



NEWS RELEASE

If recession hits, federal deficit will reach \$28 to \$34 billion before any stimulus spending

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For immediate release

VANCOUVER—Ottawa’s projected deficit of \$19.6 billion in 2019/20 may automatically increase to as much as \$34.4 billion if Canada enters a recession this year, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“By running deficits during a period of economic growth, there is a real risk the country’s finances will deteriorate rapidly when the next recession hits,” said Jason Clemens, executive vice-president of the Fraser Institute and co-author of *What Happens to the Federal Deficit if a Recession Occurs in 2019?*

The current federal government has run deficits every year since 2015, despite continued economic growth, without a projected return to budget balance until 2040.

The study analyzes three recent economic downturns and studies the impact that each type of recession would have on federal finances if it struck this year.

Crucially, any discretionary tax or spending changes the government might make in response to the recession (for example, stimulus spending), would be on top of these estimates.

- If the 1991/92 recession—which had a mild impact on federal finances—happened now, the 2019/20 federal deficit would increase from its projected \$19.6 billion to \$28.2 billion.
- If the 2000/01 slowdown—which had a moderate impact on federal finances—happened now, the 2019/20 deficit would hit \$32.1 billion.
- And if Canada again experienced a severe recession like in 2008/09, the 2019/20 deficit would increase 76 per cent, to \$34.4 billion.

“Recessions have occurred, on average, every eight years or so since World War Two,” Clemens said.

“Given we haven’t had a recession in Canada since 2009, policymakers should seriously consider and plan for the automatic pressures a recession will place on federal finances, even before discretionary spending comes into play.”

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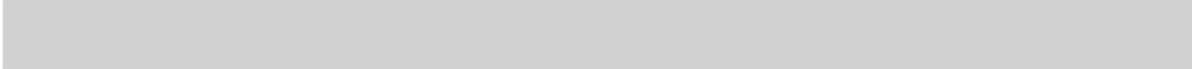
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