Massive Jump in Defense Spending Will Accelerate Inflation, Fiscal Stress, and Monetary Supply Growth

CALGARY, ALBERTA, CANADA, July 14, 2025 /EINPresswire.com/ -- Omnigence Asset Management fears that Canada's pledge to increase defences pending to 5% of GDP by 2035 could trigger persistent inflation, larger fiscal deficits, and ultimately monetization of public debt. In a recent market commentary, Omnigence analyses the impact of annual defence outlays rising from C$41 billion to over C$150 billion. The firm believes this historic fiscal expansion could have profound implications for portfolio construction, capital preservation, and long-term investor strategy.

"This is not just a defense policy—it's a macroeconomic turning point," said Stephen Johnston, Managing Director at Omnigence. "When a G7 country shifts 3.5% of GDP into defense spending without offsetting cuts or tax hikes, the result is structurally higher deficits, pressure on the central bank to accommodate, and a lasting inflationary regime."

Structural Economic Risks Emerging
Omnigence sees multiple transmission channels through which the defence buildup could impact inflation and market dynamics:

• Material inflation: Massive procurement cycles across infrastructure, critical minerals, telecom, and energy will collide with existing supply constraints—fueling cost-push inflation across sectors.
• Monetary accommodation: With debt issuance likely to surge, the central bank may face indirect pressure to cap bond yields—leading to real-money supply expansion and inflation entrenchment.
• Credit ratings and risk premia: Persistent deficits and rising debt-to-GDP could trigger a sovereign downgrade, raising borrowing costs and pressuring equity valuations.

Johnston added. "We could be approaching a scenario where inflation isn't cyclical—it's built into the policy." In light of these macro risks, Omnigence advocates a reallocation toward structurally defensive, income-producing alternatives. Investments that offer real-asset exposure, inflation hedging benefits, and durable real returns—precisely the characteristics investors need in an environment where fiscal stability may not be able to be taken for granted.

About Omnigence Asset Management:
Omnigence Asset Management is a Canadian alternative investment platform specializing in farmland, operational private equity, and secondaries. With offices in Toronto and Calgary, the firm is committed to helping investors preserve purchasing power and build durable portfolios in a structurally challenging macro environment. Omnigence has grown to over CA$1 billion in platform assets by focusing on what it describes as the neglected middle —investment opportunities that are too small or too operationally complex for large institutions and mainstream alternative managers under pressure to deploy billions in capital.

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