



Economic Commentary

January 27 2026

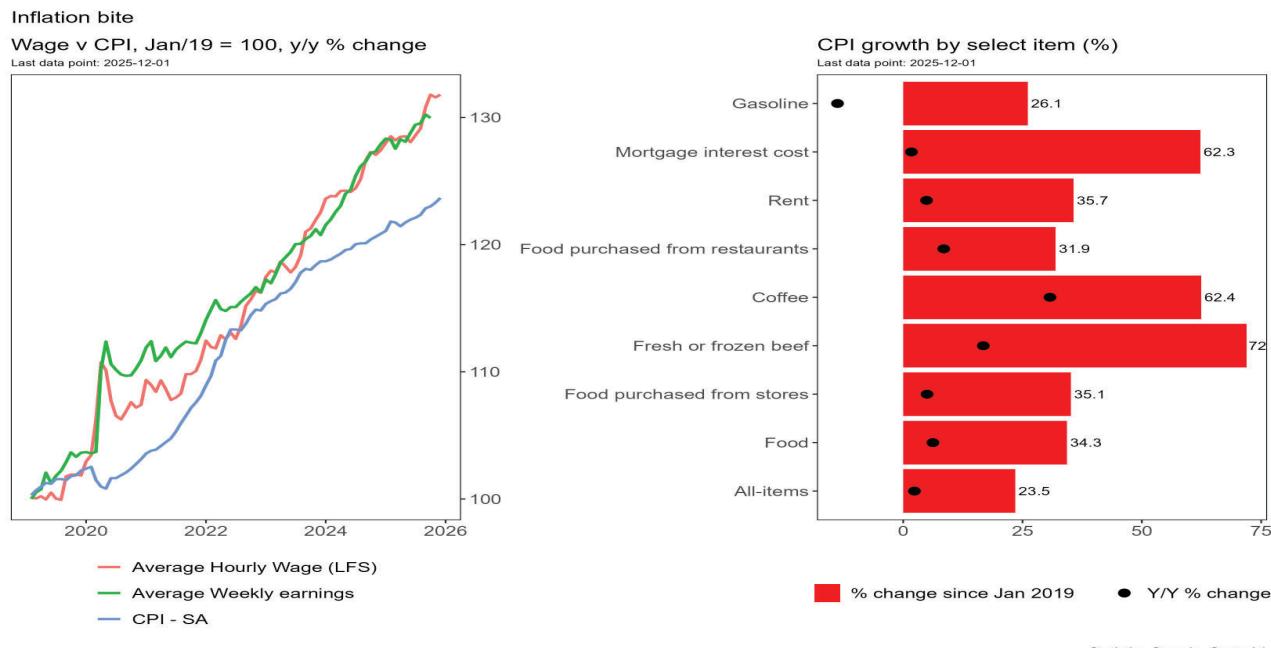
Federal government to adjust GST tax credit to support affordability

Today the government of Canada [announced](#) measures to tackle affordability challenges in the country, aimed at support for lower income households and tied to rising prices at the grocery aisle. This includes two measures:

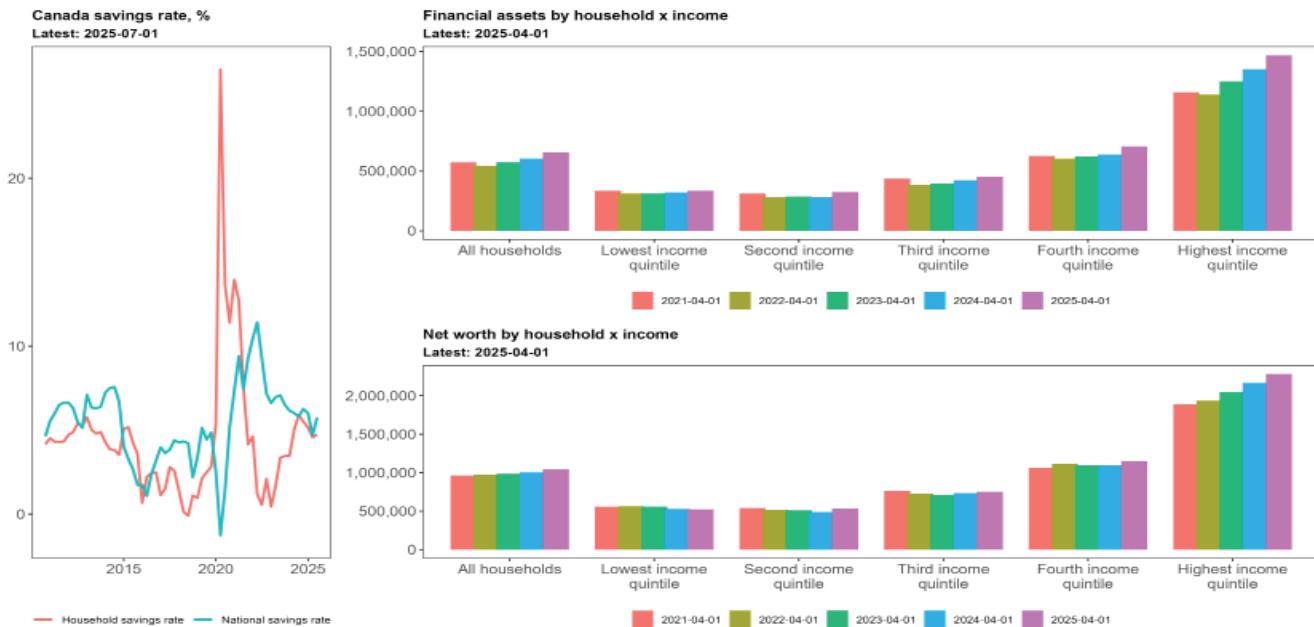
1. Rebranding the current GST/HST credit as the Canada Groceries and Essentials Benefit, with an increase of 25 per cent for 5 years beginning in July 2026.
2. A one-time payment (top up) equivalent to a 50 per cent increase this year, over and above

The changes lift the benefit to about \$950 this year for a single individual, and \$700 for the next four years. This is up from the current \$543 for 2026/27. For a family of four, the benefit provides up to \$1,890 this year, and \$1,400 for the following four years. This is up from the current \$1,086 benefit for 2026/27 which provides modest relief. Details of the measures can be found [here](#).

Driving the policy adjustment is undoubtedly politics, but there is a need to alleviate some affordability challenges for lower income earners. This is a solid targeted approach to provide that support in a time of rising costs for necessities. While inflation has normalized and real wages have broadly increased, food prices have risen at a much quicker pace, with greater impact at the lower end of the income spectrum. Food prices rose 6 per cent y/y in December, albeit reflecting some base year impacts of the temporary GST/HST exemption on some goods in late-2024 through early 2025. Prior to December growth was about 4 per cent and still well above the 2.2 per cent headline reading. Excluding food, CPI inflation was 1.6 per cent. Since 2019, growth in food prices have well outpaced the broader CPI index by more than 10 per cent.



Moreover, lower- and middle- income households have had less exposure to the upside in equity markets over the past year due to lower ability to save. The TSX has increased 30 per cent over the past year. While rents have eased recently, levels are high and have risen sharply in recent years. An elevated aggregate savings rate has likely been driven by higher income earners. A high cost of necessities, insufficient savings, and for some households, declining home prices have limited growth in both financial assets and net worth of those outside the top quintile of income earners. Flat net worth and financial assets constrain households from leveraging wealth to manage affordability challenges.



With these new measures in place, households will find some additional flexibility in their budgets to meet basic needs and navigate what have largely been supply-constrained and tariff induced impacts on foods prices. As measures are income-tested, funds will likely be used to off set higher prices and are unlikely to drive broader inflation in the economy.

Other measures to improve affordability and support food security included a bump in funding of \$20 million for food banks through the Local Food Infrastructure Fund, while setting aside funds to address supply chain shortages, developing a National Food Security Strategy, allow immediate expensing for greenhouses, and assess food sector competition.

Bryan Yu
Chief Economist
Central 1 Credit Union
byu@central1.com