



IMPACT OF UNFREEZING PENSIONS ON THE CANADIAN ECONOMY

The ongoing UK Government discriminatory policy of selectively freezing pensions based solely on country of residence is having a negative effect not only on the pensioners themselves, but also on the countries that they reside in.

In the case of Canada, this detrimental effect is estimated to cost the Canadian economy close to \$1Billion annually.

This amount is calculated as follows.

Additional money that would be paid to Canadian pensioners annually = £170 million (Source: DWP).

£170 million = \$Can 302 million (depending on exchange rates)

This \$302 million is net new money coming into Canada via additional pension payments to seniors. As this money is being paid to seniors, it is assumed that the money will be spent in the economy, rather than saved. As the money is spent, it is recycled within the economy and adds to GDP.

The standard formula for estimating the impact on GDP of new money coming into the economy is: $\text{GDP impact} = \text{new money supply} \times \text{Velocity of money factor}$

In Canada, the velocity of money factor varies between 2 and 3, depending on the current state of the economy, and the amount of money circulating in the economy – (known as M1.)

At a Velocity of money factor of 3, the impact to the Canadian economy is \$302 million $\times 3 = \$906$ million. When UK sterling is at a higher exchange rate, the impact is greater.

Note that the \$906 million is not the amount of cash payments coming from the UK. That amount is approx. \$302 million. The \$906 million is a measure of the effect on GDP, using the accepted formula for calculating this.