

## PBO Assessment

### Spring Economic Update: Departmental Spending and New Measures

*PBO has prepared a series of notes assessing the Spring Economic Update 2026, tabled on April 28, 2026, in respect of Budget 2025 tabled on November 4, 2025. The objective of these notes is to support Parliamentary scrutiny of public finances. The notes review key elements of the budget cycle through time, notably the economic and fiscal track, fiscal anchors and fiscal sustainability, major government priorities guiding the capital investment strategy, and new spending measures announced since Budget 2025.*

#### Key Findings

New measures announced since Budget 2025 total \$15.7 billion in 2026-27 and \$48.3 billion over five years. Initiatives include:

- **New strategies** such as Team Canada Strong and A Force of Nature.
- **New entities** such as Canada Strong Fund and Canadian Financial Crimes Agency
- **New tax measures** such as Canada Groceries and Essentials Benefit
- **New departmental spending measures** such as Extending Support for Federal Correctional Institutions by Corrections Canada.

The absence of key planning and governance detail for many new measures and “front-loaded” spending profiles across multiple measures raise questions about departmental capacity to implement the measures at the pace proposed in the SEU.

Of note, updates are not provided for the Comprehensive Expenditure Review exercise in terms of cost savings or federal employment reductions for 2026-27, which are relevant for Parliamentary review of Main and Supplementary Estimates.

# Spring Economic Update: Key new measures and announcements since Budget 2025

## Context

The Spring Economic Update 2026 (SEU) announced a range of new measures since Budget 2025. Notable initiatives include:

- the **Canada Strong Fund**, a new sovereign wealth fund endowed with \$25 billion over three years;
- the **Canada Groceries and Essentials Benefit**, which increases GST Credit payments to eligible lower-income Canadians;
- **Team Canada Strong**, a trades workforce initiative targeting 80,000 to 100,000 new Red Seal certifications by 2030-31;
- **A Force of Nature**, a conservation strategy targeting 30 per cent protection of Canadian lands and waters by 2030;
- a temporary suspension of the **federal fuel excise tax on gasoline and diesel**;
- the **Electric Vehicle Affordability Program**, which provides point-of-sale purchase incentives for eligible zero-emission vehicles;
- and more details on the **Financial Crimes Agency**, a new federal agency announced in Budget 2025 to investigate and prosecute serious financial crimes.

Detailed spending profiles for each measure are presented in Table 1.<sup>1</sup>

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<sup>1</sup> Spending figures cited throughout this note are drawn from the Spring Economic Update 2026 as published by the Government of Canada and have not been independently verified by PBO.

**Table 1**

Selected SEU 2026 and off-cycle measures 5-year costs, millions of dollars

Fiscal year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Canada Groceries and Essentials Benefit	3,136	1,355	1,785	1,800	1,840	1,890	11,806
Team Canada Strong*	0	686	1,125	1,240	1,235	1,190	5,477
A Force of Nature*	0	683	601	569	650	583	3,083
Temporarily Suspending the Federal Fuel Excise Tax	0	2,410	0	0	0	0	2,410
EV Affordability Program	0	450	387	391	519	567	2,314
Standing Up the Financial Crimes Agency	0	41	76	100	102	100	418

Source:

Government of Canada

Note:

The cost profiles in this table are from the Spring Economic Update 2026 as published by the Government of Canada and should not be considered as PBO's cost estimates. The fiscal impact of the Canada Strong Fund is unclear and not indicated in the SEU.

\* The costs for these items are net of funds previously provisioned in the fiscal framework and projected revenues if applicable.

## Assessment of initiatives

### Canada Strong Fund

The Canada Strong Fund, endowed with \$25 billion over three years, will operate as an arm's-length Crown corporation and will offer a retail investment channel allowing Canadians to invest directly in the fund, with capital protection features to limit downside risk to investors.

The Canada Strong Fund's design details - governance structure, investment policy, risk management framework, retail product terms, and accountability mechanisms - remain to be specified. Forward issues of note to Parliamentarians include:

- The SEU frames the mandate of the fund to include both positive commercial returns and investment in strategic Canadian projects. As such, Parliamentarians may wish to seek clarity on how the government will balance the tension between financial and policy objectives, which is common to sovereign wealth funds with blended mandates.
- The SEU notes that the initiative will require alignment with existing federal financing institutions such as the Canada Infrastructure Bank, Export Development Canada, the Business Development Bank of Canada. Parliamentarians may wish to also question the alignment with efforts of regional development agencies, federal grants and contribution programs to business and commercial lending offered by private sector institutions.
- On the fiscal side, the \$25 billion endowment represents an important deployment of public capital over three years at a time when the government is simultaneously pursuing expenditure savings through the comprehensive expenditure review (CER); the trade-offs of seeding the Fund against other fiscal priorities remain unaddressed. Establishing a sovereign wealth fund when not in a fiscal surplus would result in a leveraged investment for taxpayers. It is not clear if interest changes on debt issued to finance the fund will be included in the calculation of commercial returns.
- In terms of transparency considerations, the SEU does not set forth metrics as to how the government will evaluate incremental investment, risk allocations between investors and taxpayers, and whether capitalization offers better value than alternative fiscal uses of public funds, such as through existing entities and programs and what lessons the Fund will draw from past retail investment programs like the Canada Savings Bond program, retired in 2017.
- The capital protection feature for retail investors could create contingent fiscal exposure depending on uptake and portfolio performance.

## Canada Groceries and Essentials Benefit

On January 26, 2026, the government announced it would increase benefits under the GST/HST Credit and rename the program the Canada Groceries and Essentials Benefit (CGEB). The CGEB is a one-time top-up equal to 50% of the annual 2025–26 GST Credit value, delivered June 5, 2026, and a 25% increase to quarterly payments for five years

starting July 2026. The government projects \$3.1 billion in immediate assistance through the one-time top-up and \$8.6 billion over five years through the base-benefit increase.

- Of note, while the quarterly increase sunsets after five years, the CGEB adds to near-term statutory spending and is indexed to inflation, which could put modest pressure on the government's declining deficit-to-GDP anchor over the medium term.

## Team Canada Strong

The initiative has a projected net fiscal cost of \$5.5 billion over five years, with ongoing annual funding thereafter. It seeks to increase the supply of Red Seal certified skilled trades workers by 80,000 to 100,000 by 2030-31 through financial supports, placements, and employer incentives.

The availability of skilled trades will be a critical success factor for the government's priorities in respect of capital investment. Financial supports are anticipated to improve intake and participation in training across different steps of the apprenticeship process.

- Of note, completion outcomes also depend on employer sponsorship, training-seat capacity, income continuity during training, and provincial requirements. These steps have been challenging to align historically, across provinces, unions, employers, and the Canadian Armed Forces simultaneously.
- As such, Parliamentarians may wish to request updates on coordination strategies and performance benchmarks such as employer participation thresholds, and annual reporting on completions rather than enrolment alone.
- Separately, because provincial governments have also announced expanded spending on capital projects, Parliamentarians may also seek updates on whether the target of 80,000 to 100,000 new skilled trades remains the appropriate national target through time.

## Electric Vehicle Affordability Program (EVAP)

The SEU projects total program costs of \$2,314 million over five years for EVAP, administered by Transport Canada with an envelope of \$2,275 million. The program is structured as a declining, time-limited incentive available until March 31, 2031, subject to funding availability, meaning it could end before that date if the envelope is exhausted.

- Of note, the EVAP envelope is likely to face both upside and downside risks: pent-up demand since the incentives for zero-emissions vehicles (iZEV) ended, the declining incentive schedule, and upcoming strengthened vehicle emissions standards could all accelerate uptake and exhaust funds before 2031, while the \$50,000 transaction cap and domestic sourcing requirement could limit eligible vehicle supply and result in underspending.
- Further, Parliamentarians may wish to monitor the upcoming greenhouse gas emissions standards replacing the [Electric Vehicle Availability Standard](#), as the interaction between tightened fleet compliance requirements and consumer incentives under EVAP could materially affect program uptake and may require additional funding beyond the current envelope if demand exceeds projections.

## A Force of Nature measures

“A Force of Nature” is the government’s strategy to deliver on Canada’s commitment to conserve 30 per cent of lands and waters by 2030. The SEU 2026 provides limited departmental- or program-level detail on how individual sub-measures will be designed, delivered, or governed.

- Of note, as spending is front-loaded, it is unclear whether departments have the capacity to deploy funds at that pace.
- Further, within the Enhanced Nature Legacy envelope, \$462 million over five years is sourced from existing departmental resources; Parliamentarians may seek clarity as to whether this may reduce capacity elsewhere in those departments’ mandates.

## Temporary suspension of federal excise tax rates on gasoline, diesel and aviation fuels

On April 14, 2026, the federal government announced a temporary suspension of federal excise tax rates on gasoline, diesel and aviation fuels, from April 20 to September 7, 2026. This temporary measure is projected to cost \$2.4 billion in 2026-27.

- While the temporary suspension is intended as broad-based relief, an important share of the benefit will flow to high-use consumers and fuel expenditures for households tend to rise with income.

## Canadian Financial Crimes Agency and Anti-Fraud Agenda

The SEU provides additional details on the Canadian Financial Crimes Agency (CFCA), a new federal agency announced in Budget 2025 to investigate and prosecute serious financial crimes, alongside supporting anti-fraud measures targeting money laundering, investment fraud, and mass marketing fraud.

The CFCA consolidates investigative capacity currently distributed across the RCMP, FINTRAC, and other federal bodies, though the SEU provides no detail on governance, reporting relationships, or transition timelines.

- Of note, Parliamentarians may wish to seek clarity on the CFCA's stand-up timeline and the disposition of existing financial crime units, as similar consolidation efforts in other jurisdictions have taken several years to yield operational results.
- Anti-fraud measures have potential to complement affordability measures profiled in the SEU to counter the financial precarity of low-income Canadians.

## Update to the Comprehensive Expenditure Review (CER)

### Context

Budget 2025 introduced the comprehensive expenditure review, which required 45 federal organizations to achieve savings of 7.5 per cent in the first year and up to 15 per cent over three years. The planned reductions for 2026-27 amounted to \$8,553 million.

### Assessment

The SEU 2026 notes that implementation is “well underway” but does not provide details on actual savings in 2026-27 by department and agencies, nor any updates on the reduction of full-time equivalents, e.g. through the Early Retirement Incentive or through workforce adjustment. The SEU provisions \$36 million in 2026-27 to Public Services and Procurement Canada (PSPC) for surge capacity at the pay centre to implement the CER.

The SEU also highlights that “the focus is now turning towards targeted, ongoing horizontal reviews, beginning with efforts to rein in spending on external management and other consulting services”.

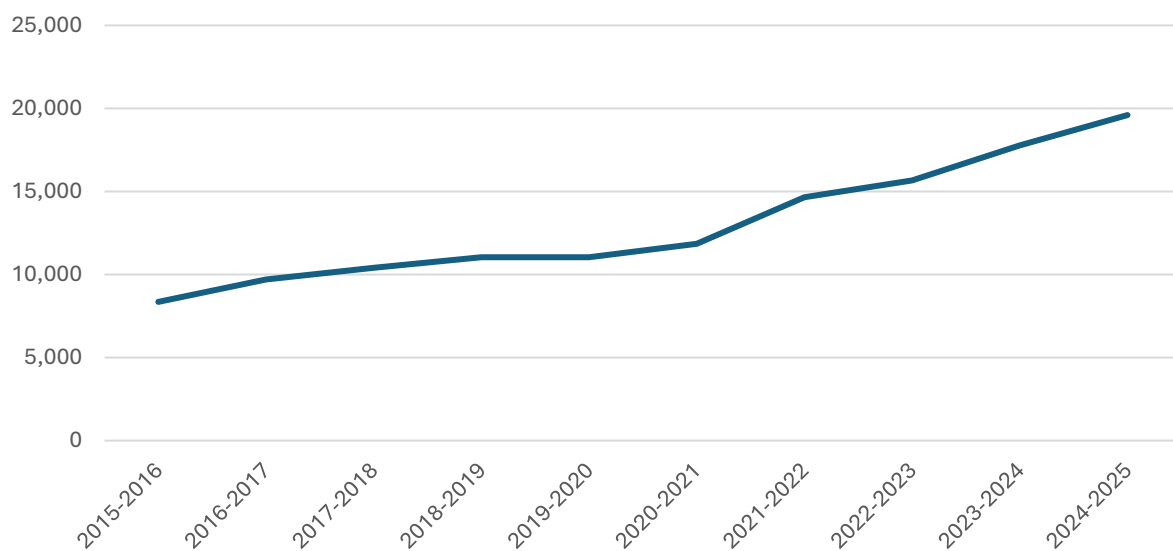
- Absent Government updates, PBO will monitor Main and Supplementary Estimates, departmental results reports and federal public service employment

levels to assess whether savings are materializing as planned. This information would support Parliamentarians to assess whether and how reductions may be affecting government services to Canadians. To the positive, if reductions are being offset by efficiency gains, it would be useful for Parliamentarians to know how similar cost savings could be realized in other departments and programs.

- Parliamentarians may wish to monitor the implications of CER changes for government pay systems. In early 2026, there were still over 200,000 unresolved Phoenix pay cases. Workforce adjustment and early retirements of employees with unresolved issues might compound the complexity of the overall caseloads and hinder the ability to redeploy employees effectively across departments as the planned reductions deepen to the 15 per cent target.
- To provide context to SEU intentions to constrain spending on external consultants, the Public Accounts indicate that this spending item has increased consistently in recent years on a whole-of-Government basis, despite previous Government initiatives to cap or reduce spending on professional services. (See Figure 1.)

### Figure 1

Total external expenses on professional and special services, millions of dollars



Source:  
Public Accounts of Canada: 2016 to 2025, Volume II, Table 3a

