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Federal Infrastructure Spending

Update

OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

In response to interest from parliamentarians, this report provides an update on federal infrastructure spending.

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Highlights

The Parliamentary Budget Officer (PBO) estimates that the Government of Canada will spend $159 billion on infrastructure between 2025-26 and 2029-30. This estimate does not account for the revised NATO 5% spending target or the additional defence-related spending in the Supplementary Estimates (A), 2025-26.

Although the federal government has improved how it reports infrastructure projects, there is no timely, consolidated overview of total infrastructure spending. This reporting gap hinders the ability to fully assess infrastructure spending and its overall impact on the Government’s fiscal position or budgetary balance.

Summary

In response to interest from parliamentarians, this report provides an update on federal infrastructure spending.

Based on information from federal departments and past spending trends, the Parliamentary Budget Officer (PBO) estimates that the Government of Canada will spend $159 billion on infrastructure between 2025-26 and 2029-30. This estimate does not account for the revised NATO 5% spending target or the additional defence-related spending that was in Supplementary Estimates (A), 2025-26.

Although the federal government has improved how it reports infrastructure projects, there is no timely, consolidated overview of total spending. This reporting gap hinders the ability to fully assess infrastructure spending and its overall impact on the Government of Canada’s budgetary balance or surplus/deficit.

Background

In response to interest from parliamentarians, this report provides an update on federal infrastructure spending. Since the Government announced major commitments in Budget 2016, the PBO has analyzed and reported on federal infrastructure spending.[1] This report builds on the PBO's additional analysis of Federal Infrastructure Spending, 2016-17 to 2026-27, which was published in March 2022.

Broadly, infrastructure refers to physical assets, such as buildings, roads, railways and ports, that enable governments, communities and businesses to deliver and access services.[2]

For financial reporting purposes, the Government of Canada does not use a single, formal accounting definition for "infrastructure" across all departments. Instead, infrastructure is generally treated as part of tangible capital assets.[3] As such, intangible assets, such as copyrights, trademarks, and patents are outside the scope of this analysis.

Federal infrastructure spending can be categorized into two main streams:

- Federally Owned Assets: direct federal investments in tangible capital assets, for example, when the federal government builds a bridge.
- Transfer Payments: federal contributions to provincial, territorial, municipal, and Indigenous infrastructure projects, such as funding provided through the Canada Community-Building Fund.

Although the federal government has improved its reporting on infrastructure projects, and specifically the projects funded under the Investing in Canada Plan, there is no integrated source of information which presents a timely, consolidated overview of total federal government infrastructure spending.

This reporting gap hinders the ability to fully assess infrastructure spending and its overall impact on the Government of Canada's budgetary balance or surplus/deficit.

How much is the Government spending on infrastructure?

The following sections will explain how the PBO's projections were modeled and its results.

Data

As noted in the PBO's previous analysis, Statistics Canada reports on infrastructure spending in Canada and its economic contributions from a National Accounts perspective.[4]

However, the figures reported by Statistics Canada cannot be easily compared to the Public Accounts, in which the federal government reports its spending and budgetary balance.[5] Currently, there is no integrated source of information which presents a timely, consolidated overview of total federal government infrastructure spending on a Public Accounts basis. As such, the PBO sought other data for this analysis and applied the same general methodology used in PBO's Federal Infrastructure Spending, 2016-17 to 2026-27, which was published in March 2022. It is therefore possible that a broader definition of infrastructure could include additional funds expended by the Government. The PBO stresses that the findings of this report are limited to the previously used methodology.

Projections for federally owned assets were taken from the PBO's report titled Forecasting Federal Capital Expenses, published in August 2025. This represents the amortization of the Government's tangible capital assets, such as buildings, machinery, and vehicles, as per the definition stated in the Public Accounts.[6] The report contains the latest PBO forecast of the Government's capital expenses.[7] Hence, it does not include the revised NATO 5% spending target or the $9 billion amount in Supplementary Estimates (A) for 2025-26.

The PBO requested transfer payment data from a group of departments that represent the majority of federal infrastructure spending. Data was obtained through Information Requests (IRs) to the Canada Infrastructure Bank (CIB); Employment and Social Development Canada (ESDC); Indigenous Services Canada (ISC); Transport Canada (TC); Housing, Infrastructure and Communities Canada (HICC) and Canada Mortgage and

Housing Corporation (CMHC).[8] In each of these IRs, the PBO received data about the department's funding under the Investing in Canada Plan (IICP) and total infrastructure funding.

As well, to supplement the IR data, the PBO used publicly available data about the Canada Community-Building Fund (CCBF) from HICC and ISC.[9] Data about the GST rebate for municipalities was retrieved from Finance Canada (FIN).[10]

In addition, the PBO also used some of the data from the previous costing as part of its calculations.

Methodology

The projections for federally owned assets were based on growth assumptions made in the PBO's report entitled Forecasting Federal Capital Expenses.

The PBO added up the IR data and made adjustments based on historical data to fully account for total infrastructure spending across the federal government.

The GST rebate for municipalities was calculated by applying a deflator to the shorter-term projections from the Report on Federal Tax Expenditures.

Further, the PBO expects some of the funding to lapse before being spent. To account for this, the PBO assumed that a certain percentage would lapse every year and that a portion of lapsed money would be spent in future years.[11,12]

Results

Table 1

Infrastructure spending, in millions of dollars

Fiscal Year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
Federally Owned Assets	7,016	7,761	8,755	9,930	10,849	44,310
Transfer Payments	23,409	23,713	24,087	22,115	21,841	115,165
Total	30,425	31,474	32,843	32,045	32,690	159,476

Source:
Office of the Parliamentary Budget Officer.
Departmental IRs and publicly available infrastructure data.

On a Public Accounts (accrual) basis, the PBO estimates that the Government of Canada will spend $159 billion on infrastructure from 2025-26 to 2029-30.

Overall, transfer payments make up more than two-thirds of the spending. However, the proportions vary between years.

Sources of uncertainty

As mentioned earlier in this report, the definition of “infrastructure” is not applied universally across government departments. This may lead to some inconsistencies of what is included in infrastructure data from different departments.[13] As such, the results should be interpreted as spending on infrastructure, as opposed to net fiscal effect.[14]

As well, the demand for infrastructure and the cost of materials and labour can be influenced by broader economic conditions and geopolitical events. This may especially impact the Government’s infrastructure spending for work performed with the private sector, such as with some CIB projects.

It is common for departmental plans to change somewhat over time, including on infrastructure as spending can be heavily influenced by Government policy. Further, spending on infrastructure is harder to predict than many other types of expenditures, as it involves some very large projects that require the participation of many parties.

There can also be different regulatory frameworks between different locations, which can complicate the building process and may increase uncertainty about project timelines.

Impact on the Budgetary Balance

The budgetary balance, which represents the difference between the Government's revenues and expenses, is a comprehensive measure of the Government's fiscal results. It shows whether the Government is spending more than it earns (a deficit) or earning more than it spends (a surplus).

At the end of each fiscal year, the Government presents a comparison of its actual spending to its planned spending, as outlined in the Budget. This information is presented in the Annual Financial report and the Public Accounts of Canada.

Both the Government's Budget and the Public Accounts are prepared using an accrual basis of accounting. Accrual accounting recognizes transactions when the underlying economic event occurs, not just when cash is received or paid.

To assess the impact of infrastructure spending on the Government's budgetary balance, it is helpful to consider how transactions under the two main streams (Federally Owned Assets and Transfer Payments) are recorded under accrual accounting:

Federally Owned Assets

- The initial purchase of a federally owned capital asset does not directly affect the budgetary balance.
- Instead, the annual amortization expense is included in program expenses, which contributes to the calculation of the annual budgetary deficit or surplus.
- This approach aligns with accrual accounting principles, ensuring expenses are matched with the periods in which assets are used.

Transfer Payments

These payments involve (at least) two parties and do not result in the acquisition of goods or services by the federal government.

a) Federal government (Transferor)

- Regardless of when the funding announcement is made, the payment is recorded as an expense once the recipient meets all eligibility requirements.

- If there are conditions attached, the expense is recorded only when those conditions are fulfilled.

b) Recipient (Province, Territory, Municipality, Indigenous organization)

- Records the payment as revenue once eligibility and conditions are met.

- If the payment comes with obligations (like repayment or performance requirements), revenue is delayed until those obligations are resolved.

Notes

[1] The PBO has published various reports related to federal infrastructure in 2017, 2018, 2020, and most recently in 2022.

[2] Methodological Guide: Canadian System of Macroeconomic Accounts.

[3] Under the Government of Canada's Directive on Accounting Standards: GC 3150 Tangible Capital Assets, the following criteria are applied to determine whether a purchase is capitalized or expensed:

a) Physical Form: the asset must be tangible—you can touch or see it.

b) Useful Life: it must have a useful life of more than one year.

c) Used in Operations: the asset is used to deliver government programs or services, or support operations.

d) Cost Threshold: typically, the asset must meet a minimum cost threshold (often $10,000 or more), though this can vary by department.

e) Ownership and Control: the Government must own or control the asset and expect to benefit from it in the future.

f) Not Intended for Sale: the asset is not held for resale, but for ongoing use.

[4] Infrastructure Statistics Hub ; Infrastructure Economic Account – Data tables.

[5] There are conceptual and accounting differences between the Canadian System of National Accounts and the Public Accounts. One of the most important differences between these two systems are timing differences related to the recording of revenues and expenses. The Public Accounts records revenues and expenses at the time when they occur (accrual basis), whereas the Canadian System of National Accounts records revenues and expenditures when the underlying economic event occurs.

[6] From the Public Accounts of Canada 2023-2024, Volume 1:

Tangible capital assets consist of acquired, built, developed or improved tangible assets, which are intended to be used on a continuous basis and are not intended for sale in the ordinary course of business.

[7] This report includes information obtained through IR0818 to the Department of National Defence.

[8] IR0828 to CIB, IR0829 to ESDC, IR0830 for ISC, IR0831 for TC, IR0833 for HICC and CMHC. The PBO also sent IR0832 for FIN about the GST rebate for municipalities, but the department did not have projections for the entirety of the time period requested.

[9] HICC website data was from CCBF allocation tables 2014-15 to 2023-24 and 2024-25 to 2028-29. ISC website data from Departmental Results Reports from 2022-23 and 2023-24.

[10] Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2025.

[11] For the projection horizon, an implied spending lapse rate of 25% was assumed based on historical reprofiling.

[12] Certain funding was not assumed to have lapses. This includes the CCBF and the GST rebate for municipalities due to both being statutory funding. As well, due to how funding is provided to the CIB, it would not be accurate to apply a lapse rate.

[13] For example, the PBO included everything in the IICP. This included CIB infrastructure funding, which is in the form of repayable financing for projects. It is possible that some departments would consider loans to be infrastructure spending, while others may not.

[14] Departments or other entities that provide loans may also be using income earned through interest to make further investments into infrastructure. For example, the CIB has confirmed that some of their investment funds come from interest revenue from previous investments. Spending that originates from interest revenue is included in the projections for infrastructure spending.

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