

2026 SPRING ECONOMIC UPDATE

The 2026 Spring Economic Update comes at a time of continued international instability and economic uncertainty. With a newly minted majority government following five floor crossers and three by-elections, Prime Minister Carney has released a Spring Economic Update that continues his theme of Building Canada.

In his presentation of the Spring Economic Update in the House of Commons, Finance Minister François-Philippe Champagne has acknowledged that a strong Canada requires a strong workforce, and it is putting the frameworks in place to ensure that Canada will have this in the long term. Incentives for businesses and workers in the skilled trades are critical components of the plan for the next five years.

At the same time, the Update shows the government's continued commitment to fiscal discipline. With nation-building investments in defence, infrastructure, and the economy, financial measures including the creation of the Canada Strong Fund and the Canada Investment Summit were created with the aim of attracting investment to Canada and offsetting the major financial commitments made to meet the 2 per cent NATO targets and building trade-enabling infrastructure. The government also renewed its commitment to reduce spending on external management and other consulting services, promising to cut the usage by 20 per cent over the next three years and expanding internal capacity and expertise.

Economic Context and Implications

Despite ongoing international instability, the Spring Economic Update projects a strong picture of the economy. The 2025-2026 deficit projection is \$66.9 billion, or 2.1 per cent of GDP, down \$11.5 billion from the deficit projected in Budget 2025, and the deficit continues to be expected to decline to \$53.2 billion, or 1.4 per cent of GDP by 2030-31.

Canada's real GDP grew by 1.7 per cent in 2025 and private sector forecasters expect real GDP growth of 1.1 per cent in 2026 and 1.9 per cent in 2027, marginally lower than Budget 2025 projections.

These projections include recent dramatic increases in oil prices due to American involvement in the Middle East. Due to current global instability, oil prices are expected to average about US\$80 for 2026, roughly US\$15 higher than expected in Budget 2025. If the increase in oil prices is temporary, inflation is expected to return to the 2 per cent target by the end of the year.

This also greatly impacted inflation, which averaged 2.1 per cent in 2025, slowed to 1.8 per cent in February, but then rose to 2.4 per cent in March due to higher energy prices. Additionally, labour force participation has not improved, with the unemployment rate at 6.7 per cent in March 2026. Wage growth has now outpaced inflation for more than three consecutive years, resulting in an annual increase of 1.6 per cent in real wages on average since 2023. Since the start of 2025, Canada has added nearly three times as many jobs per capita (3.4 per 1,000 of population) as the U.S. (1.2 per 1,000).

Even so, Canada's relative position internationally remains strong. Canada is the second fastest-growing G7 economy, and we continue to have the lowest net Debt-to-GDP ratio in the G7 at 10.2 per cent.

Political Outlook

The Spring Economic Update introduction comes one year after Prime Minister Carney's election in April 2025. The past year was marked by actions to reduce barriers for nation-building infrastructure projects and to provide immediate economic support for workers impacted by tariffs and a changing international trade system. Now, at the one-year mark, this Update has been framed as laying the groundwork for an economically strong and sovereign Canada.

With a slim majority in the House of Commons, the Spring Economic Update is expected to pass. With the New Democratic and Conservative parties likely voting in opposition to the Update, the Liberals will require all Liberal MPs to vote in support. The Liberals' slim majority requires strong caucus management, but the Update does not include explicit commitments to building or investing in pipelines, which have historically served as a sticking point for Liberal Members of Parliament who are focused on environmental issues.

Funding and Program News

Top-line items of note for MCAC members include:

- Launching Team Canada Strong to recruit, train, and hire 80,000 to 100,000 new Red Seal skilled trades workers by 2030-31 - "creating paid, direct pathways for young Canadians to help build housing, major infrastructure, and defence capacity at speed and scale". This includes :
 - Investing \$2 billion over five years, starting in 2026-27, and \$262 million ongoing, to provide youth aged 15-30 with paid, entry-level trades-related work experience that leads into apprenticeship.
 - Developing the Build Canada Apprenticeship Service to help employers hire, train and retrain apprentices by providing wage subsidies of up to \$10,000 for first-year salary, matching apprentices to job opportunities and offering hands on navigation and support.
- The government also commits to:
 - Training: Providing up to \$331 million over five years and \$18 million ongoing to boost and modernise apprenticeship training for a faster journey to the Red Seal. This includes expanding and accelerating union-led and employer led training pathways, and working with provinces and territories to strengthen workforce and training systems.
 - Hiring: Providing \$3.4 billion over five years and \$468 million ongoing, to address the challenges that can stop apprentices from completing their training and moving into permanent jobs. This includes:

- Providing apprentices with an income top-up of \$400 per week (up to a \$16,000 maximum) while they are attending mandatory in-class technical training.
- Providing a one-time \$5,000 bonus to Red Seal apprentices; provide income supports for those between training & work.
- Increasing the annual limit on expenses that can be deducted under the Labour Mobility Deduction for Tradespeople from \$4,000 to \$10,000, indexed annually to inflation.
- Modifying the minimum distance threshold for relocations from 150 to 120 kilometres.

The Update also proposes to provide \$250 million over five years, starting in 2026-27, and \$45 million ongoing, to expand Canada's skilled trades training capacity through the Canadian Armed Forces.

Implications for the Sector

This budget positions skilled trades as a cornerstone of the government's Building Canada strategy, and a pathway to unlock economic growth and address infrastructure pressures. It posits a sweeping range of measures focused on increasing participation in the skilled trades through recruitment, training and hiring. These are items that MCAC has consistently been bringing forward, and they complement the other productivity initiatives brought forward during MCAC's Hill Day.

As this Update progresses through the House and moves into implementation, MCAC has the opportunity to position itself as a champion for these initiatives, and a partner as they are designed and rolled out. This includes championing the need to improve pathways into the MEP sector, given the highly skilled nature of this work and the advanced levels of training that they require.

At the same time, MCAC has an opportunity to continue to prioritize and push forward the recommendations highlighted during their recent Hill Day. Items to improve business' liquidity, spur innovation and enhance harmonization will complement labour force measures to maximize productivity.