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Not exactly restraint, but hot economy accelerates deficit paydown

By Warren Lovely, Stéfane Marion, Matthieu Arseneau & Taylor Schleich

Summary

With a freshly inked confidence agreement with the opposition NDP in hand, Justin Trudeau's Liberal minority government presented an expansive budget Thursday. It's the first budget since being re-elected late last summer and comes at a pivotal time for an overheated Canadian economy. Given NDP support, it's a budget that will survive a minority Parliament to be passed into law.

Riding a resilient domestic economy and aided by stronger commodity prices, revenues have been placed on a much-improved track. There are a series of new investments/priorities (not all of which involve new outlays). New investments build on those previously committed to, and under no circumstances should federal spending be considered lean. Still, with the money rolling in and the government targeting key sectors for new taxes, the net result is less red ink vs. prior guidance… for the fiscal year that just ended and each and every year of the fiscal plan. The 2022-23 deficit is pegged at $53 billion or 2% of GDP, less than half of where things stood in 2021-22. A balanced budget has not been formally committed to, but the 2026-27 guesstimate for the budget balance suggests they could be nearly there in five years' time.

Runaway prices for a growing number of goods and services have sparked an affordability crisis that governments at all levels feel compelled to respond to. For the feds, the chief affordability concern relates to housing. Hence, the budget offers a suite of welcomed initiatives, including marginal money to spur needed supply alongside action to stamp out speculation and unsavory demand elements (that includes flippers and non-residents). They won't admit as much, but the federal government has some responsibility for housing affordability via enhanced immigration quotas, since new entrants require a place to live. Moreover, new or expanded tax incentives for first-time home buyers will presumably add to housing demand. Money for new housing was hardly the only thing on offer. After launching a national childcare program, the Liberals turned their focus to dental care (which not coincidentally is an NDP priority item). For the provinces, a significant, immediate and permanent enrichment of the Canada Health Transfer (CHT) will have to wait. In its place is a deeper and broader federal incursion into their traditional territory. In the wake of Russia's unprovoked invasion of Ukraine, the defense envelop gets beefed up.

Clearly, there are major economic transitions at play, involving shaking off the pandemic and positioning for cleaner/more productive growth. So as extraordinary COVID-supports ease (allowing for progress on the deficit), the budget outlined a carbon capture tax regime that's presumably vital to achieving the government's environmental aspirations. Small businesses get a tax break (by adjusting tax rate phase-out thresholds). Banks/insurers weren't as lucky, as the budget follows through on a Liberal pledge to levy a special surtax on excess profits. It's not so clear how taxing successful industries and individuals more heavily spurs/supports long-term productivity growth and/or enhanced competitiveness—two areas where Canada has some work to do. This is a bad signal for investors, since the unpredictability of taxation is never a good thing when it comes to encouraging investment. There was action to bolster supply chains and spur critical mineral development.

Even if some measures miss the mark, marginal investments for an economy already characterized by full employment and decades-high inflation keeps pressure on the Bank of Canada to lean the other way via aggressive monetary policy tightening. Next up on that front: An expected 50 bp hike at the BoC's April 13th rate setting, alongside details/confirmation of balance sheet run-off, aka Quantitative Tightening.

Ottawa has committed to keep debt-to-GDP headed lower, although that's not the most restrictive fiscal anchor one could envision. No question, the fresh slope for the debt curve looks much improved vs. Budget 2021. Moreover, Canada's government sector remains less heavily indebted than other large, advanced economies, reflected in the sovereign's superior credit ratings. Still, with interest rates moving up (and fast), the bill on Ottawa's incremental debt load will eventually come due. Indeed, public debt charges look to be one of the fastest growing expenditure items in the years to come, implying a greater deadweight loss fiscally speaking. Gross bond supply is earmarked at $212 billion, off $43 billion vs. last fiscal year. The bond program is getting both greener and shorter, the so-called 'term out' of the GoC bonds getting walked back a bit. Even with supply slowing, the BoC's imminent balance sheet run-off means we'll need to find homes for GoC bonds like never before. Sure, there's still excess liquidity to help manage through this process, but the net supply/QT dynamic (plus higher realized/expected inflation and the required dose of rate hikes) is enough to keep the GoC bond market on the defensive this year.

Selected highlights

- **Economic backdrop** ➢ *Feeling hot, hot, hot (even if uncertainties remain)*

  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. In a noted departure, however, the Finance Minister dispensed with the traditional pre-budget consultation with economists. Fallout from Russia's invasion of Ukraine is but one source of uncertainty. Highlights of the economic outlook, as it stands:

  - **GDP** ➢ *Nominal output on much-improved trajectory* – Talk about missing the mark in the best way possible. The private sector generally underestimated the resiliency of the Canadian economy in 2021, even as successive waves of the virus washed up. Real economic growth bettered expectations, but the upside surprise on nominal output was most striking of all. Nominal GDP advanced at a double-digit rate last year (13.1%), aided by a material boost in Canada's terms of trade. Budget planning assumptions (based

on February's consensus) put real GDP growth at 3.9% for 2022, with growth set to steadily moderate thereafter (e.g., 3.1% in 2023 on down to 1.8% by 2026). Nominal GDP—always the better proxy for revenue purposes—looks to enjoy another solid year in 2022 (7.7%), but is assumed to tail off after that, running sub-4% starting in 2024. Nonetheless, the level of nominal output has been boosted by an average of $41 billion/year relative to a December update.

- **Labour markets** ➢ *In a word, tight… with shortages increasingly apparent* – An 'exceptionally strong' jobs recovery (outright and vs. key peers) stands Canada in good stead. The recovery here is noteworthy for another reason, since employment, hours worked and the jobless rate serve as fiscal guardrails for this government. The improving backdrop thus makes a case for accelerating deficit reduction, something this budget does at the margin. The unemployment is seen averaging 5.8% this year, holding at 5½% over the medium term. This generally equates to 'full employment', necessitating action on alleviate labour shortages.
- **Inflation & interest rates** ➢ *Up and up* – You can't look past cost of living pressures, with elevated inflation—well in evidence prior to Ukraine crisis—unsettling many and requiring swift and serious monetary policy tightening. In addition to recently elevated CPI inflation readings, housing prices have shot higher, sparking a legitimate housing affordability crisis that the government hopes to redress (at least partly). Informed by consensus, all items CPI inflation is thought to cool starting in 2023, although risks to us remain tilted to the upside. The interest rate outlook reflects a degree of monetary tightening by the Bank of Canada, although we'd caution that expectations have been notably recast since February's survey. In other words, the 3-month and 10-year yield targets for 2022-23 are essentially dead-on-arrival. As an example, we view the 2.0% full-year average for GoC 10s in 2022 as perhaps 50 bps too light. It's a similar story for 3-month bills, which implies marginal pressure on the government's interest bill (discussed below).

Fiscal outlook ➢ *Fiscal revisionism on a grand scale, as deficit profile tilts lower*

The past 12 months have produced some remarkable adjustments to fiscal trajectories at both the federal and provincial levels of government in Canada. Relative to cautious/conservative 2021 budget assumptions, a resilient labour market, solid consumer activity, frothy housing market and much improved terms of trade all added up to extra revenue. It's a positive base effect that looks to partially carry over to 2022-23 and beyond. Some marginal revenue is being consumed by a variety of new investments/initiatives. Still, with fiscal guardrails improving, the ultimate path for the deficit has been enhanced vs. prior guidance. There may be no definitive timeline for deficit elimination, but the Liberals sense they could get nearly there in five years' time… assuming the economy survives an aggressive dose of monetary tightening.

- **Rounding off 2021-22** ➢ *Pennies, or rather billions of dollars, from heaven* – For the fiscal year that just ended (i.e., 2021-22), Ottawa now figures it ran a budgetary shortfall of $113.8 billion (or 4.6% of GDP). The latest bottom-line tally constitutes a nifty improvement vs. Budget 2021 (deficit originally forecast at $154.7 billion) and is likewise notably better than the more recent guidance via December's fiscal update (deficit revised to $144.5 billion). There have been significant and successive improvements to revenue, consistent with an economy that defied expectations. Meanwhile, some planned program spending failed to materialize. Recall that back in December, the feds steered much of underlying fiscal improvement into new policy actions. But with the clock running out on 2021-22, the budget wasn't really able to slot in much additional spending (just $2.2 billion in new measures on top of $3.1 billion in policy actions in the lead up to the budget). So after running a record deficit of $328 billion at the peak of the pandemic response in 2020-21 (equivalent to 14.9%), more than $210 billion or >10%-pts of GDP were chopped from the deficit as revenues surged back to life and extraordinary programs/supports started to get walked back. That's a significant amount of fiscal repair, with more to come…
- **Budgetary outlook for 2022-23 & beyond** ➢ *More spending but even more revenue means smaller deficits* – Fiscal recovery remains the name of the game for 2022-23. Revenues might not grow as quickly, since double-digit nominal GDP growth spikes are ultra rare. But there's an expectation that virus-related supports will continue to be unwound, pulling total program spending lower. The net result is a deficit of $52.8 billion, equivalent to an even 2% of GDP. That compares to a $58.4 billion shortfall estimated in December. As for the medium-term fiscal trajectory, it's characterized by steady progress on the deficit. The shortfall is meant to shrink each and every year of the fiscal plan, in both dollar terms and relative to nominal GDP. Way out in 2026-27, it's thought that the deficit could be down to $8.4 billion or just 0.3%. So while the government makes no promises on returning to balance, the budget suggests we could be nearly there in five years' time. In all, over $50 billion of red ink has been erased over the six-year period covering 2021-22 to 2026-27 vis-à-vis the prior projection. It could have been more, of course, but the government opted for marginal investments.
- **Scenario analysis & sensitivities** ➢ *Treat with a grain of salt* – The budget outlines scenarios on either side of baseline, with a 'moderate impact' scenario (i.e., generally healthier incomes/profits and less need for income supports) having the deficit all but erased by 2026-27. The adverse scenario would, on the other hand, see a budget shortfall still in excess of $20 billion in five years' time. As for sensitivities, a 1%-pt surprise in real GDP is thought to be worth $5 billion in year one, whereas a 1%-pt boost in the GDP deflator would net Ottawa a bit more than $2 billion in the first year (all else equal). Interest rate sensitivities are discussed below.

New measures ➢ *Housing/climate in focus, but budget's reach is rather broad*

At 304 pages, the 2022 Budget Plan is a bit of a brick. It follows that there's plenty of action across multiple fronts. At ~$30 billion over six years, these might not be excessively costly, at least relative to the host of actions rolled out in December. But it's marginal stimulus for an economy already operating at a high level. Distilled to their most basic elements, core focus areas include housing/affordability and sustainable growth, although action items extend to a number of other corners. Key components/elements include:

- *All roads lead to home (or housing-related action)* **–** The evolution of the housing market during the pandemic has amplified the problem of affordability, particularly for first-time homebuyers, and the government is announcing a series of initiatives that attempt

to improve the situation. First, the government intends to stimulate supply by aiming to double residential construction in the next decade. This budget proposes to provide $4 billion over five years, starting in 2022-23, to launch a new Housing Accelerator Fund providing an annual per door incentive or up-front funding for investments in housing development. Another $1.5 billion is devoted to create 6,000 new affordable housing units over the next two years. A multigenerational home renovation tax credit is also announced which would provide up to $7,500 for constructing a secondary suite for a senior.

The government also intends to provide a boost to the down payment accumulation of first-time homebuyers. To do this, budget proposes to introduce the Tax-Free First Home savings Account that would give the ability to save up to $40,000. Contributions will be tax-deductible, and withdrawals (including returns) would be non-taxable. Work remains to be done for the launch of this new type of account, but it is expected to be implemented sometime in 2023. The budget also announces the doubling of the First-Time Home buyers Tax Credit to $10,000 which means up to $1,500 in support to buyers. The qualifying expense limit of the Home Accessibility tax Credit is also doubled to $20,000, providing up to $3,000 in support for important accessibility renovations.

The government also intends to reduce the impact of speculators and foreign buyers on the housing market. New rules will be put in place to ensure that profit from flipping will be fairly tax (person selling a property bought in less than 12 months starting in 2023). Government will also prohibit foreigners (including commercial enterprises) to acquire non-recreational residential property for two years. The government also announced that there will be discussion with provinces for the adoption of a Home Buyers' Bill of Rights and will bring forward a national plan to end blind bidding. Otherwise, effective next month, all assignment sales of newly constructed or substantially renovated residential housing will be taxable for GST/HST purposes.

- ***If you capture it, will they come?*** – Budget 2022 introduces key initiatives for a reduction of Canada's carbon footprint which serves to complement the Emissions Reduction Plan released last week. One of the key measures presented today is an investment tax credit for carbon capture, utilization, and storage (CCUS) that is intended to spur an acceleration in carbon investment and transform the energy sector (about 8% of GDP) to help Canada reach its emissions targets. The budget proposes a refundable investment tax credit for businesses that incur eligible CCUS expenses, starting in 2022. The investment tax credit would be available to CCUS projects to the extent that they permanently store captured CO2 through an eligible use. Eligible CO2 uses include dedicated geological storage and storage of CO2 in concrete, but does not include enhanced oil recovery (EOR).

  From 2022 through 2030, the investment tax credit rates would be set at:

  - 60% for investment in equipment to capture CO2 in direct air capture projects;
  - 50% for investment in equipment to capture CO2 in all other CCUS projects; and
  - 5% for investment in equipment for transportation, storage and use.

  To encourage the industry to move quickly to lower emissions, these rates will be reduced by 50% for the period from 2031 through 2040. The proposed refundable tax credit is expected to cost $2.6 billion over five years starting in 2022-23, with an annual cost of about $1.5 billion in 2026-27

- ***A not-so-subtle shift in taxation philosophy*** – Budget 2022 devotes an entire chapter to revenue generation initiatives under the title "A Fair Tax System" that are expected to swell the government's coffers by $16 billion over five years. Just under 40% of this sum ($6 billion) will come from banks and insurers who have apparently benefitted more than other sectors from the fastest and sharpest economic recovery on record.

  Thus, Budget 2022 proposes to introduce a temporary Canada Recovery Dividend, under which banking and life insurers' groups (as determined under Part VI of the Income Tax Act) will pay a one-time 15% tax on taxable income above $1 billion for the 2021 tax year. The Canada Recovery Dividend will be paid in equal installments over five years.

  Budget 2022 also proposes to permanently increase the corporate income tax rate by 1.5%-pts on the taxable income of banking and life insurance groups (as determined under Part VI of the *Income Tax Act*) above $100 million, such that the overall federal corporate income tax rate above this income threshold will increase from 15% to 16.5%.

  Other meaningful measures included in the "Fair Tax System" include a targeted amendments to the Income Tax Act to prevent the use of foreign corporations to avoid Canadian tax (expected to raise $4.2 billion over five years) and the application of International Accounting Standards for Insurance Contracts (IFRS 17) that is expected to increase federal revenues by $2.4 billion over five years.

  On the other hand, some small businesses will benefit from a tax reduction ($660 over 5 years). Small businesses currently benefit from a reduced 9% on their first $500,000 of taxable income. But once its level of capital employed in Canada reaches $15 million, the business is no longer eligible. The budget announces a gradual phase out up to a capital level of $50 million.

- ***Other assorted items (not exhaustive to save some time)*** – Following a major investment in a national childcare program, the budget steers $5.3 billion for income-tested dental care. Beyond a recently announced top-up to the Canada Health Transfer (CHT), the provinces were left somewhat wanting in terms of their major ask: a permanent, immediate and substantive boost to the CHT. Mind you, the more robust profile for nominal output does help, since the total CHT envelop (along with Equalization) is indexed to nominal GDP growth. When it comes to jobs and growth, the government introduced a new and permanent Labour Mobility Deduction to help defray travel and relocation expenses for tradespeople. Beyond the CCUS tax regime cited above, incentives to for zero-emission vehicles were enhanced/extended, while clean electricity and oceans protection likewise featured. Elsewhere, Russia's invasion of Ukraine can be seen as a catalyst for enhanced military funding, where Canada's relative contribution has come under some scrutiny by our allies. The budget earmarks more than $8 billion in new defense funding over five years. A Canada Growth Fund was announced ($15 billion over 5 years). The goal it to attract private sector investments aiming to reduce emissions, to diversify the economy in low carbon industries, promote new technologies and support the restructuring of critical supply chains. The objective is to target three

dollars of capital for every dollar invested. There was money to support supply chains and to spur critical mineral development. We could go on.

- **Debt burden & interest bite ➢ *Declining debt-to-GDP the fiscal anchor, as interest bill comes due***

Ottawa looks to have ended 2021-22 with a debt load of $1.16 trillion, equivalent to 46.5% of GDP. That came in some $70 billion or nearly 5%-pts of GDP lighter than the original Budget 2021 plan. Budgetary deficits mean debt will continue to accumulate, but relative to the size of the economy, the debt burden should ease on sustained basis. Indeed, today's longer-term trajectory marks a non-trivial improvement over prior guidance. Call it a steeper rate of decline than what was once thought possible.

Debt-to-GDP remains the fiscal anchor for the government, with a commitment to keep the ratio moving lower each and every year. As per Budget 2022, that implies stepping this ratio down by roughly 1%-pt per year through 2026-27 (when debt-to-GDP is thought to be 41.5%). The budget includes the standard platitudes related to Canada's general government *net* debt edge vs. G7 peers, although the advantage on *gross* debt isn't nearly as significant. That's a non-trivial stipulation since some rating agencies key on gross debt.

Few would dub Ottawa's interest bite punitive. This isn't the mid-1990s, when a third of revenue was being consumed by debt service alone. Last year, public debt charges ate up just 6.3% of revenue. When it comes to fiscal sustainability, the government highlights that public debt charges are meant to remain 'at historically low levels, even after accounting for the expected rise in interest rates'. All the same, debt charges are seen climbing at an average annual clip of 11.5% over the next five years, the annual interest bill growing from ~$25 billion in 2021-22 to nearly $43 billion by 2026-27. Few budget items will see this type of growth, with interest something of a deadweight loss in the strictest sense. Moreover, to the extent interest rate expectations have moved up since February, the interest bite risks being larger than planned… at least for the next year or two. Here's hoping the Bank of Canada can ultimately contain inflation and keep inflation expectations reasonably well grounded. Otherwise, we'll be needing to think about even higher bond yields and a more painful interest bill, which would siphon resources from more productive/worthy causes. Wanted to subject debt charges to a more aggressive interest rate scenario? Consider that a 100 basis point parallel shift higher in the GoC yield curve costs the government an extra $5.1 billion (net) in year one and closer to $7 billion (net) by year five (once more securities have been rolled over). This is one sensitivity to keep your eyes on.

- **Debt Management Strategy ➢ *Greening & shortening a smaller bond program***

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

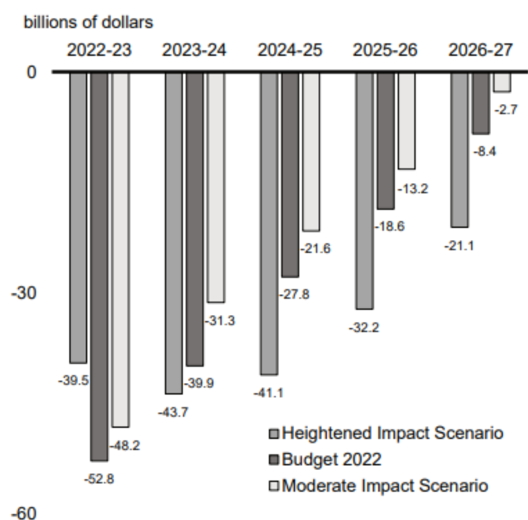
  - The aggregate principal amount to be borrowed in 2022-23 is projected to be $435 billion. Roughly 80% of this is expected to be maturity refinancing, with the balance left to fund the projected financial requirement. The government also plans to wind down some of its cash balances which had been kept elevated due to the spending uncertainty created by the pandemic.
  - 2022-23 gross bond issuance has been signalled to total $212 billion, representing a year-over-year decline of $43 billion (-17%). While the deficit is expected to fall by a larger $61 billion, the rise in maturity refinancing (+$80 billion vs. 2021-22) kept gross bond issuance somewhat elevated, even with lower planned cash balances and higher T-bill issuance (more on that below).
  - When it comes to the Treasury bill stock, today's DMS signals an end-of-fiscal year outstandings target of $213 billion. That would be a fairly significant $32 billion (+17%) rise from today's level. Based on our projections, bi-weekly T-bill auctions of ~$17 billion throughout the fiscal year would achieve this target. For what it's worth, the government provides a mile-wide guidepost of $14 billion to $26 billion for its auction sizes. The increase in the T-bill target was consistent with guidance from market participants in the late-2021 DMS consultations. Finally, cash management bills will again be used in 2022-23 "when needed".
  - After spending the bulk of the pandemic era terming out bond issuance, today's DMS indicates a modest terming in for the current fiscal year. Based on the government's guidance, the weighted average term of bond issuance looks to come in at ~8 years in 2022-23, a decline of roughly a year and a half vs. 2021-22. The terming in of issuance is being driven by a shift from 10s and longs (-32% and -47%, respectively) into the 2-year sector (+10%). Technically, 3-year and 5-year issuance is poised to decline too but these sectors will fall in line with the overall drop in gross issuance. Despite the term-in relative to 2021-22, issuance will remain far longer than the ~5 years weighted average term observed in the half decade before the pandemic. Indeed, the government still stresses that it will "as much as possible" fund remaining COVID-19-related debt through long-term issuance. As a result, the weighted average term of the overall bond stock will continue to lengthen, hitting roughly 7 years by the end of 2022-23.
  - RRB issuance will remain unchanged at $1.4 billion in 2022-23. Although most long-term issuance (i.e., 10- and 30-year) will be slashed this year, ultra-long bond issuance looks set to continue at the same pace (quarterly $1 billion auctions).
  - Consistent with a demonstrated commitment to the environment and climate change initiatives, today's DMS signalled the government's intention to continue with green bond issuance in 2022-23. While the government has pencilled in another $5 billion issue, it notes that "decisions on size, tenor, and timing … will take into consideration views from market participants and the availability of eligible green expenditures".
  - There will be $181.7 billion GoC bonds maturing this fiscal year. This would imply net issuance of only $30 billion in 2022-23, a steep decline from $156 billion last year. However, with the Bank of Canada heavily involved in the GoC market via QE (and soon to be QT), we prefer to look at net supply, net of BoC purchases/holdings. Assuming QT means that no bonds are purchased (as Governor Macklem has signalled), the amount of bonds needed to be absorbed by end investors will continue to climb. We estimate that could surpass $115 billion in 2022-23 after $13 billion and $75 billion in 2020-21 and 2021-22, respectively.

- Consistent with the changes in gross issuance, most benchmark sizes will fall in 2022-23, with 2-years being the lone exception. Meanwhile, the maturity dating for bonds issued this year will remain unchanged from 2021-22 as still-elevated issuance is able to support multiple 10-year benchmarks and standalone 3-year bonds (the prior practice had to been to re-open old 5s). Despite smaller overall gross issuance, the DMS suggests that we will continue to have at least two auctions of the GoC's key nominal tenors (i.e., 2Y/3Y/5Y/10Y/30Y) each quarter.
- There are also net requirements for the exchange fund account of US$16 billion in 2022-23. As always, the mix of funding sources can and will vary in response to a number of considerations including cost, market conditions and objectives. Thus, fulfilling this funding requirement need not necessarily take the form of international bond issuance.
- Unlike in Budget 2021, there was no commitment to provide an update to the debt program this fall. We'd clearly favour making a mini-DMS update a permanent feature of the Economic and Fiscal Update . Too much to ask for? We don't think so.

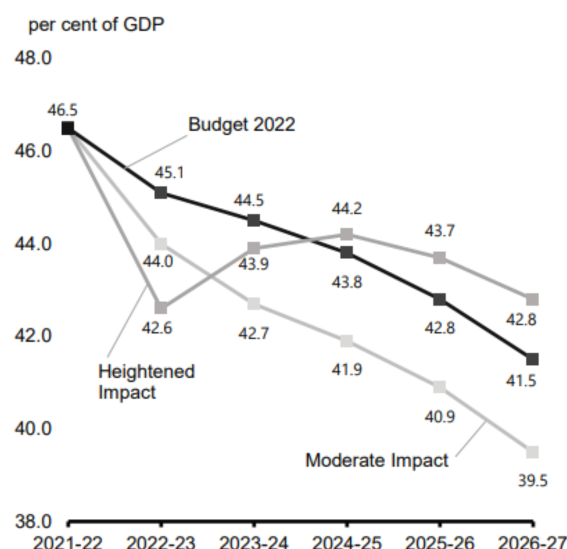
Liberal-NDP supply & confidence agreement ➢ *Budgeting with 'confidence'*

Prime Minister Justin Trudeau and his Liberal party were reduced to a minority in 2019 and failed to get over the hump and back to majority territory following the September 2021 election. Ordinarily, shepherding a budget through a divided House of Commons can be a bit of a hold-your-breath moment for minorities. But with a freshly inked deal with the opposition NDP, Trudeau's Liberals have essentially ensured passage of the budget and their broader political survival through June 2025 (when Parliament is due to rise). Specifically, as it relates to the budget, the agreement sets out the following (highlighting is ours):

> *'The arrangement lasts until Parliament rises in June 2025, allowing four budgets to be presented by the government during this time. To ensure coordination on this arrangement, both Parties commit to a guiding principle of "no surprises".*
>
> *'The agreement will mean that the NDP agrees to support the government on confidence and budgetary matters – notably on budgetary policy, budget implementation bills, estimates and supply – and that the Liberal Party commits to govern for the duration of the agreement. The NDP would not move a vote of non-confidence, nor vote for a non-confidence motion during the term of the arrangement.'*



Source: Department of Finance Canada calculations.



Source: Department of Finance Canada calculations.

Summary Statement of Transactions

billions of dollars

		Projection					
	2020–2021	2021–2022	2022–2023	2023–2024	2024–2025	2025–2026	2026–2027
Budgetary revenues	**316.4**	**394.4**	**408.4**	**429.5**	**450.8**	**475.1**	**496.0**
Program expenses, excluding net actuarial losses	608.5	473.0	425.4	430.4	439.2	453.1	463.3
Public debt charges	20.4	24.9	26.9	32.9	37.0	39.8	42.9
Total expenses, excluding net actuarial losses	**628.9**	**497.9**	**452.3**	**463.3**	**476.2**	**492.9**	**506.1**
Budgetary balance before net actuarial losses	**-312.4**	**-103.5**	**-43.9**	**-33.8**	**-25.5**	**-17.8**	**-10.2**
Net actuarial losses	-15.3	-10.3	-8.9	-6.1	-2.4	-0.8	1.8
Budgetary balance	**-327.7**	**-113.8**	**-52.8**	**-39.9**	**-27.8**	**-18.6**	**-8.4**
Financial Position							
Total liabilities	1,652.2	1,803.8	1,819.5	1,854.8	1,907.6	1,949.2	1,976.1
Financial assets[1]	502.4	541.3	504.3	496.5	518.0	537.4	553.0
Net debt	1,149.8	1,262.5	1,315.1	1,358.2	1,389.6	1,411.8	1,423.1
Non-financial assets	101.1	101.7	101.5	104.7	108.2	111.8	114.7
Federal debt	**1,048.7**	**1,160.8**	**1,213.7**	**1,253.6**	**1,281.4**	**1,300.0**	**1,308.4**
Per cent of GDP							
Budgetary revenues	14.3	15.8	15.2	15.2	15.4	15.6	15.7
Program expenses, excluding net actuarial losses	27.6	18.9	15.8	15.3	15.0	14.9	14.7
Public debt charges	0.9	1.0	1.0	1.2	1.3	1.3	1.4
Budgetary balance	-14.9	-4.6	-2.0	-1.4	-0.9	-0.6	-0.3
Federal debt	47.5	46.5	45.1	44.5	43.8	42.8	41.5

Note: Totals may not add due to rounding

[1]The projected level of financial assets for 2021-22 includes an estimate of other comprehensive income.

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
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

General

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