2026 Federal Budget Update

Mechanical Contractors Association of Canada
BUILDING SMARTER TOGETHER

On November 5, Minister of Finance Francois-Philippe Champagne tabled the federal government's 2026 budget, "Masters of Our Destiny" ("Maîtres Chez Nous"). The budget focused on three key themes:

- Accelerating growth through an investment supercycle;
- Making life more affordable for Canadians; and
- Defending our sovereignty while supporting Canada's cultural heritage.

It proposes that investments in five key areas will help achieve those outcomes:

- Electrifying Canada;
- Affordability measures;
- Housing;
- Canadian Sovereignty and Heritage;
- National Defence.

It is clear the government is doubling down on the vision that sovereignty relies on stronger national defence, robust development of natural resources, and building prosperity by connecting our nodes of economic strength to global markets. The underlying philosophy is that when the seas of the global economy are rough, Canada needs to build a better boat. However, we need to ensure we have the workforce and business levers in place to build and reinforce this boat.

For Canada's construction and infrastructure sectors, Budget 2026 includes several notable commitments, including investments in housing, electricity infrastructure, First Nations infrastructure, and community facilities. Although investments to support skilled trades workers and encourage targeted immigration are reiterated, these new initiatives will put even greater pressure on Canada's skilled workforce, and questions about capacity to "Build Canada Strong" are likely to persist.

Overall, Budget 2026 foregoes the deep cuts that defined the 2025 federal budget, and spreads funding through Indigenous services, arts and culture, and electrification, as well as an array of niche social programs. This broad focus is likely to protect it from extensive criticism, and the Liberal's solid majority in the House ensures that there should be no issues securing its passage through the House.

2026 Federal Budget Update

Fiscal and Economic Outlook

The Federal deficit for 2026-27 sits at $62.3 billion. Tax revenues for 2026-2027 were $540.3 billion, up $23.9 billion from the Spring Economic Update. This reflects higher revenue from Canada's oil and gas production due to higher global prices, as well as higher GST revenue from higher prices across the economy.

Overall, the government has stuck to its commitment to reduce the operating deficit while maintaining capital investments, having reduced projected direct program expenses by $12.4 billion per year, or 4.5% from the previous budget. The budget assumes revenues will be significantly higher in future years, reflecting a degree of normalization in trade with Canada's largest trading partner, along with higher capital investments from the federal government.

Minister Champagne continues to tout Canada's low debt-to-GDP relative to other G7 countries as the most important indicator of our fiscal health. While we have the lowest net debt-to-GDP ratio in the G7, we continue to add more to the national debt, with public debt charges rising from 1.8% of all Canadian GDP in 2026-27 to 2.2% of GDP in 2030-21. That said, the historic average over the past 40 years was 3.2%, factoring in challenging years in the late 1980s and early 1990s.

The government also makes assumptions about its revenues and expenses related to the ongoing trade dispute and rising interest rates. Notably, it is assumed that Canada will see a 1% decrease in real GDP growth over the coming year, driven by lower productivity and employment growth. The budget also assumes that we will see a sustained increase in interest rates of up to 100 basis points across all interest rates over the year ahead (e.g., from a 2.50% overnight rate to a 3.50% overnight rate).

If these predictions come true, it is expected that federal coffers would see a reduction of $4.6 billion in the first year, and that some expenses for government would also rise in lockstep through transfers to individuals and families (e.g. Canada Child Benefit, Old Age Security).

Over the long term, the government anticipates both Real GDP Growth and Nominal GDP growth to decline in the next five years, and over the following three decades due to lower population growth and lower labour force participation.

2026 Federal Budget Update

Funding and Program News

TAXATION

Productivity Mega Deduction

- Permanently expands immediate expensing to nearly two-thirds of capital assets, allowing businesses to immediately deduct the full cost of a broader range of eligible capital investments in the year they become available for use.

Canada Growth Incentive

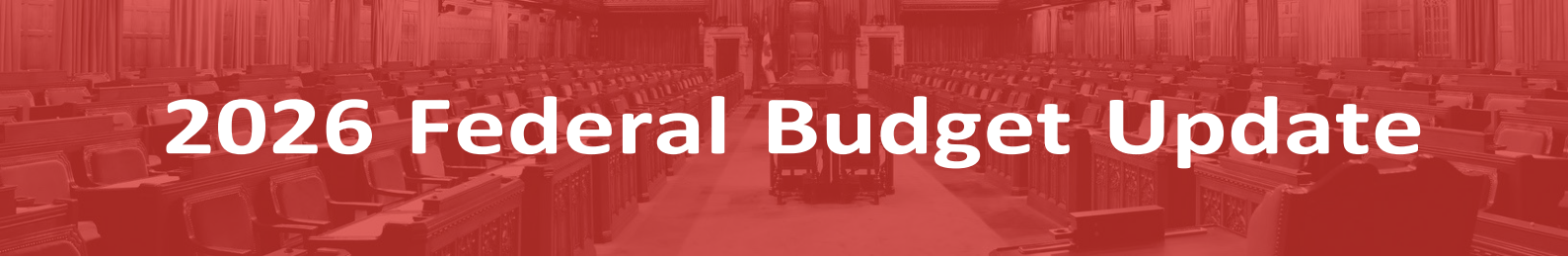
- Helps high-potential businesses attract investment, scale and keep more capital in Canada, through a new tax exemption on up to $15 million in capital gains from eligible investments and an enhanced small business rollover. Provides $715 million in tax relief over four years, starting in 2027-28.

Clean Electricity and Clean Technology Tax Credits

- Extends the Clean Electricity and Clean Technology investment tax credits to eligible property that becomes available for use before 2041 (from before 2035).
- The credit rate of the Clean Technology investment tax credit would continue to be reduced to 15% for its last year of availability (i.e., property that becomes available for use in 2040 instead of 2034).

Labour Mobility Deduction for Tradespeople

- Eligible tradespeople and apprentices who undertake an eligible temporary relocation would be able to deduct an optional flat $1,500 in a year under the Labour Mobility Deduction for Tradespeople instead of itemising their expenses.



2026 Federal Budget Update

HOUSING

Budget 2026 proposes to provide an additional $13 billion over ten years to set Build Canada Homes on a path to deliver 200,000 new homes across the country in the next decade. To pursue this goal, the Budget further proposes:

Modernizing Construction Methods

- $67.7 million over four years, starting in 2027-28, and $101.2 million in future years to modernise housing data and establish common standards for modern methods of construction.
- The National Research Council of Canada will also provide more timely updates to the National Model Codes to support the faster adoption of innovative building methods.

Strategic Response Fund

- $300 million over three years, starting in 2028-29, and $200 million in future years, to Innovation, Science and Economic Development Canada for the Strategic Response Fund to build and expand industrial capacity to accelerate the adoption of modern methods of construction.

Turning Federal Land and Buildings into Homes

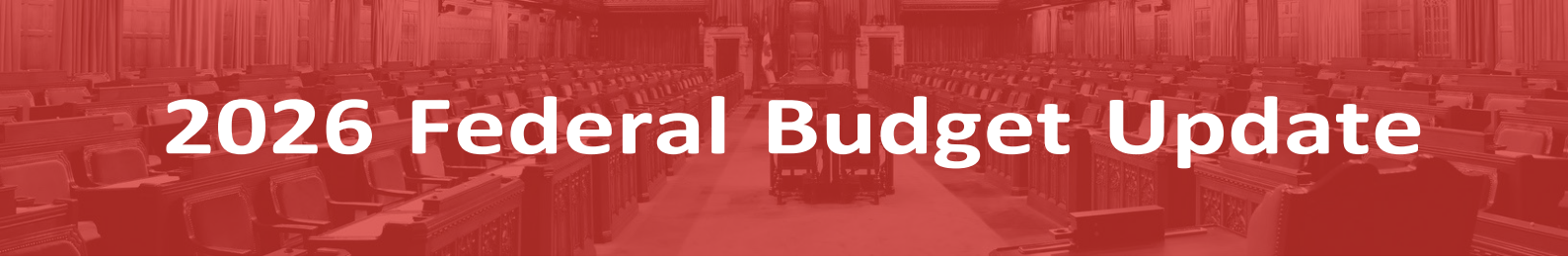
- $1.5 billion over four years, starting in 2027-28, and $387.4 million in future years to prepare federal lands for housing by funding water, wastewater, roads, and other enabling infrastructure.

Retrofitting Homes (announced Oct. 8)

- 2 billion investment to retrofit 1 million homes

Indigenous Housing

- $11 billion over 10 years to help communities manage and preserve 119,000 existing housing units through regular maintenance and repairs, construct more than 6,900 new homes, and renovate more than 10,900 existing homes over the next decade.
- $1.7 billion over five years, starting in 2027-28, for housing in First Nations communities on reserve to enable faster delivery of shovel-ready housing projects while freeing up core funding to plan, deliver, and maintain housing over 10 years.



2026 Federal Budget Update

INFRASTRUCTURE

Canadian Infrastructure Council

Budget 2026 proposes $2 million for 2027-2028 for Housing, Infrastructure and Communities Canada to renew the Canadian Infrastructure Council.

Electricity Infrastructure Expansion

To deliver more reliable power as electricity demand grows, Budget 2026 proposes to provide nearly $4 billion over 10 years, starting in 2027-28. This funding will support electricity infrastructure expansion, renewable energy, and priority electricity sector projects across Canada, including new funding for the Smart Renewables and Electrification Pathways Program.

Expand, Strengthen, and Connect our Electricity Systems

To deliver more reliable power as electricity demand grows, Budget 2026 proposes to provide nearly $4 billion over 10 years. This funding will support electricity infrastructure expansion, renewable energy, and priority electricity sector projects across Canada, including new funding for the Smart Renewables and Electrification Pathways Program.

In addition, to improve energy reliability in the North, Budget 2026 proposes to provide $1.6 billion over 10 years, starting in 2027-28. This includes $713.8 million for renewable energy and capacity-building projects that help Indigenous, rural, and remote communities transition from diesel and fossil fuels to renewable energy sources, and $929.1 million to replace and upgrade aging electricity infrastructure in northern communities.

Revitalising Recreational Facilities and Ice Rinks

Budget 2026 proposes to provide $1.5 billion over nine years through the Build Communities Strong Fund to support the construction, expansion, retrofit, and rehabilitation of community recreational facilities and ice rinks across Canada. This includes $750 million for ice rinks and $750 million in additional funding for other community recreational facilities.

First Nations On-Reserve Infrastructure Program

To improve First Nations infrastructure on reserve, Budget 2026 announces the government's intention to launch a First Nations On-Reserve Infrastructure Program and proposes to support the new program with $18.5 billion over 10 years, starting in 2027-28. This funding will support the construction and maintenance of a broad range of assets, from roads and bridges to schools and health facilities, while extending investments in water and wastewater infrastructure for six years beyond funding announced in June 2026.

2026 Federal Budget Update

WORKFORCE DEVELOPMENT

Budget 2026 reiterated the government's Team Canada Strong, an $8 billion investment aimed at recruiting, training and hiring 80,000 to 100,000 new Red Seal skilled trades workers by 2030 - 2031. Other workforce measures of relevance to MCAC include:

Amend the Employment Insurance Act

- Amend the Employment Insurance Act to temporarily increase the minimum number of Employment Insurance regular benefit weeks from 14 to 18 weeks for apprentices who take full-time training, at an estimated cost of $5 million over four years, starting in 2027-28, and $1.1 million in future years.

Partnerships for Indigenous Workforce Readiness Fund

- Budget 2026 proposes to provide $451.8 million over four years beginning in 2027-28, and $48 million ongoing (including newand existing funding) to launch the Fund

2027-2029 Immigration Levels Plan

- The Budget also proposes to adjust immigration levels moderately, setting targets of 370,000 new temporary resident arrivals in 2026 and 380,000 permanent resident admissions in each of 2027, 2028, and 2029.
- Other immigration measures cited include modernizing the Express Entry system for economic immigration to "better select people with the skills and expertise needed to fill critical gaps and support innovation", and to "help transition 100,000 workers eligible for Express Entry or the Provincial Nominee Program by the end of 2027, increasing the provincial and territorial share of permanent economic immigration and providing greater flexibility to respond to regional labour market needs".
- The rationale cited is to ensure Canada "has the workforce needed to get big things built".



Budget Analysis

Budget 2026 is a continuation of the agenda that Prime Minister Carney has been establishing and advancing over the past year and a half. It is also well aligned with many of MCAC's priorities, and the advocacy items the organization has put forward over the past year, particularly as it relates to infrastructure development, productivity, and workforce growth.

The "investment supercycle" framing and the central emphasis upon the Productivity Mega Deduction makes clear that we can expect Prime Minister Carney's government to remain focused on improving business conditions, particularly in the face of continued economic disruption on the global stage. However, this is balanced with the government's continued focus on improving budget conditions and more efficient spending that incents private sector investment.

The expectation of a decrease in GDP over the coming year makes clearer the need to bolster productivity and grow the workforce to counter these effects - two priorities that MCAC is well positioned to continue to drive forward. New funding for retrofits, electrical and nuclear systems development, Northern infrastructure and modular initiatives all pose opportunities for MCAC members.

However, the reality remains that the success of the government's infrastructure and homebuilding targets hinge heavily upon the successful rollout of Team Canada Strong in the coming months, which will also require significant and ongoing collaboration with the sector. In addition, it will require continued efforts to reduce labour mobility barriers across provinces and territories. These are messages that has been heavily emphasized by MCAC throughout its advocacy, but bears continued repeating as the program is implemented, promoted and evaluated.

Finally, additional details are still required as it relates to the Productivity Mega Deduction, as the Budget cites a non-exhaustive list of eligible expenses. This is an area where MCAC will continue to press for further information to provide to members.