Market View
Economics and Strategy

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Visualizing Budget 2026

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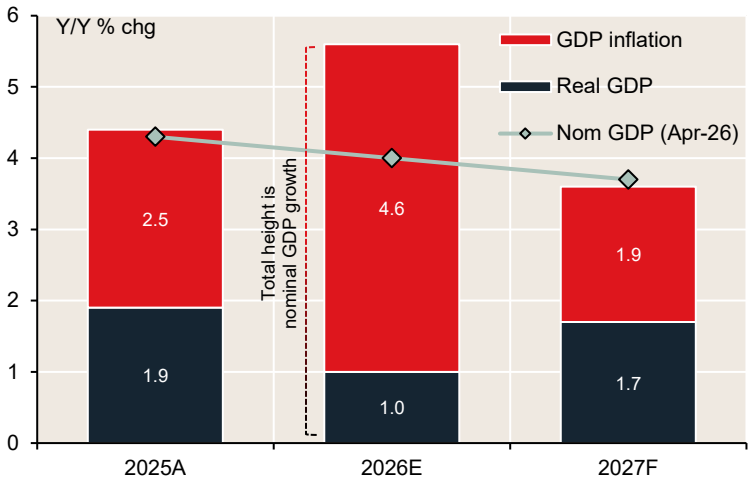
Prime Minister Carney's Liberal government—which as a reminder holds a slight majority in the House of Commons—presented its second annual budget on Thursday, November 5th. The budget was titled "Masters of our Destiny" (no comment) and, as is appropriate, took pains to detail the myriad actions Ottawa has undertaken (or plans to undertake) in an effort to keep "The True North, Strong and Free".

The budget plan ran to 532 pages in all, so you'd be forgiven if some elements escaped your attention. For your convenience, we provided detailed written analysis on budget night (**link**). This *Market View* can be thought of as a visual supplement, deploying 10 charts to home in on some of the more pertinent developments and themes.

And we're not quite done with the budget. An upcoming *Market View* will supplement this piece by highlighting key elements of the *Debt Management Strategy*, which serves as one of the more practical elements of the budget for fixed income investors.

Chart 1: Positive terms-of-trade effect boosts nominal GDP

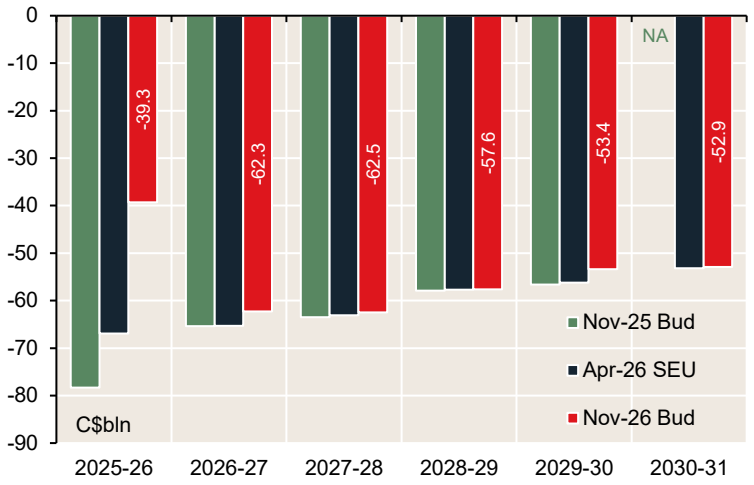
Canada nominal GDP growth: Latest vs. prior projection



Source: NBC, GoC

Chart 2: Less damage to 2025-26, limited changes thereafter

GoC budget balance: Budget 2026 vs. prior projections

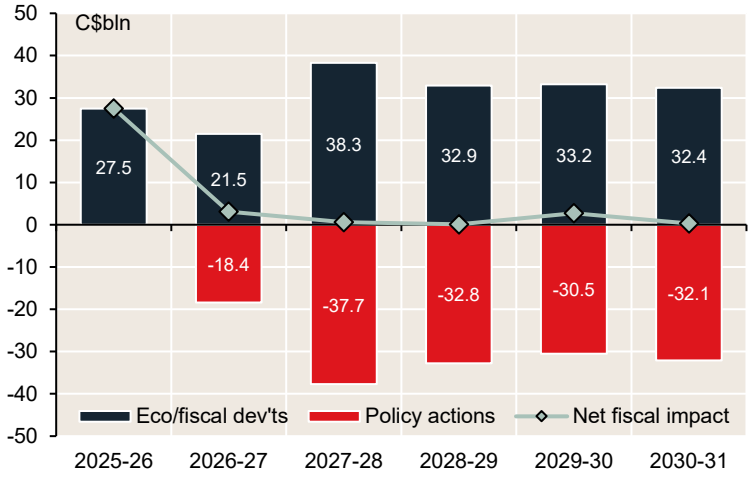


Source: NBC, GoC

Nominal GDP—a proxy for government revenue—has benefitted from a positive terms-of-trade effect, creating fiscal space for the government. In all, economic and fiscal developments since a spring update were overtly positive, the 2025-26 deficit cut down to $39.3 billion or 1.2% of GDP—the very definition of 'damage limitation' given the unstable environment that prevailed.

Chart 3: Unanticipated fiscal space used for new measures

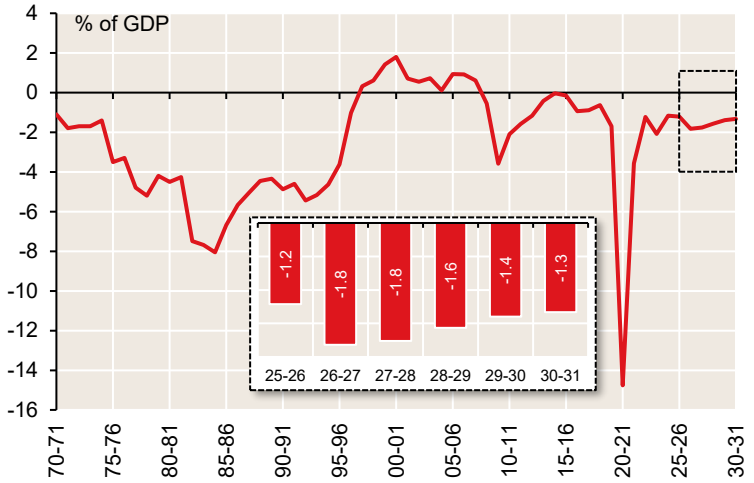
Net change to GoC budgetary position since Apr-26 SEU



Source: NBC, GoC

Chart 4: Budget deficit meant to gradually ease from here

GoC budget balance-to-GDP ratio | Inset: Bud26 baseline projections

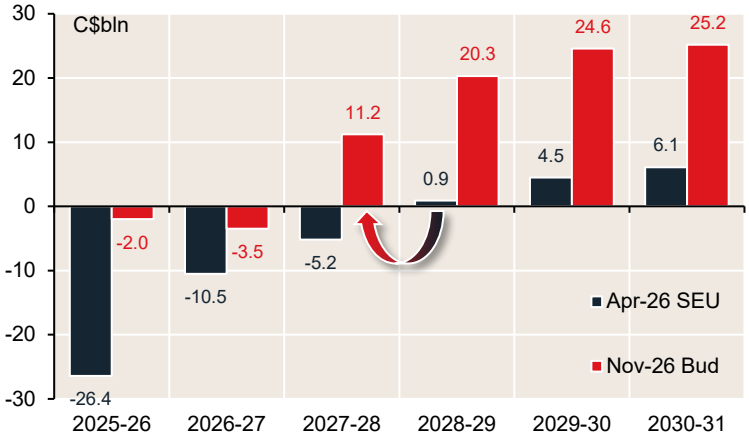


Source: NBC, GoC

With positive economic development expected to spill over, Ottawa has opted to divert marginal room to new measures (some announced alongside the first ever Investment Summit in September and some trotted out in the budget itself). It leaves the 2026-27 deficit at $62.3 billion, about $3 billion smaller than previously telegraphed and representing 1.8% of GDP. A declining deficit-to-GDP ratio is one of Ottawa's so-called 'fiscal anchors', and setting aside an expected increase in 2026-27, this ratio is meant to gradually step down in the out-years of the fiscal framework.

Chart 5: An operational surplus one year ahead of schedule

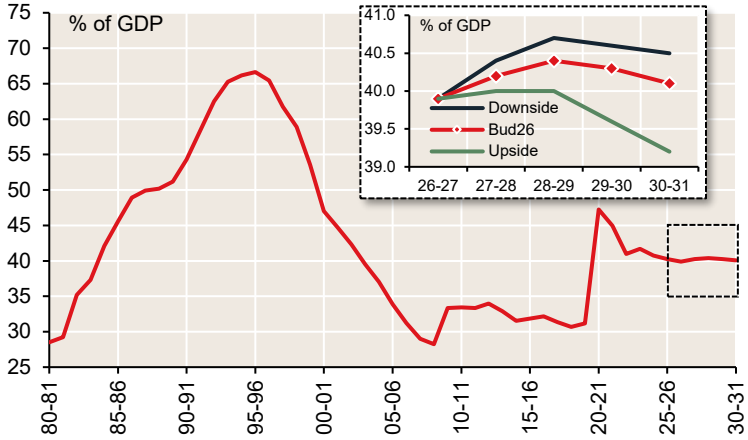
GoC day-to-day operating balance: Budget 2026 vs. Apr-26 SEU



Source: NBC, GoC

Chart 6: Narrow debt ratio peaks in '28-29 at lower level

GoC accumulated deficit-to-GDP ratio | Inset: Bud26 scenarios for debt-to-GDP

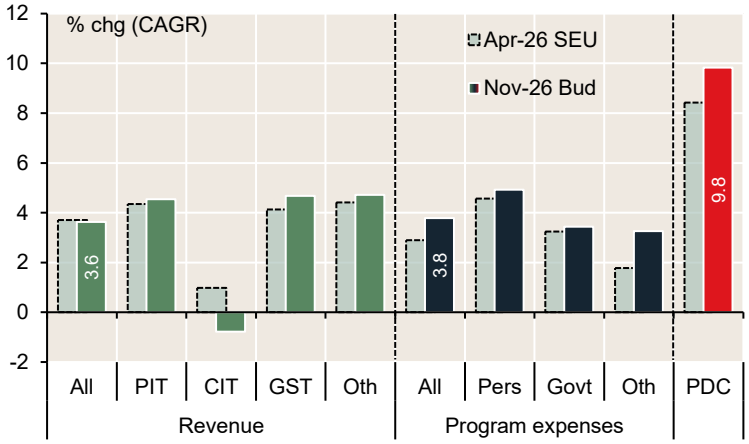


Source: NBC, GoC | Note: Downside=supply chain disruptions; upside=higher investment

Announced ahead of time, 'operational balance' by will be achieved one year ahead of schedule (in 2027-28). There's also some improvement on the accumulated deficit-to-GDP ratio—the narrowest measure of federal debt—where an upgraded nominal GDP profile is a plus. Debt-to-GDP is to peak at 40.4% in 2028-29, easing over time under all three formal budget scenarios.

Chart 7: Public debt charges are growing quickly

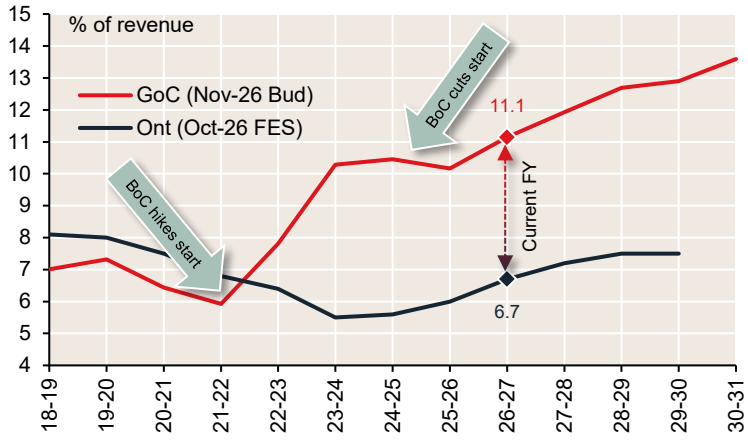
Projected growth in GoC budget items: 2025-26 to 2030-31



Source: NBC, GoC

Chart 8: Ottawa's interest bill bites quicker (vs. provinces)

Interest-to-revenue ratio: GoC (Budget 2026) vs. Ontario (FES)

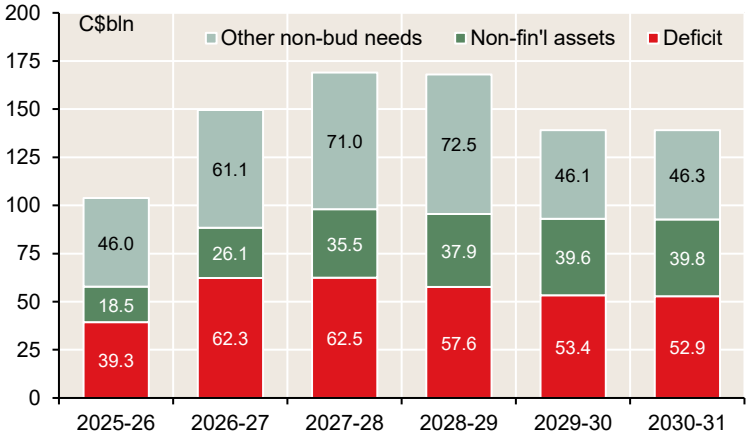


Source: NBC, GoC, Ont

Canada may be more fiscally sustainable than peers, but marginal debt has become less affordable. Public debt charges are projected to exceed $60 billion in 2026-27, surging at a near-10% average annual clip over the five-year fiscal plan. Since GoC debt rolls quicker than at the provincial level—where more of it is locked in for longer—Ottawa's interest bill bites quicker and harder.

Chart 9: Budget balance masks full extent of funding need

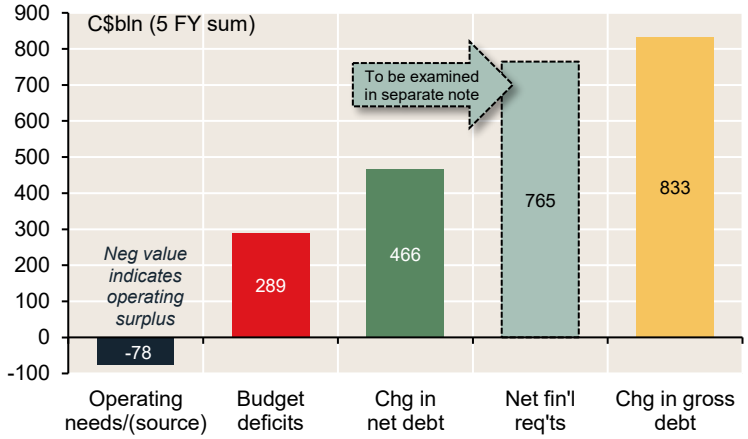
GoC net financial requirements by component



Source: NBC, GoC

Chart 10: No shortage of supply with market debt set to jump

Cumulative GoC deficit & change in debt: 5Y sum (2026-27 to 2030-31)



Source: NBC, GoC

The budget deficit masks the full extent of Ottawa's debt accumulation. Non-budgetary requirements (including for non-financial capital acquisition and CMB purchases) exceed the deficit each year of the fiscal plan—and it's not particularly close. That pushed net borrowing needs to nearly ~$170 billion in each of coming two fiscal years. That's a big lift, meaning plenty of GoC supply ahead.

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