



# Canada Macro Brief

**Canada at an inflection point:**  
Macro forces reshaping strategy

**Accenture Canada Macro Compass**  
Part of Accenture Strategy's Global Macro Foresight Network

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# Introduction

Canada enters 2026 at an inflection point.

The assumptions that underpinned Canada's strategic posture for decades, from free trade to the rules-based international order, are being replaced by the return of an era of great power competition. For Canadian corporations, investors, and governments, this is the new operating context that will reshape strategic planning and decision-making in the year ahead, and beyond.

Canada faces two primary macro inflection points as a middle power seeking greater strategic autonomy. First, redefining its geostrategic posture as economic and security interests converge into a single agenda, most notably through the 2026 CUSMA joint review, the evolving Canada-China relationship, and the search for new partners and trade corridors. Second, the reinvention of its domestic economy as weak productivity, affordability pressures, demographic constraints, and competitiveness challenges are colliding with a renewed nation-building ambition, from major projects, to defence, to housing, and more.

In this report, we present ten macro forces that we believe will matter most for Canadian leaders in 2026, not as isolated trends but as a connected framework. These inflection points cannot be navigated successfully by any organization or sector acting alone. Canada's ability to advance the national interest on matters such as resilience, sovereignty, prosperity, and global leadership, will increasingly depend on effective public-private partnerships, aligning capital, policy, and execution capacity to consistently deliver at speed and scale.

To explore how Accenture Canada Macro Compass can partner with your organization on strategic planning to navigate the economic and geopolitical shifts reshaping Canada and the global economy, we invite you to connect with our team. Visit us at: [Macro Compass | Accenture Canada](#).



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# Canada enters 2026 facing two converging macro inflection points, as geostrategic realignment and economic reinvention reshape the strategic agenda for leaders

## Executive summary



### Quarterly economic update What we're seeing

Canada enters 2026 in a structurally different operating environment. Trade and geopolitical dynamics are increasingly shaping economic outcomes, affordability pressures are resulting in a K-shaped outlook, and the transition from population-led growth toward output-led growth is transforming corporate strategy across industries.

**01** Trade realignment is reshaping Canada's economic outlook, as companies diversify export markets to reduce single-market exposure

**02** Tariff policy uncertainty is delaying strategic planning, with investment contingent on 2026 CUSMA joint review outcomes, and new FTAs

**03** A K-shaped consumer outlook is solidifying, as affordability pressures, and tariff-impacted sector weakness constrain discretionary demand



### Canada's new geostrategic posture Inflection point 1

- 1. Canada-U.S. relations at a crossroads**, as CUSMA joint review links trade and security into a single negotiation
- 2. Selective China re-engagement expands optionality**, but U.S. alignment constrains the partnerships' scope
- 3. Canada accelerates trade diversification** through FTA negotiations with ASEAN, MERCOSUR, and India
- 4. Canada's defence modernization accelerates**, linking national security to Made-in-Canada industrial strategy
- 5. Oil's risk premium may reset**, as geopolitical stabilization in fragile petrostates could result in supply normalization



### Reinventing the Canadian economy Inflection point 2

- 6. Industrial policy takes centre stage**, as Ottawa deploys \$280B in capital to attract \$500B in private investment
- 7. Pension capital explores opportunities** to invest a greater share of \$3T in fund assets domestically
- 8. AI's productivity transformation potential is large**, but adoption and infrastructure investment lags peers
- 9. Affordability constrains demand**, as the mortgage renewals and household debt create K-shaped outlook
- 10. A return to competitiveness is possible**, but internal trade barriers, weak dynamism suppress growth



### Key takeaways for Canadian executives Macro forces reshaping strategy

Canadian leaders are facing a period of structural macro volatility that requires enterprise-wide resilience to adapt to increasing economic and geopolitical disruption. In this context, strategic advantage comes from building optionality across markets, suppliers, and partnerships to capture the opportunities presented by Canada's economic restructuring.

**01** Build dynamic scenario planning and capital/workforce allocation capabilities, to maintain resilience to macro shocks

**02** Build strategic optionality through product portfolio, supply chain, and market diversification, reducing overexposure

**03** Align strategies with nation-wide industrial policy, and public-private partnerships, de-risking major capital investments

# Canadian industry leaders enter 2026 in an unprecedented operating environment, where economic and geopolitical dynamics shape strategic planning and investment decisions

## Strategic questions for Canadian industry leaders amidst structural macro volatility

Financial services	Resources	Products	Public sector	Comms, Media, and Tech
<p>Financial institutions face slower population growth, a lower rate environment, and a mortgage renewal wave combining credit, margin, and growth challenges</p> <p><i>Key questions</i></p> <ul style="list-style-type: none"> <li>• How do we remain competitive against digitally-native competitors as economic growth slows, rates ease, and mortgage renewals pressure households?</li> <li>• How do we strategically partner with industry as it seeks to finance a \$1T nation-building major projects agenda across infrastructure, defence, AI, and more?</li> <li>• As Canadian trade diversifies beyond the U.S., which international growth markets should we prioritize to follow Canadian clients and capital flows?</li> </ul>	<p>Companies face a bifurcation of global markets as allied countries create buyers' clubs amidst rising great power competition for strategic resources</p> <ul style="list-style-type: none"> <li>• How do we reduce China-linked dependencies across the value chain to be eligible for NATO, NORAD, and allied defence-industrial needs and AI demand?</li> <li>• How do we place disciplined, option-creating bets across energy and critical minerals so we can scale quickly once Canada's industrial strategy becomes clear?</li> <li>• How do we secure long-term offtake agreements with trusted allied buyers to de-risk price volatility, and financing, while meeting friendshoring requirements?</li> </ul>	<p>Firms face CUSMA-driven trade uncertainty, a K-shaped consumer outlook, and pressure to reconfigure supply chains without sacrificing cost competitiveness</p> <ul style="list-style-type: none"> <li>• As potential CUSMA joint review outcomes impact products, inputs, and profit pools, which no-regret moves protect competitiveness across scenarios?</li> <li>• How do we build durable optionality across supply chains, and export markets to reduce single-market dependence, without structurally raising costs?</li> <li>• How do we redesign strategies, portfolios, and pricing architectures to win a value-led, two-speed consumer, while protecting profitability?</li> </ul>	<p>Leaders face a \$1T nation-building major projects ambition, an economic reinvention imperative, and a NATO/NORAD defence modernization mandate</p> <ul style="list-style-type: none"> <li>• How do we utilize defence modernization to drive dual-use reindustrialization, building domestic capacity, while meeting allied interoperability needs?</li> <li>• What delivery model will accelerate outcomes at scale so Canada can execute major projects, and defence modernization on compressed timelines?</li> <li>• How do we operationalize economic security requirements (e.g., domestic content, rules of origin) in our operating model without adding friction that slows delivery, and raises costs?</li> </ul>	<p>Players face accelerating AI demand, cyber risk, and increased data sovereignty importance, as economic security reshapes cloud, connectivity, and platforms</p> <ul style="list-style-type: none"> <li>• How do we capitalize on the need to build sovereign AI infrastructure supporting rising demand, while reducing dependencies on higher-risk supply chains?</li> <li>• How do we scale AI commercialization and enterprise adoption, while protecting data sovereignty and compliance with economic security requirements?</li> <li>• How do we evolve monetization, pricing, and go-to-market strategies for a value-led two-speed economy amidst a K-shaped consumer outlook?</li> </ul>

SECTION 2

# Quarterly economic update

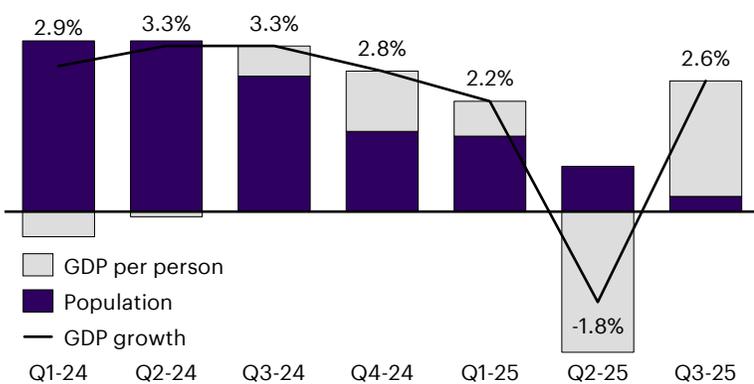
Snapshot of the state of the Canadian economy, tracking the latest indicators and trends impacting Canada at the national, industry, and consumer level

# Canada enters a period of economic restructuring as tariff-exposed sectors reconfigure trade strategies to secure new markets, while the risk of a K-shaped outcome persists

## National economic indicators

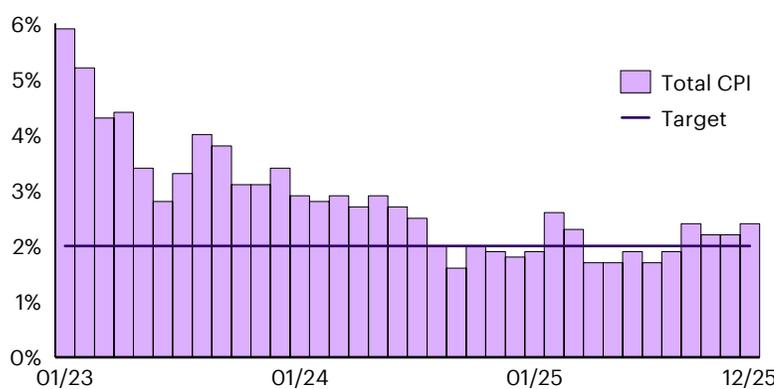
### Canada's GDP growth

Contributions to GDP growth, annualized, percentage



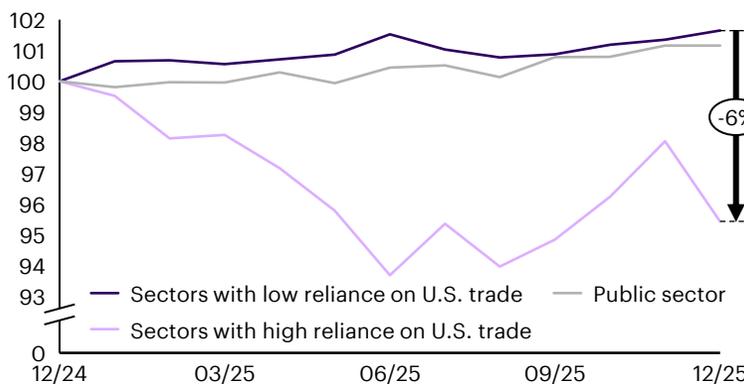
### Canada's CPI inflation

Year-over-year percentage change, monthly data



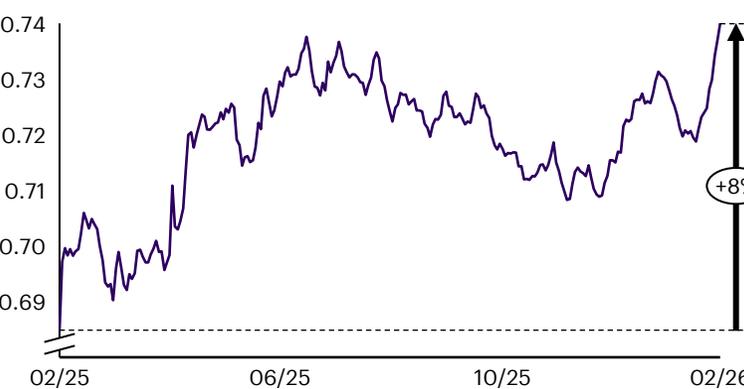
### Canada's employment level by sector

Employment level, index: Dec 2024 = 100, monthly data



### Value of the Canadian dollar

Daily exchange rate, 1 CAD converted into USD



### Commentary

- **Canada's growth model is shifting**, as population-led growth fades and GDP per capita impact rises, increasing the importance of competitiveness, and productivity indicators to sustain economic growth
- **Labour markets are bifurcating**, as U.S.-trade exposed sectors remain weaker while domestically-oriented, export-diversified, and public sector activity remains resilient amid tariff uncertainty
- **Inflation has normalized near target**, as easing energy and housing prices offset higher food costs, keeping affordability pressures elevated even as headline CPI stabilizes
- **The Canadian dollar is strengthening**, improving purchasing power but tightening competitiveness of exports, while the Bank of Canada holding rates at 2.25% reinforces a monetary-to-fiscal policy handoff

### Key takeaway for Canadian executives

The strategic imperative is to build for a two-speed economy, to scenario plan exposure to 2026 CUSMA joint review outcomes, and to accelerate export diversification and supply chain optionality

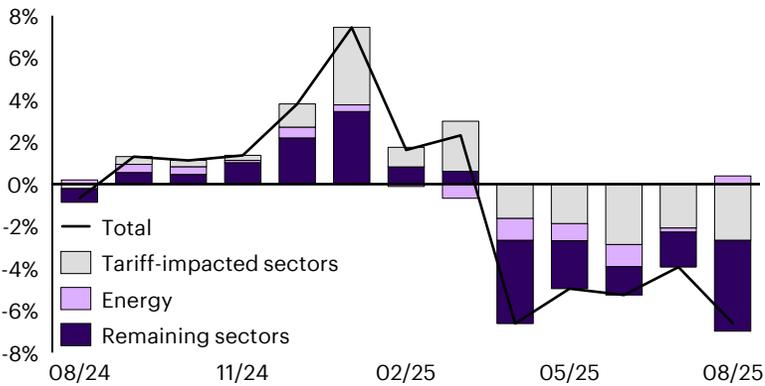


# Canadian industry is adjusting gradually to the new trade landscape, but uncertainty ahead of the 2026 CUSMA review is postponing strategic planning and investment across sectors

## Industry economic indicators

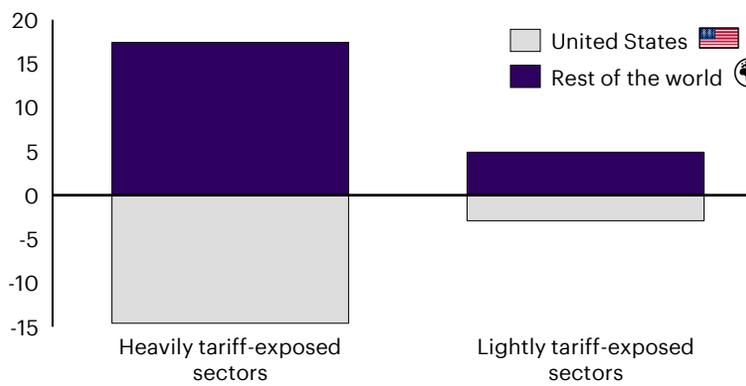
**Tariff impact on Canada's export growth by sector**

Percentage change from Q3-24, monthly data



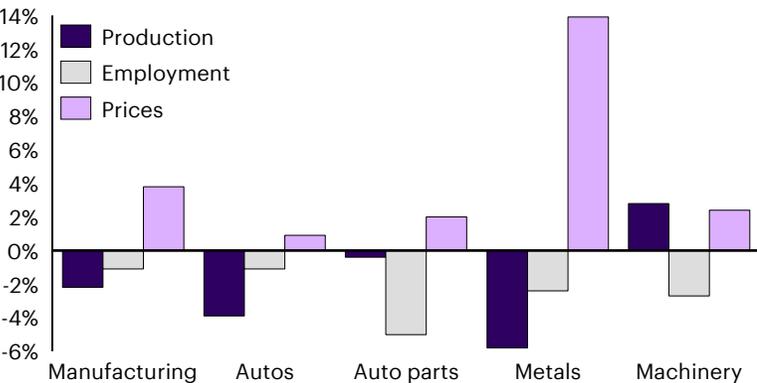
**Tariff impact on Canada's import growth by sector**

Change in imports since Jan 2025, billions CAD



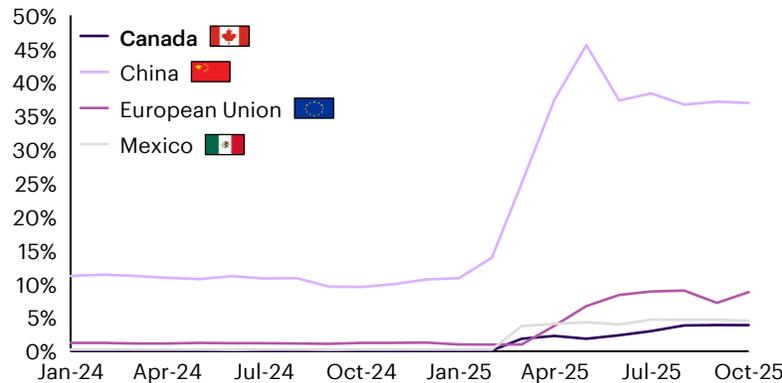
**Impact of U.S. tariffs on Canadian industry**

Year-over-year percentage change, 2025



**Effective tariff rate by major U.S. trading partner**

Percentage effective tariff rates on U.S. imports



### Commentary

- **Tariff uncertainty is creating economy-wide friction**, delaying U.S. orders, slowing contract renewals, and prompting firms to pause expansions until trade policy direction stabilizes
- **Export market diversification is progressing**, but the shift is structurally slow given the depth of North American integration across operating models, regulatory frameworks, and supplier ecosystems
- **CUSMA remains a stabilizer for nearly 90% of U.S.-bound goods exports**, making the 2026 review a defining planning horizon for Canadian industry and investors, but uncertainty is delaying strategic pivots
- **Manufacturing is absorbing the near-term shock**, with trade-exposed sectors facing lower output, job losses, and higher cost pass-through as tariffs erode competitiveness of Canadian exports

### Key takeaway for Canadian executives

*Build export market optionality and supply chain diversification to de-risk U.S. dependence, and redesign operating models so investment and growth can proceed post-CUSMA review*

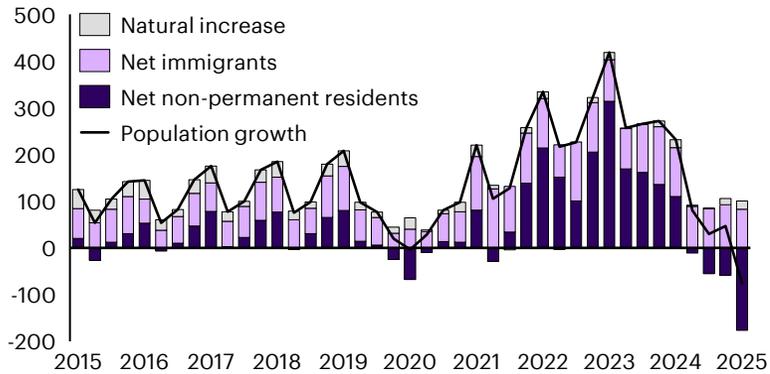


# Canada's consumer backdrop is weakening as population decreases, household debt rises, and affordability pressures persist, keeping discretionary demand structurally constrained

## Consumer economic indicators

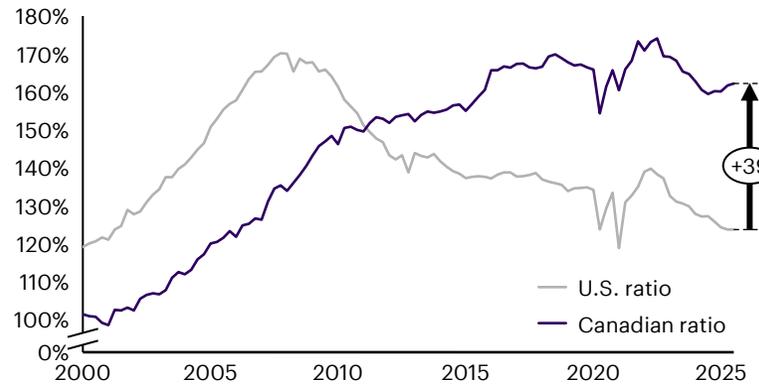
### Canada's population growth

Components of population growth, in thousands



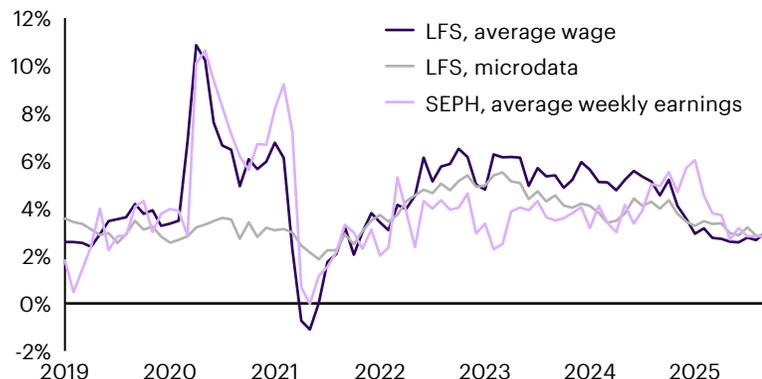
### Canada's household debt to income

Adjusted Canadian ratio comparable to U.S. ratio



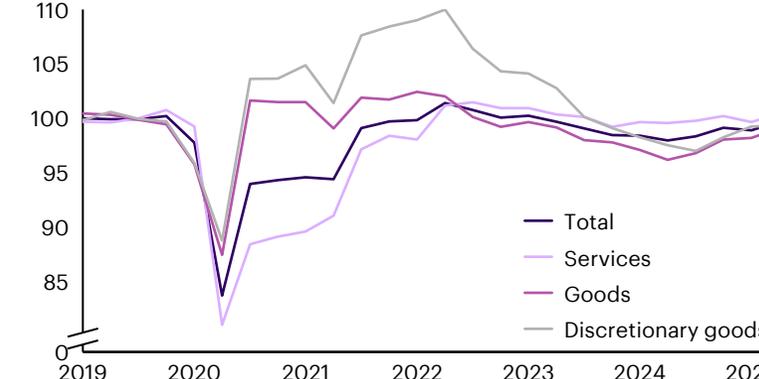
### Canada's private sector wage growth

Year-over-year percentage change, monthly data<sup>1</sup>



### Canada's consumer spending

Index: 2019 = 100, quarterly data



### Commentary

- **Canada's population is decreasing due to an exit of non-permanent residents**, removing a key tailwind to aggregate demand, and shifting the consumer outlook toward per-capita performance
- **Household leverage remains a constraint**, with Canada's debt-to-income structurally high and consumers more exposed to credit conditions, labour market performance, and housing price shocks
- **Wage growth is normalizing as labour momentum softens**, and population decline lowers breakeven rate of employment, but insufficiently to reaccelerate broad-based disposable income growth
- **Consumer spending is flattening**, holding up in services and essentials while discretionary categories remain constrained, consistent with value-seeking consumer preferences, and affordability pressures

### Key takeaway for Canadian executives

Plan for a value-led "Buy Canadian" consumer, localize offerings, de-risk supply chains, redesign price-pack architecture, and concentrate growth on resilient segments as demand shifts to affordability



Note(s): 1. SEPH is the Survey of Employment, Payrolls, and Hours, and LFS is the Labour Force Survey  
 Source(s): 1. Bank of Canada, 2. Statistics Canada, 3. International Monetary Fund, 4. OECD, 5. Accenture Strategy analysis

SECTION 3

# Macro forces reshaping strategy

Ten macro forces reshaping Canada's strategic agenda in 2026, driven by the nation's geostrategic realignment and economic reinvention imperative

# Macro forces define the strategic agenda for corporations, investors, and governments in 2026, as Canada pursues geostrategic realignment and an economic reinvention ambition

## Canada's new geostrategic posture



01

**Canada-US Relations:**  
CUSMA and North American security at a crossroads



02

**Canada-China Partnership:**  
The delicate balancing act of calibrated re-engagement



03

**Global Canada:**  
New partners and corridors to preserve strategic autonomy



04

**Defence Reindustrialization:**  
Sovereignty, security, and a new industrial strategy



05

**Geopolitics and Oil Markets:**  
Supply normalization transforms the economics of production

## Reinventing the Canadian economy



06

**The Strategic State:**  
Industrial policy transforms the nation-building model



07

**Economic Nationalism:**  
Pension capital explores increased domestic investment



08

**Global AI Infrastructure Race:**  
Productivity transformation through artificial intelligence



09

**The Two-Speed Consumer:**  
Cost pressures and K-shaped outcomes reshape demand



10

**One Canadian Economy:**  
The opportunity to reverse the competitiveness crisis



SECTION 3.1

# Canada's new geostrategic posture

The resurgence of great power competition amid rising economic and security risks is renewing Canada's pursuit of strategic autonomy and global leadership

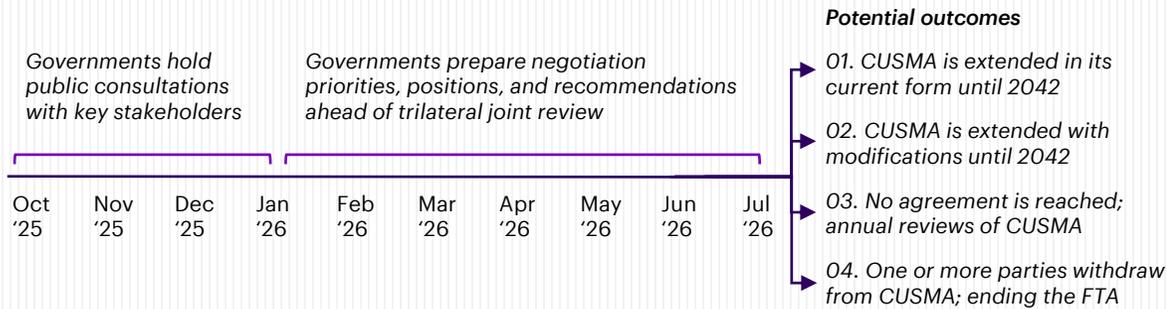


# Canada-U.S. relations enter a high-stakes 2026 CUSMA joint review, where asymmetric dependence constrains leverage, and raises uncertainty over the future of \$600B in exports

## Canada-U.S. Relations: CUSMA and North American security at a crossroads

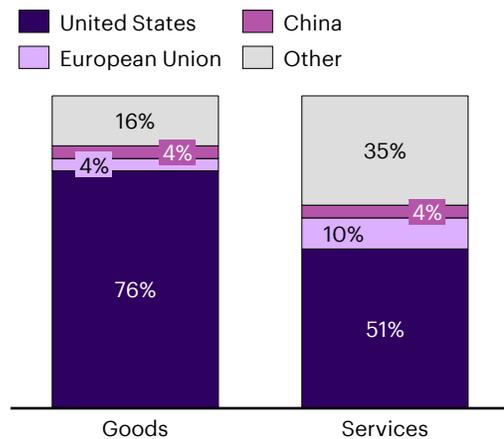
### 2026 CUSMA joint review process and potential outcomes

Canada-United States-Mexico Agreement review timeline as required by Article 34.7



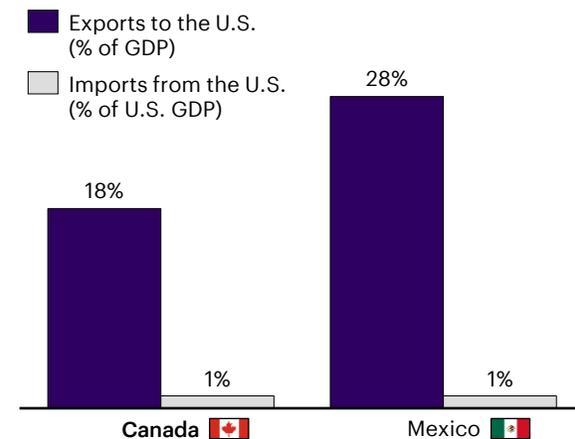
### Canada's exports by destination country

Percentage of total, goods and services



### Country exports as a share of GDP

Percentage of nominal GDP, Q4-25



Likely priorities	Commentary
Chinese investment and transshipment	U.S. seeks to "China-proof" NA market, but Canada imports \$88B+ in Chinese goods, and is pursuing a strategic partnership
Tariff disputes	Canada seeks the removal of U.S. Section 232 and IEEPA tariffs in a framework limiting future unilateral trade policy shocks
Automotive rules of origin	U.S. seeks to revisit RVC thresholds to anchor production in NA, and tighten rules limiting non-party supply chain ecosystems
Supply management	U.S. seeks deeper access to Canada's supply-managed markets (e.g., agricultural sectors) through expanded TRQs
Market access	U.S. views Canada's digital services measures, Quebec's Bill 96, as trade barriers, and seeks greater access in banking sector
Defence & security	U.S. seeks Canada's commitment to Golden Dome missile defense system, confirmation of the acquisition of 88 F-35s

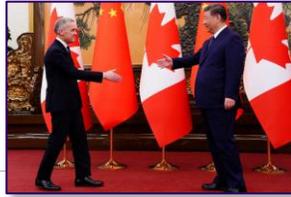
### Key takeaway for Canadian executives

Approach the 2026 CUSMA joint review as an economic-security negotiation, scenario plan tariff and rules-of-origin shifts, build cross-border optionality, pursue export diversification, and establish partnerships that preserve competitiveness



# Canada is pursuing selective economic ties with China to widen strategic optionality ahead of the CUSMA review, but U.S.-led security alignment constraints limit durability and scope

## Canada-China Partnership: The delicate balancing act of calibrated re-engagement



01/16 – Carney-Xi Meeting  
Beijing, China



Prime Minister Carney and President Xi forge a new strategic partnership focused on energy, agri-food, trade, and investment

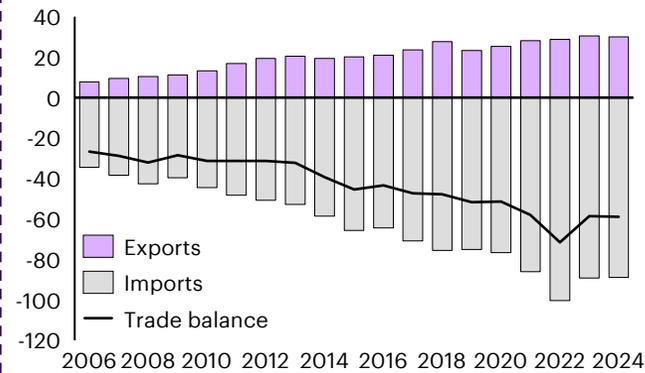
Key topics	Commentary
<b>Tariff relief</b>	China to lower Canadian canola tariffs from 85% to 15%, representing a \$4B export market for producers
<b>EV market access</b>	Canada allows up to 49,000 Chinese EVs at MFN 6.1% tariff rate from 100%, representing a 3% market share
<b>CUSMA leverage</b>	Ottawa is utilizing the optics of partnership with Beijing to strengthen its negotiating position with the U.S.
<b>Trade diversification</b>	Canada is targeting doubling exports to China by 2030 to narrow the trade deficit and de-risk U.S. dependence

### Key takeaway for Canadian executives

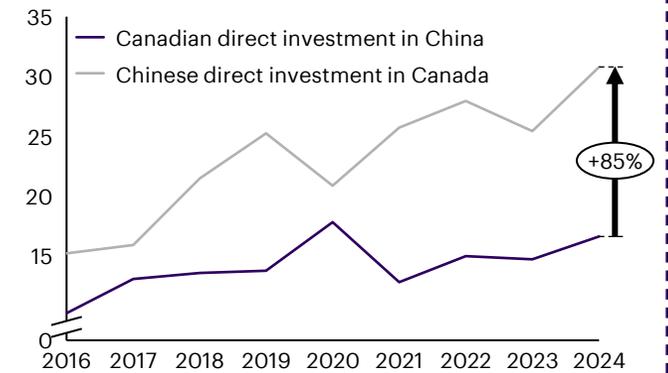
Treat China re-engagement as “optionality with constraints,” build compliant China revenue and sourcing pathways, stress-test U.S. security-alignment scenarios to ensure that the opportunity of the Chinese market does not compromise existing North American market access



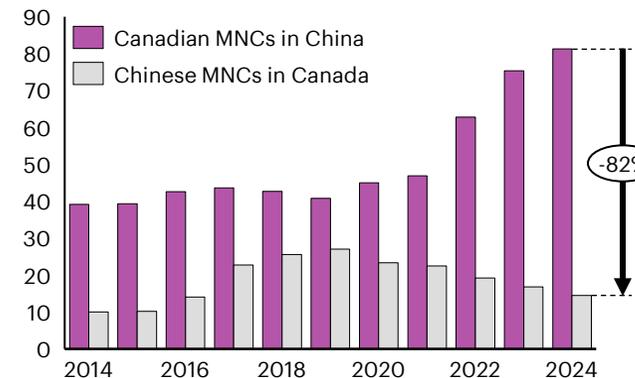
Canada-China bilateral trade  
All goods and services, billions CAD



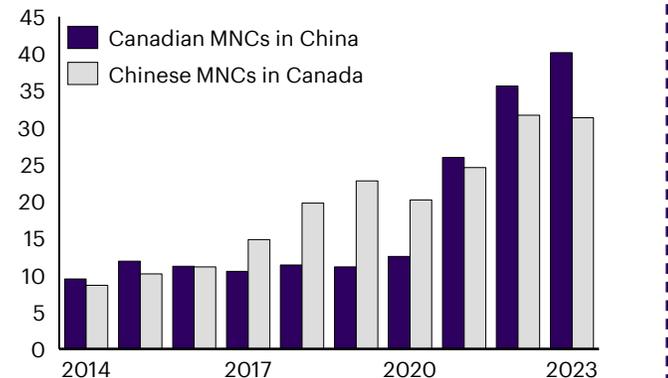
Canada-China bilateral investment position  
Direct investment positions, billions CAD



Canada-China jobs created by MNCs  
Total number of employees, in thousands



Canada-China operating revenue by MNCs  
Total sales, billions CAD



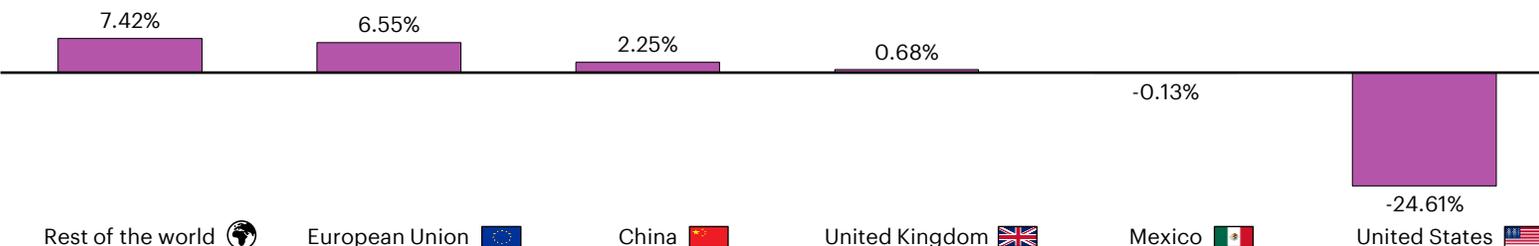
# Canada is building on the strategic leverage it has accumulated through its 15+ FTA network spanning 50+ countries, and 60% of global GDP; ASEAN, MERCOSUR deals are set for 2026

## Global Canada: New partners and corridors to preserve strategic autonomy

Trading partner	Status	% of global GDP	Canada's exported goods	Canada's imported goods
United States	In force	26.1%	\$592B	\$489B
European Union	In force	18.0%	\$41B	\$71B
China	—	16.6%	\$30B	\$62B
ASEAN	In negotiations	3.6%	\$9B	\$32B
United Kingdom	In force	3.4%	\$30B	\$10B
Mexico	In force	1.6%	\$10B	\$29B
Japan	In force	3.7%	\$15B	\$16B
South Korea	In force	1.6%	\$8B	\$15B
MERCOSUR	In negotiations	2.7%	\$3B	\$13B
India	In negotiations	3.4%	\$5B	\$8B

### Change in Canada's exports of goods by destination country

Percentage change since 2024, annualized



### Commentary

- **Canada already possesses the scale necessary to diversify**, through 15+ FTAs spanning 1.5B consumers, 50 countries, and 60% of global GDP, providing a platform to reduce U.S. market exposure
- **ASEAN and MERCOSUR agreements expected in 2026**, India CEPA talks beginning in March, collectively constituting nearly 10% of global GDP, signaling emerging markets focus
- **For Canadian MNCs, international market expansion supported by FTAs results in larger addressable markets, and revenue optionality**, reducing single-market concentration risk
- **However, the U.S. administration is unlikely to support the expansion of CUSMA market access to 2B+ additional consumers**, given the extent of Chinese investment, and transshipment risks

### Key takeaway for Canadian executives

Elevate trade diversification as a portfolio strategy by prioritizing select growth corridors, building market-entry capabilities, new supply chains and partnerships to obtain first-mover advantages following the FTA

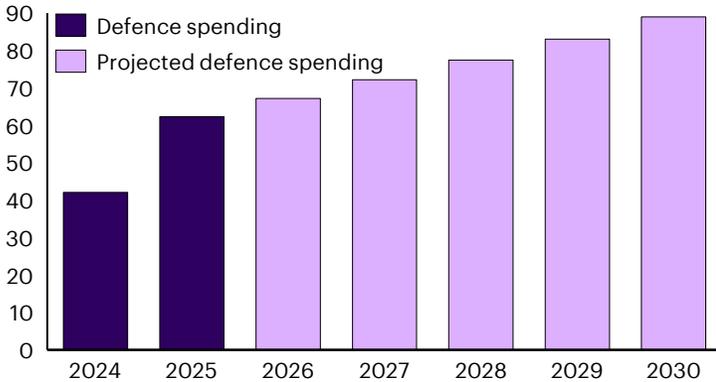


# Canada's \$80B+ defence modernization is a route to renewed global relevance, unlocking a reindustrialization growth cycle fueled by Made-in-Canada manufacturing and procurement

## Defence Reindustrialization: Sovereignty, security, and a new industrial strategy

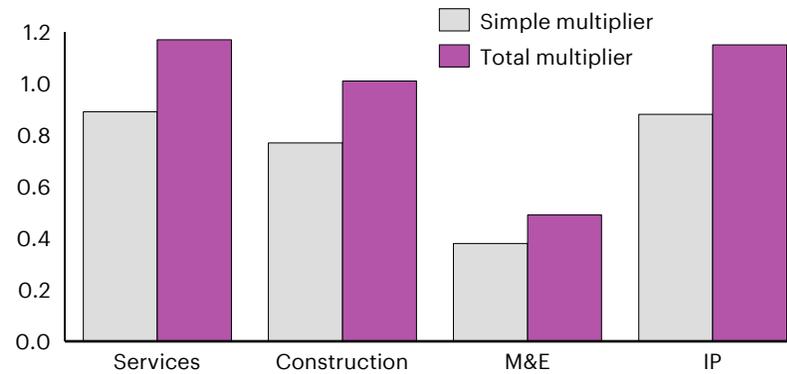
### Canadian defence spending

Current and projected expenditures, in billions CAD



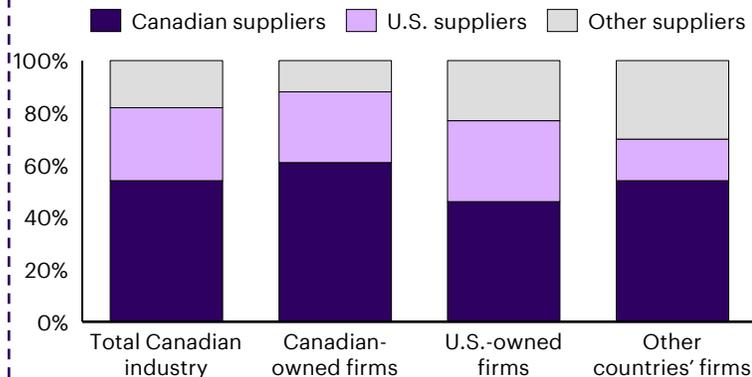
### GDP multipliers on different types of defence spending

Calculations based on Statistics Canada I-O tables



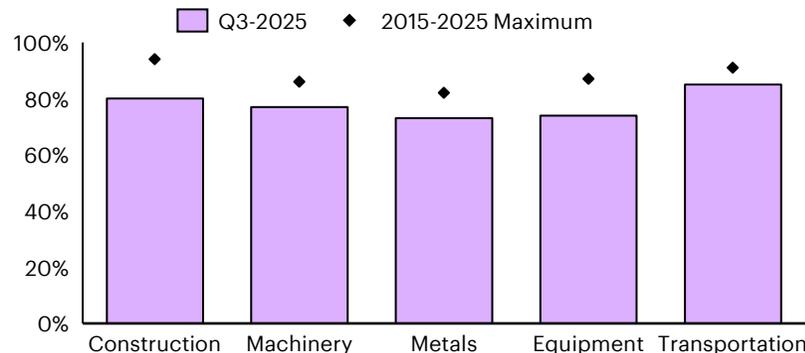
### Canadian defence industry by supplier

Share of total supply chain expenditures by country, %



### Canada industrial capacity utilization rates

Share of total utilization by sector, Q3-2025, %



### Commentary

- **Defence spending is stepping up toward ~\$90B by 2030**, creating a multi-year demand signal that can anchor a domestic industrial base if procurement is translated into scalable Canadian production
- **Economic upside is highest where Canada can capture services and IP**, with multipliers materially stronger than in hardware alone, pointing to value in engineering, software, and sovereign capabilities
- **Canada's defence supply chains remain offshore-dependent**, with meaningful shares flowing to U.S. and other suppliers, making domestic procurement and allied production critical to reindustrialization
- **Canada has spare industrial capacity in defence-adjacent sectors**, with utilization below prior cycle peaks, creating room to absorb higher defence demand as the DIA explores domestic investments

### Key takeaway for Canadian executives

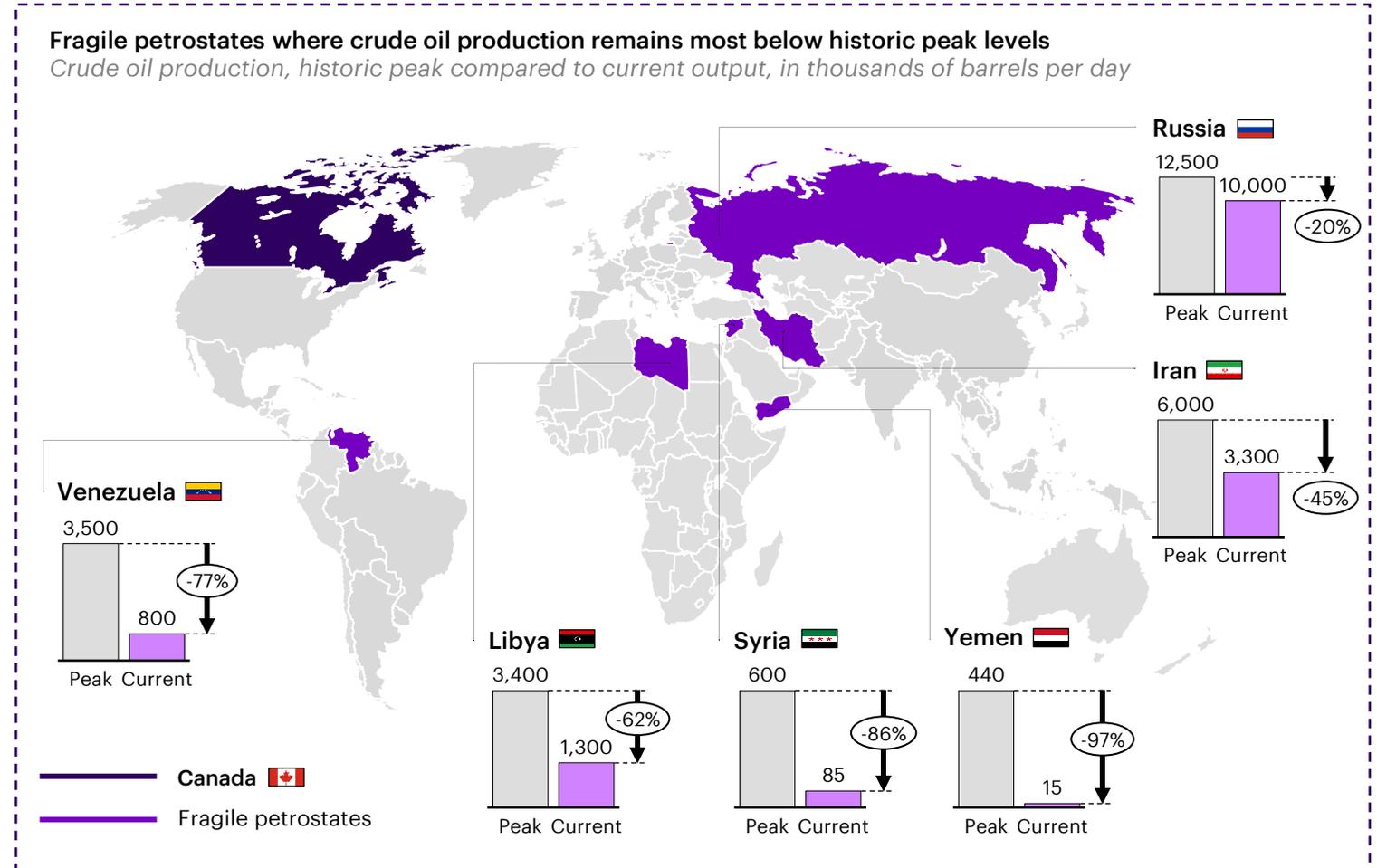
Treat defence modernization as a reshoring and reindustrialization opportunity, position yourself for compatibility with Defence Investment Agency projects, and DND procurement programs



# Geopolitical stabilization in fragile petrostates could return up to 9.5 mb/d of oil supply to global markets, posing a risk to the economics of Canada’s export expansion ambition

## Geopolitics and Oil Markets: Supply normalization transforms the economics of production

Country	Commentary
<b>Venezuela</b> 	U.S. leverage post-Maduro, potential sanctions relief, capex incentives could draw American and Western oil majors back, lift exports
<b>Russia</b> 	Potential Russia-Ukraine deal could ease oil sanctions and price cap, re-opening global oil markets to Russian supply
<b>Iran</b> 	Western pressure, and internal instability, could result in regime change, or a new JCPOA, and sanctions relief lifting Iran’s oil exports
<b>Libya</b> 	National Oil Corporation’s commitment to serve both of Libya’s rival governments could support sanctions relief, and restore oil exports
<b>Syria</b> 	Regime transition and stabilization is leading to sanctions easing, could reopen space for FDI to rehabilitate oil sector, and revive exports
<b>Yemen</b> 	Potential resolution of Yemen’s civil war between rival factions could restore government control of oil assets, enable exports



### Key takeaway for Canadian executives

Build resilience to a risk-premium reset, scenario plan new export capacity and major projects against downside prices, diversify market access, and secure long-term offtake deals



SECTION 3.2

# Reinventing the Canadian economy

A new trade landscape, structural productivity gaps, and affordability pressures have made reinvention of Canada's economic model a strategic imperative

# As developed economies increasingly pivot to industrial policy, Canada pursues a nation-building strategy, deploying C\$280B in public capital to catalyze C\$1T in major projects

## The Strategic State: Industrial policy transforms the nation-building model



### Canada's new nation-building industrial strategy

The federal government is deploying C\$280B in capital to crowd in C\$1T+ in domestic and foreign investment in strategic sectors. Enabled by the One Canadian Economy Act, and the Building Canada Act, the model is anchored by the new Major Projects Office, Defence Investment Agency, and Build Canada Homes.

### Commentary

- Unlike most of its G7 peers, Canada has significant fiscal room, giving Ottawa the space necessary to make ambitious capital investments without triggering debt sustainability concerns among financial markets
- The policy intent is a shift from population-led growth to capacity-led growth, to scale high-return public investment, and use tax and innovation levers to catalyze private capital, productivity, and competitiveness
- Industrial policy is now also economic security policy, as trade volatility and re-shoring dynamics are pushing nation-building investments in energy security, reindustrialization, export diversification infrastructure, and more

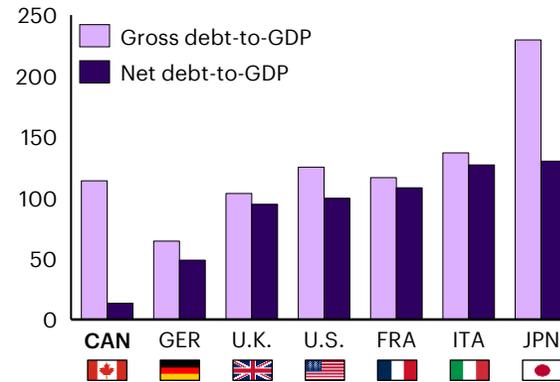
### Key takeaway for Canadian executives

Treat Ottawa as a strategic investor, identify areas of alignment with government major project priorities, explore public-private partnership and joint venture structures, build economic impact assessments showcasing productivity, competitiveness, and trade diversification benefits



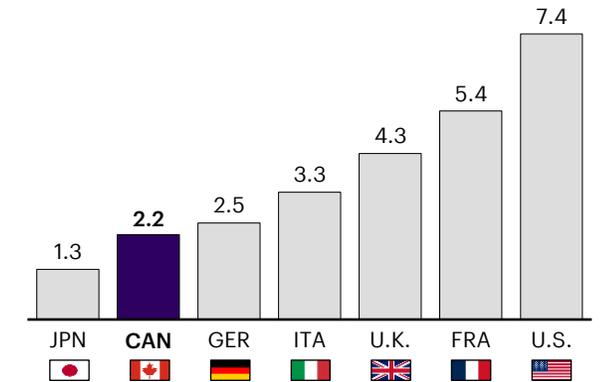
### Gross & net debt loads of G7 nations

Government debt-to-GDP ratios, 2025, %



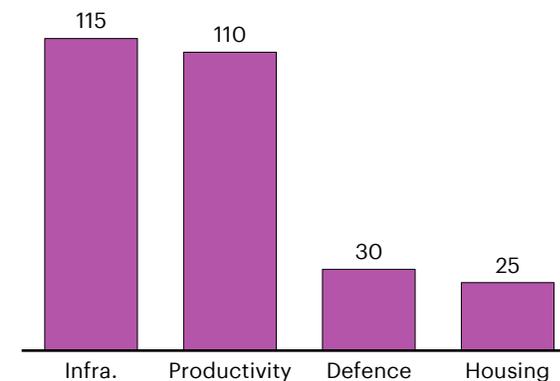
### Deficit-to-GDP ratio of G7 nations

Government deficit-to-GDP ratio, 2025, %



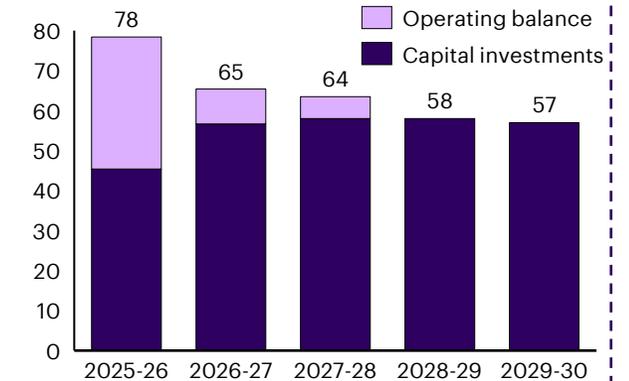
### Canada's generational capital investments

5-year, 2025-2030, billions CAD



### Projected Canadian government deficits

Operational vs. capital, billions CAD, 2025

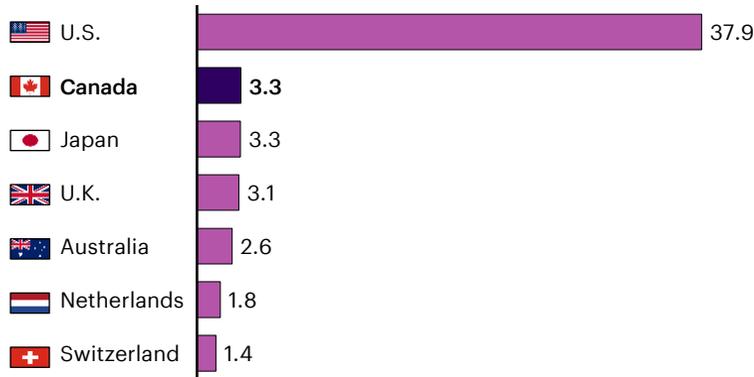


# Canada's \$3T pension funds are reassessing their U.S. exposure, amid rising macro volatility and a \$1T nation-building major projects ambition creating capital investment opportunities

## Economic Nationalism: Pension capital explores increased domestic investment

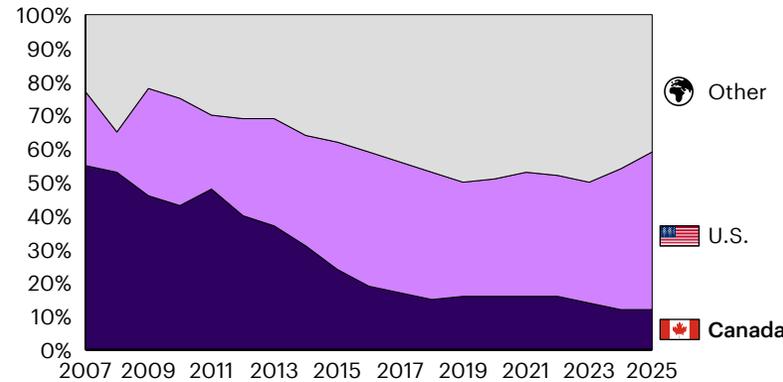
### Largest pension fund markets by size

Assets under management, trillions USD, 2024



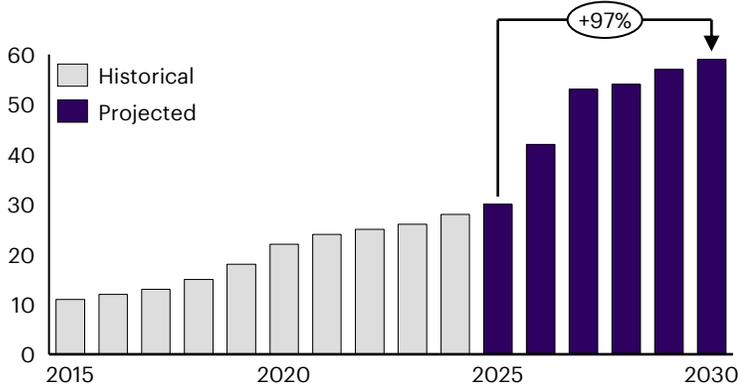
### CPPIB's investments by destination country

Share of assets by jurisdiction, %, 2007-2025



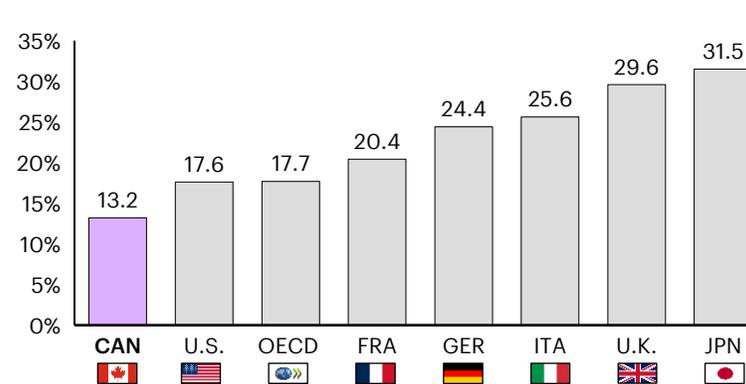
### Canadian federal government's capital investments

Historical and projected, billions CAD, 2015-2030



### Marginal effective tax rate following Budget 2025 reform

METR following productivity super-deduction, %, 2025



### Commentary

- Canada's pension funds with \$3T+ in AUM are increasingly assessing U.S. concentration risk, as macro volatility drives exploration of diversified geographic exposure, and domestic investment
- Budget 2025's capital investment program, if materialized into pension-grade projects, could materially expand the domestic pipeline of infrastructure and private-market assets
- Canada's productivity super-deduction tax measure, lowers to the marginal effective tax rate for businesses to the lowest in the G7, strengthening the market's attractiveness for capital investment
- Domestic investment may present the opportunity for higher risk-adjusted returns for Canadian Maple Eight pension funds, given the same-currency nature of the assets matching pension liabilities

### Key takeaway for Canadian executives

Position your organization to capture domestic institutional capital by making major projects "pension-grade", and structure partnerships that meet long-duration return requirements

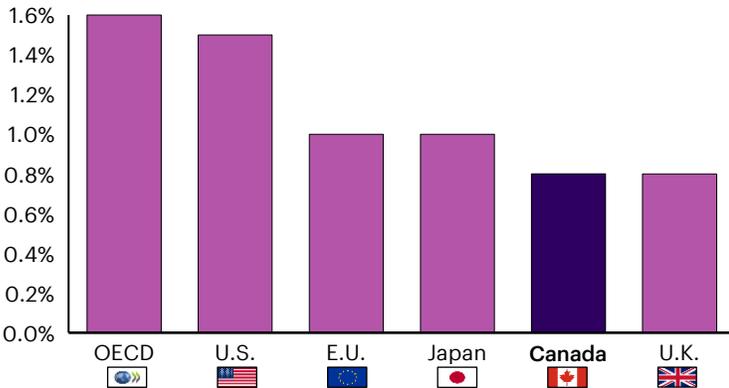


# Artificial intelligence could transform C\$1.5T+ of Canadian economic activity and add up to C\$187B in GDP uplift by 2030, but AI adoption and infrastructure investment lags peers

## Global AI Infrastructure Race: Productivity transformation through artificial intelligence

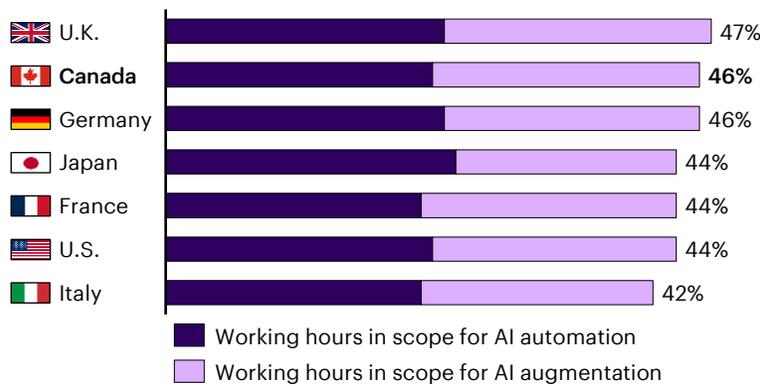
### Productivity growth by country

Average annual growth, GDP per hour worked, 2000-2023



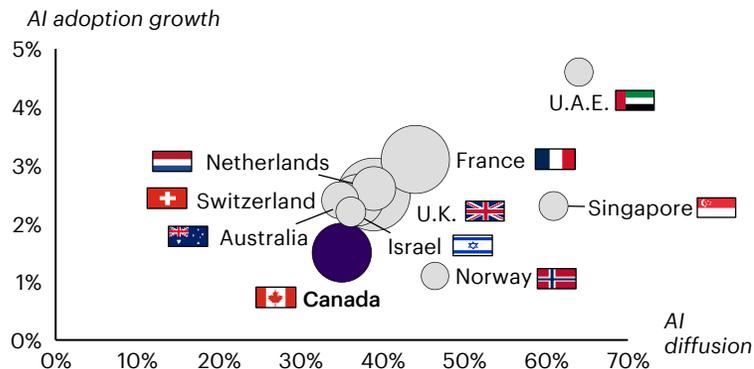
### Working hours in scope for AI transformation

Share of working hours in scope, %



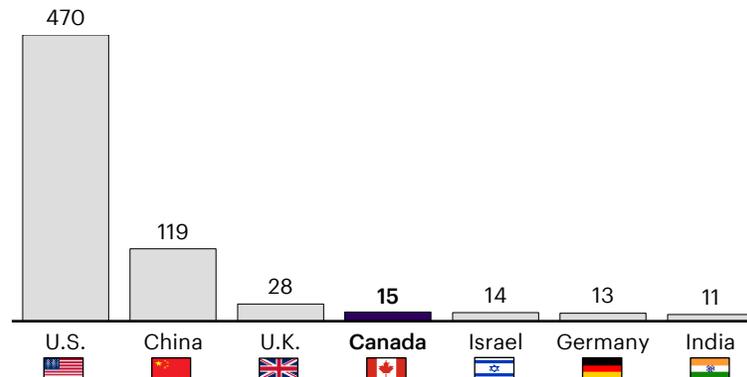
### AI diffusion and adoption momentum by market

Size determined by nominal GDP, 2025<sup>1</sup>



### Private investment in AI infrastructure by jurisdiction

Cumulative investment, 2013-2024, billions CAD



### Commentary

- **Canada's productivity crisis is structural**, having risen just +0.8% annually since 2000, versus +1.6% among OECD peers, intensifying the urgency for a step-change lever
- **Canada has the second largest working hours in scope for AI automation and augmentation in the G7**, and scaled adoption could unlock efficiency gains across \$1.5T in economic activity
- **Canada is significantly trailing peer developed economies in AI diffusion and adoption momentum**, at 35% and 1.5%, respectively, placing Canada 14<sup>th</sup> globally, below most of the G7
- **Closing the gap is now an execution challenge**, capturing the economic transformation potential and GDP uplift requires faster enterprise rollout and greater investment in AI infrastructure

### Key takeaway for Canadian executives

Treat AI as an enterprise-wide reinvention opportunity, not an innovation pilot, build the data, technology, and infrastructure foundations, and partner to keep AI capital and IP anchored in Canada



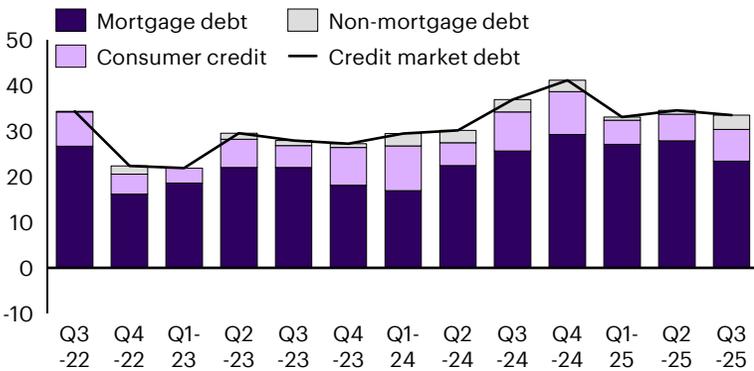
Note(s): 1. AI diffusion describes AI use across the market, while AI adoption growth measures how quickly AI use increases over time  
 Source(s): 1. OECD, 2. Stanford HAI, 3. Microsoft AI Economy Institute 4. Accenture Strategy analysis

# Canada's household leverage and the mortgage renewal cycle are extending Canada's affordability squeeze, reinforcing a K-shaped consumer outlook despite monetary easing

## The Two-Speed Consumer: Cost pressures and K-shaped outcomes reshape demand

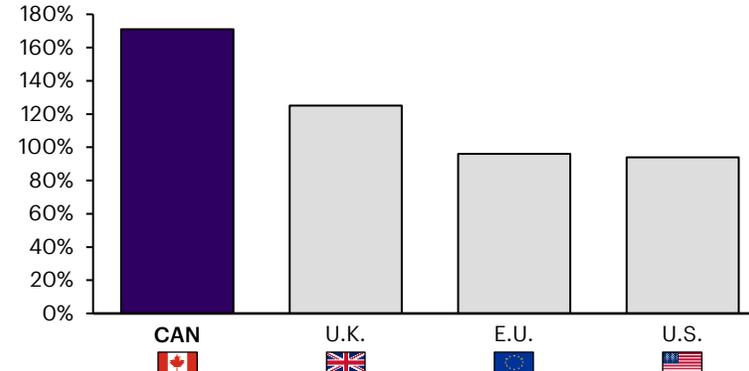
**Canadian household credit market debt accumulation**

Seasonally adjusted flows, billions CAD



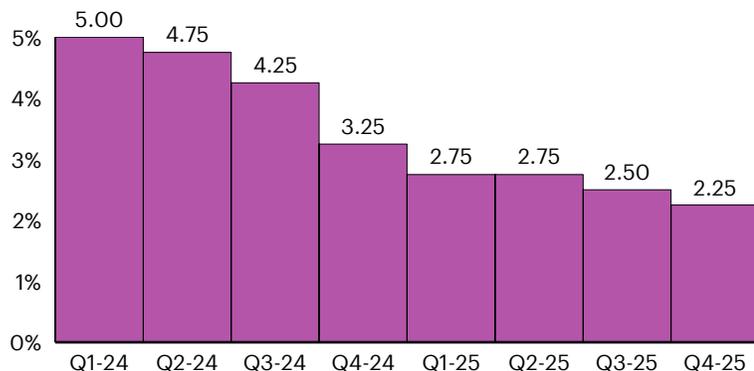
**Household outstanding debt by country**

Percentage of gross disposable income, 2025



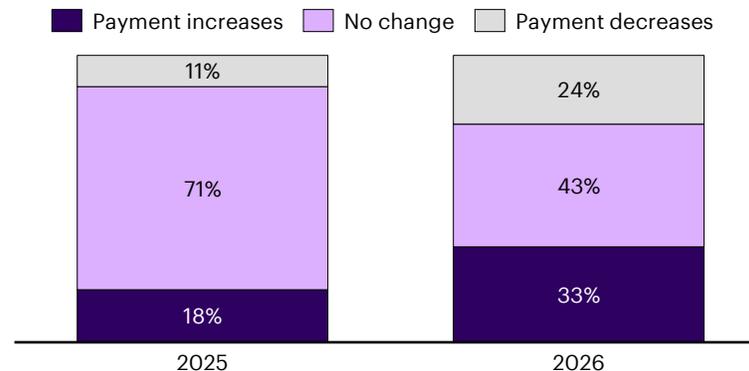
**Bank of Canada Policy Interest Rate**

Overnight rate at quarter end, percentage



**Payment changes following mortgage renewals**

Distribution of outstanding mortgages by renewal year



**Commentary**

- **Canada's household leverage remains an outlier compared to peers**, amplifying sensitivity to rates, labour market shocks, and housing costs, keeping affordability the binding constraint for growth
- **Even as policy rates ease, the renewal cycle is the transmission mechanism**, a large share of mortgages reset in 2025-26, raising payments for many households and crowding out discretionary spend
- **Consumer conditions are therefore bifurcating**, higher-income households absorb payment changes while lower, and mid-income segments trade down, reinforcing value-seeking behaviour
- **Near-term spending resilience is likely to concentrate in essentials**, while big-ticket and discretionary categories remain capped until debt servicing normalizes, per-capita income strengthens

**Key takeaway for Canadian executives**

Plan for a value-led "Buy Canadian" consumer, localize offerings, de-risk supply chains, redesign price-pack architecture, and concentrate growth on resilient segments as demand shifts to affordability

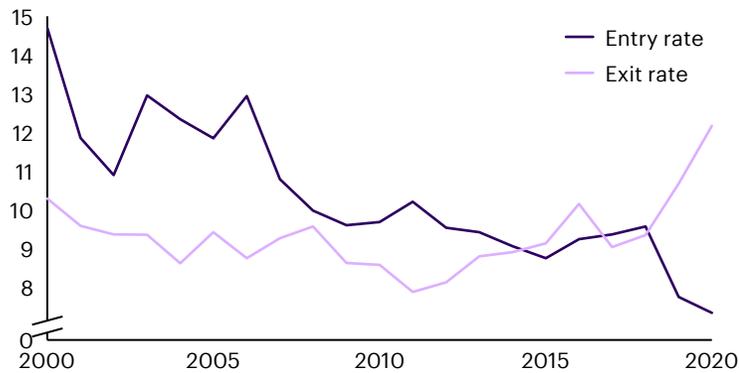


# A return to competitiveness is Canada's highest-leverage growth agenda, as eliminating internal trade costs and boosting innovation intensity could unlock a step-change in growth

## One Canadian Economy: The opportunity to reverse the competitiveness crisis

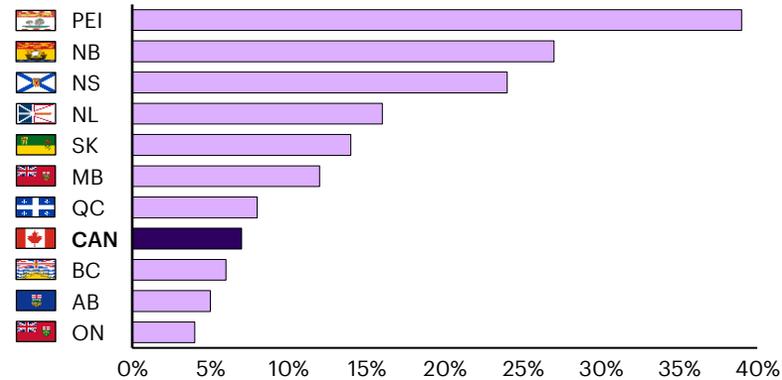
**Canadian industry average entry and exit rates**

Average entry and exit rates in Canadian industries



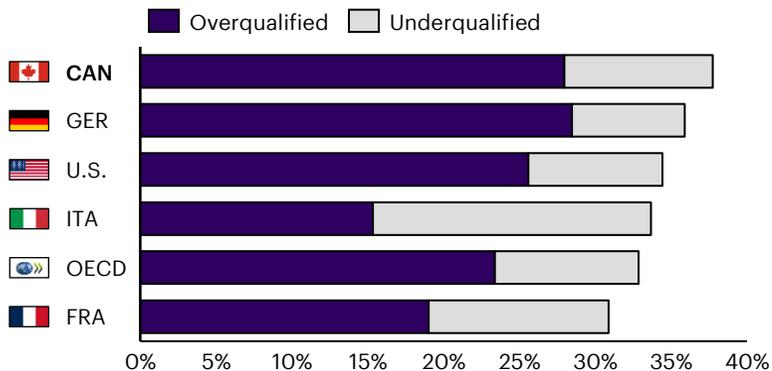
**Potential gains from eliminating internal trade barriers**

Percentage point change in real GDP per worker, 2025



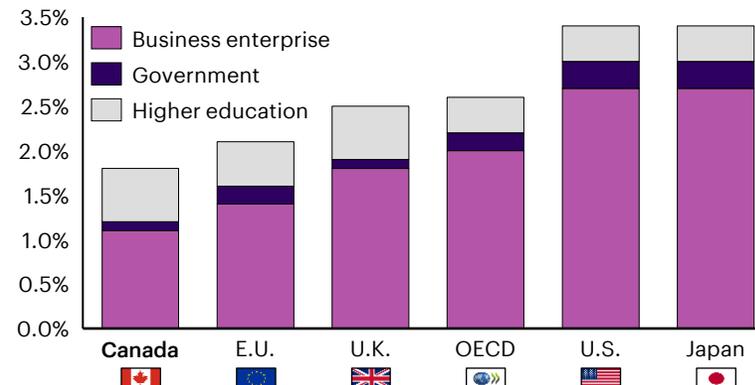
**Canada's qualification mismatch compared to peers**

Average entry and exit rates in Canadian industries, 2025



**Canadian R&D spending compared to peers**

Percentage of GDP spent on R&D, 2025



### Commentary

- **Market dynamism has weakened**, as lower firm entry and higher exit rates reduce competitive pressure, investment appetite, making the economy slower to adapt to shocks and novel growth waves
- **Talent is not converging into output efficiently**, as persistent skills mismatch and overqualification signal allocation problems, slowing the reallocation of labour toward higher-productivity sectors
- **Innovation intensity remains a structural weakness**, as Canada underinvests in business R&D compared to peers, limiting commercialization, productivity diffusion, and the formation of high-growth startups
- **Canada's competitiveness gap is increasingly domestic as internal trade frictions fragment the national market**, raising costs and reducing scale, with significant upside to removing these barriers

### Key takeaway for Canadian executives

Prepare for the continuation of Canada's competitiveness challenge, by pivoting portfolios toward high productivity products and markets, utilizing inorganic growth to consolidate scale



SECTION 4

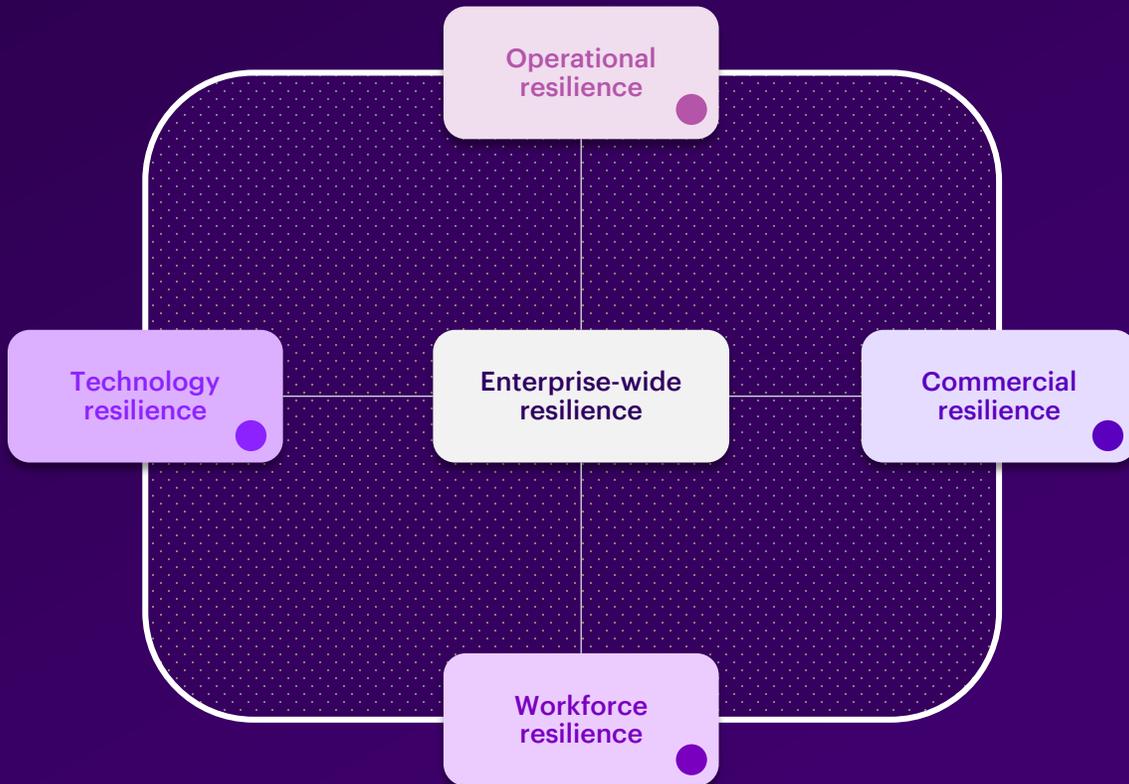
# Strategic takeaways for Canadian executives

Canadian leaders are facing a period of structural macro volatility that requires enterprise-wide resilience to adapt to increasing economic and geopolitical disruption

# Canadian organizations face structural macro volatility, requiring enterprise-wide resilience to strategically navigate disruption across markets, suppliers, and partnerships

## Key takeaways for Canadian executives

Strategic resilience is the differentiator in this macro environment, as Canadian firms who adopt foresight convert disruption into competitive advantage.



**Build dynamic scenario planning and resource allocation capabilities**

- Institutionalize strategic foresight into the operating model to assess the risks and opportunities presented by global economic, geopolitical, and macro developments and their impact across the enterprise’s supply chain, export markets, and capital projects in order to respond strategically.

**Develop strategic optionality through supply chain and market diversification**

- Reduce single-market dependence and tariff policy exposure through the pursuit of new suppliers, trade corridors, and export markets, leveraging Canada’s network of free trade agreements comprising 60% of global GDP improving enterprise-wide resilience to external shocks in the macro environment.

**Align strategies with Canada’s industrial policy and public-private partnerships**

- Position growth and major projects for compatibility with Canada’s emerging industrial strategy through public-private partnership models that provide capital investment, tax incentives, and regulatory support, sharing burdens, reducing costs, and de-risking major projects.

# Canadian industry leaders enter 2026 in an unprecedented operating environment, where economic and geopolitical dynamics shape strategic planning and investment decisions

## Strategic questions for Canadian industry leaders amidst structural macro volatility

Financial services	Resources	Products	Public sector	Comms, Media, and Tech
<p>Financial institutions face slower population growth, a lower rate environment, and a mortgage renewal wave combining credit, margin, and growth challenges</p> <p><i>Key questions</i></p> <ul style="list-style-type: none"> <li>• How do we remain competitive against digitally-native competitors as economic growth slows, rates ease, and mortgage renewals pressure households?</li> <li>• How do we strategically partner with industry as it seeks to finance a \$1T nation-building major projects agenda across infrastructure, defence, AI, and more?</li> <li>• As Canadian trade diversifies beyond the U.S., which international growth markets should we prioritize to follow Canadian clients and capital flows?</li> </ul>	<p>Companies face a bifurcation of global markets as allied countries create buyers' clubs amidst rising great power competition for strategic resources</p> <ul style="list-style-type: none"> <li>• How do we reduce China-linked dependencies across the value chain to be eligible for NATO, NORAD, and allied defence-industrial needs and AI demand?</li> <li>• How do we place disciplined, option-creating bets across energy and critical minerals so we can scale quickly once Canada's industrial strategy becomes clear?</li> <li>• How do we secure long-term offtake agreements with trusted allied buyers to de-risk price volatility, and financing, while meeting friendshoring requirements?</li> </ul>	<p>Firms face CUSMA-driven trade uncertainty, a K-shaped consumer outlook, and pressure to reconfigure supply chains without sacrificing cost competitiveness</p> <ul style="list-style-type: none"> <li>• As potential CUSMA joint review outcomes impact products, inputs, and profit pools, which no-regret moves protect competitiveness across scenarios?</li> <li>• How do we build durable optionality across supply chains, and export markets to reduce single-market dependence, without structurally raising costs?</li> <li>• How do we redesign strategies, portfolios, and pricing architectures to win a value-led, two-speed consumer, while protecting profitability?</li> </ul>	<p>Leaders face a \$1T nation-building major projects ambition, an economic reinvention imperative, and a NATO/NORAD defence modernization mandate</p> <ul style="list-style-type: none"> <li>• How do we utilize defence modernization to drive dual-use reindustrialization, building domestic capacity, while meeting allied interoperability needs?</li> <li>• What delivery model will accelerate outcomes at scale so Canada can execute major projects, and defence modernization on compressed timelines?</li> <li>• How do we operationalize economic security requirements (e.g., domestic content, rules of origin) in our operating model without adding friction that slows delivery, and raises costs?</li> </ul>	<p>Players face accelerating AI demand, cyber risk, and increased data sovereignty importance, as economic security reshapes cloud, connectivity, and platforms</p> <ul style="list-style-type: none"> <li>• How do we capitalize on the need to build sovereign AI infrastructure supporting rising demand, while reducing dependencies on higher-risk supply chains?</li> <li>• How do we scale AI commercialization and enterprise adoption, while protecting data sovereignty and compliance with economic security requirements?</li> <li>• How do we evolve monetization, pricing, and go-to-market strategies for a value-led two-speed economy amidst a K-shaped consumer outlook?</li> </ul>

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