Federal government ran $35.3-billion deficit last fiscal year, final figures show

BILL CURRY > DEPUTY OTTAWA BUREAU CHIEF
OTTAWA
PUBLISHED OCTOBER 24, 2023

Deputy Prime Minister and Minister of Finance Chrystia Freeland and President of the Treasury Board Anita Anand listen to Innovation, Science and Industry Minister Francois-Philippe Champagne during a news conference in Ottawa on Oct. 24.
ADRIAN WYLD/THE CANADIAN PRESS

The federal government ran a $35.3-billion deficit in the fiscal year that ended March 31, final year-end figures show.

Federal ministers announced the final tally at a news conference Tuesday, saying it demonstrates that the government is being responsible with federal tax dollars ahead of the fall economic and fiscal update.

The new figure is down sharply from the $90.3-billion deficit in 2021-22 and the $327.7-billion peak in 2020-21, at the height of the pandemic. It is also lower than the $43-billion deficit forecast in the federal budget released this March.

“This is great news,” said Treasury Board President Anita Anand, who tabled the figures as part of the annual public accounts reporting. “This shows that, as we have during COVID, we can pivot and refocus our priorities to decrease our deficit.”

Finance Minister Chrystia Freeland and Innovation Minister François-Philippe Champagne also attended the news conference on Parliament Hill.

The final number is also slightly lower than the $38.7-billion estimate in an Oct. 13 report by Parliamentary Budget Officer Yves Giroux. Mr. Giroux’s report criticized the fact that the government had not yet published its year-end financial report.

The PBO report projected that the federal deficit will increase this fiscal year to $46.5-billion before gradually declining in future years. The March budget projected the deficit for the current fiscal year will be $40.1-billion.

Conservative Leader Pierre Poilievre has frequently cited the PBO’s estimate in recent days to say the government is doing a poor job of managing federal finances.

The deficit estimate for this fiscal year will be revised when Ms. Freeland releases her fall economic and fiscal update. It is widely expected soon.

The public accounts reports tabled Tuesday do not make forward-looking fiscal projections.

They show public debt charges were up $10.5-billion, or 42.7 per cent, over the previous year, largely owing to higher interest rates.

Business groups and private-sector economists have pointed to higher borrowing costs as a reason why they are urging the federal government to avoid major new spending announcements in the fall update.

Business Council of Canada chief executive officer Goldy Hyder recently wrote to Ms. Freeland, saying the government must recognize that the era of low interest rates is in the rear-view mirror. He cautioned against major new expenditures in areas such as housing and pharmacare.

"Funding them with borrowed money is ill-advised and will only exacerbate the precarity of our public finances," he wrote.

However, Ms. Freeland and Housing Minister Sean Fraser recently said the update will include new measures to address housing concerns.

The public accounts show the size of the federal debt – officially called the accumulated deficit – climbed to $1.17-trillion in 2022-23, up from $1.14-trillion. It was $685-billion in 2018-19, before the pandemic. As a percentage of GDP, the latest figure represents a decline to 42.2 per cent from 45.4 per cent the year before.

The government has said a declining debt-to-GDP ratio is its fiscal anchor or guiding principle.

The recent PBO report said the federal debt-to-GDP ratio will likely increase slightly this year before declining in future years.

Ms. Freeland said her upcoming fall update will focus on three areas: support for housing, measures aimed at affordability and the cost of living, and a plan for fiscal responsibility.

"That is a challenging balance to strike. Our government is committed to doing it," she said.

Follow Bill Curry on Twitter: @curryb