

Economic Outlook: *Just Tariffic*

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Well, that's just *tariffic*

Canada/United States



$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}$$

U.S. actions and threats:

35% tariff on non-USMCA Canadian imports (10% on energy)

25% tariff on non-U.S. share of auto imports, non-USMCA parts

50% tariff on steel, aluminum and copper

Sectoral tariffs pending (drugs, chips, films)

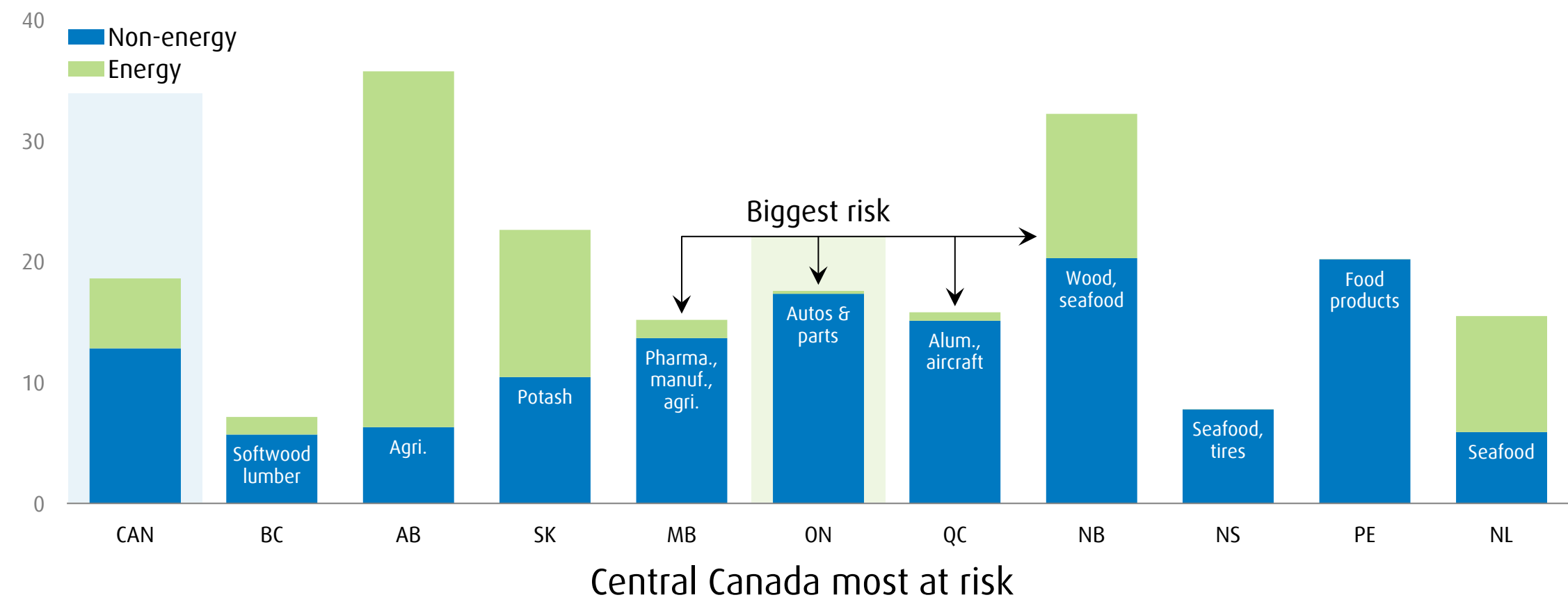
Canadian retaliation reduced to select autos and parts, steel and aluminum (and non-USMCA U.S. imports)

Uncertain trade outlook will dampen investment longer term

Provincial exposure to U.S. exports

Canada (% of GDP : as of June 2025)

Goods exports to U.S.



Canadian election: The same, but different

Canada – 2025 federal election



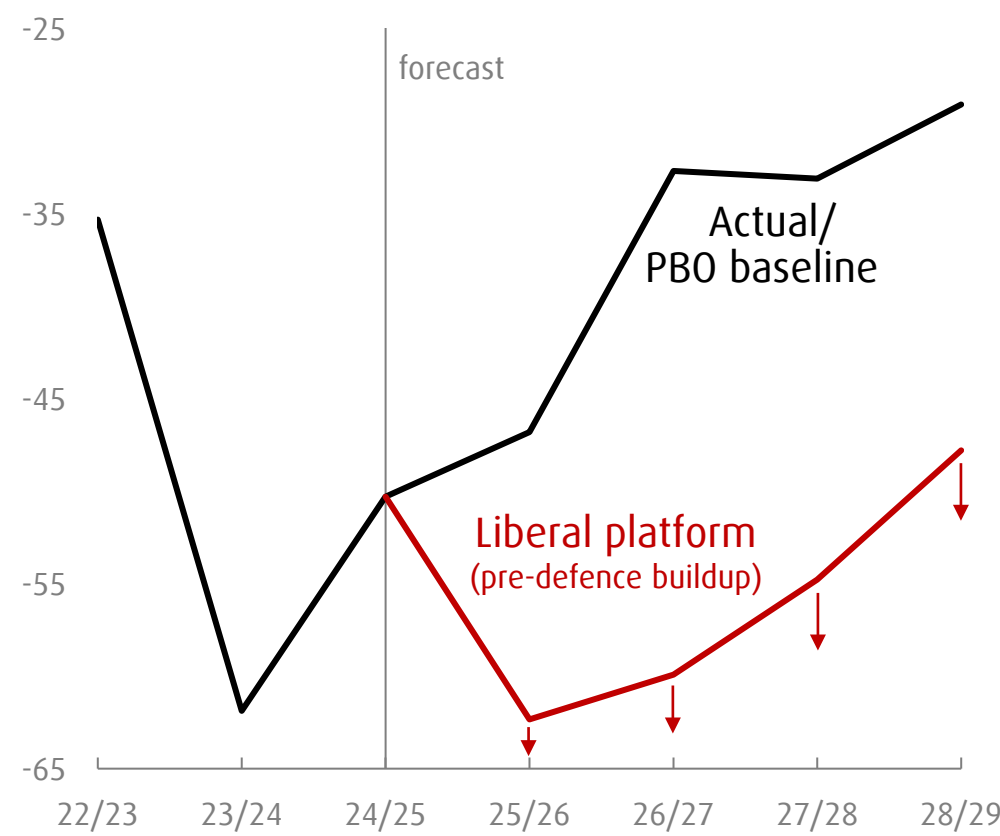
Political party	2025		2021	
	Votes (%)	Seats	Votes (%)	Seats
Liberal	43.8	169	32.6	160
Conservative	41.3	144	33.7	119
Bloc Québécois	6.3	22	7.6	32
New Democrat	6.3	7	17.8	25
Green	1.2	1	2.3	2
Other	1.1	0	5.8	0
		343		338

172 needed for majority

Government stimulus ahead

Canada – Federal government (C\$ blns)

Budget balance

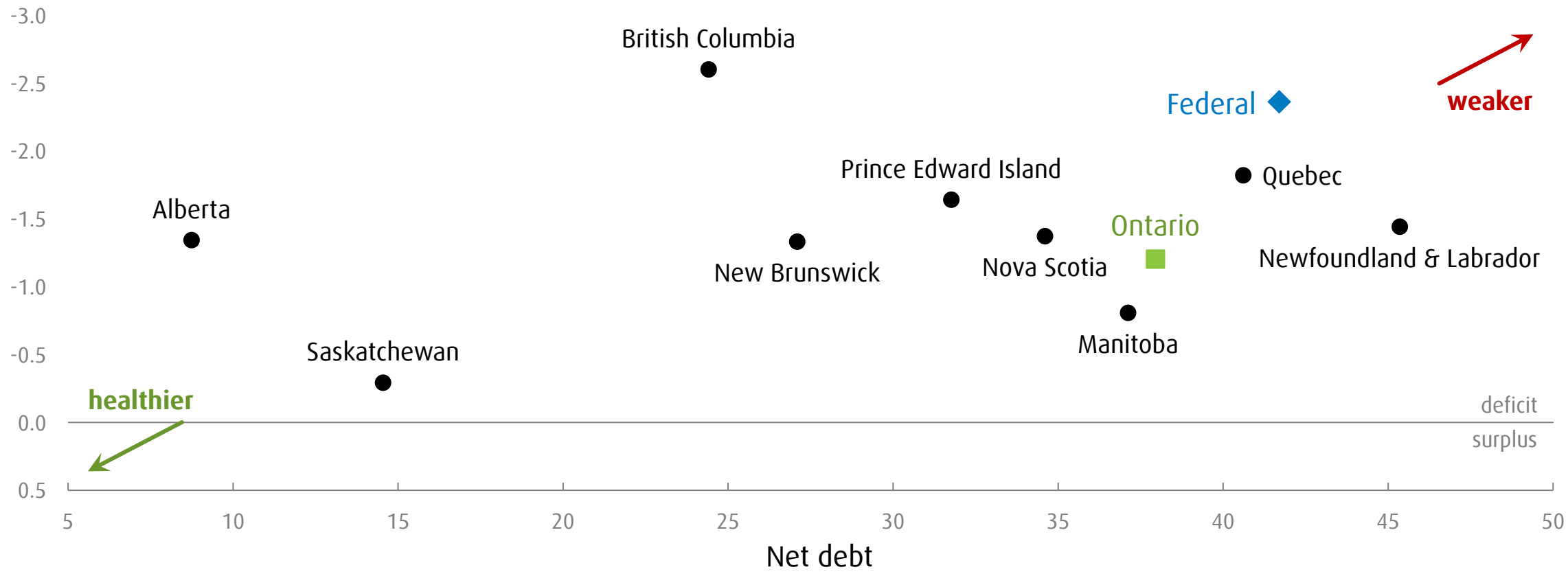


Liberal platform	
Major policy area	Notable measures
Taxes	Lower income tax rate by 1 ppt for lowest bracket Cancel capital gains inclusion rate increase
Tariffs/trade	Direct support to businesses/workers
Infrastructure	Aggressive funding for transportation and trade infrastructure
Housing	Government-run homebuilding agency Remove GST on new homes < \$1 mln for first-time buyers Cut municipal development charges
Immigration	Reduce NPRs to 5% of population Permanent immigration at 1% of population/year
Environment	Remove consumer carbon tax Add carbon border adjustment (tariff) Cap and cut O&G emissions
Defence	Ramp up spending: now 2% of GDP in 25/26

The lay of the fiscal land

Canada – FY25/26 (% of GDP)

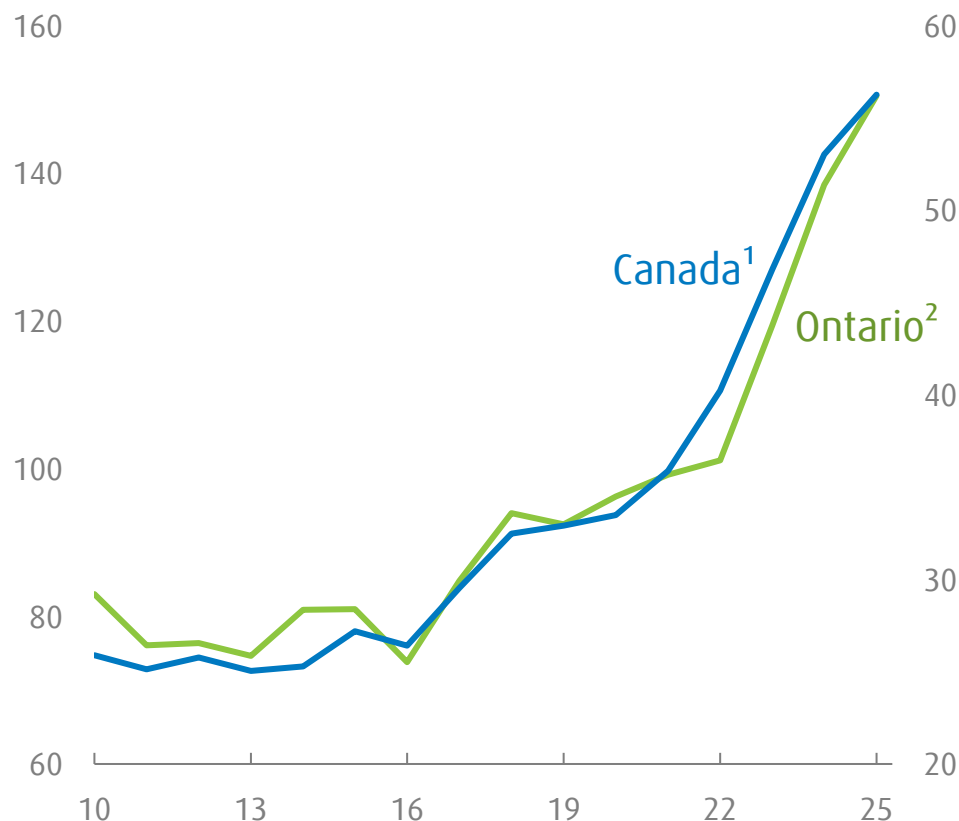
Budget balance



Capital spending boom continues

Canada – Public sector organizations (C\$ blns)

Capital expenditures



Major areas of capex:

Transportation infrastructure

Trade facilitation

Schools and hospitals

Power infrastructure

Provinces borrowing ~\$140 bln vs. deficits of \$26 bln

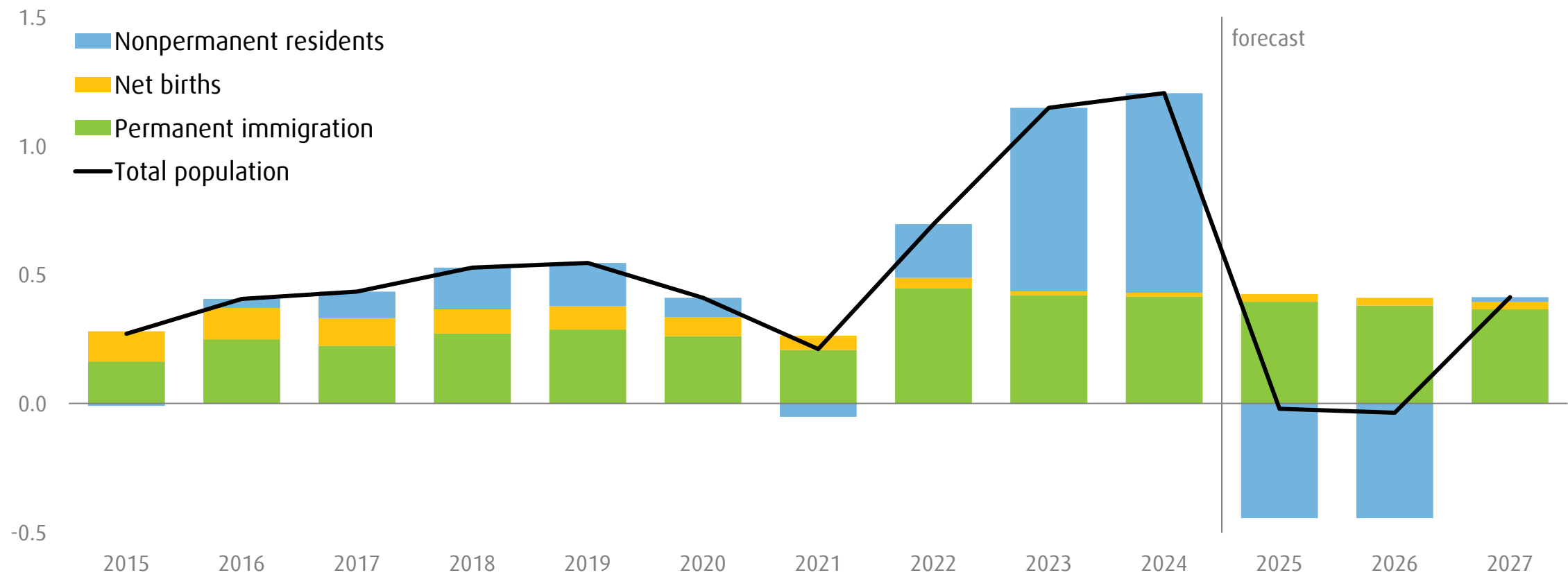
Private-sector uncertainty until trade deal reached

¹ (lhs) • ² (rhs)

Immigration rethink

Canada (mlns of persons)

Population growth

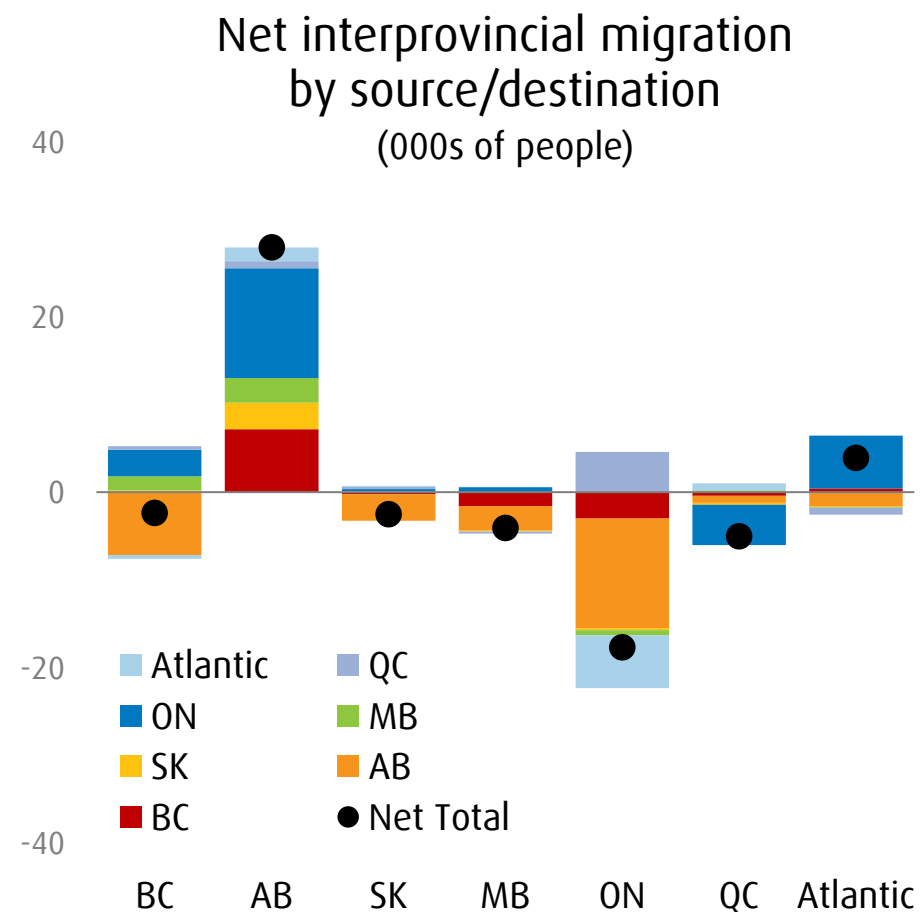


Go West, or East

Canada (2025Q2)

Contributions to population growth (ppts)					
	International		Interprovincial migration	Net births	Total ¹
	Permanent residents	Nonpermanent residents			
Canada	0.9	0.0	0.0	0.1	0.9
British Columbia	0.7	-0.2	0.0	0.0	0.5
Alberta	1.0	0.4	0.6	0.4	2.4
Saskatchewan	1.4	0.2	-0.2	0.2	1.5
Manitoba	1.3	-0.1	-0.3	0.2	1.2
Ontario	1.0	-0.3	-0.1	0.1	0.7
Quebec	0.5	0.2	-0.1	0.0	0.7
Atlantic	1.1	0.1	0.2	-0.3	1.0

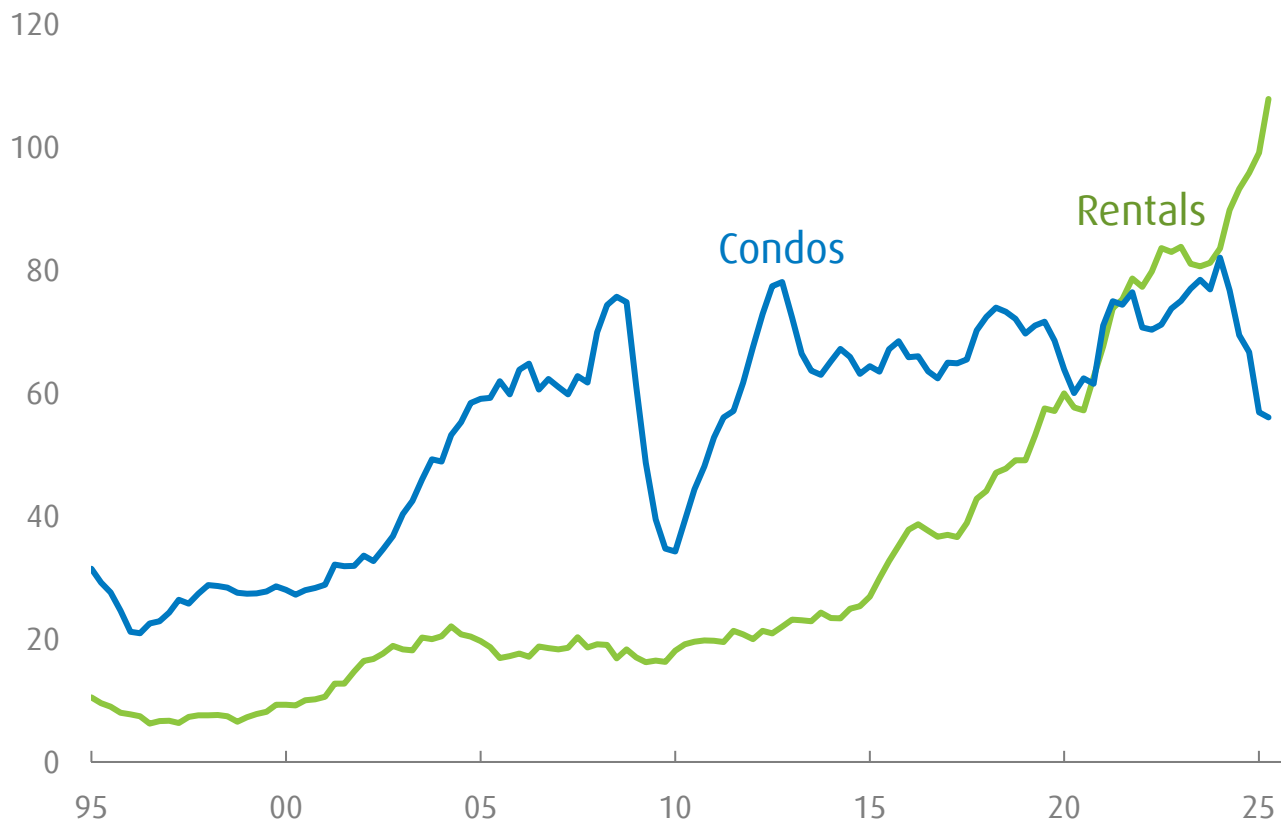
¹ May not add up due to rounding



Rental supply to the sky

Canada (000s of units : 4-qtr m.s.)

Housing starts



Drivers:

- Past population boom
- CMHC incentives
- Ownership conversions

Impact:

- Rents falling
- Investors remain hesitant
- Housing starts to fade

Housing outlook in a nutshell

Canada – Housing

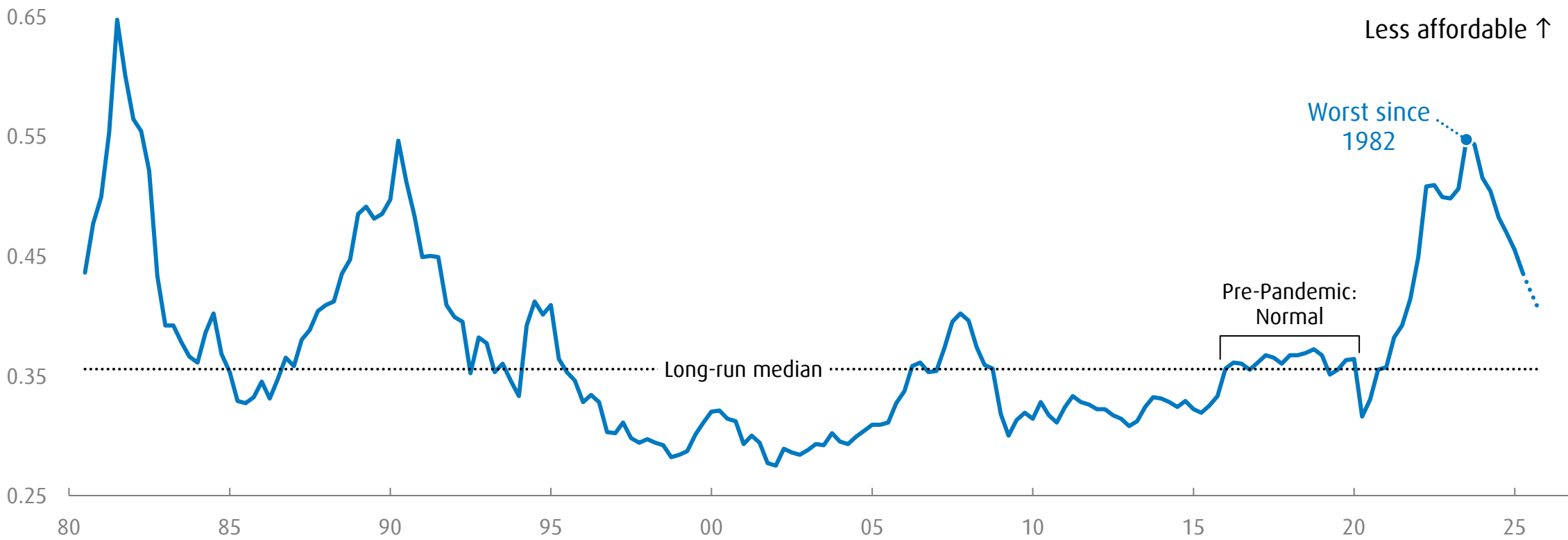


Stagnation sets in

Affordability slowly normalizing

Canada

Housing 'Un-affordability' Index¹



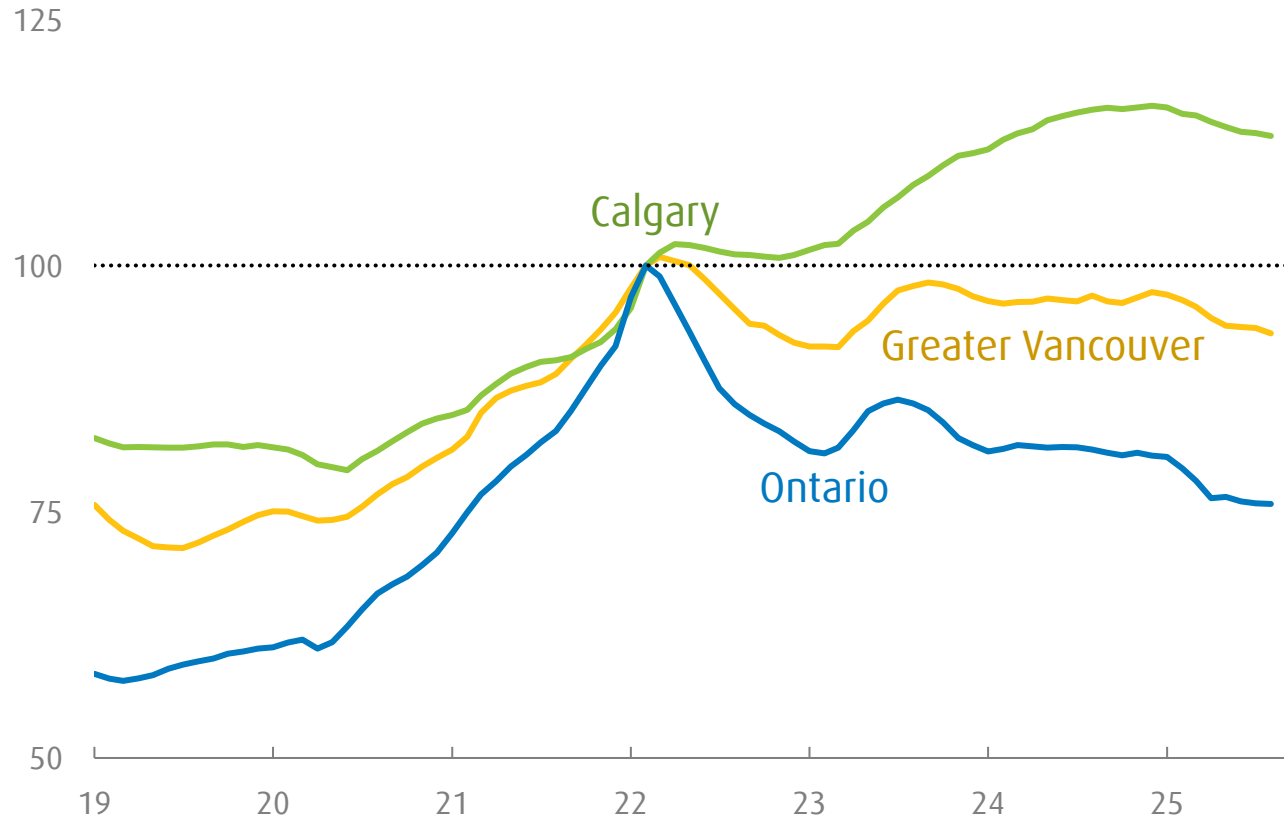
Mortgage service costs far above long-run norm

¹ (share of household disposable income spent on mortgage payments and utility fees)

Housing market adjustment ongoing

Canada (February 2022 = 100)

MLS Home Price Index



Location matters:

Southern Ontario underperforming

Segment matters:

Condo market saturated (Toronto)

Affordability still difficult:

Need lower rates or stagnant prices

Tough investment math:

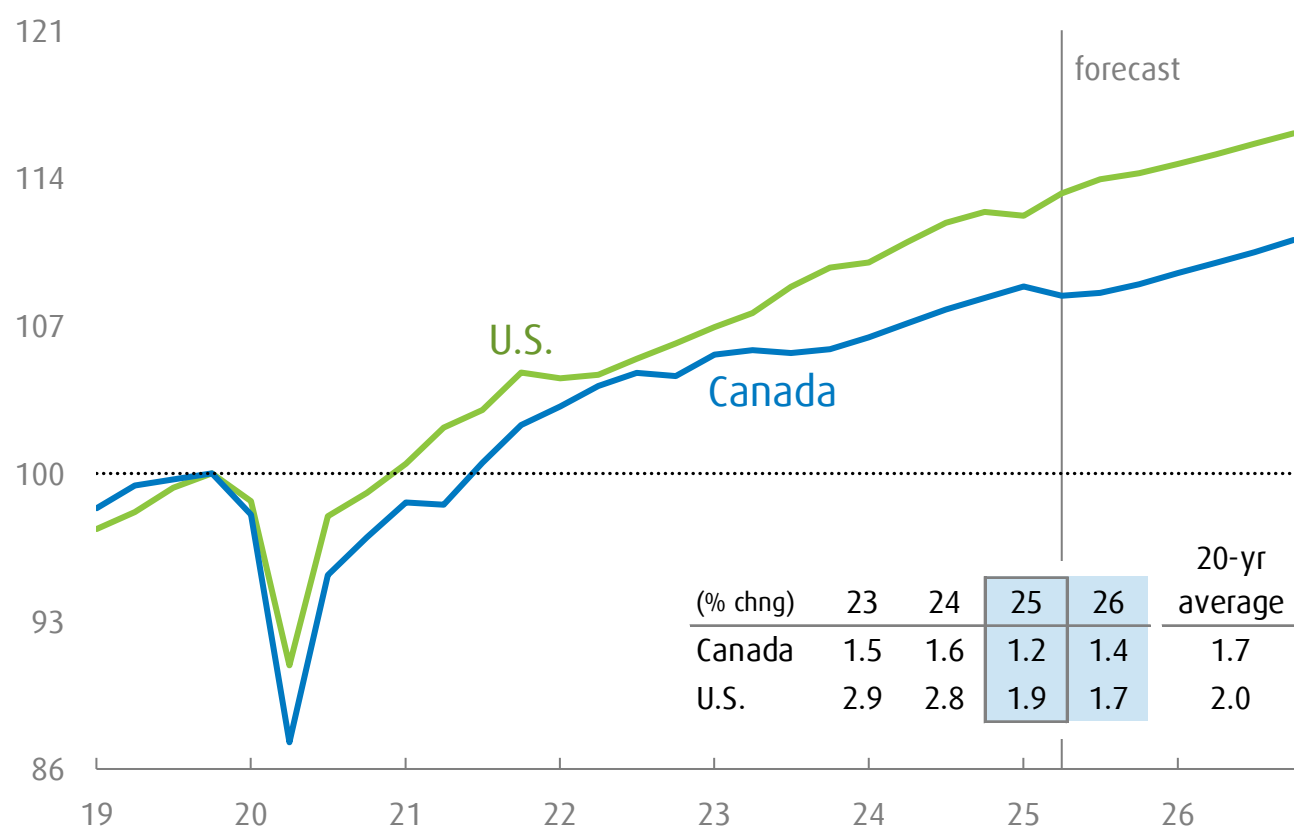
Cap rates still low vs. risk-free yields

Rents weakening

Economic growth subdued

(2019Q4 = 100)

Real GDP



Tailwinds:

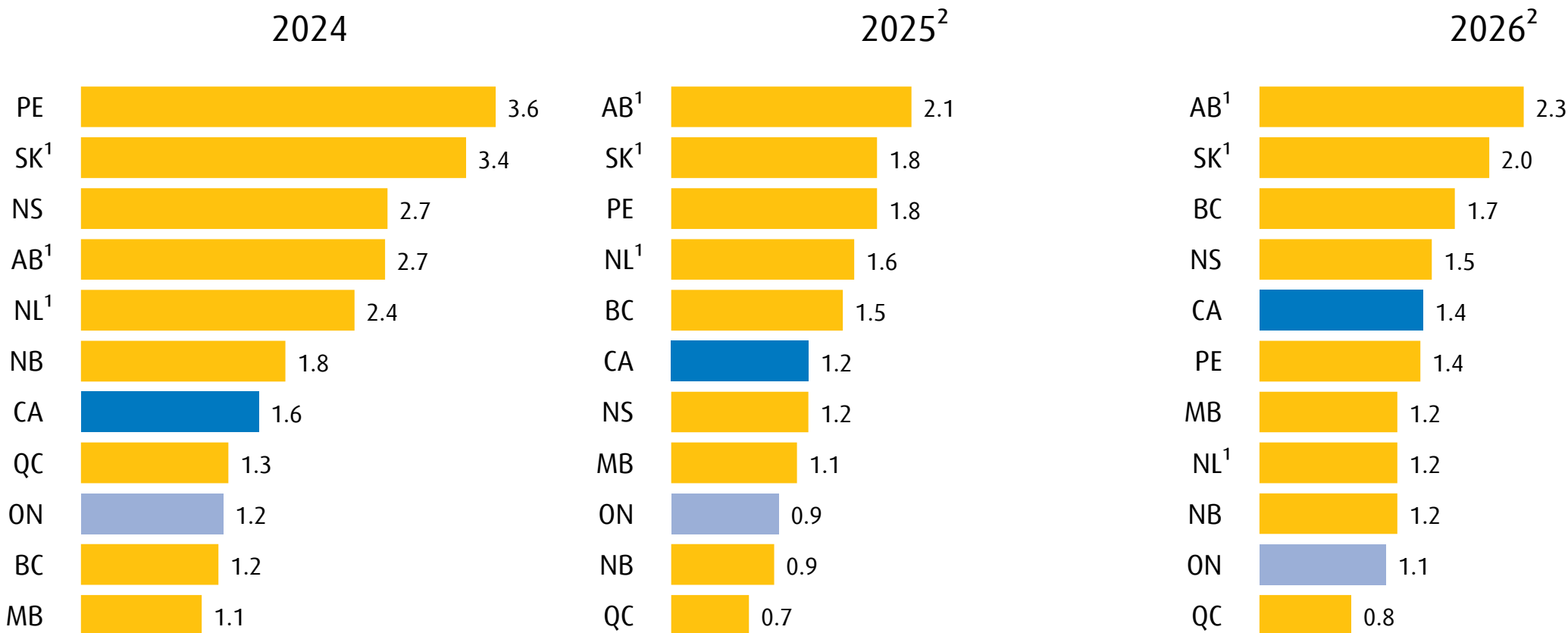
- Lower interest rates
- Rising real wages
- Fiscal stimulus

Headwinds:

- Trade dispute
- Business confidence
- Real estate downturn

Canada's regional outlook

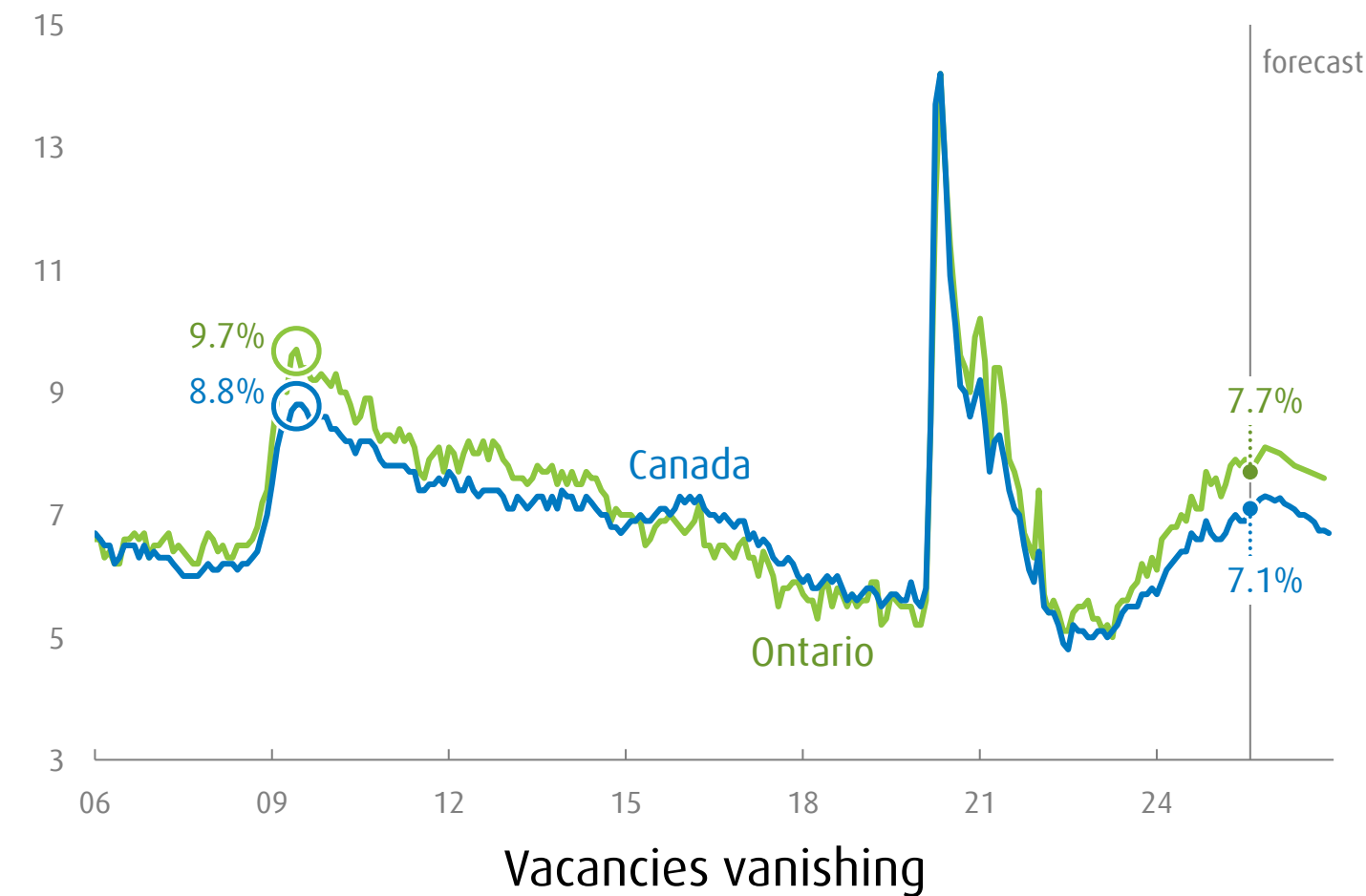
Canada – Real GDP (% chng)



¹ Oil producers • ² Forecast

Job markets softening

Unemployment rate (percent)

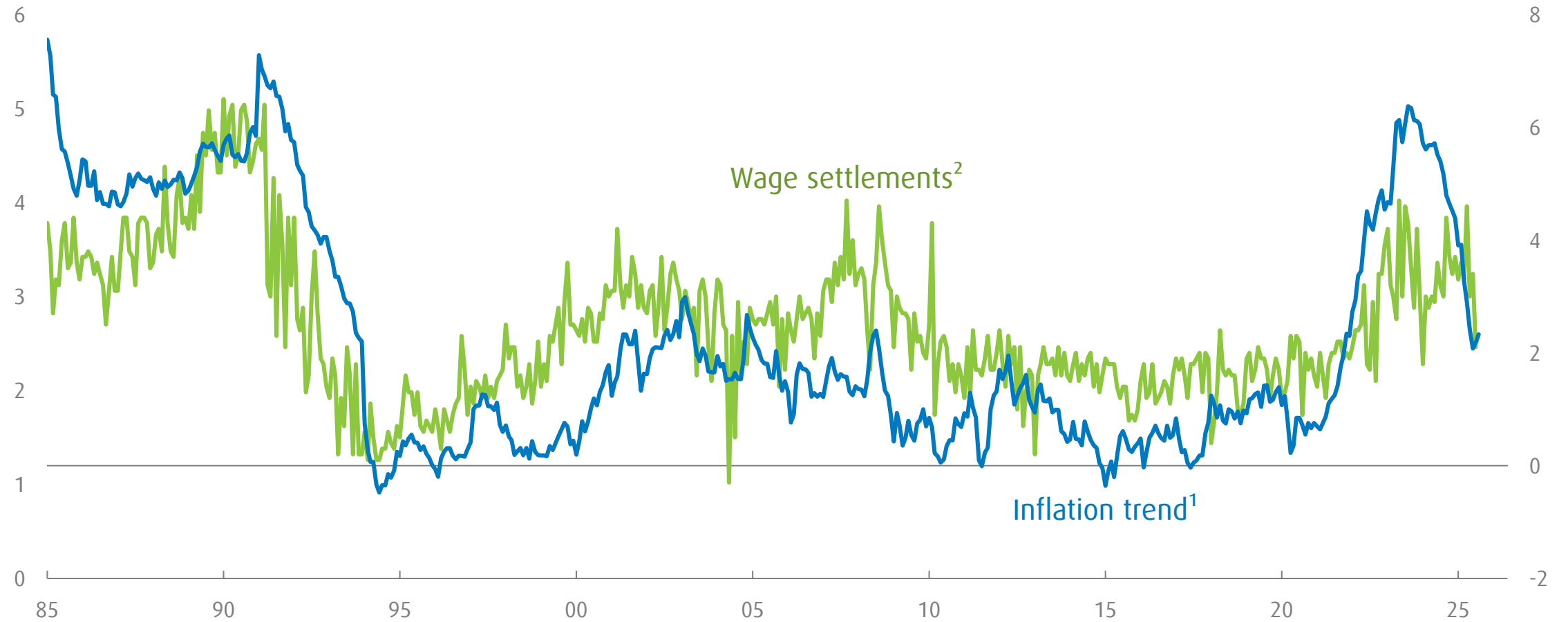


	Current	Pre-COVID ¹
Newfoundland and Labrador	10.7	12.6
Alberta	8.4	7.4
Prince Edward Island	8.1	8.2
New Brunswick	7.7	7.4
Ontario	7.7	5.6
Canada	7.1	5.8
Nova Scotia	6.5	8.6
British Columbia	6.2	5.4
Quebec	6.0	4.5
Manitoba	5.7	5.3
Saskatchewan	4.7	6.6
United States	4.3	3.5
Toronto	8.9	5.4

Cities: (3-mth m.a.) • ¹ February 2020

Wage train is rolling

Canada

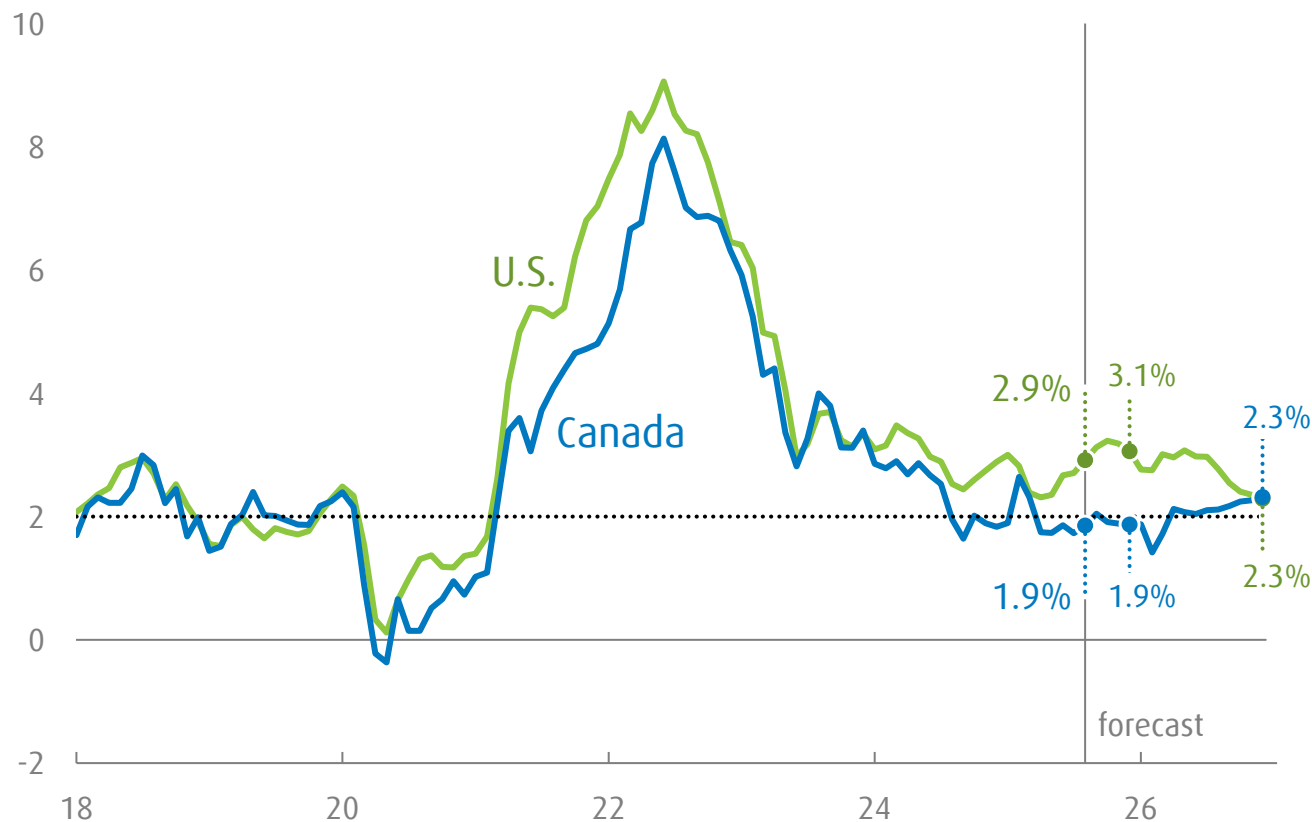


¹ (lhs : CPI : 3-yr ann. % chng) • ² (rhs : annual % adjustment)

Inflation progress meets tariff uncertainty

(y/y % chng)

Consumer price index

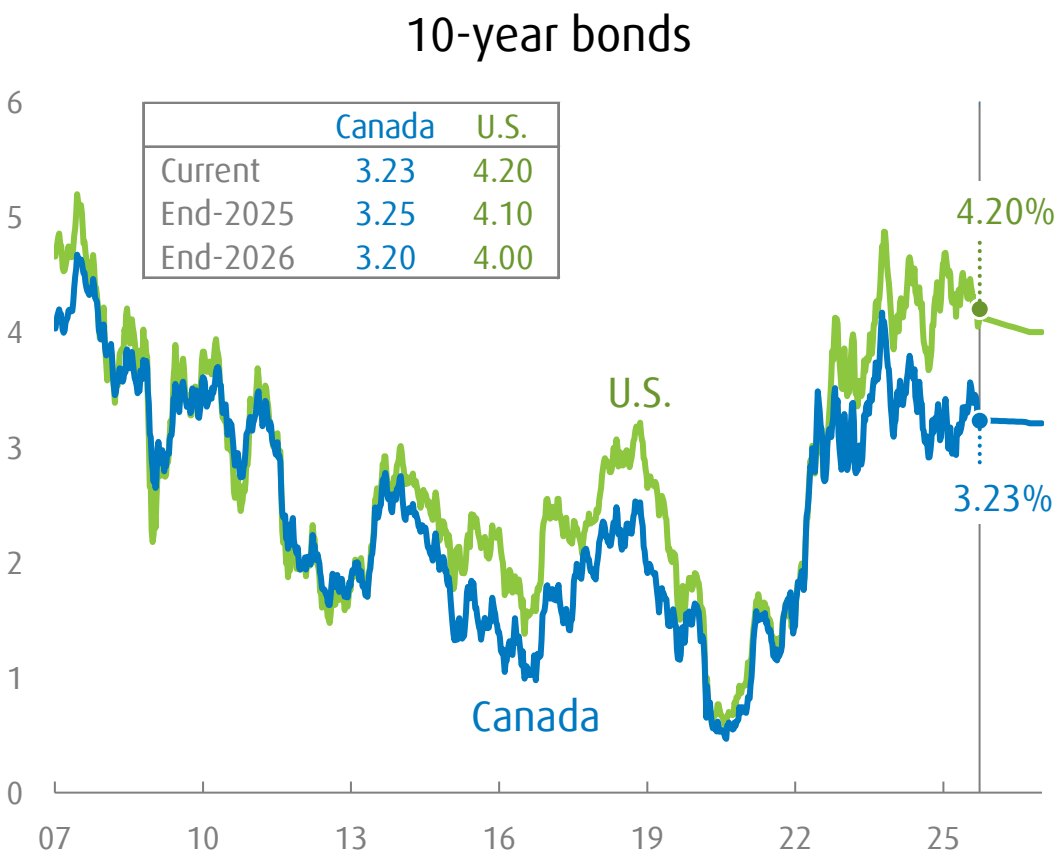
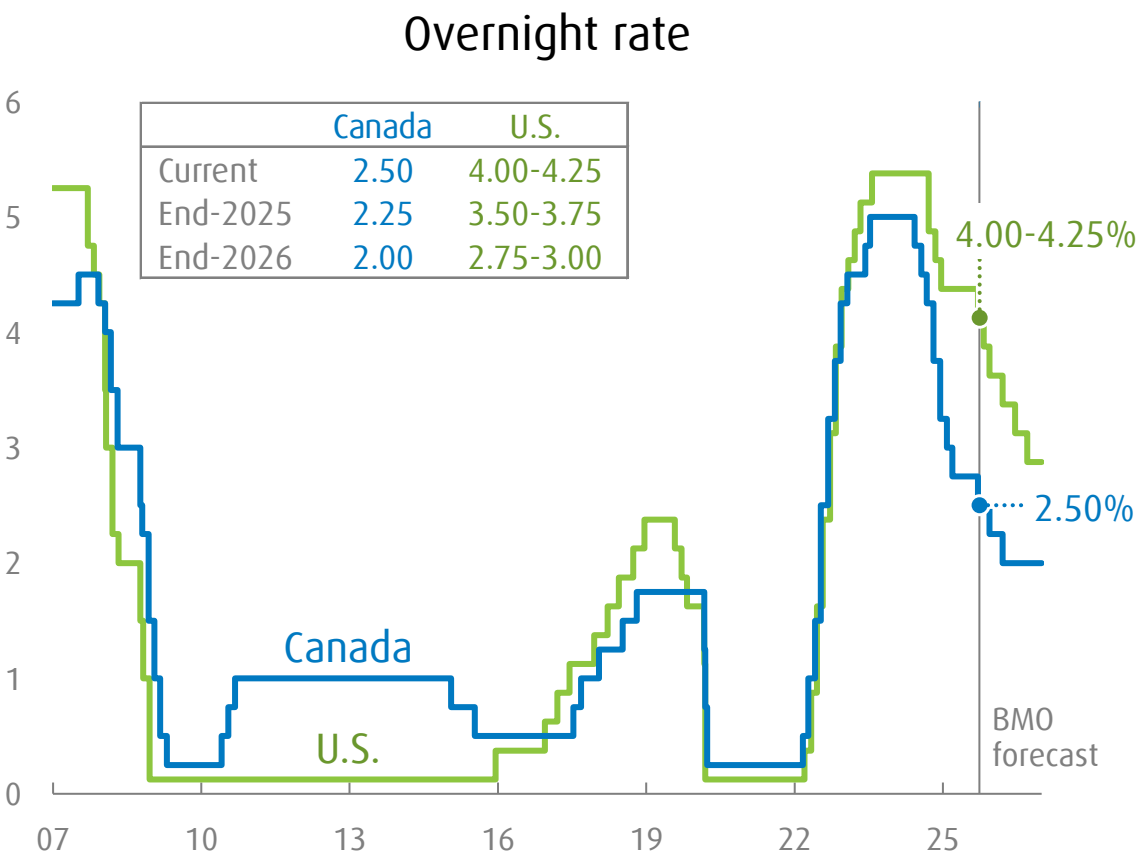


Inflation drivers:

- ✓ COVID-era demand
- ✓ Supply-chains
- ✓ Oil and agriculture prices
- ✓ Housing/asset prices
- Services
- ✗ Wage pressure
- ✗ Trade war
- ✗ Psychology

Rate cuts resume

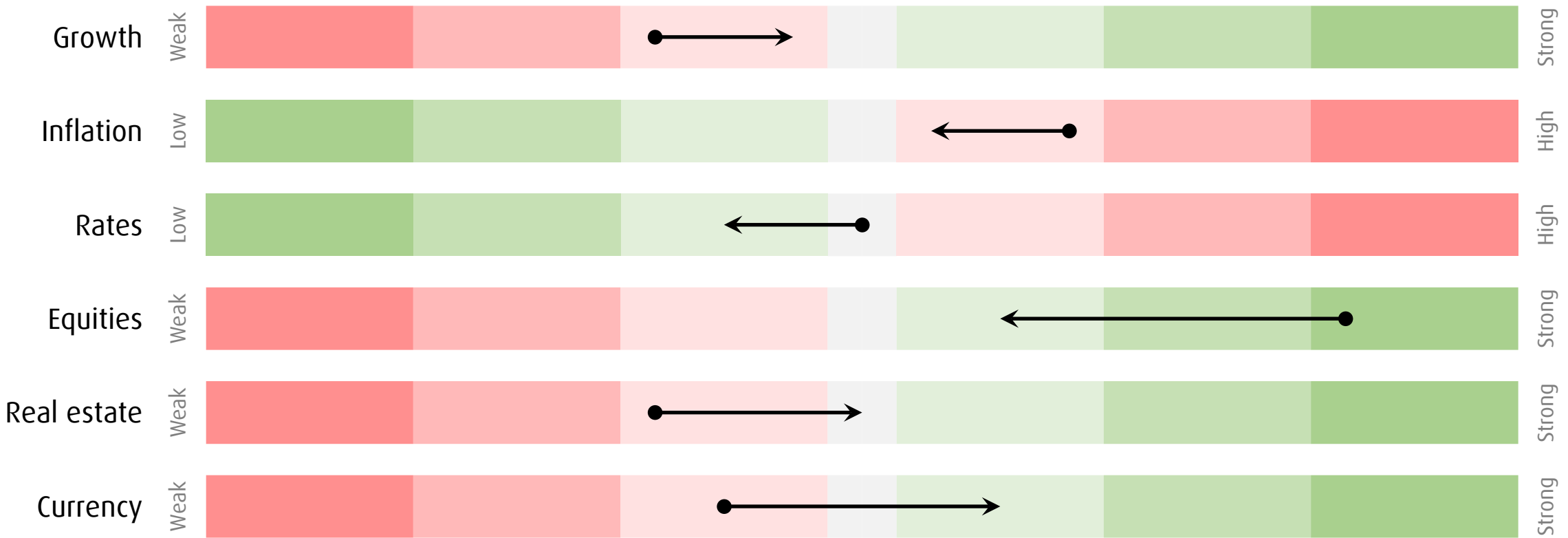
(% : as of September 26, 2025)



Neutral rates higher than past decade

Economic and financial market dashboard

Canada



Arrows represent expected change over the next 6 to 12 months

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