

# Capital Insights

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## CANADA'S FEDERAL ELECTION AND ECONOMIC IMPLICATIONS

### Tight Race and Policy Convergence Amid U.S. Trade Tensions

March 27, 2025

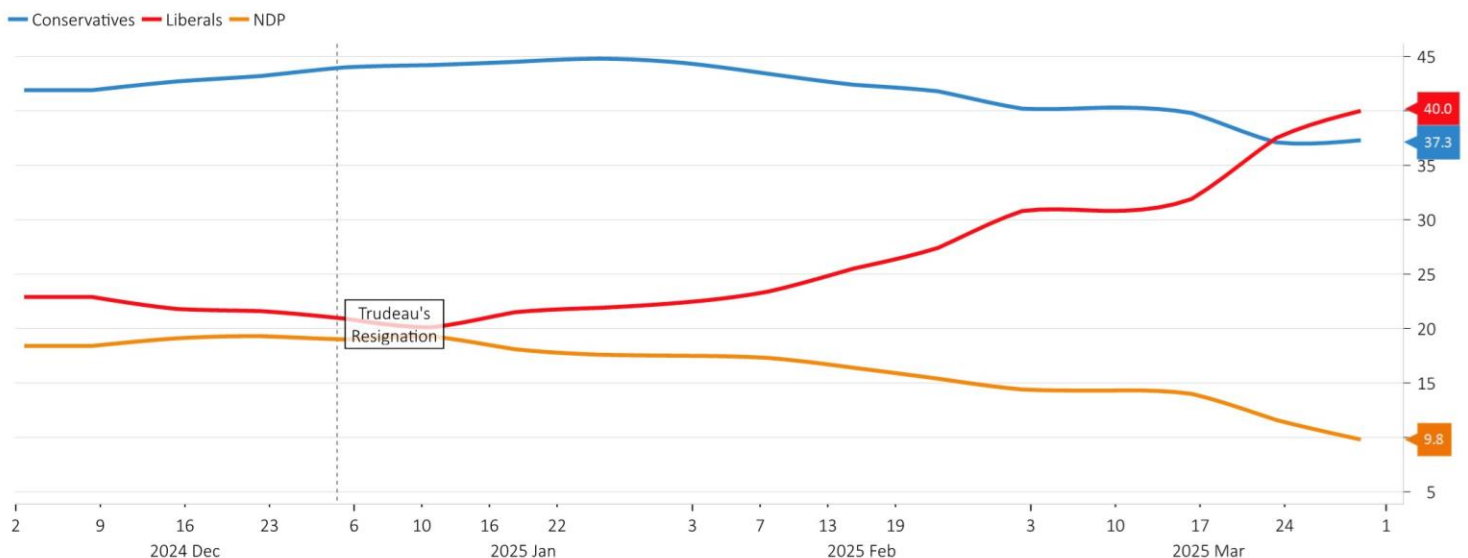
#### KEY SUMMARY POINTS

- Canada's federal election on April 28, 2025, pits Liberals (Carney) against Conservatives (Poilievre) in a tight, 37-day race.
- Liberals adopt parts of Poilievre's agenda (e.g., tax cuts), but Poilievre pushes bigger reductions and housing/trade incentives.
- U.S. trade tensions likely overshadow election's economic impact.

### Canada's Federal Election Update

Canada's federal election is set for April 28th, with Prime Minister Mark Carney calling the shortest campaign allowed, just 37 days. Current polling reflects a tight race between the incumbent Liberal Party and Pierre Poilievre's Conservatives (see Exhibit 1). In an effort to track campaign promises touching on key economic policy changes, we have compiled a table on the next page (see Exhibit 2).

### Exhibit 1: Canada's Federal Election Polling Averages



Source: CBC Poll Tracker, Macrobond  
As of March 26, 2025

**Exhibit 2: Canada's Election Platform Comparison Table**

Economic Policy	Mark Carney (LPC)	Pierre Poilievre (CPC)
Trade	<ul style="list-style-type: none"> <li>Dollar-for-dollar retaliatory tariffs, although “there is a limit” to what Canada can do</li> <li>Diversify our trading relationships</li> <li>Free internal trade by July 1</li> </ul>	<ul style="list-style-type: none"> <li>Dollar-for-dollar retaliatory tariffs</li> <li>Aim to reduce internal trade barriers within 30 days</li> <li>Incentive for provinces that remove interprovincial trade barriers</li> </ul>
Personal Income Tax	<ul style="list-style-type: none"> <li>1% reduction in lowest tax bracket (15% to 14%)</li> </ul>	<ul style="list-style-type: none"> <li>2.25% reduction in lowest tax bracket (15% to 12.75%)</li> </ul>
Immigration	<ul style="list-style-type: none"> <li>Cap immigration until it returns to sustainable, pre-pandemic trendlines</li> <li>Sector specific selection system to meet labour market demand</li> <li>Dynamic immigration targets depending on housing supply and public services</li> </ul>	<ul style="list-style-type: none"> <li>A temporary reduction in immigration levels</li> <li>Prioritize skilled workers and faster credential recognition</li> <li>Stricter verification of international student admissions, requiring proof of housing and financial means</li> </ul>
Housing	<ul style="list-style-type: none"> <li>No GST on new and substantially renovated homes &lt;\$1 mln for first time home buyers</li> <li>Double pace of new housing construction, although no actionable plan</li> <li>Lower development charges and reduce red tape</li> </ul>	<ul style="list-style-type: none"> <li>No GST on new homes &lt;\$1.3 mln for all buyers</li> <li>Building bonus for municipalities able to increase housing starts by greater than 15% YoY</li> <li>Penalties for municipalities blocking new housing developments</li> </ul>
Fiscal Deficit	<ul style="list-style-type: none"> <li>Run a deficit “to invest and grow”</li> </ul>	<ul style="list-style-type: none"> <li>Aim to bring down the deficit</li> <li>“Pay-As-You-Go-Law”: New spending must be offset by new revenue</li> </ul>
Government Spending (social programs)	<ul style="list-style-type: none"> <li>Has already expanded dental care eligibility</li> <li>May expand eligibility for pharmacare</li> </ul>	<ul style="list-style-type: none"> <li>Retain existing programs</li> <li>Non-committal on any new spending</li> </ul>
Defence spending	<ul style="list-style-type: none"> <li>Boost defence spending to 2% of GDP by 2030</li> </ul>	<ul style="list-style-type: none"> <li>Won't commit to boosting defence spending</li> </ul>
Infrastructure and Energy	<ul style="list-style-type: none"> <li>“I am open to East-West projects”</li> <li>First Mile Fund – connect energy extraction sites to rail lines and roads</li> <li>One window approval process to streamline large-scale infrastructure projects such as the proposed high-speed rail (\$3.9 bln) between Toronto and Quebec City</li> <li>Supports oil and gas emissions cap</li> </ul>	<ul style="list-style-type: none"> <li>Build an “East-West economy”</li> <li>“Shovel ready zones” that would have pre-approved permits for major resource/energy projects</li> <li>Green-light federal Ring of Fire mining permits within 6 months</li> <li>Repeal the no new pipelines law C-69 within 60 days</li> <li>Strongly opposed to oil and gas emissions cap</li> </ul>

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## Economic and Investment Implications

While Pierre Poilievre's policies once differed significantly from those of the Liberal government, under Mark Carney, the Liberals have largely adopted or committed to implementing several key elements of Poilievre's agenda. These include cutting the carbon tax, canceling the proposed increase in the capital gains tax inclusion rate, and lowering personal income tax rates.

Although the gap has closed, Poilievre's policy changes still aim to lower taxes by more than Carney's. Moreover, they appear more likely to drive change by providing incentives for economic stakeholders to take meaningful action through the establishment of measurable goals.

This is evident in Poilievre's proposed policies related to housing and trade. Municipalities that can increase housing starts by 15% in a given year, would receive a "building bonus", while provinces removing interprovincial trade barriers would earn a "free trade bonus", funded by the revenues generated from increased trade activity once those barriers are eliminated.

The election campaign is still in its early stages. More clarity around how each party's platforms differ along with additional guidance around implementation of proposed policies is likely to become available in the coming weeks. While the outcome of the election and any resulting policy changes will undoubtedly influence Canada's economic outlook, ongoing U.S. trade tensions will likely remain the most significant factor shaping the near-term landscape. The interplay between domestic political shifts and international trade dynamics will be crucial, with the outcome of the trade war potentially overshadowing the immediate economic consequences of the Canadian federal election.



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