

Beyond the Headlines: Is Canada's Economy Really in Trouble?

July 2026

**Alfred Lam, CFA, Senior Vice-President, and Co-Head of Multi Asset
CI Global Asset Management**

Is Canada in a Recession?

The short answer is no—Canada is not currently in a recession. At the aggregate level, Canada's gross domestic product (GDP) has shown signs of contraction in recent periods. Traditionally, two consecutive quarters of declining GDP would signal a technical recession. However, in this case, much of the weakness can be explained by population dynamics rather than a broad-based deterioration in economic activity. Policies that have moderated population growth have had the effect of lowering total output growth; on a per capita basis, Canada's economic output has in fact continued to grow, albeit modestly. This distinction is important: it suggests that the average Canadian is not experiencing the type of income compression or economic stress typically associated with a true recessionary environment. Instead, the current slowdown reflects an adjustment phase rather than a systemic downturn.

Trade and External Factors

The trade relationship with the United States remains a critical pillar of economic stability for Canada. Despite ongoing political rhetoric and trade tensions, the practical impact has been limited. The majority of Canadian exports continue to benefit from exemptions under the Canada–United States–Mexico Agreement (CUSMA). While CUSMA is scheduled for review this year, it is important to note its structure: a 16-year agreement with formal reviews every six years. Unless all parties actively pursue amendments, the agreement remains intact.

That said, structural shifts are underway. Canada's share of U.S. imports has gradually declined to roughly 11%, reflecting both diversification by the United States and changing demand patterns, including the rapid growth in demand for AI hardware sourced from Taiwan and South Korea. Several cyclical factors are also at play. A softer U.S. housing market has reduced demand for Canadian lumber exports, while increased domestic energy production in the U.S. has lowered its reliance on Canadian energy imports.

One of the most affected sectors has been automotive manufacturing. Industrial policy in the United States—particularly under the Trump administration and its emphasis on domestic production—has created headwinds for Canada's auto sector. Supply chain realignment and incentives for “Made in America” production are gradually reshaping the competitive landscape.

Need for Economic Restructuring

There is little doubt that Canada is entering a period of economic transition. A degree of restructuring is not only inevitable but necessary. This includes diversifying both industrial capacity and trade relationships to reduce reliance on any single market.

Recent developments signal an openness in this direction. Canada has taken steps to relax restrictions on electric vehicle (EV) imports from China. While the absolute size of this trade flow remains relatively small and unlikely to materially strain relations with the United States, the strategic implication is significant. It demonstrates a willingness to broaden economic engagement with China, the world's second-largest economy, and to position Canada within evolving global supply chains—particularly in the commodity sector.

Financial markets have largely anticipated the current economic softness to persist. The Bank of Canada has cut interest rates meaningfully by 275 basis points since July 2023. The Canadian dollar has weakened, thereby improving export competitiveness.

Against this backdrop of domestic consolidation, we are focused on helping Canadian investors diversify both their portfolios and income streams through strategic allocations abroad. Relying predominantly on the Canadian market introduces a well-documented structural vulnerability—"home-country bias"—particularly given the concentration of the domestic index in cyclical sectors such as financials, energy and a cooling real estate market.

To build resilient, long-term wealth, Canadian investors should look beyond domestic borders and gain exposure to the secular growth engines shaping the global economy. Chief among these are innovation-driven sectors such as artificial intelligence and healthcare. These areas have attracted significant capital investment, with the potential to fundamentally transform productivity, enhance quality of life and extend longevity over the coming decades.



IMPORTANT DISCLAIMERS

This document is intended solely for information purposes. It is not a sales prospectus, nor should it be construed as an offer or an invitation to take part in an offer. The opinions expressed in the communication are solely those of the author(s) and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed. This report may contain forward-looking statements about one or more pools, future performance, strategies or prospects, and possible future fund action. These statements reflect the portfolio managers' current beliefs and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. Every effort has been made to ensure that the material contained herein is accurate at the time of publication. Market conditions may change which may impact the information contained in this document and it is subject to change without notice. The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Global Asset Management. We cannot guarantee its accuracy or completeness and we accept no responsibility for any loss arising from any use of or reliance on the information contained herein. The pools used in the CI Private Wealth portfolios are managed by CI Global Asset Management. Management fees and expenses may all be associated with investments in the CI Private Wealth portfolios and the use of other services. The pools used in the CI Private Wealth portfolios are not guaranteed, their values change frequently, and past performance may not be repeated. You should seek professional advice before acting on the basis of information herein. CI Global Asset Management is a registered business name of CI Investments Inc. Certain names, words, titles, phrases, logos, icons, graphics, or designs in this document may constitute trade names, registered or unregistered trademarks or service marks of CI Investments Inc., its subsidiaries, or affiliates, used with permission. All other marks are the property of their respective owners and are used with permission. Market conditions may change which may impact the information contained in this document. This report may not be reproduced, in whole or in part, in any manner whatsoever, without prior written permission of CI Private Wealth. © 2026 CI Private Wealth, a division of CI Private Counsel LP. All rights reserved. 26-07-1858600(07/26)