

NEWS RELEASE

Ottawa increased spending during pandemic far beyond what was necessary to tackle COVID

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For Immediate Release

VANCOUVER—A large portion of Ottawa’s record-high spending during the pandemic did not relate directly to COVID-related health care or income support for individuals and businesses, finds a new study published today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Canadians may be surprised to learn that a significant percentage of Ottawa’s huge spending increases during COVID, which produced large deficits and much more debt, had nothing to do with the pandemic,” said Livio Di Matteo, professor of economics at Lakehead University, senior fellow at the Fraser Institute and author of *Storm Without End: The Fiscal Impact of COVID-19 on Canada and the Provinces*.

In 2020/21 (the first full pandemic year), federal government spending increased by 73 per cent to \$644.2 billion before declining 21 per cent to an estimated \$508.2 billion in 2021/22.

Consequently, in 2020/21 federal government debt grew by 41.4 per cent (to \$1.15 trillion) and by 12.4 per cent to \$1.3 trillion in 2021/22.

Crucially, approximately 60 per cent of the federal budget deficit during the pandemic (2020 to 2021) related directly to COVID-19 (health spending and transfers, and income support to people and businesses) while the remaining 40 per cent was not related to the pandemic. This represents a permanent, long-term increase in federal spending.

“As a result of Ottawa’s massive spending increase during the pandemic, the federal government will have a larger footprint in the Canadian economy now and for many years to come,” Di Matteo said.

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