

The Macroscope

Economic outlook bulletin

The Chair in Macroeconomics and Forecasting (CMP) aims to facilitate exchanges between academic circles and various economically oriented institutions in Québec and Canada on issues related to their aggregate economic performance, in particular by drawing a representative current and forward-looking picture of their evolution. Our analyses seek, among other things, to respond to the diverse needs of economic stakeholders by developing synergies, drawing on frontier research in macroeconomics and forecasting, and communicating its implications.

This bulletin updates our short- and medium-term macroeconomic projections for Canada and Québec. In light of the available data, the forecasting exercises produced from our 37 models describe a revised trajectory for a set of key economic indicators.

Our forecasting approach relies exclusively on extracting statistical regularities from historical data dynamics. It aims to exploit their informational content without imposing any discretionary scenario. This methodology, distinct from conventional approaches used by several organizations, relies on modern econometric techniques to produce our forecasts.

The current edition of the Macroscope incorporates 37 predictive models. These include standard regressions, regularization models, and machine-learning techniques applied to a broad set of macroeconomic data.¹

To limit the influence of outliers, we report the median forecast. The uncertainty intervals, defined by the 10th and 90th percentiles, quantify the diversity of scenarios anticipated by our portfolio of models. A wider interval signals greater uncertainty about future developments. The asymmetry of the distribution around the median, that is, the 50th percentile, also allows us to assess the “direction” of this uncertainty. In this edition, quarterly forecasts cover the next six quarters, while annual forecasts extend from 2026 to 2030.

As with any forecasting exercise, unforeseen shocks not incorporated into models can create gaps between projections and observed outcomes. The geopolitical environment remains volatile and prone to abrupt disruptions. The armed conflict between the United States and Iran continues without a diplomatic breakthrough. The continued closure of the Strait of Hormuz, along with heightened tensions around the Bab el-Mandeb Strait, which links the Red Sea to the Gulf of Aden and the Indian Ocean, sustains the risks of disruptions to global energy and commodity prices. Added to this is the escalation of trade tensions since the non-renewal of CUSMA on July 1 and its annual review now in effect: following the breakdown of negotiations, the Trump administration has applied a 50% tariff since August 22 on many goods imported from Canada, even if they were exempt under the agreement. Canada has responded with countermeasures that took effect on September 8. Moreover, the accuracy of the forecasts continues to hinge on the uncertainty surrounding governments’ fiscal and monetary policy orientations, both domestically and abroad. For example, the recent rise in interest rates on medium- and long-term securities (especially in the United States and France) could have consequences for global markets and the Canadian economy.

¹This dataset can be found [here](#).

The statistical framework behind the Macroscope retains the advantage of closely capturing the current momentum of the Canadian and Québec economies. The projections outlined in this report should be considered as baseline scenarios, assuming no unforeseen events that could significantly alter the economic path.

***Review of the data and forecasts published in July
for the second quarter of 2026***

In accordance with the statistical protocols in place, Statistics Canada has updated its data. For the first quarter of 2026, real GDP growth is revised from -0.05% to 0.06%, a negligible change. For the same quarter, the nominal revision is more pronounced, raising the growth rate from 3.01% to 3.23%. Additionally, the change in the deflator has also been revised, from 3.03% to 3.10%. The latest estimates of domestic demand have been updated. Real consumption growth has increased from 1.61% to 1.85%, while real investment growth has decreased from 0.35% to -0.09%. However, the second-quarter 2026 data suggest a pick-up in growth. Real GDP expanded by 1.13%, exceeding the median forecast of 0.76% in the previous Macroscope, while nominal GDP surged well above the 5.20% upper limit of the forecast range, reaching 7.05% (compared to a median forecast of 3.82% in the previous edition). This gap stems mainly from the deflator, which grew at 5.83% rather than the forecast 2.85%. Real consumption, at 1.65% (vs. 1.97%), and real investment, at 0.83% (vs. 0.97%), also came in slightly below the forecasts. The gap between modest real growth and sustained nominal growth reflects the marked contribution of price-level dynamics.

The initial projections for the first quarter of 2026 in Québec remain modest, with the exception of consumption. Real GDP growth is now estimated at -0.21%, rather than -0.23%, while nominal growth stands at 3.57% (vs. 3.64%). This revision partially reflects the adjustment to the deflator, which experiences a decrease in growth from 3.91% to 3.83%. On the domestic demand side, real consumption is revised up to 0.52% (instead of 0.25%), while real investment remains almost unchanged at -0.66% (vs. -0.65%). In the second quarter, data suggest a return to growth, albeit at a slower-than-expected pace. Real GDP rose 0.60% instead of the 0.78% predicted in the last Macroscope, while nominal GDP accelerated to 4.21% (up from 3.93%). The indicators are conflicting: actual activity is lower than expected, while inflation-adjusted growth continues at a steady rate. The GDP deflator has reached 3.56%, outperforming the projected 3.10% and slightly surpassing the upper limit of the range (3.50%). The real components evolve more modestly: consumption rises by 0.80% (vs. 1.08%) and investment by 0.17% (vs. 0.42%). As a result, the real economy appears more vulnerable than the nominal figures might suggest.

Production, Consumption, and Investment

The second-quarter 2026 data led to an update of our short-term forecasts for the Canadian economy, without a uniform revision across indicators. Real and nominal GDP exceed the July estimates, while real consumption and real investment fall short of them. This configuration indicates a less pronounced weakening in real growth in 2026 before a gradual recovery towards previously projected trajectories. The annual growth rates for real GDP in 2026 are raised to 1.35% (from 0.98%) and those for nominal GDP to 6.00% (from 3.83%),

while the forecasts for real consumption (1.97% vs. 1.98%) and real investment (1.09% vs. 1.18%) are adjusted slightly downward.

The updated forecasts remain consistent with a stable real outlook and signal a broadly balanced set of risks. The forecast intervals for 2026 are now nearly symmetric around the median, except for nominal GDP and, to a lesser extent, real GDP, which are skewed to the left. As in the previous version, the cyclical adjustment of 2026 stands out. Following a temporary decrease in real GDP, the models indicate a gradual rebound starting in 2027, moving towards the initial projections. However, it is crucial to note that statistical models remain vulnerable to political upheavals, trade negotiations, Middle Eastern tensions, and other unforeseen factors.

In Quebec, the revised projection for real GDP growth in 2026 is 0.86%, down slightly from the previous estimate of 0.93%. From 2027 to 2030, it is anticipated to remain between 1.91% and 2.07%, aligning with the forecasts of the previous edition. In 2027, Nominal GDP is expected to expand by 4.27%, followed by a fluctuation between 4.16% and 4.30% from 2028 to 2030. The median projections and uncertainty intervals for real consumption point to a gradual recovery after a more moderate 2026, at 1.16% (vs. 1.21%). Its growth rate would then lie between 2.10% and 2.23% from 2027 to 2030, peaking in 2027. After the decline in the first quarter of 2026, real investment growth would slow to 0.61% in 2026 (from 0.83%), then increase between 1.92% and 2.23% from 2027 to 2029. Given the wider forecasting intervals for investment compared to other variables, the corresponding forecasts carry a significant level of uncertainty. It is important to note that the growth of productive capital investment plays a crucial role in the productivity gaps of Quebec and Canada vis-à-vis the United-States, as well as in their cyclical fluctuations.

Inflation and Exchange Rates

Price data showed headline inflation exceeding the Bank of Canada's target range (1% to 3%) in the short term, while core inflation continued to decline in the second quarter, with stronger pressures in Québec. After reaching particularly high levels in the second quarter of 2026 (5.83% in Canada, 3.56% in Québec), GDP deflator growth is expected to moderate to 2.47% in Canada and 2.32% in Québec by the end of 2027. Following a surge from 2.15% to 2.95% between the first and second quarters of 2026, Canadian headline inflation is forecasted to reach 3.11% and 3.06% in the final two quarters of the year. The energy shock discussed in the July issue now seems to be reflected in the data, as evidenced by the growing disparity between headline and core inflation. Core inflation, meanwhile, dropped to 1.63% in the second quarter and is expected to remain between 1.73% and 2.08% for the rest of 2027. In Québec, headline and core inflation stand at 3.28% and 2.36% in the second quarter of 2026, and would then slow to 2.35% and 2.14% by the end of 2027. Over the 2028–2030 horizon, annual median forecasts of inflation, whether headline or core, would remain consistent with the target range. Specifically, headline inflation is expected to exceed the midpoint of that range, while core inflation is projected to slightly underperform it. The high uncertainty surrounding energy prices may still affect these forecasts nonetheless.

The USD/CAD exchange rate is expected to remain fairly stable in 2026 and 2027, fluctuating between 1.38 and 1.40 Canadian dollars per U.S. dollar. The Canadian dollar would

gradually weaken, falling to 1.41 in 2028 and 2029, then to 1.42 in 2030. The exchange rate is particularly sensitive to external shocks and international financial conditions. As a result, it is not surprising that the upper bound of the statistical models' forecast interval is 1.48 in 2029 and 1.50 in 2030. This suggests high uncertainty.

Labour Market

Employment and labour-force forecasts point to a short-term slowdown followed by a gradual recovery for Canada. In 2026, employment is projected to increase by 0.77%, with the growth rate reaching 1.48% in 2027, and stabilizing around 1.46% in 2030. The labour force is predicted to expand by 0.39% in 2026, while it is expected to range between 1.22% and 1.35% annually from 2027 to 2030. Over the 2026–2030 period, employment is expected to grow slightly faster than the labour force, leading to a gradual decline in the unemployment rate. This rate is projected to reach 6.44% in 2030, slightly higher than in the previous edition of the *Macroscope*, which projected a rate of 6.17%. The uncertainty intervals for employment and the unemployment rate have narrowed in the current edition, with a skew to the right for employment and to the left for the unemployment rate. Overall, a temporary slowdown in the labour market is possible, but the forecasts support a gradual improvement over the long term.

The Quebec job market experienced a significant setback in the second quarter of 2026, with employment falling by 1.04% and the labour force shrinking by an even steeper 1.34%. However, job growth is projected to rebound gradually, from 0.49% in the final quarter of 2026 to 1.14% in the final quarter of 2027. According to the projections, the decline in Québec's labour force should ease gradually after the second-quarter contraction. On an annual basis, it would fall by 0.64% in 2026, grow by 0.66% in 2027 and range between 0.81% and 1.13% from 2028 to 2030. Regarding unemployment, it would remain relatively stable in the short term, then begin to decline slightly over the medium term. The median rate would be 5.62% in 2026, 5.54% in 2027 and 5.13% in 2030. A notable aspect is the increase in the unemployment rate by 0.23 percentage points, from 5.50% in the first quarter of 2026 to 5.73% in the second. Moreover, the decline is less steep than in the previous edition, where the median rate reached 5.04% by 2030.

The Chair's composite index indicates that wages in Canada and Québec increased by 3.27% and 3.31%, respectively, during the first quarter of 2026. However, in the second quarter, they decreased slightly to 3.25% in Canada and 3.24% in Québec. This suggests that wage pressure remains, despite a decline in employment.² In 2025, Québec recorded slightly higher real wage growth than the Canadian average (1.34% compared to 1.13%). However, the first two quarters of 2026 show real wage growth below that of Canada (0.73% vs. 1.03%, then 0.53% vs. 0.79%).

²For more details on the index, please refer to the [Labour market](#) section of the Chair's website.

Housing Sector

Newly built homes in Canada have experienced a persistent decline in prices since the beginning of 2026. After a decline of 2.25% in the first quarter of 2026, the drop reaches 2.34% in the second quarter, indicating a larger-than-expected correction. The last two quarters of 2026 and the first quarter of 2027 would nonetheless show smaller decreases (-2.01%, -1.37%, -0.55%). Note that the upward skew in the uncertainty bands associated with the portfolio of models suggests the possibility of a faster market recovery. A recovery in new-home prices starting in the second quarter of 2027 is thus conceivable, although one quarter later than initially projected in the July Macroscope. According to the median of the annual forecasts, new-home price growth would average 0.62% in 2027 and 2.55% in 2028, before moderating to 2.31% in 2029 and 2.04% in 2030. In the second quarter of 2026, housing starts increased significantly, by about 13,900 units relative to the annual rate of the first quarter, reaching a total of 255,640 units. This notable increase significantly affects forecasts, as housing starts continue to exhibit consistent self-reinforcing dynamics. The number is projected at 252,770 units in 2026, then at 253,900, 253,850, and 255,690 units from 2027 to 2029, which remains above the 245,070 housing starts observed in 2024.

The real estate market in Québec is strikingly different from the rest of Canada: while new home prices are decreasing nationwide, they are still increasing in Québec. Following a 3.20% rise in the first quarter of 2026 and a 2.86% increase in the second quarter, growth is projected to range between 2.64% and 2.94% annually until 2030. Despite these figures exceeding the 48,810 housing starts recorded in 2024, Quebec's construction forecasts have been revised downward to 57,080 units in 2026 and 54,260 units in 2027 (as compared to the previous estimates of 62,490 and 62,460 units in the July Macroscope).

	Quarterly horizons								Annual horizons					
	Realized		Forecast						Realized	Forecast				
	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2025	2026	2027	2028	2029	2030
Canada														
Real GDP	0.06	1.13	1.82 [1.30,2.58]	2.40 [1.68,2.69]	2.58 [1.88,3.19]	2.21 [1.69,2.71]	2.30 [1.73,2.65]	2.33 [1.83,2.64]	1.86	1.35 [1.03,1.60]	2.36 [1.81,2.69]	2.23 [1.83,2.46]	2.39 [2.16,2.87]	2.34 [2.20,2.45]
Nominal GDP	3.23	7.05	7.19 [5.91,8.09]	6.55 [5.12,7.43]	6.30 [4.71,7.19]	4.69 [3.93,5.64]	4.68 [4.02,5.37]	4.91 [4.12,5.54]	4.41	6.00 [5.38,6.46]	5.14 [4.40,5.57]	4.21 [3.46,4.86]	4.70 [4.55,5.58]	4.75 [4.55,5.12]
Real Consumption	1.85	1.65	2.13 [1.78,2.61]	2.24 [1.83,2.68]	2.45 [2.07,2.83]	2.37 [2.01,2.53]	2.41 [1.87,2.52]	2.43 [2.01,2.53]	2.36	1.97 [1.77,2.15]	2.42 [2.13,2.49]	2.43 [2.03,2.53]	2.39 [2.23,2.51]	2.45 [2.39,2.62]
Real Investment	-0.09	0.83	1.52 [0.89,2.23]	2.10 [0.98,2.97]	2.34 [1.31,3.23]	1.68 [0.28,2.75]	2.09 [0.82,2.75]	2.31 [0.84,2.80]	1.57	1.09 [0.68,1.48]	2.10 [1.18,2.68]	2.00 [0.49,2.31]	2.50 [1.40,2.90]	2.62 [0.90,2.92]
GDP Deflator	3.10	5.83	5.22 [3.53,5.72]	4.02 [2.78,4.87]	3.58 [2.38,4.25]	2.47 [1.66,3.13]	2.37 [1.95,2.68]	2.47 [1.95,3.02]	2.51	4.54 [3.87,4.84]	2.72 [2.19,3.07]	1.92 [1.32,2.66]	2.26 [2.05,2.70]	2.31 [2.21,2.71]
Headline Inflation Rate	2.15	2.95	3.11 [2.96,3.49]	3.06 [2.74,3.69]	2.95 [2.38,3.70]	2.52 [1.96,3.10]	2.45 [1.79,2.70]	2.41 [1.75,2.61]	2.07	2.82 [2.73,3.01]	2.58 [2.09,3.09]	2.23 [1.78,2.38]	2.14 [2.00,2.34]	2.12 [2.01,2.32]
Core Inflation Rate	2.07	1.63	1.73 [1.49,2.35]	1.87 [1.50,2.65]	2.08 [1.60,2.93]	1.97 [1.79,2.63]	1.88 [1.64,2.35]	1.88 [1.62,2.28]	2.52	1.82 [1.68,2.21]	1.95 [1.76,2.52]	1.81 [1.62,2.18]	1.92 [1.83,2.23]	1.85 [1.76,2.20]
USD/CAD Exchange Rate	1.37	1.38	1.39 [1.38,1.40]	1.39 [1.39,1.42]	1.40 [1.39,1.43]	1.40 [1.39,1.43]	1.40 [1.39,1.44]	1.40 [1.39,1.45]	1.40	1.38 [1.38,1.39]	1.40 [1.39,1.44]	1.41 [1.39,1.47]	1.41 [1.40,1.48]	1.42 [1.41,1.50]
Employment	0.43	0.50	0.98 [0.74,1.51]	1.18 [0.90,1.61]	1.53 [1.17,1.98]	1.45 [1.24,1.71]	1.45 [1.16,1.60]	1.49 [1.32,1.81]	1.43	0.77 [0.64,1.00]	1.48 [1.26,1.81]	1.42 [1.25,1.63]	1.51 [1.39,1.81]	1.46 [1.32,1.85]
Labour Force	0.39	0.23	0.47 [0.34,0.62]	0.46 [0.25,0.63]	1.14 [0.95,1.25]	1.26 [0.73,1.39]	1.22 [1.01,1.30]	1.26 [1.04,1.36]	1.94	0.39 [0.31,0.47]	1.22 [0.93,1.29]	1.27 [1.10,1.46]	1.35 [1.24,1.56]	1.29 [1.11,1.33]
Unemployment Rate (%)	6.63	6.67	6.64 [6.36,6.67]	6.63 [6.28,6.72]	6.61 [6.31,6.73]	6.63 [6.41,6.80]	6.61 [6.37,6.82]	6.57 [6.19,6.77]	6.86	6.64 [6.48,6.67]	6.61 [6.33,6.75]	6.60 [6.38,6.80]	6.54 [6.15,6.76]	6.44 [5.85,6.65]
Salaires-composite [†]	3.27	3.25	3.03*						3.34	3.25*				
Real Salaires-composite [†]	1.03	0.79							1.13	0.91**				
New Housing Prices	-2.25	-2.34	-2.01 [-2.12,-0.28]	-1.37 [-1.57,0.17]	-0.55 [-0.88,0.85]	0.26 [-0.35,1.73]	1.15 [0.19,2.18]	1.64 [1.12,2.16]	-1.08	-1.99 [-2.05,-1.22]	0.62 [0.01,1.70]	2.55 [1.68,2.87]	2.31 [1.36,2.89]	2.04 [0.86,2.61]
Housing Starts [‡] (x1000)	241.73	255.64	257.22 [254, 264]	256.48 [251, 261]	253.24 [240, 260]	253.27 [239, 263]	255.39 [243, 264]	253.68 [242, 265]	258.40	252.77 [251, 255]	253.90 [241, 262]	253.85 [237, 269]	255.69 [234, 268]	257.54 [234, 271]
Québec														
Real GDP	-0.21	0.60	1.36 [0.84,2.15]	1.69 [1.30,2.14]	2.05 [1.63,2.51]	1.85 [1.29,2.20]	1.82 [1.39,2.10]	1.90 [1.50,2.17]	0.61	0.86 [0.61,1.15]	1.91 [1.39,2.20]	1.93 [1.62,2.21]	2.06 [1.86,2.67]	2.07 [1.90,2.40]
Nominal GDP	3.57	4.21	4.46 [4.12,5.33]	4.33 [3.61,5.02]	4.45 [3.87,5.09]	4.18 [3.69,4.56]	4.17 [3.67,4.66]	4.27 [4.08,4.79]	4.76	4.14 [3.89,4.52]	4.27 [4.07,4.51]	4.16 [4.04,4.54]	4.26 [4.17,5.15]	4.30 [4.22,5.13]
Real Consumption	0.52	0.80	1.53 [1.32,2.19]	1.80 [1.41,2.34]	2.28 [1.88,2.71]	2.15 [1.79,2.47]	2.22 [1.79,2.38]	2.26 [1.77,2.41]	1.90	1.16 [0.97,1.45]	2.23 [1.90,2.38]	2.18 [1.87,2.33]	2.10 [1.96,2.36]	2.20 [2.08,2.44]
Real Investment	-0.66	0.17	1.24 [0.19,1.98]	1.68 [0.05,2.30]	2.32 [0.78,2.84]	1.53 [0.42,2.60]	1.70 [0.14,2.56]	2.12 [0.94,2.46]	2.49	0.61 [-0.05,0.90]	1.92 [0.64,2.54]	2.12 [1.20,2.41]	2.23 [0.93,2.65]	2.52 [1.01,3.11]
GDP Deflator	3.83	3.56	3.00 [2.71,3.48]	2.58 [2.07,3.11]	2.32 [1.95,2.77]	2.15 [1.92,2.83]	2.29 [1.97,2.80]	2.32 [2.07,2.85]	4.10	3.24 [3.13,3.47]	2.27 [2.08,2.72]	2.20 [2.00,2.70]	2.16 [1.97,2.67]	2.15 [2.06,2.56]
Headline Inflation Rate	2.90	3.28	3.25 [2.72,3.67]	3.08 [2.64,3.69]	2.88 [2.46,3.71]	2.57 [2.04,3.15]	2.48 [1.86,2.74]	2.35 [1.83,2.64]	2.46	3.13 [2.89,3.38]	2.57 [2.09,2.96]	2.21 [1.95,2.36]	2.04 [1.94,2.25]	1.91 [1.84,2.37]
Core Inflation Rate	2.82	2.36	2.33 [2.08,2.66]	2.31 [1.96,2.87]	2.33 [1.97,3.22]	2.20 [2.00,2.69]	2.22 [2.04,2.68]	2.14 [1.87,2.57]	2.70	2.46 [2.31,2.68]	2.22 [1.98,2.59]	2.00 [1.61,2.24]	1.89 [1.74,2.18]	1.75 [1.62,2.09]
Employment	0.03	-1.04	0.06 [-0.41,0.84]	0.49 [-0.13,1.12]	0.98 [0.48,1.46]	1.16 [0.75,1.46]	1.12 [0.80,1.26]	1.14 [0.98,1.39]	1.71	-0.11 [-0.36,0.23]	1.10 [0.82,1.32]	1.14 [0.90,1.29]	1.37 [1.12,1.63]	1.08 [0.93,1.59]
Labour Force	-0.07	-1.34	-0.72 [-0.88,-0.59]	-0.42 [-0.62,-0.31]	0.05 [-0.10,0.14]	0.90 [0.67,1.02]	0.82 [0.72,0.96]	0.86 [0.74,1.06]	2.01	-0.64 [-0.72,-0.58]	0.66 [0.54,0.77]	0.81 [0.71,0.97]	1.13 [0.87,1.52]	0.88 [0.64,0.95]
Unemployment Rate (%)	5.50	5.73	5.66 [5.40,5.72]	5.60 [5.40,5.78]	5.57 [5.20,5.73]	5.62 [5.41,5.80]	5.52 [5.17,5.70]	5.47 [4.84,5.66]	5.62	5.62 [5.52,5.68]	5.54 [5.22,5.70]	5.45 [5.12,5.67]	5.29 [4.89,5.60]	5.13 [4.72,5.51]
Salaires-composite [†]	3.31	3.24	3.17*						3.79	3.25*				
Real Salaires-composite [†]	0.73	0.53							1.34	0.63**				
New Housing Prices	3.20	2.86	2.81 [2.53,3.34]	2.64 [2.05,3.23]	2.60 [1.95,3.33]	2.65 [1.96,3.10]	2.65 [1.67,3.14]	2.67 [1.56,3.10]	2.63	2.88 [2.67,3.14]	2.64 [1.83,3.10]	2.70 [1.86,3.32]	2.88 [2.11,3.32]	2.94 [1.86,3.30]
Housing Starts [‡] (x1000)	62.48	54.44	55.78 [54, 57]	55.61 [53, 56]	54.70 [52, 56]	54.12 [51, 56]	54.12 [50, 56]	54.12 [46, 56]	59.40	57.08 [56, 58]	54.26 [50, 56]	53.38 [45, 55]	53.17 [45, 55]	53.05 [46, 55]

Notes:

The values in brackets represent our 10th and 90th percentiles of forecasts from our models.

All growth rates (in %) are reported as year-over-year growth rates %Y/Y, unless otherwise indicated.

[†] The construction and measurement values of the salaires-composite are available in the [Labour Market](#) section of the Chaire's website.[‡] The annualized number of housing starts is based on the averages of monthly forecasts over the considered horizon.

* The reported value is the average of our monthly salaires-composite measure, over the period of interest, containing information up to 2026-08.

** The reported value is the average of our quarterly salaires-composite measure, over the period of interest, containing information up to 2026-06.