



# Breaking the Deficit Spending Cycle:

Small Business Owners Calling for Fiscal Responsibility — Budget 2025 Update

March 2026

**CFIB**  
CANADIAN FEDERATION  
OF INDEPENDENT BUSINESS  
*In business for your business™*

## Key takeaways



The federal government has run a deficit every year since 2015/2016. It was \$36.3 billion for 2024/2025 and is projected to go up to \$78.3 billion this fiscal year (2025/2026).



Three in four business owners are concerned about the lack of a plan to achieve a balanced budget.



To balance the budget and reduce the debt, business owners are calling for greater fiscal restraint, supporting measures such as

- reducing the size and cost of the federal public service (89%);
- implementing legislated spending limits (87%); and
- freezing the operational budgets of all departments at their current levels (84%).



Business owners are opposed to raising taxes and fees (92%), which would hinder their operations and discourage the next generation of entrepreneurs.

## Introduction

Running a small business is no easy feat. Canadian businesses are facing significant challenges, including softening demand and increased costs of doing business. Still, small business owners do their best to keep their books in order. It is reasonable for them to expect the same from all levels of government, including the federal government.

However, that is far from the case. The Government of Canada is grappling with the daunting fiscal reality of perpetual deficits and ballooning debt. Three out of four small business owners (74%) are concerned about the lack of a plan to achieve a balanced budget<sup>1</sup> and 81% of them think balancing the government budget and paying down the debt should be a priority.<sup>2</sup> Today's debts are tomorrow's taxes. If the government does not fix this situation, it will make it even harder for future generations to build a prosperous economy.

In this report, CFIB looks at the budgetary situation of the federal government since 2012/2013. CFIB also presents small business owners' preferred approach and recommendations to achieving a balanced budget, while providing today's and tomorrow's entrepreneurs with the incentives they need to develop their business, innovate, and boost productivity.

“As taxpayers, it is crucial that the government treat public funds with responsibility and discipline. This is not a limitless resource or a toy box to spend from without consequence. It is time for serious financial stewardship focused on balancing the budget and reducing debt to secure a stable economy for the future.

Currently, Canada is accumulating unsustainable debt, and the government's reckless spending must be reined in.”

- Transportation, Ontario

## Federal government's recurring deficits

Since the 2012/2013 fiscal year, the Government of Canada has almost continuously run deficits,<sup>3</sup> with spending outweighing its rising revenues (Figure 1). Much of the 2020/2022 spike in expenditures (Figure 1) can be attributed to the pandemic and associated relief measures. However, according to Budget 2025,<sup>4</sup> the federal government continues to spend at high levels, even post-pandemic. The deficit for the 2024/2025 fiscal year stood at \$36.3 billion – below

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<sup>1</sup> CFIB, Your Voice survey, September 2024, n = 2,120.

<sup>2</sup> CFIB, Your Voice survey, December 2023, n = 2,966. Note: this data includes net high priority and medium priority.

<sup>3</sup> With the exception of the 2014/2015 fiscal year, where the government recorded a \$1.9-billion budgetary surplus.

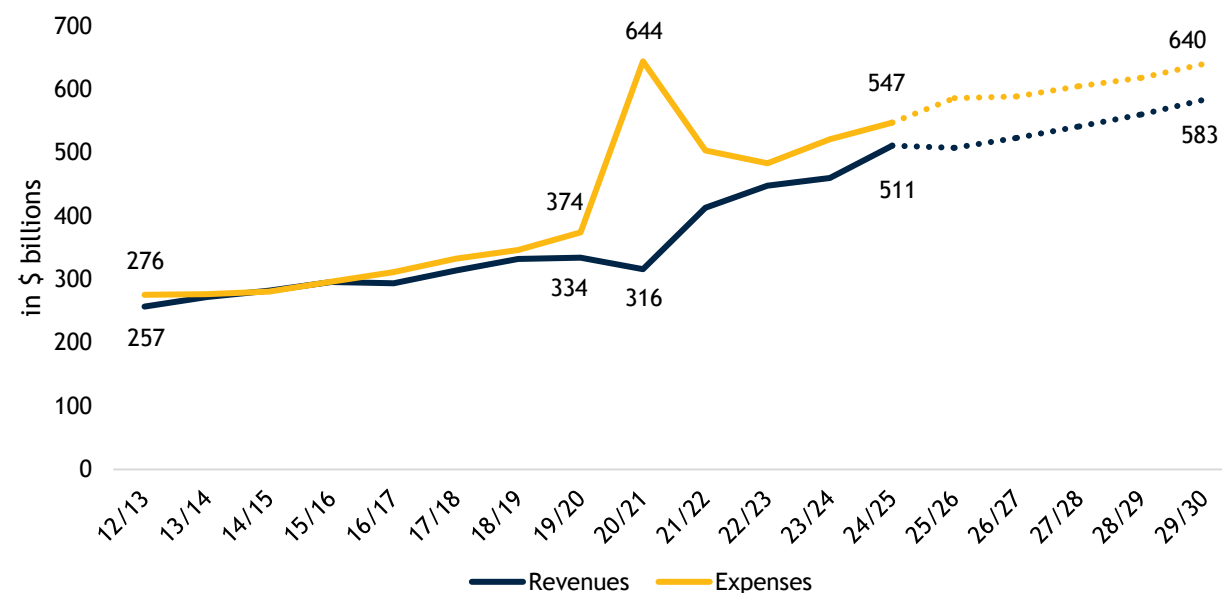
<sup>4</sup> Government of Canada, Canada Strong, Budget 2025, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

the \$48.3 billion anticipated in the 2024 Fall Economic Statement.<sup>5,6</sup> Nonetheless, the outlook worsens, as the deficit is predicted to more than double in the following fiscal year, hitting \$78 billion in 2025/2026 – almost twice the Fall Economic Statement’s \$42.2 billion projection.<sup>7,8</sup> The federal government has recently separated capital investments from operating expenditures. Regardless of how these expenditures are presented, the deficit remains considerable. It should also be noted that, according to the Parliamentary Budgetary Office (PBO), the government’s definition of capital investments is overly expansive and subjective.<sup>9</sup>

Almost seven in ten business owners oppose Budget 2025’s projected deficit of \$78 billion in 2025/2026 with no plans to return to an overall balanced budget within the next five years.<sup>10</sup> Deficit spending (Figure 2) should be reserved for when the country is facing an economic recession or other unforeseen events. It certainly should not become structural, or a habit outside of specific periods. It is important for the government to be responsible with the country’s finances, not only to be in a better fiscal position when the next crisis arises, but also to ensure a fiscally healthy country for the next generation.

Figure 1 - Federal government’s revenues and expenditures, actuals (2012/2013-2024/2025) and projections (2025/2026-2029/2030)

The federal government’s expenditures have outpaced its revenues almost every year since 2012/13



<sup>5</sup> Government of Canada, Canada Strong, Budget 2025, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

<sup>6</sup> Government of Canada, 2024 Fall Economic Statement, Table A1.6, 2024. Accessed in December 2024: <https://budget.canada.ca/update-miseajour/2024/home-accueil-en.html>

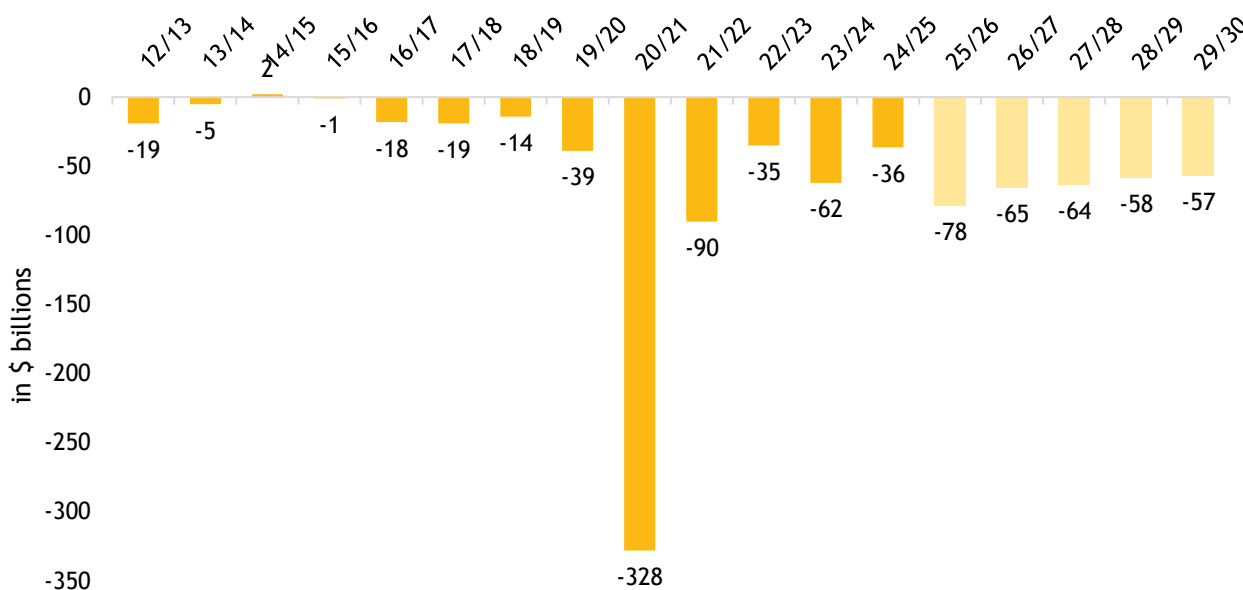
<sup>7</sup> Government of Canada, Canada Strong, Budget 2025, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

<sup>8</sup> Government of Canada, 2024 Fall Economic Statement, Table A1.6, 2024. Accessed in December 2024: <https://budget.canada.ca/update-miseajour/2024/home-accueil-en.html>

<sup>9</sup> Parliamentary Budget Office, Budget 2025: Issues for Parliamentarians, 2025. Accessed in December 2025: <https://www.pbo-dpb.ca/en/publications/RP-2526-017-S--budget-2025-issues-parliamentarians--budget-2025-enjeux-parlementaires>

<sup>10</sup> CFIB, Your Voice survey, December 2025, n = 1,496.

Figure 2 - Federal government's annual deficit, actuals (2012/2013-2024/2025) and projections (2025/2026-2029/2030)  
**The federal government is spending beyond its means, posting deficits in 12 of the last 13 years**



Sources for Figures 1 & 2: Government of Canada, Annual Financial Reports of the Government of Canada, from the fiscal year 2012/2013 to the fiscal year 2024/2025, 2025. Accessed in December 2025: <https://www.canada.ca/en/departement-finance/services/publications/annual-financial-report.html>

Government of Canada, Canada Strong, Budget 2025, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

## Increasing federal debt

Due to consistent annual deficits (Figure 2), the federal debt<sup>11</sup>—or accumulated deficit—has doubled from \$602.4 billion in 2012/2013 to \$1,266.5 billion in the 2024/2025 fiscal year (Figure 3).<sup>12,13</sup> This is the equivalent of \$30,407 per Canadian.<sup>14,15</sup>

While Canada's federal debt has doubled, annual debt charges have increased by 84%, rising from \$29 billion in 2012/2013 to \$53.4 billion in 2024/2025, and are expected to climb to \$76.1 billion in the 2029/2030 fiscal year, marking a 162% increase.<sup>16,17</sup> This reduces the funds available for the government to reduce taxes and provide essential services to Canadians. As a

<sup>11</sup> The federal debt is the difference between the government's total liabilities and total assets. The government's liabilities include debt, pension, and benefit obligations for federal employees and tax liabilities payable. Assets include taxes owed, financial interest in Crown corporations, and real property.

<sup>12</sup> Government of Canada, Annual Financial Report of the Government of Canada Fiscal Year 2012-2013, 2013. Accessed in October 2024: [https://epe.lac-bac.gc.ca/100/201/301/annual\\_fin\\_rep\\_gov\\_can/pdf/2012-2013.pdf](https://epe.lac-bac.gc.ca/100/201/301/annual_fin_rep_gov_can/pdf/2012-2013.pdf)

<sup>13</sup> Government of Canada, Annual Financial Report of the Government of Canada, Fiscal Year 2024-2025, December 2025. Accessed in December 2025: <https://www.canada.ca/content/dam/fin/publications/afr-rfa/2025/afr-rfa-2024-25-eng.pdf>

<sup>14</sup> CFIB divided the 2024/2025 debt by the Canadian population in October 2024.

<sup>15</sup> Statistics Canada, Canada's population estimates, third quarter 2025. Accessed in December 2025: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000901>

<sup>16</sup> Government of Canada, Annual Financial Reports of the Government of Canada, from the fiscal year 2012/2013 to the fiscal year 2024/2025, 2025. Accessed in December 2025: <https://www.canada.ca/en/departement-finance/services/publications/annual-financial-report.html>

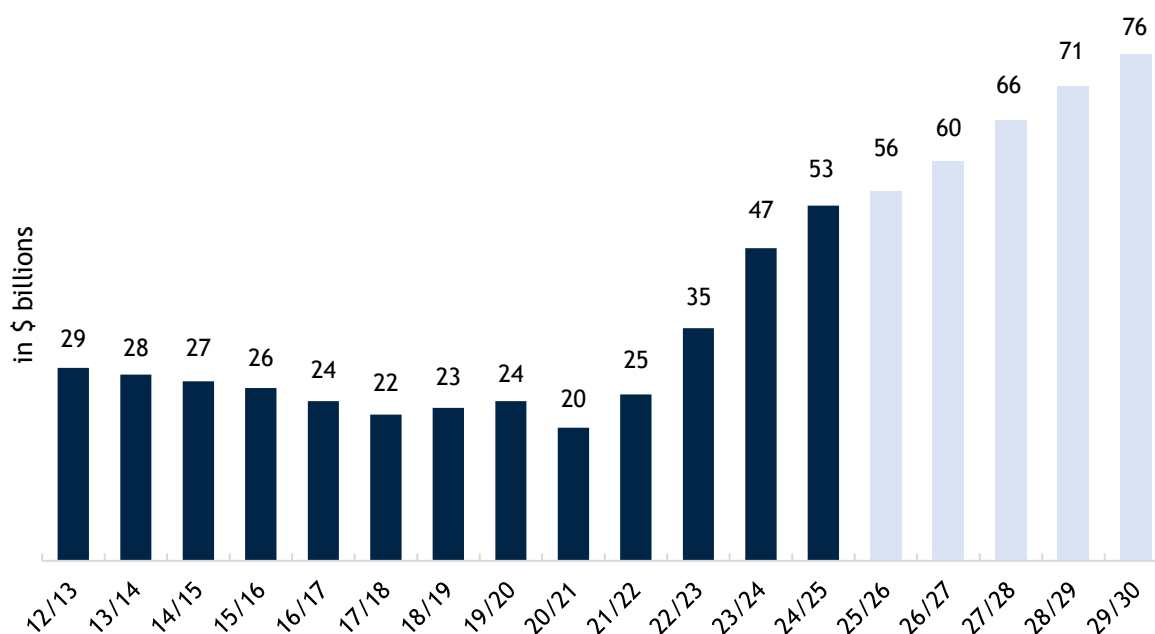
<sup>17</sup> Government of Canada, Budget 2025, Summary of Transactions, Table A1.7, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

matter of fact, all the money to be collected during the 2024/2025 fiscal year from the goods and services tax (GST) across Canada does not even cover the \$53.4 billion in debt charges.<sup>18</sup> The amount spent on debt charges is, in fact, almost equivalent to the total combined provincial budgets of Manitoba, Saskatchewan, and Newfoundland and Labrador in 2025/2026.<sup>19,20,21,22</sup>

Looking ahead, debt repayment is set to remain a major concern, with debt charges projected to rise to \$76.1 billion in 2029/2030 due to a projected increase in the stock of debt and higher interest rates according to Budget 2025.<sup>23</sup> In 2029/2030, debt charges alone will equal what could have funded the elimination of the GST, energy tax, customs duties, and other excise taxes in 2024/2025, while still leaving a \$4 billion surplus.<sup>24</sup>

Figure 3 - Federal government yearly public debt charges, actuals (2012/2013-2024/2025) and projections (2025/2026-2029/2030)

The federal government’s debt charges increased by 21% between 2012/2013 and 2024/2025



<sup>18</sup> Government of Canada, Annual Financial Report of the Government of Canada Fiscal Year 2024-2025, Table 3, December 2025. Accessed in December 2025: <https://www.canada.ca/content/dam/fin/publications/afr-rfa/2025/afr-rfa-2024-25-eng.pdf>

<sup>19</sup> Government of Manitoba, Building One Manitoba, Budget 2025, page 7, 2025. Accessed in December 2025: [https://www.gov.mb.ca/asset\\_library/en/budget2025/budget2025.pdf](https://www.gov.mb.ca/asset_library/en/budget2025/budget2025.pdf)

<sup>20</sup> Government of Saskatchewan, Delivering for you, Provincial Budget 2025-26, page 21, 2025. Accessed in December 2025: <https://budget.saskatchewan.ca/pub/documents/2025-26%20Budget%20materials/2025-26-provincial-budget---web.pdf>

<sup>21</sup> Government of Newfoundland and Labrador, Budget 2025, Budget Highlights, 2025. Accessed in December 2025: <https://www.gov.nl.ca/budget/2025/what-you-need-to-know/budget-highlights/>

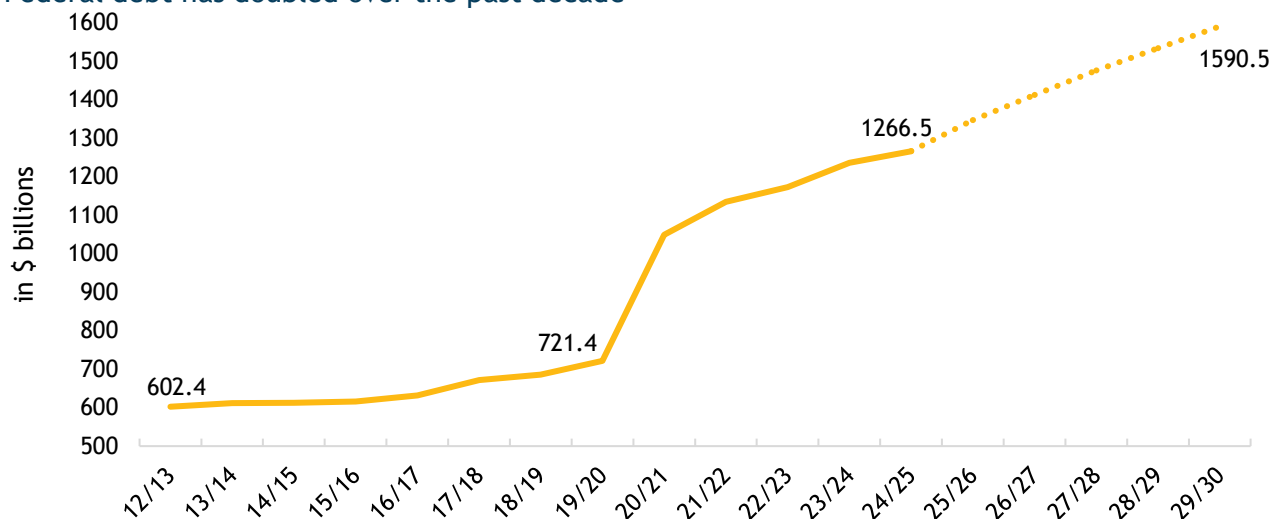
<sup>22</sup> For simplicity, we rounded the expenses to \$25.1 billion for Manitoba, \$21.1 billion for Saskatchewan, and \$10 billion for Newfoundland and Labrador.

<sup>23</sup> Government of Canada, Canada Strong, Budget 2025, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

<sup>24</sup> Government of Canada, Annual Financial Report of the Government of Canada Fiscal Year 2024-2025, Table 3, December 2025. Accessed in December 2025: <https://www.canada.ca/content/dam/fin/publications/afr-rfa/2025/afr-rfa-2024-25-eng.pdf>

Figure 4 - Federal debt from fiscal years, actuals (2012/2013-2024/2025) and projections (2025/2026-2029/2030)

### Federal debt has doubled over the past decade



Source for Figures 3 & 4: Government of Canada, Annual Financial Reports of the Government of Canada, from the fiscal year 2012/2013 to the fiscal year 2024/2025, 2025. Accessed in December 2025: <https://www.canada.ca/en/departement-finance/services/publications/annual-financial-report.html>  
 Government of Canada, Canada Strong, Budget 2025, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

## Failure to maintain fiscal anchor

Over the years, governments have introduced several fiscal anchors, such as balancing the budget or reducing the federal debt-to-GDP ratio. However, when these commitments are not legislated, they often end up being abandoned or changed. In Budget 2025, the government introduced two new fiscal anchors. The first is a commitment to balance operating spending with revenues by 2028/2029.<sup>25</sup> However, fiscal balance should apply to all spending, not only day-to-day expenditures. The second anchor is a declining deficit-to-GDP ratio. Budget 2025 projects this ratio to increase to 2.5% in 2025/2026, before declining to 1.5% until the 2029/2030 fiscal year.<sup>26</sup> However, according to the PBO, there is only a 7.5% chance that the deficit-to-GDP ratio will decline from 2026/2027 to 2029/2030, making it unlikely for the government to meet its fiscal anchor.<sup>27</sup> The PBO also notes that reducing the deficit-to-GDP ratio indicates that new borrowing is shrinking compared to the size of the economy. Nonetheless, this alone does not ensure a decline in the federal debt-to-GDP ratio over time.

The deficit-to-GDP ratio is one of various fiscal anchors governments use to manage public finances. For example, other countries have implemented a “debt brake,” a mechanism

<sup>25</sup> Government of Canada, Canada Strong, Budget 2025, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

<sup>26</sup> Government of Canada, Canada Strong, Budget 2025, Table 1, 2025. Accessed in December 2025: <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>

<sup>27</sup> Parliamentary Budget Office, Budget 2025: Issues for Parliamentarians, 2025. Accessed in December 2025: <https://www.pbo-dpb.ca/en/publications/RP-2526-017-S--budget-2025-issues-parliamentarians--budget-2025-enjeux-parlementaires>

designed to manage federal expenditures. Some components of this approach include maintaining a balanced budget and capping expenses based on expected revenues.

## Business owners’ approach to balancing the federal budget

Most small business owners (95%) are concerned about the federal government’s current spending and debt levels.<sup>28</sup> Small business owners are particularly worried about the lack of a plan to achieve a balanced budget (74%) and fear future increases to their fiscal burden.<sup>29</sup>

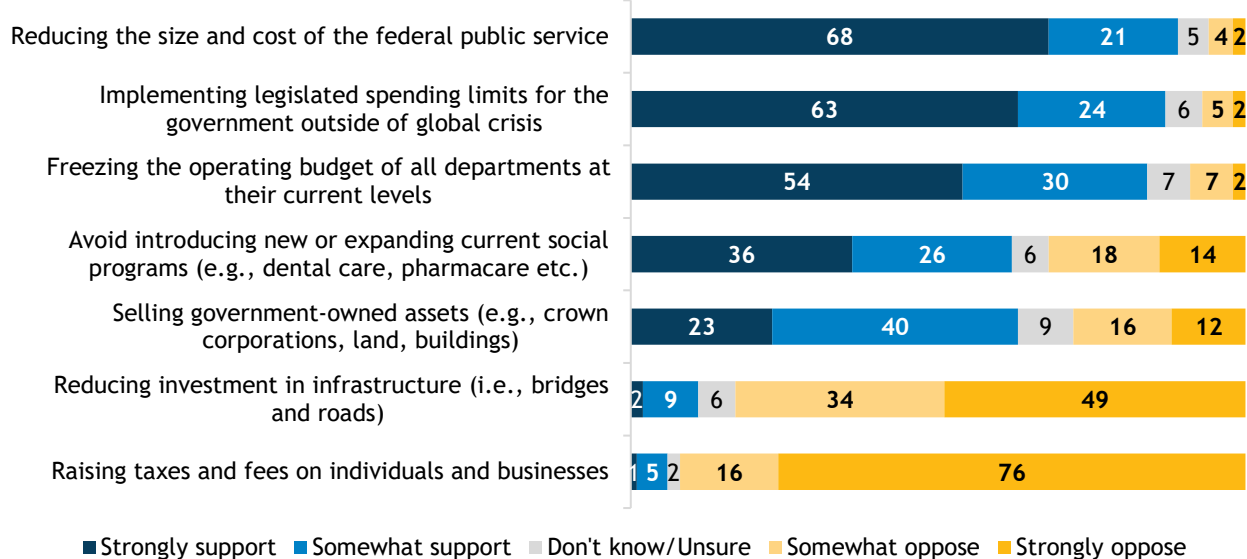
When asked how government should return to balanced budgets, the vast majority of small business owners supported **reducing the size and cost of the federal public service** (89%) (Figure 5). Small business owners in Quebec (93%) were particularly supportive of this approach. Small business owners also supported the notion of **implementing legislated spending limits for the government outside of a global crisis** (87%). Further, 84% of small business owners felt that government should **freeze the operating budget of all federal departments**.

Many business owners (62%) also felt that the federal government should avoid introducing new social programs, or expanding existing ones (e.g., dental care, pharmacare, etc.), and should consider selling government assets (e.g., Crown corporations, land, buildings) (63%).

However, most small business owners (92%) opposed higher taxes and fees on individuals and businesses, as well as measures that would reduce investments in infrastructure (83%).

Figure 5 - Policy recommendations supported by small businesses

To what extent do you support or oppose each of the following potential measures for the federal government to achieve a balanced budget and reduce its debt?



Source: CFIB, Your Voice survey, September 2024, n = 2,120.

<sup>28</sup> CFIB, Your Voice survey, September 2024, n = 2,120.

<sup>29</sup> In the following paragraph, we use net support and net opposition for our data.

## Conclusion and recommendations

The federal government must curb its spending tendencies. Raising revenues through higher taxes and fees is not supported by 92% of small business owners.<sup>30</sup> They already identify taxes and regulatory costs as a major cost constraint.<sup>31</sup> High taxes hinder a small business's ability to grow, thrive, and drive the economy, and they discourage the next generation of entrepreneurs.

Thus, CFIB recommends that the federal government:

- Implement a clear path to balancing the overall budget with specific indicators to measure progress, aimed at breaking the cycle of deficit spending.
- Commit to a fiscal anchor that will reduce the deficit and debt, not just stabilize its growth relative to GDP.
- Implement legislated spending limits for the government outside of a global crisis.
- Undertake a meaningful and ambitious internal review to effectively reduce the size and cost of the federal public service. Workforce reduction efforts should be guided by service demand, performance outcomes, and operational priorities, not just tenure or job classification. Attrition and ending employees on contract can also be ways to reduce the workforce.
- Freeze the operating budgets of all departments at their current levels.
- Avoid introducing new social programs or expanding existing ones (e.g., dental care, pharmacare, etc.).
- Sell government assets (e.g., Crown corporations, land, buildings) where it makes sense.

## Methodology

CFIB is a non-partisan organization representing the interests of 103,000 small and medium-sized businesses in Canada. CFIB is entirely funded by our members and takes direction from them through regular surveys. For this report, CFIB presents small business owners' opinion on the fiscal situation based on a survey conducted in September 2024 with 2,120 respondents. CFIB also references data from the Government of Canada's annual financial reports for fiscal years 2012/2013 to 2024/2025. This is not intended to serve as an economic analysis.

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<sup>30</sup> CFIB, Your Voice survey, September 2024, n = 2,120.

<sup>31</sup> CFIB, Monthly Business Barometer, September 2024.

## Authors



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## About CFIB

CFIB is a non-partisan organization exclusively representing the interests of 103,000 small and medium-sized businesses in Canada. CFIB's research capacity is second-to-none because it is able to gather timely and concrete information from members about business issues that affect their day-to-day operation and bottom line. In this capacity, CFIB is an excellent source of up-to-date information for governments to consider when developing policies impacting Canada's small business community. To learn more, visit [cfib.ca](https://cfib.ca).

