

Quarterly Economic Forecast Riding the Tariff Rollercoaster

June 17, 2025

Highlights

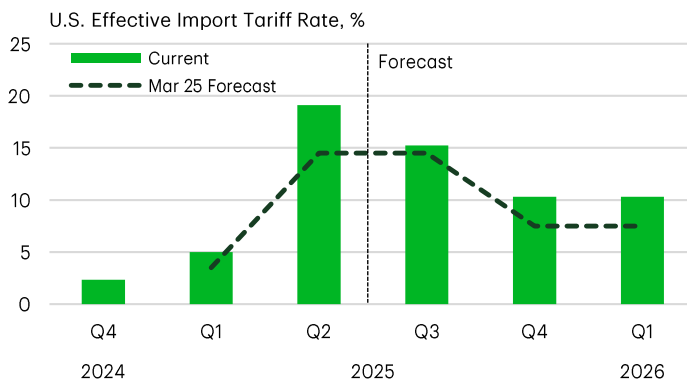
- The global economy continues to ride the tariff rollercoaster, and our economic forecast hinges on assumptions about where the train cars will end up. Tariffs are likely to come down in the coming months, but remain far higher than prior to the election.
- The U.S. economic outlook has dimmed slightly this year as policy uncertainty and higher costs weigh on spending. Fed cuts later this year will provide a boost, and momentum is set to pick up next year fueled by tax cuts and a tariff truce.
- Tariff turmoil has upended economic momentum this year, but there's light on the horizon. We anticipate a return to trend growth next year under a mix of trade-talk progress, lower interest rates, and targeted government initiatives that improve domestic opportunities.

Dramatic policy shifts in Washington continue to drive the narrative underlying the global economic outlook. It has been a wild ride since our March forecast, with the Liberation Day tariffs initially proving to be far higher than expected, only to be delayed. It remains highly uncertain what path U.S. tariff policy will take, the biggest wildcard in our forecast. Our global outlook is based on an assumed path for U.S. tariffs that balances the likelihood for tariff deals, with the administration's desire to raise revenue and encourage onshoring of manufacturing in key industries.

Since March, we have learned that even when a country like the UK gets a trade "deal" (see [report](#)), the 10% "reciprocal" tariff was not lifted. Combine that with additional sectoral tariffs coming down the pipeline via section 232 investigations, leaving the effective U.S. tariff rate higher than our last forecast (Chart 1). This has led to a downgrade to our U.S. growth outlook to 1.7% this year, before improving to a 2.1% pace next year, boosted by tax cuts.

The world economy continues to soften, downshifting from 3.2% in 2024 to 3% this year and 2.8% in 2026 as the natural cyclical slowing coincides with the impact of tariffs. Underneath these figures, the markdown in North American

Chart 1: Forecast Assumes U.S. Tariffs Come Down, But Don't Disappear



Source: TD Economics.

growth is largely offset by a stronger start to the year in Europe and Asia. China's economy is set to cool from 5% last year to 4.6% this year, unaltered from our prior forecast. We continue to expect that the negative impact from U.S. tariffs on Chinese activity will be offset by fiscal or monetary stimulus.

U.S. Resilience to Be Put to the Test

The U.S. economy has remained remarkably resilient so far, despite the back-and-forth uncertainty on tariff policy. However, in many cases it can be difficult to separate the signals from the noise as tariff policy shifts have contributed to extreme data volatility. Economic growth in the first quarter is a case in point. A very slight contraction was due to a 43% surge in imports, as businesses rushed to ship ahead of tariffs. Growth in final domestic demand, which strips away the impact of trade and inventory building and is thus a truer representation of domestic output, was resilient at 2%. That pace was still a step down from the 3% clip seen last year, but not as bad as the headline suggested.

That said, caution has crept into consumer behaviour. After a flurry of purchases on vehicles to get ahead of tariff-driven price hikes, auto sales fell back to earth in May. Activity in the housing market is soft, as higher borrowing costs and uncertainty sap demand. Broader consumer spending cooled in April, even though income gains remained healthy. That lifted the personal savings rate to its highest level in a year, suggesting the consumer has more capacity to spend, if the uncertainty cloud lifts.

Resilient personal income growth has been supported by a job market that has held up better than we expected in our March forecast. Monthly job gains have slowed versus a few months ago, but the unemployment rate has held steady at 4.2% for basically a year now. Wage growth has cooled a bit, but remains above the rate of inflation, keeping consumer purchasing power intact.

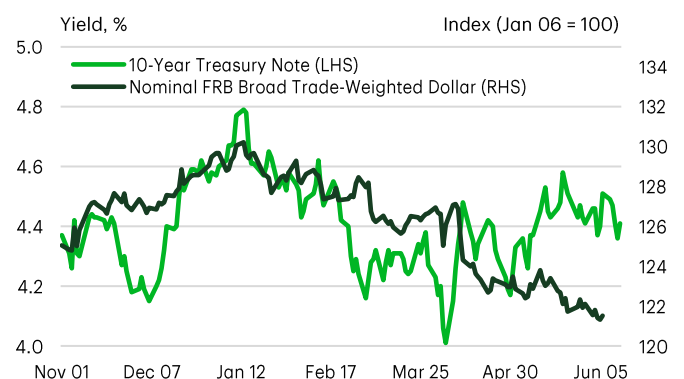
Unfortunately, inflation is likely to head higher in the months ahead as tariffs filter through to consumer prices. We expect that sector-specific tariffs will be implemented on pharmaceuticals, semiconductors, lumber, and copper adding to those on autos and steel & aluminum. By the end of the year, we assume that deals will be reached with many of the U.S.'s larger trading partners. China, however, is likely to continue to face

a 30% levy, which when combined with sectoral tariffs would leave the U.S. 's overall effective rate at 10%.

The U.S. economy's resilience is expected to wear a little thin in the second half of this year, when growth slips to a sub-trend pace, and the unemployment rate rises. This will provide the impetus needed for the Fed to finally return to cutting interest rates. By the September FOMC meeting, central bank officials should have greater confidence that the inflationary lift from tariffs is temporary, setting the stage for three quarter-point cuts by year end, and further reductions in 2026 before reaching our estimate of the neutral rate. That should help take longer-term bond yields, and related borrowing costs lower towards the end of the year. That, in turn, would provide a much needed shot in the arm for the housing market, which is expected to be a key contributor to growth next year.

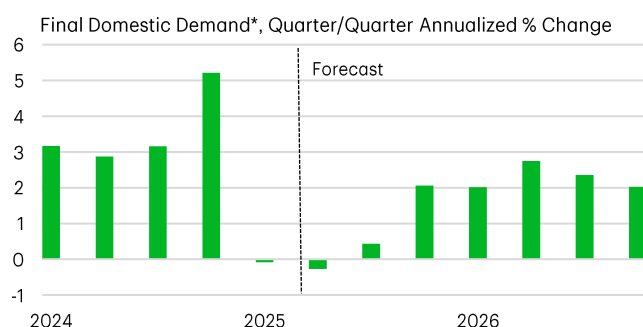
A factor that is likely to limit the downside in Treasury yields is a higher term premium. Longer-term Treasury yields have risen since March as U.S. plans for deficit-expanding tax cuts have led investors to require more compensation to lend to the U.S. government (Chart 2). The U.S. dollar has also taken a hit, as investors diversify to other parts of the globe. We don't think this process is finished, and expect the U.S. dollar to weaken further, particularly against its G7 peers. The final shape of the tax cut bill currently making its way through Congress is another uncertainty in the forecast. Our forecast assumes the TCJA tax cuts are extended, with some additional tax cuts added in. This is unchanged from our view in March and adds between 0.1-0.2 percentage points to U.S. growth next year.

Chart 2: Investors Scared Away from U.S. Assets



Source: Federal Reserve Board, TD Economics.

Chart 3: Canada's Domestic Economy Grinds to a Halt in 2025



*Final domestic demand includes spending by households, businesses and government, but excludes trade and inventory swings.
Source: Statistics Canada/Haver Analytics, TD Economics.

Canada's economy buckling under the tariff weight

Canada's economy got off to a slightly stronger start to 2025, but few forecasters are upgrading their outlook. The dark shadow cast by U.S. tariffs on Canada's business environment is expected to lead the economy to contract through the middle of this year and send the unemployment rate to its highest level since 2012. The tariffs Canada will face going forward are also highly uncertain. Right now, Canada has an overall effective U.S. rate between 10-12%, and we assume that is halved by the fourth quarter as more Canadian exports become USMCA compliant and qualify for full exemption. We have downgraded our forecast for Canadian growth again for 2025 but see momentum returning next year boosted by a trade truce, lower interest rates, and a ramp up in government spending (Chart 3).

The impact of tariffs on Canada's economy is clear in the economic data. Most directly, exports to the U.S. have plummeted after surging through the winter and are down 14% versus a year ago as of April. Consumers have also shied away from major purchases like homes and autos as they worry about losing their jobs

or facing lower revenues in their businesses. Business investment in machinery and equipment was better than expected to start the year but may represent some pull forward of spending to get ahead of tariff-related price increases. As is typical during a weak period in the economic cycle, business investment is expected to contract sharply through the middle of this year, as uncertainty about Canada's access to its biggest market weighs on business outlays.

Thanks to the removal of the consumer carbon tax and lower energy prices, headline inflation has softened recently. But the Bank of Canada's preferred core inflation measures have picked up more than expected, putting them in a tough spot when it comes to considering further interest rate cuts. We expect that as economic fallout from the tariffs becomes evident, the Bank of Canada will make two additional quarter-point cuts later this year, taking the overnight rate to 2.25%. This should provide more support to growth down the line, particularly in residential investment, where we expect pent-up demand for housing to start contributing to growth again in the second half of this year.

The other new development since March is on the political front, with Prime Minister Carney's minority Liberal government telegraphing a ramp up in outlays to respond to U.S. trade hostilities. A modest personal income tax cut should provide a small boost to incomes in the near term, and higher defense spending appears to be next on the docket as Canada strives to meet NATO targets. Investments in "nation building" infrastructure are also on the docket, however, it remains to be seen if the actions taken will truly reach the government's goal of "the largest transformation of its economy since the Second World War". Looking ahead to 2026, government spending ramps up significantly, and is a key source of upgrade to our forecast, although the federal government has committed in its recent throne speech to restrain operating spending growth, implying some significant belt tightening in other areas.

Exhibits

Interest Rate Outlook												
Interest Rates	2024				2025				2026			
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Canada												
Overnight Target Rate	5.00	4.75	4.25	3.25	2.75	2.75	2.25	2.25	2.25	2.25	2.25	2.25
3-mth T-Bill Rate	4.99	4.64	3.96	3.16	2.62	2.50	2.25	2.25	2.25	2.25	2.25	2.25
2-yr Govt. Bond Yield	4.17	3.99	2.91	2.93	2.46	2.71	2.60	2.55	2.50	2.50	2.50	2.50
5-yr Govt. Bond Yield	3.51	3.51	2.73	2.96	2.61	2.98	3.00	2.95	2.90	2.90	2.90	2.90
10-yr Govt. Bond Yield	3.45	3.50	2.95	3.23	2.97	3.38	3.25	3.20	3.15	3.15	3.15	3.15
30-yr Govt. Bond Yield	3.37	3.37	3.14	3.33	3.23	3.64	3.55	3.50	3.45	3.45	3.45	3.45
10-yr-2-yr Govt Spread	-0.72	-0.49	0.04	0.30	0.51	0.67	0.65	0.65	0.65	0.65	0.65	0.65
U.S.												
Fed Funds Target Rate	5.50	5.50	5.00	4.50	4.50	4.50	4.25	3.75	3.75	3.25	3.25	3.25
3-mth T-Bill Rate	5.23	5.22	4.52	4.23	4.21	4.34	3.90	3.65	3.40	3.15	3.15	3.15
2-yr Govt. Bond Yield	4.59	4.71	3.66	4.25	3.89	4.03	3.83	3.58	3.25	3.25	3.25	3.25
5-yr Govt. Bond Yield	4.21	4.33	3.58	4.38	3.96	4.12	4.00	3.85	3.70	3.70	3.70	3.70
10-yr Govt. Bond Yield	4.20	4.36	3.81	4.58	4.23	4.52	4.50	4.25	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.34	4.51	4.14	4.78	4.59	4.99	4.95	4.65	4.30	4.30	4.30	4.30
10-yr-2-yr Govt Spread	-0.39	-0.35	0.15	0.33	0.34	0.49	0.67	0.67	0.75	0.75	0.75	0.75
Canada - U.S. Spreads												
Can - U.S. T-Bill Spread	-0.24	-0.58	-0.56	-1.07	-1.59	-1.84	-1.65	-1.40	-1.15	-0.90	-0.90	-0.90
Can - U.S. 10-Year Bond Spread	-0.75	-0.86	-0.86	-1.35	-1.26	-1.14	-1.25	-1.05	-0.85	-0.85	-0.85	-0.85

F: Forecast by TD Economics, June 2025. All forecasts are end-of-period.

Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics.

Foreign Exchange Outlook													
Currency	Exchange Rate	2024				2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Exchange Rate to U.S. Dollar													
Euro	USD per EUR	1.08	1.07	1.12	1.04	1.08	1.14	1.16	1.19	1.20	1.20	1.20	1.20
UK Pound	USD per GBP	1.26	1.26	1.34	1.25	1.29	1.35	1.38	1.41	1.40	1.40	1.40	1.40
Japanese Yen	JPY per USD	151.2	160.9	143.3	157.4	149.9	144.5	143.1	141.6	140.9	140.2	139.5	138.8
Chinese Renminbi	CNY per USD	7.22	7.27	7.02	7.30	7.26	7.40	7.35	7.30	7.25	7.20	7.15	7.10
Exchange Rate to Canadian Dollar													
U.S. Dollar	USD per CAD	0.74	0.73	0.74	0.69	0.70	0.73	0.73	0.73	0.74	0.74	0.75	0.75
Euro	CAD per EUR	1.46	1.47	1.51	1.49	1.55	1.57	1.61	1.63	1.63	1.62	1.61	1.60
UK Pound	CAD per GBP	1.71	1.73	1.81	1.80	1.85	1.86	1.90	1.92	1.90	1.89	1.88	1.86
Japanese Yen	JPY per CAD	111.7	117.6	106.0	109.3	104.2	104.7	103.7	103.4	103.6	103.9	104.1	104.4
Chinese Renminbi	CNY per CAD	5.34	5.31	5.19	5.07	5.05	5.37	5.33	5.33	5.33	5.34	5.33	5.34
F: Forecast by TD Economics, June 2025. All forecasts are end-of-period. Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics.													

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Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics.

Canadian Economic Outlook																		
Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated																		
Economic Indicators	2024				2025				2026				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	24	25F	26F	24	25F	26F
Real GDP	2.1	2.5	2.4	2.1	2.2	-2.0	-1.0	1.1	1.4	2.1	2.1	1.8	1.6	0.9	1.1	2.3	0.1	1.9
Consumer Expenditure	3.2	1.7	4.4	4.9	1.2	0.1	-0.5	1.2	1.0	1.3	1.4	1.4	2.4	1.9	0.9	3.5	0.5	1.3
Durable Goods	-1.8	-7.2	13.1	17.2	-5.6	-12.0	-3.0	2.0	2.0	4.5	3.5	2.0	3.8	0.0	1.1	4.9	-4.8	3.0
Business Investment	-0.3	11.5	-8.1	4.6	2.7	-9.1	-4.0	1.9	2.3	2.8	2.3	1.9	-1.9	-1.0	0.7	1.7	-2.2	2.3
Non-Res. Structures	1.6	9.6	-0.8	1.4	-6.1	-4.0	-3.0	1.0	2.0	3.0	2.5	2.0	-2.1	-1.9	1.0	2.9	-3.1	2.4
Equipment & IPP*	-2.1	13.4	-14.6	7.7	11.7	-13.4	-4.8	2.7	2.5	2.6	2.1	1.8	-1.7	-0.2	0.4	0.5	-1.4	2.2
Residential Investment	-4.5	-9.4	5.4	16.8	-10.9	-2.0	2.0	3.0	2.8	2.6	2.5	2.4	-0.6	0.1	2.3	1.6	-2.1	2.6
Govt. Expenditure	7.1	5.8	5.3	3.1	-0.8	3.3	4.1	3.9	4.0	5.9	4.6	3.4	4.2	2.8	4.4	5.3	2.6	4.5
Final Domestic Demand	3.2	2.9	3.2	5.2	-0.1	-0.3	0.4	2.1	2.0	2.7	2.4	2.0	2.1	1.6	1.9	3.6	0.5	2.3
Exports	-0.7	-4.8	-0.6	7.1	6.7	-22.5	-4.5	14.9	3.9	2.5	2.0	2.0	0.6	-1.9	2.2	0.2	-2.4	2.6
Imports	-1.1	0.0	-1.0	2.5	4.4	-10.4	-1.7	14.7	4.5	3.7	2.3	2.3	0.7	0.0	3.9	0.1	1.3	3.2
Change in Non-Farm Inventories (2012, \$Bn)	21.4	28.5	22.8	-6.5	7.2	20.2	16.2	12.2	10.0	8.5	7.5	6.7	16.6	14.0	8.2	--	--	--
Final Sales	4.2	1.8	4.0	9.9	-1.7	-2.3	1.1	2.7	2.4	3.0	2.5	2.2	2.6	1.8	2.1	4.9	-0.1	2.5
International Current Account Balance (\$Bn)	-9.2	-21.3	-11.5	-14.2	-8.5	-45.4	-50.3	-44.6	-47.6	-52.0	-53.9	-55.5	-14.1	-37.2	-52.3	--	--	--
% of GDP	-0.3	-0.7	-0.4	-0.5	-0.3	-1.4	-1.6	-1.4	-1.5	-1.6	-1.6	-1.7	-0.5	-1.2	-1.6	--	--	--
Pre-Tax Corp. Profits	-32.7	11.5	-7.8	27.9	5.4	-16.6	-1.3	3.6	2.6	3.9	4.6	4.2	-3.1	2.3	1.6	-3.0	-2.6	3.8
% of GDP	13.0	13.2	12.8	13.4	13.4	12.9	12.8	12.8	12.7	12.7	12.8	12.8	13.1	13.0	12.8	--	--	--
GDP Deflator (y/y)	3.5	3.9	2.8	2.3	3.2	1.8	1.9	1.8	1.7	2.6	2.4	2.0	3.1	2.2	2.2	2.3	1.8	2.0
Nominal GDP	1.1	6.9	5.0	5.8	4.9	-3.3	1.9	4.3	3.6	4.2	4.1	3.8	4.7	3.2	3.3	4.7	1.9	3.9
Labour Force	2.3	3.8	1.9	2.7	2.2	1.3	0.0	-0.1	0.0	0.0	0.1	0.2	3.0	1.8	0.1	2.7	0.9	0.1
Employment	1.7	2.1	0.8	1.9	2.7	-0.3	-1.0	-0.4	0.5	1.4	1.2	0.8	1.9	1.0	0.4	1.6	0.3	1.0
Change in Empl. ('000s)	85	105	40	97	141	-15	-54	-19	25	70	62	43	382	217	75	327	53	200
Unemployment Rate (%)	5.9	6.3	6.6	6.7	6.6	7.0	7.2	7.3	7.2	6.9	6.7	6.5	6.4	7.0	6.8	--	--	--
Personal Disp. Income	4.8	11.8	11.5	2.5	3.4	4.1	2.9	2.2	1.4	2.9	3.5	3.4	7.5	4.7	2.6	7.6	3.1	2.8
Pers. Savings Rate (%)	4.7	6.2	7.2	6.0	5.7	6.5	6.7	6.5	6.1	6.0	6.0	6.0	6.0	6.4	6.0	--	--	--
Cons. Price Index (y/y)	2.9	2.8	2.1	1.9	2.3	2.0	2.3	2.4	2.1	2.3	2.1	2.0	2.4	2.2	2.1	1.9	2.4	2.0
CPIX (y/y)**	2.2	1.8	1.6	1.6	2.3	2.6	2.7	2.7	2.4	2.2	2.1	2.1	1.8	2.6	2.2	1.6	2.7	2.1
BoC Inflation (y/y)***	3.3	3.0	2.7	2.7	2.8	3.1	3.1	2.9	2.6	2.4	2.2	2.1	2.9	3.0	2.3	2.7	2.9	2.1
Housing Starts ('000s)	244	250	238	248	223	280	253	238	228	219	220	220	245	249	222	--	--	--
Home Prices (y/y)	4.3	-2.7	0.6	4.9	-1.8	-2.7	-2.5	-3.2	3.5	5.0	6.1	6.2	1.7	-2.6	5.2	4.9	-3.2	6.2
Real GDP / Worker (y/y)	-1.4	-0.9	0.3	0.7	0.4	-0.1	-0.5	-0.2	0.2	0.8	1.0	0.9	-0.3	-0.1	0.7	0.7	-0.2	0.9

F: Forecast by TD Economics, June 2025.

Note: Home price measure shown is the CREA Composite Sale Price.

* Intellectual Property Products. ** CPIX: CPI excluding the 8 most volatile components. *** BoC Inflation: Simple average of CPI-trim and CPI-median.

Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, TD Economics.

U.S. Economic Outlook

Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated

Economic Indicators	2024				2025				2026				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	24	25F	26F	24	25F	26F
Real GDP	1.6	3.0	3.1	2.4	-0.2	2.7	1.2	1.7	2.3	2.3	2.3	2.2	2.8	1.7	2.1	2.5	1.3	2.3
Consumer Expenditure	1.9	2.8	3.7	4.0	1.2	2.0	0.5	1.5	2.1	2.2	2.1	2.1	2.8	2.2	1.8	3.1	1.3	2.1
Durable Goods	-1.7	5.4	7.6	12.4	-3.8	-2.0	-5.5	2.3	5.3	5.3	3.5	3.5	3.3	1.5	2.6	5.8	-2.3	4.4
Business Investment	4.5	3.9	4.0	-3.0	10.4	-4.5	-1.7	2.0	3.0	4.0	3.6	3.0	3.6	1.7	2.0	2.3	1.4	3.4
Non-Res. Structures	6.2	0.2	-5.0	2.9	-1.5	-2.0	-4.0	0.0	3.0	4.0	4.0	3.0	3.5	-1.3	1.5	1.0	-1.9	3.5
Equipment & IPP*	4.8	6.4	6.7	-4.5	12.6	-5.1	-1.0	2.5	3.0	3.9	3.5	3.0	3.4	2.4	2.1	3.2	2.0	3.4
Residential Investment	13.7	-2.8	-4.3	5.5	-0.6	-5.9	-7.1	-1.0	4.2	8.0	10.0	9.8	4.2	-2.0	2.8	2.8	-3.7	8.0
Govt. Expenditure	1.8	3.0	5.1	3.1	-0.7	-0.1	-0.6	-0.3	0.7	0.7	0.9	1.0	3.4	1.1	0.3	3.2	-0.4	0.8
Final Domestic Demand	2.7	2.8	3.7	3.0	2.0	0.4	-0.2	1.2	2.1	2.4	2.4	2.3	3.0	1.8	1.6	3.0	0.8	2.3
Exports	1.9	1.0	9.6	-0.2	2.4	2.0	0.5	1.4	2.6	2.8	3.0	3.0	3.3	2.3	2.2	3.0	1.6	2.9
Imports	6.1	7.6	10.7	-1.9	42.6	-29.9	-2.2	0.0	2.0	3.6	3.6	3.6	5.3	3.4	-0.8	5.5	-0.6	3.2
Change in Private Inventories	17.7	71.7	57.9	8.9	163.0	-14.3	46.9	67.7	73.6	74.5	74.5	74.5	39.1	65.8	74.3	--	--	--
Final Sales	2.1	1.9	3.3	3.3	-2.9	5.9	0.1	1.4	2.2	2.3	2.3	2.2	2.7	1.6	2.0	2.7	1.1	2.3
Pre-tax Corporate Profits																		
Including IVA&CCA	-6.8	15.2	-1.6	23.3	-11.8	-37.0	41.2	18.1	10.1	1.1	1.9	2.4	7.9	-1.7	7.7	6.9	-1.9	3.8
% of GDP	12.9	13.2	12.9	13.5	13.0	11.4	12.2	12.7	12.8	12.7	12.6	12.6	13.1	12.3	12.7	--	--	--
GDP Deflator (y/y)	2.4	2.6	2.2	2.5	2.6	2.6	3.3	3.1	2.9	2.6	2.0	2.2	2.4	2.9	2.5	2.5	3.1	2.2
Nominal GDP	4.7	5.6	5.0	4.8	3.4	5.4	5.7	3.2	5.4	3.9	4.4	4.6	5.3	4.7	4.6	5.0	4.4	4.6
Labor Force	-0.4	0.8	1.4	-0.2	5.2	0.2	0.3	0.4	0.4	0.5	0.5	0.5	0.6	1.6	0.4	0.4	1.5	0.5
Non-Farm Employment	1.5	1.3	0.9	1.3	1.3	1.0	0.3	0.3	0.5	0.7	1.0	0.9	1.3	1.0	0.6	1.2	0.7	0.8
Change in Non-Farm Empl. ('000s)	575	514	337	510	521	380	125	125	200	275	380	379	2082	1579	942	1936	1151	1234
Unemployment Rate (%)	3.8	4.0	4.2	4.2	4.1	4.2	4.3	4.5	4.5	4.4	4.3	4.2	4.0	4.3	4.3	--	--	--
Personal Disp. Income	9.2	3.6	1.8	4.9	6.6	4.4	2.5	3.2	5.6	6.3	5.6	5.6	5.3	4.3	4.8	4.8	4.2	5.8
Pers. Savings Rate (%)	5.4	4.9	4.1	3.8	4.3	4.1	3.6	3.5	3.8	4.2	4.5	4.8	4.6	3.9	4.3	--	--	--
Cons. Price Index (y/y)	3.2	3.2	2.7	2.7	2.7	2.4	3.3	3.1	2.9	3.1	2.4	2.5	3.0	2.9	2.7	2.7	3.1	2.5
Core CPI (y/y)	3.8	3.4	3.3	3.3	3.1	2.8	3.3	3.1	2.7	2.7	2.3	2.2	3.4	3.1	2.5	3.3	3.1	2.2
Core PCE Price Index (y/y)	3.0	2.7	2.7	2.8	2.8	2.6	3.0	2.9	2.5	2.5	2.0	2.0	2.8	2.8	2.3	2.8	2.9	2.0
Housing Starts (mns)	1.4	1.3	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.4	1.4	1.5	1.4	1.3	1.4	--	--	--
Real Output per Hour** (y/y)	3.3	3.0	2.5	2.1	1.3	1.1	0.8	0.8	1.7	1.6	1.6	1.4	2.7	1.0	1.6	2.1	0.8	1.4

F: Forecast by TD Economics, June 2025.

* Intellectual Property Products. ** Non-farm business sector.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Census Bureau, TD Economics.

Commodity Price Outlook

Commodity	2024				2025				2026			
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, \$US/bbl)	77	81	76	70	72	65	68	66	65	66	68	68
Natural Gas (\$US/MMBtu)	2.23	2.07	2.10	2.46	4.20	3.65	3.75	4.00	4.15	4.15	4.15	4.15
Gold (\$US/troy oz.)	2072	2336	2475	2661	2856	3280	3375	3450	3350	3350	3250	3250
Silver (\$US/troy oz.)	23.37	28.87	29.45	31.30	31.86	33.50	34.00	34.50	34.00	34.00	33.00	33.00
Copper (cents/lb)	383	442	418	417	423	475	475	480	485	485	475	475
Nickel (\$US/lb)	7.52	8.35	7.38	7.26	7.06	6.95	7.05	7.15	7.15	7.15	7.15	7.15
Aluminum (cents/lb)	100	114	108	117	119	110	110	112	113	113	115	115
Wheat (\$US/bu)	5.87	6.04	5.06	5.47	5.65	5.35	5.38	5.44	5.50	5.60	5.70	5.80

F: Forecast by TD Economics, June 2025. All forecasts are period averages.

Source: Bloomberg, TD Economics, USDA (Haver).

Economic Indicators: G7 & Europe			
	2024	2025F	2026F
Real GDP (Annual Per Cent Change)			
G7 (42.4%)*	1.7	1.0	1.6
U.S.	2.8	1.7	2.1
Japan	0.1	0.7	0.8
Euro Area	0.8	1.0	1.3
Germany	-0.2	0.3	2.0
France	1.1	0.4	1.0
Italy	0.5	0.5	0.6
United Kingdom	1.1	1.0	1.1
Canada	1.6	0.9	1.1
Consumer Price Index (Annual Per Cent Change)			
G7	2.8	2.2	2.0
U.S.	3.0	2.9	2.7
Japan	2.7	2.4	1.7
Euro Area	2.4	1.9	1.8
Germany	2.5	1.7	1.8
France	2.3	1.3	1.9
Italy	1.1	1.7	1.5
United Kingdom	2.5	3.0	2.3
Canada	2.4	2.2	2.1
Unemployment Rate (Per Cent Annual Averages)			
U.S.	4.0	4.3	4.3
Japan	2.5	2.5	2.3
Euro Area	6.4	6.5	6.4
Germany	6.0	6.1	5.6
France	7.4	7.5	7.2
Italy	6.6	6.5	7.0
United Kingdom	4.3	4.7	4.5
Canada	6.4	7.0	6.8

F: Forecast by TD Economics, June 2025.
 *Share of 2022 world gross domestic product (GDP) at PPP.
 Source: National Statistics Agencies, IMF, TD Economics.

Global Economic Outlook				
Annual Per Cent Change Unless Otherwise Indicated				
2022 Share*		Forecast		
Real GDP	(%)	2024	2025F	2026F
World	100.0	3.2	3.0	2.8
North America	18.9	2.6	1.2	1.9
United States	15.5	2.8	1.7	2.1
Canada	1.4	1.6	0.9	1.1
Mexico	1.9	1.2	0.2	1.1
European Union (EU-27)	14.9	1.0	1.2	1.6
Euro Area (EU-20)	12.0	0.8	1.0	1.3
Germany	3.3	-0.2	0.3	2.0
France	2.3	1.1	0.4	1.0
Italy	1.9	0.5	0.5	0.6
Other EU Members	2.8	2.5	2.8	2.7
Asia	45.0	4.5	4.2	3.7
Japan	3.8	0.1	0.7	0.8
Asian NIC's	3.5	3.1	2.0	1.9
Hong Kong	0.3	2.5	2.9	2.1
Korea	1.7	2.1	0.5	1.8
Singapore	0.4	4.4	1.8	2.0
Taiwan	1.0	4.6	4.6	1.9
Russia	2.9	4.4	2.8	1.5
Australia & New Zealand	1.2	0.9	1.7	2.4
Emerging Asia	32.8	5.3	5.1	4.5
ASEAN-5	5.2	5.0	4.3	4.7
China	18.4	5.0	4.6	3.8
India**	7.3	6.4	6.7	6.4
Central/South America	5.4	2.0	3.0	2.0
Brazil	2.3	2.9	2.6	1.4
Other Emerging Markets	12.7	2.9	3.0	3.3
Other Advanced	3.4	1.2	1.4	2.2
United Kingdom	2.3	1.1	1.0	1.1

F: Forecast by TD Economics, June 2025.
 * Share of 2022 world gross domestic product (GDP) at PPP.
 ** Forecast for India refers to fiscal year.
 Source: National Statistics Agencies, IMF, TD Economics.

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