ECONOMIC OVERVIEW

CANADIAN ECONOMY

Recent information from Statistics Canada showed that Canada's annualized growth has rebounded in recent months growing by 2.6% annually in Q3 2025. While it should be noted that GDP per capita has been flat or declined in most recent years. GDP per capita is a measure which may better represent the perceived impact on Canadians.

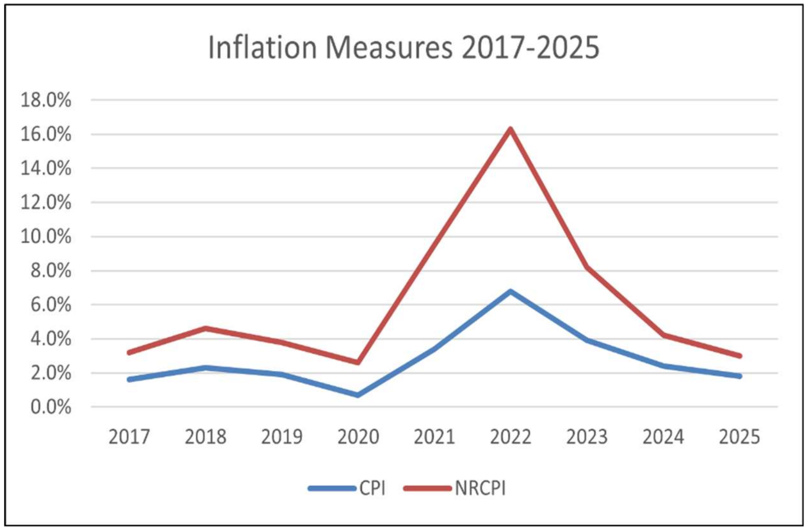
INFLATION

A major concern over the past few years has been the high inflationary environment, reaching a 40-year high peak in mid-2022. Inflation is cumulative, meaning that even slowing inflation does not represent a decrease in prices. Municipalities have struggled to adapt to this higher inflationary environment while maintaining affordability for residents. Inflation has trended down in recent years with CPI standing at 2.2% as of October 2025. It is important to remember that inflation is cumulative, and a lower inflation rate represents a slowing of price increases, not a price decrease.

NRCPI (Non-residential construction price index)

While CPI measures consumer price changes it does not accurately reflect the capital work the Township undertakes. The non-residential construction price index (NRCPI) measures the costs of construction for non-residential buildings. This index is a far better measure of costs in our capital program.

While CPI has been very high in recent years, the NRCPI has trended even higher. Inflating Township costs to CPI will fail to meet the cost challenges of the capital program which experiences different levels of inflation. The chart below outlines this difference:



INTEREST RATES

Interest rates (monetary policy) are used to either stimulate the economy (low rates) or to restrain inflation (high rates). After reaching high levels in recent years, interest rates have been cut multiple times in 2025 with the overnight target rate now standing at 2.25% (as of December 2025) down from a high of 5.0% in June 2024.

Interest rates impact the Township in two ways.

1. **Reduced investment income.** The rate of return on our investments is negatively impacted by declining rates. Our bank interest is immediately reduced, while longer-term investments returns are reduced because maturing investments cannot be reinvested at previously high rates.
2. **Lower debt interest costs.** The interest rates affect the cost of debt financing. Although current borrowing costs are fixed, lower interest rates will reduce the cost of future debt issues.

It should be noted that the Township historically holds more investments than it does external debt. Therefore, falling rates will have an overall negative impact on its financial position.

AMERICAN TRADE UNCERTAINTY

Since the 2024 US Presidential election, the CAD / USD exchange rate has declined. This means that purchases denominated in US dollars, such as heavy equipment and software, could see an increase in cost because of the higher exchange rate.

In addition, there has been significant disruption on international trade related to tariffs and trade agreements which could increase financial uncertainty for the Township.