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Spring Economic Update projects $66.9 billion deficit amid new spending initiative

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Canada's finances came into focus last week with the release of the 2026 Spring Economic Update.

Presented on April 28, the update projects a federal deficit of $66.9 billion for 2025-26, with $529.6 billion in revenue and $594.8 billion in expenses. The country's total deficit is estimated at $1.33 trillion.

The deficit has come in $11.4 billion below projections in the federal government's 2025 Budget.

New announcements in the Spring Economic Update include a $25 billion Canada Strong Fund, a $6 billion investment in skilled trades, new apprenticeship incentives, a reduction in CPP contributions, a ban on crypto ATMs and a new federal Financial Crimes Agency.

Canada continues to run large annual deficits as interest costs on the national debt remain one of the fastest-growing federal expenses, reaching nearly $55 billion annually. While the government is positioning new spending as an investment in long-term economic growth, critics say rising debt levels and ongoing cost-of-living pressures mean Canadians are not yet seeing clear benefits in their day-to-day finances.

Conservative MP for Dufferin?Caledon, Kyle Seeback, recently spoke with the Free Press about the 2026 Spring Economic Update, outlining what he described as missed opportunities to address rising costs, rein in government spending and improve housing affordability.

?The deficit is gigantic ? we're talking almost $70 billion ? which is more than double the deficit that Justin Trudeau left, and Mark Carney was supposed to be a good fiscal manager,? MP Seeback said.

?There's really no plan in this update to deal with the huge increases in food inflation, and there's nothing new here for Canadians struggling with the cost of living.?

MP Seeback was also critical of the growth projections outlined in the 2026 Spring Economic Update, totalling 1.1 per cent in 2026 and 1.9 per cent in 2027.

?We continue to add more debt and deficit without really knowing how Canadians' lives are getting better, because most Canadians tell me that they're being squeezed with the cost of living,? he said.

The Liberal government, under Prime Minister Mark Carney and Finance Minister François-Philippe Champagne, argues that new spending aimed at building a more independent economy will benefit Canadians.

Among these efforts is the Canada Strong Fund, the country's first national sovereign wealth fund, which the government says is designed to function like a national savings and investment account that grows wealth for future generations.

The fund is receiving $25 billion from the federal government over the next three years, and will make investments in strategic sectors, such as infrastructure, energy, critical minerals and advanced manufacturing. It is publicly owned, with returns benefiting Canadian taxpayers.

A traditional sovereign wealth fund is typically built from government surpluses and invested globally to generate long-term returns.

MP Seeback said he sees the Canada Strong Fund as less of a sovereign wealth fund and more of a rebranded version of the Canada Infrastructure Bank, which focuses on domestic investments and has faced criticism over its effectiveness.

?It's not really a wealth fund. Generally, a wealth fund is built using surplus money, and they (the federal government) don't have a surplus. They're borrowing $25 billion to create this,? he said.

?If we were creating a true sovereign wealth fund from natural resource revenues, like Norway, that would make sense. But this isn't that.?

Housing affordability remains a key concern in Dufferin?Caledon and across the country, driven by rising costs and limited supply.

To grow the number of workers in Canada who can build houses, the federal government announced $6 billion in new funding to recruit, train and hire 80,000 to 100,000 new Red Seal skilled trades workers by 2030.

MP Seeback expressed support for the initiative, but said the government needs to go further to address the housing crisis.

?We do need more skilled trades, so I support that in principle. The details are thin, but there's clearly a need. I've visited training centres across the country, and they need more investment,? he explained.

?The bigger issue with housing is the environment for building. It's the length of time it takes to get approvals to build a house at the municipal level? and high development fees. Those are driving up costs and slowing construction, and the government hasn't addressed them,? MP Seeback added.

He said the federal government's removal of HST from new homes is a step in the right direction for addressing housing affordability, though more work is needed.

?We proposed incentivizing municipalities to speed up approvals and reduce development fees,? MP Seeback said. ?If municipalities met housing targets, they would receive bonus funding. If they didn't, some federal funding would be reduced. While at the same time, having a program to lower the cost of the fees associated with building those houses, which would get the housing prices down. That's what our policy was in the last election, and if we implemented that a year ago, along with the GST cut we talked about, the housing market would look very different today.?

When asked how to reduce the spending deficit in the 2026 Spring Economic Update, MP Seeback said the amount of money spent on consultants should be reduced to what it was a little over a decade ago.

?[The government] could cut consultant spending from $20 billion back to $8?9 billion, where it was in 2015. That alone would save $11 billion,? he explained.

MP Seeback said government spending needs to be reduced to bring the deficit under control and prevent debt levels from rising further.

?I think it was a big missed opportunity to try and show some fiscal restraint, reduce the cost of government and demonstrate that [it] is willing to do the hard work needed to get spending under control,? he said.

However, Finance Minister Champagne sees the update as a thoughtful and measured approach to supporting Canada's economy.

?The Spring Economic Update 2026 builds on the momentum of our budget, combining strategic investments with sustained fiscal discipline to keep building Canada strong for all ? delivering prosperity today and strengthening our economy for tomorrow,? he said.