NATIONAL BANK OF CANADA
CAPITAL MARKETS

August 21, 2026

By Alexandra Ducharme, Évelyne Gosselin, Jocelyn Paquet et al.

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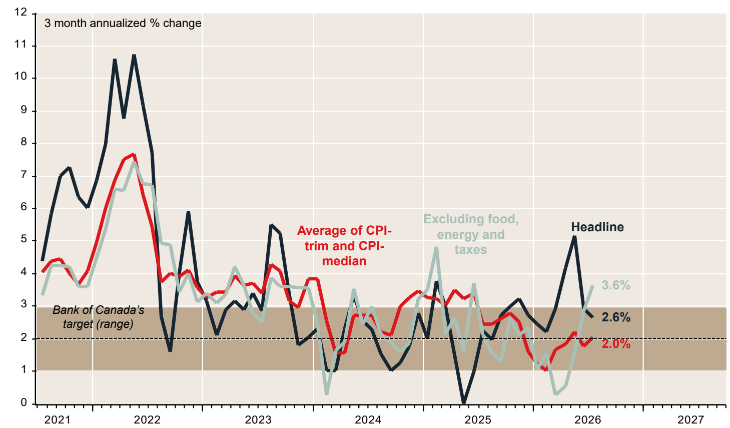
What we watched

Canada: The **Consumer Price Index** rose 0.53% in July in non-seasonally adjusted terms, following a 0.35% decrease in June. This was stronger than consensus expectations for a 0.4% gain. As a result, annual inflation rose to 3.0%, higher than the 2.9% gain expected by consensus. This surprise occurred despite annual food inflation falling to 3.1%, its lowest level in 13 months, and annual shelter inflation falling to 1.3%, its lowest level since May 2020. Some acceleration in prices seemed inevitable given the protracted conflict in the Middle East and the loss of refining capacity, but economists may have been surprised by just how much hosting World Cup matches temporarily distorts prices in the country. Indeed, travel costs are rising due to higher prices for hotels and flights to the United States. Airfare has also seen a sharp increase for the same reasons. Meanwhile, car rental prices are not coming down following last month's sharp increase.

Therefore, there is no need to be unduly concerned about the 0.25% increase in prices excluding energy/food and taxes, or the three-month annualized rate of 3.6%. Some of these pressures are expected to ease as conditions normalize over the summer. The temporary nature of these pressures is also reflected in the divergence between inflation excluding food and energy and the Bank of Canada's preferred core measures, which filter out the most extreme monthly price movements. From April to July, these measures rose at a much more subdued pace, with CPI-median increasing at a 1.8% annualized rate and CPI-trim at 2.2%. The average of the two therefore sits at the midpoint of the central bank's target range. This should provide some reassurance to the Bank that the surge in energy prices is not spilling over into the broader inflation basket.

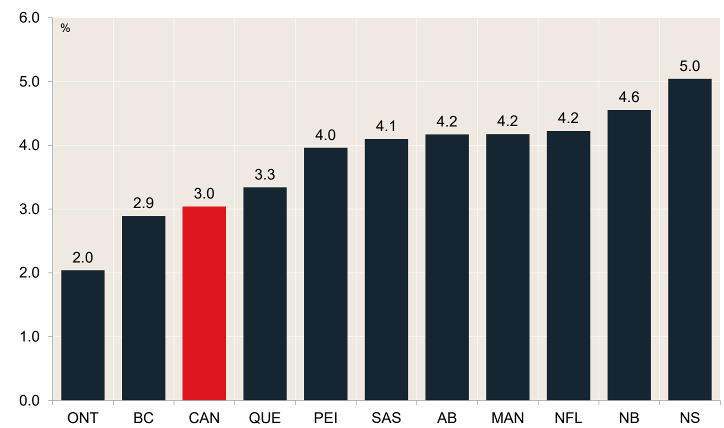
Canada: Measures preferred by the BoC remain on target
Consumer price index (3 month annualized % change), headline and core measures



NBC Economics and Strategy (data via Statistics Canada)

For this reason, we believe the central bank may continue to exercise caution before raising interest rates. The reason inflation is generally under control in the country is that the economy has been in a state of excess supply for the past two years, which limits inflationary pressures. This is particularly evident in Ontario, as the largest province is the only one comfortably below the national average and in line with the central bank's target. While the economy and the labour market have certainly improved recently, the outlook remains a cause for concern unless trade tensions with the United States ease.

Canada: Wide divergence across provinces
Headline annual inflation (%)



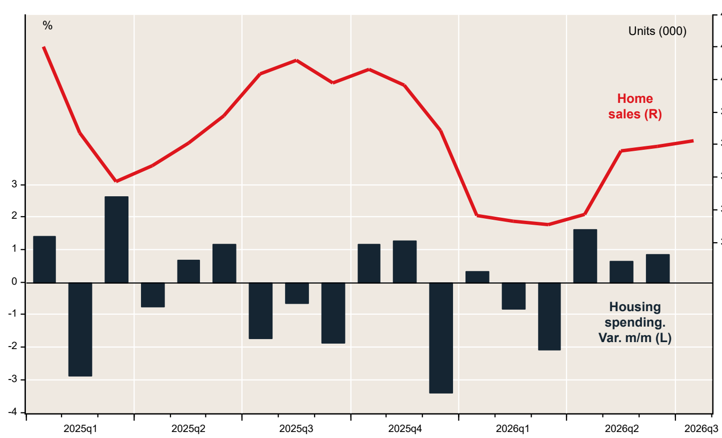
NBC Economics and Strategy (data via Statistics Canada)

Retail sales increased by 0.6% in June, above the 0.4% growth expected by the consensus and Statistics Canada advance estimate from last month. The previous month was revised up from 1.0% to 1.1%. Seven of nine sectors contributed to the increase in retail sales in the month, with the largest advance coming from clothing, clothing accessories and shoes (+3.1%). General merchandise rose to a lesser extent (+2.7%), as did sporting goods/hobby/miscellaneous (+1.9%), building materials (+1.2%), motor vehicle and parts dealers (+1.0%), health/personal care (+1.0%) and furniture/home furnishings/electronics/appliances (+0.4%), while food and beverage retailers (-0.4%) and gasoline stations and fuel vendors (-4.1%) declined. Excluding autos/parts, retail sales printed at +0.5% in June, down from a 1.2% increase in the prior month. Core retail sales, which exclude autos and gasoline, rose 1.2% in June, accelerating from the 0.9%

increase registered in the previous month. On a regional basis, sales progressed in seven provinces. British Columbia (+0.1%), Ontario (+1.6%) and Quebec (+0.5%) all registered gains among the four largest provincial economies, while Alberta (-1.3%) posted a decline. New Brunswick (-0.7%) and Saskatchewan (-0.3%) also recorded declines, while gains were recorded in the other provinces. In volume terms, retail sales increased 1.5% in June, which followed a revised 0.6% increase in May (up from +0.3%). Finally, Statistics Canada’s advance estimate for July suggested that nominal retail sales dropped 0.8% in the month.

Canadian nominal retail sales ended the second quarter on a strong note. Gasoline stations and fuel vendors were the principal drag to the increase, with a 4.1% decrease during the month that reflected lower pump prices. Indeed, in volume, sales increased by 4.2% in that category. Excluding gasoline, nominal sales advanced a sizable 1.2%, an improvement from the 0.8% increase registered in May. Motor vehicle and parts dealers rose 1.0%, while core retail sales excluding both automobiles and gasoline increased 1.2%, also a stronger gain than the prior month’s 0.9% increase. The stronger growth in core sales during the month was driven by more robust gain in general merchandise (+2.7%), clothing (+3.1%), sporting goods (+1.9%), and building materials and supplies (+1.2%). Housing-related spending rose by 0.9% in June, reflecting a recovery in the home resale market.

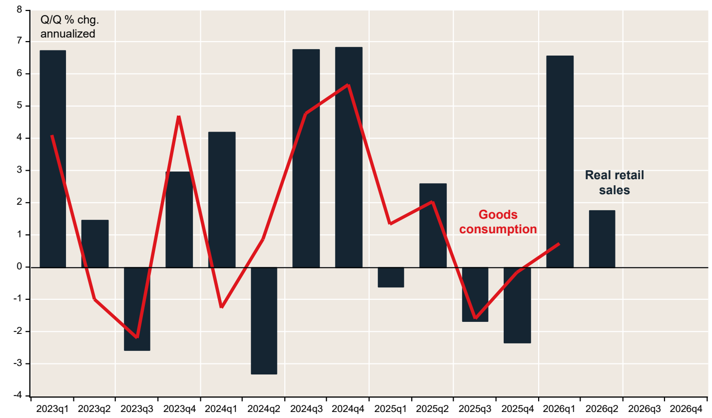
Canada: Housing-related spendings picking up steam
Monthly variation (%) in nominal housing-related retail sales and home sales



NBC Economics and Strategy (data via Statistics Canada and CREA)

The real good news in June is that retail sales volume posted a strong growth of 1.5% during the month, a much stronger increase than the 0.6% recorded in May. For Q2 2026, real retail sales thus grew at an annualized rate of 1.8%, posting decent growth following a sharp 6.6% increase in Q1 2026. Spending on goods is thus set to contribute positively to real GDP during the quarter (bottom chart). It remains to be seen whether this upward trend will be able to hold up in the third quarter, given the end of the World Cup and the recent rise in oil prices over the past few weeks, which is weighing on households' purchasing power. In fact, Statistics Canada’s preliminary estimate for July indicates that retail sales are expected to decline by 0.8% during the month and, after adjusting for goods inflation, by 1.0% in real terms.

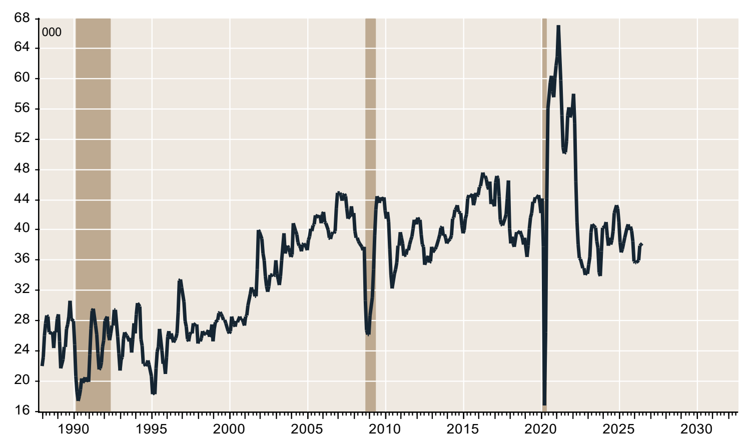
Canada: Real spending should contribute positively to GDP growth in Q2
Annualized quarterly change (%) in real retail sales and household goods consumption



NBC Economics and Strategy (data via Statistics Canada)

Home sales rose by 0.5% from June to July, marking the fourth consecutive monthly increase following five months of declines. Despite the increase in recent months, sales remained low by historical standards and were 10.5% below their 10-year average due notably to ongoing trade uncertainty. However, the real estate market could continue its upward trajectory if the tariff situation doesn't escalate and the USMCA renewal proceeds without too many hiccups. In our view, the sustained increase in transactions over the past few months can be attributed to improved affordability (i.e., lower home prices), which has allowed more buyers to enter the market, as well as to the improvement in the labour market over the past few months. Still, the extent of this recovery is likely to be limited by fixed mortgage rates, which have risen significantly since February, and the declining population.

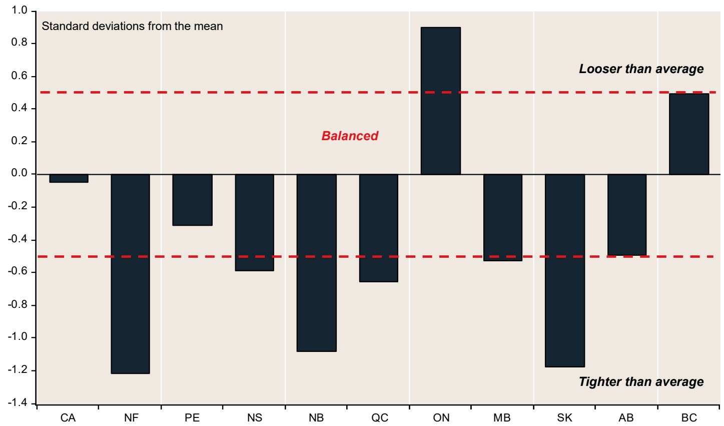
Canada: Home sales edge up slightly in July
Seasonally adjusted monthly home sales



NBC Economics and Strategy (data via CREA)

On the supply side, new listings decreased by 1.6% from June to July, the third monthly decline in a row. Meanwhile, the proportion of cancelled listings edged down during the month and reached its lowest level since March 2025 as the recovery in sales has likely encouraged sellers to believe they will be able to close a deal on favourable terms. Overall, active listings decreased by 1.6% in July, the second decline in three months. As a result, the number of months of inventory (active listings-to-sales ratio) decreased from 4.8 to 4.7 during the month, reaching its lowest level since December 2025. Consequently, market conditions tightened in July but remained balanced at the national level. On the price front, the MLS Home Price Index increased by 0.1% month-over-month but decreased by 3.3% year-over-year.

Canada: Market conditions remained balanced in July
Seasonally adjusted data

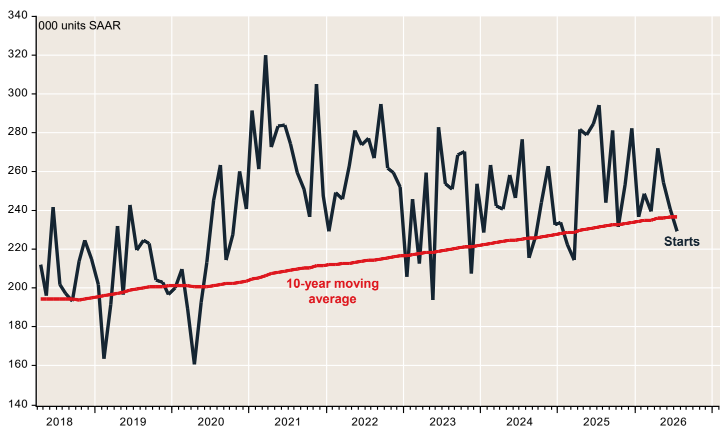


NBC Economics and Strategy (data via CREA)

On an annual basis, home sales decreased by 5.3% compared to July 2025. For the first seven months of 2026, cumulative sales were down 5.1% compared to the same period in 2025, the slowest start of the year since 2003.

Housing starts decreased by 11.7K from 240.8K in June to 229.1K in July (seasonally adjusted and annualized), a print well below the consensus calling for 250.0K. As a result, housing starts have fallen below their 10-year average and reached their lowest level since March 2025.

Canada: Housing starts dip below their 10-year average
Housing starts, seasonally adjusted at annual rates



NBC Economics and Strategy (data via Statistics Canada)

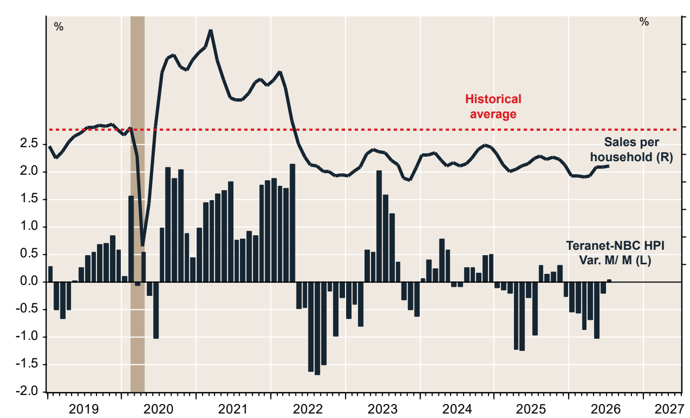
This decline was driven by a pullback in urban areas (-11.6K to 217.8K), while starts in rural areas were unchanged at 11.3K. The decrease in urban areas was concentrated in the multi-unit segment (-11.9K to 179.1K), while the single-detached segment edged up slightly during the month (+0.3K to 38.7K).

Regionally, the decline is due in part to a decrease in construction in Ontario (-7.9K to 52.3K), with a significant drop in housing starts in Toronto and, to a lesser extent, in Ottawa. The western provinces also contributed to the decline, with decreases in British Columbia (-5.0K to 28.5K), Alberta (-4.7K to 45.7K), Manitoba (-3.5K to 7.2K), and Saskatchewan (-3.2K to 5.9K). Conversely, the eastern part of the country sustained the pace of new construction, with an increase in Quebec (+9.0K to 62.3K), driven by a near doubling in housing starts in Quebec City, while Montreal registered a significant decline. The Atlantic provinces also contributed (+3.7K to 15.8K), with notable increases in Nova Scotia and New Brunswick. Looking ahead, housing starts could continue to show moderation and remain slightly below their historical average, as the demographic outlook is now less favorable, causing a sharp rise in vacancy rates in the rental sector and unsold inventory. Furthermore, high construction costs and elevated fixed interest rates are other constraining factors for construction in the residential sector.

After posting a cumulative decline of 4.1% over the previous seven months, the **Teranet–National Bank Composite Index**TM finally stabilized in July in a context of recovery on the resale market. Six of the eleven CMAs included in the index posted declines during the month: Hamilton (-1.5%), Victoria (-1.1%), Quebec City (-0.4%), Winnipeg (-0.4%), Montreal (-0.3%), and Calgary (-0.1%). Conversely, prices rose in Vancouver (+0.7%), Halifax (+0.7%), Edmonton (+0.5%), and Ottawa-Gatineau (+0.1%), while they remained stable in Toronto. From July 2025 to July 2026, the composite index fell by 3.2%.

If the sales recovery continues, it could eventually bring price growth back into positive territory. However, several factors are expected to limit the extent of this recovery, including persistent trade uncertainty, fixed mortgage rates that remain high, and slowing population growth.

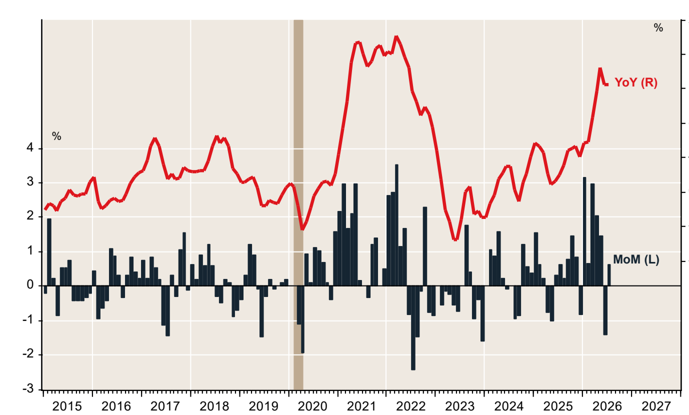
Canada: The upturn in sales is stabilizing prices
Sales-to-Household Ratio and Monthly Change in the Teranet-NBC HPI



NBC Economics and Strategy (data via CREA, Statistics Canada & Teranet-NBC)

The **Industrial Producer Price Index** (IPPI) increased by 0.6% in July following a 1.4% decline the previous month. This advance surprised analysts, who had expected a 0.5% decline for the month. The increase is largely attributable to a 6.4% rise in energy and petroleum prices during the month due to the impact of the conflict in the Middle East. Meanwhile, prices declined for primary non-ferrous metal products (-5.2%) and for chemicals (-3.4). Excluding energy, the IPPI advanced by 0.2% in the month. On a 12-month basis, the IPPI rose by 12.4%, matching the previous month's increase.

Canada: Upstream prices renewed with growth in July
Industrial Product Price Index

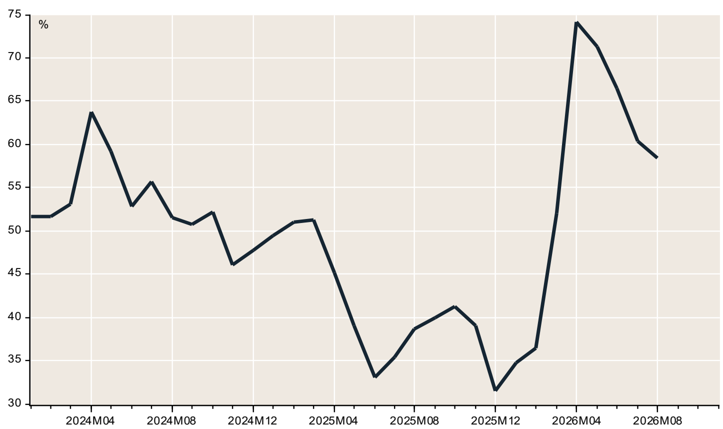


NBC Economics and Strategy (data via Statistics Canada)

The **Raw Materials Price Index**, meanwhile, shed 2.2% in July following a 6.7% decline in June, roughly in line with the -2.0% pullback expected by consensus. Energy products contributed to the decline, as they dipped 3.6% in the month. Excluding that category, raw material prices dropped by 1.5%.

The **Small Business Confidence Index** of the **CFIB** slid slightly in August, from 58.6 to 57.6. This decline is mainly due to a drop in the short-term optimism index (from 57.6 to 52.4), but the long-term gauge also declined (from 58.6 to 57.6). The uncertainty around the commercial situation with the United States, as well as the geopolitical situation in the Middle East, likely continue to weigh on business confidence. Concern over fuel costs have moderated since peaking in April, but they remain higher than they were before the conflict. At the regional level, business confidence declined in Alberta (from 54.4 to 54.3), Newfoundland and Labrador (from 56.5 to 56.0) and Prince Edward Island (from 62.0 to 61.3), but improved across all other provinces.

Canada: Concern over fuel costs have moderated, but remain high
Share of firms stating that fuel costs are a major constraint



NBC Economics and Strategy (data via Statistics Canada)

United States: The **Federal Reserve** published the **minutes** from the FOMC's policy meeting that concluded July 29th (Kevin Warsh's second as Fed Chair). Notwithstanding three dissenters who voted in favour of a 25 bps rate hike, Warsh's mixed-messaging press conference sent the UST curve decisively steeper, with relief down the curve being met with longer-end selling.

On prices, "most participants anticipated that inflation would step down for the rest of the year as the effects of tariffs and earlier energy price increases wane, but many participants noted the possibility that inflation might be more persistently elevated". Also, the prolonged war likely leads to more cost pass-through, with "a couple of participants report[ing] that their business contacts had been largely absorbing elevated input costs by compressing their profit margins, but that continued conflict in the Middle East or new supply shocks could make it difficult for them to avoid raising prices charged to consumers". There remains uncertainty surrounding AI-driven productivity, as "some participants noted that productivity gains associated with adoption of AI would eventually reduce production costs and increase aggregate supply, a development that should put downward pressure on inflation, though there were a range of views on [how this would materialize]." However, for now, its near-term impact may be inflationary: "Several other participants viewed investment in AI as already having broader effects on prices by pushing up aggregate demand or assessed that it would likely do so relatively soon. A few participants commented that it was still too early to know if AI-related developments would mainly lead to a shift in the relative prices of various goods and services or affect inflation more broadly and persistently." On expectations, upside risks remain: "Many participants highlighted the possibility that, after several years of inflation above 2%, continued elevated inflation rates could begin to affect inflation expectations and wage- and price-setting decisions. Several participants remarked that successive supply shocks have repeatedly delayed the expected return of inflation to 2% in recent years, adding to concerns about persistently elevated inflation."

On the job market, meanwhile, "participants assessed that […] conditions were stable, with labor demand and supply in balance. They observed that the unemployment rate had remained relatively stable over the past year near most estimates of its longer-run level… expected conditions to remain stable in the near term, with the unemployment rate staying close to current levels." Some still flag downside risks to labour conditions: "A few participants noted some lingering signs of softness in the labor market, including the low job-finding rate and the persistently elevated long-term unemployment rate." On economic growth, the cconomy expected to expand at a healthy clip moving forward: "Participants generally expected solid real GDP growth to continue in the near term and pointed to a few factors likely to support continued expansion, including ongoing AI-related investment and household spending."

On the monetary policy outlook, "many participants assessed that policy tightening would likely be necessary if inflation did not decline." Are markets doing the 'heavy lifting' for the Fed? "Some participants commented that financial conditions might not currently be sufficiently restrictive to facilitate a return of inflation to 2 percent. Various participants suggested that financial conditions had tightened over the intermeeting period and that this development was partly a reflection of strong economic growth and market expectations that the Committee would adopt a more restrictive policy stance before long." Plenty of weight was assigned to inter-meeting economic data: "Participants generally thought that the information that would accumulate in the intermeeting period could provide more clarity, and correspondingly reduce uncertainty, about the inflation outlook…participants reiterated that their interpretations of incoming information would be a key component of their deliberation."

With last intermeeting gap not enough time to assess, Warsh floats six meeting agenda idea: "The Chairman observed that six scheduled meetings per year, held roughly every two months, would allow more information to accumulate between meetings than under current practice and provide policymakers and the staff more time to consider strategic monetary policy issues. The Chairman asked for input from the Committee on these issues, but no decisions regarding possible changes in the meeting schedule were made, and the Chairman indicated that any change in practice would not affect the schedule over the balance of 2026."

Warsh's communication at the July meeting was deliberately sparse and at times internally inconsistent as he stressed a forceful commitment to price stability without supporting action (i.e., a hike) or a strong indication that hikes are coming. These minutes are less ambiguous/more clear: Many officials are prepared to tighten policy if inflation does not ease. With the committee viewing inflation risks as tilted to the upside, the market's tightening bias will remain intact over coming months.

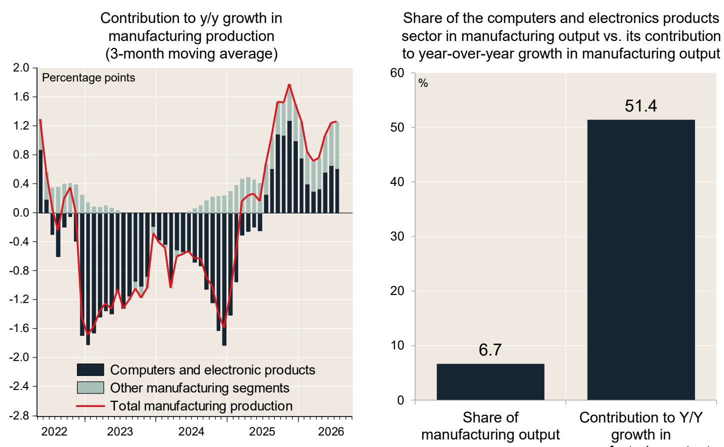
But while these minutes read hawkish, the economic and inflation data released since the Fed's July decision have been relatively soft. If the central bank felt comfortable enough to hold in July, it's difficult to make the case that September is time for lift-off based on the data we have now. At the same time, September 16th is still a month away and with plenty of data yet to digest, the likely Fed rate path can still change. Simply put, the meeting is 'live' but if the decision were to be made now, the central bank would likely hold steady again.

Also, in the mix between key inter-meeting data releases (including July PCE, August jobs, August CPI) will be the annual Jackson Hole Symposium next week. This will provide Warsh an opportunity to clarify his reaction function and potentially offer preliminary results on his numerous task forces. Here, we may already have received a preview of what's to come. Warsh's suggestion for a 6-meeting-per-year schedule could be a recommendation that is adopted in 2027.

Industrial production rose 0.2% in July, which was a smaller gain than the 0.3% expected by economists polled by Bloomberg. This marginal increase followed a 0.3% gain in June. Manufacturing output rose 0.2% in July, as a 0.7% gain in durable manufacturing more than offset a 0.4% decline in nondurable manufacturing. The increase in the durable manufacturing subsector occurred despite a 2.1% decline in the moto vehicle and parts segment, notably thanks to gains in computer and electronic products and in electrical equipment. Excluding autos, factory production was up 0.3%. Meanwhile, utilities output rose 0.5%, matching June's increase. Production in the mining segment, for its part, rose by 0.2% following a 0.3% gain in June.

On the manufacturing front, the data suggests that, as in many sectors of the economy, the most important factor is increased spending in AI-related sectors. Admittedly, a significant portion of the microprocessors purchased by American hyperscalers must be imported, but that does not mean American factories are not benefiting from the boom. A more in-depth analysis of the data indeed shows an outsized contribution to factory output growth over the past year from the computers and electronics segment, which is closely linked to developments in AI. Indeed, more than half of the expansion over the past 12 months can be attributed to this sector, whose total output accounts for only 6.7% of the total.

U.S.: The manufacturing sector's recovery is being driven by AI



NBC Economics and Strategy (data via Bloomberg and Refinitiv)

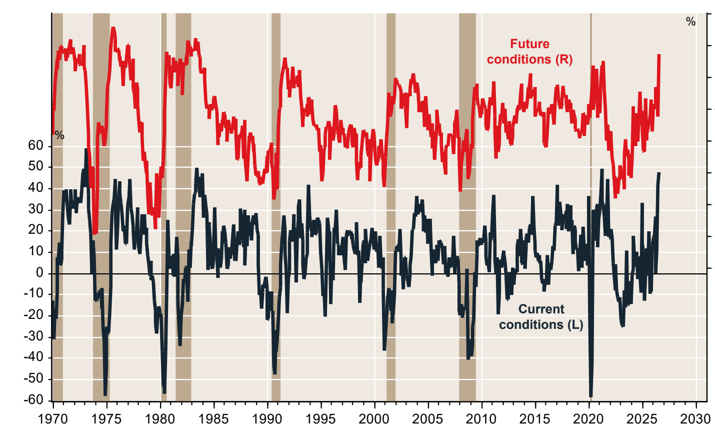
Capacity utilization in the industrial sector rose by a tick to 76.3% in July. In the manufacturing sector, it rose by the same magnitude to 76.0%.

The **Empire State Manufacturing Index** of general business conditions strengthened further in August, rising from 15.6 in July to 20.6, its strongest print in over four years. New orders and shipments continued to expand, though at a slower pace, with the respective sub-indices declining from 22.2 to 17.3 and from 24.4 to 11.7. Unfilled orders, for their part, rose from 5.0 to 15.5, while delivery times lengthened substantially, with the associated index rising from 13.0 to 20.6. Employment continued to expand, although the number of employees index also edged down from 11.4 to 9.3, while the average workweek index increased from 2.8 to 6.9. Inflationary pressures remained evident in the survey, as the prices paid index rose from 52.3 to 58.6, while the prices received index fell from 27.6 to 22.7, suggesting some moderation in selling price increases. Business expectations for the next six months improved in August, with the future business conditions index increasing from 27.9 to 32.1.

The **Philly Fed Manufacturing Index** increased 6.0 points to 47.4 in August, its highest level since April 2021 and well above the consensus expectation of 24.8. This followed July's already sharp increase to 41.4, pointing to continued strong expansion in regional manufacturing activity. The improvement in the headline index came despite some moderation in underlying demand, as both the new orders and shipments indexes declined from their elevated July readings while remaining at levels consistent with solid activity. Labour-market conditions strengthened considerably, with the employment index jumping from 10.0 to 27.9, its highest level since April 2022. Meanwhile, inflationary pressures eased during the month: the prices paid index fell from 53.9 to 40.9, while the prices received index declined from 27.4 to 17.7. Confidence for the future also jumped, climbing from 34.4 to 73.6, its highest level since 1983. Overall, the August report continued to signal robust manufacturing activity, with particularly strong hiring and some welcome moderation in price pressures.

U.S.: A robust signal from the manufacturing sector

Philly Fed Manufacturing Index



NBC Economics and Strategy (data via Refinitiv)

Import and **export prices** pointed to a less inflationary trade backdrop in July. Import prices slipped by 0.4% during the month, following a -0.3% decline in June and below the 0.1% gain expected by consensus. On an annual basis, import prices increased by 5.9%, a deceleration from the 6.7% recorded the previous month. Fuel import prices declined by 7.2%, the largest monthly pullback since September 2024. The inflationary pressure was higher in the other categories: nonfuel import prices rose 0.4% and are now up 4.5% from a year earlier, the strongest pace since June 2022. Export prices, for their part, fell 1.3% in the month following a 0.7% drawback the previous month. A 1.0% gain in agricultural export prices mitigated the decline. Excluding this category, prices were down 1.5% during the month. On a year-over-year basis, export prices are now up 8.2%, down from the 10.0% gain registered in June.

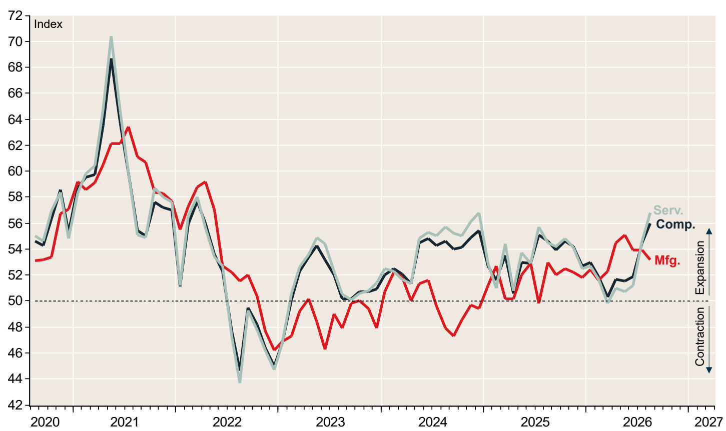
Regarding the housing sector, the **NAHB Housing Market Index** rose from 34 in July to 35 in August, a result above the consensus calling for 33. This improvement is due to an increase in the present single-family sales index from 37 to 39, while the future single-family sales and the prospective buyer traffic indices remained unchanged at 43 and 23, respectively. The **pending home sales index** fell by 2.3% in July, amplifying the 5.4% decrease registered in June. This was significantly below consensus expectations for a flat print. Compared to a year ago, pending transactions were down 2.5%. **Housing starts** in July fell by 12.4% to 1,239K, below the consensus estimate of 1,345K and almost fully erasing June's 19.7% gain. The decrease is attributable to a 16.8% decline in the multifamily segment and to a 9.9% pullback in the single-family segment. On the other hand, **building permits** edged up by 5.0% to 1,443K in July, a print above the 0.6% expected by consensus.

The **S&P Global Flash Composite PMI** increased significantly in August, rising from 54.5 to 56.0, and signaled the strongest expansion of the private sector since April 2022. Part of the improvement reflected more favorable demand conditions, as new orders accumulated at the fastest pace since December 2024. An acceleration in job creation – to the sharpest since January 2025 – also had a positive impact on the headline index. Delivery times, meanwhile, lengthened at one of the fastest rates in the past four years, a phenomenon that respondents attributed to delays in the transportation sector, tariffs, and reduced inventory levels at several suppliers. These delays resulted in a significant buildup of work backlogs. Prices continued to rise in the private sector, but at the slowest pace since February. The more favorable economic environment has also led to an increase in business confidence. Business confidence rose for the third consecutive month in August and reached its highest level in nine months.

The manufacturing sub-index fell from 53.9 to a 5-month low of 53.2, as growth in new orders and production slowed. In the latter case, the slowdown was partly due to shortages of raw materials and delays in the supply chain. In any case, the slowdown in production led to a significant buildup of orders in the backlog.

The services index jumped from 54.6 to 56.8, its highest level since December 2024. Job creation in the sector accelerated, while work backlogs grew at the fastest pace since May 2022.

U.S.: The private sector is growing at its fastest pace since April 2022
S&P Global Flash PMI. Last observation: August 2026



NBC Economics and Strategy (data via Refinitiv)

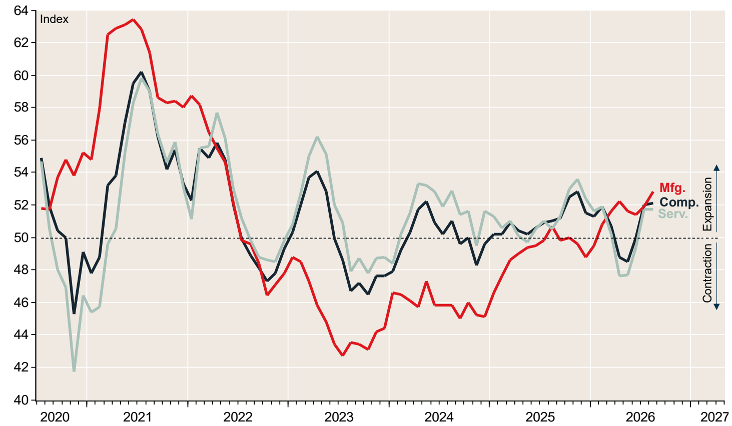
Initial jobless claims decreased from 212K (revised up from 209k) to 206K in the week to August 15, below the consensus expectation of a 210K print. On a four-week moving average, initial jobless claims rose from 119.8k to 204.0K. **Continuing claims**, for their part, increased from 1,781K to 1,799K in the week to August 8.

World : S&P Global's **Flash Composite PMI** for the **eurozone** edged up from 52.0 in July to 52.1 in August, signaling the broadest expansion in private sector activity in 9 months. New orders rose at the fastest pace in 40 months, as foreign bookings increasing for the first time in four and a half years. As demand improved, private-sector companies increased their workforce for the first time this year. On the price front, the rate of input inflation was the lowest since February but remained above the levels seen before the outbreak of hostilities in the Middle East. In addition to its impact on prices, the conflict was also responsible for a sharp increase in suppliers' delivery times. We suspect it was also behind the decline in business confidence regarding their outlook for the next twelve months, as the associated sub-index slipped to a three-month low in August.

The manufacturing index rose from 51.9 to 52.8, its highest level since May 2022. New orders placed with factories rose at the fastest rate in 51 months, while production grew the most in 54 months. Given this context, it was not surprising to see the 38-month streak of job shedding come to an end in the manufacturing sector.

The growth rate in the services sector, meanwhile, remained unchanged (index at 51.7), as new orders continued to grow at a healthy pace.

Eurozone: Factories expand at fastest pace since May 2022
S&P Global Flash PMI. Last observation: August 2025



NBC Economics and Strategy (data via Refinitiv)

In **Japan**, the **S&P Global Flash Composite PMI** improved from 52.7 in July to 53.4 in August, marking a seventeenth consecutive expansion for the private sector and the strongest in six months. New orders placed with Japanese companies rose at the joint-fastest pace in six months, while employment increased for the 35*th* consecutive time. Price pressures eased somewhat but remained very strong. Input price inflation was indeed the lowest in five months but remained very high by historical standards. "Panel members often commented on a strong inflationary environment", S&P Global's report said, "with rising prices for raw materials, fuel and energy often linked to the war in the Middle East." Higher staffing costs and a weak yen were also cited as drivers of inflation. Business confidence for the coming year continued to improve and was at its highest level since February.

The manufacturing sub-index moved from 54.5 to 55.1, reflecting another solid expansion in output and the fastest accumulation of new orders since January 2018.

The services sub-index, meanwhile, rose from 51.2 to 52.3, a slowdown in hiring having been more than offset by a significant increase in new business.

In **Japan**, **GDP** in Q2 grew by 0.3% on a quarterly basis, below the consensus estimate of 0.5% and the 0.5% growth recorded in the previous quarter. Growth was limited by a 0.2% decline in domestic demand, which notably resulted from flat private consumption and a 1.2% decline in business spending. Public investment also recorded a decline (-0.1%). Exports grew 0.5%, while imports declined 1.5%, which resulted in a positive contribution of net trade to growth. On an annual basis, real GDP rose by 0.7%, while nominal GDP increased by 3.2%.

Still in **Japan**, the national headline **consumer price index** (CPI) rose by 1.9% in the twelve months to July, up from the 1.6% registered the prior month and in line with the median economist forecast calling for a 1.9% print. The price of energy increased by 0.6%, while fresh food edged up by 7.0% on an annual basis. Excluding these two categories, the CPI advanced 1.9% as well, up from 1.7% the prior month and aligned with consensus at 1.9%. CPI excluding fresh food, the core measure preferred by the Bank of Japan, also aligned perfectly with consensus expectations, moving from 1.6% to 1.8%.

In **China, industrial production** was up 4.5% in the twelve months ending in July, a result below economists' consensus (+5.0%) and last month print (+5.3%). **Retail sales**, meanwhile, were up 0.6% in July compared to a year ago. The year-to-date contraction in property investment accelerated (-19.2% y/y vs. -18.0% the prior month), while the decline in residential property sales remained important (-13.2% y/y vs. -13.7%), a sign that the real estate market has still not stabilized. **Unemployment** edged up slightly in July, with the unemployment rate increasing 0.2 percentage point to 5.2%. On a year-to-date basis, unemployment remained at the same level as the equivalent period last year.

What we published

What we'll be watching

In Canada, the release of **Q2 GDP** data is expected to generate significant interest. Following two consecutive contractions, we anticipate that the economy will have resumed growth during the quarter, with increased consumer spending related to the World Cup likely supporting this expansion. Business investment should also have supported growth, despite a decline in spending on non-residential structures. That's because the latter should have been more than offset by healthy gains in machinery and equipment (partly due to the AI boom) and residential structures (in a context of stabilization of the real estate market). International trade also looks promising, as exports grew at a much faster pace than imports during the quarter. International trade also looks set to be a driver of growth, as exports grew at a much faster pace than imports during the quarter, but this contribution could be partially offset by a slower buildup of inventories. Overall, GDP may have grown by no less than 3.3% in annualized terms. Published at the same time, industry data could show a 0.2% expansion of economic output in June, with positive contributions from wholesale trade, finance and insurance and retail trade having likely been only partially offset by declines for utilities and agriculture, forestry, fishing and hunting. Balance of payments data published on Thursday for the fourth quarter could show the **current account deficit** shrinking from C$7.18 billion to C$3.50 billion, a narrowing of the goods shortfall having likely been only partially offset by a shift into deficit on the services side. We will also keep an eye out for the publication of the June **Survey of Employment, Payrolls and Hours** (SEPH).

		Previous	NBC forecasts
Fri:	GDP (Q2, q/q chg. saar)	-0.1%	**3.3%**
	GDP (June, m/m chg.)	0.3%	**0.2%**

In the U.S., the latest report on **personal income** may show just a 0.1% increase in July, reflecting a very modest increase in the wages and salaries category. **Personal spending** may also have risen by only 0.1% in the month, as a decline in the goods segment was likely offset by decent growth in the services segment. On the inflation front, the **PCE deflator** may have risen by only 0.1% in July, with the decline in gasoline prices limiting the increase. If this forecast proves accurate, the annual inflation rate should fall by one-tenth of a point, to 3.6%. The core index may have shown slightly more resilience on a monthly basis, rising 0.2%, helping to keep the annual rate unchanged at 3.3%. Orders for **durable goods**, meanwhile, may have decreased by 0.5% on a month-over-month basis in July, a significant decline in the civil aircraft category having likely offset in part by an increase in the defense aircraft segment. Excluding transportation, orders likely remained solid, advancing 0.5%. We'll get an update on the state of the housing housing market with the release of the **S&P Cotality Case-Shiller Home Price Index** for June and data on **new home sales** for July. Judging by the rise in borrowing costs recording during the month, the latter may have slipped to 620K on an annualized basis. In other news, the second estimate of **Q2 GDP** growth could come in at 1.5% annualized, unchanged from the previous release. The annual **Jackson Hole Economic Policy Symposium** will also take place next week. This year's theme is "Financial Innovation: Implications for Payments and Policy." As is the case every year, it is the Fed Chair's speech, scheduled for Friday morning, that will attract the most attention from the markets.

		Previous	NBC forecasts
Tues:	New home sales (July, saar)	628K	**620K**
Wed:	PCE deflator (July, y/y chg.)	3.7%	**3.6%**
	Core PCE deflator (July, y/y chg.)	3.3%	**3.3%**
	GDP (Q2 q/q chg. saar, 2nd est.)	1.5%	**1.5%**
	Durable goods orders (July, m/m chg.)	0.5%	**-0.5%**

Elsewhere in the world, a very quiet week on the economic data front will still feature the publication of August's **Economic Confidence Index** in the Eurozone. The July **unemployment rate** will also be released in Japan.

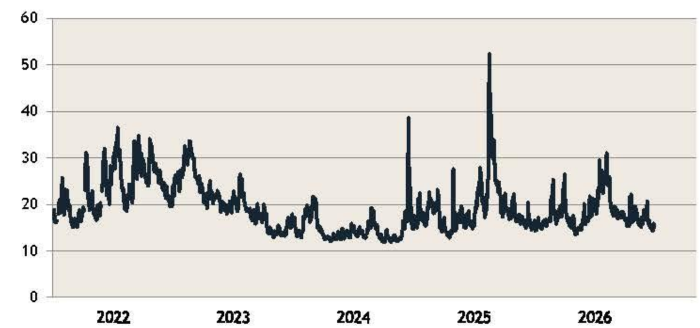
Economic Calendar – Canada & U.S.

Day	Time	Country	Release	Period	Previous	Consensus Estimate	NBC Estimate	Company	Time	Qtr	Cons. EPS
Monday August 24	8:30	US	Chicago Fed Nat Activity Index	Jul	-0.02	--					
Tuesday August 25	10:00	US	New Home Sales	Jul	628k	620k	620k	Bank of Montreal	05:30	Q3 26	3.75
	10:00	US	New Home Sales MoM	Jul	1.6%	-1.3%	-1.3%	Bank of Nova Scotia/The	06:00	Q3 26	2.09
	10:00	US	Conf. Board Consumer Confidenc	Aug	90.8	90.2		Intuit Inc	Aft-mkt	Q4 26	3.58
		US	Building Permits	Jul F	1443k	--					
		US	Building Permits MoM	Jul F	5.0%	--					
Wednesday August 26	7:00	US	MBA Mortgage Applications	Aug-21	-0.4%	--		J M Smucker Co/The	Bef-mkt	Q1 27	2.22
	8:30	US	Personal Income	Jul	0.2%	0.2%	0.1%	Williams-Sonoma Inc	Bef-mkt	Q2 27	2.06
	8:30	US	Personal Spending	Jul	0.3%	0.1%	0.1%	NVIDIA Corp	16:20	Q2 27	2.09
	8:30	US	PCE Price Index MoM	Jul	-0.1%	0.1%	0.1%	Agilent Technologies Inc	Aft-mkt	Q3 26	1.49
	8:30	US	PCE Price Index YoY	Jul	3.7%	3.6%	3.6%	Crowdstrike Holdings Inc	Aft-mkt	Q2 27	0.29
	8:30	US	Core PCE Price Index MoM	Jul	0.1%	0.2%	0.2%	Synopsys Inc	Aft-mkt	Q3 26	3.67
	8:30	US	Core PCE Price Index YoY	Jul	3.3%	3.3%	3.3%	Veeva Systems Inc	Aft-mkt	Q2 27	2.22
	8:30	US	Durable Goods Orders	Jul P	0.5%	0.5%	-0.5%	Salesforce Inc	Aft-mkt	Q2 27	3.28
	8:30	US	Durables Ex Transportation	Jul P	0.7%	0.5%	0.5%	HP Inc	Aft-mkt	Q3 26	0.66
	8:30	US	GDP Annualized QoQ	2Q S	1.5%	1.5%	1.5%	National Bank of Canada	06:30	Q3 26	3.21
Thursday August 27	8:30	CA	Current Account Balance	2Q	-$7.18b	--	-$3.50b	Hormel Foods Corp	Bef-mkt	Q3 26	0.35
	8:30	US	Initial Jobless Claims	Aug-22	206k	208k		Dollar General Corp	Bef-mkt	Q2 27	2.01
								Dollar Tree Inc	Bef-mkt	Q2 27	1.13
								Best Buy Co Inc	T	Q2 27	1.37
								Autodesk Inc	Aft-mkt	Q2 27	3.12
								Workday Inc	Aft-mkt	Q2 27	2.61
								Marvell Technology Inc	Aft-mkt	Q2 27	0.93
								Ulta Beauty Inc	Aft-mkt	Q2 27	6.19
								Toronto-Dominion Bank/The	06:30	Q3 26	2.47
								Canadian Imperial Bank of Comm	17:30	Q3 26	2.51
Friday August 28	8:30	CA	Quarterly GDP Annualized	2Q	-0.1%	3.3%	3.3%	Laurentian Bank of Canada	06:30	Q3 26	0.63
	8:30	CA	GDP MoM	Jun	0.3%	0.2%	0.2%				
	10:00	US	U. of Mich. Sentiment	Aug F	51.0	51.0					

Data Update – Table 1

North American Stock Indices

CBOE SPX Volatility (VIX)



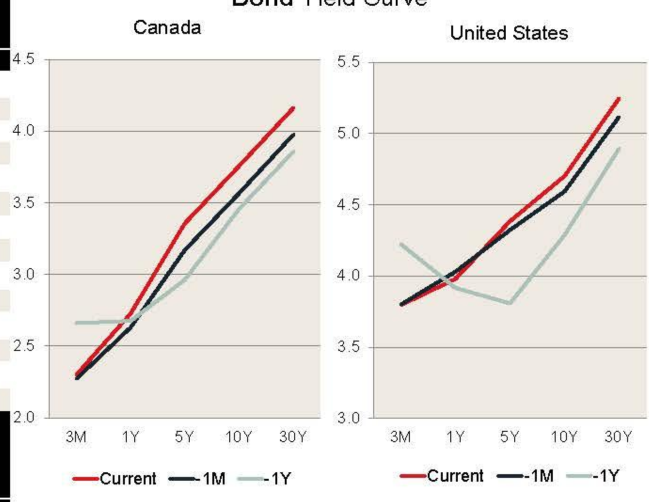
Stock Indices

	Level	Total return performances (in C$ / in local currency): 1 week	1 month	3 months	YTD	1 year	5 years (ann.)	10-year Hi / Low: Hi (Date)	Low (Date)
Canada									
S&P/TSX Composite	36365.4	-1.0%	4.2%	7.0%	16.2%	33.5%	15.6%	36759.3 (8/13/2026)	11228.5 (3/23/2020)
U.S.									
S&P 500 Composite	7641.2	-3.1% / -2.0%	0.7% / 2.8%	3.4% / 3.1%	13.1% / 12.5%	20.2% / 20.9%	14.6% / 13.1%	7799.0 (8/13/2026)	2085.2 (11/04/2016)
Dow Jones Industrials	52759.2	-3.1% / -2.0%	-0.1% / 1.9%	6.2% / 5.9%	11.4% / 10.8%	18.7% / 19.3%	12.1% / 10.5%	54349.1 (8/05/2026)	17888.3 (11/04/2016)
Nasdaq Composite	26067.2	-3.9% / -2.7%	0.2% / 2.2%	-0.3% / -0.6%	13.2% / 12.6%	23.2% / 23.9%	14.5% / 12.9%	27093.9 (6/02/2026)	5046.4 (11/04/2016)
World									
Euro Stoxx 50	6422.1	-1.9% / -1.9%	3.6% / 3.2%	8.8% / 7.9%	13.6% / 13.6%	20.3% / 20.8%	14.2% / 12.7%	6551.2 (8/11/2026)	2385.8 (3/18/2020)
FTSE100	10748.2	-0.4% / -0.2%	2.3% / 2.8%	5.9% / 4.1%	13.0% / 10.9%	20.2% / 19.5%	14.3% / 12.7%	10910.6 (2/27/2026)	4993.9 (3/23/2020)
TOPIX	4059.7	-3.6% / -2.8%	4.0% / 3.6%	7.6% / 7.3%	19.6% / 20.5%	23.4% / 34.0%	12.5% / 19.5%	4197.2 (8/14/2026)	1236.3 (3/16/2020)
CSI 300	4592.8	-2.3% / -1.5%	-1.3% / 0.1%	-2.7% / -4.2%	5.3% / 0.8%	16.7% / 10.0%	2.5% / 1.7%	5807.7 (2/10/2021)	2964.8 (1/03/2019)
MSCI World	1143.5	-2.6% / -1.4%	1.5% / 3.6%	4.5% / 4.2%	14.6% / 14.0%	22.3% / 23.0%	13.4% / 11.8%	1160.8 (8/13/2026)	384.0 (3/23/2020)
MSCI Emerg. Markets	1700.0	-0.9% / 0.3%	3.3% / 5.4%	5.0% / 4.7%	23.6% / 22.9%	37.2% / 37.9%	11.5% / 9.9%	1802.8 (6/22/2026)	758.2 (3/23/2020)
MSCI EAFE	3230.8	-1.9% / -0.7%	2.8% / 4.8%	6.8% / 6.4%	14.7% / 14.1%	20.5% / 21.2%	11.9% / 10.4%	3262.6 (8/14/2026)	1354.3 (3/23/2020)

Bond Yield Curve

	3 mths	1 year	5 years	10 years	30 years
Canada	2.30%	2.73%	3.36%	3.76%	4.16%
1 week chg (bps)	0	+6	+12	+13	+12
1 month chg (bps)	+3	+10	+19	+19	+19
1 year chg (bps)	-36	+5	+39	+30	+31
U.S.	3.80%	3.98%	4.38%	4.70%	5.24%
1 week chg (bps)	-1	+1	+7	+6	+3
1 month chg (bps)	-0	-5	+6	+11	+13
1 year chg (bps)	-42	+6	+58	+41	+35
Japan	0.98%	1.45%	2.11%	2.86%	4.03%
1 week chg (bps)	-10	+2	-1	-0	+4
United Kingdom	3.91%	4.11%	4.61%	5.07%	5.81%
1 week chg (bps)	+0	+1	+10	+12	+11
Germany	2.36%	2.63%	2.96%	3.26%	3.76%
1 week chg (bps)	-3	+3	+10	+12	+11

Bond Yield Curve



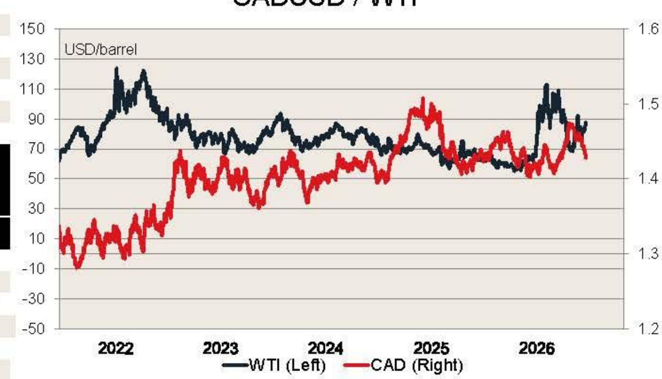
Currencies

	Latest	1 week ago	1 month ago	January 1st	1 year ago
USDCAD	1.378	1.394	1.406	1.371	1.386
US cents per cad	0.726	0.717	0.711	0.730	0.722
EURCAD	1.610	1.610	1.604	1.610	1.616
EURUSD	1.168	1.154	1.141	1.174	1.166
USDJPY	158.7	159.2	162.5	156.7	147.0
GBPUSD	1.363	1.351	1.343	1.345	1.347
USDCNY	6.724	6.745	6.766	6.988	7.179

Commodities

	Latest	1 week ago	1 month ago	January 1st	1 year ago
Oil - WTI ($/barrel)	87.83	81.25	83.23	57.42	63.21
Oil - Brent ($/barrel)	96.68	94.13	82.31	62.70	68.81
Natural Gas ($/MMBTU)	2.73	2.73	2.86	3.69	2.75
Gold ($/oz)	4534.79	4369.55	4014.55	4324.67	3342.86
Aluminium ($/MT)	3191.92	3264.93	3146.74	2968.00	2574.22
Copper ($/MT)	14113.21	14394.14	13621.19	12453.39	9629.75

CADUSD / WTI



Data Update – Table 2

Jobs	Unemployment rate		Employment change	
	Latest	12 months ago	Latest	12-month avg
Canada	6.4%	6.9%	75.1K	16.4K
Ontario	6.8%	7.8%	51.6K	9.0K
Quebec	5.6%	5.5%	0.7K	-2.3K
British Columbia	6.2%	6.0%	17.8K	0.2K
Alberta	7.0%	7.9%	-7.3K	7.6K
United States	4.1%	4.3%	-23.0K	26.3K
Eurozone	6.3%	6.3%	---	---
Japan	2.5%	2.5%	-360.0K	13.3K

Inflation	Y/Y Latest	3-mth ann.	Y/Y 6 months ago	Y/Y 1 year ago
Canada				
Headline CPI	3.0%	2.6%	2.3%	1.7%
Average core (median & trim)	2.0%	---	2.5%	2.0%
United States				
Headline PCE	3.7%	3.1%	2.9%	2.6%
Core PCE	3.3%	2.9%	3.0%	2.8%
Eurozone				
Headline CPI	2.9%	---	1.7%	2.0%
Core CPI	2.5%	---	2.2%	2.3%
Japan				
Headline CPI	1.9%	4.4%	1.5%	3.2%
Core CPI	1.8%	3.6%	1.9%	-10.2%

Housing Market	House prices Y/Y chg. NSA	House prices M/M chg. SA	Peak date, SA	Change from peak, SA	Housing starts 3-month avg. / 10yr avg
Canada	-4.0%	-0.5%	2022M06	-7.8%	241.3K / 236.7K
Toronto	-7.1%	-0.8%	2022M05	-19.8%	27.0K / 37.8K
Vancouver	-5.9%	-0.3%	2025M02	-10.1%	21.7K / 26.6K
Montreal	2.6%	-0.4%	2026M05	-0.9%	33.9K / 24.4K
Calgary	-1.8%	0.0%	2026M02	-2.4%	25.9K / 16.5K
United States	1.1%	0.0%	2026M02	-0.4%	1278.7K / 1372.5K

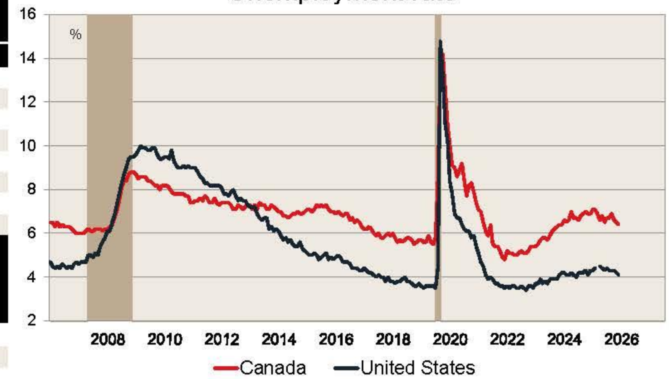
Manufacturing Sector	Markit manufacturing PMI		Industrial production	
	Latest	6-month trend	3 mth ann chg	12-month chg
Canada	53.5	▲	6.7%	3.3%
United States	53.9	▲	1.9%	1.1%
Eurozone	52.8	▲	2.5%	0.1%
Japan	55.1	▲	10.6%	3.1%
China	50.9	▲	---	---

Central Banks	Policy rate	12 months ago	Trend	Next meeting
Bank of Canada	2.25%	2.75%	▼	9/2/2026
Fed Reserve (upper bound)	3.75%	4.50%	▼	9/16/2026
European Central Bank	2.25%	2.00%	▲	9/10/2026
Bank of England	3.75%	4.25%	▼	9/17/2026
Bank of Japan	1.00%	0.50%	▲	9/18/2026

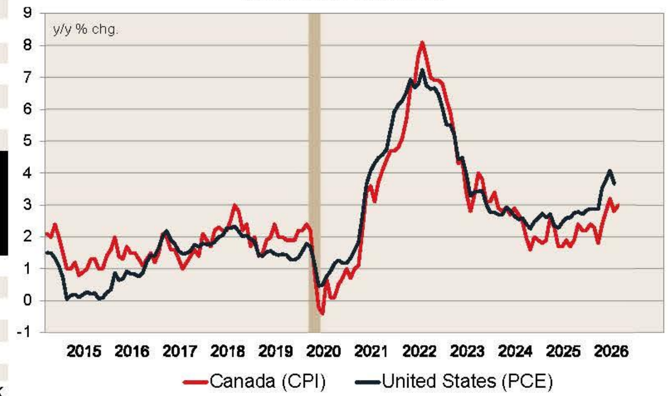
GDP Growth	Q/Q ann Latest	Q/Q ann Previous	Y/Y Latest	Y/Y 6 months ago
Canada	-0.1% (Q1)	-1.0% (Q4)	-0.1%	0.7%
United States	1.5% (Q2)	2.1% (Q1)	2.1%	2.7%
Eurozone	1.8% (Q2)	0.0% (Q1)	1.0%	0.5%
Japan	1.1% (Q2)	1.9% (Q1)	0.6%	0.5%

Contributions to real GDP growth - Canada	Q1 2026	Q4 2025	Q3 2025	Q2 2025
GDP	**-0.1**	**-1.0**	**1.9**	**-1.0**
Consumption	0.8	1.6	-0.4	2.3
Business Investment	0.0	0.4	-0.6	-0.1
Nonprofit Sector	0.0	0.0	0.0	0.0
Residential Investment	-0.6	-0.7	0.3	0.0
Government	-0.7	1.4	0.1	1.3
Final Domestic Demand	**-0.4**	**2.7**	**-0.5**	**3.5**
Exports	-0.2	2.0	1.2	-8.2
Imports	-3.7	-0.6	3.7	-0.4
Trade	**-3.9**	**1.4**	**4.9**	**-8.6**
Inventories	4.3	-4.8	-2.3	4.2
Statistical discrepancy	-0.2	-0.2	-0.2	0.2

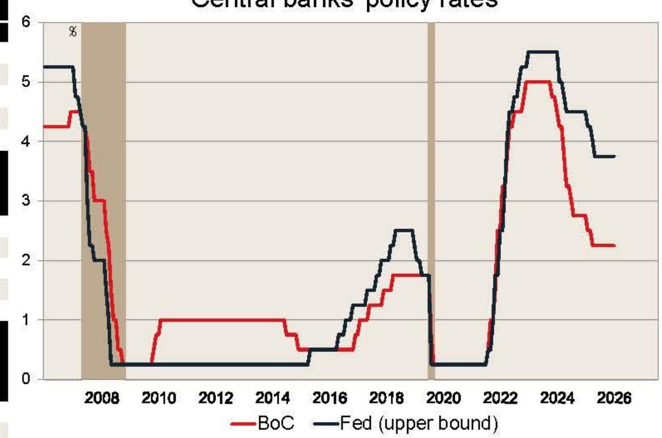
Unemployment rate



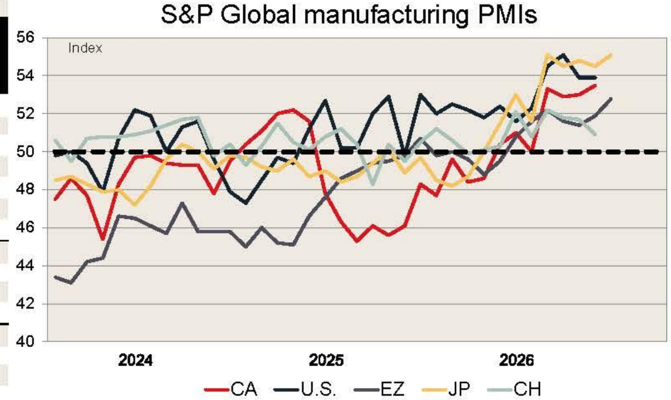
Headline inflation



Central banks' policy rates



S&P Global manufacturing PMIs



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Subscribe to our publications:
NBC.EconomicsStrategy@nbc.ca

To contact us:
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Jocelyn Paquet
Senior Economist
jocelyn.paquet@nbc.ca

Kyle Dahms
Senior Economist
kyle.dahms@nbc.ca

Alexandra Ducharme
Senior Economist
alexandra.ducharme@nbc.ca

Daren King, CFA
Senior Economist
daren.king@nbc.ca

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.Schleich@nbc.ca

Ethan Currie
Strategist
ethan.currie@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Nathalie Girard
Senior Coordinator
n.girard@nbc.ca

Giuseppe Saltarelli
Desktop Publisher
giuseppe.saltarelli@nbc.ca