

ECONOMIC VIEWPOINT

Desjardins Provincial Outlook

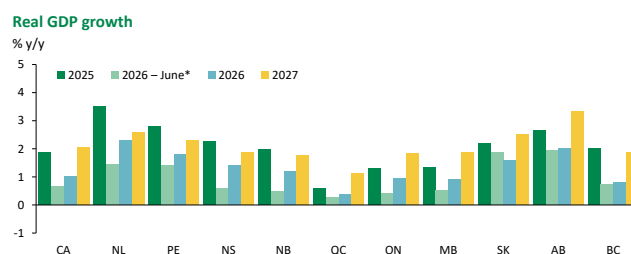
Canadian Provinces Are Faring Better than Expected, but the Resilience Is Uneven

By Laura Gu, Senior Economist

HIGHLIGHTS

- ▶ National economic performance is masking a deep regional divide. Recent data show more resilience than we expected. Exports recovered in autos and got a lift from energy and mining through the middle of the year, while most other tariff-exposed sectors stabilized. Robust hiring through the summer kept unemployment in check in most provinces, and retail sales gained momentum even excluding gasoline.
- ▶ That strength appears concentrated, with Alberta leading on both jobs and spending, while Quebec trails on jobs and British Columbia (BC) on both. Ontario has surprised on the upside, narrowing its growth gap with the rest of the country.
- ▶ Growth is set to slow in the second half of the year. The revised Section 338 list hits Ontario, Quebec, BC and Nova Scotia hardest, while Canada's proposed counter-tariffs would weigh most heavily on the Prairies and Ontario.
- ▶ Business investment should support the recovery, but the project pipeline favours resource regions. Real non-residential investment rose in every province in the first half of 2026, led by BC and Atlantic Canada. The major projects pipeline presented at the Canada Investment Summit leans heavily toward mining, energy and LNG, so the bigger medium-term investment gains ahead are likely to favour BC, Alberta and Atlantic Canada.
- ▶ Stronger recent activity has lifted our forecasts, with an investment-led rebound expected next year. We have upgraded our 2026 and 2027 growth forecasts relative to our June Provincial Outlook, but the regional picture remains uneven (graph 1). Growth is expected to rebound in all provinces next year as investment picks up, with Alberta and BC expecting the largest acceleration.
- ▶ The population slowdown has been milder than previously believed, for now. The latest revisions show a much smaller drop in non-permanent residents than first estimated. As a result, immigration kept Ontario, Quebec and BC growing instead of shrinking. Meeting Ottawa's 5% target by 2027 would now require population declines in most provinces, but we view hitting this target as unlikely.
- ▶ Higher energy prices have pushed inflation up unevenly across provinces. Provincial gaps should narrow in 2027 as inflation eases gradually.

Graph 1
An Improved National GDP Forecast Is Masking a Deep Provincial Divide

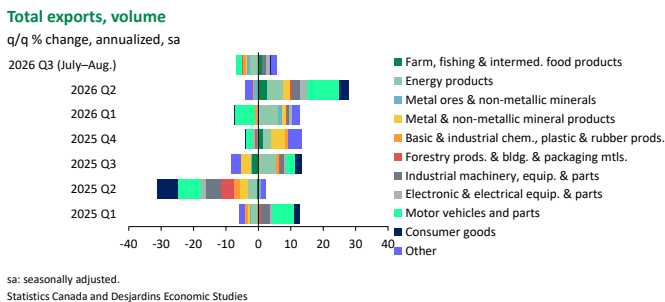


* Forecasts from Desjardins's Provincial Economic Outlook published on June 8, 2026.
Statistics Canada and Desjardins Economic Studies

Exports Have Stabilized, but Headwinds Remain Pronounced and Uneven

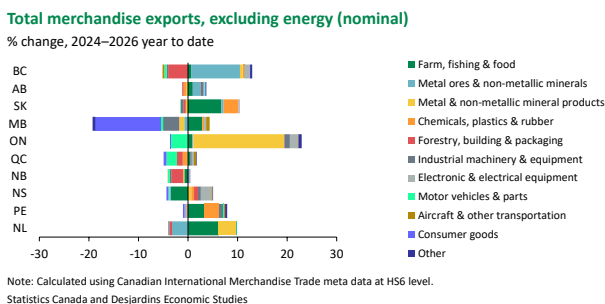
Canada's export sector has held up better than many feared at the start of the trade war. Autos posted a strong rebound in the second quarter of 2026, and machinery, electronics and consumer goods have stopped declining (graph 2). Early third-quarter data point to a pause rather than a renewed slide. Most tariff-exposed sectors are still below where they were before the disruption, but the worst of the adjustment appears to be behind us.

Graph 2
Tariff-Exposed Exports Have Started to Show Signs of Stabilizing



The regional picture remains highly uneven. Sustained high oil prices amid the ongoing conflict in the Middle East have lifted export values for Alberta, Saskatchewan and Newfoundland and Labrador. Excluding energy, the provincial picture largely reflects exposure to US sectoral tariffs (graph 3). Manitoba has seen the steepest decline, driven mainly by consumer goods and farm machinery. Ontario's auto exports remain well below 2024 levels. Forestry products continue to weigh on BC and New Brunswick under higher US duties on softwood lumber. Quebec has absorbed losses spread across motor vehicles and parts, forestry and other manufactured goods.

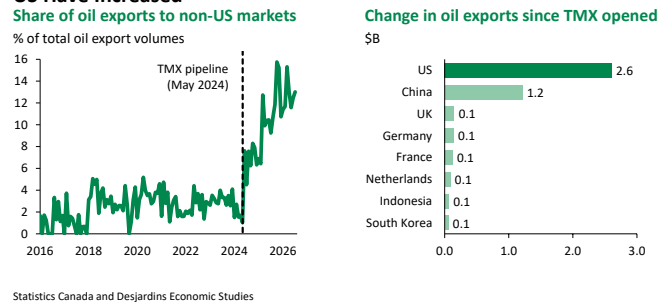
Graph 3
Exports in Tariff-Exposed Sectors Are Still Below Pre-Disruption Levels



Pockets of strength have supported the headline numbers, but they need careful reading. Surging gold exports have lifted Ontario's metals and minerals category, more than offsetting weakness in steel and aluminum. In the West, BC's exports of copper and other mineral ores, along with Saskatchewan's agri-food and chemical exports, have helped offset losses elsewhere.

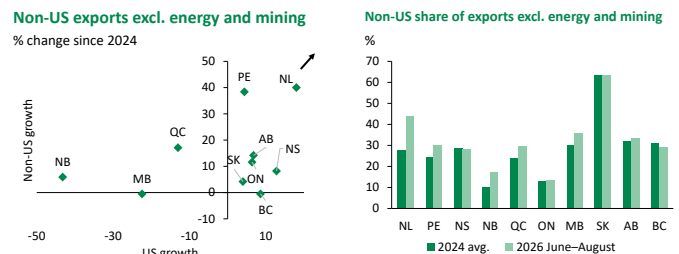
Diversification is underway in energy and mining but slower elsewhere. Oil has made the most visible progress on diversification. Since the Trans Mountain Expansion (TMX) pipeline opened in early 2024, the share of oil exports going to non-US markets has risen from low single digits to well over 10% (graph 4). This hasn't come at the expense of the US: oil exports to the US have also grown, with China accounting for most of the gains in other markets. Mining has played a similar role in Ontario, where gold shipments to the UK have increased the non-US share of exports. Excluding gold, the province's export performance looks much more subdued.

Graph 4
The Share of Oil Exports to the US Has Fallen Even as Oil Exports to the US Have Increased



Outside of energy and mining, progress on export diversification has been slow, and the path forward looks different in each province (graph 5). Alberta has made healthier gains, with non-energy exports to both the US and other markets growing. Saskatchewan was already well diversified, with most of its non-energy, non-mining exports going outside the US thanks

Graph 5
Diversification Is Not One-Size-Fits-All

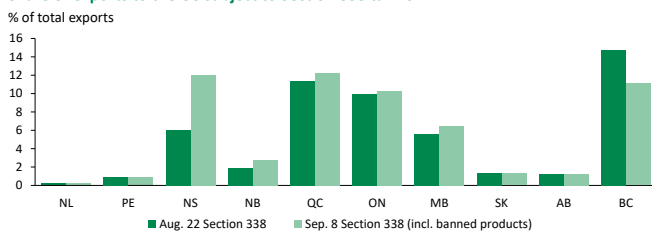


to its agri-food and fertilizer trade with Asia and other markets. In Manitoba, the non-US share has risen, but mostly because exports to the US have fallen, not because sales to other markets have grown meaningfully. Quebec recorded growth in non-US markets despite a decline in exports to the US. Prince Edward Island (PEI) and Newfoundland and Labrador have posted large gains in non-US exports. However, both have small export bases, so a handful of shipments can move the numbers sharply. In BC, Ontario and Nova Scotia, the non-US share has barely changed.

[Section 338 tariffs](#) have reshuffled provincial exposure to US import duties. The latest round of US tariffs under Section 338 took effect on August 22, adding a new layer of risk to growth, with Ontario, Quebec, BC and Nova Scotia most exposed (graph 6). Each of them has 10% or more of its US-bound exports on the revised list. The subsequent US tariffs and import bans in September shifted the burden between provinces. Nova Scotia's exposure roughly doubled as new products were added to the list, putting it on par with the large central provinces. BC's average import tariffs fell after some of its goods were dropped, but it remains among the most exposed in the country. Quebec and Ontario saw small increases, adding to pressure on manufacturers already dealing with sectoral tariffs. Exposure in the Prairies and the rest of Atlantic Canada remains limited.

Graph 6
Provincial Exposure to New US Tariffs Is Highest in Ontario, Quebec, BC and Nova Scotia

Share of exports to the US subject to Section 338 tariffs*

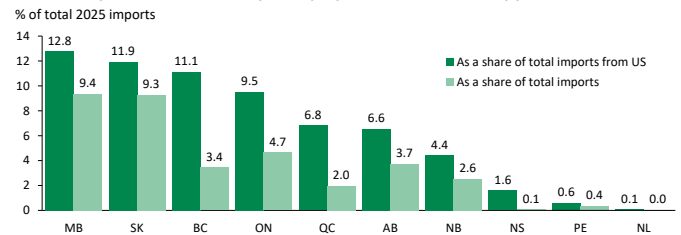


* Based on export value at the HS6 level from September 2025 to August 2026.
Statistics Canada, U.S. International Trade Commission and Desjardins Economic Studies

Counter-tariffs hit the West hardest, but Ontario wasn't spared (graph 7). Canada's proposed retaliatory tariffs carry their own costs, which fall mainly on importers and consumers. The Prairies are most exposed. More than one in ten dollars of Manitoba's and Saskatchewan's imports from the US are on the targeted list, and the reliance of these provinces on US suppliers means few easy alternatives. BC's exposure to US imports is similar, but its more diversified import sources reduce the overall impact. Ontario is also affected due to its deep integration with US supply chains, especially in autos. Retaliatory tariffs could raise input costs for the [same manufacturers](#) already under pressure from US tariffs.

Graph 7
Western Provinces Depend More on US Imports Targeted by Proposed Counter-Tariffs

Share of imports from the US subject to proposed counter-tariffs by province



Government of Canada, Statistics Canada and Desjardins Economic Studies

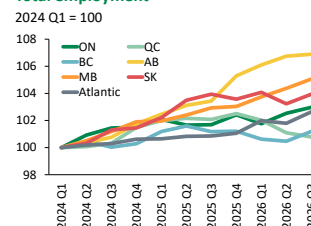
Jobs and Spending Are Holding Firm, but Regional Gaps Are Widening

Employment has held up better than the trade backdrop would suggest, gaining ground over the summer before edging down in recent months. Provincial paths have diverged beneath the headline. Alberta has been the clear standout, with job growth well ahead of the rest of the country, supported by strong population gains and broad-based hiring. Manitoba has posted steady gains, while Saskatchewan has made progress in fits and starts. Ontario stumbled early in 2026 but has since regained its footing, and Atlantic Canada has picked up after a slow 2025. Quebec is the notable exception: employment has slipped for three straight quarters and is now close to where it stood two years ago. BC also lost ground through late 2025 and early 2026 before a modest rebound.

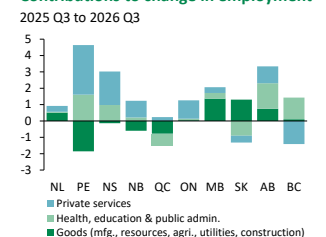
The sources of job growth vary (graph 8). In Alberta, gains have come from all three broad sectors: goods, private services and public services. Manitoba and Saskatchewan have leaned on goods-producing industries such as construction and resources. Ontario's growth has come almost entirely from private services. Quebec has seen declines in both goods and public services, with private services hiring adding few jobs. BC's public-sector gains have been fully offset by weakness in private services, particularly trade and finance.

Graph 8
Provincial Job Gains Vary in Size and Source

Total employment



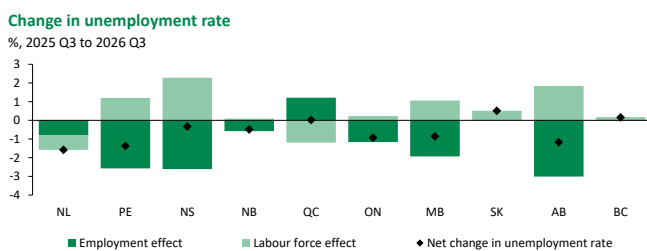
Contributions to change in employment



Statistics Canada and Desjardins Economic Studies

Over the past year, most provinces brought unemployment down through job creation even as their labour forces kept growing, though there are pockets of weakness (graph 9). Alberta stands out on this front: despite one of the fastest rates of labour force growth in the country, hiring kept pace and its unemployment rate fell. Quebec's rate was unchanged, but only because its labour force shrank almost as much as employment did. Saskatchewan and BC were the only provinces where unemployment rose, as hiring stalled while the labour force kept growing.

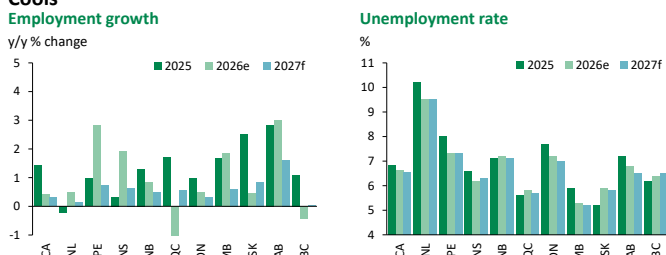
Graph 9
Hiring Is Outpacing Labour Force Growth in Most Provinces



Statistics Canada and Desjardins Economic Studies

Looking ahead, we expect hiring to slow through the rest of 2026 and into 2027. The Section 338 tariffs are likely to weigh most on manufacturing jobs in central Canada, BC and Nova Scotia, while Canada's counter-tariffs will add to cost pressures for manufacturers. Provincial fiscal restraint should also limit public-sector hiring, a key source of job growth in the Maritimes. Alberta should continue to lead, though at a more moderate pace as population growth slows. Quebec and BC are likely to keep trailing their peers, but a broader economic recovery and a pickup in construction activities should help stem their job losses. Slower labour force growth should keep unemployment from rising sharply (graph 10).

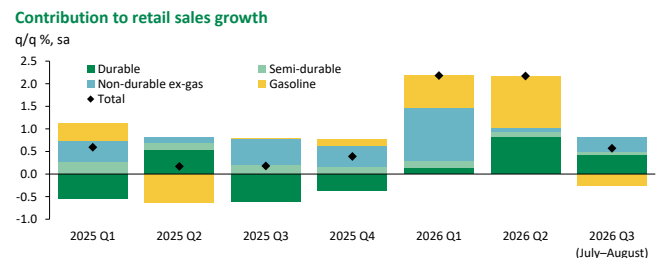
Graph 10
Slower Population Growth Is Holding Unemployment Steady as Hiring Cools



e: estimate; f: forecast
Statistics Canada and Desjardins Economic Studies

Consumers have also proven resilient. Retail sales have gained momentum in 2026, and the move higher goes well beyond higher prices at the pump. Even excluding gasoline, sales growth picked up noticeably in the first half of the year after a sluggish 2025 (graph 11). Clothing and other semi-durables held steady, and spending on durables such as vehicles and home furnishings started to recover in the second quarter after falling for most of last year.

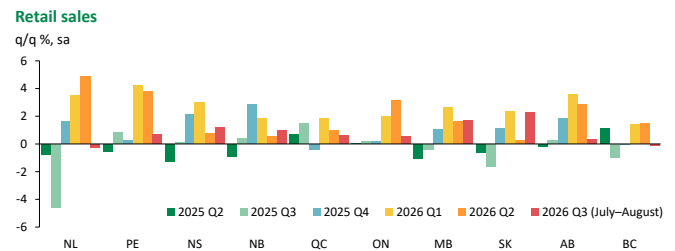
Graph 11
We're Seeing Solid Retail Gains Nationwide...



Statistics Canada and Desjardins Economic Studies

As with jobs, the strength in retail sales has not been shared evenly (graph 12). Alberta has led the country, supported by strong population and job growth. Ontario has been a pleasant surprise: sales accelerated through the spring despite the province's outsized exposure to tariffs. In contrast, BC has gone from leading the country to lagging it, as slower population growth and a softer labour market weigh on spending. Sales in Saskatchewan have also cooled. In Atlantic Canada, Nova Scotia and New Brunswick got off to a solid start, but their momentum faded in the second quarter.

Graph 12
...But Some Provinces Are Losing Steam



sa: seasonally adjusted.
Statistics Canada and Desjardins Economic Studies

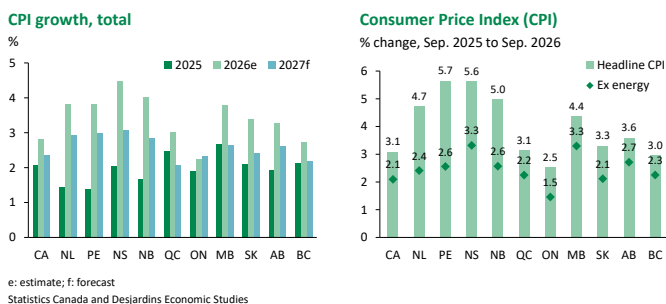
Energy Is Driving a Wide Inflation Gap, Which Should Narrow Gradually in 2027

Inflation has moved back above 3% this year, driven mainly by energy. Gasoline prices were more than 20% higher in September than a year earlier because of the conflict in the Middle East, while inflation excluding energy remained close to 2% nationally.

Atlantic Canada has been hit hardest, with inflation running at 5% to 6% year over year in the Maritimes in September and close to 5% in Newfoundland and Labrador. Energy takes up a larger share of household spending in the region, so higher fuel prices pass through more strongly. Excluding energy, most Atlantic provinces are only modestly above the national rate, although rising rents in Nova Scotia point to broader pressures. The Prairies fall in the middle, as energy adds less to inflation there than in the East. Manitoba is the exception, with inflation well above the national rate because underlying price pressures are broad. Central Canada and BC have been better insulated. Ontario has the lowest inflation in the country, as flat shelter costs and a smaller energy weight offset higher gasoline prices.

Inflation should ease in most provinces in 2027, gradually narrowing the provincial gap (graph 13). Atlantic Canada should stay near 3%, while Quebec and BC return close to 2%. In contrast, inflation in Ontario will likely edge up as the drag from shelter fades. In the Prairies, counter-tariffs on US imports could keep prices elevated for machinery, equipment and other goods.

Graph 13
The Provincial Inflation Gap Should Narrow in 2027, but Not Close



The Oil Windfall Is Boosting Provincial Coffers, but the Gains Are Concentrated and Short-Lived

Resilient growth, elevated energy prices and higher inflation are lifting provincial revenues, with the biggest gains in the oil-producing provinces. Alberta has benefited most. Higher oil prices turned a projected \$9.4B deficit for FY27 into a \$2.0B surplus in its first-quarter update, and resource revenue is now expected to come in \$9.7B above budget. That update assumes

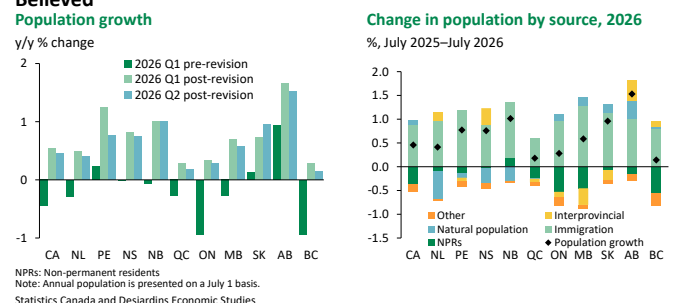
WTI averages US\$73.5/bbl for the fiscal year, well below recent prices, so the windfall could grow further. Saskatchewan's gain is more modest. Resource revenue is running about \$320M above budget, but higher health and disaster-related spending has absorbed it, leaving the deficit roughly unchanged. Newfoundland and Labrador budgeted for Brent at US\$79/bbl, a less conservative assumption than Alberta's or Saskatchewan's, so it has less upside, though it should still benefit.

More broadly, higher inflation is supporting nominal tax revenue across all provinces. However, this boost could fade quickly as price growth moderates, while public spending pressures are likely to prove more lasting, which argues for a measured approach to fiscal planning.

The Population Isn't Shrinking After All

Recent revisions to Statistics Canada's population data show that the number of Canadian residents has grown more than previously estimated (graph 14). New border-crossing and permit-extension data significantly reduced the estimated decline in non-permanent residents (NPRs). Alberta posted the fastest population growth over the past year, followed by Saskatchewan and other Maritime provinces, all supported by solid immigration and interprovincial inflows. Ontario, Quebec and BC saw the largest drags from NPR outflows, but immigration kept their populations growing.

Graph 14
Revisions to Population Data Reveal Stronger Growth than Previously Believed

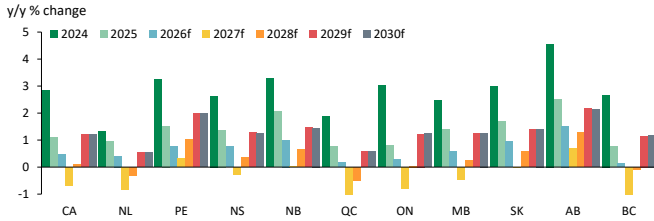


The federal target of reducing NPRs to 5% of the population by October 2027 looks increasingly out of reach. The revisions mean NPRs would need to fall by roughly 905k by the end of next year, about double the previous estimate. Meeting that target would imply population declines in most provinces in 2027 (graph 15 on page 6), with Quebec, BC and Ontario seeing the largest population reductions. Only Alberta and PEI would still see positive growth.

Graph 15

Achieving Government's 5% Target Implies Population Declines in Most Provinces in 2027

Population growth projections (as of July 1)

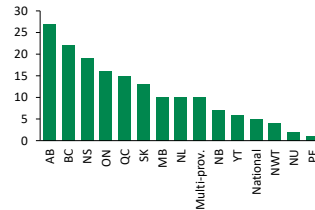


f: forecast
Note: Illustrative scenario assuming the 5% NPR commitment is achieved in 2027. Population forecasts for all provinces are benchmarked against Statistics Canada's M1 population projection scenario.
Statistics Canada and Desjardins Economic Studies

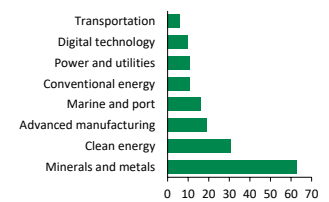
Graph 17

Resources Dominate Canada's Investment Deal Book

Number of projects by province



Number of projects by category



Canada Investment Summit Prospectus and Desjardins Economic Studies

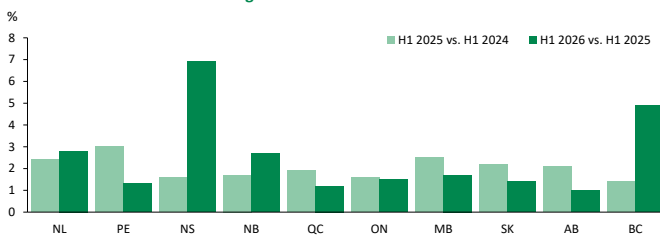
Resilient but Uneven Investment, with Major Projects on the Horizon

Non-residential investment has held up better than the trade backdrop would suggest, but the gains have been uneven (graph 16). National accounts data show real investment rising modestly across all provinces in the first half of 2026. BC and Atlantic Canada led the way, with growth accelerating from last year, while the rest of the country saw a slight slowdown. Ontario's investment has been steady but unspectacular, although still better than its tariff exposure would suggest.

Graph 16

Stalling National Business Investment Is Masking Large Divergence

Real non-residential investment growth*



* Including non-residential buildings, engineering construction, machinery and equipment and intellectual property products.
Statistics Canada and Desjardins Economic Studies

We expect momentum to carry into 2027, as ongoing projects in resources, AI and public infrastructure continue to support non-residential investment. That said, major projects are more likely to support growth over the medium term. Ottawa is also making a concerted push to attract private capital (graph 17). At the Canada Investment Summit, the federal government presented 167 projects totalling roughly US\$430B in proposed investment to some of the world's largest investors. The deal book leans heavily on Canada's natural advantages, with mining and critical minerals making up the largest number of projects. The

opportunities also vary widely across the country, from minerals and LNG in BC to energy and data centres in Alberta, and clean energy and trade infrastructure in Atlantic Canada.

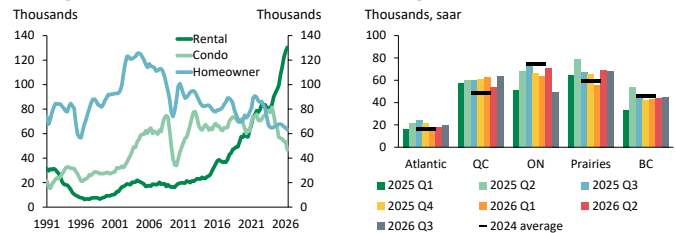
Rental Construction Is Sustaining Housing Activity as Regional Gaps Remain

The regional housing divide persists, though policy-supported rental development should help sustain activity nationwide in the near term (graph 18). Activity remains firm in Quebec and the Prairie provinces. Parts of the Maritimes are losing momentum relative to last year, although construction remains elevated after a strong run. Ontario has shown signs of stabilization after two years of slump, but a broader recovery has yet to take hold. BC also remains a weak spot, though robust rental development should provide a near-term floor under activity.

Graph 18

Homebuilding Should Hold Up Thanks to Policies Supporting Purpose-Built Rental Construction

Housing starts,* Canada



* Four-quarter moving sum. saar: seasonally adjusted annual rate.
Canada Mortgage and Housing Corporation and Desjardins Economic Studies

BRITISH COLUMBIA**Resources and Major Projects Support Growth as Domestic Demand Softens**

BC's economy is losing some steam. Employment lost ground through late 2025 and early 2026 before recovering modestly, with public-sector gains being offset by weakness in private services, particularly trade and finance. Unemployment has risen as employment has failed to keep pace with labour force growth. Retail sales have also moved from among the strongest in the country to one of the weakest, consistent with slower population growth and a softer labour market.

Housing remains subdued. Starts and residential investment are below their earlier peaks, with condominium weakness weighing on activity. Purpose-built rental construction should provide a floor, but the sharp decline in non-permanent residents and slower overall population growth will limit demand. Revised population data show that BC continued to grow rather than contract, but achieving the federal NPR target would likely require a population decline in 2027.

Exports are under pressure, with some bright spots. US duties continue to weigh on forestry exports, while BC remains among the provinces most exposed to the revised Section 338 product list. Copper and other mineral ores have been the main offset, lifting total exports despite forestry weakness. Diversification outside of resources has been limited, and the non-US share of non-commodity exports has changed little. Canada's counter-tariffs cover a significant share of BC's imports from the US, although the province's broader import diversification should mitigate the overall effect.

Investment is the province's main source of resilience. BC led the country in its real non-residential investment growth in 2026. LNG Canada's first phase has moved from construction to operation, but Woodfibre LNG and Cedar LNG remain under development. The province's resource sector boasts a deep pipeline with high-profile projects. The province also has the largest concentration of projects referred to the federal Major Projects Office. LNG Canada Phase 2 and Ksi Lisims LNG anchor the energy pipeline, alongside the Red Chris copper-gold mine expansion. The North Coast Transmission Line would support industrial development, while Roberts Bank Terminal 2 would expand export capacity. The province is also set to benefit from the proposed construction of the Pacific Link pipeline.

The near-term outlook remains soft as population stagnation, weak household spending growth and forestry weakness weigh on growth. Over the medium term, however, LNG, mining and transmission projects could make BC one of the largest beneficiaries of the national investment push.

ALBERTA**Broad-Based Strength Persists, with Scope for an Investment Boost Ahead**

Alberta remains the strongest provincial economy in the near-term outlook. Employment growth has been well ahead of the national pace and has drawn support from goods, private services and public-sector industries. Hiring has kept up despite one of the fastest-growing labour forces in the country, allowing unemployment to fall. Retail sales have also led the provinces, supported by population growth, job creation and stronger income from the energy sector.

Energy exports remain the principal advantage. Elevated oil prices have lifted export values and provincial revenues, while the Trans Mountain Expansion has improved access to non-US markets. Importantly, diversification has not come at the expense of US sales: export values have increased to both US and overseas buyers. Non-energy exports to both markets have also grown. Direct exposure to new US tariffs is limited, although Canada's counter-tariffs could raise input costs because of Alberta's reliance on US machinery and equipment.

Non-residential investment has grown only modestly despite elevated oil prices, though stronger energy earnings could support a pickup in capital spending in 2027. Residential activity is cooling, albeit from elevated levels. Housing starts have fallen from the exceptional pace reached in 2025, and real residential investment has declined. That moderation is consistent with slower population growth and the gradual absorption of earlier supply rather than an outright housing downturn.

Alberta's project pipeline remains a source of upside. Proposed data centres and associated electricity generation could expand investment beyond conventional oil and gas. The proposed Pacific Link pipeline project would improve access to international markets, building on the benefits already demonstrated by the TMX pipeline.

The outlook is therefore favourable but not without constraints. High oil prices, broad hiring and population inflows should keep Alberta near the top of the provincial ranking. However, softer residential investment, restrained upstream capital spending and potential cost increases could constrain upside.

SASKATCHEWAN**A Diversified Export Base and Investment Pipeline Support Growth**

Saskatchewan remains well positioned to outperform even though its recent economic indicators are soft. Employment has advanced in fits and starts, with goods-producing industries such as construction and resources providing much of the support. The unemployment rate rose over the past year as employment stalled while the labour force continued to expand. Retail sales have also cooled from last year's pace, suggesting that household demand is not as strong as the investment picture.

Housing remains a source of strength, with starts well above 2024 levels and real residential investment continuing to rise. Non-residential investment growth has slowed, although spending remains supported by major resource and infrastructure projects. As some projects move beyond peak construction, BHP Jansen's second phase and prospective uranium development could sustain activity and provide a further lift over the medium term. A major electricity buildout, led by plans for nuclear generation, could also support investment over the longer term. The province is working with Ontario, New Brunswick and Alberta to develop small modular reactors.

Trade provides an important stabilizer. Saskatchewan's exports have increased since 2024, led by agri-food products and chemicals. The province is also one of the most export-diversified in Canada outside energy and mining, reflecting established trade in grains, oilseeds and other agricultural inputs with Asia and markets beyond the US. That makes Saskatchewan less vulnerable to US sectoral tariffs than central Canada. However, Canadian counter-tariffs are a more significant risk because more than 70% of the province's imports come from the US.

MANITOBA**Domestic Strength Confronts Trade and Supply-Chain Risks**

Manitoba's domestic economy has performed better than its export figures suggest. Employment has risen steadily, with goods-producing industries playing an important role, and retail sales have continued to grow. Residential activity has been especially strong: housing starts are running well above last year's pace, and real residential investment has posted one of the largest increases in the country. Non-residential construction has also held up. This combination should keep domestic demand comparatively firm through the remainder of 2026.

The external picture is much weaker. Manitoba has recorded the steepest export decline among the provinces, driven mainly by consumer goods and farm machinery. Direct exposure to the latest US import tariffs is more limited than in Ontario, Quebec,

BC or Nova Scotia. The larger risk comes from Canada's counter-tariffs. Manitoba imports a large share of its goods from the US, and more than one in ten dollars of those imports is included on the list.

The Port of Churchill Plus strategy is likely the province's most important longer-term opportunity. The proposal includes upgrades to the port and rail line, an all-weather road, new energy infrastructure and enhanced icebreaking capacity. It could open new routes to Europe for Prairie agriculture, potash and critical minerals, reducing reliance on US trade corridors. The project remains in development, but it could materially improve Manitoba's role in national trade diversification.

ONTARIO**A Stronger First Half Gives Way to Renewed Trade Headwinds**

Ontario's economy entered the second half of 2026 on firmer footing than previously believed. Real GDP advanced at a 4.2% annualized pace in the second quarter, outpacing the national gain, while first-quarter growth was revised from a contraction to essentially flat. These revisions removed the earlier recession signal and left Ontario growing faster than the rest of Canada over the first half of the year.

More recent indicators point to continued resilience. Household consumption should remain a relative bright spot, supported by a solid labour market and continued hiring in private services. Employment growth in information technology has set Ontario apart from most provinces, consistent with rising AI-related activity, while finance and insurance should remain another source of job creation. Auto production has also rebounded, and announced production plans point to modest growth.

However, the stabilization in manufacturing is being tested by renewed trade pressures. Exports remain Ontario's main vulnerability. The revised Section 338 tariff list raises the province's exposure, with the affected products accounting for over 10% of its US-bound exports. The measures extend beyond autos and metals to electrical equipment and machinery, plastics, precious-metal products and furniture. Canadian counter-tariffs could provide some protection to domestic producers competing with targeted imports, but also risk raising input and production costs.

The housing recovery has yet to gain traction, with starts falling again in the third quarter. Policy measures, including the new-home HST rebate and financing support for purpose-built rental construction, should help put a floor under activity. But weak project economics and subdued demand suggest that a meaningful near-term recovery remains unlikely. And the [market looks very different](#) depending on where you are,

with the Greater Toronto-Hamilton Area, southwest and east struggling, while the north is generally thriving.

Non-residential investment has nevertheless held steady, and Ontario has a solid pipeline of nuclear and mining projects. Nuclear construction is entering a major multi-year expansion, with activity ramping up at Pickering, Darlington and Bruce. Mining should also remain an important investment driver, led by gold. Agnico Eagle Mines plans roughly \$14B in Ontario spending and investment through 2030, while investment is broadening into nickel, copper, palladium and other critical minerals. The start of construction on roads and infrastructure should improve access to the Ring of Fire.

Ontario remains better insulated from renewed inflation pressures than most provinces. Its relatively low exposure to food and energy in the CPI basket limits the pass-through from higher gasoline prices due to the Iran war. Softer housing and rental markets are keeping shelter inflation well below other provinces as well, offsetting higher prices emerging elsewhere in the economy.

QUEBEC

Domestic Resilience Is Increasingly Reliant on Construction

Quebec remains one of the weaker provincial economies, although the sources of resilience should not be overlooked. Employment has declined for three consecutive quarters, with weakness across goods-producing and public-facing industries but little offset from private services. The unemployment rate has nevertheless remained broadly stable because the labour force has contracted.

Household spending has held up better. Retail sales continue to grow at a pace close to the national average, although momentum has been less impressive than in Ontario or Alberta. Residential construction is a more important source of strength. Housing starts remain well above their 2024 level, supported by purpose-built rental development, and residential investment has continued to rise in real terms.

Trade remains the principal drag on Quebec's economy. Export weakness is spread across motor vehicles and parts, forestry and other manufactured goods. Quebec is also among the provinces most exposed to the Section 338 product list, adding pressure to sectors already affected by US metal-related tariffs. Its exposure to Canadian counter-tariffs is more limited because imports are relatively diversified.

Business investment is another weak spot. National accounts data show total real non-residential investment still increasing modestly, but non-residential building construction trending downward. Advancing major projects could help reverse that weakness, but their benefits will take time to materialize, limiting

the near-term offset to weaker manufacturing and slower population growth. The Contrecoeur container terminal, already underway, will expand access to overseas markets, while recently started construction on the Matawinie graphite project will deepen Quebec's battery and critical-minerals supply chain.

MARITIME PROVINCES

Investment Takes Over as the Population Tailwind Fades

The Maritime provinces—New Brunswick, Nova Scotia and PEI—have remained relatively resilient, but the drivers of growth are shifting. Employment has increased across the Maritimes, and unemployment has generally moved lower. However, retail activity in Nova Scotia and New Brunswick lost momentum after a solid start to the year, while PEI's results remain stronger but volatile. Revised population data also show that growth was firmer than initially estimated. Still, net interprovincial migration has moved closer to balance, and a further reduction in non-permanent residents would leave population growth weak in 2027. PEI should remain the regional exception, supported by its continued attraction of interprovincial migrants.

Construction activity remains robust, although the picture remains uneven across the region. Housing starts have cooled from last year's elevated pace in Nova Scotia, although they remain firm in New Brunswick. Real non-residential investment accelerated in Nova Scotia and remained positive in New Brunswick and PEI.

Investment should increasingly carry growth, particularly in Nova Scotia. The province's record \$3.5B capital plan for 2026–27 is among the largest per capita in Canada and will support health care, housing, schools and transportation infrastructure. Beyond public infrastructure, offshore wind, power transmission and defence offer substantial medium-term upside. Wind West and associated grid investment could expand Nova Scotia's energy sector and trade links, while higher federal defence spending should support its established shipbuilding and marine industries. These opportunities strengthen the investment outlook, but approval, procurement and construction schedules will determine when they translate into growth.

Trade exposure varies considerably within the region. New Brunswick's forestry sector remains under pressure from elevated US softwood lumber duties, although stronger refined petroleum exports have provided an offset. Nova Scotia's exports have been broadly stable, but the revised Section 338 list materially increased the share of its US-bound goods exposed to additional tariffs. PEI is less directly exposed and has made progress selling agri-food products beyond the US, although individual shipments can produce large swings. Canadian counter-tariffs pose less risk than in the Prairies or Ontario.

NEWFOUNDLAND AND LABRADOR**A Rebound Underway Led by the Resource Sector**

Newfoundland and Labrador should remain among the provinces best insulated from the trade shock. Elevated oil prices and stronger offshore production are supporting export receipts and provincial revenues, while the province's relatively diversified export destinations reduce its direct exposure to US tariffs. Energy drove most of the increase in merchandise exports between 2024 and 2026, more than offsetting weaker iron ore shipments. Agri-food and seafood exports also improved.

Employment has increased over the past year and unemployment has declined. Retail sales have continued to grow, supported by robust household income and stronger resource revenues, but the province's weak population growth and falling participation rate limit the scope for sustained demand growth. Residential investment has declined sharply after a volatile 2025, while housing starts remain low in absolute terms.

Capital investment remains central to Newfoundland and Labrador's outlook. Bay du Nord offers the next major investment opportunity, and Shell's proposed entry strengthens the partnership ahead of an expected investment decision in early 2027. If approved, the project could renew offshore construction and related engineering activity as spending on earlier developments winds down. Mining, public infrastructure and the proposed Labrador Trough corridor offer additional support. Longer-term hydroelectric opportunities involving Churchill Falls and Gull Island add further upside, but timelines remain uncertain.

Table
Canada: Major Economic Indicators by Province

% change (unless otherwise indicated)	2022	2023	2024	2025e	2026f	2027f
Real GDP growth – Canada	4.7	2.0	2.0	1.9	1.0	2.0
Newfoundland and Labrador	-1.1	-3.0	2.7	3.5	2.3	2.6
Prince Edward Island	5.1	2.9	3.8	2.8	1.8	2.3
Nova Scotia	5.1	2.4	3.1	2.3	1.4	1.9
New Brunswick	2.2	2.0	2.7	2.0	1.0	1.8
Quebec	4.5	0.7	1.7	0.6	0.4	1.1
Ontario	4.4	2.4	1.6	1.3	1.0	1.8
Manitoba	4.8	2.8	1.7	1.3	1.0	1.9
Saskatchewan	10.1	3.1	3.0	2.2	1.6	2.5
Alberta	5.9	2.5	3.0	2.7	2.1	3.3
British Columbia	4.8	2.8	1.1	2.0	0.8	1.9
Nominal GDP growth – Canada	12.9	3.5	4.8	4.4	5.5	3.3
Newfoundland and Labrador	8.7	-4.0	4.6	5.4	10.6	1.5
Prince Edward Island	10.9	6.7	7.5	5.2	4.9	4.7
Nova Scotia	9.4	7.6	8.0	4.8	4.6	3.9
New Brunswick	8.8	3.5	4.0	4.4	4.3	3.7
Quebec	9.6	4.7	5.9	4.8	3.3	3.2
Ontario	9.8	6.9	5.1	4.1	4.7	3.9
Manitoba	11.3	5.4	3.3	3.7	4.5	3.8
Saskatchewan	32.7	-3.7	0.0	4.1	9.8	1.4
Alberta	23.7	-4.0	5.1	4.2	10.7	1.5
British Columbia	12.1	3.6	3.5	4.3	4.6	3.8
Total inflation rate – Canada	6.8	3.9	2.4	2.1	2.8	2.4
Newfoundland and Labrador	6.4	3.3	1.8	1.4	3.8	2.9
Prince Edward Island	8.9	2.9	1.9	1.4	3.8	3.0
Nova Scotia	7.5	4.0	2.3	2.0	4.5	3.1
New Brunswick	7.3	3.5	2.2	1.7	4.0	2.8
Quebec	6.7	4.5	2.3	2.5	3.0	2.1
Ontario	6.8	3.8	2.4	1.9	2.3	2.3
Manitoba	7.9	3.6	1.0	2.7	3.8	2.6
Saskatchewan	6.6	3.9	1.4	2.1	3.4	2.4
Alberta	6.5	3.3	2.9	1.9	3.3	2.6
British Columbia	6.9	4.0	2.6	2.1	2.7	2.2
Employment growth – Canada	4.1	3.0	1.9	1.4	0.4	0.3
Newfoundland and Labrador	4.0	1.7	2.7	-0.2	0.5	0.2
Prince Edward Island	5.0	6.2	3.6	1.0	2.8	0.7
Nova Scotia	3.5	2.7	3.2	0.3	1.9	0.6
New Brunswick	2.9	3.4	2.8	1.3	0.8	0.5
Quebec	3.1	2.9	0.9	1.7	-1.1	0.6
Ontario	4.8	3.1	1.7	1.0	0.5	0.3
Manitoba	3.6	2.7	2.6	1.7	1.9	0.6
Saskatchewan	3.5	1.6	2.6	2.5	0.5	0.8
Alberta	4.9	3.7	2.9	2.8	3.0	1.6
British Columbia	3.4	2.6	2.4	1.1	-0.4	0.0
Unemployment rate – Canada	5.3	5.4	6.4	6.8	6.6	6.5
Newfoundland and Labrador	11.1	9.8	10.0	10.2	9.5	9.5
Prince Edward Island	7.7	7.3	7.8	8.0	7.3	7.3
Nova Scotia	6.6	6.4	6.5	6.6	6.2	6.3
New Brunswick	7.2	6.6	7.1	7.1	7.2	7.1
Quebec	4.3	4.4	5.4	5.6	5.8	5.7
Ontario	5.6	5.6	7.0	7.7	7.2	7.0
Manitoba	4.5	4.9	5.5	5.9	5.3	5.2
Saskatchewan	4.6	4.7	5.5	5.2	5.9	5.8
Alberta	5.8	5.9	7.1	7.2	6.8	6.5
British Columbia	4.6	5.2	5.6	6.2	6.4	6.5

e: estimate; f: forecast

Statistics Canada, Institut de la statistique du Québec, Ontario Ministry of Finance and Desjardins Economic Studies