

Economic Forecasts, Canada

Table 1 – Key macroeconomic variables, historical and forecasted data, Canada, 2024-2026

	History				Estimate	Forecast	Annual Average		
	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2010-2019	2024	2025
GDP by expenditure									
Level, chained \$B (2017)	2,484	2,498	2,486	2,502	2,506	2,526	2,044	2,456	2,498
Q/Q annualized growth	2.8%	2.2%	-1.8%	2.6%	0.6%	3.4%			
Y/Y growth	3.1%	2.9%	1.6%	1.4%	0.9%	1.2%	2.3%	1.6%	1.7%
GDP by industry, business sector									
Level, chained \$B (2017)	1,877	1,884	1,877	1,890	1,892	1,909	1,537	1,860	1,886
Q/Q annualized growth	2.7%	1.6%	-1.5%	2.7%	0.4%	3.6%			
Y/Y growth	2.2%	2.2%	1.1%	1.4%	0.8%	1.3%	2.6%	1.3%	1.4%
Retail sales									
Level, \$M	68,789	69,546	69,771	69,785	69,493	70,273	45,461	67,083	69,649
Q/Q annualized growth	10.0%	4.5%	1.3%	0.1%	-1.7%	4.6%			
Y/Y growth	3.5%	5.1%	5.4%	3.9%	1.0%	1.0%	4.2%	1.6%	3.8%
CPI, total									
Level, index (2002 = 100)	162	163	163	164	166	167	126	161	164
Q/Q annualized growth	1.8%	3.1%	0.6%	2.4%	2.9%	3.3%			
Y/Y growth	1.9%	2.3%	1.8%	2.0%	2.2%	2.3%	1.7%	2.4%	2.1%
CPI, excluding food and energy									
Level, index (2002 = 100)	152	154	155	155	156	157	121	151	155
Q/Q annualized growth	2.1%	3.3%	2.9%	1.8%	2.1%	2.5%			
Y/Y growth	2.1%	2.5%	2.6%	2.5%	2.5%	2.3%	1.6%	2.6%	2.5%
Private investment									
Level, chained \$B (2017)	432	427	426	427	427	431	406	425	427
Q/Q annualized growth	10.7%	-5.0%	-0.3%	0.2%	0.7%	3.5%			
Y/Y growth	2.9%	1.7%	0.3%	1.2%	-1.2%	1.0%	2.7%	-1.4%	0.5%
Payroll Employment									
Level, k persons	18,229	18,249	18,245	18,274	18,322	18,442	15,785	18,192	18,273
Q/Q annualized growth	0.0%	0.4%	-0.1%	0.6%	1.0%	2.6%			
Y/Y growth	0.9%	0.7%	0.3%	0.3%	0.5%	1.1%	1.5%	1.0%	0.4%

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.

Note: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

Canadian economy expected to grow in Q4 2025 and Q1 2026

Economic forecasts based on the most recent Monthly Business Barometer® data (December) indicate that GDP grew by 0.6% in Q4 2025, following a rebound in Q3. Year-over-year growth slowed to 0.9%. Overall, GDP growth settled at 1.7% in 2025, up from 1.6% in 2024, and remains relatively resilient given persistent geopolitical tensions and global trade uncertainty. Looking ahead, GDP growth is expected to accelerate in the first quarter of 2026.

Retail sales declined in Q4 2025, with nominal growth of -1.7%, marking the first contraction following several quarters of decelerating growth. On a year-over-year basis, growth fell to 1.0%. This downturn is expected to be temporary, with retail sales rebounding by 4.6% in Q1 2026. Despite a late-year slowdown, nominal retail sales growth averaged 3.8% in 2025, surpassing 2024 and supported by lower inflationary pressures.

CPI inflation rose to 2.2% year over year in Q4 2025 and is expected to edge up slightly to 2.3% in Q1 2026. Core inflation, excluding food and energy, remained stable at 2.5% in the fourth quarter, and is expected to fall slightly to 2.3% in early 2026. With total inflation close to the Bank of Canada's target, these numbers suggest that monetary policy has achieved its objective, although inflation dynamics remain sensitive to external shocks.

Private investment steadied in Q4 2025, posting modest growth of 0.7% while lingering uncertainty continues to weigh on business plans. However, year on year, investment declined by 1.2%. Investment is expected to recover more meaningfully in Q1 2026, with growth forecast at 3.5%.

Payroll employment increased by 1.0% in Q4 2025, following modest growth earlier in the year. Year-over-year employment growth reached 0.5%, bringing total employment growth for 2025 to a modest 0.4%. Employment growth is predicted to accelerate to 2.6% in Q1 2026.

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