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POSTMEDIA



Federal Finance Minister François-Philippe Champagne kicks off pre-budget consultations during a roundtable session with the Canadian Chamber of Commerce in Ottawa on July 6. Canadians can submit their budget suggestions to the government through an online portal until Sept. 8. *HYUNGCHEOL PARK*

FEDERAL BUDGET PROCESS

SPENDING NEEDED FOR ‘GROWTH,’ MINISTER SAYS

Analysts fear added debt as Ottawa pins hopes on the economic payoffs of big-ticket projects

SIMON TUCK

The federal government plans to pay for its recent big-ticket spending through a combination of economic growth and deficit increases, Finance Minister François-Philippe Champagne says.

Prior to officially kicking off the government’s pre-budget consultations this year, Champagne told reporters in Ottawa that the government is “investing” in the Canadian economy to ensure various new spending items can be paid for. He also repeated his argument from recent months that Canada has the strongest fiscal position in the G7, implying that increased deficit spending is affordable.

“I think Canadians can understand that we have a strong fiscal position, and we’re investing in the things that will generate growth to the country,” the finance minister said last Monday.

Champagne also cited the benefits of removing interprovincial free trade barriers and strategic defence procurement that improve innovation as ways to boost growth. “We’ll do that in a very smart way.”

Though the federal government has already removed the bulk of Ottawa’s

barriers to interprovincial trade, the heavy lifting remains with the provinces and territories to remove their barriers, most of whom have been reluctant for decades to do so.

And while analysts agree that defence procurement can be done in a way to maximize benefit to the country that is making a major purchase, they say there is little chance of recouping close to the entire expenditure in the short term.

Economists also remain skeptical that long-term investments will produce short-term gains, and that high-cost projects will be paid for through any means other than increased borrowing.

Don Drummond, formerly TD Bank’s chief economist and before that a high-ranking official at the Department of Finance, has said that the government seems to be resting its projections on optimistic forecasts for economic growth and labour productivity.

With a range of threats on the horizon, such as rising American tariffs, Drummond said Canada could be making itself vulnerable, as was the case from the mid-1970s to the mid-1990s, when governments continued

to assume that stronger growth was just around the corner.

While Monday may have been the official part of the pre-budget ritual, the process started unofficially many weeks ago as economists, industry and business groups, think tanks and others started gathering their budget wish lists and policy recommendations. Some submitted them to the parliamentary finance committee more than a month ago.

Champagne met Monday with business leaders and said Canadians can take part in the budget process until Sept. 8 through an online portal.

Prime Minister Mark Carney’s government has been trying to improve the Canadian economy’s long-term competitiveness and its ability to export beyond the United States, with a particular focus on boosting corporate investment. But hitting those goals will not be cheap.

And after the Liberal government amassing massive deficits in recent years, Champagne’s comments made no mention of cuts, suggesting that the government plans to double-down on its emphasis of paying for its spending mostly from added debt.

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