

INTRODUCTION

Nearly four years ago, Canadians helped us build a plan for real change.

It was a plan that would invest in the things that matter most: good, well-paying jobs for the middle class and people working hard to join it; more help for families struggling with the high cost of living; strong, connected communities; and better opportunities for our children and grandchildren.

Canadians chose to invest in their future. And in the years since, those investments have begun to pay off.

This year, a typical middle class family of four will receive, on average, about \$2,000 more in support than they did in 2015, thanks to the middle class tax cut and the Canada Child Benefit.

Under the Government's economic plan, Canadians have created over 900,000 new jobs—the vast majority of which have been full-time—driving the unemployment rate to its lowest levels in more than 40 years. The number of Canadians working (as a share of the working-age population) also reached a record high in 2018. This includes especially strong employment gains by women, with the pace of job gains for women more than doubling since November 2015, compared to the previous three-year period.

Not only are there more jobs, but wages have also increased, rising in 2018 at one of the fastest paces of growth seen in the past eight years.

With lower taxes, more money to save or spend each month, and more good jobs, there are many reasons for middle class Canadians to feel more confident about what the future holds for themselves, and their families.

In 2019, however, there persists a sense among some Canadians that the promise of progress—the idea that with hard work, everyone can build a better life—may no longer hold true. Much more needs to be done to make sure all Canadians feel confident and secure about their future.

Facing an Uncertain Future

Too many Canadians are worried about making ends meet.

High housing costs, mounting household debt, a rapidly changing job market, and the steady erosion of things that used to offer a sense of security—like employer-sponsored pension plans—are adding to the sense of uncertainty.

Many Canadians still feel that they are working harder than ever, but not getting any further ahead.

They feel uncertain about the future for different reasons.

Some young people are worried about their ability to find and keep good jobs, and frustrated that even with a college or university degree, they might not have the skills that employers need. Some of them may want to build a future in the rural areas they grew up in, but have concerns about finding jobs in their field or that suit their skill sets.

For some parents, it's the rising cost of living, saving for their kids' education and their own retirement, and taking care of aging parents that may weigh most heavily.

Workers of all ages may wonder if their jobs are secure, or worry about how they'll get the skills needed to find new or better opportunities down the road.

And some seniors, who have earned a secure and dignified retirement after a lifetime of work, may be concerned about whether they have enough savings to support themselves through their retirement.

Across the country, Canadians of all backgrounds want to be assured that the Government is doing all it can to make sure that the promise of progress endures—creating new jobs and more opportunities; and building a country where more housing is affordable, where climate change is taken seriously, where new Canadians are welcomed and supported, and where reconciliation with Indigenous Peoples continues to move forward.

These concerns—and these hopes for a better future for their children and grandchildren—are real. Canadians deserve a Government that not only listens to these concerns, but has in place a plan to address them. One that will help to make life more affordable and help more people succeed in a rapidly changing world. One that is grounded in evidence and carried out in a responsible and balanced way.

While it is clear that there is much more work to be done, the Government's efforts to build an economy that works for everyone have delivered promising results.

Results for the Middle Class

Since 2015, the Government has focused on strengthening and growing the middle class, and offering real help to people working hard to join it. Its ambitious plan to invest in the middle class has delivered:

A middle class tax cut for over 9 million Canadians. As one of its first orders of business, the Government raised taxes on the wealthiest 1 per cent, and cut taxes for the middle class. As a result, single Canadians who benefit are now saving an average of \$330 each year, and couples who benefit are saving an average of \$540 each year.

The tax-free Canada Child Benefit. With the Canada Child Benefit, 9 out of 10 families receive more help than they did under previous child benefit programs. This year, on average, families benefitting from the Canada Child Benefit will receive around \$6,800 to help with the high cost of raising kids—an amount that will continue to rise with the cost of living.

These two measures alone mean that a typical family of four is \$2,000 better off this year—and every year—than they were four years ago.

More affordable post-secondary education. More generous support through the Canada Student Loans Program means that, in the 2017-18 school year, over 490,000 Canadian post-secondary students received \$1.4 billion from all types of Canada Student Grant support. This represents a 34 per cent increase in Canada Student Grant recipients and a 90 per cent increase in total Canada Student Grant amounts since 2014-15, for Canadian post-secondary students to invest in their future success.

Better support for working Canadians. The Canada Workers Benefit will help low-income workers take home more money while they work—up to nearly \$500 more for a worker earning \$15,000 in 2019—encouraging more people to join and remain in the workforce, and offering real help to more than 2 million Canadians who are working hard to join the middle class.

More money for vulnerable seniors today. Increasing the Guaranteed Income Supplement (GIS) top-up payment by up to \$947 per year for single seniors boosted benefits for nearly 900,000 low-income seniors, while restoring the eligibility age for Old Age Security and GIS benefits to 65 means thousands of dollars more for Canadians as they become seniors.

Canada: Lowest Effective Personal Tax Rate in the Group of Seven (G7)

Once the tax-free **Canada Child Benefit** is added to family income, a typical Canadian two-income couple with two children now keeps nearly 85 per cent of their gross income. **That's the lowest effective rate of taxation in the G7.**

For single-parent households earning the average wage with two kids, or for families with two kids where only one parent is working at the average wage, the benefits are even greater—they pay effective personal tax rates of less than 2 per cent. In other words, these families **keep more than 98 per cent of what they earn.**

A more secure and dignified retirement for all Canadians. The enhancement of the Canada Pension Plan will give Canadian workers greater income security when they retire—including benefits that rise with the cost of living—while helping to fill the gap left by declining workplace pension coverage.

Stronger, more resilient communities. Investing in communities can deliver good, middle class jobs today, while setting the stage for economic, social and environmental returns for years to come. To date, the Government has approved more than 33,000 infrastructure projects in communities across the country—with the vast majority already underway. More than \$7 billion of the \$19.9 billion committed to projects has been fully invested in projects like new highways, bridges, buses, water treatment plants and community centres.

More affordable places to call home. New, long-term investments in the National Housing Strategy will build 100,000 new units of affordable housing, and help cut chronic homelessness in half. Since Budget 2016, almost \$2 billion in new federal funding has been invested in housing across Canada and over 303,500 units have been built or repaired, giving Canadians greater access to affordable housing. These incremental investments have already provided more stable housing to 9,000 Canadians who were homeless or at serious risk of homelessness.

Fewer Canadians living in poverty. Thanks, in part, to a number of investments such as the income-boosting effects of the Canada Child Benefit and the increase to the top-up to the Guaranteed Income Supplement for single seniors, the Government has achieved its targeted 20 per cent reduction of poverty three years ahead of time, lifting over 825,000 Canadians out of poverty in 2017, including 278,000 children, compared to 2015.

A path toward reconciliation with Indigenous Peoples. Historic investments are helping to secure a better quality of life for Indigenous Peoples—lifting more than 80 long-term drinking water advisories, supporting the construction or repair of over 14,000 homes on reserve, and supporting more than 75 active Recognition of Rights and Self-Determination tables representing over 400 communities—while laying the foundation for a renewed relationship with First Nations, Inuit and the Métis Nation based on the recognition of rights, respect, cooperation and partnership.

An ambitious and affordable plan to fight climate change. With the Government's new Climate Action Incentive payments, most households living in provinces that do not meet the Canada-wide federal standard for reducing carbon pollution—Ontario, New Brunswick, Manitoba and Saskatchewan—will get back more money than their increased costs resulting from the federal carbon pollution pricing system.

A Long-Term Plan for Canadians

The positive results realized since 2015 have not happened by accident, and will not continue without sustained effort.

Supported by investments in the middle class, it is the hard work of Canadians that is creating good, well-paying jobs, growing the economy, and helping to make life more affordable for people across the country.

Those investments and that hard work are what will continue to keep the economy strong and growing for the long term.

The alternative—making aggressive cuts to the services Canadians rely on to eliminate the deficit faster—will not help the economy, and it will not help Canadians. Canadians understand that a country cannot cut its way to prosperity.

That's why the Government has instead chosen to move forward with a plan that continues to invest to grow Canada's economy for the long term, in a fiscally responsible way that preserves Canada's low-debt advantage for current and future generations.

It's a plan that is delivering real results for the middle class and people working hard to join it.

It's a plan that, step by step, is helping to build an economy that works for everyone, where every person has a real and fair chance at success.

It's a long-term plan for Canadians that respects the choice Canadians made in 2015, and that will continue to deliver results for people—helping to create good, well-paying jobs and building strong, connected communities we can all be proud to call home.

Investing in the Middle Class

Since 2015, hard-working Canadians have proven what has long been understood: that a strong economy starts with a strong middle class.

Investing in the middle class means more help for people who need it. It means better opportunities for people today, and the promise of a better future—even in a world filled with change.

Budget 2019 is the next step in the Government's plan to keep Canada's economy strong and growing. It recognizes Canadians' concerns and takes their needs to heart.

With this Budget, the Government is:

- **Investing in the Middle Class**—To help more families find good places to live, Budget 2019 introduces the new First-Time Home Buyer Incentive and other measures to make housing more affordable across the country. With the new Canada Training Benefit, working Canadians will have the extra help they need to find and keep good jobs today—and tomorrow. And all Canadians will be healthier and better off with the steps Budget 2019 takes toward implementing national pharmacare.
- **Building a Better Canada**—To keep our economy strong and growing, Budget 2019 invests in the infrastructure Canadians—and Canadian communities—need. Doubling the transfer to municipalities will help get more projects underway, creating more good, well-paying jobs and making our cities and towns better places to live. More affordable electricity bills, new support for zero-emission vehicles, and a new commitment to bring high-speed internet to every Canadian home and business are all part of building a better country.
- **Advancing Reconciliation**—Building on the progress achieved to date, the distinctions-based investments in Budget 2019 will help deliver clean water and better health care to Indigenous communities, advance self-determination and self-governance, and improve the quality of life for First Nations, Inuit, and Métis Nation people in Canada.
- **Delivering Real Change**—Canada is a country defined by its values, and is at its best when everyone has real and fair chance at success. The investments in Budget 2019 will support artists and veterans; improve Canadians' health, public safety, and access to justice; strengthen Canada's role in the world; deliver better government; and make sure our tax system is fair for everyone.

Conclusion

Today, over 900,000 more Canadians are working compared with November 2015. Wages are up and the unemployment rate is near 40-year lows. As of 2017, over 825,000 fewer Canadians are living in poverty compared to 2015. The Government's plan to grow the middle class is working.

Budget 2019 is about building on this progress, and continuing to make a real difference in the lives of Canadians today, and into the future.

It responds to Canadians' concerns, and underscores the fact that for all the progress that has been made, more hard work lies ahead.

It reminds Canadians that when they work hard, together they can make sure that Canada's success is felt by everyone, not just by the privileged few.

It gives people the help they need to succeed today, and offers hope for a brighter tomorrow—one where people have the security and the skills they need to meet whatever change comes their way.

Budget 2019 is about investing in the middle class, to build a better future for all.

OVERVIEW

In 2015, Canada's economy was in a weak position—and so were many Canadians. Low growth, rising unemployment and weak wage growth made it harder for middle class Canadian families to make ends meet, save and plan for the future.

At the same time, Canada's relatively low debt burden, combined with historically low interest rates, gave the Government room to invest to grow the economy—helping to create good, well-paying jobs in the short term, while building the infrastructure and skilled workforce needed to keep the economy strong and growing for years to come.

The results speak for themselves. Instead of facing low growth as a result of austerity and cuts, the Government's investments in people and in the communities they call home have helped to drive the strong economic growth Canadians needed to feel more confident.

With Budget 2019, the Government is continuing to deliver on its economic plan—one that favours investment over austerity, with a clear focus on fiscal responsibility.

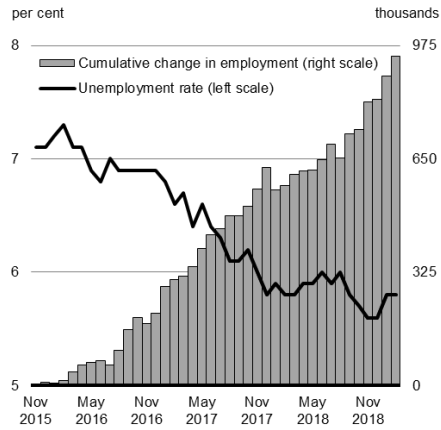
Canadian Economic Context

In a challenging global economic environment, Canada's economy remains sound. Since November 2015, targeted investments and strong economic fundamentals have contributed to creating over 900,000 new jobs, pushing the unemployment rate to its lowest levels in over 40 years (Chart 1). In 2018 alone, all employment gains were full-time jobs.

At 3 per cent growth, Canada had the strongest economic growth of all G7 countries in 2017, and was second only to the U.S. in 2018. Recently, growth in global economic activity has slowed more than expected. At home, growth in the Canadian economy was softer at the end of 2018.

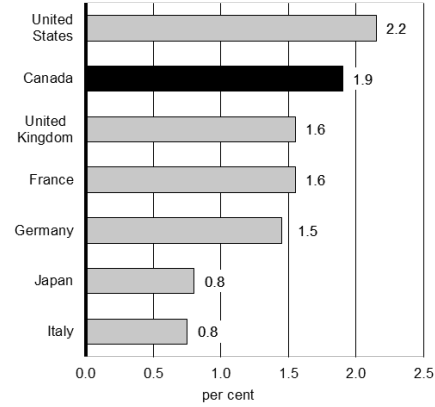
Despite these challenges, the Canadian economy is expected to strengthen over the second half of 2019, and to remain among the leaders for economic growth in the G7 in both 2019 and 2020.

Chart 1
**Labour Market Since
November 2015**



Note: Last data point is February 2019.
Source: Statistics Canada.

**Projected Average Real Gross
Domestic Product (GDP) Growth
for 2019 and 2020**

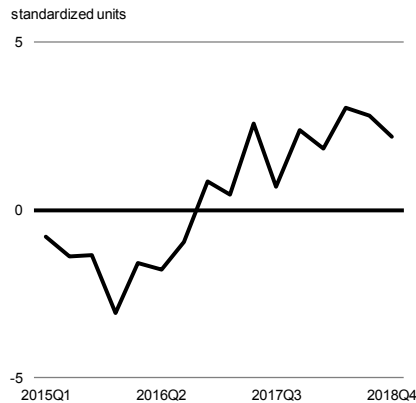


Sources: International Monetary Fund,
January 2019 *World Economic Outlook
Update*; Department of Finance Canada
calculations.

Canada's solid economic performance—bolstered by a strong labour market and the Government's investments in the middle class—also supported solid wage growth last year, coming in at one of the fastest paces of growth recorded in the past eight years. With higher earnings and a strong economy, consumer confidence remains solid. This confidence is expected to help drive household spending and continued economic growth going forward.

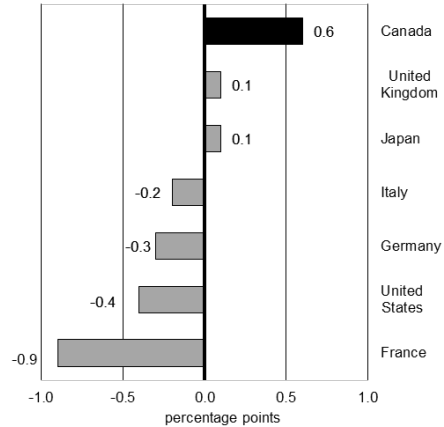
At the same time, business sentiment in Canada remains firmly positive and growth in business investment and exports is expected to regain momentum over 2019, supported by new and modernized arrangements with many trading partners, and recently announced tax incentives designed to encourage businesses to invest in and create middle class jobs (Chart 2). This outlook is also supported by Canada's reputation as a good place to invest and do business, as evidenced by Canada being the only G7 country to witness a material improvement in foreign direct investment into the country over the first three quarters of 2018.

Chart 2
Bank of Canada's Business
Outlook Survey Indicator



Note: Last data point is 2018Q4.
Source: Bank of Canada.

Change in Foreign Direct
Investment Inflows as a Share of
GDP (year-to-date, 2018)



Notes: Data on foreign direct investment flows and GDP for 2017 and 2018 cover the period Q1 to Q3. Data for 2018Q4 for all countries are not yet available.

Sources: Organisation for Economic Co-operation and Development; Department of Finance Canada calculations.

Budget 2019 Investments

Nearly 20 years into the new century, Canada faces a number of challenges: the cost of living continues to rise for many Canadian families; a rapidly changing world leaves many worried about finding and keeping good, well-paying work; and things like global climate change and the growth of populism are fuelling uncertainty about the future. These challenges call for a responsible and forward-looking response, with a plan for the economy that is fiscally responsible and squarely focused on making life better for the middle class and people working hard to join it.

Budget 2019 continues the Government's plan to invest in the middle class, with a special focus on investing in people and in the things they need to succeed: more affordable places to live, especially for first-time home buyers; skills for a changing job market; lower prescription drug costs to support good health; local infrastructure that helps deliver a good quality of life; and better connections to each other and the world through universal high-speed internet.

Table 1

**Economic and Fiscal Developments Since the 2018 Fall Economic Statement
(FES 2018) and Investments Included in Budget 2019**

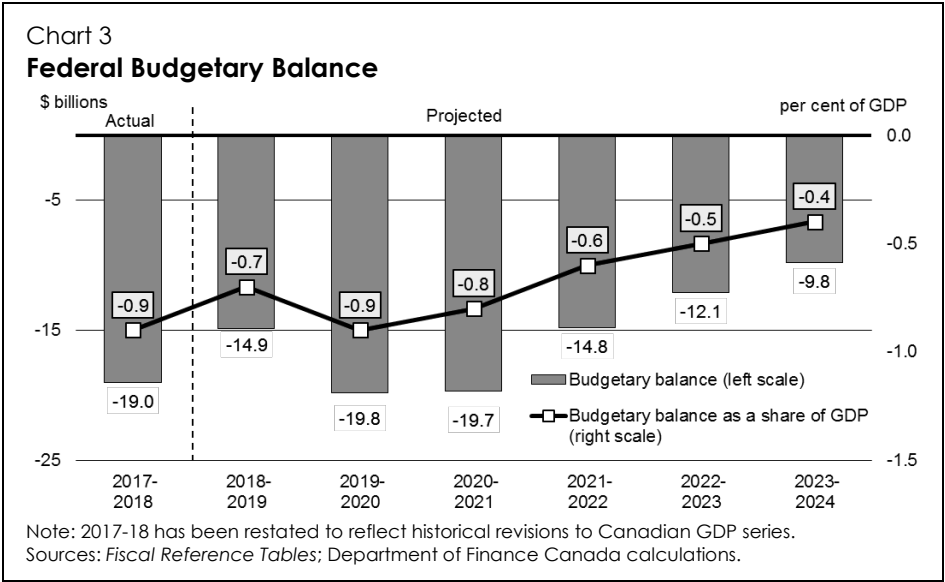
billions of dollars

	Projection					
	2018– 2019	2019– 2020	2020– 2021	2021– 2022	2022– 2023	2023– 2024
FES 2018 budgetary balance¹	-18.1	-19.6	-18.1	-15.1	-12.6	-11.4
Adjustment for risk from FES 2018	3.0	3.0	3.0	3.0	3.0	3.0
FES 2018 budgetary balance (without risk adjustment)	-15.1	-16.6	-15.1	-12.1	-9.6	-8.4
Economic and fiscal developments since FES 2018	5.9	4.8	4.7	3.7	4.1	4.6
Revised budgetary balance before policy actions and investments	-9.3	-11.9	-10.4	-8.4	-5.5	-3.9
Policy actions since FES 2018 ²	-1.4	-1.0	-0.6	-0.6	-0.2	-0.2
Investments in Budget 2019						
Investing in People	0.0	-0.6	-1.3	-1.8	-2.3	-2.4
Building a Better Canada	-3.2	-0.3	-0.8	-0.8	-0.6	-0.4
Advancing Reconciliation	-0.9	-0.7	-1.0	-1.0	-0.6	-0.6
Delivering Real Change	-0.1	-1.7	-1.6	-0.8	-0.5	-0.6
Other Budget 2019 investments ³	0.0	-0.7	-0.9	1.6	0.6	1.2
Total investments in Budget 2019	-4.2	-4.0	-5.7	-2.7	-3.4	-2.8
Total policy actions and investments since FES 2018	-5.6	-5.0	-6.3	-3.3	-3.6	-2.9
Budgetary balance	-14.9	-16.8	-16.7	-11.8	-9.1	-6.8
Adjustment for risk		-3.0	-3.0	-3.0	-3.0	-3.0
Final budgetary balance (with risk adjustment)	-14.9	-19.8	-19.7	-14.8	-12.1	-9.8
Federal debt (per cent of GDP)	30.8	30.7	30.5	30.0	29.3	28.6

Notes: A negative number implies a deterioration in the budgetary balance. A positive number implies an improvement in the budgetary balance

Maintaining Canada's Low-Debt Advantage

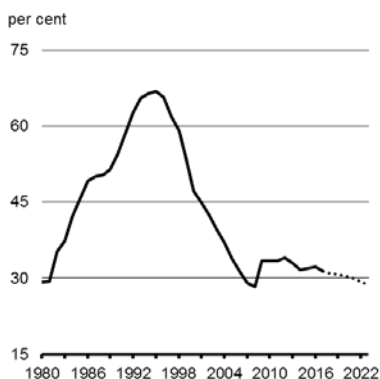
The Government continues to invest in Canada, and in Canadians, in a fiscally responsible way. The Budget 2019 fiscal track is broadly unchanged from that presented in the 2018 *Fall Economic Statement*, with a deficit that is projected to decline from \$19.8 billion in 2019–20 to \$9.8 billion in 2023–24.



The federal debt-to-GDP ratio is also expected to decline every year over the forecast horizon, reaching 28.6 per cent by 2023–24 (Chart 4). A declining federal debt-to-GDP ratio will help to further reduce Canada's net debt-to-GDP ratio, which is already the lowest among G7 countries.

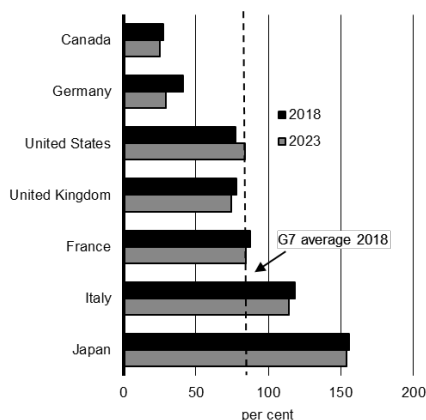
The Government, like Canadians, understands the importance of preserving a low-debt advantage for current and future generations—it supports economic growth and gives Canada the flexibility it needs to respond to changing economic circumstances.

Chart 4
Federal Debt-to-GDP Ratio



Note: Figures have been restated to reflect historical revisions to Canadian GDP series.
Sources: *Fiscal Reference Tables*; Department of Finance Canada calculations.

Canada's Forecasted Net Debt-to-GDP Ratio Lowest in G7



Note: The general government net debt-to-GDP ratio is the ratio of total liabilities, net of financial assets of the central, state and local levels of government, as well as those in social security funds. For Canada, this includes the federal, provincial/territorial and local government sectors, as well as the Canada Pension Plan and the Quebec Pension Plan.

Source: International Monetary Fund, October 2018 *Fiscal Monitor*.