

Budget

EXPRESS

January 27, 2009

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Ambitious, yet not
hazardous!

*An economic stimulus plan
that can lessen the economic
and financial crisis*



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FEDERAL BUDGET

JANUARY 27, 2009

Today Canada's Finance Minister Jim Flaherty handed down the Federal Government's budget. The budget, while important, contains few tax measures, aside from a slight reduction in personal and corporate taxes. In addition, individual taxpayers will benefit from a tax credit for home renovations and first-time homeowners will also receive a tax credit. In view of the current political uncertainty, we will have to wait and see whether these measures are voted into law.

MEASURES AFFECTING DESJARDINS

Home Buyers Plan (HBP) withdrawal threshold

The budget calls for increasing the HBP withdrawal threshold from \$20,000 to \$25,000 for any withdrawals made after January 27, 2009.

Loss of value of an RRSP or RRIF following a death

The fair market value of investments held in a registered retirement savings plan (RRSP) at death is generally included in the annuitant's earnings in the year of his death. The subsequent increase in the value of investments held in an RRSP is generally included in the earnings of the RRSP's beneficiaries. Similar rules apply to registered retirement income funds (RRIF).

However, current tax laws do not recognize any investment losses that occur after the death of the annuitant. The budget would permit, upon final disbursement of assets held in an annuitant's RRSP or RRIF, retroactive reporting of investment losses that occur following death. The amount that may be retroactively carried over to the year of the death corresponds in general with the difference between RRSP or RRIF amounts that are included in the annuitant's earnings following his death and the sum of all amounts paid out of RRSPs or RRIFs after the annuitant's death.

This measure applies to RRSPs and RRIFs of deceased annuitants when the final distribution of investments held in RRSPs and RRIFs takes place after 2008.

Business threshold for small businesses

At present, as a general rule, eligible businesses are entitled to a small business deduction (SBD) of \$400,000. This deduction brings their federal tax on corporate earnings to 11%, not to exceed this amount. This \$400,000 limit is however progressively reduced for businesses whose taxable capital exceeds \$10M; it is void when this stands at \$15M.

As of January 1, 2009, this deduction was increased to \$500,000. The higher threshold will be calculated on a pro rata basis according to the number of days in the fiscal year subsequent to 2008.

Accelerated capital cost allowance (CCA) on computer equipment

At present computers systems and software acquired by a business are eligible for a 55% declining-balance capital cost allowance, subject to the half-rate rule in the year the equipment was acquired.

The budget proposes a temporary CCA rate of 100% for eligible computers and software acquired after January 27, 2009 and before February 2011. In addition, this 100% rate will not be subject to the half-rate rule. As such, a company may deduct the full cost of eligible computer equipment, including all software, in the year it was acquired.

MEASURES AFFECTING INDIVIDUALS

Tax relief for individual taxpayers

The government plans to reduce personal income taxes by new measures that will go into effect in 2009:

- increase the personal basic amount, for spouse and dependant from \$10,000 to \$10,320;
- increase the threshold for the 15% lowest tax bracket (12.5% after abatement for Québec residents) from \$38,832 to \$40,726;
- increase the threshold for the second income tax bracket of 22% (18.4% after abatement for Québec residents) from \$77,664 to \$81,452.

These reductions break down as follows for Québec residents:

Earnings (\$)	Savings (\$)
20,000	28
50,000	138
90,000	265

Tax credit for first-time home buyers

The budget calls for the introduction of a non-refundable tax credit for the purchase of a first home, to go into effect after January 27, 2009. For 2009, the maximum credit would be \$625 for a Québec resident and \$750 for residents of other provinces.

An individual will be considered to have purchased a first home if neither he, nor his spouse was the owner-occupant of another house in the calendar year of the purchase and the four previous calendar years. The term "eligible home" includes a home eligible under the HBP (located in Canada, single-family; semi-detached; townhouse; duplex; triplex; condominium; mobile home; apartment building or cooperative housing unit) that the individual or his spouse plan intends to occupy as a principal residence, at the latest, one year following its purchase.

Similar to the HBP, handicapped individuals or their spouses may benefit from the credit without the need to respect the 5-year rule, if that person is eligible for the disability tax credit and if he or she purchases a residence whose access is to be properly adapted to his or her needs.

The credit may be requested by the individual who purchases the eligible residence or by his spouse. If more than one individual is entitled to the credit, the amount is to be divided between them.

Tax credit for home renovations

To encourage Canadians to invest in property improvements and help boost the economy, the budget proposes, as a temporary measure, a non-refundable tax credit of 15% (12.5%, after abatement for Québec residents) for eligible renovation expenses made on a main residence.

A principal residence will be acknowledged as such, if the individual is the owner and if the residence in question is generally occupied by him or a member of his family. Eligible expenses include those made to a condominium or cooperative unit, including that portion of expenses paid by an individual for the common area.

An individual whose principal residence occupies part of a building that generates rental or business income may request eligible expenses, equal to the portion of the building that he occupies for his personal use.

Eligible expenses must be incurred to renovate or modify the building (including the foundation), in a permanent manner. The work may not be performed by an individual who is not at arm's length from the home owner, unless the former is registered for commodity taxes.

The work must be carried out after January 27, 2009 and prior to February 1, 2010 and the credit may only be claimed on the 2009 income tax return. The credit is calculated on all eligible expenses over \$1,000, not to exceed \$9,000. As such, the maximum credit granted would be \$1,350 (\$9,000 X 15%). In Québec, the credit, after abatement, would be limited to \$1,125 (\$9,000 X 12.5%).

The individual is not required to reduce eligible expenses by reason of any grant or additional credit he may receive.

Ownership of the residence will be determined on the basis of family. As a result the credit must respect the expense limit of \$10,000 per family, not per individual. However, any portion of the credit, not used by one member of the family may be claimed by another member, while respecting the maximum eligible amount.

This measure differs considerably from the one announced by the Québec government on January 14 of this year.

Increase in the Age Credit

In 2009, the amount on which the Age Credit is based will be increased by \$1,000 to \$6,408 and subsequently indexed. This increase will assist low- or medium-income seniors by providing them with an additional federal income tax reduction of a maximum of \$150 (\$125 for Québec residents).

As a result of this increase, the income level at which the Age Credit is fully eliminated will increase from \$68,365 to \$ 75,032.

Home Buyers Plan (HBP) withdrawal threshold

As mentioned in the section covering measures affecting Desjardins, the budget proposes to raise from \$20,000 to \$25,000 the HBP withdrawal threshold for any withdrawal made after January 27, 2009.

Loss of value of an RRSP or RRIF following a death

As mentioned in the section covering measures affecting Desjardins, loss of value of an RRSP or RRIF following a death may now reduce the income of a deceased person.

Increase in Canada Child Tax Benefit

Both the Canada Child Tax Credit (CCTB) and the National Child Benefit (NCH) are calculated according to income. As regards the 2009-2010 payments, the income level at which the CCTB gradually is reduced will increase from \$38,832 to \$40,726. The income level at which the NCH is gradually reduced will also be increased by \$1,894.

MEASURES AFFECTING BUSINESS

Business threshold for small businesses

The measure affecting Desjardins also applies to other businesses. As such, businesses will benefit from a tax decrease effective 2009, through an increase in this threshold, providing they have earned profits.

This measure will also enable businesses to pay their tax balance three months, rather than two months, following their year end. This measure is contingent upon the company having benefited from the SBD on all of its earnings for its previous fiscal year.

Lastly, this increase will also affect companies that claim investment tax credits, since the threshold for research and experimental development of \$3M, on which the tax may apply, is reduced when taxable income from the previous fiscal year is between \$400,000 and \$ 700,000.

In view of the \$100,000 increase in the business threshold effective in 2009, these figures will be increased to \$500 000 and \$800,000.

Accelerated capital cost allowance (CCA)

In addition to the measure affecting Desjardins mentioned above, regarding computer equipment, some sectors of the economy will benefit from additional measures.

Manufacturing and processing companies currently benefit from a temporary 50% accelerated CCA deduction calculated by the straight-line method for goods acquired prior to 2010 and at a rate of 50% calculated on a declining basis in the case of eligible goods acquired in 2010 and 2011.

The current budget extends the rule currently in effect to goods acquired in 2010 and in 2011. However, a rate of 25% (half-rate rule) will apply in the year the goods were acquired.

Mandatory electronic returns

At present, companies may transmit their information returns to the Canada Revenue Agency via the Internet if they meet CRA criteria.

Generally speaking, the budget proposes that companies with annual gross earnings in excess of \$1M for a taxation year be obliged to transmit their yearly information return electronically, or be subject to penalties. The CRA may make exceptions, notably for foreign companies, insurance companies and companies that produce their returns in functional currency. This measure would apply to the tax returns of companies for the taxation year ending after 2009.

Moreover, the number of a given type of information return that a taxpayer may make in terms of income tax, before being required to produce its declarations electronically, under current tax provisions, would be reduced from 500 to 50. In practice, this measure applies more often for T4 information returns for employment income. This measure will apply to declarations to be produced after 2009.

Budget Analysis

January 27, 2009

CANADA: FEDERAL BUDGET

Ambitious, yet not hazardous!

An economic stimulus plan that can lessen the economic and financial crisis

The challenge facing the federal government was impressive: avoiding the Canadian economy getting bogged down, without falling into the vicious circle of chronic deficits. The extent of the economic stimulus measures tabled today is meeting expectations. Yet Canadians will need to wait five years before the government balances its budget again. It may be a bit long, but it is the price to pay to cut taxes. The important thing is that the figures disclosed today are tinged with caution, which is reassuring given the goal of re-establishing the financial balance in the medium term. The government's pre-budget consultations are bearing fruit and partisan political considerations seem to have been set aside by the government to meet the requirements of the economic situation in Canada as well as the needs of its citizens.

Table 1
Summary statement of transactions

In \$B	Actual		Projection				
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Budgetary revenues	242.4	236.4	224.9	239.9	259.4	276.4	294.3
- Variation (%)	2.7	-2.5	-4.9	6.7	8.1	6.6	6.5
Program spending	199.5	206.8	229.1	236.5	235.1	244.5	254.1
- Variation (%)	6.0	3.7	10.8	3.2	-0.6	4.0	3.9
Debt charges	33.3	30.7	29.5	33.3	37.2	39.2	39.6
- Variation (%)	-1.8	-7.9	-3.9	12.9	11.7	5.4	1.0
Budgetary balance	9.6	-1.1	-33.7	-29.8	-13.0	-7.3	0.7
Federal debt ¹	457.6	458.7	492.4	522.2	535.2	542.4	541.8
- Expected debt variation	-9.6	1.1	33.7	29.8	13.0	7.2	-0.6
% of GDP							
Budgetary revenues	15.8	14.7	14.4	14.7	15.0	15.0	15.2
Program spending	13.0	12.9	14.7	14.5	13.6	13.3	13.1
Public debt charges	2.2	1.9	1.9	2.0	2.1	2.1	2.0
Federal debt	29.8	28.6	31.6	32.1	30.9	29.5	28.0

¹ Debt representing the accumulated deficits.
Source: Department of Finance of Canada

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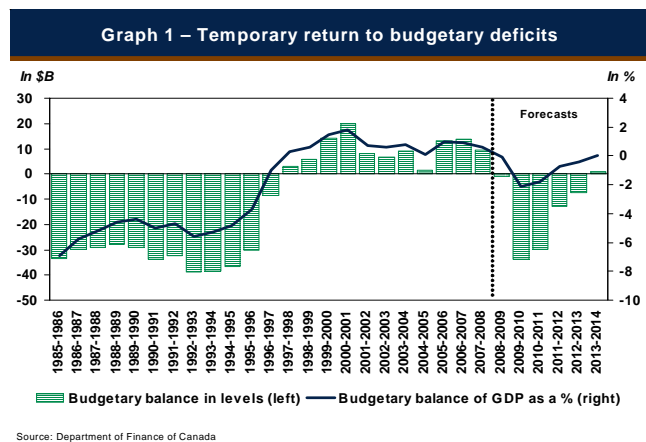
NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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TWO DIFFICULT YEARS AHEAD

In terms of budgetary revenues, the current recession is costly for the government. The deficit was expected to reach \$34B in 2009-2010 and \$30B in 2010-2011. However even the current year that will end on March 31 will close with a \$1.1B deficit. The return to a balanced budget is expected no sooner than 2013-2014 when the government should post a \$0.7B surplus.

In general, few were alarmed by the return of budgetary deficits. However, the problem was to know when the government would return a balanced budget. The question was all the more relevant since permanent tax cuts are proposed in this budget. To do so, the plan is rather vague as it relies on some plausible assumptions of an economic recovery in 2010 and on relatively important measures of prudence. The middle-term recovery plan is based on a quick upturn of fiscal inflows of personal and corporate income tax, the goods and services tax (GST) and even on an increase of the employment insurance contribution rates beginning in 2011.



The deficit level is rather impressive for the next two years, but the stimulus plan is not the only reason. Just for the revision of the economic forecasts, the budgetary revenues were brought down by \$11.3B for fiscal 2009-2010 and by \$9.9B for fiscal 2010-2011 in comparison with the Economic and Financial Statement of November 2008. For prudence sake, the government revised downwards by an extra \$4.5B the revenues expected for each of the two years. So a measure of flexibility was introduced in the event that the economic situation worsens more than expected.

The stimulus measures presented in the budget target the next two years. Overall, they will cost \$18B to the government for fiscal 2009-2010 and \$15.5B for fiscal

2010-2011¹. These amounts need to be injected quickly in the economy because the needs are pressing. If for some reason the expenses are not completely realized during the next two fiscal years, the government assures that they will not be brought forward beyond 2010-2011. The amounts will be cancelled, which will help cut the anticipated deficit.

Lastly, the government is committed to tighter management of the departments and to implementing some structural changes, namely for equalization. Stormy discussions are expected with the provinces. The government wants to limit to a viable and equitable rate the growth of transfer payments, but keep in mind that limiting the transfers to provinces could simply shift the federal government's problems to the provinces. The two other structural changes concern the current system of salary equity and the foreseeable nature of remuneration in the federal public sector during the current economic difficulties.

MEASURES ON A PAR WITH EXPECTATIONS

In reading the budget, it seems obvious that the government was looking for the widest possible support from the population. Every one will benefit from the injection of \$33B in new funds over two years. Some will say that this is a thin spreading but the government met almost all expectations by bringing together its actions under five main points:

- Access to financing and strengthening of the Canadian financial system (\$174M)
- Assistance for workers affected by the recession and income tax relief to stimulate spending (\$12.8B)
- Stimulation of residential construction (\$5.3B)
- Infrastructure investments (\$10.8B)
- Support for businesses and communities (\$4.5B)

There was a consensus in the population on the fact that the measures announced should have a quick and direct effect on the economy and that they should not be recurrent to avoid the creation of a structural deficit. With this in mind, the investments in infrastructures were favoured. The government will inject \$5.7B in 2009-2010 and \$5.1B in 2010-2011. These \$10.8B over two years will go to provincial, territorial and municipal infrastructures (\$6.4B), First Nations infrastructures (\$515M), knowledge, namely for universities and colleges (\$3.1B) and federal infrastructures (\$716M), including \$212M for the renewal of Champlain Bridge.

¹ According to accrual accounting.

Table 2
Canada's economic action plan

In \$M	2008-2009	2009-2010	2010-2011
Access to financing and strengthening of the financial system	---	162	12
Measures to help Canadians and stimulate spending	695	5,880	6,945
Measures to stimulate residential construction	530	3,865	1,395
Immediate infrastructure measures	---	5,727	5,055
Measures to support businesses and communities	12	2,372	2,121
Financial cost of the various measures	1,237	18,006	15,528
Plus:			
Capital expenditures	---	697	685
Loans			
Loans to the automobile sector	---	2,700	---
Loans to municipalities for residential infrastructures	---	1,000	1,000
Temporary tax credit for residential renovation	---	500	---
Total – Federal stimulus measures (1)	---	22,742	17,200
Total – Federal stimulus measures (including leverage effect)	---	29,298	22,316
% of GDP			
<i>Federal stimulus measures</i>	---	1.5	1.1
<i>Federal stimulus measures (including leverage effect)</i>	---	1.9	1.4

(1) The measures affecting the financial markets are not included in the stimulus measures.

Source: Department of Finance of Canada, 2009 Budget

As far as residential construction is concerned, a \$1B investment over two years will go to the renovation of 200,000 public housing units for low-income earners and for the construction of new housing for the handicapped and First Nations. In addition, a temporary tax credit for home renovation is introduced and grant up to \$1,350 in tax relief for a household. The real impact of such a credit on the economy can be put in question, especially when you consider that indoor and outdoor painting or the laying down of new sod is considered an eligible expense.

In the wake of the actions already undertaken by the monetary and government authorities, the government will allocate an extra \$50B to the Insured Mortgage Purchase Program. The flexibilities of financial Crown corporations such as Export and Development Canada and the Business Development Bank of Canada are also being consolidated. These measures that do not cost the government much aim to ease credit for Canadian businesses and consumers.

The rest of the actions announced by the government are mostly tax and tariff relief for individuals and businesses. For instance, businesses will benefit from an accelerated

depreciation on some assets, such as computers. Additional amounts are also allocated to research centres and others will help improve the competitiveness of the forestry, agriculture and shipbuilding sectors.

Minister Flaherty was keen on introducing tax cuts for individuals even if these cuts had been criticized as being a tool to restart the economy over the short term. Every one will benefit from them, but it specifically targets low-income Canadians. The probabilities that new available amounts for these taxpayers be spent are increased all the more. The basic personal amount as well as the upper limit of the two lowest tax brackets are increased. Being raised are the age credit amount and the levels at which the National Child Benefit for low-income families and the Canada Child Tax Benefit begin being phased out. For the next two fiscal years, this amounts to more than \$6.2B extra in the pockets of taxpayers.

The workers affected by the recession are not forgotten in this budget. For instance, employment insurance benefits are extended. To favour the development of skills in the workforce and their transition to growth areas, the government is increasing by \$1B the financing of job training

Table 3
Effect of Canada's economic action plan

	2009	2010	Q4 2010
Effect on the annual variation of real GDP			
Federal stimulus measures	+1.2%	+0.1%	+1.4%
Leverage effect of the provinces and municipalities	+0.4%	+0.1%	+0.5%
Total	+1.6%	+0.2%	+1.9%
Effect on the annual variation of employment			
Federal stimulus measures	+0.4%	+0.3%	+0.8%
Leverage effect of the provinces and municipalities	+0.1%	+0.1%	+0.3%
Total	+0.5%	+0.4%	+1.1%

Source: Department of Finance of Canada, 2009 Budget

and is earmarking \$500M to a transition and strategic training fund to meet the special needs of individuals who are not eligible for training as part of employment insurance, such as self-employed workers or people who haven't been on the job market for some time. These measures will total close to \$3.8B over the next two years.

A BUDGETARY PLAN THAT SHOULD MINIMIZE THE RECESSION

In all likelihood, the Canadian economy went into recession in the fourth quarter of 2008. This can be explained by the sharp worsening of economic conditions among industrialized countries (especially the United States), the harmful effects of the world financial crisis, the weakening of the demand for raw materials and the sharp slowdown of consumption and investment at home. So, the assumptions in the budget state that the nominal GDP will decrease by 2.7% in 2009, i.e. a much sharper contraction than the 1.2% anticipated by most forecasters in the private sector. The Department of Finance's concern for caution, which takes into account the possibility of a more important deterioration of economic conditions and greater drop in the prices for

raw materials, explains the difference. For 2010, the forecasts used by the Department are similar to those of most forecasters, i.e. an increase just above 4%. In other words, a consensus seems to be building as to the start of an economic recovery in mid-2009, close to nine months after the beginning of the recession. Bear in mind that the recessions of the early 80s and the early 90s lasted much longer, approximately 24 months.

The budget tabled today should reach and even exceed the objective of ending the current recession as quickly as possible. The effects of the budgetary measures on economic growth will be significant. According to the Department of Finance, the various measures of budget 2009 will add 1.4% to the annual growth of real GDP by the end of 2010. With the funds raised thanks to the involvement of the provinces and municipalities, the growth of real GDP will be driven up by 1.9% by the end of 2010. Nevertheless note that because of the many constraints, some of the amounts announced today may in the end not be used. The final impact on economic growth would then be a little lower than these figures. Even so, the contribution of the budgetary measures

Table 4
Economic and financial forecasts

	2008f			2009f			2010f		
	Nov. '08 stat.	2009 Budget	Desjardins Group	Nov. '08 stat.	2009 Budget	Desjardins Group	Nov. '08 stat.	2009 Budget	Desjardins Group
Average annual growth in %									
Real GDP	0.6	0.3 (2)	0.7	0.3	-2.3 (2)	-0.9	2.6	2,6 (2)	2.3
GDP deflator	3.8	4.1 (2)	4.2	0.5	-0.4 (2)	-0.2	1.8	1,7 (2)	1.9
Nominal GDP	4.4	4.4	4.9	0.8	-2.7	-1.1	4.4	4.3	4.2
Treasury bills – 3-month (1)	2.4	2.3	2.3	1.9	0.8	0.7	2.7	1.7	1.2
Federal bonds – 10-year (1)	3.7	3.6	3.6	3.7	2.8	2.4	4.2	3.4	3.3
Unemployment rate (1)	6.1	6.1	6.1	6.9	7.5	7.5	6.7	7.7	7.8
U.S. real GDP	1.4	1.2	1.2	-0.4	-1.8	-1.7	2.1	2.1	2.5

f: forecasts; (1) Data established for 2008. Annual average in %. (2) Implicit forecasts using the consensus deflator.
Sources: Department of Finance of Canada, Statistics Canada and Desjardins, Economic Studies

to economic growth remains more important than anticipated by many private sector forecasters and some may even have to revise their economic scenario upwards. The Bank of Canada distinguished itself last week when its economic scenario was disclosed with an anticipated growth of 3.8% for real GDP in 2010. In this context, the gap between the assumptions indicated in the budget and the consensus of forecasters could widen even more, which intensifies our feeling that the Department of Finance was extremely prudent in establishing its budget.

With respect to assumptions concerning the future evolution of interest rates, the Department uses the consensus of forecasters. However, the assumptions include projections that are slightly higher than our own, especially with respect to short term rates. In our view, this could mean additional flexibility in the budgetary balances.

A FIRST INCREASE IN THE DEBT IN 11 YEARS

The debt, which represents the accumulated deficits of the federal government, reached \$457.6B as of March 31, 2008, i.e. a decrease of \$105.2B in comparison to its peak of March 31, 1997. For the first time in over 10 years, this downward trend will be reversed with a slight increase in 2008-2009. The important budgetary deficits anticipated for 2009-2010 and 2010-2011 will amplify the increase of the federal government's debt over the coming years. It could reach \$542.4B as of March 31, 2013, which is a cumulative increase of \$84.8B. A good share of repayments made over the last decade could then be erased.

That said, the situation is not as catastrophic as it appears. First, it is acceptable that the budgetary balances of a government worsen in periods of crisis, if of course it is a temporary situation, time for economic growth to improve. This helps the government to play its role as an economic stabilizer. By the way, most industrialized countries are currently in the same situation. Second, even of the

government's debt will increase significantly over the coming years, its relative importance will remain fairly limited. The debt-to-GDP ratio will increase to 32.1% in 2010-2011 (a slight decrease is expected afterwards) compared to 29.8% in 2007-2008. This ratio reached a peak of 68.4% in 1995-1996, a level that showed a much higher debt load relatively speaking. In addition, Canada will maintain a favourable gap in comparison to the average of G7 countries with respect to the relative importance of its public debt.

FINANCIAL MARKETS WILL EASILY ABSORB THIS ADDITIONAL DEBT

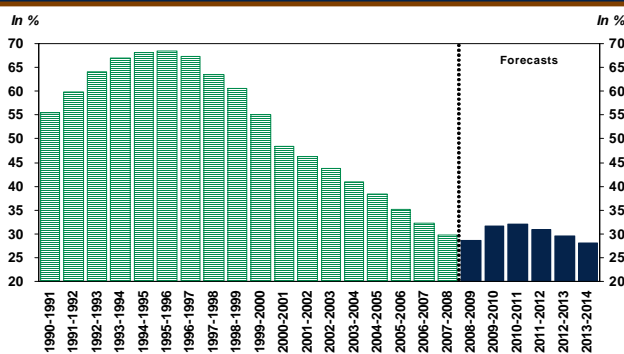
The federal government will easily finance its budgetary deficits on financial markets by maintaining a relatively favourable position as far as debt is concerned and by combining it with the attractiveness of federal securities considered without risk. The outstanding debt of Treasury bonds could increase by \$29B between 2008-2009 and 2009-2010. The outstanding debt of marketable bonds should increase by \$54B over the same period. So the share of the fixed-rate debt will significantly decrease, from 63% in 2007-2008 to 56% in 2009-2010. As a result, the government will benefit more from the exceptionally low level of short term interest rates. However, the increase in the number of prime-quality government securities available in financial markets could eventually lead to a slightly higher level in interest rates when the economic recovery will have clearly started.

THE REFLECTION OF PRE-BUDGETARY CONSULTATIONS

You cannot accuse the federal government of not listening to Canadians and to have spared its efforts. The budget presented today is true to the results of the pre-budgetary consultations conducted throughout Canada. The infrastructure investments respond clearly to the actions that needed to be direct, quick and effective to avoid the Canadian economy getting bogged down even more. The improvements brought to the eligibility conditions and to the employment insurance benefits also meet the criteria while the increased financing for labour training will lead to long-term structuring effects for the Canadian economy. The real economic impact of the renovation tax credit program could be questioned. The money invested in the renovation of social housing represents \$1B injected directly in residential construction in Canada at a time when it really needs it.

However, the tax cuts were not the best way to restart the economy in the short term, all the more since they are permanent. They are targeted more towards low-income Canadians, which on the other hand increases the probability that new

Graph 2 – Federal debt-to-GDP ratio



Sources: Department of Finance of Canada and Desjardins, Economic Studies

Table 5
Economic stimulus measures announced recently in the G7

	2009	2010	Total
Scope of budgetary measures as % of GDP			
Canada	1.9	1.4	3.2
United States	2.9	2.8	5.7
Germany	1.2	1.3	2.5
Japan	1.3	1.0	2.3
United Kingdom	1.1	-0.3	0.8
France	0.8	0.5	1.3
Italy	0.3	0.0	0.3

Source: Department of Finance of Canada, 2009 Budget

available amounts will be quickly injected in the economy. Yet, this will delay the return to balanced public finances in fiscal 2013-2014.

The stimulus measures presented in the budget target the next two years exclusively. Overall, they will represent 1.9% of GDP in 2009 and 1.4% in 2010, including the leverage effect. This is a bit less than the 2% suggested by the International Monetary Fund (IMF) but more than the 1% often mentioned to take into account Canada's advantageous situation in comparison to that of other industrialized countries, namely the United States. In these circumstances, the government seems to have found a good balance. Not injecting enough money would have had much more damaging effects than injecting too much. However the work does not stop here. Now is the time to do quickly put these good ideas to work.