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PBO Releases Review of Budget 2026

High-borrowing, high-spending budget advances capital priorities with mixed results on past commitments

OTTAWA, November 17, 2026 – The Parliamentary Budget Office (PBO) today released a review of federal Budget 2026. The series of four reports is intended to provide an independent assessment of the overall direction of government's fiscal plans and past commitments.

The PBO review of Budget 2026 is comprised of four reports.

Quick Links

- PBO Assessment of Budget 2026: Economic and Fiscal Track
- PBO Assessment of Budget 2026: Fiscal Anchors and Fiscal Sustainability
- PBO Assessment of Budget 2026: Major Priorities
- PBO Assessment of Budget 2026: Departmental Spending and New Measures

Highlights

- In Budget 2026, real GDP growth softens to 1.0 per cent in 2026 and 1.7 per cent in 2027, but higher energy prices push growth in nominal GDP, the broadest measure of the tax base, up to 5.6 per cent in 2026 and 3.7 per cent in 2027.
- Had the government not introduced new tax or spending measures, this year's deficit would have fallen to $43.8 billion – due to windfall revenues and updated direct program expenses.
- New measures of $151.5 billion over five years absorb 96 per cent of the $158.3 billion in new fiscal room anticipated in the coming five years relative to the SEU 2026. Since the 2024 Fall Economic Statement, new spending measures of $324.8 billion are nearly twice the $176.7 billion in fiscal room created.
- Budget 2026 projects that the government will meet both of its fiscal anchors. Some margins are close – the deficit anchor has about $2 billion of room in 2027-28 and is not met in the Budget's downside scenario.
- Without new tax and spending measures, the operating balance would have reached surplus in 2026-27, two years earlier than the government's original target of 2028-29.

- To provide context on the magnitude of recent spending growth, new measures in Budget 2025, the Spring Economic Update (SEU) 2026 and Budget 2026 total $331.6 billion.
- Budget 2026 profiled $500 billion in commitments secured at the Investment Summit as tangible progress toward its $1 trillion capital target. Of note, these new commitments, largely by Canadian banks and pension funds, are to provide financing as future projects are advanced, and are not commitments to undertake specific projects.
- While Budget 2026 announces new measures for homelessness and housing affordability, it is not on track to double housing starts per Budget 2025, with year-to-date housing starts 4 per cent lower in 2026 than 2025.
- Budget 2026 significantly improves transparency by publishing annual cash and accrual projections for core defence spending and ancillary defence and security-related expenditures. Total NATO-eligible spending is projected to reach 4.1% of GDP in 2027-28. The path to reach 5% of GDP by 2035 remains unclear.
- Measures to expand tax filing by low income Canadians will be critical to improve affordability, as many income supports are delivered through the tax system. PBO previously estimated that some 1.4 million Canadians do not receive benefits through non-filing.
- Labour market supports through Team Canada Strong are profiled, but additional fiscal and performance information is required to assess whether the initiative is on track to activate up to 100,000 Red Seal workers by 2031.
- While the Comprehensive Expenditure Review exercise is achieving federal employment reductions as originally announced, the total employment figures do not include new federal employment within Crown corporations and special purpose agencies. Neither do they incorporate increases in third party employment through professional services.

> *"The government promised to spend less to invest more. This budget spends more, invests more and borrows more."*

> *"The government is on track to meet both of its fiscal anchors, supported by revenue improvements. It hits operational spending balance a year early, but the deficit-to-GDP anchor clears the bar by just $2 billion in 2027-28 – and fails in the budget's own downside scenario."*

> *"The government gained $158 billion in fiscal room over five years, and committed 96 cents of every dollar to new spending. Almost none of the fiscal windfall went to reducing deficits."*

> *"Housing starts are down. Funding is up. And the government is falling behind on its promise to double homebuilding. It also seems to have stepped away from its earlier commitment to build 500,000 new homes per year, yet proposes to approve an additional 200,000 permanent residents to Canada in Budget 2026."*

> *“Financing commitments from banks do not constitute investments in specific projects. The nearly $500 billion profiled from the Investment Summit are not yet attached to actual investors and actual projects, which are initial steps required before Canadians see promised infrastructure and economic gains.”*

> *“While the federal government is advancing employment reductions, public service staffing figures leave out Crown corporations – the organizations tagged to lead the government’s growth agenda. That provides an incomplete picture of overall staffing restraint.”*

> *“It’s important to look beyond deficits and consider actual cash borrowing. This budget forecasts three-quarters of a trillion dollars in new borrowing over five years. That’s a significant increase to taxpayers’ debt financing load, just as interest rates are starting to climb.”*

> *“By 2030-31, per capita debt charges will be $2,000 per year, per capita debt will be $37,000 and per capita liabilities will be $74,000 - up from $56,000 last year.”*

> *“My office will continue to support parliamentarians in their deliberations as to whether these tax and spending plans deliver economic growth, value for money and align to the preferences of Canadians.”*

— Annette Ryan, Parliamentary Budget Officer

For more information, please call 613-992-8026 or write to pbo-dpb@parl.gc.ca.

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