# 2025 Federal Budget Update

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The Carney Government's first Federal Budget, "Build Canada Strong", was tabled in the House of Commons today by Finance Minister François-Philippe Champagne.

This Budget sets the stage for Canada's long-term domestic response to an unstable relationship with the United States. It seeks to place the Canadian economy, industries, and households on sure footing by investing in critical infrastructure and boosting productivity and competitiveness.

In his presentation of Budget 2025, Finance Minister François-Philippe Champagne has positioned the federal plan as one of generational investments — a conscious pivot from the rhetoric of austerity to a narrative of prosperity. With the introduction of a new Capital Budgeting Framework, the government signals that it intends to prioritize major capital projects, housing, clean energy infrastructure, and workforce development, distinguishing these from routine operating expenditures.

At the same time, the message remains that fiscal discipline is not abandoned: ministries have been asked to identify multi-year operational savings while investment is front-loaded. Politically, the framing serves a dual purpose: signalling a long-term agenda to Canadians, while addressing the need for credibility in the near term.

While the public is the primary audience for any budget, the attention of Opposition Parties whose support is needed to pass the Budget is also a key focus of the document.

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## Key Highlights

**Titled Building Canada Strong, the Budget focuses on 4 main areas:**

**Housing, with an investment of $25 billion over 5 years;**
- Existing Programming ($16 billion)
- Build Canada Homes ($7 billion)
- Tax Measures ($2 billion)

**Infrastructure, with an investment of $115 billion over 5 years;**
- Trade and Transport Infrastructure ($5 billion)
- Indigenous Communities and Municipal Infrastructure ($19 billion)
- Other Infrastructure Assets (e.g. health, innovation) ($37 billion)
- Core Public Infrastructure (e.g. water/wastewater, transit) ($54 billion)

**Defence and Security, with an investment of $30 billion over 5 years;**
- Capabilities ($20 billion)
- Infrastructure and Equipment ($5 billion)
- Industrial Support ($5 billion)

**Productivity and Competitiveness, with an investment of $110 billion over 5 years;**
- Regional Economic Development ($1 billion)
- Emerging Technology Support (e.g. AI, quantum, and electric vehicles) ($12 billion)
- Productivity Super-Deduction ($13 billion)
- Innovation Support Programs ($23 billion)
- Scientific Research and Experimental Development Tax Incentive ($27 billion)
- Other Tax Credits ($34 billion)

The Budget also reframes how the government accounts for expenditures. As the first Federal Budget to separate operational spending and capital spending, it signals a projected deficit far greater than that projected in 2024-2025. Minister Champagne and Prime Minister Carney are now targeting the return to a balanced operational budget by 2030. The approach provides the option to invest in major initiatives now to support the economy, while reducing the overall cost of delivering services and programs to taxpayers in the medium-term. New spending will be partially offset by operational reductions across departments:

The 2025–26 deficit is a projected $78.3 billion, a significant increase from the $42.2 billion 2025-26 deficit forecast in last December's fiscal update. This deficit is projected to decline over the next four years, to reach $56.6 billion by 2029-30. To offset this deficit, the Government expects to enable $1,080 billion in total capital investment.

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## Economic Context

Budget 2025 lands during a period of **slow growth and global uncertainty**, shaped by U.S. tariffs, weak investment, and soft labour-market conditions. These pressures have dampened business confidence and constrained government revenues, reinforcing the federal focus on fiscal discipline.

Last week, the Bank of Canada cut its key rate to 2.25%, its second consecutive reduction, citing tariff-related disruptions and weaker demand. The Bank projects GDP growth between 0% and 1% this year and modest recovery thereafter. Though the unemployment rate in September held steady at 7.1% after months of consecutive losses, employment has slowed across trade-sensitive industries, youth unemployment remains at levels not seen since the 2009 financial crisis. The inflation rate in September remained slightly above the target range at 2.4%.

These dynamics underscore a fragile recovery - one that the government hopes the Budget will stabilize through targeted investments and a new approach to fiscal management.

## Economic Data Points

- With the introduction of tariffs and an unstable trade relationship with the United States, growth has slowed compared to projections in the 2024 Fall Economic Statement (FES). Real GDP is now projected to grow just above 1% annually in 2025 and 2026 compared to projections of about 2% in the FES. Additionally, the Canadian economy expanded by just 0.2% in the first half of the year.

- Although the economy has continued to create jobs, the unemployment rate rose from 6.6% in February to 7.1% in September, with trade-exposed industries and regions most affected.

- The interest rate is currently sitting at 2.25%, with inflation at 2.4% in September. If inflation continues to hover around 2%, then the Bank of Canada is expected to hold interest rates at current levels.

- Average asking rents are down 3.2% over the past year, and wage growth has now outpaced inflation for nearly three years.

- Although the economy has continued to create jobs, the unemployment rate rose from 6.6% in February to 7.1% in September, with trade-exposed industries and regions most affected. The unemployment rate is not expected to decline significantly, with a projected reduction to 6.0% by 2029.

- Job losses have been concentrated in trade-exposed sectors like manufacturing, which has shed about 30,000 jobs since January.

- Young people are being disproportionately affected by weaker hiring. Youth unemployment rose from 12.9% in February to 14.7% in September—the highest level since 2010 outside of the pandemic period.

- The Government expects to enable $1,080 billion in total capital investment.

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## New Investments

**New Buy Canadian Policy:**
- When domestic suppliers are not available, purchases will be required to include Canadian content. If sourced from trusted partners, this will be exceptional and will require ministerial approval.
- To facilitate the implementation of the Buy Canadian Policy, the government will also **implement regulatory amendments** to ensure that Buy Canadian aspects of federal procurement processes are not subject to review by the Canadian International Trade Tribunal.
- This policy is described as “moving from ‘best efforts’ to a clear obligation to buy Canadian.”

**Modernizing Government Operations:**
- This theme includes increasing the efficiency of back-office and administrative functions, leveraging new technology, limiting spending on discretionary travel and training, and the use of external consultants ($25.2 billion over four years).

**Small and Medium Business Procurement Program:**
- Helps lower barriers for enterprises accessing federal procurement opportunities.
- $79.9 million over five years, starting in 2026-27, to Innovation, Science and Economic Development Canada to support the new program.

**Leveraging the benefits of technology within public service:**
- Public Services and Procurement Canada will implement digital delivery of procurement-related documents to better manage project delivery.

**Defence Investment Agency:**
- The Defence Investment Agency will consolidate procurement processes, removing duplicative approvals processes and red tape, accelerating defence procurement, and providing industry with greater clarity and certainty.
- With a centralized process of review and approval, procurements will advance faster.

## Key Cuts

**The government will reduce expenses on management and other consulting services**
- Management and consulting services will be cut 20% in three years’ time.
- This is meant to reduce wasteful spending and empower the public service to take on more responsibility.

**Industrial Research Assistance Program (IRAP) administered by the National Research Council of Canada (NRC)**
- The NRC will adjust funding to some program streams, while not impacting strategic sectors.
- Emerging technologies, an ambitious defence industrialization agenda, and optimizing research centre operations are considered key strategic areas to invest in.

**Public Services and Procurement Canada (PSPC)**
- To meet up to 15% in savings targets over three years, PSPC is prioritizing strategic realignments to reduce ongoing costs to operate programs and promote efficiencies.

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## Analysis

Overall, the budget prioritizes a more self-reliant public service, relying less on external consultants to maximize efficiency. While overall spending on external consultants will decrease, the emphasis on ethical and efficient procurement practices creates an opportunity to highlight the importance of greater recognition for the CMC designation.

The framing the federal government used to highlight its commitment to reviewing procurement practices, through the Defence Investment Agency, can be used to update our ongoing advocacy framing. During the ‘Day on the Hill’ CMC-Canada can underscore the importance of a federal review of procurement processes more widely.

Amid ongoing economic pressures, the federal government is reducing inefficiency, including through cuts to key federal departments. The CMC designation can bring certainty during this time through proven methodologies and add extra value to various sectors critical to nation-building.

Going forward, CMC-Canada can highlight the ways that the CMC designation can bring strategic and technical expertise to key projects that the public service cannot do itself.