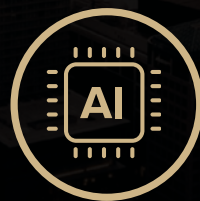


2026 ECONOMIC UPDATE EXECUTIVE SUMMARY

*Key Takeaways from
Pierre Cléroux,
Chief Economist &
VP Research, BDC*

While uncertainty remains elevated globally, the overall message was clear: Canada's economy continues to demonstrate resilience, and businesses that adapt strategically will be positioned to capitalize on emerging opportunities.

**“ RESILIENCE TODAY.
OPPORTUNITY TOMORROW. ”**



ECONOMIC OUTLOOK

Ontario's economy remained more resilient than expected in 2025 despite tariffs, trade tensions, and slower global growth. BDC does not currently expect a recession in 2026, although economic growth is forecasted to remain modest.

TRADE & TARIFFS

U.S. tariffs continue to create pressure on manufacturing, automotive, steel, and export-driven sectors. CUSMA negotiations will remain a major economic focus, and businesses with significant U.S. exposure should continue evaluating diversification and operational flexibility strategies.

INTEREST RATES & INFLATION

Inflation has moderated significantly, although rising oil prices may create temporary inflationary pressure. BDC expects the Bank of Canada's policy rate to remain relatively stable through 2026, providing businesses with greater predictability for financing and investment decisions.

CONSUMER SPENDING & HOUSING

Consumer spending remains one of the strongest contributors to economic growth as household disposable income continues to rise. At the same time, Ontario's housing market – particularly within the GTA – remains under pressure due to affordability and lower transaction volumes.

GOVERNMENT INVESTMENT & OPPORTUNITY

Ontario and Canada are expected to deploy significant capital into infrastructure, defense, manufacturing, AI, energy, and major projects over the next several years. BDC highlighted that these investments could generate approximately \$670B in additional economic activity by 2030.

ARTIFICIAL INTELLIGENCE & PRODUCTIVITY

AI adoption among SMEs is accelerating rapidly. Businesses implementing AI are reporting gains in efficiency, customer experience, forecasting, and productivity. The broader message was clear. AI will become a competitive requirement, not simply a competitive advantage.

FINAL THOUGHTS

Uncertainty is not going away – but neither are the opportunities. Businesses that focus on financial visibility, operational efficiency, leadership, strategic investment, and adaptability will be best positioned to win in the next phase of the market.