HIGHLIGHTS

- **Deep recession and stimulus will propel the combined federal and provincial deficit to at least $90 billion in FY 09-10.**
- **Relative to GDP, the overall deficit (6%) and debt (64%) will still fall short of the levels in the mid-1990s, when they hit 9% and 102%, respectively.**
- **However, governments are likely facing fewer degrees of freedom than 10-15 years ago. Trend revenue growth is likely to be slower and age-related spending pressures more intense.**
- **In order to return the aggregate budget balance to zero by FY 15-16, which is still fairly unambitious, we calculate that trend program spending growth would need to be held to 2%.**
- **A 2% target doesn't seem dramatic, but trend annual outlays have been rising by 7% per year. Further, some areas (i.e., health and elderly benefits) are on track to grow much more rapidly, underscoring the risk of significant restraint elsewhere.**
- **History shows that across-the-board program slashing or large cuts without underlying structural reforms don't work well.**

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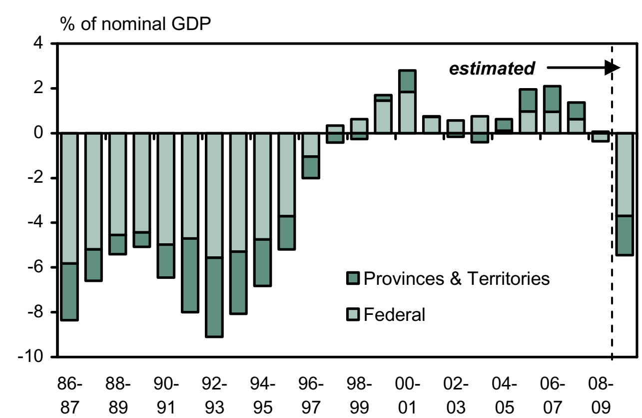
THE COMING ERA OF FISCAL RESTRAINT

Likely Not As Draconian as in the 1990s, But Could Prove Longer Lasting

More than a decade after successfully reining in sizeable budget shortfalls, Canada's federal and provincial governments are once again staring eye-to-eye with the deficit monster. While Finance Ministers appear committed to staying the course on their stimulus plans in the early stages of the economic recovery, a fairly uniform shift across this country – and throughout the world – to an era of restraint is lurking around the corner. Canada may not be in for as dramatic a policy shift as that experienced in the mid-1990s, when combined deficit and debt burdens were considerably higher than today. But current governments are likely working with fewer degrees of freedom, pointing to a period of restraint that could prove longer lasting. Two forces in particular that will limit fiscal flexibility in the years ahead will be the likelihood of a historically slow rate of trend growth across the country and age-related spending challenges.

GOVERNMENT DEFICIT-TO-GDP RATIOS



Source: Fiscal Reference Tables; TD Economics

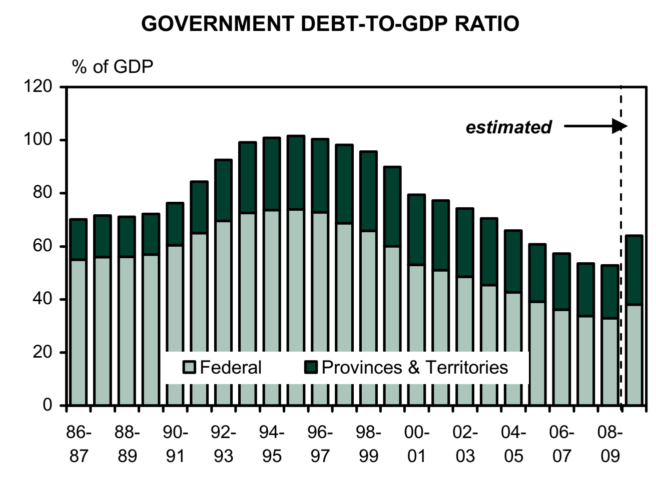
Canada's combined deficit to surpass $90 billion in FY 09-10

The accompanying tables on pages 8-9 provide a snapshot of federal/provincial deficit and net debt levels. Actual figures, which are sourced from the 2009 Federal Fiscal Reference Tables, are shown up to FY 08-09. Since so much has changed since the books were closed on the past fiscal year, we have provided the latest government budget estimates for FY 09-10. Some of the highlights include:

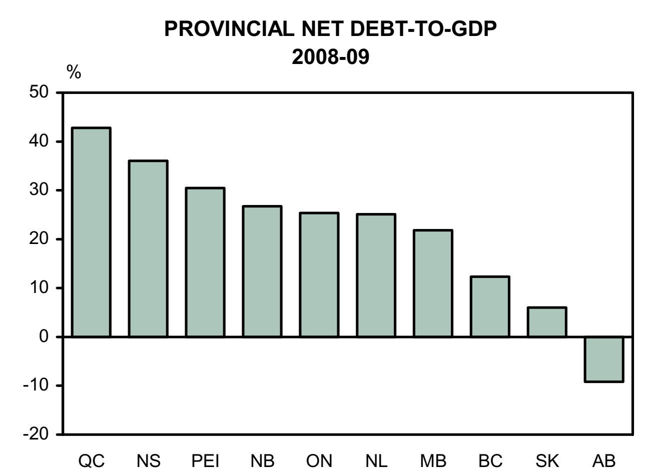
- In FY 08-09, the federal and provincial governments combined to record a modest deficit of $4.7 billion (0.1% of GDP). The negative balance reflected the federal swing into red ink as budget surpluses in some provinces – namely, B.C., Saskatchewan, Manitoba, Nova Scotia and N&L – were offset by deficits in Ontario, New Brunswick and P.E.I.
- Contrast last year's picture with the one unfolding in FY 09-10. Based on the most up-to-date estimates from budgets and updates, governments are tracking a shortfall of about $85 billion (6% of GDP) on an aggregate basis.
- About two-thirds of the overall shortfall – $56 billion or 3.7% of GDP – is owing to the federal government, while $29 billion (2.0% of GDP) is attrib-

utable to the provinces. The majority of provinces are forecasting deficit-to-GDP ratios in the 1.3-3.2% range in FY 09-10, led by N&L, New Brunswick and Ontario.

- While Saskatchewan, Alberta and Manitoba are forecasting budget balances in the current year, only the former will do so without relying on transfers from special "rainy day" funds. (In Alberta's case, a sizeable estimated $6.9 billion will be required from its Fiscal Sustainability Fund just to break even). Even in Saskatchewan's case, their surplus has been reduced to a razor thin $50 million from $500 million in the spring budget.
- Excluding these unsustainable transfers would raise the projected federal-provincial deficit for FY 09-10 to more than $90 billion.
- In FY 08-09, Canada's federal provincial governments registered a combined net debt-to-GDP ratio of about 53%. Provincial debt ratios varied widely between a net asset position of 9% in Alberta to a net liability of more than 40% in Quebec.
- Reflecting borrowing needs related to financing budget shortfalls and new infrastructure as part of stimulus programs, overall federal and provincial debt is expected to surge towards $1 trillion (64% of GDP) in FY 09-10.



Source: Fiscal Reference Tables; Forecast by TD Economics



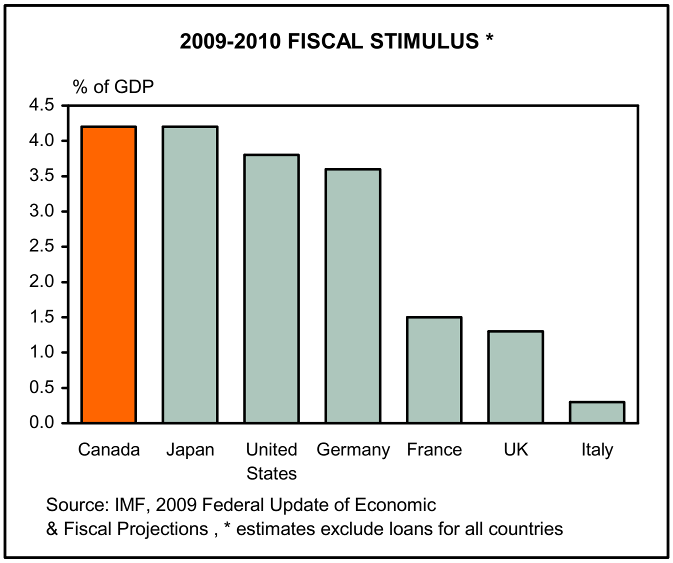
Source: Fiscal Reference Tables

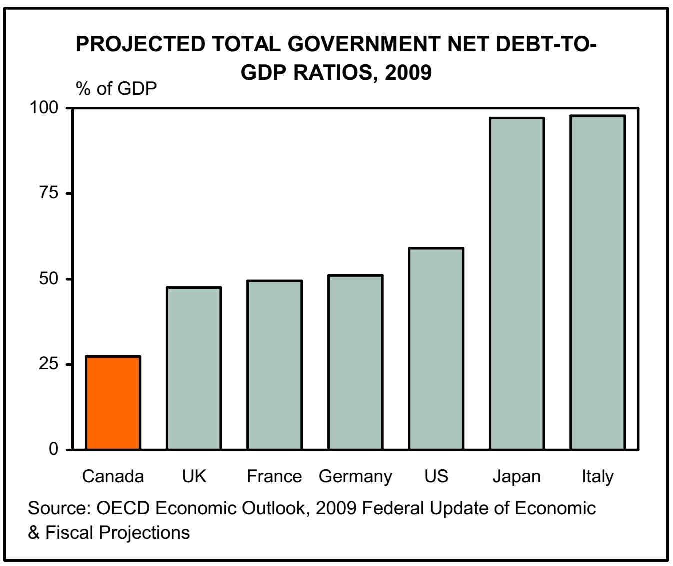
Keep in mind that many of the deficit estimates shown for FY 09-10 may ultimately be revised upward further. Most vulnerable to revisions are those jurisdictions that have not provided updated fiscal snapshots since their spring budgets in light of the unexpected severity of this year's recession. In addition, year-end results for FY 08-09 have largely come in on the weak side of government expectations, pointing to a softer starting point into the current year. For these reasons, the combined federal-provincial deficit for FY 09-10 could ultimately hit $100 billion, or 7% of GDP, leading to a corresponding upward revision to the debt count.

Maintaining perspective

While news of a $100-billion budget deficit might trigger alarm bells, the fiscal situation in Canada could be worse. For the most part, Canada's federal and provincial governments are not facing the same Herculean fiscal difficulties as most other major industrialized economies. According to the OECD, only Germany is on a lower deficit path than Canada is this year, while Canada's net public debt as a share of GDP is the lowest among the G-7 (see chart). However, a caveat is required. The OECD comparisons use the international standard referred to as the National Accounts, whereas figures in this report are taken from the Canadian government Public Accounts. As a result, the numbers are presented differently. For example, the asset holdings of public pension plans such as the CPP/QPP are taken account by the OECD but not the Public Accounts estimates. The adjustments, which are intended to level the playing field across countries, show Canada's fiscal situation in a more favourable light, partly due to moves by the federal government to put the public pension system on a more sustainable footing in the 1990s.

What's more, Canadian governments are not confronting the same mountain as that scaled by previous governments in the early-1990s, when overall deficits hovered at 9% of GDP. Even more striking, net public debt to GDP peaked at 102% in FY 95-96, about twice its current level. As a result of the high indebtedness, about 24 cents of each revenue





dollar in the mid-1990s went towards public interest costs compared to the current figure of roughly 10 cents.

Lastly, part of the spike in the deficits this year reflects the temporary impact of stimulus measures. The federal government estimated that combined federal-provincial stimulus flowing in 2009 and 2010 will amount to more than 4% of GDP or roughly $30 billion per year. Stripping away this impact would leave a smaller underlying deficit of about $70 billion (4% of GDP), which is split approximately 50:50 across the federal and provincial levels of government. Of course, this assumes that the temporary measures will be allowed to expire. The experience in Canada has shown that "temporary" programs are often extended, some indefinitely.

The $70 billion problem

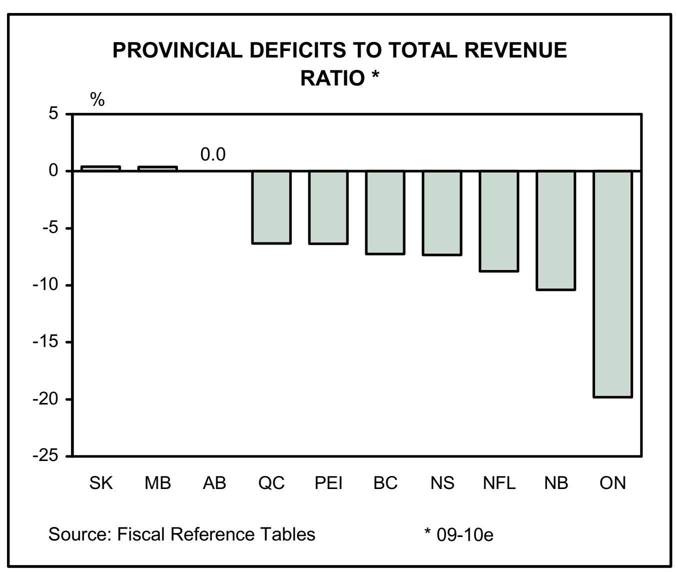
The comparatively manageable finances of Canadian governments – both in an international and historical context – should provide some comfort. But make no mistake. Restoring balance in the years ahead will be no small feat, especially in provinces where deficit-to-GDP ratios are running in excess of 2%. Other metrics also highlight the magnitude of the problem. Deficits as a share of own-source revenues provide an indication of the degree of over-spending vis-à-vis revenue capacity or under-taxation relative to spending. On this count, a number of provinces are running large deficits of more than 5% of total revenues. Moreover, deficits as a share of only those revenues at a province's discretion (i.e., own-source revenues) are hovering as high as 10-25% in the Ontario and the Atlantic.

While deficits on balance might be lower than in the 1990s, it appears that governments will be tackling budget shortfalls in the coming years with fewer degrees of freedom than was the case 10-15 years ago. As we next discuss, the factors constraining government fiscal flexibility are likely to emerge on both the revenue and spending sides of the ledger.

Canadian economy to record weaker trend growth

In the late 1990s, Canadian governments enjoyed a relatively rapid rate of revenue growth partly owing to a booming economy and the positive impact on the tax take of "bracket creep" (i.e., the shift of individuals into higher tax brackets that results from non-indexation of the tax system). The latter influence was instrumental in keeping revenues rising as a share of nominal GDP (the latter being a proxy for the tax base) in the second half of the 1990s.

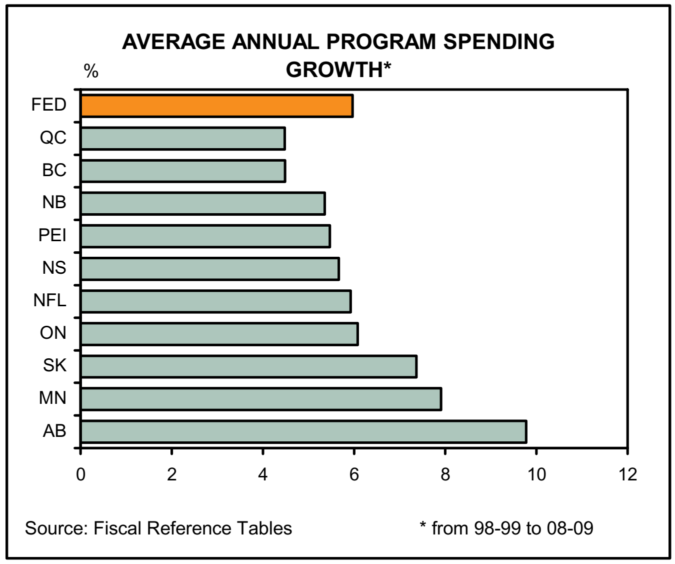
Since the 1990s, tax systems have been fully or partially indexed, thus eliminating or reducing the impact of bracket-creep. But even more importantly, governments won't be able to rely on robust GDP growth over the medium term.

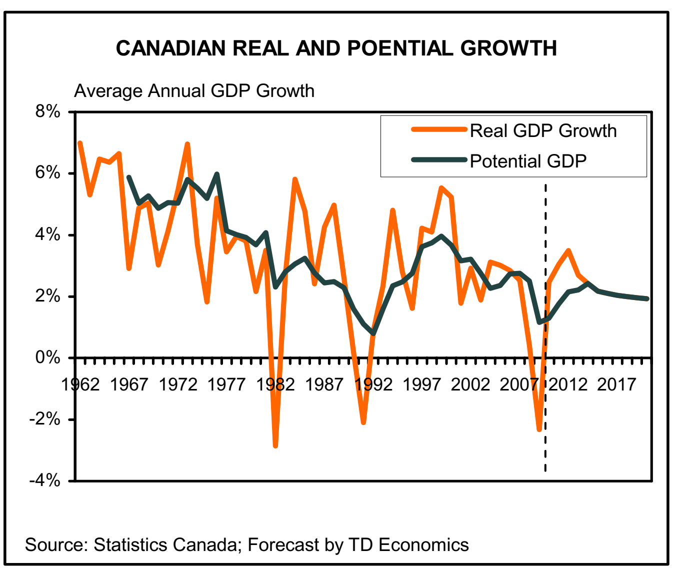


Forecasters have been busy marking down the Canadian economy's longer-term speed limit (i.e., potential or trend rate of growth) partly due to the lasting impacts of the recent recession on investment, the aging population and the longer-term challenges facing the U.S. economy. Over the next 5-10 years, real GDP growth appears set to expand by about 2% per year on a trend basis, rather than the historical rate of closer to 3%. Assuming that economy-wide prices rise at about 2% per year, trend growth in the tax base will be held to a modest 4% per year.

Still, there is reason to believe that actual revenues will grow somewhat faster over the next 3-4 years. First, actual economic growth is likely to outperform the trend rate – by roughly a full percentage point – as the significant amount of economic slack that exists is absorbed. Second, revenues have historically grown faster than the underlying tax base, reflecting the progressive nature of the tax system. Historically, this so-called "income elasticity" has been estimated at 1.2. (The federal government could enjoy an even higher elasticity as employment premiums are increased to cover the additional benefits and to make up deficits caused by the 2-year EI rate freeze.) Accordingly, a reasonable working assumption for governments' annual revenue take is in the improved, but still moderate 5.5-6.0% range. Furthermore, no jurisdiction in Canada will be immune from these broader economic forces at play.

Analysts might point to the fact that trend revenue growth in the mid-single-digit territory is not out of line with the federal and provincial average over the past 10 years. Still, the 10-year tally was heavily skewed downward due to the dampening impact of the significant tax reductions that have been implemented. For example, average federal revenue gains since the late 1990s were lowered by as much as 1.5 percentage points per year from the steady reductions in EI premiums and the 2 point drop in GST alone.





The weaker outlook for longer-term trend growth certainly does not preclude a healthy cyclical bounce in the government takes in the near term as recovery takes shape. But weaker trend growth and a slow return to full capacity in economies from coast to coast will take some punch out of the speed of revenue improvement. Indeed, in the near term, a recovery in corporate tax revenues will be dampened by the tax-loss carry-forwards racked up by businesses during the recent profit recession.

Budget arithmetic underscores the challenge ahead

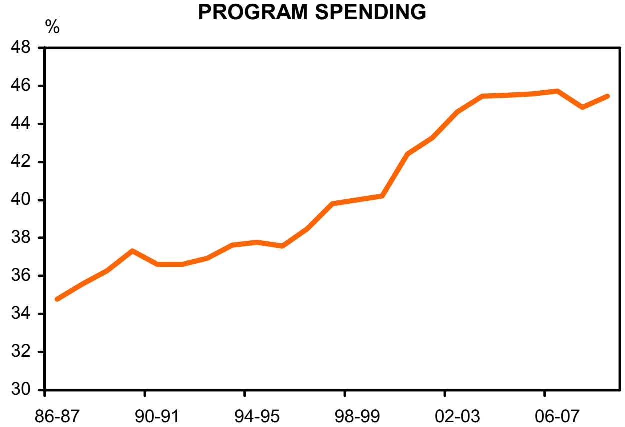
By simple arithmetic, a 5.5-6.0% average annual rate of revenue growth over the medium-to-longer term means that program spending will need to be held down much lower in order to make headway slaying the deficit. For example, in order to gradually reduce and then eliminate the federal deficit by FY 15-16, total spending growth would need to be constrained to 3% per year on average. Given that the combined provincial deficit is expected to be in the same ballpark, a similar outcome would apply.

That's on paper. In actuality, the challenge in containing spending growth to such a modest rate (effectively zero in real per-capita terms) will be a tall order. As debt rises and interest rates begin to pull off their lows, public debt service charges will increase. So growth in program spending would likely need to be set at a maximum of 2% per year in order to maintain total spending at 3% per year. Such a pace represents a far cry from the status-quo, where rates have been sustained at 6-7% per year at the federal and provincial levels. But as well, that's an average rate across all programs. And with certain expenditures running well above this pace – notably those driven by aging trends – and others considered off limits, other areas will need to be reduced substantially.

Consider the situation at the federal level. In addition to committing to address the deficit without raising taxes, the government has indicated that it won't cut major cash transfers to the provinces. Elderly benefits represent a growing pressure that has also been placed by the government on the "protected" list. Although defense was not singled out as an area to be preserved, it is hard to envisage cuts to this area, at least while Canada has a presence in Afghanistan. Combined funding in these areas – which together make up roughly half of government program spending – is set to grow by about 5% per annum through FY 13-14. Thus, in order to get overall program outlays down to 2%, the other half of programs must decline at an annual average pace of at least 1%.

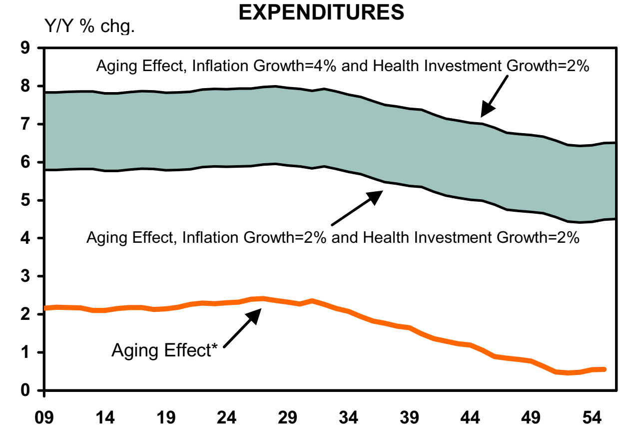
For the provinces, so much of the fiscal challenge boils down to health care. This area alone now accounts for 45% of provincial program spending, considerably higher than the 34-35% shares that prevailed in the 1990s when provinces last reined in sizeable deficits. Over the past decade, public outlays for health care have shot ahead at an average rate of 7.5% per year, while no provincial administration has managed to keep annual health care spending below 6% for more than just brief episodes. If this hectic pace were to be continued, the implication would be that the other half of provincial program spending would need to be lowered by 2% per year in order to restrain total program outlays to 2% per year. We return to the issue of health care a little later.

HEALTH CARE SHARE OF ALL-PROVINCE PROGRAM SPENDING



Source: Fiscal Reference Tables, Canadian Institute for Health Information

PROJECTED GROWTH IN HEALTH CARE EXPENDITURES



*Under medium-growth and medium migration trends assumptions.
Source: Statistics Canada, Canadian Institute for Health Information and TD Economics.

Demographic challenges to intensify

While governments will not jeopardize the nascent economic recovery by embarking on immediate spending restraint, there is still urgency in getting deficits under control. Notwithstanding the tough budget arithmetic involved in merely putting budget shortfalls on a steady downward track, plans to balance budgets by FY 2015-16 is not particularly ambitious, even a bit dangerous. The longer the deficit horizon, the greater the chance that plans can get derailed if shocks or nasty surprises emerge. There are also the prospects for a growing fiscal squeeze around the corner resulting from demographic pressures. With health care costs double for individuals over the age of 65 years compared to those under 65, and with an increasing share of Canadians collecting elderly benefits over the next decade, the premium on age-related expenditure growth will only rise further. At the same time, these expenditures will likely need to be funded through a slowing labour force and declining per-capita tax base. In order to prepare for the fiscal costs arising from these intensifying demographic pressures beyond 2020, it is critical that governments successfully address their deficits over the next 3-5 years.

Accordingly, we look to governments to provide a clear road map in their 2010 budgets on how they will get out of deficit over the medium term. Here is our 2 cents on some of the strategies that might be considered:

Target program spending

Fiscal goals are typically expressed in terms of budget balances with the normal end point being a zero deficit. Recently, some jurisdictions have shifted their focus to targeting the debt-to-GDP ratio. For example, in 2006, the federal government introduced a plan to eliminate Canada's net debt by 2021. However, the flaw in using deficits and debt as primary operational targets is that their path is determined largely by factors out of government control, notably revenues and GDP. Program spending, by contrast, is under the direct purview of governments, and should in our view, become the operational target.

Program spending targets should be absolute, and determined to a large degree exogenously from the pace of economic growth. In recent years, the federal government has been pitching the notion that the rate of program spending growth should, and will be determined by the rate of economic growth. The challenge with such a rule is that it sets fiscal policy to be highly pro-cyclical, since spending is strong when the economy is strong, as opposed to allowing the economic strength to facilitate balancing the budget sooner or even cutting personal income taxes. Conversely, during weak economic times, the government exacerbates the downturn by more aggressively cutting spending.

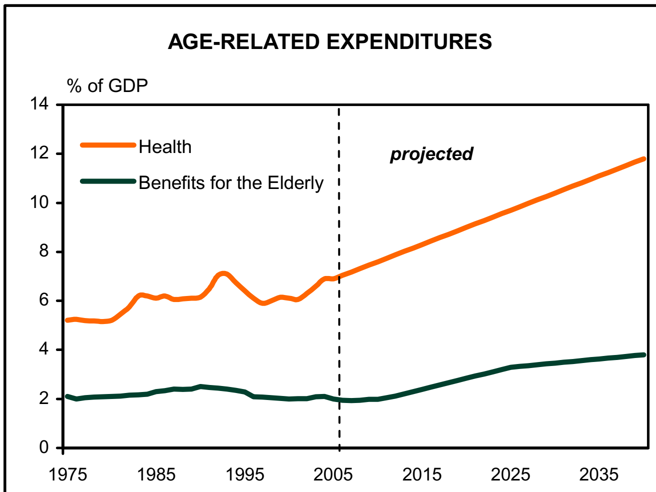
Avoid slash and burn approach

There may be tendency for governments to implement across-the-board spending reductions or hastily-crafted cuts that wreak havoc with the public sector and inflict considerable harm on citizens. And, if they are carried out in the absence of the thoughtful program re-design, they do not deliver any meaningful long-term savings at all. This is because spending pressures accumulate and then boil over once a government's fiscal situation improves.

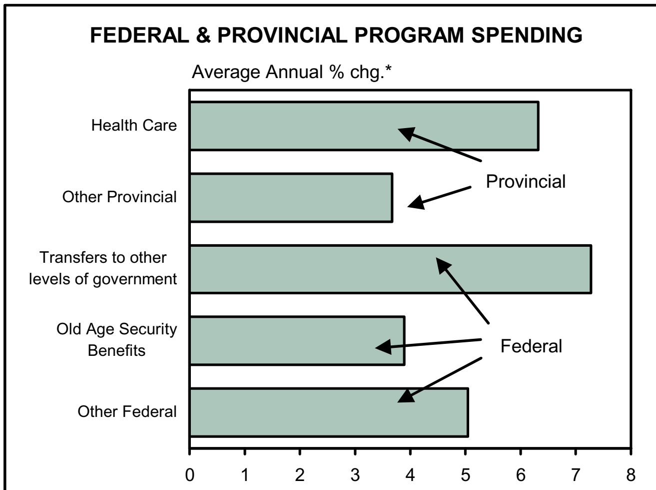
Across-the-board spending cuts do not respect the relative efficiencies and values of various programs. At 5% cut could well impair a valued program whereas continuing funding at 95% of a weak program could be wasteful. It is better to slice deeply or even eliminate the weak program and properly fund the good ones. While the right way to go, such a selective process requires tough decisions be made, thus creating winners and losers within the public domain.

Health care inflation must be addressed

Put simply, something must be done to wrestle down annual growth in health care spending. As noted earlier, any attempts to restrain the unsustainable annual cost increases within the Canadian health care system over the past decade have proved fleeting. So, carrying out structural reforms that will ensure sustained savings needs to be the over-riding objective. The alternative to successful action is particularly undesirable – that being the need to find deep cuts in other areas of provincial program spending.



Source: Canadian Institute for Health Information; Chief Actuary of Canada; OECD & Ragan: "From the Fiscal Squeeze to Climate Change: Canada's Coming Economic Challenges"



* 00-01 to 08-09
Source: Fiscal Reference Tables, CIHI

While containing health cost increases will perhaps be the number one challenge facing Canadian governments over the next several years, this country is far from alone in confronting this issue. In fact, accordingly to the OECD, growth in real per-capita health spending in Canada (3.5% per year) trailed behind the U.S. (3.7%) and all-country average (4.1%) in the 2000-07 period. At the same time, however, Canada has a larger-than-average share of total health expenditures funded by the public purse.

Look for alternative forms of service delivery (ASD)

A need to look outside the conventional fiscal box at various ASD options does say that public service delivery is inherently less efficient. In fact, sometimes it makes sense for services to be fully financed and operated by the public sector. However, it is important that governments look at what they currently do to see if there is a better path to take. As a general guide, test questions used in 1995 Federal Program Review that were used to determine whether ASD should be considered included:

- Does the program or service continue to serve a useful public purpose?
- Is there a legitimate or necessary role for government in the program or service?
- Is the lead responsibility for this program or service assigned to the right jurisdiction?
- Could or should the program or service be provided in whole or in part by the private or voluntary sector?
- If the program or service continues under existing government control, how could its efficiency or effectiveness be improved?

Spending scrutiny needs to be ongoing

Rather than speedy cost-cutting, longer-term savings can be better reaped by carefully looking at each ministry and program to determine if they are delivering an appropriate bang for the buck. However, past experience at finding savings – notably the federal Program Review – generated significant short-term savings, but once these savings were secured and surpluses emerged, the machinery was abandoned. Close scrutiny of spending must be an ongoing process.

Focus on tax reform not merely hikes

To the extent that deficits can't be brought down through lower spending growth, governments might have to consider revenue-raising measures. If this avenue is undertaken, care must be taken on shifting the tax mix from a reliance on savings, capital and income – which are the most damaging levies on growth – to consumption. While structured as a revenue-neutral reform, the planned moves by Ontario and B.C. to harmonize the retail sales tax with the GST are examples of good economic policy.

Avoid selling assets purely for fiscal reasons

Assets should be sold if efficiency gains can be realized or if the private sector can unleash some value that is currently being held back under public control. However, selling an asset with the sole aim of improving the budget balance provides only a short-term boost to coffers.

Bottom Line

Expect a fairly uniform shift across Canada – and the world for that matter – to an era of restraint. It might not be as draconian a shift as that experienced in the 1990s. But given the fewer degrees of freedom today compared to even 15 years ago, the looming period of restraint will be difficult and could prove longer lasting.

Government Budget Balances and Net Debt*

GOVERNMENT BUDGET BALANCE (surplus(+)/deficit(-)), C$ millions												
	Federal	All Provinces & Territories	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
86-87	-29,842	-12,957	-635	-4,033	-1,232	-559	-2,634	-2,972	-368	-277	-13	-231
87-88	-29,017	-7,829	71	-1,365	-542	-300	-2,489	-2,396	-335	-227	-17	-197
88-89	-27,947	-5,259	930	-2,007	-324	-141	-1,479	-1,704	-79	-242	-11	-226
89-90	-29,143	-4,294	496	-2,116	-378	-142	90	-1,764	-24	-267	-8	-175
90-91	-33,899	-9,981	-667	-1,832	-361	-292	-3,029	-2,975	-182	-257	-20	-347
91-92	-32,319	-22,505	-2,339	-2,629	-843	-334	-10,930	-4,301	-354	-406	-50	-276
92-93	-39,019	-24,698	-1,476	-3,324	-592	-566	-12,428	-5,030	-264	-617	-82	-261
93-94	-38,530	-20,193	-899	-1,371	-272	-431	-11,202	-4,923	-266	-546	-71	-205
94-95	-36,632	-15,992	-228	938	128	-196	-10,129	-5,821	-79	-233	-1	-374
95-96	-30,006	-12,077	-317	1,151	19	157	-8,800	-3,947	41	-201	4	-190
96-97	-8,719	-8,068	-753	2,489	407	91	-6,905	-3,212	66	-116	-4	-107
97-98	2,959	-3,702	-167	2,659	35	76	-3,966	-2,157	0	-442	-7	133
98-99	5,779	-2,333	-961	1,094	28	31	-2,002	126	-204	-261	6	-187
99-00	14,258	2,489	-13	2,791	83	11	668	7	-30	-797	-5	-269
00-01	19,891	10,251	1,210	6,571	58	40	1,902	427	43	147	-12	-350
01-02	8,048	312	-1,038	1,081	1	63	375	22	79	113	-17	-468
02-03	6,621	-1,794	-2,623	2,133	1	4	117	-728	1	28	-55	-644
03-04	9,145	-4,830	-1,318	4,136	1	-579	-5,483	-358	-182	38	-125	-914
04-05	1,463	6,547	2,721	5,175	383	562	-1,555	-664	235	170	-34	-489
05-06	13,218	13,687	3,113	8,551	400	394	298	37	235	239	1	199
06-07	13,752	16,632	4,079	8,510	293	485	2,269	109	237	182	24	154
07-08	9,597	11,344	2,837	4,581	641	576	600	0	87	419	-4	1,437
08-09	-5,755	1,000	78	0	2,389	316	-3,890	0	-265	22	-41	2,434
09-10e*	-55,900	-27,289	-2,775	0	50	48	-18,500	-3,946	-741	-590	-85	-750

NET DEBT**, C$ billions												
	Federal	All Provinces & Territories	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
86-87	281.8	77.8	3.7	-1.2	2.0	3.8	31.5	28.7	2.6	3.5	0.2	3.2
87-88	313.0	87.4	3.8	1.5	2.5	4.4	34.0	31.1	2.9	3.8	0.2	3.3
88-89	343.6	92.9	3.5	3.6	2.9	4.3	35.5	32.8	3.0	3.9	0.2	3.2
89-90	374.8	100.2	5.5	5.9	3.3	4.4	35.4	34.6	3.0	4.5	0.2	3.4
90-91	411.1	108.1	6.3	5.7	3.7	4.8	38.4	37.6	3.2	4.7	0.2	3.6
91-92	445.7	132.4	8.8	7.9	6.0	5.2	49.4	41.9	3.6	5.4	0.3	3.9
92-93	487.2	161.2	10.5	11.8	6.6	6.4	61.8	46.9	5.3	7.3	0.4	4.3
93-94	527.9	193.0	11.5	13.4	7.8	6.8	80.6	51.8	5.8	8.1	0.8	6.5
94-95	567.5	209.8	12.0	12.7	7.6	6.9	90.7	57.7	5.9	8.5	1.0	6.8
95-96	598.6	224.4	12.2	11.6	7.6	6.9	101.9	61.6	5.9	8.7	1.0	7.1
96-97	609.0	231.5	12.3	8.7	7.2	6.5	108.8	64.8	5.8	9.1	1.0	7.3
97-98	607.2	260.0	12.5	6.0	7.2	9.7	112.7	88.6	5.8	9.3	1.0	7.3
98-99	602.9	272.4	21.9	4.9	7.2	9.9	114.7	88.8	6.0	10.3	1.0	7.9
99-00	590.1	293.2	23.1	2.1	7.1	10.0	134.4	89.2	7.1	11.2	1.0	8.1
00-01	571.7	283.9	23.1	-4.3	7.0	9.9	132.5	88.2	6.9	11.4	1.0	8.4
01-02	565.3	290.3	24.7	-5.0	7.0	10.0	132.1	92.8	6.8	12.1	1.1	8.9
02-03	559.6	297.3	27.6	-6.8	7.0	10.3	132.6	95.6	6.9	12.2	1.2	10.6
03-04	551.0	304.4	28.8	-10.5	7.1	11.1	138.8	97.0	7.0	12.3	1.3	11.5
04-05	549.6	302.0	27.1	-15.2	6.9	10.7	140.9	99.0	6.8	12.3	1.3	11.9
05-06	536.9	298.7	25.8	-22.9	6.6	10.6	141.9	104.7	6.7	12.2	1.3	11.7
06-07	523.9	306.7	23.1	-30.5	6.4	10.5	141.1	124.3	6.6	12.4	1.3	11.6
07-08	516.3	304.1	22.2	-31.5	6.0	10.1	142.4	124.3	6.9	12.1	1.3	10.1
08-09	525.2	320.2	24.5	-26.8	3.8	11.1	149.4	129.0	7.3	12.3	1.4	7.9
09-10e	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

*Government estimates;** For Quebec, debt is accumluated deficits; Source: 2009 Federal Fiscal Reference Tables

Government Budget Balances and Net Debt to GDP*

GOVERNMENT BUDGET BALANCE (surplus(+)/deficit(-)), C$ millions												
	Federal	All Provinces & Territories	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
86-87	-5.8	-2.5	-1.1	-7.0	-6.9	-2.9	-1.3	-2.5	-3.5	-2.1	-0.8	-3.2
87-88	-5.2	-1.4	0.1	-2.3	-3.0	-1.5	-1.1	-1.9	-2.9	-1.6	-1.0	-2.5
88-89	-4.6	-0.9	1.3	-3.1	-1.7	-0.6	-0.6	-1.2	-0.6	-1.6	-0.6	-2.7
89-90	-4.4	-0.7	0.7	-3.1	-1.9	-0.6	0.0	-1.2	-0.2	-1.6	-0.4	-1.9
90-91	-5.0	-1.5	-0.8	-2.5	-1.7	-1.2	-1.1	-1.9	-1.4	-1.5	-0.9	-3.8
91-92	-4.7	-3.3	-2.9	-3.6	-3.9	-1.4	-3.9	-2.8	-2.6	-2.3	-2.2	-2.9
92-93	-5.6	-3.5	-1.7	-4.4	-2.8	-2.3	-4.3	-3.2	-1.9	-3.4	-3.5	-2.7
93-94	-5.3	-2.8	-1.0	-1.7	-1.2	-1.8	-3.8	-3.0	-1.8	-3.0	-2.9	-2.1
94-95	-4.8	-2.1	-0.2	1.1	0.5	-0.8	-3.3	-3.4	-0.5	-1.2	0.0	-3.6
95-96	-3.7	-1.5	-0.3	1.3	0.1	0.6	-2.7	-2.2	0.3	-1.0	0.2	-1.8
96-97	-1.0	-1.0	-0.7	2.5	1.4	0.3	-2.0	-1.8	0.4	-0.6	-0.1	-1.0
97-98	0.3	-0.4	-0.1	2.5	0.1	0.3	-1.1	-1.1	0.0	-2.2	-0.3	1.3
98-99	0.6	-0.3	-0.8	1.0	0.1	0.1	-0.5	0.1	-1.2	-1.2	0.2	-1.7
99-00	1.5	0.3	0.0	2.4	0.3	0.0	0.2	0.0	-0.2	-3.5	-0.2	-2.2
00-01	1.8	1.0	0.9	4.5	0.2	0.1	0.4	0.2	0.2	0.6	-0.4	-2.5
01-02	0.7	0.0	-0.8	0.7	0.0	0.2	0.1	0.0	0.4	0.4	-0.5	-3.3
02-03	0.6	-0.2	-1.9	1.4	0.0	0.0	0.0	-0.3	0.0	0.1	-1.5	-3.9
03-04	0.8	-0.4	-0.9	2.4	0.0	-1.5	-1.1	-0.1	-0.8	0.1	-3.3	-5.0
04-05	0.1	0.5	1.7	2.7	0.9	1.4	-0.3	-0.3	1.0	0.6	-0.9	-2.5
05-06	1.0	1.0	1.8	3.9	0.9	0.9	0.1	0.0	0.9	0.8	0.0	0.9
06-07	0.9	1.1	2.2	3.6	0.6	1.1	0.4	0.0	0.9	0.6	0.6	0.6
07-08	0.6	0.7	1.5	1.8	1.2	1.2	0.1	0.0	0.3	1.3	-0.1	4.9
08-09	-0.4	0.1	0.0	0.0	3.7	0.6	-0.7	0.0	-1.0	0.1	-0.9	7.7
09-10e*	-3.7	-1.8	-1.5	0.0	0.1	0.1	-3.2	-1.3	-2.8	-1.8	-1.8	-2.5

NET DEBT**, C$ billions												
	Federal	All Provinces & Territories	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL
86-87	55.0	15.2	6.6	-2.0	11.1	19.6	15.1	24.5	24.7	26.1	10.0	43.5
87-88	56.0	15.6	6.0	2.5	13.8	21.7	14.7	24.2	25.2	26.0	10.3	42.4
88-89	56.0	15.1	5.1	5.6	15.3	19.7	13.8	23.3	24.1	25.8	10.0	37.7
89-90	57.0	15.2	7.3	8.8	16.6	19.0	12.7	23.3	23.0	27.3	9.7	37.5
90-91	60.5	15.9	8.0	7.8	17.4	19.7	13.6	24.5	24.0	27.8	10.1	38.5
91-92	65.0	19.3	10.8	10.9	28.0	21.7	17.4	27.0	26.4	30.7	11.9	40.9
92-93	69.6	23.0	12.1	15.8	31.0	26.1	21.6	29.6	37.7	40.3	15.0	44.7
93-94	72.6	26.5	12.2	16.5	33.9	27.7	27.5	32.0	39.5	44.3	31.2	66.0
94-95	73.6	27.2	11.9	14.4	31.2	26.6	29.2	33.8	38.5	45.6	39.3	66.6
95-96	73.9	27.7	11.5	12.6	28.8	25.4	30.9	34.8	35.7	45.2	37.0	66.9
96-97	72.8	27.7	11.3	8.8	24.9	22.8	32.2	35.9	34.8	46.8	35.1	69.6
97-98	68.8	29.5	10.9	5.6	24.6	32.7	31.4	47.0	34.4	45.6	35.6	69.3
98-99	65.9	29.8	19.0	4.5	24.2	32.0	30.4	45.3	34.0	48.1	33.2	70.2
99-00	60.1	29.8	19.1	1.8	23.0	31.4	32.9	42.3	37.1	48.7	32.4	66.4
00-01	53.1	26.4	17.6	-3.0	20.7	29.0	30.1	39.2	34.4	46.1	30.8	60.6
01-02	51.0	26.2	18.5	-3.3	21.2	28.4	29.1	40.1	32.7	46.9	30.7	63.0
02-03	48.5	25.8	20.0	-4.5	20.4	28.3	27.8	39.6	32.4	45.1	31.8	64.5
03-04	45.4	25.1	19.8	-6.2	19.2	29.5	28.2	38.7	31.1	42.7	34.6	63.4
04-05	42.6	23.4	17.2	-8.0	16.9	27.0	27.3	37.7	28.8	41.2	33.4	61.3
05-06	39.1	21.7	15.2	-10.4	15.1	25.5	26.4	38.6	27.1	39.1	31.9	53.3
06-07	36.2	21.2	12.7	-12.7	13.9	23.3	25.2	44.2	25.5	38.9	30.4	44.5
07-08	33.7	19.8	11.5	-12.2	11.7	20.8	24.3	41.9	25.8	36.7	29.6	34.3
08-09	32.8	20.0	12.3	-9.2	6.0	21.8	25.4	42.8	26.8	36.1	30.5	25.1
09-10e	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

*Government estimates; Nominal GDP Forecast by TD Economics** For Quebec, debt is accumluated deficits; Source: 2009 Federal Fiscal Reference Tables