

Budget 2025 in 10 charts

By Warren Lovely, Taylor Schleich & Ethan Currie

It's been a minute since the last federal budget in Canada. But Mark Carney's minority Liberal government has now tabled its first detailed fiscal blueprint. Titled 'Canada Strong' it's very much investment-centric.

The budget comes at a rather pivotal (fraught) time for a national economy in need of help... both in the short and medium term. 'Generational', 'transformational', 'costly', one could debate the most appropriate adjective to assign to a budget plan that has big(ish) ambitions. Expectations had been raised sky high, and while there are some good (read necessary) first steps, it's not clear that this plan is, on

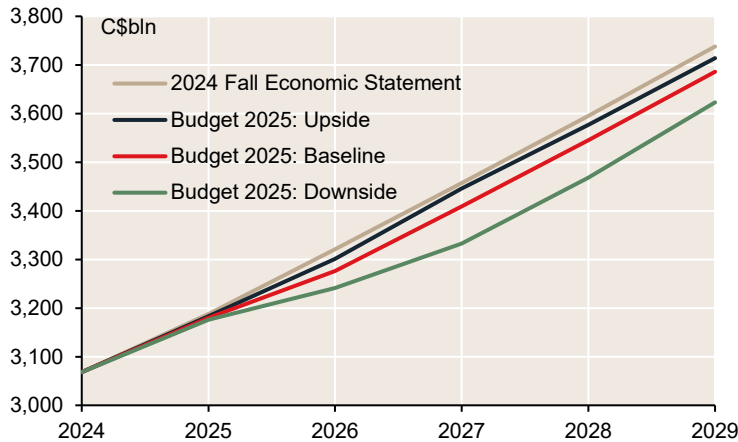
its own, sufficient to fully energize the business sector en route to lasting economic success.

We offered a detailed examination on budget night. That detailed report is available [here](#). This supplemental *Market View* takes a more visual perspective, distilling key elements of the budget into 10 charts.

This won't be our last word on the budget. Top of mind, key elements of the government's debt management strategy deserve their own treatment. We'll go there next in another complementary *Market View*. Stay tuned.

Chart 1: In any scenario, nominal GDP is on a shallower path

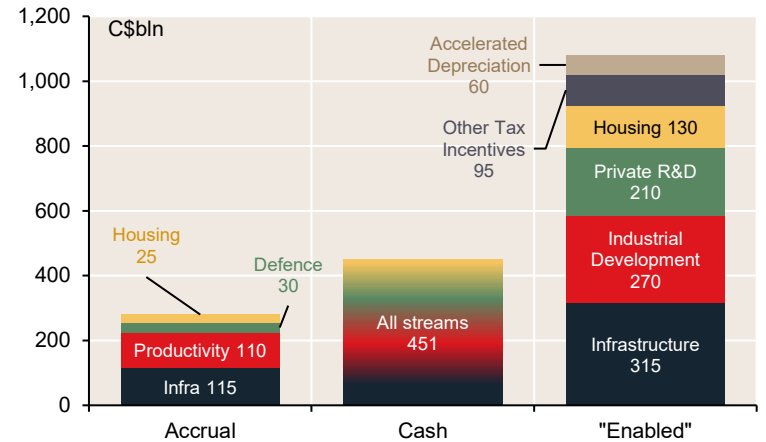
Canada nominal GDP: 2024 Fall Economic Statement vs. Budget 2025 scenarios



Source: NBC, GoC

Chart 2: Government enabling \$1 trillion in total investment?

GoC accrual- and cash-based investment spending & total "enabled" investment

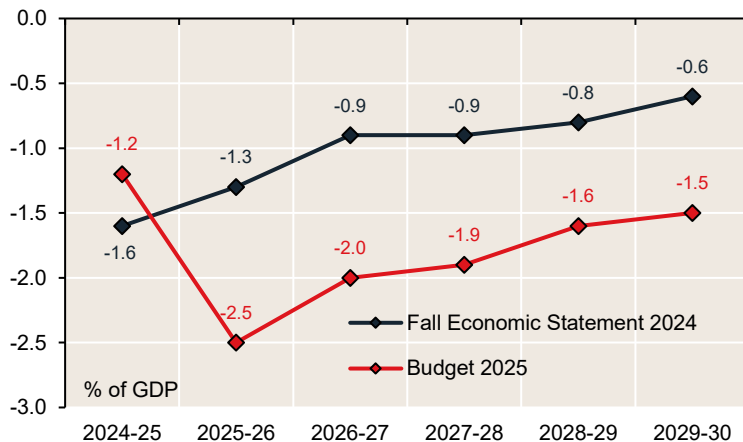


Source: NBC, GoC

The budget comes at delicate time for a Canadian economy set back by U.S. tariffs and long been plagued by underinvestment and poor productivity. Economic assumptions reflect the consensus viewpoint, which isn't terribly bullish. Any way you slice it, nominal GDP—a key proxy for total revenue and the denominator in some of the most important fiscal metrics—looks to be on a shallower path than previously envisaged. Hence the raft of investment-driven measures, which the government believes could spur \$1 trillion in total investment, thereby boosting GDP longer term.

Chart 3: Deficit still set to shrink (after major base adjustment)

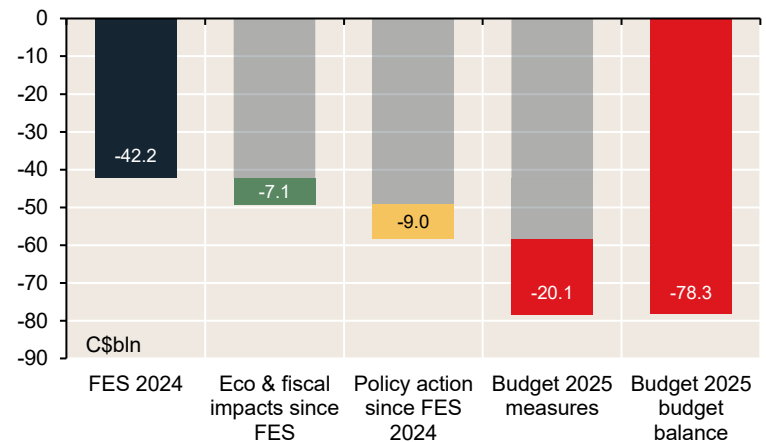
Federal budget balance as a share of GDP: 2024 FES vs. 2025 Budget



Source: NBC, GoC

Chart 4: Deficit driven by new & old policy, weaker economy

Contributions to revised 2025-26 budget balance

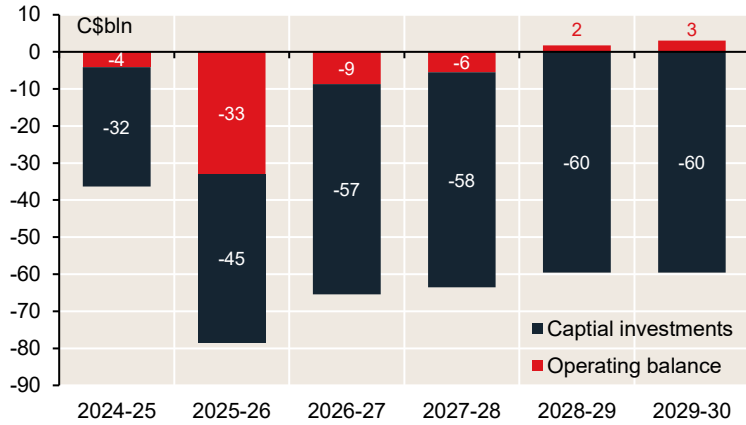


Source: NBC, GoC

To no surprise the 2025-26 deficit has grown substantially. At \$78.3 billion, the deficit is equivalent to 2.5% of GDP and is more than double the prior fiscal year (expressed in dollars or scaled to GDP). Come to think of it, this fiscal year's shortfall might have been even larger were it not for a positive 'base effect', as \$12 billion was shaved off the 2024-25 deficit vs. prior guidance. When it comes to the evolution of the 2025-26 shortfall, a little over half of this year's deterioration is attributable to measures announced in the budget. The rest relates to policies announced before the budget and economic developments. As one of two 'fiscal anchors', the government pledges to keep the deficit-to-GDP ratio on a downward track from here.



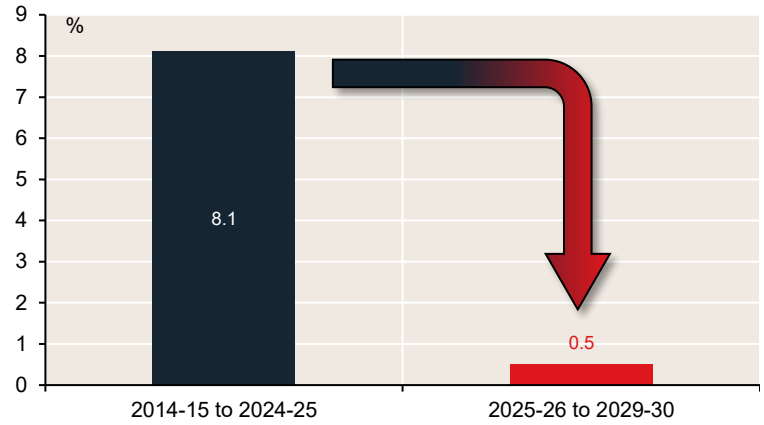
Chart 5: Budget sees a quick return to (operational) balance... Day-to-day operational balance and capital spending



Source: NBC, GoC

'Spend less to invest more' has been one mantra of this government and a new accounting framework demonstrates this. The operating deficit is meant to decline notably in 2026-27 (note it wasn't far from balance last year), as a fiscal anchor requires balance by 2028-29. That requires a sharp reduction in the pace of program spending growth. Capital spending won't slow, meanwhile.

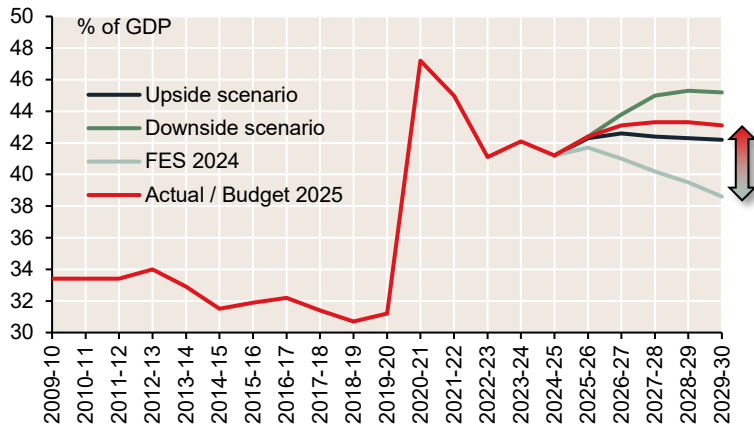
Chart 6: ... as program spending steps on the brakes CAGR for direct program expenses



Source: NBC, GoC

Chart 7: Debt burden to rise, then gradually step down

Federal debt-to-GDP ratio: Actual and Budget 2025 scenarios since 2009

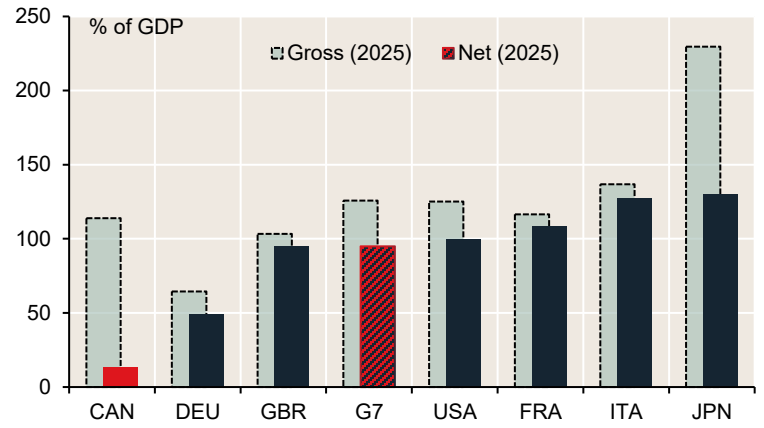


Source: NBC, GoC

The debt burden is expected to rise over the budgetary horizon, peaking at 43.3% under the baseline scenario. The debt burden has stepped up materially from FES '24 and nowhere to be seen is an election commitment to keep debt-to-GDP on a declining path over the budget horizon. Still, Canada's net debt burden remains attractive vs. key peers (with gross debt more in-line with the G7).

Chart 8: A serious net debt edge (though gross debt is ample)

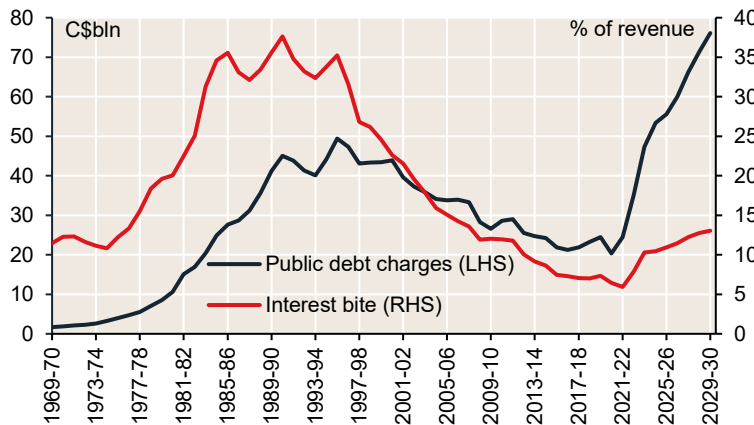
'General government' debt-to-GDP ratios: 2025



Source: NBC, IMF (Oct-25) | Note: CAN included federal fiscal outlook from Dec-24 FES

Chart 9: Public debt charges soar as interest bite picks up

Public debt charges and 'interest bite' (PDC/revenues), since 1969-70

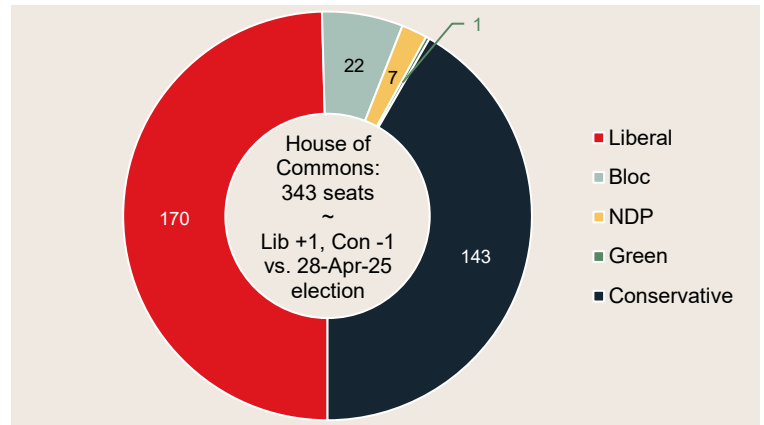


Source: NBC, GoC

Public debt charges will continue their post-COVID march higher, Ottawa's annual interest bill now larger than Canada Health Transfer dollars. While far removed from the 'bad old days', the interest bite is creeping higher, with interest consuming 13% of the revenue dollar by 2029-30.

Chart 10: Liberals need tiny bit of help to pass budget

Party standing in House of Commons (following defection of Con member to Lib)



Source: NBC, Parliament of Canada | Note: As at 5-Nov; Chris d'Entremont (NS) now Lib

As a final reminder, Canada has a minority parliament, with Carney's Liberals needing some opposition MPs to support or strategically abstain on a budget vote. The job got a little bit easier in the lead up to the budget, as a Conservative MP crossed the floor to sit with the Liberals.



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