



Department of Finance
Canada

Ministère des Finances
Canada

December 2009 Survey of Private Sector Forecasters

Economic and fiscal reporting

The Government reports regularly on the economic and fiscal situation and outlook

- The budget provides the Government's economic and fiscal outlook. Budgets are normally tabled in February or March
- In the fall, the Government releases a 5-year economic and fiscal projection to provide an economic and fiscal context for budget planning
- *The Fiscal Monitor* provides monthly updates of fiscal developments
- The Annual Financial Report and the Public Accounts report final fiscal results for the fiscal year ending March 31 in early fall. Canada has received unqualified audit opinions from the Auditor General for 11 consecutive years



The Department of Finance survey of economic forecasters

- The economic forecast used for budget planning (and for the fall Update) is the average of private sector economic forecasts
 - The Department of Finance surveys private sector economists for their views on the main economic variables (for example, gross domestic product (GDP), the unemployment rate, interest rates, etc.)
 - Sample of about 15 forecasters
- The Department of Finance develops the fiscal forecast based on the average private sector economic forecast



Framework for budget projection

- Use of private sector forecast introduces an element of independence into the fiscal forecast
- Framework for budgeting is based on recommendations by independent organizations
 - *Review of the Forecasting Accuracy and Methods of the Department of Finance*, Ernst & Young, September 1994
 - *Review of Canadian Federal Fiscal Forecasting: Processes and Systems*, O'Neill Strategic Economics, June 2005
- Supported by the International Monetary Fund (*How Do Canadian Budget Forecasts Compare with Those of Other Industrial Countries?*, IMF Working Paper, March 2005)
- The Parliamentary Budget Officer uses the same approach



The December 2009 private sector average forecast remains broadly in line with the September Update

- The Department of Finance surveyed private sector forecasters in December 2009
- The December 2009 private sector survey includes responses received up to December 18th from 15 forecasters
- The December 2009 average private sector forecast is broadly similar to that used in the *September 2009 Update of Economic and Fiscal Projections*
- Notable differences include:
 - Reduced uncertainty as measured by the range of private sector nominal GDP forecasts
 - A higher level of nominal GDP in the near term
 - A lower unemployment rate over the next 5 years



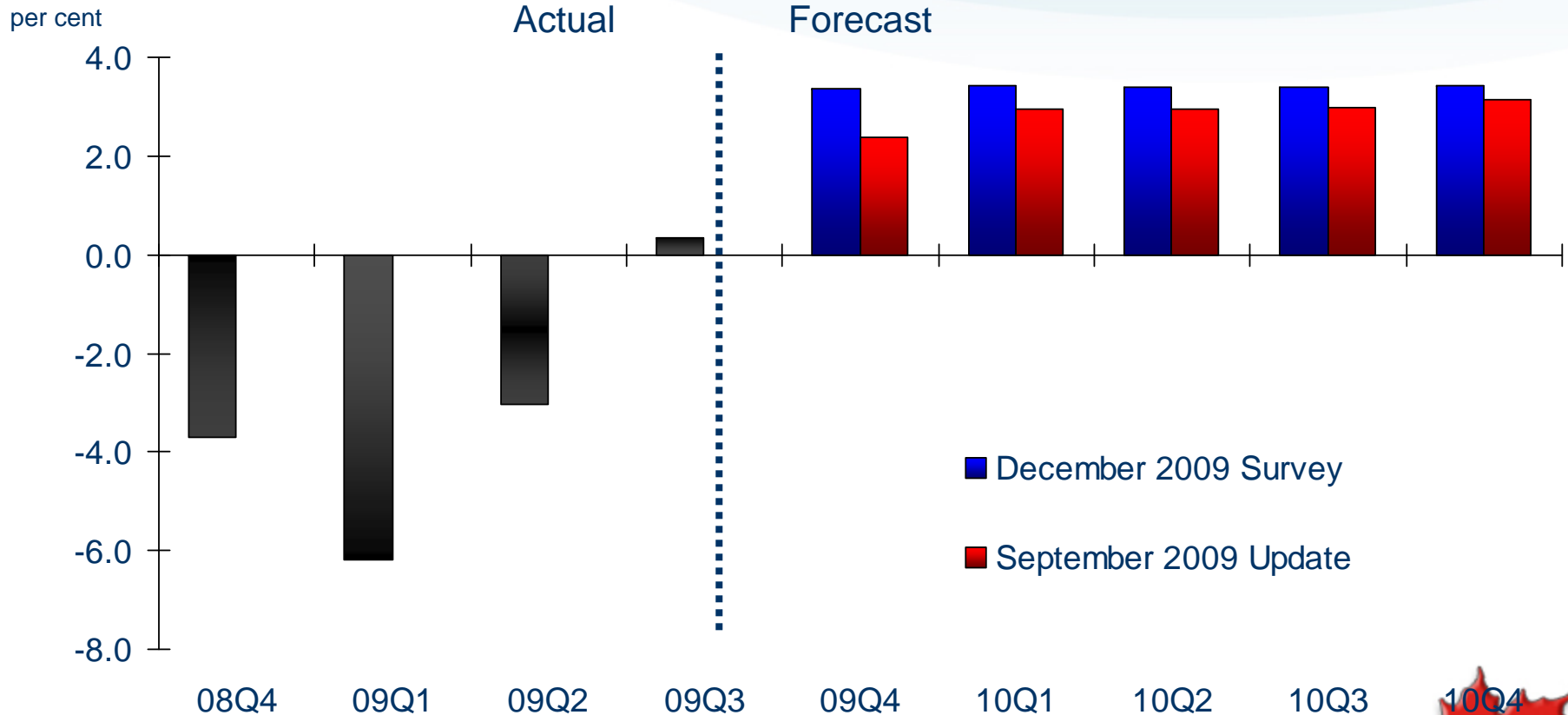
December 2009 survey participants

- Bank of America Merrill Lynch
- BMO Capital Markets
- Caisse de dépôt et placement du Québec
- CIBC World Markets
- The Conference Board of Canada
- Desjardins
- Deutsche Bank of Canada
- Laurentian Bank Securities
- Global Insight
- National Bank Financial
- Royal Bank of Canada
- Scotiabank
- TD Bank Financial Group
- UBS Warburg
- University of Toronto (Policy and Economic Analysis Program)



Private sector forecasters continue to expect the recovery to gain momentum through 2010

Real GDP Growth



Sources: Statistics Canada; Department of Finance September 2009 *Update of Economic and Fiscal Projections* and December 2009 private sector survey.



December 2009 economic survey compared to September 2009 Update (GDP forecasts)

Average Private Sector Economic Forecasts

	2009	2010	2011	2012	2013	2014	2009-14
Real GDP Growth (%)							
December 2009 Survey	-2.5	2.6	3.2	3.0	2.8	2.6	2.0
September 2009 Update	-2.3	2.3	3.2	3.3	3.0	2.7	2.0
Nominal GDP Growth (%)							
December 2009 Survey	-4.6	4.9	5.4	5.3	4.9	4.7	3.4
September 2009 Update	-4.6	4.1	5.3	5.6	5.3	5.0	3.5
Nominal GDP Level (\$ billions)							
December 2009 Survey	1,527	1,601	1,688	1,778	1,865	1,953	--
September 2009 Update	1,527	1,590	1,674	1,768	1,862	1,955	--
<i>Difference (Dec. - Update)</i>	-0.3	10.9	14.2	9.6	3.6	-2.3	--

Sources: Department of Finance September 2009 Update of Economic and Fiscal Projections and December 2009 private sector survey.



December 2009 economic survey compared to September 2009 Update (other key variables)

Average Private Sector Economic Forecasts

	2009	2010	2011	2012	2013	2014	2009-14
Unemployment Rate (%)							
December 2009 Survey	8.3	8.5	7.9	7.4	6.9	6.6	7.6
September 2009 Update	8.5	9.0	8.5	7.8	7.1	6.8	7.9
3-Month Treasury Bill Rate (%)							
December 2009 Survey	0.3	0.7	2.4	3.8	4.3	4.4	2.6
September 2009 Update	0.4	0.8	2.5	3.9	4.2	4.3	2.7
10-Year Government Bond Rate (%)							
December 2009 Survey	3.3	3.7	4.3	4.9	5.2	5.3	4.5
September 2009 Update	3.3	3.8	4.4	4.9	5.1	5.2	4.5
Consumer Price Index Inflation (%)							
December 2009 Survey	0.3	1.7	2.2	2.1	2.1	2.1	1.7
September 2009 Update	0.5	1.8	2.0	2.1	2.1	2.1	1.8



Conclusion

- **The December 2009 average private sector economic forecast is broadly similar to that used in the September 2009 Update**
- **The Department will continue to monitor the economic situation closely**
- **The 2010 budget will include an updated fiscal forecast, reflecting revenue and spending developments to date in 2009–10, updated spending plans of departments, and any significant revisions from private sector forecasters and due to other economic developments**
- **The fiscal forecast will be released in the budget on March 4, 2010**





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