TD Economics

Provincial Economic Forecast

Prairie and Atlantic Economies Holding Up Better Amid Tariff Whipsaw

June 18, 2025

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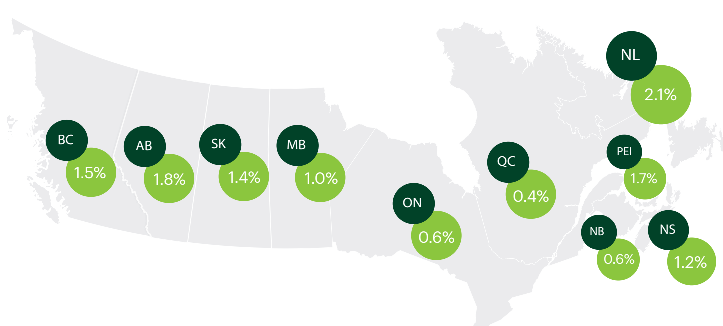
- Amid a downgraded national growth profile for 2025, we're retaining our view that the Atlantic and Prairie Regions outperform this year. B.C.'s economy is also expected to display resilience. In contrast, Ontario and Quebec are poised for much softer growth performances given their relatively high orientation towards manufacturing.
- Provincial economies across the country benefitted from a sharp rise in exports in Q1 due to tariff-front running, but the near-term trade picture is indeed rocky. Ontario and Quebec will see disproportionate impacts from U.S. tariffs on the steel, aluminum, and automotive sectors. We're also expecting that additional U.S. levies on copper, pharmaceuticals, semiconductors and lumber will be applied. Our assumption of a gradual easing in U.S. tariff rates by year end means that the stage is set for a modest recovery in Canada's industrial heartland in 2026.
- Commodity based economies are holding up better this year, but growth has still been downgraded relative to March. Expedited OPEC+ output plans and weak global demand have led us to mark down our oil price forecast, accentuated by an unexpectedly strong Canadian dollar. The recent escalation in Middle East tensions pose an upside risk to prices in H2-2025.
- Canada's labour market continues to cool. Ontario, Quebec, B.C., and Manitoba have been absorbing most of the shock so far this year, as unemployment rates have risen faster than in other regions. Unemployment rates in the Atlantic provinces have broadly stabilized as employment growth and labour force growth have weakened in tandem. Saskatchewan's labour market is the clear provincial standout due to its relative strength.
- With this year's provincial budget season wrapping, a few themes have emerged. Provincial revenues and overall fiscal balances are expected to take a hit this year, reflecting U.S. trade tensions, and provinces have introduced measures to buffer their respective economies in the short run. Ramped up capital spending plans also featured heavily. This could lift economic growth, but is also expected to boost already-elevated debt burdens.
- With some signals that pent-up demand may be returning, we're expecting positive growth in home sales in the back half of next year across Canada. Still, a weak economy and uncertainty should keep sales levels subdued. Near-term national home price growth will be restrained by loose supply/demand balances in B.C. and Ontario, although firmer price gains are expected elsewhere, where conditions are considerably tighter.

Provincial Real GDP Growth Forecast (2025)



Source: TD Economics. Forecast as of June 2025.

For more details on our national forecast see our Quarterly Economic Forecast

British Columbia

B.C.'s economy is coming off of a challenging 2024. We see some scope for limited improvement this year as the province remains more insulated from the impact of U.S. tariffs and related uncertainty: around 50% of exports head to non-U.S. trading partners, compared to the roughly 30% national average (Chart 1).

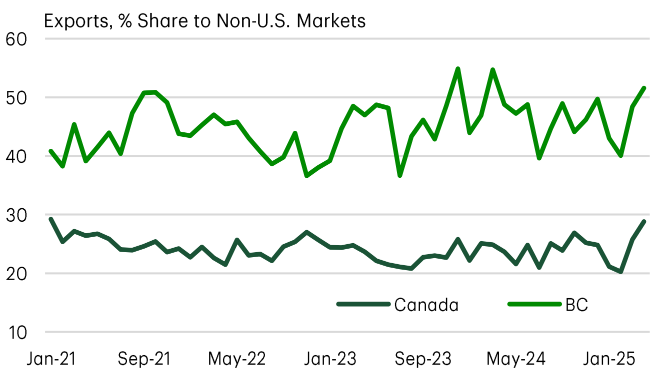
Coming off of a solid year, the energy sector is expected to remain a tailwind for economic growth once again this year. LNG Canada is preparing its first production this month, while construction and eventual production by Woodfibre LNG and Cedar LNG will provide support over the next two years. What's more, the B.C. government has recently approved the continued construction of the Prince Rupert Gas Transmission project.

While the wind down of other major resource projects has been weighing on the construction sector, first-quarter non residential investment is holding up better than we'd expected. On the flip side, residential investment has softened considerably given the backdrop of elevated uncertainty, slowing population growth and downbeat home sales (Chart 2). Next year, home construction prospects are more promising as these negative factors start to dissipate and the federal government likely pushes ahead with new housing measures. Indeed, we expect home resales in B.C. to expand by a robust 20% in 2026.

Consumer spending in the province has also improved somewhat. Inflation-adjusted retail spending through the first quarter is in the middle of the provincial pack after spending several quarters as a laggard. Looking forward, we expect spending to remain subdued as the lagged effects of elevated interest rates and affordability challenges take a toll on consumer demand. Labour markets are also loosening, as tepid employment growth has caused a rise in the unemployment rate to 6.4%. We expect the unemployment rate to crest at 6.6% by the end of 2025 before gradually declining into next year.

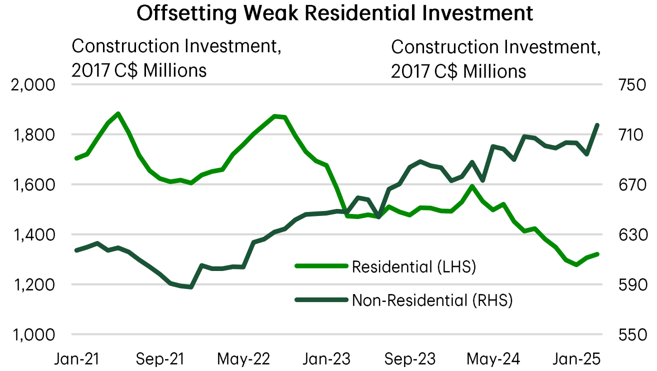
Elsewhere, B.C. will be disproportionally impacted by the recent doubling of U.S. countervailing/anti-dumping duties expected to rise to almost 35%–and that's before a potential incremental 25% tariff gets stacked on via Section 232 investigations. Exports of forestry products to the U.S. has softened as a result, though rising pricing in recent months are providing some offset. Potential tariffs on other exports like copper could also impact B.C.'s mining industry– BC is Canada's largest exporter of the red metal. On the latter, the province is implementing a longer-term plan to secure investment and capitalize on its resource advantage.

Chart 1: B.C.'s Economy Benefits From Greater Trade Partner Diversity



Source: Statistics Canada, TD Economics. Last observation: April 2025.

Chart 2: B.C. Non-Residential Construction Investment Offsetting Weak Residential Investment



Note: Seasonally adjusted.
Source: Statistics Canada, TD Economics. Last observation: March 2025.

British Columbia Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2024	2025F	2026F
Real GDP	1.2	1.5	1.3
Nominal GDP	3.7	4.1	3.6
Employment	2.4	1.3	0.6
Unemployment Rate (%)	5.6	6.4	6.1
Housing Starts (000's)	45.8	39.9	42.3
Existing Home Prices	1.7	-4.4	2.5
Home Sales	2.1	-5.0	19.5

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Alberta

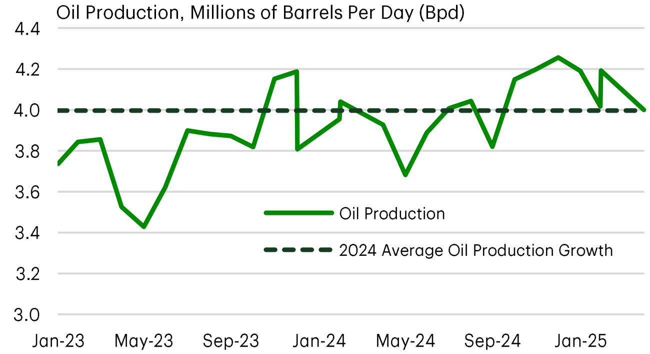
Alberta's economy turned in a solid GDP showing in 2024 and will likely fare better than most regions again this year. The energy sector continues to get a lift from the Transmountain Pipeline Expansion (TMX), which is aiding current production of above 4 million barrels per day (bpd), near record highs (Chart 1). Fortunately, oil and gas have been spared the worst from U.S. tariffs. As of April, some 85% of Alberta's oil and gas exports flowed tariff-free to the U.S. with the remaining exports subject to a lesser 10% rate. As a result, Alberta's energy export volumes to the U.S. are holding up better than other product categories. Not to mention the significant scale-up in oil export activity to Asia.

Zooming out, near-term challenges could cap the upside to growth in the energy sector. This includes a mix of sub-US$70 oil prices, a relatively firm Canadian dollar and heightened trade-related uncertainty. These headwinds are already weighing on capital investment plans, with investment spending slowing in Q1-2025. The recent escalation in Middle East tensions pose an upside risk to our H2-25 WTI assumption of $67 per barrel. Looking out further, oil sector prospects would brighten should new pipeline projects be expedited as "nation-leading projects" under the federal government's new legislation. Outside of oil & gas, combined public and private capex spending intentions of around ~6% should buffer near-term economic growth.

Job creation in Alberta ended 2024 on solid footing but has slowed in recent months. Alongside continued robust labour force growth, the unemployment rate has risen modestly, though the increase is less pronounced than in some other provinces. Still, on a year-to-date (YTD) basis, Alberta's labour market is creating jobs at an above average pace. Job growth is being driven by the retail and wholesale trade, health care, and construction sectors. On the latter, decent population growth and relative affordability advantages are also expected to keep demand for Alberta's housing market firm (Chart 2). This favorable outlook is consistent with an upgrade to our housing starts forecast.

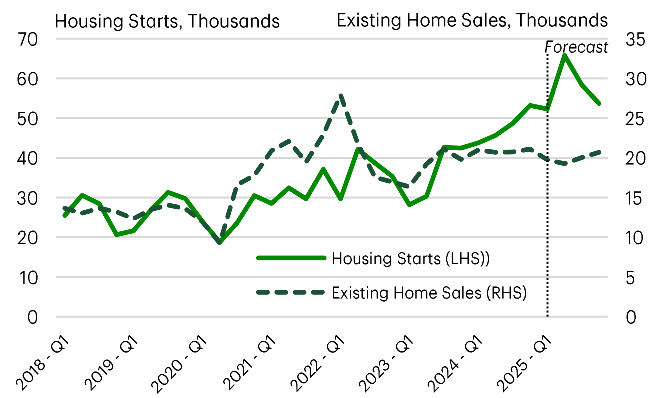
Elsewhere, the recently-implemented personal tax cut by the provincial government should provide a helping hand to household demand. Consumer spending has been responding to lower interest rates over the past year, as evidenced by Alberta's robust real retail spending gains. Although the outlook remains solid, we expect some caution to be displayed by households over the next few quarters amid ongoing tariff uncertainty.

Chart 1: Transmountain Pipeline Supporting Rising Oil Production in Alberta



Source: Alberta Energy Regulator, TD Economics. Last observation: April 2025.

Chart 2: Alberta Housing Demand To Keep Starts Elevated



Source: TD Economics.

Alberta Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2024	2025F	2026F
Real GDP	2.7	1.8	1.5
Nominal GDP	5.4	3.5	3.6
Employment	2.9	1.8	0.7
Unemployment Rate (%)	7.1	7.2	6.7
Housing Starts (000's)	47.8	57.5	42.7
Existing Home Prices	10.0	4.0	4.8
Home Sales	9.2	-4.5	10.9

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Saskatchewan

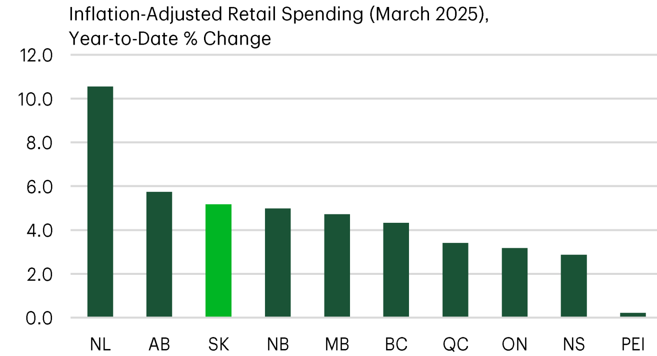
Saskatchewan's real GDP growth is set to moderate in 2025 after posting solid numbers last year. The province should still outperform again this year as it is well positioned to manage trade-related shocks. For one, the economy does not have significant direct exposure to industries targeted under U.S. Section 232 tariffs, such as steel, aluminum and lumber. The larger oil and mining sectors are facing a lesser 10% tariff and only levied on exports that meet USMCA compliance standards. Recent data suggests that over 80% of these sectors' exports have achieved compliance, meaning most goods are heading south tariff-free.

We continue to monitor Saskatchewan crop output, specifically canola oil and meal, which are confronting a lofty 100% tariff imposed on by China in late-March. Canola prices have moved higher in recent months which could help to partially buffer the impact on canola farmers. Saskatchewan's wheat sector may hold the line this year, with early-year seeding intentions essentially unchanged from last year while prices have moved sideways. Elsewhere in the commodities space, uranium and potash production are expected to scale up this year helped by rising prices, partially offsetting the drag from the oil sector, where output is off to a sluggish start this year. Our near-term WTI price forecast faces upside pressure on Middle East tensions, providing some modest underlying support to the oilpatch.

Saskatchewan's households appear to be in solid shape overall, with inflation-adjusted retail spending outpacing most provinces (Chart 1). This is function of the province's heated labour market, which is seeing employment growth running nearly twice as fast as its historical average, thanks to hefty gains in public administration, health care, and the construction sector. The latter is coming off its best annual showing in almost 20 years. Even alongside robust labour force growth, Saskatchewan's unemployment rate has drifted lower to 4.2%, its lowest level since mid-2022 (Chart 2). We expect some of this tightness to unwind in coming quarters, but the labour market should retain its position as one of the healthiest in the country.

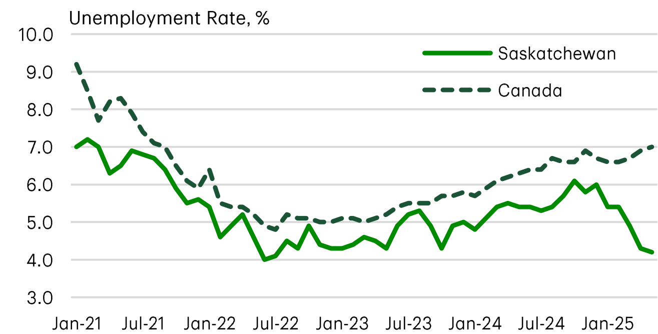
The provincial government has the second-lowest net debt burden across jurisdictions, which means more room to provide support in the event that downside growth risks materialize. Moreover, the recently released provincial budget pushed through a raft of tax cuts, notably raising the basic personal exemption, spousal and equivalent-to-spouse exemption, dependent child exemption and the seniors supplement by $500 a year, for the next four years.

Chart 1: Saskatchewan Retail Spending Holding Up Relatively Well in 2025



Source: Statistics Canada, TD Economics.

Chart 2: Saskatchewan Has the Lowest Unemployment Rate Across Provinces; Diverging From National Trend



Source: Statistics Canada, TD Economics. Last observation: May 2025.

Saskatchewan Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2024	2025F	2026F
Real GDP	3.4	1.4	1.2
Nominal GDP	5.5	4.1	2.9
Employment	2.6	1.7	0.2
Unemployment Rate (%)	5.5	5.0	5.2
Housing Starts (000's)	4.3	6.0	4.8
Existing Home Prices	6.4	7.6	5.2
Home Sales	8.9	-0.5	10.2

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Manitoba

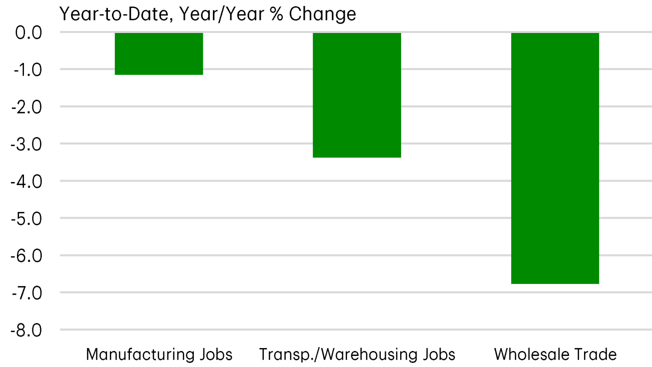
In 2025, Manitoba will likely notch a similar growth rate to last year's modest 1.1% pace. The trade picture is quite weak, with international exports down 20% in April compared to their December level. We've factored in U.S. tariffs on pharmaceutical products into our baseline forecast, which is Manitoba's largest south-bound export. And, U.S. economic growth is likely to suffer some slowing the back half of this year, further weighing on export demand. What's more, Manitoba relies disproportionately on interprovincial trade, with activity in important trading partners like Ontario poised to cool this year.

This softness will likely bleed over to other trade-exposed industries and these sectors have shown some signs of weakness. Activity at wholesalers has declined markedly so far in 2025 and hiring in the transportation/warehousing industry is down, joining the drop seen in the manufacturing sector (Chart 1). Agriculture is another trade-reliant sector where we expect little growth in coming months, in part due to 100% Chinese tariffs on Canadian canola products.

Manitoba's important utilities sector also depends on external demand, but it's in the midst of a rebound to normal levels from depressed activity in prior years and should add significantly to 2025 growth. Construction activity is also healthy in Manitoba, particularly in the non-residential space (Chart 2). This is due to large-scale hospital projects underway in the province. And the government's latest budget added some $500 million (0.5% of GDP) to it's capital spending plans for this year. Extreme wildfires engulfing Manitoba are exacting a devastating toll on residents, but rebuilding efforts are unlikely to add significantly to overall GDP growth (even with temporary mining closures), given the limited damage to structures so far.

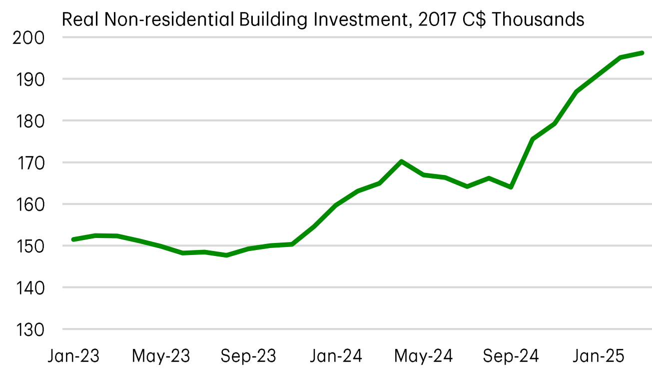
As noted, the provincial government will likely make its mark on Manitoba's economic growth. In addition to higher infrastructure outlays, the latest budget earmarked a solid program spending gain for this year. This should bolster the economy, especially given the public sector's relatively large size (accounting for about 25% of GDP). The government has also pledged tariff-supports amounting to about 1% of GDP – amongst the largest of any region in the country. Budget 2025 also forecasted a near 8% gain in revenues this fiscal year, underpinning a comparatively modest projected deficit amounting to 0.8% of GDP. Given the uncertain economic backdrop, the risk is that the fiscal picture sours by more than expected.

Chart 1: Flagging Activity in Manitoba's Trade-Exposed Industries



Source: Statistics Canada, TD Economics.

Chart 2: Hospital Projects Boosting Manitoba's Construction Sector



Source: Statistics Canada, TD Economics.

Manitoba Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2024	2025F	2026F
Real GDP	1.1	1.0	1.2
Nominal GDP	3.8	2.7	3.2
Employment	2.6	0.9	0.5
Unemployment Rate (%)	5.5	6.0	5.7
Housing Starts (000's)	7.2	6.9	6.2
Existing Home Prices	6.2	7.1	5.3
Home Sales	11.3	5.3	3.5

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Ontario

Ontario's 2025 budget committed the largest amount of fiscal support of any province (about 1.5% of GDP). And, with the cooling economic backdrop, it seems increasingly likely that firms will tap into at least some of that funding. After peaking in February, Ontario's jobs market has shed nearly 60k jobs, lifting its unemployment rate to 7.9% in May – the highest since the pandemic years (Chart 1). We should note that this cooling backdrop is following what should be a solid first quarter print for Ontario's GDP, supported by tariff front-running.

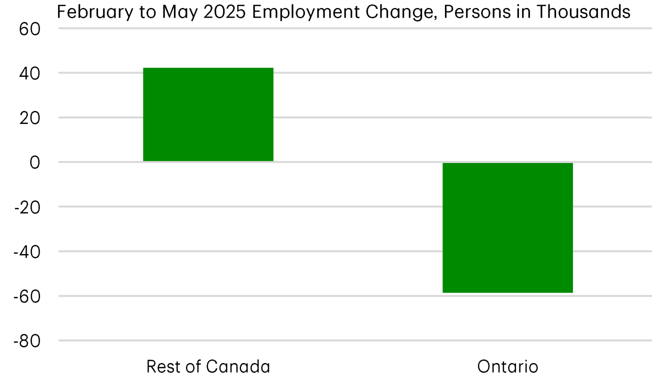
Over half of Ontario's jobs decline since February has been in the manufacturing sector, which is firmly in the crosshairs of U.S. tariffs on steel and finished automobiles. The aforementioned rush to get ahead of tariffs lifted manufacturing sales in the first quarter. However, the path forward is much murkier, as evidenced by the 10% m/m plunge in international exports in April. Our auto production forecasts also now see a sizeable decline in 2025, versus the small gain we had expected in March.

Beyond the direct impact of tariffs, it's the uncertain trading future with the U.S. that has led to firms paring their payrolls. This softening jobs market alongside rapidly cooling population growth are key reasons why we expect household spending to underperform in Ontario moving forward. Notably, inflation-adjusted retail spending was flat (quarter-on-quarter) to begin the year.

Along with B.C,. Ontario's housing market remains the weakest in Canada, with per-worker sales some 30% below their pre-pandemic levels. With supply/demand balances titled heavily in favour of buyers, we foresee home prices declining, on average, in the back half of this year (Chart 2).

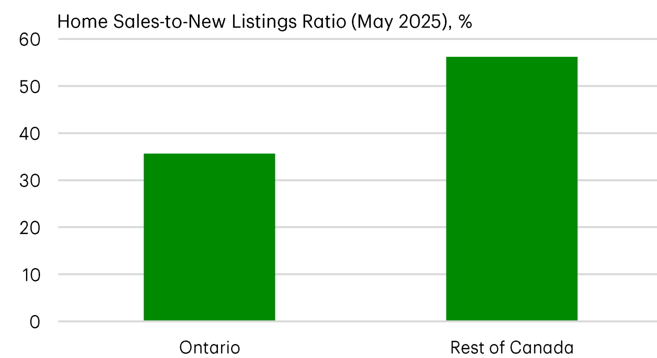
Ontario's economy will likely be leaning on its non-residential construction sector to add to growth this year. It's off to a solid start, with real non-residential building investment up 13% year-on-year so far. The provincial budget also added some $3 billion to capital spending this fiscal year, compared to the fall economic update. And non-residential spending will receive a sustained boost from the construction of four new small modular reactors at Darlington nuclear generating station. There is also upside risk to the province's investment outlook given the federal government's priority to push ahead with nation building projects.

Chart 1: Ontario's Cratering Jobs Market



Source: Statistics Canada, TD Economics.

Chart 2: Near-term Home Prices Declines Likely in Ontario's Loose Housing Market



Source: CREA, TD Economics.

Ontario Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2024	2025F	2026F
Real GDP	1.4	0.6	0.9
Nominal GDP	4.7	2.8	3.2
Employment	1.7	0.7	0.4
Unemployment Rate (%)	7.0	7.9	7.5
Housing Starts (000's)	74.5	62.6	64.7
Existing Home Prices	-0.3	-4.4	2.9
Home Sales	3.8	-9.9	19.4

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Québec

Quebec's 2025 real GDP growth has been downgraded by a comparatively large margin. The province didn't enjoy the same growth momentum heading into 2025 as the rest of Canada, with solid domestic demand offset by weakness in exports. What's more, first quarter growth likely fell short of our expectations in March on the back of softness in retail spending (Chart 1).

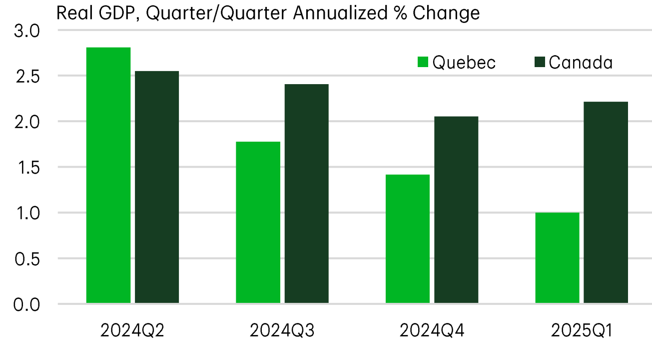
Quebec's trade-focused industries are facing a challenging backdrop. The sting of U.S. tariffs is likely to hit Quebec relatively hard due to its largest U.S.-bound export (aluminum) being subject to an elevated tariff rate. In fact, we estimate that the direct impact from U.S. tariffs on aluminum could shave 0.3 ppts from Quebec's GDP this year. What's more, Quebec's largest domestic trading partner, Ontario, is also struggling this year. Note that April's plunge in exports was relatively broad-based. And, other trade-exposed industries, like wholesale trade and transportation, are also being impacted.

Household spending growth will likely be slow in Quebec for the remainder of the year, as Quebec's jobs market cools in response to building economic headwinds. And indeed, employment has dropped 0.2% from its January peak (a steeper decline than the rest of Canada), weighed down by the manufacturing sector (Chart 2). However, there are some factors that should mitigate the extent of the cooling that takes place. Population growth isn't slowing by as much in Quebec, owing to less of a drag from non-permanent residents. In addition, home prices are still growing robustly in Quebec (supported by tight supply/demand balances), supporting wealth.

While these factors will offer some offset for household spending, other industries should buffer economic growth more broadly. For instance, utilities production is on the rise after a weak 2024 performance. Homebuilding is also running strong, lifted by construction of rental units.

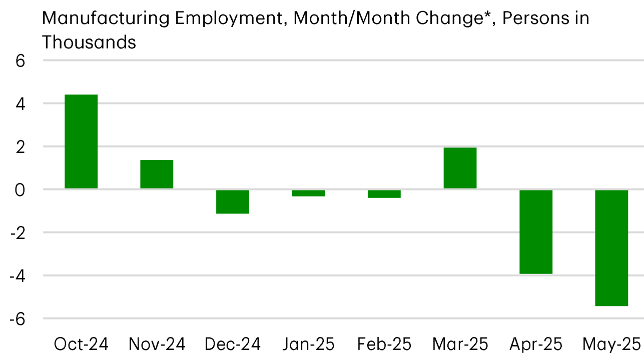
In its latest provincial budget, the Quebec government will up its infrastructure spending by about $4 billion per year to bolster the economy, supporting construction activity. The government has also pledged $1.6 billion in liquidity support for firms and will extend accelerated depreciation measures for the manufacturing industry. However, anticipated economic weakness has the province forecasting a FY 2025/26 deficit clocking in at a beefy 2.2% of GDP, while net debt climbs over 40%.

Chart 1: Quebec's Economic Growth Has Lagged for A Few Quarters



Note: Quebec's 2025Q1 performance is projected by TD Economics.
Source: Statistics Canada, Quebec Government, TD Economics.

Chart 2: Quebec's Manufacturing Sector Showing



*3-month moving average.
Source: Statistics Canada, TD Economics.

Québec Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2024	2025F	2026F
Real GDP	1.4	0.4	0.8
Nominal GDP	5.4	2.9	3.4
Employment	0.9	1.2	0.1
Unemployment Rate (%)	5.4	6.1	6.2
Housing Starts (000's)	48.8	58.8	48.8
Existing Home Prices	4.5	6.9	4.6
Home Sales	18.8	7.7	2.3

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

New Brunswick

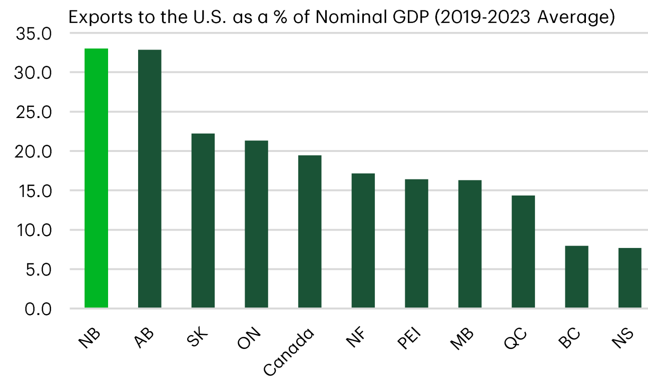
We've upgraded our 2025 New Brunswick (N.B) GDP forecast owing to a stronger-than-expected hand-off from 2024 and decent data markers so far in this year. The overall trade outlook has marginally improved since last quarter, with a number of U.S. tariffs on Canadian exports paused and NB's large refined petroleum product industry staying largely shielded from tariffs. That said, the province still carries a heightened vulnerability to the U.S.-Canada trade war which is expected to keep growth subdued in the near-term.

On the trade side, 90% of N.B.'s goods are shipped to the U.S., accounting for a third of GDP, the most of any province (Chart 1). For Canada as a whole, healthy export gains helped fuel first quarter GDP growth as American firms stockpiled inventories ahead of tariffs. New Brunswick's economy did not get the same growth lift, as exports slipped in Q1. The province's second largest export, seafood, is also in the crosshairs of a recently-implemented 25% tariff from China.

In recent quarters, consumer spending has helped buoy economic growth on the back of comparatively low average household debt levels and robust population growth. We do expect some of this momentum to wane, but near-term consumption prospects are still expected to be propped up by resilient labour markets. Notably, tariff-exposed sectors are managing to turn out decent job creation despite trade headwinds. Our forecast for a peak unemployment rate of around 7.4% by the end of the year would still be below pre-pandemic levels. What's more, the construction industry is getting a boost from robust housing demand that has kept residential construction elevated in recent months. Our forecast incorporates the impacts from a recent slowing in population growth, with effects on consumption more likely to show up in 2026 (Chart 2).

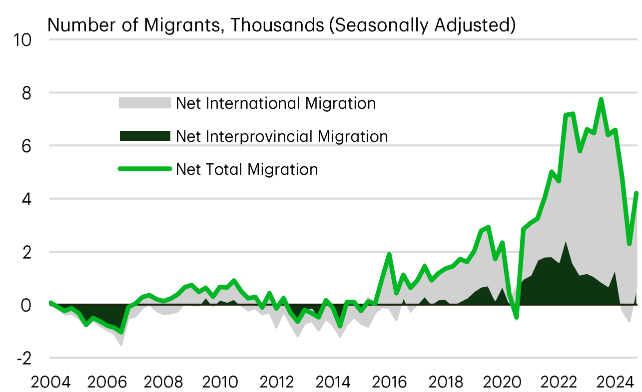
In response to the elevated trade uncertainty, the N.B. government established a support package of $112 million targeting both businesses and consumers. In addition, it is acting quickly to remove interprovincial trade barriers. Since March, the N.B. government has removed 14 of its 32 party-specific exceptions that were previously allowed under the Canadian Free Trade Agreement (CFTA). Removing these barriers works in the province's favour especially given its outsized reliance on interprovincial trade relative to other jurisdictions.

Chart 1: N.B. Has the Highest Export Exposure to the U.S.



Source: Statistics Canada, TD Economics.

Chart 2: N.B.'s Immigration Growth is Moderating



Source: Statistics Canada, TD Economics.

New Brunswick Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2024	2025F	2026F
Real GDP	1.8	0.7	0.8
Nominal GDP	4.0	2.8	2.9
Employment	2.8	0.9	0.0
Unemployment Rate (%)	7.1	7.1	7.5
Housing Starts (000's)	6.2	5.3	3.7
Existing Home Prices	10.4	5.7	4.5
Home Sales	4.4	2.7	5.4

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Nova Scotia

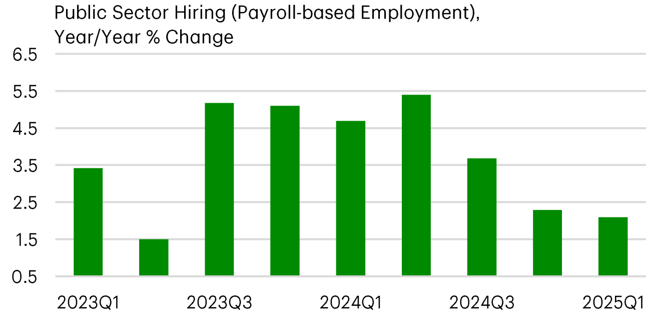
Nova Scotia's rate of expansion is expected to moderate sharply this year after a solid 2024 gain. Underpinning this view is the limp start to the year for the province's large finance and insurance sector, which has seen hiring contract in year-to-date, year-on-year terms. We also see public sector output growth softening a touch this year, in line with the latest provincial budget. Notably, hiring growth in the public sector has eased to begin 2025 (Chart 1). Moving forward, we expect that the federal government's plan to significantly ramp up defense spending will boost Nova Scotia's already-large defense industry, but this could be more of a 2026 story.

Manufacturing activity has had a firm start to the year, but it's likely only a matter of time before we see some weakness emerge, given some expected slowing in the U.S. economy and major domestic trading partners. We've already seen exports contract some 5% from January 2024 through April 2025. Seafood exports to China declined in April in the wake of a 25% tariff placed on these products by the Middle Kingdom.

Household spending in Nova Scotia has also had a solid start to 2025, with inflation adjusted retail spending up 3% compared to year-ago levels in the first quarter. Supportive factors include robust real wage growth and relatively low household debt burdens. However, we think this strength will likely fade over the near term, even with the lift from recent tax relief delivered by the Nova Scotia government. Most importantly, job growth has been on a downtrend in Nova Scotia (Chart 2), and the labour market is likely to continue softening. Another reason is that population growth is slowing rapidly, with it ratcheting down to 1% year-on-year – the slowest since 2021.

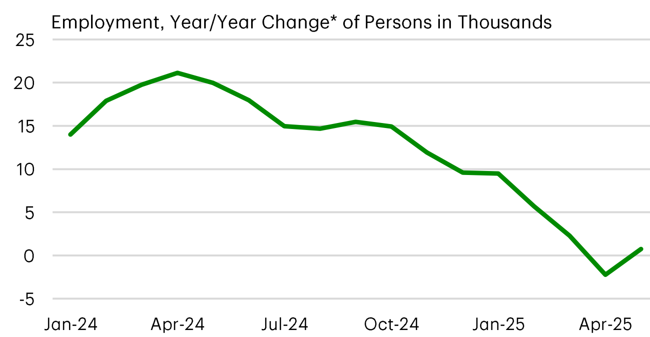
Construction activity should save Nova Scotia from an even weaker performance this year. Non-residential investment remains healthy, lifted by the large-scale QEII Halifax Infirmary Expansion. More broadly, the provincial government has a massive, $2.4 billion capital spending plan for FY 2025/26. Housing starts also remain elevated, supported by purpose-built rental construction. Like other regions in Canada, home sales and prices have cooled in tandem with the ramp up in uncertainty. However, we expect a stronger second half for sales as uncertainty eases, which should lift prices, given the tight starting point for supply/demand balances.

Chart 1: Cooling Public Sector Activity to Weigh on Nova Scotia's Growth



Note: Public sector hiring = education + healthcare + public admin. from the Survey of Employment, Payrolls and Hours (SEPH)
Source: Statistics Canada, TD Economics.

Chart 2: Nova Scotia's Rapidly Cooling Jobs Market a Headwind for Household Spending



*3-month moving average.
Source: Statistics Canada, TD Economics.

Nova Scotia Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2024	2025F	2026F
Real GDP	2.7	1.2	1.4
Nominal GDP	5.3	4.1	3.6
Employment	3.1	0.4	0.0
Unemployment Rate (%)	6.5	6.8	7.0
Housing Starts (000's)	7.4	8.6	6.2
Existing Home Prices	6.6	3.3	3.8
Home Sales	7.9	1.3	11.7

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Prince Edward Island

We've upgraded our 2025 real GDP forecast for PEI. This means that, in our view, the Island is likely to escape the current bout of economic turbulence on a reasonably solid footing.

Although manufacturing activity in the province will likely cool later in the year in response to trade tensions and slower growth of its trading partners, it has stormed out of the gates so far in 2025. Indeed, sales were up 10% (quarter-on-quarter) in the first quarter after a sizeable gain to end 2024. Construction is also likely to bolster PEI's economic growth this year. Building construction investment is growing robustly, lifted by non-residential spending. This strength is as expected, given the provincial government's solid capital spending plan and the 2025 public and private investment intentions data that showed a firm increase.

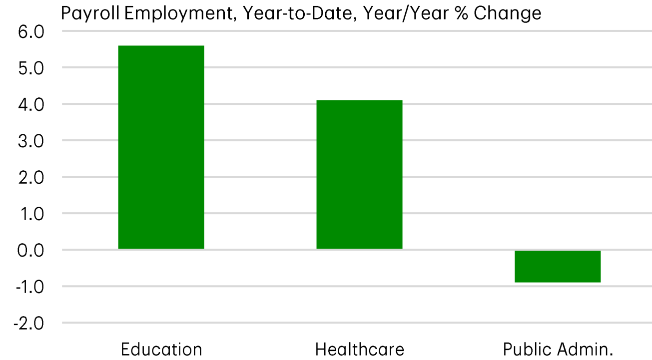
Our forecast anticipates the public sector adding as much as 0.5 ppts to GDP growth this year, consistent with strong spending plans contained in the latest budget. Helping this view is the 3% year-on-year gain in public sector hiring so far this year (Chart 1).

We also expect that PEI's relatively large tourism sector will see growth this year as Canadians divert away from the U.S. towards domestic-oriented travel (Chart 2). Year-to-date, overnight visits to PEI are up about 3.5%, as a rise in domestic and overseas visitors has offset a decline from U.S. travellers.

All these positives notwithstanding, PEI's economic growth is likely to be slower this year, after a nation-leading 3.6% gain in 2024. Underpinning this view is the Island's rapidly slowing population growth, which we think will weigh on domestic demand. Retail spending has cooled so far, consistent with this notion, while hiring is down 3% since January. We'd also note that amount of farmland seeded for crop production this year is down slightly from 2024, raising the risk of a decline in output for the Island's outsized agricultural sector.

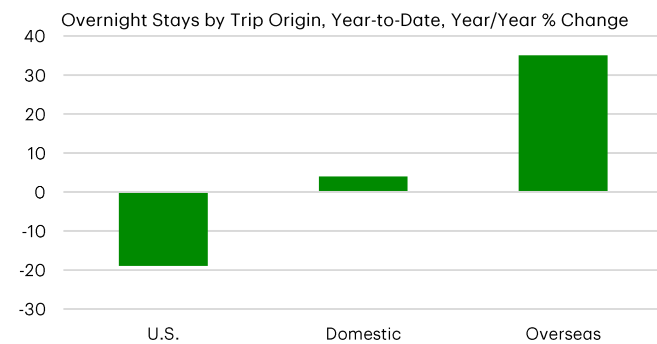
On the external side, PEI's largest shipments to the U.S. are potatoes and seafood. The former appears to have a high degree of CUSMA compliance while exporters are likely working to raise compliance in the latter. This could help PEI's exporters avoid the worst of the tariff impacts.

Chart 1: Big-ticket Items Supporting Solid Public Sector add to P.E.I.'s GDP



Source: Statistics Canada, TD Economics.

Chart 2: Domestic, Overseas Travel Bolstering Tourism in P.E.I.



Source: PEI Government, TD Economics.

P.E.I. Economic Forecasts

[Annual average % change, unless otherwise noted]

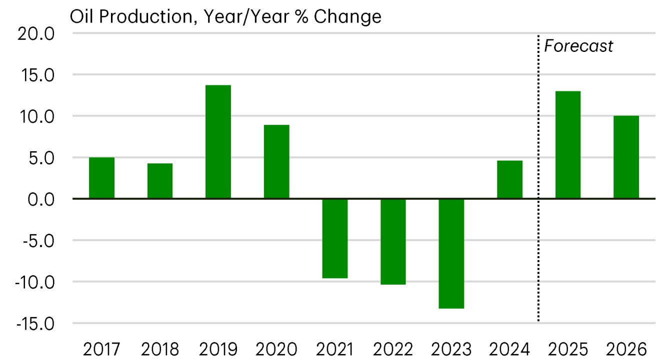
Economic Indicators	2024	2025F	2026F
Real GDP	3.6	1.7	1.3
Nominal GDP	6.3	4.3	3.6
Employment	3.6	0.5	-0.1
Unemployment Rate (%)	7.9	7.9	8.2
Housing Starts (000's)	1.2	1.5	1.2
Existing Home Prices	2.4	5.2	4.4
Home Sales	8.5	7.3	3.5

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Newfoundland & Labrador

We expect Newfoundland and Labrador (N.L.) to follow up last year's solid growth performance with a nation-leading expansion in 2025. Oil and mineral production are the driving forces behind this year's positive outlook. The former is slated to surge as the SeaRose vessel at White Rose field officially resumed production in mid-March and marks the first time since late-2023 that all oilfields are in operation. This has translated into a 13% year-to-date increase in oil production, above of the government's full-year production estimate (Chart 1). Rising nickel production is expected to underpin the province's mining industry, which will receive an added fillip from the start of production at the Valentine and Hammerdown gold projects this year . Gold prices have been on a meteoric run over the past 12-months, which will continue to support industry output and profitability.

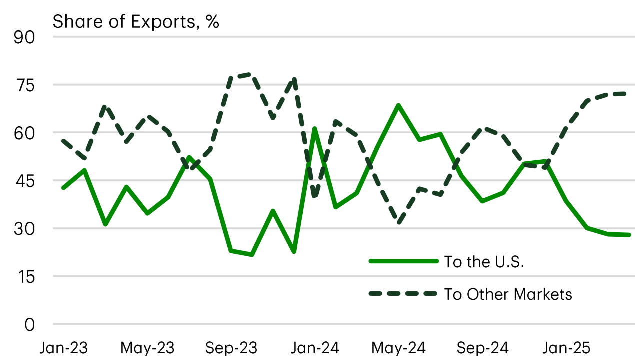
Chart 1: Newfoundland Oil Production Will Be a Tailwind For Economic Growth



Source: Canada-Newfound & Labrador Offshore Petroleum Board, TD Economics.

N.L.'s external backdrop is mixed, but it's well positioned to weather ongoing trade headwinds. On one hand, nominal exports over the first four months of the year has shown signs of moderating—part of that is a hand-off story from last-year robust trade activity. On the other, N.L.'s geographical advantage has allowed the province to reach new export markets in relatively short order. Exports to the U.S. as a share of total shipments has cratered to under one-third, the lowest across provinces, with the remaining two-thirds heading mainly to Europe (Chart 2), with a pronounced increase to the Netherlands.

Chart 2: Newfoundland Exports Increasingly Moving Away From the U.S.



Source: Statistics Canada, TD Economics. Last observation: April 2025.

The performance of domestic-oriented industries has been a relative bright spot, but household consumption might lose some of its lustre in 2026. Indeed, based on recent consumption measures, N.L. has been leading the provinces in terms of real consumer spending gains. However, aggregate spending will likely moderate as the labour market loses steam. On net, the province hasn't generated any job growth this year, though slowing labour force growth has kept the unemployment rate hovering below 10%. The construction industry is shedding jobs as prospects sour on the non-residential investment side. Even before the recent tariff flareup, 2025 investment intentions in the province had pointed to a decline, led by decreased investments in energy and utilities. The government's most recent budget confirmed a scaled-back capital spending program. Elsewhere in the budget, the government introduced a hefty $200 million contingency fund to combat against the ongoing trade war.

NFLD & Labrador Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2024	2025F	2026F
Real GDP	2.4	2.1	1.2
Nominal GDP	4.5	3.8	3.5
Employment	2.7	0.3	0.1
Unemployment Rate (%)	10.1	10.5	11.1
Housing Starts (000's)	1.7	1.5	1.4
Existing Home Prices	8.7	7.4	3.4
Home Sales	6.0	11.5	1.5

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Provincial Economic Forecasts

Provincial Economic Forecasts																		
Provinces	Real GDP (% Chg.)			Nominal GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (Average, %)			Housing Starts (Thousands)			Home Prices (% Chg.)		
	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F
National	**1.6**	**0.9**	**1.1**	**4.7**	**3.2**	**3.3**	**1.9**	**1.0**	**0.4**	**6.4**	**7.0**	**6.8**	**245.1**	**248.5**	**221.9**	**1.7**	**-2.6**	**5.2**
Newfoundland & Labrador	2.4	2.1	1.2	4.5	3.8	3.5	2.7	0.3	0.1	10.1	10.5	11.1	1.7	1.5	1.4	8.7	7.4	3.4
Prince Edward Island	3.6	1.7	1.3	6.3	4.3	3.6	3.6	0.5	-0.1	7.9	7.9	8.2	1.2	1.5	1.2	2.4	5.2	4.4
Nova Scotia	2.7	1.2	1.4	5.3	4.1	3.6	3.1	0.4	0.0	6.5	6.8	7.0	7.4	8.6	6.2	6.6	3.3	3.8
New Brunswick	1.8	0.7	0.8	4.0	2.8	2.9	2.8	0.9	0.0	7.1	7.1	7.5	6.2	5.3	3.7	10.4	5.7	4.5
Québec	1.4	0.4	0.8	5.4	2.9	3.4	0.9	1.2	0.1	5.4	6.1	6.2	48.8	58.8	48.8	4.5	6.9	4.6
Ontario	1.4	0.6	0.9	4.7	2.8	3.2	1.7	0.7	0.4	7.0	7.9	7.5	74.5	62.6	64.7	-0.3	-4.4	2.9
Manitoba	1.1	1.0	1.2	3.8	2.7	3.2	2.6	0.9	0.5	5.5	6.0	5.7	7.2	6.9	6.2	6.2	7.1	5.3
Saskatchewan	3.4	1.4	1.2	5.5	4.1	2.9	2.6	1.7	0.2	5.5	5.0	5.2	4.3	6.0	4.8	6.4	7.6	5.2
Alberta	2.7	1.8	1.5	5.4	3.5	3.6	2.9	1.8	0.7	7.1	7.2	6.7	47.8	57.5	42.7	10.0	4.0	4.8
British Columbia	1.2	1.5	1.3	3.7	4.1	3.6	2.4	1.3	0.6	5.6	6.4	6.1	45.8	39.9	42.3	1.7	-4.4	2.5

F: Forecast by TD Economics, June 2025. Source: Canadian Real Estate Association, Canada Mortgage and Housing Corporation, Statistics Canada, TD Economics.

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