



Department of
Finance Canada

Deputy Minister

Ottawa, Canada
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Ministère des
Finances Canada

Sous-ministre

**UNCLASSIFIED
FOR DECISION**

CCM #: N17-52018
RDIMS #: 8340762

Date: November 1, 2020

BRIEFING NOTE FOR THE MINISTER

CURRENT STATE OF CANADIAN DEBT

(Information Only)

Issue

To inform the Minister of Finance on the current state of Canadian debt and its impact on future spending plans.

Background

Canadian economy saw its last surplus in 2006-2007. The economic growth has slowed down since oil prices subsided in 2014.

In the second quarter of 2018, business investment in machinery, equipment and non-residential structures declined. While in the fourth quarter, household spending and export volumes edged down.

In 2019- Canada along with 90% of the countries experienced slower economic growth.

Current status

The federal debt saw an increase and is currently at \$685.5 billion. The government spending has remained unchanged. Slower economic growth has left the country with higher debt and steady increase in revenue.

Key considerations

Government recorded budgetary deficit of \$14.0 billion in 2018–19, compared to a deficit of \$19.0 billion in 2017-2018 budget. The federal debt-to-GDP (gross domestic product) ratio was 30.9 per cent, down from 31.3 per cent in 2018 which is lowest amongst the G7 countries.

A recent study forecasted, a budget deficit of \$19.7 billion for the next two years before declining gradually to \$9.8 billion by 2023-2024. The estimates for future years include an annual \$3-billion risk adjustment to cover unforeseen events or economic changes.

Throughout the forecast period, deficits would remain below 1 per cent of gross domestic product, a key measure of the shortfall relative to national income. The federal debt-to-GDP ratio is projected to decline from 30.8 per cent this year to 28.6 per cent in 2023-2024 – one of the lowest levels among leading industrialized countries.

Conclusion

It is recommended that the government monitors its future spending plans, since a budget deficit is projected for the following two years. If government intends to keep similar budget plans as previous years, it is likely for the deficits to increase the total Canadian debt.

Next Steps

Should you require additional information, please do not hesitate to contact me at 613-991-1632.