

Dollars and Sense: Budget 2025 Provides Transformational Defence Funding, but Unclear Direction

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Since becoming Prime Minister, Mark Carney has made defence a priority in a way Canada has not seen in decades and his first budget, presented in November 2025, reflects that focus. While reactions to the budget overall have been mixed about whether it was as transformational as the government had suggested it would be, on the defence front Budget 2025 is genuinely transformational.

At the NATO summit in the Hague in June 2025, allies committed to meet a new investment pledge. The agreed-upon spending metric of allocating 2% of Gross Domestic Product (GDP) to defence was revised to a new commitment to spend 3.5% on 'core defence' while making an overall commitment of 5% of GDP, including other investments in resilience, infrastructure and other measures, all by 2035. Budget 2025 unambiguously commits to delivering on this path of increased defence investment stating "Canada will invest 3.5 percent of GDP by 2035 in core military needs" and noting that Canada is on a path to meeting the total commitment by the same year. As well, the 2025 federal budget reinforces the pledge the Prime Minister made to get Canadian defence spending to the old 2% mark this fiscal year. For years after agreeing to the old alliance investment pledge made at the 2014 summit in Wales, the Canadian government failed to follow through. Notably, after making the pledge at the Wales Summit, the government never reflected the commitment in budgetary documents, either with written commitments or actual dollars. The unequivocal commitment to meet the mark in Budget 2025 sends an important signal.

The budget most notably reflects the full impact of the funding decision Prime Minister Carney first announced 9 June 2025 when his government gave the Department of National Defence (DND) and the Canadian Armed Forces (CAF) the \$9 billion in extra funding the government estimates is needed to spend 2% of GDP on defence in Fiscal Year 2025/2026. The budget reflects that the \$9 billion is just the first part of a massive injection of funding over five years. Including the \$9 billion, the Prime Minister announced and put into the Estimates this past June, Budget 2025 outlines a total injection of \$81.8 billion on a cash (or actual dollars) basis for a range of defence investments. The funds are spread out over several areas spanning the breadth of the defence portfolio: \$20.4 billion for personnel; \$19.0 billion for repairing and sustaining capabilities

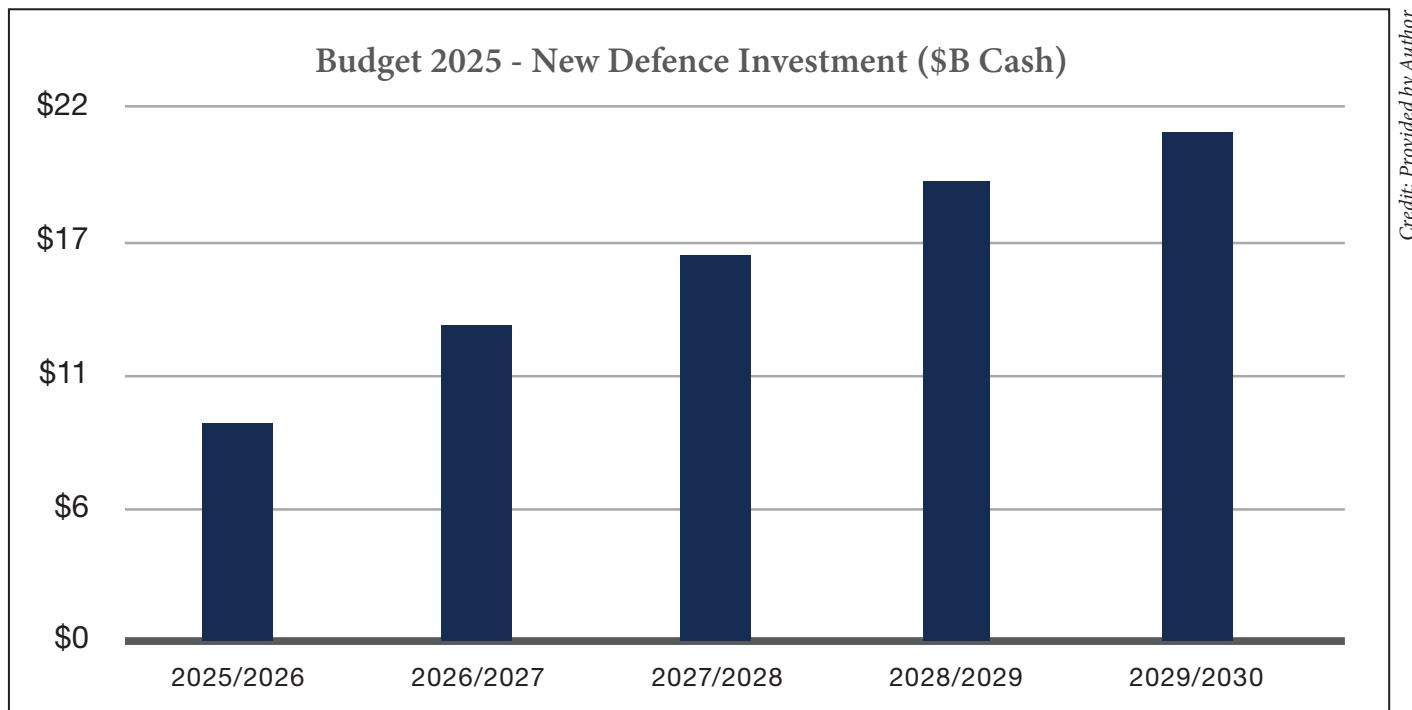


Cover of Budget 2025.

and defence infrastructure; \$10.9 billion for upgrades to digital infrastructure; \$17.9 billion for new equipment and ammunition; \$6.6 billion to implement the Defence Industrial Strategy; \$6.2 billion over five years to expand Canada's defence partnerships; and \$805 million for the Canadian Coast Guard, Canadian Security Intelligence Service (CSIS) and Public Services and Procurement Canada for complementary initiatives.

To put this increase in perspective, the five-year funding injection for defence outlined in Budget 2025 represents

Table 1. New Defence Investment



Credit: Provided by Author

about 80% of the \$103 billion commitment made in the last Justin Trudeau defence policy – *Our North, Strong and Free* – but that document’s spending horizon spanned 20 years, not five. Over the first five years of *Our North, Strong and Free*, a spending increase of just \$10.5 billion was outlined – only one-eighth as much money for the military as Budget 2025 provides. If future governments committed only to maintain spending at the new level reflected over the next five years (and Budget 2025 clearly commits to increase it, substantially), this would add over \$300 billion extra to defence coffers over the next two decades.

Notwithstanding the really consequential increases to defence spending outlined, the budget is curiously missing some key details about where those funds will go. There is no breakdown provided of total forecasted spending year by year, something presented in both the 2022 and 2024 budgets. Related, there was no actual outline of Canada’s path to spending 3.5% of GDP on core defence by 2035, or on a yearly basis. Similarly, the details about where the \$81.8 billion will go are both very high level and close to word for word the same description used back in June to indicate where the \$9 billion of that total allocated for this year was directed. The addition of another \$72.8 billion starting on 1 April 2026, over and above the \$9 billion provided for FY 2025/2026 provides more than ample funding to undertake a number of new initiatives, or support old ones that were underfunded. But these details were not presented in the budget text or made available to incredibly frustrated journalists in the budget day media lock-up who were unable to receive any clarity on future plans.

Since Budget 2025 was released, some additional detail has been made available, but it remains quite limited. The Prime Minister’s Office was able to itemize the year-by-year increase in funding, which is depicted in Table 1 and reflects a progressive annual increase in additional spending. Beyond this itemization, which has not been widely distributed, there have been few additional details. Asked where the very consequential injection of funding was going, DND’s Deputy Minister indicated that the list of projects outlined to be ‘explored’ in the 2024 *Our North, Strong and Free* defence policy was the best available indication of where those new dollars were earmarked.¹ Given that the document only itemized 11 initiatives to be explored, with only a sentence or so of description for each, this is an inadequate explanation.

Having funded the military in a way we have not seen for generations, we now wait for more details on how the Carney government intends for that cash infusion to be spent. Part of that detail must include clarity on exactly how the Prime Minister sees Canada’s defence relationship with the United States changing. And it should all be linked to a new national security and foreign policy vision. The funding of Canada’s defence has been transformed with Budget 2025, now we need clarity on how that will transform the Canadian Armed Forces. 

Notes

1. Stefanie Beck, comments to the Canadian Global Affairs Institute State of Canadian Defence Procurement conference 12 November 2025, Ottawa, ON.

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