

WEEKLY COMMENTARY

Please note that there will be no release of the Weekly Commentary from June 29 to July 24, 2026, inclusive.

Summertime, and Canada's Uneasy

By Randall Bartlett, Deputy Chief Economist

With the upcoming celebration of Canada Day on July 1, most Canadians will be taking a well-deserved day off after another volatile start to the year. Following President Trump's return to the White House in January 2025, the Canadian economy has been hit with an ongoing series of economic shocks. And the end isn't yet in sight.

Let's start with Canada Day. July 1, 2026, marks the mandatory six-year review date for the Canada–United States–Mexico Agreement (CUSMA). On that day, Canadian, American and Mexican officials are scheduled to meet to discuss renewing the pact for another 16 years. And it's all but a forgone conclusion at this point that that isn't going to happen, despite a late-game push by Canada and Mexico. That sets CUSMA on a path to annual reviews for the next decade. However, the July 1 CUSMA review date has been rightly characterized as a checkpoint as opposed to a cliff by trade experts and officials on both sides of the US–Canada border. Nothing is expected to change for Canadian exporters overnight. The US tariff exemption for CUSMA-compliant goods that has supported a relatively low overall tariff rate for Canada is anticipated to remain, at least in the near term. This said, the move to annual reviews risks entrenching uncertainty for businesses regarding future access to the US market. That could further restrain domestic and international investment as well as hiring in response to, and in anticipation of, still subdued demand for Canadian exports south of the border. But it's a far cry from a full-on exit from CUSMA by the US, which would need to be announced with six months' notice. If that were to occur, it could be deeply damaging to the short- and long-term prospects for the Canadian economy, depending on the trade arrangements that would ultimately be

negotiated. Regardless, the Trump administration will do what it wants, and any new agreement is likely to be tested soon after it's signed. (See [our CUSMA scenarios](#) for more information, as well as [our recent op-ed](#) and [podcast episode](#) on the topic.)

Then there is the [conflict with Iran](#). A framework for an agreement between the US and Iran is in place but remains shaky, with both sides sabre rattling at any hint of a ceasefire violation. And while oil and fuel prices have come back down from crisis highs, they remain well above pre-conflict levels just in time for the summer driving season. That helped to push [Canadian inflation](#) to the highest level in two and a half years in May 2026, at 3.2% year over year. Fortunately, higher energy prices haven't yet started to show up meaningfully in underlying inflation, although [our research](#) suggests it's just a matter of time until elevated fuel and fertilizer costs start to make an appearance in non-energy prices, even if only modestly. But high and rising prices were already [hurting Canada's most vulnerable](#) prior to the energy price shock. The Government of Canada was prompted to [send cheques](#) to these households to help offset this pre-Iran-conflict inflation, to the tune of \$3.1B on June 5. On Friday, July 3—just two days after Canada Day—low- and middle-income households will receive GST/HST credit cheques (now referred to as the Canada Groceries and Essentials Benefit) that are 25% larger than previously planned. According to the [Parliamentary Budget Officer](#), the expanded support for households is expected to cost more than \$12B over six fiscal years. This should help to provide some additional relief to those Canadians who need it most, although it's unlikely to completely fill the affordability gap left by sharply higher prices since the COVID-19 pandemic.

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All told, [economic uncertainty looks as though it's here to stay](#) for the next few months and possibly even years. It's no wonder that business and consumer confidence remain weak in Canada. But even as Canadians look ahead to an uneasy summer, they should take time to enjoy it. It's summertime, and the livin's easy. Have a great holiday!

What to Watch For

TUESDAY June 30 - 9:00

April	y/y
Consensus	n/a
Desjardins	0.93%
March	0.83%

TUESDAY June 30 - 10:00

June	
Consensus	94.3
Desjardins	95.0
May	93.1

WEDNESDAY July 1 - 10:00

June	
Consensus	53.8
Desjardins	53.5
May	54.0

THURSDAY July 2 - 8:30

June	
Consensus	115,000
Desjardins	80,000
May	172,000

TUESDAY June 30 - 8:30

April	m/m
Consensus	0.4%
Desjardins	0.4%
March	-0.1%

UNITED STATES

S&P/Case-Shiller home price index (April) – Existing home prices recently started trending downward. So far, the declines have been modest, with prices down 0.1% in February and 0.2% in March. We expect another 0.2% drop in April. Higher mortgage rates point to further challenges for the US housing market. Existing home sales nevertheless rose in both April and May, but listings also increased. Due to base effects, the expected 0.2% monthly dip in the S&P/Case-Shiller index would still increase year-over-year growth from 0.8% to 0.9%.

Conference Board Consumer Confidence Index (June) – In May, the Conference Board index posted its first monthly decline for this year. That said, it was a relatively modest drop-off of just 0.7 points. In comparison, the University of Michigan consumer sentiment index fell 7.7 points in the months between February and May. We expect the Conference Board index to start trending back upward in June. This month's gains in other confidence indexes, as well as the pause in the conflict with Iran and especially the reduction in gasoline prices, are encouraging signs. Although recent stock market volatility could limit the increase in confidence, the major indexes are still higher than at the end of May. And as the cut-off date for the June survey was approximately June 19, the rout in tech stocks early this week likely won't show up in the data. We may well see the Conference Board index go as high as 95.0.

ISM Manufacturing index (June) – In May, the ISM Manufacturing index hit a four-year high. Several components contributed to the 1.3-point increase, including new orders, backlog of orders and employment. A slight decline is expected for June. That view is supported by the regional manufacturing indexes released to date. It's worth noting, however, that those indexes are moving in different directions. The Philadelphia Fed's index went up slightly, but indexes published by the New York Fed and the Richmond Fed went down by 13.9 points and 9 points, respectively. Overall, the ISM Manufacturing index is expected to come in at 53.5.

Change in nonfarm payrolls (June) – An unusual spike in government hiring, combined with gains in food services, drove a net increase of 172,000 jobs in the United States in May. We expect a slowdown in June. After three months of strong gains totalling 565,000 jobs, it would be normal for job growth to begin to moderate. In addition, weekly unemployment claims climbed between mid-May and mid-June. Weekly ADP data also points to somewhat weaker growth. We expect a net gain of 80,000 jobs, with the unemployment rate holding steady at 4.3%.

CANADA

Real GDP by industry (April) – We anticipate that real GDP increased in April 2026 in line with Statistics Canada's flash estimate. Growth likely came from resource extraction and manufacturing. In contrast, weak performance in wholesale trade and agriculture, forestry, fishing and hunting likely provided some headwind to growth. Looking ahead to the May 2026 real GDP release, we expect that Statistics Canada's flash estimate will show that growth remained positive but slowed compared to April.

MONDAY June 29 - 21:30

June	n/a
Consensus	
May	50.5

WEDNESDAY July 1 - 5:00

June	y/y
Consensus	3.0%
May	3.2%


OVERSEAS


China: Composite PMI (June) – China’s composite PMI rebounded to 50.5 in May. However, the manufacturing index fell for the third consecutive month, landing right on the 50.0 threshold separating economic expansion and contraction. This weakness in Chinese manufacturing is in line with current economic conditions, including high energy prices, the ongoing trade war and a domestic market struggling under the weight of a five-year-long property crisis. The June decline in oil prices should provide some relief to industrial production. But the positive effects of reopening the Strait of Hormuz should be more visible in the July data. That said, China’s economic outlook in 2026 remains one of slower growth.

Eurozone: Consumer price index (June – preliminary) – Inflation accelerated again in May, rising to 3.2%, the highest level since September 2023. Current events suggest a more favourable result in June, with gasoline prices easing since May. However, the heatwave scorching western Europe could push up other prices, especially for electricity and (over a slightly longer horizon) food. It remains to be seen how the situation will develop over the summer. For its part, the European Central Bank said it expected inflation to come in at 3.0% for 2026, suggesting that annual price growth will remain high, although it may have already peaked.

Economic Indicators

Week of June 29 to July 3, 2026

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
SUNDAY 28	12:35	Speech by Federal Reserve Bank of Richmond President T. Barkin				
MONDAY 29	---	---				
TUESDAY 30	9:00	S&P/Case-Shiller home price index (y/y)	April	n/a	0.93%	0.83%
	9:45	Chicago PMI	June	n/a	54.0	62.7
	10:00	Consumer confidence	June	94.3	95.0	93.1
WEDNESDAY 1	10:00	Construction spending (m/m)	May	n/a	-0.2%	0.4%
	10:00	ISM Manufacturing index	June	53.8	53.5	54.0
	---	Total vehicle sales (ann. rate)	June	16,000,000	16,350,000	16,080,000
THURSDAY 2	8:30	Initial unemployment claims	June 22–26	220,000	218,000	215,000
	8:30	Change in nonfarm payrolls	June	115,000	80,000	172,000
	8:30	Unemployment rate	June	4.3%	4.3%	4.3%
	8:30	Average weekly hours	June	34.3	34.3	34.3
	8:30	Average hourly earnings (m/m)	June	0.3%	0.3%	0.3%
	9:30	Speech by Federal Reserve Chair K. Warsh				
	10:00	Factory orders (m/m)	May	n/a	-2.0%	4.8%
FRIDAY 3	---	Markets closed (Independence Day)				
CANADA						
MONDAY 29	---	---				
TUESDAY 30	8:30	Real GDP by industry (m/m)	April	0.4%	0.4%	-0.1%
WEDNESDAY 1	---	Markets closed (Canada Day)				
	9:30	Speech by Bank of Canada Governor T. Macklem				
THURSDAY 2	---	---				
FRIDAY 3	---	---				

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of June 29 to July 3, 2026

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
SUNDAY 28								
Japan	19:50	Retail sales	May	-0.5%	3.0%	1.3%	2.1%	
MONDAY 29								
Eurozone	4:00	M3 money supply	May		2.7%		2.7%	
Eurozone	5:00	Consumer confidence – final	June	n/a		-17.7		
Eurozone	5:00	Economic confidence	June	94.3		93.5		
Japan	19:30	Unemployment rate	May	2.5%		2.5%		
Japan	19:50	Industrial production – preliminary	May	0.7%	1.3%	0.5%	2.0%	
China	21:30	Composite PMI	June	n/a		50.5		
China	21:30	Manufacturing PMI	June	50.1		50.0		
China	21:30	Non-manufacturing PMI	June	49.9		50.1		
TUESDAY 30								
Japan	1:00	Housing starts	May		31.9%		11.4%	
Germany	2:00	Retail sales	May	0.0%	n/a	-0.3%	-2.7%	
France	2:45	Personal consumption expenditures	May	0.3%	0.1%	-0.5%	-0.4%	
France	2:45	Consumer price index – preliminary	June	0.0%	2.0%	0.1%	2.4%	
Italy	5:00	Consumer price index – preliminary	June	0.1%	3.1%	0.4%	3.2%	
Germany	8:00	Consumer price index – preliminary	June	0.0%	2.6%	-0.2%	2.6%	
Japan	19:50	Tankan Large Manufacturers Index	Q2	16		17		
WEDNESDAY 1								
Italy	3:45	Manufacturing PMI	June	52.6		52.9		
France	3:50	Manufacturing PMI – final	June	50.7		50.7		
Germany	3:55	Manufacturing PMI – final	June	50.0		50.0		
Eurozone	4:00	Manufacturing PMI – final	June	51.3		51.3		
United Kingdom	4:30	Manufacturing PMI – final	June	53.1		53.1		
Eurozone	5:00	Consumer price index – preliminary	June	0.1%	3.0%	0.1%	3.2%	
THURSDAY 2								
Eurozone	5:00	Unemployment rate	May	6.3%		6.3%		
FRIDAY 3								
France	2:45	Industrial production	May	-0.3%	2.8%	0.1%	2.8%	
Italy	3:45	Composite PMI	June	50.9		50.4		
Italy	3:45	Services PMI	June	50.2		49.4		
France	3:50	Composite PMI – final	June	47.6		47.6		
France	3:50	Services PMI – final	June	47.4		47.4		
Germany	3:55	Composite PMI – final	June	48.0		48.0		
Germany	3:55	Services PMI – final	June	46.8		46.8		
Eurozone	4:00	Composite PMI – final	June	49.5		49.5		
Eurozone	4:00	Services PMI – final	June	48.9		48.9		
United Kingdom	4:30	Composite PMI – final	June	49.4		49.4		
United Kingdom	4:30	Services PMI – final	June	48.9		48.7		

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).