



NEWS RELEASE

Aging population and historically high spending pre-COVID mean no balanced budget for next 30 years

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For immediate release

VANCOUVER—The federal government will not balance its budget over the next 30 years as a result of Canada’s aging population and Ottawa’s historically high spending, which existed before the COVID-19 pandemic and may be increased further in the Throne Speech, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Before any potential new spending is announced in the Throne Speech, Ottawa is facing decades of red ink that will inevitably weaken Canada’s federal finances and place a real burden on future generations,” said Jake Fuss, economist at the Fraser Institute and co-author of *Canada's Aging Population and Long-Term Projections for Federal Finances*.

The study estimates deficits ranging from 2.6 per cent to 3.1 per cent of GDP between 2021 and 2050 based on conservative assumptions, including no recession and both inflation and interest rates remaining low.

Federal debt is estimated to increase from 49.1 per cent of GDP in 2020 to 69.6 per cent by 2050, again based on comparatively conservative assumptions.

“It’s important to recognize that we’re on track to accumulate federal debt at a level higher than existed in the early 1990s when the country faced a near debt and currency crisis, and this is before any new potential spending announced in the Throne Speech,” commented Fuss.

The main driver of the deficits is Canada’s aging population, which means more retirees relative to the number of workers. The share of the population over 65 has already risen to 18.0 per cent and is expected to reach 24.1 per cent by 2050.

“The aging of the population means more government spending on programs like Old Age Security and health care at the same time that there’s fewer people (as a proportion of the population) working to pay taxes,” explained Fuss.

“The imbalance we’re already seeing between Ottawa’s spending and revenues is only going to get worse as Canada’s population continues to age,” said Steven Globberman, resident scholar at the Fraser Institute, professor emeritus at Western Washington University and study co-author.

“Governments face a choice: either reform spending and enact policies to improve economic growth to mitigate the effects of our aging population or run substantial deficits for decades.”

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