

Economic Update

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September 2026

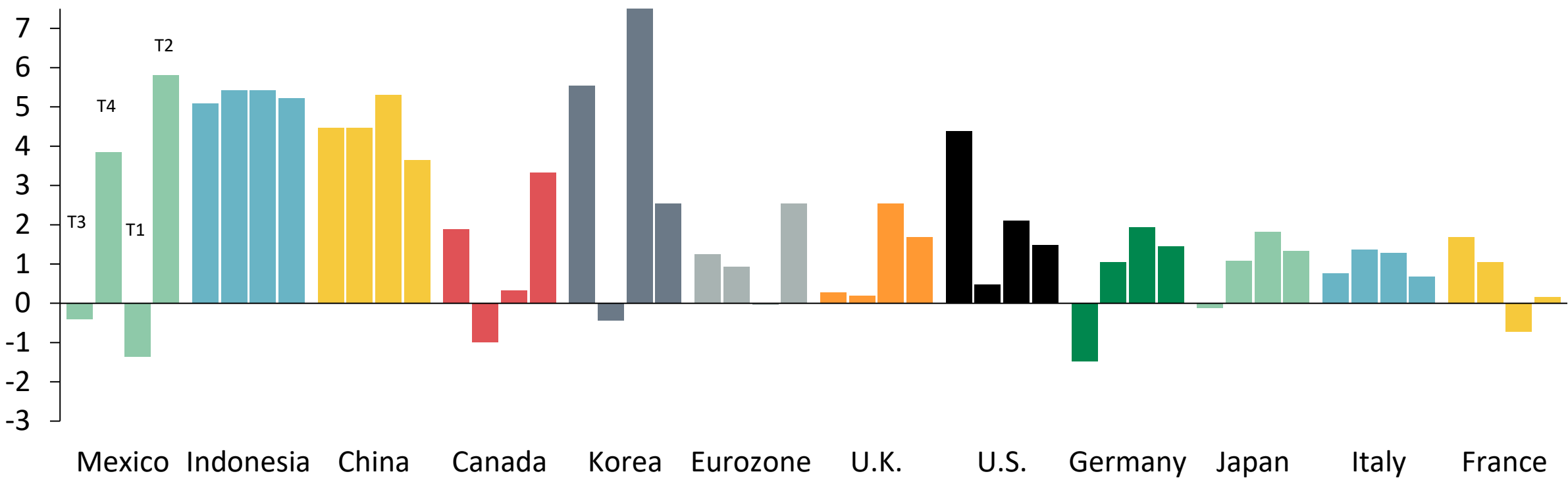


World Economy

Growth Delivered in the Second Quarter of 2026

Real GDP by quarter (from the third quarter of 2025)

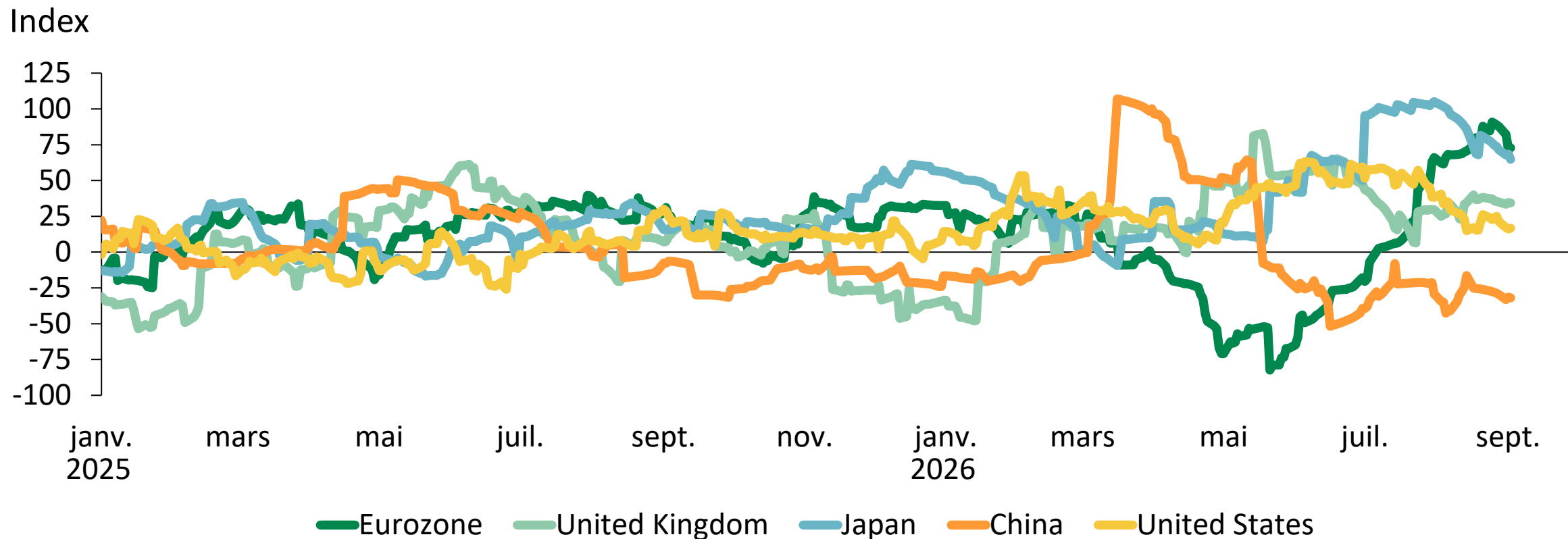
Annualized quarterly change in %



World Economy

Indicators Came in Better Than Expected in the Eurozone

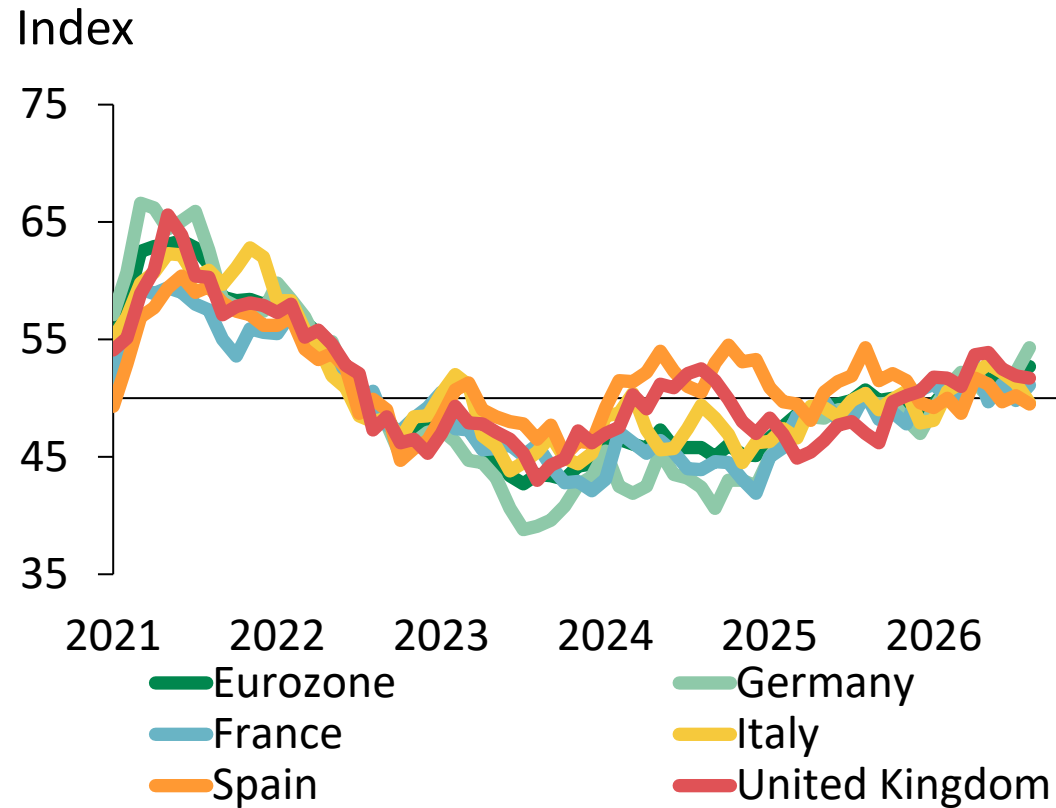
Economic surprise indices



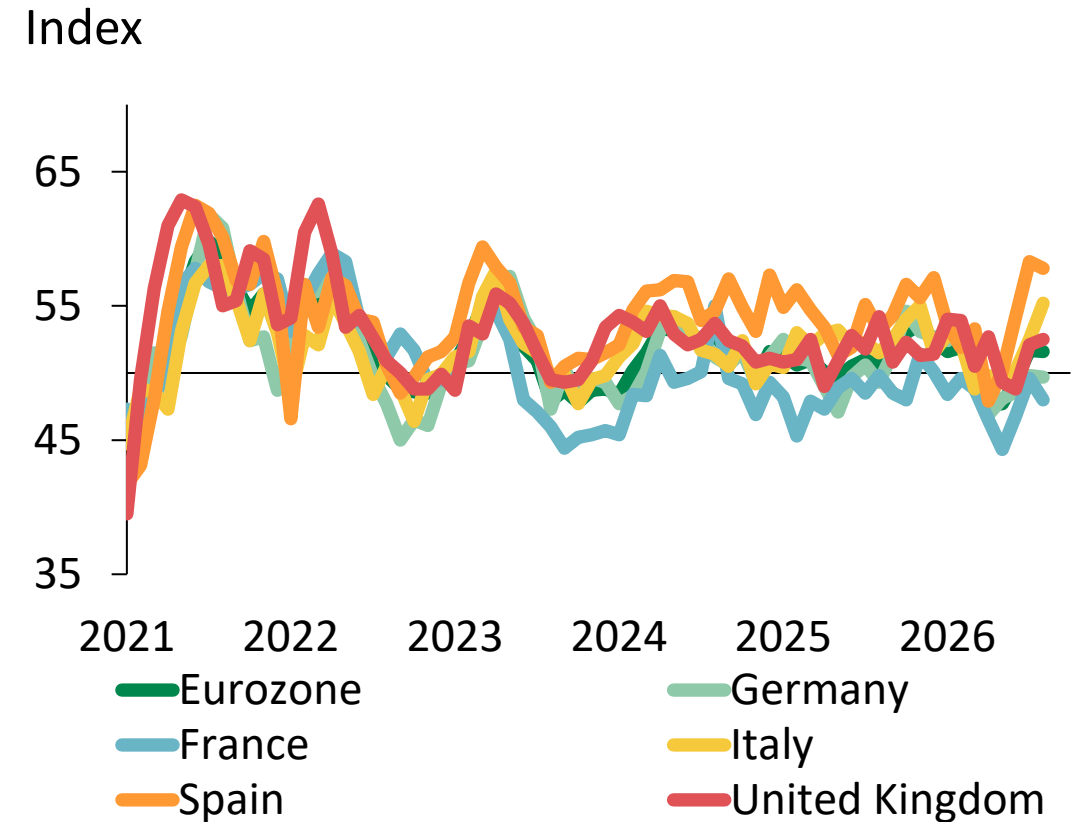
Europe

The Rebound Generally Occurred in Both Manufacturing and Services

Manufacturing PMI



Services PMI

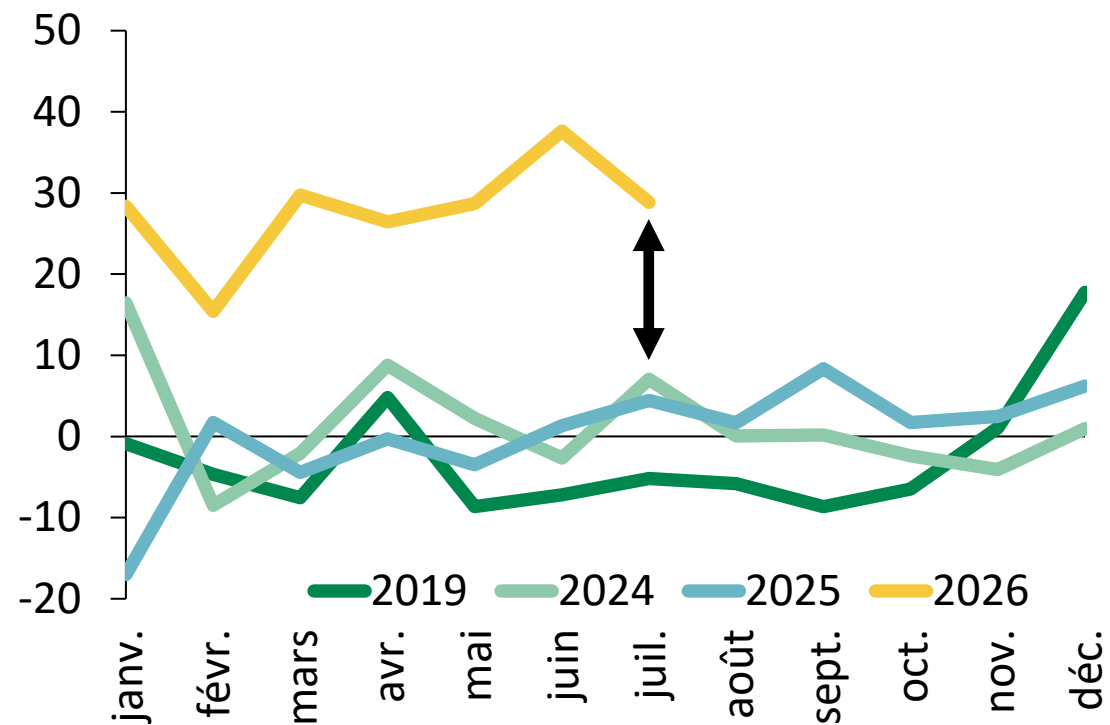


China

Chinese Electric Vehicle Exports Have Taken Off

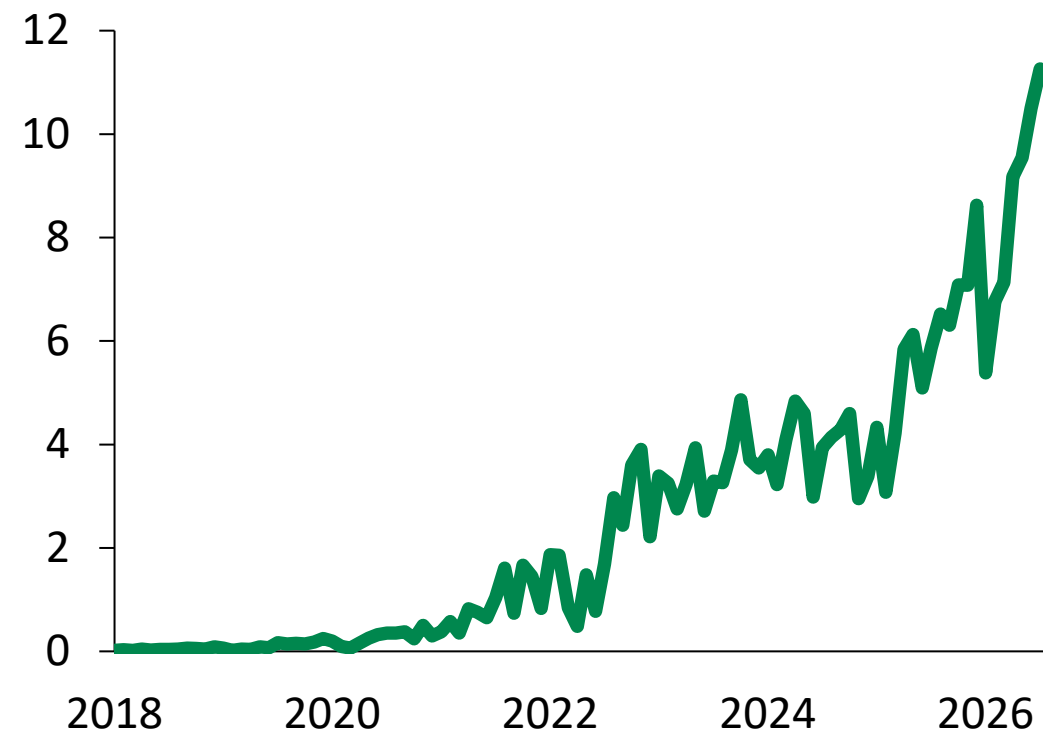
Chinese imports

Annual change in %



Chinese electric vehicle exports

US\$M

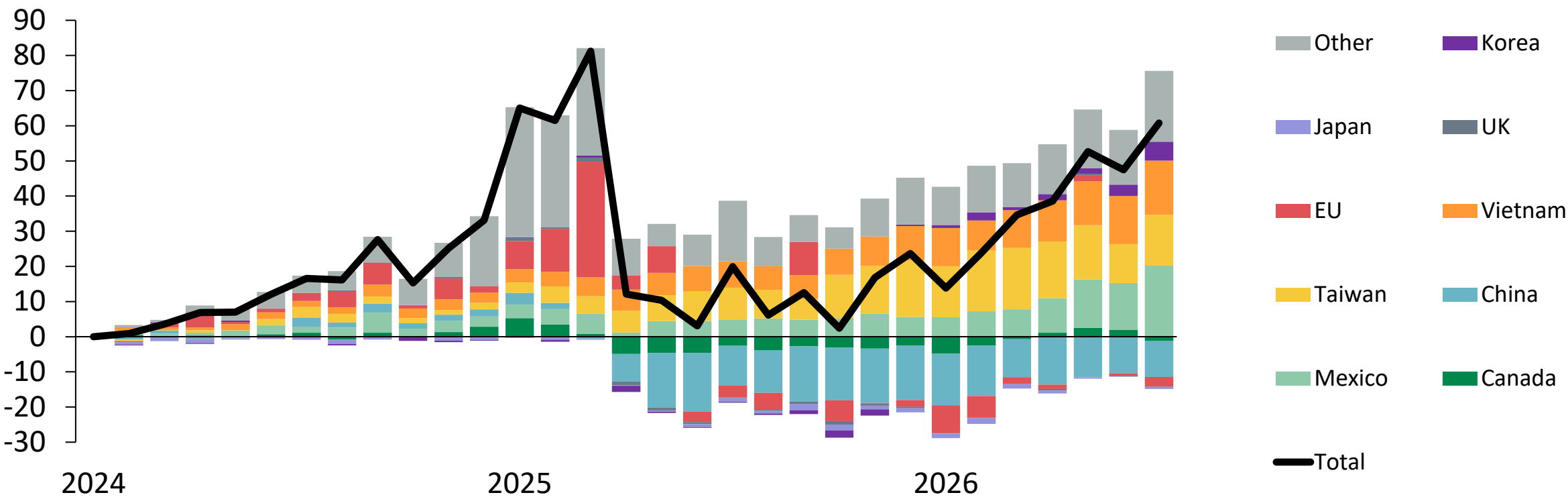


United States

Taiwan and Vietnam Appear To Be the Winners From Surging AI Demand and Shifting US Trade Policy

United States – Goods imports (SA)

Cumulative change in current US\$B since January 2024

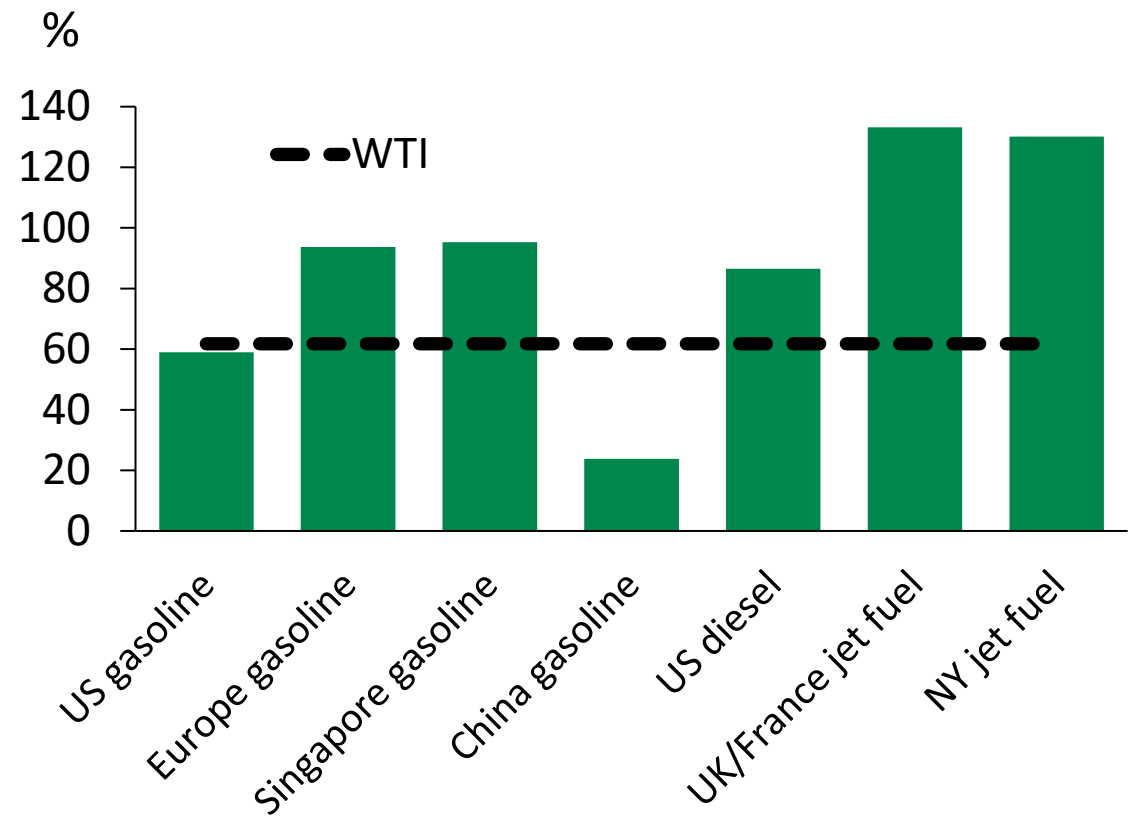


Global Macro

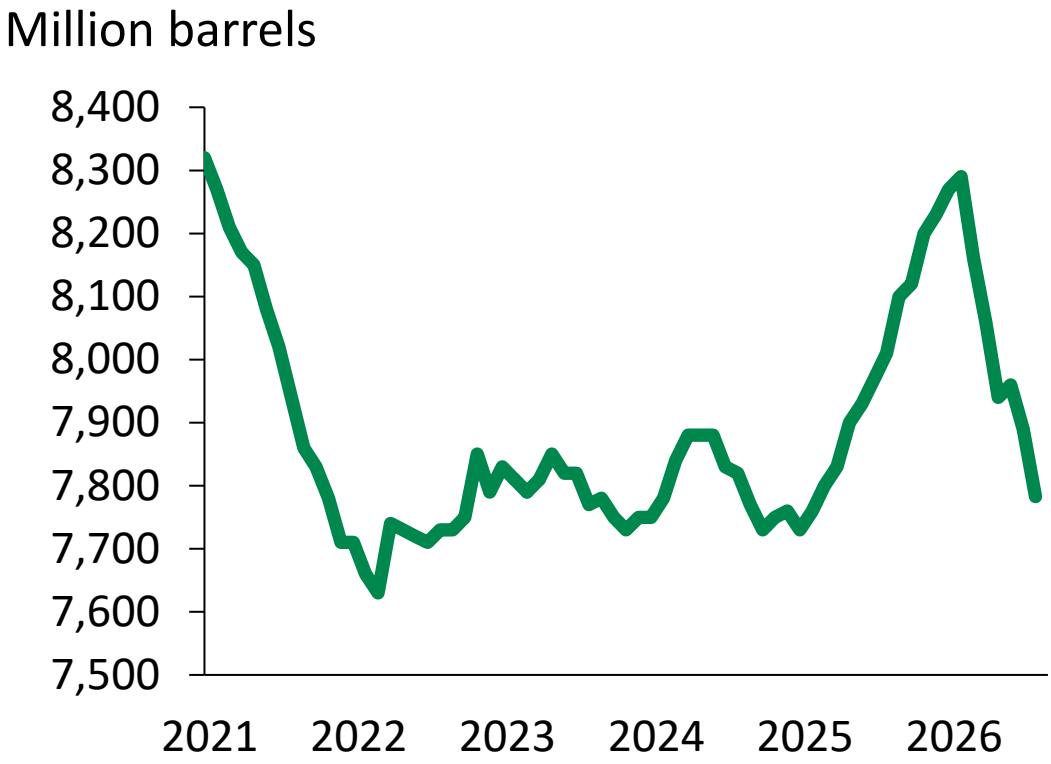
Conflict in Iran

Tight Inventories Push Energy Prices Higher As Ceasefire Prospects Remain Dim

Change* in energy prices year-to-date



Global oil inventories

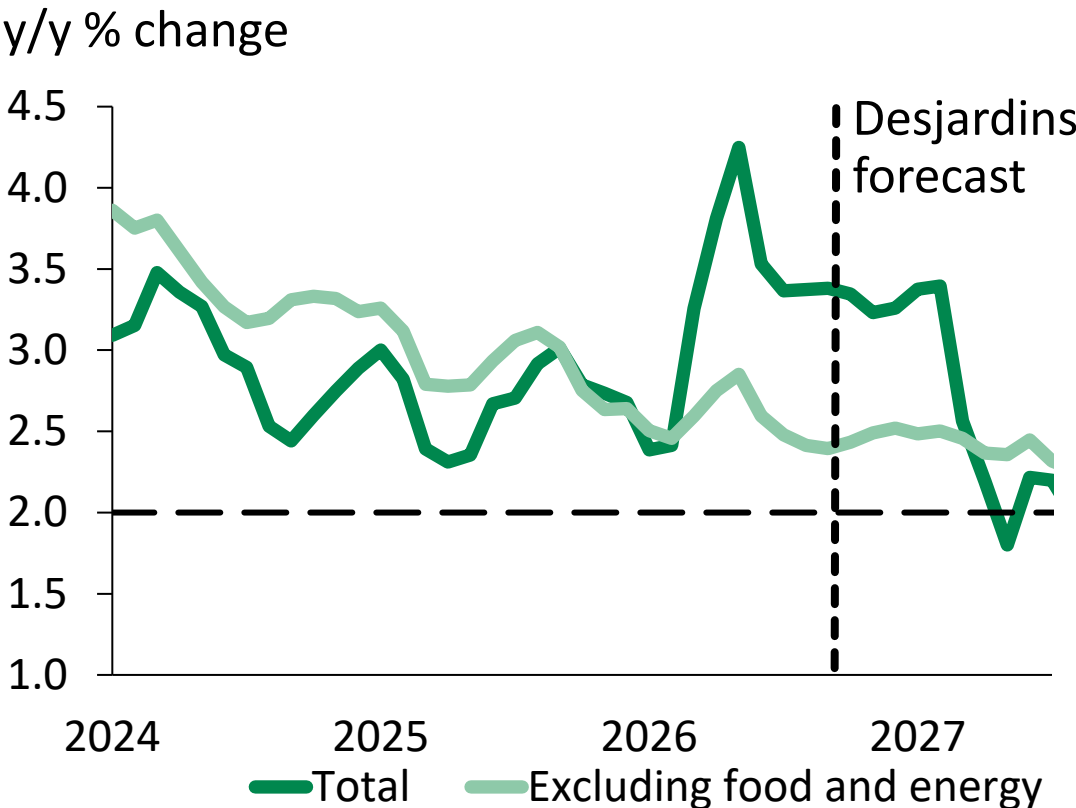


* As of September 25, 2026

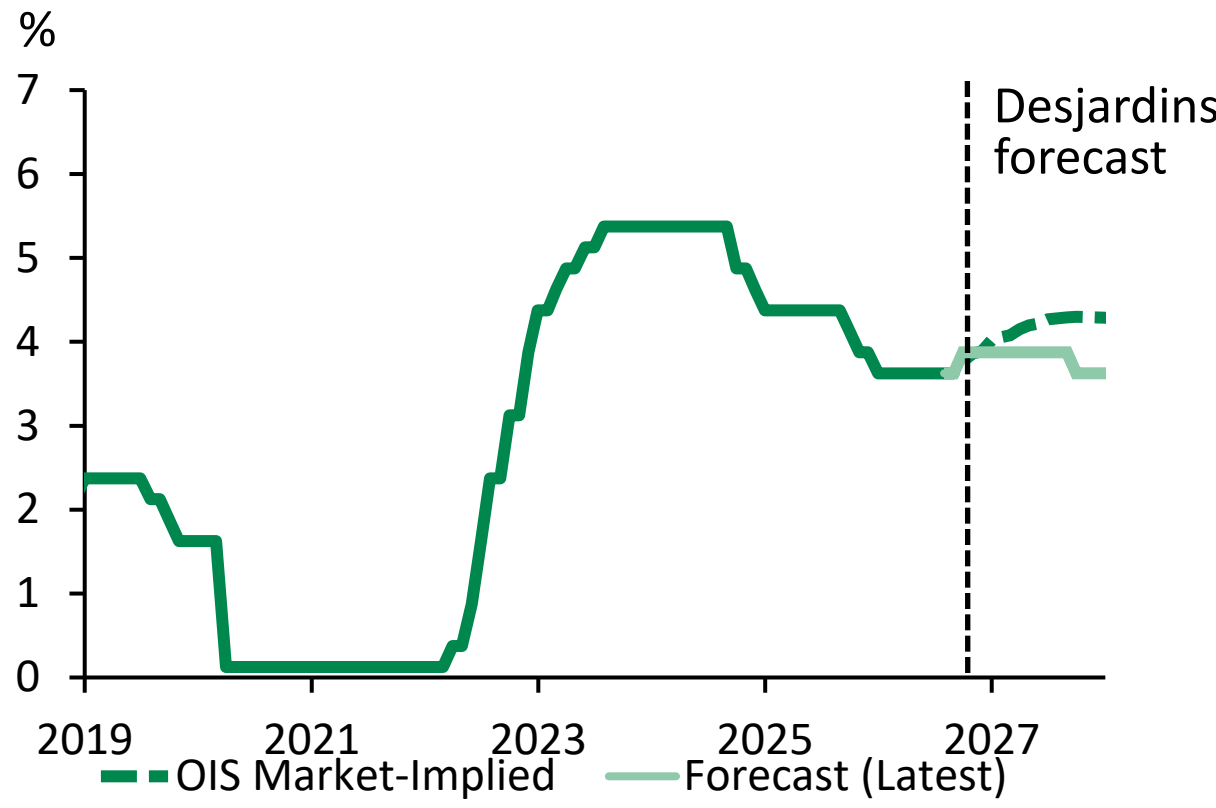
Monetary Policy

Kevin Warsh Seeks To Build Inflation-Fighting Credentials but Near-Term Tightening May Well Be Rolled Back in 2027

US consumer price index



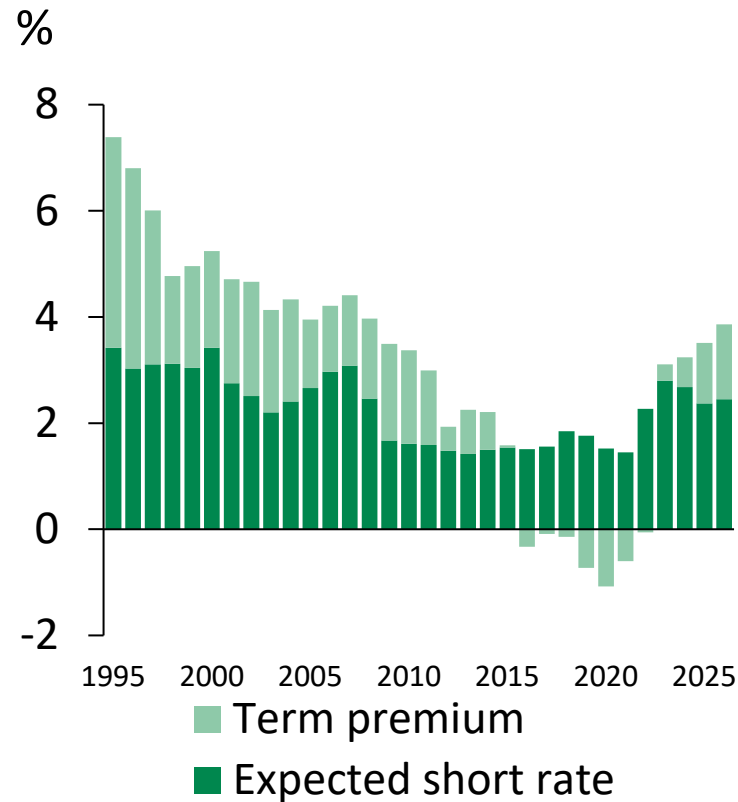
Fed funds rate



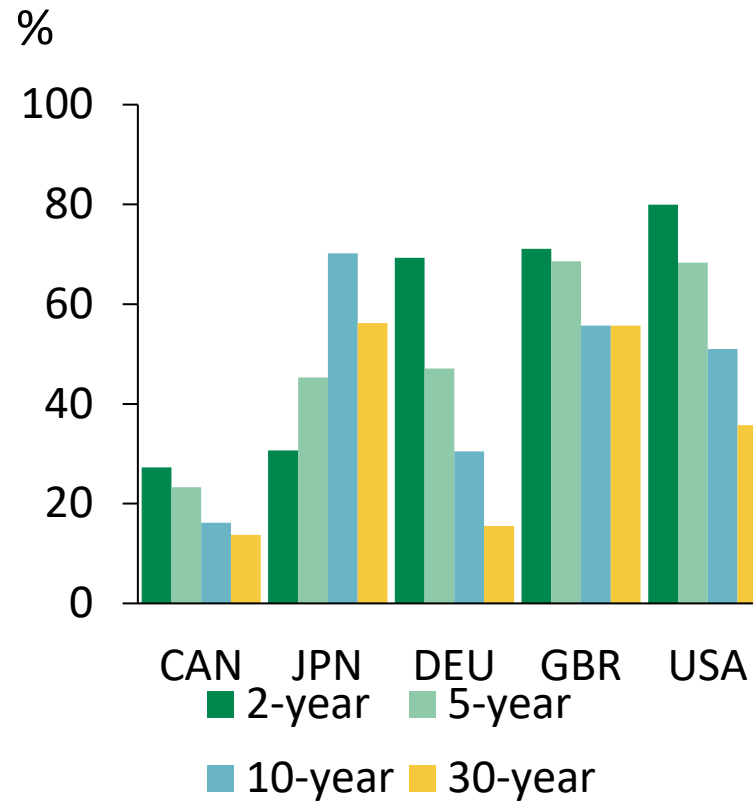
Term Premium

Term Premium Is Driving Yields Higher, With Canada Still at the Low End

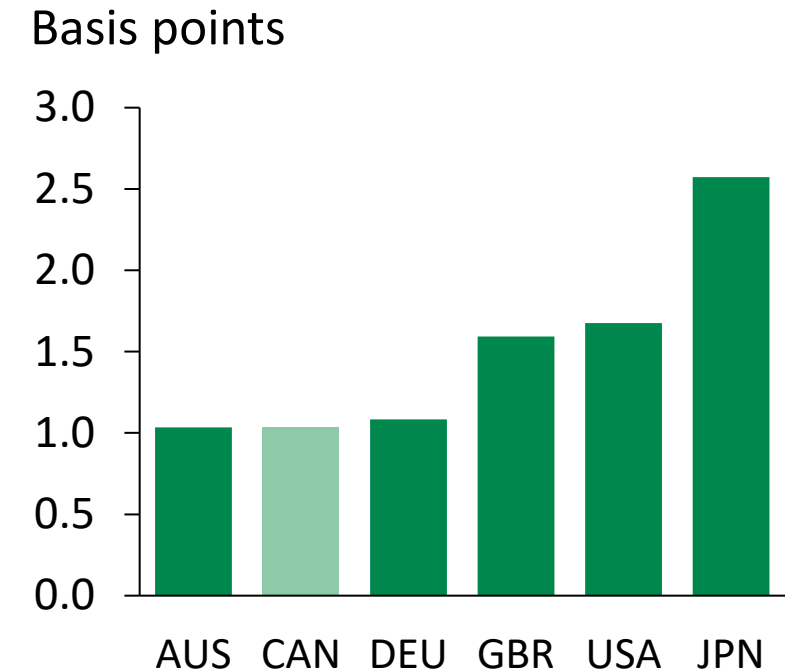
Expected short rate and term premium*



10-year term premium, ACM model**



Year-to-date change in sovereign yields



* Countries include Australia, Canada, Germany, Japan, the United Kingdom and the United States. ** Model estimated from 1995 to present across jurisdictions.

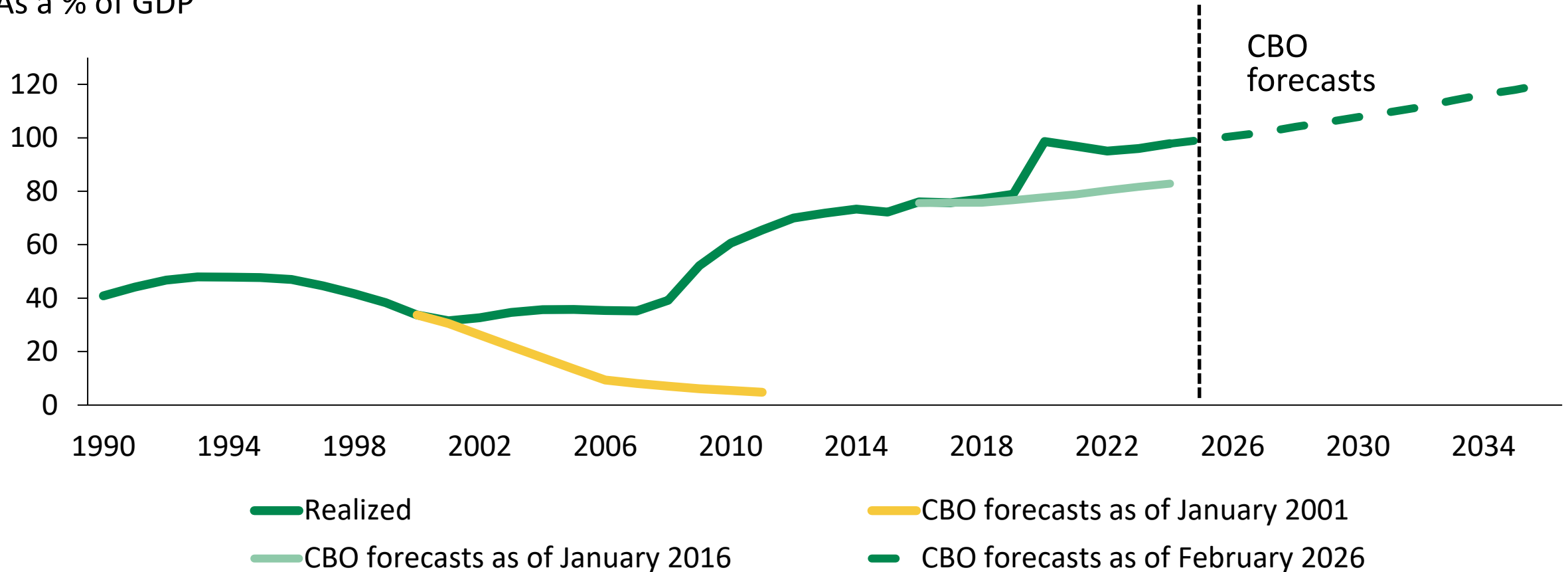
Bloomberg and Desjardins Economic Studies

US Debt

Rather Than Disappearing As Was Being Projected at the Turn of the Millennium, Public Debt Has Gone off the Rails

United States - Federal Debt Held by the Public

As a % of GDP

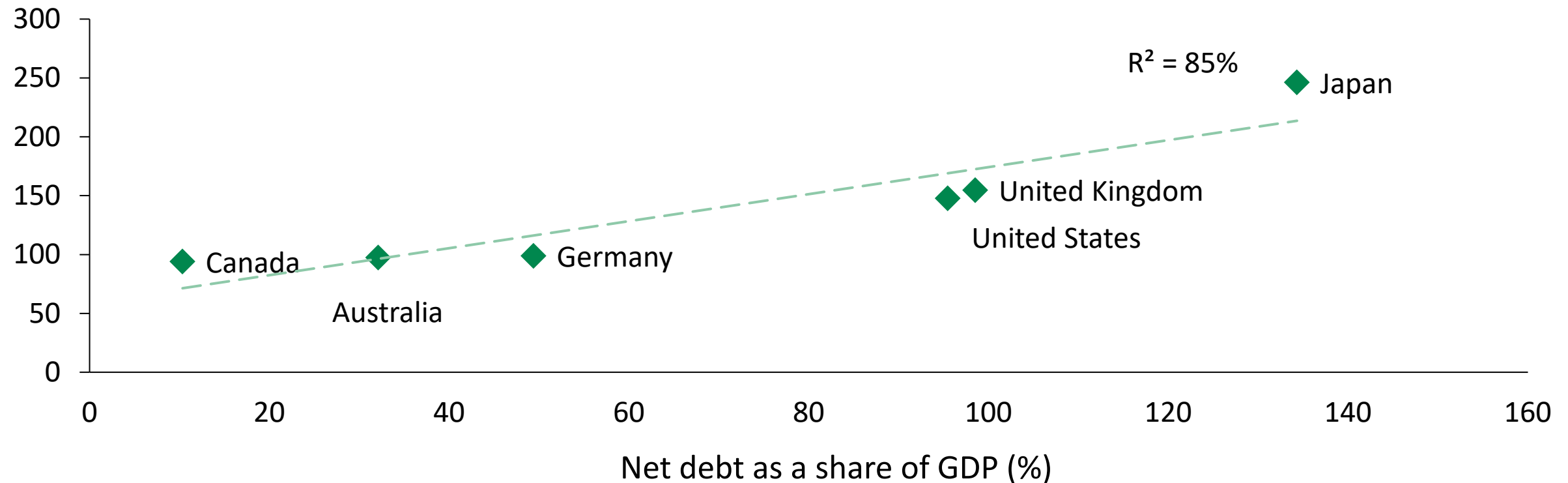


Government Spending, Deficits and Debt

Term Premium Higher in Countries With Larger Net Debt Levels

Net general government debt against 10-year term premium

Level of 10-year sovereign bond term premium



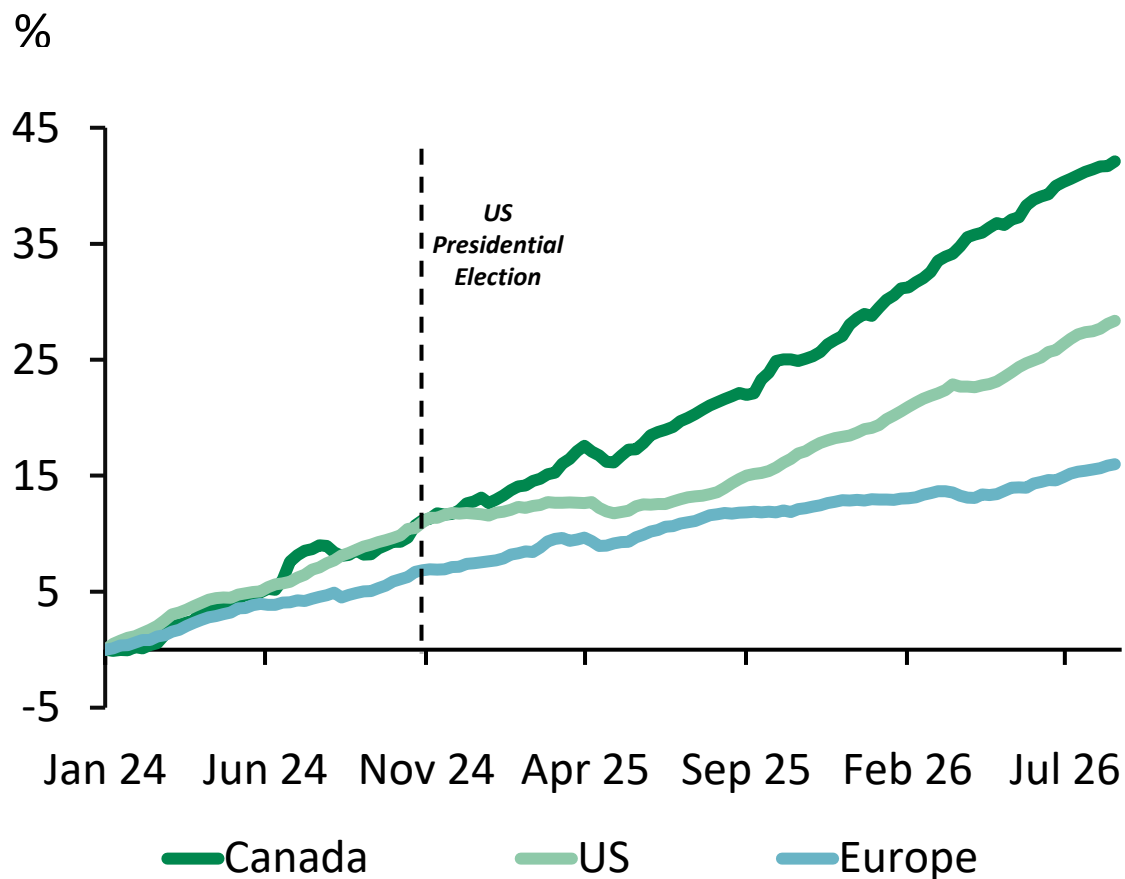
Net debt as a share of GDP estimates for 2026 from the IMF fiscal monitor.
Level of term premium as of June 2026.

IMF, Bloomberg and Desjardins Economic Studies

Fixed Income Flows

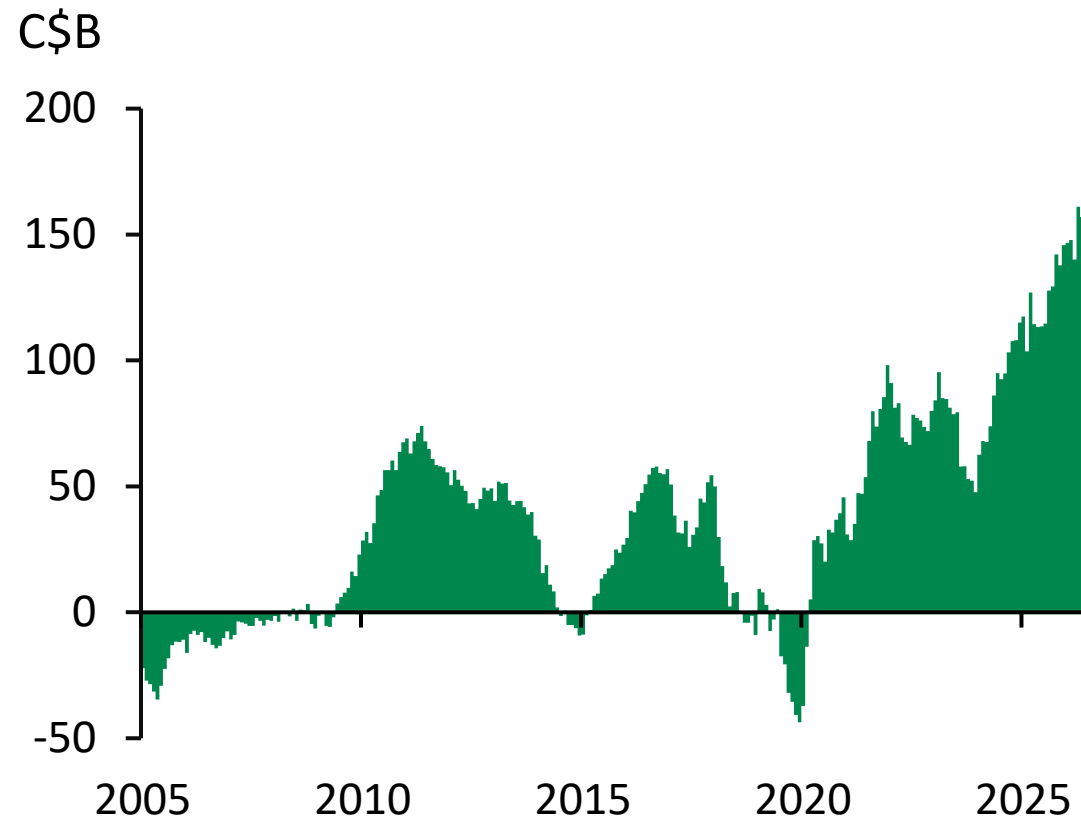
Demand for Canadian Fixed Income Has Been Strong and Persistent

Cumulative fund flows as a share of AUM



* 24-month rolling sum

Foreign buying/selling of Government of Canada bonds*

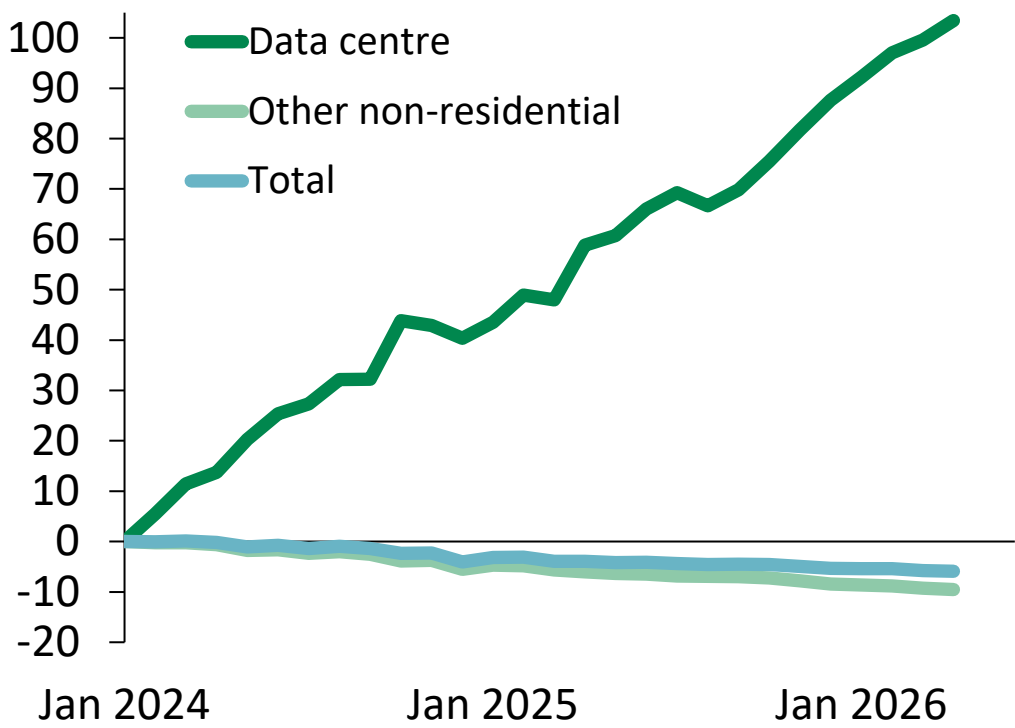


Artificial Intelligence

AI-Related Investment Keeps Pushing Higher in the US

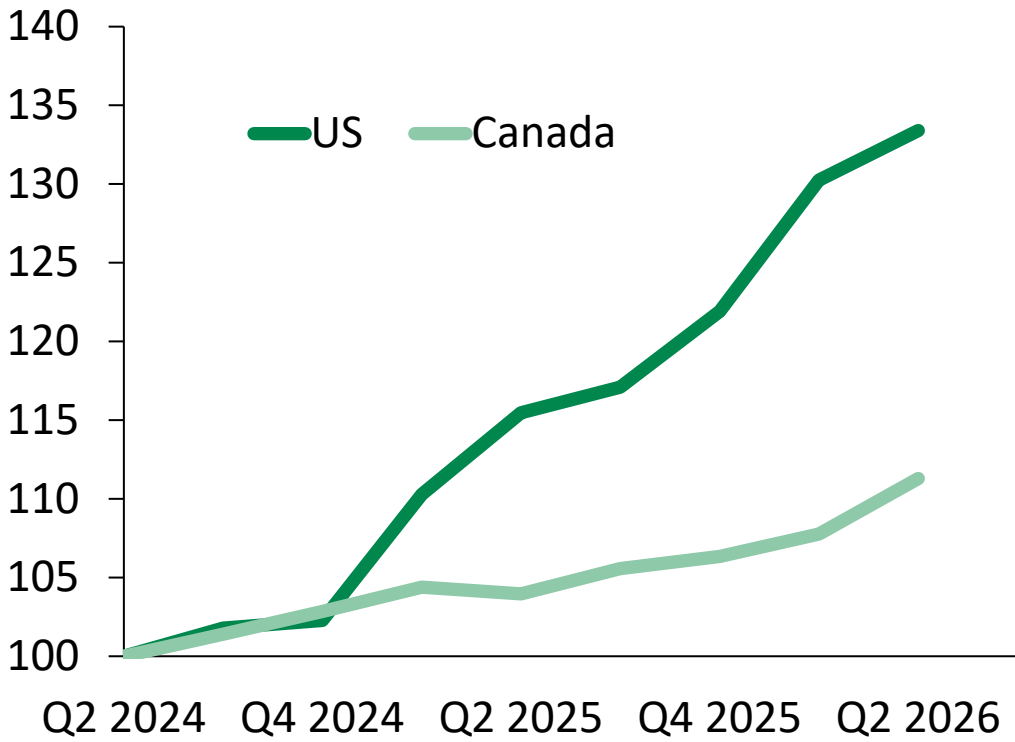
US nominal private non-residential construction

% change since January 2024



Real business investment in IT equipment and software

Index, Q1 2024 = 100



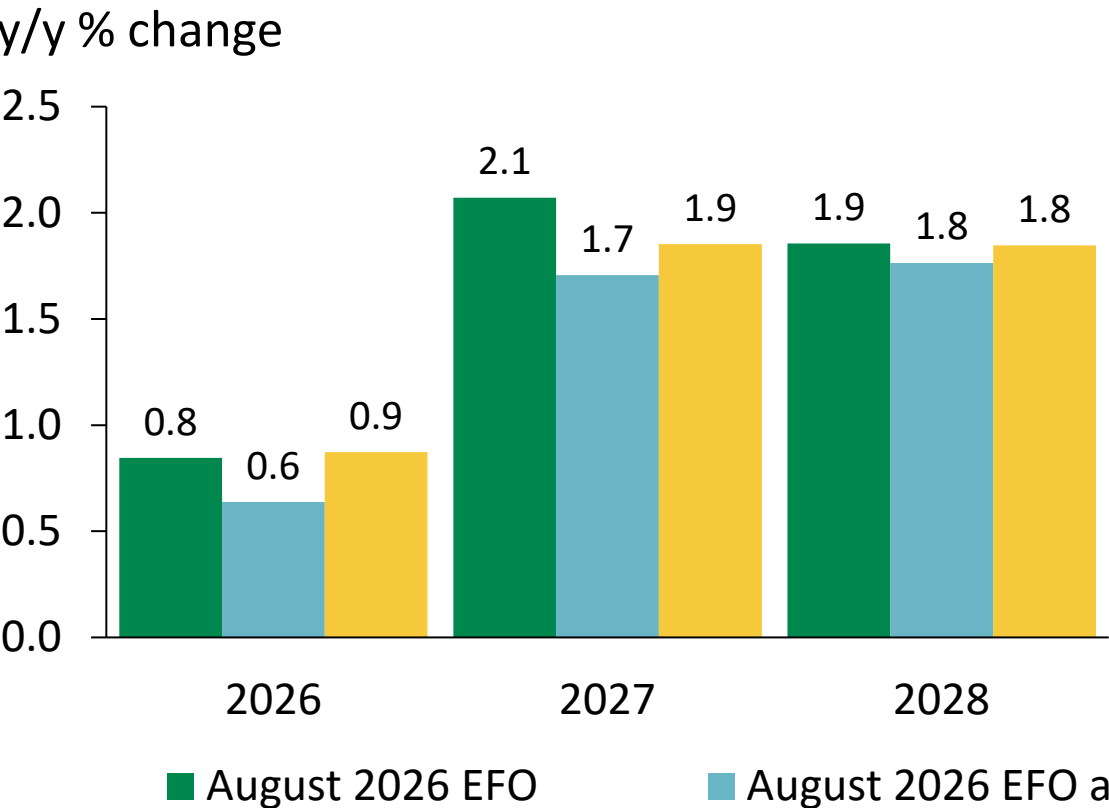


Canada

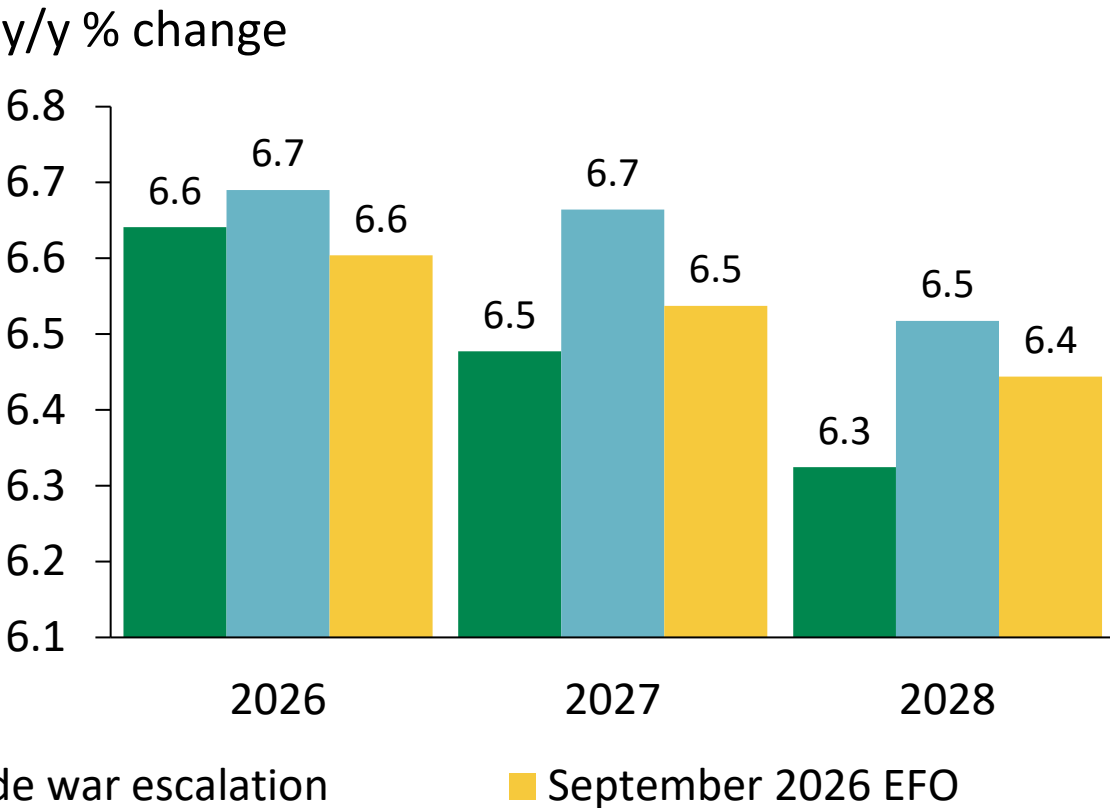
Economic Impacts of the Trade War

We Cut Our Growth Forecasts When the Trade War Escalated;
The Upgrade Since Reflects New Data, Not a Softer Tariff View

Canadian real GDP growth scenarios



Canadian unemployment rate scenarios



EFO: Economic and Financial Outlook

Desjardins Economic Studies

Tariffs and Counter-Tariffs

Manufacturing Industries in Canada Will Be Hit on Two Fronts

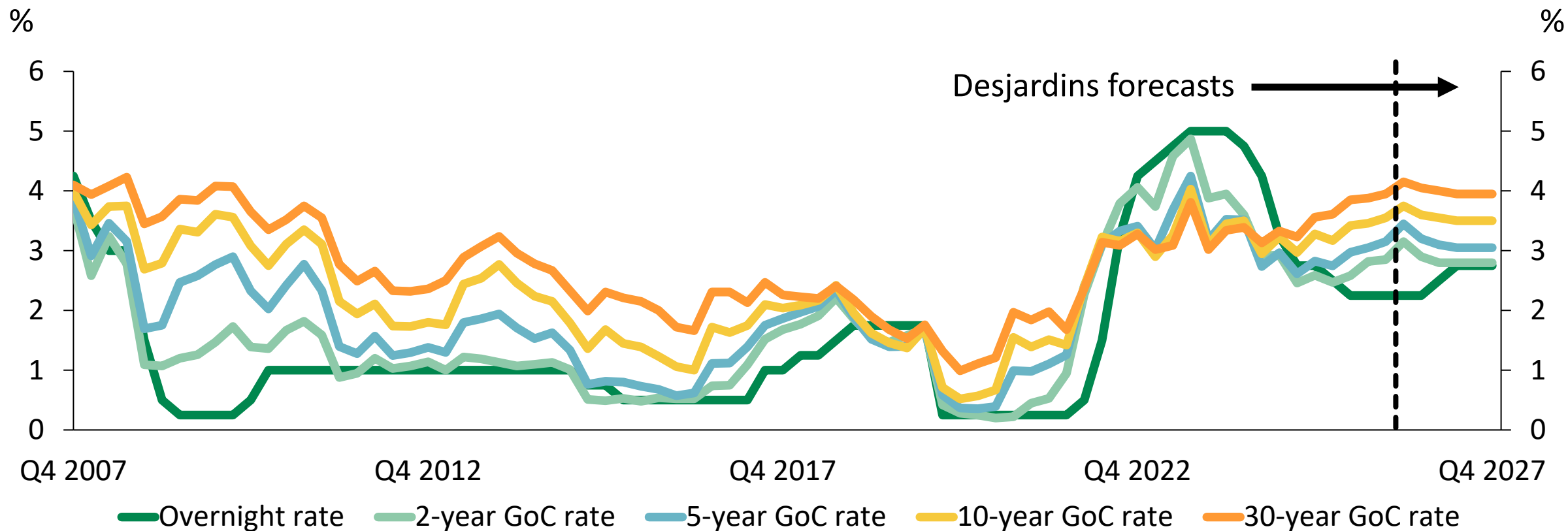
MANUFACTURING INDUSTRIES		EXPORTS TO THE US IN 2025 (\$M)	CUMUL. TARIFFS	SECTION 338 TARIFFS	COUNTER- TARIFFS
1	Motor vehicles and parts	67,791	●	●	●
2	Chemicals	36,862	●	●	●
3	Machinery	34,275	●	●	●
4	Primary metal manufacturing	31,089	●	●	●
5	Plastics and rubber products	18,119	●	●	●
6	Electrical equipment, appliances and components	12,757	●	●	●
7	Computer and electronic products	11,491	●	●	●
8	Fabricated metal products	9,710	●	●	●
9	Miscellaneous manufacturing	7,001	●	●	●
10	Furniture and related products	4,791	●	●	●
11	Textiles, clothing and related products	3,295	●	●	●
12	Non-metallic mineral products	3,178	●	●	●
13	Transportation equipment (excl. motor vehicles and aerospace)	1,380	●	●	●
14	Alcoholic beverages	1,305	●	●	● **

* Colour index based on Canada’s input-output tables (2024). ** Due to the glass and metal containers used.
 Legend: ● Negative impact ● To be monitored ● Limited or no impact
 White House, Department of Finance Canada, Statistics Canada, USITC and Desjardins Economic Studies

Bank of Canada

We Expect Longer-Term Yields To Stay Elevated Even as the Bank Remains on Hold

Policy rate and Government of Canada bond yields

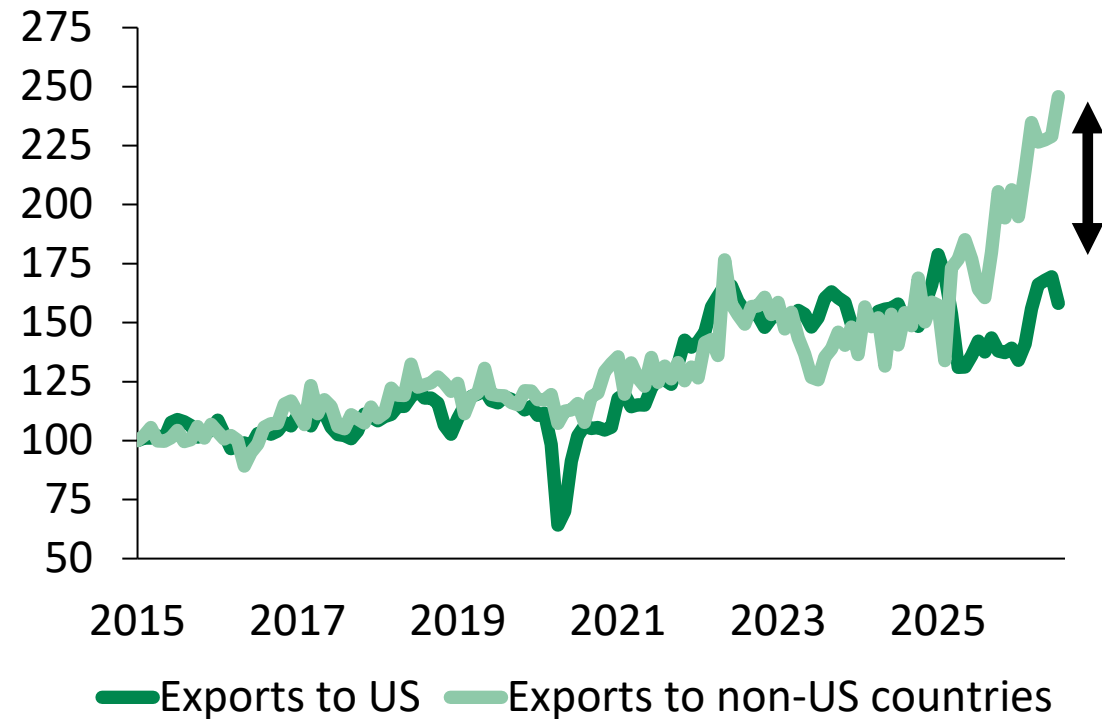


Trade Diversification

Canadian Trade Is Diversifying but Doubling Non-US Exports Will Require a Deeper Reconfiguration of Supply Chains

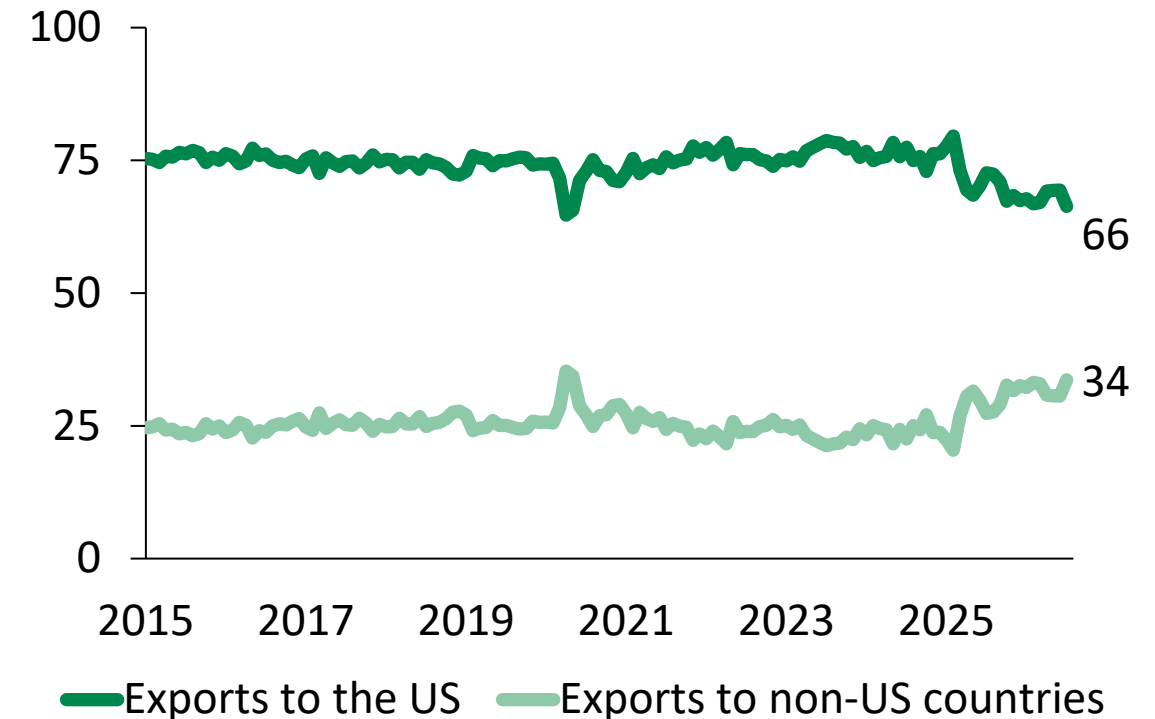
Canadian nominal exports by country

Index, Jan 2015 = 100



Canadian nominal exports by country

% of total

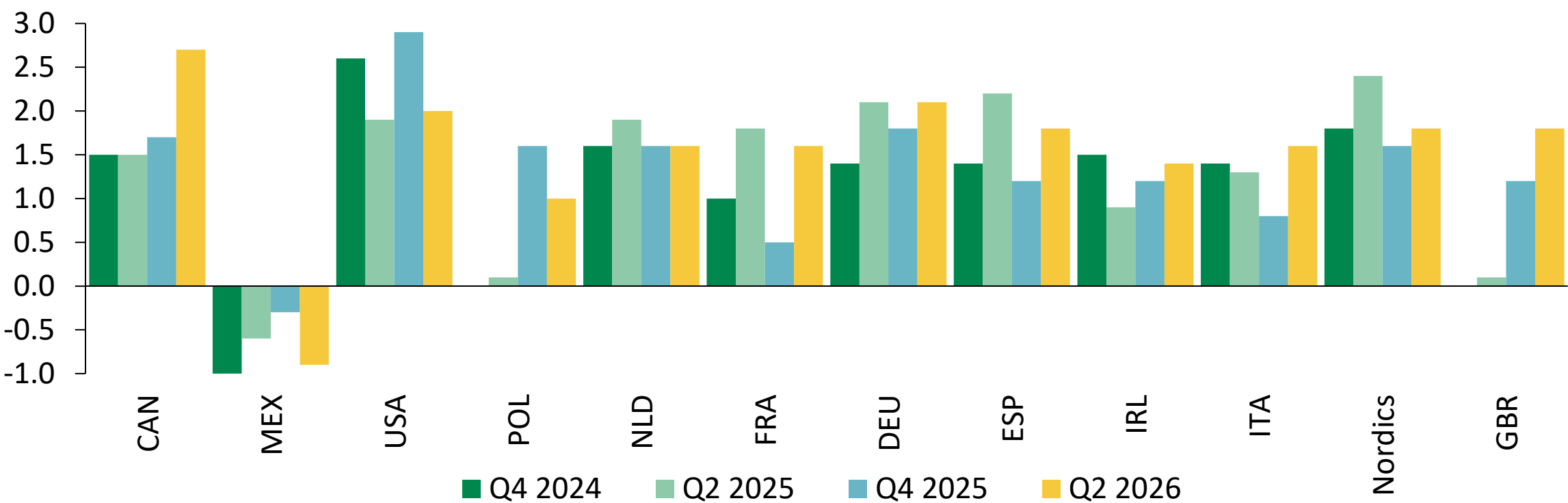


Infrastructure Investment

Infrastructure Investors Have a New-Found Interest in Canada

What is your outlook for the attractiveness of, and opportunities for, your fund(s)' infrastructure investment in the following countries in the next quarter?

(-5: extremely unfavourable, 0: neutral, 5: extremely favourable)

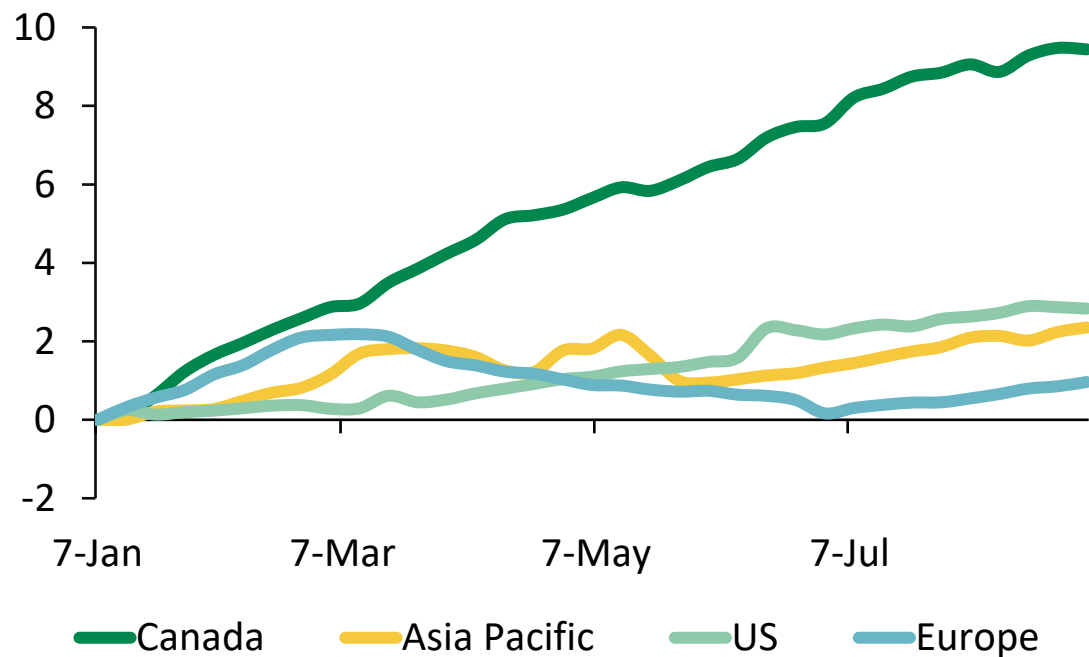


Capital Flows

Despite the Economic Headwinds, Canadian Equities Remain Global Darlings

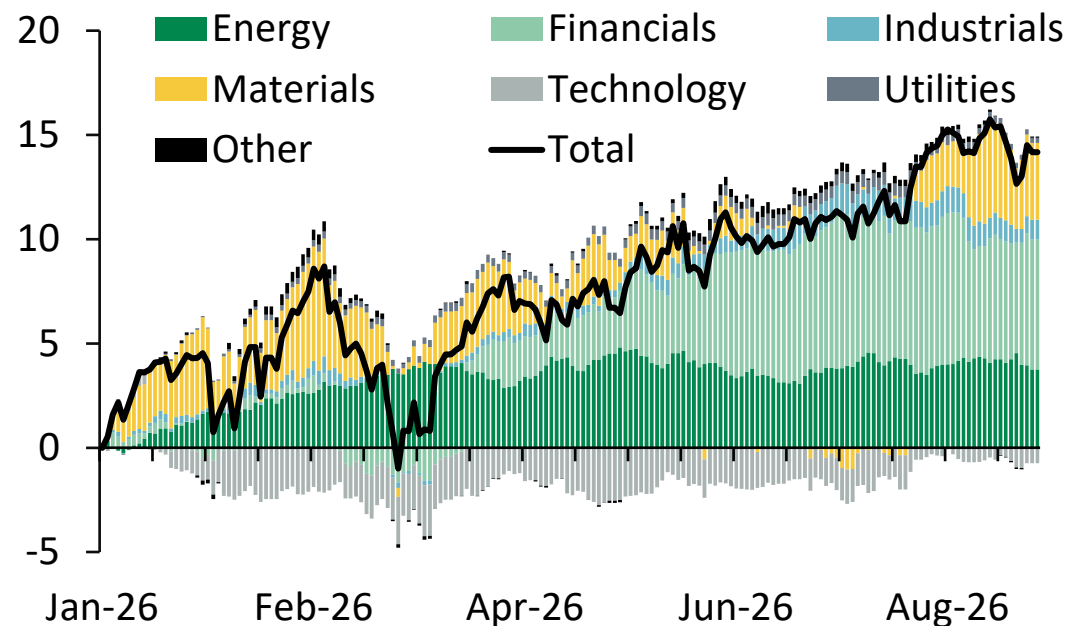
Year-to-date Fund Flows – Regional Equities

%



Sector Contribution to Index Returns – S&P TSX

% y-t-d

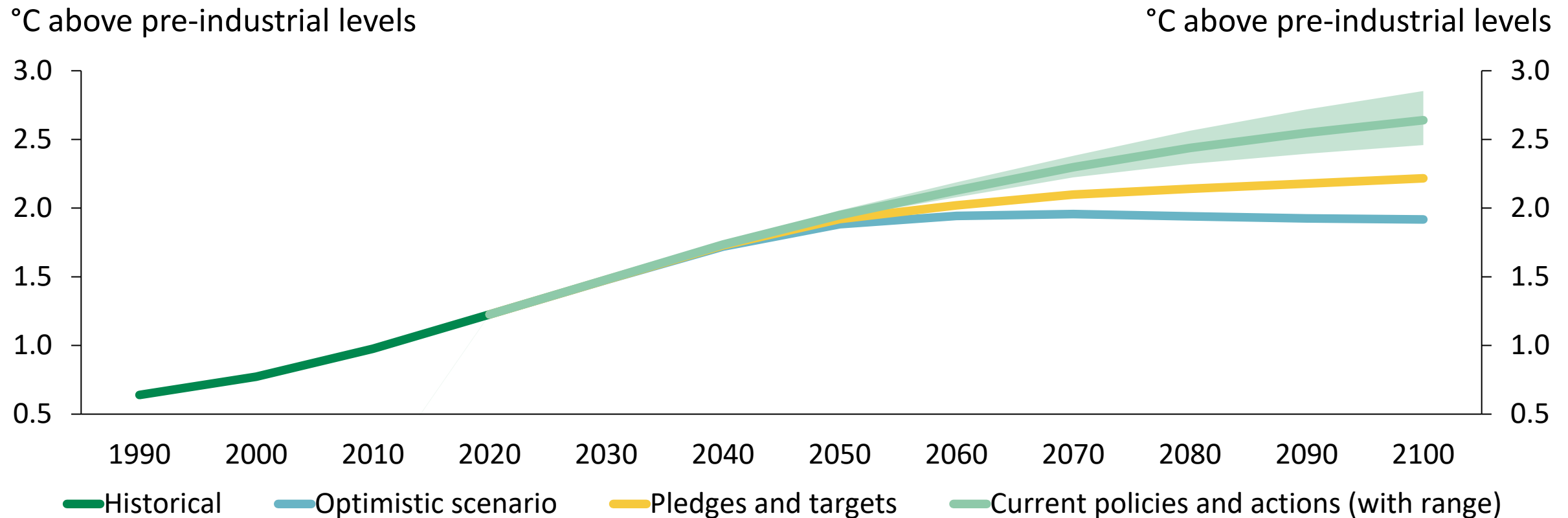


Macro pressures on the insurance industry

Climate Outlook

Without Renewed Action, Global Temperatures Risk Rising Unabated

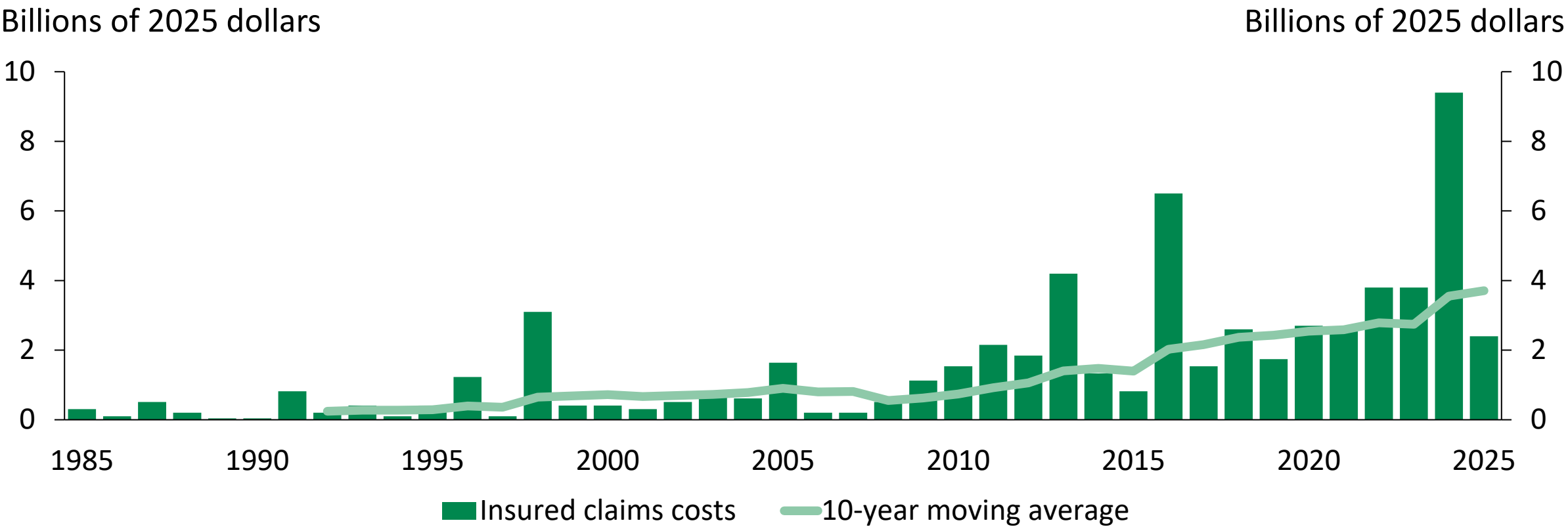
Global mean temperature, history and forecast scenarios



Catastrophe Losses

Catastrophic Insured Losses Keep Rising in Canada, Even After Inflation

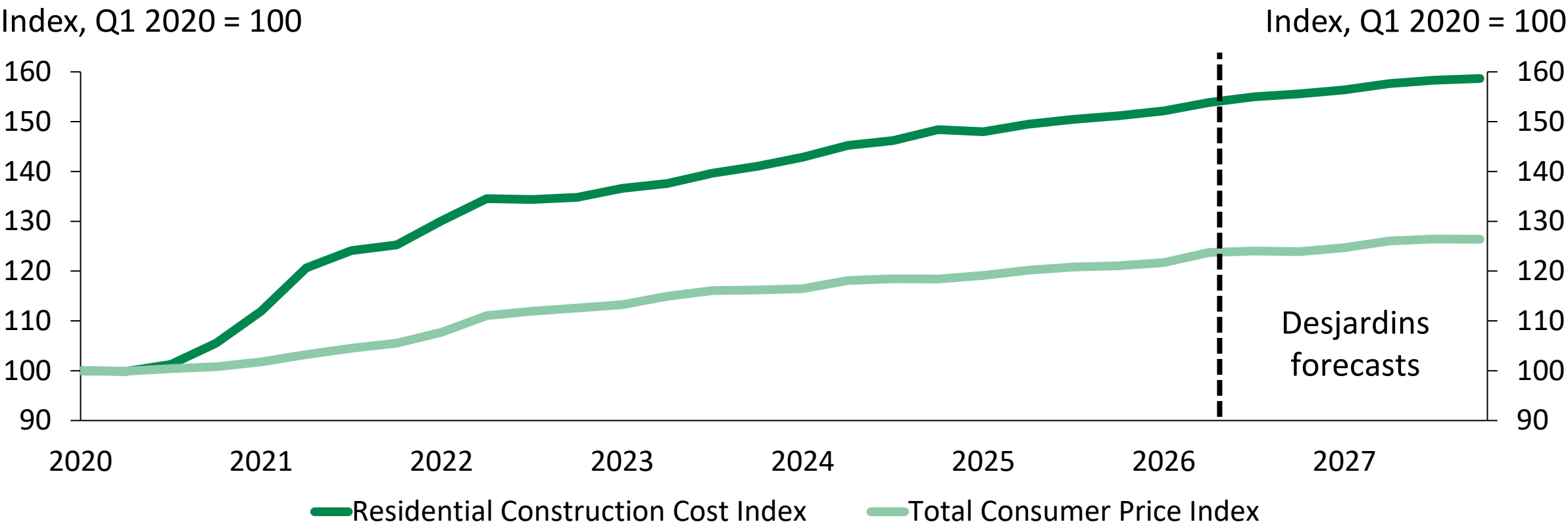
Catastrophic insured losses in Canada



Construction Costs

Residential Construction Cost Growth Is Expected to Outpace Inflation

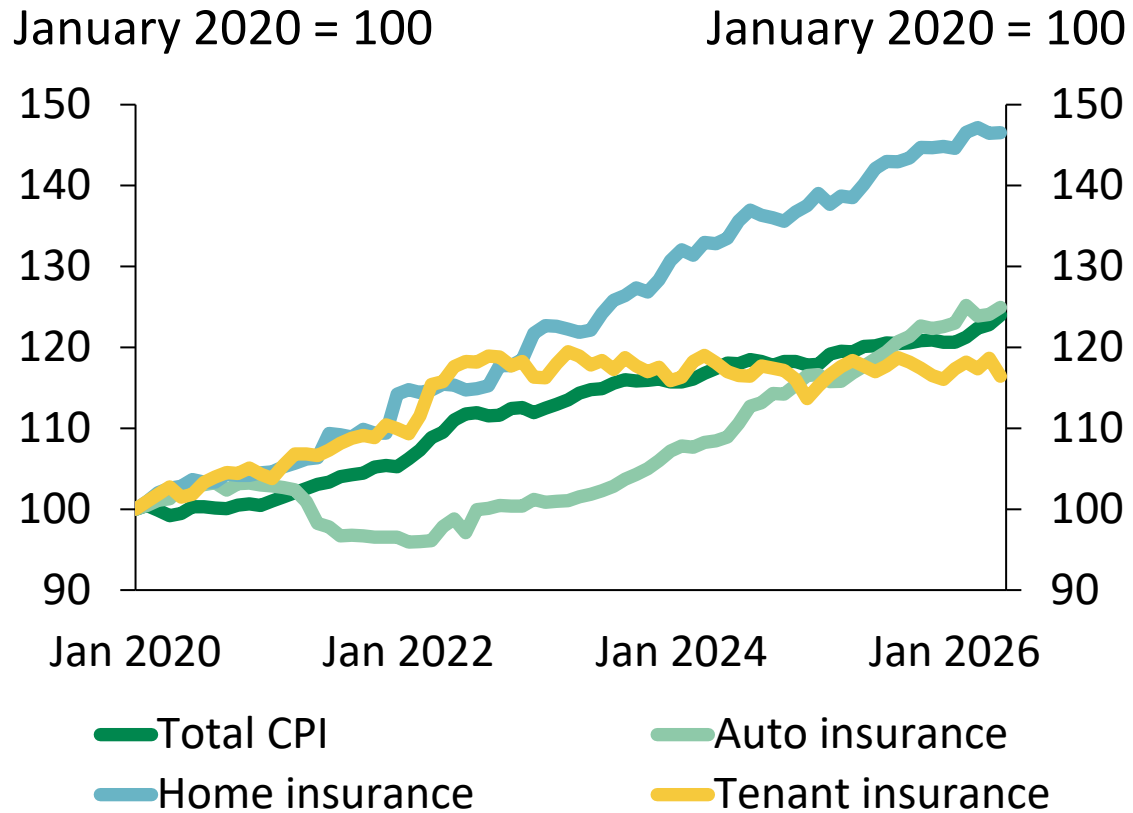
Residential Construction Cost Index and Total Consumer Price Index for Canada



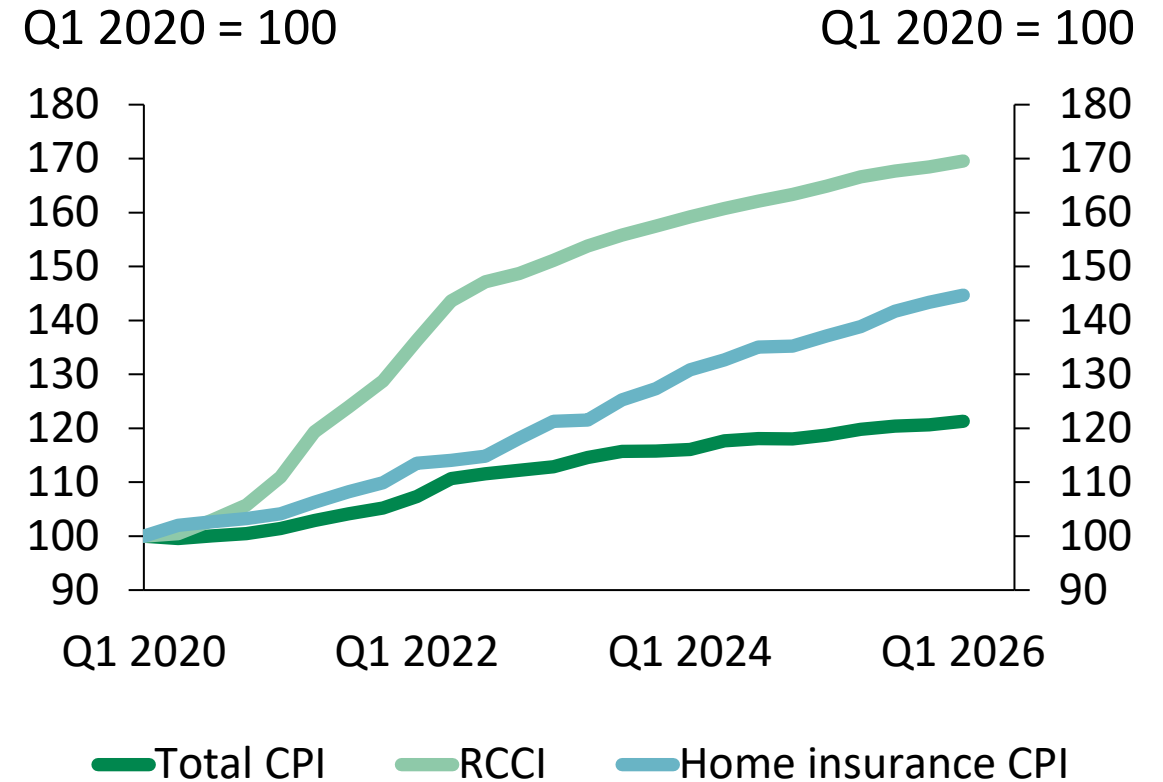
Insurance Costs

The Rising Price of Home Insurance Reflects the Rising Cost of Claims

Total CPI and various insurance CPI categories



Cost of home insurance and residential construction



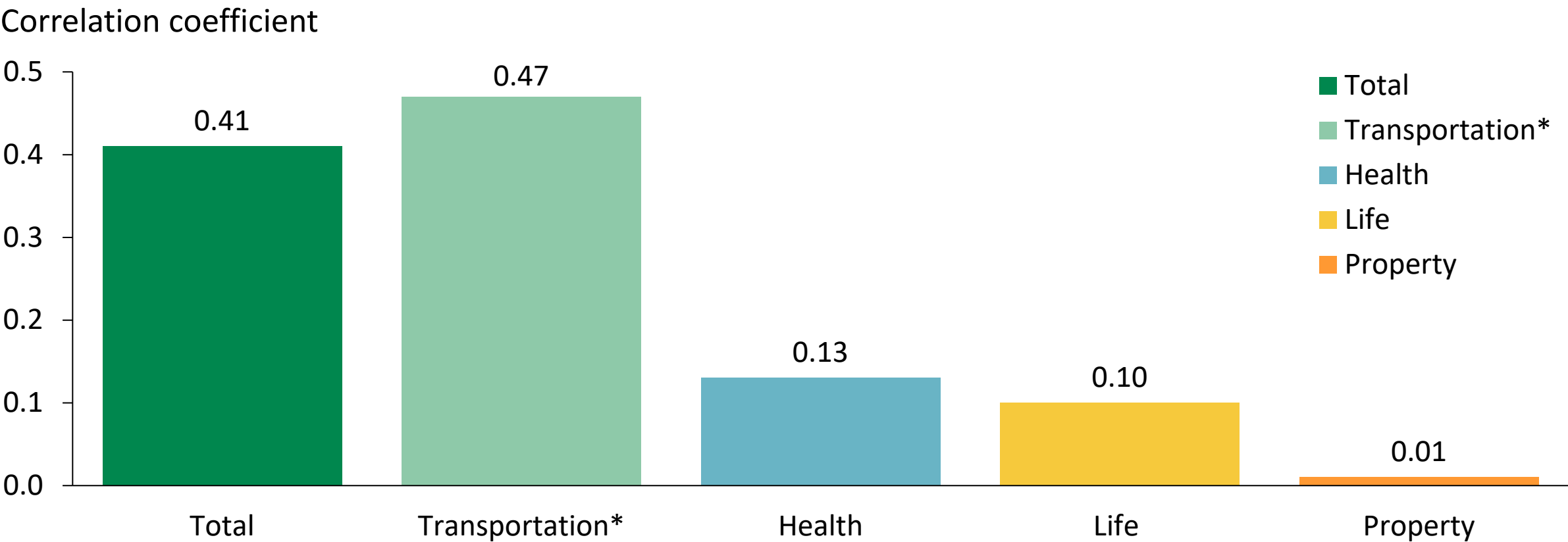
RCCI: Residential Construction Cost Index

Statistics Canada and Desjardins Economic Studies

Insurance Demand

Employment Growth Remains Relevant for Insurance Spending

Correlation between employment growth and real insurance spending, 1982 to 2025



* Insurance related to transportation is primarily composed of auto insurance

Key Takeaways

Navigating a Less Forgiving Rate and Trade Backdrop

1. **Central banks in another credibility fight.** But likely more bark than bite, as financial conditions are tightening on their own and excess inflation is largely supply-driven.
2. **Bond markets have largely ignored fiscal deterioration for years.** The term premium's steady re-pricing and investor discrimination indicate a regime change.
3. **Markets are not ignoring rates** but the overall index has been insulated by the energy earnings' boom and upward earnings revisions in the tech space.
4. **Global investors continue to see meaningful value in Canadian assets** but political execution difficulties might be underpriced.
5. **The trade war's escalation continues to inflict stagflationary pressures** in the near term in Canada, keeping the BoC tilting hawkish and calling for fiscal policy leadership.