WEEKLY COMMENTARY

The Price of Resilience

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

This week marked a significant geopolitical moment, as Chinese President Xi Jinping made his first state visit to the United States since 2015. Admittedly, expectations weren't high. Even as their trade, technological and military rivalry has deepened, the two powers have remained highly interdependent, in large part due to their integrated supply chains. This interdependence was built over several decades, particularly through the balance of payments, because it benefited both countries. Consequently, reducing that interdependence in pursuit of greater autonomy means sacrificing some of its benefits. This trade-off can be viewed as a form of insurance, where higher short-term costs are accepted in exchange for decreased vulnerability in the future. Although the long-term geopolitical trend is still moving toward reduced interdependence, both sides would prefer to spread the resulting costs over time.

Of course, the United States and China are just one example of a broader global dynamic. In a decade defined by the pandemic, the war in Ukraine, the trade war and intensifying supply shocks, governments and businesses have been reminded that maximizing economic efficiency cannot come at the expense of geopolitical resilience. Previously, the expansion of free trade and a more stable geopolitical landscape made it seem like this trade-off involved minimal risk, since pursuing lower costs and deeper economic integration didn't appear to increase vulnerability.

The current debate about regulating artificial intelligence is another example of this dynamic. Imposing additional restrictions on the development of advanced AI models means paying some costs today—in the form of foregone benefits—to reduce the likelihood of serious consequences tomorrow. In this particular case, the trade-off is complicated by the fact that AI is also central to the geopolitical and technological competition between the United States and China. Efforts to reduce one risk may therefore heighten another if one of the rival powers presses ahead with the technological arms race.

More broadly, many countries are feeling the need to diversify supply chains, secure access to critical minerals, strengthen national defence capabilities and energy infrastructure, and reduce strategic dependencies. In the face of such daunting challenges, economies like the European Union, Japan, South Korea, Australia and Canada have adopted more interventionist approaches that prioritize their sovereignty.

These approaches have often been presented as investments rather than expenses. With public finances under strain, the word "investment" has a positive connotation because it suggests that expenses incurred today will ultimately generate dividends, either directly as income or indirectly as greater productive capacity. However, this more positive connotation means the word is now being used indiscriminately to justify a wide range of initiatives whose economics vary considerably and whose dividends are not always tangible.

In a world of relative stability and predictability, "investing" meant allocating capital to wherever it could earn the highest risk-adjusted return. But some of the investments being considered today are motivated by the need to navigate a more unstable and unpredictable global environment. Investing in domestic production may be justified if it reduces dependencies, even if this kind of production costs more. Similarly, a government seeking to build sovereign digital infrastructure,

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as Canada is currently proposing, can highlight the benefits of greater resilience and autonomy, even when a less expensive foreign solution already exists.

Investment in defence provides an even clearer example. The OECD estimates that allocating one additional percentage point of GDP to defence would only raise GDP by around half a percentage point after five years. After all, the main benefits would be stronger defence capabilities and deterrence, whose value is measured based on a counterfactual, namely the adverse events they help prevent. This kind of investment does create capital, but not necessarily productive capital.

This is one of the defining features of investments in resilience. When calculating the return on these investments, the losses avoided count just as much as additional output in the traditional sense, and sometimes more. In this respect, investing in resilience is like an insurance policy.

That insurance obviously comes at a cost. And in some cases, the bill can be quite steep. As we noted this week in our Economic and Financial Outlook, current goals face serious resource constraints. Whether we're talking defence, infrastructure, artificial intelligence, the energy transition or the reconfiguration of trade corridors, these goals will simultaneously require capital, electricity, materials, construction capacity and a skilled workforce at a time when the population is aging.

Why is this a particularly big challenge for Canada? Because the budgetary commitment required to achieve all these goals will likely be massive, even with private capital, while productivity growth remains anemic. Weak productivity growth has a direct impact on living standards and governments' fiscal capacities. In a less threatening geopolitical environment, it would have been entirely reasonable to argue that all investment should be directed toward measures that could help improve productivity. But increasing productivity must now compete with improving geopolitical resilience, lowering the cost of living (by building more housing, for example), adapting to climate change and making basic infrastructure repairs and upgrades: all goals that draw on the same capital resources.

Admittedly, some investments meet multiple objectives. These include trade corridors to diversify trade, electrical grids and transmission systems, and certain dual-use defence technologies.

However, the direct economic benefits are more limited for investments such as redundant digital capacity that may remain unused. The challenge then becomes finding the right balance between strengthening resilience and increasing production capacity to ensure lasting economic prosperity.

In the worst-case scenario, interventions would be poorly calibrated or rolled out in the wrong sequence. A large number of projects with major cost overruns would be launched, and demand for capital would further increase the cost of financing (and the associated crowding-out effects), without generating enough additional revenue to ensure fiscal sustainability. Countries that fail to strike the right balance will pay the price in higher borrowing costs, capital flight and currency depreciation.

What to Watch For

TUESDAY September 29 - 9:00	
July	**y/y**
Consensus	n/a
Desjardins	2.21%
June	**2.10%**

TUESDAY September 29 - 10:00	
September	
Consensus	90.0
Desjardins	88.0
August	**89.4**

WEDNESDAY September 30 - 8:30	
August	**m/m**
Consensus	0.9%
Desjardins	0.8%
July	**0.2%**

THURSDAY October 1 - 10:00	
September	
Consensus	55.0
Desjardins	54.2
August	**54.6**

FRIDAY October 2 - 8:30	
September	
Consensus	100,000
Desjardins	180,000
August	**162,000**

UNITED STATES

S&P/Case-Shiller home price index (July) – Existing home prices regained some momentum in the spring, increasing 0.18% in May and 0.24% in June. The June print was the strongest showing since December 2025. Another gain is expected for July, although it is likely to be more modest. Existing home sales declined that month, suggesting weaker demand. An anticipated monthly gain of 0.20% would bump the year-over-year change in the S&P/Case-Shiller index up from 2.1% to 2.2%. Home price growth could slow further in the coming months due to rising mortgage rates.

Conference Board Consumer Confidence Index (September) – The Conference Board Consumer Confidence Index has taken a brief slide recently, declining in July and August. At 89.4, it reached its lowest level since January over the last month. Given the almost four-point drop in the University of Michigan index, we expect the Conference Board index to have fallen further in September. It would be surprising if the Conference Board index did not also react to the latest surge in gas prices and, to a lesser extent, the rise in interest rates. However, the improvement in the labour market, particularly the low number of unemployment insurance claims, provides some support, as does the overall resilience of the stock market despite some negative sessions. We therefore expect the Conference Board index to have dipped by just over one point.

Personal consumption expenditures (August) – Real consumer spending stagnated in July due to a sharp decline in household spending on durable goods, particularly in the automotive sector. However, retail sales rebounded and, excluding motor vehicles and gasoline, posted their best monthly growth since September 2024. As a result, we're expecting consumer spending to have started recovering in August. Further support can be found in the higher number of new vehicles sold and increased expectations for monthly growth in services spending, particularly food services and energy. We're forecasting a 0.5% gain in real consumer spending. A 0.3% increase in the Personal Consumption Expenditures price index should push nominal spending up 0.8%. The year-over-year change in the PCE deflator likely rose from 3.7% to 3.8%, with the core deflator edging up from 3.3% to 3.4%. Given the acceleration in hiring and the number of hours worked, real disposable income likely improved in August. However, the foundation is far from solid, and these figures will be accompanied by the annual update of the National Income and Product Accounts, which includes methodological changes to how price indexes are calculated. We nevertheless expect annualized real GDP growth in the second quarter to remain at 1.5%.

ISM Manufacturing index (September) – The ISM Manufacturing index reached its highest level since May 2022 in July. It edged down by one point in August, but remains high and is an encouraging sign for US manufacturing activity. We may see this trend continue with September's print. Based on the regional manufacturing indexes published so far this month, we're expecting another slight decline in the ISM Manufacturing index. Look for a 0.4 point drop to 54.2, which is still relatively high.

Change in nonfarm payrolls (September) – According to the establishment survey, the labour market improved in August with a gain of 162,000 jobs. It was the best monthly reading since March, contrasting with the average of 38,000 net hires over the previous three months. Furthermore, given the persistent weakness in weekly unemployment insurance claims, which have hovered around 200,000 for two months, we believe this stronger job market performance continued in September. Weekly ADP data has also continued to improve since mid-August. The release of the Conference Board Consumer Confidence Index component on the ease of finding a job will tell us more. In the meantime, we're anticipating a gain of 180,000 jobs in September, with unemployment holding steady at 4.1%.

CANADA

TUESDAY September 29 - 8:30

July	m/m
Consensus	0.1%
Desjardins	0.0%
June	**0.3%**

Real GDP by industry (July) – We anticipate that real GDP was largely unchanged in July, in line with Statistics Canada's flash estimate. Growth likely came primarily from wholesale trade, construction and financial services. In contrast, weak performance in resource extraction, manufacturing and retail trade are expected to have provided some headwind to growth. Looking ahead to August, we expect real GDP to have remained broadly unchanged.

OVERSEAS

TUESDAY September 29 - 21:30

September	
Consensus	n/a
August	**49.5**

China: Composite PMI (September) – China's economy continues to run at two speeds, as the domestic economy struggles and the external sector remains resilient. This is particularly evident in muted retail sales and robust industrial production. We've also seen it in recent PMI trends, albeit to a lesser extent. The manufacturing PMI came in at 49.8 in August, up 0.6 points compared to July. Meanwhile, the non-manufacturing PMI was flat at 49.0. Both suggest that China's economic growth remains sluggish. It'll be interesting to see if September's data paints a similar picture or shifts the narrative.

FRIDAY October 2 - 5:00

September	y/y
Consensus	3.7%
August	**3.2%**

Eurozone: Consumer price index (September – preliminary) – Headline inflation in the eurozone hit its highest level of 2026 in August, surpassing May's previous peak. At 3.2%, inflation hasn't been this elevated since September 2023, and we expect it to have risen further in September. Energy prices—particularly gasoline and diesel—spiked again this month. Core inflation could prove more stable, although base effects may cause the year-over-year change to rise. European Central Bank officials are keeping a close eye on the situation. The ECB recently raised its key interest rates and may be preparing to do so again if it feels that the indirect and second-round effects of higher energy prices remain significant.

Economic Indicators

Week of September 28 to October 2, 2026

Date	Time	Indicator	Period	Consensus	Desjardins	Previous reading
UNITED STATES						
MONDAY 28	13:30	Speech by Federal Reserve Bank of Richmond President T. Barkin				
TUESDAY 29	9:00	S&P/Case-Shiller home price index (y/y)	July	n/a	2.21%	2.10%
	10:00	Consumer confidence	Sep.	90.0	88.0%	89.4
	14:00	Speech by Federal Reserve Bank of New York President J. Williams				
WEDNESDAY 30	8:30	Real GDP (ann. rate)	Q2s	1.5%	1.5%	1.5%
	8:30	Personal income (m/m)	Aug.	0.5%	0.7%	0.4%
	8:30	Personal consumption expenditures (m/m)	Aug.	0.9%	0.8%	0.2%
	8:30	Personal consumption expenditures deflator				
		Total (m/m)	Aug.	0.4%	0.3%	0.2%
		Excluding food and energy (m/m)	Aug.	0.3%	0.3%	0.2%
		Total (y/y)	Aug.	3.7%	3.8%	3.7%
		Excluding food and energy (m/m)	Aug.	3.3%	3.4%	3.3%
	8:30	Goods trade balance – preliminary (US$B)	Aug.	-113.9	-123.3	-118.8
	8:30	Retail inventories (m/m)	Aug.	n/a	n/a	0.7%
	8:30	Wholesale inventories – preliminary (m/m)	Aug.	n/a	n/a	1.3%
	9:45	Chicago PMI	Sep.	51.2	51.0	47.1
	15:25	Speech by Federal Reserve Governor L. Cook				
	17:10	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	18:00	Speech by Federal Reserve Bank of Minneapolis President N. Kashkari				
THURSDAY 1	8:30	Initial unemployment claims	Sep. 21–25	n/a	203,000	197,000
	10:00	Construction spending (m/m)	Aug.	0.1%	-0.2%	-0.5%
	10:00	ISM Manufacturing index	Sep.	55.0	54.2	54.6
	15:30	Speeches by Federal Reserve Governor L. Cook and Federal Reserve Bank of New York President J. Williams				
	---	Total vehicle sales (ann. rate)	Sep.	16,590,000	16,200,000	16,760,000
FRIDAY 2	8:30	Change in nonfarm payrolls	Sep.	100,000	180,000	162,000
	8:30	Unemployment rate	Sep.	4.1%	4.1%	4.1%
	8:30	Average weekly hours	Sep.	34.3	34.3	34.4
	8:30	Average hourly earnings (m/m)	Sep.	0.3%	0.3%	0.3%
	10:00	Factory orders (m/m)	Aug.	-0.1%	0.1%	0.9%
CANADA						
MONDAY 28	---	---				
TUESDAY 29	8:30	Real GDP by industry (m/m)	July	0.1%	0.0%	0.3%
WEDNESDAY 30	---	Bond markets closed (National Day for Truth and Reconciliation)				
THURSDAY 1	---	---				
FRIDAY 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 Daylight Time (GMT -4 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of September 28 to October 2, 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 28							
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TUESDAY 29							
Australia	0:30	Reserve Bank of Australia meeting	Sep.	4.60%		4.35%	
Japan	1:00	Leading index – final	July	n/a		117.9	
Japan	1:00	Coincident index – final	July	n/a		120.6	
Eurozone	5:00	Consumer confidence – final	Sep.	-16.5		-16.5	
Eurozone	5:00	Industrial confidence	Sep.	-4.8		-5.3	
Eurozone	5:00	Services confidence	Sep.	6.5		5.8	
Eurozone	5:00	Economic confidence	Sep.	98.8		98.4	
Japan	19:50	Industrial production – preliminary	Aug.	1.2%	6.6%	-0.2%	3.9%
Japan	19:50	Retail sales	Aug.	-1.0%	3.2%	2.4%	4.0%
China	21:30	Composite PMI	Sep.	n/a		49.5	
China	21:30	Manufacturing PMI	Sep.	50.1		49.8	
China	21:30	Non-manufacturing PMI	Sep.	49.3		49.0	
WEDNESDAY 30							
Japan	1:00	Housing starts	Aug.		7.0%		8.2%
United Kingdom	2:00	Current account (£B)	Q2	-25.5		-22.1	
United Kingdom	2:00	Real GDP – final	Q2	0.4%	1.2%	0.4%	1.2%
Germany	2:00	Retail sales	Aug.	1.5%	-1.2%	-3.4%	-2.5%
France	2:45	Personal consumption expenditures	Aug.	0.0%	n/a	0.5%	1.4%
France	2:45	Consumer price index – preliminary	Sep.	-0.5%	2.8%	0.7%	2.4%
Italy	4:00	Consumer confidence	Sep.	94.4		94.5	
Italy	4:00	Economic confidence	Sep.	n/a		96.9	
Italy	5:00	Consumer price index – preliminary	Sep.	0.2%	3.7%	0.5%	3.3%
Germany	8:00	Consumer price index – preliminary	Sep.	0.5%	3.1%	0.2%	2.9%
Japan	19:50	Tankan Large Manufacturers Index	Q3	25		22	
Japan	20:30	Manufacturing PMI – final	Sep.	n/a		54.1	
THURSDAY 1							
Italy	3:45	Manufacturing PMI	Sep.	50.0		49.6	
France	3:50	Manufacturing PMI – final	Sep.	50.3		50.3	
Germany	3:55	Manufacturing PMI – final	Sep.	53.8		53.8	
Eurozone	4:00	Manufacturing PMI – final	Sep.	52.7		52.7	
Italy	4:00	Unemployment rate	Aug.	5.8%		5.8%	
United Kingdom	4:30	Manufacturing PMI – final	Sep.	52.0		52.0	
Eurozone	5:00	Unemployment rate	Aug.	6.4%		6.4%	
Japan	19:30	Tokyo Consumer Price Index	Sep.		2.5%		1.9%
Japan	19:30	Unemployment rate	Aug.	2.4%		2.4%	
FRIDAY 2							
Italy	4:00	Retail sales	Aug.	n/a	n/a	-0.4%	0.8%
Eurozone	5:00	Consumer price index – preliminary	Sep.	0.5%	3.7%	0.4%	3.2%

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).