HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

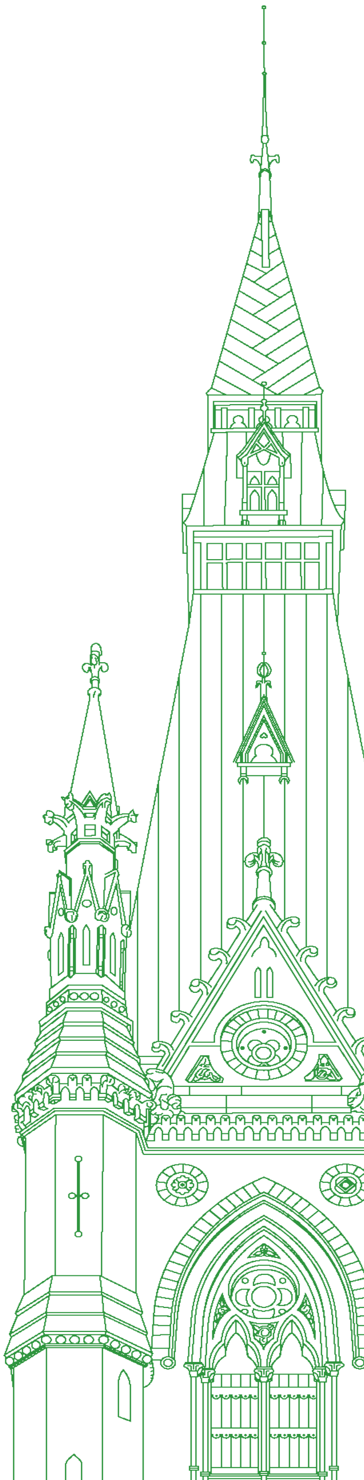
44th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 083

Tuesday, April 18, 2023



Chair: Mr. Peter Fonseca

Standing Committee on Finance

Tuesday, April 18, 2023

● (1100)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 83 of the House of Commons Standing Committee on Finance.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, November 21, 2022, the committee is meeting to discuss the economic and fiscal outlook, and the report of the Bank of Canada on monetary policy.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute yourself when you are not speaking.

For interpretation for those on Zoom, you have choice at the bottom of your screen of floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I'll remind you that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard.

Now I would like to welcome our witness for the first panel, which will be from 11 to about 11:30. With us today from the Office of the Parliamentary Budget Officer is the Parliamentary Budget Officer, Monsieur Yves Giroux.

The floor is yours, Monsieur Giroux, for opening remarks.

[*Translation*]

Mr. Yves Giroux (Parliamentary Budget Officer, Office of the Parliamentary Budget Officer): Thank you, Mr. Chair.

Good day, members of the committee, and thank you for the invitation to appear before you today.

I am pleased to be here to discuss my office's most recent report, entitled “Economic and Fiscal Outlook”, which my office published on March 2, 2023. Our outlook provides a baseline projection to help parliamentarians gauge potential economic and fiscal outcomes under current policy settings. Our March outlook incorporated economic data up to and including February 21. Our report was released prior to the tabling of budget 2023 and the recent turbulence in global financial markets.

On April 13, my office published our issues report on budget 2023. The report is designed to assist parliamentarians in their budgetary deliberations, highlighting key issues arising from the budget, which announced $69.7 billion in new spending, measured on a gross basis.

[*English*]

I will now continue my remarks in English.

On balance, the outlook for real GDP growth over 2023 to 2027 presented in budget 2023 is slightly weaker compared to our March outlook, with annual growth averaging 1.6% and 1.7%, respectively. This slight difference reflects a weaker near-term outlook that includes a shallow recession in 2023 in the budget, whereas our March outlook projected the economy to stagnate over the course of the year.

In terms of the fiscal outlook, when put on a comparable basis, our adjusted March projection shows budgetary deficits over 2022-23 to 2027-28 that are, on balance, in line with the outlook presented in budget 2023.

I would now be pleased to respond to any questions you may have regarding our economic and fiscal analysis or other PBO work. Thank you.

[*Translation*]

The Chair: Thank you, Mr. Giroux.

[*English*]

Now we are going to members. I was going to say “for the first round”, but this will be the only round. Each party will have up to six minutes to ask questions. We are starting with the Conservatives for six minutes.

I have MP Morantz, please.

● (1105)

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

It's very nice to see you again, Mr. Giroux. It's a pleasure to have you here at our committee to discuss budget 2023.

I read your report with interest. The first thing I want to ask you about is this phenomenon of non-announced measures. It's a concern that's come up before. It came up in the fall economic statement, and even before that. You highlighted in your report that you identified $798 million in new non-announced measures, bringing the total, I think you said, in excess of $12 billion.

For those who might be watching who don't know what non-announced measures are, the government is essentially asking us to vote to allow spending when we don't know at all what it's for. Essentially, it's giving the government a literal blank cheque of $12 billion.

I think you said in your testimony before that the difficulty you have with this is that it's very difficult from an accounting perspective to understand, once the money is spent, what it was actually spent on. There are two problems here. First, there's a major transparency problem when parliamentarians are asked to approve monies and they don't know what they're for. Second, there's a major accountability problem, because after the fact, it's impossible to find out what the money was spent on.

I'm wondering if you could comment on that issue.

Mr. Yves Giroux: Sure. It's not unusual for governments to have provisions for pressures that could materialize or for unforeseen events. What makes this one particularly challenging is that there are positives and negatives. This suggests the level of detail is quite high. There's clearly planned spending the government has a clear idea on and decisions that are either made or almost made, and for which the quantums are quite clear.

It's presented as an aggregate, so we don't have any clear idea, obviously, of what's included. The concern we have is that when the spending gets announced publicly, it's very difficult to trace it back to the source of funds. Was it budget 2023? Was it budget 2022? It's very difficult to figure out what the source of funds was, and if it's new funding, when it finally gets announced.

It's very difficult for us to follow that kind of money. Those are the main concerns we have.

Mr. Marty Morantz: Have you expressed your concerns about this to department officials?

Mr. Yves Giroux: We've made our concerns known in reports and in discussions with departmental officials, and given that it's in reports—we know they read our reports, some of them very thoroughly—they're well aware of our concerns.

Mr. Marty Morantz: Okay. As parliamentarians, what do you think we should do about it? Do you think that this requires some sort of legislative mandate to ensure that this kind of thing doesn't happen in the future?

Mr. Yves Giroux: It's something that, as parliamentarians, you can ask for further details on from the government. When ministers and officials testify, you can certainly ask them to provide you more details, either in writing or when they appear at committees.

Mr. Marty Morantz: It's funny you should say that, because I did exactly that when the Minister of Finance was here back in November. I asked her if she would table the details of all the non-announced spending with the committee, and she refused to do that. It seems like we've hit a bit of a wall on finding out what all this non-announced spending is for. It makes it very difficult for us as parliamentarians to vote on something when we don't know what the money is for.

I know part of your mandate is also economic analysis. I'm wondering what you think of the budget generally speaking. It has $69.7 billion in new growth spending measures. I saw Derek Holt being interviewed on the weekend by Scotiabank, and he thinks that all of this profligate government spending has resulted in at least a 1% increase in the bank rate, which I'd never heard an economist say before.

I'm wondering if you agree that government deficit spending is stimulatory in nature, is inflationary in nature and has resulted in an increase in the bank rate that's above what it would have been had the government not embarked on such a massive spending spree.

● (1110)

Mr. Yves Giroux: We did some analyses—not to translate the spending into how much of a rate increase it means, but looking at spending that was non-COVID-related—and we found that in the absence of non-COVID-related spending over the last couple of years, the deficit would have been almost $26 billion lower each year on average and the debt-to-GDP ratio would have been 4.7 percentage points lower in 2027-28 than was projected in the last budget.

As to the part of your question that relates to the inflationary nature of government spending, the Bank of Canada's monetary policy report indicated last week that government spending—and by that they mean not only federal but also provincial spending—overall stimulates aggregate demand, which is wording equivalent to providing inflation or stimulating inflation.

The Chair: Thank you.

Thank you, MP Morantz.

Now we'll go over to the Liberals with MP MacDonald for six minutes, please.

Mr. Heath MacDonald (Malpeque, Lib.): Thank you, Mr. Chair, and thank you, Mr. Giroux, for being here again today. It's great to see you.

The news release that accompanied your report noted the cancellation of the $9-billion strategic policy review launched in budget 2022, but in my read of budget 2023, I see a section entitled “Refocusing Government Spending”, which carries substantial financial savings of about $15 billion that go even further than the $9 billion proposed. Can you explain how these two programs differ?

Mr. Yves Giroux: It would be difficult for me to explain how they differ because the strategic policy reviews of budget 2022 did not have that much detail. We inquired with Department of Finance officials as to what had happened with the strategic policy review in budget 2022, which was aimed at providing savings of $9 billion. We asked them if our interpretation that it had been cancelled was correct. They said that yes, it was correct.

You're right that there are additional or new spending restraint measures announced in the budget. There is a refocusing of government spending, notably reducing spending on consulting, professional services and travel, as well as reducing eligible spending by government departments and agencies and in Crown corporations. Together, this totals about $15 billion over a number of years.

There is the cancellation of the strategic policy review, but also new spending reviews, for a total of $15 billion in the budget.

Mr. Heath MacDonald: Your report also notes that your projections for Canada's real GDP and unemployment are more optimistic than those laid out in budget 2023. Can you explain what drives this difference and what your opinion is on it?

Mr. Yves Giroux: Sure.

In our estimate, we factor in faster GDP inflation. I'm looking at the numbers here. We have annual growth that's slightly faster. The government includes or factors in a shallow recession in 2023, whereas we don't see that as the most likely scenario. It's possible that there will be a shallow recession, but we see the most likely outlook or outcome for 2023 as being stagnant growth. The government has a slightly more pessimistic scenario for 2023. That explains the bulk of the difference.

Mr. Heath MacDonald: In comparison internationally to other countries, specifically G7 countries, on key fiscal measures like the net GDP ratio, debt levels and our deficit, where does Canada stand in its position to date coming out of the past two years and basically out of COVID-19?

Mr. Yves Giroux: When looking at G7 countries, Canada compares very favourably on net debt-to-GDP.

On that note, I've had discussions with somebody from Moody's over the last several days. When I talked about the prospects for Canada and deficits as a proportion of the economy being about 1% to 1.5%, they looked at me and said that I should be quite happy because by European standards that's very low.

Compared to G7 countries, we are doing comparably well, in good part because the provinces have near-balanced budgets or small deficits, if you look at an aggregate. We have pre-funded some of our public pension obligations.

Compared to other countries we are doing quite well.

● (1115)

Mr. Heath MacDonald: In regard to Moody's and bond rating, can you just explain to some of the people at home how important it is to maintain our bond rating?

Mr. Yves Giroux: Sure.

Market participants, investment portfolios and institutional investors look at the bond ratings by external rating agencies to determine the interest rates they're willing to pay for Canadian government bonds. Having a favourable or high rating from a majority of these rating agencies allows Canada to finance its debt on more favourable terms than countries that don't benefit from the same debt rating. It reduces what the governments—the Canadian government and provincial governments—pay in interest.

Mr. Heath MacDonald: We've come through a tumultuous time and we seem to be positioning ourselves on a trajectory that is very good right now for Canada. We don't know what lies ahead to some extent and how complicated it's going to get. You read continually in the media about economists. They have varying opinions on Canada's economy.

If you were speaking to a board of trade in any city in this country, what would you say to them in relation to Canada's economy?

Mr. Yves Giroux: I would say we have relatively good prospects when it comes to economic growth. We have a diverse economy with a wealth of natural resources. If I were talking to a board of trade, I would express concerns about the productivity level we are seeing in Canada.

Productivity growth is not as good as it could be. Certainly, while talking to a board of trade, I would encourage them to invest aggressively in areas that foster and improve productivity, because that's the key to longer-term economic growth, and we are, unfortunately, lagging compared to the U.S.

Mr. Heath MacDonald: Thank you.

The Chair: Thank you, MP MacDonald.

Now we are on to the Bloc. We have MP Ste-Marie with us.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Good day, everyone.

Before we start, I will remind my colleagues that I sent them an email about an invitation yesterday. Mr. MacDonald sent me his answer, but the rest haven't. If they could follow up, I would be grateful.

Hello, Mr. Giroux. I want to thank you once again for being with us, for your participation and for all the work that you and your team are doing. I really liked your analysis in the report entitled, “Budget 2023: Issues for Parliamentarians”.

I will continue along the same lines as Mr. Morantz.

The report reads as follows:

> …it is recommended that Parliament consider adopting a new legislative or administrative framework to improve transparency and comprehensibility for parliamentarians and the public. In this case, a fixed budget date earlier in the year could enforce better alignment among the Government's various financial reports.

Could you explain your recommendation in more detail?

Mr. Yves Giroux: I will do so with pleasure, Mr. Ste-Marie.

The recommendation I made has to do with the government's timing for tabling the main estimates. Since I've been in office, I've spoken several times about the way the government funds itself. The bill is such that current expenditures authorized by Parliament must be tabled before March 1. It is indeed tabled before March 1, but it almost always precedes the budget announcement. Parliamentarians are therefore asked to vote on funding and government operations, but the government tables its budget after they have that piece of legislation in hand. It means that, in the supplementary estimates, the main estimates, you don't see the entirety of government expenditures, which must be corrected through the supplementary estimates. You're asked to vote on government expenditures for the year to come before you can even know the government's priorities.

One way of simplifying things would be to ensure that the budget is tabled in February, for example, on a predetermined date or within a predetermined window. It would allow you to have the budget in hand, and then get the bill that includes the government's expenditures, meaning the government's operating costs and budgetary initiatives. You would have a better idea of the government's operations and expenditures, meaning the funds it needs to function and to keep its promises. It would be more logical to have the budget first, and then the bill asking for the funds to keep the commitments made in the budget.

● (1120)

Mr. Gabriel Ste-Marie: Thank you.

Let's hope the government moves forward. We will try to remind the government of it as often as possible. The parliamentary secretary is here with us, so I hope he's taking it all under advisement.

In the budget analysis, one of the problems I see has to do with the issue of transparency. In fact, it shows in your analysis as well. To see from the angle that interests me, I'll make a comparison. At the time when Mr. Paul Martin was the Minister of Finance, my predecessor and Bloc Québécois critic on the subject found the government's trick for budgets: It systematically overestimated its expenditures, and therefore achieved a balance or ran a slight deficit. At the end of the fiscal year, it could always claim that, in the end, the situation was better than what was expected.

I'd like to know your opinion of government forecasting when it comes to expenditure growth.

At the same time, the latest data from public accounts shows that the government left $41 billion on the table in lapsed appropriations. They had essentially been voted on, but a part of them weren't voted. The most recent fiscal year for which numbers are available is 2021-22. When I asked Department of Finance officials to tell us where they were in the budget and how to take them into account, they told me that they were unable to answer those questions and that they weren't systematically included.

I'd like to hear your comments on all that.

Mr. Yves Giroux: Thank you.

Your question includes several points. I'll start with the issue of lapsed appropriations. Because of the government's structure and the constraints imposed on departments, constraints which prevent them from spending more than what Parliament allocated to them, managers throughout the whole of government exercise caution. They will ask for more funding than necessary to avoid unpleasant surprises, or to avoid reaching the limit of what they can spend to deal with the unexpected. They therefore want to avoid going over their budget and overstepping the law. That means lapsed appropriations occur every year, and they're included in the government's budgetary framework.

When the government and Department of Finance officials establish their budgetary estimates, they always include the lapsed appropriations factor to reflect the fact that it happens from year to year. Obviously, when funds are added on a one-time basis—as we saw during the pandemic, for example—lapsed appropriations grow, because it's more difficult for the government to accurately predict how much it will spend.

The other question has to do with budgetary estimates and the fact that there used to be reserves, cautionary factors, which led to overestimating expenditures to make sure that the results were better than the forecast. That, among other things, is what led to creating the Office of the Parliamentary Budget Officer. When the government underestimated its surpluses, many parliamentarians were frustrated, because it prevented them from having truly informed debates and getting an accurate idea of public expenditures. It was a concern then, but it is less so now, thanks to the establishment of an office like mine.

Mr. Gabriel Ste-Marie: Thank you very much.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Now we're going to the NDP.

MP Blaikie, you'll be our final questioner.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much.

I think Canadians who get the lion's share of their knowledge about federal government policy from question period might be thinking the carbon tax is a large source of net revenue for the government.

What is the net revenue to the federal government from the carbon tax?

• (1125)

Mr. Yves Giroux: Well, the carbon tax has been designed so that the vast majority of proceeds are returned to individuals and households. The net revenue for the government should be negligible, especially when considering the administration costs. The net proceeds from the carbon tax to the government are not exactly zero, but they are close to zero.

Mr. Daniel Blaikie: Okay, it's not a real revenue source. It wouldn't appear in a budget table or anything like that.

Mr. Yves Giroux: Well, for government operations of over $400 billion, it is negligible, taking into account the proceeds returned to individuals, as we have said in many reports.

Mr. Daniel Blaikie: So the money that's collected gets returned to Canadian individuals. Does any of it ever get returned to Canadian businesses?

Mr. Yves Giroux: To my knowledge, it doesn't. There might be some very specific aspects, but the bulk of the proceeds get returned to individuals, to households.

Mr. Daniel Blaikie: We've heard a lot of controversy around the question of whether Canadian households receive more back from the tax they pay than they pay in tax. What I'm hearing is that the entire amount individuals pay that's designated as a carbon tax and the entire amount businesses pay that's designated as a carbon tax is returned to Canadian individuals.

Is there a household income level under which we could say with confidence that people are receiving more than they're paying or are at a break-even point?

Mr. Yves Giroux: That's a question for which the answer varies by province, because it depends on consumption patterns and on how the electricity that households consume is generated. Is it generated from fossil fuels or not? Generally speaking, though, if we look only at the carbon tax that households pay and the rebate they get, the majority of them—I'd say about 80%—get more in rebates than what they paid.

The top quintile, or the top 20% of households in terms of income, generally pay more than what they get in rebates if we look only at the carbon tax they pay versus what they receive. It varies, of course, depending on individual consumption patterns. If you drive a big RV and you heat your home with oil or natural gas, you will obviously pay more than you receive in carbon taxes.

The controversy has arisen because of the inclusion of the economic impacts of the carbon tax. It's true that any tax has implications and generates some friction in the economy. The carbon tax is no different. Introducing a carbon tax has impacts on specific sectors. The more fossil fuel-intensive these sectors are, the more impacts are likely to be felt on these sectors. When including the economic impacts, we find that most households will see a small loss, although the magnitude varies, when taking into account the loss of economic output, investment income and employment income and the difference between what they paid and the rebate they receive.

It's taking into account all the impacts of the carbon tax in the economy.

Mr. Daniel Blaikie: Is that a forecasting as well?

Mr. Yves Giroux: Yes.

Mr. Daniel Blaikie: Okay. So does that forecasting include likely emission reductions from investments that government and people in the private sector are making in order to reduce their emissions already, or is that not part of the assumption base that generates those forecasts?

Mr. Yves Giroux: That includes the behavioural change that will be induced by the carbon tax and its increase, but it does not include the so-called benefits of carbon emissions reductions. It's very difficult to quantify, in dollar terms, the benefits of a reduction in greenhouse gas emissions. If there was a way to quantify the benefits of reducing carbon emissions between now and 2030, we'd be happy to consider and include them, but the dollar benefits of transitioning to a greener economy between now and 2030 are very, very difficult to assess.

• (1130)

Mr. Daniel Blaikie: In the economic analysis that says Canadians are breaking even or suffering a small loss, a lot of assumptions have to be made about behavioural change. There hasn't been an attempt, because there's too much uncertainty and there isn't an adequate model to measure the financial benefit of emissions reductions. However, on what we can measure very clearly, which is money paid under the auspices of the carbon tax and the money that's refunded to individuals, roughly 80% of Canadians are breaking even or receiving more back than they paid in the carbon tax. Of the 20% who are likely to be paying more in tax than they're receiving back, they're likely to be in the top quintile of Canadian earners. Is that a fair statement?

Mr. Yves Giroux: That's a fair statement. That's a fair depiction of the results of our multiple reports on that issue over the last few years.

Mr. Daniel Blaikie: Thank you for that. I appreciate the clarity, because I think it's become quite muddled in parliamentary debate recently.

The Chair: Thank you, MP Blaikie.

I want to thank the Office of the PBO and of course the PBO for being with us.

Monsieur Giroux, thank you for your testimony on this study. Thank you very much. We really appreciate your time.

Members, we will now suspend while we get ready for our second panel.

• (1130)

_____________________(Pause)_____________________

• (1130)

The Chair: Members, we're back for our second panel.

From the Bank of Canada, we have the governor, Tiff Macklem, and the senior deputy governor, Carolyn Rogers.

The floor is now yours for some opening remarks. Then we will open it up to members' questions.

● (1135)

Mr. Tiff Macklem (Governor, Bank of Canada): Thank you, Chair, and good morning, everyone. We're very pleased to be here, the senior deputy governor and I, to discuss our recent policy announcement last week and our monetary policy report.

Last week we maintained the policy rate at 4.5%, and we continue to assess whether monetary policy is sufficiently restrictive to return inflation to the 2% inflation target. Since the last time we were here, we've seen a steady improvement in inflation and modest economic growth. Inflation is coming down quickly. In the data this morning, inflation for March came in at 4.3%. We forecast inflation will be around 3% this summer. We are encouraged by that, but we're also seized with the importance of staying the course and restoring price stability for Canadians.

Several things have to happen to get inflation all the way back to the 2% target. Inflation expectations need to come down further. Service price inflation and wage growth need to moderate. Corporate pricing behaviour has to normalize.

We're focused on these indicators and the evolution of core inflation to ensure that CPI inflation continues to progress towards our target. If monetary policy is not restrictive enough to get us all the way back to the 2% target, we are prepared to raise interest rates further.

Before I take your questions, let me give you some economic and financial context for our decision.

[*Translation*]

The Canadian economy remains in excess demand. Gross domestic product, GDP, growth in the first quarter of the year appears stronger than we projected in January, and the labour market is still tight. The unemployment rate, at 5%, remains near its record low, and wages continue to grow in the 4% to 5% range. Employment growth has been surprisingly strong, reflecting continued demand and increases in labour supply.

[*English*]

Past policy rate increases are working their way through the economy and restraining demand. Households are slowing their spending, particularly on big-ticket items. As mortgages are renewed at higher rates, more households will feel the restraining effects of monetary policy. Taking these forces into consideration, we expect Canadian GDP growth to be weak for the rest of the year before beginning to pick up gradually through 2024 and 2025.

What does all of this mean for inflation? We've come a long way from the 8% inflation that we saw last summer. As I mentioned, annual CPI inflation was down to 4.3% in March, led by falling goods price inflation, and we see further declines ahead. That's good news.

However, many Canadians are still struggling to manage the rising cost of living, and the prices for many things people need to buy are still rising too quickly. Food price inflation is just under 10%. We expect food price inflation to come down in the months ahead, but service price inflation will take longer. Continued, strong demand and a tight labour market are putting upward pressure on many services' prices, and those are expected to decline only gradually. We expect it will take until the end of 2024 to get inflation all the way back to our 2% target.

When the governing council met last week, we discussed whether we've raised rates enough. We considered the likelihood that the policy rate may need to remain restrictive for longer to return inflation to the 2% target.

[*Translation*]

Governing Council also discussed the risks around our projection. The biggest upside risk is that services price inflation could be stickier than projected. The key downside risk is a global recession. If global banking stress re-emerges, we could be facing a more severe global slowdown and much lower commodity prices.

Overall, we view the risks around our inflation forecast to be roughly balanced, but with inflation still well above our target, we continue to be more concerned about the upside risks.

● (1140)

[*English*]

Let me conclude. Our job at the Bank of Canada is to get inflation all the way back to the 2% target. We are encouraged by the progress so far. When we see inflation around 3% this summer, that's going to be further welcome relief for Canadians.

Let me assure Canadians that we know our job is not done until we restore price stability. Price stability is important, because it restores the competitive forces in the economy and allows Canadians to plan and invest with the confidence that their money will hold its value. That's the destination. We're on our way and we will stay the course.

With that summary, the senior deputy governor and I would be very pleased to take your questions. Thank you.

The Chair: Thank you, Governor Macklem and Senior Deputy Governor Rogers.

We're off to our questions. In our first round, we have the Conservatives with MP Hallan for six minutes, please.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thank you, Chair.

Thank you to Governor Macklem and Senior Deputy Governor Rogers for being here today at committee once again.

The Parliamentary Budget Officer projects that the new growth spending for budget 2023 will be $6.7 billion higher than projected in 2023, at $69.7 billion, and there's no doubt that there will be more government spending given the track record of this Liberal government. Does this increased level in spending work against your efforts to address inflation?

Mr. Tiff Macklem: That's an important question. The first thing I want to say, and I can't stress this enough, is that fiscal plans are the responsibility of elected governments and ultimately parliamentarians. Governments have many priorities. They have difficult decisions to take.

Mr. Jasraj Singh Hallan: No doubt we've heard that many times.

Mr. Tiff Macklem: It's important to repeat it, though, and it's important that we have a mandate. I'm getting to that. Our job is to control inflation, and we are happy to comment on what the aggregate impact of government spending is on economic growth and on inflation.

In the forecast we presented last week, our monetary policy report does include the new fiscal projections of the federal government and the provincial governments' projections in their recent budgets. On a national accounts basis, those budgets all together add about $25 billion of additional fiscal measures over the next three years. About three quarters of those additional measures are provincial measures. The other quarter, roughly, is federal. You can see the impact of those additional fiscal measures. They show up in our forecast. You can see it in table 2. You can see that the contribution from government spending to growth has increased.

Government spending over this year is running at 2% to 2.5% growth. How is that affecting inflation? One way to look at how government spending is affecting inflation is to compare the rate of growth of government spending to the rate of growth of potential output, the trend growth in the economy. We think trend growth is about 2%, and if government spending were growing well above that, it would be boosting demand further and putting additional pressures on inflation.

Government spending in our projection, based on those budgets, is growing about 2% to 2.5%. It's broadly in line with potential output. The way that I would put it is that government spending plans were not contributing to the slowing of the economy. They were not contributing to the easing of inflationary pressures, but they're not standing in the way of getting inflation back to our target. As I mentioned, in our inflation that incorporates those budget projections, we have inflation coming back to target by the end of 2024.

Mr. Jasraj Singh Hallan: In budget 2023, the growth in spending was 4.1%. Previously, in your own undertaking at your last appearance, you said the bank had it priced at 1.4%. That's four times higher than what was projected in your last committee appearance. Does that mean your projections were underestimated? Did you underestimate the impacts of government spending the last time you were here?

Mr. Tiff Macklem: In the second half of last year, government spending was growing at about 3.5%, and we did indicate that if that rate was sustained, it would boost demand and could make it more difficult to get inflation back down. Our forecast for the next couple of years is about 2% to 2.5%. As I said, that's broadly in line with potential output. That is an upward revision from what we had in our forecast in January, because it does incorporate the new spending, the new fiscal measures in the latest budget.

● (1145)

Mr. Jasraj Singh Hallan: Are you anticipating high pressures, then? Are you forecasting that there are going to be larger than usual deficits that will outpace potential GDP?

Mr. Tiff Macklem: We don't really forecast the deficits. We take the government's own fiscal plans as given. Governments have forecast their deficits. As I indicated, the way I would put it is that government spending is growing broadly in line with the trend growth in the economy. It's not boosting or overheating the economy, but it's continually growing, so it's not putting downward pressure on inflation either.

Mr. Jasraj Singh Hallan: Given that, are you forecasting entrenched inflation, then? Is that the way you guys are forecasting?

Mr. Tiff Macklem: No, we are not forecasting entrenched inflation. As you can see, inflation is actually coming down quite quickly.

Mr. Jasraj Singh Hallan: But right now there's a positive output gap.

Mr. Tiff Macklem: Last summer it was 8%. It was 4.3% today. We're expecting it to be about 3% this summer, 2.5% by the end of the year and 2% by the end of 2024.

I will say a couple of things on government spending plans. Governments at different levels are spending to protect—

Mr. Jasraj Singh Hallan: I have to move on.

Mr. Tiff Macklem: Okay.

Mr. Jasraj Singh Hallan: I just want to know if you are comfortable with spending being above the 1.4% that you forecast.

Mr. Tiff Macklem: It's not really my job to be comfortable with spending. I'm comfortable with our inflation forecast. It's really up to Parliament to decide on the comfort on spending. We've incorporated it into our forecast, and we have inflation coming back to 2%.

Mr. Jasraj Singh Hallan: I have to move on. I only have a bit of time.

The government expanded the size of the public service by 30%. This was on top of spending $21.4 billion just on consultants. The labour market remains tight, as you said, and the labour shortages are causing the cost to hire workers to go up.

Would you agree that the public service expansion is making the tightening of the labour market worse?

Mr. Tiff Macklem: We look at the labour market overall. The labour market is tight. We are seeing some signs of easing.

Mr. Jasraj Singh Hallan: We're also paying for more public services and consultants.

The Chair: We're at time actually, gentlemen. Thank you, MP Hallan. There will be more rounds.

Now we're going to the Liberals with MP Dzerowicz, for six minutes, please.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you so much, Mr. Chair.

I want to say a huge thanks to you, Governor Macklem and Senior Deputy Governor Rogers, for being with us once again today and for your extraordinary work on behalf of our nation.

My first question for you is about jobs, increased wages and the impact on inflation.

In one of my previous questions to you, Governor, I had asked you if there is always going to be a negative impact on inflation if wages increase. I recall that your response to me was that it is okay if wages go up as long as there's a corresponding increase in productivity. When I'm thinking about wages, it's hard, because I kind of think of them in a big bucket. Many people are paid very well. There are people who are paid what they are worth. There's a huge grouping of people, I believe, in our society who need to be paid more, whether they're nurses, personal support workers or those in some key sections of our hospitality industry. I don't want to discourage wages from going up for those who need to see them go up.

I'm not sure if you're able to comment about what productivity increases might look like in sectors where you need to see wages go up. Again, I mean nurses, personal support workers and key parts of the hospitality industry. Maybe you can comment on that.

Mr. Tiff Macklem: As you referred to, higher productivity pays for higher wages. A growing economy with rising productivity supports wage growth. It isn't contributing to inflation.

Right now wage growth is running at about 4% to 5%, and productivity growth is actually declining. To get inflation back to target, we'll need to see some overall moderation in wage growth for the economy as a whole. That doesn't mean wages can't grow faster in some sectors and slower in others. That will reflect demand conditions in those sectors. It will also reflect productivity growth in those sectors.

If we want to sustain higher wage growth over time, we need to improve our productivity growth in this country.

● (1150)

Ms. Julie Dzerowicz: Thank you. That's helpful.

I'll move to my next question.

In your opening statement at the monetary policy report press conference, you indicated the following: "the Bank's *Business Outlook Survey* say it's becoming easier to find the workers they need, which suggests that the tightness in the labour market is beginning to ease."

Do you have any more data on that? There's a mix of people saying there are lots of jobs out there, and then there are those saying they still haven't been able to fill positions. This is the first time I've seen the positive that employers are able to fill the jobs. Has this moved such that 50% of employers were saying before they needed the workers and now it's gone down to 25%? Are you able to put some numbers around that?

Mr. Tiff Macklem: I don't have all the numbers from the business outlook survey in front of me. Keep in mind that it is a survey of about 100 companies, so you want to look more at the direction, I would say, rather than be very precise about the various numbers.

I can say a couple of things.

If you look at the big macro numbers, like the unemployment rate or the rate of employment growth, the unemployment rate has stayed at 5%. It really hasn't budged. Certainly if we're looking at the unemployment rate alone, as well as at employment growth, the labour market remains very tight.

When you talk to businesses, you hear they are starting to find it easier to fill positions. They're having more success hiring people. They say that labour is more available. There's less competition from other companies for the same workers. They're starting to find it easier to fill those jobs.

The other thing I would mention in this context is that we have seen a big increase in immigration. Companies have also been using the temporary foreign worker program more. That has brought a lot of additional workers into the country, and that may be one of the reasons you're seeing some easing in the tightness of the labour market.

Ms. Julie Dzerowicz: Given that in January there were strong GDP numbers and there is a continued resilience in the labour market and a continued decline in inflation, as evidenced by this morning's release, do you see the possibility of a soft landing scenario in Canada?

Mr. Tiff Macklem: These terms are a little vague, but I think most people would call our forecast a soft landing.

Growth in the first quarter actually looks a bit stronger than we previously thought. Then for the remaining three quarters of this year, we expect growth to be a small positive—less than 1% but above zero. Growth is going to be weak. It's not going to feel good, but it is going to be slightly positive growth, which I think most people would call a soft landing.

There are, of course, risks around that. As we highlighted in the report, the biggest risk is a global recession. We are a very open economy and very integrated with the world, so if that were to happen, growth would be weaker in Canada.

Ms. Julie Dzerowicz: Thank you so much.

The Chair: Thank you, MP Dzerowicz.

Now we'll go to the Bloc with MP Ste-Marie, please, for six minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Governor, senior deputy governor, thank you for being with us today.

In your monetary policy report, I was surprised to see that you forecast gross domestic product growth of 1.4% for this year and 1.3% for 2024. Unless I am mistaken, this is real inflation-adjusted growth.

Why is the projected growth lower for 2024 than for 2023?

Mr. Tiff Macklem: It's a little bit due to the calculation of annual growth rates versus annualized quarterly growth. If you look at the latter, it's very weak for the rest of this year. It starts to increase next year, and it will be even stronger in 2025. When you calculate the annual average, it's about the same for both years. However, if you look at the quarterly dynamics, it is stronger in 2024.

● (1155)

Mr. Gabriel Ste-Marie: Okay. Thank you, that shed some light for me.

How do your forecasts for economic conditions, growth, inflation, the job market, and so on, differ from those presented in the 2023 budget?

Mr. Tiff Macklem: You're talking about the federal budget. There isn't much difference. The survey used by the federal government's Department of Finance was done before we did our forecast. We have more recent data, which is higher, especially for the first quarter. Both forecasts suggest weak growth and a growth reduction. The growth forecast in the budget is still a little bit weaker than ours, but both are low.

Mr. Gabriel Ste-Marie: Okay, thank you.

As you reminded us, the policy rate has been raised. On the bank side, are you seeing this increase in interest rates reflected in the compensation of savers? In your analysis, are the rates offered to savers at financial institutions accurately reflecting the increase in the policy rate?

In connection with this, do you think the competitive mechanism among banks is working well, or is it more like an oligopoly situation?

Mr. Tiff Macklem: To answer your first question, we did see that, when we raised the policy rate, it was reflected in banks' decisions. Mortgage rates are higher, and there is more competition in terms of deposits. Deposit rates are also going up. So some things may change faster or slower, but, generally speaking, it has had an effect.

We've established a system with a few large national banks, which are well known. We've also established a system with small to medium-sized banks, more regional banks that are competing to some degree with the big banks. Basically, I think Canada has found a good balance in our banking system, which is known for its stability, and that's good for all Canadians. That's in part due to us having a well-diversified national bank system, which helps manage the risk associated with lending.

Mr. Gabriel Ste-Marie: Thank you.

How much time do I have left, Mr. Chair?

[*English*]

The Chair: You have about 15 seconds, MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: I will wait for my next turn, as my next questions will require answers that are too long.

Thank you.

[*English*]

The Chair: We're off to the NDP with MP Blaikie, please, for six minutes.

● (1200)

Mr. Daniel Blaikie: Thank you very much.

Back in the fall of 2021, there was some fanfare around a new mandate for the Bank of Canada. It seems to me that the bank still has a pretty hard-nosed focus on price stability or inflation control.

We've heard you say on many occasions that the unemployment rate is low and that expectations around wage growth are a factor in your deliberations around where to keep the general rate. Has the new mandate from the fall of 2021 changed any of the assumptions the bank works with? Has it changed its approach? Is its analysis substantially different in any way, given the new agreement signed in the fall of 2021? If so, in what ways would you say the new mandate has changed the way you've approached the scenario we have found ourselves in over the last two years, versus if you had used the mandate that was signed off on in or around 2016?

Mr. Tiff Macklem: There are two things there.

First of all, as to what's changed or hasn't changed, I think what hasn't changed is that since 1995, the inflation target has been 2%. I think the agreement in December 2021 was clearer about the role of the labour market in the formation of monetary policy. It was clear that our primary objective is low, stable inflation, and in pursuing that, we look at the labour market carefully. We want to support strong levels of employment. I would say that the agreement in December 2021 really was not a big change. It was more about continuity, and I think it did add some clarity.

With respect to what has changed—and this has been very important through the whole pandemic period—we have been putting more emphasis on the labour market. You asked what we can see that's changed. I think what you can see is that we are putting out much more analysis on the labour market. We are looking at the labour market at a much more disaggregated level. We're not just looking at the big aggregate statistics like the unemployment rate and the amount of employment. We're looking at it by different demographic groups—age, gender, high-income workers, low-income workers—and that is helping us get a better picture.

You talked about how it affects us right now. Right now we're looking at how higher interest rates are working their way through the economy to bring inflation down. Looking at the labour market at a more granular level is one way we can get a better picture of that, which should lead to better decisions.

Mr. Daniel Blaikie: In the fall of 2021, Pierre Poilievre was the finance critic, and he was very concerned that the Bank of Canada's principle policy focus should remain price stability and inflation control. In that sense, the government pretty much did what Mr. Poilievre was recommending at that time. Is that fair to say?

Mr. Tiff Macklem: Price stability remains absolutely essential. That is our primary objective.

Mr. Daniel Blaikie: One of the questions I have for you, when you're looking at that unemployment rate, is.... Again, we've heard you express concern that it remains low. Is there a target unemployment rate? Is there a scenario in which unemployment continues to be low and you foresee the bank nevertheless lowering interest rates, or is it important to the bank that unemployment reaches a level it's not currently at in order to trigger a reduction in the general rate?

Mr. Tiff Macklem: We're guided, really, by inflation and achieving our inflation mandate. It is important, when you're targeting inflation—because there are lags in the effects of monetary policy—to look forward, not only to where inflation is but also to where you think it's going. That's where the labour market becomes particularly important. Inflation has come down from 8% last summer to 4.3% today, and the labour market has remained very strong.

Our own forecast is that growth is going to be weak through the rest of this year, and to be frank, we need weak growth. We still have demand running ahead of supply in the economy. We still have a lot of upward pressure on service prices. If we're going to get inflation back to 2%, we need to relieve those pressures, so we actually need this period of slower growth to let supply catch up.

● (1205)

Mr. Daniel Blaikie: Would you say weak growth implies higher unemployment?

Mr. Tiff Macklem: Yes, and that's just what I was getting to.

We don't publish a forecast on unemployment, but it probably means the unemployment rate will need to move up. We're not talking about large increases in unemployment.

To get back to one of the earlier questions, we have positive growth—

Mr. Daniel Blaikie: I am sorry to interrupt, but before my time runs out, I want to explore one consequence of that.

Without effective automatic stabilizers like a well-functioning employment insurance system.... If we're likely going to see the rate of unemployment go up and if that's a direct or indirect policy goal of the bank, how important is it to have effective automatic stabilizers, both from a macro point of view in respect of the economy and for individual Canadian households so they have some kind of income replacement in the face of unemployment?

The Chair: I'd like a very short answer.

Mr. Tiff Macklem: Just to be clear, we take no pleasure in increasing the unemployment rate. We have difficult decisions to take. There is real value in restoring price stability. I'm going to leave issues of fiscal policy to government and parliamentarians.

The Chair: Thank you.

Thank you, MP Blaikie.

Now we'll go to our second round. We're starting with MP Chambers, for five minutes, please.

Mr. Adam Chambers (Simcoe North, CPC): Thank you, Mr. Chair.

Thank you, Governor, and thank you, Senior Deputy Governor. It's always a pleasure to have you here. Thank you for accepting our invitation, although I know that you often come under your own volition. You've come here at least half a dozen times, probably, in a couple of years. Unfortunately, the executive branch and the Minister of Finance have not accepted our invitation. We greatly appreciate your willingness to be transparent with parliamentarians.

I want to talk a bit about real estate, if I may. I don't know if that's Ms. Rogers's portfolio. Was the bank consulted on the government and OSFI's decision to allow lenders to extend amortization periods during refinancing?

Ms. Carolyn Rogers (Senior Deputy Governor, Bank of Canada): Those are decisions that individual lenders make. I think the extension of amortization periods, as long as they're within their existing risk policies.... I know that OSFI pays close attention to these things, but I don't think these are policies that are outside their normal product lines.

Mr. Adam Chambers: Okay.

Ms. Carolyn Rogers: I don't think there was a change to consult on, to be very direct about your question.

Mr. Adam Chambers: Does it concern you that some lenders now have 20% to 25% of their mortgage portfolios with amortizations that are well beyond 40 years?

Ms. Carolyn Rogers: We actually met with some banks last week. We asked this specific question. It's something we keep an eye on, for sure. What they told us is that these are borrowers they're working with. It depends very much on the borrower's situation and what the available options are. Some of them are refinancing, some of them are paying down their mortgage and some of them are looking at payment adjustments. I think the banks are acutely aware that mortgages not getting paid down and not amortizing down is not a sustainable situation over the long term, but as we understand it, they're working closely with these borrowers.

This is something we've provided analysis on. There's a bit of analysis in box 3 in the MPR. We have our financial systems report, which we'll deliver in May. You'll see us provide a bit more analysis on the mortgage market there.

Mr. Adam Chambers: Thank you. We look forward to that.

You have a job to do. So does OSFI, and so do other bodies in the regulatory system. However, when decisions are made, it impacts other parts of the system. For example, we know the positive trade-offs with a decision like that, but there are also negative trade-offs with a decision like that, including not allowing demand to come down in certain circumstances or putting a price level under housing.

A lot of people are not in the housing market right now, especially young people, who are saying the system is completely rigged against them. There were low interest rates for over a decade. People kind of gorged on debt and supported the incredible supercharging of the real estate sector and investments in the real estate sector. Canada has, in terms of percentage of GDP, one of the highest amounts of GDP as investment in residential real estate, and and now, when the system should be correcting and prices could come down, the system is keeping prices a little higher. The real estate market has just recently, in a couple of months, gone back up in value in certain markets, because nobody is listing their house. There are lots of pressures on that system, and there are positive and negative trade-offs. We appreciate the bank's view on this and look forward to some of the future work you do.

In my last minute, I would like to switch to productivity, because it was brought up. We measure standard of living by GDP per capita, but that measure is quite poor in Canada. We're really just doing growth by volume. The pie is growing, but everybody's slice of the pie is remaining the same. One of the pressures on house prices and demand, as I think you note in the report, is about increasing, over the long term, supply potential with population growth. In the short term, does that not create challenges as a headwind for demand in general goods and services and for real estate?

● (1210)

Ms. Carolyn Rogers: Yes. Immigration, as with many policies, has effects on both supply and demand. We note that in the monetary policy report.

Immigration will increase the labour supply, and that's a good thing. It will help relieve the tightness in the labour market. It also helps increase potential over the long term, but it is also the case in immigration that immigrants buy houses, as you note. They add to demand, so in an economy that's already in excess demand, adding immigration will add to both sides. It doesn't necessarily relieve the excess demand. It will add both supply and demand pressures.

The Chair: Thank you.

Thank you, MP Chambers.

Now we will move over to MP MacDonald for five minutes, please.

Mr. Heath MacDonald: Thank you, Chair.

Governor, I think I ask you about the provinces in relation to economic growth and their contribution to inflation each and every time you come in here, so I'm not going to break my trend. Could you comment on the fiscal positions of the provinces and territories relative to the federal government at the present time?

Mr. Tiff Macklem: I want to go back to the very first thing I said. Fiscal decisions are the decisions of governments, of Parliament, and we're going to leave it to them.

What I can say, as I did in my response to the first question, is that we take the spending plans of federal and provincial governments as given. We put those in our projection and work out what the implications are for real growth and for inflation and ultimately what we need to do with interest rates to get inflation back to target.

There have been a host of provincial budgets and a federal budget. We took those and put them into our projection, and they added about $25 billion of additional spending over the next three years. About three-quarters of that was coming from provincial budgets and about one-quarter from the federal budget.

Mr. Heath MacDonald: On the $25 billion, is the quarter of it that comes from the provincial governments standard from year to year?

Mr. Tiff Macklem: No. That will vary from year to year.

During the pandemic, for example, the provincial and federal governments were expanding their spending considerably to support the economy when it was in a very dire situation, and the federal spending was bigger than the provincial through that period. It will vary.

Mr. Heath MacDonald: It's 98¢ per dollar, basically, in my home province.

Do you currently foresee any challenges or disruptions on the horizon that may disrupt or trend downwards the inflation we've seen in recent months?

Mr. Tiff Macklem: There are some risks, and I think we highlighted them in our report.

As I mentioned in my opening statement, inflation is coming down pretty quickly, and most of that decline is coming from goods prices. There have been big declines in energy prices, and global supply chains have improved. We're also seeing the effects of monetary policy on interest-sensitive items, the things that people usually buy on credit, like furniture or appliances, and houses, obviously, which we were just talking about, but what is taking longer is service price inflation.

Part of that is to be expected. Services were the last part to recover. People are still trying to catch up in some of the services they missed during the pandemic, and monetary policy takes longer to work on services. However, we're not going to get inflation down to 2% if we don't get service price inflation down. Coming back to your question, labour input costs are a big part of providing services. We need wage growth to moderate. We need service price inflation to come down.

The other thing we're really watching closely is the behaviour of companies. When inflation was really high, what we saw was that companies were increasing their prices much more frequently and by much more. What we've started to see is that this is beginning to normalize. Those price increases are less frequent and not as much, but they're not normal yet.

When you talk to companies, what you hear is, “Yes, we still have some cost pressures and we're passing those on.” That's because the economy is in excess demand. When companies are not worried about losing customers, they just pass on those prices. It's starting to normalize, but that's something we need to watch closely.

We're moving in the right direction, but we're not there yet, and there are some more things we have to see before we're going to get there.

● (1215)

Mr. Heath MacDonald: Thank you.

Our activity data is up, we've been trending downward for the past nine months, we've created 200,000 jobs in three months and we're seeing wage growth. We now have the second-lowest inflation rate in the G7 next to Japan.

Just quickly—we don't have much time—can you briefly describe the resiliency of our economy?

Mr. Tiff Macklem: You mentioned international comparisons. Look, this has been a very difficult couple of years for Canadians, and Canadians are still feeling the effects of inflation, but if you compare Canada against other similar countries—our country peers—we do look pretty good. Growth in Canada has been among the strongest. Inflation, while it's certainly too high, other than in Japan, is the lowest in the G7. That doesn't really help Canadians feel any better, but I think if you compare us to other countries, yes, Canada has been doing reasonably well.

Mr. Heath MacDonald: Thank you.

The Chair: Thank you.

Thank you, MP MacDonald.

Now we'll go to MP Ste-Marie, please, for two and a half minutes.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Economist Willem H. Buiter, who has worked at Citigroup and on the Bank of England's Monetary Policy Committee, suggests that central banks abandon paper money and migrate to a fully digital or virtual currency.

The argument he makes, based on the International Monetary Fund's, or IMF's, World Economic Outlook, is that it is plausible that we will return to a low interest rate monetary policy in a few years. His view is that, for central banks to have better tools, there could be a negative interest rate, which is difficult to implement with paper money, but not with a digital or virtual currency.

I don't really agree with his analysis, but I'd like to hear your thoughts on this possibility and where you are at in evaluating it.

Mr. Tiff Macklem: The short answer is that we are a long way from Mr. Buiter's world.

We will have banknotes for a long time to come. Canadians love their banknotes, and that is very important to everyday life.

However, the important question that arises is whether it would be a good idea to give Canadians access to a central bank digital currency. We are considering that question closely.

Different aspects must be considered in our research. In particular, questions need to be asked about potential benefits and about the impact that a central bank digital currency would have on the financial system. Technical questions also arise. If we were to take such an approach, it would be very important that it work really well, that security be very high and that access for Canadians be broad.

Those are the two types of questions we are considering. However, things are still in the research and development stage. No decision has been made to date, and I want to emphasize that the decision to adopt a Bank of Canada digital currency would rest with Parliament.

● (1220)

Mr. Gabriel Ste-Marie: Thank you.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Now we'll go to MP Blaikie, please, for two and a half minutes.

Mr. Daniel Blaikie: Thank you.

I want to talk a bit more about the housing market. We've seen in Canada for decades now that as interest rates declined—as they did for a long time from the mid-nineties until recently—people whose real wages weren't growing were nevertheless able to bid more to buy a home. They were able to leverage more out of their earnings.

House prices steadily increased. We saw a real explosion during the pandemic, partly because people weren't spending money on other things so they had more money to spend on a home. There was elevated demand because people were now going to spend a lot more time in their homes. They wanted more space; they wanted different kinds of space. Virtual work made possible new areas to live in while keeping the same job. Frankly, there were a lot of couples who broke up during the pandemic too, and that created a certain kind of housing demand, as well as families now requiring two homes instead of one.

Nevertheless, there was a trajectory, pretty steady and pretty quick, of price increases within the housing market. There were also institutional investors moving into the residential housing space as well in a number of different ways, both for single-family dwellings and for larger apartment blocks and things like that.

We haven't done anything to address investment activity in the residential sector. I'm wondering what the bank's opinion is on this if rates start to come down sometime in the next 12 months. As inflation returns to the target range—I think you said by the end of 2024, but we might see 3% sometime in the relatively near future—doesn't that mean the pattern just resumes? Lower interest rates mean that Canadians are able to bid higher on the price of homes, and they'll certainly be encouraged to do that by real estate agents and other actors in that space. What does it mean for the housing crisis to have rates go down again?

Ms. Carolyn Rogers: As you said, there have been a number of things affecting the dynamics in the housing market, and low interest rates are one. Most people who buy a home buy on credit, so when interest rates are low, you can buy more house.

There was the surge during the pandemic. As you pointed out, there were some shifts in demand and in the types of housing that people were looking for, and to my previous question with MP Chambers, there was the effect of immigration on housing for sure.

The one thing that has been constant throughout is there is not enough supply of housing. It's really a fundamental law of economics: If there's more demand for something than there is supply, there's going to be pressure on prices.

We need, over the long term, to deal with housing supply. That will be one of the most important things to relieve pressure. It is encouraging to see different levels of government pursuing a variety of programs to deal with supply, but that is something the bank has pointed out for quite a long time now.

The Chair: Thank you.

Thank you, MP Blaikie.

Now we'll go to the Conservatives.

We'll have MP Morantz, please, for five minutes.

Mr. Marty Morantz: Thank you, Mr. Chair.

Governor, I was happy to catch an interview with Derek Holt on the weekend on CTV, and he said something interesting that I hadn't heard an economist say before. I'll just read it to you. He said government spending is “heavily going towards inflation” and that “we've increased annual federal government spending by about $105 billion per year compared to what was the case in the fiscal year just before the pandemic struck, and that's going up to about $170 billion per year more, five years out from now, than what governments were spending before the pandemic. And we know that's contributing to inflation.” He then said, “It probably accounts for at least a percentage point worth of the Bank of Canada's rate hikes, probably more than that.”

Would you agree with that statement?

Mr. Tiff Macklem: Well, our own analysis.... No, I don't agree with that entire statement.

Look, government spending is contributing to growth; there's no question about that. It's running roughly in line with potential growth in the economy—2% to 2.5%. The potential is 2%, so it's slightly on the high side of that. However, to the extent that we can measure these things well, it's roughly in line with potential. In that sense, it's not contributing to the slowdown in growth that we're seeing. It's not relieving inflationary—

• (1225)

Mr. Marty Morantz: Yes, you made that argument earlier.

Mr. Tiff Macklem: —pressures, but it's not preventing inflation from coming down.

Mr. Marty Morantz: Governor, I was going to ask about that argument next, but you made it earlier, so pardon me for interrupting. My time is limited.

Essentially, what you're saying now is that, well, government spending isn't making the problem any worse right now, but it's not making it any better. It seems to me that fiscal and monetary policies should work together. In our last discussion, you said you had assurances that the government wasn't planning on working at cross-purposes with you. Now we have credible economists like Mr. Holt saying that government spending has directly contributed to high interest rates.

You said that while inflation is coming down, it's not job done. I think you said in your statement that it's not job done and that interest rates could go up even higher.

I'll ask you this again. You keep saying that fiscal policy isn't your responsibility, but it affects your job. You must have an opinion on it.

Mr. Tiff Macklem: It affects our job. We take—

Mr. Marty Morantz: Does government spending have an effect on interest rates?

Mr. Tiff Macklem: It affects our job—

Mr. Marty Morantz: Does it affect interest rates?

Mr. Tiff Macklem: —and we take it into account and we do our job.

There are a couple of things I can say, I think, looking ahead, in terms of what is on our mind.

A number of governments across the country have taken various measures to protect Canadians from the effects of high inflation. On that front, I think the advice of the IMF is quite sensible—that those programs should be targeted and temporary.

What do I mean by targeted? I mean targeted on the most vulnerable people. Those are the people who are being most affected by inflation. In terms of “temporary”, as we've said, inflation is coming down. When inflation comes down, we won't need those anymore. I would sign on to that bit of advice—

Mr. Marty Morantz: I'm sorry, Governor. I'm just trying to get at one thing. Really what I'm interested in knowing is this: Has government spending, which has been established as being inflationary, impacted the bank's interest rate? Is it higher than it would have been if not for profligate government spending?

That should be a fairly straightforward question for an economist to answer.

Mr. Tiff Macklem: Look, it's Economics 100 that if consumption was stronger, if government spending was stronger, if investment was stronger and if net exports were stronger, there would be more growth in the economy, there would be more inflationary pressures, there would be more inflation and interest rates would need to be higher to bring it down, and you can say all those things in reverse. Yes, government spending feeds into our projection. I've outlined how it's fed in and I've outlined what we think the net effect is.

I will say, in closing, that with government spending running broadly in line with potential output, it is going to be important.... If government spending starts to run or increases further and runs well ahead of potential output, then it would be boosting the economy above its trend growth, and that would make it harder to get inflation down. That would be a problem.

The Chair: You can ask one last question.

Mr. Marty Morantz: I still have a few seconds left.

I'll go to a different topic that has to do with the amount of daylight between the American overnight rate and the Canadian overnight rate. I know you've said inflation is coming down, and you reserve the right to increase interest rates, of course, but if there's too much space between the Canadian rate and the American rate, that can become inflationary in and of itself. It would affect the exchange rate between Canada and the U.S.

How do you deal with that? Are you concerned that you could be forced into a situation where you have to increase interest rates further just because the Americans do?

The Chair: Give a short answer, please.

Mr. Tiff Macklem: I'll do my best.

The first thing is that the advantage of having our own monetary policy in Canada is that we can gear monetary policy in Canada to what's going on in Canada. The flexible exchange rate is the thing that allows us to have our own monetary policy geared for the situation in Canada. Inflation in Canada is a little lower than it is in the United States. We've not had to raise rates as high as they have.

Yes, that does have some implications for the exchange rate. The market, I think, has digested that rate differential quite well. I think the market is expecting a rate differential going forward. To a large extent, that's already built into the exchange rate, though on the margin, if the exchange rate does weaken, going forward, that will create more imported inflation. It's something we need to look at in our own setting of interest rates.

● (1230)

Mr. Marty Morantz: Thank you.

The Chair: Thank you, MP Morantz.

Now it's over to MP Chatel to finish off this round.

[*Translation*]

Mrs. Sophie Chatel (Pontiac, Lib.): Thank you, Mr. Chair.

Governor, thank you for being with us today. I congratulate you on your excellent work. The Bank of Canada is a really important institution. Its independence is highly valued. As we can see, your policies are starting to pay off.

I'll go back to what my colleague was saying earlier, as I would also like to understand Canada's economic resilience. I recently looked at the International Monetary Fund's report, which makes economic predictions for a number of countries. It notes that Canada, once again, will do better than expected relative to comparable countries.

You agreed with my colleague, but without explaining what makes us somewhat unique in this situation. What are the contributing factors? Is it the fact that we attract talent, or is it our natural resources, the stability of our economy or our AAA credit rating?

What explains us doing better than other countries?

Mr. Tiff Macklem: I came back last week from attending IMF meetings. You're right, its forecast for Canada is close to ours, if not a little higher. They are forecasting a 1.5% growth rate for this year and next, which is a little higher than our forecast.

As for factors, I think you highlighted several that are important. We have a diversified economy, which includes a manufacturing sector, a service sector, as well as commodities. We have a very well-educated and talented population. Our workforce growth rate is higher than in a number of other G7 countries, as we have more immigration here than many other countries do.

We do have more advantages. That said, it's always good to use your advantages while addressing your weaknesses.

Mrs. Sophie Chatel: Thank you.

You have said on other occasions that financial systems, world banking systems, are under stress. Some constituents in my riding are concerned about this. We see what is happening in the international banking system, particularly in the United States, and we wonder what impact that may have on the Canadian banking system. We know that we have good institutions and that they are sound. But we are facing a number of crises, so I'd like to know what your thoughts on this are.

Mr. Tiff Macklem: The impact of the problems in the United States and Switzerland is minimal here in Canada. As I said earlier—I think it was in response to a question from Mr. Ste-Marie—our domestic banking system is sound. During the global financial crisis of 2008-2009, there were no bankruptcies among Canadian banks. In fact, the system is even stronger than it was, as capital and liquidity have increased further since then.

So it can be said that the system is stable and strong in Canada. It is still important for banks to manage risk. It is also important to have a good oversight system here in Canada. That should be maintained. In the U.S. and Switzerland, the response of the authorities was very quick and quite strong, which had the effect of stabilizing the global system. Other events are always possible, which is why it is important that we be prepared.

● (1235)

[*English*]

The Chair: Thank you, MP Chatel. You have a few seconds if you want to make one comment, and then we'll move on to our final round.

Go ahead.

Mrs. Sophie Chatel: I will just quickly say that we hear a lot about how spending may create inflation if we give money to people who need it. To me, cutting taxes is the same. It's just an indirect way to give more money to people, especially if they're upper class. Then of course it's more money for consuming, and that creates inflation as well.

The Chair: Thank you again, MP Chatel.

Members, I'm just looking at the time, as we do in this committee. We don't have time for a full round, so we're going to divide the time up amongst all parties. We'll start with the Conservatives, and you'll have up to five or six minutes. You can also divvy up that time amongst yourselves.

Mr. Jasraj Singh Hallan: Thank you, Chair.

Governor, in the monetary policy report, there's a headline that says "Fiscal measures adding to the growth of domestic demand". This is just a quick question: Is that a polite way of saying that it's adding to inflation?

Mr. Tiff Macklem: It's a polite way of saying it's adding to domestic demand. It's adding to growth in the economy. Government spending is running roughly in line with potential output. It is contributing to growth in the economy. It's not contributing to the slowing. As I said, we actually need some slowing in the economy to get inflation down.

Mr. Jasraj Singh Hallan: Thank you.

I think that's one of the first times I've heard you relate the two—fiscal and monetary policy—together. Thank you for that.

I want to continue the questioning I had on the public service growing by 30%. I didn't get a full answer on that.

Consultants are getting up to $21.4 billion in the budget. It's growing. We know the labour market is tightening, as you said. Labour shortages are wreaking havoc all the way around, and it's costing more to hire people. We know there's going to be a lot more immigration coming in, but it's hypothetical to say that's going to cover the labour shortages we have in the country, because we don't know if it's actually going to solve anything. We do know it might cause a housing shortage and a problem with the housing market. That's for sure.

Would you agree that the public service expansion is making the tightening of the labour market worse?

Mr. Tiff Macklem: We don't target every sector. We look at the labour market overall. I'm just looking at a table in our monetary policy report. There are various public sectors in here, and what we see is that public—

Mr. Jasraj Singh Hallan: I'm just asking because Ms. Rogers, in a previous answer, said that immigration would help solve that problem, but it doesn't seem that's what your answer is.

Mr. Tiff Macklem: Immigration will help.

Mr. Jasraj Singh Hallan: I think you're right about different sectors having different outcomes.

Mr. Tiff Macklem: Immigration will help ease pressures in the labour market, but as Ms. Rogers was outlining, if you have an economy that starts in excess demand and you add new labour, new workers add supply but also add demand because they need houses and they go shopping. If you start in excess demand and you add both supply and demand, you're still in excess demand. There's still some work for monetary policy to get that down. Higher immigration means that our economy overall can grow faster without creating inflationary pressure, but it doesn't by itself relieve the excess demand in the economy.

Ms. Marilyn Gladu (Sarnia—Lambton, CPC): Thank you.

I'm going to follow up on that. I want to talk about housing.

We know the government plans to bring over a million immigrants in—500,000 regular and the rest temporary foreign workers and students. Budget 2023 plans $1.5 billion to make 4,500 spaces available and another $4 billion for 100,000 spaces. We already don't have enough places to live. How inflationary do you expect the gap between those two plans to be?

● (1240)

Mr. Tiff Macklem: Very quickly, if you look at our own projections, the housing market has weakened considerably, largely reflecting the higher interest rates and to some extent the fact that as people came out of COVID, they didn't all want to stay home all of the time and got out a bit more. Certainly higher interest rates have had a pretty big dampening effect on housing.

Housing prices are coming down nationally. They're down about 15%. We do expect housing to remain subdued, but in the second half of the year we expect to see it probably start growing again. One of the reasons is exactly what you cited. We have higher rates of immigration, which provides sort of an underpinning of demand—

Ms. Marilyn Gladu: It's another pressure.

Mr. Tiff Macklem: —and then it really gets back to the issue of supply.

Ms. Marilyn Gladu: I have another question for you. You mentioned that wage growth is expected to be 4.5% and that economic growth is declining at the same time. I'm interested in your view on the labour negotiations that are going on across the country and how those are going to affect inflation and interest rates.

Mr. Tiff Macklem: You won't be surprised that we're not going to comment on individual labour negotiations. Those are between employers and their workers. What I will say—and I've been saying this, actually, for a good six months to businesses, to workers, to governments, to Canadians, to anybody who wants to listen—is that you should plan on inflation coming down. Inflation is coming down. It was 4.3% this morning. We think it's going to be 3% by the summer and 2.5% by the end of the year, so whatever kind of contract you're signing, you should be thinking inflation is coming down.

Ms. Marilyn Gladu: That's excellent.

In terms of corporate pricing behaviours, is there anything you think the Government of Canada could do to incentivize the right behaviour to minimize inflationary pressure?

Mr. Tiff Macklem: There are certainly competition questions, and we're going to leave it to the Competition Bureau to look at issues of competition.

From our perspective, we need to get demand and supply into better balance, because as long as demand is running ahead of supply, it's too easy for companies to pass through higher price increases. They don't need to worry about losing customers.

We are watching corporate pricing behaviour closely. It is certainly beginning to normalize, but we're not back to normal yet. Our commitment is to restore price stability, because when you have price stability, competitive forces are stronger. If everybody is expecting inflation to be low and stable, when a business increases its prices, customers notice that and say, “I'm going to shop somewhere else.” Companies know that, so they become more hesitant to pass through big price increases. That gives you the reinforcing stability of competitive forces working. That is one of the reasons we have to get back to our target for inflation.

Ms. Marilyn Gladu: Thank you.

The Chair: Thank you.

Thank you, MP Gladu, and welcome to our committee.

It's over to MP Baker.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair. I'm going to share my time with Mr. Beech.

Mr. Macklem and Ms. Rogers, thank you very much for being here again and for all of your hard work in trying to tackle what for most of my constituents has been their number one challenge and number one priority: the rising cost of living and the affordability challenge that comes with that. I thank you for your leadership and your work in that regard.

Governor, if I may, I'd like to start by summarizing for the folks watching at home who haven't been able to watch this entire hearing some key takeaways from what you've said. You can tell me if I'm misspeaking or mis-characterizing what you've said.

Inflation in Canada was at a high of about 8.1% this past summer. We're now, based on today's figures, at an annual inflation rate of around 4.3%. Your projection is that inflation will be 3% sometime this summer, 2.5% by the end of this year and reaching your target of 2% by the end of 2024.

On the unemployment rate, we're currently around a historic low of about 5%, and it's projected to stay low. Although it can vary a bit, you're not expecting large increases in unemployment.

In terms of wage growth, we're projecting that it will continue to be strong, at least for the short term, and you're projecting that the economy will continue to grow.

Is that a fair summary of some of the things you've said today?

● (1245)

Mr. Tiff Macklem: Yes. The only thing I would add, though, is that we need to see some moderation in wage growth. We need to see service prices come down for that inflation forecast to come true.

Mr. Yvan Baker: One of the things I noted was that you used to be a board member at Scotiabank. Many years prior to that, I was a commercial banker at Scotiabank. I won't blame you for all the loans I proposed internally with the bank that were turned down for my clients, but I think as someone who has worked in risk management and knows so much about that field, you can appreciate, as I can appreciate as someone who tried to extend loans to clients, the impact that interest rates have on borrowing costs.

That's one of the things I get asked about a lot by my constituents in Etobicoke Centre—where are interest rates going? These are either homeowners or prospective homeowners looking to buy a home and thinking about their mortgage rates, or they're business owners looking to borrow money to invest in and grow their businesses.

What would you tell Canadians about where you expect interest rates to go?

Mr. Tiff Macklem: Well, that's always a tricky question, because we take one interest rate decision at a time, but we've raised rates. Over the last year, we raised rates very rapidly. For our last two decisions, we have held the policy rate at 4.5%. We're using this pause as an opportunity to assess whether we have raised interest rates enough to get inflation all the way back to target, so we can't rule out that interest rates may need to go higher to get inflation back to target.

The other thing to note, which we discussed in our recent deliberations, is the extent to which interest rates may need to stay higher for longer, depending on how quickly inflation comes down to the target. As we started the day, there certainly was some good news: Inflation is coming down. However, as I emphasized, to get it back to the 2% target, some more things need to happen. We are going to be watching those things closely.

Mr. Yvan Baker: Thank you very much for that.

I will pass the rest of my time to Mr. Beech.

The Chair: Thank you, MP Baker.

Go ahead, MP Beech.

Mr. Terry Beech (Burnaby North—Seymour, Lib.): Thank you, Mr. Chair.

Colleagues, out of respect for the governor, I will keep this relatively short. I've already given a heads-up to the critics of each party. I have asked the clerk to circulate notice for the following motion, which I have provided in both official languages. It reads:

> That, should a Budget Implementation Act be tabled in the House, the committee commence a pre-study of said legislation, and that the committee invite officials to provide briefings on the contents of the bill as well as the Deputy Prime Minister and Minister of Finance.

This is for notice only. I do not intend to move the motion at this time.

On a related manner, I will remind all finance committee members of the technical briefing on the BIA that's taking place tonight. It should be fun.

If there's any time left over, Mr. Chair, I'm happy to pass the floor back to Mr. Baker.

The Chair: That's your definition of fun, MP Beech.

I think that's happening at six o'clock tonight, members.

Is that correct, MP Beech, so everybody is aware?

Mr. Terry Beech: Yes. Everybody has notice. It'll probably happen just after votes.

The Chair: Okay. Thank you.

Now we are moving to the Bloc, with MP Ste-Marie, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

I would like to be certain that Mr. Baker's time is indeed up, as he left the remainder of his time to another Liberal member.

Is that right?

The Chair: Yes, his time is up.

[*English*]

MP Baker is done. He has finished, MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie: Okay.

I thank you for that clarification, Mr. Chair. This situation is one of the joys of joining you virtually.

Mr. Macklem, can the recent bank bankruptcies be detrimental to the development of clean technology or green finance?

Mr. Tiff Macklem: I didn't quite hear the end of the question.

You want to know what the bank bankruptcies may impact. Is that right?

Mr. Gabriel Ste-Marie: Yes, I was talking about the impact that bankruptcies can have on the development of clean technologies or of green finance.

Mr. Tiff Macklem: Okay.

The recent issues affecting banks are more related to traditional systems. So the impact in terms of the technology is not major.

You're right to point out that some of these banks, like Signature Bank and Silicon Valley Bank, or SVB, were used by the technology sector. What was striking was how quickly deposits were flowing out of these banks. This was probably due to the fact that customers, especially those at SVB, were very concentrated in one sector. They were communicating on social networks and using digital banking systems, so they were able to withdraw their deposits very quickly. That things could happen so quickly is one aspect of that bankruptcy.

At the global level, the Basel Committee is looking at the impact of this issue in terms of liquidity and its calibration. So there are questions about that, but it's being considered by the Basel Committee and the Financial Stability Board, or FSB.

● (1250)

Mr. Gabriel Ste-Marie: Okay, thank you.

I now turn to a completely different topic. Economist Anne O. Krueger, who has worked at the World Bank and the IMF, and now works at Stanford University, is concerned about the assistance that the IMF and international institutions are providing to developing countries that are burdened with heavy debts. The emergence of China as a private or individual lender to these developing countries has implications for how financing and support for these countries works. I would like to hear your views on this phenomenon.

Do you think we are likely to see debt crises in developing countries, and are international institutions, given the new environment, well prepared to deal with these crises?

Mr. Tiff Macklem: I agree with you that there are risks. Dealing with sovereign debt issues is always difficult, and there are more players now. China is a major player. What we have seen so far is that the process is slower. It takes longer to manage these situations, and that poses a risk.

From our perspective, in Canada, the IMF is an institution that has a very important role to play, and we work hard with it. It is very good at helping countries that have problems. I think its programs will be beneficial to countries that need them. I encourage them to go to the IMF.

Mr. Gabriel Ste-Marie: Thank you very much.

My last question is on a completely different topic.

In your analyses, do you model a multiplier effect of federal government tax expenditures and tax cuts? If so, is that information public and can you talk about its significance?

Mr. Tiff Macklem: We are not experts on all tax issues, but we do look at different types of government spending. We may be talking about tax cuts, about investments in infrastructure, health and education, and so on. These types of expenditures can have various multiplier effects, and when they are high enough, we try to take them into account. We are conducting a few studies on the different multiplier effects.

For example, investments related to infrastructure spending tend to have a fairly high multiplier effect, as all the money flows through the economy and more people are hired. When people are given money, the multiplier effect tends to be lower, as they will save some of that money. We try to take that into account when we make our projections. It's not just a matter of the extent of the fiscal easing, but also of the type of metrics that are used.

● (1255)

Mr. Gabriel Ste-Marie: Thank you.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

Now we'll go to MP Blaikie.

You'll be our final questioner of the governor and the senior deputy governor.

Mr. Daniel Blaikie: Thank you very much, Mr. Chair.

Just briefly on the business item Mr. Beech raised, I believe at some point we had talked about the possibility—and I know last year we did this—of sending letters to other committees asking them to look at certain sections of the budget implementation act. We're obviously not in a position to do that yet because the bill hasn't been tabled, but I think it would be helpful to have a draft letter. I don't believe this is the first time I've said that.

I haven't seen a draft letter. I think if the committee is interested in pursuing this as a strategy this year, we should see one soon so that it can be part of our deliberations on Mr. Beech's motion when he chooses to move it.

I just want to lay that down as a marker for you, Mr. Chair and Mr. Clerk. Please get us a draft so we can take a look at it.

The Chair: Thank you, MP Blaikie.

Mr. Daniel Blaikie: Thank you.

On my question, we talked a bit about the negative amortization that's going on with the extension of amortization periods that banks have undertaken in order to prevent defaults on mortgages. I recognize that this is a way for banks to protect their profit. I also recognize it's a really important thing for Canadians right now who are in a difficult space. If they weren't able to extend their amortization period, they would likely be out of a home. That's had a stabilizing effect that may be working to some extent at cross-purposes with the monetary policy of the bank, but we've also seen that monetary policy has been able to reduce inflation, notwithstanding the fact that this activity is going on. There's certainly a benefit to Canadian households that I approve of.

Employment insurance can operate in a similar fashion when we see challenging outcomes for Canadian families. The extent of employment insurance available can have impacts on demand and supply.

I recognize that you don't want to comment on employment insurance as a fiscal policy, but I would be curious to know how the bank incorporates the adequacy of employment insurance into its forecasts for supply and demand at a macro level when you're thinking about the impact of interest rates on the economy.

Could you give us a little insight into how or whether you consider employment insurance policy as bearing on the impact for Canadian families or on the kind of macro analysis you have of the economy?

Mr. Tiff Macklem: I think you're going to be a bit disappointed with this answer. We don't model the employment insurance system directly.

In our macro models, we do model the extent to which there are automatic stabilizers in the economy. Largely, we do that based on when the economy slowed historically. How much did government revenue go down? How much did government expenditure go up? What is the automatic stabilizing effect that it has?

We sort of take the average stabilizing effect that we can observe over history and use that in our models going forward. We don't go a level deeper and model the various parts of those automatic stabilizers. Obviously employment insurance is one part, but we really look at the overall impact.

To get back to your previous question, I think automatic stabilizers play an important role in the economy. You want those to be effective. Then there are a lot of difficult discussions about how big you want them to be and all those sorts of questions, and I'm going to leave those questions to you.

Mr. Daniel Blaikie: Well, thank you very much for your time here today. I think a colleague of mine expressed appreciation earlier for your willingness to accept our invitations to appear here at committee. I certainly echo that. I also commend you for forecasting my disappointment in the answer. I know forecasting is your business, and you certainly excelled here today. Thank you, nevertheless, for hazarding an answer of some kind to a question that falls a bit outside your normal purview.

● (1300)

Mr. Tiff Macklem: Thank you.

The Chair: Thank you, MP Blaikie.

On behalf of all committee members, the clerk, the analysts and all the interpreters, thank you for coming regularly, Governor Macklem and Senior Deputy Governor Rogers. We really appreciate the time you give us and the many questions you've answered. Thanks for your testimony and for help with this study. We appreciate it.

On MP Blaikie's question, the clerk is finding the draft letter that we sent out last time. We'll distribute that to all the members.

That will conclude our meeting.