

# Intelligence MEMOS



**From:** Don Drummond and William B.P. Robson  
**To:** Canadian Budget Watchers  
**Date:** April 24 2024  
**Re:** THE 2024 FEDERAL BUDGET GETS A GRADE OF D

Before the [federal budget](#), we laid out a 10-point grading [scheme](#). We were hoping the document would deserve better than the 'D' we gave the government's fall economic statement. Unfortunately, it falls well short of what Canadians need and therefore gets another 'D.' Here's our detailed report card:

1. *Timely release.* The budget was late – more than two weeks into the fiscal year and six weeks after the Main Estimates. Money is being spent without due consideration by Parliament. **D.**
2. *Cut the spin and just give us the figures.* The key numbers – revenue, expenses, deficits and debt – should be up front but were buried under 350-plus pages of spin. **D.**
3. *Make clear what is rebashed and what is new.* The budget spends a lot of time recounting past actions – a total of 177 ongoing initiatives – but it does identify and provide tables about new budget items. **B.**
4. *Present a credible path to restoring fiscal sustainability.* The fall statement failed here, and the fiscal track in the budget is even worse. It shows a debt-to-GDP ratio of 39 percent in 2028-29, well above the pre-pandemic level. And that year's deficit, at \$20 billion, is higher than in the fall statement. Stronger growth and higher inflation boosted projected revenues, but higher spending used up all that windfall, plus the estimated take from new tax increases. There is no justification for these deficits when the debt burden is so high and the [Bank of Canada](#) is still trying to get inflation back to the 2-percent target that the government itself has confirmed. Worse, non-budgetary transactions such as Crown corporation borrowing push the five-year projected borrowing total to a staggering \$504 billion. **F.**
5. *Spending restraint should do the heavy lifting.* There is no restraint in this budget – no scrutiny of programs with an eye to improvement, cuts or elimination. The first phase of the government's promised program review fizzled out. The second phase is the budget's assurance that a relative handful of civil servants retiring or otherwise leaving will not be replaced. The 2019 fall statement projected spending of \$421 billion in 2024-25. The 2024 Budget pegs spending for this year at \$538 billion, which is up \$117 billion or 28 percent. **F.**
6. *The generous pre-budget announcements must not be financed by borrowing.* Tax increases finance much of the new spending, but the revenues they're projected to earn are far from certain. The digital services tax may never be implemented and the legislation for the capital gains inclusion increase and the global minimum tax is not even written. Even if these tax increases do yield the projected revenues, they will hurt the economy – and the deficit is higher anyway. **D.**
7. *Tackle Canada's most pressing economic challenges.* The budget provides no credible plan to raise investment and growth. Its tax increases will raise the cost of capital and curtail investment. The budget advertises fairness for all generations. Nowhere does it acknowledge the profound unfairness of handing young people the huge future tax bill for today's profligacy. **F.**
8. *Tackle Canada's most pressing environment challenges.* There is no response in the budget to the assertion of the Canadian Climate Institute that Canada's 2030 emissions target will not be achieved. To answer the charge that the climate plan is confusing, the budget promises money for marketing. We will see if that makes things clearer. **D.**
9. *Quit making Swiss cheese out of the tax system with populist measures.* With no apparent sense of irony, the budget accompanies the increases in capital gains inclusion rates with increases in the lifetime capital gains exemption and a proposed lower inclusion rate for entrepreneurs — to encourage risk-taking and growth. We need details on these measures before they take effect on June 25th. Until we get them the effect is gratuitous uncertainty and confusion. **F.**
10. *Present an immigration plan that supports economic and social goals.* The federal immigration minister deserves marks for honesty for having said elements of immigration are “out of control.” But this is a problem of the government's own making. The budget reiterated recent stop-gap measures but we have to wait for release of the 2025-2027 immigration targets for needed reforms. **D.**

We needed an 'A' budget that was on time, presented key information clearly, restrained spending and borrowing, and emphasized tax changes that would promote investment and growth. Instead, we got a 'D' budget. It might seem early to be looking ahead to 2025, but Canada's economic and fiscal challenges are getting worse and preparation for a better budget next time cannot start too soon.

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