

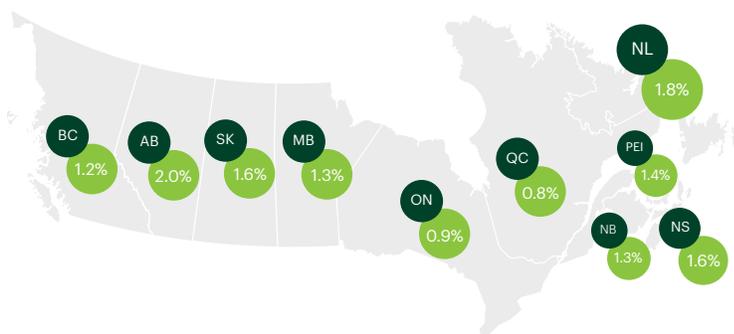
Provincial Economic Forecast Headwinds and Hotspots

March 18, 2026

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- Canada's economy looks set for a year of modest growth in 2026. Provincially, energy-producers like Alberta, Saskatchewan, Newfoundland and Labrador and B.C. are forecast to outperform. Higher energy prices will challenge oil importers like Ontario and Quebec, layering on a new headwind alongside trade frictions with the U.S. Higher energy costs will also weigh on many Atlantic provinces in the near-term, given energy accounts for a larger share of household budgets.
- A rapid shift higher in oil prices will lend some near-term support to producer and government revenues in Alberta, Saskatchewan, and Newfoundland and Labrador. We don't anticipate major price growth across other commodities, but still-elevated price levels should support ongoing production and investment.
- The recent U.S. Supreme Court ruling striking down the IEEPA tariffs is a net positive for Canada. Tariffs on non-USMCA compliant exports have now been reduced from 35% to 10%, marginally lowering the effective tariff rates across provinces. Provinces like Quebec, Ontario and BC will still face trade headwinds related to section 232 tariff products (steel, aluminum, lumber, and autos).
- The 2026 provincial budget season has kicked off with Alberta, New Brunswick, B.C. and Nova Scotia tabling their fiscal blueprints. Themes include lingering deficits, worsening debt burdens, a continued focus on capital investment and much slower program spending gains after this year. Notably, the latest capital spending intentions survey pointed to solid government investment growth in Ontario, Quebec and PEI, while other provinces benefit from past investments.
- A soft start to the year underpins a downgrade to forecasts for Canadian home sales and average home prices. Ontario and B.C. see steep downgrades, as pent-up demand has generally remained sidelined. Meanwhile, Alberta's market has rapidly rebalanced. Elsewhere, markets are tighter although several headwinds, like slowing population growth and cooling job markets, should ease price gains moving forward.
- Employment growth is expected to moderate coast-to-coast in 2026. At the same time, federal government caps on newcomers are blunting labour force growth. This is particularly the case in provinces like Ontario and BC, which will keep provincial unemployment rates moving lower through the year despite modest job gains.

Provincial Real GDP Growth Forecast (2026)



Source: TD Economics. Forecast as of March 2026.

For more details on our national forecast see our [Quarterly Economic Forecast](#)

British Columbia

B.C.'s economy is expected to post sub trend growth in 2026 as the province remains challenged by demographic, housing and trade-related headwinds. With these restraints anticipated to ease thereafter, growth should firm back to its historical average level in 2027. Notably, we have nudged up our 2025 estimate for real GDP growth to ~2.0%, in light of stronger-than-expected natural gas production as well as solid showings in the construction and household spending sectors.

Trade uncertainty is projected to persist as a key near term drag on activity, as sector specific tariff measures put a damper on areas like lumber and base metals. While B.C. is less reliant on the U.S. thanks to its diversified export base, its overall trade performance hasn't managed to outperform those of other more vulnerable jurisdictions (Chart 1). External demand is expected to stay subdued through 2026, with some improvement projected in 2027 helping LNG export activity. However, this activity is not enough to counterbalance the likely reduction in construction activity linked to large projects which have wound down. In fact, the most recent data on capital spending intentions shows only a modest 0.6% rise in nominal capital expenditures expected for the province in 2026.

Population dynamics are also a near-term swing factor in the B.C. outlook as federal caps on non permanent residents are taking hold more forcefully in the province than elsewhere (Chart 2). Employment gains are expected to remain limited in 2026 before improving modestly in 2027, while flatlining labour force growth should prevent the unemployment rate from rising further. Even as job creation slows, positive real wage gains are adding a mild tailwind to near-term household spending.

The province will likely have to wait until 2027 to see a firmer housing recovery. B.C.'s housing market started this year on a weak footing. Sales volumes have failed to gain traction in recent months while average home prices are down from year-ago levels. Against this backdrop, some pent-up demand and improving affordability will lend a hand to sales growth next year.

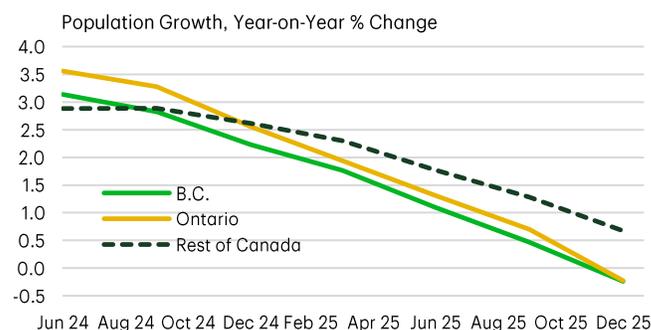
On the fiscal front, the province's latest budget projects a \$13.3 billion deficit in FY 2026/27 (2.9% of GDP), one of the highest shortfalls on record. Debt is set to rise further as spending growth continues to outpace revenues, despite some re-profiling in capital outlays. While substantial contingencies provide a degree of near term protection, the fiscal outlook leaves the province more exposed to adverse economic shocks.

Chart 1: B.C.'s Export Rotation Toward Non-U.S. Markets is Lagging



Source: Statistics Canada, TD Economics.

Chart 2: B.C.'s Population Growth Contracted For the First Time of Record



Source: Statistics Canada, TD Economics.

British Columbia Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	1.9	1.2	1.8
Nominal GDP	4.6	4.2	3.3
Employment	1.1	-0.3	0.6
Unemployment Rate (%)	6.2	6.0	5.6
Housing Starts (000's)	44.1	43.1	42.8
Existing Home Prices	-2.7	-1.2	1.9
Home Sales	-5.7	-0.2	13.0

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

Alberta

Alberta's real GDP growth is expected to moderate to a pace of around 2% in both 2026 and 2027. An upgraded oil price forecast on recent Middle East developments should keep the economy on a solid trajectory and a relative outperformer among its provincial peers.

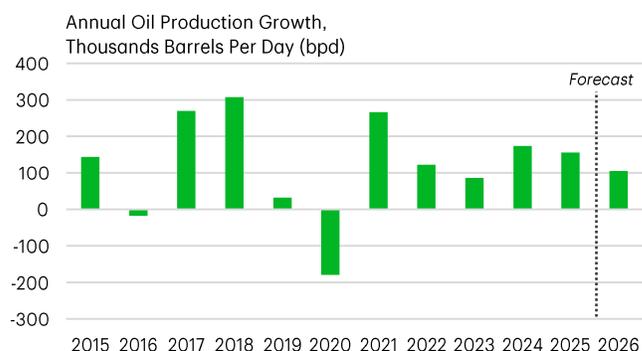
The energy sector is expected to remain a key growth pillar in the near-term. Oil production is coming off back-to-back years of robust ~4% annual growth, equivalent to over 150k barrels per day (bpd), with output recently reaching record levels. We expect production levels in the oilpatch to continue to grow in 2026, underpinned by expanded pipeline capacity and strong demand for Alberta's heavy crude (Chart 1). In light of recent geopolitical events, Canadian oil may receive more focus as major Asian buyers (China, India, Japan, and South Korea) potentially seek secure alternatives to Middle Eastern crude.

Nevertheless, price volatility persists. Alberta's recently released 2026 Budget showed that weakening prices over the past year put a sizeable dent in the province's deficit, and softer price forecasts are expected to further influence the fiscal balance. However, a recent surge has pushed up WTI oil prices more than \$30/bbl above the projected assumption of \$60.50/bbl. Recall that for every \$1/bbl move in oil, total revenues are expected to be higher by \$650 million, as per budget sensitivities. If the current elevated prices persist, capital expenditures in oil and gas extraction could exceed the moderate 5% nominal gain revealed in Statcan's recently-released 2026 investment intentions survey. Our base case is for prices to gradually moderate over the year but remain elevated.

More broadly, non residential investment is acting as an important growth driver, led by construction tied to major projects in transportation, utilities, clean energy, and technology. This is helping to offset some drag from residential investment, which has been trending lower over the past several quarters (Chart 2). Housing starts are expected to ease toward more historically normal levels amid slower increases in population and household formation. Housing market fundamentals in the province nonetheless remain solid, reflected in our home sales forecast that sees growth of 12% next year.

Slowing population growth in the year ahead may take some wind out of the sails of spending. That said, income gains, past interest rate decreases, and relatively low debt burdens should support per capita spending and help prevent a sharper pullback. Looking ahead, trend-like spending growth should return come 2027.

Chart 1: Alberta's Oil Output Should Remain Sturdy in 2026



Source: Alberta Energy Regulator, TD Economics.

Chart 2: Non-Residential Construction Spending Offsetting Moderating Residential Construction



Source: Statistics Canada, TD Economics.

Alberta Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	2.5	2.0	2.1
Nominal GDP	4.3	4.9	3.0
Employment	2.8	2.3	0.7
Unemployment Rate (%)	7.2	6.6	6.3
Housing Starts (000's)	55.0	49.5	43.0
Existing Home Prices	3.9	4.0	4.3
Home Sales	-7.8	-2.1	11.5

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

Saskatchewan

Saskatchewan's economy is poised to take a step back this year as growth in some key industries moderates to a more sustainable pace. Even amid the slowdown, the economy is in solid shape and is expected to outperform most of its provincial peers this year and next.

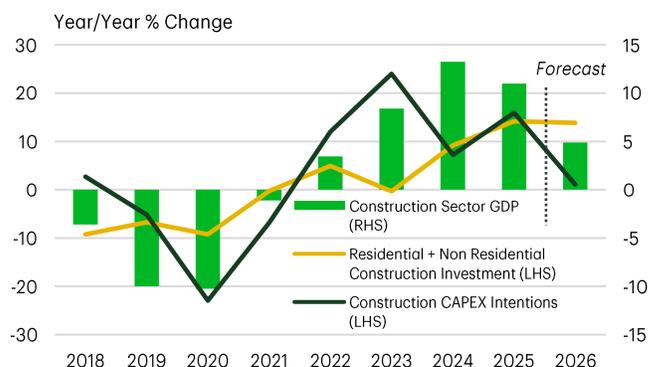
The construction sector is expected to cool somewhat following back-to-back years of double-digit growth (Chart 1). Residential construction activity is anticipated to keep firm, as housing markets benefit from relative affordability and tighter conditions. In contrast, data from the 2026 survey on investment intentions points to a pull-back in public sector capital expenditures, signalling a more restrained approach by the provincial government as it puts final touches on its soon-to-be-released capital plan. Even so, we expect that ongoing work on major private investment projects will help to limit the downside in overall construction spending.

The agriculture sector, also coming off a heated year, faces a more cautious outlook. The latest principal field crop survey shows that Saskatchewan farmers plan to plant less wheat, lentils, and peas, somewhat offset by increases in barley and canola acreage. On the latter, canola exports to China are beginning to recover from their late-2025 slump – when they nearly came to a halt – thanks to China significantly reducing tariffs on Canadian canola. This year, the province is projected to expand its annual canola crush capacity by 15% in 2026.

A rapid shift higher in oil prices will lend some near-term support to Saskatchewan's flagging oil industry, where production fell by nearly 4% last year and is projected to move essentially sideways through 2026. Oil price forecasts are highly uncertain at this time, but the near 40% increase in WTI prices to around US\$95/bbl since the beginning of March will provide a near-term lift to producers' revenues and government coffers. Meanwhile, production and shipments of potash and uranium are holding firm, underpinned by demand.

On the household side, inflation-adjusted retail spending has moderated, reinforcing a lackluster consumer outlook for 2026. Still, strong labour market conditions should put a floor under spending. Indeed, as of February, Saskatchewan boasts the lowest unemployment rate across regions. The public sector has driven recent hiring, but this may change depending on the upcoming budget. An uptake in private-sector hiring should help pick up the slack, keeping the unemployment rate around current levels (Chart 2).

Chart 1: Saskatchewan's Construction Sector Taking a Breather in 2026



Source: TD Economics.

Chart 2: Saskatchewan's Unemployment Rate is the Lowest Across Provinces



Source: Statistics Canada, TD Economics.

Saskatchewan Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	2.6	1.6	2.0
Nominal GDP	5.2	4.1	3.3
Employment	2.5	0.7	0.6
Unemployment Rate (%)	5.2	5.2	5.1
Housing Starts (000's)	6.1	5.0	5.0
Existing Home Prices	8.6	6.4	5.1
Home Sales	0.7	-0.1	10.1

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

Manitoba

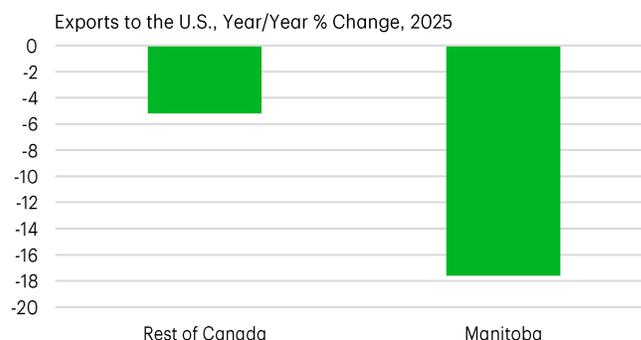
We've trimmed our 2025 real GDP growth tracking for Manitoba, reflecting downgraded expectations for utilities and trade-exposed industries like manufacturing. Notably, Manitoba appears to be one of the worst-hit provinces from the trade war, with nominal exports to the U.S. down by an outsized 18% last year (Chart 1), driven by falling exports of energy, agricultural machinery and goods, as well as pharmaceutical products.

The province is also facing a modest growth backdrop for this year. Ongoing trade frictions with the U.S. should weigh on investment and keep activity in Manitoba's manufacturing sector subdued, with spill-over effects to its outsized transportation industry. At the same time, construction sector output growth should slow this year, after homebuilding activity likely powered a huge gain in 2025. Notably, the recently released survey of capital spending intentions points to weakness in non-residential investment in 2026. On the brighter side within the goods sector, utilities production could rise this year after a few years of weak performances. We're also expecting a growth lift from reduced Chinese tariffs on canola, which is a notable crop for Manitoba (Chart 2). The province has also made some headway in exporting outside of the U.S., with these shipments up 8% last year.

On the services side of the economy, our forecast embeds a significant slowdown in public spending this year, consistent with the last budget. This view could change depending on the upcoming budget on March 24th. Policymakers have flagged affordability relief – amid somewhat elevated inflation – and healthcare investments as measures to expect. The government has already frozen the maximum retail price for 1-litre milk cartons this year and is considering caps on other quantities. Like other provinces, Manitoba is contending with a large deficit and has relatively high debt servicing costs, which could limit spending.

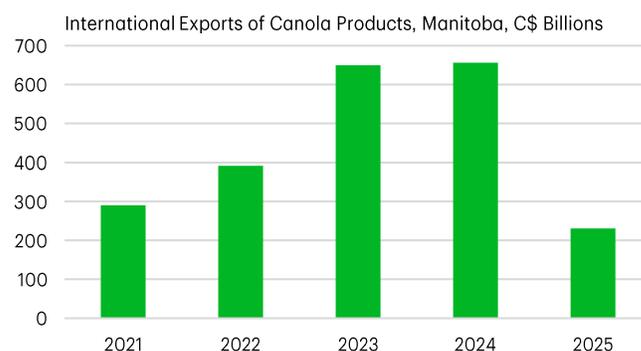
Hiring has held up relatively well, with employment up 1.0% year-on-year in February (compared to 0.3% for Canada overall). Part of this can be chalked up to comparatively firm population growth, although with it likely to slow further this year, and with the broader economy facing headwinds, we think hiring growth will slow in 2026. This should moderate household spending and clip home sales and average price growth.

Chart 1: Manitoba Suffering from U.S. Trade Frictions



Source: Statistics Canada, TD Economics

Chart 2: Manitoba's Chinese Canola Shipments to Normalize After Tariff Reductions



Source: Government of Canada, TD Economics

Manitoba Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	1.3	1.3	1.6
Nominal GDP	3.9	4.1	3.1
Employment	1.7	0.9	0.8
Unemployment Rate (%)	5.9	5.6	5.2
Housing Starts (000's)	7.9	6.4	6.3
Existing Home Prices	5.5	4.9	4.1
Home Sales	3.9	-5.8	6.8

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

Ontario

We've downgraded our 2026 GDP growth expectations for Ontario after a volatile and subpar 2025. Economic uncertainty is likely to keep private sector non-residential investment at bay. At the same time, the federal government's plan to shave population growth even further should disproportionately hit Ontario.

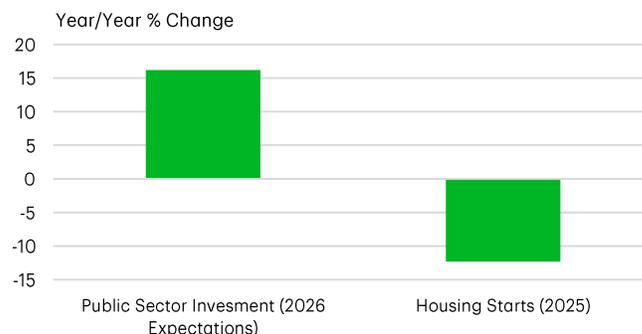
We've also significantly downgraded our forecasts for home sales and average home price growth this year, partly reflecting a disappointing (albeit weather-impacted) first quarter performance. Other factors that have conspired against this year's housing outlook include slackening population growth, still-stretched affordability, economic uncertainty and the likelihood that potential buyers are waiting for prices to fall further before entering the market. While resale demand province-wide is likely to plateau at low levels this year, prices could correct for much of 2026.

The subdued housing demand backdrop should negatively impact homebuilding, which will remain exceedingly soft this year. This is consistent with pre-construction sales in the GTA that are plumbing multi-year lows. However, the overall construction picture should be a bit firmer in 2026, thanks to non-residential investment (Chart 1). Indeed, public sector construction spending intentions are up 16% for this year, likely supported by projects such as the Darlington Small Modular Reactor project. Investment should see a boost in 2027 from refurbishments at the Pickering Nuclear Station.

U.S. tariffs on steel and automotive products have weighed, with exports of these products south of the border down materially last year. Overall, inflation-adjusted manufacturing activity likely declined about 2% in 2025. On the brighter side, shipments to the rest of the world surged 30%, although this was nearly entirely driven by gold exports to the U.K. amid surging prices (Chart 2). For this year, we're expecting a modest improvement in manufacturing activity, on the back of solid U.S. GDP growth, although a likely drop in automotive production will not help matters.

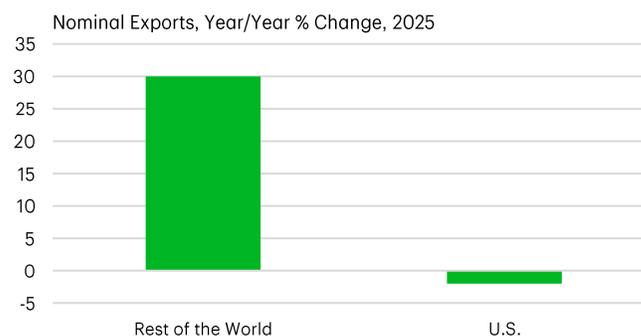
Household spending held up well last year in Ontario, supported by "Buy Canadian" sentiment and interest rate cuts. However, the jobs market has softened early in the year (employment was down 0.4% year-on-year in February - the weakest showing since 2021). And hiring is set to moderate sharply for 2026 overall. Alongside downgraded housing market activity and inflation pressures from higher oil prices, cooler hiring should restrain spending growth this year.

Chart 1: Homebuilding to Weigh, Public Sector Investment to Boost Ontario's 2026 Growth



Source: CMHC, Statistics Canada, TD Economics

Chart 2: Gold Exports Offset U.S. Weakness for Ontario in 2025



Source: Statistics Canada, TD Economics

Ontario Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	1.4	0.9	1.8
Nominal GDP	4.1	3.9	3.0
Employment	1.0	-0.2	0.5
Unemployment Rate (%)	7.7	7.4	7.0
Housing Starts (000's)	65.2	61.5	59.4
Existing Home Prices	-4.1	-4.0	0.3
Home Sales	-5.6	-3.2	12.3

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

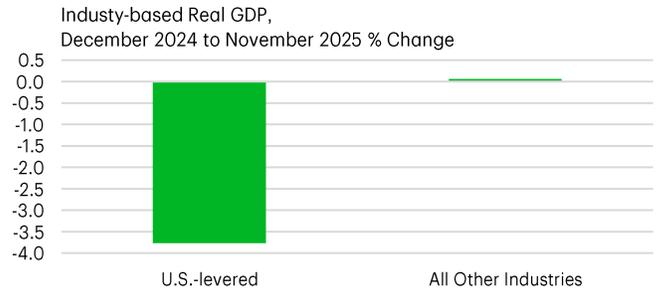
Québec

Monthly, industry-based GDP data is suggesting that Quebec’s economy contracted in the fourth quarter of last year, capping what was a choppy, but overall weak 2025. Trade frictions with the U.S. were the clear culprit, as GDP in industries heavily reliant on the U.S., like manufacturing and transportation, saw their GDP contract by 4% (on aggregate) from December 2024 through November 2025 (Chart 1). Tariffs have hurt, with shipments to the U.S. down 7% last year, driven by heavily tariffed industries such as aluminum, copper, and lumber. The modest end to 2025 indicates softer momentum heading into this year, and is a factor underpinning our downgraded 2026 annual average real GDP growth forecast.

Another subdued year for the province’s manufacturing sector is likely in the cards this year, although we anticipate some improvement from 2025 given solid U.S. growth prospects and the fact that Quebec is a year removed from the start of the trade war. On this front, Quebec showed some success in diversifying exports away from the U.S., with rest of the world shipments up 8% last year. We’ve also built in cooler government spending growth this year, consistent with the November fiscal update, and envision less of a boost to GDP coming from construction as homebuilding contributes less after a huge 2025, and non-residential spending intentions are subdued, according to the February capital spending survey.

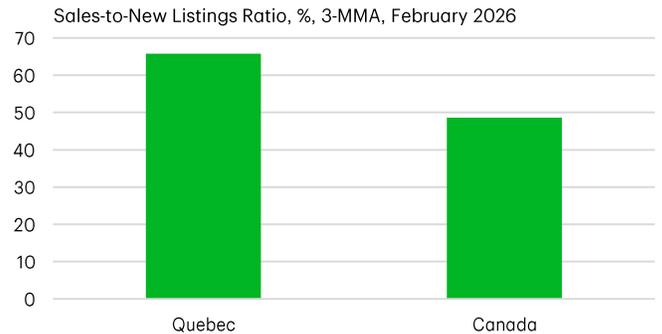
Amid these growth headwinds and elevated economic uncertainty, consumption growth has moderated. However, retail spending did outperform other regions in the back half of last year. With households carrying relatively low debt levels, the provincial government recently introducing modest household tax relief, wage growth firm, and high savings rates potentially providing a financial buffer, this outperformance could sustain itself in the near-term. By some measures, hiring was firmer in Quebec than the rest of Canada, despite the subpar economic growth backdrop. This wedge is likely unsustainable, however, and slower hiring growth should set the stage for a spending growth moderation in the second half. Weaker job gains should also restrain housing demand, likely weighing on home price growth following an 8% surge in 2025. That said, prices should still rise at a decent clip this year amid tight supply/demand balances (Chart 2).

Chart 1: U.S. Trade Frictions Weighing Heavily on Quebec



Note: U.S.-levered industries are mining + agriculture/forestry/fishing/hunting + manufacturing + wholesale trade + transportation/warehousing.
Source: Quebec Government, TD Economics.

Chart 2: Tight Supply/Demand Balances to Support Home Price Gains in Quebec



Source: CREA, TD Economics

Québec Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	1.0	0.8	1.6
Nominal GDP	4.4	3.7	2.8
Employment	1.7	-0.3	0.3
Unemployment Rate (%)	5.6	5.6	5.4
Housing Starts (000's)	59.2	54.6	51.8
Existing Home Prices	8.2	6.0	4.2
Home Sales	7.7	-0.5	3.0

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

New Brunswick

New Brunswick’s economy is expected to modestly underperform both its longer-term historical trend and our national growth projections over the next two years. Real GDP growth is forecast to average 1.3% on average in 2026-27, roughly unchanged from last quarter’s forecast.

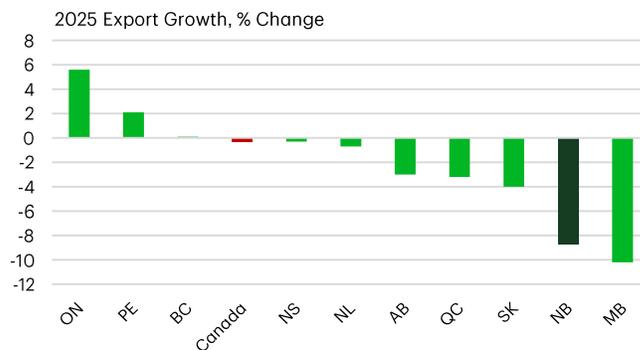
Most of the softness in the outlook comes from challenges in sectors most exposed to international trade – namely manufacturing, transportation, and wholesale sales. This is reflected in the 8% drop in 2025 exports, one of the weakest showings among provinces (Chart 1). Given the composition of exports and the current tariff rate structure, New Brunswick’s effective tariff rate now falls on the lower end of the provincial spectrum, which should help generate slight improvements in these sectors over 2026 and 2027.

Despite these challenges, trade-exposed sectors have managed to turn out decent job creation. This has helped the broader labour market stay afloat, with the current unemployment rate (7.0%) still 0.4 ppts below year-ago levels. Note that our forecast for a peak unemployment rate of around 7.4% by mid-2027 would still be below pre-pandemic levels. This has translated into consumer resilience, with retail spending growth running near the top of the provincial pack last year, helped by comparatively low average household debt levels. We do expect spending momentum to ratchet back this year, however, as population growth has markedly decelerated and is expected to remain soft.

Over the past year construction sector activity had been boosted by a 50% increase in government investment. This has helped to offset some of the slowdown in private sector investment (Chart 2). But looking ahead, modest capital spending intentions for both the government and private sector will weigh on non-residential activity.

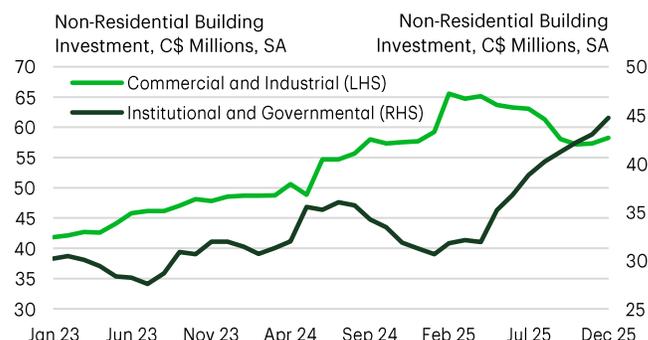
The province’s public sector accounts for nearly a third of the economy and more support could be in store for the province this year. Indeed, in the recent 2026 budget, government spending is projected to grow by a healthy 5.5% in FY 2026/27, which could lift activity in the public sector. However, the province’s finances have deteriorated recently, with New Brunswick expecting a massive deficit of \$1.4 billion (2.7% of GDP) for this fiscal year and no path to balance over the forecast horizon. The fiscal outlook leaves the province less wiggle room to respond to future economic difficulties.

Chart 1: New Brunswick's Exports Were Challenged From Trade Headwinds



Source: Statistics Canada, TD Economics.

Chart 2: N.B. Provincial Investment Bolstering Non-Residential Construction Activity



Source: Statistics Canada, TD Economics.

New Brunswick Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	1.5	1.3	1.3
Nominal GDP	4.1	4.2	2.3
Employment	1.3	0.9	0.1
Unemployment Rate (%)	7.1	7.2	7.4
Housing Starts (000's)	7.6	6.6	4.5
Existing Home Prices	5.6	2.9	3.7
Home Sales	4.1	0.4	4.6

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

Nova Scotia

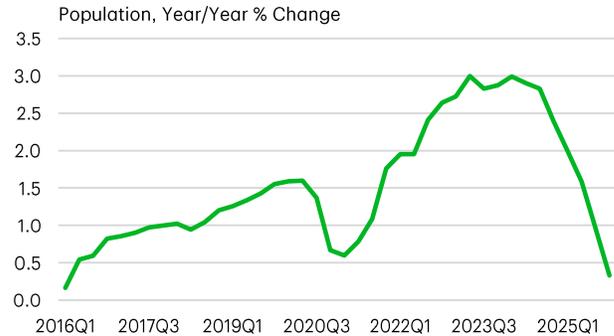
Our real GDP growth forecasts for Nova Scotia are unchanged from the prior round amid offsetting cross-currents. For this year, exporters should see some modest support from on-going U.S. economic growth (assuming CUSMA exemptions remain in place moving forward) and the recent decision by China to suspend its 25% tariff on certain seafood products. On the other hand, population growth is likely to be slower than we envisioned in our December projection (Chart 1).

Overall, after cooling in 2025, we see Nova Scotia’s economic growth continuing to ease this year from its robust 2022-2024 pace. 2026 should see less of a contribution from the construction sector, as housing starts pull back after a strong 2025. Residential construction had a notably soft start to the year with housing starts plunging in January (and not rebounding sharply in February), although winter storms were at play. What’s more, the recently released survey of capital spending intentions points to a drop in real non-residential spending growth this year (Chart 2). Notably, this anticipated moderation reflects weaker public sector spending intentions, which contradicts the Province’s healthy capital plan. So, there is upside risk to our call.

The February budget also revealed a plan for more moderate program spending gains this year. This is notable as the public sector accounts for about 30% of Nova Scotia’s economic output. Provincial spending growth is set to ease even further in 2027, with the government more fully implementing its “Fiscal Stability Plan” aimed at addressing large deficits and a sharply increasing debt burden. Nova Scotia should continue to benefit from federal defense spending, however, given its outsized military industry.

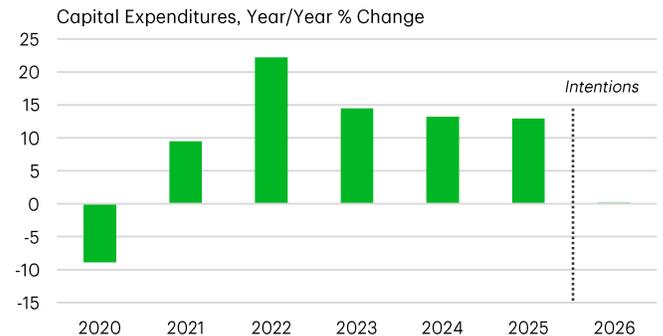
Weaker consumer spending growth is likely this year. Hiring has softened considerably, and this should keep a lid on consumption. Indeed, employment was up a paltry 0.4% year-on-year in February. This is a consequence of weaker population growth, although we’d also note that the employment rate (measuring the share of the population that’s employed) has been dropping as well, and hiring trends have slackened in both goods and services industries. What’s more, consumption could take a hit from sharply higher oil prices, given their comparatively large weight in households’ spending baskets.

Chart 1: Nova Scotia's Cooling Pop Growth to Weigh on 2026 Activity



Source: Statistics Canada, TD Economics

Chart 2: Public Sector Weighing on Capital Spending Intentions in Nova Scotia This Year



Source: Statistics Canada, TD Economics

Nova Scotia Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	1.6	1.6	1.2
Nominal GDP	4.2	4.5	2.5
Employment	0.3	0.3	0.4
Unemployment Rate (%)	6.6	7.0	6.8
Housing Starts (000's)	9.7	6.9	6.6
Existing Home Prices	5.5	4.7	3.9
Home Sales	-0.1	1.0	8.5

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

Prince Edward Island

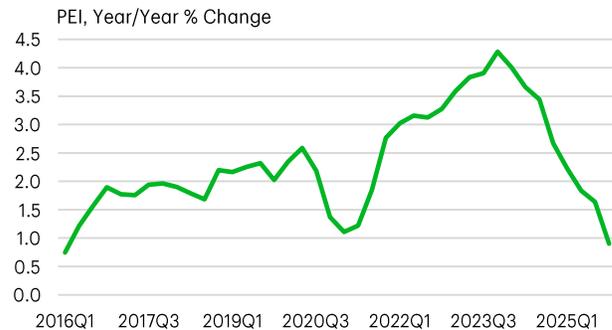
PEI's economic growth is set to decelerate this year from 2025's healthy, construction-supported pace. First, the Island should see a notable step down in the construction output growth, as housing starts cool this year after a heated 2025 (however, non-residential spending should see a healthy gain, flagged by capital intentions and consistent with Island's healthy capital plan). Second, government spending growth is poised to ease markedly this year, consistent with PEI's provincial budget. What's more, the federal government has plans to cool its operating spending, which disproportionately impacts PEI given that federal output accounts for 7% of PEI's GDP, versus 2% for Canada-overall. Third, PEI's population growth is slackening rapidly (Chart 1). This trend is being driven by an outflow of non-permanent residents, while inflows of permanent residents and interprovincial migrants remain relatively elevated. Weaker population growth is weighing on hiring and will likely restrain spending this year. The flare-up in oil prices should also disproportionately impact PEI, given that households spend a relatively high share of their budget on energy.

Even with these headwinds in place, we believe PEI's economy will outperform the nation overall this year. Supporting this projection is our assumption of a partial bounce back in agricultural and food production after a weak 2025. The Island's potato production last year was plagued by drought conditions.

Last year, PEI was one of the only provinces to increase their nominal exports to the U.S. in 2025, on the back of higher aerospace shipments. With U.S. economic growth likely to be firm this year, and PEI's U.S. tariff burden relatively low due to CUSMA compliance, exporters could see another decent year in 2026 (under the assumption that tariff exemptions for CUSMA compliant products remain in place amid ongoing negotiations). This would benefit the manufacturing sector, building on last year's outstanding performance (Chart 2). Solid U.S. growth also bodes well for PEI's tourism industry, where overnight visits were up about 7% last year.

PEI's resale housing market is one of the more balanced in the country. This should support a decent gain in average home prices this year, even as sales growth cools in tandem with a softer economy.

Chart 1: Non-permanent Residents Driving Population Slowdown in PEI



Source: Statistics Canada, TD Economics

Chart 2: PEI's Manufacturers are Bucking the National Trend



Source: Statistics Canada, TD Economics

P.E.I. Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	2.0	1.4	1.6
Nominal GDP	4.2	4.3	3.0
Employment	1.0	2.2	0.4
Unemployment Rate (%)	8.0	7.9	8.0
Housing Starts (000's)	1.7	1.4	1.3
Existing Home Prices	2.5	3.9	3.5
Home Sales	6.0	-1.0	5.3

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

Newfoundland & Labrador

Newfoundland and Labrador’s (N&L) economy is enjoying a solid expansion following a resource-driven boom in 2025. However, we think that a return to more sustainable growth rates are likely this year and in 2027.

The province’s energy sector – which makes up nearly a fifth of the economy – has fuelled over half of last year’s estimated growth. With all oilfields now currently active, production volumes in 2025 saw an impressive 16% increase (Chart 1). Even as production growth is expected to moderate this year, producers should benefit handsomely from the recent oil price shock.

On the household side, spending growth has cooled in recent months, in line with national level trends. Hiring in the province turned negative last year and the job market is expected to face some challenges as population growth slows to a standstill following a couple years of elevated growth and an aging demographic profile. Over the coming quarters, we see the province’s unemployment rate rising higher to approximately 11% by end-2026 before stabilizing. These softer labour market trends portend slower consumption growth this year.

One glaring weak spot in N&L’s economy is the construction sector, where activity is expected to remain subdued over the forecast horizon. The recently released non-residential capital expenditure survey points to a hefty 13.5% contraction in private and public capex spending this year, following an almost 20% contraction in actual non-residential spending the prior year. That said, solid homebuilding should offset some of this drag this year.

Externally, the province is navigating trade-related challenges well thanks to its geographic advantage, which has helped diversify its trading portfolio. As of January 2026, N&L’s exports to countries outside the U.S. have grown faster than those of any other province, with 85% of its goods—primarily energy products bound for Europe—shipped to non-U.S. markets (Chart 2). This strength is expected to support a steady recovery in exports over the near-term.

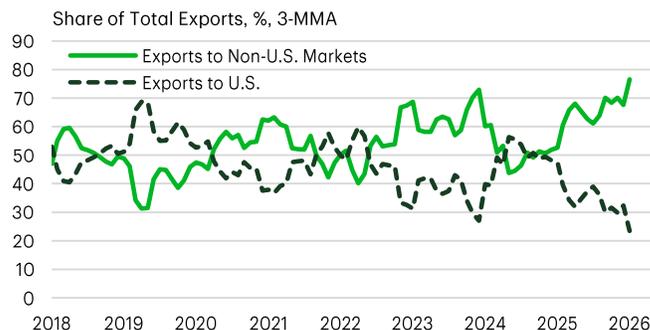
The revival of N&L’s gold sector is also benefiting the short-term outlook. With the opening of the Valentine gold mine and the restart of the Hammerdown gold project, the province has made its first global gold shipments in more than two decades. High gold prices are expected to keep supporting the viability of new projects and enhance export values for N&L.

Chart 1: N&L's Oil Production Sees Its Best Year in Almost a Decade



Source: Canada-Newfoundland and Labrador Offshore Energy Regulator, TD Economics.

Chart 2: A Record Share of N&L's Exports Are Reaching Non-U.S. Markets



Source: Statistics Canada, TD Economics.

NFLD & Labrador Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2025	2026F	2027F
Real GDP	3.9	1.8	1.0
Nominal GDP	5.7	5.0	2.3
Employment	-0.2	0.9	-0.4
Unemployment Rate (%)	10.2	10.3	11.1
Housing Starts (000's)	1.6	1.6	1.5
Existing Home Prices	8.3	5.5	3.3
Home Sales	8.0	3.1	2.4

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.)		
	2025	2026F	2027F	2025	2026F	2027F	2025	2026F	2027F	2025	2026F	2027F	2025	2026F	2027F	2025	2026F	2027F
National	1.7	1.1	1.7	4.3	4.1	3.0	1.4	0.2	0.5	6.8	6.6	6.3	258.2	236.4	222.2	-1.4	-0.3	2.7
Newfoundland & Labrador	3.9	1.8	1.0	5.7	5.0	2.3	-0.2	0.9	-0.4	10.2	10.3	11.1	1.6	1.6	1.5	8.3	5.5	3.3
Prince Edward Island	2.0	1.4	1.6	4.2	4.3	3.0	1.0	2.2	0.4	8.0	7.9	8.0	1.7	1.4	1.3	2.5	3.9	3.5
Nova Scotia	1.6	1.6	1.2	4.2	4.5	2.5	0.3	0.3	0.4	6.6	7.0	6.8	9.7	6.9	6.6	5.5	4.7	3.9
New Brunswick	1.5	1.3	1.3	4.1	4.2	2.3	1.3	0.9	0.1	7.1	7.2	7.4	7.6	6.6	4.5	5.6	2.9	3.7
Québec	1.0	0.8	1.6	4.4	3.7	2.8	1.7	-0.3	0.3	5.6	5.6	5.4	59.2	54.6	51.8	8.2	6.0	4.2
Ontario	1.4	0.9	1.8	4.1	3.9	3.0	1.0	-0.2	0.5	7.7	7.4	7.0	65.2	61.5	59.4	-4.1	-4.0	0.3
Manitoba	1.3	1.3	1.6	3.9	4.1	3.1	1.7	0.9	0.8	5.9	5.6	5.2	7.9	6.4	6.3	5.5	4.9	4.1
Saskatchewan	2.6	1.6	2.0	5.2	4.1	3.3	2.5	0.7	0.6	5.2	5.2	5.1	6.1	5.0	5.0	8.6	6.4	5.1
Alberta	2.5	2.0	2.1	4.3	4.9	3.0	2.8	2.3	0.7	7.2	6.6	6.3	55.0	49.5	43.0	3.9	4.0	4.3
British Columbia	1.9	1.2	1.8	4.6	4.2	3.3	1.1	-0.3	0.6	6.2	6.0	5.6	44.1	43.1	42.8	-2.7	-1.2	1.9

F: Forecast by TD Economics March 2026 Source: Canadian Real Estate Association, Canada Mortgage and Housing Corporation, Statistics Canada, TD Economics.

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