



NEWS RELEASE

Federal government could balance the budget by 2026/27 with modest spending restraint

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TORONTO— The federal government could balance its budget in one or two years with only modest spending restraint, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“There are a few different options the federal government could take to balance the budget over the short-term depending on the degree to which they’re willing to show restraint in the growth in spending,” said Jake Fuss, director of Fiscal Studies at the Fraser Institute and co-author of *A Case for Spending Restraint: How the Federal Government Can Balance the Budget*.

The study, which examines different alternatives the federal government could take to achieve a balanced budget, finds that it is indeed possible within just one or two years with modest spending restraint. For instance, slowing the growth in nominal program spending to 0.3 per cent would result in a balanced budget by 2026/27. Alternatively, a reduction in nominal program spending of 4.3 per cent would balance the budget in 2025/26.

Prior to the COVID pandemic, federal spending increased faster than population and inflation—and these spending increases have resulted in a string of large budget deficits that have contributed to an estimated \$941.9 billion increase in gross federal debt from 2014/15 to 2023/24.

“This accumulation of debt, along with recent hikes in interest rates, has raised the cost of interest on the federal debt to one of the largest budget expense items,” said Fuss.

“The federal government should prioritize balancing the budget so taxpayers aren’t saddled with future tax increases to pay ever-increasing interest on federal debt, there are options—now it’s just a question of whether they have the good sense to use them.”

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