

## Quarterly Economic Forecast Navigating the New Trade Normal

September 18, 2025

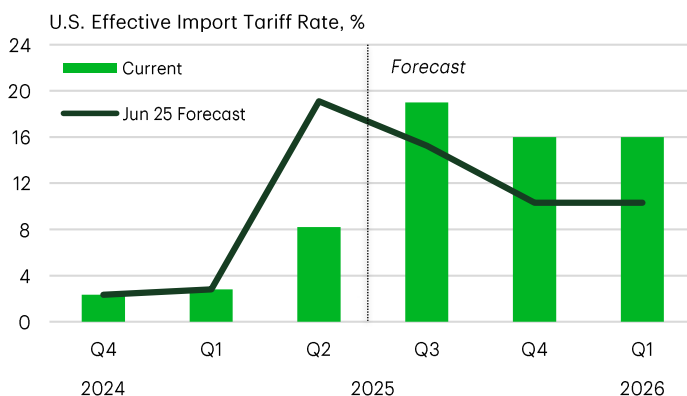
### Highlights

- Despite all the twists and turns in U.S. trade policy, our forecast for the global economy is broadly unchanged from our June view.
- Ditto for the U.S. economy, at least on the surface. Consumers have pulled back as the labor market has cooled, but that has been offset by strong business investment. The Fed is expected to cut interest rates further to support the labor market that has cooled further than previously believed.
- Canada's exports have been hit hard by U.S. tariffs, but consumer spending has shown surprising resilience buoyed in part by a pull-forward in auto purchases and in the face of tariffs. Interest rate cuts have contributed to an uptick in housing activity broadly but are no panacea for the structural headwinds that will continue to weigh on Canada's economy.

Economists are still suffering from whiplash following the twists and turns of U.S. trade policy. But despite all the back and forth, our forecast for the global economy is broadly unchanged from our view in June. Global growth is on track to advance 3.1% this year, with a slight slowdown in the cards for 2026. In the euro area, GDP rose at a 0.4% annualized pace in Q2, slightly above expectations but sharply slower than the 2.4% pace in Q1. China expanded 5.2% year-on-year in Q2, stronger than forecast, though weak credit growth and continued property stress point to softer momentum in the second half. Japan's economy grew at a 1.0% annualized rate, beating expectations.

On the trade front, risks have eased for now: the U.S. capped tariffs on the EU at 15% in July, the U.S. extended their truce with China and Mexico in August for 90 days, and the U.S. and Japan reached a limited accord preserving market access. Yet frictions persist, with China imposing new duties on European agricultural goods, and there remains considerable uncertainty around the direction of trade policy once temporary truces expire and if the U.S. Supreme Court rules against the legality of IEEPA tariffs. Front running leading up to President Trump's reciprocal tariff deadline, originally set for July but subsequently delayed, led to a pull-forward of industrial output and inventory builds. This will likely result in a choppy pace of growth across both advanced and emerging markets depending on trade exposures. The result is a global economy that continues to advance on average, but at an unspectacular pace with divergence among countries. This modest pace is supported

Chart 1: U.S. Tariffs Assumed to Remain Higher



Source: Census Bureau, TD Economics.

by domestic demand and services but constrained by weak goods trade and unsettled policy risks.

## U.S. economy softens, more rate cuts ahead

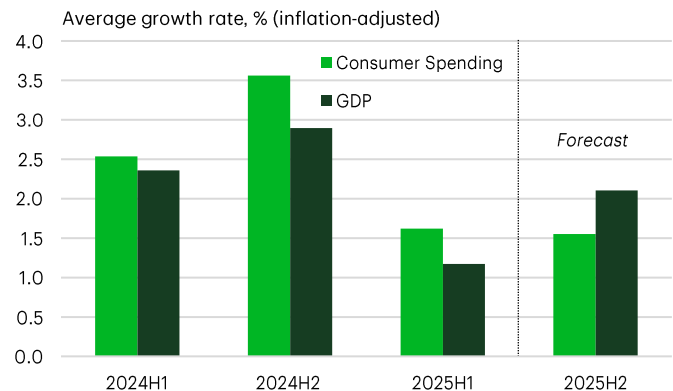
Broadly speaking, the economic narrative remains the same for the U.S. economy as in our June forecast, with growth on track to expand by 1.8% this year. Shifting trade policies remain the biggest source of uncertainty in our forecast and downside risk for the U.S. economy. Given recent trade deals reached with the EU and Japan, we have raised our assumption for the effective tariff rate on imports over the medium term (Chart 1). Higher tariffs have contributed to a slight downgrade to growth in 2026, which is now expected to remain steady at 1.8%, a few tenths lower than in June, although a larger than expected response to the tax cuts in the [One Big Beautiful Bill Act](#) is a source of upside risk.

Shifts in tariff policies contributed to volatility in growth over the first half of the year, although private domestic demand held up better than we had expected thanks to sizeable gains in business investment. Business spending on both equipment and intellectual property products, most notably on software, has been very strong. Some of these investments were likely businesses pulling forward outlays to get ahead of any tariff related price increases. But the sizeable increase in computers & other electronics and software investment may represent increased outlays on AI tools. Further gains in computer and electronic imports in July suggest the push on equipment spending could continue into the third quarter.

Consumers have not held up as well. Consumer spending growth more than halved in the first half of the year, to a 1.6% pace as households pulled back on spending on discretionary services in the face of a softer labor market among other impediments (see [report](#)). These challenges are expected to restrain consumer spending below 2% over the next four quarters (Chart 2), before lower interest rates, cooler inflation, tax cuts and a better job market push spending back up to a more trend-like 2% pace towards the end of 2026.

The cooling in the labor market has increased the risk of recession and caught the attention of the Federal Reserve. The FOMC resumed lowering interest rates in September, and we expect two more cuts this year. Even

Chart 2: U.S. Consumers Lose Momentum



Source: Bureau of Economic Analysis, TD Economics.

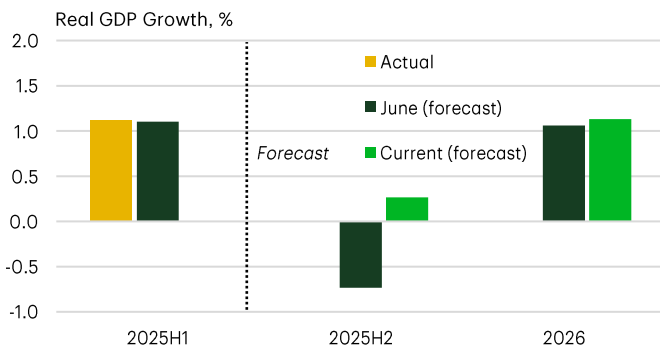
though inflation is expected to run above the Fed's 2% target for some time, data revisions have revealed a more pronounced slowdown in hiring earlier than initially thought, suggesting that the Fed funds rate at 4.5% was too restrictive to foster maximum employment. We expect employment to soften further, leading to net job losses in the fourth quarter and pulling up the unemployment rate to 4.4%. We expect the FOMC to make further interest rate cuts next year to reach a resting point at 3.25%, unchanged from our view in June. Our year-end forecasts for longer-term Treasury yields have come down slightly, reflecting increased conviction by financial markets that the Fed will need to bring rates down from their current restrictive level.

## Canada's economy hammered by U.S. trade war

Canada's economic growth is set to downshift to a 1.2% pace this year as high U.S. tariffs hammered demand for many Canadian exports. That tally is flattered by a strong hand off from 2024, and growth is forecast to be only 0.6% on a Q4/Q4 basis. The country experienced its largest quarterly decline in exports outside of the 2009 Global Financial Crisis and the Covid-19 pandemic, resulting in a 1.6% contraction in output for the second quarter, which was broadly consistent with our forecast and that of the Bank of Canada.

Our outlook for Canada-U.S. trade relations has shifted; we no longer assume a trade agreement is reached between the two countries this year and that the current tariffs and exemptions remain in place throughout the

**Chart 3: Canada's Economy Proves More Resilient Than Feared**



Source: Statistics Canada, TD Economics.

forecast period. As such, no substantial export recovery in exports appears in the cards. The hit to demand for exports also weighs on prospects for business investment. We forecast non-residential investment will contract in the second half of the year, with knock-on effects on businesses' need to hire. Consequently, further moderate job losses are likely over the next couple of quarters, raising the unemployment rate to a cyclical peak of 7.3%.

Despite these challenges, there were positive developments in the second quarter, as robust consumer spending and an upswing in housing investment contributed to a hearty 3.5% rebound in domestic demand (Chart 3). Initially, consumer spending and the housing market slowed sharply amid the shock of U.S. trade threats, but both rebounded in the second quarter due to accelerated vehicle purchases and increased tourism-related expenditures by Canadians and visitors. However, these gains are expected to be temporary. Data on monthly vehicle sales suggest a pullback in the third quarter, and a further leg up in domestic tourism appears unlikely. Looking forward, consumer spending is anticipated to remain subdued, reflecting softer labour market fundamentals.

Residential investment is a bright light in the forecast this year. Growth has been revised upward, as the housing market responds to past (and likely some additional) Bank of Canada rate cuts and stronger construction activity is underpinned by purpose-built rentals, thanks to favourable government financing programs. Nevertheless, the long-term contribution of housing to overall growth will continue to be constrained by persistent affordability challenges and slower population growth. And not all markets are rowing in the same direction. For one, the GTA market is currently immersed in a severe slump amid a supply glut of condominiums.

Inflation is expected to remain somewhat elevated in the near term, consistent with our previous projections. We maintain our expectation of an additional rate cut from the Bank of Canada, which would bring the overnight rate to 2.25%. This lower rate environment is likely to persist as Canada adjusts to its new trade "normal".

Further details on the Liberal government's fiscal plans will emerge with the upcoming Federal Budget. Overall federal spending is expected to remain a growth support; however, we await more clarity on cost reductions from the expenditure review, the scale and scope of support for major "nation building projects", and the timing of the new defense commitments. These infrastructure and defense projects typically require extended lead times, and depending on how quickly outlays occur, there could be upside to our forecast that calls for a gradual improvement in real GDP growth to just under 2% by 2027. It's also worth keeping an eye on the consumer for a pleasant surprise, as uplifts in the Canadian housing market have been known to kickstart spending growth. On the flipside, a further unravelling of the Canada-U.S. trade relationship and the potential for a deterioration in global financial conditions are two downside risks.

## Exhibits

Interest Rate Outlook												
Interest Rates	2025				2026				2027			
	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
<b>Canada</b>												
Overnight Target Rate	2.75	2.75	2.50	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
3-mth T-Bill Rate	2.62	2.65	2.38	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
2-yr Govt. Bond Yield	2.46	2.59	2.52	2.55	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
5-yr Govt. Bond Yield	2.61	2.83	2.80	2.85	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90
10-yr Govt. Bond Yield	2.97	3.28	3.25	3.20	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15
30-yr Govt. Bond Yield	3.23	3.56	3.75	3.50	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
10-yr-2-yr Govt Spread	0.51	0.69	0.73	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
<b>U.S.</b>												
Fed Funds Target Rate	4.50	4.50	4.25	3.75	3.75	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3-mth T-Bill Rate	4.21	4.24	4.03	3.65	3.40	3.15	3.15	3.15	3.15	3.15	3.15	3.15
2-yr Govt. Bond Yield	3.89	3.72	3.55	3.40	3.30	3.25	3.25	3.25	3.25	3.25	3.25	3.25
5-yr Govt. Bond Yield	3.96	3.79	3.60	3.65	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
10-yr Govt. Bond Yield	4.23	4.24	4.05	4.05	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
30-yr Govt. Bond Yield	4.59	4.78	4.67	4.60	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
10-yr-2-yr Govt Spread	0.34	0.52	0.50	0.65	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75
<b>Canada - U.S. Spreads</b>												
Can - U.S. T-Bill Spread	-1.59	-1.59	-1.65	-1.40	-1.15	-0.90	-0.90	-0.90	-0.90	-0.90	-0.90	-0.90
Can - U.S. 10-Year Bond Spread	-1.26	-0.96	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

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

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

Foreign Exchange Outlook													
Currency	Exchange Rate	2025				2026				2027			
		Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Exchange Rate to U.S. Dollar													
Euro	USD per EUR	1.08	1.18	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
UK Pound	USD per GBP	1.29	1.37	1.35	1.36	1.38	1.39	1.40	1.40	1.40	1.40	1.40	1.40
Japanese Yen	JPY per USD	149.9	144.2	142.7	141.3	140.6	139.9	139.2	138.5	137.8	137.1	136.4	135.7
Chinese Renminbi	CNY per USD	7.26	7.16	7.11	7.06	7.01	6.96	6.91	6.86	6.81	6.76	6.71	6.66
Exchange Rate to Canadian Dollar													
U.S. Dollar	USD per CAD	0.70	0.73	0.72	0.73	0.73	0.74	0.74	0.75	0.75	0.75	0.75	0.75
Euro	CAD per EUR	1.55	1.60	1.66	1.65	1.64	1.63	1.61	1.60	1.60	1.60	1.60	1.60
UK Pound	CAD per GBP	1.85	1.87	1.87	1.87	1.88	1.88	1.88	1.87	1.86	1.86	1.86	1.86
Japanese Yen	JPY per CAD	104.2	105.9	103.1	102.8	103.0	103.2	103.5	103.7	103.6	103.1	102.6	102.1
Chinese Renminbi	CNY per CAD	5.05	5.26	5.13	5.13	5.14	5.14	5.13	5.14	5.12	5.08	5.05	5.01
F: Forecast by TD Economics, September 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	2025				2026				2027				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	25F	26F	27F	25F	26F	27F
Real GDP	2.0	-1.6	0.8	1.0	1.5	1.5	1.6	1.6	1.6	1.8	1.8	1.8	1.2	1.1	1.7	0.6	1.5	1.8
Consumer Expenditure	0.5	4.5	-0.9	1.4	1.3	1.2	1.3	1.4	1.4	1.5	1.5	1.6	2.5	1.2	1.4	1.4	1.3	1.5
Durable Goods	-5.9	10.4	-25.0	1.0	2.0	3.0	3.0	2.0	1.4	1.4	1.5	1.5	0.9	-1.3	1.8	-5.8	2.5	1.5
Business Investment	0.5	-7.9	-5.0	-0.1	1.1	1.6	1.7	1.3	1.3	1.4	1.4	1.5	-1.6	-0.3	1.4	-3.2	1.4	1.4
Non-Res. Structures	-3.9	6.3	-10.0	-2.0	0.0	0.5	1.0	1.1	1.2	1.3	1.3	1.4	-0.6	-1.0	1.2	-2.6	0.6	1.3
Equipment & IPP*	4.9	-19.8	-0.2	1.7	2.2	2.6	2.3	1.4	1.4	1.5	1.5	1.5	-2.6	0.3	1.6	-3.9	2.1	1.5
Residential Investment	-12.2	6.3	7.0	2.0	2.0	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.8	2.7	1.6	0.5	1.6	1.6
Govt. Expenditure	-1.2	5.7	3.4	3.7	4.1	3.6	3.3	3.3	2.9	2.9	2.9	2.7	3.0	3.8	3.0	2.9	3.6	2.8
Final Domestic Demand	-0.9	3.5	0.3	1.9	2.0	1.8	1.9	1.9	1.8	1.9	1.9	1.9	2.1	1.8	1.8	1.2	1.9	1.8
Exports	5.8	-26.8	2.3	2.3	3.1	2.5	1.8	1.7	1.7	1.9	2.0	2.0	-3.0	0.3	1.9	-5.1	2.3	1.9
Imports	3.6	-5.1	-3.6	2.8	3.6	2.8	2.2	2.2	2.2	2.2	2.3	2.3	-0.1	1.5	2.3	-0.7	2.7	2.3
Change in Non-Farm Inventories (2012, \$Bn)	10.8	30.1	21.6	17.6	15.4	13.9	12.9	12.1	11.6	12.1	12.6	13.1	20.0	13.5	12.3	--	--	--
Final Sales	-3.3	0.5	1.7	2.5	2.4	2.1	2.0	2.0	1.9	1.8	1.8	1.8	2.0	2.1	1.9	0.3	2.1	1.8
International Current Account Balance (\$Bn)	-5.3	-84.6	-56.5	-52.7	-51.5	-50.3	-49.7	-49.8	-51.2	-52.4	-53.5	-54.5	-49.8	-50.3	-52.9	--	--	--
% of GDP	-0.2	-2.7	-1.8	-1.6	-1.6	-1.5	-1.5	-1.5	-1.5	-1.5	-1.6	-1.6	-1.6	-1.5	-1.5	--	--	--
Pre-Tax Corp. Profits	6.4	-13.1	-4.1	3.3	3.2	3.7	4.4	4.3	4.1	4.2	4.3	4.2	2.9	1.5	4.2	-2.2	3.9	4.2
% of GDP	13.4	13.0	12.8	12.8	12.8	12.7	12.8	12.8	12.8	12.8	12.8	12.8	13.0	12.8	12.8	--	--	--
GDP Deflator (y/y)	3.3	2.2	1.9	1.8	1.7	2.3	2.6	2.5	2.3	2.2	2.1	2.0	2.3	2.3	2.2	1.8	2.5	2.0
Nominal GDP	5.0	-1.6	2.1	3.9	4.2	4.0	4.0	3.9	3.7	3.9	3.9	3.9	3.6	3.4	3.9	2.3	4.0	3.8
Labour Force	2.2	1.6	-0.1	-0.6	0.0	0.1	0.1	0.1	0.2	0.2	0.3	0.3	1.8	0.0	0.2	0.8	0.1	0.3
Employment	2.7	0.4	-0.6	-1.7	0.4	1.0	1.0	1.0	0.8	0.8	0.8	0.8	1.1	0.1	0.9	0.2	0.8	0.8
Change in Empl. ('000s)	141	20	-33	-92	23	50	50	50	44	44	41	41	235	17	184	35	173	171
Unemployment Rate (%)	6.6	6.9	7.0	7.3	7.2	7.0	6.8	6.6	6.5	6.3	6.2	6.1	7.0	6.9	6.3	--	--	--
Personal Disp. Income	3.9	1.3	2.7	1.0	1.4	2.6	3.3	3.5	3.6	3.6	3.5	3.5	4.2	2.1	3.5	2.2	2.7	3.5
Pers. Savings Rate (%)	6.0	5.0	5.3	4.7	4.3	4.1	4.1	4.1	4.1	4.1	4.1	4.0	5.3	4.1	4.1	--	--	--
Cons. Price Index (y/y)	2.3	1.8	1.9	2.1	1.9	2.3	2.2	2.1	2.1	2.0	2.0	2.0	2.0	2.1	2.0	2.1	2.1	2.0
CPIX (y/y)**	2.3	2.6	2.6	2.6	2.3	2.2	2.2	2.1	2.0	2.0	2.0	2.0	2.5	2.2	2.0	2.6	2.1	2.0
BoC Inflation (y/y)***	2.8	3.1	3.1	2.9	2.6	2.4	2.3	2.1	2.1	2.0	2.0	2.0	3.0	2.3	2.0	2.9	2.1	2.0
Housing Starts ('000s)	223	283	270	273	268	257	248	245	247	247	247	247	262	254	247	--	--	--
Home Prices (y/y)	-1.4	-2.1	0.8	-0.2	5.5	6.5	4.8	4.8	4.9	4.9	4.9	4.9	-0.7	5.4	4.9	-0.2	4.8	4.9
Real GDP / Worker (y/y)	0.4	-0.2	-0.3	0.4	0.8	1.4	1.2	0.7	0.6	0.7	0.8	0.9	0.1	1.0	0.8	0.4	0.7	0.9

F: Forecast by TD Economics, September 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	2025				2026				2027				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	25F	26F	27F	25F	26F	27F
Real GDP	-0.5	3.3	2.0	1.1	1.4	2.0	2.2	2.2	2.2	2.2	2.1	2.1	1.8	1.8	2.2	1.5	2.0	2.1
Consumer Expenditure	0.5	1.6	2.0	0.6	1.2	1.8	2.1	2.0	2.0	2.0	2.0	2.0	2.1	1.5	2.0	1.2	1.8	2.0
Durable Goods	-3.7	2.6	3.6	-2.8	0.5	3.5	4.5	3.5	3.5	3.5	3.5	3.5	3.3	1.6	3.6	-0.1	3.0	3.5
Business Investment	10.3	5.7	2.8	2.4	2.6	3.6	3.2	3.2	2.9	3.0	3.0	3.0	4.3	3.1	3.1	5.3	3.1	3.0
Non-Res. Structures	-2.4	-8.9	-5.0	0.0	1.0	2.0	2.0	2.0	2.5	3.0	3.0	3.0	-3.0	-0.2	2.5	-4.1	1.7	2.9
Equipment & IPP*	14.2	10.1	5.0	3.0	3.0	4.0	3.5	3.5	3.0	3.0	3.0	3.0	6.5	3.9	3.2	8.0	3.5	3.0
Residential Investment	-1.3	-4.7	-6.0	-2.5	1.3	4.7	6.4	6.4	6.3	5.0	4.3	3.9	-1.9	0.8	5.6	-3.7	4.7	4.9
Govt. Expenditure	-0.6	-0.2	-0.1	2.0	0.9	0.9	1.1	1.1	1.1	1.2	1.1	1.2	1.3	1.0	1.1	0.3	1.0	1.2
Final Domestic Demand	1.5	1.6	1.5	1.0	1.4	2.0	2.2	2.2	2.1	2.1	2.1	2.1	2.1	1.6	2.1	1.4	1.9	2.1
Exports	0.4	-1.3	-3.0	0.3	2.1	2.5	3.0	3.0	3.0	3.0	3.0	3.0	0.7	1.1	3.0	-0.9	2.6	3.0
Imports	38.0	-29.8	0.0	0.8	2.0	2.9	3.6	3.6	2.5	2.5	2.5	2.5	2.9	-0.4	2.8	-0.6	3.0	2.5
Change in Private Inventories	160.5	-32.9	13.6	26.9	31.8	36.8	41.7	46.7	46.7	46.7	46.7	46.7	42.0	39.2	46.7	--	--	--
Final Sales	-3.1	6.8	1.2	0.9	1.4	1.9	2.1	2.1	2.2	2.2	2.1	2.1	1.8	1.8	2.1	1.4	1.9	2.1
Pre-tax Corporate Profits																		
Including IVA&CCA	-8.7	6.9	-12.2	-10.2	-5.8	10.6	6.9	9.2	8.1	8.9	7.7	5.9	1.3	-1.4	8.2	-6.3	5.0	7.6
% of GDP	13.1	13.1	12.5	12.1	11.8	12.0	12.0	12.1	12.2	12.4	12.5	12.5	12.7	12.0	12.4	--	--	--
GDP Deflator (y/y)	2.6	2.5	2.9	2.7	2.7	2.8	2.4	2.7	2.4	2.4	2.3	2.3	2.7	2.6	2.3	2.7	2.7	2.3
Nominal GDP	3.2	5.3	5.7	2.7	5.0	4.5	4.6	4.7	4.5	4.6	4.3	4.6	4.6	4.5	4.5	4.2	4.7	4.5
Labor Force	5.2	0.3	-0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.5	0.3	0.4	1.3	0.4	0.4
Non-Farm Employment	1.3	0.7	0.2	-0.2	0.4	0.7	0.8	0.8	0.7	0.5	0.5	0.5	0.9	0.4	0.7	0.5	0.7	0.6
Change in Non-Farm Empl. ('000s)	521	280	90	-64	160	285	300	300	300	200	200	200	1440	666	1046	827	1045	900
Unemployment Rate (%)	4.1	4.2	4.3	4.4	4.4	4.3	4.2	4.1	4.0	4.0	4.0	4.0	4.2	4.2	4.0	--	--	--
Personal Disp. Income	6.2	5.0	2.4	4.5	5.3	4.5	4.8	5.3	5.7	4.6	4.7	4.5	4.4	4.6	5.0	4.5	5.0	4.9
Pers. Savings Rate (%)	4.3	4.6	4.0	4.3	4.5	4.4	4.5	4.8	5.2	5.3	5.5	5.5	4.3	4.6	5.4	--	--	--
Cons. Price Index (y/y)	2.7	2.5	2.9	2.9	2.6	3.0	3.0	2.8	2.6	2.4	2.2	2.2	2.7	2.8	2.4	2.9	2.8	2.2
Core CPI (y/y)	3.1	2.8	3.0	3.1	3.0	3.3	3.1	2.8	2.5	2.3	2.2	2.2	3.0	3.1	2.3	3.1	2.8	2.2
Core PCE Price Index (y/y)	2.8	2.7	3.0	3.2	3.1	3.2	2.9	2.6	2.3	2.1	2.0	2.0	2.9	3.0	2.1	3.2	2.6	2.0
Housing Starts (mns)	1.40	1.35	1.32	1.27	1.30	1.33	1.38	1.43	1.46	1.48	1.50	1.52	1.33	1.36	1.49	--	--	--
Real Output per Hour** (y/y)	1.2	1.5	1.6	1.4	2.1	1.6	1.0	1.1	1.1	1.3	1.4	1.5	1.4	1.4	1.3	1.4	1.1	1.5

F: Forecast by TD Economics, September 2025.

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

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

Economic Indicators: G7 & Europe			
	2025F	2026F	2027F
Real GDP (Annual Per Cent Change)			
G7 (42.4%)*	1.3	1.3	1.7
U.S.	1.8	1.8	2.2
Japan	1.1	0.7	0.8
Euro Area	1.2	0.8	1.4
Germany	0.2	1.0	1.7
France	0.5	0.8	1.4
Italy	0.5	0.5	0.9
United Kingdom	1.2	0.9	1.5
Canada	1.2	1.1	1.7
Consumer Price Index (Annual Per Cent Change)			
G7	2.2	2.0	2.0
U.S.	2.7	2.8	2.4
Japan	3.1	1.9	1.8
Euro Area	2.0	1.8	1.9
Germany	1.8	1.7	2.0
France	1.3	1.9	1.8
Italy	1.7	1.9	2.0
United Kingdom	3.0	2.3	2.0
Canada	2.0	2.1	2.0
Unemployment Rate (Per Cent Annual Averages)			
U.S.	4.2	4.2	4.0
Japan	2.5	2.3	2.3
Euro Area	6.4	6.4	6.2
Germany	6.2	5.6	5.4
France	7.6	7.2	7.0
Italy	6.5	7.0	6.8
United Kingdom	4.7	4.5	4.3
Canada	7.0	6.9	6.3
F: Forecast by TD Economics, September 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	(%)	2025F	2026F	2027F
World	100.0	3.1	2.7	2.9
North America	18.9	1.7	1.7	2.1
United States	15.5	1.8	1.8	2.2
Canada	1.4	1.2	1.1	1.7
Mexico	1.9	0.7	1.1	2.1
European Union (EU-27)	14.9	1.4	1.2	1.6
Euro Area (EU-20)	12.0	1.2	0.8	1.4
Germany	3.3	0.2	1.0	1.7
France	2.3	0.5	0.8	1.4
Italy	1.9	0.5	0.5	0.9
Other EU Members	2.8	2.5	2.7	2.3
Asia	45.0	4.3	3.7	3.8
Japan	3.8	1.1	0.7	0.8
Asian NIC's	3.5	2.6	2.0	2.2
Hong Kong	0.3	3.2	2.1	2.4
Korea	1.7	0.5	1.7	2.3
Singapore	0.4	3.0	2.2	2.4
Taiwan	1.0	6.1	2.5	2.1
Russia	2.9	0.9	0.8	0.9
Australia & New Zealand	1.2	1.8	2.4	2.3
Emerging Asia	32.8	5.3	4.5	4.7
ASEAN-5	5.2	4.9	4.8	4.8
China	18.4	4.8	3.8	4.0
India**	7.3	6.9	6.2	6.2
Central/South America	5.4	3.1	2.0	2.3
Brazil	2.3	2.7	1.5	2.1
Other Emerging Markets	12.7	3.4	3.4	3.2
Other Advanced	3.4	1.2	1.4	2.2
United Kingdom	2.3	1.2	0.9	1.5
F: Forecast by TD Economics, September 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.				

Commodity Price Outlook												
Commodity	2025				2026				2027			
	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, \$US/bbl)	72	64	65	62	63	65	66	67	68	69	70	70
Natural Gas (\$US/MMBtu)	4.20	3.19	3.15	3.30	3.70	4.10	4.10	4.00	4.00	4.00	4.00	4.00
Gold (\$US/roy oz.)	2856	3284	3435	3550	3650	3600	3550	3500	3400	3400	3400	3400
Silver (\$US/roy oz.)	31.86	33.65	39.00	38.00	37.75	37.50	37.00	37.00	37.00	37.00	37.00	37.00
Copper (cents/lb)	423	432	480	450	460	465	470	475	475	475	475	475
Nickel (\$US/lb)	7.06	6.88	6.80	6.85	6.90	6.95	7.00	7.05	7.05	7.05	7.05	7.05
Aluminum (cents/lb)	119	111	118	116	160	116	115	115	113	113	113	113
Wheat (\$US/bu)	5.65	5.34	5.19	5.05	5.25	5.35	5.45	5.55	5.55	5.55	5.55	5.55
F: Forecast by TD Economics, September 2025. All forecasts are period averages.												
Source: Bloomberg, TD Economics, USDA (Haver).												

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