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The Regional Municipality of Durham
Information Report

From:	Commissioner of Finance
Report:	#2026-INFO-09
Date:	March 6, 2026

Subject:

Economic Update – Anxiety and Hope Ahead of the Formal Renegotiation of the 2026 Canada - U.S. - Mexico Trade Agreement

Recommendation:

Receive for information.

Report:

1. Purpose

1.1 This report updates Regional Council on the economic environment, as monitored by the Finance Department, including key economic indicators and their potential impacts on the local economy and Durham Region programs.

2. Risks and Uncertainty: The Canada - U.S. - Mexico Trade Agreement (CUSMA) and Heightened Geopolitical Risks

2.1 On February 20, 2026, the United States (U.S.) Supreme Court struck down President Trump's tariffs imposed under the U.S. *International Emergency Economic Powers Act* (IEEPA). This invalidates some reciprocal and fentanyl-related tariffs imposed on various countries globally. The ruling however, does not affect sector-specific tariffs which continue to impact Canadian steel, aluminum, copper, lumber, autos and auto parts sectors (imposed under other U.S. laws). The decision does lift the 35 per cent tariff on Canadian products not qualifying under the Canada, U.S. Mexico Agreement (CUSMA). However, most Canada - United States (U.S.) trade (approximately 90 per cent) continues to benefit from preferential treatment under the CUSMA, so this impact is limited. In reaction, President Trump signed two Presidential Executive Orders and a Proclamation. Together these eliminated IEEPA tariffs tied to the northern border emergency, confirmed existing non-IEEPA tariffs and invoked section 122 of the *Trade Act of 1974*, to impose a 10 per cent temporary import surcharge on most exports to the U.S. effective February 24, 2026. The Proclamation explicitly describes the temporary import surcharge (set to last 150 days as allowed by statute), as over and above existing tariffs, but continues to exempt CUSMA-compliant goods.

2.2 The U.S. judicial ruling may add to trade uncertainties ahead of Canada's CUSMA renegotiations by increasing risks to other potential sectoral targets in the near term - immediate threats by Trump were to counter the Court decision using other trade tools at the President's disposal. As previously reported, investigations of potential other national security-based tariffs were already underway, including in the aircraft, agriculture and critical minerals sectors.

2.3 Sector-specific tariff measures, continued trade policy uncertainties and domestic efforts to diversify trade and reduce reliance on U.S. imports, has contributed to measurable shifts in trade flows. According to Statistics Canada, in 2025, Canada's annual merchandise trade deficit widened to $31.3 billion from $7.2 billion (2024), the largest deficit since 2020. Canada's export share to the U.S. fell from 75.9 per cent (2024) to 71.7 per cent (2025) a decrease of over $34.1 billion.

2.4 Until resolved, U.S. tariff actions and threats will continue to affect inflation, as well as uncertainty for businesses, stock markets and consumers, reducing confidence, delaying investments and threatening employment, investment opportunities and already waning Canadian economic growth.

2.5 CUSMA is undergoing its first mandatory six-year review, with a July 1, 2026, deadline to decide whether to extend the agreement for another 16 years, renegotiate elements of the agreement, or allow the deal to enter annual reviews to a potential expiry in 2036. This latter option is not desirable, as it could prolong already damaging uncertainties and further discourage large-scale investments that depend upon long-term market stability.

2.6 Canada has completed its internal CUSMA review, according to Prime Minister Mark Carney, who indicated readiness to formally engage with the U.S. and Mexico. Canada's negotiating leadership has been restructured, with Mark Wiseman appointed Ambassador to the U.S. and Janice Charette appointed Chief Negotiator for CUSMA, splitting the roles previously held by Kirsten Hillman. The federal government has also signaled that protecting tariff-free access and avoiding fragmentation into bilateral trade agreements remain core objectives.

2.7 Mexico also publicly reaffirmed its commitment to maintaining a trilateral trade agreement, with senior officials emphasizing cooperation with Canada to strengthen the agreement during the review. Canada and Mexico have also taken visible steps to deepen bilateral economic ties, with a new Canada–Mexico trade Memorandum of Understanding (MOU), focused on private-sector collaboration signed this month. The two countries also announced ongoing work to establish a joint Economic Action Plan to expand investment, reduce regulatory barriers, and strengthen supply chains (expected to be released later in 2026).

2.8 Meanwhile, U.S. officials have been explicit that the agreement will not be ‘rubber-stamped.’ President Trump has vocally threatened withdrawal from CUSMA, though there has been no formal decision. His rhetoric is widely viewed as leverage and part of a negotiation strategy. Trump and other U.S. officials have signaled willingness to shift to bilateral talks with each of Canada and Mexico, if a trilateral agreement can’t be reached, not the outcome desired by Canada or Mexico. U.S. Trade Representative Jamieson Greer (confirmed this month by the U.S. Senate) has identified several areas where the U.S. will seek changes, including rules of origin (especially autos and industrial goods), critical minerals, supply-chain security, labour and enforcement provisions. President Trump has also publicly targeted Canada’s agricultural quota system and marketing boards (e.g. dairy and poultry etc.).

2.9 U.S tariffs on steel, aluminum, copper (50 per cent), lumber (10 per cent), wood products (25 per cent) and the non-CUSMA compliant goods (35 per cent) tariff, struck down just days ago, were already affecting Ontario’s industrial base disproportionately.

2.10 In late January 2026, GM Canada eliminated its third (overnight) shift at the Oshawa Assembly plant, resulting in approximately 500 direct layoffs and citing reduced product demand as well as trade uncertainty. However, without reference to whether this staffing would be restored in future, on February 19, 2026, GM Canada announced a $63 million investment at the same plant, to prepare for production of next-generation, gas-powered full-size pickup trucks. The funding will be used for upgrades and enhancements and to improve overall readiness for the next truck cycle.

2.11 While this latest announcement provides hope, Ontario’s economy remains highly exposed to CUSMA outcomes because of its concentration in automotive, auto parts, steel, and advanced manufacturing, all deeply integrated into U.S. - Canada supply chains. U.S. hints of pressing changes to CUSMA rules of origin, and supply-chain provisions affecting autos and industrial goods, if successful would tighten rules and raise compliance costs for Ontario manufacturers and possibly disrupt just-in-time automotive production models that depend on seamless cross-border flows multiple times per vehicle.

2.12 Further, if the U.S. presses for separate bilateral negotiations with Canada and Mexico, Ontario could be more exposed to sector-specific concessions (e.g., autos, dairy, steel etc.) being negotiated under increased pressure. Ontario’s trade exposure is also not only limited to goods - manufacturing disruptions could cause ripple effects in related logistics, professional services, finance, and transportation sectors, also significant employment sectors in Durham and the rest of the GTA.

2.13 The Bank of Canada (BofC) highlighted the CUSMA review as a material downside risk to the Canadian economic outlook, warning an unfavourable outcome could lower Canadian GDP with effects on service-sector employment and provincial revenues. While elevated uncertainty is likely through mid-2026, the BofC noted prolonged uncertainty could further depress exports, competitiveness, capital spending, and hiring in trade-exposed provinces like Ontario.

2.14 Relevant pending milestones include the onset of the first trilateral meetings in advance of the July 1, 2026, CUSMA deadline, as well as an anticipated U.S. Trade Representative report from Jamieson Greer to the U.S. Congress. The report will outline broad U.S. trade objectives, including CUSMA (which the U.S. calls the United States Mexico Canada Agreement or USMCA).

2.15 Although still much smaller in terms of overall trade volumes compared to the U.S. ($220 billion compared to $556 million), Canadian exports to non-U.S. destinations increased 17.2 per cent in 2025, rising $32.3 billion. In 2026, Prime Minister Carney continues to focus on Europe and the Indo-Pacific (including China, India, southeast Asian nations, Australia, Japan) as core pillars for Canada’s go-forward economic strategy. Objectives include stabilizing long-term demand for Canadian goods and investment, enhancing security and technology relationships and diversifying trade and market access abroad.

2.16 On January 16, 2026, Prime Minister Carney released a Joint Statement with China’s President Xi, including their agreement to collaborate on energy, clean technology, and climate. Canada agreed to allow up to 49,000 Chinese electric vehicles into the Canadian market, with the most-favoured-nation tariff rate of 6.1%. China agreed to lower tariffs on Canadian canola seed to a combined rate of approximately 15%, from combined tariff levels of approximately 85%. Effective March 1, 2026, Canadian canola meal, lobsters, crabs, and peas are not subject to relevant anti-discrimination tariffs until at least the end of 2026.

2.17 On March 2, 2026, Prime Minister Carney released a Joint Statement with India’s Prime Minister Narendra Modi welcoming five Memorandums of Understanding (MOU), and announcing a broad range of initiatives to renew/expand the Canada-India partnership. The Statement “…affirmed that enhanced bilateral cooperation across growth, innovation, energy transition, food and nutrition security, trusted digital ecosystems, resilient supply chains, skills and talent mobility, and people-centric development will serve as a catalyst for resilient societies, shared prosperity, and a more sustainable future for both countries…” They launched negotiations for a Comprehensive Economic Partnership Agreement (CEPA), noting significant business investment commitments made in recent months, including the conclusion of a CAD $2.6 billion commercial agreement between Cameco and the India Department of Atomic Energy, for the long-term supply of uranium for India’s clean energy transition. The CEPA is expected to more than double bilateral trade to $70 billion by 2030.

2.18 Beyond CUSMA and other trade negotiations, a range of geopolitical risks are having direct and indirect economic and cost impacts. Escalation of tensions in the Middle East is raising global oil prices. The U.S.- Isreal- Iran conflict, which commenced on February 28, 2026, has threatened the disruption of shipping through the Strait of Hormuz. This event will likely lead to supply shortages and will result in higher gasoline, diesel, and transportation costs, internationally. With signs the now broadened conflict will be prolonged, instability in the Middle East may lead to greater supply chain disruptions and elevated freight and input costs across economic sectors. Meanwhile, ongoing geopolitical tensions related to Russia's war in Ukraine were already impacting energy, fertilizer, and grain markets around the world.

2.19 Strategic competition between the U.S. and China, given their market size, also poses input cost, price volatility and market access risk. Collectively, geopolitical risks significantly increase investment uncertainty, while increasing exposure to external price shocks, cost escalation and supply disruption.

3. Consumer Price Index

3.1 On February 17, 2026, Statistics Canada released its Consumer Price Index (CPI) data for the month of January. The CPI rose 2.3 per cent on a year-over-year basis in January, following a 2.4 per cent increase in December 2025.

3.2 Gasoline prices were the largest contributor to the deceleration in headline inflation, with a larger decline in January compared with December. Gasoline prices fell 16.7 per cent year over year in January, after a 13.8 per cent decline in December. The larger year-over-year decline was mainly due to a base-year effect. Excluding gasoline, the CPI rose 3.0 per cent in January, matching the increase in December.

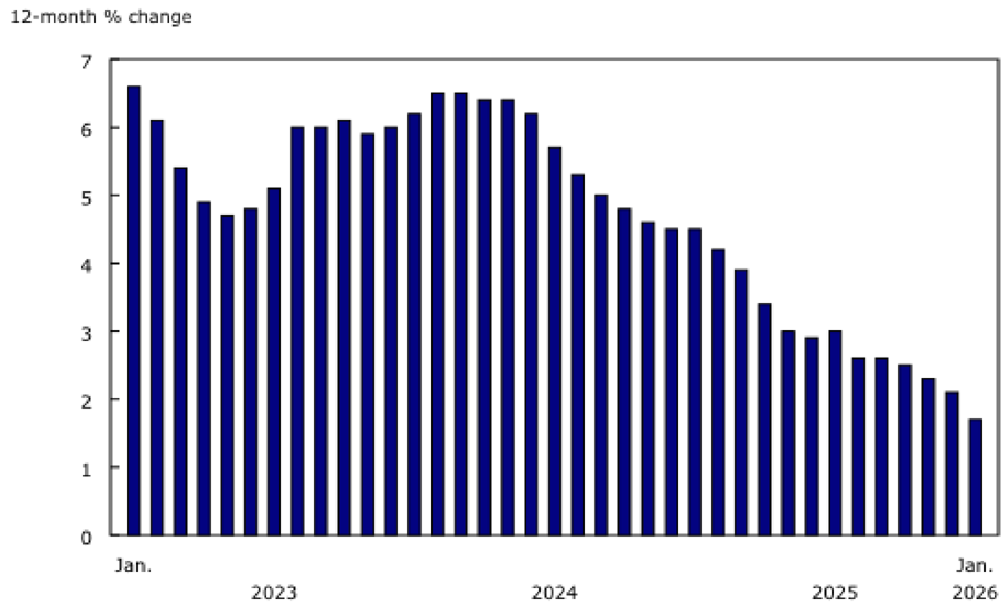
3.3 Indexes with year-over-year movements impacted by the temporary GST/HST break in January 2025 continued to put upward pressure on the year-over-year all-items CPI increase in January 2026. Of the affected indexes, the CPI continued to be most impacted by acceleration in prices for restaurant meals, and to a lesser degree, prices for alcoholic beverages, toys and children's clothing.

3.4 Prices for cellular services slowed down in January, rising 4.9 per cent year over year, compared with 14.6 per cent in December. This comes after six months of steady increases. Month to month, prices dropped 0.8 per cent in January 2026, after jumping 8.3 per cent in January 2025.

3.5 Food prices from stores were up 4.8 per cent year over year in January, a bit slower than December's 5.0 per cent rise. The main reason for the slowdown was cheaper fresh fruit, which dropped 3.1 per cent in January, after rising 4.5 per cent in December. With solid harvests in major growing regions, berries, oranges, and melons put the most downward pressure on prices.

3.6 Since early 2024, shelter cost growth has been slowing year over year. In January 2026, price growth was easing, rising just 1.7 per cent - the first time in almost five years that shelter inflation dipped below 2.0 per cent. The slowdown mainly came from softer growth in rent and mortgage interest costs.

Chart 1: Continued downward trend in shelter price growth



Source: Statistics Canada Table: 18-10-0004-01

3.7 Ontario's CPI rose at a slower year-over-year pace in January (+2.0 per cent) compared to in December (+2.1 per cent).

4. Construction, Fuel and Commodity Prices

4.1 Construction, commodity and fuel price increases and volatility have direct implications on Regional budgets and are largely driven by North American and global markets beyond the Region's control.

4.2 Although risks and uncertainty continue as noted, construction cost escalation appears to have stabilized somewhat in 2025. The level of increase, based on Statistics Canada's non-residential building construction cost index, was lower, at an average quarterly increase of 0.9 per cent during 2025, compared to the average quarterly increase of 2.0 per cent that had occurred between the fourth quarter of 2021 and the fourth quarter of 2024. The index is also further from the non-residential construction price index quarterly peaks during the pandemic, which reached between 3.8 per cent (Q1 2022) and 5.0 cent (Q2 2021).

4.3 The year-over-year increase in non-residential construction costs was 3.6 per cent, in the fourth quarter of 2025 versus the fourth quarter 2024.

4.4 For February 2026, average monthly fuel prices were at 1.32 per litre for regular gasoline and $1.56 per litre for diesel. Year-over-year, compared to February 2025, the Toronto benchmark regular gasoline price is 15.4 per cent lower (24 cents per litre) in February 2026. Diesel was 7.7 per cent (13 cents per litre) lower.

4.6 The Statistics Canada Industrial Product Price Index (IPPI) measures price changes for products manufactured in Canada. It reflects 22 industrial product price categories. Industrial product prices affect Regional material processing and construction costs. Year-over-year for December 2025, the IPPI index at 134.6 is 4.9 per cent higher than December 2024, largely driven by primary non-ferrous metals (+43 per cent), including gold, silver and copper. Higher primary non-ferrous metal products reflect soaring gold prices, as governments and investors turn to gold and other precious metals (e.g. silver, platinum) during heightened political instability and potential for stagnant growth, higher inflation and rising unemployment. Higher copper and aluminum prices, also in the non-ferrous category, reflect tariffs and tariff threats, but also higher demand in the green energy, aerospace and packaging sectors.

4.7 Year-over-year prices fell in some categories, including wood and wood products (-8.2 per cent), primary ferrous (iron-rich) metals (-2.2 per cent), energy and petroleum products (-2.2 per cent) and machinery and equipment (-0.8 per cent). The decrease in lumber and wood products reflects weaker residential construction, and a base effect from higher prices in late 2024. Similarly lower ferrous metals (primarily steel and iron) can be attributed to weaker steel demand related to construction and manufacturing activity and lower fuel input costs.

4.8 Higher industrial product prices for fabricated metal products and construction materials (+6.1 per cent per cent year-over-year) reflect tariffs, and higher costs related to labour shortages and supply chain issues. Also, while residential construction demand softened higher fabricated metal and construction materials prices, there is an offsetting lift due to sustained demand from non-residential public infrastructure construction. Cement, glass and non-metallic minerals (+3.4 per cent year-over-year) reflect supply chain pressures and strong demand for green building initiatives, while packaging materials and containers (+3.4 per cent) reflect high consumer demand and higher freight, logistics and shipping costs.

5. Bank of Canada Interest Rate Decisions

5.1 On January 28, 2026, the Bank of Canada (BofC) released its latest Monetary Policy Report, which maintained its target for the overnight rate at 2.25 per cent. The outlook for the global and Canadian economies is little changed relative to the projections in the October Monetary Policy Report; however, the outlook is vulnerable to unpredictable US trade policies and geopolitical risks.

5.2 The BofC highlighted that the U.S. economy is still running hotter than expected, thanks to AI-related investment and steady consumer spending. Tariffs are pushing U.S. inflation up for now, but that should ease later this year. Europe is seeing modest growth, and China's economy is expected to slow as weaker demand at home cancels out stronger exports. Altogether, global growth is expected to hover around three per cent.

5.3 The BofC believes financial conditions worldwide are still fairly supportive. The U.S. dollar has slipped a bit, nudging the Canadian dollar just above 72 cents per U.S. dollar. Oil prices continue to fluctuate because of global tensions but are expected to stay slightly below what the BofC predicted back in October.

5.4 Looking ahead, the BofC forecasts that Canada's growth is expected to stay modest as population growth slows and the country adjusts to U.S. protectionism. The BofC expects GDP to grow 1.1 per cent in 2026 and 1.5 per cent in 2027. Inflation ticked up to 2.4 per cent in December because of temporary tax-related effects, but underlying inflation continues to cool.

5.5 The next scheduled date for announcing the overnight rate target is March 18, 2026. The BofC's next Monetary Policy Report will be released on April 29, 2026.

6. Economic Growth

6.1 International trade uncertainty and volatility have been a persistent feature in the Canadian economic growth backdrop over the last year.

6.2 In Canada, economic growth, as measured by real Gross Domestic Product declined by 0.2 per cent in the fourth quarter of 2025. The decline stemmed mainly from withdrawals of business inventories, particularly in manufacturing and wholesale trade, after substantial inventory accumulation earlier in the year. However, higher exports, household spending, and government capital investment managed to offset these forces. On a per-capita basis, GDP was flat. For the full year 2025, real GDP grew by only 1.7 per cent, the slowest pace since 2020, largely due to weaker exports—especially to the United States—following a mid-year contraction.

6.3 Inventories played a central role in the fourth quarter downturn. Businesses drew down non-farm inventories, including significant reductions in manufacturing, wholesale, and motor vehicle retail inventories. Farm inventories, however, rose for the first time in three years due to strong 2025 crop output. Meanwhile, exports increased 1.5 per cent in Q4, led by unwrought gold and aluminum products, although total exports for 2025 fell 1.7 per cent.

6.4 Household spending strengthened in Q4, rising 0.4 per cent after a decline in Q3. Growth was concentrated in services, particularly rent and financial services, while goods spending fell for a second consecutive quarter, including declines in new vehicle purchases and alcoholic beverages. For the year, household consumption rose 2.3 per cent, mirroring the pace of the prior two years.

Business residential investment decreased in Q4, with contractions in ownership transfer costs, renovations, and new construction. Despite the quarterly decline, residential investment for 2025 recorded its first annual increase since 2021.

6.5 Annual expenditure patterns showed modest increases in consumption (+2.3 per cent) and government spending (+2.4 per cent), while exports dropped and imports declined slightly.

7. Labour Market

7.1 Canada's economy shed approximately 25,000 jobs in January 2026, following little change in December. Full-time positions rose by 45,000, while part-time positions fell 70,000. Since January 2025, full time positions are up 149,000, while part-time roles have fallen by 14,000.

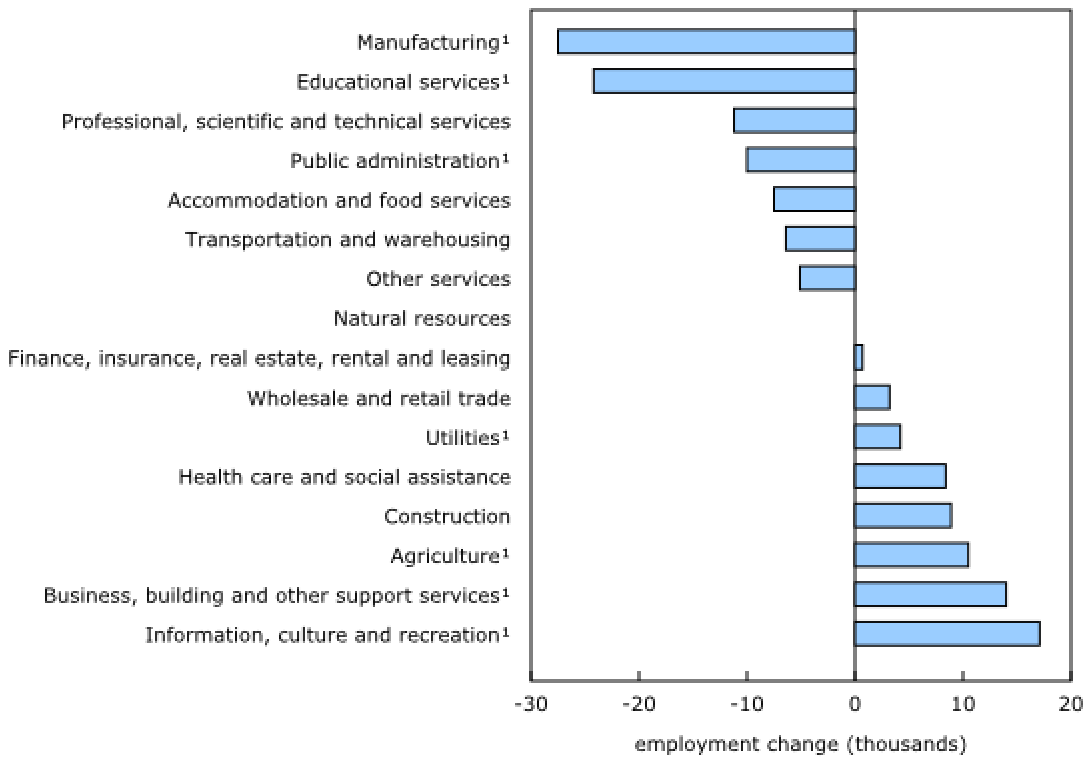
7.2 The employment rate - the proportion of the population aged 15 and older who were employed - fell 0.1 percentage points to 60.8 per cent. This was the first decline in the employment rate since August 2025.

7.3 The unemployment rate fell by 0.3 percentage points to 6.5 per cent in January, driven by a decline in the number of people searching for work (-94,000; -6.1 per cent). The unemployment rate in January was the lowest since September 2024 and was down 0.6 percentage points from the recent high of 7.1 per cent recorded in August and September 2025.

7.4 The labour force participation rate - the proportion of the population aged 15 and older who were employed or looking for work - decreased 0.4 percentage points to 65.0 per cent in January, following an increase of 0.2 percentage points in December.

7.5 The decline in January was concentrated in Ontario. The number of people working in manufacturing fell by 28,000 (-1.5 per cent) in January, bringing employment down to levels last observed in August 2025. The decline in January was concentrated in Ontario. On a year-over-year basis, overall employment in manufacturing nationally was down 51,000 (2.7 per cent).

Chart 2:
Employment change by industry, January 2026



7.6 Employment in Ontario fell by 67,000 (-0.8 per cent) in January. However, despite the employment decrease, the unemployment rate fell by 0.6 percentage points to 7.3 per cent in January, as fewer people searched for work.

7.7 The labour force participation rate in Ontario fell by 1.0 percentage point to 64.4 per cent in January, more than offsetting the 0.6 percentage point increase recorded in December. Across major age groups, the decline in the participation rate in Ontario in January was largest among youth aged 15 to 24 (-2.7 percentage points to 58.9 per cent).

7.8 In the Oshawa CMA, the unemployment rate dropped from 8.5 per cent in December 2025 to 8.1 per cent in January 2026. Much of this decline can be attributed to a drop in the labour force participation rate.

7.9 Across the broader community, many individuals stopped actively searching for work perhaps due to perceived lack of opportunities, which removes them from the labour force count; this is known as the discouraged worker effect. In addition, the decline in participation was most evident among youth (those between the ages 15 to 24), falling by 2.7 percentage points. This could be due to a higher percentage of young people prioritizing school enrolment (89 per cent) over job searching in a softening market.

7.10 In addition, over the same time period, the employment rate in the Oshawa CMA dropped from 63.3 per cent on December 2025 to 62.2 per cent in January 2026. Industries that experienced job losses during this period include:

- Manufacturing: This sector saw the most significant impact, primarily due to General Motors eliminating the third shift at the Oshawa Assembly Plant on January 30, 2026, resulting in approximately 500 direct layoffs of autoworkers.
- Supply Chain & Support Services: The GM production shift triggered an estimated additional 700 job losses across the local automotive supply chain.
- Professional, Scientific, and Technical Services: Following a broader provincial trend, this sector experienced its third consecutive month of negative growth in January, impacted by ongoing corrections in the tech industry.
- Public Administration: Employment in this sector edged down in January, following a national and provincial downward trend.

8. Housing Market Trends

8.1 The Canadian housing market in early 2026 is characterized by a "wait-and-see" approach from both buyers and sellers, resulting in a generally balanced but sluggish national environment. While the BofC has held its overnight rate at 2.25 per cent to start the year, many potential buyers remain on the sidelines due to economic uncertainty, higher unemployment, and the looming pressure of mortgage renewals at higher rates for those who locked in ultra-low pandemic pricing.

8.2 Nationally, residential sales activity saw a 16.2 per cent year-over-year drop in January 2026, partly exacerbated by severe winter storms in Central Canada. Despite this dip, inventory levels are gradually improving and shifting the power dynamic slightly toward buyers in several regions. Economists broadly anticipate that 2026 will be a transition year, where stable interest rates and slightly lower prices eventually unlock pent-up demand, particularly from first-time buyers, toward the latter half of the year.

8.3 Ontario’s housing market is currently the weakest in the country, experiencing the steepest price drops of any province. The average home price in Ontario fell to $778,102 in January 2026, a 6.4 per cent decrease from a year ago. High inventory levels and muted sales have created a buyer’s market in much of the province, with the sales-to-new-listings ratio plummeting to 32 per cent. Unlike other provinces where prices are stabilizing or rising modestly, Ontario is expected to see continued price erosion through the first half of 2026 before a potential recovery in 2027.

8.4 According to the Toronto Region Real Estate Board (TRREB), the Greater Toronto Area (GTA) has seen a significant milestone in 2026, as the average home price dropped below the $1 million mark for the first time in five years, landing at $973,289 in January. This 6.5 per cent annual decline is reflected across all property types, with detached homes averaging $1.28 million and semi-detached homes at roughly $946,000. Market activity in the GTA remains extremely quiet, with transactions down 19.9 per cent year-over-year as buyers struggle with uncertainty and affordability despite the recent interest rate hold.

8.5 In January 2026, Durham Region had an average home resale price of $818,694 compared to $860,951 in December 2025 and $896,611 in January 2025. Despite Durham's pricing trending lower year-over-year, Durham still maintains relative home resale affordability compared to peers. Durham's average home resale price in January was between 13.5 per cent and 35.7 per cent less expensive than other GTA Regions.

Table 1: Toronto Regional Real Estate Board: GTA Average Home Resale Selling Price (All Home Types)

	January 2026	Relative Affordability	Year-over-year Price Change
Durham	$818,694	-	-8.7%
York	$1,110,582	+35.7%	-8.7%
Peel	$929,058	+13.5%	-10.2%
Halton	$1,131,543	+38.2%	-2.7%
Toronto	$948,698	+15.9%	-3.8%

Source: Toronto Regional Real Estate Board, January Market Watch Report

8.6 The condominium sector in the GTA is under strain, with average prices falling nearly 10 per cent annually to $604,759. A massive influx of inventory from investors facing high carrying costs and a sharp decline in pre-construction sales have led to a glut of available units. Some smaller units in the GTA are reportedly being listed below $400,000, as sellers compete for a limited pool of buyers. This segment remains the most buyer-friendly in the GTA, offering significant negotiating power as inventory levels remain elevated.

8.7 Supply challenges continue to cloud the long-term outlook, as new housing starts in Ontario are projected to hit near two-decade lows in 2026. Developers are currently grappling with high construction costs, trade uncertainty, and a lack of pre-construction interest, leading to the delay or cancellation of many new projects.

8.8 Mortgage dynamics are a critical factor in this year's market, with approximately 60 per cent of all outstanding Canadian mortgages expected to renew in 2025 and 2026. Even with the BofC pausing its rate cuts at 2.25 per cent, homeowners renewing five-year fixed terms from 2021 are facing payment increases of 15 per cent to 20 per cent. This financial pressure is expected to drive more "forced" listings throughout 2026, further increasing inventory levels and keeping a lid on price growth in the near term.

8.9 Looking ahead, the TRREB forecasts that GTA home sales will eventually range between 60,000 and 70,000 transactions for the full year, similar to 2025 levels. While only 22 per cent of GTA residents currently intend to purchase a home this year, 45 per cent of those prospective buyers are first timers who may finally find an entry point as prices stabilize. Most analysts agree that 2026 will remain a "strategic" market where buyers benefit from choice and leverage, provided they can clear the high hurdle of current mortgage qualification standards.

9. Conclusions

9.1 Canada's economy is projected to grow slowly in 2026, making one of the weakest years in recent decades, outside of a recession.

9.2 Trade remains a major headwind. U.S. tariffs introduced in 2025 continue to raise costs for Canadian exporters, creating ongoing uncertainty. Many Canadian businesses will remain cautious by delaying or reducing investment. Exports are expected to decline again in 2026, though less sharply than in 2025. A slow recovery is anticipated in 2027 as businesses adapt and diversify into new markets.

9.3 Alongside trade challenges, Canadian domestic demand and household spending are also expected to remain weak from 2026 to 2028. Key factors include:

- High unemployment: Unemployment levels will stay elevated, limiting household spending.
- Modest income growth: Slower income growth will reduce discretionary spending.
- More cautious homeownership: Many households will delay buying homes and choose to rent longer.
- Mortgage renewals: Homeowners who got lower-rate mortgages during the pandemic will face higher rates when they renew. This will tighten budgets and encourage saving.
- Low population growth: Near-zero population growth will further reduce demand.

9.4 The Finance Department will continue to monitor the economic environment, U.S. trade policy and Canadian responses, as well as key economic indicators and will report on implications as required.

Respectfully submitted,

Original Signed By

Nicole Pincombe
Commissioner of Finance and Treasurer