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Basic budgetary instincts (and impact of slower growth) on display

By Warren Lovely, Daren King, Taylor Schleich & Kyle Dahms

Summary

Budget 2023 is hardly a radical departure for the Trudeau Liberals, as fresh action was taken on a number of fronts. Priority areas include inflation relief (geared to low-income Canadians), health care (an ever-present pressure point if there ever was one), and investment in clean growth/transition (vital to the government's climate objectives, if not our longer-term quality of life).

To be fair, the total cost of the new measures (net of savings/efficiencies) outlined since a fall economic update isn't necessarily overwhelming, totaling $43 billion over six years and thus averaging ~$7 billion/year. But note that a sizeable amount, $13 billion, was booked into the outgoing 2022-23 fiscal year, which has precisely three days left to run. The resulting federal deficit is not particularly outsized when lined up against the U.S. or many other advanced sovereigns but given our overheated economy, where joblessness has hovered at historical lows, it wasn't necessarily clear that marginal stimulus was much needed, appropriate or desirable. There are apt to differences of opinion on this budgetary policy, particularly across the aisle in the House of Commons. Alas, the feds have had some difficulty suppressing a most basic (budgetary) instinct—that involving net new spending—which perhaps isn't all that surprising given this minority government counts on the continued cooperation of a left-leaning third party for its political survival.

In terms of budget basics, the combination of a weaker global backdrop (exacerbated more recently by banking sector strife) and fresh policy measures mean marginal red ink. For the soon-to-be-finished 2022-23 fiscal year, a budget shortfall of $43 billion (1.5% of GDP) is now projected—bettering the original plan from Budget 2022 but coming in marginally weaker than the $36.4 billion deficit flagged in November. For the coming fiscal year (i.e., 2023-24), a $40.1 billion deficit has been forecast, equivalent to 1.4% of GDP. Gone is the prior assumption that federal deficits would be a thing of the past come 2027-28, as the fresh baseline scenario projects deficits over the entire fiscal horizon.

Again, it's worth highlighting that Canada's deficit is comparatively modest by international standards. Greater fiscal sustainability then remains something of a strategic advantage for Canada, although more recently we can credit the provinces for moving the dial in the right direction. The federal government holds up its debt-to-GDP ratio as a key fiscal anchor, pledging to keep it moving lower over the medium-term. That doesn't rule out a near-term increase for 2023-24 (to 43.5%) mind you. Relatively contained leverage is one thing, but the interest bite is increasingly in focus, particularly in the wake of rapid-fire/aggressive central bank rate hikes. Public debt charges had already shot up in 2022-23 and will expand aggressively again in 2023-24, consuming a larger share of revenue (9.6%). Here again, things look less scary if you're willing to extend your gaze back to the 1980s or 1990s.

There's much to say on the borrowing program and associated debt management strategy, with complete details below. Despite having been stung by higher interest rates, the government is opting to shorten up the life of its debt, growing its T-bill program at the expense of bonds. They could then benefit if today's restrictive interest rates are unwound. Within the bond program, gone are 3s. Despite this, the weighted average term moves lower as some 10- and 30-year supply shifts to 2s and 5s with the earlier cancellation of ultras and RRBs helping 'term in' debt too. Of note, the government will consult on the consolidation of the explicitly guaranteed Canada Mortgage Bond (CMB) program, where prospective consolidation could generate interest savings for deployment into priority areas.

Selected highlights

- **Economic backdrop ➢ *Inflation is decreasing, but so is economic growth***

  Since 1994, the private sector consensus has been used as the basis for fiscal planning. No change here, with the latest survey conducted in February. Highlights of the economic outlook, as it stands:

  - **GDP ➢ *A shallow recession on the horizon*** – After experiencing robust growth of 3.4% in 2022, the Canadian economy is expected to face headwinds in 2023 as rising interest rates to combat inflation, as well as deteriorating global financial conditions, lead to slower growth. Indeed, the budget is based on a shallow recession scenario in 2023, with real GDP expected to grow by only 0.3% this year—a conservative view compared to our own forecast. This recession would indeed be of small magnitude as GDP would only decrease by 0.4% from peak to trough, well below the 4.4% contraction observed during the financial crisis of 2008-09. Economic growth in Canada is then expected to firm as early as 2024, with the budget forecasting real GDP growth of 1.5% next year and average growth of 2.1% between 2025 and 2027. After growing by an impressive 11.0% in 2022, thanks in part to favourable terms-of-trade, Canada's nominal GDP is also expected to grow modestly in 2023. With a global economic slowdown, which is assumed to take pressure off commodity prices, nominal GDP growth is set to grow by only 0.9% this year. Nominal GDP is then expected to increase by 3.6% in 2024 and an average of ~4%/year from 2025 to 2027. The budget also includes two alternative growth scenarios, a more severe recession scenario where nominal GDP would be $41 billion lower than the baseline scenario on average per year, and a stronger growth scenario where nominal GDP would be $41 billion higher.
  - **Labour markets ➢ *A tight labour market braving the weather*** – Facing persistent labour shortages despite record population growth, Canada's unemployment rate stood at just 5.0% in February 2023, lower than the average of 5.3% in 2022. However, the mild recession

projected in the budget will result in job losses, so the average unemployment rate is expected to rise to 5.8% in 2023 and to 6.2% in 2024. (To give a more precise sense of the swing, the unemployment rate is expected to rise from its current near record-low level of 5.0% to 6.4% by the end of 2023, before gradually declining to 5.7% by 2026.) Given the current tight labour market conditions, there is every reason to believe that the upcoming economic downturn will not have as great an impact on the labour market as it did during the 2008-09 financial crisis, when the unemployment rate rose from 6.2% to 8.8%.

- **Inflation & interest rates ➢ *As inflation eases, short term rates should decrease too*** – The significant rise in inflation that we have experienced in 2022 has certainly been the biggest concern of the economic community in the last year and certainly an issue for the government. Indeed, inflation averaged 6.8% in 2022 and even peaked at 8.1% in June last year. However, the tightening of monetary policy seems to be paying off in Canada, as inflation has been declining for four months in a row now and reached 5.3% in February. On average for 2023, inflation is expected to be at 3.5%, and should fall below the 3% mark in the third quarter of this year, returning to the Bank of Canada's target of 2% by the second quarter of 2024. With inflation now declining, the private sector consensus expects the Bank of Canada's policy rate to remain at 4.5% until the fall of this year, before gradually falling to 3% by the end of 2024.

Fiscal outlook ➢ *New investments and weaker growth profile add red ink, complicate return to balance*

On their face, the explosive nominal GDP gains and resilient labour markets that characterized Canada in both 2021 and 2022 paid fiscal dividends for Canadian governments. As was confirmed in the lead up to today's federal budget, several provinces used bonus revenue to race back to balance in 2022-23, their debt burdens ending the fiscal year at notably lower-than-expected levels. While the feds have made noted progress from the depths of the pandemic, Canada's central government is still ending 2022-23 in the red, sees deficits extending indefinitely and is carrying a relatively heavier debt burden than what we now see at the provincial level of government. With today's budget, the combination of fresh investments and a global slowdown mean larger (although not necessarily large) deficits compared to that telegraphed last November. All is not lost, however, with Canada's federal government still in relatively healthy shape vs. other large advanced economy sovereigns.

- **Latest revision to 2022-23 ➢ *A bigger shortfall with new actions jammed into outgoing fiscal year*** – For the outgoing fiscal year (i.e., 2022-23), Ottawa now estimates it ran a budgetary shortfall of $43.0 billion. This latest fiscal tally constitutes a net improvement vs. the original plan set down in Budget 2022 (deficit originally forecast at $52.8 billion). It is, however, a deterioration compared to the more recent guidance offered in a fall update (deficit revised to $36.4 billion). To be clear, the underlying economic backdrop might have allowed for an even smaller deficit than what was flagged back in November, but a net $13 billion of policy measures have been booked into 2022-23, the majority traced to today's budget which arrives precisely three days before the end of the fiscal year. Perspective as they say, is everything. And while we'd be hard-pressed to dub the $43 billion deficit 'outsized', representing as it does a moderate 1.5% of GDP, don't lose sight of the fact that the national economy was operating above its productive potential last year. As noted, several provinces used surprising economic buoyancy to balance their books, whereas the federal government—having dug itself a larger whole during the peak of the pandemic—has yet to get itself back to balance.
- **Budgetary outlook for 2023-24 ➢ *$40 billion deficit, with weaker economy and new measures at work*** – With fiscal 2023-24 about to dawn, Ottawa will be looking to run a budget deficit of $40.1 billion (pursuant to its baseline scenario). That would leave the deficit little unchanged on a year-over-year basis (ever so slightly better as a share of GDP, moving from 1.5% to 1.4%). Nearly $10 billion has been added to the deficit vs. a November update. In reconciling the change from the fall update to now, you can trace one half of the extra red ink to 'economic developments' and an essentially equal share to new policy actions. Despite the slowdown in nominal growth, total revenue is forecast to expand by 4.5%, compared to a 2.5% increase for program spending. Public debt charges will grow more rapidly, as explored in the section below dedicated to federal debt.
- **Timeline for deficit elimination ➢ *Who knows, with 2027-28 timeline seemingly no longer plausible*** – The medium-term fiscal trajectory assumes a degree of budgetary progress. But it's gradual. Once again, the combination of a weaker underlying economic outlook and new commitments slows the fiscal recovery path and short-circuits a planned return to balance. Under the current baseline, Ottawa will still be running a deficit of $14 billion come 2027-28, whereas previously (in November) a balanced budget was thought possible by then. In all, $69 billion of red ink has been added over the full six-year period inclusive of 2022-23 to 2027-28 vs. November's projections, a net budgetary erosion that averages out to ~$11 billion/year.
- **Scenario analysis & sensitivities ➢ *To be interpreted with caution*** – Once again, the budget outlines scenarios on either side of the baseline. This has quickly become common practice for Canadian governments and provides some marginal utility when the outlook is cloudy (as it is now). An 'upside' scenario is all well and good, but it might be fair to say that many are more interested in downside risks as restrictive policy rates weigh and banking sector unease reverberates. Under an adverse/downside scenario, where real growth is 0.5%-pts slower than the baseline in both 2023 and 2024, the federal deficit could widen to/peak at $47.0 billion in 2023-24, further slowing the return to balance. In terms of key fiscal sensitivities, a 1%-pt surprise in real GDP is believed to be worth $4.9 billion in year one. A 1%-pt change in the GDP deflator has a net fiscal impact of $2.3 billion in the first year. Interest rate sensitivities, which we're increasingly mindful of, are discussed in a dedicated debt section below.

New measures ➢ *Health/dental & corrections and other improvements*

At a little over 250 pages, the 2023 Budget Plan is a bit light compared to previous years. It remains that there is still quite a bit of action and a slew of new measures. At ~$43 billion over six years, these represent marginal stimulus in a higher inflation environment. Distilled to

their most basic elements, core focus areas include affordability, health/dental care, sustainable growth, although action items extend to several other corners. Key components/elements include:

- ***Affordability (helping counter inflation)*** – The last year has seen price pressures negatively impact households across the country and the government is seeking to improve the situation. In response, one of the line items in Budget 2023 is the New Grocery Rebate for Canadians. The latter is targeted at low and modest-income Canadians/families and essentially marks a continuation of the GST tax credit and will be delivered under the same mechanism. This one-time payment will represent an additional $2.5 billion expenditure and will not be recurring at this time.

  A measure aimed at students will see an enhancement for student financial assistance in 2023-2024. It represents a one-time expenditure of $800 million.

  An interesting development is the Code of Conduct to Protect Canadians with Existing Mortgages. The latter is designed to help those who are facing higher mortgage payments due to variable rate mortgages. While this measure does not come with a price tag, it does seek to provide a framework for lenders to accommodate borrowers in difficult situations. Notably a temporary amortization extension beyond the normal 25 years.

  The housing side was relatively light in the latest Budget with investments directed towards urban/rural/northern indigenous housing strategy to the tune of $1.9 billion over the next 6 years. The first debentures of this commitment will take place in 2024-2025.

  Overall, the affordability component will represent $5.2 billion in new spending.

- ***Health and dental care for all*** – The largest portion in new expenditures stems from the latest health measures announced in Budget 2023. Specifically, the investments for public health care will see a slew of measures aimed at topping up the Canada Health Transfer, provincial agreements for health system needs as well as workers wage support. In the nearest term, the government is injecting $2 billion in 2022-23 for urgent care. Another top-up in the form of a 5% guarantee funding increase for the CHT over the next 5 years will then result in a permanent funding increase. This is estimated at $17.1 billion over the next 10 years. Bilateral agreements negotiated with the provinces are expected to amount to $25 billion over the next 10 years and should seek to address issues in the respective health systems. The government will also provide $1.7 billion over the next five years to augment wages for support staff in a healthcare setting.

  Public health care investments total $23.4 billion in new expenditures over the next 6 years.

  One of the highlight elements of the latest budget is the New Canadian Dental Care Plan. This fixture was a necessary addition to garner support from the NDP wing and Budget 2023 seeks to formalize the program. The coverage will apply for uninsured Canadians with an annual family income below $90,000 with no co-pays for those under $70,000. Coverage would start as early as the end of 2023. The measure will cost $13.0 billion over the next five years starting in 2023-24 with a $4.4 billion ongoing for Health Canada to administer the Canadian Dental Care Plan. Including the funds already provisioned in the Fiscal Framework, new spending will total $7.3 billion over the next 6 years.

  Overall, the health and dental care component will represent $31.3 billion in new spending.

- ***Made-In-Canada Plan: Affordable Energy, Good Jobs, and a Growing Clean Economy*** – The budget provides a new federal toolkit for investing in the clean economy: a set of clear and predictable investment tax credits, low-cost strategic financing, and targeted investments and programming. Almost half of the new spending announced in the 2023 Budget ($20.9 billion) will be used to implement these new measures.

  The rollout of this plan will be slow in 2023-24, as the largest new expenditure will be $625 million for Canada's Labour Market Transfer Agreements, a program to help Canadians transition to a new job by providing training, career counselling and job search assistance.

  Thereafter, the budget provides a range of new tax credits starting in 2024 to increase investment in clean technologies. The first on the list is the new tax credit for clean electricity, which proposes to introduce a 15 per cent refundable tax credit for eligible investments like non-emitting electricity generation systems. By the end of the fiscal year 2027-28, the cost of this new tax credit is expected to be $6.3 billion, with $800 million incurred in fiscal year 2024-25.

  Second in line is the new Tax credit for clean technology manufacturing which proposes a refundable tax credit equal to 30 per cent of the cost of investments in new machinery and equipment used to manufacture or process key clean technologies, and extract, process, or recycle key critical minerals. By the end of the fiscal year 2027-28, the cost of this new tax credit is expected to be $4.51 billion, with $1.015 billion incurred in fiscal year 2024-25.

  The third major tax credit introduced in the budget is the Tax credit for clean hydrogen. The support of this new measure will vary between 15 and 40 per cent of eligible project costs, with the projects that produce the cleanest hydrogen receiving the highest levels of support. By the end of the fiscal year 2027-28, the cost of this new tax credit is expected to be $5.56 billion, with $330 million incurred in fiscal year 2024-25.

  In addition to these new tax credits, this budget provides $1.09 billion over six years to support clean energy projects.

  In a follow-up to the 2022 Fall Economic Statement, the Canada Growth Fund is being delivered in Budget 2023. The $15 billion dollar fund is launched with the goal of attracting some of the significant sums of private capital waiting to be deployed on clean economy initiatives. In the announcement, the Public Sector Pension Investment Board (PSP Investments) was chosen to manage the assets and deliver on the mandate of attracting capital. The fund will begin investing in the first half of 2023.

- ***Reconciliation and more*** – A portion of the new measures are aimed at helping advance reconciliation and build a better Canada. There was a lot of line-items in this section, but the major outlays could be found for investments in indigenous communities with the

total running at $3.9 billion over the next 6 years. The largest of that occurring in 2022-23 with the Gottfriedson Band Class Settlement Agreement taking $2.8 billion to create a trust to address harms caused by the residential school system.

Clean air and water measures will take up $800 million over the next five years.

Seeking to develop stronger and more inclusive communities, the government has earmarked $1.9 billion over the next 5 years with about $1 billion being dedicated to supporting the official languages.

Additional investments in the same tangent as those described above will total $2.1 billion over the next 6 years.

Overall, the net fiscal impact of the aforementioned measures for reconciliation and improving Canada registers at $9.1 billion.

- ***Other*** – International measures meant to bolsters Canada`s leadership on the world stage were relatively constrained with the net fiscal impact registering at $728 million over 6 years in terms of new spending. This is in addition to previously announced investments aimed at increasing NATO`s Common Budget.

  A few measures will be implemented to help improve services for Canadians. Notably, $1.8 billion will be invested over the next five years to help improve airport operations and screenings. The total outlays for improving services registers at $2.1 billion over the next six years.

- ***Savings*** – One aim of Budget 2023 was to find ways of reducing costs at the government level as well as finding new revenue streams to help offset new spending. On the Effective Government front, it's expected that refocused government spending will allow for savings of $12.8 billion on a six-year period. Notably, cutting down on consulting and travel expenses should free up $7.1 billion over the next five years.

  Further revenues will be provided by improvements to the tax system. The alternative minimum tax will be revamped and should provide $3.0 billion over the next 5 years. Taxes on share buybacks should provide around $2.5 billion over 5 years starting as of 2023-24. Dividends received by financial institutions will now count as business income after 2023 and should increase federal revenues by $3.15 billion over 5 years with an estimated $790 million ongoing afterwards. The combined impact of these measures could translate into an additional $11.6 billion of revenues over the next five years.

  Overall, the combined impact of these measures is expected to offset $21.5 billion of the new spending.

Debt burden & interest bite ➢ *Debt-to-GDP the fiscal anchor, as interest bite grows*

Ottawa looks to have ended 2022-23 with a debt load of $1.18 trillion, equivalent to 42.4% of GDP. That came in some $33 billion or 2.7%-pts of GDP lighter than the original Budget 2022 plan. Ongoing budgetary deficits mean debt will continue to accumulate, the debt burden edging up to 43.5% in 2023-24 under the baseline scenario before being placed on a downward trajectory thereafter. It's currently believed that the debt-to-GDP ratio will slip under 40% by 2027-28 (the final year of the published fiscal framework).

Debt-to-GDP remains a stated fiscal anchor for the government, where the commitment is to keep this closely watched ratio moving lower over the medium term. So yes, the debt-to-GDP ratio is allowed to edge up in the coming fiscal year, just so long as it is projected to be lower at the end of the fiscal horizon. (See what they did there.) Reflecting on the published scenarios, a slower growth trajectory would see debt-to-GDP rising through 2024-24, topping out at 44.4%.

The budget wouldn't be complete if it didn't highlight Canada's net debt edge vs. the G7. If anything, Canada's already significant general government net debt edge is likely to grow in the coming years, at least based on the latest IMF thinking. Canada's advantage on gross debt may not be nearly as significant, but we generally view our broad government sector as on a more sustainable footing than what you might see in several advanced economy peers. And clearly Canada has some fairly impressive credit ratings to reinforce the point (S&P AAA, Moody's Aaa, Fitch AA+, DBRS AAA).

In the wake of aggressive monetary tightening, interest rates and the resulting level of public debt charges, are increasingly in focus. Ottawa's debt profile has long embedded greater interest rate reset risk than at the provincial level, and the impact of higher interest rates is clearly being transmitted more quickly here. The related budgetary figures speak for themselves; public debt charges are expected to total $43.9 billion in 2023-24, jumping $9.4 billion or 27% vs. the outgoing fiscal year and standing nearly double what was observed just two years' prior. Scaled to total federal revenue, the interest bite looks to rise to 9.6% in the coming fiscal year. That's up from 7.9% in 2022-23 or a relatively skinny 5.9% in 2021-22, but would still be far, far removed from the ugly days of the mid-1980s to mid-1990s (when a third of Ottawa's revenue dollar was routinely needed to service the federal debt). Not surprisingly, you'll see the budget putting today's larger debt charges in this historical context. Still, it's clear that higher interest rates are consuming non-trivial fiscal room—room that might have been used for any number of other things, be it priority investments, tax relief or debt containment. Consider that no other major spending line item will grow as fast over the coming five years. All this speaks to the idea that 'there's no free lunch'. And again, the structure of the federal debt—including a non-trivial T-bill program that rolls frequently and loads of shorter-dated bonds—leaves the government exposed to a bigger and more immediate hit when interest rates step up. The corollary, it should be noted, also holds, which could mean quicker relief should central banks pivot to less restrictive overnight policy rates as inflation gradually comes to heel.

Related sensitivity analysis suggests a 100-basis point parallel shift higher in the GoC yield curve costs the government an extra $4.0 billion (net) in year one and more like $7 billion (net) by year five, once more securities have been rolled over. As we noted in last year's budget commentary, this is one sensitivity to keep your eyes on, given that interest rate volatility remains elevated and the path forward for central banks a topic of much debate.

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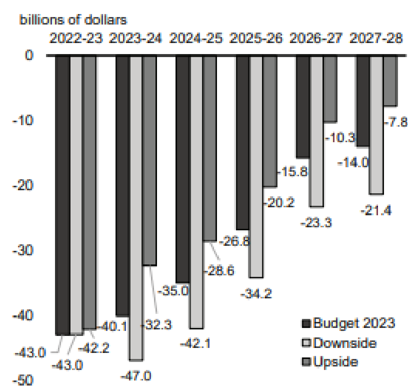
- **Debt Management Strategy ➢ *Betting on lower rates ahead***

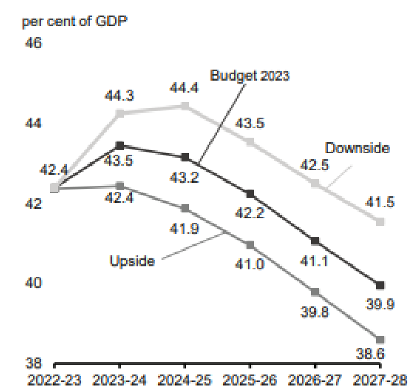
What does the updated fiscal outlook mean for the Government of Canada's borrowing plans? Bear with us as we walk through several important takeaways from the fresh Debt Management Strategy, included as always as an Annex to the budget.

- The aggregate principal amount to be borrowed in 2023-24 is projected to be $421 billion. Roughly 85% of this is expected to be maturity refinancing, with the balance left to fund the projected financial requirement.
- When it comes to the Treasury bill stock, today's DMS signals an end-of-fiscal year outstanding target of $242 billion. That would be a significant $40 billion (+20%) increase from current levels. Based on our projections (and assuming a roughly status quo split of 3-, 6- and 12-month supply), that would require average biweekly auctions of ~$20 billion (currently $18 billion). Cash management bills will again be used in 2023-24 "when needed."
- 2023-24 gross bond issuance is projected to total $172 billion, representing a year-over-year decline of $13 billion (-7%). Meanwhile, there are $153 billion in GoC bonds set to mature this year, meaning the bond stock will grow by a modest $19 billion. However, it's also important to incorporate the impact of the Bank of Canada's quantitative tightening (QT) program on supply. Indeed, the central bank owns almost half ($71 billion) of the maturing GoC bonds in 2023-24. Non-BoC investors will be tasked with refinancing this debt (assuming QT continues all year) which means effective net supply to the Street is more like ~$90 billion. While that may sound large, and historically it is, that's roughly the same as what investors took down in 2022-23. Still-abundant liquidity in Canada's financial markets and strong, if fickle, foreign demand should allow these to be taken down without issue but this will be something we'll be monitoring closely.
- Importantly, there will be a non-trivial shift in where bonds are placed on the curve. Most notably, the 3-year sector will be cancelled after two final auctions in the April-June quarter. This decision reflects lower funding needs, the need to maintain sufficient liquidity in core funding sectors and feedback from prior DMS consultations. There will also be a redistribution in the government's core funding sectors. Both the 2- and 5-year sector will receive $9 billion in additional supply, while the 10-year sector will see $12 billion fewer bonds sold and 30-year issuance will be cut by $4 billion. Reflecting this, target benchmark sizes for 2s and 5s will be increased slightly, while those for 10s and 30s have been marked lower. Moreover, auction sizes are likely to rise in the 2- and 5-year sector, while 10- and 30-year auction sizes look to decline at some point in the fiscal year.
- These shifts in issuance will lead to a continued 'terming in' of supply after a greater emphasis was placed on locking in low long-term interest rates early in the pandemic. The implied weighted average term (WAT) of issuance is around 6.2 years, after ~7 years in 2022-23 and ~9 years in 2021-22. That is still somewhat longer than the ~5-year WAT that prevailed pre-COVID. The transition away from a long-term emphasis will lead to "a more sustainable debt structure that ensures sufficient issuance across all sectors and better balances the costs and risks of Canada's debt program."
- Cash management bond buybacks will continue in 2023-24 to help manage cash flows ahead of large bond maturities.
- Despite our and investors' requests, there was no reference to bringing back the Real Return Bond program.
- Ultimately, the government did not issue a green bond in 2022-23 and for now, the DMS doesn't pencil in any issuance here for 2023-24. They are, however, committed to regular green issuance and will "continue to monitor developments related to green investment taxonomies." They'll also continue exploring a Sustainable Bond Framework which could add social and transition bonds to the mix.
- The DMS announced that the government is considering consolidating the Canada Mortgage Bond program into the regular GoC borrowing program. This "represents an opportunity to reduce debt charges and reinvest savings into important affordable housing programs." The government intends to undertake market consultations but hasn't pledged to give further details until the budget update in the fall.
- Net requirements for the exchange fund account are estimated to be US$13 billion in 2023-24. As always, the mix of funding sources can and will vary in response to a number of considerations including cost, market conditions and objectives. Potential funding sources include a US-dollar paper program, MTNs, cross-currency swaps and the issuance of global bonds.

Federal Budgetary Balance under Economic Scenarios



Federal Debt-to-GDP under Economic Scenarios



Sources: Department of Finance Canada February 2023 survey of private sector economists; Department of Finance Canada calculations.

Summary Statement of Transactions

Table A1.5
Summary Statement of Transactions
billions of dollars

		Projection					
	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027	2027–2028
Budgetary revenues	**413.3**	**437.3**	**456.8**	**478.5**	**498.4**	**521.8**	**542.8**
Program expenses, excluding net actuarial losses	468.8	435.9	446.6	463.3	475.9	489.2	505.4
Public debt charges	24.5	34.5	43.9	46.0	46.6	48.3	50.3
Total expenses, excluding net actuarial losses	**493.3**	**470.4**	**490.5**	**509.3**	**522.5**	**537.6**	**555.7**
Budgetary balance before net actuarial losses	-80.0	-33.2	-33.7	-30.8	-24.1	-15.7	-12.9
Net actuarial losses	-10.2	-9.8	-6.4	-4.2	-2.8	0.0	-1.1
Budgetary balance	**-90.2**	**-43.0**	**-40.1**	**-35.0**	**-26.8**	**-15.8**	**-14.0**
Financial Position							
Total liabilities	1,838.7	1,870.0	1,912.0	1,978.5	2,037.1	2,084.3	2,127.6
Financial assets	600.3	578.9	578.4	606.9	635.5	665.5	694.2
Net debt	1,238.4	1,291.0	1,333.6	1,371.6	1,401.7	1,418.8	1,433.4
Non-financial assets	103.9	110.3	112.7	115.8	119.0	120.4	121.0
Federal debt[1,2]	**1,134.5**	**1,180.7**	**1,220.8**	**1,255.8**	**1,282.7**	**1,298.4**	**1,312.5**
Per cent of GDP							
Budgetary revenues	16.5	15.7	16.3	16.4	16.4	16.5	16.5
Program expenses, excluding net actuarial losses	18.7	15.7	15.9	15.9	15.7	15.5	15.4
Public debt charges	1.0	1.2	1.6	1.6	1.5	1.5	1.5
Budgetary balance	-3.6	-1.5	-1.4	-1.2	-0.9	-0.5	-0.4
Federal debt	45.2	42.4	43.5	43.2	42.2	41.1	39.9

[1] The opening financial position for 2022-23 has been adjusted from the closing position shown in the *Public Accounts of Canada 2022* to reflect the impact of two new accounting standards for financial instruments and asset retirement obligations that came into effect in 2022-23. For further details regarding these adjustments, see Note 8 in The Fiscal Monitor – August 2022, available on the Department of Finance website.

[2] The projected level of federal debt for 2022-23 includes an estimate of other comprehensive income of $1.1 billion for enterprise Crown corporations and other government business enterprises, and an estimate of $2.9 billion for net remeasurement gains on swap agreements and foreign exchange forward agreements.

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Economics and Strategy

Montreal Office
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Kyle Dahms
Economist
kyle.dahms@nbc.ca

Daren King, CFA
Economist
daren.king@nbc.ca

Jocelyn Paquet
Economist
jocelyn.paquet@nbc.ca

Alexandra Ducharme
Economist
alexandra.ducharme@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Toronto Office
416-869-8598

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.Schleich@nbc.ca

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