

Government finance statistics, fourth quarter 2021

Released at 8:30 a.m. Eastern time in *The Daily*, Thursday, March 24, 2022

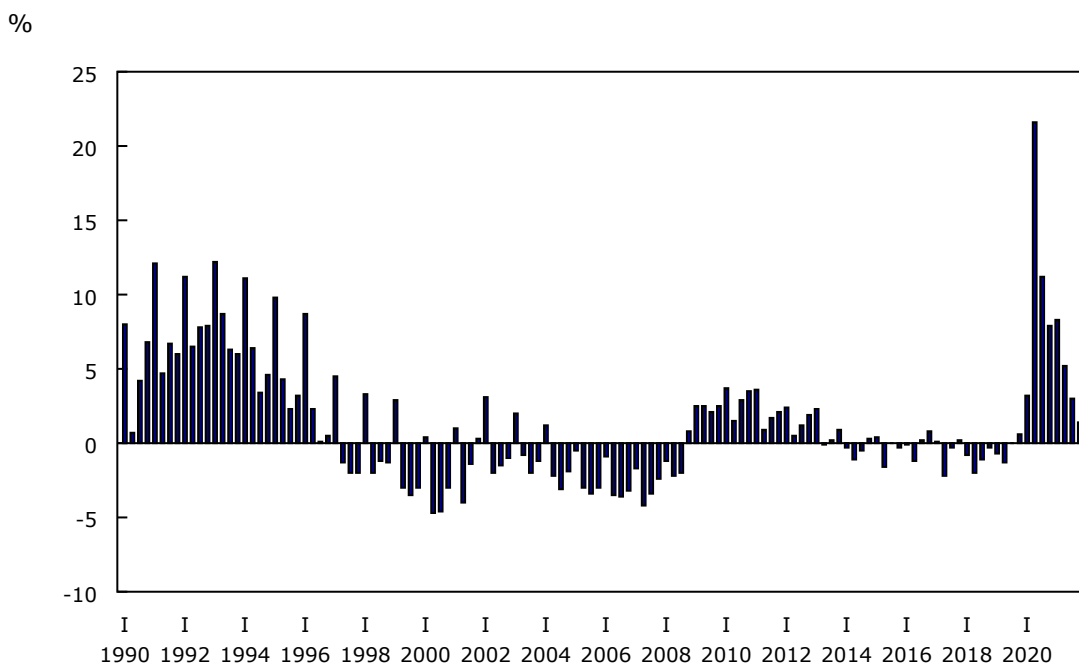
Lowest quarterly deficit since the beginning of the COVID-19 pandemic, but debt levels remain high

The deficit of the Canadian general government was \$9.3 billion in the fourth quarter of 2021, the smallest recorded since the fourth quarter of 2019. Following the highest deficit ever recorded (\$105.7 billion in the second quarter of 2020), the deficit strongly tapered over the last few quarters. As a result, Canada's general government quarterly deficit has receded back to the levels recorded following the 2008 financial crisis.

The difference between revenues and expenses, or net operating balance, constitutes a summary measure of the sustainability of government operations. For a given period, when revenues are lower/higher than expenses, a deficit/surplus is recorded.

As a percentage of nominal gross domestic product (GDP), the deficit stood at 1.4% in the fourth quarter of 2021, a significant decrease from the peak of 21.6% recorded in the second quarter of 2020. Since 1990, the highest deficit to GDP ratio before the pandemic was 12.2%, reported in the first quarter of 1993.

Chart 1
Canadian general government deficit as a percentage of gross domestic product



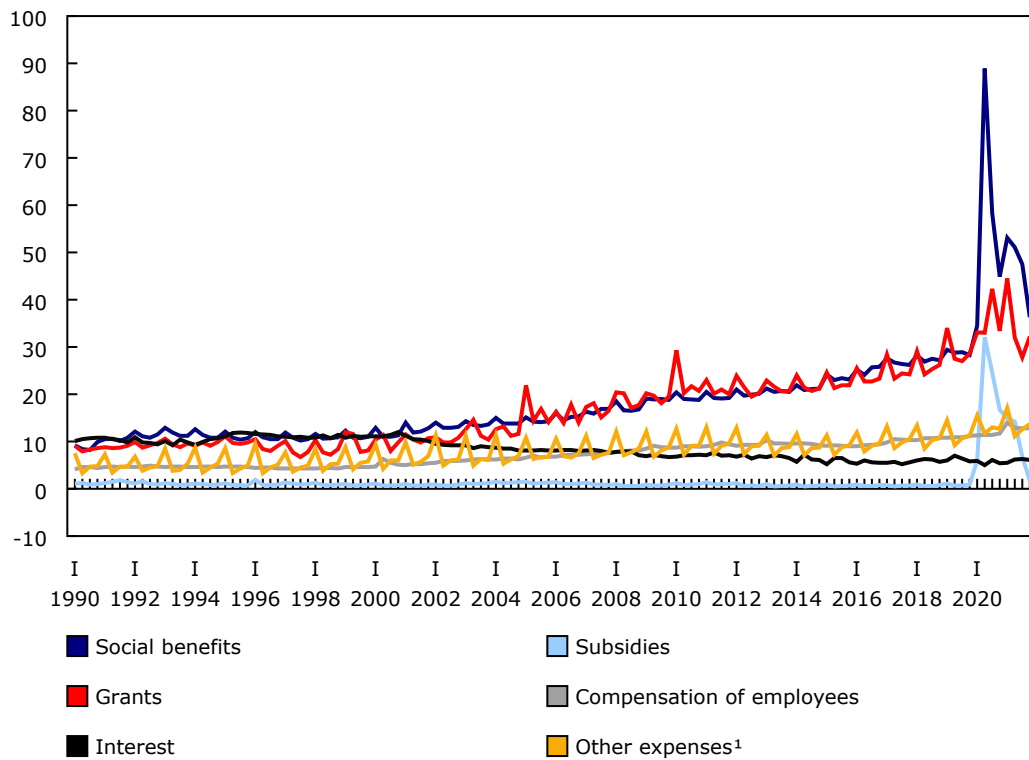
Source(s): Tables [10-10-0015-01](#) and [36-10-0104-01](#).

Deficit shrinks as spending on social benefits and subsidies in response to the pandemic dwindles

Rather than lost revenues, the introduction of social benefits and subsidy-related expenses by the federal government, such as the Canadian Emergency Response Benefit (CERB) or the Canadian Emergency Wage Subsidy (CEWS), were the main contributors towards the historic deficits recorded during the pandemic. While the 2020 federal deficit stood at \$235.8 billion, preliminary data suggested that the deficit was cut in more than half in 2021 to stand at \$110.8 billion. The reduction of the federal government's deficit is the result of lower spending on social benefits and subsidies, which are converging back to pre-pandemic levels.

Chart 2
Federal government expenses by main category

billions of dollars



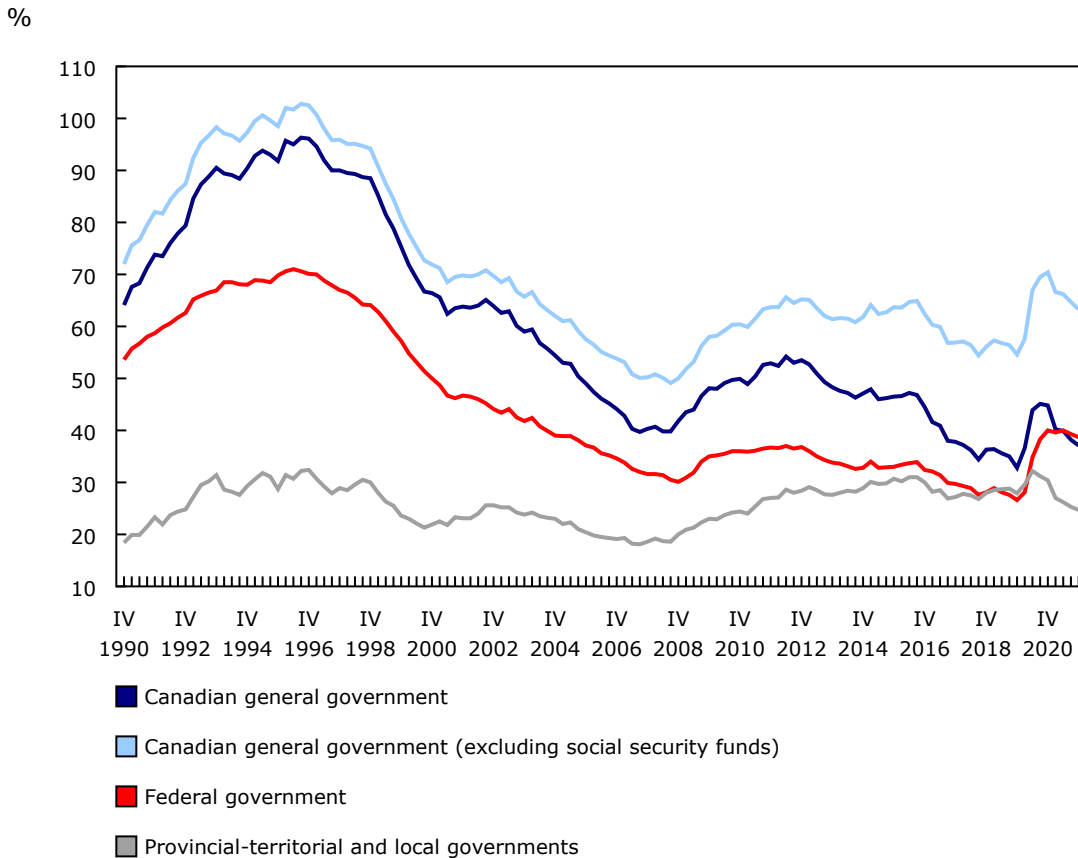
1. The category "Other expenses" includes depreciation (consumption of fixed capital), use of goods and services and other expenses not elsewhere classified.
Source(s): Table 10-10-0015-01.

After large increases in 2020, net debt as a percentage of gross domestic product declines in 2021

Net debt of the Canadian general government, defined as total liabilities less total financial assets in the public accounts (or the reverse of net financial worth) was \$925.3 billion in the fourth quarter of 2021. In the fourth quarter of 2019, net debt was \$757.9 billion. Excluding social security funds (Canada Pension Plan and Quebec Pension Plan), whose financial assets ultimately belong to households, net debt of the Canadian general government was \$1,580.7 billion in the fourth quarter of 2021, compared with \$1,261.0 billion in the fourth quarter of 2019.

Although net debt of the Canadian general government was historically high in absolute terms, as a share of nominal GDP, it remained well below levels reached in the 1990s. During that period, the net debt-to-GDP ratio of the Canadian general government (excluding social security funds) climbed from 72.0% in the fourth quarter of 1990 to a peak of 102.8% in the third quarter of 1996. In the fourth quarter of 2021, the net debt-to-GDP ratio declined for the fourth consecutive quarter to stand at 63.3%, after reaching a high of 70.4% at the end of 2020.

Chart 3
Net debt as a percentage of gross domestic product by government subsector



Source(s): Tables [10-10-0015-01](#) and [36-10-0104-01](#).

Note to readers

Quarterly financial data for the Canadian general government and its subsectors from the first quarter of 1990 to the fourth quarter of 2021 is now available. These subsectors include the federal government, provincial-territorial governments, local governments, and the Canada and Quebec Pension Plans.

Government Finance Statistics (GFS) presents fiscal statistics using the International Monetary Fund standard. This standard allows consistent aggregation and analysis between participating countries.

Currently, GFS quarterly data are derived by mapping Canada's System of National Accounts data to GFS concepts and conventions.

This release of GFS includes revised data for the first quarter of 2021 to the third quarter of 2021.

Available tables: table [10-10-0015-01](#).

Definitions, data sources and methods: survey number [5174](#).

Additional information can be found in the *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)). The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is also available. This publication has been updated with [Chapter 9. Government Finance Statistics](#).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).