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1989

The April 27 1989 Budget

Controlling the Public Debt
and
Achieving Sustained Economic Growth

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Department of Finance
Canada



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Sources: Historical data for Canada come from Statistics Canada, the Bank of Canada and Supply and Services Canada; historical data for the other G-7 countries come from either Reuter or the Organization for Economic Co-Operation and Development (OECD). Forecast data are from The Fiscal Plan (Department of Finance, Ottawa, April 27, 1989) and Canada's Economic Prospects in the 1990s (Department of Finance, Ottawa, April 27, 1989).

I OVERVIEW

Performance

- Growth has been well above potential since 1984.
- Capacity constraints emerged in 1988.
- Inflationary pressures surfaced.
- Short-term interest rates have risen.

Policies

Fiscal Policy:

- The fiscal situation has improved significantly since fiscal year 1984-85.
- But, the growing stock of debt leaves the fiscal situation vulnerable to economic developments.
- Controlling the debt will improve economic prospects.
- This budget contributes to debt control and sets the stage for sustained economic growth.

Structural Policy:

- **Important structural policies and reforms have been implemented since 1984-85.**
- **Further reforms will be implemented.**
- **These reforms will increase potential economic growth and raise living standards.**

Prospects

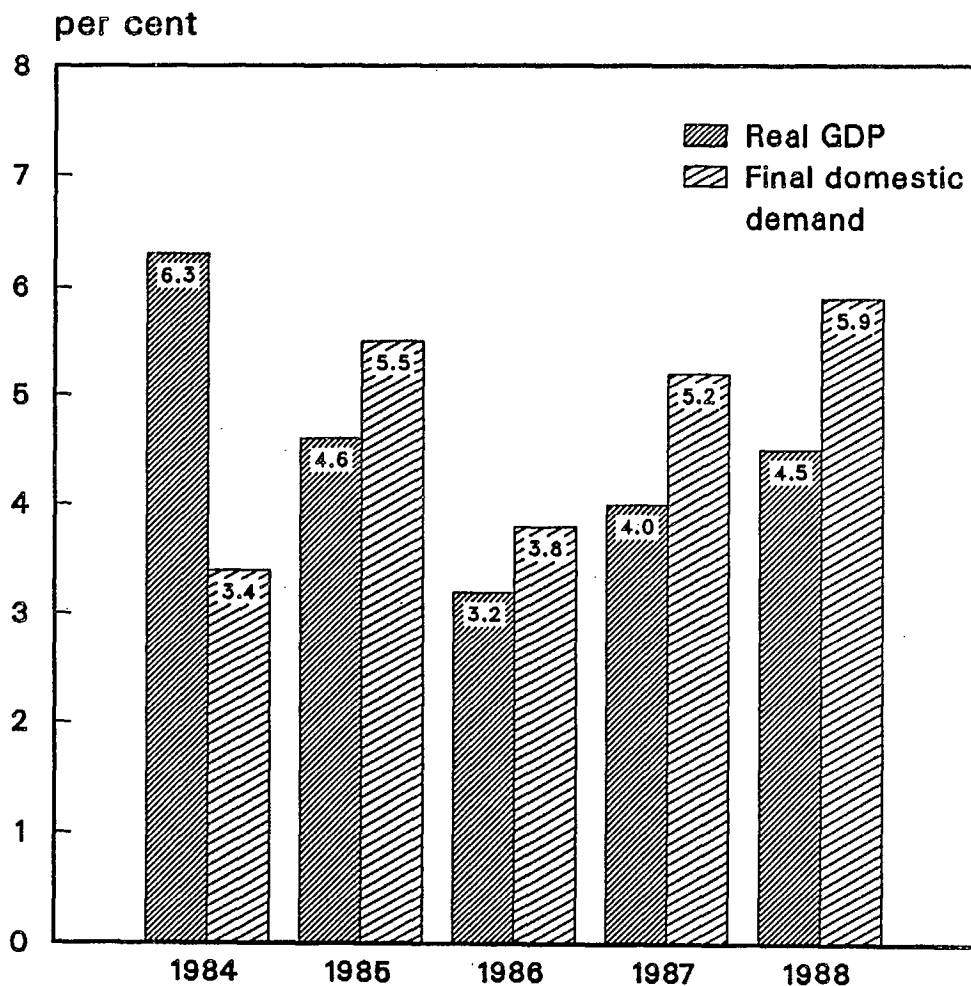
- **The rebalancing of monetary and fiscal policy lays the foundation for sustained economic growth over the medium term.**

II PERFORMANCE

Growth has been well above potential since 1984

- **When the recovery commenced, substantial excess capacity prevailed.**
- **Above potential growth was accommodated through most of the recovery without encountering capacity constraints.**
- **By the end of 1987, the economy was nearing potential.**
- **Domestic demand continued to expand at a rapid pace in 1988.**
- **Trade and Canada's net international indebtedness position have deteriorated.**

Chart 1

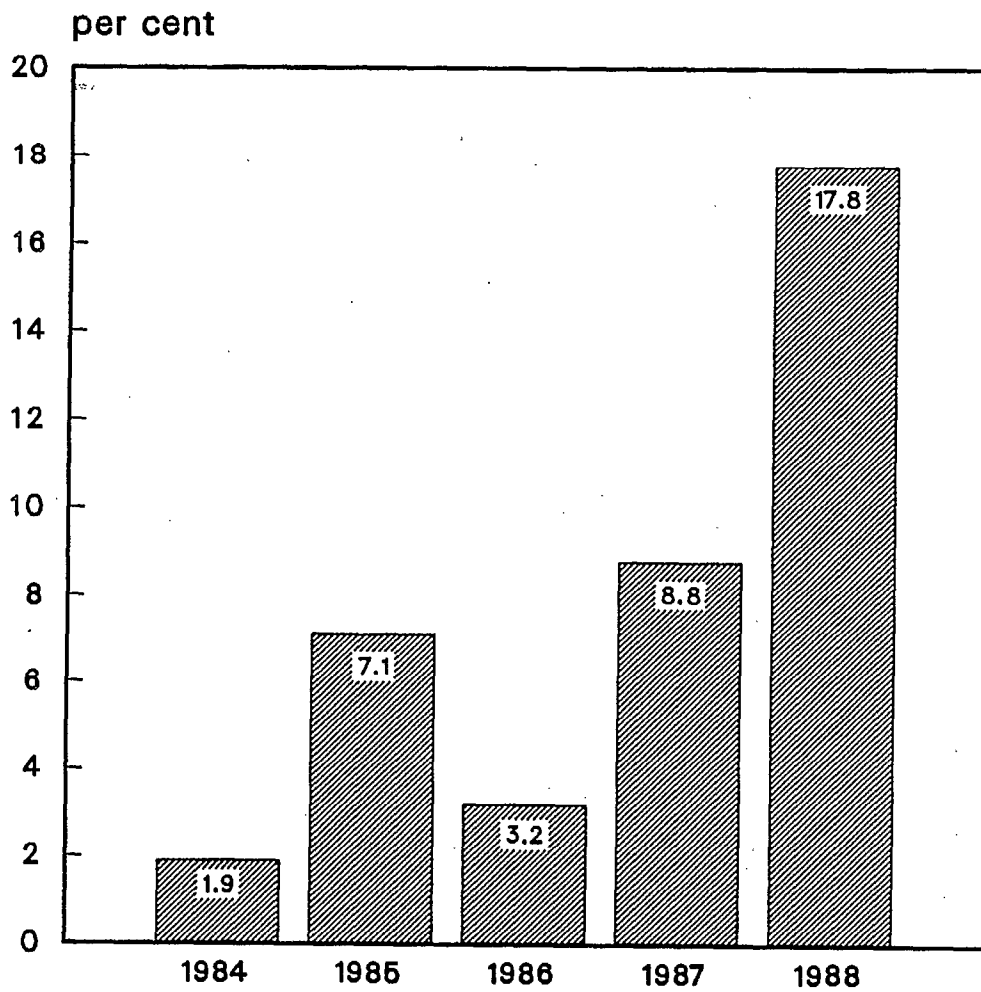
Growth In Real GDP
and Final Domestic Demand

- ° Real output growth has been above potential throughout the recovery period.
- ° Since 1985, domestic demand growth has significantly exceeded growth in real GDP.

Chart 2

PERFORMANCE

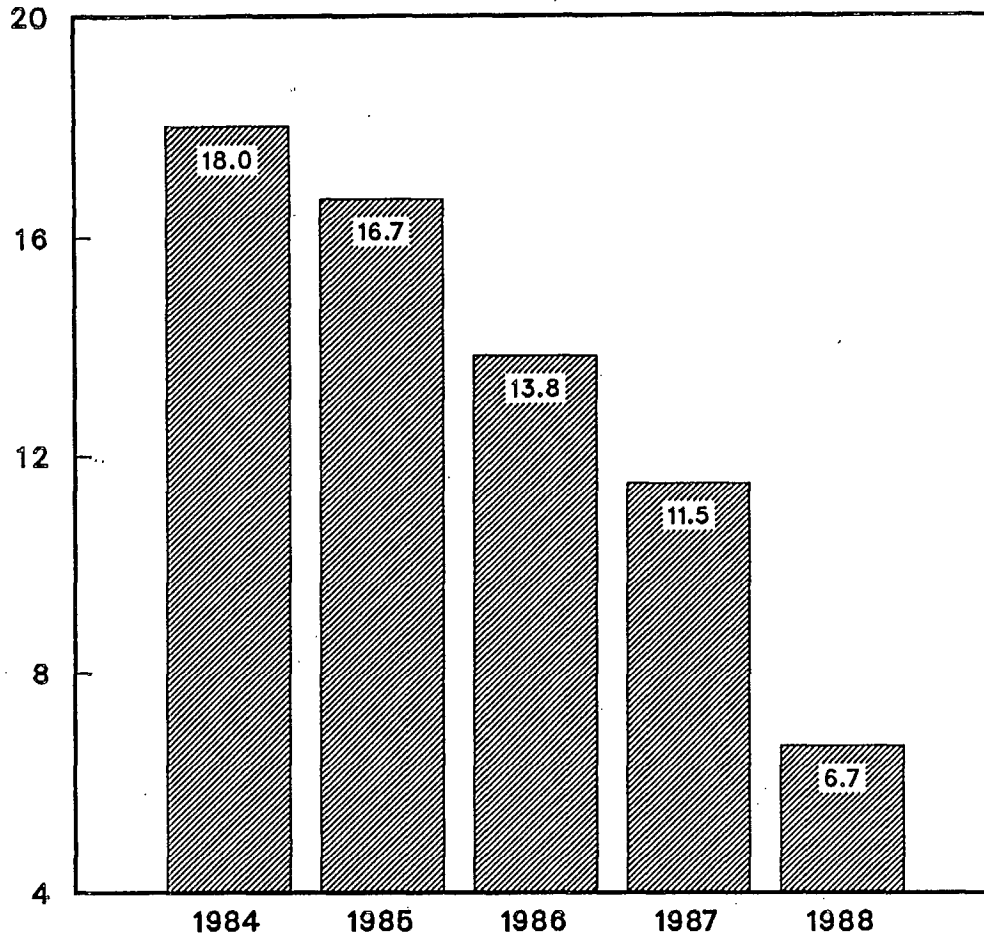
Growth In Real Business Non-Residential Investment 1984 to 1988



Business fixed investment has been the fastest growing component of demand over the last four years, buoyed by the strong financial position of Canadian corporations and high rates of capacity utilization.

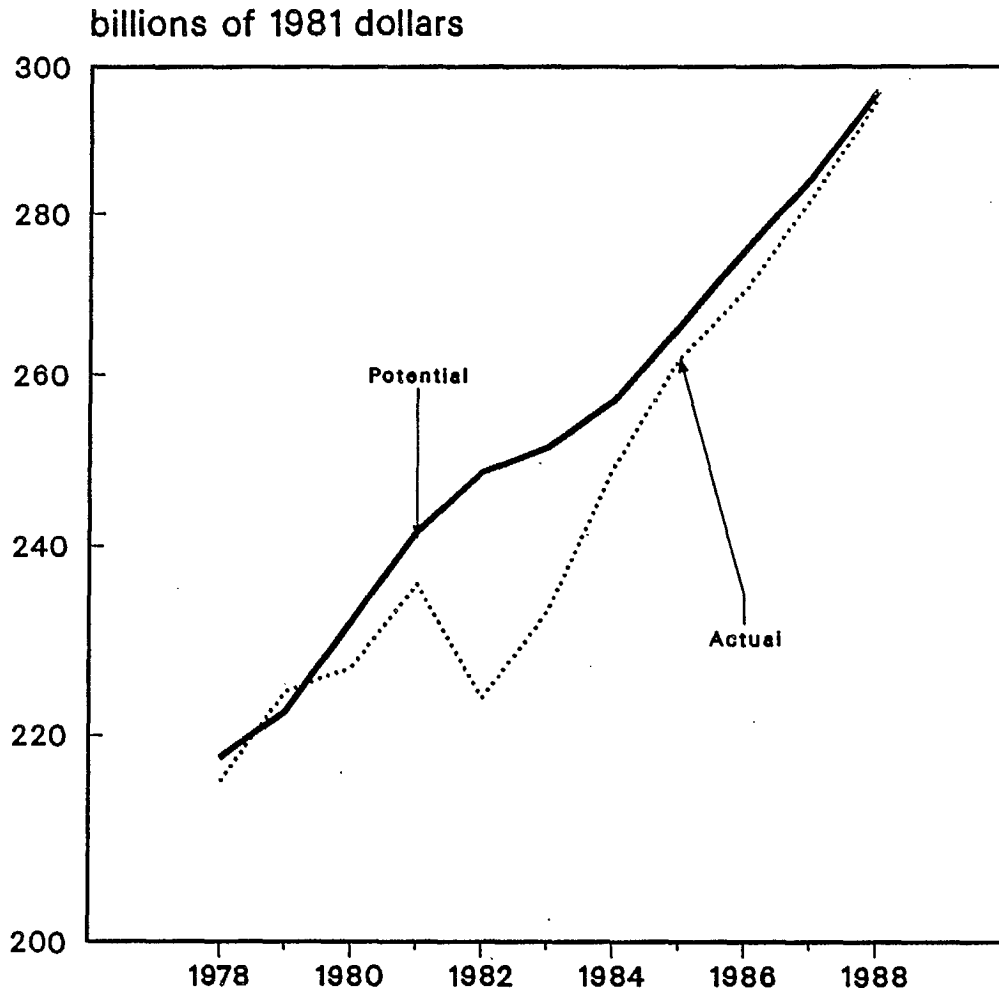
Chart 3**Real Net Exports**

billions of 1981 dollars



° Canada's net export position deteriorated in 1988 for the fourth consecutive year, reflecting the continued strong growth in domestic demand in Canada and the appreciation of the Canadian dollar.

Chart 4

Potential and Actual Real GDP
1978 to 1988

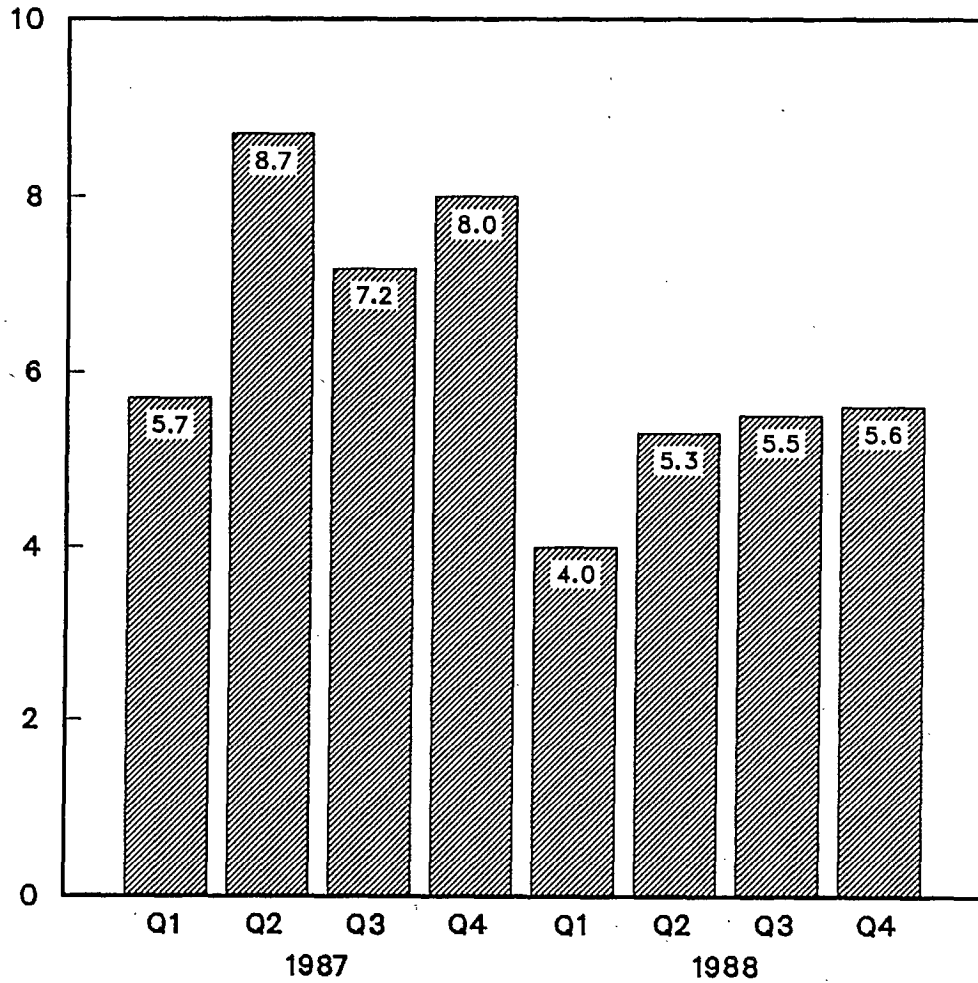
◦ The strong economic growth recorded during the current expansion has closed the large gap between actual and potential output which emerged during the 1981-1982 recession.

Capacity constraints emerged in 1988

- Demand growth strained the economy's capacity to supply goods and services.
- Capacity utilization rates rose further.
- Labour markets tightened.

Chart 5**Final Domestic Demand Growth**

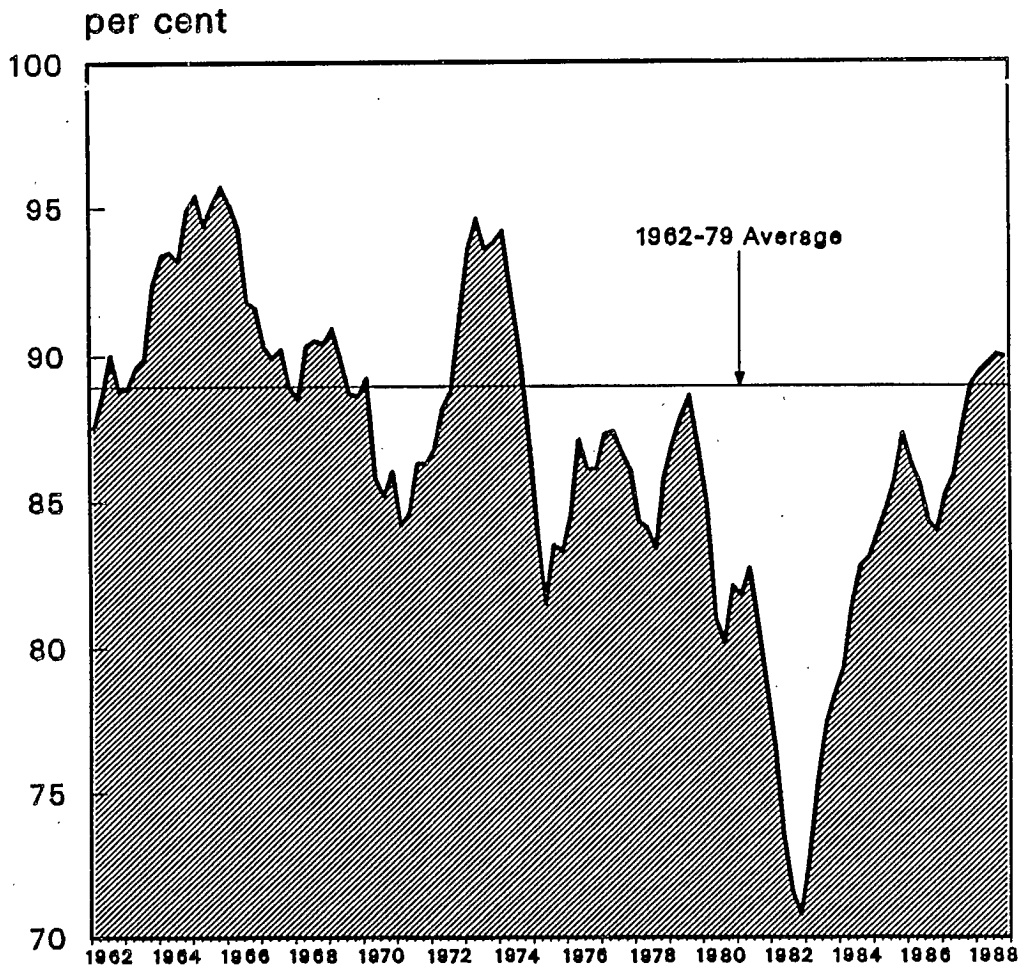
per cent - annual rates



° In 1988, final domestic demand continued to grow at a robust pace.

Chart 6

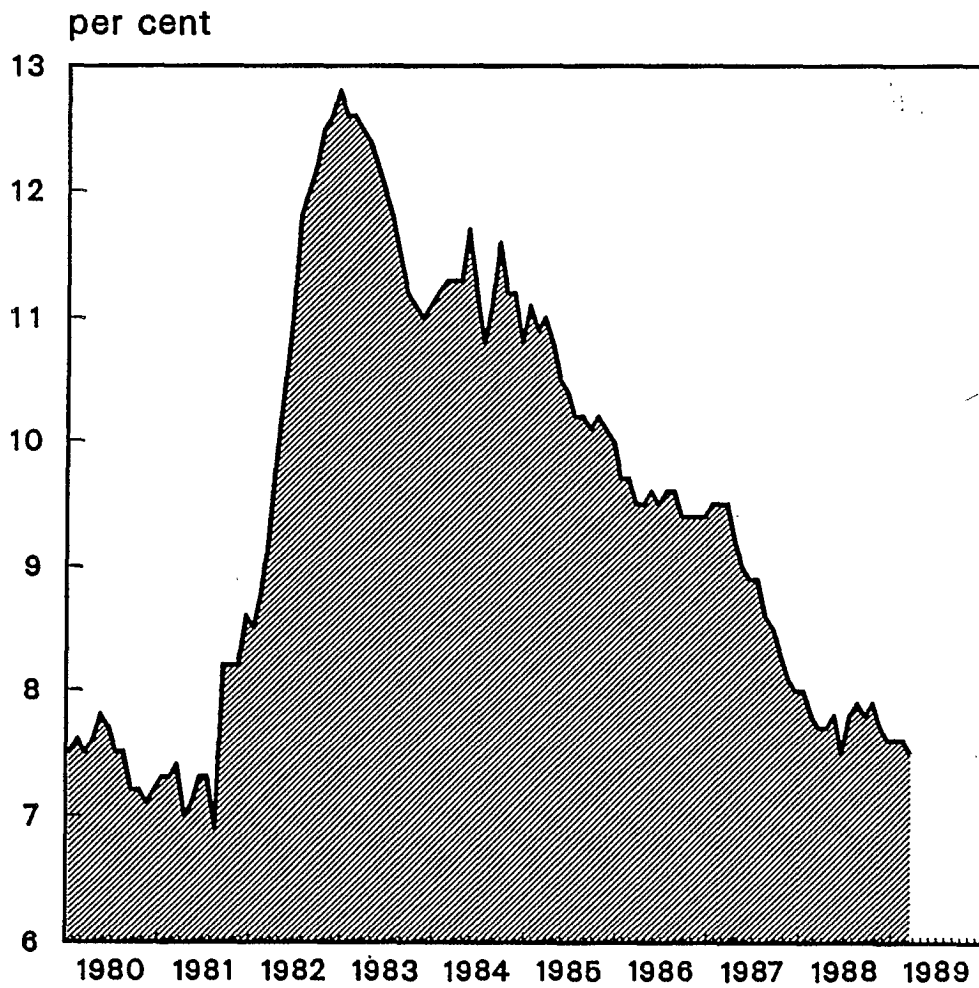
Goods Sector Capacity Utilization Rate



° Capacity utilization rates increased further in 1988, reaching their highest level since 1974.

Chart 7

The Unemployment Rate



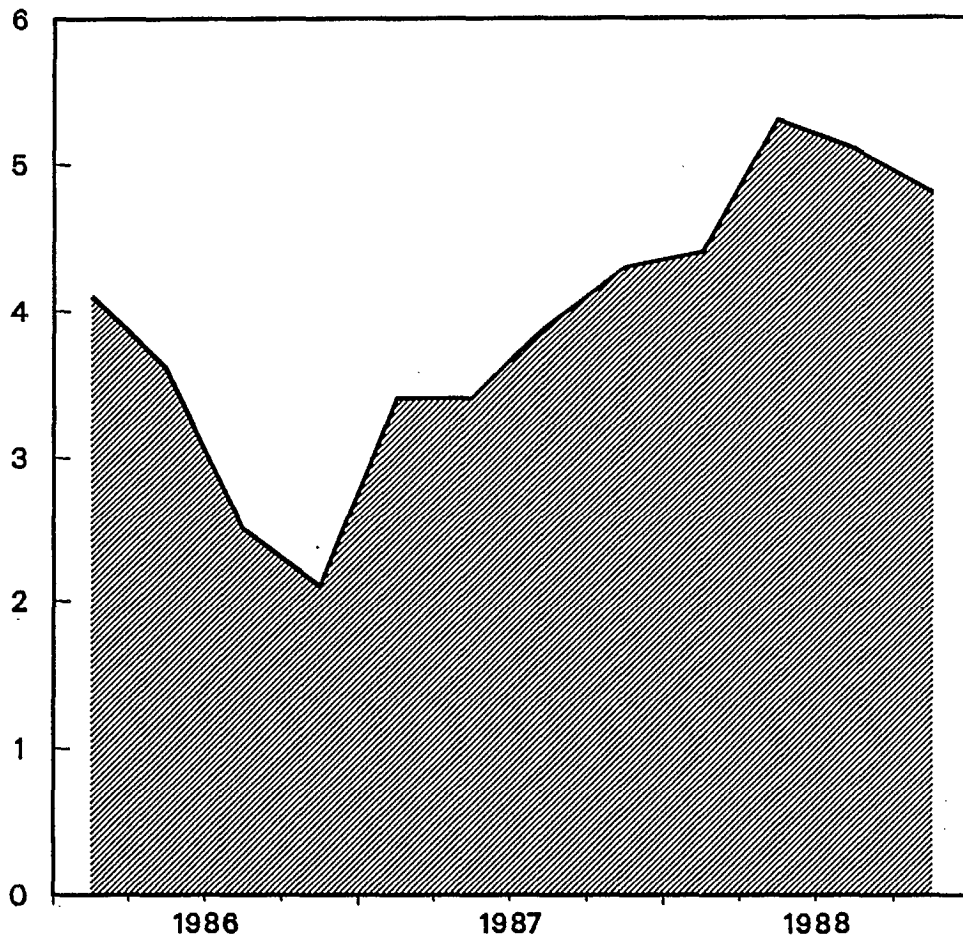
Continued strong growth in employment outstripped gains in the labour force again in 1988. The unemployment rate has fallen to the average rate that prevailed in the pre-recession period.

Inflationary pressures surfaced

- **Tighter labour markets have induced higher wage settlements.**
- **The underlying rate of inflation has increased.**

Chart 8**Private Sector Wage Settlements**

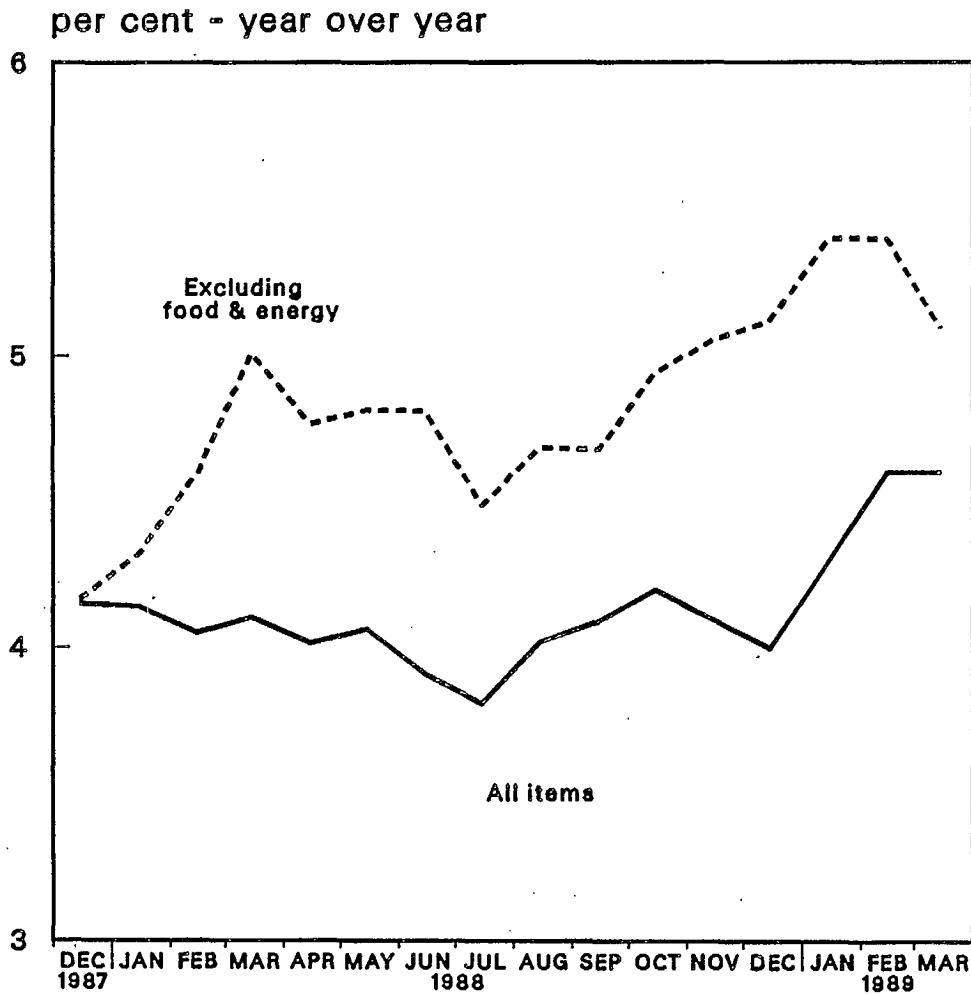
per cent - effective increase in base rates



Private sector wage settlements have increased sharply over the past two years, rising from 2 per cent at the end of 1986 to 5 per cent on average in 1988.

Chart 9

CPI Inflation Rate December 1987 to March 1989

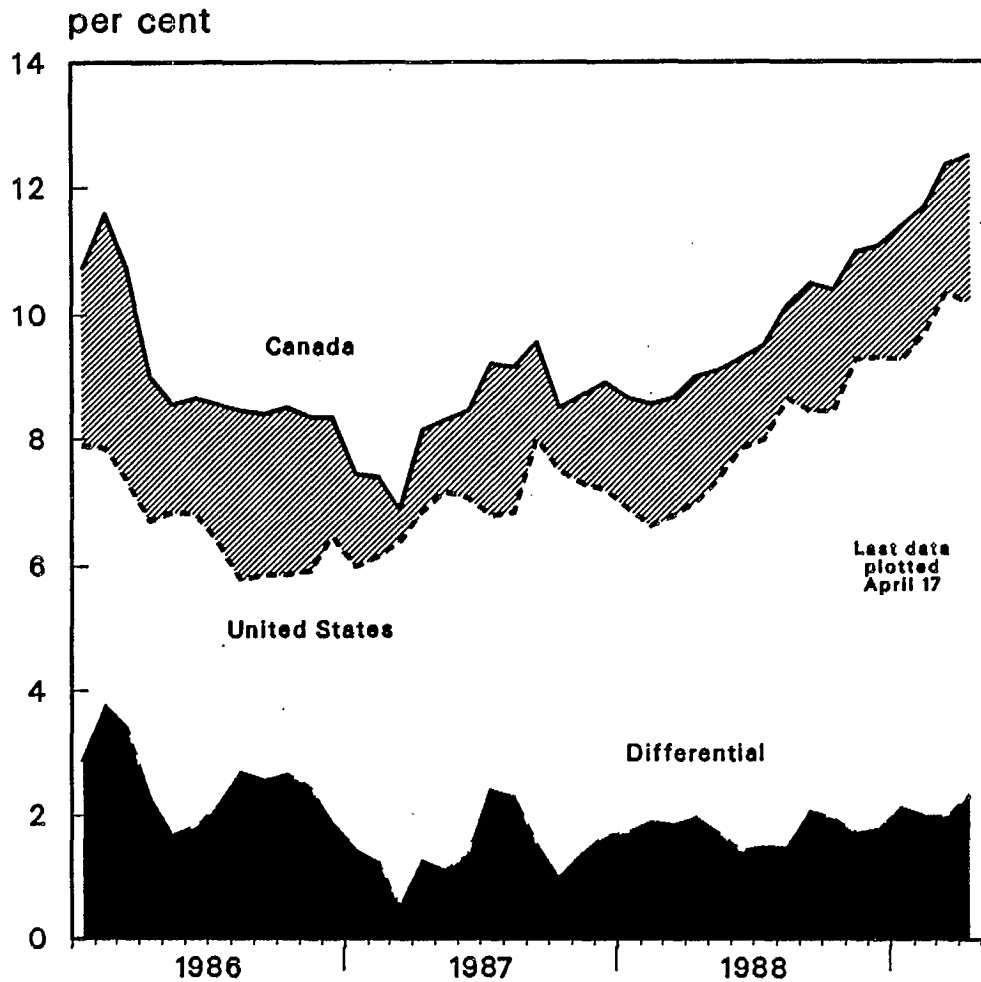


- ° The overall rate of inflation has remained fairly steady in the 4-4 1/2 per cent range since 1983. However, the overall inflation performance in 1988 masked a significant increase in underlying price pressures (all items excluding food and energy).
- ° So far this year, the CPI has moved up to 4.6%.

Short-term interest rates have risen

- **Inflationary pressures have increased in most industrial countries.**
- **Monetary policy has tightened in Canada, the United States and abroad.**
- **The yield curve is inverted.**

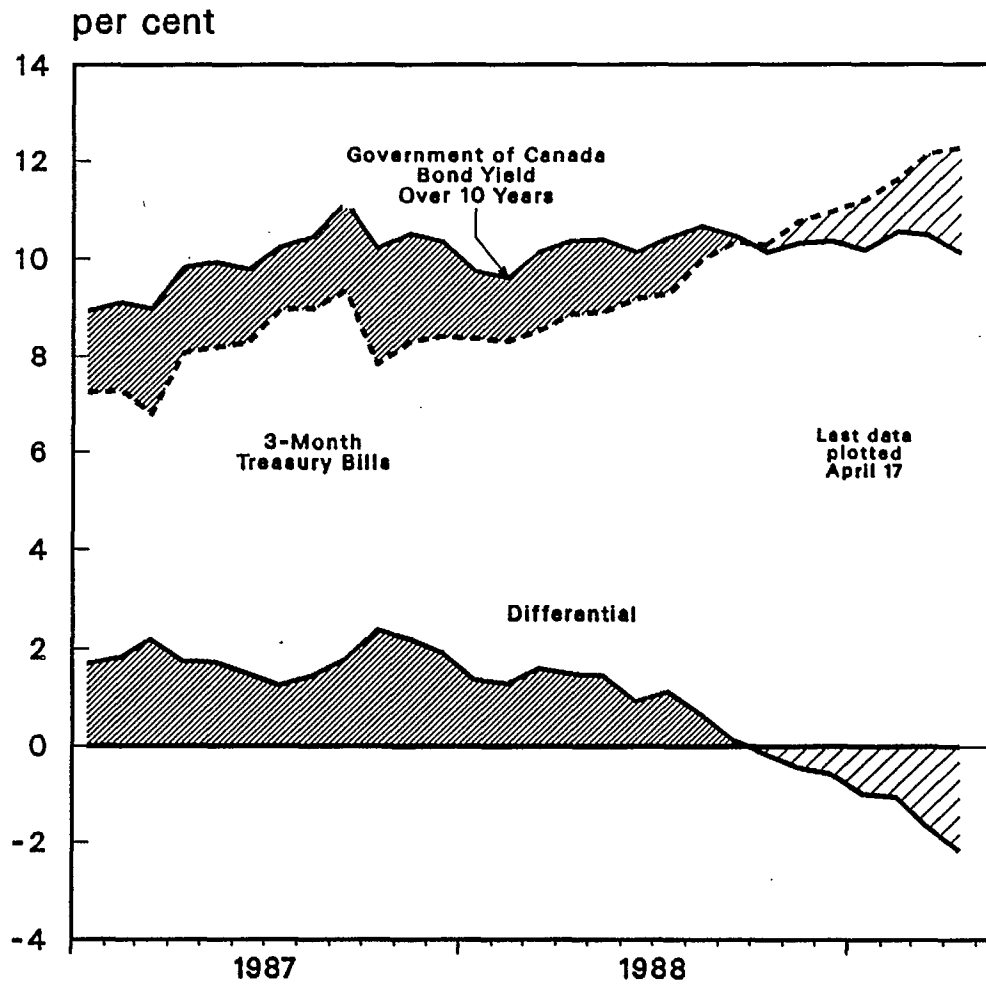
Chart 10

90-Day Commercial Paper Rates
In Canada and the United States

° In response to rising inflationary pressures, short-term interest rates in both Canada and the U.S. increased during 1988 and the early months of 1989.

Chart 11

Short and Long-Term Interest Rates



In contrast, long rates have remained relatively stable, reflecting confidence on the part of financial markets that inflation will not accelerate from current levels.

III POLICIES

- **FISCAL POLICY**

- **STRUCTURAL POLICY**

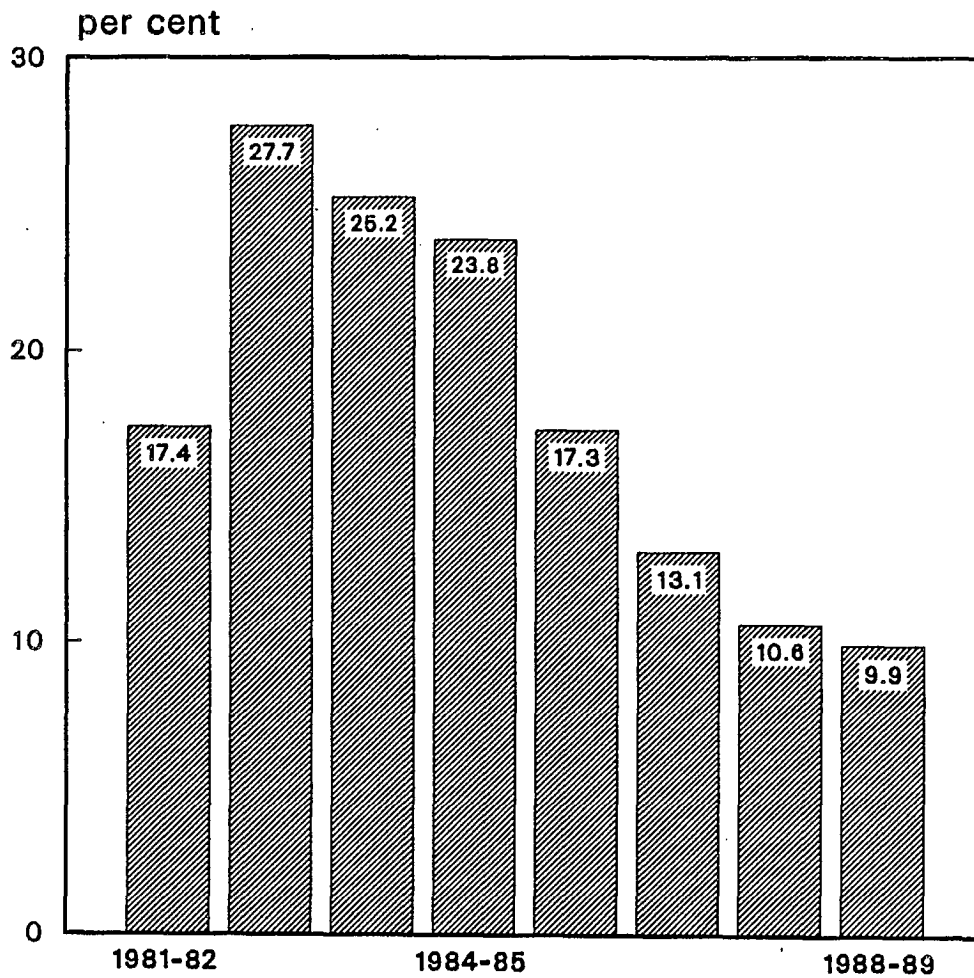
FISCAL POLICY

The Fiscal Situation Has Improved Significantly Since Fiscal Year 1984-85

- **The fiscal situation was deteriorating prior to 1984-85**
- **As a result of discretionary action and strong economic growth:**
 - **the growth in public debt and in debt charges declined;**
 - **annual deficits declined;**
 - **program expenditure growth was reduced; and**
 - **the revenue yield was increased.**

Chart 12

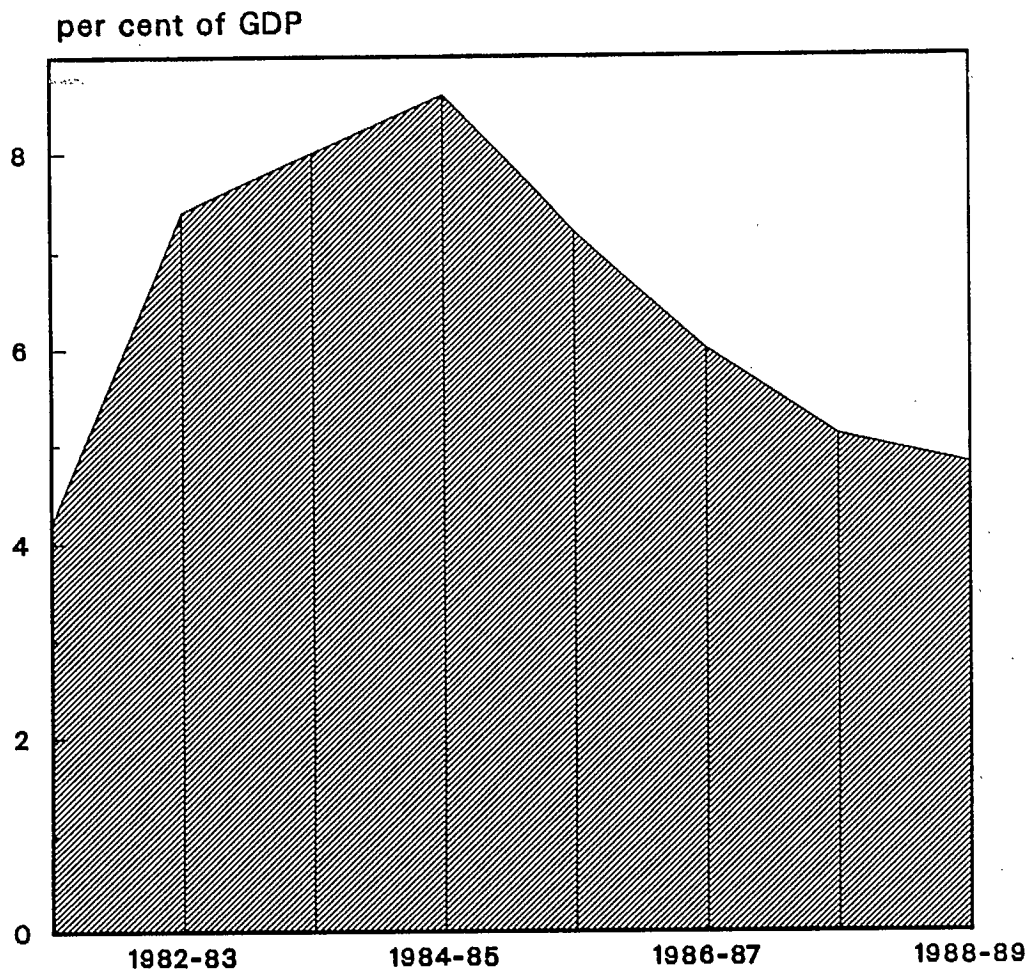
Growth of the Net Public Debt



- The growth of the public debt, which averaged 23.5 per cent per year over the four years ending in 1984-85, was reduced to an average annual growth rate of 12.7 per cent during the four years ending in 1988-89.
- By 1988-89, the growth in debt had declined to less than 10 per cent, the lowest rate of increase in 15 years.

Chart 13

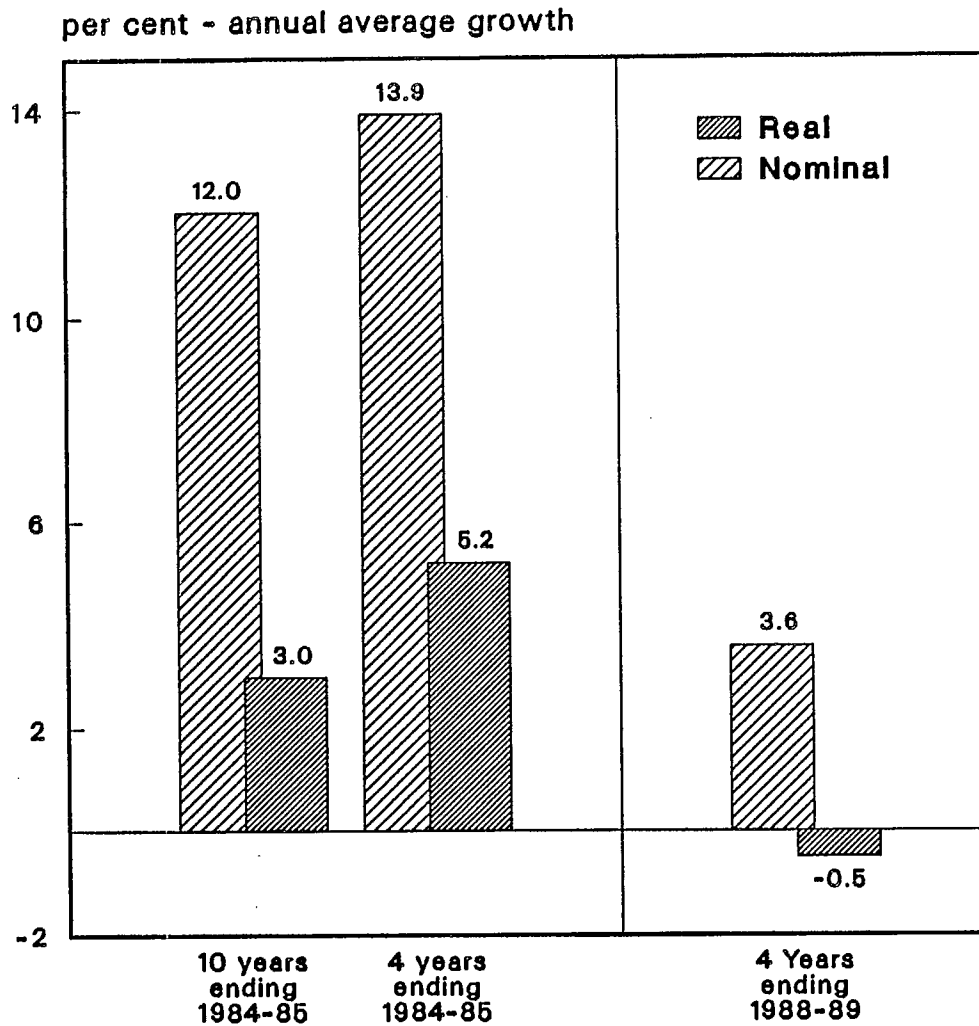
The Budgetary Deficit in the 1980s



- From 1984-85 to 1988-89, the annual budgetary deficit was reduced by some \$9 1/2 billion.
- Relative to the size of the economy, this represents a decline from 8.6 to 4.8 per cent -- a 45-per-cent reduction.

Chart 14

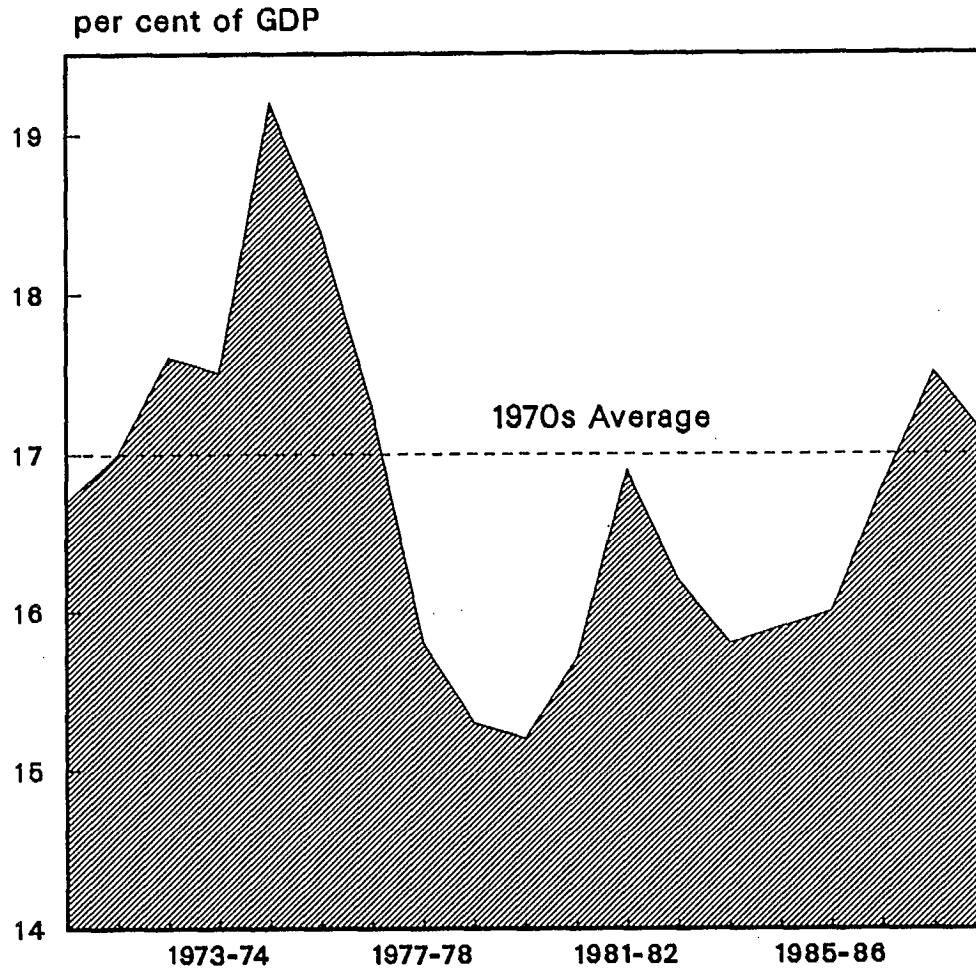
Nominal and Real Growth In Program Expenditures



- Expenditure restraint has been applied continuously since November 1984.
- Spending on government programs grew by almost 14 per cent per year on average in the four years ending in 1984-85. In the four years ending in 1988-89, growth was cut back to about 3 1/2 per cent per year.
- In real terms, program spending rose over 5 per cent per year on average in the four years ending in 1984-85.
- By comparison, in the four years ending in 1988-89, real program spending declined by an average of 0.5 per cent per year.

Chart 15

The Revenue Yield: Budgetary Revenues



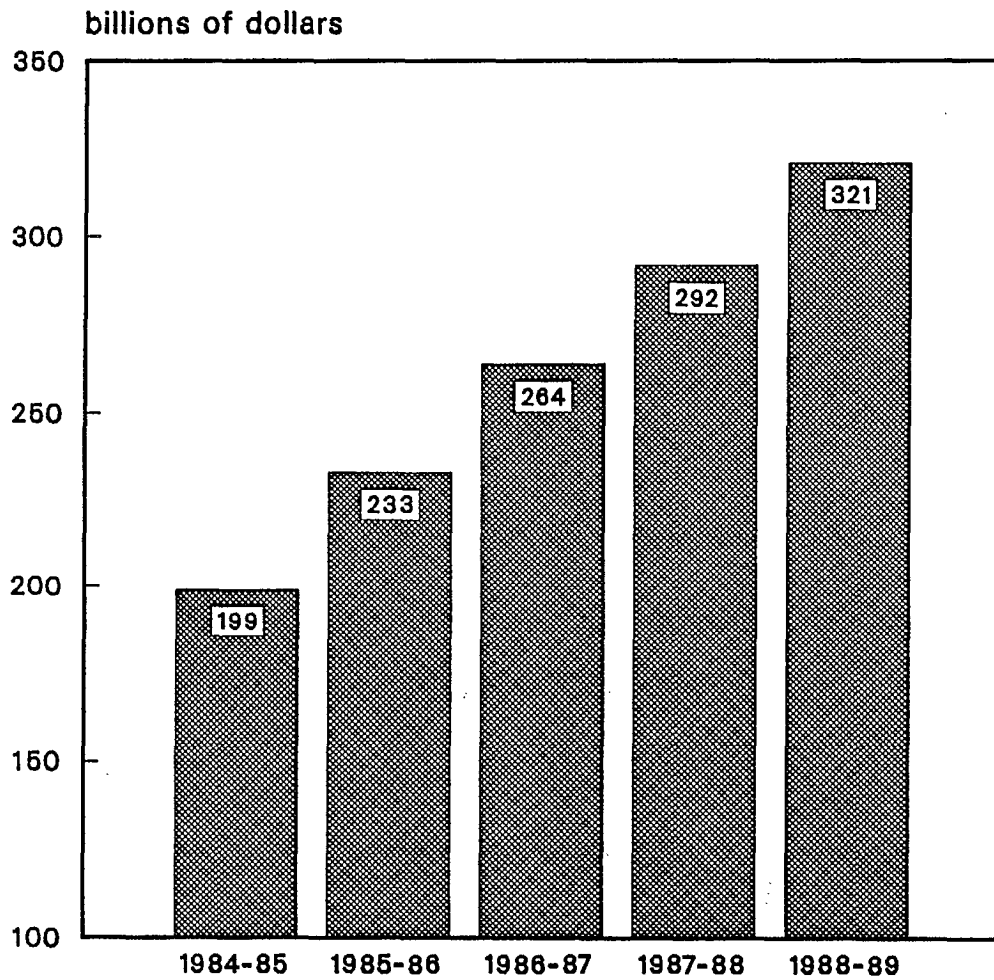
- The revenue yield declined from about 17 per cent in 1981-82 to under 16 per cent by 1984-85.
- By 1988-89 the revenue yield amounted to 17 per cent, close to the average of the 1970s.

The growing stock of debt leaves the fiscal situation vulnerable to economic developments

- While annual deficits have declined, the stock of debt has continued to increase since 1984-85.
- In turn this has resulted in higher public debt charges which have put upward pressure on the deficit.
- This problem is magnified in the short term by higher interest rates.
- The growth in the debt must be further reduced.

Chart 16

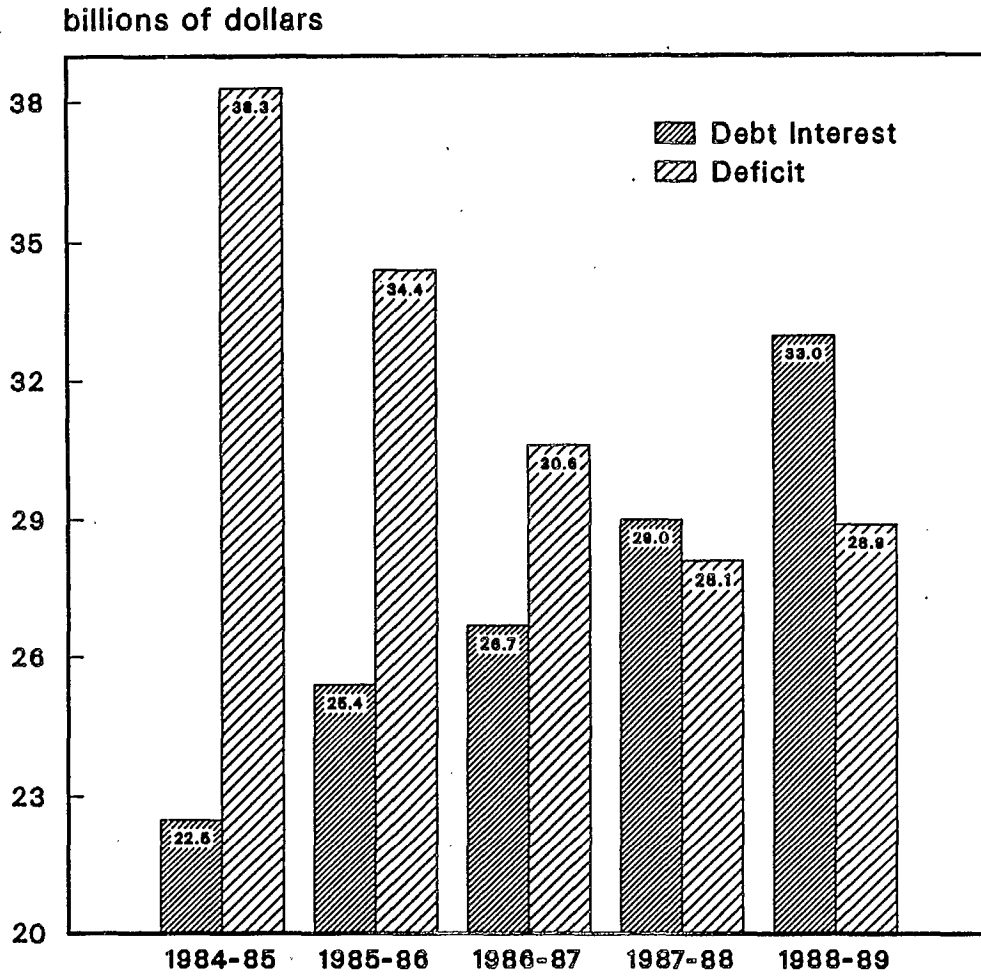
Net Public Debt



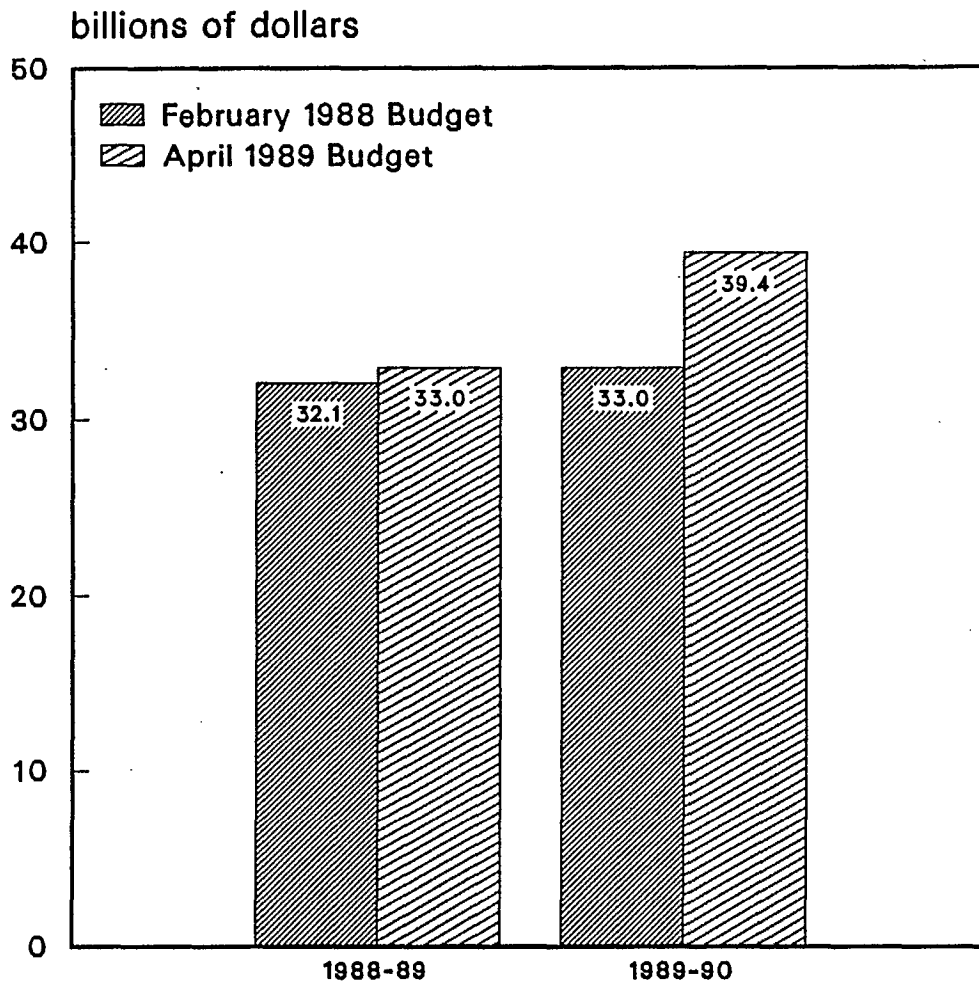
Despite the decline in the annual deficit since 1984-85, the stock of debt has continued to grow -- rising to \$321 billion in 1988-89.

Chart 17

Debt Interest and the Deficit

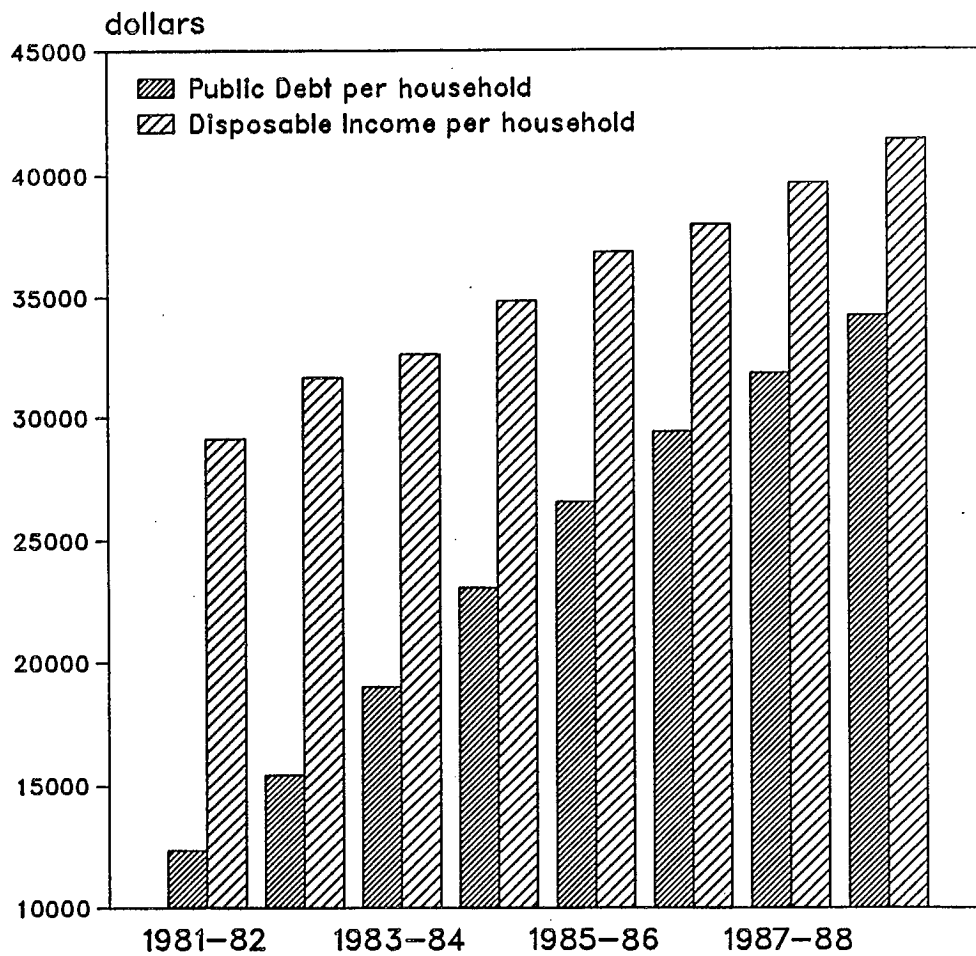


- ° As a result of higher debt, public debt charges rose steadily during the last four years.
- ° Debt charges are now greater than the entire deficit itself.

Chart 18**Debt Charges:
February 1988 Budget vs April 1989 Budget**

- Short-term interest rates are now expected to be significantly higher than was projected in the February 1988 budget.
- These higher interest rates are putting further upward pressure on the deficit.
- In 1989-90, public debt charges are higher by \$6.4 billion, compared to the February 1988 budget forecast.

Chart 19

Burden of the Public Debt: Debt per Household
Versus Disposable Income per Household

- ° Public debt per household has increased substantially in the 1980s.
- ° In 1981-82, public debt per household was \$12,300. By 1988-89, it had increased to \$34,200.
- ° Moreover, it has grown considerably faster than growth in disposable income per household.

Controlling the debt will improve economic prospects

- **Debt control will:**
 - **reduce the burden imposed on future generations;**
 - **provide increased fiscal flexibility;**
 - **contribute to the achievement of sustained real growth; and,**
 - **raise future living standards.**

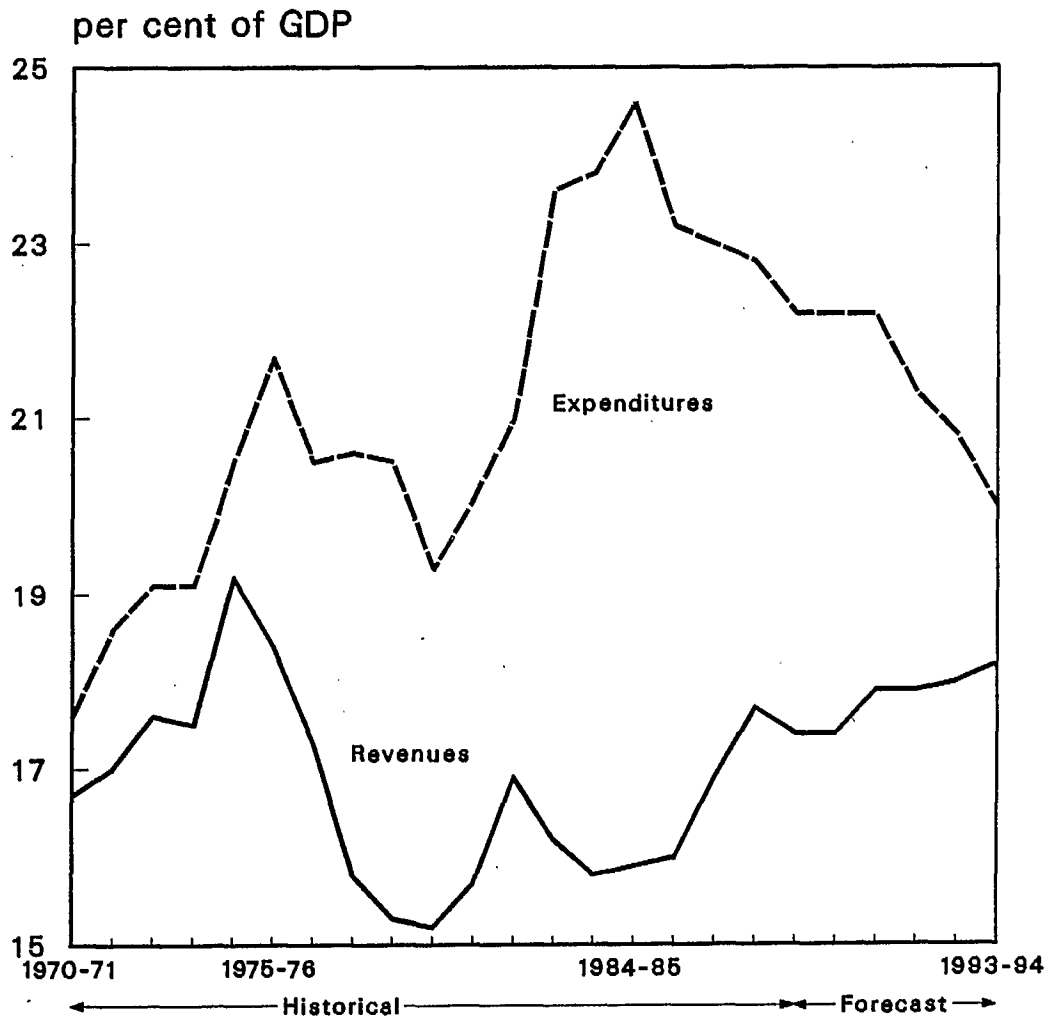
This Budget Contributes to Debt Control and Sets the Stage for Sustained Economic Growth

As a result of policy action taken in this budget:

- **the revenue yield is increased and expenditures are further restrained – the measures introduced total \$5.2 billion in 1989-90 and \$9.0 billion in 1990-91**
- **the debt-to-GDP ratio stabilizes in 1990-91 and declines in the medium term**
- **the deficit and financial requirements decline steadily**
- **the federal government is projected, on a national accounts basis, to be in a surplus position by 1994**
- **program expenditures growth continues to be restrained**
- **the burden of servicing the debt is reduced in the medium term**
- **from 1984-85 to 1993-94 the deficit declines 6.8 percentage points relative to GDP**
- **a 4.6-percentage-point drop in expenditures and a 2.3-percentage-point increase in the revenue yield account for this decline in the deficit.**

Chart 20

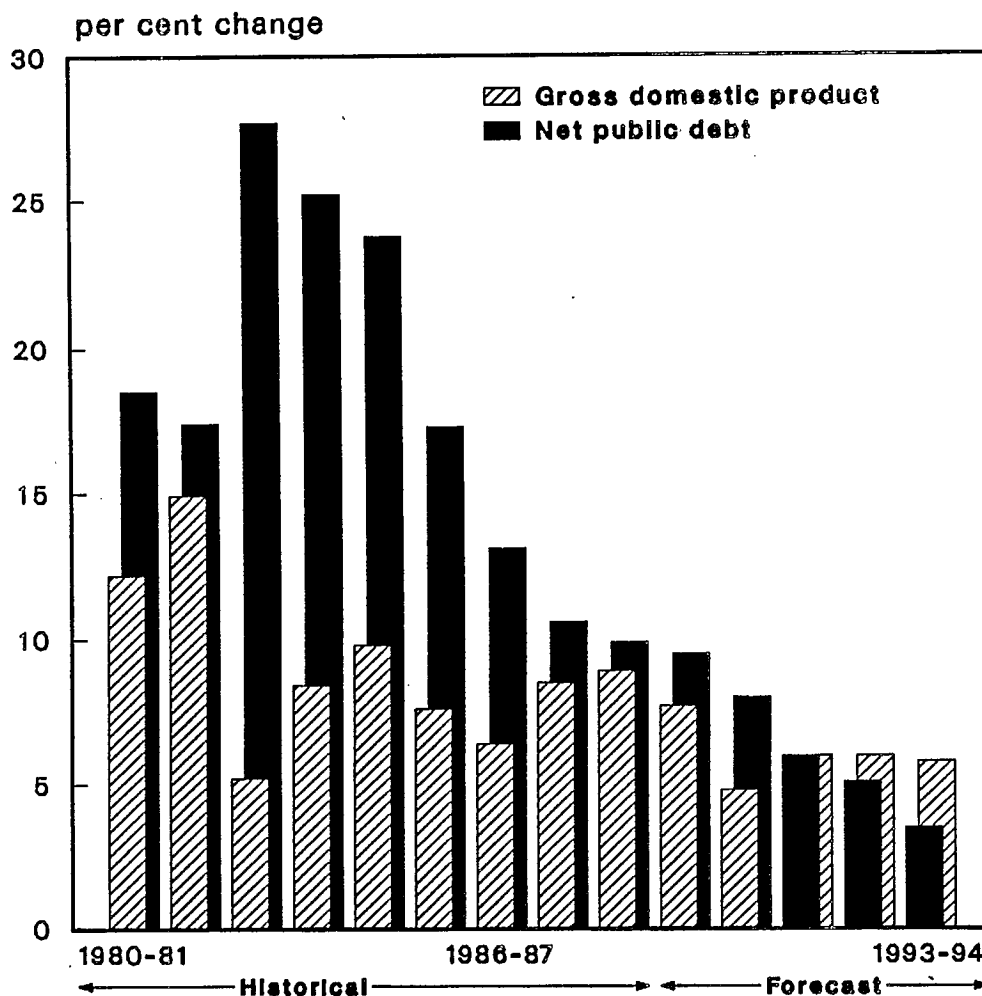
Budgetary Revenues and Budgetary Expenditures 1970-71 to 1993-94



- As a result of policy actions introduced in this budget, the revenue yield is increased.
- Expenditures continue to be restrained, declining to approximately 20 per cent of GDP by 1993-94.

Chart 21

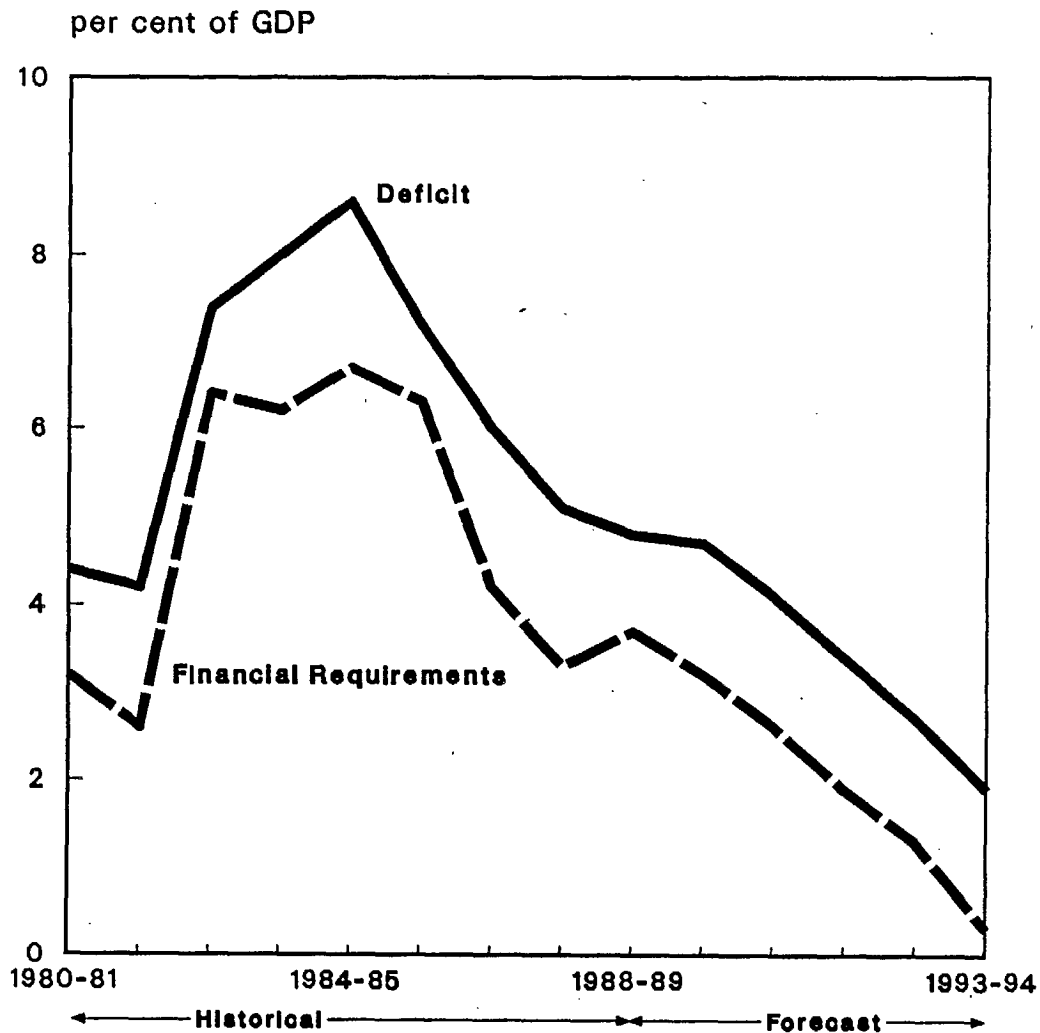
Gross Domestic Product and Net Public Debt



- ° The growth of net debt slows steadily over the medium term, reflecting action taken in the last four years and in this budget.
- ° The debt-to-GDP ratio is projected to stabilize in 1990-91 and to decline in the medium term.
- ° This will be the first decline in the debt-to-GDP ratio since 1974-75.

Chart 22

The Deficit and Financial Requirements*

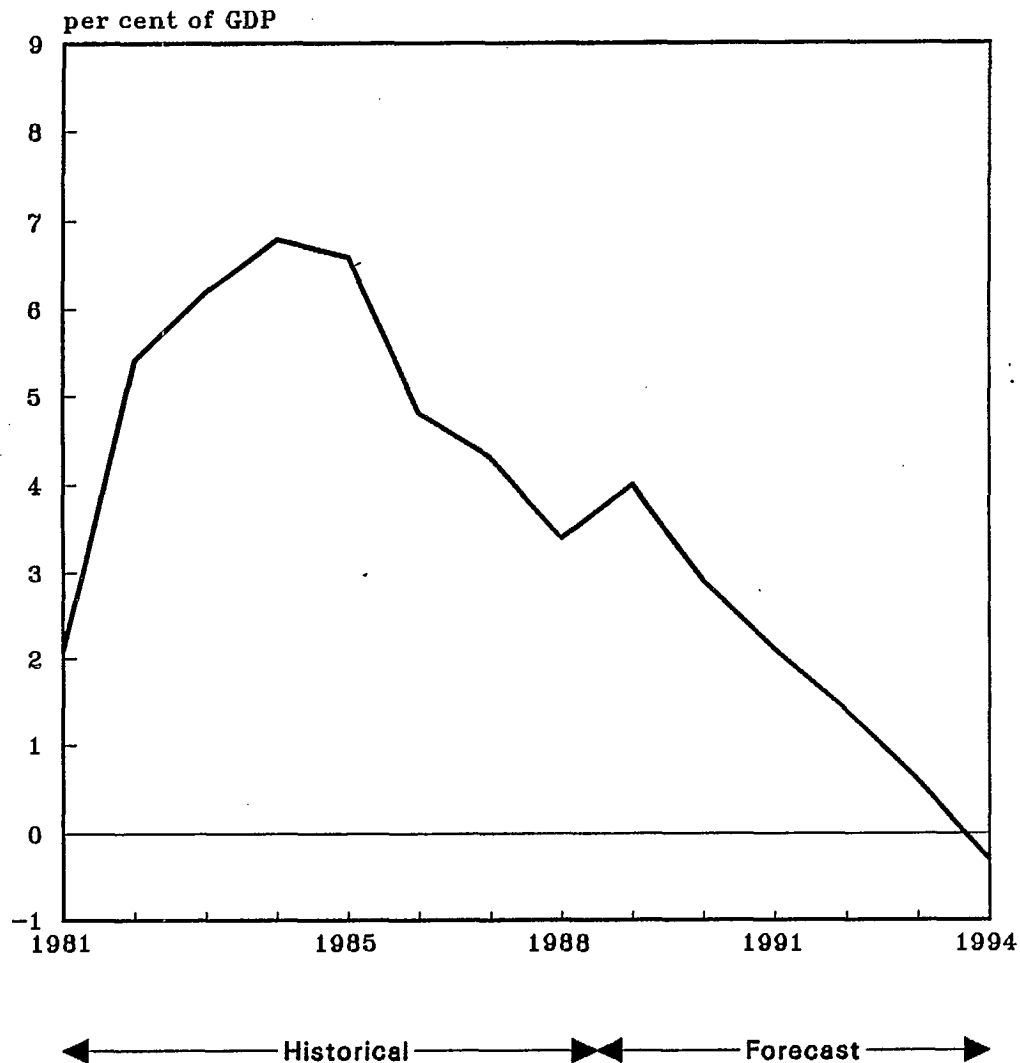


* Excluding Foreign Exchange Transactions

- Relative to GDP the deficit which peaked at 8.6 per cent in 1984-85 is projected to fall below 2 per cent by 1993-94.
- Financial requirements are also projected to decline steadily, from 6.7 per cent of GDP in 1984-85 to near zero by 1993-94.
- Financial requirements represent the extent to which the government must borrow in capital markets. This measure more closely parallels the definition of deficits used in both the United States and the United Kingdom. Thus, on this basis, Canada would be close to a balanced-budget by 1993-94.

Chart 23

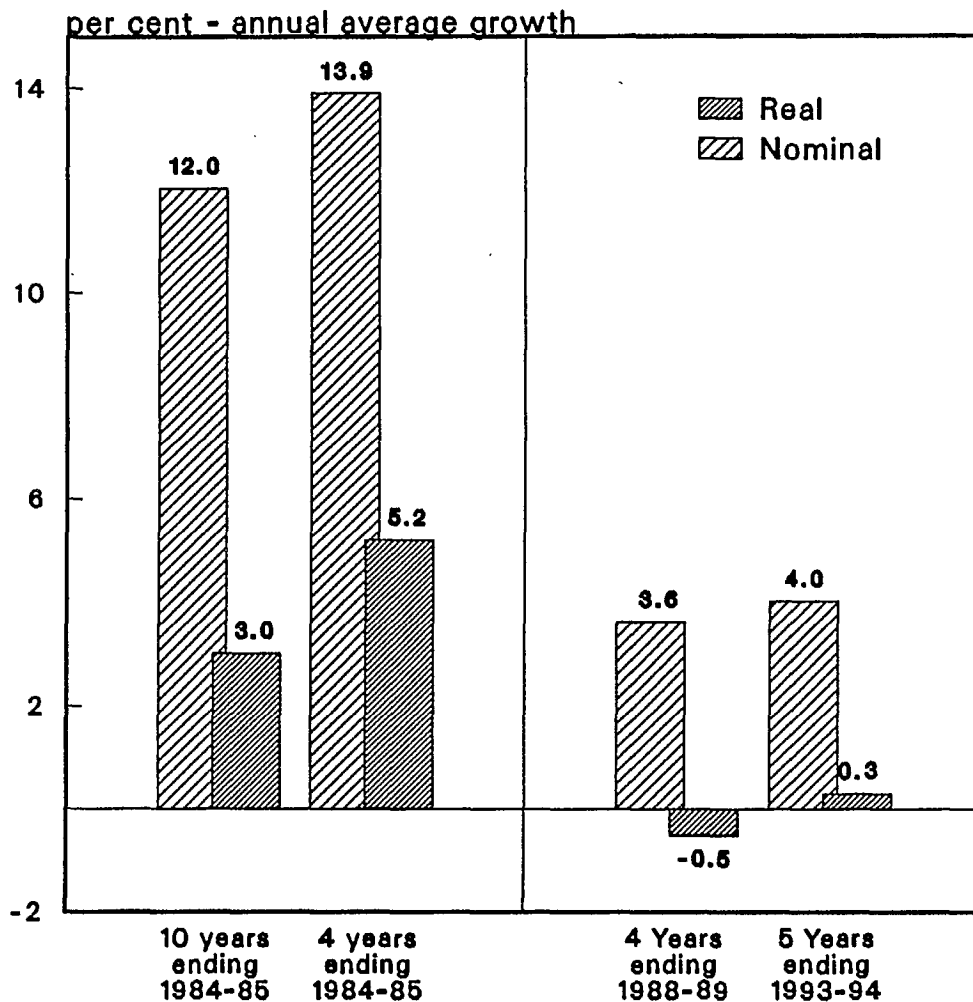
Federal Government Sector Budget Deficits (National accounts basis, calendar years)



- From a peak of almost 7 per cent of GDP in 1984, the federal deficit (on a national accounts basis) ratio declined to below 3 1/2 per cent in 1988 -- a reduction of 50 per cent.
- By 1994 the federal government is projected to be in a surplus position -- the last recorded surplus was in 1974.
- Developments in the total government sector mirror the evolution at the federal level.

Chart 24

Nominal and Real Growth In Program Expenditures

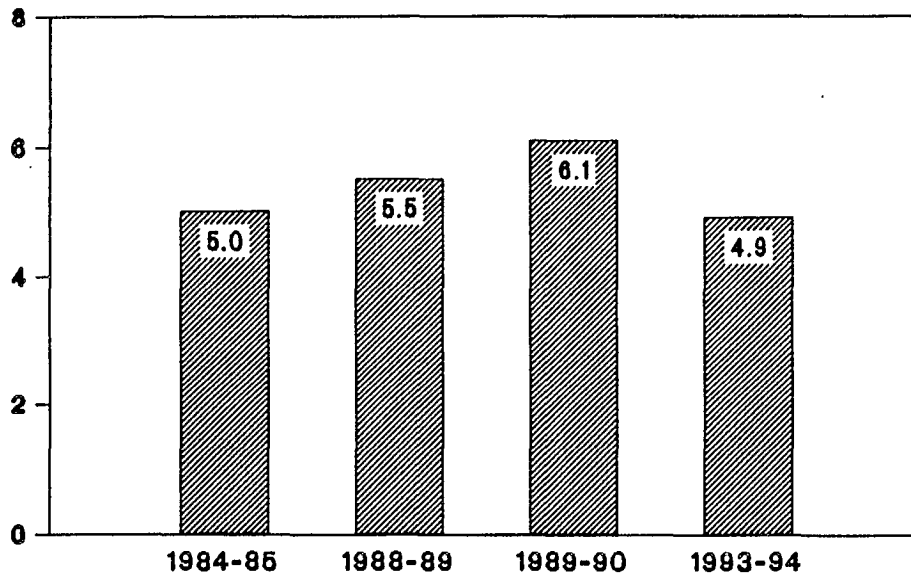


- Program expenditures are forecast to increase 4.0 per cent per year on average over the five years ending in 1993-94.
- In real terms, program spending is forecast to grow only moderately over this period.

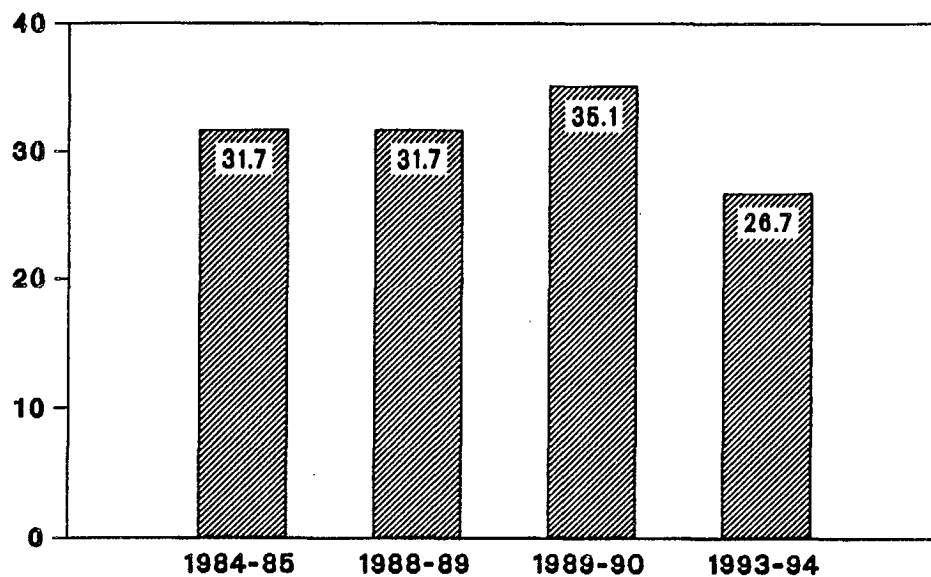
Chart 25

Debt Charges Ratio

per cent of GDP



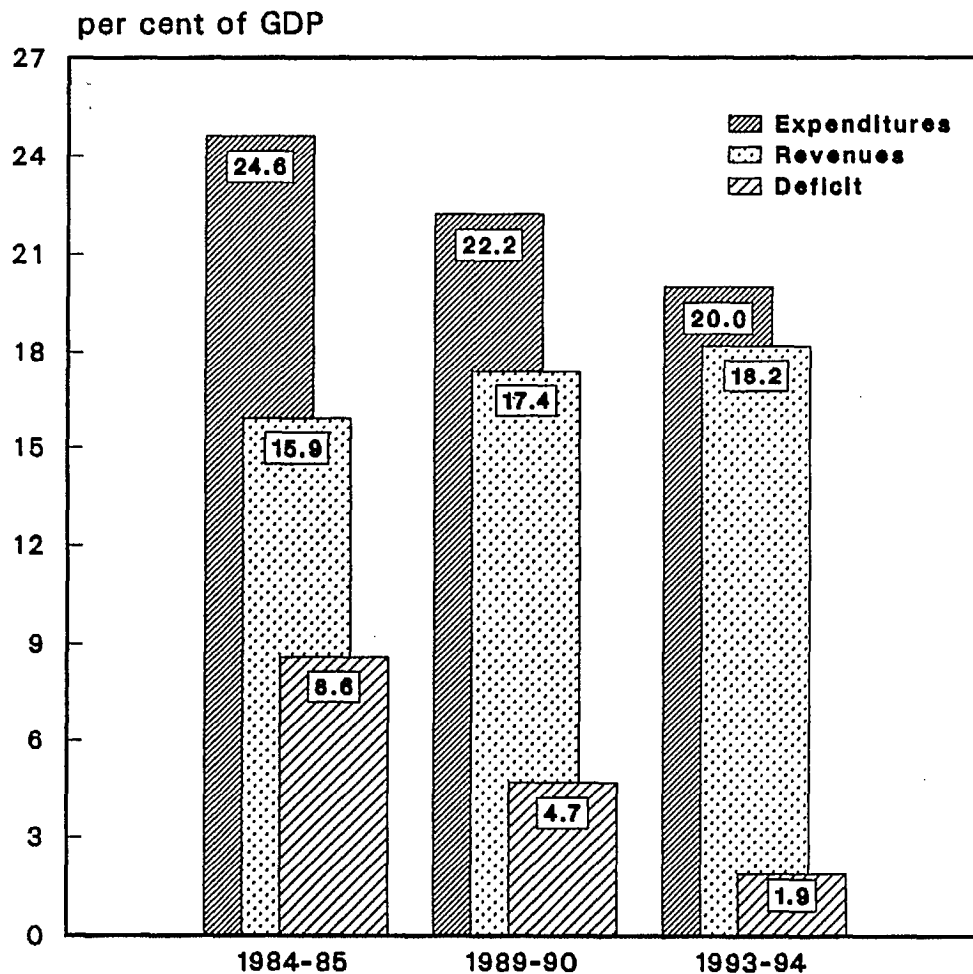
per cent of Budgetary Revenues



- The burden of the debt is reduced in the medium term, as public debt charges decline relative to GDP.
- In 1993-94, debt charges represent a smaller proportion of total revenues than in 1984-85.
- Debt charges as a per cent of revenues fall to the lowest level since 1981-82.

Chart 26

Expenditures, Revenues and Deficits Relative to GDP



- Relative to GDP the deficit declined by almost 4 percentage points between 1984-85 and 1989-90.
- The deficit is projected to decline by a further 3 percentage points by 1993-94.
- As a ratio to GDP, expenditures fall by over 4 1/2 percentage points over the nine-year period, while revenues rise 2 1/4 percentage points.
- From 1984-85 to 1993-94, two-thirds of the decline in the deficit as a ratio of GDP is due to expenditure restraint while only one-third comes from revenue increases.

STRUCTURAL POLICY

Important structural policies and reforms have been implemented since 1984-85

- **Canada-U.S. Free Trade Agreement.**
- **Personal and corporate income tax reform.**
- **Deregulation of the energy and transportation sectors.**
- **Privatization.**
- **Dismantling of the Foreign Investment Review Agency and the National Energy Program.**
- **A new approach to R&D which better targets spending.**
- **A new approach to regional development.**

Further reforms will be implemented

- **New labour force development strategy already announced.**
- **Agricultural reform to foster a more self-reliant and market-responsive industry.**
- **Sales tax reform.**
- **Financial sector reform.**
- **More privatization.**
- **Promotion of further world trade liberalization through the Multilateral Trade Negotiations.**

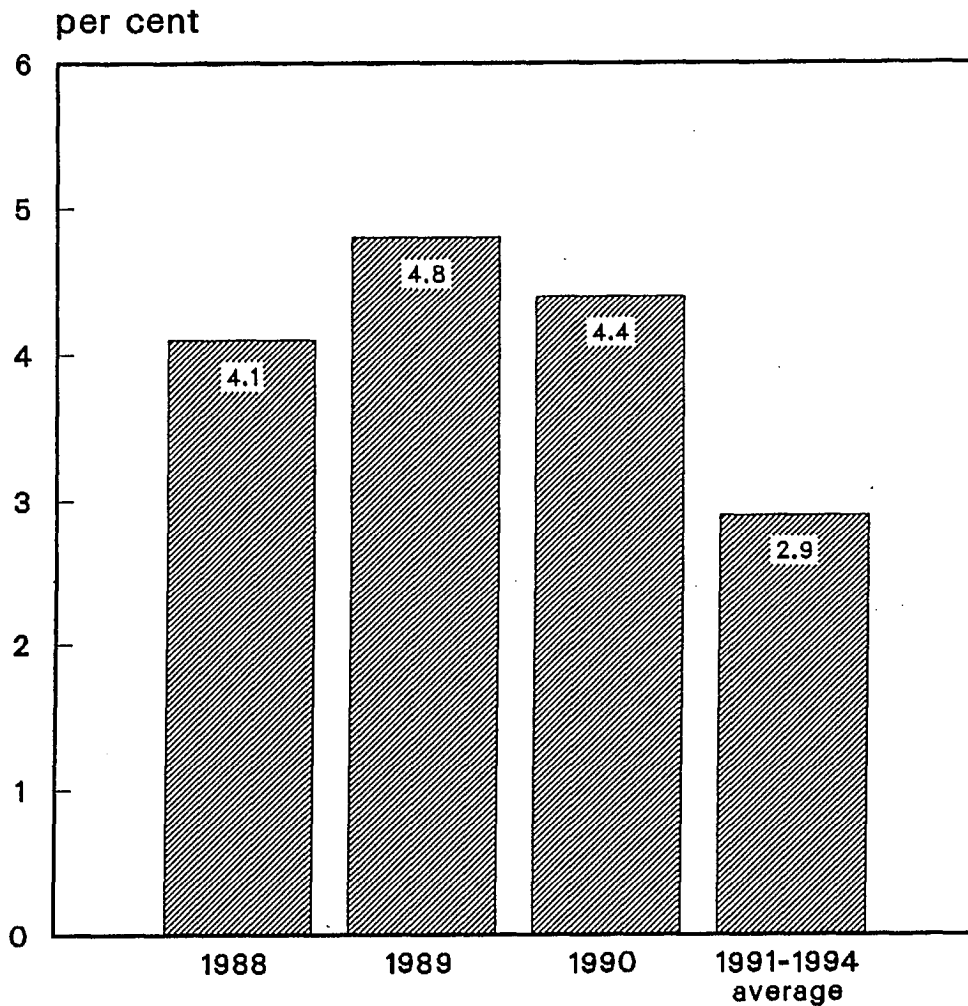
These reforms will increase potential economic growth and raise living standards

- **Through more productive labour and capital investment;**
- **By removing rigidities in labour and product markets;**
- **By dismantling stifling government regulations;**
- **By opening and securing access to international markets.**

IV PROSPECTS

The rebalancing of monetary and fiscal policy
lays the foundation for sustained economic
growth over the medium term

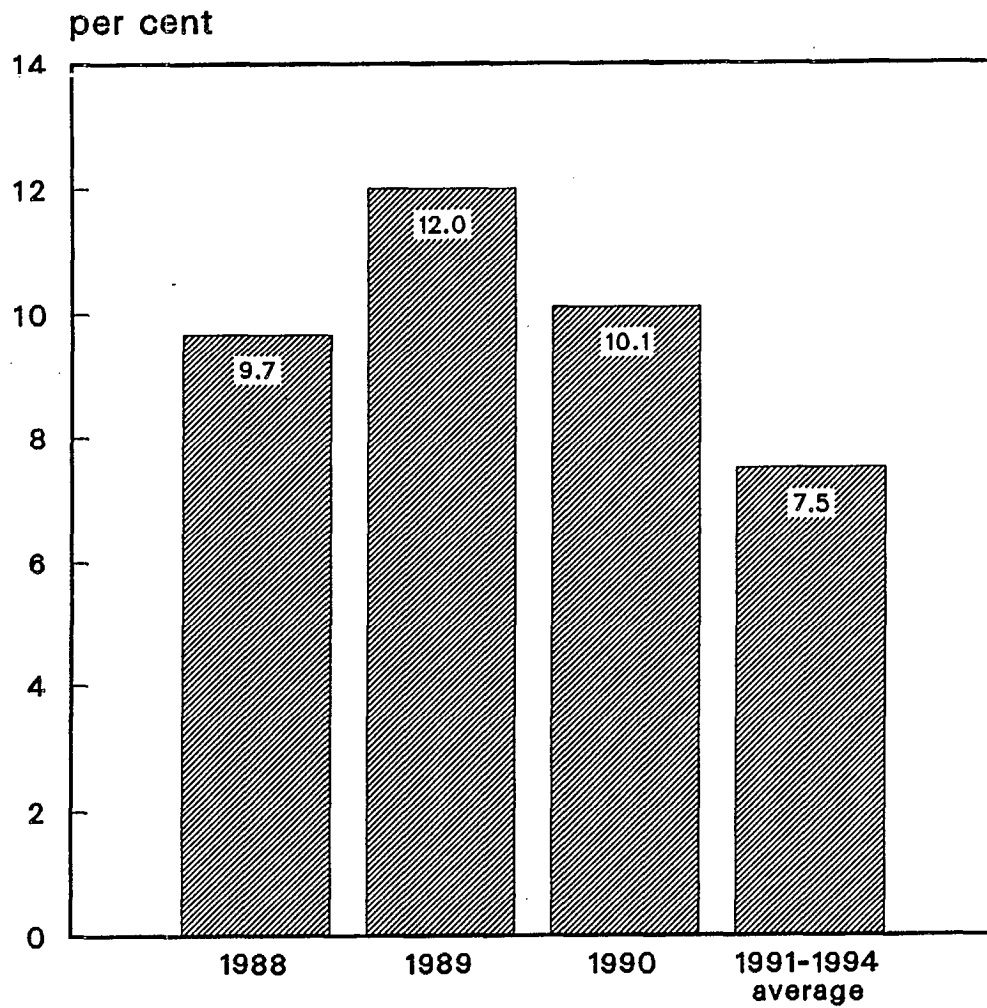
- **The easing of capacity constraints dampens inflation pressures and enhances the scope for permanent declines in interest rates.**
- **In this environment, economic growth and job creation can be sustained.**

Chart 27**The Consumer Price Index**

- The slowing in growth this year and next will contribute to a reduction in cost pressures. However, measured inflation, as depicted by the CPI, will be higher in 1989 and 1990, reflecting the indirect tax measures introduced in this budget.
- Without these temporary impacts on measured inflation, the inflation rate would fall below 4 per cent in 1990. Over the medium-term, price pressures are projected to moderate further with the CPI rate of inflation averaging 2.9 per cent.

Chart 28

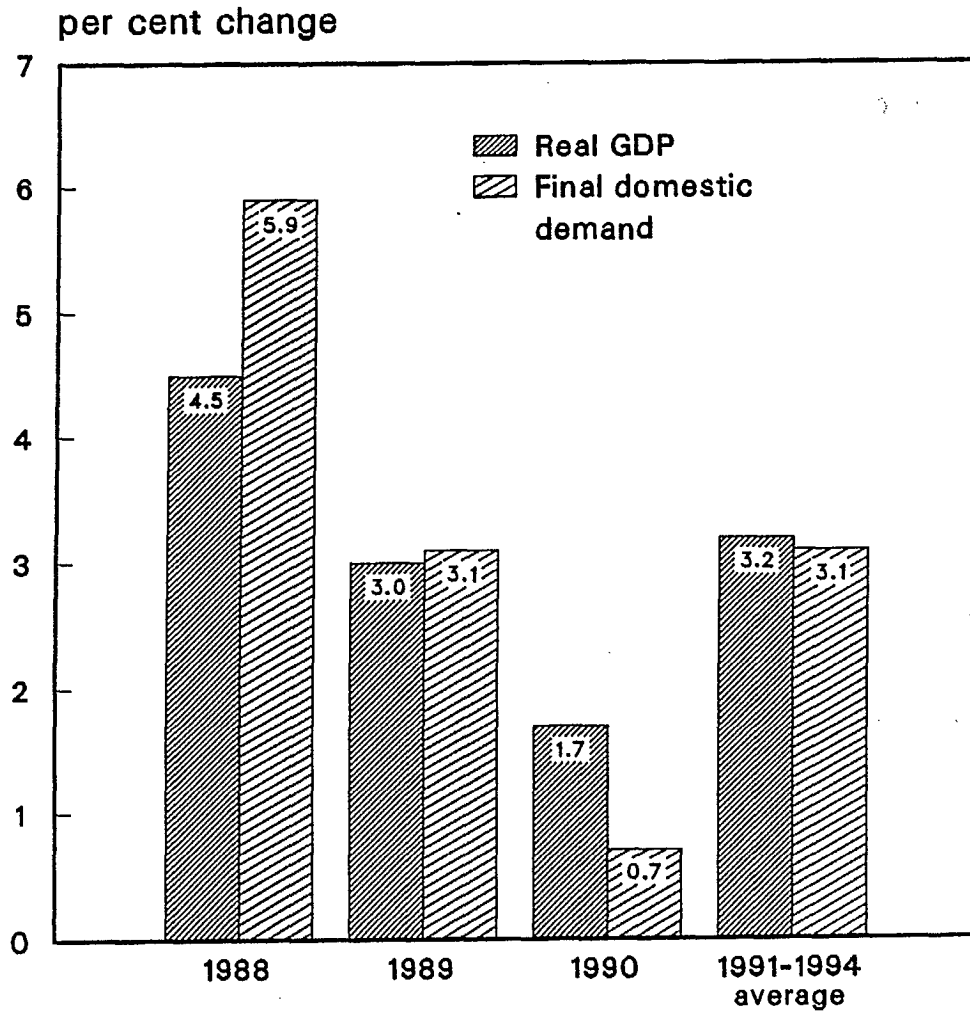
Canadian 90-Day Commercial Paper Rate



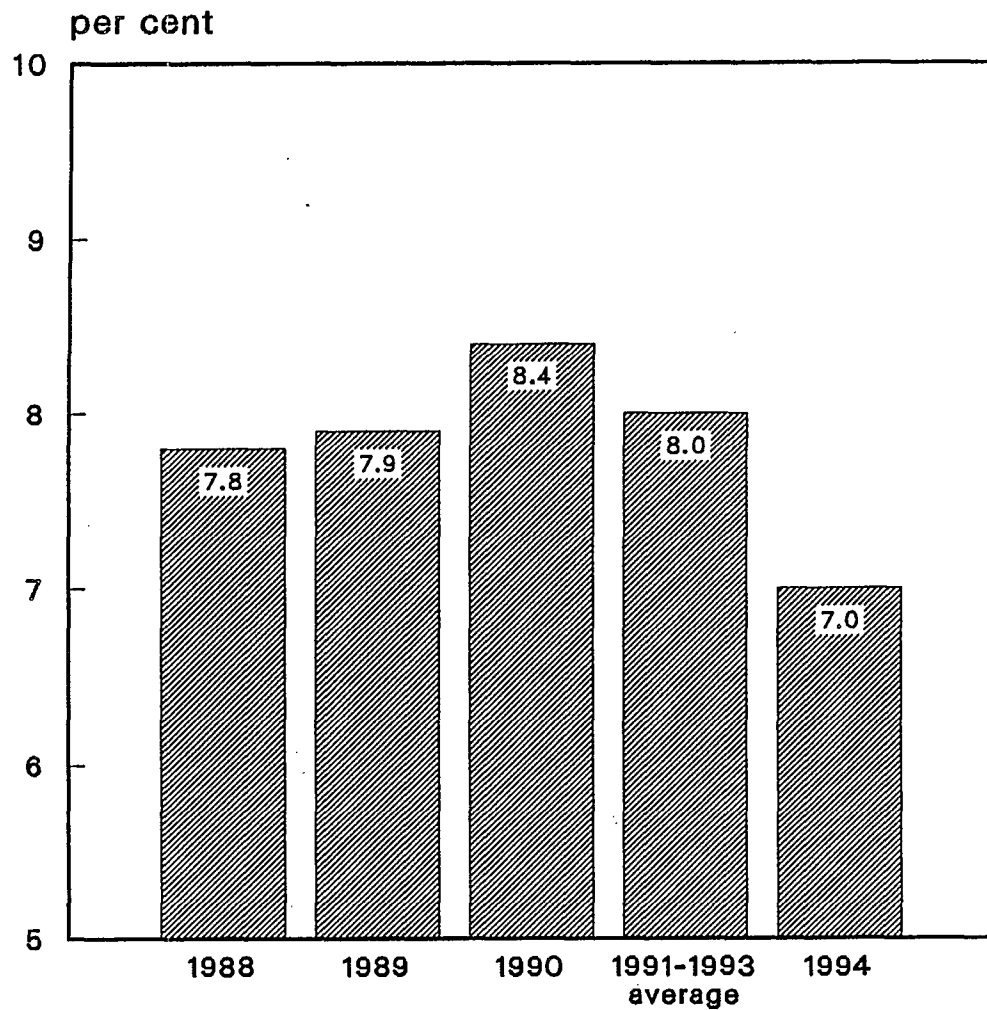
Short-term interest rates are projected to decline steadily over the forecast period in response to an easing in underlying inflationary pressures and sustained and substantial reductions in the fiscal deficit.

Chart 29

Real GDP and Final Domestic Demand



- ° Economic growth is expected to slow to below potential over the next two years.
- ° With a policy environment conducive to lower inflation pressures and declining interest rates, real growth rebounds over the medium term.
- ° Real output is projected to advance at a pace in line with potential output growth.

Chart 30**The Unemployment Rate**

- ° As a result of slower growth in output, the unemployment rate is expected to rise in 1989 and 1990.
- ° Over the medium term, the unemployment rate is projected to decline steadily, falling to 7 per cent by 1994.

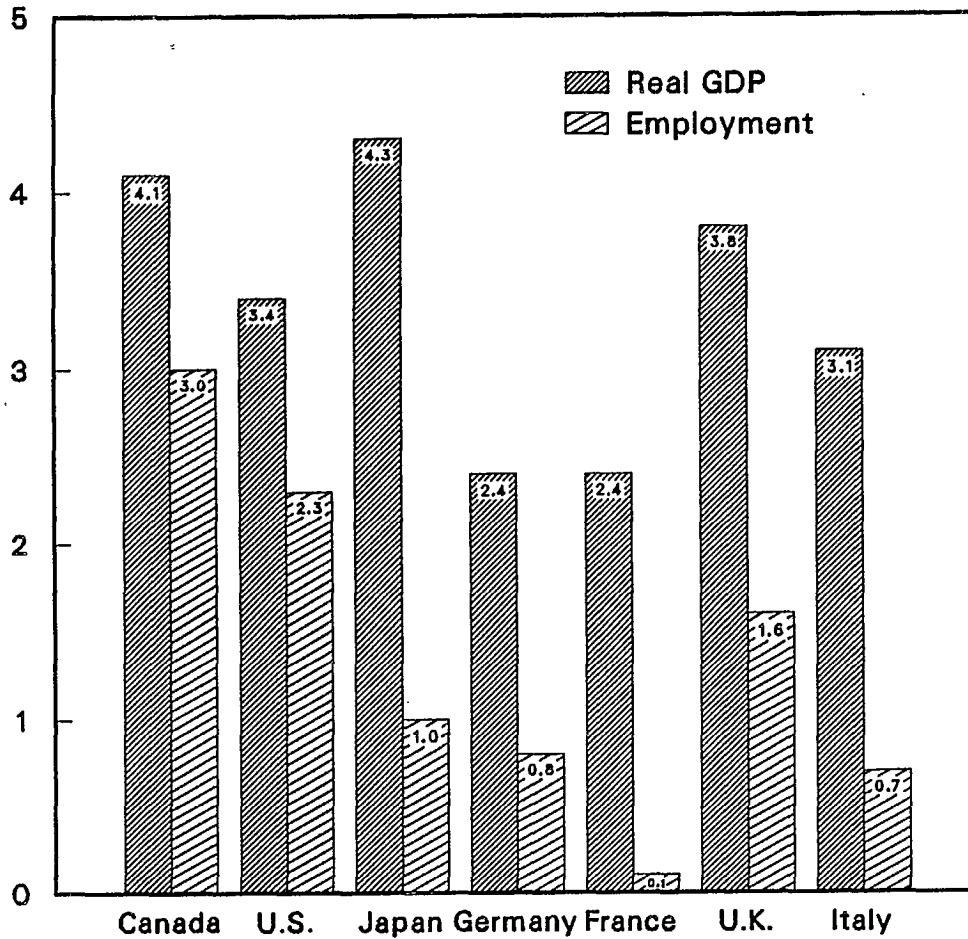
V

**THE CANADIAN ECONOMY IN AN
INTERNATIONAL PERSPECTIVE**

Chart 31

**Real GDP and Employment Growth
In G-7 Countries, 1984 to 1988**

per cent - average annual rates

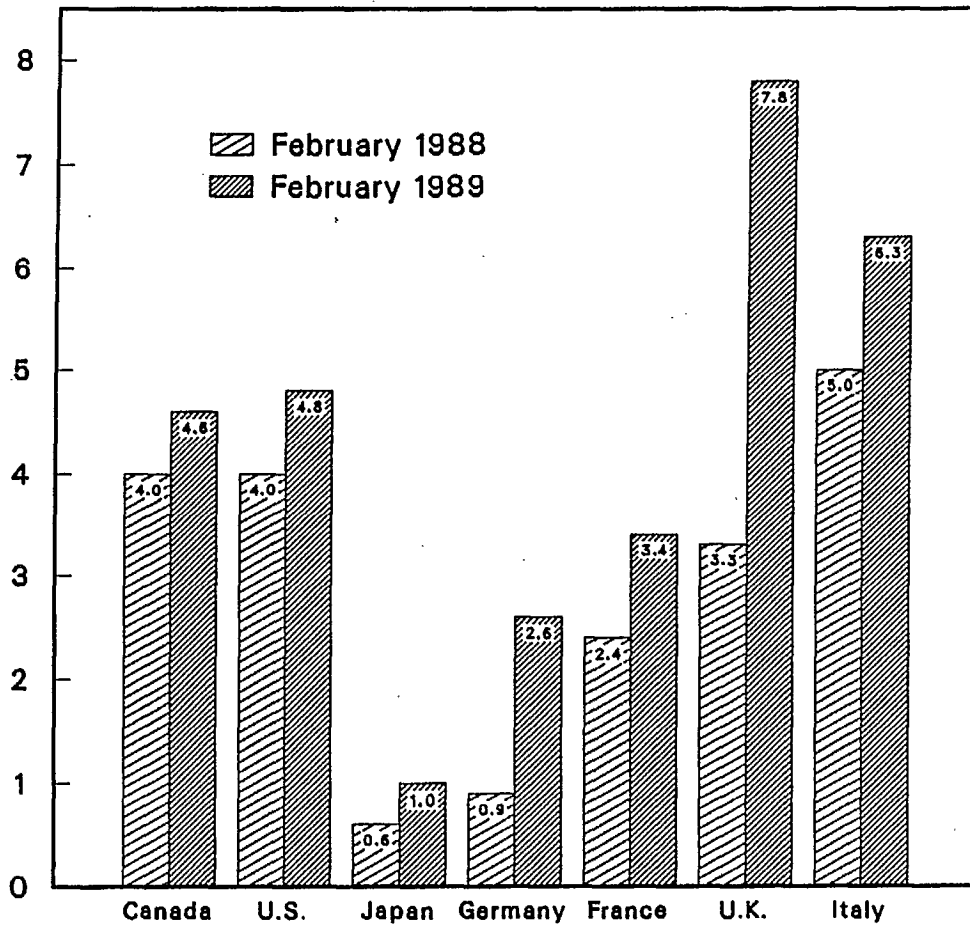


° During the recovery, real output and employment growth in Canada has been among the strongest of all major industrialized countries.

Chart 32

CPI Inflation in G-7 Countries

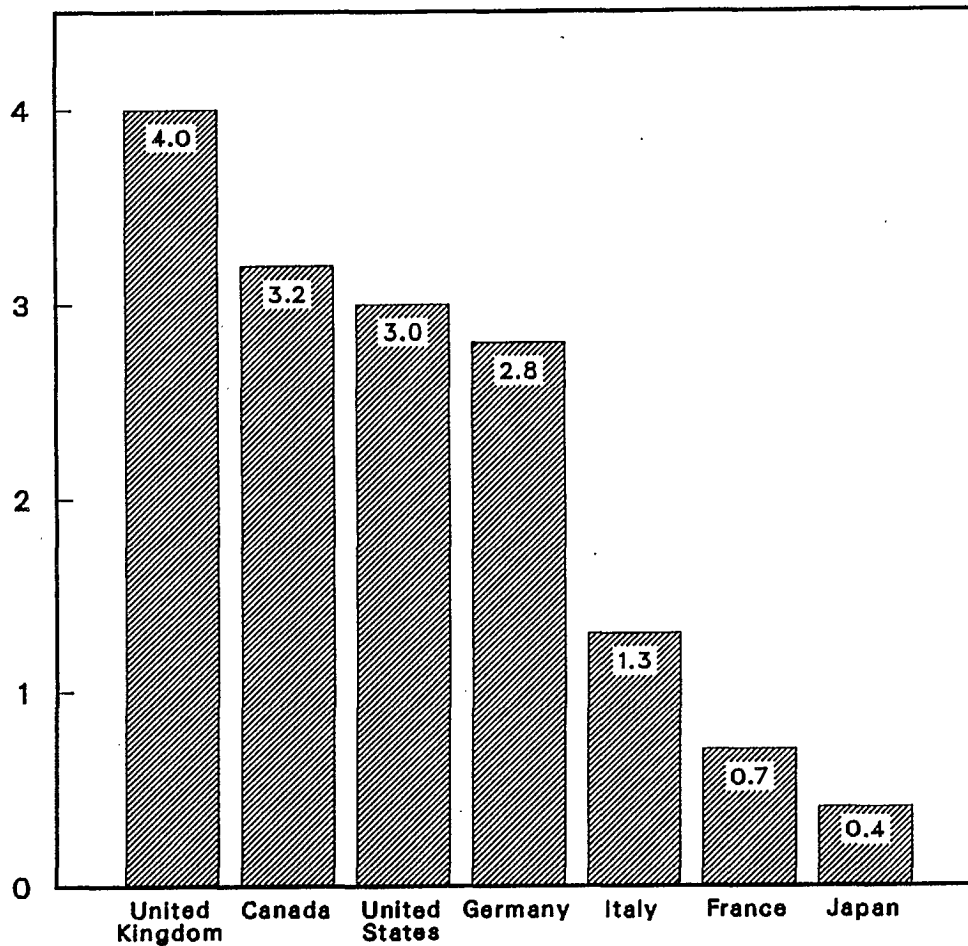
per cent - year over year



◦ The emergence of inflationary pressures over the past year was not unique to Canada. Inflation has risen in every major OECD country.

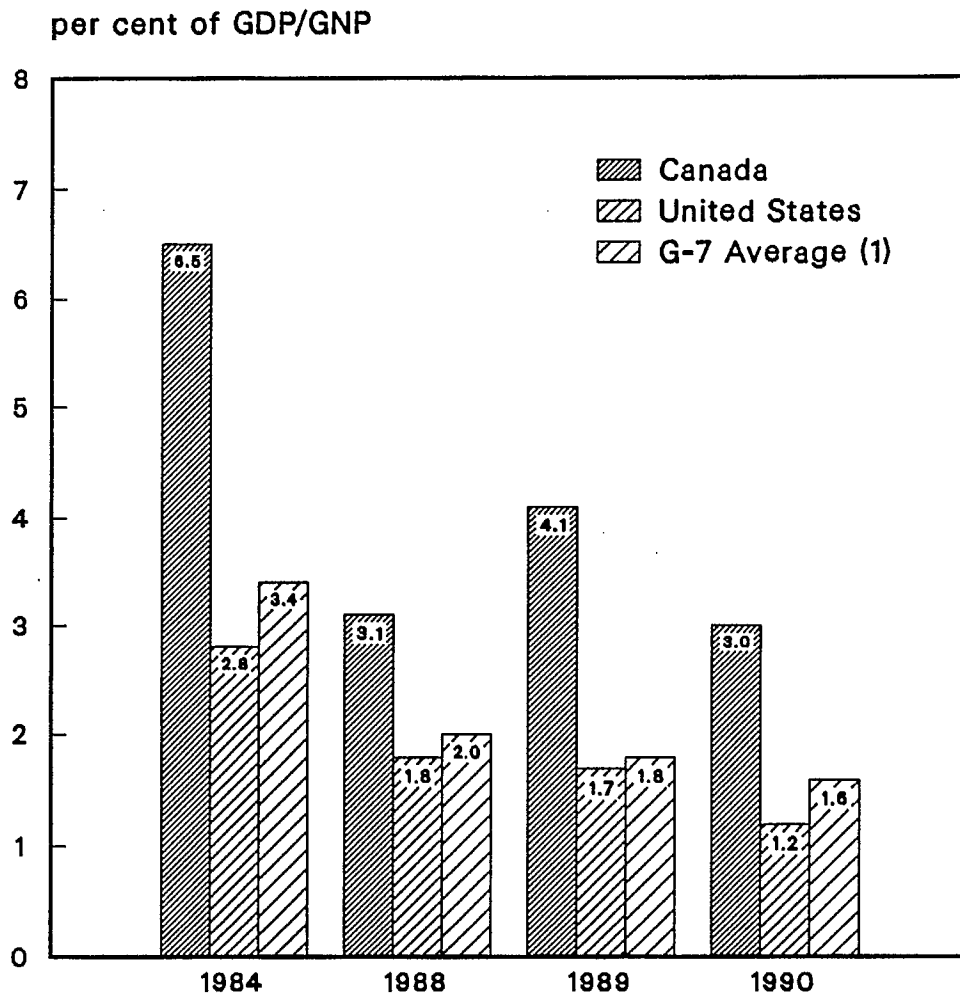
**Change In Short-Term Interest Rates
In the G-7 Countries
First Quarter 1988 to First Quarter 1989**

percentage points



° In response to the mounting inflationary pressures, short-term interest rates have risen substantially in most of the major industrial economies over the last year, especially in the United Kingdom where inflation pressures have been most severe.

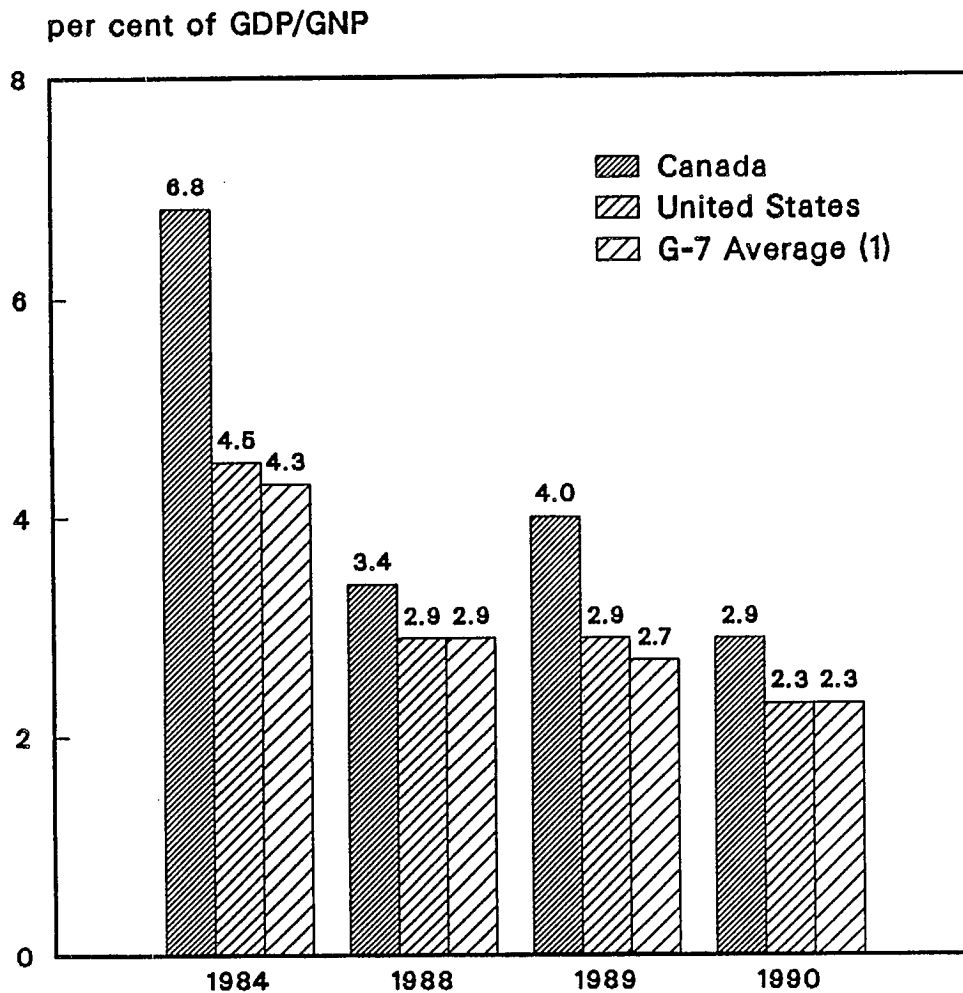
International Comparison of General Government Budget Balances (National Accounts Basis, Calendar Years)



(1) 1980-1981 GDP/GNP weights in U.S. dollars.

- In 1984, the deficit-to-GDP ratio at the general government level in Canada amounted to 6.5 per cent compared to 2.8 per cent for the United States and 3.4 per cent for the G-7 average.
- Between 1984 and 1988, the deficit-to-GDP ratio in Canada improved 3.4 percentage points, compared to a 1.4-percentage-point improvement for the G-7.
- Further improvement in the deficit-to-GDP ratio is projected for Canada and the G-7.

**International Comparison of
Central Government Budget Balances
(National Accounts Basis, Calendar Years)**



(1) 1980-1981 GDP/GNP weights in U.S. dollars.

- Since 1984, all G-7 countries have made progress towards reducing deficit-to-GDP ratios at the central government level.
- In Canada, the central government deficit-to-GDP ratio improved between 1984 and 1988 by 3.4 percentage points, well above the 1.4-percentage-point average improvement achieved for the G-7.
- Further improvement in the deficit-to-GDP ratio is projected for Canada and the G-7.

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Chart 35 International Comparison of Central Government Budget Balances

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Table 1

Recent Canadian Economic Developments

| | 1986 | 1987 | 1988 |
|---|--|-------|-------|
| | (per cent change unless otherwise specified) | | |
| Expenditures (volumes) | | | |
| Gross Domestic Product (GDP) | 3.2 | 4.0 | 4.5 |
| Consumption | 4.3 | 4.7 | 4.3 |
| Housing starts (thousands of units) | 199.8 | 246.0 | 222.6 |
| Residential investment | 13.3 | 15.7 | 4.8 |
| Business non-residential investment | 3.2 | 8.8 | 17.8 |
| Government expenditure | 0.6 | 1.3 | 3.0 |
| Final domestic demand | 3.8 | 5.2 | 5.9 |
| Inventory change (billions of 1981 dollars) | 3.4 | 1.5 | -0.1 |
| Exports | 4.1 | 5.9 | 8.8 |
| Imports | 7.3 | 8.6 | 13.3 |
| Net exports (billions of 1981 dollars) | 13.8 | 11.5 | 6.7 |
| Merchandise trade balance (billions of dollars) | 9.8 | 11.0 | 9.6 |
| Current account balance (billions of dollars) | -10.5 | -10.6 | -11.3 |
| Prices and Costs | | | |
| CPI | 4.1 | 4.4 | 4.1 |
| Total wage settlements | 3.5 | 4.0 | 4.3 |
| Private sector wage settlements | 3.0 | 3.8 | 4.9 |
| Average wages ⁽¹⁾ | 3.8 | 4.7 | 4.8 |
| Unit labour costs | 3.4 | 3.5 | 3.4 |
| Labour market | | | |
| Employment | 2.8 | 2.9 | 3.2 |
| Labour force | 1.7 | 2.1 | 2.0 |
| Unemployment rate (per cent; fourth quarter level) | 9.4 | 8.1 | 7.7 |
| Labour productivity ⁽²⁾ | 0.4 | 1.1 | 1.3 |
| Incomes | | | |
| Labour income | 6.7 | 7.7 | 8.1 |
| Real personal disposable income | 1.4 | 3.1 | 3.3 |
| Corporate profits | -5.4 | 24.1 | 12.7 |
| Personal savings rate (per cent level) | 11.1 | 9.5 | 8.6 |
| Financial markets (per cent; fourth quarter levels) | | | |
| 90-day commercial paper rate | 8.4 | 8.7 | 10.8 |
| Prime rate | 9.75 | 9.75 | 11.9 |
| Longer-term industrial bond rate (Scotia McLeod average) | 10.9 | 11.6 | 11.4 |
| Exchange rate ⁽³⁾ | | | |
| Canada-U.S. (U.S.¢ per Cdn\$) | 72.2 | 76.3 | 82.9 |
| Trade weighted: G-10 (1981=100) | 86.0 | 88.3 | 95.7 |
| Trade weighted: Overseas (1981=100) | 83.3 | 74.5 | 79.5 |

(1) Wages, salaries and supplementary income per employed person.

(2) Real GDP per employed person.

(3) The trade-weighted exchange rate is an index of the value of the Canadian dollar vis-à-vis the currencies of other G-10 nations weighted by their shares of Canadian trade. The trade-weighted overseas exchange rate is a similar index calculated for the currencies of these same countries excluding the United States.

Table 2

The Canadian Economic Outlook: Main Economic Indicators, 1988 to 1990

| | 1988 | 1989 | 1990 |
|---|--|-------|-------|
| | (per cent change unless otherwise specified) | | |
| Expenditures (volumes) | | | |
| Gross domestic product (GDP) | 4.5 | 3.0 | 1.7 |
| Consumer expenditure | 4.3 | 3.1 | 0.9 |
| Residential investment | 4.8 | -2.3 | -8.6 |
| Business non-residential investment | 17.8 | 6.9 | 3.8 |
| Machinery and equipment | 21.6 | 11.3 | 5.6 |
| Non-residential construction | 11.9 | -0.5 | 0.4 |
| Government expenditure | 3.0 | 1.9 | 0.7 |
| Final domestic demand | 5.9 | 3.1 | 0.7 |
| Inventory change (billions of 1981 dollars) | -0.1 | 3.0 | 1.9 |
| Exports | 8.8 | 2.3 | 4.4 |
| Imports | 13.3 | 5.1 | 0.7 |
| Net exports (billions of 1981 dollars) | 6.7 | 2.8 | 8.5 |
| Current account balance (billions of current dollars) | -11.3 | -14.9 | -11.6 |
| Housing starts (thousands of units) | 223 | 198 | 170 |
| Prices and costs | | | |
| CPI | 4.1 | 4.8 | 4.4 |
| GDP deflator | 4.2 | 4.5 | 3.1 |
| Average wage settlements | 4.3 | 5.0 | 4.4 |
| Labour market | | | |
| Labour force | 2.0 | 1.9 | 1.3 |
| Employment | 3.2 | 1.7 | 0.7 |
| Unemployment rate (per cent; fourth quarter level) | 7.7 | 8.2 | 8.5 |
| Incomes | | | |
| Real personal disposable income | 3.3 | 6.1 | -0.3 |
| Corporate profits | 12.7 | 7.2 | -0.5 |
| Personal savings rate (per cent level) | 8.6 | 10.9 | 9.9 |
| Financial market assumptions (per cent) | | | |
| 90-day commercial paper rate | | | |
| Nominal | 9.7 | 12.0 | 10.1 |
| Real ⁽¹⁾ | 5.6 | 7.2 | 5.7 |
| Longer-term industrial bond rate (Scotia McLeod average) | | | |
| Nominal | 11.3 | 11.6 | 11.0 |
| Real ⁽¹⁾ | 7.2 | 6.8 | 6.6 |

(1) Real interest rates are defined as the nominal rates minus the percentage change in the consumer price index.

Table 3

Summary Statement of Transactions, 1984-85 to 1993-94

| | 1984-85 ⁽¹⁾ | 1988-89 ⁽²⁾ | 1989-90 ⁽³⁾ | 1990-91 ⁽³⁾ | 1993-94 ⁽³⁾ |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | (billions of dollars) | | | | |
| Budgetary expenditures | | | | | |
| Program expenditures | 86.8 | 100.0 | 103.5 | 109.0 | 122 |
| Public debt charges | 22.5 | 33.0 | 39.4 | 39.8 | 39 |
| Total | 109.2 | 133.0 | 142.9 | 148.8 | 161 |
| Budgetary revenues | 70.9 | 104.1 | 112.4 | 120.8 | 146 |
| Budgetary deficit | 38.3 | 28.9 | 30.5 | 28.0 | 15 |
| Financial Requirements | 29.8 | 22.0 | 20.5 | 17.7 | 3 |
| Net Public Debt | 199.5 | 321.1 | 351.6 | 379.6 | 440 |
| | (percentage of GDP) | | | | |
| Budgetary expenditures | | | | | |
| Program expenditures | 19.5 | 16.7 | 16.1 | 16.1 | 15.2 |
| Public debt charges | 5.0 | 5.5 | 6.1 | 5.9 | 4.9 |
| Total | 24.6 | 22.2 | 22.2 | 22.0 | 20.0 |
| Budgetary revenues | 15.9 | 17.4 | 17.4 | 17.9 | 18.2 |
| Budgetary deficit | 8.6 | 4.8 | 4.7 | 4.1 | 1.9 |
| Financial requirements ⁽⁴⁾ | 6.7 | 3.7 | 3.2 | 2.6 | 0.3 |
| Net public debt | 44.8 | 53.6 | 54.5 | 56.3 | 54.7 |

Note: Figures may not add due to rounding.

- (1) Actual.
- (2) Estimate.
- (3) Forecast.
- (4) Excluding foreign exchange transactions.

Table 4

Summary of the 1989 Budget Measures

| | <u>1989-90</u> | <u>1990-91</u> |
|--|-----------------------|----------------|
| | (millions of dollars) | |
| <u>Expenditure Restraint Measures</u> | | |
| Transfer to persons ⁽¹⁾ | - | 215 |
| Transfers to other levels of government | 265 | 505 |
| Major subsidies and other transfers | 188 | 92 |
| Major payments to Crown corporations | 108 | 223 |
| Defence | 575 | 611 |
| Official Development Assistance | 360 | 360 |
| Operations of government | 49 | 73 |
| <u>Revenue Measures</u> | | |
| Financing the unemployment insurance program | 425 | 1,900 |
| Tax measures | | |
| - Personal income tax | 545 | 735 |
| - Corporate income tax | 410 | 970 |
| - Federal sales tax | 795 | 1,680 |
| - Other revenue measures | 1,520 | 1,665 |
| <u>Total</u> | 5,240 | 9,029 |

(1) Achieved through the operation of the tax system.