



## MNI POLITICAL RISK ANALYSIS – Canada Federal Election Preview

by Tom Lake

Canada holds elections to its 45<sup>th</sup> Parliament on Monday, 28 April, amid a political landscape that has changed beyond all recognition since the start of the year.

- In January, then-Prime Minister Justin Trudeau was dealing with record or near-record low personal approval ratings and opinion polling support for his centre-left Liberal party, an increasingly agitated parliamentary caucus concerned about the prospect of an electoral wipeout, and the looming threat of a vote of no confidence in his minority administration that could lead to a snap election.
- In contrast, the main opposition centre-right Conservative party was 20%-25% ahead in the polls, riding a wave of public discontent with rising cost of living pressures, unaffordable housing, and a Trudeau government that had been in office for nine years and appeared out of new ideas. Its leader, Pierre Poilievre, was seen as essentially the prime minister-in-waiting.

However, two political events have changed the narrative: the resignation of Trudeau as leader of the Liberal party and prime minister after nine years in office, and the historic deterioration in relations between Canada and the United States. Trudeau's resignation and replacement as prime minister by Mark Carney, and the aggressive tariff actions and rhetoric directed towards Canada by US President Donald Trump. The former has allowed the Liberal party to put itself forward as a 'new' offering, despite having held 24 Sussex Drive since 2015. The latter has seen a sentiment shift among large portions of the Canadian electorate against the US and towards vehement backing of anything domestic, whether this be industry, sports teams, or indeed the incumbent government.

This shift has seen the Liberals surge into the lead in opinion polling, with the election now viewed as Prime Minister Carney's to lose. In this Election Preview, we outline how the Canadian electoral system works and how election night will proceed, run through the main political parties contesting the election, provide a chartpack of the latest polls and betting markets, assign probabilities to various election scenarios, and key views from sell-side analysts.

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## Electoral System

Canada uses a first-past-the-post electoral system modelled on that of the United Kingdom to elect the 338 members to the House of Commons, the lower chamber of the Canadian parliament. The individual seats are known as federal 'ridings', and in order to win, an individual simply needs to win a plurality of the vote in the contest for that individual riding. To form a government, a single party is required to win an overall majority (172+), form a formal coalition, or govern as a minority administration with a confidence-and-supply agreement.

Seats across the country are intended to have a similar number of electors, although in practice this can differ with seats in Alberta averaging around 116,500 people per seat, while in Prince Edward Island this falls to 38,500. The most populous province, Ontario, has 122 seats, while the three territories (Northwest Territories, Nunavut, Yukon), despite their huge geographic size, are each represented by just one MP. All Canadian citizens over the age of 18 are allowed to vote, including Canadian citizens living overseas and prisoners. The one exception is the Chief Electoral Officer, while the governor general – the representative of King Charles III – traditionally abstains to maintain political neutrality.

A number of early voting opportunities are afforded. Students could vote on campus early from 13-16 April, members of the armed forces could vote on base early 14-19 April, prisoners voted on 16 April, and the general population could vote 18-21 April.

Given that Canada has six timezones, polling is staggered across the country and within some provinces/territories. Some electoral districts are so large that they cross timezone borders. In these cases, the Chief Electoral Officer determines the single time for voting in that riding.

Time Zone	Polls Open (Local Time)	Polls Open (ET)	Polls Open (BST)	Polls Open (JST)
<b>Newfoundland Time</b>	08:30-20:30	07:00-19:00	12:00-00:00	20:00-08:00
<b>Atlantic Time</b>	08:30-20:30	07:30-19:30	12:30-00:30	20:30-08:30
<b>Eastern Time</b>	09:30-21:30	09:30-21:30	14:30-02:30	22:30-10:30
<b>Central Time</b>	08:30-20:30	09:30-21:30	14:30-02:30	22:30-10:30
<b>Mountain Time</b>	07:30-19:30	09:30-21:30	14:30-02:30	22:30-10:30
<b>Pacific Time</b>	07:00-19:00	10:00-22:00	15:00-03:00	23:00-11:00

While Canada uses paper ballots, which are then counted by hand, the results from each polling station are reported upwards to Elections Canada HQ and then updated immediately online. This means that results will begin to trickle in a short time after polling stations close. Unlike many other countries, exit polls are not a commonplace part of Canadian elections. The Canada Elections Act means election-related info cannot be disseminated during voting hours, which limits any exit polls to when voting on the West Coast at 22:00 Eastern Time. Instead, pre-election surveys are utilised more commonly in Canada.



## Main Political Parties and Leaders

(Ordered by Seats in 2021 Federal Election)

**Liberal Party of Canada** – *Parti libéral du Canada* – LPC, ‘Grits’ – Leader: Mark Carney, 60, Born: Fort Smith, N.W.T (PM 2025-, LPC leader 2025-, UN Special Envoy for Climate Action and Finance 2019-25, Governor of the Bank of England 2013-20, Governor of the Bank of Canada 2008-13, Senior Associate Deputy Minister of Finance 2004-07) – Centre-left/centrist, ‘big tent’, social liberalism – Founded: 1861 – Seats at Dissolution: 152/338

**Conservative Party of Canada** – *Parti conservateur du Canada* – CPC, ‘Tories’ – Leader: Pierre Poilievre, 45, Born: Calgary, Alta. (Leader of the Opposition, CPC Leader 2022-m Minister of Employment and Social Development 2015, Minister of State (Democratic Reform) 2013-15, MP for Carleton, Ont. 2004-) – Centre-right, economic liberal, conservative – Founded: 2003 – Seats at Dissolution: 120/338

**Bloc Québécois** – Quebec Bloc – BQ, ‘Bloc’ – Leader: Yves-François Blanchet, 60, Born: Drummondville, Que. (BQ leader 2019-, MP for Beloeil-Chambly, Que. 2019-, Minister of Sustainable Development, Environment, Wildlife and Parks of Quebec 2012-14, Member of National Assembly of Quebec for Johnson 2008-14) – Centre-left, Quebec nationalism/sovereignism, regionalism, republicanism – Founded: 1991 – Seats at dissolution: 33/338

**New Democratic Party** – *Nouveau Parti démocratique* – NDP – Leader: Jagmeet Singh, 46, Born: Scarborough, Ont. (NDP leader 2017-, MP for Burnaby South, B.C. 2019-25, Member of the Ontario Provincial Parliament from Bramalea-Gore-Malton 2011-17) – Left-wing/centre-left, democratic socialism, social democracy – Founded: 1961 – Seats at dissolution: 24/338

**Green Party of Canada** – *Parti vert du Canada* – GPC, Greens – Co-Leaders: Elizabeth May, 70, Born: Connecticut, USA (Greens’ leader 2006-19 and co-leader 2022-, MP for Saanich-Gulf Islands, B.C. 2011-) and Jonathan Pedneault, 35, Born: Montreal, Que. (Greens’ co-leader 2025-, Greens’ Deputy Leader 2022-24) – Left-wing, environmentalism, green politics – Founded: 1983 – Seats: 2/338

**People’s Party of Canada** – *Parti populaire du Canada* – PPC – Leader: Maxime Bernier, 62, Born: Saint-Georges, Que (PPC leader 2018-, Minister of State (Small Business and Tourism, and Agriculture) 2011-15, Chair of the National Defence Select Committee 2009-11, Minister of Foreign Affairs 2007-08, Minister of Industry 2006-07, MP for Beauce, Que. 2006-19) – Right-wing, populist, Canadian nationalism, libertarianism – Founded: 2018 – Seats: Zero



## Scenario Analysis

### Liberals Win Outright Majority After Carney Surge – 70%

- The surge in support for the incumbent Liberal party in recent months has been nothing short of meteoric. A change in political leadership at the top of the party combined with the aggressive rhetoric towards Canada from US President Donald Trump with regards to both trade, but also the country's very territorial integrity, has created a 'rally round the flag' effect, where those previously disinclined to back the governing party now see the incumbents as a bulwark against the White House.
- The prospect of a Liberal majority as the core scenario comes not from a collapse in the main opposition Conservatives, but from third and minor parties shedding votes.
- The collapse in support for the leftist NDP has been particularly stark, from around 20% at the start of the year to below 10% in the final days of the campaign. Much of this will have come about as left-wing voters, seeing the only potential choices of prime minister as Carney or Poilievre, view the former as a more effective negotiator against Donald Trump. It also appears the case that many left-wing voters are more inclined to back the Liberals' broad centre/centre-left agenda (now no longer 'tainted' by the presence of long-serving prime minister Justin Trudeau) over Poilievre's populist, rural, 'Canada First' conservatism.
- The decline in backing for the regionalist Bloc Quebecois is also pronounced. For many years the Bloc has garnered support from those who support either significantly devolved powers to the French-speaking province, or indeed full independence. However, with the advent of the second Trump administration, many former Bloc voters within the province would now appear to view Washington, D.C., as their primary political adversary, rather than Ottawa.
- If the Liberals can win a majority it would be the party's first since Justin Trudeau came to office in 2015. Since the 2019 election the LPC has governed as a minority administration. Not relying on the support of other parties would be seen as both a boost to Carney's negotiation position with Donald Trump after the election, and would secure his ability to pass a budget and other tax and spending measures that proved difficult under the Trudeau administration (particularly following the collapse of the confidence-and-supply agreement with the NDP).
- The prospect of a Liberal majority is further enhanced by Canada's first-past-the-post electoral system. The efficient distribution of the party's support across Canada's 343 ridings means that in the 2021 federal election each seat the party won came with the lowest number of associated voters. It took just 34,729 voters to elect each Liberal MP, compared to 48,298 for each Conservative, and 198,499 for each Green MP. Indeed, the Liberals have sat as the largest party since 2015 despite losing the popular vote to the Conservatives in both the 2019 and 2021 federal elections.

### Status Quo Remains with Liberals Largest Party, But Short of Majority – 15%

- While almost all recent polling has had the Liberals leading the Conservatives, many of these leads have been in the low single-digits. Liberals underperforming the polls, and an outperformance by the Conservatives, NDP and Bloc could prove sufficient to maintain the status quo ante, that is the Liberals as the largest party but short of a majority.



- This scenario would not necessarily leave PM Carney's government holed below the water line but would limit its room for manoeuvre with regard to domestic policy making.
- After nine years in power, former Prime Minister Justin Trudeau had used up his political capital and his approval ratings were proving a drag on the party. The incumbent PM, while retaining a number of Trudeau's ministers, does not carry the same political baggage as his predecessor. This could give him a better opportunity to make confidence and supply deals with smaller parties in the event the Liberals fall short of a majority.
- Another minority Liberal administration could limit the government's ability to enact legislation swiftly, once again having to build consensus on a bill-by-bill basis. However, given the broad cross-party consensus in facing down the US on its tariff agenda, any government action regarding protecting Canadian industry is likely to gain requisite Commons support even without a majority Liberal government.

### **Conservatives Largest Party – 10%**

- While the Liberals have consistently out-polled the Conservatives during the course of the campaign period, according to YouGov's first multilevel and post-stratification (MRP) poll published on 23 April a not-insignificant number of seats are Liberal 'tossups', essentially putting them within the margin of error.
- An outcome in which Conservative overperformance results in the CPC emerging as the largest party, but short of a majority, could prove the most chaotic for the country's policy-making environment. Unlike the Liberals, which may be able to find common ground with the NDP, Greens, or the Bloc in the event of a hung parliament, the Conservatives will not have any potential allies on the right to rely on for support (barring the extremely slim chance right-wing populist People's Party leader Maxime Bernier wins in the riding of Beauce).
- In such a scenario, the Conservatives could try to govern as a minority administration, relying on votes from other parties on a bill-by-bill basis (which will slow down policy making dramatically).
- There is no constitutional demand that the prime minister hails from the largest party. Instead, the governor-general calls to form a government the individual most likely to hold the confidence of a majority of members of the House of Commons. As such, should the Conservatives only be a handful of seats ahead of the Liberals, Carney could seek to govern in confidence-and-supply agreements with other parties despite its second-placed position.

### **Conservatives Win Outright Majority in Polling Shock – 5%**

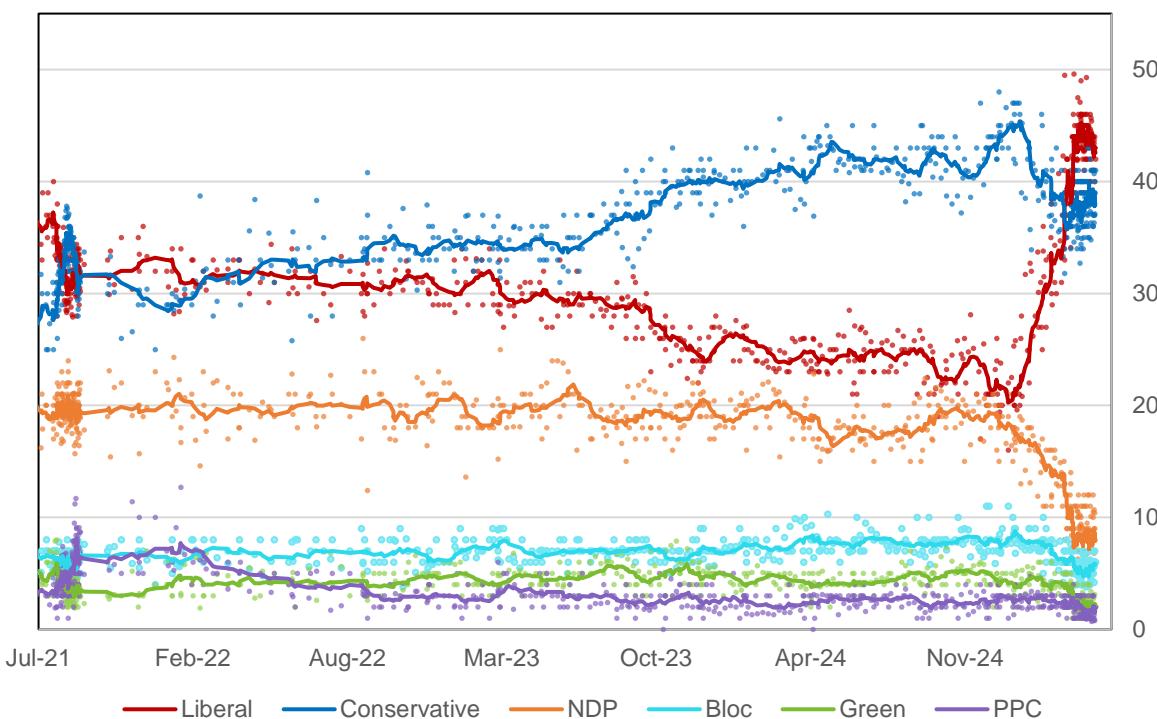
- With 7.3mn Canadians having voted early (representing around a quarter of eligible voters and up 25% on the 2021 level) late swings in party support may not have as significant an impact as in previous elections. Nevertheless, a significant event in the last days ahead of the election, or a major polling error across the board, could see the outcome that was widely priced in by markets at the start of the year: a majority for the Conservatives.



- This scenario would deliver the most substantial impact in terms of a shift in policy from Ottawa, as well as the nature of the government. Under his leadership, Pierre Poilievre has sought to position the Conservatives as a more overtly populist, working class party, compared to its historic position as a middle class, pro-business cohort. This could see a tougher line on 'culture war' issues and immigration.
- There would inevitably be significant focus on how Poilievre would deal with US President Donald Trump's tariff agenda and rhetoric regarding Canada as the US' '51st state'. There is a vein of thought that Trump may be more inclined to work out a deal with a right-wing party than an ideological opponent, putting an incoming CPC government in a better negotiating position than a Liberal administration.

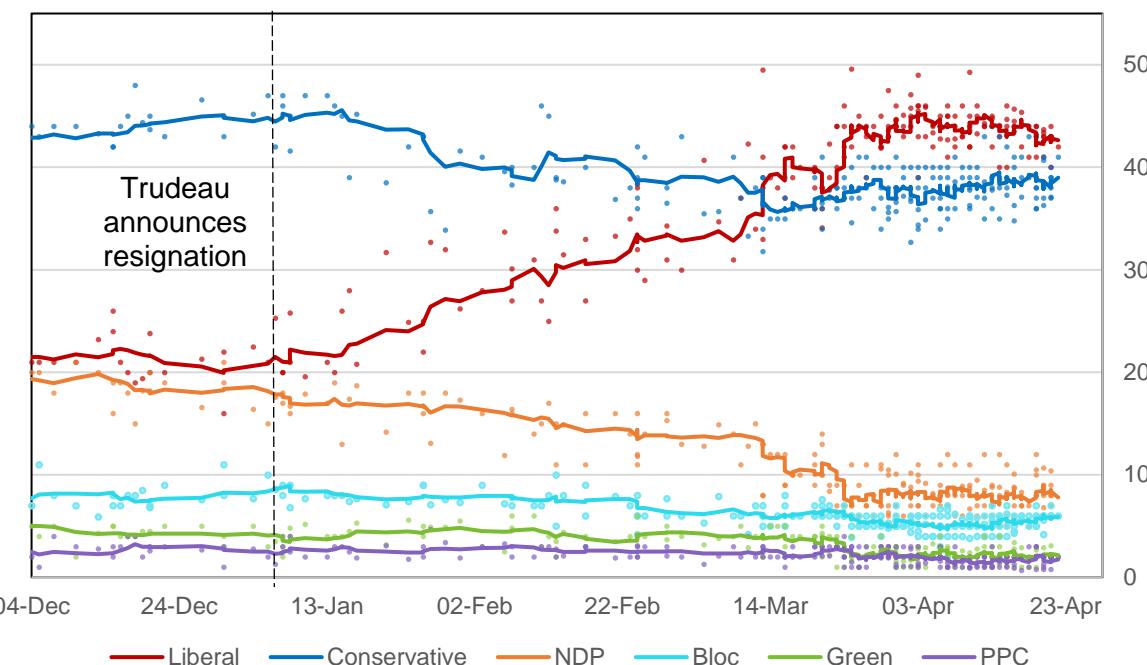
## Opinion Polling Chartpack

**Chart 1. Federal Election Opinion Polling (Long-Term), % and 8-Poll Moving Average**



Source: *Liaison Strategies, Mainstreet Research, Nanos Research, Abacus Data, Innovative Research, Angus Reid, Pollara, MQO Research, Leger, Research Co., Ekos, Ipsos, Pallas Data, MNI*

**Chart 2. Federal Election Opinion Polling (Short-Term), % and 6-Poll Moving Average**



**Chart 3. Preferred Prime Minister Polling (Long-Term), % and 8-Poll Moving Average**

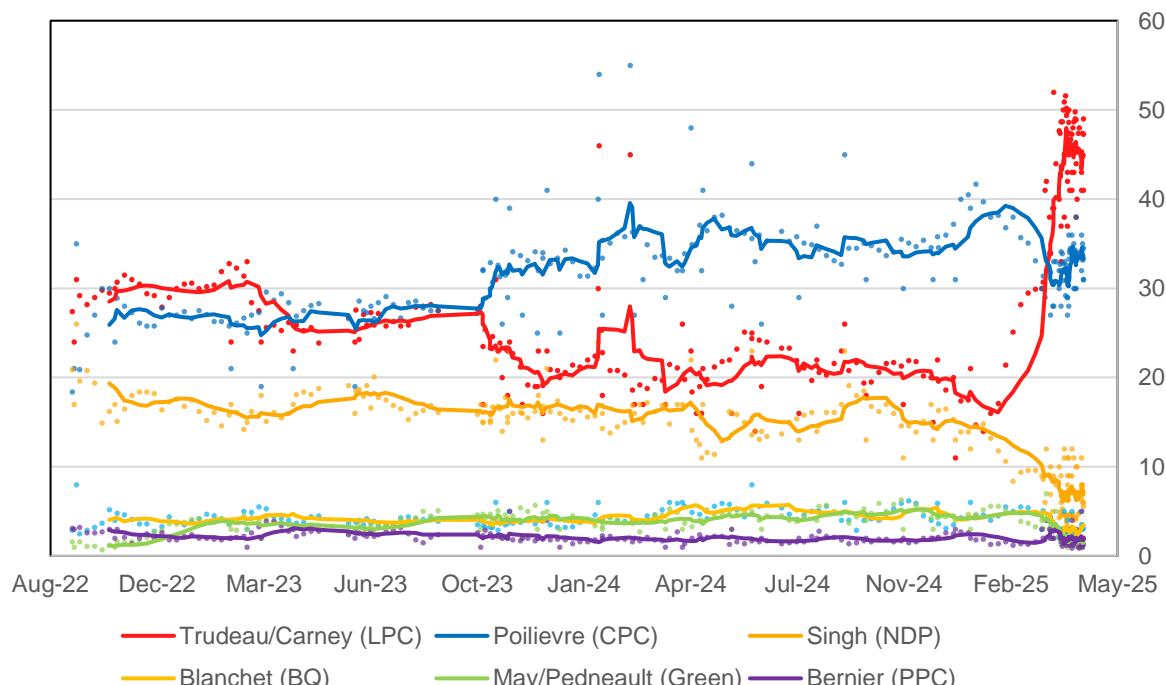


Chart 4. Preferred Prime Minister Polling (Short-Term), % and 6-Poll Moving Average

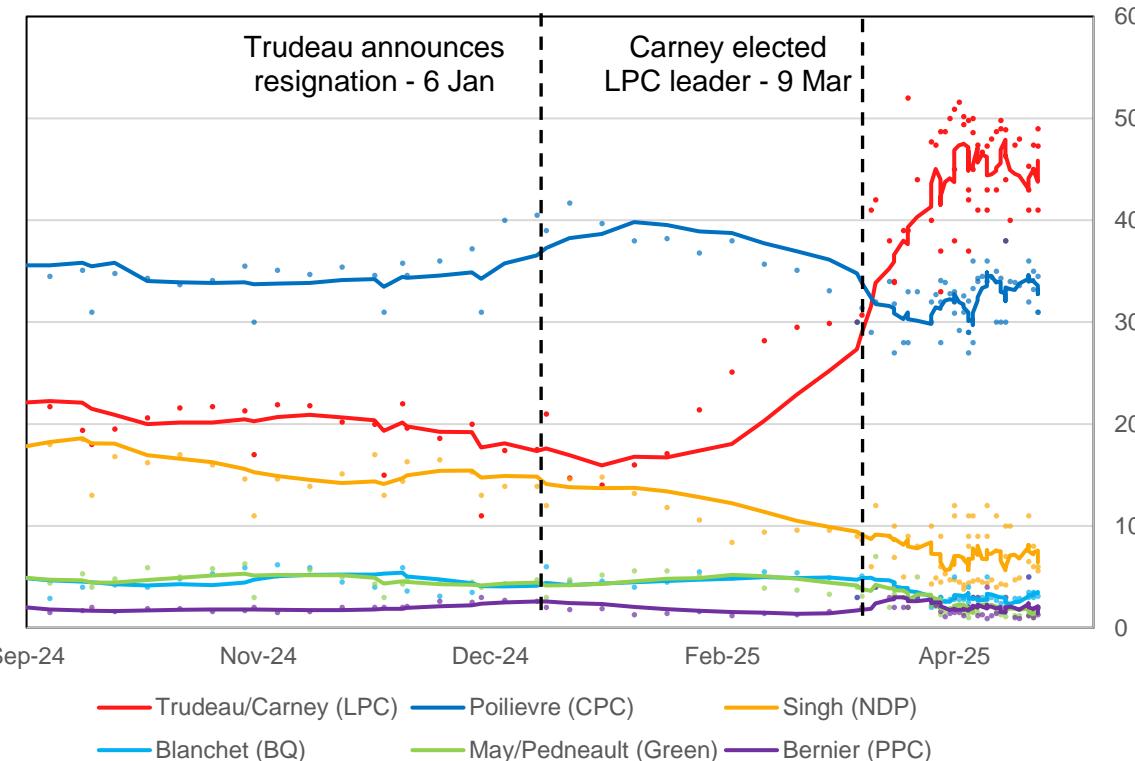


Chart 5. Betting Market Implied Probability: Next Government Composition, %

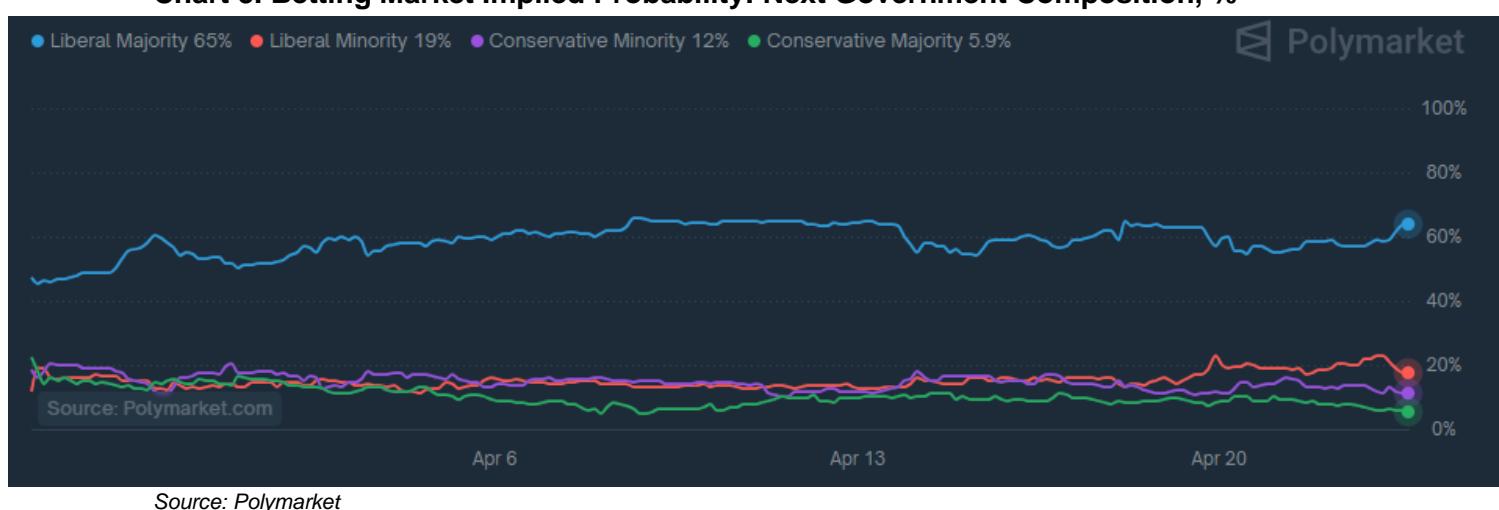
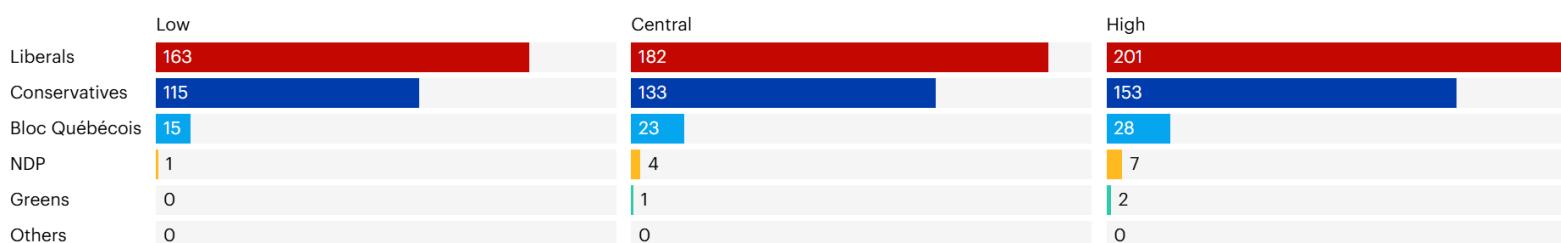


Chart 6. Betting Market Implied Probability: Next Prime Minister After Election, %

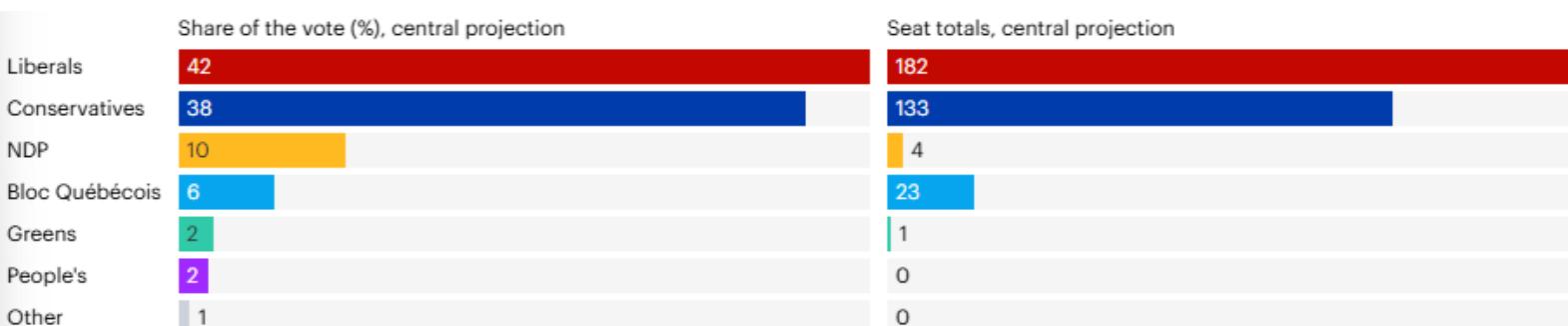


Chart 7. Low, Central, and High Seat Projections Based on YouGov MRP



Source: YouGov. Estimated federal-level results based on the modelled responses of 6,077 adults in Canada. Fieldwork: 2-22 April

Chart 8. Central Projection (% share LHS, Seats RHS)



Source: YouGov. Estimated federal-level results based on the modelled responses of 6,077 adults in Canada. Fieldwork: 2-22 April



## Analyst Views

### ING

- A recent survey conducted by Abacus data shows two dominant factors driving voter decisions: reducing the cost of living (45%) and managing relations with Donald Trump (33%). Healthcare improvement and housing affordability follow as key concerns.
- All Canadian parties are firmly condemning US tariffs: Trump is a deeply unpopular figure in Canada, and both Liberals and Conservatives have pledged a tough stance against Trump. There is however explicit interest to enter trade negotiations as opposed to seeing a US-Canada trade barriers as a sustainable measure.
- Even a modest drop in exports to the US would be enough to trigger a recession. Unemployment is already rising, admittedly due to labour supply exceeding demand rather than outright job losses, but given the concerns over the outlook for economic activity we run the risk of a marked pick-up in lay-offs in the months ahead.
- For a country that has such high levels of personal debt that is a deeply worrying situation and could exacerbate the pain and lead to an even steeper slowdown in spending. This leads us to conclude that the risks are skewed towards the Bank of Canada cutting rates harder and faster than we are currently projecting.
- We think the impact on Canadian assets from this election will be quickly overshadowed by the volatility borrowed by US markets. That said, markets are attaching a greater-than-usual implied volatility premium to the Canadian dollar for this election.
- A Conservative win would be a surprise for markets, and we think CAD would rally on the view that Trump may be more lenient in trade negotiations towards another conservative leader. Carney's short tenure as Prime Minister so far has brought diplomatic interests closer to Europe, which may be perceived as an obstacle for trade negotiations with the US.
- In terms of fiscal plans, the impact may be perceived more in the bond market, and spill over into FX only in case of major bond volatility. While it is true that Liberals plan a wider deficit, markets may deem the Conservatives' spending cuts (and by extension, the smaller deficit projections) as too optimistic. While larger tax cuts by the Conservatives can lift CAD by limiting the Bank of Canada's ability to cut rates, the risks of an adverse Canadian bond reaction could offset the benefits for the loonie.

### Morgan Stanley

- Current polls suggest that the Liberal Party, led by Prime Minister Mark Carney, will likely secure the largest number of seats at Canada's Federal Election scheduled for Monday, April 28. However, it remains unclear whether the Liberal Party will be able to win 172 or more seats that are required for an outright majority in the 343-seat House of Commons.
- We don't expect the Canadian election to have huge implications for USD/CAD given how front and center the US policy outlook is at the moment for FX investors. However, we think that a Liberal-led government will be more CAD positive than a



Conservative-led government, especially if the Liberals attain an outright majority [...] We think markets will perceive policies from the Liberal Party as more growth positive than a Conservative-led government through fewer immigration curbs and a looser fiscal stance than under the Conservatives.

- Fiscal plans from the Liberal Party point to more spending than planned under the Fall Economic Statement. Tax cuts and canceling the capital gains tax are some of the costly measures, but the overall focus of the rest of the fiscal plan is to shift fiscal path towards capital investment, with an aim to incentivize private sector investment and to raise productivity. This type of spending should be CAD-positive over the longer-term...More fiscal spending than envisioned during the Fall Economic Statement may also keep rate expectations more supported as investors likely reduce the likelihood of significant more BoC easing in case of a looser fiscal stance.
- We think that the Conservative Party winning the election will weigh on CAD on the margin. The key reasons are more fiscal restraint and a lower chance of an outright majority. Failure to reach an outright majority increases the risks of less stable government which markets may interpret as negative....
- We previously argued that a key distinction between which election outcome would be more CAD-positive was the difference between the macro perspective versus a narrative perspective. Back then we wrote that, from a narrative perspective, a Conservative-led government may be perceived by markets as more likely to be able to strike a better deal on tariffs with President Trump than the Liberal Party.
- However, since then Mark Carney was elected to succeed former Prime Minister Trudeau. Commentary from the US administration suggest trade communications between the two countries appear to have improved, suggesting that there may not be a big difference between how markets expect trade negotiations to evolve under either of the two parties.

Policy Area	Policy Detail	Liberal	Conservative
Fiscal Policy and Taxation	Tax Relief	Propose reducing the lowest income tax bracket from 15% to 14% and eliminating the Goods and Services Tax on new homes under C\$1 million for first time buyers	Propose lowering the tax rate on the lowest income tax bracket from 15% to 12.75%
	Balance the Budget	Aim to balance the federal budget by 2028 through increased productivity and fiscal restraint	
	Capital Gains Taxes		Defer capital gains taxes if proceeds are reinvested in Canada
	Deficit Reduction		Pledged to cut the deficit by 70% through less government spending and boosting growth through more resource sector jobs



International Trade	US Trade Relations	Maintain tariffs on US goods until reciprocal US duties are lifted and seek to negotiate a new economic and security framework with the US	Continue to impose counter-tariffs until the US removes all its tariffs on Canadian goods
	Internal Trade	Commit to removing interprovincial trade barriers to enhance national economic unity	Commit to removing interprovincial redtape to enhance domestic economic integration
	Trade Diversification	Allocate C\$5 billion to diversify international trade partnerships, reducing reliance on the US market	Pursue a CANZUK free trade and mobility agreement with the United Kingdom, Australia and New Zealand
Housing and Infrastructure	Affordable Housing	Establish Build Canada Homes, a crown corporation, to oversee affordable housing construction, with investments including C\$25 billion for prefabricated housing and C\$10 billion for affordable homebuilding	
	Increase Housing Supply	Aim to double the pace of new housing construction over the next decade.	Build 2.3mn homes by getting rid of home sales taxes and paying cities to cut other taxes to save C\$100k as well as selling off federal land and speeding up home building
	Build Critical Infrastructure		Invest in infrastructure to enhance trade and commerce, especially in areas such as natural resources, energy, transportation, and manufacturing.

Source: Morgan Stanley

## Scotiabank

- Canadians have strikingly different views of the two main leaders. They have more confidence in the Liberals to manage the US relationship and to manage the economy, are divided on who would be best for the cost of living and national unity, and pivot to the Conservatives to cut taxes and fix immigration policy that has frankly been bungled for years.
- In my opinion, much of the Liberals' overall set of promises project continuity from the former government of PM Justin Trudeau. Their policies lean heavily upon a



distributive agenda that maintains relatively high taxes on most earners with limited engagement with the resource sector's potential. The Liberals would advance a carbon border tariff that could endanger its stated effort to seek a renewed CUSMA agreement.

- The current iteration of the Conservative Party is a working class, populist version of conservatism. You won't hear talk of corporate tax reductions versus tax cuts for lower income earners and more favourable policies for small businesses and trades while presenting more favourable policies for the resources sector.

Policy Area	Liberal Party	Conservative Party
Climate, Resources and Investment	Keep the carbon tax on industrial emitters and tighten the pricing system; introduce climate incentives including zero-emissions subsidies; favour higher oil production to reduce US imports; allow pipelines but give Quebec a full veto on ones that cross its territory which is key in that it deflects responsibility; build an East-West electricity grid with 'clean' electricity; create a 'First Mile Fund' to build transportation networks between resource extraction sites and transportation networks; fast track approvals for large-scale, national-interest infrastructure projects; phase out fossil fuels in government buildings by 2030.	Eliminate the carbon tax on industrial emitters and tighten the pricing system; support an east-west pipeline but haven't mentioned a Quebec veto or one for indigenous people; green-light all federal permits for the Ring of Fire within six months to mine multiple metals; create a single office for all regulatory approvals across levels of government with one application and one environmental review and limit processing time to one year; create 'shovel ready' zones for LNG in Quebec; repeal the Impact Assessment Act (C-69) that evaluates environmental and social impacts of projects; create a national energy corridor that would fast-track approvals for projects; look into exporting oil from the Port of Churchill, Manitoba.
Tariffs & Trade	Have a carbon border tariff on imports from countries without comparable carbon pricing, like the US; renegotiate a trade agreement with the US immediately after the election; said supply management is "off the table in any negotiations."; seek to create an "All-in-Canada" supply chain for auto parts.	Seek a renegotiation of the CUSMA trade agreement "on day one" and would propose pausing tariffs during negotiations; not remove counter-tariffs until the US removes all of theirs; put most of the tariff revenue toward tax cuts and some for workers hit hardest; remove GST off Canadian-made cars as long as US tariffs remain.
Taxes	Cut the tax rate for the lowest income tax bracket by 1%; increase the Guaranteed Income Supplement by 5% for a year; expand Labour Mobility Tax Deduction to allow more deductions; allow businesses to defer income tax and GST/HST due to the trade war; cancel the capital gains tax increase.	Cut the lowest income tax bracket rate by 2.25% to 12.75%; defer capital gains if the proceeds are invested in Canada from July 1 <sup>st</sup> 2025 to December 31 <sup>st</sup> 2026; allow working seniors earning less than \$42k/year to pay no taxes on earnings up to \$34k; allow travelling trades workers to write off the full cost of food, transportation and accommodation; cancel the capital gains tax increase; cut the federal sales tax on Canadian-made vehicles for as long as tariffs exist; cap deductions for luxury corporate jets to the equivalent of a commercial flight; eliminate the automatic annual escalator tax on wine, beer & spirits (ie: annual tax increases).

<b>Job Markets</b>	Ease access to employment insurance by raising regional unemployment rate percentages and waiving the one-week waiting period for EI for job losses due to the trade war; provide an apprenticeship grant of up to \$8k and other enhancements	"More boots, less suits" plan would target 350k skilled trades workers; allow union training centres & colleges to pre-register apprentices for EI; create a "Keeping Canadians Working Fund" for temporary low-interest loan & short-term credit lines up to \$3B for affected businesses.
<b>Housing</b>	Eliminate GST on all homes up to \$1 million for first-time home buyers and significantly renovated homes; create a standalone developer of affordable prefab housing on public lands with \$25B in debt financing and \$1B in equity financing; reduce costs by halving municipal development charges for five years.	Eliminate the GST on new homes sold under \$1.3 million at a cost of \$4–5B; tie federal funding to cities to housing starts with the expectation they would rise 15% per year with bonuses to municipalities for exceeding; incentivize cutting development charges by matching the amount they cut to a maximum of \$25k per home; sell 15% of federal owned buildings to use as affordable housing.
<b>Financial Sector</b>	Reduce the minimum amount that has to be withdrawn from a RRIF by 25% for one year;	Poilievre's stance toward the Bank of Canada is presently unclear; raise the TFSA contribution limit by \$5k/year if invested in Canada; allow seniors to contribute to RRSPs for two extra years to 73; redirect CRA resources toward targeting offshore tax havens and create a "name and shame" publication of corporations evading taxes while expanding offshore tax informant program; pledged to fine banks and telcos \$5 million per violation if wilfully neglectful to stop fraudsters on older people; pledge to require banks to recognize apprenticeship and skilled trades programs for RESPs.
<b>Defence</b>	Increase defence spending to 2% of GDP by 2030; invest \$420 million to protect Arctic sovereignty.	Increase defence spending to 2% of GDP but a timeline seems to be unclear; acquire two more polar icebreakers and build at least one base in the Arctic within two years.
<b>Government Spending</b>	Cut public spending, balance an operating budget within three years, but run a small deficit on capital spending; continue with rolling out dental care, pharmacare and childcare programs as laid out in prior budgets; slow spending growth through technology and attrition; increase CBC/Radio-Canada annual funding by an initial \$150 million; reducing civil servants through attrition over firings.	Maintain existing federal dental, child and pharma care programs but have not specified if they would be committed to future planned increases; pledge dollar for dollar cuts in spending for every new dollar of spending; cut subsidies to businesses and foreign aid and defund the CBC but keep Radio-Canada; reducing civil servants through attrition over firings.
<b>Immigration</b>	Maintain existing caps on immigration.	Restrict temporary foreign workers to "rare circumstances" when there are not enough Canadians to meet requirements; reduce non permanent residents ("temps") in Quebec and give the province more powers to choose them; tie population growth rate to below the number of new homes built and infrastructure adequacy.

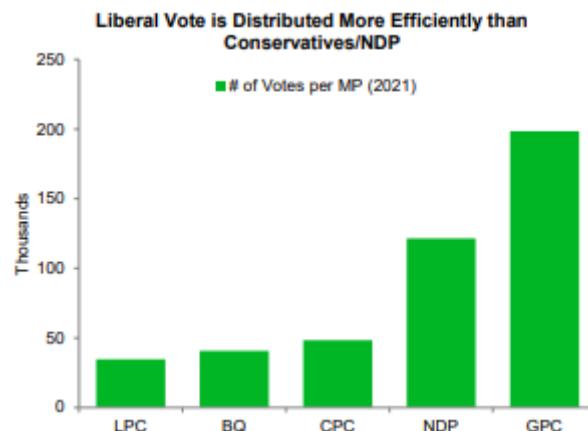


<b>Interprovincial barriers</b>	Eliminate federal barriers to interprovincial trade by Canada Day (1 July) this year.	Aim to unite Premiers within 30 days to simplify the Canada Free Trade Agreement and enable professionals, including immigrant doctors and nurses, to work anywhere in Canada, reducing health care wait times.
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Source: Scotiabank

## TD Securities

- Notably, the Liberal vote is traditionally more efficiently allocated, so the Conservatives probably need to beat the Liberals by more than a percentage point to have a reasonable chance of forming government. For example, in 2021, the Conservatives received the largest proportion of the popular vote (34.3%, vs the 33.1% for LPC), but the Liberals still won a plurality of seats in the House of Commons.

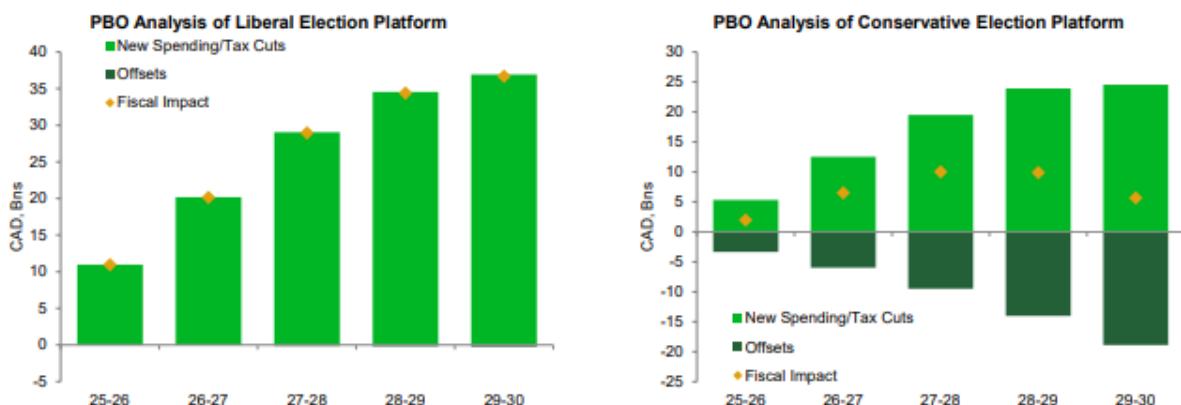


Source: TD Securities, Elections Canada

- The two leading parties have pledged similar amounts of new defence spending: \$18bn over 4 years for the Liberals (on an accrual basis), and \$17bn for 4 years for the Conservatives.
- ...both leaders have proposed lowering the tax rate for the bottom federal tax bracket — from 15% to 14% for the Liberals, and to 12.75% for the Conservatives. The Conservative tax cut will be phased in from 2026-2028, and is projected to cost \$44bn over 5 years, while the Liberal proposal will take effect immediately at a cost of \$28bn over 5 years. Similarly, neither leader will pursue the capital gains tax increase that was proposed by the previous Liberal government.
- ... the Conservative platform suggests a preference for tax measures, whereas the Liberal's lean more towards direct involvement. It is also worth highlighting that the Conservative platform includes a proposal to avoid capital gains if the proceeds are reinvested in Canada.
- ...the Conservative budget projects substantially lower deficits than the Liberal one. Broadly speaking, the Liberal campaign documents embrace a larger government, while the prospective Conservative government leans heavily on the idea that lower regulations and taxes will boost government revenues, coupled with larger spending cuts than proposed by the Liberal platform. The gulf between the two parties spending projections are sufficiently large that even if we eye a few line items

skeptically, it's reasonable to assume that deficits will be smaller under the Conservatives.

- The PBO-costed Liberal platform does go much further than the Conservatives on program spending, with \$131.7bn of new spending or tax cuts through 2029-39, vs



\$85.8bn on the Conservative side. Personal income tax cuts and the canceled capital gains tax hike represent the largest increases to program spending for both parties.

Source: TD Securities, PBO

- ...the broader campaign platforms tell a similar story with more program spending by the Liberals, and fewer offsets from spending cuts or new revenues. Internal campaign platforms point to a \$31.2 deficit from the Conservatives in 2025-26, which is \$15.4bn below the PBO baseline and compares to a \$62.3bn projection from the Liberals.
- Thinking about supply impacts, the projected increase in deficits in the Liberal platform would probably require more GoC issuance; there is scope for the T-bill market to absorb part of the increase in funding requirements, but with the government running persistently larger deficits we'd argue that GoCs are the more natural funding tool. Moreover, we would note that the PBO's baseline forecast assumes 1.7% real GDP growth for 2025, which strikes us as highly optimistic.

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