



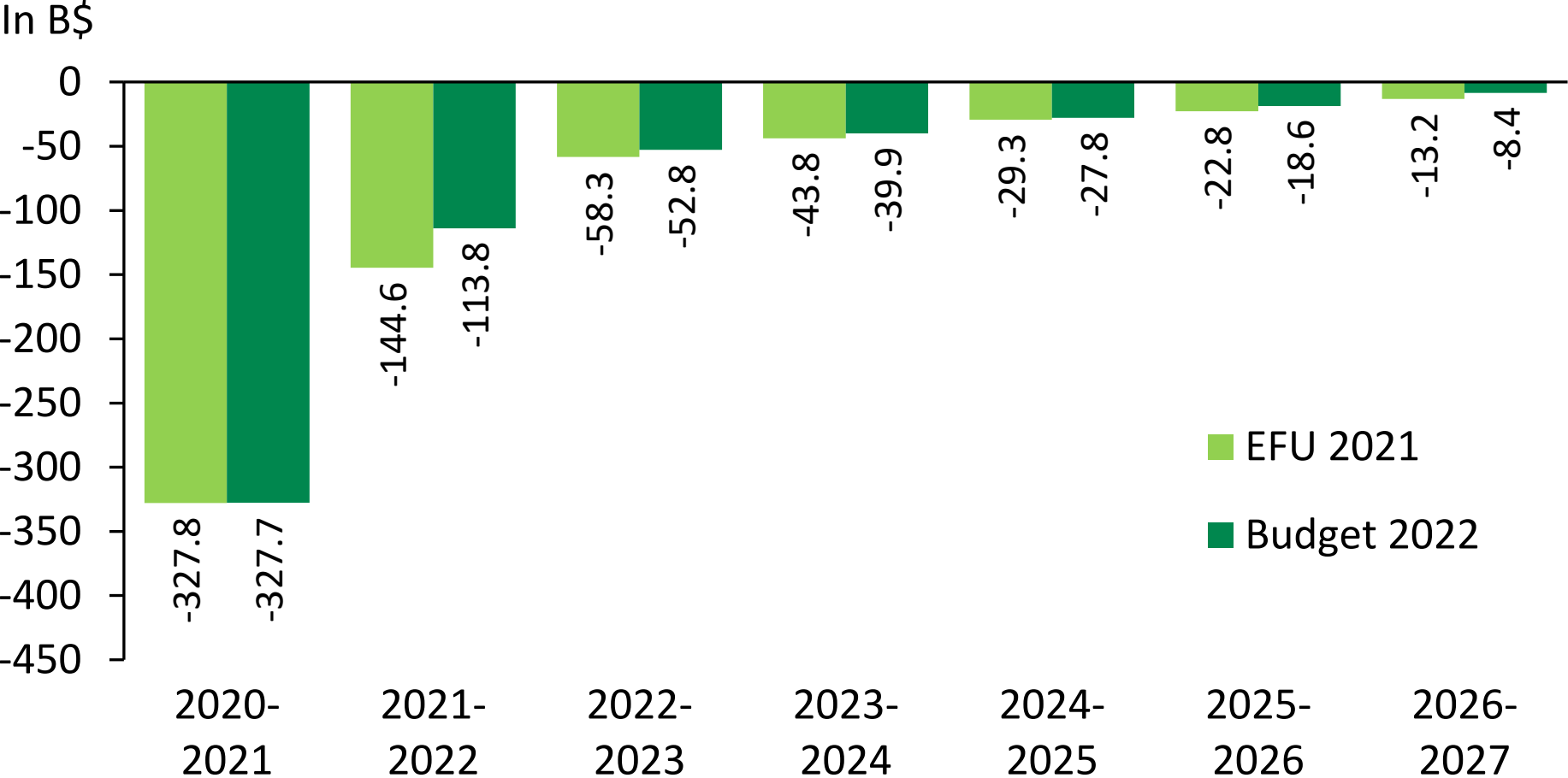
More Money, More Choices

Overview of the Government of Canada's Budget 2022

FEDERAL FISCAL FORECAST

The federal deficit outlook improved again in Budget 2022

Federal Budget Balance Forecasts

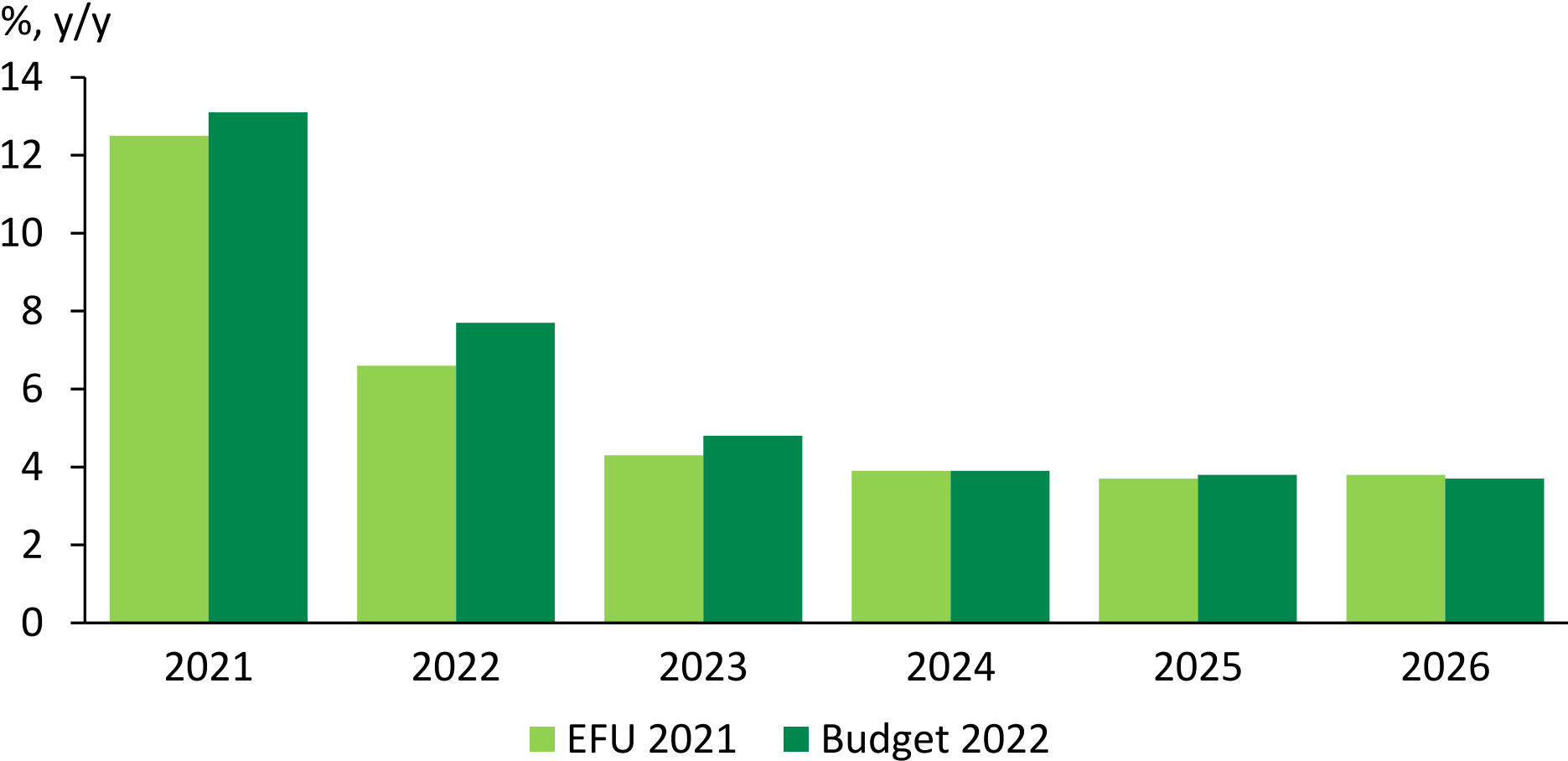


Source: Finance Canada

FEDERAL ECONOMIC OUTLOOK

The nominal GDP growth forecast increased largely on higher inflation

Nominal GDP Growth Forecasts

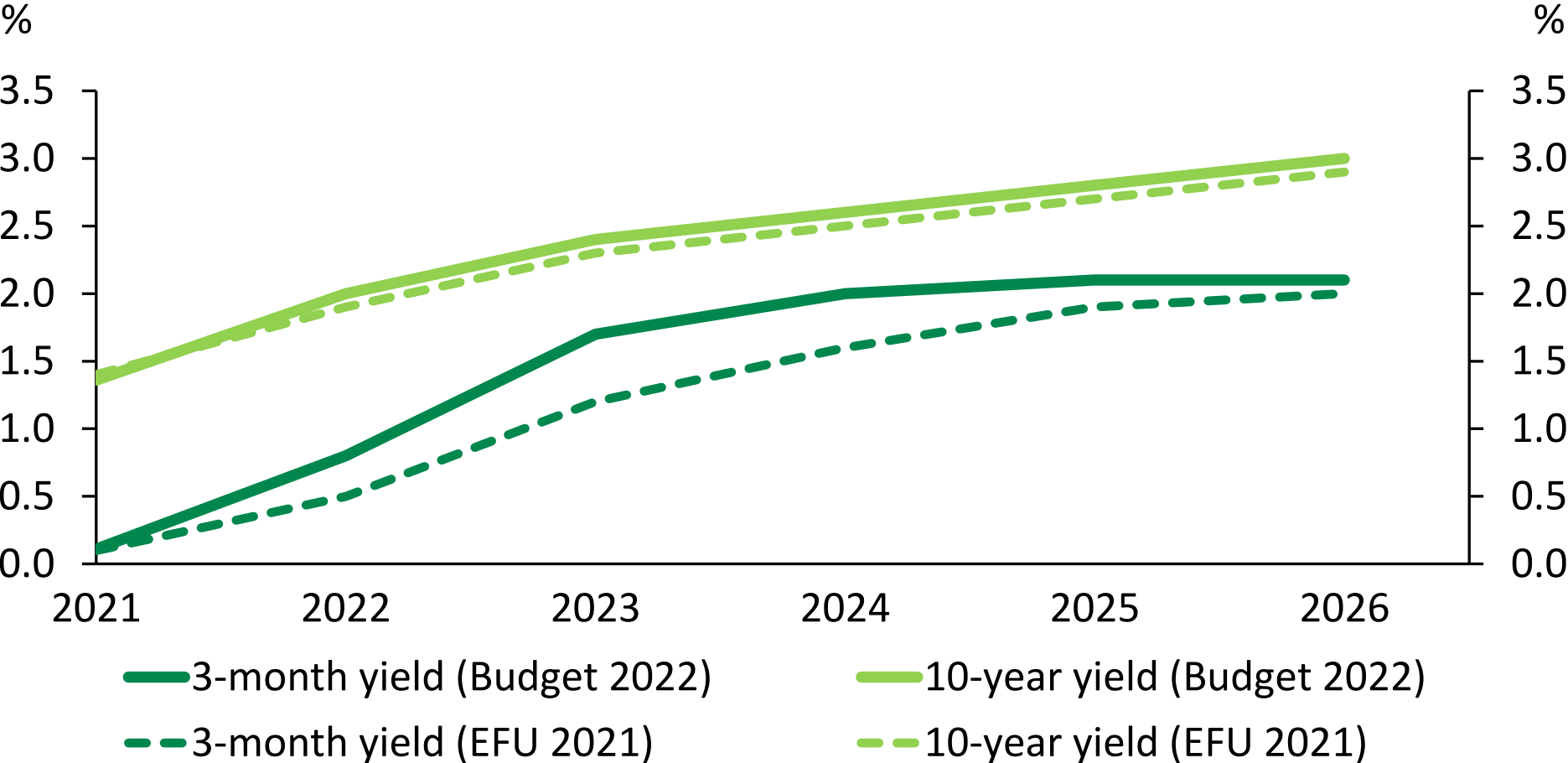


Sources: Finance Canada and Desjardins Economic Studies

FEDERAL ECONOMIC OUTLOOK

Higher rates today and in the future are a drag on the fiscal forecast

3-Month and 10-Year GoC Bond Yield Forecasts



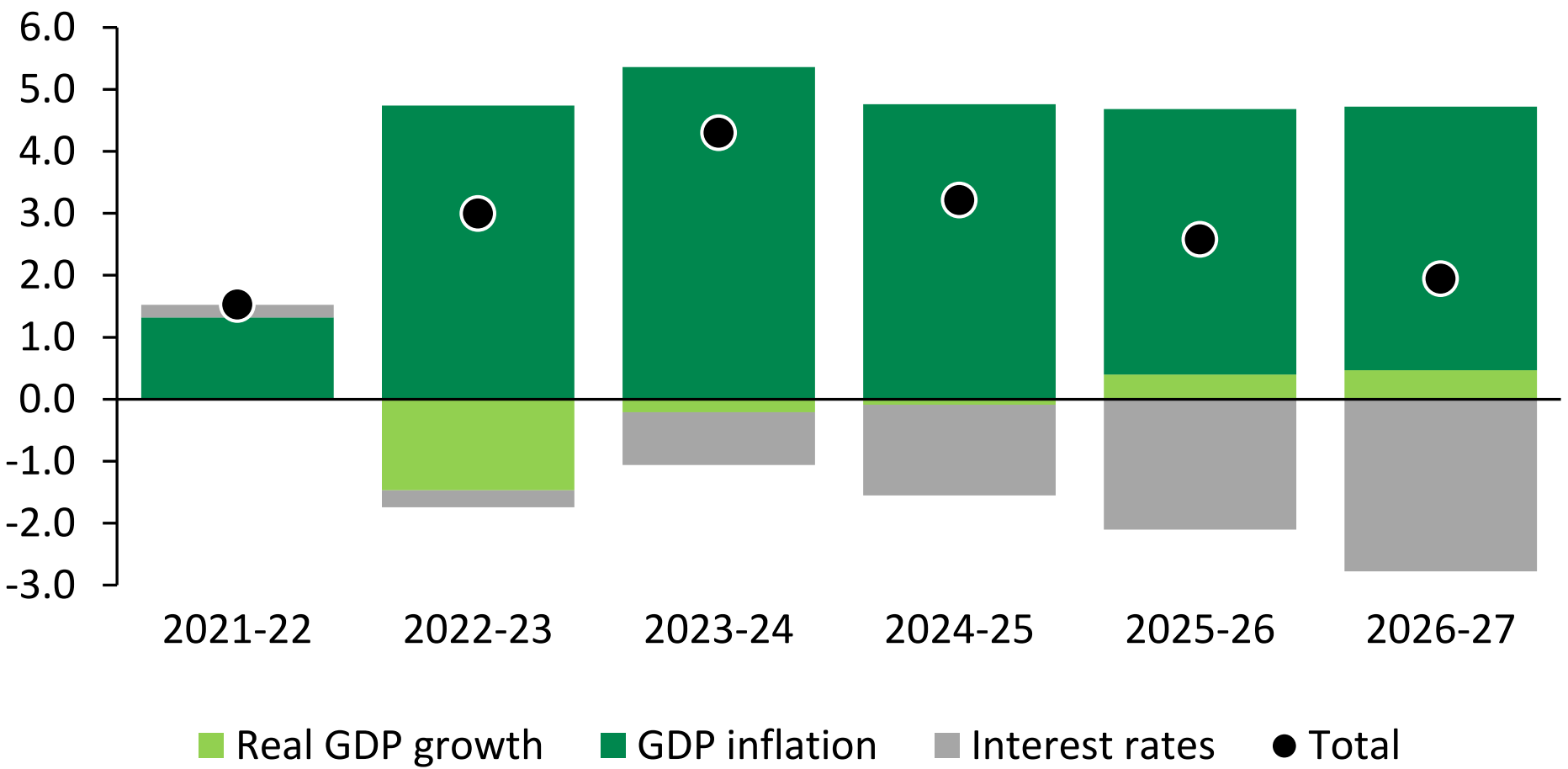
Sources: Finance Canada and Desjardins Economic Studies

FEDERAL FISCAL FORECAST

Higher inflation substantially improved the federal deficit outlook

Budget Balance Impact of Economic Forecast Revisions*

Billions of dollars



*Budget 2022 less EFU 2021 economic forecasts

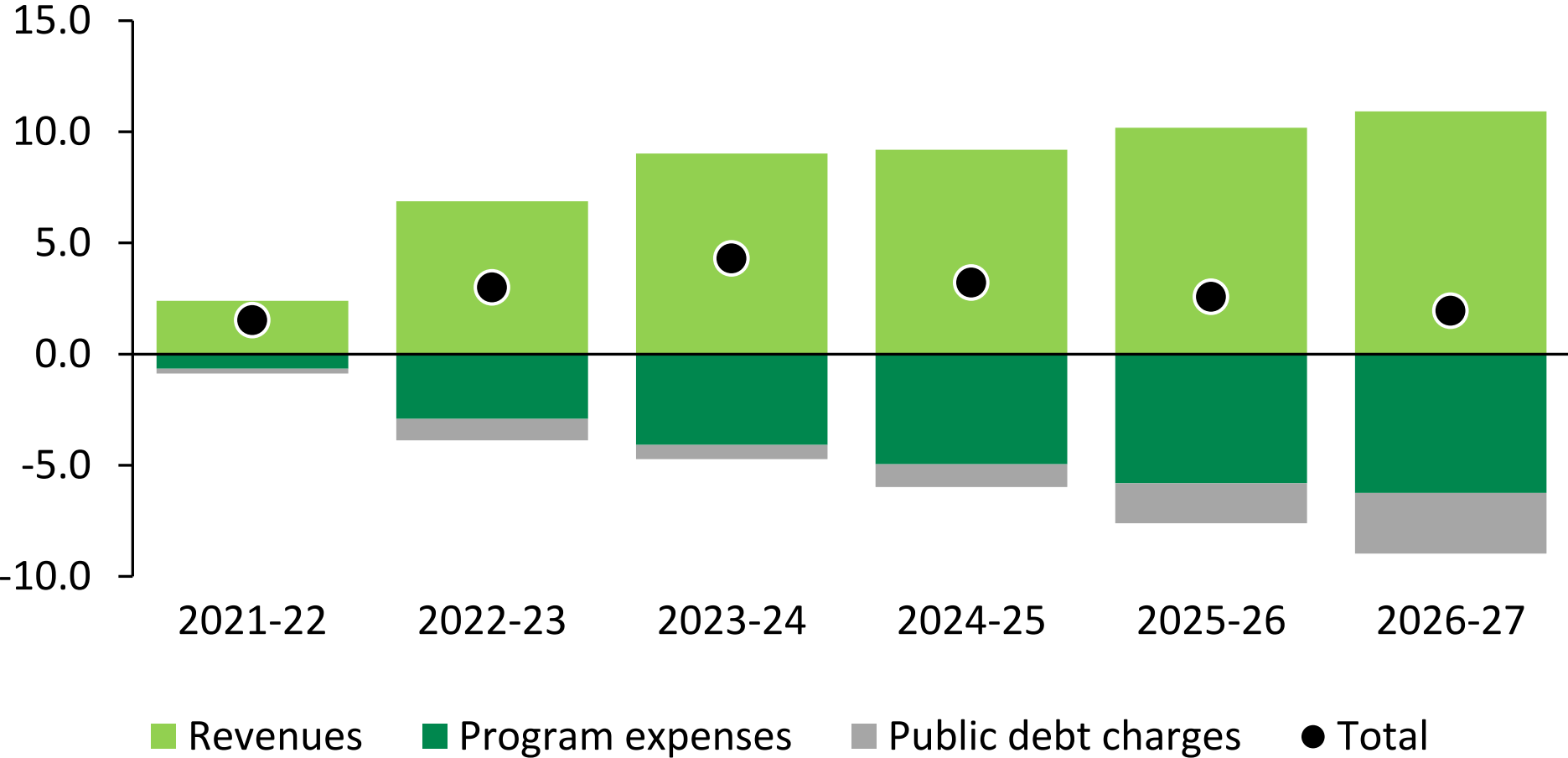
Sources: Finance Canada and Desjardins Economic Studies

FEDERAL FISCAL FORECAST

Revenues were the primary beneficiary of higher inflation

Budget Balance Impact of Economic Forecast Revisions*

Billions of dollars



*Budget 2022 less EFU 2021 economic forecasts

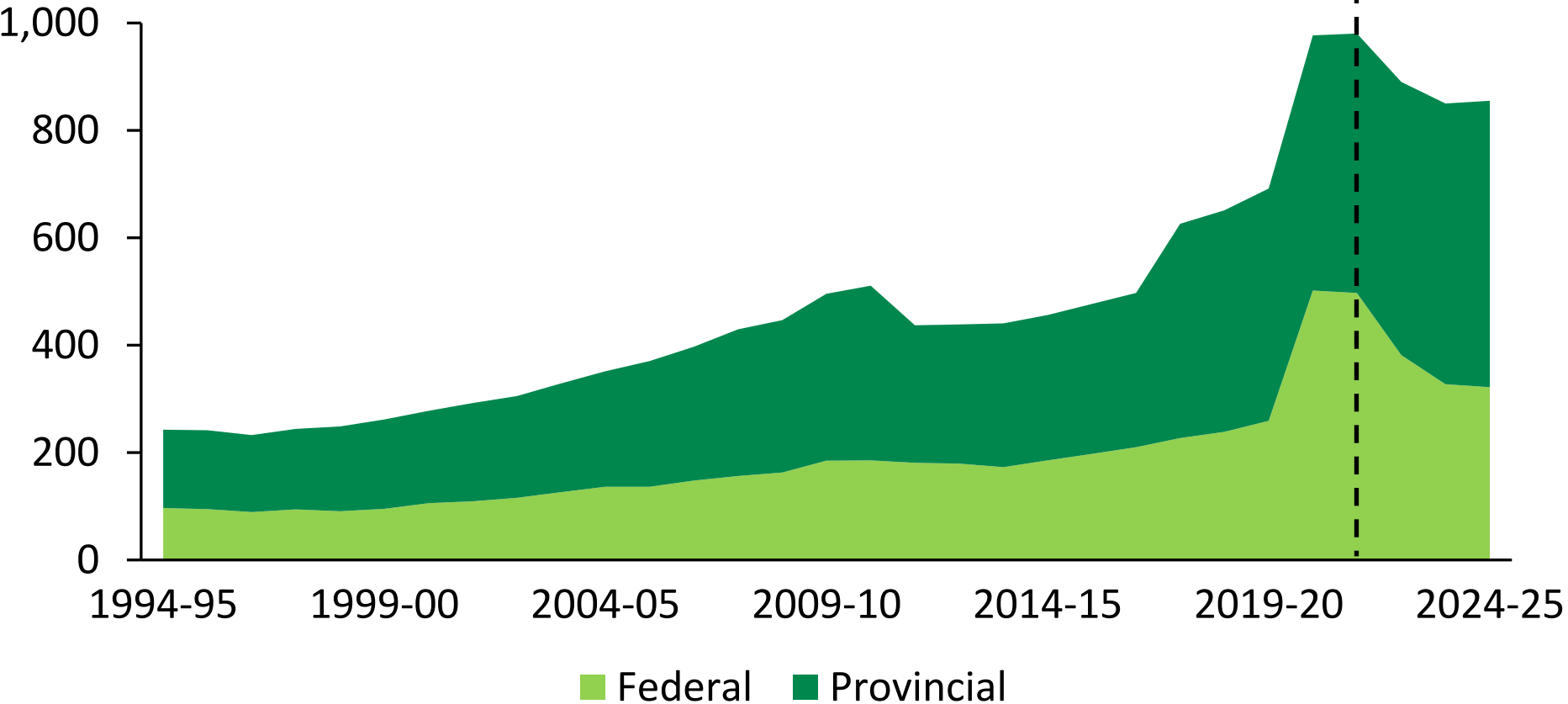
Sources: Finance Canada and Desjardins Economic Studies

FEDERAL PROGRAM SPENDING

Federal spending is likely to fall quickly as pandemic measures expire

Federal and Provincial Government Program Spending

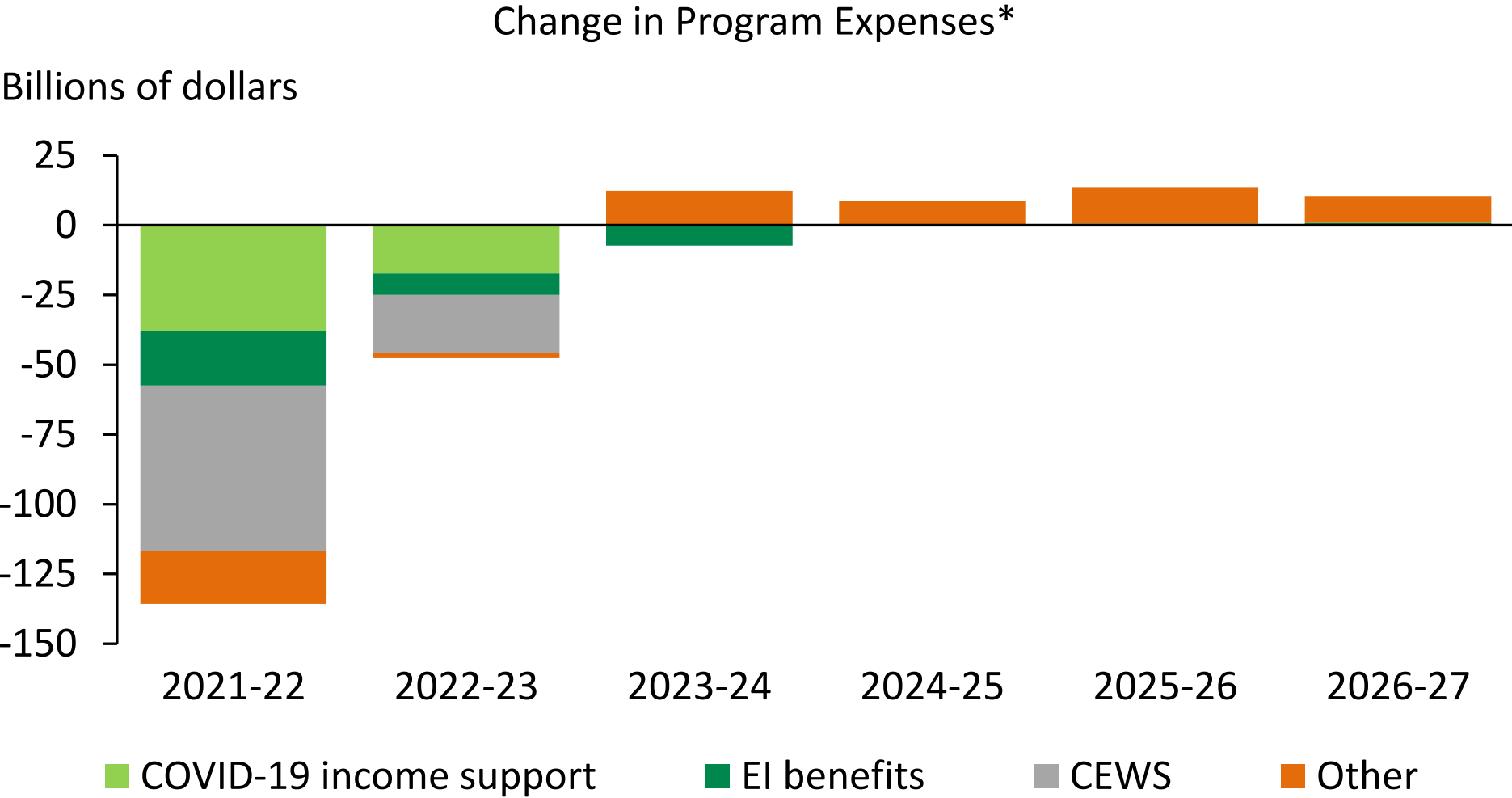
Billions of dollars



Sources: Federal and provincial departments of finance and Desjardins Economic Studies

FEDERAL PROGRAM SPENDING

Three programs explain most of the decline in federal spending

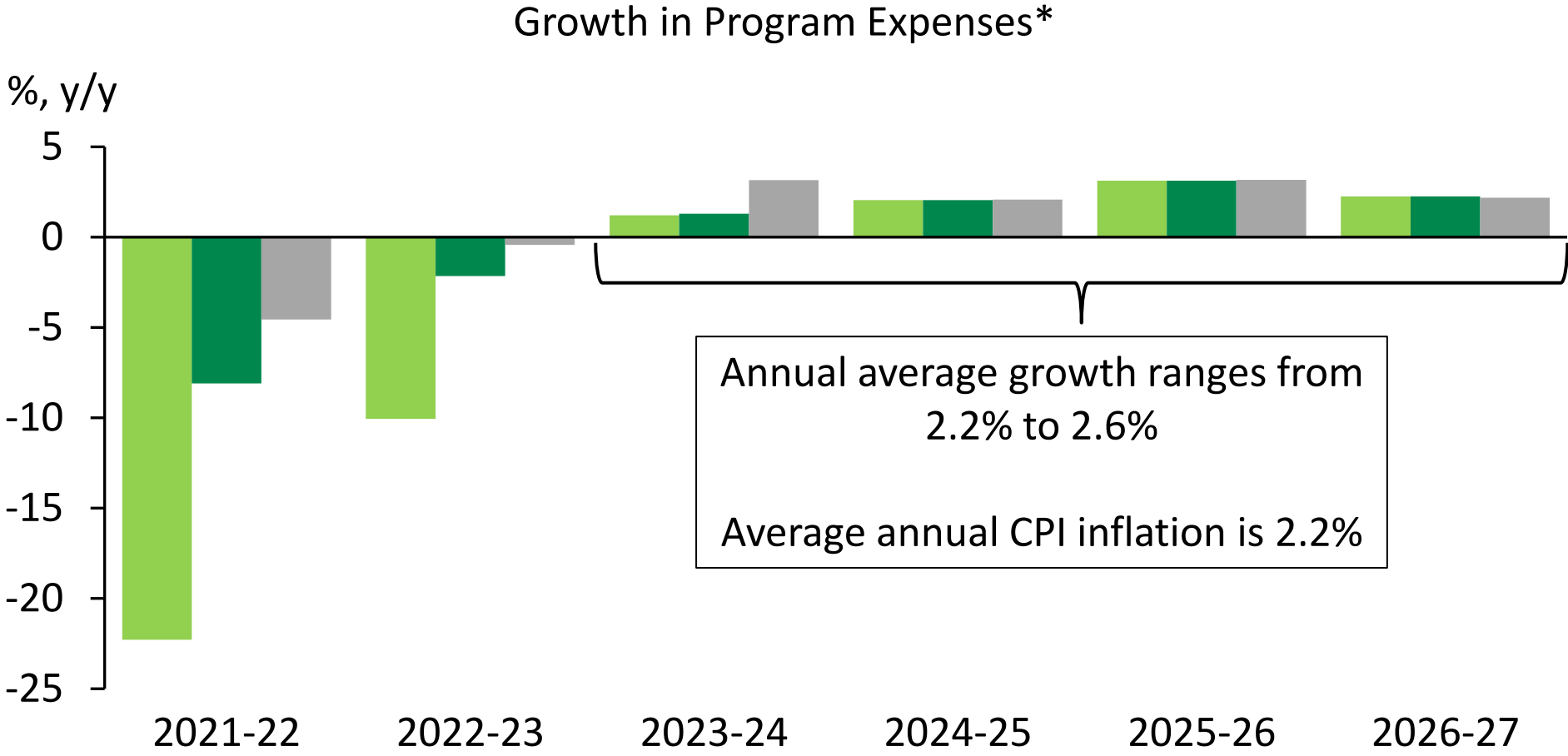


*excludes net actuarial losses

Sources: Finance Canada and Desjardins Economic Studies

FEDERAL PROGRAM SPENDING

Program expense growth is set to slow to roughly the rate of inflation



Annual average growth ranges from 2.2% to 2.6%

Average annual CPI inflation is 2.2%

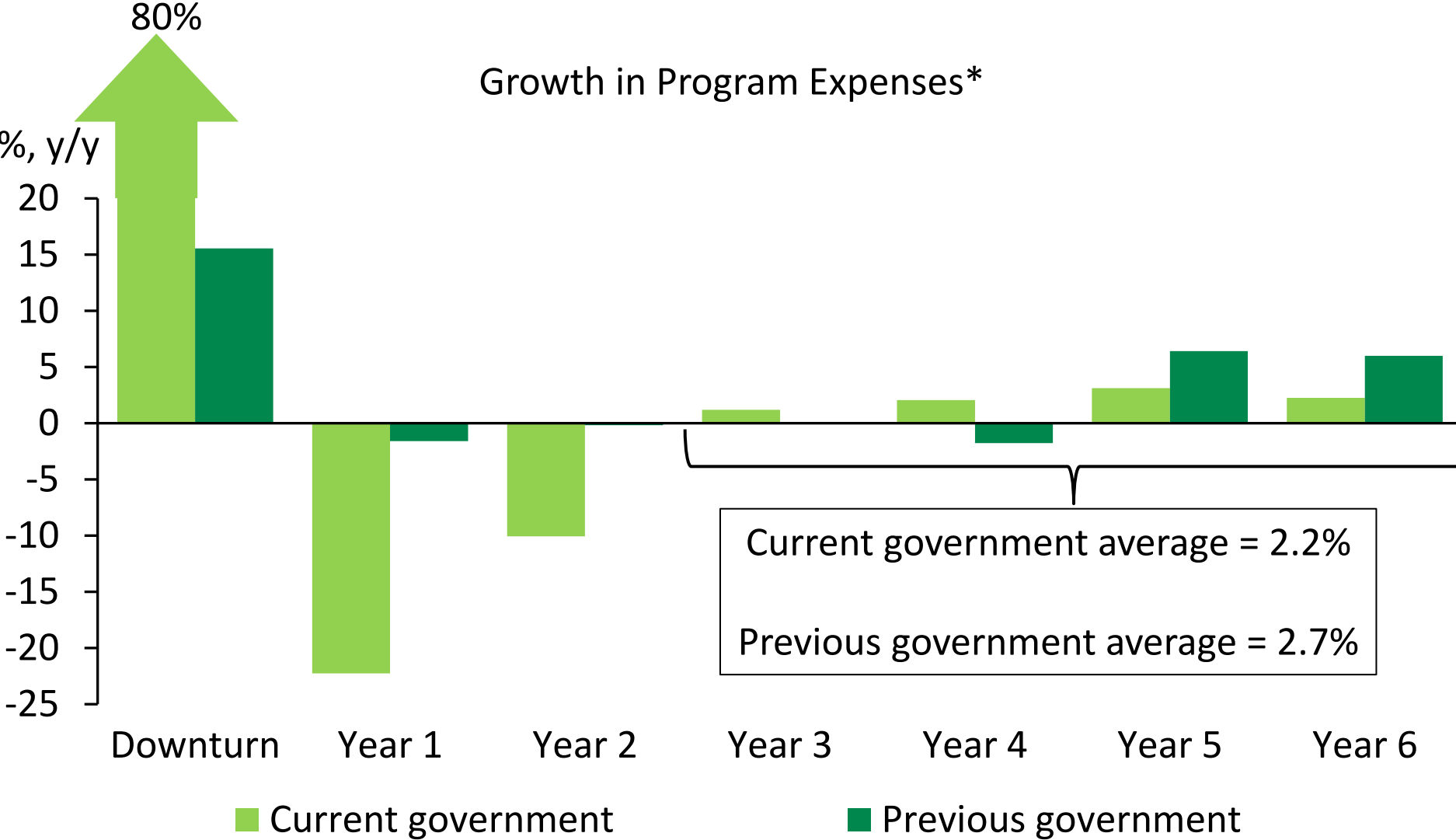
■ Total program expenses ■ less CEWS + COVID-19 income support ■ less EI benefits

*excludes net actuarial losses

Sources: Finance Canada and Desjardins Economic Studies

FEDERAL PROGRAM SPENDING

Keeping spending growth below nominal GDP growth is a challenge



*excludes net actuarial losses; 'Downturn' refers to the 2009-10 and 2020-21 fiscal years

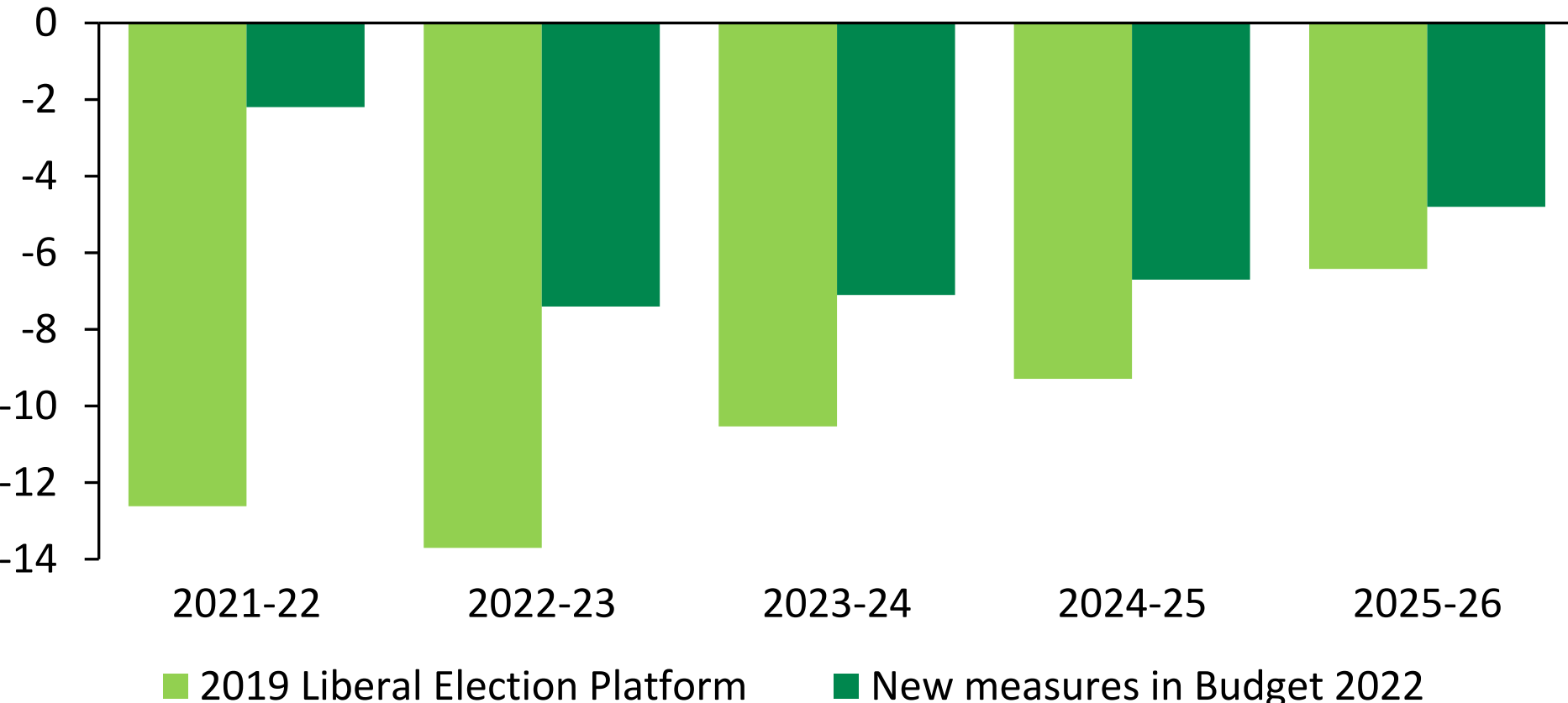
Sources: Finance Canada and Desjardins Economic Studies

FEDERAL FISCAL FORECAST

New spending is more modest than was proposed in the 2019 election

Impact of Fiscal Measures on the Budget Balance Forecast

Billions of dollars



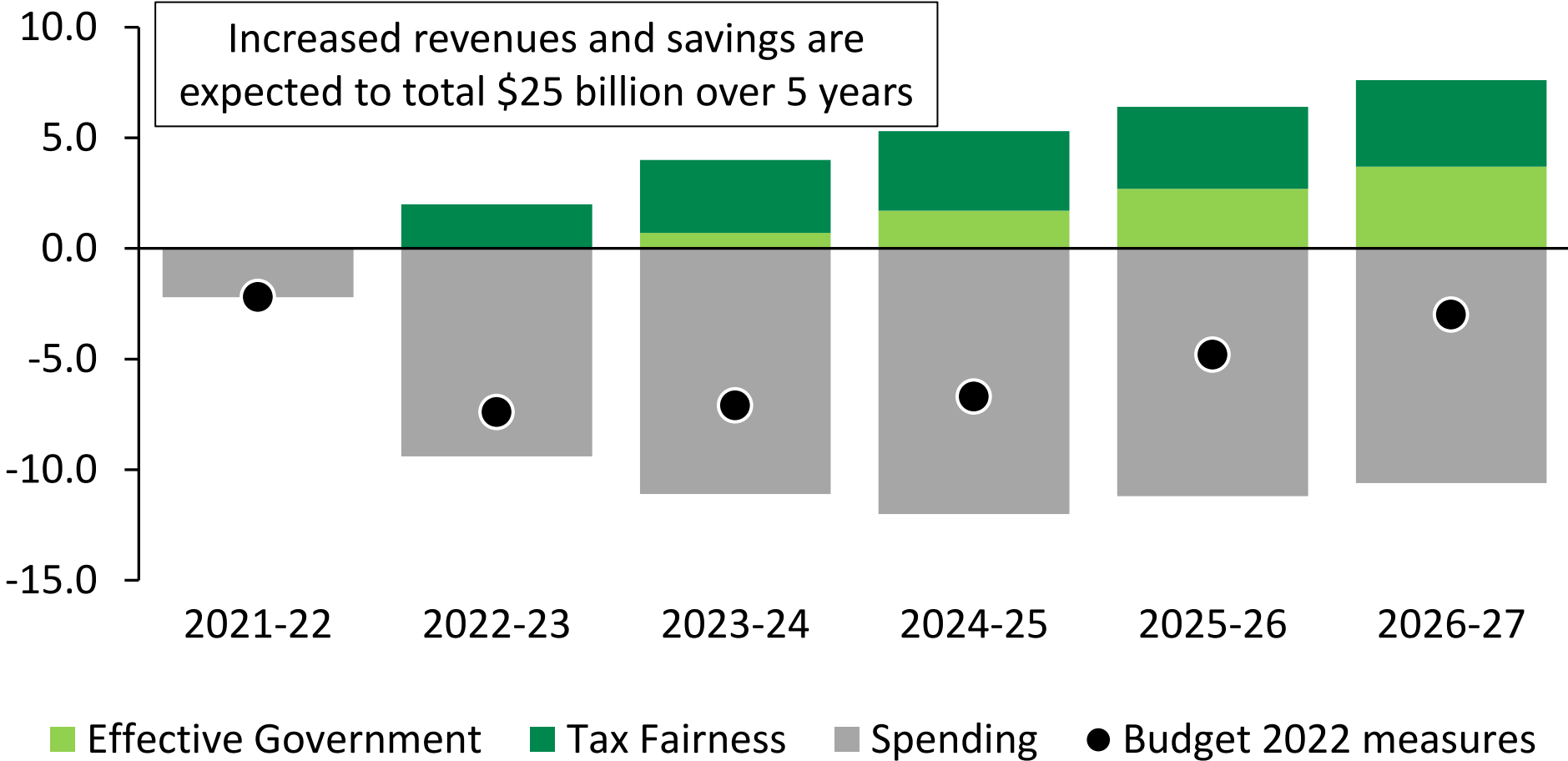
Sources: Liberal Party of Canada, Finance Canada and Desjardins Economic Studies

FEDERAL FISCAL FORECAST

New spending is expected to be partly offset by taxes and savings

Budget Balance Impact of Budget 2022 Measures

Billions of dollars



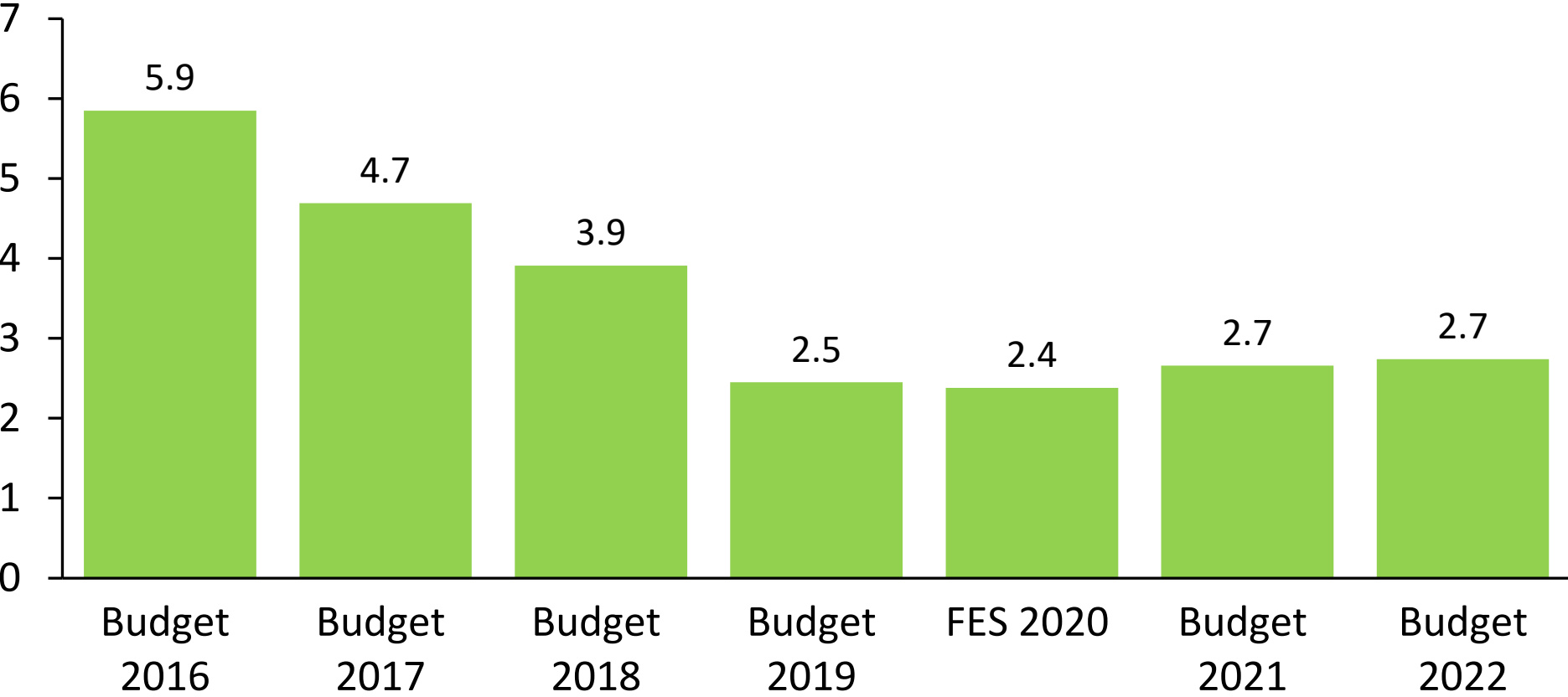
Sources: Finance Canada and Desjardins Economic Studies

FEDERAL REVENUES

Diminishing revenue recovery with each tax-compliance dollar spent

Expected Revenue Recovery from Spending on Tax Compliance

Revenue recovered from \$ of spending

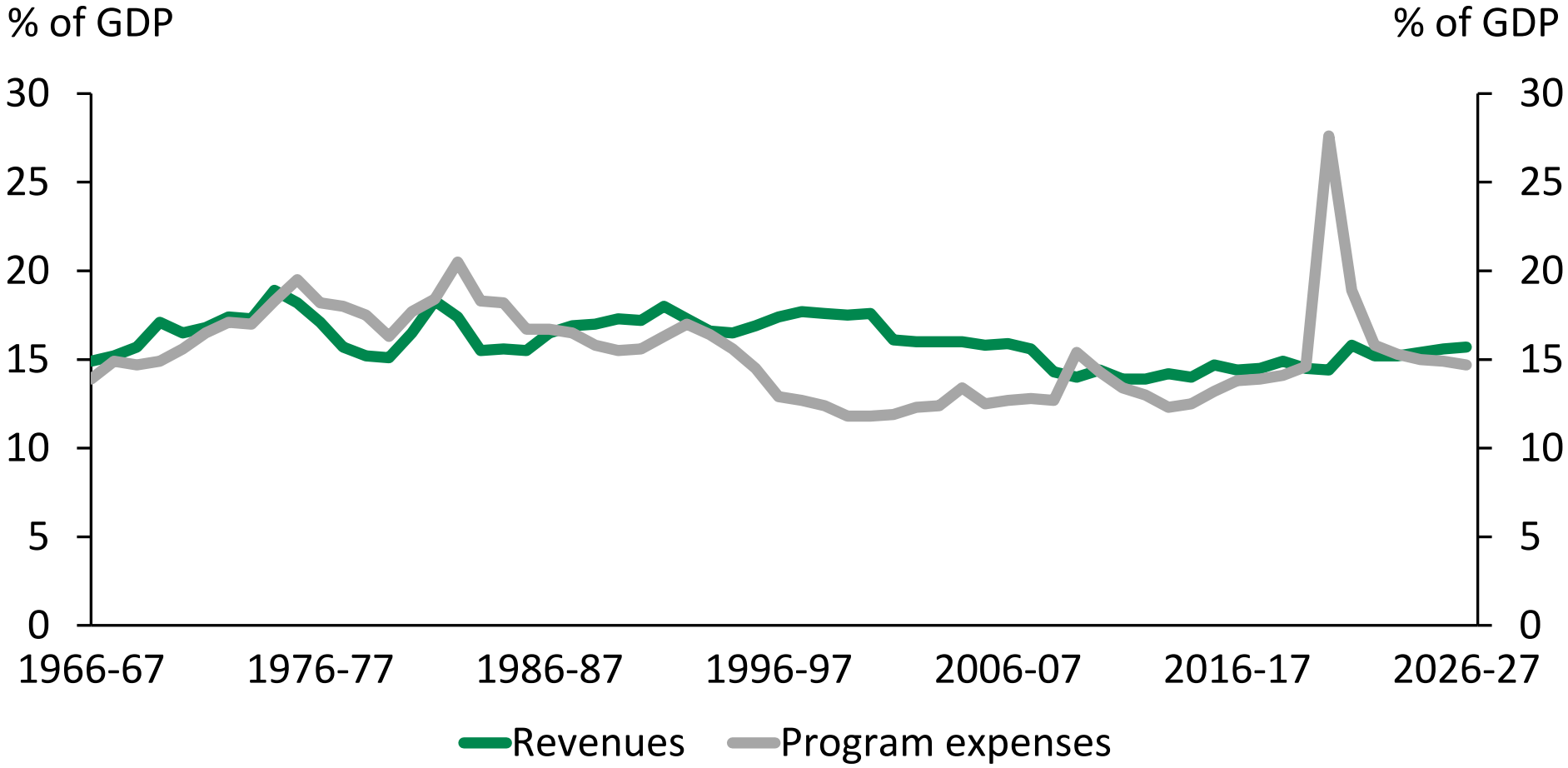


Sources: Parliamentary Budget Officer and Desjardins Economic Studies

FEDERAL FISCAL FORECAST

Revenues and expenses are set to remain higher than pre-COVID

Federal Revenues and Program Expenses*



*excludes net actuarial losses

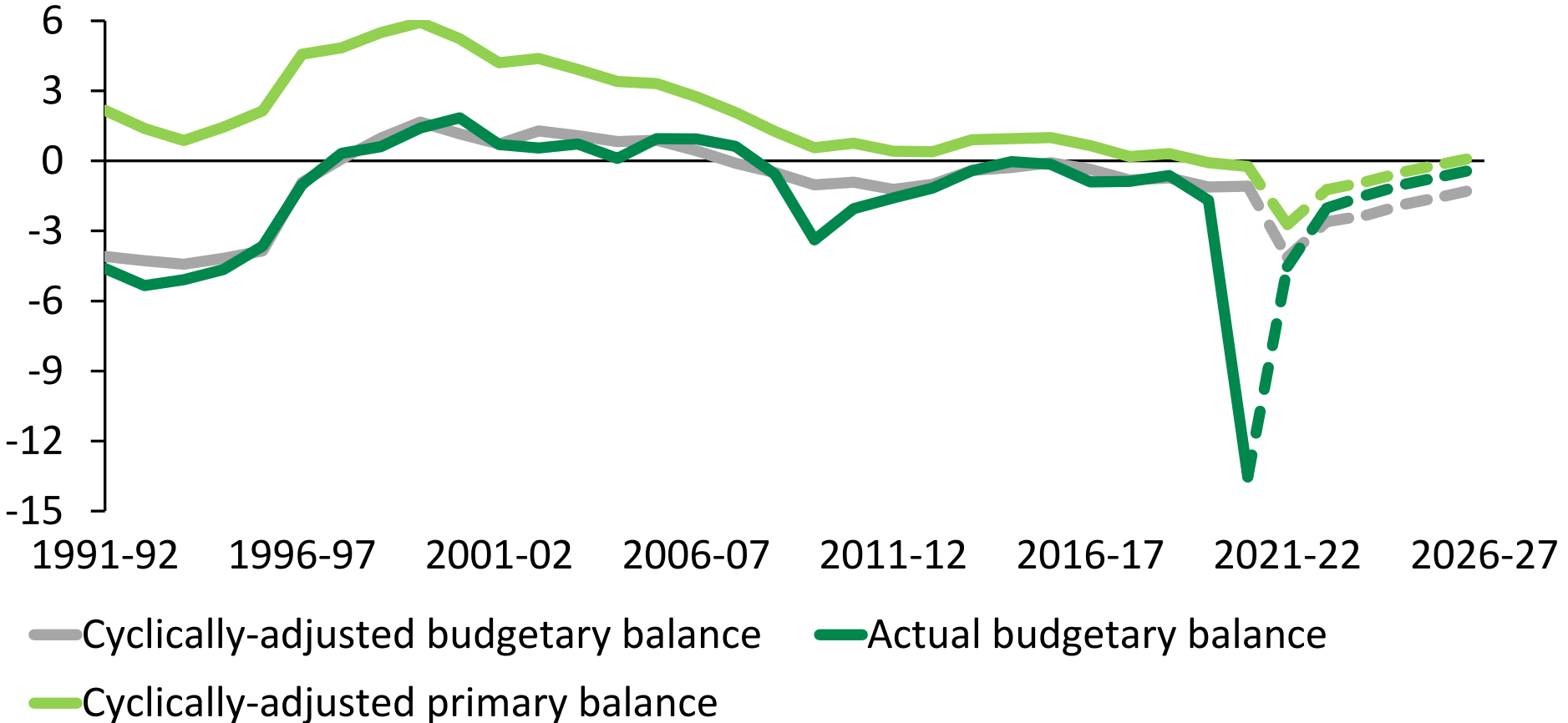
Sources: Finance Canada and Desjardins Economic Studies

FEDERAL FISCAL FORECAST

The federal government is likely to run sustained structural deficits

Actual and Cyclically-Adjusted Budget Balances

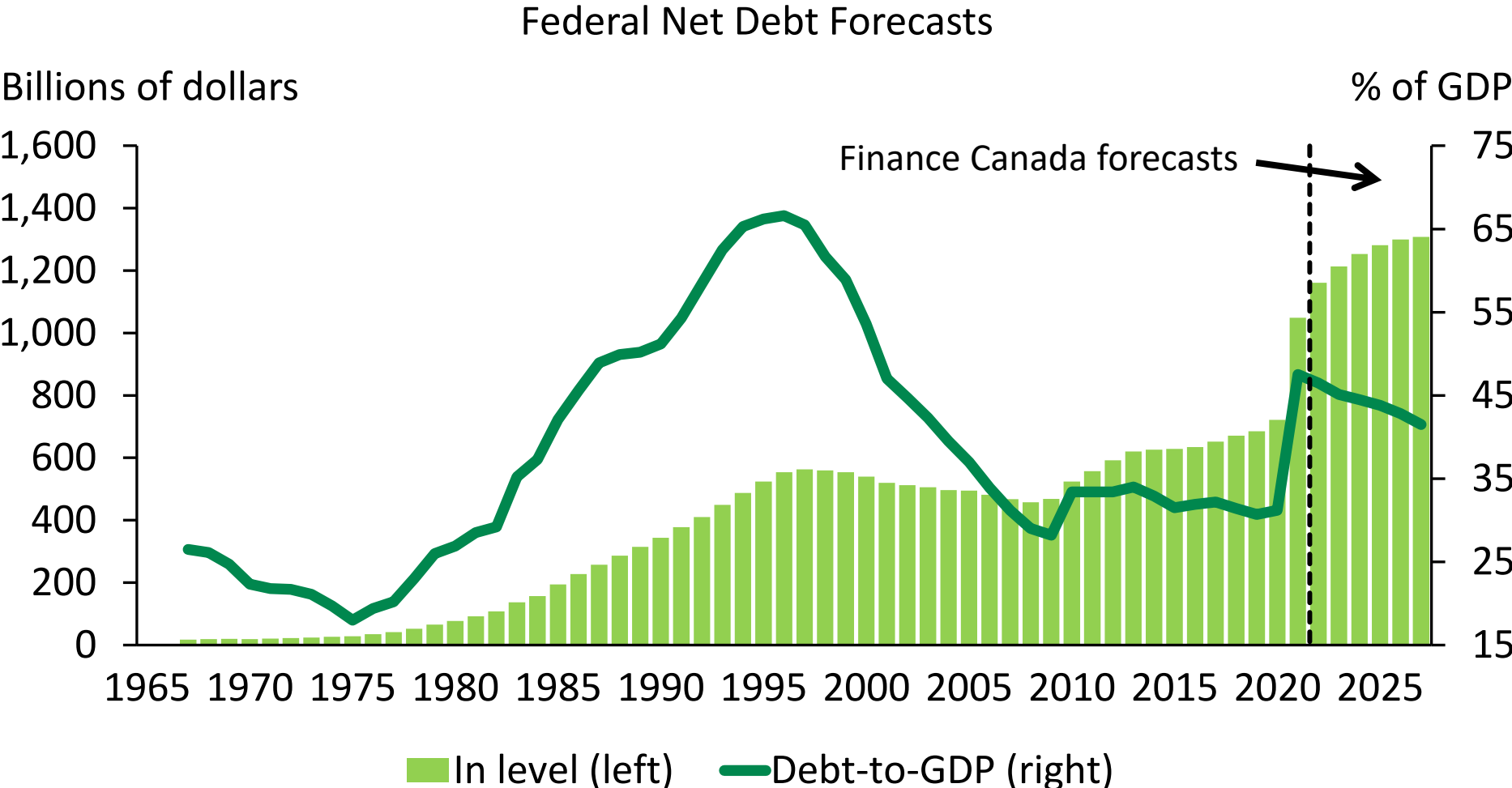
% of potential GDP



Sources: Finance Canada, International Monetary Fund and Desjardins Economic Studies

FEDERAL DEBT FORECAST

Federal net debt-to-GDP is expected to fall on a sustained basis



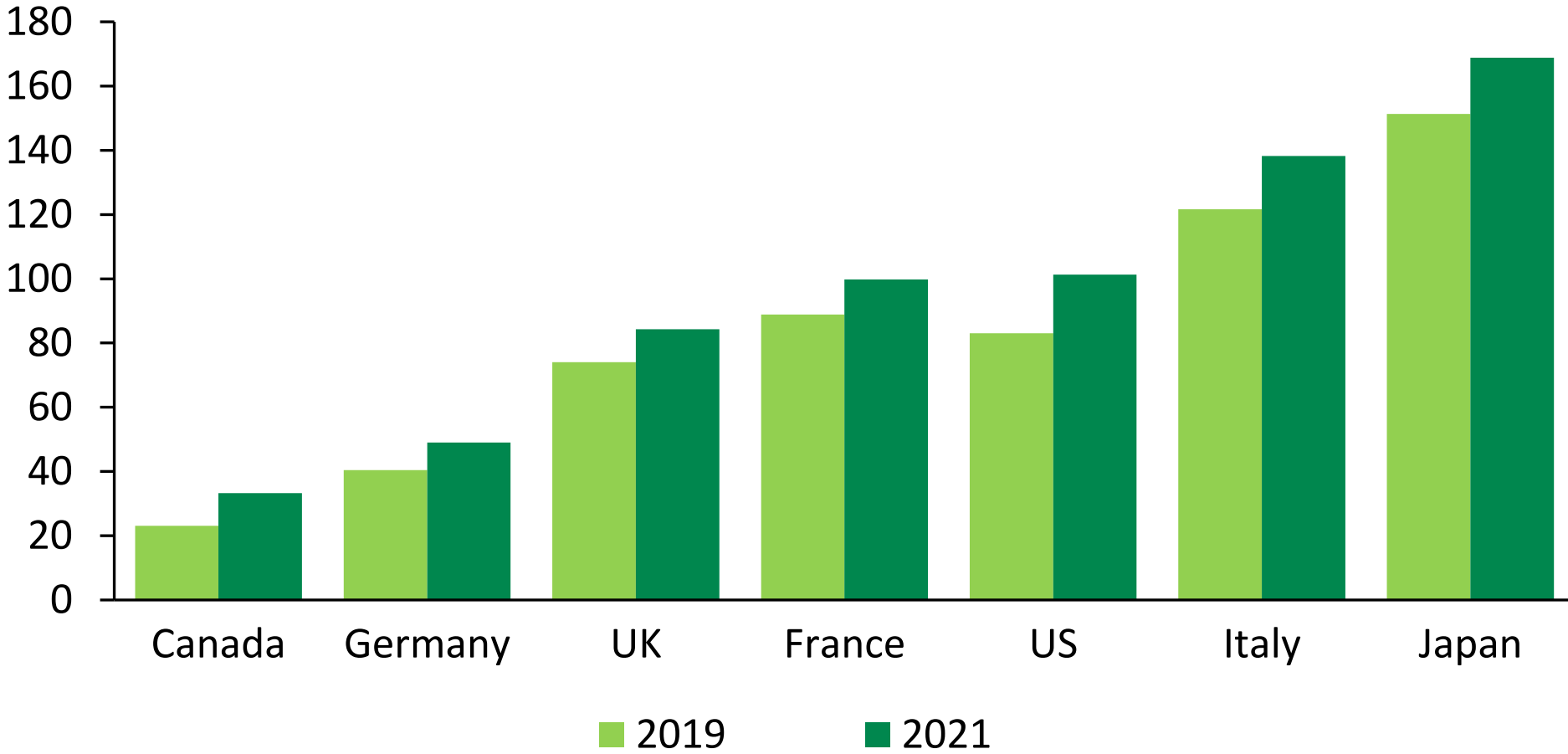
Sources: Finance Canada and Desjardins Economic Studies

GLOBAL DEBT COMPARISON

Canada's debt remains well below the G7 average

G7 Total Net Debt Estimates

% of GDP



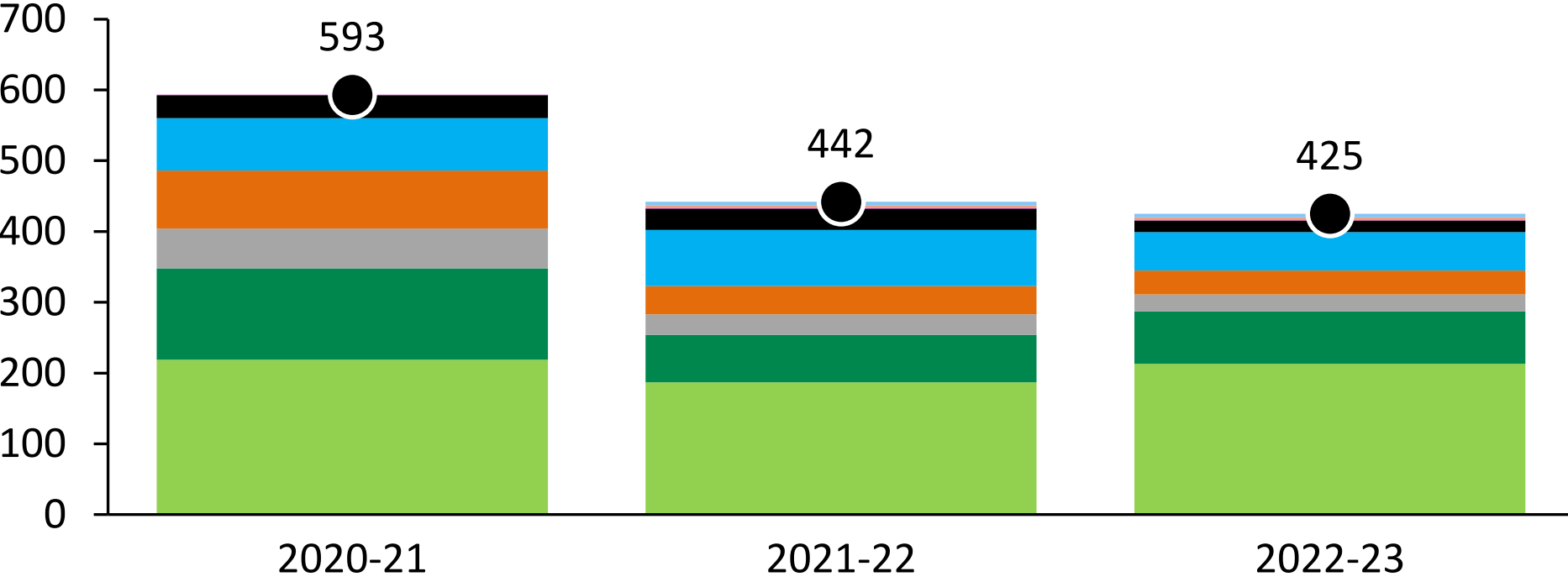
Sources: International Monetary Fund and Desjardins Economic Studies

FEDERAL DEBT FORECAST

Short-term issuance is set to increase as the yield curve has steepened

Projected Gross Issuance of Bonds and Bills

Billions of dollars



- Treasury bills
- 2-year
- 3-year
- 5-year
- 10-year
- 30-year
- Real Return Bonds
- Ultra-long
- Green bonds

Sources : Finance Canada and Desjardins Economic Studies

CONCLUSION

Positive federal fiscal track but the risks are to the downside

Overview of the federal fiscal outlook

- Deficits are expected to consistently diminish
- Debt will continue to rise but fall as a share of GDP
- New debt issuance will slow and will be increasingly short term

Risks to the outlook

- Weaker economic activity and/or higher interest rates
- Revenues underperform on the economy and lack of collection
- Program spending is higher and savings are less than expected

The background of the slide is a light gray gradient with a faint, semi-transparent overlay of financial data. This includes various bar charts, line graphs, and numerical values such as '2.5', '4.0', '7%', and '1047'. The text 'Thank you!' is centered in a bold, green font.

Thank you!

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