



ADMS/PPAS 3524
PUBLIC SECTOR
BUDGET PROCESS


KEN OGATA

BUDGET 2009 FISCAL PLAN

- Finance Minister suggested Canada in best shape of G8 due to their strong financial management.
- Budget deficit of \$33.7 B. for 2009-10, 2 year deficit of \$64 B.
- Balanced budget by 2013-14.
- Fiscal stimulus of about 2% of GDP through spending and tax cuts (\$30 B)
- Will maintain or create 190,000 jobs.

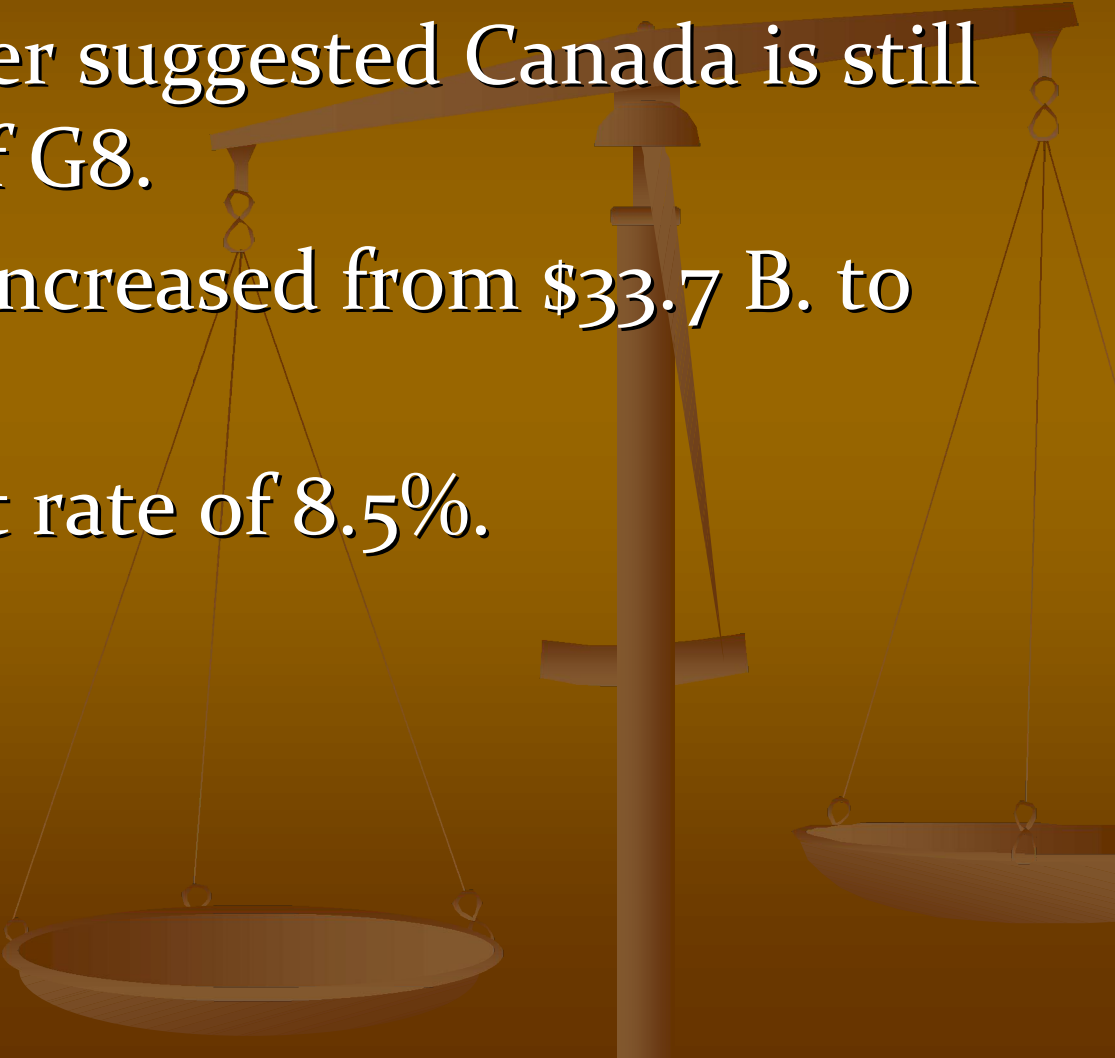
BUDGET 2009

ECONOMIC SUMMARY

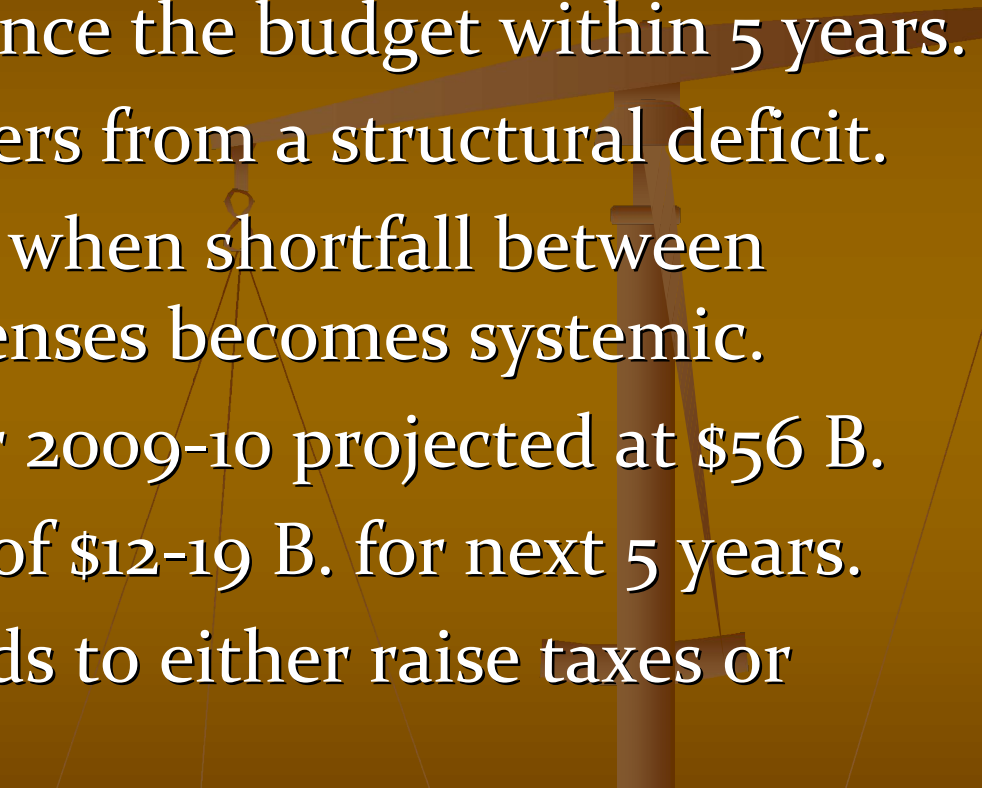
- Projects small decline in GDP - (0.8%)
 - Forecast recovery end of 2009.
 - Will boost GDP by 2.5% and 265,000 jobs by end of 2010
 - Unemployment – 7.5% (2009)
 - Unemployment – 7.7% (2010)
 - Inflation – 0.7%
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SEPTEMBER 2009

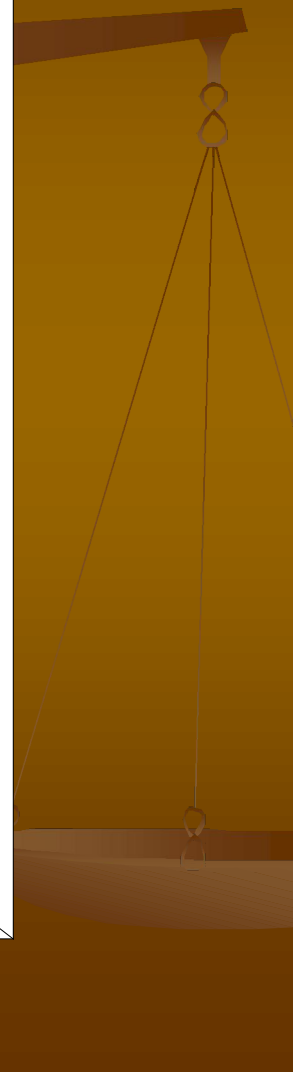
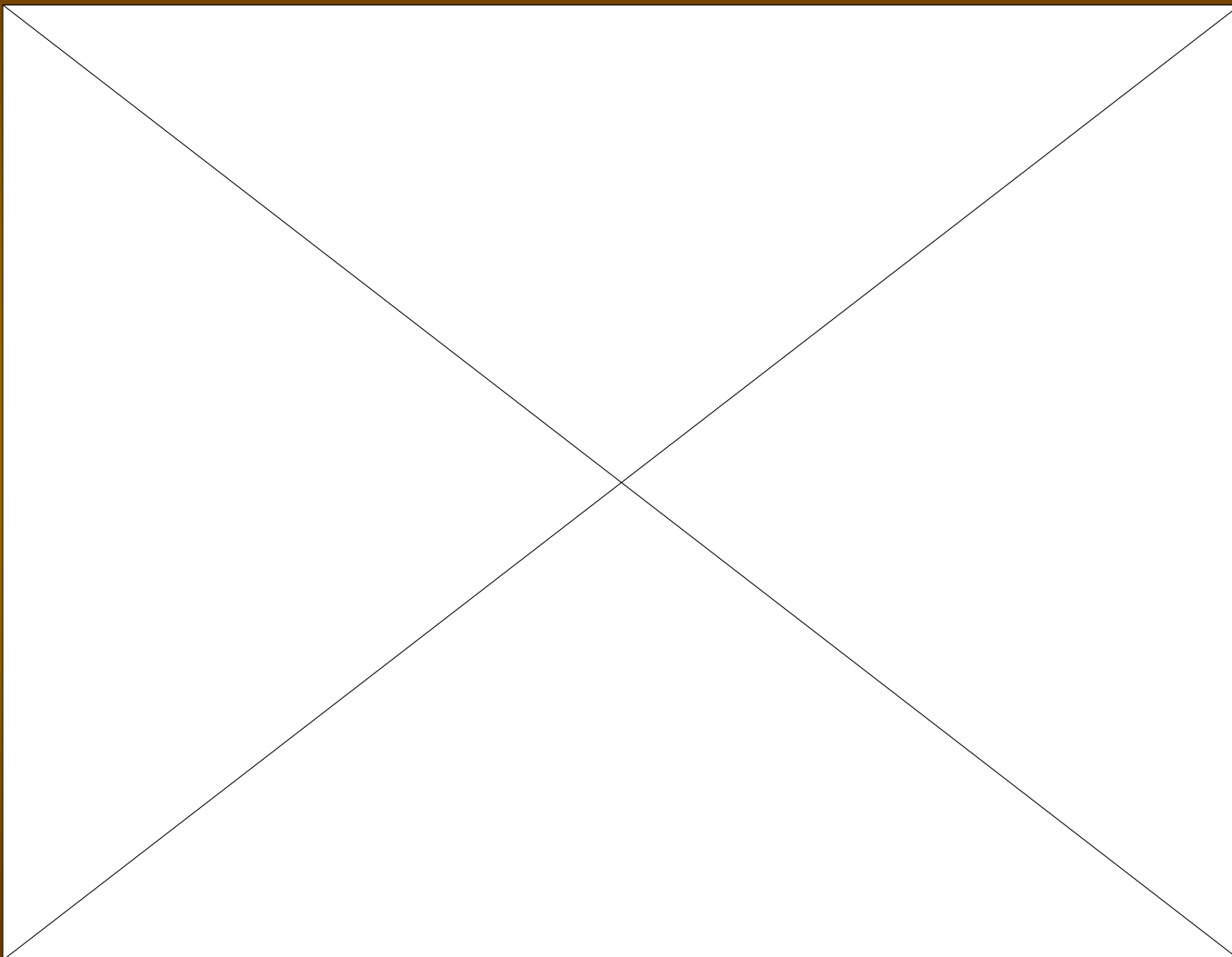
ECONOMIC AND FISCAL UPDATE

- Finance Minister suggested Canada is still in best shape of G8.
 - Budget deficit increased from \$33.7 B. to \$55.9 B.
 - Unemployment rate of 8.5%.
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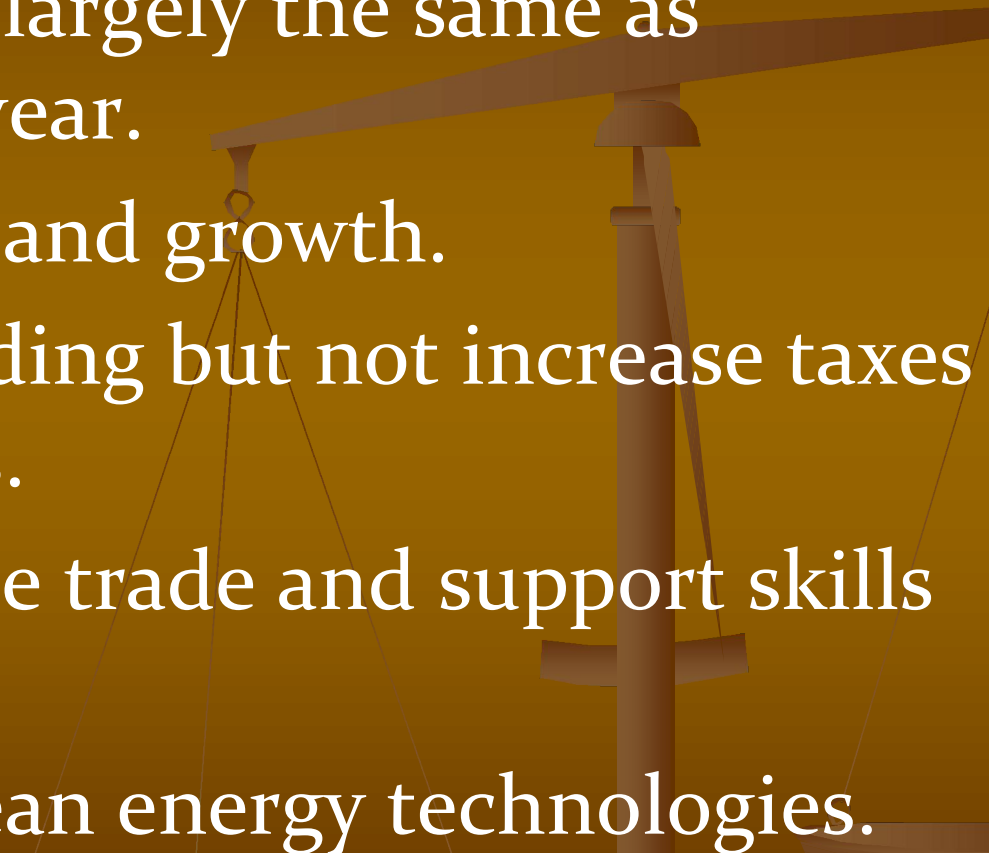
PBO

- PBO Kevin Page predicts that government will be unable to balance the budget within 5 years.
 - Government suffers from a structural deficit.
 - Structural deficit when shortfall between revenue and expenses becomes systemic.
 - Budget deficit for 2009-10 projected at \$56 B.
 - Forecasts deficit of \$12-19 B. for next 5 years.
 - Government needs to either raise taxes or reduce spending.
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BUDGET 2010



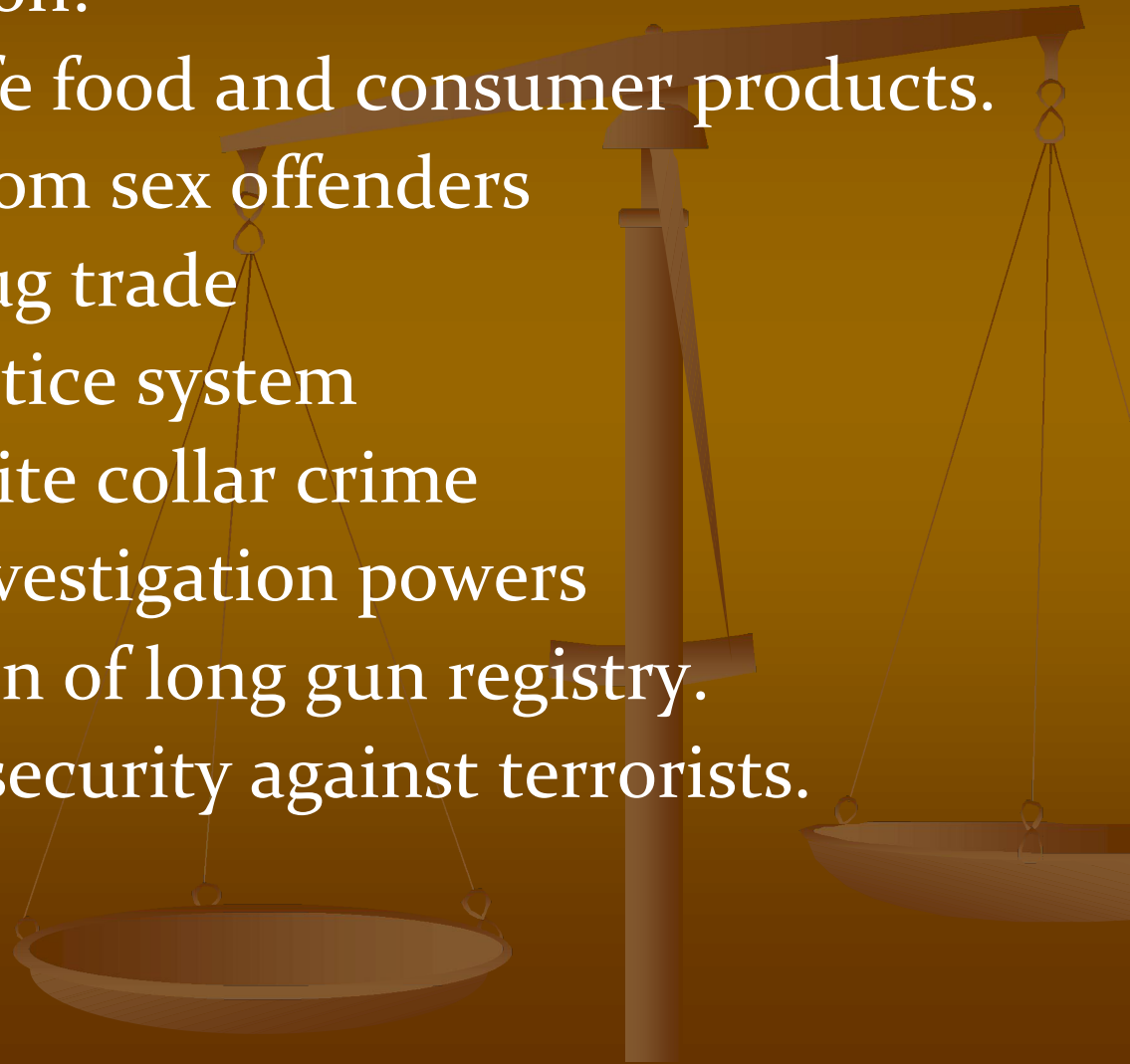
THRONE SPEECH

- ✓ Agenda remains largely the same as announced last year.
 - ✓ Focus upon jobs and growth.
 - ✓ Will freeze spending but not increase taxes to balance books.
 - ✓ Will promote free trade and support skills development.
 - ✓ Will promote clean energy technologies.
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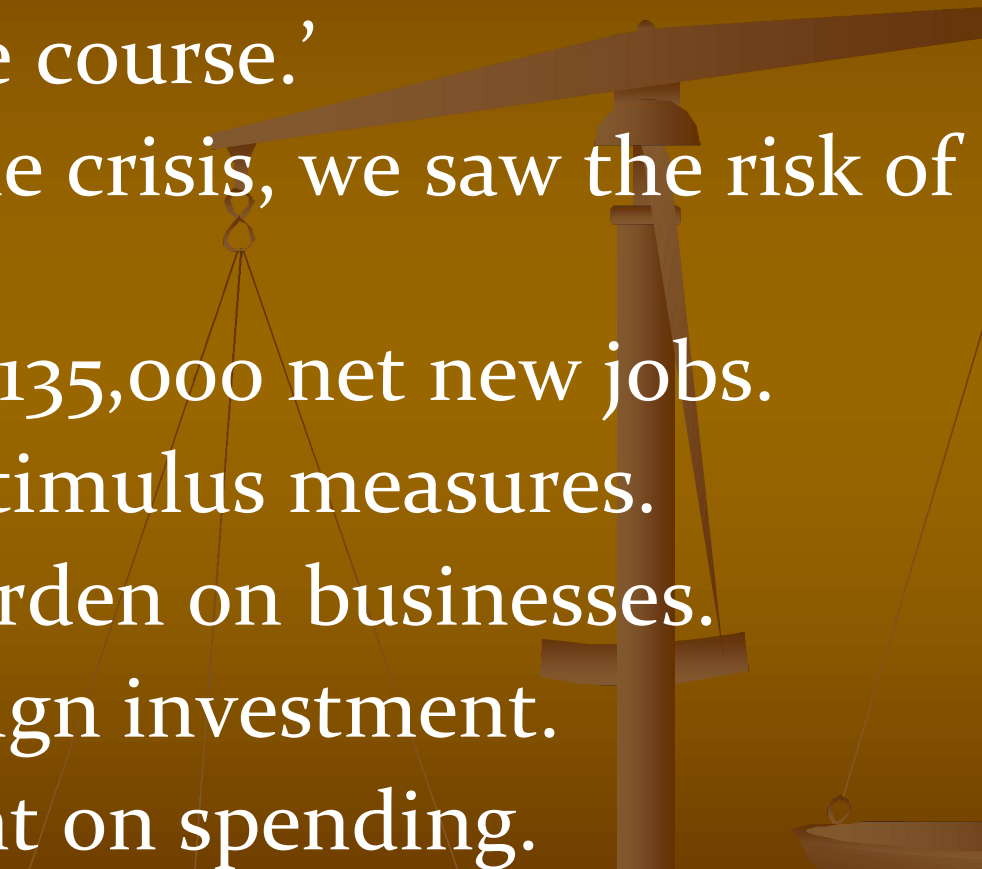
THRONE SPEECH

Reintroduce legislation:

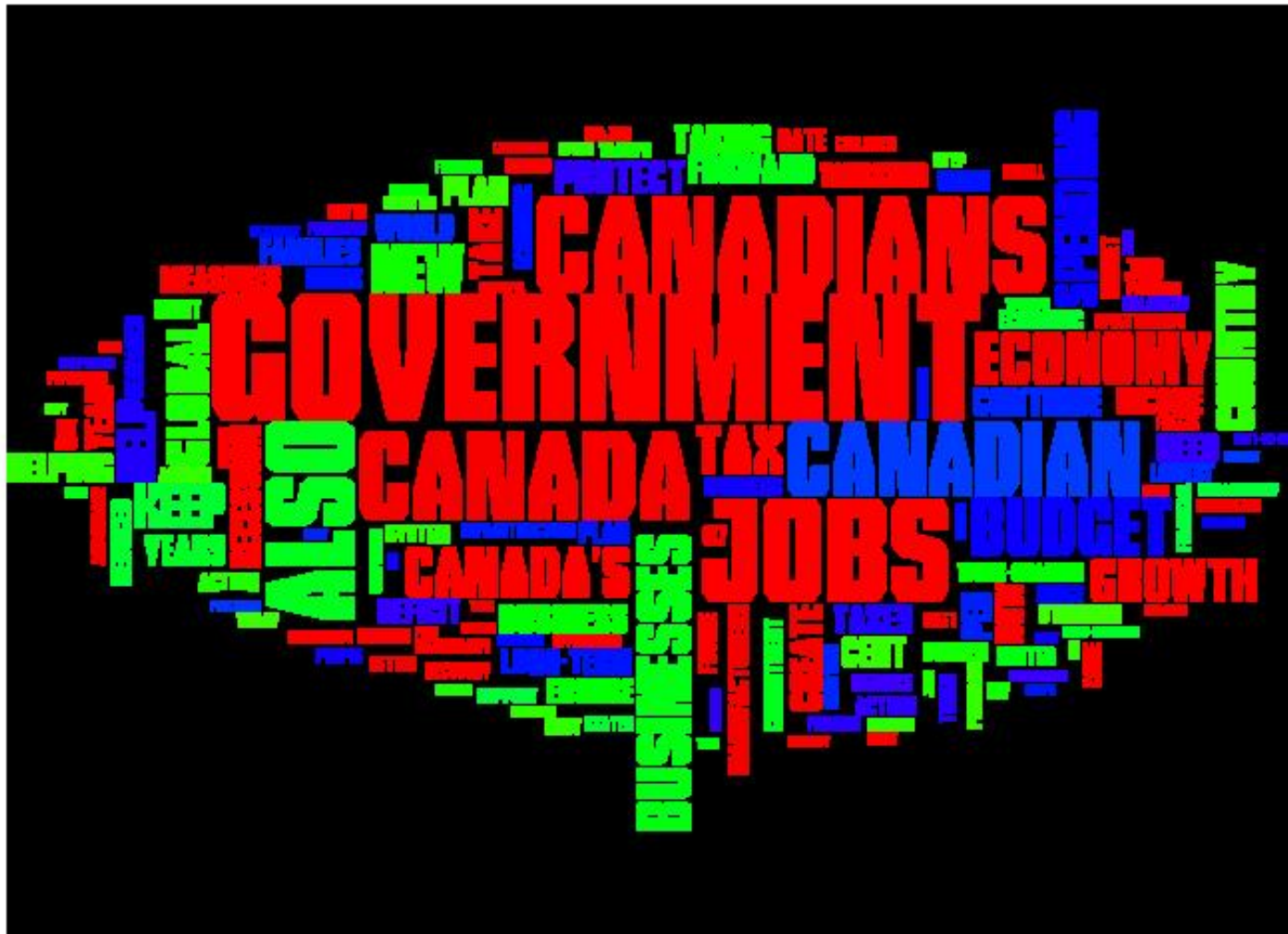
- ✓ Protect from unsafe food and consumer products.
- ✓ Protect children from sex offenders
- ✓ Crack down on drug trade
- ✓ Toughen youth justice system
- ✓ Protect against white collar crime
- ✓ Give police new investigation powers
- ✓ Support elimination of long gun registry.
- ✓ Enhance national security against terrorists.



BUDGET SPEECH

- ✓ Jobs and growth budget.
 - ✓ 'Need to stay the course.'
 - ✓ 'A year before the crisis, we saw the risk of a slowdown.'
 - ✓ Since July 2009, 135,000 net new jobs.
 - ✓ Continue with stimulus measures.
 - ✓ Reducing tax burden on businesses.
 - ✓ Open up to foreign investment.
 - ✓ Increase restraint on spending.
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BUDGET SPEECH



KEY BUDGET NUMBERS

2009-10 Forecast:

- Revenue - \$213.9 B.
- Spending - \$267.7 B.
- Deficit - (\$53.8) B.
- Debt - \$517.5 B.
- % of GDP - 33.9%



BUDGET 2010

- Revenue - \$231.1 B. (+8.0%)
- Spending - \$280.5 B. (+4.8%)
- Deficit - (\$49.4) B. (-8.3%)
- Debt - \$566.7 B. (+9.5%)
- % of GDP - 35.4%
- \$19.1 B stimulus

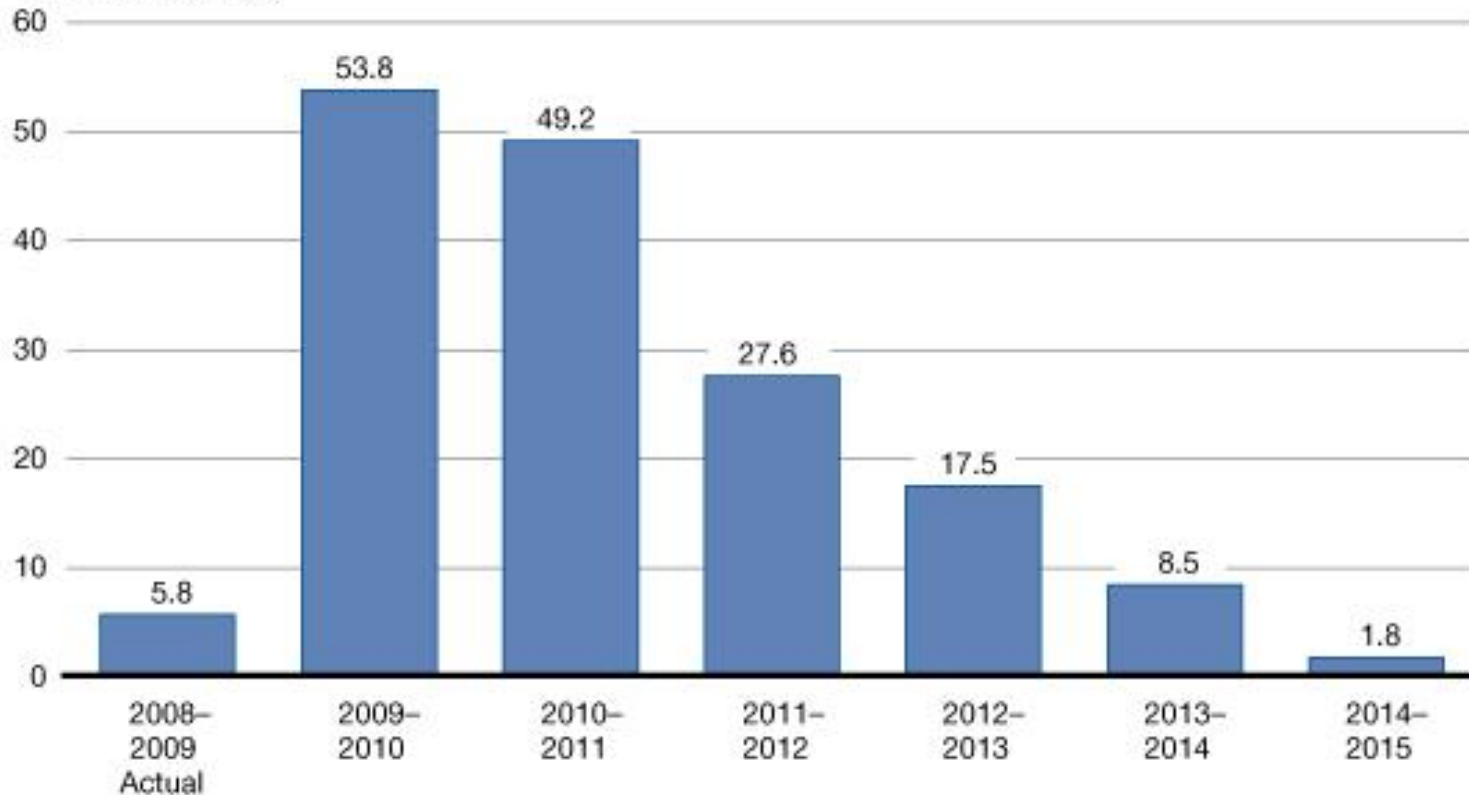


BUDGET 2010

Chart 4.1.4

Federal Budgetary Deficit

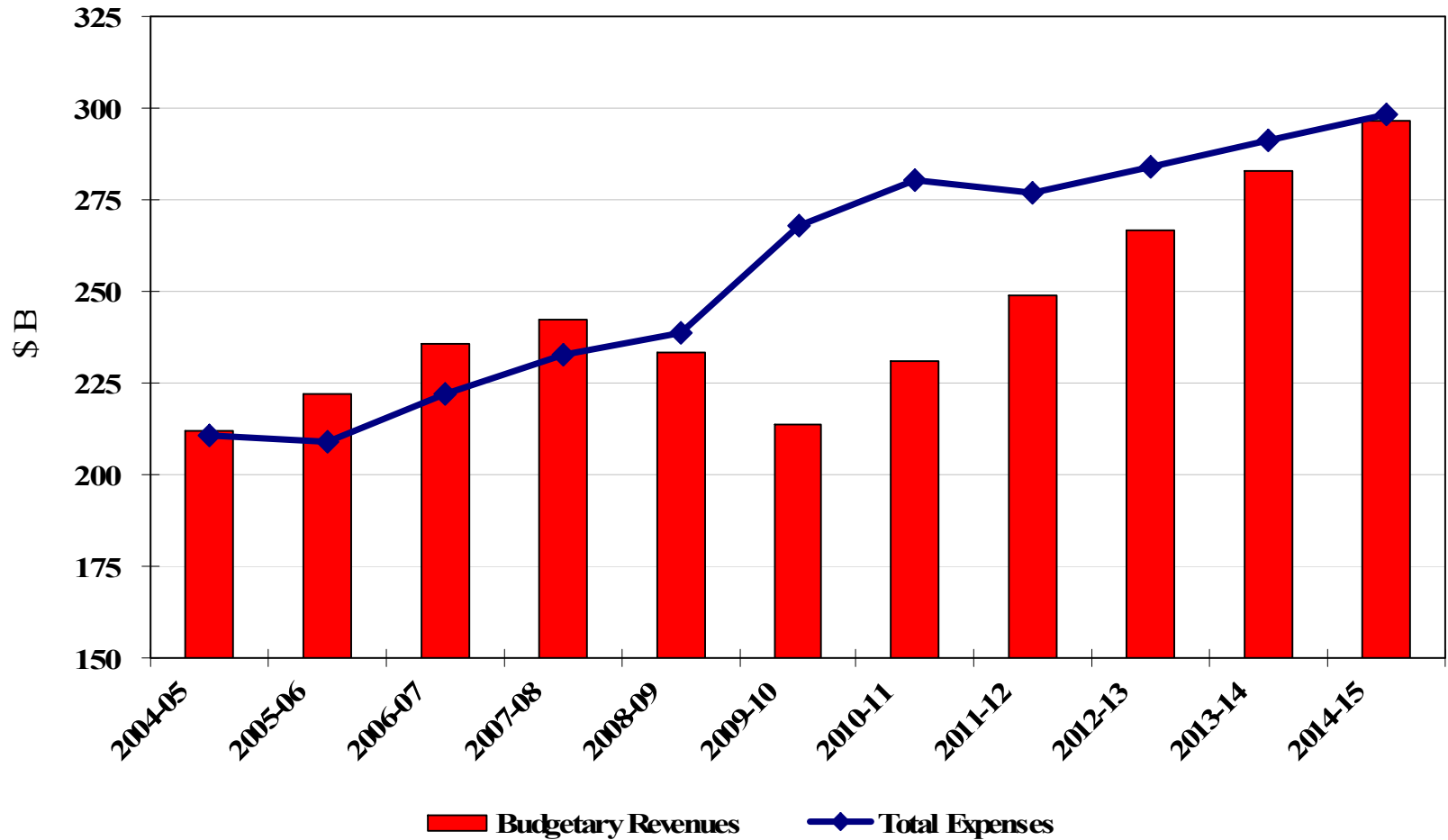
billions of dollars



Source: Department of Finance.

BUDGET 2010

Revenue and Expenditure



ECONOMIC OUTLOOK

- ✓ Recovery in real GDP growth to 2.6% in 2010 (2.8% - 2010-14).
 - ✓ Inflation about 1.7% (2.1 - 2010-14)
 - ✓ T-bill rate - 0.7% (4.4% by 2014)
 - ✓ Exchange - US\$.955 (\$.985 by 2014)
 - ✓ Unemployment - 8.5% (6.6 by 2014).
 - ✓ US GDP - 2.7% in 2010.
 - ✓ House price index - 9.2% 2010 (1.6 - 2011).
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DECEMBER 2009 PAYROLL



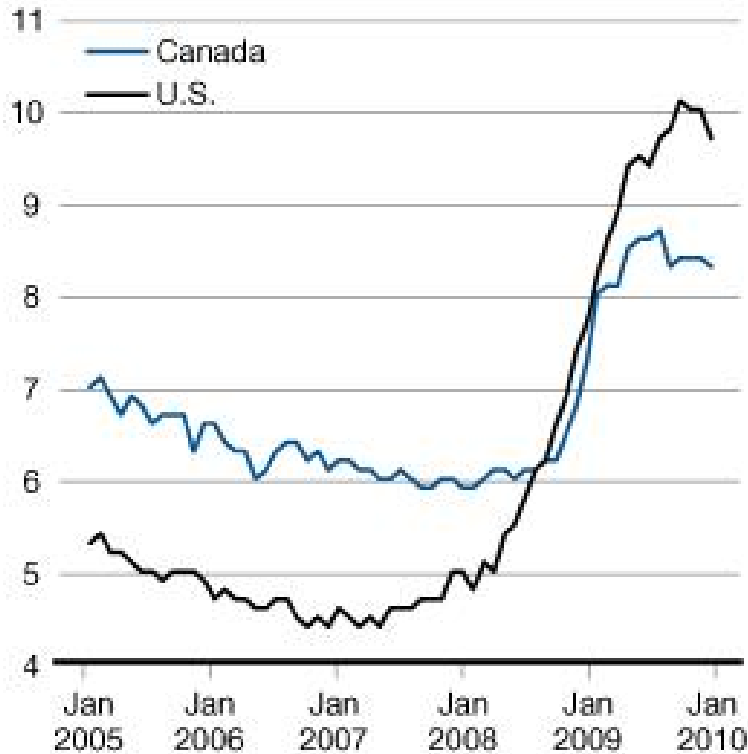
- Non-farm payroll employment up 22,000 in December.
- Still down 380,000 from October 2008 peak.
- Manufacturing job losses slowing.

EMPLOYMENT

Chart 2.10

Unemployment Rate

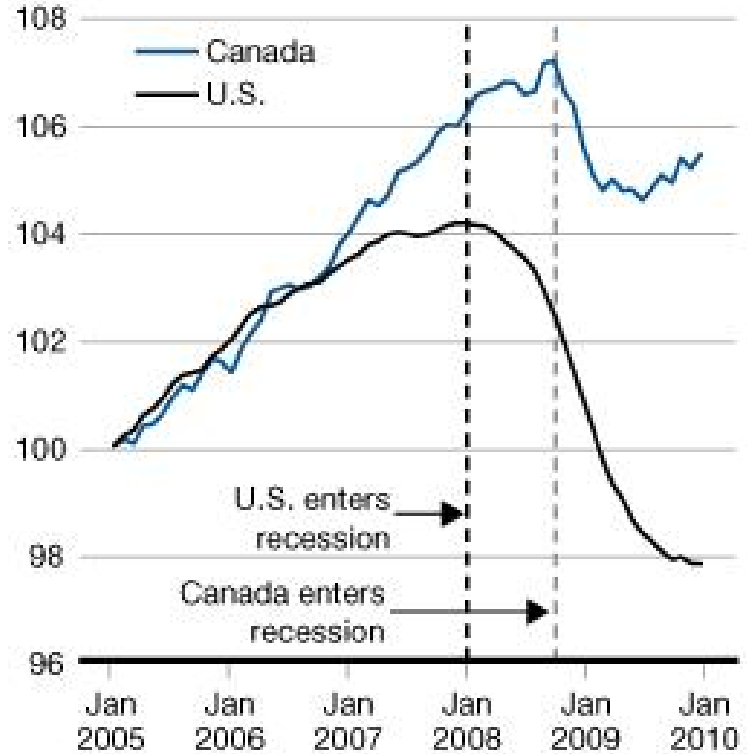
per cent



Sources: Statistics Canada; U.S. Bureau of Labor Statistics.

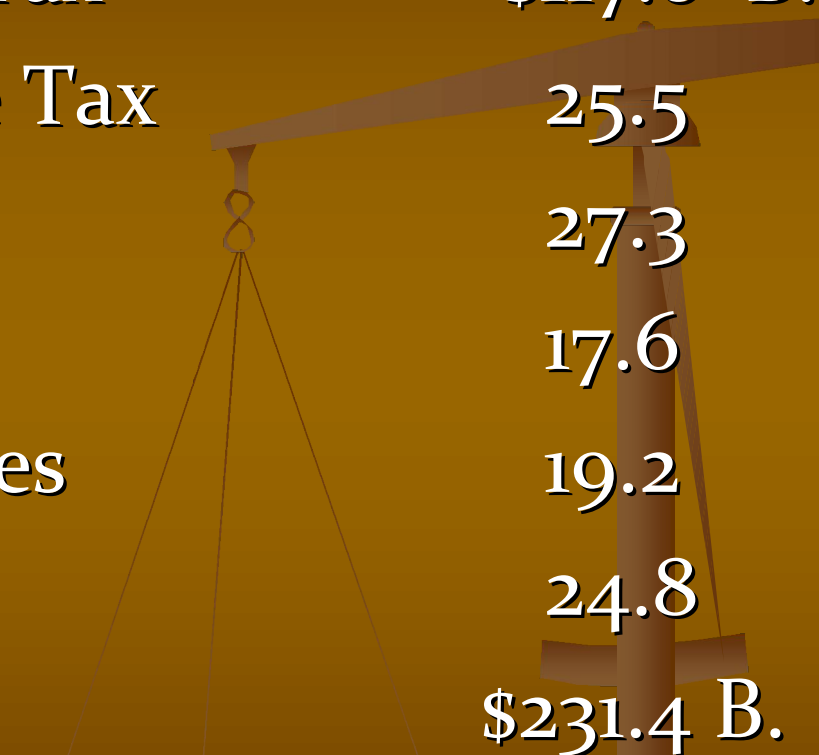
Total Employment

index, January 2005 = 100



Sources: Statistics Canada; U.S. Bureau of Labor Statistics.

FEDERAL REVENUE

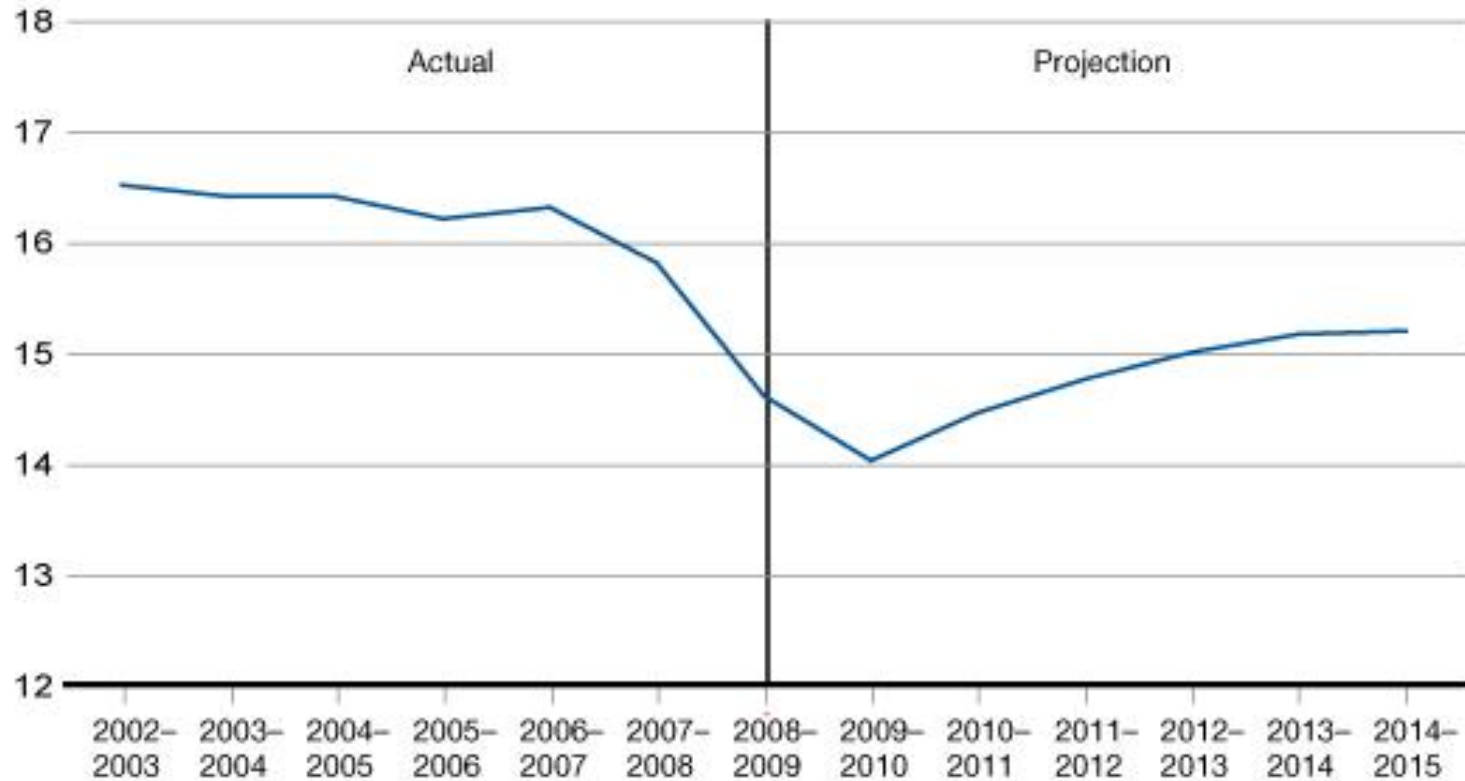


Personal Income Tax	\$117.0 B.
Corporate Income Tax	25.5
GST	27.3
EI Premiums	17.6
Other Taxes, Duties	19.2
Other revenues	24.8
Total	\$231.4 B.

Chart 4.2.1

Revenue-to-GDP Ratio

per cent of GDP



Sources: Department of Finance; Statistics Canada.

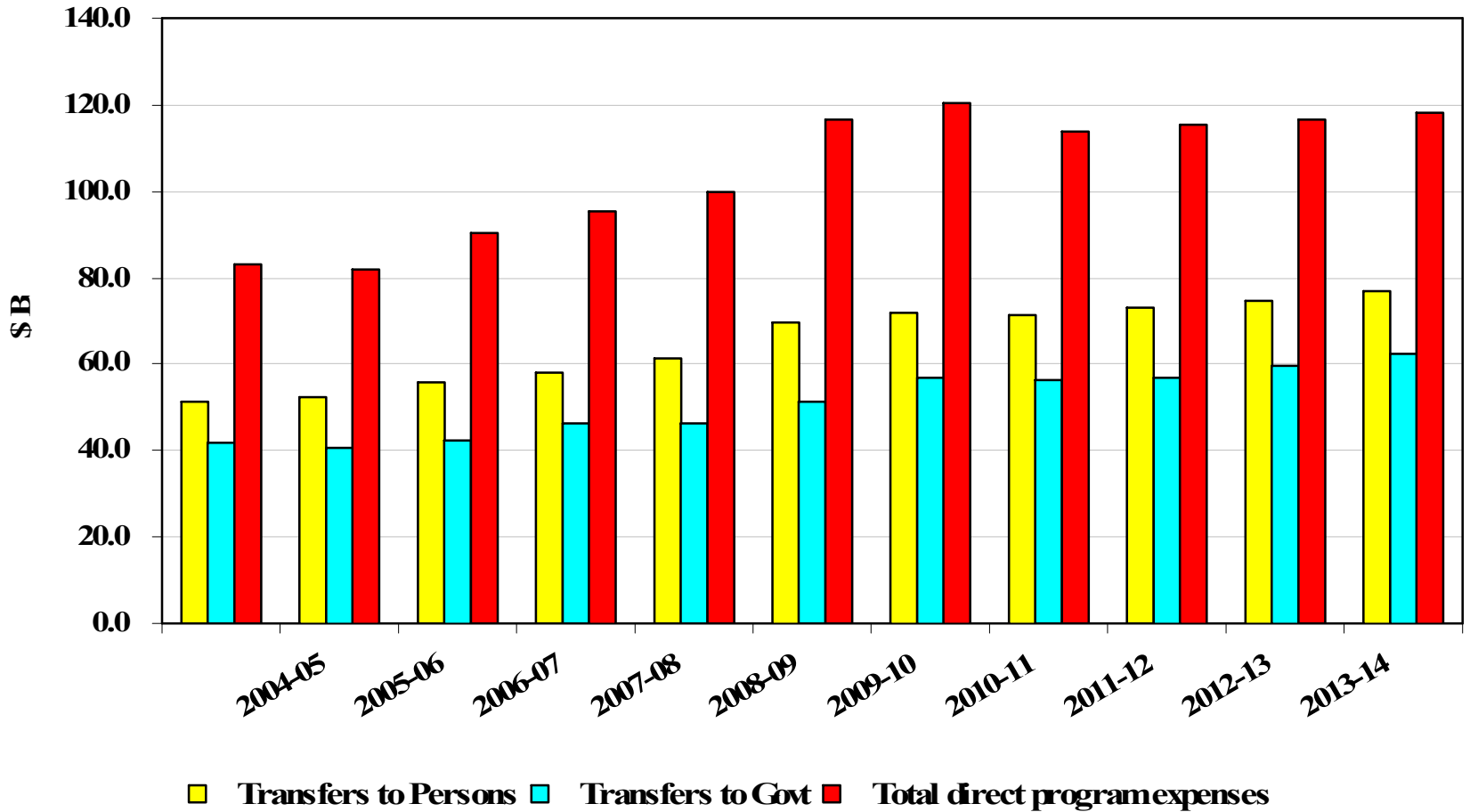
FEDERAL SPENDING



Transfer - Persons	\$72.0 B
Transfers - Provinces	56.8
Other Operating	81.0
Debt Servicing	31.3
Subsidies	39.4
Total	\$280.5 B.

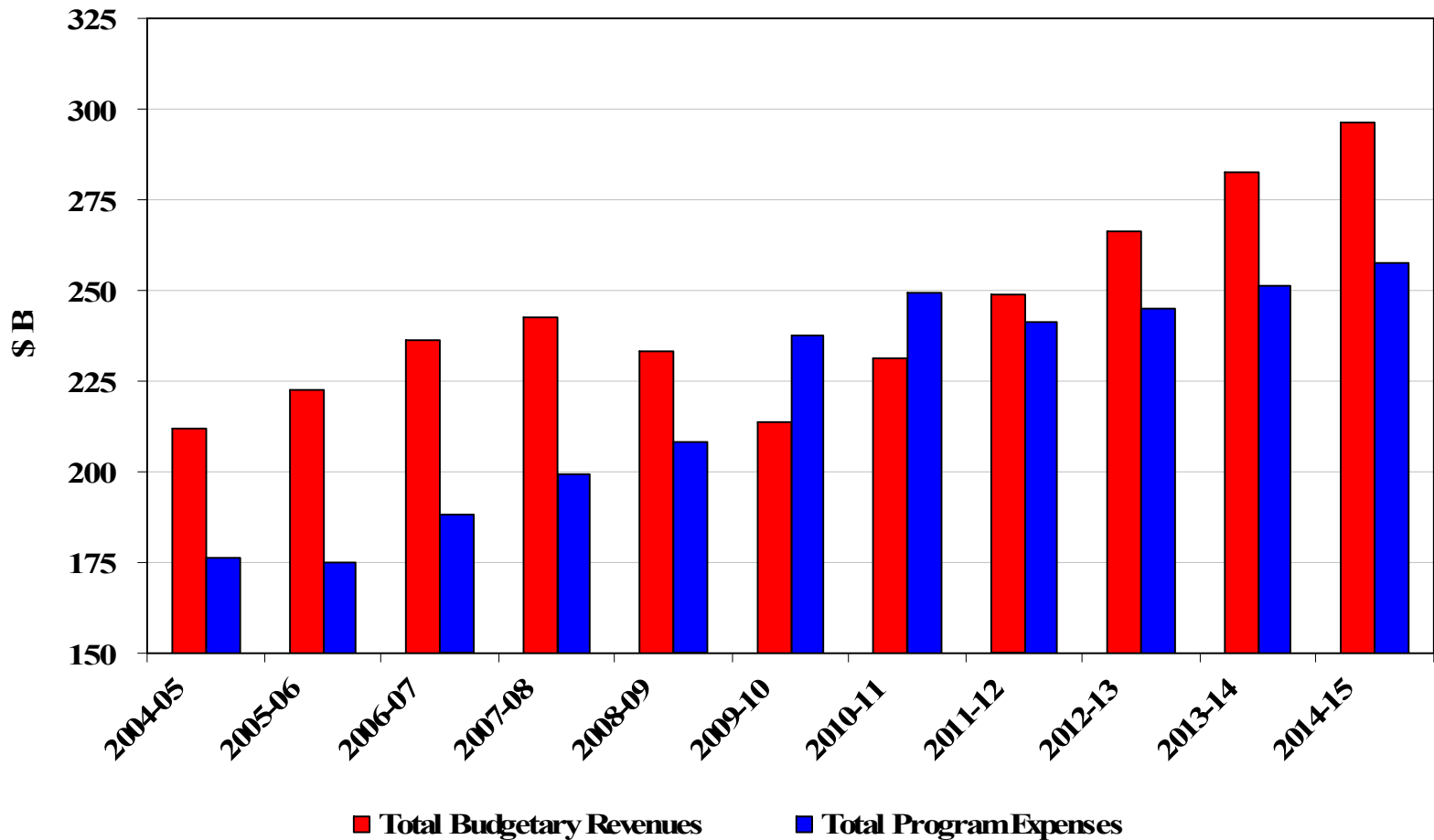
BUDGET 2010

Program Spending



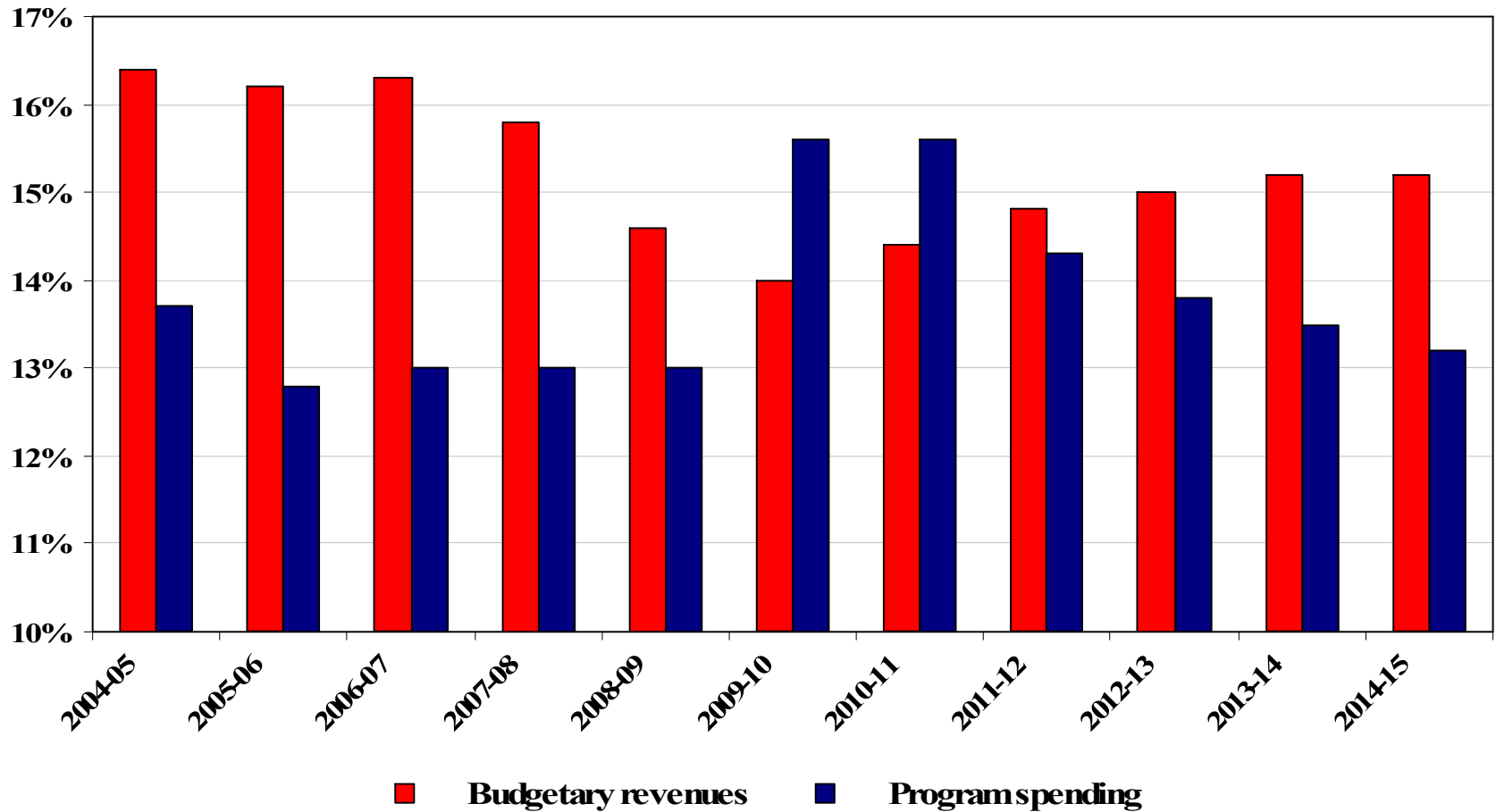
BUDGET 2010

Revenue and Program Spending

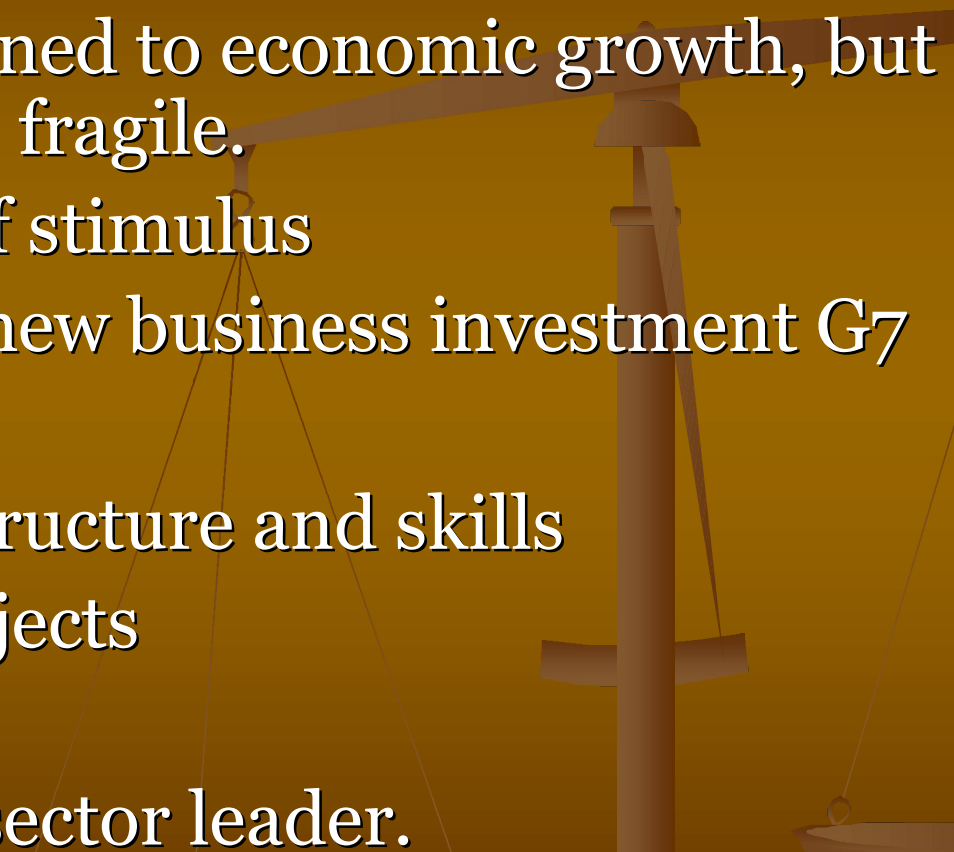


BUDGET 2010

As % of GDP

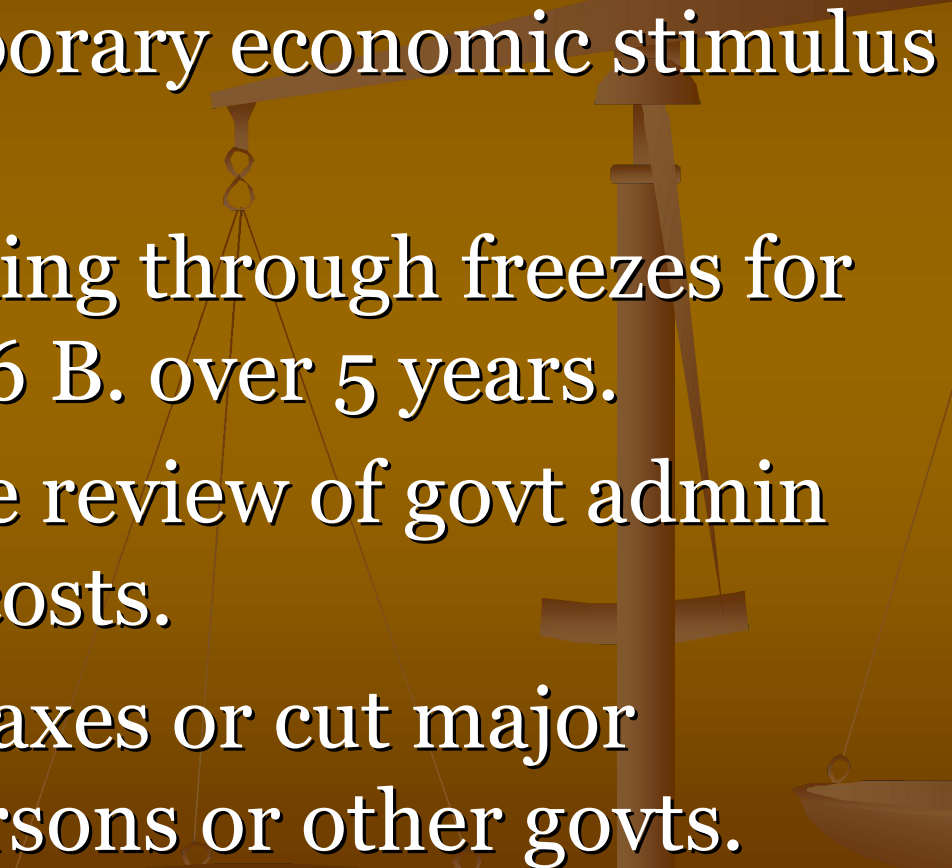


BUDGET SUMMARY

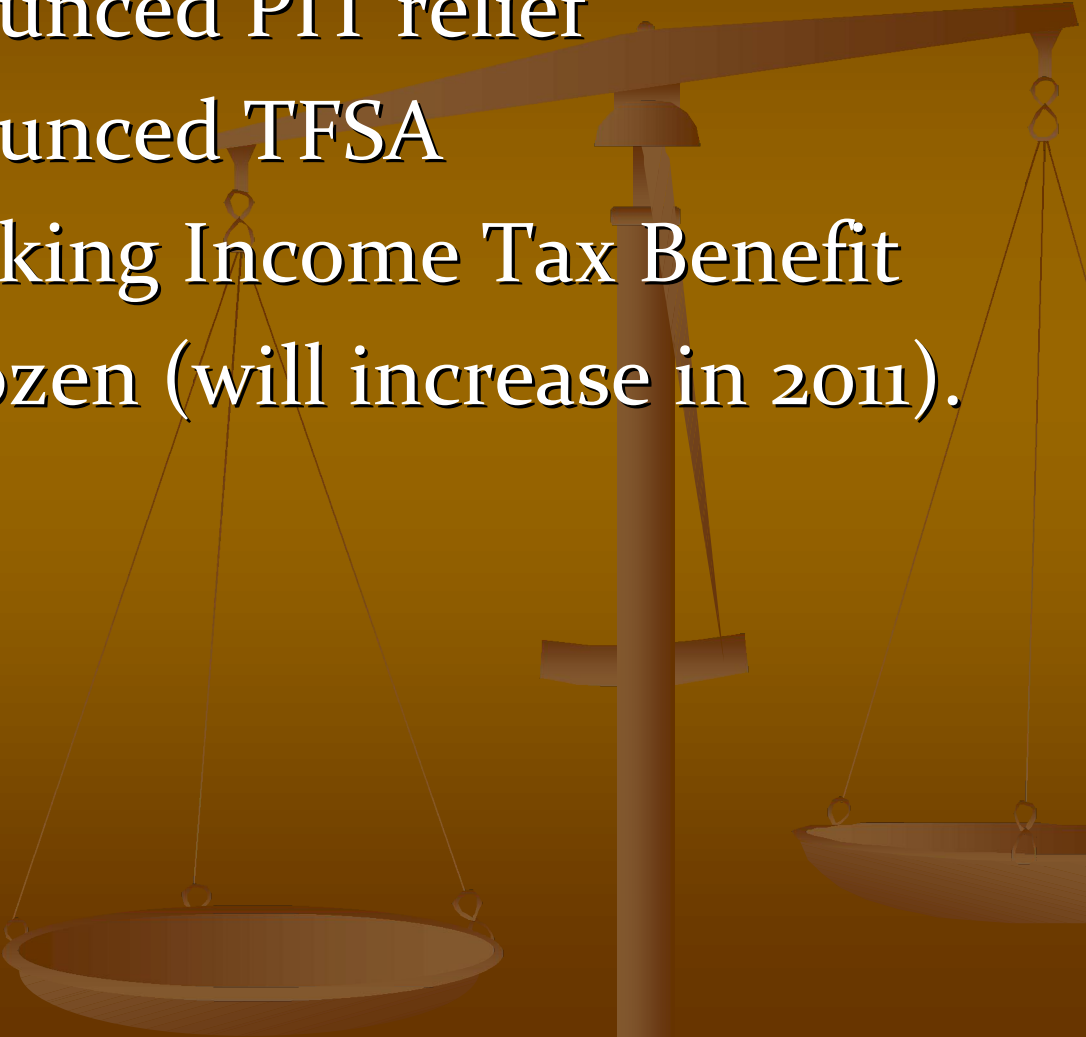
- “Canada’s Economic Action Plan – Act Two”
 - Canada has returned to economic growth, but recovery remains fragile.
 - Another \$19 B. of stimulus
 - Lowest taxes on new business investment G7
 - Reduced tariffs
 - Improved infrastructure and skills
 - Clean energy projects
 - Less red tape
 - Global financial sector leader.
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BUDGET BALANCE

Three point plan

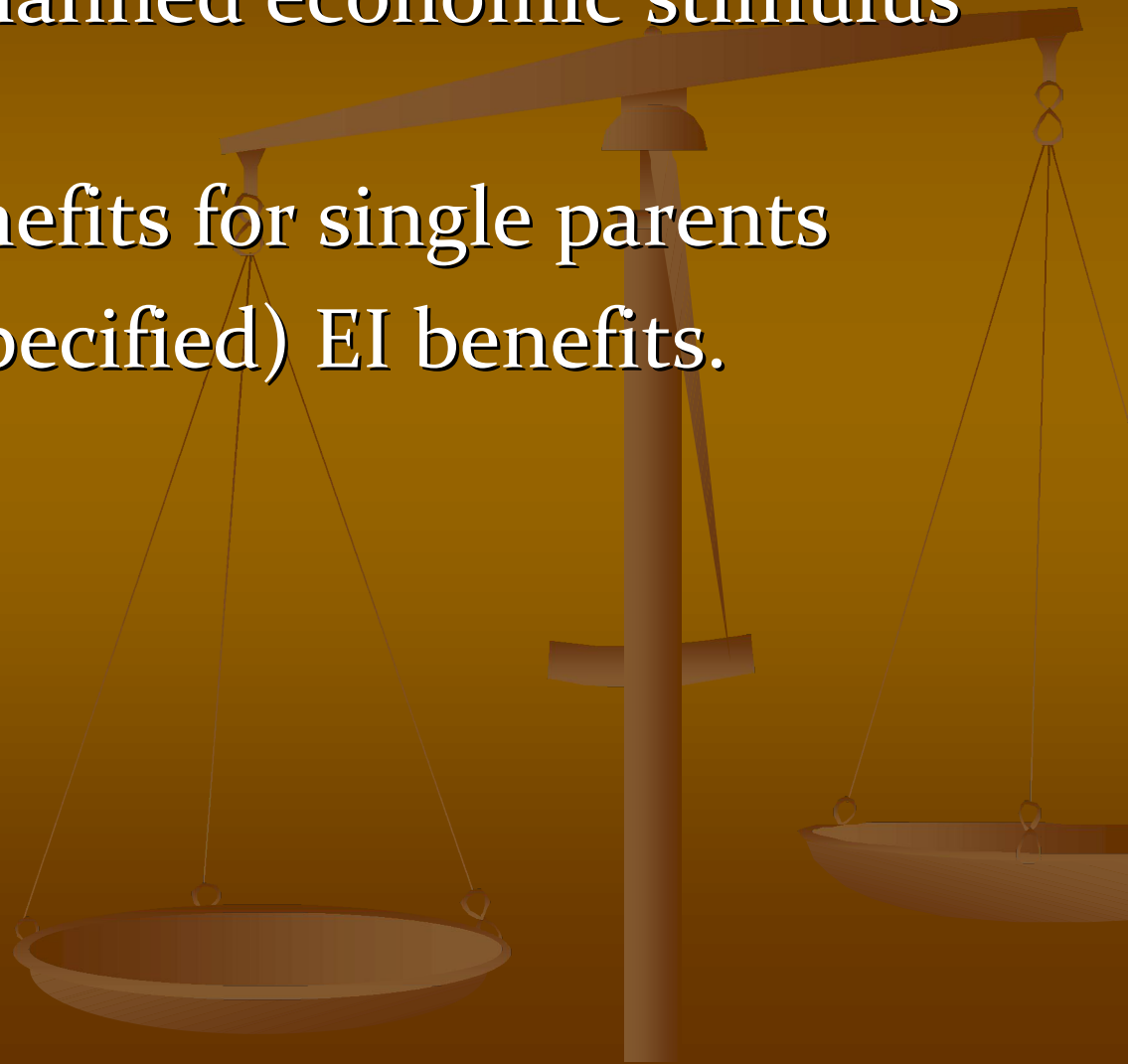
- Complete temporary economic stimulus as planned.
 - Restrain spending through freezes for savings of \$17.6 B. over 5 years.
 - Comprehensive review of govt admin and overhead costs.
 - Will not raise taxes or cut major transfers to persons or other govts.
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REVENUE ITEMS

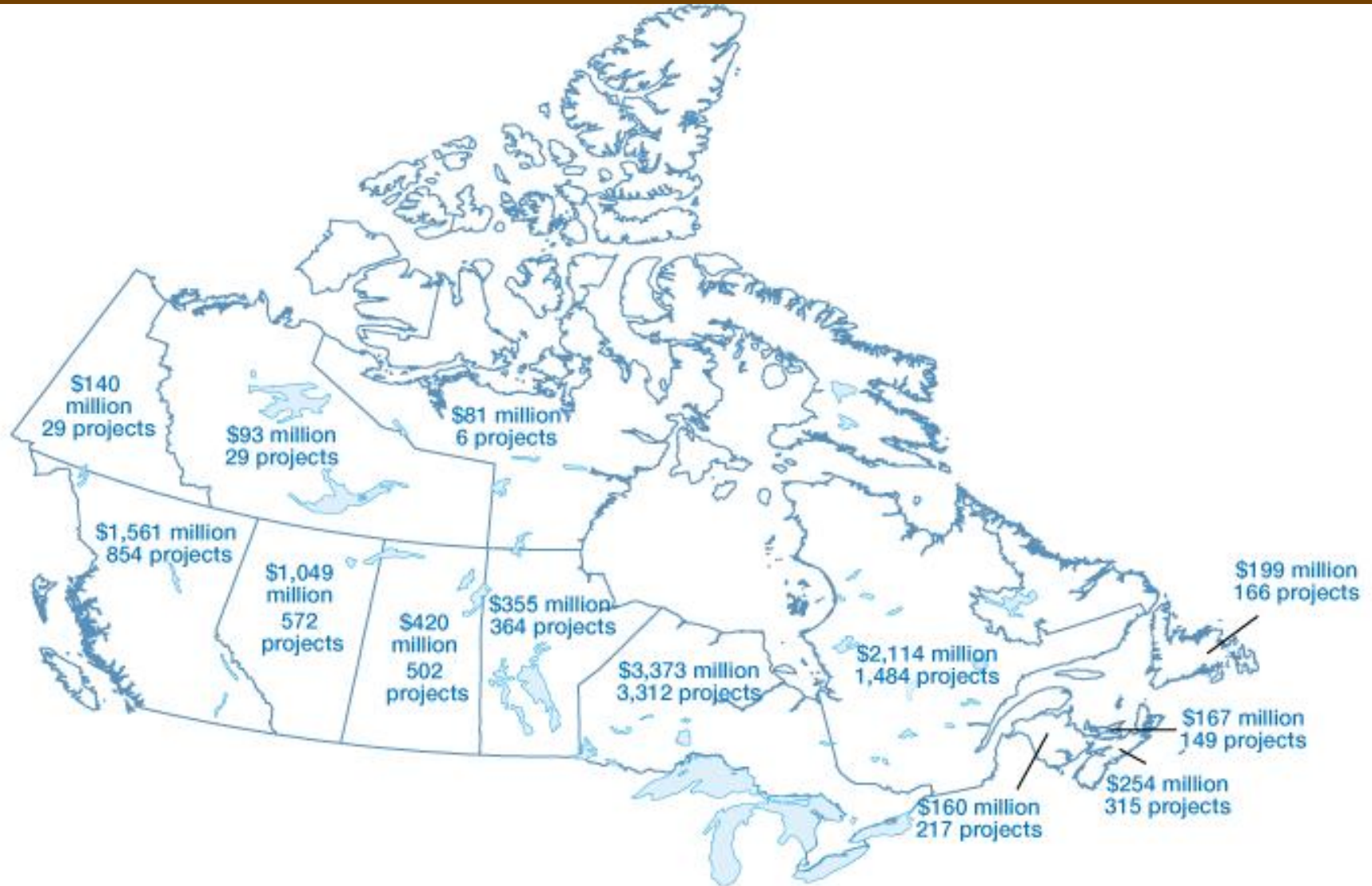
- Previously announced PIT relief
 - Previously announced TFSA
 - Increase to Working Income Tax Benefit
 - EI premiums frozen (will increase in 2011).
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SPENDING ITEMS

- Continue with planned economic stimulus program
- Higher child benefits for single parents
- Additional (unspecified) EI benefits.



INFRASTRUCTURE PROJECTS



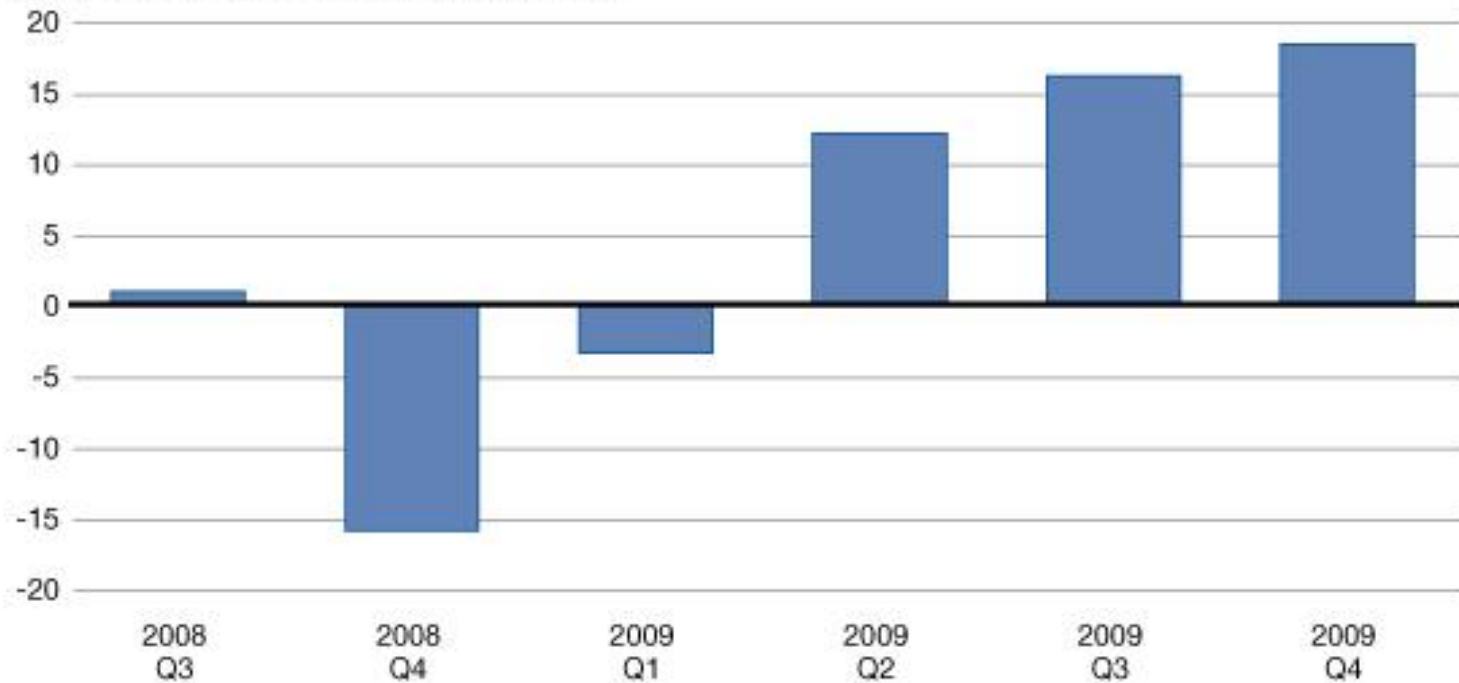
Note: Figures for the provinces reflect commitments since January 27, 2009 under provincial and municipal infrastructure programs announced through the Economic Action Plan, including Recreational Infrastructure Canada. Figures for the territories reflect commitments under the Infrastructure Stimulus Fund, Recreational Infrastructure Canada, the Green Infrastructure Fund and National Recreational Trails, as well as payments under the Provincial/Territorial Base Fund since January 27, 2009.

RENOVATIONS

Chart A1.5

Real Renovation Growth

per cent, period to period at annual rates



Source: Statistics Canada.

EI BENEFITS

Chart 5.2

Employment Insurance Benefits

billions of dollars

