The Main Street Quarterly

Small business insights into the Canadian economy | 2026 Q2

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Canadian economic forecast: GDP expected to rebound in 2026 Q2 and 2026 Q3

GDP contracted by 0.1% in the first quarter of 2026 on an annualized basis. Despite this early-year weakness, CFIB/AppEco economic forecasts based on the latest (June) data from CFIB's monthly Business Barometer® point to a recovery in the second and third quarters of 2026, with respective GDP increases of 2.7% and 1.6%. This resilience is expected to be driven primarily by strong oil and gas production, as well as sustained activity in the construction sector.

Retail sales growth increased sharply in the first quarter of 2026, reaching 8.9%. Forecasts indicate that this growth should continue, albeit at a more moderate pace, with expected increases of 6.5% in the second quarter and 3.6% in the third quarter.

CPI inflation was relatively stable at 2.1% in Q1 2026. It rose to 3.1% year over year in Q2 2026 and is expected to edge up to 3.4% in Q3 2026. Core inflation, excluding food and energy, dropped slightly at 1.7% in the second quarter, but is expected to rise back up to 2.0% in Q3 2026. This rebound in inflation is occurring in a context of geopolitical tensions in Iran, which are maintaining medium-term pressure on prices.

Private investment continued to decline in the first quarter of 2026. Forecasts point to a much sharper contraction in the second and third quarters, with decreases of 6.3% and 4.7%, respectively. This weakness occurs amid ongoing uncertainty as CUSMA enters an annual review process.

Payroll employment remained stable in the first quarter of 2026. Forecasts point to a slight increase in the second and third quarters, with respective gains of 0.4% and 0.3%, suggesting moderate labour market growth, in line with recent quarters.

AppEco Analyse stratégique • Analytics	History				Estimate	Forecast	YTD*	
	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2025	2026p
GDP by expenditure								
Level, chained $B (2017)	2,496	2,508	2,502	2,501	2,517	2,527	2,502	2,515
Q/Q annualized growth	-1.0%	1.9%	-1.0%	-0.1%	2.7%	1.6%		
Y/Y growth	2.0%	1.7%	0.7%	-0.1%	0.8%	0.8%	2.2%	0.5%
GDP by industry, business sector								
Level, chained $B (2017)	1,884	1,900	1,899	1,901	1,913	1,919	1,891	1,911
Q/Q annualized growth	-0.9%	3.5%	-0.2%	0.3%	2.6%	1.2%		
Y/Y growth	1.5%	1.9%	1.2%	0.7%	1.5%	1.0%	1.9%	1.1%
Retail sales								
Level, $M	70,202	70,325	70,602	72,118	73,269	73,914	70,203	73,100
Q/Q annualized growth	0.7%	0.7%	1.6%	8.9%	6.5%	3.6%		
Y/Y growth	5.0%	3.6%	1.3%	2.9%	4.4%	5.1%	4.4%	4.1%
CPI, total								
Level, index (2002 = 100)	164	164	166	167	169	170	164	168
Q/Q annualized growth	0.8%	2.3%	3.0%	2.5%	4.6%	3.6%		
Y/Y growth	1.8%	2.0%	2.2%	2.1%	3.1%	3.4%	2.0%	2.9%
CPI, excluding food and energy								
Level, index (2002 = 100)	155	155	156	157	157	158	155	157
Q/Q annualized growth	2.8%	1.8%	2.3%	1.3%	1.3%	3.2%		
Y/Y growth	2.6%	2.5%	2.5%	2.0%	1.7%	2.0%	2.5%	1.9%
Private investment								
Level, chained $B (2017)	427	426	424	421	414	409	427	414
Q/Q annualized growth	-0.5%	-1.3%	-1.7%	-3.0%	-6.3%	-4.7%		
Y/Y growth	0.5%	1.0%	-2.0%	-1.6%	-3.1%	-3.9%	1.1%	-2.9%
Payroll Employment								
Level, k persons	18,266	18,295	18,304	18,319	18,335	18,348	18,280	18,334
Q/Q annualized growth	-0.3%	0.6%	0.2%	0.3%	0.4%	0.3%		
Y/Y growth	0.2%	0.2%	0.2%	0.2%	0.4%	0.3%	0.4%	0.3%

* YTD stands for "Year-to-Date" and represents the average of quarters since the start of each year.
p Preliminary based on estimate and forecast.
Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.
Notes: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

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