

NEWS RELEASE

Ottawa's additional spending pre-COVID led to \$160 billion in debt

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For immediate release

CALGARY—Federal finances heading into the COVID-19 pandemic were already weakened due to \$160 billion in debt accumulation, above and beyond the debt that would have been incurred if the growth in spending had been restrained to the rate of economic growth, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The COVID-19 pandemic has no doubt worsened Ottawa’s fiscal challenges, but it did not create them. Imprudent spending by the federal government in the years leading up to COVID added billions in debt before the pandemic struck,” said Jake Fuss, senior economist at the Fraser Institute and co-author of *Ottawa’s Pattern of Excessive Spending and Persistent Deficits*.

The study finds that between 2015/16 and 2019/20, the federal government ran five consecutive deficits, causing the federal debt to rise by \$112.2 billion.

During the same period, growth in federal program spending exceeded the growth in revenues. In fact, the federal government increased program spending by 36.1 per cent, from \$248.7 billion in 2014/15 to \$338.5 billion in 2019/20.

Critically, had the growth in federal program spending been restrained to match inflation and population growth or nominal GDP growth, the federal government would have recorded surpluses nearly every year and avoided taking on \$150 to 160 billion in debt before COVID.

“Additional spending by the federal government in the years leading up to COVID added \$160 billion in debt, which left the country in worse fiscal shape to deal with the pandemic,” said Tegan Hill, economist at the Fraser Institute and co-author.

“Generations of Canadians will be paying for Ottawa’s high spending and additional debt, a situation that was exacerbated, but not caused by, the COVID-19 pandemic.”

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