

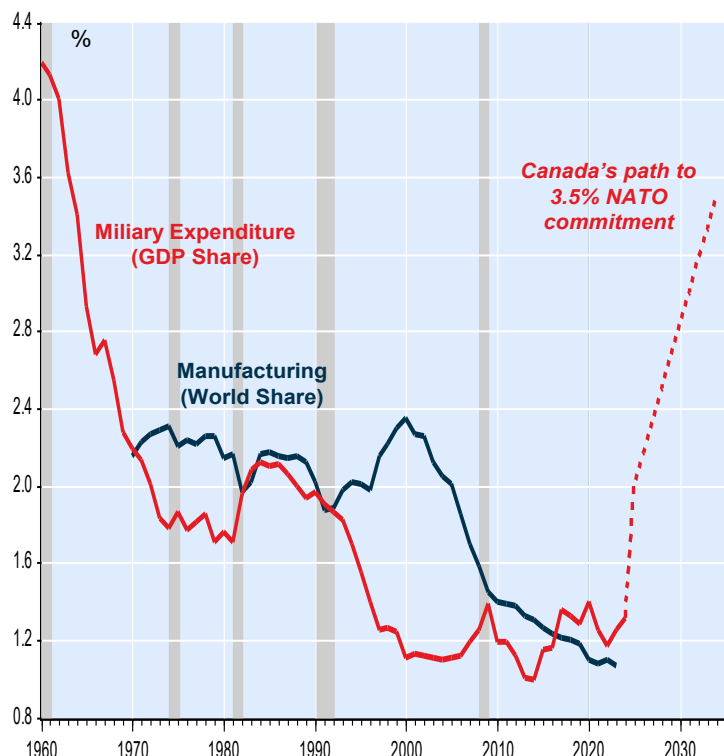
Canada Watch

By Ethan Currie & Stéfane Marion

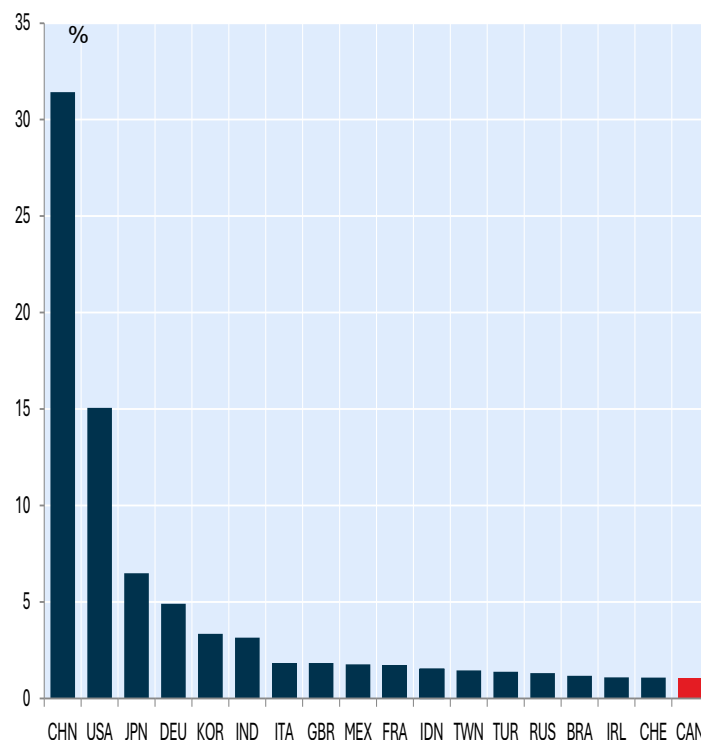
Like other NATO members, Canada will be on the hook for allocating more dollars to defence over the next decade. Canada's military budget was already pointed higher, though a new 3.5% core defence target will undoubtedly put pressure (and a timeline) on the country's ability to complete 'nation-building' projects. This initiative is one that will require Canada to perform a significant pivot to reindustrialize, leveraging an underutilized comparative advantage in energy to grow the manufacturing sector once again. Today's *Hot Chart* shows that Canada's global manufacturing footprint has been in structural decline since military spending was last at the 2.0% mark. With fresh [NATO commitments](#), Canada's military spending is set to reach levels not seen since the 1960s, with the intent to drive domestic procurement, [redefining](#) output levels and also factory composition. That spark is needed in Canadian manufacturing, which ranks eighteenth on the world scale, punching well below its weight class and offering less outright value than economies which are much smaller (such as [Ireland](#)). In 1987, when Canada was last allocating 2.0% of GDP to defense spending, the country's share of world manufacturing was nearly double where it stands today, ranking ninth – much more appropriate / proportionate with regard to economic size and comparative advantages at hand. This arms race is not only about hitting a spending target – it's an opportunity for Canada to stage a comeback in productivity and industrial competitiveness, where [bolstering a weak domestic manufacturing](#) setting will play an integral role.

Canada: Defence dollars may re-arm factories and productivity

Canada's military spending as a share of GDP
vs share of total world manufacturing



Share of world manufacturing
by country (2023)



NBC Economics and Strategy (data via SIPRI, UN Trade & Development) | Note: Share of world manufacturing VA in 2015 \$USD



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