

Op-ed: The life expectancy of Canadian minority governments

By Warren Lovely & Stéfane Marion

Note: The following note is not an endorsement of any federal political party or parties. The views expressed here are those of the authors.

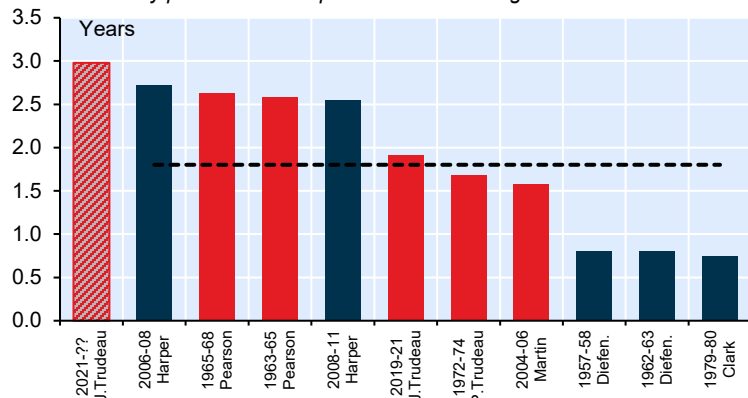
Canada's House of Commons is to resume sitting Monday, September 16th. For as long as it lasts, this promises to be a spicy fall session on the Hill. With the NDP recently (and somewhat unexpectedly) terminating a supply and confidence agreement (SACA) with the Liberals, Canadians now have what they really voted for back in September 2021: a legitimate minority parliament¹. We should expect no little amount of political intrigue, brinkmanship and horse trading, with a healthy dose of MP bluster, feet stomping and finger pointing thrown in for good measure. Political theatre at its very finest or very worst then, all depending on your perspective.

The Prime Minister may profess to have little interest in 'playing politics' but isn't that precisely what minority government leadership requires? Then again, even with the deftest political touch and the most expert of political maneuvering, the current minority parliament increasingly looks past its expiration date based on the latest public opinion polls.

It's now been almost three full years since Canadians—or at least the 63% of eligible voters that marked a ballot—collectively birthed this minority, an election outcome (once again) characterized by regional divides. No Canadian minority has lasted this long in the post-WWII era, the life expectancy of minorities closer to 20-odd months (on average)².

Chart 1: This minority parliament is getting long in the tooth

Federal minority parliaments: Elapsed time until next general election



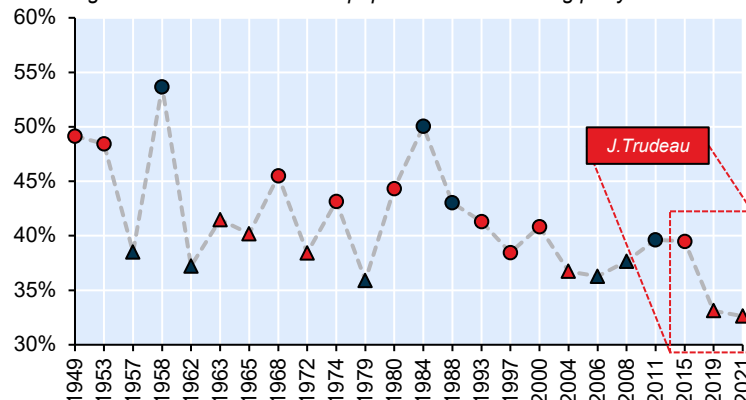
Source: NBF, Elections Canada | Note: Post-WWII period; dotted line is historical average

To be clear, there's nothing inherently 'wrong' with a minority. Notwithstanding political uncertainty, Canadian governments have managed to get things done with a plurality of seats in the past. Some might even favour the ability of a minority to provide an important check on the ruling party's ambitions. Nor are we suggesting that Canadians be marched to voting booths for no good reason. Many political analysts decried the Liberal government's 2021 election call as unnecessary, a

costly (some might say opportunistic) decision that left party standing very little changed. But surely this is different.

Chart 2: Not the strongest mandate to begin with

Federal general elections: Share of popular vote for winning party

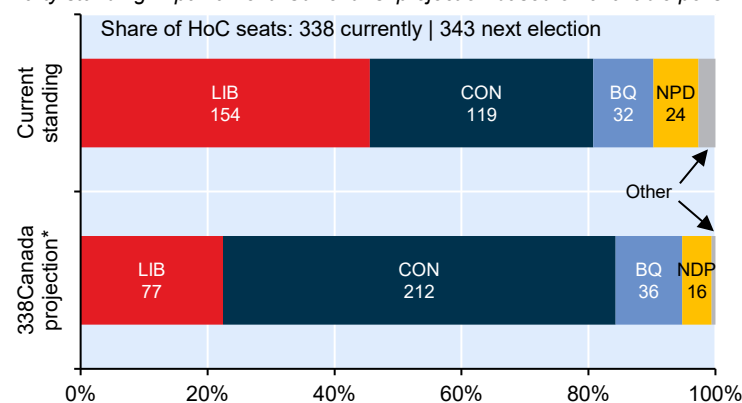


Source: NBF, Elections Canada | Note: Triangles denote minority gov'ts

Back in September 2021, the Liberals secured the lowest share of the popular vote on election night of any winning party since WWII (less than 33%). In other words, this wasn't the strongest mandate to begin with. Were it not for the now-defunct SACA, parliament might have already proven unworkable. As it is, over 1,000 days have elapsed since the last general election. That's no little amount of time. With the Liberals' key ally—the NDP—having stepped back, the ruling party appears more isolated³. Recent byelections, of which two are currently unfolding, have hinted at voter discord. More generally, nation-wide public opinion polling shows Canadians in a sour mode, support for the minority Liberals currently hovering around 25%.

Chart 3: Polls suggest voters are clamouring for change

Party standing in parliament: Current vs. projection based on available polls



Source: NBF, Parliament of Canada, 338Canada.com | Note: 338Canada projection as at 8-Sep-24; projected seat tallies are middle of likely range based on available polling data

¹ As per the [SACA](#), the NDP agreed to support the Liberals on confidence measures in exchange for action on key priorities. The NDP 'ripped up' the agreement on 4-Sep-24 ([link](#)), labeling the Liberals as "too weak, too selfish and too beholden to corporate interests".

² Provincial general elections have produced 20 minorities in the post-WWII period. On average, provincial minorities tend to hold up a bit longer than at the federal level (2.4 years

provincially vs. 1.8 years federally). But anyway you slice it, the current federal minority parliament looks to be getting a little long in the tooth.

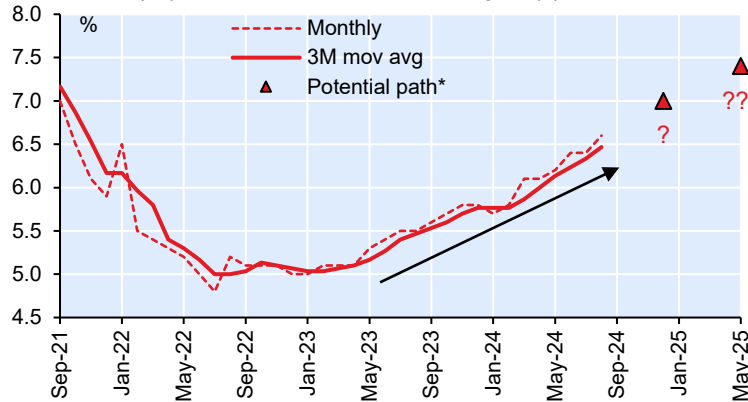
³ The NDP secured ~18% of the vote in the last election. Combined with the Liberal share of the vote, it suggests just over half of Canadian electors might have seen at least some of their priorities reflected in the previous partnership. Alas, the SACA is no more.

Voter unease/anxiety is perhaps understandable. After all, Canada's socioeconomic foundation has shifted considerably since the last election. Today, geopolitical risks are legion. Conflicts and foreign interference require a clear stand and decisive action. As recently emphasized by Mark Carney, the newly appointed economic adviser to the Prime Minister, a decades-long process of globalization and trade liberalization risks being turned back. That's a serious risk for a small-open-economy like Canada. Market access can't be taken for granted; trade disruptions risk mounting; standing still is not an option.

Meantime, domestic demand developments have been, in a word, disconcerting. Per capita GDP continues to contract. Heavily indebted households are under strain. Most worrisome, the labour market—once a hallmark of economic resiliency—is faltering, the unemployment rate rising at an alarming rate. There is more weakness to come in our view. A 7% jobless rate is likely before the year is out, imperiling the 'soft landing' narrative and perhaps arguing for policy countermeasures. Here, we're thinking more broadly than central bank interest rate relief (which, while we're on the subject, may need to be accelerated).

Chart 4: Canadian economy weakening before our eyes

Canada unemployment rate: Recent trend including likely path forward



Source: NBF, StatCan | Note: Potential path is based on NBF baseline forecast for the Cdn economy; refer to [Monthly Economic Monitor](#) for detailed forecasts

The challenges don't end there. Productivity growth—never Canada's strong suit—remains anemic. The Bank of Canada is right to highlight this **'productivity problem'**, but it's for government—not the monetary authority—to solve this puzzle. How best should Canada attract and retain much-needed investment? Opinions vary across political parties. Ditto on the federal role in labour relations, including how, when and in what way Ottawa should react to potentially crippling strikes/lockouts. (A possible pilot strike at Air Canada could provide another test case.)

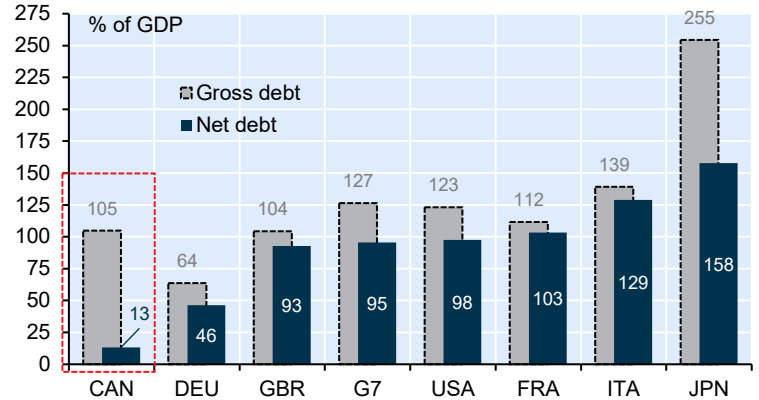
There's been difficulty aligning resource extraction/development—long an outsized driver of jobs, growth, income and wealth—with environmental ambitions/commitments. Political insults aside, carbon pricing is clearly a divisive issue. On the subject of taxes, the recent move to broaden capital gains taxation should be reconsidered. That's part of a broader fiscal debate voters need to opine on.

There's rarely a shortage of budgetary back-patting in Ottawa, not just under the current Liberal administration but earlier regimes too. Yes, Canada boasts an enviable fiscal position relative to many advanced economy peers. That's not new. General government debt trajectories may be less alarming, but there's still a structural deficit in Ottawa and downside cyclical pressure to boot. Canadians must declare how much of the nation's hard-won fiscal wiggle room should be committed/used up, bearing in mind that the country's dependence on foreign portfolio

capital inflows and its relatively smaller size require more thoughtful budget making than certain of our peers can get away with.

Chart 5: Hard-won fiscal advantage masks budget pressure

General government gross & net debt burdens: 2024

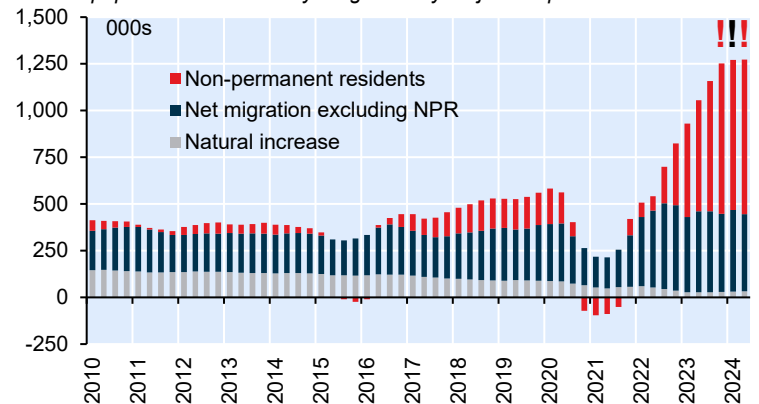


Source: NBF, IMF (WEO Apr-24)

But if there's a singular issue worthy of a *de facto* national referendum, in the form of a timely general election, it's surely immigration. As most by now appreciate, there are many angles to the immigration debate. Of note, an acute imbalance between housing demand and supply—clearly exacerbated by recent immigration policy—has materially impacted housing accessibility and affordability. A burgeoning headcount has strained already overburdened public infrastructure, generally the responsibility of other levels of government. You could call this inter-governmental policy misalignment given the record unemployment rate for non-permanent residents (~11% currently). These are issues of grave importance to many prospective voters.

Chart 6: Immigration repercussions impossible to ignore

Canada population: Year-over-year growth by major component



Source: NBF, StatCan | Note: 4-qtr moving sum to 2024:Q2

Bottom line: Canada is at an important crossroads on any number of fronts. The public policy choices we opt for today will have direct bearing on the nation's future success and standard of living. With the socio-economic and geopolitical ground shifting under our feet, voters (including the taxpayers financing the federal budget and servicing the debt) may wish to give fresh direction to their elected officials in Ottawa before Autumn 2025⁴, whether that's on economic development strategy, tax-spend policies, international relations, resource development, productivity/investment, climate action/energy transition, affordability/housing and of course immigration.

⁴ The next federal general election is due to take place on or before 20-Oct-25.



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