

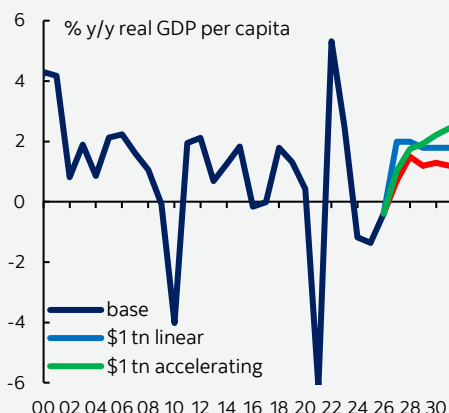
Contributors

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Chart 1

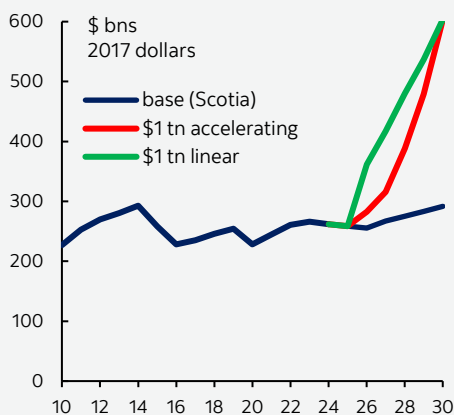
Real GDP Per Capita



Sources: Scotiabank Economics, Statistics Canada, Finance Canada.

Chart 2

Non-Residential Business Investment



Sources: Scotiabank Economics, Statistics Canada.

If I Had a Trillion Dollars:

UNPACKING CANADA'S GRAND GROWTH AMBITIONS

- Canadian Parliamentarians narrowly passed Prime Minister Carney's budget bill on November 17th. Touted as transformational ahead of its November 4th drop, the plan ultimately polarized opinion—viewed insufficient by some and excessive by others.
- Time will be the final arbiter but there should be little doubt that the trillion dollar promise is very ambitious. If achieved, it would drive meaningful improvements in living standards consistent with our earlier call for a 2% GDP per capita [growth target](#) with an accompanying [accountability framework](#) (chart 1).
- While the government stops short of binding itself to this trillion dollar target, the Prime Minister and Finance Minister are hanging their hats on it (and more) in their post-budget roadshow. We will track it as such.
- This brief note sets out the numbers and the math behind the plethora of pledges presented in the plan. The numbers mostly add up on paper—and the recent string of major projects announcements is very promising—but real-world challenges are enormous.
- Canada's new policy agenda has the potential to be transformative, but its success hinges on businesses and investors—domestic and international—stepping up. Meeting the target would suggest a rough doubling of annual capital investment within five years (chart 2). Success would also depend not only on capital but on talent and disciplined delivery where Canada doesn't have a great track record.
- For now, we will be watching for momentum before upgrading our outlook as noted in our post-budget forecast [update](#)—and of course reflecting the relatively benign incremental reveal on budget day itself.

AIMING HIGH

Ottawa has reframed Canada's growth story as an investment one. The budget headline is blunt: the federal government aims to leverage its new capital framework—with a \$279 bn fiscal backing (\$451 bn on a cash basis)—to unlock \$1 tn in total investments over the five-year horizon. Private investment is expected to pitch in half of these outlays. *Dispelling a first potential misconception off the bat, this plan reflects both existing and new policy efforts.* (See Table 1 for key themes, as well as Annex 1 for further detail).

The textbook math is relatively straightforward. By the government's estimates, \$1 tn in capital investment over five years could lift real GDP by 3.5% above its baseline trajectory (or about \$94 bn higher by 2030). A simple Cobb-Douglas framework (with a capital share of 0.3) implies an incremental \$312 bn in that final year. Assuming a linear trajectory, the cumulative incremental capital investment over the five-year horizon amounts to just above \$1 tn—averaging about \$60 bn in annual incremental growth.

The math gets a bit fuzzier when explaining why this boost had not already been incorporated into baselines given much of plan was already in the pipeline: the distinction appears to hinge on regearing investments towards “high-return actions” that can create a “virtuous cycle of economic growth” through a “more dynamic and resilient economy”. (It may also reflect, in part, an earlier discount applied to best laid plans.)

Its execution would be nothing short of transformational. Total fixed capital investment has hovered around \$515 bn annually (2017 dollars)—about 80% private. Honing in further on the historically productive-enhancing component (non-residential business investment) private sector outlays have hovered in the \$260–270 bn corridor in recent

years—and governments between \$80–90 bn. *Meeting the aspirational trillion dollar target effectively suggests a doubling of private investment over the horizon with a sustained annual uptick potentially exceeding 20% in outer years (chart 3).*

This level of ambition could have a meaningful impact on Canadians if achieved. The budget cites an average annual real GDP boost of \$1,400 per Canadian. This would be consistent with Scotiabank Economics’ [pre-election podium](#) call for a 2% GDP per capita target. At that time, we acknowledged that such a growth target would be “staggering”, that it would require “audacious” capital investments, and “extraordinary coordination” across all policy levers and stakeholders with “little margin for distraction”.

This is effectively what the government has set out on paper. While Ottawa has stopped short of codifying this commitment in a formal [accountability framework](#) Scotiabank called for, the Prime Minister and Finance Minister are hanging their hats on this grand vision in their post-budget roadshow.

SHOW ME THE MONEY

The capital framework sets the foundation for the growth agenda. This new fiscal accounting tool carves out long-term investment from day-to-day operating spending. The government plans to balance the operating budget by FY29, partially offsetting the ramp-up in capital spending that would leave medium-term deficits in the order of 1.5% of GDP over the medium term (chart 4).

“Investment” is defined broadly. A made-in-Canada approach categorizes investment as an outlay that creates assets—public or private—ranging from traditionally-defined capital expenditures to more discretionary tools like tax incentives, housing supports, and conditional transfers. Almost half would be via transfers to other orders of government, notably infrastructure outlays where the provincial and municipal footprint is much greater (charts 5 & 6). This new approach supplements—not replaces—traditional reporting consistent with public sector accounting standards.

There is a tangle of numbers in the capital budget to clarify. The five-year capital envelope amounts to \$279 bn in accrual terms (FY26–30). Annual capital commitments are set to near-double from an estimated \$32 bn (accrual) in FY25 to almost \$60 bn by FY30 (or 1.0% of GDP rising to 1.6% of GDP). However, only \$39 bn (~14%) of the \$279 bn is ‘new’ since the Carney government took office (chart 7).

Table 1		
\$1 tn, public & private		
(cash basis)		
	\$ bns	%
Infrastructure	315	29
Industrial Development Programs	270	25
Supports for Private R&D	210	19
Housing	130	12
Other Tax Incentives	95	9
Accelerated Depreciation and Immediate Expensing Measures	60	6
Total	1080	100
\$280 bn capital envelope		
(accrual basis)		
	\$ bns	%
Infrastructure	115	41
Productivity & Competitiveness	110	39
Defence & Security	30	11
Housing	25	9
Total	280	100

Sources: Scotiabank Economics, Finance Canada.

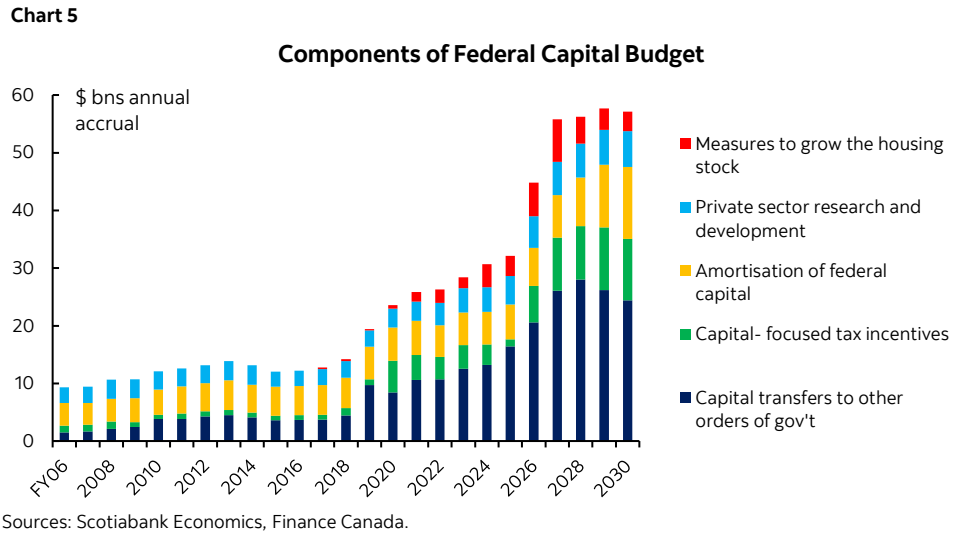
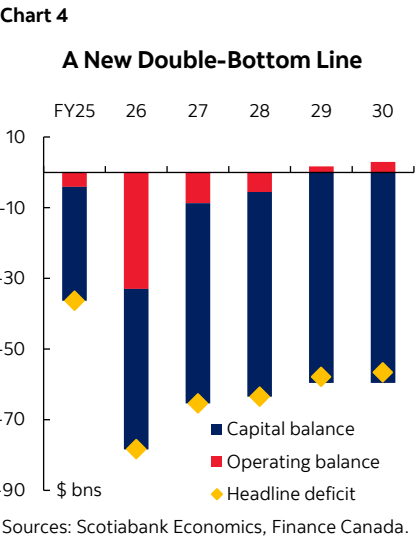
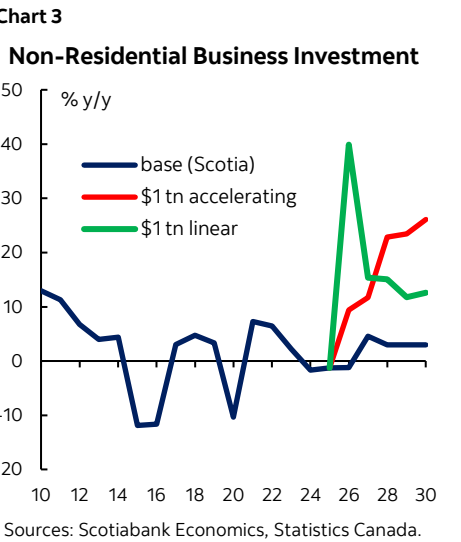
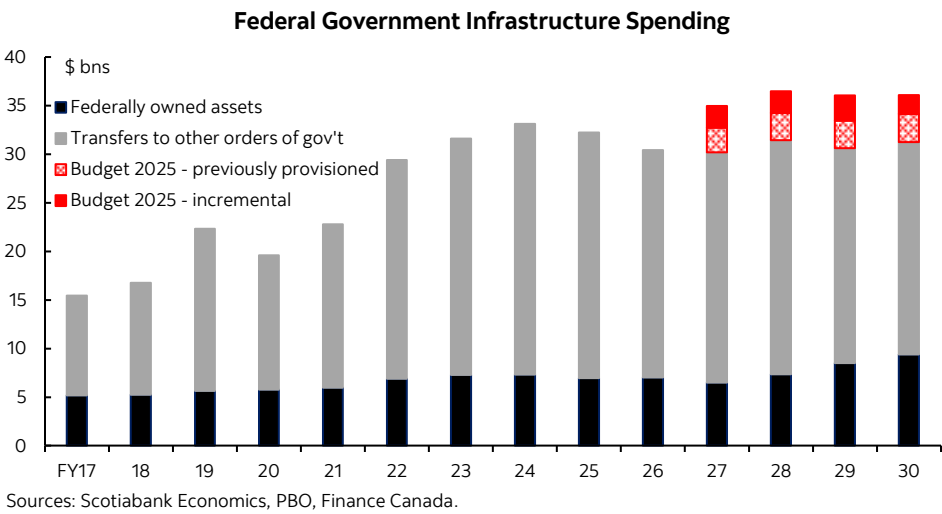


Chart 6



These federal capital outlays are expected to crowd in private investment. The budget converts its \$279 bn accrual envelope to \$451 bn on a cash basis—the latter a better yardstick for scaling assumptions. Just over 60% of the federal government’s cash outlay (or \$280 bn cash basis—not to be confused with the earlier \$279 bn accrual *total* envelope) directly targets third parties. The net effect—in theory—would drive that \$1 tn in total investment (cash basis) over five years, according to the government.

This is predicated on reasonably ambitious scale. Leverage ratios can vary by design to reflect policy intent, risk-sharing structures, and project complexity. In practice, they also shift with market conditions, investor appetite, and regulatory certainty. Ratios range widely—from less than 1:1 in recent subsidy programs to aspirational 3:1 targets at the Canada Infrastructure Bank—but global norms hover around the 1:1 to 2:1 range. The federal government’s capital envelope would need to be towards the higher end of this range to hit the \$1 tn goal post—not unreasonable—but it relies on a lot going right (chart 8).

SHOW ME THE WAY

The regulatory agenda is equally if not more critical to scale. The federal government has introduced measures to streamline approvals for major projects, including a “one project, one review” approach to reduce duplication, a “one-window” system for permitting, and a commitment to reach federal decisions within two years (inclusive of environmental scoping). These changes are intended to cut red tape and provide greater certainty for proponents navigating complex regulatory processes—an important signal to investors that Canada is serious about accelerating project delivery—following decades of a near-un navigable landscape.

The new Major Projects Office is central to these efforts. By centralizing oversight, improving coordination, and facilitating financing, the Office aims to fast-track projects from concept to construction and help restore Canada’s reputation for delivering major projects at scale (and on time, on budget). The current referral pipeline reflects an estimated \$115 bn in investment across 11 projects at various stages of development along with five “transformative strategies” (see Annex 2 from Scotiabank’s Equity Research team for details). This \$115 bn would be cross-cutting within the overarching trillion dollar goal and compares meaningfully (in an oranges-to-tangerines sort of way) to the \$635 bn 10-year major project pipeline tracked by Natural Resources Canada as of September 2024 (chart 9).

Chart 7

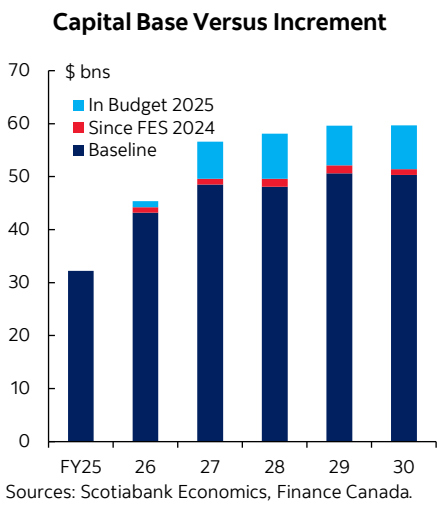


Chart 8

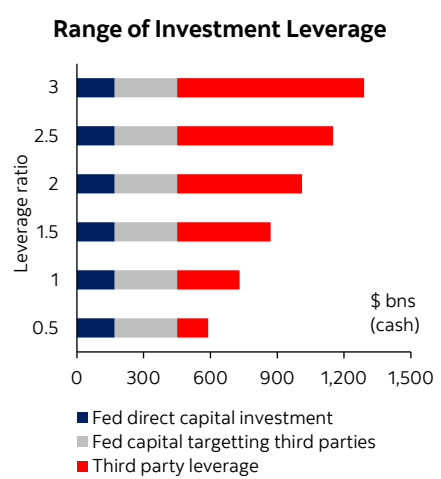
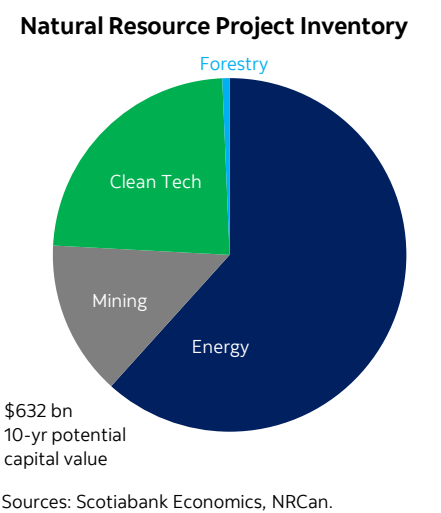


Chart 9



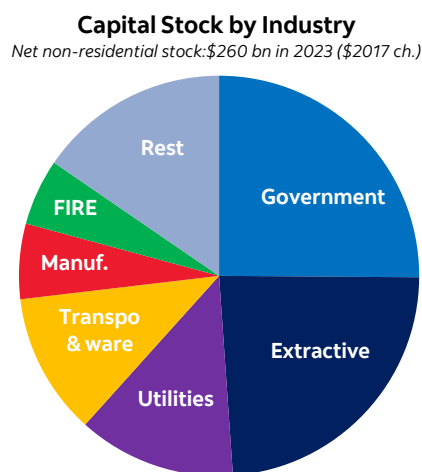
The investment agenda mostly targets sectors that punch above their weight in the Canadian economy. Extractive and utility sectors alone account for half of Canada's private capital stock, while adding transportation, warehousing, and manufacturing brings that share to three-quarters. These sectors also rank among the most productive, yet investment trends have diverged sharply—transportation has surged since 2000, manufacturing has hollowed out, and utilities have stalled despite clear need. Simply restoring investment in extractives and utilities to prior peaks would add \$50 bn, while returning government investment to its 2010 high would push the tally near \$70 bn (charts 10–13). Meanwhile, the government's push to double homebuilding rests on higher capital spending aimed at unlocking productivity gains in the construction sector.

PROOF IN THE PUDDING

The math might be simple but execution isn't. The government faces tremendous hurdles ahead, from skill-specific labour shortages to a well-documented history of chronic major project delays and cost overruns. The geo-political overlay has also otherwise dampened the investment environment (chart 14). Canada's new policy agenda has the makings to be transformational, but it is contingent on business and investors coming to the table.

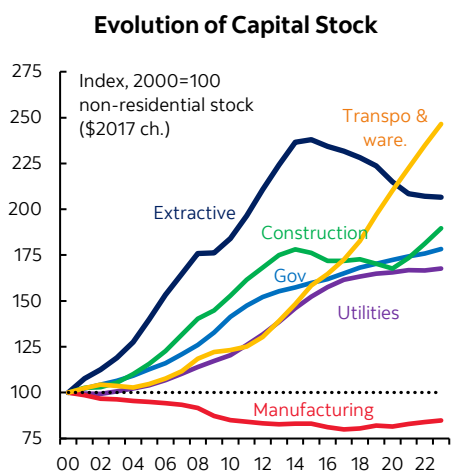
Hard work lays ahead. There is no shortcut to higher investment, greater competitiveness and higher welfare. Over time, disciplined execution should pay off if Canadians have the patience and resolve.

Chart 10



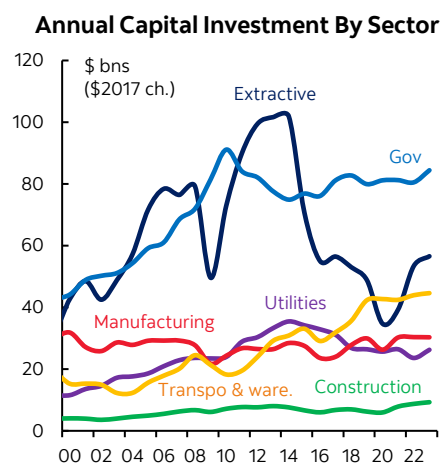
Sources: Scotiabank Economics, Statistics Canada.

Chart 11



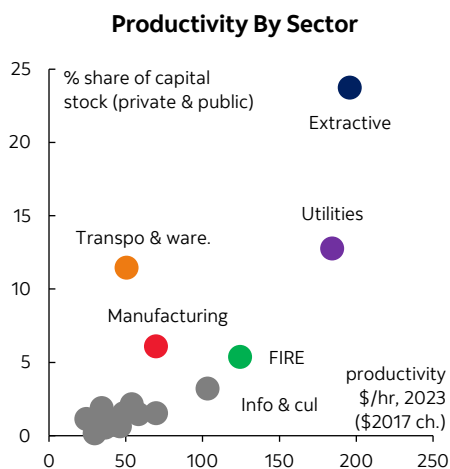
Sources: Scotiabank Economics, Statistics Canada.

Chart 12



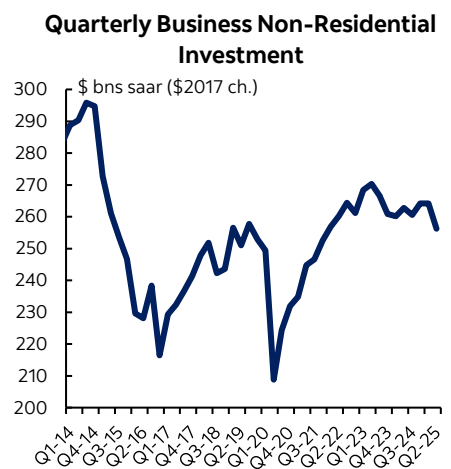
Sources: Scotiabank Economics, Statistics Canada.

Chart 13

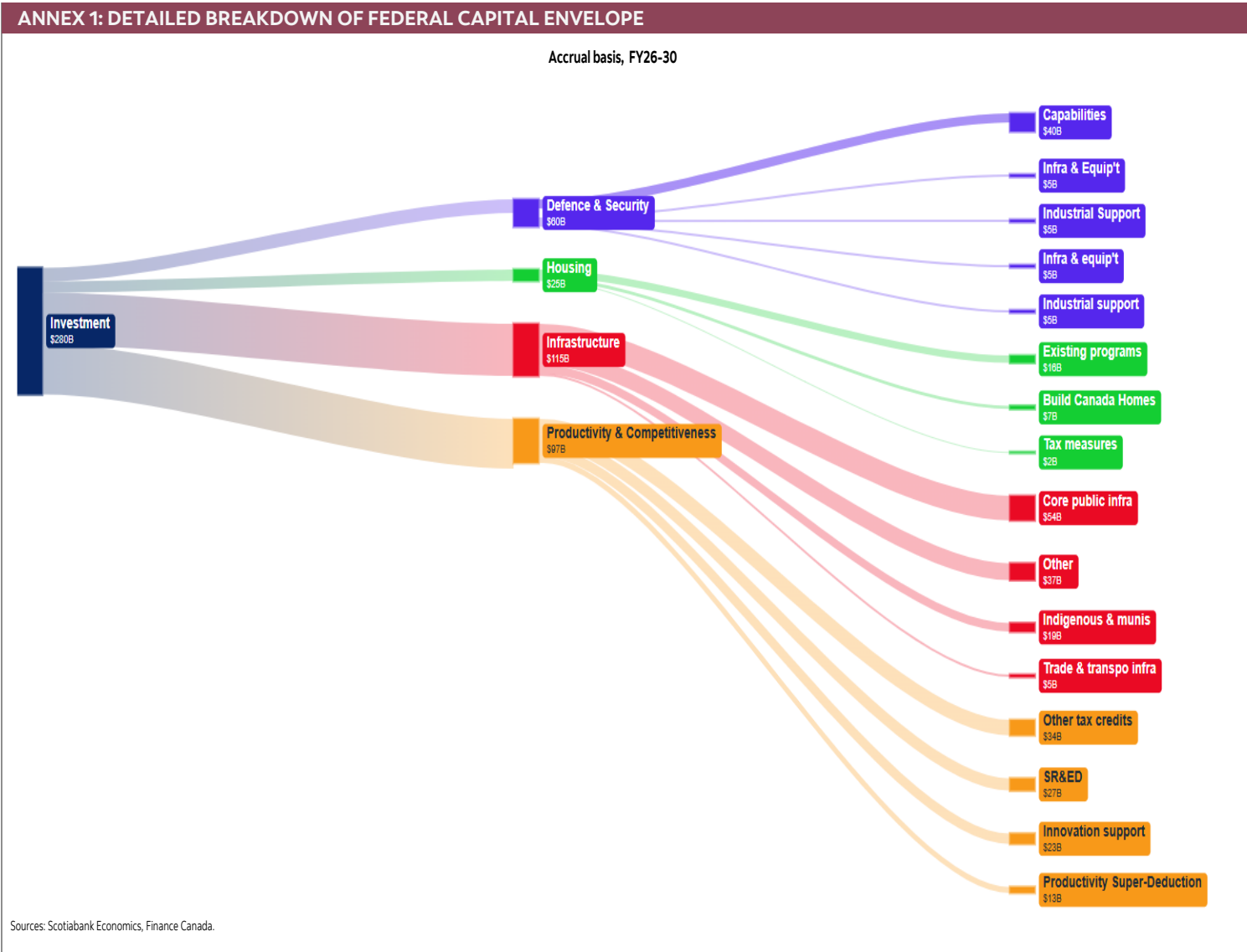


Sources: Scotiabank Economics, Statistics Canada.

Chart 14



Sources: Scotiabank Economics, Statistics Canada.



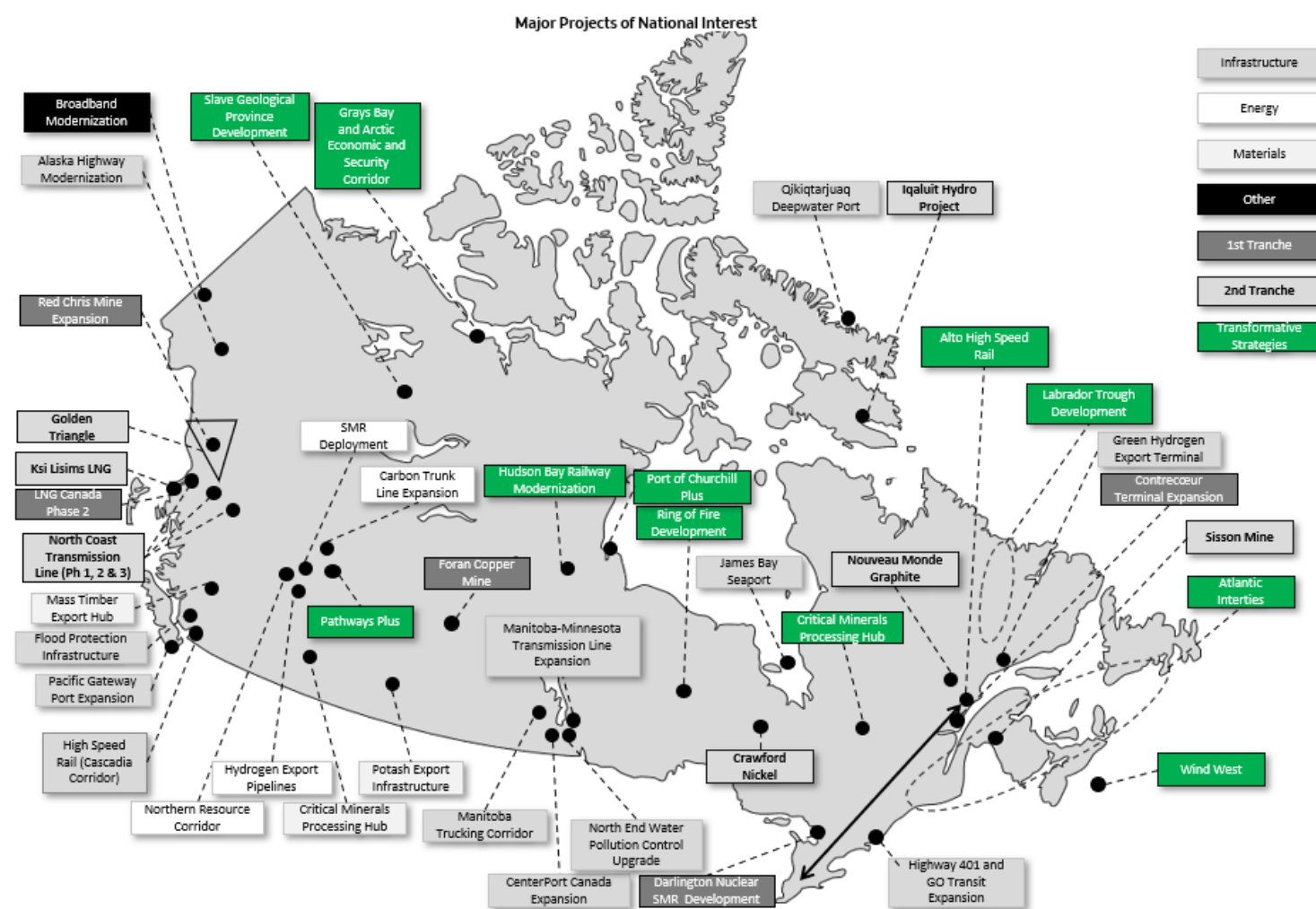
ANNEX 2: SCOTIABANK'S EQUITY RESEARCH ON BUILDING CANADA INITIATIVES

Scotiabank's Global Equity Research team has published four Focus On Building Canada reports:

- A Mari Usque ad Mare: Canada's Nation-Building Project Opportunities and Potential Funding Mechanisms
- It Has Begun: Canada's Five "Nation-Building" Projects
- The Grand Bargain: An Evaluation of Emissions, Economics, and Egress
- Digging Into Canada's Second Tranche of "Nation-Building" Projects

These reports collectively evaluate projects, economics, and funding mechanisms. Please see your Scotiabank Global Banking and Markets representative for access to these reports.

– **Patrick Bryden** | Analyst



Sources: Scotiabank GBM

ANNEX 2: CONT'D: DETAILS ON MAJOR PROJECTS OF NATIONAL INTEREST

Project Tranche	Project Name	Government of Canada Stated CapEx (\$ Billion)	Location	Ownership	Status	Estimated Completion Date
1	Contrecoeur Terminal Container Project	~60	Contrecoeur, QC	Montral Port Authority	Announced and Planning	2030+
1	Darlington New Nuclear Project		Bowmanville, ON	Ontario Power Generation	Under Construction	2030+
1	LNG Canada Phase 2		Kitimat, BC	LNG Canada	Announced and Planning	2029
1	Mcllvenna Bay Foran Copper Mine Project		East-Central, SK	Foran Mining	Under Construction	2026
1	Red Chris Mine expansion		Northwest, BC	Newmont Mining & Imperial Metals	Approved	2026
2	Crawford Nickel Mine	~56	Timmins, ON	Canada Nickel Company	In Review	2027
2	Iqaluit Nukiksautiit Hydro Project		Iqaluit, NU	Nunavut Nukiksautiit Corporation	In Review	N/A
2	Ksi Lisims LNG		Pearse Island, BC	Nisga'a Nation, Western LNG, and Rockies LNG	Approved and Pre-Construction	2028-2029
2	Nouveau Monde Graphite's Matawinie Mine		Saint-Michel-des-Saints, QC	NMG	Approved and Pre-Construction	2028+
2	Northcliff Resources' Sisson Mine		Sisson Brook, NB	Northcliff Resources	Approved	N/A
2	North Coast Transmission Line (NCTL)		Northwest, BC	BC Hydro	Announced and Planning	2032+
Transformative Strategies	Critical Minerals Strategy	Varies	Multiple Provinces	N/A	Ongoing	N/A
Transformative Strategies	Wind West Atlantic Energy		Multiple Eastern Provinces	N/A	In Review	N/A
Transformative Strategies	Pathways Plus		Northeast, AB	Pathways Group (CNRL, Suncor, Cenovus, Imperial Oil, ConocoPhillips Canada)	In Review	2054+
Transformative Strategies	Arctic Economic and Security Corridor		Northern Territories	N/A	In Review	N/A
Transformative Strategies	Alto High Speed Rail		ON, QC	Government of Canada	In Review	N/A
Total Stated Cost		116				

Source: Natural Resources Canada, Natural Resources: Major Projects Planned or Under Construction 2024 to 2034; Government of Canada; Major Projects Office.

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