

## ECONOMIC VIEWPOINT

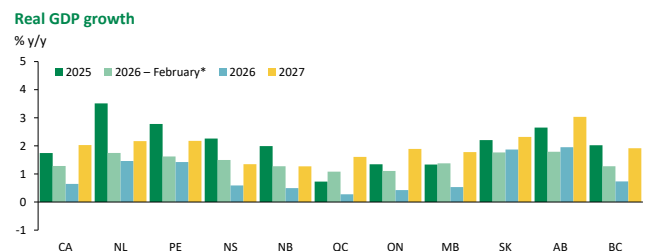
# Desjardins Provincial Outlook: A Weaker National Outlook Masks a Divided Economy

By Laura Gu, Senior Economist

### HIGHLIGHTS

- ▶ The escalation of the Iran conflict has led us to revise our baseline toward a more prolonged disruption in global oil markets. The overall impact on Canada is expected to be modestly positive at the national level, in line with estimates from the Bank of Canada, supported by federal transfers and tax relief measures. However, these policies will not fully offset regional disparities. Elevated oil prices support activity in energy-producing regions through higher incomes and stronger investment as producers expand output. By contrast, oil-importing provinces face a growth headwind as higher energy costs raise production costs and erode real household purchasing power.
- ▶ Manufacturing-focused regions face a dual shock: US tariffs on metal products weaken external demand, while higher oil prices raise transportation and production costs. The impact is especially pronounced in central Canada given its reliance on manufacturing and transport-intensive industries. The Q1 2026 data release also points to greater-than-expected weakness, prompting a downward revision to the headline growth outlook. Compared with our February provincial outlook, growth prospects have weakened in central Canada, while energy-producing provinces remain broadly stable (graph 1).
- ▶ Growth in oil-producing provinces should get a lift from higher oil prices, though the upside remains constrained by near-full pipeline capacity and slow-moving expansions. While investment is expected to rise, the industry's focus on financial discipline and efficiency points to a more restrained response than in past cycles.
- ▶ The [latest expansion of metal-related tariffs](#) has broadened the range of affected manufactured goods, with Quebec, Ontario and Manitoba most exposed. As a result, effective tariff rates have risen across the country, but most notably in central Canada. Increased exports to non-US markets have also provided some offset, though broader diversification beyond metals, mining and energy remains limited.
- ▶ Inflation pressures have been revised higher, driven mainly by energy. Atlantic Canada is disproportionately affected due to its greater exposure. While food prices are also rising, the impact is more modest and broadly shared across provinces.

**Graph 1**  
A Weaker National GDP Forecast Masks Growing Provincial Gaps



\* Forecasts from Desjardins's Provincial Economic Outlook published on February 17, 2026.  
Statistics Canada and Desjardins Economic Studies

**Mixed Provincial Impacts of Oil Shocks**

The escalation of the Iran conflict has generated a significant and potentially persistent shock to global energy markets. After the war began on February 28, the price of West Texas Intermediate (WTI) rose sharply from roughly US\$67/barrel (bbl) to a peak of US\$112 on April 6. Prices declined following the April 7 announcement of a temporary ceasefire but have since stabilized in the US\$95–US\$100 range amid ongoing geopolitical uncertainty. Our baseline scenario now assumes a more prolonged disruption in global oil markets, with WTI prices staying above US\$80/bbl through the end of the year.

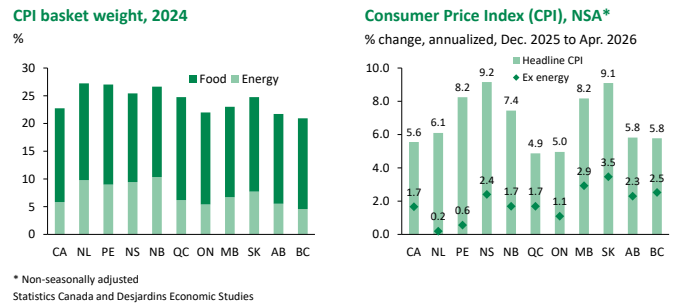
The net macroeconomic impact on Canada is expected to be positive but modest at the national level. The planned enhancement to the GST/HST credit should partially offset the impact of elevated energy costs on household consumption in mid-2026. The temporary suspension of the federal fuel excise tax should also offer marginal relief. However, the aggregate outlook masks a widening divergence in provincial growth prospects.

Elevated and persistent energy prices are set to squeeze households, eroding purchasing power and weighing on consumption. We’ve revised our inflation outlook higher relative to February, driven largely by energy. In our updated forecast, energy inflation is now running 9.3 percentage points (ppts) higher on average in 2026 and 1.6 ppts higher in 2027 relative to our February outlook. While energy accounts for roughly 6% of the national CPI basket, its weight is closer to 10% in Atlantic Canada—leaving those provinces disproportionately exposed to the current price shock and facing stronger upward pressure on headline inflation. Food prices are also expected to move higher in 2026, though more modestly than energy prices. We now see food inflation tracking 0.6 ppts higher in 2026 and 0.2 ppts higher in 2027, with impacts broadly evenly distributed across provinces.

Regional disparities in the impact of higher energy prices are already evident. Year to date, headline inflation in the three Maritime provinces has run well above the national average, while price pressures in Ontario, Quebec, Alberta and BC appear comparatively contained. Excluding energy, inflation in the Maritimes aligns much more closely with national trends (graph 2), reflecting the outsized role of energy in driving regional divergence.

Empirical evidence suggests that higher energy prices should weigh on consumption in energy-importing regions, though federal policy measures are expected to offset much of this drag at the national level. Our analysis indicates that a US\$20 increase in WTI prices could generate a negative consumption shock in Ontario that peaks around the third quarter, translating into a modest drag of roughly 0.1 percentage points on GDP growth in 2026, though with wide confidence intervals. Recent fiscal

**Graph 2**  
Higher Inflation in the Maritime Provinces Has Been Driven by Energy

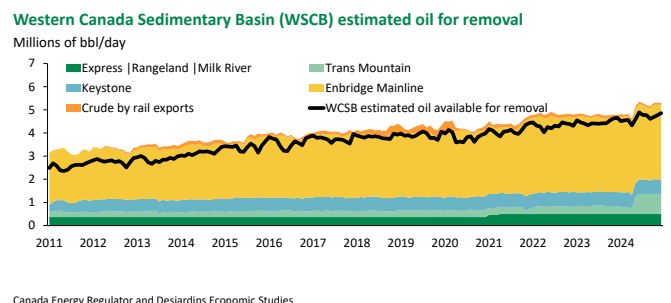


measures are expected to cushion the impact on households. The federal government’s expansion of the GST/HST credit alongside a one-time transfer of approximately \$3.1B in 2026—the Canada Groceries and Essentials Benefit—should offset the erosion in real purchasing power stemming from higher energy costs at the national level.

**Limited Near-Term Tailwinds for Oil Producers**

Higher-for-longer oil prices could support incremental gains in production and investment in Canada’s oil sector, benefiting energy-producing provinces, though the upside remains constrained. Alberta’s oil production reached a record high of roughly 4.2M bbl/day in 2025 and held steady in early 2026. Prior to the onset of the Iran conflict, the Alberta Energy Regulator (AER) projected modest growth in total oil output, with production expected to rise by roughly 2%–3% in 2026 and a similar rate in 2027. However, even this pace of growth would quickly absorb remaining pipeline capacity. In 2025, about 4.5M bbl/day were shipped by pipeline in Western Canada, leaving only 250,000 bbl/day of spare capacity, much of it on the Trans Mountain Expansion (TMX) (graph 3). Already operating at close to 90% of its 890,000 bbl/day capacity, the TMX could fill rapidly. As a result, transportation infrastructure remains the key limiting factor for further increases

**Graph 3**  
Limited Pipeline Capacity Is Capping Production Growth

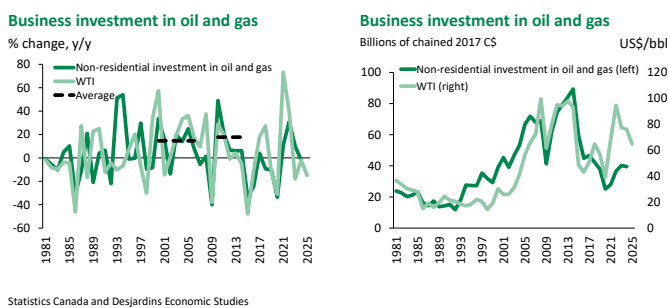


in production and exports. Without additional takeaway capacity or efficiency gains, higher oil prices are unlikely to translate into a meaningful step-up in production or exports.

Pipeline expansion plans remain limited. Enbridge’s US\$1.4B Mainline Optimization Phase 1 project will provide a modest near-term increase in export capacity. Slated to come online in 2027, the project is expected to add 150,000 bbl/day on the Mainline and 100,000 bbl/day on the Flanagan South Pipeline, for a combined increase of roughly 250,000 bbl/day—about a 5% boost to Western Canadian takeaway capacity. Larger expansions would require significantly higher capital and longer timelines. While the recent Canada–Alberta Memorandum of Understanding should support investor sentiment, its impact on capacity and investment is likely to emerge only over the medium to long term.

Zooming out, capital expenditure in Canada’s oil and gas sector should pick up as higher oil prices persist, but the response is likely to remain more measured than in past cycles. The industry has shifted structurally away from major reinvestment and production growth toward prioritizing efficiency gains, debt reduction and shareholder returns. In the AER’s base scenario, where WTI averages around US\$70/bbl, nominal capital spending in oil and gas extraction is projected to rise by 7% in 2026 and 4% in 2027. Our updated outlook, which incorporates materially higher oil prices, would likely drive a more pronounced pickup in investment in 2026 and 2027. Historically, oil booms have been associated with 10%–20% annual increases in real investment during periods of price spikes. When WTI exceeded US\$110/bbl in 2022 following Russia’s invasion of Ukraine, real investment in Canada’s oil and gas sector rose by roughly 30%, lifting Alberta’s total business investment by about 20% that year, though this also coincided with the peak construction phase of the Trans Mountain Expansion. Even so, capital spending remains well below levels seen prior to 2015 in the oil and gas sector (graph 4).

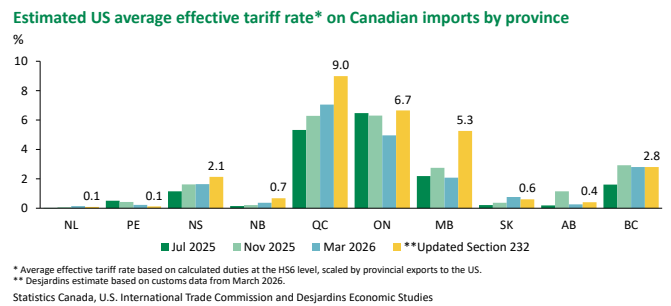
**Graph 4**  
Higher Oil Prices Should Lift Investment, but Less than in Past Booms



**Tariff Shock Continues to Drive Provincial Divergence**

Ongoing shocks from US tariff measures are reinforcing an increasingly uneven outlook for Canadian provincial exports. The April 6 expansion of metal-related tariffs extended US duties to a broader range of manufactured goods, particularly those with embedded steel and aluminum components. As a result, effective tariff rates have stepped higher across much of central Canada (graph 5).

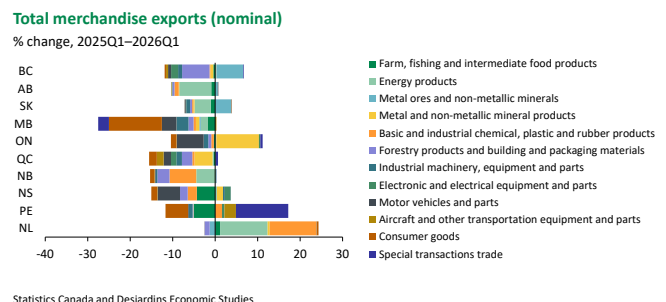
**Graph 5**  
The Tariff Shock Is Falling Heaviest on Manufacturing Hubs



Quebec appears most exposed, with its average effective tariff rate likely rising to close to 9.0% in April 2026—the highest among provinces. Ontario follows at an estimated 6% to 7%. Manitoba, though smaller in absolute terms, is likely among the provinces most disproportionately affected by the latest changes given its industrial mix and exposure to metal-intensive manufacturing.

That said, the implications of elevated effective tariffs are nuanced and remain shaped by shifting export composition. Most tariffed sectors have already contracted over the past year, mechanically lowering effective tariff rates through composition effects (graph 6). At the same time, growth in some non-tariffed categories over the past year has also been notable and helped cushion the blow, especially in manufacturing-heavy Ontario.

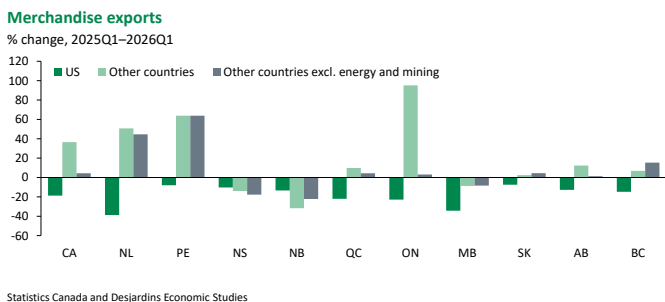
**Graph 6**  
Export Declines Are Concentrated in Tariff-Exposed Sectors



Sector-specific tariffs on steel, aluminum and copper have weighed heavily on metal exports in Ontario and Quebec. In Quebec, however, relatively inelastic demand for aluminum has supported export volumes, even as sector-specific tariffs push up the province's effective rate. Ontario has seen more pronounced weakness, with nominal auto exports down roughly 25% from Q1 2025 to Q1 2026, alongside declines in steel shipments. That said, a near 200% surge in nominal value of its gold exports to the UK has largely offset losses in tariff-exposed sectors. Forestry exports have declined sharply across BC, Quebec and New Brunswick, reflecting an increase in countervailing and antidumping duties and a new 10% tariff on softwood lumber.

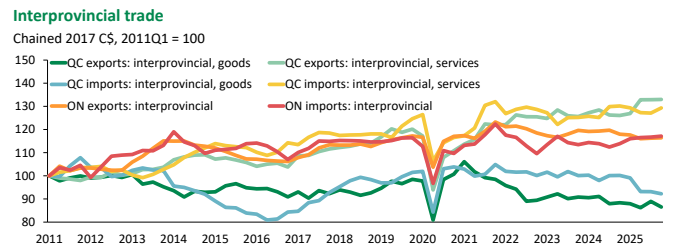
Increased exports to non-US markets have helped cushion the impact of US tariffs (graph 7). Ontario has led this adjustment, with the US share of nominal exports declining steadily from close to 80% in 2024 to around 60% by March 2026. However, outside the metals and mining sector, the US share has remained broadly unchanged at around 85%. In the energy sector, Alberta, Newfoundland and Labrador, and to a lesser extent Saskatchewan, have made progress in diversifying exports away from the US. The TMX pipeline expansion has been supportive of that shift. That said, evidence of broader export diversification beyond metals and mining and energy remains nascent.

**Graph 7**  
Market Diversification Is Softening the Impact of US Tariffs



Interprovincial trade in Canada has yet to show clear progress in response to recent efforts by provincial governments to reduce internal trade barriers (graph 8). In Ontario, real exports of goods and services to other provinces declined by 2.1% in 2025, while interprovincial imports rose by 2.6%. Quebec presents a similarly mixed picture: interprovincial trade in goods weakened on both the export and import sides in 2025, while services trade continued to expand. However, the relative strength in services is not a new development, but rather reflects a long-standing structural trend observed over the past two decades. More meaningful gains may emerge in the Atlantic provinces once updated data become available given their greater potential to benefit from reduced internal trade barriers. Recent research from the International Monetary Fund (IMF, 2026) suggests that

**Graph 8**  
Interprovincial Trade Shows Limited Gains in Quebec and Ontario



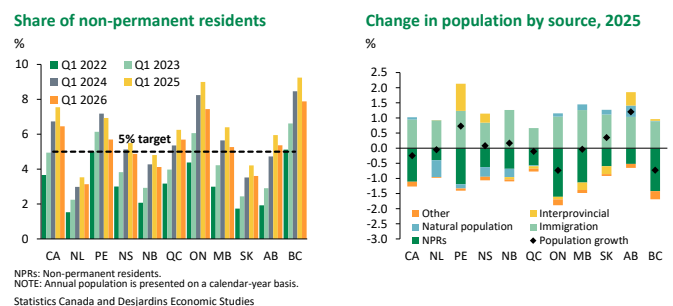
Institut de la statistique du Québec, Ontario Ministry of Finance and Desjardins Economic Studies

the Atlantic provinces could experience the largest increases in real GDP per worker as barriers to interprovincial trade are lowered.

**Population Pullback Led by Central Canada and BC**

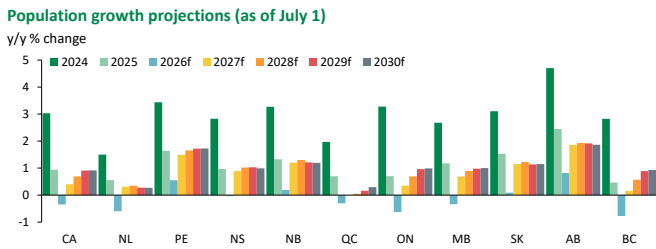
Population dynamics are increasingly driving divergence across Canadian provinces. In the second half of 2025, Canada's population declined at a record pace, largely reflecting the sharpest-ever reduction in non-permanent residents (NPRs). These declines have been most pronounced in Ontario, BC, Manitoba and PEI (graph 9). However, our research suggests several reasons why maintaining this pace may prove difficult.

**Graph 9**  
The Decline in Non-Permanent Residents Is Driving Regional Divergence



Under our middle-of-the-road baseline scenario, which assumes a gradual reduction in the NPR share to 5.5% by 2027, Canada's July 1 population is projected to decline by 0.35% in 2026, before returning to growth, at 0.4% in 2027. Regional outcomes are expected to vary significantly. Ontario and BC are projected to experience the largest contractions between Q3 2025 and Q3 2026 (graph 10 on page 5), with population declines of 0.6% and 0.8%, respectively. In contrast, Alberta is likely to continue expanding, with population growth of approximately 0.8% likely over the same period, supported by strong interprovincial migration inflows. Alberta's relative resilience also reflects a smaller reduction in NPRs, likely underpinned by stronger labour

**Graph 10**  
**Ontario and BC Should Lead Canada's Population Decline**



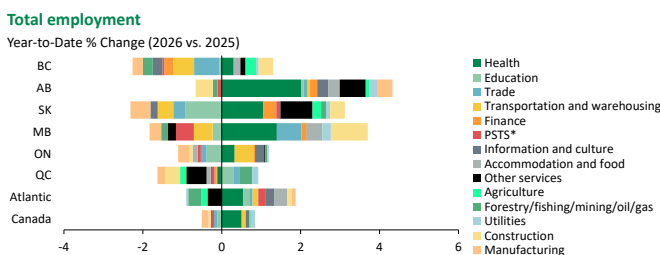
market conditions, given the cyclical nature of NPR flows. PEI may also sustain modest population growth if current interprovincial migration trends persist, more than offsetting its NPR losses. Meanwhile, most other provinces are expected to experience broadly stagnant population growth over the next two years.

**Early Signs of Regional Imbalances in Labour Markets**

While headline employment remains fairly stable at the national level, early 2026 data suggest increasingly uneven labour market outcomes across regions. Alberta is leading job growth, with employment rising roughly 3.5% year over year in the first five months of 2026. Ontario, Quebec and BC have all posted declines. In Ontario, employment weakness has been accompanied by a commensurate decline in the labour force, leaving the unemployment rate relatively stable. Quebec and BC have seen employment fall faster than the labour force, pushing unemployment rates higher. Other regions have generally recorded modest employment gains in the order of 1%.

Sectoral employment trends have diverged across regions (graph 11). Healthcare has been the primary driver of hiring at the national level, with particularly strong gains across the Prairies and Atlantic Canada. Manufacturing has acted as a drag in most provinces, with Alberta and New Brunswick as notable

**Graph 11**  
**Regional Differences Are Evident in Sectoral Job Growth**



exceptions. Elsewhere, performance across service sectors has been mixed. Employment in other services, including public administration, has remained soft in Quebec and Manitoba, while contributing positively in Saskatchewan and Alberta. Education employment has weighed on growth in Ontario and Saskatchewan, possibly reflecting sharply lower foreign student permits in the former, but remaining relatively steady elsewhere.

**BRITISH COLUMBIA**

**Resource Strength Offsets Trade and Demographic Headwinds**

BC's GDP by industry expanded a solid 2.0% in 2025 despite demographic headwinds and ongoing US tariffs on its key forestry sector. Growth was underpinned by a strong performance in the resource sector. Natural gas production rose 4.5%, while the start of LNG Canada operations in June 2025 provided a meaningful boost to pipeline transportation activity. Mining and quarrying output surged 9.4% last year, driven by copper. At the same time, robust non-residential investment supported construction activity, offsetting continued weakness in the residential sector.

Looking ahead, growth is expected to moderate through 2026. Reduced immigration flows will weigh on population growth and domestic demand, while US tariffs continue to constrain export growth. In addition, the completion of the LNG Canada project is set to reverse a key source of non-residential construction, removing an important growth tailwind. Although 6 of the 17 "nation-building projects" referred to the [Major Projects Office](#) (MPO) by the federal government can be found in BC, their impact on growth is likely to materialize only over the medium term.

Labour market conditions have also softened. BC has recorded the largest year-to-date employment decline among provinces in percentage terms, driven by job losses in wholesale and retail trade, transportation and real estate, pointing to easing domestic demand.

Nominal exports declined slightly year over year in Q1 2026, reflecting persistent weakness in forestry products, which are down 29% year to date. Strength in commodity prices is providing an important offset. Elevated copper and gold prices continue to support the province's mining sector, which accounted for roughly 20% of nominal exports in 2025. In addition, trade diversification toward Asian markets is helping to absorb part of the tariff-related drag from the US.

**ALBERTA****Tailwinds Persist as Energy Drives Continued Outperformance**

Alberta posted strong growth in 2025, supported by robust residential investment and expansion in the oil and gas sector. Housing starts remained elevated, underpinned by rapid population gains—the fastest in the country—with the population rising 2.5% as of July 1, 2025. This influx provided a solid boost to domestic demand. At the same time, external demand remained firm, driven by energy exports, while the province's relatively low non-energy exposure to the US insulated it from broader tariff pressures.

Growth momentum is expected to continue, although it will likely moderate as population gains ease from recent highs. Still, an upward revision to the oil price outlook as a result of recent geopolitical developments should keep Alberta's economy on a solid footing and position it as a relative outperformer among provinces. Oil production reached a record high of approximately 4.2 million bbl/day in 2025 and has held steady into early 2026. Production is expected to continue trending higher, supported by sustained global demand, particularly from Asian markets.

Further expansion in the resource sector hinges on pipeline capacity, with no meaningful additions planned before 2027. The federal government and Alberta have reached an agreement on carbon pricing and a pipeline construction timeline as part of a broader energy memorandum of understanding, boosting investor sentiment in the sector. The proposed pipeline would connect Alberta to Canada's West Coast for greater access to Asian markets. While key details particularly around a private sector proponent remain pending, construction is expected to begin by September 2027, providing a clearer path to capacity growth.

Residential construction activity is easing, with housing starts losing momentum after two years of rapid increases aimed at catching up with population growth. The near-term outlook points to continued moderation. As population growth slows and earlier supply gains catch up, housing starts are likely to ease further from recent peaks. However, activity should remain supported at levels above pre-pandemic norms.

Alberta's labour market gains remained solid through the first four months of 2026, but this is not a reflection of increased hiring in the oil and gas sector. Instead, employment growth has been driven primarily by healthcare. This strength is likely to persist, as the province's [2026 budget](#) includes a significant increase in healthcare funding, with projected double-digit growth in spending relative to last year's plan, providing a sustained boost to activity in the sector.

**SASKATCHEWAN****Investment-Led Strength and Trade Support Outperformance**

Saskatchewan's economy demonstrated notable strength in 2025 despite trade uncertainty and moderating population growth. Strong investment in both commercial and residential construction supported growth outperformance, with momentum expected to carry into 2026 and 2027. The province remains well positioned to continue outpacing its peers, underpinned by solid capital spending, a firm labour market and ongoing—albeit slower—population gains.

Business investment is set to remain a key driver, particularly in the mining sector. The \$14B BHP Jansen potash project continues to anchor the investment outlook, with first production from Stage 1 targeted for mid-2027.

Housing activity remains elevated, with conditions still in seller's market territory, supporting price growth and sustaining residential investment. While activity appears to be moderating from recent highs, it should remain at levels consistent with a constructive backdrop for the sector.

Saskatchewan's export outlook is improving. Higher energy prices, firm fertilizer demand and reduced Chinese tariffs on Canadian agricultural products are expected to provide a lift in 2026. As a highly trade-oriented economy, the province benefits from a diversified commodity base, including potash, uranium and agriculture, alongside oil. This diversification, combined with relatively low exposure to US tariffs, leaves Saskatchewan better insulated than many provincial peers from ongoing trade disruptions.

**MANITOBA****Export-Driven Weakness, Outperforming Manufacturing Peers**

Manitoba is facing a notable export-driven drag, with weakness in trade-exposed sectors likely to persist. The province has been disproportionately affected by the April expansion of US tariffs on metal products, further weighing on already soft manufacturing exports. At the same time, lower output from Manitoba Hydro has restrained growth in the utilities sector, adding to near-term headwinds.

Despite these headwinds, Manitoba's diversified economic base continues to support relative outperformance among manufacturing-intensive provinces in central Canada. Labour market conditions remain firm, with year-to-date employment growth of 7.1%, driven largely by strength in construction and

healthcare. Solid housing activity has accounted for much of the strength, with rising housing starts expected to continue supporting growth and job creation in the sector.

Business investment remains a key source of optimism. Manitoba Hydro's high-voltage direct current reliability project represents a significant long-term commitment, with total investment expected to exceed \$6.8B over the coming decade. The Port of Churchill Plus project, with an aggressive timeline targeting operations by 2030, presents a meaningful medium-term opportunity for major commercial investment.

## ONTARIO

### External Headwinds and Demographic Drag Temper Growth Despite Pockets of Strength

Ontario continues to face a disproportionate impact from US tariffs alongside the effects of population decline, leaving growth lagging most provinces (aside from Quebec) again in 2026. That said, several pockets of resilience should provide some support.

Non-residential investment remains a relative bright spot. Ontario leads the country in investment intentions, supported by large-scale projects in mining and utilities. Strength in the province's gold mining industry should continue to underpin growth, with Agnico Eagle's recently announced \$14B in planned spending through 2030 adding to the optimism. These gains are partially offset by ongoing weakness in manufacturing investment.

Housing activity appears to be stabilizing. After a subdued 2025, housing starts are showing signs of bottoming out and are unlikely to be a significant drag on growth going forward.

Ontario continues to record the lowest CPI inflation among provinces, largely reflecting softer growth in shelter costs. Lower fuel taxes are also providing some offset to higher gasoline prices, offering some relief to consumers amid broader price pressures.

The auto sector is expected to see a modest cyclical rebound in 2026, but the broader outlook remains constrained by a gradual reallocation of North American production. Capacity continues to shift toward the US in some cases, even as select automakers deepen their commitments in Ontario through targeted investments and retooling. On balance, however, recent job losses tied to plant closures, production shifts and restructuring—notably at GM and Stellantis—have been only partially offset by new investment, pointing to a soft near-term backdrop.

The parts segment has proven more resilient than vehicle assembly. Continued carve-outs under CUSMA and the non-stacking of auto and metal tariffs have provided some insulation.

Recent trade data for February and March suggest tentative signs of stabilization, though durability remains uncertain. Tariff changes introduced in April could reintroduce headwinds, particularly if higher duties on metal inputs ripple through supply chains, raising effective tariff rates and expanding the share of exports exposed to trade actions.

## QUEBEC

### Manufacturing Weakness and Demographic Headwinds Drive Underperformance

Quebec's economy remains under pressure, with manufacturing weakness and demographic challenges underpinning a subdued outlook. Real GDP growth in 2025 ranked the weakest across provinces, as manufacturing output declined more sharply in Quebec than elsewhere. The province's [headline growth is expected to remain soft in 2026](#) and continue to trail peers following a further downward revision to our forecast. Labour market conditions have also weakened, with one of the largest year-to-date declines in employment so far in 2026, driven by losses in manufacturing, construction, finance and real estate. The province continues to face significant headwinds from US trade policy. Recent expansions of tariffs on metal products have amplified the impact of Quebec's already elevated exposure to sector-specific trade measures.

Domestic demand presents a more positive picture. Residential construction has held up relatively well, with housing starts expected to maintain a solid pace into 2026. Meanwhile, weakness in non-residential investment is likely to reverse as capital expenditure intentions point to stronger activity in the utilities sector. A number of large-scale projects aimed at improving grid reliability and meeting rising electricity demand are either underway or planned. Quebec also remains an attractive destination for data centre investment, even amid recent changes to electricity pricing.

However, [demographic challenges](#) continue to limit the province's growth potential. Slower population gains, particularly outside major urban centres, are weighing on labour force expansion and constraining economic growth in more rural areas.

## MARITIME PROVINCES

### Demographic Tailwinds Dwindling

The Maritime provinces—New Brunswick, Nova Scotia and Prince Edward Island—outperformed the national average in 2025, supported by strong population growth that boosted demand alongside robust residential and non-residential construction. Looking ahead to 2026, however, these demographic tailwinds appear to be fading. With interprovincial migration no longer providing a strong boost, population

growth across the region is expected to slow markedly. While PEI continues to attract net inflows and should remain an outlier with positive population growth, interprovincial migration trends for the region had largely converged toward breakeven by the end of 2025. Absent a renewed influx of residents, population growth in the Maritime provinces is likely to stagnate. That said, domestic fundamentals remain supportive, with the region's labour market starting the year on a strong footing as employment is up 5.7% year to date, with gains across all three provinces.

While less exposed to trade risks than central Canada due to lower effective tariff rates, the region's exports have weakened. Nominal export values declined in the first quarter of 2026 compared to the same period a year earlier, reflecting softness in tariff-exposed sectors. New Brunswick's forestry exports have been particularly hard hit by elevated US tariffs on softwood lumber, while Nova Scotia's agricultural exports also contributed to the decline. Some offset comes from China's removal of tariffs on seafood, which should support fisheries in 2026.

After surging in 2025, residential investment is beginning to show signs of plateauing. Housing starts remained resilient through 2025, supported in large part by strong purpose-built rental construction. With population-driven demand no longer accelerating, construction activity is expected to stabilize in 2026.

In contrast, non-residential investment remains a key pillar of growth. The region experienced a boom in 2025, and this momentum is expected to carry forward. Major projects in energy and critical minerals—many of which have been identified by the federal government and referred to the MPO for accelerated approvals—are helping to attract private investment. In addition, provincial governments have planned significant increases in capital spending in their 2026 budgets. [Nova Scotia](#) and [PEI](#), in particular, rank among the highest in the country on a per capita basis, with a strong emphasis on healthcare infrastructure.

## NEWFOUNDLAND AND LABRADOR

### Cautious Optimism in the Resource Sector

Newfoundland and Labrador posted exceptional growth in 2025, bucking the national trend of a slowdown. Much of this strength was driven by the resource sector, with significant gains in both oil production and mining. Offshore oil production rose 14.6% compared with 2024, as operations resumed at White Rose. Production is set to increase further with the start of the West White Rose project in the second half of 2026.

The mining sector is also expected to deliver another solid year following a strong performance in 2025, led by higher iron ore, gold and nickel output. Continued investment in exploration activity should provide an additional tailwind to growth.

Near-term capital spending should soften as major projects, including the Valentine Gold Mine and West White Rose, reach completion. Investment is expected to recover over the medium term as construction ramps up on wind energy projects and the Bay du Nord oil development following a recent milestone agreement between the government and project partners.

An independent review of the memorandum of understanding between NL Hydro and Hydro-Québec on Churchill Falls concluded that the agreement does not serve the province's long-term interests. Further negotiations between the two governments are expected, adding some uncertainty to the outlook.

**TABLE 1**  
**Canada: Major Economic Indicators by Province**

	2022	2023	2024	2025e	2026f	2027f
% CHANGE (UNLESS OTHERWISE INDICATED)						
<b>Real GDP growth – Canada</b>	<b>4.7</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>0.6</b>	<b>2.0</b>
Newfoundland and Labrador	-1.1	-3.0	2.7	3.5	2.0	2.4
Prince Edward Island	5.1	2.9	3.8	2.8	1.4	2.1
Nova Scotia	5.1	2.4	3.1	2.3	0.6	1.9
New Brunswick	2.2	2.0	2.7	2.0	0.5	1.8
Quebec	4.5	0.7	1.7	0.7	0.3	1.6
Ontario	4.4	2.4	1.6	1.3	0.4	1.9
Manitoba	4.8	2.8	1.7	1.3	0.5	1.8
Saskatchewan	10.1	3.1	3.0	2.2	1.8	2.3
Alberta	5.9	2.5	3.0	2.7	2.0	3.0
British Columbia	4.8	2.8	1.1	2.0	0.5	2.0
<b>Nominal GDP growth – Canada</b>	<b>12.9</b>	<b>3.5</b>	<b>4.8</b>	<b>4.4</b>	<b>4.6</b>	<b>4.0</b>
Newfoundland and Labrador	8.7	-4.0	4.6	5.4	9.4	3.2
Prince Edward Island	10.9	6.7	7.5	5.2	4.4	4.7
Nova Scotia	9.4	7.6	8.0	4.8	3.6	4.5
New Brunswick	8.8	3.5	4.0	4.4	3.7	4.2
Quebec	9.6	4.7	5.9	4.8	3.5	3.8
Ontario	9.8	6.9	5.1	4.2	3.0	4.3
Manitoba	11.3	5.4	3.3	3.7	3.9	4.1
Saskatchewan	32.7	-3.7	0.0	4.1	9.3	3.1
Alberta	23.7	-4.0	5.1	4.2	10.0	3.4
British Columbia	12.1	3.6	3.5	4.3	3.9	4.1
<b>Total inflation rate – Canada</b>	<b>6.8</b>	<b>3.9</b>	<b>2.4</b>	<b>2.1</b>	<b>2.7</b>	<b>2.2</b>
Newfoundland and Labrador	6.4	3.3	1.8	1.4	2.7	2.0
Prince Edward Island	8.9	2.9	1.9	1.4	2.7	2.0
Nova Scotia	7.5	4.0	2.3	2.0	3.1	2.2
New Brunswick	7.3	3.5	2.2	1.7	3.1	2.1
Quebec	6.7	4.5	2.3	2.5	2.6	2.1
Ontario	6.8	3.8	2.4	1.9	2.4	2.3
Manitoba	7.9	3.6	1.0	2.7	3.2	2.3
Saskatchewan	6.6	3.9	1.4	2.1	2.9	2.3
Alberta	6.5	3.3	2.9	1.9	2.8	2.3
British Columbia	6.9	4.0	2.6	2.1	2.6	2.1
<b>Employment growth – Canada</b>	<b>4.1</b>	<b>3.0</b>	<b>1.9</b>	<b>1.4</b>	<b>0.3</b>	<b>0.6</b>
Newfoundland and Labrador	4.0	1.7	2.7	-0.2	0.7	0.9
Prince Edward Island	5.0	6.2	3.6	1.0	2.2	1.1
Nova Scotia	3.5	2.7	3.2	0.3	1.0	0.7
New Brunswick	2.9	3.4	2.8	1.3	1.3	0.8
Quebec	3.1	2.9	0.9	1.7	-0.6	0.6
Ontario	4.8	3.1	1.7	1.0	-0.1	0.2
Manitoba	3.6	2.7	2.6	1.7	0.8	0.5
Saskatchewan	3.5	1.6	2.6	2.5	1.7	1.3
Alberta	4.9	3.7	2.9	2.8	2.9	2.0
British Columbia	3.4	2.6	2.4	1.1	-0.3	0.5
<b>Unemployment rate – Canada</b>	<b>5.3</b>	<b>5.4</b>	<b>6.4</b>	<b>6.8</b>	<b>6.7</b>	<b>6.6</b>
Newfoundland and Labrador	11.1	9.8	10.0	10.2	9.9	9.4
Prince Edward Island	7.7	7.3	7.8	8.0	7.9	7.9
Nova Scotia	6.6	6.4	6.5	6.6	6.5	6.7
New Brunswick	7.2	6.6	7.1	7.1	7.2	7.2
Quebec	4.3	4.4	5.4	5.6	5.7	5.3
Ontario	5.6	5.6	7.0	7.7	7.5	7.4
Manitoba	4.5	4.9	5.5	5.9	6.1	6.1
Saskatchewan	4.6	4.7	5.5	5.2	5.1	4.9
Alberta	5.8	5.9	7.1	7.2	6.9	7.0
British Columbia	4.6	5.2	5.6	6.2	6.3	6.3

f: forecasts; e: estimates

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