance Canada September 2009	-4.6	4.1	5.3	5.6	5.3	5.0	5.1
difference from PBO	0.2	0.5	-0.4	-0.7	-0.1	0.1	-0.1
<b>Nominal GDP level (\$ billions)</b>							
PBO July 2009	1,523	1,578	1,669	1,774	1,870	1,960	1,770
Finance Canada September 2009	1,527	1,590	1,674	1,768	1,862	1,955	1,770
difference from PBO	4	12	5	-6	-8	-5	0
<b>3-month treasury bill rate (%)</b>							
PBO July 2009	0.4	1.0	2.7	3.6	4.5	4.6	3.3
Finance Canada September 2009	0.4	0.8	2.5	3.9	4.2	4.3	3.1
difference from PBO	0.0	-0.2	-0.2	0.3	-0.3	-0.3	-0.2
<b>10-year government bond rate (%)</b>							
PBO July 2009	3.1	3.5	3.8	4.3	5.1	5.4	4.4
Finance Canada September 2009	3.3	3.8	4.4	4.9	5.1	5.2	4.7
difference from PBO	0.2	0.3	0.6	0.6	0.0	-0.2	0.3
<b>Unemployment rate (%)</b>							
PBO July 2009	8.7	9.4	8.9	8.1	7.2	6.8	8.1
Finance Canada September 2009	8.5	9.0	8.5	7.8	7.1	6.8	7.8
difference from PBO	-0.2	-0.4	-0.4	-0.3	-0.1	0.0	-0.3
<b>Total CPI inflation (%)</b>							
PBO July 2009	0.3	1.7	2.2	2.1	2.2	2.0	2.0
Finance Canada September 2009	0.5	1.8	2.0	2.1	2.1	2.1	2.0
difference from PBO	0.2	0.1	-0.2	0.0	-0.1	0.1	0.0

Sources: Office of the Parliamentary Budget Officer; Department of Finance Canada.

Note: PBO's outlook is from its June 2009 private sector survey (average forecast) and Finance Canada's outlook is from its August 2009 survey of private sector forecasters.

Table 2 – Revenue Outlook Comparison

PBO July 2009 EFA and Finance Canada September 2009 Update						
\$billions	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Budgetary Revenue</b>						
<b>Total Revenue</b>						
PBO July 2009	233.7	223.4	235.6	250.3	265.6	280.7
Finance Canada Sept. 2009	233.1	216.6	233.1	250.9	268.7	284.7
<b>difference from PBO</b>	<b>-0.6</b>	<b>-6.8</b>	<b>-2.5</b>	<b>0.6</b>	<b>3.1</b>	<b>4.0</b>
<i>Personal Income Tax</i>						
PBO July 2009	116.0	110.0	116.6	125.3	133.8	141.7
Finance Canada Sept. 2009	116.0	108.7	117.1	124.5	133.3	141.7
difference from PBO	0.0	-1.3	0.5	-0.8	-0.5	0.0
<i>Corporate Income Tax</i>						
PBO July 2009	30.0	23.7	25.9	27.2	27.6	29.7
Finance Canada Sept. 2009	29.5	23.8	26.1	29.2	29.9	32.1
difference from PBO	-0.5	0.1	0.2	2.0	2.3	2.4
<i>Goods and Services Tax</i>						
PBO July 2009	25.3	26.7	27.5	29.0	30.4	31.9
Finance Canada Sept. 2009	25.7	25.8	27.1	28.5	30.4	32.0
difference from PBO	0.4	-0.9	-0.4	-0.5	0.0	0.1
<i>Employment Insurance Premiums</i>						
PBO July 2009	16.7	16.8	17.7	20.3	23.3	26.3
Finance Canada Sept. 2009	16.9	16.4	17.2	19.4	22.0	24.7
difference from PBO	0.2	-0.4	-0.5	-0.9	-1.3	-1.6
<i>All Other Revenues</i>						
PBO July 2009	45.6	46.3	47.9	48.6	50.5	51.1
Finance Canada Sept. 2009	44.9	41.9	45.6	49.4	53.0	54.3
difference from PBO	-0.7	-4.4	-2.3	0.8	2.5	3.2

Sources: Office of the Parliamentary Budget Officer; Department of Finance Canada.

Table 3 – Expenditure Outlook Comparison

PBO July 2009 EFA and Finance Canada September 2009 Update						
\$billions	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Budgetary Expenses</b>						
<b>Total Program Expenses</b>						
<b>PBO July 2009</b>	<b>206.2</b>	<b>242.7</b>	<b>244.6</b>	<b>241.1</b>	<b>247.3</b>	<b>255.7</b>
Finance Canada Sept. 2009	207.9	241.9	244.7	240.6	246.8	253.9
<b>difference from PBO</b>	<b>1.7</b>	<b>-0.8</b>	<b>0.1</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-1.8</b>
<i>Major Transfers to Persons</i>						
PBO July 2009	61.3	68.6	71.2	71.5	73.1	74.7
Finance Canada Sept. 2009	61.6	69.5	71.5	70.9	72.6	74.2
difference from PBO	0.3	0.9	0.3	-0.6	-0.5	-0.5
<i>Major Transfers to Other Levels of Government</i>						
PBO July 2009*	46.5	50.9	55.2	55.3	55.9	58.7
Finance Canada Sept. 2009	46.5	51.8	56.0	56.1	56.9	59.7
difference from PBO	0.0	0.9	0.8	0.8	1.0	1.0
<i>Direct Program Spending</i>						
PBO July 2009*	98.4	123.3	118.2	114.4	118.3	122.4
Finance Canada Sept. 2009	99.8	120.7	117.2	113.5	117.4	120.0
difference from PBO	1.4	-2.6	-1.0	-0.9	-0.9	-2.4
<b>Public Debt Charges</b>						
<b>PBO July 2009</b>	<b>31.0</b>	<b>29.3</b>	<b>32.4</b>	<b>36.8</b>	<b>39.9</b>	<b>41.7</b>
Finance Canada Sept. 2009	31.0	30.7	33.7	37.7	41.2	42.1
<b>difference from PBO</b>	<b>0.0</b>	<b>1.4</b>	<b>1.3</b>	<b>0.9</b>	<b>1.3</b>	<b>0.4</b>

Sources: Office of the Parliamentary Budget Officer; Department of Finance Canada.

\* The transfer to Ontario for sales tax harmonization (\$4.3 billion) and the Canada Health Transfer top up (\$0.5 billion) have been moved to Major Transfers to Other Levels of Government from Direct Program Spending in PBO's projection to be consistent with the Department of Finance's categorization of these amounts. PBO's July 2009 projections do not include the transfer to British Columbia for sales tax harmonization (\$1.6 billion) or the second year of the CHT top up (\$0.3 billion) as they had not been announced at the time.