

WEEKLY COMMENTARY

Please note that there will be no release of the *Weekly Commentary* from June 30 to July 25, 2025, inclusive.

Can Canada Have Nice Things?

By Randall Bartlett, Deputy Chief Economist

To say that 2025 has been a year of tremendous change for Canada would be a gross understatement. The confusion created by the current US administration in many areas of global affairs has exposed the significant vulnerabilities that come with being overly dependent on a single country. Alliances are realigning as a result, and the role of the United States as a trusted leader in guiding the global economic order has been turned completely upside down.

Canada has long prided itself on being a trading nation. But are we truly a country that embraces global trade when most of our wares are sold to a single customer? Or are we instead in a relationship of dependence? Indeed, much more trade flows across the border from north to south than it does from east to west in this country. That has left the Canadian economy exposed and vulnerable to the whims of changing US administrations, both for good and for ill. But the ease with which we were able to trade with our neighbour to the south made doing so irresistible. So much so, in fact, that many regulatory barriers to commerce were allowed to be built within our own country. This made it easier for Canada to trade with the US and Europe than for Ontario to trade with Quebec. And it made it easier to source critical minerals from the Congo than from Kenora or Kitimat.

But the times, they are a-changin'. The existential economic threat posed by the Trump administration has jolted Canadian leadership awake—especially our political leadership. We had a federal election this spring that was won on the Trump ballot question. Since being elected to office, Prime Minister Carney has moved fast. The time between announcing and enacting federal policy has gone from glacial to a gallop. Since April 28,

the Government of Canada has introduced legislation to bring down the federal barriers to internal trade, expedite the process of building infrastructure projects deemed to be in the national interest, and significantly ramp up defence spending. At the same time, personal and business income taxes are being reduced, while the federal sales tax on select home sales is being eliminated. And not to be outdone, provincial premiers are actively working to reduce impediments to interprovincial trade while supporting local industries in finding more diverse markets for their products and services.

All of this is being done in the name of accelerating Canada's economic growth while recognizing that the economy is likely to be less integrated with the US in the future than in the past. However, Canadians wouldn't be blamed for having some skepticism. Take infrastructure, for example. The 2015 federal election was won on a platform that included massively investing in Canadian infrastructure, but that plan ultimately fell short of its stated ambitions. More recently, the *Building Canada Act* gives the federal Cabinet the authority to decide which specific projects it deems to be in the national interest and therefore eligible for an accelerated process of approval. However, several news headlines have since reported criticism of the proposed bill, ranging from the unclear criteria for selecting projects to the need to respect the duty to consult with Indigenous people and provincial leaders. If the federal government is looking for advice on how to execute effectively on its infrastructure investment plans, they can find it in our recent [report](#) on the topic.

Canada's commitment to significantly increase and accelerate defence spending to meet its NATO commitments is also a sea change in the promise and pace of policy. Enormous investment

CONTENTS

Musing of the Week.....	1	What to Watch For.....	3	Economic Indicators.....	4
-------------------------	---	------------------------	---	--------------------------	---

Jimmy Jean, Vice-President, Chief Economist and Strategist • Randall Bartlett, Deputy Chief Economist

Benoit P. Durocher, Director and Principal Economist • Royce Mendes, Managing Director and Head of Macro Strategy

Mirza Shaheryar Baig, Foreign Exchange Strategist • Marc-Antoine Dumont, Senior Economist • Tiago Figueiredo, Macro Strategist

Francis Généreux, Principal Economist • Florence Jean-Jacobs, Principal Economist • Kari Norman, Economist • Sonny Scarfone, Principal Economist

Oskar Stone, Analyst • LJ Valencia, Economic Analyst

Desjardins Economic Studies: 514-281-2336 or 1-866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively. **IMPORTANT:** This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. Data on prices and margins is provided for information purposes and may be modified at any time based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. Unless otherwise indicated, the opinions and forecasts contained herein are those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2025, Desjardins Group. All rights reserved.

in military infrastructure, equipment and R&D is expected, along with a substantial increase in personnel. Our [analysis](#), published last week, suggests that the economic benefits could be substantial if the federal government is successful. But there are meaningful challenges ahead.

None of this will come for free. Deficits will be larger and debt will be higher because of these policies. However, the federal government has opted to push the publication of its financial forecast to the fall. Only then will Canadians know the true fiscal cost of these ambitions.

What to Watch For

TUESDAY July 1 - 10:00

June

Consensus	48.8
Desjardins	48.8

May **48.5**

THURSDAY July 3 - 8:30

June

Consensus	113,000
Desjardins	90,000

May **139,000**

THURSDAY July 3 - 10:00

June

Consensus	50.5
Desjardins	50.1

May **49.9**

THURSDAY July 3 - 8:30

May

Consensus	\$B -5.53
Desjardins	-5.70

April **-7.14**

TUESDAY July 1 - 5:00

June

Consensus	y/y 2.0%
-----------	----------

May **1.9%**

UNITED STATES

ISM Manufacturing index (June) – The ISM index has been fairly stable over the past few months and inched down only slightly from 49.0 in March to 48.5 in May. We're expecting a relatively flat print in June—possibly a slight improvement of a few tenths of a point—based on rather mixed regional manufacturing indexes. That said, tariff flip-flopping, the escalating conflict with Iran and potentially higher oil prices could further erode manufacturer confidence.

Change in nonfarm payrolls (June) – The US labour market remains relatively stable. The 139,000 net jobs added in May slightly exceeded consensus expectations. Look for a weaker but still positive print in June. Weekly unemployment claims rose between mid-May and mid-June. Consumers were also more pessimistic about job availability this month. All in all, we expect net job creation to have fallen below 100,000, while the unemployment rate will likely edge up from 4.2% to 4.3%.

ISM Services index (June) – The ISM Services index fell below 50 in May for the first time since June 2024, albeit just barely at 49.9. We expect the index to have edged back up above 50 in June. Most regional non-manufacturing indexes showed modest improvements this month. Meanwhile consumer confidence is sending mixed signals, as the two main indexes have moved in opposite directions. Concerns about the conflict with Iran and higher prices triggered by the Trump administration's trade policy could impact the ISM Services index once again, but we're anticipating a modest improvement to 50.1.

CANADA


International trade (May) – Canada likely maintained a trade deficit in May, albeit probably a smaller one than the record set in April. This is because exports look to have remained weak, primarily due to modestly lower US imports of industrial supplies and consumer goods offset by higher foreign motor vehicle purchases stateside. Still, we expect stable oil prices and added export capacity from the TMX pipeline to have been a tailwind for exports. On the other hand, imports appear to have fallen further in the month, with US advanced trade data indicating a significant drop in US goods exports. While the May trade deficit will reflect current economic pressures, uncertainty remains high due to the ongoing threat of US tariffs, which could lead to unpredictable shifts in future trade flows.

OVERSEAS

Eurozone: Consumer price index (June – preliminary) – Headline inflation in the eurozone slowed again in May. The core CPI, which strips out food, energy, alcohol and tobacco, edged down. More importantly, a steeper drop in energy costs pushed headline inflation down from 2.2% to 1.9%. This was only the second time in four years that inflation fell below the European Central Bank's 2% target. The other was in September 2024. We'll need to see a fairly strong monthly advance in June to push year-over-year price growth back above 2%, but that's not out of the question given current energy price fluctuations. That said, continued weak growth would set the stage for further rate cuts from the ECB.


Economic Indicators

Week of June 30 to July 4, 2025

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 30	9:45	Chicago PMI	June	42.7	42.0	40.5
	10:00	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
	13:00	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
TUESDAY 1	---	Total vehicle sales (ann. rate)	June	15,480,000	15,000,000	15,650,000
	9:30	Speech by Federal Reserve Chair J. Powell				
	10:00	ISM Manufacturing index	June	48.8	48.8	48.5
	10:00	Construction spending (m/m)	May	0.0%	-0.3%	-0.4%
WEDNESDAY 2	---	---				
THURSDAY 3	8:30	Initial unemployment claims	June 23–27	n/a	244,000	236,000
	8:30	Change in nonfarm payrolls	June	113,000	90,000	139,000
	8:30	Unemployment rate	June	4.3%	4.3%	4.2%
	8:30	Average weekly hours	June	34.3	34.2	34.3
	8:30	Average hourly earnings (m/m)	June	3.9%	3.8%	3.9%
	8:30	Trade balance – goods and services (US\$B)	May	-70.0	-71.3	-61.6
	10:00	Factory orders (m/m)	May	7.8%	8.0%	-3.7%
	10:00	ISM Services index	June	50.5	50.1	49.9
	11:00	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
FRIDAY 4	---	Markets closed (Independence Day)				

CANADA

MONDAY 30	---	---				
TUESDAY 1	---	Markets closed (Canada Day)				
WEDNESDAY 2	---	---				
THURSDAY 3	8:30	International trade (\$B)	May	-5.53	-5.70	-7.14
FRIDAY 4	---	---				

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of June 30 to July 4, 2025

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
SUNDAY 29							
Japan	19:50	Industrial production – preliminary	May	3.5%	1.6%	-1.1%	0.5%
China	21:30	Composite PMI	June	n/a		50.4	
China	21:30	Manufacturing PMI	June	49.6		49.5	
China	21:30	Non-manufacturing PMI	June	50.2		50.3	
MONDAY 30							
Japan	1:00	Housing starts	May		-14.3%		-26.6%
Germany	2:00	Retail sales	May	0.5%	3.6%	-1.1%	4.0%
United Kingdom	2:00	Real GDP – final	Q1	0.7%	1.3%	0.7%	1.3%
Eurozone	4:00	M3 money supply	May		4.0%		3.9%
Germany	8:00	Consumer price index – preliminary	June	0.2%	2.2%	0.1%	2.1%
Japan	19:50	Tankan Large Manufacturers Index	Q2	10		12	
Japan	20:30	Manufacturing PMI – final	June	n/a		50.4	
TUESDAY 1							
Japan	1:00	Consumer confidence	June	33.5		32.8	
United Kingdom	2:00	Nationwide house prices	June	-0.1%	3.1%	0.5%	3.5%
Italy	3:45	Manufacturing PMI	June	49.5		49.2	
France	3:50	Manufacturing PMI – final	June	47.8		47.8	
Germany	3:55	Manufacturing PMI – final	June	49.0		49.0	
Eurozone	4:00	Manufacturing PMI – final	June	49.4		49.4	
United Kingdom	4:30	Manufacturing PMI – final	June	47.7		47.7	
Eurozone	5:00	Consumer price index – preliminary	June	0.3%	2.0%	0.0%	1.9%
WEDNESDAY 2							
Eurozone	5:00	Unemployment rate	May	6.2%		6.2%	
Japan	20:30	Composite PMI – final	June	n/a		51.4	
Japan	20:30	Services PMI – final	June	n/a		51.5	
THURSDAY 3							
Italy	3:45	Composite PMI	June	51.7		52.5	
Italy	3:45	Services PMI	June	52.5		53.2	
France	3:50	Composite PMI – final	June	48.5		48.5	
France	3:50	Services PMI – final	June	48.7		48.7	
Germany	3:55	Composite PMI – final	June	50.4		50.4	
Germany	3:55	Services PMI – final	June	49.4		49.4	
Eurozone	4:00	Composite PMI – final	June	50.2		50.2	
Eurozone	4:00	Services PMI – final	June	50.0		50.0	
United Kingdom	4:30	Composite PMI – final	June	50.7		50.7	
United Kingdom	4:30	Services PMI – final	June	51.3		51.3	
FRIDAY 4							
Germany	2:00	Factory orders	May	-0.2%	5.7%	0.6%	4.8%
France	2:45	Industrial production	May	0.3%	-0.6%	-1.4%	-2.1%

NOTE: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).