



# NEWS RELEASE

## Federal government interest costs could increase to \$35 billion if costs return to 2019-20 levels

June 29, 2021  
For immediate release

**VANCOUVER**—Federal government interest costs could increase to \$35 billion in 2021-22, an increase of \$13 billion, if costs return to 2019-20 levels, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

“If interest costs increase, governments across Canada could see their already large budget deficits grow even larger,” said Jake Fuss, senior economist at the Fraser Institute and co-author of *Interest Cost Risks to Government Budgets*.

The study answers a simple question: what would happen to government interest costs (essentially the interest paid on outstanding debt) and government budgets if interest costs returned to the near-historically low levels of 2019-20?

The study finds that the federal government and every provincial government (except New Brunswick) would experience an increase in interest costs in fiscal year 2021-22. Combined, these costs would rise from \$53.6 billion (the current projection based on the latest government budgets) to \$70.6 billion, an increase of 31.7 per cent.

The study also finds that the federal government faces the greatest risk of higher interest costs. The increase in federal interest costs represents 77.4 per cent of the total potential increase in interest cost faced by all governments in Canada.

“As the country recovers from COVID, if policymakers want to avoid a further erosion of government finances, they must exercise more control over debt-financed spending,” said Jason Clemens, executive vice-president at the Fraser Institute and study co-author.

(30)

### **MEDIA CONTACT:**

Jake Fuss, Senior Economist  
Fraser Institute

Jason Clemens, Executive Vice-President  
Fraser Institute

*To arrange media interviews or for more information, please contact:*  
Drue MacPherson, Fraser Institute  
(604) 688-0221 ext. 721  
[drue.macpherson@fraserinstitute.org](mailto:drue.macpherson@fraserinstitute.org)

[Follow the Fraser Institute on Twitter](#) | [Become a fan on Facebook](#)

The Fraser Institute is an independent Canadian public policy research and educational organization with offices in Vancouver, Calgary, Toronto, and Montreal and ties to a global network of think-tanks in 87 countries. Its mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being. To protect the Institute's independence, it does not accept grants from governments or contracts for research. Visit [www.fraserinstitute.org](http://www.fraserinstitute.org)