WEEKLY COMMENTARY

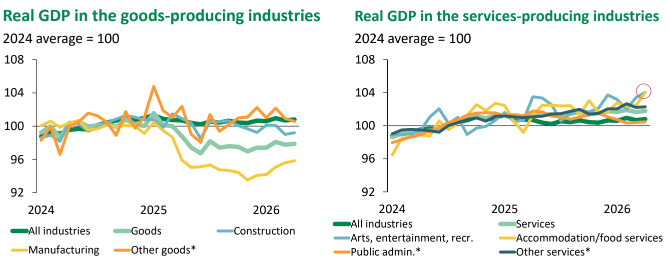
Domestic Tourism as a Response to US Protectionism

By Sonny Scarfone, Principal Economist

GDP figures released on Tuesday showed that Quebec's economy continued to expand modestly in April. But despite edging up 0.1% month over month, output remained 0.5% below its January 2025 peak. The trade dispute with the United States, a shrinking population and moderating public spending continue to weigh on the province's growth.

The situation varies greatly by industry, however. While most goods-producing industries remain under pressure, several services-producing industries have been holding up well. This is especially true of accommodation and food services, as well as arts, entertainment and recreation, where activity is up 4% since the economic slowdown began a few quarters ago (graph 1).

Graph 1
Tourism-Related Industries Are Leading the Way



Other goods: Agriculture, natural resources and utilities; Other services: Wholesale and retail trade, transportation and warehousing, information, finance and insurance, real estate services, professional services and other services; Public administration: Education, healthcare and public administration.
Institut de la statistique du Québec and Desjardins Economic Studies

This is likely due in part to strong domestic tourism. Even as several traditional drivers of Quebec's economy are showing signs of slowing, tourism spending continues to support economic activity in many parts of the province. And given the recent shifts in Quebecers' travel habits, tourism could turn out to be a standout contributor to the provincial economy this year.

Quebecers Are Spending Less of Their Tourist Dollars South of the Border

As our analysis last year showed, every tourist dollar spent in Quebec directly benefits the province's businesses, workers and governments. The change in travel habits we're seeing is therefore noteworthy because tourism spending remains an important driver of Quebec's economy.

Geopolitics have shifted considerably since the start of the current US administration, and Canadians have pulled back sharply on travel to the United States. In May 2026, the number of Canadian residents returning from the US was down 25% compared to two years earlier. That figure was 33% in Quebec vs. about 23% in the rest of Canada, suggesting Quebecers are staying away in larger numbers.

This pullback hasn't been entirely offset by higher travel to other foreign destinations. Travel to countries other than the US is up since 2024 among both Canadians and Quebecers, but not enough to offset the decline in travel to our southern neighbour.

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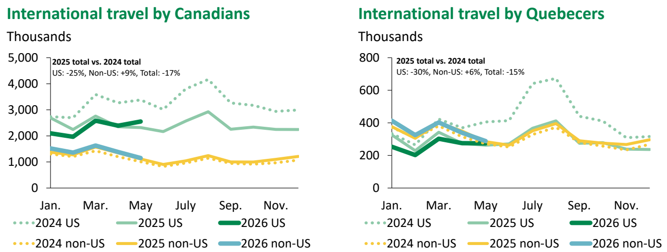
Total trips abroad remain below where they were before the recent trade tensions (graph 2). Some of the tourist dollars that would have otherwise been spent abroad could therefore be spent here at home, creating an opportunity for Canadian tourist destinations.

Graph 2
Quebecers Are Shunning Travel to the US in Larger Numbers



Latest data: May 2026
Statistics Canada and Desjardins Economic Studies

A Possible Boon for Quebec

Quebec's economy clearly stands to benefit from this trend. According to our estimates, if a third of the tourist dollars typically spent in the US were instead spent in Quebec, it could generate nearly $1 billion in additional economic activity, support more than 10,000 jobs and boost government tax revenues. The growing popularity of local getaways, long weekends and micro-vacations suggests that vacations closer to home may be the new norm for many travellers. This is consistent with the strength we've seen recently in several tourism-related industries.

Meanwhile, many parts of the US are starting to feel the effects of lower Canadian tourism. According to some estimates, revenue from Canadian tourism is down several billion US dollars. Border destinations like Maine and Michigan continue to report sharp declines in Canadian traffic. Those are tourist dollars that could be spent in Quebec instead.

2026 hasn't been a typical year for tourism. Between Canada co-hosting the FIFA World Cup and the Montreal Canadiens making a deep playoff run, there have been plenty of opportunities for leisure spending. As several observers pointed out before the World Cup began, the net economic benefits of major sporting events are often difficult to measure since some of the economic activity is spending that would have happened anyway.

Of course, it's too early to say whether Quebec's strong tourism performance is due exclusively to lower travel to the United States. Household disposable income, prices, special events and even the weather all influence travel decisions.

Nevertheless, preliminary figures have been encouraging. While the World Cup seems to have mostly driven up prices in some host cities, Montreal and Quebec City continued to show robust demand. Both cities reported higher occupancy rates, with Quebec City also posting an increase in the average daily rate and revenue per available room. Montreal is an especially telling case. Some feared that since it wasn't hosting any World Cup matches and the Grand Prix was moved up to May, tourism and cultural activity would peak in the early summer. But the data so far doesn't bear that out. The city's hotel occupancy rate was nearly 79% in June, up seven percentage points from last year.

Amid ongoing US protectionism and modest economic growth provincewide, where people choose to vacation is just as important to the economy as the choices they make at the grocery store. Seasons and destinations may change, but one thing remains the same: when tourism spending stays in Quebec, so do the benefits.

What to Watch For

UNITED STATES

MONDAY August 3 - 10:00

July	
Consensus	54.0
Desjardins	52.8
June	**53.3**

ISM Manufacturing index (July) – The ISM Manufacturing index likely decreased from 53.3 in June to 52.8 in July, remaining above the 50 threshold that signals an expansion in activity. This slight dip would be consistent with S&P Global's flash PMI, which reported a more moderate increase in production and new orders in July. We'll be paying particularly close attention to the prices index, which could drop further after plummeting in June, particularly due to lower fuel prices. However, it's likely to continue to reflect acute pressure on manufacturers' costs. Gasoline prices spiked again in the second half of July, but this won't show up in the index until August's print.

TUESDAY August 4 - 8:30

June	US$B
Consensus	-73.0
Desjardins	-73.0
May	**-77.6**

Trade balance (June) – The US trade balance is expected to show a deficit of approximately US$73.0B in June, down from US$77.6B in May. This anticipated improvement was likely due to goods imports declining more steeply than exports. Energy exports, particularly natural gas and refined petroleum products, should continue to support international sales. Recently announced tariffs will bite at different times. Duties of 10.0% to 12.5% targeting several trading partners took effect on July 24, replacing the temporary global tariff of 10%, while additional 50% tariffs on certain Canadian products are due to come into effect starting August 19, unless they're walked back before that date.

THURSDAY August 6 - 8:30

Q2 2026	ann. rate
Consensus	0.7%
Desjardins	0.7%
Q1 2026	**0.3%**

Nonfarm productivity (Q2 – preliminary) – Labour productivity likely rebounded in the second quarter after edging up by an annualized rate of just 0.3% in the first. This improvement was probably due to production growing faster than hours worked. Stronger productivity growth should help limit the increase in unit labour costs, which rose 1.8% in the first quarter.

FRIDAY August 7 - 8:30

July	
Consensus	85,000
Desjardins	100,000
June	**57,000**

Change in nonfarm payrolls (July) – The US economy likely added 100,000 jobs in July after a muted gain of 57,000 in June. However, July's expected figure would still be on the modest side and would confirm the gradual slowdown in labour demand, following increases of 148,000 in April and 129,000 in May. That said, the low level of unemployment insurance claims suggests that layoffs remain contained. This should allow employment to post stronger gains, albeit without reaching the levels we saw earlier this year.

FRIDAY August 7 - 8:30

July	
Consensus	4.2%
Desjardins	4.3%
June	**4.2%**

Unemployment rate (July) – The US unemployment rate is expected to have edged up from 4.2% in June to 4.3% in July. Hiring has slowed, and the labour force may have expanded again following its sharp contraction in June. Despite this slight increase, the unemployment rate will likely remain low, illustrating the resilience of the US job market. This trend is consistent with the remarks made by Fed Chair Kevin Warsh, who believes that the labour markets are more or less at equilibrium given current demographic trends.

TUESDAY August 4 - 8:30	
June	**$B**
Consensus	3.00
Desjardins	4.00
May	**4.24**

FRIDAY August 7 - 8:30	
July	
Consensus	15,000
Desjardins	10,000
June	**18,200**

CANADA

International trade (June) – Canada's trade surplus is likely to come in broadly unchanged in June. Canadian exports probably rose slightly faster than imports during the month, thanks to a tailwind from higher motor vehicle production. At the same time, imports of goods such as consumer products and motor vehicle products are expected to have pushed total imports higher.

Net change in employment (July) – The July Labour Force Survey (LFS) is expected to show that approximately 10K people found work in Canada in the last month. Population growth, as measured by the LFS, likely remained subdued. As a result, we expect the unemployment rate to hold steady at 6.5%. The rise in trade tensions may have curbed overall hiring during the month. Similar to June, employment related to the FIFA World Cup is unlikely to have had a material impact on the numbers. Hours worked in the healthcare sector may have been negatively affected by labour disruptions in British Columbia in July, which saw roughly 50,000 nurses engage in strike action. Overall, the labour market remains soft and isn't generating strong wage pressure.

Economic Indicators

Week of August 3 to 7, 2026

Date	Time	Indicator	Period	Consensus	Desjardins	Previous reading
UNITED STATES						
MONDAY 3	10:00	Construction spending (m/m)	June	0.2%	0.2%	0.1%
	10:00	ISM Manufacturing index	July	54.0	52.8	53.3
	---	Total vehicle sales (ann. rate)	July	16,310,000	16,310,000	16,520,000
TUESDAY 4	8:30	Trade balance – Goods and services (US$B)	June	-73.0	-73.0	-77.6
	10:00	Factory orders (m/m)	June	0.1%	0.1%	-1.3%
WEDNESDAY 5	10:00	ISM Services index	July	54.4	54.4	54.0
	16:05	Speech by Federal Reserve Governor L. Cook				
THURSDAY 6	8:30	Initial unemployment claims	July 27–31	205,000	205,000	197,000
	8:30	Nonfarm productivity – preliminary (ann. rate)	Q2	0.7%	0.7%	0.3%
	8:30	Unit labor costs – preliminary (ann. rate)	Q2	2.1%	2.1%	1.8%
	10:00	Wholesale inventories – final (m/m)	June	n/a	n/a	0.3%
	17:30	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
FRIDAY 7	8:30	Change in nonfarm payrolls	July	85,000	100,000	57,000
	8:30	Unemployment rate	July	4.2%	4.3%	4.2%
	8:30	Average weekly hours	July	34.3	34.3	34.3
	8:30	Average hourly earnings (m/m)	July	0.3%	0.3%	0.3%
	10:00	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	15:00	Consumer credit (US$B)	June	12.100	12.100	-0.182
CANADA						
MONDAY 3	---	Markets closed (Civic Holiday, except for Quebec)				
TUESDAY 4	8:30	International trade ($B)	June	3.00	4.00	4.24
WEDNESDAY 5	---	---				
THURSDAY 6	---	---				
FRIDAY 7	8:30	Net change in employment	July	15,000	10,000	18,200
	8:30	Unemployment rate	July	6.5%	6.5%	6.5%

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 Daylight Time (GMT -4 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of August 3 to 7, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
MONDAY 3							
Germany	2:00	Retail sales	June	-0.4%	n/a	1.1%	1.8%
Italy	3:45	Manufacturing PMI	July	52.5		52.2	
France	3:50	Manufacturing PMI – final	July	50.0		50.0	
Germany	3:55	Manufacturing PMI – final	July	52.2		52.2	
Eurozone	4:00	Manufacturing PMI – final	July	52.0		52.0	
United Kingdom	4:30	Manufacturing PMI – final	July	52.8		52.8	
TUESDAY 4							
Italy	4:00	Retail sales	June	n/a	n/a	0.2%	2.2%
WEDNESDAY 5							
India	0:30	Reserve Bank of India meeting	Aug.	5.25%		5.25%	
France	2:45	Industrial production	June	0.3%	0.5%	-0.1%	3.2%
Italy	3:45	Composite PMI	July	n/a		50.8	
Italy	3:45	Services PMI	July	51.1		50.2	
France	3:50	Composite PMI – final	July	49.6		49.6	
France	3:50	Services PMI – final	July	49.8		49.8	
Germany	3:55	Composite PMI – final	July	51.2		51.2	
Germany	3:55	Services PMI – final	July	49.6		49.6	
Eurozone	4:00	Composite PMI – final	July	51.9		51.9	
Eurozone	4:00	Services PMI – final	July	51.6		51.6	
Germany	4:30	Composite PMI – final	July	52.1		52.1	
Germany	4:30	Services PMI – final	July	51.8		51.8	
Eurozone	5:00	Producer price index	June	-0.3%	4.7%	0.2%	5.9%
Brazil	17:30	Central Bank of Brazil meeting	Aug.	14.00%		14.25%	
THURSDAY 6							
Germany	2:00	Factory orders	June	0.5%	5.8%	1.9%	6.2%
France	2:45	Wages – preliminary	Q2	n/a		0.7%	
Eurozone	5:00	Retail sales	June	0.1%	1.0%	0.2%	1.6%
Mexico	15:00	Bank of Mexico meeting	Aug.	6.50%		6.50%	
FRIDAY 7							
France	1:30	ILO unemployment rate	Q2	8.2%		8.1%	
Germany	2:00	Trade balance (€B)	June	17.1		19.1	
Germany	2:00	Industrial production	June	0.0%	0.0%	0.9%	0.0%
France	2:45	Trade balance (€M)	June	n/a		-6,928	
France	2:45	Current account (€B)	June	n/a		-0.1	
Italy	4:00	Industrial production	June	0.3%	1.1%	-0.3%	1.1%
SATURDAY 8							
China	21:30	Consumer price index	July		0.8%		1.0%
China	21:30	Producer price index	July		3.8%		4.1%

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