WEEKLY COMMENTARY

After a Rollercoaster Year, 2026 Looks Just as Thrilling

By Francis Généreux, Principal Economist

2025 was full of economic twists and turns in the United States. However, it's still too early to form a clear picture of everything that's happened. Many pieces of the puzzle are still missing, as the federal government shutdown disrupted the release of multiple economic indicators. As you'll see in this week's "What to Watch For" section, the coming week will bring plenty of useful data. We'll finally get third-quarter real GDP data just before Christmas—almost two months late. As discussed in our latest *Economic and Financial Outlook*, we still expect robust third-quarter real GDP growth, followed by a much weaker uptick in the fourth quarter. If we had to quickly describe the state of the US economy in 2025, we'd say that although tariffs shook business confidence and concerns about the rising cost of living dampened consumer sentiment, the real economy held up well. Is this indeed, as Donald Trump has claimed, a new golden age of America? No. But has 2025 been a disaster? Also no.

Will 2026 push the United States further toward one of these two extremes? That's not our scenario, but the road ahead still looks bumpy. Several developments will be worth watching closely.

Tariffs Remain the Big Story

The Trump administration continues to base its economic policy on high tariffs. Even countries that signed bilateral agreements with the US in 2025 face much steeper customs duties than they did a year ago. The US Supreme Court is currently reviewing the legality of the tariffs introduced under the *International Emergency Economic Powers Act*—namely, the fentanyl-related tariffs on Canada and Mexico and the "reciprocal" tariffs on most other countries. We may not have to wait until 2026 for their ruling, as an announcement could come soon. Meanwhile, Donald Trump said that reversing his policy would be catastrophic. "The biggest threat in history to United States National Security would be a negative decision on Tariffs by the US Supreme Court." Almost 84 years to the day after the attack on Pearl Harbor and more than 24 years after 9/11, that statement raises eyebrows, but it also underscores how important tariffs are to the president. Note that the issue isn't whether the US can impose tariffs, but how these tariffs were imposed. If Congress had adopted Trump's trade policy—as it did with President McKinley's tariffs in the 1890s and the Smoot-Hawley tariffs in the 1930s—there would be no legal challenge. But getting such a policy through both chambers is certainly not a given, even with Republican majorities.

Sectoral tariffs aren't being contested, and we may very well see new ones targeting specific industries announced next year. Officials have already started the investigations needed to impose tariffs on aircraft, electronics (including semiconductors and electronic circuits), smartphones, medical and pharmaceutical products, industrial machinery, robotics, and wind turbines and parts. However, the president has yet to make any final decisions.

Another key trade issue for 2026 is the planned review of the Canada–United States–Mexico Agreement (CUSMA). The deal, enacted in 2020, calls for a joint review of the agreement and any recommendations for action submitted by a party, along with a decision on appropriate actions, before the agreement's sixth anniversary on July 1, 2026. The three countries must also state in writing whether they want to extend the term of the agreement past 2036 for another 16 years. It's already clear the US will propose plenty of changes, and it will be interesting to

CONTENTS

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see whether this review could be as contentious as feared. Note that a failure to reach an agreement does not mean that CUSMA will end next year. It just won't automatically be extended past 2036. That said, the agreement allows withdrawal after six months' notice, but the Trump administration has said little about that. Ultimately, we'll see whether the CUSMA talks change the exemptions Canada and Mexico currently enjoy on eligible goods.

What About Tariff Dividends?

One factor that could slightly alter the outlook would be if the Trump administration moves forward with tariff dividend cheques. President Trump has floated this idea a number of times. Like the stimulus cheques sent out during the pandemic, the tariff dividend would be a lump sum payment sent directly to all but the wealthiest Americans. The amount most often mentioned is US$2,000. The catch? The total cost would wipe out expected tariff revenues. In recent months, monthly tariff receipts averaged US$32.4 billion, or just under US$400 billion annually. The dividend would cost somewhere between US$300 billion and US$600 billion, depending on how many people qualify. Considering the size of US deficits and the absence of a major economic downturn, this measure doesn't seem entirely appropriate.

Free Rein or Lame Duck?

If implemented, the tariff dividend could be seen as an election-year giveaway to woo voters. Polls show US voters give Donald Trump a net negative approval rating on the economy. Their biggest concern is the same as it was during the 2024 election: the cost of living. Americans are increasingly skeptical that the administration is trying to get it under control.

The pressure is mounting, with less than a year to go before the midterm elections on November 3, 2026. Tariffs, the loss of health insurance subsidies and rising electricity costs are driving up the cost of living—and all are partly or entirely due to Trump policies. Some provisions of the 2025 *One Big Beautiful Bill Act* offer tax relief for households and make things easier for them, but the net positive impact will likely be modest.

Under these circumstances, Republicans could lose some ground and the House majority could flip after the midterms. Historically, the president's party loses seats. This has occurred in every midterm election since the early 1900s, except in 1934, 1998 and 2002. However, the redrawing of electoral maps in some states could change the equation.

If the Republicans keep their congressional majorities and Trump maintains his hold on his base, he'll have free rein to pursue his agenda in the second half of his term. If Democrats win the House (the Senate's a tougher bet), Trump would soon turn into a lame duck with little sway over domestic economic policy. To avoid that, Trump has to hope for something that's far from certain: a sharp pickup in economic growth in 2026.

Can AI and a New Fed Chair Save the Day?

In 2025, one of the main forces powering the US economy was investment in **artificial intelligence** (AI). Without the private sector's massive investment in IT equipment, software and data centre construction, real GDP growth in the first six months of the year would have been much more anemic. There's also the indirect boost given by the wealth effect resulting from the AI-driven stock market rally. The Trump administration clearly wants the AI boom to continue, with a raft of policies promoting the industry. This week, the president signed an executive order blocking states from enforcing their own regulations on the AI industry. The question now is whether AI will keep driving growth or run out of gas. At some point, profits must increase enough to justify all this investment. If not, the AI boom could be just another case of irrational exuberance like previous financial bubbles, with serious consequences for markets and the broader economy.

Public skepticism about the widespread adoption of AI is already evident. According to the Pew Research Center, 57% of Americans believe AI poses elevated risks to society. Only 25% see major benefits, while 15% think both risks and benefits are significant. Local issues created by the energy needs of data centres could also influence the midterms.

Donald Trump also needs to pick a **new Federal Reserve chair**. Jerome Powell's term ends in May, and the nominee must be confirmed by the Senate before then. It's a tough job, and Trump's criticism of Powell has been harsh. A critical question is whether the new Fed chair can maintain independence from the White House. The leading candidate now appears to be Kevin Hassett, director of the National Economic Council and one of Trump's key economic advisors. If confirmed, Hassett will try to project independence, but his views probably align closely with Trump's. If the US economy doesn't pick up as much as Trump wants, Hassett may push for looser monetary policy. But convincing his colleagues on the Federal Open Market Committee could be a challenge.

There's no shortage of issues heading into the new year, and their outcomes will have major economic and financial implications. And that's without considering other curveballs that could come our way, particularly on the geopolitical front. In short, 2025 was full of surprises, and 2026 promises to deliver plenty more.

What to Watch For

UNITED STATES

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

TUESDAY December 16 - 8:30

November	
Consensus	50,000
Desjardins	50,000
September	**119,000**

Change in nonfarm payrolls (November) – More labour market data will finally be released in the fourth quarter. More, but not all. Since no formal survey was conducted in October, there will still be some gaps in the data, particularly in the household survey. However, the establishment survey should be more complete. The October data will be published at the same time as the November data. Following September's gain of 119,000 jobs, we expect to see a net decline in October, mainly reflecting the delayed effect of DOGE cuts to the federal government workforce. The government shutdown shouldn't have impacted job levels because the affected workers were still considered employees, even if they didn't work a single hour during that time. We expect that workforce numbers edged up slightly in November. On the one hand, unemployment claims remained fairly low throughout November and even hit a trough at the end of the month. Consumer confidence in job availability also held steady. But on the other hand, some indicators still point to a gloomier labour market, such as the ADP survey, layoff announcements in October and the ISM employment indexes, which remain below the 50-point threshold. All in all, we expect a modest addition of 50,000 jobs in November. The unemployment rate likely remained at 4.4%, where it was in September. (No October data is expected.)

TUESDAY December 16 - 8:30

October	m/m
Consensus	0.2%
Desjardins	-0.4%
September	**0.2%**

Retail sales (October) – Retail sales growth fell short of expectations in September, and we expect they were even weaker in October. The main drag on total sales was likely the negative contribution from motor vehicle dealers. New vehicle sales fell 6.1% in October after tax incentives for electric vehicle purchases ended. Lower pump prices also likely dragged down gasoline station receipts. Excluding these two components, we expect a 0.2% increase. It will be interesting to see how online sales performed given their unusual decline in September after tariffs were imposed on imports valued under US$800. It also remains to be seen whether the government shutdown, which caused a temporary loss of income for federal public servants, had any impact. Our expectation is that total sales fell 0.4% in October.

THURSDAY December 18 - 8:30

November	y/y
Consensus	3.1%
Desjardins	3.0%
September	**3.0%**

Consumer price index (November) – Publication of the consumer price index (CPI) was disrupted by the government shutdown. Since the Bureau of Labor Statistics didn't conduct surveys in October, no data will be published for that month—aside from a few components, but not the main indexes. As a result, the November release, due Thursday, won't include month over month changes. Before the shutdown, we expected the all items index to post a modest gain in October and a larger increase in November. This was largely based on gas prices falling in October and then rising again the following month. We expect a sharper rise in the all items less food and energy index in November, reflecting more pronounced tariff impacts. The year-over-year change in total CPI should hold steady at 3.0%, the same level recorded in September, with core CPI edging down from 3.0% to 2.9%.

FRIDAY December 19 - 10:00

November	ann. rate
Consensus	4,150,000
Desjardins	4,100,000
October	**4,100,000**

Existing home sales (November) – Existing home sales are among the few housing indicators currently available. No data on new single family home sales, housing starts or building permits have been released since August. Existing home sales rose 1.3% in September and 1.2% in October, marking the first back-to-back monthly increases in more than a year. Signals for November are mixed. Pending home sales increased in October—usually a good sign—and mortgage applications for home purchases also rose. In contrast, most regional data published so far have shown declines. Overall, we expect resale activity to have remained stable, with a good chance it could prove stronger than anticipated, especially if upcoming regional data are more positive.

CANADA

MONDAY December 15 - 5:00

November	m/m
Consensus	n/a
Desjardins	-1.0%
October	0.9%

Existing home sales (November) – Seasonally adjusted national home sales are estimated to have declined 1.0% month over month in November. Traffic at open houses was likely hurt when southern Ontario and Quebec were hit with the earliest snowfall in decades during the second weekend of November, and again when southern Alberta was buried in snow later in the month. Early data from local real estate boards showed declines in all major centres relative to last November. Meanwhile, the Toronto Regional Real Estate Board reported that seasonally adjusted sales slipped 0.6% month over month.

MONDAY December 15 - 8:15

November	ann. rate
Consensus	250,000
Desjardins	260,000
October	232,800

Housing starts (November) – We anticipate November housing starts reached about 260k (saar), regaining some of the ground lost in October but likely constrained by early winter weather hampering the construction of new building foundations. Robust growth in the purpose-built rental segment, which is being supported by government initiatives, likely continued to keep overall starts elevated relative to what broader economic conditions might otherwise suggest.

MONDAY December 15 - 8:30

November	m/m
Consensus	0.1%
Desjardins	0.1%
October	0.2%

Consumer price index (November) – We expect that headline consumer prices remained relatively flat in November, pushing the annual rate slightly higher to 2.3%. Inflationary pressures have stayed close to target, and we anticipate this trend will persist in the coming months. However, some upward pressure on prices could emerge as the subdued readings from last year's GST/HST holiday begin to drop out of year-over-year calculations starting next month. The recent rise in core services has raised a few eyebrows, but we believe that many of those moves are idiosyncratic. Shelter, and in particular rent, remains in focus, particularly in Quebec where prices have surged this year. The Bank of Canada's core measures may ease slightly but are likely to remain near 3%, while the three-month annualized rates of those measures should stay within their recent range of 2% to 3%. Other indicators of underlying inflation continue to suggest that price levels are normalizing.

FRIDAY December 19 - 8:30

October	m/m
Consensus	0.0%
Desjardins	0.0%
September	-0.7%

Retail sales (October) – Retail sales were probably flat in October, in line with Statistics Canada's flash estimate. We expect that receipts at gasoline stations dropped given the price declines over the month. Retail sales at auto and parts dealerships probably continued to edge down, likely driven by lower volumes, since seasonally adjusted prices for private passenger vehicles were up slightly in October. Core retail sales, which exclude fuel and autos, are expected to have rebounded in October following September's flat print. A gradual improvement in labour market prospects, the effect of monetary policy easing and the removal of Canadian counter-tariffs in September may have helped boost consumer spending in various product categories. Canada Post's shift from a nationwide strike (which began on September 25) to a rotating strike on October 11 may have also offered some relief, especially for retailers' online sales. For November's flash estimate, we expect something close to a flat print. Motor vehicle and parts dealerships likely recorded a monthly decline in sales, contrary to the same period last year, when sales got a month-over-month bump from electric vehicle rebates. This was probably offset by growth in nominal sales of gasoline (helped by a rebound in prices), while core sales were likely stable compared to October.

OVERSEAS

SUNDAY December 14 - 21:00

November

China: Industrial production and retail sales (November) – We expect moderate growth in industrial production in November following a rebound in the previous month. Despite the US tariff agreement, foreign demand remains fragile, weighing on manufacturing activity. The capital goods and automotive sectors continue to be key drivers. On the consumer side, retail sales likely remained weak despite seasonal promotions and certain government stimulus measures. Domestic demand remains subdued, held back by weakness in the property market and cautious consumer behaviour in the face of an uncertain economic environment.

TUESDAY December 16 - 4:00	
December	
Consensus	52.7
November	**52.8**

Eurozone: Purchasing Managers' Index (December – preliminary) – The composite PMI is expected to confirm moderate expansion in November. Strength in the services sector is still supporting the overall index, offsetting a slight slowdown in manufacturing, which continues to grapple with weak foreign demand and supply chain issues. Despite this sectoral divergence, the index is expected to remain above the 50 point threshold, indicating continued—albeit more moderate—growth.

THURSDAY December 18	
December	
Consensus	0.75%
Desjardins	0.75%
October 29	**0.50%**

Japan: Bank of Japan meeting (December) – We expect the Bank of Japan to raise its policy rate by 25 basis points to 0.75% next week, marking its first hike since January. This follows Governor Ueda's recent comments signalling his readiness to tighten. Headline inflation has remained above the 2% target for over 43 months. A key focus for us will be the BoJ's communication around the neutral interest rate—Ueda still describes this as "uncertain," but with real rates deeply negative and the yen under renewed pressure, markets are starting to doubt the Bank's commitment to its inflation target. Investors will closely parse the accompanying Outlook Report and Ueda's press conference commentary looking for clues on the depth and pace of further tightening, especially in the context of global central bank policy and exchange-rate pressure.

THURSDAY December 18 - 7:00	
December	
Consensus	3.75%
Desjardins	3.75%
November 6	**4.00%**

United Kingdom: Bank of England meeting (December) – We expect the Bank of England to cut rates by 25 basis points to 3.75% at its December 18 meeting following a narrow 5–4 split hold the previous month. Monetary Policy Committee stalwarts—like Alan Taylor, who has consistently voted for faster cuts—argue that inflation is falling back toward the 2% target and will reach it in the near term, driven by slower wage and services-price growth. However, dissent remains, particularly from hawkish members like Huw Pill and Catherine L. Mann, which means there could potentially be a close vote dependent on late-coming survey and inflation data. Ahead of the announcement, Deputy Governor Clare Lombardelli has highlighted the potential inflation impact of recent fiscal measures—forecasting a 0.4–0.5 percentage-point drag in mid-2026—which may reinforce dovish sentiment. Governor Andrew Bailey is likely to strike a deliberately cautious tone at the press conference, framing the cut as data-responsive rather than heralding a sustained easing path.

THURSDAY December 18 - 8:15	
December	
Consensus	2.00%
Desjardins	2.00%
October 30	**2.00%**

Eurozone: European Central Bank meeting (December) – We expect the European Central Bank (ECB) to keep rates unchanged, which aligns with market consensus. Markets will pay close attention to ECB staff macroeconomic projections. The current forecasts are for continued undershooting of the 2% inflation target through 2026 and 2027. The projections will now include 2028 forecasts for the first time. Any upward revision to the inflation forecast, along with the points for 2028, will signal the bank's medium-term policy bias. Recent hawkish comments from Executive Board member Isabel Schnabel have prompted markets to price in a small chance of tightening next year, though she is considered one of the more hawkish members of the Governing Council. We expect President Christine Lagarde to play a steady hand at the press conference, underscoring policy stability while recognizing the subdued inflation outlook, leaving the door open to tightening in the future, but not within the immediate horizon.

Economic Indicators

Week of December 15 to 19, 2025

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

UNITED STATES

Day	Time	Indicator	Period	Consensus		Previous reading
MONDAY 15	8:30	Empire State Manufacturing Index	Dec.	9.7	5.0	18.7
	9:30	Speech by Federal Reserve Governor S. Miran				
	10:00	NAHB Housing Market Index	Dec.	38	n/a	38
TUESDAY 16	8:30	Change in nonfarm payrolls	Nov.	50,000	50,000	n/a
	8:30	Unemployment rate	Nov.	4.4%	4.4%	n/a
	8:30	Average weekly hours	Nov.	34.2	34.2	n/a
	8:30	Average hourly earnings (m/m)	Nov.	0.3%	0.3%	n/a
	8:30	Retail sales				
		Total (m/m)	Oct.	0.2%	-0.4%	0.2%
		Excluding automobiles (m/m)	Oct.	0.3%	0.1%	0.3%
	10:00	Business inventories (m/m)	Sep.	n/a	0.1%	0.0%
WEDNESDAY 17	8:15	Speech by Federal Reserve Governor C. Waller				
THURSDAY 18	8:30	Initial unemployment claims	Dec. 8–12	n/a	225,000	236,000
	8:30	Consumer price index				
		Total (m/m)	Nov.	n/a	n/a	n/a
		Excluding food and energy (m/m)	Nov.	n/a	n/a	n/a
		Total (y/y)	Nov.	3.1%	3.0%	n/a
		Excluding food and energy (y/y)	Nov.	3.0%	2.9%	n/a
	8:30	Philadelphia Fed index	Dec.	2.2	5.0	-1.7
	16:00	Net foreign securities purchases (US$B)	Oct.	n/a	n/a	179.8
FRIDAY 19	10:00	University of Michigan consumer sentiment index – final	Dec.	n/a	53.3	53.3
	10:00	Existing home sales (ann. rate)	Nov.	4,150,000	4,100,000	4,100,000

CANADA

Day	Time	Indicator	Period	Consensus		Previous reading
MONDAY 15	5:00	Existing home sales (m/m)	Nov.	n/a	-1.0%	0.9%
	8:15	Housing starts (ann. rate)	Nov.	250,000	260,000	232,800
	8:30	Consumer price index				
		Total (m/m)	Nov.	0.1%	0.1%	0.2%
		Total (y/y)	Nov.	2.3%	2.3%	2.2%
	8:30	Manufacturing sales (m/m)	Oct.	-1.1%	-1.1%	3.3%
TUESDAY 16	12:30	Speech by Bank of Canada Governor T. Macklem				
WEDNESDAY 17	8:30	International securities transactions ($B)	Oct.	n/a	n/a	31.32
THURSDAY 18	---	---				
FRIDAY 19	8:30	Retail sales				
		Total (m/m)	Oct.	0.0%	0.0%	-0.7%
		Excluding automobiles (m/m)	Oct.	0.0%	0.5%	0.2%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of December 15 to 19, 2025

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 14							
Japan	18:50	Tankan Large Manufacturers Index	Q4	15		14	
China	21:00	Industrial production	Nov.		5.0%		4.9%
China	21:00	Retail sales	Nov.		2.9%		2.9%
MONDAY 15							
Eurozone	5:00	Industrial production	Oct.	0.8%	1.8%	0.2%	1.2%
TUESDAY 16							
United Kingdom	2:00	ILO unemployment rate	Oct.	5.1%		5.0%	
France	3:15	Composite PMI – preliminary	Dec.	50.5		50.4	
France	3:15	Manufacturing PMI – preliminary	Dec.	48.1		47.8	
France	3:15	Services PMI – preliminary	Dec.	51.2		51.4	
Germany	3:30	Composite PMI – preliminary	Dec.	52.5		52.4	
Germany	3:30	Manufacturing PMI – preliminary	Dec.	48.7		48.2	
Germany	3:30	Services PMI – preliminary	Dec.	53.0		53.1	
Eurozone	4:00	Composite PMI – preliminary	Dec.	52.7		52.8	
Eurozone	4:00	Manufacturing PMI – preliminary	Dec.	49.9		49.6	
Eurozone	4:00	Services PMI – preliminary	Dec.	53.3		53.6	
Italy	4:00	Consumer price index – final	Nov.	-0.2%	1.2%	-0.2%	1.2%
United Kingdom	4:30	Composite PMI – preliminary	Dec.	51.7		51.2	
United Kingdom	4:30	Manufacturing PMI – preliminary	Dec.	50.4		50.2	
United Kingdom	4:30	Services PMI – preliminary	Dec.	51.7		51.3	
Eurozone	5:00	Trade balance (€B)	Oct.	n/a		18.7	
Germany	5:00	ZEW Current Conditions Survey	Dec.	-80.0		-78.7	
Germany	5:00	ZEW Expectations Survey	Dec.	39.0		38.5	
WEDNESDAY 17							
United Kingdom	2:00	Consumer price index	Nov.	0.0%	3.5%	0.4%	3.6%
Germany	4:00	ifo Business Climate Index	Dec.	88.3		88.1	
Eurozone	5:00	Consumer price index – final	Nov.	-0.3%	2.2%	-0.3%	2.2%
THURSDAY 18							
Japan	---	Bank of Japan meeting	Dec.	0.75%		0.50%	
Sweden	3:30	Bank of Sweden meeting	Dec.	1.75%		1.75%	
Norway	4:00	Bank of Norway meeting	Dec.	4.00%		4.00%	
United Kingdom	7:00	Bank of England meeting	Dec.	3.75%		4.00%	
Eurozone	8:15	European Central Bank meeting	Dec.	2.00%		2.00%	
Mexico	14:00	Bank of Mexico meeting	Dec.	7.00%		7.25%	
Japan	18:30	Consumer price index	Nov.		2.9%		3.0%
United Kingdom	19:01	Consumer confidence	Dec.	-18		-19	
FRIDAY 19							
United Kingdom	2:00	Retail sales	Nov.	0.4%	1.0%	-1.1%	0.2%
Russia	5:30	Bank of Russia meeting	Dec.	16.00%		16.50%	

NOTE: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).