

Quarterly Economic Forecast

Tariffs Impart a Chill Wind on Green Shoots

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Summary

Global economy: At a crossroads

- The global economy has been unfolding largely as we had anticipated in March. Following last year's steep deceleration, high-frequency indicators suggest that global growth has stabilized, albeit at a below-trend rate of just above 3%.
- Next year, however, the growth outlook has been downgraded by 0.2 percentage points to 3.3%, in part reflecting the recent escalation in trade tensions.
- Signs of bottoming in growth have reflected a mix of factors. Recent trade-induced gyrations aside, global financial conditions have eased broadly, driven in part by expectations of lower policy rates. This and other stimulus measures – notably in China – have supported a firming in economic activity. Green shoots have appeared across emerging Asia as well as a number of advanced economies, including core Europe and Canada.
- The overall picture masks a continued divergence between manufacturing and service sectors. Global manufacturing activity remains in the doldrums, largely related to trade uncertainty and the knock-on effects of declining auto production in Europe. In contrast, service industries have remained comparatively resilient, particularly in advanced economies.

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- Trade tensions represent a clear and present danger to the global economy. Our outlook embeds tariffs that have already been implemented, but the threat of further actions – and the potential for an unexpected severe bout of risk aversion – remain key downside risks to the forecast.

U.S. economy: Outperformance, but risks loom

- U.S. economic growth outperformed expectations early in 2019. Real GDP advanced at a 3.1% (annualized) pace in the first quarter, boosted by temporary factors including a significant inventory build. With some reversal, growth is expected to slow in Q2. Still, the first half of the year is tracking 2.5%, roughly a half a percentage point above our prior expectation.

- This places the 2019 annual average at 2.6% (previously 2.4%). Economic growth is expected to slow to 1.8% in 2020, as capacity constraints bind.
- The White House has raised its tariff rate from 10% to 25% on the second tranche of Chinese imports subject to tariffs. Taken by itself, the impact is likely to be relatively small (we estimate a drag if a little over 0.1 percentage points), but much will depend on how spending and investment react to the continued ratcheting up of trade conflicts. Manufacturing sentiment has already begun to converge to lower levels seen abroad. This raises the prospect that another round of tariff action could have a larger impact on economic growth and sentiment relative to last year when both were at higher starting points.
- Markets have recently priced as many as four rate cuts between now and the end of 2020. This aggressive positioning reflects worries of further tariff escalation alongside low inflation and slowing economic growth (both globally and domestic). We believe the market has over-priced the extent of accommodation the Fed will ultimately need or be willing to provide absent a significant deterioration in the economic data. However, the persistent elevated risk environment opens the door for the central bank to take a risk management approach and provide a modest accommodation (50 basis points in cuts) later this year as “insurance”.
- We expect some semblance of a deal with China to occur this year. Critical to this outcome will be developments that occur from discussions between President Trump and President Xi at the G-20 meeting at the end of June. However, even in the event of a trade deal, it’s unclear at this stage whether the weight on the economy and market sentiment would fully lift. Importantly for the former, a deal would need to unwind the 25% tariffs placed on China in May. In addition, global trade concerns may quickly return to the spotlight with Trump having already signaled a desire to quickly pivot to Europe (a larger export market for the U.S.).

Economic & Financial Forecasts			
	2018	2019F	2020F
Real GDP (annual % change)			
Canada	1.9	1.3	1.7
U.S.	2.9	2.6	1.8
Canada (rates, %)			
Overnight Target Rate	1.75	1.75	1.75
2-yr Govt. Bond Yield	1.86	1.55	1.75
10-yr Govt. Bond Yield	1.96	1.65	1.95
U.S. (rates, %)			
Fed Funds Target Rate	2.50	2.00	2.00
2-yr Govt. Bond Yield	2.48	2.00	2.20
10-yr Govt. Bond Yield	2.69	2.30	2.55
WTI, \$US/bbl	59	59	62
Exchange Rate (USD per CAD)	0.73	0.77	0.77
F: Forecast by TD Economics, June 2019; Forecasts for oil price, exchange rate and yields are end-of-period. Source: Bloomberg, Bank of Canada, U.S. Federal Reserve.			

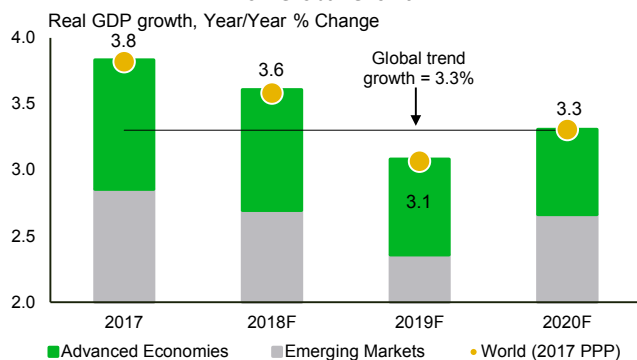
Canada economy: Between a rock and a hard place

- Canada’s economy has been mired in a soft patch, with real GDP growing just 0.4% (annualized) in the first quarter, following 0.3% in the final quarter of 2018.
- The weakness in broad output trends has concealed a better story underneath the surface. Notably, domestic demand (spending by households and businesses) rebounded in Q1 and the job market has remained resilient. However, the external backdrop continues to deteriorate in the wake of ongoing trade disputes.
- We expect the gap between soft real GDP growth and robust job growth to close over the next few quarters, as output growth picks up somewhat while employment eases to a more sustainable pace. For 2019 as a whole, we anticipate a 1.3% real GDP expansion, while the unemployment rate remains below the 6% mark.
- It is not assured that the Bank of Canada will follow the Federal Reserve in the event of rate cuts, as markets so often expect. Absent clear evidence of domestic economic deterioration, easing in Canada is unlikely. We hold this view for several reasons. First, after an extended soft path, the domestic data is coming in better than expected in Q2, tracking 2%. This is above the Bank of Canada’s expectation. Second, housing is showing signs of stabilization, and the Bank will want to avoid the risk of re-fuelling leverage dynamics. Third, the policy rate is already lower relative to south of the border.

Global Outlook

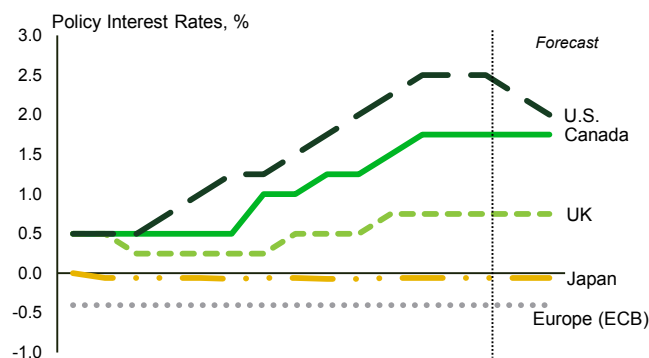
- Economic growth around the world has evolved in line with our expectations, keeping our 2019 forecast unchanged at a subdued 3.1% (Chart 1). However, the recent escalation of trade conflicts suggests more downside risk to our 2020 view, which we have edged down to 3.3% (from 3.5% previously).
- Underlying this forecast is an assumption of a more muted rebound in global economic activity in the second half of this year. Trade policy uncertainty is likely to remain elevated even if a deal is struck between the U.S. and China. A number of indicators are signaling that momentum is starting to turn the corner, but it is too early to gauge the robustness of the rebound.
 - After rising through the first four months of the year, world oil prices have pulled back considerably over the past month, as worries of softening demand have increased. Other commodity prices, including base metals, have been similarly weak, reflecting soft demand and more ample supplies.
 - Risk appetite and global financial market conditions have improved since early 2019, but have come under pressure as trade conflicts have escalated. However, recent rate cuts by some central banks, and the prospect of Fed cuts later this year, have helped to lift market sentiment (Chart 2).
 - Consumer and business sentiment surveys have stabilized or edged up from recent lows in most major economies, suggesting greater confidence in the near-term outlook. However, some ques-

Chart 1: Persistent Uncertainty Weighing on Global Growth



Advanced and emerging market growth rates are stated as contributions to global growth based on International Monetary Fund (IMF) estimates of the 2017 purchasing-power-parity (PPP) valuation from the October 2018 World Economic Outlook.
Source: TD Economics. Forecasts as at June 17, 2019.

Chart 2: Federal Reserve Expected to Cut Rates Twice This Year

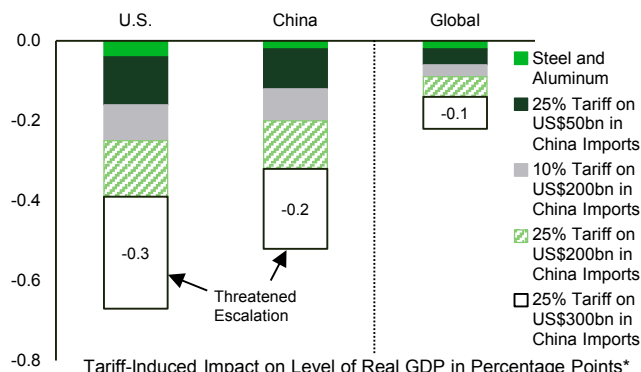


Source: National central banks. Forecast by TD Economics.

tion marks linger on the European outlook.

- While remaining at low levels, industrial production appears to be stabilizing in many parts of the world, as are global trade volumes.
- Real wage growth and job gains have remained healthy in advanced economies, supporting a firming outlook for domestic demand.
- China's economic indicators are showing early evidence of responding positively to stimulus, which could alleviate some pressure on key trade partners.
- Given the precarious state of the global economy, the last thing it needs is an escalation in trade tensions. However, this did not stop the U.S. administration from raising its tariff rate on \$200 billion in imports from China to 25% from 10%, and initiating the process to levy a 25% tariff on the remaining \$300 billion in imports from China. The first tranche of increased tariffs is likely to shave a bit more than 0.1 percentage points off U.S. growth in the year ahead, with a similar amount hitting back on China.
 - While the economic impacts of the recent escalation may be small, further escalation to apply a 25% tariff rate on the remaining \$300 billion would reduce U.S. growth by about 0.3 percentage points over the next year or so, with a similar negative impact estimated for China (Chart 3). Critically, the impact on market sentiment is the wildcard in these estimates.
- China has announced an increase in tariffs of up to 25% (from the previous 5-10% rate) on \$60 billion in

Chart 3: Escalation in U.S.-China Tariffs Would Further Chill Economic Activity



* Impact on real GDP up to six quarters after tariffs imposed.
Source: TD Economics

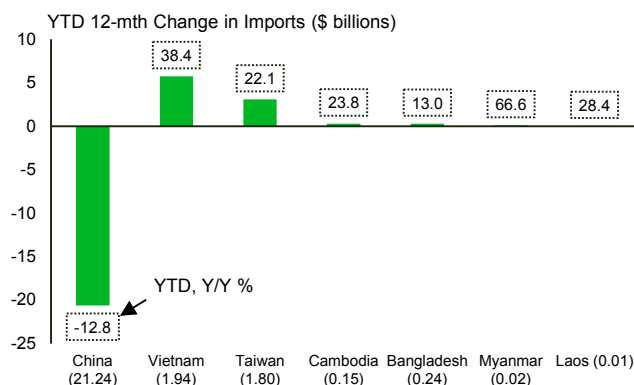
U.S. goods effective June 1st. Chinese authorities have responded by allowing the renminbi to depreciate as a means to offset the cost of U.S. tariffs. Authorities are also increasing domestic subsidies to the most-affected sectors, and are continuing to impede the activity of U.S. businesses operating in China.

- As we've seen previously, the direct impacts of tariffs (Chart 4) are dwarfed by the indirect impacts that can flow through deterioration in market sentiment and heightened business uncertainty. This is the true wild-card, particularly since we are at an early phase of global recovery after having buckled from past trade action.
- Trade negotiations between the U.S. and the EU and Japan are in their early stages. The U.S. administration has threatened to impose tariffs on \$11bn in EU goods, and continues to weigh levying auto tariffs. Should negative trade action take place with Europe and/or Japan while issues remain unresolved with China, the stability of the global economy becomes more threatened via the sentiment channel. In addition, both Europe and Japan have a very thin growth-cushion to absorb additional shocks.
- Growth is expected to remain dichotomous between advanced and emerging market economies. Once again, the U.S. is positioned to outperform its peers this year. At around 2.6%, growth will be slightly softer than last year, but still gap with other advanced economies. This should keep the U.S. dollar well-bid.

Growth to hold below trend in most of the G7

- The outlook for the G7 economies is broadly similar to our outlook in March:
 - The Euro Area is expected to grow at a 1.2% pace this year. First quarter growth proved a bit stronger than expected as consumer spending and net trade firmed up. However, ongoing weakness in the manufacturing sector may persist into the second half of the year, leaving growth stuck at around its 1.3% quarterly annualized trend pace.
 - The Brexit saga continues, with the exit date pushed to October 31st. This month marks three years of uncertainty about the UK's future trading relationship with its most important partner. This extended period of uncertainty will continue to weigh on the UK economy for several more quarters. Business and residential investment are expected to remain subdued despite healthy domestic fundamentals. This places the UK growth outlook at just 1.2% in 2019. It will be important to look through the noise in the incoming data. Looming Brexit deadlines drove a surge in imports and inventories at the start of the year that is expected to unwind in the coming quarters.
- Advanced East Asian economies will continue to face headwinds related to the fallout from escalating U.S.-China trade tensions. Exports of technology goods from Japan, South Korea, and Taiwan have all been affected by the trade spat. With a ramping up in trade tensions, it's difficult to see growth tick up in Japan to

Chart 4: U.S.-China Tariffs Shifting Some U.S. Imports from China to Other Asian Trade Partners



Import trade shares (%) in parentheses.
Source: U.S. Census Bureau, TD Economics. Year-to-date as of April 2019.

an above-trend pace. As such, Japanese growth is expected to remain choppy this year even before the VAT tax hike is introduced this fall.

- Oil production curtailments and recent domestic weakness have dampened economic growth in Canada for several quarters. However, recent data support some firming in domestic demand in the March-April period. This is consistent with our view that Canada should be able to produce roughly 1.3% growth this year on strengthening momentum.
- Soft inflation and the growth-sapping impacts of escalating trade disputes ensures that G7 central banks will remain on the sidelines in the coming months as they monitor incoming data. The one exception is the Federal Reserve, which has the most room to cut. The Fed is likely to adopt a risk management approach and cut rates later this year.

Hope for an EM rebound

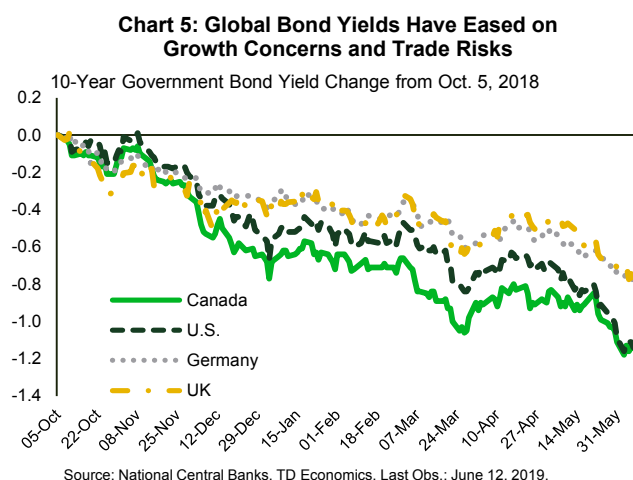
- Economic activity is slowly improving within emerging market economies. Although highly volatile, capital flows have stabilized, and domestic financial conditions have loosened. Moreover, the reemergence of disinflationary pressures ensures that some countries may be able to undertake more stimulus measures, such as policy rate cuts and/or fiscal initiatives.
- Emerging East Asian economies with the largest supply chain links with China have slowed in line with expectations at the start of the year. However, forward-looking manufacturing surveys signal a rebound is beginning to take hold on improving domestic demand and Chinese stimulus measures.
- There are some signs that Chinese demand is rebounding after slumping in the second half of last year. Past economic stimulus measures are likely playing a role, as are promises by authorities to boost infrastructure spending and help households purchase consumer durables. Manufacturing activity is expanding once again, while consumer and business sentiment is recovering. As a result, we maintain our forecast of 6.2% growth for China's economy this year, roughly the midpoint of the 6-6.5% range announced by authorities in March.

Downside risks persist

- Late cycle dynamics, a build-up in financial vulner-

abilities and heightened economic uncertainty have made forecasting more difficult than usual over the past few quarters. Concerns about growth and trade wars have driven down global bond yields back to 2017 levels (Chart 5). Despite early evidence of a pick-up in underlying economic indicators, the pace of economic growth remains lower than in recent years. This leaves many countries with a thinner cushion to absorb economic shocks, be it from trade or geopolitical developments. This places more focus on the potential for additional monetary and fiscal stimulus, and the ability of countries that are already near the zero lower bound and running budget deficits to deliver it (if need be). Rate cuts by the Fed should help cushion some of the downside threat to growth via looser global financial conditions, but are not expected to extinguish the drag on investment and trade from the prolonged period of elevated uncertainty.

- As the unprecedented and rising amount of negative yielding debt attests (more than US \$11tn), monetary policy is still far from normal. Even so, a failure of either economic growth or inflation to increase would hasten pressure for additional stimulus before key advanced economies have lifted rates off the zero lower bound. Europe, with its ailing banks and little room to lower interest rates, is most at risk of falling into recession if demand were to falter. Moreover, fiscal space in the Euro Area is limited to a handful of economies, including Germany, but coalition governments are hesitant to deploy fiscal stimulus. Any missteps by policymakers could result in a sudden repricing of global risk that could derail the global recovery.



U.S. Outlook

- The U.S. economy had a stronger start to the year than expected, with real GDP increasing by 3.1% (annualized) in the first quarter. That healthy pace was due in large part to temporary factors including a sizeable buildup in inventories. This is expected to be reversed in the second quarter, holding headline growth to a softer 1.9%.
- The better start to the year raises the 2019 outlook for the annual average to 2.6% (from 2.4% in March). Growth is expected to be held to a rate of less than 2% in the coming quarters, as capacity constraints begin to bind and as tariffs restrain business investment (Chart 6).
- In contrast, inflation has run below expectations. Some of the softness earlier in 2019 has proved transitory, but the otherwise strong economy is generating less inflationary pressure than anticipated (Chart 7).
- Notably, tariff threats have returned to the fore. In May, the White House raised the tariff rate on the second tranche of Chinese imports from 10% to 25%. This could subtract roughly 0.1 percentage points from U.S. growth over the next 12 months assuming the tariffs remain in place. Although, the administration threatened escalating tariffs on Mexico, only to pull the threat at the eleventh hour, the threat on Europe remains very much alive.
- The persistent elevated risk environment alongside a very modest inflation backdrop allows the Fed to err on the side of caution and cut the funds rate in two

Chart 6: Domestic Demand Has Slowed Beneath Quarterly GDP Volatility

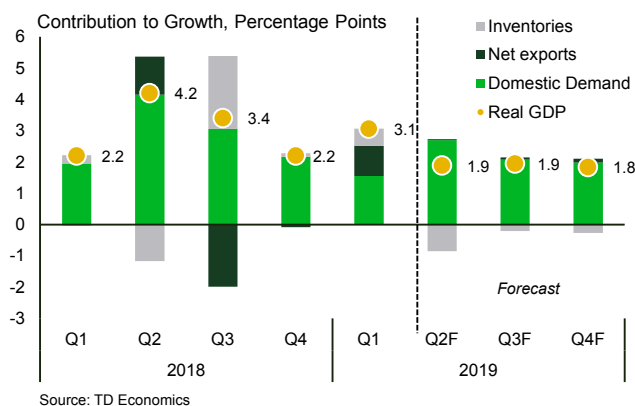
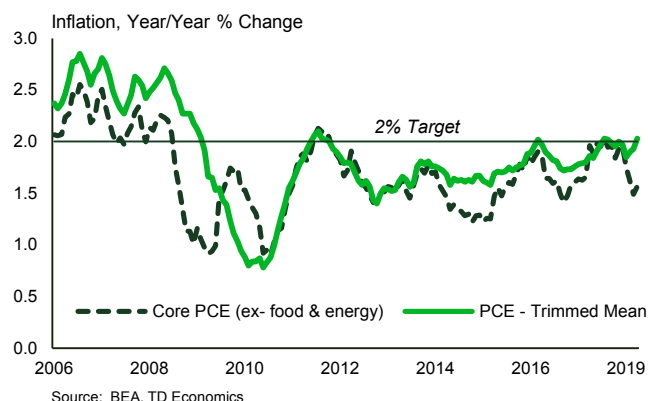


Chart 7: Looking Beyond Transitory Factors, Inflation Is Close to 2% Target



25 basis point steps in the second half of this year as “insurance” (see our [report](#) for more details).

Solid consumer fundamentals

- Consumer spending had a weak first quarter, up only 1.3% (annualized). However, activity is on track to rebound to 3.0% in the second quarter, before likely settling in at a pace of around 2% over the remainder of the year.
- The fundamentals supporting consumer spending are solid. Job gains, while slowing, have averaged 150k per month over the past three months, in line with our expectations. At 3.6%, the unemployment rate is at its lowest in nearly 50 years. Despite market and media commentary on slow nominal wage growth, soft inflation means real wage gains have strengthened, offering a strong foundation for domestic demand.

Housing struggling to gain traction

- Housing is another interest-rate-sensitive sector that has struggled of late. Housing starts and resale activity were little changed in the early months of 2019. Residential investment contracted for the fifth consecutive quarter in Q1, and is on track to underperform our expectations for the first half of the year.
- On the supply side, the number of homes for sale is low relative to history and housing construction is running well below trend household growth. As a result, vacancy rates for both rental and homeowner housing are at several decade lows. This is unlikely to prove lasting and construction activity should pick up in the months ahead.

- On the demand side, lower mortgage rates should entice buyers. When combined with slower house price growth and decent wage gains, improved affordability is expected to give support to housing demand into 2020.

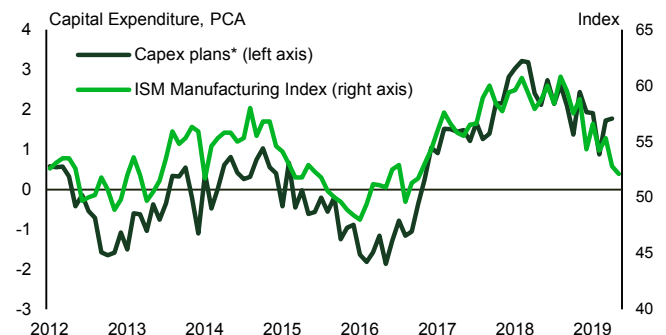
Tariffs top list of downside risks to investment

- Despite solid real GDP growth, business capital spending has also been weaker than we had expected, advancing by just 2.3% (annualized) in the first quarter. Spending in industries reliant on federal government contracts was likely held back by the government shut-down, but it is difficult to tease out the precise impact.
- Recent high-frequency data suggest that momentum has softened further, with overall business spending likely to contract in the second quarter. Some of the weakness reflects production cuts for Boeing's 737 MAX, which is estimated to subtract about 0.2 percentage points from real GDP growth in Q2. If production returns to normal, growth would receive a boost in the second half of the year. But, more ominously, unrelated business spending on structures and a variety of equipment is also declining.
- This is perhaps not surprising given the deterioration in business sentiment in recent months, more so in the manufacturing sector (Chart 8). Uncertainty has been ratcheted up once again with the escalation in the U.S.-China tariff battle. In addition, the administration looks to open another front with Europe, which could further dent confidence.
- Our forecast builds in tariffs that have already been implemented, but assumes no additional tariffs are implemented. Clearly, any positive developments would help to lift business confidence and investment, particularly in 2020 and beyond. In the meantime, the risks to our business investment forecast are to the downside.

Fed is likely to cut rates in late 2019, but not as much as markets (currently) expect

- Despite the tariffs enacted to-date, inflation has remained contained. The Fed's preferred inflation metric picked up to 1.6% in April (from 1.5% in March), but is well below the Fed's 2.0% target, a place it has been for the majority of the decade-long economic expansion.

Chart 8: Confidence and Spending Intentions Have Softened



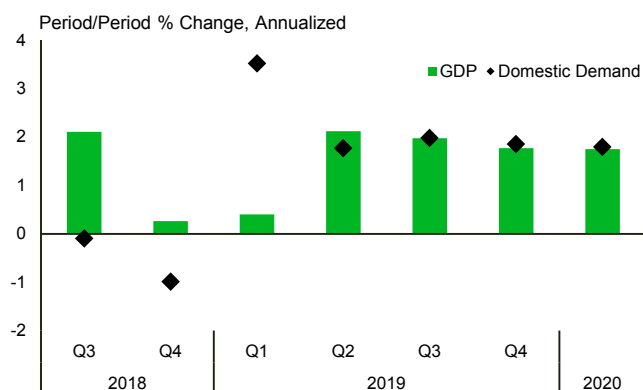
*Capex plans come from intentions in the manufacturing surveys done by the Federal Reserve Banks of NY, Philadelphia, Richmond, Dallas and Kansas City. Source: BEA/Haver Analytics, FRBs & TD Economics

- Chair Powell has framed some of the recent bout of weaker-than-expected inflation as transitory. Indeed, other inflation metrics, such as the trimmed-mean PCE inflation rate have hit 2.0%. Even so, Powell and other Fed officials have emphasized that the inflation target is symmetric, and will look for proof that it is turning convincingly higher. Further tariffs are likely to raise consumer prices, but unless this results in an upward shift in inflation expectations, the Fed is likely to look through it and focus on the detrimental impact on economic growth.
- The fed funds futures curve is pricing in several cuts to the target rate over the next 24 months, which is also weighing on longer-term yields. Assuming no further escalation of tariffs, we expect some of this to be unwound in the coming months. Still, benign inflation increasingly suggests the U.S. economy has more room to run and can afford the Federal Reserve taking a risk management approach by providing a modest accommodation (two 25 basis point cuts) later this year as "insurance".
- Escalating tariffs have put upward pressure on the U.S. dollar, especially relative to emerging market economies. Assuming tensions ease, much of the upward movement appears to be in the rear-view mirror. As U.S. growth converges a little closer with its trading partners, it is likely to lead to a modest weakening in the dollar over the second half of the year.

Canadian Outlook

- The soft patch that characterized Canada's economy in late-2018 persisted into the opening months of 2019. Real GDP advanced by a soft 0.4% (annualized) in the first quarter, held back by falling construction (both residential and non-residential) and exports. Despite the soft headline, domestic demand – spending by households and businesses – accelerated, breaking the down-trend through 2018.
- We forecast a pickup in the economic expansion in the second quarter. The key factors driving our forecast are healthy household income, a recovery in housing markets, and a resumption of export activity.
- Conversely, the extent of the near-term bounce-back will be partially blunted by a large buildup in business inventories that will likely be worked down. Notably, stock-to-sales ratios among manufacturers and wholesalers stand near multi-year highs, and the impact of production curtailments on energy sector inventories have been smaller than anticipated.
- Bringing it all together, real GDP growth is expected to average 1.3% for all of 2019, before strengthening to 1.7% in 2020. Underlying demand is expected to be healthier than the headline numbers would suggest (Chart 9).
- Underlying this status-quo view on GDP is a picture of notable cross currents, and in some cases, data contradictions. We hone in on these key themes and how these story lines will play out.

Chart 9: Soft Headline Tracking Masks Domestic Demand Recovery

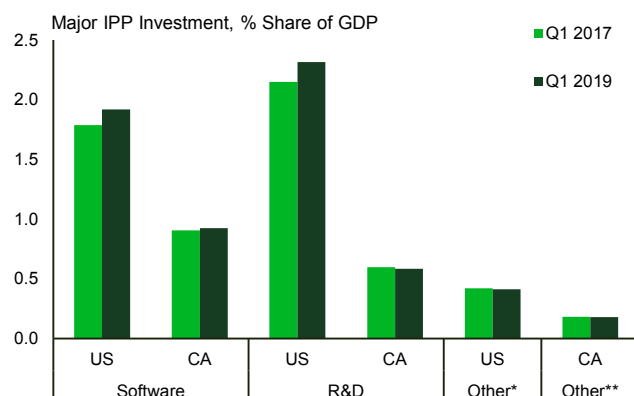


Source: Statistics Canada, TD Economics

Divergence One: Stagnant Output Growth and Robust Employment

- Last year saw a marked deceleration of economic activity, particularly final domestic demand (i.e. excluding trade and inventories). Yet, employment has been robust, with hiring accelerating as economic activity moderated.
- This divergence appears to be driven by two components. The first is the shift towards service-sector employment. Professional services (which includes many IT firms), transportation, and health/social services have led the climb in employment, and output among the service industries has remained solid at around the 2% year-on-year mark. The overall pace of activity has moderated due to softness in goods-producing industries, where there is evidence of hours worked being reduced as hiring remains modest.
- A further explanation is likely businesses reacting to elevated uncertainty. An uncertain trade backdrop may have incited firms to favour labour over capital investment. This can be seen in the soft investment figures over recent years, even as hiring has been on a tear. Somewhat concerning is that this is also evident in 'new economy' investment in intellectual property products, which remains well below U.S. levels (Chart 10).
- An unexpected surge in machinery and equipment investment at the start of 2019 (up 39% at an annualized pace) was driven in large part by spending in the volatile aircraft and other transportation equipment category, creating the risk that the first quarter strength was a 'one-off'.
- The divergence between hiring and output, together

Chart 10: Canadian Business Investment Well below U.S. Levels



Source: BEA, Statistics Canada, TD Economics. *Other* categories vary between countries

Chart 11: Strong Hiring, Weak Output Leaves Productivity Moving Sideways



with tepid trend investment, has manifested in very weak productivity growth over the last two years (Chart 11). A brief period of stagnation is not unusual, but is not sustainable.

- This divergence will be resolved by the expected pick-up of activity as 2019 progresses and a moderation of the pace of hiring towards longer-term fundamentals. Our outlook envisions a 'sweet spot' where productivity improves, helping drive wage gains and holding the unemployment rate below its longer-term trend for some time.

Divergence Two: Employment and Spending

- While employment growth has diverged from output, spending has diverged from employment gains. Canadian households pared back expenditures in the latter part of 2018. And, even with the rebound in spending in Q1, consumption is up only 1.9% year-on-year, barely ahead of employment gains and down from a peak pace of 3.9% at the end of 2017.
- Market turmoil late last year is likely a contributor. However, the bigger factor appears to be the lagged effects of higher interest rates and tighter mortgage rules put in place in 2017/2018. These have driven a marked deceleration of spending on rate-sensitive items (autos, furniture, electronics, etc.) alongside a moderation in housing activity. This has manifested in an unintended inventory buildup and slower household credit growth.
- Although consumer spending and national housing activity are finding a firmer footing, we remain skeptical that the first quarter's spending growth will be repeated. Market volatility has returned, albeit to a lesser extent,

and the household savings rate is low, at just 1.1% of disposable income. On top of this, even as borrowing costs have come down recently, credit growth suggests highly-indebted households remain cautious.

- The result is an elusive 'soft landing' captured by a convergence between nominal spending, credit growth, and household incomes to a modest but sustainable 3.0% to 3.5% rate, or 1.0-1.5% in real terms. This would set the stage for continued stability in the household debt burden, albeit at elevated levels, and for a modest increase in the saving rate. At the same time, our projection for modest real spending gains will enable the gradual absorption of excess inventories.

Divergence Three: Curtailment, Higher Prices, but Still High Inventories

- Late last year, the Alberta government announced mandatory energy production curtailments to address significant pricing discounts, as output outstripped takeaway capacity and inventories hit extreme levels.
- On the first goal, curtailment has been a success. The spread between heavy Canadian oil prices and the U.S. WTI benchmark averaged an unusually narrow -US\$10/bbl in the first quarter, after touching a low of -\$50/bbl last October. But, success in this goal has created challenges in the second.
- The low discount on heavy oil has made shipping oil by rail uneconomic (effectively the only option for marginal barrels given pipeline capacities). This has led firms to maintain inventories relatively unchanged from December levels even as production has been curtailed. This is corroborated by the export data, where energy product volumes fell more than 6% in the first quarter. This dynamic means that more of the drag on GDP is yet to come.
- As discussed in a recent [report](#), decreasing curtailment stringency, pipeline delays and steady inventories all augur for a re-widening of Canadian price spread to the US\$15-\$20/bbl range. Some evidence of this has already been seen. U.S. benchmark WTI prices are expected to hold in the US\$50-60 range over the forecast horizon, down modestly from our prior forecast.

Divergence Four: Investment and Sentiment

- Businesses may have kicked off 2019 with an investment splurge in aircrafts (Chart 12), but investment in

structures has now contracted for five straight quarters in a likely reflection of the challenges still facing the energy sector.

- With capacity utilization off recent highs for several categories we expect some payback in the second quarter.
- The soft outlays come despite generally decent business sentiment, a disconnect that was particularly notable over 2018. Trade uncertainty is the likely culprit; firms may have remained optimistic that a resolution was forthcoming even as negotiations dragged on. Sentiment has softened somewhat of late, suggesting some closure of the gap, but the May 10th escalation in the U.S.-China trade war means that some disconnect will likely persist. The impact on Canada will depend on the length of the dispute, the degree to which Canada is impacted by potential trade diversion (i.e. Chinese goods shipped via Canada) and, critically, the reaction of market and business sentiment.
- The same holds true with the potential for U.S. conflicts with the European Union and Japan.
- Given this backdrop, we continue to expect only a moderate pace of investment at around 3.5% per quarter in the coming years (less than half its post-crisis average), domestic-focused and helped by ongoing activity related to the natural gas terminal in Kitimat B.C.

Divergence Five: Feds versus Provinces

- New governments bring new budgets. In contrast to the federal government, where the most recent budget saw almost all the new fiscal space eaten up by spending measures, the Ontario government's first budget aims

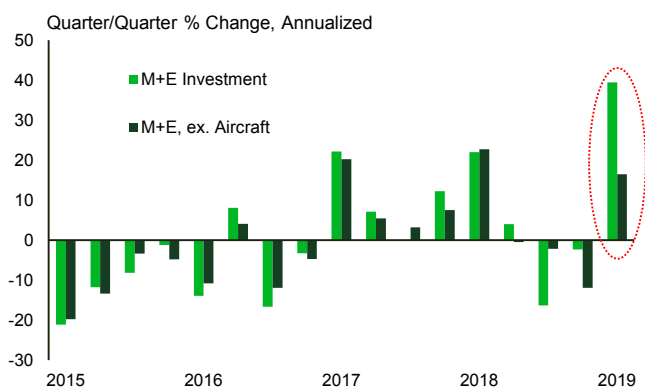
at consolidation (see [report](#)). Outright spending cuts are few and far between, but a markedly slower pace of spending is planned relative to the prior trajectory. The newly elected Albertan government has also indicated that it plans to eliminate budget deficits.

- Fiscal restraint is warranted, particularly in Ontario, given a significant debt burden. The change in fiscal stance does mean, however, that government spending will provide less of a growth lift, most notably in 2020. We have reduced the contribution from overall government spending by about 0.2 p.p. (The hit to Ontario's 2020 growth, all else equal, is about 0.4 p.p.). The downgrade to government spending is offset by slightly higher consumer spending, resulting in only a slightly downgrade of our overall Canadian growth outlook for next year (for provincial details, see the [Provincial Economic Forecast](#)).

Steady as she goes for the Bank of Canada

- Canadian data divergences and the uncertainties they generate have moved the Bank of Canada to adopt a cautious stance. The Bank's communiqué in May signaled a steady-as she goes approach, recognizing the recent improvement in economic conditions, but remaining mindful of the external sector downside risks.
- The biggest external factors are the latest escalation in the U.S.-China trade war and a re-thickening of North American trade barriers despite the removal of steel and aluminum tariffs. In a recent press conference, Governor Poloz noted that a 'new shock' may be a compelling factor to motivate a policy interest rate cut. Canada will be negatively impacted by the recent dispute escalation, but the scale of the impact is unlikely to materially alter the economic forecast unless further deterioration in sentiment takes hold. Likewise, we expect the loonie to trade around 74 to 77 U.S. cents over the forecast horizon.

Chart 12: Volatile Aircraft Category Drove First Quarter Investment Surge



Interest Rate Outlook												
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2*	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Canada												
Overnight Target Rate	1.25	1.25	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
3-mth T-Bill Rate	1.10	1.26	1.59	1.64	1.67	1.66	1.65	1.65	1.65	1.65	1.65	1.65
2-yr Govt. Bond Yield	1.77	1.91	2.21	1.86	1.55	1.38	1.50	1.55	1.60	1.65	1.70	1.75
5-yr Govt. Bond Yield	1.96	2.06	2.33	1.88	1.52	1.33	1.50	1.55	1.65	1.70	1.75	1.80
10-yr Govt. Bond Yield	2.09	2.17	2.42	1.96	1.62	1.44	1.55	1.65	1.75	1.85	1.90	1.95
30-yr Govt. Bond Yield	2.23	2.20	2.42	2.18	1.89	1.70	1.80	1.90	2.00	2.10	2.15	2.20
10-yr-2-yr Govt Spread	0.32	0.26	0.21	0.10	0.07	0.05	0.05	0.10	0.15	0.20	0.20	0.20
U.S.												
Fed Funds Target Rate	1.75	2.00	2.25	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00
3-mth T-Bill Rate	1.70	1.89	2.15	2.40	2.35	2.14	1.98	1.85	1.85	1.85	1.85	1.85
2-yr Govt. Bond Yield	2.27	2.52	2.81	2.48	2.27	1.84	1.95	2.00	2.05	2.10	2.15	2.20
5-yr Govt. Bond Yield	2.56	2.73	2.94	2.51	2.23	1.83	2.00	2.10	2.20	2.30	2.35	2.40
10-yr Govt. Bond Yield	2.74	2.85	3.05	2.69	2.41	2.08	2.20	2.30	2.40	2.45	2.50	2.55
30-yr Govt. Bond Yield	2.97	2.98	3.19	3.02	2.81	2.59	2.45	2.55	2.65	2.70	2.75	2.80
10-yr-2-yr Govt Spread	0.47	0.33	0.24	0.21	0.14	0.24	0.25	0.30	0.35	0.35	0.35	0.35
Canada-U.S. Spreads												
Can - U.S. T-Bill Spread	-0.60	-0.63	-0.56	-0.76	-0.68	-0.47	-0.33	-0.20	-0.20	-0.20	-0.20	-0.20
Can - U.S. 10-Year Bond Spread	-0.65	-0.68	-0.63	-0.73	-0.79	-0.65	-0.65	-0.65	-0.65	-0.60	-0.60	-0.60

F: Forecast by TD Bank Group as at June 2019. All forecasts are end-of-period.

Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics. * Spot rate as at June 14, 2019 with the exception of policy rates.

Foreign Exchange Outlook													
Currency	Exchange rate	2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2*	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Exchange rate to U.S. dollar													
Euro	USD per EUR	1.23	1.17	1.16	1.15	1.12	1.12	1.14	1.15	1.16	1.17	1.18	1.19
UK pound	USD per GBP	1.40	1.32	1.31	1.28	1.30	1.26	1.29	1.30	1.31	1.32	1.33	1.34
Japanese yen	JPY per USD	106	111	113	110	111	109	107	106	105	104	104	103
Chinese renminbi	CNY per USD	6.27	6.62	6.87	6.88	6.71	6.93	6.90	6.90	6.90	6.90	6.90	6.90
Exchange rate to Canadian dollar													
U.S. dollar	USD per CAD	0.78	0.76	0.77	0.73	0.75	0.75	0.76	0.77	0.77	0.77	0.77	0.77
Euro	CAD per EUR	1.59	1.53	1.50	1.56	1.50	1.50	1.49	1.50	1.51	1.52	1.53	1.55
UK pound	CAD per GBP	1.81	1.73	1.69	1.74	1.74	1.69	1.69	1.69	1.70	1.72	1.73	1.74
Japanese yen	JPY per CAD	82.4	84.3	87.8	80.4	82.8	81.0	81.7	81.5	80.8	80.0	79.6	79.2
Chinese renminbi	CNY per CAD	4.87	5.04	5.32	5.04	5.03	5.16	5.26	5.31	5.31	5.31	5.31	5.31
F: Forecast by TD Bank Group as at June 2019. All forecasts are end-of-period.													
Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics. * Spot rate as at June 14, 2019.													

F: Forecast by TD Bank Group as at June 2019. All forecasts are end-of-period.

Source: Bloomberg, Bank of Canada, Federal Reserve, TD Economics. * Spot rate as at June 14, 2019.

Commodity Price Outlook												
	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Crude Oil (WTI, \$US/bbl)	63	68	70	59	55	60	58	59	60	61	62	62
Natural Gas (\$US/MMBtu)	3.08	2.86	2.93	3.80	2.92	2.60	2.60	2.55	2.50	2.51	2.53	2.54
Gold (\$US/roy oz.)	1329	1306	1213	1229	1303	1290	1300	1325	1350	1375	1400	1425
Silver (US\$/roy oz.)	16.74	16.56	15.02	14.58	15.58	14.65	15.25	16.00	16.75	17.25	18.00	18.25
Copper (cents/lb)	316	312	277	280	282	284	279	279	297	297	311	311
Nickel (US\$/lb)	6.01	6.56	6.02	5.21	5.60	5.67	5.47	5.65	5.90	6.12	6.35	6.35
Aluminum (cents/lb)	98	102	93	89	84	83	84	86	90	93	98	98
Wheat (\$US/bu)	7.42	7.46	6.70	6.85	6.80	6.85	6.85	6.90	6.93	6.95	6.98	7.00

F: Forecast by TD Bank Group as at June 2019. All forecasts are period averages.

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

Canadian Economic Outlook																		
Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated																		
	2018				2019				2020				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	18	19F	20F	18	19F	20F
Real GDP	1.5	2.5	2.1	0.3	0.4	2.1	2.0	1.8	1.6	1.7	1.6	1.7	1.9	1.3	1.7	1.6	1.6	1.7
Consumer Expenditure	1.3	1.9	1.3	1.0	3.5	1.5	1.7	1.7	1.5	1.6	1.7	1.6	2.1	1.9	1.6	1.4	2.1	1.6
Durable Goods	-0.1	-1.8	-0.6	-1.9	4.9	-1.4	0.9	1.1	1.2	1.4	1.4	1.5	1.0	0.6	1.1	-1.1	1.4	1.4
Business Investment	8.8	-0.7	-10.6	-6.4	10.5	-0.5	3.1	3.3	3.5	3.8	3.7	3.7	2.2	0.3	3.3	-2.5	4.0	3.7
Non-Res. Structures	-1.3	-4.1	-8.6	-14.2	-2.6	2.0	2.9	2.5	2.5	2.9	3.2	3.4	-0.9	-4.0	2.8	-7.2	1.2	3.0
Equipment & IPP*	20.9	2.9	-12.4	2.2	24.0	-2.9	3.4	4.1	4.4	4.6	4.1	4.0	5.6	4.5	3.7	2.7	6.7	4.3
Residential Investment	-8.4	-0.3	-3.2	-10.4	-6.1	8.5	4.4	3.2	2.9	2.8	3.0	2.9	-1.5	-1.8	3.5	-5.7	2.3	2.9
Govt. Expenditure	1.6	2.5	2.5	-0.3	2.8	1.7	1.4	1.2	1.1	0.8	0.8	0.8	3.0	1.7	1.1	1.6	1.8	0.9
Final Domestic Demand	1.4	1.6	-0.1	-1.0	3.4	1.8	2.0	1.9	1.7	1.7	1.8	1.8	2.0	1.4	1.8	0.5	2.2	1.7
Exports	3.6	12.0	0.8	0.3	-4.1	5.8	3.5	2.3	2.1	2.3	2.5	2.7	3.2	1.4	2.6	4.1	1.8	2.4
Imports	4.2	6.2	-8.9	-0.7	7.7	0.2	3.0	2.3	2.2	2.3	2.4	2.4	2.9	1.5	2.2	0.0	3.3	2.3
Change in Non-farm Inventories (2007 \$Bn)	16.9	14.6	6.0	13.4	16.1	9.7	9.3	9.1	8.9	8.9	8.1	7.4	12.7	11.0	8.3	--	--	--
Final Sales	1.2	2.4	1.0	-2.3	2.6	3.2	2.1	1.9	1.8	1.8	1.9	1.9	2.3	1.5	2.0	0.6	2.5	1.8
International Current Account Balance (\$Bn)	-65.5	-61.5	-40.6	-66.5	-69.4	-51.8	-50.0	-50.4	-50.9	-51.4	-52.0	-52.4	-58.5	-55.4	-51.7	--	--	--
% of GDP	-3.0	-2.8	-1.8	-3.0	-3.1	-2.3	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.6	-2.4	-2.2	--	--	--
Pre-tax Corp. Profits	1.5	10.3	13.9	-37.9	6.9	9.0	4.2	4.9	4.8	4.9	5.0	5.0	0.5	-2.6	5.0	-5.7	6.2	4.9
% of GDP	12.8	13.0	13.3	11.9	11.9	12.0	12.0	12.0	12.0	12.1	12.1	12.2	12.7	12.0	12.1	--	--	--
GDP Deflator (y/y)	1.8	2.2	2.5	0.5	1.1	1.7	1.8	3.2	2.7	2.2	2.1	2.0	1.7	2.0	2.2	0.5	3.2	2.0
Nominal GDP	3.2	3.9	4.3	-3.1	5.0	5.9	4.4	4.1	3.9	3.8	3.6	3.6	3.6	3.3	4.0	2.0	4.9	3.7
Labour Force	-0.3	1.3	1.2	1.2	3.3	2.1	1.2	0.9	0.7	0.6	0.6	0.6	0.8	1.9	0.9	0.9	1.9	0.7
Employment	0.3	1.0	1.3	2.2	2.9	3.1	0.4	0.6	0.6	0.6	0.6	0.6	1.3	2.0	0.7	1.2	1.7	0.6
Change in Empl. ('000s)	13	47	62	100	133	145	19	26	29	29	31	31	238	376	139	222	323	119
Unemployment Rate (%)	5.8	5.9	5.9	5.7	5.8	5.6	5.7	5.8	5.9	5.9	5.9	5.8	5.8	5.7	5.9	--	--	--
Personal Disp. Income	1.8	3.8	0.4	5.3	3.5	5.4	4.0	3.9	3.8	3.7	3.6	3.5	3.8	3.9	3.9	2.8	4.2	3.7
Pers. Savings Rate (%)	1.9	1.5	0.9	1.4	1.1	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.4	1.3	1.3	--	--	--
Cons. Price Index (y/y)	2.0	2.3	2.6	2.1	1.6	2.0	1.8	2.0	2.1	1.9	1.9	2.0	2.2	1.9	2.0	2.1	2.0	2.0
CPIX (y/y)**	1.3	1.4	1.6	1.6	1.5	1.8	1.8	1.8	1.8	1.9	2.0	2.0	1.5	1.7	1.9	1.6	1.8	2.0
BoC Inflation (y/y)***	1.9	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.9	2.0	2.0	2.0	1.9	1.9	1.9	1.8	2.0
Housing Starts ('000s)	224	218	197	217	187	215	193	195	195	196	196	196	214	198	196	--	--	--
Home Prices (y/y)	-4.5	-6.7	0.6	-3.4	-4.0	0.2	-2.9	-1.1	4.6	2.3	3.0	3.0	-3.5	-2.0	3.2	-3.4	-1.1	3.0
Real GDP / worker (y/y)	0.7	0.5	0.8	0.4	-0.5	-1.1	-0.9	-0.2	0.7	1.2	1.1	1.0	0.6	-0.7	1.0	0.4	-0.2	1.0

F: Forecast by TD Economics as at June 2019.
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, CPI-median, and CPI-common.
Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics, TD Economics.

U.S. Economic Outlook																		
Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated																		
	2018				2019				2020				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	18	19F	20F	18	19F	20F
Real GDP	2.2	4.2	3.4	2.2	3.1	1.9	1.9	1.8	1.7	1.8	1.8	1.9	2.9	2.6	1.8	3.0	2.2	1.8
Consumer Expenditure	0.5	3.8	3.5	2.5	1.3	3.0	2.1	2.0	1.9	2.0	2.2	2.3	2.6	2.4	2.1	2.6	2.1	2.1
Durable Goods	-2.0	8.6	3.7	3.6	-4.6	11.5	2.0	3.3	4.2	4.3	4.6	4.6	5.5	3.0	4.3	3.4	2.9	4.4
Business Investment	11.5	8.7	2.5	5.4	2.3	-0.7	2.9	3.2	2.4	2.4	3.4	3.5	6.9	2.8	2.6	7.0	1.9	2.9
Non-Res. Structures	13.9	14.5	-3.4	-3.9	1.7	-4.9	2.4	2.5	2.4	2.5	2.6	2.7	5.0	-0.4	2.0	4.9	0.4	2.5
Equipment & IPP*	10.8	7.1	4.3	8.4	2.4	0.5	3.1	3.4	2.4	2.3	3.6	3.7	7.5	3.8	2.8	7.6	2.3	3.0
Residential Investment	-3.4	-1.4	-3.5	-4.7	-3.5	-1.1	-0.4	-0.2	0.0	0.9	1.8	2.3	-0.3	-2.6	0.4	-3.3	-1.3	1.3
Govt. Expenditure	1.5	2.5	2.6	-0.4	2.5	4.9	1.7	1.2	1.2	2.2	-0.1	0.0	1.5	2.2	1.4	1.5	2.6	0.8
Final Domestic Demand	1.9	4.0	2.9	2.1	1.5	2.7	2.0	1.9	1.8	2.0	2.0	2.1	2.9	2.2	2.0	2.7	2.0	2.0
Exports	3.6	9.3	-4.9	1.8	4.8	-3.8	3.8	3.6	3.0	2.9	3.0	3.0	4.0	1.4	2.8	2.3	2.0	3.0
Imports	3.0	-0.6	9.3	2.0	-2.5	-3.3	2.6	2.0	2.5	3.1	3.9	4.0	4.5	0.6	2.4	3.4	-0.3	3.4
Change in Private Inventories	30.3	-36.8	89.8	96.8	125.5	86.9	77.9	65.5	62.9	54.5	53.7	54.5	45.0	89.0	56.4	--	--	--
Final Sales	1.9	5.4	1.0	2.1	2.5	2.8	2.2	2.1	1.8	2.0	1.8	1.9	2.7	2.4	2.0	2.6	2.4	1.9
International Current Account Balance (\$Bn)	-496	-414	-506	-538	-551	-514	-501	-503	-500	-504	-510	-516	-488	-517	-508	--	--	--
% of GDP	-2.5	-2.0	-2.5	-2.6	-2.6	-2.4	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.4	-2.4	-2.3	--	--	--
Pre-tax Corporate Profits including IVA&CCA	5.0	12.5	14.7	-1.7	-10.8	11.6	4.4	1.2	2.2	1.9	3.8	3.8	7.8	1.9	3.1	7.4	1.2	2.9
% of GDP	10.9	11.0	11.2	11.1	10.7	10.9	10.9	10.8	10.7	10.7	10.7	10.7	11.0	10.8	10.7	--	--	--
GDP Deflator (y/y)	2.0	2.4	2.3	2.1	1.8	1.6	1.8	1.8	2.2	2.2	2.2	2.3	2.2	1.8	2.2	2.1	1.8	2.3
Nominal GDP	4.3	7.6	4.9	4.1	3.6	4.1	4.5	3.7	4.0	4.2	4.2	4.4	5.2	4.3	4.1	5.2	4.0	4.2
Labor Force	2.5	0.6	0.6	2.2	0.5	-0.8	1.1	1.0	1.1	1.7	0.2	0.6	1.1	0.7	0.9	1.5	0.5	0.9
Employment	1.8	1.9	1.8	1.7	1.7	1.2	0.9	0.9	0.9	1.4	0.1	0.4	1.7	1.5	0.9	1.8	1.2	0.7
Change in Empl. ('000s)	641	694	667	649	629	445	328	325	353	542	44	141	2,453	2,202	1,336	2,651	1,727	1,080
Unemployment Rate (%)	4.1	3.9	3.8	3.8	3.9	3.6	3.6	3.7	3.7	3.8	3.9	3.9	3.9	3.7	3.8	--	--	--
Personal Disp. Income	7.0	3.8	4.2	4.7	2.6	3.5	4.0	4.3	4.8	4.7	4.6	4.5	4.9	3.7	4.5	4.9	3.6	4.6
Pers. Savings Rate (%)	7.2	6.7	6.4	6.5	6.7	6.2	6.1	6.2	6.3	6.4	6.4	6.4	6.7	6.3	6.4	--	--	--
Cons. Price Index (y/y)	2.2	2.7	2.6	2.2	1.6	1.9	1.9	2.0	2.4	2.2	2.3	2.4	2.4	1.8	2.3	2.2	2.0	2.4
Core CPI (y/y)	1.9	2.2	2.2	2.2	2.1	2.1	2.2	2.2	2.1	2.3	2.2	2.3	2.1	2.1	2.2	2.2	2.2	2.3
Core PCE Price Index (y/y)	1.7	1.9	2.0	1.9	1.6	1.5	1.7	1.7	1.9	2.0	2.0	2.1	1.9	1.6	2.0	1.9	1.7	2.1
Housing Starts (mns)	1.32	1.26	1.23	1.19	1.20	1.21	1.20	1.19	1.19	1.21	1.23	1.24	1.25	1.20	1.22	--	--	--
Real Output per hour** (y/y)	1.1	1.4	1.3	1.7	2.4	1.9	1.7	1.7	1.1	1.1	1.2	1.3	1.3	1.9	1.1	1.7	1.7	1.3

F: Forecast by TD Economics as at June 2019.

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

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

Economic Indicators: G7 & Europe				
	2017	Forecast		
		2018	2019	2020
Real GDP (annual per cent change)				
G7 (30.6%)*	2.2	2.1	1.8	1.4
U.S.	2.2	2.9	2.6	1.8
Japan	1.9	0.8	1.0	0.2
Euro Area	2.5	1.9	1.2	1.3
Germany	2.5	1.5	1.0	1.4
France	2.4	1.7	1.3	1.3
Italy	1.8	0.7	0.2	1.0
United Kingdom	1.8	1.4	1.2	1.3
Canada	3.0	1.9	1.3	1.7
Consumer Price Index (annual per cent change)				
G7	1.8	2.1	1.6	1.9
U.S.	2.1	2.4	1.8	2.3
Japan	0.5	1.0	0.7	1.4
Euro Area	1.5	1.8	1.3	1.4
Germany	1.7	1.9	1.6	1.7
France	1.2	2.1	1.3	1.6
Italy	1.3	1.2	0.8	1.1
United Kingdom	2.7	2.5	1.9	1.8
Canada	1.6	2.2	1.9	2.0
Unemployment Rate (per cent annual averages)				
U.S.	4.4	3.9	3.7	3.8
Japan	2.8	2.4	2.5	2.7
Euro Area	9.1	8.2	7.7	7.7
Germany	5.7	5.2	5.0	5.1
France	9.4	9.1	8.7	8.6
Italy	11.3	10.6	10.3	10.5
United Kingdom	4.3	4.0	3.8	3.9
Canada	6.3	5.8	5.7	5.9
*Share of 2017 world gross domestic product (GDP) at PPP.				
Forecast as at June 2019.				
Source: National statistics agencies, TD Economics.				

Global Economic Outlook					
Annual Per Cent Change Unless Otherwise Indicated					
	2017 Share*		Forecast		
	(%)	2017	2018	2019	2020
Real GDP					
World	100.0	3.8	3.6	3.1	3.3
North America	18.6	2.3	2.7	2.3	1.9
United States	15.3	2.2	2.9	2.6	1.8
Canada	1.4	3.0	1.9	1.3	1.7
Mexico	1.9	2.4	2.0	0.7	2.1
European Union (EU-28)	16.5	2.6	2.0	1.5	1.5
Euro Area (EU-19)	11.6	2.5	1.9	1.2	1.3
Germany	3.3	2.5	1.5	1.0	1.4
France	2.2	2.4	1.7	1.3	1.3
Italy	1.8	1.8	0.7	0.2	1.0
United Kingdom	2.3	1.8	1.4	1.2	1.3
EU accession members	2.6	3.8	3.9	3.3	2.6
Asia	44.3	5.5	5.2	4.8	4.8
Japan	4.3	1.9	0.8	1.0	0.2
Asian NIC's	3.4	3.2	2.7	1.7	2.8
Hong Kong	0.4	3.8	3.0	1.6	2.8
Korea	1.6	3.2	2.7	1.6	2.9
Singapore	0.4	3.7	3.2	1.9	2.8
Taiwan	0.9	3.1	2.6	2.0	2.9
Russia	3.2	1.7	2.2	1.8	1.8
Australia & New Zealand	1.1	2.4	2.8	1.9	2.5
Developing Asia	32.4	6.6	6.4	6.0	6.0
ASEAN-5	5.4	5.3	5.2	4.6	4.6
China	18.2	6.8	6.6	6.2	6.0
India**	7.4	7.1	6.8	6.5	7.2
Central/South America	5.8	0.4	-0.1	0.1	2.4
Brazil	2.5	1.1	1.1	0.8	2.3
Other Developing	13.7	3.5	2.4	2.0	3.0
Other Advanced	1.1	2.4	2.5	2.0	2.1
*Share of world GDP on a purchasing-power-parity (PPP) basis. Forecast as at June 2019. **Forecast for India refers to fiscal year. Source: IMF, TD Economics.					

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