

# Budget 2024

Presentation to the Ottawa Economic Association  
and Canadian Association for Business Economics

*April 25, 2024*



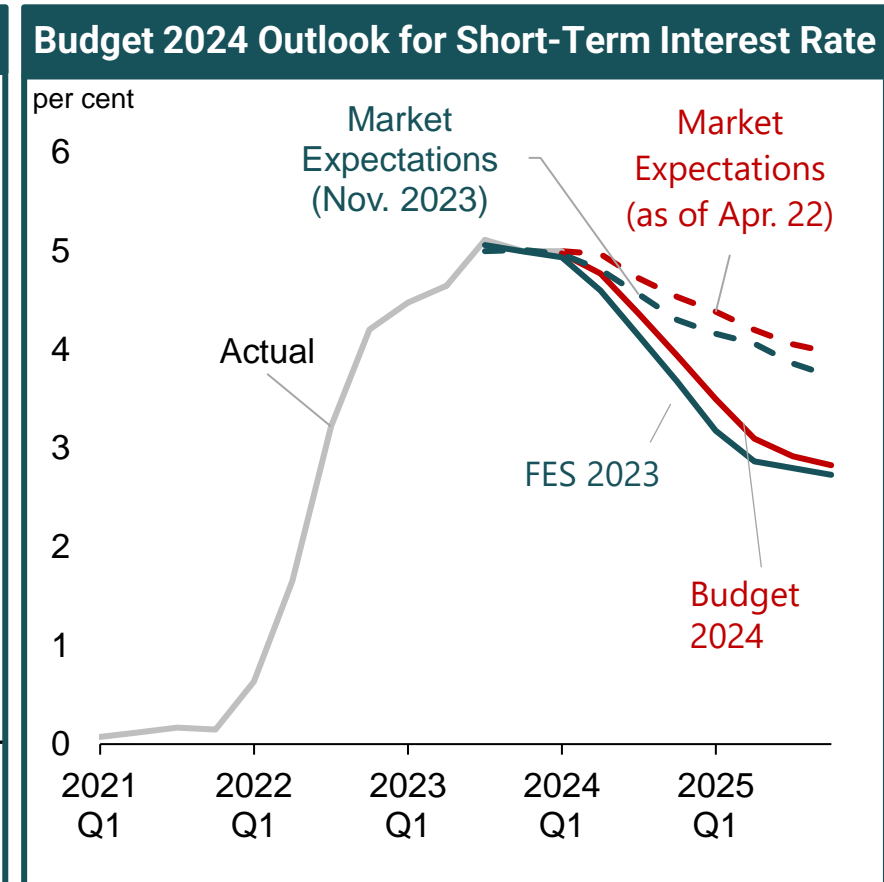
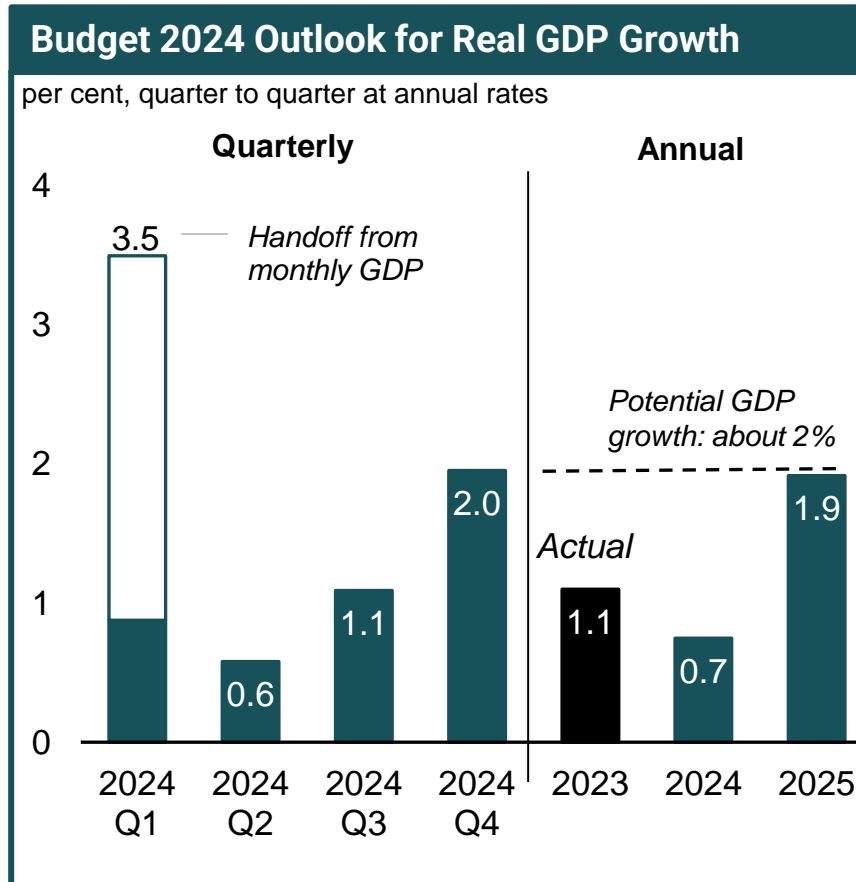
Department of Finance  
Canada

Ministère des Finances  
Canada

Canada 

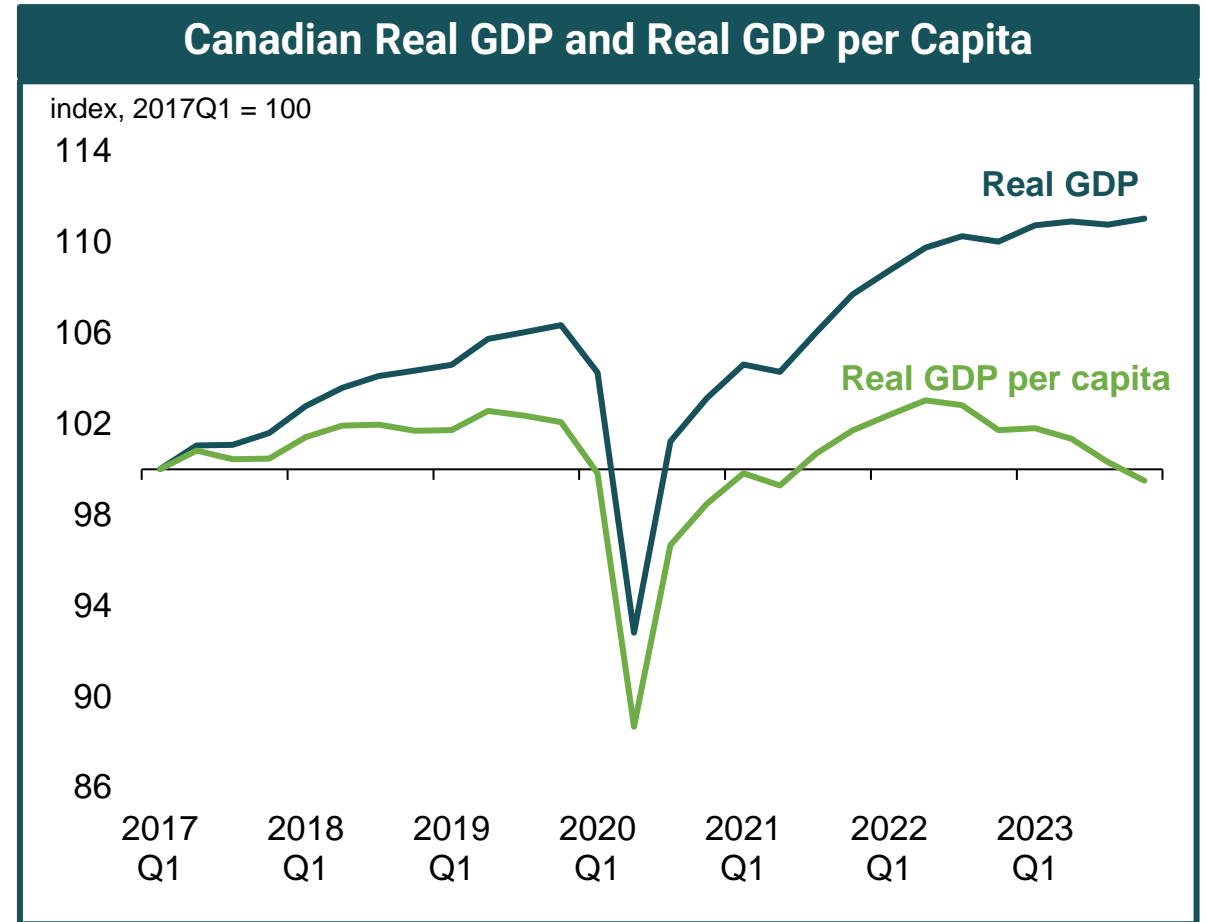
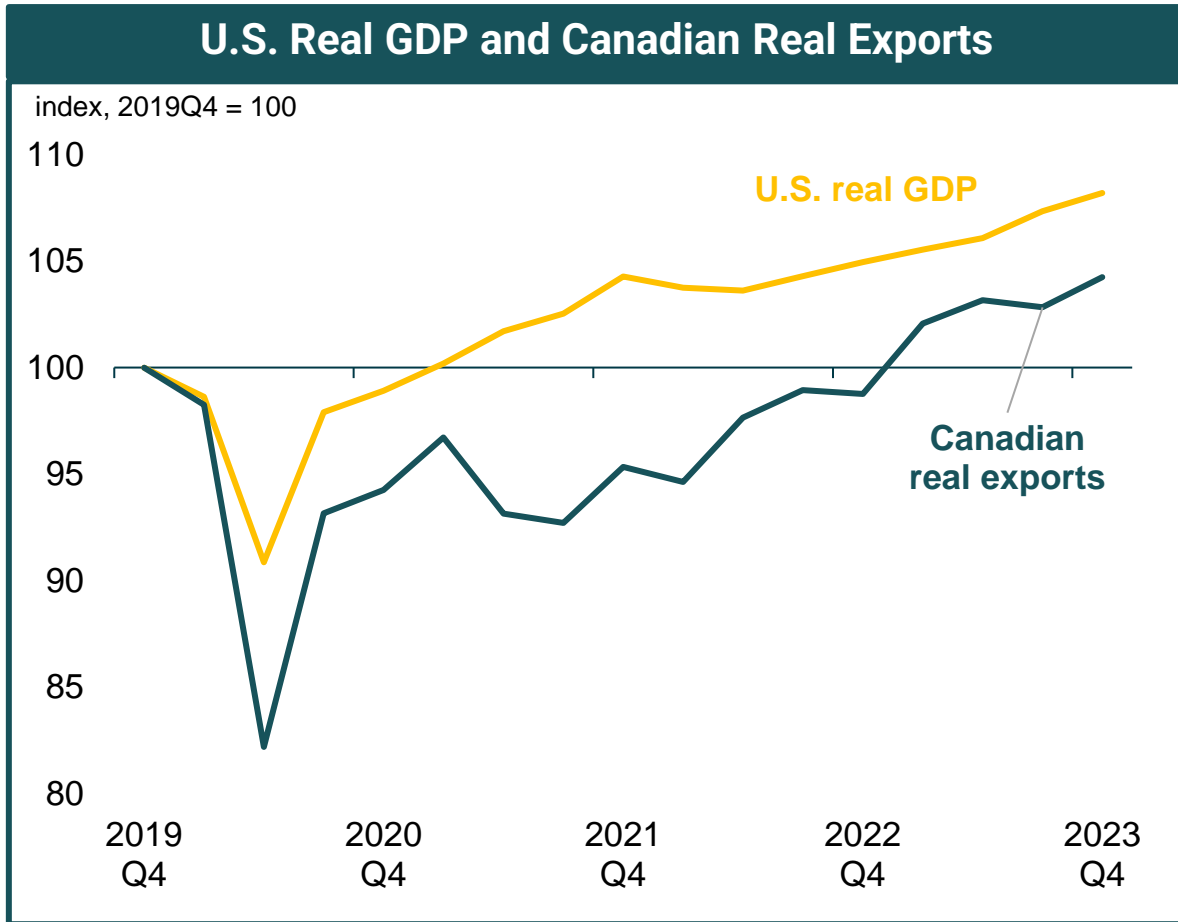
# Economic Context: Unexpected resilience in the Canadian economy

- Economic growth has outpaced projections over the last year.
- Economic activity continues to progress, with first-quarter growth shaping up better than expected.
- Uncertainty remains around speed of upcoming interest rate cuts.



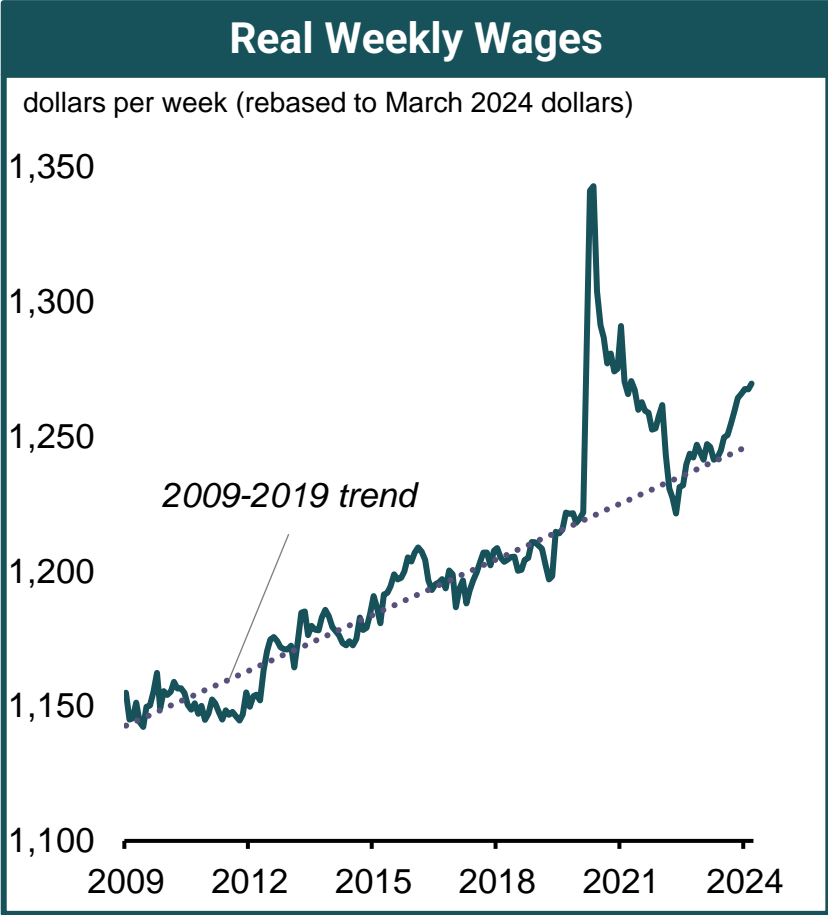
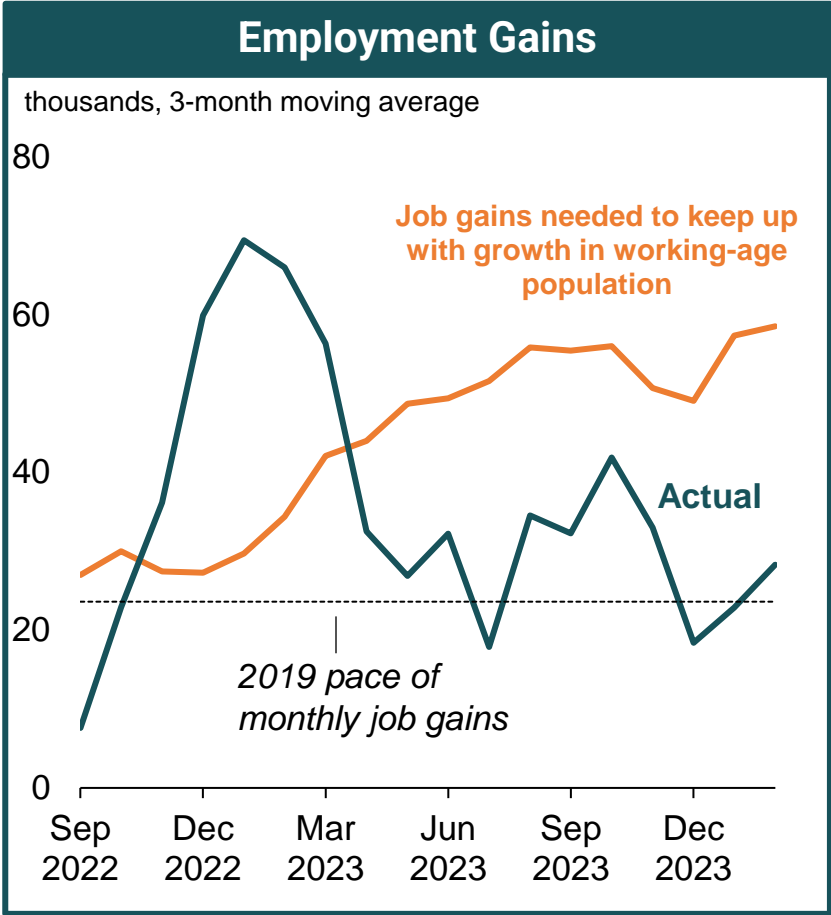
Note: Handoff from real GDP at basic prices using actual data for January, preliminary estimate for February, and unchanged GDP in March.

# Economic Context: Strong external demand and population growth providing support



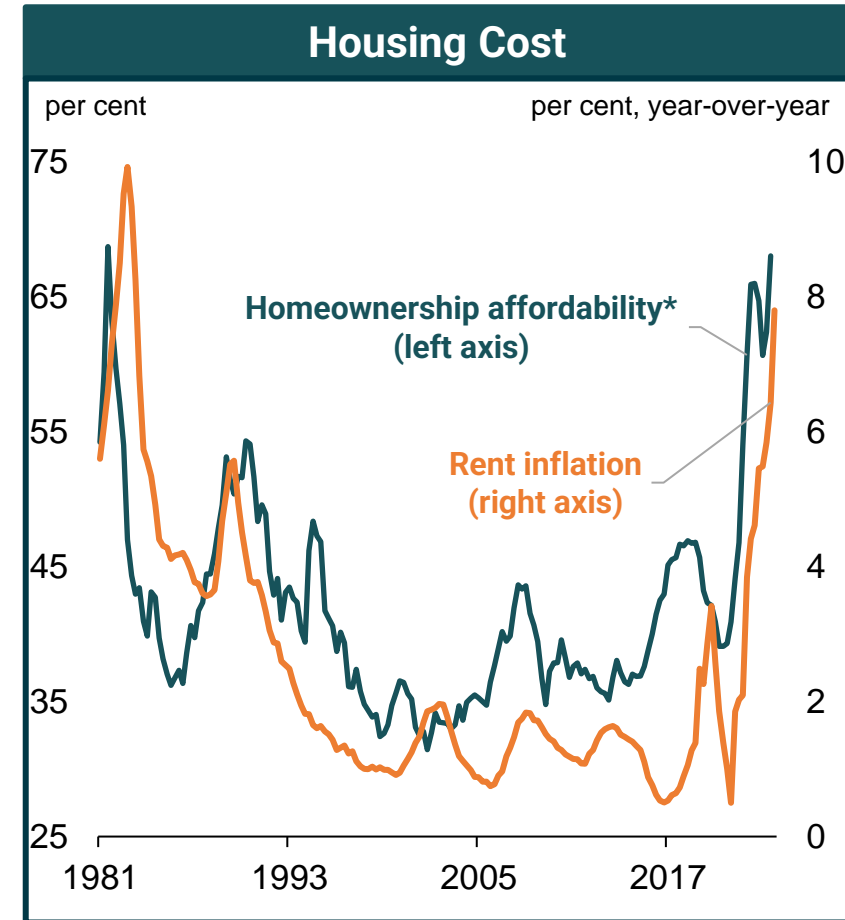
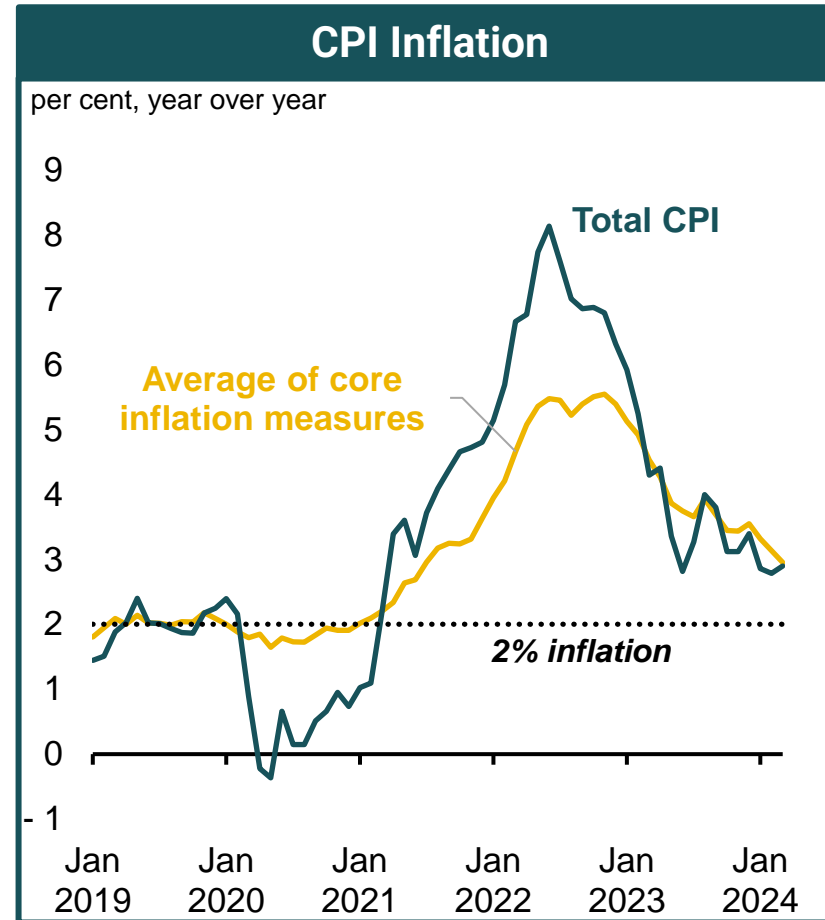
# Economic Context: Canadian labour market conditions have eased but remain solid

- Unemployment rate remains low by historical standards.
- Easing driven by labour force growth outpacing job gains.
- Real wages have gone up, especially for those at the lower end of the distribution.



# Economic Context: Inflation continues to come down

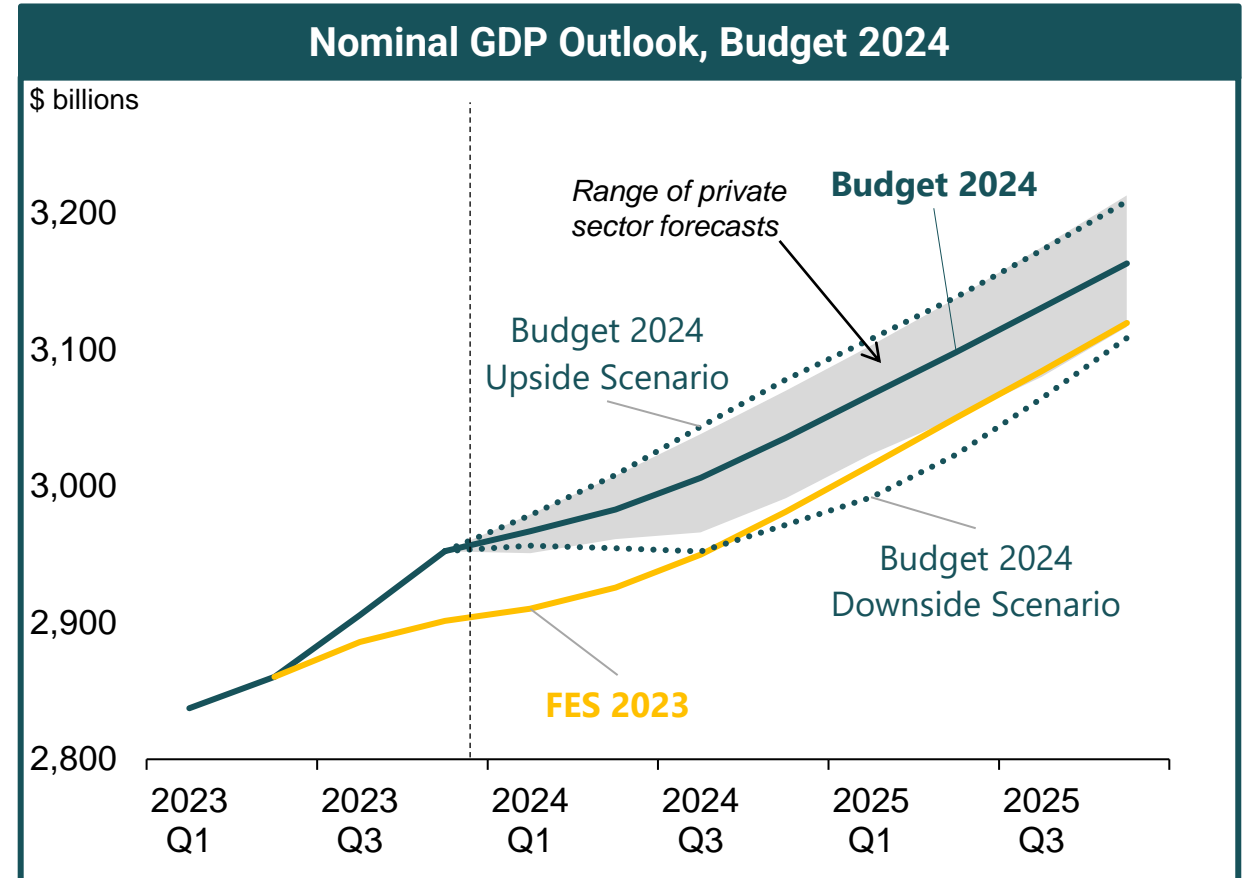
- Substantial progress towards the target.
- Inflation to remain around 3% through the first half of 2024 and then decline near 2% by year-end.
- Rent rising at fastest pace since 1980s—addressing housing affordability requires boosting supply.



\*mortgage payments as a % of income for 25–34-year-old household

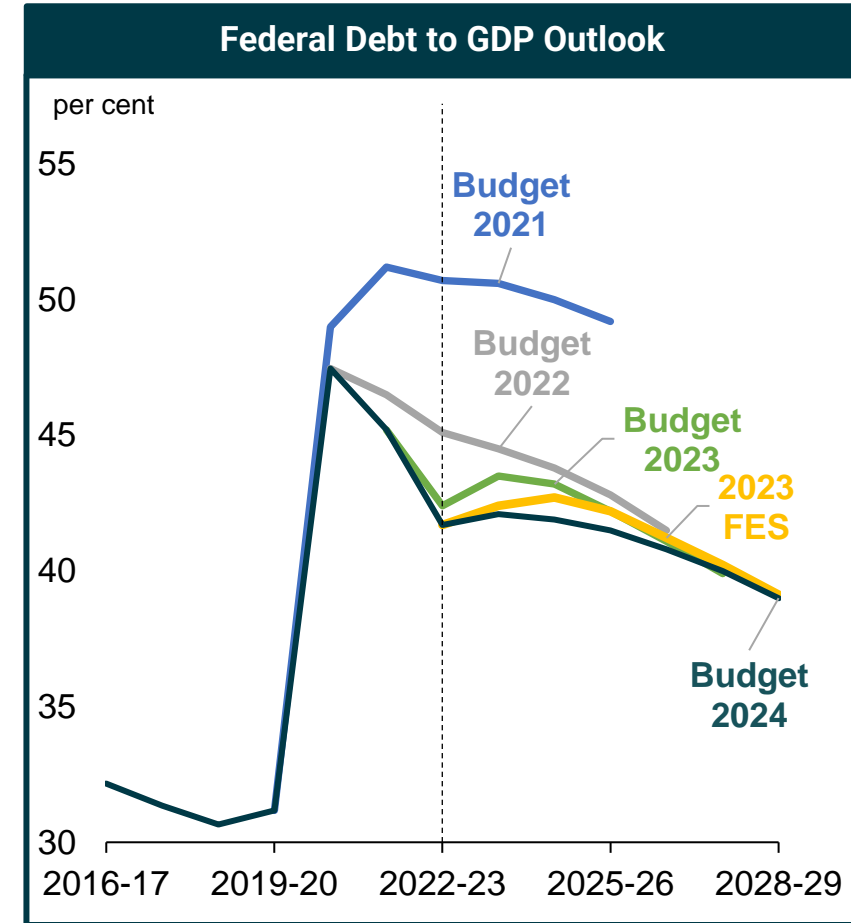
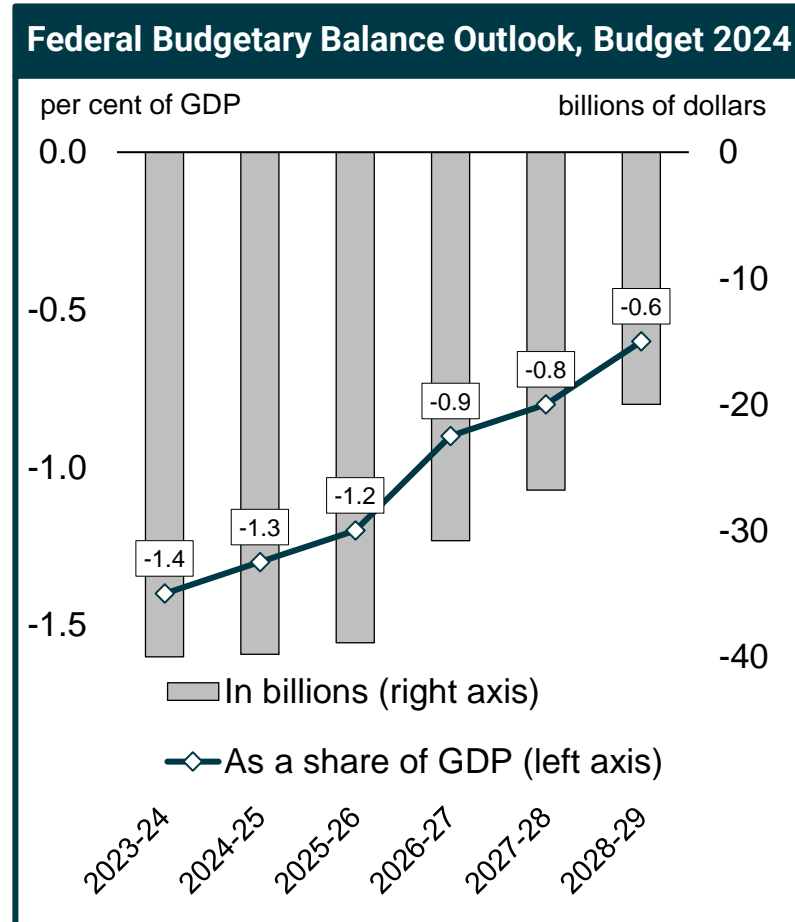
## Economic and Fiscal Context: Resilient economy providing a lift to nominal GDP

- Nominal GDP growth for 2023 stronger than expected (2.7% vs 2.1%) and outlook upgraded in 2024 (3.8% vs 2.5%).
- Better starting point assumed to carry forward, leading to +\$29 billion *fiscal space* over 6 years.
- Risks to the outlook:
  - Downside: Persistent inflation could delay monetary policy easing
  - Upside: More resilient economies could result in moderately faster growth
- Even under the downside: deficit-to-GDP remains below 1% and debt-to-GDP ratio remains below current level by end of forecast

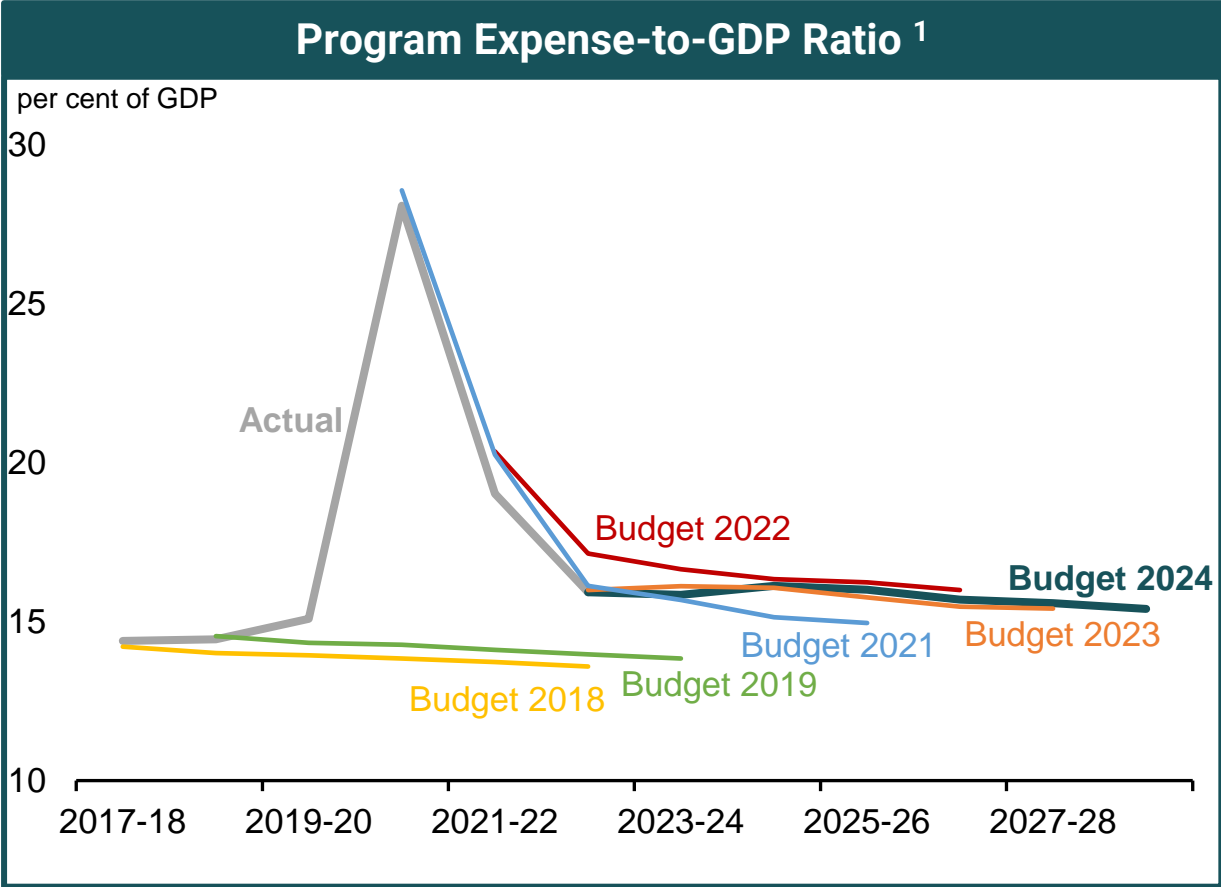


# Fiscal Context: Investing in priorities while keeping a fiscally-responsible stance

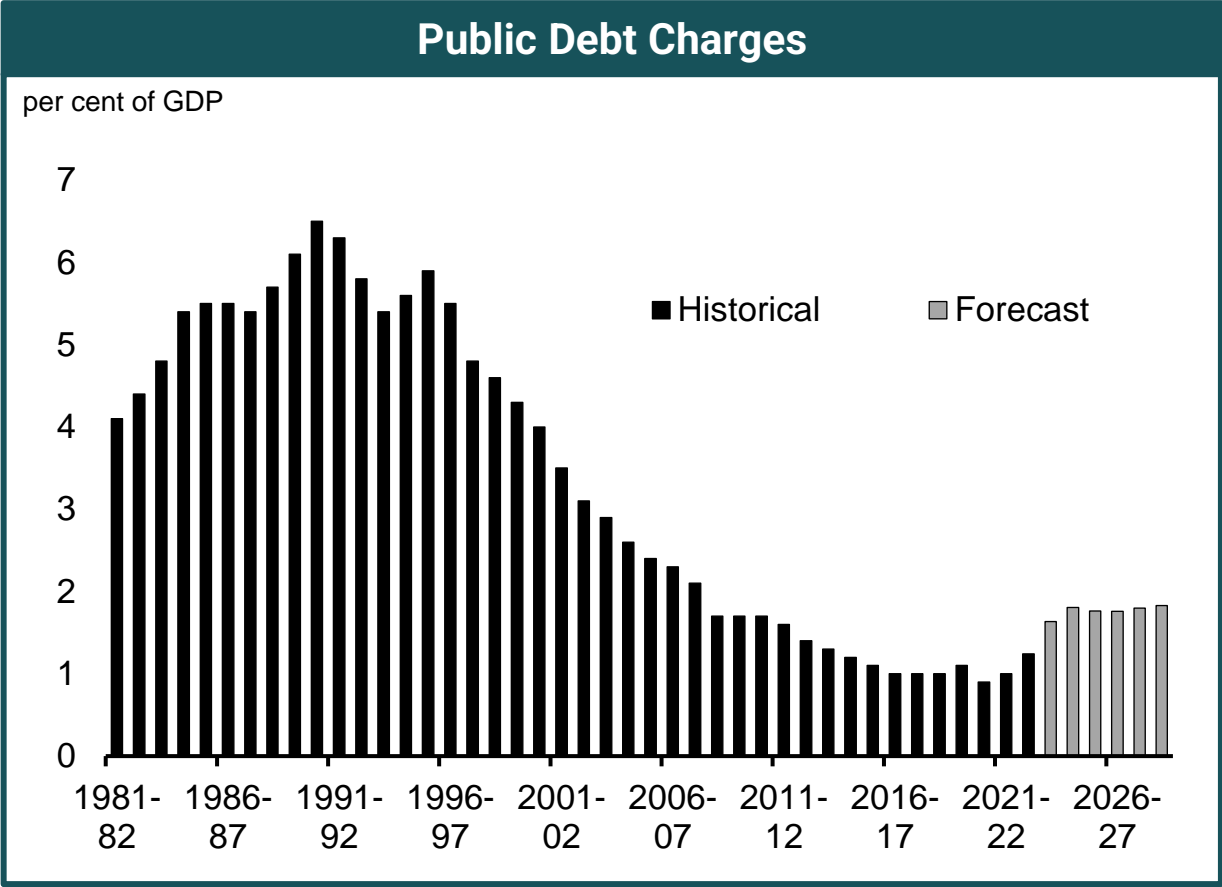
- Budget 2024 follows fiscal objectives set out in FES 2023:
  - 2023-24 deficit expected at \$40B
  - Debt- and deficit-to-GDP ratio on a downward track
  - Deficit-to-GDP ratio below 1% in 2026-27
- Budget 2024 keeps deficits below 1% of GDP from 2026-27 onwards, along with a declining track for debt-to-GDP ratio.



**Fiscal Context:** Program expense-to-GDP ratio only slightly higher post COVID; Public debt charges remain low.

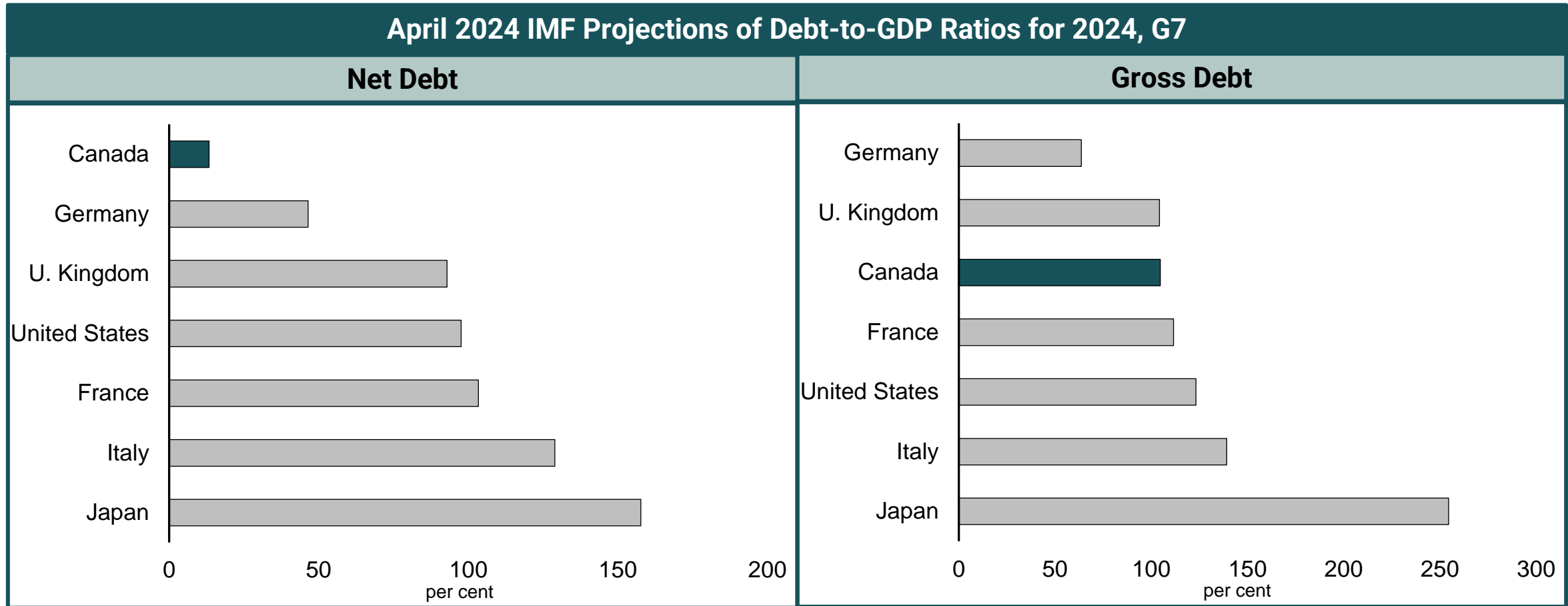


1. Excluding Pollution Pricing Proceeds Returned





# Fiscal Context: Canada's financial position compares favorably to the G7

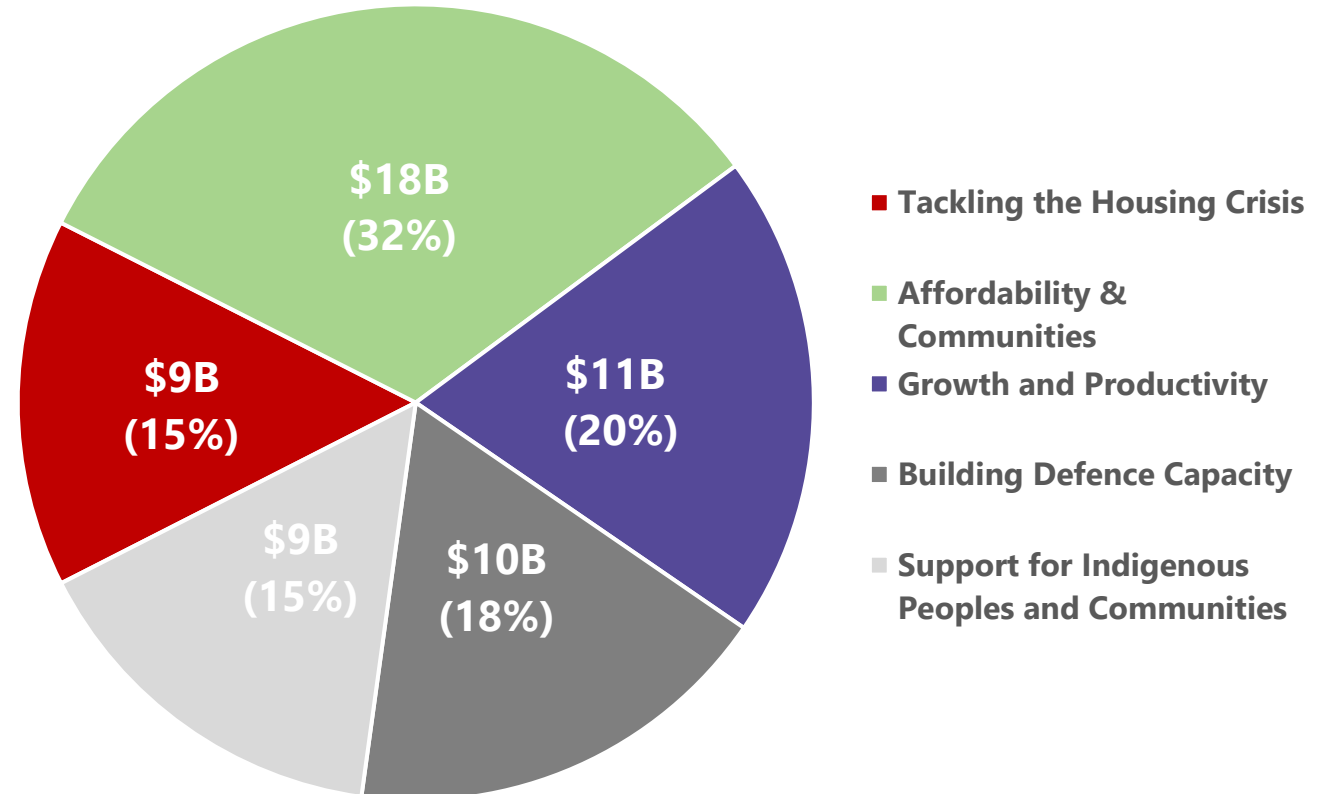


# New investments focused on responding to core economic challenges

- Budget 2024 announces \$56.8 billion in proposed new spending and tax measures over six years:

## Budget 2024 founded on three key pillars:

- **Housing**
- **Affordability**
- **Growth and productivity**



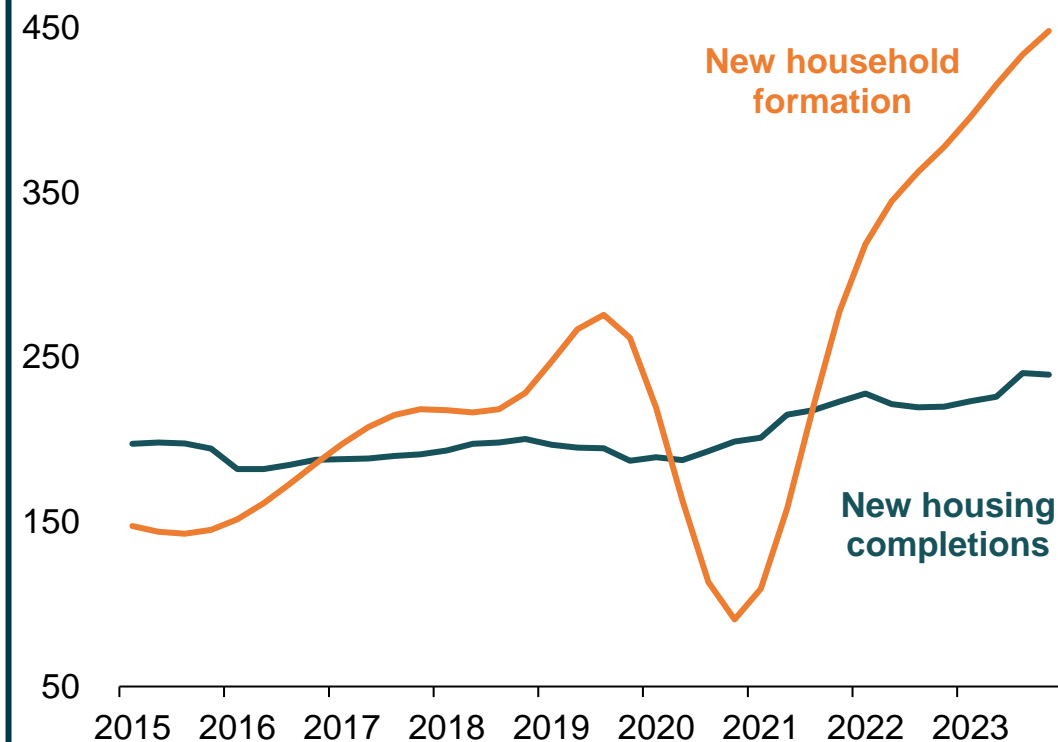


# Setting a strong foundation for more affordable housing

- Building More Homes (\$4B)
  - ✓ Plan to lease public lands to build new homes
  - ✓ Reducing builders' upfront costs
  - ✓ Cutting red tape on permit approval times
  - ✓ Developing housing infrastructure
  - ✓ More skilled trades workers (foreign credential recognition, etc.)
- Making it Easier to Own or Rent a Home (\$100M)
  - ✓ Protecting renters' rights (Tenant Protection Fund, 'Renters' Bill of Rights')
  - ✓ Making sure rental history is considered in credit scores
  - ✓ Higher withdrawal limit for Home Buyers' Plan
  - ✓ Extending mortgage amortizations for first-time buyers
- Helping Canadians Who Can't Afford a Home (\$4.5B)
  - ✓ Protect social housing and keeping existing apartment buildings for low income
  - ✓ Incentivize investment in green home renovations for lower income
  - ✓ Support for homelessness and shelter asylum claimants

## Aligning Immigration with Housing Capacity

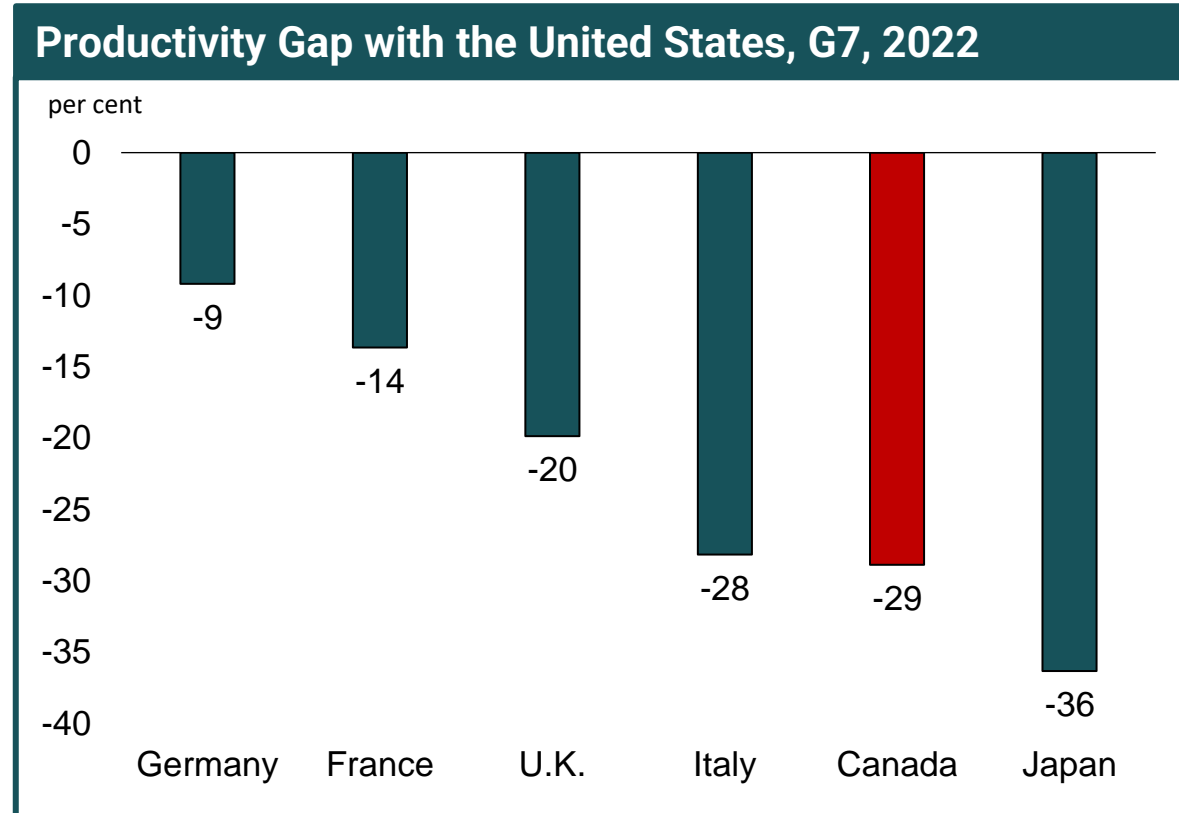
thousands, four quarter moving average, annualized





# Investing in the drivers of growth and productivity

- **Boosting Research, Innovation, and Productivity (\$6.9B)**
  - ✓ Support AI investment and build computing infrastructure
  - ✓ Support for research infrastructure and scientific research
  - ✓ Additional funding for scholarships and fellowships
  - ✓ Enhance and modernize R&D tax incentive
- **Attracting Investment and Helping Businesses Scale (\$1.3B)**
  - ✓ Investment tax credit for EV supply chain
  - ✓ Reduce and clarify timelines for energy and mineral project approvals
  - ✓ Investments to support biofuels
  - ✓ Increase access to venture capital
  - ✓ Mobilize more financing through financial Crown corporations
  - ✓ Tax break for entrepreneurs
- **Infrastructure, Workforce and Other (\$3B)**
  - ✓ Support for community buildings and transportation infrastructure
  - ✓ Support for Indigenous economic participation
  - ✓ Address internal mobility, trade barriers, foreign credential recognition (with a focus on construction/health care)





# Improving affordability and equality of opportunities

## Lowering Everyday Costs (\$127M)

- Strengthening food security and supporting farmers
- Cheaper internet and cell phone plans
- More transparency in airline fees and cutting junk, and sport, concert fees
- Lowering bank fees and ensuring affordable banking services

## Taking Care of Every Generation (\$6.4B)

- Launching the National Pharmacare Plan
- Launching Canada Disability Benefit
- Upgrade supply management for drugs and medical devices
- Supporting care economy

## The Best Start for Every Child (\$1.5B)

- A National School Food Program
- Support to build more childcare spaces
- Helping early childhood educators
- Making it easier to save for child's education

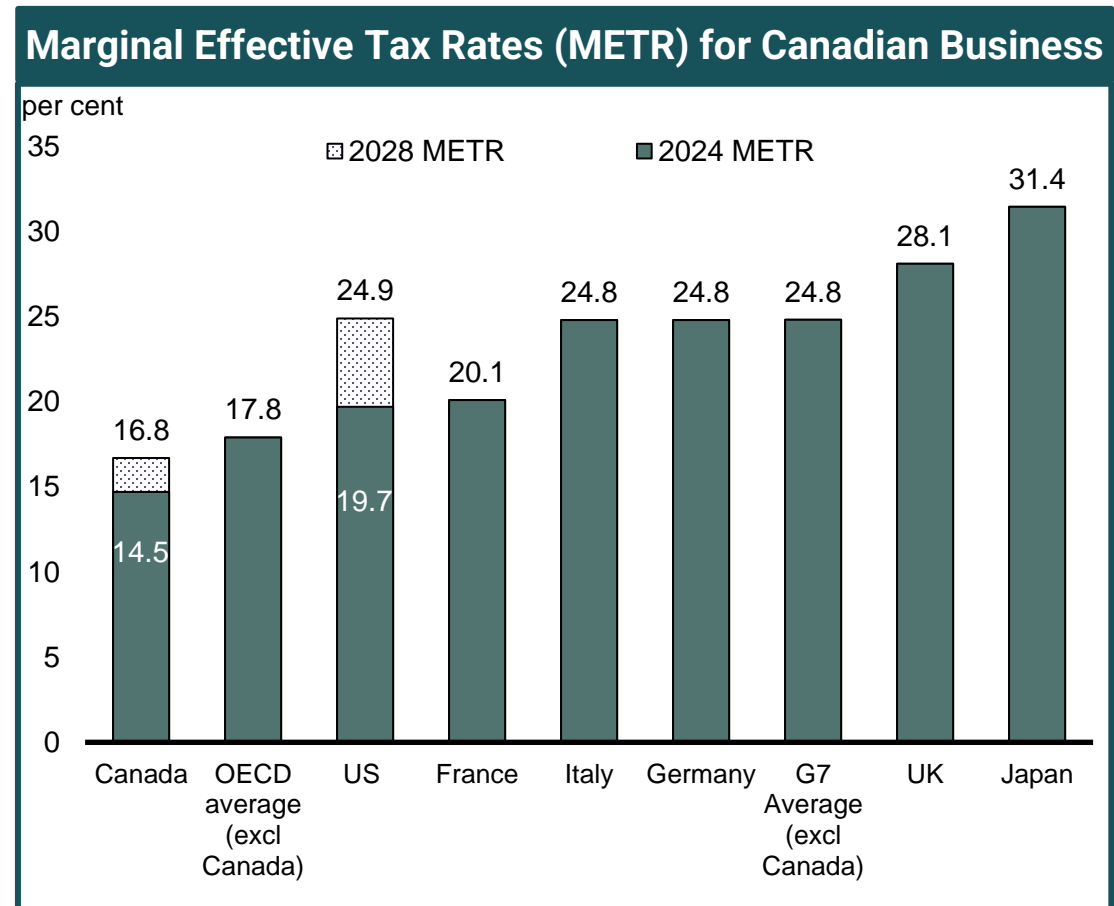
## A Fair Chance for Youth (\$2.6B)

- Increasing student grants and loans
- Help students gain work experience
- Support for jobs and skills training
- Reduce barriers for adults returning to school



# Tax Fairness

- **Higher inclusion rate on net capital gains** (+\$250K/per year for individuals) from 50% to 66.7%.
  - Principal residences and financial assets held in tax-preferred accounts remain exempt.
  - Brings capital gains inclusion rate for largest gains (+\$250K/year) back almost to where it was in 1990s.
  - Canada remains relatively competitive with US.
- Counterbalanced with **Canadian Entrepreneurs' Incentive** (lower inclusion rate on lifetime maximum of \$2M in capital gains); and increases in **Lifetime Capital Gains Exemption** to \$1.25M.



# Annex



# Budget 2024

## Economic and Fiscal Developments, Policy Actions and Measures

billions of dollars

	Projection					
	2023– 2024	2024– 2025	2025– 2026	2026– 2027	2027– 2028	2028– 2029
<b>Budgetary balance - 2023 Fall Economic Statement (FES 2023)</b>	<b>-40.0</b>	<b>-38.4</b>	<b>-38.3</b>	<b>-27.1</b>	<b>-23.8</b>	<b>-18.4</b>
Economic and fiscal developments since FES 2023	3.4	3.9	6.9	6.5	4.1	4.3
<b>Budgetary balance before policy actions and measures</b>	<b>-36.7</b>	<b>-34.5</b>	<b>-31.3</b>	<b>-20.6</b>	<b>-19.7</b>	<b>-14.1</b>
Policy actions since FES 2023	-3.3	-0.3	0.3	0.3	-0.9	-0.7
<b>Budget 2024 measures</b>						
1. Spending and Tax Expenditure	-0.1	-12.5	-11.8	-11.3	-10.4	-10.7
2. Tax Revenue	0.0	7.4	3.9	0.9	4.2	5.6
<b>Total – Policy actions since FES 2023 and Budget 2024 measures</b>	<b>-3.3</b>	<b>-5.3</b>	<b>-7.5</b>	<b>-10.1</b>	<b>-7.1</b>	<b>-5.9</b>
<b>Budgetary balance</b>	<b>-40.0</b>	<b>-39.8</b>	<b>-38.9</b>	<b>-30.8</b>	<b>-26.8</b>	<b>-20.0</b>
Budgetary balance (per cent of GDP)	-1.4	-1.3	-1.2	-0.9	-0.8	-0.6
Federal debt (per cent of GDP)	42.1	41.9	41.5	40.8	40.0	39.0
<b>Budgetary balance - upside scenario</b>	<b>-38.4</b>	<b>-33.5</b>	<b>-31.2</b>	<b>-23.2</b>	<b>-20.2</b>	<b>-13.2</b>
<i>Budgetary balance (per cent of GDP)</i>	-1.3	-1.1	-1.0	-0.7	-0.6	-0.4
<i>Federal debt (per cent of GDP)</i>	42.0	41.2	40.5	39.6	38.7	37.6
<b>Budgetary balance - downside scenario</b>	<b>-40.4</b>	<b>-48.0</b>	<b>-52.1</b>	<b>-39.2</b>	<b>-32.3</b>	<b>-24.1</b>
<i>Budgetary balance (per cent of GDP)</i>	-1.4	-1.6	-1.7	-1.2	-1.0	-0.7
<i>Federal debt (per cent of GDP)</i>	42.1	42.7	43.2	42.2	41.2	40.2
<b>Budgetary balance - FES 2023</b>	<b>-40.0</b>	<b>-38.4</b>	<b>-38.3</b>	<b>-27.1</b>	<b>-23.8</b>	<b>-18.4</b>
<i>Budgetary balance (per cent of GDP)</i>	-1.4	-1.3	-1.2	-0.8	-0.7	-0.5
<i>Federal debt (per cent of GDP)</i>	42.4	42.7	42.2	41.2	40.2	39.1



# Key Metrics

	Revenue	Program Expenses	Total Expenses	Budgetary Balance	Federal Debt	Public Debt Charges	Public Debt Charges		Revenue	Program Expenses	Total Expenses	Budgetary Balance	Federal Debt	Public Debt Charges	Public Debt Charges
	% GDP						% Revenue		% GDP						% Revenue
1990-91	17.2	15.6	22.1	-4.9	54.3	6.5	37.6	2009-10	14.0	15.4	17.1	-3.6	33.4	1.7	12.0
1991-92	18.0	16.3	22.6	-4.6	58.4	6.3	34.8	2010-11	14.4	14.3	16.0	-2.1	33.4	1.7	12.0
1992-93	17.3	17.0	22.8	-5.4	62.5	5.8	33.2	2011-12	13.9	13.4	15.1	-1.6	33.4	1.6	11.8
1993-94	16.6	16.4	21.7	-5.2	65.3	5.4	32.4	2012-13	13.9	13.0	14.4	-1.2	34.0	1.4	10.0
1994-95	16.5	15.6	21.1	-4.6	66.2	5.6	33.8	2013-14	14.2	12.3	13.6	-0.4	32.9	1.3	9.2
1995-96	16.9	14.5	20.5	-3.6	66.6	5.9	35.2	2014-15	14.0	12.5	13.7	0.0	31.5	1.2	8.6
1996-97	17.4	12.9	18.4	-1.0	65.5	5.5	31.5	2015-16	14.7	13.2	14.3	-0.1	31.9	1.1	7.5
1997-98	17.7	12.7	17.4	0.3	61.7	4.8	26.8	2016-17	14.4	13.8	14.8	-0.9	32.2	1.0	7.3
1998-99	17.6	12.4	17.0	0.6	58.9	4.6	26.2	2017-18	14.5	13.9	14.9	-0.9	31.4	1.0	7.0
1999-00	17.5	11.8	16.1	1.4	53.6	4.3	24.6	2018-19	14.9	14.1	15.1	-0.6	30.7	1.0	7.0
2000-01	17.6	11.8	15.8	1.8	47.0	4.0	22.6	2019-20	14.4	14.6	15.7	-1.7	31.2	1.1	7.3
2001-02	16.1	11.9	15.4	0.7	44.7	3.5	21.6	2020-21	14.3	27.4	28.3	-14.8	47.2	0.9	6.4
2002-03	16.0	12.3	15.4	0.6	42.3	3.1	19.6	2021-22	16.4	18.6	19.6	-3.6	45.3	1.0	5.9
2003-04	16.0	12.4	15.3	0.7	39.5	2.9	17.8	2022-23	15.9	15.6	16.8	-1.3	41.7	1.2	7.8
2004-05	16.0	13.4	15.9	0.1	37.0	2.6	15.9	2023-24	16.1	15.6	17.2	-1.4	42.1	1.6	10.2
2005-06	15.8	12.5	14.9	0.9	33.9	2.4	15.1	2024-25	16.6	16.0	17.8	-1.3	41.9	1.8	10.9
2006-07	15.9	12.7	15.0	0.9	31.2	2.3	14.2	2025-26	16.5	15.9	17.7	-1.2	41.5	1.8	10.7
2007-08	15.6	12.8	15.0	0.6	29.0	2.1	13.6	2026-27	16.5	15.7	17.5	-0.9	40.8	1.8	10.6
2008-09	14.3	12.7	14.4	-0.6	28.2	1.7	11.9	2027-28	16.6	15.6	17.4	-0.8	40.0	1.8	10.8
								2028-29	16.7	15.5	17.3	-0.6	39.0	1.8	11.0

Expenses exclude actuarial losses (gains)