

**WEEKLY COMMENTARY**

# In a Polycrisis World, Could Health Care Be the Biggest Risk to Canada’s Fiscal Sustainability?

By Randall Bartlett, Deputy Chief Economist

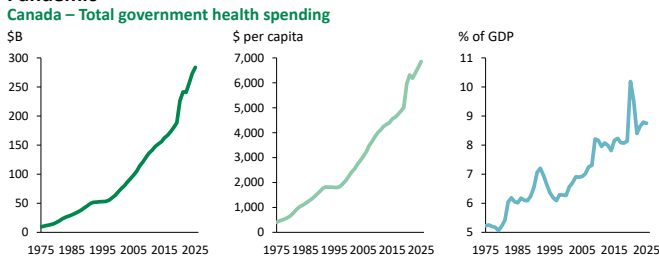
**One of the more striking trends to emerge from the 2026 provincial budget season was the deterioration in planned government deficits.** Lower-than-anticipated resource revenues played an important role in some instances. But the biggest driver of larger deficits was higher-than-previously-planned spending, particularly on health care. While the reasons for this sharp increase in expected health care expenditures differed across provinces, the trend was unmistakable.

**What is happening with public health care in Canada?** Spending on publicly provided health care increased significantly during the COVID-19 pandemic. It has remained elevated since and has yet to return to its pre-pandemic trend (graph 1). The same is true for per capita public health care spending. Meanwhile, public spending on health care in Canada continues

to trend gradually upward as a share of the economy, as health spending is advancing faster than the Canadian economy is growing.

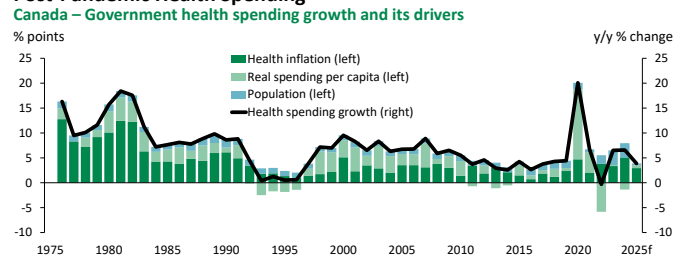
**What’s been driving elevated public spending on health care in Canada?** Health care cost inflation has played an important role, often surpassing total CPI inflation (graph 2)—a trend which is likely to continue. And while population growth has contributed little historically to the rise in publicly provided health spending, it has been an important driver in recent years. However, this tide has turned as Canada’s population has begun to shrink due to a sharp decline in non-permanent residents. As such, population growth shouldn’t be a major factor going forward and may instead act as a headwind to rising health care expenditures.

**Graph 1**  
Government Health Spending Has Remained Elevated Since the Pandemic



Canadian Institute for Health Information, Statistics Canada and Desjardins Economic Studies

**Graph 2**  
Inflation and Population Growth Have Been Major Drivers of Post-Pandemic Health Spending



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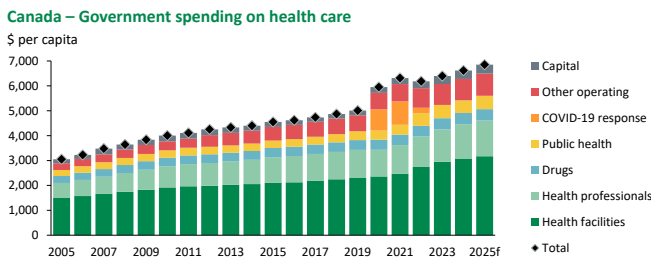
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**Governments have revised down their projections for future population growth while at the same time increasing their outlooks for planned spending on health care.** As such, it's rising per capita costs that are expected to make an outsized contribution to higher health care spending in the coming years. According to data from the Canadian Institute for Health Information (CIHI), per capita public spending on health care surpassed its COVID-19 pandemic peak in 2023 and is still rising (graph 3).

**And there's the rub: health care costs are expected to rise sharply while revenue growth slows.** Given that health care is the largest spending line for provincial governments, they are most at risk of these mounting costs eroding fiscal sustainability. According to the Office of the Parliamentary Budget Officer's (PBO) [Fiscal Sustainability Report 2024](#), half of Canada's provinces were in a fiscally unsustainable position before President Trump returned to office. And many of those whose finances were fiscally sustainable were just on the right side of the line. Since then, Canada has been hit with US import tariffs, an oil price shock and back-to-back budget seasons that for the most part saw planned deficits widen, not narrow.

**Graph 3**  
Spending on Health Facilities and Workers Is Driving Per Capita Growth

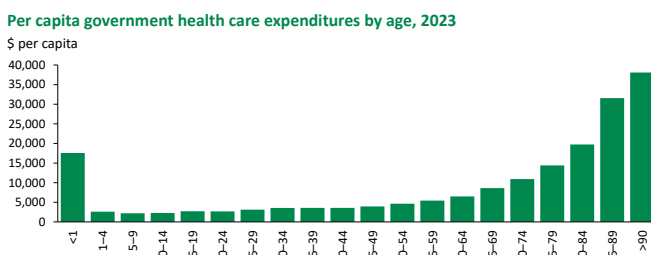


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**The Office of the PBO determined that, unlike the provinces, the federal government was in a fiscally sustainable position following its 2025 budget, albeit just barely.** With the Canada Health Transfer having fallen as a share of provincial health spending and expected to fall further in the years ahead, there will be calls for the federal government to pony up. It no longer has the fiscal room to do that while keeping its debt outlook sustainable. As such, more needs to be done to improve the efficiency of publicly provided health care in Canada to keep costs down against the backdrop of rising demand and limited fiscal capacity. Failure to do so could involve some very difficult trade-offs.

**Underpinning the rising per capita health spending numbers is the changing demographics in Canada.** The average age of Canadians is increasing, and the recent tightening of immigration is only going to exacerbate that trend. According to Statistics Canada, the share of people 65 years and over in the population went from 16.0% in 2015 to 19.5% in 2025 and could rise to nearly 23% by 2035. The impact on public finances operates through both spending and revenue channels. From a spending perspective, per capita government health expenditures increase almost exponentially starting around middle age (graph 4). As the population ages, this gets compounded. On the revenue side, the share of working-age Canadians who finance these rising expenditures is getting smaller.

**Graph 4**  
Health Care Costs Increase Almost Exponentially after Middle Age



Canadian Institute for Health Information and Desjardins Economic Studies

# What to Watch For

## MONDAY April 13 - 10:00

March	ann. rate
Consensus	4,060,000
Desjardins	4,035,000
<b>February</b>	<b>4,090,000</b>

## THURSDAY April 16 - 9:15

March	m/m
Consensus	0.0%
Desjardins	-0.1%
<b>February</b>	<b>0.2%</b>

## WEDNESDAY April 15 - 8:30

February	m/m
Consensus	3.8%
Desjardins	3.8%
<b>January</b>	<b>-3.0%</b>

## THURSDAY April 16 - 5:00

March	m/m
Consensus	n/a
Desjardins	0.0%
<b>February</b>	<b>-1.3%</b>

## FRIDAY April 17 - 8:15

March	ann. rate
Consensus	252,500
Desjardins	258,000
<b>February</b>	<b>250,900</b>

## WEDNESDAY April 15 - 22:00

Q1 2026	y/y
Consensus	4.8%
<b>Q4 2025</b>	<b>4.5%</b>

## UNITED STATES

**Existing home sales (March)** – Home resales were surprisingly strong in February. They climbed 1.7%, even though indicators like pending sales and preliminary regional data suggested they would fall. But February sales have outperformed in previous years, only to be followed by declines in March. So while pending sales and regional data are currently sending more positive signals for March, existing home sales may have deteriorated. Higher mortgage rates may also have hampered the housing market, although their impact on sales could be even stronger over the next few months. Our expectation is that existing home sales sunk to an annualized 4,035,000 units.

**Industrial production (March)** – After jumping 0.7% in January—the biggest month-on-month gain in nearly a year—industrial production edged up just 0.2% in February. Growth likely slowed further in March. The reduction in hours worked in the auto industry is signalling a negative contribution from that segment. Meanwhile, growth in the rest of the manufacturing sector was probably relatively modest, despite improvement in the ISM Manufacturing index's production component over the previous month. However, we expect strong growth in the mining sector, driven partly by oil and gas extraction. But electricity generation likely fell again, as unseasonably warm weather reduced demand. Overall, we anticipate a 0.1% decline in both industrial production and manufacturing output.

## CANADA

**Manufacturing sales (February)** – We anticipate that manufacturing sales increased by 3.8% m/m in February, in line with Statistics Canada's flash estimate. Sales of transportation equipment probably rebounded after falling in January, supporting headline sales growth. In addition, sales of food products likely rose, adding another tailwind. In real terms, manufacturing sales appear to have risen by 3.9%, as seasonally adjusted industrial product prices fell modestly (-0.1%).

**Existing home sales (March)** – Monthly seasonally adjusted national home sales were likely unchanged in March. Early year-over-year figures from local real estate boards show sales increasing in the province of Quebec, including its two largest cities, but declining across some of the other major markets as compared to March 2025. The Toronto Regional Real Estate Board also indicated that seasonally adjusted sales rose 1.4% from February. For our outlook on home sales and prices over the next two years, see our latest [Desjardins Housing Outlook](#).

**Housing starts (March)** – We estimate that March housing starts were roughly 258k (saar), on par with recent homebuilding trends. Once again, strength in purpose-built rental construction—supported by government measures—likely kept starts above what current economic conditions would normally imply. For a detailed view of our housing starts projections through 2026 and 2027, see our latest [Desjardins Housing Outlook](#).

## OVERSEAS

**China: Real GDP (Q1)** – Chinese real GDP growth likely remained resilient, if subdued, in the first quarter of 2026. This performance was probably mainly driven by strong exports and industrial production, while domestic demand and investment, especially in the property sector, continued to weigh on economic activity. Although it looks like the year started off well, the central government expects slower growth in 2026, as evidenced by the official target of 4.5% to 5.0%. In addition, the Iran crisis may start affecting activity as early as the second quarter, as China is one of the economies most exposed to disruptions in global oil supply.


THURSDAY April 16 - 2:00


<b>February</b>	<b>m/m</b>
Consensus	0.1%
<b>January</b>	<b>0.0%</b>

**United Kingdom: Monthly GDP (February)** – After ending 2025 with two months of muted growth, the UK’s monthly GDP stalled in January. Although the country’s economy is wavering between recovery and stagnation, that was still the first time since early 2025 that monthly GDP hadn’t fallen for three consecutive months. We also expect a small bump for February, before the Iran conflict broke out and uncertainty spiked. The situation will be more complex the following month, as gasoline prices jumped 13% between late February and late March, while electricity prices surged 44%. PMIs remained relatively robust in February before slipping a little in March. But retail sales fell in February, though this was after a very strong monthly advance in January. A 0.1% uptick in monthly GDP in February would result in modest carryover growth of 0.2% (non-annualized) for the first quarter.

# Economic Indicators

## Week of April 13 to 17, 2026

Date	Time	Indicator	Period	Consensus		Previous reading
<b>UNITED STATES</b>						
<b>MONDAY 13</b>	10:00	Existing home sales (ann. rate)	March	4,060,000	4,035,000	4,090,000
	18:20	Speech by Federal Reserve Governor S. Miran				
<b>TUESDAY 14</b>	8:30	Producer price index				
		Total (m/m)	March	1.1%	1.4%	0.7%
		Excluding food and energy (m/m)	March	0.5%	0.6%	0.5%
	12:15	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	12:45	Speech by Federal Reserve Vice Chair M. Barr				
<b>WEDNESDAY 15</b>	8:30	Empire State Manufacturing Index	April	-0.5	5.0	-0.2
	8:30	Export prices (m/m)	March	1.7%	3.5%	1.5%
	8:30	Import prices (m/m)	March	2.5%	2.5%	1.3%
	8:30	Speech by Federal Reserve Vice Chair M. Barr				
	10:00	NAHB Housing Market Index	April	37	n/a	38
	13:45	Speech by Federal Reserve Vice Chair M. Bowman				
	14:00	Release of the Beige Book				
	16:00	Net foreign securities purchases (US\$B)	Feb.	n/a	n/a	15.5
<b>THURSDAY 16</b>	8:30	Initial unemployment claims	April 6–10	214,000	217,000	219,000
	8:30	Philadelphia Fed index	April	10.0	8.0	18.1
	8:35	Speech by Federal Reserve Bank of New York President J. Williams				
	9:15	Industrial production (m/m)	March	0.0%	-0.1%	0.2%
	9:15	Production capacity utilization rate	March	76.2%	76.2%	76.3%
	10:35	Speech by Federal Reserve Governor S. Miran				
<b>FRIDAY 17</b>	12:15	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	14:00	Speech by Federal Reserve Governor C. Waller				
<b>CANADA</b>						
<b>MONDAY 13</b>	8:30	Building permits (m/m)	Feb.	n/a	-2.4%	4.8%
<b>TUESDAY 14</b>	---	---				
<b>WEDNESDAY 15</b>	8:30	Wholesale sales (m/m)	Feb.	2.3%	2.3%	-1.0%
	8:30	Manufacturing sales (m/m)	Feb.	3.8%	3.8%	-3.0%
<b>THURSDAY 16</b>	5:00	Existing home sales (m/m)	March	n/a	0.0%	-1.3%
<b>FRIDAY 17</b>	8:15	Housing starts (ann. rate)	March	252,500	258,000	250,900
	8:30	International securities transactions (\$B)	Feb.	n/a	n/a	46.73

**Note:** Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

# Economic Indicators

## Week of April 13 to 17, 2026

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
<b>OVERSEAS</b>							
<b>DURING THE WEEK</b>							
China	---	Trade balance (US\$B)	March	107.65		90.98	
<b>MONDAY 13</b>							
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<b>TUESDAY 14</b>							
Japan	0:30	Industrial production – final	Feb.	n/a	n/a	-2.1%	0.3%
<b>WEDNESDAY 15</b>							
France	2:45	Consumer price index – final	March	0.9%	1.7%	0.9%	1.7%
Eurozone	5:00	Industrial production	Feb.	0.3%	-1.4%	-1.5%	-1.2%
China	22:00	Real GDP	Q1	1.4%	4.8%	1.2%	4.5%
China	22:00	Industrial production	March		5.4%		n/a
China	22:00	Retail sales	March		2.4%		n/a
<b>THURSDAY 16</b>							
United Kingdom	2:00	Trade balance (€M)	Feb.	-2,000		3,922	
United Kingdom	2:00	Construction	Feb.	-0.4%	-0.8%	0.2%	-0.2%
United Kingdom	2:00	Index of services	Feb.	0.2%		0.0%	
United Kingdom	2:00	Monthly GDP	Feb.	0.1%		0.0%	
United Kingdom	2:00	Industrial production	Feb.	0.3%	-1.0%	-0.1%	0.4%
Italy	4:00	Consumer price index – final	March	0.5%	1.7%	0.5%	1.7%
Eurozone	5:00	Consumer price index – final	March	1.2%	2.5%	1.2%	2.5%
<b>FRIDAY 17</b>							
Eurozone	4:00	Current account (€B)	Feb.	n/a		37.9	
Italy	4:00	Trade balance (€M)	Feb.	n/a		1,089	
Italy	4:00	Current account (€M)	Feb.	n/a		-1,785	
Eurozone	5:00	Trade balance (€B)	Feb.	n/a		12.1	

**Note:** Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).