

Debt Digest

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O Canada, We Are In Major Financial Trouble.

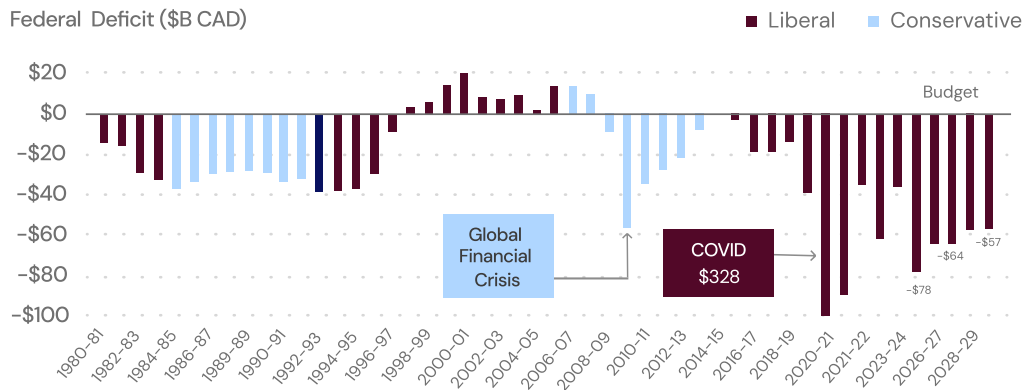
Budget day may have come and gone, but Canada's financial troubles will last generations.

On November 4th, the Canadian government presented a budget that promised 'generational investment.' Unfortunately, we were left with massive deficits and no path back to fiscal prudence. Future generations of Canadians are going to inherit material financial problems, and our Federal Government seems okay with that.

Key Takeaways this Month:

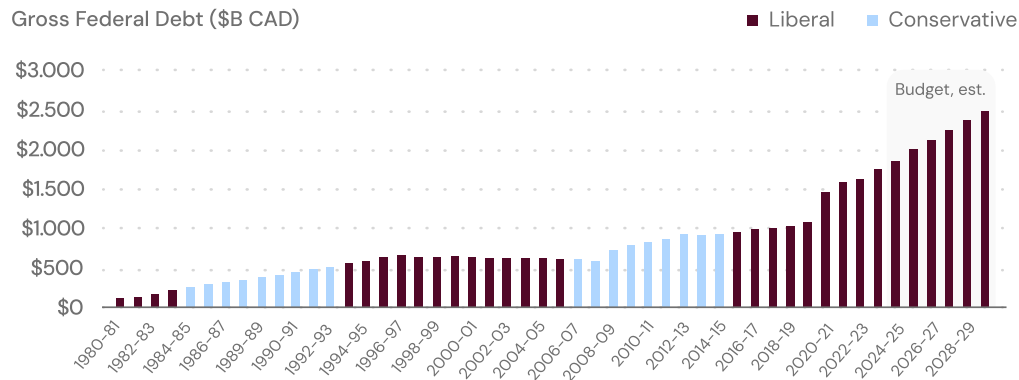
- **Persistent Deficit Spending is the New Norm:** Canada continues its trend of deep deficit spending with Ottawa planning to add roughly \$322 billion to the federal debt over the next five years. Despite any federal assurances, the federal deficit is still projected at \$78 billion for 2026, narrowing only to \$57 billion by 2030, and leaving Canada exposed to higher debt costs and weak growth.
- **The Cost Of Government is Soaring:** The cost of running the federal government has exploded — up 76% over the past decade to \$524 billion annually. Debt servicing costs alone have climbed 116%, now one of Ottawa's fastest-growing expenditures.
- **An Economy Losing its Edge:** Canada's productivity slump has deepened, with GDP per capita up just 2% since 2015, while debt per capita has surged 62%. Private capital investment is down 26% over the same period — a sharp contrast to the 42% gain in the United States. The result is a shrinking growth engine and widening fiscal burden; a combination no advanced economy can sustain for long.

CANADIAN HISTORICAL FEDERAL DEFICIT (1980-2030)



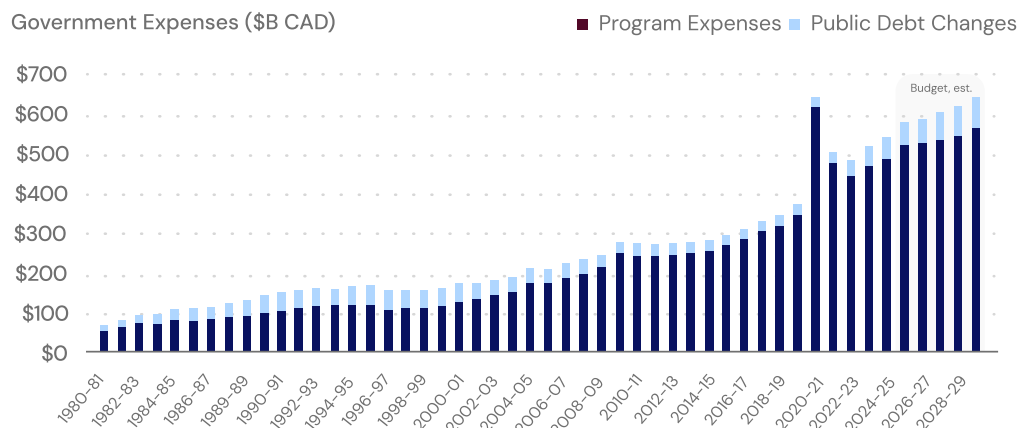
Ottawa's red ink runs deep – a \$78 billion federal deficit in 2026 and \$322 billion over five years.

HISTORICAL GROSS FEDERAL DEBT BALANCE (1980-2030)



Canada's federal debt has nearly doubled in a decade – surging 91% from \$0.9 trillion in 2014-15 to \$1.7 trillion in 2023-24.

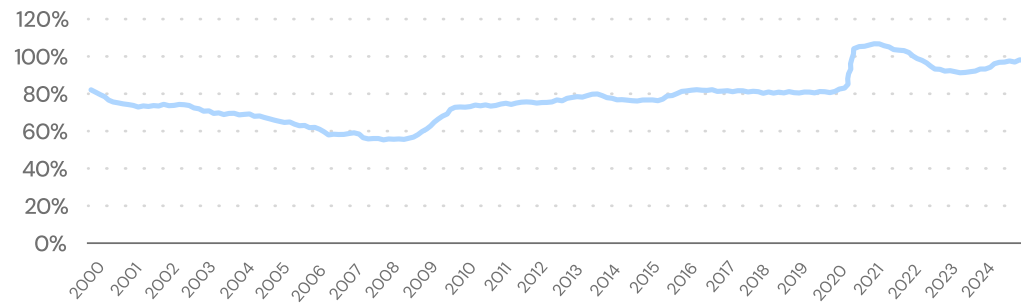
HISTORICAL GOVERNMENT EXPENSES (1980-2030)



The cost of government has increased 76% since 2015 with expenses increasing to \$524 billion per year.

CANADA'S DEBT-TO-GDP (2000 Q1 – 2024 Q4)

Debt-to-GDP (%)

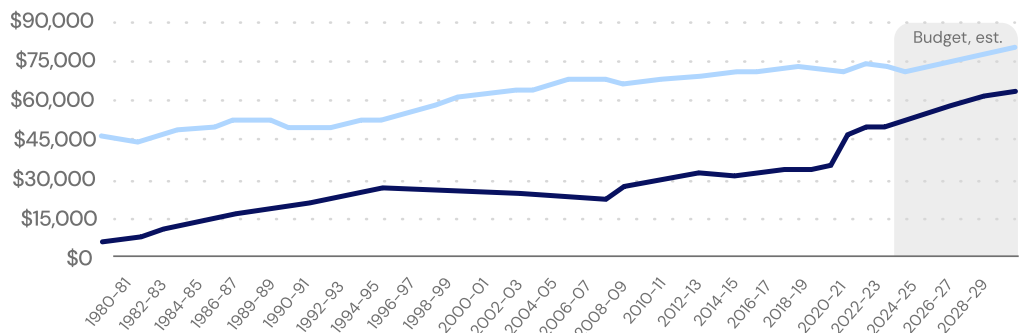


Canada's debt-to-GDP metric continues to climb and reached 98% in Q4/24 (up 4% from Q4/23).

GDP PER CAPITA VS. DEBT PER CAPITA

GDP & Debt (Per Capita, \$CAD)

■ Debt/Capita (\$) ■ GDP/Capita (\$)

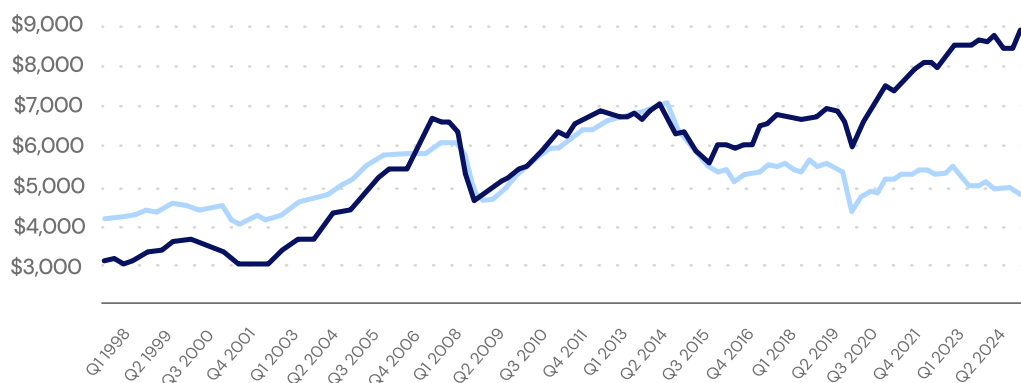


Canada's economy has stood still, but its debt sure hasn't: a 2% gain in GDP per capita has been matched with a 62% jump in debt per capita (since 2015) – the government calls it investment; future Canadians will call it the bill.

PRIVATE NON-RESIDENTIAL INVESTMENTS PER CAPITA

Non Residential Investment (\$CAD)

■ Canada ■ US

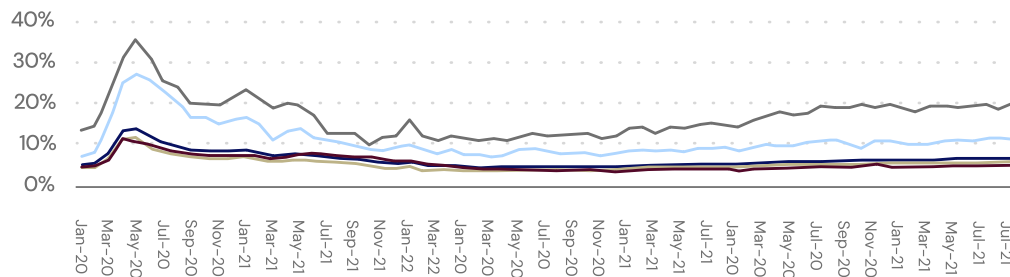


Private capital investment isn't fleeing – it's flying (away).
Investment in Canada is down 26% since 2015, while the U.S. is up by 42%.

UNEMPLOYMENT RATE

■ 15 years and over ■ 15 to 19 years ■ 20 to 24 years ■ 25 to 54 years ■ 55 years and over

Unemployment Rate (%)



Unemployment is on the rise — currently 7.1%, up from 6.6% a year ago — with youth unemployment up to 20%.

Sources: Statistics Canada, Department of Finance Canada, BIS, Diamond Willow Advisory.

The Research Desk at DWA loves hearing from you.
Please reach out to us to share your thoughts and questions.



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