

## WEEKLY COMMENTARY

## A “Rupture”: Was This the Right Diagnosis, at the Right Time?

By Jimmy Jean, Vice-President, Chief Economist and Strategist

Prime Minister Mark Carney’s speech in Davos left a strong impression. In calling the current global dynamics a “rupture” rather than a mere transition, he crystallized the unease that many share about the weakening of the multilateral world order and renewed open rivalry between great powers. His call for greater collaboration between the middle powers was rational and compelling.

But no matter how powerful a vision is, it will only hold up if its concrete implications are clear. And on closer examination, the speech at Davos does contain some ambiguities that ultimately weaken its impact.

The first is an unresolved tension between the principles it espouses and the operational choices it excuses. Invoking Václav Havel’s “living in truth” while entering into a strategic partnership with China is certainly a bold choice: Havel, it should be remembered, was an outspoken critic of totalitarian regimes built on institutionalized falsehood. But the problem here isn’t that Carney is embracing pragmatism (even at the cost of some contradictions), it’s that there are no explicit red lines. Which sectors will be excluded from Chinese investment? Which technologies are deemed sensitive? On which security issues does Canada intend to uphold a principled stance? This agreement with China opens the door to bilateral investment in critical sectors, including energy, while US national security strategy explicitly aims to keep hostile foreign actors out of the Western Hemisphere. Can Canada denounce the “transactionalism” of powerful nations while still being, for all intents and purposes, a willing participant with no clear boundaries?

The second is Carney’s diagnosis of the situation. Qualifying the current period as a “rupture” assumes that the United States has taken an irreversible turn towards unilateralism. Surely, this assumption calls for some nuance. Donald Trump will be leaving the White House in a few years, and American institutions, strained as they are, continue to serve as checks on his power. The economic facts also call for a more measured assessment of the situation: global trade peaked in 2025, and despite a depressed geopolitical climate, no major economy has entered a recession.

This does not mean the risks should be underestimated. Responsible strategy should factor in the possibility that the United States will periodically seek to assert its dominance. Canada is right to want to diversify its partnerships and reduce certain dependencies. But there’s a difference between building strategic resilience and leaping to the conclusion that North American multilateralism is gone for good. Over-committing to one scenario—in this case, a permanent breakdown in the world order—exposes Canada to costly errors and compromises that may be difficult to defend.

Finally, the speech was repeatedly vague on the timelines for some of these promises. This began well before Davos, though. Many of Carney’s stated ambitions, including more than doubling defence spending, similarly expanding electric capacity and building industrial autonomy, have timelines that span several decades. The previous promise of 500,000 annual housing starts has already proved to be utopian. As for the \$500B in private investment that Canada’s most recent budget claims it will attract, this hope seems to be founded on the questionable assumption that simply “being on the right side” will attract

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foreign capital. But for years now, even major Canadian pension funds have been reluctant to invest further at home. In short, achieving even half of these ambitions will require lengthy, politically difficult structural reforms and sustained mobilization over 20 to 30 years. By omitting this fact, Carney may fuel unrealistic expectations and avoid the debate on the collective costs and sacrifices it would take to succeed. A credible vision should embrace these truths to avoid losing support down the road. Because this would, unfortunately, not be a first failure in execution.

So what can be done? The diagnosis pronounced at Davos is largely sound: The world is changing, and Canada needs to adapt. But there is a distance that must be filled between this diagnosis and the prescription being offered. First, Canada must explicitly define its red lines in terms of economic and technological security. Second, it must appropriately calibrate the risks surrounding its partnerships with great powers. Third, it must abandon the idea of instant, sweeping change and adopt a phased, multi-decade plan with measurable interim targets and clearly prioritized reforms. Between the inspiring vision and the actionable plan, there is one cardinal virtue we must not allow to weaken: rigour. Time to take the sign out of the window.

# What to Watch For

## UNITED STATES

\* Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.

<b>WEDNESDAY February 18 - 8:30</b>	
<b>December</b>	<b>ann. rate</b>
Consensus	1,325,000
Desjardins	1,250,000
<b>October</b>	<b>1,246,000</b>

**Housing starts (December)** – Publication of new housing market indicators was significantly delayed by last fall's government shutdown. As a result, November and December housing-start data will only be available next week, when both months are released together. We anticipate a significant increase in new builds for November. This aligns with earlier building-permit activity, stronger sales of new single-family homes, and recent gains in residential construction employment and hours worked. Our expectation is that housing starts rose to an annualized 1,350,000 units in November. December results will likely be weaker, as hours worked declined toward the end of the year. We project housing starts fell to 1,250,000 units, though this depends on the previous month's pace.

<b>WEDNESDAY February 18 - 9:15</b>	
<b>January</b>	<b>m/m</b>
Consensus	0.4%
Desjardins	0.6%
<b>December</b>	<b>0.4%</b>

**Industrial production (January)** – Industrial production posted back-to-back monthly increases of 0.4% in November and December. We expect an even stronger increase for January. January's hours-worked figures, which were released this week, point to solid growth in manufacturing, particularly in the automotive sector. The mining sector likely added to the month's momentum, and the recent cold snap may have bolstered energy demand. Overall, we anticipate a 0.6% increase in both manufacturing and total industrial production.

<b>THURSDAY February 19 - 8:30</b>	
<b>December</b>	<b>US\$B</b>
Consensus	-55.5
Desjardins	-46.8
<b>November</b>	<b>-56.8</b>

**Trade balance (December)** – The US trade balance has been highly volatile in recent months amid tariff announcements and shifting White House policies. The goods and services deficit hit its narrowest level since 2009 in October, only to almost double a month later, reaching its widest point since July. This reversal was driven by weaker exports and a significant surge in imports. The gap probably narrowed in December, but volatility is expected to persist, and the trade deficit could once more drop below US\$50 billion.

<b>FRIDAY February 20 - 8:30</b>	
<b>Q4 1<sup>st</sup> est.</b>	<b>ann. rate</b>
Consensus	2.8%
Desjardins	3.5%
<b>Q3 3<sup>rd</sup> est.</b>	<b>4.4%</b>

**Real GDP (Q4 – first estimate)** – Preliminary real GDP results for Q4 and full-year 2025 will be released this week, nearly a month behind schedule. Last year began on a weak note, with real GDP contracting at an annualized 0.6% in the first quarter. However, the US economy demonstrated considerable resilience in Q2 and Q3, expanding at annualized rates of 3.8% and 4.4%. Growth likely stayed robust in the last quarter of the year. The government shutdown may have reduced government spending, but household consumption held up well, and we expect an increase of nearly 3.0% in this component. Private business investment probably continued to grow, although we may see some moderation as contributions from artificial intelligence begin to ease. The external sector should provide a strong contribution, supported by higher exports and lower imports. We expect a 3.5% annualized increase in Q4, bringing growth for the year to 2.3%, a deceleration from previous years.

<b>FRIDAY February 20 - 10:00</b>	
<b>December</b>	<b>ann. rate</b>
Consensus	735,000
Desjardins	685,000
<b>October</b>	<b>737,000</b>

**New home sales (December)** – As with housing starts, data on new single-family home sales are coming out later than other indicators. November and December results will be released together, and we expect declines in both months. Sales surged over the summer, but the pace seemed high relative to building permit and builders' confidence levels. Even so, online search interest remained elevated, and mortgage applications for home purchases continued to climb through year-end 2025.

**CANADA**
**MONDAY February 16 - 8:15**

	<b>ann. rate</b>
<b>January</b>	
Consensus	265,200
Desjardins	230,000
<b>December</b>	<b>282,400</b>

**MONDAY February 16 - 8:30**

	<b>m/m</b>
<b>December</b>	
Consensus	0.5%
Desjardins	0.5%
<b>November</b>	<b>-1.2%</b>

**TUESDAY February 17 - 8:30**

	<b>m/m</b>
<b>January</b>	
Consensus	0.1%
Desjardins	0.2%
<b>December</b>	<b>-0.2%</b>

**WEDNESDAY February 18 - 5:00**

	<b>m/m</b>
<b>January</b>	
Consensus	n/a
Desjardins	-5.5%
<b>December</b>	<b>-2.7%</b>

**THURSDAY February 19 - 8:30**

	<b>\$B</b>
<b>December</b>	
Consensus	-2.00
Desjardins	-2.60
<b>November</b>	<b>-2.20</b>

**FRIDAY February 20 - 8:30**

	<b>m/m</b>
<b>December</b>	
Consensus	-0.5%
Desjardins	-0.4%
<b>November</b>	<b>1.3%</b>

**CANADA**

**Housing starts (January)** – We estimate that January housing starts came in around 230k (saar). This would be a natural pullback from December's stronger-than-average numbers, amplified by two major blizzards and a polar vortex that likely briefly disrupted below-grade construction. For more details on our expectations through 2026 and 2027, see our latest [Desjardins Housing Outlook](#).

**Manufacturing sales (December)** – We anticipate that manufacturing sales increased by 0.5% m/m in December, in line with Statistics Canada's flash estimate. Stronger sales of motor vehicles and food products likely boosted growth during the month. In real terms, manufacturing sales appear to have risen by 0.2%, as seasonally adjusted industrial product prices also increased modestly (0.3%).

**Consumer price index (January)** – Headline consumer prices likely rose 0.2% in January. As a result, look for the year-over-year inflation rate to have accelerated a tick to 2.5%, reflecting continued upward pressures from base effects tied to last year's GST/HST holiday. Falling energy prices should partially offset an anticipated further increase in food prices. Given these forecasts, we expect the Bank of Canada's preferred core inflation measures held steady at 2.6% on a 12-month basis, with three-month annualized core measures also probably remaining below 2% for a second consecutive month. Overall, inflation continues to be muted enough for the Bank of Canada to focus squarely on supporting growth should any negative shocks hit the economy.

**Existing home sales (January)** – Monthly seasonally adjusted national home sales likely fell about 5.5% in January, as many potential buyers were snowed in by last month's two major blizzards, particularly in southern Ontario, Quebec and the Atlantic provinces. Preliminary year-over-year data from local real estate boards point to declines across most major centres as compared to January 2024. The Toronto Regional Real Estate Board also reported that seasonally adjusted sales were down 9.9% from December. See our latest [Desjardins Housing Outlook](#) for our view on home sales and prices over the next two years.

**International trade (December)** – Canada's trade deficit likely deepened in December. A slight appreciation in the Canadian dollar may have contributed to higher import numbers in the month, partly offsetting gains in exports. On the other hand, total exports probably rose on the back of higher crude oil exports. However, it should be noted that a lot of the data that feed into our trade estimates are still unavailable as a result of last year's US government shutdown.

**Retail sales (December)** – Retail sales probably declined by 0.4% in December, one tick above Statistics Canada's flash estimate of -0.5%. Lower gas prices likely drove down nominal sales at gasoline and fuel vendors, but volumes may have edged down too. We anticipate a positive print for sales of motor vehicles and parts, driven entirely by higher volumes. Core sales, which exclude autos and gasoline, probably decreased in December after a solid advance in November (+1.6%). For January's flash estimate, we expect a slightly positive reading. Heavy snowfall likely tempered auto sales, but we expect momentum to pick up going forward, with newly announced federal rebates for plug-in hybrid and electric vehicles kicking in on February 16. We expect gasoline sales rebounded thanks to higher volumes, as seasonally adjusted gasoline prices declined in January. Core sales could have been close to flat, however, in a month marked by net job losses and difficult weather conditions in densely populated regions of Ontario.

FRIDAY 20 February - 4:00

February

Consensus

January

51.5

51.3

**OVERSEAS**

**Eurozone: Purchasing Managers' Index (February – preliminary)** – The preliminary eurozone composite PMI for February is expected to signal modest but positive growth, with no clear acceleration. Although the index dropped to 51.3 in January—its lowest level in four months—it still stayed in expansion territory for the 13th straight month. The consensus forecast calls for the index to hold steady, reflecting ongoing hesitance in manufacturing and modest gains in services. The upcoming results should highlight a gradual but fragile recovery, consistent with our projection for moderate real GDP growth in the eurozone this year.

# Economic Indicators

## Week of February 16 to 20, 2026

\* Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.

Day	Time	Indicator	Period	Consensus		Previous reading
<b>UNITED STATES</b>						
MONDAY 16	---	Markets closed (Presidents' Day)				
TUESDAY 17	8:30	Empire State Manufacturing Index	Feb.	8.7	5.0	7.7
WEDNESDAY 18	8:30	Housing starts (ann. rate)	Dec.	1,325,000	1,250,000	n/a
	8:30	Building permits (ann. rate)	Dec.	1,420,000	n/a	n/a
	8:30	Durable goods orders (m/m)	Dec.	-1.7%	-3.3%	5.3%
	9:15	Industrial production (m/m)	Jan.	0.4%	0.6%	0.4%
	9:15	Production capacity utilization rate	Jan.	76.5%	76.6%	76.3%
THURSDAY 19	8:30	Initial unemployment claims	Feb. 2-6	n/a	225,000	227,000
	8:30	Trade balance – Goods and services (US\$B)	Dec.	-55.5	-46.8	-56.8
	8:30	Philadelphia Fed index	Feb.	7.7	5.0	12.6
FRIDAY 20	8:30	Personal income (m/m)	Dec.	0.3%	0.4%	0.3%
	8:30	Personal consumption expenditures (m/m)	Dec.	0.4%	0.4%	0.5%
	8:30	Personal consumption expenditures deflator				
		Total (m/m)	Dec.	0.3%	0.2%	0.2%
		Excluding food and energy (m/m)	Dec.	0.3%	0.2%	0.2%
		Total (y/y)	Dec.	2.8%	2.7%	2.8%
		Excluding food and energy (y/y)	Dec.	2.9%	2.8%	2.8%
	8:30	Real GDP (ann. rate)	Q4f	2.8%	3.5%	4.4%
	10:00	University of Michigan consumer sentiment index – final	Feb.	56.9	57.3	57.3
	10:00	New home sales (ann. rate)	Dec.	735,000	685,000	n/a
<b>CANADA</b>						
MONDAY 16	---	Markets closed (Family Day, except for Quebec)				
	8:15	Housing starts (ann. rate)	Jan.	265,200	230,000	282,400
	8:30	Manufacturing sales (m/m)	Dec.	0.5%	0.5%	-1.2%
TUESDAY 17	8:30	Wholesale sales (m/m)	Dec.	2.0%	2.1%	-1.8%
	8:30	Consumer price index				
		Total (m/m)	Jan.	0.1%	0.2%	-0.2%
		Total (y/y)	Jan.	2.4%	2.5%	2.4%
WEDNESDAY 18	5:00	Existing home sales (m/m)	Jan.	n/a	-5.5%	-2.7%
THURSDAY 19	8:30	International trade (\$B)	Dec.	-2.00	-2.60	-2.20
FRIDAY 20	8:30	Retail sales				
		Total (m/m)	Dec.	-0.5%	-0.4%	1.3%
		Excluding automobiles (m/m)	Dec.	0.1%	-0.5%	1.7%
	8:30	Industrial product price index (m/m)	Jan.	0.2%	0.1%	-0.6%
	8:30	Raw materials price index (m/m)	Jan.	0.6%	0.7%	0.5%

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 Standard Time (GMT -5 hours).  Desjardins Economic Studies forecast.

# Economic Indicators

## Week of February 16 to 20, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	y/y	Previous reading m/m (q/q)	y/y
<b>OVERSEAS</b>							
<b>SUNDAY 15</b>							
Japan	18:50	Real GDP – preliminary	Q4	0.4%		-0.6%	
<b>MONDAY 16</b>							
Eurozone	5:00	Industrial production	Dec.	-1.5%	1.3%	0.7%	2.5%
Japan	23:30	Tertiary Industry Activity Index	Dec.	-0.2%		-0.2%	
<b>TUESDAY 17</b>							
United Kingdom	2:00	ILO unemployment rate	Dec.	5.1%		5.1%	
Germany	2:00	Consumer price index – final	Jan.	0.1%	2.1%	0.1%	2.1%
Italy	4:00	Trade balance (€M)	Dec.	n/a		5,078	
Germany	5:00	ZEW Current Conditions Survey	Feb.	-65.7		-72.7	
Germany	5:00	ZEW Expectations Survey	Feb.	65.0		59.6	
Japan	18:50	Trade balance (¥B)	Jan.	-144.4		-208.6	
New Zealand	20:00	Reserve Bank of New Zealand meeting	Feb.	2.25%		2.25%	
<b>WEDNESDAY 18</b>							
United Kingdom	2:00	Consumer price index	Jan.	-0.5%	3.0%	0.4%	3.4%
United Kingdom	2:00	Producer price index	Jan.	0.2%	2.9%	0.0%	3.4%
France	2:45	Consumer price index – final	Jan.	-0.3%	0.3%	-0.3%	0.3%
<b>THURSDAY 19</b>							
Eurozone	4:00	Current account (€B)	Dec.	n/a		8.6	
Eurozone	5:00	Construction	Dec.	n/a	n/a	-1.1%	-0.8%
Eurozone	10:00	Consumer confidence – preliminary	Dec.	-11.7		-12.4	
Japan	18:30	Consumer price index	Jan.		1.5%		2.1%
Japan	19:30	Composite PMI – preliminary	Feb.	n/a		53.1	
Japan	19:30	Manufacturing PMI – preliminary	Feb.	n/a		51.5	
Japan	19:30	Services PMI – preliminary	Feb.	n/a		53.7	
<b>FRIDAY 20</b>							
United Kingdom	2:00	Retail sales	Jan.	0.2%	2.8%	0.4%	2.5%
Germany	2:00	Producer price index	Jan.	0.3%	-2.1%	-0.2%	-2.5%
France	3:15	Composite PMI – preliminary	Feb.	49.6		49.1	
France	3:15	Manufacturing PMI – preliminary	Feb.	51.0		51.2	
France	3:15	Services PMI – preliminary	Feb.	49.1		48.4	
Germany	3:30	Composite PMI – preliminary	Feb.	52.3		52.1	
Germany	3:30	Manufacturing PMI – preliminary	Feb.	49.5		49.1	
Germany	3:30	Services PMI – preliminary	Feb.	52.4		52.4	
Eurozone	4:00	Composite PMI – preliminary	Feb.	51.5		51.3	
Eurozone	4:00	Manufacturing PMI – preliminary	Feb.	50.0		49.5	
Eurozone	4:00	Services PMI – preliminary	Feb.	51.9		51.6	
United Kingdom	4:30	Composite PMI – preliminary	Feb.	53.3		53.7	
United Kingdom	4:30	Manufacturing PMI – preliminary	Feb.	51.5		51.8	
United Kingdom	4:30	Services PMI – preliminary	Feb.	53.5		54.0	

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 Standard Time (GMT -5 hours).