



A Canadian Editorial on Markets, Protection, Property, and What Comes Next

If 2024 was about bracing for impact, 2025 was about learning how to move forward without perfect visibility. For Canadians, the year reinforced a reality that can no longer be ignored: uncertainty is not a temporary phase, it is the environment in which financial decisions are made.

Inflation cooled but did not disappear. Interest rates stabilized but remained restrictive by historical standards. Geopolitical risks persisted. Housing affordability remained strained. And yet, 2025 was not a year of stagnation. For those who remained disciplined, diversified, and focused on fundamentals, progress was quietly made.

This editorial examines how shifts across major sectors are influencing the lives of Canadians, providing analysis and perspective on what lies ahead in 2026.

Markets Learned to Live with Rates. A Canadian Perspective

In Canada, the defining investment narrative of 2025 was not the long-anticipated rate-cutting cycle, but the market's acceptance of a new normal. The Bank of Canada remained cautious, balancing easing inflation against weak productivity, elevated household debt, and fragile consumer confidence. Investors were forced to recalibrate expectations not just around interest rates, but around growth itself.

Canadian equity markets delivered strong returns, though leadership remained uneven. Financials and energy benefited from stable rates and commodities, while infrastructure and dividend-oriented equities regained relevance as income once again mattered. Canada's concentrated market structure reinforced the importance of global diversification, as portfolios with exposure to U.S. and international markets benefited from broader sector participation.

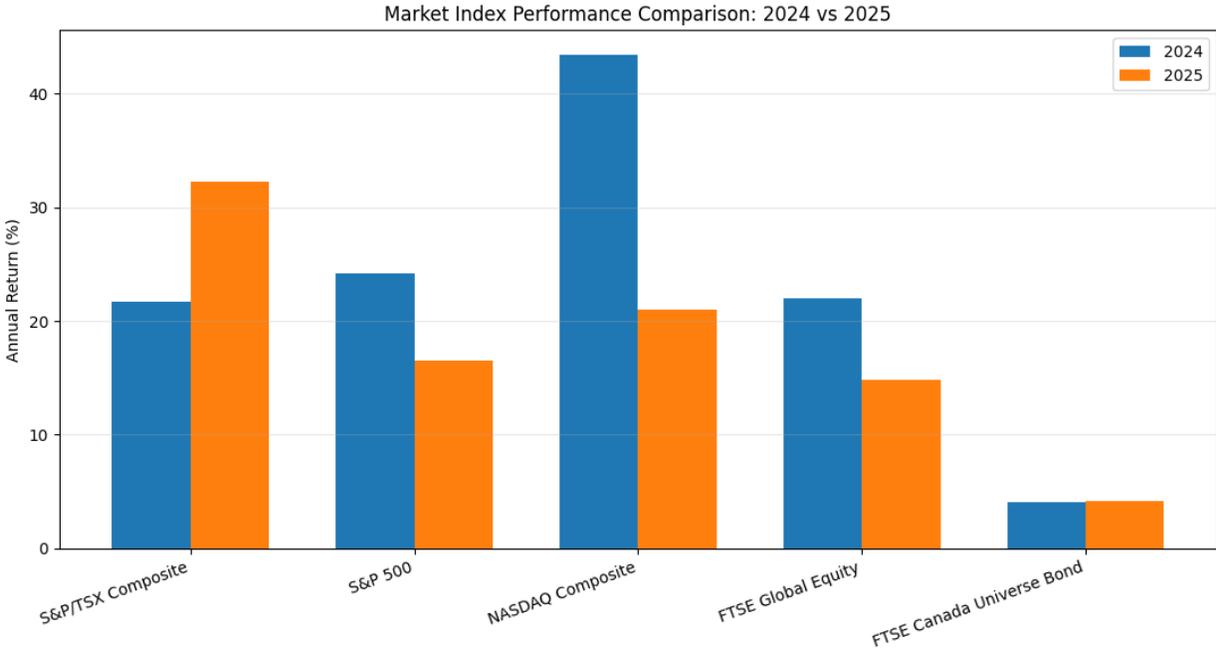
One of the most influential forces shaping markets in 2025 was artificial intelligence. Unlike prior technology cycles driven largely by speculation, AI began to demonstrate tangible economic impact. Productivity gains, cost efficiencies, and revenue expansion became visible across industries including financial services, manufacturing, healthcare, logistics, and energy.

For Canadian companies, AI adoption helped offset long-standing productivity and labour challenges. Firms that successfully integrated AI into operations, analytics, and risk management were rewarded with stronger margins and improved valuations. From an investment standpoint, AI reinforced the outperformance of large-cap, high-quality companies, particularly in U.S. markets and highlighted the importance of global exposure for Canadian investors.

Market Returns: 2024 vs. 2025

Official Index Total Returns (Calendar Year)

(Includes reinvested dividends where applicable)



Index	2024	2025
S&P/TSX Composite	21.7%	32.30%
S&P 500	24.20%	16.50%
NASDAQ Composite	43.40%	21.00%
FTSE Global Equity	22.00%	14.80%
FTSE Canada Universe Bond	4.10%	4.20%

Returns shown are calendar-year total returns in local currency where available. Global equity returns are based on broad benchmark estimates, as official FTSE Global Equity total return figures require data subscription.

The data illustrates a shift from rebound-driven returns in 2024 to broader, more disciplined gains in 2025. Canadian equities quietly outperformed, while bonds delivered consistent positive returns—reaffirming their role in balanced portfolios.

Insurance Moved from Optional to Essential in Canada. Strategy, Not Product

If investment conversations in 2025 were about patience, insurance conversations were about intentional strategy.

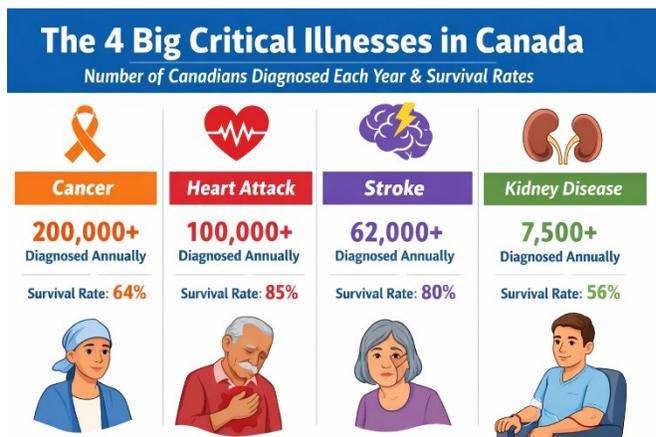
Rising living costs, longer life expectancies, and heightened awareness of future tax exposure forced Canadians to confront a fundamental question: Which risks can I absorb, and which ones could permanently derail my family, business, or legacy?

Life insurance continued its evolution beyond income replacement. In 2025, it increasingly functioned as a planning asset, deliberately structured to address Canada's tax and estate realities.

Permanent insurance was widely used to fund capital gains taxes at death and preserve estate value. Business owners leveraged corporate-owned insurance and Capital Dividend Account planning to move wealth efficiently. Buy-sell agreements gained urgency as succession planning moved from theory to necessity. Insured retirement and charitable legacy strategies became more prevalent in a higher-tax environment.

Insurance planning in Canada is not transactional, it is structural. Ownership, beneficiary designations, funding sources, and integration with corporate and estate planning all matter.

Critical Illness Insurance. Protecting the Living Plan



One of the most important and often overlooked insurance strategies to gain traction in 2025 was critical illness coverage.

As medical outcomes improve, more Canadians are surviving serious illnesses such as cancer, heart attack, and stroke. The financial impact, however, often begins after survival. Lost income, recovery time, treatment gaps, lifestyle adjustments, and out-of-pocket expenses can strain finances at precisely the wrong moment.

Critical illness insurance addresses the cost of interruption, not the cost of death.

For families, it provides liquidity at a pivotal time, allowing focus on recovery without dismantling long-term financial plans. For business owners, it helps protect cash flow, maintain operations, and avoid forced borrowing or asset sales during recovery.

In 2025, critical illness coverage became an essential part of comprehensive planning not because illness is inevitable, but because financial resilience matters.

Canadian Real Estate. A Market Forced to Rebalance

Few issues shaped the Canadian financial conversation in 2025 more than real estate. After more than a decade defined by falling interest rates, rapid price appreciation, and speculative behaviour,

the housing market was forced into a period of recalibration. This was not a collapse, but it was a reset.

Higher borrowing costs, tighter lending standards, and affordability constraints fundamentally altered buyer behaviour. The question for many Canadians shifted from “How much can I buy?” to “What makes sense within my broader financial plan?” That shift alone marked a meaningful change in how real estate is viewed as one component of wealth, not the sole driver of it.

Affordability and the End of Easy Leverage

Despite some stabilization in interest rates, affordability remained the dominant challenge across most major markets. Mortgage payments, even with modest rate relief, stayed materially higher than pre-pandemic levels. For first-time buyers, down payment requirements and stress-test constraints continued to delay entry into the market.

For existing homeowners, renewal risk became a key planning consideration. Many households faced higher payments upon renewal, prompting a renewed focus on cash flow management, debt reduction, and realistic expectations around lifestyle and housing costs.

Leverage once treated casually was scrutinized again. Variable-rate exposure, short amortizations, and aggressive refinancing strategies lost favour in an environment where borrowing costs could no longer be assumed to fall indefinitely.

Regional Divergence Became the Story

While national housing statistics suggested stability, the reality across Canada told a far more uneven story. Regional economic drivers, affordability, and migration patterns increasingly shaped outcomes.



Prices shown are illustrative estimates based on recent market data and regional averages and are not indicative of any specific property.

Greater Toronto Area (GTA)

The GTA remained one of Canada’s most expensive housing markets, but momentum slowed meaningfully. Higher borrowing costs and stretched affordability reduced transaction volumes, pushing buyers to be more deliberate. Demand gravitated toward well-located, high-quality homes with strong long-term fundamentals, while speculative activity faded. Sellers faced longer listing times and greater sensitivity to pricing.

Vancouver

Vancouver continued to feel the effects of long-standing affordability challenges and policy interventions aimed at cooling demand. Activity remained subdued, particularly for higher-priced properties. However, limited supply and strong lifestyle appeal helped support prices in core neighbourhoods. Buyers focused on properties offering enduring livability rather than short-term price appreciation.

Prairie Provinces

Markets across the Prairies including Calgary, Edmonton, and Saskatoon stood out for their relative strength. More affordable price points, population inflows from higher-cost regions, and a stable energy sector supported both ownership and investment demand. These markets benefited from improving labour conditions and attracted buyers seeking value, space, and income potential.

Atlantic Canada

After experiencing some of the fastest price growth in the country during the post-pandemic period, Atlantic markets began to cool. Affordability pressures emerged even in areas historically considered low-cost, tempering demand. While population growth remained supportive, price growth moderated as local incomes struggled to keep pace with higher housing costs.

Quebec

Montreal and surrounding regions demonstrated resilience relative to other major urban centres. Strong rental demand, favourable demographics, and immigration supported the market. However, higher financing costs weighed on buyers, slowing price appreciation and transaction activity. The result was a more balanced market environment compared to prior years.

The Takeaway

Canadian real estate is no longer a single, unified market. Outcomes increasingly depend on local economic conditions, migration flows, housing supply, and affordability dynamics. For investors and homeowners alike, understanding regional fundamentals is now essential.

This divergence reinforced a critical lesson: Canadian real estate is no longer a single market. Local economic drivers, migration patterns, and supply dynamics matter more than ever.

Investors Reassessed the Math

Real estate investors encountered a far more demanding environment in 2025, one that forced a hard recalibration of assumptions that had gone largely unchallenged for years. Higher financing costs, rising property taxes, increased insurance premiums, and tighter rental regulations collectively compressed margins, with the greatest strain felt by highly leveraged properties.

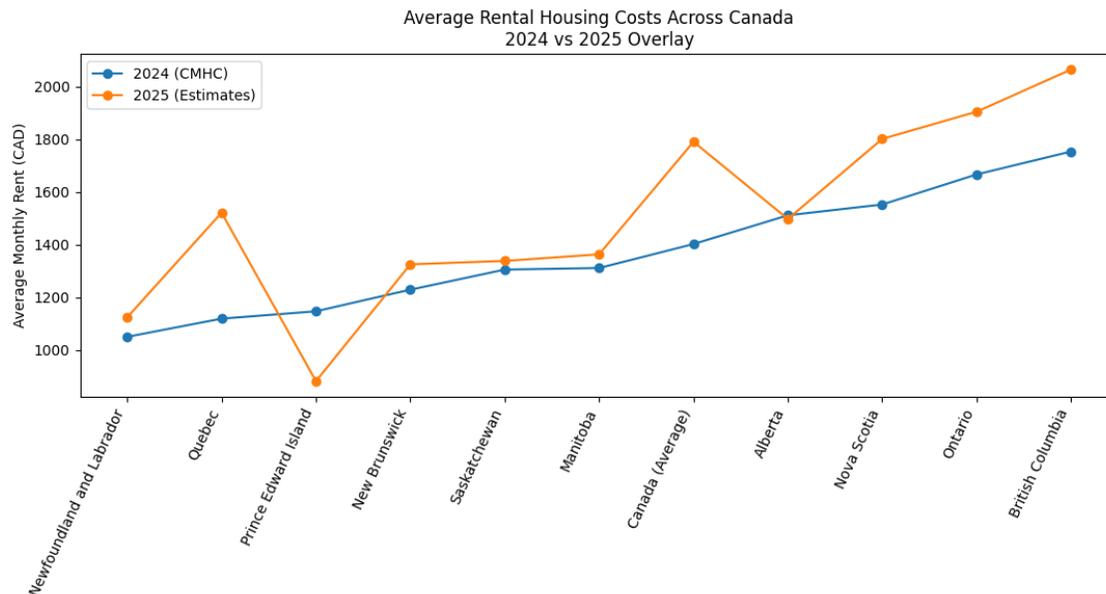
In response, investor behaviour shifted in meaningful ways. Cash flow replaced appreciation as the primary measure of success, reflecting a renewed focus on sustainability rather than speculation. Variable-rate strategies, once widely embraced, were re-examined and in many cases unwound as certainty and risk control took priority. Holding periods lengthened as investors became less inclined to time exits, and speculative flipping activity declined sharply in an environment that no longer rewarded thin margins or aggressive assumptions.

That said, opportunity did not disappear. Well-capitalized investors with conservative leverage and long-term perspectives continued to find value, particularly in rental markets supported by strong population growth and constrained housing supply. The lesson of 2025 was not that real estate had lost its relevance, but that it had become far less forgiving. Sound structure, prudent financing, and realistic expectations once again defined the difference between resilience and regret.

Rental Markets and Demographic Pressure

Rental demand remained strong across much of the country, driven by population growth, immigration, and delayed homeownership. This supported rental pricing, but also intensified affordability challenges for tenants, prompting increased political and regulatory attention.

For landlords, this created a mixed environment: strong demand but rising costs and greater scrutiny. The year highlighted the importance of understanding not just market fundamentals, but also policy risk at municipal and provincial levels.



2025 figures are market-based estimates derived from rental listings, reflecting current asking rents (which are typically higher than CMHC occupied-unit averages) and are best used to illustrate affordability pressures and regional rent dispersion rather than final survey results.

Real Estate as Part of a Financial Plan

Perhaps the most important shift in 2025 was not purely economic, but philosophical. Canadians increasingly began to view real estate not as a standalone decision or a guaranteed path to wealth, but as one component within a broader financial plan. Housing choices were no longer driven solely by market momentum or emotional attachment; they became part of more deliberate, integrated planning conversations.

Considerations such as the sustainability of cash flow, the risk of overconcentration in a single asset class, appropriate insurance coverage, and broader risk management moved to the forefront. Tax implications became more closely examined, particularly as they relate to holding structures and future dispositions. Real estate decisions were also increasingly evaluated in the context of retirement income planning, with a sharper focus on how property would support or strain long-term financial security.

As a result, choices around renting versus owning, downsizing, relocating, or holding property longer were assessed through a wider strategic lens rather than short-term market expectations.

This shift signaled a maturing perspective, one that recognizes real estate's value while acknowledging its risks. In 2025, success was less about simply owning property and more about ensuring that real estate served a clear, sustainable purpose within an overall financial strategy.

Outlook: Stability Over Speculation

Looking ahead, the outlook for Canadian real estate is best described as stable but selective.

Structural supply shortages and population growth support long-term demand, but the era of rapid, leveraged price appreciation appears behind us at least for now. Returns are more likely to be earned through income, prudent leverage, and patience rather than speculation.

For homeowners, this reinforces the importance of affordability, flexibility, and balance.

For investors, it underscores the need for discipline, realistic assumptions, and alignment with long-term financial goals.

In 2025, Canadian real estate did not lose its relevance, but it did lose its illusion of inevitability. And that may ultimately be a healthy development.

Canada's Retail Landscape in 2025: A Year of Adjustment, Not Recovery

If 2025 was meant to be the year Canadian consumers felt relief, retail told a different story.

On paper, inflation eased. Interest rates stabilized. Employment remained resilient. And yet, retail behaviour across Canada reflected a population that had fundamentally recalibrated how and why it spends. The year was not defined by a return to pre-pandemic norms, but by adaptation to a new reality where caution replaced complacency.

The Consumer Changed Before the Economy Did

By 2025, Canadian consumers were no longer reacting to inflation they were planning around it. The rapid price increases of prior years left a lasting imprint on behaviour, even as headline inflation moderated.

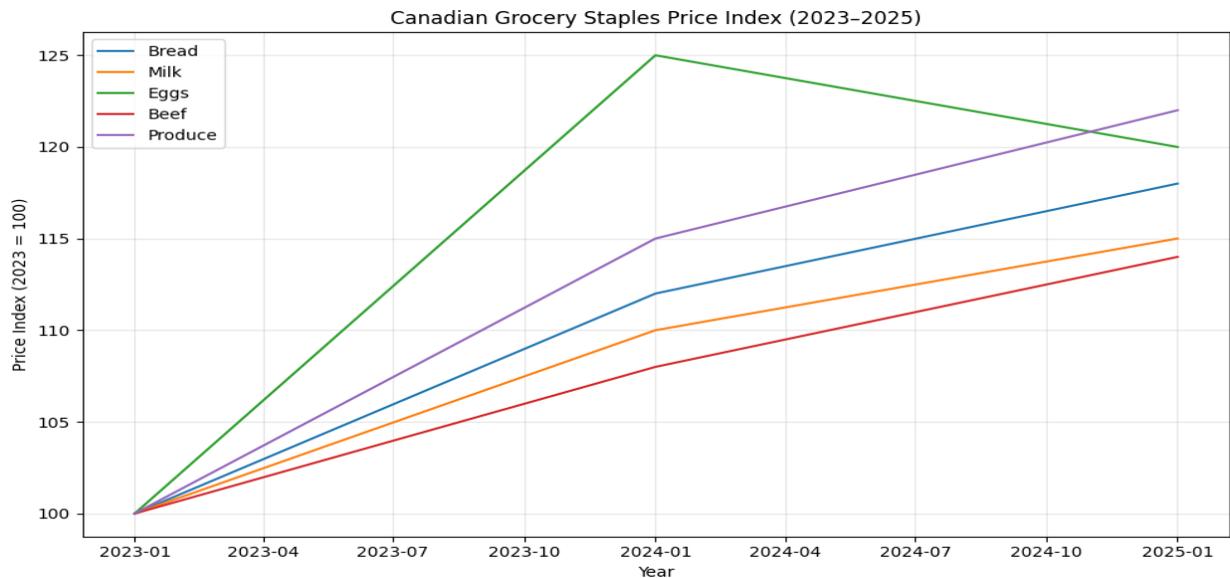
Shoppers became more deliberate. Value mattered more than brand loyalty. Promotions drove traffic. Private-label products gained share. Discretionary purchases were delayed, downsized, or abandoned altogether. Retail spending did not collapse, but it became selective, reflecting a consumer unwilling to assume conditions would simply improve on their own.

This behavioural shift proved more important than any single economic indicator.

Grocery Became the Center of the Conversation

No sector captured the mood of Canadian retail in 2025 more clearly than groceries.

Food inflation slowed, but prices remained meaningfully higher than they were just a few years earlier. For households, groceries were no longer a background expense they were a weekly reminder that the cost of living had reset. Essentials such as meat, dairy, and produce continued to pressure budgets, particularly for families and retirees on fixed incomes.



Retailers faced their own constraints. Labour shortages, transportation costs, supply disruptions tied to climate events, and ongoing shrinkage limited their ability to meaningfully reduce prices. Increased scrutiny of grocery pricing and competition did little to change the structural cost pressures embedded in the system.

The result was a sector under constant attention, but with limited room to offer relief.

Discretionary Retail Felt the Strain

Outside of groceries, discretionary retail bore the brunt of consumer restraint.

Categories such as apparel, home furnishings, and electronics experienced uneven demand. Consumers waited for promotions. Big-ticket purchases were delayed. Retailers were forced to balance discounting with margin preservation in an environment where cost pressures remained elevated.

For many retailers, 2025 became a year of operational discipline rather than expansion. Inventory management, cost control, and store optimization mattered more than aggressive growth. The era of easy demand had passed.

Regional Differences Mattered More Than Ever

Canada's retail landscape in 2025 was far from uniform.

In major urban centres like Toronto and Vancouver, high housing costs amplified sensitivity to everyday expenses. In the Prairies, lower housing costs provided some offset, but food and fuel prices still weighed heavily on household budgets. Atlantic Canada faced acute pressure, with grocery and energy costs consuming a disproportionate share of income. Quebec saw modest moderation through pricing controls and competition, but affordability remained a concern.

National averages masked these realities. Retail performance increasingly reflected local economic conditions rather than broad national trends.

What 2025 Revealed About the Future of Retail

The most important lesson from 2025 was not about growth or decline, it was about permanence.

The consumer reset that began during the inflation surge did not reverse when inflation slowed. Canadians did not return to prior spending habits. Instead, they internalized higher costs and adjusted expectations accordingly.

For retailers, this means:

- pricing power remains constrained,
- efficiency and scale matter more than ever, and
- understanding consumer psychology is as important as understanding supply chains.

For policymakers, it underscored the limits of short-term measures in addressing long-term affordability challenges.

Canada's retail landscape in 2025 was not broken, but it was transformed.

The year marked a shift from reaction to realism. Consumers learned to live with higher costs. Retailers learned to operate in a more disciplined environment. And the idea of a simple "return to normal" quietly faded away.

Retail in Canada did not move backward in 2025. It moved forward more cautiously, more selectively, and far more grounded in reality.

Labour Markets & Wages: Stability Without Comfort

By traditional measures, Canada's labour market in 2025 looked resilient. Unemployment remained relatively low, job vacancies persisted in key sectors, and headline wage growth continued. And yet, beneath the surface, confidence among workers told a different story.

For many Canadians, employment did not feel secure, it felt fragile.

Wage growth, while positive, struggled to keep pace with the cumulative rise in living costs. Housing, groceries, insurance, and transportation absorbed a larger share of income, leaving households feeling no further ahead despite nominal pay increases. The result was a quiet erosion of financial confidence, particularly among middle-income earners.

The structure of work also continued to shift. Contract roles, part-time arrangements, and gig-based employment expanded, offering flexibility but often at the expense of predictability and benefits. Younger workers faced delayed career progression, while older workers delayed retirement not always by choice, but by necessity.

Labour shortages persisted in healthcare, skilled trades, manufacturing, and transportation, even as other sectors cooled. This mismatch highlighted a deeper issue: Canada did not lack workers, it struggled to align skills, wages, and productivity.

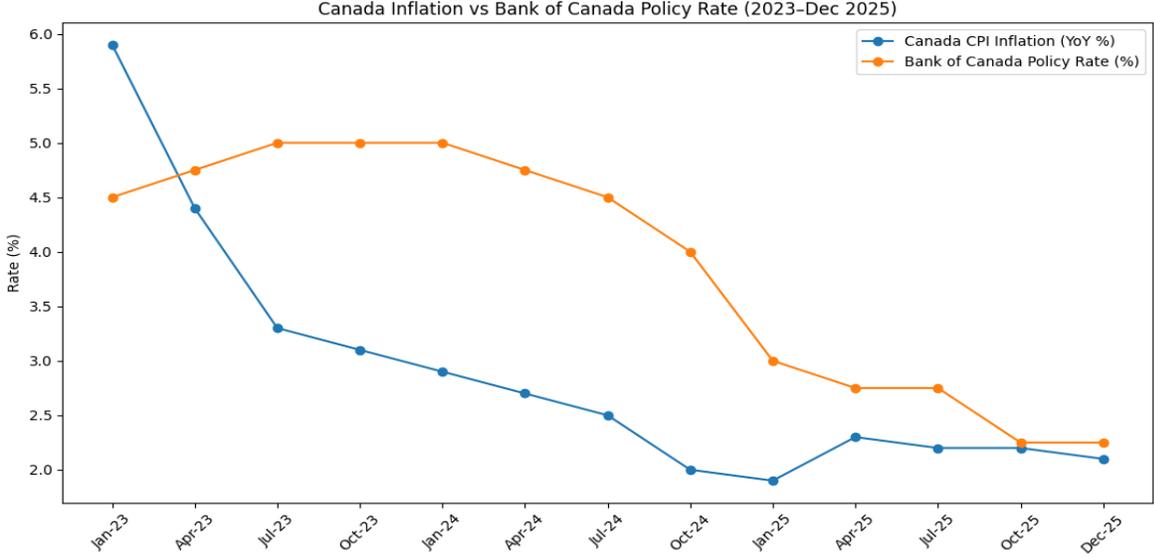
In 2025, the labour market held together. But it did not provide comfort. And that distinction mattered.

Currency and Inflation: Relief on Paper, Pressure in Practice

Inflation eased in 2025, but Canadians were slow to feel relief. Part of the reason lay not in domestic pricing alone, but in the persistent influence of currency dynamics and global cost pressures.

The Canadian dollar remained volatile throughout the year, influenced by interest rate differentials, commodity prices, and global risk sentiment. While a weaker currency supported exporters, it raised the cost of imports particularly food, consumer goods, and travel. For households, this translated into everyday prices that stayed stubbornly high even as inflation cooled.

Inflation expectations also proved sticky. Businesses continued to price cautiously. Consumers adjusted behaviour rather than waiting for prices to fall. Once inflation reshapes expectations, it does not unwind quickly.



Inflation: Statistics Canada (CPI, YoY). Policy rate: Bank of Canada. Values shown use representative monthly/quarterly points to illustrate trend direction through Dec-2025.

For policymakers, this created a narrow path. Easing too quickly risked reigniting inflation. Holding rates too high risked suppressing growth. For Canadians, it meant learning to live with a cost structure that felt permanently reset.

In 2025, inflation slowed but its legacy remained embedded in prices, behaviour, and decision-making.

Productivity & Competitiveness: Canada's Quiet Economic Constraint

If there was one issue that quietly shaped Canada's long-term outlook in 2025, it was productivity.

Canada continued to lag peer economies particularly the United States in output per worker, business investment, and adoption of productivity-enhancing technologies. This gap mattered. Productivity is what allows wages to rise without fueling inflation. It supports competitiveness, profitability, and long-term growth.

While artificial intelligence and automation gained traction, adoption remained uneven. Large firms moved faster, while small and mid-sized businesses struggled with capital constraints, talent shortages, and implementation risk. As a result, productivity gains accrued unevenly across the economy.

This had real consequences. Lower productivity limited wage growth, strained public finances, and reduced Canada's ability to absorb demographic pressures from an aging population.

The challenge was not a lack of talent or ideas it was execution. Investment, scale, and coordination lagged ambition.

In 2025, productivity was not a headline issue. But it was a binding constraint. And addressing it will define Canada's economic competitiveness in the years ahead.

Immigration & Infrastructure Stress: Growth Outpacing Capacity

Canada's population growth remained one of its strongest economic tailwinds in 2025. Immigration supported labour supply, consumer demand, and overall GDP growth. But it also exposed a growing imbalance between growth and capacity.

Housing supply failed to keep pace. Rental markets tightened further. Healthcare systems strained under increased demand. Transit, schools, and municipal services struggled to absorb rapid population increases, particularly in major urban centres.

Immigration did what it was meant to do: grow the economy. Infrastructure did not keep up.

The result was a paradox. Canada welcomed more people but struggled to deliver the services and affordability required to support them. For newcomers, this meant higher housing costs and longer wait times. For existing residents, it intensified competition for scarce resources.

This was not an argument against immigration; it was a reminder that growth requires planning. Population policy and infrastructure investment must move together, not in sequence.

In 2025, Canada grew quickly. Whether it can grow sustainably remains the more important question.

Taken together, the last four forces, labour markets, currency and inflation, productivity, and immigration did not operate independently. They reinforced one another, shaping how Canadians experienced the economy not through statistics, but through daily life.

The lesson from 2025 was clear: economic strength is no longer defined solely by growth. It is defined by capacity, resilience, and execution.

Taxes, Benefits, and Registered Plans: The Quiet Drivers of Outcomes (2026 Figures)

While markets often dominate headlines, 2026 reinforces a reality Canadians increasingly understand: after-tax income and government benefit integration often matter more than gross returns.

Key Canadian Retirement & Tax Planning Figures (2026)

Federal Income Tax Rates

Taxable Income (Approx.)	Federal Rate
Up to ~\$58,500	14%
~\$58,500 – ~\$117,000	20.5%
~\$117,000 – ~\$181,000	26%
~\$181,000 – ~\$258,000	29%
Over ~\$258,000	33%

With provincial taxes included, marginal rates frequently exceed 50%, particularly in retirement or during corporate wind-ups.

Canada Pension Plan (CPP) — 2026

CPP Measure	Amount
Maximum CPP (age 65)	~\$17,200 annually (~\$1,430/month)
Average new CPP benefit	~\$9,000 – \$11,000
YMPE	~\$74,600
CPP2 upper limit	~\$85,000

CPP is fully taxable, indexed, and enhanced by delaying commencement—making coordination with other income sources essential.

Old Age Security (OAS) — 2026

Age	Annual OAS
65–74	~\$9,000
75+	~\$9,900

OAS Recovery Tax (Clawback)

Threshold	Impact
Begins at	~\$95,000 net income
Fully eliminated	~\$155,000+
Reduction rate	15% of income above threshold

For higher-income retirees, OAS is a planning variable—not a certainty.

Registered Plans & Contribution Limits

Plan	2026 Limits
TFSA	\$7,000 annual / \$109,000 cumulative
RRSP	Up to \$33,810 (18% of earned income)
FHSA	\$8,000 annual / \$40,000 lifetime

RRIF Minimum Withdrawal Rates

Age	Minimum Withdrawal
65	~4.0%
71	5.28%
80	6.82%
90	11.92%

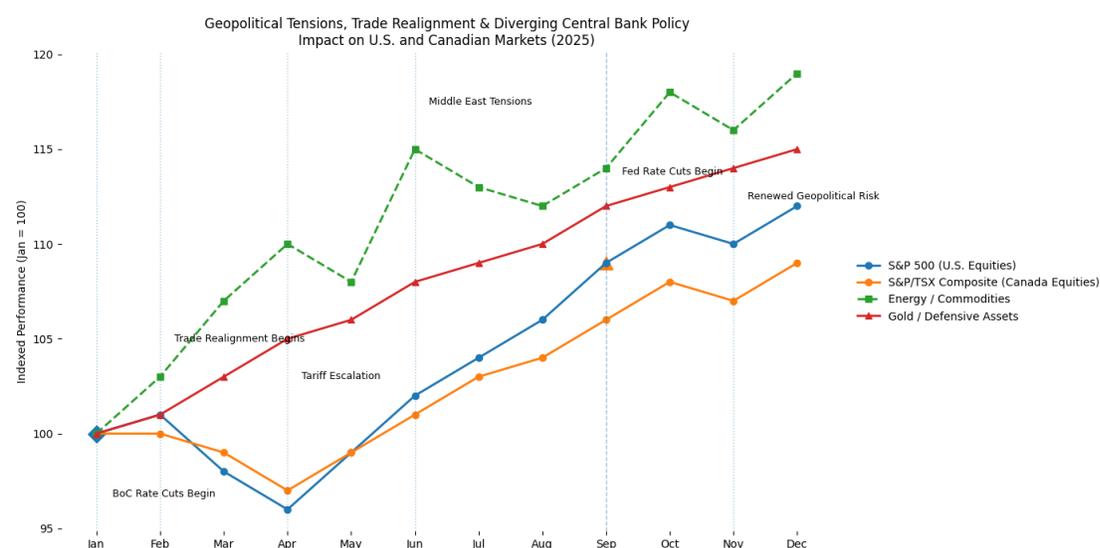
Mandatory withdrawals often trigger higher taxes and OAS clawbacks—reinforcing the value of income-smoothing and insurance-based strategies.

Global Events Through a Canadian Lens

Canada did not experience 2025 in isolation. Global developments continued to shape domestic outcomes often in subtle but financially meaningful ways. From geopolitics and trade policy to technology and climate risk, external forces influenced inflation, interest rates, investment returns, and long-term planning decisions for Canadians.

Geopolitical Tensions and Trade Realignment

Ongoing geopolitical tensions remained a defining feature of the global landscape in 2025. Conflicts and strategic rivalries disrupted traditional trade routes, influenced energy pricing, and contributed to persistent supply-chain volatility. For Canada a resource-rich, trade-dependent economy, these developments carried both risk and opportunity.



Energy, agriculture, and critical minerals remained central to global supply chains. Canada benefited from its position as a stable supplier to allied economies, while volatility reinforced the importance of diversification for investors. At the same time, geopolitical fragmentation accelerated the shift toward “friend-shoring,” with companies prioritizing reliability and political alignment over lowest-cost production.

U.S. Tariffs and Their Impact on North American Trade

One of the most consequential developments for Canada in 2025 was the renewed use of tariffs by the White House as an economic and strategic policy tool. While the Canada–United States–Mexico Agreement (CUSMA) remained in force, enforcement actions, sector-specific tariffs, and protectionist rhetoric introduced friction within North America’s integrated trade framework.

These measures did not dismantle continental trade, but they changed behaviour.

Supply chains became more cautious. Investment decisions slowed. Currency volatility increased. And businesses were forced to reassess margin structures, sourcing strategies, and geographic exposure.

Canadian Business Sectors Most Affected by Tariffs

Automotive & Auto Parts

The automotive sector in Ontario and Quebec remained one of the most exposed to tariff risk due to deeply integrated North American supply chains. Even modest tariff uncertainty affected capital investment decisions, inventory management, and employment planning.

Outlook:

While long-term demand tied to electric vehicles and re-shoring remains constructive, near-term volatility persists. Companies with diversified customer bases and flexible production models are better positioned than single-market suppliers.

Manufacturing & Industrial Goods

In Ontario, Quebec and Manitoba, tariffs increased input costs for manufacturers reliant on cross-border components, particularly in machinery, fabricated metals, and industrial equipment.

Outlook:

The sector faces continued pressure but benefits from automation, AI adoption, and domestic infrastructure spending. Firms investing in productivity and technology are expected to outperform peers reliant on low-margin, high-volume models.

Energy (Oil, Gas & Clean Energy Inputs)

While Canadian energy exports remain critical to U.S. energy security, tariff uncertainty and regulatory complexity influenced capital allocation decisions, particularly in clean energy components and critical minerals in Alberta, Saskatchewan and Newfoundland & Labrador.

Outlook:

Traditional energy remains structurally important, while long-term opportunity lies in LNG, hydrogen, and critical minerals. Canada's geopolitical stability positions it favourably, but policy clarity will remain a key driver of investment confidence.

Agriculture & Agri-Food

In Saskatchewan, Manitoba, Alberta and Ontario, tariffs and retaliatory trade measures impacted grain, livestock, and processed food exports. Currency fluctuations added another layer of complexity for producers operating on tight margins.

Outlook:

Global food demand remains strong, supporting long-term fundamentals. However, near-term profitability will depend on logistics efficiency, diversification of export markets, and cost control.

Forestry, Lumber & Building Materials

In British Columbia, Quebec and Ontario, softwood lumber remained a focal point of trade tension, with duties impacting pricing, cash flow, and employment, particularly in rural and resource-dependent communities.

Outlook:

Demand tied to housing and infrastructure supports long-term prospects, but ongoing trade disputes mean volatility remains a structural feature of the sector.

Technology & Advanced Manufacturing

Tariffs on components and export controls introduced uncertainty, but demand for AI, automation, and advanced manufacturing offset some pressure in Ontario, British Columbia and Quebec

Outlook:

This sector remains one of Canada's strongest long-term growth areas. Companies aligned with AI, cybersecurity, and automation are expected to continue attracting capital despite trade noise.

The impact of tariffs across Canada was anything but uniform, revealing clear regional fault lines in how different parts of the country absorbed the shock. Central Canada bore the brunt. Ontario and Quebec, with their heavy concentration in manufacturing and the automotive sector, felt the effects most directly and immediately. Tariffs disrupted supply chains, increased input costs, and introduced uncertainty into export-driven industries that are deeply integrated with global markets, particularly the United States.

In the Prairie provinces, the effects were less direct but no less meaningful. Agriculture and energy, cornerstones of the regional economy experienced second-order impacts as global trade flows adjusted and retaliatory measures filtered through commodity markets. While these sectors are accustomed to volatility, tariffs added another layer of complexity, influencing pricing, demand, and long-term investment decisions.

British Columbia faced its own distinct pressures. The province's forestry sector, already challenged by environmental and market forces, encountered additional headwinds as trade barriers weighed on exports. At the same time, trade-dependent ports felt the ripple effects of reduced volumes and shifting global trade patterns, underscoring the province's exposure to international commerce.

Atlantic Canada presented a more mixed picture. Energy-related activity benefited from strong global demand, providing pockets of resilience. However, the region's limited economic diversification heightened its sensitivity to external shocks, leaving some provinces more vulnerable when specific industries came under pressure.

Taken together, this uneven regional exposure served as a powerful reminder of the importance of diversification. For businesses, it reinforced the need to understand regional risk and supply chain concentration. For investors, it underscored the value of portfolios that are diversified not only by

asset class, but also by geography and economic exposure an essential safeguard in an increasingly fragmented global trade environment.

What This Means for Canadian Investors and Business Owners

Tariffs did not derail Canada's economy in 2025, but they fundamentally altered the rules of engagement. Rather than acting as a short-term shock, trade policy has settled into a new reality, one where uncertainty must be planned for, not simply endured.

For investors, the lesson has been clear. Trade risk is no longer an occasional headline risk; it is a permanent variable that influences capital flows, earnings stability, and market leadership. Portfolios concentrated in a narrow set of sectors or heavily exposed to specific geographies have proven more vulnerable to sudden policy shifts. In contrast, companies with strong pricing power, advanced automation, and diversified end markets have been better able to absorb higher costs and protect margins. This environment has reinforced the importance of global diversification as a core pillar of long-term resilience, not just a theoretical benefit.

For business owners, the implications are equally significant. The past year highlighted the value of proactive contingency planning and disciplined financial management. Currency exposure, once a secondary consideration for many firms, has become a critical component of risk management. Balance-sheet strength, access to liquidity, and the ability to adapt supply chains quickly are no longer competitive advantages reserved for large enterprises; they are necessities for survival and sustainable growth.

Ultimately, 2025 demonstrated that while tariffs may not have stopped economic progress, they reshaped how success is achieved. Those who adapt by diversifying, strengthening fundamentals, and planning for persistent uncertainty are far better positioned to navigate what lies ahead.

Why Global Context Matters for Canadians

Taken together, these global forces reinforce a simple but increasingly unavoidable truth: local outcomes are now deeply shaped by global decisions, many of which sit well beyond Canada's direct control. What happens in foreign capitals, boardrooms, and trade corridors no longer stays there, it filters quickly into Canadian markets, workplaces, and household finances.

Trade policy, tariffs, shifting geopolitical alliances, and accelerating technological change are no longer abstract macroeconomic concepts. They directly influence corporate earnings, affect employment stability, shape inflation trends, and alter the assumptions that underpin long-term financial planning. For Canadians, this means that domestic performance cannot be evaluated in isolation. Even well-managed businesses and sound fiscal policy operate within a global system that can amplify both opportunity and risk.

While the world ahead is unlikely to become simpler or more predictable, complexity does not have to translate into paralysis. Disciplined, forward-looking planning and grounded in diversification, adaptability, and a clear understanding of global context can make an uncertain environment far more navigable. In a world defined by interconnected risks, preparedness remains the most reliable advantage.

Looking Ahead to 2026: Measured Optimism, Canadian Pragmatism

If 2025 was the year Canadians learned to live with a new economic reality, 2026 is shaping up to be the year that reality becomes embedded. The outlook is neither exuberant nor pessimistic, it is grounded. And in an environment defined by higher costs, tighter margins, and structural change, that may be the most constructive posture of all.

Economic growth is expected to remain modest. Canada is unlikely to experience a sharp acceleration, but it is equally unlikely to face a broad-based contraction. Consumer spending remains constrained by affordability pressures, while business investment continues to be selective rather than expansive. Growth, where it occurs, is expected to be uneven, driven by specific sectors and regions rather than the economy as a whole.

Interest rates may ease gradually in 2026, but expectations have recalibrated. The era of ultra-low rates that defined the previous decade appears firmly behind us. Borrowing will remain more expensive than many Canadians became accustomed to, reshaping decisions around housing, business expansion, leverage, and risk. For households and companies alike, this means a renewed focus on cash flow, balance-sheet strength, and flexibility.

Governments enter 2026 under increasing fiscal pressure. Aging demographics, rising debt-servicing costs, and infrastructure demands limit room for expansive spending. As a result, policy responses are more likely to lean on targeted taxation, benefit clawbacks, and incremental changes rather than sweeping reforms. For Canadians, this reinforces a critical reality: reliance on public systems alone is unlikely to provide certainty. Proactive planning around taxes, retirement income, insurance, and succession becomes not optional, but essential.

At the same time, 2026 is not without opportunity. Artificial intelligence continues to reshape productivity and competitiveness. Global supply-chain realignment offers openings for Canada in energy, critical minerals, agriculture, and advanced manufacturing.



Population growth supports long-term demand, even as it strains infrastructure. For those positioned thoughtfully, these forces can be sources of resilience rather than risk.

The defining feature of 2026, however, is likely to be discipline. Discipline in spending. Discipline in investing. Discipline in planning. The absence of easy money and easy assumptions places a premium on structure over speculation and preparation over prediction.

Canadians have navigated uncertainty before. The difference now is that uncertainty no longer feels temporary, it feels structural. In that environment, the most reliable strategy is not trying to outguess markets or policy decisions but building plans that can adapt across multiple outcomes.

Measured optimism does not mean complacency. Pragmatism does not mean pessimism. Together, they form a framework for decision-making that values resilience, flexibility, and long-term thinking.

In 2026, the goal remains unchanged: not to predict the future with precision, but to be prepared for it with confidence.

In closing, at its core, our work remains unchanged: helping Canadians cut through complexity, focus on what matters, and make informed decisions with confidence. Markets will shift. Policies will evolve. Life will inevitably surprise us. What should remain constant is the discipline behind the choices we make and the structure supporting them.

Thank you for the continued trust and partnership throughout 2025. I look forward to navigating the opportunities and challenges of 2026 together with clarity, confidence, and purpose.



Kevin J. Zakus, PFA, CPCA, RIS

Compliance Note:

Sources include S&P Dow Jones Indices, FTSE Russell, Nasdaq OMX, Bank of Canada, Canada Revenue Agency, Service Canada, Statistics Canada, CREA, and various industry publications. Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results. This commentary is for general information only and does not constitute tax, legal, or investment advice. Some images may have been generated using artificial intelligence and are for illustrative purposes only.