



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

## Election Proposal Costing

### Increasing defence spending

April 19, 2025

Increasing defence expenditures annually to 2% of GDP in 2029-30, with major equipment funding rising to 50% of total incremental defence expenditures in 2028-29 and resulting in 35.5% of total defence expenditures in 2029-30.

#### Cost of Proposed Measure

Fiscal year	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	Total
<b>Total cost (cash)</b> \$ millions	1,600	5,600	10,150	13,500	15,550	46,400
<b>Total cost (accrual)</b> \$ millions	1,050	3,400	6,350	7,250	6,850	24,900

#### Notes

- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

#### Estimation and Projection Method

The cost of the proposed measure was calculated as the difference between the projected profile of defence expenditures rising to 2% of GDP by 2029-30 and defence expenditures projected under Canada's current defence policy, Our North Strong And Free. Nominal GDP from PBO's EPC baseline was used to calculate the level of defence expenditures in 2029-30 equivalent to 2% of GDP. It was then assumed that defence expenditures under the proposal would increase linearly from 2024-25 levels until the 2% target was reached in 2029-30. Major equipment funding was assumed to increase to 50% of total incremental defence expenditures in 2028-29 and result in 35.5% of total defence expenditures in 2029-30. Incremental defence expenditures were converted to an accrual basis. Amortization of capital expenditures was assumed to apply to all major equipment spending.

#### Sources of Uncertainty

The main sources of uncertainty relate to the baseline projection of defence spending and nominal GDP, as well as the timing of capital amortization.

#### Data Sources

**Projected military spending under ONSAF (total and major-equipment proportion)**

Department of National Defence, Our North, Strong and Free, Addendum: National Defence Funding and Projected Canadian Defence Spending to GDP

**Nominal GDP**

PBO Election Proposal Costing (EPC) baseline

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