



Anxious Canadians give Liberals another minority (but nothing status quo about it)

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Note: This update to our original report reflects latest official results (party seat counts, vote shares, turnout) from Elections Canada. All results are as at 09:00ET April 30th. Final/certified election results could vary.

- In a mostly two-party race, Mark Carney's Liberals won the election. It's a first for Carney but fourth straight win for the party, though the Liberals have been held to a minority the last three times out now. The Liberals can boast a stronger mandate, having carried over 43% of the vote. The party won the most seats in seven provinces but remain most under-represented in Alberta and Saskatchewan.
- With 169 seats, the Liberals fell short of expert projections. Being three short of a majority, the Liberals will need the support of one (or more) opposition parties to advance an ambitious agenda. This is likely to be done on a vote-by-vote basis, the workability and ultimate durability of Canada's 45th Parliament needing to be tested.
- The Conservatives, while winning a larger-than-expected number of ridings (144) and securing a stronger share of the vote, remain 'official opposition'. Conservative leader Pierre Poilievre lost in his riding but vows to fight on. The Bloc and NDP both lost ground, the latter failing to achieve 'official party' status.
- The vote centred on who was deemed best positioned to deal with an antagonistic U.S. Administration. Cost-of-living pressure were likewise top of mind for many voters. Given the severity of the U.S. threat and structural roadblocks to growth, the Liberals ran on a 'Canada Strong' plan that involves net new investments (and thus implies larger deficits and more federal debt).
- Carney's Liberals also favour a new approach to federal budgeting, shifting the focus to an operational budget they aim to balance by year four of their mandate. No explicit debt targets were outlined in the Liberal plan. Regardless, bond investors will be called upon to absorb incremental GoC supply, with non-residents having been a particularly vital source of demand lately.
- A fresh cabinet will need to be struck, with many prominent ministers winning re-election. Carney himself will take a seat in the House of Commons for the first time. Once parliament is convened (no date yet), a federal budget must be presented, this important fiscal blueprint already late by traditional standards.
- But the first most vital piece of business for the Prime Minister will be a quick re-engagement with the U.S. President on trade and security issues, ultimately with a view to lessening the tariff burden and securing predictable access for Canadian exporters.
- With the 'old relationship' with the U.S. essentially over, Canada is in need of a fresh strategy and bold action. The Liberals aim to move on multiple fronts, promoting inter-provincial trade, lessening the personal tax burden, boosting housing supply, among other things. There's an opportunity to re-think Canada's energy strategy too, though quick progress will require revisiting some contentious federal legislation. We view this a worthwhile endeavour, having the potential to strengthen federal-provincial relationships and the national economy at the same time.

In what was arguably one of the more consequential/pivotal votes in recent memory, Canada's 45th general election saw the incumbent Liberal government, now led by Prime Minister Mark Carney, returned to power. But in what turned out to be a tight, largely two-party race, the Liberals secured a less-decisive victory than some experts had projected. In the end, it's looking like a third straight Liberal minority (and fourth straight Liberal victory overall going back to 2015).

While a Liberal minority government may sound like a familiar result, there's nothing status quo about Canada's political backdrop. Party fortunes and voter behaviour have shifted notably. Vitality, Canada appears as a country in socio-economic, geopolitical and fiscal transition, one needing to reframe its relationship with a once-trusted partner, one in need of bold/inspired leadership, yet one still requiring a degree of parliamentary cooperation. Both major parties—the victorious Liberals and the still-in-opposition Conservatives—advocated major policy shifts, the status quo no longer a viable option given structural pressures and acute instability/uncertainty. In siding with one of the two main parties in unusually large numbers, Canadians generally agreed.

For the re-elected Liberals, there's an expansive platform to deliver, the party aiming to steer debt-financed investment towards a host of transformative measures. 'Build' is meant to be the operative word for Carney's Liberals and the core focus of the four-year blueprint which still needs to be reflected and implemented in official government plans. Moreover, with an apparent plurality of seats, the Liberals will need the support of one or more opposition parties to push an ambitious agenda through. Given the Liberal gains in Quebec, the Bloc could most naturally hold the balance of power in a minority parliament on an issue-by-issue basis. The much-reduced NDP, while falling short of official party status, could also potentially bring their numbers to bear as the Liberals look to have fallen just shy of a majority. Either way, there's seemingly little appetite for a formal supply and confidence agreement.

While the workability (and ultimate durability) of Canada's 45th Parliament remains to be tested, there's no shortage of priorities for the Liberal minority to advance on. On some key files, most notably the trade relationship with the U.S., there's very little time to waste.

The election result: Carney's Liberals held to minority

While major media outlets 'called' a Liberal victory just after 22:00ET on election night, a series of tight contests meant the nature of the victory—minority or majority—took plenty of time to clarify.

➤ **Liberals:** Leading/elected in 169 ridings; 43.7% popular vote

This marks a fourth consecutive election victory for the Liberals (2015, 2019, 2021, 2025). Four straight wins is a rare thing in Canadian politics. Without question, the rather abrupt turnaround in Liberal fortunes from the late 2024/early 2025 (when the party polled close to 20%) to election night (when more than 43% of the vote went their way) is quite striking.

It's the first election win for Prime Minister Carney, who only took over party leadership (from Justin Trudeau) in March. Carney won his riding (Nepean, ON) handily and will take his seat in the House. But the Liberals appear to have been denied a coveted majority for a third straight time. While missing out on a majority, the 43.7% of the popular vote for the Liberals represents a much stronger mandate than last election (2021), when the party collected just

32.6% of the popular vote—a post-war low in terms of the winning party's share of the vote. Carney struck an upbeat and decisively pro-Canada tone in his victory speech, channeling key elements of an ambitious Liberal platform (outlined below) and promising to face down a U.S. threat on behalf of *all* Canadians.

➤ **Conservatives:** *Leading/elected in 144 ridings; 41.3% popular vote*

This result leaves the Conservatives as 'official opposition' despite their best showing in popular vote since 1988. The party's once-sizeable lead over the Liberals (in evidence as recently as January) rather melted away as Justin Trudeau announced his intention to step aside and as a potentially devastating trade war with the U.S. kicked off. Based on last count, leader Pierre Poilievre was beaten in his own riding (Carleton, ON) and he likewise becomes the latest Conservative leader unable to immediately dethrone the Liberals. (Erin O'Toole was unsuccessful in 2021, while Andrew Scheer came up short in 2019.) Saying that, the Conservatives made in-roads, notably in Ontario, winning more seats (144) than most recently projected and denying the Liberals a majority. For his part, Poilievre's concession speech dubbed the outcome a razor-thin minority and/or virtual tie. Arguing that change takes time, he pledged to stay on to keep up the fight.

➤ **Bloc Québécois:** *Leading/elected in 22 ridings; 6.3% popular vote*

The Bloc came a clear second to the Liberals in Quebec, the party's relative loss very much the Liberal party's gain. Leader Yves-François Blanchet won his riding (Beloeil-Chambly, Que) by a comfortable margin, but the party's standing was reduced vs. the prior two elections. Despite the party's smaller seat count, the Bloc could serve as potential 'king makers' (i.e., holding the balance of power in a minority parliament). Based on preliminary results, the combined Liberal and Bloc seat count would be comfortably north of the 172 needed to maintain the confidence of the House and ensure passage of legislation. We will see if party interests can be aligned.

➤ **NDP:** *Leading/elected in 7 ridings; 6.3% popular vote*

The election is a clear setback for Jagmeet Singh's NDP. The preliminary seat count leaves the NDP shy of 'official party status' territory (12 seats required). Indeed, this is the worst showing for the NDP in the 60-plus years the party has contested federal elections. Singh was roundly defeated in his riding (Burnaby Central, B.C.), the leader announcing his intention to step down. Saying all that, the NDP could still wield influence in a prospective minority parliament, since the party's 7 seats could potentially make all the difference on confidence motions/money bills. Stay tuned.

➤ **Other:** The Greens won a single riding, that for co-leader Elizabeth May. The PPC failed to gain traction, leader Maxime Bernier losing in his riding. No independents were elected.

A polarizing, two-party vote with plenty of tight races: As widely expected and as outlined above, the rather charged atmosphere within which the vote was held saw many Canadians narrow their focus to two main parties: the Liberals and the Conservatives. These two parties jointly account for a larger share of the popular vote: 85% in 2025 vs. 67% in 2021. In terms of seats, the two parties won a combined 313 seats, controlling 91% of the 343 total ridings contested. Support for the NDP evaporated most notably, although the Bloc's share of the popular vote and total seat count were also down.

Voter turnout: Given the obvious importance of this federal election, voter turnout looks to have been relatively brisk. Elections Canada puts turnout at 68.7%. In Canada's ten prior general elections, turnout had averaged 64% (failing to hit 70%). Party leaders had asked Canadians for a clear mandate and with an apparent record number of citizens looking to have marked a ballot, that's ostensibly what we have here.

Surprise factor: Just how well did political pundits handicap the vote? Not as well as the last couple times out. A variety of firms conducted

public opinion polling during the campaign; we counted more than 160 unique polls during the relatively condensed campaign. Not all polls painted identical pictures and party support in some cases appeared fluid as election day neared.

We most closely follow two well-established poll aggregators—Éric Grenier of CBC Poll Tracker (and TheWrit.ca) and Philippe Fournier of 338Canada—that effectively distill available polling data into timely and uber-detailed projections. Both CBC Poll Tracker and 338Canada saw a Liberal majority as the most likely outcome (a 65-70% proposition based on established methodology).

The final central projection from CBC Poll Tracker had the Liberals winning 189 seats. 338Canada saw it similarly, projecting 186 seats for the Liberals. Liberal vote efficiency appears to have been overstated, as the party was held to 169 in the end. Turning to the other side of the aisle, both aggregators saw the Conservatives winning ~125 seats, underestimating Conservative strength by some margin. The Bloc's 22 seats lined up better with final projections. And while the NDP suffered a major setback vs. past election results, the party's fairly limited seat count had been largely anticipated. In the end, the absolute error (i.e., actual vs. final projection for all parties) was far wider than in 2021 or 2019, poll-based projections thus leaving something to be desired. We'll leave it to these experts to decipher where projections went astray.

Regional perspective: As is often the case, detailed election results reveal/reinforce regional voting tendencies that in the past have been the source of some friction. Preliminary results have the Liberals carrying seven of the ten provinces (and also winning most of the territorial seats on offer). While not exactly shut out, the Liberals remain most under-represented in Alberta and Saskatchewan, where the Conservatives are more dominant. Consider: Just 6% of Alberta/Saskatchewan elected MPs are Liberals, whereas 92% fly the Conservative banner. The Liberals also came second to the Conservatives in Manitoba. Saying that, in Carney's victory speech, he repeatedly emphasized his intention to govern for all Canadians.

As noted, Quebec remains its own special case, as the Bloc secured 22 seats, or half that of the Liberals' (44). The NDP, which historically enjoyed pockets of strength, most notably in British Columbia, was left with very little to celebrate across much of the country. Setbacks for the Bloc and NDP highlight the much greater concentration of lawmakers from the two largest parties.

What the vote was about: Trump & the cost of living

Key issues: If there were defining issues during the election campaign, the two most top-of-mind were essentially: 'who is best positioned to protect Canada from President Trump' and 'who will address cost of living pressures'. To be fair, there's some interplay here.

Clearly, the vote came amidst a particularly volatile/unsettling period with the U.S. having slapped tariffs on a variety of Canadian imports. Those tariffs could severely jeopardize Canada's economic well-being, now and into the future. Canada's sovereignty has also been seemingly threatened by the U.S. president. Witness the election-day missive via Truth Social:

"Good luck to the Great people of Canada. Elect the man who has the strength and wisdom to cut your taxes in half, increase your military power, for free, to the highest level in the World, have your Car, Steel, Aluminum, Lumber, Energy, and all other businesses, QUADRUPLE in size, WITH ZERO TARIFFS OR TAXES, if Canada becomes the cherished 51st. State of the United States of America. No more artificially drawn line from many years ago. Look how beautiful this land mass would be. Free access with NO BORDER. ALL POSITIVES WITH NO NEGATIVES. IT WAS MEANT TO BE! America can no longer subsidize Canada with the Hundreds of Billions of Dollars a year that we have been spending in the past. It makes no sense unless Canada is a State!"

A number of pre-election polls suggested more Canadians viewed Carney as the party leader best positioned to respond to Trump. To the extent voters still had the U.S. president on their mind on election day, Carney (and his Liberal party) has been handed the task of sticking up for all of Canada.

Affordability and the cost of living were clearly top of mind for many and could well be negatively impacted by a sustained trade war. Here, personal tax relief has been deemed part of the solution by both the Liberals and Conservatives. Of course, there's one key source of affordability anxiety that clearly pre-dates Trump, that related to housing. That's why housing-related initiatives, including new supply and targeted tax relief, featured prominently in major party platforms.

The full list of ballot box issues included some other familiar subjects like support for health care, alongside some newer or more prominent entries like accelerated/enhanced defense spending (which ties back to U.S. demands for NATO allies to bolster defense budgets).

Likewise influenced by the ongoing trade war was a growing focus on nation building. There was much focus on enhanced interprovincial trade, perhaps even via major new energy infrastructure. Mind you, energy policy remains a delicate/nuanced subject, with regional perspectives/goals apt to differ. But faced with such extreme threats from the U.S., there's perhaps less divisiveness (or greater opportunity) on energy policy now than in the recent past. Of note, Carney's earlier axing of a consumer carbon tax partially addressed a long-standing/high-profile Conservative complaint. Similarly, the Liberals had earlier committed to a notional cooling off period for international immigration, the country having had difficulty absorbing the earlier outsized wave of new immigrants.

Fiscal considerations (including the size and efficiency of government, the scale of the federal deficit and associated debt accumulation) was another broad area of focus for some. However, based on the election outcome, enough Canadians felt it was appropriate to continue to deploy the federal government's balance sheet in an effort to bolster an economy clearly under siege from its southern neighbour. Which brings us to the Liberal party's stated plans for the country and related implications for fiscal policy...

The (new) Liberal mandate: Canadians have once more opted for a Liberal government. So just what did Carney's Liberal party campaign on? The detailed Liberal platform (which can be accessed [here](#)) promised plenty of 'new investments', only partially financed by new revenue/savings, which suggests marginal stimulus, incremental red ink and enlarged borrowing needs relative to the pre-election baseline.

Digging into the Liberal party's 'Canada Strong' fiscal plan, you will find four main pillars of initiative:

- The Liberals look to **'Unite'** the country by investing in infrastructure, nation-building projects and trade diversification efforts;
- To **'Secure'** Canada, the Liberals pledge to bolster defense spending while standing at the ready to support tariff-led economic fallout;
- The platform outlined commitments aimed at expanding public health care, promising to **'Protect'** certain demographics through continuing support;
- Lastly, the Liberal plan aims to **'Build'**. This is the single-largest envelop of new investments, inclusive of reduced middle-class income taxes, increased housing supply, plus efforts to 'supercharge growth' by supporting infrastructure development, investment, and innovation.

Gauging the potential fiscal price tag: In all, the Liberal platform promises roughly \$130 billion in new measures over a four-year period

covering 2025-26 to 2028-29. Partially supporting/financing these various investments are incremental revenues and savings which sum to just over \$50 billion over the same four fiscal years. More specifically, revenue/savings are to be derived from retaliatory customs duties (estimated at \$20 billion for only 2025-26), increased penalties and fines, and savings associated with enhanced government productivity.

If fully implemented, the ambitious Liberal plan would add to the federal deficit vs. the pre-election baseline. For 2025-26, the net cost (i.e., new investments less new revenues/savings) amounts to \$15.2 billion, rising to a net \$26.2 billion in 2026-27.

It follows that the all-items federal deficits outlined in the Liberal plan are larger than the pre-election baseline, topping \$60 billion and approaching 2% of GDP in 2025-26. The comprehensive or all-items shortfall was seen declining to 1.35% of GDP by year four. In general, this is a relatively looser fiscal plan than that advocated by the Conservatives, with incremental investments designed to spur lasting growth. Extra federal fiscal stimulus, combined with assorted provincial initiatives rushed out this budget season, could lessen the argument for Bank of Canada easing (all else being equal). Though again, we will really need to see how much the Liberal platform is embraced by the government and adopted by parliament.

Strictly speaking, the larger federal debt load from the Liberal platform—while still comparing favourably to many other advanced sovereigns—could additionally argue for higher bond yields and/or steeper yield curves, *ceteris paribus*. See below for additional colour on what the Liberal plan might entail in terms of near-term bond supply.

To re-focus the fiscal discussion, Carney's Liberals favour a new public accounting methodology, keying on the operational budget balance (i.e., excluding the capital outlays which are such a focal point of the Liberal strategy). This is an idea Carney advanced when running for the Liberal leadership. As per the Liberal platform, a balanced operational position would look to be secured by the final year of the four-year plan (i.e., 2028-29). No debt targets were explicitly mentioned in the Liberal platform.

Notwithstanding the intended improvement in the operational budget, a large(r) capital spending program would need to be financed. Ottawa's maturing debt likewise needs to be refinanced. So relative to the preliminary estimate of \$310 billion of gross GoC bond supply for fiscal 2025-26, incremental Liberal investments (if adopted) hint at an even larger federal bond program (all else equal). At this point, we could envision a roughly \$325 billion gross GoC bond program for 2025-26, a noted step up from the \$241 billion that was issued in 2024-25.

While the GoC market remains well functioning, with non-trivial net supply thus far well digested, we're mindful of the growing borrowing needs telegraphed across a variety of sectors. We'd likewise note the prominent role international bond investors (including central banks) have played in absorbing net GoC issuance. It's therefore important for Canada's federal government to maintain the confidence of non-residents. These investors could look to rating agencies for an assessment of the sovereign's creditworthiness, with rating risks increasingly top of mind in Canada's broad public sector. The sovereign doesn't exactly receive top marks on fiscal scorecard metrics from the most influential credit rating agencies, so the eventual assessment of the forthcoming federal budget will be important to watch. While certain provincial governments have seen credit ratings come under negative pressure following this budget season, some of the incremental supports pledged by the Liberals could ultimately ease pressure on regional economies.

Note that the above discussion assumes the Liberals have sufficient support in parliament, either directly or via an opposition party (or parties), to implement the official party platform. It remains to be seen what concessions or sacrifices the Liberals may need to provide/offer to secure opposition support (if it is ultimately needed). As a general rule, a centrist party in need of parliamentary support from a purely regional bloc or a left-of-centre opposition party is not necessarily conducive to debt containment, but we shall see.

Where to from here, Mr. Carney?

Next steps: Things could continue to move quickly for Prime Minister Carney, as the geopolitical backdrop remains quite fluid. Carney will need to choose a new cabinet from his freshly elected cadre of Liberal MPs, presumably taking traditional regional representation norms into consideration. There could be an argument for continuity in some key portfolios, with Carney only recently shuffling a number of ministers. For example, current finance minister François-Philippe Champagne ran and won. Ditto for some other current and high-profile ministers, including Dominic LeBlanc (trade), Mélanie Joly (foreign affairs), Jonathan Wilkinson (energy), Bill Blair (defense), Anita Anand (innovation), among others. Carney's chief Liberal leadership rival, Chrystia Freeland, was likewise re-elected. There will obviously be an opportunity to inject fresh new blood, with Carney now able to put his full stamp on a new cabinet. Once selected and sworn in, ministerial mandate letters (to the extent they are once again made public) would give a clearer sense as to the government's key objectives in closely watched portfolios. The forthcoming Speech from the Throne could also be telling.

Assuming the preliminary minority outcome is confirmed, the Liberals could likewise begin to feel out the opposition parties for areas of shared interest/commonality, all in hopes of securing parliamentary support for what is meant to be an ambitious fiscal plan (consistent with Carney's 'Build Baby Build' mantra). Like the Liberals, the Conservatives have advocated personal tax relief and might theoretically support other pro-growth and/or affordability initiatives. But the role of the 'official opposition' is to hold the government to account. Thus, the Liberals are more likely to turn to the Bloc and/or NDP for support (or perhaps abstention) on an issue-by-issue, vote-by-vote basis. Stay tuned. By design, minority parliaments can prove fickle and less-than-predictable. Historically, minorities don't tend to last much beyond 18-24 months, the last (and outgoing) Liberal minority proving exceptionally durable (thanks to an earlier supply and confidence agreement with the NDP that we view as unlikely to be repeated).

But even before taking his seat in a House divided along party lines, the Prime Minister must surely turn his attention to Canada's trade and security arrangement with the U.S. This is the most pressing concern facing the country, the proverbial 'existential threat' that so galvanized Canadian voters. In an earlier, preliminary exchange, Trump and Carney agreed to reconnect following the election. So that time is now.

As Carney emphasized on election night, these are meant to be talks between two sovereign nations.

Getting going on upcoming trade negotiations: A potentially fragile Liberal minority government will soon begin renegotiating the USMCA. It is hoped that Liberal and Conservative leaders will set aside their personal differences to present a united front during these pivotal negotiations. After all, both parties have taken similar positions on cushioning the blow of the Trump administration's tariffs by implementing such measures as subsidizing industries, and promoting infrastructure and energy projects.

We expect Canada to ultimately retain substantial, albeit somewhat reduced, access to the U.S. market after making concessions in various sectors, including lumber, agriculture and defence (i.e., increased spending). Greater restrictions on imports from China will also be part of the new deal. One possible outcome could include the imposition of export limits on autos, steel, and aluminum instead of the current tariffs, as the United States attempts to reindustrialize.

Canada must move quickly to begin trade negotiations, as prolonged uncertainty increases the risks for companies seeking access to the U.S. market to establish or expand operations in Canada. From this perspective, a flawed deal is better than no deal, even if it faces intermittent tariff threats.

Finally, Canadians should be aware that the upcoming trade negotiations are likely to involve significant drama and aggressive rhetoric, especially if President Trump tries to capitalize on the election results. Again, it will be critical for the Liberals and Conservatives to present a united, pro-Canada front during the negotiations. All of this could have an impact on financial markets, at least in the short term.

Beyond U.S. trade discussions, the Liberals must also begin crafting the 2025 budget, which is already quite late by traditional standards given the earlier Liberal party's leadership transition and subsequent general election call. Like the election itself, the eventual federal fiscal blueprint (complete with updated debt borrowing strategy) will come at pivotal time for Canada. The budget, which can't be presented until a new parliament is struck, will serve as another important vehicle to respond to U.S. threats and fulfill the strong Canada vision the Liberals ran on and won.

We tend to agree with Mr. Carney that some strategic nation-building investment will be needed in order to secure a prosperous future for all Canadians. We likewise see the nation positioned as a (clean and conventional) energy superpower. Notwithstanding Carney's 'Build Baby Build' mantra, which is as catchy as anything Mr. Trump has on offer, moving quickly on vital energy infrastructure will likely require a timely re-assessment of some existing federal legislation that has stifled development up till now. There's a fresh opportunity to take decisive action here, while simultaneously bolstering federal-provincial relationships.



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