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Home is where the votes are: Canada's 2024 Budget

Budget 2024
April 2024

Navigator's Budget 2024 Analysis

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The Top Line

Chrystia Freeland’s fourth budget is less a fiscal plan than a political manifesto. She’s chosen again to spend in areas where the Liberals understand they are politically vulnerable while raising taxes on those who will cost them the fewest votes in the next election.

The finance minister and others in cabinet have been rolling out in a steady stream of new spending initiatives since Easter, $53 billion in total for housing, school food programs, a national disability benefit and other measures.

The goal is clear. The Liberals want to convince Millennial and Gen Z voters that they will help make life more affordable.

The flip side is that Freeland had to raise taxes to pay for these promises and to remain inside her fiscal guardrails – keeping the deficit at or below $40.1 billion while lowering the debt-to-GDP ratio this year and into the future.

The cost, according to many economists, is that there’s little in the budget to address Canada’s growing productivity gap with other industrialized nations, a gap the OECD projects will continue in the decades ahead threatening Canadians’ standard of living.

But the future for the Liberals is now with an election at most 18 months away. They need this spending to shore up support among younger voters, the ones who helped them win the past three elections, and to retain the support of their junior partners, the NDP.

The budget title sums up the theme, “Fairness for Every Generation.”

Fairness in this budget means higher taxes of more than $20 billion to be borne by a select group of mostly older Canadians.

Freeland is raising the capital gains inclusion rate from 50 per cent to 66 per cent for individuals, corporations and trusts reporting more than $250,000 in capital gains. The government says the change will affect only the wealthiest 0.13% of Canadians.

No surprise there. A Navigator Discover poll conducted from March 26 to April 1 of 1,500 adults found the vast majority of respondents – 78 per cent – support taxing the ultra-wealthy.

The same poll suggested 85 per cent of respondents across age groups, regions and genders listed the high cost of living as the most important issue for government to address. When asked who was most to blame, they identified corporate greed and Justin Trudeau as the top two culprits.

One of those two is easier to blame than the other. Cue higher taxes on the wealthiest few. Spend billions on the young and the politically restless.

“Today we say to our younger generations, and to those who care about them: We are putting the power of government to work for you.”

- Minister of Finance Chrystia Freeland

By the Numbers

Here's what you need to know:

The total budgetary revenue is forecast at **$497.8 billion** in 2024-25, an increase of **$32.7 billion** since 2023-24.

Total program spending has increased **by $37.1 billion, to $534.6 billion**—*an increase of* **$238 billion** or 44.5 per cent since 2015-16.

A **$40 billion** deficit forecast this fiscal year.

$534.6 Billion
Expenditure

$40 Billion
Deficit

With interest rates at a 20-year high, the federal government's borrowing costs have jumped to **$54.1 billion** in 2024-25, rising to **$64.3 billion** in 2028-29.

Highlights:

- **$53 billion** in new spending over five years, **$21.9 billion** of which will be funded largely by capital gains.
- **$33.8 billion** in defence spending, up **$3.9 billion** from 2023-24.
- **$19 billion** in housing, up **$8.5 billion** from 2023-24.
- **$9.1 billion** in new spending for Indigenous communities
- **$6 billion** for Canada Disability Benefit and **$1 billion** for a national school food program.

Housing measures as advertised

The housing announcements were all made before the Minister rose in the House.

Budgets used to be a surprise. The only real surprise this year was how much of the document was announced well before Minister Freeland stood in the House of Commons Tuesday to present the Government's spending priorities. Equally unsurprising was how much of the Liberal's focus is on housing.

It's one thing for a government to execute a good comms plan. It's quite another to execute an equally large ambitious spending programme quickly. Especially for this government.

The bulk of the additional $19 billion is in loans, grants, tax cuts and new financial and planning tools lands in the rental housing sector. While about $8.5 billion will be spent on capital and new rent subsidies for social housing the biggest moves for the sector in terms of immediate impact are the new capital write-down rules for new multi-residential construction. This combined with a streamlined application process and additional low interest loans for apartment construction should see new projects push through a sluggish market.

The fight to end homelessness will similarly see new capital and supports for rent and front-line services. The Canadian Alliance to End Homelessness calls this budget the most significant investment in housing in half a century.

But the political question for this government is what those young people looking to buy their first home think about today's measures. New mortgage rules and changes to savings plans should give some of them a little breathing room on financing the purchase of real estate. But the main challenge remains supply.

To illustrate how challenging execution on this file is, the housing measures announced last fall are still stuck in committee. The Canada Mortgage and Housing Corporation is another hurdle for Housing Minister Sean Fraser. Look for changes to the leadership at CMHC in the next few weeks.

The federal government is hoping investments in new infrastructure to support home building, combined with additional funds for cities to approve new projects, does the trick.

Getting the provinces on board? That's tricky, too.

Doubling Down on the Next Generation

For the Liberals, the future is now.

This budget invests heavily in initiatives tailored to empower Millennials and Gen Z voters to give them the opportunities their parents and grandparents had. The Liberals are increasing students grants and loans for the 2024-2025 school year, to the tune of **$1.1 billion**. Other investments include **$351.2 million** in 2025- 26, for the Youth Employment and Skills Strategy, and an expanded list of professionals in rural and remote communities who are eligible for student loan forgiveness. The budget also signals measures to foster entrepreneurship, digital literacy and sustainable practices, seeking to harness the energy and creativity of young Canadians to drive progress and innovation.

For generations feeling the squeeze, leaning into their aspirations by bringing the middle class within reach is this document's dangling carrot. Targeted policies in this budget are aimed at addressing the growing concerns around intergenerational equity. These measures are all a sign that the Liberals are doubling down on securing the votes of younger generations.

The Buzzword of the Day – Affordability

Life is too expensive.

With the rising cost of living, it's no surprise that one of the foundational themes of this budget is a results-driven affordability strategy.

Historically, the Liberals have attempted to provide one-time payments to help offset high costs. This year, their message is simple: don't blame us, blame corporate greed.

Grocers are being reminded that they are under a microscope and to get their prices down fast. Farmers are getting a boost to stock shelves quicker through interest relief and productivity supports.

Meanwhile, internet and cellphone carriers will be prohibited from charging extra fees for consumers looking to switch carriers. Airlines and concert ticket providers are deemed as the other big culprits in hidden fees and will now be required to put all options available to consumers on the table.

The Liberals cap it all off by directing the Financial Consumer Agency to draft a regulatory framework for open banking, allowing consumers to securely transfer their financial data among different financial institutions.

It's part of a suite of new measures in which the government is promising to invest millions in consumer awareness and protection, which includes the implementation of a national security regime to oversee and hold companies accountable.

The Liberals are banking on this budget making voters believe that life will be more affordable under a Trudeau government than one led by Pierre Poilievre.

“Pay Your Share” vs “Axe the Tax”

How the Liberals are paying for Budget 2024.

If you only know one thing about Pierre Poilievre, you know that he wants to “Axe the Tax.” In stark contrast to their rivals, the Liberals are issuing their own battle cry through Budget 2024, “Pay Your Share.” To pay for the spending in this budget, the Liberal government has set its sights on asking the wealthiest Canadians to pay more, in part by increasing the inclusion rate on capital gains realized above $250,000. This measure, coupled with others, is expected to generate an estimated $19 billion in new revenues over five years.

In addition to taxes on wealthy Canadians, Budget 2024 also reaffirms the Liberal’s commitment to tax digital giants and the largest global corporations. The Government is also finding money by going after easy targets such as proposing increases on the excise duty on tobacco and vaping.

All these measures to identify new funding stand in stark ideological contrast to the Conservative ethos, which supports the big businesses that provide good paying jobs, and which welcomes investment by global corporations.

For Poilievre, it's easy to stoke anger around “axe the tax,” but the Liberals think they can counter by redirecting the anger of younger voters to the wealthiest who are not “paying their share.” Only time will tell, but the clock is ticking towards the next election.

"To grow the middle class and invest in younger Canadians—while keeping their taxes lower—new generational investments in Budget 2024 will be supported by contributions from the wealthiest Canadians."

- Budget 2024

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